

Biotechnology

Price:	\$78.86
Fair Value Estimate:	\$73.00
52-Week Range:	\$49.43 - \$94.88
Market Cap (MM):	\$4,007
Shr.O/S-Diluted (mm):	50.8
Average Daily Volume:	214,531
Cash/Share:	\$26.00

FYE: Dec	2017E	2018E	2019E
EPS:	€(1.56)E	€0.09E	€(3.13)E
Prior EPS:	NC	NC	NC
P/E Ratio:	NA	671.0x	NA

Quarterly EPS:

Quarter	2017E	2018E	2019E
Q1	€(0.29)A	€0.24E	--
Q2	€(0.40)E	€0.03E	--
Q3	€(0.42)E	€(0.06)E	--
Q4	€(0.45)E	€(0.15)E	--

Quarterly Revenue (M):

Quarter	2017E	2018E	2019E
Q1	€40A	€102E	--
Q2	€35E	€93E	--
Q3	€35E	€90E	--
Q4	€35E	€88E	--
Year:	€145E	€372E	€246E

June 21, 2017

Galapagos NV

(GLPG) - SELL

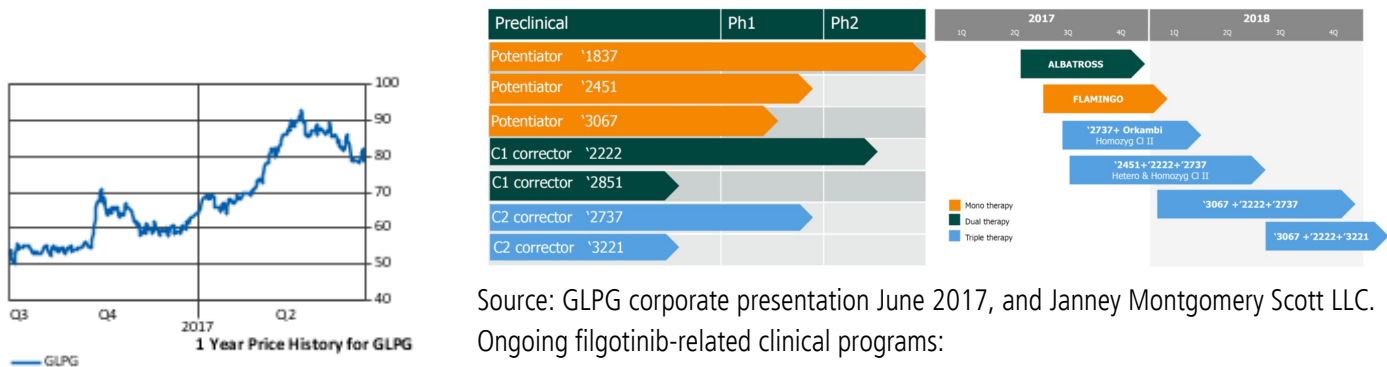
R&D Event- CF Falls Short of Expectations

Flash Takeaways

Based on the most recent CF-portfolio guidance of an anticipate triple-combo clinical program start during the summer, investors headed into the R&D event expecting clarity on trial design and affirmation on timelines. Unfortunately, the triple-combo clinical program start has now been pushed into 4Q awaiting clear regulatory guidance. On the positive side, the CF portfolio has multiple shots on goal and when the program does get the green light, Galapagos is planning to execute on multiple triple-combinations, mimicking competitor Vertex (VRTX - Neutral). Recall, VRTX is expected to roll out triple-combo data starting 3Q17, the delays put Galapagos more than a year behind. Furthermore, based on the multiple combinations being evaluated, Galapagos and partner AbbVie (ABBV - No rating) may not be able to finalize candidate selection for the pivotal program until 2019, by which time we suspect Vertex could be half-way through with theirs. On a more optimistic note, GLPG is expected to report data from the ALBATROSS (4Q17) and FLAMINGO (1Q18). Since both ALBATROSS (corrector '2222 + ivacaftor) and FLAMINGO (corrector '2222 monotherapy in F508del homozygous patients) we suspect that neither of these are likely to be stock moving. Other near-term data milestones include: preliminary data from its wholly-owned GLPG-1690 in IPF patients during 3Q17 and topline data from MOR106 (atopic dermatitis) during 4Q17. Note, Gilead (GILD- No rating) partnered filgotinib continues to hum along with multiple registrational and phase 2 studies with data rollout beginning mid-2018, by our estimates. However, the blockbuster potential of filgotinib is adequately reflected in the stock, in our view, and we await better entry points to get more constructive on an otherwise compelling pipeline.

