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Capital Markets RBC Capital Markets, LLC Brian Abrahams, M.D. (Analyst) (212) 858-7066 brian.abrahams@rbc.com Gilbert Kinsey, PharmD, Ph.D. (Senior Associate) (212) 301-1609 gilbert.kinsey@rbccm.com

Owen Drinkwater (Senior Associate) (212) 858-6009 owen.drinkwater@rbccm.com Gregory Renza, M.D. (Analyst) (212) 858-7065 gregory.renza@rbc.com

January 28, 2020

Correction - GILD/GLPG: Analysis Shows Disconnect Between Valuations For Shared Pipeline Creates Opportunity

[This note replaces one issued earlier with corrections in the key take and bullets 3, and 4]

Since the expansion of the two companies' partnership last July, GLPG shares are up 57% to reach a ~\$9.5B EV, while GILD shares are slightly down (4%) - despite most of GLPG's pipeline being shared with GILD and GILD having the rights to up to a ~30% share of GLPG. Our analysis suggests the disconnect in market value being placed on the same suite of shared assets across the two companies creates a relative value opportunity favoring GILD. This supports our view that GILD is undervalued with a fundamentally strong core business, little downside clinical/competitive risk, and an underappreciated pipeline and external BD capabilities that could catalyze future growth.

GILD and **GLPG** are closely linked - even if their valuations have not tracked closely together. Recall that in 2Q19, GILD signed an expanded agreement with GLPG, making an equity investment of \$1.1B in GLPG with warrant rights to acquire up to 29.9% of the company and they have already increased their ownership stake to over 25%. We believe lead partnered asset filgotinib may generate probability adjusted sales of \$3.5B across three indications (RA, UC, CD), while other programs such as '1690 for IPF (for which GILD has rights), '1972 for OA (ph.IIb results expected 1H20), and Toledo having considerable potential but being higher risk.

GILD shares look to be trading at/below their floor ex-pipeline. Our DCF of GILD without any pipeline contribution at all - even with conservative ests. for PrEP switching, capsid success, and CAR-T growth - would yield a fair value in the low-\$60s; in the most bearish scenario (entire business goes away after 2033 once Biktarvy and HCV agents go off patent), fair value would be around \$55. With GILD shares trading at \$63.83, this suggests they receive very little credit for any of their pipeline, particularly the GLPG-partnered programs (We expect this to change as filgotinib progresses through near-term catalysts and the mid-stage portfolio is potentially expanded through BD).

In contrast, GLPG receives substantial credit for their pipeline- the vast majority of which is shared with GLD. Accounting for the structure of the deal on filgotinib (primary value driver, in our view), in which GLPG receives 20-30% royalties on U.S. sales, splits overall future development costs and EU profits, and may receive up to \$1.36B in development, regulatory, and sales milestones, we est. GLPG effectively has a ~43% stake (helped incrementally by its more favorable tax structure) in a program we est. could generate \$3.5B in out-year probability-weighted sales and roughly \$15.5B in undiscounted overall pre-tax profits through 2030. Though GLPG's most advanced pipeline assets other than filgotinib ('1690, '1972, and the Toledo family) are being developed for large indications with multi-\$B out-year protential, we see meaningful risk with these programs - at this stage - given the relatively small amount of ph.II data underpinning their large ph.III ISABELA program in IPF, and the absence of any target patient data with '1972 and Toledo. We are not necessarily endorsing GLPG's current valuation such that GILD should necessarily trade comparably -- as we believe it may be difficult to justify greater than a \$9B EV on split rights to filgotinib and the higher-risk earlier-stage pipeline even with the relatively generous economics from GILD -- but even if fair value for the partnered programs lies somewhere in between, this still suggests GILD should be getting more credit than they currently receive. *Continued next page...*

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Additionally, GILD owns a substantial portion of GLPG shares (est. ownership value at ~\$5B) though has not benefited from their appreciation. GILD originally acquired a 14.6% stake in GLPG in 1Q16 following their initial partnership in 4Q15 and has since brought its beneficial stake up to 29.9% of the company through open market activities and warrants. This suggests the stake in GLPG should be worth an add'l \$4.7B in GILD's market cap, something we believe is not at all reflected in GILD's valuation; the appreciation of their stake since the expanded agreement was signed should itself have added ~\$1.63, or 2.5%, though GILD shares are down 4% since then despite broader sector upside and no fundamentally negative developments.

See exhibits in backpages for further detail.







Source: RBC Capital Markets estimates; Factset



Exhibit 2: GLPG appreciation value to GILD

07/12/2019								
	Price	Mkt Cap (\$B)	Stake (\$B) C	GILD Stake in GLPG	Shares Owned*	Price per Share	EUR/USD	
GLPG	\$144.20	7.9			*owned pre-expansion			
GILD	\$66.26		1.0	12.3%	6,760,701	\$64.30	1.090	
GILD - GLPG	\$64.42	82.1						
08/23/2019								
	Price	Mkt Cap (\$B)	Stake (\$B) C	GILD Stake in GLPG	Shares Owned	Price per Share		
GLPG	\$165.41	10.2						
					+6,828,985			
GILD	\$62.51	79.2	2.2	22.0%	13,589,686	\$156.17	1.111	
GILD - GLPG	\$60.40	77.0						
10/25/2019								
	Price	Mkt Cap (\$B)	Stake (\$B) C	SILD Stake in GLPG	Shares Owned	Price per Share		
GLPG	\$164.59	11.4						
					+7,039,243			
GILD	\$63.32	80.2	3.4	29.90%	20,628,929	\$155.93	1.109	
GILD - GLPG	\$60.26	76.8						
01/27/2020								
	Price	Mkt Cap (\$B)	Stake (\$B) C	GILD Stake in GLPG	Shares Owned	Price per Share		Δ
GLPG	\$226.86	15.7				•		57%
GILD	\$63.83	80.0	4.7	29.90%	20,628,929	\$154.82	1.101	-4%
GILD - GLPG	\$59.12	75.3						-8%
Note: GILD retains the ri	ight to exercise v	varrants up to 29.9% owr	nership in GLPG					
						2015 Aareement Pri	ce:	EUR 59.00

2015 Agreement Price:	EUR 59.00
2019 Agreement Price:	EUR 140.59

Appreciation Value	\$1.63
Appreciation	\$2,080,975,674
GILD Cost Basis for GLPG	\$2,598,851,174
GILD Mkt Value for GLPG	\$4,679,826,848
GILD shares outstanding	1,274,000,000
GLPG shares outstanding	68,993,074

