

ADMA Biologics (ADMA - \$ 6.21)

4Q15: All Eyes Are on Potential Approval in 3Q16 for RI-002 in RSV Prevention of PIDD Patients

Yesterday, ADMA reported 4Q15 results with a net loss of (\$4.6MM) vs. Laidlaw (\$5.3MM) and the Street (\$4.8MM) estimates. Net loss per share was (\$0.44) vs. (\$0.50) and (\$0.44) for Laidlaw and the Street, respectively. ADMA ended 4Q15 with ~\$16.8MM cash, sufficient to support operations entering 2017, in our opinion.

RI-002 in RSV prevention of PIDD patients pre-launch marketing activities are underway, which include building-up the sales team and inventory. Given that the BLA was accepted by the FDA in September 2015, we estimate the RI-002 PDUFA date could be scheduled in ~Aug./Sep. 2016. We remain bullish that approval is highly probable, followed by product launch shortly thereafter in 2H16. As such, we believe RI-002 could enter the market in time for the 2016/2017 winter treatment season. Together, we believe the approval and successful launch of RI-002 is the key investor focus and major value driver of ADMA share value. ADMA is continuing their pre-launch activities, which include an inventory (plasma raw material) build-up that would be sufficient for the initial commercial launch. In addition, ADMA is gradually expanding their marketing and sales team, which we estimate to add additional ~5 – 8 sales and marketing focused members toward the end of 2016. Lastly, ADMA could be an attractive acquisition target due to RI-002's unique product attributes, such as patent protection, high anti-RSV antibody titers, antibodies against a broad spectrum of RSV strains, and limited competition.

4Q15 Estimates and Reported Results			
(\$ MM)	Laidlaw Estimate	Actual	Consensus
Total revenue	\$1,909	\$2,512	\$1,800
Total op. profit (loss)	(\$4,872)	(\$4,125)	(\$4,500)
R&D	\$1,900	\$1,997	
SG&A	\$1,263	\$1,259	
EPS	(\$0.50)	(\$0.44)	(\$0.44)
Net income (loss)	(\$5,332)	(\$4,577)	(\$4,800)

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-16E	-0.43	-0.50	-0.45	-0.11	-1.43	NM
FY-15A	-0.37	-0.44	-0.48	-0.44	-1.73	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

Source: Laidlaw & Company estimates

Healthcare/Biotechnology

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

Trading Data:

Last Price (03/23/2016)	\$ 6.21
52-Week High (7/8/2015)	\$ 10.28
52-Week Low (2/26/2016)	\$ 4.15
Market Cap. (MM)	\$ 67
Shares Out. (MM)	11

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Anticipated milestones in 2016 and beyond

Program	Indication	Event	Timing	Importance
RI-002	RSV infection prevention in PIDD	Potential U.S. approval	2H16	*****
		Potential U.S. product launch	2H16	*****
VZIG (Varitect)	Vicella Zoster virus infection	Potential commence Phase II/III study	2016	***
BioCenters		FDA approval of 3rd BioCenter	2017	****

