Summary of the financial reports for Gilead Sciences from 2010-2018

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. and providers who administer medications in a clinical setting. 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 prior to the revenue being assessed, 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 in such cases.

Gilead Sciences has, perhaps, the most interesting financial history of any of the pharmaceutical companies I've been reviewing. Prior to 2014, they were a rather small but rapidly growing pharmaceutical company that mostly marketed medications to treat HIV. Their annual revenue rose from less than $1 billion in 2003 to more than $11 billion in 2013. In 2014, though, Gilead released Solvaldi, which was a new medication to treat hepatitis c which cost $1,000 a pill.

Powered by Sovaldi sales, Gilead's revenue more than doubled to just over $25 billion in 2014. In 2015, Gilead shattered their 2014 finances again with the release of another, even more expensive hepatitis c medication called Harvoni. That year their total annual revenue was nearly $33 billion.

Unfortunately for Gilead, this meteoric rise in revenues was followed by an almost equally rapid fall. In spite of releasing yet another hepatitis c treatment (Epclusa) Gilead's annual revenues have fallen about one third since their peak in 2015 to just over $22 billion in 2018.

Why did their revenues drop by so much? It's not because Gilead eradicated hepatitis c, or even decreased its prevalence by very much. In reality, only a small proportion of the people who have hepatitis c have insurance that's willing to pay nearly $100,000 to treat a disease that often manifests no real symptoms for decades after being infected with it.

By 2018, sales of all of the hepatitis c medications marketed by Gilead had dropped by more than 80% from their 2015 peak. Don't feel too sorry for them, though. In spite of these declining revenues Gilead still managed to eek out a 25% profit margin in 2018, which was far less than the 55% profit margin they earned in 2015, but still not bad.

To address the tanking sales of their hepatitis c treatments, however, Gilead created a new branch of their company called Aseguea which markets "generic" versions of both Harvoni and Epclusa. By selling these "generic" versions (that only Gilead, or rather Aseguea, has the right to market) Gilead has been able to lower the prices of both Harvoni and Epclusa by roughly 70% without having to acknowledge that these medications were way too expensive to begin with.

Gilead's two best selling medications in 2018; Genvoya and Truvada, are for HIV and not hepatitis c.

Here are the composite numbers for Gilead Sciences from 2010-2018:

Total Revenue:	$173 Billion
Total Profit:	$65 Billion
Total Spent on Research:	$26 Billion
Total Spent on Marketing:	$23 Billion
Total Spent in Taxes:	$25 Billion
US Revenue:	$114 Billion
Revenue from All Other Countries:	$59 Billion

Proportional Allocation of Revenue 2010-2018

Figure 1: The proportion of Gilead's total revenue that was allocated toward research, marketing, taxes and profits. Gilead's average profit margin of 38% over 9 years is rather remarkable even for a pharmaceutical company.

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

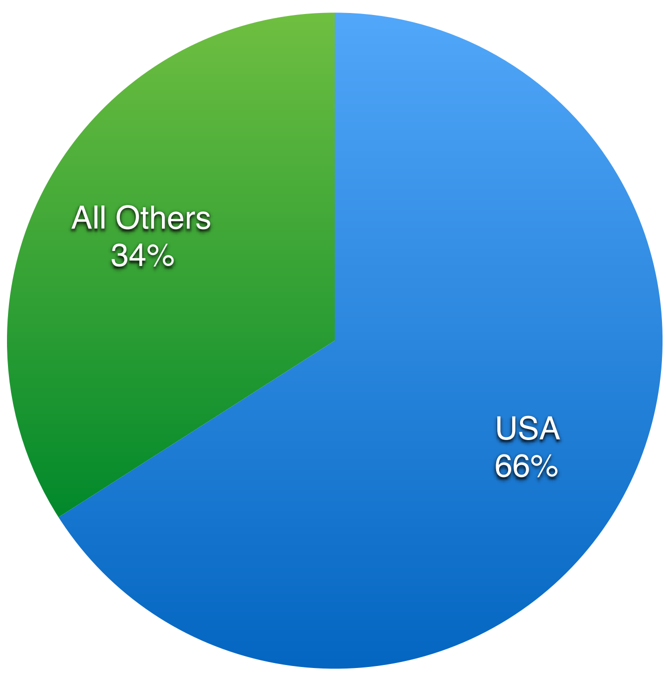

Figure 2: About 65% of Gilead's revenue since 2010 has come from U.S. sales.

