Summary of the financial reports for Gilead Sciences from 2010-2017

By David Belk MD

First, some definitions:

-*Sales/revenue*: For these reports I try to stick to the revenues from pharmaceutical sales only whenever possible. Many of these companies have other product lines such as medical devices, over-the counter (OTC) health aids or nutritional products. When possible, I separate out the revenues from those product sales, though.

-*Profit*: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to their net income after taxes. 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 might even include such expenses as 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.

-*Rebates/Chargebacks*: Rebates are payments that go mostly to pharmacy benefit managers (PBMs) in the U.S. These rebates are incentives for the PBMs "prefer" certain medications when deciding which medications to cover. Chargebacks are normally refunds given to medication suppliers to balance the rebates given to the PBMs. Both rebates and chargebacks are normally deducted from the total pharmaceutical revenue of a company initially, and not listed as an expense.

-*Revisions*: When a figure is revised in a subsequent report it's often because that company divested one or more products by either selling that line to another company or splitting off a new company. When companies do this, they often retroactively deduct the revenues and expenses related to that division from the finances of previous years, but not the profits. This makes year over year comparisons for these companies challenging. For the most part, I only use original data, and not revised data for these reports.

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 unusual in that it is one of the few pharmaceutical companies I examined that spent less money on marketing than they spent on research. Gilead's marketing budget was only 13% of their total revenue from 2010-2017.

Here are the composite numbers for Gilead Sciences from 2010-2017:

Total Revenue:	$151 Billion
Total Profit:	$60 Billion
Total Spent on Research:	$21 Billion
Total Spent on Marketing:	$19 Billion
Total Spent in Taxes:	$23 Billion
US Revenue:	$98 Billion
Revenue from All Other Countries:	$53 Billion

Total Executive pay for Gilead Sciences was $40.65 million in 2017 with $15.4 million going to their CEO John F. Milligan.

http://insiders.morningstar.com/trading/executive-compensation.action?t=GILD

http://truecostofhealthcare.net/pharmaceutical_financial_index/

https://www.huffingtonpost.com/david-belk/hepatitis-c-and-the-mirac_b_9769212.html

Proportional Allocation of Revenue
2010-2017

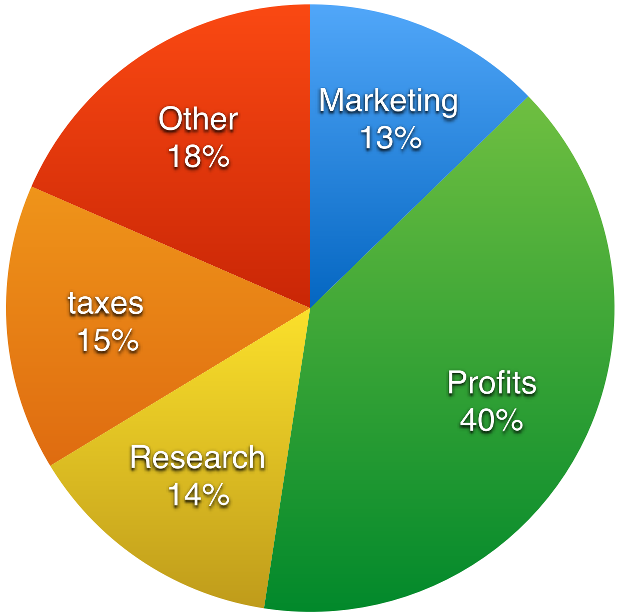

Figure 1: The proportion of Gilead's total revenue that was allocated toward research, marketing, taxes and profits. Gilead's average profit margin of 40% over 8 years is rather remarkable even for a pharmaceutical company.

Proportion of Gilead Sciences's Revenue
from US vs. All Other Countries

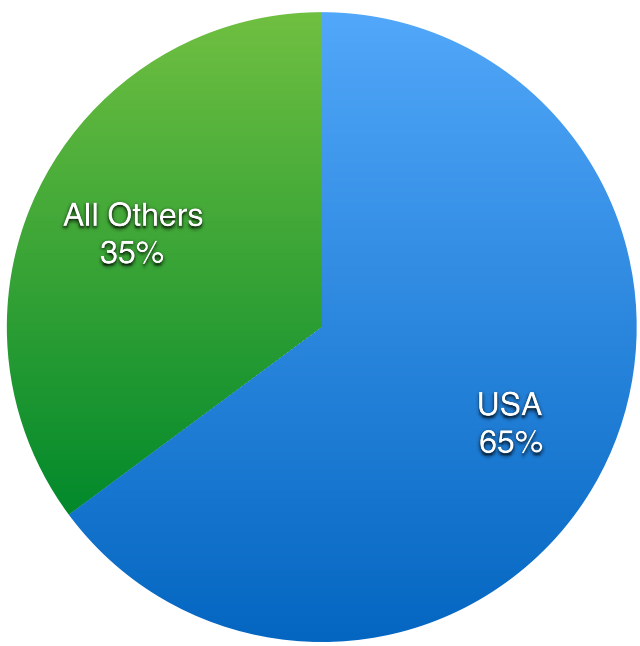

Figure 2: About 65% of Gilead's revenue since 2010 has come from U.S. sales.

