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August 21, 2023
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Kamada Ltd

(KMDA-NASDAQ)

KMDA: 2Q23 Revenues up 59% YoY; Reiterates 2023 Revenue Guidance 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 (08/21/23)	$5.81
Valuation	**$14.00**

OUTLOOK

On August 16, 2023, Kamada Ltd. (KMDA) announced financial results for the second quarter of 2023 and provided a business update. The company reported revenues for the second quarter of 2023 of $37.4 million, which was a 59% increase over the second quarter of 2022. The company reported first half 2023 EBITDA of $9.9 million, which was a 24% 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 recently extended the U.S. distribution agreement for Kedrab® rabies immunoglobulin with Kedrion Biopharma through March 2026. In addition, the company received positive scientific advice from the European Medicines Agency (EMA) regarding the ongoing Phase 3 Inhaled AAT study that reconfirms the overall design of the study.

SUMMARY DATA

52-Week High	**$5.83**
52-Week Low	**$3.79**
One-Year Return (%)	**17.14**
Beta	**0.97**
Average Daily Volume (sh)	**33,433**
Shares Outstanding (mil)	**45**
Market Capitalization ($mil)	**$260**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**35**
Insider Ownership (%)	**36**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**0.1**
Earnings Per Share (%)	**-26.3**
Dividend (%)	**N/A**
P/E using TTM EPS	**20.0**
P/E using 2023 Estimate	**32.3**
P/E using 2024 Estimate	**32.3**

Risk Level	**Average**
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	37 A	37 E	37 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	$0.04 A	$0.04 E	$0.06 E	$0.10 E
2024					$0.22 E
2025					$0.35 E

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WHAT'S NEW

Financial Update

On August 22, 2023, Kamada Ltd. (KMDA) announced financial results for the second quarter of 2023. Kamada reported revenues of $37.4 million, which was a 59% increase over the second quarter of 2022. The revenue consisted of $30.9 million from proprietary products and $6.5 million from the distribution business. Gross profit and gross margins were $14.4 million and 39%, respectively, in the second quarter of 2023, compared to $7.2 million and 31%, respectively, in the second quarter of 2022. The cost of goods sold for the proprietary products in the second quarter of 2023 included $1.3 million in depreciation expenses associated with intangible assets generated through the IgG products acquisition. Gross profit and gross margin for the second quarter of 2022 were affected by a $3.3 million loss as a result of the labor strike at the Company's manufacturing facility in Israel.

Operating expenses in the second quarter of 2023 (which includes R&D, Sales & Marketing [S&M], G&A, and other expenses) totaled $11.8 million compared to $9.5 million in the second quarter of 2022. The increase in operating expenses was due to an increase in S&M costs associated with the acquired portfolio commercial operation, as well as increased R&D costs, primarily due to advancing the pivotal Phase 3 InnovAATe trial for inhaled AAT. Net income for the second quarter of 2023 was $1.8 million, or $0.04 per share, compared to a net loss of $3.9 million, or $(0.09) per share, in the second quarter of 2022. Adjusted EBITDA, as shown in the following table, was $6.0 million in the second quarter of 2023 compared to $1.3 million in the second quarter of 2022.

Adjusted EBITDA
In millions

	2Q23	2Q22
Net Income	$1.812	-$3.921
Taxes on Income	$0.093	$0.009
Financial expense (income), net	$0.726	$1.618
Depreciation and amortization expense	$3.204	$3.202
Non-cash share-based copmensation expenses	$0.214	$0.414
Adjusted EBITDA	$6.049	$1.322

Source: Kamada Ltd. / Zacks SCR

Kamada exited the second quarter of 2023 with $21.8 million in cash, cash equivalents, and short-term investments. This does not include the anticipated net proceeds from the previously announced $60 million financing (see below), which we expect to close in the third quarter of 2023.

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.

Extension of Kedrab® Distribution Agreement with Kedrion

On July 12, 2023, Kamada announced that Kedrion has exercised its option to extend the distribution agreement in the U.S. for Kedrab rabies immunoglobulin. The current agreement now extends through March 2026 and the companies are in discussions to potentially further expand the scope of the collaboration.

The company's strong 2Q23 revenue growth was due in part to a significant increase in Kedrab sales to Kedrion due to increased demand for the product in the U.S. market.

$60 Million Financing with FIMI Opportunity Funds

In May, 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. We anticipate the financing to close in the third quarter of 2023.

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.

The company recently received positive scientific advice from the European Medicines Agency (EMA) that reconfirmed the overall design of the trial and also acknowledged the statistically and clinically meaningful improvement in lung function, as measured by FEV1, that was demonstrated in the previous Phase 2/3 European study. The EMA also confirmed the planned sample size, however the agency did not support a potential acceleration of the study timeline through potential reduction in sample size.

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, 62 patients have been enrolled in the trial (as of the end of July 2023), which is approximately 30% of the overall required enrollment.

