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## Adamis Pharmaceuticals (ADMP-NASDAQ)

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### Achieved Our Price Target – Lowering back to Neutral

Adamis reported 2Q20 revenues, which were below our forecast; however, we understand the company needs some time to re-launch its epinephrine like pen product. The stock has rallied since our upgrade (June 15, 2020) and has, at times, exceeded our \$1.00 target valuation. What concerns us is the cash balance. We believe the company may have to raise capital in the near future. This, coupled with the increase in the stock, puts us back on the sidelines until we have more clarity on how the company will fund its operations.

### Investment Highlights

**Reports 2Q20:** Adamis reported revenues of \$3.9M, which was down sequentially from \$4.6M in the prior quarter. COVID may have adversely impacted the company. COGS, G&A, and R&D combined for \$9.4M plus a \$1.7M impairment charge for a net loss of \$11.2M. The company ended the period with \$7.9M in cash. We expect the company will need to raise capital, issue more shares, and potentially reverse the stock although we know management is averse to dilution but may have few other options. As a result of the tight cash balance and the rise in the valuation, we believe it's prudent to, once again, step to the sidelines. We are lowering our Buy rating back to Neutral while management sorts out its cash balance.

**Novartis is Out; US WorldMeds is In.** US WorldMeds obtained U.S. rights to commercialize and distribute SYMJEPi and ZIMHI, if approved by the FDA, in exchange for an upfront payment and potential regulatory and commercial milestones totaling up to \$26 million. Additionally, after deducting the supply price and certain other deductions, including an allocation for US WorldMeds sales and distribution expenses from net sales of the products, Adamis and US WorldMeds will share equally in the net profits, as defined in the agreement. Adamis is responsible for supplying the products to US WorldMeds at a price based upon cost.

**Valuation:** We lower Adamis to Neutral as the stock is now close to our target valuation. Our product models project peak Naloxone sales reaching \$166M (2030) and Symjepi revenues of \$104M (2030). We have not changed our compounding pharmacy revenues, and we do not yet include any revenues for Tempol. Our valuation models (and target) are derived from an equal-weighted average of free cash flow (FCFF), discounted EPS (EPS), and sum-of-the-parts (SOP) models, all discounted at our highest rate of 30% and rounded to the nearest whole number. Please see our product models.

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

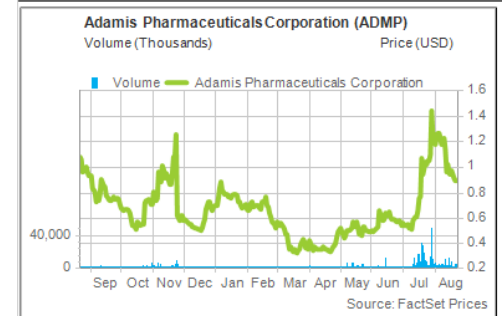
|               |        |
|---------------|--------|
| Current Price | \$0.89 |
| Price Target  | \$1.00 |

| Estimates                | F2019A    | F2020E    | F2021E    |
|--------------------------|-----------|-----------|-----------|
| <b>Expenses (\$000s)</b> | \$ 51,142 | \$ 43,591 | \$ 44,164 |
| 1Q March                 | \$ 13,843 | \$ 11,778 | \$ 10,158 |
| 2Q June                  | \$ 13,512 | \$ 9,496  | \$ 10,599 |
| 3Q September             | \$ 12,608 | \$ 10,945 | \$ 11,483 |
| 4Q December              | \$ 11,179 | \$ 11,371 | \$ 11,924 |

|                      | F2019A    | F2020E    | F2021E    |
|----------------------|-----------|-----------|-----------|
| <b>EPS (diluted)</b> | \$ (0.57) | \$ (0.31) | \$ (0.06) |
| 1Q March             | \$ (0.19) | \$ (0.12) | \$ (0.03) |
| 2Q June              | \$ (0.17) | \$ (0.14) | \$ (0.03) |
| 3Q September         | \$ (0.12) | \$ 0.01   | \$ 0.03   |
| 4Q December          | \$ (0.09) | \$ (0.05) | \$ (0.03) |

