

## Biotechnology

Price:	\$61.76
Fair Value Estimate:	\$64.00
52-Week Range:	\$37.03 - \$73.37
Market Cap (MM):	\$2,853
Shr.O/S-Diluted (mm):	46.2
Average Daily Volume:	94,658
Cash/Share:	\$26.00

FYE: Dec	2016E	2017E	2018E
EPS:	€(0.87)E	€1.47E	€(4.19)E
Prior EPS:	€(1.11)	€4.25	€(2.26)
P/E Ratio:	NA	32.2x	NA

## Quarterly EPS:

	2016E	2017E	
Q1	€0.79A	€(0.05)E	--
Q2	€(0.69)A	€2.34E	--
Q3	€(0.17)A	€(0.60)E	--
Q4	€(1.03)E	€(0.21)E	--

## Quarterly Revenue (M):

	2016E	2017E	
Q1	€15A	€95E	--
Q2	€39A	€195E	--
Q3	€16A	€45E	--
Q4	€28E	€45E	--
Year:	€93E	€380E	€170E

October 31, 2016

## Galapagos NV

(GLPG) - BUY

## GLPG: Pipeline-in-a-Product, Supported by Expanding Pipeline, &amp; \$1.0B+ in Cash

## Flash Takeaways

Galapagos and partner AbbVie (ABBV - No rating) have their toes in the Cystic Fibrosis (CF) door with the preliminary read from their first potentiator. Based on the competitive dynamics of CF, the upcoming data readouts starting in December and into mid-17 will be crucial for the partnership and if successful (triple-combo selection mid-17) could be a major driver of GLPG shares during 2017. In the meantime, filgotinib, with its pipeline-in-a-product profile, is a compelling asset with blockbuster potential based on available data, on going registration studies, and additional targets that are likely to come on line during 2017. The mediocre data from competitor Celgene (CELG - No rating) and the Biogen's (BIIB - No rating) decision to discontinue the development of S1PR for IBD, positions filgotinib as the potential first, oral therapy in IBD, in our view. Beyond CF and the filgotinib franchise, other value-drivers include: Idiopathic Pulmonary Fibrosis, Osteoarthritis, and Atopic Dermatitis. We recommend buying on meaningful weakness. Note, ~\$26 cash, significant additional near-term milestone payments, and filgotinib supports current EV of \$1.75B, by our estimates.

## Analysts Notes

Late-stage pipeline updates: Filgotinib (oral, specific inhibitor of JAK1): Partner Gilead (GILD – No rating)

- FINCH program underway during 3Q16 – Phase 3 program with in RA, which includes both the 100mg and 200 mg dose, is aiming at a broad label across multiple lines of therapy in RA. The FINCH program will include more than 3,000 patients across three studies (spread across front-line to post TNF settings) with duration of either 24 weeks (one study) up to 52 weeks (two studies)
- DIVERSITY - A phase 3 program targeting Crohn's disease has been recently initiated. The program will include more than 1,300 patients, (52-week treatment duration) spread across 10 week of induction and 42 weeks of maintenance with a remission (CDAI scores) and endoscopic endpoints with (>50% reduction in SES-CD scores). While in the U.S.. the younger TNF-naïve males are not being exposed to the 200mg dose, ex-U.S. there are no restrictions, and the ongoing safety study (200 patients, 1:1 randomization) should clear the 200mg dose (no testicular signal in the prior human studies)
- SELECTION - A Phase 2/3 program targeting Ulcerative Colitis (UC) is screening patients. The phase 2/3 program has an interim futility read, although based on the efficacy in Crohn's patients, we anticipate the program will proceed to phase



3. Note, the UC opportunity represents an upside to our current valuation for filgotinib (not currently included in our NPV estimate)

Mid-stage pipeline updates: Cystic Fibrosis: Partner AbbVie (ABBV – No rating)

