

Pharming Group NV

Netherlands / Biotechnology
 Primary exchange: Euronext Amsterdam /
 Secondary exchange: Frankfurt
 Bloomberg: PHARM NA
 ISIN: NL0010391025

Q2 2023 results

RATING	BUY
PRICE TARGET	€ 1.60
Return Potential	42.2%
Risk Rating	High

RAISING PRICE TARGET ON SPEEDY APDS PATIENT IDENTIFICATION

Q2/23 saw the expected sequential recovery in Ruconest sales (+20.1%) following temporary reimbursement problems in Q1/23. Ruconest sales were still down y-o-y (-3.2%) after six months but leading revenue indicators such as active patients, vials shipped and number of prescribing physicians suggest that Pharming's full-year 2023 Ruconest guidance of low single digit revenue growth is achievable. At USD3.8m the first quarter of sales from Joenja (leniolisib) was above our forecast of USD3.1m. Meanwhile APDS (activated PI3K delta syndrome) patient identification outside the US has been proceeding faster than we previously modelled. By the end of June Pharming had identified 440 APDS patients outside the US compared with 316 in the model published in our note of 17 July. This bodes well for the expected launches of leniolisib next year in Australia, Canada, EU, Israel and UK. Pharming had identified 200 patients in the US by the end of June - unchanged on the end of 2022. Management expects intensified focus on genetic testing to push this number ahead in the second half. We have revised up our forecasts for leniolisib to reflect faster progress in APDS patient identification than previously modelled and have raised our price target to €1.60 (previously: €1.50). We maintain our Buy recommendation.

First quarter of sales from Joenja above our forecast Pharming's Q2/23 results were close to our forecasts. Q2/23 sales rose 9.5% to USD54.9m (FBE: USD56.1m; Q2/22: USD50.1m) while EBIT came in at USD5.3m (FBE: USD5.1m; Q2/22: USD17.8m). Q2/23 Ruconest sales were 20.1% above the Q1/23 level of USD42.5m and up 1.9% y-o-y (Q2/22: USD50.1m). Q1/23 Ruconest sales were hit by temporary disruptions in reimbursement for some US patients on government reimbursement programmes. Importantly, management is still guiding towards low single digit growth for Ruconest revenues for the full year. At USD3.8m, the first quarter of sales from Joenja was above our forecast of USD3.1m. At launch in early April, Pharming had 23 patients on paid therapy. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023E	2024E	2025E	2026E
Revenue (\$ m)	198.87	205.62	230.76	315.26	370.04	473.28
Y-o-y growth	7.1%	3.4%	12.2%	36.6%	17.4%	27.9%
EBIT (\$ m)	13.56	18.23	-19.31	18.66	44.83	92.25
EBIT margin	6.8%	8.9%	-8.4%	5.9%	12.1%	19.5%
Net income (\$ m)	16.00	13.67	-25.09	14.81	40.02	68.06
EPS (dil., US cents)	2.28	1.93	-3.45	2.04	5.50	9.36
DPS (\$)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (\$m)	23.66	20.48	-28.68	8.03	34.76	57.52
Net gearing	-5.4%	-20.5%	-5.4%	-4.7%	-17.2%	-29.9%
Liquid assets (\$ m)	191.92	207.34	178.67	186.70	88.08	145.59

RISKS

The main risks to our price target include slower sales growth for Ruconest and Joenja than we currently model.

COMPANY PROFILE

Lead drug Ruconest, indicated for acute hereditary angioedema attacks, received EMA approval in 2010 and FDA approval in July 2014. Joenja, indicated for APDS, was approved by the FDA in March 2023. Pharming has launched Joenja in the US and, subject to approval, plans launches of the drug in the EU, UK, Australia, Canada and Japan.

MARKET DATA

As of 08 Aug 2023

Closing Price	€ 1.13
Shares outstanding	658.67m
Market Capitalisation	€ 741.01m
52-week Range	€ 0.92 / 1.38
Avg. Volume (12 Months)	8,107,728

Multiples	2022	2023E	2024E
P/E	58.2	n.a.	55.3
EV/Sales	3.5	3.1	2.3
EV/EBIT	39.4	n.a.	38.4
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets	\$ 192.37m
Current Assets	\$ 278.57m
Intangible Assets	\$ 73.41m
Total Assets	\$ 429.81m
Current Liabilities	\$ 64.95m
Shareholders' Equity	\$ 200.37m

SHAREHOLDERS

RTW Investments LP	5.0%
Acadian Asset Management LLC	3.0%
BlackRock Inc.	2.4%
Sijmen de Vries	2.2%
Free float and other	87.4%

