Our Bull And Bear Cases For Galapagos

The Bull Case: Reasons For Optimism

- Filgotinib receives FDA and EMA approval for both the 100mg and 200mg doses without a JAK class black box warning.
- Worldwide filgotinib sales outpace consensus estimates between 2020-2025.
- Ziritaxestat has clear and convincing Phase 2 proof-of-concept results in scleroderma leading investors to assign value for this program and de-risks it in idiopathic pulmonary fibrosis.
- GILD in-licenses rights to GLPG1972 for osteoarthritis after positive results on its primary and key secondary endpoints; GLPG receives $450 million in milestones.
- Results from GLPG1205 in idiopathic pulmonary fibrosis are compelling and ahead of consensus expectations.

The Bear Case: What We Worry About

- Filgotinib either: (1) gets a CRL and doesn't receive US or EU approval; or (2) only gets approved for the lower 100mg dose with a JAK class black box warning and an additional warning for testicular toxicity.
- Competitor infrastructure in the rheumatology category, notably ABBV's, may create a significant commercial challenge for filgotinib to gain share in the US and EU.
- Worldwide filgotinib sales underperform lofty consensus sales estimates between 2020-2025.
- Results from GLPG's pipeline programs over the next 12-18 months either do not provide supportive de-risking data or enough proof-of-concept to assign credit.

Source: Company Information and Stifel Research

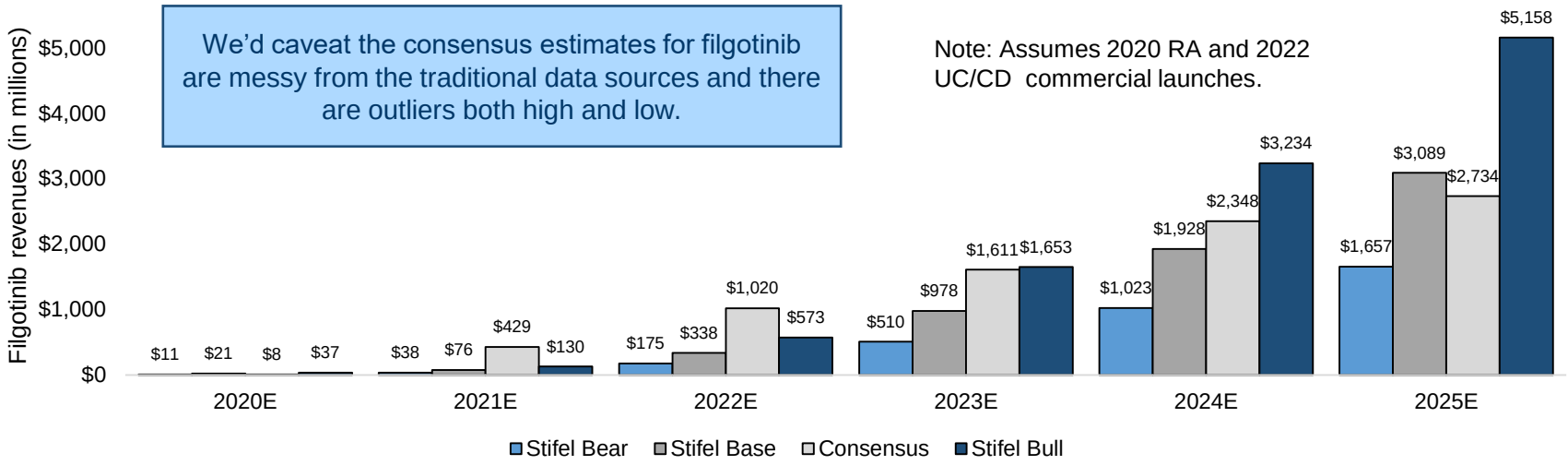
STIFEL

What Will The Sales Ramp For Filgotinib Look Like And Will It Exceed Consensus Expectations?

The JAK Class Is Highly Competitive And We Think Early Consensus Estimates For Filgotinib Seem Aggressive

The market opportunity in the canonical inflammatory diseases (i.e. RA, UC, CD, PsA, and AS) is undeniably large, with patients numbering well into the millions. With that said, GLPG's main competitors, ABBV and PFE, have enormous global commercial footprints in rheumatology while GILD/GLPG's are essentially starting from scratch. We'd highlight ABBV in particular, as numerous KOLs indicate to us they are replicating their wildly successful adalimumab playbook with upadacitinib and using these synergies to their advantage.

