

Adamis Pharmaceuticals (ADMP-NASDAQ)

July 2, 2019

BUY Symjepi is Coming

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Breaking into the billion dollar "EpiPen" market with the recent launch of a user-friendly EpiPen, Symjepi, driven by Novartis as their marketing partner. Beyond Symjepi is fast follower Naloxone, an opioid overdose rescue injector (same mechanism). Adamis has a robust pipeline with Phase 2 and 3 products supported by a profitable compounding business.

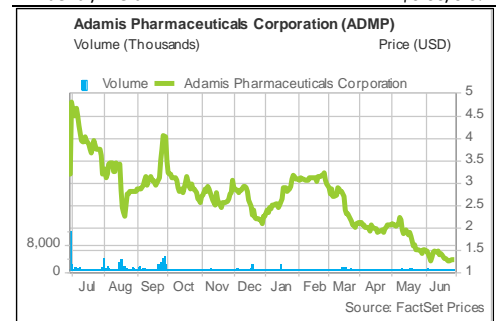
Current Price	\$1.30
Price Target	\$5.00

Estimates	F2019E	F2020E	F2021E
Expenses (\$000s)	\$ 47,143	\$ 50,418	\$ 55,125
1Q March	\$ 13,843	\$ 11,596	\$ 12,679
2Q June	\$ 10,925	\$ 12,100	\$ 13,230
3Q September	\$ 11,025	\$ 13,109	\$ 14,332
4Q December	\$ 11,350	\$ 13,613	\$ 14,884

	F2019E	F2020E	F2021E
EPS (diluted)	\$ (0.37)	\$ 0.19	\$ 0.64
1Q March	\$ (0.19)	\$ 0.03	\$ 0.13
2Q June	\$ (0.10)	\$ 0.03	\$ 0.14
3Q September	\$ (0.05)	\$ 0.10	\$ 0.21
4Q December	\$ (0.04)	\$ 0.03	\$ 0.15

EBITDA/Share	(\$0.35)	\$0.19	\$0.64
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data			
52-Week Range	\$1.25	-	\$5.10
Shares Outstanding (mil.)	47.6		
Market Capitalization (mil.)	\$62		
Enterprise Value (mil.)	\$55		
Debt to Capital	4%		
Book Value/Share	\$1.18		
Price/Book	1.1		
Average Three Months Trading Volume (K)	522		
Insider Ownership	6.2%		
Institutional Ownership	21.2%		
Short interest (mil.)	8.8%		
Dividend / Yield	\$0.00/0.0%		



Initiation - July 2, 2019 - Buy - Price Target \$5.00

Investment Highlights

Symjepi has the potential to be big. If we assume Pharma giant Novartis (NVS-Not rated) can achieve just 10% of the \$1B EpiPen marketplace, it would equate to \$121M in revenues. With a 50% royalty rate Adamis clears half.

Don't get fooled. We consider the initial roll-out in the professional market to be a soft launch in advance for the "back to school" retail launch of both the .15mg and .30mg dosage, which is coming this fall. We believe with a combination of competitive pricing, ease of use, and Novartis' marketing acumen, Symjepi can flourish.

Naloxone coming too. Why is an easy to inject version of Naloxone needed? One answer: Fentanyl. Evidence is showing that many of the over-doses reported by first responders require multiple doses. Naloxone could be part of the answer as first responders seek to rescue the 72,000 annual overdose deaths in the United States.

EVZIO Departure - Clears the way. Following the initial NDA filing for Naloxone, the process hit a speedbump when an infringement patent was filed by Kaleo against Adamis for using their drug as the reference listed compound. Upon meeting with the FDA, Adamis decided to eliminate EVZIO as the reference drug, eliminating the issue. Naloxone remains on track for an approval (October 31, 2019) this year.

Tadalafil- New Player in the ED Market. Adamis aims to emerge into the \$3B erectile dysfunction market with its sublingual formulation of tadalafil, the active compound in Cialis. This product is currently ready to move into the pivotal stage.

Updating Asthma and Respiratory Practices: Adamis is pursuing two inhalable oral steroid treatments for asthma with the hope of delivering equivalent efficacy at lower doses. APC-1000 is a hydrofluoroalkane inhalable steroid in Phase 3 and APC-4000 is a dry powder inhaler (DPI) in phase 2.

Compounding Business Is Turning Profitable: Adamis acquired the United States compounding business in 2016 and has been working to improve the efficiency of the operation. The business is approaching the point, where it may become cash flow accretive.

