



20 August 2009

Biota Holdings Limited (BTA)

Outperform

Record FY09 NPAT of \$38.2m; FY10 All About Influenza

\$1.895

Thomas Duthy *PhD MBA*
tduthy@taylorcollison.com.au
+61 2 9377 1500

FY09 Key Points

Biota has reported a record FY09 NPAT of \$38.2m, 19.7% ahead of our estimates largely via a better than anticipated effective tax rate.

Results driven by significant Relenza revenues of \$45m, from government stockpiling in the UK and Japan particularly, which was expected.

Cash balance of \$86.7m provides adequate headroom for proposed \$20m capital return and potentially in-licensing/acquisitions.

Summary

Market Capitalisation (M)	\$339.4
Share Price	\$1.895
Shares on Issue (M)	174.9
Av. Monthly Volume (Yr Rolling)(M)	14.4
52 Week High	\$2.25
52 Week Low	\$0.29
Valuation Per Share (fully diluted)	\$2.65
Cash (M) as at 30/6/09	\$86.7

Our View

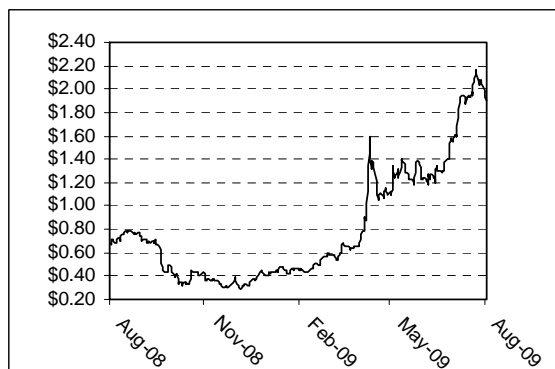
- **Record Profit** – NPAT of \$38.2m and net cash flow of \$26.5m has positioned Biota superbly for FY10, where it can expect further and more significant Relenza royalties. Result largely ahead of estimates, owing to lower than anticipated effective tax rate of 8.7% versus 14.9% and lower than anticipated product development expenditure. R&D expenses grew 29.8% to \$13.3m, though net R&D (after grants) as a % of revenues was 16.7% (up from 10.2% in FY08). Collaboration income of \$12.6m from AZ and Boehringer license deals and \$3.4m in milestones was recorded.
- **Relenza and LANI Key Thematics** – Biota has not issued guidance on likely royalty collections in Relenza for FY10, which is not unexpected given GSK's lack of guidance. With a tripling of capacity to 190m courses, >60 countries placing orders and favourable pandemic stockpiling metrics for the upcoming Northern hemisphere flu season, we are forecasting a significant uplift in royalties to \$134.5m in FY10. Based on a successful Phase 3 trial in Japan, we anticipate a LANI ROW license deal in FY10. Interestingly the Company has also guided on a license deal for its HRV program, encompassing BTA798, which recently showed proof of concept human efficacy via a challenge study. We do not anticipate Biota will fund Phase 2 "naturally acquired" infection studies in HRV given the complexity in trial design and execution required.
- **Pipeline Expansion Likely** – Biota articulated a strategy that seeks to add depth to the product pipeline via in-licensing or acquisition of essentially late stage pre-clinical assets for FY10 and beyond. The Company re-iterated it does not seek to take products to market or invest in late stage clinical trials. We anticipate the Company will "stick to its knitting" and seek pre-clinical candidates in the anti-infective space. The Company has previously guided its intention to grow the portfolio to 10-12 projects over the next five years (seven active at present).
- **FY10 Outlook Very Solid** – We are forecasting an FY10 NPAT of \$89.5m, up significantly on pcp and driven by a sizeable uplift Relenza royalties from GSK capacity expansion to 190m courses commencing CY10 and major government orders. Other positive swing factors for FY10 earnings include upfront payments from either a LANI or HRV deal, or both. We have not currently factored either into our FY10 revenue estimates. We continue to have limited visibility on government Relenza stockpiling and the likely outcomes from the current swine flu pandemic, which increases the risk of our FY10 Relenza estimates not being achieved. Biota currently trades on a forecast FY10 EV/EBITDA of 1.6x and a PER of 3.7x. We maintain our Outperform recommendation and valuation of \$2.65 (\$2.66 previous).

