



INSTITUTIONAL RESEARCH *Healthcare & Biotechnology* **COMPANY UPDATE**

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Nabi Biopharmaceuticals (Nasdaq/NABI)

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BUY Nabi concludes break-out year

Nabi develops vaccines for nicotine addiction and gram+ bacterial infections

Investment Highlights

1) Nabi released financial results for their Q4/2009, including revenue of \$10.5 million and net income of \$1.1 million or \$0.02 per share. Included in the revenue figures for Q4/2009 were three milestone payments/reimbursement fees from GlaxoSmithKline related to the sale of PentaStaph. General & administrative expenses for the quarter dropped slightly from the year before period, to \$2.19 million from \$2.27 million, while R&D costs increased to \$4.6 million from \$2.65 million, although much of these costs were related to work on Glaxo's PentaStaph or NicVAX partnerships. For the year, Nabi recorded \$10.5 million in revenues and a net loss of \$18.7 million or (\$0.37) per share, versus an almost identical loss of (\$0.36) per share in 2008.

2) For 2010, we are estimating that Nabi will accrue \$5.5 million in revenues, primarily from R&D fees from GSK, and a net loss of \$25.1 million, or (\$0.52) per share. We are estimating that R&D costs will rise to \$20.0 million in 2010 (from \$16.5 million in 2009) due to the costs of conducting two Phase III trials for NicVAX, while G&A costs will rise slightly as well to \$11.5 million, up about \$1.5 million from 2009, due primarily to new costs associated with the NicVAX trials. We are also using a net share count of 48.5 million for a year average, although this number could drop depending on Nabi's success in fulfilling its new \$50 million share buy-back authorization (\$61 million total in the program). Operating cash burn is projected at \$25-\$30 million for the year, no problem for a balance sheet with close to \$120 million on hand at the start of 2010.

3) **Steady R&D expected for 2010** – After the excitement of partnering out two major vaccines in 2009, fiscal 2010 should be much more mundane for Nabi, with both Phase III trials for NicVAX in full swing. In the PentaStaph area, Nabi is working to complete the technology transfer component of the sale, after which an \$8 million milestone can be received, while for their part GlaxoSmithKline is working on completing a Phase I/II trial on two additional antigens,

Current Price \$5.80

Price Target \$7.00

Estimates	F2008A	F2009A	F2010E
Revenues(\$000s)	\$0	\$10,489	\$5,500
EPS	(\$0.39)	(\$0.37)	(\$0.52)

Stock Data	
52-Week Range	\$2.15-\$6.24
Shares Outstanding (mil.)	48.5
Market Capitalization (mil.)	\$281.3
Enterprise Value (mil.)	\$162.3
Debt to Capital (12/09)	5.8%
Book Value/Share (12/09)	\$2.01
Price/Book	2.9 x
Average Trading Volume (10-day)	350,000
Insider Ownership	11.7%
Institutional Ownership	62.9%
Short interest	2.84 million
Dividend / Yield	\$0.00/0.0%



Price target and ratings changes over the past 3 yrs:
Updated - October 5, 2009 - Buy - Price Target \$7.00

Please find Important Disclosures beginning on Page 4.

which will trigger the last milestone payment of \$5 million. Finally, Nabi is due a \$5 million milestone payment from Fresenius upon the first sale of a new formulation of PhosLo, and Fresenius has submitted their application for marketing approval for this product to the FDA and is awaiting a response. Nabi will also receive ongoing sales royalties from Fresenius once the product begins shipping.

4) What to do with all that cash? – Barring a possible shareholder dividend granted in May at the annual meeting by the Nabi board, we expect that the Company will continue to spend its cash reserves at a moderate pace, focusing on the two ongoing Phase III NicVAX trials and the newly replenished share buy-back program. The Company does have several earlier stage R&D programs, including EnteroVAX for Enterococcus gram positive infection and RENS (Ring Expanded Nucleosides and Nucleotide) for cancer and viral infection, but may choose to partner these programs before starting major spending on further development. Nabi can also seek to make an acquisition with some of their cash, especially in a related medical area, given the recent difficulty in finding investment capital for many early and even later-stage R&D pipeline projects.

Conclusion/Stock Valuation

NABI shares have responded strongly this year, reflecting an overall upward trending stock market, steady clinical progress on their partnered R&D programs, and an ongoing share-buyback program. Even with spending cash last year on R&D and share and long-term debt repurchases, Nabi has over \$3.00 in cash (including the first \$40 million due from GSK this year for NicVAX) with plenty of potential upside milestones to come from NicVAX, PhosLo (Fresenius) and PentaStaph (GSK again) over the next 2-3 years should R&D programs prove fruitful. Thus we are maintaining our BUY rating on Nabi shares and \$7 price target, or 2.5X - 3.5X book value and near highs of three years ago.

