



Model updated: 08 May 2015

Running the numbers

Europe

United Kingdom

Pharmaceuticals

GlaxoSmithKline

Reuters: GSK.L

Bloomberg: GSK LN

Hold

Price (7 May 15) GBP 1,447.00

Target Price GBP 1,540.00

52 Week range GBP 1,324.00 - 1,643.50

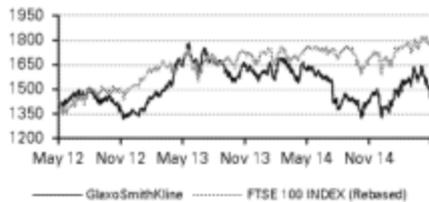
Market Cap (m) GBPm 69,962

USDm 106,350

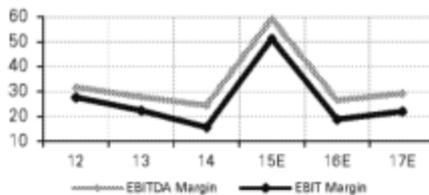
Company Profile

GSK is a leader in the global pharmaceuticals industry. It has strong market positions in prescription drugs, vaccines and consumer health products.

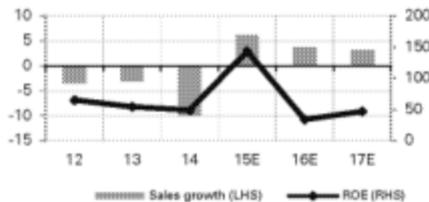
Price Performance



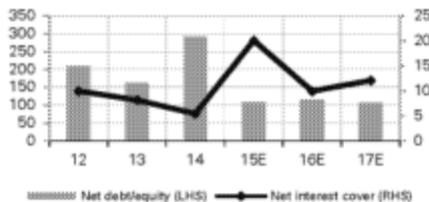
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (GBP)	109.64	106.46	94.23	77.37	86.79	94.23
Reported EPS (GBP)	90.18	70.85	56.66	194.04	58.10	72.79
DPS (GBP)	74.00	78.00	80.00	100.00	80.00	80.00
BVPS (GBP)	120.2	146.0	88.6	186.2	161.6	152.4
Weighted average shares (m)	4,912	4,831	4,808	4,835	4,819	4,824
Average market cap (GBPm)	69,928	76,958	73,387	69,962	69,962	69,962
Enterprise value (GBPm)	84,274	89,940	87,951	81,177	81,504	81,146

Valuation Metrics

P/E (DB) (x)	13.0	15.0	16.2	18.7	16.7	15.4
P/E (Reported) (x)	15.8	22.5	26.9	7.5	24.9	19.9
P/BV (x)	11.11	11.03	15.53	7.77	8.95	9.49
FCF Yield (%)	5.7	7.4	5.2	1.7	6.5	7.6
Dividend Yield (%)	5.2	4.9	5.2	6.9	5.5	5.5
EV/Sales (x)	3.2	3.5	3.8	3.3	3.2	3.1
EV/EBITDA (x)	10.1	12.6	15.6	5.6	12.2	10.7
EV/EBIT (x)	11.5	15.7	24.5	6.5	17.1	14.2

Income Statement (GBPm)

Sales revenue	26,431	25,602	23,008	24,402	25,313	26,105
Gross profit	18,506	17,491	15,663	15,533	16,550	17,044
EBITDA	8,385	7,131	5,623	14,465	6,694	7,617
Depreciation	461	602	1,283	1,309	1,303	1,300
Amortisation	624	813	743	666	629	584
EBIT	7,300	5,716	3,597	12,490	4,762	5,733
Net interest income/(expense)	-729	-698	-659	-621	-477	-473
Associates/affiliates	29	43	30	7	-3	-3
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	843	0	0
Profit before tax	6,600	5,061	2,968	12,720	4,282	5,256
Income tax expense	1,922	1,384	137	2,753	785	955
Minorities	179	192	75	474	665	749
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	4,499	3,485	2,756	9,492	2,832	3,552
DB adjustments (including dilution)	971	1,752	1,828	-5,707	1,399	1,046
DB Net profit	5,470	5,237	4,584	3,785	4,232	4,599

Cash Flow (GBPm)

Cash flow from operations	4,375	7,222	5,176	2,685	5,792	6,557
Net Capex	-396	-1,519	-1,382	-1,483	-1,277	-1,274
Free cash flow	3,979	5,703	3,794	1,202	4,515	5,283
Equity raised/(bought back)	-2,116	-919	-71	158	158	158
Dividends paid	-3,985	-3,918	-4,048	-5,031	-4,083	-4,098
Net inc/(dec) in borrowings	0	0	0	0	0	0
Other investing/financing cash flows	423	459	-878	7,279	-477	-473
Net cash flow	-1,699	1,325	-1,203	3,608	113	869
Change in working capital	397	46	-91	-112	-152	-140

Balance Sheet (GBPm)

Cash and other liquid assets	4,184	5,534	4,338	4,338	4,338	4,338
Tangible fixed assets	8,776	8,872	9,052	10,026	10,000	9,974
Goodwill/intangible assets	14,520	13,488	12,044	12,578	11,950	11,366
Associates/investments	709	544	555	555	555	555
Other assets	13,292	13,648	14,662	14,885	15,219	15,511
Total assets	41,481	42,086	40,651	42,382	42,062	41,743
Interest bearing debt	18,302	18,245	18,784	15,176	15,063	14,195
Other liabilities	16,442	16,029	16,931	17,308	17,837	18,312
Total liabilities	34,744	34,274	35,715	32,484	32,901	32,506
Shareholders' equity	5,800	6,997	4,263	8,966	7,790	7,355
Minorities	937	815	673	932	1,371	1,882
Total shareholders' equity	6,737	7,812	4,936	9,898	9,161	9,237
Net debt	14,118	12,711	14,446	10,838	10,725	9,857

Key Company Metrics

Sales growth (%)	-3.5	-3.1	-10.1	6.1	3.7	3.1
DB EPS growth (%)	-2.9	-2.9	-11.5	-17.9	12.2	8.6
EBITDA Margin (%)	31.7	27.9	24.4	59.3	26.4	29.2
EBIT Margin (%)	27.6	22.3	15.6	51.2	18.8	22.0
Payout ratio (%)	80.8	108.1	139.6	50.9	136.1	108.6
ROE (%)	65.1	54.5	49.0	143.5	33.8	46.9
Capex/sales (%)	5.8	6.6	7.6	6.1	5.0	4.9
Capex/depreciation (x)	1.4	1.2	0.9	0.8	0.7	0.7
Net debt/equity (%)	209.6	162.7	292.7	109.5	117.1	106.7
Net interest cover (x)	10.0	8.2	5.5	20.1	10.0	12.1

Source: Company data, Deutsche Bank estimates