

## Galapagos (GLPG NA)

**Neutral**

Price: €50.94

05 Aug 2021

2Q'21 Results: Pipeline timelines reiterated, guidance confirmed. Next key event is filgo EU approval in UC by YE'21

**Our Take:** Last night after the US market close Galapagos (GLPG) announced inline 2Q'21 results and reiterated FY'21 OpEx guidance, with pipeline timelines reiterated and minimal updates. **Overall, with the FY'21 cash burn guidance confirmed and the clinical updates in line with expectations, we don't anticipate a significant move in the shares on the back of yesterday's update.**

- **Noteworthy Areas: (1) On the 2Q'21 financials,** Revenues of €153m came in 14%/ €19m above Consensus at €134m, with greater recognition of revenues from the Gilead collaboration vs. JPM estimates (€139m for the quarter vs. JPMe €114m – no Consensus available). The drop through of the topline beat was partially offset by greater OpEx (+6%/ €12m vs. Cons.), with Operating Loss coming in 13%/ €7m less negative vs. Consensus expectations, but Net Loss was €16m more negative on higher Net Financial Expense. As expected, there was no disclosure in the release with regards to in-market sales of Jyseleca in Europe and Japan, with the company continuing to anticipate reporting of revenues starting 2H'21. **(2) Cash burn of €108m for the quarter** was below Consensus at €159m for the quarter, with GLPG ending 2Q'21 with €2.6bn in cash and cash equivalents. **(3) Pipeline updates: GLPG'3667** – Phase II trial in Ulcerative Colitis as well as already announced Phase IIb trial in Psoriasis to start in 2022; **TOLEDO** – GLPG'4399 (SIK-3) advancing into Phase I in healthy volunteers this year; **GLPG'2737** – Phase IIa in polycystic kidney disease on track to finalise recruitment by YE'21. Other timelines were reiterated, with the Phase III (DIVERSITY) trial for filgotinib in Crohn's on track to finalise recruitment by YE'21, and a follow-up SIK-2/3 molecule moving into clinical development in 2022.
- **Outlook & Guidance:** GLPG confirmed the FY'21 cash burn guidance of “€580m-€620m”.
- **Likely Changes to Consensus:** We forecast operational cash burn of c. €590m in 2021, which is broadly in line with the midpoint of the guidance range (€600m), and assume the market has taken a similar approach, with Consensus having

modelled €287m cash burn for 1H'21. As such, we don't expect Consensus numbers to move significantly post these results.

- **Conference Call:** Webcast event today at 1pm BST / 2pm CEST / 8am EDT. Dial in details: +44 2071 928338 (UK), +1 646 741 3167 (US), +31 207 95 66 14 (Netherlands), +33 1 70 70 0781 (France), +32 2 793 38 47 (Belgium). Confirmation Code: 8245817.

Table 1: Galapagos 2Q'21 results (€m, except per share data)

