

# MCINTIRE INVESTMENT INSTITUTE

AT THE UNIVERSITY OF VIRGINIA



GILEAD

## **Gilead Sciences, Inc. (NASDAQ: GILD)-Long**

Jessica Gao, Xiao Dong | 4/11/2013



# AGENDA

## Company Overview

- Company
- Management Team
- Stock Overview

## Thesis Points

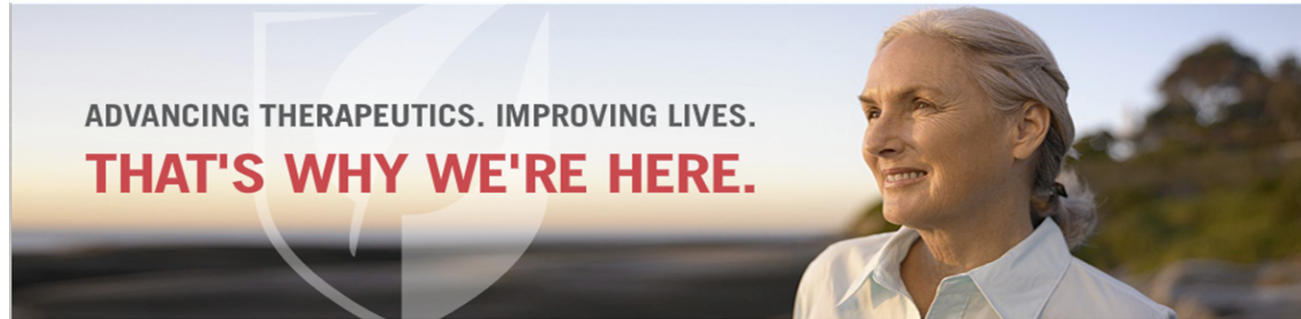
- Strong Product Portfolio
- Competitive Business Strategy
- Promising Financials

## Tailwind

## Risks

## Recommendation

# COMPANY OVERVIEW



- Founded in 1987 and California-based company, Gilead Sciences is research-based **biopharmaceutical** company that discovers, develops and commercializes medicines.
- Gilead's primary areas of focus include **HIV**, liver diseases **HBV** and hepatitis virus **HCV**, serious cardiovascular and etc.
- **#1** in HIV drugs market and **#2** in HCV drugs market.
- In 2012, ranked **#2** in Fortune magazine's list of **fastest-growing** corporations by 10-year profits.

## Chairman and CEO

### John C. Martin, PhD.



- PhD. In organic chemistry from University of Chicago.
- Joined Gilead in 1990, served as president and CEO from 1996 to 2008.
- Prior to joining Gilead, Dr. Martin held several leadership positions at **Bristol-Myers Squibb** and **Syntex Corporation**, which are Gilead's main competitors
- Served on the Centers for Disease Control/Health Resources and Services Administrations and Advisory Committee on HIV and STD Prevention and Treatment
- A member of member of the Presidential Advisory Council on HIV/AIDS.
- In 2012, ranked **#5** on its list of the 100 **best-performing CEOs** in the world, as well as the **top-ranked health care CEO** by the *Harvard Business Review*

# STOCK OVERVIEW



**Current Price: 50.75**

**52 week: 22.67~49.48**

**Vol/Avg.:10.96M/10.28M**

**Mkt Cap: 71.78B**

**P/E: 34.88**

**EPS(ttm): 1.36**

**Shares: 1.52B**

**Inst. Own: 98%**



# STOCK COMPARISON

## 1 year stock price comparison



# THESIS POINTS

**1#**

**Strong  
Product  
Portfolio**

**2#**

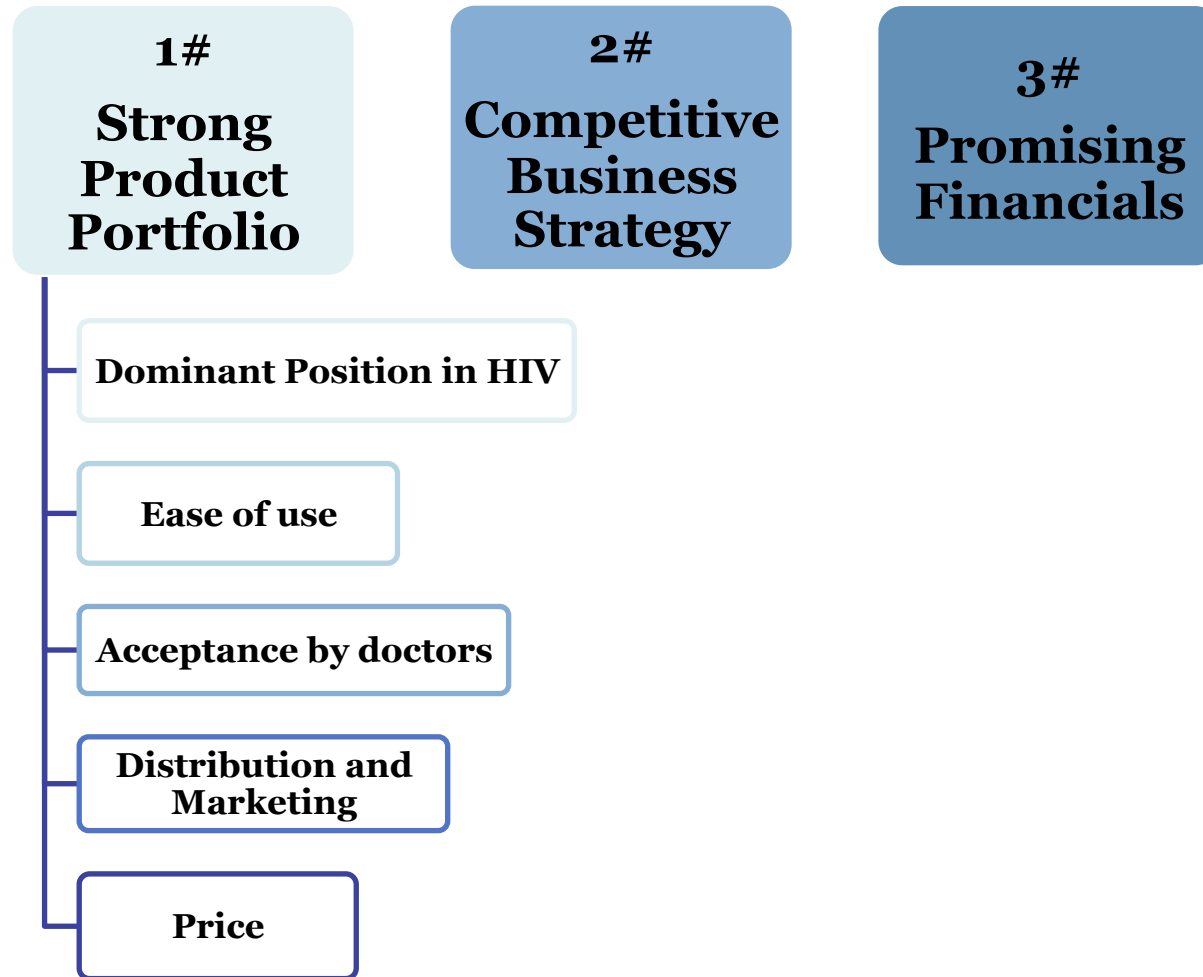
**Competitive  
Business  
Strategy**

**3#**

**Promising  
Financials**

# THESIS POINTS 1#

## STRONG PRODUCT PORTFOLIO





# THESES POINTS #1: STRONG PRODUCT PORTFOLIO

## #1.1 DOMINANT POSITION IN HIV MARKET

- HIV product market share:

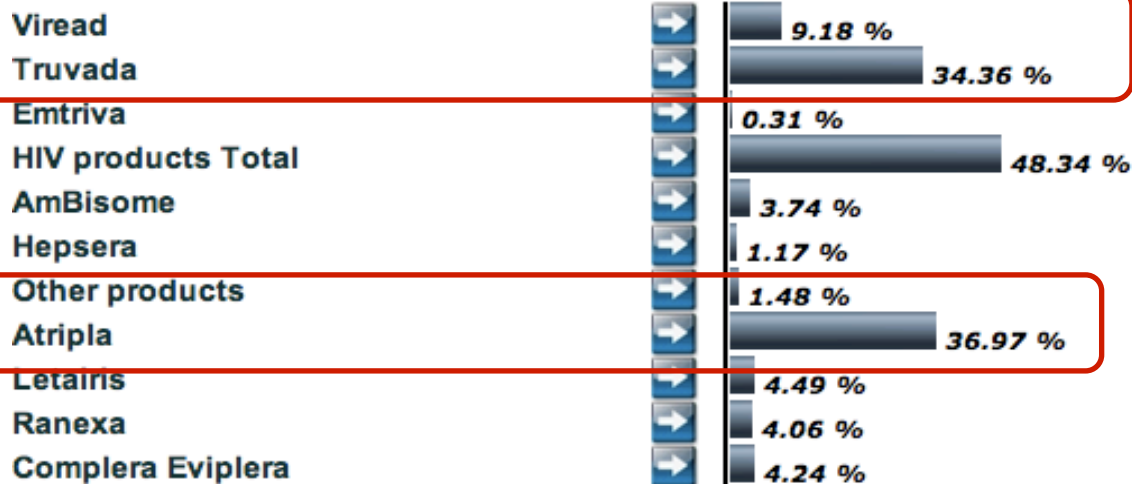
Gilead's competitiveness improved within HIV products total segments, with revenue growth of 10.46% and its market share increased to approx. 53.08%.



# #1.1 DOMINANT POSITION IN HIV DRUGS



## GILEAD SCIENCES, INC. SEGMENTS



of total Revenue  
of total Revenue  
of total Revenue  
of total Revenue  
of total Revenue  
of total Revenue  
of total Revenue  
of total Revenue  
of total Revenue

# MISPERCEPTION #1

## HIV MARKET IS SHRINKING



World Health Organization

“**340 million** people were living with HIV at the end of 2012. That same year, some **2.5 million** people became newly infected, and 1.7 million died of AIDS-related causes.”

-- WHO (World Health Organization)



“Since 1993 the average life span after diagnosis of HIV has more than **tripled from 7 years to 24 years**, a testament to more effective treatments and better HIV care.”

