

## Adamas Pharmaceuticals (ADMS : US\$18.62)

### Adamas Pharmaceuticals jumps 37% in 2014, beating 91% of the market

Adamas Pharmaceuticals Inc, NASDAQ's 24th largest healthcare-products company by market cap, has now jumped US\$5.02 (or 36.9%) year to date in 2014 to close at US\$18.62. This gain means the stock has outperformed 91% of NASDAQ-listed stocks in 2014. The volume YTD has been 0.6 times average trading of 48,650 shares. Compared with the NASDAQ-100 Index which has risen 13.6% YTD, this represents a relative price increase of 23.3%. In 2014 the market cap has jumped US\$87.6 million.

### Introduction

**We are currently bullish on this stock, both in the short-term based on technical indicators, as well as in the long-term based on fundamental metrics.**

**What makes us most bullish on the stock is the following:**

- "An earnings-to-price yield of at least twice the triple-A bond"; the stock's earning yield of 16.4% is 6.6 times the triple-A bond yield of 2.5%.
- "Current ratio of two or more"; current assets are 20.4 times current liabilities.

**However, there are some reasons why some in the market are more bearish on the stock:**

- Its Moving Average Convergence Divergence indicators are falling, with its 12-day EMA lower than its 26-day EMA.
- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 3.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

### Stock Summary

<b>Sector</b>	Healthcare-Products
<b>Market Cap</b>	US\$311.1 million
<b>Shares Outstanding</b>	16,707,822
<b>EPS Growth</b>	187
<b>ISIN</b>	US00548A1060
<b>Relative Strength (3 mo)</b>	66

### Financial Summary

Year ended	Dec 2013	Dec 2012	Dec 2011
Sales (USD)	71.1M	37.47M	1.98M
Pretax (USD)	52.11M	18.04M	(8.23M)
Net (USD)	50.92M	17.74M	(8.24M)
EPS (USD)	3.1	1.08	(0.5)

### MCap: A Historical Perspective

	Share Price (USD)	Market Cap (US\$)
Last	18.6	311.1 million

# Analysis

## Bullish Signals

- In the last 1 trading sessions there has been a net rise of 1.2%; the stock has advanced ten times and the biggest one day rise was 7.8% on Sep 30.

### Undervaluation:

- The earnings yield of 16.4% is 6.5 times the 10-year bond yield of 2.5%.
- The company is cash rich with Cash to Market Capitalisation at 27.5%.

### Other Bullish Signals:

- Net Profit margin has shown signs of recovery in recent quarters.

### Quarterly Trend:

[Quarter ended, all figures in %]:

Qtr	Revenue Growth	Net Profit Margin
Jun 14	14,192	65.3
Mar 14	-	-3,625

## % Growth Y.O.Y, Revenue & Net Profit



Also, the following criteria set by Benjamin Graham:

- "An earnings-to-price yield of at least twice the triple-A bond"; the stock's earning yield of 16.4% is 6.6 times the triple-A bond yield of 2.5%.
- "Current ratio of two or more"; current assets are 20.4 times current liabilities.

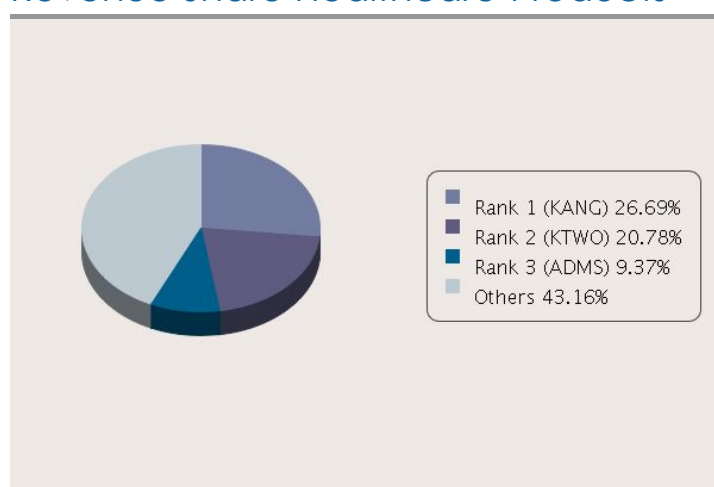
The stock has a score of 5 out of 9 set by Joseph Piotroski [pass mark >=5 ]:

Positive net income; positive operating cashflow; improvement in current ratio from 1.7 to 20.4; Total shares on issue unchanged; improvement in asset turnover [growth in revenue of 89.8% exceeded growth in assets of 34.1%].

