

ADMA Biologics (ADMA - \$ 9.10)

2Q15: After RI-002 BLA Filed, Investor Focus Shifts to Potential Approval and Product Commercialization

Yesterday, ADMA reported 2Q15 financial results with a net loss of (\$4.7MM) vs. Laidlaw (\$3.9MM) and the Street (\$3.7MM) estimates. Net loss per share equated to (\$0.44) vs. (\$0.40) and (\$0.34) for Laidlaw and the Street, respectively. ADMA ended 2Q15 with ~\$23.8MM cash, sufficient to support operations entering 2017, in our opinion.

- **RI-002 in PIDD BLA filed.** ADMA filed a BLA on July 31st, 2015 for RI-002 as an IVIG to treat patients suffering from PIDD. The FDA has 60 days to decide whether accepting the application. If so, we anticipate the potential PDUFA date could slate to August 2016 and RI-002 would likely be approved. As such, we believe ADMA could have a brief but sufficient time to commercialize RI-002 for the 2016/2017 winter season (October to March) for PIDD patients. We believe competition to IVIG that could potentially fend off RSV infection effectively is very limited. As a reminder, RI-002 is well differentiated from most other generic IVIGs given RI-002 consistently contains high anti-RSV antibody titer (5.3x ↑ from the baseline, p=0.0001), and antibodies against other respiratory infectious pathogens.
- **2nd plasma collection center potentially to receive FDA approval.** Management anticipates potential FDA decision to approve the company's 2nd plasma collection center facility in Marietta, Georgia possibly later this year. If so, we anticipate it will generate revenue starting in 2016.

| 2Q15 Estimates and Reported Results | | | |
|-------------------------------------|------------------|------------------|------------------|
| (\$ MM) | Laidlaw Estimate | Actual | Consensus |
| Total revenue | \$1,473 | \$1,310 | \$1,528 |
| Total op. profit (loss) | (\$3,564) | (\$3,517) | (\$3,280) |
| R&D | \$981 | \$1,506 | |
| SG&A | \$1,052 | \$1,097 | |
| EPS | (\$0.40) | (\$0.44) | (\$0.34) |
| Net income (loss) | (\$3,920) | (\$4,679) | (\$3,678) |

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-15E | -0.37A | -0.44A | -0.46 | -0.52 | -1.78 | 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 |
| FY-12A | -0.18 | -0.20 | -0.70 | -0.68 | -1.76 | NM |

Source: Laidlaw & Company estimates

Healthcare/Biotechnology

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

Trading Data:

| | |
|--------------------------|----------|
| Last Price (08/11/2015) | \$ 9.10 |
| 52-Week High (12/3/2014) | \$ 14.00 |
| 52-Week Low (5/8/2015) | \$ 7.51 |
| Market Cap. (MM) | \$ 97 |
| Shares Out. (MM) | 11 |

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Anticipated milestones in 2015 and beyond

| Program | Indication | Event | Timing | Importance |
|-----------------|----------------------------------|---|--------|------------|
| RI-002 | RSV infection prevention in PIDD | Potentially build commercialization structure | 2015 | **** |
| | | Potential U.S. approval | 2H16 | ***** |
| | | Potential U.S. product launch | 2H16 | ***** |
| 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.

