

Galapagos NV (GLPG)
Rating: Buy

 Debjit Chattopadhyay
 646-975-6991
dchattopadhyay@hcwresearch.com
 Earl DeSouza
 646-975-6990
edesouza@hcwresearch.com
1H19 Corporate and Model Update

Stock Data	07/26/2019
Price	\$180.25
Exchange	NASDAQ
Price Target	\$205.00
52-Week High	\$191.63
52-Week Low	\$85.00
Enterprise Value (M)	\$3,558
Market Cap (M)	\$9,882
Shares Outstanding (M)	54.8
3 Month Avg Volume	160,780
Short Interest (M)	1.15

Balance Sheet Metrics	
Cash (M)	\$6,324.2
Total Debt (M)	\$0.0
Total Cash/Share	\$115.36

Cash (M): Pro forma cash and shares outstanding include the July 14, 2019, Gilead (GILD; not rated) R&D collaboration deal, which contains a \$3.95B upfront cash payment, and \$1.1B in an equity investment. Also, €1.4B that was last reported post 2Q19 earnings is included.

General: Currency used is roughly 1 Euro to \$1.11 US. Stock price is US\$ as on NASDAQ

EPS (€) Diluted			
Full Year - Dec	2018A	2019E	2020E
1Q	€(0.73)	€(0.89)A	€0.52
2Q	€(0.42)	€(0.86)A	€0.49
3Q	€0.27	€4.80	€0.55
4Q	€0.27	€4.78	€0.65
FY	€(0.56)	€8.52	€2.21

Revenue (€)			
Full Year - Dec	2018A	2019E	2020E
1Q	€44.8	€40.9A	€149.0
2Q	€57.0	€67.6A	€149.0
3Q	€103.2	€415.7	€154.8
4Q	€112.8	€415.9	€162.6
FY	€317.8	€940.0	€615.3



1H19 showcased the discovery platform; expecting data driven momentum to continue during 2H19. On the heels of: (1) FINCH 1 and 3 exceeding the Street's expectations (*May the Force Be With Filgotinib: Raising Target to \$150*); (2) successfully navigating the regulatory landscape, with a greenlight to proceed with the RA-related regulatory submissions (*MANTA May Not Have Been the FDA Mantra After All*); and (3) culminating in the largest and one of a kind R&D collaboration with Gilead [GILD; not rated]; (*Gilead Opts for Decentralized R&D Model With a \$5.1B Collaboration: Target to \$205 From \$150*), Galapagos' stock is up about 101%, handily outperforming its peers; the XBI is up about 20% on an YTD basis. With multiple Phase 2 and Phase 3 readouts along with 20-plus early-stage programs targeting various inflammation and fibrosis-related maladies, some of which leverages its Toledo platform, provides Galapagos with one of the broadest, yet focused small molecule programs in biotechnology, in our view. Hence, the investment community is likely to have plenty to talk about over the next 12 to 18 months, implying continued momentum for the stock into 2020, in our view.

Potential stock moving events over the next 12 to 18 months.

These include: (1) RA-related MAA and NDA submissions are anticipated during 2H19; (2) POC readouts for filgotinib in Sjogrens and cutaneous lupus erythematosus and the initiation of a psoriatic arthritis study are expected in 2H19; (3) as highlighted in Exhibit 1, the UC Phase 3 program is now fully recruited with potential topline data just outside the 12-month window; (4) POC data from MOR106, a mAb targeting IL-17c for treatment of atopic dermatitis, from the ONGOING IGUANA Phase 2 trial; (5) topline readout from Phase 2b ROCELLA study of the orally administered, potentially disease-modifying therapy for osteoarthritis GLPG1972, for an overview of the target and clinical progress to date refer to *ROCELLA Is Off to a Running Start: GLPG1972 Recap*; and (6) interim analysis from the Phase 3 ISABELLA 1 and 2 studies evaluating GLPG1690, an autotaxin inhibitor, after 25% of the enrolled patients have been followed for 12-months is anticipated during 1Q20, for a deeper dive refer to *IPF in Vogue With Multiple Phase 3's: Overview and Perspectives*.

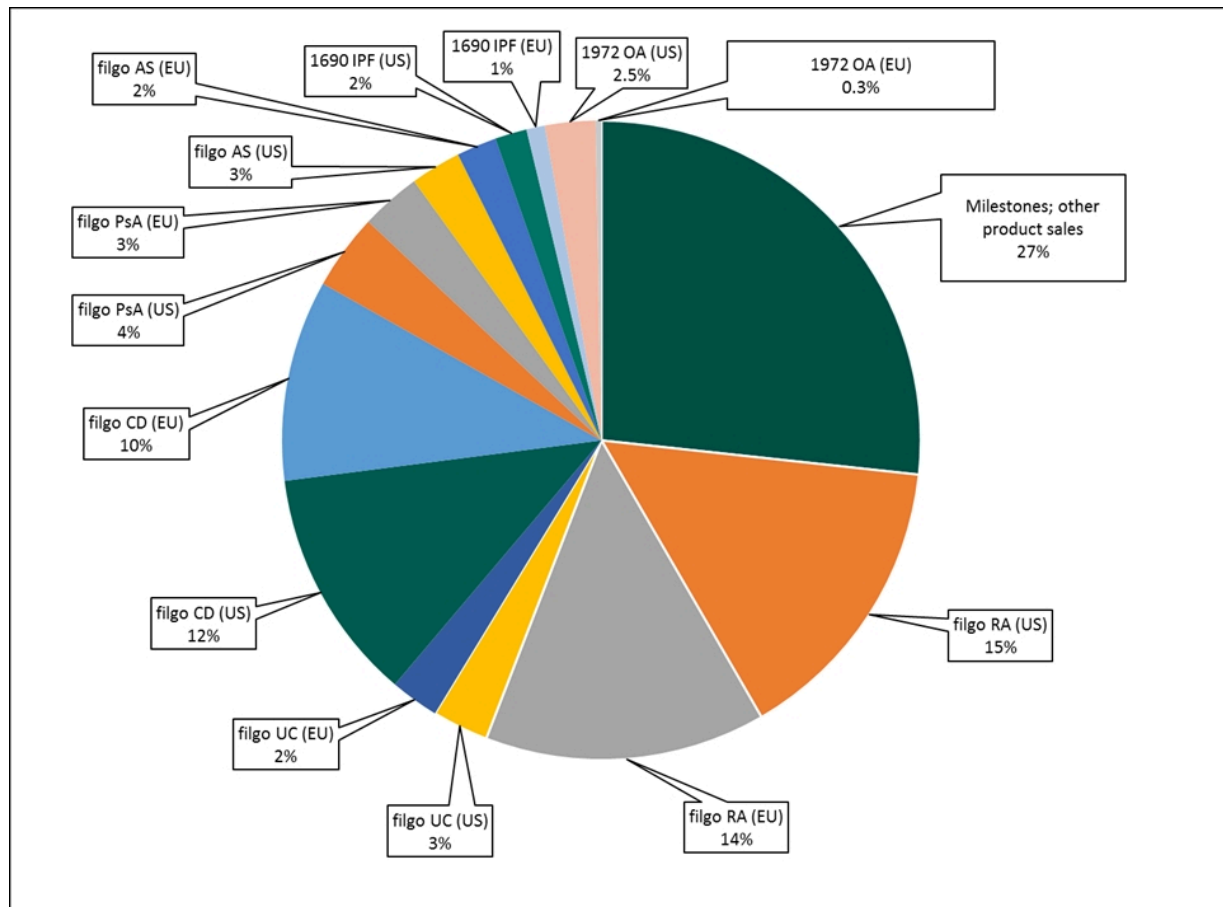
2Q19 by the numbers. For 2Q19, Galapagos reported a net loss of €47.2M vs. our estimates of €14.9M, with GAAP EPS of €(0.86) vs. our estimates of €(0.27), discrepancy driven by the timing of filgotinib-associated revenue recognition. Following the recent collaboration with Gilead, pro forma balance sheet boasts about \$6.32B in cash and equivalents, which should be sufficient to fund operations for the foreseeable future considering the anticipated commercial launch of filgotinib during 2021, which has the makings of a multi-billion dollar commercial asset, in our view. For FY19, we currently estimate a net income of €498.4M, and GAAP EPS of €8.52/share however, estimates remain fluid with potential for significant uptick driven by greater emphasis on innovation and hence, higher R&D spend along with expenses associated with commercial readiness as Galapagos assumes a bigger and more visible role in the EU.

H.C. Wainwright 1868

Exhibit 1: Galapagos' Catalyst Calendar Includes Some Adds, With Some Pushback

Program	Indication	Phase and Milestone	Timing	Impact on Stock
Filgotinib	Sjogren's	Phase 2 PoC topline	2H19	Modest
Filgotinib	Cutaneous Lupus Erythematosus	Phase 2 PoC topline	2H19	Modest
Filgotinib	Psoriatic Arthritis	Phase 3 Start	2H19	Limited
Filgotinib	Rheumatoid Arthritis	FDA, EMA filings for RA approval	2H19 and 3Q19	Modest
GLPG1205	Idiopathic Pulmonary Fibrosis	PINTA Phase 2 recruited	2H19	Limited
GLPG1205	Idiopathic Pulmonary Fibrosis	ACS Conference	2H19	Limited
GLPG1972	Osteoarthritis	ROCELLA Phase 2b Topline	2H20	Significant
Mor106	Atopic Dermatitis	Japan study start	2H19	Limited
'3970	Inflammation	Phase 1 start	2H19	Limited
'3312	Inflammatory Bowel Disease	PoC	Delayed Until 2H19	Limited
'3312	Inflammation	Topline data	2H19	Modest
'3667, '3970	Inflammation	Phase 1 Start	2H19	Limited
Mor106	Atopic Dermatitis	IGUANA Phase 2 topline	Delayed After 2H19	Significant
'2534	Atopic Dermatitis	Phase 1 start	Delayed Until 1H20	Limited
'2534, '3121	Inflammation	Topline data	Delayed After 2H19	Modest

Source: Galapagos Investor Presentation July 26, 2019, and H.C. Wainwright & Co. estimates.

Exhibit 2: Weighted Contribution of Individual Disease Segments to Target

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

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 1.21, 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 (69%), GLPG1690 and GLPG1972 (3% each) together make up 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.

Valuation: Galapagos (GLPG) Discounted Cash Flow (DCF) Analysis

		Discounted Cash Flow Analysis														TV
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Ticker	Galapagos															
Period	2028E															
Beta est	1.21															
Risk-free rate (R _F)(10 yr yield)	2.25%															
Risk premium (R _p)	4.93%															
Cost of equity (KE)	8.2%															
Cost of debt (K _D)	0.0%															
Terminal growth rate	-3.0%															
Terminal value (% of total value)	39.7%															
Shareholder equity	10,785,274															
Debt outstanding	0															
Total capital	10,785,274															
Equity/cap	100.0%															
Debt/cap	0.0%															
WACC (calculated)	8.2%															
WACC (applied)	8.2%															
Shares outstanding	63,549															
		EBIT (000s €)	€ 502,685	€ 137,026	€ 154,294	€ 341,396	€ 660,484	€ 889,462	€ 1,198,139	€ 1,687,540	€ 1,784,491	€ 1,853,679	€ 1,816,749	€ 1,841,482	€ 1,858,551	
		Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	
		EBIT*(1-t)	502,555	137,026	154,294	341,396	660,484	889,462	958,511	1,350,032	1,427,593	1,482,943	1,453,399	1,473,185	1,486,841	
		Capital expenditures	(7,533)	(6,000)	(6,600)	(7,260)	(7,986)	(8,785)	(9,663)	(10,629)	(11,692)	(12,862)	(14,148)	(15,562)	(17,119)	
		% growth	-27.5%	-20.4%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
		Depreciation	11,153	12,000	12,600	13,230	13,362	13,496	13,631	13,767	13,905	14,044	14,184	14,326	14,469	
		% growth	166.1%	7.6%	5.0%	5.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%		
		Change in non-cash working capital	(3,816)	(20,861)	(6,938)	(29,354)	(24,088)	(21,798)	(14,705)	(9,639)	(1,947)	3,565	11,115	16,831	24,545	
		% growth	87.6%	-446.7%	66.7%	-323.1%	17.9%	9.5%	32.5%	34.5%	79.8%	283.1%	211.8%	51.4%	45.8%	
		Free cash flow to the firm	525,057	175,887	180,431	391,241	705,920	933,541	996,510	1,384,067	1,455,137	1,506,284	1,470,616	1,486,243	1,493,884	
		Discount factor	0.97	0.92	0.85	0.79	0.73	0.67	0.62	0.58	0.53	0.49	0.45	0.42	0.39	
		Present value of cash flows	508,065	162,534	154,076	308,730	514,756	629,057	620,511	796,410	773,739	740,131	667,748	623,612	579,232	
		Value of firm	11,731,131													
		Debt	0													
		Value of equity	11,731,131													
		Value per share (\$)	\$ 205.00													

