

July 23, 2014

Stock Rating
Equal-weight
Industry View
In-Line

Gilead Sciences Inc. HCV Still Near and LT Focus

Upside Sovaldi (+\$611M vs cons) drove a \$0.57

EPS beat: Sovaldi (+\$611M), Truvada (+\$18M), Viread (+\$24M) and Complera (+\$22M) drove the \$685M rev beat vs cons. Better gross margins (89% vs MSe 86%) and a lower tax rate (14.6% with a 1 qtr 3.6% catch-up) represented the majority of the delta between our \$2.14 and Gilead's reported EPS of \$2.36. Mgt. also gave 1st time guidance incorporating Sovaldi with revs of \$21-23B (prior \$11.3-11.5B). This suggests 2H Sovaldi revs of ~\$3.945-5.745B, below the 1H total of \$5.755B. Mgt. cited warehousing and inventory destocking ahead of the all-oral launch as potential contributing factors.

Sovaldi still the centerpiece: Near and long-term Sovaldi sales continue to dominate the debate. On the near-term, guidance seems to imply a seq. deceleration for 3Q followed by an uptick in 4Q after the all-oral launch, inline with our model. Hwr, with the implied 2H run-rate below 1H reported sales, it appears a modest disappointment vs high expectations. Nonetheless, sig. investor expectations for an early all-oral approval ahead of the 10/10 PDUFA (and the assoc sales bolus) is likely to offset any guidance concerns. While we agree early approval could represent 2014 upside, it could conversely make the 2015 comp that much harder. On the LT, our view remains that there are risks to sustainability of the HCV franchise. Separately, the early approval of idelalisib (CLL & iNHL) was a nice positive offset by the boxed warning and REMS. We still see it as a 10-15% mkt share drug with \$1B+ pot.

Capital allocation continues to represent the other LT driver, but mgt. isn't pointing to a deal: While mgt. repurchased 15.2M shares in the qtr (\$1.2B) and said it will finish another \$1.7B in buybacks by Sept., a near-term deal to ease LT Sovaldi tail concerns didn't appear imminent. We see continued investor focus on dividends and M&A as the cash from Sovaldi builds.

We expect a muted stock reaction even as Sovaldi delivered given high expectations: We believe cons expectations of a Sovaldi beat have been a major driver of GILD over the last few weeks, thus the beat was widely expected. With guidance not suggesting sig. upside to cons, we expect GILD to not move much tomorrow. Our 2014E/2015E EPS ests move modestly higher to \$8.17/\$9.19 (\$7.58/\$8.43 prior) on tax-rate, gross margin and share count changes to our model.

Key Ratios and Statistics

Reuters: GILD.O Bloomberg: GILD US
Biotechnology / United States of America

Shr price, close (Jul 23, 2014)	\$90.34
Mkt cap, curr (mm)	\$152,143
52-Week Range	\$90.74-55.96

Fiscal Year ending	12/13	12/14e	12/15e	12/16e
ModelWare EPS (\$)	2.05	8.16	9.19	10.17
Prior ModelWare EPS (\$)	-	7.58	8.42	9.64
P/E	36.7	11.1	9.8	8.9
Consensus EPS (\$) [§]	1.98	6.73	8.22	9.35
Div yld (%)	0.0	-	0.5	1.2

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

[§] = Consensus data is provided by Thomson Reuters Estimates.

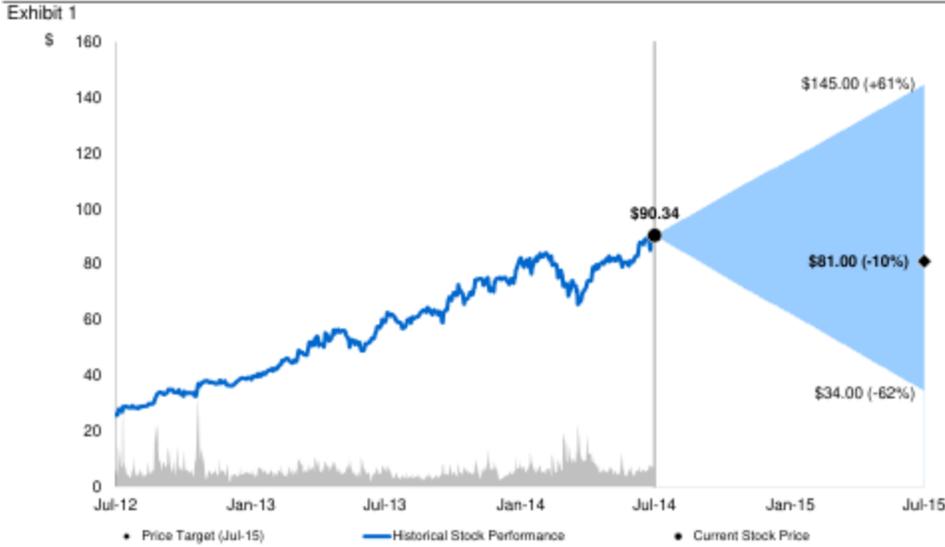
^e = Morgan Stanley Research estimates

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Risk-Reward Snapshot: Gilead (GILD, EW, PT \$81)

