

Initiating Coverage:

Gilead Sciences Inc. (\$GILD)

Cash Is King and Gilead Knows It

Key Takeaways: Gilead faces skepticism around its topline growth, but we believe that its oncology pipeline, steady HIV franchise, and strong balance sheet are being overlooked by the market. Immuno-oncology assets are progressing towards key readouts and Gilead's strong free cash flow positions the firm to capitalize on the current biotech funding landscape through accretive acquisitions.

Opportunistic M&A in a Buyer's Market: Gilead has publicly emphasized its intention to remain active in bolt-on acquisitions while remaining disciplined. Management has highlighted special areas of interest in inflammation and oncology. Gilead is uniquely positioned to act as a consolidator because of its \$7B cash and ~\$10B in annual FCF as small cap biotechs' struggle for funding due to government cuts. We believe that investors will rerate the stock as Gilead makes accretive acquisitions of Phase II/III assets at attractive valuations, especially if they fit cleanly into their existing portfolio.

Re-Rating Potential Amid GLP-1 Normalization: The market is reassessing the overextended expectations held around GLP-1s. We expect a partial rotation of capital back into reliable cash-generating pharma names like Gilead. The firm trades at a discount compared to large-cap peers despite having sector-leading operating margins and dividend stability. Once GLP-1 demand begins to normalize or if competitive concerns decrease, Gilead could benefit from a relative multiple expansion. This effect may be amplified if there is visible pipeline progress or shareholder returns in the form of buybacks.

Valuation: We initiate coverage with a \$133.00 PT.



Consortium Research Group
Healthcare | Biotechnology
July 14th, 2025

Stock Rating: Overweight

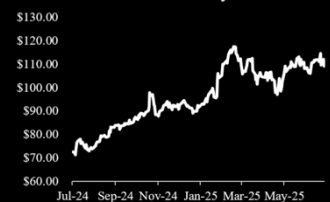
Price Target: \$133.00

Price: \$108.80

Potential Upside/Downside: 22.24%

Ticker: SGILD

1 Year History



Healthcare Coverage Team

Analyst
Omar Reyes
Johns Hopkins University
oreyes4@jh.edu

Company Overview

Company Description: Gilead Sciences is a biopharmaceutical company headquartered in Foster City, California. The company specializes in antiviral therapies for HIV, hepatitis, and a growing portion of oncology generating \$28.8B in 2024 revenue. Gilead is mainly supported by its HIV franchise but is growing its oncology assets like Trodelvy and Yescarta.

Virology Foundation Drives Cash Flow Stability: Gilead's business is mainly built on high-margin, patent-protected HIV treatments. Biktarvy alone contributed \$13.4B in 2024. The virology segment offers stable revenue with consistent free cash flow (\$10.3B in 2024) and dividend payments. This cash flow also helps fund long-term R&D and acquisitions.

Strategic Expansion into Oncology: Gilead is actively pivoting into oncology through acquisitions and partnerships. Its pipeline includes antibody-drug conjugates and immunotherapies aimed at breast and lung cancers. Oncology only makes up about 11% of revenue, but successful clinical trials could expand this share significantly in upcoming years.

Industry Overview

Virology (HIV & Hepatitis): The antiviral therapeutics market remains a substantial and stable segment of the global biopharma industry. HIV and hepatitis B/C continue to drive annual sales in the billions. Widespread testing and earlier treatment have made HIV a chronic condition that is managed through daily regimens or long-acting formulations. High-margin drugs such as Gilead's Biktarvy dominate this space mainly due to their patent protection. The market is also relatively non-cyclical with demand tied to epidemiology more than the macroeconomic landscape. That said, there are pricing pressures from government payers and global health organizations. This pressure is most present in low and middle-income countries and remains a persistent headwind.