**Figure 1: Q2/23 results versus our forecasts**

USD 000s	Q2/23A	Q2/23FBe	Actual vs FBe	Q2/22A	Q2/23A vs Q2/22A
Sales	54,897	56,133	-2.2%	50,146	9.5%
of which:					
Ruconest	51,097	53,000	-3.6%	50,146	1.9%
Leniolisib	3,800	3,133	21.3%	0	n.a.
Gross profit	49,173	49,115	0.1%	46,117	6.6%
margin (%)	89.6%	87.5%	-5.4%	92.0%	69.9%
Other income	828	500	65.6%	14,082	-96.4%
R&D cost	20,914	15,156	38.0%	14,433	44.9%
G&A cost	10,982	11,227	-2.2%	8,693	29.1%
Marketing/sales cost	23,906	29,189	-18.1%	19,252	24.2%
Milestones/PRV income/(expense)	11,100	11,100	-2.2%	0	n.a.
EBIT	5,299	5,143	3.0%	17,821	-70.3%
margin (%)	9.7%	9.2%	-	35.5%	-
Net financial income/(expense)	-1,783	-1,500	n.a.	1,845	n.a.
Associates	-130	-300	n.a.	-109	n.a.
Pre-tax income (EBT)	3,386	3,343	1.3%	19,557	-82.7%
Income tax credit/(expense)	-2,067	0	n.a.	-3,815	n.a.
Net profit	1,319	3,343	n.a.	15,742	-91.6%
margin (%)	2.4%	6.0%	-	31.4%	-

Source: Pharming NV, First Berlin Equity Research estimates

Pharming had 43 patients on paid therapy with Joenja by the end of June. Q2/22 EBIT benefitted from a USD12.8m gain in relation to the reduction of Pharming's minority stake in BioConnection, while the Q2/23 numbers were boosted by USD10.6m (the net of USD21.1m in proceeds from the sale of the Joenja priority review voucher and USD10.5m in milestone payments prompted by the first commercial sales of Joenja in the US). Investments in the commercialisation of leniolisib in the form of R&D, G&A and sales and marketing costs accounted for most of the remaining difference of USD10.3m between Q2/23 and Q2/22 EBIT.

Patient identification outside the US progressing faster than we had modelled

Pharming stated in its Q2 report that by the end of June 2023 it had identified over 640 patients in its key global markets which include Australia, Canada, Israel, Japan, the EU, UK and US. The figure for the end of 2022 was 500. 440 of the end June number were outside the US compared with 316 in the model published in our note of 18 July. This bodes well for the expected launches of leniolisib next year in Australia, Canada, EU, Israel and UK. Pharming had identified 200 patients in the US by the end of June - unchanged on the end of 2022. This number is unchanged on the Q1/23 report. Pharming has stated that the primary focus during Q2/23 was on enrolling patients previously identified with APDS in the US and moving them onto paid therapy. Management has indicated that during Q3 the company will intensify its focus on genetic testing, including testing family members of diagnosed patients, to identify additional individuals with APDS who may be eligible for treatment with leniolisib.

We expect leniolisib launches in Australia, Canada, Israel, the EU, UK next year, followed by Japan in 2026

Pharming submitted a marketing authorisation application for leniolisib to the EMA in October last year. Management expects the CHMP (Committee for Medicinal Products for Human Use) to give an opinion during Q4/23. Providing that the opinion is positive, approval is expected two months later. Pharming intends to file with the MHRA in the UK within 5 days of the positive CHMP opinion. Here too approval is expected two months later under the ECDRP (European Commission Decision Reliance Procedure). Regulatory submissions were made in Australia and Canada in July. Potential validation of these filings is expected later this quarter, followed by potential approvals in Q2/24.



Pharming submitted a Product Registration Application for leniolisib to Israel's Ministry of Health in June. A decision from the Ministry of Health is expected in H1/24. Pharming announced the enrolment of the first patient in a clinical trial with leniolisib in APDS patients 12 years and older in Japan on 9 August. We assume first revenue in Japan from the drug in 2026.

Pediatric trials with leniolisib moving ahead In February 2023 Pharming announced that the first patient had been enrolled in its Phase III clinical trial evaluating leniolisib in children aged 4 to 11 years with APDS at sites in the US, Europe, and Japan. A further trial for children ages 1 to 6 is scheduled to begin later this quarter.

