

Equity Research

Gilead Sciences, Inc.

GILD: Q4-Steep HCV Discount Overshadows Strong Demand, Dividend

Outperform

Sector: Biotechnology

Market Weight

Earnings Estimate Revised Down

	2014A	2015E	2016E
EPS		Curr.	Prior
Q1 (Mar.)	\$1.48	\$2.34	2.59
Q2 (June)	2.36	2.60	2.55
Q3 (Sep.)	1.84	2.59	2.57
Q4 (Dec.)	2.43	2.66	2.60
FY	\$8.10	\$10.18	10.31
CY	\$8.10	\$10.18	\$11.13
FY P/EPS	13.2x	10.5x	9.6x
Rev.(MM)	\$24,889	\$28,917	\$29,800

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, * = Company is on the Priority Stock List

Reconciliation based on company guidance

• **Summary:** On 2/3, GILD reported Q4 results, most notable for the disclosure of an HCV gross-to-net meaningfully less favorable vs. expectations. Though enhanced patient access should enable GILD to make up for this by volume, it does mean GILD will likely need to sustain high patient flow long term to maintain robust sales, and makes them less likely to beat 2015 expectations as easily as the prescription run-rate had been suggesting. A significant increase in expenses yr/yr to support growth of the HCV franchise was also notable. Nonetheless, there were quite a few bright spots in the quarter, including strong sales of HIV products and Harvoni (albeit driven in part by inventory builds), positive data from under-the-radar pipeline agent '5745, and the positive step of aggressively returning capital to shareholders through expanded buybacks and initiation of a dividend. It is clear coming out of the quarter that demand for GILD's products is still quite strong and investors will more directly see the cash these products will generate, even if it's not quite as robust-- and that the pipeline continues to progress with multiple underappreciated products. Though HCV competitive/pricing dynamics and HIV patent expiries could limit dramatic growth potential from here, GILD still looks inexpensive on a DCF basis--moreso after the post-market pullback--assuming any reasonable long-term HCV and HIV sustainability. Adjusting 2015E non-GAAP EPS to \$10.18 from \$10.31 and valuation range to \$123-127 from \$127-131.

• **Solid Q4 beat, helped in part by inventory buildups; increasing expenses going forward.** GILD reported revenue of \$7.3B, above our and consensus' estimates (\$7.07B/\$6.72B). Harvoni sales of \$2.11B handily beat consensus' \$1.5B and our \$1.8B estimate; this did include expected inventory build. Sovaldi was softer than expected, in part because of additional inventory drawdowns. Sales were strong across the HIV franchise, though it was also driven in part by inventory build. The strong sales more than offset higher-than-expected expenses, leading to a non-GAAP EPS beat at \$2.43. Expenses, while related to several one-time items, appear likely to grow more than expected in 2015 (guided for R&D \$3-3.3B and SG&A \$3-3.3B)--illustrating the additional commercial investment needed to support the emerging HCV franchise.

• **Gross-to-net for Harvoni/Sovaldi worse-than-expected, in part explains guidance for low 2015 product sales yr/yr growth.** Somewhat surprisingly, the company provided clarity on gross-to-net for the HCV products, citing 46% in the U.S.--in part reflecting an increased mix of government payers and more rapid-than-expected formulary/access agreements. We believe this explains the 2015 product sales guidance of \$26-27B, which represents only 6-10% yr/yr.

• (Continued on the next page)

Valuation Range: \$123.00 to \$127.00 from \$127.00 to \$131.00

We apply a DCF analysis 2014E-2022E with a 10% discount rate and 5% terminal growth rate blended with PE/PEG method. Risks include slow Sovaldi uptake, growing HIV price sensitivity, and oncology franchise competition.

Investment Thesis:

We believe GILD's HCV franchise is sustainable long-term and expect the fixed-dose combination of Ledipasvir/Sofosbuvir to become a leading HCV regimen.

Please see page 5 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 02/04/15 unless otherwise stated.

