



# Galapagos

## Right back where we started (this year) from

**We update our model for Galapagos following the company's FY19 report (see: *FY19 first take (20/02/20)*), with the company's general situation being somewhat similar to when we last updated our model back in January (see: *Thoughts into 4Q19 earnings (20/01/20)*):** GLPG shares are around €200, investors are looking to the filgotinib approval/label information as the next regulatory catalyst with the SELECTION readout in ulcerative colitis as the next development catalyst (with the potential that we may learn more about Toledo along the way this year).

**To that end, not much has changed...aside from GLPG's stock price.** Shares soared to a record-high close of €250 on the day of earnings without any real fundamental changes having taken place, only to lose 25% of their value in last week's Covid-19-driven sell-off. **We certainly appreciate that this sort of price volatility does not make investors' job easier, but for our part, we feel the same way about GLPG that we have since initiation.** We see filgotinib as a best-in-class asset (now de-risked in RA with the UC data just around the corner), with a high-risk/high-reward program in GLPG 1690 with the company's development capabilities validated (to some extent, now even more so) by GILD. **Whilst we will likely see more volatility in names like GLPG (given the higher betas of biotech names) as markets seek to quantify the impact of Covid-19, and as we continue to see the fundamentals of GLPG as essentially unchanged, we reiterate our OW and €225 PT.**

**Model changes:** We've added in the \$200mm of filgotinib approval milestones cited by Galapagos on the call and also pushed out some of the initial revenues from sales from 2Q to 3Q. We've taken down our share estimates in 2020 but left our other assumptions for filgotinib unchanged.

**Valuation & catalysts:** Our €225 PT is NPV-derived (WACC: 9.5%, TV: 0%). **Catalysts:** SELECTION readout (2Q20), filgotinib potential ad com (2Q20) and approval (3Q20), ROCELLA data in OA (4Q20), PINTA/NOVESA data in IPF/SSc (2H20).

### GLPG.AS: Financial and Valuation Metrics EPS EUR

FY Dec	2018	2019	2020	2021	2022
EPS	-0.56A	2.49A	-0.80E	-1.99E	N/A
Previous EPS	-0.56A	3.95E	-1.97E	-1.71E	N/A
Consensus EPS	-0.56A	2.49A	-0.74E	-1.67E	1.03E
P/E	N/A	79.6	N/A	N/A	N/A

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 03-Mar-2020; 15:50 GMT

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### Equity Research

Healthcare | European Mid Cap  
Pharmaceuticals  
3 March 2020

Stock Rating **OVERWEIGHT**  
Unchanged

Industry View **POSITIVE**  
Unchanged

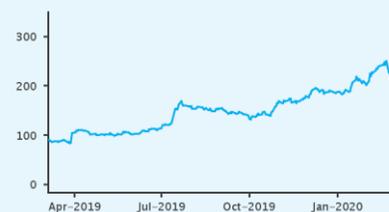
Price Target **EUR 225.00**  
Unchanged

Price (03-Mar-2020) EUR 198.20  
Potential +13.5%  
Upside/Downside  
Tickers GLPG NA / GLPG.AS

Market Cap (EUR mn) 12817  
Shares Outstanding (mn) 64.67  
Free Float (%) 65.06  
52 Wk Avg Daily Volume (mn) 0.5  
Dividend Yield (%) N/A  
Return on Equity TTM (%) 15.05  
Current BVPS (EUR) 40.92

Source: Bloomberg

Price Performance Exchange-AEX  
52 Week range EUR 252.90-78.22



Source: IDC; Link to Barclays Live for interactive charting

### European Mid Cap Pharmaceuticals

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## European Mid Cap Pharmaceuticals

Industry View: POSITIVE

## Galapagos (GLPG.AS)

Stock Rating: OVERWEIGHT

Income statement (€mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	896	664	663	N/A	N/A
Gross profit	896	664	663	N/A	N/A
EBITDA (adj)	382	-44	-130	N/A	N/A
EBIT (adj)	370	-59	-145	N/A	N/A
Pre-tax income (adj)	150	-57	-144	N/A	N/A
Net income (adj)	150	-57	-144	N/A	N/A
EPS (adj) (€)	2.49	-0.80	-1.99	N/A	N/A
Diluted shares (mn)	60.2	71.7	72.3	N/A	N/A
DPS (€)	0.00	0.00	0.00	N/A	N/A

Price (03-Mar-2020) EUR 198.20  
Price Target EUR 225.00

**Why Overweight?** We believe that GLPG's proprietary drug discovery platform is being validated as the pivotal studies read out for its lead asset, JAK inhibitor filgotinib. We believe filgotinib has the potential to be a best-in-class asset for the treatment of autoimmune diseases such as rheumatoid arthritis and inflammatory bowel disease.

