

Rating	OUTPERFORM*
Price (03 Feb 15, US\$)	107.18
Target price (US\$)	130.00 ¹
52-week price range	114.22 - 65.48
Market cap. (US\$ m)	161,698.64
Enterprise value (US\$ m)	147,675.94

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

¹Target price is for 12 months.

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Gilead Sciences Inc. (GILD)

FORECAST INCREASE

The King is dead, long live the King

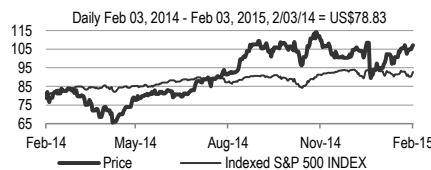
GILD reported Q4 earnings post-close today with the Street mostly focused on the HCV market dynamics. The three key take-aways are:

■ **The upside to the HCV market is now capped.** As the parameters of the global HCV market have become increasingly clearer (everything is relative); we believe the potential upside to market opportunity will become capped (until proven otherwise) in the eyes of the market (which, by definition, is always right). Mgmt. commented that they believe the US has the capacity to treat ~200K-250K patients each year. Assuming a net price of ~\$45K/pt (did you hear about the gross to net?) we get a US market opportunity of ~\$9B-\$11B. Similarly, if ~150-200K patients are treated ex-US at a net price of \$35K, this results in a \$5B-\$7B market opportunity (i.e.\$14B-\$18B globally). This removes the possibility of an outcome favored by the megabulls, who argued that HCV could grow to be a >\$20B therapeutic area. We have flagged in our previous note ([Just saying...The HCV Market Who Knows](#)) that we do not believe that HCV market can grow to be the biggest therapeutic area and the higher than expected gross to net discounts (46% in '15 vs. 22% in '14) will cap the upside to the HCV market.(see Exhibit1). We make minor changes to our model and our new FY'15,'16,'17 EPS estimates go to \$8.65, \$9.21 and \$9.00.

■ **The size of the gross-to-net discount was a surprise on the upside.** Inevitably, the 46% gross to net discount is only going to get larger over time (basic laws of economics). GILD alluded that the 46% gross to net discount will result in a larger patient population through greater access. However, it is important to note that the HCV market has a finite patient population. While, we feel that further price discounts are certain as new players enter the market, the 2015 size of gross to net discount is still a surprise (see our note "[What is the N Number](#)"). To be perfectly clear, this is not a criticism, GILD's strategy of front running HCV patients at a lower price is likely the best strategy given the current scenario.

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Share price performance



On 02/03/15 the S&P 500 INDEX closed at 2050.03

Quarterly EPS	Q1	Q2	Q3	Q4
2014A	1.48	2.36	1.84	2.43
2015E	—	—	—	—
2016E	—	—	—	—

Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS (CS adj.) (US\$)	8.10	8.65	9.21	9.00
Prev. EPS (US\$)	—	7.89	8.71	8.74
P/E (x)	13.2	12.4	11.6	11.9
P/E rel. (%)	71.2	71.3	70.9	81.8
Revenue (US\$ m)	24,889.7	26,716.0	28,915.4	27,449.4
EBITDA (US\$ m)	15,394.3	17,053.9	17,646.9	16,432.6
OCFPS (US\$)	5.74	8.82	9.33	9.49
P/OCF (x)	16.4	12.2	11.5	11.3
EV/EBITDA (current)	10.3	8.7	7.9	8.1
Net debt (US\$ m)	-3,482	-14,023	-21,572	-29,083
ROIC (%)	67.06	68.41	69.45	65.14
Number of shares (m)	1,508.66	IC (current, US\$ m)	19,765.66	
BV/share (Next Qtr., US\$)	—	EV/IC (x)	—	
Net debt (Next Qtr., US\$ m)	—	Dividend (current, US\$)	—	
Net debt/tot eq (Next Qtr., %)	—	Dividend yield (%)	—	

Source: Company data, Credit Suisse estimates.

