Gilead Sciences (GILD)

In-line Q4:10; Our Thoughts on 2011 Business Outlook

- **Q4:10 revenue in-line and bottom line beat slightly (Figures 1 & 4).** Total revenue came in at $2.00B vs. our estimate of $1.96B and consensus of $1.99B. The antiviral franchise came in at $1.69B vs. our $1.67B and consensus of $1.69B. Non-GAAP EPS was $0.95 vs. our estimate of $0.92 and consensus of $0.94. GAAP EPS was $0.76 vs. our estimate of $0.85 and consensus estimate of $0.88.
- **Slight setback for HIV pipeline development: Btripla NDA "refused to file"; launch is delayed by 4 months to September 2011.** Gilead announced that FDA issued a "refuse to file" notification to Btripla NDA due to insufficient information in the CMC section, with regard to analytical methodologies to establish acceptable levels of emtricitibine degradants. As a result, we are taking down our 2011 Btripla revenue estimate from $32.5M to $21.0M.
- **2011 net product sales are guided to $7.9-$8.1B vs. our estimate of $8.0B and consensus of $8.1B. Guidance on the expense side, in particular SG&A which included the industry excise taxes, was higher than our projections.**
- **Despite the downward pressure on EPS estimate due to below-consensus topline guidance and higher expense guidance, we note that a big swing factor in estimating EPS for 2011 and beyond is the newly authorized 3-year, $5B share repurchase program. Depending on the pace and amount of the repurchase, we estimate 2011 EPS could range from $3.95 to $4.50.** We note that the company bought back $4B, or 12% of total outstanding shares, during 2010 and there is $2B remaining form the current program to be repurchased during 2011. With the new $5B program, depending on the pace and amount of the repurchase, the EPS swing for 2011 could be quite sizable. We currently assume $3B buyback during 2011, and therefore we are adjusting our 2011 EPS from $4.05 to $4.06.
- **We discuss herein opportunities and threats for the world's leading HIV franchise, including nuke-sparing regimen, tenofovir prodrug, and a potential cure via a mechanism called accelerated viral decay.** Data emerging in the next few years from such technologies, as well as Gilead's internal research, could impact Gilead's HIV franchise.
- **As Gilead continues building its pipeline, we believe HCV and IPF are major high value areas that could contribute to ease the patent cliff and meaningfully diversity from the HIV franchise.** We discuss herein our view on the Gilead's HCV approach and relative strength in the HCV combo race. We also believe that it might make sense for Gilead to acquire InterMune to build a strong IPF vertical.
- **Maintain relative UNDERPERFORM and $40 PT for now.** Our $40 PT is 9.9x our new 2011 EPS estimate of $4.06. Such multiples are in line with multiples of AMGN and the pharma group, some of which also face patent cliff issues (Figure 3).

FYE Dec	2009A	2010A			2011E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$1,530A	$2,086A		$2,086A	$2,060E	$2,048E	$2,054E
Q2 Jun	$1,647A	$1,927A		$1,927A	$2,058E	$2,054E	$2,065E
Q3 Sep	$1,801A	$1,938A		$1,938A	$2,081E	$2,090E	$2,104E
Q4 Dec	$2,032A	$1,999A	$1,961A	$1,987A	$2,130E	$2,141E	$2,156E
Year*	**$7,011A**	**$7,949A**	**$7,912A**	**$7,933A**	**$8,328E**	**$8,326E**	**$8,432E**
Change	--	--			--		
	2009A	2010A			2011E		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$0.66A	$0.99A		$0.99A	$0.99E	$1.00E	$0.98E
Q2 Jun	$0.69A	$0.85A		$0.85A	$0.99E		$0.99E
Q3 Sep	$0.78A	$0.90A		$0.90A	$1.03E		$1.02E
Q4 Dec	$0.93A	$0.95A	$0.92A	$0.94A	$1.05E		$1.05E
Year*	**$3.06A**	**$3.69A**	**$3.66A**	**$3.68A**	**$4.06E**		**$4.07E**
P/E	12.5x	10.3x			9.4x		
Change	--	--			--		

Consensus estimates are from Thomson First Call.
** Numbers may not add up due to rounding.*

January 26, 2011

Price
$38.16

Rating
Underperform

12-Month Price Target
$40

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Company Information

Shares Outst (M)	824.1
Market Cap (B)	$31.4
52-Wk Range	$31.73 - $49.50
Book Value/sh	$7.43
Cash/sh	$6.45
Enterprise Value (B)	$29.0
LT Debt/Cap	24%

Company Description

Gilead Sciences is a profitable biotechnology company that focuses on treatments for HIV/AIDS, liver disease and serious cardiovascular and respiratory conditions. The company's HIV franchise has become the market leader with four marketed products in this area.

Source: Thomson Reuters

Biotechnology / Biopharmaceuticals

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Key risks to our UNDERPERFORM thesis and attainment of our price target include a brilliant acquisition that would diversify the Gilead product mix and at the same time provide promising high long term growth, and stronger-than-expected data from the Btripla and Quad regimens.

Q4:10 Topline Meets and Bottom Line Slightly Beats; 2011 Guidance Modest; Share Count a Big Swing Factor

As shown in Figure 1, total revenue for Q4:10 came in at $2.00B vs. our estimate of $1.96B and consensus of $1.99B. The antiviral franchise came in at $1.69B vs. our $1.67B and consensus of $1.69B. Non-GAAP EPS was $0.95 vs. our estimate of $0.92 and consensus of $0.94. GAAP EPS was $0.76 vs. our estimate of $0.85 and consensus estimate of $0.88.

We were 2% light on revenue/net income and 1% light on share count for the quarter, contributing to the 3% deviation on non-GAAP EPS for the quarter.

