

Applied Portfolio Management

Value Stock Research Report

Gilead Sciences



Anugrah Kumar Singh

1987
Gilead is founded

1992
Gilead completes its IPO

1996
John Martin appointed CEO

2001
Viread for HIV approved by FDA

2003
Gilead acquires Triangle Pharmaceuticals, adding emtricitabine to HIV portfolio

2006
Atripla, first single tablet regimen for HIV, approved by FDA

2012
Gilead acquires Pharmasset, adding three clinical stage HCV candidates

2013
Sovaldi, first oral combination HCV cure, approved by FDA

2016
John Milligan appointed CEO

2017
Gilead acquires Kite, adding cell therapy; Yescarta approved by FDA

2018
Biktarvy, market leading daily pill regimen for HIV, approved by FDA

2019
Daniel O'Day appointed Chairman and CEO

2020
First FDA approval for Veklury treatment of patients with COVID-19 requiring hospitalization
Gilead acquires Immunomedics & Forty Seven to strengthen oncology pipeline

2021
Trodelvy receives full FDA approval for 2L mTNBC

2022
Sunlenca (lenacapavir) receives U.S. FDA and European MAA authorizations

Focus on Virology

Leadership in HIV and HCV

Building a Diversified Portfolio

Recommendation	
Twelve Month Rating	Buy
Sector Rating	Overweight
Key Statistics	
Market Overview	
Price	\$65.42
Target Price	\$93.62
Upside	43.11%
52 Week Price Range	\$64.6 - \$87.9
Shares Outstanding	1.25 Billion
Dividend	\$3.08
Economic Moat	Wide
Sector Overview	
Sector	Healthcare
Sector Rating	Overweight
Total % of S&P 500 Market Cap.	12%
Financial Strength	
Debt/Capital Ratio	0.53
Return on Equity	0.232
Net Margin	0.209
Payout Ratio	0.72
Current Ratio	1.43
Revenue	\$27.12 Billion
After Tax Income	\$5.66 Billion
Valuation	
Current FY PE	15.75
Prior FY PE	9.98
Price/Sales	3.08
Price/Book	3.65
Book Value/Share	\$18.33
Market Capitalization	\$83.48 Billion
Forecasted Growth	
1 Year EPS Growth Forecast	-23.70%
5 Year EPS Growth Forecast	3.05%
1 Year Dividend Growth Forecast	2.67%
Risk	
Beta	0.49
Institutional Ownership	83.73%

Executive Summary

Initiating analysis on Gilead Sciences Inc. (NASDAQ: GILD) with a BUY recommendation, the analysis sets a 12-month target price of \$93.62, suggesting a 43.11% appreciation potential from the latest price of \$65.42. This valuation is anchored in a blended approach, utilizing discounted cash flow, dividend discount and company comparable valuation methods.

Investment Thesis

Gilead's leadership in HIV, with promising pipeline developments and potential for market growth in prophylaxis, supports a solid investment case backed by a wide economic moat. Gilead Sciences exhibited a steady product sales growth y-o-y, reflecting HIV treatment market stability and significant growth prospects. The advancement of long-acting HIV therapies, particularly lenacapavir, augurs well for market expansion in HIV prevention, both domestically and internationally. Gilead's liver disease offerings, bolstered by the CymaBay acquisition, demonstrate robust performance. However, oncology faces competitive headwinds, with key data from upcoming trials crucial to maintaining momentum. Recent regulatory nods, including for pediatric HBV treatment with Vemlidy and extended use of Biktarvy in HIV with certain resistance profiles, alongside manufacturing and label enhancements for Yescarta CAR T-cell therapy, bolster its market leadership. I see the strategic acquisition as a positive long-term play and Trodelvy's success in other indications as indicative of sustained growth potential.

Financial Strength

Gilead Sciences' Q124 sales grew by 5% to \$6.7 billion, primarily due to higher HIV, Oncology and Liver Disease sales. The HIV sector, despite a 2% decline,

and Liver Disease with a marginal decrease, remain the mainstay, contributing 66% and 10% to product revenue, respectively. A notable 24% increase in Oncology reflects the strong performance of Trodelvy and cell therapies. The forward outlook is cautiously optimistic with 2024 projections indicating slight total sales growth and a notable uptick in non-Veklury products. Gilead Sciences maintains a good financial strength rating, with cash reserves growing to \$8.43 billion and a marginal debt reduction to \$25.7 billion, yielding a healthier debt-to-capital ratio of 53%. Operational cash flow recorded at \$2.17 billion and free cash flow at \$1.95 billion in 4Q23 signal robust liquidity, albeit with decreases of 16% and 18% respectively from the previous year. The company's shareholder commitment is evidenced by a dividend yield of approximately 4.6%, following a dividend increase to \$0.77 per share, and an active share repurchase program, with \$3.87 billion remaining in buyback authorization.

Valuation

GILD's current valuation near \$65 presents a compelling opportunity, trading near the lower spectrum of its 52-week range and reflecting a potential oversold status with an RSI of 33. At a forward P/E of 16, shares trade above the historical average but significantly below the sector's average of 23, justifying an enhanced valuation considering upcoming portfolio advancements and anticipated earnings growth in 2025. The appealing dividend yield further bolsters the investment case, with the revised \$93.62 target price offering a projected 43.11% total return, reinforcing the stock's BUY rating.

Risk and Uncertainty

Gilead Sciences, under the leadership of Chairman and CEO Daniel O'Day, confronts typical biopharma risks such as new drug development costs, pipeline vitality, and generic competition post-patent expiry. The company's reliance on its HIV drug portfolio, which accounts for over 65% of revenues and faces intensifying market competition, presents a concentration risk. Additionally, Gilead has historically navigated controversies over corporate practices and ESG-related challenges, particularly regarding drug pricing and accessibility. The Inflation Reduction Act introduces new pricing pressures, yet Gilead's pricing strategies in the HIV and HCV markets may mitigate future U.S. pricing risks. Legal risks are perceived as manageable with modest projected impacts on valuation. The company's strategic diversification into oncology and the potential of its HIV product pipeline must be weighed against recent regulatory challenges and competitive market dynamics. Overall, Gilead holds manageable risk profile, balancing its current market leadership with future risks in a shifting healthcare landscape.

Gilead Sciences Leadership Team



Daniel O'Day
Chairman and Chief Executive Officer,
Gilead Sciences, Inc.



Andrew Dickinson
Chief Financial Officer



Stacey Ma
Executive Vice President, Pharmaceutical
Development and Manufacturing



Flavius Martin, MD
Executive Vice President, Research



Jyoti Mehra
Executive Vice President, Human
Resources



Johanna Mercier
Chief Commercial Officer



Merdad Parsey, MD, PhD
Chief Medical Officer



Cindy Perettie
Executive Vice President, Kite



Deborah H. Telman
Executive Vice President, Corporate Affairs
and General Counsel

Company Profile

Trailblazing Biopharmaceutical Innovations

Since its inception in 1987, Gilead Sciences has transformed patient care in viral diseases, cardiovascular disease, and cancer. Gilead's innovative drive led to the first-ever single-tablet regimen for HIV and the groundbreaking HCV cure that reshaped the therapeutic landscape. The company's portfolio expansion, post-acquisition of Triangle Pharmaceuticals in 2003, bolstered HIV treatment options, while the strategic acquisition of Pharmasset in 2012 infused three new HCV candidates into its pipeline, culminating in the approval of Sovaldi.

Strategic Oncology Expansion and Revenue Diversification

With the acquisition of Kite Pharma in 2017, Gilead ventured into oncology, enriching its revenue streams. The move catalyzed the growth of its oncology segment from a mere 3% in Q420 to a substantial 11% of product sales in Q423. This strategic diversification signifies Gilead's pivot towards a balanced portfolio, demonstrating resilience against the backdrop of fluctuating demand for its antiviral therapies.

R&D Commitment and Commercial Success

Gilead's unwavering commitment to R&D has yielded a market-leading HIV therapy, Biktarvy, contributing to a 6% increase in the HIV franchise in FY23. The Oncology sector witnessed a remarkable 37% growth, powered by rising demand for Trodelvy. This trajectory underscores Gilead's potential for sustained revenue growth and expansion in therapeutic impact.

From Agility in Crisis to Long-Term Vision

The company's agile response to the global health crisis with Veklury (remdesivir) underscored its innovative capacity and operational excellence. Gilead's future growth is anchored in its forward-looking HIV treatments, with lenacapavir potentially setting the stage for long-acting treatment regimens that promise to revolutionize HIV therapy adherence and efficacy.

Quantitative Milestones and Forward-Looking Strategies

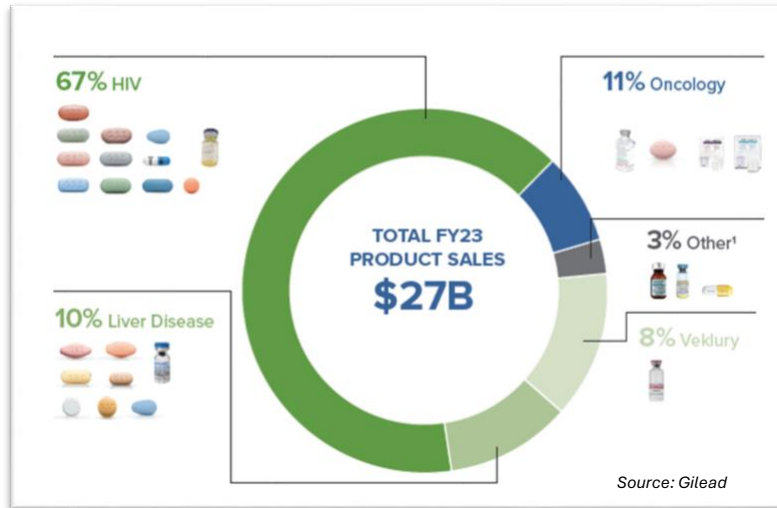
Gilead's history is marked by significant milestones, including the rise in HIV drug approvals and the strategic pivot towards oncology. The company's portfolio now boasts approvals across eight indications, positioning it for continued growth. In the pipeline are innovative long-acting regimens and early-stage assets in inflammation, poised to meet unmet medical needs and fuel growth.

Growth Forecast and Market Positioning

With a robust clinical pipeline and commercial strategy, Gilead is projected to maintain its market dominance in HIV while capturing an increasing share of the oncology market. Gilead's revenue streams and investment in groundbreaking therapies reflect its strong financial foundation and readiness to meet the healthcare challenges of tomorrow.

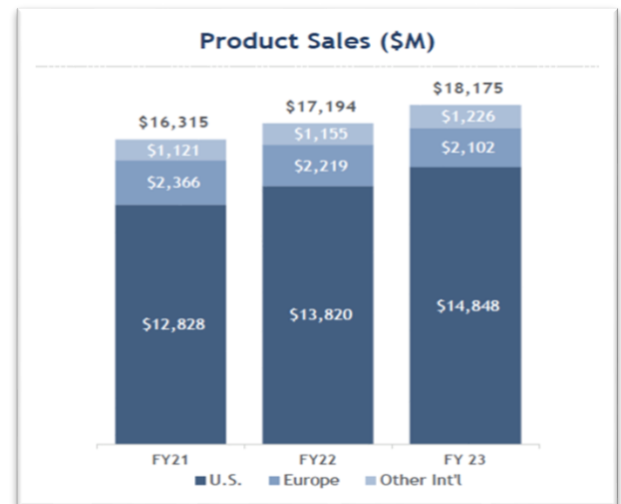
Business Portfolio

Gilead Sciences, a global leader with a legacy in pioneering drug development, has evolved its business model to balance enduring strength in virology with dynamic growth in oncology. Fiscal Year 2023's total product sales of \$27 billion reflect this strategic duality, with HIV and HCV therapies constituting 67%, while oncology commands an 11% share, illustrating Gilead's transition to a more diversified pharmaceutical portfolio.



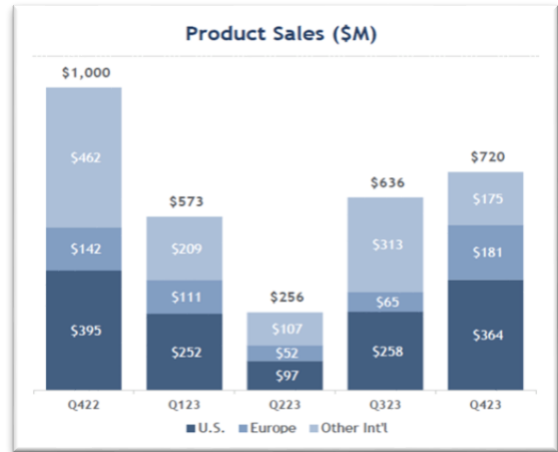
Virology: A Foundation of Excellence

HIV Franchise: Gilead’s HIV franchise has demonstrated a robust full-year performance in FY23, with product sales soaring to \$18.175 billion, marking a 6% growth year-over-year. This notable growth is attributed to a \$1 billion increase in sales, driven substantially by demand which accounts for approximately 50% of the sales growth. Moreover, the franchise has outpaced the annual treatment market growth by a significant margin, achieving more than a 16% increment in the annual PrEP market growth. Gilead's flagship HIV treatment, Biktarvy, has eclipsed a \$12 billion sales threshold, commanding nearly half of the U.S. market at 48%. This market-leading treatment shows a robust year-over-year share growth of 22%, solidifying its status as the top initial therapy choice across major global markets. In the PrEP arena, Descovy’s market share remains strong at over 40% in the U.S., showcasing resilience against new competitors and generics. Currently, it's the chosen regimen for a significant portion of the 1.2 million potential U.S. PrEP candidates, with projected growth poised to exceed 50% by 2030.



Liver Disease: Gilead's Liver Disease portfolio showcased strong FY23 sales, totaling \$2.8 billion, bolstered by a stable HCV and growing HDV demand. Gilead's regimens have treated approximately 10 million HCV patients globally, reflecting the company's impactful presence. In the U.S. and Europe, Gilead holds over 60% and 50% HCV market shares respectively, demonstrating its dominant market position. The Q423 sales for Liver Disease registered at \$691 million, remaining steady year-over-year despite slight pricing pressures, underscoring the portfolio's resilience and Gilead's adept market strategies.

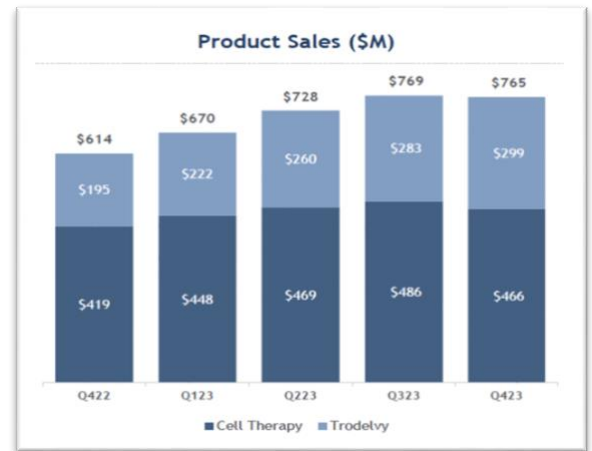
Veklury (Remdesivir): Veklury, Gilead's flagship antiviral for COVID-19, has maintained its role as a critical therapeutic in hospital settings, evidenced by FY23 sales of \$2.2 billion. Despite a year-over-year decline of 28%, the Q4 surge to \$720 million, up 13% from the previous quarter, signifies its resilience in the face of fluctuating COVID-19 hospitalization rates. Over 60% of hospitalized patients in the U.S. have been treated with Veklury, and globally, more than 14 million people have received this life-saving medication to date, underscoring its continued leadership in the antiviral space.



Source: Gilead

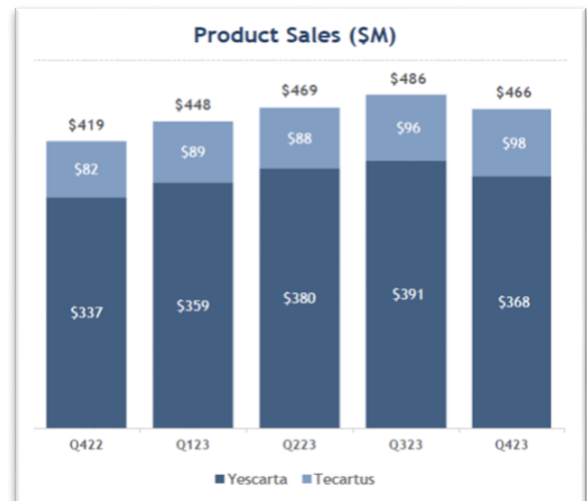
Oncology: Growth Through Innovation

Gilead's oncology sector has marked a stellar fiscal year, with revenues eclipsing the \$3 billion annual run-rate, driven by a robust year-over-year increase of 37% to reach \$2.9 billion in FY23. The final quarter alone contributed \$765 million, showcasing a significant 24% increase from the same period last year. This surge is powered by the strong performance of Trodelvy and the cell therapy array, which includes trailblazers like Yescarta and Tecartus. These therapies are not only cornerstones of Gilead's current oncology success but are also on track to contribute approximately one-third of the company's projected 2030 sales, delineating a future of sustained innovation and market leadership.



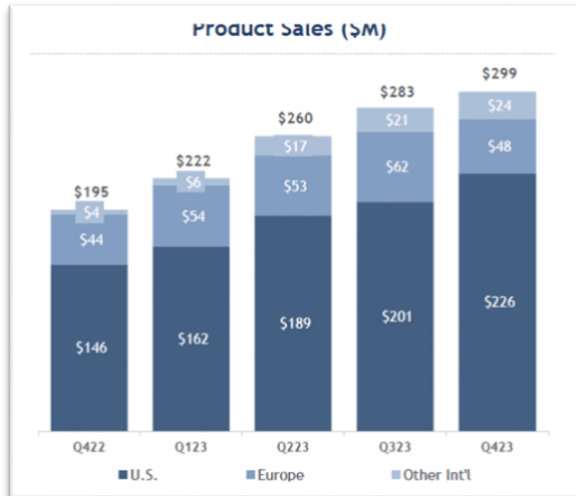
Source: Gilead

Cell Therapy: Gilead's commitment to transforming cancer treatment is emphatically illustrated by its cell therapy segment, which surged to a \$1.9 billion revenue in FY23, registering a significant year-over-year growth of 28%. This performance is anchored by Yescarta and Tecartus, with a combined Q4 sales of \$466 million, reflecting an 11% growth over the previous year. The success of these therapies, particularly Yescarta in treating relapsed or refractory large B-cell lymphoma, has contributed to treating approximately 18,000 patients worldwide. This growth trajectory is not just a testament to the therapeutic efficacy but also to Gilead's operational excellence, as evidenced by the anticipated 14-day median turnaround time for Yescarta in the U.S. and an impressive 96% reliability rate for the cell therapy products. This operational prowess showcases Gilead's ability to maintain leadership in a cutting-edge field, ensuring swift and reliable delivery of life-altering therapies.



Source: Gilead

Source: Gilead



Source: Gilead

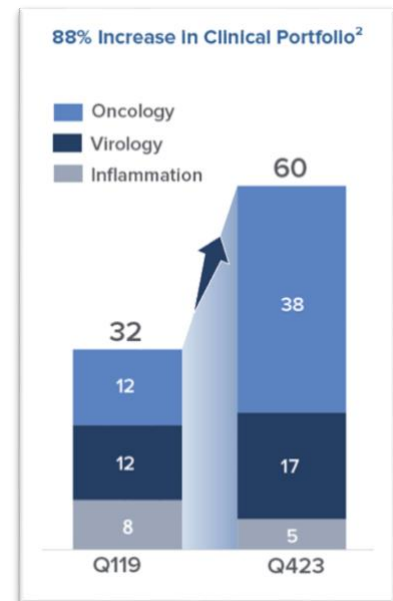
Trodelvy: Gilead’s groundbreaking treatment for breast cancer, has marked a remarkable financial year with a 56% increase in sales, bringing in \$1.1 billion in FY23. Q4 sales alone stood at \$299 million, up 53% YoY and 5% QoQ, illustrating the treatment’s expanding influence and the growing demand, particularly in second-line metastatic triple-negative breast cancer (2L mTNBC) and pre-treated HR+/HER2- mBC. To date, Trodelvy has treated over 30,000 patients, becoming the preferred regimen for this challenging cancer type. These numbers reflect not just a quantitative leap but also a qualitative shift in the management of breast cancer, showcasing Gilead’s contribution to oncology and patient care.

Growth Strategy

Since Daniel O’Day’s appointment as CEO in March 2019, Gilead Sciences has embarked on an ambitious strategic transformation. The company has fortified its traditional stronghold in virology while accelerating its presence in the oncology market, which has exceeded \$3 billion per year. Gilead has also expanded into new therapeutic areas and bolstered its pipeline through strategic mergers and acquisitions (M&A) and partnerships.

Organic Growth: Fostering Innovation from Within

Gilead Sciences has distinguished itself as an archetype of organic growth in the biopharmaceutical industry. With an 88% increase in its clinical portfolio since 2019, the company’s commitment to internal innovation and market penetration has led to the development and successful launch of transformative therapies. Here’s how Gilead’s organic growth strategies have been creating a sustainable and innovative trajectory for its future. Gilead’s R&D engine has been the driving force behind the approval of over 10 new indications, solidifying its presence in the dynamic oncology sector. Therapies like Trodelvy have revolutionized the treatment landscape for metastatic triple-negative breast cancer, offering hope in a field where options were previously scarce. This ability to fulfill unmet medical needs is a testament to Gilead’s in-depth understanding of disease pathways and its application to develop superior treatments.



Source: Gilead

The transition from research laboratories to market leadership is evidenced by the robust base business growth Gilead has enjoyed, with a projected annual increase of 7-8% in 2023 alone. Its crown jewel, Biktarvy, has led the charge with a staggering 21 consecutive quarters of growth. The commercialization of such innovative drugs showcases Gilead’s acumen in not just creating, but also skillfully marketing and distributing its treatments to achieve and sustain market dominance. Gilead’s clinical development strategy, marked by quality and strategic timing, has resulted in an enriched pipeline with numerous phase 3 trials on the cusp of yielding potentially transformative results. By aligning its long-acting HIV therapies and prevention solutions with upcoming patent cliffs, Gilead ensures the continuity of its revenue stream and a solid market presence well into the future. Peering into the future, Gilead’s organic growth strategy is underpinned by sustainability and foresight. The planned launch of five new HIV treatments by 2030, especially long-acting options, stands as a proactive measure against potential revenue dips due to patent expirations. This approach not only extends Gilead’s market leadership but also ensures a competitive edge without significant patent-related disruptions until at least 2031.