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- **Capital allocation/Pipeline.** GILD announced a quarterly dividend of \$0.43 starting in Q2:'15. This could be viewed as means to offset the limited future upside revenue opportunity from the HCV franchise. However, we agree with GILD's comment that their dividend policy is a sign of confidence in future strong cash flows and robust balance sheet. We fully support such a decision as we have highlighted importance of agency cost in many of our notes ([LINK](#)). **What next?** HCV story has limited upside to expectations. In the H2'15, GILD will become a pipeline story similar to BIIB/CELG, whose ramp of the blockbuster drugs are factored in.
- **Earnings Summary:** GILD beat on the topline (\$7.3B vs. CS/cons \$6.6B/\$6.7B), combined Sovaldi/Harvoni revenues (\$3.8B) came in slightly above CS/consensus (\$3.5B/\$3.8B). The beat on the topline was aided by higher than expected revenues in the HIV franchise (with mgmt. noting that there was higher than normal inventory stocking which is expected to return to normal ranges by the end of Q1) and solid growth in the HCV franchise. Importantly, GILD announced a 46% gross to net discount as well as provided granularity on HCV pricing and market dynamics and FY'15 revenue guidance, which was below cons. estimates by ~\$2.0B. Understandably, the majority of the conf call focus was on HCV dynamics, their capital allocation policy and the higher than expected gross to net adjustment.
- **Changes to Guidance and Out-Year Estimates:** GILD provided FY'15 guidance. GILD expects Total Net Product Sales of \$26.0-\$27.0B, Product GM of 87%-90%, R&D of \$3.0B - \$3.3B, SG&A of \$3.0 - \$3.3B, and tax rate of 18%-20%. Projected diluted EPS impact related to acquisition, restructuring and compensation is guided to \$0.82 - \$0.87.
- **Valuation:** Our unchanged TP of \$130 is based on ~14.1x multiple on FY'16 EPS of \$9.21 representing a 5% discount to the 2016 S&P500 PE multiple. We believe that in order to justify a multiple expansion, we will need to see greater visibility into GILD's pipeline.

Exhibit 1: Top 10 Therapeutic Areas in US in 2013

Top 10 Therapeutic Areas in US in 2013

1. Oncology	\$ 28B
2. Antidiabetics	\$ 24B
3. Mental Health	\$ 24B
4. Respiratory	\$ 20B
5. Pain	\$ 19B
6. Autoimmune	\$ 18B
7. Lipid Regulators	\$ 14B
8. Antihypertensive	\$ 13B
9. HIV Antivirals	\$ 13B
10. Multiple Sclerosis	\$ 11B
Others	\$147B
Total	\$329B

Source: Company data, Credit Suisse estimates

Exhibit 2: GILD Changes to Model

Changes to Model							
	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenues (\$M)							
Current	\$24,890	\$26,716	\$28,915	\$27,449	\$24,455	\$22,066	\$19,827
Prior	\$24,116	\$25,392	\$27,791	\$27,066	\$23,788	\$21,430	\$19,294
% Difference	3%	5%	4%	1%	3%	3%	3%
Global HIV Franchise							
Current	\$10,326	\$10,981	\$11,575	\$11,569	\$8,285	\$7,761	\$7,519
Prior	\$9,964	\$10,543	\$11,166	\$11,289	\$8,380	\$7,825	\$7,526
% Difference	4%	4%	4%	2%	-1%	-1%	0%
Global HCV Franchise							
Current	\$12,410	\$13,416	\$15,036	\$13,645	\$14,121	\$12,564	\$10,979
Prior	\$12,096	\$12,713	\$14,471	\$13,678	\$13,459	\$11,933	\$10,477
% Difference	3%	6%	4%	0%	5%	5%	5%
Global Other							
Current	\$1,715	\$1,834	\$1,752	\$1,563	\$1,257	\$920	\$488
Prior	\$1,565	\$1,630	\$1,560	\$1,392	\$1,129	\$825	\$428
% Difference	10%	13%	12%	12%	11%	11%	14%
Royalty Revenue							
Current	\$416	\$397	\$373	\$323	\$292	\$221	\$166
Prior	\$414	\$397	\$373	\$323	\$292	\$221	\$166
% Difference	0%	0%	0%	0%	0%	0%	0%
COGS							
Current	\$3,833	\$3,266	\$3,786	\$3,738	\$3,907	\$3,667	\$3,322
Prior	\$3,835	\$3,140	\$3,660	\$3,695	\$3,802	\$3,564	\$3,237
% Difference	0%	4%	3%	1%	3%	3%	3%
R&D Expenses							
Current	\$2,585	\$3,118	\$3,499	\$3,404	\$3,375	\$3,067	\$2,756
Prior	\$2,425	\$2,996	\$3,363	\$3,356	\$3,283	\$2,979	\$2,682
% Difference	7%	4%	4%	1%	3%	3%	3%
SG&A Expenses							
Current	\$2,762	\$3,138	\$3,672	\$3,596	\$3,424	\$3,089	\$2,776
Prior	\$2,841	\$3,098	\$3,530	\$3,546	\$3,330	\$3,000	\$2,701
% Difference	-3%	1%	4%	1%	3%	3%	3%
Operating Income							
Current	\$16,219	\$16,905	\$17,475	\$16,239	\$13,277	\$11,810	\$10,583
Prior	\$15,486	\$15,739	\$16,760	\$15,988	\$12,900	\$11,453	\$10,282
% Difference	5%	7%	4%	2%	3%	3%	3%
Net Income							
Current	\$12,954	\$13,391	\$13,806	\$12,826	\$10,527	\$9,405	\$8,468
Prior	\$12,300	\$12,442	\$13,221	\$12,612	\$10,214	\$9,108	\$8,216
% Difference	5%	8%	4%	2%	3%	3%	3%
Diluted EPS							
Current	\$8.10	\$8.65	\$9.21	\$9.00	\$7.77	\$7.25	\$6.76
Prior	\$7.69	\$7.89	\$8.71	\$8.74	\$7.45	\$6.94	\$6.48
% Difference	5%	10%	6%	3%	4%	5%	4%

