LAIDLAW & COMPANY
Est. 1842
London
New York
San Francisco
Boston

EQUITY RESEARCH
Company Report

August 14, 2017

ADMA Biologics (ADMA - $2.91)

Healthcare/Biotechnology

2Q17: Transition is Underway

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

Last Friday, ADMA reported 2Q17 results with a net loss of ($9.0MM) vs. Laidlaw ($4.3MM) and the Street ($5.5MM) estimates. The main discrepancy, we believe, is due to inclusion of Biotest's Nabi-HB sales and offset by associated cost of product revenue. Net loss/share was ($0.55) vs. ($0.17) and ($0.20) for Laidlaw and the Street, respectively. ADMA ended 2Q17 with cash of ~$25.5MM which could support operations into 1H18, in our opinion.

- **Resolving Biotest plant issues are main focus.** By engaging external consultants of subject matter experts (SMEs) experienced in manufacturing and FDA regulatory processes, ADMA is in the midst of remediating issues cited by the FDA warning letter of the prior Biotest plant. The objective is to have the facility up to cGMP compliant standards and become inspection-ready potentially by YE17/1Q18 for a subsequent reinspection and lifting of the outstanding FDA warning letter.
- **Efforts to restore Bivigam production.** ADMA is also working on the production issues associated with Bivigam that previously led to halting its marketing. One of the issues is to resolve a clogging problem during production, with potential solution of modifying the mixing process with different types of pumps. Manufacturing could back on line shortly and ADMA could refile for Bivigam relaunch in 1H18 with possible relaunch in 3Q18.
- **RI-002 update.** According to the current state of development, ADMA could potentially file a RI-002 BLA in mid-2018 with possible approval in 4Q18/1Q19 with the possibility of launching the product for the 18/19 winter season.
- **Third plasma center in preparation.** In addition, ADMA will further expand its operation by building more plasma collection centers with the third one on track to open possibly later in 2018.
- **Nabi-HB revenues come in-line.** In 2Q17, ADMA started to record sales of Nabi-HB as a result of ADMA's recent acquisition of certain Biotest Pharmaceuticals Corporation Therapy Business Unit (BTBU) assets. We anticipate revenue from this asset will grow in 2H17 as an important attribute to the topline near term. We also recognize a more substantial cost of product associated with biomanufactuing (~$2.5MM). We believe this figure will come down to a more appropriate level related to the sales going forward.
- **Action.** We reiterate our Buy rating and $15 target price, reflecting that ADMA is transitioning into a fully integrated company with potential RI-002 approval and later launch. Our target price is supported by P/E, peer comparable and risk-adjusted cash flow sum-of-the-parts analyses.

Trading Data:

Last Price (8/11/2017)	$2.91
52–Week High (9/27/2016)	$7.70
52–Week Low (8/11/2017)	$2.76
Market Cap. (MM)	$76
Shares Out. (MM)	12.153

Earnings Estimates: (per share)

(Dec)	1Q	2Q	3Q	4Q	FY	P/E
FY-17E	-0.51A	-0.55A	-0.42	-0.34	-1.73	NM
FY-16A	-0.43	-0.50	-0.34	-0.35	-1.61	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

Source: Laidlaw & Company estimates

Yale Jen, Ph.D.
Managing Director /
Senior Biotechnology Analyst
(212) 953-4978
yjen@laidlawltd.com

Anticipated milestones in 2017 and beyond

Program	Indication	Event	Timing	Importance
RI-002	RSV infection prevention in PIDD	Potential resubmit BLA	**Mid-18**	*****
		Potential U.S. approval	**4Q18/early 2019**	*****
		Potential U.S. product launch	**2018/2019**	*****
Issues related to manufacturing facility cited on the FDA Warning Letter		Completion of the remediation work	**YE2017**	*****
Bivigam	IVIG	Manufacture-ready	**3Q17**	***
		File for potential re-launch	**1Q18**	***
		Potentially launch	**3Q18**	***
VZIG (Varitect)	Vicella Zoster virus infection	Potential commence Phase II/III study	**2017**	***
BioCenters		FDA approval of 3rd BioCenter	**2018**	***

***** / ***** Major catalyst event that could impact share price very significantly while *** event is more informative*

Source: Laidlaw & Company estimates and company presentation.

Yale Jen, Ph.D.
yjen@laidlawltd.com

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 need more financial resources going forward if they want to expand and further

Yale Jen, Ph.D.
yjen@laidlawltd.com

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.

