UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-28508

AVADEL PHARMACEUTICALS PLC

(Exact name of registrant as specified in its charter)

Ireland	**000-28508**	**98-1341933**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10 Earlsfort Terrace
Dublin 2, Ireland
D02 T380
(Address of Principal Executive Office and Zip Code)

+011-1-485-1200
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares*	AVDL	The Nasdaq Global Market
Ordinary Shares, nominal value $0.01 per share**	N/A	

*American Depositary Shares may be evidenced by American Depositary Receipts. Each American Depositary Share represents one (1) Ordinary Share.

** Not for trading, but only in connection with the listing of American Depositary Shares on The Nasdaq Global Market.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

At May 5, 2021, 58,487,551 ordinary shares, nominal value $0.01 each, of the Company were outstanding.

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We own various trademark registrations and applications, and unregistered trademarks, including Avadel™, Micropump™, LiquiTime™ and Medusa™. All other trade names, trademarks and service marks of other companies appearing in this Quarterly Report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Quarterly Report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

From time to time, we may use our website, LinkedIn or our Twitter account (@AvadelPharma) to distribute material information. Our financial and other material information is routinely posted to and accessible on the Investors section of our website, available at www.avadel.com. Investors are encouraged to review the Investors section of our website because we may post material information on that site that is not otherwise disseminated by us. Information that is contained in and can be accessed through our website or our Twitter posts are not incorporated into, and does not form a part of, this Quarterly Report.

Cautionary Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but are not always, made through the use of words or phrases such as "may," "will," "could," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," "continue," and similar expressions, or the negative of these terms, or similar expressions. Accordingly, these statements involve estimates, assumptions, risks and uncertainties which could cause actual results to differ materially from those expressed in them.

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- Our reliance on a single lead product candidate, FT218, and our ability to obtain regulatory approval of and successfully commercialize FT218, including any delays in approval related to COVID-19;
- The ability of FT218, if approved, to gain market acceptance;
- Our ability to enter into strategic partnerships for the commercialization, manufacturing and distribution of FT218, if approved;
- Our dependence on a limited number of suppliers for the manufacturing of our lead product candidate and certain raw materials in our lead product candidate and any failure of such suppliers to deliver sufficient quantities of these raw materials, which could have a material adverse effect on our business;
- Our ability to finance our operations on acceptable terms, either through the raising of capital, the incurrence of convertible or other indebtedness or through strategic financing or commercialization partnerships;
- Our expectations about the potential market size and market participation for our product candidate;
- Any further restructuring actions that may be required and our ability to obtain any required consents (including any consents required pursuant to the Indenture governing our exchange notes due 2023, or the 2023 Notes);
- Our ability to continue to service the 2023 Notes, including making the ongoing interest payments on the 2023 Notes, settling exchanges of the 2023 Notes in cash or completing any required repurchases of the 2023 Notes;
- The potential impact of COVID-19 on our business and future operating results;
- Our ability to hire and retain members of our management team and our employees; and
- Competition existing today or that will likely arise in the future.

These forward-looking statements are neither promises nor guarantees of future performance due to a variety of risks and uncertainties and other factors more fully discussed in the "Risk Factors" section in Part I, Item 1A of the Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 9, 2021 and the risk factors and cautionary statements described in other documents that we file from time to time with the SEC. Given these uncertainties, readers should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future performance. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to revise any forward-looking statements to reflect events or developments occurring after the date of this quarterly report, even if new information becomes available in the future.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AVADEL PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF LOSS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Product sales	$ —	$ 12,243
Operating expenses:		
Cost of products	—	2,457
Research and development expenses	3,852	5,530
Selling, general and administrative expenses	11,012	7,913
Intangible asset amortization	—	203
Changes in fair value of contingent consideration	—	2,478
Restructuring (income) costs	(53)	159
Total operating expense	14,811	18,740
Operating loss	(14,811)	(6,497)
Investment and other income (expense), net	610	(378)
Interest expense	(1,929)	(3,190)
Gain from release of certain liabilities	78	—
Other expense - changes in fair value of contingent consideration payable	—	(310)
Loss before income taxes	(16,052)	(10,375)
Income tax benefit	(2,607)	(9,510)
Net loss	$ (13,445)	$ (865)
Net loss per share - basic	$ (0.23)	$ (0.02)
Net loss per share - diluted	(0.23)	(0.02)
Weighted average number of shares outstanding - basic	58,443	41,057
Weighted average number of shares outstanding - diluted	58,443	41,057

See accompanying notes to unaudited condensed consolidated financial statements.

AVADEL PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Net loss	$ (13,445)	$ (865)
Other comprehensive loss, net of tax:		
Foreign currency translation loss	(718)	(177)
Net other comprehensive loss, net of $(55) and $(49) tax, respectively	(537)	(644)
Total other comprehensive loss, net of tax	(1,255)	(821)
Total comprehensive loss	$ (14,700)	$ (1,686)

See accompanying notes to unaudited condensed consolidated financial statements.

AVADEL PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 59,172	$ 71,722
Marketable securities	145,803	149,680
Research and development tax credit receivable	3,108	3,326
Prepaid expenses and other current assets	34,231	38,726
Total current assets	242,314	263,454
Property and equipment, net	344	359
Operating lease right-of-use assets	2,427	2,604
Goodwill	16,836	16,836
Research and development tax credit receivable	3,303	3,445
Other non-current assets	27,717	24,939
Total assets	$ 292,941	$ 311,637
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of operating lease liability	$ 484	$ 474
Accounts payable	2,824	2,934
Accrued expenses	4,297	6,501
Other current liabilities	1,515	5,200
Total current liabilities	9,120	15,109
Long-term debt	141,461	128,210
Long-term operating lease liability	1,717	1,840
Other non-current liabilities	4,139	4,212
Total liabilities	156,437	149,371
Shareholders' equity:		
Preferred shares, nominal value of $0.01 per share; 50,000 shares authorized; 488 issued and outstanding at March 31, 2021 and 488 issued and outstanding at December 31, 2020, respectively	5	5
Ordinary shares, nominal value of $0.01 per share; 500,000 shares authorized; 58,488 issued and outstanding at March 31, 2021 and 58,396 issued and outstanding at December 31, 2020	584	583
Additional paid-in capital	542,093	566,916
Accumulated deficit	(383,872)	(384,187)
Accumulated other comprehensive loss	(22,306)	(21,051)
Total shareholders' equity	136,504	162,266
Total liabilities and shareholders' equity	$ 292,941	$ 311,637

See accompanying notes to unaudited condensed consolidated financial statements.

AVADEL PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

Three Months Ended March 31, 2021

	Ordinary shares		Preferred shares		Additional	Accumulated	Accumulated other comprehensive	Total shareholders'
	Shares	Amount	Shares	Amount	paid-in capital	deficit	loss	equity
Balance, December 31, 2020	58,396	$ 583	488	$ 5	$ 566,916	$ (384,187)	$ (21,051)	$ 162,266
Impact of the adoption of ASU 2020-06	—	—	—	—	(26,699)	13,760	—	(12,939)
Net loss	—	—	—	—	—	(13,445)	—	(13,445)
Other comprehensive loss	—	—	—	—	—	—	(1,255)	(1,255)
Exercise of stock options	23	—	—	—	106	—	—	106
Vesting of restricted shares	61	1	—	—	(1)	—	—	—
Employee share purchase plan share issuance	8	—	—	—	43	—	—	43
Stock-based compensation expense	—	—	—	—	1,728	—	—	1,728
Balance, March 31, 2021	58,488	$ 584	488	$ 5	$ 542,093	$ (383,872)	$ (22,306)	$ 136,504

AVADEL PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

Three Months Ended March 31, 2020

	Ordinary shares		Preferred shares		Additional paid-in	Accumulated	Accumulated other comprehensive	Treasury shares		Total shareholders' (deficit)
	Shares	Amount	Shares	Amount	capital	deficit	loss	Shares	Amount	equity
Balance, December 31, 2019	42,927	$ 429	$ —	$ —	$ 434,391	$ (391,215)	$ (22,806)	5,407	$ (49,998)	$ (29,199)
Net loss	—	—	—	—	—	(865)	—	—	—	(865)
Other comprehensive loss	—	—	—	—	—	—	(821)	—	—	(821)
Exercise of stock options	146	2	—	—	1,387	—	—	—	—	1,389
February 2020 private placement	8,680	87	488	5	60,641	—	—	—	—	60,733
Vesting of restricted shares	19	—	—	—	—	—	—	—	—	—
Employee share purchase plan share issuance	40	—	—	—	88	—	—	—	—	88
Stock-based compensation expense	—	—	—	—	742	—	—	—	—	742
Balance, March 31, 2020	51,812	$ 518	488	$ 5	$ 497,249	$ (392,080)	$ (23,627)	5,407	$ (49,998)	$ 32,067

AVADEL PHARMACEUTICALS PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Cash flows from operating activities:		
Net loss	$ (13,445)	$ (865)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	218	456
Remeasurement of acquisition-related contingent consideration	—	2,478
Remeasurement of financing-related contingent consideration	—	310
Amortization of debt discount and debt issuance costs	312	1,573
Change in deferred tax and income tax deferred charge	(2,534)	(8,440)
Stock-based compensation expense	1,728	742
Gain from the release of certain liabilities	(78)	—
Other adjustments	561	573
Net changes in assets and liabilities		
Accounts receivable	—	(517)
Inventories	—	47
Prepaid expenses and other current assets	(3,736)	899
Research and development tax credit receivable	80	160
Accounts payable & other current liabilities	(3,789)	(1,187)
Accrued expenses	(2,112)	(4,905)
Accrued income taxes	—	2,253
Earn-out payments for contingent consideration in excess of acquisition-date fair value	—	(1,774)
Royalty payments for contingent consideration payable in excess of original fair value	—	(291)
Other assets and liabilities	(618)	(3,148)
Net cash used in operating activities	(23,413)	(11,636)
Cash flows from investing activities:		
Purchases of property and equipment	(26)	—
Proceeds from the disposition of the hospital products	8,250	—
Proceeds from sales of marketable securities	40,736	14,788
Purchases of marketable securities	(37,769)	(1,562)
Net cash provided by investing activities	11,191	13,226
Cash flows from financing activities:		
Proceeds from the February 2020 private placement	—	60,733
Proceeds from stock option exercises and employee stock purchase plan	149	1,477
Net cash provided by financing activities	149	62,210
Effect of foreign currency exchange rate changes on cash and cash equivalents	(477)	(68)
Net change in cash and cash equivalents	(12,550)	63,732
Cash and cash equivalents at January 1,	71,722	9,774
Cash and cash equivalents at March 31,	$ 59,172	$ 73,506
Supplemental disclosures of cash flow information:		
Interest paid	$ 3,234	$ 3,234
Income taxes paid	$ —	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1: Summary of Significant Accounting Policies

Nature of Operations. Avadel Pharmaceuticals plc (Nasdaq: AVDL) ("Avadel," the "Company," "we," "our," or "us") is a biopharmaceutical company. Our lead product candidate, FT218, is an investigational once-nightly, extended-release formulation of sodium oxybate for the treatment of excessive daytime sleepiness ("EDS") and cataplexy in adults with narcolepsy. We are primarily focused on the development and potential United States ("U.S.") Food and Drug Administration ("FDA") approval of FT218. In December 2020, we submitted a New Drug Application ("NDA") to the FDA for FT218 to treat excessive daytime sleepiness and cataplexy in adults with narcolepsy. The NDA for FT218 was accepted by the FDA in February 2021 and assigned a Prescription Drug User Fee Act ("PDUFA") target action date of October 15, 2021.

Outside of our lead product candidate, we continue to evaluate opportunities to expand our product portfolio. As of March 31, 2021, we do not have any approved and commercialized products in our portfolio.

We are registered as an Irish public limited company. Our headquarters are in Dublin, Ireland and we have operations in St. Louis, Missouri, U.S.

FT218

FT218 is a once-nightly formulation of sodium oxybate that uses our Micropump controlled release drug-delivery technology for the treatment of EDS and cataplexy in adults suffering from narcolepsy. Sodium oxybate is the sodium salt of gamma hydroxybutyrate, an endogenous compound and metabolite of the neurotransmitter gamma-aminobutyric acid. Sodium oxybate is approved in the U.S. for the treatment of EDS and cataplexy in patients with narcolepsy and is approved in Europe for the treatment of cataplexy in patients with narcolepsy. Since 2002, sodium oxybate has only been available as a formulation that must be taken twice nightly, first at bedtime, and then again 2.5 to 4 hours later.

On December 16, 2020, we announced the submission of our NDA to the FDA for FT218. On February 26, 2021, the FDA notified us of formal acceptance of the NDA with an assigned PDUFA target action date of October 15, 2021.

We conducted a Phase 3 clinical trial of FT218, the REST-ON trial, which was a randomized, double-blind, placebo-controlled study that enrolled 212 patients and was conducted in clinical sites in the U.S., Canada, Western Europe and Australia. The last patient, last visit was completed at the end of the first quarter of 2020 and positive top line data from the REST-ON trial was announced on April 27, 2020. Patients who received 9 g of once-nightly FT218, the highest dose administered in the trial, demonstrated a statistically significant and clinically meaningful improvement compared to placebo across the three co-primary endpoints of the trial: maintenance of wakefulness test, or MWT, clinical global impression-improvement, or CGI-I, and mean weekly cataplexy attacks. The lower doses assessed, 6 g and 7.5 g also demonstrated a statistically significant and clinically meaningful improvement on all three co-primary endpoints compared to placebo. We observed the 9 g dose of once-nightly FT218 to be generally well tolerated. Adverse reactions commonly associated with sodium oxybate were observed in a small number of patients (nausea 1.3%, vomiting 5.2%, decreased appetite 2.6%, dizziness 5.2%, somnolence 3.9%, tremor 1.3% and enuresis 9%), and 3.9% of the patients who received 9 g of FT218 discontinued the trial due to adverse reactions.

