

---

**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**Sent:** Wednesday, February 5, 2014 2:52 PM  
**To:** Tazia Smith  
**Subject:** Re: Gilead entry point....

5000 shares ok

On Wed, Feb 5, 2014 at 9:43 AM, Tazia Smith <[REDACTED] <mailto:[REDACTED]>> wrote:

Classification: Pu=lic

Jeffrey -

Gilead = 1.5 in your (and our suggested) US healthcare percentages

Gilead reported earnings yesterday, trading ~80.34 vs 82.02 prior close.

DB Research reiterates the equity as one of our top picks (like big cap biotech, this and BIIB among them, analyst sees room for further multiple expansion). Earnings detail and investment thesis below.

~64% implied upside to DB price target of \$132

Used with permission of Bloomberg Finance LP

----- Forwarded by Tazia Smith/db/dbcom on 02/05/2014 09:38 AM -----

From: EVS EquityFocus/db/dbcom@DBEM=A  
To:  
Date: 02/05/2014 05:01 AM  
Subject: DB: GILD.OQ - Robyn Karnauskas=

---

Classification: Public

Gilead Sciences (Buy, CP: \$82.02, TP: \$132.00, GILD.OQ, Robyn Karnauskas)</=>

4Q13 update: light taxes create more leverage for Sovaldi

4Q13 product revenues beat consensus by ~\$250M led by inventory & Sovaldi

Sovaldi 4Q13 sales were \$139M vs. \$75M consensus. Pure demand was roughly \$50M in the quarter. Remainder of sales came from inventory stocking & purchase for clinical trials. On the HIV front, mgmt noted that 1Q14 will be

weaker with similar trends to 1Q13. This trend is driven by increased purchasing in 4Q13 & being at higher end of inventory range before '14 price increases. '14 guidance for base biz is \$11.3-\$11.5B.=We are at \$11.5B. Reiterate Buy on valuation.

We have increased our Sovaldi numbers in '14 by \$700M to \$5.7B We have taken up our numbers for US & EU Sovaldi over 2014 based on two trends 1) faster than expected launch in EU in a few countries (we previously assumed no sales in 1Q in EU) and 2) strong than expected new script trends in the US. Our new WW quarterly estimates are \$1.21B, \$1.91B, \$1.32B, and \$1.27B. In Gilead's early survey work, mgmt has found tha= the Sovaldi mix roughly reflects real world US genotypic mix (70% GT1 and 30% in GT 2 &3).

We calculate every 1K new starts to Sovaldi could add \$250M-\$300M in revs

We assume warehousing in 2Q since we expect Sovaldi interferon free combo in mid 4Q14. We assume monthly new starts declining to ~4000/mo avg. in 2Q/3Q from the highs of ~13K in 1Q.

Mgmt color on taxes: supply arrangements allow US sales to have tax benefit

Mgmt noted that every \$1B of Sovaldi sales led to a lower tax rate of .75-1= irrespective of where the sales are located. Before the call, GILD had noted potential tax benefit over time from greater ex-US sales and IP in Ireland. On call today, we learned of new structuring supply arrangement that allows for US sales to flow out of Ireland manufacturing facility. These benefits will continue over a multi-year period but the magnitude of impact is greater in the near-term. The company has not given long-term tax guidance yet.

We estimate '14 tax rate at 23% which could further decrease to 18% o=er time if Sovaldi hits our revenue estimate

On core biz basis, there was no impact from R&D tax in 2014. This one-t=me benefit lead to a .5-.75% hit to their tax rate. We calculate 2014 tax rate at ~23.5% (28.5% core biz, then subtract 5% impact of \$5.7B Sovaldi sales). This math is based on our numbers suggest an implied Sovaldi tax rate at ~13% using revenue weighted calculations. This makes our weighted avg. tax rate for 2015 at ~21%. Every 100bps tax rate impacts 2015 EPS by 10c (1.3% our of '14 EPS).

Generic Sustiva will benefit COGS over next three years. We model COGS of 20% in '14 vs. 12% in '16

Sustiva (a component of Atripla not made by GILD) is going generic this year in Europe. In US, it will go generic in 2015. There is a step-down function of the royalty payments over three years according to mgmt.=font size="3">

Valuation & risks – Gilead still remains our top pick in large ca=

We value GILD at \$132/sh using 17X 2015 multiple (10% discount to its biote=h peers due to patent cliff on base biz). Our new '15 EPS is \$7.75/sh. =isks: weak sovaldi launch, poor base biz performance

Please click on below link for full report: =font color="blue" size="3">

<http://pull.db-gmresearch.com/p/442-7CA3/21291538/0900b8c087e1098b=pdf> <<http://pull.db-gmresearch.com/p/442-7CA3/21291538/0900b8c087e1098b.pdf>>

Regards,

EVS Equity Focus

Telephone: +91-124-4622312 <tel:+91-124-4622312> - 19

Please ensure all mails are also sent to our shared inbox [evs.equityfocus@db.com](mailto:evs.equityfocus@db.com) to avoid getting overlooked.

This email is sent to you by Evaluerse on behalf of Deutsche Bank<=ont size="3">  
Diese email wurde Ihnen von Evaluerse im Auftrag der Deutschen Bank gesen=et

For additional Deutsche Bank research, visit our web site: <http://gm.db.com/equities>  
Please refer to the disclaimer that applies to the research attached in this email.

This e-mail may contain confidential and/or privileged information. If you are not the intended recipient (or have received this e-mail in error) please notify the sender immediately and delete this e-mail. Any unauthorized copying, disclosure or distribution of the material in this e-mail is strictly forbidden.

Please refer to [http://www.db.com/en/content/eu\\_disclosures.htm](http://www.db.com/en/content/eu_disclosures.htm)  
<[http://www.db.com/en/content/eu\\_disclosures.htm](http://www.db.com/en/content/eu_disclosures.htm)> for additional EU corporate and regulatory disclosures.

---

Tazia Smith  
Director | Key Client Partners - US

Deutsche Bank Securities Inc  
Deutsche Asset & Wealth Management  
345 Park Avenue, 26th Floor  
New York, NY 10154

Tel. [REDACTED]  
Fax [REDACTED]  
Mobile [REDACTED]  
Email [REDACTED] <mailto:[REDACTED]>

---

This communication may contain confidential and/or privileged information.

If you are not the intended recipient (or have received this communication in error) please notify the sender immediately and destroy this

communication. Any unauthorized copying, disclosure or distribution of the material in this communication is strictly forbidden.

Deutsche Bank does not render legal or tax advice, and the information contained in this communication should not be regarded as such.

--  
\*\*\*\*\*=\_\*\*\*\*\*  
The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of Jeffrey Epstein  
Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited

and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to [jeevacation@gmail.com](mailto:jeevacation@gmail.com) <<mailto:jeevacation@gmail.com>> , and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved