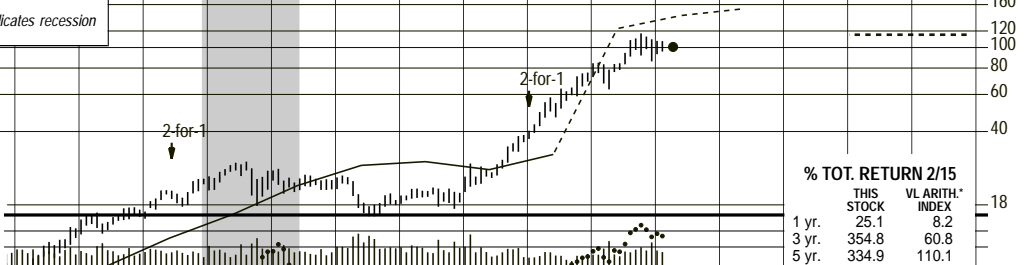


# GILEAD SCIENCES NDQ-GILD

RECENT PRICE **100.69** P/E RATIO **11.0** (Trailing: 13.7 Median: 22.0) RELATIVE P/E RATIO **0.57** DIV'D YLD **1.7%** VALUE LINE

TIMELINESS <b>1</b> Raised 2/13/15	High: 9.8 14.1 17.5 24.0 28.8 26.6 24.8 21.7 38.6 76.1 116.8 107.8	Target Price Range 2018 2019 2020
SAFETY <b>3</b> Lowered 1/14/11	Low: 6.4 7.6 13.0 15.5 17.8 20.3 15.9 17.2 20.7 36.9 63.5 93.2	
TECHNICAL <b>4</b> Raised 3/27/15	LEGENDS 13.0 x "Cash Flow" p sh Relative Price Strength 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 90 (1.00 = Market)		
<b>2018-20 PROJECTIONS</b>		
Price	Ann'l Total	
High <b>175</b>	Gain <b>(+75%)</b>	Return <b>16%</b>
Low <b>115</b>	Gain <b>(+15%)</b>	Return <b>6%</b>
<b>Insider Decisions</b>		
M J J A S O N D J		
to Buy 0 0 0 0 0 0 0 0 0 0 0 0		
Options 7 6 6 6 6 6 6 7 6 5		
to Sell 7 8 7 7 6 6 7 6 5		
<b>Institutional Decisions</b>		
2Q2014 3Q2014 4Q2014	Percent shares traded	
to Buy 682 579 795	60	
to Sell 529 663 599	40	
Hld's(000)137966812967531256867	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.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
1.06	1.64	2.27	2.93	3.90	4.96	5.57	6.39	7.30	16.60	19.05	20.30	Sales per sh	25.05
.45	.66	.89	1.16	1.58	1.97	2.06	1.89	2.23	8.77	10.15	10.95	"Cash Flow" per sh	12.95
.42	.63	.84	1.05	1.41	1.66	1.78	1.64	1.81	7.35	9.55	10.35	Earnings per sh <sup>A</sup>	12.10
--	--	--	--	--	--	--	--	--	--	1.29	1.80	Div'ds Decl'd per sh <sup>C</sup>	2.94
.03	.06	.04	.06	.13	.04	.09	.26	.12	.37	.40	.50	Cap'l Spending per sh	.75
1.65	.98	1.86	2.28	3.62	3.82	4.56	6.29	7.65	10.55	11.70	12.90	Book Value per sh	16.05
1838.9	1844.5	1865.0	1819.6	1799.5	1604.0	1506.2	1519.2	1534.4	1499.3	1475	1450	Common Shs Outst'g <sup>B</sup>	1400
25.3	24.5	23.6	23.4	16.4	11.8	11.2	17.3	31.1	12.2	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	12.0
1.35	1.32	1.25	1.41	1.09	.75	.70	1.10	1.75	.64			Relative P/E Ratio	.75
--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	2.0%

**CAPITAL STRUCTURE as of 12/31/14**

Total Debt \$1240.0 mill. Due in 5 Yrs \$483.0 mill.  
 LT Debt \$1192.1 mill. LT Interest \$412.1 mill.  
 (Includes 55 mill. shares underlying May 2016 warrants with a strike price of \$30.05/sh.)  
 (43% of Cap'l)

Leases, Uncapitalized: \$16.9 mill.