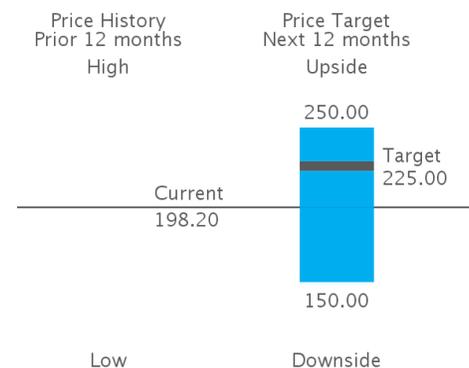
Upside case EUR 250.00

Should the MANTA safety study read out positively, it would likely mean filgotinib would be the best-in-class JAK and we would increase our peak share assumptions. Success in the phase 3 trials for IPF asset GLPG 1690 would also result in us raising our NPV.

Downside case EUR 150.00

Any safety signals for filgotinib in MANTA or failure of the asset in the IBD ph. 3 trials. Inability of GLPG 1690 to show disease modification in IPF would also lower our peak sales estimates.

## Upside/Downside scenarios



Margin and return data	Average				
Gross margin (%)	100.0	100.0	100.0	N/A	100.0
EBIT (adj) margin (%)	41.3	-8.9	-21.9	N/A	3.5
Pre-tax (adj) margin (%)	16.7	-8.6	-21.7	N/A	-4.5
Net (adj) margin (%)	16.7	-8.6	-21.7	N/A	-4.5
ROCE (%)	30.3	-1.1	-2.6	N/A	8.9
ROE (%)	12.3	-2.0	-4.8	N/A	1.8

Cash flow and balance sheet (€mn)	CAGR				
Change in working capital	2,817	-243	-104	N/A	N/A
Cash flow from operations	3,209	-385	-233	N/A	N/A
Capital expenditure	-22	-35	-35	N/A	N/A
Free cash flow	3,186	-421	-268	N/A	N/A
Tangible fixed assets	66	101	136	N/A	N/A
Intangible fixed assets	25	25	25	N/A	N/A
Cash and equivalents	5,781	5,360	5,092	N/A	N/A
Total assets	6,069	5,789	5,457	N/A	N/A
Short and long-term debt	6	6	6	N/A	N/A
Other long-term liabilities	7	7	7	N/A	N/A
Total liabilities	3,193	2,826	2,807	N/A	N/A
Total invested capital	1,020	1,528	1,484	N/A	N/A
Net debt/(funds)	-5,775	-5,354	-5,086	N/A	N/A
Provisions	0	0	0	N/A	N/A
Minorities	N/A	N/A	N/A	N/A	N/A
Shareholders' equity	2,876	2,963	2,650	N/A	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	79.6	N/A	N/A	N/A	79.6
EV/sales (x)	9.5	13.4	13.9	N/A	12.2
EV/EBITDA (adj) (x)	22.2	-200.4	-70.3	N/A	-82.8
Equity FCF yield (%)	26.7	-3.0	-1.9	N/A	7.3
P/FCF (x)	3.7	-33.8	-53.4	N/A	-27.8
P/BV (x)	4.1	4.8	5.4	N/A	4.8
Dividend yield (%)	0.0	0.0	0.0	N/A	0.0
Total debt/capital (%)	0.1	0.1	0.1	N/A	0.1
Net debt/equity (%)	-64.5	-48.4	-44.0	N/A	-52.3

Selected operating metrics	Average				
SG&A/sales (%)	11.0	22.7	27.6	N/A	20.4
R&D/sales (%)	47.7	86.9	100.1	N/A	78.2
R&D growth (%)	32.3	35.0	15.0	N/A	27.5
SG&A growth (%)	147.1	53.1	21.4	N/A	73.9