Key Financials (A\$'000)

Year End	FY09 Actual	FY10 Est.	FY11 Est.
Relenza Royalties	45,000	134,522	54,417
Partnering Income*	4,426	7,467	10,667
Total Revenue	63,334	149,722	71,354
Total Op. Expenses	(15,810)	(15,772)	(12,217)
R&D Expenses	(13,348)	(17,950)	(13,403)
EBITDA	43,997	113,592	40,889
Normalised NPAT	20,343	88,984	28,705
Adj. NPAT	38,181	88,984	28,705
Adj. EPS (c)	21.7	50.9	16.4
Adj. PE Ratio (x)	8.7	3.7	11.5

* Upfront/Milestones only (ex-R&D income)

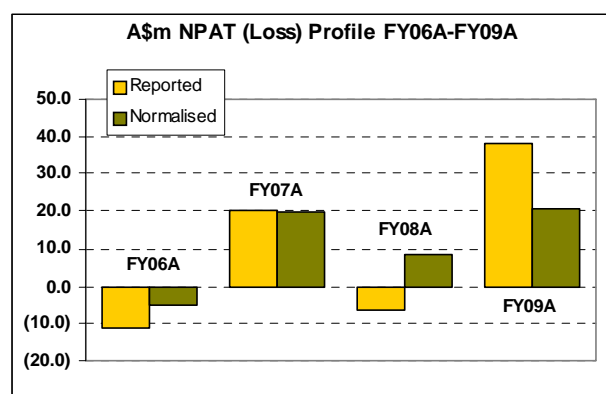
Share Price Graph (A\$)



FY09 Overview

Record FY09 NPAT of \$38.2m, driven by Relenza stockpiling.

Biota has recorded an exceptional year, owing to the significant government stockpiling of Relenza on anticipation of a flu pandemic. Co-incidentally, in late FY09, the world saw the emergence of H1N1 swine flu (which was not expected), and the World Health Organisation declared a pandemic, which is expected to benefit Biota's royalty collections in FY10 and beyond. FY09 NPAT was ahead of expectations, owing to a better than expected tax rate versus estimates. FY09 NPAT represents a substantial turnaround on the FY08 NPAT loss of \$6.5m. Adjusting for litigation costs/settlement, normalised NPAT was up 132% on pcp (see across).



Source: Biota, TC est.

Financial Highlights

A summary of the FY09 financial highlights is shown below. We note product development expenditures were below estimates, though the EBITDA impact is significantly less owing to the off-setting research income for both the RSV and LANI programs and government grants for LANI. The "naked" expenditure results from the recently completed HRV Phase 2a trial.

Table 1: Financial Highlights FY09

	FY08	FY09	Change (%)	TC est. FY09	Difference (%)
Relenza Royalties	20.5	45.0	119.0%	45.0	0.0%
Research Revenues	9.3	8.2	-12.4%	8.5	-3.6%
Licensing Revenues	5.9	4.4	-24.6%	4.1	8.8%
Product Development Expenditure	(15.3)	(11.3)	-26.0%	(16.3)	-30.8%
R&D Expenditure	(10.3)	(13.3)	29.8%	(13.6)	-2.0%
EBITDA	(9.9)	44.0	n/a	39.6	11.0%
Reported NPAT	(6.5)	38.2	n/a	31.9	19.8%

Source: Biota, TC est.

Owing to a significant pandemic stockpiling order from the UK and Japan, 2H revenues contributed 78.6% to overall revenues and reflected in 78.2% of overall EBITDA for the FY.

Table 2: Half on Half Splits

	FY08		FY09	
	1H	2H	1H	2H
Total Revenues	30.4	14.6	13.6	49.8
	<i>1H/2H Split</i>	<i>67.5%</i>	<i>32.5%</i>	<i>21.4%</i>
EBITDA	7.3	-17.2	9.6	34.4
	<i>1H/2H Split</i>	<i>n/a</i>	<i>n/a</i>	<i>21.8%</i>
Reported Profit	5.5	-12.0	7.2	31.0
	<i>1H/2H Split</i>	<i>n/a</i>	<i>n/a</i>	<i>18.9%</i>

Source: Biota, TC est.

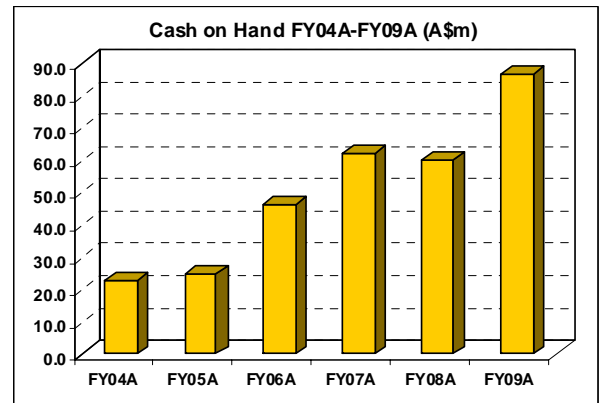
Significantly stronger 2H, from UK, Japan pandemic orders.

We anticipate recognised Relenza royalties will continue to remain lumpy, owing to the nature of one-off government stockpiling purchases. Demand is expected to be less lumpy commencing FY11 as replenishment opportunities commence owing to progressive product expirations from FY06 pandemic orders (Relenza shelf life is 5 years, and has not been extended, unlike Tamiflu).

FY09 cash of \$86.7m.

Underlying cash generation ex buy back up 53.7% on pcp.

Overall FY09 cash grew by 44.1% to \$86.7m (see across). Excluding the \$4.9m spent from the on-market buy-back representing the balance of a 5% buy-back initiated in FY08, and \$0.2m in treasury stock purchases by the Company, underlying cash generation grew by 52.7%. The Company has flagged a \$20m capital return scheduled for 1H10, which we believe highlights the confidence in the Relenza outlook +/- out-licensing contributions which may further increase cash via upfront license payments.

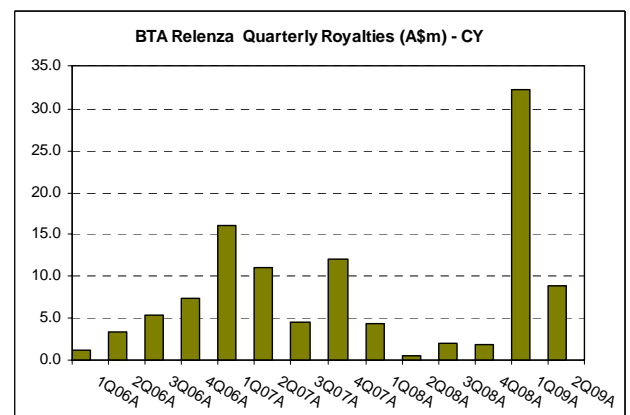


Source: Biota, TC

Relenza – Continues to be a Major Driver

In April 2009, the emergence of potentially lethal swine influenza (swine H1N1) emerged from Mexico, which ultimately resulted in the World Health Organisation declaring a global pandemic soon thereafter. This has positively impacted Biota, as a direct beneficiary of Relenza sales. However, the full impact of the global pandemic was not realised financially by Biota in FY09, as manufacturing kept pace with the (then) apparent demand. During FY09, Biota collected \$45m in Relenza royalties up 119% on pcp.

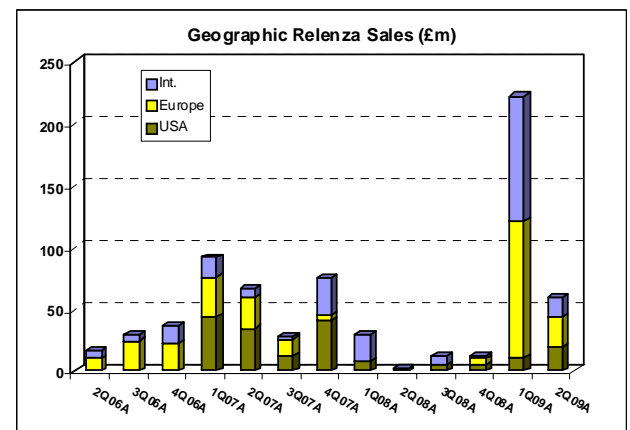
1Q CY09 royalties of \$32.3m drove the FY09 result.



Source: Biota

On a quarterly basis, 1Q CY09 netted \$32.3m in royalties to Biota (see across), which was a reflection of a major pandemic stockpiling order from the UK (10.6m courses) and major orders from Japan, which was a surprise on the upside as significant orders were not expected until FY10. During FY09, the US government completed its pandemic stockpile of 80m treatment courses of both Relenza and Tamiflu; which reduced sales of Relenza considerably on pcp (see across). We believe the majority of FY09 US sales were principally for seasonal use or personal stockpiling. In FY10, we expect a very significant order for Relenza from the US government, as described below.

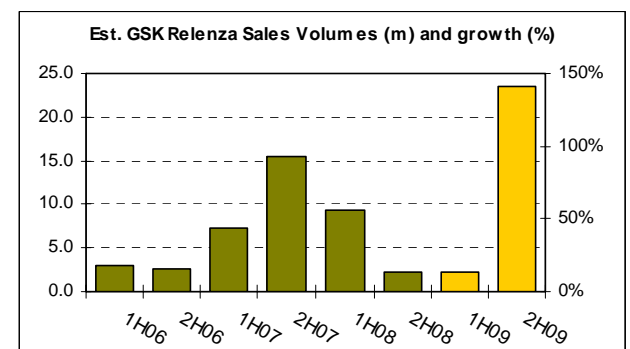
Europe, Japan were the major drive of FY09 Relenza sales.



