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Aug 20, 2020

GlaxoSmithKline plc (GSK)

$40.74 (As of 08/19/20)

Price Target (6-12 Months): **$54.00**

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:A
	Value: A | Growth: C | Momentum: C	

Summary

Glaxo's earnings and sales missed Q2 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 like the company's initiatives to focus on its oncology pipeline. In 2020, Glaxo expects at least five potential approvals in oncology, HIV, and respiratory areas. However, pricing pressure and competitive dynamics due to generic competition for key drug, Advair, are hampering sales of Glaxo's respiratory products. Competitive pressure on HIV drugs has risen. Slowdown in vaccination rates hurt sales of its key vaccines in Q2 and there is uncertainty about the timing of recovery. Its shares have underperformed the industry this year so far.

Price, Consensus & Surprise

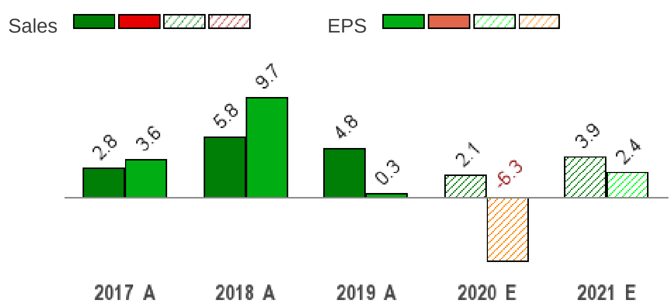
Data Overview

52 Week High-Low	**$48.25 - $31.43**
20 Day Average Volume (sh)	**3,165,280**
Market Cap	**$102.2 B**
YTD Price Change	**-13.3%**
Beta	**0.68**
Dividend / Div Yld	**$1.94 / 4.8%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Bottom 49% (128 out of 252)**

Last EPS Surprise	**-2.0%**
Last Sales Surprise	**-1.5%**
EPS F1 Est- 4 week change	**2.5%**
Expected Report Date	**11/04/2020**
Earnings ESP	**-7.4%**

P/E TTM	**13.4**
P/E F1	**13.7**
PEG F1	**2.0**
P/S TTM	**2.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					45,696 E
2020	11,642 A	9,459 A	11,303 E	11,535 E	43,993 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					$3.04 E
2020	$0.97 A	$0.48 A	$0.81 E	$0.67 E	$2.97 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 08/19/2020. The reports text is as of 08/20/2020.

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, pain relief, vitamins & minerals, respiratory health and digestive health).

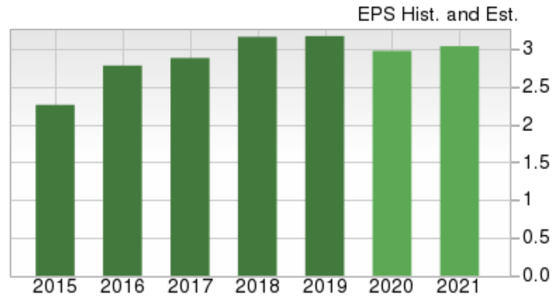
In December 2018, Glaxo and Pfizer announced an agreement to merge their consumer healthcare unit into a new joint venture (JV). The transaction closed on Aug 1, 2019. Glaxo owns a controlling stake of 68% in the JV.

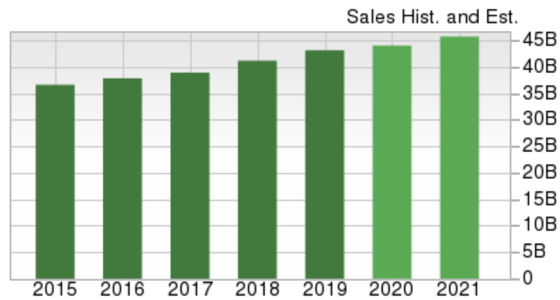
Glaxo plans to split itself into two standalone companies. The new Glaxo will be a biopharma company focusing on developing new treatments. Glaxo intends to separate its Consumer Healthcare segment into a standalone company in 2022.

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:

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

▲ **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.

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.

In 2019, Glaxo gained approval for Dovato, a single tablet regimen of Tivicay (dolutegravir) + lamivudine for treatment-naïve HIV patients in the United States and EU. The new HIV medicine is off to a strong start in both the United States and the EU. In 2020 so far, Glaxo has received approval for Rukobia/fostemsavir for heavily pre-treated HIV and Blenrep/belantamab mafatotin for fourth-line multiple myeloma. Both the products are under review in the EU.

