Gilead Sciences Inc

Stock Report | April 4, 2015 | NNM Symbol: GILD | GILD is in the S&P 500

S&P Capital IQ Recommendation STRONG BUY ★ ★ ★ ★

S&P Capital IQ Equity Analyst Jeffrey Loo, CFA

GICS Sector Health Care
Sub-Industry Biotechnology

Summary
This biopharmaceutical company is engaged in the discovery, development and commercialization of treatments to fight viral, bacterial and fungal infections, respiratory disorders, cardiovascular conditions, and cancer.

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

| 52-Wk Range | $116.83–63.50 | S&P Oper. EPS 2015E | 9.56 | Market Capitalization(B) | $148,794 |
| Trailing 12-Month EPS | $7.35 | S&P Oper. EPS 2016E | 10.80 |
| Trailing 12-Month P/E | 13.4 | P/E on S&P Oper. EPS 2015E | 10.3 |
| $10K Invested 5 Yrs Ago | $43,163 | Common Shares Outstg. (M) | 1,511.7 |
| Dividend Rate/Share | Nil |
| Institutional Ownership (%) | 84 |
| Beta | 0.74 |
| S&P 3-Yr. Proj. EPS CAGR(%) | 20 |
| S&P Quality Ranking | B+ |

Price Performance

12-Mo. Target Price | $143.00

Report Currency USD

Investment Style Large-Cap Growth

Investment Rationale/Risk

➤ We estimate 2015 sales increasing 10.9% to $27.6 billion, driven by GILD’s hepatitis C (HCV) franchise of Sovaldi (sofosbuvir) and Harvoni, a fixed-dose combination of ledipasvir and sofosbuvir. Our forecast is slightly above GILD’s guidance of $26.0 billion to $27.0 billion, that we see as conservative, in spite of competition and larger discounts in 2015. GILD estimates a 46% gross-to-net adjustment for its HCV franchise, compared to 22% at the end of 2014. In 2014, 170K patients were treated with GILD’s HCV drugs and it estimates up to 250K patients treated in 2015, driven by expanded patient access in the U.S. and in Europe as more reimbursement agreements have been reached. Although we think the AbbVie and Express Scripts deal with AbbVie’s Viekira Pak as the exclusive genotype 1 HCV drug on Express Scripts, we expect GILD’s HCV program to maintain a dominant market position. We believe AbbVie will likely obtain a 20% market share in HCV, but we believe Harvoni is the physician’s preferred choice due to significantly easier compliance as Viekira requires 4-6 pills with dosing more than once a day. We also believe Harvoni’s clinical data is superior with the FDA labeling requiring Viekira to be taken with ribavirin for genotype 1 treatment-naive, non-cirrhotic patients. We also believe many patients will be eligible for an eight-week treatment regimen of Harvoni, which would eliminate Viekira’s price advantage. With GILD’s shares trading at 11.1X our 2015 EPS estimate, well below peers and historical levels, we believe the shares are attractively valued.

➤ We estimate EPS of $9.56 in 2015.

➤ In spite of recent share volatility due to competition from AbbVie’s recently approved HCV drug, Viekira, and exclusive deal with Express Scripts, we expect GILD’s HCV program to maintain a dominant market position. We believe AbbVie will likely obtain a 20% market share in HCV, but we believe Harvoni is the physician’s preferred choice due to significantly easier compliance as Viekira requires 4-6 pills with dosing more than once a day. We also believe Harvoni’s clinical data is superior with the FDA labeling requiring Viekira to be taken with ribavirin for genotype 1 treatment-naive, non-cirrhotic patients. We also believe many patients will be eligible for an eight-week treatment regimen of Harvoni, which would eliminate Viekira’s price advantage. With GILD’s shares trading at 11.1X our 2015 EPS estimate, well below peers and historical levels, we believe the shares are attractively valued.

➤ Risks to our recommendation and target price include a significant slowdown in Sovaldi sales.

➤ Our 12-month target price of $143 is 15.0X our 2015 EPS estimate, and reflecting a 0.75X PEG multiple, well below peers.

Highlights

➤ We estimate 2015 sales increasing 10.9% to $27.6 billion, driven by GILD’s hepatitis C (HCV) franchise of Sovaldi (sofosbuvir) and Harvoni, a fixed-dose combination of ledipasvir and sofosbuvir. Our forecast is slightly above GILD’s guidance of $26.0 billion to $27.0 billion, that we see as conservative, in spite of competition and larger discounts in 2015. GILD estimates a 46% gross-to-net adjustment for its HCV franchise, compared to 22% at the end of 2014. In 2014, 170K patients were treated with GILD’s HCV drugs and it estimates up to 250K patients treated in 2015, driven by expanded patient access in the U.S. and in Europe as more reimbursement agreements have been reached. Although we think the AbbVie and Express Scripts deal with AbbVie’s Viekira Pak as the exclusive genotype 1 HCV drug on Express Scripts, we expect GILD’s HCV program to maintain a dominant market position. We believe AbbVie will likely obtain a 20% market share in HCV, but we believe Harvoni is the physician’s preferred choice due to significantly easier compliance as Viekira requires 4-6 pills with dosing more than once a day. We also believe Harvoni’s clinical data is superior with the FDA labeling requiring Viekira to be taken with ribavirin for genotype 1 treatment-naive, non-cirrhotic patients. We also believe many patients will be eligible for an eight-week treatment regimen of Harvoni, which would eliminate Viekira’s price advantage. With GILD’s shares trading at 11.1X our 2015 EPS estimate, well below peers and historical levels, we believe the shares are attractively valued.

➤ We estimate gross margin of 90% and operating margins of 68.3% in 2015, up from 66.6% in 2014.

➤ We see EPS of $9.56 in 2015.

Revenue/Earnings Data

Revenue (Million U.S. $)

<table>
<thead>
<tr>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4,999</td>
<td>6,535</td>
<td>6,042</td>
<td>7,314</td>
</tr>
<tr>
<td>2013</td>
<td>2,532</td>
<td>2,767</td>
<td>2,783</td>
<td>3,120</td>
</tr>
<tr>
<td>2012</td>
<td>2,282</td>
<td>2,405</td>
<td>2,427</td>
<td>2,588</td>
</tr>
<tr>
<td>2011</td>
<td>1,926</td>
<td>2,137</td>
<td>2,212</td>
<td>2,200</td>
</tr>
<tr>
<td>2010</td>
<td>2,086</td>
<td>1,927</td>
<td>1,938</td>
<td>1,999</td>
</tr>
<tr>
<td>2009</td>
<td>1,530</td>
<td>1,647</td>
<td>1,801</td>
<td>2,032</td>
</tr>
</tbody>
</table>

Earnings Per Share (U.S. $)

<table>
<thead>
<tr>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.33</td>
<td>2.20</td>
<td>1.67</td>
<td>2.18</td>
</tr>
<tr>
<td>2013</td>
<td>0.43</td>
<td>0.46</td>
<td>0.47</td>
<td>0.47</td>
</tr>
<tr>
<td>2012</td>
<td>0.29</td>
<td>0.46</td>
<td>0.43</td>
<td>0.47</td>
</tr>
<tr>
<td>2011</td>
<td>0.40</td>
<td>0.47</td>
<td>0.48</td>
<td>0.44</td>
</tr>
<tr>
<td>2010</td>
<td>0.46</td>
<td>0.40</td>
<td>0.42</td>
<td>0.38</td>
</tr>
<tr>
<td>2009</td>
<td>0.32</td>
<td>0.31</td>
<td>0.36</td>
<td>0.43</td>
</tr>
</tbody>
</table>

Fiscal year ended Dec. 31. Next earnings report expected: Late April. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

No cash dividends have been paid.

