

Summary of the financial reports for Gilead Sciences from 2003-2015

By David Belk MD

First, some definitions:

-Sales/revenue: Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

-Profit: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

-Research includes research and development and purchased in-process research.

-Marketing is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

-Revisions: Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

Gilead Sciences was, by far, the smallest pharmaceutical company I included when I started my analysis of these companies in 2013. Gilead's total revenue from 2003-2013 was only about \$61 billion which is less than half of what Amgen (the second smallest company I examined) took in over that time.

In 2014 all of that changed when Gilead released Solvaldi, which was a new \$1,000 a pill drug to treat Hepatitis C. Powered by Sovaldi sales, Gilead's revenue more than doubled in a single year to just over \$25 billion in 2014. Gilead had already been growing rapidly prior to last year. In 2003 they took in less than \$900 million in revenue but by 2013 their total revenue increased almost 1,300% to over \$11 billion. In 2015, Gilead shattered their 2014 finances again by taking in nearly \$33 billion in revenue.

Gilead's profits are also among the most remarkable in the the pharmaceutical industry Even before the release of Solvaldi Gilead enjoyed an average 29% profit margin. In 2014 they blew all that out of the water by earning over \$12 billion in pure after tax profit; a 49% margin. They did even better in 2015, netting a 55% after tax profit margin.

In the fourth Quarter of 2014, Gilead released another, more expensive drug for Hepatitis C called Harvoni which costs \$1,125 a pill.

Gilead Sciences was also unique in that it was the only pharmaceutical company I examined that spent less money on marketing than they spent on research. Gilead's marketing budget was only 15% of their total revenue.

Here are the composite numbers for Gilead Sciences from 2003-2015:

Total Revenue (Sales):	\$119 Billion
Total Profit:	\$48 Billion
Total Spent on Research:	\$18 Billion
Total Spent on Marketing:	\$16 Billion
Total Spent in Taxes:	\$14 Billion
US Revenue:	\$73 Billion
Revenue from All Other Countries:	\$46 Billion

Total Executive pay for Gilead Sciences was \$45.5 million in 2015 with \$18.8 million going to their CEO John C. Martin.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=GILD>
http://truecostofhealthcare.net/pharmaceutical_financial_index/
<http://www.hepatitisc.uw.edu/pdf/screening-diagnosis/epidemiology-us/core-concept/all>
<http://bmcpublichealth.biomedcentral.com/articles/10.1186/1471-2458-9-34>
http://hcvadvocate.org/hepatitis/factsheets_pdf/HCAW_Japan.pdf