|               |          |          |          |
|---------------|----------|----------|----------|
| EBITDA/Share  | (\$0.55) | (\$0.26) | (\$0.06) |
| EV/EBITDA (x) | 0.0      | 0.0      | 0.0      |

| Stock Data                              |             |   |        |
|---|-------------|---|--------|
| 52-Week Range                           | \$0.27      | - | \$1.51 |
| Shares Outstanding (mil.)               | 73.9        |   |        |
| Market Capitalization (mil.)            | \$66        |   |        |
| Enterprise Value (mil.)                 | \$59        |   |        |
| Debt to Capital                         | 4%          |   |        |
| Book Value/Share                        | \$1.18      |   |        |
| Price/Book                              | 0.8         |   |        |
| Average Three Months Trading Volume (K) | 699         |   |        |
| Insider Ownership                       | 2.2%        |   |        |
| Institutional Ownership                 | 6.8%        |   |        |
| Short interest (mil.)                   | 11.2%       |   |        |
| Dividend / Yield                        | \$0.00/0.0% |   |        |



**Our Product Modeling Assumptions:**

1. We base 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 new partner U.S. World. Our share assumptions are return to a rising piece of the market, assuming 3% in 2021 and rising to 16% by 2030 to an out-year peak of just over \$100M.
2. We now include Naloxone too. We assume Naloxone is approved and commercialized by 2022 and can achieve peak sales of \$166M.
3. We include \$10M in future milestone payments for Symjepi and Naloxone.
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, but we are unsure of timing. As such, we do not include any revenues from these or any other pipeline products.