Valuation: Our product models run out to the year 2030. For Symjepi, an approved product, we do not apply a discount (a risk cut), versus Naloxone and Tadalafil, where we do use a 30% discount on the model itself. Our price target is derived from an equal-weighted average of free cash flow (FCFF), discounted EPS (EPS), and sum-of-the-parts (SOP) models, all discounted at a rate of 30% to allow for the risks associated with new product launches and product development. Our share count assumes dilution. We are currently modeling that the company can reach break-even by 2020. These metrics suggest a 12-month price target of \$5.00

Risks: Partnership risks, Commercialization risks, Financial risks, Clinical and regulatory risks, and Legal and intellectual property risk

Company Overview

Adamis is a unique specialty pharmaceutical company developing products that use a combination of innovative devices and delivery technologies combined with generic compounds. Its products are designed to be low-cost therapeutic alternatives to existing treatments with innovative patient-friendly technology that enhances the delivery of the compound, in some cases, the same efficacy but with less drug, combined with "ease of use- form factor for patients. Adamis is able to develop these products using the 505(b)(2) pathway, sometimes referred to as "one and done," since only one clinical trial is required for approval. This reduces both time and cost to the market compared with new compounds. The company developed a patented, user-friendly self-injection syringe; its first product will be for the delivery of epinephrine. Adamis's challenger to EpiPen will be Symjepi. Novartis (NVS-not rated) is Adamis's partner for the product with a 50:50 top line split. Adamis will manufacture the product and transfer it to Sandoz distribution centers to be sold. An NDA for the pediatric version using a dose of 0.15 mg (half the adult dose of 0.3mg) for children weighing 33-66 pounds was submitted and received approval this past September.

Beyond Symjepi Adamis has a robust pipeline of other products including a "fast follower." A second application of the Symject syringe self-injection technology is APC-6000, for delivery of naloxone in opioid overdose. Adamis filed an NDA application in December 2018. However, a private company, Kaleo, is claiming infringement upon the reference listed drug (RLD) used by Adamis. Adamis responded by contacting the FDA and removing the RLD EVZIO, substituting Narcan. By doing so, Adamis avoids a 30-month halt and restoring the PDUFA date, October 31, 2019. Another specialty pharmaceutical candidate is APC-8000, a sublingual formulation of tadalafil, the active compound in Cialis, has been developed as a fast-acting generic product for erectile dysfunction. An NDA application for APC-8000 was filed in December 2018. The FDA rejected this filing as they are expecting more dissolution tests regarding how the dissolving drug will affect the mouth and food. As a result, Adamis is de-prioritizing the program to minimize associated capital costs for the moment. In the Asthma and COPD space, Adamis is developing APC-1000 and APC-4000, which both deliver steroids for respiratory illness. APC-1000 delivers a steroid for the treatment of asthma and chronic obstructive pulmonary disease delivered with a metered dose inhaler, while APC-4000 uses an innovative mechanism based on a dry powder inhaler technology acquired from The 3M Company (MMM- not rated).

In April of 2016, Adamis acquired with stock, US Compounding, Inc., (USC) a 503b drug outsourcing facility providing sterile and non-sterile compounds to patients, physician clinics, hospitals, surgery centers and other clients in three states. USC initially manufactured as many as 7,000 products, although the top 100 products generated over 80% of the revenues. Today, Adamis is focusing on these top 100 products and expanding its distribution to all 50 states. The compounding business is expected to turn cash flow positive this year. We estimate annual revenue growth at \$24 million, increasing to \$30 million at the end of 2020. The acquisition brought a growing business that has marketed products with its own sales people. As Symjepi and its other products reach the market, revenues from USC should become a decreasing percentage of over-all revenues. In the interim period, we hope to see free cash flow from USC offset the development expenses, reducing capital needs.

Exhibit 1. Upcoming Catalysts for Adamis

Product	Indication	Event	Timeline	Impact
Symjepi	Allergic emergency	Marketing Progress with Novartis	Present	+
Naloxone Injection	Overdose	Approval and Launch	1Q20	+++
APC-1000 Beclomethasone	Asthma/COPD	Start of the Phase III study in Asthma	✓	++
APC-1000 Beclomethasone	Asthma/COPD	File NDA for approval	2Q22	+
APC-1000 Beclomethasone	Asthma/COPD	Approval and Launch	4Q22	
APC-4000 DPI (fluticasone)	Asthma/COPD	Start of Phase III Study in Asthma	3Q20	++
APC-4000 DPI (fluticasone)	Asthma/COPD	File NDA for Fluticasone DPI	3Q22	+++
APC-4000 DPI (fluticasone)	Asthma/COPD	Approval and Launch	1Q23	+++
APC-8000 Tadalafil	Erectile Dysfunction	Resubmit NDA to FDA	✓	+
APC-8000 Tadalafil	Erectile Dysfunction	Approval and Launch	1Q23	+++
Compounding Pharmacy	Quarterly Sales	Steady 30% growth on top line revenues	qtrly	+

Stock Significance Scale: + of moderate importance; ++ higher level; +++ highly

Source: Dawson James estimates and Adamis Pharmaceuticals.

