

60 SECONDS WITH PHARMING

Pharming CEO, Sijmen De Vries



Sijmen de Vries is an old friend of Kreos since 2004 when he was appointed CEO of Morphochem, a Kreos II portfolio company. Having kept in contact with us over the years and following his appointment as CEO of Pharming, a Dutch pharma company listed on Euronext, he reached out to Kreos in 2016 for financing of Pharming's acquisition of all North American commercialisation rights for its own product, RUCONEST®, from Valeant Pharmaceuticals. RUCONEST® is an orphan drug designated therapy developed by Pharming, which is already approved for the treatment of acute blood disorder attacks called Hereditary Angioedema ("HAE") in patients in the US and EU.

Kreos led the senior debt tranche taking \$22.5m out of the \$40m. Kreos also subscribed to 50% of the €12m convertible tranche. The transaction was completed in a very short time as funds were paid out within four weeks from signing of the term sheet, Pharming will be able to accelerate its development into a profitable specialty pharmaceutical company with its own independent commercial infrastructure, which will form the foundation for future growth.

Can you tell us the background to the transaction?

As Valeant needed to focus investments, and the company decided to divest some of its non-core products including RUCONEST, Pharming's management saw a great opportunity in being able to capture 100% of the US RUCONEST revenues and to grow sales through a larger sales force, medical science liaison personnel and marketing. In order to finance the upfront payment of \$60m for this acquisition, pay off existing debt of \$15m and provide Pharming with additional working capital to accelerate sales growth in the US and Europe, Pharming executed funding of €104m through a combination of new equity, senior debt, convertible bond and a zero-coupon subordinated convertible in Q4 2016.

What is the biggest challenge for your business?

Our biggest challenge is to execute on the US commercialisation plans. To this extent we have very quickly brought a very experienced team together and we are now preparing to get them operational in the coming month or so. The team consists of the now extended RUCONEST account manager overseen by two experienced regional directors led by an HAE veteran VP of commercial operations.

We are also in the process of hiring a small market access team and a dedicated patient services and reimbursement support team. Last but not least, we have hired the necessary Medical Science specialists, such that in-market medical affairs support will also be available. On the marketing side we have also hired some

experienced marketing specialists. In close collaboration with our already existing EU/ROW marketing team, product messaging is being overhauled and an extensive number of US field force supported activities are being set up, most of which will also be used by the EU team.

What will be the biggest driver of growth going forward?

The main key driver for us will be the growth in US sales, followed by growth in EU sales. At the same time we are keen to continue to push forward our pre-clinical stage new development programmes and are now actively looking for additional rare disease assets that are closer to market to leverage our US and EU commercialisation capabilities.

What advice would you offer other growth companies about how they finance their business?

I would at the earliest possible moment raise debt financing. We did this, well prior to becoming operationally profitable and in a situation where we did not directly need the funds. This in turn led us to be able, on the basis of our track record, to raise a significantly higher amount of debt from Kreos and other lenders through a combination of debt and equity instruments (totalling €104m) to finance the upfront payment for the re-acquisition of our US commercialisation rights. As result, we now have the opportunity to bring operational profitability forward by up to three years, without having to go through more dilutive equity financing rounds.

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