-- CFAR (Center for AIDS Research at University of Emory)

## MISCONCEPTION #2 HIV/AIDS CAN BE CURED

- On Mar. 7<sup>th</sup>, a born infant with HIV was **cured functionally**.
- “**Functionally cured**,” a condition that occurs when a patient achieves and maintains long-term viral remission without lifelong treatment.
- In contrast, “**sterilizing cure**” —a complete eradication of all HIV viral traces from the body is **impossible** at present stage.



Virologist Deborah Persaud

- **Conclusion:** HIV patients have to stick to traditional HIV drugs through their life.

# #1.1 DOMINANT POSITION IN HIV DRUGS

## Pills for the poor

1

People receiving HIV drugs in poor and middle-income countries



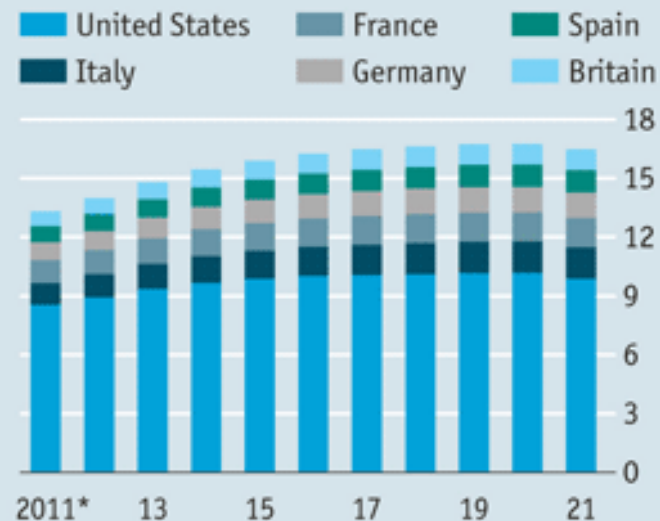
Sources: WHO; UNAIDS

\*New guidelines introduced for when to start taking drugs

## Staying alive

2

Forecast antiretroviral sales, \$bn



Source: Datamonitor

\*Estimate



# THESES POINTS #1: STRONG PRODUCT PORTFOLIO

## #1.2 EASE OF USE

- The **only** company offers “**Single tablet regimens**” for HIV drugs.
- **Question:** Why one tablet a day is beneficial than multiple tablets per day?
- **Answer:** Single tablet regimens allow patients to adhere to a fully suppressive course of therapy more **easily and consistently**, which is critical for the successful management of the disease.



## #1.2 EASE OF USE



**Goal:** ensure that all HIV patients have the option to choose a single tablet regimen that is right for them.

**Drugs approved for “single tablet regimes”.**

**Stribild  
Complera  
Atripula  
Truvada  
Viread**

**Drugs that are candidates for “Single Tablet Regimes”.**

**Hepsera  
Letairis  
Ranexa  
Lexican**

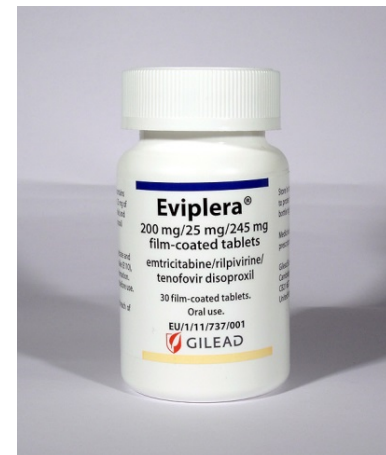


# THESES POINTS #1: STRONG PRODUCT PORTFOLIO

## #1.3 ACCEPTANCE BY DOCTORS



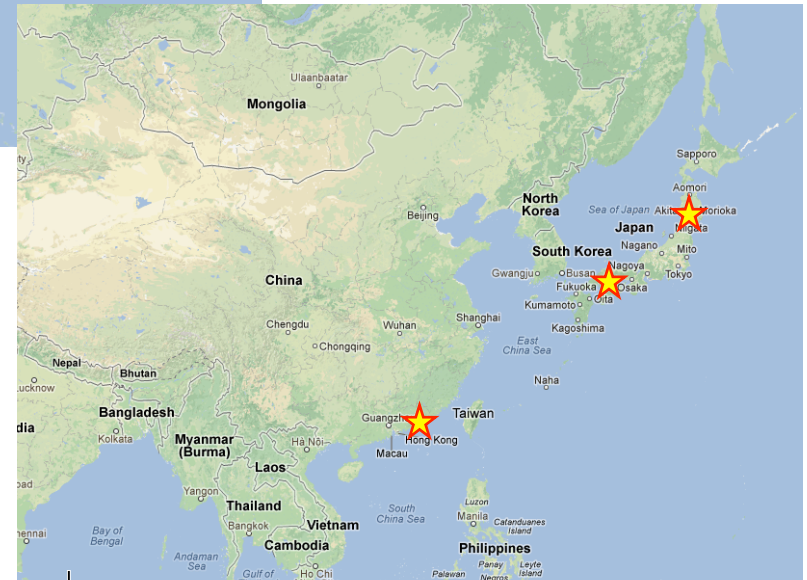
**Which is the most recommended drug for HIV by doctors?**





# #1.3 ACCEPTANCE BY DOCTORS

## VAR #1



# 1.3# ACCEPTANCE BY DOCTORS

## VAR #1

| Hospital  | Location       | Drugs recommended  |
|---|----------------|--|
| Bergen Regional Medical Center                    | NJ. US.        | “For one who never took HIV drugs before, we recommended <b>Isentress</b> plus <b>Truvada</b> .”             |
| Lee Memorial Hospital                             | Fla. US.       | “ <b>Prezista</b> what we recommend, but it can cause severe liver problems.”                                |
| University of Michigan Hospital and Health Centre | Ann Arbor, US. | “ <b>Viramune</b> for NNRTIs (non-nucleoside reverse transcriptase inhibitors) and <b>Truvada</b> for NRTIs. |
| Huntsville Hospital                               | Ala. US.       | “ <b>Tenofovir</b> for type I patients.”   |
| Parkland Hospital                                 | Dallas, US.    | <b>Atripula</b> , <b>Isentress</b>   |
| Central Virginia Training Center                  | VA. US.        | <b>Viread</b> , but not for pregnant women or children under 16.   |
| Kings County Hospital Centre                      | NY. US         | “ <b>Zerit</b> is for NIRTIS... <b>Stribild</b> is the most recommended multi-class combination drug.”       |
| Jackson-Madison County General Hospital           | Tenn. US.      | “Viread for general use at the very beginning.”  |
| Ben Taud General Hospital                         | Houston, US.   | “ <b>Norvir</b> for protease inhibitors and <b>Fuzeon</b> for fusion inhibitors”                             |

**Gilead**

**Competitors**



# 1.3# ACCEPTANCE BY DOCTORS

## VAR #1

| Hospital                            | Location     | Drugs recommended  |
|-------------------------------------|--------------|--|
| John Peter Smith Hospital           | Texas, US.   | “ <b>Truvada</b> because it’s safe for most of the patients.”          |
| Wellstar Kennestone Hospital        | GA. US.      | “ <b>Videx</b> as the traditional treatment.”                          |
| UC Davis Medical Centre             | CA. US.      | “ <b>Atripla</b> is the combination of 3 HIV drugs...”                 |
| Medical Center of Daytona Beach     | Fla, US.     | “ <b>Emtriva</b> or <b>Endurant</b> , based on the level of patients.” |
| Sharp Grossmont Hospital            | CA. US       | “ <b>Combivir</b> which has been used for more than 20 years...”       |
| Kowloon Central Cluster             | Hong Kong    | “ <b>Complera</b> , the new drug...”                                   |
| Tsan Yuk Hospital                   | Hong Kong    | <b>AZT/3TC</b> – which is a three part regime.”                        |
| Kobe Adventist Hospital             | Kobe, Japan  | “ <b>Videx</b> ...”  |
| Jikei University School of Medicine | Tokyo, Japan | “ <b>AZT/3TC</b> – cheapest but efficient and safe.”                   |

**Gilead**

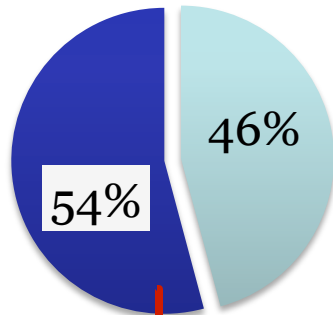
**Competitors**



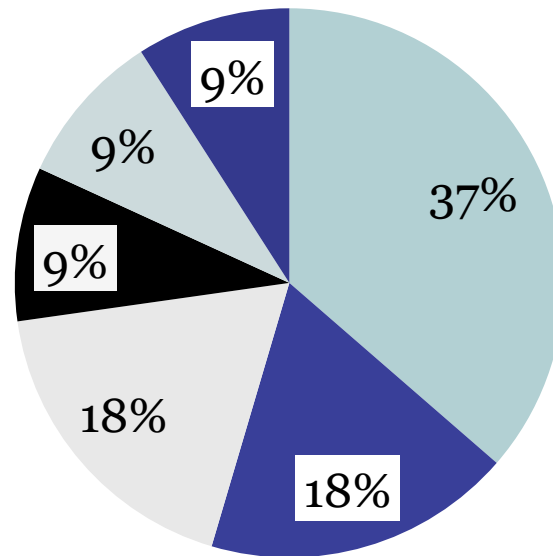
# 1.3# ACCEPTANCE BY DOCTORS VAR #1

## Recommended by doctors

■ GILEAD ■ COMPETITOR



## Segment of competitors



- Bristol Mayers Squibb
- Pfizer
- Mylan
- Glaxo Smith Kline
- BioCryst Pharmace
- Valeant Pharma Inc.