Source: RBC Capital Markets; Company reports; Factset



Exhibit 3: Analysis of GILD/GLPG filgotinib stake

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2028	2028
Filgotinib Sales	2020	2021	2022	2025	2024	2025	2020	2021	2020	2020	2020
Rheumatoid Arthritis Total U.S. filgotinib sales in RA Total EU filgotinib sales in RA	\$36,804,947 \$12,106,391	\$144,455,829 \$25,160,100	\$234,697,463 \$60,912,055	\$332,646,537 \$117,626,719	\$438,805,513 \$178,681,467	\$540,880,415 \$244,326,901	\$632,894,544 \$306,638,460	\$751,019,906 \$361,861,379	\$858,469,751 \$432,957,076	\$944,316,726 \$476,252,784	\$1,010,418,897 \$509,590,479
Ulcerative Colitis Total U.S. filgotinib sales in UC Total EU filgotinib sales in UC	-	-	\$80,883,709 -	\$177,858,362 \$48,383,343	\$283,260,016 \$105,862,832	\$397,641,222 \$167,760,173	\$521,586,594 \$234,330,774	\$655,714,543 \$305,843,074	\$800,679,093 \$382,579,164	\$880,747,002 \$420,837,080	\$942,399,292 \$450,295,676
Crohn's Disease Total U.S. filgotinib sales in CD Total EU filgotinib sales in CD	-	-	-	\$109,248,676 -	\$226,340,433 \$65,025,755	\$353,581,810 \$134,049,665	\$491,637,587 \$208,366,474	\$641,211,090 \$288,281,855	\$803,046,271 \$374,117,068	\$883,350,899 \$411,528,775	\$945,185,461 \$440,335,789
Total US Filgotinib Sales Total EU Filgotinib Sales	\$36,804,947 \$12,106,391	\$144,455,829 \$25,160,100	\$315,581,171 \$60,912,055	\$619,753,575 \$166,010,063	\$948,405,961 \$349,570,055	\$1,292,103,446 \$546,136,739	\$1,646,118,725 \$749,335,708	\$2,047,945,539 \$955,986,308	\$2,462,195,115 \$1,189,653,308	\$2,708,414,626 \$1,308,618,639	\$2,898,003,650 \$1,400,221,944
Expenses in EU GILD Expenses COGS	\$302,660	\$629,002	\$1,522,801	\$4,150,252	\$8,739,251	\$13,653,418	\$18,733,393	\$23,899,658	\$29,741,333	\$32,715,466	\$35,005,549
SG&A GLPG Expenses	\$15,753,309	\$24,531,097	\$39,592,836	\$43,162,616	\$45,444,107	\$49,698,443	\$52,603,367	\$55,925,199	\$61,861,972	\$68,048,169	\$72,811,541
COGS SG&A	\$302,660 \$15,753,309	\$629,002 \$24,531,097	\$1,522,801 \$39,592,836	\$4,150,252 \$43,162,616	\$8,739,251 \$45,444,107	\$13,653,418 \$49,698,443	\$18,733,393 \$52,603,367	\$23,899,658 \$55,925,199	\$29,741,333 \$61,861,972	\$32,715,466 \$68,048,169	\$35,005,549 \$72,811,541
Total EU Expenses	\$32,111,937	\$50,320,199	\$82,231,275	\$94,625,736	\$108,366,717	\$126,703,724	\$142,673,519	\$159,649,713	\$183,206,609	\$201,527,270	\$215,634,179
Total EU Profit Profit Sharing	(\$20,005,546) 50%	(\$25,160,100) 50%	(\$21,319,219) 50%	\$71,384,327 50%	\$241,203,338 50%	\$419,433,016 50%	\$606,662,189 50%	\$796,336,595 50%	\$1,006,446,699 50%	\$1,107,091,369 50%	\$1,184,587,765 50%
•											
EU Profit to GILD EU Profit to GLPG	(\$10,002,773) (\$10,002,773)	(\$12,580,050) (\$12,580,050)	(\$10,659,610) (\$10,659,610)	\$35,692,163 \$35,692,163	\$120,601,669 \$120,601,669	\$209,716,508 \$209,716,508	\$303,331,095 \$303,331,095	\$398,168,297 \$398,168,297	\$503,223,349 \$503,223,349	\$553,545,684 \$553,545,684	\$592,293,882 \$592,293,882
Expenses in U.S.											
GILD Expenses COGS SG&A	\$1,840,247 \$47,846,431	\$7,222,791 \$75,117,031	\$15,779,059 \$123,076,657	\$30,987,679 \$161,135,929	\$47,420,298 \$184,939,162	\$64,605,172 \$201,568,138	\$82,305,936 \$213,995,434	\$102,397,277 \$239,609,628	\$123,109,756 \$256,068,292	\$135,420,731 \$281,675,121	\$144,900,183 \$301,392,380
GLPG Expenses COGS SG&A											
Total U.S. Expenses	\$49,686,678	\$82,339,823	\$138,855,715	\$192,123,608	\$232,359,461	\$266,173,310	\$296,301,370	\$342,006,905	\$379,178,048	\$417,095,852	\$446,292,562
Total U.S. Profit Royalty Rate	(\$12,881,731) 20%	\$62,116,006 20%	\$176,725,456 21%	\$427,629,967 22%	\$716,046,501 23%	\$1,025,930,136 24%	\$1,349,817,354 25%	\$1,705,938,634 26%	\$2,083,017,067 27%	\$2,291,318,774 28%	\$2,451,711,088 28%
U.S. Profit to GILD U.S. royalty to GLPG	(\$20,242,721) \$7,360,989	\$33,224,841 \$28,891,166	\$110,453,410 \$66,272,046	\$291,284,180 \$136,345,786	\$497,913,130 \$218,133,371	\$715,825,309 \$310,104,827	\$938,287,673 \$411,529,681	\$1,173,472,794 \$532,465,840	\$1,418,224,386 \$664,792,681	\$1,546,504,752 \$744,814,022	\$1,640,270,066 \$811,441,022
Global R&D											
GILD Share GLPG Share	\$287,375,000 \$287,375,000	\$215,531,250 \$215,531,250	\$161,648,438 \$161,648,438	\$105,071,484 \$105,071,484	\$94,564,336 \$94,564,336	\$35,000,000 \$35,000,000	\$35,000,000 \$35,000,000	\$35,000,000 \$35,000,000	\$35,000,000 \$35,000,000	\$35,000,000 \$35,000,000	\$35,000,000 \$35,000,000
Net Before Taxes and Milestones											
Global Profits to GILD Global Profits to GLPG	(\$317,620,494) (\$290,016,783)	(\$194,886,459) (\$199,220,134)	(\$61,854,637) (\$106,036,001)	\$221,904,859 \$66,966,466	\$523,950,463 \$244,170,704	\$890,541,817 \$484,821,335	\$1,206,618,768 \$679,860,776	\$1,536,641,091 \$895,634,138	\$1,886,447,736 \$1,133,016,030	\$2,065,050,436 \$1,263,359,707	\$2,197,563,948 \$1,368,734,904
Milestones and Taxes Milestones to GLPG	\$42,500,000	\$138,000,000	\$104,500,000	\$28,500,000	\$28,000,000	\$28,000,000	\$35,000,000	\$35,000,000	\$0	\$0	\$0
Taxes GILD GLPG	\$0 \$0	\$0 \$0	\$0 \$0	\$44,380,972 \$3,348,323	\$104,790,093 \$12,208,535	\$178,108,363 \$24,241,067	\$241,323,754 \$33,993,039	\$307,328,218 \$44,781,707	\$377,289,547 \$56,650,802	\$413,010,087 \$63,167,985	\$439,512,790 \$68,436,745
Net Global Profits to GILD from Filgotinib Net Global Profits to GLPG from Filgotinib	(\$360,120,494) (\$247,516,783)	(\$332,886,459) (\$61,220,134)	(\$166,354,637) (\$1,536,001)	\$149,023,887 \$92,118,142	\$391,160,370 \$259,962,169	\$684,433,454 \$488,580,268	\$930,295,014 \$680,867,737	\$1,194,312,873 \$885,852,431	\$1,509,158,189 \$1,076,365,229	\$1,652,040,349 \$1,200,191,721	\$1,758,051,159 \$1,300,298,159
Profits from Filgotinib	57%										

