

Harmony Biosciences (HRMY): EV/EBITDA 7.1x and EV/FCF 4.8x Price Durability Risk into a 21.5% Growth, 16.8% FCF Yield Profile

HRMY | Harmony Biosciences Holdings, Inc. | Healthcare | Biotechnology | FY 2025 | 2026-06-12T09:11:16.268Z

At EV/EBITDA of 7.1x and EV/FCF of 4.8x, the market is pricing Harmony Biosciences as a fragile single-asset story despite 21.5% revenue growth, 59.1% free cash flow growth, and a 16.8% FCF yield supported by net cash of -1.64x net debt/EBITDA.

SIGNALCORE VIEW

Mixed but researchable candidate

Value / Quality Candidate

SIGNAL SCORE

66 / 100

FUNDAMENTAL QUALITY

72 / 100

EXPANSION POTENTIAL

0 / 100

THESIS RISK

0 / 100

PRIMARY DEBATE — The investable debate is whether WAKIX-driven revenue growth of 21.5% can sustain free cash flow growth of 59.1% despite execution variability, including a revenue beat rate of 25% over 8 quarters. Evidence: EPS beat rate of 50% versus revenue beat rate of 25%. Interpretation: earnings delivery has been uneven, particularly on the top line. Implication: the market assumption that cash flows are less reliable is grounded in mixed execution, but must be weighed against a 16.8% FCF yield.

INVESTMENT NARRATIVE

Archetype

Cash-generative single-asset story with regulatory overhang (show-me value)

Company Type

Commercial-stage rare disease neurology pharma (US)

Key Monitoring Metric

Quarterly year-over-year revenue growth

Core Tension: Durability of WAKIX-driven growth and cash flows vs. regulatory/legal overhang and uneven execution

Market Assumption: HRMY is a single-product company with slowing, less reliable growth and regulatory/legal risk, so current cash flows are not durable and deserve a low multiple.

Trajectory: Fundamentals growing double-digits with supported cash generation; sentiment constrained by regulatory/legal overhangs and mixed delivery versus expectations.

Mispricing Hypothesis: The market is over-discounting regulatory/legal and single-asset risks; if revenue growth remains healthy and converts to EPS/FCF with steadier guidance/prints, shares should rerate from deep value levels.

EVIDENCE MAP

SUPPORTING EVIDENCE

Very low valuation: EV/FCF 4.84 and EV/EBITDA 7.09; FCF yield 16.8% implies skepticism about durability.

Execution concerns: Revenue beat rate only 25% and EPS beat rate 50%.

Coverage clusters include regulatory_legal, analyst_revision, and earnings_guidance, indicating overhangs and estimate risk.

EPS growth (7.8%) trails revenue growth (21.5%), suggesting margin pressure or elevated spend.

CONTRADICTING EVIDENCE

supported growth: Latest revenue growth 21.5%; 5Y revenue CAGR 42.4%.

supported by supplied metrics cash generation: FCF growth 59.1%; EV/FCF implies high free-cash yield.

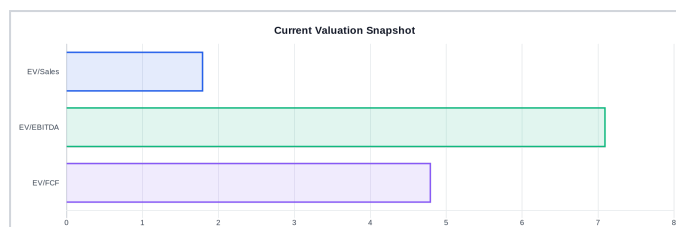
Quality/returns: ROE 17.2%, ROIC 12.5%.

Balance sheet strength: Net Debt/EBITDA -1.64 (net cash).

Long-term compounding: 5Y EPS growth 112.4%.

