

# Q1 2018 Results

25 April 2018



# Cautionary statement regarding forward-looking statements

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This presentation may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results.

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A number of adjusted measures are used to report the performance of our business. These measures are defined in our first quarter 2018 earnings release on page 21 and Annual Report on Form 20-F for FY 2017.

All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" on page 22 of our first quarter 2018 earnings release.

# Agenda



## Q1 2018 progress

Emma Walmsley,  
Chief Executive Officer



## Pharma update

Luke Miels,  
President, Global Pharmaceuticals



David Redfern,  
Chief Strategy Officer, Chairman of ViiV Healthcare



## Q1 2018 financial results

Simon Dingemans,  
Chief Financial Officer



## Summary

Emma Walmsley,  
Chief Executive Officer



## Q&A:

Dr Hal Barron, Chief Scientific Officer and President, R&D

Brian McNamara, Chief Executive Officer, GSK Consumer Healthcare

Luc Debruyne, President, Global Vaccines

# Q1 2018 progress

Emma Walmsley, CEO

25 April 2018



# Balanced business to deliver growth and returns to shareholders



## Pharmaceuticals

Leading positions in HIV and Respiratory

## Vaccines

Broadest portfolio with leading position in meningitis and opportunity in shingles

## Consumer Healthcare

Category leadership in Respiratory, Pain Relief and Oral Health



Common goal to improve health, from prevention to treatment

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Therapeutic and category leadership

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Global opportunities

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Strategic and operational synergies

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Balanced set of cash flows and returns