**Exhibit 1. Product Models**

|  | 2020E            | 2021E            | 2022E            | 2023E             | 2024E             | 2025E             | 2026E             | 2027E             | 2028E             | 2029E             | 2030E             |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Epinephrine Pre-filled Syringe (PFS)</b>                      |                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| U.S. population  | 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)              | 6,198,947        | 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%               |
| Total addressable patients                                       | 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   | 1.0%             | 3.0%             | 5.0%             | 7.0%              | 9.0%              | 11.0%             | 12.0%             | 13.0%             | 14.0%             | 15.0%             | 16.0%             |
| Total eligible patients  | 49,592           | 153,884          | 264,593          | 382,655           | 508,220           | 641,656           | 723,088           | 809,196           | 900,199           | 996,327           | 1,097,820         |
| Packs needed per patient/yr (PFS sold in 2 unit per pack)        | 2                | 2                | 2                | 2                 | 2                 | 2                 | 2                 | 2                 | 2                 | 2                 | 2                 |
| Price per pack   | \$ 220           | \$ 209           | \$ 207           | \$ 205            | \$ 203            | \$ 201            | \$ 199            | \$ 197            | \$ 195            | \$ 193            | \$ 191            |
| Change in price  | -                | -                | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Sales (\$000)  | \$ 10,910        | \$ 32,120        | \$ 54,747        | \$ 78,383         | \$ 103,063        | \$ 128,822        | \$ 143,719        | \$ 159,225        | \$ 175,360        | \$ 192,145        | \$ 209,601        |
| Risk adjustment  | 0%               | 0%               | 0%               | 0%                | 0%                | 0%                | 0%                | 0%                | 0%                | 0%                | 0%                |
| Revenue (\$000)  | \$ 5,455         | \$ 16,060        | \$ 27,373        | \$ 39,192         | \$ 51,532         | \$ 64,411         | \$ 71,859         | \$ 79,612         | \$ 87,680         | \$ 96,073         | \$ 104,801        |
| <b>Naloxone Pre-filled Syringe (PFS)</b>                         |                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Over-dose Population - Rescues                                   | 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  | 60,500           | 66,550           | 73,205           | 80,526            | 88,578            | 97,436            | 107,179           | 117,897           | 129,687           | 142,656           | 156,921           |
| Market penetration   | 0%               | 0%               | 1%               | 5%                | 15%               | 20%               | 21%               | 22%               | 23%               | 24%               | 25%               |
| Total eligible patients  | -                | -                | 2,653            | 13,536            | 41,531            | 56,770            | 61,263            | 66,132            | 71,430            | 77,214            | 83,550            |
| Packs needed per patient/yr (PFS sold in 2 unit per pack)        | 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            |
| Change in price  | 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          |
| Sales (\$000)  | \$ -             | \$ -             | \$ 5,291         | \$ 26,991         | \$ 82,813         | \$ 113,199        | \$ 122,158        | \$ 131,868        | \$ 142,431        | \$ 153,964        | \$ 166,598        |
| Risk adjustment  | 0%               | 0%               | 0%               | 0%                | 0%                | 0%                | 0%                | 0%                | 0%                | 0%                | 0%                |
| Revenue (\$000)  | \$ -             | \$ -             | \$ 5,291         | \$ 26,991         | \$ 82,813         | \$ 113,199        | \$ 122,158        | \$ 131,868        | \$ 142,431        | \$ 153,964        | \$ 166,598        |
| <b>APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)</b>   |                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| U.S. population  | 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)                     | 30,994,736       | 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%               |
| Total addressable patients                                       | 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%             |
| Total eligible patients  | -                | -                | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Estimate price per patient/year (\$100/month)                    | \$ 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%                |
| Sales (\$000)  | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Risk adjustment  | 50%              | 50%              | 50%              | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               |
| Revenue (\$000)  | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| <b>APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)</b>     |                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| U.S. population  | 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)                     | 30,994,736       | 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)            | 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%               |
| Total addressable patients                                       | 11,406,063       | 11,782,463       | 12,171,284       | 12,572,937        | 12,987,844        | 13,416,443        | 13,859,185        | 14,316,538        | 14,798,984        | 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%             |
| Total eligible patients  | -                | -                | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Estimate price per patient/year                                  | \$ 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%                |
| Sales (\$000)  | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Risk adjustment  | 50%              | 50%              | 50%              | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               |
| Revenue (\$000)  | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| <b>APC-3000 Tadalafil (Erectile Dysfunction)</b>                 |                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| U.S. male population   | 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) | 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%               |
| Total addressable patients                                       | 68,878,727       | 69,980,786       | 71,100,479       | 72,238,087        | 73,393,896        | 74,568,198        | 75,761,230        | 76,973,470        | 78,205,646        | 79,456,328        | 80,727,638        |
| Market penetration   | 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                                  | \$ 1,248         | \$ 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%                |
| Sales (\$000)  | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Risk adjustment  | 50%              | 50%              | 50%              | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               | 50%               |
| Revenue (\$000)  | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| <b>Revenue</b>   | <b>2020E</b>     | <b>2021E</b>     | <b>2022E</b>     | <b>2023E</b>      | <b>2024E</b>      | <b>2025E</b>      | <b>2026E</b>      | <b>2027E</b>      | <b>2028E</b>      | <b>2029E</b>      | <b>2030E</b>      |
| Epinephrine Pre-filled Syringe (PFS) (\$000)                     | \$ 5,455         | \$ 16,060        | \$ 27,373        | \$ 39,192         | \$ 51,532         | \$ 64,411         | \$ 71,859         | \$ 79,612         | \$ 87,680         | \$ 96,073         | \$ 104,801        |
| Naloxone Pre-filled Syringe (PFS)                                | \$ -             | \$ -             | \$ 5,291         | \$ 26,991         | \$ 82,813         | \$ 113,199        | \$ 122,158        | \$ 131,868        | \$ 142,431        | \$ 153,964        | \$ 166,598        |
| APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)          | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)            | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| APC-3000 Tadalafil (Erectile Dysfunction)                        | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Pharmaceutical Compounding Business                              | \$ 21,663        | \$ 28,162        | \$ 36,610        | \$ 45,763         | \$ 50,339         | \$ 55,373         | \$ 60,911         | \$ 67,002         | \$ 73,702         | \$ 81,072         | \$ 89,179         |
| <b>Total Revenue (\$000)</b>                                     | <b>\$ 27,118</b> | <b>\$ 44,222</b> | <b>\$ 62,755</b> | <b>\$ 111,946</b> | <b>\$ 184,684</b> | <b>\$ 232,983</b> | <b>\$ 254,928</b> | <b>\$ 278,482</b> | <b>\$ 303,813</b> | <b>\$ 331,109</b> | <b>\$ 360,578</b> |

