Pharming Group NV

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

Q3 results/Update

RATING	**BUY**
PRICE TARGET	**€ 2.00**
Return Potential	111.2%
Risk Rating	High

GROWING PATIENT NOS., RICH PIPELINE NEWSFLOW IN PROSPECT

Pharming's share price is down almost 40% on its highest closing prices this year of €1.57 reached on both 18 June and 30 January. In our view the reasons are three consecutive quarters (Q4/17-Q2/18) of flat sales of the recombinant human C1-inhibitor, Ruconest, the non-approval by the FDA of the product for prophylaxis in mid-September, and a general increase in risk aversion over the past few weeks. Last Thursday's news of a 30% sales jump in Q3/18 vs. Q2/18 has so far produced an 8.7% recovery in the stock price. We see more share price upside in coming quarters due to a) further growth in the number of hereditary angioedema (HAE) patients using Ruconest b) rich newsflow on the development of Ruconest in additional and underserved indications such as contrast-induced nephropathy, cardiac protection, pre-eclampsia, delayed graft function, and hemorrhagic shock. Each of these indications is potentially much more valuable than HAE. Investors should also note that competing C1-inhibitors are plasma-based. Plasma supplies are hardly sufficient to serve the HAE market, let alone the markets which Pharming is targeting with its more scalable recombinant product. c) leveraging of the recombinant platform to generate new drug candidates for diseases such as Pompe and Fabry d) generation of additional clinical data to secure approval for Ruconest in HAE prophylaxis. We maintain our Buy recommendation with a price target of €2.00.

Q3/18 sales 30% above both Q1/18 and Q2/18 Q3 sales rose 48.9% to €33.8m (Q3/17: €26.1m) while EBIT jumped 73.5% to €14.7m. Sales and EBIT were respectively 25.5% and 73.5% above consensus (see figure 1 overleaf). Q3/18 sales were also 30% above the numbers reported during each of the first two quarters of this year. Q4/17, Q1/18 and Q2/18 sales figures were respectively €32.9m, €29.5m and €30.0m. Although patient numbers climbed throughout this period, we gather that a change in the mix of higher and lower frequency dose patients restricted sales growth. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€ m)	10.83	15.87	89.62	136.28	164.73	202.86
Y-o-y growth	-48.9%	46.6%	464.6%	52.1%	20.9%	23.1%
EBIT (€ m)	-12.83	-11.54	21.91	44.09	56.54	73.51
EBIT margin	-118.5%	-72.7%	24.4%	32.3%	34.3%	36.2%
Net income (€ m)	-9.96	-17.54	-79.96	22.26	45.00	68.32
EPS (diluted) (€)	-0.02	-0.04	-0.16	0.04	0.07	0.11
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-18.14	-67.48	32.17	41.03	45.05	74.78
Net gearing	-67.0%	128.4%	116.5%	-45.3%	-65.8%	-81.6%
Liquid assets (€ m)	31.64	31.89	58.66	91.99	105.05	147.82

RISKS

The main risks to our price target include slower sales growth for Ruconest in the EU and the US than we currently model.

COMPANY PROFILE

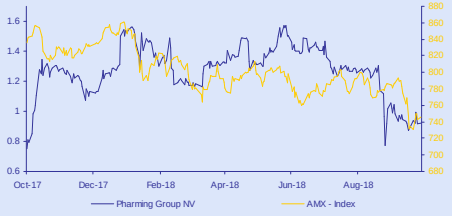
Pharming develops and produces therapeutic proteins through a bioreactor recombinant technology platform. Lead drug Ruconest received EMA approval in 2010 and FDA approval in July 2014.