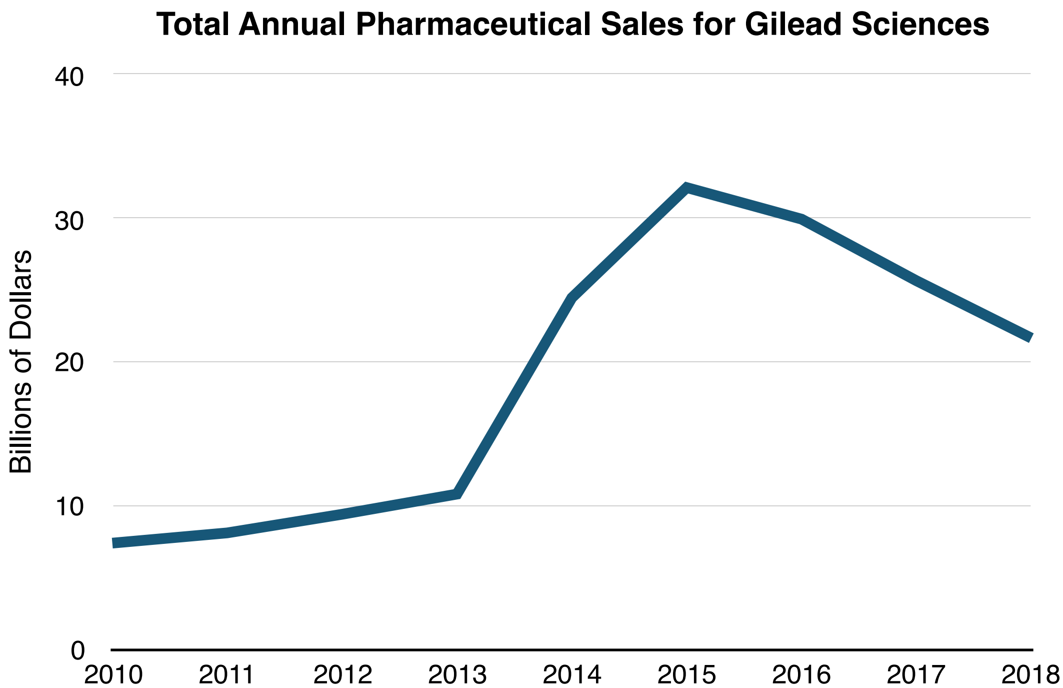

Figure 3: The growth in Gilead's revenue was nothing short of astonishing in 2014 and 2015, having more than tripled in only three years. Revenues have have declined significantly in the last two years, though.

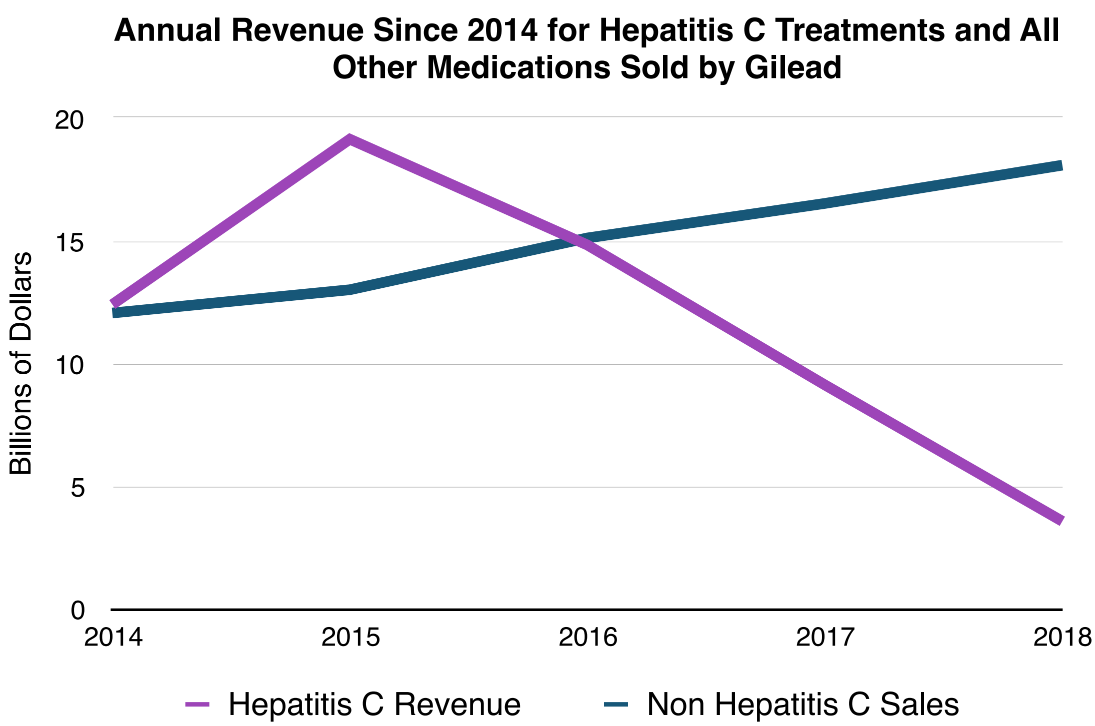

Figure 4: Much of Gilead's fortune between 2014 and 2016 came from the sales of their Hepatitis C treatments, Sovaldi, Harvoni and Epclusa. In the last two years, though, the sales revenues from these medications has dropped considerably.

