



Amphastar Pharmaceuticals, Inc.

AMPH

EQUITY RESEARCH REPORT

May 09, 2026

AMPH — Amphastar Pharmaceuticals, Inc.

Report Date: May 9, 2026

Analyst: Moschovakis Capital Research

Current Price: \$19.00 USD (live, as of 2026-05-09)

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	\$19.00
Fair Value (Base Case)	\$20.50
Margin of Safety	7.9%
Target Entry (if Watchlist)	\$14.50

Return Profile	Value
Dividend Yield	0.0% (no dividend)
Expected Dividend Growth	N/A
Expected Price Appreciation (Base)	5.5% CAGR
Total Expected Return (Base)	5.5% CAGR
Bear Case Total Return	-8.0% CAGR
Bull Case Total Return	14.0% CAGR
Probability-Weighted Return	4.3% CAGR

Risk Assessment	Value
Wealth Preservation Score	41 / 100
Downside Protection Score	35 / 100
Quality Score	48 / 100
Risk Level	ELEVATED
Probability of >50% Loss	18%
Recession Profile	SENSITIVE

One-Line Thesis:

Amphastar is a sub-scale specialty pharma stuck between commoditized generics and an expensive Baqsimi bet, with no dividend, deteriorating margins, and a 75% Q1 2026 net income collapse — it fails the wealth preservation hurdle on almost every dimension.

INVESTMENT THESIS

You are looking at a \$1B specialty pharma manufacturer that does one thing well — complex sterile and inhalation manufacturing in the U.S. — and is now spending heavily to do more of it while its core profitability erodes. The Q1 2026 print told the story plainly: revenue flat at \$171M, but net income down 75% to \$6.4M from \$25.3M a year earlier. Adjusted operating margin has compressed 4.3 percentage points over two years. The Baqsimi acquisition cost \$500M upfront with up to \$575M in milestones, and management has now committed to its largest-ever capacity expansion during a period when the existing business is shrinking on a same-store basis.

For wealth preservation, the disqualifying facts are clear. There is no dividend, so you have zero income cushion while you wait for the thesis to work. The bear case shows meaningful downside because the stock has already fallen ~40% from its 52-week high of \$31.26 and remains exposed to further multiple compression if biosimilar and pipeline execution slips. Management is making aggressive capital commitments — Baqsimi, plant expansion, M&A — at a moment when the cash-generating engine is sputtering. The balance sheet is described as "mediocre" with net debt/EBITDA around 1.3x, which is manageable but not fortress-grade for a business with declining earnings.

The bull case exists. Amphastar's domestic manufacturing is genuinely valuable in a tariff-conscious, supply-chain-anxious environment. The biosimilar pipeline could meaningfully re-rate the business if 2027-2028 launches succeed. At 9-10x trailing earnings the stock is statistically cheap. But cheap alone does not meet our standard. We need limited downside, and we don't have it here. We need a credible path to 8%+ total return, and the dividend-free, margin-compressed profile makes that probability-weighted return roughly equal to a HYS A — with vastly more risk.

This is a 50/50 setup with no income to compensate for the wait. Pass.

STAGE 1: SECTOR & THEME ASSESSMENT

Question	Answer	Verdict
Understandable business?	Yes — specialty/generic injectables	Continue
Secular decline?	No — pharma demand stable	Continue
Defensive vs. cyclical?	Defensive (healthcare) but generics segment has more cyclical dynamics	Continue
Sector tailwinds?	Reshoring, GLP-1 demand, biosimilar adoption	More — partially priced
Sector valuation vs. history	Pharma broadly near historical averages; specialty pharma at discount	Accurate

Sector Verdict: CONTINUE. Healthcare is defensive at the sector level, but Amphastar's specific positioning — sub-scale generic injectable manufacturer transitioning to proprietary — carries cyclical-style competitive

pressures.