% GILD % GLPG

Source: RBC Capital Markets estimates; Company reports

57% 43%



Exhibit 4: Filgotinib Revenue Build

nome Laboration control 10000000 1000000	Filgotinib Revenue Build	20405	20285	20245	20285	20225	20245	20255	20205	00035	20205
	Rheumatoid arthritis	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Bit of DADAS Distance	U.S. population Total RA pts	1,985,051	1,999,939	2,014,939	2,030,051	2,045,276	2,060,616	2,076,071	2,091,641	2,107,328	2,123,133
sin of Decay and proper basesUDDD	Total anti-TNF-failures % anti-TNF-failure penetration	53,596				55,222 10%	55,637 12%	56,054 13%	56,474 14%	56,898 15%	
		145,901									
Space <th< td=""><td></td><td>-</td><td></td><td>7,287</td><td>11,422</td><td>15,619</td><td>19,878</td><td>23,639</td><td>26,687</td><td>30,554</td><td>33,697</td></th<>		-		7,287	11,422	15,619	19,878	23,639	26,687	30,554	33,697
Initian Series and Se	% growth Annual gross price (WAC)			\$41,600	\$43,264	\$44,995	\$46,794	\$48,666	\$50,613	\$52,637	\$54,743
Dial Da Control and Park PA Dial Anticia <t< td=""><td>Net price per year</td><td></td><td></td><td>\$31,096</td><td>\$32,232</td><td>\$33,408</td><td>\$34,628</td><td>\$35,891</td><td>\$37,200</td><td>\$38,557</td><td>\$39,962</td></t<>	Net price per year			\$31,096	\$32,232	\$33,408	\$34,628	\$35,891	\$37,200	\$38,557	\$39,962
Dipposite 322.00000 200.000000 200.000000 200.000000 200.0000000 200.0000000 200.000000000 200.0000000000000000000000000000000000	% compliance		\$43,299,937			75% \$391,348,867	75% \$516,241,780	75% \$636,329,900	75% \$744,581,816		75% \$1,009,964,413
Tand App 1937 JJ 1967 JJ <											
Start Dr. DAUADA Laboxa sectors ON TTS OP TTS DIP TTS DIP TTS DIP <thdip< td=""><td>Total RA pts</td><td>1,933,212</td><td>1,938,045</td><td>1,942,890</td><td>1,947,747</td><td>1,952,617</td><td>1,957,498</td><td>1,962,392</td><td>1,967,298</td><td>1,972,216</td><td>1,977,147</td></thdip<>	Total RA pts	1,933,212	1,938,045	1,942,890	1,947,747	1,952,617	1,957,498	1,962,392	1,967,298	1,972,216	1,977,147
State DR. Market method OP PH Des <thdes< th=""> Des <thdes< th=""></thdes<></thdes<>	Total anti-TNF-failures % anti-TNF-failure penetration										
	Total DMARDs failures/intolerant % anti-TINF-failure penetration	142,091 <i>0</i> %		142,802 1%	143,159 2%		143,876 6%	144,236 8%	144,596 10%	144,958 11%	145,320 13%
Barging payar B0 B2.02 B2.17.16 B2.20.8 B2.10.7 B2.20.8 <th< td=""><td>Total EU RA pts on filgotinib</td><td></td><td></td><td>1,953</td><td>4,561</td><td>8,497</td><td>12,453</td><td>16,428</td><td>19,892</td><td>22,649</td><td>26,146</td></th<>	Total EU RA pts on filgotinib			1,953	4,561	8,497	12,453	16,428	19,892	22,649	26,146
Diral LD (mark) and an LA -114.242.31 UADALY UTABLE /0 UADALYS <thuadays< th=""> UADALYS UA</thuadays<>	Net price per year									\$25,062	
Test D Number of the state of		-	\$14,242,813		\$71,661,241	\$138,384,376	\$210,213,491	\$287,443,413	\$360,751,130	\$425,719,269	
Lik production S20.041/ml S20	U.S. UC										
Tard Lip par. 666.864 676.864 687.864 687.763 586.224 592.244 702.441 702.443 702.441 702.443	Total UC pts	990.044.041	222 000 00-	225 000	220.044.00-	240.070.000	240 405 005	240.041.30-	240 000 01	254 004 00-	250 055 55-
Is funding parentanion 0%<	Total UC pts	661,684	666,646	671,646	676,684	681,759	686,872	692,024	697,214	702,443	707,711
Table Machines 47.64 47.990 49.300 49.071 49.067 49.067 49.067 59.075 59.075 59.075 Table Lis Lie Groningenée - - - 40.00 50.005 50											
bit											
Prior Prio Prior Prior	% biologics-refractory penetration				4%	7%	10%	13%	16%	19%	22%
S. Complexing OPS <	Price			624.000							
Displante Status <thstatus< th=""> Status <thstatus< td=""><td>% compliance</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>75%</td></thstatus<></thstatus<>	% compliance										75%
Elipopation 322.01,82 323.07.68 323.07.68 326.44.44 326.44.7 326.44.7 327.82.88 <t< td=""><td></td><td></td><td></td><td></td><td>0120,721,000</td><td>0200,400,241</td><td>0422,770,140</td><td>0000,404,001</td><td>\$770,407,404</td><td>0010,010,420</td><td>VIII 100,010,121</td></t<>					0120,721,000	0200,400,241	0422,770,140	0000,404,001	\$770,407,404	0010,010,420	VIII 100,010,121
No monthine generalization 0% 0% 0% 0% 2% 4% 0% 8% 10% 12% Table blockgics-refractory blockgics-refractory to biologics-refractory material 45,997 46,533 46,029 47,029 47,215 47,333 47,429 49,597 47,333 47,429 49,599 47,315 47,333 47,429 49,599 47,315 47,333 47,429 45,309 40,509 10,140 15,503 20,093 20,090 23,134 52,307 521,535 522,300 523,134 523,397 521,535 522,300 523,134 523,397 521,535 522,300 523,134 523,397 521,535 522,300 523,134 523,397 521,515 523,502 523,134 523,502 523,134 523,502 523,134 523,502 523,134 523,502 523,154 523,502 523,154 523,502 523,154 523,502 523,154 523,502 523,154 523,502 524,502 523,154 523,502 524,502 524,602 520,502 <td>EU population</td> <td></td>	EU population										
Action blockspice-refractory energement 46,357 44,513 46,629 46,746 48,863 40,980 47,057 47,215 47,333 47,426 Na biologics-refractory energement 50 50 50 50 50 50,077 51,1545 522,007 523,154 523,077 51,1545 522,027 523,154 523,077 51,1545 512,004,0127 520,055,318 520,077 51,1545 522,017 523,055,318 524,0127,52 525,0177 51,1545 512,0147 521,0177 51,1545 512,0147 521,0177 51,1545 512,0145 <td< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<>											
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Photo is compliance So <td>Total biologics-refractory % biologics-refractory penetration</td> <td></td>	Total biologics-refractory % biologics-refractory penetration										
Nep processory year S0 S0 S0 S0 S0 S0 S0 S20,077 S21,558 S22,207 S21,318 S22,207 S21,318 S22,207 S21,318 S22,207 S21,318 S22,207 S21,318 S21,317		-	-	•	-	4,803	10,140	15,503	20,893	26,309	31,753
Trade ERgenitive sales as UC -	Net price per year										
U.S. D Subscription	Total EU filgotinib sales in UC					\$72,213,945	\$158,004,227	\$250,388,319	\$349,747,424	\$456,482,200	
U.S. population 330.0411914 333.022.228 335.822153 338.821.826 340.077.800 344.85.965 346.011.756 348.686.844 615.12.305 538.855.555 Total Copta 466.228 469.862 469.862 469.864 201.404 200.052 207.607 200.164 201.733 212.1335 535.855.555 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 212.1345 530.733 720.735 720.755 736 <t< td=""><td>Crohn's disease</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Crohn's disease										
Total moderate-severe CD patients 198,595 199,994 201,494 200,005 204,528 208,082 207,607 209,164 210,733 212,313 % frontiler penetration 0% 0% 0% 0% 0% 2% 4% 6% 6% 111,163	U.S. CD U.S. population	330,841,914	333,323,228	335,823,153	338,341,826	340,879,390	343,435,985	346,011,755	348,606,844	351,221,395	353,855,555
Total biologics-refractory 111,163 111,997 112,837 113,883 114,535 115,394 116,280 117,132 118,010 118,085 Total US: Op is on ligotinb - - 7,649 15,290 23,044 30,914 30,914 30,901 47,006 Price Net price per year 50 50 531,066 532,232 533,048 534,628 535,891 537,200 538,657 539,662 Net price per year 50 50 531,066 532,232 533,048 534,628 532,692 531,706 538,657 539,662 755 <td></td> <td></td> <td></td> <td></td> <td></td> <td>511,319 204,528</td> <td></td> <td></td> <td></td> <td></td> <td></td>						511,319 204,528					
% biologics-mfanctory penetration 0% 0% 0% 0% 4% 7% 10% 13% 16% 19% Total U.S. CD pits on flightinb - - - 7,649 15,290 23,044 30,914 38,901 47,006 Sign property period 0% 0% 7%<	% frontline penetration	0%	0%	0%	0%	2%	4%	6%	8%	10%	12%
Price Net propriate S50 S31 006 S32 222 S33 468 S34 623 S35 891 S37 200 S39 457 S39 467 Vectorplinica 0% 0% 75%	Total biologics-refractory % biologics-refractory penetration										
Net price prevent S0 S0 S31:066 S32:222 S33:4628 S34:628 S37:200 S38:557 S39:662 W compliance 0 % 7%		-	-	-		7,649	15,290	23,044	30,914	38,901	47,006