Source: GSK

Expected capacity tripled to 190m commencing CY10.

GSK intends to add considerable capacity to Relenza production, flagging to the market in the 4Q09 conference call that production would be tripled to 190m courses by the end of CY09. GSK will grow current Relenza Rotadisk/Diskhaler production from 60m to 90m and build a further 100m capacity for Relenza under a new Rotacap/Rotahaler inhaler system, which has received special European approval for pandemic distribution only (not seasonal). GSK is also working to



Source: Taylor Collison estimates

Rotahaler FDA approval is expected during 1H10, owing to pandemic status.

secure approval across other regulatory agencies globally, including the US FDA. Given the current pandemic status, we fully expect FDA approval to be granted for the new inhaler. Our estimates for Relenza volumes from FY06-FY09 on a half by half basis are shown above. We believe GSK recorded unit sales of 25.7m courses of Relenza in FY09, up 119% on pcp. We expect a major expansion in volumes sold during FY10 and FY11, and are forecasting 76.9m and 31.1m, respectively.

Positive comments from GSK management highlight confidence in Relenza outlook for stockpiling.

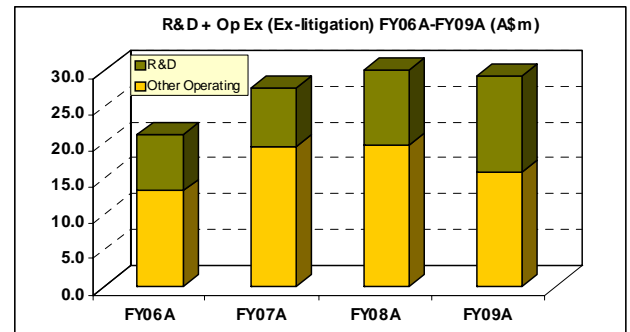
At the 4Q09 conference call, GSK management commented its share of pandemic stockpiles will increase with governments now likely to sustain a stockpile over a period of time. In our view, such potential for rapid uplift in capacity will prove attractive for government health regulators in re-balancing pandemic stockpiles from a global average of 87% Tamiflu®, 13% Relenza™. This is evidenced by a significant expansion in jurisdictional contracts, of which 93% are still confidential. GSK expects a more reliable spike/shoulder demand cycle for pandemic stockpiling and indicated that over 60 countries have placed orders for Relenza and “CY09 capacity has all been sold”. In our view, this is not representative of the full 190m, but at worst reflects the 49m capacity previously detailed at the National Biodefense Science Board (NBSB).

We had previously flagged the Department of Health and Human Services (HHS) comments at a National Defence Science Board meeting, which sought immediate action on pandemic influenza. The HHS intends to increase the proportion of Relenza in the national stockpile, moving from 80% Tamiflu, 20% Relenza to a 50/50 split. On this basis, we would anticipate potential royalties of \$85m to Biota, assuming A\$25 per course and the ratio of the stockpile at the 64.8m Tamiflu, 16.2m Relenza level. As some deployment was enacted during the early stages of the swine flu outbreak, the net contribution of Relenza to the slightly depleted stockpile may be less, which we estimate at the \$62.3m level. We do not believe the US has placed an actual order.

Operating Expenses Remain Well Controlled

Operating expenses (ex-litigation) were slightly less than pcp.

Excluding the effect of litigation expenses (FY09 \$7.2m), FY09 operating expenditures fell 2.9% to \$29.2m (see across). Growth in R&D expenditure related to both the non-nucleoside and nucleoside HCV programs, CMV and FLUNET compounds was offset by a reduction in product development expenses via a significant reduction in HSV Phase 2a trial costs, and a reduction in partner contributions (AZ particularly).



Source: Biota, TC

After Balance Date Events

We note several important announcements by Biota, two of which we believe are fundamental to our view that the stock will continue to Outperform during FY10.

