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EQUITY RESEARCH
Company Report

March 10, 2015

ADMA Biologics (ADMA - $ 9.18)

Healthcare/Biotechnology

4Q14: ADMA Transitioning to Become a Commercial-Stage Company in 2015

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

Yesterday, ADMA reported 4Q14 and 2014 full year financial results with a net loss of ($3.6MM) vs. Laidlaw ($2.9MM) and the Street ($3.6MM) estimates. Net loss per share equated to ($0.38) vs. ($0.30) and ($0.41) for Laidlaw and the Street, respectively. We believe cash of ~$21.8MM at the end of 2014 is sufficient to support operations entering mid-2016.

- **For ADMA, 2015 will be a transitional year toward becoming a commercial-stage company.** After ADMA reported positive primary and secondary endpoints results in the RI-002 in PIDD Phase III (ADMA-003) study, the company is scheduled to file a BLA in 1H15. We estimate the FDA is likely to approve RI-002 as an IVIG in 1H16, possibly in mid-2016, followed by the product launch shortly thereafter. With a high likelihood of product approval, we believe ADMA may start pre-launch commercialization activities in 2H15 to accelerate product launch. For plasma collection revenue, we project modest organic growth in 2015 from the first plasma collection center currently in operation. In addition, we estimate the FDA could approve the second plasma center in 2H15, possibly in 4Q15, and this would likely bolster revenue expansion in 2016.
- **Robust secondary endpoint results of the pivotal trial (ADMA-003) strengthen the commercial outlook of RI-002, in our opinion.** RI-002 demonstrated high titer antibodies against RSV (a 5.3x increase from the baseline with p=0.0001) and several other respiratory infectious pathogens from the pivotal trial. This supports our view that the drug is well differentiated from other IVIGs. Pharmacoeconomic benefits include fewer days lost from work or school due to infection vs. other approved IVIGs (1.66 vs. 2.6 to 5+ days/patient/year). This, coupled with a benign safety profile could enhance the buy-in by physicians and third party payers to prescribe RI-002 for certain severe PIDD patients during late fall through the entire winter, when RSV infections could be a substantial health threat.
- **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.

Trading Data:

Last Price (03/09/2015)	$ 9.18
52–Week High (12/3/2014)	$ 14.00
52–Week Low (4/30/2014)	$ 6.76
Market Cap. (MM)	$ 85
Shares Out. (MM)	9

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-15E	-0.34	-0.42	-0.56	-0.65	-1.97	NM
FY-14A	-0.64	-0.43	-0.36	-0.38	-1.81	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

Source: Laidlaw & Company estimates

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Anticipated milestones in 2015 and beyond

Program	Indication	Event	Timing	Importance
RI-002	RSV infection prevention in PIDD	Potential BLA filing	**1H15**	*****
		Potentially build commercialization structure	**2015**	****
		Potential U.S. approval	**1H16**	*****
		Potential U.S. product launch	**Mid-16**	*****
VZIG (Varitect)	Vicella Zoster virus infection	Potential commence Phase II/III study	**2015**	***
BioCenters		FDA approval of 2nd BioCenter	**2H15**	****
		FDA approval of 3rd BioCenter	**2016**	****

***** / ***** 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

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 immunoglobin, 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

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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.

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ADMA Biologics – Income Statement