- Preliminary data from the first potentiator GLPG-1837 in S1251N patients was presented last week at the NACFC
- A larger phase 2 in G551D patients (SAPHIRA-1 program) is expected during December 2016
- Galapagos has advanced a second potentiator GLPG-2451, into phase 1. Once daily dosing and potentially higher lung uptake differentiates GLPG-2451 from GLPG-1837
- This will be followed by a third potentiator GLPG-3067, which will move forward to phase 1 during early 2017
- Early-corrector compound GLPG-2222 (is now enrolling CF patients), which is to be followed by its backup GLPG-2851
- Since both GLPG-2451 and GLPG-2222 have once daily PK profile, could form the backbone of the planned triple therapy
- Galapagos is also on track to start a phase 1 with GLPG-2737 during 4Q16
- Late corrector GLPG-2737 and its backup (not yet disclosed) should also enter the clinic during 1H17
- The CF program will be a key driver of sentiment on GLPG stock over the next 12 months, as Filgotinib phase 3 program is fully enrolled, in our view

Other pipeline updates:

- During 3Q16, GLPG-1690 was granted orphan designation for the treatment of idiopathic pulmonary fibrosis, (IPF). GLPG-1690 is currently being investigated in an exploratory phase 2 study with preliminary data during 2Q17, by our estimates. GLPG-1690 is a wholly-owned asset
- Phase 2 in the U.S. for GLPG-1972, are anticipated to begin during 1H17. GLPG-1972 is being developed with Servier for the treatment of osteoarthritis. GLPG owns the U.S. rights for GLPG-1972
- GLPG announced dosing of its first patient in atopic dermatitis with its first antibody (MOR106) being developed with MorphoSys. Development and R&D expenses are being shared and if successful profits from MOR106 will be shared 50:50. The target is the IL-17C, and has a dual mode of action (targets both IL-17A and IL-17C)
- Two new pipeline additions (wholly-owned), including: GLPG-2938 and GLPG-2534, targeting IPF targeting and atopic dermatitis, respectively, both using alternative MOA's compared to GLPG-1609 and MOR106

Financial update:

- Galapagos ended 3Q16, with €940M (~\$1.02B) in cash and equivalents, which should be sufficient to fund operations at least till commercial launch of filgotinib and beyond.
- Recall, Galapagos could receive an additional \$1.35B in milestone payments associated with the filgotinib program split out into development and sales-based milestones, which includes: \$755M in development and \$600M sales-related
- Also, note Galapagos is eligible for an additional \$600M in milestone payments associated with the Cystic Fibrosis program, which includes \$250M upon completion of the phase 2 program
- For FY17, 18, and 19, we are modeling an operating loss of €(-0.87), €1.47), and €(-4.19), respectively. This is based on revenue of €93M, €380M, and €170M, for FY16, 17, and 18, respectively
- We value GLPG based on a risk-adjusted, sum-of-parts analysis, and is driven by filgotinib (RA and Crohn's) and CF programs. Note, neither UC, nor the robust

cash position (~\$25/share) are reflected in our NPV, suggesting room for upside. We assign modest NPV to its OA and IFP clinical programs as we await clinical validation: We assign modest NPV to its OA and IFP clinical programs as we await clinical validation:

- r-NPV for the Gilead-partnered RA program are \$40/share based on a 65% probability of success (POS) in RA. RA represents 63% of our FV. Note the elaborate phase 3 program (three independent phase 3 studies were initiated on 8/22/16)
- r-NPV for the Gilead-partnered Crohn's programs is \$8/share based on 60% probability of success. Note, a phase 3 program in Crohn's is expected to begin enrollment during 4Q16. Crohn's represents 13% of our FV. Between RA and Crohn's we anticipate over \$2.5B in peak sales and hence, blockbuster status. We are not currently including the Ulcerative Colitis opportunity as we await phase 2/3 study initiation/data
- r-NPV for the Abbvie-partnered CF program is \$11/share (or 17% of our FV). Our r-NPV assumes the following success rates: Triple-combo in homozygous patients at 20%; Triple-combo in heterozygous patients at 9%; Monotherapy in G551D, 2117H, etc. at 65%
- r-NPV for the OA and IPF programs are \$3 and \$2/share, respectively with 9% probability of success.

