BARCLAYS

Equity Research

Healthcare | European Mid Cap Pharmaceuticals

15 May 2020

Galapagos

Still a natural SELECTION for us

Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	EUR 235.00 raised 4% from EUR 225.00

Price (14-May-2020)	EUR 194.90
Potential Upside/Downside	+20.6%
Tickers	GLPG NA / GLPG.AS

Market Cap (EUR mn)	12633
Shares Outstanding (mn)	64.82
Free Float (%)	64.08
52 Wk Avg Daily Volume (mn)	0.5
Dividend Yield (%)	N/A
Return on Equity TTM (%)	7.37
Current BVPS (EUR)	43.82

Source: Bloomberg

Price Performance	Exchange-AEX
52 Week range	EUR 252.90-99.00

Source: IDC; Link to Barclays Live for interactive charting

GLPG has been a standout performer amongst EU Pharma, with some of this attributable to positive developments we'd included in our upside valuation case (i.e. the positive readout of the FINCH trials) and some of this due to exogenous events (i.e. the expanded GILD deal). As shares continued to outperform into and following the turn of the calendar year (and more recently now that shares have recouped declines seen in the COVID-19 driven sell-off in March/early April), the most common question we've been getting this year from investors is: *Can this stock still work?* Following our deep-dive into the inflammatory bowel disease (IBD) space, also published this morning (see: *IBD: deep dive ahead of key trial readouts for EU pharma (15/05/20)*), our answer to that question is *yes*. **Driven by our increased probability of success and market share assumptions in Ulcerative Colitis (UC) and Crohn's Disease (CD), we reiterate our OW rating and increase our PT to €235.**

The opportunity in IBD: The strong initial launch of Xeljanz shows the desire for an efficacious and safe oral treatment option in UC/CD. We believe that filgotinib has the potential to again demonstrate best-in-class efficacy as well as safety in IBD (perhaps even more so than in RA) and unlike in RA, where filgotinib will be the 4th JAK to market, the drug could be 2nd in UC and 1st in CD. The readout of the SELECTION1 trial in UC is scheduled in a matter of weeks (i.e. in 2Q20). We continue to believe that the outcome of the MANTA/MANTARay trials will not be a hindrance to filing/uptake in IBD.

Model changes: We've increased our POS from 70% for both UC and CD to 80% for the former and 75% for the latter. We've also modestly increased our share assumptions in both indications such that our peak sales forecast (not risk adjusted) is now $3.0bn, up from the previous $2.8bn. We've also updated our model for the company's recent 1Q20 financial report.

Valuation and Catalysts: Our €235 PT is NPV-derived (WACC: 10%, TV: 0%). **Catalysts:** SELECTION data (2Q20), filgotinib approval (3Q20), ROCELLA data in OA (4Q20), PINTA/NOVESA data in IPF/SSc (2H20), ISABELA IPF data (1H21).

GLPG.AS: Financial and Valuation Metrics EPS EUR

FY Dec	2018	2019	2020	2021	2022
EPS	-0.56A	2.49A	-0.19E	-1.01E	4.08E
Previous EPS	-0.56A	2.49A	-0.80E	-1.99E	N/A
Consensus EPS	-0.56A	2.49A	-0.91E	-1.76E	1.61E
P/E	N/A	78.3	N/A	N/A	47.8

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 14-May-2020; 12:50 GMT

European Mid Cap Pharmaceuticals

Emily Field, CFA
+44 (0)20 7773 6263
emily.field@barclays.com
Barclays, UK

Jameel Bakhsh, CFA
+44 (0)20 7116 7038
jameel.x.bakhsh@barclays.com
Barclays, UK

Brian Balchin, ACA
+44 (0)20 3134 0137
brian.balchin@barclays.com
Barclays, UK

Emmanuel Papadakis, PhD CFA
+44 (0)20 3134 1246
emmanuel.papadakis@barclays.com
Barclays, UK

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 23.

European Mid Cap Pharmaceuticals — **Industry View: POSITIVE**

Galapagos (GLPG.AS)

Stock Rating: OVERWEIGHT

Income statement (€mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	896	656	670	1,057	5.7%
Gross profit	896	656	670	1,019	4.4%
EBITDA (adj)	383	-32	-104	235	-15.0%
EBIT (adj)	370	-57	-130	194	-19.4%
Pre-tax income (adj)	150	-12	-66	285	23.8%
Net income (adj)	150	-12	-66	270	21.7%
EPS (adj) (€)	2.49	-0.19	-1.01	4.08	17.9%
Diluted shares (mn)	60.2	65.1	65.7	66.3	3.3%
DPS (€)	0.00	0.00	0.00	0.00	N/A

Margin and return data					Average
Gross margin (%)	100.0	100.0	100.0	96.4	99.1
EBIT (adj) margin (%)	41.3	-8.7	-19.4	18.3	7.9
Pre-tax (adj) margin (%)	16.7	-1.8	-9.9	26.9	8.0
Net (adj) margin (%)	16.7	-1.9	-9.9	25.6	7.6
ROCE (%)	30.3	-1.1	-2.5	3.6	7.6
ROE (%)	12.3	-0.4	-2.4	10.7	5.1

Cash flow and balance sheet (€mn)					CAGR
Change in working capital	2,817	-330	-99	-159	N/A
Cash flow from operations	3,209	-314	-139	153	-63.7%
Capital expenditure	-22	-32	-35	-56	N/A
Free cash flow	3,186	-346	-175	97	-68.8%
Tangible fixed assets	66	96	132	188	41.6%
Intangible fixed assets	25	34	34	34	10.7%
Cash and equivalents	5,781	5,448	5,273	5,370	-2.4%
Total assets	6,069	5,880	5,643	5,842	-1.3%
Short and long-term debt	6	27	27	27	62.8%
Other long-term liabilities	7	8	8	8	5.1%
Total liabilities	3,193	3,132	3,119	3,192	0.0%
Total invested capital	1,020	305	256	287	-34.5%
Net debt/(funds)	-5,775	-5,421	-5,246	-5,343	N/A
Provisions	0	0	0	0	N/A
Minorities	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	2,876	2,747	2,523	2,651	-2.7%

Valuation and leverage metrics					Average
P/E (adj) (x)	78.3	N/A	N/A	47.8	63.0
EV/sales (x)	7.8	11.2	11.2	7.0	9.3
EV/EBITDA (adj) (x)	18.2	-232.4	-72.5	31.5	-63.8
Equity FCF yield (%)	27.2	-2.7	-1.4	0.7	6.0
P/FCF (x)	3.7	-36.6	-73.3	133.3	6.8
P/BV (x)	4.1	4.6	5.1	4.9	4.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Total debt/capital (%)	0.1	0.5	0.5	0.5	0.4
Net debt/equity (%)	-200.8	-197.3	-207.9	-201.6	-201.9

Selected operating metrics					Average
SG&A/sales (%)	11.0	24.7	29.8	21.7	21.8
R&D/sales (%)	47.7	84.7	95.5	66.5	73.6
R&D growth (%)	32.3	30.1	15.0	10.0	21.9
SG&A growth (%)	147.1	65.0	22.9	15.0	62.5

Source: Company data, Bloomberg, Barclays Research
Note: FY End Dec

Price (14-May-2020) EUR 194.90
Price Target EUR 235.00

Why Overweight? We believe that GLPG's proprietary drug discovery platform is being validated as the pivotal studies read out for its lead asset, JAK inhibitor filgotinib. We believe filgotinib has the potential to be a best-in-class asset for the treatment of autoimmune diseases such as rheumatoid arthritis and inflammatory bowel disease.

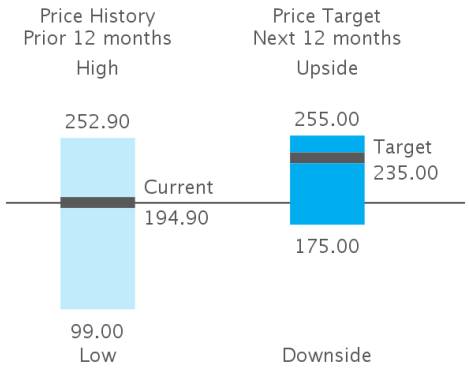
Upside case EUR 255.00

Should the MANTA safety study read out positively, it would likely mean filgotinib would be the best-in-class JAK and we would increase our peak share assumptions. Success in the phase 3 trials for IPF asset GLPG 1690 would also result in us raising our NPV.

Downside case EUR 175.00

Any safety signals for filgotinib in MANTA or failure of the asset in the IBD ph. 3 trials. Inability of GLPG 1690 to show disease modification in IPF would also lower our peak sales estimates.

