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E Q U I T Y R E S E A R C H



iBio, Inc.

Rating Unchanged

BUY

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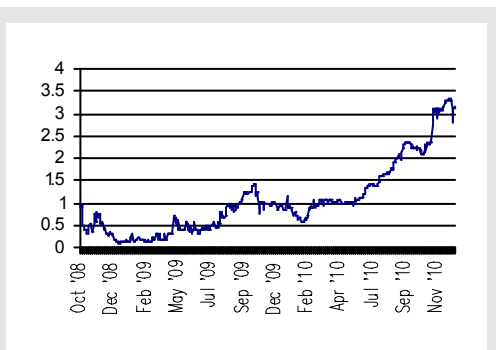
INDUSTRY SECTOR
Biotechnology

SYMBOL: **IBIO**
EXCHANGE: **AMEX**
RECENT PRICE: **\$5.85**

Wednesday, January 19, 2011

52 Week Low	\$0.43
52 Week High	\$6.06
Market Capitalization	\$186,060,000
Volume (Previous Trading Day)	319,350
Float	19,350,000
Basic Shares Outstanding	31,800,000
Institutional Holdings	N/A
Short Interest	N/A
Average 90-day Vol.	69,173

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Recent Progress Improves Outlook, Raising Price Target

- Increasing our price target from \$4.00 to \$8.00 given recent progress on multiple fronts and in anticipation of various near-term value-driving catalysts
- Recently announced the receipt of additional funding and saw the progress of two Phase I study with its lead influenza vaccine candidate
- In January 2011, company inked the first of what we believe will likely be many licensing deals; this first deal involved a yellow fever vaccine being funded by a Brazilian vaccine manufacturer
- The company recently successfully transferred its listing from the OTC Bulletin Board to the American Stock Exchange (AMEX) under the new symbol "IBIO"

Fundamental Data

Revenue (millions)

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

Earnings (per share)

PERIOD	F2009	F2010	F2011
1st Qtr	(0.05)A	(0.02)A	(0.10)A
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	(0.13)A	(0.05)E
	(0.09)A	(0.22)A	(0.23)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	2.14

iBio, Inc., a biopharmaceutical company, focuses on the development of vaccines and therapeutic proteins based upon its proprietary plant-based iBioLaunch Platform Technology. The company principally focuses on advancing a H1N1 influenza vaccine candidate to clinical trials and to establish business arrangements for use of the technology by licensees for the development and production of other products for the prevention and treatment of various infectious diseases, including influenza, anthrax, and human papilloma virus.

ID: 1295371741

Refer to pages IBIO/8 - IBIO/9 for Disclosures

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Investment Thesis

We are increasing our price target from \$4.00 to \$8.00 and reiterating our Buy rating 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. The company recently inked the first of what we believe will likely be many licensing deals involving its proprietary protein production technology; this deal involved an agreement to develop a yellow fever vaccine in conjunction with Fiocruz/Bio-Manguinhos, a leading Brazil-based manufacturer of yellow fever vaccine that is currently exported to 70 countries.

Near-Term Catalyst Could Dramatically Increase Valuation

The potential FDA approval of Protalix's lead drug candidate UPLYSO™ in the United States on February 25, 2010 is expected to represent a watershed milestone in the alternative protein production technologies sector, and particularly for plant-derived methodologies. It would represent the first time that a human therapeutic protein produced in a plant system (in this case, immortalized carrot cells) would be approved for chronic use in clinically treating a disease. UPLYSO™, in our view, has a very high likelihood of approval. The drug has demonstrated impressive efficacy in two Phase III trials, in each of which the effectiveness observed was similar to that seen with the mammalian cell-produced standard of care drug, Cerezyme®. In addition, substantial biochemical and structural characterization has shown that UPLYSO™ and Cerezyme® share similarity; no evidence of substantial immunogenicity was seen with UPLYSO™ in clinical trials. The drug demonstrated a complete lack of neutralizing antibodies, which have actually been observed with Cerezyme®, and a significantly lower incidence of antibodies of any kind compared with Cerezyme®. In addition, the Phase III switching study assessing patients who were switched from UPLYSO™ to Cerezyme® demonstrated that the two drugs provide similar efficacy and safety.

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.

