

Zacks Small-Cap Research

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Kamada Ltd

(KMDA-NASDAQ)

KMDA: Full Year Guidance Raised; Year-Over-Year Top-Line Growth of 23%...

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 (05/23/24) \$5.32
Valuation \$13.00

OUTLOOK

On May 8, 2024, Kamada Ltd. (KMDA) announced financial results for the first quarter of 2024. Revenues for the first quarter of 2024 were \$37.7 million, which was a 23% increase compared to the first quarter of 2023. Adjusted EBITDA was \$7.5 million, which was a 96% increase from the \$3.8 million in the first quarter of 2023. The company has increased full year revenue guidance to \$158 million to \$162 million (from \$156 million to \$160 million). The company recently received feedback from the FDA in which the agency expressed its willingness to potentially accept a P value of 0.1 alpha level in evaluating the primary efficacy endpoint for the Phase 3 InnovAATe trial. A revised statistical analysis plan and study protocol were recently filed and further FDA feedback is expected in the second half of the year. If approved, this may allow for acceleration of the program.

SUMMARY DATA

52-Week High \$6.42
52-Week Low \$4.14
One-Year Return (%) -1.48
Beta 1.05
Average Daily Volume (sh) 17,138

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

Shares Outstanding (mil) 57
Market Capitalization (\$mil) \$306
Short Interest Ratio (days) N/A
Institutional Ownership (%) 20
Insider Ownership (%) 36

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

5-Yr. Historical Growth Rates
Sales (%) 1.4
Earnings Per Share (%) -23.8
Dividend (%) N/A

P/E using TTM EPS 23.1
P/E using 2024 Estimate 22.2
P/E using 2025 Estimate 16.6

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 | 38 A | 40 E | 41 E | 41 E | 160 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 | \$0.04 A | \$0.06 E | \$0.07 E | \$0.07 E | \$0.25 E |
| 2025 | | | | | \$0.22 E |
| 2026 | | | | | \$0.31 E |

WHAT'S NEW

Financial Update

On May 8, 2024, Kamada Ltd. (KMDA) announced financial results for the first quarter of 2024 and provided a business update. Kamada reported revenues of \$37.7 million in the first quarter of 2024, compared to \$30.7 million in the first quarter of 2023, a 23% increase. The increase was primarily due to increased sales of Cytogam due to increased demand for the product in the U.S. along with increased sales of Kedrab to Kedrion due to increased market share in the U.S. The revenues consisted of \$33.8 million from proprietary products and \$4.0 million from the distribution business. Gross profit and gross margins were \$16.8 million and 44%, respectively, in the first quarter of 2024 compared to \$11.9 million and 39%, respectively, in the first quarter of 2023. Cost of goods sold in the first quarters of 2024 and 2023 included \$1.3 million of depreciation expenses associated with intangible assets generated through the IgG products.

Operating expenses for the first quarter of 2024, which includes research and development (R&D), sales and marketing (S&M), general and administrative (G&A), and other expenses totaled \$12.7 million in the first quarter of 2024 compared to \$11.6 million for the first quarter of 2023. Net income for the first quarter of 2024 was \$2.4 million, or \$0.04 per diluted share, compared to a net loss of \$1.8 million, or \$(0.04) per share, in the first quarter of 2023. Adjusted EBITDA, as shown in the following table, was \$7.5 million in the first quarter of 2024 compared to \$3.8 million in the first quarter of 2023, which represented a 96% year-over-year increase.

| Adjusted EBITDA In millions | | |
|--|----------------|----------------|
| | 1Q24 | 1Q23 |
| Net Income | \$2.365 | -\$1.809 |
| Taxes on Income | \$0.074 | \$0.013 |
| Financial expense (income), net | \$1.600 | \$2.085 |
| Depreciation and amortization expense | \$3.237 | \$3.123 |
| Non-cash share-based compensation expenses | \$0.241 | \$0.415 |
| Adjusted EBITDA | \$7.517 | \$3.827 |

Source: Kamada Ltd. / Zacks SCR

We have increased our estimated revenues for the full year to \$160 million, which is at the mid-point of the company's increased revenue guidance of \$158 million to \$160 million.

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 \$17.5 million (12%) increase over 2023 revenues. We now model for adjusted EBITDA of \$30 million, which is at the mid-point of the company's updated guidance of \$28 million to \$32 million. This would be an approximately \$6 million (25%) 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.

