GlaxoSmithKline plc (GSK)

$41.80 (As of 04/16/20)

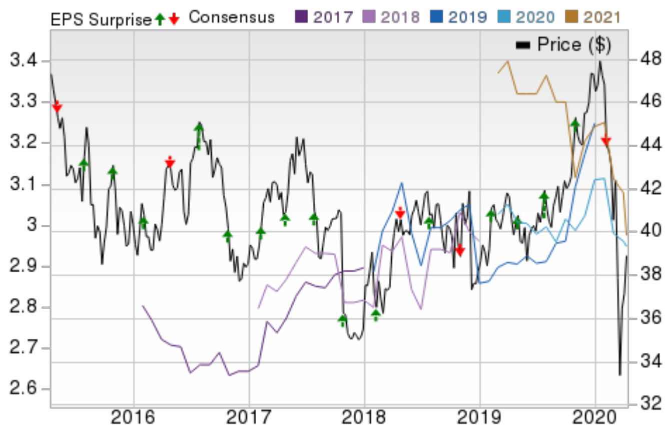
Price Target (6-12 Months): **$44.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/11/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: B | Growth: C | Momentum: D	

Summary

Glaxo's three newest products, Trelegy Ellipta, Shingrix and Juluca, are doing well, particularly Shingrix. These products coupled with restructuring in the Consumer Health unit have strengthened Glaxo's competitive position. We are encouraged by the company's initiatives to focus on its oncology pipeline. In 2020, Glaxo expects at least six potential approvals in oncology, HIV and respiratory. However, pricing pressure and competitive dynamics are hampering sales of Glaxo's respiratory products. Also, competitive pressure on HIV drugs has risen. Its shares have unperformed the industry this year so far. Estimates have gone down ahead of the Q1 earnings release due to the uncertainty related to the coronavirus. Glaxo has a mixed record of earnings surprises in recent quarters.

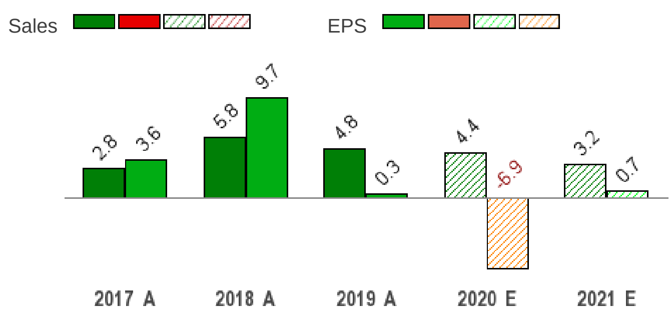
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$48.25 - $31.43**
20 Day Average Volume (sh)	**4,968,901**
Market Cap	**$104.3 B**
YTD Price Change	**-11.1%**
Beta	**0.70**
Dividend / Div Yld	**$2.24 / 5.4%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 9% (24 out of 253)**
Last EPS Surprise	**-5.9%**
Last Sales Surprise	**-2.6%**
EPS F1 Est- 4 week change	**-0.5%**
Expected Report Date	**05/06/2020**
Earnings ESP	**1.9%**
P/E TTM	**13.2**
P/E F1	**14.2**
PEG F1	**2.0**
P/S TTM	**2.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					46,439 E
2020	11,042 E	10,852 E	11,636 E	11,387 E	44,998 E
2019	9,977 A	10,037 A	11,570 A	11,462 A	43,102 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					$2.97 E
2020	$0.78 E	$0.69 E	$0.73 E	$0.62 E	$2.95 E
2019	$0.79 A	$0.78 A	$0.95 A	$0.64 A	$3.17 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/16/2020. The reports text is as of 04/17/2020.

Overview

Glaxo has three core businesses – Pharmaceuticals (respiratory, HIV, immuno-inflammation and oncology), Vaccines (meningitis, shingles and influenza vaccines) and Consumer Healthcare (oral health, wellness, skin health and nutrition products).

