

Biotechnology

BNTC - NASDAQ September 16, 2015

Closing Price 09/15/2015	\$6.90
Rating:	Buy
12-Month Target Price:	(prior \$4.00) \$23.00
52-Week Range:	\$6.53 - \$19.54
Market Cap (M):	50
Shares O/S (M):	7.3
Float:	0.0%
Avg. Daily Volume (000):	16
Dividend:	\$0.00
Dividend Yield:	0.00%
Risk Profile:	High
Fiscal Year End:	June

Total Revenues ('000)

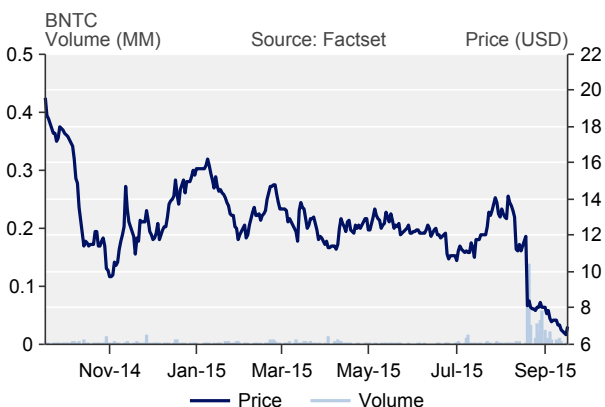
	2014A	2015E	2016E
H1	0	0	0
H2	1,374	0	0
FY	1,374	0	0
Prior	0	—	—

GAAP Net Income (loss) ('000)

	2014A	2015E	2016E
H1	(4,193)	(5,250)	(6,750)
H2	(7,031)	(5,250)	(6,750)
FY	(11,224)	(10,500)	(13,500)
Prior	(8,386)	—	—

GAAP EPS

	2014A	2015E	2016E
H1	(0.61)	(0.76)	(0.57)
H2	(1.09)	(0.76)	(0.57)
FY	(1.70)	(1.53)	(1.13)
Prior	(0.07)	(0.09)	(0.11)



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Benitec BioPharma Ltd

Buy

Benitec Debuts with a US IPO as the HCV March Goes Forward - "One & Done"

Summary

- Benitec has completed a successful US IPO on NASDAQ under ticker BNTC in August 2015 raising approximately \$11M on 1.5M ADS (20 shares per ADS) and 500K (ADS warrants BNTC-W). The company ended its fiscal year (fiscal year ends in June) with \$5M in expense and \$26.8M in cash. The current cash balance funds the company through multiple data catalysts.
- Benitec reported today the initiation of a new site for its ongoing Phase 1 TT-034 (HCV) trial at the Methodist Health System Clinical Research Institute in Dallas, Texas. The site has started pre-screening Hepatitis C patients.
- The company now has a total of four trial sites established, including Duke Clinical Research Institute, the University of California San Diego and Texas Liver Institute.
- Recall that the DSMB has reviewed safety data from the third patient treated with TT034, who experienced no adverse events. The board has approved the next level of "safety" dosing at 1.25 x10¹¹vg/kg (a half log higher than the first three patients received), but still below that believed to be therapeutically effective and inhibit viral replication. The Phase 1 TT-034 trial is expected to provide a peak at the impact on viral load (efficacy) by year end.
- Price Target Adjustment: We have adjusted our model for the US IPO and ADR (20:1) ratio. Our current model (and price target) is based on the US listed stock (BNTC). Our outlook remains unchanged.**

Details

TT-034 DNA-directed RNAi (ddRNAi). Benitec uses circular DNA that encodes short hairpin (sh)RNAs delivered using a virus. This type of RNA essentially folds over on itself to make double-stranded RNA. The shRNA, which is specific for conserved regions of HCV mRNA, is fed into the RNAi pathway to then destroy HCV mRNA and, thus, end viral replication. The advantage over other methods lies in using a DNA vector that becomes a part of the hepatocyte genome, where it can remain for years. The shRNA will continuously be produced and, in a sense, is always hunting for any HCV mRNA that might appear. Benitec is also using ddRNAi to target HBV.

TT-034: Why less is more. Delivering RNA in an RNAi therapy model is difficult because of the unstable nature of the RNA. By using a stable DNA vector inside a virus, Benitec is avoiding degradation and manipulation of the RNA to enhance stability, which can alter its performance as a therapeutic. Further, since the DNA enters the nucleus and integrates into the genome, a cell only needs a few copies of the RNA encoding sequence to generate therapeutic levels of shRNA. Other methods that deliver high doses of RNA to achieve a gene silencing effect can result in "off-target effects." This ddRNAi technology may hold the ability to permanently silence the target genes. As such, it may prove to be possible, in a single dose, to cure certain conditions, such as hepatitis C or B. The promise of such a cure could lead to the next paradigm shift in the space beyond direct-acting antivirals (DAAV).

