Zacks Small-Cap Research

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# ADMA Biologics, Inc. (ADMA - NASDAQ)

## *1Q:16 Earnings Review and Financing Update*

Based on our DCF model and a 15% discount rate, ADMA is valued at approximately $19.00 per share. We apply a 75% probability of FDA approval for RI-002.

| | |
|---|---|
| Current Price (5/13/2016) | $5.93 |
| **Valuation** | **$19.00** |

## OUTLOOK

ADMA has developed an IVIG product, RI-002, with high levels of RSV antibodies that can treat immune compromised patients and address a host of other evidence-based uses. Following the completion of Phase 3 studies for RI-002, a BLA was submitted to the FDA in 3Q:15. Favorable study results support approval and we anticipate a nod from the FDA in 3Q:16 and first sales of RI-002 in 4Q:16.

ADMA has also received approval for and opened its second plasma collection center. When up to full capacity, the two Atlanta-based centers are anticipated to produce up to 60k liters of plasma annually, providing the source material for RI-002 and generate diversifying income.

We generate a price target of $19 per share using our DCF valuation approach.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$10.28** |
| **52-Week Low** | **$4.15** |
| **One-Year Return (%)** | **-28.0** |
| **Beta** | **2.48** |
| **Average Daily Volume (sh)** | **28,186** |
| **Shares Outstanding (mil)** | **13** |
| **Market Capitalization ($mil)** | **$74.7** |
| **Short Interest Ratio (days)** | **3.91** |
| **Institutional Ownership (%)** | **66** |
| **Insider Ownership (%)** | **25** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2016 Estimate** | **N/A** |
| **P/E using 2017 Estimate** | **N/A** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **Above Average** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **Med-Biomed/Biologics** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2015 | $1.5 A | $1.3 A | $1.9 A | $2.5 A | $7.2 A |
| 2016 | $2.1 A | $2.6 E | $3.0 E | $7.3 E | $15.0 E |
| 2017 | | | | | $47.7 E |
| 2018 | | | | | $95.6 E |

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2015 | -$0.34 A | -$0.44 A | -$0.48 A | -$0.48 A | -$1.73 A |
| 2016 | -$0.43 A | -$0.37 E | -$0.38 E | -$0.19 E | -$1.35 E |
| 2017 | | | | | -$0.03 E |
| 2018 | | | | | $1.84 E |

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## WHAT'S NEW

**First Quarter 2016 Financial Results**

ADMA Biologics, Inc. (NASDAQ:ADMA) reported first quarter 2016 operational and financial results on May 13, 2016 and highlighted several key events in the quarter including participation in several medical conferences. The release also highlighted a public offering of common stock and access to additional debt capital.

The company posted revenues of $2.1 million which consisted almost exclusively of blood plasma sales. This is a 41% increase in revenues over the comparable period in 2015, but behind our estimates of $2.3 million. Sales of $2.1 million were also below 4Q:15 levels of $2.5 million. As part of total revenues, ADMA also saw $36 thousand (up 89%) from performing third party services and a financial payment from Biotest.

Total operating expenditures, including cost of blood plasma product, was $6.3 million, below the $6.6 million we had forecasted in our model. Lower plasma center cost and lower G&A were below our forecasts and were the reason behind the lower than expected expenses. Gross margin on blood plasma sales was 40% in line with previous quarters but slightly better than the 39% level achieved in 1Q:15.

Research and development costs were $2.0 million as compared to our estimate of $1.7 million and prior year expenditures of $1.4 million. Increased testing and validation expenses related to the approval of RI-002 and greater R&D segment employee costs were behind the increase.

Plasma center operating expenditures increased by 22% to $1.3 million, which was lower than the $1.7 million we expected. The increase was related to the higher costs in wages, rent, maintenance and plasma collection supplies related to the second plasma collection facility.

General and administrative expenses totaled $1.7 million, up from $1.3 million in the prior year and slightly below our forecast. The year over year increase stemmed from consulting expenses associated with pre-launch commercial planning activities, increased headcount, wages and benefits for employees, including stock-based compensation, market research and analysis in preparation for the launch of RI-002.

Other expenses of $454 thousand were related to mark-to-market adjustments to issued warrants.

ADMA posted a loss per share of ($0.43), which compares to the ($0.42) we forecast as lower than expected revenues were offset by lower than expected costs.

At the end of the first quarter, on March 31, 2016, the company held $11.6 million in cash on the balance sheet and $14.4 million of debt. Cash burn, defined as free cash flow to equity, was ($5.2) million in the first quarter,

Following the end of the quarter, ADMA completed a public offering of 2.2 million shares (including an over-allotment), raising gross proceeds of $14.1 million and also securing $4.0 million of debt capital with Oxford Finance. After payment of financing expenses, the company obtained approximately $17 million in additional capital.

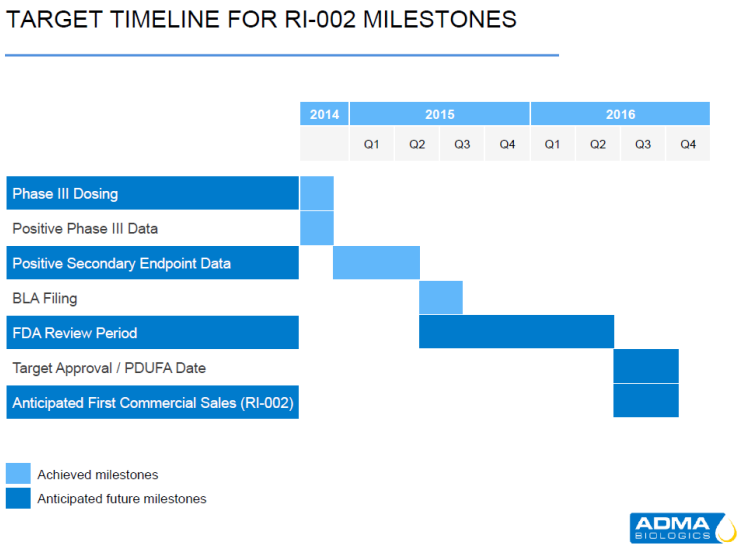
ADMA has several anticipated milestones on the horizon, with the approval of RI-002 the dominant item. The FDA has a 10-month target for approving the BLA, which would place the anticipated approval date in early June. However, the agency has been running behind this target and we anticipate a 12-month turnaround, placing approval sometime in August 2016. Remaining goals also include:

- Continuing commercialization and marketing preparation for RI-002
- Obtaining FDA approval to manufacture and market RI-002 for the treatment of PIDD patients
- First commercial sales of RI-002 upon successful approval
- Expanding intellectual property protection for RI-002 and related IVIG products
- Initiating new specialty plasma collection programs at ADMA BioCenters

**Summary**

While revenues were slightly lower than expected, the key factor for determining our valuation is progress towards FDA approval of RI-002. We have updated our estimates to reflect the additional shares issued in early May. This has had the impact of reducing loss per share for 2016, as operating losses are spread over a larger base. We have not revised our revenue or operating expense estimates at this time. The next milestone we anticipate is FDA approval in 2H:16 and we eagerly await an announcement at which time we will update our valuation.

Below, we provide the company's most recent historical and anticipated timeline for RI-002.