**** / ***** 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	3Q15	4Q15	2015	1Q16E	2Q16E	3Q16E	4Q16E	2016E	2017E	2018E	2019E	2020E
Revenue																	
Product revenue	1,118	3,024	5,840	1,484	1,291	1,821	2,454	7,050	2,527	2,730	2,880	2,995	11,132	13,803	14,908	15,653	16,545
RI-002 revenue	-	-	-	-	-	-	-	-	-	-	-	-	14,041	52,409	90,303	143,560	185,046
License revenue	-	44	76	19	19	31	58	127	30	30	30	30	120	120	120	120	120
Total Revenue	1,118	3,068	5,916	1,503	1,310	1,852	2,512	7,178	2,557	2,760	2,910	17,066	25,292	66,333	105,330	159,333	201,711
Cost of product revenue	669	2,023	3,742	910	786	1,113	1,503	4,311	1,542	1,665	1,757	1,857	6,820	8,282	8,945	9,392	9,927
Cost of RI-002	-	-	-	-	-	-	-	-	-	-	-	7,442	7,442	26,205	45,151	71,780	92,523
Gross revenue (RI-002)	-	-	-	-	-	-	-	-	-	-	-	-	6,599	26,205	45,151	71,780	92,523
Gross revenue (Biocenter)	449	1,000	2,076	575	505	708	957	2,745	986	1,065	1,123	1,138	4,311	5,521	5,963	6,261	6,618
Total gross revenue	449	1,000	2,076	575	505	708	957	2,745	986	1,065	1,123	7,737	10,910	31,726	51,114	78,041	99,141
Research and development	3,469	9,303	9,517	1,402	1,506	2,112	1,997	7,016	1,617	1,472	1,442	1,500	6,032	6,273	6,587	6,916	7,262
Plasma center operating expenses	1,747	2,418	3,851	1,048	1,097	1,214	1,259	4,618	1,423	1,849	2,404	3,005	8,681	9,289	9,661	9,950	10,149
General and administrative	3,142	4,365	4,824	1,346	1,437	2,078	1,884	6,746	2,129	2,768	3,599	4,498	12,994	7,448	7,850	8,164	8,491
Marketing and sales	-	-	-	-	-	-	-	-	-	-	-	-	-	7,398	7,842	8,265	8,679
Total Operating Expenses	8,358	16,087	18,192	3,796	4,040	5,404	5,140	18,380	5,169	6,089	7,445	9,004	27,707	30,408	31,939	33,296	34,581
Operating Income (loss)	(7,909)	(15,042)	(16,019)	(3,202)	(3,517)	(4,664)	(4,125)	(15,508)	(4,154)	(4,995)	(6,292)	(1,236)	(16,677)	1,438	19,295	44,865	64,680
Interest income	21	8	14	5	10	11	12	38	12	13	13	14	52	68	81	97	107
Interest expense	(31)	(618)	(1,286)	(476)	(453)	(449)	(464)	(1,843)	(455)	(465)	(461)	(483)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)
Change in fair value of stock warrants	-	43	(74)	68	-	-	-	68	-	-	-	-	-	-	-	-	-
Other income	-	82	-	-	(719)	-	-	(719)	-	-	-	-	-	-	-	-	-
Total other expenses	(10)	(485)	(1,346)	(403)	(1,163)	(438)	(452)	(2,456)	(443)	(452)	(448)	(469)	(1,812)	(1,796)	(1,783)	(1,767)	(1,757)
Income (loss) before tax expense	(7,919)	(15,527)	(17,365)	(3,606)	(4,679)	(5,102)	(4,577)	(17,969)	(4,597)	(5,447)	(6,740)	(1,705)	(18,489)	(358)	17,512	43,099	62,923
Income tax expense-State income tax benefit	618	-	552	-	-	-	-	-	-	-	-	-	-	-	(6,480)	(15,947)	(23,282)
Net Incomes (Losses)	(7,301)	(15,527)	(17,917)	(3,606)	(4,679)	(5,102)	(4,577)	(17,969)	(4,597)	(5,447)	(6,740)	(1,705)	(18,489)	(358)	11,033	27,152	39,642
Net Earnings (Losses) Per Share—Basic	(\$1.76)	(\$2.38)	(\$1.93)	(\$0.37)	(\$0.44)	(\$0.48)	(\$0.44)	(\$1.73)	(\$0.43)	(\$0.50)	(\$0.45)	(\$0.11)	(\$1.43)	(\$0.02)	\$0.70	\$1.67	\$2.38