▲ **Strong Pipeline:** Glaxo is focused on oncology, immuno-inflammation, HIV and respiratory therapeutic areas. Promising candidates in late-stage development include Cabenuva/cabotegravir + rilpivirine (HIV-under review in the United States), 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), RSV vaccines (phase III) belantamab mafatotin (third line multiple myeloma – phase III) and Duvroq/daprodustat (anemia associated with chronic renal disease – phase III).

Glaxo 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 five 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 (regulatory filing in second half of 2020), COPD (phase III) and hypereosinophilic syndrome (under priority review in the United States), Benlysta for lupus nephritis (regulatory submissions filed in the United States and EU) 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. Meanwhile, 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, Zejula was approved by the FDA for first-line maintenance therapy of women with platinum responsive ovarian cancer (regardless of BRCA mutational status) basedon the results of the PRIMA study in April 2020. The label expansion has significantly expanded Zejula's eligible ovarian cancer patient population. Meanwhile, Zejula is being evaluated for additional ovarian cancer stages as well as for non-small cell lung cancer and breast cancer. A phase III study in first-line NSCLC is expected to begin this year.

▲ **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.

▲ **Favorable Debt Profile:** As of Jun 30, 2020, Glaxo's net debt was £23.4 billion, compared with £25.2 billion as of Mar 31, 2020. Net debt comprised gross debt of £31.7 billion and cash and liquid investments of £8.3 billion. However, the cash/liquid investments are sufficient to pay the short-term debt of £7.4 billion in case of insolvency. The company's debt/capital ratio was 61.1 at the end of March 2020, lower than 61.4 at the end of March 2020. A lower ratio indicates lower financial risk. Meanwhile, its times interest earned ratio stands at 10.0, higher than 8.4 at the end of March 2020 and has risen consistently in the past few quarters. A higher times interest earned ratio indicates that the company is capable of meeting its interest obligations from operating earnings.

Reasons To Sell:

Competitive pressure has risen on HIV and Respiratory segments.

- **Shares Underperforming Industry:** This year so far, Glaxo's share price has declined 13.3%, underperforming the industry's increase of 1.9% 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. Pricing pressure continues 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. Glaxo's Consumer Healthcare segment faces competition from big companies like Colgate-Palmolive, Johnson & Johnson, Procter & Gamble and Pfizer. 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, Advair is facing stiff competition in the COPD and asthma markets from AstraZeneca and Merck's respiratory disease drugs. Meanwhile, 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 Q2 Earnings and Sales Miss Estimates

Quarter Ending	06/2020
Report Date	Jul 29, 2020
Sales Surprise	-1.50%
EPS Surprise	-2.04%
Quarterly EPS	0.48
Annual EPS (TTM)	3.04

Glaxo reported second-quarter 2020 adjusted earnings of 48 cents per American depositary share, which missed the Zacks Consensus Estimate of 49 cents. Adjusted earnings were down 37% year over year on a reported basis and 38% at constant exchange rate ("CER") due to lower sales, higher taxes and a higher non-controlling interest allocation of Consumer Healthcare profits.

Quarterly revenues declined 2% on a reported basis and 3% at CER to $9.46 billion (£7.6 billion) due to disruption caused by COVID-19, particularly in the Vaccines business as well as reversal of stockpiling benefit of the first quarter. The top line missed the Zacks Consensus Estimate of $9.6 billion.

Further, on a pro-forma basis, excluding the impact of the acquired Pfizer consumer healthcare business, sales declined 10% 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 sales were down 5% at CER. Sales decline at Established Pharmaceuticals segment was partially offset by higher sales in respiratory segment.

Customer stock building in the first quarter due to COVID-19 that predominantly benefited Europe and the United States in the first quarter was broadly reversed and hurt second-quarter sales by approximately 4%. Moreover, sales were also hurt by reduction in new patient prescriptions in the United States and Europe, reduced market demand for allergy and antibiotic products in some international markets and pressure on net prices in the U.S. market.

Sales in the United States were down 1%. Sales in European markets were down 11% at CER and 7% in international markets.

HIV sales were down 3% year over year at CER due to reversal of customer stock building.

Sales of dolutegravir franchise were down 2%, while sales from remaining drugs, comprising 4% of HIV portfolio, declined 32% at CER.

Sales of the dolutegravir franchise were down 2% in the U.S. market and down 5% in Europe due to COVID-19 related destocking. In international markets, sales were up 4% at CER mainly driven by Tivicay.