Yale Jen, Ph.D.
yjen@laidlawltd.com

Income Statement

ADMA Biologics – Income Statement

($ '000)	2013	2014	2015	2016	1Q17	2Q17	3Q17E	4Q17E	2017E	2018E	2019E	2020E
Revenue												
Plasma center revenue	3,024	5,840	7,050	10,518	2,593	2,824	2,740	2,767	10,925	11,798	15,928	16,836
RI-002 revenue	-	-	-	-	-	-	-	-	-	20,218	61,829	96,269
Legacy products						539	1,900	3,500	5,939	15,000	16,500	17,490
License revenue	44	76	127	143	36	36	36	36	143	143	143	143
Total Revenue	3,068	5,916	7,178	10,661	2,629	3,399	4,676	6,303	17,007	47,159	94,401	130,739
Total cost of revenue	2,023	3,742	4,311	6,361	1,616	4,334	4,899	5,060	15,909	16,829	20,282	21,470
Cost of RI-002				-	-	-	-	-	-	10,109	30,915	48,135
Cost of plasma centers						1,835	1,699	1,660	6,810	7,079	9,557	10,101
Cost of legacy product revenue						2,499	3,200	3,400	9,099	9,750	10,725	11,369
Gross revenue (RI-002)				-	-	-	-	-	-	10,109	30,915	48,135
Gross revenue (legacy product)						(1,960)	(1,300)	100	(3,160)	5,250	5,775	6,122
Gross revenue (Biocenter)	1,000	2,076	2,739	4,157	977	989	1,041	1,107	4,114	4,719	6,371	6,734
Total gross revenue	1,000	2,076	2,739	4,157	977	(970)	(259)	1,207	955	20,078	43,061	60,991
Research and development	9,303	9,517	7,016	7,688	1,193	1,358	2,617	2,669	7,836	8,228	8,640	9,072
Plasma center operating expenses	2,418	3,851	4,618	5,448	1,479	1,600	1,370	1,384	5,833	6,066	6,248	6,373
General and administrative	4,365	4,824	6,746	8,495	4,277	4,436	5,780	5,826	20,319	21,417	22,273	23,164
Amortization of intangibles						73	73	73	219	292	292	292
Marketing and sales				-					-	9,321	9,825	10,316
Total Operating Expenses	16,087	18,192	18,380	21,631	6,950	7,467	9,839	9,952	34,208	45,325	47,278	49,217
Operating Income (loss)	(15,042)	(16,019)	(15,514)	(17,330)	(5,937)	(8,402)	(10,062)	(8,709)	(33,110)	(25,103)	(4,074)	11,917
Interest income	8	14	38	50	19	8	12	12	50	61	73	80
Interest expense	(618)	(1,286)	(1,843)	(2,240)	(619)	(642)	(746)	(750)	(2,757)	(2,757)	(2,757)	(2,757)
Change in fair value of stock warrants	43	(74)	68	-	-	-	-	-	-	-	-	-
Other income	82	-	(719)	4	-	-	-	-	-	-	-	-
Total other expenses	(485)	(1,346)	(2,456)	(2,185)	(600)	(635)	(734)	(738)	(2,707)	(2,697)	(2,684)	(2,677)
Income (loss) before tax expense	(15,527)	(17,365)	(17,975)	(19,515)	(6,537)	(9,036)	(10,796)	(9,447)	(35,817)	(27,800)	(6,758)	9,239
Income tax expense-State income tax benefit	-	552	-	-	-	-	-	-	-	-	-	(3,419)
Net Incomes (Losses)	(15,527)	(17,917)	(17,975)	(19,515)	(6,537)	(9,036)	(10,796)	(9,447)	(35,817)	(27,800)	(6,758)	5,821
Net Earnings (Losses) Per Share—Basic	($2.38)	($1.93)	($1.73)	($1.61)	($0.51)	($0.55)	($0.42)	($0.34)	($1.73)	($0.85)	($0.20)	$0.17
Net Earnings (Losses) Per Share—Diluted	($2.38)	($1.93)	($1.73)	($1.61)	($0.51)	($0.55)	($0.42)	($0.34)	($1.73)	($0.85)	($0.20)	$0.17
Shares outstanding—basic	6,531	9,292	10,412	12,153	12,887	16,427	25,773	27,773	20,715	32,773	33,173	33,573
Shares outstanding—diluted	6,531	9,292	10,412	12,153	12,887	16,427	25,773	27,773	20,715	32,773	33,173	33,573
Margin Analysis (% of Revenue)												
Gross (Biocenter)	33%	36%	39%	40%	38%	35%	38%	40%	38%	40%	40%	40%
Cost of legacy products										65%	65%	65%
Cost of RI-002				0%				50%	50%	50%	50%	50%
R&D	303%	161%	98%	72%	45%	40%	56%	42%	46%	17%	9%	7%
Plasma operation	80%	66%	66%	52%	51%	50%	50%	50%	53%	51%	39%	38%
G&A	142%	82%	94%	80%	163%	130%	124%	92%	119%	45%	24%	18%
M&S									0%	20%	10%	8%
Operating Income (loss)	-490%	-271%	-216%	-163%	-226%	-247%	-215%	-138%	-195%	-53%	-4%	9%
Net Income	-506%	-303%	-250%	-183%	-249%	-266%	-231%	-150%	-211%	-59%	-7%	4%
Financial Indicator Growth Analysis (Y/Y)												
Product (Biocenter) revenue	170%	93%	21%	49%	24%	26%	-6%	-16%	4%	8%	35%	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.	206%	56%
Total Revenue	174%	93%	21%	49%	24%	50%	59%	89%	60%	177%	100%	38%
Research and development	168%	2%	-26%	10%	-41%	-60%	56%	357%	2%	5%	5%	5%
Plasma center operating expenses	38%	59%	20%	18%	16%	24%	-8%	0%	7%	4%	3%	2%
General and administrative	39%	11%	40%	26%	150%	157%	225%	77%	139%	5%	4%	4%
Marketing and sales										26%	5%	5%
Operating incomes	90%	6%	-3%	12%	43%	53%	169%	121%	91%	-24%	-84%	-393%
Pretax Income	96%	12%	4%	9%	42%	50%	149%	107%	84%	-22%	-76%	-237%
Net Income	113%	15%	0%	9%	42%	50%	149%	107%	84%	-22%	-76%	-186%
EPS - Basic	35%	-19%	-10%	-7%	18%	11%	25%	-4%	8%	-51%	-76%	-185%
EPS - Diluted	35%	-19%	-10%	-7%	18%	11%	25%	-4%	8%	-51%	-76%	-185%
Shares outstanding—basic	58%	42%	12%	17%	20%	36%	100%	115%	70%	58%	1%	1%
Shares outstanding—diluted	58%	42%	12%	17%	20%	36%	100%	115%	70%	58%	1%	1%