($ '000)	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	2020E
Revenue																	
Product revenue	1,118	3,024	1,542	1,481	1,347	1,470	5,840	1,452	1,568	1,662	1,812	6,495	10,002	13,603	14,283	14,997	15,852
RI-002 revenue	-	-					-					-	**17,318**	**52,409**	**90,303**	**143,560**	**185,046**
License revenue	-	44	19	19	19	19	76	19	19	19	19	76	300	300	300	300	300
Total Revenue	1,118	3,068	1,561	1,500	1,366	1,489	5,916	1,471	1,587	1,681	1,831	6,571	27,620	66,312	104,886	158,857	201,197
Cost of product revenue	669	2,023	977	941	868	957	3,742	1,024	1,106	1,172	1,277	4,579	6,801	9,250	9,712	10,198	10,779
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	458	500	2,063	428	463	490	535	1,916	3,201	4,353	4,570	4,799	5,073
Total gross revenue	449	1,000	565	541	458	500	2,063	428	463	490	535	1,916	11,860	30,558	49,722	76,579	97,595
Research and development	3,469	9,303	4,330	1,784	1,483	1,920	9,517	1,039	1,060	1,749	1,994	5,842	6,076	6,319	6,635	6,967	7,315
Plasma center operating expenses	1,747	2,418	802	821	1,018	1,209	3,851	985	989	999	1,019	3,991	4,151	4,442	4,619	4,758	4,853
General and administrative	3,142	4,365	1,135	1,542	1,035	1,112	4,824	1,270	1,995	2,673	3,368	9,305	9,678	10,065	10,407	10,761	11,127
Marketing and sales													8,400	8,904	9,438	9,948	10,445
Total Operating Expenses	8,358	16,087	6,268	4,147	3,537	4,241	18,192	3,295	4,044	5,421	6,380	19,139	28,305	29,729	31,099	32,433	33,740
Operating Income (loss)	(7,909)	(15,042)	(5,684)	(3,587)	(3,038)	(3,710)	(16,019)	(2,847)	(3,562)	(4,911)	(5,827)	(17,147)	(685)	36,583	73,786	126,424	167,457
Interest income	21	8	2	4	4	5	14	6	6	6	6	24	38	61	74	88	97
Interest expense	(31)	(618)	(227)	(343)	(335)	(381)	(1,286)	(322)	(322)	(322)	(322)	(1,288)	(1,288)	(1,288)	(1,288)	(1,288)	(1,288)
Change in fair value of stock warrants	-	43	5	(35)	(15)	(30)	(74)	(40)	(40)	(40)	(40)	(160)	(100)	(100)	(100)	(100)	(100)
Other income	-	82	-	-	-	-	-	-	-	-	1	1	1	1	1	1	1
Total other expenses	(10)	(485)	(220)	(374)	(346)	(406)	(1,346)	(356)	(356)	(356)	(355)	(1,423)	(1,349)	(1,326)	(1,313)	(1,299)	(1,290)
Income (loss) before tax expense	(7,919)	(15,527)	(5,904)	(3,961)	(3,384)	(4,116)	(17,365)	(3,203)	(3,918)	(5,267)	(6,182)	(18,570)	(2,033)	35,257	72,473	125,125	166,168
Income tax expense-State income tax benefit	618	-	-	-	-	552	552	-	-	-	-	-	-	13,045	26,815	46,296	61,482
Net Incomes (Losses)	(7,301)	(15,527)	(5,904)	(3,961)	(3,384)	(3,564)	(16,813)	(3,203)	(3,918)	(5,267)	(6,182)	(18,570)	(2,033)	22,212	45,658	78,829	104,686
Net Earnings (Losses) Per Share—Basic	($1.76)	($2.38)	($0.64)	($0.43)	($0.36)	($0.38)	($1.81)	($0.34)	($0.42)	($0.56)	($0.65)	($1.97)	($0.17)	$1.80	$3.59	$6.01	$7.74
Net Earnings (Losses) Per Share—Diluted	($1.76)	($2.38)	($0.64)	($0.43)	($0.36)	($0.38)	($1.81)	($0.34)	($0.42)	($0.56)	($0.65)	($1.97)	($0.17)	$1.80	$3.59	$6.01	$7.74
Shares outstanding—basic	4,146	6,531	9,292	9,292	9,292	9,292	9,292	9,342	9,392	9,442	9,492	9,417	11,917	12,317	12,717	13,117	13,517
Shares outstanding—diluted	4,146	6,531	9,292	9,292	9,292	9,292	9,292	9,342	9,392	9,442	9,492	9,417	11,917	12,317	12,717	13,117	13,517
Margin Analysis (% of Revenue)																	
Gross	40%	33%	37%	36%	34%	34%	35%	30%	30%	30%	30%	30%	32%	32%	32%	32%	32%
Cost of RI-002													50%	50%	50%	50%	50%
R&D	310%	303%	277%	119%	109%	129%	161%	71%	67%	104%	109%	89%	22%	10%	6%	4%	4%
Plasma operation	156%	80%	52%	55%	76%	82%	66%	68%	63%	60%	56%	61%	42%	33%	32%	32%	31%
G&A	281%	142%	73%	103%	76%	75%	82%	86%	126%	159%	184%	142%	35%	15%	10%	7%	6%
M&S													30%	13%	9%	6%	5%
Operating Income (loss)	-707%	-490%	-364%	-239%	-222%	-249%	-271%	-194%	-224%	-292%	-318%	-261%	-2%	55%	70%	80%	83%
Net Income	-653%	-506%	-378%	-264%	-248%	-239%	-284%	-218%	-247%	-313%	-338%	-283%	-7%	33%	44%	50%	52%
Financial Indicator Growth Analysis (Y/Y)																	
Product (Biocenter) revenue	47%	170%	94%	101%	24%	263%	93%	-6%	6%	23%	23%	11%	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.	N.A.	N.A.	N.A.	N.A.	203%	72%	59%	29%
Total Revenue	47%	174%	97%	102%	23%	251%	93%	-6%	6%	23%	23%	11%	320%	140%	58%	51%	27%
Research and development	436%	168%	195%	-49%	5%	-35%	2%	-76%	-41%	18%	4%	-39%	4%	4%	5%	5%	5%
Plasma center operating expenses	50%	38%	56%	52%	55%	71%	59%	23%	20%	-2%	-16%	4%	4%	7%	4%	3%	2%
General and administrative	119%	39%	-21%	41%	22%	11%	11%	12%	29%	158%	203%	93%	4%	4%	3%	3%	3%
Marketing and sales														6%	6%	5%	5%
Operating incomes	71%	90%	80%	-26%	20%	-18%	6%	-50%	-1%	62%	57%	7%	-96%	-5442%	102%	71%	32%
Pretax Income	27%	96%	82%	-19%	26%	-12%	12%	-46%	-1%	56%	50%	7%	-89%	-1834%	106%	73%	33%
Net Income	24%	113%	82%	-19%	26%	-24%	8%	-46%	-1%	56%	73%	10%	-89%	-1192%	106%	73%	33%
EPS - Basic	-89%	35%	15%	-49%	-20%	-31%	-24%	-46%	-2%	53%	70%	9%	-91%	-1157%	99%	67%	29%
EPS - Diluted	-89%	35%	15%	-49%	-20%	-31%	-24%	-46%	-2%	53%	70%	9%	-91%	-1157%	99%	67%	29%
Shares outstanding—basic	1074%	58%	58%	58%	58%	9%	42%	1%	1%	2%	2%	1%	27%	3%	3%	3%	3%
Shares outstanding—diluted	1074%	58%	58%	58%	58%	9%	42%	1%	1%	2%	2%	1%	27%	3%	3%	3%	3%