Source: Company data, Bloomberg, Barclays Research  
Note: FY End Dec

## FORECASTS &amp; CHANGES

## Forecasts &amp; changes

FIGURE 1  
Galapagos – forecasts & changes

EURm	2020E	2021E	2022E	2023E	2024E
Sales OLD	518	627	1,019	1,111	1,412
Sales NEW	664	663	1,052	1,143	1,442
<b>CHANGE</b>	<b>28%</b>	<b>6%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>
OLD sales growth	-42%	21%	62%	9%	27%
NEW sales growth	-26%	0%	59%	9%	26%
Recurring EBIT OLD	(127)	(111)	195	258	548
Recurring EBIT NEW	(59)	(145)	191	253	541
<b>CHANGE</b>	<b>53%</b>	<b>-30%</b>	<b>-2%</b>	<b>-2%</b>	<b>-1%</b>
OLD growth	-134%	13%	275%	32%	113%
NEW growth	-116%	-145%	232%	32%	114%
OLD margin	-24.6%	-17.8%	19.1%	23.2%	38.8%
NEW margin	-8.9%	-21.9%	18.2%	22.1%	37.5%
Adj EPS OLD	(1.96)	(1.70)	3.22	4.57	8.97
Adj EPS NEW	(0.80)	(1.99)	2.88	4.10	8.06
<b>CHANGE</b>	<b>59%</b>	<b>-17%</b>	<b>-10%</b>	<b>-10%</b>	<b>-10%</b>
OLD EPS growth	-179%	13%	289%	42%	96%
NEW EPS growth	-132%	-148%	245%	42%	97%
FCF OLD	(306)	(302)	46	128	424
FCF NEW	(421)	(268)	40	122	420
<b>CHANGE</b>	<b>-38%</b>	<b>11%</b>	<b>-14%</b>	<b>-4%</b>	<b>-1%</b>
Net (debt)/cash OLD	5,556	5,254	5,300	5,428	5,851
Net (debt)/cash NEW	5,354	5,086	5,125	5,248	5,668
<b>CHANGE</b>	<b>-4%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>	<b>-3%</b>
NPV old	226.68				
NPV new	222.28				
<b>CHANGE</b>	<b>-2%</b>				
PT old	225				
PT new	225				
<b>CHANGE</b>	<b>0%</b>				

Source: Barclays Research estimates

## NPV output

FIGURE 2

## Galapagos – Barclays NPV output

NPV Summary (EUR)			
	Risk Weight	PV/ share EUR	PV bn EUR
<b>In-line disclosed assets</b>		-	-
filgotinib - RA	90%	53.71	3.87
filgotinib - CD	70%	17.67	1.27
filgotinib - UC	70%	22.12	1.59
GLPG 1690	40%	41.54	2.99
GLPG 1972	25%	6.84	0.49
<b>Pipeline</b>		<b>141.88</b>	<b>10.21</b>
<b>Other &amp; R&amp;D terminal</b>		<b>103.36</b>	<b>7.44</b>
<b>Total portfolio</b>		<b>245.24</b>	<b>17.65</b>
Restructuring (net)		-	-
R&D (net)		(89.27)	(6.43)
Capex		(8.07)	(0.58)
<b>EV (Healthcare)</b>		<b>147.89</b>	<b>10.64</b>
<b>Associates &amp; Investments</b>			
Net cash position		74.39	5.35
Pensions		-	-
Minorities		-	-
<b>Debt and other</b>		<b>74.39</b>	<b>5.35</b>
<b>Group MV</b>		<b>222.28</b>	<b>16.00</b>

WACC: 9.5%

Terminal growth: 0.0%

Source: Barclays Research estimates

## BARCLAYS VS. CONSENSUS

## Barclays vs. consensus

FIGURE 3  
Barclays vs. consensus

03/03/2020	2020E	2021E	2022E	2023E	2024E
Revenue CONS	632	670	883	1,143	1,357
Revenue BARC	664	663	1,052	1,143	1,442
<b>VAR</b>	<b>5%</b>	<b>-1%</b>	<b>19%</b>	<b>0%</b>	<b>6%</b>
EBIT CONS	(27)	(123)	19	135	339
EBIT BARC	(59)	(145)	191	253	541
<b>VAR</b>	<b>-121%</b>	<b>-18%</b>	<b>931%</b>	<b>87%</b>	<b>59%</b>
EBIT Margin CONS	-4.2%	-18.3%	2.1%	11.8%	25.0%
EBIT Margin BARC	-8.9%	-21.9%	18.2%	22.1%	37.5%
<b>VAR</b>	<b>-110%</b>	<b>-20%</b>	<b>765%</b>	<b>87%</b>	<b>50%</b>
EBITDA CONS	28	(52)	(94)	(60)	(46)
EBITDA BARC	(44)	(130)	215	278	573
<b>VAR</b>	<b>-257%</b>	<b>-153%</b>	<b>329%</b>	<b>562%</b>	<b>1343%</b>
EBITDA Margin CONS	4.5%	-7.7%	-10.6%	-5.3%	-3.4%
EBITDA Margin BARC	-6.7%	-19.7%	20.4%	24.4%	39.8%
<b>VAR</b>	<b>-249%</b>	<b>-156%</b>	<b>292%</b>	<b>562%</b>	<b>1270%</b>
Net Profit CONS	(31)	(145)	(55)	134	327
Net Profit BARC	(57)	(144)	210	301	597
<b>VAR</b>	<b>-87%</b>	<b>1%</b>	<b>485%</b>	<b>125%</b>	<b>83%</b>
Core EPS CONS	(0.74)	(1.67)	1.03	3.70	6.44
Core EPS BARC	(0.80)	(1.99)	2.88	4.10	8.06
<b>VAR</b>	<b>-8%</b>	<b>-19%</b>	<b>179%</b>	<b>11%</b>	<b>25%</b>

