

Kamada Ltd

(KMDA-NASDAQ)

KMDA: 1Q23 Revenues of \$30.7 Million; Continue to Expect 2023 Revenues of \$138 Million to \$146 Million...

Using a Price/Sales multiple of 4.0 applied to projected 2028 revenues and a discount rate of 10%, KMDA is valued at \$14.00. This model is highly dependent upon continued commercial success of the company's products and will be adjusted accordingly based on future results.

Current Price (05/26/23) **\$5.39**
Valuation **\$14.00**

OUTLOOK

On May 24, 2023, Kamada Ltd. (KMDA) announced financial results for the first quarter of 2023 and provided a business update. The company reported revenues for the first quarter of 2023 of \$30.7 million, which was a 9% increase over the first quarter of 2022. The company reported first quarter 2023 EBITDA of \$3.8 million, which was a 16% increase year-over-year. We continue to anticipate 2023 revenues of \$142 million and EBITDA of \$24 million, both of which fall at the mid-point of the company's reiterated guidance. Kamada also announced a \$60 million private placement with FIMI Opportunity Funds, the leading private equity firm in Israel. Upon closing the transaction, FIMI will own approximately 38% of Kamada's outstanding shares and will be a controlling shareholder. The deal will strengthen Kamada's balance sheet and allow for greater flexibility in pursuing additional business development opportunities.

SUMMARY DATA

52-Week High **\$5.43**
52-Week Low **\$3.79**
One-Year Return (%) **18.46**
Beta **0.99**
Average Daily Volume (sh) **59,221**

Shares Outstanding (mil) **45**
Market Capitalization (\$mil) **\$242**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **15**
Insider Ownership (%) **36**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **-0.4**
Earnings Per Share (%) **-27.8**
Dividend (%) **N/A**

P/E using TTM EPS **16.8**
P/E using 2023 Estimate **46.9**
P/E using 2024 Estimate **27.6**

Risk Level **Below Avg.**
Type of Stock **Small-Value**
Industry **N/A**

ZACKS ESTIMATES

Revenue (in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	28 A	24 A	32 A	45 A	129 A
2023	31 A	35 E	37 E	39 E	142 E
2024					156 E
2025					176 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-\$0.04 A	-\$0.09 A	\$0.01 A	\$0.07 A	-\$0.05 A
2023	-\$0.04 A	\$0.01 E	\$0.06 E	\$0.10 E	\$0.13 E
2024					\$0.22 E
2025					\$0.35 E

WHAT'S NEW

Financial Update

On May 24, 2023, Kamada Ltd. (KMDA) announced financial results for the first quarter of 2023. Kamada reported revenues of \$30.7 million, which was a 9% increase over the first quarter of 2022. The revenue consisted of \$24.1 million from proprietary products and \$6.6 million from the distribution business. Gross profit and gross margins were \$11.8 million and 39%, respectively, in the first quarter of 2023, compared to \$11.3 million and 40%, respectively, in the first quarter of 2022. The cost of goods sold for the proprietary products in the first quarter of 2023 included \$1.3 million in depreciation expenses associated with intangible assets generated through the IgG products acquisition. Excluding such intangible assets depreciation would have resulted in gross profit and gross margins of \$13.2 million and 43%, respectively.

Operating expenses in the first quarter of 2023 (which includes R&D, Sales & Marketing [S&M], G&A, and other expenses) totaled \$11.6 million compared to \$11.1 million in the first quarter of 2022. During the first quarter of 2023, Kamada conducted a planned workforce reduction at its Israeli plant to optimize staff level to its capacity needs. This resulted in an expense of \$0.6 million for excess severance remuneration. The downsizing is expected to result in an annualized reduction of approximately 6% in the overall Israeli labor costs. Net loss for the first quarter of 2023 was \$1.8 million, or \$0.04 per share, which was in line with a net loss of \$1.8 million, or \$0.04 per share, in the first quarter of 2022. Excluding depreciation expenses of intangible assets and finance expenses of the contingent consideration and other assumed long-term liabilities associated with the acquired IgG products, Kamada would have recorded net income of \$1.7 million, or \$0.04 per share, in the first quarter of 2023 compared to \$1.9 million, or \$0.04 per share, for the first quarter of 2022. Adjusted EBITDA, as shown in the following table, was \$3.8 million in the first quarter of 2023 compared to \$3.3 million in the first quarter of 2022.

	Adjusted EBITDA In millions	
	1Q23	1Q22
Net Income	-\$1.809	-\$1.828
Taxes on Income	\$0.013	\$0.041
Financial expense (income), net	\$2.085	\$2.033
Depreciation and amortization expense	\$3.123	\$2.886
Non-cash share-based compensation expenses	\$0.415	\$0.155
Adjusted EBITDA	\$3.827	\$3.287

Source : Kamada Ltd. / Zacks SCR

Kamada exited the first quarter of 2023 with \$27.1 million in cash, cash equivalents, and short-term investments. This does not include the anticipated net proceeds from the recently announced \$60 million financing, which we expect to close in the second half of 2023 (discussed below).

