

**Sum of the parts valuation per GLPG share  
from various investment banks. (December 21, 2019)**

**SVB Leerink (\$240)**

GALAPAGOS NV

December 20, 2019

Per share value (\$)	Undifferentiated	Incremental	Meaningful	Breakthrough
Filgotinib	43.69	82.42	119.28	175.43
GLPG1690	13.02	27.26	48.09	72.15
TOLEDO	40.60	40.60	40.60	40.60
GLPG1972	0.44	2.05	2.27	2.59
GLPG1205	0.63	0.96	1.46	2.66
Cash	97.97	97.97	97.97	97.97
Operations	(28.85)	(39.78)	(60.12)	(77.79)
Total	167.49	211.49	249.55	313.61
Commercial probability distribution	9.8%	25.7%	51.7%	12.8%
Commercial adjusted total	16.34	54.42	129.11	40.05
Sum of the parts total (\$)	<b>240.00</b>			

Source: SVB Leerink Research

**Goldman Sachs (€ 108)**

<b>GLPG.AS</b>	12m Price Target: <b>€108.00</b>	Price: <b>€166.25</b>	Downside: <b>35.0%</b>
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Neutral		GS Forecast			
		12/18	12/19E	12/20E	12/21E
Market cap: €7.6bn / \$8.4bn	Revenue (€ mn)	317.8	215.0	232.4	272.2
Enterprise value: €6.6bn / \$7.3bn	EBIT (€ mn)	(44.8)	(276.6)	(276.0)	(236.9)
3m ADTV: €62.0mn / \$68.5mn	EPS (€)	(0.56)	(4.69)	(4.48)	(3.77)
Belgium	P/E (X)	NM	NM	NM	NM
Europe Biotech	EV/EBITDA (ex lease,X)	NM	NM	NM	NM
M&A Rank: 3	Dividend yield (%)	0.0	0.0	0.0	0.0
Leases incl. in net debt & EV?: No	FCF yield (%)	(3.4)	(3.6)	(3.3)	(2.3)
	CROCI (%)	26.6	324.8	1,549.4	(531.6)
	N debt/EBITDA (ex lease,X)	-	-	-	-
		12/18	3/19E	6/19E	9/19E
	EPS (€)	0.30	(1.17)	(1.17)	(1.17)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 15 Nov 2019 close.

## H.C. Wainwright & Co. (\$205)

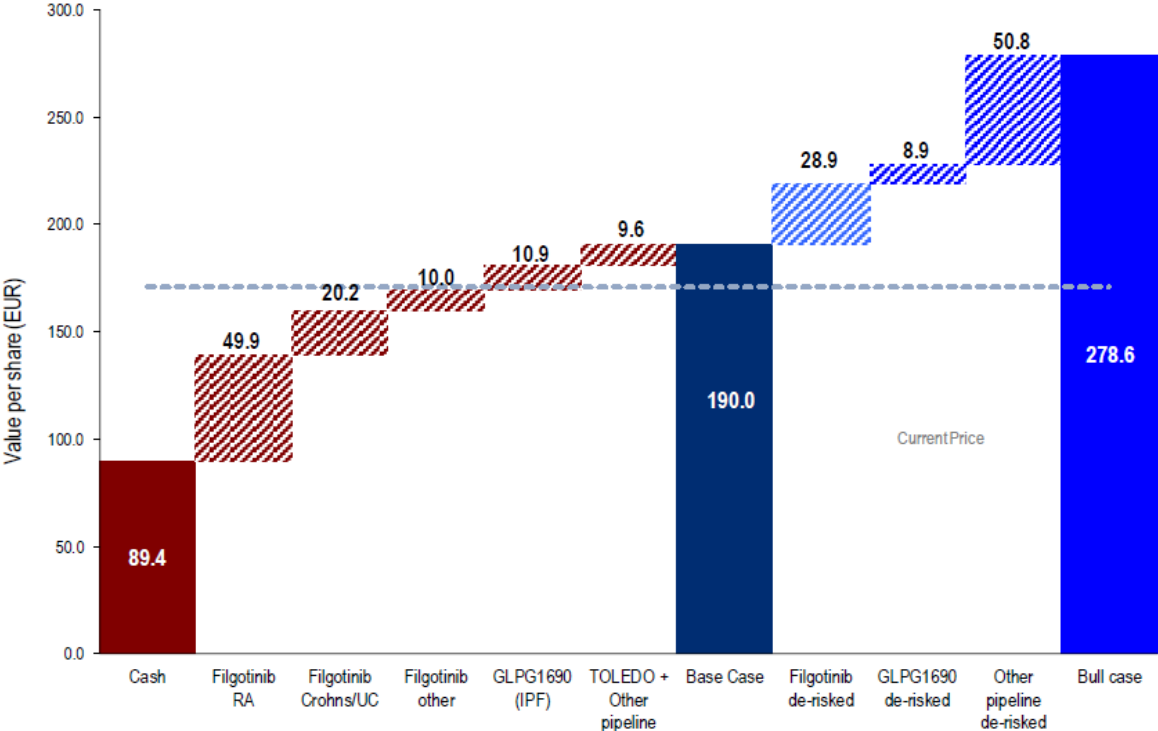
Source: H.C. Wainwright & Co. estimates.

