

Adamis Pharmaceuticals (ADMP-NASDAQ)

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Neutral Rated: Q4 Numbers Don't Support Symjepi

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Adamis reported revenues of just \$22M (2019 full year), suggesting to us that Novartis is not promoting Symjepi. Symjepi has always been the lead driver of the Adamis story, not the compounding pharmacy. As we wrote in February the financing the company announced took us by surprise and, in our opinion, created multiple new challenges for investors including the immediate dilution and the increased probability of a reverse stock split coupled with additional authorized shares to support future capital raises. In short, Adamis may have triggered a negative downward spiral which could prevent the company from unlocking the value of its platform.

Investment Highlights

The Numbers Tell a Worrisome Story. Revenues of just \$22M suggests Symjepi is not generating meaningful revenues. COGS of \$15.5M support this notion. In 2019 the company lost \$29M or just under \$6M in the quarter. Adamis ended the year with \$8.8M and added \$6.7M in 1Q but that appears to us that it won't last long. We expect we may see a reverse stock split and additional dilution ahead. As such, we remain on the sidelines with a Neutral rating.

The Recent Raise Worries Us. The recent transaction, which raised \$6.7M, resulted in 11.6M additional shares and 8.7M warrants issued. If Symjepi sales were strong, we don't understand why management would raise what we consider to be very dilutive capital. Recall that this past **November, we slashed our Symjepi estimates, which we cut again today.** We revised our model to assumptions again, now to a flat 2% in the EpiPen market. Today when we factor in these adjustments and the dilution from the recent raise, the value drops again below the current price of the stock.

Reverse Stock Split? We see a high probability of a reverse stock split combined with newly authorized shares to support additional capital raises as likely. In our opinion, these factors are likely to constrain the value of the company from rising.

Valuation: As a Neutral rated stock we no longer have a price target. With that said we do still have our product models, which 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 bullets above, We continue to cut our Symjepi revenues (now flat at just 2% of the marketplace). Our valuation models (and 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%.

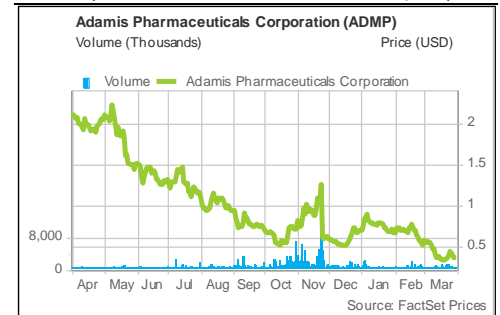
Risks: Reverse stock split and additional shares authorized. Partnership risks, Commercialization risks, Financial risks, Clinical and regulatory risks, and Legal and intellectual property risk.

Current Price **\$0.36**
 Price Target **NA**

Estimates	F2019E	F2020E	F2021E
Expenses (\$000s)	\$ 51,142	\$ 45,651	\$ 49,469
1Q March	\$ 13,843	\$ 10,500	\$ 11,378
2Q June	\$ 13,512	\$ 10,956	\$ 11,873
3Q September	\$ 12,608	\$ 11,869	\$ 12,862
4Q December	\$ 11,179	\$ 12,326	\$ 13,357
	F2019E	F2020E	F2021E
EPS (diluted)	\$ (0.57)	\$ (0.07)	\$ (0.01)
1Q March	\$ (0.19)	\$ (0.03)	\$ (0.01)
2Q June	\$ (0.17)	\$ (0.03)	\$ (0.02)
3Q September	\$ (0.12)	\$ 0.03	\$ 0.04
4Q December	\$ (0.09)	\$ (0.03)	\$ (0.02)

EBITDA/Share	(\$0.55)	(\$0.06)	(\$0.01)
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data		
52-Week Range	\$0.27	- \$2.32
Shares Outstanding (mil.)	73.7	
Market Capitalization (mil.)	\$26	
Enterprise Value (mil.)	\$20	
Debt to Capital	9%	
Book Value/Share	\$1.18	
Price/Book	0.3	
Average Three Months Trading Volume (K)	909	
Insider Ownership	2.7%	
Institutional Ownership	14.1%	
Short interest (mil.)	4.0%	
Dividend / Yield	\$0.00/0.0%	



