



Equity Research | Instant Insights

5 August 2021

Rosie Turner	+44 (0)20 3134 8680	<a href="mailto:rosie.turner@barclays.com">rosie.turner@barclays.com</a>	Barclays, UK	Completed: 05-Aug-21,
Emily Field, CFA	+44 (0)20 7773 6263	<a href="mailto:emily.field@barclays.com">emily.field@barclays.com</a>	Barclays, UK	Released: 05-Aug-21,
Brian Balchin, ACA	+44 (0)20 3134 0137	<a href="mailto:brian.balchin@barclays.com">brian.balchin@barclays.com</a>	Barclays, UK	
Arihant Baid	+91 (0)22 6175 2309	<a href="mailto:arihant.baid@barclays.com">arihant.baid@barclays.com</a>	Barclays, UK	
Sidhartha Modi	+91 (0)22 6175 1326	<a href="mailto:sidhartha.modi@barclays.com">sidhartha.modi@barclays.com</a>	Barclays, UK	

[View email in browser](#)

## Galapagos

# 2Q21 first take: Focus still on business development

**Stock Rating/Industry View:** Overweight/Positive

**Price Target:** EUR 75.00

**Price (05-Aug-2021):** EUR 51.05

**Potential Upside/Downside:** 47%

**Tickers:** GLPG NA / GLPG.AS

### **Jyseleca European launch progressing well but focus remains on business development**

**Galapagos reported 2Q21 results this evening. After the additional trial setbacks announced in July there was not a lot of new information.**

**The Jyseleca European launch is progressing well, with sales now in 11 countries with reimbursement agreed (key countries Germany and the UK).** This is a small positive. The company has announced an additional trial for TYK-2 asset GLPG3667 in UC, which also a small positive, although we await more detail on the rationale for this trial on the call tomorrow. All is on track for the European approval of Jyseleca in UC, and we

await the MANTA trial results (now H1 2022) to find out from Gilead about any US potential for the drug in UC and Crohn's. Note, Crohn's still actively recruiting whilst in the US UC data are waiting to be filed.

**Still, expect the focus of the call tomorrow to be business development given the gap in the late stage pipeline** (see chart below). The company ended the 1H21 with €5006m cash and cash equivalents and reiterated cash burn guide of €580-€620m for the full year. The company can afford to do a deal.

**In terms of financials, 2Q operating income of -€47m was worse than our expectation of -€33m but slightly better than company consensus of -€54m, while 1H21 operational cash burn of -€223m (-€96m in 2Q21) was slightly better than our 1H21 forecast of -€324m (-€197m in 2Q21).** Given management's FY21 cash burn guidance we should expect an uptick in cash burn in 2H21. The company also looks to be on track to realise half of the €150m of savings expected to be generated from the pipeline re-prioritisation announced last quarter this year (recall this has been embedded into the company's FY21 cash burn guidance).

**While Jyseleca EU numbers have not been disclosed (aim to start reporting in 2H21), as flagged above they have launched in 11 countries to date** and expect additional reimbursement decisions across a number of EU countries this year. The transition of full European commercial responsibilities from Gilead is still expected to complete by the end of the year. Notably, the company continue to expect a CHMP opinion and decision from the European commission on Jyseleca in UC later this year.

**In terms of R&D developments,** GLPG announced that they plan to advance SIK3 inhibitor GLPG4399 in healthy volunteers this year with expectations for a follow-up SIK2/3 preclinical candidate in the clinic by 2022. There is also the TYK-2 asset GLPG3667 in UC that will now start in 2022 as well as the P2b trial in psoriasis (Pso). The company also expect to finalise recruitment in the GLPG2737 P2a trial in polycystic kidney disease this year.