Inorganic Growth: Broadening Horizons Through Strategic Moves

Gilead Sciences' strategic inorganic growth narrative weaves a tale of calculated acquisitions and synergistic partnerships that have considerably bolstered its portfolio and fortified its market presence. The acquisition of Kite Pharma marked a significant leap into the cell therapy realm, catapulting Gilead into the leadership ranks with CAR T therapies. Similarly, the integration of Immunomedics has substantially augmented its oncology offerings. These calculated acquisitions do more than expand the product lineup; they bring about a synergy that enhances Gilead's R&D initiatives, underpinning the company's commitment to cutting-edge, patient-centric innovation. The incorporation of CymaBay Therapeutics stands as a testament to Gilead's strategic ingenuity, adding seladelpar—a promising treatment for liver diseases—to its already impressive therapeutic arsenal. This move not only promises to bolster Gilead's footprint in hepatology but also signifies the company's foresight in addressing complex health challenges with transformative solutions.

Gilead's alliance strategy underscores a vision that transcends the company's internal capabilities. By joining forces with biotech frontrunners like Arcellx and Tmunity, Gilead taps into a wellspring of external innovation, broadening its therapeutic reach. These partnerships, carefully curated, aim to accelerate the pipeline development, from oncological treatments to cutting-edge solutions for a myriad of diseases. Quantitatively, these inorganic strategies are set to make a profound impact on Gilead's financial health. The oncology sector, invigorated by strategic acquisitions, is projected to account for roughly one-third of Gilead's sales by the end of 2030. Qualitatively, these moves ensure a diversified portfolio that meets urgent medical needs and solidifies Gilead's position as a therapeutic pioneer. The confluence of Gilead's strategic acquisitions and partnerships has not only fortified its pipeline but has also ensured a continuous flow of innovative therapies into the market. By championing collaborations that drive scientific advancement and embracing acquisitions that complement its R&D, Gilead has crafted an inorganic growth trajectory that is both innovative and intelligent, positioning it as a forward-thinking leader in the biopharmaceutical industry.



Source: Gilead

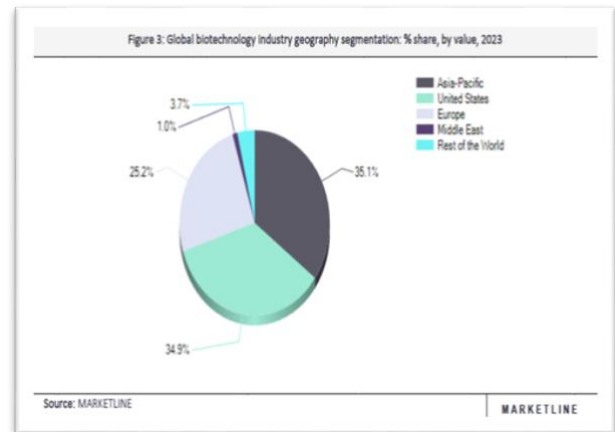
Economic Moat – Wide

Gilead Sciences has a wide economic moat supported by several factors, particularly its strong presence in the HIV and hepatitis C markets. This moat is anchored by Gilead's patented HIV regimens, including Biktarvy, which holds patent protection until 2033 and has become the preferred regimen due to its convenience and efficacy. Gilead's strategic refresh of its HIV portfolio to include TAF-based regimens, enhancing safety profiles over previous TDF-based treatments, reinforces its market dominance. Gilead's market leadership extends to hepatitis C with drugs like Sovaldi and Harvoni, which revolutionized treatment with superior safety and efficacy profiles. The \$11 billion acquisition of Pharmasset significantly contributed to this success, showcasing Gilead's effective strategy and foresight in drug development and market positioning. Further diversification and strengthening of Gilead's moat come from its oncology pipeline, boosted by acquisitions such as Kite, Forty-Seven, and Immunomedics, and partnerships like that with Arcus. These moves not only expand Gilead's therapeutic areas but also add potential blockbuster drugs like Trodelvy and prospects like the TIGIT-targeting domvanalimab. Despite facing ESG risks, including U.S. drug pricing policy changes and product governance issues, these are not seen as materially impacting Gilead's valuation or moat status. The firm's robust R&D strategy, substantial market share in HIV treatment, and expansion into oncology are viewed as strong intangible assets that will continue to support high returns over the coming decades.

Industry Overview

The global biotechnology market experienced robust growth during 2018-2023, recording revenues of \$1,037.4 billion in 2023 at a CAGR of 10%. However, the performance was mixed across key markets. While the Asia-Pacific (\$364.5 billion) and European (\$261.9 billion) markets outpaced global growth, the US market (\$361.6 billion) expanded at an impressive 12.7% CAGR despite contracting by 4.33% in 2023.

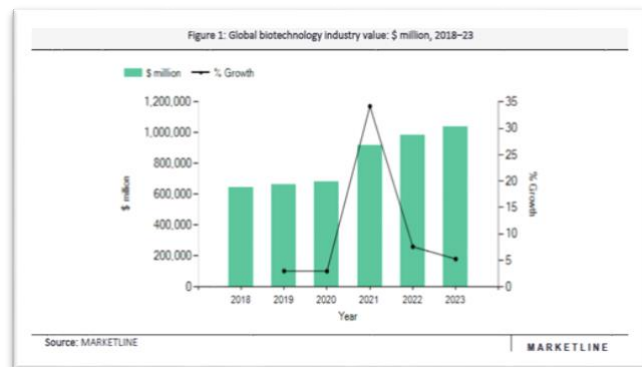
The US biotech industry faced significant headwinds in 2023, including the Silicon Valley Bank collapse, dwindling funding, and a record 28 bankruptcies by October. However, long-term prospects remain favorable due to technological advances, increasing healthcare spending, and strong government support. The Biden administration's "Bold Goals" initiative, backed by over \$1 billion in funding, aims to promote biotechnology innovation, strengthen supply chains, and achieve sustainability goals, creating opportunities for US biotech.



Source: MarketLine

Year	\$ million	€ million	% Growth
2018	643,780.3	595,393.4	
2019	663,091.8	613,253.6	3.0%
2020	682,722.2	631,408.5	3.0%
2021	916,150.0	847,291.8	34.2%
2022	985,611.5	911,532.5	7.6%
2023	1,037,383.2	959,413.0	5.3%
CAGR: 2018-23			10.0%

Source: MarketLine



Source: MarketLine

Globally, the medical/healthcare segment dominated with \$667.1 billion (64.3%) in revenues, driven by rising disease prevalence and higher healthcare expenditure. The food & agriculture segment also contributed \$126.5 billion (12.2%). In the US, medical/healthcare accounted for \$236.2 billion (65.3%), with food & agriculture at \$46.4 billion (12.8%). While projected to decelerate, the global biotechnology market is anticipated to grow at a CAGR of 8.2% during 2023-2028 to reach \$1,535.9 billion. The US market is expected to grow at a 7.3% CAGR to \$513.3 billion, lagging Europe (9.3% to \$407.6 billion) and Asia-Pacific (8.3% to \$542.4 billion).

As a leading US biotechnology company with a strong pipeline across therapeutic areas like antivirals, oncology, and inflammatory diseases, Gilead Sciences is well-positioned to benefit from the growing global market demand and supportive government policies. Its focus on R&D, strategic partnerships, and product launches in emerging areas like bioprinting will be crucial to drive future growth and maintain its competitive edge.

Market forecast

The global biotechnology industry is on a trajectory of substantial growth over the next five years. From a baseline of \$1,037.4 billion in 2023, the market is forecast to expand consistently, reaching a projected value of \$1,535.7 billion

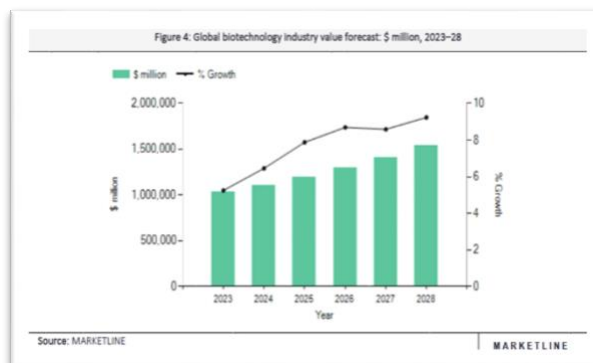
by 2028. This progression corresponds to a compound annual growth rate (CAGR) of 8.2% over the forecast period.

Table 5: Global biotechnology industry value forecast: \$ million, 2023-28

Year	\$ million	€ million	% Growth
2023	1,037,383.2	959,413.0	5.3%
2024	1,104,335.7	1,021,333.3	6.5%
2025	1,191,304.2	1,101,765.3	7.9%
2026	1,294,798.5	1,197,480.9	8.7%
2027	1,405,939.4	1,300,268.3	8.6%
2028	1,535,692.0	1,420,268.7	9.2%
CAGR: 2023-28			8.2%

Source: MARKETLINE

Source: MarketLine



Source: MarketLine

The consistent increase in year-over-year growth rates suggests a sector strengthening its core through continuous innovation and escalating demand for biotechnological applications. The sector's resilience, evident through its R&D focus and strategic adaptability, reflects a positive investment environment despite external economic pressures.

The projected increase in the global biotechnology market's value, coupled with accelerating annual growth rates, underlines the sector's robust outlook. This data provides a compelling narrative for equity investors, highlighting biotechnology as a sector ripe with opportunities for investment and innovation. The figures reinforce the industry's potential for sustained profitability and growth, making it a standout contender in the long-term investment landscape.

Key Drivers of Shaping Future of the Biotechnology Industry

Research and Development (R&D) Funding

R&D investment is critical for the biotechnology sector's vitality. Rising capital costs may redirect investment toward established firms at the expense of early-stage ventures. Nonetheless, the allure of emerging biotech innovations maintains investor interest despite a climate of heightened risk aversion prompted by increased interest rates. Additionally, international markets like China are implementing policies to enhance foreign investment in biotech, potentially easing capital constraints for R&D activities.

Consolidation and Strategic Acquisitions

The impending 'patent cliff' is prompting pharmaceutical giants to absorb biotech firms to sustain and diversify their portfolios. As patents lapse, the rush to merge with biotech entities not only mitigates revenue losses from generic incursion but also leverages the intricate R&D groundwork laid by smaller, nimble biotech companies. These strategic moves are indicative of the pharma industry's intent to retain market dominance and innovate beyond traditional drug offerings.

Government Investment and Regulatory Support

A concerted push by global governments to nurture the biotech sector is evident, with substantial fiscal injections aimed at fostering domestic biotechnology landscapes. For instance, the Japanese government's commitment of \$420 million to pharmaceutical biotech and the U.S.'s multi-billion-dollar investment into biotech and biomanufacturing underscore the strategic priority of this sector. This government backing is anticipated to bolster industry growth and facilitate the realization of ambitious climate goals.

Climate Change Initiatives and Energy Transition

Biotechnology's role in combatting climate change, particularly through innovations in biofuels and sustainable agriculture, is drawing significant investment. The urgency intensified by geopolitical events, such as Russia's invasion of Ukraine, is pushing the EU and other regions to expedite the energy transition through biotech advancements, reducing reliance on fossil fuels.

Healthcare Market Transformation

Healthcare remains the biotech industry's cornerstone, with demographic shifts and advanced research in biopharmaceuticals catalyzing progress. The burgeoning field of personalized medicine, alongside AI-integrated

biotechnological research, presents substantial growth opportunities. Companies at the confluence of biotechnology and AI stand to be particularly transformative, likely attracting substantial investment for their innovative potential.

Gilead Sciences' strategic positioning allows it to leverage key industry drivers effectively. Its established R&D prowess, judicious acquisition strategy, adeptness at government interaction, and foresight in embracing AI and personalized medicine are strong indicators of its capacity to harness the current and forthcoming opportunities in the biotechnology landscape. These factors suggest that Gilead Sciences is equipped not only to navigate the evolving biotech environment but also to potentially lead the market in innovation and growth.

Five Forces Analysis

The biotechnology sector has experienced significant growth in 2023, which might typically reduce competition by attracting new market entrants. However, the entrenched positions of existing players have kept the rivalry at a moderate intensity. Buyer power is considerable given the presence of large purchasers, yet the specialized nature of biotech products lends some counterweight. Supplier power is also rated as moderate; despite low differentiation among suppliers, their strengthened bargaining position comes from the dependency on specialized inputs and the sector's need for premium materials and equipment. The threat from substitutes is moderate and varies—medical biotechnology faces fewer threats from alternatives compared to agricultural biotech, where substitutes are more common. Despite the sector's growth, high entry barriers persist, with substantial R&D costs and strict regulatory requirements necessitating significant investment or alliance with established pharmaceutical firms, thus restraining the influx of new competitors.

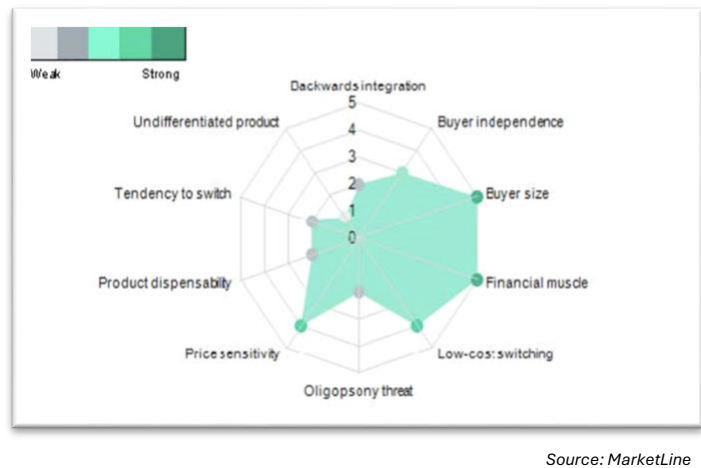


Buyer Power - Moderate

In the biotechnology market, buyer power is moderated by the breadth of the customer base, which spans healthcare providers to agricultural entities, and the specialized nature of its products. The market is characterized by medium to large-sized buyers, with healthcare and agriculture being notably significant. The concentration of the market and the fact that healthcare is commonly funded by entities with substantial purchasing power—such as insurance companies and government bodies—gives buyers leverage.

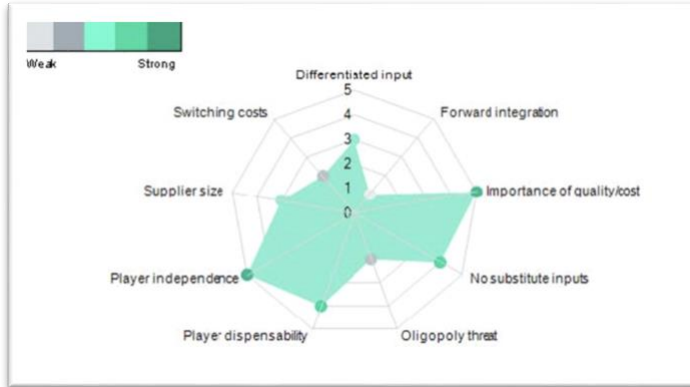
However, the differentiation of biotech products, particularly through performance and patent protection, traditionally curbs buyer power. Yet, the emergence of bio generics is increasing consumer options and, consequently, buyer power. Initiatives like the FDA's Drug Competition Action Plan, which has led to a proliferation of generic medications, further empower buyers by expanding accessible choices. Price sensitivity for lifesaving drugs may seem low, but it's rare for patients to make direct purchasing decisions. Government price controls on pharmaceuticals, including biotech

drugs, as seen in systems like China's National Development and Reform Commission, also augment buyer power by limiting the pricing freedom of biotech companies. Despite the complexities of pricing regimes and the existence of multiple buyers within markets, price controls can effectively result in a monopsony-like situation for biotech firms. In essence, while the biotechnology sector presents unique products that can mitigate buyer influence, the growing availability of alternatives, combined with significant government and insurance purchaser power and regulatory pricing pressures, balances the scales to establish moderate buyer power within the industry.



Supplier Power - Moderate

In the biotechnology market, supplier power is generally moderate, influenced by the industry's reliance on highly specialized equipment and materials. Biotech firms depend on suppliers for reagents, lab apparatus, and software, yet the presence of multiple manufacturers offering similar products provides companies with a variety of choices. This



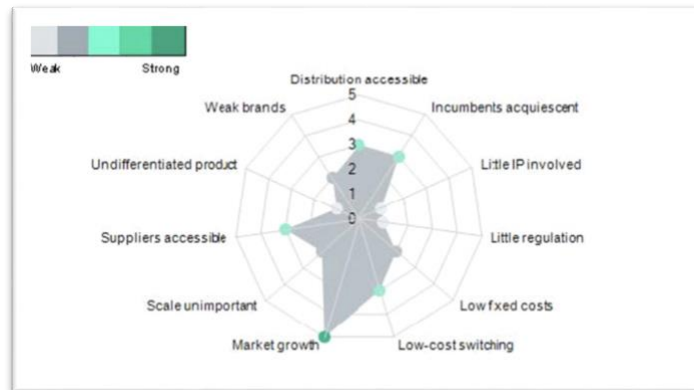
Source: MarketLine

competition among suppliers typically allows biotech firms to negotiate favorable terms, thereby reducing supplier power. The increasing emphasis on corporate social responsibility (CSR) and ethical sourcing can shift dynamics in the supply chain. Companies adhering to stringent CSR standards may give suppliers with similar values better opportunities, even if not the most cost-effective. However, suppliers must meet these CSR criteria, which can limit their bargaining power. Yet, the balance can tip when biotech companies encounter situations where certain key inputs are sourced from a single or a limited number of approved suppliers. In such cases, the supplier power increases significantly.

Furthermore, the lack of backward integration capabilities within biotech companies prevents them from producing these essential inputs themselves, sustaining supplier influence. Additionally, suppliers often have a broad customer base beyond biotech, further strengthening their position. For small biotech firms, the lack of extensive distribution networks for their drugs necessitates partnerships with larger suppliers, which can place these smaller entities in a weaker negotiating position. Summing up, while the biotech sector has a certain degree of choice and negotiation power due to the competition among suppliers, the need for specialized inputs and compliance with CSR standards, combined with the unique challenges faced by smaller firms, results in a moderate level of supplier power.

New Entrants - Weak

The biotechnology market is marked by significant entry barriers, primarily due to the critical role of strong intellectual property (IP) assets. Start-ups, often emerging from academic research, face lengthy periods before profitability and must secure substantial venture capital, which can be challenging given the inherent risks and extended timelines to market entry. Large pharmaceutical companies commonly bypass these barriers by acquiring established biotech firms, gaining instant access to their IP. This trend is exemplified by Sanofi's strategic investment in Graviton



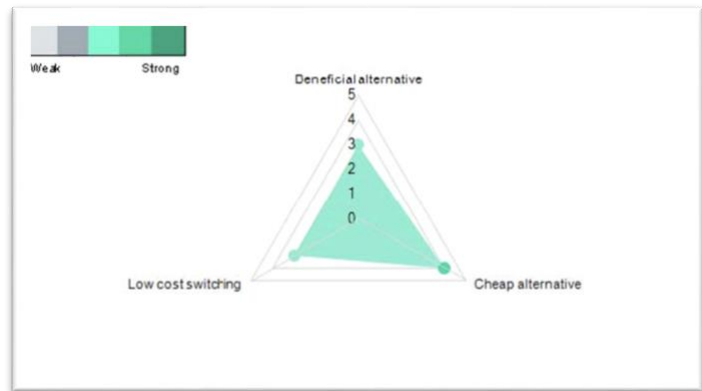
Source: MarketLine

Bioscience, which reduces market entry time and risk but also suggests that only financially robust entities can afford such pathways. Despite these hurdles, the landscape for new entrants has improved, with venture capital investments surging in the biotech sector, as evidenced by the substantial funds allocated by US and European investors. Government initiatives, particularly in Germany, support innovation and technological advancement, enhancing the entry prospects for new players.

However, stringent regulatory requirements for drug trials and GM crop safety testing impose additional costs and extend timeframes, intensifying entry barriers. In China, despite a history of inadequate IP enforcement, recent efforts to strengthen IPR reflect a shift towards creating a more secure environment for innovation, which may entice new entrants over time. Demographic shifts and the growth of emerging markets are increasing the demand for biotech products, presenting opportunities despite the traditionally high barriers to entry in the industry. Overall, while the potential for new entrants exists, especially with increased funding and government support, the market is still considered challenging to penetrate, making the likelihood of new entrants weak.

Threat of Substitutes - Moderate

In the medical biotechnology sphere, the primary substitutes are traditional pharmaceuticals synthesized chemically. The efficacy of these substitutes varies case by case, but the biotech market's growth indicates that, for certain conditions, biotech drugs may offer superior outcomes. Patent protections provide temporary exclusivity for biotech innovations, yet over time, competitors can potentially introduce similar, more cost-effective alternatives. Additionally, the threat of illegal production of patented drugs in less regulated markets can undermine the value of these protections.

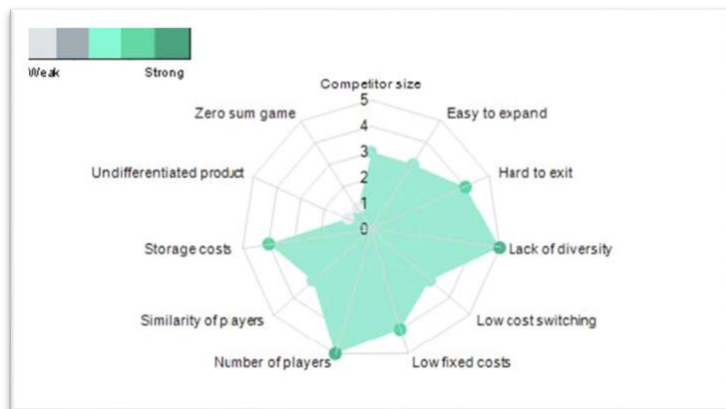


Source: MarketLine

In agriculture, traditional selective breeding stands as an alternative to genetic modification. The preference for non-GM products in certain consumer demographics indicates that, despite the potential advantages of GM, there remains a substantial market for conventional products due to their wider social acceptance. Taking these factors into account, the threat of substitutes to biotechnology products holds at a moderate level, shaped by both the competitive landscape of the pharmaceutical industry and consumer preferences in agricultural biotech.