Upside/Downside scenarios



Recent research on GLPG

- *Galapagos: Christmas comes early for GLPG holders - thoughts on the recent outperformance (13/12/19)*
- *Galapagos: Filgotinib FDA filing caps off a transformative year (20/12/19)*
- *Galapagos: FY19 first take: not too much in the financials in its last pre-commercial year (20/02/20)*
- *Galapagos: Right back where we started (this year) from (03/03/20)*
- *UPDATE Conference Feedback: Galapagos (GLPG) (10/03/20)*
- *European Mid Cap Pharmaceuticals: Flattening the curve: how we see the impact outside of potential treatment (23/03/20)*
- *Galapagos: Pause to new filgotinib trial enrollment but SELECTION readout still on for 2Q (23/03/20)*
- *Galapagos: JAKs entering trials for COVID-19 (03/04/20)*
- *European Mid Cap Pharma: Assessing COVID-19 impact: IQVIA new launch data + catch up with GLPG (03/04/20)*
- *European Mid Cap Pharmaceuticals: Assessing COVID-19 impact: IQVIA new launch data + migraine/JAK tidbits (13/04/20)*
- *European Mid Cap Pharmaceuticals: Up late for West Coast biotech updates (readthroughs to GLPG, GMAB and UCB)* (30/04/20)
- *GLPG/UCB: Readthroughs from Abbvie's 1Q20 call: very bullish on immunology launches (+ive for GLPG/UCB) (01/05/20)*
- *Galapagos: 1Q20 first take: 2020 is on track (07/05/20)*
- *Galapagos: Call recap: market focusing on Toledo, but near term it's all about SELECTION (08/05/20)*

Where we stand on Galapagos and filgotinib overall

Filgotinib was filed with the FDA in the lead indication of rheumatoid arthritis just before year-end 2019. Galapagos's partner Gilead filed with a Priority Review Voucher, ensuring a six-month review. GLPG confirmed on its FY19 conference call that the filing was accepted in February 2020, which would indicate that the PDUFA is likely sometime in August. Gilead (who is leading the regulatory effort in the US) affirmed on its 1Q20 conference call that timelines remain on track, though there's clearly now the possibility for disruptions given the COVID-19 pandemic (we would note, however, that the regulatory apparatus appears to be the least disrupted component of the overall pharma value chain by the pandemic; see: *European Mid Cap Pharmaceuticals: COVID-19 impact: what we've learned through 2nd April* (*03/04/20)*).

There are two open (and closely related) questions that remain regarding the regulatory and approval process for filgotinib: will there be an advisory committee meeting and also what will the label look like (i.e. will there be a boxed warning)? We should learn the answer to the former in the coming weeks (i.e. timing of an advisory committee meeting would likely be some time in the summer) and the questions asked at said meeting (assuming it happens) would likely inform investors as to what direction the FDA was leaning in terms of

a class boxed warning. We believe most investors expect that there will be a boxed warning for filgotinib, with language warning of potential thromboembolic events very similar to that of Abbvie's Rinvoq (see: .

Since we initiated almost two years ago, our underlying view that filgotinib will likely be the best-in-class asset of the JAK inhibitor class has not changed; our NPV and estimates have increased as the asset has been (almost) fully derisked in rheumatoid arthritis and we've also taken up our numbers in IBD steadily over time as we've become more confident that this could be a very significant opportunity not only for the class but for filgotinib specifically, given its efficacy and safety profile. Our full filgotinib model can be found at the back of this report, but we currently model sales in RA, UC and CD peaking at just under $5bn. We do not yet model sales in any other indications (most trials have paused enrolling new patients as a result of the COVID-19 pandemic).

FIGURE 1
filgotinib development indications and status

Indication	Status
rheumatoid arthritis	filed in US, EU
ulcerative colitis	phase 3 complete (SELECTION)
Crohn's disease*	enrolling phase 3 (DIVERSITY) to complete enrollment in 2021)
psoriatic arthritis*	started phase 3 (PENGUIN)
ankylosing spondylitis	phase 3 to start later in 2020
uveitis*	phase 2
safety trials*	MANTA & MANTA-Ray

Source: Company reports, Barclays Research
*enrollment paused due to COVID-19

Galapagos affirmed on its 1Q20 conference call last week that we will also be learning about a number of other assets before the end of the year and into the first half of 2021. The most important of these will be the readout of the phase 3 ISABELA trials of GLPG 690 (now with the generic name ziritaxestat in IPF (now expected in 1H21 vs. prior 1Q21) though before the end of the year, we will also see data from the NOVESA phase 2 trial of ziritaxestat in systemic sclerosis, the ROCELLA trail of GLPG 1972 in osteoarthritis as well as the phase 2 trial of GLPG 1205 in IPF.

FIGURE 2
GLPG catalysts

Product	Event/Comments	Date	Potential Impact
filgotinib	SELECTION phase 3 readout (UC)	2Q20	High
filgotinib	EU approval and launch	2H20	
filgotinib	US approval/label information	2H20	High
GLPG 1972	ROCELLA phase 2b readout in OA	2H20	
ziritaxestat	NOVESA ph. 2 SSc data	2H20	
GLPG 1205	PINTA ph. 2 IPF data	2H20	
ziritaxestat	ISABELA futility update	1H21	High
Toledo	3970 ph. 2 data	2H20	High
filgotinib	DIVERSITY phase 3 enrollment complete (CD)	2021	
filgotinib	ulcerative colitis potential launch	2021	
filgotinib	Crohn's disease potential launch	2022	

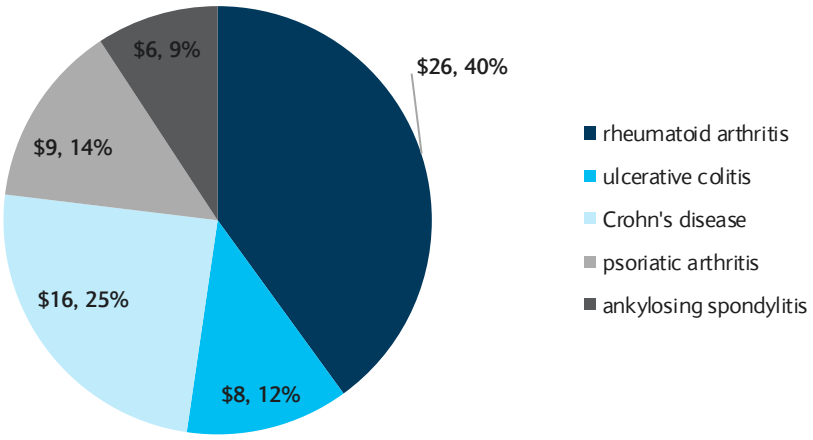
Source: Company reports, Barclays Research

Why we are bullish on filgotinib in IBD

Unlike in rheumatoid arthritis, where filgotinib will be the fourth JAK to market (behind tofacitinib, baricitinib and upadacitinib), GILD/GLPG will likely be 2nd to market in UC and 1st to market in CD. All else being equal, this in and of itself would be a commercial advantage for the drug, but coupling this with the higher unmet need/rates of patient dissatisfaction with current therapies in UC/CD and compelling phase 2 data in CD from both a safety and efficacy perspective, we think the opportunity in IBD for the drug is particularly significant, and we currently model ~$3bn of unadjusted peak sales for filgotinib across UC and CD. GLPG projects that ~60% of future market growth across inflammation will be in indications outside of RA.

FIGURE 3

Global inflammation market 2027 – est. size of 5 largest indications ($bn, %)



Source: Company reports, Barclays Research

FIGURE 4
filgotinib phase 3 program in IBD (each trial will have a filgotinib 100mg and 200mg treatment arm)

	SELECTION 1	DIVERSITY 1
Indication	Mod. to severe active ulcerative colitis	Mod. to severe active Crohn's disease
Phase	IIb/III	III
n	1351	1320
Inclusion criteria	Previously demonstrated an inadequate clinical response, loss of response to, or intolerance to at least 1 of the following agents: corticosteroids, immunomodulators, TNFi, or vedolizumab	Cohort A (Biologic Naïve): previously demonstrated an inadequate response to corticosteroids and/or immunomodulators Cohort A (Biologic Experienced): previously demonstrated inadequate response or discontinuation of usage for reasons other than inadequate response to at least 1 TNFi, vedolizumab and ustekinumab Cohort B (Biologic Experienced): previously demonstrated inadequate response to at least 1 TNFi, vedolizumab and ustekinumab
Induction study duration	10 weeks	10 weeks
Maintenance study duration	48 weeks	48 weeks
Induction primary endpoints	Proportion of patients achieving remission based on components of Mayo Clinic Score (MGS) at week 10	Proportion achieving clinical remission by Patient Reported Outcomes (PRO2) at week 10 Proportion achieving endoscopic response at week 10
Maintenance primary endpoints	Proportion of patients achieving remission based on MCS at week 58	Proportion achieving clinical remission by PRO2 at week 58 Proportion achieving endoscopic response at week 58
Timelines	topline data in 2Q20	to complete enrollment in 2021

Source: clinicaltrials.gov, Barclays Research

What's the bar for efficacy?

Our accompanying report on the broader IBD space goes into more detail, but at a high level, for results to be considered competitive, we will be looking for placebo-adjusted response/remission rates in the 20-40%+/10-25% brackets, respectively, for both UC and CD studies overall. Below we provide data from some prior studies that may prove helpful in terms of comparative metrics when the filgotinib SELECTION data in UC is published this quarter. The company will be reporting induction and maintenance data for both biologic experienced and biologic naïve patients (management indicated on its 1Q20 conference call that the patient mix is approximately 50/50).

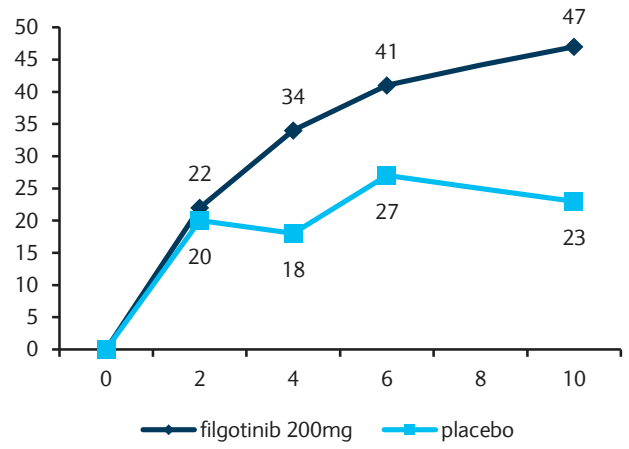
We do not have phase 2 data for filgotinib in ulcerative colitis, as the asset was moved into phase 2b/3 for UC following the results of the phase 2 FITZROY trial in CD, which read out topline data in September 2016, with full data being published in the *Lancet* December 2016. FITZROY enrolled 174 patients, either anti-TNF naive or anti-TNF failures, who received either 200mg filgotinib once daily or placebo. The trial composed of two parts, each lasting 10 weeks duration. The first part of the study evaluated the safety and efficacy of filgotinib vs. placebo and the second continued through 20 weeks in an observational exploratory design. The primary endpoint was clinical remission at 10 weeks as measured by the Crohn's Disease Activity Index (CDAI) score. FITZROY met its primary endpoint, with 47% of patients on the filgotinib arm achieving a CDAI store <150, vs. 23% of patients receiving placebo.