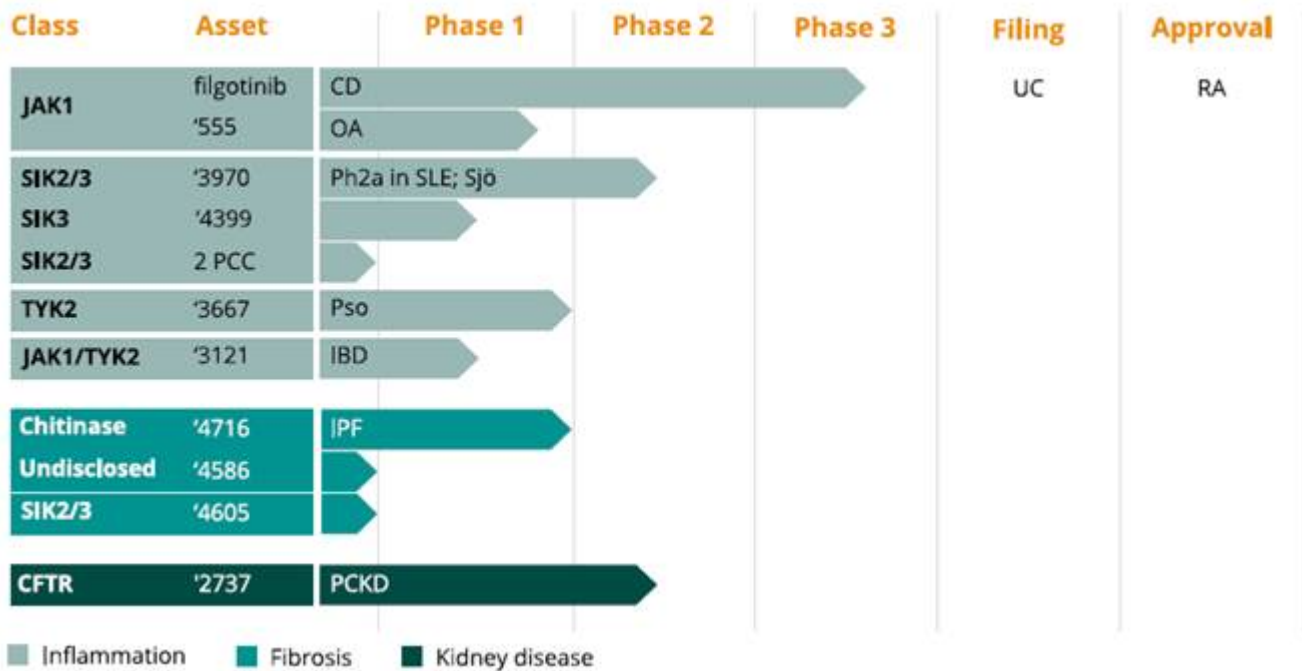
**Last month the company announced PoC results from the Toledo molecule GLPG3970 failed to show statistically significant benefit** (*Galapagos: The Pipeline Shrinks Again (15/07/21)*), which led the company to discontinue the programme. TYK2 molecule GLPG3667 showed a response in Pso but awaits a confirmatory P2b trial. GLPG3970 is still on the table below as two more trials are to read out even though it is confirmed the molecule will not be taken forward.

**We briefly spoke with the company this evening.** They highlighted progress for Jyseleca in Europe in RA and the expected approval in UC this year. The UK UC approval is expected a couple of months after broader Europe. Also of note, they gave the timing for MANTA data as mentioned above (H1 2022), which we believe is a small push back (we were expecting trial completion Dec 2021 and data 1Q 2022). In terms of the US approval for Jyseleca in UC and the trial and potential approvals in Crohn's (data H1 2023), the company reiterated the ball remains in Gilead's court. We would note that Gilead have not been sounding too positive on UC submission.

**We expect little movement in the shares tomorrow based on tonight's results.**

**On the conference call tomorrow (06/08/21) we expect investors to focus on any potential BD opportunities.** Call at 1:00pm BST / 8:00am EST; UK dial-in +44 2071 928338/ US dial-in +1 646 741 3167; participant code 8245817.