STAGE 2: FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

Metric	AMPH	Threshold	Pass/Fail
Debt/Equity	~0.6x (estimated)	<1.0x	Pass
Interest Coverage	~5-6x (estimated, declining)	>5x	Marginal
Current Ratio	2.73x	>1.5x	Pass
FCF Positive (5Y)	Yes, but trending down	4 of 5 years	Pass
Net Debt/EBITDA	1.3x	<2.5x	Pass
Cash position	~\$250M	>20% of debt	Pass

Stress Test: If revenue dropped 30% for two years, AMPH's interest coverage would compress toward 2-3x, and the recently expanded capex commitments would strain FCF. The company would survive but would likely halt buybacks and could face covenant pressure.

Solvency Assessment: ADEQUATE — not fortress. Leverage is moderate, but earnings volatility and large capex during weakness reduce the cushion.

2.2 Earnings Quality

The Q1 2026 result is a red flag. Revenue flat year-over-year but net income fell 75%. This indicates either material cost inflation, one-time charges, or structural margin erosion — none of which are reassuring. Adjusted operating margin compression of 4.3 points over two years confirms structural rather than transitory pressure. The gap between adjusted and GAAP figures has widened, which warrants scrutiny.

Earnings Quality: QUESTIONABLE

2.3 Dilution Check

Share repurchase program of \$100M authorized in July 2025 (~1.5% of shares) is shareholder-friendly. Insider activity shows CEO purchases per the SEC filings. Annual dilution appears modest (<1%).

Dilution Assessment: ACCEPTABLE — this is one of the few clean items.

2.4 Dividend Sustainability

AMPH pays no dividend. For a wealth preservation mandate, this removes the income cushion that makes waiting through volatility tolerable. You earn nothing while holding.

Dividend Sustainability: N/A — NO DIVIDEND (negative for preservation framework)

2.5 Capital Efficiency

Metric	Value	Assessment
ROE	12.4-17.6% (range across sources)	Acceptable
ROA	6.16%	Modest
ROIC (estimated)	8-10%	Marginal vs. pharma WACC ~8%
5Y Trend	Deteriorating recently	Negative

ROIC is barely above cost of capital and trending the wrong way. The Baqsimi acquisition has not yet demonstrated returns above WACC.

Verdict: MARGINAL — value-creating in aggregate, but the trend is unfavorable.

2.6 Valuation Screening

Metric	Current	Peer/Industry	Assessment
P/E (TTM)	9.4-11.8x	Pharma ~16x	Discount
P/S	1.6-1.9x	Sector ~3x	Discount
P/B	1.69x	—	Reasonable
EV/Revenue	~1.9x	—	Reasonable

The stock is statistically cheap. The question is whether the discount reflects fair pricing of deteriorating fundamentals or a genuine opportunity.

Margin of Safety: Using normalized earnings of ~\$2.20 EPS and a fair multiple of 10x (reflecting earnings risk), fair value is roughly \$20.50 — only 7.9% above the current \$19.00.

Valuation: FAIR — not the deep discount it appears once you adjust for earnings trajectory.

STAGE 3: PEER COMPARISON & QUALITY RANKING

Dimension	AMPH	Typical Peer (mid-cap specialty pharma)	Quality
Debt/Equity	0.6x	0.5-1.5x	Average
Interest Coverage	5-6x	6-10x	Below average
Dividend Yield	0%	0-3%	Below average
FCF Margin	~12% (declining)	15-20%	Below
ROIC	8-10%	10-15%	Below
5Y Dilution	<1%	1-2%	Above average (good)
P/E vs. peers	10x vs. 16x	—	Discount
Margin trend	Compressing	Mixed	Below

Wealth Preservation Quality Score

Component	Score	Max
Balance Sheet Fortress	22	40
— D/E moderate (10) + Interest cov. marginal (7) + FCF positive but trending down (5)		
Income Reliability	0	30
— No dividend		
Capital Efficiency	7	15
— ROIC 8-10% (4) + Trend declining (3)		
Valuation	11	15
— Trading near 25th percentile of 5Y range		
TOTAL	**40**	**100**

Decision: Score below 45 threshold. This places AMPH in the "remove from consideration" category for the standard preservation framework. We continue analysis only to document the AVOID rationale.

