

Kamada Ltd

(KMDA-NASDAQ)

KMDA: Double Digit Growth Anticipated in 2024 with \$158 Million in Expected Revenues and \$28 Million in Expected Adjusted EBITDA...

Using a Price/Sales multiple of 4.0 applied to projected 2029 revenues and a discount rate of 10%, KMDA is valued at \$13.00. 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 (03/13/24) **\$5.79**
Valuation **\$13.00**

OUTLOOK

On March 6, 2024, Kamada Ltd. (KMDA) announced financial results for the fourth quarter and full year 2023. Total revenues in 2023 were \$142.5 million, which was a 10% increase compared to 2022. Adjusted EBITDA was \$24.1 million, which was a 35% increase from the previous year. We anticipate 2024 revenues of \$158 million and adjusted EBITDA of \$28 million, which would represent 11% and 16% year-over-year increases, respectively. The company also recently received feedback from the U.S. FDA on the company's Phase 3 clinical trial of inhaled AAT in which the FDA reconfirmed the overall design of the study and expressed willingness to potentially accept a $P < 0.1$ in evaluating the primary efficacy endpoint. Kamada plans to submit a revised statistical analysis plan and study protocol for the trial in mid-2024.

SUMMARY DATA

52-Week High **\$6.42**
52-Week Low **\$4.13**
One-Year Return (%) **35.96**
Beta **1.05**
Average Daily Volume (sh) **25,212**

Shares Outstanding (mil) **57**
Market Capitalization (\$mil) **\$333**
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 (%) **0.5**
Earnings Per Share (%) **-26.2**
Dividend (%) **N/A**

P/E using TTM EPS **25.2**
P/E using 2024 Estimate **20.7**
P/E using 2025 Estimate **11.5**

Risk Level
Type of Stock
Industry
Average Small-Value
N/A

ZACKS ESTIMATES

Revenue (in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	31 A	37 A	38 A	36 A	143 A
2024	39 E	40 E	40 E	40 E	158 E
2025					175 E
2026					195 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	-\$0.04 A	\$0.04 A	\$0.07 A	\$0.09 A	\$0.17 A
2024	\$0.05 E	\$0.05 E	\$0.05 E	\$0.03 E	\$0.18 E
2025					\$0.25 E
2026					\$0.33 E

WHAT'S NEW

Financial Update

On March 6, 2024, Kamada Ltd. (KMDA) announced financial results for the fourth quarter and full year 2023 and provided a business update. Kamada reported revenues of \$142.5 million, which met the company's previously announced guidance, and was a 10% increase compared to fiscal year 2022. The increase was primarily due to increased sales of Kedrab to Kedrion due to increased market share and demand for the product in the U.S. The revenues consisted of \$115.5 million from proprietary products and \$27.1 million from the distribution business. Gross profit margins increased to 39% in 2023 compared to 36% in 2022. Cost of goods sold in 2023 included \$5.4 million of amortization expenses associated with intangible assets generated through the IgG products acquisition.

Operating expenses for 2023, which includes research and development (R&D), sales and marketing (S&M), and general and administrative (G&A) totaled \$45.4 million in 2023 compared to \$42.2 million for 2022. The increase was primarily attributable to an increase in S&M costs associated with the acquired portfolio commercial operation along with increased R&D expenditures due to advancing the Phase 3 InnovAAte trial. Net income for 2023 was \$8.3 million, or \$0.15 per diluted share, compared to a net loss of \$2.3 million, or \$(0.05) per share, in the previous year. Adjusted EBITDA, as shown in the following table, was \$24.1 million in 2023 compared to \$17.8 million in 2022, which represented a 35% year-over-year increase.

	Adjusted EBITDA In millions	
	2023	2022
Net Income	\$8.284	-\$2.321
Taxes on Income	\$0.145	\$0.062
Financial expense (income), net	\$1.635	\$6.791
Depreciation and amortization expense	\$12.714	\$12.155
Non-cash share-based compensation expenses	\$1.314	\$1.153
Adjusted EBITDA	\$24.092	\$17.840

Source: Kamada Ltd. / Zacks SCR

For the fourth quarter of 2023, Kamada recorded revenues of \$36.4 million, compared to \$45.4 million in the fourth quarter of 2022. The decrease in sales was due to more balanced quarterly sales spread during 2023 compared to 2022. Gross margins in the fourth quarter of 2023 were 40% compared to 34% for the fourth quarter of 2022. Operating expenses in the fourth quarter of 2023 were \$11.6 million compared to \$11.3 million in the fourth quarter of 2022. S&M costs in the fourth quarters of 2023 and 2022 included \$0.4 million of amortization expenses of intangible assets generated through the IgG products acquisition. Net income for the fourth quarter of 2023 was \$5.1 million, or \$0.09 per share, compared to \$2.9 million, or \$0.07 per share, in the fourth quarter of 2022. Adjusted EBITDA, as shown in the following table, was \$6.4 million for the fourth quarter of 2023 compared to \$7.2 million for the fourth quarter of 2022.

