

15th June 2016

Healthcare

Galapagos

Price EUR46.83

Ambitious plan released ahead of R&D day

Fair Value EUR64 (+37%)

BUY

Bloomberg	GLPG BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 32.7
Market Cap (EURm)	2,159
Avg. 6m daily volume (000)	218.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	4.7%	15.7%	-9.3%	-17.5%
Healthcare	-1.7%	-3.0%	-7.3%	-12.4%
DJ Stoxx 600	-4.2%	-7.0%	-8.3%	-12.4%

	2014	2015e	2016e	2017e
P/E	NS	NS	57.9x	39.2x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Ahead of today's presentation in NY, management issued an ambitious target of 1/ one phase III program every two years (starting in 2016 with filgotinib late stage program to be initiated in Q3 in RA, CD and UC) and 2/ three PoC per year. Use of slightly less than EUR1bn in cash and cash equivalent now appears clearer. While it seemed that R&D should come internally with the disclosure of early stage programs, we do not rule out small bolt-on to keep up with the ambitious target.
- We would expect the main focus of this R&D day to be the Cystic Fibrosis program for which the company is in partnership with AbbVie. GLPG2222 (corrector) which entered phase I recently reported positive results (single ascending dose of up to 800mg and multiple ascending dose of up to 600mg) with no safety signals. Outcome from the trial support daily dosing regimen of the molecule which is expected to be tested with potentiator GLPG2451 (phase I results in late 2016). As a reminder, phase II program for the triple combination is expected to start in 2017.
- GLPG1972 in Osteoarthritis, partnered with Servier in Europe reported encouraging phase I results. Few comments as to the upcoming development timeline of the product are disclosed. Note that the product might be partnered (GLPG retaining US rights) considering the high risk linked to the development of OA compound.

VALUATION

- We reiterate our BUY rating and EUR67 fair value

NEXT CATALYSTS

- Today 2.00pmCET/8.00amET: R&D Day (US +1 212 444 0481, UK +44 20 3427 1907, FR +33 1 70 48 01 66; access code 207496)
- July 13th: Roadshow in Paris with CFO and Dir. Business Development

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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