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Toll-Free: 561-391-5555 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## Adamis Pharmaceuticals (ADMP-NASDAQ)

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Jason H. Kolbert

 Head of Healthcare Research  
 jkolbert@dawsonjames.com

### The Downward Spiral Continues as the Company Reports a \$20M Loss – We Remain on the Sidelines – Neutral-Rated

In February, we wrote: "Adamis as a company continues to flounder as we are confused in terms of the company's strategic direction. The sale of the compounding business at a loss tells us that management was not able to 'execute' the turnaround." Our thinking hasn't changed. In our opinion, the 4<sup>th</sup>-quarter numbers were awful, with revenues sequentially lower, resulting in a \$50M loss in the year. While the company raised dilutive capital, the cash will likely go quickly, based on our projections, so additional dilution is likely. We continue to be Neutral-rated on the stock.

#### Investment Highlights

**SYMJEPI is now available through partner U.S. WorldMeds.** In January, SYMJEPI became available through the Walgreens Prescription Savings Club. The products are being offered at a discounted price of \$99.99 per two-pack, which the company believes is the lowest price for an epinephrine device in the U.S. In other words, the strategy is to be the low-price (lowest margin) late entrant to the market. Our work to model revenues was originally based on a very different set of assumptions.

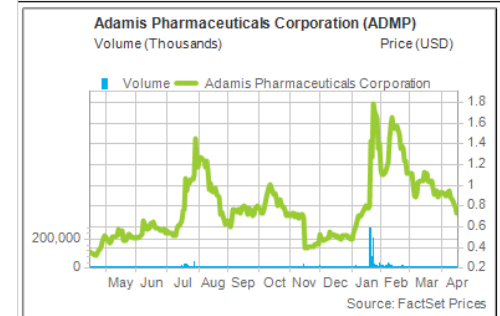
**ZIMI (Naloxone).** Adamis submitted responses to the FDA to address the deficiencies identified in a complete response letter (CRL) received in November. Adamis recently met with the FDA to discuss the responses. After the meeting, and based on discussions with the agency, Adamis expects to resubmit the Naloxone NDA within the next 45 days.

**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. The company previously stated: "All of the company's responses to the deficiencies will be submitted before year-end." That has now finally happened. The company met with regulators and now expects to resubmit Naloxone in the next 45 days.

**Valuation:** Back in August, we lowered our rating on 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 (2030E) and SYMJEPI revenues of \$104M (2030E). We have eliminated the compounding pharmacy revenues. We have adjusted our projected share count to reflect the recent raise.

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

Current Price	\$0.74		
Price Target	NA		
<b>Estimates</b>	<b>F2019A</b>	<b>F2020A</b>	<b>F2021E</b>
<b>Expenses (\$000s)</b>	\$ 51,142	\$ 49,778	\$ 39,849
1Q March	\$ 13,843	\$ 11,778	\$ 9,165
2Q June	\$ 13,512	\$ 9,496	\$ 9,564
3Q September	\$ 12,608	\$ 11,140	\$ 10,361
4Q December	\$ 11,179	\$ 17,364	\$ 10,759
	<b>F2019A</b>	<b>F2020A</b>	<b>F2021E</b>
<b>EPS (diluted)</b>	\$ (0.57)	\$ (0.59)	\$ (0.24)
1Q March	\$ (0.19)	\$ (0.12)	\$ (0.06)
2Q June	\$ (0.17)	\$ (0.14)	\$ (0.06)
3Q September	\$ (0.12)	\$ (0.09)	\$ (0.06)
4Q December	\$ (0.09)	\$ (0.24)	\$ (0.06)
<b>EBITDA/Share</b>	(\$0.55)	(\$0.59)	(\$0.24)
<b>EV/EBITDA (x)</b>	0.0	0.0	0.0
<b>Stock Data</b>			
52-Week Range	\$0.32	-	\$2.34
Shares Outstanding (mil.)	134.2		
Market Capitalization (mil.)	\$99		
Enterprise Value (mil.)	\$92		
Debt to Capital	2%		
Book Value/Share	\$1.18		
Price/Book	0.6		
Average Three Months Trading Volume (K)	8,514		
Insider Ownership	1.3%		
Institutional Ownership	7.9%		
Short interest (mil.)	3.0%		
Dividend / Yield	\$0.00/0.0%		



Please find Important Disclosures beginning on Page 3.

