

ADMA Biologics (ADMA - \$ 5.93)

1Q16: With Cash Shortfall Concerns Behind It, Likely RI-002 in RSV Prevention of PIDD Approval Is Fast Approaching

ADMA recently reported 1Q16 results with a net loss of (\$4.6MM) vs. Laidlaw (\$4.8MM) and the Street (\$4.0MM) estimates. Net loss/share was (\$0.43) vs. (\$0.44) and (\$0.37) for Laidlaw and the Street, respectively. Combined with recent financings, ADMA currently has ~\$28.6MM cash (pro-forma), sufficient to support operations deep into 2H17, in our opinion.

- **Financings filled the war chest.** ADMA completed two financings recently totaling ~\$17MM with a \$4MM loan from Oxford Finance and ~\$13MM net proceeds from a public offering. The current cash of ~\$28.6MM (pro-forma), in our opinion, not only removes concerns over future cash needs overhanging the shares, but also should afford sufficient resources for RI-002 commercialization operation with a possible launch in 4Q16 to catch the 2016/2017 winter treatment season.
- **RI-002 in RSV infection prevention in PIDD patients pre-launch marketing activities are underway with PDUFA date fast approaching.** We remain very bullish on RI-002 approval and estimate that the PDUFA date could likely occur during the Aug./Sep. 2016 timeframe. The approval and the subsequent successful launch of RI-002, we believe, are the key investor focus and major value drivers of ADMA share value. Our discussions with management indicated that pre-launch activities are ongoing, which includes gradual expansion of the marketing and sales team (targeting additional ~5 – 8 sales reps).

1Q16 Estimates and Reported Results			
(\$ MM)	Laidlaw Estimate	Actual	Consensus
Total revenue	\$2,165	\$2,124	\$2,300
Total op. profit (loss)	(\$4,307)	(\$4,159)	(\$3,700)
R&D	\$1,617	\$2,028	
SG&A	\$1,423	\$1,280	
EPS	(\$0.44)	(\$0.43)	(\$0.37)
Net income (loss)	(\$4,750)	(\$4,612)	(\$4,000)

Source: Bloomberg and Laidlaw and co.

- **Action.** We are reiterating our Buy rating and \$20 target price to reflect the company's transition to a commercial-stage company. Our target price is supported by P/E, peer comparable and risk-adjusted cash flow sum-of-the-parts analyses.

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-16E	-0.43A	-0.40	-0.47	-0.06	-1.35	NM
FY-15A	-0.37	-0.44	-0.48	-0.44	-1.73	NM
FY-14A	-0.64	-0.43	-0.36	-0.38	-1.93	NM
FY-13A	-0.55	-0.83	-0.46	-0.55	-2.38	NM

Source: Laidlaw & Company estimates

Healthcare/Biotechnology

Ticker: **ADMA**
Rating: **Buy**
Price Target: **\$ 20.00**

Trading Data:

Last Price (05/13/2016)	\$ 5.93
52-Week High (7/8/2015)	\$ 10.28
52-Week Low (2/26/2016)	\$ 4.15
Market Cap. (MM)	\$ 76
Shares Out. (MM)	13

Yale Jen, Ph.D.

Managing Director /
Senior Biotechnology Analyst
(212) 953-4978
yjen@laidlawltd.com

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Anticipated milestones in 2016 and beyond

Program	Indication	Event	Timing	Importance
RI-002	RSV infection prevention in PIDD	Potential U.S. approval	2H16	*****
		Potential U.S. product launch	2H16	*****
VZIG (Varitect)	Vicella Zoster virus infection	Potential commence Phase II/III study	2016	***
BioCenters		FDA approval of 3rd BioCenter	2017	****

**** / ***** Major catalyst event that could impact share price very significantly while *** event is more informative

Source: Laidlaw & Company estimates and company presentation.

Major Risks

Risks of clinical study failure could have a major impact on ADMA share value. Despite a well-established path for IVIG approval, risks still exist as RI-002 might not be approved by the FDA if the pivotal study does not meet its endpoints. Given that the majority of upside for ADMA shares is currently based on the assumption that the product can be approved before its commercial potential can be realized, an unsuccessful approval application would have a significant negative impact on ADMA share value.

Commercial success of the RI-002 in PIDD and potentially in transplantation is less predictable. We believe that the potential product label for RI-002, if approved, would likely to indicate as a regular IVIG; and higher titer of anti-RSV antibodies could appear on the label if the pivotal study met the relevant secondary endpoint. As such, the company may not promote the product directly for the prevention or treatment of RSV infection. Instead it may be based on the understanding that receiving high titer RSV antibodies should reduce probability of RSV infection. With more limited sales and marketing tactics available, the sales ramp up could be slower than projected. There is also risk that more rapid sales expansion might only occur after the company conducts more clinical studies and demonstrates positive clinical outcomes.

