

Company Name: Gilead (NYSE:GILD)  
 Current Price: \$102.31 52 Week H/L: \$123.37/\$85.95  
 Target Price: \$151.45 P/E: 10.79 Beta: 1.12  
 Market Cap: \$150.0 B Dividend Yield: 1.67%

**Company Background:** Gilead is a biotechnology company that develops and produces pharmaceuticals for a variety of different medical afflictions. Most of their business focuses on the treatment and cure of Hepatitis C and the treatment of HIV/AIDS. Their drugs are sold all over the world and they are continuously adding to their drug pipeline. In addition to HIV and HCV, they have recently been branching in to Oncology, Inflammation, and Cardiovascular segments.

**Investment Thesis:** We feel as though Gilead is currently in a position where it is great undervalued, mostly due to macroeconomic threats in the industry. However, we believe the company has room for substantial growth due to their high profit margins, their stance as the global leader in HCV, and the unsurpassed quality and effectiveness of their products are all indicators. In addition, the company has a strong and growing pipeline that will support their growth objectives. Given its valuation at this time, we recommend buying stake in this company at its current market price.

**Business Segments:**

- **HIV/AIDS-** Gilead has a major stake in the treatment of HIV and is currently pursuing a cure.
- **Liver Diseases-** dominant leader in HCV space, producing the world’s first cure. Also produces drugs treating HBV and NASH.
- **Oncology-** currently developing and producing non-chemotherapy drugs for cancer treatment.
- **Cardiovascular/Inflammation/Other-** emerging development in other segments for afflictions such as: Rheumatoid Arthritis, Ebola, and etc.

**Industry Analysis:**

Metric	GILD	Low	Comp Range	High
Est P/E Current Yr	9.15	9.15		24.74
Sales Growth Yoy...	122.19	7.43		122.19
EBITDA Margin (%)	65.55	37.71		65.55
R&D Expenses	2.85B	1.89B		4.30B

  

Company	GRY	3Yr Avg Grs Mgn	3Yr Avg Op Mgn	R&EY	ROA.Y	FCF Yld
Average (BI Peers)	27.74%	86.41%	85.44%	36.74%	43.77%	21.34%
GILEAD SCIENCES INC	67.63%	84.78%	77.93%	47.68%	93.32%	42.28%
AMGEN INC	6.71%	77.96%	86.50%	21.52%	21.55%	7.65%
CELGENE CORP	19.81%	94.97%	94.77%	36.80%	33.02%	13.02%
BIODGEN INC	17.02%	87.93%	88.56%	36.96%	30.21%	22.47%

**Competitive Advantage:** Gilead’s competitive advantage lies in its ability to produce highly effective drugs and to produce single pills with minimal dosage needed. In HCV and HIV, most competitors require combinations of “drug cocktails” whereas Gilead carries all-in-one pills (i.e. Harvoni). Gilead’s other advantage lies in its sheer dominance of the HCV market, receiving a 90% market share. With 130-150 million people estimated to have Hepatitis C worldwide, this is estimated to be a \$750 Billion market.

**Risks:** While Gilead has a 90% share, other biotechnology companies are gaining ground in the Hepatitis C segment. AbbVie currently has a cure on the market, while Merck has a drug that may be approved early 2016. However, we believe Gilead’s superior effectiveness and their current dominant market share will allow them to succeed despite threats from competition. Gilead faces other risks such as patent expiration of a few of their HIV drugs and political pricing pressures.

**Valuation Assumptions:**

WACC: 10%  
 Revenue Growth Rate: 10-12% (decreasing schedule)  
 Terminal Growth Rate: 3%

**Key Financials:**

P/E: 10.79  
 Gross Margin: 85%

**Corporate Social Responsibility:**

ESG Disclosure Score: 14.05 (Avg 31.19)  
 ESG-Linked Compensation: No  
 % Women on Board: 20 (Avg: 21.2)  
 Environmental Disclosure Score: 6.97 (Avg 37.2)  
 Governance Disclosure Score: 51.78 (Avg 59.37)  
 Human Rights Policy: No  
 Health/Safety Policy: Yes  
 Equal Opportunity Policy: No  
 Fair Pay Policy: No  
 Policy against Child Labor: No  
 Employee CSR Training: No