### Bullish Indicators and Rank in Market:

Description	Value	Rank In Market
EPS Growth %	187	In Top 2%
Net Profit Margin %	71.6	In Top 2%
Price Change %	7.8	In Top 3%
Price Earnings	6.1	In Top 7%
Cash to MCap %	27.5	In Top Quartile

## Revenue Share Healthcare-Products



## Bearish Signals

- The price is at a premium of 4.1% to the 1-month volume weighted average price of US\$17.88. Given that this premium has been under 4.1% seventy-four times and over 4.1% thirty-seven times in the last year, the downside:upside probability is estimated at 74:37 or 2:1.
- The Moving Average Convergence Divergence (MACD) indicator of 12-day Exponential Moving Average (EMA) of 17.47 minus the 26-day EMA of 17.48 is negative suggesting a bearish signal.
- The stock is overbought according to the Williams % R indicator of -1.2.
- The current short volume is 2.8 times its own historical average of 0.1%. It soared 66.3% from the previous day, soared 84.1% from a week ago and soared 66.2% from a month ago, a significant bearish indicator.

### Overvaluation:

- The Q Ratio, defined by James Tobin as MCap divided by Total Assets, is 3.6. Compared with the rest of the market the stock is overvalued and ranks in the bottom quartile of stocks by value of Q Ratio.

## Analysis (continued)

### Other Bearish Signals:

#### Bearish Indicators and Rank in Market:

Description	Value	Rank In Market
Price to Sales	4.4	In Bottom Quartile
Price/MAP50	0.63	In Bottom 9%
Volatility %	10.4	In Bottom 4%

### Note

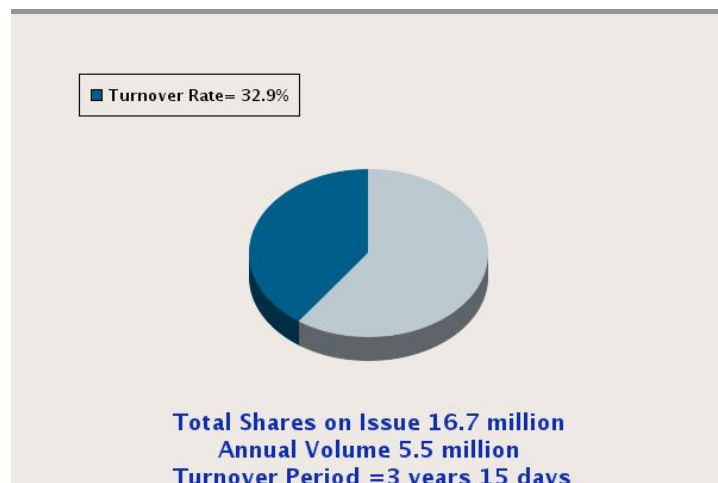
#### Neutral Indicators and Rank in Market:

Description	Value	Rank In Market
MCap	US\$311.1 million	In 3rd Quartile
Turnover in Quarter	US\$48.1 million	In 3rd Quartile

