



16 June 2009

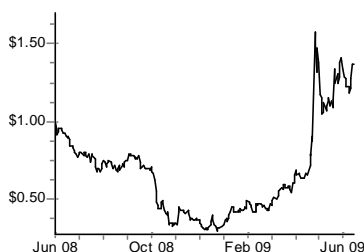
\$1.29

**BUY**

**Shane Storey PhD MBA**  
07 3212 1351  
shane.storey@wilsonhtm.com.au

**Graeme Wald PhD MBA**  
03 9640 3840  
graeme.wald@wilsonhtm.com.au

### Price Performance



### Security/Capital Details

ASX Code	BTA
Market Cap	\$225.1 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	40.1%
EBIT / Sales	35.2%
Net Debt / Equity	-95.3%
Interest Cover	n/a
ROE	20.4%
EPS Growth	485.6%
PEG Ratio	x
NTA / Share	\$ 0.48
DCF	\$ 1.33
12 Mth Price Target	\$ 1.49

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 carry a nominal valuation of \$13.1M for BTA's anti-human rhinovirus (HRV) compound (BTA-798), which is unchanged, despite the positive Phase IIa clinical results announced last week. This is the riskiest of BTA's programs, to our minds, aimed at helping COPD and asthma patients avoid HRV-triggered exacerbations. BTA-798 is designed for the acute infection setting. It remains to be seen whether any acute antiviral will be effective against exacerbations, which are complex immunological events. Prophylactic development of the compound would be more difficult and expensive. Costs for this program in FY09 were \$5M less than expected giving a FY09 profit upgrade to \$36.1M. BUY recommendation and target of \$1.49 maintained.

### Key Points

- Last week BTA reported strong, positive results from their Phase IIa clinical trial of BTA-798. The trial was a challenge study which pre-treated subjects with drug, before dosing them with an inoculum of live Human Rhinovirus (HRV). The study was structured to show a reduction in incidence and severity of HRV infections that resulted from virus challenge.
- The trial was concluded after only 41 patients were treated; far fewer than the 240 originally planned and budgeted for. The early data from the study showed that the anti-viral effect of BTA-798 was statistically significant even at such small patient numbers – with >97% reductions in infection metrics.
- We already knew that both the oral availability and anti-HRV potency of BTA-798 were impressive from the literature (see De Palma *et al.* 2008 *Med. Res. Rev.* 28:823-884) and from BTA's patent disclosures (incl. US Patent 7,166,604). The positive Phase IIa result confirms these properties, though falls well short of proving the commercial case for BTA-798 development.
- BTA-798 is designed for the acute setting – to rapidly eliminate HRV infections in COPD or asthma patients and thus help avoid symptom exacerbations, which may be triggered by the presence of HRV. It is not clear yet that an antiviral approach will be efficacious in preventing these exacerbations, which are complex immunological events. Avoiding or suppressing exacerbations might not prove to be as simple as taking an antiviral medicine. Developing BTA-798 purely for a preventative (prophylactic) indication would be substantially more difficult.
- The company has given a clear signal that it intends to licence the worldwide rights to this program. Achieving this in the second half of this year would allow the partner to have a say in the design of Phase IIb studies, which are likely to concentrate on specific patient groups/indications (COPD, asthma, etc). Broadly, the studies may resemble Schering-Plough's Phase II clinical trial of intranasal pleconaril, which was completed in June 2007. Schering did not report results for that trial, yet still listed pleconaril as an active program as recently as Apr-09. It may have failed.
- We carry a nominal valuation of \$13.1M for BTA-798, which is unchanged. The Phase IIa trial cost ~\$5M less than expected in FY09 so we upgrade NPAT forecast to \$36.1M. BUY recommendation target of \$1.49 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	36.1	10.2	485.6	13.5	6.6	8.2	0.0	0.0	0
2010e	10.2	7.0	-31.4	19.6	34.6	14.5	0.0	0.0	0
2011e	-0.6	0.7	-89.7	190.3	12.9	-129.8	0.0	0.0	0

## Biota Holdings (BTA : \$1.29)

### INVESTMENT FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Reported (c)	11.2	-3.7	20.7	5.8	-0.4
<b>EPS Normalised (c)</b>	<b>11.4</b>	<b>-2.6</b>	<b>10.2</b>	<b>7.0</b>	<b>0.7</b>
EPS Growth (%)	N/A	-123.2%	485.6%	-31.4%	-89.7%
<b>PER Normalised (x)</b>	<b>15.8</b>	<b>-29.2</b>	<b>13.5</b>	<b>19.6</b>	<b>190.3</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	8.4	16.2	-64.2
EV / EBITDA (x)	14.9	-8.8	8.2	14.5	-129.8
CFPS (c)	11.6	2.7	20.8	4.0	10.7
<b>Price / CF</b>	<b>15.4</b>	<b>28.4</b>	<b>6.6</b>	<b>34.6</b>	<b>12.9</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>2.5</b>	<b>2.3</b>	<b>2.3</b>

