

# Adamas Pharmaceuticals, Inc.

(ADMS)

## SMALL & MID CAP RESEARCH

## Orphan Drug Designation Offers Interesting Possibilities for ADS-5102

- **Bottom Line:** FDA has granted ADMS an orphan drug designation for their wholly-owned phase 3 drug ADS-5102 for the treatment of levodopa-induced dyskinesia (LID). While this decision is driven more by the size of target population than necessarily the potential efficacy or safety of the product itself, we view this news as an incremental positive for the company.
- **The target population for an orphan drug is by definition limited (we believe there are roughly 144,000 patients in the US who suffer from LID annually) but the designation provides the potential for added regulatory exclusivity and pricing power** in these more targeted indications. The presence of generic versions of twice-daily amantadine may limit the price that ADMS can charge for ADS-5102 (which is a once-daily, pharmacokinetically-enhanced version of amantadine) but an approved indication for use in LID (which twice-daily amantadine does not have) along with an orphan drug designation may allow for significant upside to our current price assumption of ~\$15 per patient per day.
- **Ultimately the phase 3 data in LID as well as the possibility of developing ADS-5102 in other indications will dictate the appropriate price for the product.** The first phase 3 data in LID is expected in 4Q 2015/1Q 2016 while the company plans to announce the start of a phase 2 study for ADS-5102 in a second indication in 2Q 2015. We see an opportunity for upside in ADMS ahead of these upcoming catalysts and reiterate our Outperform rating and \$24 target price (~40% upside from the latest closing price).



Rating **OUTPERFORM\* [V]**  
Price (09 Apr 15, US\$) 17.14  
Target price (US\$) 24.00<sup>1</sup>  
52-week price range 20.07 - 13.00  
Market cap. (US\$ m) 303.47  
Enterprise value (US\$ m) 207.08

\*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

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### Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS (CS adj.) (US\$)	0.60	-4.14	-3.99	-2.09
Prev. EPS (US\$)	—	—	—	—
P/E (x)	28.7	-4.1	-4.3	-8.2
P/E rel. (%)	160.0	-23.4	-27.4	-58.7
Revenue (US\$ m)	55.8	—	—	29.9
EBITDA (US\$ m)	18.7	-61.8	-61.8	-32.5
OCFPS (US\$)	1.53	2.36	-3.85	-2.03
P/OCF (x)	11.3	7.3	-4.4	-8.4
EV/EBITDA (current)	13.0	-3.9	-3.9	-7.4
Net debt (US\$ m)	-61	-96	-37	-4
ROIC (%)	12.56	1,074.81	1,396.14	1,672.40
Number of shares (m)	17.71	IC (current, US\$ m)		85.63
BV/share (Next Qtr., US\$)	9.0	EV/IC (x)		-46.3
Net debt (Next Qtr., US\$ m)	-137.7	Dividend (current, US\$)		—
Net debt/tot eq (Next Qtr., %)	-102.7	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates

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**Companies Mentioned** (Price as of 09-Apr-2015)

Adamas Pharmaceuticals, Inc. (ADMS.OQ, \$17.14, OUTPERFORM[V], TP \$24.0)

## Disclosure Appendix

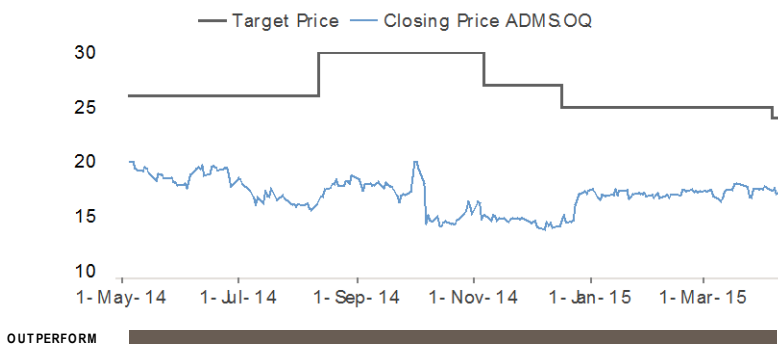
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**3-Year Price and Rating History for Adamas Pharmaceuticals, Inc. (ADMS.OQ)**

ADMS.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
05-May-14	20.00	26.00	O *
12-Aug-14	16.49	30.00	
06-Nov-14	15.08	27.00	
17-Dec-14	14.63	25.00	
06-Apr-15	17.33	24.00	

\* Asterisk signifies initiation or assumption of coverage.



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Restricted	3%	

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

**Method:** Our \$24 target price is based on DCF valuation. We use a 10.5% WACC and forecast discounted cash flows through 2029, with no terminal value thereafter.

**Risk:** Key risks to our \$24 target price include (1) pipeline setbacks; (2) slower-than-expected memantine franchise growth; and (3) earlier-than-expected generic competition for key products.

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See the Companies Mentioned section for full company names

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