Degree of Rivalry - Moderate

The biotechnology market's degree of rivalry is influenced by the concentration of companies and their market strategies. In underdeveloped markets, a few small firms coexist with minimal competitive pressure. In contrast, in established markets like the US, Europe, and Japan, a mix of numerous startups and SMEs with a handful of large corporations results in intensified rivalry.



Source: MarketLine

Product differentiation, such as specialization in a particular therapeutic area, can reduce competition within specific niches, exemplified by companies like BioNTech. However, the race to develop groundbreaking 'biotech blockbusters' leads to fierce competition due to the extensive R&D investment and the risk of incremental rather than revolutionary therapeutic advancements. For established biotech companies with sufficient resources and expert personnel, expansion can be easier, but the high fixed costs from staffing and

technological investments lead to substantial exit barriers. In technology-forward nations like the US and Germany, high R&D expenditure can mitigate rivalry by offering abundant opportunities for growth and innovation. The biotech sector's strong historical growth and the potential for continued expansion, particularly through personalized medicine and orphan drugs, suggest a market environment where companies can grow without significantly impinging on each other's share. This dynamic growth can reduce rivalry intensity. In summary, while the biotechnology market faces moderate competition due to the presence of well-funded large players and a vigorous effort to innovate, factors such as market expansion and product differentiation provide some alleviation, leading to a balanced degree of rivalry within the industry.

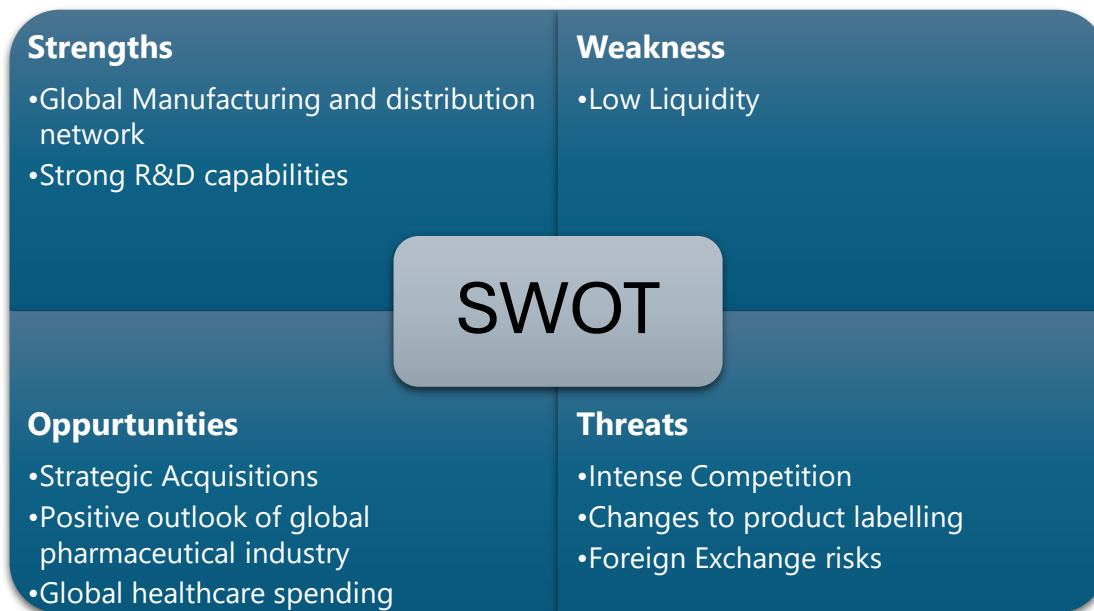
Competitive Landscape

The competitive landscape of the global biotechnology market, particularly within the medical/healthcare segment, is dominated by a combination of established multinational giants and a vibrant ecosystem of startups and SMEs. Key markets such as the US, Europe, and Japan are characterized by intense competition due to the maturity of the market

and the presence of numerous innovative firms. Large multinational companies like Johnson & Johnson, Bayer, BioNTech, AbbVie, Amgen, and Biogen have distinct competitive advantages due to their substantial revenues which fuel extensive R&D investments, allowing them to bring new, cutting-edge products to market. These firms engage in strategic collaborations, acquisitions, and licensing agreements to expand their product portfolios and enhance their market positions. Johnson & Johnson has been actively expanding through acquisitions and partnerships, such as the purchase of Abiomed Inc. and collaborations aimed at enhancing cancer diagnostics and treatments. Bayer is focusing on agricultural biotech innovations in collaboration with firms like Pairwise, enhancing their crop science division through advanced gene-editing technologies. BioNTech continues to leverage partnerships to expand its oncology portfolio with new antibody-drug conjugates and other innovative cancer therapies. AbbVie seeks to strengthen its pipeline with acquisitions that bring in novel treatments for diseases like Parkinson’s, enhancing its neurology and immunology portfolios. Amgen and Biogen are similarly expanding through strategic agreements that enhance their capabilities in antibody-drug conjugates and neurological disorder treatments, respectively. This dynamic of aggressive growth strategies, driven by both organic development and external collaborations, underscores a competitive environment where innovation and strategic alliances are key to maintaining and enhancing market positions. In such a landscape, companies that continuously innovate and successfully manage strategic partnerships will likely lead in market share and influence within the biotechnology sector.

For Gilead Sciences, to thrive in this competitive landscape, it is imperative to pursue similar expansive and innovative strategies, focusing on strategic alliances, advancing R&D capabilities, and possibly expanding through acquisitions that align with their core therapeutic areas. This approach will not only solidify Gilead's standing in the biotechnology market but also enhance its competitive edge in an increasingly complex industry.

Swot Analysis



Strength

Gilead Sciences' key strengths lie in its extensive global manufacturing and distribution network, as well as its robust research and development capabilities. Operations in over 35 countries across the Americas, Europe, Asia, Australia, the Middle East, and Africa, R&D facilities in the US (California, Washington, New Jersey, Maryland), Canada, and Ireland. Manufacturing facilities in Canada (Edmonton), the US (California), Ireland (Cork), and the Netherlands (Hoofddorp). In FY2023, the US accounted for 68.9% of total revenue, followed by Europe (16.8%) and Other International (14.3%). Well-established distribution channels, including the wholesale channel in the US Broad geographic footprint mitigates region-specific risks and uncertainties.

Dedicated R&D efforts focused on viral diseases, oncology, and inflammatory diseases. Robust pipeline with potential for innovative therapies addressing high unmet medical needs R&D investment of \$5.492 billion in FY2023,

accounting for 19.8% of total revenue. Cutting-edge R&D facilities and highly skilled research scientists. Consistent commitment to advancing the product pipeline across therapeutic areas. Gilead's extensive global manufacturing and distribution network, combined with its strong R&D capabilities, provides a significant competitive advantage. The company's broad reach and commitment to innovation position it well to capitalize on market opportunities and drive long-term growth.

Weakness

Gilead's current ratio stood at 1.1 at the end of FY2023, indicating a relatively low liquidity position. This current ratio is lower than its major competitor Merck & Co Inc, which reported a current ratio of 1.5 in the same period. The low current ratio can be attributed to a further decline in current assets, which decreased by 4.1% from \$14,443 million in FY2022 to \$13,837 million in FY2023, primarily due to a reduction in cash and cash equivalents. The decreasing liquidity position suggests a diminishing ease in funding day-to-day operations, which could limit Gilead's ability to capture growth opportunities in the market effectively. Gilead Sciences' low liquidity position, as evidenced by its declining current ratio and current asset levels, represents a potential weakness in its financial health. This liquidity constraint could hamper the company's operational flexibility and hinder its capacity to invest in growth initiatives or respond promptly to market dynamics. Addressing this liquidity concern through efficient working capital management and strategic cash flow planning could be crucial for Gilead to maintain its competitive edge and capitalize on emerging opportunities in the biotechnology market.

Opportunities

Gilead has been actively pursuing strategic acquisitions and partnerships to bolster its product pipeline and expand into new therapeutic areas. A notable recent acquisition is Cymabay Therapeutics in 2024 for \$1.4 billion, which added promising candidates in liver and inflammatory diseases to Gilead's portfolio. Such strategic moves allow Gilead to leverage its strong financial position, R&D capabilities, and commercialization expertise to accelerate growth and diversify its offerings. With rising income levels and increasing healthcare expenditure in emerging markets, particularly in Asia and Latin America, Gilead has significant opportunities to expand its geographic footprint. These markets represent a vast, underserved patient population with growing demand for innovative therapies. By tailoring its commercial strategies and pursuing strategic partnerships, Gilead can capitalize on the immense growth potential in these regions. The rapid progress in biotechnology, genomics, and precision medicine is paving the way for the development of targeted therapies and personalized treatments. Gilead's strong R&D capabilities position it well to leverage these advancements and develop novel therapies that address unmet medical needs more effectively. Collaborations with academic institutions, biotech startups, and technology companies could provide access to cutting-edge technologies and accelerate Gilead's innovation pipeline. Rare and orphan diseases represent a significant unmet medical need, with limited treatment options available. Gilead's expertise in developing innovative therapies and its strong financial resources present an opportunity to invest in research and development for rare and orphan diseases. This focus could not only address a critical healthcare need but also potentially benefit from favorable regulatory pathways and pricing dynamics. The increasing adoption of digital technologies, such as telemedicine, wearable devices, and electronic health records, is generating vast amounts of healthcare data. Gilead can leverage data analytics and artificial intelligence to gain insights into disease patterns, treatment responses, and patient outcomes. This could help optimize clinical trials, enhance drug development processes, and improve patient care and adherence. By capitalizing on these opportunities through strategic investments, collaborations, and innovative approaches, Gilead can strengthen its position in the pharmaceutical market, drive long-term growth, and contribute to improving patient outcomes worldwide.

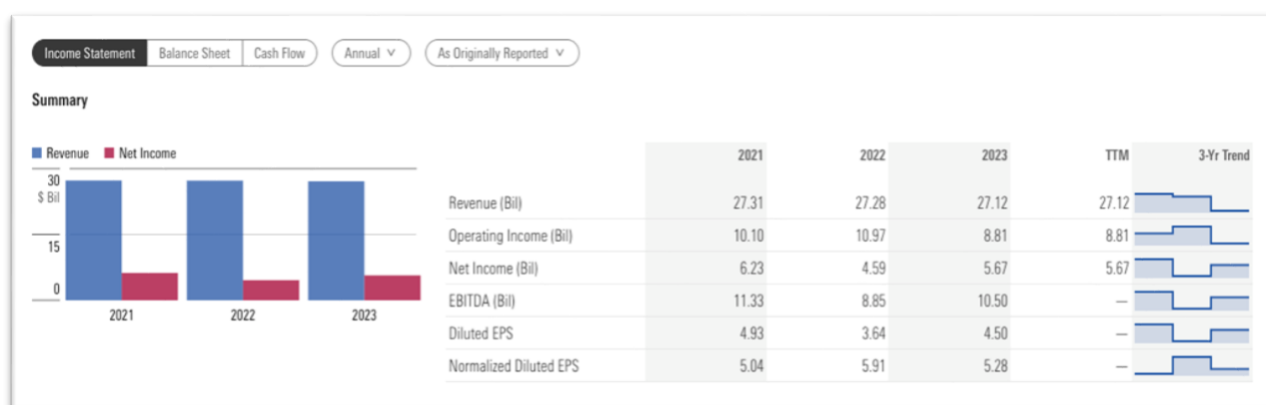
Threat

Gilead faces intense competition from large global pharmaceutical and biotechnology companies, specialized firms, and generic drug manufacturers. Major competitors include AbbVie, Merck & Co., Bristol-Myers Squibb, Novartis, Actelion, United Therapeutics, and Pfizer across various therapeutic areas like HCV, HBV, CAR-T cell therapies, and pulmonary arterial hypertension. The entry of generic versions of Gilead's products could compel price reductions, impacting profit margins. Regulatory authorities can change product labeling at any time based on new data from post-marketing studies, head-to-head trials, adverse event reports, or biomarker studies. Such changes can impact a product's safety and efficacy profile, potentially limiting the target patient population and negatively affecting revenues due to inventory returns and a more restricted market. As a global company, Gilead is exposed to fluctuations in foreign exchange rates, with a significant portion of its revenue denominated in currencies like the Euro, Brazilian real, Chinese yuan, and others. While the company engages in hedging strategies, there is no assurance that such

measures can fully mitigate the impact of currency volatility on its financial performance. Gilead's operations and financial results are influenced by global and regional economic conditions, including factors like inflation, interest rates, unemployment, and consumer spending patterns. Adverse economic conditions could negatively impact healthcare spending, reimbursement rates, and demand for Gilead's products, ultimately affecting its revenue and profitability. The pharmaceutical industry is subject to extensive regulations and oversight from various government agencies worldwide. Changes in regulatory policies, pricing controls, reimbursement schemes, or approval processes could create challenges for Gilead, potentially increasing compliance costs, delaying product launches, or restricting market access. By proactively addressing these threats through strategies like product differentiation, pricing strategies, risk management, and strategic partnerships, Gilead can mitigate the potential impact on its business and maintain a competitive edge in the dynamic pharmaceutical landscape.

Financial Statement Analysis

Income Statement



Source: Morningstar

Gilead Sciences' revenue increased significantly by approximately 10% from 2019 to 2020, due successful product launches and a rise in demand. Post-2020, the growth rate tapered, with a modest increase of around 9.8% from 2020 to 2023. In 2023, a slight revenue reduction of about 0.6% from the previous year hinted at possible market saturation or intensifying competitive pressures. Gilead Sciences' operating income surged, more than doubling from 2019 to 2020, a sign of increased operational efficiency and possibly strong sales growth. The growth slowed to 1.7% in 2021 and reversed into a significant decline of 19.7% by 2023, due to increased costs or shrinking margins over the period. Gilead Sciences' R&D investments grew from 2019 to 2023, highlighting a dedication to innovation and signaling potential progress in drug development. The sustained or increased R&D budget suggests a strategic focus on enriching the drug pipeline and securing long-term growth. The direction of R&D spending into 2024 would be telling; an uptick might point to expanded product development efforts, while a reduction could hint at a strategic pivot or reallocation of resources within the company's research endeavors. Gilead Sciences experienced a notable rise in EBITDA from 2019 to 2020, hinting at an uptick in profitability and efficient cost management despite higher R&D expenditures. Continued growth in EBITDA in the years following persistent operational efficacy. However, a reduction in EBITDA in 2023 compared to 2022 due to growing cost challenges or diminished profit margins, potentially due to intensified market competition or escalating production costs that revenue increases didn't match escalating costs or margin compression, potentially due to heightened competition or rising production expenses not sufficiently counterbalanced by sales revenue. During the COVID-19 period, Gilead Sciences' net income saw dramatic fluctuations, initially plummeting by about 98.3% from 2019 to 2020, which could reflect the tumultuous market conditions and operational challenges posed by the pandemic. However, in 2021, the company's net income rebounded impressively, rising over 6867%, potentially benefiting from the demand for COVID-19 treatments and effective financial management. By 2023, the net income continued its upward trend, growing by 22.9% from 2022, indicating a resilient recovery and adaptation to the post-pandemic market, despite ongoing operational income challenges. Gilead Sciences' earnings per share (EPS) mirrored the volatility in net income during the COVID-19 period, with a dramatic drop of about 97.6% from 2019 to 2020. This steep decline was then followed by a remarkable recovery, with EPS increasing by over 4830% from 2020 to 2021, likely influenced by extraordinary factors related

to the pandemic. In 2023, the EPS continued to strengthen, growing by approximately 23.6% from 2022, indicating a solid enhancement in profitability per share, potentially due to strategic share buybacks or sustained improvements in net income.



Source: Morningstar

Balance sheet

As of December 31, 2023, Gilead Sciences reported Total Assets of \$62.13 billion, a minor decrease from \$63.17 billion in 2022, but notably lower than the peak of \$67.95 billion in 2021. The Current Assets declined significantly to \$16.09 billion in 2023 from \$30.30 billion in 2019, a decrease of over 47%, which notably reduces the company's liquidity ratio and may affect its ability to quickly mobilize resources for new opportunities or to cover sudden liabilities. One of the most striking figures is the decrease in Cash and Short-Term Investments, falling sharply from \$24.35 billion in 2019 to \$7.26 billion in 2023. This steep reduction of about 70% suggests a strategic deployment of liquid assets into potentially higher-yielding long-term investments or paying down debt, as reflected by the decrease in Total Liabilities from \$50.19 billion in 2020 to \$39.38 billion in 2023. The Net Debt, however, increased from \$12.96 billion in 2019 to \$18.90 billion in 2023, indicating that while the absolute debt levels have been managed, the company has a higher net leverage position when considering cash reserves. Goodwill and Intangible Assets have remained relatively stable with goodwill constant at \$8.31 billion from 2022 to 2023, while other intangible assets decreased marginally, reflecting the industry's dependence on intellectual property and the potential for impairment charges in the future. The Net Tangible Assets showed a consistent downtrend, sinking further into a negative position of -\$11.94 billion in 2023, which is typical for pharma companies heavily invested in intangible assets. Stockholders' Equity showed an increase, standing at \$22.83 billion in 2023 compared to \$22.53 billion in 2019, indicating a modest overall growth in the value of the company to its shareholders. This suggests a relatively stable equity position despite the variability in debt and assets. The Working Capital has also seen a dramatic reduction from \$20.54 billion in 2019 to \$4.81 billion in 2023, a clear sign that the company is utilizing its short-term assets more aggressively, which could either indicate efficient asset management or a tighter liquidity situation that could warrant attention. In conclusion, Gilead Sciences' balance sheet over the last five years shows a company that is repositioning its asset base, reducing liquidity in favor of long-term investments, or possibly returning capital to shareholders. The reduced working capital and increased net debt also suggest a more leveraged operational strategy. These financial maneuvers may reflect a proactive response to industry dynamics or preparation for strategic growth opportunities, but they also introduce a degree of financial risk that warrants scrutiny from investors.

Cash Flow Statement



Source: Morningstar

Gilead Sciences reported an operating cash flow (OCF) of \$8.01 billion in 2023, which has decreased from \$9.07 billion in 2022. However, this represents a decrease from the peak OCF of \$11.38 billion in 2021. The fluctuation indicates variability in the company's earnings and changes in working capital management. In 2023, the Investing cash flow showed a negative \$2.27 billion, significantly lower compared to a negative \$14.61 billion in 2020. The primary components were capital expenditures and net business purchases and sales. The 2023 capex of -\$585 million suggests ongoing investment in maintaining and growing the company's operational capacity. Gilead Sciences had a negative Financing cash flow of \$5.13 billion in 2023, with significant outflows including net issuances of debt and payment of dividends. The company paid out \$3.81 billion in dividends and saw net repayments of debt totaling \$270 million in 2023. The negative Financing cash flow indicates that the company is aiming to return value to shareholders and reduce debt levels. Gilead's Free cash flow stands at \$7.42 billion in 2023, a decrease from \$10.81 billion in 2020 but still an increase from \$8.32 billion in 2019. This FCF enabled the company to pursue opportunities that enhance shareholder value, such as dividend payments, share repurchases, or acquisitions. The End Cash Position is indicative of the company's liquidity. Gilead's end cash position decreased from \$6.98 billion in 2021 to \$6.09 billion in 2023. However, there's been an overall increase from 2020 when the end cash position was \$5.97 billion, likely due to significant operational cash inflows. Gilead Sciences demonstrates a solid operational ability to generate cash, though there has been some variability in the last few years. The company is actively managing its investment in long-term assets and seems committed to returning value to shareholders, as seen in its regular dividend payments. Despite a decrease in cash from operations and free cash flow in the latest year, the company maintains a strong cash position. This financial strength allows Gilead Sciences flexibility in strategic decision-making, be it pursuing acquisitions, research and development, or other growth strategies. The decrease in financing cash flow aligns with a strategy of reducing debt and maintaining a robust dividend policy, which could be seen favorably in terms of financial risk management.

Ratio Analysis

Growth					
	Restated 2019 A	Original 2020 A	Original 2021 A	Original 2022 A	Original 2023 A
For the period ending	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31
1 Year Growth					
Revenue	1.46	9.98	10.60	-0.09	-0.60
EBITDA	-39.21	-2.24	111.88	-20.86	9.05
Operating Income	-47.72	-5.04	143.63	-26.09	3.75
Net Income to Common	-1.26	-97.72	4,960.98	-26.23	23.37
EPS Diluted	1.20	-97.63	4,830.00	-26.17	23.63
EPS Diluted before XO	1.20	-97.63	4,830.00	-26.17	23.63
EPS Diluted before Abnormal	7.56	10.70	3.01	1.26	-8.62
Dividend per Share	10.53	7.94	4.41	2.82	2.74
Accounts Receivable					
Accounts Receivable	7.66	36.57	-8.16	6.32	-2.45
Inventory					
Inventory	13.27	82.54	-3.96	6.86	18.58
Fixed Assets					
Fixed Assets	29.06	8.57	0.89	5.60	-1.37
Total Assets					
Total Assets	-3.22	11.00	-0.67	-7.04	-1.66
Modified Working Capital					
Modified Working Capital	13.13	51.17	-5.67	-0.50	9.63
Working Capital					
Working Capital	-18.60	-77.61	-31.25	1.39	49.88
Employees					
Employees	7.27	15.25	5.88	18.06	5.88
Accounts Payable					
Accounts Payable	-9.75	18.37	-16.47	28.37	-39.23
Short-Term Debt					
Short-Term Debt	-5.46	10.24	-43.54	47.43	-19.34
Total Debt					
Total Debt	-7.33	26.85	-15.04	-5.41	-0.58
Total Equity					
Total Equity	5.18	-19.55	15.60	0.69	7.26
Capital					
Capital	-1.82	4.94	-3.95	-2.75	2.96
Book Value per Share					
Book Value per Share	6.65	-18.42	15.75	1.38	7.59
Cash From Operations					
Cash From Operations	8.86	-10.67	39.37	-20.31	-11.75
Capital Expenditures					
Capital Expenditures	-10.71	-21.21	-10.92	25.73	-19.64
Net Change in Cash					
Net Change in Cash		10.70	88.30		809.46
Free Cash Flow					
Free Cash Flow	11.28	-9.63	43.72	-22.78	-11.06
Cash Flow to Firm					
Cash Flow to Firm			47.61	-19.18	-10.48
Free Cash Flow to Firm					
Free Cash Flow to Firm			52.63	-21.43	-9.75
5 Year Growth					
Revenue	-2.04	-5.43	-2.12	0.88	4.15
EBITDA	-18.54	-24.48	-8.39	-9.04	1.68
Operating Income	-22.43	-28.76	-10.87	-12.29	-1.50
Net Income to Common	-14.95	-63.15	-14.34	-0.16	0.76
EPS Diluted	-10.50	-61.56	-13.09	0.73	1.53
EPS Diluted before XO	-10.50	-61.56	-13.09	0.73	1.53
EPS Diluted before Abnormal	-5.14	-11.96	-9.62	-3.64	2.56
Dividend per Share		16.09	9.07	7.02	5.64

Source: Bloomberg

Gilead Sciences' growth trajectory, as evidenced by the provided ratios, illustrates a volatile yet insightful financial story. After a stark contraction in 2020, where revenue growth plummeted by -5.43%, the subsequent year's robust rebound to 10.60% showcases a remarkable resilience, likely attributable to effective strategic adjustments or strong market demand for its offerings. However, this vigor seems moderated in 2022 and 2023, with revenue growth tapering to 0.88% and 4.15% respectively, signaling a normalization of growth post an extraordinary recovery or strategic consolidation. Over a five-year term, the diminishing revenue growth trend, dropping to a mere 0.88% in 2022 before picking up slightly in 2023, raises flags around issues like market penetration and competitive dynamics. The scaling down of capital expenditures by 2023 to a negative cash flow of -117.65 million, compared to the substantial positive outflow of 39.37 million in 2021, could indicate a completed investment cycle or a strategic withdrawal in response to less favorable growth forecasts. For shareholders, the solid cash generation is a beacon of operational strength, with CFO standing strong at 809.46 million in 2023. Yet, the growth deceleration warrants a deeper analytical dive into Gilead's future strategies for sustainable growth, potential R&D outcomes, and market expansion plans to maintain and augment shareholder returns in the long run.