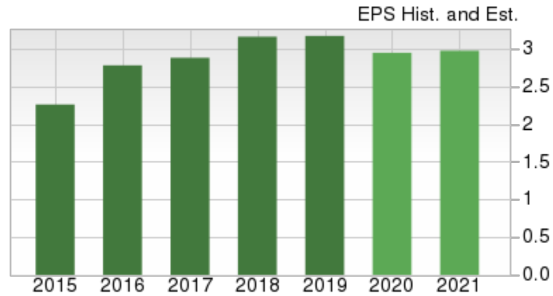
In December 2018, Glaxo and Pfizer announced an agreement to merge their consumer healthcare unit into a new joint venture (JV). The transaction closed on Aug 1, 2019. Glaxo owns a controlling stake of 68% in the JV.

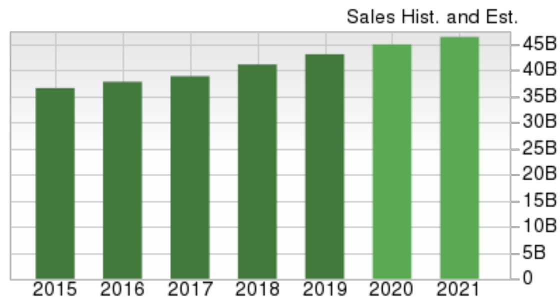
Glaxo plans to split itself into two standalone companies. The new Glaxo will be a biopharma company focusing on developing new treatments. Glaxo intends to separate its Consumer Healthcare segment into a standalone company in 2022.

Glaxo is also divesting non-core assets. In 2015, Glaxo divested two quadrivalent meningitis ACWY vaccines – Nimenrix and Mencevax – to Pfizer, a portfolio of over-the-counter brands to Perrigo, and all its remaining rights to Arzerra for auto-immune indications including multiple sclerosis to Novartis. In January 2019, Glaxo acquired Tesaro, an oncology focused biotech company, which added the PARP inhibitor Zejula (approved for ovarian cancer) to its portfolio

The Pharmaceuticals, Vaccines and Consumer Healthcare segments contributed approximately 52%, 21% and 27%, respectively, to revenues in 2019. Total sales in 2019 were £33.75 billion ($43.2 billion).

The company is headquartered in Brentford, UK.





Reasons To Buy:

▲ **Diversified Product Portfolio and Expansion in International Markets:** The company's diversified base and presence in different geographical areas should help support revenues. Expansion into markets like Japan and emerging markets should provide new opportunities for growth. The company has made significant progress in expanding its presence in emerging markets by acquiring product portfolios from companies like Bristol-Myers and UCB.

Glaxo's three new products, Trelegy Ellipta, Shingrix and Juluca, are doing well, particularly Shingrix. These products coupled with restructuring in the Consumer Health unit have strengthened competitive position

▲ **Successful New Product Launches:** Glaxo's relatively newer products like Nucala (severe eosinophilic asthma) and Bexsero (meningitis vaccine) are doing well and represent significant commercial opportunity.

In 2017, Glaxo received approvals for three key new drugs, Shingrix vaccine for shingles, which enjoys preferential recommendation from ACIP; Trelegy Ellipta, which provides three medicines in a single inhaler to treat COPD and Juluca (dolutegravir and rilpivirine), first 2-drug regimen, once-daily, single pill for HIV. All the three products witnessed considerable success in 2018 and 2019, particularly Shingrix.

▲ **Strong Pipeline:** Glaxo is focused on oncology, immuno-inflammation, HIV and respiratory therapeutic areas. Promising candidates in late-stage development include fostemsavir (heavily pre-treated HIV — under review in the United States and EU), belantamab mafatotin (fourth-line multiple myeloma — under review in United States and EU), otilimab (rheumatoid arthritis - phase III), dostarlimab (second-line endometrial cancer — under review in the United States), gepotidacin (uncomplicated urinary tract infection and urogenital gonorrhoea — phase III), ICOS agonist (head and neck squamous cell cancer – phase II/III) and daprodustat (anaemia associated with chronic renal disease – phase III). In April, Glaxo gained FDA approval for Dovato, a single tablet regimen of Tivicay (dolutegravir) + lamivudine for treatment-naïve HIV patients while it was approved in the EU in July. The new HIV medicine is off to a strong start in both the United States and the EU.

Glaxo has had major positive data read-outs on multiple new medicines in HIV, oncology, immuno-inflammation and respiratory in 2019 with proof-of-concept readouts on several key pipeline assets scheduled for 2020. Glaxo expects at least six potential approvals in oncology, HIV, specialty and respiratory in 2020.

