Company Update
August 19, 2019
BIOTECHNOLOGY

Equity Research

Eliana Merle, CFA	Alethia Young	Eileen Maysek	Emma Nealon
212-915-1767	212-359-8739	212-915-1221	212-558-4571
Eliana.Merle@cantor.com	Alethia.Young@cantor.com	Eileen.Maysek@cantor.com	Emma.Nealon@cantor.com

Galapagos N.V. ADR (GLPG- $167.59, 9:47 AM ET Intraday Price)

Rating: Overweight

Price Target: $188.00

We remain confident in filgotinib's competitive profile in the JAK landscape

REV	1Q	2Q	3Q	4Q
2017A	—	—	—	—
2018E	44.8A	57.1A	103.2A	113.0A
2019E	41.0E	114.0E	114.0E	88.0E
2020E	—	—	—	—

EPS	1Q	2Q	3Q	4Q
2017A	—	—	—	—
2018E	(0.53)A	(0.62)A	0.26A	0.33A
2019E	(0.89)E	0.19E	(0.25)E	(1.22)E
2020E	—	—	—	—

FY	2017A	2018E	2019E	2020E
REV	127.1A	318.0A	357.0E	327.0E
EPS	(2.34)A	(0.57)E	(2.18)E	(5.88)E

Note: EPS and revenues in euros.

Investment Summary. Reiterate OW and $188 TP. Upadacitinib approval and label are largely in line with our expectations. On Friday, the FDA approved ABBV (NC)'s upadacitinib, which is a key competitor to GILD (OW, A. Young)/ GLPG's filgotinib. We think the filgotinib RA label (we model filgotinib US approval in late 2020) will likely look very similar to upadacitinib RA label overall including on safety claims (potential class labeling on thrombosis) and efficacy (no superiority claim versus Humira). We see a large commercial opportunity for both assets. However, long term we think filgotinib's safety profile, particularly on thrombosis risk, could be a key commercial differentiator and enable superior efficacy in indications beyond RA.

- **We think best in class data on thrombosis could be a key commercial differentiator for filgotinib regardless of class labeling.** Upadacitinib received a black box warning for thrombosis risk where the language suggests the FDA may be giving this warning for the JAK class broadly including filgotinib. From speaking to GLPG, the company will discuss filgotinib's safety profile and potential for no thrombosis warning with the FDA. Filgotinib has a very low rate of thrombotic events versus other JAKs. We think this could matter to physicians especially with the black box drawing more attention to this risk even if there is class labeling.
- **No superiority claim versus Humira for upadacitinib in the label we think is a positive for filgotinib.** We view the efficacy as highly similar between both assets in RA where both have demonstrated numerical superiority to Humira. However, based on the data generated and statistics used, we think filgotinib would have been unlikely to have a superiority claim in its label versus Humira. Thus, we think this levels the playing field in terms of labeled efficacy claims with filgotinib. We expect the marketing efforts of both ABBV and GILD/GLPG to be very large and will both emphasize the numerical superiority data generated versus Humira.
- **Pricing reflective of value of improved efficacy and convenience (oral) and supportive of a large market opportunity for both upadacitinib and GILD/ GLPG's filgotinib.** Pricing of ~$59k per year gross WAC is roughly in line with biologics and slightly higher than Xeljanz (~54K) and Olumiant (~26K), which we think illustrates the strong claims both products should have over currently widely used biologics in this large ($20b+) market.

Current Statistics

Market Cap (M)	**$9,439**	**Shares Out (M) :**	**54.8**
ADV (3 mo) :	**163,458**	**52 Wk. Range**	**$191.63 - $85.00**

The Disclosure Section may be found on pages 3 - 4.

Valuation

We value Galapagos shares on a probability-adjusted DCF. We use a probability adjusted DCF to value Galapagos shares. We assign a discount rate of 10% and a terminal growth rate of 0%, in line with peers of similar size and R&D capacity.