Figure 1: Gilead Q4:10 Financial Results and Our Estimate Changes

	Q4:10					FY:10					FY:11				
	Actual	Wedbush Est.	*Actual vs. Est.*	Consensus	*Actual vs. Cons.*	Wedbush Estimates Curr.	Prev.	*Curr. vs. Prev.*	Consensus	*Curr. vs. Cons.*	Wedbush Estimates Curr.	Prev.	*Curr. vs. Prev.*	Consensus	*Curr. vs. Cons.*
In millions except per share data															
Revenues															
Truvada	682	677	*1%*	682	-	2,650	2,645	-	2,651	-	2,876	2,822	*2%*	2,808	*2%*
Atripla	775	756	*3%*	766	*1%*	2,927	2,907	*1%*	2,918	-	3,147	3,226	*-2%*	3,294	*-4%*
Viread	191	188	*2%*	188	*2%*	732	729	-	729	-	786	767	*3%*	780	*1%*
Hepsera	44	46	*-6%*	47	*-7%*	201	203	*-1%*	204	*-2%*	159	170	*-7%*	176	*-10%*
Emtriva	7	6	*10%*	7	*1%*	28	27	*2%*	27	*3%*	25	27	*-7%*	25	-
Total Anti-Viral products	1,699	1,674	*2%*	1,690	*1%*	6,537	6,512	-	6,530	-	7,014	7,044	-	7,129	*-2%*
Ambisome	76	76	*-1%*	77	*-2%*	306	306	-	308	*-1%*	313	314	-	305	*3%*
Letairis	64	62	*3%*	65	*-2%*	240	239	*1%*	241	-	269	268	*1%*	296	*-9%*
Ranexa	68	62	*9%*	63	*8%*	240	234	*2%*	235	*2%*	307	283	*9%*	289	*6%*
Other products	24	24	-	21	*15%*	67	67	-	63	*6%*	113	107	*6%*	111	*2%*
Total product sales	1,930	1,898	*2%*	1,916	*1%*	7,390	7,358	-	7,377	-	8,016	8,014	-	8,130	*-1%*
Contracts and Royalties	68	63	*9%*	70	*-2%*	559	554	*1%*	560	-	312	312	-	317	*-2%*
Total Revenue	1,999	1,961	*2%*	1,987	*1%*	7,949	7,912	-	7,934	-	8,328	8,326	-	8,436	*-1%*
Operating Expenses															
COGS	496	471	*5%*			1,870	1,844	*1%*			2,052	1,999	*3%*		
R&D	393	265	*48%*			1,073	945	*14%*			1,083	1,108	*-2%*		
SG&A	280	255	*10%*			1,044	1,019	*2%*			1,147	1,071	*7%*		
Net Income (Non-GAAP)	779	763	*2%*	782	-	3,214	3,199	-	3,205	-	3,166	3,271	*-3%*	3,309	*-4%*
GAAP EPS, diluted	0.76	0.85	*-10%*	0.88	*-13%*	3.32	3.40	*-2%*	3.43	*-3%*	3.80	3.75	*1%*	3.83	*-1%*
Shares Outstanding (GAAP)	824,076	827,606	-			873,396	875,489	-			781,666	806,789	*-3%*		
Non-GAAP EPS, diluted	0.95	0.92	*3%*	0.94	*1%*	3.69	3.66	*1%*	3.68	-	4.06	4.06	-	4.05	-
Shares Outstanding (Non-GAAP)	821,891	826,606	*-1%*	821,697	-	871,655	874,122	-	863,773	*1%*	780,166	805,789	*-3%*	815,814	*-4%*

Source: Company data, Thomson ONE, Wedbush Securities, Inc.

2011 topline guidance below consensus, expense guidance higher than our projections

Gilead guided net product sales for 2011 at $7.9-$8.1B vs. our estimate of $8.0B and consensus of $8.1B. Guidance on the expense side, in particularly SG&A which included the industry excise tax, was higher than our projections. We adjust our estimates as shown in Figures 1 & 4.

Management commented that the guidance took into account downsides for the year including potential unfavorable Fx trends, 3-4% pricing cut across EU, impact from generic 3TC launching across EU during 2011, 5-6% negative impact on product sales from U.S. healthcare reform, and U.S. industry excise tax of $30-50M. On the expense side, SG&A guidance was particularly higher than our projections. As a result, we are modeling 48.6% operation margin for 2011 vs. 49.8% reported for 2010.

Share count a strong swing factor in EPS estimates for 2011 and beyond. Was stock repurchase effective during 2010?

Gilead has adopted an aggressive share buyback strategy. Under two previous repurchase program totaling $6B, the company bought back $4B, or 12% of total shares outstanding, during 2010. Last night, the company announced that the Board had authorized another share buyback program of $5B for the next three years. Depending on the pace and amount of the share repurchase, we estimate the 2011 EPS could swing anywhere between $3.95 and $4.50. Our current estimate reflects our assumption of $3B buyback during 2011.

Was share repurchase effective during 2010? We note that for the full year of 2010, GILD stock was down 12% (from $43.30 at the beginning of the year to $38.15 at the end), despite the company bought back 12% of its total outstanding shares. The stock pulled back 25% during the first 8-9 months of 2010, after missing earnings expectations for Q1 and Q2 and amidst concerns on healthcare reform in the U.S., pricing pressure in the EU and long term patent cliff issues, touching a 3-year low of $32. The subsequent rebound back to the $38 level by YE:10 could have been partially ascribed to aggressive stock repurchase.

Overall based on facts so far, we tend to believe it is difficult to assess the effect of share repurchase; however, it can be used as a tool to modulate EPS, rendering it more difficult to assess true earnings.

HIV Franchise: Opportunities and Threat

As Gilead executes its Atripla-Btripla-Quad life cycle management strategy, a number of alternative strategies are being developed by other companies, which could impact its HIV franchise. We selected a few and discuss below.

Nuke-sparing regimen?

One promising Nuke-sparing regimen is brewing at ViiV. As ViiV pushes the best-in-class integrase inhibitor GSK'572 into Phase III, it is also geared up to initiate Phase IIb studies of a nuke-sparing combo GSK'572+GSK'761 (formerly IDX-899), an integrase inhibitor + Non-Nuke combo, in both naïve (against Atripla) and experienced patients, during 2011. The combo is highly potent, and each component has a better resistance profile than their own peers within the same class. As long term use of Viread, a key component of Truvada and Atripla, could lead to kidney toxicity and bone loss, and the resistance population to Atripla is building up, a regimen that is devoid of such AEs and are as potent with a high barrier to resistance is likely needed. Such a regimen could gain a foothold in the market if the efficacy, potency, resistance and safety profiles are attractive.

Nuke-sparing regimens currently in Phase III studies include integrase inhibitor + boosted PIs: raltegravir + boosted darunavir, and raltegravir + Kaletra. However, these regimens are BID, as opposed to the QD regimen for the ViiV combo, which would be more attractive from the perspective of dosing convenience.

Data from these regimens will emerge in the next 2-5 years; relative strength of the data would likely impact the landscape of HIV therapy.

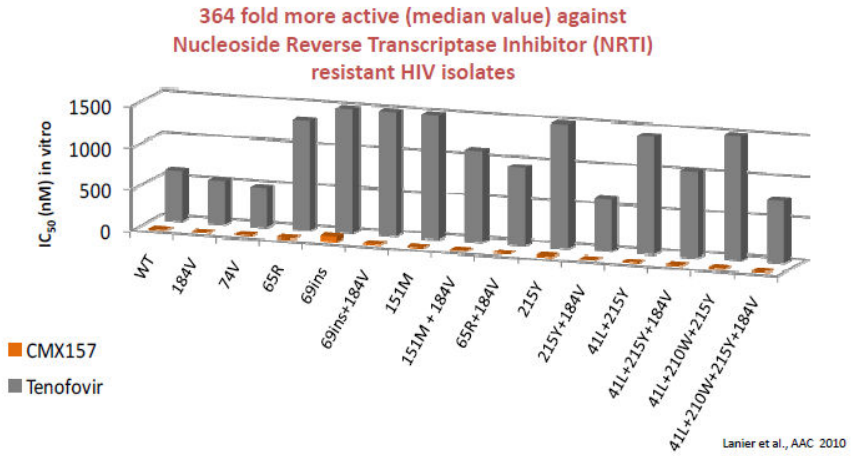
Improved Tenofovir prodrug?