### Insider Trades



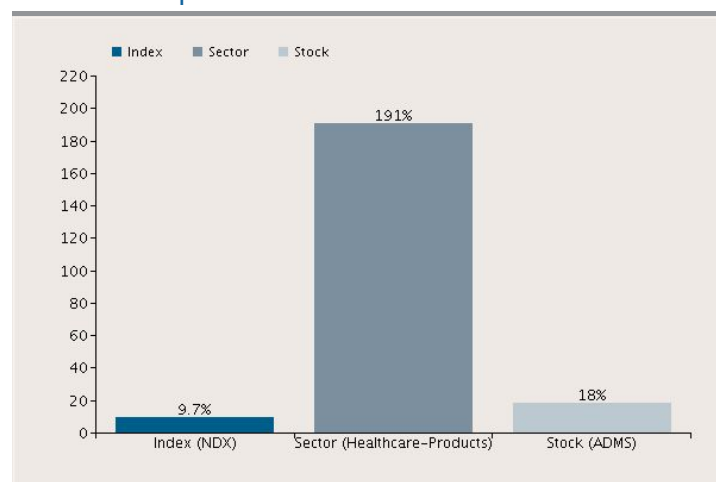
### Turnover Rate & Turnover Period



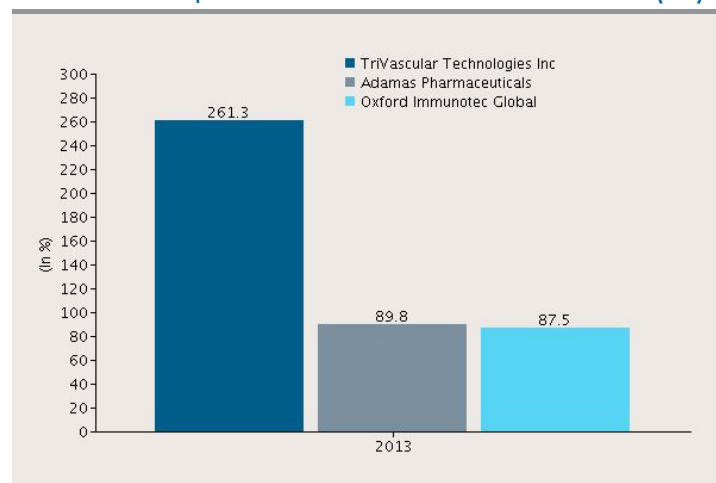
### Trailing 3 months

Turnover	US\$48.1 million
Volume	2,821,103
Volume Index (1 is avg)	0.9

### YTD Comparison Stock Sector Index



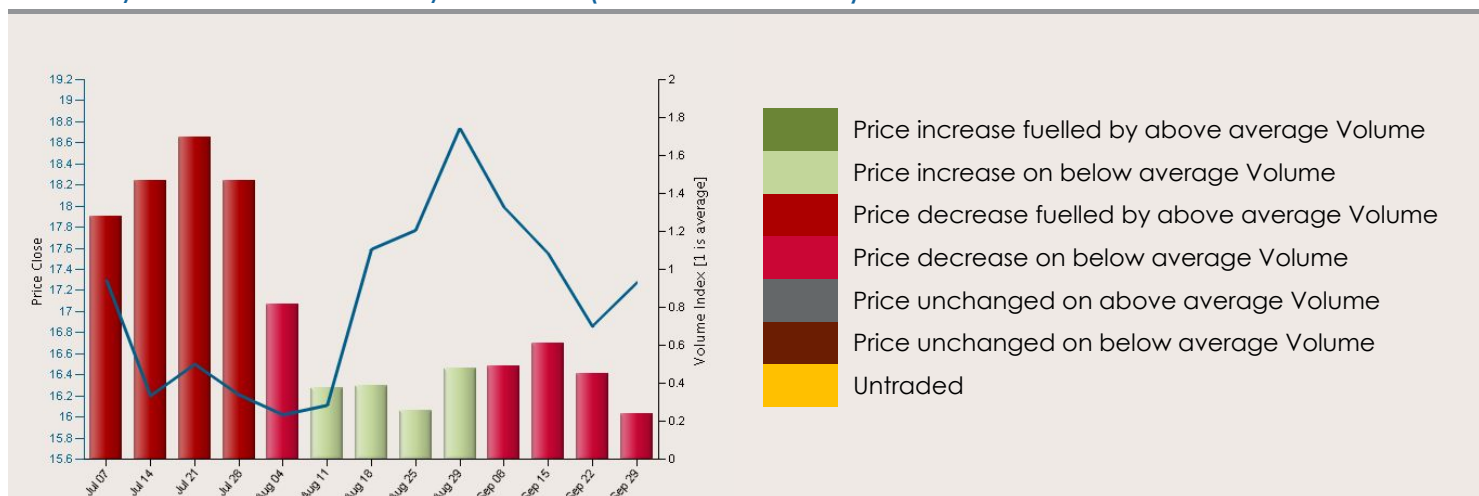
### Peer Comparison Revenue Growth (%)



## Price Volume Trend: Trailing Quarter



## Weekly Price Volume Dynamics (Last 12 Weeks)



## Recent Analyst Recommendations

Date	Brokerage	Action	Past Rating	Current Rating	Prev Target	Price Target
12-Aug-2014	Credit Suisse	Boost Price Target	-	-	26	30

## Company Overview

### Regulatory Announcements

To view Recent Company Headlines, [click here](#)