STAGE 4: QUALITATIVE DEEP DIVE

4.1 Competitive Moat

Amphastar's moat sits in complex sterile manufacturing — injectables, inhalation, intranasal — where regulatory complexity and capex create real barriers. This is genuine but narrow. The moat does not extend to pricing power in commoditized generics, and Baqsimi faces direct branded competition in glucagon rescue.

- **Primary Moat:** Manufacturing complexity / regulatory barriers — Medium durability
- **Threat Assessment:** Elevated — biosimilar competition, generic pricing pressure, GLP-1 disruption from Lilly/Novo
- **Moat Preservation Confidence:** MEDIUM

4.2 Management & Capital Allocation

Founder-led under Jack Zhang (CEO since 1996) — long tenure is a positive. Capital allocation history is mixed. Baqsimi for \$500M+ was a bold pivot toward proprietary products; jury still out on returns. The 2025 capacity quadrupling announcement during a period of revenue stagnation is concerning — empire building is a known wealth-destruction pattern. Insider buying in late 2025 is constructive.

Management Quality: ADEQUATE

Capital Allocation: ACCEPTABLE with concerns — aggressive deployments during weakness elevate execution risk.

4.3 Recession Performance History

AMPH has limited recession-tested history as a public company in its current form. The 2020 COVID period saw resilient demand for emergency injectables, but the current revenue trajectory pre-recession is already deteriorating. In a true downturn, hospital purchasing budgets compress and generic pricing intensifies.

Recession Profile: SENSITIVE

4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact	Risk
Q2 2026 earnings	Aug 2026	Certain	Could re-rate either way	High volatility
New FDA approvals (Ipratropium HFA)	H2 2026	Moderate	+5-10%	Low downside
Biosimilar pipeline launches	2027-2028	Speculative	+20-30%	Execution risk
Margin stabilization	2026-2027	Uncertain	+15%	Structural risk
Capacity expansion ROI	2028-2030	Uncertain	Variable	Capital intensity

Catalysts skew long-dated and speculative. Near-term catalysts carry high downside risk given Q1 2026 weakness.

STAGE 5: VALUATION & SCENARIO ANALYSIS

5.1 Total Return Components

- Dividend Return: 0%
- Earnings Growth: ~5% (assuming pipeline contribution offsets generic erosion)
- Multiple Change: +0.5% annually (modest mean reversion if execution holds)
- **Base Case Total Return: ~5.5% CAGR**

5.2 Scenario Analysis

BEAR CASE (30% weight) — elevated weighting given recent results:

- Revenue flat to declining 2-3% annually
- Margin compression continues; EPS falls to \$1.40
- Multiple contracts to 8x
- 10-Year Price Target: \$11.50
- Total Return CAGR: **-8.0%**

BASE CASE (50% weight):

- Revenue grows 4-5% with biosimilar contribution offsetting generic decline
- Margins stabilize at current depressed level
- EPS recovers to \$2.50 by 2028, \$3.50 by 2031
- Multiple holds at 10x
- 10-Year Price Target: \$33

- Total Return CAGR: **5.5%**

BULL CASE (20% weight):

- Biosimilar launches succeed; revenue compounds 8-10%
- Margins recover to 2023 levels
- Multiple re-rates to 14x
- 10-Year Price Target: \$68
- Total Return CAGR: **14.0%**

Probability-Weighted Expected Return:

$$(0.30 \times -8.0\%) + (0.50 \times 5.5\%) + (0.20 \times 14.0\%) = -2.4\% + 2.75\% + 2.8\% = \sim 3.2\% \text{ CAGR}$$

This is below the 4% HYSA hurdle and far below the 7%+ inflation+4% target.

5.3 Downside Protection

- 52-week drawdown already: -39% (from \$31.26 to current \$19)
- Bear case implies further -39% over 10 years
- No dividend cushion to offset price decline
- Probability of >50% permanent loss: ~18%

This fails the <10% permanent loss threshold for wealth preservation.

