

# Biotron – QuickView

28 November 2011

Event HCV focus

## Investment summary: Alternative prospect

Australia's Biotron is undoubtedly the smallest and least well known of the quoted players in hepatitis C and, as such, could offer the most highly geared, if perhaps also most speculative, play on the current M&A theme. With positive Phase IIa results in HCV for BIT225, its first-in-class oral viroporin inhibitor, and a recently commenced Phase Ib/IIa trial in HIV, Biotron's A\$15m (~A\$28m fully diluted) market cap is a fraction of the valuations of US-based HCV players at a similar stage.

### Positive Phase IIa HCV trial results

Preliminary data from a Phase IIa proof of concept trial in HCV genotype 1 patients in Thailand showed that 400mg of BIT225 administered orally in combination with interferon/ribavirin showed good and dose-dependent antiviral activity with a significant ~1 log virus reduction over and above standard of care. Tolerability was also reasonable. BIT225 has the potential to be used with either interferon-based therapies or with other direct acting antiviral drugs in interferon-free regimens.

### Phase Ib/IIa HIV trial underway

Biotron is running a Phase Ib/IIa trial of BIT225 in treatment-naïve HIV patients. It has established that BIT225 is able to inhibit replication of HIV in monocyte lineage cells, where the virus can hide from current antivirals. Treatment and elimination of the virus reservoir would improve treatment significantly.

### Investor/industry focus on HCV space

Gilead's recent \$11bn acquisition of Pharmasset highlights the intense industry interest in HCV. Pharmasset has a portfolio of one nucleoside (partnered with Roche) and two nucleotide polymerase inhibitors in trials for HCV. However, Gilead is essentially making a very large bet on the potential of an interferon-free Phase III programme.

### Valuation: EV of A\$13.4m

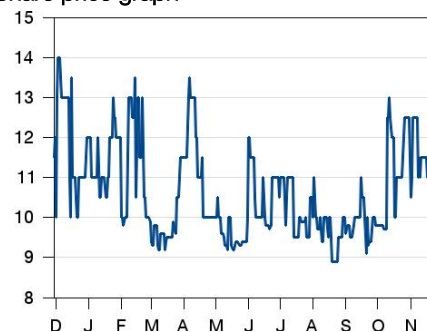
Biotron's near-term focus is on the possible exercise in the next few weeks of options that could provide up to A\$11m in cash. Beyond this, the company offers a highly-gearred interesting play on the HCV M&A theme with the added bonus that its lead product has potential in HIV. Furthermore, this also seems to be almost completely ignored by the market.

## Historic financials

Year End	Revenue (A\$m)	PBT (A\$m)	EPS (Ac)	Cash (A\$m)	P/E (x)	Yield (%)
06/10	0.00	(1.9)	(1.61)	1.8	N/A	N/A
06/11	0.45	(1.9)	(1.49)	2.1	N/A	N/A

Price A\$0.105  
Market Cap A\$16m

### Share price graph



### Share details

Code BIT  
Listing ASX  
Sector Pharmaceuticals and biotech  
Shares in issue 148m\*  
\* 267m fully diluted

### Business

Biotron is an Australian biotech company focused on viral infections, primarily HIV and chronic hepatitis C (HCV). BIT225, a viroporin inhibitor, is in Phase II clinical trials for both HIV and HCV. C-Test, a glycomics-based cancer diagnostic test, is in clinical trials for prostate and colorectal cancer.

### Bull

- BIT225 has blockbuster potential.
- BIT225 is a first-in-class HCV and HIV treatment.
- BIT225 is unpartnered.

### Bear

- A\$2.1m of cash (30 June 2011).
- 119m share options (108m; exercise price A\$0.10; expiry 30 December 2011).
- Short-term uncertainty caused by impending share options exercise.

### Analysts

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