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Ticker	GILD
Price (02/03/2015)	\$107.18
52-Week Range:	\$63-117
Shares Outstanding: (MM)	1,656.0
Market Cap.: (MM)	\$177,490.0
S&P 500:	2,050.03
Avg. Daily Vol.:	15,451,800
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$6,710.0
LT Debt/Total Cap.:	5.3%
ROE:	30.0%
3-5 Yr. Est. Growth Rate:	19.0%
CY 2015 Est. P/EPS-to-Growth:	0.6x
Last Reporting Date:	02/03/2015
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



Continued from the front page

- **Volume growth could provide key offsets to this as access improves.** GILD reaffirmed expectations that significant HCV patient volume increases pulling through via greater access; given Harvoni new prescriptions were already on a 3,000/wk run rate exiting Q4, when insurers were highly restrictive on fibrosis score for patient eligibility, we agree the patient volume should rise considerably (though increased proportion of less sick patients eligible for the 8-week regimen is likely to further decrease revenues per patient over the course of the year, even if gross-to-net is flat from here). Overlaying the updated HCV metrics provided by the company including gross-to-net, genotype mix, and duration, on top of our prescription projections, we now estimate global HCV sales of \$15.3B – slightly less optimistic than the prescription trends had pointed to before the new gross/net info, but still potentially enabling GILD to beat their sales guidance (we now est. \$28.4B sales).
- **One step backward, one step forward for pipeline.** On the negative front, GILD reported that simtuzumab, an anti-fibrotic antibody that looked very promising in animal models, failed to show any activity in colorectal cancer or MF. Still, it is worth noting that cancers represented a challenging application of the drug's mechanism (drug already failed in pancreatic cancer); the company noted stronger evidence for LOXL2's association with fibrosis and disease progression in fibrotic diseases of the lung and liver, and recall there were some signals in an early liver fibrosis study, still allowing for the possibility the agent could be active in NASH--still a high-risk mid-year readout, but one where we believe expectations are low. On the positive flip side, GILD reported they will advance their anti-MMP9 antibody in gastric cancer and ulcerative colitis following signals in ph.I/II which the company told us indicated clear evidence of responses and remissions--particularly encouraging given potentially large opportunity in UC, and an asset that could start garnering some value.
- **Returning cash to shareholders – displays confidence in revenue sustainability, signals major acquisition unlikely on the horizon.** Addressing a key question prompted in part by GILD's rapid but substantially decelerating growth, and significant cashflows generated by their HCV franchise, the company announced an expanded buyback plan (\$15B over 5 years, once remaining \$3B is used) and dividend (\$0.43/quarter). Though the dividend was bit surprising at this point, overall, we view this commitment to return capital to shareholders as signaling their confidence in the long-term revenue sustainability that we believe remains underappreciated on DCF basis, and could potentially open up shares to new class of investors. It does, though, suggest that a large acquisition to bring in a core growth-driving product, which we believe many had hoped for at some point this year, most likely is not imminent.

Upcoming Milestones

Product	Event	Time Line Est.
TAF (GS-7340)	Report/present data from renal and switch studies	1Q15 (likely CROI)
	Submit NDA and MAA for F/TAF fixed-dose combo (Truvada-2)	2Q15
	Submit NDA for rilpivirine/F/TAF fixed-dose combo (Complera-2)	4Q15
	PDUFA for U.S. E/C/F/TAF approval	Nov 5, 2015
Sofosbuvir	PMDA Japan approval for GT-2 (standard review)	2Q15
	Reimbursement expansion across Europe	1H15
Harvoni	PMDA Japan approval for GT-1 (standard review)	3Q15
	Continue pricing/reimbursement expansion across Europe	2015
Sofosbuvir/GS-5816	Top-line data from ph.III studies across genotypes	3Q15
Sofosbuvir/GS-5816/GS-9857	Report interim SVR data from 4-8 week multi-DAA regimens in SYNERGY	2Q15 (EASL)
	Initiate additional ph.IIs and/or ph.III	2H15
Zydellg (Idelalisib)	Continue EU pricing/reimbursement discussions	2015
Simtuzumab (GS-6624)	Top-line data from NASH ph.II study	mid-2015
	Results for ph.IIb PSC study	2016
GS-4774	48-week results of HBV ph.II study	1H15
GS-9620	Top-line data from HBV ph.II study	2H15
Letairis	Potential label expansion to include AMBITION study	2H15
Ranexa	Top-line data from ph.III PCI study	4Q14
GS-4997	Complete ph.II study in diabetic nephropathy	Mid-2016
GS-6615	Initiate ph.II/III study in hypertrophic cardiomyopathy	1Q15
	Complete ph.II studies in cardiovascular conditions	Mid-2016
GS-9883	Initiate ph.II study	2H15
GS-5745	Possible detailed data from ph.I/II UC, gastric cancer studies	2015
	Initiate additional studies in UC and gastric cancer	2015