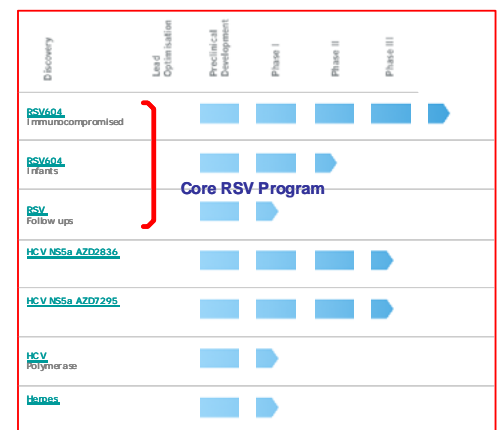
(1) AZ Hands Back RSV Program – Should we be Concerned?

Discontinuation of RSV program by AZ has cut the risk-adjusted valuation.

Biota has re-acquired full rights to its respiratory syncytial virus (RSV) license and collaboration deal with AstraZeneca (AZ), which originally was licensed to MedImmune in a US\$112m license deal in 4Q CY05. We had anticipated US\$5.0m in milestones payments under the AZ license deal during FY10, which we have now stripped from our estimates and reduced our risk-adjusted valuation of the program from \$63.7m to \$15m.

According to Biota, the license was terminated due to the lead Phase 1a drug BTA9881 not meeting an undisclosed safety margin to continue development. We note AZ purchased Arrow Therapeutics in 1Q CY07 for US\$150m (£76.5m), acquiring three RSV programs (shown across), with a single license to

Acquired Arrow Pipeline



Source: Arrow Therapeutics

Reasonable chance of re-licensing RSV compounds, as back ups are more potent.

Novartis (worth up to US\$227m). In our view, this may have also impacted AZ's decision to continue, particularly in light of the drug/placebo safety data appearing "comparable". Biota has flagged an intention to spend \$3m on the program, which will be directed towards earlier drug candidates, which we understand have exhibited greater potency than the Phase 1a lead drug BTA9881. We believe the program will take 18-24 months to generate the necessary data to drive pharma interest once more.

As we have indicated previously, we believe Biota can successfully re-package product offering and re-license. AstraZeneca are the major player in RSV, owing to the acquisition of Arrow, but also MedImmune, who owned the antibody RSV drug Synagis, with sales >US\$1.0b annually. Novartis may be a potential candidate if RSV604 license deal falls over.

(2) Daiichi Sankyo Hits Endpoints for LANI (CS-8958) Phase 3 Studies

Successful Daiichi-Sankyo Phase 3 will drive registration filings by end 1Q CY10.

Daiichi Sankyo announced the results of its multinational Phase 3 MARVEL study of CS-8958 (LANI) in treating seasonal influenza. The trial met its primary endpoint of "non-inferiority" to Tamiflu in both adults and children using both a 20mg and 40mg single inhaled dose. Daiichi reiterated an intention to file for approval of LANI in treating influenza by March 2010, with Biota retaining an est. <5% royalty on Japanese sales.

Prophylaxis study planned for 4Q CY09, to enhance label.

We also noted that Daiichi indicated it will conduct a Phase 3 prophylaxis study for LANI in late CY09, which would both broaden the label claim, but also drive government stockpiling, in our view. With the current pandemic running its course, we suspect traditionally long Japanese approval timelines will be expedited for LANI. For ROW clinical studies of LANI, the developmental history of Tamiflu/Relenza in Asian/Caucasian populations, suggests no reason why similar efficacy results cannot be replicated in late stage trials in Europe/US. We anticipate Biota/Daiichi will license the rights to LANI prior to any major efficacy studies commencing (Phase 2b) during FY10. Biota retains a 50% stake in all jurisdictions ex-Japan.

We have indicated the likely developmental milestones for LANI over the course of the next several years below. The swing factor may come from the Japanese government via pre-emptive pandemic orders (despite a label for prophylaxis or approval). We have previously cited comments from the Japanese Ministry of Health that detailed an appetite to stockpile "in-development" drugs in case of pandemic flu emerging. Since those comments, the swine flu pandemic has been declared by the WHO.

LANI Development Summary

Significant LANI milestones lie ahead.

	Timing	Bias
Japan - Daiichi Sankyo		
Filing For Approval (Treatment) - Adults, Children	before 2Q CY10	Positive
Phase 3 Clinical Trial (prophylaxis) - Adults, Children?	4Q CY09	Neutral
Phase 3 Results (Prophylaxis)	3Q CY10	Positive
Japanese Approval (Treatment)	2Q CY11	Positive
Supplemental Filing (Prophylaxis)	before 2Q CY11	Positive
First Sales - Treatment Indication	2Q CY11	Positive
ROW - Biota		
Phase 1 safety studies (elderly >65yrs)	2H CY09	Neutral
License Deal	1H CY10	Positive
Phase 2b treatment trials (partner)	4Q CY10	Neutral

Source: TC estimates

(3) \$20m Capital Return Flagged

\$20m capital return flagged (\$0.11ps).