Source: Company data, Credit Suisse estimates

Exhibit 3: GILD Actuals vs. CS/Consensus

<i>In millions except EPS</i>	Actuals Q4'14	CS Q4'14E	Δ	Consensus Q4'14E	Δ	Actuals FY'14A	Previous FY'14E	Δ
Key Products:								
Atripla	\$925	\$821	13%	\$854	8%	\$3,470	\$3,366	3%
Truvada	\$897	\$763	18%	\$821	9%	\$3,339	\$3,205	4%
Viread	\$311	\$265	17%	\$259	20%	\$1,058	\$1,012	5%
Complera	\$348	\$330	6%	\$344	1%	\$1,228	\$1,210	2%
Stribild	\$385	\$344	12%	\$346	11%	\$1,198	\$1,157	4%
Sovaldi + Harvoni	\$3,839	\$3,525	9%	\$3,750	2%	\$12,410	\$12,096	3%
Product Sales	\$7,222	\$6,469	12%	-	-	\$24,474	\$23,721	-
Revenue	\$7,314	\$6,559	12%	\$6,698	9%	\$24,890	\$24,135	3%
Gross Margins	88.4%	86.7%	2%	86.8%	2%	84.3%	83.8%	1%
R&D	\$899	\$741	21%	-	-	\$2,585	\$2,427	7%
SG&A	\$804	\$886	(9%)	-	-	\$2,762	\$2,843	(3%)
Operating Income	\$4,764	\$4,059	17%	\$4,661	2%	\$16,579	\$15,874	4%
Tax Rate	17.2%	18.0%	(4%)	15.7%	9%	17.9%	18.1%	(1%)
Net Income	\$3,788	\$3,142	21%	\$3,477	9%	\$12,954	\$12,309	5%
Total Shares Out	1,597	1,617	(1%)	1,602	(0%)	1644	1,649	(0%)
EPS (Ex-Option)	\$2.43	\$2.01	21%	\$2.17	12%	\$8.10	\$7.69	5%