August 05: United States Patent Issued to Adamas Pharmaceuticals  
June 16: Adamas Pharmaceuticals To Present At JMP Securities Healthcare Conference 2014  
June 10: Adamas Pharmaceuticals Announces Rater Training Data on ADS-5102 for Parkinson's Disease Patients with Levodopa-Induced Dyskinesia  
June 09: United States Patent Issued To Adamas Pharmaceuticals  
June 09: Adamas Pharmaceuticals Initiates Phase 3 Trial For ADS-5102 In Parkinson's Disease Patients With Levodopa-Induced Dyskinesia  
May 13: Adamas Reports First Quarter 2014 Financial Results  
April 30: Adamas Pharmaceuticals Provides Data Update On ADS-5102 At The American Academy Of Neurology Annual Meeting

To view 8-K people news for Adamas-Pharmaceuticals, [click here](#)

August 13: Adamas Pharmaceuticals appoints Jeffrey Knapp as COO 14 August 2014  
August 13: Adamas Pharmaceuticals CFO Anthony M. Rimac departs 14 August 2014  
August 13: Adamas Pharmaceuticals appoints William J. Dawson as CFO 14 August 2014

To view 8-K other news for Adamas-Pharmaceuticals, [click here](#)

August 07: Adamas Pharmaceuticals: Results of Operations and Financial Condition

### Issued Capital

Based on 16,707,822 issued equity shares the market capitalisation is US\$311.1 million. It is NASDAQ's 11th largest Healthcare-Products company by assets.

## Board and Management

### Gregory Went CEO & Chairman & Director

Dr. Went, founding CEO and Chairman of Adamas Pharmaceuticals, has overseen the development of the company since its inception. Previously, Dr. Went co-founded CuraGen Corporation in 1992, where he served as an Executive Vice President and Director. Dr. Went serves on the Board of Directors of Angelica Therapeutics. Dr. Went received his Ph.D. in Chemical Engineering from the University of California, Berkeley, a B.S. in Chemical Engineering from Carnegie Mellon University and is the author of 21 papers and an inventor on more than 45 patents and patent applications.

### William J. Dawson CFO

Mr. Dawson previously served as Chief Financial Officer of Catalyst Biosciences, Inc., a privately-held biotechnology company from March 2010 to April 2012. From August 2004 to April 2009, Mr. Dawson served as Vice President, Finance and Chief Financial Officer of Cerus Corporation, a publicly-held biopharmaceutical company, where Mr. Dawson was responsible for managing Cerus' corporate development efforts and its financial and accounting organization. Prior to joining Cerus, Mr. Dawson served in a variety of senior financial positions at companies in the biotechnology, healthcare services and information technology, investment banking, alternate energy and transportation industries. Mr. Dawson has served as a member of the board of directors of McGrath RentCorp, a publicly held business-to-business rental company, since 1998 and as a member of the board of directors of Wellington Trust Company, a subsidiary of Wellington Management Company, LLP, a private institutional investment management company, since 2001. Mr. Dawson received a Bachelor's degree from Stanford's School of Engineering, Department of Architecture with a concentration in Mechanical Engineering and an M.B.A. from Harvard Business School.

#### **Creation of shareholder value in Adamas Pharmaceuticals:**

Since appointment as CFO: The present value of USD1,000 invested on the appointment date of August 12, 2014 at close price of US\$16.21 is US\$1,149, for a capital gain of US\$149.

### John MacPhee Director

Mr. MacPhee serves as the Executive Director and CEO of The Jed Foundation, a non-profit organization dedicated to promoting emotional health and preventing suicide among college and university students, and brings 20 years of leadership and management experience from the business and not-for-profit settings. Prior to The Jed Foundation, he served as president of Strativa Pharmaceuticals, where he oversaw commercial operations, clinical development, medical affairs, alliance management and business development. Previously, he worked at Forest Laboratories, where he led the launches of Celexa, Lexapro and Namenda. Mr. MacPhee also serves as a board member for Bottom Line, a nonprofit organization that provides guidance counseling to disadvantaged urban youth to help them get into college and graduate. He earned a B.A. from Columbia College, an M.B.A. from New York University and an M.P.H. from Columbia University.