Exhibit 2. Product Pipeline

Product	Indication	Pre-clinical	Phase I	Phase II	Phase III	NDA Submitted	Marketed	Peak Sales (MM)
Symjepi	Anaphylaxis	[Progress bar showing completion through Phase III]						\$500M
APC-1000 HFA Inhaled Oral Steroid	Asthma/COPD	[Progress bar showing completion through Phase II]						
APC-2000 HFA Albuterol DPI (Bronchospasm)	Bronchospasm	[Progress bar showing completion through Phase II]						
APC-4000 Fluticasone DPI	Asthma/COPD	[Progress bar showing completion through Phase II]						
APC-8000 Tadalafil Sublingual Disintegrating Tablet	Erectile Dysfunction	[Progress bar showing completion through Phase III]						
APC-6000 Naloxone	Naloxone	[Progress bar showing completion through Phase III]						\$500M

Source: Dawson James estimates and Adamis Pharmaceuticals.

Bull Case. Adamis is looking at their first year generating revenues from Symjepi, a self-administered epinephrine injection for use in allergic reactions. Adamis landed a partnership for Symjepi with pharma giant, Novartis with great economics, a 50:50 top line split. The partnership created with Novartis provides Adamis the marketing power needed for Symjepi to enter the competitive “EpiPen” marketplace. We believe Symjepi has several competitive advantages that will allow this product to stand out in the market, such as its small size, and what we expect will be a competitive price. A full launch of the retail version is expected to hit the market before “back to school” this September. Beyond Symjepi, Adamis has developed an injectable form of opioid overdose drug Naloxone leveraging the same injector mechanism. More powerful drugs such as Fentanyl suggest the need for an injectable Naloxone as a potent reversal agent. Beyond Symjepi and Naloxone is a full pipeline of opportunities which include a sublingual version of tadalafil for erectile dysfunction, an innovative pipeline of Asthma/COPD drugs that may be able to deliver comparable efficacy at lower doses of the active ingredient, which is very desirable. We finally take note that the pharmacy compounding business is turning profitable, which should help offset expenses in other areas going forward.

Bear Case. The self-injection, epinephrine marketplace has become crowded with multiple players in the post “EpiGate” period launching their version of “EpiPen”. These include Teva (TEVA-Not Rated), and the return of Auvi-Q (Kaleo-Private). In the day's following public scrutiny of Mylan (MYL-Not Rate) EpiPen's pricing (or shall we say price gouging) has fallen sharply to \$250-\$300 for a two syringe pack. Novartis/Sandoz launch of Symjepi thus far has been unimpressive leading investors to question if the product is a priority for the pharma giant. Beyond Symjepi is Naloxone, which has experienced a delay when Kaleo filed a patent infringement against Adamis. Almost simultaneously, the FDA rejected the NDA on Adamis's sublingual form of Tadalafil for ED, requesting both longer real-time stability data and additional dissolution analysis for both clinical and registration batches. As a result, Adamis put the next steps on hold to conserve resources and maintain focus, none the less this was a setback. Clinical development is now hampered by resources and Adamis may need to raise additional capital, especially if Symjepi fails to gain meaningful traction this year.

Our Take. Symjepi has been launched by Novartis, a strong partner with the experience and marketing force needed to compete in the self-injector epinephrine marketplace. We believe the market for self-administered epinephrine products in allergic reactions alone is large enough and has stabilized (pricing) to support several products. We see Symjepi's product attributes (one of the smallest and most reliable devices in the market) as key product advantages. We are hopeful that the launch of the .3mg and the .15mg forms in time for this fall's back to school season will translate into market share. A fast follower to Symjepi is Naloxone. While the approval time-line experienced a delay as a result of Kaleo's claims of patent infringement our understanding is that removing Kaleo's EVZIO as the Reference Listed Drug (RLD), resolves the infringement and restores the timeline for approval back to the October 31, 2019, date. Adamis continues to make progress on their pipeline with both the steroid inhalers and a sublingual form of Tadalafil. Progress will be dictated by resources. Success with Symjepi has the potential to be transformative for Adamis as it moves multiple pipeline products forward to the marketplace.

Finances: As of March 31, 2019, Adamis had \$9.2 million in cash reported on their balance sheet. We may see the company return to the capital markets this year, and we model such.

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Product Modeling Assumptions

1. We base our market share estimates for Adami's products on multiple assumptions around pricing and differentiating factors such as form factor (size and reliability) as well as marketing acumen of Novartis.
2. Our forecasts for the therapeutic products are based on a patient-based models with an assumed price. We assume that Symjepi follows a cost-competitive pricing strategy with an initial launch price of \$250. Our projected market share grows over the seven-year launch cycle, with Symjepi consuming up to 35% of the total market in the year 2026.
3. The royalty rate from Sandoz for Symjepi is 50% on the top line (sales). We have not included any future milestone payments.
4. Based on the late December 2018 NDA filing for Naloxone, we assume standard FDA review time of 10 months with approval in 4Q19. We expect Adami to pursue a marketing partnership, with the launch in 1H20. We assume a 25% royalty rate. To adjust for the risk of approval, we apply a 30% risk cut to our Naloxone revenue model.
5. We model the pharmacy compounding business based on increased product focus and geographic expansion. We forecast its annual growth rate to reach 30% until the year 2022, where the growth rate slightly decreases to 10% up to the year 2030.
6. We expect APC-1000 (beclomethasone MDI), and APC-4000 (fluticasone DPI) could reach the market by 2021, however, for conservatism, we apply a therapeutic risk cut of 50% to the revenue line. This suggests that clinical progress could make our numbers too conservative.