# CER Sales growth in all 3 businesses; improved Group operating margin



## Pharmaceuticals

+2%

New Respiratory products +42%

HIV sales +14%; dolutegravir +23%

## Vaccines

+13%

Shingrix reported sales of £110 million

Meningitis sales -2%; Bexsero +13%

## Consumer Healthcare

+2%

Strong performance in Oral Health and  
Pain Relief

Continued strong growth of Power brands

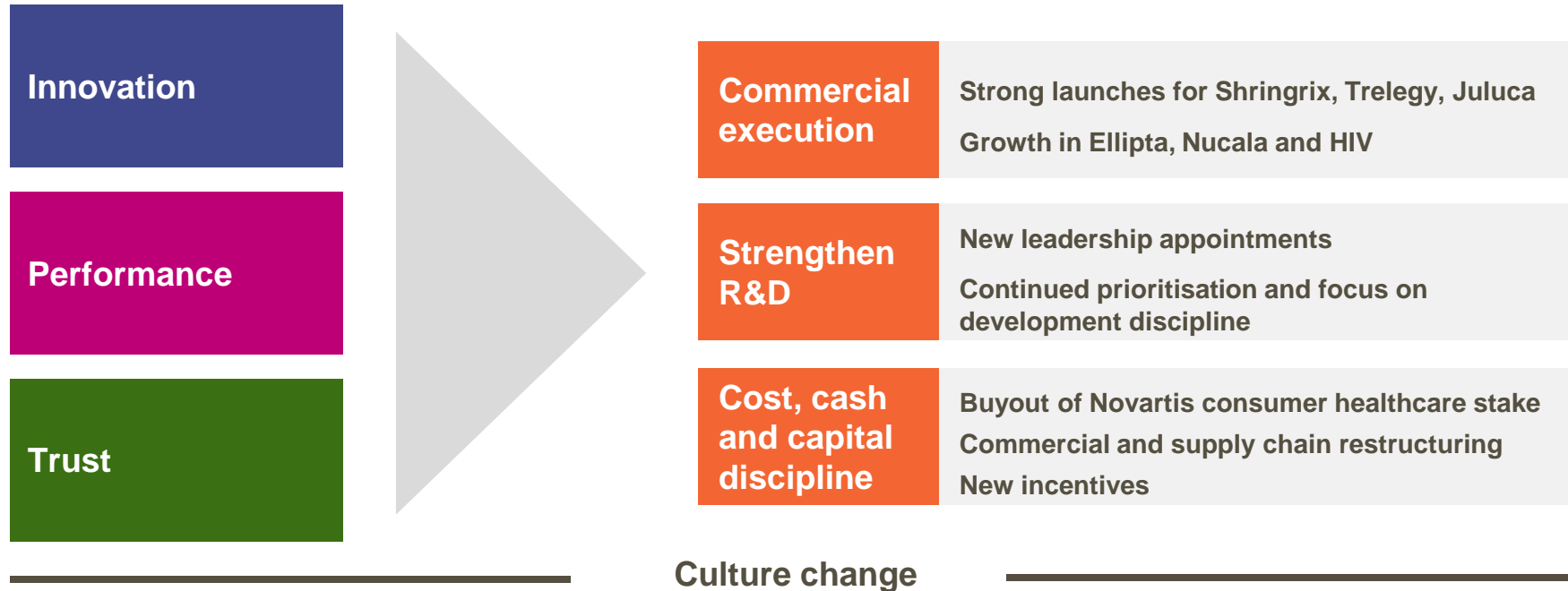
**Group sales growth  
of +4%**

**130bp improvement  
in Group Adjusted  
operating margin**

**Adjusted EPS growth  
of +11%**

**FCF of £324 million**

# Q1 progress made on our 3 long-term priorities



# Pharma update

Luke Miels,  
President, Global Pharmaceuticals

David Redfern,  
Chief Strategy Officer, Chairman of ViiV Healthcare





# Increasing focus and prioritisation



## Focus resources on key products and markets

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**Reallocating 20% of non-customer facing spend**

**70% new GM appointments across the top ten markets**

**Investing in key emerging markets to accelerate growth**

## Increase pace by simpler structures and processes

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**Emerging Markets structured into three new categories**

## Clarify accountabilities for decisions and execution

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**Core services centralised**

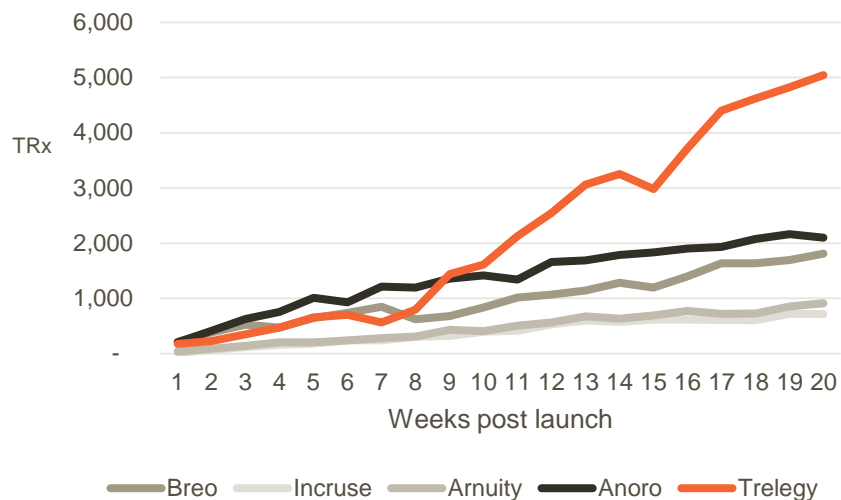
**Support functions right-sized**

**Markets focus on execution**

# Trelegy: driving continued leadership



## Strongest US Ellipta launch to date



Source: IQVIA NPA weekly TRx data

## Significant exacerbation reduction with TRELEGY in COPD

15%

reduction  
vs Breo<sup>1</sup>

25%

reduction  
vs Anoro<sup>1</sup>

**IMPACT published in NEJM 18<sup>th</sup> April 2018**  
**sNDA approved 24 April 2018**

1. Annual rate of on-treatment moderate and severe exacerbations (IMPACT)

# Nucala: a leading respiratory biologic with significant growth opportunity



## Highly competitive profile

### Leading in science

Consistent exacerbation reduction<sup>1</sup>

OCS reduction 50%, sustained up to 1.5 years<sup>2</sup>

Effective in SEA patients uncontrolled on Xolair<sup>3</sup>

### Significant growth opportunity

<25% of eligible patients treated in US

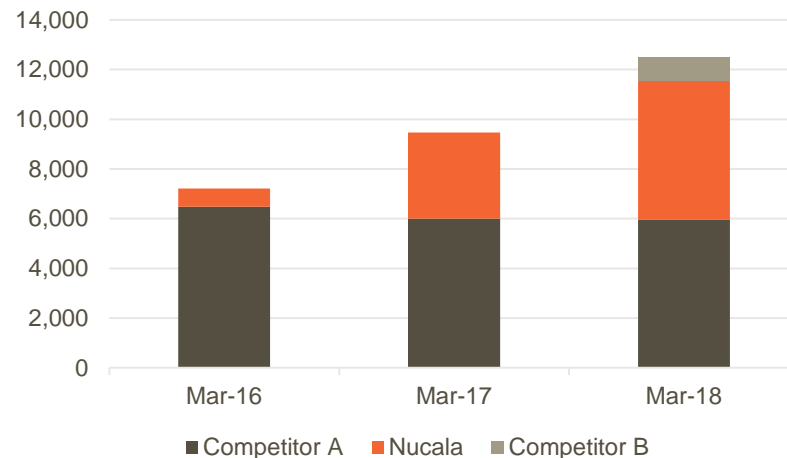
Steady uptake in new EGPA indication in the US