For the remainder of 2023, we continue to model for the company to have total revenues of \$142 million, which is at the mid-point of the company's reiterated guidance of \$138 million to \$146 million. This would be a \$13 million (10%) increase over 2022 revenues. We model for EBITDA of \$24 million, which is also at the mid-point of the company's guidance of \$22 million to \$26 million. This would be an approximately \$6 million (35%) increase over EBITDA in 2022. We view the large increase in EBITDA along with the topline revenue growth as indicative of strong business fundamentals.

\$60 Million Financing with FIMI Opportunity Funds

On May 24, 2023, Kamada announced a share purchase agreement with FIMI Opportunity Funds, the leading private equity firm in Israel and a major shareholder of Kamada. The purchase agreement calls for Kamada to issue 12.6 million shares to FIMI at a price of \$4.75 per share (which represents the average closing price of the company's shares on NASDAQ during the 20 trading days prior to the date of the purchase agreement). Upon closing of the transaction, FIMI is expected to beneficially own approximately 38% of Kamada's ordinary shares and will become a controlling shareholder of the company, within the meaning of the Israeli Companies Law, 1999.

This is an exciting development for the company and shows the confidence that FIMI has with the business. The transaction will help to strengthen the company's balance sheet and will allow for increased financial flexibility through accelerating the growth of the existing business while also allowing for the pursuit of additional business development opportunities.

Business Update

Phase 3 InnovAATe Trial Continues Enrolling Patients

Kamada initiated the Phase 3 InnovAATe trial of inhaled alpha-1 antitrypsin (AAT) in December 2019 ([NCT04204252](#)). It is a randomized, double blind, placebo controlled pivotal Phase 3 trial designed to assess the efficacy and safety of inhaled AAT in patients with AATD and moderate lung disease. Up to 250 patients will be randomized 1:1 to receive either 80 mg inhaled AAT or placebo daily for two years. The primary endpoint of the trial is lung function as measured by FEV1. Secondary endpoints include lung density changes as measured by CT densitometry, along with other parameters of disease severity such as pulmonary function, exacerbation rate, and six-minute walk test.

Enrollment rates were very slow through 2021 due to the COVID-19 pandemic, however in 2022 the company opened up additional sites in Europe and there are currently 7 sites recruiting patients. Thus far, 60 patients have been enrolled in the trial and the independent data safety monitoring board (DSMB) recently recommended that the trial continue without modification for the fifth time since the study initiated.

Kamada's Inhaled AAT, if approved, will be competing in a market which is expected to be approximately \$1.5 billion by 2028 (EvaluatePharma).

