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September 25, 2024

To the Board Members of Pacira Biosciences:

DOMA Perpetual Capital Management is an asset manager focused on generating long-term value for its investors. DOMA and its owners now control about 4% of Pacira Biosciences (“Pacira,” the “Company”) stockⁱ.

In our view, Pacira’s Board demonstrates an ineffective capital allocation strategy, maintains a dismal M&A track record and lacks strategic oversight. As shareholders, it is not our preference to discuss these issues publicly nor to endeavor to overhaul the Board. Present circumstances – including the dramatic collapse of Pacira’s stock price and how the Company has handled patent litigation and its communication to shareholders regarding the situation thus far – have pushed us to publish this letter.

We believe this Board must re-focus on enhancing shareholder return, giving back hundreds of millions of dollars to shareholders in the form of accelerated buybacks while quickly expanding Exparel to blockbuster status. Additionally, the Board should pause all future M&A activity until proper shareholder return has been achieved. This Board’s track record plainly illustrates why it should not be allowed to continue to roll the dice on any strategy that amounts to gambling with shareholder money.

Before considering any other capital-intensive activities, all cash flow should be utilized for buying back stock. After completing the currently approved \$150 million dollar buybackⁱⁱ, which we urge the Company to do before the release of Q3 earnings this year, the Board should approve a new \$300 million buyback in Q4. This would allow the Company to buy back \$200 million of stock before year-end, acquiring close to, if not more than, 12 million sharesⁱⁱⁱ. Additional buybacks should continue into 2025, for as long as they can be done at accretive prices. As the NOPAIN Act goes into effect, we expect to see rapid growth in both revenue and earnings. Historically, commercial insurance coverage follows Medicare coverage^{iv}; commercial insurance coverage for Exparel will further propel revenue and EPS growth. There should be ample room to continue utilizing all cash flows to bring down the number of outstanding shares.

We do not perceive the current legal situation with the pessimism and dread favored by some analysts. Following a studied analysis, we believe the combined independent probabilities of Pacira winning at least one of its future patent cases and/or a potential settlement of the current case to be the most likely outcome and we maintain a high degree of confidence in Pacira’s promising future. The fact that this view does not match the current market capitalization of the Company presents a large – and fleeting – opportunity to increase the speed and size of the currently approved buyback program.

If Management and the Board believe in the Company’s IP – as recent stock purchases made by the CEO and Board members would indicate^v – they should aggressively push to finish the \$150 million buyback at the fastest possible allowed pace. Following that, the Company should issue a larger buyback program – at least \$300 million – to take advantage of the stock price reflecting a distressed scenario. Pacira generates a healthy free cash flow and holds roughly \$400 million dollars in cash and marketable securities^{vi}: money that belongs to the shareholders.

We believe there are several incorrect assumptions affecting Pacira’s stock price. The market is factoring in a scenario in which the generic-drug developer is willing to risk hundreds of millions or billions of dollars to engage in a multi-year legal battle, develop production capabilities and attempt an “at risk” entrance into the market. An at risk entrance requires that same company to have cash reserves in the billions for potential legal liabilities in the event Pacira wins just one future patent case. The scenario also assumes providers will overwhelmingly choose to purchase a generic version of Exparel from a foreign company with no history of manufacturing or developing the drug at scale. Finally, this scenario requires Pacira to lose every single patent case in the pipeline, including appeals. Many of the patent cases still to be argued are for

in-process patents, which have yet to be fully granted, as well as patent cases that will go to trial outside of New Jersey, which has proven itself to be a particularly unfriendly legal jurisdiction.

We believe Pacira's current stock price represents an enormous opportunity for shareholder return – a potential return so significant it could rival the rollout of the NOPAIN Act. Pacira has \$400 million in cash on its balance sheet^{vii}, more than \$160 million in free cash flow for the next twelve months^{viii} and a fast-growing market opportunity ahead. The Company should immediately endeavor to bring its share count down from 46 to 30 million shares – a 35% reduction – with the first 12 million re-purchased before year end. At the current stock price, 12 million shares could be repurchased using only half of the \$400 million the Company is holding^{ix}. In early 2025, before the market fully realizes the effect of the NOPAIN Act on Pacira's top and bottom line, the Company could buy back an additional 4 million shares.

