

Valuation & Research Specialists (VRS)
Equity Research Team
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Share Price (20/8/2014)
Swiss Exchange, in GBPp **14.18**

of Shares (,000) 4,849,530.00
Market Cap (in GBP mn) 68,742.09
Ave. Volume (p) 7,012,559
Beta Co-efficient 0.48

Statistical Data

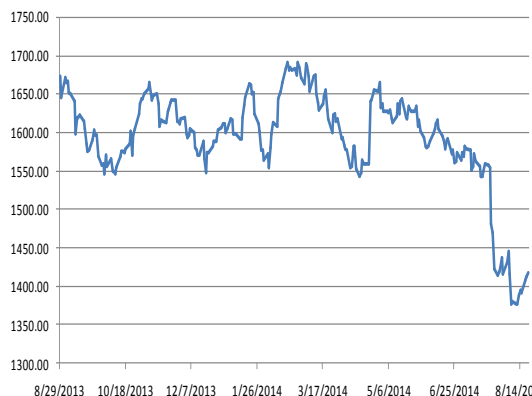
Max 52 week (in GBPp) 1,690.50
Min 52 week (in GBPp) 1,377.00
1-M Rtn -8.96%
6-M Rtn -14.81%
12-M Rtn -14.89%

Source: VRS Calculations,
Reuters, Bloomberg.

Company Profile

GlaxoSmithKline plc (GSK) is a UK based pharmaceutical company and group activating internationally. GSK formed in 2000 after the merger between Glaxo Wellcome and SmithKline Beecham. The Group's revenues are generated in the USA and Europe (major markets) as well as in emerging markets, Asia Pacific and Japan.

Stock Price & Volume Performance (1 year, in GBPp)



Note: Share price performance based on share price closes on London Stock Exchange. Period as month/day/year.

GSK (GlaxoSmithKline plc and Group)

Listed on London Stock Exchange, UK and New York Stock Exchange, US

[Bloomberg Ticker: GSK:LN] [Reuters Ticker: GSK.L]

Business Sector: Pharmaceutical Companies

Corporate & Investment Highlights

- According to the Management, GSK Group is strengthening its core pharmaceuticals business and at the same time controlling risk by broadening its portfolio, diversifying into new product areas with notable growth potential, while also capturing opportunities for its products across all geographic regions it activates in.
- P/E ratio is lower than the sector's average and one of the lowest among the sector's major companies. GSK stock has been underperforming the market for a year now with a notable decline over the last months. Trailing P/E and P/S ratios stand at 14.47x and 2.80x respectively.

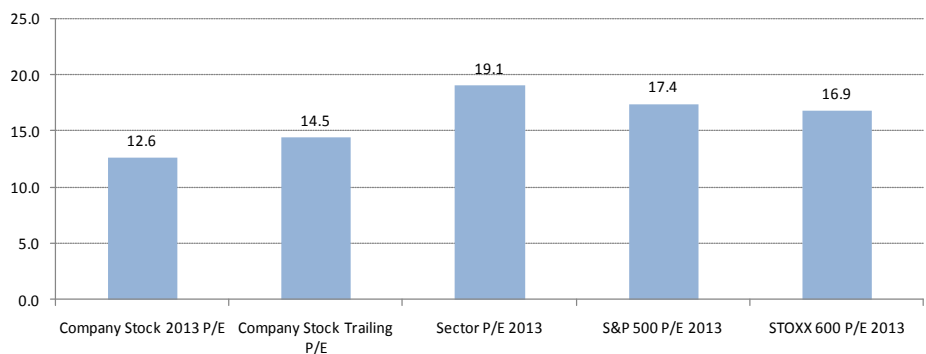
[As of the date of this report, the latest available financial statements of the Company/Group were of the 1st Half 2014.]

1st Half 2014 Consolidated Results

(GBP million)	6M 2014	%	6M 2013
Revenues	11,174.0	-15%	13,089.0
EBITDA	3,163.0	-24%	4,163.0
EBT	1,889.0	-30%	2,699.0
EAT (Net Income)	1,322.0	-34%	2,006.0

Source: The Company.