Source: Bloomberg consensus, Barclays Research estimates

## DETAILED FORECASTS

## Revenue model

FIGURE 4

## Revenue model

Revenues	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
filgotinib - sales booked by GLPG	0.0	0.0	1.1	9.9	30.0	40.6	57.6	76.4
filgotinib - royalties from GILD	0.0	0.0	7.0	84.0	219.0	316.8	479.3	627.3
filgotinib - milestones		0.0	179.1	75.0	50.0	0.0	0.0	0.0
<b>Total filgotinib</b>	<b>0.0</b>	<b>0.0</b>	<b>187.2</b>	<b>168.9</b>	<b>299.0</b>	<b>357.4</b>	<b>536.9</b>	<b>703.7</b>
GLPG 1690 US	0.0	0.0	0.0	0.0	76.9	171.1	237.9	370.5
GLPG 1690 ex US	0.0	0.0	0.0	0.0	42.2	90.2	120.5	180.4
GLPG 1690 - milestones					130.0			
<b>Total GLPG 1690</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>249.1</b>	<b>261.2</b>	<b>358.4</b>	<b>550.8</b>
CF triple - royalties from ABBV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total CF</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
GLPG 1972 - US/int'l royalty		0.0	0.0	0.0	7.7	24.8	44.3	66.4
<b>Total GLPG 1972</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7.7</b>	<b>24.8</b>	<b>44.3</b>	<b>66.4</b>
MOR 106 - royalty	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total MOR 106</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Gilead - 1690 upfront	667.0	0.0	667.0	0.0	0.0	0.0	0.0	0.0
Gilead - filgo deferred revenues	641.7	-91.7	146.7	146.7	146.7	146.7	146.7	0.0
Gilead - platform	2,296.5	80.9	221.6	221.6	221.6	221.6	221.6	221.6
Novartis payment	47.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Third Party Revenues	241.3	188.8	57.7	72.0	72.0	72.0	72.0	0.0
<b>Third Party Revenues</b>	<b>288.8</b>	<b>845.0</b>	<b>425.9</b>	<b>440.2</b>	<b>440.2</b>	<b>440.2</b>	<b>440.2</b>	<b>221.6</b>
<b>Growth Rates</b>								
filgotinib - sales booked by GLPG					203.5%	35.3%	41.9%	32.7%
filgotinib - royalties from GILD					160.6%	44.7%	51.3%	30.9%
filgotinib - milestones								
<b>Total filgotinib Growth</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>-9.8%</b>	<b>77.0%</b>	<b>19.5%</b>	<b>50.2%</b>	<b>31.1%</b>
GLPG 1690 US					n/a	122.5%	39.1%	55.7%
GLPG 1690 ex US					n/a	113.8%	33.7%	49.7%
<b>Total GLPG 1690 Growth</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>4.9%</b>	<b>37.2%</b>	<b>53.7%</b>
CF triple - royalties from ABBV								
<b>Total CF Growth</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
GLPG 1972 - US sales / int'l royalty						221.0%	78.4%	49.9%
<b>Total GLPG 1972 Growth</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>221.0%</b>	<b>78.4%</b>	<b>49.9%</b>
MOR 106 - royalty						n/a	n/a	n/a
<b>Total MOR 106 Growth</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Third Party Revenues	89.9%	-21.8%	-69.4%	24.8%	0.0%	0.0%	0.0%	-100.0%
<b>Third Party Revenues Growth</b>	<b>127.3%</b>	<b>192.5%</b>	<b>-49.6%</b>	<b>3.4%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-49.7%</b>
<b>Total Revenue</b>	<b>288.8</b>	<b>845.0</b>	<b>613.1</b>	<b>609.1</b>	<b>996.0</b>	<b>1,083.7</b>	<b>1,379.8</b>	<b>1,542.5</b>