Analysts Notes

Exhibit 1: CF pipeline and anticipated timelines



Source: GLPG corporate presentation June 2017, and Janney Montgomery Scott LLC. Ongoing filgotinib-related clinical programs:

- FINCH 1 (patients who have had inadequate response to MTX, N = 1,650) is a 52-week, randomized, placebo- and adalimumab-controlled trial in combination

with methotrexate (MTX). The primary endpoint is ACR20 at week 12 and will also include radiographic assessment at weeks 24 and 52.

- FINCH 2 (conventional disease-modifying anti-rheumatic drugs (cDMARD), and have had an inadequate response to biological treatment, N = 423) is a 24-week, randomized, placebo-controlled trial. The primary endpoint is ACR20 at week 12.
- FINCH 3 (MTX-naïve patients, N = 1,200) is a 52-week, randomized study of filgotinib in combination with MTX, as well as monotherapy. The primary endpoint is ACR20 at week 24 and will also include radiographic assessment at week 24.
- Filgotinib's clinical franchise was recently expanded with three new phase 2 studies. These include: Sjögren's syndrome, ankylosing spondylitis, and psoriatic arthritis.
- Beyond the filgotinib monotherapy, GILD has proposed two RA-focused combination phase 2 studies during 2H17: With GS-9876 (Syk inhibitor), and With GS-4059 (BTK inhibitor).
- DIVERSITY (patients with moderately to severely active disease including those with prior antibody therapy failure, N = 1,300) is a phase 3 study evaluating the efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo. Men and women in the DIVERSITY trial will be randomized to receive placebo, 100 mg or 200 mg filgotinib. In the U.S., males may receive 200 mg if they failed at least one anti-TNF and vedolizumab. The study is spread across 10 weeks of induction and 42 weeks of maintenance with a remission (CDAI scores) and endoscopic endpoints with (>50% reduction in SES-CD scores).
- SELECTION (patients with moderately to severely active disease including those with prior antibody therapy failure, N = 1,300) is a phase 2b/3 trial in UC. The study will investigate efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo. The study has a futility analysis, driving go/no-go into phase 3. Similar to the Diversity program male patients in the U.S. may receive 200 mg if they failed at least one anti-TNF and vedolizumab.
- In March 2017, Gilead initiated two additional Phase 2 studies with filgotinib in Crohn's disease: small bowel and fistulizing Crohn's disease.

Other pipeline-related news flow: Topline results from phase 2a trial in IPF during 3Q17; Topline results from phase 1b study with MOR106 during 2H17; Initiation of phase 1b study with GLPG1972, for the treatment of OA during 2017.

We value GLPG based on a risk-adjusted, sum-of-parts analysis. Filgotinib, with its pipeline-in-a-product profile, is a compelling asset with blockbuster potential based on available data, on going registration studies, and additional targets that are likely to come on line during 2017. Beyond CF and the filgotinib, other value-drivers include: Idiopathic Pulmonary Fibrosis, Osteoarthritis, and Atopic Dermatitis.

- r-NPV for the Gilead-partnered RA (including the recent adds) program are \$33/share based on a 65% probability of success (POS) in RA. RA represents 63% of our FV.
- r-NPV for the Gilead-partnered Crohn's/UC programs is \$8/share based on 60% probability of success. Note, a phase 3 program in Crohn's is expected to begin enrollment during 4Q16. Net/net we model \$3B in peak sales for filgotinib.
- r-NPV for the Abbvie-partnered CF program is \$11/share (or 17% of our FV). Our r-NPV assumes the following success rates: Triple-combo in heterozygous patients at 9%
- YE2017 cash estimate ~\$21/share rounds up our \$73 FV estimate.