FIGURE 5
FITZROY phase 2 efficacy results in CD

	Overall population			Anti-TNF naive		Anti-TNF experienced	
	Placebo (n=44)	Filgotinib (n=128)	Difference (95% CI); p value	Placebo (n=16)	Filgotinib (n=57)	Placebo (n=28)	Filgotinib (n=71)
Clinical remission (CDAI <150)	10 (23%)	60 (47%)	24% (9 to 39); 0.0077	2 (13%)	34 (60%)	8 (29%)	26 (37%)
Clinical response (100-point reduction in CDAI)	18 (41%)	76 (59%)	19% (2 to 35); 0.0453	7 (44%)	38 (67%)	11 (39%)	38 (54%)

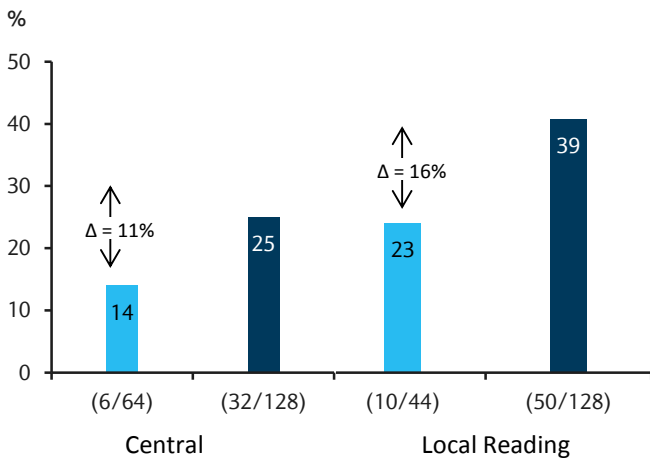
Source: *The Lancet*, Barclays Research

FIGURE 6
FITZROY: % of patients achieving clinical remission



Source: Company reports, Barclays Research

FIGURE 7
FITZROY: SES-CD scores



Source: Company reports, Barclays Research

We think the most relevant data set in terms of judging the success of filgotinib from an efficacy perspective will be comparisons to the phase 3 data for tofacitinib across the OCTAVE trials.

FIGURE 6
tofacitinib UC OCTAVE 1 & 2 induction trial data

Trial	Date/year Reported	n	Permitted concomitant medications	Baseline severity					Induction (PBO adjusted)		
				Concomitant corticosteroid use at baseline (%)	Duration of disease (median)	Total Mayo Score	% with extensive colitis/pan colitis	Previous anti-TNF failure/exposure	Response	Remission	Endoscopic mucosal healing
OCTAVE Induction 1	2017	598	-5-ASAs -oral glucocorticoids (max:25mg QD) -Tapering of glucocorticoids was mandatory in maintenance trial	10mg: 45% PBO: 47.5%	10mg: 6.5 yrs PBO: 6.0 yrs	10mg: 9.0 PBO: 9.1	10mg: 53.1% PBO: 54.1%	Failure: 10mg: 51.1% PBO: 52.5% Exposure: 10mg: 53.4% PBO: 53.3%	10mg: 27.1% at Wk8	10mg: 10.3% at Wk8	10mg: 5.1% at Wk8
OCTAVE 2 induction	2017	541	-5-ASAs -oral glucocorticoids (max:25mg QD) -Tapering of glucocorticoids was mandatory in maintenance trial	10mg: 46.2% PBO: 49.1%	10mg: 6.0 yrs PBO: 6.2yrs	10mg: 9.0 PBO: 8.9	10mg: 49.3% PBO: 50.5%	Failure: 10mg: 51.7% PBO: 53.6% Exposure: 10mg: 54.5% PBO: 58.0%	10mg: 26.4% at Wk8	10mg: 13.2% at Wk8	10mg: 5.2% at Wk8

Source: Company data, *The Lancet*, NEJM, clinicaltrials.gov, Barclays Research

FIGURE 7
tofacitinib CD OCTAVE sustain trial data

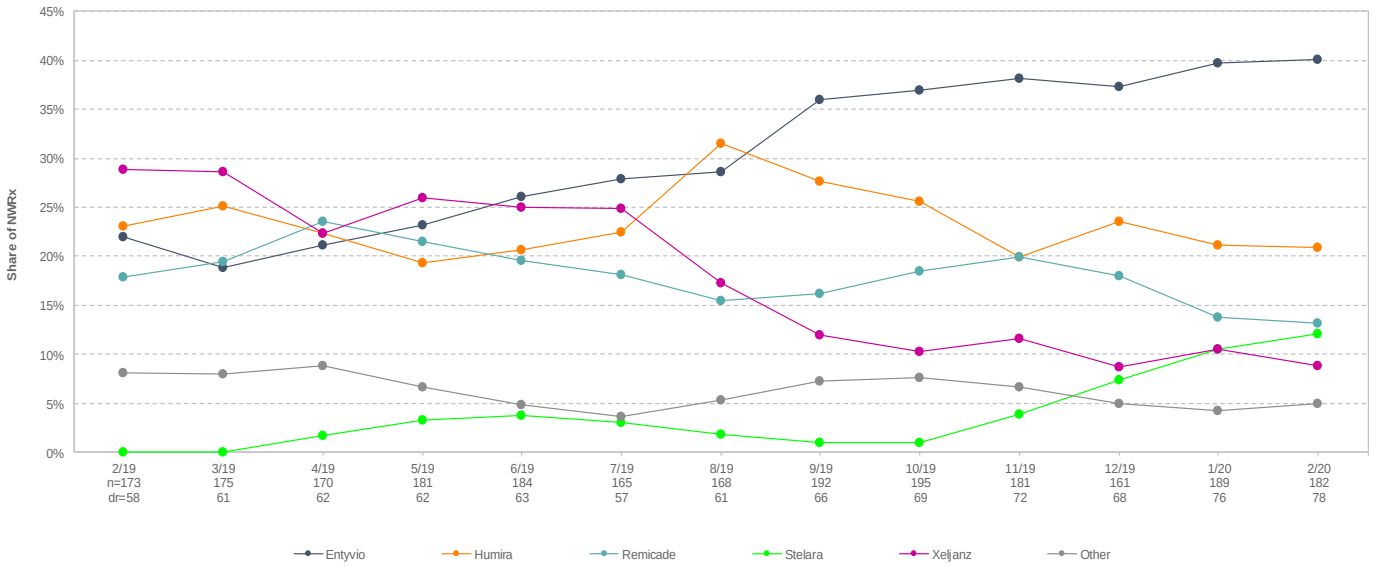
Trial	Date/year Reported	n	Permitted concomitant medications	Baseline severity					Maintenance (PBO adjusted)	
				Concomitant corticosteroid use at baseline (%)	Duration of disease (median)	Total Mayo Score	% with extensive colitis/pan colitis	Previous anti-TNF failure/exposure	Remission	Endoscopic mucosal healing
OCTAVE sustain	2017	593	-5-ASAs -oral glucocorticoids (max:25mg QD) -Tapering of glucocorticoids was mandatory in maintenance trial	5mg: 51.0% 10mg: 44.2% PBO: 50.2%	5mg: 6.5yrs 10mg: 6.8yrs PBO: 7.2yrs	5mg: 3.3 10mg: 3.4 PBO: 3.3	5mg: 52.0% 10mg: 52.6% PBO: 54.5%	Failure: 5mg: 41.9% 10mg: 47.2% PBO: 44.9% Exposure: 5mg: 45.5% 10mg:51.3% PBO: 46.5%	5mg: 23.2% at Wk52 10mg: 29.5% at Wk52	5mg: 24.2% at Wk52 10mg: 32.6% at Wk52

Source: Company data, *The Lancet*, NEJM, clinicaltrials.gov, Barclays Research

Thoughts on Safety

As illustrated in recent BrandImpact data, whilst Xeljanz was off to a very strong start in its launch for Ulcerative Colitis in the US, this was somewhat blunted following the asset receiving a boxed warning for thromboembolic events (see: *Galapagos: FDA updates on the Xeljanz safety signal (26/02/19)*).

FIGURE 18
Share of NWRx-Ulcerative Colitis



Source: IQVIA BrandImpact, Barclays Research
Note: Clinical trial & untreated patients are excluded from this analysis

Rather than view this as a negative harbinger for filgotinib, given the differentiated safety profile for filgotinib (which mechanistically we believe is driven by the selectivity for JAK!, see below) that we have seen thus far in RA and the early data from CD, we do think that this creates an opportunity for the drug to emerge as the best-in-class oral treatment option in IBD (see: *Galapagos: Additional Xeljanz poll takes: Black box warning creates opportunity for next gen. JAKs in UC? (07/08/19)*).

