

28 March 2017

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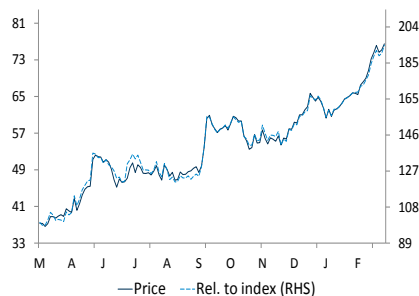
## GALAPAGOS

### Target price increase – More comfort in CF

PHARMACEUTICALS & BIOTECHNOLOGY  
BELGIUM

CURRENT PRICE €76.50  
TARGET PRICE €80.00

**BUY**  
RATING UNCHANGED



Source: Thomson Reuters Datastream

Bloomberg	GLPG NA
Reuters	GLPG.AS
www.glp.com	
Market Cap	€3,521.5m
Shares outst.	46.3m
Volume (daily)	€20,607,103
Free float	64.2%

Next corporate event

Results 1Q17: 28 April 2017

(€ th)	2016	2017E	2018E
Sales	151,612	179,102	301,150
REBITDA	-7,308	6,460	120,146
Net earnings	54,012	10,918	123,247
Adj. EPS (€)	1.17	0.24	2.66
P/E (x)	41.4	322.5	28.6
EV/REBITDA		452.7	24.0
FCF Yield	10.4%	-0.7%	0.8%
Dividend yield			

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#### Conclusion:

We added preliminary value to the programs in idiopathic pulmonary fibrosis and atopic dermatitis, both delivering results in 2H17. In combination with the rapid developments that have been made in the last couple of months in the cystic fibrosis pipeline, and thus reaching again the quite aggressive timelines, we feel comfortable to increase our target price from €70 per share to €80 per share. Note that Galapagos remains one of our Top Picks for 2017, despite increasing already by 36% since we released our Top Picks list mid-December.

#### Our view:

The Company showed rapid progress through its cystic fibrosis pipeline in the last couple of months, despite some doubt in being able to fulfil their previous communications in terms of timelines that were put forth. Despite the aggressive timelines that the company sets, we believe the company will be able to reach them and thus have a first triple combination study in healthy volunteers by mid-2017 (we expect 3Q17), followed by one in patients. Results from this triple combination will be highly anticipated and determining to assess its potential and to confirm the preclinical efficacy that is seen. Keep in mind that Galapagos is currently betting on multiple horses with its partner AbbVie since they have several back up molecules available (both in potentiators and corrector molecules) that are also being assessed today in terms of safety, dosing and efficacy which we find an extra positive.

To be outright positive on the cystic fibrosis case is too soon, at this stage, since the development of a triple combination therapy still holds potential risks (increase risk in drug-drug interactions etc.). Moreover, the pipeline is still relatively early stage. Nevertheless, we feel comfortable with the timelines that the company puts forth, keeping them on a competitive edge.

On top of this, we added preliminary value to programs that were previously not included in the valuation, namely for the development in atopic dermatitis and idiopathic pulmonary fibrosis since these developments will also show results in 2017 (2H17).

Following the changes to our sum of the parts, we increase our target price from €70 per share to €80 per share, while maintaining our Buy rating.