

Gilead Sciences Officially a Value Stock”

By Ben Levisohn Barrons April 23, 2014

Earlier this month, RBC Capital Markets wondered whether Gilead Sciences ([GILD](#)) is [actually a value stock](#). After [last night’s earnings release](#), Piper Jaffray’s Joshua Schimmer and team say that’s now officially the case.



Bloomberg

They explain why Gilead’s “officially a ‘value’ stock:”

[Gilead Sciences] reported one of the most impressive beats in biopharma history, led by Sovaldi’s \$2.27B vs consensus \$0.94B and was above expectations in the U.S., EU and ROW. Equally importantly, the performance highlighted the sizable upside on operating margins and taxes. As consensus estimates increase to reflect these factors, we believe [Gilead Sciences] will appeal to value investors (and, eventually dividend investors). Along with ongoing launch execution in EU/ROW, the all-oral GT1 combination in the U.S. and beyond and advancing the pipeline including idelalisib*, this bodes well for share outperformance...With our new estimates, [Gilead Sciences] now trades at just 12x our 2015 EPS estimate and 10x our 2015 EPS estimate, both of which may yet prove conservative.

JPMorgan’s Geoff Meacham and team make a similar point:

Clearly, Gilead’s dramatic 1Q results...should drive Street forecasts significantly higher. Indeed, we’ve raised Sovaldi forecasts by ~50% and non-GAAP EPS by ~30% for 2014-2015. The debate, however, is not whether 1Q was stellar (it was), it’s on payer influence, patient tiering and hep C franchise duration. While the Street is busy fretting over these issues, [Gilead Sciences] shares will be trading at ~11.5X our new (and still conservative) 2015 estimate of \$6.52, yet with a 100% earnings growth rate for 2014-2015E.

*Jan 13, 2014 - U.S. FDA Accepts New Drug Application for Gilead's **Idelalisib** for the Treatment of Refractory Indolent Non-Hodgkin's Lymphoma.