Source: Company reports, Barclays Research estimates

## Income Statement

FIGURE 5

## Income statement

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
<b>INCOME STATEMENT</b>									
<b>Revenue</b>	<b>155.9</b>	<b>317.8</b>	<b>895.9</b>	<b>664.0</b>	<b>662.6</b>	<b>1,052.1</b>	<b>1,142.6</b>	<b>1,441.6</b>	<b>1,607.5</b>
Growth (% yoy)	2.8%	103.9%	181.9%	-25.9%	-0.2%	58.8%	8.6%	26.2%	11.5%
<b>COGS</b>	-	-	-	-	-	(37.4)	(39.2)	(53.8)	(82.6)
<b>Gross Profit</b>	<b>156</b>	<b>317.8</b>	<b>895.9</b>	<b>664.0</b>	<b>662.6</b>	<b>1,014.8</b>	<b>1,103.4</b>	<b>1,387.9</b>	<b>1,524.9</b>
Growth (% yoy)	2.8%	103.9%	181.9%	-25.9%	-0.2%	53.2%	8.7%	25.8%	9.9%
Gross margin (%)	100.0%	100.0%	100.0%	100.0%	100.0%	96.4%	96.6%	96.3%	94.9%
<b>SG&amp;A</b>	<b>(27.2)</b>	<b>(39.8)</b>	<b>(98.3)</b>	<b>(150.5)</b>	<b>(182.6)</b>	<b>(210.0)</b>	<b>(241.5)</b>	<b>(265.7)</b>	<b>(279.0)</b>
Growth (% yoy)	15.7%	46.1%	147.1%	53.1%	21.4%	15.0%	15.0%	10.0%	5.0%
% of sales	17.5%	12.5%	11.0%	22.7%	27.6%	20.0%	21.1%	18.4%	17.4%
<b>R&amp;D</b>	<b>(218.5)</b>	<b>(322.9)</b>	<b>(427.3)</b>	<b>(577.0)</b>	<b>(663.6)</b>	<b>(729.9)</b>	<b>(766.4)</b>	<b>(804.7)</b>	<b>(845.0)</b>
Growth (% yoy)	56.6%	47.8%	32.3%	35.0%	15.0%	10.0%	5.0%	5.0%	5.0%
% of sales	140.1%	101.6%	47.7%	86.9%	100.1%	69.4%	67.1%	55.8%	52.6%
<b>Combined SG&amp;A &amp; R&amp;D</b>	<b>(245.7)</b>	<b>(362.7)</b>	<b>(525.6)</b>	<b>(727.5)</b>	<b>(846.2)</b>	<b>(939.9)</b>	<b>(1,007.9)</b>	<b>(1,070.4)</b>	<b>(1,123.9)</b>
Growth	50.65%	47.59%	44.93%	38.41%	16.32%	11.08%	7.23%	6.20%	5.00%
<b>filgotinib profit split - from EU</b>	-	-	-	<b>4.16</b>	<b>38.34</b>	<b>116.37</b>	<b>157.44</b>	<b>223.42</b>	<b>296.48</b>
<b>IFRS EBIT</b>	<b>(89.8)</b>	<b>(44.8)</b>	<b>370.3</b>	<b>(59.3)</b>	<b>(145.3)</b>	<b>191.2</b>	<b>252.9</b>	<b>540.9</b>	<b>697.4</b>
Growth (% yoy)	681.6%	-50.1%	-926.4%	-116.0%	145.0%	-231.6%	32.3%	113.8%	28.9%
Other Financial Income	4.9	18.3	21.5	33.4	27.6	24.7	24.3	28.6	37.9
Other Financial Expense	(30.6)	(2.7)	(60.1)	(31.4)	(26.0)	(23.2)	(22.9)	(26.9)	(18.9)
Fair value re-measurement of agreement	-	-	(181.6)	-	-	-	-	-	-
Other (income)/deductions--net	(25.7)	15.6	(220.2)	1.9	1.6	1.5	1.4	1.7	19.0
Growth (% yoy)	-139.1%	-160.7%	-1511.8%						
<b>Income before provision for taxes</b>	<b>(115.5)</b>	<b>(29.2)</b>	<b>150.1</b>	<b>(57.4)</b>	<b>(143.6)</b>	<b>221.2</b>	<b>317.1</b>	<b>628.6</b>	<b>848.6</b>
Income Tax Expense	(0.2)	(0.0)	(0.2)	-	-	(11.1)	(15.9)	(31.4)	(42.4)
Tax rate	-0.2%	-0.2%	0.1%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%
Minority Interest	-	-	-	-	-	-	-	-	-
<b>Reported Net Profit</b>	<b>(115.7)</b>	<b>(29.3)</b>	<b>149.8</b>	<b>(57.4)</b>	<b>(143.6)</b>	<b>210.2</b>	<b>301.2</b>	<b>597.1</b>	<b>806.2</b>
Shares outstanding average -- diluted	49.5	52.2	60.2	71.7	72.3	72.9	73.5	74.1	74.7
Growth (% yoy)	4.6%	5.6%	15.2%	19.1%	0.8%	0.8%	0.8%	0.8%	0.8%
<b>Reported EPS (diluted)</b>	<b>(2.34)</b>	<b>(0.56)</b>	<b>2.49</b>	<b>(0.80)</b>	<b>(1.99)</b>	<b>2.88</b>	<b>4.10</b>	<b>8.06</b>	<b>10.80</b>
Growth (% yoy)	-304.8%	-76.1%	-544.6%	-132.1%	148.4%	-245.1%	42.2%	96.6%	33.9%
Number of shares issued (period end)	49.5	52.2	71.4	72.0	72.6	73.2	73.8	74.4	75.0
Growth (% yoy)									
<b>Regular D&amp;A</b>	<b>4.3</b>	<b>6.8</b>	<b>12.0</b>	<b>14.8</b>	<b>14.8</b>	<b>23.5</b>	<b>25.5</b>	<b>32.2</b>	<b>35.9</b>
% of sales	2.7%	2.1%	1.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
<b>EBITDA</b>	<b>(85.5)</b>	<b>(38.0)</b>	<b>382.3</b>	<b>(44.5)</b>	<b>(130.5)</b>	<b>214.7</b>	<b>278.4</b>	<b>573.1</b>	<b>733.3</b>
Growth (% yoy)	1070.2%	-55.6%	-1106.3%	-111.6%	193.4%	-264.5%	29.7%	105.8%	28.0%
% of sales	-54.8%	-12.0%	42.7%	-6.7%	-19.7%	20.4%	24.4%	39.8%	45.6%

