

Biota Holdings

1H-FY09 Result – Saved By GSK Settlement



Wilson HTM
INVESTMENT GROUP

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\$0.46

BUY

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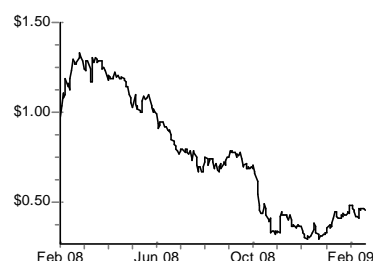
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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$80.3 M
Issued Shares	174.6 M
Avg Mth T'over	7.96 M
12 Mth High – Low	\$1.33 - \$0.30

Key Data/Ratios – FY 2009

Cash	\$55.4 M
Net Burn	\$29.1 M
EV	\$24.9 M
Interest Cover	n/a
ROE	-30.6%
EPS Growth	-273.5%
PEG Ratio	-0.36 x
NTA / Share	\$ 0.28
DCF	\$ 1.13
12 Mth Price Target	\$ 1.30

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

Year to June	NPAT (Rep) \$M	EPS (Norm) c	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2008a	-6.5	-2.6	-123.2	-29.2	28.4	-8.8	0.0	0.0	0
2009e	1.1	-9.9	-273.5	-4.7	58.2	-1.5	0.0	0.0	0
2010e	8.4	6.0	160.3	7.7	15.7	2.2	0.0	0.0	0
2011e	4.8	3.8	-35.6	12.0	3.0	-0.6	0.0	0.0	0

Equities Research – Biota Holdings

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Recommendation

BTA reported 1H-FY09 NPAT of \$7.2M but stripping out the GSK litigation settlement reveals a core loss before tax of \$9.2M. Cash position remained robust at \$53.3M and should remain steady through to the end of FY09. The company provided no material updates on any of their development programs, but the flow of research revenue implies steady activity. Some minor slippage in the HRV program, now expected to report results in Jun-09. BTA remains among the better resourced, stably managed businesses in the sector and owns good clinical assets. LANI program is the FY09 catalyst and the reason to own BTA at this time. Valuation unchanged at \$1.13/share. BUY retained.

Key Points

- BTA reported 1H-FY09 NPAT of \$7.2M but stripping out the GSK litigation settlement of \$20M reveals a loss before tax of \$9.2M. Cash position remained robust at \$53.3M, bolstered by the US\$3.5M payment from AstraZeneca in relation to BTA-9881 (RSV program).
- Cash position should remain steady through to the end of FY09 as 2H-FY09 as Relenza will be materially stronger. Some of the recent UK government stockpile contract and increased Japanese seasonal activity are expected to flow into GSK's Q1-2009 numbers, announced at the end of April. Recall that Relenza royalties are calculated on the basis of GSK sales to an April year end and paid annually in arrears on June 30 at ~7% of global sales.
- Aggregate expenses in the business grew just 3.9% on pcp to \$22.5M. The expenditure outlook should be less now that the GSK matter is history.
- The flow of research revenue implies steady activity in the HCV (Boehringer Ingelheim) and RSV (AstraZeneca) programs. No material updates were provided on any of the development programs.
- Some minor timeline slippage seems to have occurred in the HRV program, which is now expected to report results in Jun-09 (originally Apr-09). We will be publishing a detailed profile of that drug candidate (BTA798) before the Phase IIa data is released.
- No material changes are necessary to our FY09 forecasts. We have revised our reported NPAT estimate from \$3.4M to \$1.1M due to an unforeseen (non-cash) tax expense and some minor adjustments made to R&D expenditure expectations in the HRV and LANI programs. These are the only clinical programs directly funded by BTA.
- BTA remains among the better resourced, stably managed businesses in the sector and owns good clinical assets. LANI program is the FY09 catalyst and the reason to own BTA at this time.
- Our valuation is unchanged at \$1.13/share. BUY recommendation is retained.

Biota Holdings (BTA : \$0.46)**INVESTMENT FUNDAMENTALS**

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.7	0.7	4.8	2.7
EPS Normalised (c)	11.4	-2.6	-9.9	6.0	3.8
EPS Growth (%)	N/A	-123.2%	-273.5%	160.3%	-35.6%
PER Normalised (x)	15.8	-29.2	-4.7	7.7	12.0
DPS (c)	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%

VALUATION DATA

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EV / EBITA (x)	16.0	-8.0	-1.4	2.5	-0.7
EV / EBITDA (x)	14.9	-8.8	-1.5	2.2	-0.6
CFPS (c)	11.6	2.7	0.8	2.9	15.6
Price / CF	15.4	28.4	58.2	15.7	3.0
Book Value / Share (\$)	0.4	0.4	0.3	0.4	0.4
Price / Book (x)	4.5	2.2	1.3	1.2	1.1