Risk Factors

The ultimate success of Nabi's current R&D clinical programs depend on review and approvals from regulatory agencies in the US and possibly Europe. In addition, since Nabi currently has no sales force of its own, if these products are approved their commercial success will depend on the sales force (s) of existing partners. Finally, if approved, the Company's vaccine products must be successfully manufactured on a commercial basis, a process which is also subject to regulatory approval and review. Also, Nabi has reached agreements with larger pharmaceutical companies for the clinical advancement and/or marketing of several of its former programs and products, and unlocking any further potential value for these assets may be dependent on these particular partners and their success in the clinical, regulatory or commercial arenas.

Catalysts/Investor Timeline

- 1) Begin second and continue first Phase III NicVAX trial – 2010 ongoing
- 2) Receive additional milestone PentaStaph payments from GSK for technology transfers and clinical trials progress – 2010
- 3) Additional clinical milestone payments and initial sales royalties on new PhosLo formulation – 2010-11
- 4) Additional milestone payments and potential sales royalties for NicVAX from GSK – 2010-11

Nabi Biopharmaceuticals, Inc.
Consolidated Statements of Income
 (in \$000s, except EPS)

Robert M. Wasserman

FYE December	2005	2006	2007	1Q08 March	2Q08 June	3Q08 Sept	4Q08 Dec	2008	1Q09 March	2Q09 June	3Q09 Sept	4Q09 Dec	2009	2010E	2011E
Revenues															
Licensing agreements and grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,489	\$10,489	\$5,000	\$7,000
Royalties and other	0	0	0	0	0	0	0	0	0	0	0	0	0	500	2,000
Total revenues	0	0	0	0	0	0	0	0	0	0	0	10,489	10,489	5,500	9,000
Expenses															
General and administrative	37,042	32,576	26,090	5,133	2,927	2,086	2,269	12,415	3,090	2,355	2,351	2,191	9,987	11,500	12,500
Research and development	57,788	28,745	18,841	3,205	3,344	3,356	2,651	12,556	3,766	3,440	4,651	4,633	16,490	20,000	22,500
One-time and other	27,810	0	0	0	0	0	0	0	0	0	0	1,988	1,988	0	0
Total expenses	122,640	61,321	44,931	8,338	6,271	5,442	4,920	24,971	6,856	5,795	7,002	8,812	28,465	31,500	35,000
Income (loss) from operations	(122,640)	(61,321)	(44,931)	(8,338)	(6,271)	(5,442)	(4,920)	(24,971)	(6,856)	(5,795)	(7,002)	1,677	(17,976)	(26,000)	(26,000)
Interest income	4,094	4,148	6,026	2,038	1,217	831	492	4,578	187	83	50	48	368	1,000	800
Interest expense	(2,460)	(3,467)	(3,454)	(1,552)	(1,118)	(286)	(171)	(3,127)	(361)	(136)	(139)	(435)	(1,071)	(200)	(200)
Other expense, net	(478)	(66)	3,576	131	(853)	589	1,587	1,454	(16)	40	108	(180)	(48)	100	100
Loss from continuing operations before taxes	(121,484)	(60,706)	(38,783)	(7,721)	(7,025)	(4,308)	(3,012)	(22,066)	(7,046)	(5,808)	(6,983)	1,110	(18,727)	(25,100)	(25,300)
Income tax benefit	2,916	753	14,265	195	1,300	0	247	1,742	0	0	0	0	0	0	0
Income (loss) from continuing operations	(118,568)	(59,953)	(24,518)	(7,526)	(5,725)	(4,308)	(2,765)	(20,324)	(7,046)	(5,808)	(6,983)	1,110	(18,727)	(25,100)	(25,300)
Loss from discontinued operations	(9,881)	1,250	71,587	299	1,996	2,593	380	5,268	0	0	0	0	0	0	0
Net income (loss)	(128,449)	(58,703)	47,069	(7,227)	(3,729)	(1,715)	(2,385)	(15,056)	(7,046)	(5,808)	(6,983)	1,110	(18,727)	(25,100)	(25,300)
Basic and diluted income (loss) per share															
Continuing operations	(\$1.98)	(\$0.98)	(\$0.41)	(\$0.14)	(\$0.11)	(\$0.08)	(\$0.05)	(\$0.39)	(\$0.14)	(\$0.11)	(\$0.14)	\$0.02	(\$0.37)	(\$0.52)	(\$0.52)
Discontinued operations	(\$0.17)	\$0.02	\$1.19	\$0.01	\$0.04	\$0.05	\$0.01	\$0.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	(\$2.15)	(\$0.96)	\$0.78	(\$0.14)	(\$0.07)	(\$0.03)	(\$0.05)	(\$0.29)	(\$0.14)	(\$0.11)	(\$0.14)	\$0.02	(\$0.37)	(\$0.52)	(\$0.52)
Basic and diluted shares outstanding	59,862	60,936	60,295	52,973	51,498	51,592	51,404	51,866	51,130	50,974	50,339	50,339	50,633	48,500	49,000
Key ratios:															
Cash Flow/share	(\$2.09)	(\$0.91)	\$0.84	(\$0.12)	(\$0.05)	(\$0.02)	(\$0.03)	(\$0.22)	(\$0.12)	(\$0.10)	(\$0.12)	\$0.04	(\$0.30)	(\$0.45)	(\$0.44)
EBITDA/share	(\$2.09)	(\$0.86)	\$0.66	(\$0.09)	(\$0.06)	(\$0.01)	(\$0.03)	(\$0.19)	(\$0.11)	(\$0.09)	(\$0.12)	\$0.05	(\$0.28)	(\$0.44)	(\$0.44)