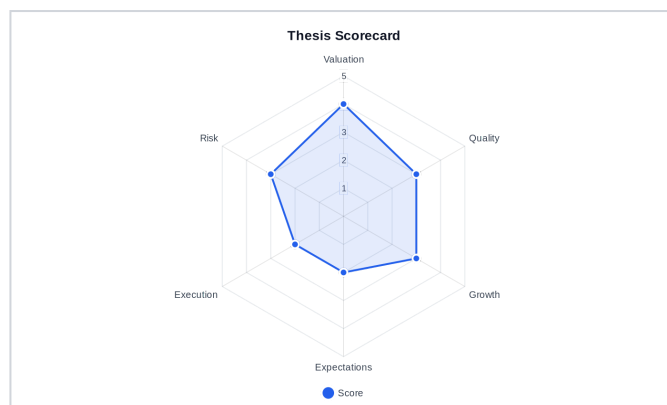
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
4	3	3	2	2	3	3
SUPPORTED	MIXED	MIXED	CHALLENGED	CHALLENGED	MODERATE	MIXED



CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



THEESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
7.1x	4.8x	16.8%	12.5%	21.5%	7.8%	59.1%	50.0%

EXECUTIVE SUMMARY

Core Tension	Durability of WAKIX-driven growth and cash flows vs.
Market Assumption	HRMY is a single-product company with slowing, less reliable growth and regulatory/legal risk, so current cash flows are not durable and deserve a low multiple.
Current Pricing	At a price of \$35.2 and market cap of \$2.0B with enterprise value of \$1.7B, EV/Sales of 1.8x and EV/EBITDA of 7.1x imply modest long-term growth and durability assumptions relative to 21.5% revenue growth.
Valuation	Current EV/FCF of 4.8x is below the 3Y average EV/FCF of 6.9x and 5Y average of 13.5x, while latest FCF yield of 16.2% exceeds the 3Y average of 12.9%.
Quality	Quality is supported by ROE of 17.2%, ROA of 11.4%, and netDebtToEbitda of -1.64 with workingCapital of \$561.5M.
Growth	Latest revenue growth of 21.5% is below the 3Y average of 25.7% and far below the 5Y average of 42.4%, while EPS growth of 7.8% trails revenue growth.
Cash Flow	Latest operating cash flow growth of 58.4% and free cash flow growth of 59.1% indicate aligned expansion.
Execution	Over 8 quarters, EPS beat rate was 50% while revenue beat rate was 25%, with average revenue surprise of -2.2%.
Primary Monitor	Can revenue growth sustain near 21.5% given operating expense growth of 25.8%?

THEESIS DRIVERS

SUPPORTING DRIVERS			CONSTRAINTS / MONITORS		
1	FCF Growth	59.1%	1	EPS Dispersion	22.8%
2	EPS Beat Rate	50.0%	2	Revenue Beat Rate	25.0%
3	FCF Yield	16.8%			
4	Revenue Growth	21.5%			
5	ROIC	12.5%			
6	EPS Growth	7.8%			

COMPANY & BUSINESS MODEL

Harmony Biosciences Holdings, Inc. is a commercial-stage pharmaceutical firm dedicated to developing and marketing therapies for individuals in the United States who suffer from rare neurological conditions. Their flagship product, WAKIX, is a prescription medication designed to treat excessive daytime sleepiness in adult patients diagnosed with narcolepsy. The company, which was founded in 2017, was formerly known as Harmony Biosciences II, Inc. before adopting its current name in February 2020. Harmony Biosciences Holdings, Inc. operates out of Plymouth Meeting, Pennsylvania.