Gilead has revived GS 7340, an isopropylalaninyl phenyl ester prodrug of tenofovir (active ingredient in Viread) that is more potent at 50 mg than Viread at 300 mg, which may lead to better safety margins in patients who are elderly and/or renally impaired. GS 7340 is also preferentially targeted to lymphatic tissues, which could be more effective in targeting the viral reservoirs. Further, GS 7340, due to its higher potency, is effective against Viread resistant mutations such as K65R, according to Management, although we have not seen data so far. That said, we note that GS 7340 was discontinued from development in October 2004; a press release stated that "Gilead does not believe that GS 7340 has a profile that differentiates it to an extent that supports its continued development". Gilead will present a 14-day PK/PD study of GS 7340 at the upcoming CROI conference (Feb 27-March 2, Boston, MA), and will initiate another Phase Ib study to test doses lower than 50 mg. Phase II studies are expected to be initiated later in 2011. A sufficiently improved Viread could be another strategy for Gilead to extend its HIV franchise.

We are aware of at least one more tenofovir prodrug under development. Chimerix (private, Durham, NC) is developing CMX157, a QD, PIM-conjugated prodrug of tenofovir. CMX157 directly binds to the virus with its lipid tail, achieves a higher intracellular drug levels and impressively, is effective against all clinically resistant HIV strains *in vitro* (Figure 2). A single ascending dose study was completed and the target plasma level of CMX157 was achieved, predicting to potentially inhibit HIV mutants in humans. Chimerix believes that as

CMX157 is not a substrate for human organic anion transporters (hOATS) as Viread, it might have decreased risk for kidney impairment. Tissue distribution studies for CMX157 are in progress.

Figure 2: Activity of CMX157Against All Viread Resistant HIV Isolates *in vitro*



Source: Chimerix and Wedbush Securities, Inc.

Currently, Chimerix is looking to out-license CMX157 for potential fixed combo development. We note that CMX157 appears to be at a similar stage of development as GS 7340, although Gilead could move much faster due to its extensive experience in the field. However, if Chimerix is successful in executing a partnership with an existing HIV player, we can envision an Atripla-better combo of CMX157+Epivir+Sustiva to be developed, or a combo of CMX157+Epivir+GSK'572 to compete directly with Gilead's Quad.

A cure for HIV?

As HIV is a retrovirus that integrates into the host genome, once a person is infected, he/she is expected to carry the virus for life, and anti-viral therapies will need to be given for life. Koronis (private, Seattle, WA) has KP-1461, which via its Viral Decay Acceleration mechanism could mutate the HIV virus to obsolete, potentially achieving a true cure for HIV. KP-1461 selectively integrates into viral replication and thereby introduces high mutation rates into the viral genome; after a number of replications, the mutations accumulated become detrimental and lead to catastrophic collapse of the viral population. Such an approach has been proven *in vitro*, and a Phase I monotherapy study in experienced HIV patients was completed (Mullins et al., PLoS ONE; 6(1):e15135, 2011). Although the study did not demonstrate reduction in viral load after 124 days of therapy, sequence analyses demonstrated increased rate of viral mutations in treated individuals as compared to controls, and the pattern of the mutations are consistent with the mechanism of actions for KP-1461. The company is looking to initiate a longer term study to demonstrate definitive proof of concept in humans.

We realize that KP-1461 is very early and highly risky. However, we selected this strategy to review due to its huge potential for disruption. If successful, it can be envisioned that KP-1461 would be given together with an anti-viral regimen such as Atripla and after a year or so, the viruses could be mutated out of existence and patients could achieve a cure. The magnitude of disruption from such a technology to the current $12B HIV market would be drastic and completely game changing.

Outlook for Gilead

Gilead has been investing in HIV research and has enormous resources and extensive experiences. We have a good level of confidence in the management team to steer through the HIV treatment landscape, and to compete effectively against a big opponent such as ViiV, or to acquire / "stifle" smaller competitors such as Chimerix or Koronis. That said, we keep a close eye on the landscape and note that as data emerge from the alternative strategies, the shape of Gilead's HIV franchise in the long term could be impacted.

Pipeline Development: HCV and IPF Are High Value Areas

Gilead has revealed more therapeutic areas to focus in its 2011 strategy. Besides HIV, the company has products in liver, CV and respiratory areas. Early pipeline also include inflammation and oncology products. In our opinion, the high value areas are HCV and IPF, which could produce blockbuster level revenues to meaningfully diversify Gilead's product mix and help ease the patent cliff of the HIV franchise in 2017-2021.

Gilead revs up in HCV combo race

Gilead unveiled the broadest HCV pipeline in the industry at AASLD 2010 (Oct 29-Nov 2, Boston, MA). The pipeline includes 2 Non-Nukes (Phase IIb and IND Q1:11), 2 PIs (both Phase I), a Nuke (Phase I), a NS5A inhibitor (Phase I), a TLR7 agonist (Phase I), a cyclophilin inhibitor (pre-clinical), a NS4B inhibitor (a novel class, pre-clinical), and an entry/assembly inhibitor (novel class as well, pre-clinical). We note that Gilead's HCV pipeline includes all possible classes of compounds others have, and more.

With the front runners in HCV (Vertex and Merck) aiming to garner approval this year with a PI+P/R regimen, Gilead's strategy is to go directly for DAA combo regimen development, gradually shedding P/R in the process. The first strategy is the quad PI+Non-Nuke+P/R, in direct competition with quads from Vertex (PI+Non-Nuke+P/R) and BMS (PI+NS5a+P/R); the goal here is to shorten treatment duration from 24 and 48 weeks to 16 weeks. The second strategy is put 3 DAAs (PI+Non-Nuke+NS5a inhibitor) into a combo without P, and perhaps still retaining R; such a combo could be put into the clinic by YE:11. The next strategy is to put a stronger trio together, PI+NS5a+Nuke, likely during 2012, if all goes well. We believe such a trio has the real potential to succeed as an P/R-sparing regimen.

If we have to criticize, we do note that the leading Non-Nuke GS9190, and the leading PI GS9256 are mediocre in potency. Further, both PIs, GS9256 and GS9451, have issues associated with bilirubin increase. The first 3-DAA combo that does not contain a Nuke may also be troubled with breakthroughs. We believe that for GILD to excel eventually, both its NS5a inhibitor and the Nuke have to be successful, which may not be an easy goal to reach. However, Gilead mentioned that as an insurance strategy, it is open with other companies in clinical collaborations; should any of their own compound fails, it would have options to in-license/acquire molecules from collaborators.

