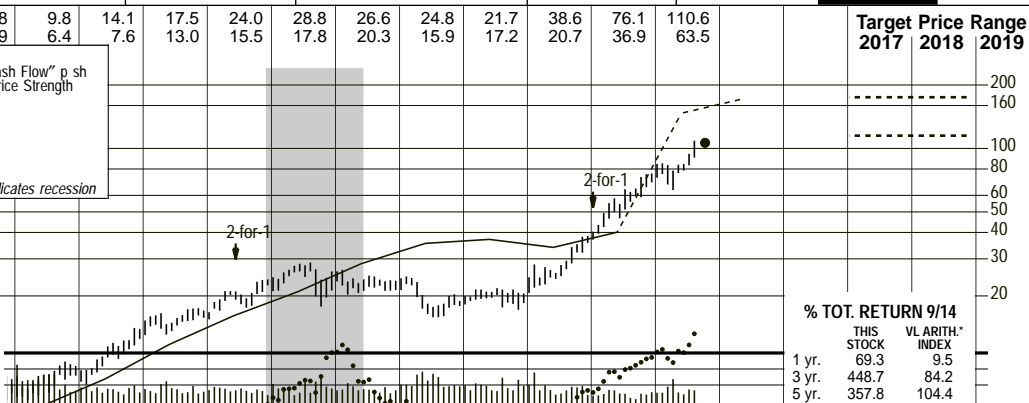


GILEAD SCIENCES NDQ-GILD

RECENT PRICE **106.45** P/E RATIO **12.4** (Trailing: 23.1 Median: 22.0) RELATIVE P/E RATIO **0.71** DIV'D YLD **Nil** VALUE LINE

TIMELINESS 3 Lowered 6/27/14	High: 8.8 9.8 14.1 17.5 24.0 28.8 26.6 24.8 21.7 38.6 76.1 110.6	Target Price Range 2017 2018 2019
SAFETY 3 Lowered 1/14/11	Low: 3.9 6.4 7.6 13.0 15.5 17.8 20.3 15.9 17.2 20.7 36.9 63.5	
TECHNICAL 4 Raised 10/10/14	LEGENDS 18.0 x "Cash Flow" p sh Relative Price Strength 2-for-1 split 2/01 2-for-1 split 3/02 2-for-1 split 9/04 2-for-1 split 6/07 2-for-1 split 1/13 Options: Yes Shaded area indicates recession	
BETA .95 (1.00 = Market)		
2017-19 PROJECTIONS		
Price	Ann'l Total	
High 175	Gain (+65%)	Return 13%
Low 115	Gain (+10%)	Return 2%
Insider Decisions		
N D J F M A M J J		
to Buy 0 0 0 0 0 0 0 0 0		
Options to Sell 5 4 5 6 5 6 7 6 6		
to Sell 7 4 5 6 5 7 7 8 7		
Institutional Decisions		
4Q2013 1Q2014 2Q2014	Percent shares traded	
to Buy 551 657 682	60	
to Sell 463 461 529	40	
Hld's(000)142459614090701379668	20	



Gilead Sciences was incorporated in the state of Delaware in June of 1987. The company completed its initial public offering in January of 1992, issuing 11.5 million shares of common stock for total proceeds of \$86.25 million. Two more stock offerings followed, one of 3.34 million shares raising \$50 million in December of 1992, and another of 4 million shares in August of 1995, which raised \$94.2 million in proceeds.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC 17-19
Sales per sh	.74	1.06	1.64	2.27	2.93	3.90	4.96	5.57	6.39	7.30	15.95	18.25	20.05
"Cash Flow" per sh	.26	.45	.66	.89	1.16	1.58	1.97	2.06	1.89	2.23	8.15	9.60	9.40
Earnings per sh ^A	.25	.42	.63	.84	1.05	1.41	1.66	1.78	1.64	1.81	7.90	9.30	9.00
Div'd's Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Nil
Cap'l Spending per sh	.03	.03	.06	.04	.06	.13	.04	.09	.26	.12	.15	.20	.25
Book Value per sh	1.04	1.65	.98	1.86	2.28	3.62	3.82	4.56	6.29	7.65	11.75	12.60	15.00
Common Shs Outst'g ^B	1795.3	1838.9	1844.5	1865.0	1819.6	1799.5	1604.0	1506.2	1519.2	1534.4	1525	1525	1500
Avg Ann'l P/E Ratio	32.6	25.3	24.5	23.6	23.4	16.4	11.8	11.2	17.3	31.1	Bold figures are Value Line estimates		16.0
Relative P/E Ratio	1.72	1.35	1.32	1.25	1.41	1.09	.75	.70	1.10	1.75			1.00
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Nil