FY end Dec. 31	1Q16A	2Q16A	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
<b>Income statement</b>																			
<b>(€ in thousands, except per share data)</b>																			
Fidelta revenues	10,121	28,674	11,214	28,340	78,349	20,000	20,000	20,000	20,000	80,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Milestones & Amortization	4,696	5,273	5,062	0	15,031	25,000	25,000	25,000	25,000	100,000	100,000	175,000	178,000	105,000	105,000	105,000	105,000	105,000	105,000
Product Sales (Filgotinib)	0	0	0	0	0	0	0	0	0	0	5,000	54,520	188,660	307,180	412,380	676,750	642,130	662,470	700,620
Product Sales CF + Milestones	0	0	0	0	0	50,000	150,000	0	0	200,000	0	0	80,000	95,841	114,247	121,986	140,646	152,590	164,637
<b>Total Revenues</b>	<b>14,817</b>	<b>33,947</b>	<b>16,276</b>	<b>28,340</b>	<b>93,380</b>	<b>95,000</b>	<b>195,000</b>	<b>45,000</b>	<b>45,000</b>	<b>380,000</b>	<b>170,000</b>	<b>294,520</b>	<b>511,660</b>	<b>573,021</b>	<b>696,627</b>	<b>968,736</b>	<b>952,776</b>	<b>880,060</b>	<b>930,257</b>
Cost of goods sold	0	0	0	0	0	0	0	0	0	0	545	1,887	4,030	5,266	7,987	7,828	8,151	8,653	
<b>Gross profit</b>	<b>14,817</b>	<b>33,947</b>	<b>16,276</b>	<b>28,340</b>	<b>93,380</b>	<b>95,000</b>	<b>195,000</b>	<b>45,000</b>	<b>45,000</b>	<b>380,000</b>	<b>170,000</b>	<b>293,975</b>	<b>509,773</b>	<b>568,991</b>	<b>691,361</b>	<b>960,749</b>	<b>944,948</b>	<b>871,909</b>	<b>921,604</b>
Research and development	27,818	34,594	34,327	67,720	164,459	88,030	74,830	63,600	44,520	270,980	311,640	342,804	308,524	323,950	327,189	310,830	326,371	342,690	325,555
General and administrative	3,972	5,854	5,685	8,880	24,391	9,150	9,610	10,090	10,590	39,440	47,328	61,526	67,679	74,447	81,892	90,081	99,089	108,998	119,898
Sales and marketing expenses	422	454	396	396	1,668	0	0	0	0	10,000	11,500	13,800	16,560	18,216	19,127	22,952	25,247	26,510	
Other: Restructuring and integration costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total operating expenses</b>	<b>32,212</b>	<b>40,902</b>	<b>40,408</b>	<b>76,996</b>	<b>190,518</b>	<b>97,180</b>	<b>84,440</b>	<b>73,690</b>	<b>55,110</b>	<b>310,420</b>	<b>368,968</b>	<b>415,830</b>	<b>390,003</b>	<b>414,957</b>	<b>427,297</b>	<b>420,037</b>	<b>448,412</b>	<b>476,935</b>	<b>471,963</b>