Trial ILS. Rigotinib sales in CD - - - 5 \$191.646.344 \$397.088.478 \$620.318.085 \$882.032.082 \$1,124.931.736 \$1,408.633.085 EU CD EU population 322.201.682 323.07.025 323.815.006 324.624.544 325.748.015 327.682.983 327.682.983 327.682.983 327.682.983 327.682.983 327.682.983 327.682.983 327.682.983 328.702.680 329.524.477 Total moderate severe CD pallents 193.221 153.201 153.201 153.201 153.201 159.222 157.751 159.222 157.751 169.223 168.713 108.801 110.169 110.169 110.444 110.720 % lobogics-refractory 108.801 108.531 108.802 109.074 109.347 109.820 109.844 110.169 110.444 110.720 % lobogics-refractory 108.801 108.531 108.802 109.074 005.87 6% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0%<	Net price per year			\$31,096						\$38,557	
EU population 322.201,982 323.007.487 323.407.487 323.407.487 323.407.487 323.407.487 323.407.487 323.407.487 323.407.487 323.407.487 323.407.487 323.407.487 327.482.983 327.482.983 327.482.983 327.482.983 327.482.983 327.882.983 328.447 397.777 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 327.882.983 <th< td=""><td>% compliance Total U.S. filgotinib sales in CD</td><td></td><td></td><td></td><td></td><td></td><td></td><td>\$620,318,965</td><td>\$862,522,082</td><td>\$1,124,931,736</td><td></td></th<>	% compliance Total U.S. filgotinib sales in CD							\$620,318,965	\$862,522,082	\$1,124,931,736	
Total Cop ns 483,333 484,511 485,723 488,937 480,154 489,375 440,0588 491,824 493,024 494,827 Total moderate-sever CD patients 193,321 193,324 193,824 194,289 194,757 195,522 195,750 196,730 197,222 197,715 % frontline penetration 0%<	EU CD	322.201.982	323.007.487	323.815.006	324.624.544	325.436.105	326.249.695	327.065.319	327.882.983	328.702.690	329.524.447
% frontine penetration 0% 0% 0% 0% 0% 0% 2% 4% 6% 8% 10% Total biologics-refractory 108,260 108,531 108,02 109,074 109,437 109,620 109,894 110,169 110,444 110,720 % biologics-refractory penetration 0% <td< td=""><td>Total CD pts</td><td>483,303</td><td>484,511</td><td>485,723</td><td>486,937</td><td>488,154</td><td>489,375</td><td>490,598</td><td>491,824</td><td>493,054</td><td>494,287</td></td<>	Total CD pts	483,303	484,511	485,723	486,937	488,154	489,375	490,598	491,824	493,054	494,287
% biologics-infractory penetration 0% 0% 0% 0% 0% 4% 7% 10% 13% 16% Total EU CD pts on fligotinb 0%<		0%		0%	0%	0%	2%	4%	6%	8%	10%
0% 0%<			108,531	108,802	109,074	109,347	109,620	109,894	110,169	110,444	110,720
Not price per year S0 S0 S0 S0 S19,339 S20,077 S21,536 S22,320 S23,377 Total EUflipstimbinaties in CD - <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0%</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>0%</td>							0%	0%	0%	0%	0%
% complance 0% 0% 0% 75	Price										
Total WW flipotinis sales in RA - \$37,542,71 \$39,542,75 \$32,772,803 \$32,773,231 \$110,332,464 \$33,994,721 \$32,773,313 \$110,332,464 \$33,994,721,90 \$31,554,133 \$170,829,404 \$32,773,2313 \$110,332,464 \$13,994,721 \$22,773,313 \$110,332,464 \$13,994,721 \$22,773,313 \$110,332,464 \$13,994,721 \$22,773,313 \$110,332,464 \$13,939,721,400 \$115,541,313 \$170,829,4712 \$22,773,313 \$110,332,464 \$13,934,721 \$22,773,7313 \$110,332,464 \$110,542,545 \$17,959,313 \$110,542,546 \$117,559 \$27,833,31944 \$24,200,446 \$410,21,733 \$10,963,744 \$111,68,751 \$85,403,816 \$12,80,077,299 \$1,650,689,777 \$2,065,188,847 Potential roystlines to GLPG in CD (CUSD) - - \$14,2166,156 \$117,73,688 \$12,720,724 \$115,873,488 \$20,873,744 \$118,812,828,077 \$2,065,198,847 Potential roystlines to GLPG in CD (CUR) - - \$12,720,724 \$10,817,338 \$21,720,724 \$10,817,338 \$10,829,478 \$13,828,709 \$11,88,849,857 \$10,817,949 \$11,87,949,837 <td>% compliance</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>75%</td> <td>75%</td>	% compliance									75%	75%
Peterniai royalines to GLPO in RA (USD) - \$11,568,550 \$38,890,580 \$73,032,440 \$115,64,713 \$127,035,956 \$221,705,976 \$163,668,377 \$2,065,168,647 Potential royalines to GLPG in DC (USD) - - \$21,720,724 \$105,731,956 \$230,731,814 \$230,852,814 \$321,876,813,814 \$321,876,814,814 \$321,876,814,814 \$321,876,814,827 \$31,816,842,798 \$11,856,804,279 \$31,816,845,918 \$321,816,813,918,918,918,918,918,918,918,918,918,918	% royalty to GLPG	0%		20%		22%					
Total WW flightinb sales in CD . <td< td=""><td>Potential royalties to GLPG in RA (USD)</td><td></td><td></td><td>\$199,548,151 \$39,909,630 € 35,702,106</td><td>\$347,775,903 \$73,032,940 € 65,3<u>33,347</u></td><td>\$529,733,243 \$116,541,313 € 104,2<u>54,794</u></td><td>\$726,455,271 \$167,084,712 € 149,4<u>69,589</u></td><td></td><td>\$276,333,237</td><td></td><td>\$410,217,933</td></td<>	Potential royalties to GLPG in RA (USD)			\$199,548,151 \$39,909,630 € 35,702,106	\$347,775,903 \$73,032,940 € 65,3 <u>33,347</u>	\$529,733,243 \$116,541,313 € 104,2 <u>54,794</u>	\$726,455,271 \$167,084,712 € 149,4 <u>69,589</u>		\$276,333,237		\$410,217,933
Potential royalines to GLPG in CD (EUR) - € 0 € 37,720,734 € 105,773,888 € 183,872,844 € 274,851,413 € 187,280,876 € 448,847,694 Total WW fligotinib sales in UC - - 5120,721,93 \$337,674,146 \$580,780,97.498 \$142,852,169 \$1,780,284,878 \$1,455,160,623 \$1,766,877,698 Potential royalines to GLPG in UC (USD) - - \$22,535,161 \$153,707,445 \$200,721,98 \$337,674,184 \$22,332,218 \$1,353,708,485 \$1,458,160,623 \$1,766,877,998 \$1728,234,878 \$1,458,160,623 \$1,768,684 \$22,332,018 \$22,332,018 \$1,353,078,485 \$1,458,4143 \$22,332,018 \$23,302,807 \$43,882,679 \$1,158,604,223 \$23,302,807 \$43,882,679 \$1,158,604 \$22,332,302,807 \$43,882,679 \$1,158,604 \$22,332,302,807 \$43,882,674 \$1,158,604 \$22,332,302,807 \$43,882,679 \$1,158,604 \$22,332,302,807 \$43,882,679 \$1,158,604 \$22,332,302,807 \$43,882,679 \$1,158,604 \$22,332,302,807 \$43,882,679 \$1,158,614,453,1173,518,617,617,517,512,106 \$5,350,584,506 \$5,350,554,505 \$5,350,	Total WW filgotinib sales in CD	-	-	-							\$2,065,198,841
Potential royalities to GLPG in UC (USD) - - - 552,553,610 572,288,221 \$133,79,485 \$202,553,843 \$222,086,270 \$373,145,762 \$476,885,417 Potential royalities to GLPG in UC (USD) - - €22,678,884 €66,456,778 €119,496,694 €119,179,666 €22,678,884 €66,456,778 €119,179,666 €22,678,884 €66,456,778 €119,179,666 €22,678,884 €66,456,778 €119,179,666 €22,678,844 €66,456,778 €119,179,666 €22,678,844 €66,456,778 €119,179,666 €22,678,844 €66,456,778 €119,179,666 €22,678,423 €119,179,666 €22,678,423 €66,456,778 €119,179,666 €22,678,423 €66,456,778 €119,179,660 €22,678,423 €66,456,778 €119,178,517,173,112,100 €53,350,581,620 Total potential royalities to GLPG (USD) - \$11,508,550 \$39,309,530 \$39,384,530 \$322,357,700 \$418,373,010 \$62,355,554 \$456,411,415,113,137,317,117,116,716,531,117,517,117				€0	€0	\$42,166,156 € 37,720,734	\$117,568,813 € 105,173,968		\$307,019,325 € 274,651,413	\$423,979,238 € 379,280,676	\$557,603,687 € 498,817,594
Total WW flipotinib sales WW - \$57,542,751 \$199,548,151 \$468,497,857 \$1,858,071,774 \$1,818,404,392 \$2,523,149,808 \$3,461,645,124 \$4,375,122,100 \$5,350,561,620 Total potential royalhes to GLPG (USD) - \$11,508,550 \$39,804,530 \$39,384,550 \$232,295,790 \$418,233,010 \$6253,554 \$866,411,281 \$1,313,517,746 \$1,444,657,037	Potential royalties to GLPG in UC (USD)	-		-			\$133,579,485	\$202,531,843			
Total potential royalties to GLPG (USD) - \$11,508,550 \$39,909,630 \$98,384,550 \$232,995,790 \$418,233,010 \$629,555,954 \$865,411,281 \$1,137,531,746 \$1,444,657,037	Total WW filgotinib sales WW		- \$57, <u>542,751</u>	- \$199 <u>,548,15</u> 1	€ 22,678,884 \$468,497,857	€ 66,456,378 \$1,059,071,774			€ 252,322,312 \$3,461,64 <u>5,124</u>	€ 333,802,807 \$4,37 <u>5,122,100</u>	€ 426,564,423 \$5,350,581,620
	Total potential royalties to GLPG (USD) Total potential royalties to GLPG (EUR)			\$39,909,630 € 35,702,106	\$98,384,550 € 88,012,231	\$232,995,790 € 208,431,906		\$629,555,954 € 56 <u>3,184,199</u>	\$865,411,281		\$1,444,657,037 € 1,29 <u>2,352,191</u>