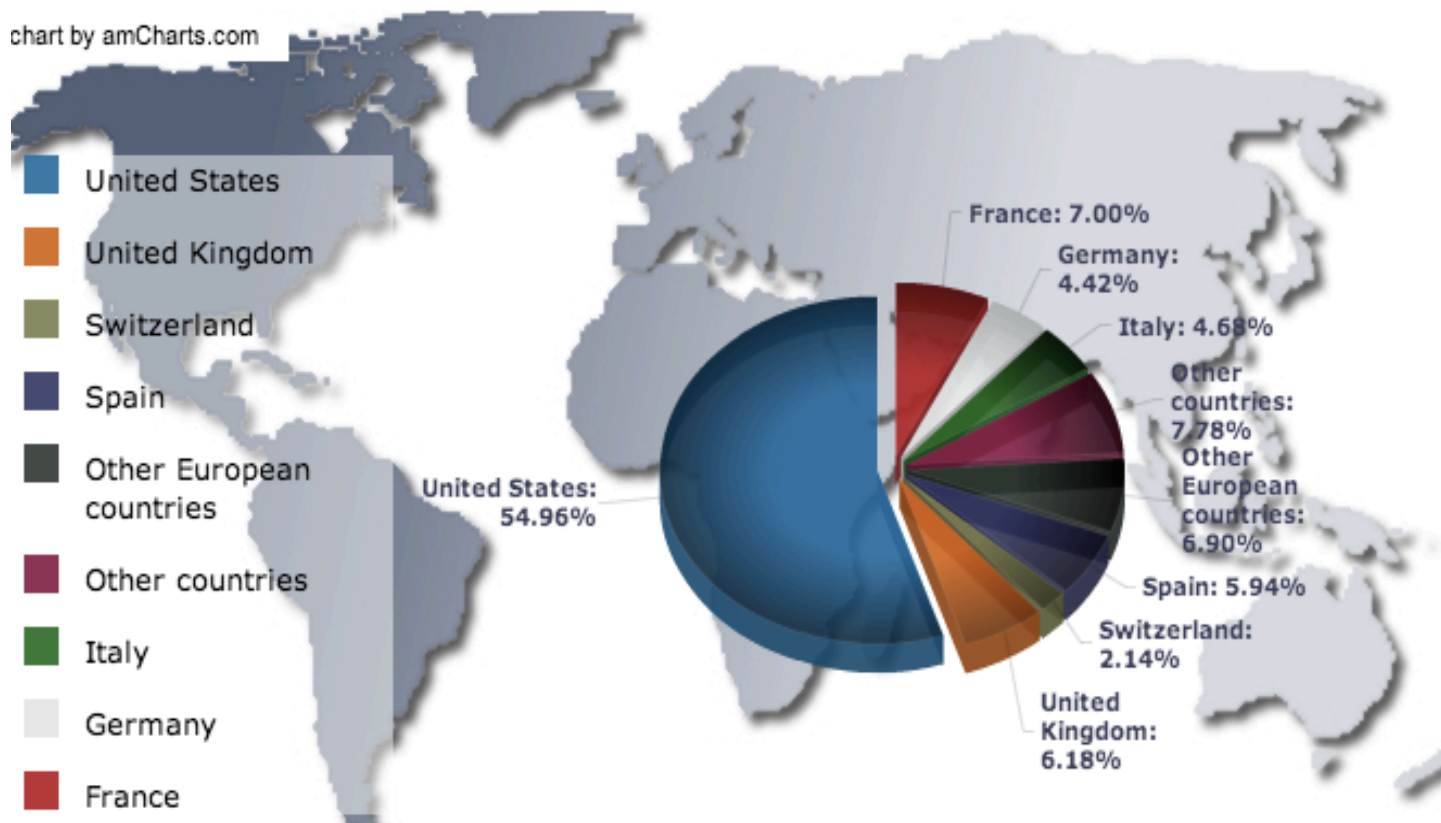
Conclusion:  
Highly recommended by  
doctors.  
No **direct** competitors.

# THESE POINTS #1: STRONG PRODUCT PORTFOLIO

## #1.4 DISTRIBUTION AND MARKETING

### GILEAD SCIENCES, INC. SALES BY GEOGRAPHY

chart by amCharts.com



# #1.4 DISTRIBUTION AND MARKETING

| Geographic Information     | (Dec. 31, 2011)<br>Revenues<br>(in millions \$) | (FY 2011)<br>%<br>(of total Revenues) | (Dec. 31, 2011)<br>%<br>Y/Y Revenue Change |
|----------------------------|---|---------------------------------------|--|
| France →                   | 587.29  | 7 %                                   | 13.01 %                                    |
| Germany →                  | 370.40  | 4.42 %                                | 34.7 %                                     |
| Italy →                    | 392.05  | 4.68 %                                | 13.58 %                                    |
| Other countries →          | 652.34  | 7.78 %                                | 17.61 %                                    |
| Other European countries → | 578.79  | 6.9 %                                 | -12.99 %                                   |
| Spain →                    | 498.20  | 5.94 %                                | 9.1 %                                      |
| United Kingdom →           | 518.38  | 6.18 %                                | 15.1 %                                     |
| United States              | 4,608.34  | 54.96 %                               | 9.1 %                                      |

## Plan of expansion in other countries:

- Japan
  - Atripla-end of 2013
  - Stribild-beginning of 2014
- China
  - Viread-end of 2013
- Saudi Arabia
  - Lexiscan-2014
- Canada
  - Hespera-2013

# THESES POINTS #1: STRONG PRODUCT PORTFOLIO

## #1.5 PRICE

### Fact: treatment of HIV is expensive

“Monthly HIV treatment regimens range from **\$2,000 to \$5,000** – much of it for drugs. With the life expectancy for HIV patients increasing, the lifetime cost of treatment in today's terms is estimated at more than **half-million dollars.**”

--WHO

# #1.5 PRICE VAR #2

## Monthly cost of HIV drugs

### Drugs under Gilead

|           |         |
|-----------|---------|
| Truvada:  | \$580   |
| Atripla:  | \$1342  |
| Complera: | \$ 1599 |
| Viread:   | \$589   |
| Stribild: | \$ 1689 |

**Average: \$1159**

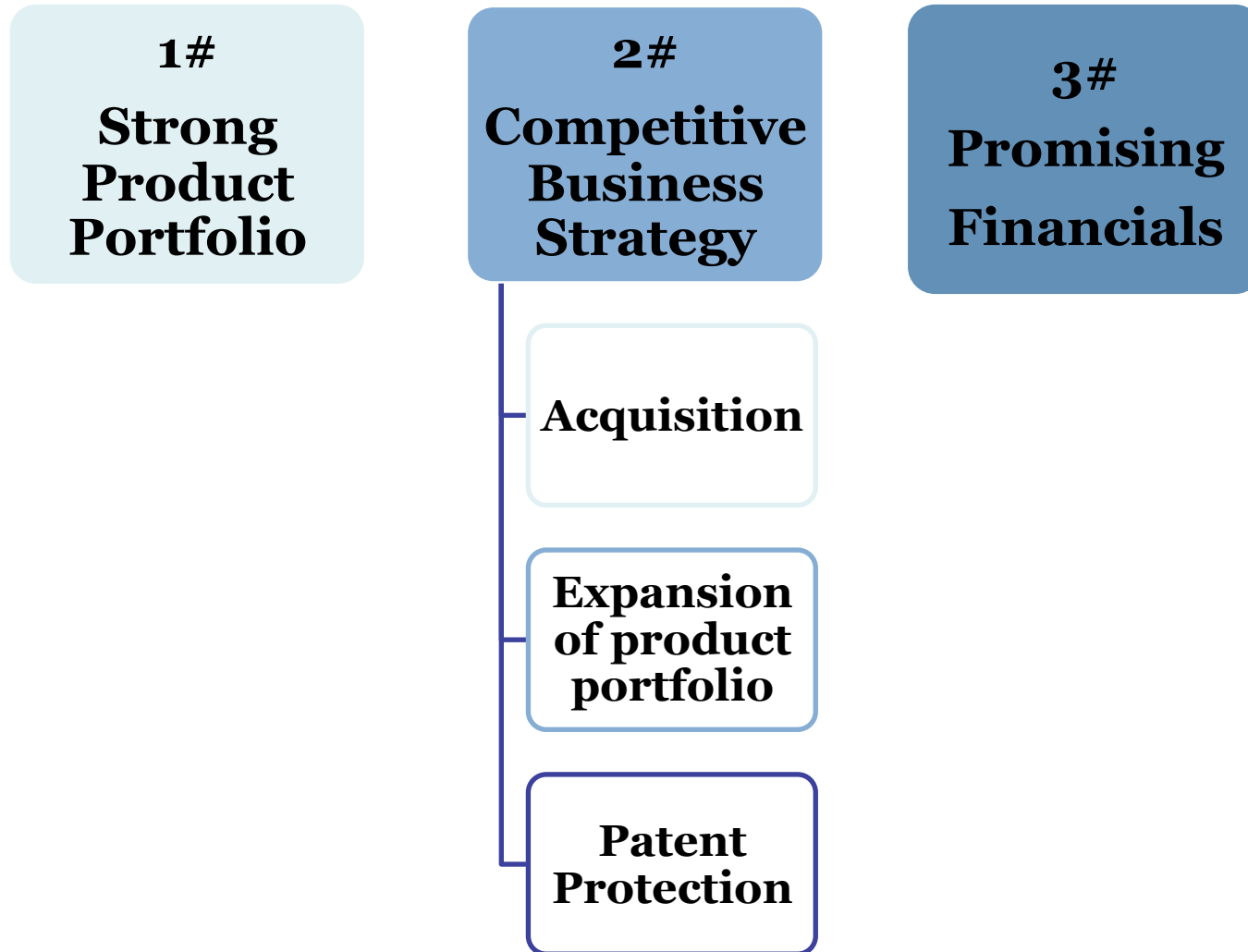
### Drugs under other HIV firms

|            |        |
|------------|--------|
| Isentress: | \$1389 |
| Tenofovir: | \$1992 |
| Combivir:  | \$1617 |
| Stribild:  | \$1799 |
| Fuzeon:    | \$2395 |
| Norvir:    | \$3272 |
| AZT        | \$978  |
| Comvivor : | \$716  |