Source: Company reports and Wells Fargo Securities, LLC estimates

Product Pipeline

Agent	Indication	Development phase
Atripla	HIV	Marketed
Truvada	HIV	Marketed
Viread	HIV, HBV	Marketed
Hepsera	HBV	Marketed
Emtriva	HIV	Marketed
Ambisome	Fungal infections	Marketed
Letairis	PAH, IPF	Marketed
Ranexa	Angina	Marketed
Causton	Cystic fibrosis, bronchiectasis	Marketed, phase III
Complera/Eviplera	HIV	Marketed
Stribild	HIV	Marketed
Vitekta (elvitegravir)	HIV (integrase inhibitor)	Marketed
Tybost (cobicistat)	HIV (PK enhancer)	Marketed
Zydellg (Idelalisib)	CLL, INHL (PI3K delta inhibitor)	Marketed
Sovaldi	HCV nucleoside polymerase inhibitor	Marketed
Harvoni	HCV Combo	Marketed in U.S.; pre-registration in EU
TAF (GS-7340)	HIV (NRTI), HBV	Pre-registration
Mometinib (GS/CYT-387)	Myelofibrosis, PV, solid tumors	Phase III
GS-5816	HCV (NS5A inhibitor; pan-genotypic)	Phase III
Simtuzumab (GS-6624)	NASH, PSC, IPF	Phase II
GS-9973	Hematologic malignancies (Syk inhibitor)	Phase II
GS-9857	HCV (protease inhibitor; pan-genotypic)	Phase II
GS-9669	HCV (non-nucleoside polymerase inhibitor)	Phase II
GS-9451 (vedroprevir)	HCV (protease inhibitor)	Phase II
GS-4059	Btk inhibitor for B-cell malignancies	Phase II
GS-5806	Respiratory syncytial virus	Phase II
GS-9620	HCV, HBV (TLR7 agonist)	Phase II
GS-4774	HBV (T-cell immunity stimulator)	Phase II
GS-5745	Ulcerative colitis, solid tumors (MMP9 mAb)	Phase II
GS-6615	Late sodium current inhibitor for CV diseases	Phase II
GS-4997	ASK-1 inhibitor for diabetic nephropathy, PAH	Phase II
GS-9883	Non-boosted integrase inhibitor for HIV	Entering phase II
GS-6637	ALDH-2 inhibitor for drug addiction	Phase I
GS-9901	Lymphoid malignancies (PI3K delta inhibitor)	Phase I

Source: Company reports and Wells Fargo Securities, LLC

Gilead Sciences (GILD)

Statement of Operations (Income Statement)

(in millions except per share amounts)

