



Gilead Call Buyers Step into Multi-Year Lows w/ New CEO

Ticker/Price: GILD (\$63.50)

Analysis:

Gilead (GILD) with buyers today of 1,260 March \$65 calls for \$3.15 and follows recent activity in the February \$65 and \$67.50 calls as well as size accumulation in the Jan. 2020 \$65 calls. GILD has bullish open interest across May and June expirations as well from buyers in September/October. Shares are down over 20% since October and testing 5-year lows around \$60. GILD has a key high-volume node above at \$68/\$68.50 and then higher at \$73.50 which would be initial targets higher. The \$83.7B company trades 9.25X earnings, 3.75X sales, and 16.75X FCF with a 3.65% yield and sizable cash position. GILD expects to earn over \$7/share in FY20 with 2-3% revenue growth. HIV sales were up 12% in October while HCV continues to lag. The company announced a new CEO in December as it looks to stabilize its legacy businesses and enter new markets like oncology. GILD has a catalyst-heavy 1H 19 with Phase 3 NASH data later this quarter and Filgotinib data which could lead to a 2019/2020 filing. Analysts have an average target for shares of \$88 with 11 buy ratings and 9 hold ratings. Short interest is around 1% and near multi-year lows. Cantor with a \$92 PT recently seeing peak 2027 Filgotinib sales of \$4B, up from \$2.75B. Guggenheim starting at Buy on 12/17 with an \$86 PT seeing 2019/2020 as key turnaround years for the pipeline with several Phase 3 readouts which will de-risk the pipeline. Jefferies' Michael Yee positive on 12/10 saying the new CEO makes the company "more ownable" as the company deploys its balance sheet and transitions into the "New Gilead" in 2019. Institutional ownership

Hawk Vision:



Trading Strategy: GILD has an intriguing 1-2 year story and a lot of balance sheet flexibility which could give it a number of options but timing these valuation plays in pharma has been tough in recent years.

Confidence Ranking: \$\$