**Average: \$1769**



# THESIS POINTS #2: COMPETITIVE BUSINESS STRATEGY



# THESIS POINTS #2: COMPETITIVE BUSINESS STRATEGY

## 2.1#: ACQUISITION

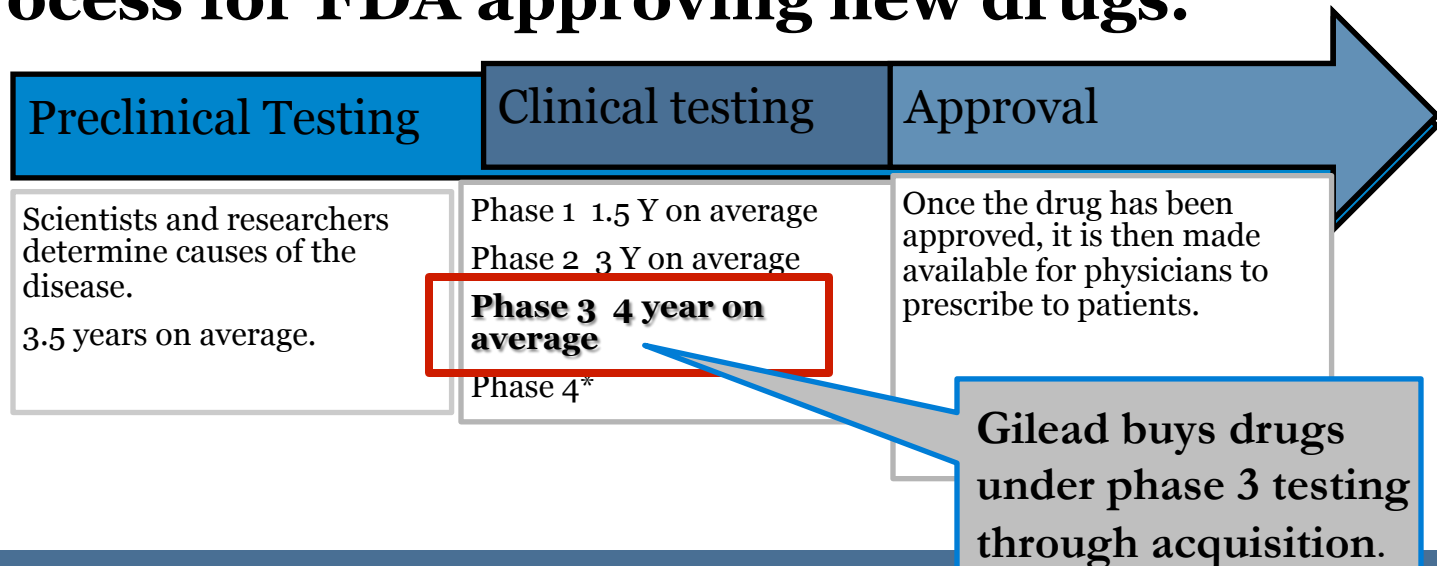
Gilead seeks to add to its portfolio of products through product acquisition and collaboration.

| Year | Company                         | Therapeutic area  |
|------|---------------------------------|---|
| 2009 | CV Therapeutics, Inc.           | Cardiovascular disorders  |
| 2010 | CGI Pharmaceuticals, Inc.       | Serious inflammatory diseases   |
| 2011 | Arresto Biosciences, Inc.       | Fibrotic diseases and cancer  |
| 2011 | Calistoga Pharmaceuticals, Inc. | Cancer and inflammatory diseases  |
| 2012 | Pharmasset                      | Chronic HCV   |
| 2013 | YM Biosciences, Inc.            | Hematological and immune cell disorders and inflammatory diseases and cancers |

**Largest acquisition for \$11.05B. Gilead gained Sofosbuvir, currently in Phase 3 trials for the treatment of HCV.**

## #2.1: ACQUISITIONS

- **Question:** why are acquisitions extremely critical for biopharmaceutical companies?
- **Answer:**
  - **Save time and money.** (Fact: it takes on average 12 years and \$359 million for a drug to travel from research lab to the patients.)
  - **Avoid proper risks.** (Fact: less than 20% of drugs can be approved by FDA in the end. )
- **Process for FDA approving new drugs.**



# THESIS POINTS #2: COMPETITIVE BUSINESS STRATEGY

## 2.2#: EXPANSION OF PRODUCTS PORTFOLIO

### Gilead Sciences Income Statement

Quarterly

Annual: 2012-2003 [Previous Years](#)

| Income   | 2012     | 2011     | 2010    | 2009    | 2008    |
|--|----------|----------|---------|---------|---------|
| Revenue  | 9.703B   | 8.385B   | 7.949B  | 7.011B  | 5.336B  |
| Cost of Revenue                                  | 2.471B   | 2.124B   | 1.870B  | 1.596B  | 1.127B  |
| Gross Profit                                     | 7.231B   | 6.261B   | 6.080B  | 5.416B  | 4.209B  |
| Research & Development Expense                   | 1.760B   | 1.229B   | 1.073B  | 939.92M | 721.77M |
| Selling, General, & Admin. Expense               | 1.461B   | 1.242B   | 1.044B  | 946.69M | 797.34M |
| Depreciation & Amortization                      |          |          |         |         |         |
| Operating Interest Expense                       |          |          |         |         |         |
| Other Operating Income (Expense)                 |          |          |         |         |         |
| Total Operating Expenses                         | 5.692B   | 4.596B   | 3.987B  | 3.482B  | 2.657B  |
| Operating Income                                 | 4.010B   | 3.790B   | 3.962B  | 3.529B  | 2.679B  |
| Non-Operating Income                             | -398.20M | -138.84M | -48.67M | -27.26M | -5.843M |
| Pretax Income                                    | 3.612B   | 3.651B   | 3.914B  | 3.502B  | 2.673B  |
| Provision for Income Taxes                       | 1.038B   | 861.94M  | 1.024B  | 876.36M | 702.36M |
| Income after Tax                                 | 2.574B   | 2.789B   | 2.890B  | 2.626B  | 1.970B  |
| Minority Interest                                |          |          |         |         |         |
| Equity In Affiliates                             |          |          |         |         |         |
| Income Before Extraordinaries & Disc. Operations | 2.574B   | 2.789B   | 2.890B  | 2.626B  | 1.970B  |
| Investment Gains/Losses                          |          |          |         |         |         |
| Other Income/Charges                             |          |          |         |         |         |
| Income from Discontinued Operations              |          |          |         |         |         |
| Net Income                                       | 2.592B   | 2.804B   | 2.901B  | 2.636B  | 1.979B  |

In addition to acquisition, Gilead does internal discovery and clinical development programs.

R&D expense increased 42% from 2011 to 2012, mainly for the development of phase-3 drugs..

## 2.2#: EXPANSION OF PRODUCTS PORTFOLIO VAR#3

| Phase<br>Category       | Market<br>Pending | Phase-3 | Phase-2 | Phase-1 |
|-------------------------|-------------------|---------|---------|---------|
| HIV                     | 3                 | 4       | 4       | 0       |
| HCV                     | 0                 | 3       | 3       | 3       |
| HBV                     | 0                 | 1       | 1       | 1       |
| Respiratory<br>Diseases | 0                 | 1       | 1       | 0       |
| Inflammation            | 0                 | 1       | 2       | 2       |

|               |          |               |
|---------------|----------|---------------|
| Phase-3 drugs | % passed | Avg. duration |
| Gilead        | 52       | 2.8 Years     |
| Industry      | 20       | 4 Years       |



Proper protection over drugs can prevent competitors from using the company's technology to create competitive products.

### Current drugs

| Products          | Patent Expiration |        |
|-------------------|-------------------|--------|
|                   | U.S.              | E.U.   |
| Vistide           | 2010              | 2012   |
| Hepsera           | 2014              | 2016   |
| AmBisome          | 2016              | 2008   |
| Macugen           | 2017              | 2017   |
| Tamiflu           | 2017              | 2016   |
| Letairis          | 2018              | 2020   |
| Viread            | 2018*             | 2018   |
| Ranexa            | 2019              | 2023   |
| Atripla           | 2021              | 2018   |
| Cayston           | 2021              | 2021   |
| Emtriva           | 2021              | 2016   |
| Truvada           | 2021              | 2018   |
| Lexiscan          | 2022              | 2025   |
| Complera/Eviplera | 2023              | 2022   |
| Stribild          | 2029              | (2027) |



