

ADMA Biologics (ADMA - \$ 8.30)

Continued Confidence after Recent Management Update

After a recent company update by ADMA management, we walked away with renewed confidence as all the company's development plans are on-track with RI-002 Phase III results expected in 4Q14.

- **RI-002 Phase III study is on-track with top-line results expected in 4Q14.**

As a reminder, RI-002 is under a Phase III trial in primary immune deficiency disease (PIDD) patient for potentially approved as an intravenous immunoglobulin (IVIG). Primary endpoint is to achieve < 1 serious infection/person/year; while secondary endpoints include: safety; lost days of work/school/hospitalizations/ ER visits/antibiotic use; and PK profile of total IgG and several specific antibody levels testing for H. flu type B, CMV, measles, tetanus and RSV. Given the prior Phase II and compassionate use studies have demonstrated RI-002's effectiveness against RSV infections, and if the ongoing Phase III study also potentially exhibit high titer of anti-RSV antibodies, RI-002 could potentially be used off-label for RSV infection management in PIDD and transplant patients if it received approval as a regular IVIG.

- **Plasma collection center expansion is underway.** ADMA is scheduled to expand its plasma collection center from one to three; and we anticipate more updates to come starting 1H14.

- **Additional positive results of RI-002 in animal model study.** The company reported results of RI-002 in animal model study illustrating that all three doses of RI-002 demonstrated better protection in lung and nasal cavity against RSV infection vs. reference RSV IVIG. A recent update indicated that a better protection in nasal cavity could potentially be significant, in our opinion, since nasal cavity could potentially become a viral reservoir for future re-infection given it is more difficult to eradicate virus from nasal cavity than from the lung by systemic medications.

- **Action.** We are reiterating our Buy rating and our \$15 target price to reflect the continued execution of corporate developments, including completion of the RI-002 Phase III study and expansion of additional plasma collection centers. Valuation is based on our P/E, and NPV-driven-and-probability adjusted sum-of-the-parts analyses

Earnings Estimates: (per share)

| (Dec) | 1Q | 2Q | 3Q | 4Q | FY | P/E |
|---------------|--------|--------|--------|-------|--------|-----|
| FY-14E | -0.35 | -0.32 | -0.31 | -0.27 | -0.91 | NM |
| FY-13E | -0.55A | -0.83A | -0.46A | -0.37 | -2.12 | NM |
| FY-12A | -0.18 | -0.20 | -0.70 | -0.68 | -1.76 | NM |
| FY-11A | -4.50 | -6.79 | -2.79 | -2.64 | -16.72 | NM |

Source: Laidlaw & Company estimates

Healthcare/Biotechnology

Ticker: **ADMA**
Rating: **Buy**
Price Target: **\$ 15.00**

Trading Data:

| | |
|---------------------------|---------|
| Last Price (01/22/2014) | \$ 8.30 |
| 52-Week High (10/17/2013) | \$ 8.91 |
| 52-Week Low (12/26/2013) | \$ 6.52 |
| Market Cap. (MM) | \$ 77 |
| Shares Out. (MM) | 9 |

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Anticipated milestones in 2014 and beyond

| Program | Indication | Event | Timing | Importance |
|-----------------|----------------------------------|--|-------------|------------|
| RI-002 | RSV infection prevention in PIDD | Potential report top-line Phase III trial results | 4Q14 | **** |
| | | Potential BLA filing | 1H15 | **** |
| | | Potential U.S. approval | 4Q15 / 1Q16 | **** |
| | | Potential U.S. product launch | 1H16 | **** |
| VZIG (Varitect) | Vicella Zoster virus infection | Potential commence Phase II/III study | 1H14 | *** |
| | | Potential report top-line Phase II/III trial results | 2H14 / 2015 | **** |
| BioCenters | | Start 2nd center build-out & FDA review process | 1H14 | **** |
| | | Start 3rd center build-out & FDA review process | 2H14 | **** |
| | | FDA approval of 2nd BioCenter | 2015 | **** |
| | | FDA approval of 3rd BioCenter | 2015 | **** |

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

Source: Laidlaw & Company estimates and company presentation

Major Risks

Clinical 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, but instead, it will base 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. The risk could also exist as more rapid sales expansion might only occur after the company conducting more clinical studies and demonstrating positive clinical outcome.

