

## GlaxoSmithKline plc (GSK)

**\$43.55** (As of 02/18/20)

Price Target (6-12 Months): **\$46.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 03/11/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: B

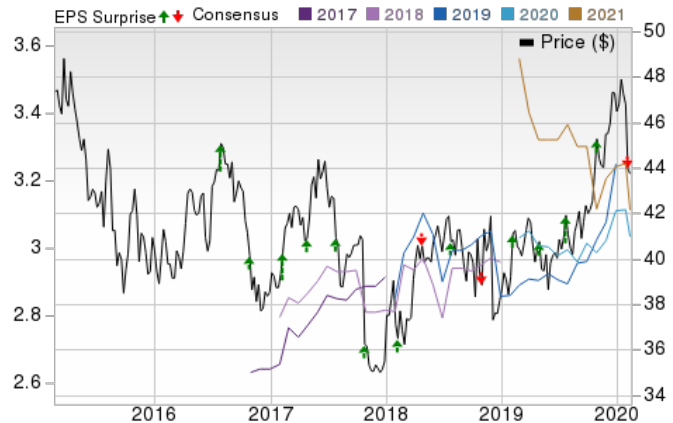
Growth: C

Momentum: B

### Summary

Glaxo's earnings and sales missed Q4 estimates. Its 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. Importantly, a generic version of its top-selling drug Advair has been launched, which is significantly eroding the drug's sales and hurting the overall top line. Also, competitive pressure on HIV drugs has risen. Its shares have underperformed the industry in the past year.

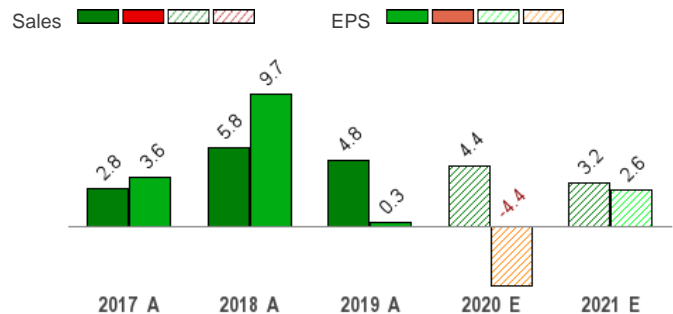
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$48.25 - \$38.43</b>
20 Day Average Volume (sh)	<b>3,689,379</b>
Market Cap	<b>\$108.7 B</b>
YTD Price Change	<b>-7.3%</b>
Beta	<b>0.71</b>
Dividend / Div Yld	<b>\$2.37 / 4.5%</b>
Industry	<b><a href="#">Large Cap Pharmaceuticals</a></b>
Zacks Industry Rank	<b>Top 30% (76 out of 255)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>-5.9%</b>
Last Sales Surprise	<b>-2.6%</b>
EPS F1 Est- 4 week change	<b>-4.9%</b>
Expected Report Date	<b>05/06/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>13.8</b>
P/E F1	<b>14.4</b>
PEG F1	<b>2.0</b>
P/S TTM	<b>2.5</b>

### 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					\$3.11 E
2020	\$0.81 E	\$0.70 E	\$0.73 E	\$0.62 E	\$3.03 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 02/18/2020. The reports text is as of 02/19/2020.

## Overview

GlaxoSmithKline reshaped its business following the Mar 2015 completion of the three-part, inter-conditional transaction with Novartis related to its Consumer Healthcare, Vaccines and Oncology businesses. Under the deal, Glaxo sold its oncology assets to Novartis and acquired Novartis' Vaccines business (excluding influenza vaccines). Additionally, the companies created a joint venture (JV), thereby combining their consumer divisions to form a larger consumer health care (CHC) business. However, in June 2018, Glaxo bought Novartis' 36.5% stake in their CHC JV for \$13 billion (£9.2 billion). 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.