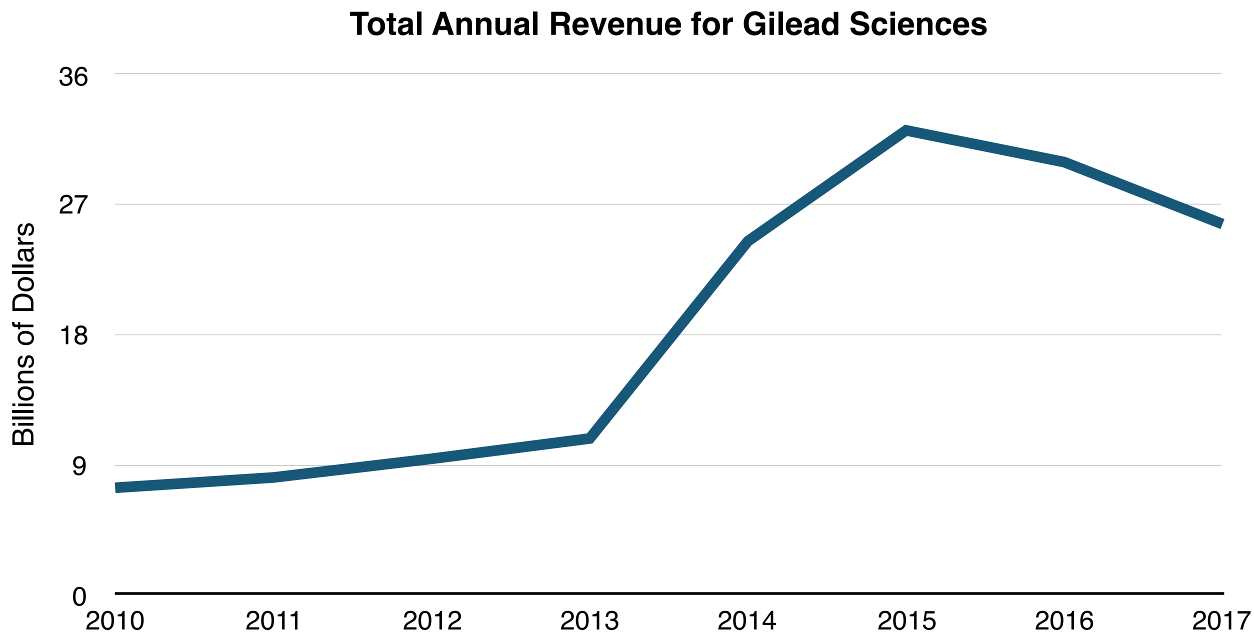

Figure 3: The growth in Gilead's revenue was nothing short of astonishing in 2014 and 2015, having more than tripled in only three years. Revenues have have declined significantly in the last two years, though.

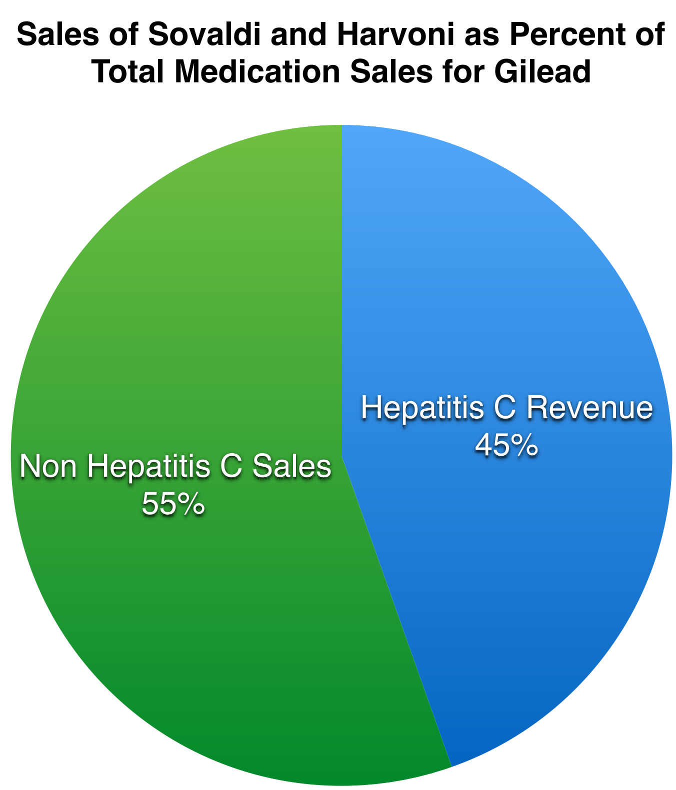

Figure 4: Much of Gilead's fortune since 2014 has come from the sales of their Hepatitis C treatments, Sovaldi and Harvoni. These two medications account for nearly half of Gilead's pharmaceutical revenue sine 2014.