The dolutegravir franchise comprises two three-drug regimens — Triumeq and Tivicay — and two two-drug regimens — Juluca and Dovato. The growth in sales of Juluca and Dovato in the second quarter was more than offset by the decline in sales of Triumeq and Tivicay due to COVID-19 related destocking. Tivicay sales declined 10% in the quarter while Triumeq sales declined 11%.

Juluca generated sales of £113 million compared with £120 million in the previous quarter. Dovato generated sales of £68 million compared with £66 million in the previous quarter.

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. Sales of respiratory drugs rose 16% at CER mainly driven by increase in sales of Trelegy Ellipta and Nucala across all markets.

Nucala sales were up 21% at CER during the quarter, aided by strong uptake of at-home administration. Sales of Nucala grew 26% and 6% in the United States and Europe, respectively. In the International markets, sales of Nucala increased 31%.

Sales of Ellipta products rose 14% in the quarter as sales rose in all regions. Trelegy Ellipta sales surged 58% year over year driven by strong growth in all regions.

Relvar/Breo Ellipta registered growth of 2% in sales during the quarter as higher sales in Europe and international markets offset the decline in United States. Sales of Relvar/Breo Ellipta declined 12% in the United States due to competitive and pricing pressure on the ICS/LABA class of medicines. The competitive pressure on the ICS/LABA class of medicines in the United States has intensified with the launch of generic Advair.

Sales of Relvar/Breo Ellipta increased 9% and 12% in European and international markets, respectively.

Immuno-inflammation drug Benlysta rose 15% in the quarter, with U.S. sales rising 14%. The subcutaneous formulation generated sales of £89 million in the quarter.

Oncology sales comprising sales of Zejula were £77 million compared with £81 million in the previous quarter. The sales included £47 million in the United States and £30 million in Europe.

Sales of Established Pharmaceuticals declined 17%. Sales of established respiratory drugs declined 12%, reflecting generic competition for Ventolin in the United States, impact of COVID-19-related destocking in Europe and contraction of allergy market in Japan.

Advair sales surged 34% year over year in the United States, reflecting a spike in the ICS/LABA class during April and May. Seretide sales were down 13% and 6% in Europe and International markets, respectively, due to generic competition in Europe and COVID-19 related destocking.

Sales of Ventolin were down 39% during the quarter.

The rest of the Established Pharmaceuticals portfolio declined 20% in the quarter due to lower demand for dermatology products and antibiotics during the pandemic and increased use of generics in China.

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. Glaxo's Established Pharmaceuticals business is expected to decline in mid-to-high single-digit range in 2020.

Glaxo revised the category structure for this segment's report from the first quarter of 2020. It now reports under five categories — Pain relief; Oral health; Respiratory health; Vitamins, minerals and supplements; and Digestive health and other.

Sales in the Consumer Healthcare segment increased 25% at CER, primarily driven by Pfizer's legacy brands. On a pro-forma basis, sales in the Consumer Health segment declined 6% at CER.

The impact of COVID-19 was mixed for this segment. Sales in the United States and Europe were hurt due to destocking while sales in China returned to growth as government-mandated retailer shutdowns were lifted.

Sales of Pain relief and Respiratory health categories increased 38% and 8%, respectively, in the quarter. Sales of Vitamins, minerals and supplements category more than doubled in the second quarter. Digestive health and other category's sales were up 22%. However, sales of Oral health declined 1%.

Sales from the Vaccines segment were dismal, down 29% at CER, primarily driven by lower demand and slowing vaccination rates amid the COVID-19 related government restrictions and divestment of travel vaccines Rabipur and Encepur in 2019.

Geographically, sales declined 45% in the United States, 29% in Europe, and were flat in the international markets.

Shingrix sales declined 19% in the reported quarter, primarily impacted by COVID-19 related containment measures in the United States, which led to slower vaccination rates. In Europe, the company witnessed a strong performance in Germany due to pent-up demand in post-lockdown conditions.

In the meningitis portfolio, Bexsero and Menveo sales decreased 30% and 39%, respectively, reflecting lower demand across all regions following de-prioritization of vaccination during the COVID-19 pandemic.

Sales of influenza vaccine Fluarix were down 6%. Sales of Established vaccines were down 34% year over year.
The company said that the pediatric vaccination rates improved toward the end of the quarter once the government restrictions were lifted. However, the adolescent and adult vaccinations improved at a slower rate.

Glaxo expects vaccination rates to recover in the second half of the year although there is uncertainty about the exact timing.

The divestment of Rabipur and Encepur is expected to hurt sales by 3% in 2020.