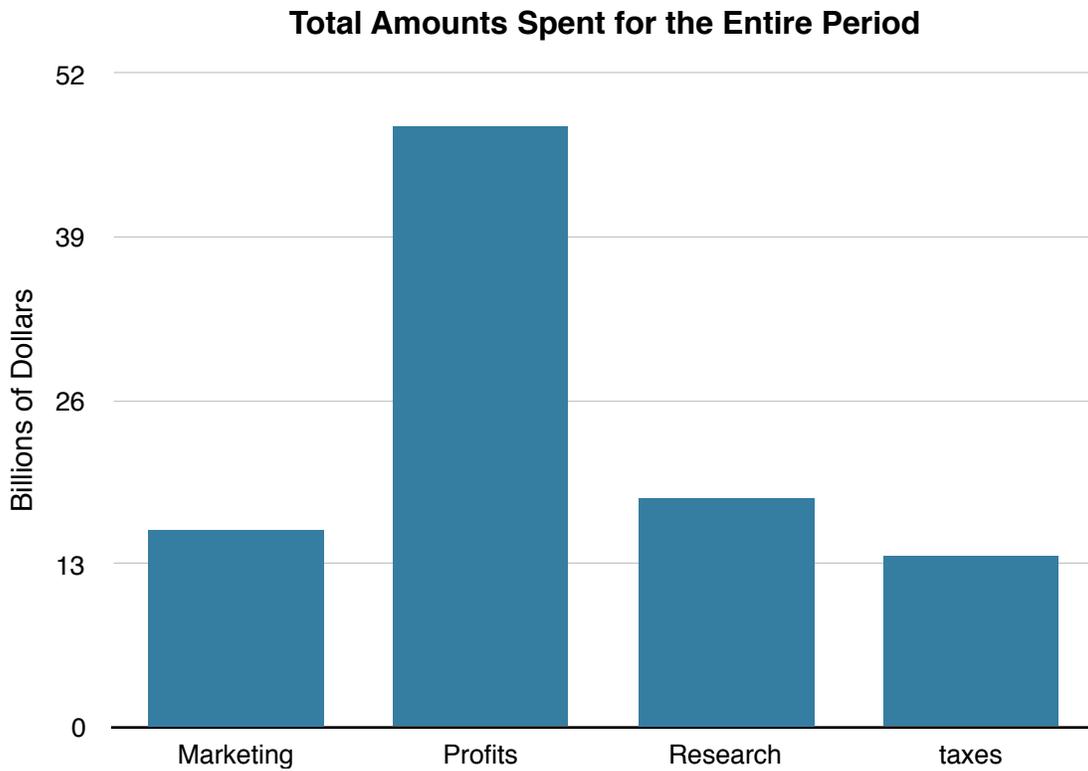


Figure 1: Total amount Gilead Sciences earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of Gilead’s total revenue that was allocated toward research, marketing, taxes and profits.