Source: Company reports, Barclays Research estimates

## Balance Sheet

FIGURE 6

## Balance sheet

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
<b>INCOME STATEMENT</b>									
Revenue	155.9	317.8	895.9	664.0	662.6	1,052.1	1,142.6	1,441.6	1,607.5
Growth (% yoy)	2.8%	103.9%	181.9%	-25.9%	-0.2%	58.8%	8.6%	26.2%	11.5%
<b>BALANCE SHEET</b>									
<b>Assets</b>									
Cash and Cash Equivalents	1,151.2	1,290.8	1,861.6	1,441.0	1,172.9	1,212.4	1,334.6	1,754.7	2,422.1
Current financial investments			3,919.2	3,919.2	3,919.2	3,919.2	3,919.2	3,919.2	3,919.2
Inventories	0.3	-	-	-	-	13.8	30.4	41.7	64.0
Accounts Receivable	28.0	18.6	54.0	160.0	61.3	94.3	125.8	160.5	184.7
R&D incentive receivables	11.8	11.2	21.9	21.9	21.9	21.9	21.9	21.9	21.9
Restricted Cash	-	-	-	-	-	-	-	-	-
Other current assets	6.4	8.2	9.1	9.1	9.1	9.1	9.1	9.1	9.1
<b>Total Current Assets</b>	<b>1,197.6</b>	<b>1,328.9</b>	<b>5,865.9</b>	<b>5,551.3</b>	<b>5,184.5</b>	<b>5,270.9</b>	<b>5,441.0</b>	<b>5,907.1</b>	<b>6,621.2</b>
Intangible Assets	2.5	3.6	24.9	24.9	24.9	24.9	24.9	24.9	24.9
Property, Plant & Equipment, net	16.7	23.1	66.1	101.2	136.4	192.1	252.7	329.1	414.3
Deferred Tax Assets	2.0	2.5	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Non-current R&D incentive receivables	64.0	73.4	93.4	93.4	93.4	93.4	93.4	93.4	93.4
Non-current restricted cash	1.2	-	-	-	-	-	-	-	-
Other non-current assets	2.3	7.9	14.1	14.1	14.1	14.1	14.1	14.1	14.1
<b>Total Assets</b>	<b>1,286.3</b>	<b>1,439.5</b>	<b>6,068.6</b>	<b>5,789.2</b>	<b>5,457.5</b>	<b>5,599.6</b>	<b>5,830.3</b>	<b>6,372.9</b>	<b>7,172.1</b>
<b>Liabilities</b>									
Provisions	-	-	-	-	-	-	-	-	-
Finance Lease Liabilities	0.0	-	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Accounts Payable	47.1	68.9	143.4	190.6	171.9	264.5	352.6	450.0	517.9
Current Tax Payable	0.9	1.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Accrued Charges	1.2	-	-	-	-	-	-	-	-
Deferred Income	122.5	149.8	414.3	-	-	-	-	-	-
Current Financial liabilities	-	-	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Other current	-	-	-	-	-	-	-	-	-
<b>Current liabilities</b>	<b>171.7</b>	<b>219.9</b>	<b>571.8</b>	<b>204.7</b>	<b>186.0</b>	<b>278.6</b>	<b>366.7</b>	<b>464.0</b>	<b>532.0</b>
Pension Liabilities	3.6	3.8	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Provisions	0.1	-	-	-	-	-	-	-	-
Finance Lease Liabilities	-	-	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Other non-current liabilities	1.6	1.6	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Non-current deferred income	97.3	-	2,586.3	2,586.3	2,586.3	2,586.3	2,586.3	2,586.3	2,586.3
Non-current financial liabilities	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>274.3</b>	<b>225.2</b>	<b>3,193.0</b>	<b>2,825.8</b>	<b>2,807.1</b>	<b>2,899.7</b>	<b>2,987.8</b>	<b>3,085.2</b>	<b>3,153.1</b>
Equity capital	233.4	236.5	287.3	272.6	287.3	272.6	287.3	272.6	287.3
Share Premium	993.0	1,277.8	2,703.6	2,703.6	2,703.6	2,703.6	2,703.6	2,703.6	2,703.6
Other reserves	(1.3)	(0.7)	(4.8)	(7.8)	(230.2)	(271.3)	(38.0)	316.5	1,138.5
Treasury Stock	-	-	-	-	-	-	-	-	-
Translation differences	(1.8)	(1.6)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Accumulated losses	(211.4)	(297.8)	(109.2)	(3.9)	(109.2)	(3.9)	(109.2)	(3.9)	(109.2)
<b>Total Shareholders' Equity</b>	<b>1,012.0</b>	<b>1,214.2</b>	<b>2,875.7</b>	<b>2,963.3</b>	<b>2,650.3</b>	<b>2,699.9</b>	<b>2,842.5</b>	<b>3,287.7</b>	<b>4,019.0</b>
<b>Total Liabilities and Shareholders'</b>	<b>1,286.3</b>	<b>1,439.5</b>	<b>6,068.6</b>	<b>5,789.2</b>	<b>5,457.5</b>	<b>5,599.6</b>	<b>5,830.3</b>	<b>6,372.9</b>	<b>7,172.1</b>