MARKET DATA

	As of 29 Oct 2018
Closing Price	€ 0.95
Shares outstanding	617.36m
Market Capitalisation	€ 584.64m
52-week Range (c.p.)	€ 0.77 / 1.57
Avg. Volume (12 Months)	21,419,545

Multiples	2017	2018E	2019E
P/E	n.a.	26.1	13.0
EV/Sales	6.6	4.3	3.6
EV/EBIT	27.0	13.4	10.5
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

	As of 30 Sep 2018
Liquid Assets	€ 71.03m
Current Assets	€ 115.55m
Intangible Assets	€ 56.32m
Total Assets	€ 192.72m
Current Liabilities	€ 86.29m
Shareholders' Equity	€ 48.17m

SHAREHOLDERS

FMR LLC	3.1%
Polar Capital Partners Ltd.	3.0%
Hagemann G.J.	2.4%
Flynn J.E.	1.6%
Free float and other	90.0%

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This effect was less pronounced in Q3/18 which was also helped by further growth in patient numbers and stockbuild by US specialty pharmacies ahead of the Thanksgiving and Christmas holidays. Management is guiding towards Q4/18 sales at a similar level to Q3/18.

Figure 1: Q3 2018 results versus our forecasts

All figures in €m	Q3 18A	Q3 18E	Delta	Q3 17A	Delta
Sales	38.83	30.95	25.5%	26.08	48.9%
EBIT	14.73	8.49	73.5%	8.49	73.5%
margin	*37.9%*	*27.4%*	-	*32.6%*	-
Net income	5.36	3.95	35.7%	-7.49	n.m.
margin	*neg.*	*neg.*	-	*neg.*	-
EPS (in €)	0.009	0.007	35.7%	-0.014	n.m.

Source: Pharming, First Berlin Equity Research

Figure 2 shows expected timing of newsflow on Ruconest for both HAE and new indications as well as for new drug candidates under development through the recombinant platform.

Figure 2: Expected product newsflow

Q4 18	Readout on investigator-initiated comparator study of Ruconest, Berinert, Cinryze, Firazyr
Q4 18	IND filing for own trial in contrast-induced nephropathy
Q4 18	Start phase I/II trial in pre-eclampsia
2018/19	Discussions with FDA on path to approval of Ruconest for HAE prophylaxis. Start of additional trial
Q1 19	Start own phase II trial in contrast-induced nephropathy
Q1 19	IND filing in Pompe
H1 19	Start phase I/II in Pompe
H1 19	Start clinical studies of new delivery methods
Q3 19	Readout on phase I/II trial in pre-eclampsia
2020	Start phase I/II trial in hemorrhagic shock
2020	Readout on investigator-initiated study in delayed graft function
H2 20	Start phase I/II in Fabry

Source: Pharming

Results of comparative study of Ruconest, Berinert, Cinryze, Firazyr due later in Q4

Topline data from an investigator-sponsored comparative study of Ruconest, Berinert (CSL Behring), Cinryze (Shire) and Firazyr (Shire) are due later this quarter. We believe that the key read-out from this study will be a comparison of relapse rates (i.e. the need for redosing) between Ruconest and Firazyr. Firazyr is the bestselling product for treatment of HAE in either the acute or the prophylactic setting. Worldwide H1/18 sales amounted to USD417m compared with USD283m for Shire's Cinrzye (the market leader in HAE prophylaxis) and USD71m for Ruconest. Firazyr and Ruconest were approved by the FDA for HAE in August 2011 and July 2014 respectively. Peer-reviewed articles on Ruconest and Firazyr indicate Ruconest's superior performance on this metric. As Riedl et al. wrote in their 2013 review* of the pivotal Ruconest (rhC1-INH) phase III trial for acute HAE:

"Of the rhC1-INH-treated patients who achieved beginning of persistent relief from symptoms within 4 hours of rhC1-INH treatment, one patient (3%) had a recurrence of symptoms within 24 hours. This was the only case of recurrence of symptoms after initial improvement within 24 hours after dosing across the entire rhC1-INH clinical development program. By comparison, relapse rates of 10% to 31% have been reported for other acute treatments for angioedema attacks in patients with HAE."

Specifically, in the FAST1, FAST2 and FAST3 clinical trials of Firazyr, 22%, 17% and 11% of patients respectively required rescue medication within 48 hours of the first administration of the drug.

* Riedel et al, Annals of Allergy, Asthma & Immunology 112 (2014) 163-169

Comparative study results could help Ruconest's sales/marketing effort Pharming's marketing personnel have so far been prevented from referencing these performance data because of differences between the Ruconest and Firazyr study designs. They would be able to reference a comparative study. Firazyr is due to go off-patent in mid-2019. Another consequence of the comparative study could be to establish the perception of Ruconest's superiority vs. Firazyr in terms of relapse rates before cheaper generic versions of the latter drug become available.

