

GALAPAGOS

- Healthcare
- Biotech

BUY - TOP PICKS

Fair Value	EUR185 vs. EUR175 (-1%)
Share price	EUR186.50
EPS 3Y Cagr	NM

Filgotinib filed in the US by Gilead with a priority voucher

Filgo should reach the US market 3-4 months ahead of schedule

Following prior filings in Europe and Japan, Galapagos announced that its partner Gilead has submitted an NDA to the US FDA for filgotinib, the oral selective JAK1 inhibitor, in moderate-to-severe RA. On top of that, a priority review voucher (PRV) has been submitted, shortening the anticipated review time from 10 months under standard review, to 6 months. The PDUFA data can be anticipated to be in May or June 2020.

This clearly demonstrates the strong commitment of Gilead behind filgotinib, still. The agreement behind the two companies is dated December 2015 when Gilead gained global access to the drug for an upfront payment of USD725m, additional milestones of up to USD1.35bn and tiered royalties above 20% (while Galapagos retained co-promotion rights in major EU markets).

The terms of the deal were already saying a lot about the value Gilead was attributing to the drug and a PRV is worth USD125m (price that Gilead paid in 2015 to Sarepta). The various indications that filgotinib will be targeting are all relatively competitive, starting with RA, expanding into IBD and others and so time matters, hence the PRV.

A FV increase to EUR185

As a consequence of the use of the PRV, we have increased the market share for filgotinib in the US from 1% to 2% for the first year to reflect the gain of time.

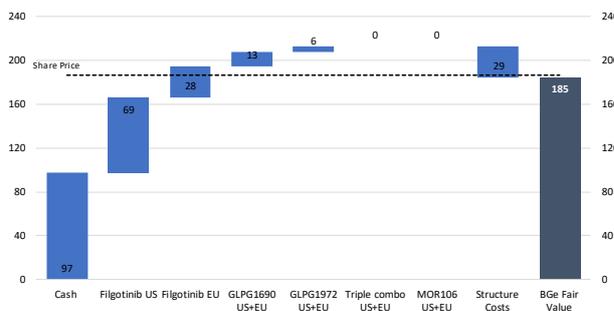
We take also the opportunity of this update to roll over our valuation models into 2020.

All together the two impacts are EUR10 on our FV which is now EUR185.

However, from a rating standpoint, the stock's recent rally challenges our view on the case. We do expect a positive reaction from the market today and therefore we maintain our rating and keep the name into our Top Pick List too (the stock is up 41% in the quarter to date).

We will reassess the case, rating and FV in connection with the Q1 top pick update, scheduled in the first full week of January 2020.

Fig. 1: SOTP 2020



Source Bryan Garnier

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Market Data

Bloomberg / Reuters	GLPG BB/GLPG.BR
Market Cap.	EUR12,060m
E.V.	EUR10,773m
Free Float	65.6%
Avg. Daily volume (6m)	493.3
12m high / low	EUR196.0 / EUR75.6
Ytd Perf.	131.5%

	12/18	12/19e	12/20e	12/21e
Sales	317.8	1,246	588.6	568.8
% Change			-52.8%	-3.3%
EBITDA	NM	NM	NM	NM
% Change		ns	ns	ns
EBIT	-44.8	781.6	71.5	30.1
% Change		NS	-90.9%	-57.9%
Net Income	-29.3	785.7	90.3	47.8
% Change		NS	-88.5%	-47.1%
ROE	NM	NM	NM	NM

	12/18	12/19e	12/20e	12/21e
EV/Sales	33.9x	4.8x	10.9x	11.9x
EV/EBITDA	x	x	x	x
EV/EBIT	NS	7.7x	89.8x	225.3x
EPS	-0.56	12.68	1.46	0.77
% change		NS	-88.5%	-47.1%
P/E	NM	14.7x	NS	NS
Div Yield	NM	NM	NM	NM

Next Catalyst : 20/02/2020 - FY results

Last FV Change:

2019-10-30, MOR106 stopped on lack of efficacy, marginal impact to our FV

Last Reports:

2019-10-30, MOR106 stopped on lack of efficacy, marginal impact to our FV

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