	2013A	1QA	2QA	3QA	4QA	2014A	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
Total antiviral products	9,340	4,508	6,012	5,545	6,736	22,801	6,220	6,723	6,678	6,735	26,356	26,834	27,860	25,503	25,237	25,245
Atripla	3,648	780	871	895	925	3,470	703	734	761	799	2,997	3,039	3,011	2,426	2,296	2,259
U.S.	2,356	490	578	621	668	2,357	487	513	550	588	2,138	2,173	2,100	1,752	1,752	1,684
Europe	1,062	237	234	223	194	888	158	157	155	154	623	611	637	377	223	229
Int'l	231	53	58	51	63	225	58	64	56	57	236	254	275	297	321	346
Truvada	3,136	760	807	875	897	3,339	767	831	860	930	3,389	3,594	3,776	2,647	2,280	2,206
U.S.	1,570	368	400	471	548	1,787	444	500	519	588	2,051	2,271	2,425	1,672	1,512	1,396
Europe	1,296	323	338	326	287	1,275	248	256	263	262	1,029	990	991	586	348	356
Int'l	270	69	69	78	62	278	75	76	78	80	309	334	360	389	420	454
Viread	959	211	261	276	311	1,058	234	276	295	319	1,124	1,189	1,266	808	766	820
U.S.	428	81	117	123	164	484	85	121	136	163	505	547	580	238	253	269
Europe	354	84	88	87	77	336	83	86	87	81	336	336	356	213	128	136
Int'l	177	46	57	66	70	238	66	70	72	75	283	306	330	356	385	416
Complera/Eviplera	809	251	299	330	348	1,228	298	344	396	420	1,458	1,848	2,028	2,116	2,288	2,466
U.S.	503	130	154	183	196	663	161	197	244	258	859	1,147	1,287	1,454	1,620	1,770
Europe	268	109	132	134	138	513	126	133	140	147	545	645	683	603	607	633
Int'l	39	11	13	13	14	52	12	14	13	15	54	56	58	59	61	63
Stribild/ E/C/F/TAF	539	215	270	328	385	1,198	339	382	458	511	1,690	2,366	2,797	2,981	3,359	3,764
U.S.	510	187	229	279	319	1,014	275	314	385	432	1,405	1,924	2,261	2,342	2,652	2,997
Europe	29	24	31	38	52	145	48	50	53	57	208	353	439	531	589	638
Int'l	-	5	9	11	14	38	16	18	20	23	77	89	97	107	118	130
Vitekta (elvitegravir)	-	0	0	0	0	10	30	32	34	36	132	158	190	228	262	302
Tybost/cobicistat (royalties on Prezista, Reyataz FDCs)	-	-	-	-	-	-	-	30	40	41	111	236	248	260	273	287
Sovaldi	139	2,274	3,480	2,816	1,732	10,303	1,282	1,345	1,354	1,344	5,326	4,792	4,732	4,416	4,469	4,375
U.S.	-	2,098	3,032	2,200	1,178	8,507	708	736	710	679	2,834	2,915	2,979	2,911	2,919	2,827
Europe	-	164	400	543	459	1,566	490	524	559	565	2,138	1,747	1,613	1,354	1,384	1,368
Int'l (1)	-	13	49	73	95	230	85	85	85	99	354	130	140	150	165	180
Hanon/H Future HCV Cocktails	-	-	-	-	2,107	2,107	2,539	2,721	2,451	2,303	10,013	9,488	9,678	9,478	9,089	8,601
U.S.	-	-	-	-	2,001	2,001	2,413	2,560	2,250	2,058	9,281	6,912	6,698	6,241	6,047	5,625
Europe	-	-	-	-	83	83	101	136	176	220	632	2,289	2,628	2,784	2,509	2,378
Int'l (1)	-	-	-	-	23	23	25	25	25	25	100	287	352	453	533	598
Other Antiviral	108	18	24	24	21	88	28	28	28	31	116	124	133	143	154	165
U.S.	54	7	13	14	12	46	10	10	10	10	41	46	50	55	61	67
