

**Action Summary – 11 March 2026**

Analyst Theodore R. O’Neill – Major new news - reiterate our Buy rating and \$20 PT.

**Game changing news.** Two big developments lead us to believe that AD04 is highly likely to be approved and a commercial success in 2027/2028.

**Last controlled study.** We believe the Phase 3 trial it is pursuing will be the last one needed to confirm the efficacy of AD04. The FDA has decided that in certain cases, all it needs to see is one well-controlled study (upcoming Phase 3) and confirmatory evidence from the previous two trials. We have followed this company for five years and you don’t need to be a PhD statistician to see that it has substantial confirmatory evidence from its first two trials. We think Phase 3 will be the last trial for AD04.

**It announced a world class partner with a leading pharmaceutical company and a potential \$60MM.** Molteni Farmaceutici is a pharmaceutical company based in Italy that is at the forefront of developing innovative, highly personalized solutions to address Substance abuse. Addiction treatment is a core focus of its social and healthcare commitment. It is committed to developing safe and innovative solutions for treating addiction to substances like heroin and alcohol, supporting patients toward recovery and healthier lives. This alone would be enough, but as we show in the map in Figure 2, this relationship is Molteni’s first in the US. This could lead to a much larger relationship between the two companies, and the flip side is that it cements a distribution and manufacturing path that opens the European market for ADIL.

**Attractive valuation.** Selling at a discount to our target and book. No change to 2026 estimates.

<b>3/10 price: US\$1.83</b>	<b>Market cap: \$3 million</b>	<b>Multiple of book: 0.49x</b>	<b>EV/2026 Sales: NMF</b>
<b>Shares outstanding: 1.4 million</b>	<b>Insider ownership: 0.5%</b>	<b>3-mo. avg. trading volume: &gt;50,000</b>	<b>Dividend/Yield: NA/NA</b>

**GAAP estimates (EPS in dollars – Revenue in USD millions)**

Period	EPS	Revenue	Op Margin
1Q24A	(\$54.91)	\$0.00	
2Q24A	(\$14.69)	\$0.00	
3Q24A	(\$9.39)	\$0.00	
4Q24A	(\$8.05)	\$0.00	
FY24A	(\$68.01)	\$0.00	NMF
1Q25A	(\$8.52)	\$0.00	
2Q25A	(\$4.61)	\$0.00	
3Q25A	(\$1.79)	\$0.00	
4Q25A	(\$2.00)	\$0.00	
FY25A	(\$11.93)	\$0.00	NMF
1Q26E	(\$1.77)	\$0.00	
2Q26E	(\$1.86)	\$0.00	
3Q26E	(\$1.95)	\$0.00	
4Q26E	(\$1.95)	\$0.00	
FY26E	(\$7.55)	\$0.00	NMF

Note: Numbers may not add due to rounding. See our full model at the back of this report.

**Cash balance (in USD millions)**

• 2022A	• \$4.00
• 2023A	• \$2.83
• 2024A	• \$3.75
• 2025A	• \$5.88
• 2026E	• \$0.28

**Debt (in USD millions)**

• 2022A	• \$0.00
• 2023A	• \$0.00
• 2024A	• \$0.00
• 2025A	• \$0.00
• 2026E	• \$0.00

**Risks/Valuation**

- Risks include a highly regulated and competitive business environment, commercial development, and marketing.
- Our \$20.00 target is derived using a discounted future earnings model.

**Company description:** Adial Pharmaceuticals is a clinical-stage biopharmaceutical company focused on the development of treatments for addictions and related disorders. The Company’s lead investigational new drug product, AD04, is a genetically targeted, serotonin-3 receptor antagonist, therapeutic agent for the treatment of Alcohol Use Disorder (AUD) in heavy drinking patients. Adial is currently planning to conduct a new Phase 3 clinical trial program for the treatment of AUD in subjects with certain target genotypes identified using the Company’s proprietary diagnostic genetic test. ONWARD showed promising results in reducing drinking in heavy drinking patients, with no overt safety or tolerability concerns. AD04 is also believed to have the potential to treat other addictive disorders such as Opioid Use Disorder, gambling, and obesity.