Oncology (Targeted Therapies & Cell Therapy): Oncology is one of the fastest growing therapeutic areas in pharmaceuticals. Global sales are projected to exceed \$300B by 2026 due to rising cancer incidence paired with breakthroughs in biologics, antibody-drug conjugates (ADCs), and cell therapies. Immunotherapies and combination regimens are becoming standard of care across multiple types of tumors. Despite the growing demand, the oncology market remains highly competitive and fragmented. Gilead's recent traction in breast and lung cancer positions it to capture a share in high-need indications. Oncology R&D expense is a burden for most companies but those with strong balance sheets and clinical success are well-positioned to benefit from premium pricing and rapid adoption post-approval.

Biotech M&A and Capital Markets: The broader biotech market has been struggling with a multi-year funding downturn which was only enhanced by the NIH funding cuts. Many valuations for early and mid-stage biotechs are compressed due to lower investor sentiment and high interest rates. Even though IPO and venture activity remain lower than 2021 highs, strategic acquirers are starting to reenter the market as to prepare for looming patent cliffs. Biopharma firms with large amounts of capital are well positioned to take advantage of this "buyer's market" and carry out accretive deals. Gilead has over \$10B in annual FCF which makes this macro landscape a unique opportunity for Gilead to acquire de-risked or late-stage assets at discounted prices.

Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Amgen Inc.	\$159,840	\$208,300	27.2x	\$34,130	\$15,730	
AbbVie Inc.	\$336,040	\$400,750	81.3x	\$57,370	\$27,370	
Bristol-Myers Squibb Company	\$95,850	\$135,120	17.6x	\$47,640	\$19,170	
Merck & Co., Inc.	\$206,930	\$232,350	12.0x	\$63,920	\$28,800	
Gilead Sciences, Inc.	\$136,650	\$152,840	23.2x	\$28,740	\$13,720	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF	
Amgen Inc.	13.2x	69.1%	46.1%	30.1%	19.0%	
AbbVie Inc.	14.6x	71.0%	47.7%	33.2%	3.7%	
Bristol-Myers Squibb Company	7.0x	74.7%	40.3%	23.3%	7.3%	
Merck & Co., Inc.	8.1x	77.1%	45.1%	38.2%	7.0%	
Gilead Sciences, Inc.	11.1x	78.3%	47.8%	38.1%	6.2%	

High	14.64x	78.3%	47.8%	38.2%	19.0%	
75th Percentile	13.24x	77.1%	47.7%	38.1%	7.3%	
Average	10.83x	74.0%	45.4%	32.6%	8.6%	
Median	11.14x	74.7%	46.1%	33.2%	7.0%	
25th Percentile	8.07x	71.0%	45.1%	30.1%	6.2%	
Low	7.05x	69.1%	40.3%	23.3%	3.7%	

Gilead Sciences Valuation		
Implied Enterprise Value (25th Percentile)	\$	110,689
Implied Enterprise Value (Median)	\$	152,840
Implied Enterprise Value (75th Percentile)	\$	181,683

Implied Share Price (25th Percentile)	\$	75.30
Implied Share Price (Median)	\$	109.18
Implied Share Price (75th Percentile)	\$	132.37

