

US Biopharmaceuticals

BofA Insights into HIV Market Trends –
March '24 Edition

Industry Overview

HIV TRx down -7% mo/mo but +3% y/y in February

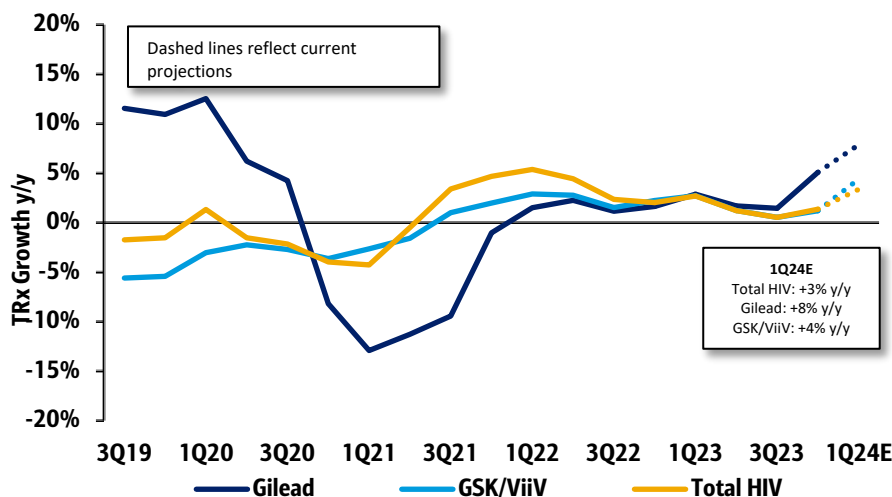
IQVIA scripts for February are now available, and we continue to provide analyses and insights into demand and share trends in the US HIV market. Overall, February HIV TRx decreased mo/mo (-7%) but showed an increase y/y (+3%), after a strong January total HIV TRx (+4% mo/mo; +3% y/y). 2024 HIV TRx grew +3% YTD compared to 2023, indicating the continued recovery from pandemic headwinds (Exhibit 2).

Gilead in recovery, TRx growth likely low single digits

Gilead February TRx were down -8% mo/mo and up +8% y/y due to seasonality and monthly variation (January: +4% mo/mo; +8% y/y), and 2024 TRx were up +5% ytd, driven primarily by TRx growth from Biktarvy and Descovy (Exhibit 5). Indeed, both Biktarvy (4Q23: -\$62M vs. cons; 7% y/y) had respectable 4Q sales while Descovy slightly underperformed and Descovy (4Q23: -\$32M vs. cons; -5% y/y) ([see our thoughts on 4Q23 earnings](#)), though both had solid y/y TRx growth (+9% y/y and +4% y/y respectively) in January. Competitor GSK/ViiV (covered by Graham Parry and Sachin Jain) saw similar trends (-6% mo/mo, +5% y/y), and we note that its launches of LAIs Cabenuva and Apretude still need time to reach an inflection point (Exhibit 7). Ultimately, we expect the HIV market continues to recover and Gilead to hold the majority of total HIV TRx share (55%). That said, we expect script growth to be in the low single digits in 1Q24E (+3%, Exhibit 1). Maintain Buy and \$95 PO.

Exhibit 1: Gilead TRx y/y growth may be in low-mid single digits in near-term

Gilead y/y TRx growth are in-line with GSK/ViiV and total HIV market growth



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024

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See page 2-7 for analysis of post-pandemic recovery, Gilead products, PrEP, and LAIs.