INVESTMENT THESIS

Harmony Biosciences, a commercial-stage rare disease neurology company anchored by WAKIX, trades at EV/FCF of 4.8x and EV/EBITDA of 7.1x, equating to a 16.8% free cash flow yield and 7.2% earnings yield. Evidence: revenue growth of 21.5% and free cash flow growth of 59.1% in the latest fiscal year. Interpretation: the current multiple implies skepticism that these cash flows are durable, consistent with the single-asset and regulatory overhang narrative. Implication: if quarterly year-over-year revenue growth remains around 21.5% and free cash flow growth continues near 59.1%, the valuation appears not aligned with the supplied cash generation profile. The core tension is durability versus overhang. Evidence: ROE of 17.2% and ROIC of 12.5% alongside netDebtToEbitda of -1.64 and a currentRatio of 3.6. Interpretation: the business is profitable and carries net cash, yet return metrics are below 3Y averages of 22.6% ROE and 17.5% ROIC. Implication: the market is discounting the current return profile due to execution variability and regulatory/legal risk rather than balance sheet stress. Growth remains double-digit but decelerating versus longer-term averages. Evidence: latest revenue growth of 21.5% versus 3Y average revenue growth of 25.7% and 5Y average of 42.4%. Interpretation: growth has normalized from earlier expansion phases. Implication: the multiple compression from 5Y average EV/EBITDA of 14.7x to current 7.1x reflects slower trajectory, yet current growth remains above 20%. Cash generation is the central counterpoint to the durability concern. Evidence: freeCashFlowToFirm of \$332.9M and free cash flow yield of 16.8%, with latest EV/FCF in the fiscal trend of 4.7x versus 3Y average of 6.9x. Interpretation: cash flow generation has improved relative to valuation history. Implication: if cash conversion remains intact, the current valuation embeds a conservative durability assumption. Classification: Value / Quality Candidate within a cash-generative single-asset model. Evidence: EV/FCF 4.8x and ROIC 12.5% combined with free cash flow growth of 59.1%. Interpretation: valuation reflects caution while returns and cash flow remain positive. Implication: the debate centers on whether execution volatility justifies a persistent discount.

INVESTABLE DEBATE

The investable debate is whether WAKIX-driven revenue growth of 21.5% can sustain free cash flow growth of 59.1% despite execution variability, including a revenue beat rate of 25% over 8 quarters. Evidence: EPS beat rate of 50% versus revenue beat rate of 25%. Interpretation: earnings delivery has been uneven, particularly on the top line. Implication: the market assumption that cash flows are less reliable is grounded in mixed execution, but must be weighed against a 16.8% FCF yield.

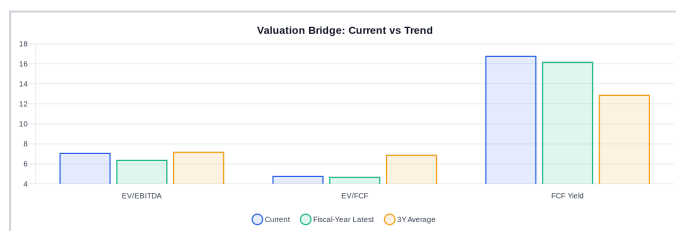
MARKET EXPECTATIONS

At a price of \$35.2 and market cap of \$2.0B with enterprise value of \$1.7B, EV/Sales of 1.8x and EV/EBITDA of 7.1x imply modest long-term growth and durability assumptions relative to 21.5% revenue growth. Evidence: earningsYield of 7.2% and freeCashFlowYield of 16.8%. Interpretation: the spread between earnings yield and FCF yield suggests the market questions the persistence of elevated free cash flow. Implication: current pricing embeds a scenario where cash generation normalizes below recent 59.1% FCF growth.

CURRENT VALUATION VS HISTORICAL TREND

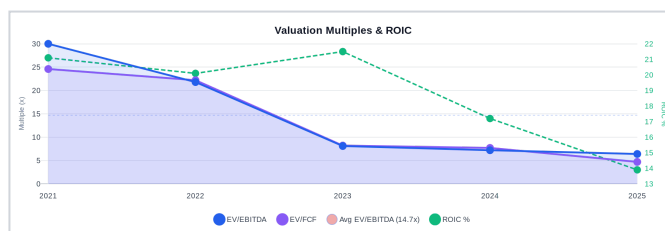
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	7.1x	6.4x	7.2x	14.7x
EV/FCF	4.8x	4.7x	6.9x	13.5x
FCF Yield	16.8%	16.2%	12.9%	9.4%

Current EV/EBITDA is 7.1x, while fiscal-year trend data shows latest EV/EBITDA of 6.4x versus a 3Y average of 7.2x. Current EV/FCF is 4.8x, while fiscal-year trend data shows latest EV/FCF of 4.7x versus a 3Y average of 6.9x.



VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 7.1x, while fiscal-year trend data shows latest EV/EBITDA of 6.4x versus a 3Y average of 7.2x.



VALUATION MULTIPLES & ROIC OVERLAY

Current EV/FCF of 4.8x is below the 3Y average EV/FCF of 6.9x and 5Y average of 13.5x, while latest FCF yield of 16.2% exceeds the 3Y average of 12.9%.