**Pipeline chart**



Source: GLPG

## 2Q21 detailed results

### 2Q21 vs. Barclays/Consensus

2Q21 estimates	2Q20 actual	2Q21 actual	2Q21 actual y/y chg	2Q21 actual vs BARC	2Q21 actual vs cons	BARC 2Q21E	BARC y/y chg.	Comp. Cons. 2Q21E	Cons y/y chg.
Revenues (+ other inc.)	121	153	26%	-28%	15%	214	76%	133	10%
Jyseleca	-	-	-	-100%	-	9	-	-	-
COGS	-	-	-	-	-	-	-	-	-
SC&A	(55)	(61)	-11%	21%	18%	(77)	-40%	(51)	-6%
R&D	(149)	(139)	7%	19%	5%	(171)	-15%	(133)	-11%
Other Opex	-	-	-	-	-	1	-	-	-
Total Opex	(204)	(200)	2%	19%	7%	(247)	-21%	(187)	-8%
EBIT	(83)	(47)	43%	-40%	-13%	(33)	60%	(54)	-35%
margin	-68.5%	-30.6%				-16%		-40.6%	
EBITDA	(78)	(26)	-67%	-4%		(25)	68%	-	
margin	-64.5%	-16.9%				-12%			
Net Financial Income	(28)	(18)	36%	28%	1196%	(25)	12%	(1)	-95%
Pre-Tax Reported	(111)	(65)	42%	-11%		(59)	47%		
Tax	(0)	1	269%			-			
rate	-0.3%	1.0%				0.0%			
Net Income	(112)	(64.4)	42%	-10%	-6%	(59)	48%	(69)	-39%
EPS (diluted)	-€ 1.72	-€ 0.98		-9%	8%	-€ 0.89	48%	-€ 1.06	-38%
Operational Cash Burn	-151	-96	37%	52%	-40%	-197.0	-30%	-159	6%
Net cash position	5,539	5,006	-10%	2%	1%	4,917	-11%	4,978	-10%

Source: Company reports, Company consensus, Barclays Research

**FY21/22 forecasts for Barclays & consensus (€mm)**

GLPG NA (EURmm)		2021					2022				
FY ESTIMATES	FY20 actual	BARC FY21	BARC y/y chg	Comp. Cons FY21	Cons y/y chg	2021 Cons vs. BARC Var.	BARC FY22	BARC y/y chg	BBC Cons FY22	BBC Cons y/y chg	2022 BBC Cons vs. BARC Var.
Revenues (+ other inc.)	530	620	17%	515	-3%	-17%	712	15%	537	9%	-25%
Jyseleca	-	39	-				84	117%	-	-	-
COCS	-	-		(2)			-				
SC&A	(185)	(256)	-38%	(209)	-13%	19%	(346)	-35%			
R&D	(524)	(605)	-15%	(513)	2%	15%	(635)	-5%			
Other Opex	-	5					30				
Total Opex	(709)	(856)	-21%	(725)	-2%	15%	(951)	-11%	(768)	-1%	19%
EBIT	(179)	(236)	-32%	(210)	-18%	11%	(239)	-1%	(231)	13%	3%
margin	-33.7%	-38%		-40.8%			-34%		-43.0%		
EBITDA	(160)	(211)	-32%				(210)	0%	(215)		
margin	-30.2%	-34%					-29%		-39.9%		
Net Financial Income	(131)	(4)	97%	(7)	94%	-97%	(19)				
Pre-Tax Reported	(310)	(240)	23%				(258)	-8%			
Tax	(1)	(0)					-				
rate	0.0%	-0.1%					0.0%				
Net Income	(305)	(218)	29%	(210)	31%	4%	(258)	-19%	(245)	-5%	5%
EPS (diluted)	-€ 4.69	-€ 3.30	30%	-€ 3.16	33%	4%	-€ 3.89	-18%	-€ 3.48	11%	11%
Operational Cash Burn	-525	-646	-23%	-571	-9%	12%	-521	19%			
Net cash position	5,158	4,595	-11%	4,673	-9%	2%	4,046	-12%			