Source: Company data, Credit Suisse estimates

Exhibit 4: GILD Quarterly Income Statement 2014-2015

Gilead Quarterly Income Statement (Dollars in thousands except per-share data)										
	1Q14A	2Q14A	3Q14A	4Q14A	2014A	1Q15E	2Q15E	3Q15E	4Q15E	2015E
Revenue:										
Atipla	779,594	870,708	894,787	925,000	3,470,089	668,663	835,498	830,889	879,260	3,214,309
YoY Growth	-11%	-7%	-1%	-1%	-5%	-14%	-4%	-7%	-5%	-7%
Truvada	759,700	806,610	875,454	897,000	3,338,764	715,083	870,242	878,798	869,600	3,333,723
YoY Growth	8%	0%	8%	10%	6%	-6%	8%	0%	-3%	0%
Viread	210,625	260,734	275,637	311,000	1,057,996	218,399	264,753	265,825	324,910	1,073,887
YoY Growth	0%	4%	19%	17%	10%	4%	2%	-4%	4%	2%
Emtriva	6,502	6,300	6,300	6,700	25,802	5,816	5,831	6,000	6,400	24,047
YoY Growth	-3%	-5%	-8%	-8%	-6%	-11%	-7%	-5%	-4%	-7%
Complera/Eviplera	250,733	299,464	330,263	348,000	1,228,460	318,926	374,083	398,259	457,800	1,549,068
YoY Growth	69%	57%	57%	33%	52%	27%	25%	21%	32%	26%
Stribild	215,271	269,520	328,035	385,000	1,197,826	371,206	391,924	428,079	517,660	1,708,868
YoY Growth	134%	171%	128%	89%	122%	72%	45%	30%	34%	43%
Global HIV Franchise Sales	2,222,425	2,513,486	2,710,776	2,879,150	10,325,837	2,311,843	2,760,081	2,828,849	3,079,880	10,980,652
YoY Growth	9%	10%	18%	16%	13%	4%	10%	4%	7%	6%
Sovaldi	2,274,349	3,480,326	2,796,093	1,732,000	10,282,768	1,429,540	1,184,255	1,047,629	949,100	4,610,524
YoY Growth				1142%	7275%	-37%	-66%	-63%	-45%	-55%
Harvoni	0	439	19,966	2,107,000	2,127,405	1,975,000	2,195,000	2,310,000	2,325,000	8,805,000
YoY Growth										
Global HCV Franchise Sales	2,274,349	3,480,765	2,816,059	3,839,000	12,410,173	3,404,540	3,379,255	3,357,629	3,274,100	13,415,524
YoY Growth				2653%	8800%	50%	-3%	19%	-15%	8%
Hepsera	11,723	17,893	17,678	7,850	55,144	9,267	13,887	13,716	6,380	43,250
YoY Growth	-56%	-17%	-13%	-39%	-32%	-21%	-22%	-22%	-19%	-22%
Global Antiviral Franchise Sales	4,508,497	6,012,144	5,544,513	6,726,000	22,791,154	5,725,650	6,153,223	6,200,193	6,360,360	24,439,426
YoY Growth	119%	160%	138%	155%	144%	27%	2%	12%	-5%	7%
Idelalisib	0	0	5,862	17,000	22,862	20,000	22,000	23,000	24,000	89,000
YoY Growth										289%
Global Oncology Franchise Sales	0	0	5,862	17,000	22,862	20,000	22,000	23,000	24,000	89,000
YoY Growth										
AmBisome	92,093	94,794	98,108	104,000	388,995	96,698	97,638	101,051	107,120	402,507
YoY Growth	8%	15%	15%	15%	11%	5%	3%	3%	3%	3%
Cayston	35,500	39,327	40,800	50,000	165,627	39,760	44,046	45,696	56,000	185,502
YoY Growth	11%	15%	15%	15%	19%	12%	12%	12%	12%	12%
Letairis	122,885	144,715	146,415	181,000	595,016	153,606	166,423	161,057	175,570	656,656
YoY Growth	4%	13%	8%	31%	14%	25%	15%	10%	-3%	10%
Ranexa	111,618	121,956	132,510	144,000	510,084	119,431	130,493	141,786	154,080	545,790
YoY Growth	16%	15%	15%	15%	14%	7%	7%	7%	7%	7%
Others	381	0	0	0	381	377	0	0	0	377
YoY Growth	-59%	-100%	-100%	-100%	-91%	-1%	-1%	-1%	-1%	-1%
Global Non-Antiviral Products	362,477	400,793	417,833	479,000	1,660,103	409,872	438,600	449,589	492,770	1,790,832
YoY Growth	9%	16%	9%	19%	13%	13%	9%	8%	3%	8%
Total Product Sales	4,870,974	6,412,937	5,968,208	7,222,000	24,474,119	6,155,522	6,613,823	6,672,783	6,877,130	26,319,258