Europe	45	9	9	9	7	34	16	16	16	16	63	66	70	73	77	81
Int'l	9	2	2	2	2	7	2	2	2	5	11	12	13	15	16	18
AmBisome	352	92	95	98	104	389	99	100	103	107	409	425	442	460	478	497
Letairis	520	123	145	146	181	595	185	188	190	192	755	892	1,022	1,167	1,350	1,505
Ranexa	449	112	122	133	144	510	130	142	154	168	594	692	794	908	1,033	1,172
Zydrelig	-	0	0	6	17	23	27	35	45	52	159	257	434	603	711	819
Mometinib (70% probability-adjusted)	-	0	0	0	0	-	0	0	0	0	-	31	140	234	418	585
Other products (including Cayston)	144	36	39	41	40	156	37	44	46	43	170	188	207	228	228	228
Total product sales	10,804	4,871	6,412	5,968	7,222	24,474	6,698	7,232	7,216	7,297	28,443	29,319	30,899	29,102	28,455	28,551
Royalty, contract, and other revenues	398	128	122	74	92	416	170	132	85	86	474	481	493	507	523	541
Total revenues, net	11,202	4,999	6,535	6,042	7,314	24,889	6,868	7,364	7,301	7,384	28,917	29,800	31,392	29,609	28,978	29,192
Cost of sales	2,708	611	723	783	847	2,964	770	834	815	833	3,252	3,364	3,540	3,192	3,166	3,222
Research and development	1,948	558	542	586	899	2,585	750	775	800	800	3,125	3,278	3,453	3,405	3,332	3,357
Selling, general and administrative	1,558	500	569	888	799	2,757	760	770	775	780	3,085	3,129	3,296	3,257	3,188	3,211
Total operating expenses	6,214	1,669	1,834	2,258	2,545	8,306	2,280	2,379	2,390	2,413	9,462	9,771	10,289	9,854	9,687	9,790
Income from operations	4,988	3,330	4,700	3,784	4,769	16,583	4,588	4,985	4,911	4,971	19,454	20,029	21,103	19,754	19,292	19,402
Interest and other income, net	(9)	(20)	(4)	(5)	(13)	(41)	(22)	(4)	(6)	(14)	(46)	(50)	(55)	(61)	(67)	(73)
Interest expense	(307)	(76)	(102)	(103)	(130)	(412)	(70)	(70)	(70)	(70)	(279)	(229)	(157)	(157)	(157)	(157)
Net pre-tax income	4,672	3,234	4,595	3,676	4,626	16,130	4,496	4,911	4,836	4,886	19,129	19,750	20,891	19,537	19,068	19,172
Income tax provision	1,240	746	671	669	768	2,854	809	884	870	880	3,443	3,555	3,760	3,517	3,432	3,451
Net income	3,432	2,488	3,924	3,007	3,858	13,276	3,687	4,027	3,965	4,007	15,686	16,195	17,131	16,020	15,636	15,721
Net loss attributable to noncontrolling interest	18	5	5	7	25	42	5	6	8	5	24	26	29	32	35	38
Net income to GILD (non-GAAP)	3,450	2,493	3,930	3,014	3,883	13,318	3,692	4,033	3,973	4,012	15,710	16,221	17,160	16,052	15,671	15,760
Earnings per share (non-GAAP)	\$2.04	\$1.48	\$2.36	\$1.84	\$2.43	\$8.10	\$2.34	\$2.60	\$2.59	\$2.66	\$10.18	\$11.13	\$12.38	\$12.02	\$12.05	\$12.45
Shares Outstanding (Basic)	1,529	1,537	1,533	1,520	1,506	1,524	1,485	1,464	1,442	1,421	1,453	1,393	1,361	1,326	1,291	1,256
Shares Outstanding (Diluted)	1,694	1,680	1,664	1,636	1,596	1,644	1,575	1,554	1,532	1,511	1,543	1,458	1,386	1,336	1,301	1,266