We Continue to Revise Our Product Modeling Assumptions:

1. We initially based our market share estimates for Adamis' products on multiple assumptions around pricing and differentiating factors such as form factor (size and reliability) as well as marketing acumen of Novartis. In November of last year we reduced these assumptions. In January and February we again, reduced our assumptions. Today we flatten our share assumptions to just 2% of the market with no growth. It appears that Novartis is just not promoting the product.
2. The royalty rate from Sandoz for Symjepi is 50% on the top line (sales). We have not included any future milestone payments.
3. Based on the CRL letter just announced we remove all Naloxon estimates.
4. 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.
5. 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%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total eligible patients	96,015	99,183	102,456	105,837	109,330	112,938	116,665	120,515	124,492	128,600	132,844	137,227
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%	0%	-5%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Sales (\$000)	\$ 24,004	\$ 24,796	\$ 24,333	\$ 24,885	\$ 25,449	\$ 26,026	\$ 26,616	\$ 27,219	\$ 27,837	\$ 28,468	\$ 29,113	\$ 29,773
Risk adjustment	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Revenue (\$000)	\$ 12,002	\$ 12,398	\$ 12,167	\$ 12,442	\$ 12,725	\$ 13,013	\$ 13,308	\$ 13,610	\$ 13,918	\$ 14,234	\$ 14,556	\$ 14,886
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	177,272
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	0	0	0	0	0	0	0	0	0	0	0	0
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	42,885,593
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%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total eligible patients	0	0	0	0	0	0	0	0	0	0	0	0
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Risk adjustment	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Revenue (\$000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	42,885,593
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	19,095,276	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	0	0	0	0	0	0	0	0	0	0	0	0
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	96,218,838	97,765,307	99,339,408	100,939,535
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	0	0	0	0	0	0	0	0	0	0	0	0
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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Summary												
Epinephrine Pre-filled Syringe (PFS) (\$000)	\$ 12,002	\$ 12,398	\$ 12,167	\$ 12,442	\$ 12,725	\$ 13,013	\$ 13,308	\$ 13,610	\$ 13,918	\$ 14,234	\$ 14,556	\$ 14,886
Naloxone Pre-filled Syringe (PFS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APC-8000 Tadalafil (Erectile Dysfunction)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pharmaceutical Compounding Business	\$ 22,113	\$ 29,747	\$ 37,371	\$ 46,582	\$ 56,727	\$ 66,800	\$ 73,480	\$ 80,829	\$ 88,910	\$ 97,802	\$ 107,582	\$ 118,340
Total Revenue (\$000)	\$ 34,115	\$ 41,144	\$ 49,537	\$ 61,024	\$ 73,452	\$ 79,813	\$ 86,788	\$ 94,437	\$ 102,829	\$ 112,035	\$ 122,138	\$ 133,226

Source: Dawson James

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. The math associated with this model suggests fair-value at \$0.16, so as such, we can no longer support a positive rating. In addition, we are concerned that our share estimates may be folly, and the probability that the company may do a reverse stock split, in our opinion, has risen. For these reasons, we previously lowered our rating from Buy to Neutral and suspended our price target.

Exhibit 2. Discounted Free Cash Flow Model

Average	\$	0.16
Price Target	\$	(0)
Year		2020

DCF Valuation Using FCF (mln):

units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(29,298)	(5,706)	(1,015)	201	6,809	8,508	10,255	12,033	13,823	15,598	17,327	18,968
Tax Rate	0%	5%	10%	12%	18%	20%	24%	24%	24%	28%	30%	34%
EBIT(1-t)	(29,289)	(5,421)	(914)	177	5,584	6,807	7,794	9,145	10,505	11,231	12,129	12,519
CapEx												
Depreciation	2,945	-	-	-	-	-	-	-	-	-	-	-
Change in NWC												
FCF	(26,345)	(5,421)	(914)	177	5,584	6,807	7,794	9,145	10,505	11,231	12,129	12,519
PV of FCF	(34,248)	(5,421)	(703)	105	2,541	2,383	2,099	1,894.66	1,674	1,377	1,144	908.10
Discount Rate	30%											
Long Term Growth Rate	1%											
Terminal Cash Flow	43,600											
Terminal Value YE2030	3,163											
NPV	(23,083)											
NPV-Debt												
Shares out (thousands)	112,494	2030E										
NPV Per Share	\$ (0)											

Source: Dawson James estimates.

