

31 July 2014

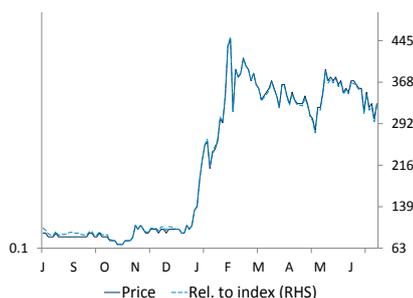
PHARMING

1H14 report inline, ambition to sell Ruconest directly

PHARMACEUTICALS & BIOTECHNOLOGY
NETHERLANDS

CURRENT PRICE €0.48
TARGET PRICE €0.70

BUY
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg PHARM NA
Reuters PHAR.AS
www.pharming.com

Market Cap €191.7m
Shares outst. 332.4m
Volume (daily) €10,635,809
Free float 100.0%

Next corporate event

Results 3Q14: 30 October 2014

(€m)	2013E	2014E	2015E
Sales	5.8	23.4	13.1
REBITDA	-8.0	9.7	-1.0
Net earnings	-8.0	8.6	-2.1
Adj. EPS (€)	-0.02	0.02	0.00
P/E (x)		24.4	
EV/REBITDA		13.9	
FCF Yield	-5.3%	0.5%	-4.9%
Dividend yield			

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News:

Pharming reported 1H14 figures which held limited surprises. The cash position is strong and pharming formally disclosed to be eligible for a 30% royalty of net US sales and evaluates options to do direct commercialization.

Our View:

Revenues decreased y/y from €5m to €2.5m because of a 1H13 one-off milestone not occurring in 1H14. Product sales increased from €0.2m to €1.4m due to increased demand in European markets, but were entirely offset by cost of product sales of €1.4m versus nil in 1H13, reflecting the lack of economies of scale on current European production levels. Deferred upfront recognition of €1.1m was as expected stable.

Operating expenses remained stable at €6m. Net financial costs reached €15m (predominantly non-cash) vs €7m in 1H13, due to revaluation of warrants (already discussed in large at the 1Q14 update – see our morning note of 15 May '14) such that net loss for the first semester landed at €20m (vs €13m in 1H13).

More importantly: the cash at end June was €26.4m (YE13 €19.2m) due to the €14m private placement in April and €4m of cash inflow from exercised warrants in 1Q14. Operationally, the company burned €11m of which €7m was used for manufacturing to build-up inventory ahead of the US launch. With Ruconest now US approved, Pharming will receive in 2H14 a \$20m milestone from Salix upon product launch.

Looking forward, Pharming reiterates to expect €3m of product sales for FY14 (no US sales expected 2014). The company formally discloses in its press release to receive 30% royalty on net sales. With these financial prospects, the company will engage in co-investments in label extension for Ruconest. Previously Pharming disclosed to share costs with Salix of the planned phase 2 study in prophylaxis of HAE.

In addition, Pharming is evaluating options to get directly involved in commercialization in certain markets. Given the lack of focus of SOBI to commercialize Ruconest in the European market, we would not be surprised if Pharming would be eager to take over the commercialization in this geography.

Conclusion:

Pharming is financially in a healthy condition and the US approval of Ruconest was a major milestone in the company's existence. By YE14, we see pharming's cash position at €32-35m, sufficient to carry the current operations and to engage in co-financing label extension studies for Ruconest. If OPEX is cautiously managed, we believe Pharming could be writing black figures as of 2016.

Stock triggering news on the short term is limited but with an approved product in the two most important pharmaceutical markets, valuation is attractive. Buy rating and target maintained. Conference call at 10 AM.