Source: Company reports and Wells Fargo Securities, LLC

estimates; Consensus estimates as per FactSet

Units in thousands, except for per share amounts

(1) Includes Japan, Egypt

Shares in millions

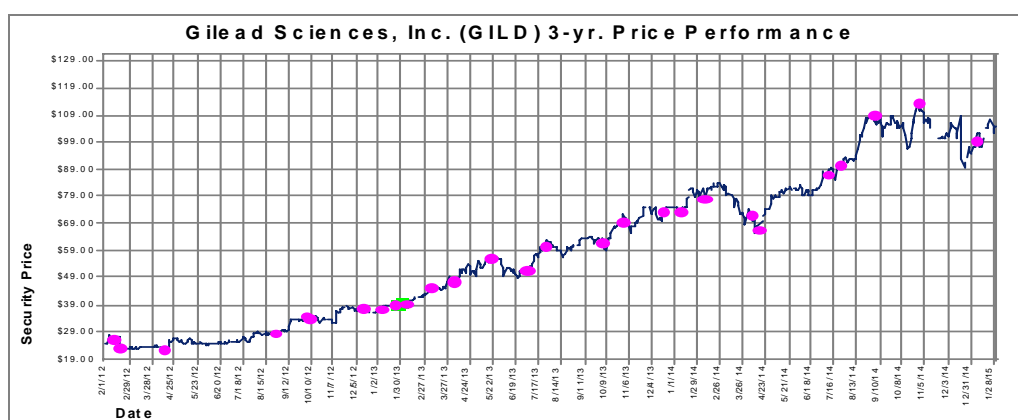
Margin Analysis

Cost of products/services	25.1%	12.6%	11.3%	13.1%	11.7%	12.1%	11.5%	11.5%	11.3%	11.4%	11.4%	11.5%	11.5%	11.0%	11.1%	11.2%
Gross margin	74.9%	87.4%	88.7%	86.9%	88.3%	87.9%	88.5%	88.5%	88.7%	88.6%	88.6%	88.5%	88.5%	89.0%	88.9%	88.8%
R&D to revenues	17.4%	11.2%	8.3%	9.7%	12.3%	10.4%	10.9%	10.5%	11.0%	10.8%	10.8%	11.0%	11.0%	11.5%	11.5%	11.5%
SG&A to revenues	13.9%	10.0%	8.7%	14.7%	10.9%	11.1%	11.1%	10.5%	10.6%	10.6%	10.7%	10.5%	10.5%	11.0%	11.0%	11.0%
Operating margin	44.5%	66.6%	71.9%	62.6%	65.2%	66.6%	66.8%	67.7%	67.3%	67.3%	67.3%	67.2%	67.2%	66.7%	66.6%	66.5%
Pretax margin	41.7%	64.7%	70.3%	60.8%	63.2%	64.8%	65.5%	66.7%	66.2%	66.2%	66.2%	66.3%	66.5%	66.0%	65.8%	65.7%
Non-GAAP tax rate	26.5%	23.1%	14.6%	18.2%	16.6%	17.7%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Year-Over-Year / Quarter-Over-Quarter Percentage Change																
Atripla	2.1%	-16.5%	11.7%	2.8%	3.4%	-4.9%	-24.0%	4.3%	3.7%	5.1%	✓	-13.6%	1.4%	-0.9%	-19.5%	-5.3%
Truvada	-1.5%	-6.7%	6.2%	8.5%	2.5%	6.5%	-14.5%	8.4%	3.5%	8.1%	✓	1.5%	6.1%	5.1%	-29.9%	-13.9%
Viread	13.0%	-21.1%	23.8%	5.7%	12.8%	10.3%	-24.8%	18.1%	6.7%	8.2%	✓	6.3%	5.7%	6.5%	-36.2%	-5.2%
Complera/Epiplera	135.5%	-4.2%	19.4%	10.3%	5.4%	51.8%	-14.3%	15.2%	15.3%	5.8%	18.7%	26.7%	9.7%	4.3%	8.1%	7.8%
Stribild (Quad)	837.2%	39.5%	25.3%	21.7%	17.4%	122.1%	16.5%	12.8%	19.9%	11.6%	41.1%	40.0%	18.2%	6.6%	12.7%	12.1%
Elvitegravir												1208.2%	20.0%	20.0%	15.0%	15.0%
Cobicistat												112.7%	5.0%	5.0%	5.0%	5.0%
Sovaldi		0.0%					0.0%					-48.3%	-10.0%	-1.3%	-8.7%	1.2%
Letairis	26.8%	-11.3%	17.8%	1.2%	23.6%	14.4%	2.2%	1.6%	1.1%	1.1%	✓	26.9%	18.1%	14.6%	14.1%	-70.0%
Ranexa	20.3%	-14.1%	9.3%	8.7%	8.7%	13.7%	-9.7%	9.3%	8.7%	8.7%	✓	16.5%	16.5%	14.8%	14.3%	13.3%