VALUATION ANALYSIS

Current EV/FCF of 4.8x is below the 3Y average EV/FCF of 6.9x and 5Y average of 13.5x, while latest FCF yield of 16.2% exceeds the 3Y average of 12.9%. Evidence: ROIC of 12.5% versus 3Y average ROIC of 17.5%. Interpretation: valuation has compressed more than capital efficiency, which has declined but remains positive. Implication: the multiple is applying a discount relative to historical norms even as cash yield is higher than the 3Y average.

QUALITY & CAPITAL EFFICIENCY

Quality is supported by ROE of 17.2%, ROA of 11.4%, and netDebtToEbitda of -1.64 with workingCapital of \$561.5M. Interpretation: the balance sheet carries net cash and liquidity, consistent with a currentRatio of 3.6. Implication: regulatory and single-product risk, rather than leverage, explains the discount. However, ROIC of 12.5% is below the 3Y average of 17.5%, indicating return compression.



QUALITY & RETURN PROFILE

Quality is supported by ROE of 17.2%, ROA of 11.4%, and netDebtToEbitda of -1.64 with workingCapital of \$561.5M.

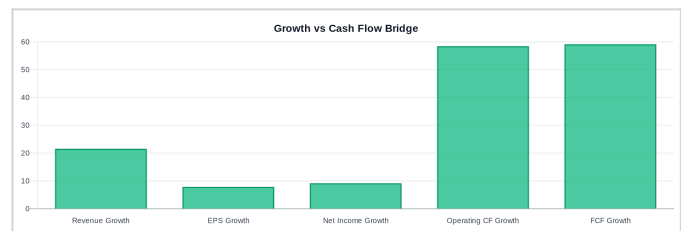
GROWTH TRAJECTORY

Latest revenue growth of 21.5% is below the 3Y average of 25.7% and far below the 5Y average of 42.4%, while EPS growth of 7.8% trails revenue growth. Evidence: operating expense growth of 25.8% and R&D to revenue of 21.8%. Interpretation: expense growth is absorbing part of top-line expansion, limiting EPS growth to 7.8%. Implication: sustained margin discipline is required for revenue growth to translate into higher earnings growth.



HISTORICAL GROWTH TRENDS

Latest revenue growth of 21.5% is below the 3Y average of 25.7% and far below the 5Y average of 42.4%, while EPS growth of 7.8% trails revenue growth.



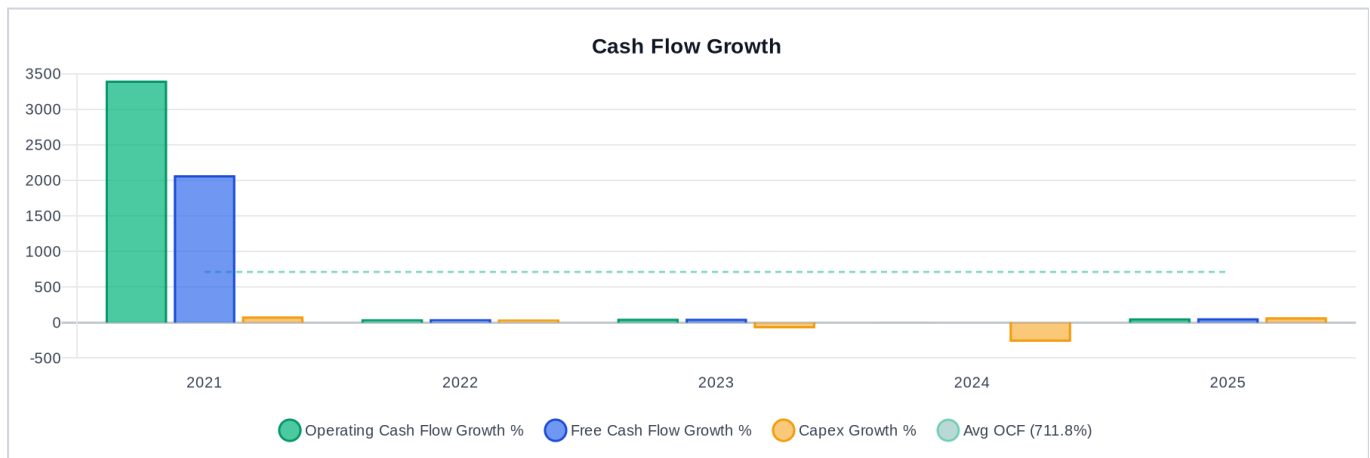
GROWTH VS CASH FLOW BRIDGE

Latest revenue growth of 21.5% is below the 3Y average of 25.7% and far below the 5Y average of 42.4%, while EPS growth of 7.8% trails revenue growth.