Source: Company Reports and Dawson James

Source: Dawson James estimates

**Valuation:** Our product models have been revised to reflect the company's new partnership. 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 U.S. WorldMeds, 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% to 30%. For Adamis we choose to use our highest discount rate of 30% until we see revenues build as we project in our model

### Exhibit 2. Discounted Free Cash Flow Model

| Average \$      |  | 1.0  |  |
|-----------------|--|------|--|
| Price Target \$ |  | 0.6  |  |
| Year            |  | 2020 |  |

| DCF Valuation Using FCF (mln): |          |          |         |       |        |        |        |        |         |         |         |         |
|--------------------------------|----------|----------|---------|-------|--------|--------|--------|--------|---------|---------|---------|---------|
| units ('000)                   | 2019A    | 2020E    | 2021E   | 2022E | 2023E  | 2024E  | 2025E  | 2026E  | 2027E   | 2028E   | 2029E   | 2030E   |
| EBIT                           | (29,298) | (21,595) | (4,888) | 2,946 | 24,673 | 60,466 | 84,071 | 95,371 | 107,566 | 120,751 | 135,031 | 150,524 |
| Tax Rate                       | 0%       | 0%       | 0%      | 12%   | 18%    | 20%    | 24%    | 24%    | 24%     | 28%     | 30%     | 34%     |
| EBIT(1-t)                      | (29,298) | (21,595) | (4,888) | 2,592 | 20,232 | 48,373 | 63,894 | 72,482 | 81,750  | 86,940  | 94,522  | 99,346  |
| CapEx                          |          |          |         |       |        |        |        |        |         |         |         |         |
| Depreciation                   | 2,945    | -        | -       | -     | -      | -      | -      | -      | -       | -       | -       | -       |
| Change in NWC                  |          |          |         |       |        |        |        |        |         |         |         |         |
| FCF                            | (26,345) | (21,595) | (4,888) | 2,592 | 20,232 | 48,373 | 63,894 | 72,482 | 81,750  | 86,940  | 94,522  | 99,346  |
| PV of FCF                      | (34,248) | (21,595) | (3,760) | 1,534 | 9,209  | 16,937 | 17,208 | 15,016 | 13,028  | 10,658  | 8,913   | 7,206   |
| Discount Rate                  | 30%      |          |         |       |        |        |        |        |         |         |         |         |
| Long Term Growth Rate          | 1%       |          |         |       |        |        |        |        |         |         |         |         |
| Terminal Cash Flow             | 345,997  |          |         |       |        |        |        |        |         |         |         |         |
| Terminal Value YE2030          | 25,098   |          |         |       |        |        |        |        |         |         |         |         |
| NPV                            | 65,205   |          |         |       |        |        |        |        |         |         |         |         |
| NPV-Debt                       | 112,494  |          |         |       |        |        |        |        |         |         |         |         |
| Shares out (thousands)         | 2030E    |          |         |       |        |        |        |        |         |         |         |         |
| NPV Per Share                  | \$ 0.6   |          |         |       |        |        |        |        |         |         |         |         |

Source: Dawson James estimates, company reports

### Exhibit 3. EPS Model

|                   |         |
|-------------------|---------|
| Current Year      | 2020    |
| Year of EPS       | 2030    |
| Earnings Multiple | 15      |
| Discount Factor   | 30%     |
| Selected Year EPS | \$ 0.91 |
| NPV               | \$ 1.0  |