Developments by competitors may render RI-002 or relevant technologies obsolete or un-competitive. Despite that 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 plasma collection operation is business with relatively sustainable positive cash inflow and ADMA management appears to have substantial experience, risks of mismanagement as well as internal and external factors could change, resulting in sub-par business performance. Albeit the plasma collection operation might not be the main reason for investing in ADMA shares, a less successful performance could negatively impact on 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, 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 to raise \$26.5MM 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 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.

Figure 1: Income Statement

| ADMA Biologics – Income Statement | | | | | | | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| (\$ '000) | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13E | 2013E | 1Q14E | 2Q14E | 3Q14E | 4Q14E | 2014E | 2015E | 2016E | 2017E | 2018E |
| Revenue | | | | | | | | | | | | | | | |
| Product revenue | 1,118 | 793 | 737 | 1,088 | 544 | 3,163 | 816 | 1,143 | 1,303 | 1,694 | 4,956 | 7,929 | 12,211 | 16,607 | 17,554 |
| RI-002 revenue (projected) | - | - | - | - | - | - | - | - | - | - | - | - | 17,318 | 52,409 | 90,303 |
| RI-002 revenue (probability-adjusted) | - | - | - | - | - | - | - | - | - | - | - | - | 6,290 | 18,437 | 31,297 |
| License revenue | - | - | 6 | 19 | 10 | 35 | 15 | 25 | 40 | 33 | 113 | 200 | 300 | 300 | 300 |
| Total Revenue | 1,118 | 793 | 743 | 1,107 | 554 | 3,198 | 831 | 1,168 | 1,343 | 1,727 | 5,069 | 8,129 | 18,801 | 35,344 | 49,151 |
| Cost of product revenue | 669 | 529 | 486 | 726 | 359 | 2,100 | 539 | 754 | 860 | 1,118 | 3,271 | 5,392 | 8,304 | 11,293 | 11,937 |
| Cost of RI-002 | - | - | - | - | - | - | - | - | - | - | - | - | 1,887 | 5,531 | 9,389 |
| Gross revenue (RI-002) | - | - | - | - | - | - | - | - | - | - | - | - | 4,403 | 12,906 | 21,908 |
| Gross revenue (Biocenter) | 449 | 264 | 251 | 362 | 185 | 1,062 | 278 | 389 | 443 | 576 | 1,685 | 2,537 | 3,908 | 5,314 | 5,617 |
| Total gross revenue | 449 | 264 | 251 | 362 | 185 | 1,062 | 278 | 389 | 443 | 576 | 1,685 | 2,537 | 8,310 | 18,220 | 27,525 |
| Research and development | 3,469 | 1,468 | 3,470 | 1,409 | 1,508 | 7,855 | 1,538 | 1,569 | 1,600 | 1,632 | 6,338 | 6,782 | 7,053 | 7,335 | 7,702 |
| Plasma center operating expenses | 1,747 | 515 | 540 | 658 | 704 | 2,417 | 718 | 732 | 740 | 769 | 2,959 | 3,107 | 3,231 | 3,457 | 3,526 |
| General and administrative | 3,142 | 1,431 | 1,090 | 845 | 938 | 4,305 | 1,004 | 1,044 | 1,117 | 1,162 | 4,327 | 4,500 | 4,680 | 4,868 | 5,033 |
| Marketing and sales | - | - | - | - | - | - | - | - | - | - | - | - | 8,100 | 8,505 | 8,845 |
| Total Operating Expenses | 8,358 | 3,414 | 5,101 | 2,912 | 3,150 | 14,576 | 3,260 | 3,345 | 3,457 | 3,563 | 13,624 | 14,389 | 23,064 | 24,165 | 25,107 |
| Operating Income (loss) | (7,909) | (3,150) | (4,843) | (2,531) | (2,955) | (13,479) | (2,967) | (2,931) | (2,974) | (2,954) | (8,555) | (6,260) | (4,264) | 11,179 | 24,044 |
| Interest income | 21 | 1 | 3 | 2 | 9 | 15 | 10 | 10 | 10 | 10 | 40 | 64 | 102 | 164 | 197 |
| Interest expense | (31) | (129) | (159) | (163) | (162) | (613) | (162) | (162) | (162) | (162) | (648) | (648) | (648) | (648) | (648) |
| Change in fair value of stock warrants | - | 37 | 21 | 3 | (300) | (239) | (100) | 90 | 150 | (140) | - | (700) | (100) | (100) | (100) |
| Other income | - | - | 82 | - | 20 | 102 | 2 | 2 | 2 | 2 | 8 | 8 | 8 | 8 | 8 |
| Total other expenses | (10) | (92) | (52) | (158) | (433) | (735) | (250) | (60) | - | (290) | (600) | (1,276) | (638) | (576) | (543) |
| Income (loss) before tax expense | (7,919) | (3,242) | (4,895) | (2,689) | (3,388) | (14,214) | (3,217) | (2,991) | (2,974) | (3,244) | (9,155) | (7,536) | (4,901) | 10,603 | 23,501 |
