

Galapagos NV (Q4 2025 Results)
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Corporate Speakers

- Glenn Schulman; Galapagos; Head of Investor Relations
- Henry Gosebruch; Galapagos; Chief Executive Officer
- Aaron Cox; Galapagos; Chief Financial Officer

Participants

- Brian Abrahams; RBC Capital Markets; Analyst
- Philip Nadeau; TD Cowen; Analyst
- Sean McCutcheon; Raymond James; Analyst
- Mathijs Geerts Danau; KBCS; Analyst
- Delphine Le Louet; Bernstein; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Galapagos Year-End 2025 Financial Results Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Glenn Schulman, Head of Investor Relations. Please go ahead.

Glenn Schulman^ Good day, everyone. This is Glenn Schulman, Head of Investor Relations. And I'd like to thank you all for joining us today as we report Galapagos' full year 2025 financial results and fourth quarter business update. Last evening we issued a press release outlining these results.

This release, along with today's presentation, can be found on the Galapagos Investor website at www.glpq.com. Before we begin, I would like to remind everyone that we will be making forward-looking statements. These forward-looking statements include remarks concerning future developments of our company and our pipeline and possible changes in the industry and competitive environment.

These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects which are based on the information currently available to us and on assumptions we have made. Actual results may differ materially from those indicated by these statements and are accurate only as of the date of this recording, February 24, 2026.

Galapagos is not under any obligation to update statements regarding the future or to conform to these statements in relation to actual results unless required by law. You are cautioned not to place any undue reliance on these statements. Joining us on today's call from the executive team are Henry Gosebruch, Chief Executive Officer; Aaron Cox, Chief Financial Officer; Sooin Kwon, Chief Business Officer; and Dan Grossman, Chief Strategy Officer of the company, all of whom will be available during the Q&A session. With all that, let me now turn the call over to Henry Gosebruch, CEO of Galapagos. Henry?

Henry Gosebruch^ Thank you, Glenn. And thank you all for joining us today. Galapagos had a transformative 2025, focused on turning the page from cell therapy, implementing a new

strategic direction and laying a strong foundation for long-term value creation. We are entering this new chapter with approximately EUR 3 billion in cash at year-end 2025 in a strong position to pursue transformative business development opportunities with significant strategic flexibility. The new team is in place to execute on the strategic vision.

We have been very deliberate in assembling the right leadership team to execute the strategy, and I could not be more pleased with the level of talent we've been able to attract to Galapagos.

We've assembled a management team with world-class business development expertise and a shared mission of leveraging our unique position to create significant shareholder value. Collectively, our team has executed hundreds of transactions in the life sciences sector and is working well together with the goal of creating value for our shareholders.

We have also evolved our Board composition, welcoming five new directors who bring the deep transaction, capital allocation and operating experiences needed for this next phase of growth. Our objective is not incremental rebuilding, but a fundamental reshaping of the company around programs we believe are capable of delivering meaningful patient impact and sustainable shareholder returns.

We are aggressively evaluating opportunities across our focus areas and maintaining a broad dialogue with companies and innovators globally. We are encouraged by the level of potential transactions we have in our deal pipeline and our opportunity to become a unique player in the biotech deal ecosystem and carve out niches where we can be competitively differentiated. At the same time we are disciplined and selective. We will allocate our capital carefully and thoughtfully with clear financial metrics in mind.

Our focus remains on clinically derisked opportunities in areas where we are able to bring unique insights that represent competitive advantage. Lastly, our collaboration with Gilead remains a key strategic advantage and potential competitive differentiation.

We are working very closely with Gilead and continue to have active and constructive dialogue as we evaluate opportunities. Their global development and commercialization expertise, combined with our capital base, agility and deal-making skills creates a powerful platform as we shape this next phase of growth for Galapagos.

Let me briefly provide an update on our legacy R&D asset, TYK2 or GLPG3667. In December, we announced top line Phase II results for GLPG3667 in patients with dermatomyositis and systemic lupus erythematosus or SLE. GLPG3667 met the primary endpoint in the dermatomyositis study, demonstrating a statistically significant clinical benefit and meaningful improvement on secondary measures of disease activity compared to placebo. We are currently evaluating all strategic options for this program including pursuing potential partnerships with other I&I players to accelerate the development of GLPG3667.

In conclusion, Galapagos is well positioned for the future. Our year-end cash position of approximately EUR 3 billion, our strong business development and capital allocation experience provides the strategic flexibility to pursue business development opportunities while maintaining a disciplined focus on value creation. With that overview, I would like to now turn the call over to Aaron Cox, our CFO, to review our full year 2025 financial results and 2026 guidance. Aaron?