**Landmark deal with long-time collaborator, paves the way for strong revenue line in 3Q19.** For 3Q19, Galapagos reported a net gain of €361M vs. our estimates of €297.4M, with GAAP EPS of €5.83 vs. our estimates of €4.80. The €596M topline reflected: (1) €667M immediate recognition for the opt-in of '1690; (2) €24M recognition of the platform portion upfront; and (3) (€94M) negative impact on filgotinib revenue recognition. Balance sheet currently reflects \$6.2B (€5.6B) in cash and equivalents, which includes Gilead's recent collaboration deal of roughly \$3.95B in cash, and \$1.1B in equity investment. Galapagos now has €3.1B in deferred revenues, which would drive at least €400M in revenue recognition annually in the next 4-5 years, which is expected to trail off to roughly €200M per year after that. Together, these cash reserves should be sufficient to fund operations for at least six years, by our estimates. Note, as Galapagos builds out filgotinib's commercial position in 2020, filgotinib-related spend in the next five years would equate to roughly €750M in total. For FY19 and FY20 we estimate GAAP EPS of €7.90/share and €(2.48)/share, respectively, vs. prior estimates of €8.52/share and €2.21/share, respectively.

**Valuation and risks to our investment thesis.** Our 12-month price target on shares of Galapagos is \$205, which is derived from a 13-year DCF-based, sum-of-the-parts analysis. Our DCF is driven by: beta of 1.26, terminal growth rate of -3.0%, risk premium of 4.93%, calculated WACC of 8.2%, and tax rate of 20% beginning in FY 2025. Filgotinib (68%), GLPG1690 and GLPG1972 (3% each) together make up about 75% of our value, with the remainder derived from the probability-adjusted, filgotinib-associated milestone payments. For filgotinib, we assume POS in the range of: 80% for RA based on the FINCH 1 and 3 clinical updates released post close on March 28, 2019, 65% for UC, and 60% for CD, PsA and AS each, whereas for '1690 and '1972, we assign a 35% and 10% POS, respectively. Key risks include: emergence of safety concerns, clinical risks, regulatory risks, and financial risks. Furthermore, regulatory and commercial strategy for filgotinib is under the control of partner, Gilead, not an established player in autoimmune indications. Hence, Gilead may not be able to drive rapid adoption of filgotinib, especially if the overall profile is relatively undifferentiated from AbbVie's (ABBV; not rated) upadacitinib, in our view. Hence, our estimates could be negatively impacted if AbbVie successfully leverages its market positioning with Humira during the launch of upadacitinib, which is likely to be a year ahead of filgotinib. The next two value drivers for Galapagos are GLPG1690 and GLPG1972 programs, both of which are high-risk, high-reward programs given the checkered history of drug development of each target.