| Income tax expense-State income tax benefit | 618 | - | - | - | - | - | - | - | - | - | - | - | - | 3,923 | 8,695 |
| Net Incomes (Losses) | (7,301) | (3,242) | (4,895) | (2,689) | (3,388) | (14,214) | (3,217) | (2,991) | (2,974) | (3,244) | (9,155) | (7,536) | (4,901) | 6,680 | 14,806 |
| Net Earnings (Losses) Per Share—Basic | (\$1.76) | (\$0.55) | (\$0.83) | (\$0.46) | (\$0.37) | (\$2.12) | (\$0.35) | (\$0.32) | (\$0.31) | (\$0.27) | (\$0.91) | (\$0.74) | (\$0.39) | \$0.51 | \$1.09 |
| Net Earnings (Losses) Per Share—Diluted | (\$1.76) | (\$0.55) | (\$0.83) | (\$0.46) | (\$0.37) | (\$2.12) | (\$0.35) | (\$0.32) | (\$0.31) | (\$0.27) | (\$0.91) | (\$0.74) | (\$0.39) | \$0.51 | \$1.09 |
| Shares outstanding—basic | 4,146 | 5,871 | 5,871 | 5,871 | 9,224 | 6,709 | 9,304 | 9,384 | 9,464 | 11,964 | 10,029 | 10,229 | 12,729 | 13,129 | 13,529 |
| Shares outstanding—diluted | 4,146 | 5,871 | 5,871 | 5,871 | 9,224 | 6,709 | 9,304 | 9,384 | 9,464 | 11,964 | 10,029 | 10,229 | 12,729 | 13,129 | 13,529 |
| Margin Analysis (% of Revenue) | | | | | | | | | | | | | | | |
| Gross | 40% | 33% | 34% | 33% | 34% | 34% | 34% | 34% | 34% | 34% | 32% | 32% | 32% | 32% | 32% |
| Cost of RI-002 | - | - | - | - | - | - | - | - | - | - | - | - | 30% | 30% | 30% |
| R&D | 310% | 185% | 467% | 127% | 272% | 246% | 185% | 134% | 119% | 95% | 125% | 83% | 38% | 21% | 16% |
| Plasma operation | 156% | 65% | 73% | 60% | 129% | 76% | 88% | 64% | 57% | 45% | 60% | 39% | 26% | 21% | 20% |
| G&A | 281% | 180% | 147% | 76% | 169% | 135% | 121% | 89% | 83% | 67% | 85% | 55% | 25% | 14% | 10% |
| M&S | - | - | - | - | - | - | - | - | - | - | - | - | 43% | 24% | 18% |
| Operating Income (loss) | -707% | -397% | -652% | -229% | -533% | -422% | -357% | -251% | -221% | -171% | -169% | -77% | -23% | 32% | 49% |
| Pretax | -708% | -409% | -659% | -243% | -611% | -444% | -387% | -256% | -221% | -188% | -181% | -93% | -26% | 30% | 48% |
| Tax Rate | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 34% | 0% | 34% | 34% |
| Net Income | -653% | -409% | -659% | -243% | -611% | -444% | -387% | -256% | -221% | -188% | -181% | -93% | -26% | 19% | 30% |
| Financial Indicator Growth Analysis (Y/Y) | | | | | | | | | | | | | | | |
| Product (Biocenter) revenue | 47% | 17921% | 220% | 202% | 4% | 183% | 3% | 55% | 20% | 211% | 57% | 60% | 54% | 36% | 6% |
| RI-002 revenue (projected) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 203% | 72% |
| RI-002 revenue (probability-adjusted) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 193% | 70% |
| Total Revenue | 47% | 17921% | 223% | 207% | 6% | 186% | 5% | 57% | 21% | 212% | 59% | 60% | 131% | 88% | 39% |
| Research and development | 436% | 1694% | 1842% | -27% | 19% | 126% | 5% | -55% | 14% | 8% | -19% | 7% | 4% | 4% | 5% |
| Plasma center operating expenses | 50% | 12% | 42% | 34% | 68% | 38% | 39% | 36% | 12% | 9% | 22% | 5% | 4% | 7% | 2% |
| General and administrative | 119% | 112% | 48% | -18% | 35% | 37% | -30% | -4% | 32% | 24% | 1% | 4% | 4% | 4% | 3% |
| Marketing and sales | - | - | - | - | - | - | - | - | - | - | - | - | - | 5% | 4% |
| Operating incomes | 71% | 160% | 301% | -22% | 32% | 70% | -6% | -39% | 17% | 0% | -37% | -27% | -32% | -362% | 115% |
| Pretax Income | 27% | 167% | 306% | -17% | 50% | 79% | -1% | -39% | 11% | -4% | -36% | -18% | -35% | -316% | 122% |
| Net Income | 24% | 443% | 306% | -17% | 50% | 95% | -1% | -39% | 11% | -4% | -36% | -18% | -35% | -236% | 122% |
| EPS - Basic | -89% | 211% | 308% | -34% | -46% | 20% | -37% | -62% | -31% | -26% | -57% | -19% | -48% | -232% | 115% |
| EPS - Diluted | -89% | 211% | 308% | -34% | -46% | 20% | -37% | -62% | -31% | -26% | -57% | -19% | -48% | -232% | 115% |
| Shares outstanding—basic | 1074% | 75% | -1% | 26% | 179% | 62% | 58% | 60% | 61% | 30% | 49% | 2% | 24% | 3% | 3% |
| Shares outstanding—diluted | 1074% | 75% | -1% | 26% | 179% | 62% | 58% | 60% | 61% | 30% | 49% | 2% | 24% | 3% | 3% |