Aaron Cox^ Thanks, Henry, and hello, everyone. In the press release issued last night, we detailed our full year 2025 results, provided an update on fourth quarter performance and shared our 2026 guidance. Total operating profit from continuing operations amounted to EUR 295.1 million in 2025 compared to an operating loss of EUR 188.3 million in 2024. This operating profit was primarily due to the release in revenue of the remaining deferred income balance of EUR 1,069 million associated with the exclusive access rights granted to Gilead under the OLCA.

As a reminder, in conjunction with this transaction in 2019, Galapagos recognized a contract liability of approximately EUR 2.3 billion which was to be recognized as revenue on a straight-line basis over the 10-year term of the agreement. Following the 2025 OLCA amendments, the intention to wind down and related events in 2025, as of December 31, it was assessed that there were no remaining obligations that would justify this specific contract liability to be maintained in our IFRS financial statements.

We do not expect any cash tax impact in 2025 related to this recognition of revenue. Importantly, while the OLCA still remains in force, we expect that any future business development transaction will be completed under terms that would be different than the existing terms of the OLCA.

Now turning to expenses. Operating expenses were negatively impacted for a total of EUR 399.8 million by the decision to wind down the cell therapy activities with an impact of EUR 275 million, consisting of an impairment of the cell therapy activities of EUR 228.1 million, severance costs of EUR 33.3 million, costs for early termination of collaborations of EUR 16.3 million, deal cost of EUR 10.1 million, EUR 1.5 million for additional accelerated noncash cost recognition for subscription right plans, and EUR 7.5 million of other costs, partly offset by a positive fair value adjustment of the contingent consideration payable of EUR 21.8 million.

Additionally, the executed strategic reorganization related to the small molecules business announced in 2025 for EUR 124.8 million. Financial investments and cash and cash equivalents totaled EUR 2,998 million on December 31, 2025, as compared to EUR 3,317.8 million on December 31, 2024. Our cash and cash equivalents and current financial investments included EUR 2,159 million held in U.S. dollars versus EUR 726.9 million on December 31, 2024. These U.S. dollars were translated to euros at an exchange rate of 1.175. Since year-end, we have converted more euros to U.S. dollars and now hold approximately 72% of our cash in U.S. dollars and 28% in euros.

We expect to continue increasing the portion of cash in U.S. dollars as the year progresses. Turning now to our guidance for 2026. As part of the transformation to the new Galapagos, we announced our intention to wind down our cell therapy activities last fall, and we are now executing on this process following the works council processes that were completed last month. Given the progress we've made on this execution, I can now share that we expect the cell therapy wind down to be substantially completed by the end of the third quarter of 2026.

In connection with the wind down of the cell therapy activities, we expect an operating cash outflow of up to EUR 50 million in Q1 2026 as well as one-time restructuring cash impact of EUR 125 million to EUR 175 million in 2026. This reflects a EUR 25 million reduction compared to the prior guidance range of EUR 150 million to EUR 200 million.

In addition, we anticipate cash costs of approximately EUR 35 million to EUR 40 million for the final implementation of the restructuring announced in January 2025. Costs related to the ongoing TYK2 program including completion of the Phase II clinical trials in DM and SLE, as well as ongoing support to advance the program towards Phase III development are expected to be up to EUR 40 million in 2026. Away from the spend items, we continue to expect meaningful cash flow to come from interest income, royalties and tax credits.

As a result, we expect to be cash flow neutral to positive by the end of 2026. We also anticipate we will have approximately EUR 2.775 billion to EUR 2.850 billion in cash, cash equivalents and financial investments at December 31, 2026, excluding any business development activities or currency fluctuations. Now let me turn it back to Henry to wrap up.

Henry Gosebruch^ Thanks, Aaron. In closing, 2026 will be a pivotal year for Galapagos as we focus on building long-term value through transformative business development, leveraging our strong balance sheet, our deal-making expertise and our unique collaboration with Gilead. Our shares remain at a significant discount to the cash figures, Aaron just reviewed.

We will be focused on closing the gap through execution on our business development plan, thoughtful capital allocation and engagement with shareholders to rebuild trust and confidence. We are encouraged by the momentum we've built so far as we reshape Galapagos with a clear strategy in place.