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

Income Statement

	FY end Dec. 31	2018A	1Q19A	2Q19A	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Income statement																							
(€ in thousands, except per share data)																							
Product revenues	€ 288,836	€ 33,047	€ 58,738	€ 405,856	€ 405,856	€ 903,497	€ 138,964	€ 138,964	€ 144,790	€ 152,558	€ 575,276	€ 624,312	€ 864,182	€ 1,236,680	€ 1,511,206	€ 1,876,730	€ 2,431,945	€ 2,551,533	€ 2,640,721	€ 2,612,471	€ 2,553,226	€ 2,685,982	
Milestones; other product sales	288,836	33,047	58,738	405,856	405,856	903,497	138,964	138,964	138,964	138,964	555,856	467,185	480,060	575,935	475,060	457,935	494,685	494,685	494,685	423,514	444,689	466,924	
ifigo RA (US)	0	0	0	0	0	0	0	0	0	0	0	35,271	71,036	114,453	180,084	272,017	438,274	441,342	444,432	447,543	450,676	453,830	
ifigo RA (EU)	0	0	0	0	0	0	0	0	5,826	13,594	19,420	58,377	97,490	156,295	294,227	393,087	393,873	394,661	395,450	396,241	397,034		
ifigo UC (US)	0	0	0	0	0	0	0	0	0	0	0	12,146	24,463	34,487	49,612	56,205	75,464	75,992	76,524	77,060	77,599	78,143	
ifigo UC (EU)	0	0	0	0	0	0	0	0	0	0	0	18,796	33,640	47,190	54,209	60,916	67,919	67,955	68,091	68,227	68,363		
ifigo CD (US)	0	0	0	0	0	0	0	0	0	0	0	51,333	103,385	135,342	196,571	224,340	302,888	321,165	323,413	325,677	327,956	330,252	
ifigo CD (EU)	0	0	0	0	0	0	0	0	0	0	0	70,943	142,170	185,191	214,109	243,142	272,290	287,195	287,769	288,343	288,921		
ifigo PsA (US)	0	0	0	0	0	0	0	0	0	0	0	0	0	20,150	50,728	71,516	98,768	111,890	125,192	126,068	126,951	127,840	
ifigo PsA (EU)	0	0	0	0	0	0	0	0	0	0	0	0	0	27,572	55,254	77,510	88,760	100,055	111,394	111,617	111,841		
ifigo AS (US)	0	0	0	0	0	0	0	0	0	0	0	0	13,433	33,819	47,678	65,844	74,593	83,461	84,046	84,634	85,226		
ifigo AS (EU)	0	0	0	0	0	0	0	0	0	0	0	0	0	18,381	36,836	51,673	59,173	66,703	74,263	74,412	74,560		
1690 IPF (US)	0	0	0	0	0	0	0	0	0	0	0	0	10,775	22,795	32,123	38,729	43,875	51,323	51,682	54,307	54,687		
1690 IPF (EU)	0	0	0	0	0	0	0	0	0	0	0	0	0	7,740	15,511	22,796	26,104	30,763	34,290	35,811	36,882		
1972 OA (US)	0	0	0	0	0	0	0	0	0	0	0	0	0	20,714	41,718	61,514	70,869	83,983	93,989	98,740	99,431		
1972 OA (EU)	0	0	0	0	0	0	0	0	0	0	0	0	0	3,223	6,459	9,661	10,376	11,696	13,022	13,048			
Grants + Other income	29,009	7,872	8,852	9,832	10,000	36,556	10,000	10,000	10,000	10,000	40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	48,760	49,735	
Total Revenues	317,845	40,919	67,590	415,688	415,856	940,053	148,964	148,964	154,790	162,558	615,276	665,112	905,778	1,279,128	1,554,504	1,920,893	2,476,992	2,597,480	2,687,588	2,660,274	2,701,986	2,735,717	
Cost of goods sold	0	0	0	0	0	0	0	0	0	0	0	62,431	86,416	123,668	151,121	187,673	243,195	255,153	264,072	261,247	265,323	268,598	