Sovaldi peak and duration, HIV patent expirations drive Risk-Reward



Source: Morgan Stanley Research estimates, Thomson Reuters

Price Target \$81	We derive our PT from a discounted cash flow analysis that uses a WACC of 10% and a 2% terminal growth rate. The main drivers are the HIV franchise and Sovaldi.	
Bull Case \$145	DCF	The number of treated HCV patients do not decline post 2017E and competition is less robust; Gilead transitions more than half of HIV sales to new regimens We assume: 1) ~35B in 2020E antiviral sales, of which \$16B is from HCV, 2) The number of naïve US HCV patients treated is stable at ~200k/yr, 3) HCV pricing is not impacted by competition, and 4) Complera/Eviplera/Stribild/TAF take ~60% patient share of HIV
Base Case \$81	DCF	US treated HCV patients decline modestly post 2017E, around half of HIV sales are transitioned to new regimens. We assume: 1) ~20B in 2020E antiviral sales, of which ~\$6B is from HCV, 2) The number of naïve US HCV patients treated declines to ~115k/yr, 3) HCV pricing is modestly impacted by competition (-15%), and 4) Complera/Eviplera/Stribild/TAF take ~35% patient share of HIV
Bear Case \$34	DCF	Rapid peak and then erosion of the HCV market, HIV cliffs: 1) ~9B in 2020E antiviral sales, of which ~\$500M is from HCV, 2) The number of naïve US HCV patients treated declines to baseline, 3) HCV pricing/share is aggressively impacted by competitors (-70%), 4) Complera/Eviplera/Stribild/TAF take ~20% patient share of HIV

Investment Thesis

We are EW Gilead as we believe some of the risks around HCV have been overlooked suggesting risk to out-year estimates. This is balanced by the potential for a solid hem/onc franchise in idelalisib and time to switch HIV patients away from therapies that go generic.

- **HCV (Sovaldi):** HCV demand is off to a strong start with sales likely of at least \$10B in the first year. That said, we don't have confidence that peak revenues will continue after all the patients in care are treated (~2017E). We highlight risks on multiple fronts including pricing, competition and high consensus expectations.

- **HIV:** Gilead has done a good job of switching naïve patients to the new STRs (Stribild and Complera), but Truvada/Atripla still hold ~60% of the market right now, which means a significant number still need to be switched. This is a potential source of LT risk. However, there is still time and we've yet to get all the TAF data.

- **Oncology (idelalisib):** We believe idelalisib can be a \$1-2B US asset. That said, duration of therapy is currently unclear (the major driver of sales) given the liver function issues. If LFTs cause short duration, there could be downside to sales. However, we note expectations are modest.

Risks to our price target

- 1) A longer peak to HCV sales, 2) A higher peak of HCV sales followed by a rapid decline, 3) Unexpected toxicity or competition in HCV, 4) Unexpected toxicity in idelalisib, 5) Early pipeline success for simtuzumab

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Gilead Sciences Inc.