YoY Growth	104%	141%	120%	137%	127%	26%	3%	12%	-5%	8%
Royalty & Contract Revenue	127,982	122,006	73,624	92,000	415,612	99,173	99,173	99,173	99,173	396,694
YoY Growth	-7%	11%	1%	20%	4%	-23%	-19%	35%	8%	-5%
Total Revenue	4,998,956	6,534,943	6,041,832	7,314,000	24,889,731	6,254,696	6,712,997	6,771,956	6,976,303	26,715,952
YoY Growth	97%	136%	117%	134%	122%	25%	3%	12%	-5%	7%
Operating Costs & Expenses:										
Cost of Goods Sold	613,975	725,479	785,816	849,000	2,974,270	772,798	796,888	790,526	793,980	3,154,193
YoY Growth	0%	9%	19%	9%	10%	26%	10%	1%	-6%	6%
Research & Development	592,155	578,607	626,637	940,000	2,737,399	858,600	815,750	807,747	809,527	3,291,624
YoY Growth	22%	13%	21%	74%	33%	45%	41%	29%	-14%	20%
Selling, General, & Administrative	545,338	613,165	944,549	856,000	2,959,052	935,119	856,042	800,490	773,633	3,365,284
YoY Growth	49%	51%	130%	67%	75%	71%	40%	-15%	-10%	14%
Total Operating Costs & Expenses	1,751,468	1,917,251	2,357,002	2,645,000	8,670,721	2,566,517	2,468,680	2,398,764	2,377,140	9,811,101
YoY Growth	19%	21%	49%	44%	34%	47%	29%	2%	-10%	13%
Income from Operation	3,247,488	4,617,692	3,684,830	4,669,000	16,219,010	3,688,179	4,244,317	4,373,192	4,599,164	16,904,851
YoY Growth	205%	289%	208%	262%	242%	14%	-8%	19%	-1%	4%
Operating Margin	65%	71%	61%	64%	65%	59%	63%	65%	66%	63%
Interest and Other Income, Net	(19,765)	(3,643)	(5,037)	30,000	1,555	15,541	15,541	15,541	15,541	62,164
YoY Growth	495%	1477%	-187%	-370%	-117%	-179%	-527%	-409%	-48%	3898%
Interest Expense, Net	(76,269)	(102,004)	(103,366)	(130,000)	(411,639)	(67,160)	(67,160)	(67,160)	(67,160)	(268,639)
YoY Growth	-7%	31%	40%	78%	34%	-12%	-34%	-35%	-48%	-35%
Minority Interest in Joint Venture	4,823	5,108	7,011	25,000	41,942	4,582	4,853	6,660	23,750	39,845
YoY Growth	8%	2%	107%	435%	139%	-5%	-5%	-5%	-5%	-5%
Pretax Income/(Loss)	3,156,277	4,517,153	3,583,438	4,594,000	15,850,868	3,641,142	4,197,550	4,328,234	4,571,295	16,738,221
YoY Growth	220%	306%	217%	280%	257%	15%	-7%	21%	0%	6%
Income Tax	750,693	670,753	669,083	806,000	2,896,529	728,228	839,510	865,647	914,259	3,347,644
Effective Tax Rate	23.8%	14.8%	18.7%	17.5%	18.3%	20.0%	20.0%	20.0%	20.0%	20.0%
Proforma EPS (Excluding Options)										
Stock Option Expenses	82,225	83,133	99,336	95,000	359,694	108,309	104,180	101,230	100,317	414,036
Non GAAP Net Income (Excluding Option)	2,487,809	3,929,533	3,013,691	3,883,000	13,314,033	3,021,222	3,462,220	3,563,816	3,757,353	13,804,612
YoY Growth	210%	368%	243%	318%	286%	21%	-12%	18%	-3%	4%
Basic EPS	1.62	2.56	1.99	2.58	8.75	2.01	2.31	2.38	2.51	9.21
YoY Growth	207%	366%	247%	325%	287%	24%	-10%	19%	-3%	5%
Diluted EPS	1.48	2.36	1.84	2.43	8.10	1.89	2.17	2.23	2.35	8.65
YoY Growth	207%	376%	254%	343%	296%	28%	-8%	21%	-3%	7%
Basic Shares Outstanding	1,536,525	1,532,723	1,513,899	1,506,000	1,522,287	1,499,549	1,499,549	1,499,549	1,499,549	1,499,549
QoQ Growth	1%	0%	-1%	-2%	0%	0%	0%	0%	0%	-1%
Diluted Shares Outstanding	1,679,871	1,664,415	1,636,530	1,597,000	1,644,454	1,596,552	1,596,552	1,596,552	1,596,552	1,596,552
QoQ Growth	1%	-2%	-3%	-6%	-2%	0%	0%	0%	0%	-3%