In January 2018, the FDA granted FT218 Orphan Drug Designation, which makes the drug eligible for certain development and commercial incentives, including potential U.S. market exclusivity for up to seven years. Additionally, several FT218-related U.S. patents have been issued, and there are additional patent applications currently in development and/or pending at the U.S. Patent and Trademark Office ("USPTO"), as well as foreign patent offices.

In July 2020, we announced that the first patient was dosed initiating an open-label extension ("OLE")/switch study of FT218 as a potential treatment for EDS and cataplexy in patients with narcolepsy. The OLE/switch study is examining the long-term safety and maintenance of efficacy of FT218 in patients with narcolepsy who participated in the REST-ON study, as well as dosing and preference data for patients switching from twice-nightly sodium oxybate to once-nightly FT218, regardless of whether they participated in REST-ON. We anticipate that the study could enroll up to 250 patients, many of whom would be enrolled in North American clinical trial sites that participated in the REST-ON study.

New secondary endpoints from the REST-ON trial were presented at the American Academy of Neurology, beginning April 17, 2021. FT218 demonstrated improvements in disturbed nocturnal sleep ("DNS"), defined in REST-ON as the number of shifts

from stages N1, N2, N3, and rapid eye movement (“REM”) sleep to wake and from stages N2, N3, and REM sleep to stage N1. FT218 also decreased the number of nocturnal arousals as measured on polysomnography. Improvements in DNS were further supported by post-hoc analyses demonstrating increased time in deep sleep (N3, also known as slow wave sleep), and less time in N1. A second poster described the statistically significant improvements in the Epworth Sleepiness Scale, both the quality of sleep and the refreshing nature of sleep, and a decrease in sleep paralysis. These clinically relevant improvements were observed for all doses, beginning at Week 3, for the lowest 6 g dose, compared to placebo. FT218 did not demonstrate significant improvement for hypnagogic hallucinations compared to placebo.

Previously Approved FDA Products

On June 30, 2020 (the “Closing Date”), we announced the sale by Avadel Legacy Pharmaceuticals, LLC (the “Avadel Seller”) of the portfolio of sterile injectable drugs used in the hospital setting (the “Hospital Products”), which included our three commercial products, Akovaz, Bloxiverz and Vazculep, as well as Nouress, to Exela Sterile Medicines LLC (“Exela Buyer”) pursuant to an asset purchase agreement (the “Purchase Agreement”) by and among the Avadel Seller, Avadel US Holdings, Inc., the Exela Buyer and Exela Holdings, Inc. This sale included the following FDA approved products:

- **Bloxiverz (neostigmine methylsulfate injection)** - Bloxiverz is a drug used intravenously in the operating room to reverse the effects of non-depolarizing neuromuscular blocking agents after surgery.

- **Vazculep (phenylephrine hydrochloride injection)** - Vazculep is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia.

- **Akovaz (ephedrine sulfate injection)** - Akovaz was the first FDA approved formulation of ephedrine sulfate, an alpha- and beta- adrenergic agonist and a norepinephrine-releasing agent that is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia.

- **Nouress (cysteine hydrochloride injection)** - Nouress is a sterile injectable product for use in the hospital setting to provide parenteral nutrition to neonates.

See *Note 3: Disposition of the Hospital Products*.

Basis of Presentation. The unaudited condensed consolidated balance sheet as of March 31, 2021, which is derived from the prior year 2020 audited consolidated financial statements, and the interim unaudited condensed consolidated financial statements presented herein, have been prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP), the requirements of Form 10-Q and Article 10 of Regulation S-X and, consequently, do not include all information or footnotes required by U.S. GAAP for complete financial statements or all the disclosures normally made in an Annual Report on Form 10-K. Accordingly, the unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company’s 2020 Annual Report on Form 10-K filed with the SEC on March 9, 2021.

The unaudited condensed consolidated financial statements include the accounts of the Company and subsidiaries, and reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the dates and periods presented. All intercompany accounts and transactions have been eliminated. Results for interim periods are not necessarily indicative of the results to be expected during the remainder of the current year or for any future period.

Revenue. Prior to June 30, 2020, revenue was earned from the sales of pharmaceutical products.

Product Sales

Prior to June 30, 2020, we sold products primarily through wholesalers and considered these wholesalers to be our customers. Under ASC 606, revenue from product sales is recognized when the customer obtains control of our product, which occurs typically upon receipt by the customer. Our gross product sales are subject to a variety of price adjustments in arriving at reported net product sales. These adjustments include estimates of product returns, chargebacks, payment discounts, rebates, and other sales allowances and are estimated based on analysis of historical data for the product or comparable products, future expectations for such products and other judgments and analysis.

For a complete discussion of the accounting for net product revenue, see *Note 4: Revenue Recognition*.

NOTE 2: Newly Issued Accounting Standards

Recently Adopted Accounting Guidance

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The FASB's amendments primarily impact ASC 740, *Income Taxes*, and may impact both interim and annual reporting periods. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years and early adoption is permitted. We adopted the provisions of ASU 2019-12 on January 1, 2021. Adoption of ASU 2019-12 did not have any impact on our unaudited condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40)*, to reduce the complexity associated with applying U.S. GAAP principles for certain financial instruments with characteristics of liabilities and equity. The amendments in this ASU reduce the number of accounting models for convertible instruments and expand the existing disclosure requirements over earnings per share as it relates to convertible instruments. Convertible debt will be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. The update also requires the if-converted method to be used for convertible instruments and the effect of potential share settlement be included in the diluted earnings per share calculation when an instrument may be settled in cash or shares. This ASU will be effective for our fiscal year beginning January 1, 2022 and interim periods therein. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The amendments may be adopted through either a modified retrospective method, or a fully retrospective method.

The Company has elected to early adopt ASU 2020-06 as of January 1, 2021 using a modified retrospective method. The Company's 4.50% exchangeable senior notes due 2023 (the "2023 Notes") are a convertible instrument with a cash-conversion feature that is accounted for within the scope of Subtopic 470-20. The Company calculated the cumulative-effect adjustment as of January 1, 2021 by comparing (i) the historical amortization schedule for the 2023 Notes through December 31, 2020 and (ii) an updated amortization schedule wherein the conversion feature within the 2023 Notes would not be separated as an equity component and subsequently recognized as non-cash interest expense under ASC 835-30. The adoption resulted in a $26,699 decrease in additional paid-in capital, a $12,939 increase in long-term debt, and a $13,760 increase to the opening balance of retained earnings.

NOTE 3: Disposition of the Hospital Products

On the Closing Date, we announced the sale of our Hospital Products to the Exela Buyer pursuant to the Purchase Agreement (the "Transaction").

Pursuant to the Purchase Agreement, the Exela Buyer agreed to pay a total aggregate consideration amount of $42,000, of which $14,500 was paid on the Closing Date and an additional $27,500 was to be paid in ten equal monthly installments following the Closing Date. During the year ended December 31, 2020, we collected four installment payments, totaling $11,000 and during the three months ended March 31, 2021, we collected three installment payments, totaling $8,250. In connection with the sale of the Hospital Products, the parties also agreed to cause the dismissal of the pending civil litigation related to Nouress in the District Court for the District of Delaware.

We were party to a Membership Interest Purchase Agreement, dated March 13, 2012, by and among us, Avadel Legacy, Breaking Stick Holdings, LLC, Deerfield Private Design International II, L.P. ("Deerfield International"), Deerfield Private Design Fund II, L.P. ("Deerfield Fund") and Horizon Santé FLML, Sarl ("Horizon") (the "Deerfield MIPA") and a Royalty Agreement, dated February 4, 2013, by and among us, Avadel Legacy, the Deerfield Fund and Horizon (the "Deerfield Royalty Agreement"). In connection with the closing of the sale of the Hospital Products, the Deerfield MIPA (with respect to certain sections thereof) and the Royalty Agreement were assigned to the Exela Buyer. Pursuant to the Purchase Agreement, the Exela Buyer assumed and will pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy under the Deerfield Royalty Agreement for obligations that arise after the Closing Date.

We were also party to a Royalty Agreement, dated December 3, 2013, by and between us, Avadel Legacy and Broadfin Healthcare Master Fund, Ltd. (the "Broadfin Royalty Agreement"). In connection with the closing of the sale of the Hospital Products, the Broadfin Royalty Agreement was assigned to the Exela Buyer and the Exela Buyer assumed and shall pay,

perform, satisfy and discharge the liabilities and obligations of Avadel Legacy under the Broadfin Royalty Agreement for obligations that arise after the Closing Date.

The following table represents the major classes of assets and liabilities either transferred to the Exela Buyer or eliminated by us due to the sale of the Hospital Products in exchange for aggregate consideration of $42,000, less transaction fees of $2,928.

	June 30, 2020
Prepaid expenses and other current assets	$ (134)
Inventories	(4,922)
Goodwill	(1,654)
Intangible assets, net	(407)
Other non-current assets	(1,095)
Total long-term contingent consideration payable	14,900
Net liabilities disposed of	6,688
Aggregate consideration	42,000
Less transaction fees	(2,928)
Net gain on the sale of the Hospital Products	$ 45,760

We evaluated various qualitative and quantitative factors related to the disposition of the Hospital Products and determined that it did not meet the criteria for presentation as a discontinued operation.

The unaudited pro forma condensed combined statement of loss for the three months ended March 31, 2020 included below is being provided for information purposes only and are not necessarily indicative of the results of operations that would have resulted if the Transaction had actually occurred on the date indicated. The pro forma adjustments are based on available information and assumptions that the Company believes are attributable to the sale.

	Unaudited Pro Forma Condensed Combined Statement of Loss			
	Three Months Ended March 31, 2020			
	As Reported	Pro Forma Adjustments	Notes	Pro Forma
Product sales	$ 12,243	$ (12,264)	(a)	$ (21)
Total operating expense	18,740	(5,773)	(b)	12,967
Operating loss	(6,497)	(6,491)		(12,988)
Loss before income taxes	$ (10,375)	$ (6,181)	(c)	$ (16,556)

Adjustments to the pro forma unaudited condensed combined statements of loss

(a) This adjustment reflects Product sales attributable to the Hospital Products.

(b) This adjustment reflects the following estimated expenses attributable to the Hospital Products:

- Cost of products of $2,449.
- Research and development expenses of $196.
- Selling, general and administrative expenses of $447.
- Intangible asset amortization on acquired development technology for Vazculep of $203.
- Changes in fair value of related party contingent consideration of $2,478. The Company will no longer be responsible for these payments.

(c) This amount reflects the adjustments noted in (a) and (b) above, as well as estimated Changes in fair value of related party payable of $310 attributable to the Hospital Products. The Company will no longer be responsible for these payments.

NOTE 4: Revenue Recognition

Prior to June 30, 2020, we generated revenue primarily from the sale of pharmaceutical products to customers. On June 30, 2020, we sold the Hospital Products. See *Note 3: Disposition of the Hospital Products.*

Product Sales

Prior to June 30, 2020, we sold products primarily through wholesalers and considered these wholesalers to be our customers. Revenue from product sales was recognized when the customer obtained control of our product and our performance obligations were met, which occurred typically upon receipt of delivery to the customer. As is customary in the pharmaceutical industry, our gross product sales were subject to a variety of price adjustments in arriving at reported net product sales. These adjustments included estimates for product returns, chargebacks, payment discounts, rebates, and other sales allowances and are estimated when the product is delivered based on analysis of historical data for the product or comparable products, as well as future expectations for such products.

Reserves to Reduce Gross Revenues to Net Revenues

Revenues from product sales were recorded at the net selling price, which included estimated reserves to reduce gross product sales to net product sales resulting from product returns, chargebacks, payment discounts, rebates, and other sales allowances that are offered within contracts between the Company and its customers and end users. These reserves were based on the amounts earned or to be claimed on the related sales and were classified as reductions of accounts receivable if the amount is payable to the customer, except in the case of the estimated reserve for future expired product returns, which are classified as a liability. The reserves are classified as a liability if the amount is payable to a party other than a customer. Where appropriate, these estimated reserves take into consideration relevant factors such as the Company's historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates to reduce gross selling price to net selling price to which it expects to be entitled based on the terms of its contracts. The actual selling price ultimately received may differ from the Company's estimates. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates, which would affect net product revenue and earnings in the period such variances become known.

Product Returns

Consistent with industry practice, the Company maintained a returns policy that generally offered customers a right of return for product that has been purchased from the Company. The Company estimated the amount of product returns and records this estimate as a reduction of revenue in the period the related product revenue was recognized. The Company estimated product return liabilities based on analysis of historical data for the product or comparable products, as well as future expectations for such products and other judgments and analysis.

Chargebacks, Discounts and Rebates

Chargebacks, discounts and rebates represent the estimated obligations resulting from contractual commitments to sell products to its customers or end users at prices lower than the list prices charged to our wholesale customers. Customers charge the Company for the difference between the gross selling price they pay for the product and the ultimate contractual price agreed to between the Company and these end users. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable. Chargebacks, discounts and rebates are estimated at the time of sale to the customer.

Disaggregation of revenue

The Company's source of revenue was from the sale of pharmaceutical products, which are equally affected by the same economic factors as it relates to the nature, amount, timing, and uncertainty of revenue and cash flows. For further detail about the Company's revenues by product, see *Note 15: Revenue by Product*.

