

SYMBOL: **IBPM.OB**
 EXCHANGE: **OTC**
 RECENT PRICE: **\$1.09**



iBio, Inc.

Upgrade

BUY

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INDUSTRY SECTOR
Biotechnology

Wednesday, June 02, 2010

52 Week Low	\$0.32
52 Week High	\$1.45
Market Capitalization	\$30,800,000
Volume (Previous Trading Day)	8,628
Float	14,160,000
Basic Shares Outstanding	28,256,881
Institutional Holdings	N/A
Short Interest	N/A
Average 90-day Vol.	5,940

Upgrading on Plant Power Promise



- We are upgrading from a Hold to a Buy following our recent production facility visit and in anticipation of multiple near-term value-driving catalysts
- We visited the pilot manufacturing facility in Newark, Delaware developed by the Fraunhofer Institute, and came away impressed by the caliber of the science behind platform
- The Fraunhofer Institute has developed a novel production process using a patented plant viral vector system and purification methods taken directly from traditional biologics manufacturing
- Price target \$4.00; key catalyst, initiation of clinical development with biosimilar molecules produced in plants, expected first half 2011

Fundamental Data

Revenue (millions)

PERIOD	F2009	F2010	F2011
1st Qtr	0.333A	0.000A	0.000E
2nd Qtr	0.379A	0.000A	0.000E
3rd Qtr	0.327A	0.000A	0.000E
4th Qtr	0.137A	0.000E	0.000E
	1.177A	0.000E	0.000E

Earnings (per share)

PERIOD	F2009	F2010	F2011
1st Qtr	(0.05)A	(0.02)A	(0.03)E
2nd Qtr	(0.02)A	(0.01)A	(0.04)E
3rd Qtr	(0.01)A	(0.06)A	(0.04)E
4th Qtr	(0.02)A	(0.02)E	(0.05)E
	(0.09)A	(0.14)E	(0.17)E

Five-Year EPS Growth	N/A
EV / EBITDA (ttm)	N/A
Debt / Cap (mrq)	N/A
Fiscal Year End	June
Div. / Div. Yield	N/A
Beta	N/A

iBio, Inc. is a biopharmaceutical company focused on using and promoting the use of its proprietary plant-based technology platform by which targeted proteins can be produced in plants for the development and manufacture of novel vaccines and therapeutics for humans and certain veterinary applications.

ID: 1275475655

Refer to pages IBPM.OB/6 - IBPM.OB/7 for Disclosures

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Investment Thesis

We are raising our rating to Buy on iBio, Inc. The company is a pioneer in the field of recombinant protein production using plants, and is currently in the process of commercializing its proprietary technology, the iBioLaunch™ platform, for the production of biologics including vaccines and therapeutic proteins. The iBioLaunch™ platform uses transient gene expression in plants for superior efficiency in protein production. This approach appears particularly suited to infectious disease applications, particularly vaccine production, in which speed, scalability, and surge capacity are important. iBio's strategy is to utilize its technology for development and manufacture of its own product candidates and work with both corporate and government clients to reduce their costs during product development and meet their needs for low-cost, high-quality biologics manufacturing systems. iBio currently holds exclusive rights to technology developed at the Fraunhofer USA Center for Molecular Biotechnology (CMB) for human therapeutic use.

Clear Leadership in Plant-Based Protein Production

iBio utilizes plant viral vector technology developed by the Fraunhofer CMB, which allows the production of therapeutic proteins for human use in whole plants. The technology has the capability to produce specific proteins within the leaves of rapidly growing plant biomass. Unlike protein production in cells, which must be cultivated in bioreactors, the iBio platform relies on whole plants, which are transiently engineered to express the proteins of interest. The Fraunhofer Institute's fundamental work on this approach has enabled the development of a highly-automated, cutting-edge production process that comprises the planting of seeds, cultivation of growing plants, introduction of viral vectors that direct the plants to produce a target protein, and harvesting of biomass once the target has accumulated in the plant tissue under current Good Manufacturing Practice (cGMP) conditions.

The primary advantage of the whole plant approach is the rapidity with which different proteins can be expressed, potentially at commercial scale. In order for proteins to be produced using cells in bioreactors, an extremely complex process of genetic engineering, creation of stable producer clones, establishment of a working cell bank, seeding into bioreactors, process optimization, production and purification must be conducted. This can take months or years to complete, while the iBio approach takes only a few weeks. In addition, the cultivation of whole plants is significantly less expensive and requires far less capital investment in establishment of infrastructure than protein production using bioreactors. iBio also has the intellectual property (IP) advantage of being able to circumvent patents held by competitors on the use of plant cells to produce recombinant proteins, because the iBio approach relies on transient expression of proteins in whole plants, and does not involve cultivation of cells in isolation. In our view, the sophistication of the iBio manufacturing process and its clear advantages in time and cost make iBio a leader in the low-cost biologics manufacturing sector.

