

## US Biopharmaceuticals

BofA Insights into HIV Market Trends –  
January '24 Edition

Industry Overview

## Total HIV TRx down -1% mo/mo and -2% y/y in December

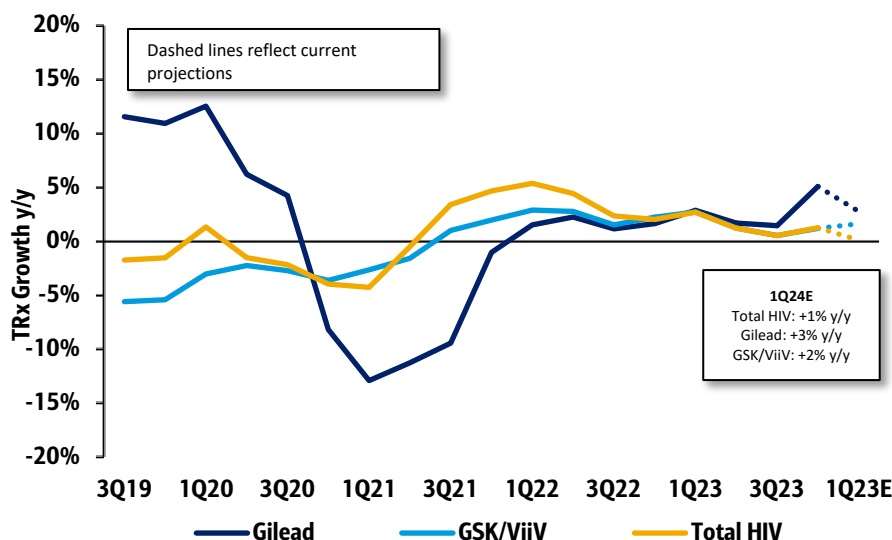
IQVIA scripts for December are now available, and we continue to provide analyses and insights into demand and share trends in the US HIV market. Overall, December HIV TRx decreased mo/mo (-1%) and showed a larger decline y/y (-2%) after mixed November total HIV TRx (-3% mo/mo; +1% y/y). 2023 HIV TRx grew +1% y/y compared to 2022, indicating continued recovery from pandemic headwinds (Exhibit 2).

## Gilead in recovery, TRx growth likely low single digits

Gilead December TRx were down -1% mo/mo but up +3% y/y due to seasonality and monthly variation (November: +5% mo/mo; +7% y/y), and 2023 TRx were up +3% y/y, driven primarily by TRx growth from Biktarvy and Descovy (Exhibit 5). Indeed, both Biktarvy (3Q23: -\$14M vs. cons; 12% y/y) and Descovy (3Q23: -\$34M vs. cons; 2% y/y) had respectable 3Q sales ([see our thoughts on 3Q23 earnings](#)), and solid y/y TRx growth (+3% y/y and +2% y/y, respectively) in December. Competitor GSK/ViiV (covered by BofA Global Research analyst Graham Parry) saw a similar decline (-2% mo/mo, -3% 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 to continue to recover and Gilead to hold the majority of total HIV TRx share (53%). That said, we expect script growth to be in the low-single digits in 1Q24E (+3%, Exhibit 1). We maintain our Buy rating and \$95 PO for Gilead.

## Exhibit 1: Gilead TRx y/y growth may be in low- to 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, 09/2023

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

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Biopharmaceuticals

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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