<b>Operating gains (losses)</b>	<b>(17,395)</b>	<b>(6,955)</b>	<b>(24,132)</b>	<b>(48,656)</b>	<b>(97,138)</b>	<b>(2,180)</b>	<b>110,560</b>	<b>(28,690)</b>	<b>(10,110)</b>	<b>69,580</b>	<b>(198,968)</b>	<b>(121,856)</b>	<b>119,771</b>	<b>154,034</b>	<b>264,064</b>	<b>540,711</b>	<b>496,536</b>	<b>394,974</b>	<b>449,642</b>
Interest income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other income (expense), net	53,344	3,210	67	0	56,621	0	0	0	0	0	0	0	60,000	60,000	60,000	60,000	60,000	60,000	
<b>Total other income (expense)</b>	<b>53,344</b>	<b>3,210</b>	<b>67</b>	<b>0</b>	<b>56,621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	
<b>Gain (loss) before income taxes</b>	<b>35,949</b>	<b>(3,745)</b>	<b>(24,065)</b>	<b>(48,656)</b>	<b>(40,517)</b>	<b>(2,180)</b>	<b>110,560</b>	<b>(28,690)</b>	<b>(10,110)</b>	<b>69,580</b>	<b>(198,968)</b>	<b>(121,856)</b>	<b>179,771</b>	<b>214,034</b>	<b>324,064</b>	<b>600,711</b>	<b>556,536</b>	<b>454,974</b>	<b>509,642</b>
Income tax benefit (expense)	0	24	(95)	0	(71)	0	0	0	0	0	0	47	(14,382)	(17,123)	(25,925)	(48,057)	(44,523)	(36,398)	
<b>Net income (loss)</b>	<b>35,949</b>	<b>(3,721)</b>	<b>(24,160)</b>	<b>(48,656)</b>	<b>(40,588)</b>	<b>(2,180)</b>	<b>110,560</b>	<b>(28,690)</b>	<b>(10,110)</b>	<b>69,580</b>	<b>(198,968)</b>	<b>(121,809)</b>	<b>165,389</b>	<b>196,911</b>	<b>298,139</b>	<b>552,654</b>	<b>512,013</b>	<b>418,576</b>	<b>468,870</b>
<b>Earnings (loss) per share - basic</b>	<b>€ 0.81</b>	<b>€ (0.71)</b>	<b>€ (0.18)</b>	<b>€ (1.03)</b>	<b>€ (0.87)</b>	<b>€ (0.05)</b>	<b>€ 2.34</b>	<b>€ (0.60)</b>	<b>€ (0.21)</b>	<b>€ 1.47</b>	<b>€ (4.19)</b>	<b>€ (2.56)</b>	<b>€ 3.47</b>	<b>€ 4.12</b>	<b>€ 6.23</b>	<b>€ 11.52</b>	<b>€ 10.66</b>	<b>€ 8.69</b>	<b>€ 9.72</b>
<b>Earnings (loss) per share - diluted</b>	<b>€ 0.79</b>	<b>€ (0.69)</b>	<b>€ (0.17)</b>	<b>€ (1.03)</b>	<b>€ (0.87)</b>	<b>€ (0.05)</b>	<b>€ 2.34</b>	<b>€ (0.60)</b>	<b>€ (0.21)</b>	<b>€ 1.47</b>	<b>€ (4.19)</b>	<b>€ (2.56)</b>	<b>€ 3.47</b>	<b>€ 4.12</b>	<b>€ 6.23</b>	<b>€ 11.52</b>	<b>€ 10.66</b>	<b>€ 8.69</b>	<b>€ 9.72</b>
<b>EPS from continuing operations</b>																			
Shares outstanding - basic	44,425	45,229	45,527	47,148	46,613	47,242	47,337	47,432	47,526	47,384	47,479	47,574	47,669	47,765	47,860	47,956	48,052	48,148	48,244
Shares outstanding - diluted	45,492	46,756	47,054	47,148	46,613	47,242	47,337	47,432	47,526	47,384	47,479	47,574	47,669	47,765	47,860	47,956	48,052	48,148	48,244