	2Q'21A	Cons. 2Q'21E	% Diff	Abs. Diff	JPMe 2Q'21E	% Diff	Abs. Diff	2Q'20A	% y-o-y Growth
Revenues	139.8	79.5	75.8%	60.3	114.8	21.8%	25.0	103.6	35%
Other income	13.3	54.6	-75.6%	(41.3)	13.5	-1.3%	(0.2)	14.1	-5%
<b>Total Revenues and other income</b>	<b>153.1</b>	<b>134.1</b>	<b>14.1%</b>	<b>19.0</b>	<b>128.3</b>	<b>19.3%</b>	<b>24.8</b>	<b>117.7</b>	<b>30%</b>
R&D expenditure	(138.9)	(132.9)	4.5%	(6.0)	(148.0)	-6.2%	9.1	(149.1)	-7%
as % of Revenues	-99.4%	-167.1%	nm		-128.9%	nm		-143.9%	4458bps
G&A expenses	(46.4)	(31.9)	45.7%	(14.6)	(34.8)	33.6%	(11.7)	(37.7)	23%
as % of Revenues	-33.2%	-40.1%	686bps		-30.3%	-294bps		-36.4%	314bps
S&M expenses	(14.5)	(19.8)	-26.5%	5.2	(25.6)	-43.4%	11.1	(17.1)	-15%
as % of Revenues	-10.4%	-24.9%	nm		-22.3%	nm		-16.5%	611bps
<b>Total Operating Expenses</b>	<b>(199.8)</b>	<b>(187.7)</b>	<b>6.5%</b>	<b>(12.1)</b>	<b>(208.4)</b>	<b>-4.1%</b>	<b>8.6</b>	<b>(203.9)</b>	<b>-2%</b>
as % of Revenues	-143.0%	-236.1%	nm		-181.5%	nm		-196.8%	5383bps
<b>Operating Profit/(Loss)</b>	<b>(46.8)</b>	<b>(54.0)</b>	<b>-13.4%</b>	<b>7.2</b>	<b>(80.1)</b>	<b>-41.7%</b>	<b>33.4</b>	<b>(86.2)</b>	<b>-46%</b>
<b>Net financial income/(expenses)</b>	<b>(19.1)</b>	<b>(1.1)</b>	<b>nm</b>	<b>(17.9)</b>	<b>(4.8)</b>	<b>298%</b>	<b>(14.3)</b>	<b>(27.9)</b>	<b>-32%</b>
Fair value remeasurement of share subscription	0.9	(0.3)	-	1.1	0.0	-	0.9	(0.6)	-
<b>Profit/(Loss) Before Tax</b>	<b>(65.0)</b>	<b>(48.6)</b>	<b>33.7%</b>	<b>(16.4)</b>	<b>(84.9)</b>	<b>-23.5%</b>	<b>20.0</b>	<b>(114.7)</b>	<b>-43%</b>
Income taxes	0.6	(0.1)	-645.7%	0.7	0.0	-	0.6	(0.4)	-
Tax Rate	nm	nm	-		nm	-		nm	-
<b>Net Profit/(Loss)</b>	<b>(64.3)</b>	<b>(46.4)</b>	<b>38.5%</b>	<b>(17.9)</b>	<b>(84.9)</b>	<b>-24.2%</b>	<b>20.6</b>	<b>(115.0)</b>	<b>-44%</b>
Basic income/(loss) per share	(0.98)	(0.62)	58.2%	(0.36)	(1.30)	-24.5%	0.32	(1.77)	-45%
Diluted income/(loss) per share	(0.98)	(0.72)	35.6%	(0.26)	(1.30)	-24.5%	0.32	(1.77)	-45%

Source: Company data, Company collated Consensus, J.P. Morgan estimates

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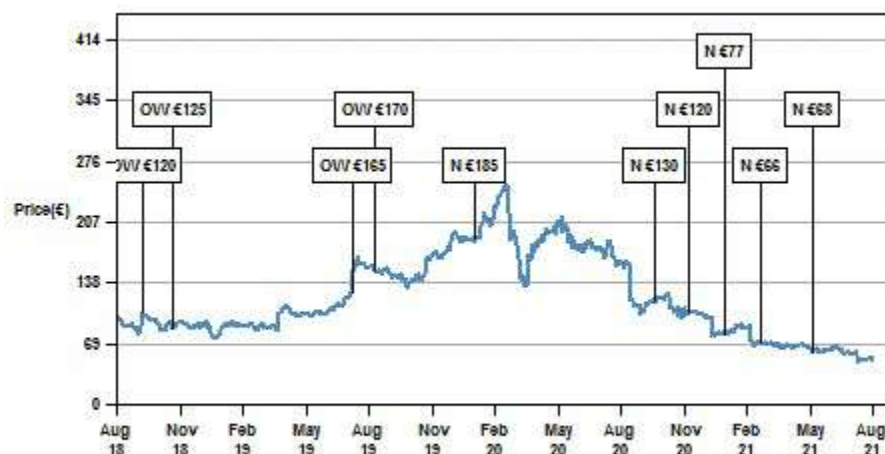
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Galapagos (GLPG.AS, GLPG NA) Price Chart



Date	Rating	Price (€)	Price Target (€)
13-Sep-18	OW	104.55	120
26-Oct-18	OW	86.04	125
15-Jul-19	OW	128.15	165
15-Aug-19	OW	152.05	170
06-Jan-20	N	188.40	185
24-Sep-20	N	118.70	130
12-Nov-20	N	104.75	120
04-Jan-21	N	80.48	77
24-Feb-21	N	70.00	66
11-May-21	N	59.21	68

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Sep 12, 2018. All share prices are as of market close on the previous business day.

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