Source: Dawson James

Exhibit 3. EPS Model

Current Year	2020
Year of EPS	2030
Earnings Multiple	15
Discount Factor	30%
Selected Year EPS	\$ 0.11
NPV	\$ -

Source: Dawson James estimates.

Discount Rate and Earnings Multiple Varies, Year is Constant							
		2030 EPS					
Earnings Multiple	0.0	5%	10%	15%	20%	25%	30%
	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$ -
10	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$ -
15	\$1.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$ -
20	\$1.00	\$1.00	\$1.00	\$0.00	\$0.00	\$0.00	\$ -
25	\$2.00	\$1.00	\$1.00	\$0.00	\$0.00	\$0.00	\$ -
30	\$2.00	\$1.00	\$1.00	\$1.00	\$0.00	\$0.00	\$ -
35	\$2.00	\$2.00	\$1.00	\$1.00	\$0.00	\$0.00	\$ -

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%	\$15	\$106
NPV						\$0.14
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%	\$118	\$408
NPV						\$0.54
Net Margin						20%
MM Shrs OS (2030E)						112
Total						\$1

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 may 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.

Compliance Risk. The company may reverse the stock to regain listing compliance. The company may also authorize additional shares in anticipation of raising future capital.

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	4Q19A	2019A	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	200	670	2,852	2,975	3,223	3,347	12,398	12,167	12,442	12,725	13,013	13,308	13,610	13,918	14,234	14,556	14,886
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	5,907	22,113	6,612	6,899	7,474	7,762	28,747	37,371	48,582	60,727	66,800	73,480	80,828	88,910	97,802	107,582	118,340
Total Product Sales *	15,087	4,906	5,765	6,005	6,107	22,783	9,463	9,875	10,698	11,109	41,144	49,537	61,024	73,452	79,813	86,788	94,437	102,829	112,035	122,138	133,226
Royalty Revenue on Symjepi & Naloxone*	-		133	103	100	335	1,426	1,488	1,612	1,674	6,199	6,083	6,221	6,362	6,507	6,654	6,805	6,959	7,117	7,278	7,443
% 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	6,007	22,448	8,037	8,387	14,086	9,435	39,945	48,454	54,803	67,089	73,306	80,134	87,633	95,870	104,918	114,860	125,783
Expenses																					
Cost of Goods Sold	9,798	3,625	3,666	3,989	4,199	15,479	1,881	1,963	2,126	2,208	8,178	9,951	12,768	15,818	17,351	19,035	20,887	22,924	25,162	27,623	30,329
%COGS	65%	74%	64%	66%	69%	68%	20%	20%	20%	20%	20%	20%	21%	22%	22%	22%	22%	22%	22%	23%	23%
Research and Development	18,804	2,197	2,846	3,319	2,015	10,376	2,744	2,864	3,102	3,222	11,932	13,722	15,781	18,148	20,870	24,000	27,600	31,740	36,501	41,977	48,273
%R&D	125%	45%	49%	55%	33%	46%	29%	29%	29%	29%	29%	28%	26%	25%	26%	28%	29%	31%	33%	34%	36%
General and Administrative	25,948	8,021	7,000	5,300	4,966	25,288	5,874	6,130	6,641	6,896	25,540	25,796	26,054	26,314	26,577	26,843	27,112	27,383	27,657	27,933	28,213
%SG&A	48%	58%	52%	42%	44%	49%	56%	56%	56%	56%	56%	52%	48%	44%	41%	38%	36%	33%	31%	29%	26%
Total expenses	54,550	13,843	13,512	12,608	11,179	51,142	10,500	10,956	11,869	12,326	45,651	49,469	54,602	60,280	64,798	69,879	75,599	82,047	89,320	97,533	106,815
Operating income (Loss)	(39,464)	(8,938)	(7,879)	(6,705)	(5,828)	(29,351)	(2,462)	(2,569)	2,216	(2,891)	(5,706)	(1,015)	201	6,809	8,508	10,255	12,033	13,823	15,598	17,327	18,968
Interest expense	(158)	(24)	(23)	(22)	(54)	(123)															
Interest Income	245	74	34	31	37	176															
Gain/Loss on extinguishment of debt					(322)	(322)															
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	-	-	-	-	(322)	(322)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(39,376)	(8,887)	(7,868)	(6,697)	(5,846)	(29,298)	(2,462)	(2,569)	2,216	(2,891)	(5,706)	(1,015)	201	6,809	8,508	10,255	12,033	13,823	15,598	17,327	18,968
Discontinued operations																					
Write down of discontinued operations receivable																					
Loss from discontinued operations																					
Income Tax/Benefit (Provision)	369	-	-	-	(9)	(9)	(123)	(128)	111	(145)	(285)	(102)	24	1,226	1,702	2,461	2,888	3,317	4,368	5,198	6,449
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)	(5,837)	(29,307)	(2,339)	(2,441)	2,106	(2,746)	(5,421)	(914)	177	5,584	6,807	7,794	9,145	10,505	11,231	12,129	12,519
Deemed Dividend on Preferred Stock																					
GAAP-EPS	(1.00)	(0.19)	(0.17)	(0.12)	(0.09)	(0.55)	(0.03)	(0.03)	0.03	(0.04)	(0.07)	(0.01)	0.00	0.07	0.09	0.10	0.12	0.14	0.15	0.16	0.16
GAAP EPS (dil)	(1.00)	(0.19)	(0.17)	(0.12)	(0.09)	(0.55)	(0.03)	(0.03)	0.03	(0.03)	(0.06)	(0.01)	0.00	0.06	0.07	0.08	0.09	0.10	0.11	0.11	0.11
Wgtd Avg Shrs (Bas) - '000s	39,085	47,311	47,539	56,283	61,920	53,263	73,582	73,656	73,729	73,803	73,692	73,988	74,284	74,582	74,880	75,180	75,481	75,784	76,087	76,392	76,698
Wgtd Avg Shrs (Dil) - '000s	39,085	47,475	47,539	56,283	61,920	53,304	82,220	83,042	83,873	84,711	83,462	85,991	88,596	91,281	94,047	96,896	99,832	102,857	105,974	109,185	112,494