## Citi Research (€190)

Figure 1. Further upside could come from de-risking the pipeline



Source: Citi Research

## Bryan Garnier & Co (€185)

### 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.

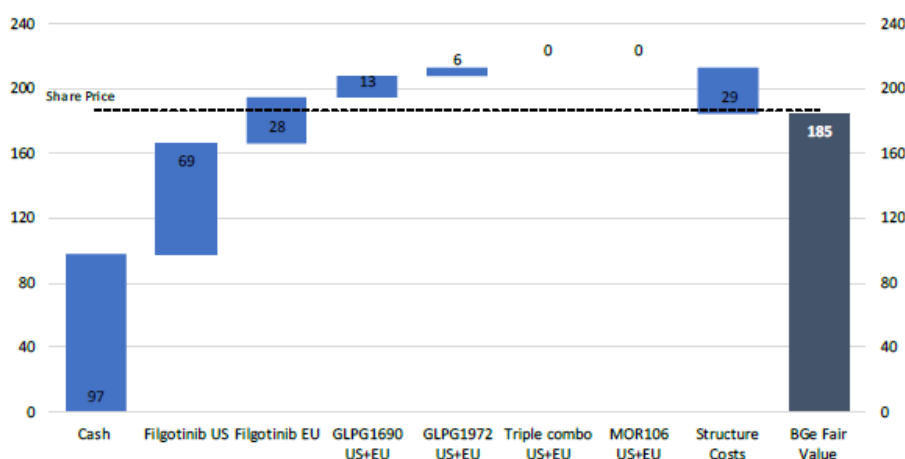
We take also the opportunity of this update to roll over our valuation models into 2020.

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

## Berenberg (€225)

### Exhibit 1: We raised our price target to €225 (from €195)

Expressed as € in millions, unless noted

Sum of the parts valuation	Per share	FCFF DCF valuation	
Filgotinib (Gilead U.S., EU)	€ 60	PV of Free Cash Flow	4,410
GLPG1690 (Gilead U.S.)	€ 35	PV of Terminal Value	3,872
GLPG1972 (Servier EU / Gilead U.S.)	€ 19	Implied Enterprise Value	8,283
CF program (AbbVie)	€ 5	Plus: Cash and Securities (Q419)	5,496
Platform value	€ 60	Less: Total Debt (Q419)	0
Cash and Securities, net	€ 54	Implied Value of Equity	13,779
All Other	-€ 8	Diluted Shares Outstanding	61
<b>Implied Value</b>	<b>€ 225</b>	<b>Implied Value per Share</b>	<b>€ 225</b>

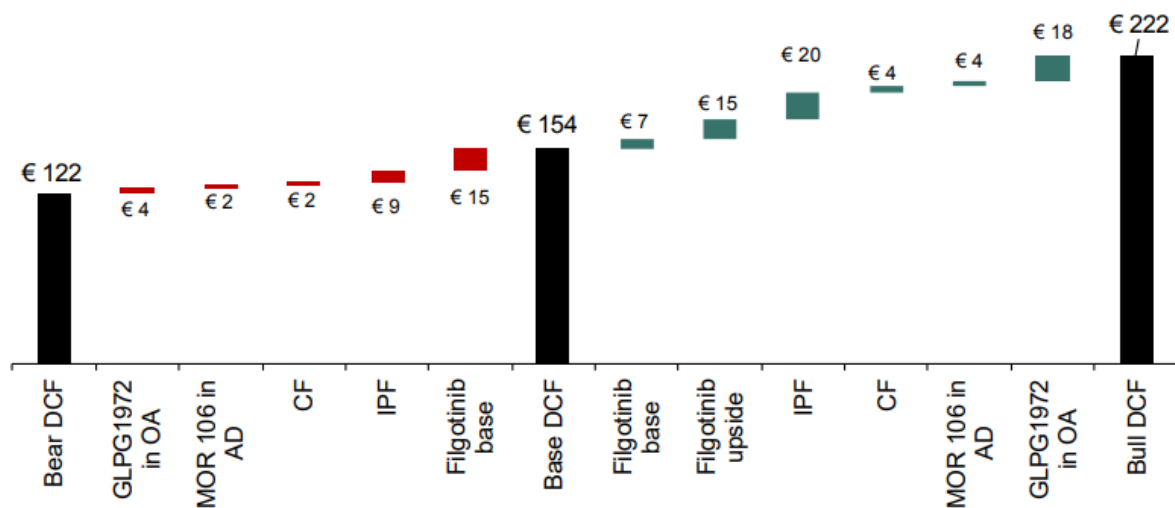
Source: Company filings, Berenberg Capital Markets