14 March 2024

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Abbreviations:

HIV: human immunodeficiency virus
TRx: total scripts as measured by IQVIA
USC3: Uniform System of Classification
GSK: GlaxoSmithKline
PrEP: pre-exposure prophylaxis
TDF: tenofovir disoproxil fumarate
KOL: key opinion leader
LAI: long acting injectable
YTD: year to date

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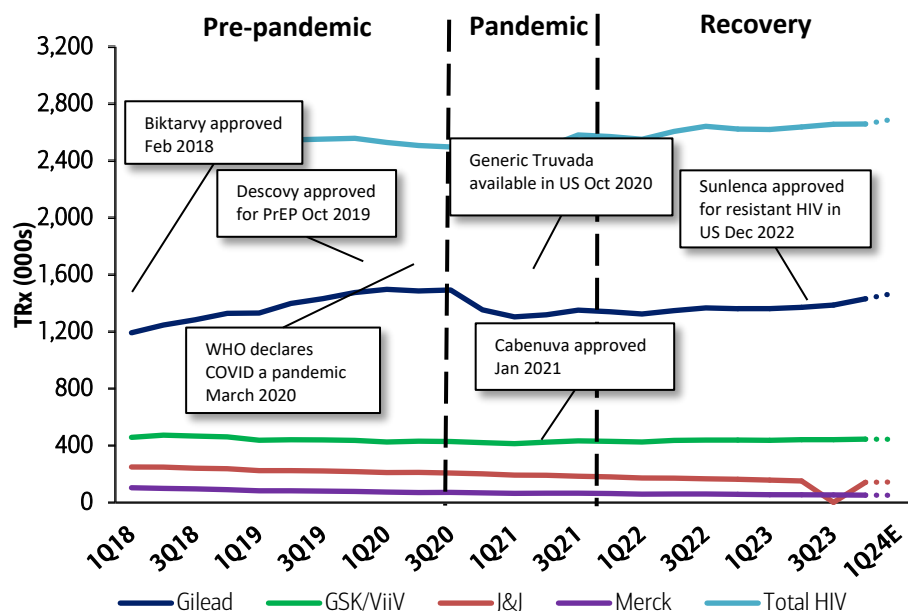
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Post-pandemic TRx recovery underway

We define the HIV landscape broadly using IQVIA's Uniform System of Classification (USC3 #82100) which includes a portfolio of more than 75 products. (We also note that have assumed the distribution of scripts throughout a given week is equal). In order to forecast 1Q24E TRx volumes, we calculated y/y TRx growth rate for the start of the quarter and assumed the same growth rate in 1Q24. While Gilead saw double-digit y/y TRx growth pre-pandemic, COVID caused a reduction in TRx counts, with y/y growth only becoming positive again in 1Q22. That said, y/y growth for Gilead lagged Total HIV TRx, which returned to positive growth much faster (3Q21) largely due to the launch of generic Truvada (emtricitabine/TDF) in PrEP.

Exhibit 2: Total HIV, Gilead, GSK/ViiV, J&J, and Merck TRx

Post-pandemic TRx recovery underway



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024; Dashed lines reflect current projections

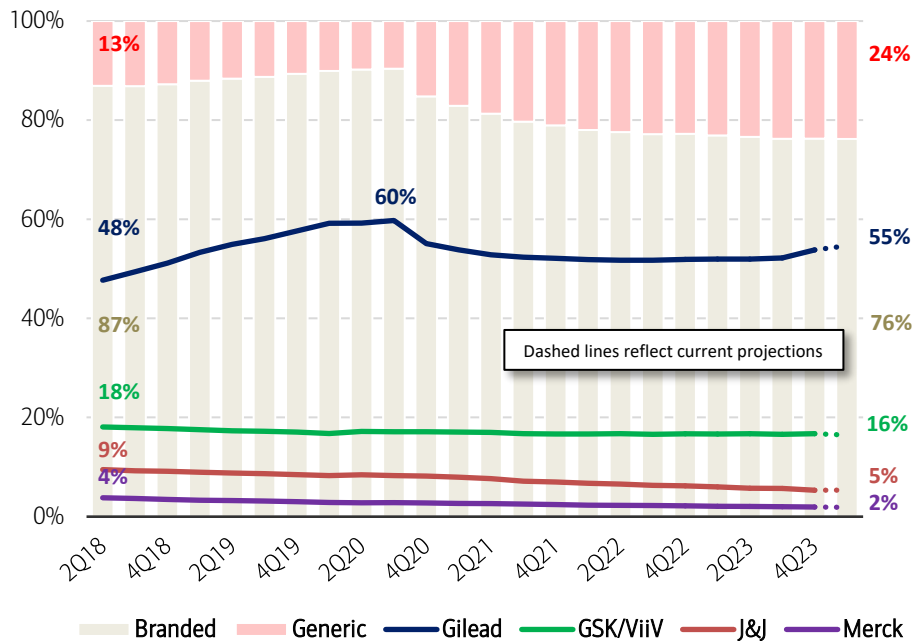
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Gilead holding onto market share

