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Adamis Pharmaceuticals (ADMP-NASDAQ)

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BUY: Naloxone Gets A CRL; We Still See Value

Naloxone is delayed as a result of a complete response letter. We have removed all of its estimates from our model, For conservatism we cut our Symjepi estimates dramatically too, and removed all other pipeline projected revenues. The net result is our price target falls from \$4.00 to \$1.00 versus the current share price of \$0.62 cents, which still justifies our buy rating, now based solely on reduced Symjepi forecasts and the compounding pharmacy business.

Investment Highlights

Adamis announced receipt of complete response letter or CRL regarding their Naloxone product. The focus of the CRL appears to be manufacturing. Given the company's track record we believe its prudent for now to remove all estimates from our model. In addition, we remove all estimates for the other pipeline products in order to understand the value of the company as it relates to just Symjepi and the pharmacy compounding business.

We have slashed our Symjepi estimates too. If we assume a 3% share next year rising to just 13% by 2030 (through the effort of Pharma partner Novartis (NVS-Not Rated)), and add in the compounding business, it still suggests fair value is higher than the current price of the stock, \$1.00 vs. \$0.62 cents.

Valuation: Our product models run out to the year 2030. For Symjepi, an approved product, we still use a high 30% discount rate in our valuation metrics. As discussed in the bullet above, this is combined with the assumption that by 2030 Symjepi achieves just 13% of the marketplace (which we feel is conservative).

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%. Our share count is adjusted for the recent raise and assumes additional dilution. These metrics suggest a 12-month price target of \$1.00.

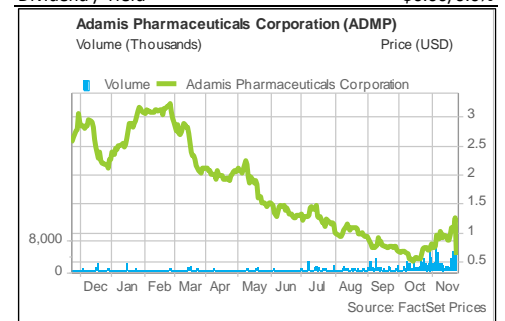
Risks: Partnership risks, Commercialization risks, Financial risks, Clinical and regulatory risks, and Legal and intellectual property risk.

Current Price	\$0.62
Price Target	\$1.00

Estimates	F2019E	F2020E	F2021E
Expenses (\$000s)	\$ 48,113	\$ 45,698	\$ 49,719
1Q March	\$ 13,843	\$ 10,511	\$ 11,435
2Q June	\$ 13,512	\$ 10,968	\$ 11,932
3Q September	\$ 12,608	\$ 11,881	\$ 12,927
4Q December	\$ 8,150	\$ 12,338	\$ 13,424
	F2019E	F2020E	F2021E
EPS (diluted)	\$ (0.46)	\$ (0.00)	\$ 0.12
1Q March	\$ (0.19)	\$ (0.02)	\$ 0.01
2Q June	\$ (0.17)	\$ (0.02)	\$ 0.01
3Q September	\$ (0.12)	\$ 0.06	\$ 0.09
4Q December	\$ 0.01	\$ (0.02)	\$ 0.01

EBITDA/Share	(\$0.44)	(\$0.00)	\$0.12
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data			
52-Week Range	\$0.48	-	\$3.29
Shares Outstanding (mil.)	61.6		
Market Capitalization (mil.)	\$38		
Enterprise Value (mil.)	\$31		
Debt to Capital	6%		
Book Value/Share	\$1.18		
Price/Book	0.5		
Average Three Months Trading Volume (K)	742		
Insider Ownership	4.7%		
Institutional Ownership	14.3%		
Short interest (mil.)	8.6%		
Dividend / Yield	\$0.00/0.0%		



Revised Product Modeling Assumptions

1. We initially based 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 the marketing acumen of Novartis. For conservatism, we revise down our assumptions (lower). This decision is based on a slower than expected launch by Novartis and more intense price and other competitive factors in the EPI marketplace.
2. Our forecasts markets for the therapeutic products are based on 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 reaching just 13% of the market (2030) versus our prior assumption of 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 CRL letter just announced we remove all Naloxon estimates.
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 do not include any revenues from these or any other pipeline products.