FIGURE 9
Pharmacodynamics of JAKis: selectivity for JAK family members

			IC50 (nM)			
Company	Drug	Target	JAK1	JAK2	JAK3	TYK2
Pfizer	Xeljanz	JAK1/JAK2/JAK3>>TYK2	112	20	1	--
Lilly/ Incyte	Olumiant	JAK1/JAK2	5.9	5.7	>400	53
AbbVie	upadacitinib	JAK1	43	200	2300	4700
Gilead/ Calapagos	filgotinib	JAK1	10	28	810	116

Source: BioDrugs. 2016 Oct;30(5):407-419, Barclays research

FIGURE 10
filgotinib Safety information from RA FINCH trials

	Placebo/ cDMARD	Humira + MTX	Filgotinib 100mg + MTX/cDMARD	Filgotinib 200mg + MTX/cDMARD	Filgotinib 200mg	Filgotinib total
n	1,039	325	840	1,038	210	2,088
Serious Infections (TE)	10 (1%)	8 (2.5%)	13 (1.5%)	13 (1.3%)	3 (1.4%)	129 (1.4%)
Herpes Zoster (TE)	4 (0.4%)	2 (0.6%)	5 (0.6%)	6 (0.6%)	1 (0.5%)	12 (0.6%)
DVT/PE (TE)	3 (0.3%)	0 (0%)	0 (0%)	1 (0.1%)*	0 (0%)	1 (<0.1%)
Death (all events)	2 (0.2%)	0 (0%)	1 (0.1%)	3 (0.3%)	0 (0%)	4 (0.2%)
Malignancy excluding non-melanoma skin cancer	4 (0.4%)	1 (0.3%)	1 (0.1%)	0 (0%)	0 (0%)	1 (<0.1%)
MACE	5 (0.5%)	1 (0.3%)	2 (0.2%)	2 (0.2%)	1 (0.5%)	5 (0.2%)

Source: Company reports, Barclays Research

FIGURE 11
filgotinib safety data from DARWIN phase 2b long-term extension trial

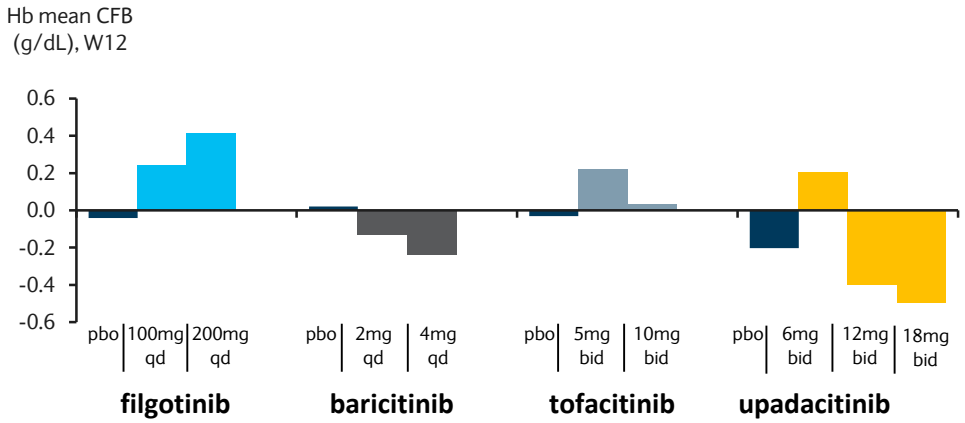
	Number of Events (Events per 100 Patient-Years) PYE = 2,203
Serious infections	27 (1.2)
Herpes zoster	34 (1.5)
DVT/PE	2 (0.1)
Death	5 (0.2)
Malignancy excluding NMSC	11 (0.5)
MACE	3 (0.1)

Source: Company reports, Barclays Research

So as long as the safety profile shown in SELECTION looks comparable to that of the FINCH trials (i.e. there does not appear to be an increased risk of thromboembolic events in the filgotinib arms of the trial), this should be good enough to ensure that filgotinib will be perceived to have a cleaner profile than that of tofacitinib.

In addition to the selectivity of filgotinib for JAK1 over JAK2 resulting in a better safety profile from a thromboembolic event perspective, this could also potentially offer a safety advantage more specific in IBD. In patients with autoimmune diseases, anaemia is quite common given the body's constant state of inflammation. As IBD patients often experience frequent faecal blood loss, anaemia is of the utmost concern for this patient population. Relative to the other JAK inhibitors, filgotinib actually raises haemoglobin levels, which can help to reverse anaemia. We also note that this could potentially give filgotinib an advantage over upadacitinib.

FIGURE 12
Hemoglobin levels for JAKs in RA clinical trials at week 12



Source: Company reports, Barclays Research
*CFB = change from baseline

In any event, as we stated previously, we do expect that filgotinib will receive a boxed warning very similar to that of upadacitinib. We expect that this language will be non-specific to filgotinib, allowing GILD/GLPG to still promote based on its better safety profile, therefore whilst the boxed warning creates a commercial hill for the companies to climb in terms of educating clinicians, we do not believe that it is an insurmountable one.

FIGURE 13

Warning language on full PI for approved JAK inhibitors

	Rinvoq	Xeljanz	Olumiant
Language in Boxed Warning (first page)	Thrombosis, including deep vein thrombosis, pulmonary embolism, and arterial thrombosis, have occurred in patients treated with Janus kinase inhibitors used to treat inflammatory conditions.	Rheumatoid arthritis patients with at least one cardiovascular (CV) risk factor had a higher rate of all-cause mortality and thrombosis with XELJANZ 10 mg twice daily vs. 5 mg twice daily or TNF blockers.	Thrombosis, including deep venous thrombosis, pulmonary embolism, and arterial thrombosis, some fatal, have occurred in patients treated with OLUMIANT. Patients with symptoms of thrombosis should be evaluated promptly.
Language in Boxed Warning - Full Prescribing Information	Thrombosis, including deep venous thrombosis, pulmonary embolism, and arterial thrombosis have occurred in patients treated with Janus kinase inhibitors used to treat inflammatory conditions. Many of these adverse events were serious and some resulted in death. Consider the risks and benefits prior to treating patients who may be at increased risk. Patients with symptoms of thrombosis should be promptly evaluated and treated appropriately.	Thrombosis, including pulmonary embolism, deep venous thrombosis, and arterial thrombosis, has been observed at an increased incidence in rheumatoid arthritis patients who were 50 years of age and older with at least one CV risk factor treated with XELJANZ 10 mg twice daily compared to XELJANZ 5 mg twice daily or TNF blockers in a large, ongoing postmarketing safety study. Many of these events were serious and some resulted in death. Avoid XELJANZ/XELJANZ XR in patients at risk. Discontinue XELJANZ/XELJANZ XR and promptly evaluate patients with symptoms of thrombosis	Thrombosis, including deep venous thrombosis and pulmonary embolism, has been observed at an increased incidence in patients treated with OLUMIANT compared to placebo. In addition, there were case of arterial thrombosis. Many of these adverse events were serious and some resulted in death. Patients with symptoms of thrombosis should be promptly evaluated.
Language in Warnings & Precautions	Thrombosis, including deep venous thrombosis, pulmonary embolism, and arterial thrombosis, have occurred in patients treated for inflammatory conditions with Janus kinase (JAK) inhibitors, including RINVOQ. Many of these adverse events were serious and some resulted in death. Consider the risks and benefits of RINVOQ treatment prior to treating patients who may be at increased risk of thrombosis. If symptoms of thrombosis occur, patients should be evaluated promptly and treated appropriately.	Thrombosis, including pulmonary embolism, deep venous thrombosis, and arterial thrombosis, was observed at an increased incidence in patients with rheumatoid arthritis 50 years of age and older with at least one CV risk factor treated with XELJANZ 10 mg twice daily compared to XELJANZ 5 mg twice daily or TNF blockers in a large, ongoing postmarketing study. Many of these events were serious and some resulted in death. A dosage of XELJANZ 10 mg twice daily or XELJANZ XR 22 mg once daily is not recommended for the treatment of RA or PsA. In a long-term extension study in patients with UC, four cases of pulmonary embolism were reported in patients taking XELJANZ 10 mg twice daily, including one death in a patient with advanced cancer. Promptly evaluate patients with symptoms of thrombosis and discontinue XELJANZ/XELJANZ XR in patients with symptoms of thrombosis. Avoid XELJANZ/XELJANZ XR in patients that may be at increased risk of thrombosis. For the treatment of UC, use XELJANZ at the lowest effective dose and for the shortest duration needed to achieve/maintain therapeutic response	Thrombosis, including DVT and PE, has been observed at an increased incidence in Olumiant-treated patients compared to placebo. In addition, arterial thrombosis events in the extremities have been reported in clinical studies with Olumiant. Many of these adverse events were serious and some resulted in death. There was no clear relationship between platelet count elevations and thrombotic events. Use Olumiant with caution in patients who may be at increased risk of thrombosis. If clinical features of DVT/PE or arterial thrombosis occur, evaluate patients promptly and treat appropriately.

Source: FDA, Barclays Research

One other safety issue that we feel comfortable with, but is nevertheless a risk for filgotinib, is the male safety issue that was seen in pre-human studies (and also gave rise to the MANTA and MANTARay studies). This is particularly relevant in IBD as it is a heavily male patient population, versus RA, which tends to skew more female. In the phase 2 DARWIN clinical trial program in rheumatoid arthritis, Galapagos agreed to only test a maximum of 100mg filgotinib daily in males. The company agreed to this limitation because "in both rat and dog toxicology studies, filgotinib induced adverse effects on the male reproductive system and the FDA determined there was not a sufficient safety margin between the filgotinib exposure at the no-observed-adverse-effect-level observed in these studies and the anticipated human exposure at the 200 mg daily filgotinib dose." Galapagos has subsequently noted that: *More recently generated nonclinical data showed filgotinib did not induce any macroscopic or microscopic findings in the male reproductive system in animals with higher filgotinib exposure versus previous studies.*

The 200mg filgotinib dose was trialled in all of the phase 3 trials for RA and there did not appear to be any dose-dependent safety issues. Furthermore, the FDA has allowed the company to proceed with the regulatory filing without ever having unblinded the MANTA study.

GLPG noted on its 2Q19 call that does not believe that filing in UC will be treated any differently than RA, which suggests to us that the agency feels comfortable that this is not a

risk factor associated with filgotinib usage in humans, nevertheless, we will be monitoring these studies (we'd note that enrolment is currently paused due to the COVID-19 pandemic but is nevertheless expected to be complete in 2H20).

