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Adamis Pharmaceuticals (ADMP-NASDAQ)

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The Gang that Can't Shoot Straight Still Can't

On August 24, 2020, we downgraded the stock as it had achieved our target valuation of just \$1.00 (very close) and highlighted our growing concerns around a dwindling cash balance that was likely to lead to a dilutive capital raise. The stock has been under pressure for weeks since dilutive capital was raised in September. Yesterday, the stock was down just under 50%, triggered by news that the company had received a Complete Response Letter (CRL) from the FDA for its "ZIMHI" high dose naloxone injection for opioid overdose. The CRL stated that the FDA determined it cannot approve the NDA in its present form and provided recommendations needed for resubmission. Adamis has now established a pattern of submission failures going back almost a decade to the "epi-pen" like product. We remain Neutral-rated and take a "wait & see" approach now to see if a new partner can successfully launch SYMJEPI. Show Me First.

Investment Highlights

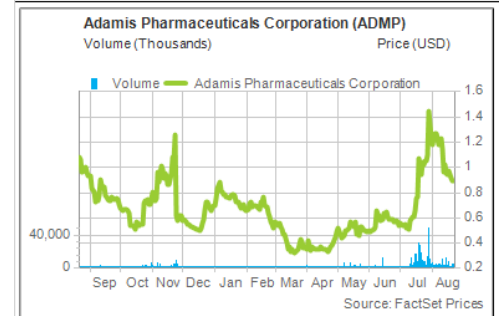
The Recent Quarter: Adamis reported revenues of \$4.3M but COGS of \$3.6M, so the numbers were down sequentially from the prior quarter. We are told COVID remains the culprit. COGS, G&A, and R&D combined for \$11.1M for a net loss of \$7.5M. This leaves the company with about two quarters of cash. As we have now said on multiple occasions, the company will need to raise even more capital, issue more shares, and potentially reverse the stock. The decline in the stock as a result of the CRL news spells dilution, in our view. The hope at the company is that the new partner can re-launch SYMJEPI successfully, offsetting the burn rate and extending the cash runway, but given the strong set of disappointments, we have no confidence that it will happen.

Novartis is Out; U.S. 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: Back in August, we lowered Adamis to Neutral as the stock had reached 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 fair value 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.

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	NA		
Estimates	F2019A	F2020E	F2021E
Expenses (\$000s)	\$ 51,142	\$ 43,786	\$ 43,612
1Q March	\$ 13,843	\$ 11,778	\$ 10,031
2Q June	\$ 13,512	\$ 9,496	\$ 10,467
3Q September	\$ 12,608	\$ 11,140	\$ 11,339
4Q December	\$ 11,179	\$ 11,371	\$ 11,775
	F2019A	F2020E	F2021E
EPS (diluted)	\$ (0.57)	\$ (0.40)	\$ (0.08)
1Q March	\$ (0.19)	\$ (0.12)	\$ (0.03)
2Q June	\$ (0.17)	\$ (0.14)	\$ (0.03)
3Q September	\$ (0.12)	\$ (0.09)	\$ 0.02
4Q December	\$ (0.09)	\$ (0.05)	\$ (0.04)
EBITDA/Share	(\$0.55)	(\$0.36)	(\$0.08)
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%		



Please find Important Disclosures beginning on Page 4.

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 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 1. Income Statement

Adamis Pharmaceuticals Corporation: Income Statement (\$000)																										
ADMP: YE December	2018A	2019A	1Q20A	2Q20A	3Q20A	4Q20E	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
Symjepl Gross revenues (not included in total product sales)*		670	400	400	0	1,200	2,000	3,694	3,854	4,176	4,336	16,060	6,296	6,570	7,117	7,391	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	1,217	1,270	1,376	1,428	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	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	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	0	0	0	0	0
Pharmaceutical Compounding business	15,087	22,113	4,463	3,526	4,301	6,200	18,490	5,528	5,769	6,250	6,490	24,037	7,187	7,499	8,124	8,437	31,248	39,060	42,966	47,262	51,989	57,187	62,906	69,197	76,117	
Total Product Sales*	15,087	22,783	4,463	3,926	4,301	7,400	20,490	9,222	9,623	10,425	10,826	40,097	14,700	15,339	16,617	17,256	63,912	105,243	177,310	224,872	246,006	268,668	293,017	319,234	347,515	
Royalty Revenue on Symjepl & Naloxone*		335	200	-	-	600	800	1,847	1,927	2,088	2,168	8,030	3,756	3,920	4,246	4,410	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%	40%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
Symjepl / Naloxone Milestones										5,000		5,000														
Product Sales & Royalties & Milestones	15,087	22,448	4,663	3,926	4,301	6,800	19,690	7,375	7,696	13,337	8,658	37,067	10,943	11,419	12,371	12,847	47,580	72,151	110,138	136,067	148,997	162,927	177,962	194,215	211,816	
Expenses																										
Cost of Goods Sold	9,798	15,479	3,687	757	3,646	1,646	9,737	1,567	1,635	1,771	1,839	6,812	2,112	2,203	2,387	2,479	9,181	11,725	13,318	15,036	16,590	18,277	20,111	22,103	24,269	
%COGS	65%	68%	83%	19%	85%	22%	48%	17%	17%	17%	17%	17%	14%	14%	14%	14%	14%	11%	8%	7%	7%	7%	7%	7%	7%	
Research and Development	18,804	10,376	2,037	5,653	1,699	2,830	10,480	2,531	2,641	2,861	2,971	11,004	2,657	2,773	3,004	3,120	11,554	12,132	12,738	13,375	13,509	13,644	13,780	13,918	14,057	
%R&D	125%	46%	46%	144%	40%	38%	51%	27%	27%	27%	27%	27%	18%	18%	18%	18%	18%	12%	12%	7%	6%	5%	5%	4%	4%	
General and Administrative	25,948	25,288	6,054	3,086	5,794	6,896	25,540	5,933	6,191	6,707	6,965	25,796	5,992	6,253	6,774	7,035	26,054	26,314	26,577	26,843	27,112	27,383	27,657	27,933	28,213	
%SG&A	48%	49%	51%	32%	52%	61%	56%	59%	59%	59%	59%	59%	56%	56%	56%	56%	56%	52%	50%	49%	47%	46%	45%	44%	42%	
Total expenses	54,550	51,142	11,778	9,496	11,140	11,371	45,757	10,031	10,467	11,339	11,775	43,612	10,761	11,229	12,165	12,633	46,788	50,171	52,634	55,255	57,211	59,304	61,548	63,954	66,539	
Operating income (Loss)	(39,464)	(29,351)	(7,115)	(5,570)	(6,839)	(4,571)	(24,096)	(2,655)	(2,771)	1,998	(3,117)	(6,545)	182	190	206	214	792	21,981	57,504	80,813	91,787	103,623	116,414	130,261	145,277	
Interest expense	(158)	(123)	(38)	(33)	(46)		(117)																			
Interest Income	245	176	23	17	24		64																			
Gain/Loss on extinguishment of debt		(322)																								
Change in fair value of derivative liabilities																										
Change in fair value of conversion feature liability					(624)		(624)																			
Change in fair value of warrants																										
Impairment Expense			(3,143)	(1,750)			(4,893)																			
Total other income	-	(322)	(3,143)	(1,786)	(624)	-	(5,517)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pretax Income	(39,376)	(29,298)	(10,274)	(11,263)	(7,485)	(4,571)	(29,667)	(2,655)	(2,771)	1,998	(3,117)	(6,545)	182	190	206	214	792	21,981	57,504	80,813	91,787	103,623	116,414	130,261	145,277	
Discontinued operations																										
Write down of discontinued operations receivable																										
Loss from continued operations																										
Income Tax Benefit (Provision)	369	(9)	-	-	-	-	-	-	-	-	-	-	22	23	25	26	95	3,957	11,501	19,395	22,029	24,870	32,596	39,078	49,394	
Tax Rate	0%	0%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	12%	12%	12%	12%	12%	18%	20%	24%	24%	24%	28%	30%	34%	
GAAP Net Income (loss)	(39,007)	(29,307)	(10,274)	(11,263)	(7,485)	(4,571)	(29,667)	(2,655)	(2,771)	1,998	(3,117)	(6,545)	160	167	181	188	697	18,024	46,004	61,418	69,758	78,754	83,818	91,183	95,883	
Deemed Dividend on Preferred Stock																										
GAAP-EPS	(1.00)	(0.57)	(0.15)	(0.15)	(0.10)	(0.06)	(0.47)	(0.03)	(0.04)	0.03	(0.04)	(0.09)	0.00	0.00	0.00	0.00	0.01	0.23	0.60	0.79	0.90	1.01	1.07	1.16	1.21	
GAAP EPS (dil)	(1.00)	(0.57)	(0.12)	(0.14)	(0.09)	(0.05)	(0.40)	(0.03)	(0.03)	0.02	(0.04)	(0.08)	0.00	0.00	0.00	0.00	0.01	0.20	0.49	0.63	0.70	0.77	0.79	0.84	0.85	
Wtdt Avg Shrs (Bas) - '000s	39,085	53,263	66,500	73,825	76,045	76,121	73,123	76,197	76,273	76,349	76,426	76,311	76,502	76,579	76,655	76,732	76,617	76,924	77,232	77,542	77,852	78,164	78,477	78,792	79,107	
Wtdt 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	87,278	88,151	89,032	89,923	88,596	91,281	94,047	96,896	99,832	102,857	105,974	109,185	112,494	

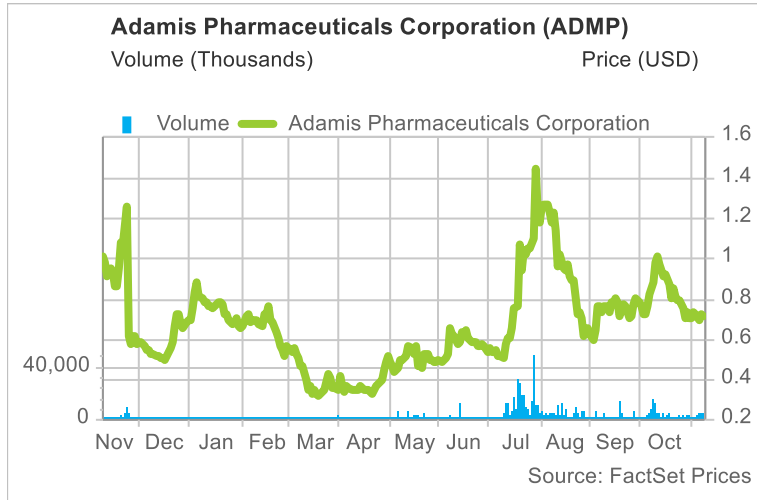
Source: Dawson James estimates, company reports

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
- Update – Neutral – November 11, 2020 – Price Target NA
- Update – Neutral – November 17, 2020 – Price Target NA

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	# of Companies	% of Total	# of Companies	% of Totals
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Market Perform (Neutral)	5	19%	1	20%
Market Underperform (Sell)	0	0%	0	0%
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