Source: RBC Capital Markets estimates; Company reports



Exhibit 5: GILD Income Statement

GILD (\$ in millions except per share items)	2016A	2017A	2018A	1Q19A	2Q19A	3Q19A	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
	\$27,745.0	\$23,336.0	\$18,898.0	\$4,570.0	\$4,993.0	\$5,096.0	\$5,180.0	\$19,839.0	\$4,987.0	\$5,345.5	\$5,318.1	\$4,999.1	\$20,649.7	\$19,389.1	\$18,984.4	\$19,502.2	\$19,989.3	\$20,301.0	\$16,214.9	\$15,547.6	\$15,556.7
Total HCV products	14,834.0	9,137.0	3,584.0	779.0	761.0	703.0	728.7	2,971.7	649.8	611.6	582.5	562.6	2,406.4	2,035.3	1,775.0	1,606.9	1,461.8	1,336.0	1,226.7	1,131.3	1,047.8
Harvoni/auth generic	9,081.0	4,370.0	1,222.0	225.0	193.0	124.0	109.4	651.4	101.8	94.9	89.8	85.1	371.6	298.4	260.0	228.5	202.0	179.5	160.4	144.0	129.9
United States	4,941.0	3.053.0	802.0	117.0	86.0	54.0	45.3	302.3	40.7	36.4	34.0	31.6	142.8	109.9	101.9	97.6	93.4	89.4	85.5	81.7	78.0
Europe	1,810.0	704.0	144.0	27.0	22.0	14.0	19.2	82.2	18.1	17.5	16.8	16.5	68.8	60.5	55.7	49.0	43.0	37.7	33.0	28.8	25.0
International	2,330.0	613.0	276.0	81.0	85.0	56.0	45.0	267.0	43.0	41.0	39.0	37.0	160.0	128.0	102.4	81.9	65.5	52.4	41.9	33.6	26.8
Epclusa/auth generic	1,752.0	3.510.0	1.966.0	491.0	493.0	516.0	555.9	2.055.9	486.8	456.7	433.6	417.3	1.794.3	1.524.6	1.330.9	1.186.2	1.060.7	951.3	855.9	772.3	698.8
United States	1,591.0	2,404.0	934.0	230.0	219.0	282.0	310.4	1,041.4	273.8	255.2	240.4	229.7	999.1	835.7	742.1	681.2	626.0	575.8	530.2	488.8	451.2
Europe	141.0	869.0	654.0	154.0	156.0	118.0	140.5	568.5	113.0	108.5	105.2	102.6	429.2	396.2	354.5	317.6	284.8	255.6	229.7	206.7	186.2
International	20.0	237.0	378.0	107.0	118.0	116.0	105.0	446.0	100.0	93.0	88.0	85.0	366.0	292.8	234.2	187.4	149.9	119.9	95.9	76.8	61.4
Sovaldi	4,001.0	964.0	0/0.0	107.0		110.0	100.0	440.0	100.0			00.0	000.0	202.0	204.2	107.4	140.0	110.0		70.0	01.4
United States	1,895.0	130.0			-				-		-		_								
Europe	891.0	258.0												-							
International	1.215.0	576.0	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
Vosevi	1,215.0	293.0	396.0	63.0	- 75.0	63.0	63.3	264.3	61.2	60.0	- 59.1	60.2	240.4	212.2	184.1	- 192.2	- 199.1	205.1	210.4	215.0	219.1
		293.0	396.0	45.0			41.8	204.3	37.5	34.6	31.5	30.5		100.9	69.6	75.6	81.2	205.1	210.4	215.0	
United States					53.0	42.0							134.0								100.2
Europe		22.0	78.0	16.0	15.0	12.0	10.5	53.5	10.7	10.4	10.6	10.8	42.5	44.4	44.5	43.6	42.0	39.7	37.0	34.1	30.9
International		4.0	14.0	2.0	7.0	9.0	11.0	29.0	13.0	15.0	17.0	19.0	64.0	67.0	70.0	73.0	76.0	79.0	82.0	85.0	88.0
Total HIV products	12,828.0	14,003.0	14,794.0	3,607.0	4,017.0	4,150.0	4,182.3	15,956.3	4,061.2	4,448.9	4,444.6	4,138.6	17,093.3	16,168.6	16,409.1	17,095.0	17,727.1	18,164.7	14,187.9	13,616.1	13,708.6
Genvoya (E/C/F/TAF)	1,484.0	3,674.0	4,624.0	1,015.0	980.0	978.0	867.8	3,840.8	785.9	791.2	785.0	716.6	3,078.8	2,800.5	2,650.2	2,727.5	2,807.4	2,889.9	2,643.9	2,742.5	2,845.9
United States	1,301.0	3,033.0	3,631.0	728.0	733.0	761.0	660.4	2,882.4	592.7	612.6	613.6	547.3	2,366.2	2,110.1	1,957.1	2,031.5	2,108.5	2,188.0	1,938.8	2,034.0	2,133.9
Europe	160.0	534.0	794.0	193.0	177.0	152.0	144.4	666.4	132.2	118.6	112.4	111.3	474.6	457.1	464.5	471.9	479.4	486.8	494.3	501.9	509.5
International	23.0	107.0	199.0	94.0	70.0	65.0	63.0	292.0	61.0	60.0	59.0	58.0	238.0	233.2	228.6	224.0	219.5	215.1	210.8	206.6	202.5
Truvada	3.566.0	3.134.0	2.997.0	606.0	718.0	721.0	684.2	2.729.2	577.2	541.6	497.2	175.6	1.791.6	234.0	227.8	224.1	222.6	222.7	224.2	226.9	230.4
United States	2.384.0	2 266 0	2,605.0	551.0	657.0	688.0	659.8	2,555.8	551.7	517.1	472.2	149.6	1,690.6	133.0	127.3	123.3	121.4	121.2	122.4	124.7	128.0
Europe	2,384.0	2,200.0	2,605.0	33.0	41.0	14.0	5.3	2,555.6	5.5	5.5	4/2.2	5.0	21.0	20.2	20.5	20.8	21.4	21.5	21.8	22.2	22.5
	269.0	224.0	260.0	22.0	20.0	14.0	5.3 19.0	93.3 80.0	20.0	5.5	20.0	21.0		20.2			21.2				22.5
International													80.0		80.0	80.0		80.0	80.0	80.0	
Atripla	2,605.0	1,806.0	1,206.0	171.0	152.0	149.0	133.3	605.3	79.4	80.5	80.0	75.6	315.6	173.8	86.1	88.9	91.8	94.9	98.0	101.3	104.8
United States	1,898.0	1,288.0	967.0	133.0	122.0	132.0	124.2	511.2	71.2	71.3	70.7	66.4	279.6	137.5	49.5	51.9	54.5	57.2	60.0	62.9	66.0
Europe	520.0	335.0	131.0	16.0	26.0	10.0	5.1	57.1	5.2	5.2	5.2	5.2	21.0	21.3	21.7	22.0	22.4	22.7	23.1	23.4	23.8
International	187.0	183.0	108.0	22.0	4.0	7.0	4.0	37.0	3.0	4.0	4.0	4.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Stribild	1,914.0	1,053.0	644.0	96.0	108.0	94.0	79.8	377.8	71.1	68.4	67.1	58.8	265.4	228.0	148.0	138.0	128.7	119.6	91.7	90.5	89.8
United States	1,523.0	811.0	505.0	67.0	78.0	63.0	56.0	264.0	40.8	44.1	36.8	33.5	155.2	117.4	43.6	38.4	32.5	26.0	-	-	
Europe	314.0	195.0	97.0	18.0	24.0	18.0	17.9	77.9	18.3	18.3	18.3	18.3	73.2	73.6	74.8	76.0	77.2	78.4	79.6	80.8	82.0
International	77.0	47.0	42.0	11.0	6.0	13.0	6.0	36.0	12.0	6.0	12.0	7.0	37.0	37.0	29.6	23.7	18.9	15.2	12.1	9.7	7.8
Viread	1 186 0	1 046 0	307.0	72.0	75.0	57.0	43.0	247.0	61.0	55.0	52.0	49.0	217.0	193.2	193.2	193.2	193.2	193.2	193.2	193.2	193.2
United States		514.0	50.0		9.0			247.0		10.0	9.0	49.0	38.0	38.0	38.0	38.0	38.0		38.0		38.0
	591.0			12.0		7.0	10.0		10.0									38.0		38.0	
Europe	302.0	238.0	82.0	14.0	28.0	15.0	3.0	60.0	15.0	15.0	15.0	15.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
International	293.0	294.0	175.0	46.0	38.0	35.0	30.0	149.0	36.0	30.0	28.0	25.0	119.0	95.2	95.2	95.2	95.2	95.2	95.2	95.2	95.2
Complera/Eviplera	1,457.0	966.0	653.0	115.0	123.0	93.0	91.3	422.3	77.1	68.9	61.5	55.3	262.7	188.0	127.9	127.6	130.8	134.2	33.6	34.3	35.0
United States	821.0	406.0	276.0	44.0	42.0	40.0	43.4	169.4	34.9	31.9	27.8	26.8	121.4	106.2	78.4	78.7	82.6	86.7	9.1	9.5	10.0
Europe	580.0	503.0	327.0	62.0	72.0	45.0	38.9	217.9	33.2	29.0	24.7	20.5	107.4	48.8	17.5	17.8	18.1	18.3	18.6	18.9	19.2
International	56.0	57.0	50.0	9.0	9.0	8.0	9.0	35.0	9.0	8.0	9.0	8.0	34.0	33.0	32.0	31.0	30.1	29.2	5.8	5.8	5.8
Descovy (F/TAF)	298.0	1,218.0	1,581.0	342.0	358.0	363.0	420.3	1,483.3	522.9	586.0	630.6	636.2	2,375.6	2 553 7	2,788.5	2 969 6	3 161 3	3 364 5	881.6	465.7	196.8
United States	226.0	958.0	1.217.0	233.0	246.0	256.0	308.1	1 043 1	405.0	464.6	504.7	505.9	1,880,1	2 001 3	2 191 6	2 349 6	2 516 1	2 691 5	468.9	34.9	14.7
Europe	69.0	226.0	308.0	68.0	69.0	63.0	65.2	265.2	69.9	72.4	74.9	77.3	294.5	331.3	353.7	352.4	350.9	349.2	72.8	73.9	75.0
	3.0	220.0	56.0	41.0	43.0	44.0	47.0	175.0	48.0	49.0	51.0	53.0	294.5	221.1	243.2	267.5	294.3	349.2	339.9	356.9	107.1
International												53.0 411.6									
Odefsey (R/F/TAF)	318.0	1,106.0	1,598.0	397.0	387.0	436.0	411.7	1,631.7	367.8	388.6	429.5		1,597.6	1,645.3	1,712.3	1,804.9	1,901.6	2,002.4	700.0	235.1	247.7