### Exhibit 1. Income Statement

Adamis Pharmaceuticals Corporation: Income Statement (\$000)																					
ADMP- YE December	2018A	2019A	2020A	1Q21E	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Symjepi Gross revenues (not included in total product sales)*		670	800	1,231	1,285	1,392	1,445	5,353	1,259	1,314	1,423	1,478	5,475	11,198	17,177	23,422	23,953	24,496	25,051	25,619	26,200
Naloxone Gross revenues (not included in total product sales)*			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
APC-4000 Fluticasone - Taper Dry Powder Inhaler (DPI)			-	0	0	0	0	-	-	0	0	0	-	-	-	-	-	-	-	-	-
APC-8000 Tadalafil (Erectile Dysfunction)			-	0	0	0	0	-	0	0	0	0	-	-	-	-	-	-	-	-	-
Pharmaceutical Compounding business	15,087	22,113	16,527	0	0	0	0	-	0	0	0	0	-	-	-	-	-	-	-	-	-
<b>Total Product Sales *</b>	<b>15,087</b>	<b>22,783</b>	<b>16,527</b>	<b>1,231</b>	<b>1,285</b>	<b>1,392</b>	<b>1,445</b>	<b>5,353</b>	<b>2,476</b>	<b>2,584</b>	<b>2,799</b>	<b>2,907</b>	<b>10,765</b>	<b>38,189</b>	<b>99,990</b>	<b>136,621</b>	<b>146,111</b>	<b>156,364</b>	<b>167,482</b>	<b>179,583</b>	<b>192,798</b>
Royalty Revenue on Symjepi & Naloxone*	-	335	200	616	642	696	723	2,677	1,238	1,292	1,399	1,453	5,383	19,094	49,995	68,311	73,056	78,182	83,741	89,792	96,399
% Royalty (slides on Commercial levels)	-	50%	25%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Symjepi / Naloxone Milestones	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Product Sales &amp; Royalties &amp; Milestones</b>	<b>15,087</b>	<b>22,448</b>	<b>17,127</b>	<b>616</b>	<b>642</b>	<b>696</b>	<b>723</b>	<b>2,677</b>	<b>1,238</b>	<b>1,292</b>	<b>1,399</b>	<b>1,453</b>	<b>5,383</b>	<b>19,094</b>	<b>49,995</b>	<b>68,311</b>	<b>73,056</b>	<b>78,182</b>	<b>83,741</b>	<b>89,792</b>	<b>96,399</b>
<b>Expenses</b>																					
Cost of Goods Sold	9,798	15,479	14,894	62	64	70	72	268	63	66	71	74	274	560	859	1,171	1,198	1,225	1,253	1,281	1,310
%COGS	65%	68%	90%	5%	5%	5%	5%	5%	3%	3%	3%	3%	3%	1%	1%	1%	1%	1%	1%	1%	1%
Research and Development + Impairment	18,804	10,376	8,281	2,000	2,087	2,261	2,348	8,695	2,100	2,191	2,374	2,465	9,130	9,586	10,065	10,569	10,674	10,781	10,889	10,998	11,108
%R&D	125%	46%	50%	162%	162%	162%	162%	162%	85%	85%	85%	85%	85%	25%	10%	8%	7%	7%	7%	6%	6%
General and Administrative	25,948	25,288	30,581	7,104	7,413	8,031	8,339	30,887	7,175	7,487	8,111	8,423	31,195	31,507	31,822	32,141	32,462	32,787	33,115	33,446	33,780
%SG&A	48%	49%	61%	78%	78%	78%	78%	78%	77%	77%	77%	77%	77%	76%	74%	73%	73%	73%	73%	73%	73%
<b>Total expenses</b>	<b>54,550</b>	<b>51,142</b>	<b>49,776</b>	<b>9,165</b>	<b>9,564</b>	<b>10,361</b>	<b>10,759</b>	<b>39,849</b>	<b>9,338</b>	<b>9,744</b>	<b>10,556</b>	<b>10,962</b>	<b>40,599</b>	<b>41,653</b>	<b>42,747</b>	<b>43,880</b>	<b>44,334</b>	<b>44,792</b>	<b>45,256</b>	<b>45,724</b>	<b>46,198</b>
Operating income (Loss)	(39,464)	(29,351)	(32,651)	(8,550)	(8,921)	(9,665)	(10,037)	(37,172)	(8,100)	(8,452)	(9,156)	(9,508)	(35,216)	(22,559)	7,249	24,430	28,722	33,389	38,485	44,067	50,201
Interest expense	(158)	(123)	(160)																		
Interest Income	245	176	84																		
Gain/Loss on extinguishment of debt		(322)																			
Change in fair value of derivative liabilities																					
Change in fair value of conversion feature liability			465																		
Change in fair value of warrants																					
Impairment Expense																					
<b>Total other income</b>	<b>-</b>	<b>(322)</b>	<b>465</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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(39,376)</b>	<b>(29,298)</b>	<b>(49,389)</b>	<b>(8,550)</b>	<b>(8,921)</b>	<b>(9,665)</b>	<b>(10,037)</b>	<b>(37,172)</b>	<b>(8,100)</b>	<b>(8,452)</b>	<b>(9,156)</b>	<b>(9,508)</b>	<b>(35,216)</b>	<b>(22,559)</b>	<b>7,249</b>	<b>24,430</b>	<b>28,722</b>	<b>33,389</b>	<b>38,485</b>	<b>44,067</b>	<b>50,201</b>
Discontinued operations																					
Write down of discontinued operations receivable																					
Loss from continued operations																					
Income Tax Benefit (Provision)	369	(9)	(2)	-	-	-	-	-	(972)	(1,014)	(1,099)	(1,141)	(4,226)	(4,061)	1,450	5,863	6,893	8,013	10,776	13,220	17,068
<b>Tax Rate</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>12%</b>	<b>12%</b>	<b>12%</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>(49,391)</b>	<b>(8,550)</b>	<b>(8,921)</b>	<b>(9,665)</b>	<b>(10,037)</b>	<b>(37,172)</b>	<b>(7,128)</b>	<b>(7,438)</b>	<b>(8,057)</b>	<b>(8,367)</b>	<b>(30,990)</b>	<b>(18,498)</b>	<b>5,799</b>	<b>18,567</b>	<b>21,829</b>	<b>25,376</b>	<b>27,709</b>	<b>30,847</b>	<b>33,133</b>
Deemed Dividend on Preferred Stock																					
<b>GAAP-EPS</b>	<b>(1.00)</b>	<b>(0.57)</b>	<b>(0.64)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.08)</b>	<b>(0.08)</b>	<b>(0.30)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.25)</b>	<b>(0.15)</b>	<b>0.05</b>	<b>0.15</b>	<b>0.17</b>	<b>0.20</b>	<b>0.22</b>	<b>0.24</b>	<b>0.26</b>
GAAP EPS (dil)	(1.00)	(0.57)	(0.59)	(0.06)	(0.06)	(0.06)	(0.06)	(0.24)	(0.05)	(0.05)	(0.05)	(0.05)	(0.19)	(0.11)	0.03	0.11	0.12	0.14	0.14	0.16	0.16
Wgtd Avg Shrs (Bas) - '000s	39,085	53,263	77,570	122,819	122,941	123,064	123,187	123,003	123,311	123,434	123,557	123,681	123,496	123,990	124,487	124,986	125,487	125,989	126,494	127,001	127,509
Wgtd Avg Shrs (Dil) - '000s	39,085	53,304	83,462	153,523	155,059	156,609	158,175	155,842	158,175	159,757	161,355	162,968	160,564	165,429	170,442	175,606	180,927	186,409	192,058	197,877	203,873

