

28th October 2016

Healthcare

Galapagos

Price EUR58.86

Q3 results and CF update

Fair Value EUR64 (+9%)

BUY

Bloomberg	GLPG.BB
Reuters	GLPG.BR
12-month High / Low (EUR)	63.8 / 32.7
Market Cap (EURm)	2,718
Avg. 6m daily volume (000)	262.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.9%	20.1%	47.1%	3.7%
Healthcare	-5.7%	-10.6%	-5.3%	-13.3%
DJ Stoxx 600	0.4%	-0.3%	-1.9%	-6.6%

	2014	2015e	2016e	2017e
P/E	NS	NS	NS	93.9x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- Galapagos released 9M results with sales standing at EUR65m vs EUR47.2m last year. Increase is primarily driven by increased milestones recognition as well as reimbursed costs (charged to partnered programs). R&D and SG&A expenditures are roughly stable. Positive impact from the fair value adjustment of Gilead Share (EUR57.5m), Galapagos reports net income of EUR8.1m for the first nine months of 2016. Cash situation stands at EUR930.8m (exc EUR8.8m of restricted cash). Cash burn guidance of EUR100-120m for FY2016 is confirmed. The latter excludes any milestones to be recognized by Gilead for filgotinib (initiation of IBD phase III trials).
- Poster from the SAPHIRA phase II trial presented at the NFCFC show the activity of GLPG1837 in subjects either naïve or previously treated with Kalydeco. Initial efficacy showed at the 125 BID dose (study went up to 800mgBID). GLPG1837 which at least stabilised lung function in pre-treated patients can be seen as a therapeutic alternative to Kalydeco in patients harbouring the Q1251N mutation in our view. More details should be given during the call this afternoon. Note that management reiterated its ambition to have the triple combination in phase II by mid-2017, while Vertex announced alongside its Q3 publication that it is initiating phase II.

VALUATION

- We reiterate our BUY rating and EUR64 Fair Value.

NEXT CATALYSTS

- Today 2.00pmCET: confcall on Q3 results (US +1 719 325 2213; UK +44 20 7026 5967; FR +33 1 76 77 22 57)

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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