## Bernstein (€155)

EXHIBIT 1: DCF values Galapagos at €155/share

	US	OUS	Milestones	Total	% of Total	Probability
Filgotinib - I&I						
<i>Rheumatoid arthritis</i>	€ 12.3	€ 10.0		€ 22.3	14%	100%
<i>Ankylosing spondylitis</i>	€ 1.2	€ 0.9		€ 2.1	1%	80%
<i>Psoriatic arthritis</i>	€ 1.5	€ 1.8		€ 3.3	2%	80%
<i>Crohn's disease</i>	€ 4.8	€ 3.7		€ 8.6	6%	80%
<i>Ulcerative colitis</i>	€ 3.6	€ 2.4		€ 6.0	4%	90%
Milestone payments			€ 14.2	€ 14.2		
Filgotinib total	€ 23.5	€ 18.8	€ 14.2	€ 56.5	37%	
GLPG1690 - IPF (RoW & EU)	€ 4.1	€ 4.3	€ 1.3	€ 9.8	6%	30%
Triple combo - CF	€ 0.7	€ 0.4	€ 1.4	€ 2.4	2%	30%
MOR106 - AtD*	€ 0.4	€ 0.2	€ 1.6	€ 2.3	1%	30%
GLPG1972 - OA	€ 1.5	€ 0.2	€ 2.8	€ 4.4	3%	20%
Target discovery platform/technology				€ 18.6	12%	
Reimbursement revenue				€ 2.5	2%	
Services revenue				€ 1.2	1%	
Other income				€ 3.9	3%	
<b>Total</b>				<b>€ 101.5</b>	<b>66%</b>	
<b>Terminal (0%)</b>				<b>€ 84.9</b>	<b>55%</b>	
General & admin; sales & marketing				-€ 16.8	-11%	
Capex				-€ 4.8	-3%	
R&D				-€ 107.6	-70%	
Other Non-Op Items				€ 5.7	4%	
<b>Total Other</b>				<b>-€ 123.6</b>	<b>-80%</b>	
<b>Net Debt</b>				<b>€ 91.2</b>	<b>59%</b>	
<b>TOTAL GROUP (SOTP)</b>				<b>€ 154.1</b>	<b>100%</b>	
<b>TOTAL GROUP (Group DCF)</b>				<b>€ 153.8</b>		

Source: Company disclosure, Bernstein analysis and estimates



	Base	Bear	Bull
Filgotinib base	100% success in RA, 80% in AS, 80% in PsA, 80% in CD, 90% in UC. Total sales of €2.4B	Total sales of €1.5B	100% success across all indications (€2.7B in 2030 sales)
Filgotinib upside	n/a	n/a	Filgotinib achieves peak sales of €4B in 2030
IPF	30% probability of €1.5B in 2030 revenues	Failure	100% probability of €1.5B in 2030 revenues
CF	30% probability of \$1.3B in 2030 revenues (assuming ABBV deal structure)	Failure	100% probability of \$1.3B in 2030 revenues (assuming ABBV deal structure)
MOR 106 in AD	30% probability of \$0.8B in 2030 revenues (14-22% royalty)	Failure	100% probability of \$0.8B in 2030 revenues (14-22% royalty)
GLPG1972 in OA	20% probability of \$1B in 2030 revenues (7% royalty on OUS sales)	Failure	100% probability of \$1B in 2030 revenues (7% royalty on OUS sales)
DCF	€ 154	€ 122	€ 222

