GSK PLC Q&A

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Moderator: Welcome all. This is the GSK breakout. Emma, do you want to introduce us to who we have from GSK?

Emma Walmsley: Yeah, sure. Hi, everyone. Thank you for joining us for the breakout. We've got quite a collection of GSKs here, including some new faces for you.

On my left, our CFO Simon Dingemans, David Redfern, Chief Strategy Officer, and also the Chair of ViiV, our HIV business, obviously, a hot topic. I'm delighted to have our new global head of Pharma Commercial as well, Luke Miels, who joined us in September.

There's also in the front row, a collection of leaders that may also be able to answer some of your questions, Jack Bailey, the president of our US pharma business. As I said just now, the US is, for us, number one [inaudible] launching some of the most critical assets that we have right now.

Axel Hoos who leads oncology R&D, and I'm most delighted to say that he's been here for all of six days, but our new chief scientific officer, Dr. Hal Barron is here in the front row.

We're not represented by R&D on the panel. I thought I wouldn't expect Hal to answer your detailed questions on the assets at this time, but you'll be hearing from him very soon, no doubt, after he's got his head under the bonnet.

Moderator: Thanks very much. Maybe if I just kick off with the first question, you talked about capital allocation a little bit from priorities. How should we think about how potential consumer M&A ? There's been some talk about an interest, for instance, in Pfizer consumer versus investing in pharma or other opportunities.

Emma: Sure. Great question. This has obviously had quite a bit of attention, I suspect not least, because of my own background. I want to be unequivocal. Our first priority with all three businesses is we want to perform and grow.

Our first priority is the pharma business, and right at the heart of that, R&D, which is why I've been building this dream team, and to really work on defining what the pipeline is going to be for the next wave of growth for the company.

We are one of the premiere world leading consumer health care companies. We also have an extremely good track record of integrating business of scale at pace, extracting significant co-synergies. We're really pleased with how our consumer business has progressed, particularly from a margin point of view. We think it's got room to grow.

It will be very, very weird if we didn't have a look at an asset that was coming through. We are having a look at it, but it's not more than that. Two points made. We don't need it, although obviously just look at the assets, it's quite complementary to our portfolio. We don't need it for the growth of the business, and the opportunities in the current business that we have.

We wouldn't overpay for it, and we certainly won't do it if it cuts across in any way, the priority of developing a pipeline in our biggest most profitable business, which is pharma.

Moderator: Maybe just one on the [inaudible] should be emphasis on the [inaudible] prioritizing on the pipeline. Which is it? Is it more prioritizing, relatively finite R&D budget, and you be more specific of what you go after, or could we see a high profile [inaudible] R&D? Could we a see big inflation of how much GSK has spent on R&D?

Emma: It's definitely prioritizing, because we spend a lot of money, and there's no doubt that we could spend that money better than we have done historically. We know we've been spread too thin, that's why we started by culling a whole bunch of projects.

You talked about last year, and I'm sure that's not a one-off process, that should be a religious discipline, and to make sure that you are very focused, and not just in the pipeline, but across the whole company on where you place your bets.

I'm absolutely sure that that shortlist of 16 assets we highlighted then will change, as I've said, and some would drop off, and then we'll double down on others. We've already increased to spend on those assets since July by 30 percent by stopping other things.

I don't subscribe at all to the position that you have to have X percent spent on R&D to have a winning pipeline. What I do believe is the data should drive it. It would be Hal's job to have a look with the team of what we've got, if we turn the cards or open the envelopes and it's fantastic, we'll

need to spend more if it's worth it.

If we open the envelopes and it's not good, we should spend a lot less. We should then be thinking about how we supplement it outside. The data should define it, but we'll be very focused on whether it's worth it.

Moderator: Maybe just one more from me, to bring Luke in as well. We talked about it, and I talked about prioritization within the on-market pharma business. What are you not going to do in pharma? What can we deprioritize? What are the choices you're going to be making there?

Luke Miels: In the past, we were somewhat agnostic to geography. The resources were spread across all markets, we were active in 150. What we've done is structure the organization and pharma commercially around a focus on 10 markets.

Then within those 10 markets, we're looking at what products are most appropriate to invest in to drive growth, which is the most structured process that we've had in the past. Then I think on top of that, we're going to have a more active and assertive approach commercially, in terms of the types of people that we hire, and just ethos, the way that we're operating in the market.