Risks

Key risks include greater-than-expected competition for GLPG's lead asset filgotinib and/or an unexpected clinical or regulatory setback. Key risks specific to filgotinib include:

-- Lack of efficacy in Phase 3 trials such as ulcerative colitis, Crohn's or psoriatic arthritis.

-- Greater-than-expected competition commercially, either from additional JAK inhibitors, novel biologics, or biosimilar entrants.

-- Testicular toxicity (only seen pre-clinically) is seen clinically with filgotinib.

Company Description

Galapagos is a clinical-stage biotechnology company. The company's lead asset, filgotinib, is partnered with Gilead (OW, covered by A. Young) and is in development for a variety of diseases in the inflammation and immunology (I&I) space such as rheumatoid arthritis, ulcerative colitis, and Crohn's, among many others. Other programs in development include the wholly owned idiopathic pulmonary disease (IPF) franchise, which has entered Phase 3.

Disclosures Appendix

Analyst Certification

The analyst primarily responsible for this research report, and whose name appears on the front cover, certifies that: (i) all of the views expressed in this research report accurately reflects his or her personal views about any and all of the subject securities or issuers featured in this report; and (ii) no part of any of the research analyst's compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

Legal Disclosures

Investment banking (next 3 months): Cantor Fitzgerald and/or its affiliates, expect to receive, or intend to seek, compensation for investment banking services within the next three months from all of the companies referenced within this report.

Cantor Fitzgerald and/or its affiliates is a market maker in Galapagos N.V. ADR.

Cantor Fitzgerald and/or its affiliates is a market maker in Gilead Sciences Inc..

Cantor Fitzgerald's rating system

Overweight/OW: The analyst expects that the stock's total return (stock price appreciation plus dividends) will outperform relative to the analyst's broadly defined sector in the next 12 months. For the purpose of calculating the percentage of subject companies within the Buy, Hold, and Sell categories for whom Cantor Fitzgerald has provided investment banking services within the previous 12 months, an Overweight rating equates to a Buy rating.

Neutral: The analyst expects that the stock's total return (stock price appreciation plus dividends) will perform in line relative to the analyst's broadly defined sector in the next 12 months. For the purpose of calculating the percentage of subject companies within the Buy, Hold, and Sell categories for whom Cantor Fitzgerald has provided investment banking services within the previous 12 months, a Neutral rating equates to a Hold rating.

Underweight/UW: The analyst expects that the stock's total return (stock price appreciation plus dividends) will underperform relative to the analyst's broadly defined sector in the next 12 months. For the purpose of calculating the percentage of subject companies within the Buy, Hold, and Sell categories for whom Cantor Fitzgerald has provided investment banking services within the previous 12 months, an Underweight rating equates to a Sell rating.

Not Covered/NC: Cantor Fitzgerald does not provide an investment opinion or does not provide research coverage on this stock.

Not Rated/NR: We are not currently carrying a rating on this stock. Rating and estimates are under review. The NR rating does not equate to an Overweight, Neutral, or Underweight rating and thus is not counted in the calculation of the percentage of subject companies within these three categories for whom Cantor Fitzgerald has provided investment banking services within the previous 12 months.

Other Disclosures

This report is for informational purposes only and is based on publicly available data believed to be reliable, but no representation is made that such data are accurate or complete. Opinions and projections contained herein reflect our opinion as of the date of this report and are subject to change. Pursuant to Cantor Fitzgerald's policy, the author of this report does not own shares in any company he/she covers.

This material is being presented solely as institutional communications and is not meant to be viewed as a complete fundamental analysis of any security. This material may offer recommendations and strategies which are shorter term in nature. If the material contains analysis, it may be narrowly focused, and may be based either purely on quantitative models or other unique factors such as market supply/demand factors surrounding potential market moving events. When making an investment decision this information should be viewed as just one factor in your investment decision process. Past performance should not be taken as an indication or guarantee of future results.

