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Kamada Ltd

(KMDA-NASDAQ)

KMDA: $37.9 Million in 3Q23 Revenues; Closes $60 Million Private Placement with FIMI Opportunity Funds…

Using a Price/Sales multiple of 4.0 applied to projected 2028 revenues and a discount rate of 10%, KMDA is valued at $12.00. 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 (11/15/23)	$4.86
Valuation	**$12.00**

OUTLOOK

On November 13, 2023, Kamada Ltd. (KMDA) announced financial results for the third quarter of 2023 and provided a business update. The company reported revenues for the third quarter of 2023 of $37.9 million, which was a 18% increase over the third quarter of 2022. The company reported third quarter of 2023 Adjusted EBITDA of $7.9 million, which was a 31% increase year-over-year. We anticipate 2023 revenues of $143 million and EBITDA of $24 million, both of which fall at or near the mid-point of the company's reiterated guidance.

Kamada recently closed on a $60 million private placement with FIMI Opportunity Funds. This will give the company the financial flexibility it needs to pursue business development opportunities.

SUMMARY DATA

52-Week High	**$5.83**
52-Week Low	**$3.79**
One-Year Return (%)	**8.00**
Beta	**0.95**
Average Daily Volume (sh)	**25,736**
Shares Outstanding (mil)	**45**
Market Capitalization ($mil)	**$218**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**34**
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	**19.4**
P/E using 2023 Estimate	**34.7**
P/E using 2024 Estimate	**23.1**

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	38 A	37 E	143 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	$0.07 A	$0.06 E	$0.13 E
2024					$0.22 E
2025					$0.35 E

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Financial Update

On November 13, 2023, Kamada Ltd. (KMDA) announced financial results for the third quarter of 2023. Kamada reported revenues of $37.9 million, which was a 18% increase over the third quarter of 2022. The revenue consisted of $31.4 million from proprietary products and $6.5 million from the distribution business. Gross profit and gross margins were $14.8 million and 39%, respectively, in the third quarter of 2023, compared to $12.9 million and 40%, respectively, in the third quarter of 2022. The cost of goods sold for the proprietary products in the third quarter of 2023 included $1.3 million in depreciation expenses associated with intangible assets generated through the IgG products acquisition.

Operating expenses in the third quarter of 2023 (which includes R&D, Sales & Marketing [S&M], G&A, and other expenses) totaled $10.4 million compared to $10.3 million in the third quarter of 2022. S&M costs for the third quarter of 2023 and 2022 included $0.4 million of depreciation expenses of intangible assets generated through the IgG products acquisition. Net income for the third quarter of 2023 was $3.2 million, or $0.07 per share, compared to net income of $0.5 million, or $0.01 per share, in the third quarter of 2022. Adjusted EBITDA, as shown in the following table, was $7.9 million in the third quarter of 2023 compared to $6.0 million in the third quarter of 2022.

Adjusted EBITDA
In millions

	3Q23	3Q22
Net Income	$3.223	$0.484
Taxes on Income	$0.073	$0.010
Financial expense (income), net	$1.072	$2.068
Depreciation and amortization expense	$3.179	$3.055
Non-cash share-based copmensation expenses	$0.312	$0.366
Adjusted EBITDA	$7.859	$5.983

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 model for the company to have total revenues of $143 million (up from $142 million previously), which is close to the mid-point of the company's reiterated guidance of $138 million to $146 million. This would be a $14 million (11%) increase over 2022 revenues. We model for EBITDA of $24 million, which is 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

Kamada recently closed on a share purchase agreement with FIMI Opportunity Funds, the leading private equity firm in Israel and a major shareholder of Kamada. Kamada issued 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 now owns approximately 38% of Kamada's ordinary shares and is 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.

The company recently received positive feedback from the Independent Data and Safety Monitoring Board (DSMB), which recommended study continuation without modification for the sixth time since study initiation based on the encouraging safety data observed in the study thus far.

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 continues to execute on its business plan and the reiteration of 2023 revenue guidance of $138 million to $146 million 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. After accounting for the recent financing our valuation has decreased slightly to $12.00 per share, however we continue to view Kamada as a top choice in small cap specialty pharma.

PROJECTED FINANCIALS

Kamada Ltd.	2022 E	Q1 A	Q2 A	Q3 A	Q4 E	2023 E	2024 E	2025 E
Revenue from proprietary products	$102.6	$24.1	$30.9	$31.4	$30.5	$116.9	$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**	**$37.9**	**$37.1**	**$143.2**	**$156.4**	**$176.0**
Cost of revenues, proprietary products	$58.2	$13.2	$17.2	$17.4	$14.5	$62.4	$62.0	$70.0
Cost of revenues, distribution	$24.4	$5.6	$5.8	$5.7	$7.0	$24.1	$30.0	$34.5
Gross Margin	*36%*	*39%*	*39%*	*39%*	*43%*	*40%*	*41%*	*41%*
Research & Development	$13.2	$3.2	$4.3	$3.2	$3.6	$14.3	$14.0	$14.5
Selling and Marketing	$15.3	$3.9	$3.9	$3.7	$4.8	$16.4	$19.0	$19.3
General & Administrative	$12.8	$3.4	$3.5	$3.7	$3.3	$13.9	$13.3	$13.5
Other (Income) Expense	$0.9	$1.0	$0.1	($0.2)	$0.2	$1.1	$1.3	$1.3
Operating Income	$4.5	$0.3	$2.6	$4.4	$4.2	$11.5	$16.8	$22.9
Operating Margin	*3.5%*	*0.9%*	*7.0%*	*11.5%*	*11.3%*	*8.0%*	*10.7%*	*13.0%*
Non-Operating Expenses (Net)	($6.8)	($2.1)	($0.7)	($1.1)	($1.7)	($5.6)	($7.0)	($7.0)
Pre-Tax Income	($2.3)	($1.8)	$1.9	$3.3	$2.5	$5.9	$9.8	$15.9
Income Taxes	$0.1	$0.0	$0.1	$0.1	$0.0	$0.2	$0.1	$0.1
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($2.3)**	**($1.8)**	**$1.8**	**$3.2**	**$2.5**	**$5.7**	**$9.7**	**$15.8**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.05)**	**($0.04)**	**$0.04**	**$0.07**	**$0.06**	**$0.13**	**$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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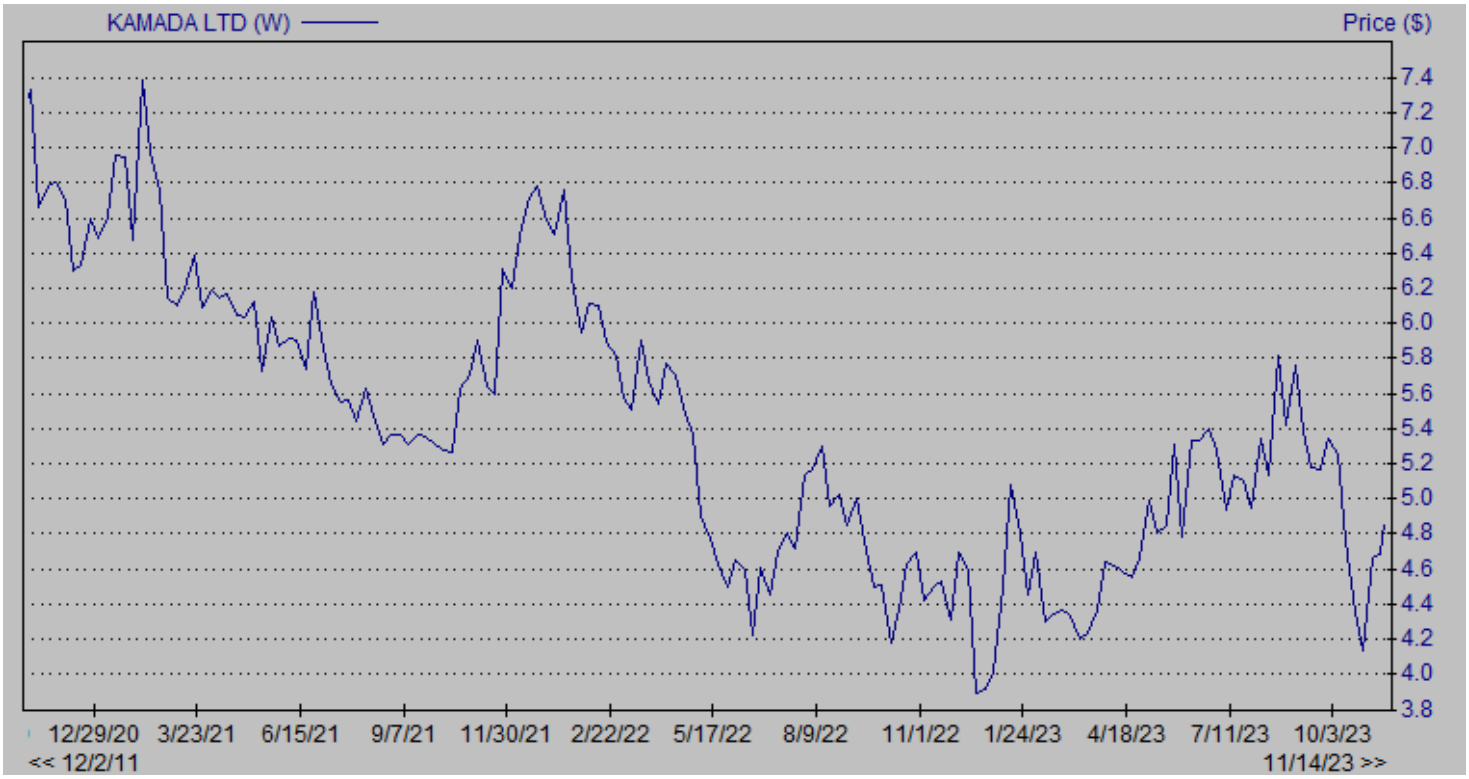

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