

ADMA Biologics (ADMA - \$ 9.80)

2Q14: RI-002 Phase III Study is Approaching Completion with Top-line Results Expected in 4Q14.

Yesterday after the market close, ADMA reported 2Q14 financial results with a net loss of (\$4.0 MM), or (\$0.43) net loss per share. With cash of ~\$24.2MM by the end of 2Q14, we believe it is sufficient to support operations entering 2016.

- RI-002 Phase III study is on-track for reporting top-line results in 4Q14.** ADMA indicated that half of the enrolled patients have completed the study, while 90% of expected infusions had taken place. As such, we estimate the study could complete in ~2 months and after analyzing the data; the company could report top-line results in 4Q14 as planned. Management also indicated that so far there have been no reported serious adverse events attributable to the study drug.
- ADMA shares could be up-listed in 4Q14.** We estimate the potential up-listing to NASDAQ market in 4Q14, possibly in October. This development, in our opinion, could further expand institutional investor base.
- Plasma center revenue encouraging.** Management indicated that the operation of the first center with expansion is near its full capacity. We view the 2Q14 revenue (\$1.48MM) reflects the robust revenue outlook from this operation. ADMA is constructing the 2nd center, with planned completion and PLA filing in late 2014; and potential approval in 2015. As such, we anticipate healthy revenue growth in 2015 supported by expanded capacities.
- Contemplated commercialization is underway.** Should RI-002 be approved, ADMA will commercialize the product on its own given the extensive expertise and experience of the senior management in selling plasma products. We believe pre-approval marketing activities could start in 2015 if the Phase III outcome is positive.
- 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.

Healthcare/Biotechnology

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

Trading Data:

Last Price (08/11/2014)	\$ 9.80
52-Week High (8/4/2014)	\$ 10.75
52-Week Low (12/26/2013)	\$ 6.52
Market Cap. (MM)	\$ 91
Shares Out. (MM)	9

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-14E	-0.64A	-0.43A	-0.32	-0.32	-1.30	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

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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	*****
Corporate development		Potential up-list to NASDAQ market	4Q14	*****
BioCenters		Possibly to start 3rd center build-out & FDA review process	1H15	*****
		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. 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 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. Although 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, 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 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 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.