Biota recently announced an intention to return \$20m to shareholders, equating to approximately \$0.11 per share, via a capital return (subject to an ATO class ruling, and shareholder approval at the AGM). The Company has indicated it will proceed with a \$20m unfranked dividend to shareholders in the event the ATO Class Ruling is not forthcoming. We believe a capital return is the most effective means of return surplus funds to holders, with an unfranked dividend likely to disappoint the retail-oriented register. As a result of the return of capital +/- unfranked dividend (assuming it proceeds), we have reduced our FY10 net cash flow estimates by the value of the return.

Return reinforces outlook for Relenza.

Biota has embarked on capital management initiatives previously with a 5% share buy-back for \$8.0m during FY08 and FY09. We believe the quantum of the return is less significant than the message the capital return sends regarding (a) outlook for Relenza in FY10 and (b) Biota's business model.

As indicated, we are forecasting a very strong sales year for Relenza, owing to massive production expansion by GSK, the threat of pandemic swine flu in the Northern Hemisphere in 2H10 driving further significant government orders and personal stockpiling. Biota's business model seeks to leverage off its strong drug development, rather than clinical expertise to de-risk clinical development via partnering with third parties. Examining "naked" expenditure during FY08 and FY09, we note both the RSV, HCV (nucleoside) and LANI/FLUNET research programs were cost neutral (via partner reimbursement or government grants), while shareholder funds (\$4.0m) were utilised in the Phase 2a HRV study.

Anticipate LANI deal in FY10.

The remaining expenditure was early stage CMV and HCV (non-nucleoside) programs with other (undisclosed) programs. Under this model significant later stage clinical costs are avoided. As such, surplus cash can be returned to shareholders. We are anticipating a LANI license deal in FY10, with potentially a second deal around the Phase 2 HRV program, though we are less enthused about the ability to license this program versus LANI.

Updated Forecasts

Our revised forecasts for FY10-FY12 are shown below.

Changes to Forecasts

	FY10E			FY11E			FY12E		
	Previous	Revised	Change	Previous	Revised	Change	Previous	Revised	Change
Relenza Volumes (m)	76.9	76.9	0.0%	31.1	31.1	0.0%	31.6	31.6	0.1%
Relenza Royalties (A\$m)	134.5	134.5	0.0%	54.4	54.4	0.0%	55.3	55.3	0.1%
EBITDA	118.7	113.6	-4.3%	40.8	40.9	0.2%	49.8	49.8	0.1%
Reported NPAT	88.0	89.0	1.1%	31.3	28.7	-8.3%	38.5	38.0	-1.2%
Adj. NPAT	88.0	89.0	1.1%	31.3	28.7	-8.3%	38.5	38.0	-1.2%
Adj. EPS (c)	50.3	50.9	1.1%	17.9	16.4	-8.3%	22.0	21.7	-1.3%

Source: Taylor Collison estimates

Outlook

We are forecasting an FY10 NPAT of \$89.5m, up significantly on pcp and driven by a sizeable uplift Relenza royalties from GSK capacity expansion to 190m courses commencing CY10 and major government orders. Other positive swing factors for FY10 earnings include upfront payments from either a LANI or HRV deal, or both. We have not currently factored either into our FY10 revenue estimates. We continue to have limited visibility on government Relenza stockpiling and the likely outcomes from the current swine flu pandemic. Our 12 month milestone expectations are shown below.

Biota 12 Month Milestone Chart	Timing
GSK 3Q Royalties	Oct-09
Announcement of LANI Phase 1 (UK) studies	2H CY09
GSK 4Q Royalties	Feb-09
Commencement of Daiichi Japanese Phase 3 LANI Study (prophylaxis)	4Q CY09
Licence Deal for LANI (CS-8958) Ex-Japan	1H CY10
Licence Deal for HRV (BTA798)	FY10
Regulatory filings of LANI in Japan	before 2Q CY10

Source: Taylor Collison estimates

Outperform maintained, \$2.65 price target.

Biota currently trades on a forecast FY10 EV/EBITDA of 1.6x and a PER of 3.7x. We maintain our Outperform recommendation and valuation of \$2.65 (\$2.66 previous).