The successful development and commercialization of the pipeline candidates should boost the company's top line. Glaxo is also working on expanding the label of marketed products into additional indications like Nucala for nasal polyps (phase III), COPD (phase III) and hypereosinophilic syndrome (regulatory submissions to be filed in 2020), Benlysta for lupus nephritis (regulatory submissions to be filed in first half of 2020) and Trelegy Ellipta for asthma (under review in the United States and EU)

▲ **Focus on Oncology:** Glaxo has made significant progress in its oncology pipeline and doubled its assets in development since early 2018. This has been achieved through advancement of internal programs as well as targeted business development including the January 2019 acquisition of Tesaro and the February 2019 global alliance with Merck KGaA (to co-develop bintrafusp alpha/M7824, a promising new oncology medicine).

Meanwhile, Glaxo now has a number of molecules with diverse mechanisms of action, providing an opportunity for many innovative cancer combinations. It divested its non-core Consumer Healthcare (CHC) nutrition business to Unilever and has formed a new CHC joint venture with Pfizer to focus on its pharmaceuticals business, particularly oncology.

Zejula, the ovarian cancer drug Glaxo acquired from the Tesaro acquisition was approved for the treatment of late-stage ovarian cancer in October 2019. Meanwhile, a regulatory application seeking approval of Zejula in first-line maintenance therapy of women with platinum responsive ovarian cancer based on the results of the PRIMA study is under review with the FDA. Meanwhile, Zejula is being evaluated for additional ovarian cancer stages as well as for non-small cell lung cancer and breast cancer.

▲ **Renewed Cost Saving Initiatives:** In July 2018, Glaxo announced a new restructuring program, which delivered approximately £4.2 billion of annual savings primarily through supply chain optimization and reductions in administrative costs. The program, together with cost savings from the TESARO buyout and CHC JV with Pfizer, is expected to generate total annual savings of £4.3 billion by 2020.

The costs saved will be invested to support new product launches, strengthen the R&D pipeline and to help mitigate pricing pressure on margins.

Meanwhile, the company's separation program is expected to generate £700 million of annual savings by 2022.

Reasons To Sell:

A generic version of its top-selling drug Advair has been launched, which is significantly eroding Advair's sales as well as hurting the overall top-line.

- **Shares Underperforming Industry:** This year so far, Glaxo's share price declined 11.0%, underperforming the industry's decrease of 4.5% in the same period.

- **Pharma Unit Soft:** Glaxo's pharmaceutical segment sales were relatively weak in 2019, remaining flat at constant exchange rates. In the Respiratory drugs unit, though sales of relatively newer drugs like Trelegy Ellipta and Nucala rose, those of Relvar/Breo Ellipta declined 13% due to lower sales in the United States. Persistent competitive and pricing pressure, particularly for ICS/LABA class of medicines, hurt U.S. sales of Relvar/Breo Ellipta, which declined 37% in the year. The competitive pressure on the ICS/LABA class of medicines in the United States has intensified with the launch of generic Advair. The pricing pressure is expected to continue in 2020.

  Also, competitive pressure on Glaxo's HIV drugs has risen. Rising competitive pressure coupled with shift within its portfolio toward two-drug regimens is hurting sales of Glaxo's HIV business. Sales rose only 1% in 2019 and are expected to be broadly flat in 2020.

  Overall, Glaxo's Pharmaceutical segment sales are expected to decline in 2020, excluding divestments, as the growth of new products will be offset by a decline in Established Pharmaceuticals due to generic erosion. Glaxo's Established Pharmaceuticals business is expected to decline in mid-to-high single-digit range in 2020.

- **Generic Competition for Key Products:** Glaxo's top line is under significant pressure due to generic competition faced by key products. Products like Lovaza and Avodart are facing declining sales due to intense generic competition. HIV drug, Epzicom is facing generic competition in most major markets. Sales of Advair, which generated 14% of Glaxo's Pharmaceuticals revenues in 2018, are eroding rapidly as a generic version of the drug was launched in the United States in February 2019. The drug's sales were already being adversely impacted by pricing and competitive pressure in the United States and generic competition in Europe. Advair sales declined 13% in 2016, 14% in 2017 and 21% in 2018. Sales of Advair declined 29% in 2019, significantly affecting Glaxo's overall top-line performance in the year.

