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Adamis Pharmaceuticals (ADMP-NASDAQ)

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Selling the Compound Pharmacy & Diluting Shareholders by Almost 50% to Raise Cash; Why?

Adamis as a company continues to flounder as we are confused in terms of the strategic direction of the company. The sale of the compounding business at a loss tells us that management was not able to "execute" the turnaround. This business potentially opened up sales and distribution channels for the company, and, we had believed, offset risk. The decision to sell this business was followed by a bewildering dilutive raise, almost doubling existing shares to add cash to the balance sheet by as much as \$50M. It is not clear to us why the company needed to dilute shareholders by almost half to put cash on the balance sheet.

Investment Highlights

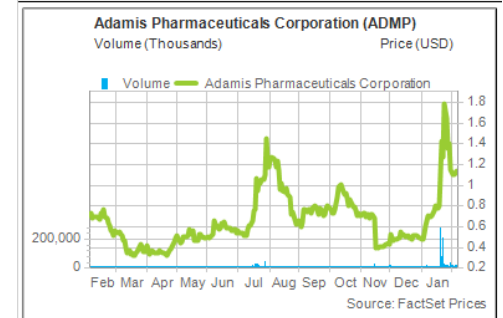
Novartis is Out; US WorldMeds is In. US WorldMeds obtained U.S. rights to commercialize and distribute SYMJEDI and ZIMHI, if approved by the FDA, in exchange for an upfront payment and potential regulatory and commercial milestones totaling up to \$26 million. Additionally, after deducting the supply 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.

Deja Vu – We recall the long and arduous journey and multiple CRLs the company received for Symjepi. The approval was delayed years while the EPI pen market has changed substantially. Essentially, Adamis missed the opportunity window with Symjepi, and we now see the same cycle repeating with ZIMHI (high dose Naloxone). Last November (11.13.20), Adamis received a CRL for ZIMHI (high dose Naloxone). The company previously stated: "All of the company's responses to the deficiencies will be submitted before year-end. The company will then ask the FDA for a Type A meeting. If the matter cannot be resolved with the FDA Division that sent the CRL, Adamis intends to appeal the matter within the agency through a Formal Dispute Resolution."

Valuation: Back in August, we lowered Adamis to Neutral as the stock had reached our target valuation, and we subsequently removed our price target. Our product models project peak Naloxone sales reaching \$166M (2030) and SYMJEDI revenues of \$104M (2030). We have eliminated the compounding pharmacy revenues. We have adjusted our shares to reflect the recent raise.

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	\$1.14		
Price Target	NA		
Estimates	F2019A	F2020E	F2021E
Expenses (\$000s)	\$ 51,142	\$ 43,786	\$ 37,603
1Q March	\$ 13,843	\$ 11,778	\$ 8,649
2Q June	\$ 13,512	\$ 9,496	\$ 9,025
3Q September	\$ 12,608	\$ 11,140	\$ 9,777
4Q December	\$ 11,179	\$ 11,371	\$ 10,153
	F2019A	F2020E	F2021E
EPS (diluted)	\$ (0.57)	\$ (0.40)	\$ (0.17)
1Q March	\$ (0.19)	\$ (0.12)	\$ (0.05)
2Q June	\$ (0.17)	\$ (0.14)	\$ (0.05)
3Q September	\$ (0.12)	\$ (0.09)	\$ (0.02)
4Q December	\$ (0.09)	\$ (0.05)	\$ (0.06)
EBITDA/Share	(\$0.55)	(\$0.36)	(\$0.17)
EV/EBITDA (x)	0.0	0.0	0.0
Stock Data			
52-Week Range	\$0.27	-	\$2.34
Shares Outstanding (mil.)			134.2
Market Capitalization (mil.)			\$153
Enterprise Value (mil.)			\$146
Debt to Capital			2%
Book Value/Share			\$1.18
Price/Book			1.0
Average Three Months Trading Volume (K)			1,906
Insider Ownership			1.7%
Institutional Ownership			7.5%
Short interest (mil.)			2.5%
Dividend / Yield			\$0.00/0.0%

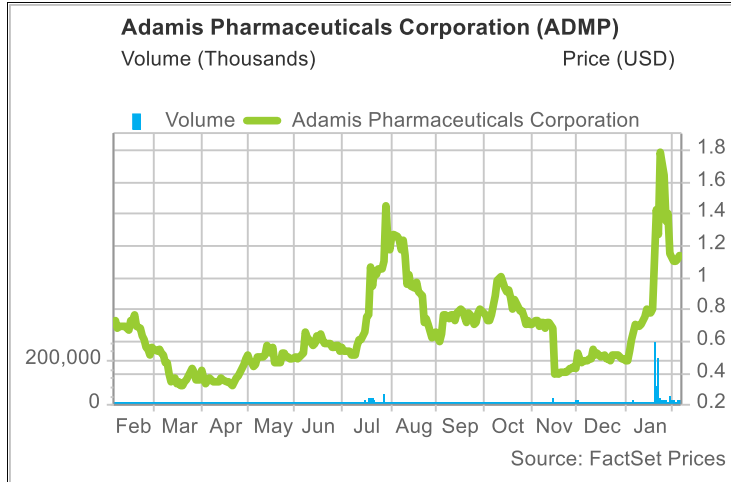


Companies mentioned in this report:

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
- Update – Neutral – February 5, 2021 – Price Target NA

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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.

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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	21	72%	5	24%
Market Perform (Neutral)	8	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	29	100%	5	17%

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