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Jeffrey Loo, CFA on Feb 03, 2015 06:34 PM, when the stock traded at $107.18.
CORPORATE OVERVIEW. Gilead Sciences (GILD) focuses on the research, development, and marketing of anti-infective medications, with a primary focus on treatments for HIV.

GILD has a leading market position in treating HIV virus. Truvada, approved in 2004, is a once-daily combination tablet formulated with previous-generation drugs Viread and Emtriva. Viread was approved in 2001. Truvada generated 2013 sales of $2.136 billion, slightly below 2012 sales of $2.16 billion. Viread is also used for treating hepatitis B, and saw 13% sales growth to $959 million in 2013 from $849 million in 2012. In 2006, GILD and Bristol-Myers Squibb (BMY) launched Atripla, a combination tablet with Truvada and BMY’s Sustiva. Atripla generated 2013 sales of $3.65 billion up 2% from 2012 sales of $3.58 billion. Atripla received EU approval in December 2007.

More recently, Complera (U.S.) and Eviplera (Europe), comprised of Truvada and Tibotec’s Edurant (rilpivirine), were approved in 2011, and generated $869 million in 2013 sales, up significantly from $342 million in 2012 sales. In August 2012, the FDA approved GILD’s wholly owned ‘Quad Pill,’ marketed as Stridivid, which combines investigational agents elvitegravir, and HIV-boosting agent cobicistat, with Truvada in patients new to HIV treatment. In Phase III study, Stridivid showed non-inferiority to Atripla, with a favorable side effect profile. In May 2013, Stridivid was approved in the European Union. Stridivid saw sales of $559 million in 2013 compared to initial sales of $58 million in 2012.

Hespersa, approved for treatment of chronic hepatitis B in the U.S. and EU, saw sales decline to $81 million in 2013 following the 25% decline in 2012, to $108 million. AmBisome, an antifungal agent that is approved for life-threatening fungal infections including cryptococcal meningitis in AIDS patients, generated sales of $352 million in 2013, up slightly from the $348 million in 2012. Tamiflu, an orally administered treatment for influenza A and B, is marketed by Roche, which pays GILD a 21%-22% royalty. Tamiflu’s patents expire at the end of 2018.

In October 2006, GILD purchased Myogen for $2.5 billion for rights to Letairis, a once-daily treatment for pulmonary arterial hypertension (PAH), which was approved in June 2007. In 2013, Letairis generated $520 million in sales, up 27% from the $410 million in sales in 2012. In 2009, GILD purchased CV Therapeutics for its lead drug Ranexa for chronic angina. Ranexa generated 2013 sales of $449 million, up 20% from the $373 million in sales in 2012. Cayston (aztreonam lysine), an inhaled medicine for cystic fibrosis, was approved by the FDA in February 2010 and is conditionally approved in Europe, with final approval conditional upon completion of an ongoing study.

PI notEPIPIEPIPELINE. GILD is advancing a pipeline for hepatitis C, centered around Sovaldi (sofosbuvir), acquired from Pharmasset. The drug secured FDA approval in December 2013 for genotypes 1 and 4 (12 weeks, with interferon/ribavirin), genotype 2 (12 weeks, with ribavirin), genotype 3 (24 weeks, with ribavirin). In addition, the FDA allowed Sovaldi/ribavirin to be considered in patients intolerant to interferon in a 24-week regimen. In October 2014, GILD received FDA approval for Harvoni (Ledipasvir/Sofosbuvir), the first once-daily pill for the treatment of Hepatitis C for genotype 1, which accounts for about 75% of U.S patients, without the use of interferon and ribavirin. Harvoni achieved cure rates (SVR12) of 94%-99% in three Phase III clinical trials.

In HIV, GILD is in Phase III study on tenofovir alafenamide (GS-7340), which has a more potent profile than current therapy backbone tenofovir (Viread) in smaller doses, thereby reducing toxicity. In October 2012, GS-7340 met its primary endpoint of similar virologic response versus GILD’s Stridivid, with favorable bone mineral density and serum creatinine outcomes. In April 2011, GILD acquired privately held Calistoga Pharmaceuticals for $375 million to add pipeline candidates in oncology and inflammation. Lead candidate Zydelig (idelalisib) was approved by the FDA in late July 2014 for for chronic lymphocytic leukemia (CLL) and indolent non-Hodgkin’s lymphoma (INHL). European accelerated approval for INHL, and for CLL is pending. In January 2011, GILD acquired privately held Arresto Biosciences for $225 million for early-stage treatment for idiopathic pulmonary fibrosis and advanced solid tumors. In February 2013, GILD acquired YM Biosciences, a developer of drugs for cancer and inflammatory disorders in a $510 million deal. YM’s lead candidate CYT387 has completed Phase I/II study for blood disorder myelofibrosis.

FINANCIAL TRENDS. In 2013, total revenues rose 15.5% to $11.2 billion, from $9.7 billion in 2012. At September 30, 2014, GILD had $7.7 billion of cash and securities and $8.5 billion of long-term debt. The company issued $6 billion of new debt to acquire Pharmasset in January 2012. Since January 2010, GILD has repurchased roughly 169.9 million of its shares for $6.65 billion (including 5,743 million shares repurchased in Q1 2014 for $450 million). GILD commenced a new $5 billion program in 2011, but deferred its program to reduce debt following the Pharmasset acquisition. In July 2013, GILD resumed its repurchase program and in July 2014, it announced a new $5 billion program.
### Quantitative Evaluations

<table>
<thead>
<tr>
<th>S&amp;P Capital IQ</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value Rank</td>
<td>5+</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Based on S&P Capital IQ’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

**Fair Value Calculation**

Analysis of the stock's current worth, based on S&P Capital IQ’s proprietary quantitative model suggests that GILD is Undervalued by $47.77 or 48.5%.

### Investability Quotient

**Percentile**

LOWEST = 1 HIGHEST = 100

GILD scored higher than 98% of all companies for which an S&P Capital IQ Report is available.

### Volatility

Since March, 2015, the technical indicators for GILD have been BEARISH.

### Insider Activity

For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

### Expanded Ratio Analysis

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/Sales</td>
<td>6.24</td>
<td>11.36</td>
<td>5.99</td>
<td>3.86</td>
</tr>
<tr>
<td>Price/Pretax Income</td>
<td>10.45</td>
<td>30.24</td>
<td>16.09</td>
<td>8.86</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>12.83</td>
<td>41.39</td>
<td>22.43</td>
<td>11.53</td>
</tr>
<tr>
<td>Avg. Diluted Shares Outstanding (M)</td>
<td>1,847.0</td>
<td>1,694.7</td>
<td>1,382.6</td>
<td>1,580.2</td>
</tr>
</tbody>
</table>

Figures based on calendar year-end price

### Key Growth Rates and Averages

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>9 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>NM</td>
<td>40.60</td>
<td>23.93</td>
<td>25.41</td>
</tr>
<tr>
<td>Net Income</td>
<td>NM</td>
<td>57.74</td>
<td>24.67</td>
<td>NM</td>
</tr>
</tbody>
</table>

### Ratio Analysis (Annual Avg.)

Net Margin (%) | 48.62 | 34.26 | 34.54 | 27.43 |

% LT Debt to Capitalization | 42.22 | 34.42 | 37.95 | 33.09 |

Return on Equity (%) | 90.06 | NA    | NA    | NA     |

### Income Statement Analysis (Million U.S. $)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>24,890</td>
<td>11,202</td>
<td>9,703</td>
<td>8,385</td>
<td>7,949</td>
<td>7,011</td>
<td>5,336</td>
<td>4,230</td>
<td>3,026</td>
</tr>
<tr>
<td>Operating Income</td>
<td>16,687</td>
<td>4,869</td>
<td>4,314</td>
<td>4,169</td>
<td>4,396</td>
<td>3,802</td>
<td>2,741</td>
<td>2,201</td>
<td>1,148</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,050</td>
<td>345</td>
<td>278</td>
<td>302</td>
<td>265</td>
<td>213</td>
<td>51.7</td>
<td>36.9</td>
<td>47.3</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>412</td>
<td>307</td>
<td>361</td>
<td>205</td>
<td>109</td>
<td>69.7</td>
<td>12.1</td>
<td>13.5</td>
<td>20.4</td>
</tr>
<tr>
<td>Pretax Income</td>
<td>14,656</td>
<td>4,208</td>
<td>3,812</td>
<td>3,651</td>
<td>3,914</td>
<td>3,502</td>
<td>2,726</td>
<td>2,261</td>
<td>-644</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>18.8%</td>
<td>27.4%</td>
<td>28.8%</td>
<td>23.6%</td>
<td>26.2%</td>
<td>25.0%</td>
<td>26.5%</td>
<td>29.0%</td>
<td>NM</td>
</tr>
<tr>
<td>Net Income</td>
<td>12,101</td>
<td>3,075</td>
<td>2,592</td>
<td>2,804</td>
<td>2,805</td>
<td>2,836</td>
<td>2,011</td>
<td>1,615</td>
<td>-1,190</td>
</tr>
<tr>
<td>S&amp;P Capital IQ Core Earnings</td>
<td>12,121</td>
<td>3,112</td>
<td>2,659</td>
<td>2,784</td>
<td>2,895</td>
<td>2,630</td>
<td>2,008</td>
<td>1,610</td>
<td>-1,188</td>
</tr>
</tbody>
</table>

### Balance Sheet & Other Financial Data (Million U.S. $)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>10,128</td>
<td>2,132</td>
<td>1,862</td>
<td>9,664</td>
<td>5,318</td>
<td>3,905</td>
<td>2,420</td>
<td>1,722</td>
<td>937</td>
</tr>
<tr>
<td>Current Assets</td>
<td>17,747</td>
<td>6,727</td>
<td>6,156</td>
<td>13,305</td>
<td>8,144</td>
<td>4,813</td>
<td>4,300</td>
<td>3,028</td>
<td>2,429</td>
</tr>
<tr>
<td>Total Assets</td>
<td>34,664</td>
<td>22,497</td>
<td>21,240</td>
<td>17,303</td>
<td>11,593</td>
<td>9,699</td>
<td>9,019</td>
<td>6,835</td>
<td>4,086</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>5,761</td>
<td>6,325</td>
<td>4,270</td>
<td>2,515</td>
<td>2,465</td>
<td>1,872</td>
<td>1,672</td>
<td>1,378</td>
<td>764</td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>11,921</td>
<td>9,299</td>
<td>7,055</td>
<td>7,921</td>
<td>3,066</td>
<td>1,387</td>
<td>1,300</td>
<td>1,301</td>
<td>1,301</td>
</tr>
<tr>
<td>Common Equity</td>
<td>15,441</td>
<td>11,433</td>
<td>9,310</td>
<td>6,857</td>
<td>6,122</td>
<td>6,505</td>
<td>4,152</td>
<td>3,460</td>
<td>1,816</td>
</tr>
<tr>
<td>Total Capital</td>
<td>28,238</td>
<td>18,444</td>
<td>17,775</td>
<td>14,788</td>
<td>9,128</td>
<td>7,827</td>
<td>7,472</td>
<td>5,169</td>
<td>3,277</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>557</td>
<td>191</td>
<td>397</td>
<td>132</td>
<td>61.9</td>
<td>230</td>
<td>115</td>
<td>78.7</td>
<td>105</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>13,151</td>
<td>3,420</td>
<td>2,870</td>
<td>3,106</td>
<td>3,155</td>
<td>2,849</td>
<td>2,063</td>
<td>1,652</td>
<td>-1,143</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>3.1</td>
<td>1.2</td>
<td>1.4</td>
<td>5.3</td>
<td>3.3</td>
<td>3.4</td>
<td>3.5</td>
<td>4.1</td>
<td>3.2</td>
</tr>
<tr>
<td>% Long Term Debt of Capitalization</td>
<td>42.2%</td>
<td>21.4%</td>
<td>39.7%</td>
<td>53.6%</td>
<td>32.9%</td>
<td>16.9%</td>
<td>22.9%</td>
<td>27.2%</td>
<td>41.0%</td>
</tr>
<tr>
<td>% Net Income of Revenue</td>
<td>46.6%</td>
<td>27.5%</td>
<td>26.7%</td>
<td>33.4%</td>
<td>36.5%</td>
<td>37.6%</td>
<td>37.1%</td>
<td>36.2%</td>
<td>NM</td>
</tr>
<tr>
<td>% Return on Assets</td>
<td>42.3%</td>
<td>NA</td>
<td>NA</td>
<td>19.4%</td>
<td>27.2%</td>
<td>31.5%</td>
<td>31.3%</td>
<td>32.6%</td>
<td>NM</td>
</tr>
<tr>
<td>% Return on Equity</td>
<td>90.1%</td>
<td>NA</td>
<td>NA</td>
<td>43.2%</td>
<td>46.5%</td>
<td>49.5%</td>
<td>52.8%</td>
<td>61.2%</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