Contract Balances

The Company does not recognize revenue in advance of invoicing its customers and therefore has no related contract assets.

A receivable is recognized in the period the Company sells its products and when the Company's right to consideration is unconditional.

There were no material deferred contract costs at March 31, 2021 or December 31, 2020.

Transaction Price Allocated to the Remaining Performance Obligation

For product sales, the Company generally satisfied its performance obligations within the same period the product was delivered. Product sales recognized in the first quarter of 2020 from performance obligations satisfied (or partially satisfied) in previous periods were immaterial.

The Company has elected certain of the practical expedients from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Company applies the practical expedient in ASC 606 to its stand-alone contracts and does not disclose information about variable consideration from remaining performance obligations for which the Company recognizes revenue.

NOTE 5: Fair Value Measurement

The Company is required to measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. For example, we use fair value extensively when accounting for and reporting certain financial instruments, when measuring certain contingent consideration liabilities and in the initial recognition of net assets acquired in a business combination. Fair value is estimated by applying the hierarchy described below, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

ASC 820, “Fair Value Measurements and Disclosures,” defines fair value as a market-based measurement that should be determined based on the assumptions that marketplace participants would use in pricing an asset or liability. When estimating fair value, depending on the nature and complexity of the asset or liability, we may generally use one or each of the following techniques:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.

As a basis for considering the assumptions used in these techniques, the standard establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets.
- Level 2 - Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 - Unobservable inputs that reflect estimates and assumptions.

The following table summarizes the financial instruments measured at fair value on a recurring basis classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation in the accompanying unaudited condensed consolidated balance sheets:

	As of March 31, 2021			As of December 31, 2020		
Fair Value Measurements:	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Marketable securities (see *Note 6*)						
Mutual and money market funds	$ 101,696	$ —	$ —	$ 104,672	$ —	$ —
Corporate bonds	—	23,591	—	—	22,155	—
Government securities - U.S.	—	17,353	—	—	18,999	—
Other fixed-income securities	—	3,163	—	—	3,854	—
Total assets	$ 101,696	$ 44,107	$ —	$ 104,672	$ 45,008	$ —

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. During the periods ended March 31, 2021 and December 31, 2020, respectively, there were no transfers in and out of Level 1, 2, or 3. During the three months ended March 31, 2021 and 2020, respectively, we did not recognize any other-than-temporary impairment loss.

Some of the Company's financial instruments, such as cash and cash equivalents, accounts receivable and accounts payable, are reflected in the balance sheet at carrying value, which approximates fair value due to their short-term nature.

Debt

We estimate the fair value of our $143,750 aggregate principal amount of the 2023 Notes based on interest rates that would be currently available to the Company for issuance of similar types of debt instruments with similar terms and remaining maturities or recent trading prices obtained from brokers (a Level 2 input). The estimated fair value of the 2023 Notes at March 31, 2021 is $161,090.

See *Note 9: Long-Term Debt* for additional information regarding our debt obligations.

NOTE 6: Marketable Securities

The Company has investments in equity and available-for-sale debt securities which are recorded at fair market value. The change in the fair value of equity investments is recognized in our unaudited condensed consolidated statements of loss and the change in the fair value of available-for-sale debt investments is recorded as other comprehensive loss in shareholders' equity, net of income tax effects. As of March 31, 2021, we considered any decreases in fair value on our marketable securities to be driven by factors other than credit risk, including market risk.

The following tables show the Company's available-for-sale securities' adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category as of March 31, 2021 and December 31, 2020, respectively:

	March 31, 2021			
Marketable Securities:	**Adjusted Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Mutual and money market funds	$ 100,704	$ 1,138	$ (146)	$ 101,696
Corporate bonds	23,448	206	(63)	23,591
Government securities - U.S.	17,401	88	(136)	17,353
Other fixed-income securities	3,155	16	(8)	3,163
Total	$ 144,708	$ 1,448	$ (353)	$ 145,803

	December 31, 2020			
Marketable Securities:	**Adjusted Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Mutual and money market funds	$ 103,404	$ 1,288	$ (20)	$ 104,672
Corporate bonds	21,811	350	(6)	22,155
Government securities - U.S.	18,849	155	(5)	18,999
Other fixed-income securities	3,839	22	(7)	3,854
Total	$ 147,903	$ 1,815	$ (38)	$ 149,680

We determine realized gains or losses on the sale of marketable securities on a specific identification method. We reflect these gains and losses as a component of investment and other income in the accompanying unaudited condensed consolidated statements of loss.

We recognized gross realized gains of $11 and $276 for the three months ended March 31, 2021 and 2020, respectively. These realized gains were offset by realized losses of $68 and $872 for the three months ended March 31, 2021 and 2020, respectively.

The following table summarizes the estimated fair value of our investments in marketable debt securities, accounted for as available-for-sale debt securities and classified by the contractual maturity date of the securities as of March 31, 2021:

	Maturities				
Marketable Debt Securities:	**Less than 1 Year**	**1-5 Years**	**5-10 Years**	**Greater than 10 Years**	**Total**
Corporate bonds	$ 5,225	$ 17,352	$ 1,014	$ —	$ 23,591
Government securities - U.S.	2,109	11,440	1,883	1,921	17,353
Other fixed-income securities	1,009	1,888	266	—	3,163
Total	$ 8,343	$ 30,680	$ 3,163	$ 1,921	$ 44,107

We have classified our investment in available-for-sale marketable debt securities as current assets in the unaudited condensed consolidated balance sheets as the securities need to be available for use, if required, to fund current operations. There are no restrictions on the sale of any securities in our investment portfolio.

Total gross unrealized losses of our available-for-sale debt securities at March 31, 2021 were immaterial. The unrealized losses are driven by factors other than credit risk and have been in an unrealized loss position for less than one year. We do not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases.

NOTE 7: Goodwill

The Company's unamortizable goodwill is $16,836 at March 31, 2021 and December 31, 2020.

The Company recorded amortization expense related to an amortizable intangible asset that was assumed by the Exela Buyer as part of the disposition of the Hospital Products on June 30, 2020 of $203 for the three months ended March 31, 2020. Refer to

Note 3: Disposition of the Hospital Products. There was no amortization expense recorded during the three months ended March 31, 2021.

NOTE 8: Contingent Consideration Payable

Prior to the sale of the Hospital Products on June 30, 2020, we computed the fair value of the contingent consideration using several significant assumptions and when these assumptions change, due to underlying market conditions, the fair value of these liabilities change as well. Each of the underlying assumptions used to determine the fair values of these contingent liabilities can, and often do, change based on adjustments in current market conditions, competition and other factors. These changes had a material impact on our unaudited condensed consolidated statements of loss and balance sheets. As part of the sale of the Hospital Products on June 30, 2020, the Exela Buyer assumed and will pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy and the Company under the Deerfield Royalty Agreement. As of March 31, 2021 and December 31, 2020, the balance of the contingent consideration payable is $0.

The following table summarizes changes to the contingent consideration payables, a recurring Level 3 measurement, for the three-month period ended March 31, 2020:

Contingent Consideration Payable Rollforward:	**Balance**
Balance, December 31, 2019	$ 17,327
Payments of contingent consideration	(2,065)
Fair value adjustments [(1)]	2,788
Balance, March 31, 2020	$ 18,050

[(1)] Fair value adjustments are reported as changes in fair value of contingent consideration and other expense - changes in fair value of contingent consideration payable in the unaudited condensed consolidated statements of loss.

NOTE 9: Long-Term Debt

Long-term debt is summarized as follows:

	March 31, 2021	**December 31, 2020**
Principal amount of 4.50% exchangeable senior notes due 2023	$ 143,750	$ 143,750
Less: unamortized debt discount and issuance costs, net	(2,289)	(15,540)
Net carrying amount of liability component	141,461	128,210
Less: current maturities	—	—
Long-term debt	$ 141,461	$ 128,210
Equity component:		
Equity component of exchangeable notes, net of issuance costs	$ —	$ (26,699)

For the three months ended March 31, 2021 and 2020, the total interest expense was $1,929 and $3,190, respectively, with coupon interest expense of $1,617 for each period and the amortization of debt issuance costs and debt discount of $312 and $1,573, respectively.

As described in *Note 2: Newly Issued Accounting Standards*, the Company has elected to early adopt ASU 2020-06 as of January 1, 2021 using a modified retrospective method. The adoption resulted in a $12,939 increase in long-term debt and a $26,699 decrease in the equity component of the 2023 Notes.

2023 Notes

On February 16, 2018, Avadel Finance Cayman Limited, a Cayman Islands exempted company (the “Issuer”) and an indirect wholly-owned subsidiary of the Company, issued $125,000 aggregate principal amount of 4.50% exchangeable senior notes due 2023 (the “2023 Notes”) in a private placement (the “Offering”) to qualified institutional buyers pursuant to Rule 144A under the Securities Act. In connection with the Offering, the Issuer granted the initial purchasers of the 2023 Notes a 30-day option to purchase up to an additional $18,750 aggregate principal amount of the 2023 Notes, which was fully exercised on February 16, 2018. Net proceeds received by the Company, after issuance costs and discounts of $6,190, were approximately $137,560. The 2023 Notes are the Company’s senior unsecured obligations and rank equally in right of payment with all of the

Company's existing and future senior unsecured indebtedness and effectively junior to any of the Company's existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness.

The 2023 Notes will be exchangeable at the option of the holders at an initial exchange rate of 92.6956 ADSs per $1 principal amount of 2023 Notes, which is equivalent to an initial exchange price of approximately $10.79 per ADS. Such initial exchange price represents a premium of approximately 20% to the $8.99 per ADS closing price on The Nasdaq Global Market on February 13, 2018. Upon the exchange of any 2023 Notes, the Issuer will pay or cause to be delivered, as the case may be, cash, ADSs or a combination of cash and ADSs, at the Issuer's election. Holders of the 2023 Notes may convert their 2023 Notes, at their option, only under the following circumstances prior to the close of business on the business day immediately preceding August 1, 2022, under the circumstances and during the periods set forth below and regardless of the conditions described below, on or after August 1, 2022 and prior to the close of business on the business day immediately preceding the maturity date:

- Prior to the close of business on the business day immediately preceding August 1, 2022, a holder of the 2023 Notes may surrender all or any portion of its 2023 Notes for exchange at any time during the five business day period immediately after any five consecutive trading day period (the "Measurement Period") in which the trading price per $1 principal amount of 2023 Notes, as determined following a request by a holder of the 2023 Notes, for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the ADSs and the exchange rate on each such trading day.

- If a transaction or event that constitutes a fundamental change or a make-whole fundamental change occurs prior to the close of business on the business day immediately preceding August 1, 2022, regardless of whether a holder of the 2023 Notes has the right to require the Company to repurchase the 2023 Notes, or if Avadel is a party to a merger event that occurs prior to the close of business on the business day immediately preceding August 1, 2022, all or any portion of a the holder's 2023 Notes may be surrendered for exchange at any time from or after the date that is 95 scheduled trading days prior to the anticipated effective date of the transaction (or, if later, the earlier of (x) the business day after the Company gives notice of such transaction and (y) the actual effective date of such transaction) until 35 trading days after the actual effective date of such transaction or, if such transaction also constitutes a fundamental change, until the related fundamental change repurchase date.

- Prior to the close of business on the business day immediately preceding August 1, 2022, a holder of the 2023 Notes may surrender all or any portion of its 2023 Notes for exchange at any time during any calendar quarter commencing after the calendar quarter ending on June 30, 2018 (and only during such calendar quarter), if the last reported sale price of the ADSs for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the exchange price on each applicable trading day.

- If the Company calls the 2023 Notes for redemption pursuant to Article 16 to the Indenture prior to the close of business on the business day immediately preceding August 1, 2022, then a holder of the 2023 Notes may surrender all or any portion of its 2023 Notes for exchange at any time prior to the close of business on the second business day prior to the redemption date, even if the 2023 Notes are not otherwise exchangeable at such time. After that time, the right to exchange shall expire, unless the Company defaults in the payment of the redemption price, in which case a holder of the 2023 Notes may exchange its 2023 Notes until the redemption price has been paid or duly provided for.

We considered the guidance in ASC 815-15, *Embedded Derivatives*, to determine if this instrument contains an embedded feature that should be separately accounted for as a derivative. ASC 815 provides for an exception to this rule when convertible notes, as host instruments, are deemed to be conventional, as defined by ASC 815-40. We determined that this exception applies due, in part, to our ability to settle the 2023 Notes in cash, ADSs or a combination of cash and ADSs, at our option. We have therefore applied the guidance provided by ASC 470-20, *Debt with Conversion and Other Options*, as amended by ASU 2020-06.

NOTE 10: Income Taxes

The income tax benefit was $2,607 for the three months ended March 31, 2021 resulting in an effective tax rate of 16.2%. The income tax benefit was $9,510 for the three months ended March 31, 2020 resulting in an effective tax rate of 91.7%. The decrease in the income tax benefit for the three months ended March 31, 2021, as compared to the same period in 2020, is primarily due to the discrete tax benefits recognized under the CARES Act enacted in 2020 and an agreement with the IRS in the first quarter of 2020 on audit adjustments resulting from the U.S. Federal Income Tax audit of the tax years 2015, 2016 and

2017, all of which was recorded during the three months ended March 31, 2020. Benefits from these prior year items did not recur during the three months ended March 31, 2021.

