BRYAN, GARNIER & CO

Healthcare

26th July 2019

GALAPAGOS

Healthcare
Biotech

BUY

Fair Value	EUR180 (+13%)
Share price	EUR160.00
EPS 3Y Cagr	NM

2Q results: FY19 cash-burn guidance unchanged

No major surprise in 2Q financials

To conclude a busy 1H, Galapagos released 2Q results yesterday evening which do not include major updates. Revenues (excl. other income) of EUR58.7m are higher than consensus estimates of EUR45.8m for 2Q, boosted by the higher R&D expenses reimbursement for MOR106 (Novartis) a milestone received from AbbVie as part of the CF program. Operating expenses of EUR112m are ahead of estimates of EUR104m impacted by significant step-up of R&D expenses related to the IPF phase III trials and additional proprietary programs. Operating loss for the quarter stands at EUR44.4m and net loss at EUR47.2m.

Conference call today at 2:00pmCET (FR +33 1 76 77 22 74, UK +44 330 336 9105, US +1 323 794 2423; code 6080337).

AbbVie's commitment to CF might be higher than thought

The milestone received from AbbVie on the CF program is related to the completion of the FALCON trial. We also note the initiation of a phase II trial (NCT03969888) for ABBV-3067 alone and in combination with GLPG2222 (renamed ABBV-2222) in homozygous F508del mutated CF patients. The initiation of this trial, which should read out in 1Q'21, suggests that AbbVie's commitment to this program is higher than initially thought, despite weak data generated to date.

Strong cash position; cash burn guidance unchanged

At the end of 2Q, Galapagos had EUR1.1m of cash at hand, in line with consensus at EUR1.1. This excludes the proceeds from the deal with Gilead announced in July and which is expected to be close in late 3Q'19. As a reminder, deal terms include an USD3.95bn upfront and USD1.1bn equity investment (see our note here).

The cash burn guidance for the year remains unchanged at EUR320-340m, while it would not have been surprising to see it increasing to around EUR375m (BGe), under the impact of a higher contribution of GLPG to filgotinib's R&D expenses (50% vs 20%) as part of the amended collaboration agreement.

Dense 2H'19 newsflow

Both the regulatory and R&D newsflow should be dense in 2H.

On the regulatory side of things, Gilead will file filgotinib in Europe and in the US in 3Q and late 2019 respectively.

Turning to R&D: 1/ Filgotinib phase II trials in Sjögren's syndrome and Lupus should readout in 2H. While the contribution of the SjS indication is marginal to our EUR4bn risk-adjusted peak sales for filgotinib (BGe EUR70m, 20% Pos), we have excluded the lupus indication. 2/ GLPG1205 phase II trial in IPF should be fully recruited by YE'19 and readout towards mid-2020. 3/ Galapagos should report the first phase I trial for its TOLEDO program (GLPG3312).

Market Data

Bloomberg / Reuters	GLPG BB/GLPG.BR
Market Cap.	EUR8,772m
E.V.	EUR7.624m
Free Float	65,6%
Avg. Daily volume (6m)	443.9
12m high / low	EUR168.9 / EUR75.6
Ytd Perf.	98.6%

EURM	12/17	12/18e	12/19e	12/20e
Sales	155.9	317.8	112.9	196.2
% Change			*-64.5%*	*73.8%*
EBITDA	NM	NM	NM	NM
% Change		*ns*	*ns*	*ns*
EBIT	-89.8	-44.8	-236.4	-128.7
% Change		*50.1%*	*NS*	*45.5%*
Net Income	-115.7	-29.3	-232.3	-111.8
% Change		*74.7%*	*NS*	*51.9%*
ROE	NM	NM	NM	NM

	12/17	12/18e	12/19e	12/20e
EV/Sales	48.9x	23.5x	29.9x	17.9x
EV/EBITDA	x	x	x	x
EV/EBIT	NS	NS	NS	NS
EPS	-2.33	-0.56	-3.77	-1.82
% change		*75.9%*	*NS*	*51.9%*
P/E	NM	NM	NM	NM
Div Yield	NM	NM	NM	NM

Next Catalyst : confcall today at 3:00pmCET

Last FV Change:

2019-7-15, USD5.1bn right of first review on Galapagos existing and future pipeline

Last Reports:

2019-7-15, USD5.1bn right of first review on Galapagos existing and future pipeline

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Stock rating

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BUY ratings 49,1% NEUTRAL ratings 44,4% SELL ratings 6,5%

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