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

DISCLOSURES:

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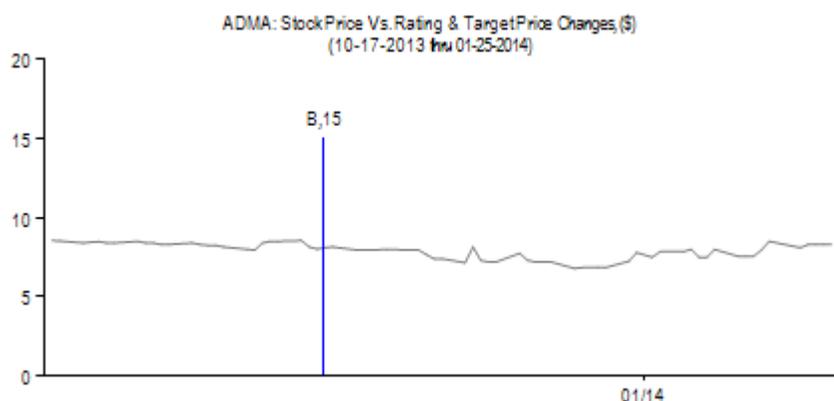
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Additional information available upon request.

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Rating and Price Target Change History



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 |

Source: Laidlaw & Company

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| Laidlaw & Company Rating System* | | % of Companies Under Coverage With This Rating | % of Companies for which Laidlaw & Company has performed services for in the last 12 months | |
|----------------------------------|---|--|---|-----------|
| | | | 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. | 83.33% | 33.33% | 16.67% |
| Hold (H) | Expected returns to be in line with the sector average over 12 months. | 16.67% | 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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