US regulatory submission for use in COPD filed November 2017

Global rollout continuing

## Market continues to demonstrate strong growth

TRx for SEA market



1. MENSA and MUSCA studies:

EOS > 150 cells/μl: 53 - 58% reduction in exacerbations,

EOS > 300 cells/μl: 61 - 64% reduction in exacerbations

2. SIRIUS and COSMOS studies

3. OSMO study

Source: IQVIA NPA weekly TRx data

SEA market: comprises Nucala, Fasenra™ and ~20% of Xolair™ patient population

EOS: eosinophil; OCS: oral corticosteroid; SEA: severe eosinophilic asthma;

EGPA: eosinophilic granulomatosis with polyangiitis.

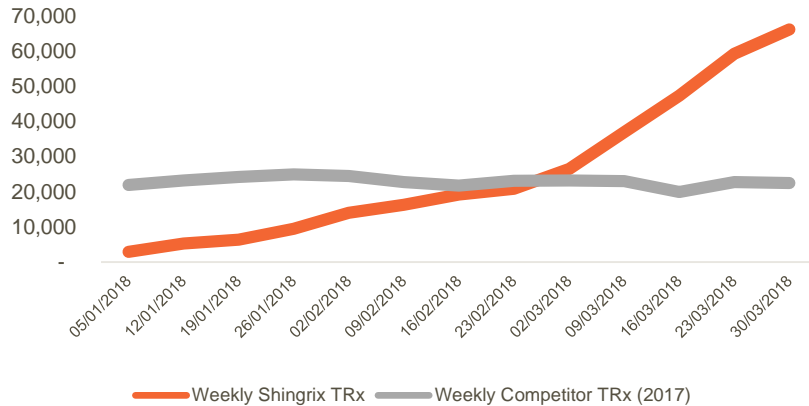
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# Shingrix: encouraging launch performance



## Strong uptake, rapidly surpassing competitor volumes

Weekly Shingrix volume vs '17 competitor weekly (weekly pharmacy administered doses)



Source: IQVIA NPA weekly TRx data

## Building a new standard of prevention

### Strong clinical profile

>90% efficacy across identified age groups<sup>1,2</sup>

Sustained efficacy<sup>2</sup>

### Building US access and share

>90% access with both Medicare and Commercial

>90% of known market share<sup>3</sup>

Q1 2018 sales of £110 million, with strong channel demand and encouraging initial uptake

Market recovering after several months of transition

1. Does not include immunocompromised population

2. Lal H et al. Efficacy of an Adjuvanted Herpes Zoster Subunit Vaccine in Older Adults. N Engl J Med. 2015;372:2087-96; Cunningham et al. Efficacy of the herpes zoster subunit vaccine in adults 70 years of age or older. N Engl J Med. 2016;375:1019-32.

3. IQVIA data, represents ~60% of the market.

# Confident in HIV growth outlook



## Leading core agent and a new treatment paradigm with 2 drug regimens

### Leading position maintained

Dolutegravir maintaining its leading position in STR/Core Agent market at ~28% TRx

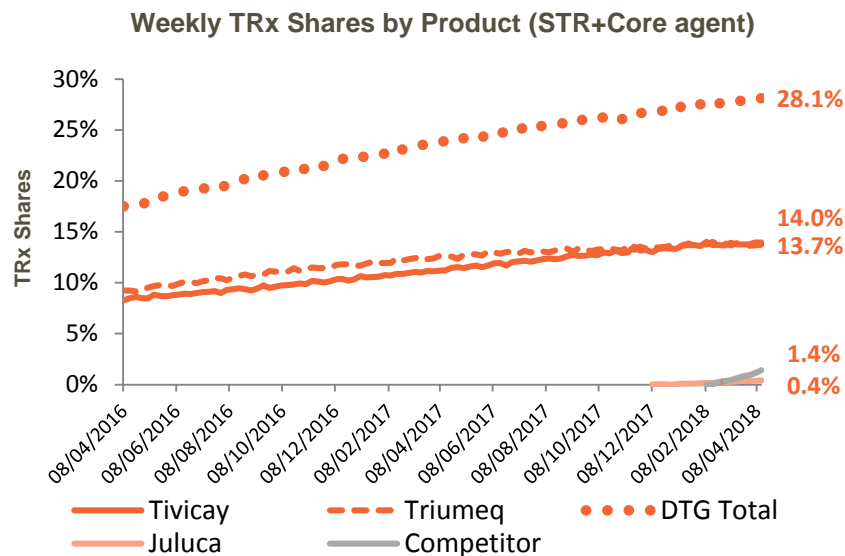
NBRx share remains strong at 29% with new patient share particularly strong at 34%

Majority source of business for Juluca is conversions from non dolutegravir containing regimens.