Cash flows statement	1Q16A	2Q16E	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
(€ in thousands, except per share data)																			
<b>Cash flows from Operating activities:</b>																			
Net gain (loss)	€ 35,949	€ (3,721)	€ (24,160)	€ (48,656)	€ (40,588)	€ (2,180)	€ 110,560	€ (28,690)	€ (10,110)	€ 69,580	€ (198,968)	€ (121,809)	€ 165,389	€ 196,911	€ 298,139	€ 552,654	€ 512,013	€ 418,576	€ 468,870
Depreciation	755	819	854	988	3,416	1,043	1,090	1,146	1,209	4,487	3,400	5,890	12,792	14,326	13,933	19,375	19,056	17,601	18,605
Amortization of intangible fixed assets	209	218	222	263	912	277	290	305	321	1,193	850	1,473	3,837	4,298	3,483	4,844	4,764	4,400	4,651
Stock-based compensation	1,902	2,340	2,959	2,959	10,160	2,125	2,125	2,125	2,125	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Changes in restricted cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventories	(23)	26	(4)	3	2	13	13	13	13	50	250	200	180	171	154	139	125	112	101
Receivables	(5,209)	(4,932)	(4,586)	(4,586)	(19,313)	(4,586)	(4,586)	(4,586)	(4,586)	(18,344)	(10,000)	5,890	10,233	5,730	6,966	9,687	9,528	8,801	9,303
Payables	928	(9,236)	6,467	6,467	4,626	6,467	6,467	6,467	6,467	25,868	(25,000)	11,781	20,466	11,460	13,933	19,375	19,056	17,601	18,605
Accrued liabilities	61	56	61	61	239	61	61	61	61	244	300	600	480	384	307	246	197	157	126
Deferred income	270,926	(3,889)	(8,159)	0	258,878	280,741	255,741	230,741	205,741	205,741	105,741	5,741	0	0	0	0	0	0	0
Financial income (-) / expenses	4,134	(3,209)	(67)	0	858	(250)	(250)	(250)	(250)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Other	(58,085)	164	519	519	(56,883)	150	150	150	150	600	600	1,000	800	640	512	410	328	262	210
<b>Net cash provided (used) by Operating activities</b>	<b>251,547</b>	<b>(21,364)</b>	<b>(25,894)</b>	<b>(41,983)</b>	<b>162,306</b>	<b>283,861</b>	<b>371,661</b>	<b>207,481</b>	<b>201,141</b>	<b>296,919</b>	<b>(115,327)</b>	<b>(81,734)</b>	<b>221,678</b>	<b>241,420</b>	<b>344,926</b>	<b>614,229</b>	<b>572,565</b>	<b>475,011</b>	<b>527,971</b>
<b>Cash flows from Investing activities:</b>																			
Purchases of property and equipment	(1,024)	(1,805)	(798)	(1,400)	(5,027)	(5,700)	(5,700)	(5,700)	(5,700)	(22,800)	(67,000)	(33,000)	(10,233)	(11,460)	(13,933)	(19,375)	(19,056)	(17,601)	(18,605)
Restricted cash	0	(110)	56	0	(54)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of and expenditure in intangible fixed assets	(41)	(62)	(147)	0	(250)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from disposal of PPE + other	16	0	(2,743)	0	(2,727)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net cash provided (used) by Investing activities</b>	<b>(1,049)</b>	<b>(1,977)</b>	<b>(3,632)</b>	<b>(1,400)</b>	<b>(8,058)</b>	<b>(5,700)</b>	<b>(5,700)</b>	<b>(5,700)</b>	<b>(5,700)</b>	<b>(22,800)</b>	<b>(67,000)</b>	<b>(33,000)</b>	<b>(10,233)</b>	<b>(11,460)</b>	<b>(13,933)</b>	<b>(19,375)</b>	<b>(19,056)</b>	<b>(17,601)</b>	<b>(18,605)</b>
<b>Cash flows from Financing activities:</b>																			
Repayment of obligations under finance leases and other debts	(17)	(10)	(14)	0	(41)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Issue costs of capital increase paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of stock options	392,044	2,794	436	0	395,274	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net cash provided (used) by Financing activities</b>	<b>392,027</b>	<b>2,784</b>	<b>422</b>	<b>0</b>	<b>395,233</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Effect of exchange rate differences on cash & cash equivalents	(4,505)	2,704	(570)	0	(2,371)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase (decrease) in Cash/Cash Equivalents</b>	<b>638,020</b>	<b>(17,853)</b>	<b>(29,674)</b>	<b>(43,383)</b>	<b>547,110</b>	<b>278,161</b>	<b>365,961</b>	<b>201,781</b>	<b>195,441</b>	<b>274,119</b>	<b>(182,327)</b>	<b>(114,734)</b>	<b>211,444</b>	<b>229,960</b>	<b>330,994</b>	<b>594,854</b>	<b>553,509</b>	<b>457,410</b>	<b>509,366</b>
<b>Cash &amp; Cash Equivalents at Beginning of Period</b>	<b>340,314</b>	<b>978,334</b>	<b>960,481</b>	<b>930,807</b>	<b>340,314</b>	<b>887,424</b>	<b>1,165,585</b>	<b>1,531,545</b>	<b>1,733,326</b>	<b>887,424</b>	<b>1,161,543</b>	<b>979,216</b>	<b>864,482</b>	<b>1,075,927</b>	<b>1,305,886</b>	<b>1,636,880</b>	<b>2,231,734</b>	<b>2,785,243</b>	<b>3,242,653</b>
<b>Cash &amp; Cash Equivalents at End of Period</b>	<b>€ 978,334</b>	<b>€ 960,481</b>	<b>€ 930,807</b>	<b>€ 887,424</b>	<b>€ 887,424</b>	<b>€ 1,165,585</b>	<b>€ 1,531,545</b>	<b>€ 1,733,326</b>	<b>€ 1,928,766</b>	<b>€ 1,161,543</b>	<b>€ 979,216</b>	<b>€ 864,482</b>	<b>€ 1,075,927</b>	<b>€ 1,305,886</b>	<b>€ 1,636,880</b>	<b>€ 2,231,734</b>	<b>€ 2,785,243</b>	<b>€ 3,242,653</b>	<b>€ 3,752,019</b>