Changes we have made to our GLPG model

Most of the changes that drive our higher valuation for GLPG are driven by increased assumptions regarding the uptake of filgotinib in IBD (up from 70% in UC and CD to 80% and 75%, respectively), but we have also increased the probability of success in RA from 90% to 95%, given that it looks very unlikely that the path towards approval will be disrupted.

We have also modestly increased our peak sales forecasts for filgotinib in IBD. We model higher share take in Crohn's, just as filgotinib will likely be the first oral asset to market in this indication (given the failure of Xeljanz).

OUR FILGOTINIB MODEL

FIGURE 14

filgotinib – summary across indications + revenue share to GLPG

filgotinib Revenue Summary

**EU5 now co-promoted by GILD/GLPG

		2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Crohn's - US		0.0	0.0	36.2	150.5	263.9	396.1	430.6	460.7	570.0	687.2	812.7
UC - US		0.0	18.3	95.3	148.6	247.0	374.4	622.6	727.9	864.5	898.5	933.8
Crohn's - EU		0.0	0.0	16.9	67.6	113.7	163.7	170.7	175.2	207.9	240.4	272.7
UC - EU		0.0	8.2	41.0	61.3	97.8	142.2	226.8	226.1	225.4	224.7	224.0
Total Crohn's		0.0	0.0	53.1	218.0	377.5	559.8	601.3	635.9	777.9	927.6	1,085.4
Total UC		0.0	26.6	136.3	209.9	344.8	516.6	849.3	954.0	1,089.9	1,123.2	1,157.8
Total IBD		0.0	26.6	189.4	427.9	722.3	1,076.3	1,450.7	1,589.8	1,867.8	2,050.8	2,243.2
RA - US		20.8	268.5	474.2	602.5	850.3	899.8	1,189.8	1,384.0	1,463.2	1,520.6	1,580.3
RA - EU		21.8	180.9	459.6	555.1	744.7	945.2	959.4	956.5	962.1	967.6	973.1
Total RA		42.6	449.5	933.8	1,157.6	1,595.0	1,845.0	2,149.2	2,340.5	2,425.2	2,488.2	2,553.4
Total US ($)		20.8	286.9	605.7	901.5	1,361.2	1,670.3	2,243.0	2,572.6	2,897.7	3,106.3	3,326.8
Total EU ($)		21.8	189.2	517.6	683.9	956.1	1,251.0	1,356.9	1,357.7	1,395.3	1,432.7	1,469.8
filgotinib in-market revenues ($)		42.6	476.1	1,123.2	1,585.4	2,317.4	2,921.3	3,599.9	3,930.4	4,293.1	4,539.0	4,796.6
GILD consensus ($)		33.7	212.8	472.0	770.0	989.8	1,278.8	-	-	-	-	-
Crohn's - (€)	1.09	0.0	0.0	49.0	200.9	347.8	515.7	554.0	585.9	716.7	854.6	1,000.0
UC - (€)	1.09	0.0	24.5	125.6	193.4	317.7	475.9	782.5	878.9	1,004.2	1,034.8	1,066.7
RA - (€)	1.09	39.2	414.1	860.3	1,066.5	1,469.5	1,699.8	1,980.1	2,156.4	2,234.4	2,292.5	2,352.5
Total US (€)	1.09	19.1	264.3	558.0	830.6	1,254.1	1,538.9	2,066.5	2,370.2	2,669.7	2,861.9	3,065.0
Total EU (€)	1.09	20.1	174.3	476.8	630.1	880.9	1,152.6	1,250.1	1,250.9	1,285.5	1,320.0	1,354.2
filgotinib in-market revenues (€)		39.2	438.6	1,034.9	1,460.7	2,135.0	2,691.5	3,316.6	3,621.1	3,955.3	4,181.9	4,419.2
Est. EU sales for BENELUX	5.8%	1.2	10.1	27.7	36.5	51.1	66.9	72.5	72.6	74.6	76.6	78.5
Sales ex-BENELUX		38.1	428.5	1,007.2	1,424.1	2,083.9	2,624.6	3,244.1	3,548.6	3,880.7	4,105.3	4,340.7
Royalty Rate		20.0%	21.0%	22.0%	23.0%	24.0%	25.0%	26.0%	27.0%	28.0%	29.0%	30.0%
Sales booked by GLPG		1.2	10.1	27.7	36.5	51.1	66.9	72.5	72.6	74.6	76.6	78.5
Royalties from GILD		7.6	90.0	221.6	327.6	500.1	656.2	843.5	958.1	1,086.6	1,190.5	1,302.2
Total filgotinib to GLPG		**8.8**	**100.1**	**249.2**	**364.1**	**551.2**	**723.0**	**916.0**	**1,030.7**	**1,161.2**	**1,267.1**	**1,380.7**

Source: Company reports, Bloomberg consensus (GILD), Barclays Research

FIGURE 15

filgotinib – Barclays IBD revenue model

filgotinib Revenue Build - IBD ($)		2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Summary														
UC - risk adjusted		0.0	0.0	0.0	26.6	136.3	209.9	344.8	516.6	849.3	954.0	1,089.9	1,123.2	1,157.8
CD - risk adjusted		0.0	0.0	0.0	0.0	53.1	218.0	377.5	559.8	601.3	635.9	777.9	927.6	1,085.4
Total IBD - risk adjusted		**0.0**	**0.0**	**0.0**	**26.6**	**189.4**	**427.9**	**722.3**	**1,076.3**	**1,450.7**	**1,589.8**	**1,867.8**	**2,050.8**	**2,243.2**
UC - non-risk adjusted		0.0	0.0	0.0	35.4	181.7	279.8	459.8	688.8	1,132.4	1,271.9	1,453.2	1,497.6	1,543.7
UC - non-risk adjusted		0.0	0.0	0.0	0.0	70.8	290.7	503.3	746.3	801.8	847.9	1,037.2	1,236.8	1,447.2
Total IBD - non-risk adjusted		**0.0**	**0.0**	**0.0**	**35.4**	**252.6**	**570.5**	**963.1**	**1,435.1**	**1,934.2**	**2,119.8**	**2,490.4**	**2,734.4**	**2,990.9**
Ulcerative Colitis - US														
US adult population (mm)		249.5	251.7	254.0	256.3	258.6	260.9	263.3	265.6	268.0	270.4	272.9	275.3	277.8
growth			0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Prevalence														
..per 100k	292.0	728.5	735.1	741.7	748.3	755.1	761.9	768.7	775.7	782.6	789.7	796.8	804.0	811.2
% with Moderate-to-Severe Disease	55%	400.7	404.3	407.9	411.6	415.3	419.0	422.8	426.6	430.4	434.3	438.2	442.2	446.2
% steroid dependent/resistant	35%	140.2	141.5	142.8	144.1	145.4	146.7	148.0	149.3	150.7	152.0	153.4	154.8	156.2
Share of oral agents		1%	0%	0%	5%	10%	15%	20%	25%	35%	35%	40%	40%	40%
Patients on oral		1.4	0.0	0.0	7.2	14.5	22.0	29.6	37.3	52.7	53.2	61.4	61.9	62.5
filgotinib share of orals		0%	0%	0%	10%	25%	25%	30%	35%	40%	45%	45%	45%	45%
Patients on filgotinib		0.0	0.0	0.0	0.7	3.6	5.5	8.9	13.1	21.1	23.9	27.6	27.9	28.1
Net annual cost/year ($k/year)		0.0	30.0	30.9	31.8	32.8	33.8	34.8	35.8	36.9	38.0	39.1	40.3	41.5
price increase				3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Unadjusted US UC sales		0.0	0.0	0.0	22.9	119.1	185.7	308.8	468.0	778.2	909.9	1,080.7	1,123.1	1,167.2
POS	80%													
Risk adjusted UC sales		**0.0**	**0.0**	**0.0**	**18.3**	**95.3**	**148.6**	**247.0**	**374.4**	**622.6**	**727.9**	**864.5**	**898.5**	**933.8**
Crohn's Disease - US														
Prevalence														
..per 100k	230.0	573.8	579.0	584.2	589.4	594.8	600.1	605.5	611.0	616.5	622.0	627.6	633.3	638.9
% with Moderate-to-Severe Disease	55%	315.6	318.4	321.3	324.2	327.1	330.1	333.0	336.0	339.1	342.1	345.2	348.3	351.4
% steroid dependent/resistant	45%	142.0	143.3	144.6	145.9	147.2	148.5	149.9	151.2	152.6	153.9	155.3	156.7	158.1
Share of oral agents		0.0%	0.0%	0.0%	0.0%	1.0%	5.0%	9.0%	13.0%	17.0%	21.0%	25.0%	29.0%	33.0%
Patients on oral		0.0	0.0	0.0	0.0	1.5	7.4	13.5	19.7	25.9	32.3	38.8	45.5	52.2
filgotinib share of orals		0%	0%	0%	0%	100%	80%	75%	75%	60%	50%	50%	50%	50%
Patients on filgotinib		0.0	0.0	0.0	0.0	1.5	5.9	10.1	14.7	15.6	16.2	19.4	22.7	26.1
Unadjusted US CD sales		0.0	0.0	0.0	0.0	48.3	200.6	351.8	528.1	574.2	614.3	760.0	916.2	1,083.6
POS	75%													
Risk adjusted CD sales		**0.0**	**0.0**	**0.0**	**0.0**	**36.2**	**150.5**	**263.9**	**396.1**	**430.6**	**460.7**	**570.0**	**687.2**	**812.7**
Ulcerative Colitis - EU		**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
EU adult population (mm)		312.7	314.9	317.1	319.3	321.6	323.8	326.1	328.4	330.7	333.0	335.3	337.7	340.0
growth			0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Prevalence														
..per 100k	175.0	547.3	551.1	555.0	558.8	562.7	566.7	570.7	574.6	578.7	582.7	586.8	590.9	595.0
% with Moderate-to-Severe Disease	55%	301.0	303.1	305.2	307.4	309.5	311.7	313.9	316.1	318.3	320.5	322.7	325.0	327.3
% steroid dependent/resistant	35%	105.3	106.1	106.8	107.6	108.3	109.1	109.9	110.6	111.4	112.2	113.0	113.7	114.5
Share of oral agents		1%	2%	0%	5%	10%	15%	20%	25%	35%	35%	35%	35%	35%
Patients on oral		1.1	2.1	0.0	5.4	10.8	16.4	22.0	27.7	39.0	39.3	39.5	39.8	40.1
filgotinib share of orals		0%	0%	0%	10%	25%	25%	30%	35%	40%	40%	40%	40%	40%
Patients on filgotinib		0.0	0.0	0.0	0.5	2.7	4.1	6.6	9.7	15.6	15.7	15.8	15.9	16.0
Net annual cost/year ($k/year)		0.0	19.5	19.3	19.1	18.9	18.7	18.5	18.4	18.2	18.0	17.8	17.6	17.5
price increase				-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Unadjusted EU UC sales		0.0	0.0	0.0	10.3	51.2	76.6	122.2	177.7	283.4	282.6	281.7	280.8	280.0
POS	80%													
Risk adjusted UC sales		**0.0**	**0.0**	**0.0**	**8.2**	**41.0**	**61.3**	**97.8**	**142.2**	**226.8**	**226.1**	**225.4**	**224.7**	**224.0**
Crohn's Disease - EU														
Prevalence														
..per 100k	150.0	469.1	472.4	475.7	479.0	482.4	485.7	489.1	492.6	496.0	499.5	503.0	506.5	510.0
% with Moderate-to-Severe Disease	55%	258.0	259.8	261.6	263.5	265.3	267.2	269.0	270.9	272.8	274.7	276.6	278.6	280.5
% steroid dependent/resistant	45%	116.1	116.9	117.7	118.6	119.4	120.2	121.1	121.9	122.8	123.6	124.5	125.4	126.2
Share of oral agents		0.0%	0.0%	0.0%	0.0%	1.0%	5.0%	9.0%	13.0%	17.0%	21.0%	25.0%	29.0%	33.0%
Patients on oral		0.0	0.0	0.0	0.0	1.2	6.0	10.9	15.8	20.9	26.0	31.1	36.4	41.7
filgotinib share of orals		0%	0%	0%	0%	100%	80%	75%	75%	60%	50%	50%	50%	50%
Patients on filgotinib		0.0	0.0	0.0	0.0	1.2	4.8	8.2	11.9	12.5	13.0	15.6	18.2	20.8
Unadjusted EU CD sales		0.0	0.0	0.0	0.0	22.6	90.1	151.5	218.2	227.6	233.6	277.2	320.6	363.7
POS	75%													
Risk adjusted CD sales		**0.0**	**0.0**	**0.0**	**0.0**	**16.9**	**67.6**	**113.7**	**163.7**	**170.7**	**175.2**	**207.9**	**240.4**	**272.7**

Source: Company reports, Barclays Research

FORECASTS & CHANGES

Forecasts & changes

FIGURE 16

Galapagos – forecasts & changes

EURm	2020E	2021E	2022E	2023E	2024E
Sales OLD	664	663	1,052	1,143	1,442
Sales NEW	656	670	1,057	1,158	1,467
CHANGE	-1%	1%	0%	1%	2%
OLD sales growth	-26%	0%	59%	9%	26%
NEW sales growth	-27%	2%	58%	10%	27%
Recurring EBIT OLD	(59)	(145)	191	253	541
Recurring EBIT NEW	(57)	(130)	194	257	545
CHANGE	3%	11%	1%	2%	1%
OLD growth	-116%	-145%	232%	32%	114%
NEW growth	-115%	-127%	249%	33%	112%
OLD margin	-8.9%	-21.9%	18.2%	22.1%	37.5%
NEW margin	-8.7%	-19.4%	18.3%	22.2%	37.1%
Adj EPS OLD	(0.80)	(1.99)	2.88	4.10	8.06
Adj EPS NEW	(0.19)	(1.01)	4.08	5.46	9.90
CHANGE	77%	49%	41%	33%	23%
OLD EPS growth	-132%	-148%	245%	42%	97%
NEW EPS growth	-107%	-440%	505%	34%	81%
FCF OLD	(421)	(268)	40	122	420
FCF NEW	(346)	(175)	97	188	496
CHANGE	18%	35%	145%	54%	18%
Net (debt)/cash OLD	5,354	5,086	5,125	5,248	5,668
Net (debt)/cash NEW	5,421	5,246	5,343	5,531	6,027
CHANGE	1%	3%	4%	5%	6%
NPV old	222.25				
NPV new	235.50				
CHANGE	6%				
PT old	225				
PT new	235				
CHANGE	4%				

Source: Barclays Research estimates

NPV output

FIGURE 17
Galapagos – Barclays NPV output

NPV Summary (EUR)				
		Risk Weight	PV/ share EUR	PV bn EUR
				-
In-line disclosed assets			**-**	**-**
filgotinib - RA		95%	60.68	3.97
filgotinib - CD		75%	18.24	1.19
filgotinib - UC		80%	20.32	1.33
GLPG 1690		40%	44.03	2.88
GLPG 1972		25%	7.04	0.46
Pipeline			**150.32**	**9.83**
Other & R&D terminal			**101.30**	**6.63**
Total portfolio			**251.61**	**16.46**
Restructuring (net)			-	-
R&D (net)			(90.37)	(5.91)
Capex			(8.60)	(0.56)
EV (Healthcare)			**152.64**	**9.99**
Associates & Investments				
Net cash position			82.87	5.42
Pensions			-	-
Minorities			-	-
Debt and other			**82.87**	**5.42**
Group MV			**235.50**	**15.41**
WACC:	**10.0%**			
Terminal growth:	**0.0%**			

Source: Barclays Research estimates

BARCLAYS VS. CONSENSUS

Barclays vs. consensus

FIGURE 18
Barclays vs. consensus

14/05/2020	2020E	2021E	2022E	2023E	2024E	2025E
Revenue CONS	623	675	880	1,076	1,364	1,753
Revenue BARC	656	670	1,057	1,158	1,467	1,644
VAR	5%	-1%	20%	8%	8%	-6%
EBIT CONS	(34)	(112)	29	130	436	861
EBIT BARC	(57)	(130)	194	257	545	699
VAR	-68%	-16%	560%	98%	25%	-19%
EBIT Margin CONS	-5.5%	-16.6%	3.3%	12.1%	32.0%	49.1%
EBIT Margin BARC	-8.7%	-19.4%	18.3%	22.2%	37.1%	42.6%
VAR						
EBITDA CONS	(54)	(91)	(70)	174	316	748
EBITDA BARC	(32)	(104)	235	303	602	764
VAR	41%	-14%	437%	73%	90%	2%
EBITDA Margin CONS	-8.6%	-13.5%	-7.9%	16.2%	23.2%	42.7%
EBITDA Margin BARC	-4.8%	-15.5%	22.2%	26.1%	41.1%	46.5%
VAR						
Net Profit CONS	(49)	(126)	(4)	150	391	655
Net Profit BARC	(12)	(66)	270	366	668	979
VAR	75%	47%	6695%	144%	71%	49%
Core EPS CONS	(0.91)	(1.75)	1.61	4.00	5.42	11.40
Core EPS BARC	(0.19)	(1.01)	4.08	5.46	9.90	14.37
VAR	80%	43%	153%	37%	83%	26%

Source: Bloomberg consensus, Barclays Research estimates

DETAILED FORECASTS

Revenue model

FIGURE 19

Revenue model

Revenues		2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
filgotinib - sales booked by GLPG		0.0	0.0	1.2	10.1	27.7	36.5	51.1	66.9	72.5	72.6	74.6	76.6	78.5
filgotinib - royalties from GILD		0.0	0.0	7.6	90.0	221.6	327.6	500.1	656.2	843.5	958.1	1,086.6	1,190.5	1,302.2
filgotinib - milestones			0.0	184.3	75.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total filgotinib		**0.0**	**0.0**	**193.0**	**175.1**	**299.2**	**364.1**	**551.2**	**723.0**	**916.0**	**1,030.7**	**1,161.2**	**1,267.1**	**1,380.7**
GLPG 1690 US		0.0	0.0	0.0	0.0	79.1	176.0	244.7	381.1	484.6	606.4	749.5	917.1	1,159.3
GLPG 1690 ex US		0.0	0.0	0.0	0.0	43.4	92.8	124.0	185.6	226.8	272.8	324.0	381.1	463.0
GLPG 1690 - milestones						130.0								
Total GLPG 1690		**0.0**	**0.0**	**0.0**	**0.0**	**252.5**	**268.8**	**368.7**	**566.7**	**711.3**	**879.2**	**1,073.6**	**1,298.2**	**1,622.4**
CF triple - royalties from ABBV		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total CF		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
GLPG 1972 - US/int'l royalty			0.0	0.0	0.0	7.7	24.8	44.3	66.4	91.4	119.7	151.6	187.5	227.9
Total GLPG 1972		**0.0**	**0.0**	**0.0**	**0.0**	**7.7**	**24.8**	**44.3**	**66.4**	**91.4**	**119.7**	**151.6**	**187.5**	**227.9**
MOR 106 - royalty		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total MOR 106		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Gilead - 1690 upfront	667.0	0.0	667.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gilead - filgo deferred revenues	641.7		-91.7	146.7	146.7	146.7	146.7	146.7	0.0	0.0	0.0	0.0	0.0	0.0
Gilead - platform	2,296.5		80.9	221.6	221.6	221.6	221.6	221.6	221.6	221.6	221.6	221.6	221.6	0.0
Novartis payment		47.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other Third Party Revenues		241.3	188.8	47.1	72.0	72.0	72.0	72.0	0.0	0.0	0.0	0.0	0.0	
Third Party Revenues		**288.8**	**845.0**	**415.3**	**440.2**	**440.2**	**440.2**	**440.2**	**221.6**	**221.6**	**221.6**	**221.6**	**221.6**	**0.0**
Total Revenue		**288.8**	**845.0**	**608.3**	**615.3**	**999.7**	**1,097.9**	**1,404.5**	**1,577.7**	**1,940.3**	**2,251.1**	**2,607.9**	**2,974.4**	**3,231.0**
growth		***127%***	***193%***	***-28%***	***1%***	***62%***	***10%***	***28%***	***12%***	***23%***	***16%***	***16%***	***14%***	***9%***