Exhibit 2

Gilead 2Q14 Variance

	MSe 2Q14E		2Q14A			Consensus		
	MSe	% Y/Y	Actual	% Y/Y	Difference	2Q14E*	Difference	%
Product Sales (WW):								
Atripia	\$923	-2%	\$871	-7%	-6%	\$875	(\$4)	0%
Truvada	\$807	0%	\$807	0%	0%	\$789	\$18	2%
Viread	\$269	8%	\$261	4%	-3%	\$237	\$24	10%
Complera/Eviplera	\$265	40%	\$299	59%	13%	\$277	\$22	8%
Stribild	\$248	150%	\$270	171%	9%	\$262	\$7	3%
Sovaldi	\$3,625	NM	\$3,481	NM	-4%	\$2,870	\$611	21%
Other	\$30	NM	\$24	-13%	-19%			
Total Antiviral Products	\$6,197	168%	\$6,012	160%	-3%			
Letairis	\$156	22%	\$145	13%	-7%	\$134	\$11	8%
Ranexa	\$129	21%	\$122	14%	-5%	\$119	\$3	2%
AmBisome	\$89	18%	\$95	26%	7%	\$87	\$7	8%
Cayston	\$40	18%	\$39	16%	-2%			
Other	\$1	-13%	\$0	NM	MN			
Total Product Sales	\$6,612	149%	\$6,413	141%	-3%	\$340	\$6,073	1784%
Royalty, Contract, Other Revs	\$93	-16%	\$122	11%	31%			
Total Revenues	\$6,705	142%	\$6,535	136%	-3%	\$5,850	\$685	12%
COGS	\$927	40%	\$723	9%	-22%			
Gross Profit	\$5,778	174%	\$5,812	176%	1%			
R&D	\$575	18%	\$542	11%	-6%			
SG&A	\$535	42%	\$569	51%	6%			
Operating Income	\$4,668	276%	\$4,701	278%	1%			
Interest Expense, Net	(\$76)	NM	(\$102)	NM	34%			
Other Income (Expense), Net	(\$20)	NM	(\$4)	NM	-82%			
Pretax Income	\$4,572	293%	\$4,595	295%	1%			
Taxes	\$963	192%	\$671	104%	-30%			
Tax rate	21%	-26%	15%	-48%	-31%			
Net loss from noncontrolling interest	(\$5)	NM	(\$5)	NM	6%			
Net Income (Non-GAAP)	\$3,613	330%	\$3,930	368%	9%			
Non-GAAP EPS (excl. options)	\$2.14	331%	\$2.36	376%	11%	\$1.79	\$0.57	32%
GAAP EPS	\$1.96	331%	\$2.20	382%	12%			
Diluted Shares Outstanding	1678	-1%	1663	NM				
Gross Margin	86%	13%	89%	17%	3%	85%		
R&D (% of Sales)	9%	-51%	8%	-53%	-3%			
SG&A (% of Sales)	8%	-41%	9%	-36%	9%			
Operating Margin	70%	55%	72%	60%	3%			

Source: Company Data, Morgan Stanley Research

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 Gilead Sciences Inc.

