

26th January 2016

Healthcare

## Galapagos

Price EUR48.59

### Discontinuation of GLPG1205 in Ulcerative colitis

Fair Value EUR63 vs. EUR64 (+30%)

BUY

Bloomberg	GLPG BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 17.9
Market Cap (EURm)	1,899
Avg. 6m daily volume (000)	294.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.6%	10.9%	-5.5%	-14.4%
Healthcare	-4.4%	-5.2%	-11.2%	-5.3%
DJ Stoxx 600	-8.2%	-10.9%	-14.8%	-8.1%

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

#### ANALYSIS

- Galapagos announces that GLPG1205 studied in phase IIa in Ulcerative Colitis did not meet primary endpoint. The trial aimed at assessing the safety and first signs of efficacy of the compound at the 100mg QD dose vs. placebo in 64 patients over a 12-week treatment course. Although no safety issues have been reported, GLPG1205 did not meet primary endpoint of statistically significant change in MAYO score at 8 weeks compared to placebo, hence, the development of the drug should be discontinued.
- We were cautious about the development of the drug which featured a novel mode of action by inhibiting GPR84. Removing it from our estimates leads to a EUR1 decrease in our fair value. We modelled a 10% royalty rate with first sales in 2020e and a peak sales of EUR424m.

#### VALUATION

- Our fair value now stands at EUR63 vs EUR64.
- We would expect the share price to be under pressure today as some investors might have placed hope for another BD opportunity following Celgene/Receptos USD7.2bn deal to acquire Ozanimod (RMS, UC).

#### NEXT CATALYSTS

- H1 2016: filgotinib 20w data in Crohn's disease / GLPG2222 phase I data in CF / initiation of phase III trial for filgotinib in RA.

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Hugo Solvet, [hsolvvet@bryangarnier.com](mailto:hsolvvet@bryangarnier.com)

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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