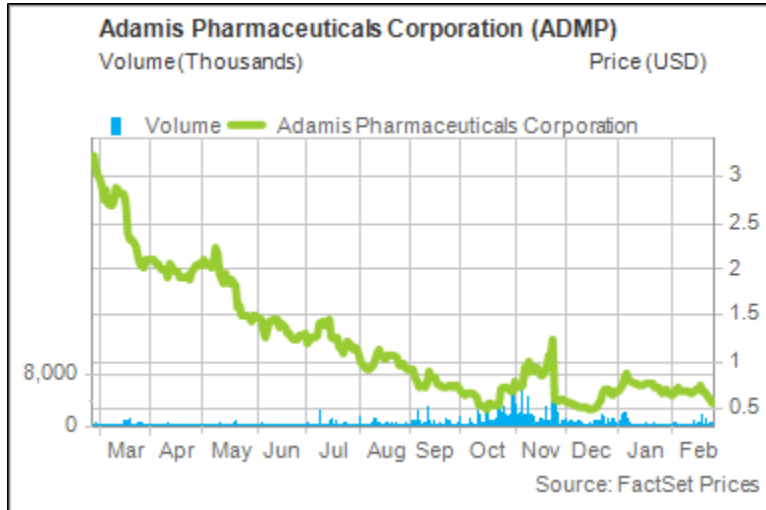
Source: Dawson James estimates.

Companies mentioned in this report:

Novartis (NVS): Not Rated

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
- Rating Change – Neutral – February 27, 2020 – Rating Lowered from Buy to Neutral
- Update – Neutral – April 1, 2020 – Price Target NA

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Ratings Definitions:

- 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)	22	85%	3	14%
Market Perform (Neutral)	4	15%	1	25%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	4	15%

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