	FY end Dec. 31	2014A	2015A	2016A	1Q17A	2Q17E	3Q17E	4Q17E	2017E	1Q18E	2Q18E	3Q18E	4Q18E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Income statement																						
(€ in thousands, except per share data)																						
Fidelta revenues	69,368	39,563	129,519	33,992	20,000	20,000	20,000	93,992	20,000	17,500	15,000	12,500	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Milestones & Amortization, Other income	20,653	21,017	22,093	5,871	15,000	15,000	15,000	50,871	25,000	25,000	25,000	25,000	100,000	126,000	178,000	105,000	105,000	105,000	105,000	105,000	0	0
Filigrinib Product Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	54,520	188,860	307,180	412,380	678,750	642,130	662,470	700,620	700,620
CF Product sales + CF Milestones	0	0	0	0	0	0	0	0	0	57,000	50,000	50,000	50,000	207,000	0	80,000	95,841	114,247	121,986	140,646	152,590	164,637
Total Revenues	90,021	60,580	151,612	39,863	35,000	35,000	35,000	144,863	102,000	92,500	90,000	87,500	372,000	245,520	511,660	573,021	696,627	968,736	952,776	880,600	930,257	
Cost of goods sold	0	0	0	0	0	0	0	0	0	0	0	0	0	0	545	1,887	4,030	5,266	7,987	7,828	8,151	8,653
Gross profit	90,021	60,580	151,612	39,863	35,000	35,000	35,000	144,863	102,000	92,500	90,000	87,500	372,000	244,975	509,773	568,991	691,361	960,749	944,948	871,909	921,604	
Research and development	111,110	129,714	139,573	44,930	45,829	46,745	47,680	185,184	75,611	77,123	78,666	80,239	311,640	342,804	308,524	323,950	327,189	310,830	326,371	342,690	342,690	325,555
General and administrative	13,875	19,127	21,744	5,603	9,810	10,090	10,590	35,993	10,981	11,530	12,106	12,712	43,072	55,993	61,592	67,752	74,527	81,979	90,177	99,195	109,115	109,115
Sales and marketing expenses	992	1,182	1,785	566	562	567	573	2,258	2,500	2,500	2,500	2,500	10,000	11,500	16,560	18,216	19,127	22,952	25,247	26,510	26,510	26,510
Other: Restructuring and integration costs	669	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total operating expenses	126,646	150,023	163,102	51,089	56,000	57,402	58,843	223,334	89,092	91,153	93,272	95,451	364,712	410,297	383,916	408,261	419,932	411,936	439,501	467,132	461,180	
Operating gains (losses)	(36,625)	(89,443)	(11,490)	(11,226)	(21,000)	(22,402)	(23,843)	(78,471)	12,908	1,347	(3,272)	(7,951)	7,288	(165,322)	125,857	160,729	271,429	548,813	505,447	404,777	460,425	
Interest income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other income (expense), net	1,424	(30,184)	65,737	(2,379)	0	0	0	(2,379)	0	0	0	0	(2,379)	(2,379)	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Total other income (expense)	1,424	(30,184)	65,737	(2,379)	0	0	0	(2,379)	0	0	0	0	(2,379)	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Gain (loss) before income taxes	(35,201)	(119,627)	54,247	(13,605)	(21,000)	(22,402)	(23,843)	(80,850)	12,908	1,347	(3,272)	(7,951)	4,909	(167,701)	185,857	220,729	331,429	608,813	565,447	464,777	520,425	
Income tax benefit (expense)	(2,103)	1,218	(235)	0	0	0	0	0	0	0	0	0	0	47	(14,869)	(17,658)	(26,514)	(48,705)	(45,236)	(37,182)	(41,634)	
Net income (loss)	33,210	(118,409)	54,012	(13,605)	(21,000)	(22,402)	(23,843)	(80,850)	12,908	1,347	(3,272)	(7,951)	4,909	(167,655)	170,989	203,071	304,914	560,108	520,212	427,595	478,791	
Earnings (loss) per share - basic	€ 1.10	€ (3.32)	€ 1.18	€ (0.29)	€ (0.40)	€ (0.42)	€ (0.45)	€ (1.56)	€ 0.24	€ 0.03	€ (0.06)	€ (0.15)	€ 0.09	€ (3.13)	€ 3.19	€ 3.78	€ 5.66	€ 10.37	€ 9.61	€ 7.89	€ 8.81	
Earnings (loss) per share - diluted	€ 1.10	€ (3.32)	€ 1.14	€ (0.29)	€ (0.40)	€ (0.42)	€ (0.45)	€ (1.56)	€ 0.24	€ 0.03	€ (0.06)	€ (0.15)	€ 0.09	€ (3.13)	€ 3.19	€ 3.78	€ 5.66	€ 10.37	€ 9.61	€ 7.89	€ 8.81	
EPS from continuing operations	(1.24)																					
Shares outstanding - basic	30,108	35,700	45,696	46,256	52,986	53,082	53,198	51,902	53,305	53,411	53,518	53,625	53,465	53,572	53,679	53,786	53,894	54,002	54,110	54,218	54,326	
Shares outstanding - diluted	30,108	35,700	47,308	48,330	52,886	53,082	53,198	51,902	53,305	53,411	53,518	53,625	53,465	53,572	53,679	53,786	53,894	54,002	54,110	54,218	54,326	

Cash flows statement	2014A	2015A	2016A	1Q17A	2Q17E	3Q17E	4Q17E	2017E	1Q17E	2Q17E	3Q17E	4Q17E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
(€ in thousands, except per share data)																					
Cash flows from Operating activities:																					
Net gain (loss)	€ 33,210	€ (118,409)	€ 54,012	€ (13,605)	€ (21,000)	€ (22,402)	€ (23,843)	€ (80,850)	€ 12,908	€ 1,347	€ (3,272)	€ (7,951)	€ 4,909	€ (167,655)	€ 170,989	€ 203,071	€ 304,914	€ 560,108	€ 520,212	€ 427,595	€ 478,791
Depreciation	3,582	2,372	3,322	870	914	959	1,007	3,750	2,040	1,850	1,800	1,750	7,440	4,910	12,792	14,328	13,933	19,375	19,056	17,601	18,605
Amortization of intangible fixed assets	1,067	1,030	860	180	290	305	321	1,096	510	463	450	438	1,860	1,228	3,837	4,298	3,483	4,844	4,764	4,400	4,651
Stock-based compensation	2,952	5,036	11,034	3,023	3,150	3,150	3,150	12,473	4,080	3,700	3,600	3,500	14,880	9,821	20,466	22,921	27,865	38,749	38,111	35,202	37,210
Inventories	(32)	(44)	25	(24)	(24)	(24)	(24)	(96)	(63)	(63)	(63)	(63)	(250)	(200)	(180)	(171)	(154)	(139)	(125)	(112)	(101)
Receivables	(10,110)	(7,220)	(12,978)	(11,586)	(10,000)	(10,000)	(10,000)	(41,586)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)	(4,910)	(10,233)	(5,730)	(6,966)	9,687	9,528	8,801	9,303
Payables	(40,311)	(39,508)	2,102	11,092	5,000	5,000	5,000	26,092	(6,250)	(6,250)	(6,250)	(6,250)	(25,000)	9,821	20,466	11,460	13,933	19,375	19,056	17,601	18,605
Accrued liabilities	436	(95)	251	72	75	75	75	297	75	75	75	75	300	600	480	384	307	246	197	157	126
Deferred income	0	12,780	245,806	(15,259)	(15,000)	(15,000)	(15,000)	(60,259)	(30,000)	(30,000)	(30,000)	(30,000)	(120,000)	0	0	0	0	0	0	0	0
Financial income (-) / expenses other	(1,841)	(448)	(8,258)	2,380	2,380	2,380	2,380	9,520	(250)	(250)	(250)	(250)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Other	(64,508)	29,917	(56,773)	15	15	15	15	60	(7,500)	(7,500)	(7,500)	(7,500)	(30,000)	(24,000)	(19,200)	(15,360)	(12,288)	(9,830)	(7,864)	(6,291)	(5,033)
Net cash provided (used) by Operating activities	(75,555)	(114,589)	238,403	(22,842)	(34,201)	(35,543)	(36,918)	(129,504)	(26,950)	(39,128)	(43,910)	(48,751)	(156,861)	(171,396)	198,417	234,198	344,027	641,414	601,933	503,954	561,157
Cash flows from Investing activities:																					