Biota Holdings Limited - Summary of Forecasts

BTA \$1.895

PROFIT & LOSS SUMMARY (A\$'000)					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
Relenza Royalties	20,544	45,000	134,522	54,417	55,333
Partnering (Licence) Income	5,871	4,426	7,467	10,667	12,000
Research income (inc Grants)	15,042	10,966	5,300	700	700
Total Revenue	44,989	63,334	149,722	71,354	82,354
<i>Growth (pcp)</i>	-21.5%	40.8%	136.4%	-52.3%	15.4%
Net Gain on GSK Settlement	0	12,756	0	0	0
Net Operating Revenue	3,592	60,280	133,950	59,137	69,817
R&D Expenses	(10,287)	(13,348)	(17,950)	(13,403)	(13,688)
EBITDA	(9,897)	43,997	113,592	40,889	49,838
Depreciation	(933)	(1,184)	(1,108)	(1,463)	(1,471)
Amortisation	(1,681)	(3,931)	(4,750)	(3,265)	(387)
EBIT	(12,511)	38,882	107,734	36,160	47,980
Net Interest	3,202	2,935	2,408	4,846	6,291
Pre-Tax Profit	(9,309)	41,817	110,142	41,007	54,271
Tax Expense	2,820	(3,636)	(21,159)	(12,302)	(16,281)
Minorities	0	0	0	0	0
NPAT Normalised *	8,761	20,343	88,984	28,705	37,990
NPAT Adj.	(6,489)	38,181	88,984	28,705	37,990
<i>Growth (pcp)</i>	n/a	n/a	133.1%	-67.7%	32.3%
Net Adjustments	0	0	0	0	0
Reported Profit	(6,489)	38,181	88,984	28,705	37,990

PER SHARE DATA					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
Adjusted EPS (c)	(3.5)	21.7	50.9	16.4	21.7
<i>Growth (pcp)</i>	n/a	n/a	134.7%	-67.7%	32.3%
Reported EPS (c)	(3.5)	21.7	50.9	16.4	21.7
<i>Growth (pcp)</i>	n/a	n/a	134.7%	-67.7%	32.3%
Dividend (c)	0.0	0.0	0.0	0.0	0.0
Franking	0%	0%	0%	0%	0%
Gross CF per Share (c)	2.6	18.4	48.5	20.6	24.2
NTA per share (c)	28.0	50.3	92.8	111.1	133.0

VALUATION MULTIPLES					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
Adjusted PE Ratio (x)	n/a	8.7	3.7	11.5	8.7
PE Ratio (x)	n/a	8.7	3.7	11.5	8.7
Dividend Yield (%)	n/a	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	n/a	5.6	1.6	3.6	2.1
EV/EBIT (x)	n/a	6.3	1.7	4.1	2.2

CAPITAL RAISING ASSUMPTIONS					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
Shares Issued (m)	0.0	0.0	0.0	0.0	0.0
Issue Price (A\$)	0.0	0.0	0.0	0.0	0.0
Cash Raised (A\$m)	0.0	0.0	0.0	0.0	0.0

KEY RATIOS					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
EBITDA/Sales Margin %	-22.0%	69.5%	75.9%	57.3%	60.5%
EBIT/Sales Margin %	-27.8%	61.4%	72.0%	50.7%	58.3%
Current ratio (x)	3.4	7.6	14.7	15.8	17.2
Net Debt : Equity (%)	-94.8%	-89.4%	-90.4%	-94.8%	-96.9%
ROE (%)	-9.6%	47.6%	67.7%	15.9%	17.8%
Dividend Payout Ratio (%)	n/a	0.0%	0.0%	0.0%	0.0%

*Excluding litigation expense and settlement, tax effected at 30%

BALANCE SHEET SUMMARY (A\$'000)					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
Cash	60,164	86,704	150,051	184,591	225,405
Receivables	4,270	8,067	14,972	13,557	12,353
Inventories	0	0	0	0	0
Other	0	0	0	0	0
Total Current Assets	64,434	94,771	165,023	198,148	237,758
Inventories	0	0	0	0	0
Property Plant & Equip	7,543	6,924	7,316	7,353	7,382
Intangibles	12,113	8,402	3,652	387	0
Other	5,168	1,532	1,532	1,532	1,532
Total Non-Current Assets	24,824	16,858	12,500	9,272	8,914
TOTAL ASSETS	89,258	111,629	177,523	207,420	246,673
Accounts Payable	12,023	5,631	5,989	7,135	8,235
Borrowings	0	0	0	0	0
Provisions	1,122	1,561	1,122	1,330	1,473
Other	6,059	5,262	4,102	4,102	4,102
Total Current Liab	19,204	12,454	11,213	12,567	13,810
Borrowings	132	0	0	0	0
Provisions	6,622	2,143	295	133	152
Other	0	0	0	0	0
Total Non-Current Liab	6,754	2,143	295	133	152
TOTAL LIABILITIES	25,958	14,597	11,507	12,700	13,962
TOTAL EQUITY	63,300	97,032	166,016	194,720	232,710