Gross profit	317,845	40,919	67,590	415,688	415,856	940,053	148,964	148,964	154,790	162,558	615,276	602,681	819,362	1,155,460	1,403,383	1,733,220	2,233,797	2,342,327	2,423,515	2,399,027	2,436,663	2,467,118	
Research and development	322,876	83,195	94,372	97,500	98,000	373,067	98,500	99,500	100,500	101,500	400,000	360,000	378,000	381,780	385,598	389,454	393,348	397,282	401,255	405,267	409,320	413,413	
General and administrative	35,630	9,221	13,711	13,750	14,000	50,682	14,500	15,250	16,000	16,500	62,250	71,588	82,326	94,674	108,876	125,207	131,467	138,041	144,943	152,190	159,799	167,789	
Sales and marketing expenses	4,148	1,745	3,874	4,000	4,000	13,619	4,000	4,000	4,000	4,000	16,000	16,800	17,640	18,522	19,448	20,421	21,442	22,514	23,639	24,821	26,062	27,365	
Total operating expenses	362,654	94,161	111,957	115,250	116,000	437,368	117,000	118,750	120,500	122,000	478,250	448,388	477,966	494,976	513,922	535,081	546,257	557,836	569,837	582,278	595,182	608,568	
Operating gains (losses)	(44,809)	(53,242)	(44,367)	300,438	299,856	502,685	31,964	30,214	34,290	40,558	137,026	154,294	341,396	660,484	889,462	1,198,139	1,687,540	1,784,491	1,853,679	1,816,749	1,841,482	1,858,551	
Financial income	18,335	6,999	(1,349)	(1,500)	(1,500)	2,650	1,250	1,250	1,250	1,250	5,000	5,050	5,303	5,568	5,846	6,138	6,445	6,767	7,106	7,461	7,834	8,226	
Financial expenses	(2,736)	(2,345)	(1,472)	(1,500)	(1,500)	(6,817)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(4,200)	(4,410)	(4,631)	(4,862)	(5,105)	(5,359)	(5,628)	(5,910)	(6,205)	(6,516)	(6,841)	
Total other income (expense)	15,599	4,654	(2,821)	(3,000)	(3,000)	(4,167)	250	250	250	250	1,000	893	893	937	984	1,033	1,085	1,139	1,196	1,255	1,319	1,385	
Gain (loss) before income taxes	(29,210)	(48,588)	(47,188)	297,438	296,856	498,518	32,214	30,464	34,540	40,808	138,026	155,144	342,289	661,421	890,446	1,199,172	1,688,625	1,785,630	1,854,875	1,818,005	1,842,800	1,859,835	
Income tax benefit (expense)	(49)	(8)	(61)	0	0	(120)	0	0	0	0	0	0	0	0	(239,334)	(337,725)	(357,126)	(377,975)	(393,601)	(409,560)	(426,560)	(443,611)	
Net income (loss)	(29,259)	(48,656)	(47,249)	297,438	296,856	498,398	32,214	30,464	34,540	40,808	138,026	155,144	342,289	661,421	890,446	959,338	1,350,900	1,428,504	1,483,900	1,454,404	1,474,240	1,487,048	
Earnings (loss) per share - diluted	€ (0.56)	€ (0.89)	€ (0.86)	€ 4.80	€ 4.78	€ 8.52	€ 0.52	€ 0.49	€ 0.55	€ 0.65	€ 2.21	€ 2.48	€ 5.45	€ 10.51	€ 14.12	€ 15.19	€ 21.34	€ 22.52	€ 23.35	€ 22.84	€ 23.11	€ 23.27	
Shares outstanding - diluted	52,227	54,615	54,823	61,982	62,106	58,499	62,230	62,354	62,479	62,604	62,541	62,667	62,792	62,917	63,043	63,169	63,296	63,422	63,549	63,676	63,804	63,931	