Developments by competitors may render RI-002 or relevant technologies obsolete or un-competitive. Although the manufacturing processes of RI-002 are protected by proprietary technology, trade secrets and know-how, it is possible that other competitors develop similar processes to produce similar or even better anti-RSV IVIG. As such, the company might not enjoy the competitive edge and potentially damage RI-002's commercial outlook

Plasma collection center operations might not perform as expected. The company currently operates one and expects to expand into three plasma collection centers over the next 12 months. Although the plasma collection operation is a business with relatively sustainable positive cash flows, and ADMA management appears to have substantial experience; risks of mismanagement or other factors could result in sub-par business performance. Less successful performance in this area could negatively impact the expected cash flow and strategic objective of diversifying plasma sources for RI-002 production.

Limited product diversity could increase overall risk. Given the nascent stage of the corporate development, the majority of the product pipeline value mainly resides on RI-002. The second potential pipeline product, an anti-Vicella Zoster virus immunoglobulin, is in very early development stage with market potential possibly much smaller. As such, we believe the company at the current stage has very limited diversification potential in its product pipeline.

Lack of cash could impede corporate development. Despite the company's recent successful IPO, which raised \$26.5MM of cash, ADMA could potentially

need more financial resources going forward if they want to expand and further develop its pipeline. Should the product not receive FDA approval or product revenue does not reach expectations, the company might have to issue new equity to raise additional cash. Under such a scenario, the share value of existing shareholders could be diluted.

Limited trading liquidity limits shareholder options. Given that ADMA shares only entered the public market recently; daily trading volume and name recognition are relatively low. With relatively illiquid trading volume, shareholders wanting to increase or reduce their positions in a volatile stock market may face constraints.

Income Statement

ADMA Biologics – Income Statement

(\$ '000)	2012	2013	2014	2015	1Q16	2Q16E	3Q16E	4Q16E	2016E	2017E	2018E	2019E	2020E
Revenue													
Product revenue	1,118	3,024	5,840	7,050	2,088	2,548	2,930	3,220	10,785	13,374	14,444	15,166	16,030
RI-002 revenue	-	-	-	-	-	-	-	14,041	14,041	52,409	90,303	143,560	185,046
License revenue	-	44	76	127	36	36	36	36	143	143	143	143	143
Total Revenue	1,118	3,068	5,916	7,178	2,124	2,583	2,965	17,296	24,969	65,926	104,889	158,869	201,219
Cost of product revenue	669	2,023	3,742	4,311	1,266	1,554	1,787	1,996	6,604	8,024	8,666	9,099	9,618
Cost of RI-002	-	-	-	-	-	-	-	7,442	7,442	26,205	45,151	71,780	92,523
Gross revenue (RI-002)	-	-	-	-	-	-	-	6,599	6,599	26,205	45,151	71,780	92,523
Gross revenue (Biocenter)	449	1,000	2,076	2,745	822	994	1,143	1,224	4,181	5,349	5,777	6,066	6,412
Total gross revenue	449	1,000	2,076	2,745	822	994	1,143	7,823	10,781	31,554	50,929	77,846	98,935
Research and development	3,469	9,303	9,517	7,016	2,028	1,845	1,808	1,881	7,562	7,864	8,258	8,670	9,104
Plasma center operating expenses	1,747	2,418	3,851	4,618	1,280	1,665	2,164	2,705	7,814	8,361	8,695	8,956	9,135
General and administrative	3,142	4,365	4,824	6,746	1,708	2,220	2,886	3,608	10,422	7,448	7,850	8,164	8,491
Marketing and sales	-	-	-	-	-	-	-	-	-	7,398	7,842	8,265	8,679
Total Operating Expenses	8,358	16,087	18,192	18,380	5,016	5,730	6,859	8,193	25,798	31,071	32,645	34,056	35,408
Operating Income (loss)	(7,909)	(15,042)	(16,019)	(15,508)	(4,159)	(4,701)	(5,680)	(335)	(14,875)	626	18,427	43,933	63,669
Interest income	21	8	14	38	14	13	13	14	54	70	83	100	110
Interest expense	(31)	(618)	(1,286)	(1,843)	(467)	(465)	(461)	(483)	(1,876)	(1,876)	(1,876)	(1,876)	(1,876)
Change in fair value of stock warrants	-	43	(74)	68	-	-	-	-	-	-	-	-	-
Other income	-	82	-	(719)	-	-	-	-	-	-	-	-	-
Total other expenses	(10)	(485)	(1,346)	(2,456)	(454)	(452)	(448)	(469)	(1,823)	(1,807)	(1,793)	(1,776)	(1,766)
Income (loss) before tax expense	(7,919)	(15,527)	(17,365)	(17,969)	(4,612)	(5,153)	(6,128)	(804)	(16,698)	(1,181)	16,634	42,157	61,903
Income tax expense-State income tax benefit	618	-	552	-	-	-	-	-	-	-	(6,155)	(15,598)	(22,904)
Net Incomes (Losses)	(7,301)	(15,527)	(17,917)	(17,969)	(4,612)	(5,153)	(6,128)	(804)	(16,698)	(1,181)	10,479	26,559	38,999
Net Earnings (Losses) Per Share—Basic	(\$1.76)	(\$2.38)	(\$1.93)	(\$1.73)	(\$0.43)	(\$0.40)	(\$0.47)	(\$0.06)	(\$1.35)	(\$0.09)	\$0.76	\$1.87	\$2.67
Net Earnings (Losses) Per Share—Diluted	(\$1.76)	(\$2.38)	(\$1.93)	(\$1.73)	(\$0.43)	(\$0.40)	(\$0.47)	(\$0.06)	(\$1.35)	(\$0.09)	\$0.76	\$1.87	\$2.67
Shares outstanding—basic	4,146	6,531	9,292	10,412	10,711	12,887	12,937	12,987	12,380	13,387	13,787	14,187	14,587
Shares outstanding—diluted	4,146	6,531	9,292	10,412	10,711	12,887	12,937	12,987	12,380	13,387	13,787	14,187	14,587
Margin Analysis (% of Revenue)													
Gross (Biocenter)	40%	33%	36%	39%	39%	39%	39%	38%	39%	40%	40%	40%	40%
Cost of RI-002	-	-	-	-	-	-	-	53%	53%	50%	50%	50%	50%
R&D	310%	303%	161%	98%	95%	71%	61%	11%	30%	12%	8%	5%	5%
Plasma center operation	156%	80%	66%	66%	61%	65%	74%	84%	72%	63%	60%	59%	57%
G&A	281%	142%	82%	94%	80%	86%	97%	21%	42%	11%	7%	5%	4%
M&S	-	-	-	-	-	-	-	-	-	11%	7%	5%	4%
Operating Income (loss)	-707%	-490%	-271%	-216%	-196%	-182%	-192%	-2%	-60%	1%	18%	28%	32%
Net Income	-653%	-506%	-303%	-250%	-217%	-199%	-207%	-5%	-67%	-2%	10%	17%	19%
Financial Indicator Growth Analysis (Y/Y)													
Product (Biocenter) revenue	47%	170%	93%	21%	41%	97%	61%	31%	53%	24%	8%	5%	6%
RI-002 revenue (projected)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	273%	72%	59%	29%
Total Revenue	47%	174%	93%	21%	41%	97%	60%	588%	248%	164%	59%	51%	27%
Research and development	436%	168%	2%	-26%	45%	23%	-14%	-6%	8%	4%	5%	5%	5%
Plasma center operating expenses	50%	38%	59%	20%	22%	52%	78%	115%	69%	7%	4%	3%	2%
General and administrative	119%	39%	11%	40%	27%	54%	39%	91%	54%	-12%	5%	4%	4%
Marketing and sales	-	-	-	-	-	-	-	-	-	6%	6%	5%	5%
Operating incomes	71%	90%	6%	-3%	30%	34%	22%	-92%	-4%	-104%	2843%	138%	45%
Pretax Income	27%	96%	12%	3%	28%	10%	20%	-82%	-7%	-93%	-1509%	153%	47%
Net Income	24%	113%	15%	0%	28%	10%	20%	-82%	-7%	-93%	-988%	153%	47%
EPS - Basic	-89%	35%	-19%	-11%	18%	-9%	-1%	-86%	-22%	-93%	-962%	146%	43%
EPS - Diluted	-89%	35%	-19%	-11%	18%	-9%	-1%	-86%	-22%	-93%	-962%	146%	43%
Shares outstanding—basic	1074%	58%	42%	12%	9%	20%	21%	25%	19%	8%	3%	3%	3%
Shares outstanding—diluted	1074%	58%	42%	12%	9%	20%	21%	25%	19%	8%	3%	3%	3%