With this kind of breadth, coupled with a generous R&D budget and expertise as an anti-viral leader, Gilead may become a serious contender in the HCV race much faster than expected.

We note that in the combo race are Vertex, Roche, BMS, Abbott, BI and Pharmasset. We expect to see more combos from more companies in the clinic during the course of this year.

HCV represents an enormous market with a high value proposition, and a successful combo could easily reach blockbuster status by our modeling and estimates.

Would Gilead be aggressive in building up an IPF vertical by acquiring InterMune?

Gilead acquired private company Arresto in the end of 2010 to boost its pipeline in idiopathic pulmonary fibrosis (IPF) shortly after ambrisentan failed in a Phase III study for IPF. Also in the end of 2010, InterMune announced that CHMP issued a positive opinion to Esbriet for mild to moderate IPF in EU, and approval could come as early as February / March of 2011. A potential U.S. approval for Esbriet could come in 2015 if the additional Phase III study to be initiated later this year is successful.

IPF is an orphan disease for which there are no currently approved therapies in the U.S. or EU. With a prevalence of 100K and an annual incidence of 30K in each of the U.S. and EU, the IPF market could be >$3B in each of the continent. Like HCV, we believe this is another high value area which Gilead could easily achieve blockbuster status with its products.

We believe it may make sense for GILD to acquire InterMune now that Esbriet is approved in the EU for IPF and can start generating revenues in 2011. (1) GILD clearly has interest in the IPF field, as evidenced by the acquisition of Arresto and ambrisentan in Phase III for IPF; (2) Esbriet potential sales of multi-billion dollars in EU could help ease GILD's HIV franchise cliff in 2017 and beyond effectively; (3) GILD already has a strong commercial infrastructure in EU; (4) As the first entrant to market for IPF (at least in EU), Esbriet will likely be established as the standard of care, and follow on therapies are likely to be studied in combination with Esbriet. Therefore Esbriet can serve as the foundation for a high value IPF franchise.

Valuation on Multiples Analyses

We update our comprehensive comp sheet in Figure 3, which includes the biotech large cap group, the big pharma group, and select specialty pharma and branded generic companies. We examine EV/Rev, EV/Rev/Growth, P/E, and P/E/G ratios. At this moment, we do not anticipate significant multiple expansion for GILD absent of major pipeline development.

Our current PT of $40 is 9.9x our 2011 EPS, a multiple that is inline with the pharma group, some of which also face patent cliff issues. At $38, Gilead appears to trade at a discount to peers on the P/E and P/E/G metrics, but at a premium on the EV/Rev and EV/Rev/Growth metrics.

Figure 3: Comparable Company Analysis on Ratios and Multiples

		Price (Jan 25)	Mkt Cap	Cash & Eq.	Total Debt	EV	Revenue Estimates ($ mil) 09A	10E	Y/Y Gr.	11E	Y/Y Gr.	12E	Y/Y Gr.
AMGN		57.16	54.0	17.0	13.3	50.2	14.6	N/A	N/A	15.2	N/A	15.8	4%
BIIB		66.84	15.9	0.8	1.1	16.2	4.4	4.7	7%	4.7	0%	4.7	1%
CELG		56.07	26.4	3.5	-	22.9	2.7	3.6	34%	4.4	24%	5.0	13%
GENZ		71.01	18.4	1.0	1.1	18.5	4.5	4.3	-4%	5.0	16%	5.6	11%
ABT		47.96	74.1	3.8	18.7	89.0	30.8	35.1	14%	38.1	8%	39.5	4%
AZN		48.15	67.7	11.5	10.9	67.1	32.8	33.1	1%	33.1	0%	31.1	-6%
BAYRY		74.65	61.7	4.4	16.3	73.6	43.8	45.8	5%	47.9	5%	N/A	N/A
BMY		26.03	44.6	8.4	6.7	42.9	20.9	19.4	-7%	20.3	4%	17.6	-13%
CEPH		59.25	4.5	1.2	1.0	4.3	2.2	2.8	26%	3.0	9%	2.6	-13%
FRX		32.35	9.2	3.4	-	5.8	4.1	4.4	7%	4.6	4%	3.0	-34%
GSK		37.36	97.1	10.5	24.0	110.6	44.2	45.2	2%	44.5	-2%	46.4	4%
JNJ		61.08	167.7	22.1	12.0	157.6	61.9	62.0	0%	64.0	3%	66.8	4%
LLY		34.73	40.0	6.1	7.1	41.0	21.8	22.9	5%	22.5	-2%	21.0	-7%
MRK		33.36	102.8	10.6	18.1	110.3	27.4	45.5	66%	44.7	-2%	43.6	-2%
NVO		113.99	56.1	2.4	0.4	54.1	9.7	10.8	12%	11.9	10%	13.2	11%
NVS		57.80	152.5	8.0	27.0	171.4	44.3	50.9	15%	57.2	12%	57.0	0%
PFE		18.47	147.9	22.5	44.2	169.6	50.0	67.3	35%	66.5	-1%	62.8	-6%
RHHBY		38.29	107.6	2.4	41.0	146.3	46.3	49.6	7%	50.9	3%	52.9	4%
SHPGY		79.79	15.0	0.5	1.1	15.6	3.0	3.4	14%	3.8	10%	4.2	10%
SNY		34.68	90.9	6.4	12.6	97.1	38.9	38.5	-1%	37.3	-3%	35.6	-5%
TEVA		54.57	51.2	2.3	7.1	56.1	13.9	16.4	18%	18.9	16%	20.6	9%
BIOTECH	MEAN		28.7	5.6	3.9	26.9	6.6	4.2	12%	7.3	13%	7.8	7%
	MEDIAN		22.4	2.3	1.1	20.7	4.4	4.3	7%	4.9	16%	5.3	7%
PHARMA	MEAN		75.9	7.4	14.6	83.1	29.2	32.5	13%	33.5	4%	32.4	-2%
	MEDIAN		67.7	6.1	12.0	73.6	30.8	35.1	7%	37.3	4%	33.4	-1%
BOTH	MEAN		66.9	7.1	12.6	72.4	24.9	28.3	13%	28.5	6%	27.5	-1%
	MEDIAN		56.1	4.4	10.9	56.1	21.8	28.0	7%	22.5	4%	20.8	2%
GILD (Consensus)		**38.16**	**31.0**	**5.0**	**3.5**	**29.4**	**7.0**	**7.9**	**13%**	**8.4**	**6%**	**9.1**	**8%**
GILD (WS)							**7.0**	**7.9**	**14%**	**8.3**	**5%**	**8.5**	**2%**