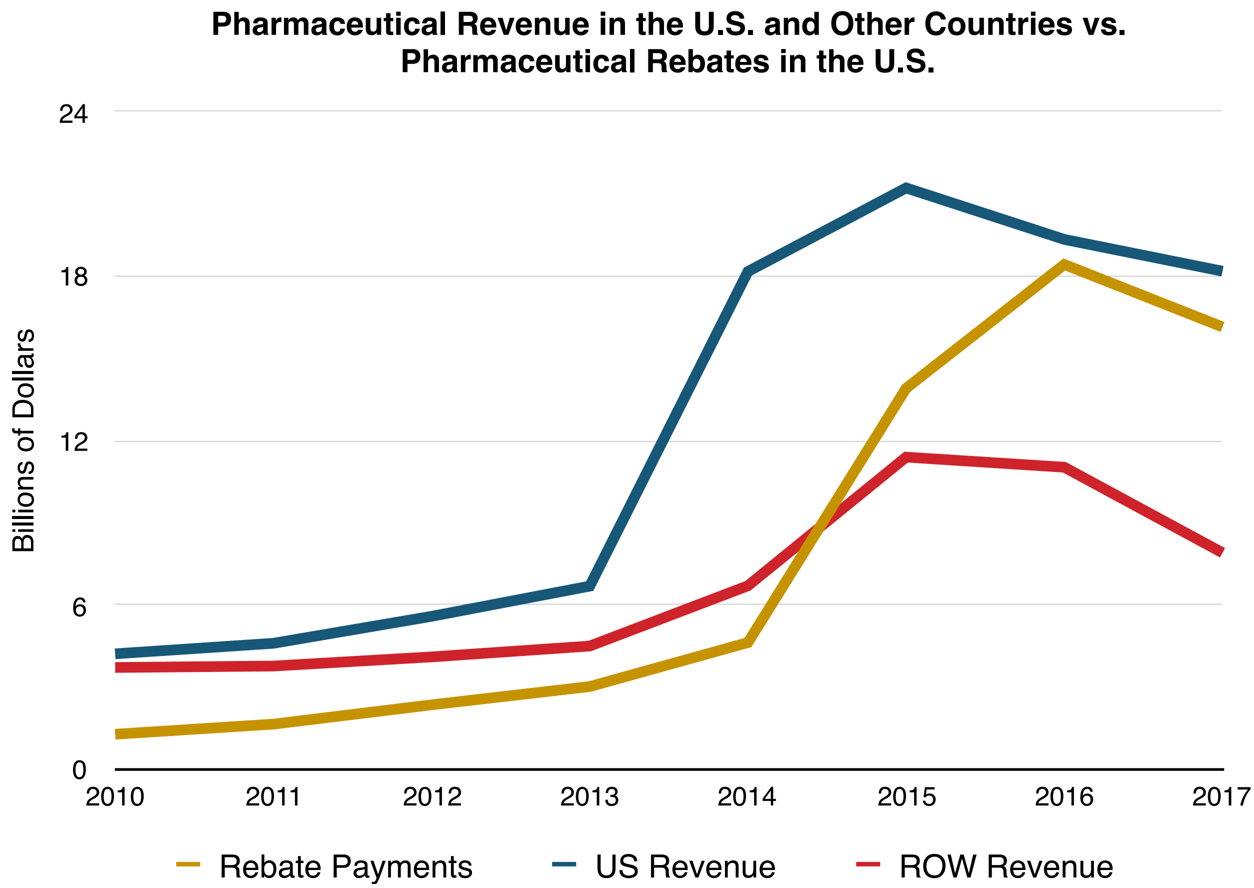

Figure 5: In an attempt to boost sales, nearly all of the pharmaceutical companies have increased the incentives they've paid pharmacy benefit managers (PBMs), medical suppliers and providers in the U.S. These payments include rebates, chargebacks and other cash incentives. The above graph shows that, although Gilead had quadrupled the their incentive payments to the PBMs and others since 2014 (yellow line) their revenues from sales in the U.S. have started to decline (blue line). Their revenues sales in all other countries combined (red line) were never what they were in the U.S. and are now declining as well.