Galapagos

No surprises with H1'21 update, cash burn guidance reiterated

European Life Sciences 06 August 2021, 08:11

Galapagos reported H1'21 results with a €163m net decrease in cash resulting in a cash position of €5b (in line with consensus). Jyseleca has now been launched in 11 EU countries and as previously guided first sales will be reported in the Q3 update. In upcoming newsflow, Galapagos highlighted i) the EU approval of Jyseleca in UC, ii) the completion of recruitment in the DIVERSITY phase III trial with filgotinib in Crohn's, and iii) completion of recruitment in the phase IIa trial with GLPG2737 in polycystic kidney disease. There was no mention of an update on the MANTA safety trials as Galapagos should have the 52-week data, requested by the FDA in H2'21 and key to the commercial future of filgotinib in IBD in the US (note). Management reiterated the FY'21 operational cash burn guidance of €580-620m (H1'21: €223m). Overall, we don't expect much impact on the stock, and as we switch focus back to Jyseleca for the rest of the year we remain on the sidelines (reiterate NEUTRAL rating).

In other pipeline updates. Galapagos expects to start in 2022 a phase IIb trial in PSO and phase IIa trial in UC with TYK2 inhibitor, GLPG3667. To optimize dosing, GLPG3667 is currently undergoing a dose-escalation study in healthy volunteers. In the SIK portfolio, GLPG4399 (SIK3 inhibitor) will enter phase I in H2'21 while a follow-up SIK2/3 inhibitor will enter the clinic in 2022. As a reminder, phase II trials with SIK2/3 inhibitor GLPG3970 in SLE and Sjogren's are still ongoing for which results should be available in Q2'22.

Less emphasis on transformative BD. While management previously stated that it is focused to "identify and execute on a transformative opportunity", language has now been toned down to "diligently evaluating" business development opportunities. We look forward to understanding to what extent the previously stated urgency has changed in the call later today (14:00 CET).

Table 1 - Galapagos expected newsflow

Drug/product	Indication	Event	Timing	Up/Downside
Filgotinib	Safety (male toxicity)	Data phase II MANTA/MANTA-Ray trials - 52 weeks	H2'21	+30% / -5%
GLPG4399	Healthy volunteers	Start phase I	H2'21	-
GLPG3121	Healthy volunteers	Data phase I (JAK1/TYK2)	Q4'21	-
Filgotinib	Ulcerative colitis	EMA review process conclusion	Q4'21	-
Filgotinib	Ulcerative colitis	Japan review process conclusion	Q1'22	-
GLPG3667	Psoriasis	Start phase IIb	H1'21	-
GLPG3667	Ulcerative colitis	Start phase Iia	H1'21	-
GLPG0555	Osteoarthritis	Data phase I/II (JAK1)	H1'22	-
GLPG3970	Systemic lupus erythem	Data phase II TAPINOMA (SIK2/3)	H1'22	+/- 5%
GLPG3970	Sjögren's syndrome	Data phase II GLIDER (SIK2/3)	H1'22	+/- 5%
Filgotinib	Crohn's disease	Data phase III DIVERSITY	H1'22	+/- 10%
GLPG2737	ADPKD	Data phase II	H2'22	+/- 3%

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Rating	NEUTRAL
Price Target	€70.00
Closing price (05 Aug 2021)	€51.05

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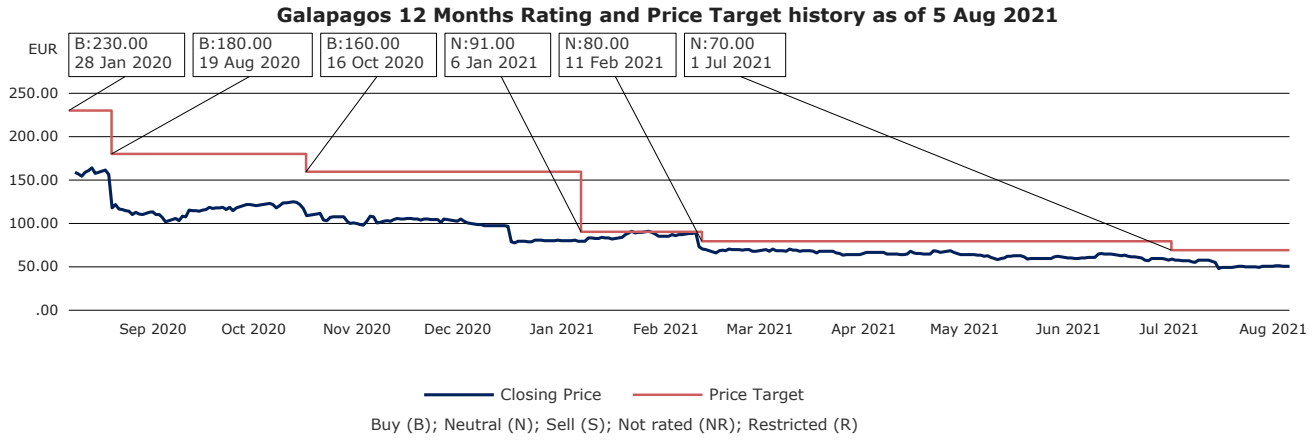

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