- **Pipeline Setbacks:** Although Glaxo has several pipeline candidates in different stages of development, the company has had its share of pipeline/regulatory setbacks. Major setbacks include disappointing top-line phase III data on chronic coronary heart disease candidate, darapladib; Duchenne muscular dystrophy candidate, Kyndrisa (drisapersen), failing to meet the primary endpoint in a phase III study; disappointing phase III data on its Crohn's disease candidate, vercirnon and cardiovascular candidate, losmapimod, failing to achieve the primary endpoint in a phase III study.

  Among the more recent pipeline setbacks, in September 2018, Glaxo received a complete response letter (CRL) from the FDA for its regulatory filing looking for label expansion of Nucala for the COPD indication.

- **Intense Competition:** In addition to facing generic competition, most of Glaxo's products are up against significant competition from small as well as large pharmaceutical companies. Advair is facing stiff competition in the COPD and asthma market from AstraZeneca's and Merck's respiratory disease drugs. Glaxo's Consumer Healthcare segment faces competition from big companies like Colgate-Palmolive, Johnson & Johnson, Procter & Gamble and Pfizer. Glaxo's Consumer Healthcare business has been affected by certain supply interruptions. In addition, there are many small companies that compete with Glaxo in certain markets. Loss of market share due to intense competition will severely impact Glaxo's top line.

  In the respiratory market, the launch of AstraZeneca's Fasenra and Sanofi's Dupixent has raised competitive pressure for Nucala, which has begun to hurt sales growth of this key new drug in Glaxo's portfolio. Meanwhile, continued competitive and pricing pressure is hurting sales of Glaxo's ICS/LABA class of medicines.

Last Earnings Report

Glaxo Lags Q4 Earnings & Revenue Estimates

Quarter Ending	12/2019
Report Date	Feb 05, 2020
Sales Surprise	-2.59%
EPS Surprise	-5.88%
Quarterly EPS	0.64
Annual EPS (TTM)	3.16

Glaxo reported fourth-quarter 2019 adjusted earnings of 64 cents per American depositary share, which missed the Zacks Consensus Estimate of 68 cents. Adjusted earnings were down 21% reportedly and 16% at constant exchange rate ("CER") year over year due to an increased non-controlling interest allocation of Consumer Healthcare profits due to the creation of the Pfizer JV, which offset the benefit of a lower tax rate.

Quarterly revenues rose 9% on a reported basis and 11% at CER to $11.46 billion (£8.9 billion), driven by strong performance in Vaccines and acquisition of the Pfizer consumer healthcare business. However, the top line missed the Zacks Consensus Estimate of $11.77 billion. Further, on a pro-forma basis, excluding the impact of the acquired Pfizer consumer healthcare business, sales rose 2% at CER.

All growth rates mentioned below are on a year-on-year basis and at CER.

Quarterly Highlights

Glaxo reports results under three segments: Pharmaceuticals, Vaccines and Consumer Healthcare.

Pharmaceuticals division sales were down 4% at CER as Respiratory segment growth was offset by sales decline at Established Pharmaceuticals segment. Sales in the United States were down 6%. Sales in European markets were down 3% at CER while it remained flat in international markets.

HIV sales remained flat year over year at CER as growth in sales of Juluca and contribution from Dovato was offset by decline in sales of Tivicay. Sales of dolutegravir franchise were up 2%, while sales from remaining drugs, comprising 4% of HIV portfolio, declined 30% at CER.

The dolutegravir franchise comprises two three-drug regimens, namely Triumeq and Tivicay and two two-drug regimens that are Juluca and Dovato. Dovato was launched in the United States during April and in Europe in third-quarter 2019. The growth in sales of Juluca and Dovato in the fourth quarter was partially offset by decline in sales of Triumeq and Tivicay due to transition of patients from three-drug regimens to two-drug regimens.