Licensing Deal with Leading Vaccine Manufacturer Underscores Platform Validity

On January 18, 2011, iBio announced the grant of a commercial, royalty-bearing license to Fiocruz/Bio-Manguinhos of Brazil to develop, manufacture, and sell certain vaccines based upon iBio's proprietary technology. Fiocruz/Bio-Manguinhos will invest more than \$6 million to bring the first product, a new yellow fever vaccine, through Phase I clinical trials. Product development will be performed through a commercial collaboration among iBio, Fiocruz/Bio-Manguinhos, and iBio's research and development collaborator, the Fraunhofer USA Center for Molecular Biotechnology (FCMB). The license covers the nations of Latin America, the Caribbean and Africa. iBio retains the right to sell the products developed under the license and collaboration agreement in any other territory with a royalty back to Fiocruz/Bio-Manguinhos, a leading world manufacturer of yellow fever vaccine which it has exported to 70 countries. In our view, this licensing deal is likely only the first of many, and also demonstrates the continuing interest of Brazilian firms in plant-based technology. Protalix has already inked a distribution agreement for UPLYSO™ in Brazil.

Recent Financing Round Provides Operational Flexibility

In October 2010, iBio announced that the private placement of 4 million shares of its common stock was fully subscribed to the maximum limit of the placement terms and will be closed formally upon completion of normal closing procedures. Each share of its common stock was sold at a price of \$2.00 per share, and each investor was issued a warrant representing the right to purchase the same number of shares purchased at a cash exercise price of \$2.20 per share for a period of five years. The first closing in this placement was announced on October 27, 2010. Net proceeds to the firm from the completed placement will be approximately \$7.4 million. Noble Financial Capital Markets acted as the exclusive placement agent in this transaction.

In our view, this capital should enable the company to complete the preclinical work necessary to file Investigational New Drug (IND) applications on candidates in its biosimilar pipeline. We expect the firm to shortly disclose which proteins it plans to take into therapeutic trials in human subjects. Further, we expect the value of the iBio platform to be substantially enhanced in the wake of the widely-anticipated UPLYSO™ approval in February 2011. We also note that at the opening of the market on January 4, 2011, iBio shares began trading under the NYSE Amex symbol, IBIO (formerly OTC/BB: IBPM). Through achievement of this listing, iBio became a member of the NYSE Euronext family of listed companies. In our view, the listing on a regulated exchange should permit iBio to more easily tap the public markets and also should allow a significantly larger contingent of accredited investors to acquire shares in the company.

Plant Power Promise, Tapping Massive Markets

In our view, the iBio platform enables the company to target a number of significant commercial opportunities. Among these are the following:

- **Orphan Biologics:** an expected \$40 billion market in 2011 with an 8% annual growth rate. This includes enzyme replacement therapies (ERTs) and certain monoclonal antibodies. For large-cap pharmaceutical firms, such a market spans “blockbuster” drugs that were previously discovered along with new revenue streams. For biotech companies, it represents a significant opportunity, 2,116 FDA-approved designations; the Orphan Drug designation typically carries a 50% tax credit and a seven-year market exclusivity period.
- **Biosimilars and Biobetters:** a \$26 billion current market, growing at double the current global industry pace. This segment of the global biopharmaceutical market is increasingly being viewed as the pharmaceutical industry’s new growth opportunity. The number of potential target molecules is massive, which includes; interferons, growth factors, insulin products, lectins, protease inhibitors, nucleases, antibodies and cytokines. The market is expected to benefit from healthcare providers’ concerns over the burgeoning cost of biologic drugs, fueling interest in cheaper alternatives. Furthermore, many branded biologic agents are currently facing near-term patent expirations, providing an opportunity for the generics industry. Developers of “biobetter” drugs could also potentially become iBio licensees, as they seek to make their drugs both more

effective as well as more affordable. The current legislation in place on biosimilar drugs also appears to make it easier for firms to file new Biologics License Applications (BLAs) for biosimilar drugs, enabling them to take advantage of the proposed 12-year exclusivity period for biologics

- Vaccines: a \$32 billion (influenza \geq \$4 billion) in 2010 alone. Among the principal market drivers are the initiatives by regional governments seeking autonomy in response to pandemic disease/bioterrorism threats. In our view, iBio benefits particularly in this segment from its Global Access Agreement with The Bill & Melinda Gates Foundation, which has provided \$33.3 million for iBioLaunch™ platform applications, including avian influenza, malaria, sleeping sickness (trypanosomiasis) and hookworm. In addition, iBio has also obtained grants from the United States government/DARPA totaling \$37.4 million for iBioLaunch™ platform applications, specifically addressing H1N1 influenza, a plague-anthrax program and accelerated manufacturing for other types of vaccines.