Figure 2: Changes to our forecasts

All figures in USD '000	2023E			2024E			2025E			2026E		
	new	old	% Δ	new	old	% Δ	new	old	% Δ	new	old	% Δ
Revenues	230,757	231,234	-0.2%	315,259	298,676	5.6%	370,042	340,965	8.5%	473,281	413,143	14.6%
of which:												
Ruconest	207,046	209,041	-1.0%	213,257	215,312	-1.0%	219,655	221,772	-1.0%	226,245	228,425	-1.0%
Joenja	23,711	22,193	6.8%	102,002	83,364	22.4%	150,387	119,193	26.2%	247,036	184,718	33.7%
Costs of sales	27,127	29,713	-8.7%	49,737	43,253	15.0%	58,159	50,144	16.0%	73,621	59,854	23.0%
Gross profit	203,631	201,521	1.0%	265,522	255,423	4.0%	311,883	290,821	7.2%	399,659	353,289	13.1%
Other income	2,407	2,079	15.8%	2,467	2,131	15.8%	2,529	2,184	15.8%	2,592	2,239	15.8%
Research and development cost	76,530	65,149	17.5%	72,510	68,695	5.6%	77,709	71,603	8.5%	85,190	74,366	14.6%
General and administrative cost	44,243	44,976	-1.6%	50,441	50,775	-0.7%	55,506	54,554	1.7%	70,992	61,971	14.6%
Marketing and sales cost	105,674	113,019	-6.5%	121,375	116,484	4.2%	131,365	119,338	10.1%	153,816	132,206	16.3%
Milestones/PRV income/(expense)	1,100	1,100	0.0%	-5,000	-5,000	0.0%	-5,000	-5,000	0.0%	0	0	n.a.
Operating income (EBIT)	-19,309	-18,443	4.7%	18,664	16,600	12.4%	44,832	42,510	5.5%	92,252	86,985	6.1%
Net financial income/(expense)	-7,455	-7,172	3.9%	-3,358	-3,342	0.5%	640	714	-10.4%	-527	-408	29.2%
Income/(expense) from associates	-729	-1,239	-41.2%	-500	-500	0.0%	0	0	n.a.	0	0	n.a.
Pre-tax income (EBT)	-27,493	-26,854	2.4%	14,805	12,758	16.0%	45,472	43,225	5.2%	91,726	86,578	5.9%
Income tax credit/(expense)	2,399	4,466	-46.3%	0	0	n.a.	-5,457	-5,187	n.a.	-23,665	-22,337	n.a.
Net income/(loss)	-25,094	-22,388	n.a.	14,805	12,758	16.0%	40,015	38,038	5.2%	68,061	64,241	5.9%
Diluted EPS (US cents)	-3.45	-3.08	12.1%	2.04	1.75	16.0%	5.50	5.23	5.2%	9.36	8.83	5.9%

Source: First Berlin Equity Research estimates

Buy recommendation maintained. Price target raised to €1.60 (previously: €1.50)

Changes to our forecasts in figure 2 reflect stronger Q2/23 sales from leniolisib than we had forecast. The upward revisions to our numbers for leniolisib for subsequent periods are based on faster identification of APDS patients outside the US than we had previously modelled. On the basis of the Q2/23 results we have also revised up R&D as a percentage of sales and lowered marketing and sales costs as a percentage of sales throughout the forecast period. We now see fair value for the Pharming share at €1.55 (previously: €1.46) and set a new price target of €1.60 (previously: €1.50). We maintain our Buy recommendation.

**Figure 3: Valuation model**

Compound	Indication	Present Value	Patient Pop	Treatment Cost	Market Size	Market Share	Peak Sales	Gross margin	Discount Factor	Patent Life ²⁾	Time to Market
Ruconest (US)	HAE-AA	€1,026.9M	4K	€ 454,545	€1,818M	10%	€31M	90%	12%	3	-
Ruconest (ROW)	HAE-AA	€7.6M	8K	€ 90,909	€727M	1%	€10M	32%	12%	3	-
Leniolisib (US)	APDS	€617.5M	425	€ 497,727	€212M	100%	€212M	83%	10%	13	-
Leniolisib (ROW)	APDS	€631.1M	849	€ 298,636	€254M	100%	€254M	72%	10%	13	1 year
Leniolisib platform		€400.0M									
PV of gross profits		€2,683.1M									
Costs PV		€1,603.9M									
PV after costs		€1,079.2M									
Leniolisib milestones		€45.3M									
Net cash (pro-forma)		€53.3M									
Fair Value		€1,087.2M									
Share Count (fully diluted, PV)		699,599K									
Fair value per share		€ 1.55									

1) A project typically refers to a specific indication or, where necessary or relevant, a combination between indication and geographic market

