

# GILEAD SCIENCES NDQ-GILD

RECENT PRICE **45.19** P/E RATIO **17.4** (Trailing: 20.1 Median: 43.0) RELATIVE P/E RATIO **1.18** DIV'D YLD **Nil** VALUE LINE

TIMELINESS <b>2</b> Lowered 6/5/09	High: 2.8 6.0 7.4 9.2 10.0 17.7 19.5 28.3 35.0 47.9 57.6 53.3	Target Price Range 2012 2013 2014
SAFETY <b>2</b> Raised 1/16/09	Low: 1.1 2.2 2.7 3.1 6.5 7.8 12.9 15.2 26.1 31.0 35.6 40.6	
TECHNICAL <b>3</b> Raised 7/10/09	LEGENDS 20.0 x "Cash Flow" p sh Relative Price Strength 2-for-1 split 2/01 2-for-1 split 3/02 2-for-1 split 9/04 2-for-1 split 6/07	
BETA .65 (1.00 = Market)	Options: Yes Shaded area: prior recession Latest recession began 12/07	
<b>2012-14 PROJECTIONS</b>		
Ann'l Total	Price Gain Return	
High 85	(+90%) 17%	
Low 65	(+45%) 10%	
<b>Insider Decisions</b>		
A S O N D J F M A		
to Buy 0 0 0 0 0 0 0 0 0 0		
Options 3 3 6 3 4 7 5 5 6		
to Sell 3 3 5 4 2 7 5 5 6		
<b>Institutional Decisions</b>		
3Q2008 4Q2008 1Q2009	Percent shares traded	
to Buy 324 377 360	60	
to Sell 437 431 464	40	
Hld's(000) 835949 849497 837494	20	

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
	.24	.26	.30	.59	1.02	1.48	2.12	3.28	4.54	5.86	7.05	7.85	Sales per sh	10.40
	d.05	d.04	d.13	.13	.38	.53	.90	1.31	1.79	2.32	2.75	3.00	"Cash Flow" per sh	3.65
	d.07	d.06	d.14	.11	.35	.50	.84	1.27	1.68	2.10	2.60	2.80	Earnings per sh <sup>A</sup>	3.35
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	.02	.02	.03	.02	.05	.06	.05	.11	.08	.13	.13	.13	Cap'l Spending per sh	.15
	.42	.47	.59	.72	1.18	2.08	3.29	1.97	3.71	4.56	5.95	7.25	Book Value per sh	13.80
	705.48	754.30	772.16	790.38	853.01	897.64	919.45	922.25	932.48	909.82	900.00	880.00	Common Shs Outst'g <sup>B</sup>	860.00
	--	--	--	NMF	36.6	32.6	25.3	24.5	23.6	23.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	22.0
	--	--	--	NMF	2.09	1.72	1.35	1.32	1.25	1.43			Relative P/E Ratio	1.45
	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
	169.0	195.6	233.8	466.8	867.9	1324.6	1947.7	3026.1	4230.0	5335.0	6330	6900	Sales (\$mill)	8950
	NMF	NMF	NMF	20.4%	41.6%	49.5%	54.7%	55.6%	52.4%	52.1%	52.0%	50.5%	Operating Margin	46.5%
	12.6	12.0	14.7	14.4	20.9	24.4	35.8	47.3	51.3	102.5	155	180	Depreciation (\$mill)	255
	d48.2	d43.1	d114.3	88.1	303.5	449.4	792.1	1161.5	1615.3	2011.2	2340	2465	Net Profit (\$mill)	2880
	--	--	--	1.5%	5.2%	31.5%	26.7%	33.8%	28.9%	26.5%	27.5%	28.0%	Income Tax Rate	30.0%
	NMF	NMF	NMF	18.9%	35.0%	33.9%	40.7%	38.4%	38.2%	37.7%	37.0%	35.7%	Net Profit Margin	32.2%
	324.1	535.6	627.7	1078.9	1080.0	1596.2	2636.9	1664.9	2292.0	3079.3	3040	3040	Working Cap'l (\$mill)	3975
	5.3	2.2	.4	.3	345.3	.2	240.7	1300.0	1300.0	1374.0	1110	900	Long-Term Debt (\$mill)	900
	297.3	351.1	452.4	571.3	1003.0	1870.9	3027.8	1815.7	3460.0	4152.5	5375	6400	Shr. Equity (\$mill)	11875
	NMF	NMF	NMF	16.6%	23.3%	24.2%	24.2%	37.6%	34.1%	36.5%	31.0%	28.5%	Return on Total Cap'l	25.0%
	NMF	NMF	NMF	15.4%	30.3%	24.0%	26.2%	64.0%	46.7%	48.4%	43.5%	38.5%	Return on Shr. Equity	33.5%
	NMF	NMF	NMF	15.4%	30.3%	24.0%	26.2%	64.0%	46.7%	48.4%	43.5%	38.5%	Retained to Com Eq	33.5%
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

Gilead Sciences was incorporated in the state of Delaware in June of 1987. The company completed its initial public offering in January of 1992, issuing 11.5 million shares of common stock for total proceeds of \$86.25 million. Two more stock offerings followed, one of 3.34 million shares raising \$50 million in December of 1992, and another of 4 million shares in August of 1995, which raised \$94.2 million in proceeds.

**CAPITAL STRUCTURE as of 3/31/09**  
Total Debt \$1117.5 mill. Due in 5 Yrs \$1305 mill.  
LT Debt 1111.9 mill. LT Interest \$39.5 mill.

(Includes \$650 mill. .5% convertible note due 2011, convertible at \$38.75 per share, and \$460 mill. 6.25% conv. note due 2013, conv. at \$38.10.)  
**Leases, Uncapitalized:** \$23.6 mill.  
**No Defined Benefit Pension Plan**

**Common Stock** 906,489,730 shs. as of 4/26/09

**MARKET CAP: \$40.9 billion (Large Cap)**

<b>CURRENT POSITION (\$MILL.)</b>	2007	2008	3/31/09
Cash Assets	1172.0	1790.1	2060.2
Receivables	795.1	1023.4	1068.0
Inventory (Avg Cst)	600.0	927.9	936.7
Other	461.2	558.9	551.0
Current Assets	3028.3	4300.3	4615.9
Accts Payable	290.3	601.2	578.4
Debt Due	.3	5.6	5.6
Other	445.7	614.2	677.8
Current Liab.	736.3	1221.0	1261.8

<b>ANNUAL RATES of change (per sh)</b>	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Sales	51.0%	48.0%	14.5%
"Cash Flow"	--	70.0%	12.5%
Earnings	--	73.5%	12.0%
Dividends	--	--	Nil
Book Value	18.5%	33.0%	26.0%

<b>QUARTERLY SALES (\$ mill.)</b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2006	692.9 685.3 748.7 899.2 3026.1
2007	1028 1050 1058 1094 4230.0
2008	1258 1278 1371 1428 5335.0
2009	1530 1550 1600 1650 6330
2010	1660 1700 1740 1800 6900

<b>EARNINGS PER SHARE <sup>A</sup></b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2006	.28 .28 .32 .39 1.27
2007	.43 .42 .42 .41 1.68
2008	.51 .46 .52 .61 2.10
2009	.66 .65 .65 .64 2.60
2010	.70 .70 .70 .70 2.80

<b>QUARTERLY DIVIDENDS PAID</b>	Full Year
Cal-endar	Mar.31 Jun.30 Sep.30 Dec.31
2005	
2006	
2007	
2008	
2009	

NO CASH DIVIDENDS BEING PAID

**BUSINESS:** Gilead Sciences discovers, develops, and commercializes proprietary treatments for viral diseases, marketing them in the U.S. and abroad. Drugs currently on the market include *AmBisome* (an antifungal agent), *Atripla*, *Truvada*, *Viread*, *Emtriva* (for the treatment of HIV), *Tamiflu* (influenza), *Vistide* (for CMV retinitis in patients with AIDS), and *Hepsera* (for hepatitis B). 2008 depr. rate:

**Gilead Sciences' stock has been trending water since our April report.** Like many of its large-cap biotech brethren, Gilead has been underperforming the broader market averages lately. Some of this is due to investors rotating out of this sector into more economically sensitive industry vehicles. Gilead has also been dogged by investor negativity regarding the CV Therapeutics (CVTX) buy, completed April 17th, for \$20 a share (\$1.4 billion). Many investors thought that Gilead paid too much for CVTX, a cardiovascular drug maker. Moreover, market watchers have questioned the commercial potential of *Darusentan*, a cv drug inherited from Gilead's acquisition of Myogen. In particular, *Darusentan's* safety profile has come into question. Overall, investors appear to be souring on Gilead's decision to diversify into the cardiovascular arena.

**Still, the company needs to diversify away from its core HIV franchise.** Gilead is considered to be the market leader for HIV medicines. Sales from its extensive stable of HIV products (which include *Viread*, *Emtriva*, *Truvada*, and *Atripla*) have soared over the last few

8.1%; R&D expense: 14.2% of sales. Acq. NeXstar Pharm.; 7/99, Triangle Pharm.; 1/03. Has about 2,860 employees. Officers and directors own 2.2% of common stock; FMR Corp., 5.4%; Axa Fin., 5.7% (4/09 proxy). Chrmn.: James M. Denny. Pres. & CEO: John C. Martin, Ph.D. Inc.: CA. Address: 333 Lakeside Drive, Foster City, CA, 94404. Tel.: 650-574-3000. Web: www.gilead.com.

years. The introduction of these drugs into a greater assortment of countries, price hikes where possible, and approvals for use in other diseases (e.g., *Viread* for hepatitis B), have been the reasons for the revenue advances. There will come a time in the not too distant future, however, when sales growth of these products will stall. Gilead is preparing for that eventuality by investing heavily in establishing a highly visible global cardiopulmonary franchise. To this end, it has acquired Myogen (*Letairis* and *Darusentan*), Corus (*Aztreonam Lysine*), and CVTX (*Lexiscan* and *Ranexa*).

**This timely and good-quality issue doesn't look to have notable long-term potential.** We doubt the stock will perform as well as it has over the past three to five years. GILD's pipeline is probably the weakest in the large-cap biotech sector. Still, its leadership in the HIV market, greater-than-expected *Darusentan* potential, and the periodic resurgence of *Tamiflu* royalties due to flu epidemics should keep average annual earnings moving up at a decent rate.

Jeremy J. Butler July 17, 2009

(A) Diluted earnings. Excludes nonrecurring gains/(charges): '98, (\$0.22); '99, \$0.75; '02, (4¢); '03, (\$0.89); '05, \$0.03; '06, (\$2.56); '08, (1¢). Next earnings report due late July.

(B) In millions. Adjusted for splits.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	50

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