

## Gilead Sciences Inc.

## Initial thoughts on 4Q23 earnings

Maintain Rating: BUY | PO: 95.00 USD | Price: 77.72 USD

## Mixed 4Q results, positive outlook on 2024 sales

Gilead reported mixed 4Q results, with revenue of \$7.1B modestly beating (+\$35M cons), while EPS of \$1.72 modestly missed (-\$0.03 cons). The sales beat was mostly driven by Veklury sales of \$730M (vs. \$479M cons). As such, following 4Q results, we expect GILD shares to be weaker. Notably, HIV product sales were lower than expected, with 4Q Biktarvy sales of \$3.1B (vs. \$3.2B cons) and Descovy sales of \$509M (vs. \$541M cons). Looking to oncology, we note that Trodelvy sales of \$299M (vs. \$310M cons) and Kite sales of \$466M (vs. \$525M cons) continued to show strong growth y/y but were below consensus forecasts. Separately, Gilead provided 2024 revenue guidance of \$27.1-27.5B (midpoint: \$27.3B vs. \$27.7B cons, largely on higher Veklury) and non-GAAP EPS guidance of \$6.85-7.25 (midpoint: 7.05 vs. \$7.19 cons). Despite mixed 4Q results, we maintain our Buy rating and \$95 price objective on GILD due to 2024 catalysts that could drive upside.

## Near-term focus on HIV and Trodelvy

We expect important HIV updates at this year's CROI conference in early March. Already, GSK (covered by Sachin Jain/Graham Parry) has discussed plans to present initial data for cabotegravir 4-month LA treatment (see [our GSK 4Q read-through](#) note). Similarly, we expect upcoming HIV data to be a focus during today's call. We are interested in lenacapavir treatment combo data (1H24), including updates for lenacapavir + islatravir (weekly oral) and lenacapavir + bictegravir (daily oral). Separately, we also expect additional questions on Trodelvy in lung cancer (see [our EVOKE-1 data update note](#)). Gilead is hosting a public webcast today at 5:00pm ET; registration is required for access.

## Exhibit 1: Gilead 4Q23 Earnings Variance and 2023 Guidance

Gilead reported 4Q23 earnings results, as shown below

4Q23 Performance				4Q23 Growth		4Q23 Variance		
\$ in millions	4Q23	vs. cons	BofA	Consensus	Q/Q	Y/Y	BofA	Consensus
Biktarvy	3,109	IN-LINE	3,198	3,171	1%	7%	(89)	(62)
Descovy	509	MISS	519	541	(0%)	(5%)	(10)	(32)
Total HIV	4,693	MISS	4,888	4,826	1%	(2%)	(195)	(133)
Veklury	730	BEAT	435	479	15%	(27%)	295	251
Trodelvy	299	IN-LINE	332	310	6%	54%	(33)	(11)
Kite	466	MISS	547	525	(4%)	11%	(81)	(59)
Total Revenue	7,115	BEAT	7,189	7,080	1%	(4%)	(74)	35
COGS	980		1,051	1,012	(1%)	1%	(71)	(32)
R&D	1,452		1,507	1,465	(0%)	(6%)	(55)	(13)
SG&A	1,597		1,334	1,506	23%	(21%)	263	91
Net Income	2,161		2,331	2,201	(25%)	3%	(170)	(40)
Non-GAAP EPS	1.72	MISS	1.85	1.75	(25%)	4%	(0.13)	(0.03)
2024 Guidance				Midpoint Variance				
	Low	High	Vs. Cons	BofA	Cons	y/y	BofA	Cons
Total Product Revenue (\$M)	27,100	27,500	ABOVE	26,992	26,891	0.7%	308	409
remdesivir (\$M)		1,300	BELOW	1,900	1,691	-40.5%	(600)	(391)
Non-GAAP EPS	6.85	7.25	BELOW	8.05	7.19	4.9%	(1.00)	(0.14)

Source: Company Reports, Bloomberg, First Order Analytics

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Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 06 February 2024 05:02PM EST