Juluca generated sales of £111 million compared with £101 million in the previous quarter. Dovato generated sales of £33 million compared with £23 million in the previous quarter

While U.S. sales of HIV products rose 1%, international sales increased 5% at CER. Sales declined 4% in Europe. Sales of dolutegravir products rose 2% in the United States while the same grew 11% in international markets. Sales of dolutegravir products declined 1% in Europe.
In 2020, Glaxo expects HIV revenues to be broadly flat.

Respiratory sales now comprise only new respiratory drugs, namely Ellipta portfolio and Nucala with Advair and all other older respiratory products being moved to the Established Pharmaceuticals portfolio starting the first quarter of 2019. Sales of new respiratory drugs rose 9% at CER driven by increase in sales of Trelegy Ellipta and Nucala. Sales of new respiratory drugs increased 22% each in Europe and International markets. In the United States, sales of new respiratory drugs increased 1% as higher demand for Trelegy Ellipta and Nucala made up for decline in Relvar/Breo Ellipta sales.

Nucala sales were up 28% at CER during the quarter. Sales of Nucala grew 24% and 32% in the United States and Europe, respectively. In the International markets, sales of Nucala increased 36%.

Sales of Ellipta products rose 4% in the quarter. Trelegy Ellipta generated sales of £172 million, benefiting from share gains after an expanded U.S. label compared with £139 million in the previous quarter. However, despite higher sales in Europe and other international markets, Relvar/Breo Ellipta sales decreased 19% due to lower sales in the United States. Persistent competitive and pricing pressure, particularly for ICS/LABA class of medicines, hurt U.S. sales of Relvar/Breo Ellipta, which declined 41%. The competitive pressure on the ICS/LABA class of medicines in the United States has intensified with the launch of generic Advair. The pricing pressure is expected to continue in 2020. However, sales of Relvar/Breo Ellipta increased 6% and 14% in European and international markets, respectively.

Immuno-inflammation drugs like Benlysta rose 24% in the quarter, with U.S. sales growing 25%. The subcutaneous formulation generated sales of £79 million in the quarter.

Oncology sales comprising sales of Zejula were £66 million compared with £64 million in the previous quarter. The sales included £37 million in the United States and £29 million in Europe.

Sales of Established Pharmaceuticals declined 14% due to lower sales of Advair, partially offset by strong uptake of authorized generic version of Ventolin. Seretide/Advair lost 64% of U.S. sales year over year due to generic competition. In Europe, Seretide sales declined 18%. International Seretide sales slid 4%. Sales of Ventolin were up 8% during the quarter benefiting from the strong adoption of an authorized generic version launched in 2019. The rest of the Established Pharmaceuticals portfolio declined 12% in the quarter.

Glaxo's Pharmaceutical segment sales are expected to decline slightly in 2020, excluding divestments, as the growth of new products will be offset by a decline in Established Pharmaceuticals. Shingrix will continue to be a key growth driver. Glaxo's Established Pharmaceuticals business is expected to decline in mid-to-high single-digit range in 2020.

Sales in the **Consumer Healthcare** segment increased 37% at CER, primarily driven by Pfizer's legacy brands. Fourth-quarter sales of this segment include the first full quarter of legacy Pfizer brand sales, added after the creation of the JV. Sales of Wellness, Oral health and Skin health categories increased 31%, 7% and 32%, respectively, in the quarter. Nutrition sales more than doubled in the fourth quarter.

On a pro-forma basis, sales in the Consumer Health segment were flat at CER as strong performance at Oral health was offset by declines in other categories. Pro-forma growth was negatively impacted by approximately one percentage point due to divestments and the phasing out of low-margin contract manufacturing.

On the conference call, management stated that the divestment of the Indian nutrition business to Hindustan Unilever is progressing. The divestiture is expected to close in the first quarter of 2020, subject to the receipt of regulatory approvals.
The company may revise the category structure for this segment's report from the first quarter of 2020.

Sales from the **Vaccines** segment were impressive, up 21% at CER, primarily driven by strong growth of new shingles vaccine, Shingrix and impressive performance of meningitis vaccines, partially offset by decline in sales of influenza vaccines

Geographically, sales rose 40% in the United States. In Europe, vaccine sales declined 4% while the same rose 14% in the international markets.

Shingrix sales more than doubled to £532 million in the reported quarter, driven by strong uptake in the United States. The vaccine also witnessed solid demand in Germany and Canada. Glaxo plans to launch Shingrix in China in 2020.