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 | \$0.00  |
| 5                 | \$3.00  | \$2.00   | \$1.00 | \$1.00 | \$1.00 | \$0.00 | \$ -    |
| 10                | \$6.00  | \$4.00   | \$2.00 | \$1.00 | \$1.00 | \$1.00 | \$ 1.00 |
| 15                | \$8.00  | \$5.00   | \$3.00 | \$2.00 | \$1.00 | \$1.00 | \$ 1.00 |
| 20                | \$11.00 | \$7.00   | \$4.00 | \$3.00 | \$2.00 | \$2.00 | \$ 1.00 |
| 25                | \$14.00 | \$9.00   | \$6.00 | \$4.00 | \$2.00 | \$2.00 | \$ 2.00 |
| 30                | \$17.00 | \$11.00  | \$7.00 | \$4.00 | \$3.00 | \$3.00 | \$ 2.00 |
| 35                | \$20.00 | \$12.00  | \$8.00 | \$5.00 | \$3.00 | \$2.00 | \$ 2.00 |

Source: Dawson James estimates

### Exhibit 4. Sum-of-the-Parts Model

| Adamis Pharmaceuticals                                  | LT Gr | Discount Rate | Yrs. to Mkt | % Success | Peak Sales MMs | Term Val |
|---|-------|---------------|-------------|-----------|----------------|----------|
| Symjepi   | 1%    | 30%           | 0           | 75%       | \$105          | \$361    |
| NPV   |       |               |             |           |                | \$0.96   |
| Naloxone  | 1%    | 30%           | 1           | 75%       | \$167          | \$574    |
| NPV   |       |               |             |           |                | \$1.18   |
| 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%       | \$89           | \$308    |
| NPV   |       |               |             |           |                | \$0.82   |
| Net Margin  |       |               |             |           |                | 40%      |
| MM Shrs OS (2030E)                                      |       |               |             |           |                | 112      |
| Total   |       |               |             |           |                | \$2.0    |

Source: Dawson James estimates.