Exhibit 3. Market Models: Symjepi, Naloxone, Tadalafil, and the APC Platform Pipeline

	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Epinephrine Pre-filled Syringe (PFS)												
U.S. population	375,057,314	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with anaphylaxis (1.6% of U.S. population)	6,000,917	6,198,947	6,403,513	6,614,828	6,833,118	7,058,611	7,291,545	7,532,166	7,780,727	8,037,491	8,302,729	8,576,719
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	4,800,734	4,959,158	5,122,810	5,291,863	5,466,494	5,646,899	5,833,236	6,025,733	6,224,582	6,429,993	6,643,183	6,863,375
Market penetration	2.0%	6.0%	15.0%	20.0%	25.0%	30.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Total eligible patients	96,015	297,549	512,281	793,779	1,093,299	1,411,722	1,749,971	2,109,006	2,478,604	2,854,988	3,248,764	3,660,481
Packs needed per patient/year (PFS sold in 2 unit per pack)	2	2	2	2	2	2	2	2	2	2	2	2
Price per pack	\$ 250	\$ 250	\$ 238	\$ 235	\$ 233	\$ 230	\$ 228	\$ 226	\$ 224	\$ 221	\$ 219	\$ 217
Change in price	0%	0%	-5%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Sales (\$000)	\$ 24,004	\$ 74,387	\$ 121,667	\$ 186,637	\$ 254,491	\$ 325,326	\$ 399,241	\$ 476,340	\$ 567,139	\$ 664,183	\$ 777,076	\$ 902,026
Risk adjustment	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Revenue (\$000)	\$ 12,002	\$ 37,194	\$ 60,833	\$ 93,319	\$ 127,246	\$ 162,663	\$ 199,621	\$ 238,170	\$ 283,570	\$ 332,092	\$ 388,538	\$ 451,013
Naloxone Pre-filled Syringe (PFS)												
U.S. population	375,057,314	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with asthma (8% of U.S. population)	30,004,585	30,994,736	32,017,563	33,074,142	34,165,589	35,293,053	36,457,724	37,660,829	38,903,636	40,187,457	41,513,643	42,883,593
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	24,003,668	24,795,789	25,614,050	26,459,314	27,332,471	28,234,443	29,166,179	30,128,663	31,122,909	32,149,965	33,210,914	34,306,874
Market penetration	0.00%	0.00%	0.15%	0.25%	0.35%	0.40%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%
Total eligible patients	-	12,826	26,061	39,799	54,145	69,219	85,155	102,400	120,800	140,300	160,900	182,600
Packs needed per patient/year (PFS sold in 2 unit per pack)	2	2	2	2	2	2	2	2	2	2	2	2
Price per pack	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997	\$ 997
Change in price	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Cost per treatment	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994	\$ 1,994
Sales (\$000)	\$ -	\$ 25,575	\$ 51,966	\$ 79,358	\$ 107,965	\$ 138,022	\$ 169,738	\$ 174,512	\$ 179,819	\$ 185,779	\$ 192,455	\$ 199,917
Risk adjustment	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenue (\$000)	\$ -	\$ 17,903	\$ 36,376	\$ 55,551	\$ 75,575	\$ 96,615	\$ 118,859	\$ 122,158	\$ 125,874	\$ 130,045	\$ 134,718	\$ 139,942
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)												
U.S. population	375,057,314	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with asthma (8% of U.S. population)	30,004,585	30,994,736	32,017,563	33,074,142	34,165,589	35,293,053	36,457,724	37,660,829	38,903,636	40,187,457	41,513,643	42,883,593
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	24,003,668	24,795,789	25,614,050	26,459,314	27,332,471	28,234,443	29,166,179	30,128,663	31,122,909	32,149,965	33,210,914	34,306,874
Market penetration	0.00%	0.00%	0.15%	0.25%	0.35%	0.40%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%
Total eligible patients	-	-	12,826	26,061	39,799	54,145	69,219	85,155	102,400	120,800	140,300	160,900
Estimate price per patient/year (\$100/month)	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,351	\$ 1,378	\$ 1,406	\$ 1,434	\$ 1,463	\$ 1,492	\$ 1,522	\$ 1,552
Change in price	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Sales (\$000)	\$ -	\$ -	\$ 16,635	\$ 52,584	\$ 92,342	\$ 116,757	\$ 143,526	\$ 151,227	\$ 159,342	\$ 167,893	\$ 176,902	\$ 186,394
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ 8,318	\$ 26,292	\$ 46,171	\$ 58,378	\$ 71,763	\$ 75,614	\$ 79,671	\$ 83,946	\$ 88,451	\$ 93,197