Net Earnings (Losses) Per Share—Diluted	(\$1.76)	(\$2.38)	(\$1.93)	(\$0.37)	(\$0.44)	(\$0.48)	(\$0.44)	(\$1.73)	(\$0.43)	(\$0.50)	(\$0.45)	(\$0.11)	(\$1.43)	(\$0.02)	\$0.70	\$1.67	\$2.38
Shares outstanding—basic	4,146	6,531	9,292	9,855	10,706	10,708	10,381	10,412	10,758	10,808	15,008	15,058	12,908	15,458	15,858	16,258	16,658
Shares outstanding—diluted	4,146	6,531	9,292	9,855	10,706	10,708	10,381	10,412	10,758	10,808	15,008	15,058	12,908	15,458	15,858	16,258	16,658
Margin Analysis (% of Revenue)																	
Gross (Biocenter)	40%	33%	36%	39%	39%	39%	39%	39%	39%	39%	39%	38%	39%	40%	40%	40%	40%
Cost of RI-002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R&D	310%	303%	161%	93%	115%	114%	79%	98%	63%	53%	50%	9%	24%	9%	6%	4%	4%
Plasma operation	156%	80%	66%	71%	85%	67%	51%	66%	56%	68%	83%	100%	78%	67%	65%	64%	61%
G&A	281%	142%	82%	90%	110%	112%	75%	94%	83%	100%	124%	26%	51%	11%	7%	5%	4%
M&S	-	-	-	-	-	-	-	-	-	-	-	-	-	11%	7%	5%	4%
Operating Income (loss)	-707%	-490%	-271%	-213%	-268%	-252%	-164%	-216%	-162%	-181%	-216%	-7%	-66%	2%	18%	28%	32%
Net Income	-653%	-506%	-303%	-240%	-357%	-275%	-182%	-250%	-180%	-197%	-232%	-10%	-73%	-1%	10%	17%	20%
Financial Indicator Growth Analysis (Y/Y)																	
Product (Biocenter) revenue	47%	170%	93%	-4%	-13%	35%	67%	21%	70%	111%	58%	22%	58%	24%	8%	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.	273%	72%	59%	29%
Total Revenue	47%	174%	93%	-4%	-13%	36%	69%	21%	70%	111%	57%	57%	252%	162%	59%	51%	27%
Research and development	436%	168%	2%	-68%	-16%	42%	4%	-26%	15%	-2%	-32%	-25%	-14%	4%	5%	5%	5%
Plasma center operating expenses	50%	38%	59%	31%	34%	19%	4%	20%	36%	69%	98%	139%	88%	7%	4%	3%	2%
General and administrative	119%	39%	11%	19%	-7%	101%	69%	40%	58%	93%	73%	139%	93%	-12%	5%	4%	4%
Marketing and sales	-	-	-	-	-	-	-	-	-	-	-	-	-	6%	6%	5%	5%
Operating incomes	71%	90%	6%	-44%	-2%	54%	11%	-3%	30%	42%	35%	-70%	8%	-109%	1242%	133%	44%
Pretax Income	27%	96%	12%	-39%	18%	51%	11%	3%	27%	16%	32%	-63%	3%	-98%	-4987%	146%	46%
Net Income	24%	113%	15%	-39%	18%	51%	28%	0%	27%	16%	32%	-63%	3%	-98%	-3179%	146%	46%
EPS - Basic	-89%	35%	-19%	-42%	3%	31%	15%	-11%	17%	15%	-6%	-74%	-17%	-98%	-3101%	140%	42%
EPS - Diluted	-89%	35%	-19%	-42%	3%	31%	15%	-11%	17%	15%	-6%	-74%	-17%	-98%	-3101%	140%	42%
Shares outstanding—basic	1074%	58%	42%	6%	15%	15%	12%	12%	9%	1%	40%	45%	24%	20%	3%	3%	2%
Shares outstanding—diluted	1074%	58%	42%	6%	15%	15%	12%	12%	9%	1%	40%	45%	24%	20%	3%	3%	2%

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

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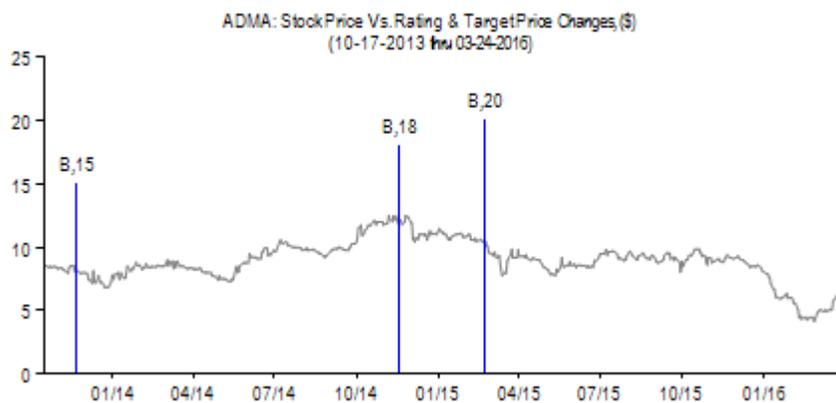
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Rating and Price Target Change History



Source: Laidlaw & Company

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

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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.	65.71%	25.71%	2.86%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	0.00%	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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