### Further opportunity

DTG/3TC GEMINI data and regulatory submission expected in 2018; phase III long acting CAB+RPV data expected by end of 2018

## Dolutegravir maintaining leadership position in STR/Core Agent market



Source: IQVIA NPA w/e 13 Apr 2018

# Q1 2018 financial results

Simon Dingemans, CFO



# Headline results



Sales growth and operating leverage offset by currency headwind

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	Q1 2018	Reported growth %	
	£m	AER	CER
Turnover	<b>7,222</b>	(2)	4
Total operating profit	<b>1,240</b>	(28)	(15)
Total EPS	<b>11.2</b>	(48)	(33)
Adjusted operating profit	<b>1,923</b>	(3)	9
Adjusted EPS	<b>24.6</b>	(2)	11
Free cash flow	<b>324</b>	(50)	n/a

# Results reconciliation



## Q1 2018 results

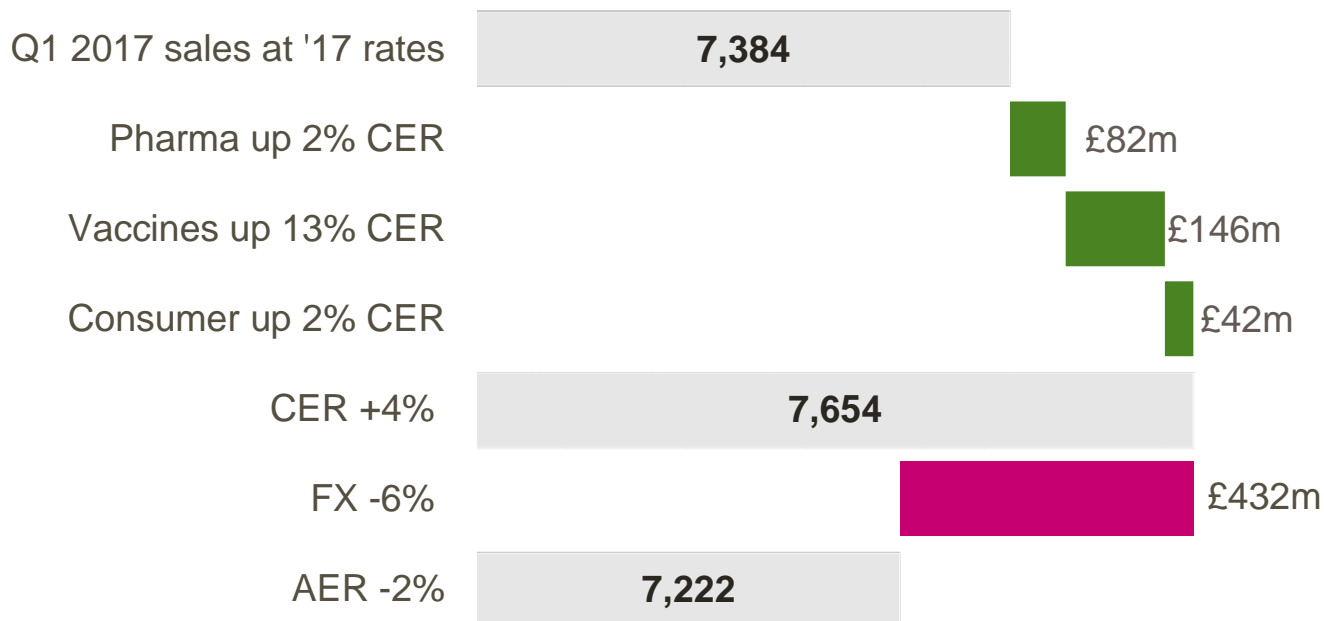
	<b>Total results</b>	Intangible amortisation	Intangible impairment	Major restructuring	Transaction related	Disposals, significant legal and other	<b>Adjusted results</b>
Turnover (£bn)	<b>7.2</b>						<b>7.2</b>
Operating profit (£bn)	<b>1.2</b>	0.1	<0.1	0.1	0.4	-	<b>1.9</b>
EPS (pence)	<b>11.2</b>	2.4	0.5	1.0	9.0	0.5	<b>24.6</b>
Q1 17 EPS (pence)	<b>21.4</b>	2.3	0.7	2.7	0.9	(3.0)	<b>25.0</b>