### Sara Grootwassink Lewis Director

Ms. Lewis is the Chief Executive Officer of Lewis Corporate Advisors, LLC, a capital markets advisory firm. Previously, Ms. Lewis was the Executive Vice President and Chief Financial Officer of Washington Real Estate Investment Trust. Ms. Lewis serves on the Board of Directors of CapitalSource, PS Business Parks and Plum Creek Timber. Ms. Lewis holds the Chartered Financial Analyst (CFA) designation, and is a Certified Public Accountant (CPA), registered in the State of Illinois. She received her B.S. in Finance from the University of Illinois, Urbana-Champaign. Ms. Lewis also serves on the Corporate Governance Working Group for the US Chamber of Commerce - Center for Capital Markets Competitiveness, and is a member of the Economic Club of Washington, DC. She is a National Association of Corporate Directors Board Leadership Fellow, a member of the Tapestry West Audit Committee Network and a member of the Audit Committee Roundtable of Orange County.



## Board and Management (continued)

### Martha Demski Director

Ms. Demski currently serves as Senior Vice President and Chief Financial Officer of Ajinomoto Althea, Inc. She has more than 30 years experience in the fields of finance and biotechnology. Ms. Demski also serves on the Board of Directors of Chimerix, Inc. She previously served as the Interim Chief Operating Officer and CFO of the Sidney Kimmel Cancer Center (SKCC), and as CFO of Vical Incorporated where she was responsible for multiple private and public financings, including Vical's IPO. Ms. Demski was also previously a VP and Section Manager with Bank of America, with expertise in financing the corporate lending and leasing needs of biotech and other client companies. She holds an M.B.A. from The University of Chicago Booth School of Business, and a B.A. from Michigan State University.

### William Ericson Director

Mr. Ericson is a general partner with Mohr Davidow Ventures (MDV). Mr. Ericson was a co-founder of Rosetta Inpharmatics and served on the company's Board until its acquisition by Merck in 2001. He joined MDV after 10 years of working with and investing in entrepreneurs and early stage companies, most recently as managing partner and founder of Venture Law Group's Seattle office. Mr. Ericson currently serves on the boards of several private software and life sciences infrastructure companies. Mr. Ericson received his B.S.F.S. from Georgetown University of Foreign Service and J.D. from Northwestern University School of Law.

### Ivan Lieberburg Director

Dr. Lieberburg is currently a member of the Tavistock Group, a private equity firm, where he concentrates on health care and life sciences investment opportunities. Prior to joining Tavistock in 2009, Dr. Lieberburg was employed at Elan, plc, for 22 years, where his most recent role was as Executive Vice President, Corporate Office of Technology and Chief Medical Officer. Prior to joining Elan (formerly Athena Neurosciences, Inc.) in 1987, Dr. Lieberburg held faculty positions at Albert Einstein School of Medicine and Mt. Sinai School of Medicine.

### David L. Mahoney Director

Mr. Mahoney is a private equity investor and currently serves as a director of Symantec Corp. and Corcept Therapeutics. Mr. Mahoney served as co-CEO of McKesson HBOC, Inc. (now McKesson Corporation) and as CEO of McKesson LLC from July 1999 to February 2001. He joined McKesson in 1990 as Vice President for Strategic Planning, and is credited with developing innovative business strategies to grow the PCS Health System subsidiary, leading to the sale of PCS to Eli Lilly & Co. Prior to joining McKesson, Mr. Mahoney was a principal with McKinsey & Company from 1981 to 1990. Mr. Mahoney is an honors graduate from Harvard Business School and Princeton University.

### Richard H. Booth Director

Mr. Booth serves as a senior advisor to Century Capital Management LLC, an investment advisory firm located in Boston, Massachusetts. Previously, Mr. Booth served as Vice Chairman of Guy Carpenter & Company, LLC, a wholly owned subsidiary of Marsh & McLennan Companies, Inc., as a corporate officer, and Vice Chairman, Transition Planning and Chief Administrative Officer, of American International Group, Inc. From January 2000 to March 2009, he also served as Chairman and a director of HSB Group, Inc. and as Chairman and a director of Hartford Steam Boiler Inspection and Insurance Company. Mr. Booth serves on the boards of Northeast Utilities, SunLife Financial Inc., The Hanover Insurance Group, Inc. and several private and/or non-profit companies. He is a former member of the Financial Accounting Standards Advisory Council and its Steering Committee and is a National Association of Corporate Directors Board Leadership Fellow. Mr. Booth received B.S. and M.S. degrees from the University of Hartford.