Yale Jen, Ph.D. 212-953-4978

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

Yale Jen, Ph.D.
yjen@laidlawltd.com

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

EQUITY DISCLOSURES

For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

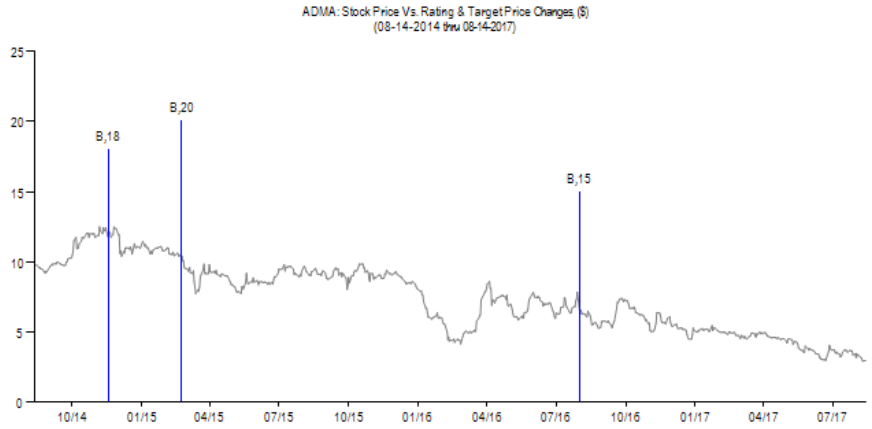
Additional information available upon request.

‡ 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.

Laidlaw & Co (UK) Ltd. has not provided any investment banking services for the company (ies) mentioned in this report over the last 12 months.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

Date	Rating	Closing Price ($)
11/18/2...	Buy (B)	12.05

3 Year Price Change History

Date	Target Price ($)	Closing Price, ($)
11/18/2...	18.00	12.05
02/23/2...	20.00	10.40
08/01/2...	15.00	6.49

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.	63.04%	30.43%	2.17%
Hold (H)	Expected returns to be in line with the sector average over 12 months.	4.35%	0.00%	0.00%
Sell (S)	Returns expected to significantly underperform the sector average over 12 months.	0.00%	0.00%	0.00%

ADDITIONAL COMPANIES MENTIONED

ADDITIONAL DISCLOSURES

As of the date of this report, neither the author of this report nor any member of his immediate family or household maintains an ownership position in the securities of the company (ies) mentioned in this report.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Laidlaw & Co (UK), Ltd. recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Associated persons of Laidlaw & Co (UK), Ltd not involved in the preparation of this report may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned herein and may trade them in ways different from those discussed in this report. While Laidlaw & Co (UK), Ltd., prohibits analysts from receiving any compensation. Bonus or incentive based on specific recommendations for, or view of, a particular company, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

With the exception of information regarding Laidlaw & Co (UK), Ltd. this report is based on public information. Laidlaw & Co (UK), Ltd makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete and it should not be relied upon as such. Any opinions expressed are subject to change and Laidlaw & Co (UK), Ltd disclaims any obligation to advise you of changes in opinions or information or any discontinuation of coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Laidlaw & Co (UK), Ltd business areas. Laidlaw & Co (UK), Ltd associated persons conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices. market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Any trademarks and service marks contained in this report are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. This report or any portion thereof may not be reprinted, sold or redistributed without the written consent of Laidlaw & Co (UK), Ltd. This report is disseminated and available primarily electronically, and, in some cases, in printed form.

The information and opinions in this report were prepared by Laidlaw & Co (UK), Ltd. For important disclosures, please see Laidlaw & Co (UK), Ltd.'s disclosure website at www.Laidlawltd.com, or contact your investment representative or Laidlaw & Co (UK), Ltd at 546 Fifth Ave, 5th Floor, New York, NY 10036 USA.

Yale Jen, Ph.D.
yjen@laidlawltd.com

NOTES:

Yale Jen, Ph.D.
yjen@laidlawltd.com