# Sales growth



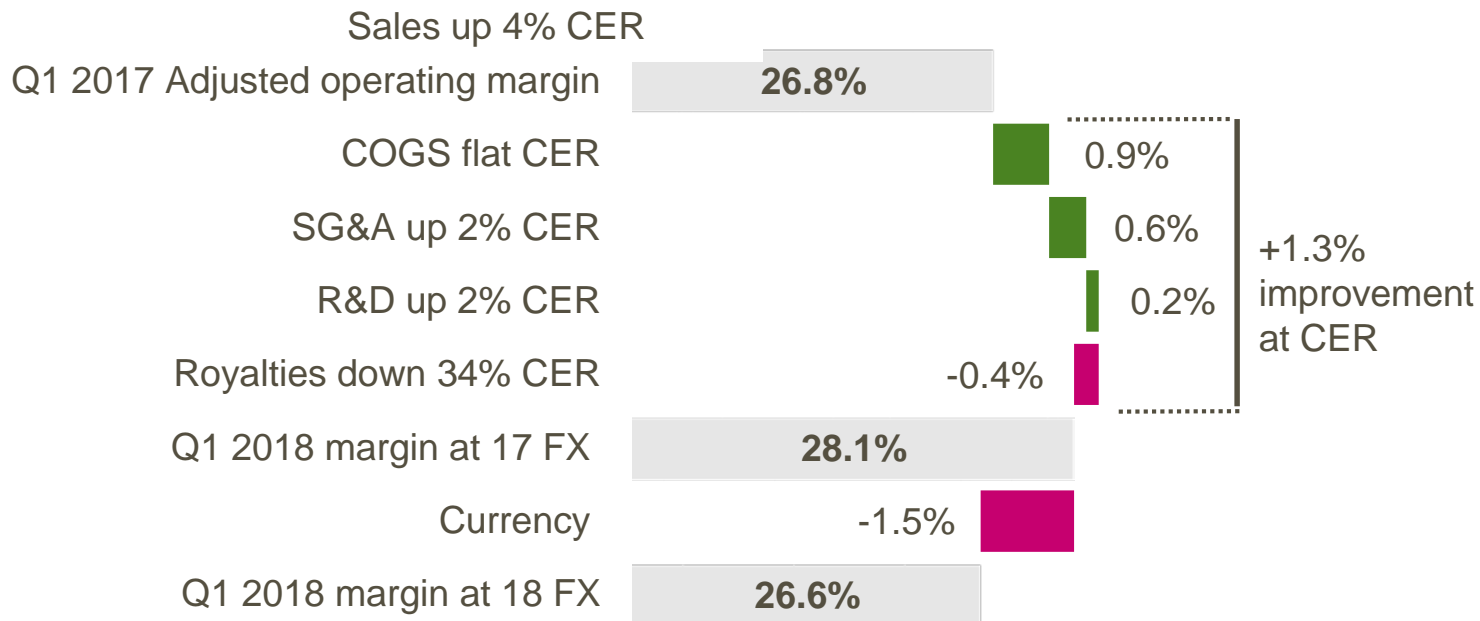
## Q1 2018 Growth in all three businesses