Fully Automated, Scalable Protein Production Facility Established

On April 22nd, 2010, iBio and the Fraunhofer Institute announced that they had completed the development of a fully-automated, scalable “factory” that uses natural, non-genetically-modified green plants to efficiently produce large quantities of vaccines and therapeutics within weeks. Such a vaccine production facility could, in our view, play a crucial role in addressing and containing future pandemics and emerging biological threats, given the speed with which it could produce vaccine doses. The factory, which we recently had the opportunity to view first-hand, has the capacity to grow tens of thousands of plants in a single batch. In order to automate the process, robots glide up and down a track, tending the plants and delivering trays from the lighted, irrigated growth modules to each processing station at the appropriate time. Although the process of making vaccines from plants includes many aspects of traditional horticulture such as growing, watering and harvesting, the Fraunhofer Institute’s CMB scientists have developed a way to automate these functions to rapidly and cost-effectively scale up production from a few milligrams in a laboratory setting to the many kilograms that might be required to address a pandemic crisis. Accordingly, we feel that iBio has at its disposal roughly comparable protein production capability to that of its most direct competitors, including Protalix BioTherapeutics (PLX, Buy), which also focuses on plant-derived protein production. The Protalix facility, which is located in Carmiel, Israel, is also state-of-the-art but uses bioreactors and plant cells cultivated in suspension instead of whole plants. Therefore, we believe that the iBio approach may be both more flexible and more cost-effective than the Protalix method, particularly with regard to the production of vaccines.

Valuation

We derive our \$4.00 price target from a sum-of-the-parts valuation methodology, which utilizes a discounted cash flow analysis of the various vaccine and therapeutic protein development projects being conducted using iBio’s proprietary plant-based production platform to provide a projected enterprise value. Our DCF analysis yields a total value of \$63 million for the vaccine platform, with roughly \$47 million derived from the valuation of the seasonal and pandemic influenza vaccine projects. To this, we add the cash position and the value of the preclinical human therapeutic protein projects (to which we ascribe a valuation of \$40 million) to yield a total firm value of \$107 million. We divide this by the projected 28 million shares outstanding to yield our price target of \$4.00 per share. We note that our projection values iBio at roughly 25% of the current market capitalization of Protalix, which we believe is appropriate, since Protalix is further along in clinical development and has submitted a candidate for regulatory approval. However, we note that the iBio platform is potentially more cost-effective and has broader applicability than the Protalix approach. Investment risks include: regulatory; failure to provide positive clinical results; and ability to extend cash runway through clinical development.

Financial Results and Estimates

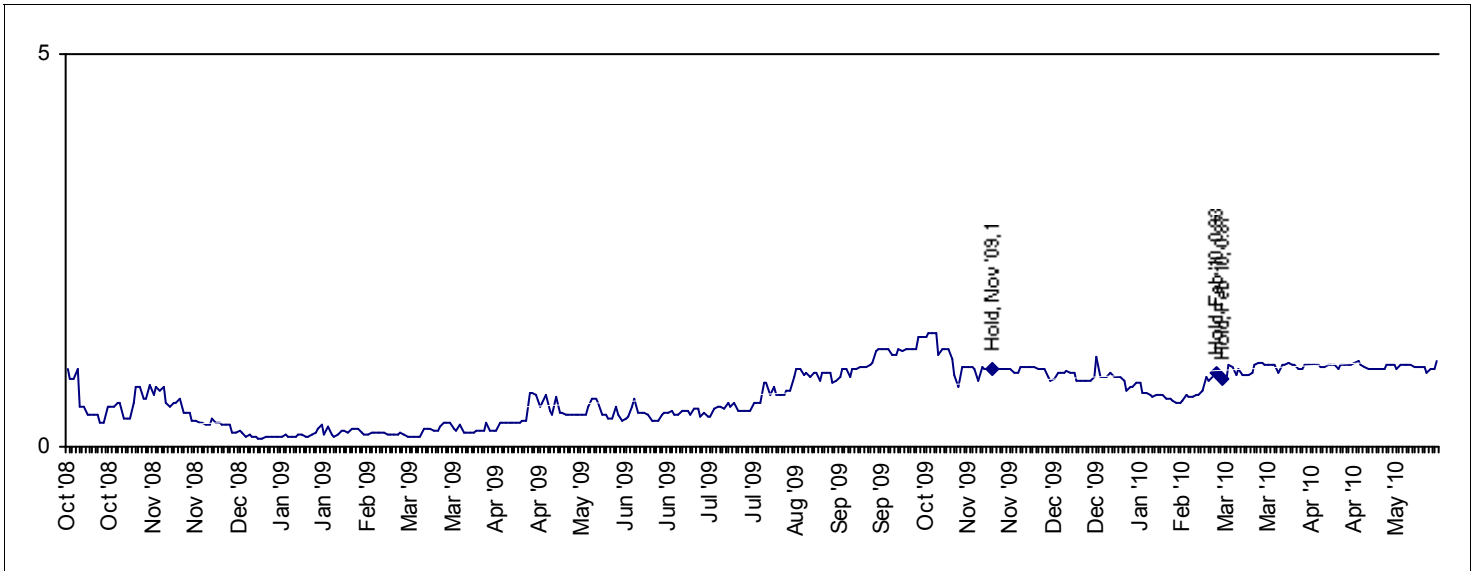
As of March 31st, 2010, iBio reported cash and investments of \$1.5 million. On February 26th, 2010, iBio announced an agreement in principle to license its iBioLaunch™ platform, and provide technology transfer services to G-Con, LLC, a private Texas company, and its affiliates, for the development and manufacture of plant-expressed influenza vaccines at a new facility being constructed in Bryan, Texas. R&D expenses for the third quarter of fiscal 2010 were roughly \$1.1 million, compared to our estimate of \$200,000. General and Administrative expenses for the third quarter of fiscal 2010 were \$536,657, compared to our estimate of \$400,000. Net loss for the quarter was \$1.6 million, compared to our loss estimate of \$523,000. This equated to a loss per share of \$0.06, compared to our loss per share estimate of \$0.02. We are increasing our full fiscal year 2010 loss per share estimate from \$0.10 to \$0.14 and our full fiscal year 2011 estimate from \$0.14 to \$0.17, assuming additional clinical development expenses and less than expected contract revenue.