Data as originally reported in Company reports; bef. results of disc. oper/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Redistribution or reproduction is prohibited without written permission.
Sub-Industry Outlook

Our positive fundamental outlook for the biotechnology sub-industry for the next 12 months reflects favorable prospects for new and novel therapies to reach commercialization. We are encouraged by what we view as a strong period for the reporting of late-stage clinical results, and a more accommodating U.S. FDA for approvals. In 2014, the FDA approved 41 new therapies, up from 27 in 2013, since the most since a record 53 were approved in 1996. We think many of these newly approved drugs have significant commercial prospects and represent major advances in therapeutic areas such as hepatitis C, multiple sclerosis and cancer. We expect wider adoption of biomarker research and genetic-targeted clinical studies to help bolster long-term R&D pipeline productivity. In late 2012, the FDA introduced "breakthrough therapy" designations, intended to speed development of promising programs.

We expect a favorable mergers and acquisitions (M&A) climate, as large pharmaceutical firms move to offset lost revenues from expiring drug patents and large biotechs bolster their drug pipelines amid maturing products. We note an uptick in M&A speculation and announced deals recently. We also see large cap biotechs generating cash flows supporting larger scale acquisitions of their own. In 2011, industry bellwether Amgen became the first biotech company to initiate a regular dividend. Gilead Sciences will begin dividend payments in 2015.

The 2010 health care reform law established the FDA’s authorization to govern "biosimilar" drug approvals and set a 12-year exclusivity to branded drugmakers. We see biosimilars advancing at a slower rate than initially anticipated. However, in January 2015, a FDA panel recommended approval of Novartis’ biosimilar of Amgen’s Neupogen. Once marketed, we expect biosimilars to sell at more modest price discounts than generics in the pharmaceutical industry due to higher clinical, manufacturing and marketing costs, and we expect branded drugs to retain significant market share due to a lack of interchangeability among these options.

We recommend that investors concentrate core holdings in established, profitable companies, as smaller biotechs tend to be more volatile. We would seek companies with at least two years of operating capital and multiple pipeline value drivers, as those with smaller pipelines typically suffer significant share price declines on an unfavorable outcome. In 2014, the S&P Biotech Index rose 32.3%, vs. a 10.9% gain for the S&P 1500 Index.

--Jeffrey Loo, CFA

Industry Performance

GICS Sector: Health Care
Sub-Industry: Biotechnology

Based on S&P 1500 Indexes
Five-Year market price performance through Apr 4, 2015

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)
Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Biotechnology Peer Group*: Biotech Therapeutics - Larger Capitalization

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Slt. Mkt. Cap. (Mil. $)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.($)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gilead Sciences</td>
<td>GILD</td>
<td>148,794</td>
<td>98.43</td>
<td>116.83/63.50</td>
<td>0.74</td>
<td>Nil</td>
<td>13</td>
<td>146.20</td>
<td>98</td>
<td>48.6</td>
<td>42.2</td>
</tr>
<tr>
<td>Amgen Inc</td>
<td>AMGN</td>
<td>118,291</td>
<td>155.88</td>
<td>173.14/108.20</td>
<td>0.57</td>
<td>2.0</td>
<td>23</td>
<td>171.70</td>
<td>99</td>
<td>25.7</td>
<td>53.5</td>
</tr>
<tr>
<td>Biogen Inc</td>
<td>BIIB</td>
<td>96,764</td>
<td>412.44</td>
<td>480.18/272.02</td>
<td>1.03</td>
<td>Nil</td>
<td>33</td>
<td>438.20</td>
<td>99</td>
<td>30.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Celgene Corp</td>
<td>CELG</td>
<td>91,316</td>
<td>114.31</td>
<td>120.06/96.85</td>
<td>1.08</td>
<td>Nil</td>
<td>48</td>
<td>147.00</td>
<td>95</td>
<td>26.1</td>
<td>49.0</td>
</tr>
</tbody>
</table>

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.
S&P Capital IQ Analyst Research Notes and other Company News

February 3, 2015
06:14 pm ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 107.19****): We raise our 12-month target to $143 on below peers 15x our ‘15 EPS estimate. Q4 EPS of $2.43 vs. $0.55 is $2.03 ahead of our estimate. Sovaldi and Harvoni sales of $3.8B. In ’14, 170K patients were treated with Sovaldi or Harvoni and GILD sees up to 250K patients treated in ’15. But GILD estimates a 46% gross-to-net adjustment, more than double the 22% in ’14, indicating larger discounts. GILD guides, ’15 sales of $28.0B-$27.0B that we view as conservative, in spite of competition and higher rebates. GILD initiates $0.43 quarterly dividend and announces a $15B stock buyback. /Jeffrey Loo, CFA

January 5, 2015
02:21 pm ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 97.28****): CVS Health (CVS 95 ****) announced it has given GILD’s hepatitis C (HCV) drugs, Sovaldi and Harvoni exclusivity on its formularies. This follows AbbVie’s [ABBV 64 ***] exclusive deal with Express Scripts, for its recently approved HCV drug, Viekira. We are not surprised by the CVS/GILD deal and believe it removes some investor concern over a potential AbbVie/CVS deal. The companies have not disclosed a pricing discount, but we believe GILD will provide a discount. Express Scripts and CVS are the 2 largest PBMs in the U.S., respectively, and we do not see any more exclusive deals. /Jeffrey Loo, CFA

December 22, 2014
11:15 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 94.95****): The FDA approved AbbVie’s (ABBV 67 *** ) hepatitis C (HCV) drug, Viekira Pak, that will compete with GILD’s HCV drugs. ABBV priced Viekira Pak at $83,319, below Sovaldi and Harvoni. FDA approval was expected, but more importantly, ABBV entered into an exclusive deal with Express Scripts, which includes a ‘significant discount’ with Viekira Pak as the exclusive HCV drug, excluding GILD’s drugs. We believe this unprecedented deal will hurt GILD sales by at least $1B in 2015. We lower our 12-mo. target to $135 on below-peers 15x our ’15 EPS est. of $9.00, down from $9.65. /gcc_support