# Adjusted operating margin



Continued margin progression in Q1 2018



# Operating profit to net income

Continued delivery of financial efficiency

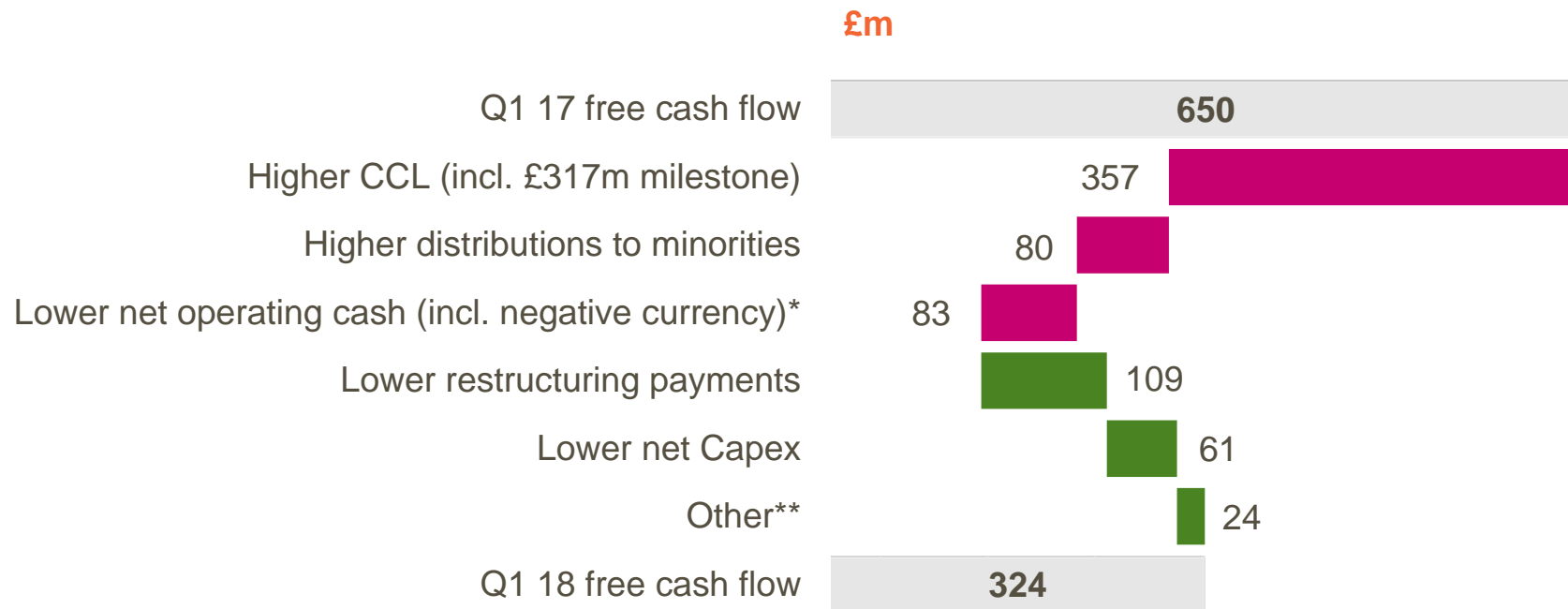


	Q1 17	Q1 18
Adjusted results	£m	£m
<b>Operating profit</b>	<b>1,979</b>	<b>1,923</b>
Net finance expense	(169)	(139)
Share of associates	5	9
Tax	(399)	(362)
Tax rate	22.0%	20.2%
Minorities	(199)	(224)
<b>Net income</b>	<b>1,217</b>	<b>1,207</b>

# Free cash flow analysis



Cash flow improvements offset by milestone payment and currency



\* Net operating cash is net cash inflow from operating activities, excluding restructuring, operating CCL, and significant legal payments (£5m in both Q1 2018 and Q1 2017).

\*\* £24m Other includes £39m increase from associates and JVs, offset by £11m of higher net interest paid and £4m lower proceeds on sale of PP&E.

# 2018 guidance and 2020 outlook expectations



## 2018 US Advair scenarios

Assuming no substitutable generic, expect US Advair sales to decline around 30% CER

Adjusted EPS

Up 4 to 7% CER

Assuming July substitutable generic, expect US Advair sales of ~£750m CER (\$1.30/£1)