Figure 1: Income Statement

ADMA Biologics – Income Statement													
(\$ '000)	2012	2013	1Q14	2Q14	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenue													
Product revenue	1,118	3,024	1,542	1,481	1,437	1,322	5,782	7,806	12,021	16,349	17,166	18,024	19,052
RI-002 revenue	-	-	-	-	-	-	-	-	17,318	52,409	90,303	143,560	185,046
License revenue	-	44	19	19	20	23	81	200	300	300	300	300	300
Total Revenue	1,118	3,068	1,561	1,500	1,457	1,345	5,863	8,006	29,639	69,058	107,769	161,885	204,397
Cost of product revenue	669	2,023	977	941	948	873	3,739	5,308	8,174	11,117	11,673	12,257	12,955
Cost of RI-002	-	-	-	-	-	-	-	-	8,659	26,205	45,151	71,780	92,523
Gross revenue (RI-002)	-	-	-	-	-	-	-	-	8,659	26,205	45,151	71,780	92,523
Gross revenue (Biocenter)	449	1,000	565	541	489	449	2,043	2,498	3,847	5,232	5,493	5,768	6,097
Total gross revenue	449	1,000	565	541	489	449	2,043	2,498	12,506	31,436	50,645	77,548	98,619
Research and development	3,469	9,303	4,330	1,784	1,035	755	7,904	7,746	8,056	8,378	8,797	9,237	9,699
Plasma center operating expenses	1,747	2,418	802	821	829	862	3,315	3,480	3,620	3,873	4,028	4,149	4,232
General and administrative	3,142	4,365	1,135	1,542	1,650	1,716	6,043	6,284	6,536	6,797	7,028	7,267	7,514
Marketing and sales	-	-	-	-	-	-	-	1,000	8,400	8,904	9,438	9,948	10,445
Total Operating Expenses	8,358	16,087	6,268	4,147	3,514	3,334	17,262	18,511	26,611	27,952	29,292	30,601	31,890
Operating Income (loss)	(7,909)	(15,042)	(5,684)	(3,587)	(3,005)	(2,861)	(11,399)	(10,505)	3,027	41,106	78,477	131,284	172,507
Interest income	21	8	2	4	10	10	25	41	65	104	125	150	165
Interest expense	(31)	(618)	(227)	(343)	(162)	(162)	(894)	(894)	(894)	(894)	(894)	(894)	(894)
Change in fair value of stock warrants	-	43	5	(35)	150	(140)	(20)	(700)	(100)	(100)	(100)	(100)	(100)
Other income	-	82	-	-	2	2	4	4	4	4	4	4	4
Total other expenses	(10)	(485)	(220)	(374)	-	(290)	(884)	(1,549)	(925)	(886)	(865)	(840)	(825)
Income (loss) before tax expense	(7,919)	(15,527)	(5,904)	(3,961)	(3,005)	(3,151)	(12,283)	(12,054)	2,103	40,220	77,613	130,444	171,682
Income tax expense-State income tax benefit	618	-	-	-	-	-	-	-	778	14,881	28,717	48,264	63,522
Net Incomes (Losses)	(7,301)	(15,527)	(5,904)	(3,961)	(3,005)	(3,151)	(12,283)	(12,054)	1,325	25,339	48,896	82,180	108,160
Net Earnings (Losses) Per Share—Basic	(\$1.76)	(\$2.38)	(\$0.64)	(\$0.43)	(\$0.32)	(\$0.32)	(\$1.30)	(\$1.05)	\$0.09	\$1.76	\$3.31	\$5.42	\$6.95
Net Earnings (Losses) Per Share—Diluted	(\$1.76)	(\$2.38)	(\$0.64)	(\$0.43)	(\$0.32)	(\$0.32)	(\$1.30)	(\$1.05)	\$0.09	\$1.76	\$3.31	\$5.42	\$6.95
Shares outstanding—basic	4,146	6,531	9,292	9,292	9,372	9,872	9,457	11,457	13,957	14,357	14,757	15,157	15,557
Shares outstanding—diluted	4,146	6,531	9,292	9,292	9,372	9,872	9,457	11,457	13,957	14,357	14,757	15,157	15,557
Margin Analysis (% of Revenue)													
Gross	40%	33%	37%	36%	34%	34%	35%	32%	32%	32%	32%	32%	32%
Cost of RI-002	-	-	-	-	-	-	-	-	50%	50%	50%	50%	50%
R&D	310%	303%	277%	119%	71%	56%	135%	97%	27%	12%	8%	6%	5%
Plasma operation	156%	80%	52%	55%	58%	65%	57%	45%	30%	24%	23%	23%	22%
G&A	281%	142%	73%	103%	113%	128%	103%	78%	22%	10%	7%	4%	4%
M&S	-	-	-	-	-	-	-	-	28%	13%	9%	6%	5%
Operating Income (loss)	-707%	-490%	-364%	-239%	-206%	-213%	-194%	-131%	10%	60%	73%	81%	84%
Net Income	-653%	-506%	-378%	-264%	-206%	-234%	-209%	-151%	4%	37%	45%	51%	53%
Financial Indicator Growth Analysis (Y/Y)													
Product (Biocenter) revenue	47%	170%	94%	101%	32%	226%	91%	35%	54%	36%	5%	5%	6%
RI-002 revenue (projected)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	203%	72%	59%	29%
Total Revenue	47%	174%	97%	102%	32%	217%	91%	37%	270%	133%	56%	50%	26%
Research and development	436%	168%	195%	-49%	-27%	-74%	-15%	-2%	4%	4%	5%	5%	5%
Plasma center operating expenses	50%	38%	56%	52%	26%	22%	37%	5%	4%	7%	4%	3%	2%
General and administrative	119%	39%	-21%	41%	95%	72%	38%	4%	4%	4%	3%	3%	3%
Marketing and sales	-	-	-	-	-	-	-	-	6%	6%	5%	5%	5%
Operating incomes	71%	90%	80%	-26%	19%	-37%	-24%	-8%	-129%	1258%	91%	67%	31%
Pretax Income	27%	96%	82%	-19%	12%	-33%	-21%	-2%	-117%	1813%	93%	68%	32%
Net Income	24%	113%	82%	-19%	12%	-33%	-21%	-2%	-111%	1813%	93%	68%	32%
EPS - Basic	-89%	35%	15%	-49%	-30%	-42%	-45%	-19%	-109%	1759%	88%	64%	28%
EPS - Diluted	-89%	35%	15%	-49%	-30%	-42%	-45%	-19%	-109%	1759%	88%	64%	28%
Shares outstanding—basic	1074%	58%	58%	58%	60%	16%	45%	21%	22%	3%	3%	3%	3%
Shares outstanding—diluted	1074%	58%	58%	58%	60%	16%	45%	21%	22%	3%	3%	3%	3%

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

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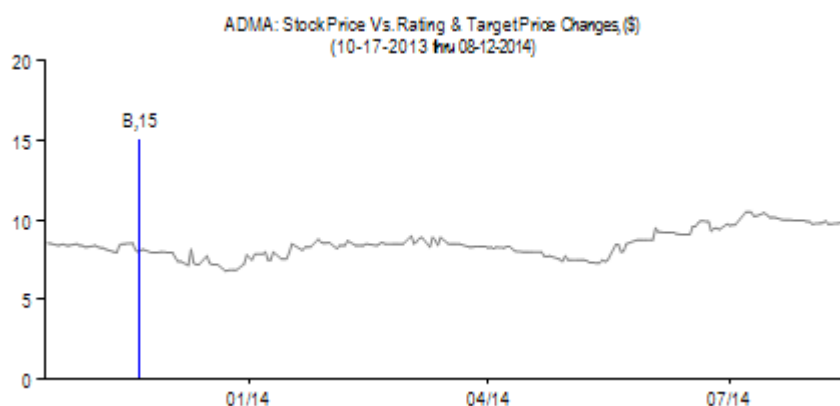
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Rating and Price Target Change History



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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			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.	94.74%	31.58%	10.53%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	5.26%	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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