2) Remaining patent life in years after point of approval

Source: First Berlin Equity Research estimates

Figure 4: Changes to our valuation model

	New	Old	Delta
PV of gross profit after marketing expense	€2,683.1M	€2,487.6M	7.9%
Costs PV	€1,603.9M	€1,473.2M	8.9%
PV after costs	€1,079.2M	€1,014.4M	6.4%
PRV/leniolisib milestones	€45.3M	€36.6M	23.9%
Proforma net cash	€53.3M	€46.9M	13.6%
Fair Value	€1,087.2M	€1,024.7M	6.1%
Share Count (fully diluted, PV)	699,569K	700,234K	-0.1%
Fair value per share	€ 1.55	€ 1.46	6.2%

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in USD '000	2021A	2022A	2023E	2024E	2025E	2026E
Revenues	198,871	205,622	230,757	315,259	370,042	473,281
Costs of sales	-21,142	-17,562	-27,127	-49,737	-58,159	-73,621
Gross profit	177,729	188,060	203,631	265,522	311,883	399,659
Other income	2,620	14,523	2,407	2,467	2,529	2,592
Research and development	-70,369	-52,531	-76,530	-72,510	-77,709	-85,190
General and administrative	-36,974	-46,016	-44,243	-50,441	-55,506	-70,992
Marketing and sales	-59,445	-85,803	-105,674	-121,375	-131,365	-153,816
Milestones/PRV sales	0	0	1,100	-5,000	-5,000	0
Operating income (EBIT)	13,561	18,233	-19,309	18,664	44,832	92,252
Net financial result	8,823	-2,163	-7,455	-3,358	640	-527
Associates	694	-1,083	-729	-500	0	0
Pre-tax income (EBT)	23,078	14,987	-27,493	14,805	45,472	91,726
Income taxes	-7,082	-1,313	2,399	0	-5,457	-23,665
Net income / loss	15,996	13,674	-25,094	14,805	40,015	68,061
Diluted EPS (US cents)	2.281	1.934	-3.454	2.036	5.502	9.358
EBITDA	26,009	25,185	-11,694	27,176	55,933	106,451
Ratios						
Gross margin on revenues	89.4%	91.5%	88.2%	84.2%	84.3%	84.4%
EBITDA margin on revenues	13.1%	12.2%	n.m.	8.6%	15.1%	22.5%
EBIT margin on revenues	6.8%	8.9%	n.m.	5.9%	12.1%	19.5%
Net margin on revenues	8.0%	6.7%	n.m.	4.7%	10.8%	14.4%
Expenses as % of revenues						
Cost of sales	10.6%	8.5%	11.8%	15.8%	15.7%	15.6%
Research and development	35.4%	25.5%	33.2%	23.0%	21.0%	18.0%
General and administrative	18.6%	22.4%	19.2%	16.0%	15.0%	15.0%
Marketing and sales	29.9%	41.7%	45.8%	38.5%	35.5%	32.5%
Y-Y Growth						
Revenues	24.6%	3.4%	12.2%	36.6%	17.4%	27.9%
Operating income	-69.8%	34.5%	n.m.	n.m.	140.2%	105.8%
Net income/ loss	-45.8%	-14.5%	n.m.	n.m.	170.3%	70.1%



BALANCE SHEET

All figures in USD '000	2021A	2022A	2023E	2024E	2025E	2026E
Assets						
Current assets, total	249,444	277,500	257,374	294,150	214,163	306,799
Cash and cash equivalents	191,924	207,342	178,666	186,698	88,075	145,593
Restricted cash	227	213	213	213	213	213
Receivables	29,983	27,619	30,995	42,345	49,704	63,571
Inventories	27,310	42,326	47,500	64,894	76,171	97,422
Non-current assets, total	147,871	148,297	153,502	162,629	167,178	177,605
Property, plant & equipment	13,222	10,392	10,153	10,719	11,471	13,725
Right of use assets	19,943	28,753	32,268	40,984	44,405	52,061
Long term prepayments	194	228	256	350	410	525
Deferred tax assets	21,216	22,973	25,372	25,372	25,372	25,372
Investments accounted for using the equity method	7,201	2,501	1,772	1,272	1,272	1,272
Investments in FV/TOCI equity instruments	1,449	403	403	403	403	403
Investments in FV/TPL debt instruments	0	6,827	6,827	6,827	6,827	6,827
Goodwill & other intangibles	83,834	75,121	75,352	75,604	75,919	76,321
Restricted cash	812	1,099	1,099	1,099	1,099	1,099
Total assets	397,315	425,797	410,876	456,779	381,341	484,403
Shareholders' equity & debt						
Current liabilities, total	46,771	59,698	66,721	221,629	103,110	131,252
Debt	1,879	1,768	1,768	133,386	0	0
Trade and other payables	42,473	54,465	61,123	83,506	98,016	125,362
Finance lease liabilities	2,419	3,465	3,831	4,737	5,093	5,890
Longterm liabilities, total	157,628	161,461	164,610	40,801	43,867	50,726
Debt	139,007	131,618	131,618	0	0	0
Finance lease liabilities	18,456	29,843	32,992	40,801	43,867	50,726
Other financial liabilities	165	0	0	0	0	0
Shareholders' equity	192,916	204,638	179,544	194,349	234,365	302,425
Total consolidated equity and debt	397,315	425,797	410,876	456,779	381,341	484,403
Ratios						
Current ratio (x)	5.33	4.65	3.86	1.33	2.08	2.34
Quick ratio (x)	4.75	3.94	3.15	1.03	1.34	1.60
Net gearing	-16.2%	-20.5%	-5.4%	-4.7%	-17.2%	-29.9%
Book value per share (€)	0.30	0.32	0.28	0.30	0.37	0.47
Net debt	-31,202	-41,960	-9,769	-9,085	-40,427	-90,289
Return on equity (ROE)	8.6%	6.9%	-13.1%	7.9%	18.7%	25.4%