		Price (Jan 25)	Earnings Estimates ($, Non-GAAP) 09A	10E	Y/Y Gr.	11E	Y/Y Gr.	12E	Y/Y Gr.	EV / Rev 09A	10E	11E	12E
AMGN		57.16	4.51	-	N/A	5.25	N/A	5.73	9%	3.4	N/A	3.3	3.2
BIIB		66.84	4.12	4.97	21%	5.62	13%	5.93	6%	3.7	3.5	3.5	3.4
CELG		56.07	2.08	2.81	35%	3.37	20%	4.07	21%	8.5	6.4	5.1	4.5
GENZ		71.01	2.48	1.84	-26%	4.11	123%	5.06	23%	4.1	4.3	3.7	3.3
ABT		47.96	3.72	4.17	12%	4.63	11%	4.97	7%	2.9	2.5	2.3	2.3
AZN		48.15	5.95	6.62	11%	6.60	0%	6.05	-8%	2.0	2.0	2.0	2.2
BAYRY		74.65	5.23	5.62	7%	5.79	3%	-	N/A	1.7	1.6	1.5	N/A
BMY		26.03	2.03	2.16	6%	2.25	4%	2.01	-11%	2.1	2.2	2.1	2.4
CEPH		59.25	6.02	7.79	29%	8.12	4%	5.99	-26%	2.0	1.5	1.4	1.6
FRX		32.35	3.52	4.31	22%	4.39	2%	1.52	-65%	1.4	1.3	1.3	1.9
GSK		37.36	3.75	2.85	-24%	3.74	31%	3.20	-14%	2.5	2.4	2.5	2.4
JNJ		61.08	4.63	4.75	3%	4.97	5%	5.35	8%	2.5	2.5	2.5	2.4
LLY		34.73	4.43	4.71	6%	4.33	-8%	3.72	-14%	1.9	1.8	1.8	2.0
MRK		33.36	3.26	3.37	3%	3.82	13%	4.01	5%	4.0	2.4	2.5	2.5
NVO		113.99	3.36	4.58	36%	5.23	14%	5.68	9%	5.6	5.0	4.6	4.1
NVS		57.80	3.70	5.24	42%	5.38	3%	5.44	1%	3.9	3.4	3.0	3.0
PFE		18.47	2.02	2.22	10%	2.30	4%	2.25	-2%	3.4	2.5	2.6	2.7
RHHBY		38.29	2.13	3.21	51%	3.65	14%	-	N/A	3.2	2.9	2.9	2.8
SHPGY		79.79	3.49	4.23	21%	4.76	13%	5.46	15%	5.2	4.5	4.1	3.7
SNY		34.68	5.26	4.69	-11%	4.58	-2%	4.28	-7%	2.5	2.5	2.6	2.7
TEVA		54.57	3.37	4.57	36%	5.30	16%	5.90	11%	4.0	3.4	3.0	2.7
BIOTECH	MEAN		3.30	3.21	10%	4.59	52%	5.20	15%	4.9	4.7	3.9	3.6
	MEDIAN		3.30	2.81	21%	4.68	20%	5.40	15%	3.9	4.3	3.6	3.4
PHARMA	MEAN		3.87	4.42	15%	4.70	7%	4.39	-6%	3.0	2.6	2.5	2.6
	MEDIAN		3.70	4.57	11%	4.63	4%	4.97	-2%	2.5	2.5	2.5	2.5
BOTH	MEAN		3.76	4.24	15%	4.68	14%	4.56	-2%	3.4	2.9	2.8	2.8
	MEDIAN		3.70	4.44	12%	4.63	8%	5.06	5%	3.2	2.5	2.6	2.7
GILD (Consensus)		**38.16**	**3.06**	**3.68**	**20%**	**4.06**	**10%**	**4.51**	**11%**	**4.2**	**3.7**	**3.5**	**3.2**
GILD (WS)			**3.06**	**3.69**	**21%**	**4.06**	**10%**	**4.45**	**10%**	**4.2**	**3.7**	**3.5**	**3.5**

	Price (Jan 25)	EV / Rev / Growth				P / E				P / E / G			
		09A	10E	11E	12E	09A	10E	11E	12E	09A	10E	11E	12E
AMGN	57.16	--	N/A	N/A	0.3	12.7	N/A	10.9	10.0	--	N/A	N/A	1.1
BIIB	66.84	--	0.2	0.3	0.6	16.2	13.4	11.9	11.3	--	0.7	0.9	2.0
CELG	56.07	--	0.2	0.3	0.2	27.0	20.0	16.6	13.8	--	0.6	0.8	0.7
GENZ	71.01	--	-0.2	0.0	0.1	28.6	38.6	17.3	14.0	--	-1.5	0.1	0.6
ABT	47.96	--	0.2	0.2	0.3	12.9	11.5	10.4	9.6	--	1.0	0.9	1.3
AZN	48.15	--	0.2	-6.7	-0.3	8.1	7.3	7.3	8.0	--	0.6	-24.1	-1.0
BAYRY	74.65	--	0.2	0.5	*N/A*	14.3	13.3	12.9	*N/A*	--	1.8	4.3	*N/A*
BMY	26.03	--	0.3	0.5	-0.2	12.8	12.1	11.6	13.0	--	1.9	2.8	-1.2
CEPH	59.25	--	0.1	0.3	-0.1	9.8	7.6	7.3	9.9	--	0.3	1.7	-0.4
FRX	32.35	--	0.1	0.7	0.0	9.2	7.5	7.4	21.3	--	0.3	4.0	-0.3
GSK	37.36	--	-0.1	0.1	-0.2	10.0	13.1	10.0	11.7	--	-0.5	0.3	-0.8
JNJ	61.08	--	1.0	0.5	0.3	13.2	12.9	12.3	11.4	--	5.0	2.7	1.5
LLY	34.73	--	0.3	-0.2	-0.1	7.8	7.4	8.0	9.3	--	1.2	-1.0	-0.7
MRK	33.36	--	0.7	0.2	0.5	10.2	9.9	8.7	8.3	--	2.9	0.7	1.7
NVO	113.99	--	0.1	0.3	0.5	33.9	24.9	21.8	20.1	--	0.7	1.5	2.3
NVS	57.80	--	0.1	1.1	2.7	15.6	11.0	10.7	10.6	--	0.3	4.0	9.5
PFE	18.47	--	0.3	0.7	-1.2	9.1	8.3	8.0	8.2	--	0.8	2.2	-3.8
RHHBY	38.29	--	0.1	0.2	*N/A*	18.0	11.9	10.5	*N/A*	--	0.2	0.8	*N/A*
SHPGY	79.79	--	0.2	0.3	0.3	22.9	18.9	16.8	14.6	--	0.9	1.3	1.0
SNY	34.68	--	-0.2	-1.1	-0.4	6.6	7.4	7.6	8.1	--	-0.7	-3.2	-1.2
TEVA	54.57	--	0.1	0.2	0.2	16.2	11.9	10.3	9.2	--	0.3	0.6	0.8
BIOTECH	MEAN	--	0.2	0.2	0.3	21.1	24.0	14.2	12.3	--	0.6	0.6	1.1
	MEDIAN	--	0.2	0.3	0.3	21.6	20.0	14.3	12.5	--	0.6	0.8	0.9
PHARMA	MEAN	--	0.3	0.4	0.7	13.6	11.6	10.7	11.6	--	1.2	2.0	2.6
	MEDIAN	--	0.2	0.3	0.0	12.8	11.5	10.3	9.9	--	0.8	1.6	1.5
BOTH	MEAN	--	0.2	0.4	0.6	15.0	13.4	11.3	11.7	--	1.1	1.7	2.1
	MEDIAN	--	0.2	0.3	0.2	12.9	11.9	10.5	10.6	--	0.7	1.3	1.3
GILD (Consensus)	**38.16**	**--**	**0.2**	**0.3**	**0.3**	**12.5**	**10.4**	**9.4**	**8.5**	**--**	**0.5**	**0.9**	**0.8**
GILD (WS)		**--**	**0.2**	**0.4**	**0.4**	**12.5**	**10.3**	**9.4**	**8.6**	**--**	**0.5**	**0.9**	**0.9**

Source: Company data, Thomson ONE, Wedbush Securities, Inc.