Source: Company reports, Bloomberg consensus, Barclays Research

**Recent GLPG research**

- [Galapagos: Recalibrating to the new reality \(19/01/21\)](#)
- [GLPG: ISABELA stopped: another disappointment \(10/02/21\)](#)
- [Galapagos: FY20 first take: Waiting for guidance on the path forward \(18/02/21\)](#)
- [Galapagos: Remain EW into MANTA read-outs \(01/03/21\)](#)
- [Galapagos: MANTA & MANTA-RAY: nothing fishy in this data \(04/03/21\)](#)
- [Conference Feedback: Galapagos \(09/03/21\)](#)
- [Galapagos: Re-evaluating the pipeline: u/g to OW \(14/04/21\)](#)
- [Galapagos: Positive read-across from BMY's TYK2 data \(26/04/21\)](#)
- [GLPG: 1Q21 first take: trimming the fat \(06/05/21\)](#)
- [Galapagos: Updating model post quarter, all eyes on Toledo \(07/06/21\)](#)
- [Galapagos: Piet Wigerinck is leaving the islands \(23/06/21\)](#)
- [Galapagos: The Pipeline Shrinks Again \(15/07/21\)](#)

Restricted - External

Barclays Capital Inc. and/or one of its affiliates does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

For analyst certifications and important disclosures including, where applicable, foreign affiliate disclosures, and the date and time when the production of each recommendation was completed and first disseminated, please [click here](#).

---

Download the Barclays Live app



[Edit my subscriptions profile](#) | [Unsubscribe me from this email](#)

---

**Important Consent Notice for Debt Research Subscribers employed by Issuers, Media Organisations, Regulators, or Academic Institutions:** To the extent that this publication states on the front page that it is intended for institutional investors and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors under U.S. FINRA Rule 2242, it is an "institutional debt research report" and distribution to retail investors is strictly prohibited. Barclays also distributes such institutional debt research reports to various issuers, media, regulatory, and academic organisations for their own internal informational, news gathering, regulatory, or academic purposes and not for the purpose of making investment decisions regarding any debt securities. Media organisations are prohibited from re-publishing any opinion or recommendation concerning a debt issuer or debt security contained in any Barclays institutional debt research report. Any such recipients that do not want to continue receiving Barclays institutional debt research reports should contact [debtresearch@barclays.com](mailto:debtresearch@barclays.com).

This e-mail is intended only for the person to whom it was originally sent, and may contain information that is confidential, proprietary, privileged or otherwise protected from disclosure. If you are not an intended recipient of this message, please delete it and any attachments, and notify the sender that you have received it in error. Unless specifically stated in the message or otherwise indicated, you may not duplicate, redistribute or forward this message or any portion thereof, including any attachments, by any means to any other person, including any retail investor or customer. Barclays uses your contact information to deliver information to you and reserves the right, as permitted by applicable law, to monitor electronic communications. Barclays uses cookies and other tracking technologies to collect information about recipients of electronic communications (such as internet protocol addresses). Barclays uses the information collected to monitor the effectiveness, and extent and frequency of usage of our products, and to further improve our products and our relationships with our clients. This message is not a recommendation, advice, offer or solicitation, to buy/sell any product or service, and is not an official confirmation of any transaction. Any opinions presented are solely those of the author and do not necessarily represent those of Barclays. This message is subject to terms available at: [www.barclays.com/emaildisclaimer](http://www.barclays.com/emaildisclaimer). By messaging with Barclays you consent to the foregoing. Barclays Bank PLC, a company registered in England (number 1026167) with its registered office at 1 Churchill Place, London, E14 5HP. This email may relate to or be sent from other members of the Barclays group.

How we use personal information - see our privacy notice:  
<https://www.investmentbank.barclays.com/disclosures/personalinformationuse.html>