We project Gilead's share of TRx to grow to 55% (from 60% peak in 3Q20) in 1Q24 based on monthly script volumes. We forecast GSK/ViiV's market share at 16% in 4Q23, down from 18% in 2Q18. Generics continue to gain market share however, primarily driven by generic Truvada for PrEP (emtricitabine/TDF), and we forecast generics will make up 24% of all HIV TRx by the end of 1Q24.

Exhibit 3: Gilead's TRx share of the HIV market should be stable despite pressure from generics

Merck and J&J may continue to lose share



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024

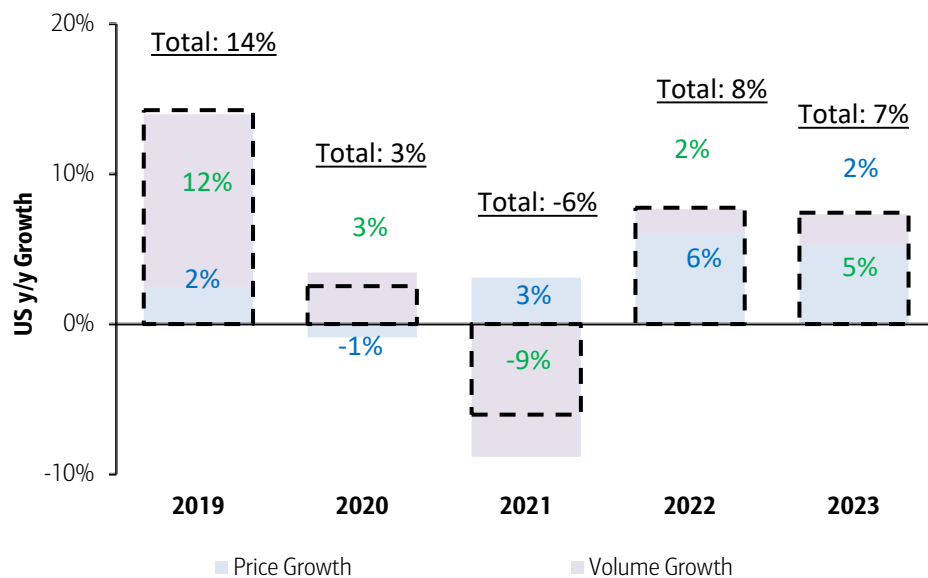
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TRx growth needed to drive upside

Looking to Gilead's US HIV revenues, pre-pandemic growth was primarily fueled by double-digit y/y growth in TRx volumes. In 2023, TRx growth y/y was modest (+2%), with the bulk of the +7% y/y US revenue growth coming from a +5% y/y increase in \$/TRx caused by favorable pricing mix. Looking forward, Gilead has indicated that these dynamics should stabilize, meaning future HIV revenue growth will need to come from TRx growth, similar to the dynamic pre-pandemic.