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

Cash Flow Statement

Cash flows statement (€ in thousands, except per share data)	2018A	1Q19A	2Q19A	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
Cash flows from Operating activities:																							
Net gain (loss)	€ (29,259)	€ (48,656)	€ (47,249)	€ 297,438	€ 296,856	€ 498,389	€ 32,214	€ 30,464	€ 34,540	€ 40,808	€ 138,026	€ 155,144	€ 342,289	€ 661,421	€ 890,446	€ 959,338	€ 1,350,900	€ 1,428,504	€ 1,483,900	€ 1,454,404	€ 1,474,240	€ 1,487,948	
Adjustments for non-cash transactions; and items to disclose under op cash flow	€ 17,364	€ 4,007	€ 16,407	€ 5,750	€ 6,250	€ 32,414	€ 7,050	€ 7,550	€ 8,050	€ 8,550	€ 31,200	€ 34,410	€ 37,946	€ 41,310	€ 45,037	€ 49,165	€ 53,735	€ 58,795	€ 64,393	€ 70,588	€ 77,441	€ 85,020	
Adjustment for items to disclose under investing and financing cash flows	(668)	(3)	0	0	0	(9)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Change in working capital other than deferred income	19,922	(2,294)	(13,624)	(2,000)	(2,000)	(19,919)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)	3,122	8,493	17,151	(7,556)	(9,384)	(12,160)	(12,758)	(13,204)	(13,062)	(13,265)	(13,430)	
Decrease in deferred income	(153,312)	(25,979)	(27,499)	(25,000)	(25,000)	(103,478)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest paid; and received, net	3,495	1,238	2,000	500	500	4,238	650	650	650	650	2,600	2,860	3,146	3,461	3,807	4,187	4,606	5,067	5,573	6,131	6,744	7,418	
Income taxes paid	(8)	(11)	(77)	0	0	(88)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net cash provided (used) by Operating activities	(142,466)	(71,698)	(70,042)	276,688	276,606	411,554	37,414	36,164	40,740	47,508	161,826	195,535	391,874	723,342	931,733	1,003,306	1,397,082	1,479,608	1,540,663	1,518,061	1,545,159	1,566,956	
Cash flows from Investing activities:																							
Purchases of property and equipment	(10,392)	(2,103)	(2,930)	(1,250)	(1,250)	(7,533)	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)	(6,600)	(7,280)	(7,968)	(8,785)	(9,663)	(10,629)	(11,692)	(12,862)	(14,148)	(15,562)	(17,119)	
Purchase of and expenditure in intangible fixed assets	(3,325)	(1,201)	(2,334)	(750)	(750)	(5,039)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(4,200)	(4,410)	(4,631)	(4,862)	(5,105)	(5,360)	(5,626)	(5,910)	(6,205)	(6,516)	(6,841)	
Proceeds from disposal of p.p. and e	1	1	1	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Decrease in restricted cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Acquisition of available-for-sale financial assets	(4,559)	(177)	0	0	0	(177)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Proceeds from sale of available-for-sale financial assets	2,361	82	0	0	0	82	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net cash provided (used) by Investing activities	(15,914)	(3,398)	(5,263)	(2,000)	(2,000)	(12,661)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)	(10,800)	(11,670)	(12,617)	(13,647)	(14,768)	(15,990)	(17,321)	(18,771)	(20,353)	(22,078)	(23,960)	
Cash flows from Financing activities:																							
Repayment of obligations under finance leases and other debts	(5)	(1,248)	(896)	0	0	(2,144)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Proceeds from capital and share premium increases, gross amount	296,188	0	0	990,991	0	990,991	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Issue costs paid related to capital and share premium increases	(15,964)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Proceeds from capital and share premium increases from exercise of warrants	7,657	3,481	4,324	0	0	7,805	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net cash provided (used) by Financing activities	287,876	2,233	3,428	990,991	0	996,652	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Effect of exchange rate differences on cash and cash equivalents	10,089	4,958	(3,101)	0	0	1,867	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net increase (decrease) in Cash/Cash Equivalents	139,585	(67,895)	(74,978)	1,265,679	274,606	1,397,412	34,914	33,664	38,240	45,008	151,826	184,735	380,204	710,726	918,087	988,538	1,381,092	1,462,287	1,521,892	1,497,708	1,523,081	1,542,996	
Cash & Cash Equivalents at Beginning of Period	1,151,211	1,290,796	1,222,901	1,147,923	2,413,602	1,290,796	2,888,208	2,723,122	2,756,786	2,795,026	2,888,208	2,840,034	3,024,769	3,404,973	4,115,698	5,033,785	6,022,322	7,403,415	8,965,702	10,387,594	11,885,301	13,408,382	
Cash & Cash Equivalents at End of Period	€ 1,290,796	€ 1,222,901	€ 1,147,923	€ 2,413,602	€ 2,688,208	€ 2,688,208	€ 2,723,122	€ 2,756,786	€ 2,795,026	€ 2,840,034	€ 2,840,034	€ 3,024,769	€ 3,404,973	€ 4,115,698	€ 5,033,785	€ 6,022,322	€ 7,403,415	€ 8,965,702	€ 10,387,594	€ 11,885,301	€ 13,408,382	€ 14,951,378	