CASH FLOW STATEMENT

All figures in USD '000	2021A	2022A	2023E	2024E	2025E	2026E
Profit before tax	23,078	14,987	-27,493	14,805	45,472	91,726
Depreciation, amortization, impairment	19,610	13,188	7,615	8,512	11,101	14,198
Gain on disposal of associate	0	-12,242	0	0	0	0
Equity-settled share-based payments	9,056	6,392	0	0	0	0
Fair value gain (loss) on revaluation	-114	1,185	0	0	0	0
Other finance income	-14,906	-4,485	0	0	0	0
Other finance expenses	6,196	5,463	0	0	0	0
Share of net profits in associates	-694	1,083	729	500	0	0
Other	524	-1,576	0	0	0	0
Changes in working capital	-4,961	-387	-1,920	-6,455	-4,185	-7,887
Interest received, taxes paid	53	-1,150	0	0	-5,457	-23,665
Operating cash flow	37,842	22,458	-21,069	17,362	46,932	74,372
Investment in tangible/intangible assets	-14,186	-1,977	-7,607	-9,330	-12,168	-16,855
Free cash flow	23,656	20,481	-28,676	8,032	34,763	57,518
Proceeds from sale of associates	0	7,300	0	0	0	0
Investment in FVTOCI	-4,589	0	0	0	0	0
Acquisition of license	-2,530	0	0	0	0	0
Investing cashflow	-21,305	5,323	-7,607	-9,330	-12,168	-16,855
Debt financing, net	0	0	0	0	-133,386	0
Proceeds of equity and warrants	4,718	2,281	0	0	0	0
Payment on contingent consideration	-25,000	0	0	0	0	0
Payment of lease liabilities	-3,217	-3,311	0	0	0	0
Interest on loans	-4,448	-3,952	0	0	0	0
Financing cash flow	-27,947	-4,982	0	0	-133,386	0
Net cash flows	-11,410	22,799	-28,676	8,032	-98,623	57,518
Exchange rate effects	-1,825	-7,381	0	0	0	0
Cash, start of the year	205,159	191,924	207,342	178,666	186,698	88,075
Cash, end of the year	191,924	207,342	178,666	186,698	88,075	145,593
EBITDA/share	0.04	0.04	-0.02	0.04	0.08	0.15
Y-Y Growth						
Operating cash flow	n.a.	-40.7%	n.m.	n.m.	170.3%	58.5%
Free cash flow	n.a.	-13.4%	n.m.	n.m.	332.8%	65.5%
EBITDA/share	n.a.	-4.0%	n.m.	n.m.	105.8%	90.3%

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Simon Scholes, Analyst

All publications of the last 12 months were authored by Simon Scholes.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 9 August 2023 at 14:33

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

Copyright© 2023 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Pharming Group NV the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Pharming Group NV for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of Pharming Group NV the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Pharming Group NV for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	10 November 2009	€0.52	Buy	€0.70
2...45	↓	↓	↓	↓
46	29 July 2019	€0.94	Buy	€1.90
47	29 October 2019	€1.25	Buy	€1.90
48	16 January 2020	€1.48	Buy	€2.00
49	9 March 2020	€1.11	Buy	€2.00
50	23 April 2020	€1.34	Buy	€2.00
51	19 May 2020	€1.34	Buy	€2.10
52	4 August 2020	€1.01	Buy	€1.80
53	18 July 2023	€1.12	Buy	€1.50
54	Today	€1.13	Buy	€1.60

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.