Exhibit 3
Gilead Income Statement

	2009	2010	2011	2012	2013	1Q14A	2Q14A	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Gilead Income Statement																
Product Sales	6,469	7,390	8,102	9,398	10,804	4,871	6,413	5,796	7,672	24,813	27,797	29,280	26,763	25,286	22,933	22,660
Royalty, contract and other revenues	542	559	283	304	398	128	122	71	43	365	377	390	403	418	433	448
Total Revenue	7,011	7,949	8,385	9,703	11,202	4,999	6,535	5,867	7,716	25,178	28,174	29,670	27,166	25,703	23,366	23,109
						Co. Guidance		\$21-23B								
Consensus Revenue						5,530	6,257	22,629	26,189	28,161	30,609					
COGS	1,530	1,793	2,046	2,401	2,708	611	723	964	1,233	3,532	4,679	4,909	4,647	4,544	4,434	4,491
Gross Profit	5,481	6,157	6,339	7,302	8,493	4,388	5,812	4,903	6,482	21,646	23,495	24,761	22,519	21,159	18,932	18,618
R&D	831	839	1,119	1,496	1,948	558	542	600	650	2,350	2,515	2,691	2,825	2,896	2,968	3,042
						Co. Guidance		\$2.3-2.4B								
SG&A	820	913	1,094	1,226	1,557	500	569	610	671	2,350	2,703	2,973	3,121	3,090	3,059	3,029
						Co. Guidance		\$2.3-2.4B								
Operating Income	3,830	4,405	4,126	4,580	4,988	3,330	4,701	3,693	5,161	16,946	18,278	19,098	16,572	15,173	12,904	12,547
Interest expense	-70	-109	-182	-354	-307	-76	-102	-102	-82	-363	-400	-383	-364	-343	-343	-332
Other income (expense), net	42	60	67	-37	-9	-20	-4	-4	57	30	123	239	325	371	376	356
Pretax income	3,803	4,357	4,011	4,189	4,673	3,234	4,595	3,587	5,136	16,614	18,000	18,954	16,534	15,202	12,938	12,571
Taxes	950	1,154	987	1,123	1,240	751	671	635	883	3,020	2,732	2,308	1,848	1,851	1,705	1,782
Tax Rate	25%	26%	25%	27%	27%	23%	15%	18%	17%	18.2%	15%	12%	11%	12%	13%	14%
						Co. Guidance		17.5-20.5%								
Net income (non-gaap)	2,853	3,203	3,024	3,066	3,433	2,483	3,924	2,952	4,253	13,594	15,268	16,645	14,686	13,350	11,233	10,789
Net loss from noncontrolling interest	-10	-12	-15	-18	-18	-5	-5	-5	-2	-18	-18	-18	0	0	0	0
Net income to Gilead (Non-GAAP)	2,863	3,214	3,039	3,084	3,451	2,488	3,930	2,957	4,255	13,611	15,286	16,663	14,686	13,350	11,233	10,789
Non-GAAP EPS (excl. options)	\$1.53	\$1.84	\$1.93	\$1.95	\$2.05	\$1.48	\$2.36	\$1.78	\$2.56	\$8.17	\$9.19	\$10.18	\$9.32	\$8.96	\$8.05	\$8.30
Consensus EPS						1.62	1.94	6.73	8.22	9.35	10.79					
Non-gaap EPS (incl. options)	\$1.46	\$1.76	\$1.84	\$1.73	\$1.94	\$1.44	\$2.32	\$1.74	\$2.53	\$8.01	\$8.98	\$9.94	\$9.05	\$8.65	\$7.68	\$7.87
GAAP EPS (incl. options)	\$1.41	\$1.66	\$1.77	\$1.64	\$1.82	\$1.32	\$2.20	\$1.60	\$2.89	\$7.97	\$8.98	\$9.94	\$9.05	\$8.64	\$7.68	\$7.86
Basic Shares - GAAP	1,809	1,712	1,515	1,515	1,529	1,537	1,533	1,532	1,531	1,526	1,523	1,499	1,443	1,365	1,278	1,190
Diluted Shares - GAAP	1,868	1,747	1,580	1,583	1,686	1,680	1,664	1,663	1,662	1,667	1,664	1,638	1,576	1,491	1,397	1,300
Diluted Shares - non-GAAP	1,868	1,743	1,576	1,580	1,685	1,679	1,663	1,662	1,661	1,666	1,663	1,637	1,576	1,490	1,396	1,300
Margin Analysis (Non-GAAP)																
COGS (product revenue)	24%	24%	25%	26%	25%	13%	11%	24%	26%	25%	25%	25%	25%	25%	25%	25%
Gross Margin (total revenue)	78%	77%	76%	75%	76%	88%	89%	84%	84%	86%	83%	83%	83%	82%	81%	81%
						Co. Guidance		85-88%								
SG&A (as a % of sales)	12%	11%	13%	13%	14%	10%	9%	14%	15%	14%	14%	14%	14%	14%	14%	14%
R&D (as a % of sales)	12%	11%	13%	15%	17%	11%	8%	18%	16%	17%	17%	17%	17%	17%	17%	17%
Operating Margin	55%	55%	49%	47%	45%	67%	72%	63%	67%	67%	65%	64%	61%	59%	55%	54%
EBITDA Margin	58%	59%	53%	50%	48%	69%	73%	65%	68%	69%	66%	66%	63%	61%	58%	57%
Net Margin	41%	40%	36%	32%	31%	50%	60%	50%	55%	54%	54%	56%	54%	52%	48%	47%
Growth Analysis (Non-GAAP)																
Net product sales	27%	14%	10%	16%	15%	104%	141%	114%	152%	130%	12%	5%	-9%	-6%	-9%	-1%
Total revenue	31%	13%	5%	16%	15%	97%	136%	111%	147%	125%	12%	5%	-8%	-5%	-9%	-1%
COGS	37%	17%	14%	17%	13%	0%	9%	46%	59%	30%	32%	5%	-5%	-2%	-2%	1%
R&D	27%	1%	33%	34%	30%	21%	11%	23%	27%	21%	7%	7%	5%	2%	2%	2%
SG&A	14%	11%	20%	12%	27%	50%	51%	62%	42%	51%	15%	10%	5%	-1%	-1%	-1%
Operating margin (EBIT)	3%	1%	-11%	-4%	-6%	50%	60%	39%	53%	51%	-4%	-1%	-5%	-3%	-6%	-2%
EBITDA margin	3%	2%	-10%	-5%	-5%	43%	53%	34%	47%	45%	-4%	-1%	-5%	-3%	-5%	-1%

Source: Company Data, Morgan Stanley Research

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Gilead Sciences Inc.

Exhibit 4

Gilead Product Revenues (1 of 2)

