



30 April 2009

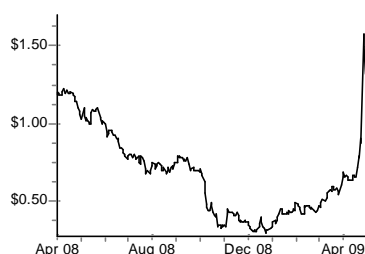
\$1.39

HOLD

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### Price Performance



### Security/Capital Details

ASX Code	BTA
Market Cap	\$247 M
Issued Shares	174.6 M
Avg Mth T'over	7.96 M
12 Mth High – Low	\$1.58 - \$0.30

### Key Data/Ratios – FY 2009

EBITDA / Sales	23.7%
EBIT / Sales	18.1%
Net Debt / Equity	-94.8%
Interest Cover	n/a
ROE	9.8%
EPS Growth	295.1%
PEG Ratio	x
NTA / Share	\$ 0.43
DCF	\$ 1.32
12 Mth Price Target	\$ 1.48

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

The WHO has moved to Phase 5 which is the signal most countries look for before triggering pandemic responses. In the main, those responses entail the deployment of antiviral stockpiles. Last night the US Department of Health and Human Services confirmed that 25% of the stockpile would be in the hands of States by May 3 at the latest. Denmark has also announced they will purchase Relenza. The US's antiviral deployment is significant as is the anecdotal destocking of retail pharmacies. Mortality remains very low at this stage so it is still premature to forecast an avalanche of Relenza orders; restocking or otherwise. FY10 does look materially better on current developments and we revise our target to \$1.48/share. HOLD recommendation is still appropriate.

### Key Points

- WHO Phase 5 is significant because it is formal recognition of pandemic status. It is the signal most countries look for before triggering their national pandemic responses. In the main, those responses call for the deployment of antiviral stockpiles. The US acted ahead of the WHO in deploying 25% of its stockpile. Last night in a teleconference, the Secretary of the US Department of Health and Human Services confirmed that all US States would have their stockpile allocations by May 3 at the latest. Across the National and State stockpiles, we estimate 18M courses of Relenza. US restocking orders at this stage may be ~2.5-4.5M courses.
- Outside the US, we estimate that there is an additional 35M courses of Relenza stockpiled. If those nations follow the US lead and mobilise 25% the restocking orders would be ~8.75M courses of Relenza. Collectively the re-stocking activity at 25% mobilisation would be in the 10-13M course range, which at US\$25/course translates to ~\$25M in royalties for BTA in FY10. We think it is reasonable at this stage to factor in some US deployment but not rest-of-world.
- Press information widely reports a worldwide 'run' on Relenza and Tamiflu. FDA has authorised emergency use authorisations for both drugs. FDA has relaxed its paediatric dosing label restrictions for Tamiflu; but not Relenza. For Relenza, the authorisations simply allow the drug to be dispensed by people other than physicians – which is important for stockpile deployment.
- Japan has been ominously silent during the crisis so far. We are watching for evidence of Relenza supplies through GSK's Japanese subsidiary. We also monitor Daiichi's signals to gauge the prospect of expedited filing and approval for LANI.
- We have increased our FY10 forecast of Relenza royalty receipts on account of US restocking and the short-term depletion of retail stock. We estimate that stock levels were low prior to the emergency, though note GSK's intentions to increase supply into the primary care and emergency settings.
- Increased Relenza receipts in FY10 lead to an upgrade in valuation, and moves 12 month price target +7% to \$1.48/share. HOLD recommendation is still appropriate at this stage.

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	14.1	9.2	78.6	5.0	7.4	-0.7	0.0	0.0	0
2011e	7.6	5.4	-41.1	8.5	3.0	-4.8	0.0	0.0	0

## Biota Holdings (BTA : \$1.39)

### INVESTMENT FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.7	15.7	8.1	4.3
<b>EPS Normalised (c)</b>	<b>11.4</b>	<b>-2.6</b>	<b>5.2</b>	<b>9.2</b>	<b>5.4</b>
EPS Growth (%)	N/A	-123.2%	295.1%	78.6%	-41.1%
<b>PER Normalised (x)</b>	<b>15.8</b>	<b>-29.2</b>	<b>8.9</b>	<b>5.0</b>	<b>8.5</b>
DPS (c)	0.0	0.0	0.0	0.0	0.0
Payout (%)	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
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	-0.8	-5.5
EV / EBITDA (x)	14.9	-8.8	-0.1	-0.7	-4.8
CFPS (c)	11.6	2.7	15.8	6.2	15.4
<b>Price / CF</b>	<b>15.4</b>	<b>28.4</b>	<b>2.9</b>	<b>7.4</b>	<b>3.0</b>
Book Value / Share (\$)	0.4	0.4	0.5	0.6	0.6
<b>Price / Book (x)</b>	<b>4.5</b>	<b>2.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>