Yale Jen, Ph.D. 212-953-4978

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates.

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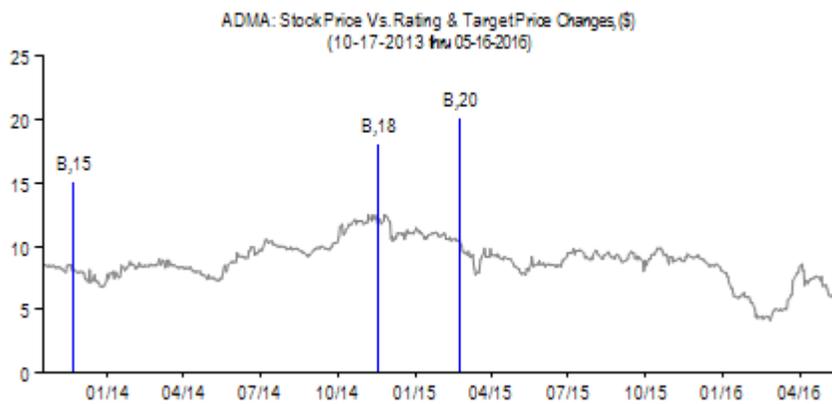
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Rating and Price Target Change History



Source: Laidlaw & Company

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3 Year Rating Change History

Date	Rating	Closing Price (\$)
11/21/2013	Buy (B)	8.10

3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
11/21/2013	15.00	8.10
11/18/2014	18.00	12.05
02/23/2015	20.00	10.40

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			Investment Banking	Brokerage
Strong Buy (SB)	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
Buy (B)	Expected to outperform the sector average over 12 months.	66.67%	27.78%	2.78%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	0.00%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

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