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)												
U.S. population	375,057,314	387,434,206	400,219,535	413,426,779	427,069,863	441,163,168	455,721,553	470,760,364	486,295,456	502,343,206	518,920,532	536,044,910
Patients with asthma (8% of U.S. population)	30,004,585	30,994,736	32,017,563	33,074,142	34,165,589	35,293,053	36,457,724	37,660,829	38,903,636	40,187,457	41,513,643	42,883,593
Patients with moderate asthma (46% of asthma patient)	13,802,109	14,257,579	14,728,079	15,214,105	15,716,171	16,234,805	16,770,553	17,323,981	17,895,673	18,486,230	19,096,276	19,726,453
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	11,041,687	11,406,063	11,782,463	12,171,284	12,572,937	12,987,844	13,416,443	13,859,185	14,316,538	14,788,984	15,277,020	15,781,162
Market penetration	0.00%	0.00%	0.00%	0.00%	0.05%	0.20%	0.30%	0.35%	0.35%	0.35%	0.35%	0.35%
Total eligible patients	-	-	-	6,286	25,976	40,249	48,507	57,108	66,100	75,614	85,270	95,124
Estimate price per patient/year	\$ 1,405	\$ 1,433	\$ 1,461	\$ 1,491	\$ 1,520	\$ 1,551	\$ 1,582	\$ 1,613	\$ 1,646	\$ 1,679	\$ 1,712	\$ 1,746
Change in price	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Sales (\$000)	\$ -	\$ -	\$ -	\$ 9,557	\$ 40,281	\$ 63,664	\$ 78,260	\$ 82,460	\$ 86,884	\$ 91,547	\$ 96,459	\$ 101,197
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ 4,779	\$ 20,141	\$ 31,832	\$ 39,130	\$ 41,230	\$ 43,442	\$ 45,773	\$ 48,230	\$ 50,599
APC-8000 Tadalafil (Erectile Dysfunction)												
U.S. male population	162,966,400	165,573,862	168,223,044	170,914,613	173,649,247	176,427,635	179,250,257	182,118,484	185,032,380	187,992,898	191,000,785	194,056,797
Patients with erectile dysfunction (52% of U.S. male population)	84,742,528	86,098,408	87,475,983	88,875,599	90,297,608	91,742,370	93,210,478	94,701,612	96,216,838	97,756,307	99,320,408	100,909,535
Patients with insurance	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Total addressable patients	67,794,022	68,878,727	69,980,786	71,100,479	72,238,087	73,393,896	74,568,198	75,761,290	76,973,470	78,204,046	79,453,626	80,722,628
Market penetration	0.00%	0.00%	0.00%	0.10%	0.20%	0.25%	0.30%	0.35%	0.35%	0.35%	0.35%	0.35%
Total eligible patients	-	-	-	71,100	144,476	183,485	223,705	265,165	289,407	316,718	346,997	380,547
Estimate price per patient/year	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,351	\$ 1,378	\$ 1,406	\$ 1,434	\$ 1,463	\$ 1,492	\$ 1,522
Change in price	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Sales (\$000)	\$ -	\$ -	\$ -	\$ 92,354	\$ 191,416	\$ 247,960	\$ 308,360	\$ 372,819	\$ 438,366	\$ 505,049	\$ 572,976	\$ 642,197
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ 46,177	\$ 95,708	\$ 123,980	\$ 154,180	\$ 186,409	\$ 219,183	\$ 252,524	\$ 286,488	\$ 321,099
Revenue												
Epinephrine Pre-filled Syringe (PFS) (\$000)	\$ 12,002	\$ 37,194	\$ 60,833	\$ 93,319	\$ 127,246	\$ 162,663	\$ 199,621	\$ 238,170	\$ 283,570	\$ 332,092	\$ 388,538	\$ 451,013
Naloxone Pre-filled Syringe (PFS) (\$000)	\$ -	\$ 17,903	\$ 36,376	\$ 55,551	\$ 75,575	\$ 96,615	\$ 118,859	\$ 122,158	\$ 125,874	\$ 130,045	\$ 134,718	\$ 139,942
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy) (\$000)	\$ -	\$ -	\$ 8,318	\$ 26,292	\$ 46,171	\$ 58,378	\$ 71,763	\$ 75,614	\$ 79,671	\$ 83,946	\$ 88,451	\$ 93,197
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI) (\$000)	\$ -	\$ -	\$ -	\$ 4,779	\$ 20,141	\$ 31,832	\$ 39,130	\$ 41,230	\$ 43,442	\$ 45,773	\$ 48,230	\$ 50,599
APC-8000 Tadalafil (Erectile Dysfunction) (\$000)	\$ -	\$ -	\$ -	\$ 46,177	\$ 95,708	\$ 123,980	\$ 154,180	\$ 186,409	\$ 219,183	\$ 252,524	\$ 286,488	\$ 321,099
Pharmaceutical Compounding Business (\$000)	\$ 24,000	\$ 31,200	\$ 40,560	\$ 52,728	\$ 65,910	\$ 79,500	\$ 93,500	\$ 108,000	\$ 123,000	\$ 138,500	\$ 154,500	\$ 171,000
Total Revenue (\$000)	\$ 36,002	\$ 86,296	\$ 146,087	\$ 274,066	\$ 415,389	\$ 534,278	\$ 656,005	\$ 794,208	\$ 948,023	\$ 1,118,270	\$ 1,304,912	\$ 1,507,564