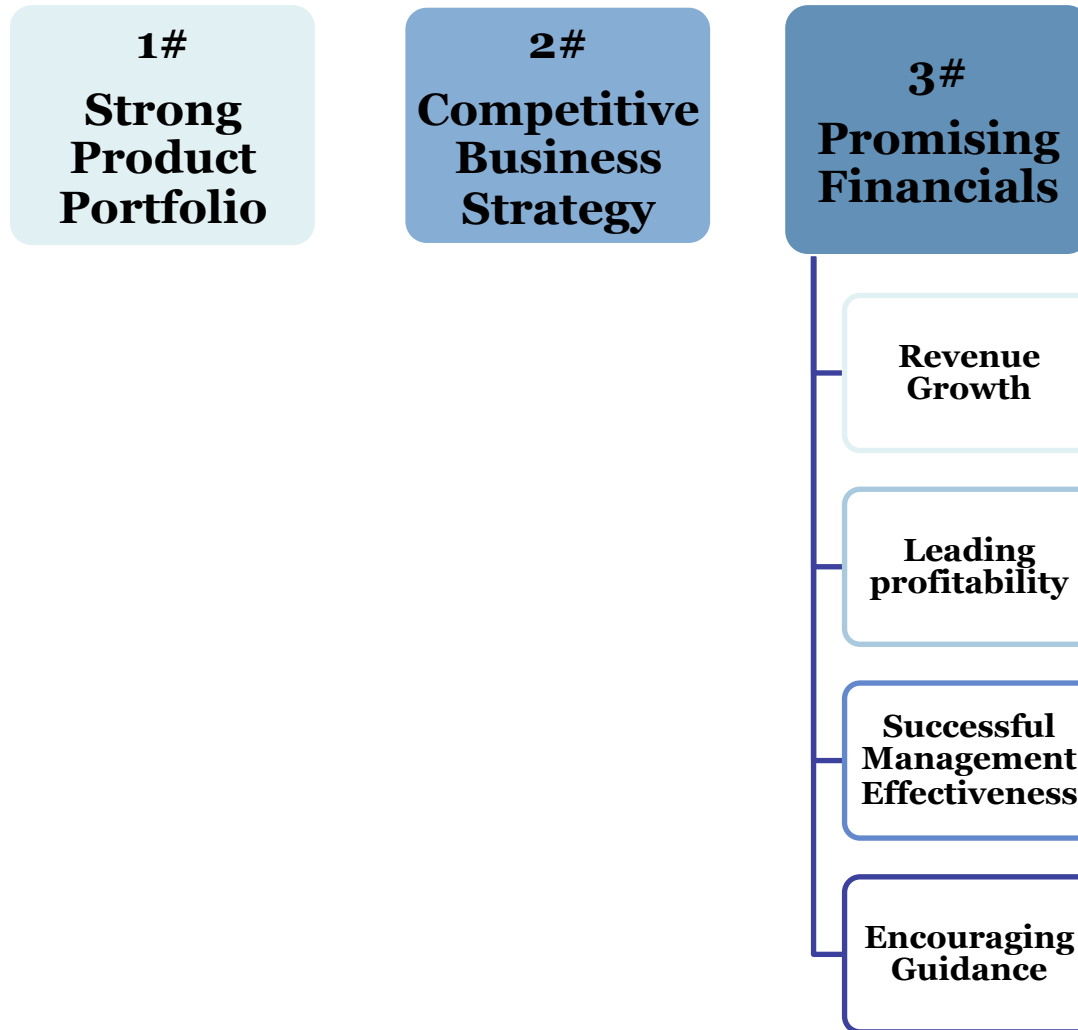
## 2.3#: PATENT PROTECTION

### Drugs under Phase-3 Testing

| Phase 3 Product Candidates   |  | Patent Expiration |        |
|--|--|-------------------|--------|
|  |  | U.S.              | E.U.   |
| <i>Product Candidates for the Treatment of HIV</i>   |  |                   |        |
| Cobicistat   |  | 2029              | (2027) |
| Elvitegravir   |  | 2023              | 2023   |
| Single tablet regimen of TAF, elvitegravir, cobicistat and emtricitabine   |  | 2029              | (2027) |
| <i>Product Candidate for the Treatment of Liver Disease</i>  |  |                   |        |
| Sofosbuvir for the treatment of hepatitis C  |  | 2029              | (2028) |
| Single tablet regimen of sofosbuvir and ledipasvir for the treatment of hepatitis C  |  | 2030              | (2030) |
| <i>Product Candidate for the Treatment of Respiratory Diseases</i>   |  |                   |        |
| Aztreonam for inhalation solution for the treatment of bronchiectasis  |  | 2021              | 2021   |
| <i>Product Candidate for the Treatment of Cardiovascular Diseases</i>  |  |                   |        |
| Ranolazine for the treatment of incomplete revascularization post-percutaneous coronary intervention and the treatment of type II diabetes |  | 2019              | 2019   |
| <i>Product Candidate for the Treatment of Oncology/Inflammation</i>  |  |                   |        |
| Idelalisib for the treatment of chronic lymphocytic leukemia and indolent non-Hodgkin's lymphoma   |  | 2025              | (2025) |

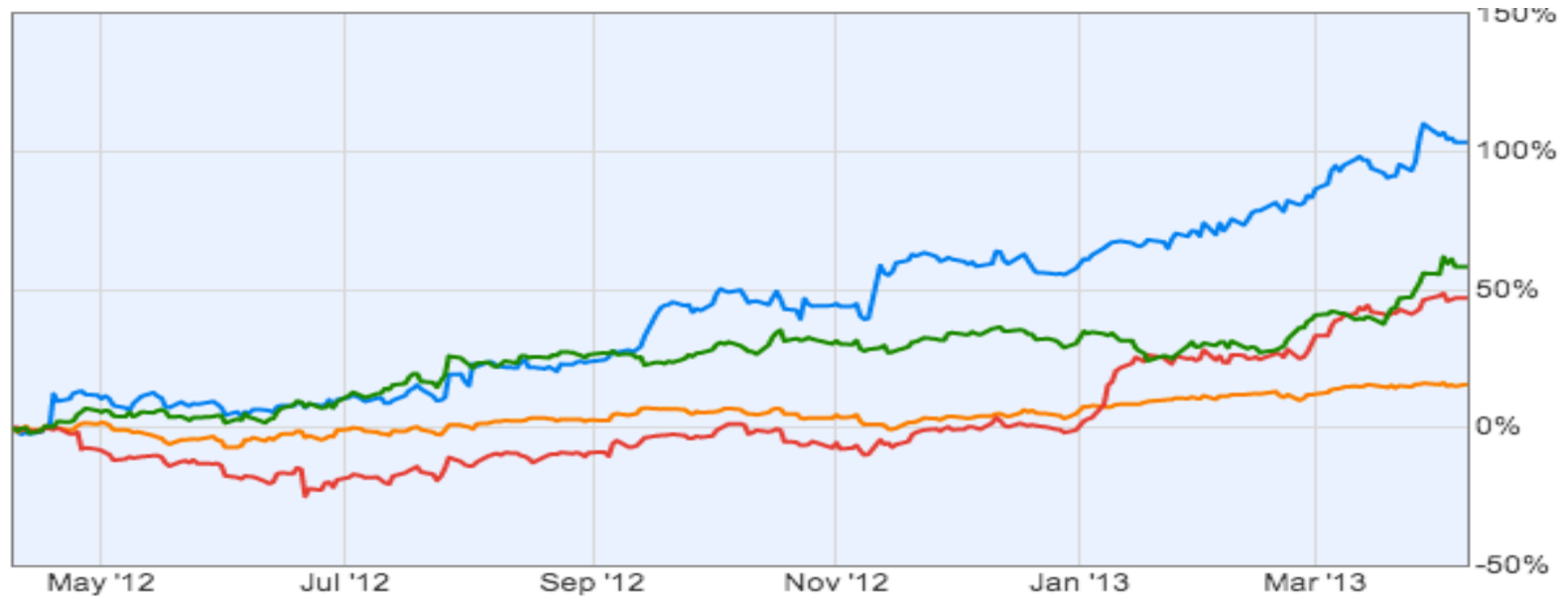


# THESIS POINTS #3: GREAT FINANCIALS





# THEESIS POINTS #3: PROMISING FINANCIALS

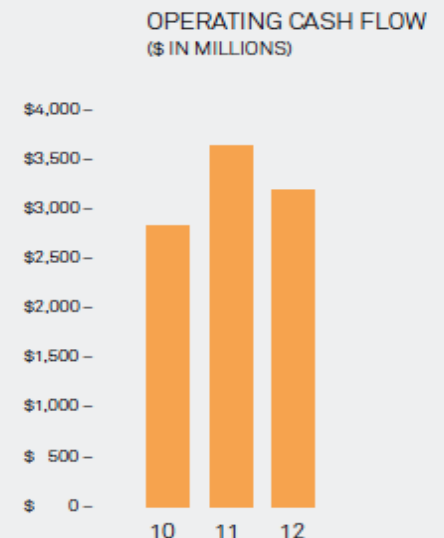
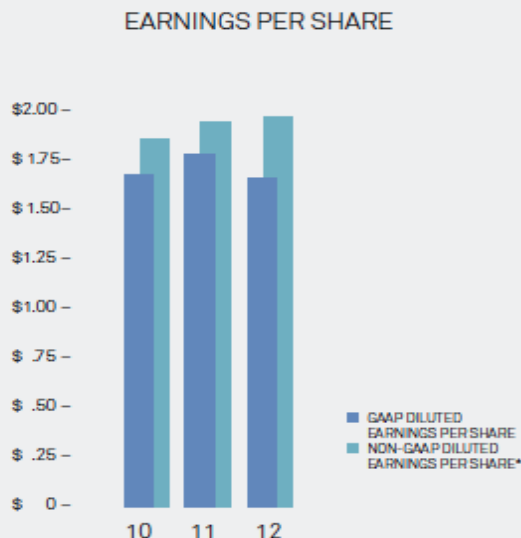
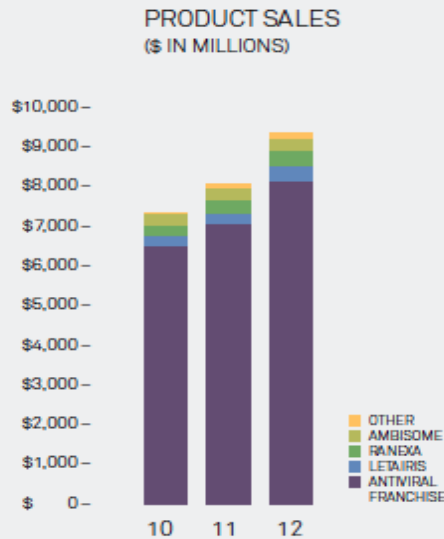


|                        | 1 month returns | YTD returns | 1 year returns* | 3 year returns |
|------------------------|-----------------|-------------|-----------------|----------------|
| ● Gilеad Sciences      | 3.92%           | 28.55%      | 97.70%          | 106.1%         |
| ● S&P 500 Total Return | 0.72%           | 9.52%       | 13.60%          | 40.01%         |
| ● Celgene Corporation  | 4.81%           | 48.74%      | 46.54%          | 84.92%         |
| ● Amgen                | 13.01%          | 22.58%      | 57.49%          | 79.81%         |

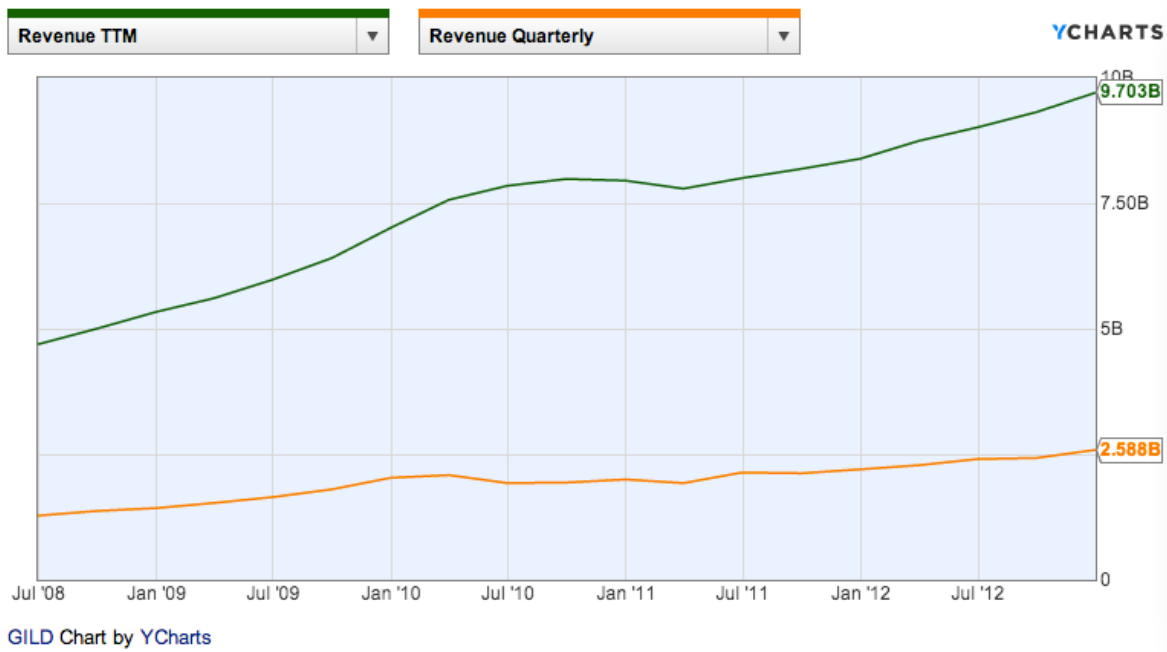
# THESIS POINTS #3: PROMISING FINANCIALS

## #3.1: REVENUE GROWTH

- Total Revenue grew **16%** to \$9.70 billion.
- Total product sales were \$9.40 billion, increasing **16%**
- Antiviral Franchise increased **15%** to \$8.14 billion
- Sales of Letairis, Ranexa and AmBisome grew **20%** to 1.13 billion.