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

Balance Sheet

Balance sheet	2018A	2019A	2019A	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
(€ in thousands, except per share data)																							
Assets																							
Current assets:																							
Cash and cash equivalents	€ 1,290,796	€ 1,222,901	€ 1,147,923	€ 2,413,602	€ 2,688,208	€ 2,688,208	€ 2,723,122	€ 2,756,786	€ 2,795,026	€ 2,840,034	€ 2,840,034	€ 3,024,769	€ 3,404,973	€ 4,115,698	€ 5,033,785	€ 6,022,323	€ 7,403,415	€ 8,865,702	€ 10,387,594	€ 11,885,301	€ 13,408,382	€ 14,951,378	
Trade and other receivables	18,609	15,347	42,067	43,067	44,067	44,067	45,317	46,567	47,817	49,067	49,067	55,310	61,865	68,748	76,147	84,067	92,507	101,467	110,947	120,947	131,467	142,507	
Current R&D incentives receivables	11,203	11,645	11,644	12,644	13,644	13,644	14,894	16,144	17,394	18,644	18,644	24,887	31,442	38,325	45,208	52,091	58,974	65,857	72,740	79,623	86,506	93,389	
Current restricted cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other current assets	8,243	9,351	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	6,970	
Total current assets	1,328,851	1,259,244	1,206,604	2,476,283	2,752,889	2,752,889	2,790,303	2,826,467	2,862,207	2,914,715	2,914,715	3,111,936	3,505,250	4,229,742	5,193,165	6,238,005	7,692,056	9,230,689	10,832,002	12,408,084	14,010,761	15,634,336	
Intangible assets	3,632	6,497	7,191	7,441	7,691	7,691	8,141	8,591	9,041	9,491	9,491	11,381	13,366	15,449	17,637	19,934	22,347	24,879	27,539	30,331	33,263	36,342	
Property, plant and equipment, net	23,137	49,542	51,180	49,680	48,180	48,180	46,680	45,180	43,680	42,180	42,180	36,180	30,210	24,834	20,122	16,155	13,017	10,804	9,622	9,585	10,821	13,471	
Deferred tax assets	2,514	2,511	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	2,516	
Non-current R&D incentives receivables	73,443	76,029	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	82,644	
Other non-current assets	7,319	6,377	5,713	5,713	5,713	5,713	5,713	5,713	5,713	5,713	5,713	11,113	18,948	23,255	30,080	37,454	45,459	54,119	63,506	73,681	84,720	95,700	
Total assets	1,439,496	1,400,200	1,357,848	2,624,277	2,899,633	2,899,633	2,935,997	2,971,111	3,010,801	3,057,259	3,057,259	3,255,779	3,650,934	4,378,441	5,346,164	6,396,718	7,858,038	9,405,651	11,017,827	12,606,841	14,224,726	15,866,009	
Liabilities and stockholders' equity																							
Current liabilities:																							
Finance lease liabilities	0	4,580	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	5,141	
Trade and other payables	68,928	69,880	86,216	86,216	86,216	86,216	86,216	86,216	86,216	86,216	86,216	101,824	123,428	154,345	192,125	239,043	299,842	363,630	429,648	494,960	561,291	628,440	
Current tax payable	1,175	1,168	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	
Current deferred income	149,801	123,822	96,325	71,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	46,325	
Total current liabilities	219,904	199,450	188,713	163,713	138,713	138,713	138,713	138,713	138,713	138,713	138,713	154,321	175,925	206,842	244,622	291,540	352,339	416,127	482,145	547,457	613,788	680,937	
Pension liabilities	3,764	3,851	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	3,939	
Other non-current liabilities	1,579	20,409	21,829	22,329	22,829	22,829	23,479	24,129	24,779	25,429	25,429	28,289	31,435	34,896	38,702	42,890	47,496	52,562	58,136	64,266	71,010	78,428	
Non-current deferred income	0	735	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total liabilities	225,247	224,445	214,481	189,981	165,481	165,481	166,131	166,781	167,431	168,081	168,081	186,549	211,299	245,676	287,263	338,369	403,774	472,629	544,220	615,662	688,737	763,304	
Share capital	236,540	237,348	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	238,475	
Share premium account	1,277,780	1,280,452	1,283,650	2,281,141	2,286,141	2,286,141	2,295,541	2,303,541	2,312,141	2,321,141	2,321,141	2,357,441	2,397,371	2,441,294	2,489,609	2,542,756	2,601,218	2,665,525	2,736,264	2,814,076	2,899,670	2,993,622	
Other reserves	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	(735)	
Translation differences	(1,557)	(1,290)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	
Accumulated losses	(297,779)	(340,920)	(376,518)	(63,080)	209,776	209,776	237,990	264,454	294,994	331,802	331,802	470,145	794,794	1,437,693	2,308,690	3,247,607	4,577,068	5,983,056	7,443,317	8,872,900	10,321,077	11,781,660	
Total stockholders' equity	1,214,249	1,175,755	1,143,367	2,434,296	2,734,152	2,734,152	2,769,866	2,804,330	2,843,370	2,889,178	2,889,178	3,063,821	3,428,400	4,115,222	5,034,535	6,026,599	7,414,518	8,884,817	10,415,816	11,923,211	13,456,882	15,011,717	
Total liabilities and stockholders' equity	€ 1,439,496	€ 1,400,200	€ 1,357,848	€ 2,624,277	€ 2,899,633	€ 2,899,633	€ 2,935,997	€ 2,971,111	€ 3,010,801	€ 3,057,259	€ 3,057,259	€ 3,250,370	€ 3,639,699	€ 4,360,888	€ 5,321,798	€ 6,364,967	€ 7,818,292	€ 9,357,445	€ 10,960,035	€ 12,538,873	€ 14,145,719	€ 15,775,022	