With a disciplined approach to capital allocation, we remain focused on pursuing the right opportunities to build a pipeline of novel therapeutics designed to deliver meaningful benefits for patients and a sustainable value for shareholders. We are still early in this new chapter of our company, but we are off to a strong start, and we are excited about the future ahead. So with that, thank you all for your attention, and we will now open it up for your questions.
Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from the line of Brian Abrahams from RBC Capital Markets. Please go ahead your line is open.

Brian Abrahams^ Hey good morning thanks for taking my questions. Just as you continue to progress on business development, just kind of curious if anything has evolved in terms of what you might be looking for? And then is there any deadline or any sort of change that we might expect based on the Gilead agreement if you're not able to identify assets to bring in by a certain time point? Thanks.

Henry Gosebruch^ Yes. Hey Brian, it's Henry. I'll take those questions. So no, our strategy is really consistent with what we've been talking about since last fall in terms of focusing on derisked late-stage clinical assets, not exclusively, but primarily in the I&I and oncology space. And I'd say we continue to see a lot of good opportunity there.

And as we said in the prepared remarks, we're focusing on opportunities where we think we can bring unique insight, unique competitive advantage. But I think there's, again, a lot of

opportunity, and we're working through our deal funnel and remain confident that there's a lot of attractive opportunity for us.

With respect to your second question, as we said previously we're not going to set a deadline for a specific deal. Again, we'll remain patient, disciplined. Again, we do have some good activity going on, but it's more important to do the right deal than to do a deal by a certain period of time. The OLCA does expire.

Now it doesn't expire for about three years and change. So ultimately, that is a deadline. But certainly, we're focused on getting an important transaction, transformative transaction done ahead of that ultimate expiration of OLCA.

Brian Abrahams^ Got it. And if something does not happen before then?

Henry Gosebruch^ Well if something does not happen by then, despite working really hard on, trying to make it happen, then OLCA would expire, and we would go on without the OLCA in place.

Brian Abrahams^ Thanks.

Operator^ (Operator Instructions) Our next question comes from the line of Phil Nadeau from TD Cowen. Please go ahead your line is open.

Philip Nadeau^ Great thanks for taking our questions. Our question is on GLPG3667. In the past, you've suggested that the bar to moving that forward internally and investing in it further would be rather high. We're curious to get an update on your thoughts there. I know you said you're pursuing all possible avenues of moving that forward. But how does management weigh developing that internally and investing in it versus out-licensing? Thanks.

Henry Gosebruch^ Yes, Phil, I would say those comments also stand. We have a high bar. Frankly, we have a high bar, not just for 3667, but for any asset, be it internal or external, we really look at it with the same unbiased lens. Now with respect to where we are, again, it's still early. We, as you know got the topline data just before the holiday.

Data is still coming in. So we don't have the full package in place. We are in the process of talking to partners. Again, given that we don't have the full infrastructure required to really take this into Phase III, it makes sense to see where some of the players are that, that have that. And maybe in working with a partner, we can do more, do it faster, do it more capital efficient and ultimately create more value. So we're focused on looking at that. We're focused on getting our arms around the data that's still trickling in. But again, the bar is exactly the same bar that we've always set for ourselves.

Philip Nadeau^ That's very helpful thank you.

Operator^ (Operator Instructions) Our next question comes from the line of Sean McCutcheon from Raymond James. Please go ahead your line is open.

Sean McCutcheon^ Hi guys thanks for the questions. Can you speak to your current view on capital allocation, specifically as it relates to the pool of capital you aim to put forth for

acquisitions for BD? And how much you need to reserve for operating expenses going forward and how the Gilead partnership informs deal sizing and optionality on that front? Thanks.

Henry Gosebruch^ Yes. It's Henry. Thanks for the question. So look, at a high level, I mean some of what I'm going to say is it's pretty obvious, but we have EUR 3 billion in capital. And as you point out, that capital needs to account both for any consideration to a partner or acquisition target and of course, our development expenses we would have in any transaction.

Now when you say sort of how does the relationship with Gilead inform our capital allocation, as we said on calls previously the dialogue with Gilead is quite strong. It's very, very constructive. They continue to indicate openness to contribute in both deal terms, meaning paying some of the upfront consideration as well as taking on some of the development spend operation.

So ultimately, in working with Gilead, we can go beyond the EUR 3 billion we have. And I think that's one of the features we think is very attractive in working with Gilead. So as we think through it, we don't just think about our pool of capital. We also think about what in working with Gilead can we add to the pie and therefore kind of go beyond what we could do on our own. I don't know if that's where you were going with your question or if you want to clarify maybe what I didn't answer.

Sean McCutcheon^ No. I think that covers it. Thanks.

Henry Gosebruch^ Okay. Well thank you.