Source: Company reports, Barclays Research estimates

## Statement of Cash Flows

FIGURE 7

## Cash flow statement

	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
<b>CASH FLOW STATEMENT</b>									
<b>Operating Activities</b>									
Net income / loss	-115.7	-29.3	149.8	-57.4	-143.6	210.2	301.2	597.1	806.2
Tax Expense	0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other net financial expenses	25.7	-9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FV re-measurement of subscription sha	0.0	0.0	248.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	3.6	3.8	12.0	14.8	14.8	23.5	25.5	32.2	35.9
Amortization and Inventories w write-off	0.7	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net realized loss on FX	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share based comp.	16.5	19.4	39.5	0.0	0.0	0.0	0.0	0.0	0.0
Decrease in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in pension liabilities	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discounting effect of deferred income			0.0	0.0					
Unrealized exchange gains/losses		0.0	0.0	0.0					
Fair value adjustment		0.0	0.0	-20.0					
Gain on sale of business/ fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment for items under investing/financing CF			-5.1	0.0					
Interest paid	-0.3	-1.1	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Interest received	1.3	4.6	7.9	0.0	0.0	0.0	0.0	0.0	0.0
Taxes paid	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash items adjusted			-59.3	-80.0					
<u>Working capital</u>									
Inventory	0.0	0.0	4.2	0.0	0.0	-13.8	-16.5	-11.3	-22.4
Accounts receivable	-27.7	-20.0	4.2	-106.0	98.7	-33.0	-31.4	-34.7	-24.2
Trade & Other Payables	14.8	39.9	4.2	47.2	-18.7	92.6	88.1	97.3	68.0
Deferred Income and Others	-65.7	-153.3	2,804.2	-184.1	-184.1	-184.1	-184.1	-184.1	-110.8
<b>Total change in working capital</b>	<b>-78.6</b>	<b>-133.4</b>	<b>2,816.9</b>	<b>-242.9</b>	<b>-104.2</b>	<b>-138.4</b>	<b>-144.0</b>	<b>-132.8</b>	<b>-89.4</b>
<b>Net cash from operations</b>	<b>-147.0</b>	<b>-142.463</b>	<b>3,208.6</b>	<b>-385.4</b>	<b>-233.0</b>	<b>95.3</b>	<b>182.8</b>	<b>496.5</b>	<b>752.6</b>
<b>From Investing Activity</b>									
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases of PP&E	-5.3	-10.4	-22.4	-35.2	-35.1	-55.8	-60.6	-76.4	-85.2
Disposals of PP&E	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
R&D and other intangibles	-2.1	-3.3	-23.3	0.0	0.0	0.0	0.0	0.0	0.0
Decrease in restricted cash	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition/Proceeds - financial assets	0.4	-2.2	-3,724.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash from Investing</b>	<b>-0.5</b>	<b>-15.914</b>	<b>-3,764.7</b>	<b>-35.2</b>	<b>-35.1</b>	<b>-55.8</b>	<b>-60.6</b>	<b>-76.4</b>	<b>-85.2</b>
<b>From Financing Activity</b>									
Net change in financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from capital increases	353.4	296.2	955.6	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of obligations under leases	-0.1	-0.1	-5.1	0.0	0.0	0.0	0.0	0.0	0.0
Dividend (paid)/ received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-8.3	385.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Cash from Financing</b>	<b>353.4</b>	<b>287.9</b>	<b>1,335.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Other cash flow s	0.0	0.0	-198.9	0.0	0.0	0.0	0.0	0.0	0.0