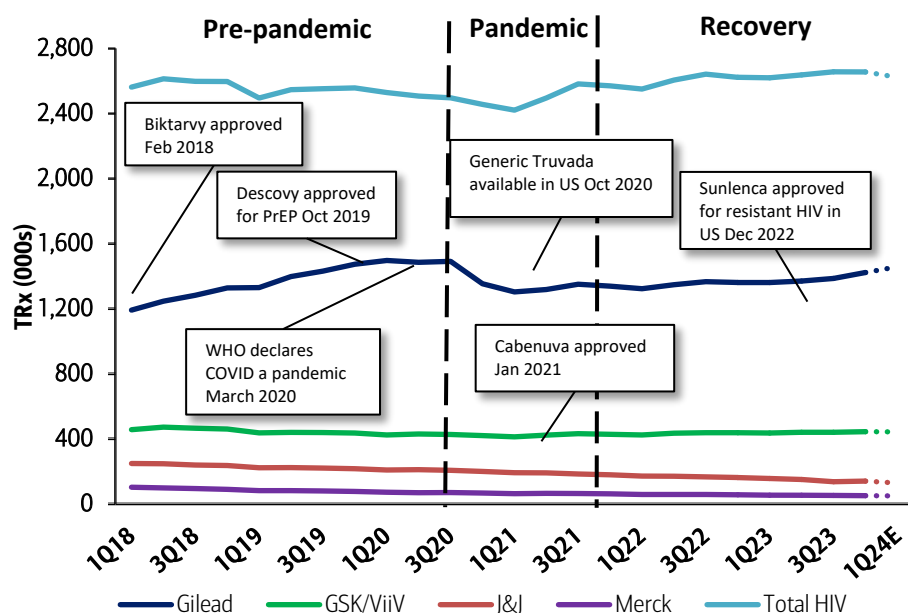


## Post-pandemic TRx recovery underway

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 we 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 2023 and assumed the same growth rate in 1Q24. While Gilead enjoyed 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, 01/2024; Dashed lines reflect current projections

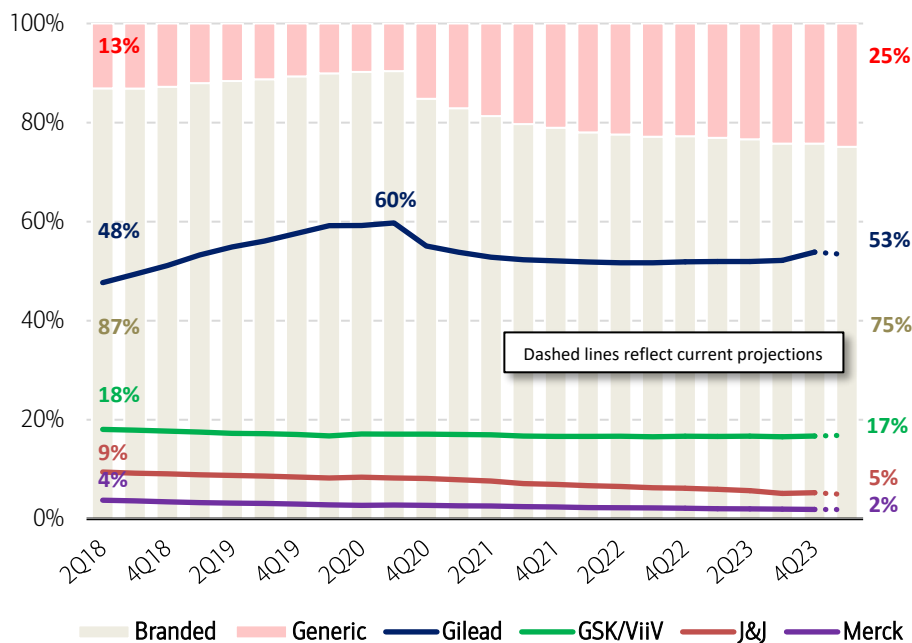
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## Gilead holding market share

We project Gilead's share of TRx to grow to 53% (from 60% peak in 3Q20) in 1Q24 based on monthly script volumes. We forecast GSK/ViiV's market share at 17% 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 25% 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, 01/2024