Proportional Allocation of Gilead’s Revenue from 2003-2015



Figure 2

Proportional Allocation of Revenue 2015 Only

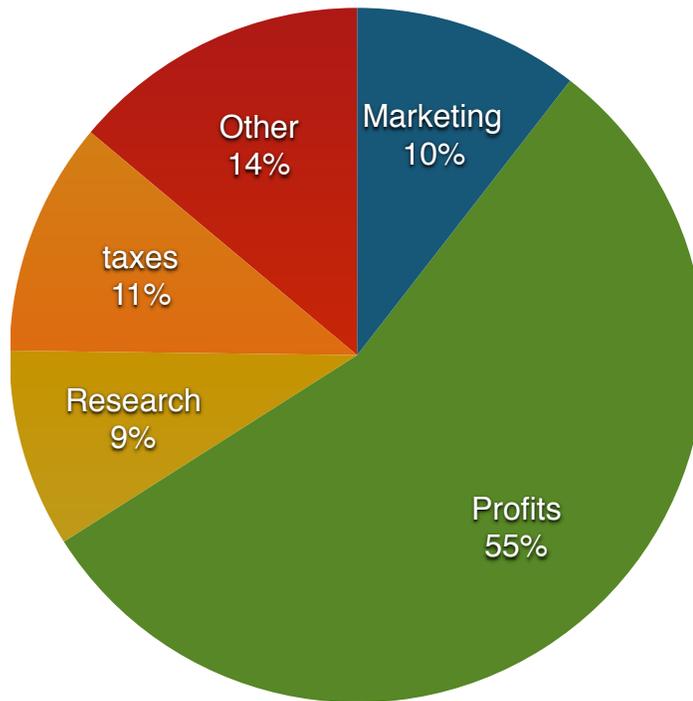


Figure 3: Gilead managed to net a 55% after tax profit in 2015

Annual Data for Gilead Sciences

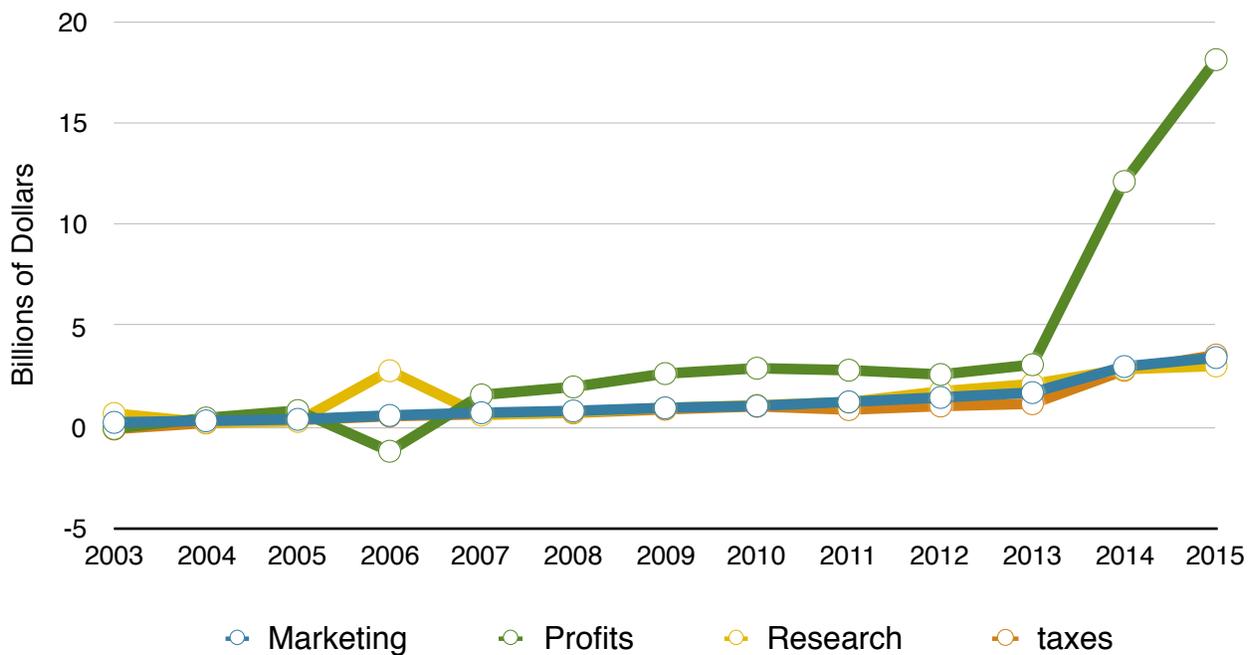


Figure 3: Gilead's profit compared with amount spent on research, marketing and taxes each year from 2003-2015. Gilead is one of the few pharmaceutical companies that spends more on research than they do on marketing most years.

Proportion of Revenue from US vs. All Other Countries

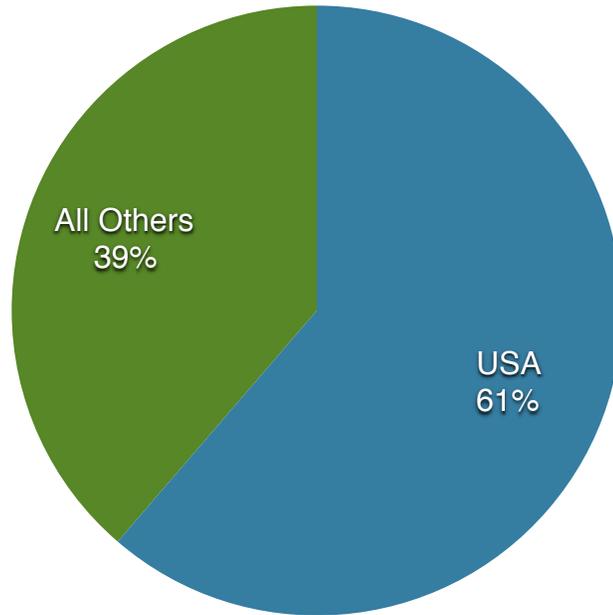
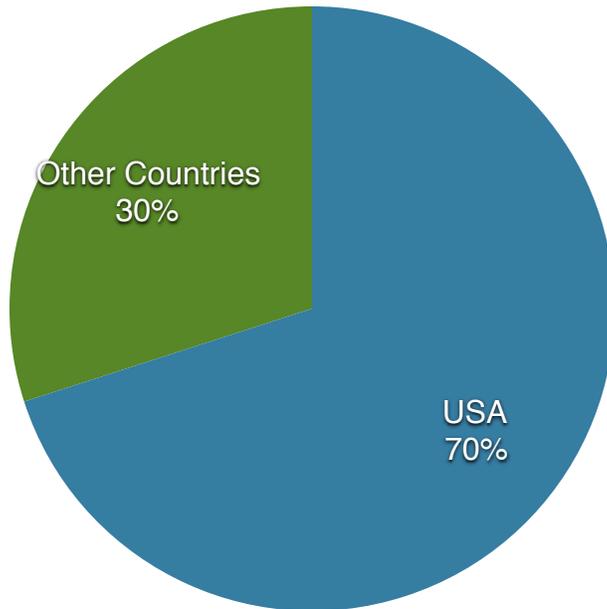


Figure 4: About 61% of Gilead’s revenue since 2003 has come from US sales.

