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ASIA EDITION

Gilead Sciences, Galapagos enter into deal worth $5B

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Galapagos will receive a $3.95 billion upfront payment and a $1.1 billion equity investment from Gilead.

US based Gilead Sciences and Belgian firm Galapagos have announced that they have entered into a 10-year global research and development collaboration. Through this agreement, Gilead will gain access to an innovative portfolio of compounds, including six molecules currently in clinical trials, more than 20 preclinical programs and a proven drug discovery platform.

Galapagos will receive a $3.95 billion upfront payment and a $1.1 billion equity investment from Gilead. Galapagos will use the proceeds to expand and accelerate its research and development programs. Gilead will receive an exclusive product license and option rights to develop and commercialize all current and future programs in all countries outside Europe. In addition, Gilead and Galapagos have agreed to amend certain terms in the agreement governing filgotinib, the candidate being advanced for rheumatoid arthritis and other inflammatory diseases to provide a broader commercialization role for Galapagos in Europe.

The collaboration will allow for closer scientific partnership between the companies. Gilead will have access to Galapagos' established research base, which includes more than 500 scientists, and to Galapagos' unique platform that utilizes disease-related, human primary cell-based assays to discover and verify novel drug targets. Gilead will also nominate two individuals to Galapagos' Board of Directors following the closing of the transaction.

"We are excited to enter into this unique agreement, which will generate both long-term strategic value and mutual, immediate benefits. We chose to partner with Galapagos because of its pioneering target and drug discovery platform, proven scientific capabilities and outstanding team," said Daniel O'Day, Chairman and Chief Executive Officer of Gilead. "Gilead also gains exclusive access to all current and future compounds in Galapagos' rich pipeline while Galapagos is able to expand its research activities and build commercial infrastructure. The collaboration reflects Gilead's intent to grow our innovation network through diverse and creative partnerships."

As part of the collaboration, Gilead gains rights to GLPG1690, Galapagos' Phase 3 candidate for idiopathic pulmonary

fibrosis. Gilead also receives option rights for GLPG1972, a Phase 2b candidate for osteoarthritis, in the United States. Both GLPG1690 and GLPG1972 are first-in-class compounds and could offer important mid- and late-stage pipeline opportunities for Gilead. In addition, Gilead receives option rights on all of Galapagos' other current and future clinical programs outside of Europe.

"What a fantastic moment in our 20th anniversary year to sign this landmark deal with our great partner Gilead," said Onno van de Stolpe, Chief Executive Officer of Galapagos. "Galapagos has been highly effective at target identification and drug discovery, progressing novel molecules from research into the clinic. We will benefit greatly from Gilead's expertise and infrastructure and believe this collaboration will provide an accelerated path to advance our pipeline. This agreement is about maximizing innovation based on developing new mode of action medicines. With the capital provided by Gilead, we aim to progress innovation to patients."

Terms of the Collaboration

Galapagos will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study, Gilead will have the option to acquire an expanded license to the compound. If the option is exercised, Gilead and Galapagos will co-develop the compound and share costs equally. Gilead will maintain option rights to Galapagos' programs through the 10-year term of the collaboration and for up to an additional three years thereafter for those programs that have entered clinical development prior to the end of the collaboration term.

If GLPG1690 is approved in the United States, Gilead will pay Galapagos an additional $325 million milestone fee.

For GLPG1972, Gilead has the option to pay a $250 million fee to license the compound in the United States after the completion of the ongoing Phase 2b study in osteoarthritis. If certain secondary efficacy endpoints are met, Gilead would pay up to an additional $200 million. Following opt in, Galapagos would be eligible to receive up to $550 million in regulatory and commercial milestones.

For all other programs resulting from the collaboration, Gilead will make a $150 million opt-in payment per program and will owe no subsequent milestones. Galapagos will receive tiered royalties ranging from 20-24% on net sales of all Galapagos products licensed by Gilead as part of the agreement.

Filgotinib Collaboration

Gilead and Galapagos have also agreed to amend certain terms around the development and commercialization of filgotinib, the experimental compound being advanced for rheumatoid arthritis and other inflammatory diseases. The companies have recently completed the comprehensive Phase 3 FINCH program in rheumatoid arthritis and plan to seek regulatory approval for the medicine in the United States and Europe before the end of the year. Under the amended agreement, Galapagos will have greater involvement in filgotinib's global strategy and participate more broadly in the commercialization of the product in Europe, providing the opportunity to build a commercial presence on an accelerated timeline.

Gilead and Galapagos will co-commercialize filgotinib in France, Germany, Italy, Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement, and under the revised agreement, Galapagos will have an expanded commercial role. Galapagos retains exclusive rights in Belgium, the Netherlands and Luxembourg. The companies will share future global development costs for filgotinib equally, in lieu of the 80/20 cost split provided by the original agreement. Other terms of the original license agreement remain in effect, including the remaining $1.27 billion in total potential milestones and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom.