



28 April 2009

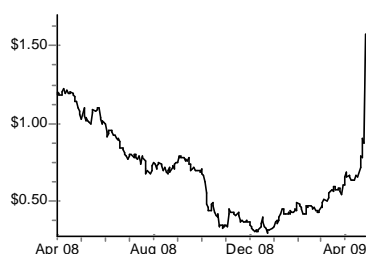
\$1.58

HOLD

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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$277.6 M
Issued Shares	174.6 M
Avg Mth T'over	7.96 M
12 Mth High – Low	\$1.15 - \$0.30

Key Data/Ratios – FY 2009

Cash	\$81.6 M
EV	\$196 M
Net Debt / Equity	-94.8%
Interest Cover	n/a
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

We see BTA becoming a \$3+ stock in 2011 but feel it has gotten ahead of itself as far as its trajectory is concerned. The share price gain yesterday was purely due to speculation of increased demand for Relenza as a result of the swine 'flu outbreak we are currently witnessing. We are not inclined to upgrade until we see clear evidence of new Relenza orders. By coincidence, the BTA share price now reflects everything we've been saying about BTA and the infectious disease markets. We do not interpret yesterday as a genuine re-rating on the basis of LANI, which is what the market should be watching. No changes to our Relenza numbers or BTA valuation at this stage, with price target at \$1.38/share. We downgrade our recommendation to HOLD.

Key Points

- To explain yesterday's price rally in terms of Relenza only, investors would need to factor in an additional ~\$150M in royalties over the next three years. In effect, the rally implies that the Relenza royalty receipts we have in our BTA model should be doubled.
- Having just witnessed GSK sell £222M worth of Relenza in a quarter, it is not inconceivable that they could supply an additional £1 Bn worth over three years, should the swine 'flu problem worsen (50-60M courses, assuming US\$25/course). If the situation does worsen, then demand may come from three areas: a) replacement material for Relenza drawn down from national stockpiles to respond to the emergence of swine 'flu; b) increased demand for retail product in both primary care and emergency medicine settings; c) new orders by governments.
- The US has declared a state of emergency, which enables the draw down of antiviral drugs from stockpiles. We have seen reports that 25% of the stockpile has been released, though Relenza's involvement is not confirmed. The US stockpile contains ~18M courses of Relenza so we could expect a replacement order of ~4.5M courses. There is upside risk to our forecasts.
- The US Department of Health and Human Services (HHS) has been considering proposals to double its national stockpile and shift its balance above 20% Relenza. This intention was expressed well before the emergence of Tamiflu resistance this season. Their failure to act this season, in the face of frank drug resistance, cautions us against acting too hastily in speculating that swine flu is the catalyst for new US or other international orders.
- The BTA share price now reflects everything we've been saying about BTA and the infectious disease markets it operates in; if only by coincidence. We do not interpret yesterday's rally as a genuine re-rating on the basis of LANI or BTA's other programmes, which is what the market should be looking at.
- We are reluctant to upgrade until we have some clear signals from the US HHS or other governments in relation to stockpile usage and acquisition plans. We have made no changes at this time to our forecasts or price target of \$1.38/share. Downgrade recommendation to HOLD. We see BTA becoming a \$3+ stock in 2011 but note this as a good opportunity to take some partial profits while the share price is well ahead of target.

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 : \$1.58)

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%
ROFE (%)	N/A	-164.1%	232.6%	-62.3%	-

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
EBIT / Sales (%)	36.7%	-446.8%	-309.2%	52.8%	-390.4%

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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