Purchases of property and equipment	(2,061)	(6,100)	(4,458)	(916)	(916)	(916)	(916)	(3,664)	(7,140)	(6,475)	(6,300)	(6,125)	(26,040)	(14,731)	(10,233)	(11,460)	(13,933)	(19,375)	(19,056)	(17,601)	(18,605)
Change in restricted cash	(7,422)	2,258	235	6,531	0	0	0	6,531	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of and expenditure in intangible fixed assets	(743)	(565)	(332)	(120)	(120)	(120)	(120)	(480)	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from disposal of PPE + other	130,332	110	(2,732)	1	1	1	1	4	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash provided (used) by Investing activities	120,606	(4,297)	(7,287)	5,496	(1,035)	(1,035)	(1,035)	2,391	(7,140)	(6,475)	(6,300)	(6,125)	(26,040)	(14,731)	(10,233)	(11,460)	(13,933)	(19,375)	(19,056)	(17,601)	(18,605)
Cash flows from Financing activities:																					
Repayment of obligations under finance leases and other debts	(216)	(43)	(49)	(14)	(14)	(14)	(14)	(56)	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of stock options, exercise of warrants	4,430	271,413	396,045	0	367,645	0	0	367,645	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash provided (used) by Financing activities	4,214	271,370	395,996	(14)	367,631	(14)	(14)	367,589	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Effect of exchange rate differences on cash & cash equivalents</i>	271	118	4,816	(2,496)	0	0	0	(2,496)	0	0	0	0	(2,496)	(4,992)	(9,984)	(19,968)	(37,440)	(72,364)	(139,776)	(269,568)	(510,168)
Net increase (decrease) in Cash/Cash Equivalents	49,536	152,692	632,927	(19,856)	332,395	(36,599)	(37,967)	237,980	(34,099)	(45,603)	(50,210)	(54,876)	(185,397)	(191,199)	178,206	292,770	292,654	549,656	443,101	216,789	23,364
Cash & Cash Equivalents at Beginning of Period	138,175	187,712	340,314	973,241	953,385	1,285,780	1,249,188	973,241	1,211,221	1,177,131	1,131,528	1,081,318	1,211,221	1,025,824	834,715	1,012,915	1,215,685	1,508,339	2,057,995	2,501,096	2,717,881
Cash & Cash Equivalents at End of Period	€ 187,712	€ 340,314	€ 973,241	€ 953,385	€ 1,285,780	€ 1,249,188	€ 1,211,221	€ 1,211,221	€ 1,177,131	€ 1,131,528	€ 1,081,318	€ 1,026,442	€ 1,025,824	€ 834,715	€ 1,012,915	€ 1,215,685	€ 1,508,339	€ 2,057,995	€ 2,501,096	€ 2,717,881	€ 2,741,265