NOTE 11: Other Assets and Liabilities

Various other assets and liabilities are summarized as follows:

Prepaid Expenses and Other Current Assets:	**March 31, 2021**	**December 31, 2020**
Valued-added tax recoverable	$ 258	$ 341
Prepaid and other expenses	4,990	1,018
Short-term deposit	1,477	1,477
Guarantee from Armistice	272	318
Income tax receivable	18,835	18,615
Receivable from Exela (see *Note 3*)	8,250	16,500
Other	149	457
Total	$ 34,231	$ 38,726

Other Non-Current Assets:	**March 31, 2021**	**December 31, 2020**
Deferred tax assets	$ 20,790	$ 18,256
Guarantee from Armistice	980	1,050
Right of use assets at contract manufacturing organizations	5,550	5,201
Other	397	432
Total	$ 27,717	$ 24,939

Accrued Expenses	**March 31, 2021**	**December 31, 2020**
Accrued compensation	$ 738	$ 1,697
Accrued restructuring (see *Note 12*)	287	520
Customer allowances	912	1,030
Accrued contract research organization charges	690	473
Other	1,670	2,781
Total	$ 4,297	$ 6,501

Other Current Liabilities:	**March 31, 2021**	**December 31, 2020**
Accrued interest	$ 1,078	$ 2,695
Due to Exela	—	2,026
Guarantee to Deerfield	272	319
Other	165	160
Total	$ 1,515	$ 5,200

Other Non-Current Liabilities:	**March 31, 2021**	**December 31, 2020**
Unrecognized tax benefits	$ 3,143	$ 3,143
Guarantee to Deerfield	983	1,053
Other	13	16
Total	$ 4,139	$ 4,212

NOTE 12: Restructuring Costs

2019 French Restructuring

During the second quarter of 2019, the Company initiated a plan to substantially reduce all of its workforce at its Vénissieux, France site ("2019 French Restructuring"). This reduction was part of an effort to align the Company's cost structure with our ongoing and future planned projects. The reduction in workforce was completed during 2020. Restructuring (income) charges associated with this plan recognized during the three months ended March 31, 2021 and 2020 were immaterial.

The following table sets forth activities for the Company's cost reduction plan obligations for the three months ended March 31, 2021:

2019 French Restructuring Obligation:	**2021**
Balance of restructuring accrual at January 1,	$ 248
Income for employee severance, benefits and other costs	(122)
Payments	(1)
Foreign currency impact	(8)
Balance of restructuring accrual at March 31,	$ 117

The 2019 French Restructuring liabilities of $117 are included in the unaudited condensed consolidated balance sheet in accrued expenses at March 31, 2021.

2019 Corporate Restructuring

During the first quarter of 2019, the Company announced a plan to reduce its Corporate workforce by more than 50% ("2019 Corporate Restructuring"). The reduction in workforce is primarily a result of the exit of Noctiva during the first quarter of 2019, as well as an effort to better align the Company's remaining cost structure at our U.S. and Ireland locations with our ongoing and future planned projects. The reduction in workforce was completed during 2020. The restructuring charges associated with this plan recognized during the three months ended March 31, 2021 and 2020 were immaterial.

The following table sets forth activities for the Company's cost reduction plan obligations for the three months ended March 31, 2021:

2019 Corporate Restructuring Obligation:	**2021**
Balance of restructuring accrual at January 1,	$ 272
Charges for employee severance, benefits and other costs	—
Payments	(102)
Balance of restructuring accrual at March 31,	$ 170

The 2019 Corporate Restructuring liabilities of $170 are included in the unaudited condensed consolidated balance sheet in accrued expenses at March 31, 2021.

NOTE 13: Net Loss Per Share

Basic net loss per share is calculated by dividing net loss by the weighted average number of shares outstanding during each period. Diluted net loss per share is calculated by dividing net loss - diluted by the diluted number of shares outstanding during each period. Except where the result would be anti-dilutive to net loss, diluted net loss per share would be calculated assuming the impact of the conversion of the 2023 Notes, the conversion of our preferred shares, the exercise of outstanding equity compensation awards, and ordinary shares expected to be issued under our employee stock purchase plan ("ESPP").

We have a choice to settle the conversion obligation under the 2023 Notes in cash, shares or any combination of the two. We utilize the if-converted method to reflect the impact of the conversion of the 2023 Notes, unless the result is anti-dilutive. This method assumes the conversion of the 2023 Notes into shares of our ordinary shares and reflects the elimination of the interest expense related to the 2023 Notes.

The dilutive effect of the stock options, restricted stock units, preferred shares and ordinary shares expected to be issued under our ESPP has been calculated using the treasury stock method. The dilutive effect of the performance share units ("PSUs") will be calculated using the treasury stock method, if and when the contingent vesting condition is achieved.

A reconciliation of basic and diluted net loss per share, together with the related shares outstanding in thousands is as follows:

	Three Months Ended March 31,	
Net Loss Per Share:	**2021**	**2020**
Net loss	$ (13,445)	$ (865)
Weighted average shares:		
Basic shares	58,443	41,057
Effect of dilutive securities—employee and director equity awards outstanding, preferred shares and 2023 Notes	—	—
Diluted shares	58,443	41,057
Net loss per share - basic	$ (0.23)	$ (0.02)
Net loss per share - diluted	$ (0.23)	$ (0.02)

Potential ordinary shares of 15,275 and 15,858 were excluded from the calculation of weighted average shares for the three months ended March 31, 2021 and 2020, respectively, because either their effect was considered to be anti-dilutive or they were related to shares from PSUs for which the contingent vesting condition had not been achieved. For the three months ended March 31, 2021 and 2020, the effects of dilutive securities were entirely excluded from the calculation of net loss per share as a net loss was reported in this period.

NOTE 14: Comprehensive Loss

The following table shows the components of accumulated other comprehensive loss for the three months ended March 31, 2021 and 2020, respectively, net of tax effects:

	Three Months Ended March 31,	
Accumulated Other Comprehensive Loss:	**2021**	**2020**
Foreign currency translation adjustment:		
Beginning balance	$ (22,627)	$ (23,738)
Net other comprehensive loss	(718)	(177)
Balance at March 31,	$ (23,345)	$ (23,915)
Unrealized gain on marketable debt securities, net		
Beginning balance	$ 1,576	$ 932
Net other comprehensive loss, net of $(55) and $(49) tax, respectively	(537)	(644)
Balance at March 31,	$ 1,039	$ 288
Accumulated other comprehensive loss at March 31,	$ (22,306)	$ (23,627)

The effect on the Company's unaudited condensed consolidated financial statements of amounts reclassified out of accumulated other comprehensive loss was immaterial for all periods presented.

NOTE 15: Revenue by Product

The Company has determined that it operates in one segment, the development and commercialization of pharmaceutical products, including controlled-release therapeutic products based on our proprietary polymer based technology. The Company's Chief Operating Decision Maker is the Chief Executive Officer (the "CEO"). The CEO reviews profit and loss information on a consolidated basis to assess performance and make overall operating decisions as well as resource allocations. All products were included in one segment because the Company's products have similar economic and other characteristics, including the nature of the products and production processes, type of customers, distribution methods and regulatory environment.

The following table presents a summary of total product sales by these products:

	Three Months Ended March 31,	
Product Sales by Product:	**2021**	**2020**
Bloxiverz	$ —	$ 1,401
Vazculep	—	5,514
Akovaz	—	5,349
Other	—	(21)
Total product sales	$ —	$ 12,243

On June 30, 2020, we sold the Hospital Products. See *Note 3: Disposition of the Hospital Products*.

NOTE 16: Commitments and Contingencies

Litigation

The Company is subject to potential liabilities generally incidental to our business arising out of present and future lawsuits and claims related to product liability, personal injury, contract, commercial, intellectual property, tax, employment, compliance and other matters that arise in the ordinary course of business. The Company accrues for potential liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. At March 31, 2021 and December 31, 2020, there were no contingent liabilities with respect to any litigation, arbitration or administrative or other proceeding that are reasonably likely to have a material adverse effect on the Company's unaudited condensed consolidated financial position, results of operations, cash flows or liquidity.

Material Commitments

Other than commitments disclosed in *Note 17: Contingent Liabilities and Commitments* to the Company's consolidated financial statements included in the 2020 Annual Report on Form 10-K, there were no other material commitments outside of the normal course of business.

Guarantees

Deerfield Guarantee

The fair values of our guarantee to Deerfield and the guarantee received by us from Armistice largely offset and when combined are not material.

In connection with our February 2018 divestiture of our pediatric assets, we guaranteed to Deerfield the quarterly royalty payment of 15% on net sales of the FSC products through February 6, 2026 ("FSC Product Royalties"), in an aggregate amount of up to approximately $10,300. Given our explicit guarantee to Deerfield, the Company recorded the guarantee in accordance with ASC 460. The balance of this guarantee liability was $1,255 at March 31, 2021. This liability is being amortized proportionately based on undiscounted cash outflows through the remainder of the contract with Deerfield.

Armistice Guarantee

In connection with our February 2018 divestiture of the pediatric assets, Armistice Capital Master Fund, Ltd., the majority shareholder of Cerecor, guaranteed to us the FSC Product Royalties. The Company recorded the guarantee in accordance with ASC 460. The balance of this guarantee asset was $1,252 at March 31, 2021. This asset is being amortized proportionately based on undiscounted cash outflows through the remainder of the contract with Deerfield.

Off-Balance Sheet Arrangements

As of March 31, 2021, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis

(In thousands, except per share data)

(Unaudited)

You should read the discussion and analysis of our financial condition and results of operations set forth in this Item 2 together with our unaudited condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties, and reference is made to the "Cautionary Note Regarding Forward-Looking Statements" set forth immediately following the Table of Contents of this Quarterly Report on Form 10-Q for further information on the forward looking statements herein. In addition, you should read the "Risk Factors" section in Part I, Item 1A of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 9, 2021 and Part II, Item 1A in this Quarterly Report on Form 10-Q for a discussion of additional important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this Quarterly Report.

Overview

General Overview

Avadel Pharmaceuticals plc (Nasdaq: AVDL) ("Avadel," the "Company," "we," "our," or "us") is a biopharmaceutical company. Our lead product candidate, FT218, is an investigational once-nightly, extended-release formulation of sodium oxybate for the treatment of excessive daytime sleepiness ("EDS") and cataplexy in adults with narcolepsy. We are primarily focused on the development and potential United States ("U.S.") Food and Drug Administration ("FDA") approval of FT218. In December 2020, we submitted a New Drug Application ("NDA") to the FDA for FT218 to treat excessive daytime sleepiness and cataplexy in adults with narcolepsy. The NDA for FT218 was accepted by the FDA in February 2021 and assigned a Prescription Drug User Fee Act ("PDUFA") target action date of October 15, 2021.

Outside of our lead product candidate, we continue to evaluate opportunities to expand our product portfolio. As of March 31, 2021, we do not have any approved and commercialized products in our portfolio.

FT218

FT218 is a once-nightly formulation of sodium oxybate that uses our Micropump controlled release drug-delivery technology for the treatment of EDS and cataplexy in adults suffering from narcolepsy. Sodium oxybate is the sodium salt of gamma hydroxybutyrate, an endogenous compound and metabolite of the neurotransmitter gamma-aminobutyric acid. Sodium oxybate is approved in the U.S. for the treatment of EDS and cataplexy in patients with narcolepsy and is approved in Europe for the treatment of cataplexy in patients with narcolepsy. Since 2002, sodium oxybate has only been available as a formulation that must be taken twice nightly, first at bedtime, and then again 2.5 to 4 hours later.

On December 16, 2020, we announced the submission of our NDA to the FDA for FT218. On February 26, 2021, the FDA notified us of formal acceptance of the NDA with an assigned PDUFA target action date of October 15, 2021.

We conducted a Phase 3 clinical trial of FT218, the REST-ON trial, which was a randomized, double-blind, placebo-controlled study that enrolled 212 patients and was conducted in clinical sites in the U.S., Canada, Western Europe and Australia. The last patient, last visit was completed at the end of the first quarter of 2020 and positive top line data from the REST-ON trial was announced on April 27, 2020. Patients who received 9 g of once-nightly FT218, the highest dose administered in the trial, demonstrated a statistically significant and clinically meaningful improvement compared to placebo across the three co-primary endpoints of the trial: maintenance of wakefulness test, or MWT, clinical global impression-improvement, or CGI-I, and mean weekly cataplexy attacks. The lower doses assessed, 6 g and 7.5 g also demonstrated a statistically significant and clinically meaningful improvement on all three co-primary endpoints compared to placebo. We observed the 9 g dose of once-nightly FT218 to be generally well tolerated. Adverse reactions commonly associated with sodium oxybate were observed in a small number of patients (nausea 1.3%, vomiting 5.2%, decreased appetite 2.6%, dizziness 5.2%, somnolence 3.9%, tremor 1.3% and enuresis 9%), and 3.9% of the patients who received 9 g of FT218 discontinued the trial due to adverse reactions.

In January 2018, the FDA granted FT218 Orphan Drug Designation, which makes the drug eligible for certain development and

commercial incentives, including potential U.S. market exclusivity for up to seven years. Additionally, several FT218-related U.S. patents have been issued, and there are additional patent applications currently in development and/or pending at the U.S. Patent and Trademark Office ("USPTO"), as well as foreign patent offices.

In July 2020, we announced that the first patient was dosed initiating an open-label extension ("OLE")/switch study of FT218 as a potential treatment for EDS and cataplexy in patients with narcolepsy. The OLE/switch study is examining the long-term safety and maintenance of efficacy of FT218 in patients with narcolepsy who participated in the REST-ON study, as well as dosing and preference data for patients switching from twice-nightly sodium oxybate to once-nightly FT218, regardless of whether they participated in REST-ON. We anticipate that the study could enroll up to 250 patients, many of whom would be enrolled in North American clinical trial sites that participated in the REST-ON study.