Product Revenue	2009A	2010A	2011A	2012A	2013A	2014E				2015E	2016E	2017E	2018E	2019E	2020E	
						1Q14	2Q14	3Q14E	4Q14E							
Atripla	2,382	2,927	3,225	3,574	3,648	780	871	917	1,009	3,577	3,572	3,559	3,505	3,331	2,741	2,534
US (2021 Expiration)	1,646	1,909	2,022	2,253	2,356	490	578	610	678	2,356	2,447	2,507	2,505	2,503	2,500	2,497
EU (2018 Expiration)	678	910	1,043	1,103	1,062	237	234	237	270	978	869	782	717	573	177	20
ROW	59	108	160	219	231	53	58	71	61	243	256	269	283	255	64	16
Truvada	2,490	2,650	2,875	3,181	3,136	760	807	803	799	3,169	3,140	3,125	3,124	2,779	2,139	1,892
US (2021 Expiration)	1,178	1,309	1,385	1,613	1,570	368	400	430	448	1,645	1,679	1,711	1,742	1,771	1,797	1,822
EU (2018 Expiration)	1,170	1,171	1,257	1,316	1,296	323	338	300	278	1,240	1,163	1,101	1,054	844	259	29
ROW	142	170	232	253	270	69	69	73	73	284	298	313	328	164	82	41
Viread	668	732	738	849	959	211	261	249	294	1,014	1,064	1,113	1,166	822	241	29
US (2018 Expiration, Teva settlement)	290	320	325	388	428	81	117	115	121	433	432	430	425	304	81	8
EU (2018 Expiration)	273	293	328	336	354	84	88	93	117	382	408	430	454	318	100	15
ROW	105	119	85	125	177	46	57	41	56	199	224	253	286	200	60	6
Complera/Eviplera			39	342	809	251	299	310	352	1,212	1,688	2,292	2,504	2,701	2,818	2,943
US (2023 Expiration)			39	280	503	130	154	195	237	717	1,043	1,453	1,566	1,673	1,788	1,910
EU (2022 Expiration)			0	53	268	109	132	100	97	438	569	749	834	914	910	912
ROW			0	9	39	11	13	15	19	58	75	91	104	115	120	120
Stribild				58	539	215	270	289	315	1,090	1,917	2,787	3,345	3,853	4,132	4,418
US (2029 Expiration)				58	510	187	229	223	206	846	1,330	1,820	2,111	2,346	2,596	2,862
EU (2027 Expiration)					24	24	31	51	102	208	534	898	1,154	1,416	1,430	1,445
ROW				0	5	5	9	15	7	36	53	69	80	92	105	111
TAF												474	998	1,372	1,800	1,995
US (2022/2029 Expiration)												446	834	1,072	1,328	1,407
EU (2021/2027 Expiration)												23	129	248	404	510
ROW												5	35	53	68	78
Sovaldi					139	2,274	3,481	2,765	4,374	12,894	14,073	13,649	10,045	8,471	7,219	7,016
US (2029 Expiration, 2030 for FDC)					136	2,098	3,032	2,100	3,590	10,819	9,212	7,394	5,247	4,645	4,041	3,933
EU (2028 Expiration, 2029 for FDC)					3	164	401	600	680	1,845	3,559	4,240	2,750	2,076	1,519	1,302
ROW					0	13	49	65	104	231	1,302	2,015	2,047	1,750	1,659	1,782
Other Antiviral	300	228	173	138	109	18	24	25	55	123	152	164	193	237	266	301
Cobicistat/Tyboost (2027 Expiration)								10	15	25	100	125	150	165	180	195
Total Antiviral Products	5,839	6,537	7,050	8,142	9,340	4,508	6,012	5,369	7,214	23,104	25,706	26,813	24,032	22,359	19,736	19,328

Source: Company Data, Morgan Stanley Research

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Gilead Sciences Inc.

Exhibit 5

Gilead Product Revenues (2 of 2)

Product Revenue	2009A	2010A	2011A	2012A	2013A	2014E				2015E	2016E	2017E	2018E	2019E	2020E	
						1Q14	2Q14	3Q14E	4Q14E							
Letairis (US Only - Patent Expiration 2018)	184	240	293	410	520	123	145	156	156	624	718	789	852	639	320	64
Ranexa (US Only - Patent Expiration 2019)	131	240	320	373	449	112	122	129	129	516	593	682	771	856	933	700
AmBisome (US Patent 2016 / EU 2008)	299	306	330	347	352	92	95	89	89	355	359	305	153	15	2	0
Other Products	17	67	109	127	143	36	39	53	84	214	422	690	955	1,416	1,943	2,569
Cayston (US & EU Patents 2021)		48	91	107	139	36	39	42	44	161	185	207	228	246	261	271
Other	17	19	18	20	4	0	0	1	1	4	4	4	4	4	4	4
Idelalisib (2025 Expiration)								10	39	49	233	479	723	1,166	1,678	2,294
Total Product Sales	6,469	7,390	8,102	9,396	10,804	4,871	6,413	5,796	7,672	24,813	27,797	29,280	26,763	25,286	22,933	22,660
Royalty, contract and other revenue	542	559	283	304	398	128	122	71	43	365	377	390	403	418	433	448
Royalty Revenue	492	546	269	291	384	124	118	68	40	351	363	376	389	404	419	434
Tamiflu Royalties	393	387	76	44	135	52	58	5	-25	90	90	90	90	90	90	90
Other Royalties	99	159	193	247	249	72	60	63	65	261	273	286	300	314	329	345
Contract and other revenue	50	14	14	14	14	4	4	3	3	14	14	14	14	14	14	14
Total Revenues	7,011	7,949	8,385	9,703	11,202	4,999	6,535	5,867	7,716	25,178	28,174	29,670	27,166	25,703	23,366	23,109

Source: Company Data, Morgan Stanley Research

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Gilead Sciences Inc.

