

19th January 2016

Healthcare

Galapagos

Price EUR46.54

It is now "all" about CF: review of progress made with the CF portfolio

Fair Value EUR64 (+38%)

BUY

Bloomberg	GLPG.BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 17.1
Market Cap (EURm)	1,818
Avg. 6m daily volume (000)	288.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	-11.1%	8.9%	-8.2%	-18.0%
Healthcare	-7.0%	-5.9%	-16.4%	-8.8%
DJ Stoxx 600	-9.0%	-9.5%	-19.0%	-10.2%

	2014	2015e	2016e	2017e
P/E	NS	99.7x	NS	NS
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- In its race against Vertex to develop a triple combo to treat 90% of the CF population (mainly F50del homozygous and heterozygous population), Galapagos has announced that **dosing to humans of GLPG2222 (1st-gen corrector) started in early January, triggering a USD10m milestone payment from AbbVie**. Topline results expected in Q2 2016. **GLPG2737, the company's back-up 1st-gen corrector is expected to reach the clinic towards the end of the year**.
- We are pleased to see that Galapagos and its partner AbbVie are putting significant resources to develop more potent compounds. Indeed, after having announced the selection for preclinical study of **GLPG2665 (2nd-gen corrector series) in Q4 2015, phase I is expected to be initiated by mid-2016. Back-up compound GLPG2737 is set to enter phase I by year-end** and we do not rule out that **other generations of correctors (different mode of action?) might be nominated for preclinical study in 2016**. While the developments made by compounds in the clinic highlight the quality of the relationship at the project level, the decision to further expand the CF portfolio underscores the fact that dialogue at a senior management level has not deteriorated between the two companies.
- Turning to potentiators, **Galapagos received approval to start phase II trial for its lead compound, GLPG1837, in G5551 and S1251N populations (<5% of CF population)**.

VALUATION

- We are reiterating our BUY rating and EUR64 fair value

NEXT CATALYSTS

- H1 2016: GLPG1205 phase IIa readout in Ulcerative Colitis / filgotinib 20w data in Crohn's Diseases / GLPG2222 phase I data in CF / initiation of phase III trial with Gilead for filgotinib in RA

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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