Source: Company reports, Barclays Research estimates

Income Statement

FIGURE 20

Income statement

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
INCOME STATEMENT														
Revenue	**155.9**	**317.8**	**895.9**	**656.3**	**669.7**	**1,056.8**	**1,157.9**	**1,467.4**	**1,643.7**	**2,009.7**	**2,323.9**	**2,684.4**	**3,054.7**	**3,315.4**
Growth (% yoy)	2.8%	103.9%	181.9%	-26.7%	2.0%	57.8%	9.6%	26.7%	12.0%	22.3%	15.6%	15.5%	13.8%	8.5%
COGS	-	-	-	-	-	(37.9)	(40.3)	(55.3)	(85.0)	(106.7)	(131.9)	(161.0)	(194.7)	(243.4)
Gross Profit	**156**	**317.8**	**895.9**	**656.3**	**669.7**	**1,018.9**	**1,117.5**	**1,412.1**	**1,558.7**	**1,903.0**	**2,192.1**	**2,523.3**	**2,860.0**	**3,072.0**
Growth (% yoy)	2.8%	103.9%	181.9%	-26.7%	2.0%	52.1%	9.7%	26.4%	10.4%	22.1%	15.2%	15.1%	13.3%	7.4%
Gross margin (%)	100.0%	100.0%	100.0%	100.0%	100.0%	96.4%	96.5%	96.2%	94.8%	94.7%	94.3%	94.0%	93.6%	92.7%
SG&A	**(27.2)**	**(39.8)**	**(98.3)**	**(162.2)**	**(199.3)**	**(229.2)**	**(263.6)**	**(290.0)**	**(304.5)**	**(319.7)**	**(335.7)**	**(352.5)**	**(370.1)**	**(388.6)**
Growth (% yoy)	15.7%	46.1%	147.1%	65.0%	22.9%	15.0%	15.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
% of sales	17.5%	12.5%	11.0%	24.7%	29.8%	21.7%	22.8%	19.8%	18.5%	15.9%	14.4%	13.1%	12.1%	11.7%
R&D	**(218.5)**	**(322.9)**	**(427.3)**	**(555.9)**	**(639.3)**	**(703.3)**	**(738.4)**	**(775.3)**	**(814.1)**	**(854.8)**	**(897.6)**	**(942.4)**	**(989.6)**	**(1,039.0)**
Growth (% yoy)	56.6%	47.8%	32.3%	30.1%	15.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
% of sales	140.1%	101.6%	47.7%	84.7%	95.5%	66.5%	63.8%	52.8%	49.5%	42.5%	38.6%	35.1%	32.4%	31.3%
Combined SG&A & R&D	(245.7)	(362.7)	(525.6)	(718.1)	(838.7)	(932.5)	(1,002.0)	(1,065.3)	(1,118.6)	(1,174.5)	(1,233.2)	(1,294.9)	(1,359.7)	(1,427.6)
Growth	50.65%	47.59%	44.93%	36.63%	16.79%	11.19%	7.46%	6.32%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
IFRS EBIT	(89.8)	(44.8)	370.3	(57.3)	(129.8)	193.7	257.3	545.0	699.5	1,009.7	1,240.3	1,517.7	1,797.4	1,949.1
Growth (% yoy)	681.6%	-50.1%	-926.4%	-115.5%	126.6%	-249.3%	32.8%	111.8%	28.4%	44.4%	22.8%	22.4%	18.4%	8.4%
Other (income)/deductions--net	(25.7)	15.6	(220.2)	45.4	63.5	61.5	63.0	70.2	194.8	251.7	354.3	457.2	607.6	767.2
Growth (% yoy)	-139.1%	-160.7%	-1511.8%							29.2%	40.7%	29.1%	32.9%	26.3%
Income before provision for taxes	**(115.5)**	**(29.2)**	**150.1**	**(11.8)**	**(66.2)**	**284.6**	**384.8**	**703.7**	**1,030.3**	**1,432.2**	**1,805.5**	**2,232.5**	**2,716.6**	**3,105.7**
Income Tax Expense	(0.2)	(0.0)	(0.2)	(0.3)	-	(14.2)	(19.2)	(35.2)	(51.5)	(214.8)	(270.8)	(334.9)	(407.5)	(465.8)
Tax rate	-0.2%	-0.2%	0.1%	-2.8%	0.0%	5.0%	5.0%	5.0%	5.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reported Net Profit	**(115.7)**	**(29.3)**	**149.8**	**(12.1)**	**(66.2)**	**270.4**	**365.6**	**668.5**	**978.8**	**1,217.3**	**1,534.7**	**1,897.7**	**2,309.1**	**2,639.8**
Shares outstanding average -- diluted	49.5	52.2	60.2	65.1	65.7	66.3	66.9	67.5	68.1	68.7	69.3	69.9	70.5	71.1
Growth (% yoy)	4.6%	5.6%	15.2%	8.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Reported EPS (diluted)	**(2.34)**	**(0.56)**	**2.49**	**(0.19)**	**(1.01)**	**4.08**	**5.46**	**9.90**	**14.37**	**17.71**	**22.14**	**27.14**	**32.74**	**37.12**
Growth (% yoy)	-304.8%	-76.1%	-544.6%	-107.5%	440.2%	-504.7%	34.0%	81.2%	45.1%	23.3%	25.0%	22.6%	20.6%	13.4%
Number of shares issued (period end)	49.5	52.2	64.7	65.4	66.0	66.6	67.2	67.8	68.4	68.7	69.6	70.2	70.8	71.4
Growth (% yoy)														
Regular D&A	**4.3**	**6.8**	**12.4**	**25.7**	**26.2**	**41.4**	**45.4**	**57.5**	**64.4**	**78.7**	**91.1**	**105.2**	**119.7**	**129.9**
% of sales	2.7%	2.1%	1.4%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
EBITDA	**(85.5)**	**(38.0)**	**382.7**	**(31.5)**	**(103.5)**	**235.1**	**302.6**	**602.5**	**763.9**	**1,088.5**	**1,331.3**	**1,622.9**	**1,917.0**	**2,079.0**
Growth (% yoy)	1070.2%	-55.6%	-1107.4%	-108.2%	228.3%	-327.1%	28.7%	99.1%	26.8%	42.5%	22.3%	21.9%	18.1%	8.4%
% of sales	-54.8%	-12.0%	42.7%	-4.8%	-15.5%	22.2%	26.1%	41.1%	46.5%	54.2%	57.3%	60.5%	62.8%	62.7%