United States	291.0	964.0	1,242.0	282.0	266.0	317.0	289.9	1,154.9	244.3	260.9	300.6	277.6	1,083.4	1,097.7	1,151.9	1,208.7	1,268.2	1,330.7	529.5	55.5	58.3
Europe	27.0	132.0	335.0	106.0	111.0	111.0	109.8	437.8	114.6	116.7	118.9	121.1	471.3	500.3	508.4	539.0	570.4	602.5	94.4	95.8	97.2
International	-	10.0	21.0	9.0	10.0	8.0	12.0	39.0	9.0	11.0	10.0	13.0	43.0	47.3	52.0	57.2	63.0	69.3	76.2	83.8	92.2
Biktarvy (B/F/TAF)			1,184.0	793.0	1,116.0	1,259.0	1,450.9	4,618.9	1,518.8	1,868.7	1,841.7	1,959.8	7,189.1	8,152.2	8,475.1	8,821.2	9,089.8	9,143.3	9,321.6	9,526.5	9,764.9
United States			1,144.0	739.0	1,023.0	1,106.0	1,256.2	4,124.2	1,283.9	1,602.9	1,545.8	1,639.6	6,072.1	6,793.6	7,009.1	7,229.1	7,349.3	7,227.4	7,198.2	7,157.0	7,102.9
Europe			39.0	48.0	73.0	108.0	129.7	358.7	155.0	175.8	199.0	215.2	744.9	893.6	908.0	922.5	937.0	951.6	966.3	981.0	995.8
International			1.0	6.0	20.0	45.0	65.0	136.0	80.0	90.0	97.0	105.0	372.0	465.0	558.0	669.6	803.5	964.2	1,157.1	1.388.5	1.666.2
Other antiviral (includes Vemlidy, Symtuza)	83.0	196.0	520.0	184.0	215.0	243.0	269.0	911.0	276.0	285.0	291.0	298.0	1.150.0	1.185.2	800.3	800.3	800.3	800.3	800.3	800.3	800.3
United States	59.0	157.0	307.0	118.0	135.0	149.0	165.0	567.0	170.0	174.0	178.0	182.0	704.0	739.2	443.5	443.5	443.5	443.5	443.5	443.5	443.5
Europe	22.0	24.0	76.0	29.0	35.0	43.0	50.0	157.0	50.0	52.0	53.0	54.0	209.0	209.0	443.5	443.5	443.5	443.5	443.5	443.5	443.3
International	2.0	15.0	137.0	37.0	45.0	51.0	54.0	187.0	56.0	59.0	60.0	62.0	237.0	237.0	189.6	189.6	189.6	189.6	189.6	189.6	189.6
etairis	819.0	887.0	943.0	197.0	204.0	121.0	40.0	562.0	3.1	3.0	3.1	3.0	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0
lanexa	677.0	717.0	758.0	155.0	19.0	31.0	15.0	220.0	2.5	2.5	2.5	2.5	10.0	10.8	11.6	12.5	13.4	14.5	15.6	16.8	18.1
mBisome	356.0	366.0	420.0	93.0	105.0	99.0	70.0	367.0	10.0	5.0	2.0	1.0	18.0		-				-	-	
ydelig	168.0	149.0	133.0	27.0	26.0	26.0	24.0	103.0	25.0	25.0	25.0	25.0	100.0	100.0	99.0	97.0	94.1	90.3	18.1	3.6	0.7
Other products (including Cayston)	188.0	207.0	261.0	62.0	140.0	25.0	70.0	297.0	30.0	150.0	30.0	65.0	275.0	137.5	110.0	117.7	125.9	134.8	144.2	154.3	165.1
ilgotinib (55-85% prob-adjusted)		-	-								8.7	30.4	39.1	135.7	297.4	612.9	999.4	1,397.1	1,796.6	2,222.9	2,665.8
GLPG1690 (35% prob-adjusted)														-	24.8	68.8	98.5	121.3	145.7	171.9	200.0
IASH asset(s) (15% prob-adjusted)		-														29.1	72.1	129.6	192.4	259.4	341.7
		-	264.0	96.0	120.0	118.0	127.0	461.0	135.0	143.0	- 151.0	- 159.0	588.0	684.7	822.0	29.1 945.9	1.075.3	1.204.9	1.341.4	1.475.7	1.602.7
escarta (65-95% prob-adjusted) otal product sales	29.953.0	25.662.0	264.0	96.0 5.200.0	120.0	5.516.0	127.0	461.0	5.192.6	143.0 5.674.0	5.540.4	5.285.0	21.692.0	20.470.1	20.361.5	945.9 21.398.6	1,075.3	23.406.1	1,341.4	1,475.7	20.563.8
loyalty, contract, and other revenues	437.0	445.0	450.0	81.0	78.0	88.0	90.0	337.0	85.0	82.0	86.0	91.0	344.0	350.9	357.9	365.1	372.4	379.8	387.4	395.1	403.1
	30,390.0	26,107.0	22,127.0	5,281.0	5,685.0	5,604.0	5,616.0	22,186.0	5,277.6	5,756.0	5,626.4	5,376.0	22,036.0	20,821.0	20,719.4	21,763.7	22,853.1	23,785.9	20,269.0	20,260.3	20,966.8
otal revenues, net	4,261.0	3,422.0	3,590.0	660.0	714.0	759.0	754.3	2,887.3	709.8	775.3	757.8	723.8	2,966.6	2,808.0	2,802.2	2,950.3	3,104.8	3,238.1	2,771.2	2,777.7	2,880.3
otal revenues, net costs of sales		3.291.0	3,518.0	871.0	916.0	954.0	990.0	3,731.0	900.0	980.0	930.0	1,000.0	3,810.0	3,897.6	3,991.2	4,071.0	4,132.1	4,194.0	3,900.5	3,939.5	3,978.9
otal revenues, net costs of sales	5,098.0			962.0	1,015.0	967.0	1,100.0	4,044.0	950.0	1,010.0	970.0	1,150.0	4,080.0	3,956.0	3,833.1	3,808.6	3,930.7	3,924.7	3,749.8	3,646.8	3,774.0
total revenues, net costs of sales tesearch and development	5,098.0 3,398.0	3,363.0	3,608.0				2.844.3	10,662.3	2,559.8	2,765.3	2,657.8	2,873.8	10,856.6	10,661.6	10,626.5	10,829.9	11,167.6	11,356.9	10,421.4	10,364.0	10,633.2
Total revenues, net Costs of sales Research and development Selling, general and administrative	3,398.0				2.645.0	2.680.0					2,057.0	2,502.2		10,001.0							
otal revenues, net costs of sales tesearch and development elling, general and administrative otal operating expenses	3,398.0 12,757.0	10,076.0	10,716.0	2,493.0	2,645.0	2,680.0				2 990 7							11 685 5		9 847 6		10 332 4
otal revenues, net costs of sales seearch and development lelling, general and administrative otal operating expenses come from operations	3,398.0 12,757.0 17,633.0	10,076.0 16,031.0	10,716.0 11,411.0	2,493.0 2,788.0	3,040.0	2,924.0	2,771.7	11,523.7	2,717.8	2,990.7			11,179.4		10,092.9	10,933.7	11,685.5	12,429.1	9,847.6	9,896.2	
otal revenues, net Costs of sales (seearch and development elling, general and administrative otal operating expenses income from operations iterest expense	3,398.0 12,757.0 17,633.0 (964.0)	10,076.0 16,031.0 (1,074.0)	10,716.0 11,411.0 (1,077.0)	2,493.0 2,788.0 (254.0)	3,040.0 (248.0)	2,924.0 (250.0)	2,771.7 (250.0)	11,523.7 (1,002.0)	2,717.8 (240.0)	(240.0)	(240.0)	(240.0)	(960.0)	(826.3)	(816.6)	(784.2)	(701.2)	12,429.1 (640.2)	(540.6)	9,896.2 (503.9)	(503.9
Total revenues, net Stosts of sales tesearch and development leiling, general and administrative of all operating expenses ncome from operations titerest expense titerest and other income, net	3,398.0 12,757.0 17,633.0 (964.0) 428.0	10,076.0 16,031.0 (1,074.0) 523.0	10,716.0 11,411.0 (1,077.0) 561.0	2,493.0 2,788.0 (254.0) 170.0	3,040.0 (248.0) 171.0	2,924.0 (250.0) 164.0	2,771.7 (250.0) 150.0	11,523.7 (1,002.0) 655.0	2,717.8 (240.0) 170.0	(240.0) 170.0	(240.0) 170.0	(240.0) 170.0	(960.0) 680.0	(826.3) 707.2	(816.6) 735.5	(784.2) 764.9	(701.2) 795.5	12,429.1 (640.2) 827.3	(540.6) 860.4	9,896.2 (503.9) 894.8	(503.9 930.6
otal revenues, net costs of alles essearch and development eilling, general and administrative oddi operariting expenses cocome from operations trestest expense tetrest and other income, net et pre-tax income	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0	2,493.0 2,788.0 (254.0) 170.0 2,704.0	3,040.0 (248.0) 171.0 2,963.0	2,924.0 (250.0) 164.0 2,838.0	2,771.7 (250.0) 150.0 2,671.7	11,523.7 (1,002.0) 655.0 11,176.7	2,717.8 (240.0) 170.0 2,647.8	(240.0) 170.0 2,920.7	(240.0) 170.0 2,898.7	(240.0) 170.0 2,432.2	(960.0) 680.0 10,899.4	(826.3) 707.2 10,040.4	(816.6) 735.5 10,011.9	(784.2) 764.9 10,914.4	(701.2) 795.5 11,779.8	12,429.1 (640.2) 827.3 12,616.2	(540.6) 860.4 10,167.4	9,896.2 (503.9) 894.8 10,287.1	(503.9 930.6 10,760. 3