Profit Discussion

Selling, general and administration (SG&A) costs increased almost 4% year over year to £2.53 billion. On a pro-forma basis, the costs declined 5% due to lower COVID-19 related promotional costs and restructuring cost savings. Research and development (R&D) expenses were up 11% (up 9% on pro-forma basis) to £1.1 billion, reflecting increased investments to support progress of clinical studies, especially oncology.

Adjusted operating profit declined 21% in the period to £1.75 billion. On a pro-forma basis, adjusted operating profit declined 27%. Adjusted operating margin declined 510 bps in the quarter at CER to 22.9%, due to lower sales, higher R&D costs, continued pricing pressure, mainly in the Respiratory unit and unfavorable mix in Vaccines and Consumer Healthcare

2020 Guidance

Based on its current assessment of the COVID-19 impact, Glaxo maintained its previous adjusted EPS guidance of a decline of 1% to 4% at CER year over year in 2020. However, the current situation remains uncertain due to the pandemic and the company plans to update its outlook later, if needed. The company mentioned that the outcome is primarily dependent on the timing of recovery of vaccination rates mainly in the United States. The company expects the vaccination rates to recover in the third quarter of 2020. The company said that a three-month delay in recovery of vaccination rates would adversely impact full year adjusted EPS by up to five percentage points.

In the Pharma and Consumer business, the company expects limited impact from COVID-19 related stocking patterns for the rest of the year.

Recent News

Begins Dosing in 5-in-1 Meningitis Vaccine Phase III Study – August 19

Glaxo announced that it has begun patient dosing in a phase III study on its 5-in-1 meningitis (MenABCWY) vaccine candidate. The study will compare the safety, tolerability and immunogenicity of Glaxo's candidate to its own meningococcal vaccines, Bexsero and Menveo. The study investigators will enroll 3,650 participants (aged 10-25 years) in the U.S., Europe, Turkey and Australia. The 5-in-1 meningitis vaccine candidate has the potential to reduce the number of injections compared to current FDA-approved meningitis vaccines as it has been designed to protect against all 5 vaccine-preventable serogroups with one combined product.

FDA Approves Blenrep/belantamab mafodotin – August 6

The FDA granted approval to belantamab mafodotin for the treatment of relapsed/refractory multiple myeloma in patients who have been previously treated with an immunomodulatory agent, a proteasome inhibitor and an anti-CD38 antibody. The new drug will be marketed by the trade name of Blenrep.

Coronavirus Vaccine Supply Deal with U.S. Government – July 31

Sanofi and Glaxo have been selected for Operation Warp Speed program to supply the United States government with 100 million doses of their C10.2OVID-19 vaccine, which the companies are developing together. The U.S. government will provide funding of $2.1 billion for the development and manufacturing of the initial 100 million doses. The U.S. government also has an option to purchase an additional 500 million doses.

Advanced Discussion with EC for Coronavirus Vaccine Supply – July 31

Sanofi and Glaxo are also in advanced discussion with the European Commission to supply up to 300 million doses of their COVID-19 vaccine to European countries. The doses will be manufactured in European countries including France, Belgium, Germany and Italy.

Coronavirus Vaccine Supply Deal with U.K. Government – July 29

Sanofi and Glaxo entered into an agreement with the U.K. government to supply up to 60 million doses of a COVID-19 vaccine, which the companies are developing together. Sanofi is combining its recombinant protein-based technology with Glaxo's pandemic adjuvant technology to develop an adjuvanted COVID-19 vaccine. The vaccine candidate is expected to enter clinical studies (phase I/II) in September 2020 with a phase III study expected to start by the end of the year. The vaccine, if successfully developed, will be available in the second half of 2021. The agreement is subject to final contract.

Vaccine Deal with CureVac – Jul 20

Glaxo announced that it has signed a strategic development/commercialization deal with CureVac for up to five mRNA-based vaccines and monoclonal antibodies (mAbs) to treat and prevent infectious diseases. Glaxo will also invest £130 million to buy a 10% stake in CureVac in addition to making an upfront payment of £104 million. In addition, CureVac will be entitled to development/regulatory milestone payments upto £606 million as well as tiered royalties on product sales.

Valuation

Glaxo's shares are down 13.3% in the year-to-date period but up 0.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 1.9% and 1.4%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry and sector are up 13.7% and 8.6%, respectively.

The S&P 500 Index is up 5.2% in the year-to-date period and 16.2% in the past year.