Source: Company reports, Barclays Research estimates

Balance Sheet

FIGURE 21
Balance sheet

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
Growth (% yoy)	2.8%	103.9%	181.9%	-26.7%	2.0%	57.8%	9.6%	26.7%	12.0%
BALANCE SHEET									
Assets									
Cash and Cash Equivalents	1,151.2	1,290.8	1,861.6	2,469.0	2,294.2	2,391.1	2,578.9	3,074.7	3,927.7
Current financial investments			3,919.2	2,978.8	2,978.8	2,978.8	2,978.8	2,978.8	2,978.8
Inventories	0.3	-	-	-	-	14.2	31.2	42.9	65.9
Accounts Receivable	28.0	18.6	54.0	159.9	62.0	94.8	127.4	163.3	188.8
R&D incentive receivables	11.8	11.2	21.9	22.1	22.1	22.1	22.1	22.1	22.1
Restricted Cash	-	-	-	-	-	-	-	-	-
Other current assets	6.4	8.2	9.1	8.7	8.7	8.7	8.7	8.7	8.7
Total Current Assets	**1,197.6**	**1,328.9**	**5,865.9**	**5,638.5**	**5,365.8**	**5,509.7**	**5,747.1**	**6,290.5**	**7,191.9**
Intangible Assets	2.5	3.6	24.9	33.9	33.9	33.9	33.9	33.9	33.9
Property, Plant & Equipment, net	16.7	23.1	66.1	96.1	131.6	187.6	249.0	326.7	413.9
Deferred Tax Assets	2.0	2.5	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Non-current R&D incentive receivables	64.0	73.4	93.4	93.2	93.2	93.2	93.2	93.2	93.2
Non-current restricted cash	1.2	-	-	-	-	-	-	-	-
Other non-current assets	2.3	7.9	14.1	13.9	13.9	13.9	13.9	13.9	13.9
Total Assets	**1,286.3**	**1,439.5**	**6,068.6**	**5,879.8**	**5,642.6**	**5,842.5**	**6,141.3**	**6,762.4**	**7,751.0**
Liabilities									
Provisions		-	-	-	-	-	-	-	-
Finance Lease Liabilities	0.0	-	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Accounts Payable	47.1	68.9	142.5	149.9	136.8	209.0	281.0	360.3	416.4
Current Tax Payable	0.9	1.2	2.0	1.1	1.1	1.1	1.1	1.1	1.1
Accrued Charges	1.2	-	0.9	-	-	-	-	-	-
Deferred Income	122.5	149.8	414.3	419.1	419.1	419.1	419.1	419.1	419.1
Current Financial liabilities	-	-	6.2	26.7	26.7	26.7	26.7	26.7	26.7
Other current	-	-	-	-	-	-	-	-	-
Current liabilities	**171.7**	**219.9**	**571.8**	**602.7**	**589.6**	**661.8**	**733.8**	**813.0**	**869.2**
Pension Liabilities	3.6	3.8	8.3	8.4	8.4	8.4	8.4	8.4	8.4
Provisions	0.1	-	-	-	-	-	-	-	-
Finance Lease Liabilities	-	-	19.6	18.9	18.9	18.9	18.9	18.9	18.9
Other non-current liabilities	1.6	1.6	7.0	8.1	8.1	8.1	8.1	8.1	8.1
Non-current deferred income	97.3	-	2,586.3	2,494.3	2,494.3	2,494.3	2,494.3	2,494.3	2,494.3
Non-current financial liabilities	-	-	-	-	-	-	-	-	-
Total Liabilities	**274.3**	**225.2**	**3,193.0**	**3,132.4**	**3,119.3**	**3,191.5**	**3,263.5**	**3,342.8**	**3,398.9**
Equity capital	233.4	236.5	287.3	288.1	287.3	288.1	287.3	288.1	287.3
Share Premium	993.0	1,277.8	2,703.6	2,708.1	2,708.1	2,708.1	2,708.1	2,708.1	2,708.1
Other reserves	(1.3)	(0.7)	(4.8)	(97.6)	(362.3)	(194.0)	(7.8)	574.7	1,466.5
Treasury Stock	-	-	-	-	-	-	-	-	-
Translation differences	(1.8)	(1.6)	(1.1)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Accumulated losses	(211.4)	(297.8)	(109.2)	(150.6)	(109.2)	(150.6)	(109.2)	(150.6)	(109.2)
Total Shareholders' Equity	**1,012.0**	**1,214.2**	**2,875.7**	**2,747.3**	**2,523.2**	**2,650.9**	**2,877.7**	**3,419.6**	**4,352.0**
Total Liabilities and Shareholders' I	**1,286.3**	**1,439.5**	**6,068.6**	**5,879.8**	**5,642.6**	**5,842.5**	**6,141.3**	**6,762.4**	**7,751.0**

Source: Company reports, Barclays Research estimates

Statement of Cash Flows

FIGURE 22

Cash flow statement

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
CASH FLOW STATEMENT									
Operating Activities									
Net income / loss	-115.7	-29.3	149.8	-12.1	-66.2	270.4	365.6	668.5	978.8
Tax Expense	0.2	-0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Other net financial expenses	25.7	-9.0	-7.9	-0.7	0.0	0.0	0.0	0.0	0.0
FV re-measurement of subscription sha	0.0	0.0	181.6	20.5	0.0	0.0	0.0	0.0	0.0
Depreciation	3.6	3.8	12.4	25.7	26.2	41.4	45.4	57.5	64.4
Amortization and Inventories w rite-off	0.7	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net realized loss on FX	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share based comp.	16.5	19.4	38.3	9.2	0.0	0.0	0.0	0.0	0.0
Decrease in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in pension liabilities	0.0	0.2	-0.2	0.1	0.0	0.0	0.0	0.0	0.0
Discounting effect of deferred income			6.9	4.4					
Unrealized exchange gains/losses		0.0	11.2	-32.9					
Fair value adjustment		0.0	-2.3	2.3					
Gain on sale of business/ fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment for items under investing/financing CF		0.0	-5.1	-2.6					
Interest paid	-0.3	-1.1	-1.2	-0.2	0.0	0.0	0.0	0.0	0.0
Interest received	1.3	4.6	7.9	2.7	0.0	0.0	0.0	0.0	0.0
Taxes paid	-0.2	-0.1	-0.1	-1.2	0.0	0.0	0.0	0.0	0.0
Working capital									
Inventory	0.0	0.0	0.0	-0.1	0.0	-14.2	-17.0	-11.6	-23.0
Accounts receivable	-27.7	-20.0	-67.3	-105.3	97.9	-32.7	-32.6	-35.9	-25.4
Trade & Other Payables	14.8	39.9	79.9	5.4	-13.1	72.2	72.0	79.3	56.1
Deferred Income and Others	-65.7	-153.3	2,804.2	-229.8	-184.1	-184.1	-184.1	-184.1	-110.8
Total change in working capital	**-78.6**	**-133.4**	**2,816.9**	**-329.7**	**-99.3**	**-158.9**	**-161.8**	**-152.4**	**-103.1**
Net cash from operations	**-147.0**	**-142.463**	**3,208.6**	**-314.4**	**-139.3**	**152.9**	**249.2**	**573.6**	**940.1**
From Investing Activity									
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases of PP&E	-5.3	-10.4	-22.4	-32.0	-35.5	-56.0	-61.4	-77.8	-87.1
Disposals of PP&E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
R&D and other intangibles	-2.1	-3.3	-23.3	-10.2	0.0	0.0	0.0	0.0	0.0
Decrease in restricted cash	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/Proceeds - financial assets	0.4	-2.2	-3,724.0	942.7	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash from Investing	**-0.5**	**-15.914**	**-3,764.7**	**900.5**	**-35.5**	**-56.0**	**-61.4**	**-77.8**	**-87.1**
From Financing Activity									
Net change in financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from capital increases	353.4	296.2	955.6	5.4	0.0	0.0	0.0	0.0	0.0
Repayment of obligations under leases	-0.1	-0.1	-5.1	-1.4	0.0	0.0	0.0	0.0	0.0
Dividend (paid)/ received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-8.3	385.2	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash from Financing	**353.4**	**287.9**	**1,335.8**	**3.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other cash flow s	0.0	0.0	-198.9	0.0	0.0	0.0	0.0	0.0	0.0
Exchange	-27.8	10.1	-10.0	17.3	0.0	0.0	0.0	0.0	0.0
Cash/Equiv Balance (BOY)	973.2	1,151.2	1,290.8	1,861.6	2,469.0	2,294.2	2,391.1	2,578.9	3,074.7
Net Cash Flow	178.0	139.6	570.8	607.4	-174.8	96.9	187.8	495.8	853.0
Cash/Equiv Balance (EOY)	1,151.2	1,290.8	1,861.6	2,469.0	2,294.2	2,391.1	2,578.9	3,074.7	3,927.7
Free Cash Flow	-152.3	-152.9	3,186.2	-346.3	-174.8	96.9	187.8	495.8	853.0
Grow th (% yoy)	-164.8%	0.3%	-2184.5%	-110.9%	-49.5%	-155.5%	93.7%	164.0%	72.0%
Per share	(3.08)	(2.93)	52.95	(5.32)	(2.66)	1.46	2.81	7.34	12.52
% of NI	132%	522%	2126%	2852%	264%	36%	51%	74%	87%

Source: Company reports, Barclays Research estimates

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Primary Stocks (Ticker, Date, Price)

Galapagos (GLPG.AS, 14-May-2020, EUR 194.90), Overweight/Positive, J

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European Mid Cap Pharmaceuticals		
argenx (ARGX.BR)	Galapagos (GLPG.AS)	Genmab A/S (GMAB.CO)
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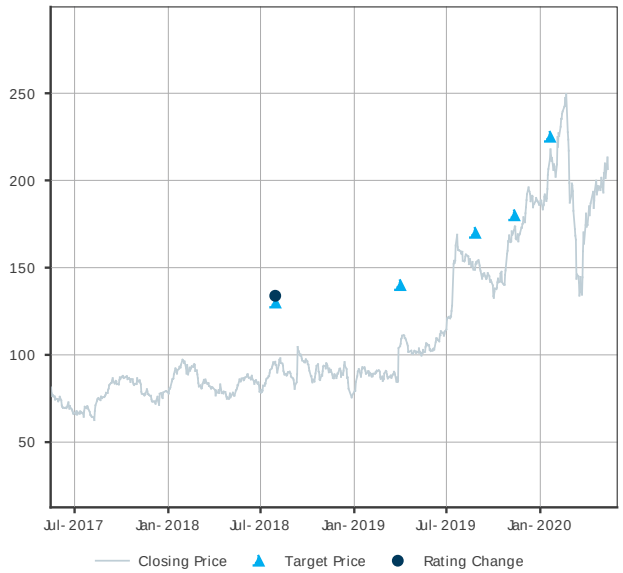
Galapagos (GLPG NA / GLPG.AS)

EUR 194.90 (14-May-2020)

Stock Rating	Industry View
OVERWEIGHT	**POSITIVE**

Rating and Price Target Chart - EUR (as of 14-May-2020)



Currency=EUR

Publication Date	Closing Price	Rating	Adjusted Price Target
20-Jan-2020	212.20		225.00
11-Nov-2019	171.60		180.00
26-Aug-2019	148.80		170.00
01-Apr-2019	104.95		140.00
30-Jul-2018	96.00	Overweight	130.00

Source: Bloomberg, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by Galapagos and/or in any related derivatives.

Valuation Methodology: Given that we do not expect Galapagos to be profitable until 2022, we employ an NPV-based methodology to derive our price target. Using a 10% WACC and 0% terminal growth rate, we arrive at a price target for GLPG of EUR 235.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: MANTA study showing a safety signal. FDA ruling class effect for safety for JAKs that limits uptake for the class. Failure of filgotinib in ph. 3 IBD trials. Failure of GLPG 1690 to show disease modification in IPF.

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Sidhartha Modi
+91 (0)22 6175 1326
sidhartha.modi@barclays.com
Barclays, UK