Source: Company Reports and Dawson James

Valuation. We value ADMP based on the revenues in our product models. We apply assumptions for FDA product approvals, launch dates, and product attributes to estimate revenues. These estimates feed into our income statement through the year 2030. Our Symjepi estimates are based on royalties from Novartis – Sandoz, of 50% of net sales payable to Adamis. For conservatism, we apply risk cuts to our pipeline product sales projections to allow for the development risk in pipeline products. Our price target is derived from an equal-weighted average of free cash flow (FCFF), discounted EPS (EPS), and sum-of-the-parts (SOP) models. For companies that are well established with mature products and revenues, we typically discount at a 10% rate, for companies in the early stages of product commercialization we typically use a higher rate, 15%. For Adamis, we use a 30% risk rate as the company is not yet profitable and visibility around the success of Symjepi is not as clear as we would prefer to use a 15% rate (which we do use in our sum-of-the-parts model). The result of this methodology is a price target of \$5.00 per share.

Exhibit 4. Discounted Free Cash Flow Model

	Average	\$	5
	Price Target	\$	6
	Year		2019

DCF Valuation Using FCF (mln):												
units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(19,238)	13,330	47,357	134,506	237,746	319,471	402,082	464,757	483,908	503,990	525,037	547,078
Tax Rate	0%	5%	10%	12%	18%	20%	24%	24%	24%	28%	30%	34%
EBIT(1-t)	(19,238)	12,664	42,622	118,365	194,952	255,577	305,582	353,215	367,770	362,873	367,526	361,071
CapEx												
Depreciation	792	-	-	-	-	-	-	-	-	-	-	-
Change in NWC												
FCF	(18,446)	12,664	42,622	118,365	194,952	255,577	305,582	353,215	367,770	362,873	367,526	361,071
PV of FCF	(18,446)	9,741	25,220	53,876	68,258	68,834	63,309	*****	45,085	34,219	26,660	20,147.26
Discount Rate	30%											
Long Term Growth Rate	1%											
Terminal Cash Flow	1,257,524											
Terminal Value YE2030	70,168											
NPV	523,362											
NPV-Debt												
Shares out (thousands)	87,652	2030E										
NPV Per Share	\$	6										

Source: Dawson James

Exhibit 5. EPS Model

Current Year	2019
Year of EPS	2030
Earnings Multiple	15
Discount Factor	30%
Selected Year EPS	\$ 4.12
NPV	\$ 3.00

Source: Dawson James estimates.

Discount Rate and Earnings Multiple Varies, Year is Constant								
		2030 EPS						
Earnings Multiple		3.0	5%	10%	15%	20%	25%	30%
0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$ -
5		\$15.77	\$9.46	\$5.80	\$3.63	\$2.32	\$ 1.51	
10		\$31.55	\$18.91	\$11.60	\$7.26	\$4.63	\$ 3.01	
15		\$47.32	\$28.37	\$17.40	\$10.89	\$6.95	\$ 4.52	
20		\$63.09	\$37.82	\$23.19	\$14.52	\$9.27	\$ 6.02	
25		\$78.86	\$47.28	\$28.99	\$18.15	\$11.59	\$ 7.53	
30		\$94.64	\$56.73	\$34.79	\$21.78	\$13.90	\$ 9.03	
35		\$110.41	\$66.19	\$40.59	\$25.41	\$16.22	\$ 10.54	

Source: Dawson James

Exhibit 6. Sum-of-the-Parts Model

Adamis Pharmaceuticals	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MMs	Term Val
Symjepi	1%	15%	0	75%	\$261	\$1,861
NPV						\$3.18
Naloxone	1%	30%	1	75%	\$140	\$483
NPV						\$0.64
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)	1%	30%	3	50%	\$93	\$321
NPV						\$0.17
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)	1%	30%	3	50%	\$48	\$166
NPV						\$0.09
APC-8000 Tadalafil (Erectile Dysfunction)	1%	30%	3	50%	\$215	\$741
NPV						\$0.38
Compounding business	1%	30%	0	75%	\$128	\$443
NPV						\$0.76
Net Margin						20%
MM Shrs OS (2030E)						88
Total						\$5

Source: Dawson James

Risk Analysis

In addition to the typical risks associated with development stage specialty pharmaceutical companies, potential risks specific to Adamis are as follows:

Partnership risk. While Adamis has a partnership agreement with Sandoz to market Symjepi, such agreements are subject to disagreements and disputes. Revenue results may not materialize. The company is also expected to make agreements with partners for additional products, but there can be no assurances that the company will be able to secure favorable partnerships.

