

Gilead 1Q profit tumbles on slower hepatitis C drug sales

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In this July 9, 2015, file photo, a man walks outside the headquarters of Gilead Sciences in Foster City, Calif. Gilead Sciences reports financial results on Thursday, April 28, 2016. (AP Photo/Eric Risberg, File)

Gilead Science Inc.'s earnings tumbled more than 17 percent in the first quarter as steeper discounts and rebates on its blockbuster hepatitis C

drugs cut into sales.

The maker of Harvoni, the first once-daily, single-pill regimen for hepatitis C, said Thursday that sales of the best-selling drug fell 15 percent to \$3 billion in the quarter, with the biggest drop-off in the U.S. and Japan.

Gilead attributed the decline to discounts given to private insurers and higher rebates for patients in government-run health plans like Medicaid. Harvoni's decline was partially offset by higher sales for an older hepatitis C drug, Sovaldi, which grew to \$1.28 billion.

"This was a weak quarter for Gilead, in our view, as sales for hepatitis C treatments surprisingly missed expectations," said Edward Jones analyst Ashtyn Evans, in a note.

The company's profit slipped to \$2.53 per share, compared with \$2.76 in the prior-year period. Adjusted for one-time costs and events the company would have earned \$3.03 per share. That was below the average forecast of Wall Street analysts looking for earnings of \$3.12 per share, according to Zacks Investment research.

Gilead, based in Foster City, California, has grown into one of the world's biggest drugmakers thanks to its breakthrough treatments for hepatitis C, a liver-destroying virus estimated to affect some 185 million people worldwide.

However, use of the drugs has been slowing in the U.S., where many of the patients who are eligible and have insurance coverage have already received them. Unlike many pricey drugs that have to be taken continuously, Gilead's drugs usually eliminate the virus after one round of therapy.

Additionally, many private insurance plans and government health programs have been limiting which patients they will cover the drugs for, often waiting until the patients have suffered significant liver damage.

Gilead has become an unwilling poster-child for high drug prices, due to the staggering list prices for the hepatitis drugs: about \$94,000 for Harvoni and \$84,000 for Sovaldi. Insurers in the U.S. have demanded steep discounts—as much as 45 percent—to cover the two drugs, but their prices are straining budgets from the Veterans Affairs system to state Medicaid programs.

The company has a huge cash hoard, with about \$21 billion in cash and marketable securities on hand. Analysts and investors are expecting Gilead to use some of that to make deals to add to its pipeline.

For the period ended March 31, Gilead's revenue rose 4 percent to \$7.79 billion, missing Wall Street forecasts for \$8.13 billion.

Gilead sells the top-selling HIV treatments Truvada, Viread and Stribild, among others. Sales of those drugs continued to climb. The company reported \$150 million for a single-tablet HIV combination called Genvoya, which launched in November.

In recent years, Gilead has diversified its research pipeline into other disease areas. It now has three cancer drugs, one for heart disease and one for ulcerative colitis, in late-stage testing, usually the last stage before seeking regulatory approval

Gilead maintained its full-year earnings outlook of \$1.10 to \$1.16 per share, with revenue in the range of \$30 billion to \$31 billion.

The company's shares have fallen 3 percent since the beginning of the year, while the Standard & Poor's 500 index has risen slightly more than

1.5 percent. The stock closed regular trading at \$97 and shed 5.5 percent in after-hours trading, to \$91.60.

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