

Gilead Sciences Inc.

Takeaways from our KOL Call on CROI 2024 Updates and the HIV Landscape

Maintain Rating: BUY | PO: 95.00 USD | Price: 75.08 USD

Read-throughs to the HIV treatment / PrEP landscape

We spoke with Dr. Jihad Slim who attended CROI 2024. His high-level takeaways on conference updates were: 1) current HIV treatment options are highly effective, though offering additional long-acting regimens is still attractive for a subset of patients, 2) HIV cure research is still in its early innings with multiple MOA's being investigated, and 3) changes in the HIV patient population in the US could impact treatment preferences. Indeed, we think Gilead's multi-prong approach to treatment is a strategic response to potential generic threat, in our view, with Dr. Jihad seeing conversion in as much as 50% of patients (20-25% to long-acting orals, 20-25% to long-acting injectables). That said, we maintain that every 6-month lenacapavir PrEP would be the next major breakthrough in the HIV paradigm with pivotal data expected this year (likely 2H24). In Dr. Jihad's view, education and convenience have been major barriers to PrEP uptake with only ~30% of at-risk candidates benefiting. Overall, we remain confident in Gilead's leadership in HIV; maintain Buy on GILD, \$95 PO.

Thoughts on a weekly, oral treatment

Initial data on GS-1720, a weekly oral long-acting antiretroviral therapy (ART), at CROI looked promising with antiviral activity comparable to approved once-daily integrase inhibitors. While data are early, Dr. Jihad thought GS-1720 could be a more attractive weekly oral partner than islatravir, given the MOA lends itself to a better genetic barrier to resistance and remaining stigma with islatravir due to declining CD40 count observed in prior studies. Compared to long-acting injectables, Dr. Jihad thought that reception to a long-acting oral was more near-term, especially in patients averse to injectables. Dr. Jihad also added that demand for more discrete treatment options would likely continue to grow with shifts in the HIV patient population mix and geographic concentration.

Search for a long-acting injectable partner is ongoing

Based on feedback at CROI this year, it appears that the search for a long-acting injectable partner drug for every 6-month lenacapavir treatment is still ongoing despite progress with broadly neutralizing antibodies (bNAbs), which are widely deemed as relatively safe. KOL Dr. Slim pointed out that remaining concerns over low level virological failure with bNAbs suggests that there is room for improvement. Indeed, Dr. Slim suspects that identifying a partner drug for CAB-ULA will be a challenge as well. Furthermore, while there were few surprises with initial PK data of Viiv's every 4-month subcutaneous cabotegravir (CAB-ULA) and evidence of potential to extend to every 6-months, we'd highlight that injection site reactions were common and severity of reactions increased with dose. That said, we remain biased to Sunlenca (lenacapavir) with Dr. Jihad observing that for multi-drug resistant patients currently on Sunlenca, access and not tolerability has challenged uptake.

Progress on a cure is elusive, vaccines more near-term

A number of potential mechanisms for an HIV cure were discussed at CROI with Dr. Jihad viewing cell therapy as the most promising. That said, as highlighted in our discussion, the challenge for developing a cure is in designing a clinical trial to study long-term efficacy. Dr. Jihad is more optimistic about HIVACAT T-cell immunogen (HTI) vaccine development with immunogenicity data viewed as favorable at the conference, though addressing viral rebound will be key to durability of response.

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Timestamp: 13 March 2024 06:00AM EDT

13 March 2024

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Stock Data

Price	75.08 USD
Price Objective	95.00 USD
Date Established	8-Sep-2023
Investment Opinion	B-1-7
52-Week Range	71.37 USD - 87.87 USD
Mkt Val (mn) / Shares Out (mn)	94,751 USD / 1,262.0
Free Float	99.9%
Average Daily Value (mn)	570.33 USD
BofA Ticker / Exchange	GILD / NAS
Bloomberg / Reuters	GILD US / GILD.OQ
ROE (2024E)	41.6%
Net Dbt to Eqty (Dec-2023A)	83.8%
ESGMeter™	High

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Abbreviations:

CROI: Conference on Retroviruses and Opportunistic Infections
PrEP: pre-exposure prophylaxis
HIV: human immunodeficiency virus
KOL: key opinion leader
MOA: mechanism of action
CD40: cluster of differentiation
PK: pharmacokinetic

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.

Analyst Certification

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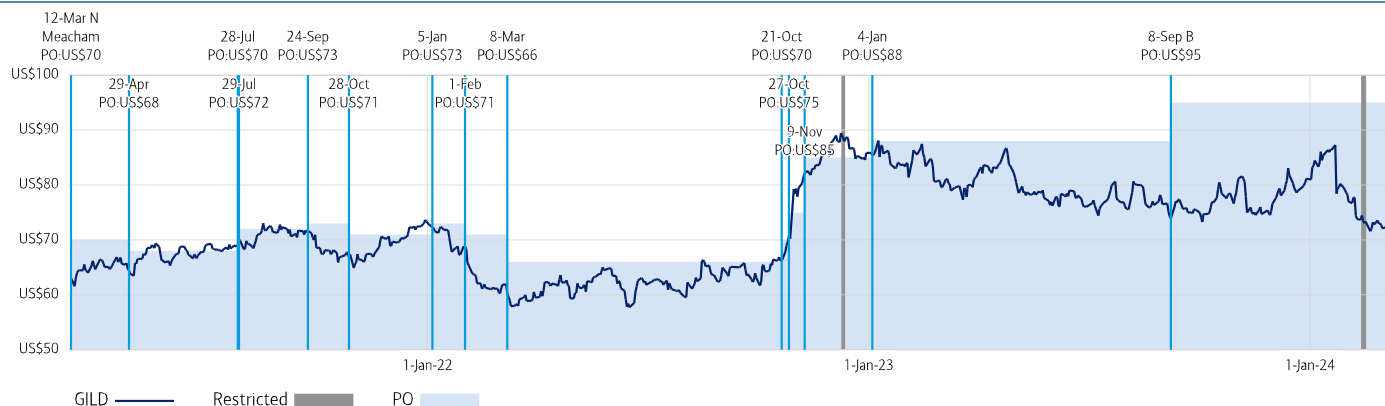
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Gilead Sciences Inc. (GILD) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	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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