

Biotechnology

Derivative Comments from GILD's 4Q14 Call for ENTA and ACHN

GILD views the HCV market as sustainable over the next 10-15+ years; next-gen shortened duration combo data expected at EASL

INDUSTRY OVERVIEW

GILD's HCV comments imply some downside potential to our 2015 HCV market estimates and ENTA revenue forecast; GILD views the HCV market as sustainable over the next 10-15+ years; next-gen shortened duration combo data expected at EASL. Gilead (GILD, NC) surprised investors with its 46% gross/net adjustment estimate for its HCV franchise in 2015 vs. our 20-25% estimate where the difference is driven by recent negotiated contracts with PBMs and further suppressed by Medicaid and VA rebates. However, GILD expects far fewer access restrictions going forward and sees capacity of >250K patients in 2015 vs. our estimated ~255K patients treated in the US. Assuming a slightly higher G/N adjustment for AbbVie (ABBV, NC) / Enanta's (ENTA, MP) Viekira Pak implies downside potential to our \$1.7B US estimate (\$2.1B global sales), which potentially could be offset by more patients treated vs. our model. GILD sees the EU HCV market as potentially larger than the US at steady state, potentially suggesting upside to our current estimates. In-line with our thinking, GILD views the global HCV market as sustainable over 10-15+ years. Separately, initial data for GILD's next-gen triple combo evaluating four- and six-week regimen should be available at the European liver meeting (EASL) in April, which could set a new benchmark for next-generation competition, and a decision on whether to advance this combo into a Phase 3 study is expected to be made in 2H15; top-line data for a 12-week Phase 3 study of pan-genotypic Sof/GS-5816 regimen should be available in 3Q15.

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Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

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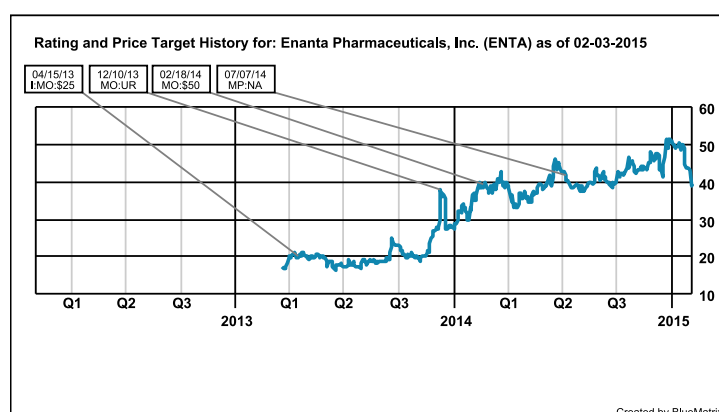
Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

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JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Equivalent	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
MARKET OUTPERFORM	Buy	283	63.31%	Buy	283	63.31%	94	33.22%
MARKET PERFORM	Hold	153	34.23%	Hold	153	34.23%	20	13.07%
MARKET UNDERPERFORM	Sell	8	1.79%	Sell	8	1.79%	0	0%
COVERAGE IN TRANSITION		1	0.22%		1	0.22%	0	0%
TOTAL:		447	100%		447	100%	116	25.95%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with NASD Rule 2711, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: JMP Securities.



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