

# Adamas Pharmaceuticals, Inc.

(ADMS)

## SMALL & MID CAP RESEARCH

### Phase 3 Trial Start and New Patent Positives, New Competitor a Possible Headwind

- **Bottom Line:** Adamas announced two pieces of positive news after the close on their lead, wholly-owned pipeline asset ADS-5102 (extended-release amantadine) but some of the upside in the stock may be limited by news of a competitor potentially impacting the longer-term potential of ADS-5102 in levodopa-induced dyskinesia (LID) and other indications. We reiterate our Outperform rating and our DCF-derived \$26 target price.
- **Phase 3 start for ADS-5102 and new patent are positives.** ADMS has initiated the pivotal study for ADS-5102 for use in patients with Parkinson's disease who have developed LID, slightly ahead of our expectation of a 2H 2014 study start. In addition, a new patent has been issued by the US Patent and Trademark Office, this one extending out to 2030 and covering the administration of amantadine prior to bedtime. Both of these points highlight to us a team that is executing on its strategy of developing improved versions of existing drugs and obtaining a comprehensive patent estate to protect these novel assets.
- **New competitor in LID entering phase 3 a potential headwind.** On the other hand, we note a competitor (Osmotica Pharmaceutical) has also entered phase 3 in LID with their version of extended-release amantadine (OS-320) administered in the morning. Given there is very limited public information on OS-320 we are reluctant to give it much credit at this point, but acknowledge the potential threat in LID (and potentially other indications that ADMS is targeting with ADS-5102?) could be a headwind to near-term upside in ADMS shares.

Rating	<b>OUTPERFORM* [V]</b>
Price (09 Jun 14, US\$)	19.35
Target price (US\$)	26.00 <sup>1</sup>
52-week price range	20.07 - 13.00
Market cap. (US\$ m)	323.30
Enterprise value (US\$ m)	202.93

\*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

<sup>1</sup>Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

#### Research Analysts

**Vamil Divan, MD**

212 538 5394

vamil.divan@credit-suisse.com

**Ari Jahja**

212 325 0767

ariyanto.jahja@credit-suisse.com

**Ronak H. Shah, Pharm.D., CFA**

212 325 9799

ronak.shah@credit-suisse.com

#### Financial and valuation metrics

Year	12/13A	12/14E	12/15E	12/16E
EPS (CS adj.) (US\$)	3.51	-0.43	-0.92	-2.58
Prev. EPS (US\$)	—	—	—	—
P/E (x)	5.5	-44.9	-20.9	-7.5
P/E rel. (%)	31.7	-280.8	-145.5	-57.8
Revenue (US\$ m)	71.1	25.2	27.0	—
EBITDA (US\$ m)	57.1	-0.7	-13.9	-43.7
OCFPS (US\$)	1.70	-0.21	-0.75	-2.44
P/OCF (x)	—	-92.7	-25.7	-7.9
EV/EBITDA (current)	4.3	-278.4	-15.6	-5.9
Net debt (US\$ m)	-79	-120	-107	-66
ROIC (%)	-1,536.54	95.56	462.35	1,638.07
Number of shares (m)	16.71	IC (current, US\$ m)		-3.63
BV/share (Next Qtr., US\$)	5.4	EV/IC (x)		-172.6
Net debt (Next Qtr., US\$ m)	-75.8	Dividend (current, US\$)		—
Net debt/tot eq (Next Qtr., %)	-101.9	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates

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**Companies Mentioned** (Price as of 09-Jun-2014)

**Adamas Pharmaceuticals, Inc.** (ADMS.OQ, \$19.35, OUTPERFORM[V], TP \$26.0)  
**Forest Laboratories Inc.** (FRX.N, \$94.05)

## Disclosure Appendix

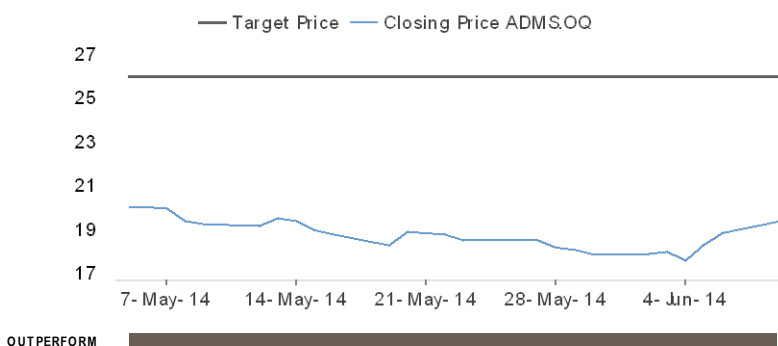
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**3-Year Price and Rating History for Adamas Pharmaceuticals, Inc. (ADMS.OQ)**

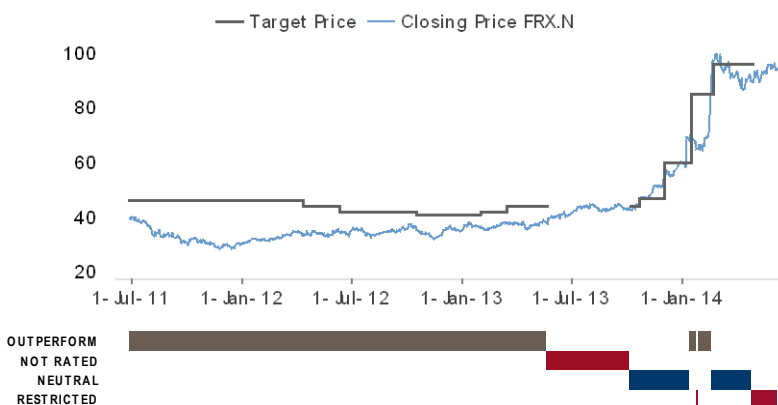
ADMS.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
05-May-14	20.00	26.00	O *

\* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for Forest Laboratories Inc. (FRX.N)**

FRX.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
28-Jun-11	39.71	46.00	O
11-Apr-12	33.54	44.00	
11-Jun-12	34.43	42.00	
16-Oct-12	35.43	41.00	
31-Jan-13	36.30	42.00	
15-Mar-13	38.04	44.00	
22-May-13	37.51		NR
08-Oct-13	42.65	44.00	N *
22-Oct-13	46.54	47.00	
02-Dec-13	56.32	60.00	
16-Jan-14	68.28	85.00	O
27-Jan-14	65.14		R
31-Jan-14	66.30	85.00	O
21-Feb-14	96.88	96.00	N
28-Apr-14	89.50		R

\* Asterisk signifies initiation or assumption of coverage.



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#### Price Target: (12 months) for Adamas Pharmaceuticals, Inc. (ADMS.OQ)

**Method:** Our \$26 target price is based on discounted cash flow valuation. We use a 10.5% weighted average cost of capital and forecast discounted cash flows through 2029, with no terminal value thereafter.

**Risk:** Risks to our \$26 target price are (1) Pipeline setbacks; (2) slower-than-expected membrane franchise growth; and (3) earlier-than-expected generic competition for key products.

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