Profitability					
	Restated 2019 A	Original 2020 A	Original 2021 A	Original 2022 A	Original 2023 A
For the period ending	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31
Returns					
Return on Common Equity	24.53	0.60	31.70	21.71	25.71
Return on Assets	8.60	0.19	9.13	7.00	9.04
Return on Capital	12.70	0.29	14.09	11.12	13.38
Return on Invested Capital	9.52	0.42	13.81	11.36	12.74
Margins					
Gross Margin	78.18	81.48	75.82	79.26	76.04
EBITDA Margin	26.07	23.18	44.40	35.17	38.59
Operating Margin	19.10	16.49	36.32	26.87	28.05
Incremental Operating Margin			223.51	-10,783.33	
Pretax Margin	22.99	6.76	30.32	21.31	25.30
Income before XO Margin	23.89	0.36	22.71	16.74	20.70
Net Income Margin	23.99	0.50	22.80	16.83	20.89
Net Income to Common Margin	23.99	0.50	22.80	16.83	20.89
Additional					
Effective Tax Rate		94.67	25.09	21.47	18.18
Dvd Payout Ratio	60.14	2,816.26	58.12	81.12	67.33
Sustainable Growth Rate	9.78	-16.41	13.28	4.10	8.40

Source: Bloomberg

Gilead Sciences' financials exhibit a pattern of resilience and recovery, particularly highlighted by the bounce back in profitability ratios post-2020. The sharp increase in ROE and ROA in 2021 signals a robust rebound, suggesting

operational efficiency and effective capital utilization that equity investors would view positively. Though there's a moderate pullback in these ratios by 2023, they remain significantly healthier than the 2020 trough, indicating sustained operational profitability. The consistent net margin and net income to common margin are reassuring, reflecting a steady conversion of revenues to net income despite the ebb and flow of operational margins. However, the declining sustainable growth rate in 2023 alongside a slight dip in gross and EBITDA margins may hint at a more conservative future growth trajectory. This suggests potential challenges in expanding profitability at previous rates without increasing financial leverage, which could be a focal point for investors' future expectations and valuations of Gilead Sciences.

Credit					
	Restated:2019 A	Original:2020 A	Original:2021 A	Original:2022 A	Original:2023 A
For the period ending	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31
IFRS 16/ASC 842 Adoption	Yes	Yes	Yes	Yes	Yes
Total Debt	25,318.00	32,117.00	27,285.00	25,808.00	25,658.00
Short-Term Debt	2,598.00	2,864.00	1,617.00	2,384.00	1,923.00
Long Term Debt	22,720.00	29,253.00	25,668.00	23,424.00	23,735.00
Total Debt/12M EBITDA	4.33	5.61	2.25	2.69	2.45
Net Debt/EBITDA	-0.09	4.23	1.60	1.89	1.65
Total Debt/EBIT	5.87	7.84	2.75	3.51	3.36
Net Debt/EBIT	-0.12	5.91	1.96	2.47	2.26
EBITDA to Interest Expense	5.88	5.82	12.11	10.26	11.08
EBITDA-CapEx/Interest Expense	5.05	5.15	11.53	9.48	10.46
EBIT to Interest Expense	4.31	4.14	9.91	7.84	8.06
EBITDA/Cash Interest Paid	5.96	6.02	12.38	10.58	11.74
EBITDA-CapEx/Cash Interest Paid	5.12	5.33	11.79	9.78	11.09
EBIT/Cash Interest Paid	4.37	4.28	10.13	8.08	8.54
Cash Interest Paid	982.00	951.00	979.00	907.00	891.00
Interest Expense	995.00	984.00	1,001.00	935.00	944.00
Common Equity/Total Assets	36.55	26.61	31.01	33.62	36.75
Long-Term Debt/Equity	100.31	160.55	121.86	110.44	104.33
Long-Term Debt/Capital	47.36	58.11	53.09	49.82	49.03
Long-Term Debt/Total Assets	36.87	42.76	37.77	37.08	38.21
Total Debt/Equity	111.78	176.26	129.53	121.68	112.79
Total Debt/Capital	52.78	63.80	56.43	54.89	53.00
Total Debt/Total Assets	41.08	46.95	40.15	40.85	41.30
Net Debt/Equity	-2.30	132.85	92.37	85.71	75.74
Net Debt/Capital	-2.36	57.05	48.02	46.15	43.10
EBITDA	5,853.00	5,722.00	12,124.00	9,595.00	10,463.00
EBITDA-CapEx	5,028.00	5,072.00	11,545.00	8,867.00	9,878.00
EBIT	4,287.00	4,071.00	9,919.00	7,330.00	7,505.00

Source: Bloomberg

Gilead Sciences has demonstrated commendable fiscal prudence as evidenced by the year-over-year improvement in its credit metrics. The marked decrease in the Total Debt/EBITDA ratio from 5.61 in 2020 to 2.45 in 2023 signals a strong enhancement in the company's ability to pay down debt from its operational earnings, a bullish sign for investors concerned about leverage and cash flow sustainability. The Net Debt/EBITDA trend similarly underscores effective debt management strategies and perhaps a deliberate effort to fortify the balance sheet, which has been a focus post-2020. The slight upticks in the Debt/Equity ratios in 2022 and 2023 suggest a cautious approach to leveraging, consistent with a broader strategic plan to finance growth while maintaining a conservative capital structure. Most notably, the robust EBITDA coverage of interest expense, especially the spike in 2021 and its maintenance above 10x in subsequent years, provides comfort regarding the company's interest payment capabilities and indicates a lower risk

Liquidity					
	Restated:2019 A	Original:2020 A	Original:2021 A	Original:2022 A	Original:2023 A
For the period ending	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31
Cash Ratio	2.50	0.65	0.56	0.57	0.64
Current Ratio	3.10	1.40	1.27	1.29	1.43
Quick Ratio	2.86	1.08	0.95	0.99	1.06
CFO/Avg Current Liab	0.90	0.77	0.99	0.79	0.71
Common Equity/Total Assets	36.55	26.61	31.01	33.62	36.75
Long-Term Debt/Equity	100.31	160.55	121.86	110.44	104.33
Long-Term Debt/Capital	47.36	58.11	53.09	49.82	49.03
Long-Term Debt/Total Assets	36.87	42.76	37.77	37.08	38.21
Total Debt/Equity	111.78	176.26	129.53	121.68	112.79
Total Debt/Capital	52.78	63.80	56.43	54.89	53.00
Total Debt/Total Assets	41.08	46.95	40.15	40.85	41.30
CFO/Total Liabilities	23.46	16.28	24.28	21.62	20.33
CFO/CapEx	11.08	12.57	19.66	12.46	13.69
Altman's Z-Score	3.29	3.22	4.48	4.52	4.49
Total Line of Credit	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Total Available Line Of Credit	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Total Credit Lines Drawn	0.00	0.00	0.00	0.00	0.00

Source: Bloomberg

profile. This is an encouraging sign for equity investors, implying that Gilead Sciences is well-positioned to manage its debt obligations without diluting shareholder value, enhancing its attractiveness in a market that favors financial stability and strong earnings potential.

Gilead Sciences' liquidity ratios, depict a company maintaining a robust short-term solvency profile. While the current and quick ratios experienced a slight decline from the high in 2021, their maintenance above the critical threshold of 1 suggests a sound ability to meet current liabilities without distress. The firm's consistent CFO to Current Liabilities ratio reflects strong cash flow generation capabilities, reinforcing investor confidence in its operational efficiency and cash management. A notable reduction in the total debt/equity ratio by 2023 compared to 2020 indicates a strategic shift towards a less leveraged and potentially more equity-friendly capital structure. Furthermore, the healthy Altman Z-score across the period signals a low probability of bankruptcy, which, coupled with the untouched total line of credit, provides a cushion and strategic flexibility that is likely to be viewed favorably in equity valuations. In essence, Gilead Sciences presents itself as financially stable with ample liquidity to support its ongoing operations and strategic initiatives, an appealing characteristic for current and potential shareholders.

DuPont Analysis					
For the period ending	Restated 2019 A 2019-12-31	Original 2020 A 2020-12-31	Original 2021 A 2021-12-31	Original 2022 A 2022-12-31	Original 2023 A 2023-12-31
Tax Burden					
Net Inc to Comm/Pre-Tax Profit %	104.38	7.37	75.20	78.98	82.58
Adjustment Factor					
Normalized Net Inc/Net Inc to Crm	1.35	64.68	1.32	1.81	1.33
Interest Burden					
Pre-Tax Profit/EBIT %	83.83	62.91	89.21	86.15	87.90
Operating Margin					
EBIT/Revenue %	27.42	10.75	33.98	24.74	28.78
Asset Turnover					
Revenue/Avg Assets	0.36	0.38	0.40	0.42	0.43
Leverage Ratio					
Avg Assets/Avg Equity	2.85	3.19	3.47	3.10	2.84
Adjusted Return on Equity	33.10	39.07	41.74	39.21	34.31
5 Year Average Adj ROE	60.81	47.29	40.01	37.24	37.48
Payout Ratio	60.14	2,816.26	58.12	81.12	67.33
Sustainable Growth Rate	9.78	-16.41	13.28	4.10	8.40

Gilead Sciences' 2023 DuPont analysis reveals an improved Return on Equity (ROE) of 34.31%, buoyed by a higher EBIT Margin of 28.78% and a lower leverage ratio, down to 2.84, indicating a strategic reduction of debt or an increment in equity. The company's asset turnover remained steady at 0.43, consistent with past performance, suggesting stable revenue generation from its assets. With a sustainable growth rate recovering to 8.40%, Gilead appears well-positioned to grow without additional capital, a positive sign for potential investors. However, a watchful eye is needed on the fluctuating tax and interest burdens, which have shown volatility in prior years, as they could impact future profitability. The quantitative recovery in Gilead's key financial ratios points towards a cautiously optimistic outlook for equity holders, predicated on the company's ability to maintain this trajectory in the face of market and operational risks.

Valuation

Company Comparable Analysis

Comparable Company Analysis													
Company	Ticker	Share Price	Market Data(\$MM)				Financial(\$ mm)				Valuation		
			Shares Outstanding	Equity Value	Net Debt	Enterprise Value	Revenue	EBITDA	Net Income	EPS	EV/Revenue	EV/EBITDA	P/E
Gilead Sciences	GILD	65.27	1247	81390	18902	100292	27120	10500	5670	4.55	3.70	9.55	14.35
GSK ADR Plc	GSK	40.91	2043	83579	14065	97644	30330	9080	4930	2.41	3.22	10.75	16.95
Abbvie Inc	ABBV	167.29	1771	296212	46571	342783	54320	17170	4820	2.72	6.31	19.96	42.46
Amgen Inc	AMGN	269.38	536	144490	53669	198159	28190	14800	6720	12.53	7.03	13.39	21.50
Bristol-Meyers Squibb Co.	BMJ	44.70	2027	90596	23308	113904	45010	19370	8030	3.96	2.53	5.88	11.28
Pfizer	PFE	25.56	5663	144735	67992	212727	58500	9557	2134	0.38	3.64	22.26	67.82
High											7.03	22.26	67.82
75th Percentile											5.66	18.32	37.22
Average											4.54	13.63	29.06
Median											3.67	12.07	19.23
25th Percentile											3.22	9.55	14.35
Low											2.53	5.88	11.28
Gilead Valuation													
Implied Enterprise Value											123106	143146	164784
Net Debt											18902	18902	18902
Implied Market Value											104204	124244	145882
Shares Outstanding											1247	1247	1247
Implied Value per share											83.57	99.64	116.99

Valuation Analysis:

With an EV/Revenue of 3.70, Gilead is valued below the average (4.54) of its peer group, suggesting that the market values Gilead at a discount per dollar of revenue compared to the median of the group. Gilead's EV/Revenue is closer to the 25th percentile of the group, indicating that only a quarter of the companies have a lower value per dollar of revenue, suggesting that Gilead is relatively undervalued on this basis.

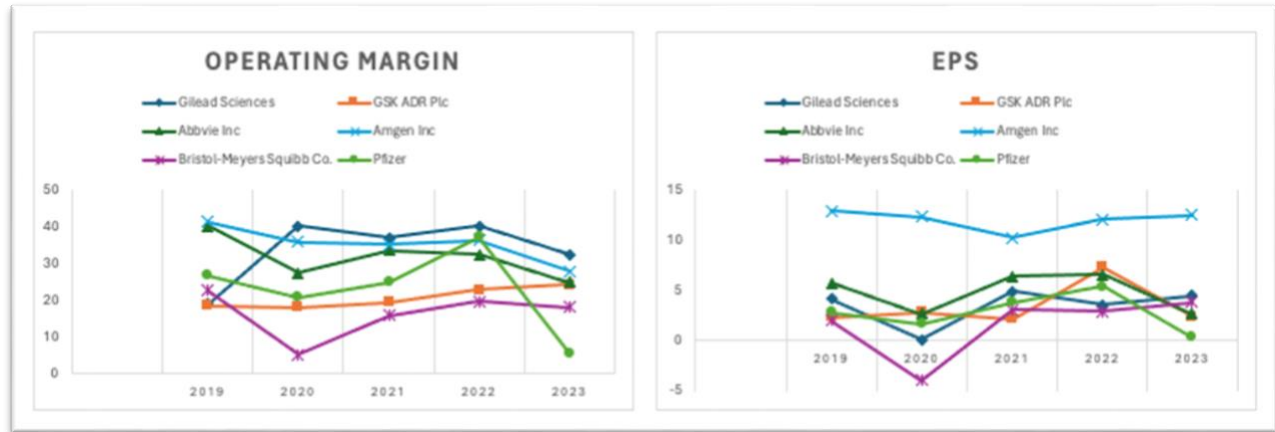
The EV/EBITDA multiple of 9.55 places Gilead below the average (13.63) and closer to the 25th percentile (9.55) of its peers. This suggests the market is applying a lower valuation for every dollar of EBITDA that Gilead generates compared to the average of the group. Companies are often valued higher on an EV/EBITDA basis due to higher expected growth or more efficient operations. Gilead's position indicates that it may not be receiving the premium applied to some of its peers, possibly due to lower growth expectations or other operational factors. With a P/E ratio of 14.35, Gilead has a lower valuation compared to the high of the peer group (67.82) and is below the group's average (29.06), indicating a conservative valuation of its earnings. This suggests that investors are willing to pay less for each dollar of Gilead's earnings compared to the average of the group, which could imply a perception of lower growth or higher risk associated with Gilead. The implied EV of \$123.10 billion is significantly higher than the reported EV of \$102.549 billion suggesting that the analysis sees a potential for value growth, or there are expected synergies, cash flows, or strategic benefits not currently reflected in the market price. The implied market value of \$104.24 billion also exceeds the reported market cap of \$81.39 billion, reinforcing the idea that the equity market may be undervaluing Gilead's business.

The discrepancy between the implied value per share (\$83.57 based on implied EV and \$116.99 based on implied P/E) and the current share price (\$65.27) indicates that the shares could be significantly undervalued. The implied per-share values suggest that there could be factors not currently priced into the stock, such as a robust pipeline of drugs, strategic acquisitions, or unaccounted-for cash flows. The analysis implies that Gilead Sciences is potentially undervalued by the market based on both enterprise and equity values. The conservative EV/Revenue, EV/EBITDA, and P/E multiples compared to the peer group suggest that the market may be pricing Gilead with a cautious outlook.

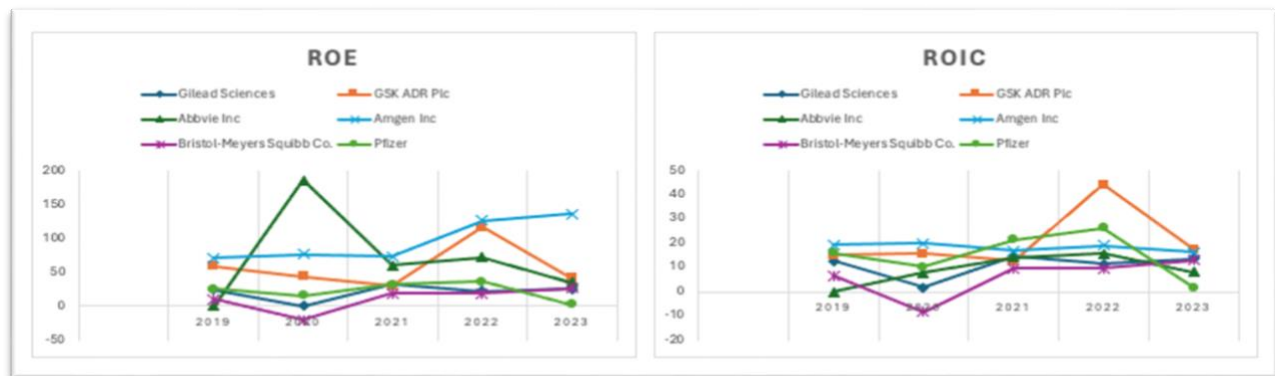
However, the implied valuations offer a different perspective, indicating a belief in the intrinsic value of Gilead being higher than what is reflected in the current market price.

Ticker	GILD	GSK	ABBV	AMGN	BMJ	PFE
	Gilead	GSKADR			Bristol-Meyers	
Metrics	Sciences	Plc	Abbvie Inc	Amgen Inc	Squibb Co.	Pfizer
Revenue	27.12	30.33	54.32	28.19	45.01	58.5
Full-Time Employees	18000	70200	50000	26700	34100	88000
Liquidity Ratios						
Current Ratio	1.43	0.88	0.87	1.65	1.11	0.91
Quick Ratio	1.27	0.62	0.76	1.13	0.99	0.69
Profitability Ratios						
Gross Margin	77.94	70.52	70.40	69.83	55.85	48.99
Operating Margin	33.96	22.97	37.04	29.34	18.78	6.16
ROA	9.04	8.31	3.52	8.28	-6.36	1.01
ROE	25.71	41.19	34.90	135.79	-25.45	2.31
ROI	12.16	16.84	7.61	9.58	-9.1	1.39
ROIC	13.65	17.54	8.16	16.17	12.81	
Solvency Ratios						
Debt to Capital	0.52	0.82	0.85	0.91	0.57	0.45
Debt to Equity	1.12	1.35	5.8	10.5	1.89	0.84
Efficiency Ratios						
Asset Turnover	0.43	0.51	0.4	0.35	0.47	0.28
Inventory Turnover	3.95	1.61	5.31	1.17	4.28	2.6
Receivable Turnover	5.75	5.34	4.85	4.39	5.28	5.29

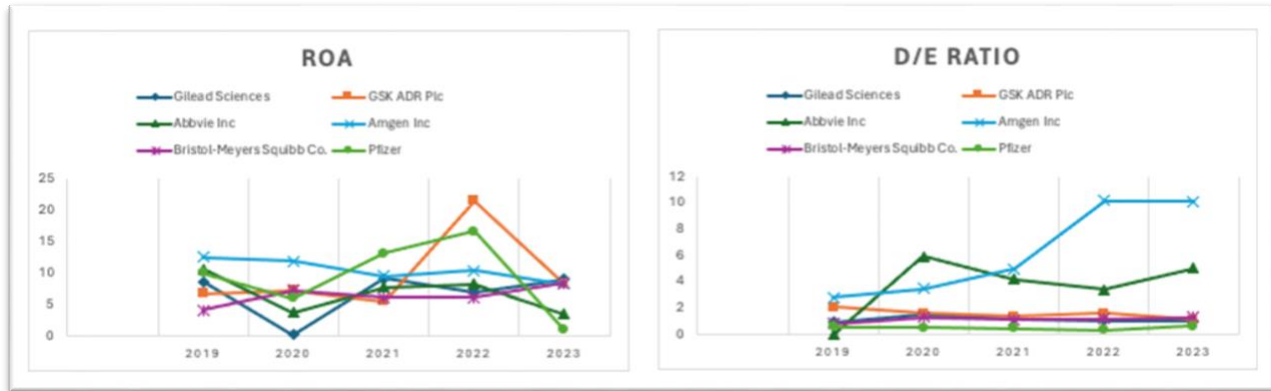
Gilead has a Current Ratio of 1.43 and a Quick Ratio of 1.27, both of which are above the industry average displayed in the data. This suggests Gilead is more capable of meeting short-term obligations than most of its peers. Gilead's Gross Margin is exceptionally high at 77.94%, indicating a strong ability to control the cost of goods sold and maintain premium pricing for its products, significantly outperforming its peers. The Operating Margin for Gilead is also robust at 33.96%, which is higher than most peers except for Amgen, suggesting efficient management of operational expenses. Gilead's ROA and ROE are competitive, especially ROE at 25.71%, which is among the highest, indicating Gilead is effective at generating profits from shareholders' equity. However, Gilead's ROI and ROIC are lower than some peers like Amgen and Pfizer, which suggest room for improvement in the investment efficiency area. Gilead's Debt to Capital ratio at 0.52 is moderate, indicating a balanced approach to financing with a slight preference for debt. Its Debt-to-Equity ratio is 1.12, which is relatively high but not the highest among peers, suggesting a higher reliance on debt financing compared to companies like Pfizer. Gilead's Asset Turnover at 0.43 is lower than the peer group average, suggesting it generates less revenue per dollar of assets than most peers. Its Inventory Turnover is very high at 3.95, indicating efficient inventory management, significantly better than its peers. Receivable Turnover at 5.75 is also on the higher end, which implies Gilead is efficient in collecting its receivables.