Adjusted EPS

Flat to down 3% CER

## 2020 outlook\* unchanged

Group sales CAGR

Low-to-mid single digit %

Adjusted EPS CAGR

Mid-to-high single digit %



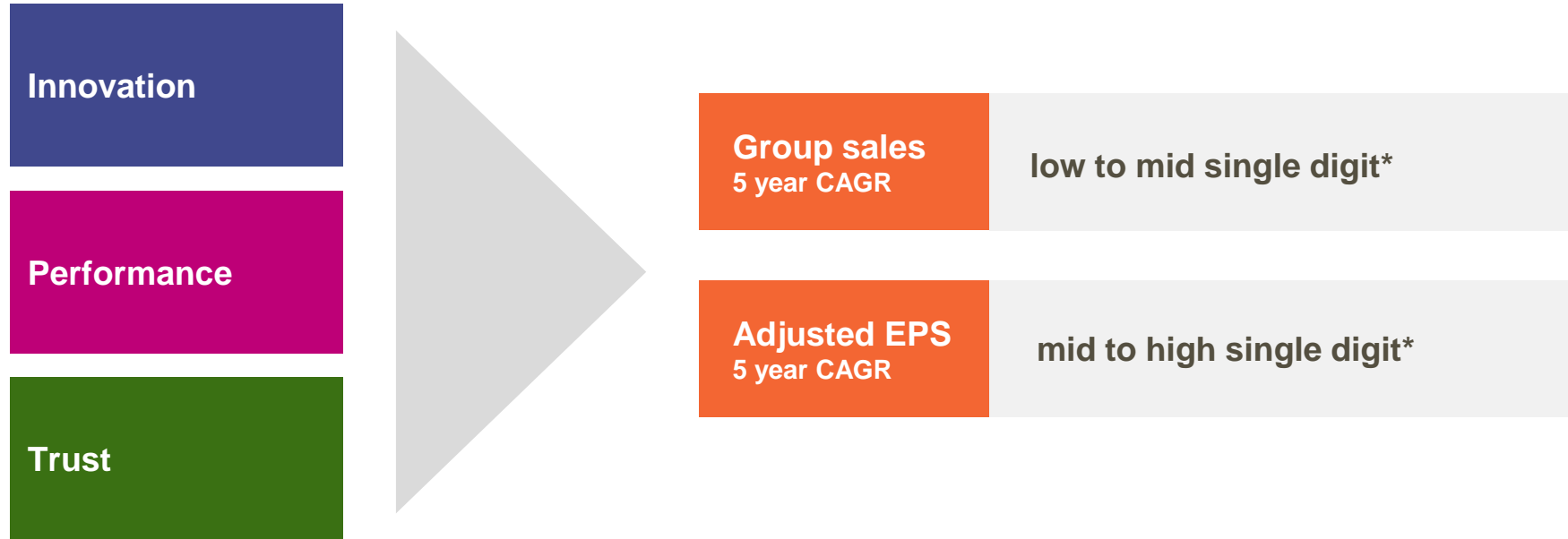
\*All 2020 outlook statements are at CER using 2015 exchange rates as the base. The CAGRs are 5 years to 2020.

# Summary

Emma Walmsley, CEO



# Confident in 2020 outlook



\*All 2020 outlook statements are at CER using 2015 exchange rates as the base. The CAGRs are 5 years to 2020.