# #3.1: REVENUE GROWTH



GILD Chart by YCharts

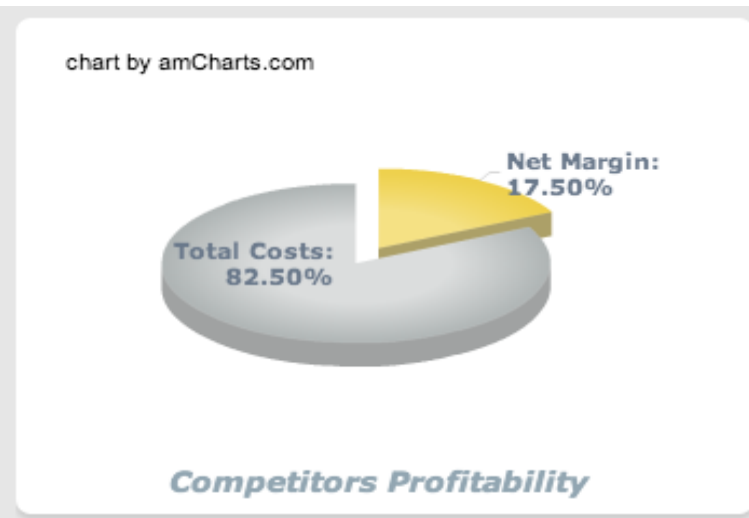
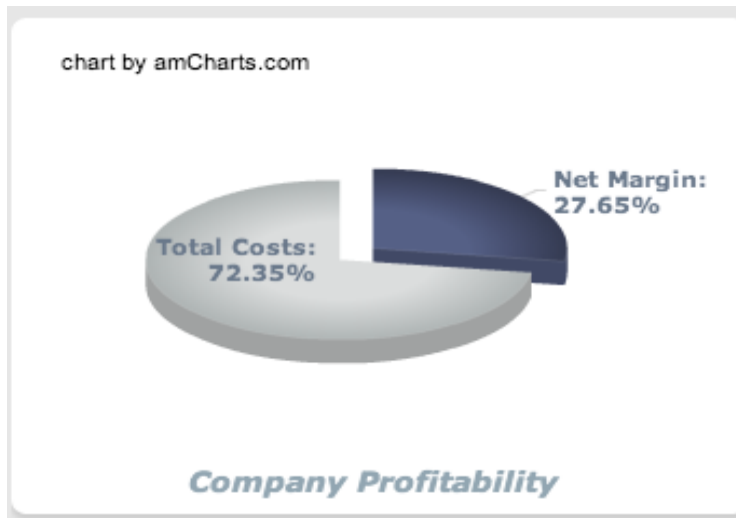
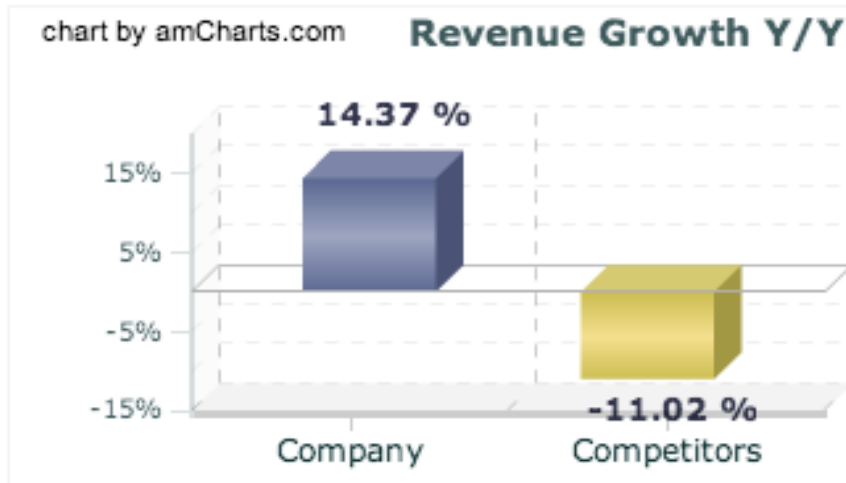
| GILD Revenue Growth Rate Comparisons |         |          |         |         |
|--------------------------------------|---------|----------|---------|---------|
|                                      | Company | Industry | Sector  | S&P 500 |
| Y / Y Revenue Growth (Q3 MRQ)        | 14.37 % | 0.37 %   | -3.45 % | 0.81 %  |
| Q / Q Revenue Growth (Q3 MRQ)        | 0.89 %  | -2.62 %  | -2.82 % | -0.99 % |
| Y / Y Revenue Growth (Q3 TTM)        | 13.82 % | 4.48 %   | 0.84 %  | %       |
| Seq. Revenue Growth (Q3 TTM)         | 3.38 %  | 0.09 %   | -0.86 % | 0.2 %   |
| Revenue 5 Year Average Growth        | 23.24 % | 7.16 %   | 6.78 %  | 4.18 %  |
| Expected Revenue Growth (Y/Y)        | -       | 6.13 %   | 0.35 %  | 4.25 %  |

chart by amCharts.com

■ Company ■ Industry ■ Sector ■ S&P 500



# #3.1: REVENUE GROWTH



# #3.1: REVENUE GROWTH

BEAT

THE

MARKET

## GILD's Competition, Revenue Growth by Segments

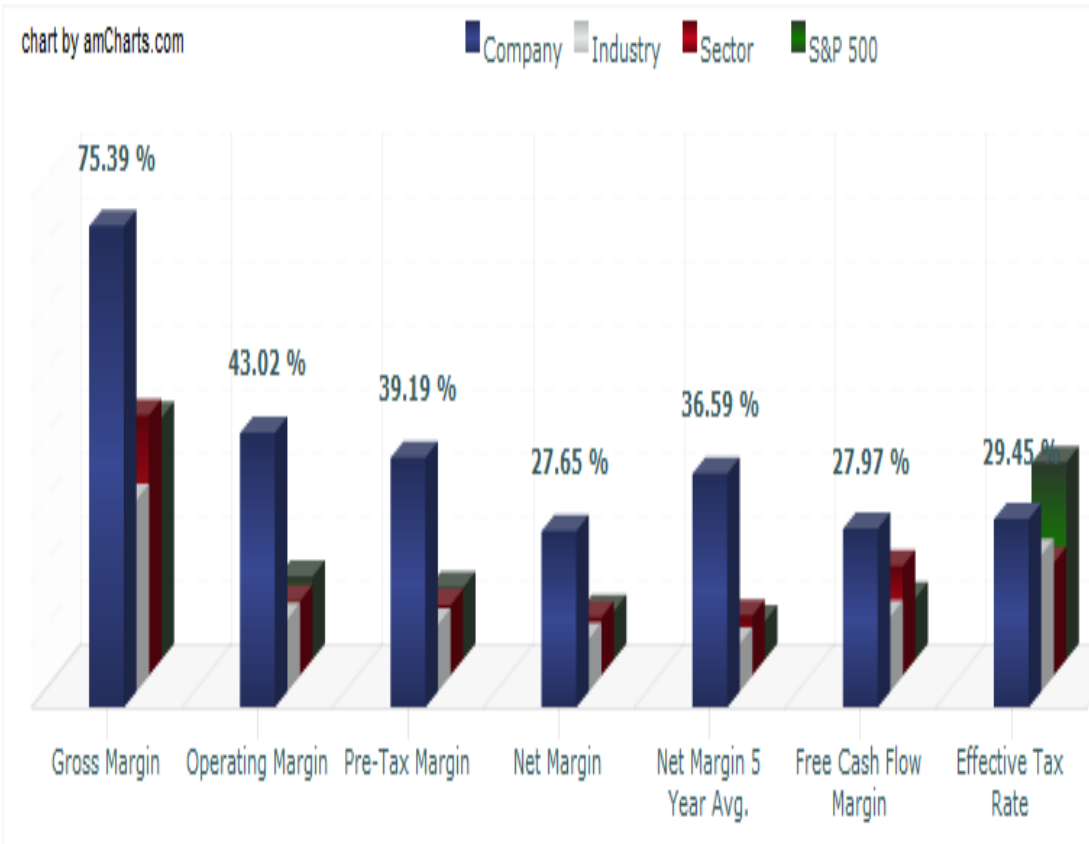
(Revenue Q 3 Growth Rates)