In comparison to its peers, Gilead Sciences has shown a noteworthy resilience and competitiveness in terms of operating margin and EPS over the observed period from 2019 to 2023. The operating margin for Gilead, despite its fluctuations, generally trends above several of its peers, indicating a relatively efficient operational structure and the ability to convert a higher percentage of revenue into operating income. The EPS graph shows that Gilead had a standout year in 2021 compared to its peers, however, the decline in EPS in 2022 and 2023 indicates a return to what might be considered a more sustainable earnings level, though it's important to note that Gilead maintains a positive EPS that aligns closely with industry peers. Across both metrics, Gilead Sciences appears to maintain a solid position within its competitive set, suggesting a robust business model. While not always leading in these metrics, Gilead's performance indicates it can hold its own in a challenging and competitive pharmaceutical landscape. Investors looking at these graphs would likely see Gilead as a potentially stable investment, provided the company can continue to manage the factors contributing to the volatility in operating margin and EPS and maintain its competitive position in the market.



The graphs depict Gilead as capable of generating shareholder value efficiently, reflected in its ROE and ROIC figures relative to its peers. Gilead's performance, especially in terms of ROE, positions it as an attractive company for investors focused on returns on equity. While the ROIC figures place it as a strong performer in capital utilization among its peers, the variance across years would encourage further investigation into capital allocation, operational efficiency, and market dynamics that may impact these metrics. Overall, Gilead demonstrates a robust competitive stance within its industry group, with financial indicators that suggest a company that has been adept at creating value for its investors, albeit with some fluctuations that merit further analysis for long-term assessment.



Gilead's ROA is relatively consistent from 2019 to 2023, with a notable peak in 2021 similar to its ROE and ROIC performance, indicating a year of exceptional asset profitability. In the context of its peers, Gilead's asset utilization is efficient, typically maintaining an ROA in the mid-range, suggesting that while it isn't the leader, it is managing its assets effectively to generate earnings. Gilead's D/E ratio shows an upward trend from 2019 to 2023. This suggests an increasing reliance on debt financing or a decrease in equity value. However, even with this rise, Gilead's D/E ratio is still comparable to several of its peers, indicating that its use of leverage is not out of step with industry norms. From these charts, Gilead Sciences exhibits a solid performance in utilizing its assets to generate earnings, although it does not lead among its peers. The D/E ratio's rise is indicative of strategic capital restructuring or investments in growth opportunities that have yet to realize their full potential in earnings. When assessing Gilead's investment profile, these factors suggest a company with competent asset management and a moderate risk profile with respect to leverage.

DCF Model Analysis

DCF VALUATION ANALYSIS						
Free Cash Flow Calculation						
Particulars	2023	Projected				
		2024	2025	2026	2027	2028
	0	1	2	3	4	5
EBIT		6607.4	6563.0	6470.5	6603.1	6706.9
Plus: Depreciation		328.1	334.6	341.4	347.1	354.9
Plus: Amortization		2384.0	2378.0	2370.0	2370.0	2309.0
EBITDA		9319.5	9275.6	9181.9	9320.3	9370.9
Less: Capex		-725.2	-675.2	-673.4	-699.2	-698.6
EBITDA Less Capex		8594.3	8600.4	8508.5	8621.0	8672.3
Less: Taxes on EBIT		(1651.8)	(1640.8)	(1617.6)	(1650.8)	(1676.7)
Less: Changes in Working Capital		1114.5	-512.7	-189.3	-991.7	-1106.0
Unlevered Free Cash Flow		8,057.0	6,446.9	6,701.6	5,978.5	5,889.6
DCF Enterprise Value Calculation						
Terminal Value Calculation						
Terminal Value Growth Rate						2.00%
Projected Free Cash Flow						6007.4
Discount Rate (WACC)						6.10%
Terminal Enterprise Value						146562.30
Implied Term. Value EBITDA Multiple						15.64
Discounted Cash Flows at WACC						
Unlevered Free Cash Flow		7593.9	5727.0	5611.1	4717.9	4380.6
Terminal Value						109010.7
Total Discounted Cash Flows		137041.1	7593.9	5727.0	5611.1	4717.9
						113391.2

Summary DCF Valuation		
DCF Enterprise Value	137041.13	18.0x
(-)Debt	24987.00	
(+) Cash	6084.50	
(-) Minority Interest	84.00	
Equity Value	118222.63	
Diluted Shares Outstanding (mm)	1249	
Implied Share Price	94.69	16.9x

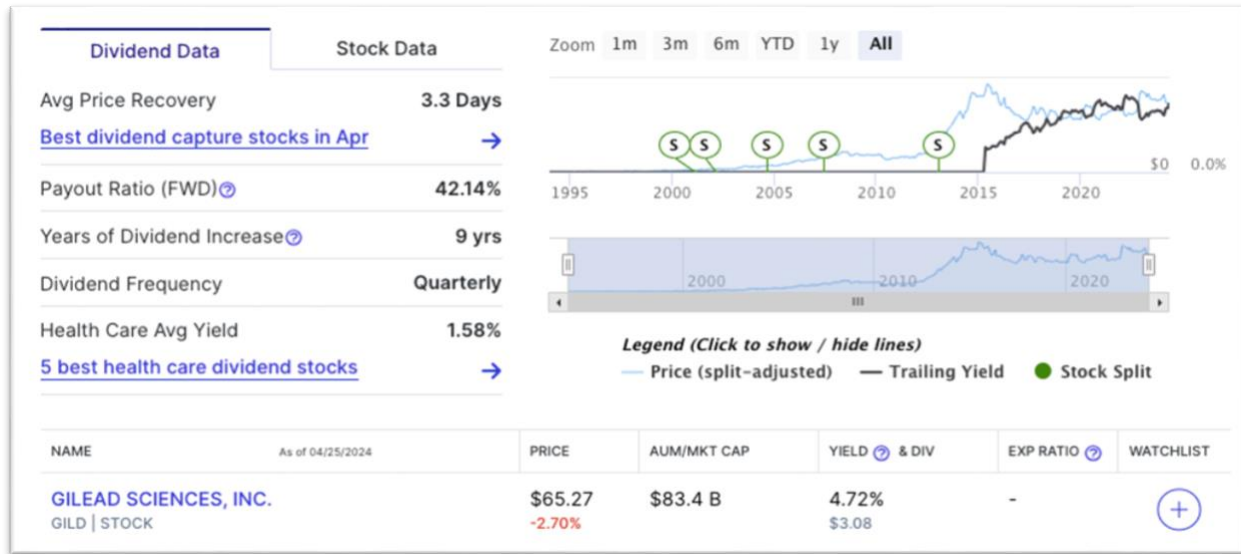
Sensitivity Analysis						
		Growth Rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	5.10%	98.62	111.72	129.06	153.06	188.50
	5.60%	86.57	96.63	109.49	126.50	150.05
	6.10%	76.88	84.82	94.69	107.31	124.00
	6.60%	68.92	75.31	83.10	92.79	105.18
	7.10%	62.25	67.50	73.78	81.43	90.94

The DCF analysis for Gilead Sciences, integrating a conservative stance on industry growth of 2% and leveraging a tax assumption of 22% for the forecast period of 2024 to 2028, presents a comprehensive view of the company's valuation. The projected EBITDA of \$9.3 billion in 2028 denote a healthy financial trajectory. Utilizing a levered beta of 0.49 based on Barron's data, capturing the unique risks associated with Gilead's capital structure and operational leverage, combined with an equity risk premium of 4.60% (based on Prof. Aswath Damodaran database), yields a WACC of 6.10%. This is instrumental in determining the present value of future cash flows, culminating in an implied share price of \$94.69. Gilead Sciences may be seen to possess distinctive attributes — notably, the tax advantages it currently enjoys and the strategic benefits it may reap from past or future acquisitions. Such unique factors are instrumental in shaping the company's competitive moat and could lead to conservative valuations potentially understating its long-term value creation capacity. This consideration underpins the sensitivity of DCF valuations to the inputs and assumptions particularly related to growth, tax rates, and capital costs. Corroborating this valuation with insights from industry experts and established equity research analysts, I found resonance with the broader market sentiment. The DCF model suggest that Gilead Sciences is undervalued as has been suggested by the analysts in the below consensus estimate table sourced from Bloomberg. Senior Analyst Karen Anderson of Morningstar have reflected optimistic valuations for Gilead keeping the fair value estimate at \$97, making it evident that there is a convergence on the assessment of Gilead's profitable prospects and current undervaluation.

Source: Bloomberg



Dividend and Gordon Growth Model (DDM)



Source: Dividend.com

Gilead Sciences presents a compelling dividend profile for potential investors. With an average price recovery of 3.3 days post-dividend disbursement, the stock offers an appealing proposition for those employing dividend capture strategies. GILD's forward payout ratio stands at 42.14%, reflecting a judicious balance between rewarding shareholders and reinvesting earnings for future growth—a positive indicator of sustainable financial stewardship. Notably, GILD's dividend has seen a consistent annual increase over the last nine years, underscoring the company's stable financial footing and its ongoing commitment to shareholder returns. Dividends are distributed quarterly, providing a steady income stream which aligns with standard U.S. market practices. Remarkably, GILD's dividend yield is significantly higher at 4.72% compared to the healthcare sector's average of 1.58%, indicating a superior income potential for investors within the industry. This robust yield positions GILD as an attractive option for dividend-focused portfolios, especially within the healthcare sector.

Gordon Growth Model

Gordon Growth Model						
Year	2019 A	2020 A	2021 A	2022 A	2023 A	2024 E
Dividend Payout	0.63	0.68	0.71	0.73	0.75	0.77
Yearly Dividend	2.52	2.72	2.84	2.92	3.00	3.08
Growth Rate		7.94%	4.41%	2.82%	2.74%	2.67%
Average Growth rate (g)	3.32% (last 3 years)					
Risk free Rate	4.65%					
Beta	0.49					
Equity Risk Premium	4.60%					
Rate of Return	6.90%					
Intrinsic Value						
D/(r-g)	86.10					

The Gordon Growth Model (GGM), also known as the Dividend Discount Model (DDM), is particularly suitable for valuing companies like Gilead Sciences that exhibit stable dividend policies and a consistent growth pattern in dividends. According to Aswath Damodaran, the Gordon Growth Model is most appropriate for firms that are in stable growth settings, where dividends are not only high but also predictable and growing at a steady rate. Damodaran emphasizes that the GGM should be applied to companies with a long history of paying dividends and a management policy that indicates that dividends will continue to be a priority. Gilead Sciences is a well-established company in the healthcare sector, which is generally characterized by steady cash flows once products are approved and marketed. The GGM is best suited for companies that are in a mature phase of their business lifecycle, where earnings and dividends are stable and predictable. Given Gilead's profile and the dividend data available, the use of the Gordon Growth Model appears to be aligned with Damodaran's recommendations, making it a suitable method for estimating Gilead's stock value. While GGM is suitable, the valuation should be seen as one perspective on Gilead's intrinsic value, and ideally, it would be used in conjunction with other valuation models for a comprehensive analysis and will help strengthen the explanatory power of this report's football field analysis.

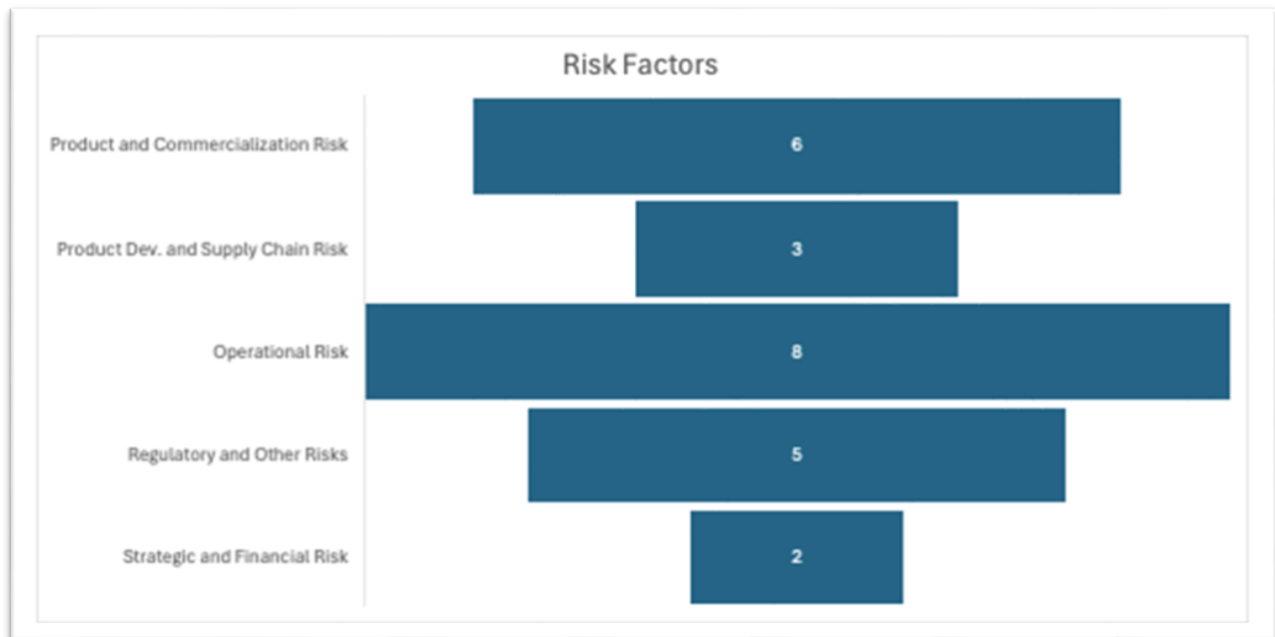
Valuation Analysis

The model considered the historical dividends paid from 2019 to 2023, with an estimate for 2024. The dividends have grown from \$2.52 in 2019 to an estimated \$3.08 in 2024. The sustainable growth rate for the valuation is considered the average growth rate for the past 3 years which is calculated at 3.32% considering the decreasing trend in the growth rate of dividend payout. This rate will be used as the perpetual growth rate of dividends in the model. The risk-free rate is given as 4.65%. The beta of 0.49 (based on Barron's data) indicates that Gilead's stock has less volatility compared to the overall market. The equity risk premium of 4.60% represents the excess return that investing in the stock market provides over a risk-free rate. The required rate of return on Gilead's equity is calculated at 6.90% using CAPM (Risk-Free Rate + Beta * Equity Risk Premium). The intrinsic value per share is calculated using the formula: $D/(r-g)$, where D is the expected dividend next year, r is the rate of return, and g is the growth rate. Based on the model, the intrinsic value is given as \$86.10.

		Sensitivity Analysis				
		Growth rate				
		2.32%	2.82%	3.32%	3.82%	4.32%
Rate of Return	5.90%	86.10	100.09	119.51	148.28	195.28
	6.40%	75.54	86.10	100.09	119.51	148.28
	6.90%	67.29	75.54	86.10	100.09	119.51
	7.40%	60.66	67.29	75.54	86.10	100.09
	7.90%	55.22	60.66	67.29	75.54	86.10
	8.40%	50.68	55.22	60.66	67.29	75.54

The sensitivity analysis of Gilead Sciences reveals a pronounced dependency of the stock's intrinsic value on dividend growth expectations and the required rate of return. For a dividend growth rate aligned with historical averages (3.32%), and a cost of equity at 6.90%, the model indicates an intrinsic value of \$86.10 per share. However, the intrinsic value demonstrates heightened sensitivity to variations in growth rates rather than discount rates, with a potential valuation range between \$50.68 to \$195.28, highlighting the criticality of precise growth rate estimations. It is evident that Gilead's valuation is more sensitive to changes in the growth rate than the discount rate, as shown by the wider variation in intrinsic values with changes in growth rates. It's also clear that the perception of risk and growth prospects plays a significant role in determining the value of the stock. Notably, at lower discount rates, the model suggests that investor optimism regarding Gilead's growth prospects could significantly elevate perceived value, whereas higher discount rates tend to temper valuation irrespective of growth expectations, underscoring the stock's susceptibility to shifts in market sentiment and risk assessment.

Risk Factors



Product and Commercialization risks

Navigating Complex Risks Across HIV, COVID-19, and Cutting-Edge Cell Therapies

Gilead Sciences faces significant risks across its product lines. The company's heavy reliance on HIV treatments, which make up 67% of its sales, is vulnerable to competition and shifts in treatment paradigms. The uncertainty surrounding Veklury (a COVID-19 treatment) sales due to changing infection rates and treatment alternatives adds another layer of risk. Additionally, Gilead's advancement of CAR T-cell therapies like Yescarta and Tecartus involves challenges such as regulatory compliance, supply chain management, and acceptance within the medical community. Recent FDA concerns over potential T-cell malignancies and the need for enhanced safety labeling further complicate the landscape. Lastly, Gilead's dependency on third-party vendors for critical processes in cell therapy delivery and its own manufacturing facilities' operational effectiveness are crucial risk factors that could impact business continuity and growth.

The High-Stakes Game of Drug Development

Gilead Sciences' future success heavily relies on its ability to develop and commercialize new products or expand existing ones. The company faces significant risks, as the drug development process involves extensive investment, lengthy timelines, and unpredictable outcomes, with a high failure rate even after substantial resources have been committed. Failure to launch successful new products or expand current ones could severely impact Gilead's business, affecting its ability to cover R&D expenses and compensate for revenue losses from existing products losing market share or patent protection.

Navigating the Volatile Terrain of Product Demand Forecasting

Gilead Sciences encounters significant challenges in accurately forecasting product sales due to unpredictable demand and variable purchasing patterns, particularly from non-retail sectors and major wholesalers in the U.S. Factors such as physician acceptance, government budget constraints, and cost containment measures in Europe influence purchasing behaviors, leading to quarter-to-quarter fluctuations that do not necessarily align with actual patient demand. With around 91% of U.S. product sales in 2023 channeled through just three major wholesalers, Gilead's

financial results are susceptible to discrepancies between wholesaler inventory levels and end-user demand. This misalignment, compounded by economic conditions and competition affecting retail pharmacy inventories, could lead to unstable earnings and a disconnect between reported revenues and true market demand.

Contending with Intense Market Competition

Gilead Sciences faces robust competition from a diverse array of global pharmaceutical companies, biotech firms, and generic drug manufacturers. This competition directly threatens Gilead's pricing power and market share. Competitors range from large, established companies to specialized firms and even academic and governmental entities that might develop and patent competitive products. The company's products are challenged on various fronts including efficacy, safety, pricing, and ease of use. Any technological advancements or effective commercialization strategies employed by these competitors could lead to loss of market share for Gilead, potentially undermining its current and future revenue streams.

Navigating Complex Reimbursement Landscapes and Regulatory Pressures

Gilead Sciences faces intense reimbursement pressures and regulatory challenges that impact the profitability of its products. The company's reliance on third-party payers, both in the U.S. and internationally, subjects it to significant pricing pressures and reimbursement limitations. Regulatory changes, such as those introduced by the Inflation Reduction Act, mandate drug price negotiations and increased rebates, directly affecting Gilead's financial outcomes. Additionally, state and federal initiatives aimed at regulating drug prices and expanding the use of generics pose further risks. Changes in Medicaid and the 340B program could significantly increase rebate obligations and limit pricing flexibility, impacting Gilead's ability to sustain its revenue streams. These complex reimbursement environments and evolving regulatory landscapes present ongoing challenges to maintaining and growing profitability.

Battling Risks from Product Importation and Counterfeit Threats

Gilead Sciences faces substantial risks from the importation of its products from lower-priced markets and the distribution of diverted or counterfeit versions. Regulatory permissions, like FDA's potential allowance for Canadian drug imports, can lead to reduced sales in higher-priced markets. Furthermore, agreements allowing generic production in certain regions might result in unauthorized exports to more lucrative markets, undermining Gilead's pricing strategies. Diverted products pose additional risks as they may not meet local approval standards or be handled properly, jeopardizing patient safety and product efficacy. Counterfeit drugs, often sold through unauthorized channels, fail to meet quality standards, potentially harming patients and damaging Gilead's reputation. These activities threaten both the integrity of Gilead's supply chain and its financial performance.

Product Development and Supply Chain Risks

Navigating Uncertainties in Clinical Trials and Development

Gilead Sciences faces considerable risks and uncertainties in its clinical trials, which could significantly impact the company's development timeline and financial outcomes. Challenges include designing effective trial protocols, enrolling patients, achieving favorable results, and addressing safety concerns. Recent setbacks, such as the FDA's non-approval of key treatments and full clinical holds on studies, underscore the potential for trials to fail to meet endpoints or to be halted altogether. These issues not only delay or halt the development of product candidates but also risk substantial financial losses due to the inability to recoup invested resources. Furthermore, reliance on third-party contract research organizations (CROs) introduces additional risks, including potential disputes and quality control issues, which could compromise trial outcomes and regulatory approvals.

Facing Complexities in Manufacturing and Regulatory Compliance

Gilead Sciences' reliance on both in-house and third-party manufacturing facilities, which are governed by stringent Good Manufacturing Practices (GMP), introduces substantial risks to its operations. Disruptions or failures in these processes can lead to product shortages, recalls, or regulatory penalties, significantly impacting the company's ability to deliver products on time and maintain market share. Issues such as non-compliance with quality standards or

regulatory inspections might necessitate expensive remediation efforts or force a switch to costlier manufacturing alternatives. Such setbacks not only inflate operational costs but also potentially delay clinical trials and regulatory approvals, jeopardizing both current and future product pipelines. These manufacturing challenges, if not managed properly, could severely affect Gilead's reputation and financial performance.

Supply Chain Vulnerabilities Threaten Clinical and Commercial Operations

Gilead Sciences faces significant risks related to securing the necessary materials and supplies for conducting clinical trials and manufacturing products, which are crucial for revenue generation. Shortages of essential drugs, such as carboplatin and cisplatin, could delay or disrupt oncology trials. Challenges in qualifying new suppliers or maintaining compliance with Good Manufacturing Practices (GMP) could lead to regulatory actions that interrupt manufacturing. Furthermore, sole-source suppliers and single manufacturing facilities heighten the risk of supply chain disruptions due to natural disasters, equipment failures, or regulatory issues. Additionally, political and economic changes in countries where supplies are sourced could hinder the availability of raw materials, adversely affecting Gilead's ability to meet market demands and impacting operational results. These supply chain vulnerabilities could significantly impair Gilead's clinical and commercial activities.