Exchange	-27.8	10.1	-10.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash/Equiv Balance (BOY)	973.2	1,151.2	1,290.8	1,861.6	1,441.0	1,172.9	1,212.4	1,334.6	1,754.7
Net Cash Flow	178.0	139.6	570.8	-420.6	-268.2	39.5	122.2	420.1	667.4
Cash/Equiv Balance (EOY)	1,151.2	1,290.8	1,861.6	1,441.0	1,172.9	1,212.4	1,334.6	1,754.7	2,422.1
<b>Free Cash Flow</b>									
Grow th (% yoy)	-164.8%	0.3%	-2184.5%	-113.2%	-36.2%	-114.7%	209.2%	243.8%	58.9%
Per share	(3.08)	(2.93)	52.95	(5.87)	(3.71)	0.54	1.66	5.67	8.94
% of NI	132%	522%	2126%	733%	187%	19%	41%	70%	83%

Source: Company reports, Barclays Research estimates

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### Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

### Stock Rating

**Overweight** - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

**Equal Weight** - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

**Underweight** - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

**Rating Suspended** - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

### Industry View

**Positive** - industry coverage universe fundamentals/valuations are improving.

**Neutral** - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

**Negative** - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

### European Mid Cap Pharmaceuticals

argenx (ARGX.BR)	Galapagos (GLPG.AS)	Genmab A/S (GMAB.CO)
Grifols SA (GRLS.MC)	H Lundbeck A/S (LUN.CO)	Hikma Pharmaceuticals PLC (HIK.L)
Ipsen SA (IPN.PA)	Merck KGaA (MRCG.DE)	UCB SA (UCB.BR)
Vifor Pharma AG (VIFN.S)		

## IMPORTANT DISCLOSURES CONTINUED

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Barclays Equity Research has 1600 companies under coverage.

45% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 50% of companies with this rating are investment banking clients of the Firm; 76% of the issuers with this rating have received financial services from the Firm.

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IMPORTANT DISCLOSURES CONTINUED

Galapagos (GLPG NA / GLPG.AS)

EUR 198.20 (03-Mar-2020)

Stock Rating

**OVERWEIGHT**

Industry View

**POSITIVE**

Rating and Price Target Chart - EUR (as of 03-Mar-2020)

Currency=EUR



Publication Date	Closing Price	Rating	Adjusted Price Target
20-Jan-2020	212.20		225.00
11-Nov-2019	171.60		180.00
26-Aug-2019	148.80		170.00
01-Apr-2019	104.95		140.00
30-Jul-2018	96.00	Overweight	130.00

Source: Bloomberg, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

**FC:** Barclays Bank PLC and/or an affiliate beneficially owns a short position of more than 0.5% of a class of equity securities of Galapagos, as calculated in accordance with EU regulations.

**J:** Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by Galapagos and/or in any related derivatives.

**Valuation Methodology:** Given that we do not expect Galapagos to be profitable until 2022, we employ an NPV-based methodology to derive our price target. Using a 9.5% WACC and 0% terminal growth rate, we arrive at a price target for GLPG of EUR 225.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** MANTA study showing a safety signal. FDA ruling class effect for safety for JAKs that limits uptake for the class. Failure of filgotinib in ph. 3 IBD trials. Failure of GLPG 1690 to show disease modification in IPF.

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European Mid Cap Pharmaceuticals (Cont'd)

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