New Delivery methods

Figure 3 below shows data on the methods used for delivery of Ruconest and competing products. The general trend is towards delivery methods entailing less pain, lower injected volume and less reconstitution and injection time. To this end, Pharming is developing Ruconest Lite which is expected to halve the current 5-6 minute reconstitution time as well as a ready to use vial - Ruconest Liquid. Clinical studies of these formulations are expected to start later this year. Subject to approval, both Ruconest Lite and Ruconest Liquid could be administered intra-muscularly in the acute setting as well as subcutaneously or intra-dermally in prophylaxis of acute attacks. The intra-dermal delivery system which Pharming currently has under development would be painless.

Figure 3: Delivery methods: Ruconest and competitors' products

Company	Product	HAE Indication	Volume injected (mL)	Reconstitution time	Injection time	Administration method
CSL Behring	Berinert	Acute	32.0	6 minutes	8 minutes	Intraveneous injection
Shire	Cinryze	Prophylaxis	10.0	6 minutes	10 minutes	Intraveneous injection
Shire	Firazyr	Acute	3.0	0 minutes (pre-filled syringe)	at least 30 secs	Subcutaneous injection
CSL Behring	Haegarda	Prophylaxis	9.6	6 minutes	comfort of patient	Subcutaneous injection
Pharming	Ruconest	Acute	26.7	5-6 minutes	5 minutes	Intraveneous injection
Shire	Takhzyro	Prophylaxis	2.0	6 minutes	10 to 60 seconds	Subcutaneous injection

Source: company data

DEVELOPMENT OF RUCONEST FOR OTHER INDICATIONS

Pharming currently developing Ruconest in at least five non-HAE indications C1-inhibitor plays an important role in the regulation of vascular permeability and in the suppression of inflammation. Dysfunctional regulation of vascular permeability due to a deficiency of C1-inhibitor is the cause of HAE. C1-inhibitor also exerts anti-inflammatory effects. In some indications, the inflammatory response is partially responsible for the damage of reperfusion injury. Reperfusion injury is the tissue damage caused when blood supply returns to tissue after a period of ischemia or lack of oxygen. Pharming is currently developing Ruconest in other indications in which C1-inhibitor is expected to be able to slow inflammatory response and/or limit tissue damage. These include contrast-induced nephropathy, cardiac protection, pre-eclampsia, delayed graft function and hemorrhagic shock.

Contrast-induced nephropathy (CIN)

13-21% of 75m patients undergoing contrast-enhanced investigations at risk of CIN

CIN is a form of acute kidney injury resulting from the use of contrast media in investigations carried out to enhance views of pathology in vascular systems. About 75 million contrast-enhanced investigations are carried out every year of which half in the USA and half in the rest of the world. The majority of the patients affected by CIN are those with existing kidney impairment, i.e. about 13%-21% of the total. 6-11% of these patients develop full CIN. In these patients, CIN can necessitate dialysis, kidney transplant or end in death.

Incidence highest for patients with renal condition undergoing coronary procedure

Around 45% of patients who receive contrast media also undergo percutaneous coronary intervention (PCI). PCI is a non-surgical part of the procedure used to treat narrowed coronary arteries in coronary heart disease.

A catheter is used to visualise the blood vessels with x-ray imaging. After this, a coronary angioplasty can be performed in which a deflated balloon is moved into the obstructed artery and inflated to relieve the narrowing. Devices such as stents are then used to keep the artery open. These procedures both require higher volumes of contrast medium and are more likely to lead to thromboembolic events which trigger the complement system and culminate in reperfusion injury to the kidney (tissue damage caused when blood supply returns to tissue after a period of ischemia or lack of oxygen).