Balance sheet	2014A	2015A	2016A	1Q17A	2Q17E	3Q17E	4Q17E	2017E	1Q17E	2Q17E	3Q17E	4Q17E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
(€ in thousands, except per share data)																					
Assets																					
Current assets:																					
Cash and cash equivalents	€ 187,712	€ 340,314	€ 973,241	€ 953,385	€ 1,285,780	€ 1,249,188	€ 1,211,221	€ 1,211,221	€ 1,177,131	€ 1,131,528	€ 1,081,318	€ 1,026,442	€ 1,025,824	€ 834,715	€ 1,012,915	€ 1,215,685	€ 1,508,339	€ 2,057,995	€ 2,501,096	€ 2,717,881	€ 2,741,265
Short-term investments and restricted cash	10,422	6,857	6,570	4,034	4,034	4,034	4,034	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570	6,570
Trade and other receivables	3,211	3,931	9,728	16,010	26,010	36,010	46,010	51,314	53,814	56,314	58,814	61,314	61,314	66,224	76,458	82,188	89,154	79,467	69,939	61,138	51,836
Inventories	281	325	300	324	348	372	396	396	459	521	584	646	646	846	1,026	1,197	1,351	1,489	1,614	1,726	1,827
Other	11,976	23,044	17,393	18,369	15,974	13,579	11,184	7,813	15,563	23,313	31,063	38,813	38,813	63,813	84,013	100,373	113,661	124,491	133,356	140,647	146,680
Total current assets	213,602	374,471	1,007,232	992,122	1,332,146	1,303,183	1,272,845	1,277,314	1,253,537	1,218,246	1,178,349	1,133,785	1,133,167	972,169	1,180,982	1,406,013	1,719,075	2,270,013	2,712,575	2,927,963	2,948,178
PP&E, + intangibles and goodwill	12,106	15,332	15,984	16,027	15,860	15,632	15,340	15,283	19,873	24,035	28,085	32,023	32,023	40,616	34,220	27,057	23,574	18,730	13,967	9,566	4,915
Long-term investments and non-current restricted cash	306	1,046	1,098	1,137	1,137	1,137	1,137	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)	(5,433)
Other non-current assets	44,452	51,657	59,024	63,638	63,927	63,526	63,526	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020	59,020
Total assets	270,467	442,514	1,083,338	1,072,814	1,412,670	1,383,478	1,352,846	1,346,183	1,326,996	1,295,868	1,260,021	1,219,395	1,218,777	1,066,371	1,268,789	1,486,657	1,796,237	2,342,330	2,780,128	2,991,117	3,006,680
Liabilities and stockholders' equity																					
Current liabilities:																					
Trade and other Payables	30,007	29,482	31,269	46,964	51,964	56,964	61,964	57,361	51,111	44,861	38,611	32,361	32,361	42,182	62,648	74,109	88,041	107,416	126,471	144,073	162,678
Accrued liabilities	3,324	3,125	1,695	1,994	2,069	2,144	2,219	1,992	2,067	2,142	2,217	2,292	2,292	2,892	3,372	3,756	4,063	4,309	4,506	4,663	4,789
Deferred income	27,026	39,896	70,827	79,026	79,026	79,026	79,026	79,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827	70,827
Total current liabilities	60,357	72,413	103,791	127,984	133,059	138,134	143,209	139,180	124,005	117,830	111,655	105,480	105,480	115,901	136,847	148,692	162,931	182,552	201,804	219,562	238,293
Non-current liabilities (except deferred income)	3,052	2,811	6,061	5,353	5,353	5,353	5,353	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061	6,061
Non-current deferred income	923	2,291	214,785	191,328	176,328	161,328	146,328	154,526	124,526	94,526	64,526	34,526	34,526	34,526	34,526	34,526	34,526	34,526	34,526	34,526	34,526
Total liabilities	64,332	77,515	324,637	324,665	314,740	304,815	294,890	290,767	254,592	218,417	182,242	146,067	146,067	156,488	177,434	189,279	203,518	223,139	242,391	260,149	278,880
Share Capital																					
Share Capital	0	185,399	223,928	223,927	223,913	223,899	223,885	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872	223,872
Share premium account	0	357,402	649,135	649,135	1,019,930	1,023,080	1,026,230	1,029,253	1,033,333	1,037,033	1,040,633	1,044,133	1,044,133	1,053,954	1,074,420	1,097,341	1,125,206	1,163,955	1,202,066	1,237,269	1,274,479
Other reserves	0	(18)	(1,000)	(1,008)	(1,008)	(1,008)	(1,008)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Transitional differences	0	(467)	(1,090)	(1,051)	(1,051)	(1,051)	(1,051)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)	(1,090)
Accumulated other comprehensive income (loss)	0	(177,317)	(112,272)	(122,854)	(143,854)	(166,257)	(190,099)	(195,618)	(182,710)	(181,364)	(184,636)	(192,587)	(193,205)	(365,852)	(204,847)	(21,744)	245,730	733,454	1,113,880	1,271,916	1,231,539
Total stockholders' equity	206,135	364,999	758,701	748,149	1,097,930	1,078,663	1,057,956	1,055,416	1,072,404	1,077,451	1,077,779	1,073,328	1,072,710	909,884	1,091,355	1,297,379	1,592,718	2,119,191	2,537,738	2,730,967	2,727,800
Total liabilities and stockholders' equity	€ 270,467	€ 442,514	€ 1,083,338	€ 1,072,814	€ 1,412,670	€ 1,383,478	€ 1,352,846	€ 1,346,183	€ 1,326,996	€ 1,295,868	€ 1,260,021	€ 1,219,395	€ 1,218,777	€ 1,066,371	€ 1,268,789	€ 1,486,657	€ 1,796,237	€ 2,342,330	€ 2,780,128	€ 2,991,117	€ 3,006,680