	Adjusted EBITDA In millions	
	4Q23	4Q22
Net Income	\$5.058	\$2.944
Taxes on Income	-\$0.034	\$0.002
Financial expense (income), net	-\$2.248	\$1.072
Depreciation and amortization expense	\$3.208	\$3.012
Non-cash share-based compensation expenses	\$0.373	\$0.218
Adjusted EBITDA	\$6.357	\$7.248

Source: Kamada Ltd. / Zacks SCR

Kamada exited 2023 with \$55.6 million in cash and cash equivalents. We anticipate Kamada remaining cash flow positive for the foreseeable future, which may be utilized by the company for business development opportunities.

For 2024, we model for the company to have total revenues of \$158 million, which is at the mid-point of the company's guidance of \$156 million to \$160 million. This would be a \$15.5 million (11%) increase over 2023 revenues. We model for adjusted EBITDA of \$28 million, which is near the mid-point of the company's guidance of \$27 million to \$30 million. This would be an approximately \$4 million (16%) increase over adjusted EBITDA in 2023. We view the large increases in adjusted EBITDA over the past couple of years along with the topline revenue growth as indicative of strong business fundamentals.

Business Update

Update on Phase 3 InnovAATe Trial

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.

In January 2024, Kamada met with the FDA in regards to the InnovAATe trial, at which time the FDA reconfirmed the overall design of the study and endorsed the Data Safety and Monitoring Boards (DSMB) unblinded positive safety assessment of 42 patients and accepted the DSMBs recommendation to waive the need for an additional safety assessment point of 60 patients with at least six months of treatment. Kamada also presented plans for an open-label extension study, which is expected to initiate in mid-2024, and the FDA accepted that plan as well. The FDA expressed a willingness to potentially accept a $P < 0.1$ alpha level in evaluating InnovAATe for meeting the primary efficacy endpoint, which may allow for acceleration of the program. Based on this, Kamada is planning to present a revised statistical analysis plan (SAP) and study protocol for the InnovAATe study and seek FDA feedback by mid-2024. Kamada also received feedback from the FDA in regards to anti-drug antibodies (ADAs) to inhaled AAT, thus the company will be concurrently conducting a sub-study in North America in which approximately 30 patients will be evaluated for the effect of ADA on AAT levels in plasma with inhaled AAT and IV AAT treatments. That study should initiate in 2025.

Additional Plasma Collection Center to Open in 2024

In March 2023, Kamada entered into a lease agreement for a facility in Uvalde, Texas and subsequently began construction activities to establish a new plasma collection center. The company acquired its first plasma collection center in March 2021 in Beaumont, TX. The new center is expected to commence plasma collection operations in 2024. It is planned to collect normal source plasma to be sold for manufacturing by third parties along with hyper-immune specialty plasma required for manufacturing of Kamada's proprietary products. The company also has plans to lease a subsequent facility and initiate construction activities for a third plasma collection center during 2024. These facilities help to support the company's plasma needs along with generating additional revenues through the sale of collected normal source plasma.

Conclusion

Kamada continues to execute at a high level with strong revenue and adjusted EBITDA growth in 2023 and expected continued double-digit growth in 2024. The positive interactions with the FDA regarding the InnovAATe trial are encouraging, and we look forward to additional information regarding the potential changes to the statistical analysis plan, which could accelerate that program. With growth in revenues and profitability in line with our expectations we have made no changes to our model and our valuation remains at \$13 per share.