On 17 October Pharming published the results of PROTECT, an investigator-initiated (University Hospital Basel) study of Ruconest in CIN. The study was a phase II study of 75 patients, 37 of whom were given Ruconest and 38 who were on placebo. The study achieved its endpoint which was a statistically significant (p= 0.038) reduction in urinary Neutrophil Gelatinase-Associated Lipocalin (NGAL). NGAL is a generally recognised early marker of acute renal injury in patients with diagnosed renal function impairment undergoing interventions enhanced with standard contrast media.

PROTECT results encouraging particularly in PCI patients Results in the sub-group of 30 patients undergoing PCI were particularly encouraging. Patients in this group had a median increase in peak urinary NGAL concentration within 48 hours of 1.8 ng/ml compared with an increase of 26.2 ng/ml in the placebo arm (p=0.04). The median percentage change in the peak urinary NGAL level within 48 hours was 11.3% for patients who received Ruconest and 205.2% in the placebo arm (p=0.001).

Own phase II trial to start in Q1 2019 On the basis of the positive investigator-initiated study results, Pharming plans to start its own phase II study of Ruconest in CIN in Q1 2019 in preparation for a later pivotal phase III trial.

Cardiac Protection

The biomarker troponin T is used in the diagnosis of heart attack because it is released into the bloodstream when damage to heart muscle occurs. One of the secondary endpoints of the PROTECT trial in CIN patients was increase in troponin T measured at baseline, 4 and 24 hours. A reduction of troponin T in the Ruconest vs. the placebo arm would have evidenced a reduction of the vascular/cardiac stress caused by the endovascular investigation. However, the results of the trial showed no meaningful difference in troponin T levels between the two arms of the study population. According to Pharming, the power of the study and the variety of interventions applied did not allow an appropriate evaluation. Management tell us that the phase II trial of Ruconest with CIN patients will address this issue.

Pre-eclampsia

Pre-eclampsia is a condition which affects around 2.5 million pregnancies year worldwide. Its cause is not fully understood but it is characterised by malformation of the blood vessels supplying the placenta which during the later stages of pregnancy results in hypertension and proteinuria (protein in the urine). Pre-existing conditions such as diabetes, high blood pressure, kidney disease and obesity raise the risk of pre-eclampsia. The incidence of pre-eclampsia is also higher for women in the following categories: experiencing their first pregnancy, over the age of 40, expecting multiple babies, with a family history of the condition, over 10 years since last pregnancy. Severe pre-eclampsia can be a life-threatening condition and is a contributing factor in a significant number of pre-term births in the U.S.

Animal models implicate the complement system in the early phases of the disorder, while evidence from human studies carried out in late pregnancy has demonstrated increased complement activation compared to normal pregnancy.

Current treatment of pre-eclampsia is based on antihypertensive drugs but these do not address the underlying causes of the condition.

There are currently no FDA or EMA approved drugs for the treatment of pre-eclampsia. In September, Pharming filed applications in the Netherlands and Australia to begin clinical development of Ruconest in pre-eclampsia. Management has indicated that the readout from a phase II trial could be available in Q3 2019.

Delayed Graft Function (DGF)

DGF is a serious and costly complication in clinical transplantation. It is a form of reperfusion injury resulting in acute renal failure, low urine output post-transplantation, increased allograft immunogenicity, risk of acute rejection episodes, and decreased long-term survival. Conventional practice focuses on cold storage or machine perfusion of the organ after it is harvested from the donor.

In 2013 Pharming reported that Ruconest had been shown to have a beneficial effect as a donor pre-treatment therapy in an animal model of kidney transplantation. In the study, Dr. Luis Fernandez of the University of Wisconsin used a non-human primate model to evaluate the outcomes of kidney transplantation from brain-dead donors. Kidneys that were treated with Ruconest prior to transplantation had a significantly lower incidence of DGF when transplanted to the recipient animals. Dr. Fernandez and colleagues were also able to demonstrate how Ruconest inhibited the complement system to confer this benefit. Dr. Fernandez is currently overseeing a phase I/II study of Ruconest in DGF patients. Topline data are expected in 2020.