December 22, 2014
11:15 am ET ... CORRECTION - S&P CAPITAL IQ KEEP STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 94.85****): Corrected analyst take. The FDA approved AbbVie’s [ABBV 67 *** ] hepatitis C (HCV) drug, Viekira Pak, that will compete with GILD’s HCV drugs. ABBV priced Viekira Pak at $83,319, below Sovaldi and Harvoni. ABBV entered into an exclusive deal with Express Scripts, which includes a ‘significant discount’ with Viekira Pak as the exclusive HCV drug, excluding GILD’s drugs. We believe this unprecedented deal will hurt GILD sales by at least $1B in 2015. We lower our 12-mo. target to $135 on below-peers 15x our ’15 EPS est. of $9.00, down from $9.65. /Jeffrey Loo, CFA

October 28, 2014
05:32 pm ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES INC. (GILD 113.45****): We lower our ’14 EPS est. to $8.29 but keep our 12-mo. target at $150 on below peers 15x our forward 12-mo. EPS est. of $9.58. Q3 adj. EPS of $2.05 vs. $0.52 is $1.53 below our est. Sovaldi sales of $2.8B was robust but below our $3.4B forecast due to patient delays in anticipation of FDA approval of Harvoni. But we see a re-acceleration of hepatitis C sales driven by Harvoni in Q4 and ’15. GILD indicated the Harvoni launch is proceeding well with a broader group of physicians prescribing it, a faster rate of adoption, and the potential for an 8-week treatment regimen. /Jeffrey Loo, CFA

October 10, 2014
02:23 pm ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 105.92****): The FDA approved GILD’s Sovaldi + Ledipasvir (Harvoni) pill to treat genotype 1 hepatitis C (HCV) patients, with treatment duration of 8, 12 or 24 weeks. Harvoni is the first combination pill approved to treat genotype 1 HCV patients and is the first regimen that does not require interferon or ribavirin. We expect Harvoni, with cure rates of between 94%-99% to command a dominant market position. But we note continued pricing controversy. Although GILD has not disclosed pricing, we anticipate Harvoni to be priced around $95K for 12-weeks. We also anticipate EU approval shortly. /Jeffrey Loo, CFA

September 15, 2014
03:28 pm ET ... S&P CAPITAL IQ REITERATES STRONG BUY OPINION ON SHARES OF GILEAD SCIENCES (GILD 101.22****): GILD announced a deal with 7 Indian

generic drug firms that enables these firms to sell Sovaldi at a much lower cost than the $84,000 GILD charges for a 12-week regimen in the U.S. The deal covers 91 developing countries, where more than 100 million people have hepatitis C, but excludes many of the larger more developed countries such as China and Brazil. GILD plans to price its own branded Sovaldi in India for $10 a pill or $300/month, so we expect generics to be priced lower. Separately, GILD provided a glimpse of the potential pricing for Sovaldi/Ledipasvir at about $95,000. /Jeffrey Loo, CFA
Analysts' Recommendations

Wall Street Average

Monthly Average Trend
Buy | Buy/Hold | Hold | Weak Hold | Sell | No Opinion

GILD Trend

Number of Analysts Following Stock

Stock Price ($)

Of the total 26 companies following GILD, 26 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>No. of Recommendations</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>11</td>
<td>42</td>
<td>0</td>
</tr>
<tr>
<td>Buy/Hold</td>
<td>10</td>
<td>38</td>
<td>0</td>
</tr>
<tr>
<td>Hold</td>
<td>4</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Weak Hold</td>
<td>1</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Sell</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No Opinion</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>

Wall Street Consensus Estimates

Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that GILD will earn US$ 9.56. For fiscal year 2016, analysts estimate that GILD's earnings per share will grow by 7% to US$ 10.25.

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
Glossary

S&P Capital IQ STARS
Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity’s future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst’s own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking
(also known as S&P Capital IQ Earnings & Dividend Rankings) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- A+ Highest
- A High
- A- Above Average
- B+ Average
- B Low
- B- Lower
- C Lowest
- D In Reorganization
- NR Not Ranked

S&P Capital IQ EPS Estimates
S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings
S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price
The S&P Capital IQ equity analyst’s projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

Abbreviations Used in S&P Capital IQ Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CV - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FPO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment
Reflects an S&P Capital IQ equity analyst’s view of a given company’s operational risk, or the risk of a firm’s ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company’s operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ 5-STARS (Strong Buy):
Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★ 4-STARS (Buy):
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★★ 3-STARS (Hold):
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★★★★ 2-STARS (Sell):
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
★★★★ 1-STAR (Strong Sell):
Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.
Required Disclosures

S&P Capital IQ ranks stocks in accordance with the following ranking methodologies:

STARS Stock Reports:
S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on past price behavior, consensus estimates, and historical performance. Some STARS Stock Reports contain Buy, Hold and Sell recommendations. Reports that do not contain a recommendation may or may not contain ranking information. For reports containing a recommendation or ranking information refer to the Glossary Section of this report for more information, including a detailed description of the methodology and definition of S&P Quality Ranking and S&P Fair Value Rank.

STARS Stock Reports and Quantitative Stock Reports:
The methodologies used in Stock Reports and Quantitative Stock Reports (collectively, the "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations, S&P Capital IQ believes that the methodologies and data used to generate the different types of Research Reports are reasonable and appropriate. Generally, S&P Capital IQ does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. S&P Capital IQ reserves the right to re-rank our models, methodologies or assumptions from time to time and without notice to clients.

STARS Stock Reports:
S&P Capital IQ Global STARS Distribution as of December 31, 2014

<table>
<thead>
<tr>
<th>Ranking</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>37.7%</td>
<td>25.4%</td>
<td>33.8%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Hold</td>
<td>51.6%</td>
<td>48.4%</td>
<td>45.0%</td>
<td>50.4%</td>
</tr>
<tr>
<td>Sell</td>
<td>10.7%</td>
<td>26.2%</td>
<td>21.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

STARS Stock Reports are prepared by the equity research analysts of Standard & Poor's Investment Advisory Services LLC ("SPIAS"). All of the views expressed in STARS Stock Reports accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. Analysts generally update stock reports at least four times each year.

Quantitative Stock Reports:
The Fair Value ranking distribution is a fixed distribution based on relative weightings as described in the Glossary section of this report under S&P Capital IQ Fair Value Rank. Certain reports with Fair Value Rank do not have a Buy/Hold/Sell recommendation, for ranking definition please refer to the Glossary section of the respective report. The Fair Value Ranking distribution includes all the stocks that have S&P Fair Value Ranking. Quantitative Stock Reports are prepared by the equity research group of SPIAS. All of the views expressed in these reports reflect S&P Capital IQ's research models output regarding any and all of the subject securities or issuers. Quantitative Stock Reports are updated daily. Quantitative Stock Reports rely on the availability of data and therefore SPIAS do not provide a report when sufficient data is not available.