Exhibit 1. Product Models

	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	5,646,889	5,833,236	6,025,733	6,224,582	6,429,993	6,642,183	6,861,375
Market penetration	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%
Total eligible patients	96,015	148,775	204,912	264,593	327,990	395,282	466,659	542,316	622,458	707,299	797,062	891,979
Packs needed per patient/yr (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%	-5%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Sales (\$'000)	\$ 24,004	\$ 37,194	\$ 48,667	\$ 62,212	\$ 76,347	\$ 91,091	\$ 106,464	\$ 122,488	\$ 139,183	\$ 156,572	\$ 174,678	\$ 193,524
Risk adjustment	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Revenue (\$'000)	\$ 12,002	\$ 18,597	\$ 24,333	\$ 31,106	\$ 38,174	\$ 45,546	\$ 53,232	\$ 61,244	\$ 69,591	\$ 78,286	\$ 87,339	\$ 96,762
Naloxone Pre-filled Syringe (PFS)												
Over-dose Population - Rescues	198,000	196,020	194,060	192,119	190,198	188,296	186,413	184,549	182,703	180,876	179,068	177,277
Sales for Preventions	55,000	60,500	66,500	73,205	80,526	88,578	97,436	107,179	117,897	129,687	142,656	156,921
Market penetration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-	-
Packs needed per patient/yr (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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenue (\$'000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	26,458,314	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%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-	-
Estimate price per patient/yr (\$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)	\$ -	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$'000)	\$ -	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
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%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-	-
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$'000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	179,250,477	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	93,210,248	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	78,205,046	79,456,326	80,727,628
Market penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	-	-	-	-	-	-	-	-	-	-	-	-
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$'000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue												
Epinephrine Pre-filled Syringe (PFS) (\$'000)	\$ 12,002	\$ 18,597	\$ 24,333	\$ 31,106	\$ 38,174	\$ 45,546	\$ 53,232	\$ 61,244	\$ 69,591	\$ 78,286	\$ 87,339	\$ 96,762
Naloxone Pre-filled Syringe (PFS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)	\$ -	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-8000 Tadalafil (Erectile Dysfunction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pharmaceutical Compounding Business	\$ 24,000	\$ 31,200	\$ 40,560	\$ 52,728	\$ 65,910	\$ 72,501	\$ 79,751	\$ 87,726	\$ 96,499	\$ 106,149	\$ 116,764	\$ 128,440
Total Revenue (\$'000)	\$ 36,002	\$ 49,797	\$ 64,893	\$ 83,834	\$ 104,084	\$ 118,047	\$ 132,983	\$ 148,970	\$ 166,090	\$ 184,435	\$ 204,102	\$ 225,202

Valuation. We value ADMP based only on the revenues in our product models for the compounding pharmacy business and a reduced outlook for Symjepi. Our Symjepi estimates are based on royalties from Novartis – Sandoz, of 50% of net sales payable to Adamis. 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%, which is now the case for Adamis.

Exhibit 2. Discounted Free Cash Flow Model

Average \$	1
Price Target \$	1
Year	2020

DCF Valuation Using FCF (mln):

units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(22,672)	(200)	8,008	12,972	23,534	28,949	34,610	40,511	46,647	53,003	59,563	66,303
Tax Rate	0%	5%	10%	12%	18%	20%	24%	24%	24%	28%	30%	34%
EBIT(1-t)	(22,672)	(190)	7,207	11,416	19,298	23,159	26,303	30,789	35,451	38,162	41,694	43,760
CapEx												
Depreciation	2,102	-	-	-	-	-	-	-	-	-	-	-
Change in NWC												
FCF	(20,570)	(190)	7,207	11,416	19,298	23,159	26,303	30,789	35,451	38,162	41,694	43,760
PV of FCF	(26,741)	(190)	5,544	6,755	8,784	8,109	7,084	6,378.69	5,650	4,678	3,932	3,174.25
Discount Rate	30%											
Long Term Growth Rate	1%											
Terminal Cash Flow	152,405											
Terminal Value YE2030	11,055											
NPV	44,213											
NPV-Debt												
Shares out (thousands)	77,777	2030E										
NPV Per Share	\$ 1											

Source: Dawson James

Exhibit 3. EPS Model

Current Year	2020
Year of EPS	2030
Earnings Multiple	15
Discount Factor	30%
Selected Year EPS	\$ 0.56
NPV	\$ 1.00

Source: Dawson James estimates.