Hemorrhagic Shock

Hemorrhagic shock results from the loss of more than 20% of the body's blood or fluid supply (caused for example by gunshot wounds or accidents). The consequence is often organ failure and death. Medical literature has frequently noted the relationship in humans between acute injury and complement activation. Complement activation has been found to worsen hypotension in cases of hemorrhagic shock and increase the probability of death. The probability of surviving hemorrhagic shock is estimated to be 90% if the patient receives trauma care within 60 minutes of incurring the injury (the so-called golden hour). After an hour the probability of death is put at 90%. With support from Pharming, the US army has been conducting studies in mammals to determine whether Ruconest extends the golden hour. Pharming plans to start a phase I/II trial of Ruconest with hemorrhagic shock patients in 2020.

NEW DRUG DEVELOPMENT THROUGH THE RECOMBINANT PLATFORM

Pharming is currently developing proteins through its recombinant platform for treatment of the lysosomal storage disorders, Pompe disease and Fabry's disease. We continue to believe that Pharming's platform has great potential to circumvent the main problem with current enzyme replacement therapy in Pompe - the instability of proteins derived from Chinese hamster ovary cell-lines. Pharming has indicated that a phase I/II trial of alpha-glucosidase PGN004 for Pompe Disease will begin in H1 2019 and that clinical development of alpha-galactosidase for Fabry's Disease will take place from H2 2020. We think Pharming's strategy of prioritising Pompe over Fabry is sound as immunogenicity is not as pressing an issue with current therapies for Fabry as for Pompe and the existing pipeline in Fabry also looks more promising than in Pompe.

DISCUSSIONS WITH FDA OVER NEXT STEPS IN HAE PROPHYLAXIS

The non-approval of Ruconest by the FDA in September came as a surprise to us and the market. The FDA has requested further data on Ruconest in HAE prophylaxis. Pharming is now in discussions with the FDA as to next steps.

VALUATION MODEL

Figure 4 shows changes to our forecasts since our last update of 18 May. For 2018 these changes reflect both a lower than expected Q2/18 result as well as the non-approval by the FDA of Ruconest for prophylaxis. We now do not expect sales from Ruconest in prophylaxis until 2021.

Figure 4: Changes to our forecasts

	2018E			2019E			2020E
All figures in €m	**Old**	**New**	**Delta**	**Old**	**New**	**Delta**	**New**
Sales	146.00	136.28	-6.7%	188.66	164.73	-12.7%	202.86
EBIT	52.33	44.09	-15.8%	70.58	56.54	-19.9%	73.51
margin	*35.8%*	*32.3%*	-	*37.4%*	*34.3%*	-	*36.2%*
Net income	44.39	22.26	-49.8%	64.75	45.00	-30.5%	68.32
margin	*30.4%*	*16.3%*	-	*34.3%*	*27.3%*	-	*33.7%*
EPS (in €)	0.07	0.04	-49.8%	0.10	0.07	-30.5%	0.11

* Total sales including other operating income such as milestone payments

Source: First Berlin Equity Research estimates

We have included the Pompe programme in our valuation model for the first time (see figure 5 below). However, the positive impact of this on our valuation is cancelled out by a reduction in our forecasts for Ruconest in HAE prophylaxis. We maintain our Buy recommendation and price target of €2.00.

Figure 5: Valuation model

Compound	Project[1)]	Present Value	Patient Pop	Treatment Cost	Market Size	Market Share	Peak Sales	Gross margin	Discount Factor	Patent Life2[)]	Time to Market
Ruconest (EU)	HAE-AA	€115.4M	4K	€ 43,478	€174M	20%	€40M	60%	10%	16	-
Ruconest (US)	HAE-AA	€1,481.0M	4K	€ 205,950	€824M	25%	€308M	87%	10%	12	-
Ruconest (EU)	HAE-PR	€9.7M	1K	€ 86,957	€87M	10%	€8M	60%	12%	4	4 Years
Ruconest (US)	HAE-PR	€332.2M	2K	€ 463,768	€723M	15%	€164M	87%	12%	5	3 Years
rhαGLU (EU+US)	Pompe	€466.2M	3K	€ 260,870	€826M	30%	€734M	85%	12%	18	5 Years
PV of gross profits		€2,404.5M			€2,634M		€1,254M				
Costs PV		€1,078.5M									
PV after costs		€1,326.0M									
Contingent consideration		€34.1M									
Net cash (pro-forma)		€12.3M									
Fair Value		€1,304.2M									
Share Count (fully diluted, PV)		652,026K									
Fair value per share		€ 2.00									