Balance Sheets

(\$000s)

	12/27/08	12/26/09
Assets:		
Cash and marketable securities	\$130,338	\$118,999
Prepaid expenses & other	1,430	10,694
Assets of discontinued operations	10,409	0
Total current	142,177	129,693
Property & equip., net	1,315	855
Other	730	769
TOTAL ASSETS	\$144,222	\$131,317
Liabilities:		
Accounts payable	\$1,226	\$1,735
Accrued expenses & other	3,030	23,408
Senior notes, net, short-term	0	5,951
Discontinued operations	3,381	2,816
Total current	7,637	33,910
Convertible notes	15,202	0
Stockholders' equity	121,383	97,407
TOTAL LIAB & EQ	\$144,222	\$131,317

Investor Catalyst Timeline
NicVAX

	2009	2010E	2011E	2012E
Complete First Phase III	X	X		
Receive initial upfront fee from Glaxo (\$40 Mill)		H1		
Begin Second Phase III		X		
Complete Second Phase III			X	
File NDA			X	

PentaStaph

Receive Upfront payment from GSK (\$20 Mill)	X			
Begin Phase I (\$5 Mill)		X		
Complete Phase I (\$5 Mill)			X	
Technology Transfer - Materials (\$8 Million)		X		
Technology Transfer - Technology (\$8 Million)		X		

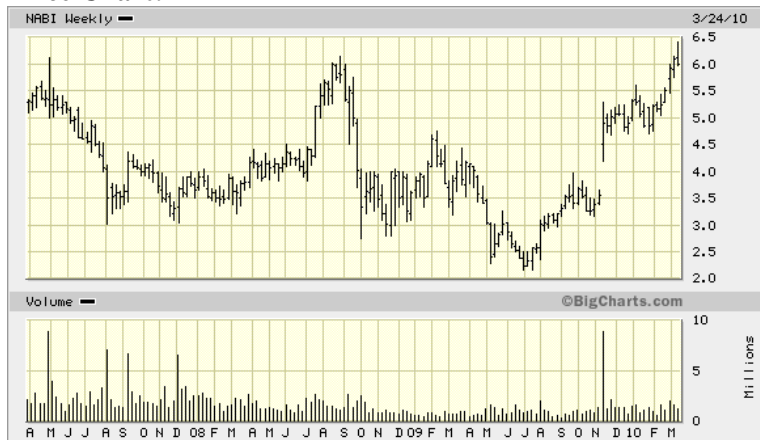
PhosLo

Receipt of Milestone Payment (\$13 million)	X			
Additional clinical milestone payments - (\$7.5 million)		X		
Initial sales royalties (\$65 million total potential through 2016)			X	X

Source: Dawson James Securities, Inc. estimates; Company documents

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated - November 28, 2006 – Strong Buy - Target \$12.00

Updated – October 5, 2009 – Buy – Price Target changed to \$7

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Ratings definitions: **1) Buy:** the stock is expected to appreciate and produce a total return of at least 20% over the next 12-18 months; **2) Neutral:** the stock is fairly valued for the next 12-18 months; and **3) Sell:** the stock is expected to decline at least 20% over the next 12-18 months and should be sold.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Buy	11	85%	5	45%
Neutral	2	15%	2	100%
Sell	0	0%	0	0%
Total	13	100%	7	54%

Information about valuation methods and risks can be found in the “STOCK VALUATION” and “RISKS” sections of this report.

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