Then I think that hopefully will deliver results which I think are going to please shareholders.

Moderator: The CIA agreement has expanded the commercial model change because of that, did GSK get a lot more aggressive?

Luke: No. I don't think we need to shift enormously. Emma in the plenary made remarks around some of the changes in policy around scientific engagement. Where it makes sense to make adjustments, we'll make adjustments, but the bulk of focus is going to be in terms of having the right incentives in place for people, the right resourcing.

Of course, when you've got a product like Trelegy, or you got a product like Shingrix, life is certainly more attractive than if you've got something that is less differentiated. Nucala is another example of that.

Short answer is, no, but that doesn't mean that we can't be competitive.

Moderator: Maybe one other question from me, which would be, how important do you think it is that you have an on-market oncology capability if you're going to be a success in oncology in

terms of the early stage work.

Audience Member: Can you repeat the question, please?

Luke: Yeah. How important it is to have an on-market oncology capability if you have pipeline products and your seeking to commercialize them.

I think essentially what your question is, if you don't have a commercial infrastructure, oncology is a difficult to commercial pipeline. Again, the short answer is no. I can remember being in this room a couple of years ago when I had a different business card with AstraZeneca, and there were similar questions around that.

If you look at a product like BCMA in the US, you need less than 100 reps. People in this space, of course, are very aware of companies' pipelines, and so the talent would move to where the molecules are. I think we can build that if we got the right assets to do it with.

Moderator: Question.

Audience Member: [inaudible] company in R&D, do you have any idea of what the percentage would be of assets that you've been [inaudible] , for instance, internally developed?

Emma: No. I think it would be wrong to set a specific target for that. What matters is having a strong pipeline overall, and the data. We've got a lot of early stage stuff, but as I said, the list of 16 that we have will change meaningfully.

I am sure we need to do more business development in-licensing that we have done over the last two years. That is not a debate, it's going to be Hal to have a look at what we got, and then work out how much more of that we should do, but there will be much more activity.

We're very excited about reigniting our relationships with this community, getting much more creative about how we engage and partner, and we are more than open for business. [laughs] That was a trap door?

[laughter]

Audience Member: Not a wall.

Emma: Except for him.

[laughter]

Emma: I think we want people to see GSK as an exciting prospective partner. I think Hal will come and talk about that more. It was certainly one of those early moves, I'm sure to hire and strengthen our...We've got great teams in BD, but we want to build those out a bit more and get off of that.

Audience Member: [off-mic question]

Emma: First of all...

Moderator: Can you repeat the question...

[crosstalk]

Emma: The question was if we are successful in going after the Pfizer business, what impact we think might have on the dividend?

I'm going to reiterate, our first priority remains pharma, and we will have a look at this business, but we don't need it. I think whether it's assumptions about what I spent my early career at GSK doing, the people shouldn't be under any illusions around that.

It could potentially, this is the important point, if we did it, this is cash generative as [laughs] this is EPS appealing. The reasons to it is important, because it actually helps around cover, and we've been very clear on where our priorities sit.

Number one is organic growth, number two is dividend, and M&A is number three. If you think those as the order of priorities then that should be...

Audience Member: [off-mic question]

Emma: I think we've been really clear on the order of priorities.

Moderator: A question here.

Audience Member: I have a question for Hal if [inaudible] .

Emma: You are allowed to. I don't know if he'll answer it, but at least he...

[laughter]

Audience Member: [off-mic question]

Emma: You might need to come here for the mic, Hal.

Audience Member: We know you, your career at Genentech and in [inaudible] , what convinced you to come to GSK where there are overlooked assets in the pipeline, or is the challenge to reveal pipeline, or what?

Hal Barron: Let's see. Can you hear me? It's a good question. I think that when I was at Genentech for a long time and Roche, people would ask what I'd do next, and I've always aspired to be able to run an R&D organization in big pharma.

I think when done well, an R&D organization in a place like GSK, where big pharma is not done very well can have the biggest impact on patients of any job in the world. That's always been an aspiration of mine. I actually had to spend most of my life doing development. I wanted a lot of experience in research, so that if I ever got the opportunity to do R&D I would have some shot at being successful.

