

29th July 2016

Healthcare

Galapagos

Price EUR49.02

HY 2016 in-line, looking forward to CF

Fair Value EUR64 (+31%)

BUY

Bloomberg	GLPG.BB
Reuters	GLPG.BR
12-month High / Low (EUR)	58.5 / 32.7
Market Cap (EURm)	2,260
Avg. 6m daily volume (000)	219.5

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.8%	22.5%	1.0%	-13.6%
Healthcare	9.3%	6.0%	2.5%	-3.0%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

	2014	2015e	2016e	2017e
P/E	NS	NS	60.6x	41.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Galapagos reported H1 2016 revenues of EUR48.8m (vs. CSS EUR48m) driven primarily by milestone payments and costs recharges on partnered programs (EUR38.8m vs EUR26.7m in H2 2015). Operational expenses of EUR73.1m are comparable to last year levels of EUR72.5m and in line with expectations (CSS EUR74m). Net profit of EUR32.2m is the result of the fair value adjustment of the Gilead share subscription agreement.
- Management reiterates its FY 2016 cash burn guidance of EUR100-120m. Note that the latter excludes any additional milestone from Gilead. Cash situation at the end of June 2016 stands at EUR968.5m and bodes well with the company's strategy to develop its own pipeline.
- Clinical programs are well on-track. Two phase III in RA and CD and one phase IIb in UC are expected to start in Q3 for filgotinib. Interestingly, a ruling from the minister of finance should exonerate 80% of filgotinib's revenues from taxes. Turning to the CF deal recall that 1/ ABBV which has seen its metrics raised this semester to include the triple combo, and that 2/ GLPG increased by two-fold the patients it aims at recruiting in its SAPHIRA phase II trial in which underlines strong interactions and enthusiasm from KOL.

VALUATION

- We reiterate our BUY rating and EUR64 fair value

NEXT CATALYSTS

- Today 8.00amET/2.00pmCET: conference call on HY 2016 results (+32 2 404 0659, access code 4067587)
- H2 2016 filgotinib: phase III program start, first patient in (RA in Q3 and Crohn's in Q4). phase II/III start in UC in Q4
- H2 2016 CF program: GLPG1837 phase 2 results, GLPG2451 phase I results.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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