Figure 4: Gilead Income Statement

Gilead Sciences Income Statement *in thousands except per share data*	2008A	2009A	2010A	Q1:11E	Q2:11E	Q3:11E	Q4:11E	2011E	2012E
Viread revenue (including HBV)	**621,187**	**667,510**	**732,240**	193,540	194,311	197,522	200,844	**786,217**	**766,252**
% QoQ/YoY growth	***1.3%***	***7.5%***	***9.7%***	*1.3%*	*0.4%*	*1.7%*	*1.7%*	***7.4%***	***-2.5%***
Emtriva revenue	**31,080**	**28,032**	**27,679**	6,282	6,307	6,257	6,182	**25,026**	**25,875**
% QoQ/YoY growth	***-1.3%***	***-9.8%***	***-1.3%***	*-11.3%*	*0.4%*	*-0.8%*	*-1.2%*	***-9.6%***	***3.4%***
Truvada revenue	**2,106,687**	**2,489,682**	**2,649,908**	698,111	712,418	725,292	740,160	**2,875,981**	**2,945,816**
% QoQ/YoY growth	***32.6%***	***18.2%***	***6.4%***	*2.4%*	*2.0%*	*1.8%*	*2.0%*	***8.5%***	***2.4%***
Atripla revenue	**1,572,455**	**2,382,113**	**2,926,579**	773,303	779,556	793,823	800,588	**3,147,271**	**3,064,270**
% QoQ/YoY growth	***74.1%***	***51.5%***	***22.9%***	*-0.2%*	*0.8%*	*1.8%*	*0.9%*	***7.5%***	***-2.6%***
Btripla revenue	**-**	**-**	**-**	-	-	-	21,033	**21,033**	**184,195**
% QoQ/YoY growth	**-**	**-**	**-**	-	-	-	-	-	***775.8%***
Quad revenue	**-**	**-**	**-**	-	-	-	-	-	**30,000**
% QoQ/YoY growth	**-**	**-**	**-**	-	-	-	-	-	-
Hepsera revenue	**341,023**	**271,595**	**200,592**	42,101	41,101	39,801	35,500	**158,503**	**112,500**
% QoQ/YoY growth	***12.7%***	***-20.4%***	***-26.1%***	*-3.5%*	*-2.4%*	*-3.2%*	*-10.8%*	***-21.0%***	***-29.0%***
Total Antiviral franchise revenue	**4,672,432**	**5,838,932**	**6,536,998**	1,713,338	1,733,692	1,762,694	1,804,307	**7,014,031**	**7,128,909**
% QoQ/YoY growth	***35.8%***	***25.0%***	***12.0%***	*0.9%*	*1.2%*	*1.7%*	*2.4%*	***7.3%***	***1.6%***
Letairis revenue (U.S. only)	**112,855**	**183,949**	**240,279**	65,000	66,500	68,000	69,500	**269,000**	**286,000**
% QoQ/YoY growth	***440.1%***	***63.0%***	***30.6%***	*1.6%*	*2.3%*	*2.3%*	*2.2%*	***12.0%***	***6.3%***
Ranexa revenue	**-**	**131,062**	**239,832**	71,208	74,768	78,507	82,432	**306,915**	**364,046**
% QoQ/YoY growth	**-**	**-**	***83.0%***	*5.0%*	*5.0%*	*5.0%*	*5.0%*	***28.0%***	***18.6%***
AmbiSome revenue	**289,651**	**298,597**	**305,856**	76,256	77,858	79,000	80,000	**313,114**	**339,620**
% QoQ/YoY growth	***10.3%***	***3.1%***	***2.4%***	*1.0%*	*2.1%*	*1.5%*	*1.3%*	***2.4%***	***8.5%***
Cayston revenue	**-**	**-**	**46,121**	22,000	22,500	23,000	24,000	**91,500**	**106,000**
% QoQ/YoY growth	**-**	**-**	-	*5.2%*	*2.3%*	*2.2%*	*4.3%*	***98.4%***	***15.8%***
Other revenue	**9,858**	**16,771**	**20,835**	5,300	5,400	5,500	5,550	**21,750**	**24,000**
Total product revenue	**5,084,796**	**6,469,311**	**7,389,921**	1,953,102	1,980,719	2,016,700	2,065,789	**8,016,309**	**8,248,576**
% QoQ/YoY growth	***36.2%***	***27.2%***	***14.2%***	*1.2%*	*1.4%*	*1.8%*	*2.4%*	***8.5%***	***2.9%***
Royalty and contract revenue	**250,954**	**542,072**	**559,499**	107,000	77,000	64,000	64,000	**312,000**	**269,000**
% QoQ/YoY growth	***-49%***	***116%***	***3%***	*56%*	*-28%*	*-17%*	*0%*	***-44%***	***-14%***
Total revenue	**5,335,750**	**7,011,383**	**7,949,420**	**2,060,102**	**2,057,719**	**2,080,700**	**2,129,789**	**8,328,309**	**8,517,576**
% QoQ/YoY growth	***26.1%***	***31.4%***	***13.4%***	*3.1%*	*-0.1%*	*1.1%*	*2.4%*	***4.8%***	***2.3%***
Cost of goods sold	**1,127,246**	**1,595,558**	**1,869,876**	499,994	507,064	516,275	528,842	**2,052,175**	**2,044,198**
Gross margin %	***78%***	***75.3%***	***74.7%***	*74.4%*	*74.4%*	*74.4%*	*74.4%*	***74.4%***	***75.2%***
Research and development	**721,768**	**939,918**	**1,072,930**	267,813	267,503	270,491	276,873	**1,082,680**	**1,117,508**
% revenue	***14%***	***13%***	***13.5%***	*13.0%*	*13.0%*	*13.0%*	*13.0%*	***13.0%***	***13.1%***
Selling, general & administrative	**797,344**	**946,686**	**1,044,392**	282,234	281,907	285,056	298,170	**1,147,368**	**1,082,896**
% revenue	***15%***	***14%***	***13.1%***	*13.7%*	*13.7%*	*13.7%*	*14.0%*	***13.8%***	***12.7%***
Purchased in-process R&D	**10,851**	**-**	**-**	-	-	-	-	**-**	**-**
Operating expenses	**1,519,112**	**1,886,604**	**2,117,322**	550,047	549,411	555,547	575,043	**2,230,048**	**2,200,404**
Income/(loss) from operations	**2,678,541**	**3,529,221**	**3,962,222**	1,010,060	1,001,244	1,008,878	1,025,904	**4,046,086**	**4,272,974**
Operating margin %	***50%***	***50%***	***50%***	*49%*	*49%*	*48%*	*48%*	***49%***	***50%***
Other income/(expense)	**-**	**-**	**-**	-	-	-	-	**-**	**-**
Interest income (expense), net	**47,300**	**(27,264)**	**(48,674)**	2,541	(15,186)	869	(13,359)	**(25,135)**	**(21,381)**
Minority interest in JV (BMS-Atripla)	**8,564**	**10,162**	**11,508**	2,835	3,000	3,100	3,185	**12,120**	**7,370**
Income/(loss) before taxes	**2,734,405**	**3,512,119**	**3,925,056**	1,012,602	986,058	1,009,747	1,012,545	**4,033,071**	**4,258,963**
Provision for income taxes	**723,251**	**876,364**	**1,023,799**	268,339	261,305	267,583	268,324	**1,065,552**	**1,169,163**
Effective tax rate	***26.5%***	***25.0%***	***26.1%***	*26.5%*	*26.5%*	*26.5%*	*26.5%*	***26.4%***	***27.5%***
Net income/(loss) - GAAP	**2,011,154**	**2,635,755**	**2,901,257**	747,097	727,752	745,264	747,406	**2,967,519**	**3,089,800**
Net income/(loss) - Non-GAAP	**2,114,384**	**2,862,983**	**3,214,385**	795,416	776,235	794,360	800,283	**3,166,293**	**3,319,714**
EPS GAAP	**2.10**	**2.82**	**3.32**	**0.93**	**0.93**	**0.96**	**0.97**	**3.80**	**4.14**
% QoQ/YoY growth	***25%***	***35%***	***18%***	*22%*	*0%*	*4%*	*1%*	***14%***	***9%***
EPS Non-GAAP	**2.19**	**3.06**	**3.69**	**0.99**	**0.99**	**1.03**	**1.05**	**4.06**	**4.45**
% QoQ/YoY growth	***21%***	***40%***	***21%***	*5%*	*0%*	*3%*	*2%*	***10%***	***10%***
COGS	10,312	65,636	77,127	16,613	16,613	16,613	16,613	66,452	66,452
as % of total COGS	*1%*	*4%*	*4.1%*					*3.2%*	*3.3%*
R&D	66,523	108,611	234,086	22,764	22,738	22,992	26,303	94,797	122,926
as % of total R&D	*9%*	*12%*	*21.8%*	*8.5%*	*8.5%*	*8.5%*	*9.5%*	*8.8%*	*11.0%*
SG&A	76,529	126,607	131,800	26,812	27,063	27,650	29,519	111,045	129,947
as % of total SG&A	*10%*	*13%*	*12.6%*	*9.5%*	*9.6%*	*9.7%*	*9.9%*	*9.7%*	*12.0%*
Income tax effect	50,134	(73,626)	(129,885)	(17,871)	(17,932)	(18,159)	(19,557)	(73,519)	(89,411)
Net Income reconciliation	**103,230**	**227,228**	**313,128**	48,318	48,482	49,096	52,878	**198,774**	**229,915**
EPS impact of stock based comp& restructuring	**0.21**	**0.24**	**0.36**	0.06	0.06	0.07	0.07	**0.26**	**0.34**
Non-GAAP									
COGS	**1,116,934**	**1,529,922**	**1,792,749**	483,381	490,451	499,662	512,229	**1,985,723**	**1,977,746**
Non-GAAP Gross Margin	*78.0%*	*76.4%*	*75.7%*					*75.2%*	*76.0%*
R&D	**655,245**	**831,307**	**838,844**	245,049	244,766	247,499	250,570	**987,884**	**994,582**
SG&A	**720,815**	**820,079**	**912,592**	255,422	254,844	257,406	268,652	**1,036,323**	**952,948**
Weighted average shares out	**958,825**	**934,109**	**873,396**	803,076	782,401	774,093	767,093	**781,666**	**746,736**
Weighted average shares out (Non-GAAP)	**960,511**	**934,137**	**871,655**	801,576	780,901	772,593	765,593	**780,166**	**745,736**