Disclosures for UK investors

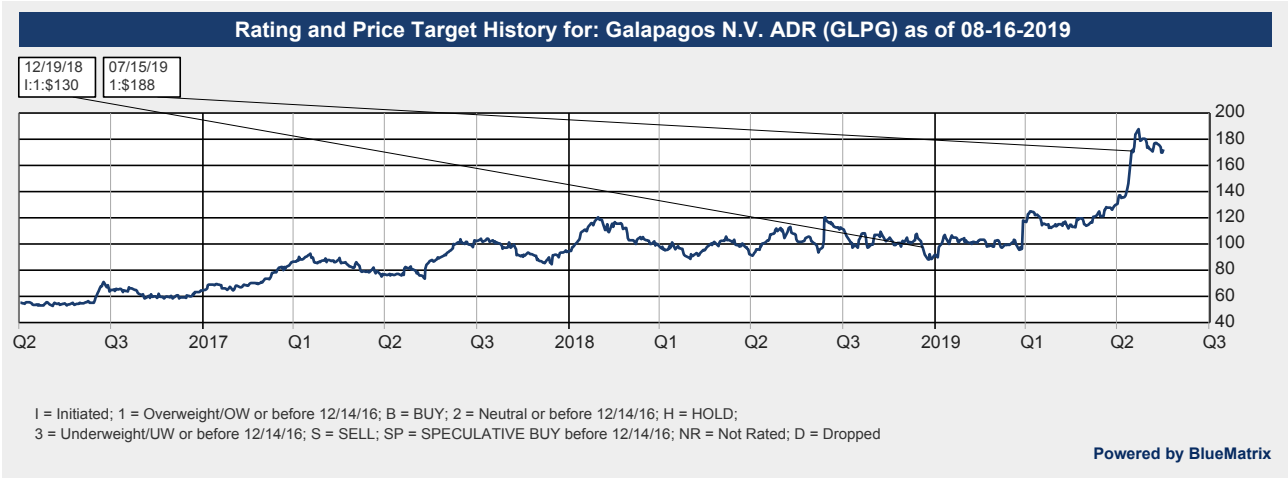
This material is approved for distribution in the United Kingdom by Cantor Fitzgerald Europe ("CFE"). CFE is authorised and regulated by the Financial Conduct Authority ("FCA"). While we believe this information and the materials upon which this information was based is accurate, except for any obligations under the rules of the FCA, we do not guarantee its accuracy. This material is only intended for use by eligible counterparties or professional clients who fall within articles 19 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and not the general investing public. None of the investments or investment services mentioned or described herein are available to other persons in the U.K and in particular are not available to "retail clients" as defined by the rules of the FCA.

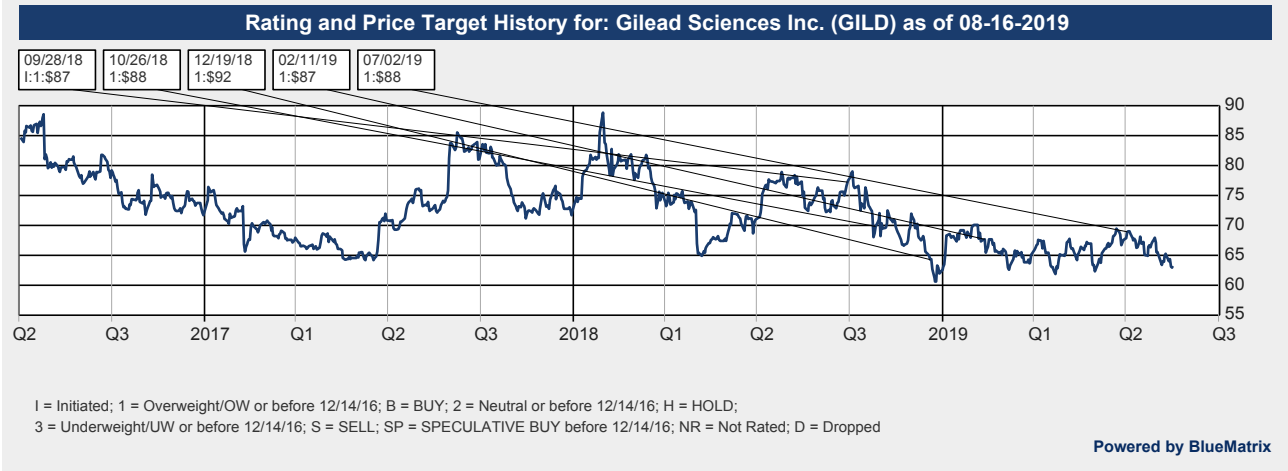
Disclosure for Canadian Institutional Investors