Exhibit 6

Gilead Balance Sheet

	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Current assets												
Cash and Equivalents	1,273	908	9,884	1,804	2,113	10,875	21,989	30,255	34,444	34,626	32,346	27,517
Marketable Securities	384	1,191	16	59	19	530	989	1,403	1,776	2,111	2,413	2,684
Trade Receivables, net	1,390	1,622	1,951	1,751	2,100	4,721	5,282	5,563	5,094	4,819	4,381	4,333
Inventories	1,052	1,204	1,390	1,745	2,056	2,681	3,552	3,726	3,528	3,449	3,366	3,409
Deferred Taxes, Net	295	279	208	263	331	331	331	331	331	331	331	331
Prepaid Expenses & Taxes	352	388	342	535	564	1,385	1,409	1,483	1,358	1,285	1,168	1,155
Other Current Assets	67	116	127	0	92	378	394	415	380	386	350	347
Total current assets	4,813	5,708	13,919	6,156	7,274	20,899	33,947	43,177	46,910	47,006	44,354	39,775
Property, Plant & Equipment, Net	700	701	774	1,100	1,166	1,521	1,960	2,455	2,904	3,324	3,680	4,029
Non-Current Portion of Prepaid Royalties	226	204	175	176	199	225	254	287	325	367	415	470
Non-Current Deferred Tax Asset	101	153	144	131	155	155	155	155	155	155	155	155
Intangible Assets, net	1,062	893	2,067	11,736	11,900	11,658	11,416	11,174	10,932	10,690	10,448	10,206
Long Term Marketable Securities	2,248	3,219	64	720	439	439	439	439	439	439	439	439
Goodwill	463	533	0	1,061	1,169	1,169	1,169	1,169	1,169	1,169	1,169	1,169
Other Assets	86	181	161	159	195	413	435	428	392	371	374	370
Total assets	9,699	11,593	17,303	21,240	22,497	36,479	49,774	59,284	63,225	63,521	61,034	56,612
Current liabilities												
Accounts Payable	811	803	1,206	1,327	1,256	1,638	2,170	2,276	2,155	2,107	2,056	2,082
Accrued Expenses/Comp & Employee Ben.	132	148	173	237	244	547	613	645	591	559	508	502
Accrued Liabilities	800	765	1,059	1,433	2,018	1,880	1,826	1,982	2,081	2,095	2,110	2,125
Deferred Revenue	123	103	75	103	111	111	111	111	111	111	111	111
Current Portion of Long Term Debt	6	646	2	1,169	2,697	0	1,167	0	0	0	0	0
Total current liabilities	1,872	2,465	2,515	4,270	6,325	4,176	5,885	5,014	4,938	4,872	4,784	4,820
Deferred Tax Liabilities	87	107	136	116	162	162	162	162	162	162	162	162
Long-Term Debt	1,155	2,839	7,606	7,055	3,939	9,821	7,932	7,932	7,232	7,232	7,232	6,733
Long-Term Deferred Revenue	43	33	32	21	22	22	22	22	22	22	22	22
Other long-term obligations	36	27	148	228	304	904	904	904	904	904	904	904
Total liabilities	3,193	5,471	10,436	11,689	10,752	15,085	14,905	14,034	13,258	13,192	13,105	12,642
Minority Interest	138	258	128	241	375	358	340	323	323	323	323	323
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	1	1	1	1	2	2	2	2	2	2	2	2
Additional paid-in capital	4,377	4,648	4,903	5,650	5,387	4,870	4,172	-82	-7,488	-17,435	-28,411	-40,551
(Accumulated Deficit) Retained Earnings	1,995	1,184	1,777	3,705	6,105	16,289	30,479	45,132	57,255	67,564	76,141	84,322
Accumulated Other Comprehensive Income	-6	31	58	-46	-124	-124	-124	-124	-124	-124	-124	-124
Total stockholders' equity	6,367	5,864	6,739	9,310	11,369	21,036	34,528	44,927	49,644	50,006	47,606	43,648
Total Liabilities and equity	9,699	11,593	17,303	21,240	22,497	36,479	49,774	59,284	63,225	63,521	61,034	56,612

Source: Company Data, Morgan Stanley Research

July 23, 2014

Gilead Sciences Inc.

Exhibit 7

Gilead Cash Flow Statement

	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net Income (Loss)	2,626	2,890	2,789	2,574	3,057	13,276	14,919	16,261	14,263	12,886	10,722	10,226
Depreciation & Amortization	213	265	302	278	345	379	423	475	527	581	634	691
Stock-based compensation expense	100	118	152	209	252	318	349	384	423	465	511	563
In-process research and development impairment charges		136	27	0	0	0	0	0	0	0	0	0
Tax Benefits Related to Employee Stock Options	88	82	37	-2	6							
Deferred Income Taxes	-42	12	64	-39	-98	0	0	0	0	0	0	0
Amortization of Bond Discount					0	26	27	0	0	0	0	0
Other	64	10	48	-2	106							
Changes in operating assets and liabilities:												
Accounts receivable, net	-356	-349	-376	198	-315	-2,620	-562	-280	469	274	438	48
Inventories	-75	-161	-201	-350	-343	-625	-871	-174	198	78	84	-43
Prepaid Expenses	-66	-70	-14	-129	-170	-1,133	-70	-129	123	25	104	-38
Accounts Payable	204	-4	429	117	-98	382	532	107	-121	-48	-51	26
Accrued Liabilities and taxes payable	275	-66	411	318	342	166	11	189	45	-18	-36	10
Deferred Revenue	49	-30	-29	23	22	0	0	0	0	0	0	0
Net cash provided by (used in) operating activities	3,080	2,834	3,639	3,195	3,105	10,168	14,759	16,832	15,927	14,244	12,406	11,483
Purchases Of Marketable Securities	-2,614	-5,503	-5,128	-1,245	-257	-5,128	-5,128	-5,128	-5,128	-5,128	-5,128	-5,128
Proceeds From Sales Of Marketable Securities	1,441	3,034	8,650	528	494	4,615	4,615	4,615	4,615	4,615	4,615	4,615
Proceeds From Maturities Of Marketable Securities	436	684	788	45	78	2	53	99	140	178	211	241
Acquisitions, Net Of Cash	-1,248	-91	-589	-10,752	-379	0	0	0	0	0	0	0
Purchases of PP&E	-230	-62	-132	-397	-191	-492	-621	-728	-734	-759	-748	-798
Other				-25	0	-218	-21	7	36	21	-3	4
Net cash used in investing activities	-2,216	-1,938	3,590	-11,846	-254	-1,221	-1,102	-1,135	-1,071	-1,073	-1,053	-1,065
Cash Flows from Financing Activities												
Proceeds from issuances of common stock (for ESO)	223	221	212	466	313	204	164	132	106	85	68	33
Excess tax benefits from stock-based compensation	80	82	41	114	279	162	108	70	51	45	39	20
Proceeds from sale of/(payments to settle) warrants		155			-1,040							
Proceeds/(purchases) of convertible note hedges		-363		214	2,774							
Proceeds from/(repayments of) debt financing	-311	2,457	4,009	305	-4,440	3,759	-750	-1,167	-699	0	0	-499
Contributions from (distributions to) noncontrolling interest	-45	132	-115	131	152							
Repurchases of common stock	-998	-4,023	-2,383	-667	-582	-1,200	-1,320	-4,840	-7,986	-10,542	-11,596	-12,755
Dividends paid					0		-746	-1,626	-2,139	-2,577	-2,144	-2,045
Other					0	-3,110	0	0	0	0	0	0
Net cash provided by financing activities	-1,051	-1,339	1,764	563	-2,544	-185	-2,543	-7,431	-10,668	-12,989	-13,633	-15,246
Effect of Exchange Rate Changes on Cash	1	77	-17	8	2							
Change in cash	-186	-365	8,976	-8,080	309	8,762	11,114	8,266	4,189	182	-2,280	-4,829
Cash at beginning of year	1,459	1,273	908	9,884	1,804	2,113	10,875	21,989	30,255	34,444	34,626	32,346
Cash at end of year	1,273	908	9,884	1,804	2,113	10,875	21,989	30,255	34,444	34,626	32,346	27,517

Source: Company Data, Morgan Stanley Research

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Gilead Sciences Inc.



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(as of June 30, 2014)