Source: Stock Analysis, as of July 2025

Investment Theses

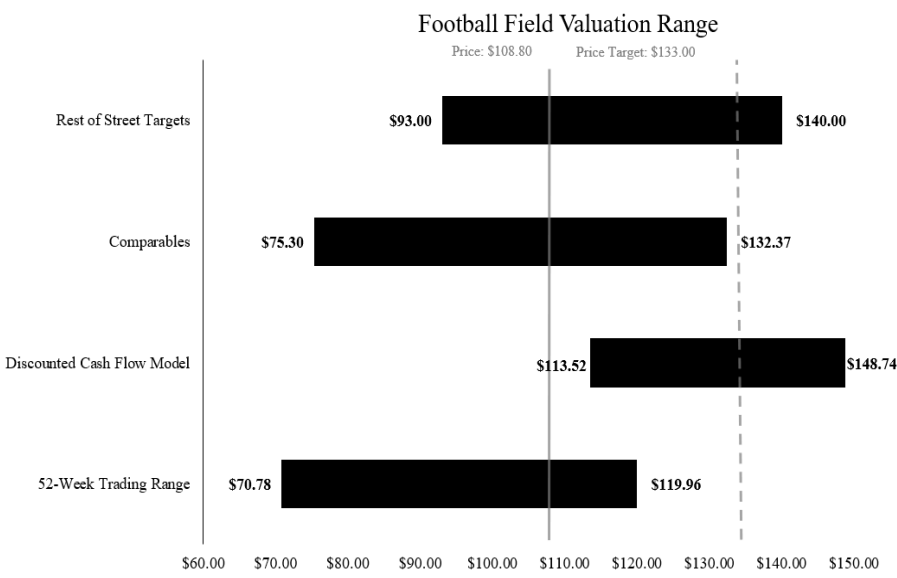
Oncology Optionality Is Underappreciated in a Legacy-Tinted Lens: The market continues to punish Gilead for its past oncology failures, like Zydeler. Investors are overlooking the strategic shift sparked by Gilead's \$21B Immunomedics acquisition and deep Arcus partnership. Trodelvy is an antibody-drug conjugate that is showing early signs of life in breast and lung cancers. An FDA decision in small cell lung cancer is expected by October 2025, which could expand its label and boost Gilead's oncology credibility. Oncology revenue grew over 124% in 2022 but has slowed to 12% since. We believe this drop suggests that initial optimism has faded. However, there is still significant headroom if key programs hit. The market is still viewing Gilead as a pure-play virology company, but even one successful indication expansion or immuno-oncology combo could shift perception. This shift can lead to an additional \$10-15B in long-term revenue runway, which we believe is not reflected in the current valuation.

GLP-1s Have Sparked a Misguided Narrative Around Obsolescence: GLP-1s have dominated pharma headlines and drawn a lot of capital, but the spillover bearishness on infectious disease companies like Gilead is misplaced. HIV, HBV, and HCV are common in overlapping high-risk groups such as underserved populations and obese patients. GLP-1 adoption in these groups is either irrelevant or complementary. Also, the increased engagement with GLP-1s that the healthcare system has been showing may improve adherence to antiviral regimens. Investors raised toward the obesity hype, but the cash-generating core of Gilead's business remains intact.

Capital-Light Biotech is on Sale, and Gilead is One of Few Buyers: Gilead has over \$8.8B in cash, making it well-positioned to take advantage of the lackluster biotech financing environment. Early-stage and clinical-stage biotechs are trading at discounted prices as many are unable to raise funds due to NIH funding cuts. At the same time, the unpredictable decisions of the Trump administration have increased volatility in the sector. Most companies are in defensive mode by protecting dividends or cutting R&D, but Gilead can afford to play offense. It has already shown a willingness to transact (CymaBay, XinThera), and we expect that to continue. The upside lies in pipeline-enhancing M&A, which is a lever we think is widely overlooked.

Price Target & Valuation

Our analysis gives (\$GILD) a price target of \$133.00 and an overweight rating.



Potential Downsides to Our Rating

Clinical Trial Risk in Oncology Pipeline: Gilead’s upside case depends a lot on success in important Phase 3 oncology trials such as Trodelvy in lung and breast cancer or Arcus-partnered immunotherapies. Negative results or delays could stall the momentum in their pipeline and damage investor confidence. Our base case assumes moderate success but repeated setbacks, which have been present in previous oncology efforts, may cap valuation upside and reinforce Gilead’s image as being antiviral-focused company.

Patent Expiry and HIV Market Shifts: Biktarvy is Gilead’s top-selling HIV drug with over \$13B in 2024 sales but faces patent expiration in 2033. Even though it is several years away, investor concern might grow if options like lenacapavir fail to gain traction. Also, GSK’s ViiV is advancing injectable regimens, which could chip away at Gilead’s market share.

