



23 April 2009

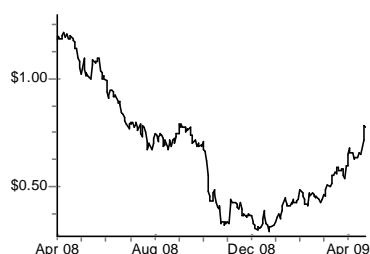
\$0.78

BUY

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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$80 M
Issued Shares	174.6 M
Avg Mth T'over	7.96 M
12 Mth High - Low	\$1.18 - \$0.30

Key Data/Ratios – FY 2009

EBITDA / Sales	23.7%
EBIT / Sales	18.1%
Net Debt / Equity	-94.8%
Interest Cover	-2.4 x
ROE	9.8%
EPS Growth	295.1%
PEG Ratio	x
NTA / Share	\$ 0.43
DCF	\$ 1.24
12 Mth Price Target	\$ 1.38

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

GSK sold £222M worth of Relenza in Q1-2009 which will translate into an indicative royalty payment of \$32.3M to BTA. It is a significant return to form for the drug, no doubt assisted by Tamiflu resistance in the US and Japan this flu season. We estimate that this result contains all of the UK stockpile order. Ex-US/EU sales were particularly and surprisingly strong – well above our estimates. Newswires also prefigure a significant increase in the Canadian Relenza stockpile, which may amount to an additional 11.1M courses. Relenza continues to subsidise BTA's costs and should now bring end-FY09 cash to \$80M. NPAT forecast for FY09 has increased to \$27.3M; albeit at the expense of FY10. Our valuation increases by 7% to \$1.24 per share. BUY.

Key Points

- GSK released their Q1-2009 result last night, revealing Relenza sales of £222M. This will translate into an indicative royalty of \$32.3M to BTA, bringing their FY-to-date royalty stream to \$36.1M. The improvement is well ahead of our expectations. The entire UK stockpile order seems to have been booked, demonstrating that GSK has improved their Relenza manufacturing capacity.
- We had foreshadowed a strong Japanese seasonal performance, but government stockpiling has clearly played a role behind the scenes. GSK sells Relenza into 45 countries and only a minority of orders are made public.
- Newswires indicate that the Canadian government will review their National stockpiles and increase their Relenza holdings. The Canadian stockpile is currently 55.7M courses; 10% of which is Relenza. Canada's more recently acquired back-up stockpile of 14M courses is 30% Relenza. No orders have yet been confirmed by GSK, but if Canada did rebalance its larger stockpile to 25% Relenza it would require an additional 11.1M courses.
- It appears that GSK was able to capitalise on the prevalence of Tamiflu resistant virus this Northern hemisphere influenza season. IMS data reveals that approximately 201,000 Relenza courses were prescribed in the US seasonal market during Q1-2009.
- Our FY09 forecast for Relenza royalties is upgraded to \$39.9M. FY09 NPAT forecast is now \$27.3M but it comes at the expense of FY10. Revenue has been shifted forward. GSK's Q2-2009 Relenza number will likely be much lighter unless new orders are received.
- Although the BTA share-price has sustained a 138% rally this year the price still only reflects cash (which is non-diminishing) and expected Relenza royalties to FY13. The price still implies zero value for the LANI drug programme, which has completed Phase III trials sponsored by a major Japanese Pharma (Daiichi-Sankyo).
- Revenue has been brought forward, lifting our valuation of BTA to \$1.24 per share (+7%). The non-Relenza elements of our sum-of-the-parts BTA valuation are unchanged. BUY recommendation is maintained.

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	27.3	5.2	295.1	8.9	2.9	-0.1	0.0	0.0	0
2010e	-3.8	-1.0	-120.0	-44.7	-11.4	-2.3	0.0	0.0	0
2011e	6.8	5.0	586.4	9.2	2.8	-2.5	0.0	0.0	0

Biota Holdings (BTA : \$0.78)

INVESTMENT FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.7	15.7	-2.2	3.9
EPS Normalised (c)	11.4	-2.6	5.2	-1.0	5.0
EPS Growth (%)	N/A	-123.2%	295.1%	-120.0%	586.4%
PER Normalised (x)	15.8	-29.2	8.9	-44.7	9.2
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	-0.1	-1.7	-2.9
EV / EBITDA (x)	14.9	-8.8	-0.1	-2.3	-2.5
CFPS (c)	11.6	2.7	15.8	-4.1	16.2
Price / CF	15.4	28.4	2.9	-11.4	2.8
Book Value / Share (\$)	0.4	0.4	0.5	0.5	0.5
Price / Book (x)	4.5	2.2	0.9	1.0	0.9

PROFIT & LOSS (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	39.8	20.5	39.9	2.8	12.6
EBITDA	17.5	-9.4	9.5	-3.4	7.3
Depreciation	1.2	0.9	0.6	1.0	1.0
EBITA	16.3	-10.3	8.9	-4.4	6.3
Amortisation	0.3	1.8	1.6	2.0	1.9
EBIT	15.9	-12.1	7.2	-6.4	4.4
Net Interest Expense	-1.9	-2.8	-3.1	-2.6	-2.4
Pre-tax Profit	17.8	-9.3	10.3	-3.8	6.8
Tax	-2.3	-2.8	2.9	0.0	0.0
Tax rate (%)	-13.2%	30.3%	28.5%	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	7.3	-3.8	6.8
Abn's / Extraord's	0.0	0.0	20.0	0.0	0.0
Reported Net Profit	20.2	-6.5	27.3	-3.8	6.8
Revenue Growth (%)	N/A	-48.4%	94.1%	-92.9%	343.0%
EBIT Growth (%)	N/A	-175.8%	159.7%	-188.5%	169.5%
NPAT Growth (%)	N/A	-132.2%	213.2%	-151.7%	279.9%

PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT / Sales (%)	40.1%	-58.8%	18.1%	-225.4%	35.4%
ROA (%)	N/A	-40.6%	24.4%	-21.3%	16.6%
ROE (%)	N/A	-9.6%	9.8%	-4.5%	8.0%

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	36.0	2.8
EBIT	6.1	-18.1	-11.8	19.0	-11.1
Net Profit	5.5	-12.0	7.2	20.1	-9.4

BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	62.2	60.2	81.6	72.7	98.9
Receivables	9.4	4.3	5.0	5.2	2.5
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	86.6	77.9	101.4
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	111.6	102.7	122.2
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	-69.9	-73.7	-66.9
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	71.5	63.3	86.1	82.3	89.1
Total Funds Employed	9.4	3.1	4.5	9.6	-9.8

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Net Debt (Cash) (\$m)	-62.2	-60.2	-81.6	-72.7	-98.9
Net Debt / Equity (%)	-86.9%	-95.0%	-94.8%	-88.3%	-111.0%
Interest Cover (x)	-8.4	4.3	-2.4	2.5	-1.8
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	7.2	-6.4	4.4
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	2.6	2.4
Tax Paid	0.0	0.0	0.0	0.0	0.0
Dec / (Inc) W'kg Cap	0.0	9.7	12.0	1.8	3.7
Other	0.9	1.4	3.4	-8.1	14.8
Operating Cash Flow	21.0	4.8	27.6	-7.1	28.2
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	21.4	-8.9	26.2

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