**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           | 2019A           | 1Q20A           | 2Q20A           | 3Q20E         | 4Q20E          | 2020E           | 1Q21E          | 2Q21E          | 3Q21E         | 4Q21E          | 2021E          | 2022E         | 2023E          | 2024E          | 2025E          | 2026E          | 2027E          | 2028E          | 2029E          | 2030E          |
| Symjepi Gross revenues (not included in total product sales)*  |                 | 670             | 400             | 400             | 1,000         | 1,200          | 3,000           | 3,694          | 3,854          | 4,176         | 4,336          | 16,060         | 27,373        | 39,192         | 51,532         | 64,411         | 71,859         | 79,612         | 87,680         | 96,073         | 104,801        |
| Naloxone Gross revenues (not included in total product sales)* |                 |                 | 0               | 0               | 0             | 0              | 0               | 0              | 0              | 0             | 0              | 0              | 5,291         | 26,991         | 82,813         | 113,199        | 122,158        | 131,868        | 142,431        | 153,964        | 166,598        |
| APC-1000 HFA Inhaled Oral Steroid (maintenance therapy)        |                 |                 | 0               | 0               | 0             | 0              | 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              | 0               | 0              | 0              | 0             | 0              | 0              | 0             | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| APC-8000 Tadalafil (Erectile Dysfunction)                      |                 |                 | 0               | 0               | 0             | 0              | 0               | 0              | 0              | 0             | 0              | 0              | 0             | 0              | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Pharmaceutical Compounding business                            | 15,087          | 22,113          | 4,463           | 3,526           | 6,000         | 6,200          | 20,189          | 6,037          | 6,299          | 6,824         | 7,086          | 26,246         | 34,120        | 42,650         | 46,915         | 51,606         | 56,767         | 62,444         | 68,688         | 75,557         | 83,113         |
| <b>Total Product Sales *</b>                                   | <b>15,087</b>   | <b>22,783</b>   | <b>4,463</b>    | <b>3,926</b>    | <b>7,000</b>  | <b>7,400</b>   | <b>23,189</b>   | <b>9,730</b>   | <b>10,153</b>  | <b>11,000</b> | <b>11,423</b>  | <b>42,306</b>  | <b>66,784</b> | <b>108,833</b> | <b>181,260</b> | <b>229,216</b> | <b>250,785</b> | <b>273,924</b> | <b>298,799</b> | <b>325,594</b> | <b>354,511</b> |
| Royalty Revenue on Symjepi & Naloxone*                         | -               | 335             | 200             | -               | 500           | 600            | 1,300           | 1,847          | 1,927          | 2,088         | 2,168          | 8,030          | 16,332        | 33,091         | 67,172         | 88,805         | 97,009         | 105,740        | 115,055        | 125,018        | 135,699        |
| % Royalty (slides on Commercial levels)                        | -               | 50%             | 50%             | 50%             | 50%           | 50%            | 43%             | 50%            | 50%            | 50%           | 50%            | 50%            | 50%           | 50%            | 50%            | 50%            | 50%            | 50%            | 50%            | 50%            | 50%            |
| Symjepi / Naloxone Milestones                                  | -               | -               | -               | -               | 5,000         | -              | 5,000           | -              | -              | 5,000         | -              | 5,000          | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Product Sales &amp; Royalties &amp; Milestones</b>          | <b>15,087</b>   | <b>22,448</b>   | <b>4,663</b>    | <b>3,926</b>    | <b>11,500</b> | <b>6,800</b>   | <b>26,889</b>   | <b>7,884</b>   | <b>8,226</b>   | <b>13,912</b> | <b>9,255</b>   | <b>39,276</b>  | <b>50,452</b> | <b>75,741</b>  | <b>114,087</b> | <b>140,411</b> | <b>153,776</b> | <b>168,184</b> | <b>183,744</b> | <b>200,575</b> | <b>218,812</b> |
| <b>Expenses</b>  |                 |                 |                 |                 |               |                |                 |                |                |               |                |                |               |                |                |                |                |                |                |                |                |
| Cost of Goods Sold   | 9,798           | 15,479          | 3,687           | 757             | 1,580         | 1,646          | 7,671           | 1,694          | 1,767          | 1,915         | 1,988          | 7,365          | 9,899         | 12,622         | 14,305         | 16,122         | 17,785         | 19,592         | 21,556         | 23,693         | 26,018         |
| % COGS   | 65%             | 68%             | 83%             | 19%             | 23%           | 22%            | 33%             | 17%            | 17%            | 17%           | 17%            | 17%            | 15%           | 12%            | 8%             | 7%             | 7%             | 7%             | 7%             | 7%             | 7%             |
| Research and Development                                       | 18,804          | 10,376          | 2,037           | 5,653           | 2,725         | 2,830          | 10,480          | 2,531          | 2,641          | 2,861         | 2,971          | 11,004         | 11,554        | 12,132         | 12,738         | 13,375         | 13,509         | 13,644         | 13,780         | 13,918         | 14,057         |
| % R&D  | 125%            | 46%             | 46%             | 144%            | 39%           | 38%            | 45%             | 26%            | 26%            | 26%           | 26%            | 26%            | 17%           | 11%            | 7%             | 6%             | 5%             | 5%             | 5%             | 4%             | 4%             |
| General and Administrative                                     | 25,948          | 25,288          | 6,054           | 3,086           | 6,641         | 6,896          | 25,540          | 5,933          | 6,191          | 6,707         | 6,965          | 25,796         | 26,054        | 26,314         | 26,577         | 26,843         | 27,112         | 27,383         | 27,657         | 27,933         | 28,213         |
| % SG&A   | 48%             | 49%             | 51%             | 32%             | 61%           | 61%            | 59%             | 58%            | 58%            | 58%           | 58%            | 58%            | 55%           | 52%            | 50%            | 48%            | 46%            | 45%            | 44%            | 43%            | 41%            |