CASH FLOW GROWTH & CONVERSION

Latest operating cash flow growth of 58.4% and free cash flow growth of 59.1% indicate aligned expansion. Interpretation: cash flow growth is exceeding net income growth of 9.1%, suggesting improved working capital or non-cash adjustments. Implication: the 16.8% FCF yield is supported by actual cash expansion rather than accounting-only gains.

Capex growth of 73.1% exceeded operating cash flow growth of 58.4%, yet free cash flow growth remained 59.1%. Interpretation: despite higher capex growth, capex to revenue is 0.0%, limiting drag. Implication: capital intensity remains low, supporting durability of free cash flow in a commercial-stage model.



CASH FLOW GROWTH — OCF, FCF & CAPEX

Latest operating cash flow growth of 58.4% and free cash flow growth of 59.1% indicate aligned expansion.

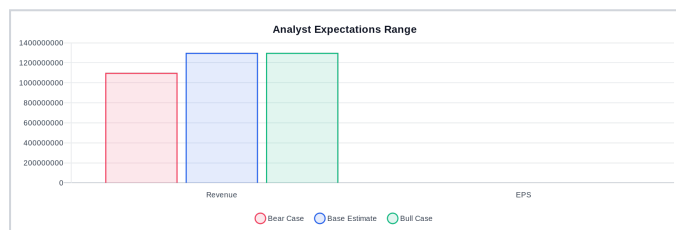
ANALYST EXPECTATIONS

Next Revenue Estimate

\$1.3B

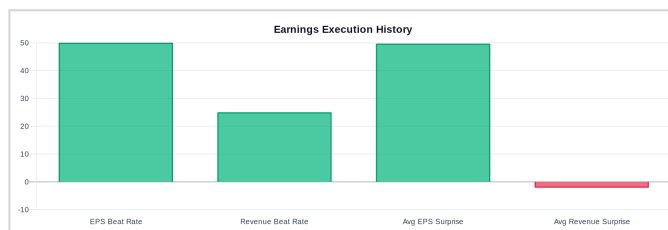
Revenue Bull Case	\$1.3B
Revenue Bear Case	\$1.1B
Next EPS Estimate	5.41
EPS Bull Case	5.87
EPS Bear Case	4.63
Revenue Dispersion	17.55%
EPS Dispersion	22.82%
Revenue Coverage	5
EPS Coverage	4

Next revenue estimate of \$1.3B and next EPS estimate of \$5.41 reflect moderate forward growth assumptions relative to latest revenue growth of 21.5%. Evidence: revenue dispersion of 17.6% and EPS dispersion of 22.8% with analyst coverage of 5 revenue and 4 EPS analysts. Interpretation: limited coverage and elevated dispersion indicate high estimate uncertainty. Implication: expectations are Reasonable but fragile, given dispersion and single-asset exposure.



ANALYST EXPECTATIONS RANGE

Next revenue estimate of \$1.3B and next EPS estimate of \$5.41 reflect moderate forward growth assumptions relative to latest revenue growth of 21.5%.



EXECUTION HISTORY

Over 8 quarters, EPS beat rate was 50% while revenue beat rate was 25%, with average revenue surprise of -2.2%.

EXECUTION QUALITY

Quarters Analysed	8
EPS Beat Rate	50.0%
Revenue Beat Rate	25.0%
Avg EPS Surprise	49.7%
Avg Revenue Surprise	-2.1%
EPS Beats / Misses	4 / 4
Revenue Beats / Misses	2 / 6

Over 8 quarters, EPS beat rate was 50% while revenue beat rate was 25%, with average revenue surprise of -2.2%. Interpretation: revenue execution has trailed expectations more often than exceeded them. Implication: credibility of forward revenue estimates is challenged by historical miss frequency.