Regulatory and Other Legal Risks

Regulatory Challenges Impacting Product Approval and Compliance

Gilead Sciences' operations hinge critically on adhering to complex regulations enforced by the FDA, EMA, and other international bodies. The process of obtaining timely marketing approvals is fraught with uncertainties, and approvals may come with significant usage restrictions. Post-approval, Gilead must navigate ongoing regulatory obligations, including conducting additional studies and possibly implementing Risk Evaluation and Mitigation Strategies, which could restrict product distribution or usage. Failures in manufacturing, safety reporting, or marketing compliance could lead to severe regulatory penalties, including fines, suspension or revocation of approvals, product recalls, or criminal charges. Such regulatory challenges could delay or halt the commercialization of Gilead's products, significantly affecting the company's business operations and financial performance.

Navigating the Complex Regulatory Landscape of Healthcare

Gilead Sciences operates under stringent and ever-evolving healthcare regulations across multiple jurisdictions, which significantly impacts its business operations. In the U.S., the company must comply with a myriad of laws including anti-kickback statutes, false claims laws, and privacy regulations, among others. Violations of these laws can lead to severe penalties such as fines, exclusion from federal healthcare programs, and substantial reputational damage. The complexity of government price reporting and the subjective nature of these calculations add further compliance risks, potentially leading to financial restatements and legal liabilities. Moreover, increased governmental scrutiny of patient assistance and promotional programs could result in additional sanctions, affecting Gilead's ability to market its products effectively. These regulatory challenges could materially impact Gilead's financial condition and impede its operational capabilities.

Intellectual Property Challenges in a Competitive Landscape

Gilead Sciences' success is heavily reliant on its ability to secure and defend its intellectual property (IP) rights, including patents and trade secrets, both domestically and internationally. The company's ability to innovate, obtain patents, and prevent IP infringement is crucial to maintaining its competitive edge. However, the process is fraught with challenges such as potential litigation, expensive post-grant proceedings, and the complexity of patent applications, which may not always result in adequate protection. Additionally, Gilead faces risks from ANDA filings by generic manufacturers, which could erode market share and hasten the loss of exclusivity on key products. Furthermore, the company must manage risks associated with confidentiality agreements and the potential for disputes over invention ownership with partners. Failure to effectively manage these IP challenges could significantly impact Gilead's ability to develop and commercialize products, affecting its financial health and market position.

Navigating the Risks of Legal and Regulatory Scrutiny

Gilead Sciences faces significant legal and financial risks from ongoing litigation, regulatory investigations, and other dispute-related matters. These issues consume considerable internal and financial resources and have historically impacted the company's earnings. Moreover, Gilead's involvement in testing, manufacturing, marketing, and sales exposes it to substantial product liability claims, which may exceed the company's insurance coverage and lead to significant financial burdens. The outcomes of these legal and regulatory challenges are highly uncertain and could result in hefty penalties, monetary damages, or mandatory operational changes, further diverting management's focus and potentially affecting the company's overall stability and profitability.

Operational Risks

Vulnerability to Public Health Crises

Gilead Sciences' operations and financial stability are susceptible to the disruptions caused by epidemic, pandemic, or other public health emergencies, as evidenced during the COVID-19 pandemic. Such crises can lead to significant operational interruptions, including impacts on global supply chains, distribution networks, and clinical trial activities. The consequent increase in operational costs, coupled with potential declines in product demand due to government and individual responses (such as quarantines and travel restrictions), poses a threat to the company's financial health. Additionally, these emergencies can exacerbate existing business risks, create workforce safety challenges, and lead to heightened financial market instability and broader economic uncertainties.

Navigating Complexities of Global Operations

Gilead Sciences' international operations expose it to various financial, political, and regulatory risks that could significantly impact its business. Key challenges include vulnerability to foreign currency exchange fluctuations, particularly with the Euro, which affect revenues due to a significant portion of sales being denominated in foreign currencies. Additionally, changes in interest rates and inflation could affect financial liabilities and assets, potentially increasing financial risk. The company must also navigate strict international anti-bribery laws, which complicate interactions with government officials and healthcare providers in regions prone to corruption. Moreover, Gilead faces risks from restrictive government actions, such as intellectual property waivers, trade sanctions, and political instability in critical markets. Misuse of social media and technology also poses risks to data security and the company's reputation. These global operational challenges require meticulous management and can have profound effects on Gilead's financial health and compliance status.

Risks Posed by Climate Change and Environmental Regulations

Gilead Sciences' operations are significantly exposed to the adverse impacts of climate change and associated natural disasters such as hurricanes, earthquakes, and floods, particularly in vulnerable regions like California and Ireland. These events can disrupt critical activities like manufacturing, R&D, and distribution, potentially causing substantial operational delays and financial losses. Additionally, climate change has led to stricter environmental regulations globally, imposing further financial and operational burdens on the company. These include increased costs related to carbon pricing, emissions restrictions, and investments in compliance and technology upgrades. The company, along with its suppliers and partners, faces rising costs and operational complexities, which could impede Gilead's business continuity and inflate expenses, directly affecting its overall financial performance.

Challenges and Risks Associated with ESG Commitments

Gilead Sciences faces multiple risks related to its environmental, social, and governance (ESG) initiatives, which could impact its reputation and stock price. The company's ESG commitments require adherence to evolving and often unharmonized standards, leading to operational, financial, and reputational risks. These include difficulties in meeting set goals due to factors like availability and cost of sustainable resources, changing regulatory environments, and recruitment challenges. Furthermore, inconsistencies in ESG reporting and evolving disclosure requirements, such as those recently introduced by the SEC and the State of California, could necessitate costly upgrades to processes and controls. Failure to meet these ESG expectations or to accurately report progress can lead to decreased investor confidence, potential legal actions, and harm to Gilead's overall market perception and operational success.

Dependency on Third-Party Relationships: Risks and Uncertainties

Gilead Sciences heavily relies on collaborative relationships with third parties for various aspects of its business, including sales, marketing, technology, development, and logistics. However, this dependence poses several risks, such as lack of control over partner resources, disputes over technology ownership, disagreements leading to delays or termination of projects, inadequate contractual protections, and potential competition from partners' alternative ventures. Moreover, distributors and partners may face financial challenges, impacting Gilead's revenue stream. The success of these collaborations is uncertain, and any failures could result in delayed product development, reduced revenues, or other adverse outcomes.

Talent Acquisition and Retention Challenges

Gilead Sciences faces significant challenges in attracting, developing, and retaining highly qualified personnel due to the specialized nature of its business. The company's success hinges on its ability to maintain a strong workplace culture that appeals to employees, particularly those with expertise in scientific, technical, regulatory, and managerial roles. However, intense competition within the biopharmaceutical industry and potential changes to immigration and work authorization laws may hinder recruitment efforts. Moreover, internal adjustments in response to various factors could impact workplace culture and employee retention.

Enterprise Resource Planning Implementation Risks

Gilead Sciences faces significant risks associated with the implementation or upgrade of enterprise resource planning (ERP) and other information systems. These initiatives require substantial resources and entail risks such as operational disruptions, cost overruns, and data migration issues. Failure to successfully implement these systems could lead to productivity losses, operational challenges, and reputational harm, impacting the company's financial performance and ability to manage its business effectively. Additionally, ineffective implementation could negatively affect internal controls over financial reporting, further compounding the risks.

Cybersecurity Risks and Data Protection Laws

Gilead Sciences faces significant risks related to cybersecurity incidents and breaches, including service interruptions and unauthorized access to sensitive data. Malicious attacks, such as ransomware and data breaches, pose threats to our information systems and could result in financial losses, reputational harm, and legal liabilities. Compliance with data protection laws, such as the GDPR and California Consumer Privacy Act, is crucial, as non-compliance may lead to substantial fines and legal action. Regulatory changes and evolving cybersecurity threats further increase the complexity of managing these risks, potentially impacting our ability to operate effectively and offer services in certain jurisdictions.

Strategic and Financial Risks

Risks of Strategic Transactions

Gilead Sciences faces risks associated with business acquisitions, licensing arrangements, and other strategic transactions. Challenges include identifying suitable opportunities, securing timely approvals, and ensuring the success of acquired products and technologies. Impairment charges may arise from unsuccessful acquisitions, impacting financial results. Option deals present uncertainties regarding exercise decisions, while equity investments may fluctuate in value. Financing these transactions with cash and debt could lead to credit rating downgrades and reduced financial flexibility. Failure to manage these risks effectively could adversely affect Gilead's financial condition and stock price.

Tax Rate Volatility Risk

Gilead Sciences faces potential earnings reduction due to changes in its effective income tax rate. Factors influencing this rate include shifts in earnings mix across jurisdictions, adjustments to deferred tax assets and liabilities, and alterations in tax laws and regulations. Uncertainties in tax laws and interpretations, coupled with tax authority examinations, may lead to disputes and adverse impacts on financial results.

Field Research

I interviewed Andrew Ang for this research report. He is a Senior Director, Investor Relations at Gilead Sciences. He was at first apprehensive to give this interview but when I requested that it is only for educational purposes, he agreed to answer few of my questions although he added that the answer are his views only based on his understanding of the company and shouldn't be considered as an official view of the company. I also attended the Q1 2024 earnings call of Gilead Sciences which was held on 25th April 2024.

Q1. Considering the projected stabilization in Veklury sales and the emphasis on growth in the HIV and oncology sectors, how is Gilead planning to enhance its commercial strategy to maximize the potential of its core areas in 2024 and beyond?

AA: In 2024, we anticipate leveraging our strong market presence in HIV treatments and our expanding portfolio in oncology to drive revenue growth. Our strategy includes intensifying our outreach and education efforts, particularly in emerging markets, enhancing patient access programs, and optimizing pricing strategies to adapt to global market dynamics. Additionally, we expect to expand our cell therapy offerings, with a particular focus on integrating novel treatments like Trodelvy into new therapeutic areas, which will further diversify and strengthen our market positioning.

Q2. With significant investments in R&D and a robust pipeline, could you discuss any upcoming therapies from Gilead that you expect to significantly impact the company's market share or financial performance in the next two years?

AA: Our R&D efforts are currently focused on delivering innovative therapies in areas of unmet medical needs, particularly in virology and oncology. I can't pinpoint at one clinical trial. We have several promising candidates in late-stage development expected to complete clinical trials within the next two years. Notably, our advancements in cell therapies and potential new HIV treatments are poised to both address critical healthcare challenges and contribute substantially to our financial growth. These developments are expected to enhance our competitive edge and solidify our market share in these key therapeutic areas.

Q3. Given the impact of recent acquisitions and R&D investments on Gilead's financial structure, how is the company planning to balance capital allocation between aggressive growth strategies and maintaining financial health over the next few years?

AA: Our financial strategy is carefully designed to balance growth with sustainability. While we are committed to investing in acquisitions and R&D to fuel our pipeline and drive future growth, we are equally focused on maintaining a robust financial position. We plan to manage our capital allocation by prioritizing investments that offer the best potential for high returns and by maintaining disciplined cost management across our operations. Our approach includes leveraging partnerships and collaborations to share costs and risks. Additionally, we are committed to sustaining a strong balance sheet with a healthy cash reserve and manageable debt levels, ensuring we can respond flexibly to opportunities and challenges in the market.

Q4. As Gilead continues to expand its therapy offerings into new therapeutic areas and global markets, what strategic initiatives are in place to ensure the integration of these new assets aligns with the company's long-term growth objectives?

AA: Our strategic expansion into new therapeutic areas and global markets is guided by a clear integration roadmap that aligns with our long-term growth objectives. We are focusing on three key initiatives: firstly, ensuring that new assets complement and enhance our existing portfolio, particularly in areas where we can leverage our market presence and expertise. Secondly, we are investing in global market access capabilities to ensure that these new therapies are successfully introduced and adopted in diverse healthcare systems. This includes regulatory strategy, market research, and building local partnerships. Lastly, we emphasize the importance of continuous innovation and patient outcomes, ensuring that our expanded offerings meet high standards of efficacy and safety. By adhering to these strategic pillars, we aim to ensure that our growth is not only sustainable but also maximizes value for our stakeholders.

Q5. Following the acquisition of CymaBay, how does Gilead plan to integrate and maximize the value of seladelpar in its portfolio, particularly considering the competitive landscape in liver diseases?

AA: The acquisition of CymaBay is a strategic addition to our liver disease portfolio. Seladelpar has shown promising results in PBC, and we plan to maximize its value by leveraging our existing commercial infrastructure and expertise in liver diseases. We aim to position seladelpar as a leading treatment by highlighting its clinical benefits and

differentiating it from competitors. Furthermore, we are exploring potential synergies with our existing products to enhance treatment regimens and improve patient outcomes in liver diseases.

Q6. Given the ongoing discussions about the impact of Medicare Part D redesign on the HIV franchise, how is Gilead adjusting its commercial strategy to mitigate potential revenue impacts in 2025 and beyond?

AA: We acknowledge the challenges posed by the Medicare Part D redesign and its potential impact on our HIV franchise. To address this, we are actively engaging with policymakers to advocate for favorable terms and enhance our patient assistance programs to ensure continued access to our therapies. Additionally, we are diversifying our revenue streams through the expansion of our portfolio into other therapeutic areas and increasing our global market penetration. Our goal is to maintain a stable revenue trajectory for our HIV treatments while exploring new growth avenues.

Q7. With significant advancements expected in the cell therapy space, particularly with anito-cel, could you elaborate on the strategic priorities for Kite and how Gilead plans to reinforce its leadership in this market?

AA: Our strategy for Kite is centered around innovation and expansion. With anito-cel, we aim to enhance our offerings in hematological malignancies and explore its potential in earlier treatment lines. We're also investing in next-generation CAR T therapies that promise better efficacy and safety profiles. To support this, we are expanding our manufacturing capabilities and enhancing our commercial execution to ensure we can meet global demand efficiently. By focusing on these areas, we aim to reinforce our leadership and deliver sustained growth in the cell therapy market.

Q8. How does Gilead view the evolving competitive landscape in oncology, particularly with recent advancements by competitors in ADCs and checkpoint inhibitors?

AA: Oncology remains a key focus area for Gilead, and we are keenly aware of the competitive advancements in ADCs and checkpoint inhibitors. Our approach includes accelerating our own ADC programs, such as Trodelvy, and expanding its indications. Additionally, we are investing in novel oncology targets and combination therapies that could provide competitive advantages. Our R&D strategy is focused on developing therapies that offer significant clinical benefits and address unmet medical needs, positioning us favorably in the evolving oncology landscape.

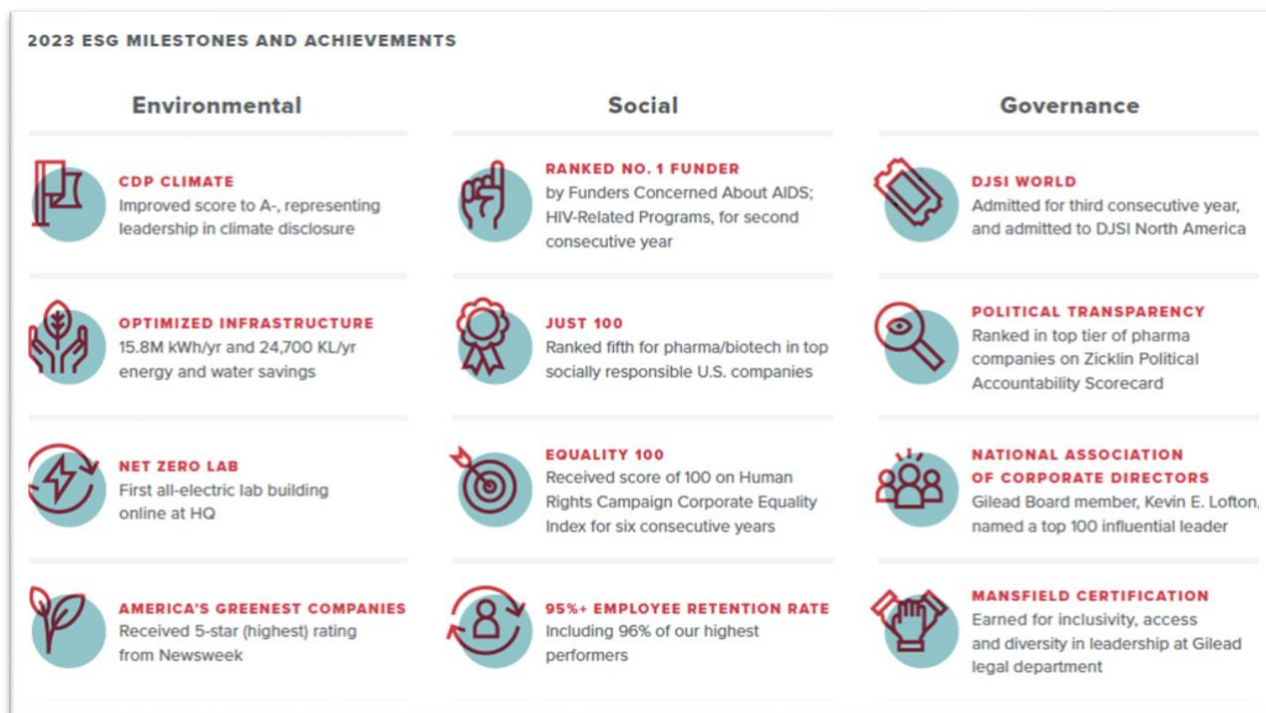
Q9. With the anticipated PDUFA date for seladelpar in August, how is Gilead preparing for the potential approval and subsequent launch, considering the existing treatments for PBC?

AA: We are fully prepared for the potential approval and launch of seladelpar, with detailed commercial and operational plans in place. Our preparation includes engaging with key stakeholders, including healthcare providers and patient advocacy groups, to raise awareness about the benefits of seladelpar. We are also enhancing our supply chain readiness to ensure seamless availability upon approval. Given seladelpar's promising clinical data, particularly in improving pruritus symptoms in PBC patients, we are optimistic about its potential to become a preferred treatment option and contribute significantly to our growth.

My analysis of Gilead Sciences based on the interview:

Gilead Sciences' strategic emphasis on diversifying its therapeutic portfolio, especially with the integration of seladelpar post-CymaBay acquisition and the expansion of Trodelvy's indications, coupled with a commitment to financial discipline, portrays a company poised for sustainable growth. These strategic initiatives, if executed effectively, have the potential to mitigate risks associated with patent cliffs and single-market dependencies, thus providing a broader, more resilient revenue base. The focus on emerging markets and investment in a robust R&D pipeline signals an aggressive pursuit of growth, while maintaining a strong balance sheet reflects a conservative approach to financial health. These factors collectively suggest a favorable long-term outlook for Gilead, which could translate into stock price appreciation. However, execution risks, competitive market dynamics, regulatory challenges, and global economic factors remain as potential variables that could impact investor sentiment and, consequently, the stock price. The true test for Gilead will be its ability to navigate these complexities while delivering on its pipeline promise and financial projections.

ESG at Gilead



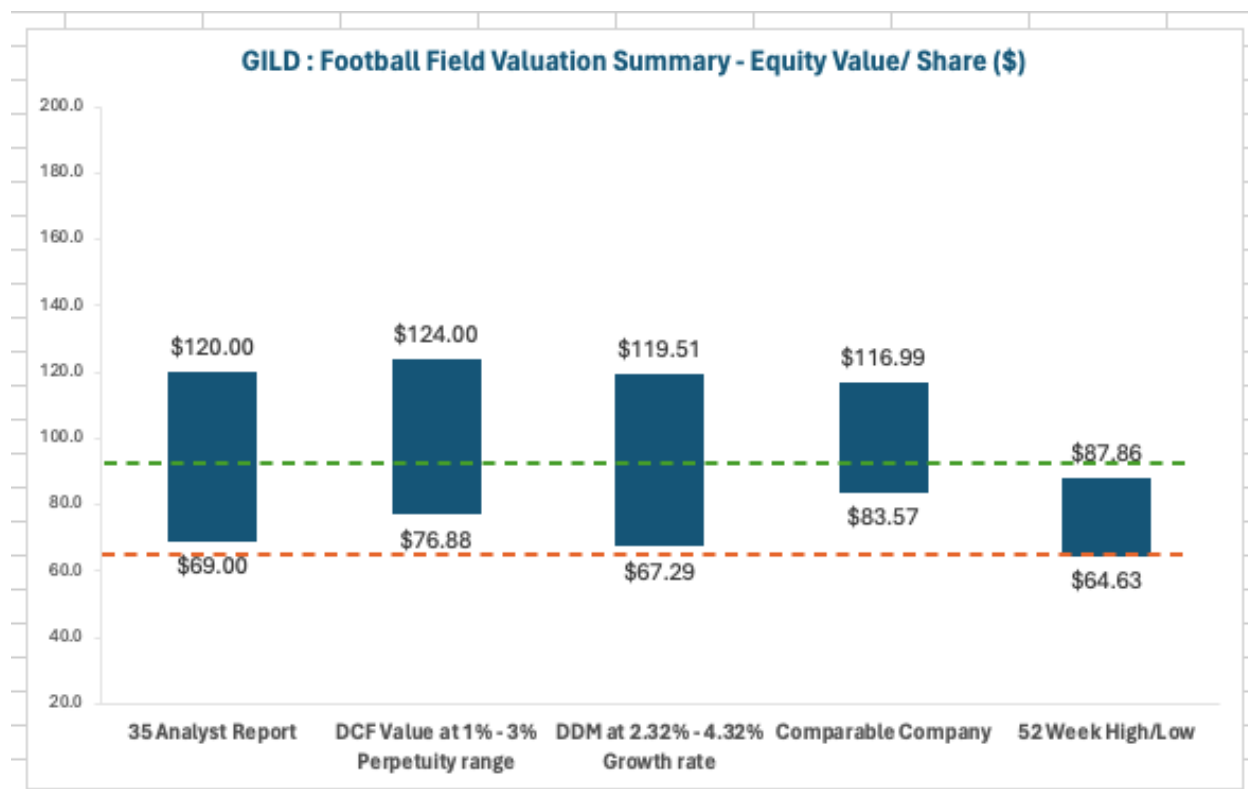
Source: Gilead

Gilead Sciences demonstrates a profound commitment to environmental, social, and governance initiatives that are likely to have a positive long-term impact on its stock price. The company's enhanced CDP climate score to A- signifies industry leadership in climate disclosure, which may bolster investor confidence and potentially lead to a valuation premium due to reduced regulatory and environmental risks. Gilead's investments in green infrastructure, like the Net Zero Lab and optimized energy and water usage, signal a long-term cost-saving potential through increased operational efficiency. The company's social initiatives, notably being ranked as the number one funder by Funders Concerned About AIDS, and its high employee retention rates, suggest a strong company culture and brand reputation that could lead to sustained operational excellence. This is further reinforced by the equality and diversity scores and initiatives, such as the perfect score on the Human Rights Campaign Corporate Equality Index for six consecutive years. These actions can foster innovation and creativity through a diverse workforce and increase appeal to a broad customer base.