The FDA recently reconfirmed the overall study design and expressed a willingness to potentially accept a P value <0.1 alpha level in evaluate the trial's primary efficacy endpoint. Based on this, Kamada is planning to file an IND amendment with a revised statistical analysis plan (SAP) and study protocol. We anticipate FDA feedback on this in the second half of 2024. If approved, this may allow for acceleration of the program.

Update on Plasma Collections Operation

Kamada acquired its first plasma collection center in March 2021 in Beaumont, TX and is currently collecting hyper-immune plasma for the company's Anti-D and Anti-R specialty IgG products. The company is currently working to open additional centers in the U.S. to collect both hyper-immune plasma as well as normal source plasma. A center in Houston, TX is set to open in the second half of 2024 and the company has signed a lease agreement for an additional location in San Antonio, TX.

Conclusion

We're very encouraged by the way Kamada continues to execute its business, and the increase in expected revenues and adjusted EBITDA for 2024 shows that the fundamentals are very strong. We look forward to an update from the company regarding the Phase 3 InnovAATe trial and whether the FDA will formally agree to the change in the statistical analysis plan and how that may impact timelines for that trial. With no changes to our model our valuation remains at \$13 per share.

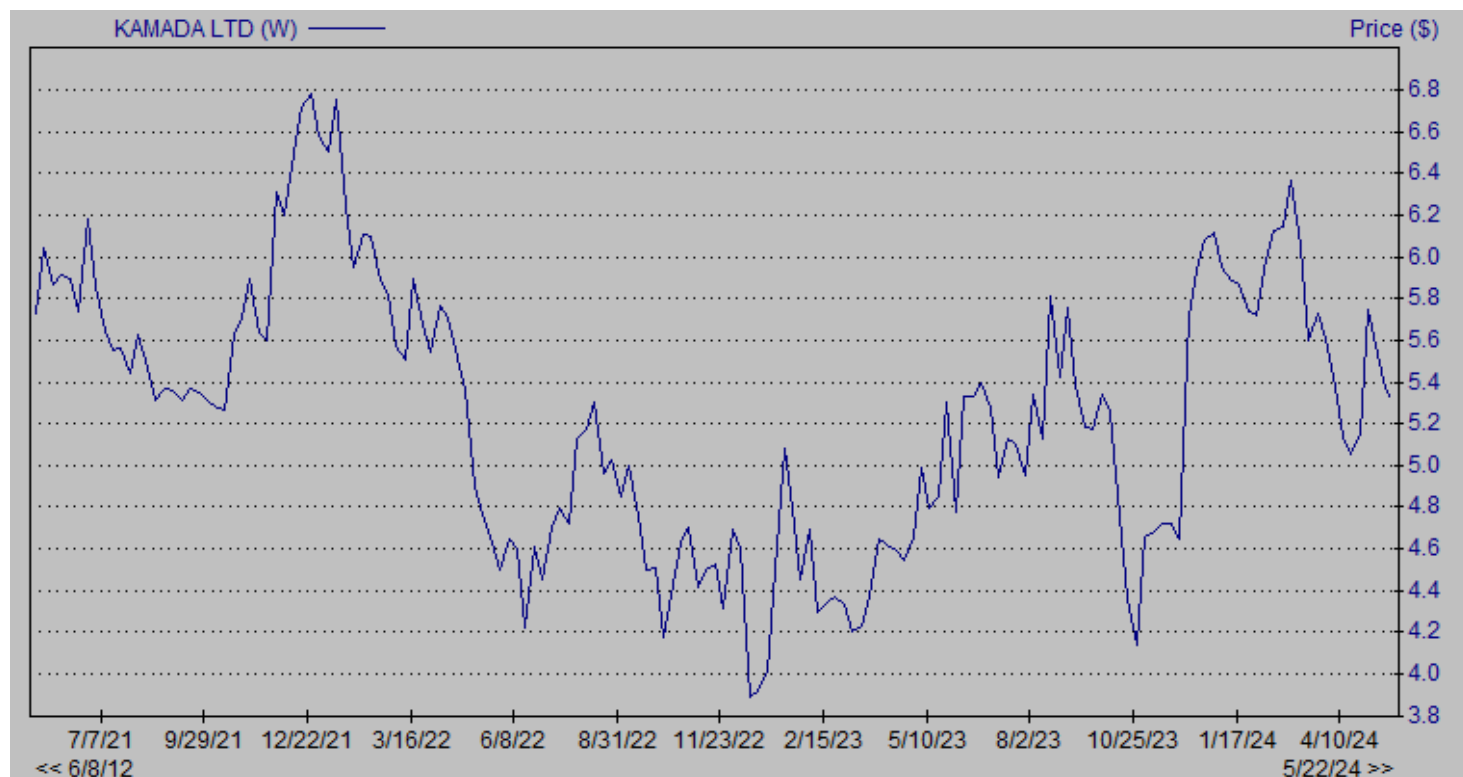
PROJECTED FINANCIALS

| Kamada Ltd. | 2023 A | Q1 A | Q2 E | Q3 E | Q4 E | 2024 E | 2025 E | 2026 E |
|--|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Revenue from proprietary products | \$115.5 | \$33.8 | \$33.0 | \$34.0 | \$34.0 | \$134.8 | \$141.0 | \$158.0 |
| Revenue from distribution | \$27.1 | \$4.0 | \$7.0 | \$7.1 | \$7.2 | \$25.3 | \$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 | \$37.7 | \$40.0 | \$41.1 | \$41.2 | \$160.0 | \$175.0 | \$195.0 |