### PROFIT & LOSS (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	39.8	20.5	39.9	20.4	12.6
EBITDA	17.5	-9.4	9.5	14.1	7.3
Depreciation	1.2	0.9	0.6	1.0	1.0
<b>EBITA</b>	<b>16.3</b>	<b>-10.3</b>	<b>8.9</b>	<b>13.1</b>	<b>6.3</b>
Amortisation	0.3	1.8	1.6	2.0	1.9
<b>EBIT</b>	<b>15.9</b>	<b>-12.1</b>	<b>7.2</b>	<b>11.1</b>	<b>4.4</b>
Net Interest Expense	-1.9	-2.8	-3.1	-2.9	-3.1
<b>Pre-tax Profit</b>	<b>17.8</b>	<b>-9.3</b>	<b>10.3</b>	<b>14.1</b>	<b>7.6</b>
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
<b>Net Profit</b>	<b>20.2</b>	<b>-6.5</b>	<b>7.3</b>	<b>14.1</b>	<b>7.6</b>
Abn's / Extraord's	0.0	0.0	20.0	0.0	0.0
Reported Net Profit	20.2	-6.5	27.3	14.1	7.6
Revenue Growth (%)	N/A	-48.4%	94.1%	-49.0%	-38.3%
EBIT Growth (%)	N/A	-175.8%	159.7%	54.2%	-60.1%
NPAT Growth (%)	N/A	-132.2%	213.2%	91.4%	-46.3%

### PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
<b>EBIT / Sales (%)</b>	<b>40.1%</b>	<b>-58.8%</b>	<b>18.1%</b>	<b>54.7%</b>	<b>35.4%</b>
ROA (%)	N/A	-40.6%	24.4%	37.1%	16.6%
<b>ROE (%)</b>	<b>N/A</b>	<b>-9.6%</b>	<b>9.8%</b>	<b>15.1%</b>	<b>7.3%</b>
ROFE (%)	N/A	-164.1%	232.6%	186.0%	634.0%

### 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	20.4
EBIT	6.1	-18.1	-11.8	19.0	6.5
<b>Net Profit</b>	<b>5.5</b>	<b>-12.0</b>	<b>7.2</b>	<b>20.1</b>	<b>8.1</b>
EBIT / Sales (%)	36.7%	-446.8%	-309.2%	52.8%	31.7%

### BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	<b>62.2</b>	<b>60.2</b>	<b>81.6</b>	<b>90.5</b>	<b>115.3</b>
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
<b>Current Assets</b>	<b>71.5</b>	<b>64.4</b>	<b>86.6</b>	<b>95.7</b>	<b>117.8</b>
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
<b>Non-current Assets</b>	<b>21.0</b>	<b>24.8</b>	<b>25.0</b>	<b>24.8</b>	<b>20.8</b>
<b>Total Assets</b>	<b>92.5</b>	<b>89.3</b>	<b>111.6</b>	<b>120.6</b>	<b>138.7</b>
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	15.3
<b>Total Liabilities</b>	<b>20.9</b>	<b>26.0</b>	<b>25.5</b>	<b>20.4</b>	<b>31.0</b>
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	-55.8	-48.3
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>71.5</b>	<b>63.3</b>	<b>86.1</b>	<b>100.2</b>	<b>107.7</b>
<b>Total Funds Employed</b>	<b>9.4</b>	<b>3.1</b>	<b>4.5</b>	<b>9.6</b>	<b>-7.6</b>

### LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Net Debt (Cash) (\$m)	-62.2	-60.2	-81.6	-90.5	-115.3
<b>Net Debt / Equity (%)</b>	<b>-86.9%</b>	<b>-95.0%</b>	<b>-94.8%</b>	<b>-90.4%</b>	<b>-107.1%</b>
Interest Cover (x)	-8.4	4.3	-2.4	-3.8	-1.4
<b>Debt / CashFlow (x)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### CASHFLOW (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT	15.9	-12.1	7.2	11.1	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	2.9	3.1
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	12.6
<b>Operating Cash Flow</b>	<b>21.0</b>	<b>4.8</b>	<b>27.6</b>	<b>10.8</b>	<b>26.8</b>
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
<b>Investing Cash Flow</b>	<b>-6.4</b>	<b>-3.8</b>	<b>-1.2</b>	<b>-1.9</b>	<b>-2.0</b>
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
<b>Financing Cash Flow</b>	<b>1.4</b>	<b>-3.0</b>	<b>-4.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Net Cash Flow</b>	<b>16.0</b>	<b>-2.0</b>	<b>21.4</b>	<b>8.9</b>	<b>24.8</b>

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