Source: Company data, Wedbush Securities, Inc.

Figure 5: Gilead Clinical Development Milestones (1)

Rx Area	HIV / AIDS				Liver Disease						
Drug	GS 9137/ elvitegravir	GS 9350 / cobicistat	Integrase FDR / Quad PIII (Truvada + elvitegravir + GS 9350)	TMC278 / rilpivirine	GS 9190	GS 9256	GS 9190 + GS 9256	GS 9451	GS 5885	GS 5885 + PI	GS 9450
Indication	HIV	HIV	HIV	HIV	HCV	HCV	HCV	HCV	HCV	HCV	Non-alcoholic steatohepatitis (NASH)
Class	Integrase inhibitor	PK enhancer for elvitegravir	NNRTI	NNRTI	non-nucleoside polymerase inhibitor (BID)	Protease Inhibitor (BID)	Combination	Protease inhibitor (QD)	NS5A inhibitor (QD)	Combination	caspase inhibitor (oral QD)
Partner	*Licensed from Japan Tobacco; ww rights exclu. Japan*			*Tibotec / JNJ*							*Licensed from LG Life Sciences*
Q1:09	Study 145 (Phase III) vs. Isentress in exp patients, (n=750, >40% enrolled)										
Q2:09		Study 105 (Phase II) vs. ritonavir initiated in naïve patients (n=75), as boosting agents to atazanivir+Truvada, 24-week study (May)	Study 104 (Phase II) Quad vs. Atripla in naïve patients (N=75, 2:1) completed enrollment, 24 week study (May)								
Q3:09	Study 145 (n=717) as of July 21 was 60% enrolled										
Q4:09	Study 145 completed enrollment in December	Complete Study 105	Complete Study 104								
Q1:10		Data from Study 105 presented at CROI	Data from Study 104 presented at CROI			DDI study with GS 9190					
Q2:10		Initiated Phase III study (n=700 naive, 1:1) vs. ritonavir, as boosting agent to a Truvada+PI regimen	Initiated Phase III studies vs. Atripla (n=700 naive, 1:1) and vs. Truvada+PI +r (n=700 naïve, 1:1)			3-day monotherapy data at EASL				Terminated due to safety issues	Data from Phase IIa at EASL (initiated Q3:08)
Q3:10		Phase III complete enrollment	Data from Study 104 presented at ICAAC; Phase III complete enrollment	Data from Phase III vs. Sustiva; NDA for TMC278 filed by J&J; MAA for Btripla filed Sep 3	Complete Phase IIb (n=250), GS 9190 (40 mg BID 24 or 48 wks) + P/R vs. placebo						
Q4:10				Gilead submits fixed dose bioequivalence data; Btripla NDA filed Nov 23	Data from Phase IIb	Phase I data at AASLD	Phase II data at AASLD	3-day monotherapy data at AASLD	SAD data at AASLD		
Q1:11				Initiate (1) switch study; (2) vs. Atripla			Initiate combo + P/R in naïve (16 weeks) & experienced (24 weeks) patients			Initiate combo + P/R in naïve (12 weeks) & experienced (24 weeks) patients	
Q2:11				PDUFA May 23; launch							
Q3:11											
Q4:11				EU approval and launch							
H1:12	Data from Study 145; File NDA	Data from Phase III; file NDA	Data from Phase III; file NDA		Data from Phase III studies						
H2:12			Approval and launch								