No Defined Benefit Pension Plan  
 Common Stock 1,499,326,745 shs.  
 as of 2/12/15

1947.7	3026.1	4230.0	5335.8	7011.4	7949.4	8385.4	9702.0	11201	24890	28110	29400	Sales (\$mill)	35050
54.7%	55.6%	52.4%	52.1%	53.4%	53.0%	48.8%	44.2%	43.5%	66.5%	70.0%	71.0%	Operating Margin	68.0%
35.8	47.3	51.3	102.5	212.9	265.5	302.2	278.2	344.8	1050.0	850	900	Depreciation (\$mill)	1200
792.1	1161.5	1615.3	2011.2	2635.8	2901.3	2803.6	2591.6	3074.8	12101	14085	15005	Net Profit (\$mill)	16940
26.7%	33.8%	28.9%	26.5%	24.7%	25.9%	23.2%	28.3%	26.9%	18.5%	23.0%	18.5%	Income Tax Rate	27.0%
40.7%	38.4%	38.2%	37.7%	37.6%	36.5%	33.4%	26.7%	27.4%	48.6%	50.1%	51.0%	Net Profit Margin	48.3%
2636.9	1664.9	2292.0	3079.3	2941.0	3243.1	11404	1886.3	948.4	11953	7000	5000	Working Cap'l (\$mill)	2775
240.7	1300.0	1300.0	1374.0	1155.4	2838.6	7605.7	7054.6	3938.7	11921	11920	11900	Long-Term Debt (\$mill)	8000
3027.8	1815.7	3460.0	4152.5	6505.2	6121.8	6867.3	9550.9	11745	15819	17240	18670	Shr. Equity (\$mill)	22475
24.2%	37.6%	34.1%	36.5%	34.9%	33.0%	20.1%	16.6%	20.5%	55.5%	58.5%	56.0%	Return on Total Cap'l	52.5%
26.2%	64.0%	46.7%	48.4%	40.5%	47.4%	40.8%	27.1%	26.2%	76.5%	81.5%	80.5%	Return on Shr. Equity	75.5%
26.2%	64.0%	46.7%	48.4%	40.5%	47.4%	40.8%	27.1%	26.2%	76.5%	70.5%	66.0%	Retained to Com Eq	57.0%
--	--	--	--	--	--	--	--	--	--	14%	17%	All Div'ds to Net Prof	24%

**MARKET CAP: \$151 billion (Large Cap)**

**CURRENT POSITION**

	2012	2013	12/31/14	
Cash Assets	1862.3	2131.5	10128	
Receivables	1751.4	2100.3	4635.0	
Inventory (FIFO)	1745.0	2055.8	1386.0	
Other	797.6	986.2	1565.0	
Current Assets	6156.3	7273.8	17714.0	
Accts Payable	1327.3	1255.9	955.0	
Debt Due	1169.5	3374.8	483.0	
Other	1773.2	1694.7	4323.0	
Current Liab.	4270.0	6325.4	5761.0	

**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*, *Harvoni*, *Stribild* (formerly known as the *QUAD*), *Complera*, *AmBisome*, *Atripla*, *Truvada*, *Viread*, *Emtriva*, *Tamiflu*, *Vistide* and *Hepsera*. 2014 depr. rate: 12.3%; R&D expense: 11.5% of sales. Has about 2,650 employees. Officers and directors own 1.6% of common stock; Capital Research, 8.9%; FMR, 7.4%; T. Rowe Price, 5.0%; BlackRock Inc., 6.2%; (4/14 proxy). Chrmn.: James M. Denny, Pres. & CEO: John C. Martin, Ph.D. Inc.: CA. Address: 333 Lakeside Drive, Foster City, CA, 94404. Tel.: 650-574-3000. Internet: www.gilead.com.