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
Earnings Multiple	1.0	5%	10%	15%	20%	25%	30%
	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5		\$2.00	\$1.00	\$1.00	\$0.00	\$0.00	\$ -
10		\$3.00	\$2.00	\$1.00	\$1.00	\$1.00	\$ -
15		\$5.00	\$3.00	\$2.00	\$1.00	\$1.00	\$ 1.00
20		\$7.00	\$4.00	\$3.00	\$2.00	\$1.00	\$ 1.00
25		\$9.00	\$5.00	\$3.00	\$2.00	\$2.00	\$ 1.00
30		\$10.00	\$7.00	\$4.00	\$3.00	\$2.00	\$ 1.00
35		\$12.00	\$8.00	\$5.00	\$3.00	\$2.00	\$ 1.00

Source: Dawson James

Exhibit 4. 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%	\$97	\$691
NPV						\$1.33
Naloxone	1%	30%	1	75%	\$0	\$0
NPV						\$0.00
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)	1%	30%	3	50%	\$0	\$0
NPV						\$0.00
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)	1%	30%	3	50%	\$0	\$0
NPV						\$0.00
APC-8000 Tadalafil (Erectile Dysfunction)	1%	30%	3	50%	\$0	\$0
NPV						\$0.00
Compounding business	1%	30%	0	75%	\$128	\$443
NPV						\$0.85
Net Margin						20%
MM Shrs OS (2030E)						78
Total						\$2

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 5. Income Statement

Adamis Pharmaceuticals Corporation: Income Statement (\$000)																					
ADMP- YE December	2018A	1Q19A	2Q19A	3Q19A	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)*			265	205	4,000	4,470	4,277	4,463	4,835	5,021	18,597	24,333	31,106	38,174	45,546	53,232	61,244	69,591	78,286	87,339	96,762
Naloxone Gross revenues (not included in total product sales)*							0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)							0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)							0	0	0	0	-	-	-	-	-	-	-	-	-	-	-
APC-8000 Tadalafil (Erectile Dysfunction)							0	0	0	0	-	-	-	-	-	-	-	-	-	-	-
Pharmaceutical Compounding business	15,087	4,906	5,500	5,800	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 *	15,087	4,906	5,765	6,005	11,000	27,676	11,453	11,951	12,947	13,445	49,797	64,893	83,834	104,084	118,047	132,983	148,970	166,090	184,435	204,102	225,202
Royalty Revenue on Symjepi & Naloxone*	-		133	103	2,000	2,235	2,139	2,232	2,418	2,511	9,298	12,167	15,553	19,087	22,773	26,616	30,622	34,796	39,143	43,669	48,381
% Royalty (slides on Commercial levels)	#DIV/0!	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	15,087	4,906	5,633	5,903	9,000	25,441	9,315	9,720	15,530	10,935	45,498	57,727	68,281	84,997	95,274	106,367	118,348	131,294	145,292	160,433	176,821
Expenses																					
Cost of Goods Sold	9,798	3,625	3,666	3,989	2,150	13,430	2,136	2,229	2,415	2,508	9,288	11,357	14,737	18,386	20,403	22,599	24,994	27,604	30,451	33,558	36,948
%COGS	65%	74%	64%	66%	20%	49%	19%	19%	19%	19%	19%	18%	18%	18%	17%	17%	17%	17%	17%	16%	16%
Research and Development	18,804	2,197	2,846	3,319	1,500	9,861	2,608	2,722	2,948	3,062	11,340	13,041	14,997	17,247	19,834	22,809	26,230	30,165	34,690	39,893	45,877
%R&D	125%	45%	49%	55%	14%	36%	23%	23%	23%	23%	23%	20%	18%	17%	17%	18%	18%	18%	19%	20%	20%
General and Administrative	25,948	8,021	7,000	5,300	4,500	24,822	5,766	6,017	6,518	6,769	25,070	25,321	25,574	25,830	26,088	26,349	26,612	26,879	27,147	27,419	27,693
%SG&A	48%	58%	52%	42%	55%	52%	55%	55%	55%	55%	55%	51%	46%	42%	39%	37%	34%	32%	29%	27%	25%
Total expenses	54,550	13,843	13,512	12,608	8,150	48,113	10,511	10,968	11,881	12,338	45,698	49,719	55,309	61,463	66,325	71,757	77,837	84,648	92,289	100,870	110,518
Operating income (Loss)	(39,464)	(8,938)	(7,879)	(6,705)	850	(22,672)	(1,196)	(1,248)	3,648	(1,404)	(200)	8,008	12,972	23,534	28,949	34,610	40,511	46,647	53,003	59,563	66,303
Interest expense	(158)	(24)	(23)	(22)																	
Interest Income	245	74	34	31																	
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	(39,376)	(8,887)	(7,868)	(6,697)	850	(22,672)	(1,196)	(1,248)	3,648	(1,404)	(200)	8,008	12,972	23,534	28,949	34,610	40,511	46,647	53,003	59,563	66,303
Discontinued operations																					
Write down of discontinued operations receivable																					
Loss from discontinued operations																					
Income Tax/Benefit (Provision)	369	-	-	-	-	-	(60)	(62)	182	(70)	(10)	801	1,557	4,236	5,790	8,306	9,723	11,195	14,841	17,869	22,543
Tax Rate	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)	(39,007)	(8,887)	(7,868)	(6,697)	850	(22,672)	(1,136)	(1,186)	3,466	(1,334)	(190)	7,207	11,416	19,298	23,159	26,303	30,789	35,451	38,162	41,694	43,760
Deemed Dividend on Preferred Stock																					
GAAP-EPS	(1.00)	(0.19)	(0.17)	(0.12)	0.02	(0.44)	(0.02)	(0.02)	0.06	(0.02)	(0.00)	0.13	0.20	0.34	0.40	0.46	0.53	0.61	0.65	0.71	0.74
GAAP EPS (dil)	(1.00)	(0.19)	(0.17)	(0.12)	0.01	(0.44)	(0.02)	(0.02)	0.06	(0.02)	(0.00)	0.12	0.19	0.31	0.36	0.39	0.45	0.50	0.52	0.55	0.56
Wgtd Avg Shrs (Bas) - '000s	39,085	47,311	47,539	56,283	56,339	51,868	56,396	56,452	56,508	56,565	56,480	56,707	56,934	57,162	57,391	57,621	57,852	58,083	58,316	58,550	58,784
Wgtd Avg Shrs (Dil) - '000s	39,085	47,475	47,539	56,283	56,846	52,036	56,846	57,414	57,988	58,568	57,704	59,453	61,254	63,110	65,023	66,993	69,023	71,114	73,269	75,489	77,777