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 6: Changes to our valuation model

	Old	New	Delta
PV of gross profits	**€2,351.2M**	**€2,404.5M**	**2.3%**
Costs PV	€1,023.4M	€1,078.5M	5.4%
PV after costs	**€1,327.8M**	**€1,326.0M**	**-0.1%**
Contingent consideration	€28.3M	€34.1M	20.5%
Proforma net cash	-€1.9M	€12.3M	n.a.
Fair Value	€1,297.6M	€1,304.2M	0.5%
Share Count (fully diluted, PV)	649,198K	652,047K	0.4%
Fair value per share	**€ 2.00**	**€ 2.00**	**0.0%**

Source: First Berlin Equity Research estimates

INCOME STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018E	2019E	2020E
Revenues	**10,828**	**15,873**	**89,620**	**136,280**	**164,730**	**202,863**
Costs of sales	-4,800	-4,683	-12,445	-21,924	-25,002	-31,980
Gross profit	**6,028**	**11,190**	**77,175**	**114,356**	**139,728**	**170,883**
Other income	147	335	790	623	0	0
Research and development	-14,180	-15,388	-18,657	-23,568	-26,357	-32,458
General and administrative	-3,744	-4,642	-5,974	-11,521	-12,355	-13,186
Marketing and sales	-1,085	-3,035	-31,422	-35,805	-44,477	-51,730
Operating income (EBIT)	**-12,834**	**-11,540**	**21,912**	**44,085**	**56,540**	**73,509**
Net financial result	2,877	-5,996	-111,311	-21,823	-11,542	-5,188
Pre-tax income (EBT)	**-9,957**	**-17,536**	**-89,399**	**22,262**	**44,998**	**68,321**
Income taxes	0	0	9,442	0	0	0
Minority interests	0	0	0	0	0	0
Net income / loss	**-9,957**	**-17,536**	**-79,957**	**22,262**	**44,998**	**68,321**
Diluted EPS	**-0.02**	**-0.04**	**-0.16**	**0.04**	**0.07**	**0.11**
EBITDA	**-11,871**	**-10,784**	**25,327**	**46,455**	**58,560**	**75,184**
Ratios						
Gross margin on revenues	55.7%	70.5%	86.1%	83.9%	84.8%	84.2%
EBITDA margin on revenues	n.m.	n.m.	28.3%	34.1%	35.5%	37.1%
EBIT margin on revenues	n.m.	n.m.	24.4%	32.3%	34.3%	36.2%
Net margin on revenues	n.m.	n.m.	n.m.	16.3%	27.3%	33.7%
Expenses as % of revenues						
Cost of sales	44.3%	29.5%	13.9%	16.1%	15.2%	15.8%
Research and development	131.0%	96.9%	20.8%	17.3%	16.0%	16.0%
General and administrative	34.6%	29.2%	6.7%	8.5%	7.5%	6.5%
Marketing and sales	10.0%	19.1%	35.1%	26.3%	27.0%	25.5%
Y-Y Growth						
Revenues	-48.9%	46.6%	464.6%	52.1%	20.9%	23.1%
Operating income	n.m.	n.m.	n.m.	101.2%	28.3%	30.0%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	102.1%	51.8%