New secondary endpoints from the REST-ON trial were presented at the American Academy of Neurology, beginning April 17, 2021. FT218 demonstrated improvements in disturbed nocturnal sleep ("DNS"), defined in REST-ON as the number of shifts from stages N1, N2, N3, and rapid eye movement ("REM") sleep to wake and from stages N2, N3, and REM sleep to stage N1. FT218 also decreased the number of nocturnal arousals as measured on polysomnography. Improvements in DNS were further supported by post-hoc analyses demonstrating increased time in deep sleep (N3, also known as slow wave sleep), and less time in N1. A second poster described the statistically significant improvements in the Epworth Sleepiness Scale, both the quality of sleep and the refreshing nature of sleep, and a decrease in sleep paralysis. These clinically relevant improvements were observed for all doses, beginning at Week 3, for the lowest 6 g dose, compared to placebo. FT218 did not demonstrate significant improvement for hypnagogic hallucinations compared to placebo.

We believe FT218 has the potential to demonstrate improved dosing compliance, safety and patient satisfaction over the current standard of care for EDS and cataplexy in patients with narcolepsy, which are twice-nightly oxybate formulations. If approved, we believe FT218 has the potential to take a significant share of the oxybate market. The current market size for the twice-nightly administration of oxybate products is an estimated $1.8 billion annually.

Micropump Drug-Delivery Technology

Our Micropump drug-delivery technology allows for the controlled delivery of small molecule drugs taken orally, which has the potential to improve dosing compliance, reduce toxicity and improve patient compliance. Beyond FT218, we believe there could be other product development opportunities for our Micropump drug-delivery technology, representing either life cycle opportunities, whereby additional intellectual property can be added to a pharmaceutical product to extend the commercial viability of a currently marketed product, or innovative formulation opportunities for new chemical entities.

Previously Approved FDA Products

On June 30, 2020, we announced the sale of our portfolio of sterile injectable drugs used in the hospital setting (the "Hospital Products"), including our three commercial products, Akovaz, Bloxiverz and Vazculep, as well as Nouress, to Exela Sterile Medicines LLC ("Exela Buyer"). This sale included the following FDA approved products:

- **Bloxiverz (neostigmine methylsulfate injection)** - Bloxiverz is a drug used intravenously in the operating room to reverse the effects of non-depolarizing neuromuscular blocking agents after surgery.
- **Vazculep (phenylephrine hydrochloride injection)** - Vazculep is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia.
- **Akovaz (ephedrine sulfate injection)** - Akovaz was the first FDA approved formulation of ephedrine sulfate, an alpha- and beta- adrenergic agonist and a norepinephrine-releasing agent that is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia.
- **Nouress (cysteine hydrochloride injection)** - Nouress is a sterile injectable product for use in the hospital setting to provide parenteral nutrition to neonates.

Corporate Information

We are an Irish public limited company. Our registered address is at 10 Earlsfort Terrace, Dublin 2, Ireland and our phone number is +353-1-920-1000. We file annual, quarterly and current reports, proxy statements and other documents with the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our website is www.avadel.com, where we make available free of charge our reports (and any amendments thereto) on Forms

10-K, 10-Q and 8-K as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. These filings are also available to the public at www.sec.gov.

We currently have five direct wholly-owned subsidiaries: (a) Avadel US Holdings, Inc., (b) Flamel Ireland Limited is an Irish limited company, which conducts business under the name Avadel Ireland, (c) Avadel Investment Company Limited, (d) Avadel Finance Ireland Designated Activity Company and (e) Avadel France Holding SAS. Avadel US Holdings, Inc., a Delaware corporation, is the holding entity of (i) Avadel Specialty Pharmaceuticals, LLC, (ii) Avadel Legacy Pharmaceuticals, LLC, (iii) Avadel Management Corporation, and (iv) Avadel CNS Pharmaceuticals LLC. Avadel Finance Ireland Designated Activity Company is the holding entity of Avadel Finance Cayman Limited. Avadel France Holding SAS is the holding entity of Avadel Research SAS. A complete list of our subsidiaries can be found in Exhibit 21.1 of our Annual Report on Form 10-K filed with the SEC on March 9, 2021.

Key Business Trends and Highlights

In operating our business and monitoring our performance, we consider a number of performance measures, as well as trends affecting our industry as a whole, which include the following:

- **Healthcare and Regulatory Reform**: Various health care reform laws in the U.S. may impact our ability to successfully commercialize our products and technologies. The success of our commercialization efforts may depend on the extent to which the government health administration authorities, the health insurance funds in the E.U. Member States, private health insurers and other third-party payers in the U.S. will reimburse consumers for the cost of healthcare products and services.
- **Competition and Technological Change**: Competition in the pharmaceutical and biotechnology industry continues to be intense and is expected to increase. We compete with academic laboratories, research institutions, universities, joint ventures, and other pharmaceutical and biotechnology companies, including other companies developing niche branded or generic specialty pharmaceutical products or drug delivery platforms. Furthermore, major technological changes can happen quickly in the pharmaceutical and biotechnology industries. Such rapid technological change, or the development by our competitors of technologically improved or differentiated products, could render our products, product candidates, or drug delivery platforms obsolete or noncompetitive.
- **Pricing Environment for Pharmaceuticals**: The pricing environment continues to be in the political spotlight in the U.S. As a result, the need to obtain and maintain appropriate pricing for pharmaceutical products may become more challenging due to, among other things, the attention being paid to healthcare cost containment and other austerity measures in the U.S. and worldwide.
- **Generics Playing a Larger Role in Healthcare**: Generic pharmaceutical products will continue to play a large role in the U.S. healthcare system. As such, we expect to see generic competition for our products in the future.
- **Access to and Cost of Capital**: The process of raising capital and associated cost of such capital for a company of our financial profile can be difficult and potentially expensive. If the need were to arise to raise additional capital, access to that capital may be difficult, expensive and/or dilutive and, as a result, could create liquidity challenges for the Company.
- **Net Loss from Operations in 2021**: We sold our Hospital Products at June 30, 2020 and will no longer generate revenue from sales of these products. We will incur substantial expenses to further the clinical development and prepare for the launch of FT218, if approved, and expect to incur a net loss in 2021, which we are unable to estimate at this time.

Impact of COVID-19

Since early 2020, we have seen the profound impact that the ongoing coronavirus (“COVID-19”) pandemic is having on human health, the global economy and society at large. We have continued to actively monitor the COVID-19 pandemic and have taken measures to mitigate the potential impacts to our employees and business, such as continuing to offer a work from home policy. We believe the impact of COVID-19 and measures to prevent its spread could impact our business in a number of ways, including: i) possibly delaying any remaining development activities for FT218, the FDA review timeline of FT218, and/or our ongoing RESTORE open-label extension/switch study, ii) disruptions to our supply chain and third parties; and iii) requiring our employees to work from home for an extended period of time. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition. Despite progress in vaccination efforts, future developments and impact on our operations remain uncertain and cannot be

predicted with confidence, including the duration of the COVID-19 pandemic, new strains of the virus, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or we, may direct, which may result in extending continued business disruptions.

Financial Highlights

Highlights of our consolidated results for the three months ended March 31, 2021 are as follows:

- Revenue was $0 for the three months ended March 31, 2021, compared to $12,243 in the same period last year. The year over year decrease was the result of the sale of the Hospital Products on June 30, 2020.
- Operating loss was $14,811 for the three months ended March 31, 2021, compared to an operating loss of $6,497 and for the same period last year. The increase in operating loss for the three months ended March 31, 2021 was driven by sale of the Hospital Products on June 30, 2020.
- Net loss was $13,445 for the three months ended March 31, 2021, compared to a net loss of $865 in the same period last year.
- Diluted net loss per share was $0.23 for the three months ended March 31, 2021, compared to diluted net loss per share of $0.02 in the same period last year.
- Cash and marketable securities decreased $16,427 to $204,975 at March 31, 2021, from $221,402 at December 31, 2020. This decrease was driven by $23,413 of cash used in operations during the three months ended March 31, 2021, partially offset by $8,250 of installment proceeds received from the disposition of the hospital products.

Critical Accounting Estimates

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. To prepare these financial statements, management makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosures of contingent assets and liabilities. Actual results could be significantly different from these estimates.

Our significant accounting policies are described in Note 1 of the audited consolidated financial statements included in our Annual Report Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K"). The SEC suggests companies provide additional disclosure on those accounting policies considered most critical. The SEC considers an accounting policy to be critical if it is important to our financial condition and results of operations and requires significant judgments and estimates on the part of management in its application. Our estimates are often based on complex judgments, probabilities and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of our critical accounting policies, see the "Critical Accounting Policies" section of the Management's Discussion & Analysis in our 2020 Form 10-K.

Results of Operations

The following is a summary of our financial results (in thousands, except per share amounts) for the three months ended March 31, 2021 and 2020, respectively:

	Three Months Ended March 31,		Three Months Ended *Increase / (Decrease)* 2021 vs. 2020	
Comparative Statements of Loss	**2021**	**2020**	**$**	**%**
Product sales	$ —	$ 12,243	$ (12,243)	(100.0)%
Operating expenses:				
Cost of products	—	2,457	(2,457)	(100.0)%
Research and development expenses	3,852	5,530	(1,678)	(30.3)%
Selling, general and administrative expenses	11,012	7,913	3,099	39.2 %
Intangible asset amortization	—	203	(203)	(100.0)%
Changes in fair value of contingent consideration	—	2,478	(2,478)	(100.0)%
Restructuring (income) costs	(53)	159	(212)	(133.3)%
Total operating expense	14,811	18,740	(3,929)	(21.0)%
Operating loss	(14,811)	(6,497)	(8,314)	(128.0)%
Investment and other income (expense), net	610	(378)	988	261.4 %
Interest expense	(1,929)	(3,190)	1,261	39.5 %
Gain from release of certain liabilities	78	—	78	100.0 %
Other expense - changes in fair value of contingent consideration payable	—	(310)	310	100.0 %
Loss before income taxes	(16,052)	(10,375)	(5,677)	(54.7)%
Income tax benefit	(2,607)	(9,510)	6,903	72.6 %
Net loss	$ (13,445)	$ (865)	$ (12,580)	(1,454.3)%
Net loss per share - diluted	$ (0.23)	$ (0.02)	$ (0.21)	(1,050.0)%

Product sales for each of the Company's significant products for the three months ended March 31, 2021 and 2020 were as follows:

	Three Months Ended March 31,		Three Months Ended *Increase / (Decrease)* 2021 vs. 2020	
Product sales:	**2021**	**2020**	**$**	**%**
Bloxiverz	$ —	$ 1,401	$ (1,401)	(100.0)%
Vazculep	—	5,514	(5,514)	(100.0)%
Akovaz	—	5,349	(5,349)	(100.0)%
Other	—	(21)	21	100.0 %
Product sales	$ —	$ 12,243	$ (12,243)	(100.0)%

Product sales were $0 for the three months ended March 31, 2021, compared to $12,243 for the same prior year period. The decline in product sales is driven by the sale of the Hospital Products on June 30, 2020.

	Three Months Ended March 31,		Three Months Ended Increase / (Decrease) 2021 vs. 2020	
Cost of Products:	**2021**	**2020**	**$**	**%**
Cost of products	$ —	$ 2,457	$ (2,457)	(100.0)%

Cost of products decreased $2,457 or 100.0% during the three months ended March 31, 2021 compared to the same prior year period driven by lower sold units due to the June 30, 2020 sale of the Hospital Products.

	Three Months Ended March 31,		Three Months Ended Increase / (Decrease) 2021 vs. 2020	
Research and Development Expenses:	**2021**	**2020**	**$**	**%**
Research and development expenses	$ 3,852	$ 5,530	$ (1,678)	(30.3)%

R&D expenses decreased $1,678 or 30.3% during the three months ended March 31, 2021 as compared to the same period in 2020. This decline was driven by the completion of the FT218 clinical study during the three months ended March 31, 2020. The Company continues to invest a substantial portion of R&D in its FT218 development program.

	Three Months Ended March 31,		Three Months Ended Increase / (Decrease) 2021 vs. 2020	
Selling, General and Administrative Expenses:	**2021**	**2020**	**$**	**%**
Selling, general and administrative expenses	$ 11,012	$ 7,913	$ 3,099	39.2 %

SG&A expenses increased $3,099 or 39.2% during the three months ended March 31, 2021 as compared to the same prior year period. This increase was primarily due to an increase in consulting and professional fees, marketing research costs, recruiting costs and advertising and promotional costs of approximately $1,500 driven by our preparation for commercial launch for FT218, as well as higher share-based compensation and insurance expenses of approximately $900 and $600, respectively.

	Three Months Ended March 31,		Three Months Ended Increase / (Decrease) 2021 vs. 2020	
Intangibles Asset Amortization:	**2021**	**2020**	**$**	**%**
Intangible asset amortization	$ —	$ 203	$ (203)	(100.0)%

Intangible asset amortization expense for the three months ended March 31, 2020 related to the amortization of our acquired developed technology - Vazculep. This intangible asset was written off as a result of the sale of the Hospital Products to Exela Sterile Medicines LLC on June 30, 2020. See *Note 3: Disposition of the Hospital Products* to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for further details.

