

Gilead (NASDAQ: GILD)

Sector: Pharmaceutical (NAICS: 325412)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$121	\$109.36	\$114.13	\$63.50	.98	24.55	\$463.8B	N/A

Industry Trends

Since the Mid-90s, the industry has seen consolidation, with mergers involving large and medium sized firms. The typical pharmaceutical structure of investing heavily in research and development internally and pushing forward expected blockbusters has shifted to acquiring companies with solid pipelines. The United States market remains very lucrative due to the uncontrolled pricing structure, rapid approval processes, and public and private reimbursement policies. In particular, the restructuring of the United States FDA has allowed companies to quickly bring new products to market, with an average of approximately 2-3 years.

Investment Thesis

Gilead is a pharmaceutical company with products that compete in the HIV, liver, oncology, cardiovascular, respiratory, and other therapies. Most recently, Gilead has hit the market Solvadi and Harvoni, which are therapies with over a 90% cure rate for Hepatitis C. Gilead first hit the market with Solvadi, must be taken with another drug, such as Johnson & Johnson's Olysio. The side effects that are created when using two treatments, are solved with the introduction of Harvoni, which is a single pill with significantly reduced side effects. With approximately 3.2 million Americans suffering from Hepatitis C and 150 million worldwide, it is estimated that there is a \$750 billion global market.

Business Summary

Gilead Sciences, Inc is a biopharmaceutical company that creates medicines to treat various diseases and conditions. The main segments they are in are HIV/AIDS, liver diseases, cancer and inflammation, and serious respiratory and cardiovascular conditions. Gilead has been a growing biopharmaceutical since 1987 with CEO John Martin since 1996. Gilead focuses on creating simpler drugs for conditions that do not yet have a lot of options available as treatments.

GILD 5-year stock performance vs. S&P 500:



Corporate Social Responsibility:

ESG Disclosure Score: 12.81 (Ind. Avg.: 17.79)
Environmental Disclosure Score: N/A (Ind. Avg.: 24.03)
Carbon Disclosure Score: N/A (Ind. Avg.: 82.67)
Social Disclosure Score: 8.77 (Ind. Avg.: 19.69)
Governance Disclosure Score: 46.43 (Ind. Avg.: 51.79)

Equal Opportunity Policy: 0 (Ind. Avg.: 1)
Community Spending: N/A (Ind. Avg.: 377.1M)
Total Energy Consumption: N/A (Ind. Avg.: 0.49)

Additional information about corporate responsibility is attached

Competition:

Gilead's Sovaldi and Harvoni face competition with treatments from AbbVie and Merck. Harvoni boasts a 90% cure rate, and is a single pill taken once a day. However, AbbVie's treatment is expected to be cheaper, though comes with harsh side-effects and pills must be taken multiple times a day. Sovaldi must be taken with another supplement such as Johnson & Johnson's Olysio. The need to take two separate pills is eliminated by Harvoni, which provides the entire treatment regimen in a single pill. At the current moment, Gilead is the first available to market, but will face competition in the near future

Pros:

- Gilead has developed a treatment for Hepatitis C that has a 90% cure rate by taking only one pill a day.
- Gilead has patents for Sovaldi and Harvoni which are until 2029. Several competitors treatments must be used in conjunction with Solvadi
- 130-150 million people worldwide have Hepatitis C putting the estimated market at \$750 billion
- Gilead has the simplest treatment for HIV/AIDS currently available on the market

Cons:

- Other companies can and will develop treatments for the same conditions that Gilead has treatments for, including AbbVie and Merck
- We cannot accurately predict how long Gilead will be the leader in each of its segments for
- Gilead faces potential pricing limitations by ceilings set by the government

Value Estimate: \$121-\$130 (2014-2022)

Estimated Real Annual Return: 11%-20%

Key Valuation Data:

WACC	8.33% (Industry Average)
Terminal Growth Rate	4%
Growth Rate (7 years)	20%

Key Financial Data:

Expected inflation	3%
Current EPS	\$4.42 (LTM)
Credit Quality	Baa1/B
ROE	53.55%
ROA	22.74%
Price/Book	10.74
Debt/Equity	57.73%
Debt/Assets	26.0%
Current Ratio	2.49
Cash/Share	5.82

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10/29/2014