CASH FLOW SUMMARY (A\$'000)					
Period	FY08A	FY09A	FY10E	FY11E	FY12E
EBIT (excl Abs/Extr)	(12,511)	38,882	107,734	36,160	47,980
Add: Depreciation	933	1,184	1,108	1,463	1,471
Amortisation	1,681	3,931	4,750	3,265	387
Change in Pay.	6,019	(6,392)	358	1,147	1,100
Less: Tax paid	2,820	0	(21,159)	(12,302)	(16,281)
Net Interest	3,202	2,935	2,408	4,846	6,291
Change in Rec.	5,080	(3,797)	(6,905)	1,415	1,204
Other	(4,090)	(8,191)	(8,197)	(3,219)	(225)
Gross Cashflows	4,815	32,483	84,847	36,040	42,314
Capex	(3,785)	(798)	(1,500)	(1,500)	(1,500)
Free Cashflows	1,030	31,685	83,347	34,540	40,814
Buy-Back/Cap. Return**	(3,022)	(5,145)	(20,000)	0	0
Net Cash Flow	(1,992)	26,540	63,347	34,540	40,814

** 5% buy back, ending 7th Oct 2008; \$20m capital return est. in Nov 09

Disclaimer

The following Warning, Disclaimer and Disclosure relate to all material presented in this document and should be read before making any investment decision.

Warning (General Advice Only): Past performance is not a reliable indicator of future performance. This report is a private communication to clients and intending clients and is not intended for public circulation or publication or for the use of any third party, without the approval of Taylor Collison Limited ABN 53 008 172 450 ("Taylor Collison"), an Australian Financial Services Licensee and Participant of the ASX Group. While the report is based on information from sources that Taylor Collison considers reliable, its accuracy and completeness cannot be guaranteed. This report does not take into account specific investment needs or other considerations, which may be pertinent to individual investors, and for this reason clients should contact Taylor Collison to discuss their individual needs before acting on this report. Those acting upon such information and recommendations without contacting one of our advisors do so entirely at their own risk. This report may contain "forward-looking statements". The words "expect", "should", "could", "may", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of and guidance on, future earnings and financial position and performance are also forward looking statements. Forward-looking statements, opinions and estimates provided in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Any opinions, conclusions, forecasts or recommendations are reasonably held at the time of compilation but are subject to change without notice and Taylor Collison assumes no obligation to update this document after it has been issued. Except for any liability which by law cannot be excluded, Taylor Collison, its directors, employees and agents disclaim all liability (whether in negligence or otherwise) for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by the recipient or any other person directly or indirectly through relying upon the information.

Disclosure: In February 2008, Taylor Collison was appointed to act as broker for the Biota on-market buy back of up to 5% of the issued capital, or 9.17m shares and received a fee. Analyst remuneration is not linked to the rating outcome. Taylor Collison may solicit business from any company mentioned in this report. Taylor Collison may be engaged from time to time to provide Corporate Advisory Services to any company mentioned in this report for which fees may be received. For the securities discussed in this report, Taylor Collison may make a market and may sell or buy on a principal basis. Taylor Collison, or any individuals preparing this report, may at any time have a position in any securities or options of any of the issuers in this report and holdings may change during the life of this document.

Analyst Interests: The Analyst may hold the product(s) referred to in this document, but Taylor Collison Limited considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst(s)' holdings may change during the life of this document.

Analyst Certification: The analyst certifies that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers.

Date Prepared: August 2009

Analyst: Thomas Duthy

Release Authorised by: David Whiting

Taylor Collison Limited
Sharebrokers and Investment Advisers
A.B.N. 53 008 172 450 AFSL No. 247083

Level 16, 211 Victoria Square
Adelaide, South Australia, 5000
G.P.O. Box 2046, Adelaide, South Australia, 5001
Telephone: 08 8217 3900 Facsimile: 08 8231 3506
Email: broker@taylorcollison.com.au

Level 10, 167 Macquarie Street
Sydney, New South Wales, 2000
G.P.O. Box 4261, Sydney, New South Wales, 2001
Telephone: 02 9377 1500 Facsimile: 02 9232 1677
Email: sydney1@taylorcollison.com.au

Participant of the Australian Stock Exchange Group
www.taylorcollison.com.au
ESTABLISHED 1928