Beyond HCV: ddRNAi is particularly attractive for HBV. Unlike HCV, the HBV virus deposits its DNA genome into the hepatocyte nucleus, where it can remain for years making viral mRNA. The mRNA is copied to make new viral particles (the site of nucleotide analogue interference) as well as excess viral proteins. The viral products (HBsAg and HBe antigens) get into the blood and prevent seroconversion by completely absorbing all available anti-HBV antibodies that would otherwise neutralize the virus. The ddRNAi becomes a permanent resident of the hepatocyte genome, just like HPV, and, thus, will always be on guard to protect the cell.

Income Statement (\$000)		Year End - June														
		Dec. 2013	Dec. 2014													
Benitec BioPharma		2013A	2014A	1H2015E	2H2015E	2015E	1H2016	2H2016	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Revenue (\$000)																
ddRNAI Platform (HCV/NSCLC/HBV/AMD)			598									200,000	375,000	528,000	600,000	800,000
xxxx																
Total Product Sales												200,000	375,000	528,000	600,000	800,000
% Chg																
License, Grant Revenue		1,516	776													
Total Revenues		1,516	1,374	-	-	-	-	-	-	-	-	200,000	375,000	528,000	600,000	800,000
Expenses																
Cost of Goods Sold		36										20,000	37,500	52,800	60,000	80,000
COGs % of revenue		6%										10%	10%	10%	10%	10%
General and administrative expenses		7372	7,055	2,500	2,500	5,000	3,000	3,000	6,000	8,000	10,000	15,000	20,000	25,000	30,000	35,000
Research & Development		3130	5,700	2,750	2,750	5,500	3,750	3,750	7,500	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Total expenses		10,538	12,756	5,250	5,250	10,500	6,750	6,750	13,500	33,000	35,000	60,000	82,500	102,800	115,000	140,000
Oper. Inc. (Loss)		(9,022)	(11,382)	(5,250)	(5,250)	(10,500)	(6,750)	(6,750)	(13,500)	(33,000)	(35,000)	140,000	292,500	425,200	485,000	660,000
Finance Income		179														
Other Expense (Fx) & Other		1,541														
Pretax Income		(7,301)	(11,686)	(5,250)	(5,250)	(10,500)	(6,750)	(6,750)	(13,500)	(33,000)	(35,000)	140,000	292,500	425,200	485,000	660,000
Pretax Margin																
Income Tax Benefit (Provision)		454	454	-	-	-	-	-	-	-	-	11,500	44,100	92,930	138,675	237,600
Tax Rate												8%	15%	22%	29%	36%
GAAP Net Income (loss)		(6,847)	(11,224)	(5,250)	(5,250)	(10,500)	(6,750)	(6,750)	(13,500)	(33,000)	(35,000)	128,500	248,400	332,270	346,325	422,400
Non-GAAP, Adj.		1,313.79	4,020	2,022	2,024	4,046	2,026	2,028	4,054	4,062	4,070	4,079	4,087	4,095	4,103	4,111
GAAP-EPS		(1.64)	(1.70)	(0.76)	(0.76)	(1.53)	(0.57)	(0.57)	(1.13)	(2.77)	(2.07)	8.24	17.19	24.94	28.39	38.56
Non GAAP EPS (dil)		(1.87)	(2.22)	(1.06)	(1.06)	(2.11)	(0.74)	(0.74)	(1.48)	(3.11)	(2.31)	7.33	14.36	19.25	20.03	24.44
Wgtd Avg Shrs (Bas) - '000s		4,995	5,753	5,762	5,767	5,764	10,773	10,784	10,778	15,802	20,837	20,878	20,920	20,962	21,004	21,046
Wgtd Avg Shrs (Dil) - '000s		4,995	6,868	6,875	6,882	6,879	11,889	11,901	11,895	11,919	16,945	16,979	17,013	17,047	17,081	17,115

Source: Company reports and Maxim

DISCLOSURES

Benitec BioPharma Ltd Rating History as of 09/15/2015

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution		As of: 09/15/15	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	83%	48%
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	17%	26%
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	1%	0%

**See valuation section for company specific relevant indices*

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Maxim Group makes a market in Benitec BioPharma Ltd

Maxim Group managed/co-managed/acted as placement agent for an offering of the securities for Benitec BioPharma Ltd in the past 12 months.

Maxim Group received compensation for investment banking services from Benitec BioPharma Ltd in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Benitec BioPharma Ltd in the next 3 months.

BNTC: For Benitec, we use the BTK (NYSE Biotechnology Index) as the relevant index.

Valuation Methods

BNTC: We assume that the clinical development of any single product to proof-of-concept studies will trigger a valuation increase. For modeling purposes, we assume that commercialization of the first product (HCV/NSCLC/HBV/AMD) begins in 2019. We use a maximum risk rate of 30%

in our modeling assumptions. Using these metrics, we model the market potential and discount back in our FCF, discounted-EPS, and sum-of-the-parts models to arrive our price target.

Price Target and Investment Risks

BNTC: Benitec faces multiple risks, which include: (1) developmental risk: the DNA-directed RNAi platform is still in early clinical development; (2) regulatory risk: RNAi is not an approved therapy yet, and the path to approval may not favor Benitec; and (3) financial risk: the company may need multiple capital raises to operate while their products are in development.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

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