

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**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
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.	.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 ^A	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 ^B	860.00
	--	--	--	NMF	36.6	32.6	25.3	24.5	23.6	23.4	<i>Bold figures are Value Line</i>		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

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										<i>estimates</i>	Avg Ann't Div'd Yield	<i>Nil</i>	
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
NMC	NMC	NMC	20.4%	14.6%	10.6%	8.7%	5.6%	5.4%	5.4%	5.2%	5.0%	Operation Margin	16.5%

NMF	NMF	NMF	20.4%	41.0%	49.3%	54.7%	55.0%	52.4%	52.1%	52.0%	50.3%	Operating margin	46.3%
12.6	12.0	14.7	14.4	20.9	24.34	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%
224.4	235.6	227.7	1078.0	1080.0	1508.2	2628.0	1664.0	2202.0	2070.2	2040	2040	Working Cap/(\$mill)	2075

324.1	353.6	621.7	1076.3	1060.0	1595.2	2036.9	1064.9	2292.0	3079.3	3040	3040	Working Cap. (\$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%
NME	NME	NME	15.4%	30.3%	24.0%	26.2%	64.0%	46.7%	48.4%	43.5%	38.5%	Return on Shr. Equity	33.5%

11M	11M	11M	10-11%	00-01%	24-01%	20-12%	01-01%	40-11%	40-11%	40-01%	00-01%	Return on Com. Equity	00-01%
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%
--	--	--	--	--	--	--	--	--	--	<i>Nil</i>	<i>Nil</i>	All Div'ds to Net Prof	<i>Nil</i>

<p>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 <i>Ambisome</i> (an antifungal agent), <i>Atripla</i>, <i>Truvada</i>, <i>Viread</i>, <i>Emtriva</i> (for the treatment of HIV), <i>Tamiflu</i> (influenza), <i>Vistide</i> (for CMV retinitis in patients with AIDS), and <i>Hepsera</i> (for hepatitis B). 2008 depr. rate:</p>	<p>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.</p>
<p>Gilead Sciences' stock has been tread-</p>	<p>years. The introduction of these drugs into</p>

ing 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 in-

dustry 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.

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.qilead.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*

(B) In millions. Adjusted for splits.

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

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