This research report was prepared by analysts of Cantor Fitzgerald & Co. and not by Cantor Fitzgerald Canada Corporation. As a result, this report has not been prepared subject to Canadian Disclosure requirements. Cantor Fitzgerald Canada may distribute research reports prepared by its affiliates.

Risks

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based on their specific investment objectives. Past performance should not be taken as an indication or guarantee of future performance. The price, value of and income from, any of the financial instruments featured in this report can rise as well as fall and be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's currency, a change in exchange rates may adversely affect the price or value of, or income derived from, the financial instrument, and such investors effectively assume currency risk. In addition, investors in securities such as ADRs, whose value is affected by the currency of the home market of the underlying security, effectively assume currency risk.





Distribution of Ratings/Investment Banking Services (IB) as of 08/19/19

Cantor

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [1/B]	**169**	**76.81**	**81**	**47.93**
HOLD [2]	**51**	**23.18**	**9**	**17.65**
SELL [SL/3]	**0**	**0.00**	**0**	**0.00**

U.S. Equity Research Analysts & Management

Biotechnology

Alethia Young
Head of Healthcare Research
212-359-8739
Alethia.Young@cantor.com

Emma Nealon
212-558-4571
Emma.Nealon@cantor.com

Eileen Maysek
212-915-1221
Eileen.Maysek@cantor.com

Charles C. Duncan, Ph.D.
212-915-1236
Charles.Duncan@cantor.com

Pete Stavropoulos, Ph.D.
212-915-1966
Pete.Stavropoulos@cantor.com

Varun Kumar, Ph.D.
212-610-3509
Varun.Kumar@cantor.com

Matthew Lillis
212-915-1706
Matt.Lillis@cantor.com

Eliana Merle, CFA
212-915 1767
Eliana.Merle@cantor.com

Elemer Piros, Ph.D.
212-610-2416
Elemer.Piros@cantor.com

Kristen Kluska
212-915-1927
Kristen.Kluska@cantor.com

Healthcare IT

Managed Care

Steven Halper
212-915-1240
Steven.Halper@cantor.com

Kyle Mikson, CFA
212-829-5207
Kyle.Mikson@cantor.com

Life Science Tools & Diagnostics

Jordan Abrams
212-359-8721
JAbrams@cantor.com

Medical Devices & Supplies

Craig Bijou
212-915-1219
Craig.Bijou@cantor.com

Dennis Pak
212-294-8016
Dennis.Pak@cantor.com

Specialty Pharmaceuticals

Louise Chen
212-915-1794
Louise.Chen@cantor.com

Jennifer Kim
212-829-4860
Jennifer.Kim@cantor.com

Specialty Pharmaceuticals

Brandon Folkes, CFA
212-294-8081
Brandon.Folkes@cantor.com

Financial Technology

Outsourcing

Professional Services

Joseph Foresi
212-610-2423
JForesi@cantor.com

Drew Kootman, CFA, CMT
212-829-5289
Drew.Kootman@cantor.com

Product Manager

Alice Avanian, CFA
212-915-1702
Alice.Avanian@cantor.com