Catalysts

- Initiation of clinical development for H1N1 vaccine (2H 2010)
- Initiation of further preclinical studies with plant-derived human therapeutic proteins (2H 2010)
- Initiation of vaccine production at Bryan, TX manufacturing facility (2010 – 2011)

iBio, Inc.											
Corporate Income Statement											
<small>(in thousands, except per share data)</small>											
	2009A	Q1-10A	Q2-10A	Q3-10A	Q4-10E	2010E	Q1-11E	Q2-11E	Q3-11E	Q4-11E	2011E
Revenues											
Contract Revenue	1177	0	0	0	0	0	0	0	0	0	0
<i>Growth</i>	19%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Revenue	1177	0	0	0	0	0	0	0	0	0	0
<i>Growth</i>	-219%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gross Profit	676	0	0	0	0	0	0	0	0	0	0
Operating Expenses											
Research & Development	797	104	254	1056	400	1814	500	700	800	850	2850
<i>Growth</i>	45%	-58%	2%	1171%	87%	-328%	381%	175%	-24%	113%	-257%
General & Administrative	1805	468	503	537	450	1957	500	500	500	500	2000
<i>Growth</i>	-1%	-6%	-1%	32%	13%	-208%	7%	-1%	-7%	11%	2%
Total Operating Expenses	2602	572	757	1593	850	3772	1000	1200	1300	1350	4850
<i>Growth</i>	10%	-23%	0%	226%	39%	45%	75%	59%	-18%	59%	29%
Operating Cash Flow (EBITDA)	(1926)	(572)	(757)	(1593)	(850)	(3772)	(1000)	(1200)	(1300)	(1350)	(4850)
<i>Growth</i>	-3%	-4%	-32%	-386%	-78%	-96%	-75%	-59%	18%	-59%	-29%
Interest income/expense and other, net	18	0	451	(51)	2	19	(21)	(21)	(21)	(21)	16
<i>Growth</i>	n/a	-99%	5889%	-1642%	n/a	-6%	-19191%	-105%	-59%	n/a	17%
EBT	(1908)	(572)	(306)	(1644)	(848)	(3752)	(1021)	(1221)	(1321)	(1371)	(4834)
<i>Growth</i>	2%	-5%	46%	-407%	-278%	-97%	-79%	-299%	20%	62%	-29%
Provision for Income Taxes (benefit)	1	0	1	(1)	0	0	0	0	0	0	0
Net income (loss)	(1907)	(572)	(306)	(1644)	(848)	(3752)	(996)	(1196)	(1296)	(1346)	(4834)
<i>Growth</i>	-2%	-5%	46%	-407%	-78%	-97%	-74%	-291%	21%	-59%	-29%
Income (loss) per share	(0.09)	(0.02)	(0.01)	(0.06)	(0.03)	(0.14)	(0.03)	(0.04)	(0.04)	(0.05)	(0.17)
<i>Growth</i>	100%	53%	55%	-318%	-46%	-46%	-46%	-282%	24%	-53%	-20%
Basic and Diluted Shares	20269	24361	28273	28273	28500	27352	29000	29000	29500	29500	29250

Source: Company reports and Noble Financial Estimates



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