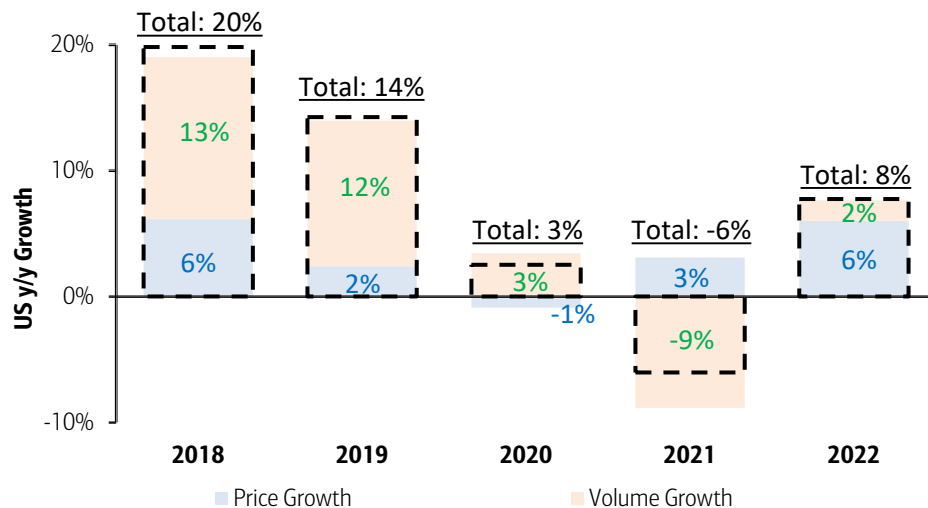
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## TRx growth needed to drive upside

Looking to Gilead's US HIV revenues, pre-pandemic growth was primarily fueled by double-digit y/y growth in TRx volumes. In 2022, however, TRx growth y/y was modest (+2%), with the bulk of the +8% y/y US revenue growth coming from a +6% 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, 01/2024

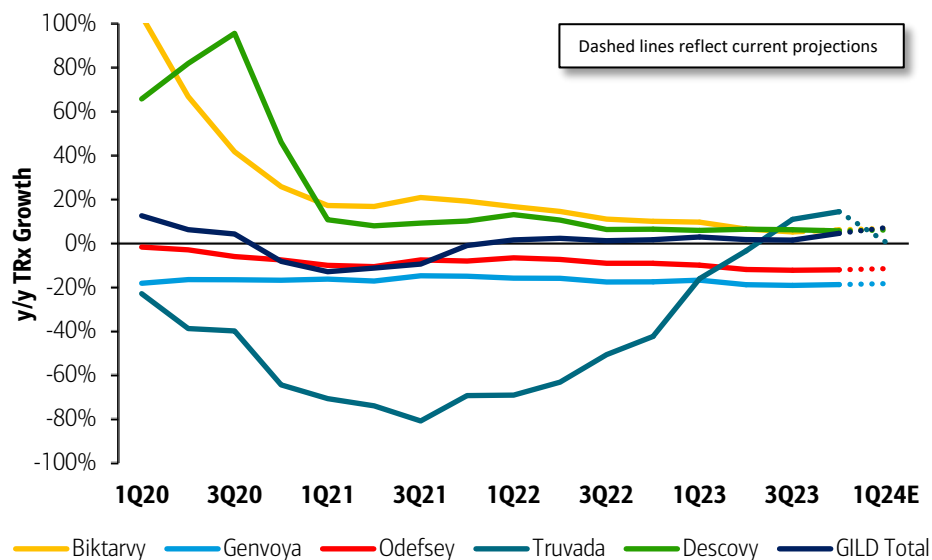
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## Gilead TRx growth driven by Biktarvy and Descovy

Growth of Gilead's HIV TRx has been driven by Biktarvy (3Q23: -\$14m vs. cons; 12% y/y) and Descovy (3Q23: -\$34M vs. cons; 2% y/y) ([see our thoughts on 3Q23 earnings](#)), with both showing positive y/y TRx growth (+3% and +2%, respectively) in December. Indeed, we forecast Biktarvy (+7%) and Descovy (+6%) to also grow TRx volumes y/y in 1Q24E as well based their growth trends in 2023 y/y, offsetting TRx declines in the rest of the portfolio. We forecast Gilead's total 1Q24E TRx growth at +3% 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, 1/2024