Figure 1 – Adial Pharmaceuticals, Inc. – One-Year Trading snapshot



Source: FactSet

## Significant new news

**Game changer.** Two big developments lead us to believe that AD04 is highly likely to be approved and a commercial success in 2027/2028.

**Last controlled study.** We believe the Phase 3 trial it is pursuing will be the last one needed to confirm the efficacy of AD04. The FDA has decided that in certain cases, all it needs to see is one well-controlled study (upcoming Phase 3) and confirmatory evidence from the previous two trials. We have followed this company for five years and you don't need to be a PhD statistician to see that it has substantial confirmatory evidence from its first two trials. We think Phase 3 will be the last trial for AD04.

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*Figure 3 –Adial Pharmaceuticals, Inc. – Quarterly Variance Analysis (\$000)*

	2025 Q4E	2025 Q4A	Better/(worse) than forecast
<b>Income Statement</b>			
Total Revenue	\$0.0	\$0.0	\$0
Total cost of revenue	<u>0.0</u>	<u>0.0</u>	<u>0</u>
Total Gross Profit	0.0	0.0	0
Operating expenses:			
SG&A	740.0	619.4	121
R&D	<u>1,200.0</u>	<u>1,266.0</u>	<u>(66)</u>
Total Expenses	<u>1,940.0</u>	<u>1,885.4</u>	<u>55</u>
Earnings (loss) from Operations	<u>(1,940.0)</u>	<u>(1,885.4)</u>	<u>55</u>
Total Other income/(expense)	<u>0.0</u>	<u>(110.8)</u>	<u>(111)</u>
Earnings before taxes	<u>(1,940.0)</u>	<u>(1,996.2)</u>	<u>(56)</u>
Tax expense/(benefit)	<u>0.0</u>	<u>0.0</u>	<u>0</u>
Net income	<u>(\$1,940.0)</u>	<u>(\$1,996.2)</u>	<u>(\$56)</u>
EPS	\$ (1.94)	\$ (2.00)	<u>(\$0.06)</u>
Diluted common shares	1,000	1,000	-

Source: Company filings and Litchfield Hills Research LLC

## Valuation Methodology

We believe ADIL is undervalued, and we support that belief with a discounted future earnings model (see Figure 4).

### Discounted Future Earnings – Basis for Price Target

The shares are currently selling for approximately what the company has in cash. The market is assigning no value to AD04. In this situation, it may not make any near-term difference what we pick for a target. Figure 4 shows the implied value of all future earnings, discounted at 10%. This is based on the projection of reaching breakeven in 2029 and suggests a stock value of \$20.23, which we round to \$20.00.

*Figure 4 – Adial Pharmaceuticals, Inc. – Discounted Future Earnings*

<b>Discounted Earnings:</b>			<b>\$20.23</b>
Year		EPS	Discounted EPS
2026	0	(7.55)	(7.55)
2027	1	(7.00)	(6.36)
2028	2	(1.00)	(0.83)
2029	3	0.00	0.00
2030	4	0.50	0.34
2031	5	1.00	0.62
<b>Terminal Value:</b>			34.00

Source: Litchfield Hills Research LLC

## Guidance and Financial Forecasts

The company provides no guidance.

## Comparable companies

In Figure 5, we show comparable companies, many of which are actively pursuing a treatment for alcohol use disorder.