CAPITAL STRUCTURE as of 6/30/14

Total Debt \$9504.6 mill. Due in 5 Yrs \$1500 mill. LT Debt \$7932.5 mill. LT Interest \$312.8 mill. (Includes \$219.5 mill. .7% convertible note due 2014, convertible at \$44.25 per share.)

(33% of Cap'l)

Leases, Uncapitalized: \$16.9 mill.

No Defined Benefit Pension Plan

Common Stock 1,526,043,734 shs. as of 7/28/14

MARKET CAP: \$162 billion (Large Cap)

1324.6	1947.7	3026.1	4230.0	5335.8	7011.4	7949.4	8385	9702	11201	24335	27800	Sales (\$mill)	30050
49.5%	54.7%	55.6%	52.4%	52.1%	53.4%	53.0%	48.8%	44.2%	43.5%	66.5%	52.0%	Operating Margin	53.0%
24.4	35.8	47.3	51.3	102.5	212.9	265.5	302.2	278.2	344.8	400	450	Depreciation (\$mill)	600
449.4	792.1	1161.5	1615.3	2011.2	2635.8	2901.3	2803.6	2591.6	3074.8	12045	14185	Net Profit (\$mill)	13500
31.5%	26.7%	33.8%	28.9%	26.5%	24.7%	25.9%	23.2%	28.3%	26.9%	26.5%	27.0%	Income Tax Rate	27.0%
33.9%	40.7%	38.4%	38.2%	37.7%	37.6%	36.5%	33.4%	26.7%	27.4%	49.5%	47.7%	Net Profit Margin	44.9%
1596.2	2636.9	1664.9	2292.0	3079.3	2941.0	3243.1	11404	1886.4	948.4	7000	7000	Working Cap'l (\$mill)	2775
.2	240.7	1300.0	1300.0	1374.0	1155.4	2838.6	7605.7	7054.6	3938.7	7930	7935	Long-Term Debt (\$mill)	8000
1870.9	3027.8	1815.7	3460.0	4152.5	6505.2	6121.8	6867.3	9550.9	11745	17900	19240	Shr. Equity (\$mill)	22475
24.2%	24.2%	37.6%	34.1%	36.5%	34.9%	33.0%	20.1%	16.6%	20.5%	52.5%	56.5%	Return on Total Cap'l	46.5%
24.0%	26.2%	64.0%	46.7%	48.4%	40.5%	47.4%	40.8%	27.1%	26.2%	67.5%	73.5%	Return on Shr. Equity	60.0%
24.0%	26.2%	64.0%	46.7%	48.4%	40.5%	47.4%	40.8%	27.1%	26.2%	67.5%	73.5%	Retained to Com Eq	60.0%
--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