BALANCE SHEET

All figures in EUR '000	2015A	2016A	2017A	2018E	2019E	2020E
Assets						
Current assets, total	**51,092**	**62,190**	**88,251**	**133,285**	**154,717**	**203,206**
Cash and cash equivalents	31,643	31,889	58,657	91,993	105,047	147,825
Receivables	3,220	12,360	11,260	19,079	22,950	22,315
Inventories	16,229	17,941	18,334	22,214	26,720	33,067
Other current assets	0	0	0	0	0	0
Non-current assets, total	**6,585**	**64,593**	**77,339**	**77,296**	**78,539**	**79,793**
Property, plant & equipment	5,661	6,043	8,234	9,540	9,836	10,143
Long term prepayments	0	1,622	2,296	0	0	0
Deferrred tax assets	0	0	9,442	9,442	9,442	9,442
Goodwill & other intangibles	724	56,680	56,631	57,578	58,525	59,472
Restricted cash	200	248	736	736	736	736
Total assets	**57,677**	**126,783**	**165,590**	**210,581**	**233,255**	**283,000**
Shareholders' equity & debt						
Current liabilities, total	**13,475**	**51,378**	**57,928**	**75,510**	**77,550**	**54,051**
Debt	3,047	26,136	21,962	32,000	32,000	1,000
Deferred license fee income	2,207	943	204	204	204	0
Derivative financial liabilities	953	9,982	8,301	8,973	4,102	2,072
Trade and other payables	7,005	14,054	27,198	34,070	40,982	50,716
Finance lease liabilities	263	263	263	263	263	263
Longterm liabilities, total	**20,363**	**47,938**	**88,860**	**75,337**	**46,102**	**48,995**
Debt	11,757	40,395	58,684	33,000	1,000	0
Deferred license fee income	7,808	2,270	1,467	13,628	16,393	20,286
Finance lease liabilities	798	599	390	390	390	390
Other liabilities	0	4,674	28,319	28,319	28,319	28,319
Minority interests	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders equity	**23,839**	**27,467**	**18,802**	**59,734**	**109,603**	**179,954**
Total consolidated equity and debt	**57,677**	**126,783**	**165,590**	**210,581**	**233,255**	**283,000**

Ratios						
Current ratio (x)	3.79	1.21	1.52	1.77	2.00	3.76
Quick ratio (x)	2.59	0.86	1.21	1.47	1.65	3.15
Net gearing	-67.0%	128.4%	116.5%	-45.3%	-65.8%	-81.6%
Book value per share (€)	0.06	0.06	0.03	0.10	0.18	0.29
Net debt	-15,978	35,256	21,906	-27,076	-72,130	-146,908
Return on equity (ROE)	-37.1%	-68.4%	-345.6%	56.7%	53.1%	47.2%

CASH FLOW STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018E	2019E	2020E
EBIT	**-12,834**	**-11,540**	**21,912**	**44,085**	**56,540**	**73,509**
Depreciation and amortization	963	756	3,415	2,370	2,020	1,676
EBITDA	**-11,871**	**-10,784**	**25,327**	**46,455**	**58,560**	**75,184**
Changes in working capital	-5,267	642	11,099	9,630	1,299	7,712
Net interest, other	-103	138	1,787	-10,430	-11,542	-5,188
Operating cash flow	**-17,241**	**-10,004**	**38,213**	**45,655**	**48,317**	**77,708**
CAPEX	-898	-57,474	-6,045	-4,622	-3,263	-2,930
Free cash flow	**-18,139**	**-67,478**	**32,168**	**41,033**	**45,054**	**74,778**
Debt financing, net	**15,524**	**63,635**	**-10,088**	**-15,646**	**-32,000**	**-32,000**
Equity financing, net	**483**	**8,825**	**6,833**	**7,949**	**0**	**0**
Other changes in cash	**-210**	**-4,688**	**-1,057**	**-1,336**	**0**	**0**
Net cash flows	**-2,342**	**294**	**27,856**	**32,000**	**13,054**	**42,778**
Cash, start of the year	34,185	31,843	32,137	59,993	91,993	105,047
Cash, end of the year	**31,843**	**32,137**	**59,993**	**91,993**	**105,047**	**147,825**
EBITDA/share	**-0.03**	**-0.03**	**0.05**	**0.08**	**0.09**	**0.12**
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	19.5%	5.8%	60.8%
Free cash flow	n.m.	n.m.	n.m.	27.6%	9.8%	66.0%
EBITDA/share	n.m.	n.m.	n.m.	51.4%	24.6%	28.4%

FIRST BERLIN 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...38	↓	↓	↓	↓
39	18 January 2018	€1.30	Buy	€1.90
40	8 May 2018	€1.37	Buy	€2.00
41	18 May 2018	€1.33	Buy	€2.00
42	Today	€0.95	Buy	€2.00

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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.

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

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