However, the company stated on its earnings release that it has limited opportunity for further growth in supply capacity for Shingrix beyond 2020, until it brings a new capacity online, which is expected in 2024.

In the meningitis portfolio, Bexsero sales rose 5%. Sales of another meningitis vaccine, Menveo were up 57% due to higher demand in international markets. Sales of influenza vaccine declined 26% in the quarter primarily due to the impact of favorable U.S. phasing in the third quarter. Established vaccine sales rose 2%.

In 2019, Glaxo divested its travel vaccines Rabipur and Encepur, which is expected to slight hurt sales in 2020.

Profit Discussion

Adjusted operating profit declined 11% in the period to £1.85 billion. On a pro-forma basis, adjusted operating profit was down 17%. Adjusted operating margin declined 520 bps in the quarter at CER to 20.8%, primarily due to the impact of generic competition to Advair in the United States and higher R&D & SG&A costs. This offset the benefit from higher sales, a favorable mix in Vaccines and cost control.

Selling, general and administration (SG&A) costs increased 23% (11% on pro-forma basis) year over year to £2.8 billion. The rise in SG&A costs was driven by increased commercial activities to support launches and costs related to the acquisition of TESARO, partly offset by cost-saving initiatives.

Research and development (R&D) expenses were up 16% (13% on pro-forma basis) to £1.16 billion, reflecting increased investments to support progress of clinical studies, especially those on Zejula. Glaxo has 39 new medicines, including 15 vaccines, in different development stages.

2020 Guidance

Glaxo provided guidance for adjusted earnings in 2020. It currently expects adjusted EPS to decline 1% to 4% at CER, year over year, in 2020. The guidance excludes the potential impact of any future divestments as well the coronavirus outbreak.

Split Into Two Companies

Glaxo initiated a two-year program to split itself into two standalone companies. The new Glaxo will be a biopharma company focusing on developing new treatments. Glaxo intends to separate its Consumer Healthcare segment into a standalone company in 2022.

The separation program is expected to generate £700 million of annual savings by 2022.

Recent News

Collaborates With Sanofi to Make Adjuvanted COVID-19 Vaccine – Apr 14

Glaxo and Sanofi signed a letter of intent to combine their innovative technologies to develop an adjuvanted COVID-19 vaccine. The vaccine candidate is expected to enter clinical studies in the second half of 2020. The vaccine, if successfully developed, will be available in the second half of 2021.

To make the vaccine, Sanofi will contribute the S-protein COVID-19 antigen developed using its recombinant DNA technology, which has helped produce an exact genetic match to proteins found on the surface of the virus.

Meanwhile, Glaxo will provide its proven pandemic adjuvant technology for the development of the coronavirus vaccine candidate. This technology may reduce the amount of vaccine protein required per dose, which, in turn, will allow more vaccine doses to be produced.

Proven technologies of these leading companies may lead to a better and scalable coronavirus vaccine, which is the need of the hour

To Buy Stake in Vir Biotech, Signs Coronavirus Deal – Apr 6

Glaxo and Vir Biotechnology signed a binding agreement to enter into a collaboration to develop antibody treatments for coronaviruses including SARS-CoV-2, the virus that caused the novel coronavirus disease, COVID-19. In addition, Glaxo will make an equity investment of $250 million in Vir's stock to gain rights to the latter's unique antibody platform technology

Vir Biotechnology has identified several specific antibody candidates using its proprietary monoclonal antibody platform technology. These include VIR-7831 and VIR-7832 antibodies that have demonstrated high affinity for the SARS-CoV-2 spike protein and can bind the virus and potentially treat COVID-19. Per the deal, Vir's proprietary technology will be combined with Glaxo's expertise in functional genomics to accelerate these promising antibody candidates directly into phase II clinical trials within the next three to five months, subject to regulatory review.
The companies will also work to find new anti-viral antibodies that could be developed into potential treatments for COVID-19 as well as research on SARS-CoV-2 and other coronavirus vaccines.

Nasal Polyps Study on Nucala Meets Primary Endpoints – Apr 3

Glaxo announced positive data from a pivotal phase III study, which evaluated its asthma drug Nucala (mepolizumab) for the treatment of patients with chronic rhinosinusitis with nasal polyps (CRSwNP).

