

Gilead Sciences Inc.

EVOKE-01 Misses in 2L+ NSCLC – What Now?

Maintain Rating: BUY | PO: 95.00 USD | Price: 78.58 USD

EVOKE-01 miss disappointing but not core to Trodelvy

This morning, Gilead reported that the EVOKE-01 study of Trodelvy in 2L+ NSCLC patients progressing on or after platinum-based chemotherapy and checkpoint inhibitors failed to meet its primary endpoint of overall survival (OS) compared to docetaxel. While disappointing, we'd note that the patient population was an especially challenging one, and our forecasts for Trodelvy do not include upside from lung cancer. Indeed, our 2030 peak sales of \$2.7B (consensus \$3.6B) are driven by metastatic breast (3L+ TNBC, 3L+ HR+/HER2-) and urothelial (2L+/3L) cancer only. Furthermore, we remain encouraged by EVOKE-02 overall response (ORR) data (see [our EVOKE-02 data analysis](#)), and could still see Trodelvy label expansion into NSCLC in the 1L setting (EVOKE-02/03: Trodelvy + Keytruda in 1L mNSCLC all-comers and PD-L1-high) which make up a larger part of the NSCLC opportunity (190 thousand patients globally vs 130 thousand with 2L+). Overall, we do not view selloff this morning (1D: -10%) as concerning as it primarily erased gains post-the January healthcare conference (see [our Gilead conference takeaways](#)), which saw GILD gaining momentum on growing expectations into EVOKE-01 readout (YTD: -2%; NBI: +0%). Ultimately, we see Trodelvy label expansion into lung as an upside opportunity, and value GILD largely on: 1) restoration of durable HIV franchise growth (with long-acting lenacapavir PrEP data in 2024), 2) increasing contribution from the heme/onc franchise (8% of revs in 2024; 11% in 2027) and 3) optionality in both the HIV and heme/onc pipeline. Maintain Buy and \$95 PO.

Looking ahead to full data and read-throughs

Management added that some subgroup data from EVOKE-01 (e.g., patients unresponsive to anti-PD-L1 therapy, squamous vs. non-squamous) could show benefit, though we maintain a wait-and-see approach with data forthcoming at a future medical meeting. That said, we think the larger safety database (safety profile consistent with prior observations) and PFS are the more important updates with read-through to the remaining NSCLC studies (EVOKE-02 and EVOKE-03). Recall that data from the phase 2 EVOKE-02 study looked competitive with 69% ORR in PD-L1 high (TPS≥50%) patients and 56% ORR in all-comers vs. AstraZeneca's (covered by Jain/Parry) Dato-DXd in TROPION-Lung02 (1L setting, doublet, confirmed ORR of 50%) and Merck's Keytruda in KN-024/042 (TPS≥50%, ORR 45%/39%). That said, we acknowledge that Keytruda plus chemo (KN-189) sets a high bar to beat (62% ORR in PD-L1 high patients / 48% ORR in all-comers), and additional data (e.g., PFS / OS data) will be needed to demonstrate meaningful clinical benefit from Trodelvy / Keytruda combo. Gilead plans to provide the next update of EVOKE-02 likely in early 2024, which could include data from more patients and longer follow-up.

2024 remains a catalyst-rich year across portfolios

We look forward to the rest of 2024 with an additional four phase 3 updates from Gilead, including: 1) Trodelvy TROPiCS-04 in 2L+ mUC, 2) Trodelvy ASCENT-03 in 1L mTNBC (PD-L1), 3) lenacapavir (Q6M subcutaneous) PURPOSE-1 for HIV PrEP, and 4) obeldesivir OAKTREE in COVID-19 standard-risk. We also like optionality from Gilead's CAR-T BCMA (myeloma; partnered with Arcellx), which has emerged as a potential competitor to J&J/Legend's Carvykti with preliminary iMMAGine-1 pivotal data in 2H24.

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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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Equity

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Stock Data

Price	78.58 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)	99,168 USD / 1,262.0
Free Float	99.9%
Average Daily Value (mn)	527.82 USD
BofA Ticker / Exchange	GILD / NAS
Bloomberg / Reuters	GILD US / GILD.OQ
ROE (2023E)	40.1%
Net Dbt to Eqty (Dec-2022A)	93.4%
ESGMeter™	High

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Abbreviations-see page 2

Abbreviations:

ORR: objective response rate

PD-L1: programmed death-ligand 1

TPS: tumor proportion score

PFS: progression free survival

OS: overall survival

1L: first line

2L+: second line plus

mNSCLC: metastatic non-small cell lung cancer

TROP-2: tumor-associated calcium signal transducer 2

ADC: antibody drug conjugate

HR+: hormone receptor positive

HER2: human epidermal growth factor receptor 2

HIV: human immunodeficiency virus

heme/onc: hematology / oncology

Q6M: every 6 months

PrEP: pre-exposure prophylaxis

CAR-T: chimeric antigen receptor T-cell

BCMA: B-cell maturation antigen

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.

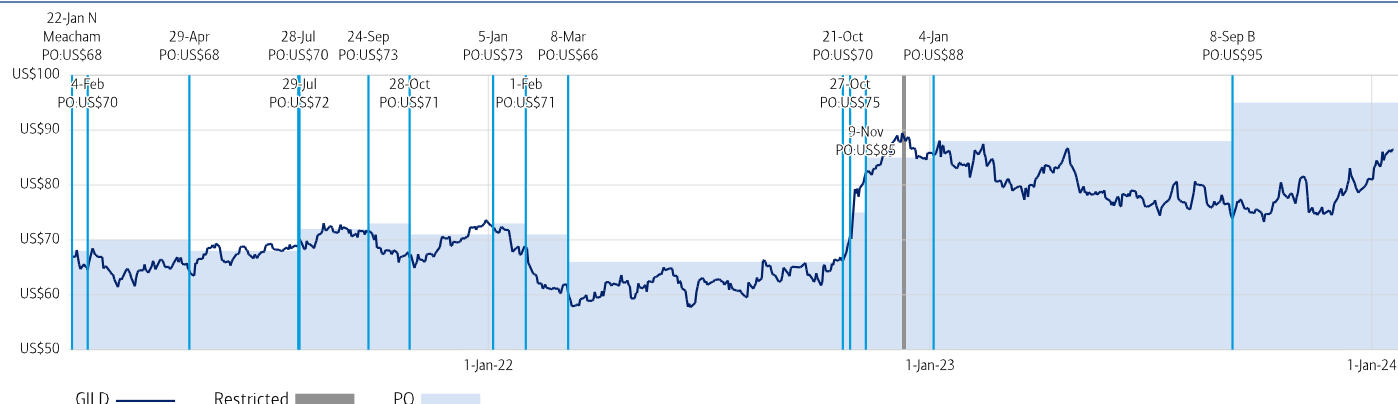
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Gilead Sciences Inc. (GILD) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

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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Underperform	N/A	≥ 20%

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