



5 March 2009

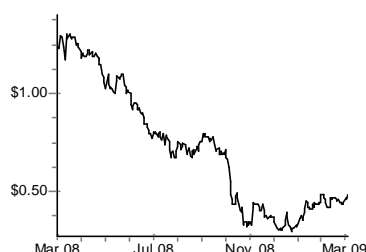
\$0.56

BUY

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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$96.8 M
Issued Shares	174.6 M
Avg Mth T'over	7.96 M
12 Mth High – Low	\$1.30 - \$0.30

Key Data/Ratios – FY 2009

Cash	\$55.4 M
Burn	\$29.1 M
EV	\$41.4 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

Recommendation

Shionogi is matching Daiichi-Sankyo in the race to get their new influenza drug, peramivir, to the lucrative Japanese seasonal market for the 2010 season. BTA co-owns Daiichi's race entrant CS8958, which remains among the most market-neglected clinical assets in our sector. Both of these large Japanese players know their country's drug approval processes better than we do – and both of them are talking about early 2010 approvals. It's not often that something happens faster than expected in biotechnology – but that looks a possibility in the case of CS8958. Valuation unchanged at \$1.13 per share. BUY recommendation.

Key Points

- Newswires report that Shionogi & Co. has completed dosing their Phase III clinical trial of peramivir, a rival drug to that co-owned by BTA and Daiichi-Sankyo. The BTA compound, CS8958, is also on track to complete Phase III and file for approval this year, under Daiichi's sponsorship in Japan. These two Japanese companies are racing to secure approvals in time for the height of the 2010 influenza season in Q1/Q2 2010.
- The Japanese seasonal market for influenza drugs is the largest in the world, filling 5-6M prescriptions per season. At the height of its popularity, Tamiflu sold >10M prescriptions in a season; though that has declined in recent years on account of drug resistance and safety concerns.
- The peramivir Phase III study is testing the safety and efficacy of an intravenous presentation, in the outpatient setting. Shionogi commenced the Phase III program after their partner, Biocryst, achieved a successful outcome in Phase II with a single *iv* administration of 300 mg or 600 mg peramivir. If approved, peramivir will be directly competitive with BTA/Daiichi's CS8958 (if approved), Relenza and Tamiflu in treating acute influenza infections.
- There is insufficient information to comment on comparative effectiveness between peramivir and CS8958. However, we see CS8958's once-only inhalation dosage as a large advantage, particularly in the emergency medicine setting. Intravenous drugs are more resource intensive – nurse time, equipment, space. Unless peramivir offers an astounding safety or efficacy benefit, we think carers will opt for CS8958. At this stage we do see peramivir being favoured in the treatment of particularly acute cases where the infection has compromised breathing.
- Biocryst has a wider development program underway for peramivir – testing the compound as an intramuscular injection, and for specific use in hospitalised patients. We expect both peramivir and CS8958 to commence prophylactic testing in the 2009/10 season.
- CS8958 remains one of the most market-neglected late stage clinical assets. If Daiichi is going as fast as Shionogi, CS8958 may also be approved early 2010 – more than a year faster than accounted for by our modelling.
- Retain our valuation of \$1.13 per share and BUY recommendation on BTA.

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

Biota Holdings (BTA : \$0.56)

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

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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