Filgotinib US and EU RA and IBD Sales Consensus (2020-2025)



Key Takeaway

Filgotinib consensus estimates seem aggressive given our base case for its label. Based on our KOL discussions with physicians who treat RA and IBD, the prevailing view was filgotinib was not that differentiated from the other JAKs in the class and decisions on which to use is largely dictated by formulary coverage/access and is where ABBV has done a good job with adalimumab and upadacitinib.

Source: IQVIA, FactSet, VisibleAlpha and Stifel Estimates

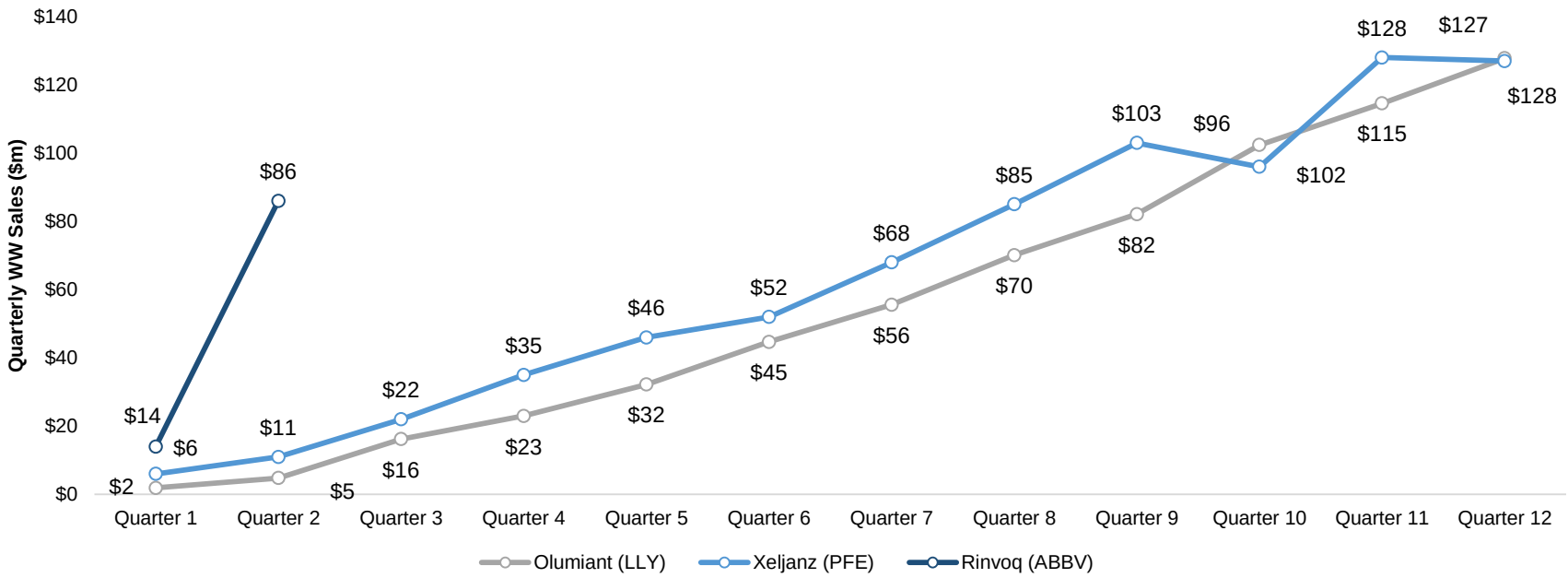
STIFEL

In Our View, The Filgotinib Launch Is Likely To Be Somewhere Between The Olumiant/Tofacitinib Launches And Upadacitinib

Stifel Commentary

We believe the quarterly sales from the launches of competing JAK programs provides a range of what filgotinib's launch could look like. KOLs spoke very highly of upadacitinib (Rinvoq) and ABBV's marketing strategy for the drug, while acknowledging PFE and LLY could've have launched their respective drugs better. Therefore, our base case assumption is the filgotinib launch is likely to be slightly better to baracitinib (Olumiant) and tofacitinib (Xeljanz), but given it is GILD/GLPG's first foray into the space, we believe the quick uptake seen with Rinvoq may be too aggressive for a filgotinib launch assumption.

Launch of JAK Competitors



Source: Company information, FactSet and Stifel Research

STIFEL