Multiple INDs Approved by US FDA; Clinical Trials Under Way

On September 20, 2010, iBio announced that the FDA had accepted the company's first IND application filed for a candidate vaccine manufactured using iBio's proprietary transformative technology, the iBioLaunch™ technology platform. The candidate vaccine (which is targeted against the H1N1 influenza strain) was manufactured by iBio's research collaborator, the Fraunhofer Center for Molecular Biotechnology (FCMB), in its cGMP pilot manufacturing facility in Newark, Delaware. A large Phase I clinical trial was subsequently started by the FCMB, in which 80 healthy male and female volunteers are being enrolled. The primary endpoint of this study is safety, while immunogenicity data will also be collected. Data from this trial are expected to become available in 2011. The study is being conducted at the Walter Reed Army Institute of Research Clinical Trials Center (WRAIR-CTC).

Subsequently, on December 6, 2010, iBio announced that the FDA accepted a second IND application filed for a product candidate made with the company's proprietary, transformative technology, the iBioLaunch™ technology platform. The application was accepted within the agency's 30-day minimum review period, underscoring iBio's solid relationship with the FDA and the fact that the regulatory body does not appear to have undue concerns regarding the company's proprietary plant-based manufacturing technology. The product candidate forming the basis for this second IND, an H5N1 avian influenza vaccine, funded by the Bill & Melinda Gates Foundation, was manufactured by the FCMB in its manufacturing facility in Newark, Delaware. A Phase I human clinical trial based on this IND has also commenced.

Valuation

We derive our \$8.00 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 \$66 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 projected cash position of \$9 million and the value of the preclinical human therapeutic protein projects (to which we ascribe a valuation of \$180 million) to yield a total firm value of \$255 million. We divide this by the projected 32 million shares outstanding to yield our price target of \$8.00 per share. We note that our projection values iBio at roughly 30% of the current market capitalization of Protalix, which we believe is appropriate, since Protalix is further along in clinical development and is currently awaiting approval of its lead candidate drug in the United States. However, we note that the iBio platform is potentially more cost-effective and has broader applicability than the Protalix approach.

Catalysts

- Approval of Protalix BioTherapeutics' lead candidate UPLYSO™ in the US (February 25, 2011)
- Initiation of preclinical development for biosimilar candidates (1H 2011)
- Release of initial safety data from Phase I trials of influenza vaccine candidates (2H 2011)



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iBio, Inc. | Rating: Buy | Symbol: IBIO | Exchange: AMEX | Recent Price: \$5.85 | 1/19/2011

iBio, Inc.											
Corporate Income Statement											
<small>(in thousands, except per share data)</small>											
	2009A	Q1-10A	Q2-10A	Q3-10A	Q4-10A	2010A	Q1-11A	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	1103	2517	158	700	800	850	2508
<i>Growth</i>	45%	-58%	2%	1171%	415%	-416%	51%	175%	-24%	-23%	-200%
General & Administrative	1805	468	503	537	563	2070	1213	500	500	500	2713
<i>Growth</i>	-1%	-6%	-1%	32%	42%	-215%	159%	-1%	-7%	-11%	31%
Total Operating Expenses	2602	572	757	1593	1666	4587	1370	1200	1300	1350	5220
<i>Growth</i>	10%	-23%	0%	226%	173%	76%	140%	59%	-18%	-19%	14%
Operating Cash Flow (EBITDA)	(1926)	(572)	(757)	(1593)	(1666)	(4587)	(1370)	(1200)	(1300)	(1350)	(5220)
<i>Growth</i>	-3%	-4%	-32%	-386%	-249%	-138%	-140%	-59%	18%	19%	-14%
Interest income/expense and other, net	18	0	451	(51)	(1888)	(1488)	(1447)	(21)	(21)	(21)	(1510)
EBT	(1908)	(572)	(306)	(1644)	(3554)	(6075)	(2817)	(1221)	(1321)	(1371)	(6730)
<i>Growth</i>	2%	-5%	46%	-407%	-844%	-218%	-393%	-299%	20%	-61%	-11%
Provision for Income Taxes	1	0	1	(1)	(2)	(2)	(1)	0	0	0	(1)
Net income (loss)	(1907)	(572)	(306)	(1644)	(3554)	(6078)	(2818)	(1221)	(1321)	(1371)	(6731)
<i>Growth</i>	-2%	-5%	46%	-407%	-644%	-219%	-393%	-300%	20%	61%	-11%
Income (loss) per share	(0.09)	(0.02)	(0.01)	(0.06)	(0.13)	(0.22)	(0.10)	(0.04)	(0.04)	(0.05)	(0.23)
<i>Growth</i>	100%	53%	55%	-318%	-537%	-137%	-325%	-290%	23%	64%	-4%
Basic and Diluted Shares	20269	24361	28273	28273	27303	27303	28273	29000	29500	29500	29068

