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EQUITY RESEARCH
Company Report

March 31, 2014

ADMA Biologics (ADMA - $ 8.20)

Healthcare/Biotechnology

4Q13: 2014 Will Be the Key Year with Major Catalyst Toward Year-end.

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

ADMA reported 4Q13 financial results with a net loss of ($4.7MM), or ($0.55) net loss per share. For the 2014 full year, net losses were ($15.5MM), or ($2.38) net loss per share. With cash of ~$29MM by year-end 2013, we believe the company has sufficient capital for operations entering 2016.

- Given that the quarterly earnings performance is not yet the key investment focus of ADMA, the major emphasis for share value remains on the progression and clinical results of the company's RI-002 in primary immune deficiency disease (PIDD) Phase III study and continued expansion of plasma collection centers.

- 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 PIDD patient for potential approval as an intravenous immunoglobulin (IVIG). The primary endpoint is to achieve < 1 serious infection/person/year; while one of the key secondary endpoints is several specific antibody levels testing, especially RSV. If the Phase III study potentially exhibits high titer of anti-RSV antibodies similar to the outcome of the prior Phase II study, RI-002 could potentially be used off-label for RSV infection management in PIDD and transplant patients should it receive approval as a regular IVIG. Management indicated some earlier recruited patients have nearly completed their treatment. ADMA is scheduled to discuss with the FDA the potential clinical path for the second product, VZIG (Varitect) in vicella zoster virus infection with clinical study possibly to start in 2H14, in our estimate.

- Plasma collection center expansion is underway. ADMA is scheduled to expand its plasma collection centers from one to three; and we anticipate potential construction of the second center and preparation to start the third center both to occur in 2H14.

- **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

Trading Data:

Last Price (03/31/2014)	$ 8.20
52–Week High (2/24/2014)	$ 10.16
52–Week Low (12/26/2013)	$ 6.52
Market Cap. (MM)	$ 77
Shares Out. (MM)	9

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-14E	-0.48	-0.45	-0.45	-0.46	-1.49	NM
FY-13A	-0.55	-0.83	-0.46	-0.55	-2.38	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

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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	**2H14**	***
		Potential report top-line Phase II/III trial results	**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.

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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 exists 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 mis-management 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 immunoglobin, is in very early development stage with

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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.

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Figure 1: Income Statement

ADMA Biologics – Income Statement

($ '000)	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E
Revenue															
Product revenue	1,118	793	737	1,088	405	3,024	729	1,021	1,327	1,659	4,737	7,578	11,671	15,872	16,777
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	19	44	15	25	40	33	113	200	300	300	300
Total Revenue	1,118	793	743	1,107	424	3,068	744	1,046	1,367	1,692	4,850	7,778	18,261	34,609	48,374
Cost of product revenue	669	529	486	726	282	2,023	481	674	876	1,095	3,126	5,153	7,936	10,793	11,408
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	123	1,000	248	347	451	564	1,610	2,425	3,735	5,079	5,369
Total gross revenue	449	264	251	362	123	1,000	248	347	451	564	1,610	2,425	8,137	17,985	27,276
Research and development	3,469	1,468	3,470	1,409	2,956	9,303	2,365	2,412	2,509	2,559	9,845	9,648	10,034	10,435	10,957
Plasma center operating expenses	1,747	515	540	658	705	2,418	719	734	741	771	2,964	3,112	3,237	3,464	3,533
General and administrative	3,142	1,431	1,090	845	999	4,365	1,069	1,111	1,189	1,237	4,606	4,790	4,981	5,181	5,357
Marketing and sales													8,100	8,505	8,845
Total Operating Expenses	8,358	3,414	5,101	2,912	4,660	16,087	4,153	4,257	4,439	4,566	17,415	17,550	26,352	27,584	28,692
Operating Income (loss)	(7,909)	(3,150)	(4,843)	(2,531)	(4,518)	(15,042)	(3,890)	(3,885)	(3,947)	(3,969)	(12,565)	(9,772)	(8,092)	7,025	19,682
Interest income	21	1	3	2	2	8	10	10	10	10	40	64	102	164	197
Interest expense	(31)	(129)	(159)	(163)	(168)	(618)	(162)	(162)	(162)	(162)	(648)	(648)	(648)	(648)	(648)
Change in fair value of stock warrants	-	37	21	3	(17)	43	(100)	90	150	(140)	-	(700)	(100)	(100)	(100)
Other income	-	-	82	-	-	82	2	2	2	2	8	8	8	8	8
Total other expenses	(10)	(92)	(52)	(158)	(183)	(485)	(250)	(60)	-	(290)	(600)	(1,276)	(638)	(576)	(543)
Income (loss) before tax expense	(7,919)	(3,242)	(4,895)	(2,689)	(4,701)	(15,527)	(4,140)	(3,945)	(3,947)	(4,259)	(13,165)	(11,048)	(8,729)	6,449	19,139
Income tax expense-State income tax benefit	618	-	-	-	-	-	-	-	-	-	-	-	-	2,386	7,081
Net Incomes (Losses)	(7,301)	(3,242)	(4,895)	(2,689)	(4,701)	(15,527)	(4,140)	(3,945)	(3,947)	(4,259)	(13,165)	(11,048)	(8,729)	4,063	12,058
Net Earnings (Losses) Per Share—Basic	($1.76)	($0.55)	($0.83)	($0.46)	($0.55)	($2.38)	($0.48)	($0.45)	($0.45)	($0.46)	($1.49)	($1.02)	($0.66)	$0.30	$0.85
Net Earnings (Losses) Per Share—Diluted	($1.76)	($0.55)	($0.83)	($0.46)	($0.55)	($2.38)	($0.48)	($0.45)	($0.45)	($0.46)	($1.49)	($1.02)	($0.66)	$0.30	$0.85
Shares outstanding—basic	4,146	5,871	5,871	5,871	8,511	6,531	8,591	8,671	8,751	9,251	8,816	10,816	13,316	13,716	14,116
Shares outstanding—diluted	4,146	5,871	5,871	5,871	8,511	6,531	8,591	8,671	8,751	9,251	8,816	10,816	13,316	13,716	14,116
Margin Analysis (% of Revenue)															
Gross	40%	33%	34%	33%	34%	33%	34%	34%	34%	34%	32%	32%	32%	32%	32%
Cost of RI-002													30%	30%	30%
R&D	310%	185%	467%	127%	697%	303%	318%	231%	183%	151%	203%	124%	55%	30%	23%
Plasma operation	156%	65%	73%	60%	174%	80%	99%	72%	56%	46%	63%	41%	28%	22%	21%
G&A	281%	180%	147%	76%	236%	142%	144%	106%	87%	73%	95%	62%	27%	15%	11%
M&S													44%	25%	18%
Operating Income (loss)	-707%	-397%	-652%	-229%	-1066%	-490%	-523%	-371%	-289%	-235%	-259%	-126%	-44%	20%	41%
Pretax	-708%	-409%	-659%	-243%	-1109%	-506%	-556%	-377%	-289%	-252%	-271%	-142%	-48%	19%	40%
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%	-1109%	-506%	-556%	-377%	-289%	-252%	-271%	-142%	-48%	12%	25%
Financial Indicator Growth Analysis (Y/Y)															
Product (Biocenter) revenue	47%	17921%	220%	202%	-23%	170%	-8%	39%	22%	310%	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%	-19%	174%	-6%	41%	23%	299%	58%	60%	135%	90%	40%
Research and development	436%	1694%	1842%	-27%	133%	168%	61%	-30%	78%	-13%	6%	-2%	4%	4%	5%
Plasma center operating expenses	50%	12%	42%	34%	68%	38%	40%	36%	13%	9%	23%	5%	4%	7%	2%
General and administrative	119%	112%	48%	-18%	43%	39%	-25%	2%	41%	24%	6%	4%	4%	4%	3%
Marketing and sales														5%	4%
Operating incomes	71%	160%	301%	-22%	102%	90%	23%	-20%	56%	-12%	-16%	-22%	-17%	-187%	180%
Pretax Income	27%	167%	306%	-17%	109%	96%	28%	-19%	47%	-9%	-15%	-16%	-21%	-174%	197%
Net Income	24%	443%	306%	-17%	109%	113%	28%	-19%	47%	-9%	-15%	-16%	-21%	-147%	197%
EPS - Basic	-89%	211%	308%	-34%	-19%	35%	-13%	-45%	-2%	-17%	-37%	-32%	-36%	-145%	188%
EPS - Diluted	-89%	211%	308%	-34%	-19%	35%	-13%	-45%	-2%	-17%	-37%	-32%	-36%	-145%	188%
Shares outstanding—basic	1074%	75%	-1%	26%	158%	58%	46%	48%	49%	9%	35%	23%	23%	3%	3%
Shares outstanding—diluted	1074%	75%	-1%	26%	158%	58%	46%	48%	49%	9%	35%	23%	23%	3%	3%

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

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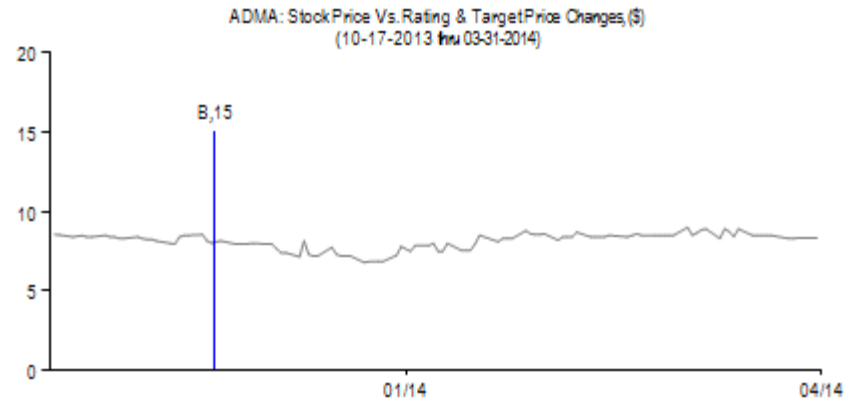

3 Year Rating Change History

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

Source: Laidlaw & Company **Created by: Blue-Compass.net**

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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.	85.71%	28.57%	14.29%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	7.14%	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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