Solvaldi Revenue by Source 2014-2015



Figures 5 & 6: About 70-80% of the sales of both Solvaldi and Harvoni (below) were in the US. Total combined sales for both drugs in 2014 & 2015 was about \$31.6 billion

Harvoni Revenue by source 2014-2015

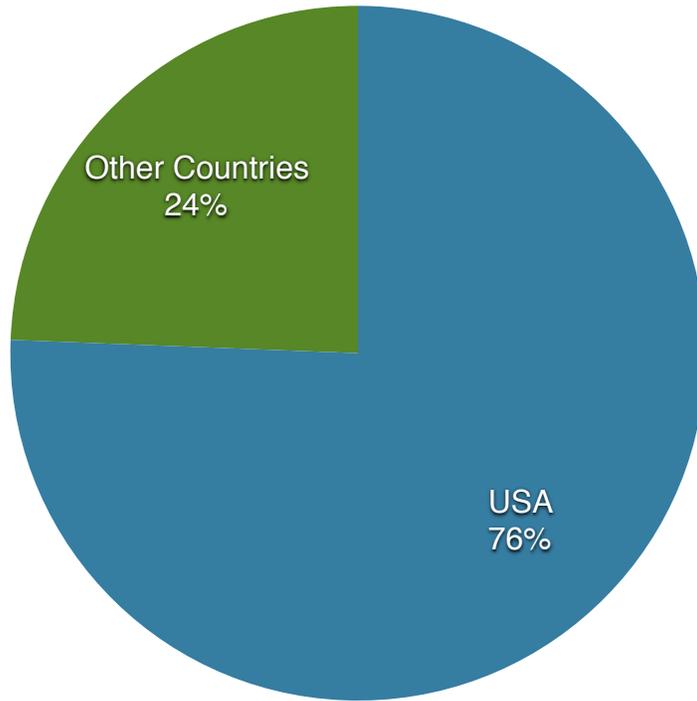


Figure 6

Total Annual Revenue for Gilead Sciences

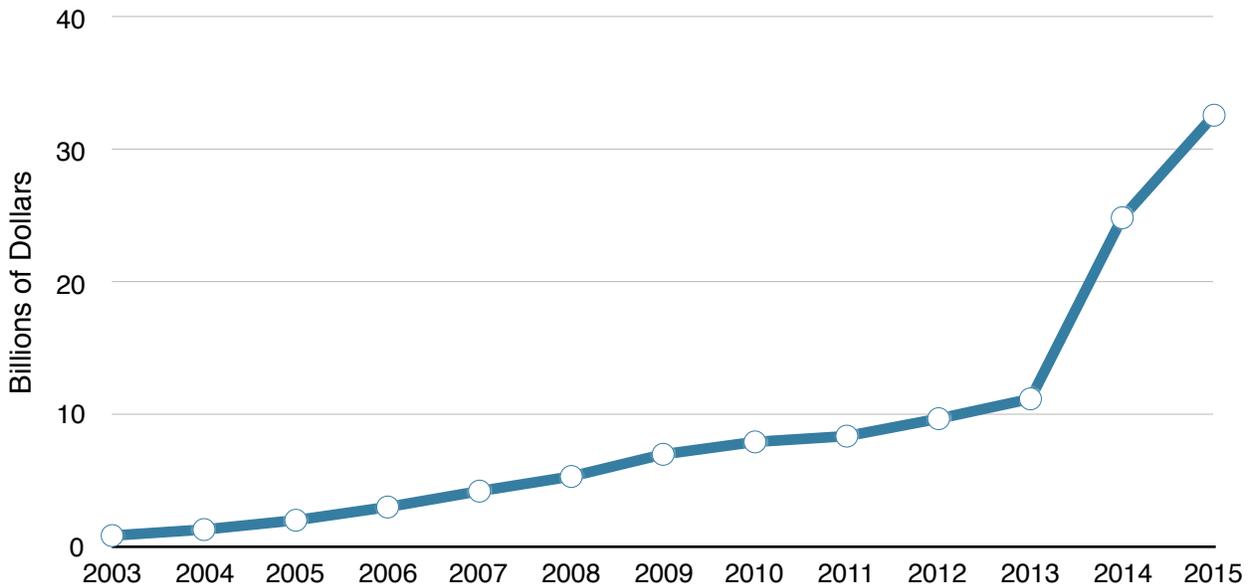


Figure 7: The growth in Gilead’s revenue has been nothing short of astonishing for the pharmaceutical business. The revenues for most of the major pharmaceutical companies have been either static or declining in recent years, but Gilead’s revenue is clearly an exception to this trend.

Figures 8-10: In spite of the enormous revenues and profits Gilead has earned through the sale of their Hepatitis C treatments, surprisingly few Hepatitis C patients have been treated in the last two years with either Sovaldi or Harvoni.