| Cost of revenues, proprietary products | \$63.3 | \$17.6 | \$17.5 | \$17.9 | \$18.0 | \$71.0 | \$77.0 | \$87.0 |
| Cost of revenues, distribution | \$23.7 | \$3.4 | \$6.1 | \$6.2 | \$6.3 | \$22.0 | \$30.0 | \$32.5 |
| Total cost of revenues | \$87.0 | \$21.0 | \$22.5 | \$22.6 | \$22.7 | \$88.8 | \$107.0 | \$119.5 |
| Proprietary Product Gross Margin | 45% | 48% | 47% | 47% | 47% | 47% | 45% | 45% |
| Distribution Gross Margin | 12% | 15% | 13% | 13% | 13% | 13% | 12% | 12% |
| Gross Margin | 39% | 44% | 44% | 45% | 45% | 45% | 39% | 39% |
| Research & Development | \$13.9 | \$4.3 | \$4.0 | \$4.2 | \$4.3 | \$16.8 | \$17.0 | \$17.5 |
| Selling and Marketing | \$16.2 | \$4.6 | \$4.7 | \$4.8 | \$4.8 | \$18.9 | \$19.0 | \$19.3 |
| General & Administrative | \$14.4 | \$3.8 | \$3.9 | \$4.0 | \$4.0 | \$15.7 | \$16.3 | \$17.5 |
| Other (Income) Expense | \$0.9 | \$0.0 | \$0.3 | \$0.3 | \$0.3 | \$0.8 | \$1.0 | \$1.0 |
| Operating Income | \$10.1 | \$4.0 | \$4.7 | \$5.3 | \$5.2 | \$19.1 | \$14.7 | \$20.2 |
| Operating Margin | 7.1% | 10.7% | 11.6% | 12.8% | 12.5% | 11.9% | 8.4% | 10.4% |
| Non-Operating Expenses (Net) | (\$1.6) | (\$1.6) | (\$1.0) | (\$1.0) | (\$1.0) | (\$4.6) | (\$1.8) | (\$2.0) |
| Pre-Tax Income | \$8.4 | \$2.4 | \$3.7 | \$4.3 | \$4.2 | \$14.5 | \$12.9 | \$18.2 |
| Income Taxes | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.3 | \$0.3 | \$0.3 |
| Net Income | \$8.3 | \$2.4 | \$3.6 | \$4.2 | \$4.1 | \$14.2 | \$12.6 | \$17.9 |
| Net Margin | - | - | - | - | - | - | - | - |
| Reported EPS | \$0.17 | \$0.04 | \$0.06 | \$0.07 | \$0.07 | \$0.25 | \$0.22 | \$0.31 |
| YOY Growth | - | - | - | - | - | - | - | - |
| Basic Shares Outstanding | 47.9 | 57.5 | 57.5 | 57.5 | 57.5 | 57.5 | 58.0 | 58.0 |

Source: Zacks Investment Research, Inc.

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HISTORICAL STOCK PRICE



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