	Three Months Ended March 31,		Three Months Ended Increase / (Decrease) 2021 vs. 2020	
Changes in Fair Value of Contingent Consideration:	**2021**	**2020**	**$**	**%**
Changes in fair value of contingent consideration	$ —	$ 2,478	$ (2,478)	(100.0)%

Prior to the June 30, 2020 sale of the Hospital Products, we computed the fair value of the contingent consideration using several significant assumptions and when these assumptions change, due to underlying market conditions, the fair value of

these liabilities change as well. Each of the underlying assumptions used to determine the fair values of these contingent liabilities can, and often do, change based on adjustments in current market conditions, competition and other factors. These changes can have a material impact on our unaudited condensed consolidated statements of loss and balance sheets. As part of the sale of the Hospital Products on June 30, 2020, the Exela Buyer assumed and will pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy and the Company under the Deerfield Royalty Agreement.

As a result of changes in the underlying assumptions used to determine the estimated fair values of our acquisition-related contingent consideration earn-out payments - Éclat, we recorded an expense of $2,478 and increased the fair value of the acquisition-related contingent consideration earn-out payments - Éclat for the three months ended March 31, 2020. Subsequent to June 30, 2020, we had no remaining liability.

			Three Months Ended *Increase / (Decrease)*	
	Three Months Ended March 31,		2021 vs. 2020	
Restructuring (Income) Costs	**2021**	**2020**	**$**	**%**
Restructuring (income) costs	$ (53)	$ 159	$ (212)	(133.3)%

Restructuring income of $53 and costs of $159 were recognized during the three months ended March 31, 2021 and 2020, respectively. Restructuring (income) costs were primarily related to the 2019 French and Corporate Restructuring actions and mainly included severance and legal costs, see *Note 12: Restructuring Costs* to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for further details for further details.

			Three Months Ended *Increase / (Decrease)*	
	Three Months Ended March 31,		2021 vs. 2020	
Investment and Other Income (Expense), net	**2021**	**2020**	**$**	**%**
Investment and other income (expense), net	$ 610	$ (378)	$ 988	261.4 %

Investment and other income (expense), net increased for the three months ended March 31, 2021 when compared to the same period in the prior year driven by lower realized losses on our marketable securities, lower unrealized losses on our equity investments and increased foreign exchange gains.

			Three Months Ended *Increase / (Decrease)*	
	Three Months Ended March 31,		2021 vs. 2020	
Interest Expense	**2021**	**2020**	**$**	**%**
Interest expense	$ 1,929	$ 3,190	$ (1,261)	(39.5)%

Interest expense of $1,929 and $3,190 for the three months ended March 31, 2021 and 2020, respectively, is related to interest on the 2023 Notes. Included in these amounts are coupon interest expense of $1,617 for each period and the amortization of debt issuance costs of $312 and $245 for the three months ended March 31, 2021 and 2020, respectively. Prior period interest expense also included amortization of a debt discount of $1,328, which was eliminated upon our adoption of ASU 2020-06. See *Note 9: Long Term Debt* to our unaudited condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for further details for further details.

Gain On the Release of Certain Liabilities	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Three Months Ended Increase / (Decrease) 2021 vs. 2020 $	Three Months Ended Increase / (Decrease) 2021 vs. 2020 %
Gain on the release of certain liabilities	$ 78	$ —	$ 78	100.0 %

Subsequent to the finalization of the Avadel Specialty Pharmaceuticals, LLC ("Specialty Pharma") bankruptcy, we recognized a non-cash gain of $78 from the release of certain liabilities that had been retained following the deconsolidation of Specialty Pharma in February 2019.

Other Expense - Changes in Fair Value of Contingent Consideration Payable	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Three Months Ended Increase / (Decrease) 2021 vs. 2020 $	Three Months Ended Increase / (Decrease) 2021 vs. 2020 %
Other expense - changes in fair value of contingent consideration payable	$ —	$ (310)	$ 310	100.0 %

We recorded expense of $310 to increase the fair value of the contingent consideration payable liabilities during the three months ended March 31, 2020, due to the same reasons associated with the Éclat product sales forecasts as described in the section "Changes in Fair Value of Contingent Consideration" for this period. As of March 31, 2021 and December 31, 2020, the balance of the contingent consideration payable is $0.

Income Tax Benefit:	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Three Months Ended Increase / (Decrease) 2021 vs. 2020 $	Three Months Ended Increase / (Decrease) 2021 vs. 2020 %
Income tax benefit	$ (2,607)	$ (9,510)	$ 6,903	72.6 %
Percentage of income before income taxes	16.2 %	91.7 %		

The income tax benefit was $2,607 for the three months ended March 31, 2021 resulting in an effective tax rate of 16.2%. The income tax benefit was $9,510 for the three months ended March 31, 2020 resulting in an effective tax rate of 91.7%. The decrease in the income tax benefit for the three months ended March 31, 2021, as compared to the same period in 2020, is primarily due to the discrete tax benefits recognized under the CARES Act enacted in 2020 and an agreement with the IRS in the first quarter of 2020 on audit adjustments resulting from the U.S. Federal Income Tax audit of the tax years 2015, 2016 and 2017, all of which was recorded during the three months ended March 31, 2020. Benefits from these prior year items did not recur during the three months ended March 31, 2021.

Liquidity and Capital Resources

The Company's cash flows from operating, investing and financing activities, as reflected in the unaudited condensed consolidated statements of cash flows, are summarized in the following table:

Net cash (used in) provided by:	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Three Months Ended Increase / (Decrease) 2021 vs. 2020 $	Three Months Ended Increase / (Decrease) 2021 vs. 2020 %
Operating activities	$ (23,413)	$ (11,636)	$ (11,777)	(101.2)%
Investing activities	11,191	13,226	(2,035)	(15.4)%
Financing activities	149	62,210	(62,061)	(99.8)%

Operating Activities

Net cash used in operating activities of $23,413 for the three months ended March 31, 2021 increased $11,777 compared to the same prior year period. This increase in cash used in operating cash flow is due to a higher net loss of $12,580 when compared to the same period last year, as well as the increase in prepaid expenses due primarily to the payment of annual insurance premiums during the three month ended March 31, 2021.

Investing Activities

Cash provided by investing activities was $11,191 and $13,226 for the three months ended March 31, 2021 and 2020, respectively. Cash provided by investing activities for the three months ended March 31, 2021 was driven by proceeds from the disposition of the hospital products of $8,250, as well as higher net proceeds received from the excess of sales over purchases of marketable securities. Cash provided by investing activities for the three months ended March 31, 2020 was related to net cash proceeds received from the excess of sales over purchases of marketable securities.

Financing Activities

Cash provided by financing activities for the three months ended March 31, 2021 was $149 related to proceeds from stock option exercises and employee stock purchase plan (“ESPP”) issuances compared to cash provided by financing activities for the three months ended March 31, 2020 of $62,210 driven by the February private placement that resulted in net proceeds of $60,733, and stock option exercises and ESPP issuances of $1,477.

Liquidity and Risk Management

The adequacy of our cash resources depends on the outcome of certain business conditions including the cost of our FT218 clinical development plan, our cost structure, and other factors set forth in “Risk Factors” within Part I, Item 1A of the 2020 Form 10-K. To complete the FT218 clinical development plan we will need to commit substantial resources, which could result in future losses or otherwise limit our opportunities or affect our ability to operate our business. Our assumptions concerning the outcome of certain business conditions may prove to be wrong or other factors may adversely affect our business, and as a result we could exhaust or significantly decrease our available cash and marketable securities balances which could, among other things, force us to raise additional funds and/or force us to reduce our expenses, either of which could have a material adverse effect on our business. Additionally, we are unable to estimate the near or long term impact that COVID-19, which may have a material adverse impact on our business.

If available to us, raising additional capital may be accomplished through one or more public or private debt or equity financings, collaborations or partnering arrangements. Any equity financing would be dilutive to our shareholders.

Cash, cash equivalent and marketable security balances as of March 31, 2021 and unused financing sources are expected to provide us with the flexibility to meet its liquidity needs in 2021, including its operating requirements related to the development of FT218.

Other Matters

Litigation

The Company is subject to potential liabilities generally incidental to our business arising out of present and future lawsuits and claims related to product liability, personal injury, contract, commercial, intellectual property, tax, employment, compliance and other matters that arise in the ordinary course of business. The Company accrues for potential liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. At March 31, 2021 and December 31, 2020, there were no contingent liabilities with respect to any litigation, arbitration or administrative or other proceeding that are reasonably likely to have a material adverse effect on the Company’s unaudited condensed consolidated financial position, results of operations, cash flows or liquidity.

Material Commitments and Contractual Obligations

Disclosures regarding material commitments and contractual obligations are included in Part II, Item 7 of the Company’s 2020 Annual Report on Form 10-K and updated in *Note 16: Commitments and Contingencies* to the Company’s unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

The Company is subject to interest rate risk as a result of its portfolio of marketable securities. The primary objectives of our investment policy are as follows: safety and preservation of principal and diversification of risk; liquidity of investments sufficient to meet cash flow requirements; and competitive yield. Although our investments are subject to market risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or certain types of investment. Our investment policy allows us to maintain a portfolio of cash equivalents and marketable securities in a variety of instruments, including U.S. federal government and federal agency securities, European Government bonds, corporate bonds or commercial paper issued by U.S. or European corporations, money market instruments, certain qualifying money market mutual funds, certain repurchase agreements, tax-exempt obligations of states, agencies, and municipalities in the U.S and Europe, and equities. A hypothetical 50 basis point change in interest rates would not result in a material decrease or increase in the fair value of our securities due to the general short-term nature of our investment portfolio.

ITEM 4. CONTROLS AND PROCEDURES.

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2021, the end of the period covered by this quarterly report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on their evaluation, as of the end of the period covered by this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of March 31, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 or 15d-15 that occurred during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information contained in *Note 16: Commitments and Contingencies* to the Company's unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report is incorporated by reference herein.

ITEM 1A. RISK FACTORS.

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 9, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
10.1*+	Employment Agreement, dated as of February 15, 2021, by and between Avadel Management Corporation and Richard Kim
31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) promulgated under the Exchange Act
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) promulgated under the Exchange Act
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) (filed herewith)

* Filed herewith.

** Furnished herewith.

\+ Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVADEL PHARMACEUTICALS PLC
(Registrant)

Date: May 10, 2021

By: /s/ Gregory J. Divis
Gregory J. Divis
Chief Executive Officer
(Duly Authorized Officer and *Principal Executive Officer)*

Date: May 10, 2021

By: /s/ Thomas S. McHugh
Thomas S. McHugh
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer and *Principal Financial and Accounting Officer)*

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the eighteenth (18th) day of March 2021 by and among Richard Kim, currently residing at 16 Fairway Drive, West Windsor, NJ 08550 (the "Executive"), and Avadel Management Corporation, a Delaware corporation with a principal office located at 16640 Chesterfield Grove Road, Suite 200, Chesterfield, Missouri 63005 (the "Company"). The Company is an indirect wholly owned subsidiary of Avadel Pharmaceuticals plc, an Irish public limited company with a principal office located at Ten Earlsfort Terrace, Dublin 2, D02 T380 Ireland ("Avadel plc").

W I T N E S S E T H

WHEREAS, the Executive began his employment with the Company as of February 15, 2021 (the "Effective Date"), and the Executive and the Company wish to set forth in this Agreement the terms of such employment.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. EMPLOYMENT TERMS

1.1 Position.

(a) Positions. The Executive shall serve as the Chief Commercial Officer of Avadel plc and will be employed by the Company as the Chief Commercial Officer, and shall carry out such work as may be reasonably required by the Company in connection with the business of Avadel plc and the Company consistent with such positions and the terms and conditions of this Agreement. The Executive will devote substantially all of the Executive's business time, attention and efforts to Avadel plc and the Company and during such time the Executive will make the best use of his energy, knowledge and training for the purpose of advancing the interests of Avadel plc and the Company. Except as may be otherwise expressly authorized in writing by the Chief Executive Officer of Avadel plc, during his employment with the Company the Executive will accept no other employment nor serve as an officer, director or principal of any other company or organization (other than a member of the Avadel Group of Companies (as hereinafter defined). Notwithstanding the foregoing, the Executive may engage in religious, charitable or other community activities (which may include service as a board member of a religious, charitable or other not-for-profit organization) as long as such activities do not interfere with the Executive's performance of his duties to or with respect to Avadel plc and each of its direct or indirect subsidiaries including the Company (collectively, the "Avadel Group of Companies"). The Executive will comply with all written policies of the Avadel Group of Companies to the extent applicable to the Executive.

(b) Reporting. Executive shall report directly to the Company's Chief Executive Officer, currently Gregory J. Divis.

1.2 Duration. The duration of the Executive's employment commenced as of the Effective Date and shall continue under the terms and condition of this Agreement, for one (1) year following the Effective Date, with this Agreement automatically renewing thereafter for successive periods of one (1) year unless the Executive or the Company provides written notice to the other of his or its intention not to renew the Agreement at least thirty (30) days prior to the next upcoming expiration date. Notwithstanding the foregoing, this Agreement and the Executive's at-will employment hereunder may be terminated at any time pursuant to Section 3.1 hereof. At the termination of this Agreement, the Executive's employment with the Company shall terminate simultaneously.

2. COMPENSATION; BENEFITS

2.1 Base Salary. The Company shall pay to the Executive a gross annual base salary of Four Hundred and Twenty-Five Thousand Dollars ($425,000) per year, paid on a semi-monthly basis and subject to ordinary and lawful deductions. The Company will review the Executive's base salary on or about the first of every calendar year, and, in the Company's sole discretion, make any increases that the Company deems warranted. If the Executive's base salary is increased, the new increased base salary will be the base salary for purposes of this Agreement.