The position that was offered was actually very attractive and very unique. There's not many companies actually that have R&D, from research, all through medical affairs, which is where I started, in medical affairs. None, to my knowledge, actually have a role that includes both being the chief scientific officer, as well as being a member of the Board. I think the role was particularly attractive.

I didn't get a chance to see the pipeline as in-depthly prior to joining, although I could see it externally. I was excited by what I saw, but I was actually more excited by the challenge. I think finally, the commitment that I'm on the Board made about making innovation the highest priority for the company, made it basically a dream job. I'm pretty excited about that.

The whole world knows how committed GSK has always been on how to improve the lives of patients. I think the people that I got to interact with over the years, have always impressed me. I

didn't know that many of them at the current company, but just in six days I've been super impressed with the quality of the people. I'm super excited about the challenge.

Audience Member: Can you please elaborate. When you say pharma is your number one priority, with so much innovation happening in biotech and [inaudible] , why spend the time sharpening the pencils and having a look at the big [inaudible]? Why is [inaudible]?

Emma: Honestly, I think there's a bit of everything. I don't want to spend my time...I almost want to answer your question. I think it's getting a disproportionate amount of attention, which maybe your point.

[laughter]

Emma: I used to run the consumer business, and there are very small number of assets that look really appealing in terms of being completely complementary from a geographic and portfolio point of view. Norvatis is one of them, this may be another.

It is only a look at the stages. It's extremely early, and we will not do it unless it ends up being an enabler of what we want to do as a priority, in terms of being cash generative for our pharma business. That remains the number one priority. At this stage, it will just be weird if we didn't look at it.

I really like no more questions on the consumer Pfizer business plan [inaudible] .

[laughter]

Audience Member: [off-mic question]

Emma: Go on.

Audience Member: [off-mic question]

Emma: Of course, there are options that you could consider, GSK has got a long track record of highly successful joint ventures. ViiV is one of them, the joint venture we have with Norvatis now. There's others. By the way, I'm talking about our consideration.

Obviously, we are not alone in this decision, because we have partners too. Clearly, a structure

deal is something that could be considered. I don't want anyone walking out of the room thinking that this is the priority for the company. All right. That's very important.

Audience Member: [off-mic question]

Emma: I'm sorry. It's quite difficult to hear you.

Moderator: Question on Shingrix.

Audience Member: [off-mic question]

Emma: Luke would take that.

Luke: I'd rather have Shingrix than Zostavax as a company, just being very frank. The question is how quickly Merck evacuates from this market, and it's really up to them of course, but that's something we're monitoring. We hope that happens relatively quickly, and then we can focus on growing this market.

Because as Emma said in her slides, there's large proportionate of potential patients who are 50 plus, who've not been vaccinated, plus you had this large [inaudible] revaccination target. I think the ACIP recommendation accelerates that process, because if you look at Shingrix, it's clearly a superior vaccine.

We want to shift from having a discussion about Shingrix versus Zostavax, to having a discussion around which patient should be identified by a physician or in a pharmacy for treatment. In terms of reimbursement, there's a lot of interest. I think probably higher than expected, and it's probably driven by a lot of the media coverage.

We've had some fantastic discussions with the pharmacy groups, who are of course, the critical care. We've had a lot of experience as a company operating in retail pharmacy through the flu business. I think everything is looking good. In terms of supply, our priority, 100 percent is the US. We will not launch anywhere else.

We launched in Canada, but we're going to hold back launches until we've got the US fully satisfied, and we've got everything working in the US.

Audience Member: [off-mic question]

Luke: There's always opportunities to market, but what's interesting of course, the US is very much out-of-pocket market retail dynamic. Markets like the UK, you don't get as high a price, but you have a complete population approach to that. You've also got ways of generating some excellent data and insights.

What we'll do is take a market-by-market approach, but our primary thing is to send shipment to the US first. Once we've fully saturated the US market, then and only then, will we look at markets outside of the US.

Audience Member: [off-mic question]

Luke: I think it's going to depend on the ramp up in the US and what that looks like, which is difficult to assess at this point, but what I would say is a lot of excitement around this product.

Emma: As I mentioned before, the other thing that's great about this asset and vaccines in general, the [inaudible] recognizes this is a long-term play of the company. We're not dealing with the same kind of [inaudible] . If you think of the opportunities, whether it's in Europe, or Japan. It's going to be a growth for the company.