CASH QUICK LOOK :		2014A	2015A	2016A	1Q17A	2Q17E	3Q17E	4Q17E	2017E	1Q17E	2Q17E	3Q17E	4Q17E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Cash burn in period (cash from operations)		€ 126,646	€ 150,023	€ 163,102	€ 51,089	€ 56,000	€ 57,402	€ 58,843	€ 223,334	€ 89,092	€ 91,153	€ 93,272	€ 95,451	€ 364,712	€ 410,297	€ 383,916	€ 408,261	€ 419,932	€ 411,936	€ 439,501	€ 467,132	€ 461,180
Total cash and equivalents, short-term investments + restricted cash		€ 198,134	€ 347,171	€ 979,811	€ 957,419	€ 1,289,814	€ 1,253,222	€ 1,215,255	€ 1,217,791	€ 1,183,701	€ 1,138,098	€ 1,087,888	€ 1,033,012	€ 1,032,394	€ 841,285	€ 1,019,485	€ 1,222,255	€ 1,514,909	€ 2,064,565	€ 2,507,666	€ 2,724,451	€ 2,747,835
Periods of cash remaining		1.5 yrs	2.5 yrs	6.0 yrs	18.5 qrs	23.0 qrs	22.0 qrs	20.5 qrs	5.5 yrs	13.5 qrs	12.5 qrs	11.5 qrs	11.0 qrs	3.0 yrs	2.0 yrs	2.5 yrs	3.0 yrs	3.5 yrs	5.0 yrs	5.5 yrs	6.0 yrs	6.0 yrs
Ratio analysis		2014A	2015A	2016A	1Q17A	2Q17E	3Q17E	4Q17E	2017E	1Q17E	2Q17E	3Q17E	4Q17E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
EBIT		(56,609)	(110,460)	(33,583)	(17,097)	(36,000)	(37,402)	(38,843)	(129,342)	(12,092)	(23,653)	(28,272)	(32,951)	(92,712)	(291,322)	(52,143)	55,729	166,429	443,813	400,447	404,777	460,425
EBITDA		(51,960)	(107,058)	(29,401)	(16,047)	(34,797)	(36,139)	(37,514)	(124,497)	(9,542)	(21,341)	(26,022)	(30,763)	(83,412)	(285,184)	(35,514)	74,353	183,844	468,031	424,267	426,778	483,681
EBITDA % of Sales		-58%	-177%	-19%	-40%	-99%	-103%	-107%	-86%	-9%	-23%	-29%	-35%	-22%	-116%	-7%	13%	26%	48%	45%	48%	52%
EV/EBITDA		(42.04)	(23.09)	(93.66)	(177.86)	(83.01)	(81.17)	(79.43)	(23.11)	(316.73)	(144.15)	(120.47)	(103.96)	(38.20)	(11.87)	(90.55)	40.64	14.89	4.69	4.15	3.64	3.18
Gross Profit Margin		37%	NM	36%	-34%	-60%	-64%	-68%	-56%	13%	1%	-4%	-9%	1%	-68%	34%	36%	44%	58%	55%	49%	52%
OpMargin		-41%	-148%	-8%	-28%	-60%	-64%	-68%	-54%	13%	1%	-4%	-9%	2%	-67%	25%	28%	39%	57%	53%	46%	49%
Net Operating Profit After Tax ("NOPAT")		(58,712)	(109,242)	(33,818)	(17,097)	(36,000)	(37,402)	(38,843)	(129,342)	(12,092)	(23,653)	(28,272)	(32,951)	(92,712)	(291,276)	(67,011)	38,071	139,914	395,108	355,212	367,595	418,791
Free Cash Flow (FCF)		(77,616)	(120,689)	234,945	(23,758)	(35,117)	(36,459)	(37,834)	(133,168)	(34,090)	(45,603)	(50,210)	(54,876)	(182,901)	(186,117)	188,184	222,738	330,094	622,040	582,877	486,353	542,552
Book per share		€ 6.85	€ 10.22	€ 16.04	€ 15.48	€ 20.72	€ 20.32	€ 19.89	€ 20.33	€ 20.12	€ 20.17	€ 20.14	€ 20.02	€ 20.06	€ 16.98	€ 20.33	€ 24.12	€ 29.95	€ 30.24	€ 46.90	€ 50.37	€ 50.21
Net cash per share		€ 6.23	€ 9.53	€ 20.57	\$ 19.73	\$ 24.27	\$ 23.53	\$ 22.77	€ 23.34	\$ 22.08	\$ 21.19	\$ 20.20	\$ 19.14	€ 19.19	€ 15.58	€ 18.87	€ 22.60	€ 27.99	\$ 38.11	\$ 46.22	\$ 50.13	\$ 50.46
Return on assets (ROA)		12%	-27%	5%	-1%	-1%	-2%	-2%	-6%	1%	0%	0%	-1%	0%	-16%	13%	14%	17%	24%	19%	14%	16%
Return on equity (ROE)		16%	-32%	7%	-2%	-2%	-2%	-2%	-8%	1%	0%	0%	-1%	0%	-18%	16%	16%	19%	26%	20%	16%	18%
Current ratio		4.20	5.71	3.34	3.30	4.49	4.54	4.59	4.63	5.21	5.93	6.91	8.35	8.34	6.81	7.15	7.85	8.83	10.50	11.47	11.50	10.78