Source: Company disclosure, Bernstein analysis and estimates. Note we do not account for changes in terminal value and only include value to 2030

## Nomura (\$209)

**Valuation Methodology** Our target price of \$209 for Galapagos NV (GLPG) is based on an SOTP analysis, applying a 16x royalty multiple on peak filgotinib U.S. royalties and 6x multiple on peak filgotinib EU profits in 2025E (in RA, PsA, UC, and Crohn's). We estimate filgotinib peak sales of \$6bn in 2025. For filgotinib in RA, we apply a 15% discount rate, reflecting a lower development risk with the FINCH readouts, and as the target, JAK, is already validated by an approved drug in RA. For filgotinib in PsA, we apply a 40% discount rate, reflecting the P2 clinical stage. For the IPF program, we use an 8x multiple, reflecting a higher value for the higher-margin orphan program and a 40% discount that reflects a higher development risk. The benchmark for this stock is the Nasdaq Biotechnology Index.

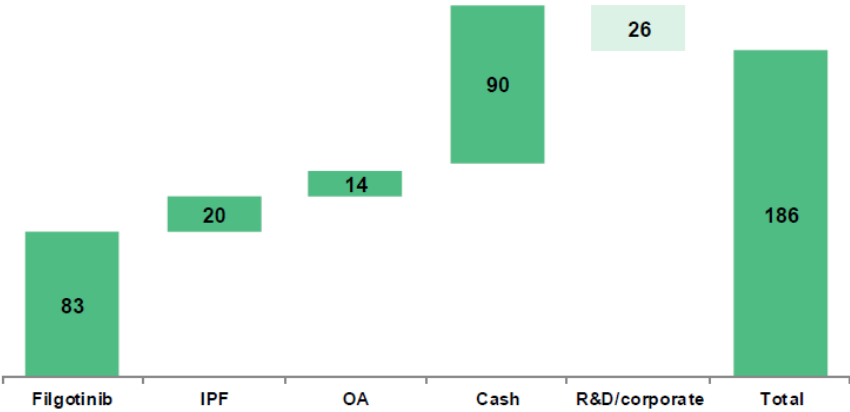
**Risks that may impede the achievement of the target price** Regulatory risk: For filgotinib, the FDA may issue a class label on the risk for serious infections and malignancies. This action will not prevent filgotinib from reaching the market, but it could create a negative perception of the drug among patients and physicians, which would affect commercial sales in a saturated

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market. Competitive risk: A superior oral agent achieves POC or enters market. If Upadacitinib gets approved without black-box label, it could take lion's share of the market. Competing IPF pipeline agents may achieve a speedier path to approval. Clinical risk: The Phase 2 study with filgotinib in CD used the CDAI as the primary outcome measure. The Phase 3 study is using the more traditional PRO as the primary outcome measure. This difference in design may result in a smaller efficacy difference between the placebo and treatment arms in the Phase 3 study. Enrollment of patients in studies might take longer than anticipated. Safety signals compromising the compound's therapeutic profile may result in black-box label or discontinuation. Investors should take note of the risk of volatility inherent in the price of Biotech stocks.

**Degroof Petercam (€186)**

**Exhibit 1** Sum-of-the-parts valuation (EUR/share)



Source: Degroef Petercam estimates; \*per share figures calculated based on the average number of shares including Gilead’s equity investment

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