The stock is currently trading at 13.52X forward 12-month earnings per share, which compares with 14.95X for the Zacks sub-industry, 22.32X for the Zacks sector and 22.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.78X and as low as 10.67X, with a 5-year median of 14.2X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $54.00 price target reflects 14.6X 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	13.52	14.95	22.32	22.9
	5-Year High	17.78	16.62	23.17	22.9
	5-Year Low	10.67	13.61	15.89	15.25
	5-Year Median	14.2	15.32	18.97	17.58
P/S F12M	Current	2.27	4.78	2.83	3.72
	5-Year High	2.92	4.85	3.41	3.72
	5-Year Low	1.76	3.88	2.22	2.53
	5-Year Median	2.49	4.4	2.89	3.05
P/B TTM	Current	4.09	5.46	3.79	4.55
	5-Year High	27.59	7.37	5.07	4.56
	5-Year Low	3.39	3.69	2.94	2.83
	5-Year Median	16.81	5.26	4.28	3.75

As of 8/19/2020

Industry Analysis **Zacks Industry Rank:** Bottom 49% (128 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
AstraZeneca PLC **(AZN)**	Neutral	3
Bristol Myers Squibb Company **(BMY)**	Neutral	3
Gilead Sciences, Inc. **(GILD)**	Neutral	3
JohnsonJohnson **(JNJ)**	Neutral	3
MerckCo., Inc. **(MRK)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	2

Industry Comparison Industry: Large Cap Pharmaceuticals

	GSK	X Industry	S&P 500	JNJ	PFE	RHHBY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	A	-	-	B	C	B
Market Cap	102.20 B	152.23 B	23.61 B	395.95 B	212.61 B	300.10 B
# of Analysts	5	2	14	9	4	4
Dividend Yield	4.75%	2.31%	1.65%	2.69%	3.97%	1.64%
Value Score	A	-	-	B	B	C
Cash/Price	0.11	0.05	0.07	0.05	0.11	0.04
EV/EBITDA	10.20	14.51	13.36	16.30	10.14	13.65
PEG Ratio	1.95	2.05	2.99	3.33	3.08	2.91
Price/Book (P/B)	4.09	5.19	3.16	6.29	3.29	8.31
Price/Cash Flow (P/CF)	9.40	11.77	12.71	13.06	9.31	13.71
P/E (F1)	13.72	14.82	21.82	19.16	13.23	16.34
Price/Sales (P/S)	2.32	4.51	2.47	4.92	4.32	NA
Earnings Yield	7.29%	6.75%	4.37%	5.22%	7.55%	6.12%
Debt/Equity	1.28	0.78	0.76	0.40	0.78	0.35
Cash Flow ($/share)	4.33	4.22	6.94	11.52	4.11	3.20
Growth Score	C	-	-	C	C	A
Hist. EPS Growth (3-5 yrs)	7.30%	7.34%	10.44%	8.66%	7.38%	NA
Proj. EPS Growth (F1/F0)	-6.18%	7.54%	-5.97%	-9.55%	-1.95%	5.61%
Curr. Cash Flow Growth	4.83%	2.90%	5.22%	3.68%	-6.57%	11.61%
Hist. Cash Flow Growth (3-5 yrs)	1.08%	7.37%	8.52%	7.62%	2.54%	9.89%
Current Ratio	0.96	1.24	1.33	1.25	1.42	1.30
Debt/Capital	56.09%	43.67%	44.50%	28.47%	43.90%	26.10%
Net Margin	19.03%	19.20%	10.13%	22.69%	28.80%	NA
Return on Equity	31.21%	31.21%	14.67%	35.21%	25.11%	NA
Sales/Assets	0.42	0.43	0.51	0.51	0.29	NA
Proj. Sales Growth (F1/F0)	2.20%	5.05%	-1.54%	-1.46%	-10.17%	8.33%
Momentum Score	C	-	-	B	D	C
Daily Price Chg	-0.85%	-0.18%	-0.38%	0.20%	-0.26%	0.60%
1 Week Price Chg	-0.59%	-0.32%	1.09%	-0.24%	-1.01%	-1.07%
4 Week Price Chg	-1.04%	-2.19%	2.23%	0.25%	-0.78%	-5.66%
12 Week Price Chg	-0.49%	3.03%	6.91%	3.80%	2.27%	1.69%
52 Week Price Chg	0.12%	14.69%	2.28%	14.34%	9.72%	25.99%
20 Day Average Volume	3,165,280	2,289,684	1,899,976	5,247,467	25,516,400	1,015,326
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	2.46%	1.18%	1.70%	0.00%	0.43%	2.48%
(F1) EPS Est 12 week change	2.28%	1.74%	3.08%	2.29%	1.25%	3.17%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.83%	0.00%	-4.15%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	A
Growth Score	C
Momentum Score	C
VGM Score	A

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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