STARS Stock Reports and Quantitative Stock Reports:
No part of analyst compensation and SPIAS' compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in Stock Reports and/or Quantitative Stock Reports, as applicable.

About S&P Capital IQ's Distributors
S&P Capital IQ's Research Reports have been prepared and issued by S&P Capital IQ and/or one of its affiliates. In the United States, Research Reports are prepared by SPIAS and issued by Standard & Poor's Financial Services LLC ("S&P"). SPIAS is authorized and regulated by the U.S. Securities and Exchange Commission. McGraw-Hill Financial Research Europe Limited ("MHFRE") is authorized and regulated by the Financial Conduct Authority and trades as S&P Capital IQ, includes within its territorial scope under the Markets in Financial Instruments Directive (MiFID) in relation to the distribution of investment research reports, the following European Union member states and the three (3) European Economic Area European Free Trade Association (EFTA) States (Iceland, Liechtenstein and Norway): Austria; Belgium; Bulgaria; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Gibraltar; Greece; Hungary; Iceland; Ireland; Italy; Latvia; Liechtenstein; Lithuania; Luxembourg; Malta; Netherlands; Norway; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden and the United Kingdom. In Hong Kong, Research Reports have been prepared and issued by Standard & Poor's Investment Advisory Services (HK) Limited, which is regulated by the Hong Kong Securities Futures Commission; in Singapore, by McGraw-Hill Financial Singapore Pte. Limited ("MHFSP"), which is regulated by the Monetary Authority of Singapore; in Malaysia, by Standard & Poor's Malaysia Sdn Bhd, which is regulated by the Securities Commission of Malaysia; in Australia, by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIAS"), which is regulated by the Australian Securities & Investments Commission; and in Japan, by McGraw-Hill Financial Japan KK, which is registered by Kanto Financial Bureau.

S&P Capital IQ or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary index of S&P Dow Jones Indices, such as the S&P 500. In cases where S&P Capital IQ or an affiliate provides services that are tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in S&P Capital IQ or an affiliate receiving compensation in addition to the subscription fees or other compensation for services rendered by S&P Capital IQ. A reference to a particular investment or security by S&P Capital IQ and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index.

S&P Capital IQ and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial intermediaries, and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

For details on the S&P Capital IQ research objectivity and conflict-of-interest policies, please visit: www.spcapitaliq.com/Policies

For a list of companies mentioned in a Research Report for which McGraw Hill Financial, Inc. and/or one of its affiliates own 1% or more of common equity securities and for a list of companies mentioned in a Research Report that own more than 5% of the common equity securities of McGraw Hill Financial, Inc. and/or one of its affiliates, please visit: www.spcapitaliq.com/issuer-stock-ownership

S&P Capital IQ and/or one of its affiliates has performed services for and received compensation from this company during the past twelve months.

General Disclaimers

Notice to all jurisdictions: Where S&P Capital IQ's Research Reports are made available in a language other than English and in the case of inconsistencies between the English and translated versions of a Research Report, the English version will control and supersede any ambiguities associated with any part or section of a Research Report that has been issued in a foreign language. Neither S&P Capital IQ nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice.
Past performance is not necessarily indicative of future results.

S&P Capital IQ, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "S&P Parties") do not guarantee the accuracy, completeness or adequacy of this material, and S&P Parties shall have no liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of the information provided by the S&P Parties. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In the event that any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document even if advised of the possibility of such damages.

Ratings from Standard & Poor's Ratings Services are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and this material is not intended for or distributed in any country, region or jurisdiction where the person is domiciled, a citizen or resident of, or the person who would be engaged in any investment activity. S&P's opinions do not address the suitability of any security.

S&P Standard & Poor's Ratings Services does not contribute to or participate in the development of Research Reports. Standard & Poor's Ratings Services may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through various means, including via S&P's publications and third-party distributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

S&P Capital IQ and its affiliates do not act as a fiduciary. While SPIAS has obtained information from sources it believes to be reliable, SPIAS does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

Research Reports are not intended to be investment advice and do not constitute any form of invitation or inducement by S&P Capital IQ to engage in investment activity. This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may be unsuitable for all investors and may depend on certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through various means, including via S&P's publications and third-party distributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

S&P Capital IQ is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes and guidelines established by local and/or regional regulatory authorities, including laws in connection with the distribution of third-party Research Reports, licensing requirements, supervisory and record keeping obligations that the Intermediary may have under the applicable laws and regulations of the territories where it distributes the Research Reports.

Each Research Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or liable to incur which would subject S&P Capital IQ or its affiliates to any registration or licensing requirements in such jurisdiction.

For residents of Australia: Research Reports are issued and/or distributed in Australia by S&P. Any expression of opinion contained in a Research Report is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s) alone. The information in a Research Report has not been prepared for use by retail investors and has not been prepared without taking account of any particular investment objectives, financial situation or needs. Before acting on any advice, any investor using the advice should consider its appropriateness having regard to their own or their clients' objectives, financial situation and needs. Investors should obtain a Product Disclosure Statement relating to the product and consider the statement before making any investment decision.

For residents of Canada: Research Reports are not intended for distribution in or directed to entities, residents or investors in: Albania, Belarus, Bosnia, Burma, Cote d'Ivoire, Croatia, Cuba, Democratic Republic of the Congo, Former Yugoslav Republic of Macedonia, Herzegovina, Iran, Iraq, Kosovo, Kuwait, Lebanon, Libya, Montenegro and Serbia, North Korea, Somalia, Sudan, South Korea, Syria, Taiwan, Thailand, Turkey, Yemen, Zimbabwe.

SPIS holds an Australian Financial Services License Number 258986. Please refer to the SPIS Financial Services Guide for more information at: www.spcapitaliq.com/FinancialServicesGuide

More information about the written criteria and methodologies for the generation of Research Reports and historical information for Research Reports for the past 12 months are available by contacting S&P Capital IQ Client Services Department at 61-1300-792-953 or via e-mail at spssupportcenter@standardandpoors.com.
section 17, II of Instruction 483.

For residents of British Virgin Islands: All products and services offered by S&P Capital IQ and its affiliates are provided or performed, outside of the British Virgin Islands. The intended recipients of the Research Reports are (i) persons who are not members of the public for the purposes of the Securities and Investment Business Act, 2010 (“SIBA”); (ii) persons who are professional services providers to the British Virgin Islands business companies for the purposes of SIBA; and (iii) any other person who is given the Research Reports by a person licensed as an investment advisor in the British Virgin Islands. If you are in any doubt as to whether you are the intended recipient of this document, please consult your licensed investment advisor.

