

23 February 2015

PHARMING

US partner Ruconest acquired

PHARMACEUTICALS & BIOTECHNOLOGY
NETHERLANDS

CURRENT PRICE €0.37
TARGET PRICE €0.37

HOLD
RATING DOWNGRADED



Source: Thomson Reuters Datastream

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

Market Cap €150.9m
Shares outst. 407.1m
Volume (daily) €4,399,635
Free float 100.0%

Next corporate event

| (€m) | 2014E | 2015E | 2016E |
|----------------|-------|-------|-------|
| Sales | 20.2 | 11.3 | 18.5 |
| REBITDA | 6.0 | -5.9 | -1.1 |
| Net earnings | 5.0 | -7.0 | -2.3 |
| Adj. EPS (€) | 0.01 | -0.02 | -0.01 |
| P/E (x) | 35.1 | | |
| EV/REBITDA | 22.1 | | |
| FCF Yield | -3.1% | -8.4% | -0.9% |
| Dividend yield | | | |

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News:

Valeant Pharmaceuticals acquires Salix Pharmaceuticals for \$ 14.5bn. Salix is Pharming's US partner for the commercialization of Rhuconest. Lack of visibility of the future of the commercialization of Rhuconest in the US prompt us to take a cautious stance, lowering our rating to Hold (from Buy) awaiting more clarity on the US commercialization path.

Our View:

Salix has been courted by Allergan, Actavis and Shire in recent months, and the sale to Valeant will put an end to constant deal speculation.

However, the acquisition comes at the time that Pharming's Rhuconest is in the launch phase and needs full attention. Because focus is very important at this stage of the commercialization though we have no visibility on Valeant's plans. Rhuconest is a small product which Salix acquired via its acquisition of Santarus in 2013. Given the aggressive approach of Valeant in cleaning up acquired assets, it is unsure if Rhuconest will receive the necessary attention the product needs at this time of launch, in an already competitive HAE market.

Hence, we prefer to take a cautious stance and lower our rating to hold and adjust our target price to current market trading levels. If a smooth commercialization path could be confirmed, the intrinsic value of Pharming remains unchanged.

The importance of focus is shown in the European market where partner Sobi is not devoting the resources needed to make Rhuconest a successful product and consequently the product is failing to be a commercial success. Pharming is now trying to regain the rights in certain European countries and perform the commercialization at own strength. Given the size of the US market and the competitive environment, we believe Pharming cannot commercialize Rhuconest on its own and needs a strong partner in this territory.

Conclusion:

With US partner Salix being acquired by Valeant and lack of visibility on the focus that Rhuconest will receive in the new entity, we take a more cautious position on Pharming's stock. We downgrade to Hold (from Buy) and align our target price to current trading levels