| COMPANY NAME                 | TICKER      | SEGMENT NAME                        | Rev. Y / Y | Rev. SEQ.  |
|------------------------------|-------------|-------------------------------------|------------|------------|
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b> | <b>AmBisome</b>                     | ↑ 6.33 %   | ↑ 4.54 %   |
| Merck & Co., Inc.            | MRK         | Cancidas                            | ↑ 8.67 %   | ↓ -1.81 %  |
| <b>APROX. MARKET</b>         |             | <b>SUBTOTAL</b>                     | ↑ 7.84 %   | ↑ 0.32 %   |
| COMPANY NAME                 | TICKER      | SEGMENT NAME                        | Rev. Y / Y | Rev. SEQ.  |
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b> | <b>Hepsera</b>                      | ↓ -23.33 % | ↑ 4.31 %   |
| BRISTOL-MYERS SQUIBB COMPANY | BMJ         | BARACLUDE                           | ↑ 11.25 %  | ↓ -3.08 %  |
| Merck & Co., Inc.            | MRK         | Cancidas                            | ↑ 8.67 %   | ↓ -1.81 %  |
| <b>APROX. MARKET</b>         |             | <b>SUBTOTAL</b>                     | ↑ 7.99 %   | ↓ -2.34 %  |
| COMPANY NAME                 | TICKER      | SEGMENT NAME                        | Rev. Y / Y | Rev. SEQ.  |
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b> | <b>HIV products Total</b>           | ↑ 10.46 %  | ↑ 1.85 %   |
| ABBOTT LABORATORIES          | ABT         | Kaletra                             | ↓ -10.1 %  | ↓ -2.91 %  |
| BRISTOL-MYERS SQUIBB COMPANY | BMJ         | SUSTIVA                             | ↑ 3.06 %   | ↓ -4.64 %  |
| BRISTOL-MYERS SQUIBB COMPANY | BMJ         | REYATAZ                             | ↓ -7.16 %  | ↓ -10.59 % |
| <b>APROX. MARKET</b>         |             | <b>SUBTOTAL</b>                     | ↑ 2.9 %    | ↓ -2.22 %  |
| COMPANY NAME                 | TICKER      | SEGMENT NAME                        | Rev. Y / Y | Rev. SEQ.  |
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b> | <b>Letairis</b>                     | ↑ 33.06 %  | ↑ 3.37 %   |
| PFIZER INC.                  | PFE         | All other                           | ↓ -14.78 % | ↓ -21.81 % |
| COVIDIEN LTD.                | COV         | Pharmaceutical Products             | -          | -          |
| <b>APROX. MARKET</b>         |             | <b>SUBTOTAL</b>                     | ↓ -14.17 % | ↓ -21.43 % |
| COMPANY NAME                 | TICKER      | SEGMENT NAME                        | Rev. Y / Y | Rev. SEQ.  |
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b> | <b>Ranexa</b>                       | ↑ 15.96 %  | ↓ -0.51 %  |
| PFIZER INC.                  | PFE         | Cardiovascular & metabolic diseases | ↓ -57.13 % | ↑ 3.67 %   |
| <b>APROX. MARKET</b>         |             | <b>SUBTOTAL</b>                     | ↓ -55.46 % | ↑ 3.41 %   |



# THESIS POINTS #3: PROMISING FINANCIALS

## #3.2: LEADING PROFITABILITY



BAD EFFECT:

R&D Expenses Increased  
**43%**

SG&A Expenses Increased  
**18%**

**BUT**

**BEAT THE MARKET**



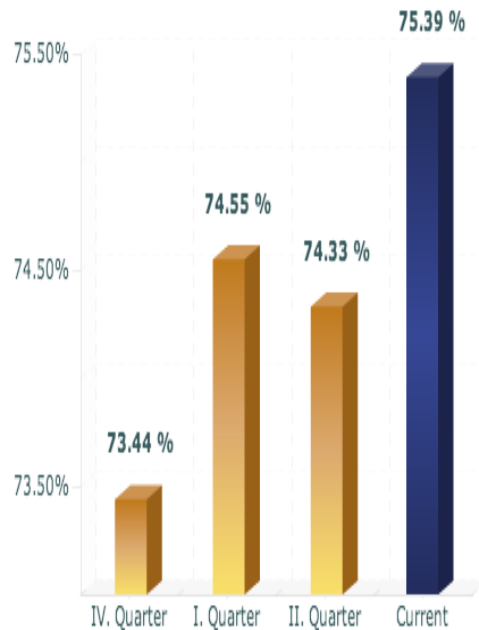
# #3.2: LEADING PROFITABILITY

- Walk into a **Steady Growth Period**
- **Beta: 0.8**

| Gross Margin Statistics |         |                 |
|-------------------------|---------|-----------------|
| High                    | Average | Low             |
| 88.69 %                 | 80.85 % | 73.44 %         |
| (March 31, 2004)        |         | (Dec. 31, 2011) |

chart by amCharts.com

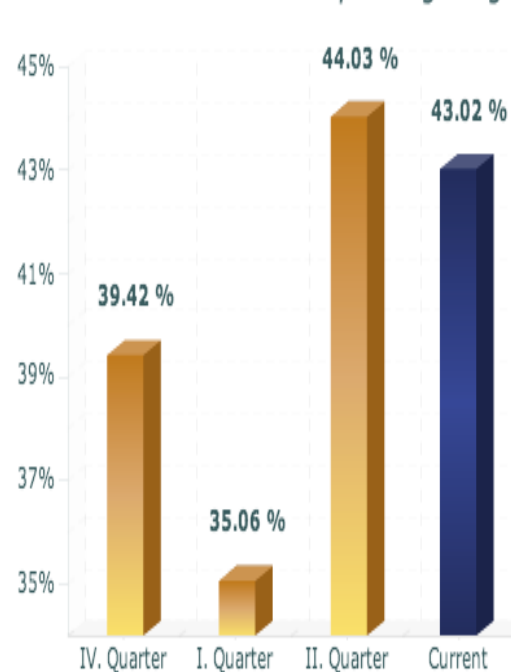
Gross Margin



| Operating Margin Statistics |         |                 |
|-----------------------------|---------|-----------------|
| High                        | Average | Low             |
| 59.42 %                     | 47.6 %  | 7.68 %          |
| (Dec. 31, 2005)             |         | (Sep. 30, 2006) |

chart by amCharts.com

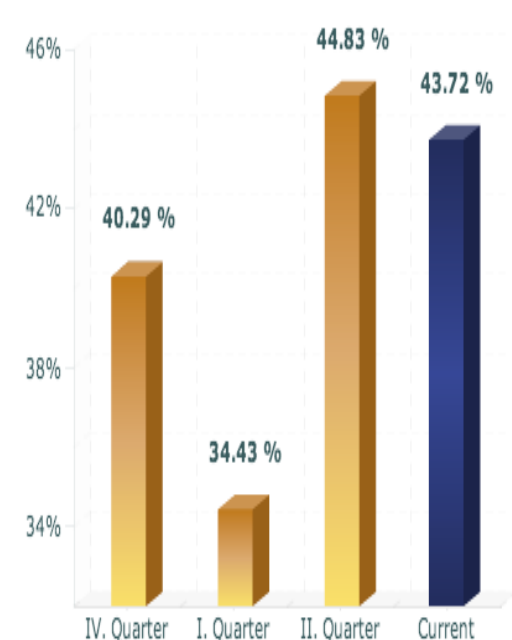
Operating Margin



| EBITDA Margin Statistics |         |                 |
|--------------------------|---------|-----------------|
| High                     | Average | Low             |
| 59.91 %                  | 48.84 % | 9.46 %          |
| (Dec. 31, 2005)          |         | (Sep. 30, 2006) |

chart by amCharts.com

EBITDA Margin



# THESIS POINTS #3: PROMISING FINANCIALS

## #3.3: EFFECTIVE MANAGEMENT

**Gilead Sciences' Competition Data**  
(Market Cap in Millions of \$)

Small Market Capital

| COMPANY NAME                 | TICKER          | MARKET CAP     | REV./EMPLOYEE    | INC./EMPLOYEE  |
|------------------------------|-----------------|----------------|------------------|----------------|
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b>     | <b>37,397</b>  | <b>2,069,913</b> | <b>550,311</b> |
| PFIZER INC.                  | PFE             | 218,933        | 590,010          | 93,481         |
| Merck & Co., Inc.            | MRK             | 140,033        | 556,093          | 80,151         |
| BRISTOL-MYERS SQUIBB COMPANY | BYM             | 67,693         | 652,630          | 72,481         |
| ABBOTT LABORATORIES          | ABT             | 62,866         | 433,121          | 71,742         |
| COVIDIEN LTD.                | COV             | 32,702         | 286,877          | 47,869         |
| <b>AVERAGE</b>               | <b>SUBTOTAL</b> | <b>559,624</b> | <b>529,577</b>   | <b>83,525</b>  |

**Gilead Sciences' Competitors Results**  
(Financials for the most recent quarter in Millions of \$)

High Revenue and Net Margin

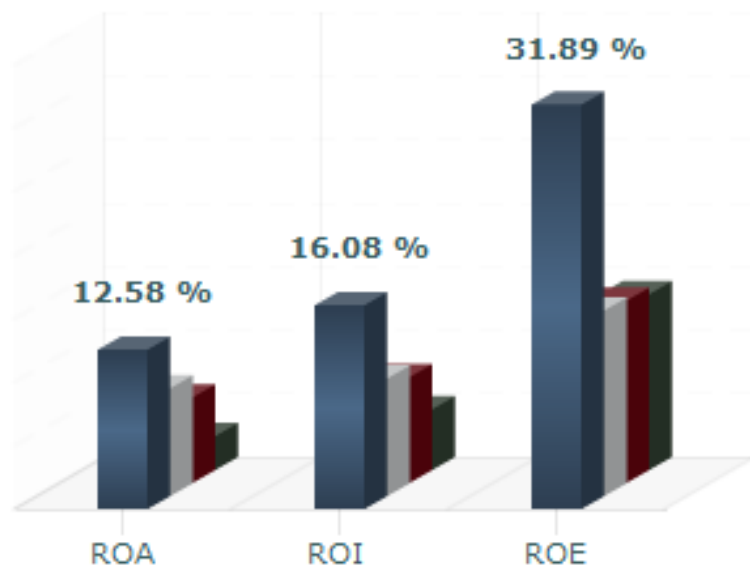
| COMPANY NAME                 | TICKER              | REVENUE          | NET INCOME      | NET MARGIN     |
|------------------------------|---------------------|------------------|-----------------|----------------|
| <b>GILEAD SCIENCES, INC.</b> | <b>3 Q GILD</b>     | <b>2,426.60</b>  | <b>671.04</b>   | <b>27.65 %</b> |
| COVIDIEN LTD.                | 1 Q COV             | 2,946.00         | 497.00          | 16.87 %        |
| BRISTOL-MYERS SQUIBB COMPANY | 4 Q BYM             | 4,191.00         | 924.00          | 22.05 %        |
| ABBOTT LABORATORIES          | 3 Q ABT             | 9,773.24         | 1,942.81        | 19.88 %        |
| Merck & Co., Inc.            | 3 Q MRK             | 11,488.00        | 1,763.00        | 15.35 %        |
| PFIZER INC.                  | 3 Q PFE             | 13,976.00        | 3,208.00        | 22.95 %        |
| <b>APROX. MARKET</b>         | <b>3 Q SUBTOTAL</b> | <b>44,800.84</b> | <b>9,005.84</b> | <b>20.1 %</b>  |