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

Cash Outlook, Ratio Analysis, and Enterprise Value

CASH QUICK LOOK :	2018A	1Q19A	2Q19A	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Cash burn in period (cash from operations)	€ 362,654	€ 94,161	€ 111,957	€ 115,250	€ 116,000	€ 437,368	€ 117,000	€ 118,750	€ 120,500	€ 122,000	€ 478,250	€ 448,388	€ 477,968	€ 494,976	€ 513,922	€ 535,081	€ 546,257	€ 557,836	€ 569,837	€ 582,278	€ 595,182	€ 608,568
Total cash and cash equivalents	€ 1,290,796	€ 1,222,901	€ 1,147,923	€ 2,413,602	€ 2,688,208	€ 2,688,208	€ 2,723,122	€ 2,756,786	€ 2,795,026	€ 2,840,034	€ 2,840,034	€ 3,024,760	€ 3,404,973	€ 4,115,698	€ 5,033,785	€ 6,022,323	€ 7,403,415	€ 8,865,702	€ 10,387,594	€ 11,885,301	€ 13,408,382	€ 14,951,378
Periods of cash remaining	3.5 yrs	13.0 qrs	10.5 qrs	21.0 qrs	23.0 qrs	6.0 yrs	23.5 qrs	23.0 qrs	23.0 qrs	23.5 qrs	6.0 yrs	6.5 yrs	7.0 yrs	8.5 yrs	10.0 yrs	11.5 yrs	13.5 yrs	16.0 yrs	18.0 yrs	20.5 yrs	22.5 yrs	24.5 yrs
Ratio analysis	2018A	1Q19A	2Q19A	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
EBIT	(44,809)	(53,242)	(44,367)	300,438	299,856	502,685	31,964	30,214	34,290	40,558	137,026	154,294	341,396	660,484	889,462	1,198,139	1,687,540	1,784,491	1,853,679	1,816,749	1,841,482	1,858,551
EBITDA	(40,618)	(50,484)	(41,472)	303,188	302,606	513,838	34,964	33,214	37,290	43,558	149,026	166,894	354,626	673,646	902,957	1,211,770	1,701,307	1,796,396	1,867,723	1,830,933	1,855,808	1,873,020
EBITDA % of Sales	-13%	-12%	-6%	73%	73%	55%	23%	22%	24%	27%	24%	25%	39%	58%	63%	69%	69%	69%	69%	69%	69%	69%
EV/EBITDA multiple	(72x)	(88x)	(122x)	25x	24x	13x	207x	217x	193x	165x	48x	42x	19x	9x	6x	3x	2x	1x	(0x)	(1x)	(2x)	(3x)
Gross Profit Margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
OpMargin	-14%	-130%	-66%	72%	72%	53%	21%	20%	22%	25%	22%	23%	38%	52%	57%	62%	68%	69%	69%	68%	68%	68%
Net Operating Profit After Tax (NOPAT)	(44,858)	(53,310)	(44,428)	300,438	299,856	502,556	31,964	30,214	34,290	40,558	137,026	154,294	341,396	660,484	889,462	958,305	1,349,815	1,427,365	1,482,704	1,453,148	1,472,921	1,486,564
Free Cash Flow (FCF)	(152,858)	(73,801)	(72,972)	275,438	275,356	404,021	35,914	34,664	39,240	46,008	155,826	188,935	384,614	715,356	922,949	993,643	1,386,452	1,467,915	1,527,801	1,503,913	1,529,596	1,549,837
Book per share	€ 23.25	€ 21.53	€ 20.86	€ 39.27	€ 44.02	€ 46.74	€ 44.51	€ 44.97	€ 45.51	€ 46.15	€ 46.20	€ 48.89	€ 54.60	€ 65.41	€ 79.86	€ 95.40	€ 117.14	€ 140.09	€ 163.90	€ 187.25	€ 210.91	€ 234.81
Net cash per share	€ 24.72	€ 22.39	€ 20.94	€ 38.94	€ 43.20	€ 45.95	€ 43.76	€ 44.21	€ 44.74	€ 45.37	€ 45.41	€ 48.27	€ 54.23	€ 65.41	€ 79.85	€ 95.34	€ 116.97	€ 139.79	€ 163.46	€ 186.65	€ 210.15	€ 233.87
Return on assets (ROA)	-2%	-3%	-3%	11%	10%	17%	1%	1%	1%	1%	5%	5%	9%	15%	17%	15%	17%	15%	13%	12%	10%	9%
Return on equity (ROE)	-2%	-4%	-4%	12%	11%	16%	1%	1%	1%	1%	5%	5%	10%	16%	18%	16%	18%	14%	12%	11%	10%	10%
Current ratio	6.04	6.31	6.40	15.13	19.85	19.85	20.12	20.38	20.67	21.01	21.01	20.17	19.92	20.45	21.23	21.40	21.83	22.18	22.47	22.66	22.83	22.96
Enterprise Value (MC + Total Debt - Cash)	2,916,600	4,451,576	5,071,758	7,503,446	7,248,674	6,671,472	7,233,634	7,219,884	7,201,597	7,176,582	7,166,605	7,001,884	6,641,733	5,951,101	5,053,147	4,084,783	2,723,905	1,281,873	(219,723)	(1,697,095)	(3,199,799)	(4,722,378)
Market Cap (MC)	4,207,396	5,674,477	6,219,681	9,917,048	9,936,882	9,359,680	9,956,756	9,976,669	9,996,622	10,016,616	10,006,639	10,026,652	10,046,706	10,066,799	10,086,933	10,107,107	10,127,321	10,147,575	10,167,871	10,188,206	10,208,583	10,229,000
Current Share price	€ 160.00																					

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

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

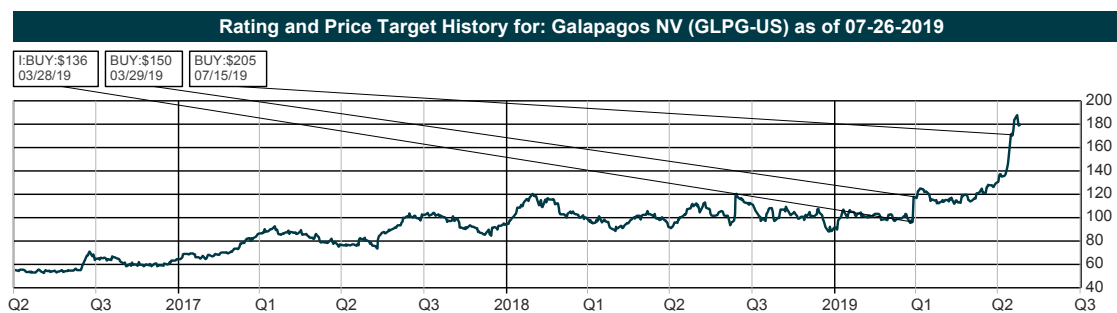
H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of July 26, 2019

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	344	92.97%	126	36.63%
Neutral	24	6.49%	3	12.50%
Sell	0	0.00%	0	0.00%
Under Review	2	0.54%	0	0.00%
Total	370	100%	129	34.86%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Debjit Chattopadhyay and Earl DeSouza, certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst's household has a financial interest in the securities of Galapagos NV (including, without limitation, any option, right, warrant, future, long or short position).

As of June 30, 2019 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of Galapagos NV.

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The Firm or its affiliates did not receive compensation from Galapagos NV for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm does not make a market in Galapagos NV as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC's and its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.