otal revenues, net costs of sales esearch and development elling, general and administrative otal operating expenses come from operations terest expense terest and other income, net et pre-tax income come tax provision	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0 3,609.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0 3,784.0	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0 2,162.0	2,493.0 2,788.0 (254.0) 170.0 2,704.0 453.0	3,040.0 (248.0) 171.0 2,963.0 637.0	2,924.0 (250.0) 164.0 2,838.0 617.0	2,771.7 (250.0) 150.0 2,671.7 587.8	11,523.7 (1,002.0) 655.0 11,176.7 2,294.8	2,717.8 (240.0) 170.0 2,647.8 548.1	(240.0) 170.0 2,920.7 604.6	(240.0) 170.0 2,898.7 600.0	(240.0) 170.0 2,432.2 503.5	(960.0) 680.0 10,899.4 2,256.2	(826.3) 707.2 10,040.4 2,108.5	(816.6) 735.5 10,011.9 2,102.5	(784.2) 764.9 10,914.4 2,292.0	(701.2) 795.5 11,779.8 2,473.8	12,429.1 (640.2) 827.3 12,616.2 2,649.4	(540.6) 860.4 10,167.4 2,135.2	9,896.2 (503.9) 894.8 10,287.1 2,160.3	(503.9 930.6 10,760.3 2,259.7
robit revnues, net costs of sales tessearch and dowlopment elling, general and administrative otal operating expenses noem from operations treess tayopense treess and other income, net let pre-tax income toome tax provision	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0	2,493.0 2,788.0 (254.0) 170.0 2,704.0	3,040.0 (248.0) 171.0 2,963.0	2,924.0 (250.0) 164.0 2,838.0	2,771.7 (250.0) 150.0 2,671.7	11,523.7 (1,002.0) 655.0 11,176.7	2,717.8 (240.0) 170.0 2,647.8	(240.0) 170.0 2,920.7	(240.0) 170.0 2,898.7	(240.0) 170.0 2,432.2	(960.0) 680.0 10,899.4	(826.3) 707.2 10,040.4	(816.6) 735.5 10,011.9	(784.2) 764.9 10,914.4	(701.2) 795.5 11,779.8	12,429.1 (640.2) 827.3 12,616.2	(540.6) 860.4 10,167.4	9,896.2 (503.9) 894.8 10,287.1	(503.9 930.6 10,760.3 2,259.7
otal revenues, net Costs of sales Research and development	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0 3,609.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0 3,784.0	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0 2,162.0	2,493.0 2,788.0 (254.0) 170.0 2,704.0 453.0	3,040.0 (248.0) 171.0 2,963.0 637.0	2,924.0 (250.0) 164.0 2,838.0 617.0	2,771.7 (250.0) 150.0 2,671.7 587.8	11,523.7 (1,002.0) 655.0 11,176.7 2,294.8 8,881.9	2,717.8 (240.0) 170.0 2,647.8 548.1	(240.0) 170.0 2,920.7 604.6	(240.0) 170.0 2,898.7 600.0	(240.0) 170.0 2,432.2 503.5	(960.0) 680.0 10,899.4 2,256.2	(826.3) 707.2 10,040.4 2,108.5	(816.6) 735.5 10,011.9 2,102.5	(784.2) 764.9 10,914.4 2,292.0	(701.2) 795.5 11,779.8 2,473.8	12,429.1 (640.2) 827.3 12,616.2 2,649.4	(540.6) 860.4 10,167.4 2,135.2	9,896.2 (503.9) 894.8 10,287.1 2,160.3	(503.9 930.6 10,760.3 2,259.7
rolar revenues, net costs of sales tesseach and development ealing, general and administrative doal operating expenses ncome from operations treest expense terest and other income, net terest and other income net byre-tax income coome tax provision tet income	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0 3,609.0 13,488.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0 3,784.0 11,670.0	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0 2,162.0 8,733.0	2,493.0 2,788.0 (254.0) 170.0 2,704.0 453.0 2,251.0	3,040.0 (248.0) 171.0 2,963.0 637.0 2,326.0	2,924.0 (250.0) 164.0 2,838.0 617.0 2,221.0	2,771.7 (250.0) 150.0 2,671.7 587.8	11,523.7 (1,002.0) 655.0 11,176.7 2,294.8	2,717.8 (240.0) 170.0 2,647.8 548.1 2,099.7	(240.0) 170.0 2,920.7 604.6 2,316.1	(240.0) 170.0 2,898.7 600.0 2,298.6	(240.0) 170.0 2,432.2 503.5 1,928.8	(960.0) 680.0 10,899.4 2,256.2 8,643.2	(826.3) 707.2 10,040.4 2,108.5 7,931.9	(816.6) 735.5 10,011.9 2,102.5 7,909.4	(784.2) 764.9 10,914.4 2,292.0 8,622.4	(701.2) 795.5 11,779.8 2,473.8 9,306.1	12,429.1 (640.2) 827.3 12,616.2 2,649.4 9,966.8	(540.6) 860.4 10,167.4 2,135.2 8,032.2	9,896.2 (503.9) 894.8 10,287.1 2,160.3 8,126.8	10,760.3 2,259.7 8,500.7
Total revenues, net costs of sales tessearch and development elling, general and administrative otal operating expenses norome from operations tenset expense tenset expense tenset and other income, net tet pre-tax income tet pre-tax income tet income tet income to Cla (non-GAAP)	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0 3,609.0 13,488.0 13.0 13,501.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0 3,784.0 11,670.0 (16.0) 11,654.0	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0 2,162.0 8,733.0 (5.0) 8,728.0	2,493.0 2,788.0 (254.0) 170.0 2,704.0 453.0 2,251.0 7.0 2,258.0	3,040.0 (248.0) 171.0 2,963.0 637.0 2,326.0 5.0 2,331.0	2,924.0 (250.0) 164.0 2,838.0 617.0 2,221.0 3.0 2,224.0	2,771.7 (250.0) 150.0 2,671.7 587.8 2,083.9 - 2,083.9	11,523.7 (1,002.0) 655.0 11,176.7 2,294.8 8,881.9 15.0 8,896.9	2,717.8 (240.0) 170.0 2,647.8 548.1 2,099.7 4.0 2,103.7	(240.0) 170.0 2,920.7 604.6 2,316.1 4.0 2,320.1	(240.0) 170.0 2,898.7 600.0 2,298.6 4.0 2,302.6	(240.0) 170.0 2,432.2 503.5 1,928.8 4.0 1,932.8	(960.0) 680.0 10,899.4 2,256.2 8,643.2 16.0 8,659.2	(826.3) 707.2 10,040.4 2,108.5 7,931.9 17.6 7,949.5	(816.6) 735.5 10,011.9 2,102.5 7,909.4 19.4 7,928.7	(784.2) 764.9 10,914.4 2,292.0 8,622.4 21.3 8,643.7	(701.2) 795.5 11,779.8 2,473.8 9,306.1 23.4 9,329.5	12,429.1 (640.2) 827.3 12,616.2 2,649.4 9,966.8 25.8 9,992.6	(540.6) 860.4 10,167.4 2,135.2 8,032.2 28.3 8,060.6	9,896.2 (503.9) 894.8 10,287.1 2,160.3 8,126.8 31.2 8,158.0	(503.9 930.6 10,760.3 2,259.7 8,500.7 34.3 8,535.0
otal revenues, net costs of sales essearch and development elling, general and administrative otal operating expenses torest fragment terest expense terest and other income, net et pro-tax income come tax provision et income et loss attributable to noncontrolling interest	3,398.0 12,757.0 17,633.0 (964.0) 428.0 17,097.0 3,609.0 13,488.0 13.0	10,076.0 16,031.0 (1,074.0) 523.0 15,454.0 3,784.0 11,670.0 (16.0)	10,716.0 11,411.0 (1,077.0) 561.0 10,895.0 2,162.0 8,733.0 (5.0)	2,493.0 2,788.0 (254.0) 170.0 2,704.0 453.0 2,251.0 7.0	3,040.0 (248.0) 171.0 2,963.0 637.0 2,326.0 5.0	2,924.0 (250.0) 164.0 2,838.0 617.0 2,221.0 3.0	2,771.7 (250.0) 150.0 2,671.7 587.8 2,083.9	11,523.7 (1,002.0) 655.0 11,176.7 2,294.8 8,881.9 15.0	2,717.8 (240.0) 170.0 2,647.8 548.1 2,099.7 4.0	(240.0) 170.0 2,920.7 604.6 2,316.1 4.0	(240.0) 170.0 2,898.7 600.0 2,298.6 4.0	(240.0) 170.0 2,432.2 503.5 1,928.8 4.0	(960.0) 680.0 10,899.4 2,256.2 8,643.2 16.0	(826.3) 707.2 10,040.4 2,108.5 7,931.9 17.6	(816.6) 735.5 10,011.9 2,102.5 7,909.4 19.4	(784.2) 764.9 10,914.4 2,292.0 8,622.4 21.3	(701.2) 795.5 11,779.8 2,473.8 9,306.1 23.4	12,429.1 (640.2) 827.3 12,616.2 2,649.4 9,966.8 25.8	(540.6) 860.4 10,167.4 2,135.2 8,032.2 28.3	9,896.2 (503.9) 894.8 10,287.1 2,160.3 8,126.8 31.2	(503.9 930.6 10,760.3 2,259.7 8,500.7 34.3