Capital Allocation Missteps: Our thesis assumes that Gilead will use its strong cash flow and balance sheet to acquire high ROI companies. However, past deals like the Immunomedics write-down have raised questions about M&A execution. If management overpays for assets or the acquisitions underperform, this could result in a loss of shareholder value.

Our Price Target: \$133.00

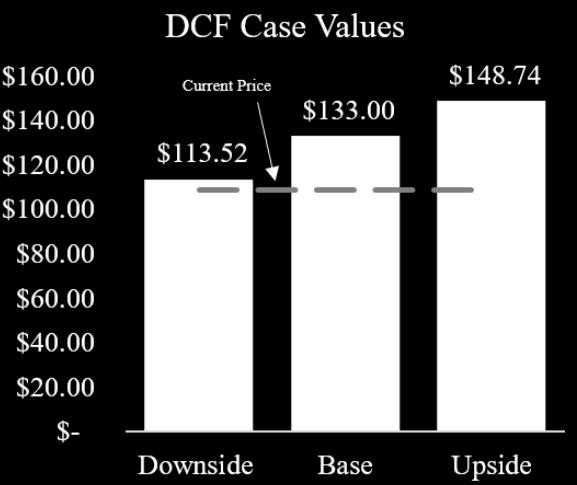
Our PT assumes that there will be stable and modest growth across Gilead’s HIV and HCV franchises. We believe oncology will be gradually scaled via Trodelvy and early Arcus assets. Cash generation remains strong, enabling a mix of dividend payments and M&A activity. Gilead is slowly transitioning from being a virology pure-play to a more diversified pharma portfolio.

Our Upside Case: \$149.00

Our upside case reflects a meaningful oncology pivot that is led by clinical wins for Trodelvy and at least one Arcus combo. Management is expected to capitalize on the depressed biotech valuations through acquisitions, and investor sentiment will shift as Gilead is seen as an acquirer with clear strategic intent. Gilead will need to maintain discipline with its capital to boost profits and innovation.

Our Downside Case: \$114.00

Our downside case still implies there will be an upside from current levels. It assumes that there will be a slowdown in growth from Gilead’s oncology segment and that the HIV segment will be gradually eroded due to GLP-1 spillover narratives. Biotech M&A may stall or distract focus, and macro trends like drug pricing rhetoric and political volatility may lower sentiment. However, Gilead remains a strong defensive company with stable FCF and a 4-5% dividend yield.



Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	28,754	29,638	31,783	34,105	36,605	8.4%
EBITDA	11,068	10,670	11,124	11,899	12,731	4.8%
EBIT	10,687	9,484	9,853	10,573	11,348	2.0%
NOPAT	9,379	9,855	9,726	8,030	10,476	3.8%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	38.5%	36.0%	35.0%	34.9%	34.8%	35.8%
EBIT Margin	37.2%	32.0%	31.0%	31.0%	31.0%	32.4%
Revenue Growth	6.0%	3.1%	7.2%	7.3%	7.3%	6.2%
EBIT Growth	15.2%	-11.3%	3.9%	7.3%	7.3%	4.5%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	12.2x	16.5x	15.9x	15.0x	14.1x	14.8x
EV/Sales	5.3x	5.2x	4.8x	4.5x	4.2x	4.8x
EV/EBITDA	13.9x	14.4x	13.8x	12.9x	12.1x	13.4x
FCF Yield	8.2%	6.0%	6.3%	6.7%	7.1%	7.5%

About \$GILD

Gilead Sciences (\$GILD) is a biopharmaceutical company focused on antiviral and oncology therapies. Its core segments in HIV, liver disease, and cancer. Gilead aims to advance innovative treatments for serious illnesses.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Gilead Sciences, Inc.
Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$108.80