Conclusion

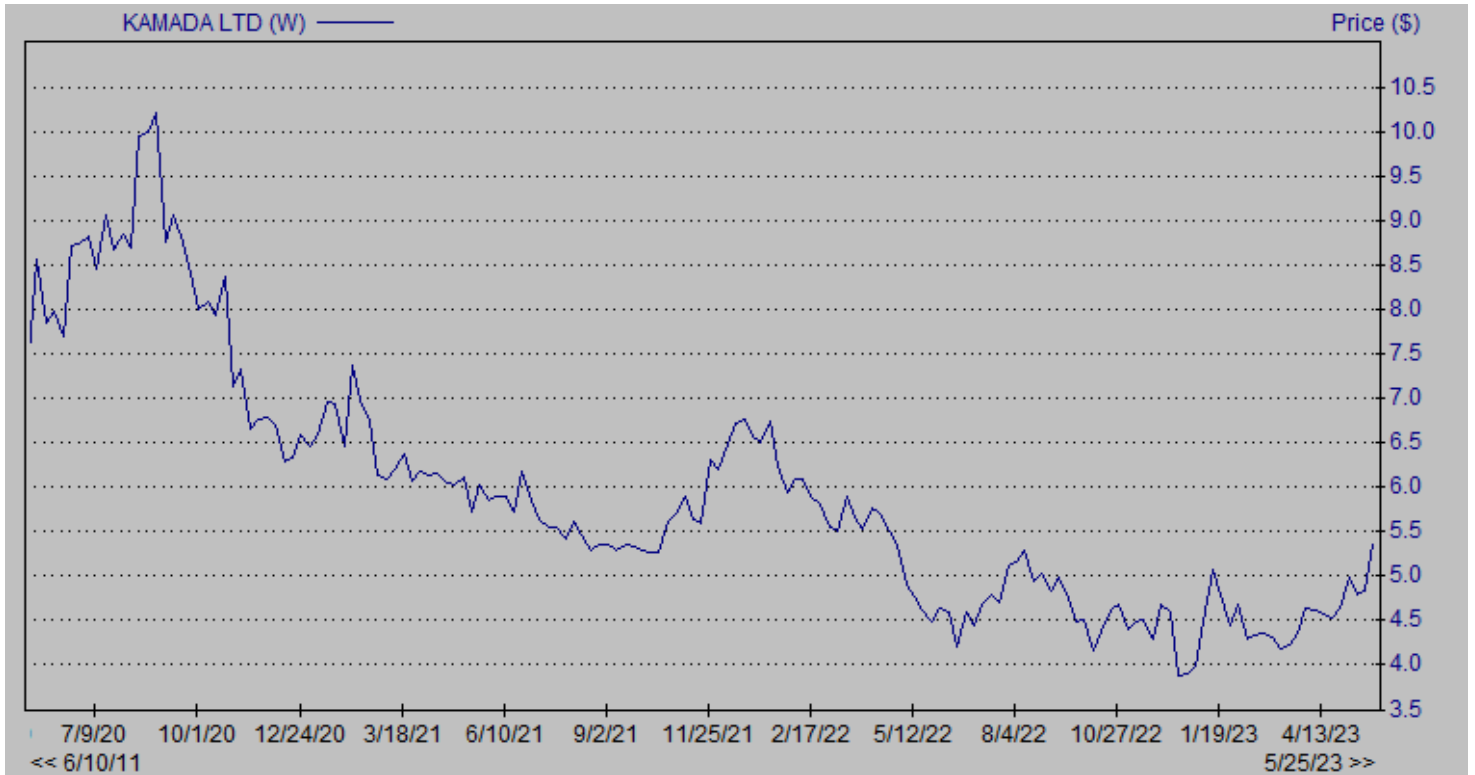
Kamada's business continues to perform very well and we are encouraged that the full year 2023 revenue guidance has remained the same. The \$60 million financing is an interesting development, and we will be curious to see how Kamada utilizes the proceeds from the private placement. With revenue and profitability numbers mostly in line with our expectations we have not made any adjustments to our model and our valuation remains at \$14.00 per share.

PROJECTED FINANCIALS

Kamada Ltd.	2022 E	Q1 A	Q2 E	Q3 E	Q4 E	2023 E	2024 E	2025 E
Revenue from proprietary products	\$102.6	\$24.1	\$27.0	\$29.2	\$30.8	\$111.1	\$121.4	\$136.0
Revenue from distribution	\$26.7	\$6.6	\$7.9	\$8.1	\$8.3	\$30.9	\$35.0	\$40.0
Other Income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenues	\$129.3	\$30.7	\$34.9	\$37.3	\$39.1	\$142.0	\$156.4	\$176.0
Cost of revenues, proprietary products	\$58.2	\$13.2	\$14.3	\$14.4	\$14.5	\$56.4	\$62.0	\$70.0
Cost of revenues, distribution	\$24.4	\$5.6	\$6.8	\$6.9	\$7.0	\$26.3	\$30.0	\$34.5
<i>Gross Margin</i>	36%	39%	40%	43%	46%	42%	41%	41%
Research & Development	\$13.2	\$3.2	\$3.4	\$3.5	\$3.6	\$13.7	\$14.0	\$14.5
Selling and Marketing	\$15.3	\$3.9	\$4.7	\$4.7	\$4.8	\$18.1	\$19.0	\$19.3
General & Administrative	\$12.8	\$3.4	\$3.2	\$3.3	\$3.3	\$13.2	\$13.3	\$13.5
Other (Income) Expense	\$0.9	\$1.0	\$0.2	\$0.2	\$0.2	\$1.6	\$1.3	\$1.3
Operating Income	\$4.5	\$0.3	\$2.3	\$4.3	\$6.2	\$13.1	\$16.8	\$22.9
<i>Operating Margin</i>	3.5%	0.9%	6.6%	11.5%	15.9%	9.2%	10.7%	13.0%
Non-Operating Expenses (Net)	(\$6.8)	(\$2.1)	(\$1.7)	(\$1.7)	(\$1.7)	(\$7.2)	(\$7.0)	(\$7.0)
Pre-Tax Income	(\$2.3)	(\$1.8)	\$0.6	\$2.6	\$4.5	\$5.9	\$9.8	\$15.9
Income Taxes	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(\$2.3)	(\$1.8)	\$0.6	\$2.6	\$4.5	\$5.9	\$9.7	\$15.8
<i>Net Margin</i>	-	-	-	-	-	-	-	-
Reported EPS	(\$0.05)	(\$0.04)	\$0.01	\$0.06	\$0.10	\$0.13	\$0.22	\$0.35
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Basic Shares Outstanding	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8

Source: Zacks Investment Research, Inc. David Bautz, PhD

HISTORICAL STOCK PRICE



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