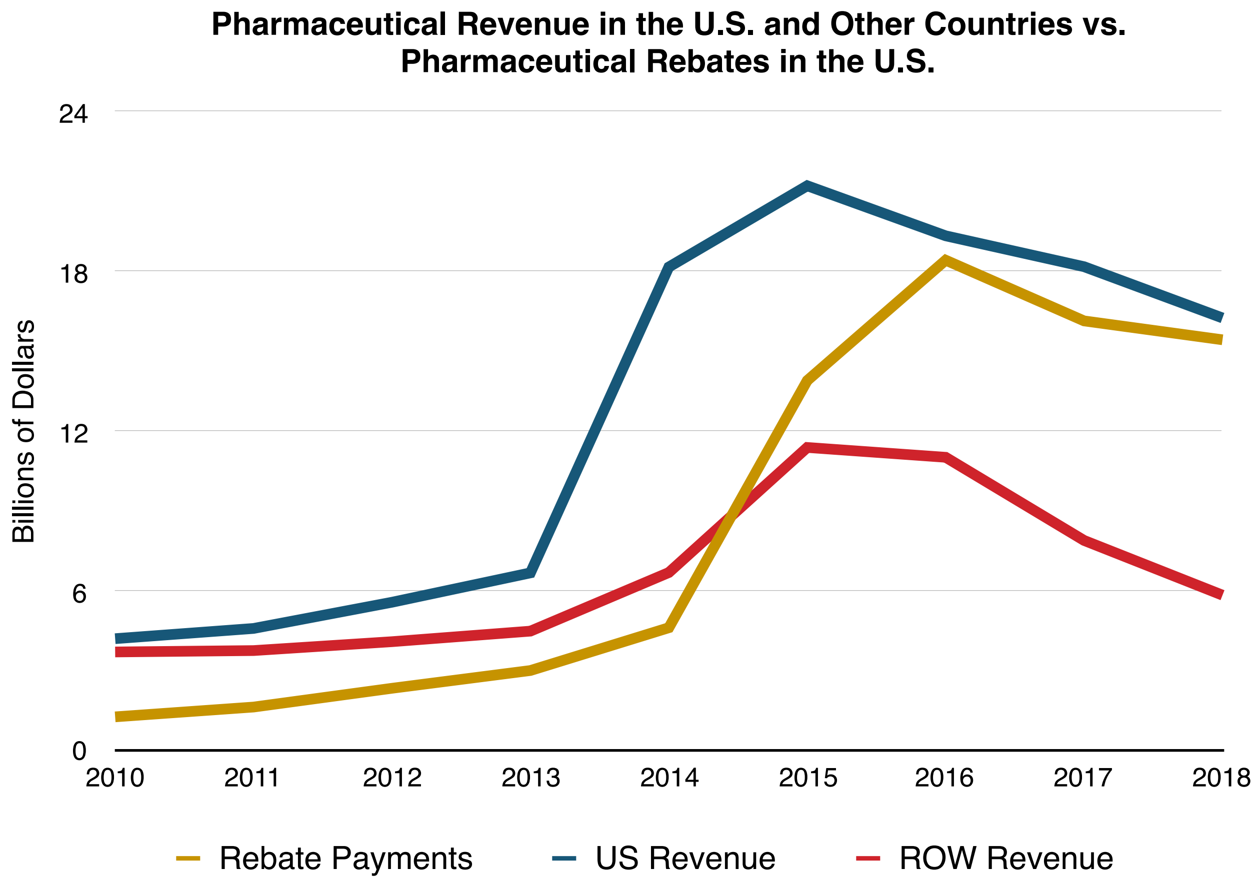

Figure 5: In an attempt to boost sales, nearly all of the pharmaceutical companies have increased the incentives they've paid pharmacy benefit managers (PBMs), medical suppliers and providers in the U.S. These payments include rebates, chargebacks and other cash incentives. The above graph shows that, 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 declined quite a bit in spite of the incentives (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.

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

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https://www.hepmag.com/article/gilead-release-authorized-generics-hep-c-drugs-epclusa-harvoni