Proportion of Total HCV Cases in US Treated with Solvaldi/Harvoni

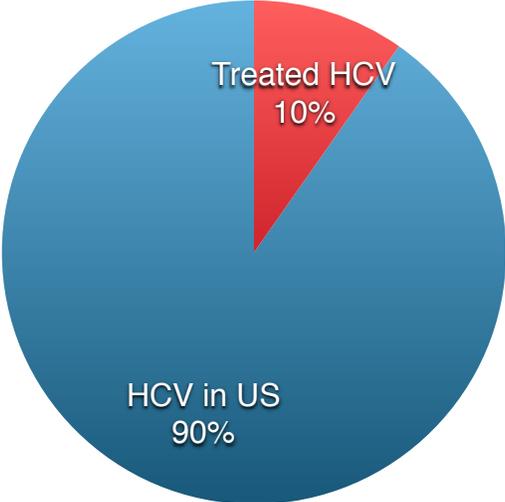


Figure 8: Roughly 10% of hepatitis C patients in the US have been treated with either Sovaldi or Harvoni since 2014 and that’s the largest proportion of any Country’s Hepatitis C population to receive treatment.

Proportion of Total HCV Cases in Europe Treated with Solvaldi/Harvoni

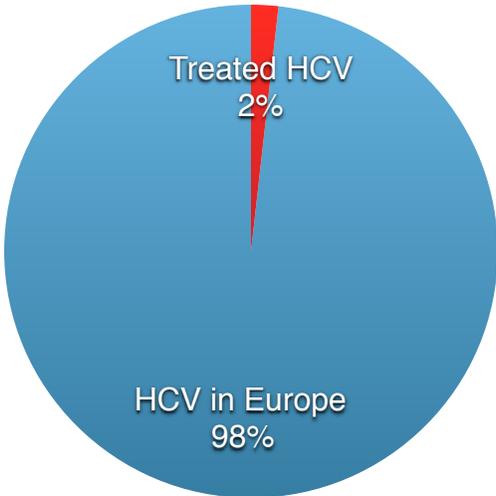


Figure 9: Only about 2% of Europeans with Hepatitis C have been treated with either Sovaldi or Harvoni since 2014

Proportion of Total HCV Cases in Japan Treated with Solvaldi/Harvoni

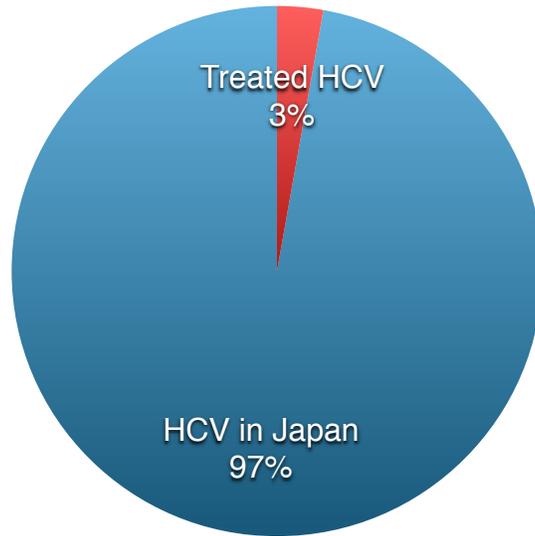
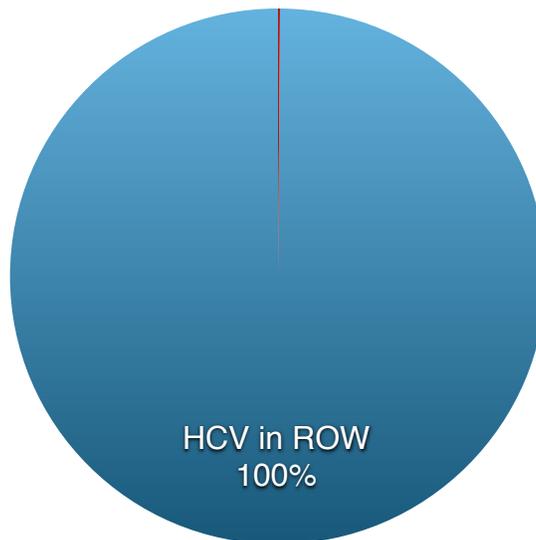


Figure 10: Roughly 3% of Japanese people with Hepatitis C have been treated with Sovaldi or Harvoni since 2014.

Proportion of Total HCV Cases Outside of the US, Europe or Japan Treated with Solvaldi/Harvoni



● Treated HCV ● HCV in ROW

Figure 11: In the entire rest of the world combined, only a small fraction of a percent of Hepatitis C patients have been treated with Sovaldi or Harvoni since 2014.