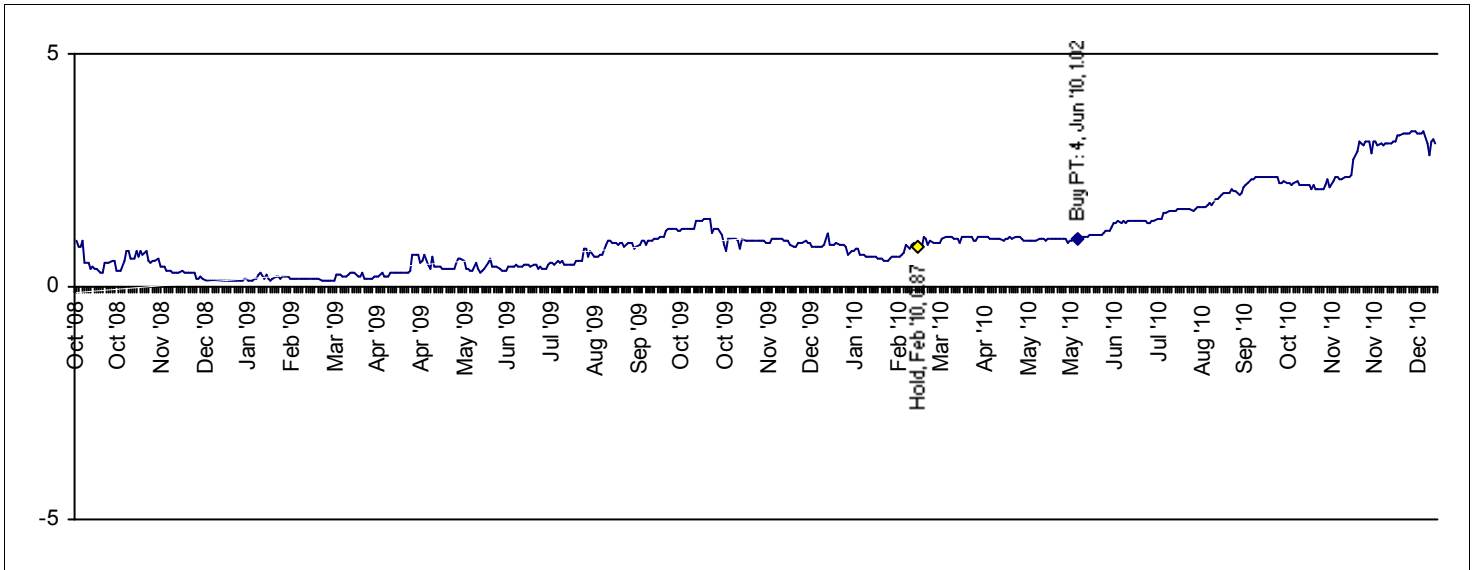
Source: Company reports and Noble Financial Estimates



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E Q U I T Y R E S E A R C H

iBio, Inc. | Rating: Buy | Symbol: IBIO | Exchange: AMEX | Recent Price: \$5.85 | 1/19/2011



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Buy	A total return is anticipated in excess of the Russell 2000 over the next 12 months. Total return expectations should be higher for stocks which possess greater risk.	1.8%	74.0%
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Sell	The Stock should not be bought and you should sell if owned. The Stock is expected to under-perform.	0	1.3%

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iBio, Inc. | Rating: Buy | Symbol: IBIO | Exchange: AMEX | Recent Price: \$5.85 | 1/19/2011

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