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

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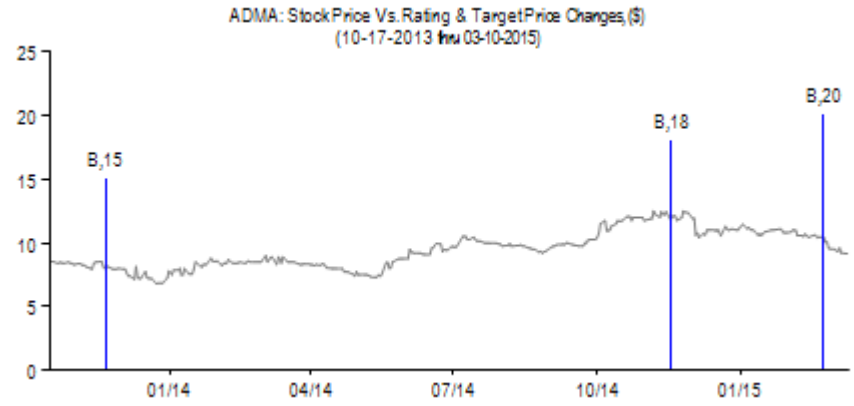
Additional information available upon request.

‡ Laidlaw & Company has received compensation from the subject company for investment banking services in the past 12 months and expects to receive or intends to seek compensation for investment banking services from the company in the next three months.

RATINGS INFORMATION

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
11/18/2014	18.00	12.05
02/23/2015	20.00	10.40

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

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.	81.82%	36.36%	9.09%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.55%	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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