Exhibit 4: Breakdown of price vs. volume (TRx) growth for Gilead US HIV revenues

Further TRx growth needed for Gilead's HIV franchise to sustainably grow



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024

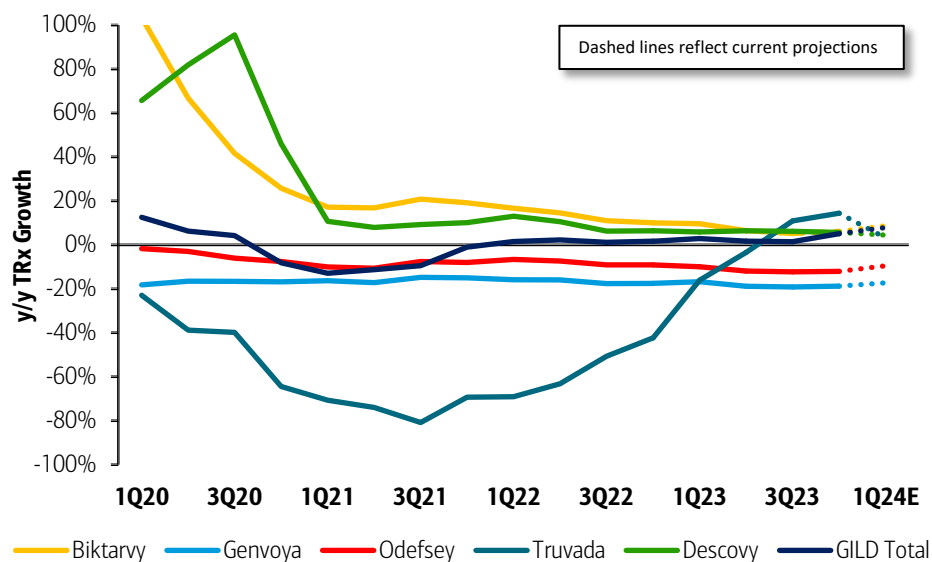
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Gilead TRx growth driven by Biktarvy and Descovy

Growth of Gilead's HIV TRx has been driven by Biktarvy (4Q23: -\$62m vs. cons; +7% y/y) and Descovy (4Q23: -\$32M vs. cons; -5% y/y) ([see our thoughts on 4Q23 earnings](#)), with both showing positive y/y TRx growth (+9% and +4% respectively) in February. Indeed, we forecast Biktarvy (+8%) and Descovy (+6%) to also grow TRx volumes y/y in 1Q24E as well based their growth trends in 2024 ytd, offsetting TRx declines in the rest of the portfolio. We forecast Gilead's total 1Q24E TRx growth to be +8% y/y, supporting our view that the HIV franchise has recovered from headwinds from the pandemic and generic launches, but y/y TRx growth will likely be in the low single digits going forward.

Exhibit 5: Gilead total y/y TRx growth and selected products

TRx growth for Biktarvy and Descovy offset declines in rest of portfolio



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024

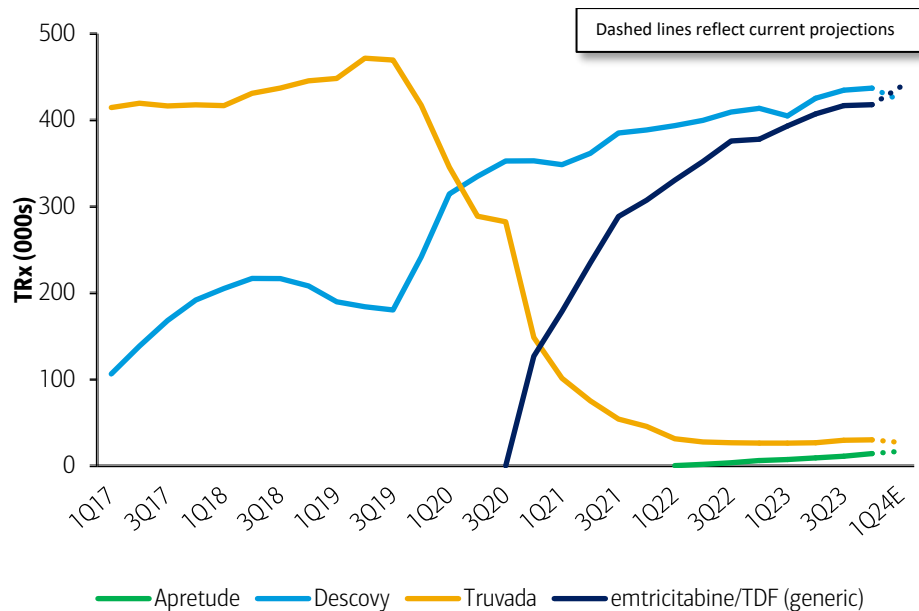
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Branded PrEP TRx still strong despite generics

Even while generic Truvada (emtricitabine/TDF) has experienced rapid adoption since its launch, both Apretude and Descovy continued to experience y/y TRx growth in February (+130% and +4% respectively). This makes sense to us as our KOLs have indicated that the use of PrEP has been increasing due to broader education efforts, growing the total market. Indeed, emtricitabine/TDF TRx have recently overtaken Descovy TRx volumes, but we suspect Descovy will still enjoy the robust share in the near-term due to concerns surrounding the longer-term impacts to kidney function of emtricitabine/TDF. Apretude TRx are also growing rapidly, but TRx volumes are still relatively low and will take time to meaningfully grow.

Exhibit 6: Generic Truvada (emtricitabine/TDF) leading in prep, but Descovy TRx still robust

Apretude launch has been robust, but still only accounts for modest TRx volume



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024

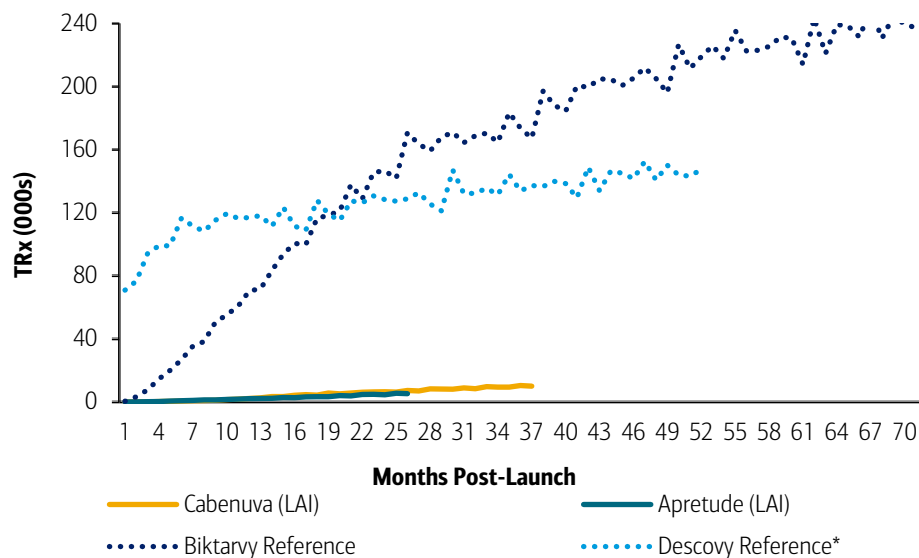
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LAI still looking for footing

While some investors have cited Cabenuva as a potential competitive threat to Biktarvy due to the convenience of every two-month dosing, we see minimal cause for near-term concern based on Cabenuva's TRx launch trajectory. Indeed, our KOLs have noted that despite the dosing convenience, tolerability issues associated with Cabenuva's intramuscular injection may limit patient switching. Turning to PrEP, Apretude also still has modest TRx volumes compared to the launch of Descovy in PrEP, but we note only a qualitative comparison of launch trajectory based on differences in dosing frequency.

Exhibit 7: Launches of LAIs (Cabenuva, Apretude) have not been as robust as daily orals (Biktarvy, Descovy)

LAI in solid lines and daily orals in dotted lines. Descovy TRx since US approval in PrEP (Oct 2019)*



Source: BofA Global Research, IQVIA SMART – US Edition, 03/2024

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Price objective basis & risk

Gilead Sciences Inc. (GILD, B-1-7, \$74.59)

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

I, Geoff Meacham, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as Co-Advisor to Gilead Sciences Inc. in connection with its proposed acquisition of Cymabay Therapeutics, which was announced on Monday, February 12, 2024.

US - Biopharmaceuticals Coverage Cluster

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BUY				
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	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	BioMarin	BMRN	BMRN US	Geoff Meacham
	BioXcel Therapeutics	BTAI	BTAI US	Greg Harrison, CFA
	BridgeBio Pharma	BBIO	BBIO US	Greg Harrison, CFA
	Caribou	CRBU	CRBU US	Geoff Meacham
	CRISPR Therapeutics	CRSP	CRSP US	Geoff Meacham
	Eli Lilly and Company	LLY	LLY US	Geoff Meacham
	Gilead Sciences Inc.	GILD	GILD US	Geoff Meacham
	HUTCHMED	HCM	HCM US	Alec W. Stranahan
	Immatics	IMTX	IMTX US	Alec W. Stranahan
	Insmed Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Alec W. Stranahan
	Keros	KROS	KROS US	Greg Harrison, CFA
	Kiniksa Pharmaceuticals, Ltd.	KNSA	KNSA US	Geoff Meacham
	Krystal Biotech	KRYS	KRYS US	Alec W. Stranahan
	Kura Oncology	KURA	KURA US	Jason Zemansky
	Liquidia Corporation	LQDA	LQDA US	Greg Harrison, CFA
	Lyell Immunopharma	LYEL	LYEL US	Geoff Meacham
	MeiraGTx	MGTX	MGTX US	Alec W. Stranahan
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	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
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	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
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	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
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	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
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UNDERPERFORM				
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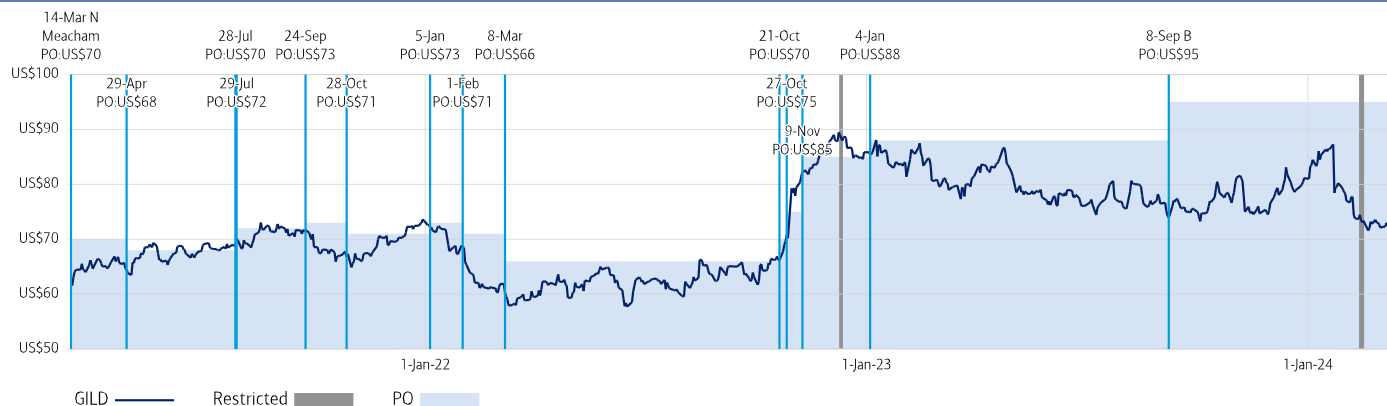
US - Biopharmaceuticals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

Disclosures

Important Disclosures

Gilead Sciences Inc. (GILD) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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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%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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