| <b>Total expenses</b>  | <b>54,550</b>   | <b>51,142</b>   | <b>11,778</b>   | <b>9,496</b>    | <b>10,945</b> | <b>11,371</b>  | <b>43,591</b>   | <b>10,158</b>  | <b>10,599</b>  | <b>11,483</b> | <b>11,924</b>  | <b>44,164</b>  | <b>47,506</b> | <b>51,068</b>  | <b>53,621</b>  | <b>56,341</b>  | <b>58,405</b>  | <b>60,618</b>  | <b>62,993</b>  | <b>65,544</b>  | <b>68,288</b>  |
| Operating income (Loss)  | (39,464)        | (29,351)        | (7,115)         | (5,570)         | 555           | (4,571)        | (16,702)        | (2,274)        | (2,373)        | 2,429         | (2,670)        | (4,888)        | 2,946         | 24,673         | 60,466         | 84,071         | 95,371         | 107,566        | 120,751        | 135,031        | 150,524        |
| Interest expense   | (158)           | (123)           | (38)            | (33)            | -             | -              | -               | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| Interest Income  | 245             | 176             | 23              | 17              | -             | -              | -               | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| Gain/Loss on extinguishment of debt                            | -               | (322)           | -               | -               | -             | -              | -               | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| Change in fair value of derivative liabilities                 | -               | -               | -               | -               | -             | -              | -               | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| Change in fair value of conversion feature liability           | -               | -               | -               | -               | -             | -              | -               | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| Change in fair value of warrants                               | -               | -               | -               | -               | -             | -              | -               | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| Impairment Expense   | -               | -               | (3,143)         | (1,750)         | -             | -              | (4,893)         | -              | -              | -             | -              | -              | -             | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total other income</b>                                      | <b>-</b>        | <b>(322)</b>    | <b>(3,143)</b>  | <b>(1,750)</b>  | <b>-</b>      | <b>-</b>       | <b>(4,893)</b>  | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       |
| <b>Pretax Income</b>   | <b>(39,376)</b> | <b>(29,298)</b> | <b>(10,274)</b> | <b>(11,263)</b> | <b>555</b>    | <b>(4,571)</b> | <b>(21,595)</b> | <b>(2,274)</b> | <b>(2,373)</b> | <b>2,429</b>  | <b>(2,670)</b> | <b>(4,888)</b> | <b>2,946</b>  | <b>24,673</b>  | <b>60,466</b>  | <b>84,071</b>  | <b>95,371</b>  | <b>107,566</b> | <b>120,751</b> | <b>135,031</b> | <b>150,524</b> |
| Discontinued operations  |                 |                 |                 |                 |               |                |                 |                |                |               |                |                |               |                |                |                |                |                |                |                |                |
| Write down of discontinued operations receivable               |                 |                 |                 |                 |               |                |                 |                |                |               |                |                |               |                |                |                |                |                |                |                |                |
| Loss from continued operations                                 |                 |                 |                 |                 |               |                |                 |                |                |               |                |                |               |                |                |                |                |                |                |                |                |
| Income Tax Benefit (Provision)                                 | 369             | (9)             | -               | -               | -             | -              | -               | -              | -              | -             | -              | -              | 353           | 4,441          | 12,093         | 20,177         | 22,889         | 25,816         | 33,810         | 40,509         | 51,178         |
| <b>Tax Rate</b>  | <b>0%</b>       | <b>0%</b>       | <b>5%</b>       | <b>0%</b>       | <b>0%</b>     | <b>0%</b>      | <b>0%</b>       | <b>0%</b>      | <b>0%</b>      | <b>0%</b>     | <b>0%</b>      | <b>0%</b>      | <b>12%</b>    | <b>18%</b>     | <b>20%</b>     | <b>24%</b>     | <b>24%</b>     | <b>24%</b>     | <b>28%</b>     | <b>30%</b>     | <b>34%</b>     |
| <b>GAAP Net Income (loss)</b>                                  | <b>(39,007)</b> | <b>(29,307)</b> | <b>(10,274)</b> | <b>(11,263)</b> | <b>555</b>    | <b>(4,571)</b> | <b>(21,595)</b> | <b>(2,274)</b> | <b>(2,373)</b> | <b>2,429</b>  | <b>(2,670)</b> | <b>(4,888)</b> | <b>2,592</b>  | <b>20,232</b>  | <b>48,373</b>  | <b>63,894</b>  | <b>72,482</b>  | <b>81,750</b>  | <b>86,940</b>  | <b>94,522</b>  | <b>99,346</b>  |
| Deemed Dividend on Preferred Stock                             |                 |                 |                 |                 |               |                |                 |                |                |               |                |                |               |                |                |                |                |                |                |                |                |
| <b>GAAP-EPS</b>  | <b>(1.00)</b>   | <b>(0.57)</b>   | <b>(0.15)</b>   | <b>(0.15)</b>   | <b>0.01</b>   | <b>(0.06)</b>  | <b>(0.36)</b>   | <b>(0.03)</b>  | <b>(0.03)</b>  | <b>0.03</b>   | <b>(0.04)</b>  | <b>(0.07)</b>  | <b>0.03</b>   | <b>0.27</b>    | <b>0.64</b>    | <b>0.85</b>    | <b>0.96</b>    | <b>1.08</b>    | <b>1.14</b>    | <b>1.23</b>    | <b>1.29</b>    |
| GAAP EPS (dil)   | (1.00)          | (0.57)          | (0.12)          | (0.14)          | 0.01          | (0.05)         | (0.31)          | (0.03)         | (0.03)         | 0.03          | (0.03)         | (0.06)         | 0.03          | 0.22           | 0.51           | 0.66           | 0.73           | 0.79           | 0.82           | 0.87           | 0.88           |
| Wgtd Avg Shrs (Bas) - '000s                                    | 39,085          | 53,263          | 66,500          | 73,825          | 73,899        | 73,973         | 72,049          | 74,047         | 74,121         | 74,195        | 74,270         | 74,158         | 74,455        | 74,754         | 75,053         | 75,354         | 75,656         | 75,959         | 76,263         | 76,569         | 76,875         |
| Wgtd Avg Shrs (Dil) - '000s                                    | 39,085          | 53,304          | 82,220          | 83,042          | 83,873        | 84,711         | 83,462          | 84,711         | 85,558         | 86,414        | 87,278         | 85,991         | 88,596        | 91,281         | 94,047         | 96,896         | 99,832         | 102,857        | 105,974        | 109,185        | 112,494        |

