



BUY	12 Month Target	\$4.20
	Price	\$0.73
	Implied Return	475%

Benitec Biopharma (BLT)

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TT-034 Trial: shRNA Expression Detected

Company Details

ASX Code:	BLT
Price:	\$0.73
Shares on Issue:	116m
Market Capitalisation:	\$85m
Enterprise Value	\$58m
12-Month Price Range:	\$0.52 – \$1.84
Monthly volume (shares, Mar 15)	2.8m

Comparable Companies

Company	EV (AUD) ¹	
	Last Report ²	This Report ³
Alnylam Pharmaceuticals	\$4.0b	\$10.2b
Regulus Therapeutics	\$200m	\$933m
Tekmira Pharmaceuticals	\$135m	\$385m
Arrowhead Research Corp	\$538m	\$357m
Silence Therapeutics	\$160m	\$239m

¹ Enterprise value

² As of 29 May 2014

³ As of 8 April 2015

Directors & Chief Executive

Mr Peter Francis	Non-Executive Chairman
Dr Peter French	Chief Executive Officer
Mr Kevin Buchi	Non-Executive Director
Dr John Chiplin	Non-Executive Director
Mr Iain Ross	Non-Executive Director

Major Shareholders

RA Capital Management	10.5%
Dr Christopher Bremner	7.0%
Dalit Pty Ltd	5.0%

Share Price Chart



Source: Iress

Recommendation: BUY rating and 12-month price target of **\$4.20 (+31%; previously \$3.20)**.

Event: Benitec has announced that the expression of the three short hairpin RNAs (shRNAs) encoded by the company's hepatitis C virus (HCV) therapeutic, TT-034, have been detected in each of the liver biopsies obtained from the three patients biopsied so far. The fourth patient is yet to be biopsied. Importantly, the company also reports that no treatment-related serious adverse events have been reported to date.

Comment: Once appropriately inserted in a cell, the science behind DNA-directed RNA interference (ddRNAi) is extremely well understood. The hurdle has always been getting the drug into the appropriate position in the appropriate cells.

For TT-034 to have a clinical effect, the DNA construct it contains must make it into the nucleus of the liver cells of the HCV patient. Once the construct is in the nucleus of the cell, the cell's own machinery makes the shRNAs from the construct, ultimately degrading HCV in the cell.

By finding the expression of the three shRNAs in the liver biopsies of treated patients, the company has demonstrated that the viral vector used in TT-034 is delivering the construct into liver cells and the construct is being transported to the nucleus, where the nuclear machinery is producing shRNAs from it. **It is then largely a dosing issue before HCV viral knockdown is observed at detectable levels.**

This is a major achievement for the company and a significant positive signal that TT-034 will be able to reduce HCV viral loads when patients are given higher dosages of the drug later in the current phase I/IIa trial.

The finding that there have been no serious treatment-related adverse events is also significant, as gene therapies, like TT-034, are highly scrutinised in terms of safety.

Today's announcement by Benitec bodes very well for the company, the prospects of TT-034 and their general ddRNAi technology.

Comparable Valuation: Of the comparable RNAi companies we use, only Arrowhead Research has declined (-66%) in enterprise value (EV) since our last report; Alnylam (+160%), Regulus (+399%), Tekmira (+172%) and Silence (46%) are up strongly. The major catalysts for these moves in select cases have been:

- Arrowhead: Disappointing hepatitis B virus (HBV) trial results;
- Tekmira: A shift to becoming a HBV focused company; and
- Regulus: Promising, but not one shot cure, clinical trial results in HCV.

Relative to Tekmira and Arrowhead, Benitec looks extraordinarily cheap with an enterprise value of \$58m. It should also be noted that Regulus is up 150% since it announced its HCV trial results.

Valuation: A comparable EV for Benitec of \$400 million looks reasonable, given the quality of today's announcement, the comparable values of Tekmira and Arrowhead, the fact that Benitec also has a HBV therapeutic nearing the clinic and the market's reaction to Regulus' HCV therapeutic results. Adding in cash of \$26.9m and rolling the resultant number forward by a discount rate of 15%, we arrive at a **12-month price target for Benitec of \$4.20 per share**. Catalysts will be continued results from the company's phase I/IIa HCV trial and potential partnering announcements.

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Expected total Return is measured as (capital gain (or loss) + dividend)/purchase price

We have divided our recommendations into three main categories:

Buy: Expected Total Return in excess of 15% over a 1 year period.

Hold: Expected Total Return between 0% and 15% over a 1 year period.

Sell: Expected Total Return less than 0% over a 1 year period.

Analyst Verification

I verify that I Marc Sinatra, have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.

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