For residents of Canada: Canadian investors should be aware that any specific securities discussed in a Research Report can only be purchased in Canada through a Canadian registered dealer and, if such securities are not available in the secondary market, they can only be purchased by eligible private placement purchasers on a basis that is exempt from the prospectus requirements of Canadian securities law and will be subject to resale restrictions. Information in Research Reports may not be suitable or appropriate for Canadian investors. Only a registered distributor is eligible to distribute excerpts of any Research Reports, and distributor will be deemed to assume regulatory responsibility for the excerpted information, and undertakes to provide notice to clients that it will be assuming such responsibility.

For residents of Chile: S&P Capital IQ shall not be acting as an intermediary of any securities referred to in a Research Report. S&P Capital IQ (and its affiliates) is not registered with, and such securities may not be registered in the Securities Registry maintained by the Superintendencia de Valores y Seguros de Chile (Chilean Securities and Insurance Superintendence or “SVS”) pursuant to the Chilean Securities Market Law 18045. Accordingly, investment research presented in a Research Report is not intended to constitute a public or private offer of securities in Chile within the meaning of Article 4 of the Chilean Securities Market Law 18045, as amended and restated, and supplemental rules enacted thereunder.

For residents of China: S&P Capital IQ's Research Reports are not distributed in or directed to residents in The People's Republic of China. Neither S&P Capital IQ nor its affiliates target investors in China.

For residents of Colombia: This information and/or information contained in Research Reports is not intended or should not be construed as constituting information delivery to the Colombian Securities Market under Colombian Law.


For residents of Dubai (DIFC): The information contained in Research Reports distributed by S&P Capital IQ is intended for investors who are "professional clients", as defined in Rule 2.3.2(2) of the Conduct of Business Module (COB) of the DFSA Rulebook.

For residents of the European Economic Area (EEA): Research Reports have been approved for distribution in the EEA listed here: Austria; Belgium; Bulgaria; Cyprus; Czech Republic (see further disclosure above); Denmark; Estonia; Finland; France (see further disclosure below); Germany; Gibraltar; Greece (see further disclosure below); Hungary (see further disclosure below); Iceland; Ireland (see further disclosure below); Italy; Latvia; Liechtenstein; Lithuania; Luxembourg; Malta (see further disclosure below); Netherlands; Norway; Poland; Portugal; Romania; Slovakia (see further disclosure below); Slovenia; Spain (see further disclosure below); Sweden and United Kingdom (see further disclosure below), as investment research by MIFREG, which is authorized and regulated by the Financial Conduct Authority in the UK. S&P Capital IQ’s Stock Reports are to be read in conjunction with “Your Guide to S&P Capital IQ’s Stock Reports” which can be found at: www.spcapitaliq.com/stockreportheu.

More information about the written criteria and methodologies for the generation of Research Reports and historical information for Research Reports for the past 12 months are available by contacting S&P Capital IQ Client Services Department at (212) 438-4510 or via e-mail at: ssupportcenter@standardandpoors.com.

For residents of Guernsey, Isle of Man and Jersey: The Research Reports provide by S&P Capital IQ serve to assist the Intermediary in determining the advice it provides to its clients, but are not intended as advice to any of the Intermediary's clients and the intermediary, and not S&P Capital IQ, will be solely responsible for the provision of investment advice to the client. Independent investment advice should be sought by persons in their capacity as investors or potential investors and the Intermediary will be solely responsible for complying with any applicable regulatory obligations relating to the distribution of investment research.

For residents of France: The Intermediary, and not S&P Capital IQ, is solely responsible for complying with the rules related to the distribution of investment recommendations as specified in the Financial Code and the Autorité des Marchés Financiers rule book.

For residents of Greece: S&P Capital IQ Research Reports should only be used for the purposes of investment research, and should not be interpreted as or be used to provide investment advice or as part of any offer to the public of any specific security or financial instrument.

For residents of Hong Kong: Information in the Research Reports shall not be construed to imply any relationship, advisory or otherwise, between S&P and the recipient user of the research report unless expressly agreed by S&P Capital IQ. S&P Capital IQ is not acting nor should it be deemed to be acting, as a “fiduciary” or as an “investment manager” or “investment advisor” to any recipient of this information unless expressly agreed by S&P Capital IQ. The Distributor of the Research Reports will be solely responsible for describing its role to its clients with respect to the distribution of S&P Capital IQ’s Research Reports.

For residents of Hungary: The Intermediary, and not S&P Capital IQ, is solely responsible for complying with the rules related to data protection requirements as set out in Act XXII of 2011 and the Right of Informational Self-Determination and on Freedom of information; and with Act CLV. of 1997 on Consumer Protection and with Act CXXXVIII of 2007 on Investment services.

For residents of India: Residents of India should consult their financial and legal advisers regarding the suitability of any of S&P Capital IQ’s services and products. S&P Capital IQ does not intend to utilize the Research Report service to invite or carry out any business activities with S&P Capital IQ. Research Reports provided by S&P Capital IQ serve to assist the Intermediary in determining the advice it provides to its clients, but are not intended as advice to the Intermediary and to any of the Intermediary’s clients and the intermediary will be solely responsible for the provision of investment advice to the client.

For residents of Indonesia: Research Reports do not constitute an offering document and it should not be construed as an offer of securities in Indonesia, and any such securities will only be offered or sold through a financial institution.

For residents of Israel: Research reports are intended only for distribution to "Qualified Investors", as defined in the Schedule to Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law of 1995. All other persons who are not Qualified Investors under Israeli law should seek additional investment advice from their financial advisers. The relevant analyst declares that the views expressed in a particular Research Report faithfully reflect the analyst's personal views regarding the securities under review and the issuer of the securities.

For residents of Japan: Research Reports are intended only for distribution to "Asset Management Firms".

For residents of Kazakhstan: Research Reports are not intended for distribution to the public in Kazakhstan. Any distribution to specific persons is the sole responsibility of the distributor and the distributor, and not S&P Capital IQ, is responsible for complying with all local regulations, including but not limited to advertising requirements related to public solicitation.

For residents of Malta: The distributor of Research Reports in Malta, is solely responsible for ensuring that the investment research produced by S&P Capital IQ and proposed to be disseminated in or from within Malta is reviewed for compliance with the investment services rules issued by the Malta Financial Services Authority in terms of the Investment Services Act, Cap 370 of the laws of Malta.

For residents of Mexico: S&P Capital IQ is not regulated or supervised by the Mexican National Banking and Securities Commission ("CNBV"). S&P Capital IQ has a licensed rating agency affiliate in Mexico (Standard & Poor's, S.A. De C.V.), of which S&P maintains firewalls and seeks to avoid conflicts of interest, pursuant to approved policies. Research Reports on securities that are not registered with the National Securities Registry maintained by the Mexican National Securities Registry are intended only for distribution to qualified, institutional investors or to any other investors to whom distribution the S&P Research is permissible under Mexican law.