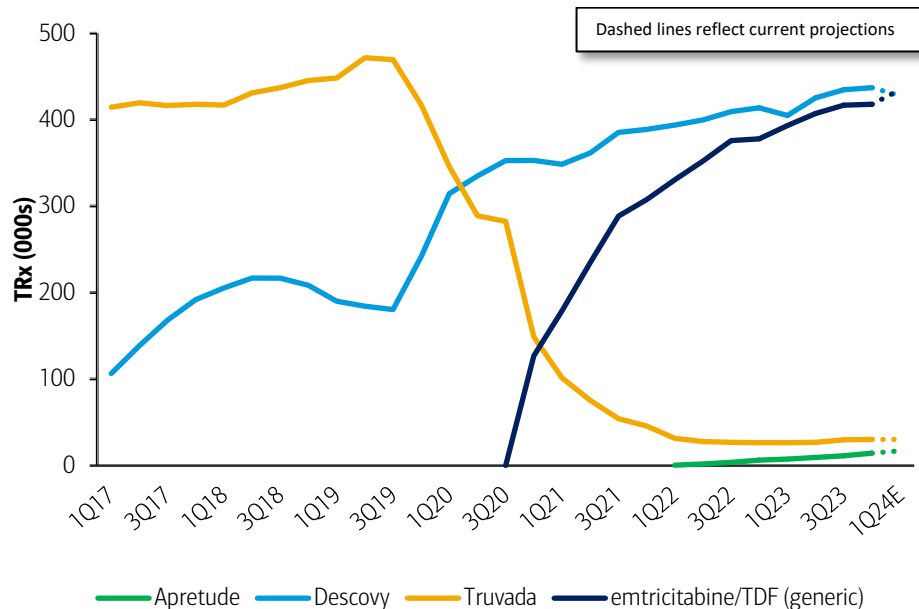
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## Branded PrEP TRx still growing despite generics

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 December (+116% and +2%, 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 rapidly approached similar volumes to Descovy TRx, but we think Descovy will still enjoy the highest TRx share in the near-term due to concerns about the longer-term impacts of emtricitabine/TDF on kidney function. Apretude TRx are also growing rapidly, but TRx volumes are still relatively low and will take time to grow meaningfully.

### Exhibit 6: Descovy still leading in PrEP TRx, but generic Truvada (emtricitabine/TDF) catching up

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



Source: BofA Global Research, IQVIA SMART – US Edition, 01/2024

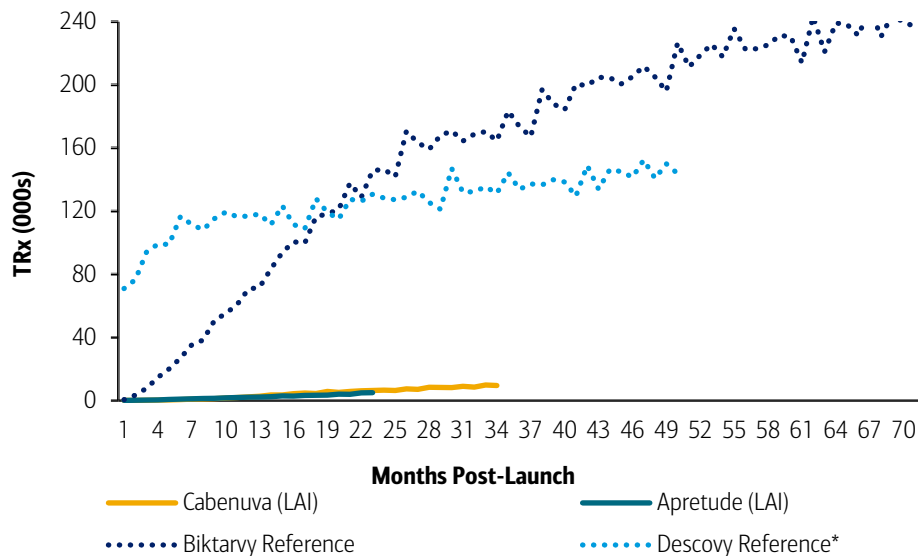
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## LAI still looking for footing

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, 01/2024

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## Price objective basis & risk