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 | 1Q15 | 2Q15 | 3Q15E | 4Q15E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E |
|--|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|----------------|---------------|----------------|----------------|----------------|
| Revenue | | | | | | | | | | | | | |
| Product revenue | 1,118 | 3,024 | 5,840 | 1,484 | 1,291 | 1,511 | 1,556 | 5,842 | 8,996 | 12,235 | 12,846 | 13,489 | 14,258 |
| RI-002 revenue | - | - | - | - | - | - | - | - | 17,318 | 52,409 | 90,303 | 143,560 | 185,046 |
| License revenue | - | 44 | 76 | 19 | 19 | 19 | 19 | 76 | 300 | 300 | 300 | 300 | 300 |
| Total Revenue | 1,118 | 3,068 | 5,916 | 1,503 | 1,310 | 1,529 | 1,575 | 5,917 | 26,614 | 64,944 | 103,449 | 157,349 | 199,603 |
| Cost of product revenue | 669 | 2,023 | 3,742 | 910 | 786 | 1,065 | 1,097 | 3,858 | 6,117 | 8,320 | 8,736 | 9,172 | 9,695 |
| 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 | 2,076 | 575 | 505 | 446 | 459 | 1,984 | 2,879 | 3,915 | 4,111 | 4,316 | 4,562 |
| Total gross revenue | 449 | 1,000 | 2,076 | 575 | 505 | 446 | 459 | 1,984 | 11,538 | 30,120 | 49,262 | 76,097 | 97,085 |
| Research and development | 3,469 | 9,303 | 9,517 | 1,402 | 1,506 | 2,018 | 2,038 | 6,964 | 7,242 | 7,532 | 7,908 | 8,304 | 8,719 |
| Plasma center operating expenses | 1,747 | 2,418 | 3,851 | 1,048 | 1,097 | 1,108 | 1,130 | 4,383 | 4,558 | 4,877 | 5,072 | 5,224 | 5,329 |
| General and administrative | 3,142 | 4,365 | 4,824 | 1,346 | 1,437 | 1,969 | 2,540 | 7,293 | 7,585 | 7,888 | 8,156 | 8,434 | 8,720 |
| Marketing and sales | - | - | - | - | - | - | - | - | 8,400 | 8,904 | 9,438 | 9,948 | 10,445 |
| Total Operating Expenses | 8,358 | 16,087 | 18,192 | 3,796 | 4,040 | 5,095 | 5,708 | 18,640 | 27,785 | 29,201 | 30,575 | 31,910 | 33,214 |
| Operating Income (loss) | (7,909) | (15,042) | (16,019) | (3,202) | (3,517) | (4,631) | (5,231) | (16,580) | (1,171) | 35,743 | 72,874 | 125,439 | 166,389 |
| Interest income | 21 | 8 | 14 | 5 | 10 | 6 | 6 | 27 | 43 | 69 | 82 | 99 | 109 |
| Interest expense | (31) | (618) | (1,286) | (476) | (453) | (322) | (322) | (1,573) | (1,573) | (1,573) | (1,573) | (1,573) | (1,573) |
| Change in fair value of stock warrants | - | 43 | (74) | 68 | - | (40) | (40) | (12) | (100) | (100) | (100) | (100) | (100) |
| Other income | - | 82 | - | - | (719) | - | 1 | (718) | (718) | (718) | (718) | (718) | (718) |
| Total other expenses | (10) | (485) | (1,346) | (403) | (1,163) | (356) | (355) | (2,277) | (2,349) | (2,323) | (2,309) | (2,293) | (2,283) |
| Income (loss) before tax expense | (7,919) | (15,527) | (17,365) | (3,606) | (4,679) | (4,987) | (5,586) | (18,857) | (3,520) | 33,420 | 70,565 | 123,146 | 164,106 |
| Income tax expense-State income tax benefit | 618 | - | 552 | - | - | - | - | - | - | 12,365 | 26,109 | 45,564 | 60,719 |
| Net Incomes (Losses) | (7,301) | (15,527) | (17,917) | (3,606) | (4,679) | (4,987) | (5,586) | (18,857) | (3,520) | 21,055 | 44,456 | 77,582 | 103,387 |
| Net Earnings (Losses) Per Share—Basic | (\$1.76) | (\$2.38) | (\$1.93) | (\$0.37) | (\$0.44) | (\$0.46) | (\$0.52) | (\$1.78) | (\$0.27) | \$1.57 | \$3.21 | \$5.45 | \$7.07 |
| Net Earnings (Losses) Per Share—Diluted | (\$1.76) | (\$2.38) | (\$1.93) | (\$0.37) | (\$0.44) | (\$0.46) | (\$0.52) | (\$1.78) | (\$0.27) | \$1.57 | \$3.21 | \$5.45 | \$7.07 |
| Shares outstanding—basic | 4,146 | 6,531 | 9,292 | 9,855 | 10,706 | 10,756 | 10,806 | 10,531 | 13,031 | 13,431 | 13,831 | 14,231 | 14,631 |
| Shares outstanding—diluted | 4,146 | 6,531 | 9,292 | 9,855 | 10,706 | 10,756 | 10,806 | 10,531 | 13,031 | 13,431 | 13,831 | 14,231 | 14,631 |
| Margin Analysis (% of Revenue) | | | | | | | | | | | | | |
| Gross | 40% | 33% | 36% | 39% | 30% | 30% | 30% | 34% | 32% | 32% | 32% | 32% | 32% |
| Cost of RI-002 | - | - | - | - | - | - | - | - | 50% | 50% | 50% | 50% | 50% |
| R&D | 310% | 303% | 161% | 93% | 115% | 132% | 129% | 118% | 27% | 12% | 8% | 5% | 4% |
| Plasma operation | 156% | 80% | 66% | 71% | 85% | 73% | 73% | 75% | 51% | 40% | 39% | 39% | 37% |
| G&A | 281% | 142% | 82% | 90% | 110% | 129% | 161% | 123% | 28% | 12% | 8% | 5% | 4% |
| M&S | - | - | - | - | - | - | - | - | 32% | 14% | 9% | 6% | 5% |
| Operating Income (loss) | -707% | -490% | -271% | -213% | -268% | -303% | -332% | -280% | -4% | 55% | 70% | 80% | 83% |
| Net Income | -653% | -506% | -303% | -240% | -357% | -326% | -355% | -319% | -13% | 32% | 43% | 49% | 52% |
| Financial Indicator Growth Analysis (Y/Y) | | | | | | | | | | | | | |
| Product (Biocenter) revenue | 47% | 170% | 93% | -4% | -13% | 12% | 6% | 0% | 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% | 93% | -4% | -13% | 12% | 6% | 0% | 350% | 144% | 59% | 52% | 27% |
| Research and development | 436% | 168% | 2% | -68% | -16% | 36% | 6% | -27% | 4% | 4% | 5% | 5% | 5% |
| Plasma center operating expenses | 50% | 38% | 59% | 31% | 34% | 9% | -7% | 14% | 4% | 7% | 4% | 3% | 2% |
| General and administrative | 119% | 39% | 11% | 19% | -7% | 90% | 128% | 51% | 4% | 4% | 3% | 3% | 3% |
| Marketing and sales | - | - | - | - | - | - | - | - | 6% | 6% | 6% | 5% | 5% |
| Operating incomes | 71% | 90% | 6% | -44% | -2% | 52% | 41% | 4% | -93% | -3152% | 104% | 72% | 33% |
| Pretax Income | 27% | 96% | 12% | -39% | 18% | 47% | 36% | 9% | -81% | -1049% | 111% | 75% | 33% |
| Net Income | 24% | 113% | 15% | -39% | 18% | 47% | 57% | 5% | -81% | -698% | 111% | 75% | 33% |
| EPS - Basic | -89% | 35% | -19% | -42% | 3% | 27% | 35% | -8% | -85% | -680% | 105% | 70% | 30% |
| EPS - Diluted | -89% | 35% | -19% | -42% | 3% | 27% | 35% | -8% | -85% | -680% | 105% | 70% | 30% |
| Shares outstanding—basic | 1074% | 58% | 42% | 6% | 15% | 16% | 16% | 13% | 24% | 3% | 3% | 3% | 3% |
| Shares outstanding—diluted | 1074% | 58% | 42% | 6% | 15% | 16% | 16% | 13% | 24% | 3% | 3% | 3% | 3% |