DCF Analysis (\$mm)																
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035
Stub						0.54	1.54	2.54	3.54	4.54	5.54	6.54	7.54	8.54	9.54	10.54
Discount Period						0.23	0.96	1.96	2.96	3.96	4.96	5.96	6.96	7.96	8.96	9.96
Revenue	24,689	26,935	27,281	27,116	28,754	29,638	31,783	34,105	36,605	39,280	42,119	45,104	48,208	51,396	54,621	57,827
Revenue Growth	0%	9%	1%	-1%	6%	3%	7%	7%	7%	7%	7%	7%	7%	7%	6%	6%
HIV	16,938	16,315	17,194	18,175	19,612	20,200	21,412	22,626	23,832	25,024	26,192	27,327	28,420	29,462	30,444	31,357
Oncology	656	881	2,139	2,932	3,289	4,111	5,098	6,253	7,588	9,105	10,805	12,678	14,706	16,863	19,111	21,404
All Other	7,095	9,739	7,948	6,009	5,853	5,326	5,273	5,226	5,185	5,151	5,122	5,099	5,082	5,071	5,066	5,066
EBIT	10,959	11,922	10,974	9,277	10,637	9,484	9,853	10,573	11,348	12,177	13,057	13,982	14,945	15,923	16,922	17,927
EBIT Margin	44%	44%	40%	34%	37%	32%	31%	31%	31%	31%	31%	31%	31%	31%	31%	31%
Tax Expense	1,580	2,077	1,248	1,247	211	1,233	1,281	1,433	1,601	1,786	1,983	2,206	2,441	2,691	2,954	3,227
Effective Tax Rate	14%	17%	11%	13%	2%	13%	13%	14%	14%	15%	15%	16%	16%	17%	17%	18%
NOPAT	9,379.00	9,855.00	9,726.00	8,030.00	10,476.00	8,251.24	8,571.96	9,139.47	9,746.41	10,390.88	11,069.29	11,776.11	12,503.63	13,241.88	13,978.67	14,699.73
D&A	288	329	323	354	381	1,186	1,271	1,326	1,383	1,440	1,498	1,554	1,607	1,656	1,699	1,735
Capex	650	579	728	585	523	1,037	1,112	1,175	1,241	1,309	1,381	1,453	1,527	1,599	1,669	1,735
Changes in NWC	175	(1,265)	1,358	(354)	(849)	148	159	189	224	262	304	351	402	457	516	578
UFCF	8,842	10,870	7,963	8,153	11,183	8,251	8,572	9,102	9,665	10,260	10,882	11,526	12,182	12,842	13,493	14,121
PV of FCF						8,146	8,125	8,157	8,190	8,221	8,245	8,257	8,252	8,225	8,172	8,087

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.35
Risk Free Rate	4.39%
Cost of Equity	4.98%
Weighted Average Cost of Debt	5.75%
Tax Rate	13.00%
Cost of Debt	0.78%
Total Equity	\$135,339
Total Debt	\$17,026
Equity/Total Capitalization	84.43%
Debt/Total Capitalization	15.57%
WACC	5.76%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$14,121
Growth	2.00%
Terminal Value	\$375,738
PV of Terminal Value	\$215,165
PV of Projection Period	\$90,076
PV of Terminal Value	\$215,165
Implied TEV	\$305,241
(-) Debt	\$24,952
(+) Cash	\$7,926
Implied Equity Value	\$288,215
Basic Shares Outstanding	1244
Implied Share Price	\$231.70
Upside/Downside	112.96%

Implied Exit BF EV/EBIT	17.0x
-------------------------	-------

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$133.00
Upside/Downside	22.24%

Terminal Value	
Exit Multiple Method	
2034 EBIT	\$17,927
EV/EBIT Exit Multiple	9.0x
Terminal Value	\$161,339
PV of Terminal Value	\$92,390
PV of Projection Period	\$90,076
PV of Terminal Value	\$92,390
Implied TEV	\$182,466
(-) Debt	\$24,952
(+) Cash	\$7,926
Implied Equity Value	\$165,440
Diluted Shares Outstanding	1,244
Implied Share Price	\$133.00
Upside/Downside	22.2%

Implied PGR	-8.3%
-------------	-------