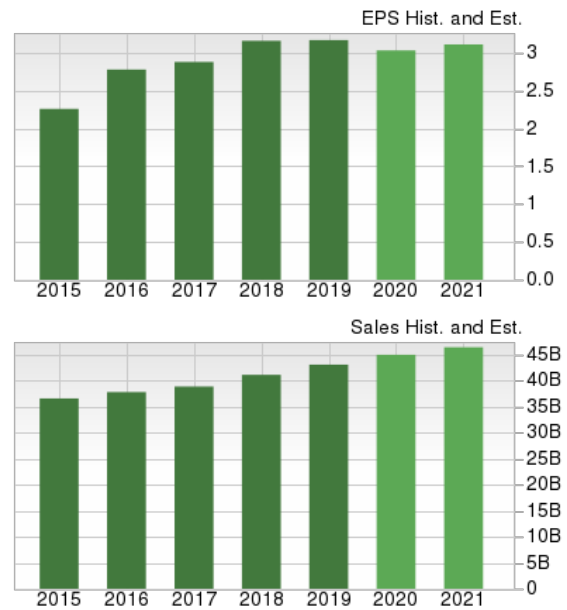
Glaxo has three core businesses – Pharmaceuticals (respiratory, HIV), Vaccines (meningitis, shingles and influenza vaccines) and Consumer Healthcare (oral health, wellness, skin health and nutrition products).

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.
- ▲ **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.

Glaxo's three newest products — Trelegy Ellipta, Shingrix and Juluca — are doing well. They coupled with buyout of Novartis' stake in the Consumer Healthcare JV have strengthened its competitive position.

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. The company has terminated or divested around 80 pipeline programs since 2017 as those showed less potential to succeed, allowing the company to focus more on the most promising assets.

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).

- ▲ **Focus on Oncology:** Glaxo has made a significant progress in its oncology pipeline recently and now has 16 assets in development, double from 8 as of July 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. Meanwhile, it is in the process of divesting 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 ovarian cancer as first-line maintenance treatment based on the results of the PRIMA study is under review with the FDA

- ▲ **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.

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## Reasons To Sell:

▼ **Shares Underperforming Industry:** In the past one year, though Glaxo's share price has risen 5.3%, it has underperformed the industry's increase of 9.2% 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.

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.

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, vercinon 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

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 Trumeq 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 Trumeq 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.

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

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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.

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## Recent News

### Signs Deal With CEPI to Make Vaccine to Fight Coronavirus – Feb 3

Glaxo announced a collaboration deal with Coalition for Epidemic Preparedness Innovations (CEPI) to make its established pandemic vaccine adjuvant platform technology accessible to the latter to develop a vaccine for the 2019-nCoV virus.

### Belantamab Mafodotin Application Accepted by EMA – Feb 3

Glaxo announced that the European Medicines Agency (EMA) accepted its marketing application seeking approval of belantamab mafodotin for the treatment of relapsed or refractory multiple myeloma. The application has been accepted for accelerated assessment by the EMA's Committee for Human Medicinal Products (CHMP). A biologics license application (BLA) for belantamab mafodotin is under priority review in the United States.

### Deal with Bill & Melinda Gates Foundation – Jan 27

Glaxo announced that it has out-licensed tuberculosis vaccine candidate, M72/AS01, to the Bill & Melinda Gates Medical Research Institute for continued development.

### FDA's Priority Review to Belantamab Mafodotin BLA – Jan 21

Glaxo announced that the FDA accepted and granted priority review to Glaxo's BLA, seeking approval for the 2.5 mg dose of belantamab mafodotin in patients with heavily pre-treated multiple myeloma. The BLA was based on data from the pivotal DREAMM-2 study, which enrolled heavily pre-treated patients who had actively progressing multiple myeloma that had worsened despite current standard of care.

### Approval for Dovato in Japan – Jan 15

ViiV Healthcare announced that it has obtained approval from Dovato (from the Japan Ministry of Health, Labour and Welfare (MHLW)) to treat HIV in adults and adolescents.

## Valuation

Glaxo's shares are down 7.3% in the year-to-date period but up 5.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 0.1% and 2.1%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry and sector are up 9.2% and 2%, respectively.

The S&P 500 Index is up 4.9% in the year-to-date period and 20.5% in the past year.

The stock is currently trading at 14.31X forward 12-month earnings per share, which compares with 14.94X for the Zacks sub-industry, 21.35X for the Zacks sector and 19.34X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.78X and as low as 12.21X, with a 5-year median of 14.54X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$46.00 price target reflects 15.1X 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	14.31	14.94	21.35	19.34
	5-Year High	17.78	18.1	21.35	19.34
	5-Year Low	12.21	13.94	15.83	15.18
	5-Year Median	14.54	15.5	18.89	17.47
P/S F12M	Current	2.41	4.62	2.84	3.58
	5-Year High	3.12	4.84	3.83	3.58
	5-Year Low	2.18	3.93	2.45	2.54
	5-Year Median	2.54	4.43	2.97	3
P/B TTM	Current	4.63	6.82	4.63	4.68
	5-Year High	27.59	7.26	5.04	4.68
	5-Year Low	4.61	3.78	3.44	2.85
	5-Year Median	16.83	5.2	4.31	3.62