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

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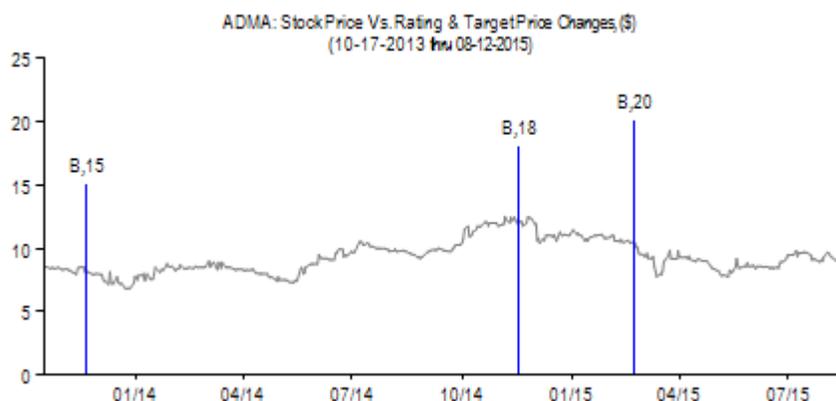
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RATINGS INFORMATION

Rating and Price Target Change History



Source: Laidlaw & Company

Created by: Blue-Compass.net

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 |

| 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. | 75.86% | 31.03% | 6.90% |
| Hold (H) | Expected returns to be in line with the sector average over 12 months. | 3.45% | 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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