Source: Company data, Credit Suisse estimates

Exhibit 5: GILD Annual Income Statement 2013-2020

(Dollars in thousands except per-share data)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Revenue:								
Global Product Sales:								
Atripla	3,648,496	3,470,089	3,214,309	2,912,886	2,538,981	806,040	506,171	398,004
YoY Growth	2%	-5%	-7%	-9%	-13%	-68%	-37%	-21%
Truvada	3,135,771	3,338,764	3,333,723	3,203,553	3,050,146	1,370,809	967,805	767,802
YoY Growth	-1%	6%	0%	-4%	-5%	-55%	-29%	-21%
Viread	958,969	1,057,996	1,073,887	1,059,509	814,093	495,594	386,015	308,289
YoY Growth	13%	10%	2%	-1%	-23%	-39%	-22%	-20%
Emtriva	27,405	25,802	24,047	22,085	20,225	2,923	785	454
YoY Growth	-7%	-6%	-7%	-8%	-8%	-86%	-73%	-42%
Complera/Eviplera (TMC278/Tenofovir/Emtricitabine)	809,452	1,228,460	1,549,068	1,886,169	2,078,824	2,060,855	2,013,833	1,948,200
YoY Growth	137%	52%	26%	22%	10%	-1%	-2%	-3%
Stribild	539,256	1,197,826	1,708,868	2,122,925	2,412,934	2,592,731	2,688,118	2,752,263
YoY Growth	837%	122%	43%	24%	14%	7%	4%	2%
TAF STR	0	0	0	225,000	393,750	570,938	713,672	808,828
YoY Growth	-	-	-	-	75%	45%	25%	13%
Cobicistat	0	2,800	36,000	72,500	110,000	145,000	170,000	180,000
YoY Growth	-	-	1186%	101%	52%	32%	17%	6%
Elvitegravir	0	4,100	40,750	70,000	150,000	240,000	315,000	355,000
YoY Growth	-	-	894%	72%	114%	60%	31%	13%
Global HIV Franchise Sales	9,119,349	10,325,837	10,980,652	11,574,629	11,568,953	8,284,889	7,761,399	7,518,840
YoY Growth	14%	13%	6%	5%	0%	-28%	-6%	-3%
Sofosbuvir	139,435	10,282,768	4,610,524	4,818,919	3,200,000	4,366,430	3,945,935	3,508,019
YoY Growth	-	7275%	-55%	5%	-34%	36%	-10%	-11%
Sofosbuvir/Ledipasvir	0	2,127,405	8,805,000	10,217,250	10,445,288	9,754,246	8,618,361	7,470,611
YoY Growth	-	-	314%	16%	2%	-7%	-12%	-13%
Global HCV Franchise Sales	139,435	12,410,173	13,415,524	15,036,169	13,645,288	14,120,676	12,564,296	10,978,630
YoY Growth	-	8800%	8%	12%	-9%	3%	-11%	-13%
Hepsera	81,095	55,144	43,250	36,098	30,227	25,395	21,408	18,109
YoY Growth	-25%	-32%	-22%	-17%	-16%	-16%	-16%	-15%
Total Global Antiviral Franchise Sales	9,339,879	22,791,154	24,439,426	26,646,895	25,244,467	22,430,960	20,347,103	18,515,579
YoY Growth	15%	144%	7%	9%	-5%	-11%	-9%	-9%
Idelalisib	0	22,862	89,000	180,000	350,000	500,000	600,000	675,000
YoY Growth	-	-	289%	102%	94%	43%	20%	13%
Global Oncology Franchise Sales	0	22,862	89,000	180,000	350,000	500,000	600,000	675,000
YoY Growth	26.43	26.43	26.43	9390.50	10471.15	10617.90	10259.58	9597.91
AmBisome	351,827	388,995	402,507	301,880	150,940	75,470	56,603	42,452
YoY Growth	1%	11%	3%	-25%	-50%	-50%	-25%	-25%
Cayston	139,350	165,627	185,502	196,632	204,498	210,633	214,845	216,994
YoY Growth	31%	19%	12%	6%	4%	3%	2%	1%
Other	4,049	381	377	373	370	366	362	359
YoY Growth	-80%	-91%	-1%	-1%	-1%	-1%	-1%	-1%
Letairis	519,966	595,016	656,656	643,523	592,041	355,225	213,135	127,881
YoY Growth	27%	14%	10%	-2%	-8%	-40%	-40%	-40%
Ranexa	448,624	510,084	545,790	573,079	584,541	590,386	413,270	82,654
YoY Growth	20%	14%	7%	5%	2%	1%	-30%	-80%
Global Other Franchise Sales	1,463,816	1,660,103	1,790,832	1,715,488	1,532,390	1,232,080	898,215	470,339
YoY Growth	16%	13%	8%	-4%	-11%	-20%	-27%	-48%
Contract Revenue	397,993	415,612	396,694	373,037	322,574	291,547	221,075	165,968
YoY Growth	31%	4%	-5%	-6%	-14%	-10%	-24%	-25%
Total Revenue	11,201,688	24,889,731	26,715,952	28,915,421	27,449,431	24,454,586	22,066,394	19,826,886
YoY Growth	15%	122%	7%	8%	-5%	-11%	-10%	-10%
Operating Costs & Expenses :								
Cost of Goods Sold	2,715,184	2,974,270	3,154,193	3,801,184	3,752,342	3,921,875	3,680,269	3,333,854
Research & Development	2,056,439	2,737,399	3,291,624	3,706,360	3,607,156	3,577,560	3,253,341	2,923,673
Selling, General, & Administrative	1,693,836	2,959,052	3,365,284	3,932,475	3,850,869	3,677,884	3,322,585	2,986,020
Total Operating Expenses	6,465,459	8,670,721	9,811,101	11,440,019	11,210,366	11,177,318	10,256,194	9,243,547
Income from Operation	4,736,229	16,219,010	16,904,851	17,475,402	16,239,065	13,277,268	11,810,200	10,583,339
Operating Margin	42%	65%	63%	60%	59%	54%	54%	53%
Interest and other income, net	(8,886)	1,555	62,164	119,973	190,327	243,550	290,775	332,612
Interest expense, net	(306,894)	(411,639)	(268,639)	(268,639)	(232,664)	(232,664)	(232,664)	(232,664)
Minority interest in joint venture	17,522	41,942	39,845	39,048	38,267	37,502	36,752	36,017
Pretax Income(Loss)	4,437,971	15,850,868	16,738,221	17,365,784	16,234,995	13,325,656	11,905,062	10,719,303
Income Tax	1,174,729	2,896,529	3,347,644	3,559,986	3,409,349	2,798,388	2,500,063	2,251,054
Effective Tax Rate	26.5%	18.3%	20.0%	20.5%	21.0%	21.0%	21.0%	21.0%
Net Income (Non GAAP)	3,263,242	12,954,339	13,390,577	13,805,798	12,825,646	10,527,269	9,404,999	8,468,250
Proforma EPS (Excluding options)								
Stock Option Expenses	187,314	359,694	414,036	371,738	364,276	363,202	333,271	300,365
Proforma Income(excluding options)	3,450,556	13,314,033	13,804,612	14,177,536	13,189,922	10,890,471	9,738,270	8,768,615
Basic EPS	2.26	8.75	9.21	9.81	9.58	8.28	7.72	7.19
Diluted EPS	2.05	8.10	8.65	9.21	9.00	7.77	7.25	6.76
Basic Shares Outstanding	1,528,576	1,522,287	1,499,549	1,445,565	1,376,178	1,315,626	1,261,686	1,218,788
Diluted Shares Outstanding	1,686,437	1,644,454	1,596,552	1,539,076	1,465,201	1,400,732	1,343,302	1,297,630