## Board and Management (continued)

### Jeffrey Knapp Chief Operating Officer

Mr. Knapp previously served as the Company's Chief Commercial Officer since February 2014. From July 2006 to March 2013, Mr. Knapp served as Chief Commercial Officer of Affymax, Inc., a biopharmaceutical company. From November 2005 to April 2006, Mr. Knapp served as Senior Vice President, Sales and Marketing at Abgenix, Inc., a biopharmaceutical company. From October 2004 to July 2005, Mr. Knapp served as Vice President, Sales and Marketing, North America at Pharmion Corporation, a pharmaceutical company. From November 2001 to October 2004, Mr. Knapp served as Vice President, U.S. sales and marketing at EMD Pharmaceuticals, a division of Merck KGaA, a pharmaceutical company. He has also held sales, marketing and business development positions at Eli Lilly and Company and Schering-Plough Corporation, both pharmaceutical companies. Mr. Knapp holds a B.A. from Wittenberg University.

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# Financial Results (Half Year)

30 June, 2014

## INCOME STATEMENT

Currency in Thousand of USD	2014-06-30	2013-06-30	Change %
Revenue	25,330	30,824	Down 17.8
Operating expenses			
Research and development	7,931	3,650	Up 117.3
General and administrative	6,371	2,483	Up 156.6
Total operating expenses	14,302	6,133	Up 133.2
Income (loss) from operations	11,028	24,691	Down 55.3
Other income (expense), net	-800	-988	Reduced 19.0
Income (loss) before income taxes	10,228	23,703	Down 56.8
Income tax expense	179	287	Down 37.6
Net income (loss)	10,049	23,416	Down 57.1
Net income (loss) attributable to common stockholders			
Basic	7,894	15,167	Down 48.0
Diluted	8,162	15,928	Down 48.8
Net income (loss) per share attributable to common stockholders			
Basic	63.0c	US\$1.60	Down 60.6
Diluted	53.0c	US\$1.43	Down 62.9
Weighted average number of shares used in computing net income (loss) attributable to common stockholders			
Basic	12,581,000	9,504,000	Up 32.4
Diluted	15,404,000	11,104,000	Up 38.7

## BALANCE SHEET

Currency in Thousand of USD	2014-06-30	2013-12-31	Change %
Assets			
Current assets			
Cash and cash equivalents	144,607	85,612	Up 68.9
Accounts receivable	218	129	Up 69.0
Prepaid expenses and other current assets	956	267	Up 258.1
Total current assets	145,781	86,008	Up 69.5
Property and equipment, net	336	199	Up 68.8
Other assets	70	9	Up 677.8
Total assets	146,187	86,216	Up 69.6
Liabilities, convertible preferred stock and stockholders' equity			
Current liabilities			
Accounts payable	3,284	2,097	Up 56.6
Accrued liabilities	2,556	2,119	Up 20.6
Other current liabilities	151	2	Up 7,450.0
Total current liabilities	5,991	4,218	Up 42.0
Warrant liability		6,232	
Non-current liabilities	8	12	Down 33.3
Total liabilities	5,999	10,462	Down 42.7

# Financial Results (Half Year) (continued)

30 June, 2014

## Commitments and Contingencies

Convertible preferred stock, 0.001 par value - 5,000,000 shares and 6,700,000 authorized at June 30, 2014 and December 31, 2013, and zero and 4,719,174 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively; zero and 77,433 liquidation preference at June 30, 2014 and December 31, 2013, respectively		19,149	
Stockholders' equity Common stock, 0.001 par value - 100,000,000 shares authorized, 16,758,499 and 9,515,528 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	21	14	Up 50.0
Additional paid-in capital	150,690	77,163	Up 95.3
Accumulated deficit	-10,523	-20,572	Reduced 48.8
Total stockholders' equity	140,188	56,605	Up 147.7
Total liabilities, convertible preferred stock and stockholders' equity	146,187	86,216	Up 69.6

## PERFORMANCE RATIOS

	2014-06-30	2013-06-30	Change %
Return on Equity(%)	7.17	41.37	Down 82.7
Return on Assets(%)	6.87	27.16	Down 74.7

## PER SHARE FIGURES

	2014-06-30	2013-06-30	Change %
EPS	53.0c	US\$1.43	Down 62.9
EPS Dilution Factor	0.91		

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