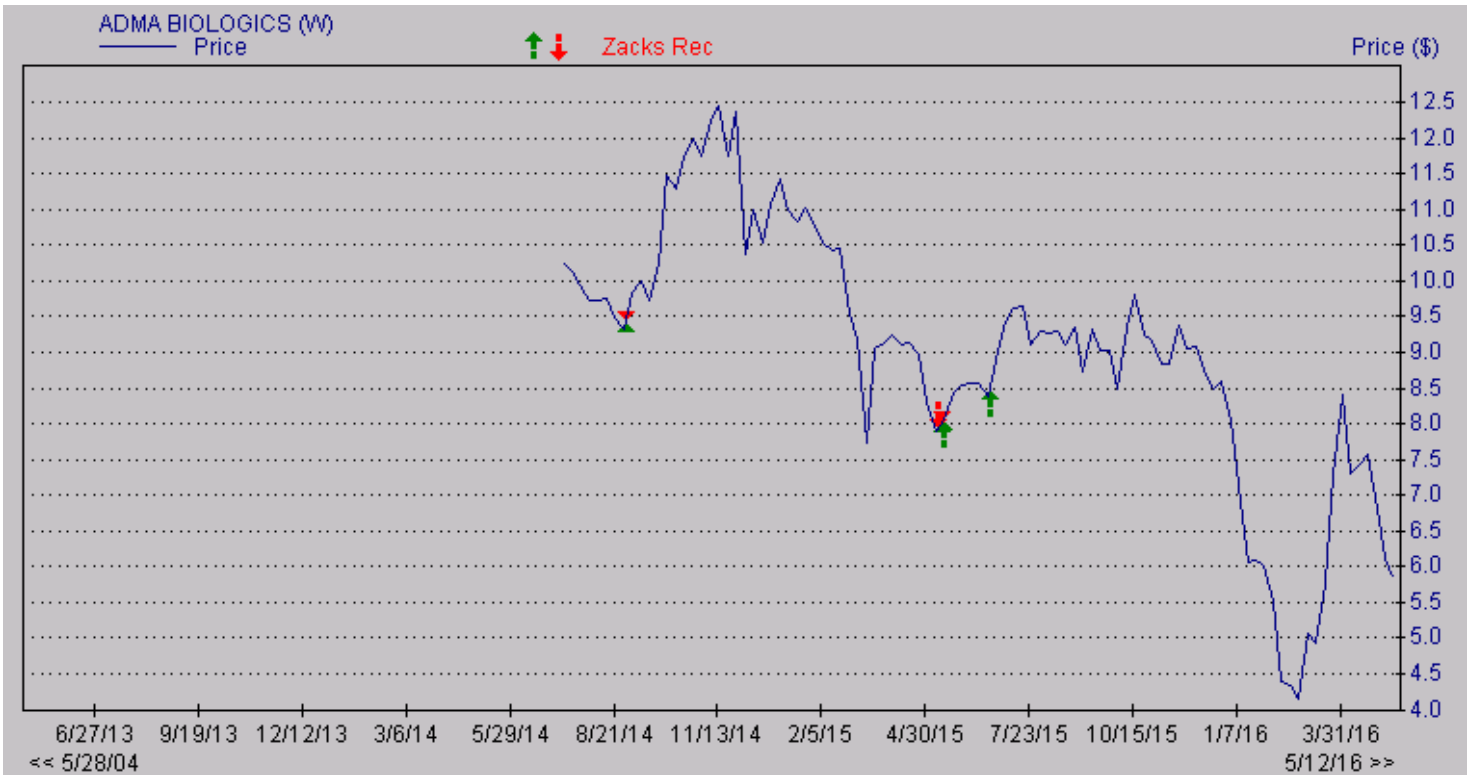
## PROJECTED FINANCIALS

### ADMA Biologics, Inc. - Income Statement

| ADMA Biologics, Inc. | 2015 A | Q1 A | Q2 E | Q3 E | Q4 E | 2016 E | 2017 E | 2018 E |
|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | **$7.2** | **$2.1** | **$2.6** | **$3.0** | **$7.3** | **$15.0** | **$47.7** | **$95.6** |
| *YOY Growth* | *21%* | *41%* | *96%* | *62%* | *190%* | *109%* | *218%* | *100%* |
| Cost of Product Revenue | $4.3 | $1.3 | $1.5 | $1.8 | $3.5 | $8.1 | $21.1 | $40.1 |
| *Product Gross Margin* | *40%* | *40%* | *41%* | *41%* | *52%* | *46%* | *56%* | *58%* |
| Research and development | $7.0 | $2.0 | $1.7 | $1.7 | $1.7 | $7.1 | $7.1 | $7.5 |
| Plasma centers | $4.6 | $1.3 | $1.7 | $1.7 | $1.7 | $6.4 | $6.0 | $6.4 |
| General and administrative | $6.7 | $1.7 | $2.0 | $2.3 | $2.5 | $8.5 | $12.0 | $13.0 |
| Income from operations | ($15.5) | ($4.2) | ($4.3) | ($4.5) | ($2.1) | ($15.0) | $1.5 | $28.7 |
| *Operating Margin* | *-216%* | *-196%* | *-168%* | *-149%* | *-29%* | *-100%* | *3%* | *30%* |
| Other income (expense) | ($2.5) | ($0.5) | ($0.5) | ($0.5) | ($0.5) | ($1.8) | ($1.8) | ($1.8) |
| Pre-Tax Income | ($18.0) | ($4.6) | ($4.8) | ($4.9) | ($2.6) | ($16.9) | ($0.3) | $26.9 |
| Income Taxes Paid | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| *Tax Rate* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* |
| **Net Income** | **($18.0)** | **($4.6)** | **($4.8)** | **($4.9)** | **($2.6)** | **($16.9)** | **($0.3)** | **$26.9** |
| *Net Margin* | *-250%* | *-217%* | *-185%* | *-164%* | *-35%* | *-112%* | *-1%* | *28%* |
| **Reported EPS** | **($1.73)** | **($0.43)** | **($0.37)** | **($0.38)** | **($0.19)** | **($1.35)** | **($0.03)** | **$1.84** |
| *YOY Growth* | *-4.6%* | *27.9%* | *-16.3%* | *-21.1%* | *-59.1%* | *-25.5%* | *-98.1%* | *-7219%* |
| Basic Shares Outstanding | 10.41 | 10.71 | 13.00 | 13.10 | 13.20 | 12.50 | 13.50 | 14.60 |

*Source: Company Filing // Zacks Investment Research, Inc. Estimates*

## HISTORICAL ZACKS RECOMMENDATIONS



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