Commercial risk. There are no assurances that the company will be able to achieve significant sales, market share, or become profitable.

Clinical and regulatory risk. Lead products need to complete clinical trials. Trials may not produce the results expected from previous research or be sufficient for regulatory approval.

Financial risk. The company may need to raise capital in the marketplace, and there can be no assurances that the company will be able to successfully raise capital and or do so, at favorable terms.

Legal and intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third parties patents.

Exhibit 7. Income Statement

Adamis Pharmaceuticals Corporation: Income Statement (\$000)																										
ADMP: YE December	1Q18A	2Q18A	3Q18A	4Q18A	2018A	1Q19A	2Q19E	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Symjepi Gross revenues (not included in total product sales)*							1,500	2,500	4,000	8,000	8,555	8,926	9,670	10,042	37,194	60,833	93,319	127,246	162,663	199,621	238,170	243,570	249,091	254,738	260,513	
Naloxone Gross revenues (not included in total product sales)*											4,118	4,297	4,655	4,834	17,903	36,376	55,551	75,575	96,615	118,859	122,158	125,874	130,045	134,718	139,942	
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)											0	0	0	0	0	8,318	26,292	46,171	58,378	71,763	75,614	79,671	83,946	88,451	93,197	
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)											0	0	0	0	-	-	-	4,779	20,141	31,832	39,130	41,230	43,442	45,773	48,230	
APC-8000 Tadalafil (Erectile Dysfunction)											0	0	0	0	-	-	46,177	95,708	123,980	154,180	186,409	193,180	200,196	207,467	215,003	
Pharmaceutical Compounding business	3,179	3,921	3,833	4,154	15,087	4,906	5,500	6,500	7,000	24,000	7,176	7,488	8,112	8,424	31,200	40,560	52,728	65,910	72,501	79,751	87,726	96,499	106,149	116,764	128,440	
Total Product Sales *	3,179	3,921	3,833	4,154	15,087	4,906	7,000	9,000	11,000	31,906	19,848	20,711	22,437	23,300	86,296	146,087	274,066	415,389	534,278	656,005	749,208	780,023	812,870	847,912	885,324	
Royalty Revenue on Symjepi & Naloxone*							750	1,250	2,000	4,000	6,336	6,612	7,163	7,438	27,548	48,605	74,435	101,410	129,639	159,240	180,164	184,722	189,568	194,728	200,228	
% Royalty (slides on Commercial levels)			0%	50%	#DIV/0!	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Symjepi / Naloxone Milestones													5,000	5,000	5,000	-	-	-	-	-	-	-	-	-	-	
Product Sales & Royalties & Milestones	3,179	3,921	3,833	4,154	15,087	4,906	6,250	7,750	9,000	27,906	13,512	14,100	20,275	15,862	63,748	102,482	199,632	313,978	404,639	496,765	569,044	595,301	623,302	653,183	685,097	
Expenses																										
Cost of Goods Sold	2,063	2,394	2,300	3,040	9,798	3,625	1,525	1,875	2,150	9,175	2,478	2,586	2,802	2,909	10,775	13,598	21,471	30,173	36,383	42,808	48,898	52,007	55,371	59,012	62,957	
%COGS	65%	61%	60%	73%	65%	74%	22%	21%	20%	29%	12%	12%	12%	12%	12%	9%	8%	7%	7%	7%	7%	7%	7%	7%	7%	
Research and Development	2,249	4,836	3,908	7,811	18,804	2,197	2,400	2,350	2,300	9,247	2,446	2,552	2,765	2,871	10,633	12,229	14,063	16,172	18,598	21,388	24,596	28,285	32,528	37,407	43,018	
%R&D	71%	123%	102%	188%	125%	45%	34%	26%	21%	29%	12%	12%	12%	12%	12%	8%	5%	4%	3%	3%	3%	4%	4%	4%	5%	
General and Administrative	6,474	6,363	6,535	6,577	25,948	8,021	7,000	6,800	6,900	28,721	6,672	6,962	7,542	7,832	29,009	29,299	29,592	29,888	30,187	30,488	30,793	31,101	31,412	31,726	32,044	
%SG&A	60%	47%	51%	38%	48%	58%	64%	62%	61%	61%	58%	58%	58%	58%	58%	53%	45%	39%	35%	32%	30%	28%	26%	25%	23%	
Total expenses	10,786	13,593	12,744	17,428	54,550	13,843	10,925	11,025	11,350	47,143	11,596	12,100	13,109	13,613	50,418	55,125	65,126	76,233	85,168	94,684	104,287	111,394	119,311	128,146	138,019	
Operating income (Loss)	(7,607)	(9,672)	(8,911)	(13,274)	(39,464)	(8,938)	(4,675)	(3,275)	(2,350)	(19,238)	1,916	1,999	7,166	2,249	13,330	47,357	134,506	237,746	319,471	402,082	464,757	483,908	503,990	525,037	547,078	
Interest expense	(51)	(51)	(31)	(25)	(158)	(24)																				
Interest Income	39	21	66	119	245	74																				
Gain/Loss on extinguishment of debt																										
Change in fair value of derivative liabilities																										
Change in fair value of conversion feature liability																										
Change in fair value of warrants																										
Change in fair value of warrants liability																										
Total other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pretax Income	(7,618)	(9,702)	(8,875)	(13,180)	(39,376)	(8,887)	(4,675)	(3,275)	(2,350)	(19,238)	1,916	1,999	7,166	2,249	13,330	47,357	134,506	237,746	319,471	402,082	464,757	483,908	503,990	525,037	547,078	
Discontinued operations																										
Write down of discontinued operations receivable																										
Loss from continued operations																										
Income Tax Benefit (Provision)	-	-	-	-	369	-	-	-	-	-	96	100	358	112	667	4,736	16,141	42,794	63,894	96,500	111,542	116,138	141,117	157,511	186,006	
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	5%	5%	5%	5%	10%	12%	18%	20%	24%	24%	24%	28%	30%	34%	
GAAP Net Income (loss)	(7,618)	(9,702)	(8,875)	(13,180)	(39,007)	(8,887)	(4,675)	(3,275)	(2,350)	(19,238)	1,820	1,899	6,808	2,137	12,664	42,622	118,365	194,952	255,577	305,582	353,215	367,770	362,873	367,526	361,071	
Deemed Dividend on Preferred Stock																										
GAAP-EPS	(0.23)	(0.29)	(0.21)	(0.28)	(1.00)	(0.19)	(0.10)	(0.06)	(0.04)	(0.37)	0.03	0.03	0.12	0.04	0.22	0.74	2.04	3.34	4.37	5.20	5.99	6.21	6.10	6.15	6.02	
GAAP EPS (dil)	(0.23)	(0.29)	(0.21)	(0.28)	(1.00)	(0.19)	(0.10)	(0.05)	(0.04)	(0.35)	0.03	0.03	0.10	0.03	0.19	0.64	1.71	2.74	3.49	4.05	4.54	4.59	4.39	4.32	4.12	
Wtd Avg Shrs (Bas) - '000s	33,389	33,390	42,086	47,475	39,085	47,311	47,359	57,406	57,464	52,385	57,521	57,579	57,636	57,694	57,607	57,838	58,070	58,302	58,536	58,771	59,006	59,242	59,480	59,718	59,957	
Wtd Avg Shrs (Dil) - '000s	33,389	33,390	42,086	47,475	39,085	47,475	47,950	63,429	64,063	55,729	64,063	64,704	65,351	66,005	65,031	67,001	69,031	71,123	73,278	75,499	77,786	80,143	82,572	85,074	87,652	

Source: Dawson James estimates.

Companies mentioned in this report:

Kaleo (private)

Novartis (NVS)

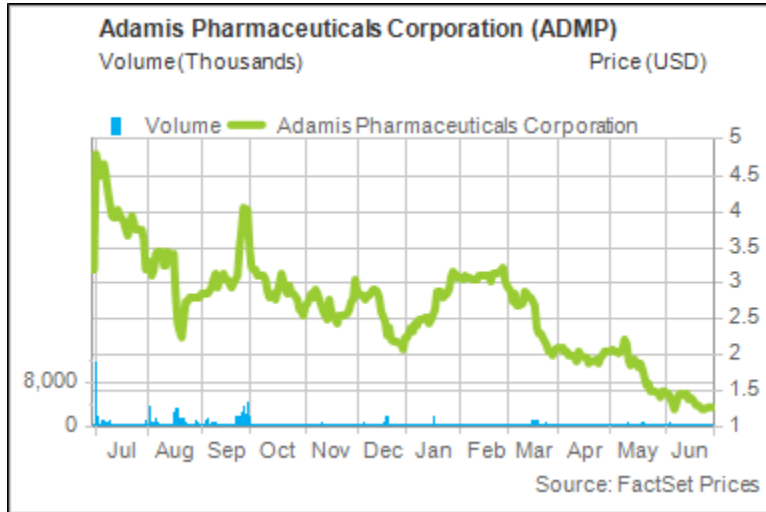
Mylan (MYL)

The 3M Company (MMM)

Teva (Teva)

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:
 Initiated – Buy – July 2, 2019 – Price Target \$5.00

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