2.2 Bonus. The Executive shall be eligible for a potential annual bonus with a target payout of no less than forty-five percent (45%) of the Executive's base salary based upon the Executive's achievement of certain business and individual performance objectives as well as the performance of Avadel plc against its objectives as determined by the Company. Subject to the requirement that the Executive shall be employed by a member of the Avadel Group of Companies on the date that the bonus is deemed earned by the Compensation Committee of the Board of Directors of Avadel plc (the "Board"), any bonus payments due hereunder shall be paid to the Executive no later than March 15 of the calendar year following the applicable year to which the annual bonus relates, subject to ordinary and lawful deductions.

2.3 Stock Options and Additional Equity Grants. In connection with the commencement of his employment, the Executive has been awarded three hundred and fifty thousand (350,000) stock options that will vest pursuant to the terms of the applicable stock option agreement and the Avadel plc 2020 Omnibus Incentive Compensation Plan (together, the "Equity Documents"). The Executive will also be eligible to participate in future equity awards which may be granted to executive management, based upon Company and individual performance, at the sole discretion of the Board.

2.4 Insurance and Benefits.

(a) Plan Participation. The Company shall facilitate the participation by the Executive and his family in medical, health, vision, dental, hospitalization, term life, and

workers compensation insurance, long-term disability, short-term disability, and 401k savings plan programs of the Company, to the extent now existing or hereafter established, that are generally made available to executives or employees of the Company, in each case according to the terms and conditions (including eligibility requirements) of such plans or programs. Under current policies, the Company pays 85% annually toward employee medical (United Healthcare) coverage, plus 70% of dependent medical coverage; 85% employee coverage for dental insurance (Principal); optional vision coverage (Eyemed); and a $1000 annual corporate contribution to a health savings account (HSA) (if such medical insurance is elected). The Executive acknowledges that the current insurance plans and Company policies are subject to changes at the business discretion of the Company.

(b) Vacation and Paid Time Off. The Executive shall be eligible for vacation of twenty (20) days per year which shall be accrued or earned each month. The Executive shall also be entitled to the Company's usual and customary holidays, including two (2) floating holidays per year and corporate holidays (of which there are twelve (12) scheduled during 2021) to be taken in accordance with the normal Company paid vacation and time-off policies. The Company also grants the Executive five (5) sick days annually.

(c) Indemnification; General Liability.

(i) To the fullest extent permitted by applicable law, the Company, its receiver, or its trustee shall indemnify, defend, and hold the Executive harmless from and against any expense, loss, damage, or liability incurred or connected with any claim, suit, demand, loss, judgment, liability, cost, or expense (including reasonable attorneys' fees) arising from or related to the services performed by him under the terms of this Agreement and amounts paid in settlement of any of the foregoing; provided that the same were not the result of the Executive's fraud, gross negligence, or reckless or intentional misconduct. The Company may advance to the Executive the costs of defending any claim, suit, or action against him if he undertakes to repay the funds advanced, with interest, should it later be determined that he is not entitled to indemnification under this Section 2.4(c); provided, however, and notwithstanding the foregoing, this sentence shall not apply to the defense of any claim that may be brought by the Company or any of the Avadel Group of Companies against the Executive.

(ii) The Company shall provide coverage to the Executive for his general liability, director and officer liability, and professional liability insurance at the same levels and on the same terms as provided to its other executive officers.

2.5 Reimbursement of Expenses. The Company shall reimburse the Executive, subject to presentation of adequate substantiation, including receipts, for the reasonable travel, entertainment, lodging and other business expenses incurred by the Executive in accordance with the Company's expense reimbursement policy in effect at the time such expenses are incurred. In no event will such reimbursements, if any, be made

later than the last day of the year following the year in which the Executive incurs the expense.

3. TERMINATION AND SEVERANCE

3.1 Termination.

(a) Nothing in this Agreement shall prevent the Company from terminating the Executive's employment with the Company and this Agreement at any time, with or without "Cause." "Cause" means: (i) conviction of the Executive of, or the Executive's plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud, theft, or misappropriation by the Executive of any asset or property of any member of the Avadel Group of Companies, including, without limitation, any theft or embezzlement or any diversion of any corporate opportunity; (iii) breach by the Executive of any of the material obligations contained in this Agreement; (iv) conduct by the Executive materially contrary to the material policies of any member of the Avadel Group of Companies; (v) material failure by the Executive to meet the goals and objectives established by any member of the Avadel Group of Companies; provided that the Executive has failed to cure such failure within a reasonable period of time after written notice to him regarding such failure; or (vi) conduct by the Executive that results in a material detriment to any member of the Avadel Group of Companies, or its program, or goals or that is inimical to its reputation and interest; provided that the Executive has failed to cure such failure within a reasonable period of time after written notice to him regarding such conduct. Any reoccurrence of such acts constituting Cause within one (1) year of the original occurrence will require no such pre-termination right of the Executive to cure.

(b) The Executive may terminate the Executive's employment with the Company and this Agreement for or other than for "Good Reason". "Good Reason" means, without the Executive's consent, any of the following: (i) the Company's diminution in the Executive's authority, duties or responsibilities with respect to Avadel plc or the Company in any material respect or the Company's assignment to the Executive of duties or responsibilities that are materially inconsistent with the Executive's position with Avadel plc or the Company as stated in this Agreement; (ii) a change in the location of the Executive's employment which increases the Executive's one-way commute by more than sixty (60) miles; or (iii) a material breach by the Company of this Agreement.

(c) In the event that the Executive desires to resign from the Company, he shall promptly give the Company written notice of the date that such resignation will be effective, provided that the notice period shall be no less than thirty (30) days; provided further, that the Company may unilaterally accelerate the date of termination and such acceleration shall not result in a termination by the Company for purposes of this Agreement. In the event that the Executive desires to resign from the Company for Good Reason, he shall provide the Company with written notice setting forth the acts constituting Good Reason within ninety (90) days of the initial occurrence of the Good Reason condition and providing that the Company may cure such acts within thirty (30) days of receipt of such notice. If such condition is not remedied within such thirty- (30-)

day cure period, any termination of employment by the Executive for "Good Reason" must occur within ninety (90) days after the period for remedying such condition has expired.

(d) In the event that the Company desires to terminate the Executive's employment, with or without Cause, the Company shall give the Executive written notice thereof, and the termination shall be effective as of the date specified in the written notice.

(e) The Executive's employment and this Agreement shall terminate automatically upon the Executive's death. If the Company determines that the Executive is subject to an Incapacity (as hereinafter defined), the Company may terminate the Executive's employment and this Agreement effective upon the Executive's Incapacity. "Incapacity" shall mean the inability of the Executive to perform the essential functions of the Executive's job, with or without reasonable accommodation, for a period of 90 days in the aggregate in any 180-day period.

(f) If the Executive's employment is terminated for any reason, the Company shall pay to the Executive (or, after the Executive's death, his estate) any accrued or awarded but unpaid annual bonus and accrued but unused vacation pay, expense reimbursement and other benefits due to the Executive under any Company-provided benefit plans, policies and arrangements, with such accrued but unpaid annual bonus and vacation pay and expense reimbursements payable no later than thirty (30) days after the date of termination of employment (sooner to the extent required by applicable law or to the extent the bonus is payable prior to such time) and any other benefits payable in accordance with the applicable terms of the benefit plans, policies and arrangements. The payments in this Section 3.1(f) are collectively referred to as the "Accrued Obligations."

3.2 Severance. If the Executive terminates this Agreement and his employment with the Company for Good Reason or if the Executive's employment with the Company is terminated by the Company without Cause or by non-renewal of this Agreement by the Company, the Company shall pay severance to the Executive as follows:

(i) severance pay in an amount equal to 1.0 times the Executive's then-current annual base salary, such amount to be paid in a one-time installment; and

(ii) if the Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), then the Company each month will pay for the Executive's COBRA premiums for such coverage (at coverage levels in effect immediately prior to the Executive's termination) until the earlier of: (A) the expiration of a period of twelve (12) months from the date of termination or (B) the date upon which the Executive becomes covered under similar plans of any subsequent employer or is otherwise ineligible for COBRA; provided, however, if the Company determines that it cannot pay such amounts to the group health plan provider or the COBRA provider (if applicable) without potentially violating applicable law

(including, without limitation, Section 2716 of the Public Health Service Act), then the Company shall convert such payments to payroll payments directly to the Executive for the time period specified above. Such payments shall be subject to applicable tax-related deductions and withholdings and paid on the Company's regular payroll dates.

All payments and benefits set forth in the foregoing items (i) and (ii) hereof are defined as the "Severance Pay and Benefits." The Executive's receipt of the foregoing Severance Pay and Benefits is conditioned upon his execution and delivery to the Company of a separation and release agreement acceptable to the Company governing the termination of the employment relationship between the Executive and the Company and the Executive's release of all claims against all members of the Avadel Group of Companies and their employees, officers, directors, contractors and other related persons (the "Separation and Release Agreement"), and allowing the applicable revocation period required by law to expire without revoking or causing revocation of same, within the time period set forth in the Separation and Release Agreement and in no event more than sixty (60) days following the date of termination of the Executive's employment. The amounts payable under this Section 3.2, to the extent taxable, shall be paid or commence to be paid within 60 days after the Executive's date of termination; provided, however, that if the 60-day period spans more than one calendar year, any payments that the Executive is entitled to receive during such period shall be accumulated and paid in a lump sum only in the subsequent calendar year.

3.3 Change of Control.

(a) If the Executive terminates this Agreement and his employment with the Company for Good Reason or if the Executive's employment with the Company is terminated by the Company without Cause or by non-renewal of this Agreement by the Company, and such termination occurs during a Change of Control Period (as hereinafter defined), then, in addition to the Executive being eligible for the Severance Pay and Benefits, subject to the terms of Section 3.2 above, and notwithstanding any other provision in any applicable equity compensation plan and/or individual stock option plan or agreement, the Executive's outstanding and vested stock options as of the Executive's termination of employment date will remain exercisable until the eighteen (18) month anniversary of the termination of employment date; provided, however, that the post-termination exercise period for any individual stock option right will not extend beyond its original maximum term as of the original date of the grant (the "Extended Exercise Period").

(b) The Executive's receipt of the foregoing Extended Exercise Period is conditioned upon his execution and delivery to the Company of the Separation and Release Agreement within the time period set forth in the Separation and Release Agreement and in no event more than sixty (60) days following the date of termination of the Executive's employment.

3.4 Change of Control Definitions. For purposes of Section 3.3 above, the following definitions shall apply:

(a) "Change of Control" means the occurrence of any of the following events:

(i) a change in the ownership of Avadel plc, Avadel US Holdings, Inc. or the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of equity interests of Avadel plc, Avadel US Holdings, Inc. or the Company that, together with the other equity interests held by such Person, constitute more than fifty percent (50%) of the total voting power of the equity interests of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable); provided, however, that for purposes of this subsection, the acquisition of additional equity interests by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the equity interests of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) will not be considered a Change or Control; or

(ii) a change in the effective control of Avadel plc, Avadel US Holdings, Inc. or the Company which occurs on the date that a majority of the members of the Board of Directors of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable), the acquisition of additional control of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) by the same Person will not be considered a Change of Control; or

(iii) a change in the ownership of a substantial portion of the assets of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair

market value of all of the assets of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) immediately prior to such acquisition or acquisitions.

Notwithstanding the foregoing, the Change in Control must constitute a change in ownership, effective control or substantial portion of the assets of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) within the meaning of Section 409A of the Code.

(b) "Change of Control Period" means the period ending eighteen (18) months following a Change of Control.

3.5 Other Termination. If the Executive terminates this Agreement and his employment with the Company other than for Good Reason or by non-renewal of this Agreement by the Executive, or if the Executive's employment with the Company is terminated by the Company for Cause or as the result of the Executive's Incapacity, or the Executive dies while employed by the Company, the Company shall pay to the Executive the Accrued Obligations, but the Executive shall not be entitled to any further compensation from the Company pursuant to this Agreement or otherwise.

3.6 Resignations. Notwithstanding any other provision of this Agreement, the Executive agrees to resign, as soon as administratively practicable, from any and all positions held with all members of the Avadel Group of Companies, at the time of termination of the Executive's employment with any member of the Avadel Group of Companies.

4. RESTRICTIVE COVENANTS

4.1 Confidentiality.

(a) Restriction. To the fullest extent permitted under applicable law, at all times during the Executive's employment by the Company and for a period of five (5) years after termination of the Executive's employment with the Company, the Executive (i) shall hold in strictest confidence all Restricted Information (as hereinafter defined), (ii) shall not directly or indirectly use, copy, disclose or otherwise distribute any Restricted Information, except for the benefit of a member of the Avadel Group of Companies to the extent necessary to perform his obligations to Avadel plc and the Company under this Agreement, and (iii) shall not disclose any Restricted Information to any person, firm, corporation or other entity without written authorization of the Chief Executive Officer or Board of Directors of Avadel plc. Any breach of any provision of this Section 4.1(a) shall be considered a material breach of this Agreement.

(b) Definitions. As used in this Section 4, the following terms shall have the meanings set forth below:

(i) "Restricted Information" means any Confidential Information (as hereinafter defined) and any Trade Secrets (as hereinafter defined).