The most recent quarter (2026-05-07) reported EPS of 0.55 versus estimate of 0.76 and revenue of \$215.4M versus \$220.8M. Interpretation: recent misses reinforce dispersion of 22.8% on EPS. Implication: forward estimates require consistent delivery to reduce uncertainty embedded in valuation.

BULL / BASE / BEAR SCENARIOS

BULL CASE	BASE CASE	BEAR CASE
If revenue growth remains at 21.5% and free cash flow growth sustains near 59.1% while EV/EBITDA remains near 7.1x, then the valuation case would be supported by persistent double-digit growth and high cash yield.	If revenue trends toward the next revenue estimate of \$1.3B and EPS approximates \$5.41 while EV/FCF stays near 4.8x, then the current valuation reflects a steady but moderated growth profile.	If EPS trends toward the bear case of \$4.63 and revenue toward \$1.1B while revenue beat rate remains 25%, then the current multiple could reflect sustained execution volatility.
Revenue Growth 21.5%	Next Revenue Estimate \$1.3B	EPS Bear Case \$4.63
Free Cash Flow Growth 59.1%	Next EPS Estimate \$5.41	Revenue Bear Case \$1.1B
EV/EBITDA 7.1x	EV/FCF 4.8x	Revenue Beat Rate 25%

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
24%	52%	24%	50 / 100

12-24 MONTH CONDITIONAL OUTLOOK

If quarterly year-over-year revenue growth remains near 21.5%, then the trajectory aligns with double-digit expansion.

If EPS growth improves from 7.8% toward net income growth of 9.1% or higher, then margin pressure from 25.8% operating expense growth may be stabilizing.

If EV/FCF remains around 4.8x while FCF yield holds near 16.8%, then valuation remains anchored to cash durability assumptions.

If revenue beat rate improves above 25% across the next several quarters, then estimate credibility would improve relative to the last 8 quarters.

If revenue and FCF growth remain above 20.0% and 50.0% respectively, then the durability concern embedded in a 7.1x EV/EBITDA may be reassessed.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can revenue growth sustain near 21.5% given operating expense growth of 25.8%?	If ROIC rises above the 3Y average of 17.5%, then capital efficiency would better support current multiples.	If free cash flow growth falls below 0.0% from 59.1%, then the cash durability argument challenged.
Will free cash flow growth remain near 59.1% as capex growth was 73.1%?	If revenue growth accelerates above the 3Y average of 25.7%, then deceleration concerns would ease.	If netDebtToEbitda rises above 0.0 from -1.64, then balance sheet flexibility declines.
Can ROIC recover toward the 3Y average of 17.5%?	If revenue beat rate improves above 25%, then estimate credibility would improve.	If revenue growth falls below 7.8%, aligning with EPS growth, then operating leverage concerns increase.



RISK & THESIS MONITOR

Can revenue growth sustain near 21.5% given operating expense growth of 25.8%?

RISK ASSESSMENT

DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	3 / 5	Moderate
Execution Risk	4 / 5	Elevated
Forecast Risk	4 / 5	Elevated
Quality Risk	3 / 5	Moderate
Overall Risk	3 / 5	Moderate

