BRYAN, GARNIER & CO

Healthcare

2nd July 2019

GALAPAGOS

Healthcare
Biotech

BUY

Fair Value	EUR140(+23%)
Share price	EUR113.45
EPS 3Y Cagr	NM

Filgo to be filed in 2019; bullish conclusions from pre-NDA meeting

Filing with the FDA in the RA indication in 2019

Gilead announced that, following discussions with the FDA in the context of the pre-NDA meeting, it intends to file filgotinib in the rheumatoid arthritis (RA) indication in 2019. This announcement follows discussions based on the results from the FINCHes studies, as well as the ongoing MANTA trial.

Not sure yet what will be necessary to file

However, there is no mention of what would be necessary to file filgotinib. The timeline suggests that the 13-week results from the MANTA trial might be added to the dossier. Considering that the recruitment accelerated significantly in the past months with several centres opening in Asia and Eastern Europe, this seems a realistic scenario.

More aggressive approval timeline than our base case

This timeline of a filing in the course of the year is slightly more aggressive than our base case of a filing in early 2020. Should Gilead use its latest voucher for filgotinib in the RA indication - which remains our central scenario - this implies that filgotinib should be approved in H2 2020 at the latest.

As such, filgotinib should 1/ reach the US market c.9 months after the launch of AbbVie's upadacitinib which will not be able to claim superiority over adalimumab and 2/ be the only JAK approved at two doses which better fits into physicians' practice (cf. our recent note on MANTA).

Significant relief to the shares

The confirmation of a filing in 2019 should be a significant relief to GLPG shares – GILD to a lesser extent - as the FDA requirement for the full 24-week results from MANTA would have cause the FDA filing to slide into 2020, lowering the competitive profile of filgotinib. In H2 2019, GILD/GLPG should submit filgotinib in the RA indication with the FDA and in Europe (3Q 19).

While the unknown of MANTA is now behind us, we would expect investors focus to shift on the pipeline of GLPG, notably with GLPG1690 in phase III in IPF and GLPG1972 in phase II in KOA.

Market Data

Bloomberg / Reuters	GLPG BB/GLPG.BR
Market Cap.	EUR6,220m
E.V.	EUR4.933m
Free Float	65,6%
Avg. Daily volume (6m)	405.6
12m high / low	EUR113.6 / EUR75.6
Ytd Perf.	40.8%

EURM	12/18	12/19e	12/20e	12/21e
Sales	317.8	112.9	189.4	171.0
% Change		*-64.5%*	*67.8%*	*-9.7%*
EBITDA	NM	NM	NM	NM
% Change		*ns*	*ns*	*ns*
EBIT	-44.8	-181.8	-107.6	-75.4
% Change		*NS*	*40.8%*	*30.0%*
Net Income	-29.3	-177.8	-104.7	-72.8
% Change		*NS*	*41.1%*	*30.4%*
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	15.5x	46.8x	28.5x	32.2x
EV/EBITDA	x	x	x	x
EV/EBIT	NS	NS	NS	NS
EPS	-0.56	-3.41	-2.01	-1.40
% change		*NS*	*41.1%*	*30.4%*
P/E	NM	NM	NM	NM
Div Yield	NM	NM	NM	NM

Next Catalyst : filgo H2 2019 EU and US filing

Last FV Change:

2019-3-29, Filgotinib likely to FINCH a great share of the RA market

Last Reports:

2019-6-25, (MANTA) With or Without You

RESEARCH AS A SERVICE

Hugo Solvet
33(0) 1 56 68 75 57
hsolvet@bryangarnier.com

Click here to download

BRYAN, GARNIER & CO

Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 50,6% NEUTRAL ratings 42,7% SELL ratings 6,7%

Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	**YES**
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	**YES**
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	**YES**
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at www.bryangarnier.com

London	Paris	Munich	Zurich	New York
Bryan, Garnier & Co Ltd	Bryan, Garnier & Co Ltd	Bryan, Garnier & Co. GmbH	Bryan, Garnier & Co	Bryan Garnier Securities
Beaufort House	26 Avenue des Champs-Elysées	Widenmayerstrasse 29	Theaterstrasse 4	750 Lexington Avenue
15 St. Botolph Street	75008 Paris	80538 Munich	8001 Zurich	16th floor
London EC3A 7BB	France	Germany	Switzerland	New York, NY 10022
United Kingdom				United States
+44 207 332 2500	+33 1 56 68 75 20	+49 89 2422 62 11	+41 44 991 3300	+1 212 337 7000

IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC. 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.