### 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	18.2	9.9	-1.0
Depreciation	1.2	0.9	0.6	1.0	1.0
<b>EBITA</b>	<b>16.3</b>	<b>-10.3</b>	<b>17.6</b>	<b>8.9</b>	<b>-2.0</b>
Amortisation	0.3	1.8	1.6	2.0	1.9
<b>EBIT</b>	<b>15.9</b>	<b>-12.1</b>	<b>16.0</b>	<b>6.9</b>	<b>-3.9</b>
Net Interest Expense	-1.9	-2.8	-3.1	-3.3	-3.2
<b>Pre-tax Profit</b>	<b>17.8</b>	<b>-9.3</b>	<b>19.0</b>	<b>10.2</b>	<b>-0.6</b>
Tax	-2.3	-2.8	2.9	0.0	0.0
Tax rate (%)	-13.2%	30.3%	15.3%	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
<b>Net Profit</b>	<b>20.2</b>	<b>-6.5</b>	<b>16.1</b>	<b>10.2</b>	<b>-0.6</b>
Abn's / Extraord's	0.0	0.0	20.0	0.0	0.0
Reported Net Profit	20.2	-6.5	36.1	10.2	-0.6
Revenue Growth (%)	N/A	-48.4%	121.5%	-51.1%	-43.6%
EBIT Growth (%)	N/A	-175.8%	232.3%	-56.9%	-156.3%
NPAT Growth (%)	N/A	-132.2%	348.5%	-36.9%	-106.3%

### PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
<b>EBIT / Sales (%)</b>	<b>40.1%</b>	<b>-58.8%</b>	<b>35.2%</b>	<b>31.0%</b>	<b>-30.9%</b>
ROA (%)	N/A	-40.6%	54.2%	23.0%	-14.5%
<b>ROE (%)</b>	<b>N/A</b>	<b>-9.6%</b>	<b>20.4%</b>	<b>10.2%</b>	<b>-0.6%</b>
ROFE (%)	N/A	-164.1%	461.8%	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	27.8	6.2
<b>Net Profit</b>	<b>5.5</b>	<b>-12.0</b>	<b>7.2</b>	<b>28.9</b>	<b>8.0</b>
EBIT / Sales (%)	36.7%	-446.8%	-309.2%	66.7%	27.9%

### BALANCE SHEET (\$m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	<b>62.2</b>	<b>60.2</b>	<b>90.4</b>	<b>95.4</b>	<b>112.0</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>95.4</b>	<b>100.6</b>	<b>114.5</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>120.4</b>	<b>125.5</b>	<b>135.4</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	-61.1	-51.0	-51.6
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>71.5</b>	<b>63.3</b>	<b>94.9</b>	<b>105.0</b>	<b>104.4</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	-90.4	-95.4	-112.0
<b>Net Debt / Equity (%)</b>	<b>-86.9%</b>	<b>-95.0%</b>	<b>-95.3%</b>	<b>-90.8%</b>	<b>-107.3%</b>
Interest Cover (x)	-8.4	4.3	-5.2	-2.1	1.2
<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	16.0	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	3.3	3.2
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>36.4</b>	<b>6.9</b>	<b>18.6</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>30.2</b>	<b>5.1</b>	<b>16.6</b>

*Disclosure of Interest. The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in 65,071 securities in Biota Holdings. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Biota Holdings in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.*



**Disclaimer.** Whilst Wilson HTM Ltd believes the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. To the extent permitted by law Wilson HTM Ltd disclaims all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of Wilson HTM and therefore may not be realised in the future.

The advice contained in this document is general advice. It has been prepared without taking account of any person's objectives, financial situation or needs and because of that, any person should, before acting on the advice, consider the appropriateness of the advice, having regard to the client's objectives, financial situation and needs. If the advice relates to the acquisition, or possible acquisition, of a particular financial product – the client should obtain a Product Disclosure Statement relating to the product and consider the Statement before making any decision about whether to acquire the product. This communication is not to be disclosed in whole or part or used by any other party without Wilson HTM Ltd's prior written consent.

---

BRISBANE  
Ph: 07 3212 1333  
Fax: 07 3212 1399

SYDNEY  
Ph: 02 8247 6600  
Fax: 02 8247 6601

MELBOURNE  
Ph: 03 9640 3888  
Fax: 03 9640 3800

GOLD COAST  
Ph: 07 5509 5500  
Fax: 07 5509 5599

DALBY  
Ph: 07 4660 8000  
Fax: 07 4662 4169

HERVEY BAY  
Ph: 07 4197 1600  
Fax: 07 4197 1699

TOWNSVILLE  
Ph: 07 4725 5787  
Fax: 07 4725 5104

GEELONG  
Ph: 03 5225 1500  
Fax: 03 5225 1599

---

Our web site: [www.wilsonhtm.com.au](http://www.wilsonhtm.com.au)