Balance sheet	1Q16A	2Q16E	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
<b>(€ in thousands, except per share data)</b>																			
<b>Assets</b>																			
<b>Current assets:</b>																			
Cash and cash equivalents	€ 978,334	€ 960,481	€ 930,807	€ 887,424	€ 887,424	€ 1,165,585	€ 1,531,545	€ 1,733,326	€ 1,928,766	€ 1,161,543	€ 979,216	€ 864,482	€ 1,075,927	€ 1,305,886	€ 1,636,880	€ 2,231,734	€ 2,785,243	€ 3,242,653	€ 3,752,019
Short-term investments and restricted cash	8,266	6,858	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859	6,859
Trade and other receivables	5,914	7,262	8,686	13,272	13,272	17,858	22,444	27,030	31,616	31,616	41,616	35,726	25,492	19,762	12,796	3,108	(6,419)	(15,220)	(24,522)
Inventories	347	322	326	323	323	311	298	286	273	273	23	(177)	(357)	(528)	(682)	(820)	(945)	(1,057)	(1,158)
Other	14,801	17,345	16,289	15,769	15,769	15,869	15,969	16,069	16,169	16,169	16,569	16,569	17,129	17,617	17,617	18,207	18,889	19,618	20,408
<b>Total current assets</b>	<b>1,007,662</b>	<b>992,268</b>	<b>962,966</b>	<b>923,647</b>	<b>923,647</b>	<b>1,206,481</b>	<b>1,577,115</b>	<b>1,783,569</b>	<b>1,983,683</b>	<b>1,216,460</b>	<b>1,044,283</b>	<b>923,459</b>	<b>1,124,690</b>	<b>1,349,108</b>	<b>1,673,470</b>	<b>2,259,089</b>	<b>2,803,618</b>	<b>3,252,853</b>	<b>3,753,605</b>
PP&E + Intangibles and goodwill	15,492	16,317	16,182	16,332	16,332	20,712	25,032	29,282	33,452	33,452	98,202	121,839	115,443	108,280	104,797	99,954	95,190	90,789	86,138
Long-term investments and non-curr restricted cash	1,046	1,155	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
Other non-current assets	55,086	56,784	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846	62,846
<b>Total assets</b>	<b>1,079,286</b>	<b>1,066,524</b>	<b>1,043,092</b>	<b>1,003,923</b>	<b>1,003,923</b>	<b>1,291,137</b>	<b>1,666,091</b>	<b>1,876,795</b>	<b>2,081,079</b>	<b>1,313,856</b>	<b>1,204,429</b>	<b>1,109,242</b>	<b>1,304,077</b>	<b>1,521,333</b>	<b>1,842,211</b>	<b>2,422,986</b>	<b>2,962,751</b>	<b>3,407,586</b>	<b>3,903,688</b>
<b>Liabilities and stockholders' equity</b>																			
<b>Current liabilities:</b>																			
Trade and other Payables	24,223	22,672	27,749	34,216	34,216	40,683	47,150	53,617	60,084	60,084	35,084	46,865	67,331	78,792	92,724	112,099	131,154	148,756	167,361
Accrued liabilities	12,030	2,915	2,903	2,964	2,964	3,025	3,086	3,147	3,206	3,206	3,508	4,108	4,588	4,972	5,279	5,525	5,722	5,879	6,005