Source: Company data, Credit Suisse estimates

Exhibit 6: GILD 2015 Catalysts

Product/Event	Indication	Catalyst	Expected Date	Comments	Price Sensitivity
F/TAF	HIV/AIDS	EU Filing (MAA submission); US NDA to the FDA filing	Q2'15	Gilead reported that they plan to file for European approval of a single tablet regimen of elvitegravir, cobicistat emtricitabine and TAF (ECF TAF) for treatment of HIV in treatment-naïve and treatment-experienced patients, and as a switch indication, in the first quarter of 2015.	Low
Rilpivirine/F/TAF	HIV/AIDS	EU Filing (MAA submission); US NDA to the FDA filing	Q2'15	Gilead reported that they plan to file for European approval of a single tablet regimen of elvitegravir, cobicistat emtricitabine and TAF (ECF TAF) for treatment of HIV in treatment-naïve and treatment-experienced patients, and as a switch indication, in the first quarter of 2015.	Low
Simtuzumab	Myelofibrosis	Topline PII data	Q1'15 (Jan'15)	Study '102 examines Simtuzumab + Ruxolitinib in myelofibrosis. The primary endpoint is rate of clinical response as defined by reduction in bone marrow fibrosis score.	Medium
Sofosbuvir	HCV	PMDA approval	H1'15	GILD announced on June 27, 2014 that the company had submitted an NDA for Sofosbuvir + RBV in G2/G3 to Japan's PMDA.	Medium
Simtuzumab	NASH (Advanced Liver Fibrosis)	Topline PII data	Mid'15	Gilead announced that data for the Phase II studies of simtuzumab in cirrhosis and non-cirrhosis patients with NASH are expected in mid-2015	Low
Simtuzumab	NASH (Advanced Liver Fibrosis)	Topline PII data	Mid'15	Gilead announced that data for the Phase II studies of simtuzumab in cirrhosis and non-cirrhosis patients with NASH are expected in mid-2015	Low
Simtuzumab	NASH (Cirrhosis)	Topline PII data	Mid'15	Gilead announced that data for the Phase II studies of simtuzumab in cirrhosis and non-cirrhosis patients with NASH are expected in mid-2015	Low
GS-9620	HBV	Topline data from PII study	H1'15	GILD announced it expects topline data from PII study	Medium
GS-4774	HBV	Topline data from PII study	H1'15	GILD announced it expects topline data from PII study	Medium
Sofosbuvir/Ledipasvir	H2'15	PMDA Approval	H2'15	GILD announced that Japan PMDA approval for Gt1 HCV patients is expected in H2'15.	
Letairis + Adcirca	PAH	CHMP opinion	H2'15	GSK announced that it has filed a regulatory submission to the European Medicines Agency (EMA) for a variation to the Marketing Authorisation for ambrisentan (Volibris), to extend the current therapeutic indication to include its use in initial combination therapy for patients with pulmonary arterial hypertension (PAH) post the positive results of the AMBITION	Medium
GS-7340 (TAF)	HBV	Topline PIII data	2015	GS-US-320-0108 evaluates 25mg QD GS-7340 relative to 300mg QD TDF in chronic HBV. The primary endpoint is proportion with HBV DNA < 29 IU/mL. We expect additional focus will be on the renal and bone mineral density safety profile of GS-7340 relative to TDF.	Medium

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 03-Feb-2015)**Biogen Idec** (BIIB.OQ, \$393.89)**Celgene Corp.** (CELG.OQ, \$117.6)**Gilead Sciences Inc.** (GILD.OQ, \$107.18, OUTPERFORM, TP \$130.0)

Disclosure Appendix

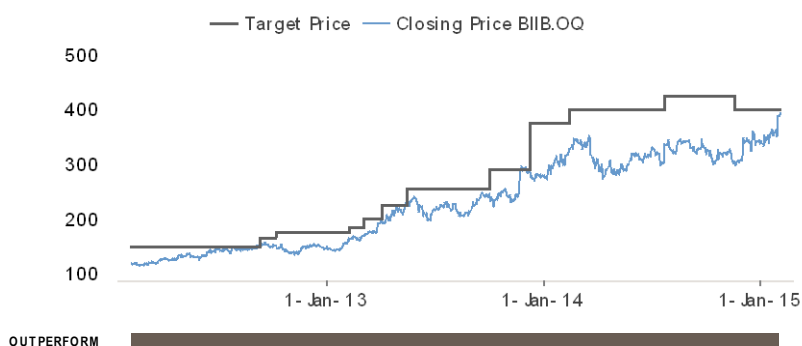
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I, Ravi Mehrotra PhD, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Biogen Idec (BIIB.OQ)

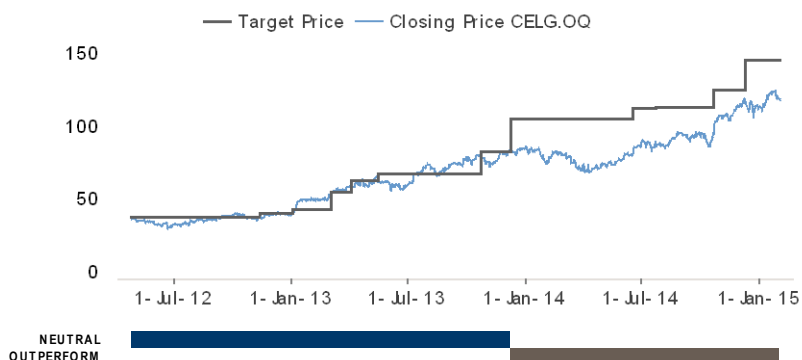
BIIB.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
08-Feb-12	119.60	150.00	O
12-Sep-12	152.26	165.00	
08-Oct-12	151.22	175.00	
08-Feb-13	164.44	185.00	
04-Mar-13	169.96	200.00	
04-Apr-13	195.68	225.00	
17-May-13	226.85	255.00	
02-Oct-13	246.23	290.00	
10-Dec-13	285.23	375.00	
13-Feb-14	328.62	400.00	
23-Jul-14	337.60	425.00	
19-Nov-14	303.61	400.00	

* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for Celgene Corp. (CELG.OQ)**

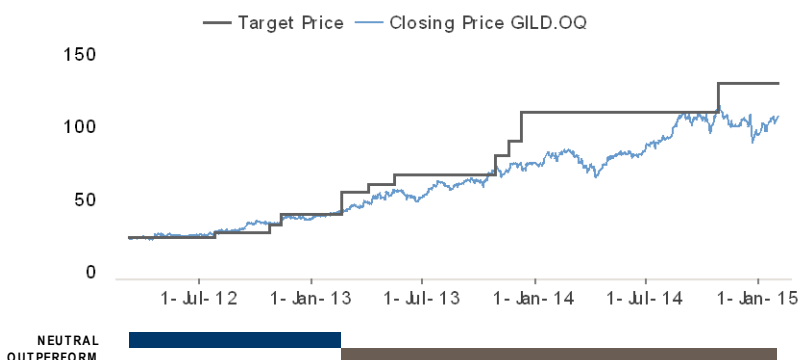
CELG.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
26-Apr-12	36.46	37.50	N
12-Nov-12	37.83	40.00	
03-Jan-13	40.86	42.50	
04-Mar-13	52.78	55.00	
04-Apr-13	57.98	62.50	
17-May-13	62.46	67.50	
24-Oct-13	78.98	82.50	
10-Dec-13	85.38	105.00	O
18-Jun-14	80.54	112.50	
24-Jul-14	86.19	113.00	
22-Oct-14	94.76	125.00	
11-Dec-14	116.74	145.00	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Gilead Sciences Inc. (GILD.OQ)

GILD.OQ	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
09-Mar-12	23.04	24.00	N
27-Jul-12	27.75	27.00	
24-Oct-12	34.17	32.50	
12-Nov-12	36.96	40.00	
19-Feb-13	42.28	55.00	O
04-Apr-13	47.74	60.00	
17-May-13	56.30	67.00	
29-Oct-13	69.50	80.00	
20-Nov-13	71.08	90.00	
10-Dec-13	72.81	110.00	
28-Oct-14	113.45	130.00	



* Asterisk signifies initiation or assumption of coverage.

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*Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.

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Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

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Global Ratings Distribution

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Neutral/Hold*	37%	(50% banking clients)
Underperform/Sell*	14%	(44% banking clients)
Restricted	2%	

*For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

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Price Target: (12 months) for Gilead Sciences Inc. (GILD.OQ)

Method: Our target price of \$130 for GILD implies about 16.9x on our 2016 EPS estimate of \$9.21, representing about a ~5% discount to the S&P 500 PE multiple.

Risk: The risks to GILD's achievement of our \$130 target price are: (1) The Sofosbuvir/Ledipasvir launch in HCV fails to meet our sales expectations; (2) Delays or failures in key pipeline products; (3) Greater therapeutic substitution in the HIV space than what we currently model; (4) Lower share repurchases than we currently model.

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See the Companies Mentioned section for full company names

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