PROFIT & LOSS (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	39.8	20.5	12.2	17.5	9.6
EBITDA	17.5	-9.4	-16.7	9.8	5.8
Depreciation	1.2	0.9	0.6	1.0	1.0
EBITA	16.3	-10.3	-17.4	8.8	4.8
Amortisation	0.3	1.8	1.6	2.0	1.9
EBIT	15.9	-12.1	-19.0	6.8	2.9
Net Interest Expense	-1.9	-2.8	-3.1	-1.6	-1.9
Pre-tax Profit	17.8	-9.3	-15.9	8.4	4.8
Tax	-2.3	-2.8	2.9	0.0	0.0
Tax rate (%)	-13.2%	30.3%	-18.3%	0.0%	0.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
Net Profit	20.2	-6.5	-18.9	8.4	4.8
Abn's / Extraord's	0.0	0.0	20.0	0.0	0.0
Reported Net Profit	20.2	-6.5	1.1	8.4	4.8
Revenue Growth (%)	N/A	-48.4%	-40.5%	42.7%	-45.3%
EBIT Growth (%)	N/A	-175.8%	-57.1%	135.8%	-57.1%
NPAT Growth (%)	N/A	-132.2%	-190.6%	144.4%	-43.0%

PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT / Sales (%)	40.1%	-58.8%	-155.3%	39.0%	30.6%
ROA (%)	N/A	-40.6%	-64.3%	22.7%	11.2%
ROE (%)	N/A	-9.6%	-30.6%	13.1%	6.8%
ROFE (%)	N/A	-164.1%	-454.2%	124.7%	-831.0%

INTERIMS (\$m)

Half Yr	Dec 07	Jun 08	Dec 08	Jun 09	Dec 09
Yr Ending June	1H A	2H A	1H A	2H E	1H E
Sales Revenue	16.5	4.1	3.8	8.4	7.0
EBIT	6.1	-18.1	-11.8	-7.2	-8.3
Net Profit	5.5	-12.0	7.2	-6.1	-7.2
EBIT / Sales (%)	36.7%	-446.8%	-309.2%	-85.4%	-119.5%

BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	62.2	60.2	55.4	58.6	83.8
Receivables	9.4	4.3	5.0	5.2	1.5
Inventories	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Current Assets	71.5	64.4	60.4	63.8	85.3
Net PPE	4.9	7.5	7.4	8.2	9.2
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	13.7	12.1	10.6	8.6	6.7
Other	2.4	5.2	7.0	8.0	4.9
Non-current Assets	21.0	24.8	25.0	24.8	20.8
Total Assets	92.5	89.3	85.4	88.7	106.2
Current Payables	6.0	12.0	12.0	14.0	15.0
Current Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Debt	0.0	0.0	0.0	0.0	0.0
Provisions	7.4	1.3	2.8	2.4	0.7
Other	7.5	12.7	10.7	4.0	17.4
Total Liabilities	20.9	26.0	25.5	20.4	33.1
Equity	161.7	159.1	154.8	154.8	154.8
Reserves	0.6	1.4	1.2	1.2	1.2
Retained Profits	-90.8	-97.3	-96.1	-87.7	-83.0
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	71.5	63.3	59.9	68.3	73.0
Total Funds Employed	9.4	3.1	4.5	9.6	-10.8

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Net Debt (Cash) (\$m)	-62.2	-60.2	-55.4	-58.6	-83.8
Net Debt / Equity (%)	-86.9%	-95.0%	-92.5%	-85.9%	-114.8%
Interest Cover (x)	-8.4	4.3	6.2	-4.3	-1.6
Debt / CashFlow (x)	0.0	0.0	0.0	0.0	0.0

CASHFLOW (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT	15.9	-12.1	-19.0	6.8	2.9
Dep'n and Amort'n	1.5	2.7	2.2	3.0	2.9
Net Int Rec'd (Paid)	2.7	2.8	2.7	1.6	1.9
Tax Paid	0.0	0.0	0.0	0.0	0.0
Dec / (Inc) W'kg Cap	0.0	9.7	-0.8	1.8	4.7
Other	0.4	2.7	17.6	-8.1	14.8
Operating Cash Flow	21.0	4.8	1.4	5.1	27.2
Capital Expenditure	-0.9	-3.8	-1.2	-1.9	-2.0
Asset Sales	0.0	0.0	0.0	0.0	0.0
Investments	-5.5	0.0	0.0	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	-6.4	-3.8	-1.2	-1.9	-2.0
Equity Raised	1.4	0.0	0.0	0.0	0.0
Inc / (Dec) in Loans	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other Fin. Flows	0.0	-3.0	-4.9	0.0	0.0
Financing Cash Flow	1.4	-3.0	-4.9	0.0	0.0
Net Cash Flow	16.0	-2.0	-4.8	3.3	25.2

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