06 February 2024

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## Stock Data

Price	77.72 USD
Price Objective	95.00 USD
Date Established	8-Sep-2023
Investment Opinion	B-1-7
52-Week Range	72.87 USD - 87.87 USD
Mkt Val (mn) / Shares Out (mn)	98,083 USD / 1,262.0
Free Float	99.9%
Average Daily Value (mn)	526.23 USD
BofA Ticker / Exchange	GILD / NAS
Bloomberg / Reuters	GILD US / GILD.OQ
ROE (2023E)	39.9%
Net Dbt to Eqty (Dec-2022A)	93.4%
<b>ESGMeter™</b>	<b>High</b>

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## Abbreviations

cons: consensus  
CROI: Conference on Retroviruses and Opportunistic Viruses  
GSK: GlaxoSmithKline  
HIV: human immunodeficiency virus  
LA: long-acting  
PD-L1: Programmed Cell Death Ligand 1  
PrEP: pre-exposure prophylaxis  
TIGIT: T cell immunoreceptor with Ig and ITIM domains

vs.: versus

W

## Price objective basis & risk

### Gilead Sciences Inc. (GILD)

Our \$95 price objective is based on a sum-of-the parts net present value (NPV) analysis. We forecast sales of key franchises or products to 2030 using a weighted average cost of capital (WACC) of 8%, and include a terminal value where appropriate. Under these assumptions, we value the HIV franchise at \$80/share, HCV and HDV at \$7/share, the Kite platform at \$8/share, remdesivir at \$2/share, Trodelvy at \$9/share, with the pipeline at \$5/share and net cash at -\$15/share.

Upside risks: 1) stronger-than-expected sales of Biktarvy in HIV and faster uptake of Descovy in PrEP, 2) greater durability of HCV revenues, 3) rapid uptake of Kite, 4) and success of the oncology pipeline may lead investors to assign further value to these programs.

Downside risks: 1) moderating sales of Biktarvy, Genvoya, Odefsey, and Descovy due to competition, which may include long-acting injectable formulations, 2) greater than expected erosion of HCV revenues, 3) limited upside from Gilead's CAR-Ts, 4) the oncology pipeline may have limited clinical success or be meaningfully delayed.

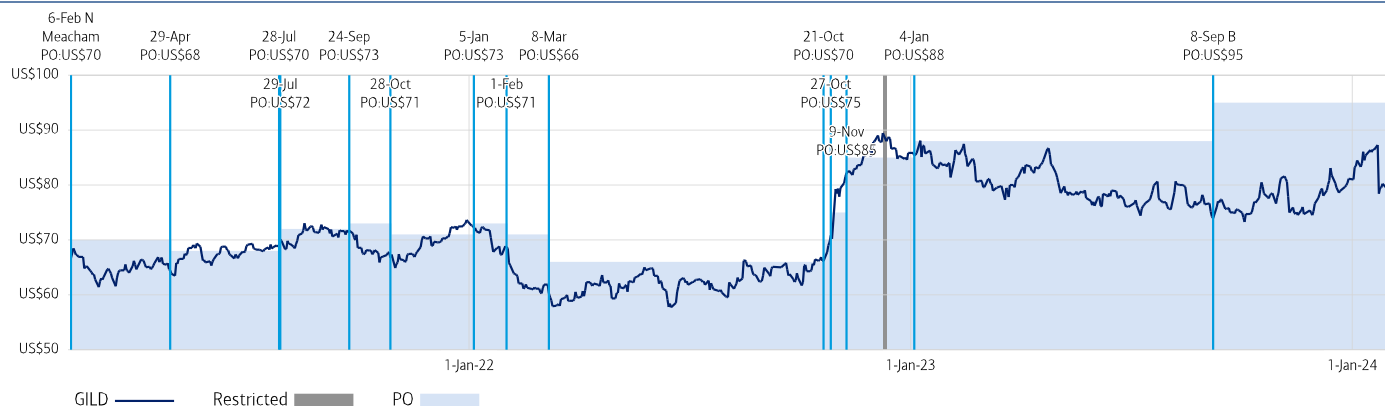
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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