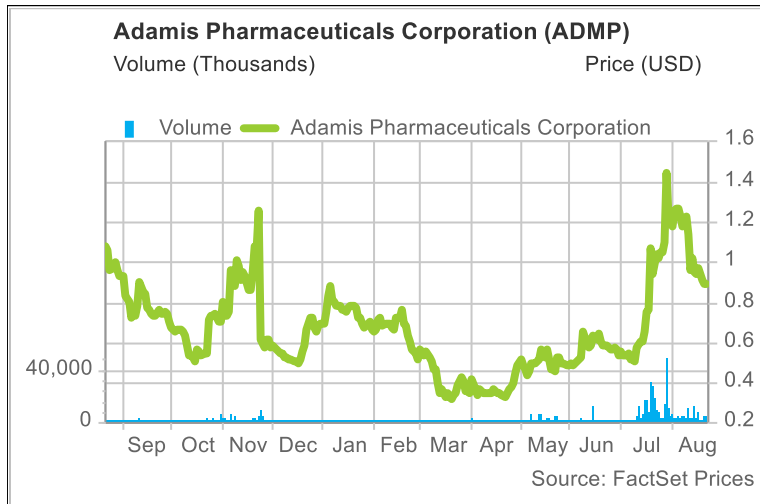
Source: Dawson James estimates, company reports

Companies mentioned in this report:

US WorldMeds (private)

**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
- Update – Neutral – May 21, 2020 – Price Target NA
- Rating Change – Buy – June 15, 2020 – Price Target \$1.00
- Rating Change – Neutral – August 24, 2020 – Price Target \$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               | 85%        | 4                  | 17%         |
| Market Perform (Neutral)   | 4                | 15%        | 1                  | 25%         |
| Market Underperform (Sell) | 0                | 0%         | 0                  | 0%          |
| Total                      | 27               | 100%       | 5                  | 19%         |

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