For residents of Monaco: The Intermediary, and not S&P Capital IQ, will be solely responsible for providing copies of S&P Capital IQ Research Reports to the appropriate Monegasque regulator prior to distributing to its clients.
For residents of Morocco: Research Reports are intended for distribution only to professional investors.

For residents of Peru: S&P Capital IQ's Research Reports shall not, under any circumstances, be considered an invitation to take deposits or funds from the public, under any mechanism, or to carry on any activities that may be prohibited by Peruvian law. The intermediary also agrees that the use of S&P Capital IQ's Research Reports shall not be used by intermediary to solicit an investment in the securities that are the subject of the Research Report in any way that may be prohibited by Peruvian law.

For residents of Qatar: The Distributor, and not S&P Capital IQ, is responsible for complying with all relevant licensing requirements as set forth by the Qatar Financial Markets Authority or the Qatar Central Bank, and with all relevant rules and regulations set out in the Qatar Financial Markets Authority's rule book, including third party branded investment research distribution of securities that are admitted for trading on a Qatari securities exchange (Admitted Securities).

For residents of Russia: Research Reports on financial instruments are intended for "qualified investors", as defined in the Securities market law of the Russian Federation dated 22 April 1996, as amended, only.

For residents of The Kingdom of Saudi Arabia: S&P Capital IQ and its affiliates do not distribute Research Reports in the Kingdom of Saudi Arabia. Residents of Saudi Arabia should be aware that the distributor of S&P Capital IQ's Research Reports may not be permitted to distribute investment research either: (i) from a permanent place of business in or otherwise within the territory of the Kingdom of Saudi Arabia; or (ii) to an investor in the Kingdom of Saudi Arabia unless that investor is a Capital Market Authority authorized investor or the Saudi Arabian Monetary Agency.

When a distributor disseminates S&P Capital IQ's Research Reports in the Kingdom of Saudi Arabia, the distributor, and not S&P Capital IQ, is solely responsible for approving the contents of Research Reports and complying with licensing requirements and authorizations of the Saudi Arabian Capital Market Authority's ("CMA"), including CMA's Authorized Persons Regulations concerning securities advertisements.

S&P does not conduct a securities business in the Kingdom of Saudi Arabia and the distributor, and not S&P Capital IQ, assumes all responsibilities and liabilities for distributing Research Reports in the Kingdom of Saudi Arabia. Research Reports are not intended to be investment advice and do not constitute any form of invitation or inducement by S&P Capital IQ to engage in an investment activity in the Kingdom of Saudi Arabia. S&P Capital IQ does not communicate directly with a distributor's customers and a distributor's customers should not contact S&P Capital IQ directly regarding any information or data provided in Research Reports.

For residents of Singapore: Research reports that contain extracts from S&P Capital IQ's Research Reports are not prepared, issued or reviewed by MHFSPL or MHFSPSL assumes no responsibility for the Research Reports, and nothing referenced by an investment advisor, duly licensed under Venezuelan law. The distributor of the Research Reports, and not S&P Capital IQ, is solely responsible for complying with licensing requirements.


For residents of Spain: Certain of S&P Capital IQ's equity Research Reports may be considered to be marketing communications for purposes of Spanish law.

For residents of Switzerland: Research reports are only directed at and should only be relied on by investors outside of the EEA or investors who are inside the EEA and who have professional experience in matters relating to investments or who are high net worth investors, as defined in Article 19(5) or Article 49(2) (a) to (d) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively. S&P Capital IQ's Stock Reports are to be read in conjunction with "Your Guide to S&P Capital IQ's Stock Reports" which can be found at www.standardandpoors.com/stockreportguide. For some clients, Research reports have been prepared by S&P Capital IQ and/or one of its affiliates, and redistributed by the client.

For residents of the United Arab Emirates (UAE): S&P Capital IQ and its affiliates neither undertake banking, financial, or investment consultations business in or into the UAE within the meaning of the Central Bank Board of Directors' Resolution No. 164/8/94 regarding the regulations for investment companies nor provides financial analysis or consultation services in or into the UAE within the meaning of UAE SECURITIES AND COMMODITIES AUTHORITY DECISION NO. 48/R OF 2008 concerning financial consultation and financial analysis.

Investment research distributed by S&P Capital IQ and its affiliates is not intended to amount to an offer of securities within the meaning of DIFC Law No. 12 OF 2004 (the DIFC Markets Law) or the equivalent laws, rules and regulations made by the Central Bank of the UAE and their Emirates Securities and Commodities Authority. Neither the Dubai Financial Services Authority, the UAE Securities nor Commodities Authority of the UAE has reviewed or verified any of the information provided in a Research Report or through any service provided by S&P Capital IQ or its affiliates, or has any responsibility for it. If a recipient of Research Report does not understand any of the contents of the Research Report, the recipient should contact a financial advisor. Users of extracts of investment Research Reports should be aware that if they are distributed in the UAE by an intermediary, the intermediary is solely responsible for the distribution and contents of the investment research in the UAE.

For residents of the United Kingdom: In the United Kingdom Research Reports are approved and/or communicated by MHFRE which is authorized and regulated by the Financial Conduct Authority for the conduct of investment business in the UK. Research Reports are only directed at and should only be relied on by investors outside of the UK or investors who are inside the UK and who are professional clients in matters relating to investments or who are high net worth investors, as defined by the FCA and in Article 19(5) or Article 49(2) (a) to (d) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively. MHFRE may not distribute Research Reports to retail clients, as defined by the FCA. S&P Capital IQ's Stock Reports are to be read in conjunction with "Your Guide to S&P Capital IQ's Stock Reports" which can be found at www.standardandpoors.com/stockreportguide.

For residents of Uruguay: S&P Capital IQ or its affiliates are not, individually a risk assessment entity registered with the Central Bank of Uruguay, and S&P Capital IQ's Research Reports are only directed at and should only be relied on by investors outside of Uruguay or investors who are inside Uruguay and who are professional clients in matters relating to investments or who are high net worth investors, as defined by Article 19(5) or Article 49(2) (a) to (d) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Research Reports are not intended to be investment advice and do not constitute any form of licensing requirements.

For residents of Venezuela: Research Reports can only be distributed in Venezuela by an investment advisor, duly licensed under Venezuelan law. The distributor of the Research Reports, and not S&P Capital IQ, is solely responsible for complying with licensing requirements.

Copyright © 2015 Standard & Poor's Financial Services LLC. All rights reserved. STANDARD & POOR'S, S&P, S&P 500, S&P CAPITAL IQ, S&P EUROPE 350 and STARS are registered trademarks of Standard & Poor's Financial Services LLC. S&P CAPITAL IQ is a trademark of Standard & Poor's Financial Services LLC.