Governance-wise, Gilead's continuous admission to the DJSI World and North America index for three consecutive years, political transparency, and inclusion efforts reflect a governance structure that is conducive to long-term sustainability and ethical operations. The Mansfield Certification for the legal department underscores a commitment to inclusivity and diversity at the leadership level, which may attract socially conscious investors. Moreover, the company's focus on innovation for unmet needs, particularly in HIV treatment and health equity, aligns with the growing global priority on healthcare accessibility and could secure Gilead's position as a leader in the market with a robust pipeline that caters to prevalent medical needs. The commitment to reducing the carbon footprint, water neutrality, waste reduction, and sustainable product packaging reflects an operational pivot towards sustainability which may reduce long-term costs and mitigate potential environmental liabilities.

From an investment perspective, Gilead's robust ESG performance and targets likely enhance its risk profile, making the stock more attractive to a growing cohort of ESG-focused investors and funds. As regulatory pressure and consumer preferences increasingly favor companies with strong ESG credentials, Gilead's early and ambitious ESG strategies could afford it competitive advantages, potential for premium pricing, and lower capital costs. Collectively, these factors contribute to a favorable long-term outlook for Gilead's stock performance as the market increasingly recognizes the intrinsic value of strong ESG practices.

Football Field Valuation:



The orange line represents the stock price of Gilead at \$65.42 as of 26th April 2024.
The green line represents a Target Price recommendation of \$93.61.

	Analyst Range	DCF	DDM	Comparable Company	52 Week High/Low	
Blended Valuation	High	120.0	124.0	119.5	117.0	87.9
	Base	94.5	94.69	86.10	100.1	76.2
	Low	69.0	76.9	67.3	83.6	64.6
\$93.62	<i>Weighting</i>	0%	33.33%	33.33%	33.33%	0%

The football field valuation of Gilead Sciences coalesces various valuation methodologies into a coherent visual that benchmarks the company's potential market value, with the current stock price of \$65.42 and a target price recommendation of \$93.61. The 35 Analyst Report indicates a bullish outlook at upper target of \$120.00 per share, suggesting strong future performance expectations possibly tied to Gilead's R&D pipeline and market position. The DCF model values the stock at \$76.88 at lower end, implying that Gilead's future cash flows justify a premium above the current market price. The Dividend Discount Model, at \$67.29 at lower end, is in near alignment with the market price, reflecting a more conservative view of growth, based primarily on dividend projections. The Comparable Company Analysis provides a valuation of \$83.57 at lower end, inferring potential undervaluation relative to industry peers. The historical 52-week price range suggests the market has previously recognized higher valuations, up to \$87.86, while the current price hovers just above the year's low. Collectively, these valuations point towards a consensus that Gilead's intrinsic value exceeds its current trading price, with the aggregated data supporting a target price that suggests approximately a 43% upside potential, reinforcing a strong buy thesis for long-term investment considerations.

Gilead Sciences through the lens of Graham and Buffet

Benjamin Graham View:

Adequate Size of the Enterprise:

Gilead Sciences is a large-cap biopharmaceutical company, which should satisfy Graham's preference for size and established market presence.

Sufficiently Strong Financial Condition:

The liquidity ratios indicate a strong financial condition with good current and quick ratios, suggesting the company can cover short-term liabilities effectively.

Earnings Stability:

Gilead's past revenue and net income growth demonstrate some volatility year-over-year, with a significant dip in 2020, which may not fully align with Graham's preference for earnings stability. However, a single year of downturn does not necessarily break the trend of overall stability.

Dividend Record:

Gilead has a history of paying dividends, which would meet Graham's criterion for a company that rewards shareholders and demonstrates financial health.

Earnings Growth:

There is evidence of earnings growth, particularly the strong recovery in 2021. Graham would look for consistent earnings growth over a longer period, typically a decade.

Moderate Price-to-Earnings Ratio (P/E):

A P/E of 17.35 might be considered moderate depending on the industry average and market conditions. Graham typically favored a P/E below 15, but the forward P/E of 10.16 is particularly attractive as it indicates that earnings are expected to increase, or the stock price is anticipated to grow into its earnings, making it more aligned with Graham's valuation approach.

Margin of Safety:

The football field analysis indicates that the current market price may be below the various valuations, suggesting there might be a margin of safety present, which would be attractive from a Graham standpoint.

Conservative Valuation:

The current stock price compared to analyst target prices and intrinsic valuation metrics suggests that Gilead might be conservatively valued, which aligns with Graham's principle.

Given the moderate to low P/E ratio and forward PE ratio, Gilead Sciences may indeed fit the profile of a value stock according to Benjamin Graham's principles, especially when considering the company's strong financials, steady dividend record, and the potential for a margin of safety as indicated by the football field analysis. However, a full application of Graham's principles would also consider the quality of earnings, competitive advantages, and sector-specific risks, among other qualitative factors.

Warren Buffet View:

Business Understandability (Economic Moat):

According to Morningstar, Gilead has a wide economic moat, which implies a strong competitive advantage. This is due to its portfolio of high-margin pharmaceuticals, patents, or a robust research and development pipeline that creates barriers to entry for competitors.

Long-Term Prospects and Sustainability:

Gilead Sciences operates in the biopharmaceutical sector with a focus on areas such as HIV and hepatitis C treatments, which are continuously in demand. The company's long-term growth is supported by ongoing innovation, as evidenced by its investment in research and development and a pipeline of potential new products.

Management Quality:

Assessing management quality requires a qualitative analysis, including their history of capital allocation decisions, transparency with shareholders, and overall track record. Gilead's consistent investment in R&D and the successful commercialization of several products could reflect positively on management's capability and strategic vision.

Financial Health and Earnings Performance:

Gilead has demonstrated financial resilience with strong cash flows, as indicated in earlier discussions. While there has been some year-over-year earnings volatility, its strong balance sheet, and solid profitability metrics like ROE suggest robust financial health.

Value Creation:

Gilead's ability to reinvest in its business and generate returns can be inferred from its R&D successes and its history of bringing new therapies to market. Apart from the dip in 2020, Gilead Sciences has consistently generated a double-digit ROIC, suggesting it has effectively created value for shareholders. These figures indicate that, overall, Gilead Sciences has been successful in its capital allocation and business operations to generate a return that likely exceeds its weighted average cost of capital.

Reasonable Valuation:

With a P/E of 17.53 and a forward P/E of 10.16, Gilead appears to be reasonably valued, especially considering its economic moat and strong cash flows. Buffett's approach would favor the lower forward P/E, suggesting that Gilead may be undervalued compared to its future earnings potential.

Dividends:

Gilead Sciences has a track record of paying dividends, indicating a commitment to returning value to shareholders. For Buffett, this would be a sign of a shareholder-friendly company, though the sustainability and potential for dividend growth would be key factors for long-term investment.

In summary, Gilead Sciences seems to align well with several of Buffett's value investing principles. The company's wide economic moat, strong financials, and reasonable valuation provide compelling reasons for a value investor to consider it as a candidate for investment.

Appendix

Operating Assumptions

OPERATING ASSUMPTIONS										
	Historical					Projected				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	\$22,119.0	\$24,355.0	\$27,008.0	\$26,982.0	\$26,934.0	\$27,171.7	\$27,420.2	\$27,770.8	\$28,162.5	\$28,606.4
<i>Growth YoY%</i>	2.04%	10.11%	10.89%	-0.10%	-0.18%					
<i>Projection basis</i>						0.88%	0.91%	1.28%	1.41%	1.58%
Royalty, contract and other revenues	\$330.0	\$334.0	\$297.0	\$299.0	\$182.0	\$184.1	\$186.0	\$187.9	\$189.8	\$191.6
<i>As % of Total Revenue</i>	1.47%	1.35%	1.09%	1.10%	0.67%					
<i>Projection basis</i>						1.14%	1.07%	1.01%	1.00%	0.98%
Total Revenue	\$22,449.0	\$24,689.0	\$27,305.0	\$27,281.0	\$27,116.0	\$27,355.7	\$27,606.2	\$27,958.7	\$28,352.3	\$28,798.1
<i>Growth YoY%</i>		10.0%	10.6%	(0.1%)	(0.6%)	0.9%	0.9%	1.3%	1.4%	1.6%
Cost of Goods Sold: COGS (Excl. Deprn.)	4,675.0	4,572.0	6,601.0	5,657.0	6,498.0	5,920.8	6,020.2	6,281.0	6,272.4	6,450.9
<i>As % of Total Revenue</i>	20.8%	18.5%	24.2%	20.7%	24.0%					
<i>Projection basis</i>						21.64%	21.81%	22.47%	22.12%	22.40%
Depreciation	255.0	288.0	329.0	323.0	354.0	328.1	334.6	341.4	347.1	354.9
<i>As % of Total Revenue</i>	1.1%	1.2%	1.2%	1.2%	1.3%					
<i>Projection basis</i>						1.20%	1.21%	1.22%	1.22%	1.23%
Total COGS	4,930.0	4,860.0	6,930.0	5,980.0	6,852.0	6,248.9	6,354.8	6,622.4	6,619.6	6,805.9
<i>As % of Total Revenue</i>	22.0%	19.7%	25.4%	21.9%	25.3%	22.8%	23.0%	23.7%	23.3%	23.6%
R&D Expense:										
Inhouse R&D expenses	4,055.0	5,039.0	4,601.0	4,977.0	5,718.0	5,471.1	5,521.2	5,591.7	5,670.5	5,759.6
<i>As % of Total Revenue</i>	18.06%	20.41%	16.85%	18.24%	21.09%					
<i>Projection basis</i>						20.00%	20.00%	20.00%	20.00%	20.00%
Acquired in-process R&D expenses	4,251.0	5,856.0	939.0	944.0	1,155.0	1,017.5	1,052.7	1,099.0	1,114.5	1,132.0
<i>As % of Total Revenue</i>	18.94%	23.72%	3.44%	3.46%	4.26%					
<i>Projection basis</i>						3.72%	3.81%	3.93%	3.93%	3.93%
In-process R&D impairments	800.0	0.0	0.0	2,700.0	50.0	0.0	0.0	0.0	0.0	0.0
<i>As % of Total Revenue</i>	3.56%	0.00%	0.00%	9.90%	0.18%					
<i>Projection basis</i>						0.00%	0.00%	0.00%	0.00%	0.00%
Total R&D Expense	9,106.0	10,895.0	5,540.0	8,621.0	6,923.0	6,488.7	6,573.9	6,690.7	6,784.9	6,891.6
<i>Growth YoY%</i>		19.6%	(49.2%)	55.6%	(19.7%)	(6.3%)	1.3%	1.8%	1.4%	1.6%
SG&A Expense:										
SG&A Expense (Excl. Amt.)	4,381.0	5,151.0	5,246.0	5,673.0	6,090.0	5,626.8	5,736.5	5,805.1	5,974.7	6,084.7
<i>As % of Total Revenue</i>	19.5%	20.9%	19.2%	20.8%	22.5%					
<i>Projection basis</i>						20.57%	20.78%	20.76%	21.07%	21.13%
Amortization	1,149.0	1,192.0	1,721.0	1,780.0	2,339.0	2,384.0	2,378.0	2,370.0	2,370.0	2,309.0
<i>As % of Total Revenue</i>	5.1%	4.8%	6.3%	6.5%	8.6%	8.7%	8.6%	8.5%	8.4%	8.0%
<i>Projection basis</i>						6.28%	6.51%	6.85%	6.96%	7.05%
Total SG&A Expense	5,530.0	6,343.0	6,967.0	7,453.0	8,429.0	8,010.8	8,114.5	8,175.1	8,344.7	8,393.7
<i>Growth YoY%</i>		14.7%	9.8%	7.0%	13.1%	(5.0%)	1.3%	0.7%	2.1%	0.6%
EBITDA	4,287.0	4,071.0	9,918.0	7,330.0	7,605.0	9,319.5	9,275.6	9,181.9	9,320.3	9,370.9
<i>Growth YoY%</i>		(5.0%)	143.6%	(26.1%)	3.8%	22.5%	33.6%	32.8%	32.9%	32.5%
<i>Margin</i>	19.1%	16.5%	36.3%	26.9%	28.0%	34.1%	33.6%	32.8%	32.9%	32.5%
Operating Profit (EBIT)	2,883.0	2,591.0	7,868.0	5,227.0	4,912.0	6,607.4	6,563.0	6,470.5	6,603.1	6,706.9
<i>Margin</i>	12.8%	10.5%	28.8%	19.2%	18.1%	24.2%	23.8%	23.1%	23.3%	23.3%
Total Capital Expenditures	825.0	650.0	579.0	728.0	585.0	725.2	675.2	673.4	699.2	698.6
<i>% of Sales</i>	3.7%	2.6%	2.1%	2.7%	2.2%	2.7%	2.4%	2.4%	2.5%	2.4%

Income Statement

INCOME STATEMENTS										
	Historical					Projected				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	22,449.0	24,689.0	27,305.0	27,281.0	27,116.0	27,355.7	27,606.2	27,958.7	28,352.3	28,798.1
Less: COGS	(4,675.0)	(4,572.0)	(6,601.0)	(5,657.0)	(6,498.0)	(6,248.9)	(6,354.8)	(6,622.4)	(6,619.6)	(6,805.9)
Gross Profit	17,774.0	20,117.0	20,704.0	21,624.0	20,618.0	21,106.9	21,251.4	21,336.3	21,732.7	21,992.2
Less: Total R&D	(9,106.0)	(10,895.0)	(5,540.0)	(8,621.0)	(6,923.0)	(6,488.7)	(6,573.9)	(6,690.7)	(6,784.9)	(6,891.6)
Less: SG&A	(4,381.0)	(5,151.0)	(5,246.0)	(5,673.0)	(6,090.0)	(8,010.8)	(8,114.5)	(8,175.1)	(8,344.7)	(8,393.7)
EBIT	4,287.0	4,071.0	9,918.0	7,330.0	7,605.0	6,607.4	6,563.0	6,470.5	6,603.1	6,706.9
Interest & Other Expense / (Income):										
Interest Expense	995.0	984.0	1,001.0	935.0	944.0	931.4	945.7	967.3	1,000.6	1,051.1
Less: Interest Income	(1,868.0)	1,418.0	639.0	581.0	(198.0)	(265.9)	41.3	(146.1)	(123.2)	(77.2)
Pretax Income	5,160.0	1,669.0	8,278.0	5,814.0	6,859.0	5,941.8	5,576.0	5,649.3	5,725.7	5,733.0
Less: Income Taxes	204.0	(1,580.0)	(2,077.0)	(1,248.0)	(1,247)	(1,702.6)	(1,704.3)	(1,622.8)	(1,568.3)	(1,490.9)
Net Income	5,364.0	89.0	6,201.0	4,566.0	5,613	4,239.2	3,871.7	4,026.5	4,157.4	4,242.2
Net loss attributable to noncontrolling interest	22.0	34.0	24.0	26.0	52.0	48.0	28.0	28.0	28.0	28.0
Net income attributable to Gilead	5,386.0	123.0	6,225.0	4,592.0	5,665	4,287.2	3,899.7	4,054.5	4,185.4	4,270.2
Shares Outstanding	1,277	1,263	1,262	1,262	1,258	1,249	1,237	1,225	1,213	1,201
Earnings per Share (EPS)	4.22	0.10	4.93	3.64	4.50	3.43	3.15	3.31	3.45	3.56
						(0.237)	(0.082)	0.050	0.042	0.030
EBITDA Reconciliation:										
EBIT	4,287.0	4,071.0	9,918.0	7,330.0	7,605.0	6,607.4	6,563.0	6,470.5	6,603.1	6,706.9
Plus: Depreciation	255.0	288.0	329.0	323.0	354.0	328.1	334.6	341.4	347.1	354.9
Plus: Amortization	1,149.0	1,192.0	1,721.0	1,780.0	2,339.0	2,384.0	2,378.0	2,370.0	2,370.0	2,309.0
EBITDA	5,691.0	5,551.0	11,968.0	9,433.0	10,298.0	9,319.5	9,275.6	9,181.9	9,320.3	9,370.9

Working Capital

WORKING CAPITAL ASSUMPTIONS										
	Historical					Projected				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Sales	22,449.0	24,689.0	27,305.0	27,281.0	27,116.0	\$27,355.7	\$27,606.2	\$27,958.7	\$28,352.3	\$28,798.1
Total COGS	4,930.0	4,860.0	6,930.0	5,980.0	6,852.0	6248.9	6354.8	6622.4	6619.6	6805.9
Current Assets										
Cash & Cash Equivalents	11,631.0	5,997.0	5,338.0	5,412.0	6,084.5	5402.4	6024.6	6293.9	7144.4	8301.7
Short-Term marketable debt securities	12,721.0	1,411.0	1,182.0	973.0	1,179.0	1228.2	1154.8	1159.4	1216.9	1236.0
Accounts Receivable	3,582.0	4,892.0	4,493.0	4,777.0	4,660.0	4755.6	4878.0	4820.3	4932.8	5003.9
Inventory	922.0	1,683.0	1,618.0	1,507.0	1,787.0	1599.2	1713.9	1684.6	1711.6	1768.7
Prepaid and Other current assets	1,440.0	2,013.0	2,141.0	1,774.0	2,374.0	2060.8	2141.4	2146.6	2167.6	2267.5
Current Assets	30296.0	15996.0	14772.0	14443.0	16084.5	15046.2	15912.7	16104.9	17173.2	18577.7
Current Liabilities										
Accounts Payable	713.0	844.0	705.0	905.0	550.0	814.4	810.0	782.9	804.4	786.5
Accrued Rebates	3473.0	3460.0	3244.0	3479.0	3802.0	3775.8	3712.4	3699.5	3817.8	3918.4
Other current liabilities	3074.0	4336.0	6145.0	4580.0	5130.0	4895.4	5181.5	5298.0	5181.0	5349.6
Current portion of long-term debt and other obligations, net	2499.0	2757.0	1516.0	2273.0	1798.0	1870.6	2006.1	1932.5	1986.3	2033.6
Current Liabilities	9759.0	11397.0	11610.0	11237.0	11280.0	11356.2	11710.0	11712.9	11789.5	12088.1
Net Cash Impact										
Net Working Capital	20537.0	4599.0	3162.0	3206.0	4804.5	3690.0	4202.7	4392.0	5383.7	6489.7
Cash (Used by) / Generated from Work. Cap.					-1598.5	1114.5	-512.7	-189.3	-991.7	-1106.0
Ratios										
Cash % of Sales	51.8%	24.3%	19.5%	19.8%	22.4%	21.5%	20.8%	21.2%	21.5%	21.5%
ST marketable Securities % of Sales	56.7%	5.7%	4.3%	3.6%	4.3%	4.5%	4.2%	4.1%	4.3%	4.3%
A/R % of Sales	16.0%	19.8%	16.5%	17.5%	17.2%	17.4%	17.7%	17.2%	17.4%	17.4%
Days Receivable	58.2 d	72.3 d	60.1 d	63.9 d	62.7 d	63.5 d	64.5 d	62.9 d	63.5 d	63.4 d
Inventory % of COGS	18.7%	34.6%	23.3%	25.2%	26.1%	25.6%	27.0%	25.4%	25.9%	26.0%
Inventory Turns	5.3x	2.9x	4.3x	4.0x	3.8x	3.9x	3.7x	3.9x	3.9x	3.8x
Prepaid % of Sales	6.4%	8.2%	7.8%	6.5%	8.8%	7.5%	7.8%	7.7%	7.6%	7.9%
Accts Payable % of COGS	14.5%	17.4%	10.2%	15.1%	8.0%	13.0%	12.7%	11.8%	12.2%	11.6%
Accrued % of COGS	70.4%	71.2%	46.8%	58.2%	55.5%	60.4%	58.4%	55.9%	57.7%	57.6%
Other current liabilities % of COGS	62.4%	89.2%	88.7%	76.6%	74.9%	78.3%	81.3%	80.0%	78.3%	78.6%