Figure 5 – Adial Pharmaceuticals, Inc. – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2027 Consensus Multiples				
					Market Cap / Sales	EV /Sales	EV / EBITDA	Price to Book	PE
LLY-US	Eli Lilly & Co. (US Listing)	\$1,008.39	951,272	987,869	10.01	9.93	18.26		24.02
MRK-US	Merck & Co., Inc. (US Listing)	\$117.11	289,542	325,442	4.12	4.69	9.91		12.07
NOVO.B-DK	Novo Nordisk A/S (Class B)	\$39.49	175,493	191,845	3.67	4.00	8.74	7.45	11.37
BIIB-US	Biogen Inc.	\$188.24	27,626	30,468	2.96	3.27	9.41	1.42	11.64
EXAS-US	EXACT Sciences Corp.	\$103.71	19,797	21,367	4.73	5.06		8.07	83.23
ALKS-US	Alkermes PLC	\$28.45	4,741	3,492	2.46	1.83	15.15	2.55	30.88
INDV-US	Indivior Pharmaceuticals, Inc. (US Listin	\$32.60	4,068	4,224	3.42	3.62			9.70
ATAI-US	Atai Beckley Inc. (US Listing)	\$3.89	1,413	1,301	NMF	NMF		1.92	
ALT-US	Altimune Inc	\$3.88	505	267				1.78	
EBS-US	Emergent Biosolutions Inc.	\$8.35	432	807				1.23	
CYBN-US	Cybin, Inc. (US Listing)	\$5.52	276	81		1.83			
LFCR-US	Lifecore Biomedical, Inc.	\$6.98	262	428	1.79	2.93		NMF	
TNXP-US	Tonix Pharmaceuticals Holding Corp.	\$13.94	178	(11)	2.02	(0.70)		0.01	
MNOV-US	MediciNova Inc. (US Listing)	\$1.38	68	36				1.55	
ANEB-US	Anebulo Pharmaceuticals, Inc.	\$0.47	19	10				5.07	
CMND-US	Clearmind Medicine Inc.	\$1.02	0	(4)				4.22	
TRVN-US	Trevena, Inc.	\$0.01	0	24					
	<b>AVERAGE</b>				<u>3.91</u>	<u>3.64</u>	<u>12.29</u>	<u>3.21</u>	<u>26.13</u>

Source: Litchfield Hills Research LLC and FactSet

Figure 6 – Adial Pharmaceuticals, Inc. – Income Statement (\$'000)

December ending year	2023A Year	2024A				2024A Year	2025A				2025A Year	2026E				2026E Year
		Q1A	Q2A	Q3A	Q4A		Q1A	Q2A	Q3A	Q4A		Q1E	Q2E	Q3E	Q4E	
<b>Total revenue</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Gross Profit</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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
R&D	1,267	454	1,013	1,032	731	3,229	747	732	521	619	2,620	750	750	750	750	3,000
SG&A	<u>5,621</u>	<u>1,391</u>	<u>1,275</u>	<u>1,180</u>	<u>1,210</u>	<u>5,055</u>	<u>1,520</u>	<u>1,150</u>	<u>1,243</u>	<u>1,266</u>	<u>5,180</u>	<u>1,200</u>	<u>1,300</u>	<u>1,400</u>	<u>1,400</u>	<u>5,300</u>
Total Operating Expenses	6,888	1,845	2,287	2,211	1,941	8,284	2,267	1,883	1,764	1,885	7,799	1,950	2,050	2,150	2,150	8,300
<b>Operating Income</b>	<b>(6,888)</b>	<b>(1,845)</b>	<b>(2,287)</b>	<b>(2,211)</b>	<b>(1,941)</b>	<b>(8,284)</b>	<b>(2,267)</b>	<b>(1,883)</b>	<b>(1,764)</b>	<b>(1,885)</b>	<b>(7,799)</b>	<b>(1,950)</b>	<b>(2,050)</b>	<b>(2,150)</b>	<b>(2,150)</b>	<b>(8,300)</b>
Other expense incl. disc. ops.	<u>1,765</u>	<u>(4,632)</u>	<u>(171)</u>	<u>20</u>	<u>(130)</u>	<u>(4,913)</u>	<u>38</u>	<u>(76)</u>	<u>(30)</u>	<u>(111)</u>	<u>(178)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Pre-Tax Income</b>	<b>(5,123)</b>	<b>(6,477)</b>	<b>(2,458)</b>	<b>(2,192)</b>	<b>(2,071)</b>	<b>(13,197)</b>	<b>(2,229)</b>	<b>(1,959)</b>	<b>(1,794)</b>	<b>(1,996)</b>	<b>(7,977)</b>	<b>(1,950)</b>	<b>(2,050)</b>	<b>(2,150)</b>	<b>(2,150)</b>	<b>(8,300)</b>
Taxes (benefit)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income (loss)</b>	<b>(5,123)</b>	<b>(6,477)</b>	<b>(2,458)</b>	<b>(2,192)</b>	<b>(2,071)</b>	<b>(13,197)</b>	<b>(2,229)</b>	<b>(1,959)</b>	<b>(1,794)</b>	<b>(1,996)</b>	<b>(7,977)</b>	<b>(1,950)</b>	<b>(2,050)</b>	<b>(2,150)</b>	<b>(2,150)</b>	<b>(8,300)</b>
<b>EPS</b>	<b>(\$89.90)</b>	<b>(\$54.81)</b>	<b>(\$14.69)</b>	<b>(\$9.39)</b>	<b>(\$8.05)</b>	<b>(\$68.01)</b>	<b>(\$8.52)</b>	<b>(\$4.61)</b>	<b>(\$1.79)</b>	<b>(\$2.00)</b>	<b>(\$11.93)</b>	<b>(\$1.77)</b>	<b>(\$1.86)</b>	<b>(\$1.95)</b>	<b>(\$1.95)</b>	<b>(\$7.55)</b>
Diluted Shares Outstanding	57	118	167	233	257	194	262	425	1,000	1,000	669	1,100	1,100	1,100	1,100	1,100