# #3.3: EFFECTIVE MANAGEMENT

chart by amCharts.com

Company Industry  
Sector S&P 500



## Company's Competition Management Effectiveness (Ratio)

| COMPANY NAME                 | TICKER      | ROA            | ROI            | ROE            | RECEIV. TURN. | INVENT. TURN. |
|------------------------------|-------------|----------------|----------------|----------------|---------------|---------------|
| <b>GILEAD SCIENCES, INC.</b> | <b>GILD</b> | <b>12.58 %</b> | <b>16.08 %</b> | <b>31.89 %</b> | <b>4.91</b>   | <b>1.58</b>   |
| PFIZER INC.                  | PFE         | 5.25 %         | 6.21 %         | 11.87 %        | 4.6           | 1.67          |
| Merck & Co., Inc.            | MRK         | 6.53 %         | 7.72 %         | 12.51 %        | 5.78          | 2.57          |
| ABBOTT LABORATORIES          | ABT         | 10.69 %        | 14.56 %        | 26.38 %        | 5.41          | 4.37          |
| COVIDIEN LTD.                | COV         | 9.55 %         | 10.85 %        | 19.37 %        | 6.51          | 3.23          |
| BRISTOL-MYERS SQUIBB COMPANY | BMJ         | 5.76 %         | 7.43 %         | 13.06 %        | 5.68          | 2.91          |
| <b>AVERAGE</b>               |             | <b>6.93 %</b>  | <b>8.43 %</b>  | <b>15.18 %</b> | <b>5.25</b>   | <b>2.55</b>   |



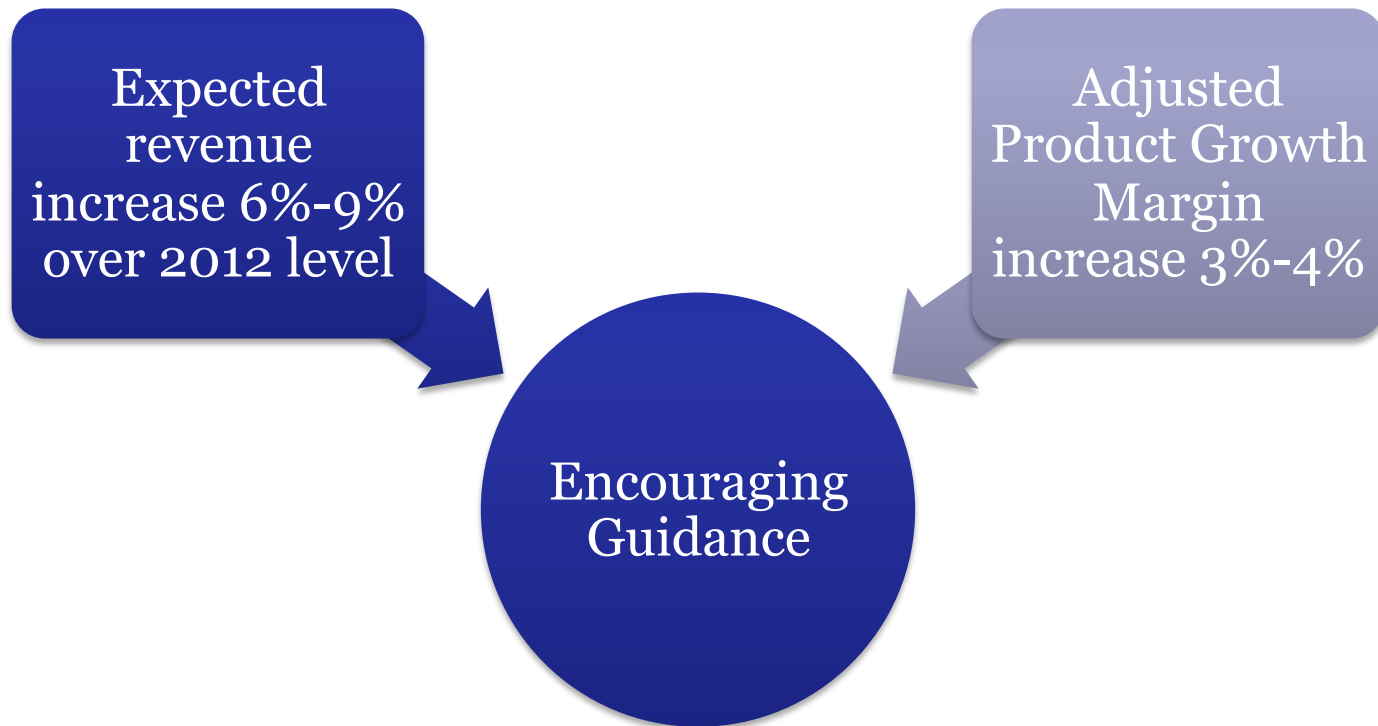
# THESIS POINTS #3: PROMISING FINANCIALS

## #3.4: ENCOURAGING GUIDANCE

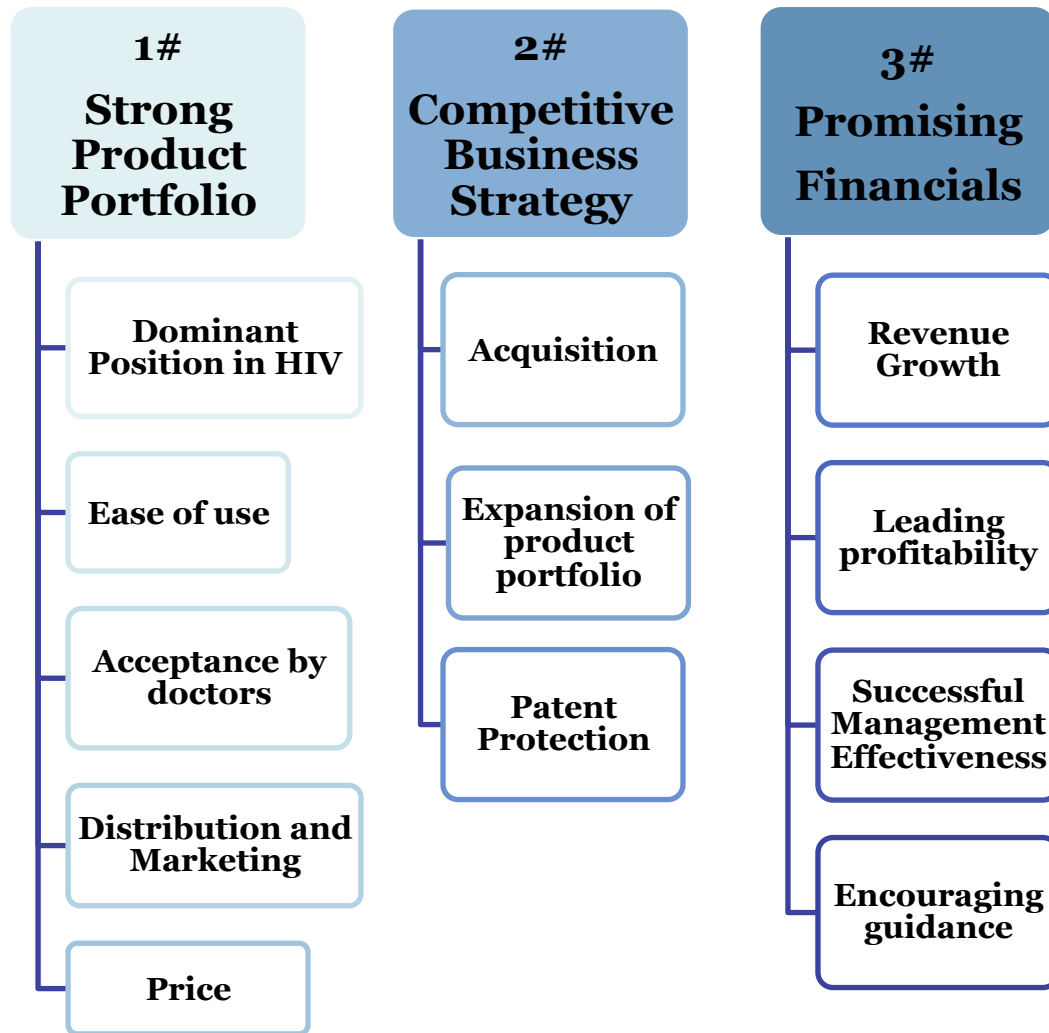
### Overview: Always BEAT The EPS Expectations



## #3.4: ENCOURAGING GUIDANCE



# SUMMARY OF THESIS POINTS



## Highly Potential and Lucrative HCV market.

- The previous front-runner Bristol-Myers Squibb (BMY) quit the HCV market on January, 2013.
- Huge number of HCV patients go untreated, leaving the field open for new treatments.
  - 170 million people suffering form HCV infection across the world.
  - In major markets, 0.2 Million / 12 Million received treatment.
- Current standard of care comes with several side effects
  - Fatigue, flu-like symptoms, rash, depression and anemia.
  - Large number of patients failed to achieve a sustained viral response (SVR).
- Many patients are open to treatment with new and potentially more effective therapies

# 2012 BUSINESS HIGHLIGHTS

- Completed **\$11.05 billion acquisition** of Pharmasset Inc.
- Expanded worldwide access to Compera/Evipera in **21** countries.
- Expanded R&D pipeline with over **50** active Phase 3 studies.
- Submitted marketing applications in the U.S. and EU for elvitegravir and cobicistat.
- Obtained FDA approval for and launched Stribild.
- Announced the acquisition of YM Biosciences.
- Obtained FDA approval for once-daily oral Truvada in combination with safer sex practices.



# RISKS

- Gilead excessive relies on HIV portfolios.
  - 86% of its sales came directly from HIV drugs.
  - Show little effort getting more diversified.
  - Hard to self-adjusted under severe market headwind.
- Gilead has had pipeline and regulatory setbacks.
  - April 2011, terminated Cayston.
  - December 2010, halted not effective late-stage study.
  - Similar pipeline setback would weigh heavily on the stock.
- Multiple pipeline events coming up.
  - Any negative news concerning the pipeline would have negative effect on the stock.

# RECOMMENDATION

- Immediately initiate long position at 4%.



# QUESTIONS