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Total	3,078		957		

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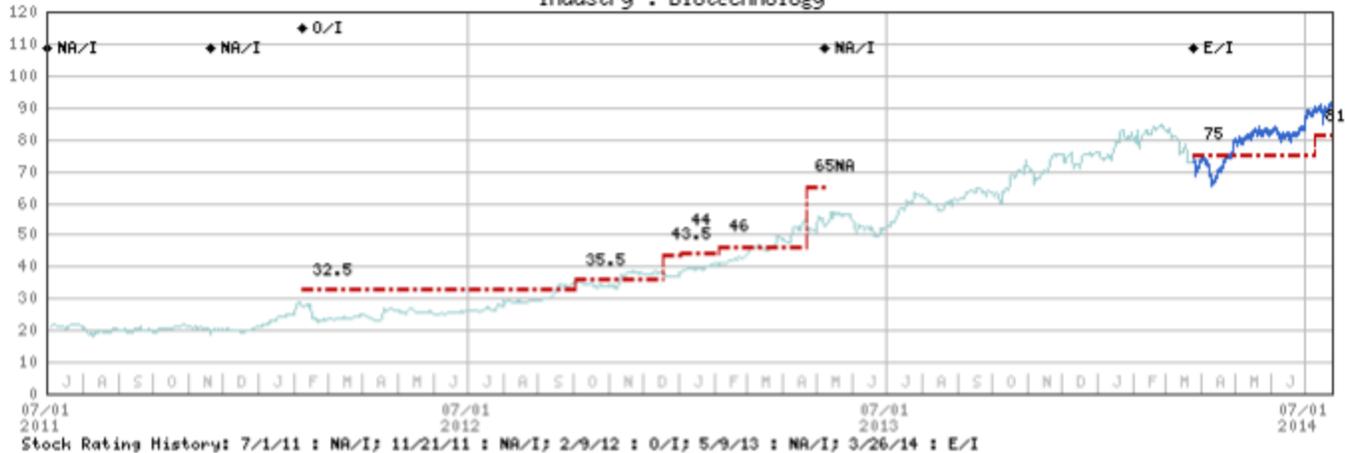
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Gilead Sciences Inc. (GILD.O) - As of 7/23/14 in USD
Industry : Biotechnology



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
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Pharmacyclics Inc. (PCYC.O) E (03/26/2014) \$103.92
Regeneron Pharmaceuticals Inc. E (03/26/2014) \$310.27
(REGN.O)

Industry Coverage:Biotechnology

Company (Ticker)	Rating (as of)	Price* (07/23/2014)
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David Friedman, M.D.

AMAG Pharmaceuticals, Inc. (AMAG.O)	E (11/21/2011)	\$19.04
Akebia Therapeutics Inc (AKBA.O)	O (04/14/2014)	\$23.19
Alexion Pharmaceuticals (ALXN.O)	O (09/07/2010)	\$173.08
Ainylam Pharmaceuticals (ALNY.O)	E (01/14/2014)	\$55.86
Auxilium Pharmaceuticals (AUXL.O)	U (03/06/2014)	\$19.6
Chimerix Inc (CMRX.O)	O (05/06/2013)	\$22.87
Cubist Pharmaceuticals Inc. (CBST.O)	O (11/13/2013)	\$62.58
GW Pharmaceuticals PLC (GWPH.O)	O (04/22/2014)	\$86.68
Idenix Pharmaceuticals, Inc. (IDIX.O)	E (03/18/2011)	\$24.32
Incyte Corporation (INCY.O)	U (01/23/2013)	\$48.98
InterMune (ITMN.O)	E (09/07/2010)	\$46.4
Ironwood Pharmaceuticals, Inc. (IRWD.O)	E (04/24/2013)	\$15.05
Lexicon Pharmaceuticals, Inc. (LXRX.O)	U (06/11/2013)	\$1.59
NPS Pharmaceuticals (NPSP.O)	++	\$29.33
Neurocrine Biosciences Inc (NBIX.O)	E (01/08/2014)	\$13.71
Ophthotech Corp (OPHT.O)	O (10/21/2013)	\$40.63
Portola Pharmaceuticals Inc (PTLA.O)	O (06/17/2013)	\$24.92
Relypsa, Inc. (RLYP.O)	O (12/10/2013)	\$24.98
Synageva Biopharma Corp (GEVA.O)	O (04/20/2012)	\$72.44
Theravance Inc (THRX.O)	U (07/22/2013)	\$25.32
Ultragenyx Pharmaceutical Inc (RARE.O)	O (02/25/2014)	\$43.05
Versartis, Inc. (VSAR.O)	O (04/15/2014)	\$23.45
Vertex Pharmaceuticals (VRTX.O)	E (05/08/2012)	\$98.14
XenoPort Inc (XNPT.O)	U (06/11/2013)	\$4.39

Matthew Harrison

Amgen Inc. (AMGN.O)	O (03/26/2014)	\$122.01
Biogen Idec Inc. (BIIB.O)	O (03/26/2014)	\$337.6
Celgene Corp (CELG.O)	E (03/26/2014)	\$89.12
Gilead Sciences Inc. (GILD.O)	E (03/26/2014)	\$90.34
ImmunoGen Inc. (IMGN.O)	U (06/25/2014)	\$11.38
Infinity Pharmaceuticals Inc (INFI.O)	O (06/25/2014)	\$9.82

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.