

GILEAD SCIENCES INC
Form 10-Q
August 11, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-19731

GILEAD SCIENCES, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware (State or Other Jurisdiction of Incorporation or Organization)	94-3047598 (IRS Employer Identification No.)
333 Lakeside Drive, Foster City, California (Address of principal executive offices)	94404 (Zip Code)
650-574-3000 (Registrant's Telephone Number, Including Area Code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer's common stock, par value \$0.001 per share, as of July 31, 2008: 919,914,999

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We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: GILEAD SCIENCES®, TRUVADA®, VIREAD®, EMTRIVA®, HEPSERA®, AMBISOME®, VISTIDE®, LETAIRIS® and VOLIBRIS®. ATRIPLA® is a registered trademark belonging to Bristol-Myers Squibb & Gilead Sciences, LLC. MACUGEN® is a registered trademark belonging to OSI Pharmaceuticals, Inc. SUSTIVA® is a registered trademark of Bristol-Myers Squibb Company. TAMIFLU® is a registered trademark belonging to F. Hoffmann-La Roche Ltd. FLOLAN® is a registered trademark of GlaxoSmithKline Inc. This report also includes other trademarks, service marks and trade names of other companies.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
GILEAD SCIENCES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amounts)

	June 30, 2008 (unaudited)	December 31, 2007 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,119,599	\$ 968,086
Short-term marketable securities	228,122	203,892
Accounts receivable, net	1,021,369	795,127
Inventories	856,287	599,966
Deferred tax assets	133,482	152,533
Prepaid taxes	195,324	216,909
Other current assets	115,194	91,779
Total current assets	3,669,377	3,028,292
Property, plant and equipment, net	493,012	447,696
Noncurrent portion of prepaid royalties	275,388	290,742
Noncurrent deferred tax assets	306,290	297,359
Long-term marketable securities	1,560,631	1,550,444
Other noncurrent assets	212,719	220,183
Total assets	\$ 6,517,417	\$ 5,834,716
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 606,245	\$ 290,333
Accrued government rebates	123,092	115,495
Accrued compensation and employee benefits	88,715	90,553
Income taxes payable	32,725	
Other accrued liabilities	258,131	208,861
Deferred revenues	38,764	30,747
Current portion of other long-term obligations	3,662	286
Convertible senior notes	1,300,000	
Total current liabilities	2,451,334	736,275
Long-term deferred revenues	58,224	61,316
Convertible senior notes		1,300,000
Long-term income taxes payable	116,086	125,232
Other long-term obligations	26,453	11,604
Minority interest	93,095	140,299
Commitments and contingencies		
Stockholders equity:		
Preferred stock, par value \$0.001 per share; 5,000 shares authorized; none outstanding		
Common stock, par value \$0.001 per share; 2,800,000 shares authorized; 922,619 and 932,484 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	923	932

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Additional paid-in capital	3,505,878	3,214,341
Accumulated other comprehensive loss	(11)	(4,363)
Retained earnings	265,435	249,080
Total stockholders' equity	3,772,225	3,459,990
Total liabilities and stockholders' equity	\$ 6,517,417	\$ 5,834,716

- (1) The condensed consolidated balance sheet at December 31, 2007 has been derived from audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See accompanying notes.

Table of Contents**GILEAD SCIENCES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Product sales	\$ 1,217,216	\$ 905,058	\$ 2,358,522	\$ 1,745,283
Royalty revenues	50,608	135,747	160,060	316,209
Contract and other revenues	10,301	7,284	17,695	15,027
Total revenues	1,278,125	1,048,089	2,536,277	2,076,519
Costs and expenses:				
Cost of goods sold	265,684	183,131	505,532	354,769
Research and development	176,542	135,931	331,843	266,021
Selling, general and administrative	219,533	186,179	414,490	352,737
Purchased in-process research and development	10,851		10,851	
Total costs and expenses	672,610	505,241	1,262,716	973,527
Income from operations	605,515	542,848	1,273,561	1,102,992
Interest and other income, net	14,026	27,689	36,726	50,793
Interest expense	(3,174)	(2,707)	(6,279)	(7,254)
Minority interest	2,160	2,401	4,035	4,554
Income before provision for income taxes	618,527	570,231	1,308,043	1,151,085
Provision for income taxes	175,699	162,301	369,088	335,748
Net income	\$ 442,828	\$ 407,930	\$ 938,955	\$ 815,337
Net income per share basic	\$ 0.48	\$ 0.44	\$ 1.01	\$ 0.88
Shares used in per share calculation basic	922,796	931,677	925,455	929,322
Net income per share diluted	\$ 0.46	\$ 0.42	\$ 0.97	\$ 0.85
Shares used in per share calculation diluted	965,663	967,928	966,087	964,614

See accompanying notes.

Table of Contents**GILEAD SCIENCES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

(in thousands)

	Six Months Ended June 30,	
	2008	2007
Operating Activities:		
Net income	\$ 938,955	\$ 815,337
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,781	15,971
Amortization	17,188	10,311
Purchased in-process research and development expense	10,851	
Stock-based compensation expense	73,011	105,101
Excess tax benefits from stock-based compensation	(120,595)	(68,861)
Tax benefits from employee stock plans	129,372	81,706
Deferred income taxes	10,120	39,804
Other non-cash transactions	33,247	5,198
Changes in operating assets and liabilities:		
Accounts receivable, net	(183,951)	(115,322)
Inventories	(254,380)	(6,088)
Prepaid expenses and other assets	3,005	(19,506)
Accounts payable	314,499	(101,783)
Income taxes payable	23,579	112,778
Accrued liabilities	22,974	58,368
Deferred revenues	4,925	6,057
Minority interest	(43,169)	63,143
Net cash provided by operating activities	1,003,412	1,002,214
Investing Activities:		
Purchases of marketable securities	(1,307,600)	(1,680,889)
Proceeds from sales of marketable securities	1,205,699	865,326
Proceeds from maturities of marketable securities	52,300	90,640
Acquisition of assets from Navitas	(6,768)	
Capital expenditures and other	(41,947)	(46,830)
Net cash used in investing activities	(98,316)	(771,753)
Financing Activities:		
Proceeds from issuances of common stock	135,564	148,487
Repurchases of common stock	(965,989)	(454,888)
Repayments of long-term debt and other obligations	(193)	(99,248)
Excess tax benefits from stock-based compensation		