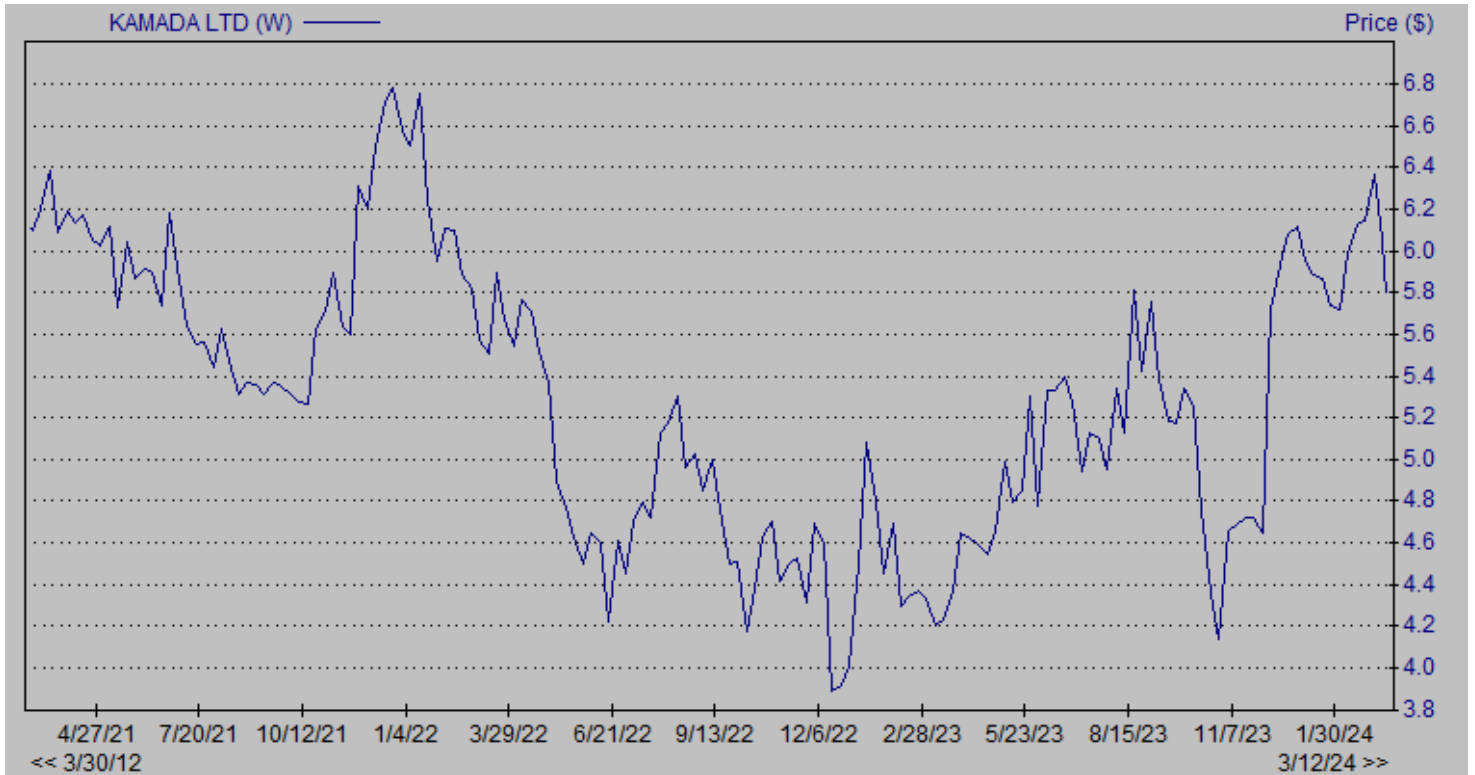
PROJECTED FINANCIALS

Kamada Ltd.	2023 A	Q1 E	Q2 E	Q3 E	Q4 E	2024 E	2025 E	2026 E
Revenue from proprietary products	\$115.5	\$31.0	\$32.0	\$32.5	\$32.5	\$128.0	\$141.0	\$158.0
Revenue from distribution	\$27.1	\$7.5	\$7.5	\$7.5	\$7.5	\$30.0	\$34.0	\$37.0
Other Income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenues	\$142.5	\$38.5	\$39.5	\$40.0	\$40.0	\$158.0	\$175.0	\$195.0
Cost of revenues, proprietary products	\$63.3	\$17.0	\$17.5	\$17.8	\$17.9	\$70.2	\$77.0	\$87.0
Cost of revenues, distribution	\$23.7	\$6.6	\$6.6	\$6.6	\$6.6	\$26.4	\$30.0	\$32.5
Total cost of revenues	\$87.0	\$23.6	\$24.1	\$24.4	\$24.5	\$96.6	\$107.0	\$119.5
Proprietary Product Gross Margin	45%	45%	45%	45%	45%	45%	45%	45%
Distribution Gross Margin	12%	12%	12%	12%	12%	12%	12%	12%
Gross Margin	39%	39%	39%	39%	39%	39%	39%	39%
Research & Development	\$13.9	\$3.4	\$3.6	\$3.8	\$4.0	\$14.8	\$15.5	\$16.5
Selling and Marketing	\$16.2	\$4.1	\$4.3	\$4.5	\$4.8	\$17.7	\$18.8	\$19.3
General & Administrative	\$14.4	\$3.8	\$3.9	\$3.9	\$4.0	\$15.6	\$16.3	\$17.5
Other (Income) Expense	\$0.9	\$0.3	\$0.3	\$0.3	\$0.3	\$1.0	\$1.0	\$1.0
Operating Income	\$10.1	\$3.4	\$3.4	\$3.2	\$2.5	\$12.3	\$16.4	\$21.2
Operating Margin	7.1%	8.7%	8.5%	7.9%	6.1%	7.8%	9.4%	10.9%
Non-Operating Expenses (Net)	(\$1.6)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$1.6)	(\$1.8)	(\$2.0)
Pre-Tax Income	\$8.4	\$3.0	\$3.0	\$2.8	\$2.1	\$10.7	\$14.6	\$19.2
Income Taxes	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.3	\$0.3	\$0.3
Net Income	\$8.3	\$2.9	\$2.9	\$2.7	\$2.0	\$10.4	\$14.3	\$18.9
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	\$0.17	\$0.05	\$0.05	\$0.05	\$0.03	\$0.18	\$0.25	\$0.33
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	47.9	57.4	57.4	57.4	57.4	57.4	58.0	58.0

Source: Zacks Investment Research, Inc.

David Bautz, PhD

HISTORICAL STOCK PRICE



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