Deferred income	68,483	85,961	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173	99,173
<b>Total current liabilities</b>	<b>104,736</b>	<b>111,548</b>	<b>129,825</b>	<b>136,353</b>	<b>136,353</b>	<b>142,881</b>	<b>149,409</b>	<b>155,937</b>	<b>162,465</b>	<b>162,465</b>	<b>137,765</b>	<b>150,146</b>	<b>171,092</b>	<b>182,937</b>	<b>197,176</b>	<b>216,797</b>	<b>236,049</b>	<b>253,807</b>	<b>272,538</b>
Non-current liabilities (except deferred income)	3,754	4,295	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934	4,934
Non-current deferred income	242,251	220,881	199,512	199,512	199,512	480,253	735,994	966,735	1,172,476	405,253	510,994	516,735	516,735	516,735	516,735	516,735	516,735	516,735	516,735
<b>Total liabilities</b>	<b>350,741</b>	<b>336,724</b>	<b>334,271</b>	<b>340,799</b>	<b>340,799</b>	<b>628,068</b>	<b>890,337</b>	<b>1,127,606</b>	<b>1,339,875</b>	<b>572,652</b>	<b>653,693</b>	<b>671,815</b>	<b>692,761</b>	<b>704,606</b>	<b>718,845</b>	<b>738,466</b>	<b>757,718</b>	<b>775,476</b>	<b>794,207</b>
<b>Share Capital</b>																			
Share Capital	221,779	223,149	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462	223,462
Share premium account	647,098	648,553	648,830	651,789	651,789	653,914	656,039	658,164	660,289	660,289	668,789	677,289	685,789	694,289	702,789	711,289	719,789	728,289	736,789
Other reserves	(18)	(18)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)
Transitional differences	(849)	(1,039)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)	(1,283)
Accumulated other comprehensive income (loss)	(139,465)	(140,845)	(162,048)	(210,704)	(210,704)	(212,884)	(102,324)	(131,014)	(141,124)	(141,124)	(340,092)	(461,901)	(296,512)	(99,601)	198,538	751,192	1,263,205	1,681,782	2,150,652
<b>Total stockholders' equity</b>	<b>728,545</b>	<b>729,800</b>	<b>708,821</b>	<b>663,124</b>	<b>663,124</b>	<b>663,069</b>	<b>775,754</b>	<b>749,189</b>	<b>741,204</b>	<b>741,204</b>	<b>550,736</b>	<b>437,427</b>	<b>611,316</b>	<b>816,727</b>	<b>1,123,366</b>	<b>1,694,520</b>	<b>2,205,033</b>	<b>2,632,110</b>	<b>3,109,480</b>
<b>Total liabilities and stockholders' equity</b>	<b>€ 1,079,286</b>	<b>€ 1,066,524</b>	<b>€ 1,043,092</b>	<b>€ 1,003,923</b>	<b>€ 1,003,923</b>	<b>€ 1,291,137</b>	<b>€ 1,666,091</b>	<b>€ 1,876,795</b>	<b>€ 2,081,079</b>	<b>€ 1,313,856</b>	<b>€ 1,204,429</b>	<b>€ 1,109,242</b>	<b>€ 1,304,077</b>	<b>€ 1,521,333</b>	<b>€ 1,842,211</b>	<b>€ 2,422,986</b>	<b>€ 2,962,751</b>	<b>€ 3,407,586</b>	<b>€ 3,903,688</b>

CASH QUICK LOOK :	1Q16A	2Q16E	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Cash burn in period (cash from operations)	€ 32,212	€ 40,902	€ 40,408	€ 76,996	€ 190,518	€ 97,180	€ 84,440	€ 73,690	€ 55,110	€ 310,420	€ 368,968	€ 415,830	€ 390,003	€ 414,957	€ 427,297	€ 420,037	€ 448,412	€ 476,935	€ 471,963
Total cash and equivalents	€ 978,334	€ 960,481	€ 930,807	€ 887,424	€ 887,424	€ 1,165,585	€ 1,531,545	€ 1,733,326	€ 1,928,766	€ 1,161,543	€ 979,216	€ 864,482	€ 1,075,927	€ 1,305,886	€ 1,636,880	€ 2,231,734	€ 2,785,243	€ 3,242,653	€ 3,752,019
Periods of cash remaining	30.5 qts	23.5 qts	23.0 qts	11.5 qts	4.5 yrs	12.0 qts	18.0 qts	23.5 qts	35.0 qts	3.5 yrs	2.5 yrs	2.0 yrs	3.0 yrs	4.0 yrs	5.5 yrs	6.0 yrs	7.0 yrs	8.0 yrs	8.0 yrs
Ratio analysis	1Q16A	2Q16E	3Q16A	4Q16E	2016E	1Q17E	2Q17E	3Q17E	4Q17E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
EBIT	(18,359)	(7,992)	(25,208)	(49,906)	(101,465)	(3,500)	109,180	(30,140)	(11,640)	63,900	(203,218)	(129,219)	103,142	135,411	246,648	516,493	472,716	372,973	426,385
EBITDA	(17,395)	(6,955)	(24,132)	(48,656)	(97,138)	(2,180)	110,560	(28,690)	(10,110)	69,580	(198,968)	(121,856)	119,771	154,034	264,064	540,711	496,536	394,974	449,642
EBITDA % of Sales	-117%	-20%	-148%	-172%	-104%	-2%	57%	-64%	-22%	18%	-117%	-41%	23%	27%	38%	56%	52%	45%	48%
EVEBITDA	(91,31)	(241,19)	(71,44)	(36,43)	(17,94)	(688,00)	10,30	(32,86)	(74,45)	21,73	(8,54)	(14,93)	13,47	9,02	4,03	0,88	(0,15)	(1,33)	(2,29)
Gross Profit Margin	243%	-11%	NM	NM	-43%	-2%	57%	-64%	-22%	18%	NM	-41%	32%	35%	43%	58%	54%	48%	51%
Block per share	€ 16,01	€ 15,61	€ 15,06	€ 14,06	€ 14,23	€ 14,04	€ 16,39	€ 15,80	€ 15,60	€ 15,64	€ 11,60	€ 9,19	€ 12,82	€ 17,10	€ 23,47	€ 35,13	€ 45,89	€ 54,67	€ 64,45
Net cash per share	€ 21,51	€ 20,54	€ 19,78	€ 18,82	€ 19,04	\$ 24,67	\$ 32,35	\$ 36,54	\$ 40,58	€ 24,51	€ 20,62	€ 18,17	€ 22,57	€ 27,34	€ 34,20	\$ 46,54	\$ 57,96	\$ 67,35	\$ 77,77
Return on assets (ROA)	3%	0%	-2%	-5%	-4%	0%	7%	-2%	0%	5%	-17%	-11%	13%	16%	23%	17%	12%	12%	12%
Return on equity (ROE)	5%	-1%	-3%	-7%	-6%	0%	14%	-4%	-1%	9%	-36%	-28%	27%	24%	27%	33%	23%	16%	15%
Return on invested capital (ROIC)																			
Current ratio	3.08	3.17	3.12	2.95	2.95	2.06	1.87	1.66	1.55	2.29	1.84	1.65	1.88	2.16	2.56	3.28	3.91	4.39	4.92
<b>Net Operating Profit After Tax ("NOPAT")</b>	(18,359)	(7,968)	(25,303)	(49,806)	(101,536)	-3500	109,180	(30,140)	(11,640)	63,900	(203,218)	(129,172)	88,760	118,288	220,723	468,436	428,194	336,575	385,614
<b>Enterprise Value (MC + Total Debt - Cash)</b>	1,588,325	1,677,493	1,723,980	1,772,672	1,742,455	1,499,832	1,139,202	942,763	752,675	1,511,880	1,699,554	1,819,646	1,613,569	1,388,989	1,063,385	473,931	(74,167)	(526,155)	(1,030,087)
<b>Market Cap (MC)</b>	2,566,659	2,637,974	2,654,787	2,660,096	2,629,879	2,665,416	2,670,747	2,676,089	2,681,441	2,673,423	2,678,770	2,684,128	2,689,496	2,694,875	2,700,265	2,705,665	2,711,077	2,716,499	2,721,932
<i>Current Share price</i>																			
€	56.42																		

## IMPORTANT DISCLOSURES

### Research Analyst Certification

I, Debjit Chattopadhyay, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

### Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC intends to seek or expects to receive compensation for investment banking services from Galapagos NV in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

### Definition of Ratings

**BUY:** Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

**NEUTRAL:** Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

**SELL:** Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

### Price Charts



### Janney Montgomery Scott Ratings Distribution as of 09/30/16

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
<b>BUY [B]</b>	124	52.54	28	22.58
<b>NEUTRAL [N]</b>	109	46.19	11	10.09
<b>SELL [S]</b>	3	1.27	0	0.00

\*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

### Other Disclosures

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