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\$1.24

BUY

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Price Performance



Security/Capital Details

ASX Code	BTA
Market Cap	\$216.4 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	29.1%
EBIT / Sales	24.2%
Net Debt / Equity	-95.0%
Interest Cover	n/a
ROE	14.5%
EPS Growth	376.9%
PEG Ratio	x
NTA / Share	\$ 0.45
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 recent revival in BTA's share price proves that many in the market don't know the difference between an antiviral and a vaccine. GSK has received gargantuan orders for the latter, but not for Relenza – yet. We are more confident that this will happen though as the steady spread of H1N1 keeps the pressure building on governments to reassess their stockpile planning. Even if that doesn't happen, there is enough unrecognised value in LANI and cash on the BTA balance sheet to protect the downside, even from these levels. We are upgrading our recommendation to BUY from HOLD though leave our target unchanged at \$1.48 per share. Next catalysts: Phase III LANI data; Phase IIa BTA-798 data (HRV program).

Key Points

- We can only imagine that the 'second wind' behind BTA's share price last Thursday followed GSK's announced orders of 130M doses of H1N1 vaccine worth £600M. There have been no large Relenza orders announced since H1N1 flared up last month. But in the meantime, while the publicity has faded, the CDC's US infection tally has continued to rise; as has Japan's. US cases now stand at 5,764 (9 deaths). Japan has reached 292 without fatality. The virus has not faded and may re-emerge in the months ahead – as was the pattern with the 1968 pandemic. While the spread continues, it becomes more likely that government stockpile reassessment will occur.
- Relenza prescriptions in the US market during April were far less than we anticipated, in the face of pandemic hysteria: just 23,600. That was just 1/3 of the Relenza prescriptions filled in March, before the H1N1 outbreak. GSK was likely unprepared and had not stocked the US adequately, despite having 6M courses on hand at the time. We don't anticipate 'retail' sales of Relenza will be strong in May – or until another flare reignites public awareness.
- The BTA share price re-rating since April was genuine and looks sustainable, considering the catalyst outlook for the company over June-August:
 - Phase IIa results from the human rhinovirus (HRV) program;
 - GSK's quarterly, H1N1-enhanced result will be announced in July;
 - Daiichi-Sankyo to announce Phase III LANI data;
 - BTA to announce FY09 NPAT of \$31.1M
- Even if further Relenza stockpile orders do not materialise over the short-term, we sense the H1N1 issue has brought LANI (finally) to the forefront of investors' minds. The value of that program is beginning to be recognised by the market, which, when coupled with 49 cps of cash on the balance sheet, provides downside protection – even at these levels.
- Upgrade recommendation to BUY though leave target fixed at \$1.48 per share.

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	31.1	7.3	376.9	6.3	2.6	-0.4	0.0	0.0	0
2010e	10.0	6.9	-6.2	6.7	12.0	-1.0	0.0	0.0	0
2011e	-0.9	0.6	-91.3	76.7	4.4	26.8	0.0	0.0	0

Biota Holdings (BTA : \$1.24)

INVESTMENT FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.7	17.8	5.7	-0.5
EPS Normalised (c)	11.4	-2.6	7.3	6.9	0.6
EPS Growth (%)	N/A	-123.2%	376.9%	-6.2%	-91.3%
PER Normalised (x)	15.8	-29.2	6.3	6.7	76.7
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	-0.4	-1.1	13.3
EV / EBITDA (x)	14.9	-8.8	-0.4	-1.0	26.8
CFPS (c)	11.6	2.7	18.0	3.8	10.5
Price / CF	15.4	28.4	2.6	12.0	4.4
Book Value / Share (\$)	0.4	0.4	0.5	0.6	0.6
Price / Book (x)	4.5	2.2	0.9	0.8	0.8

PROFIT & LOSS (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	39.8	20.5	45.5	22.3	12.6
EBITDA	17.5	-9.4	13.2	9.9	-1.0
Depreciation	1.2	0.9	0.6	1.0	1.0
EBITA	16.3	-10.3	12.6	8.9	-2.0
Amortisation	0.3	1.8	1.6	2.0	1.9
EBIT	15.9	-12.1	11.0	6.9	-3.9
Net Interest Expense	-1.9	-2.8	-3.1	-3.1	-3.0
Pre-tax Profit	17.8	-9.3	14.0	10.0	-0.9
Tax	-2.3	-2.8	2.9	0.0	0.0
Tax rate (%)	-13.2%	30.3%	20.8%	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	11.1	10.0	-0.9
Abn's / Extraord's	0.0	0.0	20.0	0.0	0.0
Reported Net Profit	20.2	-6.5	31.1	10.0	-0.9
Revenue Growth (%)	N/A	-48.4%	121.5%	-51.1%	-43.6%
EBIT Growth (%)	N/A	-175.8%	191.0%	-37.3%	-156.3%
NPAT Growth (%)	N/A	-132.2%	271.5%	-10.4%	-108.6%

PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT / Sales (%)	40.1%	-58.8%	24.2%	31.0%	-30.9%
ROA (%)	N/A	-40.6%	37.2%	23.0%	-14.5%
ROE (%)	N/A	-9.6%	14.5%	10.5%	-0.9%
ROFE (%)	N/A	-164.1%	330.9%	125.9%	-198.0%

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	41.7	22.3
EBIT	6.1	-18.1	-11.8	22.8	6.2
Net Profit	5.5	-12.0	7.2	23.9	7.9
EBIT / Sales (%)	36.7%	-446.8%	-309.2%	54.7%	27.9%

BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	62.2	60.2	85.4	90.2	106.6
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	90.4	95.4	109.1
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	115.4	120.3	129.9
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
Total Liabilities	20.9	26.0	25.5	20.4	31.0
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	-66.1	-56.2	-57.0
Minorities	0.0	0.0	0.0	0.0	0.0
Total Equity	71.5	63.3	89.9	99.8	99.0
Total Funds Employed	9.4	3.1	4.5	9.6	-7.6

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Net Debt (Cash) (\$m)	-62.2	-60.2	-85.4	-90.2	-106.6
Net Debt / Equity (%)	-86.9%	-95.0%	-95.0%	-90.4%	-107.7%
Interest Cover (x)	-8.4	4.3	-3.6	-2.2	1.3
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	11.0	6.9	-3.9
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	3.1	3.0
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
Operating Cash Flow	21.0	4.8	31.4	6.7	18.4
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	25.2	4.9	16.4

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