Operator^ Thank you. There are no further questions at this time. So I'll hand the call back to Glenn for closing remarks.

Glenn Schulman^ Thanks, Mel [ph]. I think in the Q&A queue, we do have one more or a couple more coming in, if possible, it would be great to take. I think there's a question from KBC.

Operator^ (Operator Instruction).

Mathijs Geerts Danau^ Yes. Hi.

Operator^ Please go ahead Mathijs Geerts Danau from KBCS. Your line is open.

Mathijs Geerts Danau^ Hi -- yes -- Mathijs covering for Jacob. I had a question on the lower cell therapy wind-down costs. Do you maybe expect that to lower further in the future? Or do you see any possibility in that?

Henry Gosebruch^ Yes, Mathijs, thanks. It's Henry. Thanks for getting the question, and I'll let Aaron answer that.

Aaron Cox^ Yes. Thanks. We're not providing future guidance here, but we'll obviously update folks on how that cost envelope is progressing on future calls. But yes, we did lower the range from a previous range of EUR 150 million to EUR 200 million in terms of one-time

restructuring costs. We lowered that range by EUR 25 million with this release. And as we continue to progress through the wind down, we'll provide updated costs on future calls.

Mathijs Geerts Danau^ Okay. Thanks.

Operator^ (Operator Instructions) Our next question comes from the line of Delphine Le Louet from Bernstein. Please go ahead your line is open.

Delphine Le Louet^ Hello hi good morning everybody. I was wondering and coming back to the capital allocation and the decision you've been taking especially regarding the cash and the cash allocation, the move from euro to dollar, considering the fact that you didn't gain as much as financial income as last year. And so I was questioning about what was the rationale on the back of that? What was the exact timing for us to be clear? And shall we consider the breakup of, let's say, two-thirds U.S., a third euro as being a picture for your next investment portfolio or for the picture we should have from your investment income in the near future?

Aaron Cox^ Yes. Thanks, Delphine. So mid last year, we started transitioning more euros to dollars, and that was primarily based on where we expected our BD activity to be driven and also where our cost base is starting to move towards which is more U.S.-based. We provided a range on this call of EUR 2.775 billion to EUR 2.850 billion for the year. And as I mentioned before we'll update that as we go through the year.

In terms of continued transition to U.S. dollars, we did -- as you heard from my remarks, we do expect to transition more to U.S. dollars as the year progresses, but still keeping a portion in euros as we still have meaningful operating expenses in euro denomination over the year as we move through this wind down.

We do see higher earnings rates in terms of what we're receiving on our U.S. dollars. As you look at rates across the environment, you could estimate euros earning around 2% and U.S. dollars earning around 4%. So while the exchange rate does move, we are seeing significant uptake in terms of the interest earned on the U.S. dollars versus euros.

Delphine Le Louet^ Thanks. Can I ask another one? Or do you have to go back in the queue?

Henry Gosebruch^ Go ahead, Delphine. Go ahead.

Delphine Le Louet^ Yes thank you very much. I was wondering if you have or if you can communicate any expectation regarding your -- the breakeven in terms of operating income.

Henry Gosebruch^ You cut out a little bit. You're asking about what regarding operating income?

Delphine Le Louet^ Yes. When do you expect to breakeven for the operating income?

Aaron Cox^ Yes. We've indicated we expect to be cash flow neutral to positive by year-end. Obviously as we work through the wind down and associated costs, those costs are going to be chunky kind of throughout the year. So it's hard to predict exactly which quarter some of those costs are going to fall in, but we do expect to be cash flow neutral and positive by year-end.

Delphine Le Louet^ Okay thank you.

Operator^ (Operator Instructions) Our next question comes from the line of Nora Lazar [ph] from (inaudible). There are no further questions at this time. So please go ahead, Glenn, for closing remarks.

Glenn Schulman^ Thanks, Mel [ph] and thanks everyone, for taking the time to join us this morning on the call. Just a couple of upcoming activities on the Investor Relations front, the Galapagos team is going to be at the TD Cowen Conference next week up in Boston, attending the Jefferies by the Beach Conference in a couple of weeks, Kempen Conference coming up in April 15 and the Bank of America Conference in May. Those interested in meeting with the team, please feel free to reach out to your sales contact at those respective institutions to schedule a meeting.

Lastly, I just want to mention that our annual report will be filed near the end of March, March 26. So there'll be additional information coming out then. And if you need anything in the meantime don't hesitate to reach out to me. Thank you all for your attention today. And have a great week.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect. Speakers please stand by.