### Gilead Sciences Inc. (GILD, \$86.40, B-1-7)

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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	Acumen Pharma	ABOS	ABOS US	Geoff Meacham
	Agios Pharmaceuticals	AGIO	AGIO US	Greg Harrison, CFA
	Amylyx Pharmaceuticals	AMLX	AMLX US	Geoff Meacham
	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
	Insmid Incorporated	INSM	INSM US	Jason Zemansky
	Intellia Therapeutics	NTLA	NTLA US	Greg Harrison, CFA
	Janux Therapeutics	JANX	JANX US	Geoff Meacham
	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
	Merck & Co.	MRK	MRK US	Geoff Meacham
	Mineralys Therapeutics	MLYS	MLYS US	Greg Harrison, CFA
	Neumora Therapeutics	NMRA	NMRA US	Geoff Meacham
	Rani Therapeutics	RANI	RANI US	Geoff Meacham
	Regenxbio, Inc.	RGNX	RGNX US	Alec W. Stranahan
	Revolution Medicines	RVMD	RVMD US	Alec W. Stranahan
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	Royalty Pharma	RPRX	RPRX US	Geoff Meacham
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	SpringWorks	SWTX	SWTX US	Alec W. Stranahan
	Syndax Pharmaceuticals	SNDX	SNDX US	Jason Zemansky
	Traverse Therapeutics Inc	TVTX	TVTX US	Greg Harrison, CFA
	Turnstone Biologics	TSBX	TSBX US	Geoff Meacham
	Vertex Pharmaceuticals Inc.	VRTX	VRTX US	Geoff Meacham
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	Arcus Biosciences	RCUS	RCUS US	Jason Zemansky
	Beam Therapeutics	BEAM	BEAM US	Greg Harrison, CFA
	Biogen Inc.	BIIB	BIIB US	Geoff Meacham
	Bristol-Myers Squibb	BMJ	BMJ US	Geoff Meacham
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<b>UNDERPERFORM</b>				
	AlloVir, Inc.	ALVR	ALVR US	Jason Zemansky

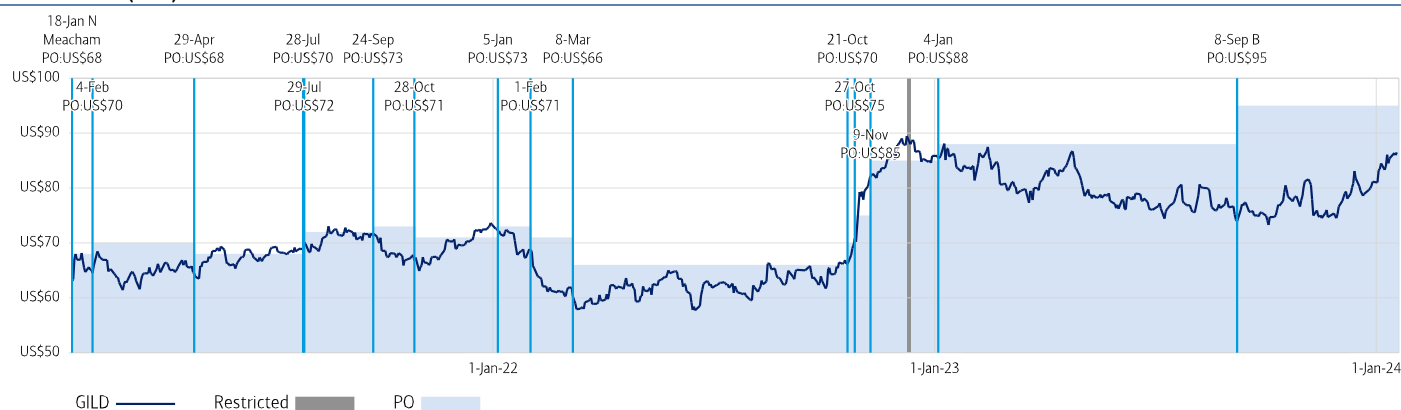
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	CureVac	CVAC	CVAC US	Geoff Meacham
	Day One Biopharmaceuticals	DAWN	DAWN US	Alec W. Stranahan
	LianBio	LIAN	LIAN US	Geoff Meacham
	Novavax	NVAX	NVAX US	Alec W. Stranahan
	Regeneron Pharmaceuticals Inc.	REGN	REGN US	Geoff Meacham
	Reneo Pharmaceuticals	RPHM	RPHM US	Jason Zemansky
	TG Therapeutics	TGTX	TGTX US	Alec W. Stranahan
	United Therapeutics Corporation	UTHR	UTHR US	Greg Harrison, CFA

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## 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 <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%

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

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