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Adial Pharmaceuticals, Inc. – Balance Sheet (\$000)

December ending year	FY2026E	FY2025A	FY2024A	FY2023A	FY2022A
<b>Balance sheet</b>					
Current Assets					
Cash and S.T.I.	\$279	\$5,881	\$3,751	\$2,827	\$4,002
Accounts receivable	0	0	0	0	0
Inventories	0	0	0	0	0
Other assets	600	300	308	372	778
<b>Total Current Assets</b>	<b>879</b>	<b>6,181</b>	<b>4,059</b>	<b>3,199</b>	<b>4,780</b>
Net PP&E	0	0	0	0	0
Other non-current assets	1,100	492	985	1,538	953
<b>Total Assets</b>	<b>\$1,979</b>	<b>\$6,673</b>	<b>\$5,044</b>	<b>\$4,737</b>	<b>\$5,733</b>
Current Liabilities					
Accounts payable	\$750	\$655	\$298	\$127	\$276
Accrued expenses	1,500	742	677	526	1,138
Other current liabilities	0	0	0	0	376
<b>Total current liabilities</b>	<b>2,250</b>	<b>1,397</b>	<b>976</b>	<b>653</b>	<b>1,791</b>
Conv. and Long Term Debt	0	0	0	0	0
Other non-current	3,000	0	0	0	665
<b>Total Liabilities</b>	<b>5,250</b>	<b>1,397</b>	<b>976</b>	<b>653</b>	<b>2,456</b>
Stockholders' Equity					
Preferred stock	0	0	0	0	0
Common stock	1	1	0	0	1
Additional paid-in-capital	95,000	95,248	86,063	72,881	66,950
Retained earnings	(98,272)	(89,972)	(81,995)	(68,798)	(63,675)
Cum. trans. adj. and treasury stock	0	0	0	0	0
Total stockholders' equity	(3,271)	5,276	4,068	4,084	3,276
<b>Total Liabilities and equity</b>	<b>\$1,979</b>	<b>\$6,673</b>	<b>\$5,044</b>	<b>\$4,737</b>	<b>\$5,733</b>

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – Adial Pharmaceuticals, Inc. – Cash Flow (\$'000)

	<b>2026E</b>	<b>2025A</b>	<b>2024A</b>	<b>2023A</b>
Net Income	(\$8,300)	(\$7,977)	(\$13,197)	(\$5,123)
Accounts receivable	0	0	0	0
Inventories	0	0	0	0
Other assets	(300)	9	63	407
PP&E	0	0	0	0
Other non-current	(608)	493	553	(585)
Accounts payable	95	357	171	(149)
Accrued expenses	758	64	152	(613)
Other current liabilities	0	0	0	(376)
Conv. and Long Term Debt	0	0	0	0
Other non-current	3,000	0	0	(665)
Preferred stock	0	0	0	0
Common stock	(0)	1	0	(1)
Additional paid-in-capital	(248)	9,185	13,182	5,931
Stock subscription receivable	0	0	0	0
Other				
<b>Total Cash Flow</b>	<b>(\$5,603)</b>	<b>\$2,131</b>	<b>\$923</b>	<b>(\$1,175)</b>

Source: Litchfield Hills Research LLC

#### Disclosures:

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ADIL-\$20.00 PT

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