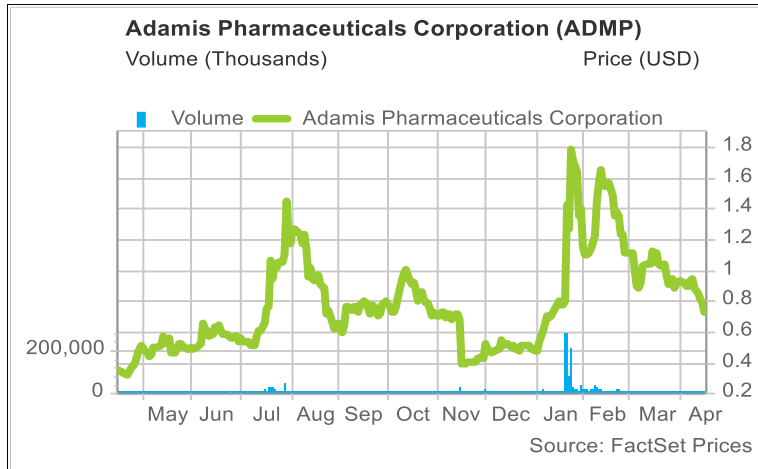
Source: Dawson James estimates, company reports

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
- Update – Neutral – February 5, 2021 – Price Target NA
- Update – Neutral – April 16, 2021 – Price Target NA

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	Company Coverage		Investment Banking	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	69%	6	30%
Market Perform (Neutral)	9	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	29	100%	6	21%

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