Enterprise Value (MC + Total Debt - Cash)		2,184,196	2,472,132	2,753,683	2,854,052	2,888,475	2,933,416	2,979,748	2,877,596	3,022,220	3,076,222	3,134,847	3,198,155	3,186,142	3,385,674	3,215,915	3,021,603	2,737,423	2,196,259	1,761,666	1,553,407	1,538,566
Market Cap (MC)		2,371,908	2,812,446	3,726,924	3,807,437	4,174,255	4,182,604	4,190,969	4,088,816	4,199,351	4,207,750	4,216,165	4,224,597	4,211,966	4,220,390	4,228,830	4,237,288	4,245,763	4,254,254	4,262,763	4,271,288	4,279,831
Current Share price	€	78.78																				

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Debjit Chattopadhyay, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC currently acts as a market-maker in the securities of Vertex Pharmaceuticals Inc..

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Galapagos NV and Vertex Pharmaceuticals Inc. in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

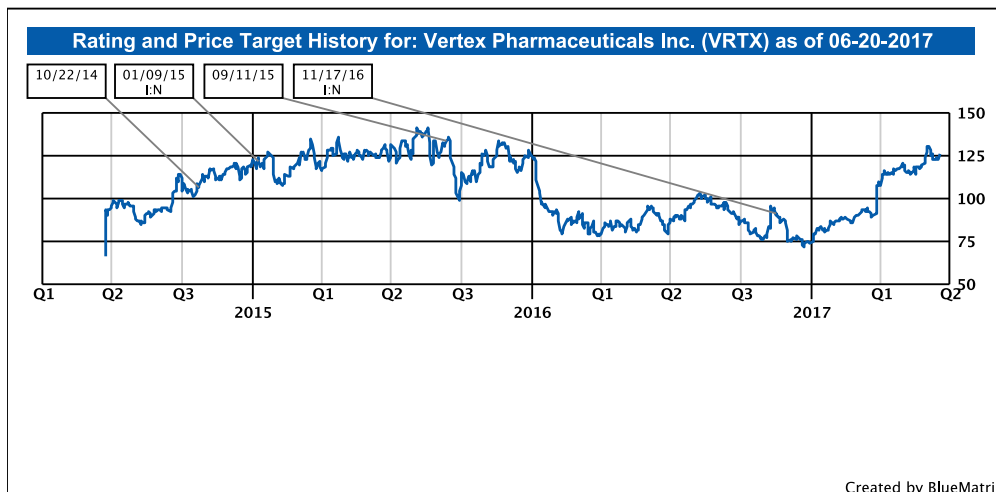
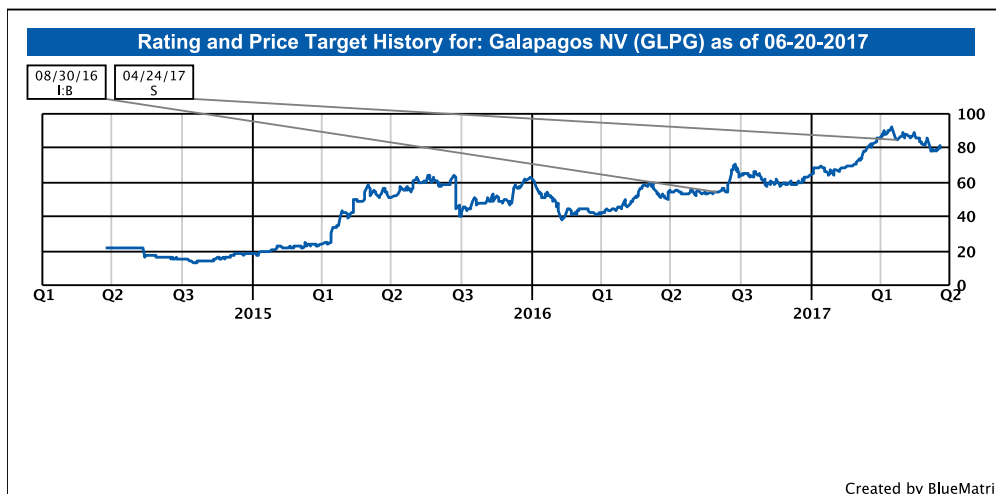
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 3/31/17

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
BUY [B]	114	48.93	28	24.56
NEUTRAL [N]	114	48.93	18	15.79
SELL [S]	5	2.15	0	0.00

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

Other Disclosures

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