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13	
of change (per sh)				
Sales	35.0%	23.0%	21.5%	
"Cash Flow"	41.5%	18.0%	30.0%	
Earnings	41.5%	15.5%	32.0%	
Dividends	--	--	Nil	
Book Value	31.0%	29.5%	14.5%	

**QUARTERLY SALES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	2283	2405	2426	2588	9702
2013	2531	2767	2783	3120	11201
2014	4999	6535	6042	7314	24890
2015	6750	6980	6880	7500	28110
2016	7000	7300	7400	7700	29400

**EARNINGS PER SHARE <sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	.29	.46	.42	.47	1.64
2013	.43	.46	.47	.47	1.81
2014	1.33	2.20	1.67	2.18	7.35
2015	2.25	2.35	2.40	2.55	9.55
2016	2.45	2.55	2.60	2.75	10.35

**QUARTERLY DIVIDENDS PAID <sup>C</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	--	--	--	--	--
2012	--	--	--	--	--
2013	--	--	--	--	--
2014	--	--	--	--	--
2015	--	.43	--	--	.43

**Gilead's two newest hepatitis C drugs have been gaining great distinction.** In 2014, Gilead sold \$10.3 billion of its hepatitis C virus (HCV) medicine *Sovaldi*, and \$2.1 billion of its most recent HCV fighter *Harvoni* (which was introduced in October). Together these products have tallied revenue just short of what is thought to be the world's best-selling drug, *Humira*, made by AbbVie. *Sovaldi* and *Harvoni* have become the HCV drugs of choice because not only have they proven to be more efficacious than the competition, but they only need to be taken once a day in pill form. (*Harvoni* is a combination of *Sovaldi* and a second drug in a single pill.) These drugs' nearest competitor is AbbVie's *Viekira Pak*, which is a four-pill-a-day cocktail. Idenix is also thought to have a competitive HCV fighter.

**But they have also become a lightning rod, as they struggle to enhance market share.** This is because of their extremely high price. The exceedingly high cost of researching and developing these revolutionary HCV medicines, in conjunction with shareholder demand for profits, requires that Gilead price its HCV drugs

at stratospheric levels. *Harvoni* lists for \$94,500 for a typical 12-week course of the therapy. Meanwhile, *Sovaldi* lists for \$84,000 for 12 weeks. (AbbVie prices *Viekira Pak* at \$83,000 for 12 weeks.) The high price means that pharmacy benefit managers, healthcare providers, the VA, Medicaid programs, prison systems, foreign governments, and Doctors Without Borders are all balking at having to pay it. As a result, Gilead has reduced its prices considerably to maintain market share both at home and abroad. It has also brokered profit-sharing arrangements with generic drug companies that want to sell copies of the HCV medicines in third world countries.

**The timely stock's attractiveness has increased.** Gilead is initiating a dividend (of \$0.43 a share in the second quarter) and buying back \$15 billion more stock to enhance investor interest. In order to maintain market share, Gilead may have to forgo some potential profits. Even so, the global HCV market is so huge that Gilead's longer-term earnings potential is attractive.

Jeremy J. Butler April 10, 2015

(A) Diluted earnings. Excludes nonrecurring gains/(charges); '05, \$0.01; '06, (\$1.28); '08, (1¢). Quarterly share earnings in 2014 do not sum to total due to change in shares outstanding. Next earnings report due in late April.  
 (B) In millions. Adjusted for splits.  
 (C) Dividend initiated in second quarter 2015.

Company's Financial Strength	A
Stock's Price Stability	55
Price Growth Persistence	80
Earnings Predictability	50

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