CURRENT POSITION (\$MILL.)	2012	2013	6/30/14
Cash Assets	1862.3	2131.5	8799.0
Receivables	1751.4	2100.3	3436.7
Inventory (FIFO)	1745.0	2055.8	2068.8
Other	797.6	986.2	1194.8
Current Assets	6156.3	7273.8	15499.3
Accts Payable	1327.3	1255.9	1162.3
Debt Due	1169.5	3374.8	1572.1
Other	1773.2	1694.7	3493.6
Current Liab.	4270.0	6325.4	6228.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13
Sales	35.0%	23.0%	21.0%
"Cash Flow"	41.5%	18.0%	29.0%
Earnings	41.5%	15.5%	31.5%
Dividends	--	--	Nil
Book Value	31.0%	29.5%	16.0%

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	1926	2137	2122	2200	8385
2012	2283	2405	2426	2588	9702
2013	2531	2767	2783	3120	11201
2014	4999	6535	6000	6801	24335
2015	6800	6900	7000	7100	27800

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.40	.46	.48	.44	1.78
2012	.29	.46	.42	.47	1.64
2013	.43	.46	.47	.47	1.81
2014	1.48	2.20	1.90	2.32	7.90
2015	2.15	2.30	2.35	2.50	9.30

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010					
2011					
2012					
2013					
2014					

NO CASH DIVIDENDS BEING PAID

BUSINESS: Gilead Sciences discovers, develops, and commercializes proprietary treatments for viral diseases (specifically HIV/Aids, influenza, hepatitis B and C, leukemia, and Lymphoma). Drugs currently on the market include *Sovaldi*, *Stribild* (formerly known as the *QUAD*), *Complera*, *AmBisome*, *Atripla*, *Truvada*, *Viread*, *Emtriva*, *Tamiflu*, *Vistide* and *Hepsera*. 2013 depr. rate: 8.9%; R&D ex-

Gilead stock has skyrocketed about 30% in value since our July report. Promethean sales of flagship hepatitis C drug *Sovaldi* are the main reason. *Sovaldi* generated sales of \$5.8 billion in the first six months of 2014, and is expected to post over \$10 billion in revenue for the full year. In addition, a major overhang on the stock was removed when Gilead received a favorable verdict by an arbitration panel in a patent infringement case with Roche (RHHBY) over *Sovaldi* (Sofosbuvir). Furthermore, although initially thought to be a negative, a recent arrangement to sell *Sovaldi* through seven India-based generic players (see below), has since been seen as a positive. It is believed this would capture global market share before competing hepatitis C treatments are unveiled. Lastly, the company received some good regulatory news regarding blood cancer therapy *Zydelig* (Idelalisib) and *Stribild*, an oral HIV/Aids four-drug cocktail. **Gilead's *Sovaldi* is to be marketed to more than 100 million hepatitis C (HCV) patients.** This is almost half the estimated world population who suffers from it. The company has arranged licens-

ing deals with seven India-based companies including Mylan, Dr. Reddy's, Cipla, and Cadila Healthcare to sell lower-cost versions of *Sovaldi* to patients in 91 poorer nations. The seven generic companies will pay royalties to Gilead. The drug is likely to be sold in India for \$10 a pill (starting in the second quarter of 2015), rather than the \$1,000 a pill Gilead charges in the U.S. The move forestalls efforts by foreign governments to seize or invalidate *Sovaldi* patents. By doing this, Gilead avoids criticism that it isn't making the drug available to people who would otherwise die because they couldn't afford it. This also engenders goodwill, and captures a huge untapped market before Merck and AbbVie launch their HCV fighters. Lastly, GILD's earnings won't be significantly affected by these huge discounts. **We have raised our 2017-2019 Target Price Range for Gilead stock.** At this stage in the game, we do not recommend betting against the stock. However, those investors with a lower risk threshold may want to consider taking some profits off the table. *Jeremy J. Butler* October 10, 2014

(A) Diluted earnings. Excludes nonrecurring gains/(charges): '03, (\$0.45); '05, \$0.01; '06, (\$1.28); '08, (1¢). Next earnings report due in late October.

(B) In millions. Adjusted for splits.

Company's Financial Strength	B+
Stock's Price Stability	60
Price Growth Persistence	80
Earnings Predictability	70

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