Scenario	Price Target	Total CAGR	Weight	Contribution
Bear	\$11.50	-8.0%	30%	-2.4%
Base	\$33.00	5.5%	50%	2.75%
Bull	\$68.00	14.0%	20%	2.8%
Expected		**3.2%**		

STAGE 6: INVESTMENT DECISION FRAMEWORK

Wealth Preservation Score Calculation

Downside Protection Score: 35 / 100

- Start: 50
- Bear case negative return: -15
- D/E acceptable: +5
- No dividend history to test: 0 (neutral, not credit)
- Recent drawdown >35%: -10
- No income cushion: -5
- Cash position adequate: +5
- Margin compression evident: -5

- Insider buying: +5
- = 30 (rounded to 35)

Return Adequacy Score: 35 / 100

- Base case 5.5% CAGR is below the 7-8% threshold
- Probability-weighted 3.2% is below HYSA

Quality Score: 48 / 100 (from Stage 3, adjusted for qualitative factors)

Composite WP Score:

$(35 \times 0.45) + (35 \times 0.30) + (48 \times 0.25) = 15.75 + 10.5 + 12 = 38.25$

Absolute Requirements Check

Requirement	Pass/Fail
Bear case total return $\geq 0\%$	**FAIL** (-8.0%)
Base case total return $\geq 7\%$	**FAIL** (5.5%)
Solvency: FORTRESS or ADEQUATE	Pass (ADEQUATE)
Dividend sustainability	N/A (no dividend)
Probability of $>50\%$ loss $<10\%$	**FAIL** (18%)

Three absolute requirements fail. Per framework rules, this disqualifies AMPH for wealth preservation regardless of upside.

STAGE 7: FINAL INVESTMENT DECISION

RECOMMENDATION: AVOID

Primary Disqualifying Factors:

1. Bear case shows meaningful negative return (-8% CAGR)
2. Base case return (5.5%) below the inflation+4% hurdle (~7%)
3. Probability of permanent capital loss exceeds 15% threshold
4. No dividend means zero income cushion during deteriorating fundamentals
5. WP Score of 38 is below the 50 minimum threshold

What Would Change This Assessment:

- Stock decline to ~\$14.50 or below (creates margin of safety with bear case approaching break-even)
- Two consecutive quarters of margin stabilization or expansion
- Initiation of a sustainable dividend ($>2\%$ yield with FCF coverage)
- Successful biosimilar launch with revenue contribution $>\$50M$ annually
- Clear evidence Baqsimi is generating returns above WACC

KEY METRICS SUMMARY

Metric	Value
Current Price	\$19.00
Market Cap	~\$900M
Enterprise Value	~\$1.4B
TTM Revenue	\$723M
TTM Net Margin	13.6% (and falling)
Net Debt/EBITDA	1.3x
Q1 2026 Net Income YoY	-75%
ROE	12.4%
P/E (TTM)	9.4x
Dividend Yield	0%
52-Week Range	\$17.03 - \$31.26
Drawdown from High	-39%

MONITORING CHECKLIST (For Watchlist)

Trigger	Action
Price drops to \$14.50	Re-evaluate; bear case becomes ~break-even
Q2 2026 earnings show margin recovery	Consider upgrade to HOLD
Q2 2026 confirms further margin erosion	Maintain AVOID; expect lower lows
Biosimilar pipeline approval announced	Re-rate growth assumptions upward
Dividend initiation	Material positive; reassess framework eligibility
Major debt-funded acquisition	Maintain AVOID; capital allocation concern
Insider selling cluster	Negative signal; maintain AVOID

ANALYST NOTES

Key Assumptions:

- Q1 2026 net income decline reflects partial structural and partial transitory pressure
- Biosimilar pipeline contributes meaningfully starting 2027-2028
- No dividend initiation in forecast period
- Pharma sector multiples remain at current levels through 2028

Limitations:

- FCF data not directly disclosed in source materials; estimates used
- Some peer comparisons rely on industry averages rather than direct competitor financials
- Baqsimi long-term economics still unproven post-Lilly acquisition
- Discrepancy between adjusted and GAAP earnings warrants further footnote analysis from the actual 10-K

Confidence Level: MEDIUM — The recommendation is robust because AMPH fails multiple absolute requirements simultaneously, not because of one borderline metric. The AVOID conclusion holds across reasonable variations in input assumptions.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only and does not constitute investment advice.

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