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Gilead Sciences Inc. Upgraded To 'A-' On Deleveraging And Solid Performance; Outlook Stable

- San Francisco-based pharmaceutical company Gilead Sciences Inc. has steadily de-levered, to an S&P global Ratings-adjusted 1.2x debt to EBITDA at the end of 2024, due to a combination of solid EBITDA generation and net debt reduction.
- We raised our ratings on Gilead to 'A-', from 'BBB+', based on the company's continued strong competitive position in HIV treatments, steady sales growth, continued strong cash flow generation, and projected net adjusted leverage being sustained below 2.0x, despite potential acquisition activity.
- The stable outlook reflects the company's solid long term growth prospects resulting from its pending launch of lenacapavir in PrEP, and its growing oncology franchise, and our view that expectations management will continue to follow conservative financial policies.

TORONTO (S&P Global Ratings) April 16, 2025--S&P Global Ratings today took the rating actions listed above.

Gilead's core HIV business continues to perform in-line with our expectations. The HIV portfolio, at nearly 70% of Gilead's revenues, continues to grow roughly in line with expectations mainly due to lead asset Biktarvy, which grew 13.3% in 2024 and accounts for over two-thirds of the HIV portfolio. We expect HIV revenues will continue to grow in the longer term, though 2025 sales will likely be flat, due mainly to the Medicare part D redesign. Sales growth should accelerate with the potential launch of lenacapavir in pre-exposure prophylaxis (PrEP) in mid-2025.

The company's product pipeline is productive, with lenacapavir in PrEP a significant opportunity. Gilead's product pipeline has enabled the company to refresh its HIV portfolio with newer, more effective treatments and maintain its long-time leading position in the category. The company plans on seven new HIV launches between now and 2033 when lead drug Biktarvy's (68% of Gilead's HIV sales) patent expires. Gilead also is set to launch lenacapavir a twice-yearly injectable capsid inhibitor for PrEP, in mid-2025. The FDA is expected to approve the treatment by June 19, 2025. Lenacapavir has significant advantages, such as convenience and compliance, over existing treatments, including Gilead's own daily oral PrEP treatment, Truvada, and can expand Gilead's market reach to people that are not HIV positive but are considered high risk. Gilead has also filed for EMEA approval of lenacapavir in PrEP. While 2025 sales will likely be limited, we believe SUNLECA has significant sales potential.

Gilead's product and therapeutic concentration remains a relative weakness versus Big Pharma peers. Gilead continues to maintain its longtime leading market position in HIV. However, we view Gilead's business strength as somewhat constrained by substantial product, therapeutic, and geographic concentration. The company's HIV franchise, at roughly 70% of 2024 revenues, represents a significant concentration. Many of these products are effectively substitutes, with the newer generation of products cannibalizing older ones. However, the

company has a long track record of successfully transitioning to newer generation products while maintaining its market share. Still, the concentration in the HIV category exposes the company to regulatory and legislative impacts. We do believe Gilead's product and therapeutic diversity will continue to improve, especially as its oncology franchise (11% of sales) grows and lenacapavir helps diversify sales within the HIV category over the longer term. We also view the company's geographic concentration as a modest weakness relative to peers, with 72% of 2024 revenues coming from the U.S., particularly given the ongoing discussions around drug price reform in the US. (For a detailed comparison of Gilead and other leading pharma companies, see **How Business Strength Varies Across The Top Pharma Companies**, Aug. 27, 2020.

We expect Gilead's S&P Global Ratings-adjusted leverage to remain comfortably below 2.0x on a sustained basis despite acquisition activity. Gilead has been acquisitive in the past, as it sought to further diversify its product portfolio and pipeline, especially in the oncology and anti-viral categories and stimulate growth. With projected organic growth of at least the low- to mid-single-digit percent area beyond 2026, and assuming the launch of lenavapavir in PrEP in 2025 we think the company's appetite for M&A driven growth is whetted, reducing the likelihood it will pursue substantial debt-financed M&A over the next two to three years. Although the company will likely remain active, we believe it has significant capacity at the 'A-' rating level for M&A.

The stable outlook reflects the company's solid growth prospects, based on its continued strong position in HIV and growing position in oncology, a solid track record of R&D, and conservative financial policies that enable the company to maintain adjusted leverage of under 2x. We view the company's relative lack of therapeutic diversity as somewhat limiting upside rating potential.

We could downgrade the company should it pursue a more aggressive financial policy, including conducting debt-financed M&A or large share repurchases, resulting in adjusted leverage increasing above 2.0x on a sustained basis.

While unlikely over the next 12 to 24 months, we could raise the rating if:

- The company continues to generate solid organic growth;
- It materially diversifies within and beyond its HIV portfolio; and
- We expect the company will commit to maintaining adjusted leverage well under 1.0x.

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Pharmaceutical Industry 2025 Credit Outlook Is Stable As Healthy Revenue Growth Mitigates Pressures , Feb. 3, 2025
- Industry Credit Outlook 2025: Health Care, Jan. 14, 2025
- Issuer Ranking: Global Pharmaceutical Companies: Strongest To Weakest , Jan. 9, 2025

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceI Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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