Balance Sheet

	BALANCE SHEETS									
	Historical					Projected				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ASSETS:										
Cash/ Cash Equivalents	11,631.0	5,997.0	5,338.0	5,412.0	6,084.5	5,402.4	6,024.6	6,293.9	7,144.4	8,301.7
Total Cash	11,631	5,997	5,338	5,412	6,085	5,402	6,025	6,294	7,144	8,302
Short-Term marketable debt securities	12,721.0	1,411.0	1,182.0	973.0	1,179.0	1,228.2	1,154.8	1,159.4	1,216.9	1,236.0
Accounts Receivable	3,582.0	4,892.0	4,493.0	4,777.0	4,660.0	4,755.6	4,878.0	4,820.3	4,932.8	5,003.9
Inventory	922.0	1,683.0	1,618.0	1,507.0	1,787.0	1,599.2	1,713.9	1,684.6	1,711.6	1,768.7
Prepaid Expenses & Other current assets	1,440.0	2,013.0	2,141.0	1,774.0	2,374.0	2,060.8	2,141.4	2,146.6	2,167.6	2,267.5
Current Assets	30,296.0	15,996.0	14,772.0	14,443.0	16,084.5	15,046.2	15,912.7	16,104.9	17,173.2	18,577.7
PP&E - Gross	5,924.0	6,635.0	7,014.0	7,661.0	7,766.0	8,491.2	9,166.4	9,839.9	10,539.1	11,237.7
Less: Accum. Depn.	(1,422.0)	(1,668.0)	(1,893.0)	(2,186.0)	(2,448.5)	(2,776.6)	(3,111.2)	(3,452.6)	(3,799.8)	(4,154.7)
Net PP&E	4,502.0	4,967.0	5,121.0	5,475.0	5,317.5	5,714.6	6,055.2	6,387.2	6,739.3	7,083.0
Long-term marketable debt securities	1,488.0	502.0	1,309.0	1,245.0	1,163.0	1,220.5	1,112.1	1,237.8	1,234.5	1,241.8
Intangibles, Net	13,786.0	33,126.0	33,455.0	28,894.0	26,454.0	27,870.2	30,586.3	29,919.6	29,618.1	30,204.2
Goodwill	4,117.0	8,108.0	8,332.0	8,314.0	8,314.0	8,314.0	8,314.0	8,314.0	8,314.0	8,314.0
Other long-term assets	7,438.0	5,708.0	4,963.0	4,800.0	4,792.0	6,001.6	5,438.5	5,316.8	5,439.3	5,616.4
Total Assets	\$61,627.0	\$68,407.0	\$67,952.0	\$63,171.0	\$62,125.0	\$64,167.1	\$67,418.8	\$67,280.3	\$68,518.3	\$71,037.1
LIABILITIES & EQUITY:										
Accounts Payable	713.0	844.0	705.0	905.0	550.0	814.4	810.0	782.9	804.4	786.5
Accrued Rebates	3,473.0	3,460.0	3,244.0	3,479.0	3,802.0	3,775.8	3,712.4	3,699.5	3,817.8	3,918.4
Other current liabilities	3,074.0	4,336.0	6,145.0	4,580.0	5,130.0	4,895.4	5,181.5	5,298.0	5,181.0	5,349.6
Current portion of long-term debt and other obligations, net	2,499.0	2,757.0	1,516.0	2,273.0	1,798.0	1,750.0	1,750.0	2,750.0	2,000.0	1,500.0
Current Liabilities	9,759.0	11,397.0	11,610.0	11,237.0	11,280.0	11,235.5	11,453.9	12,530.4	11,803.2	11,554.5
Long-term debt, net	22,094.0	28,645.0	25,179.0	22,957.0	23,189.0	23,382.9	23,902.8	24,463.3	25,565.1	26,988.4
Revolver	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term income taxes payable	6,115.0	5,016.0	4,767.0	3,916.0	2,039.0	2,057.0	2,075.9	2,102.4	2,132.0	2,165.5
Deferred tax liability	0.0	3,914.0	4,356.0	2,673.0	1,588.0	1,602.0	1,616.7	1,637.4	1,660.4	1,686.5
Other Liabilities	1,009.0	1,214.0	976.0	1,179.0	1,280.0	1,223.9	1,233.4	1,211.6	1,266.8	1,294.6
Total Liabilities	38,977.0	50,186.0	46,888.0	41,962.0	39,376.0	39,501.3	40,282.7	41,945.0	42,427.5	43,689.5
Stockholders' equity:										
Preferred stock, par value \$0.001 per share; 5 shares authorized; none outstanding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock, par value \$0.001 per share; 5,600 authorized; 1,246 and 1,247 shares issued and outstanding, respectively	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Additional paid-in capital	3,051.0	3,880.0	4,661.0	5,550.0	6,500.0	8,120.5	9,760.8	9,309.2	11,408.0	5,459.6
Accumulated other comprehensive income	85.0	(60.0)	83.0	2.0	28.0	29.3	29.3	29.3	29.3	8,621.8
Retained earnings	19,388.0	14,381.0	16,324.0	15,687.0	16,304.0	16,646.9	17,505.0	16,183.8	14,868.5	13,509.1
Total Gilead stockholders' equity	22,525.0	18,202.0	21,069.0	21,240.0	22,833.0	24,797.7	27,296.1	25,523.3	26,306.8	27,591.5
Noncontrolling interest	125.0	19.0	(5.0)	(31.0)	(84.0)	(132.0)	(160.0)	(188.0)	(216.0)	(244.0)
Total stockholders' equity	22,650.0	18,221.0	21,064.0	21,209.0	22,749.0	24,665.7	27,136.1	25,335.3	26,090.8	27,347.5
Liabilities & Equity	\$61,627.0	\$68,407.0	\$67,952.0	\$63,171.0	\$62,125.0	\$64,167.0	\$67,418.8	\$67,280.3	\$68,518.3	\$71,037.0
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow

	CASH FLOW STATEMENTS									
	Historical					Projected				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating Activities:										
Net Income	\$5,364.0	\$89.0	\$6,201.0	\$4,566.0	\$5,613	\$4,239	\$3,872	\$4,026	\$4,157	\$4,242
Depreciation	255.0	288.0	329.0	323.0	354.0	328	335	341	347	355
Amortization	1,149.0	1,192.0	1,721.0	1,780.0	2,339.0	2,384	2,378	2,370	2,370	2,309
Stock-based compensation expense	\$636.0	\$643.0	\$635.0	\$637.0	\$767	682.3	682.3	682.3	682.3	682.3
Deferred income taxes	(\$2,098.0)	(\$214.0)	(\$116.0)	(\$1,552.0)	(\$962)	14.0	14.7	20.6	23.1	26.1
Net loss from equity securities	(1,241.0)	1,662.0	610.0	657.0	167.0	0.0	0.0	0.0	0.0	0.0
Acquired in-process research and development expense	4,251.0	5,856.0	939.0	944.0	1,155.0	1,017.5	1,052.7	1,099.0	1,114.5	1,132.0
Other	\$1,626.0	\$290.0	\$576.0	\$3,480.0	\$876	2,104.7	2,105.2	2,104.0	2,109.7	2,056.5
Changes in operating assets and liabilities:										
Accounts receivable, net	(218)	(1,171)	313	(406)	157	(95.6)	(122.4)	57.6	(112.4)	(71.1)
Inventories	(95)	(195)	11	(310)	(842)	187.8	(114.7)	29.3	(27.0)	(57.1)
Prepaid expenses and other	(307)	(214)	(45)	(134)	39	313.2	(80.6)	(5.2)	(21.0)	(99.9)
Accounts payable	(61)	80	(118)	226	(347)	264.4	(108.5)	125.8	(3.4)	7.3
Income tax assets and liabilities, net	272	(778)	(361)	(364)	(1,768)	(501.0)	(501.0)	(501.0)	(501.0)	(501.0)
Accrued and other liabilities	(389)	640	689	(775)	458	(26.2)	(63.4)	(12.9)	118.3	100.6
Cash Flow from Operations	9,144.0	8,168.0	11,384.0	9,072.0	8,006	10,912	9,449	10,337	10,258	10,182
Investing Activities:										
Purchases of marketable debt securities	(30,455)	(20,315)	(3,517)	(1,770)	(1,930)	(1,221)	(1,112)	(1,238)	(1,234)	(1,242)
Proceeds from sales of marketable debt securities	7,523	23,239	730	412	510	510	510	510	510	510
Proceeds from maturities of marketable debt securities	22,398	9,479	2,180	1,590	1,334	1,228.2	1,154.8	1,159.4	1,216.9	1,236.0
Acquisitions, including in-process research and development, net of cash acquired	(4,251)	(25,742)	(1,584)	(1,797)	(1,152)	(4,300.0)	(1,500.0)	(1,500.0)	(1,500.0)	(1,500.0)
Purchases of equity securities	(1,773)	(455)	(380)	(172)	(442)	(442.0)	(442.0)	(442.0)	(442.0)	(442.0)
Capital expenditures	(825)	(650)	(579)	(728)	(585)	(725.2)	(675.2)	(673.4)	(699.2)	(698.6)
Other	(434)	(171)	19	(1)	(1)	(1.0)	0.0	(1.0)	0.0	(1.0)
Cash Flow from / (Used by) Investing	(7,817.0)	(14,615.0)	(3,131.0)	(2,466.0)	(2,265)	(4,950.5)	(2,064.5)	(2,184.8)	(2,148.8)	(2,137.4)
Cash Available for Debt Repayment	1,327.0	(6,447.0)	8,253.0	6,606.0	5,740.5	5,962.0	7,384.1	8,152.7	8,108.8	8,044.5
Financing Activities Capital Inflow / (Outflow):										
Proceeds from debt financing, net of issuance costs	-	8,184	-	-	1,980	-	0	-	-	0
Proceeds from issuances of common stock	209	256	169	309	232	237	237	237	237	237
Repurchases of common stock under repurchase program	(1,749)	(1,583)	(546)	(1,396)	(1,000)	(981)	(981)	(981)	(981)	(981)
Repayments of debt and other obligations	(2,750)	(2,500)	(4,750)	(1,500)	(2,250)	(1,750)	(1,750)	(2,750)	(2,000)	(1,500)
Payments of dividends	(3,222)	(3,449)	(3,605)	(3,709)	(3,809)	(3,928.4)	(4,046.3)	(4,167.7)	(4,292.7)	(4,421.5)
Other	(122)	(138)	(145)	(173)	(279)	(279.0)	(279.0)	(279.0)	(279.0)	(279.0)
Cash Flow from / (Used by) Financing	(7,634.0)	770.0	(8,877.0)	(6,469.0)	(5,125.0)	(6,701.1)	(6,818.9)	(7,940.3)	(7,315.4)	(6,944.1)
Effect of exchange rate changes on cash and cash equivalents	(2)	43	(35)	(63)	57	57.0	57.0	57.0	57.0	57.0
Net change in cash and cash equivalents	(6,309)	(5,634)	(659)	74	673	(682.1)	622.2	269.3	850.5	1,157.4
Cash and cash equivalents at beginning of period	17,940	11,631	5,997	5,338	5,412	6,084.5	5,402.4	6,024.6	6,293.9	7,144.4
Cash and cash equivalents at end of period	11,631.0	5,997.0	5,338.0	5,412.0	6,085	5,402.4	6,024.6	6,293.9	7,144.4	8,301.7

WACC

Weighted Average Cost of Capital	
Equity	82068.48
Debt	24987.00
Cost of Debt	4.42%
Tax Rate	22%
D/(D+E)	23%
After Tax Cost of Debt	3.47%
Risk free Rate	4.65%
Levered Beta	0.49
Equity Risk Premium	4.60%
E/(D+E)	76.66%
Cost of Equity	6.90%
WACC	6.10%

Gilead HIV Treatment and Prevention Products

Product	Description	Launched		% FY23 Revenue ¹	Patent Expiry ²	
		Treatment	Prevention		U.S.	EU
Sunlenca [®] BIC/lenacapavir 200mg/100mg tablets	First twice yearly subcutaneous treatment for HTE PWH	2022	-	0%	2037	
BIKTARVY [®] bictegravir/emtricitabine/tenofovir disoproxil fumarate 50mg/200mg/250mg tablets	Most prescribed HIV treatment in the United States ³	2018	-	48%	2033	
Descovy [®] emtricitabine/tenofovir disoproxil fumarate 200mg/250mg tablets	TAF-based HIV prevention option and HIV treatment backbone	2016	2019	8%	2031 ⁴	2026
Odefsey [®] emtricitabine/tenofovir disoproxil fumarate 200mg/250mg tablets	Smallest tablet size STR when launched	2016	-	5%	2032 ⁴	2026
Senvoya [®] bictegravir/emtricitabine/tenofovir disoproxil fumarate 50mg/200mg/250mg tablets	First approved TAF-based STR	2015	-	8%	2029 ⁴	2028
STRIBILD [®] dolutegravir 50mg tablets	First STR with an Integrase Inhibitor	2012	-	0%	2029 ⁴	2028
COMPLERA [®] bictegravir/emtricitabine/tenofovir disoproxil fumarate 50mg/200mg/250mg tablets	TAF-based STR	2011	-	1%	2025 ⁴	2026
ATRIPLA [®] zidovudine/tenofovir disoproxil fumarate/emtricitabine 300mg/300mg/200mg tablets	First approved STR	2006	-	0%	2020	2017
Truvada [®] emtricitabine/tenofovir disoproxil fumarate 200mg/250mg tablets	TDF-based treatment backbone; first medication approved for prevention	2004	2012	0%	2020	2017

5 Potential New Launches by 2030 in Treatment & PrEP

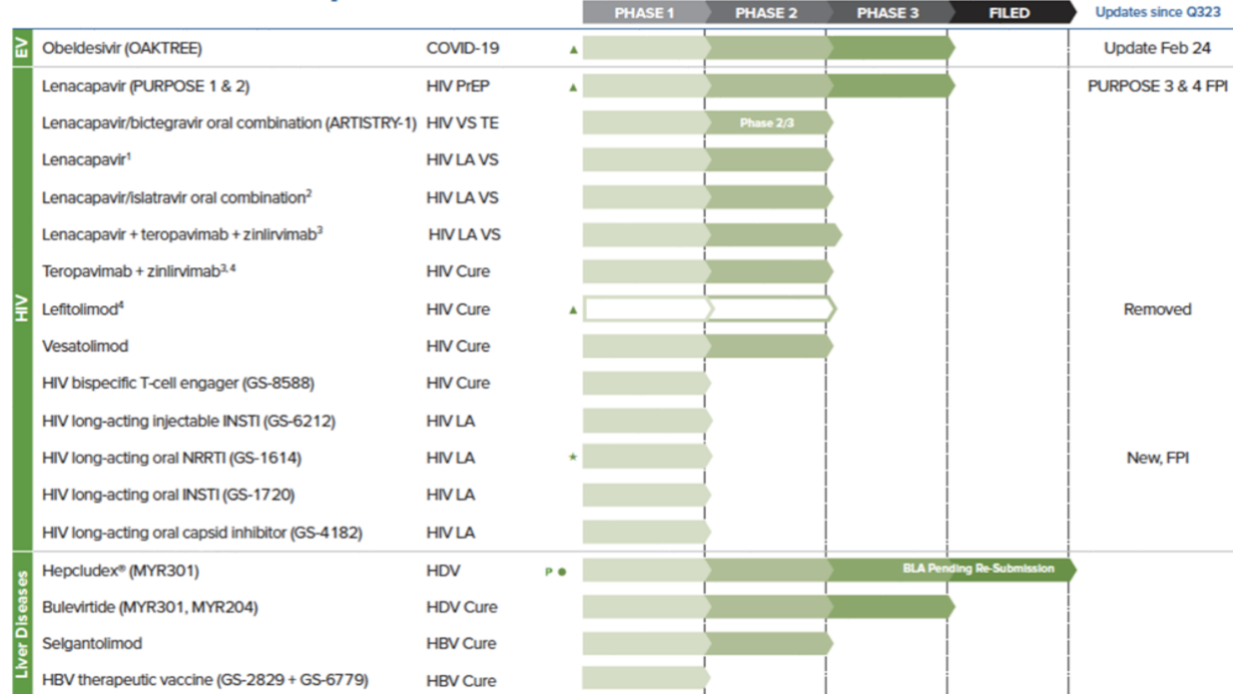
Through investment in innovation, Gilead has created an HIV development portfolio that positions us as an industry leader in both HIV treatment and prevention. With multiple updates expected across lenacapavir and potential partner agents in 2024 and beyond, we have confidence in both the breadth and quality of our portfolio, as well as the speed at which we can progress development.



Gilead's HCV Portfolio

Product	U.S. Launch	Description	FY23 ¹	Patent Expiry ²	
			%	U.S.	EU
VOSEVI sofosbuvir / velpatasvir 400 mg / 100 mg tablets	2017	First pan-genotypic regimen following direct acting antiviral failure	1%	2034	2033
EPCLUSA sofosbuvir / velpatasvir 400 mg / 100 mg tablets	2016	First HCV STR to treat all genotypes	6% ³	2033	2032
HARVONI ledipasvir / sofosbuvir 90 mg / 400 mg tablets	2014	First HCV STR for genotypes 1, 4, 5, or 6	0% ⁴	2030	2030
SOVALDI sofosbuvir	2013	Backbone of all Gilead HCV therapies enabling cure	0%	2029	2028

Viral Diseases Pipeline

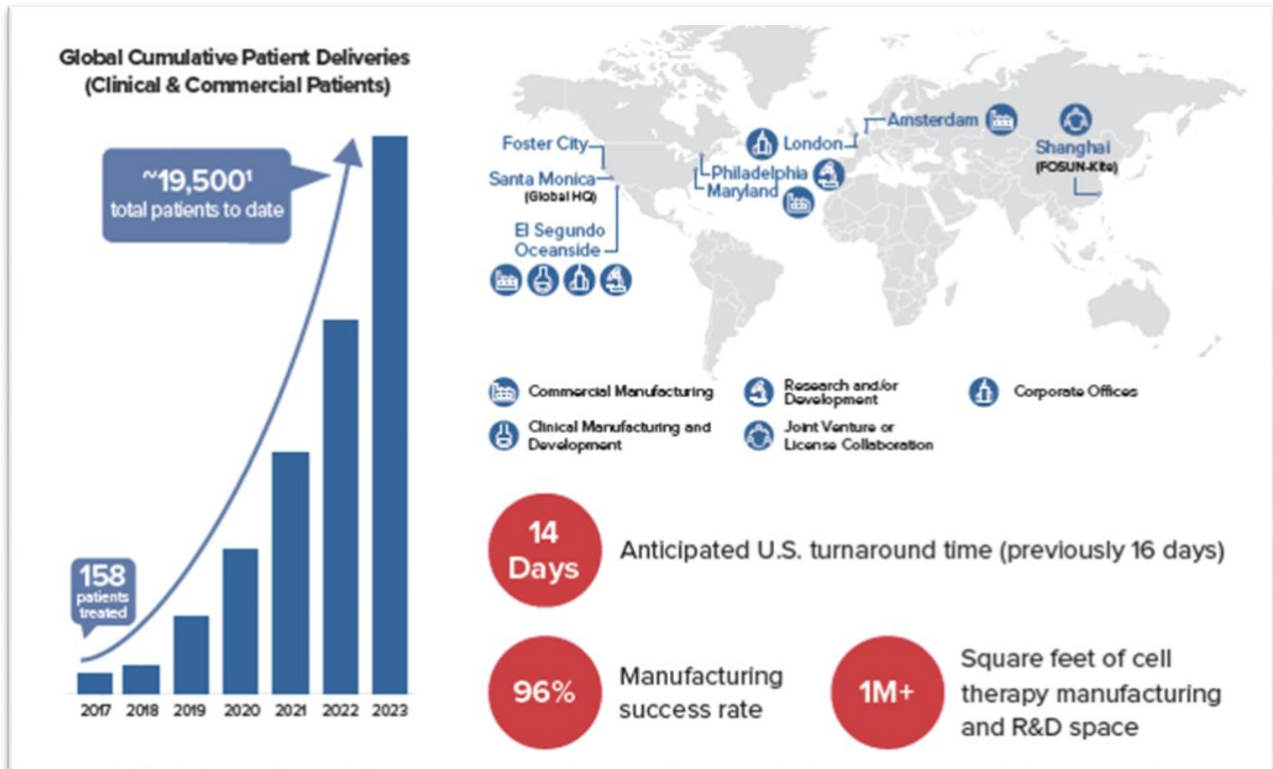


Broad Range of Oncology Programs

Gilead has leveraged internal development, M&A, and partnerships to build a broad pipeline of oncology programs that include an array of targets and mechanisms of action, further diversified by clinical phase.

Approach	Select Targets and Mechanism of Actions	Program	Lead / Partner	
TRIGGER TUMOR-INTRINSIC CELL DEATH Target key pathways within tumor cells to induce cell death, resulting in potentiation of an immunogenic response.	TROP-2 Delivers & releases SN-38 following hydrolysis of linker	Trodelyv		
	MCL1 Inhibits anti-apoptosis functions to induce cell-death	GS-9716		
	PARP1 Blocks cells from repairing damaged DNA, causing cancer cell death	GS-0201		
PROMOTE IMMUNE-MEDIATED TUMOR KILLING Drive expansion, differentiation, and activation of T-cells, natural killer (NK) cells, and macrophages resulting in robust tumor cell killing and release of pro-inflammatory factors.	CD19/CD20 Engineered T cells that target tumor cells expressing CD19 and/or CD20	KITE-363/-753		
	CLL1 Engineered T cells that target CLL-1 expressing AML cells	KITE-222		
	CD19/IL-18 IL-18 armored engineered T cells that target tumor cells expressing CD19	Not disclosed		
	GPC-2 Engineered T cells that target tumor cells expressing GPC2	Not disclosed		
	EGFR / IL13Ra2 Engineered T cells that target tumor cells expressing EGFR and/or IL13Ra2	Not disclosed		
	BCMA Engineered T-cells that target tumor cells expressing BCMA	Anito-cel		
	TIGIT Allows T-cells to target tumor cells	domvanallimab		
	PD-1 Allows T-cells to target tumor cells (inhibits PD-1 to PD-L1)	zimberelimab		
	DGKa Enhances cytotoxic T-cell activity	GS-9911		
	CD47 Targets CD47 on tumor cells to inhibit the "do not eat me" signal	magrolimab		
IL-2 Variant IL2 molecule to stimulate anti-tumor immune response	GS-4528			
CD137 (4-1BB) Upregulates T-cell and NK cell activity	AGEN2373			
REMODEL TUMOR-PERMISSIVE MICROENVIRONMENT Modulate immunosuppressive and tumor-permissive cell types and pathways to promote immune responses and inhibit tumor growth.	IL-18BP Enable pro-inflammatory IL-18 to activate anti-tumor effector cells	COM503		
	CCR8 Regulatory T-cell depletion via ADCC activity	GS-1811		
	CD73 Inhibits CD73 activity, preventing formation of adenosine	quemilclustat		
A2aR/A2bR Inhibits adenosine receptors to reverse immunosuppression	etrumadenant			

Largest Cell Therapy Manufacturing Network in the World



Largest Investors

The following list reflects Gilead's largest investors as of the most recently available filings at the time of publication.

	Firm	9/30/23	Style
1	The Vanguard Group	111,141,801	Index
2	Capital World Investors	81,721,387	Growth
3	BlackRock Institutional Trust	81,321,996	Index
4	State Street Global Advisors (U.S.)	58,885,047	Index
5	Capital Research Global Investors	57,913,708	Growth
6	Dodge & Cox	33,533,738	Deep Value
7	Geode Capital Management	24,695,639	Index
8	Fidelity Management & Research	17,738,672	GARP
9	Wellington Management	16,279,584	Core Value
10	BlackRock Asset Management Ireland	14,337,572	Index
11	Norges Bank Investment Management	12,989,939	Core Value
12	Parnassus Investments	11,915,371	Deep Value
13	Legal & General Investment Management	10,431,789	Index
14	Arrowstreet Capital	10,217,670	Hedge Fund
15	Nuveen	9,915,476	GARP
16	Amundi Asset Management, SAS	9,803,680	GARP
17	BlackRock Investment Management (UK)	9,545,329	Core Growth
18	Dimensional Fund Advisors	9,496,115	Deep Value
19	Northern Trust Investments	9,372,772	Index
20	California Public Employees' Retirement System	7,954,460	Index

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