We just need a little bit of patience around the initial uptake, because it is more like a consumer launch. Jack will be doing a phenomenal job around that, but...

Audience Member: [off-mic question]

David: The capacity of intensity is clearly going to go up when bictegravir gets approved probably next month here in the US. I would say, firstly, very, very pleased with the current momentum in the business. Recognizing ViiV, and then its heritage companies GSK and Welcome, have a very long history in HIV, right from the start.

We have a fantastic team. Very deep links into the HIV community patients, payers, regulators, and so forth. Tremendous momentum in the business. [inaudible] has over 500,000 patients now globally. Here in the US we have about 34,000 scripts a week.

We are pleased with all of that. It will get more intensive, but I think for those patients who are already on dolutegravir , we will fight very hard to keep them. I think it's not particularly dynamic market, patients who are well-treated, well-tolerated. I think it's very good reason to keep them

on.

Of course, we are investing very significantly in two drug therapies. We do think -- and this has been a journey, but the community is really coming with us now, regulators, guidelines -- that for patients who are newly diagnosed, perhaps in their early 20s, late teens, who are going to be on therapy for multiple decades, reducing the medicine burden down to two medicines from three or four active ingredients.

All the long-term side effects profile and safety benefit that we'll bring is a very compelling proposition, given the power of dolutegravir and the very high resistance barrier that it has. We've got the first of those approved with Juluca. A key moment will come later this year with the Gemini study 3TC and dolutegravir, in naïve patients.

If that goes well, I think two drug therapy is a very serious proposition for quite a bit of the market. Then, we have long-acting formulations. With cabotegravir coming later in the year, we should get tremendous patient feedback, very positive patient feedback, and the importance of that.

Look, it's obviously going to be a battle. We don't underestimate Gilead. They are clearly a potent force particularly here in the US. We feel we're in a good place.

Audience Member: [off-mic question]

Emma: It's a really important question, obviously, and everyone else in the room, I rather welcome your transparency that's been brought that can only be a good thing. These jobs come, and I'm new at it, but come with an enormous privilege, and a tremendous responsibility.

First and foremost, do the job that we do, which is all about the discovery, and development, and distribution of truly differentiated medicines that can impact the world, and that's the first of it.

Then, of course, is the responsibility to all shareholders, which should be the first point. [laughs] I try to define myself personally by my job to deliver on those key points rather than, first, by my gender, but I still recognize the responsibility I have as a leader "a little bit as a role model" because you're just more visible, whether you like it or not.

You just feel more visible for that. I want to represent the best in that sense, and it is clearly true in this industry when you look at the gender agenda, but it's not the only part of diversity that needs to be better represented.

I am just as fast and focused on diversity of representation in terms of the LGBT agenda, in terms of the race, in terms of personality. [laughs] I think you cannot be a modern employer in an industry that should be future-facing and modernizing, arguably, much more aggressively than it is, without being very demanding on this topic.

I think both those as an individual, as a CEO, one of the jobs of the CEO is to set the tone of what you expect, but also as a leadership team and as a company, I really do think the part of our trust agenda, that priority of trust is being a modern employer, where whoever you are, whatever shape or size you come in, whatever you look like, [laughs] whatever you stand for, you can bring the very best of those yourself without fear of bullying or reprisal or let alone any kind of inappropriate behavior.

It's beyond just defensive in that sense. We should be much more proactive about sponsoring and supporting all types of diversity to get to the more senior leaders' position. Just for the most common factor, that's why we're representing the societies that we serve.

We do think about it very thoughtfully. We do -- I'm going to blow out -- from a succession point of view, we are very specific about the shape of our shortlist, recruiting externally. My new chief digital and technology officer, Karenann, brings some diversity.

I'm also quite a fan of diversity of tone and attitude, because we have a Californian attitude, as well as a London attitude, and they complement each other quite well. [laughs]

Audience Member: [off-mic comment]

Emma: Well done. I think we'll...What do you think?

Audience Member: [off-mic question]

Emma: I think what we said is by 2020. We've given it out, it's 2020. By 2020 we'll be very clear on what's going to drive the next wave of growth for the company. You'll get updated along the way.

Thank you. [laughs]

[background conversations]

[applause]

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