(ii) "Confidential Information" means any information of or about any member of the Avadel Group of Companies, and any of the employees, customers and/or suppliers of any member of the Avadel Group of Companies, which is not generally known outside of the Avadel Group of Companies, which the Executive obtains (whether before, on or after the date of this Agreement) in connection with the Executive's employment with the Company, and which may be useful to any competitor of the Avadel Group of Companies or the disclosure of which would be damaging to any member of the Avadel Group of Companies. Confidential Information includes, but is not limited to, any and all of the following information about any member of the Avadel Group of Companies: (A) information about products, product candidates, and research and development plans, activities and results (including information about planned and in-process clinical trials); (B) information about business and employment policies, marketing methods and the targets of those methods, finances, business plans, promotional materials and price lists; (C) the manner or terms upon which products or services are obtained from suppliers or on which products or services are provided to customers; (D) without duplication of item (A) above, the nature, origin, composition, performance and development of any products or services; (E) information about finances, financial condition, results of operations and prospects; and (F) information about employees, consultants or customers or suppliers. For the avoidance of doubt, Confidential Information shall not include information that (1) is or has been made generally available to the public through the disclosure thereof in a manner that was authorized by the Company and did not violate any common law or contractual right of the applicable party; (2) is or becomes generally available to the public other than as a result of a disclosure by the Executive in violation of the provisions hereof; or (3) was already in the possession of the Executive without an obligation of confidentiality prior to the date his employment with the Company began.

(iii) "Trade Secret" means any Confidential Information to the extent such information constitutes a trade secret under applicable law.

(c) Certain Permitted Disclosures. Notwithstanding the foregoing, the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that (i) is made (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney, and (B) solely for purposes of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding filed in a lawsuit or other proceeding, if such filing is made under seal. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Trade Secret to the Executive's attorney and use the Trade Secret in the court proceeding, if the Executive (i) files any document containing the Trade Secret under seal and (ii) does not disclose the Trade Secret, except pursuant to court order.

4.2 Non-Solicitation of Employees and Contractors. During the Executive's employment with the Company and for a period of one (1) year after the termination of the Executive's employment with the Company, the Executive shall not directly or indirectly solicit or attempt to solicit any employee, consultant or other contractor of or service provider to any member of the Avadel Group of Companies with whom the Executive had Material Contact to perform services for the Executive or for any other business or entity, whether as an executive, consultant, partner or participant in any such business or entity, or to terminate or lessen any such employee's, consultant's or other contractor's service with any member of the Avadel Group of Companies. "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence in furtherance of the business of any member of the Avadel Group of Companies. This Section 4.2 shall cease to be applicable to any activity of the Executive from and after such time as all members of the Avadel Group of Companies have ceased all business activities or have made a decision to cease all business activities.

4.3 Non-Solicitation of Customers and Suppliers. During the Executive's employment with the Company and for a period of one (1) year after the termination of the Executive's employment with the Company, the Executive shall not directly or indirectly solicit any actual or prospective customers or suppliers of any member of the Avadel Group of Companies with whom the Executive had material contact, for the purpose of selling any products or services which compete with the business of any member of the Avadel Group of Companies. This Section 4.3 shall cease to be applicable to any activity of the Executive from and after such time as all members of the Avadel Group of Companies have ceased all business activities or have made a decision to cease all business activities.

4.4 Relief. The Executive agrees that it would be difficult to measure any damages caused to the Company that might result from any breach by the Executive of any portion of Sections 4.1 through 4.3, and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, the Executive agrees that if the Executive breaches, or proposes to breach, any portion of Section 4.1 through 4.3, the Company shall be entitled, in addition to all other remedies that it may have, to an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to the Company and without the posting of a bond.

4.5 Protected Rights. Notwithstanding any other provision of this Agreement, the Company and the Executive hereby acknowledge and agree that:

(i) Nothing in this Agreement shall prohibit the Executive from reporting possible violations of Federal, State or other law or regulations to, or filing a charge or other complaint with, any governmental agency or entity, including but not limited to the Department of Justice, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, Congress, and any Inspector General, or making any other disclosures that are protected under any whistleblower provisions of Federal, State or other law or regulation or assisting in any such investigation or

proceeding.

(ii) Nothing herein limits the Executive's ability to communicate with any such governmental agency or entity or otherwise participate in any such investigation or proceeding that may be conducted by any such governmental agency or entity, including providing documents or other information, without notice to the Company.

(iii) The Executive does not need the prior authorization of the Company to make any such reports or disclosures, and the Executive is not required to notify the Company that the Executive made any such reports or disclosures or is assisting in any such investigation.

(iv) The Executive (A) does not waive any rights to any individual monetary recovery or other awards in connection with reporting any such information to any such governmental agency or entity, (B) does not breach any confidentiality or other provision hereunder in connection with any such reporting or disclosures, and (C) will not be prohibited from receiving any amounts hereunder as the result of making any such reports or disclosures or assisting with any such investigation or proceeding.

5. MISCELLANEOUS

5.1 Entire Agreement. This Agreement (including any exhibits hereto) supersedes any and all other understandings and agreements, either oral or in writing, among the parties (including affiliates of the Company) with respect to the subject matter, including without limitation the offer letter dated November 23, 2020, and constitutes the sole agreement among the parties with respect to the subject matter hereof; provided, however, and notwithstanding the foregoing, the Equity Documents and any confidentiality or nondisclosure agreements between the Company and the Executive shall remain in full force and effect.

5.2 Severability. If any term or provision of this Agreement or any application of this Agreement shall be declared or held invalid, illegal, or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality, or unenforceability, and the validity, legality, and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

5.3 Survival. Notwithstanding any expiration or termination of this Agreement, Section 2.4(c) hereof, Section 4 hereof and this Section 5 shall survive such expiration or termination to the extent necessary to effectuate the terms contained herein.

5.4 Interpretation of Agreement.

(a) Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, "herein," "hereto," "hereof," and words of similar import refer to

this Agreement as a whole and not to any particular Article, Section, subsection, or paragraph hereof; (ii) words importing the masculine gender shall include the feminine and neuter genders and vice versa; and (iii) words importing the singular shall include the plural, and vice versa.

(b) All parties to this Agreement have participated in the drafting and negotiation of this Agreement. This Agreement has been prepared by all parties equally, and is to be interpreted according to its terms. No inference shall be drawn that the Agreement was prepared by or is the product of any particular party or parties.

5.5 Taxes.

(a) The parties hereto acknowledge that the requirements of Section 409A of the Internal Revenue Code ("Section 409A") are still being developed and interpreted by government agencies and that the parties hereto have made a good faith effort to comply with current guidance under Section 409A. Notwithstanding anything in this Agreement to the contrary, in the event that amendments to this Agreement are necessary in order to continue to comply with future guidance or interpretations under Section 409A, including amendments necessary to ensure that compensation will not be subject to tax under Section 409A (which may require deferral of severance or other compensation), the Company and the Executive agree to negotiate in good faith the applicable terms of such amendments and to implement such negotiated amendments, on a prospective and/or retroactive basis as needed. Further, to the extent any amount or benefit under this Agreement is subject to the requirements of Section 409A, then, with respect to such amount or benefit, this Agreement will be interpreted in a manner to comply with the requirements of Section 409A.

(b) Further, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or as a result of a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, references to a "termination", "termination of employment", "Termination Date", or the like shall mean "separation from service".

(c) For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code.

(d) If the Executive is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of Avadel's securities are publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months after termination of Executive's employment or, if earlier, Executive's death, if and as required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are otherwise due to be made in installments or periodically during the 409A Deferral

Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Executive's expense, with the Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled.

(e) To the extent that some portion of the payments under this Agreement may be bifurcated and treated as exempt from Code Section 409A under the "short-term deferral" or "separation pay" exemptions, then such amounts shall be so treated as exempt from Code Section 409A (and in particular, the earliest amounts to be paid under Section 3 of the Agreement will be first treated as exempt from Code Section 409A under the short-term deferral exemption and then the separation pay exemption to the extent available).

(f) Any reimbursements, in-kind benefits or offset provided under this Agreement that constitutes deferred compensation under Code Section 409A shall be made or provided in accordance with the requirement of Code Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expense incurred during the period of time specified in this Agreement, (ii) the amount of expense eligible for reimbursement, or in-kind benefits, provided during a calendar year may not affect the expense eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the calendar in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation of exchange for another benefit.

(g) The Company makes no warranty regarding the tax treatment to the Executive of payments provided for under this Agreement, including the tax treatment of such payments that may be subject to Section 409A. The Executive will be responsible for paying all federal, state, and local income and employment taxes that may be due on such payment, provided that the Company will be responsible for any withholding obligations under applicable law. The Company will not be liable to the Executive if any payment or benefit which is to be provided pursuant to this Agreement and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

5.6 Mandatory Reduction of Payments in Certain Events. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax to (ii) the net benefit to Executive if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the

Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). In that event, cash payments shall be modified or reduced first from the latest amounts to be paid and then any other benefits. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to in clauses (i) and (ii) of the foregoing sentence shall be made by an independent accounting firm selected by Company and reasonably acceptable to the Executive, at the Company's expense (the "Accounting Firm"), and the Accounting Firm shall provide detailed supporting calculations. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to this Section 5.6 could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

5.7 Governing Law. Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all of the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of Missouri, or, to the extent applicable the laws of the United States of America, in each case without giving effect to the principles of choice or conflicts of laws thereof. Each of the parties hereto consents and agrees to the exclusive personal jurisdiction of any state or federal court sitting in the State of Missouri, and waives any objection based on venue or *forum non conveniens* with respect to any action instituted therein, and agrees that any dispute concerning the conduct of any party in connection with this Agreement shall be heard only in the courts described above.

5.8 Binding Arbitration.

(a) All disputes arising under this Agreement or arising out of or relating to the Executive's employment relationship with the Company shall be submitted to final and binding arbitration. Arbitration of such matters shall proceed consistent with the Employment Arbitration Rules and Mediation Procedures as established by the American Arbitration Association ("AAA"). Venue for any arbitration shall be St. Louis, Missouri or any other location mutually agreed upon by the Executive and the Company.

(b) The arbitration shall be conducted using the Expedited Procedures of the AAA Rules, regardless of the amount in dispute.

(c) The disputing parties shall agree on an arbitrator qualified to conduct AAA arbitration. If the disputing parties cannot agree on the choice of arbitrator, then each party shall choose one independent arbitrator. The two arbitrators so chosen shall jointly select a third arbitrator, who shall conduct the arbitration.

(d) All disputes relating to this Agreement shall be governed by the laws of the State of Missouri, and the arbitrator shall apply such law without regard to the principles of choice or conflicts of laws thereof.

(e) All aspects of the arbitration shall be treated as confidential.

(f) The Company and the Executive shall each pay 50% of the arbitrator's fees and costs. Each party shall pay its own deposition, witness, expert, and attorneys' fees and other expenses to the same extent as if the matter were being heard in court. However, if any party prevails on a statutory claim that affords the prevailing party attorneys' fees and costs, or if there is a written agreement providing for attorneys' fees and costs to be awarded to the prevailing party, the arbitrator may award reasonable attorneys' fees in accordance with the applicable statute or written agreement. The arbitrator shall resolve any dispute as to the reasonableness of any fees or costs awarded under this paragraph.

(g) The decision of the arbitrator shall be final, and the parties agree to entry of such decision as judgments in all courts of appropriate jurisdiction.

(h) Notwithstanding the foregoing, this Section 5.8 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or a preliminary injunction in circumstances in which such relief is appropriate, including, without limitation, relief sought under Section 4 of this Agreement; provided that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 5.8.

5.9 Amendments. This Agreement shall not be modified or amended except by a writing signed by all of the parties.

5.10 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of each party hereto.

5.11 Assignment.

(a) This Agreement and all of the Executive's rights and obligations hereunder are personal to the Executive and may not be transferred or assigned by him at any time, except that any assets accruing to the Executive in connection with this Agreement shall accrue to the benefit of the Executive's heirs, executors, administrators, successors, permitted assigns, trustees, and legal representatives.

(b) The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with a merger, consolidation or sale or transfer of all or substantially all of the Company's assets to such entity; provided further, that the Company will require any successor to the Company in the case of a merger, consolidation or sale or transfer of all or substantially all of the assets of Avadel plc or the Company to assume this Agreement.

5.12 Waiver. Any of the terms or conditions of this Agreement may be waived at any time by the party or parties entitled to the benefit thereof, but only by a

writing signed by the party or parties waiving such terms or conditions. No waiver of any provision of this Agreement or of any right or benefit arising hereunder shall be deemed to constitute or shall constitute a waiver of any other provision of this Agreement (whether or not similar), nor shall any such waiver constitute a continuing waiver, unless otherwise expressly so provided in writing.

5.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures on this Agreement may be conveyed by facsimile or other electronic transmission and shall be binding upon the parties so transmitting their signatures. Counterparts with original signatures shall be provided to the other parties following the applicable facsimile or other electronic transmission; provided, that failure to provide the original counterpart shall have no effect on the validity or the binding nature of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date and year first above written.

THE COMPANY

AVADEL MANAGEMENT CORPORATION

By: _____
Name: Gregory J. Divis
Title: President

THE EXECUTIVE

Richard Kim
Name: Richard Kim

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory J. Divis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2021

/s/ Gregory J. Divis
Gregory J. Divis
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas S. McHugh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2021

/s/ Thomas S. McHugh
Thomas S. McHugh
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc (the "Company") for the period ended March 31, 2021 (the "Report"), the undersigned hereby certifies in his capacity as Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2021

/s/ Gregory J. Divis
Gregory J. Divis
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc (the "Company") for the period ended March 31, 2021 (the "Report"), the undersigned hereby certifies in his capacity as Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2021

/s/ Thomas S. McHugh
Thomas S. McHugh
Senior Vice President and Chief Financial Officer