Composite Risk Score

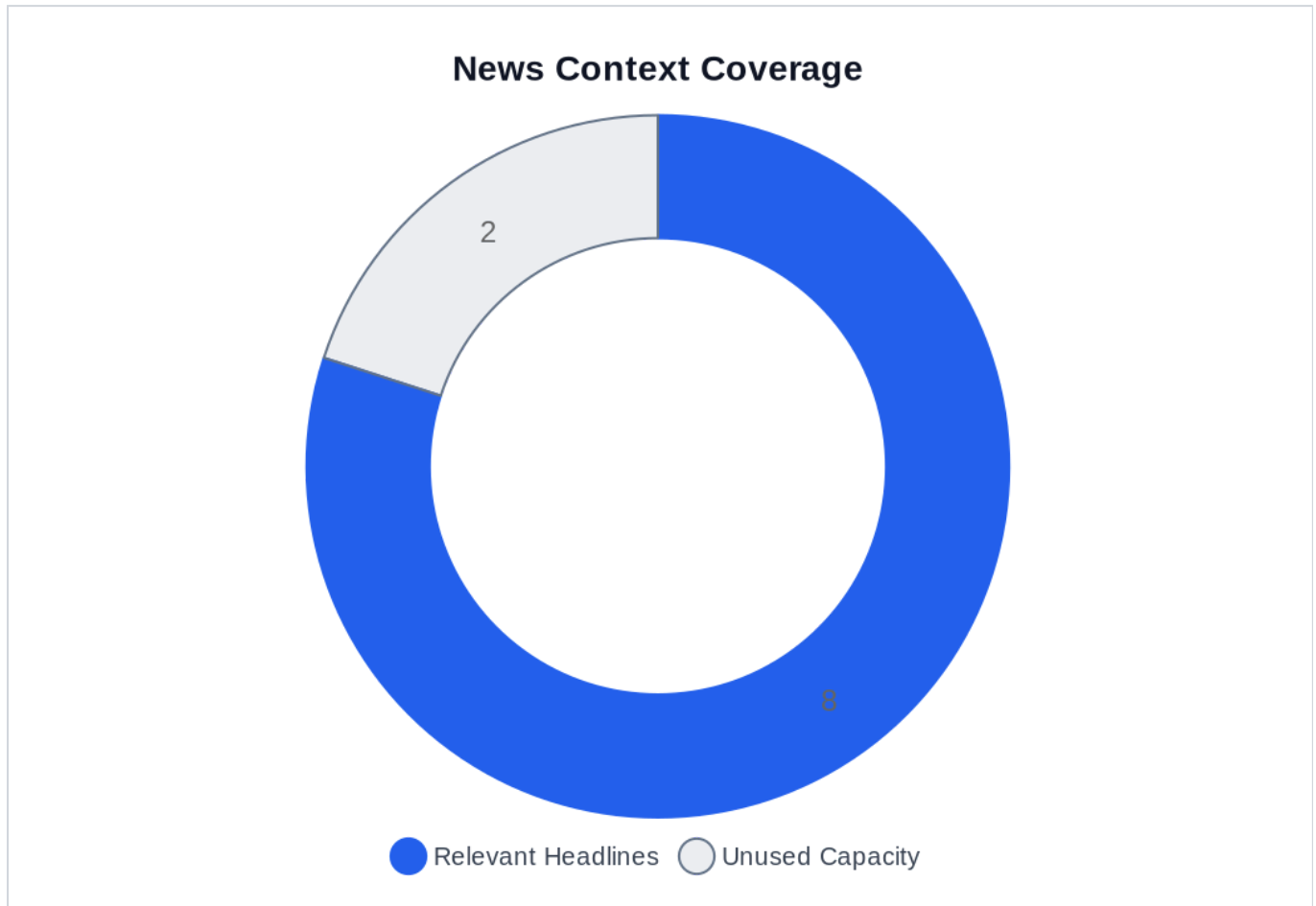
3.2 / 5

- Analyst coverage limited to 5 revenue and 4 EPS analysts.
- EPS dispersion of 22.8% indicates elevated forecast uncertainty.

- Recent quarter EPS miss of -27.6% versus estimate highlights execution variability.

NEWS NARRATIVE

The headline "Harmony Biosciences Reports Q1 Financial Results and Confirms 2026 Net Revenue Guidance of Over \$1 Billion; Reinforces 2026 Strategic Priorities" is relevant to monitoring revenue durability relative to the next revenue estimate of \$1.3B, but additional evidence is required to determine financial impact.



NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings_guidance, analyst_revision, product_strategy, ai_technology, regulatory_legal.

INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Mixed evidence balance	Medium	Moderate	Value / Quality Candidate

Core Thesis: At EV/EBITDA of 7.1x and EV/FCF of 4.8x, the market is pricing Harmony Biosciences as a fragile single-asset story despite 21.5% revenue growth, 59.1% free cash flow growth, and a 16.8% FCF yield supported by net cash of -1.64x net debt/EBITDA.

Primary Risk: Single-product concentration with EV/Sales of 1.8x pricing durability risk.

Monitor: Can revenue growth sustain near 21.5% given operating expense growth of 25.8%?