Source: RBC Capital Markets estimates; Company reports



Exhibit 6: GLPG Income Statement

Galapagos (GLPG)					201	9				202	0										
(€ in thousands except per share items)	2016A	2017A	2018A	1Q19A	2Q19A	3Q19A	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Filgotinib royalties/profit split (1)									€ 0	€0	€ 2,295	€ 8,001	€ 10,295	€ 35,702	€ 88,012	€ 208,432	€ 374,140	€ 563,184	€ 774,174	€ 1,017,606	€ 1,292,352
GLPG1690 sales/royalties														-	5,280	64,323	237,261	378,917	505,290	613,089	702,674
GLPG1972 sales/royalties													-	-	-	-	-	26,771	100,987	201,809	316,717
Other income	151,600	155,900	317,845	40,919	67,590	643,954	118,435	870,898	124,058	124,058	124,058	124,058	496,233	630,419	876,426	652,783	643,837	353,101	326,264	330,736	286,008
Total revenues, net	151,600	155,900	317,845	40,919	67,590	643,954	118,435	870,898	124,058	124,058	126,353	132,059	506,528	666,121	969,718	925,538	1,255,239	1,321,972	1,706,715	2,163,241	2,597,751
Costs of sales	-	-	-					-					-	-	(264)	(3,216)	(11,863)	(20,284)	(30,314)	(40,745)	(50,970)
R&D expenditure	(139,600)	(218,500)	(322,876)	(83, 195)	(94,372)	(120,680)	(124,500)	(422,747)	(136,500)	(141,250)	(145,750)	(151,250)	(574,750)	(609,235)	(627,512)	(646,337)	(665,728)	(679,042)	(692,623)	(699,549)	(706,545)
G&A and S&M expenses	(23,500)	(27,200)	(39,777)	(10,966)	(17,585)	(32,643)	(26,000)	(87,194)	(19,750)	(20,250)	(20,500)	(21,000)	(81,500)	(97,800)	(122,250)	(146,700)	(176,040)	(202,446)	(216,617)	(225,282)	(234,293)
Total operating expenses	(163,100)	(245,700)	(362,653)	(94,161)	(111,958)	(153,323)	(150,500)	(509,942)	(156,250)	(161,500)	(166,250)	(172,250)	(656,250)	(707,035)	(750,026)	(796,254)	(853,631)	(901,772)	(939,554)	(965,576)	(991,807)
Income from operations	(11,500)	(89,800)	(44,808)	(53,242)	(44,367)	490,631	(32,065)	360,957	(32,192)	(37,442)	(39,897)	(40,191)	(149,722)	(40,914)	219,692	129,285	401,608	420,200	767,161	1,197,665	1,605,944
Non-cash adjustment on short-term financial asset	57,500	-	-	-	-	(146,226)	-	(146,226)	-	-	-	-	-	-	-	-	-	-	-	-	
Other financial result	8,200	(25,700)	15,599	4,655	(2,820)	-	-	1,834	475	450	475	450	1,850	1,869	1,887	1,906	1,925	1,944	1,964	1,983	2,003
Net pre-tax income	54,200	(115,500)	(29,210)	(48,588)	(47,188)	344,405	(32,065)	216,565	(31,717)	(36,992)	(39,422)	(39,741)	(147,872)	(39,046)	221,580	131,191	403,533	422,144	769,125	1,199,648	1,607,947
Income taxes	(200)	(200)	(50)	(68)	(61)	16,828	-	16,699	-	-	-	-	-	-	-	(6,560)	(20,177)	(21,107)	(38,456)	(59,982)	(80,397)
Net result for the period	54,000	(115,700)	(29,259)	(48,656)	(47,249)	361,233	(32,065)	233,264	(31,717)	(36,992)	(39,422)	(39,741)	(147,872)	(39,046)	221,580	124,631	383,356	401,037	730,669	1,139,666	1,527,550
Earnings per share	€ 1.14	(€ 2.34)	(€ 0.56)	(€ 0.89)	(€ 0.86)	€ 6.03	(€ 0.52)	€ 3.67	(€ 0.51)	(€ 0.59)	(€ 0.63)	(€ 0.63)	(€ 2.35)	(€ 0.61)	€ 3.13	€ 1.73	€ 5.26	€ 5.43	€ 9.76	€ 15.02	€ 19.87
Shares Outstanding (Basic)	45,696	49,129	52,834	54,615	54,823	61,954	62,204	58,399	62,454	62,704	62,954	63,204	62,829	64,204	65,204	66,204	67,204	68,204	69,204	70,204	71,204
Shares Outstanding (Diluted, est.)	47,308	50,729	56,969	59,242	59,450	67,608	67,858	63,539	67,081	67,331	68,608	68,858	68,483	69,858	70,858	71,858	72,858	73,858	74,858	75,858	76,858

Source: RBC Capital Markets estimates; Company reports



Capital Correction - GILD/GLPG: Analysis Shows Disconnect Between Valuations For Shared Pipeline Creates Opportunity Markets

Companies mentioned

Galapagos NV (NASDAQ: GLPG US; \$227.27; Sector Perform) Gilead Sciences, Inc. (NASDAQ: GILD US; \$63.83; Top Pick)

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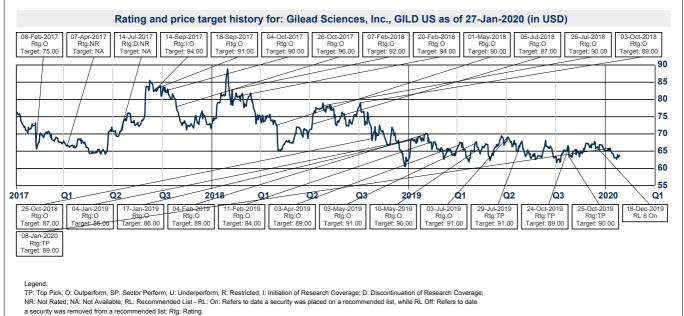
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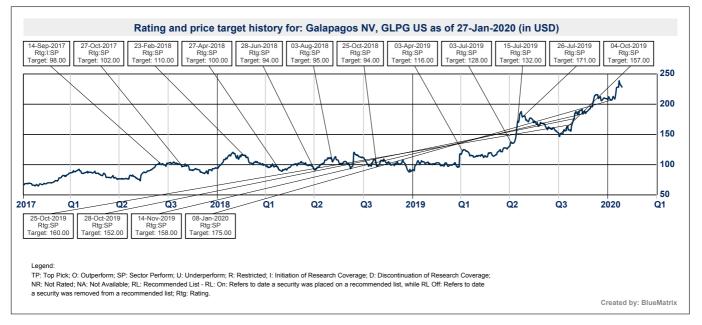
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	Distribution	n of ratings										
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Galapagos NV

Valuation

Our \$175 price target is derived from a DCF analysis of the base business with a 10% discount rate and 3.5% terminal growth rate. This valuation supports our Sector Perform rating.

Risks to rating and price target

Risks include emergence of a safety issue, high regulatory bar for RA drugs like filgotinib, and limitations to interpreting earlystage data for '1690.

Gilead Sciences, Inc.

Valuation

Our \$89 price target is derived via DCF analysis, with a 9% discount rate and a 2.5% terminal growth rate off 2028E (post-TAF generic). Our price target supports our Top Pick rating.

Risks to rating and price target

Risks include generic HIV entrants, competition in HCV, pricing pressure, commercial and scientific complexities of cellular CAR-T therapies, and efficacy and safety risk for pipeline products such as filgotinib.



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