A chronic inflammatory disease, CRSwNP leads to growth of soft tissue known as nasal polyps in the upper nasal cavities, causing nasal obstruction, loss of smell, facial pain and other problems. The SYNAPSE phase III study compared liquid formulation of Nucala added to standard of care (SOC) compared to placebo plus SOC in CRSwNP patients, all of whom had a history of previous surgery and required further surgery due to severe symptoms and increased size of their polyps. Data from the study showed that Nucala can reduce symptoms and need for surgery in such patients. The study met both its co-primary endpoints. The data showed that the Nucala arm led to statistically significant improvement in both the size of nasal polyps at week 52 and in nasal obstruction during weeks 49-52 compared to the placebo arm.

Based on the favorable pivotal study data, Glaxo expects to file regulatory submissions seeking approval of Nucala for the CRSwNP indication this year.

Completes Divesture of Horlicks – Apr 1

Glaxo announced that it has completed the previously announced divesture of Horlicks and other Consumer Healthcare nutrition products in India and certain other markets to Unilever following the receipt of necessary legal and regulatory approvals.. Meanwhile the merger of its the merger of its Indian listed entity, GlaxoSmithKline Consumer Healthcare Limited (GSK India) and Hindustan Unilever Limited was also completed.

Long-Acting HIV Regimen Cabenuva Gets Canada's Nod – Mar 20

Glaxo's HIV subsidiary, ViiV Healthcare announced that regulatory authorities in Canada have granted approval to its long-acting injectable regimen of cabotegravir and Edurant (rilpivirine) for the treatment of HIV-1 infection in virologically suppressed adults. The regimen will be marketed by the trade name of Cabenuva. Meanwhile, Health Canada also simultaneously approved Vocabria, cabotegravir oral tablets for short-term treatment in conjunction with Cabenuva. These are the first regulatory approvals for Cabenuva and Vocabria in any country. The approval of CABENUVA is based on data from the pivotal phase III ATLAS and FLAIR studies.

Valuation

Glaxo's shares are down 11% in the year-to-date period but up 4.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 4.5% and 8.1%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry are up 10.1% while that in the sector are down 0.3%.

The S&P 500 Index is down 13.6% in the year-to-date period and 4.6% in the past year.

The stock is currently trading at 13.96X forward 12-month earnings per share, which compares with 14.33X for the Zacks sub-industry, 20.43X for the Zacks sector and 18.65X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.49X and as low as 12.25X, with a 5-year median of 14.56X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $44.00 price target reflects 14.7X forward 12-month earnings per share.

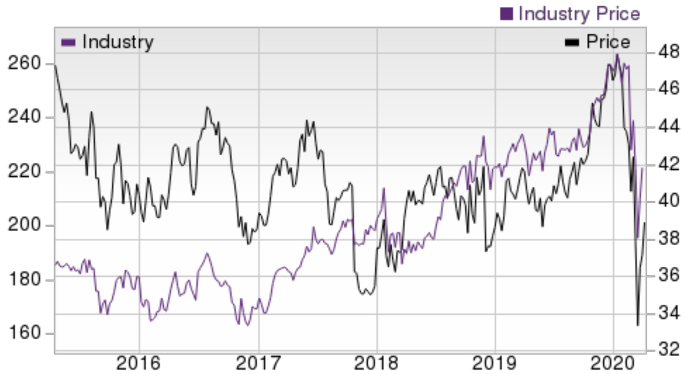
The table below shows summary valuation data for GSK

Valuation Multiples - GSK

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.96	14.33	20.43	18.65
	5-Year High	17.49	18.12	21.07	19.34
	5-Year Low	12.25	13.04	15.81	15.19
	5-Year Median	14.56	15.38	18.81	17.45
P/S F12M	Current	2.3	4.47	2.59	3.09
	5-Year High	3.03	4.83	3.84	3.44
	5-Year Low	2.09	3.92	2.25	2.54
	5-Year Median	2.53	4.39	2.96	3.01
P/B TTM	Current	4.45	5.11	3.54	3.69
	5-Year High	27.53	7.19	5.04	4.54
	5-Year Low	4.03	3.8	3.01	2.9
	5-Year Median	17.12	5.2	4.29	3.64