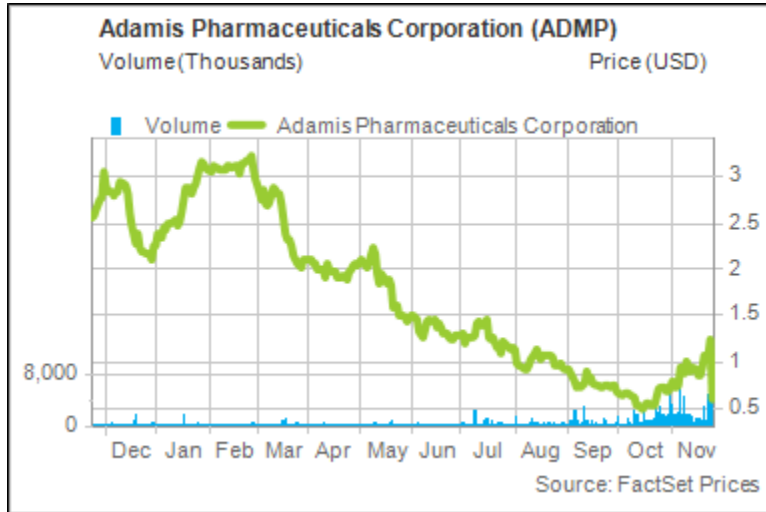
Source: Dawson James estimates.

Companies mentioned in this report:

Novartis (NVS)

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – July 2, 2019 – Price Target \$5.00
- Update – Buy – August 13, 2019 – Price Target \$4.00
- Update – Buy – August 28, 2019 – Price Target \$4.00
- Update – Buy – November 26, 2019 – Price Target lowered from \$4.00 to \$1.00

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	88%	2	9%
Market Perform (Neutral)	3	12%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	2	8%

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