To underscore the magnitude of the current opportunity of this stock price, let's look at the numbers. We can use Wall Street analysts average net income numbers from Bloomberg: \$172 million for 2025^x, a figure we believe to be depressed. If the Company buys back 12 million shares before year-end, that means that next year's EPS (\$172 million/34 million shares) should be \$5^{xi}. If Pacira settles the generic-drug developer case in the next few months, using a non-demanding PE of 15x^{xii}, the stock price should move to – at a minimum – \$75/share^{xiii}.

We expect Pacira to experience massive growth in sales and net income as Medicare coverage from the NOPAIN Act drives up access from 2.3 million annual procedures to about 6 million^{xiv}. Private insurance coverage, which typically follows Medicare by about twelve months, may arrive ahead of schedule; coverage for safe, effective, non-opioid pain management is good for patients, good for providers and an effective tool for curtailing the opioid epidemic that the US is working hard to overcome^{xv}. Private insurance coverage of Exparel will open the door to an additional 12 million procedures annually^{xvi}, a number that should fully impact the Company in 2026 and 2027. By the end of 2027, Pacira's revenues will likely have more than doubled – if not tripled – along with its net income^{xvii}. This would put the Company's net income to north of \$330 million which^{xviii}, divided by 30 million shares (assuming Pacira buys back 16 million shares before 2027), would create, at a minimum, an EPS of \$11^{xix}. Assuming the same non-demanding PE of 15x^{xx}, the Company's stock price could move north of \$165/share in 2027^{xxi}.

Pacira's Board – despite its legal and fiduciary duty to its shareholders – has failed to generate any shareholder return. The fear in the market has provided the Company with an immense opportunity. It would be a critical mistake if Management and the Board do not buy back stock aggressively, finishing the approved \$150 million buyback without delay, and issuing an even larger re-purchase to follow immediately. Choosing to ignore this opportunity undermines the strength of the business and further harms investors. The Board maintains a dismal track record of M&A and now risks missing out on a fleeting opportunity to generate significant shareholder return.

Management and this Board must act to take advantage of Pacira's irrationally depressed stock price, buying back as many shares as possible at the fastest pace allowed. Choosing to ignore the golden opportunity created by timing, share price, market fear and potential revenue growth would be a clear indication that we need to take a more active role.

Sincerely,



Pedro Escudero
CEO & CIO
DOMA Perpetual Capital Management LLC

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Some of the materials in this press release contain forward-looking statements. All statements contained herein that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the words “anticipate,” “believe,” “expect,” “potential,” “could,” “opportunity,” “estimate,” “plan,” “once again,” “achieve,” and similar expressions are generally intended to identify forward-looking statements. The projected results and statements contained herein that are not historical facts are based on DOMA’s current expectations, speak only as of the date of these materials and involve risks, uncertainties and other factors that may cause actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by such projected results and statements. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of DOMA.

ⁱ Pacira Biosciences 10-Q 06/30/2024 Company Filing, DOMA Perpetual Internal Calculations

ⁱⁱ Pacira Biosciences Company Filings

ⁱⁱⁱ DOMA Perpetual Internal Calculations

^{iv} Pacira Biosciences Jefferies Global Healthcare Conference 2024 Presentation

^v Pacira Biosciences Company Filings

^{vi} Pacira Biosciences Company Filings

^{vii} Pacira Biosciences 10-Q 06/30/2024 Company Filing

^{viii} DOMA Perpetual Internal Calculations

^{ix} DOMA Perpetual Internal Calculations

^x Bloomberg L.P. (2024). Retrieved September 2024 from Bloomberg Database

^{xi} DOMA Perpetual Internal Calculations

^{xii} DOMA defines a “non-demanding PE” as a PE multiple that is below Pacira’s historical average 1-year forward P/E ratio of 29x derived from data on Bloomberg

^{xiii} DOMA Perpetual Internal Calculations

^{xiv} Pacira Biosciences Jefferies Global Healthcare Conference 2024 Presentation

^{xv} Centers for Disease Control and Prevention. (2024, April 5). Understanding the opioid overdose epidemic. <https://www.cdc.gov/overdose-prevention/about/understanding-the-opioid-overdose-epidemic.html>

^{xvi} Pacira Biosciences Q1 2024 Earnings Call

^{xvii} DOMA Perpetual Internal Calculations

^{xviii} DOMA Perpetual Internal Calculations

^{xix} DOMA Perpetual Internal Calculations

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