As of 2/18/2020



## Industry Analysis Zacks Industry Rank: Top 30% (76 out of 255)



## Top Peers

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

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	GSK Neutral	X Industry	S&P 500	JNJ Neutral	PFE Outperform	RHHBY Neutral
<b>VGM Score</b>	<b>B</b>	-	-	<b>C</b>	<b>D</b>	<b>A</b>
Market Cap	108.67 B	136.91 B	24.61 B	392.52 B	201.00 B	301.98 B
# of Analysts	6	2	13	9	4	4
Dividend Yield	4.52%	2.61%	1.78%	2.55%	4.18%	1.54%
<b>Value Score</b>	<b>B</b>	-	-	<b>B</b>	<b>B</b>	<b>B</b>
Cash/Price	0.06	0.05	0.04	0.05	0.04	0.04
EV/EBITDA	10.22	15.02	14.06	15.48	12.48	13.74
PEG Ratio	2.04	2.03	2.09	2.49	2.92	2.65
Price/Book (P/B)	4.63	6.06	3.29	6.74	3.07	8.37
Price/Cash Flow (P/CF)	9.32	12.21	13.65	13.68	9.42	13.80
P/E (F1)	14.37	15.61	19.21	16.52	12.98	16.61
Price/Sales (P/S)	2.52	4.16	2.70	4.78	3.88	NA
Earnings Yield	6.96%	6.43%	5.19%	6.05%	7.71%	6.01%
Debt/Equity	1.29	0.51	0.71	0.46	0.55	0.35
Cash Flow (\$/share)	4.67	4.47	6.92	10.90	3.86	3.20
<b>Growth Score</b>	<b>C</b>	-	-	<b>C</b>	<b>F</b>	<b>A</b>
Hist. EPS Growth (3-5 yrs)	6.31%	8.34%	10.85%	9.27%	8.48%	NA
Proj. EPS Growth (F1/F0)	-4.31%	9.97%	7.17%	4.03%	-5.17%	4.53%
Curr. Cash Flow Growth	13.03%	12.32%	8.56%	13.87%	-12.32%	11.61%
Hist. Cash Flow Growth (3-5 yrs)	2.61%	6.91%	8.36%	7.92%	1.24%	9.89%
Current Ratio	0.81	1.22	1.23	1.26	0.90	1.30
Debt/Capital	56.24%	35.53%	42.91%	31.62%	35.53%	26.10%
Net Margin	13.72%	21.01%	11.81%	22.18%	31.44%	NA
Return on Equity	57.93%	32.84%	16.86%	39.30%	27.23%	NA
Sales/Assets	0.47	0.53	0.54	0.53	0.32	NA
Proj. Sales Growth (F1/F0)	4.54%	6.88%	3.85%	4.68%	-10.93%	7.01%
<b>Momentum Score</b>	<b>B</b>	-	-	<b>D</b>	<b>A</b>	<b>C</b>
Daily Price Chg	-0.43%	-0.33%	0.06%	-0.66%	-0.52%	1.62%
1 Week Price Chg	-0.48%	-1.17%	2.47%	-1.16%	-4.05%	0.16%
4 Week Price Chg	-8.32%	-1.05%	0.59%	-0.09%	-9.97%	3.88%
12 Week Price Chg	-2.81%	6.99%	6.98%	8.73%	-5.14%	13.71%
52 Week Price Chg	5.47%	12.69%	16.62%	9.91%	-14.74%	28.37%
20 Day Average Volume	3,689,379	3,040,523	2,020,569	6,334,917	24,973,430	1,219,121
(F1) EPS Est 1 week change	0.13%	0.00%	0.00%	-0.04%	1.36%	0.00%
(F1) EPS Est 4 week change	-4.86%	0.03%	-0.05%	-0.59%	6.77%	0.19%
(F1) EPS Est 12 week change	-1.46%	-0.10%	-0.17%	-0.44%	8.36%	2.02%
(Q1) EPS Est Mthly Chg	1.25%	-0.22%	-0.24%	-5.86%	NA	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.

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.

Value Score	<b>B</b>
Growth Score	<b>C</b>
Momentum Score	<b>B</b>
VGM Score	<b>B</b>

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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