As of 4/16/2020

Industry Analysis **Zacks Industry Rank:** Top 9% (24 out of 253)



Top Peers

AstraZeneca PLC **(AZN)**	Neutral
Bristol-Myers Squibb Company **(BMY)**	Neutral
Gilead Sciences, Inc. **(GILD)**	Neutral
Johnson & Johnson **(JNJ)**	Neutral
Merck & Co., Inc. **(MRK)**	Neutral
Novartis AG **(NVS)**	Neutral
Pfizer Inc. **(PFE)**	Neutral
Roche Holding AG **(RHHBY)**	Neutral

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	GSK Neutral	X Industry	S&P 500	JNJ Neutral	PFE Neutral	RHHBY Neutral
VGM Score	C	-	-	C	D	A
Market Cap	104.30 B	134.46 B	19.06 B	394.58 B	199.05 B	286.20 B
# of Analysts	6	3	14	9	5	4
Dividend Yield	5.35%	2.54%	2.26%	2.54%	4.24%	1.72%
Value Score	B	-	-	C	B	B
Cash/Price	0.07	0.06	0.06	0.05	0.05	0.04
EV/EBITDA	10.57	13.02	11.49	16.30	9.50	13.02
PEG Ratio	2.01	1.91	2.09	3.20	3.00	2.65
Price/Book (P/B)	4.45	4.09	2.55	6.62	3.13	7.93
Price/Cash Flow (P/CF)	9.65	11.22	10.06	12.99	8.73	13.08
P/E (F1)	14.17	14.64	17.56	19.53	13.30	15.76
Price/Sales (P/S)	2.42	4.36	1.94	4.77	3.85	NA
Earnings Yield	7.06%	6.83%	5.57%	5.12%	7.53%	6.34%
Debt/Equity	1.29	0.57	0.70	0.45	0.57	0.35
Cash Flow ($/share)	4.33	4.33	7.01	11.52	4.11	3.20
Growth Score	C	-	-	B	F	A
Hist. EPS Growth (3-5 yrs)	6.31%	8.34%	10.92%	9.27%	8.48%	NA
Proj. EPS Growth (F1/F0)	-7.04%	8.17%	-3.36%	-11.70%	-8.54%	4.43%
Curr. Cash Flow Growth	4.83%	4.27%	5.93%	3.68%	-6.57%	11.61%
Hist. Cash Flow Growth (3-5 yrs)	1.08%	7.62%	8.55%	7.62%	2.54%	9.89%
Current Ratio	0.81	1.26	1.24	1.26	0.88	1.30
Debt/Capital	56.24%	39.95%	42.78%	30.82%	36.17%	26.10%
Net Margin	13.72%	22.35%	11.64%	24.47%	31.44%	NA
Return on Equity	57.93%	32.05%	16.74%	40.01%	27.01%	NA
Sales/Assets	0.47	0.49	0.54	0.53	0.32	NA
Proj. Sales Growth (F1/F0)	4.54%	5.72%	-0.14%	-3.13%	-12.32%	8.53%
Momentum Score	D	-	-	F	C	B
Daily Price Chg	4.97%	1.36%	-0.20%	1.36%	-0.25%	4.24%
1 Week Price Chg	4.68%	5.20%	16.01%	5.26%	5.20%	-3.33%
4 Week Price Chg	24.18%	17.35%	14.56%	17.80%	17.95%	7.29%
12 Week Price Chg	-12.59%	-7.00%	-22.94%	0.77%	-11.86%	-1.42%
52 Week Price Chg	4.89%	11.67%	-15.02%	8.84%	-8.89%	27.84%
20 Day Average Volume	4,968,901	4,775,906	3,220,598	13,287,343	29,657,468	2,760,435
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-8.05%	-3.64%	0.00%
(F1) EPS Est 4 week change	-0.45%	-0.77%	-7.09%	-14.48%	-3.56%	-0.84%
(F1) EPS Est 12 week change	-5.86%	0.03%	-9.32%	-14.98%	2.98%	0.09%
(Q1) EPS Est Mthly Chg	-1.43%	-3.55%	-10.68%	-35.93%	-5.11%	NA

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Value Score	B
Growth Score	C
Momentum Score	D
VGM Score	C

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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