Company Description:

Gilead Sciences, Inc. (Foster City, California) is one of the world's leading biotechnology companies, with operations spanning three continents. Gilead has developed capabilities for the discovery, development, and commercialization of therapeutics in four broad franchises: antivirals, cardiovascular, oncology, and respiratory diseases. Gilead's hallmark is the leading hepatitis C franchise in the industry; led by Sovaldi (sofosbuvir). Gilead also has a market-leading HIV franchise. The company currently markets leading regimens for the treatment of HIV/AIDS, including Atripla, Complera, Emtriva, Stribild, Truvada, and Viread. Beyond anti-infectives, Gilead's other products include Zytel in oncology, Letairis and Ranexa in cardiovascular, and Cayston and Tamiflu for respiratory illness. The company's extensive pipeline also includes momelotinib, an experimental JAK inhibitor, and simtuzumab, an antibody for the treatment of fibrosis.

Required Disclosures



Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
2/1/2012		Abrahams			
2/1/2012	NA	1	27.50	29.50	24.58
2/9/2012	26.87	1	30.00	32.00	26.86
2/17/2012	23.35	1	29.00	31.00	23.50
4/12/2012	22.71	1	30.00	32.00	22.86
8/27/2012	28.60	1	31.50	33.50	28.59
10/13/2012	34.59	1	37.50	39.50	35.00
10/19/2012	34.91	1	39.00	41.00	34.39
12/12/2012	35.12	1	41.00	43.00	38.12
1/4/2013	37.48	1	41.50	43.50	37.86
1/22/2013	39.14	1	44.00	45.00	38.96
1/28/2013		2-for-1 stock split			
2/4/2013	40.56	1	47.00	49.00	39.59
3/6/2013	45.40	1	51.00	53.00	45.40
4/3/2013	48.20	1	60.00	62.00	47.63
5/17/2013	54.96	1	64.00	66.00	56.30
7/2/2013	51.66	1	64.00	67.00	52.23
7/25/2013	60.86	1	70.00	72.00	60.86
10/2/2013	62.80	1	72.00	74.00	62.40
10/29/2013	69.50	1	80.00	82.00	69.50
12/18/2013	70.08	1	86.00	88.00	73.59
1/8/2014	72.78	1	86.00	90.00	73.46
2/5/2014	82.02	1	92.00	96.00	78.15
4/7/2014	72.20	1	94.00	98.00	72.23
4/14/2014	66.03	1	87.00	91.00	66.79
7/7/2014	87.90	1	98.00	101.00	87.21
7/24/2014	90.34	1	110.00	112.00	90.54
9/3/2014	109.21	1	123.00	127.00	109.43
10/28/2014	113.45	1	135.00	138.00	113.45
1/7/2015	97.65	1	127.00	131.00	99.48

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key
 ▼ Rating Downgrade
 ▲ Rating Upgrade
 ● Valuation Range Change

◆ Initiation, Resumption, Drop or Suspend
 ■ Analyst Change
 □ Split Adjustment

Rating Code Key
 1 Outperform/Buy SR Suspend
 2 Market Perform/Hold NR Not Rated
 3 Underperform/Sell NE No Estimate

Additional Information Available Upon Request

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GILD: Risks include slow Sovaldi uptake, growing HIV price sensitivity, and oncology franchise competition.

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: February 4, 2015

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