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

The reiterated 2023 revenue guidance provided by Kamada is very encouraging and shows that the business is healthy and growing robustly. The $60 million financing will provide abundant financial flexibility as the company examines various business development opportunities, specifically plasma-derived or transplant-focused products. 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 A	Q3 E	Q4 E	2023 E	2024 E	2025 E
Revenue from proprietary products	$102.6	$24.1	$30.9	$30.2	$30.5	$115.7	$121.4	$136.0
Revenue from distribution	$26.7	$6.6	$6.5	$6.5	$6.6	$26.3	$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**	**$37.4**	**$36.7**	**$37.1**	**$142.0**	**$156.4**	**$176.0**
Cost of revenues, proprietary products	$58.2	$13.2	$17.2	$14.4	$14.5	$59.3	$62.0	$70.0
Cost of revenues, distribution	$24.4	$5.6	$5.8	$6.9	$7.0	$25.4	$30.0	$34.5
Gross Margin	*36%*	*39%*	*39%*	*42%*	*43%*	*41%*	*41%*	*41%*
Research & Development	$13.2	$3.2	$4.3	$3.5	$3.6	$14.6	$14.0	$14.5
Selling and Marketing	$15.3	$3.9	$3.9	$4.7	$4.8	$17.4	$19.0	$19.3
General & Administrative	$12.8	$3.4	$3.5	$3.3	$3.3	$13.5	$13.3	$13.5
Other (Income) Expense	$0.9	$1.0	$0.1	$0.2	$0.2	$1.5	$1.3	$1.3
Operating Income	$4.5	$0.3	$2.6	$3.7	$4.2	$10.8	$16.8	$22.9
Operating Margin	*3.5%*	*0.9%*	*7.0%*	*10.1%*	*11.3%*	*7.6%*	*10.7%*	*13.0%*
Non-Operating Expenses (Net)	($6.8)	($2.1)	($0.7)	($1.7)	($1.7)	($6.2)	($7.0)	($7.0)
Pre-Tax Income	($2.3)	($1.8)	$1.9	$2.0	$2.5	$4.6	$9.8	$15.9
Income Taxes	$0.1	$0.0	$0.1	$0.0	$0.0	$0.1	$0.1	$0.1
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($2.3)**	**($1.8)**	**$1.8**	**$2.0**	**$2.5**	**$4.5**	**$9.7**	**$15.8**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.05)**	**($0.04)**	**$0.04**	**$0.04**	**$0.06**	**$0.10**	**$0.22**	**$0.35**
YOY Growth	-	-	-	-	-	-	-	-
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*

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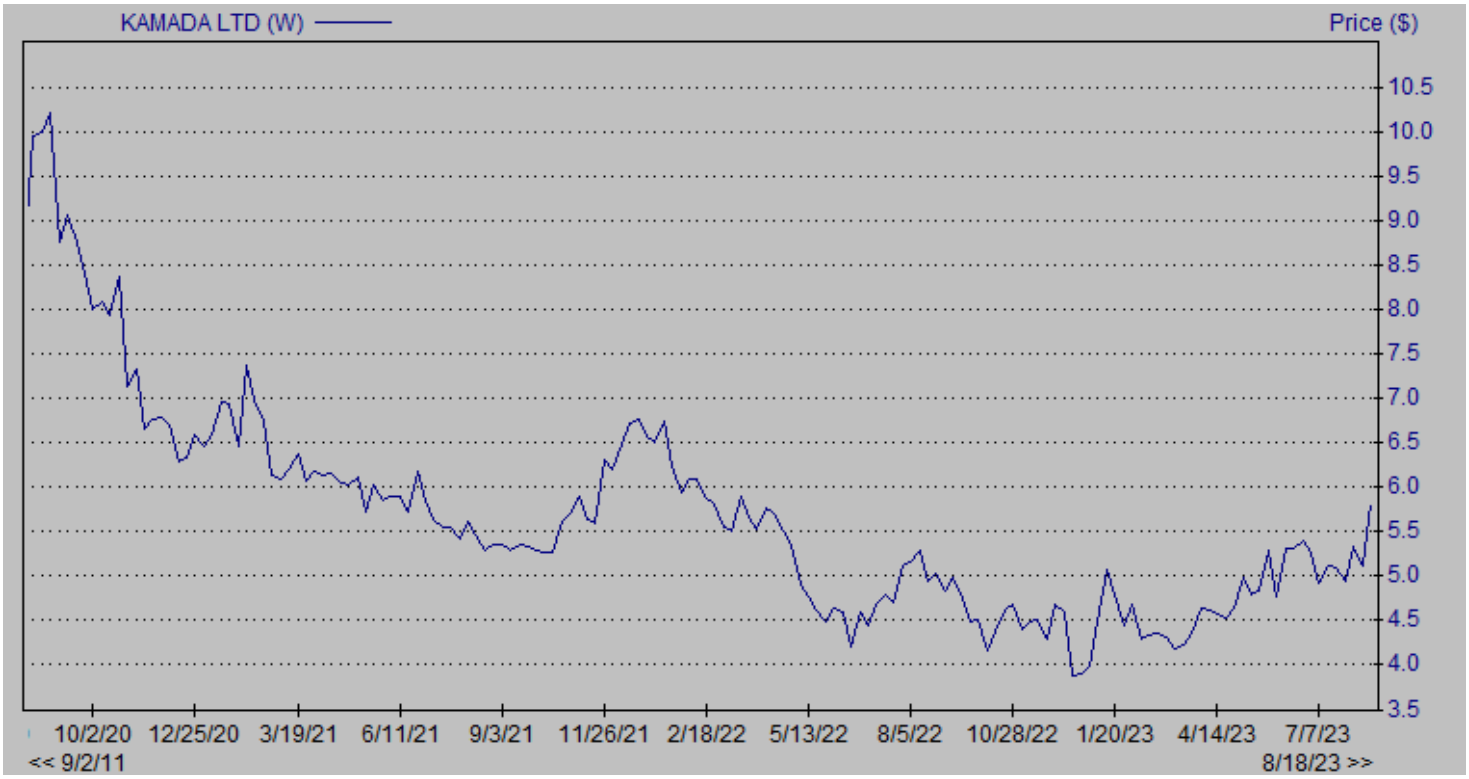

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