Company Historic P/E Multiple versus Market P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

Important Note:

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Company Report

FLASH NOTE
August 20, 2014

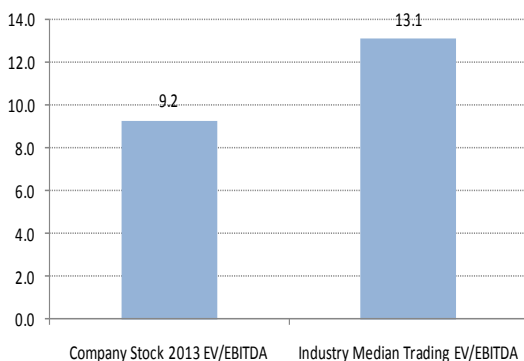
Group Sales Breakdown Period 2011 –2013, per Business Segment

GBP million, consolidated figures

	2013	2012	2011
Respiratory			
Sales	7,516	7,291	7,298
Anti-virals			
Sales	667	753	842
Central nervous system			
Sales	1,483	1,670	1,721
Cardiovascular and urogenital			
Sales	2,239	2,431	2,454
Metabolic			
Sales	174	171	331
Anti-bacterials			
Sales	1,239	1,247	1,390
Oncology and emesis			
Sales	969	798	683
Dermatology			
Sales	770	850	898
Rare Diseases			
Sales	495	495	463
Immuno-inflammation			
Sales	161	70	15
Other pharmaceuticals			
Sales	799	786	908
Vaccines			
Sales	3,420	3,325	3,497
ViiV Healthcare (HIV)			
Sales	1,386	1,374	1,569
Consumer Healthcare			
Sales	5,187	5,170	5,318
Total	26,505	26,431	27,387

Source: The Company.

Company Historic EV/EBITDA Multiple versus Industry Market EV/EBITDA Multiple (x)



Source: VRS calculations based on consolidated accounts, VALMETRICS VALUATION INDEX.

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BASIC FINANCIAL INDICATORS

(in GBP million)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT/EQUITY (x)	ROE %
2009	28,368.0	10,233.0	7,891.0	5,531.0	12.4	6.9	7.7	1.6	55%
2010	28,392.0	5,611.0	3,157.0	1,634.0	42.1	7.7	13.9	1.7	18%
2011	27,387.0	9,817.0	7,625.0	5,208.0	13.2	8.6	7.9	1.9	65%
2012	26,431.0	8,824.0	6,600.0	4,499.0	15.3	11.9	9.4	3.2	78%
2013	26,505.0	8,810.0	6,647.0	5,436.0	12.6	9.8	9.2	2.6	78%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price. Source: Official Consolidated Financial Statements, VRS Calculations. n/c stands for non calculable.

Working Capital Ratios

in GBP million		2009	2010	2011	2012	2013
Revenues	GBP mn	28,368.00	28,392.00	27,387.00	26,431.00	26,505.00
Cost (net of depreciation)	GBP mn	7,380.00	7,592.00	7,673.00	7,925.00	8,585.00
Gross Profit Margin	%	73.98%	73.26%	71.98%	70.02%	67.61%
Net Income / Profit	GBP mn	5,531.00	1,634.00	5,208.00	4,499.00	5,436.00
Net Profit Margin	%	19.5%	5.8%	19.0%	17.0%	20.5%
Cash & Cash Equivalents	GBP mn	6,545.00	6,057.00	5,714.00	4,184.00	5,534.00

	Days	201	184	184	183	166
Stock Days	Days					
Stock Inventory	GBP mn	4,064.00	3,837.00	3,873.00	3,969.00	3,900.00
Debtors Days	Days	84	74	74	72	75
Debtors - Receivables	GBP mn	6,492.00	5,793.00	5,576.00	5,242.00	5,442.00
Creditors Days	Days	335	331	350	371	354
Creditors - Suppliers	GBP mn	6,772.00	6,888.00	7,359.00	8,054.00	8,317.00
Operating Cycle (Days)	Days	285	259	259	255	241
Cash Cycle (Days)	Days	-50	-72	-92	-116	-113

Source: Official Consolidated Financial Statements, VRS Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
GSK plc and Group	GSK:LN	GSK.L	GBPp 1,418	August 20, 2014	----

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3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
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