



Gilead Risk Reversals See Value in Shares

Ticker/Price: GILD (\$64)

Analysis:

Gilead (GILD) with buyers active yesterday for the January \$65/\$72.50 call spread and selling the \$57.50 puts, over 5000 trading on the day. GILD also had buyers of nearly 700 November \$62.50 calls up to \$3.65. Last week the June \$62.50 puts sold to open around \$6 while the February \$67.50 calls bought 600X. Shares are back at multi-month support around \$63 and putting in a reversal candle yesterday with room back up to \$67. Shares have been in a wide range since December with a move above \$70 targeting a longer-term move to \$80. The \$81.2B company trades 9.11X earnings, 3.6X sales, and 18X FCF with a 4% yield and over \$21.75 in cash per share. GILD is guiding to flattish EPS growth with revenue growth of 1-2% over the next two years. The company recently spent \$5.1B on a 10-year research and development collaboration with Galapagos (GLPG) which expands their pipeline and gives upside optionality to revenue growth estimates over the next 2-3 years. The recent quarter was boosted by strength in their HIV franchise which is taking some pressure off their HCV franchise. They're also seeing strong growth from Yescarta which was brought in by the Kite Pharma deal. GILD has an AdCom today for Descovy for the prevention of HIV infection. Analysts have an average target for shares of \$83 with 18 buy ratings, 4 hold, and 1 sell. RBC upgrading to Top Pick on 7-26 with a \$91 PT. The firm thinks GILD represents limited downside with their HIV franchise generating steady annual revenues given strong uptake of its Biktarvy. The stock remains "significantly discounted" at 10-times earnings relative to peers' 12-times multiple. Short interest is 1.1%. Hedge Fund ownership rose 18.8% in Q2. Sanders Capital, Parnassus Investments, AQR top holders.

Hawk Vision:



Hawk's Perspective: GILD remains a value play that has been a "value-trap" and still awaiting better capital allocation from management, a number of better Biotech names.

Confidence Ranking: \$\$