Source: Company data, Wedbush Securities, Inc.

Figure 6: Gilead Clinical Development Milestones (2)

Rx Area	Respiratory					Cardiovascular and Metabolic					
Drug	Cayston / Aztreonam lysine	Letairis / ambrisentan	GS9310/11	GS 9411	GS 6201 / CVT-6883	daurusentan	Adentri	Cicletanine	tecadenoson	Ranexa	CVT3619 / GS 9667
Indication	Cystic fibrosis (CF)	IPF	CF	CF, COPD	Pulmonary Disease	Resistant hypertension	Acute Heart Failure	Pulmonary arterial hypertension (PAH)	Atrial Fibrillation	Diastolic heart failure	Diabetes
Class	inhaled antibiotic	endothelin receptor antagonist (ERA)	inhaled co-formulation of fosfomycin and tobramycin	Epithelial sodium channel blocker (ENAC inhibitor)	A_{2B} adenosine antagonist	endothelin receptor antagonist (ERA)	A_1 adenosine antagonist	vascular NO enhancer	A_1 adenosine antagonist		partial A1 adenosine antagonist
Partner		*caspase inhibitor (oral QD)*						*Acquired from Navitas May 08*			
Q1:09	Complete response letter received 9/16/08; FDA requesting another clinical trial 2/18/09; CHMP negative opinion 3/19/09 due to insufficient long term comparative data	ARTEMIS Phase III in early IPF patients initiated in Jan (600 patients)		Data from Phase I	Phase I			Phase II study (vs. placebo) initiated (n=160, 12 wks on treatment)			Phase I
Q2:09						Data from DAR311 (vs. placebo) positive; safety issues are edema, CHF exacerbation and decrease in hemoglobin					
Q3:09			Data from Phase II								
Q4:09	MILD study (in patients with FEV1>75%) ongoing; vs. TOBI ongoing; EMEA approval; positive FDA panel vote Dec 10					Data from DAR312 (vs. guanfacine) expected YE:09		Phase II enrollment complete			
Q1:10	Cayston FDA Approval - Feb 23rd	25% enrolled as of end of Jan									
Q2:10	Data from Cayston vs. TOBI study					NDA filing					
Q3:10										Initiate Phase II proof-of-concept study	
Q4:10		Terminated ARTEMIS study, due to lack of efficacy									
Q1:11	Initiate Phase III in bronchiectasis and with *burkholderia* infection							Data from Phase II study			Initiate Phase Ib
Q2:11											
Q3:11											
Q4:11											
H1:12											
H2:12											

Source: Company data, Wedbush Securities, Inc.

Analyst Certification
I, Y. Katherine Xu, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Abbott Laboratories	1
Pharmasset	1,3,4,5,7
Vertex Pharmaceuticals	1
InterMune	1

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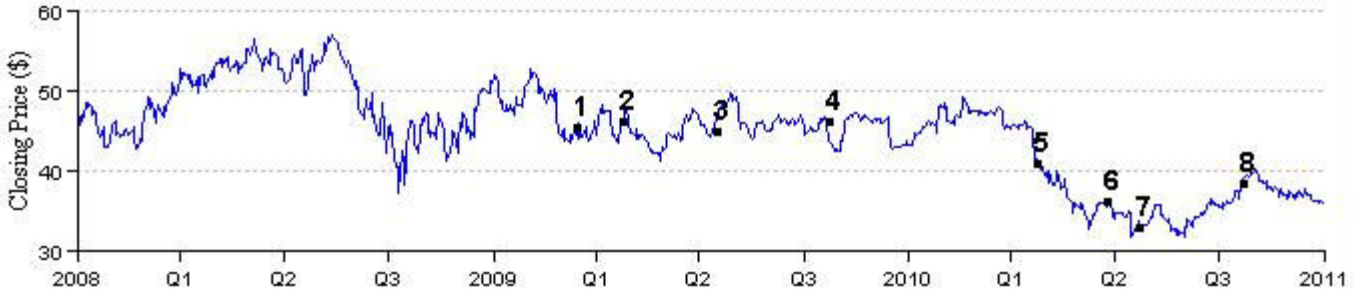
GILD

1) 03/13/09	2) 04/22/09	3) 07/14/09	4) 10/20/09	5) 04/21/10	6) 06/23/10	7) 07/21/10	8) 10/20/10
Buy $56	Buy $58	Outperform $62	Underperform $52	Underperform $47	Underperform $40	Underperform $38	Underperform $40



ABT

1) 11/11/09
Outperform $62

ITMN

1) 03/17/09	2) 07/14/09	3) 08/07/09	4) 10/20/09	5) 03/10/10	6) 05/05/10	7) 10/07/10	8) 12/17/10
Hold $15	Neutral $18	Neutral $19	Outperform $23	Outperform $50	Neutral $14	Neutral $16	Outperform $55

VRUS

1) 03/17/09 Buy $18	2) 07/14/09 Outperform $18	3) 08/11/09 Outperform $20	4) 10/20/09 Outperform $34	5) 11/23/09 Outperform $37	6) 04/19/10 Outperform $44	7) 11/01/10 Outperform $52	8) 11/05/10 Outperform $44
9) 11/24/10 Outperform $52	10) 11/26/10 Outperform $44	11) 12/10/10 Outperform $52					

VRTX

1) 03/17/09 Buy $38	2) 07/14/09 Neutral $42	3) 11/10/09 Neutral $48	4) 12/03/09 Neutral $45	5) 01/05/10 Underperform $45	6) 05/26/10 Neutral $45	7) 07/29/10 Neutral $40	8) 07/30/10 Neutral $45	9) 08/02/10 Neutral $40	10) 08/06/10 Neutral $45
11) 08/24/10 Neutral $40	12) 08/27/10 Neutral $45	13) 09/08/10 Neutral $40							

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