# Q&A

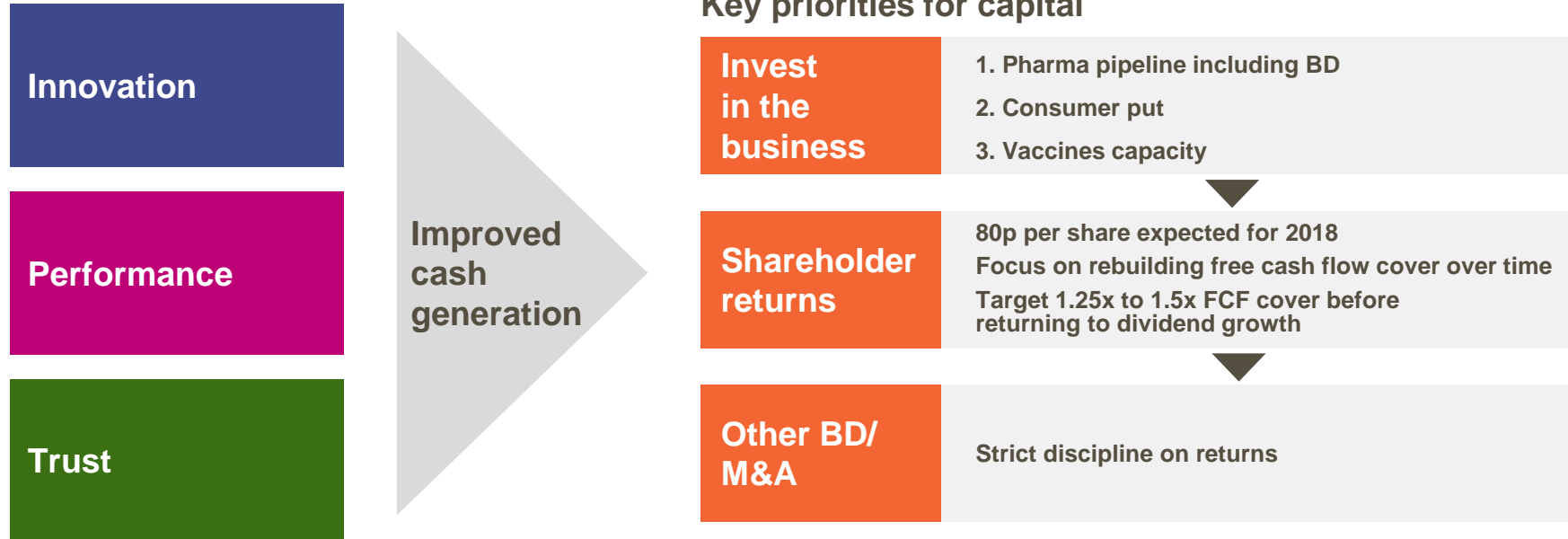




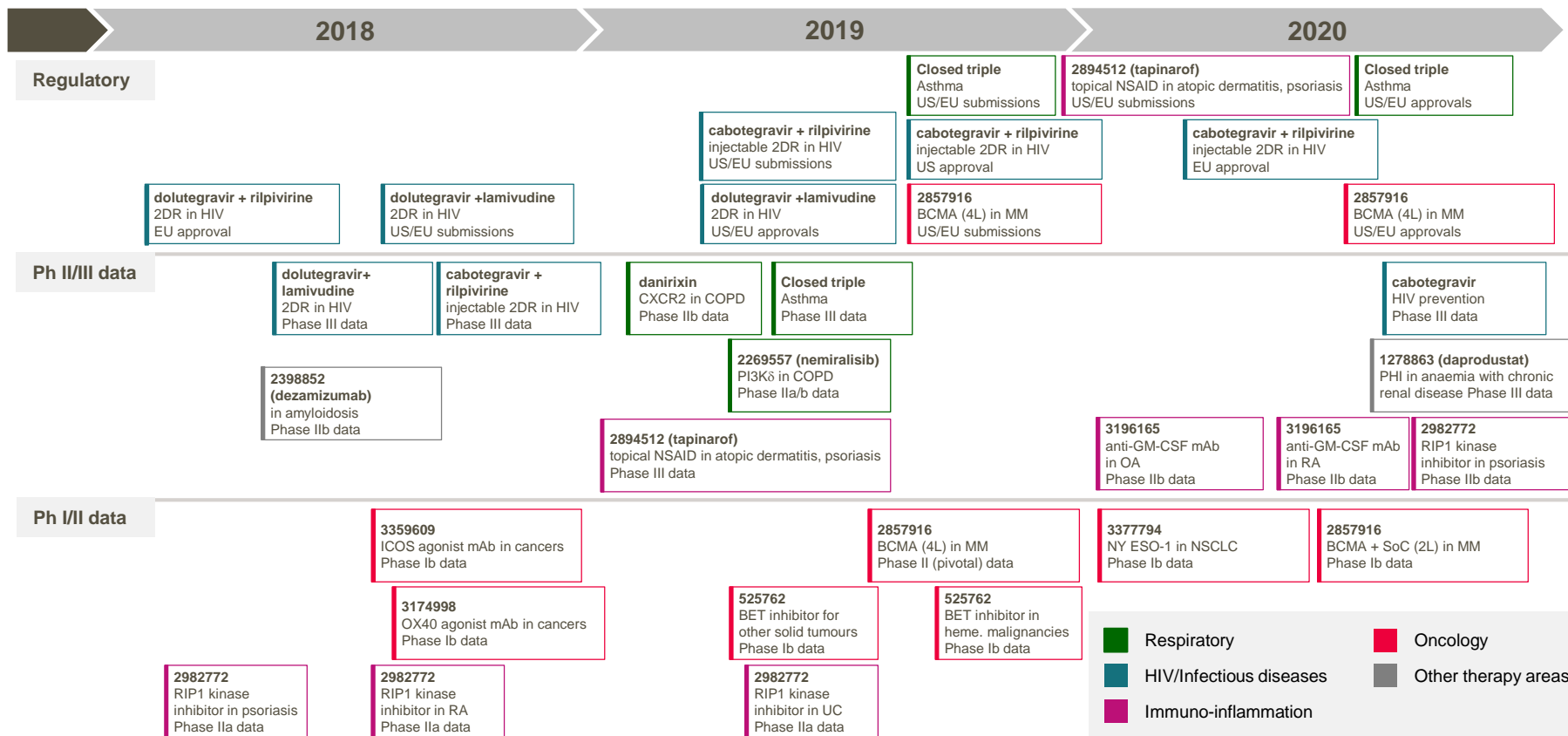
# Appendix



# Capital allocation framework



# Data on key assets in next 3 years to inform investment in Pharma pipeline, organically or inorganically

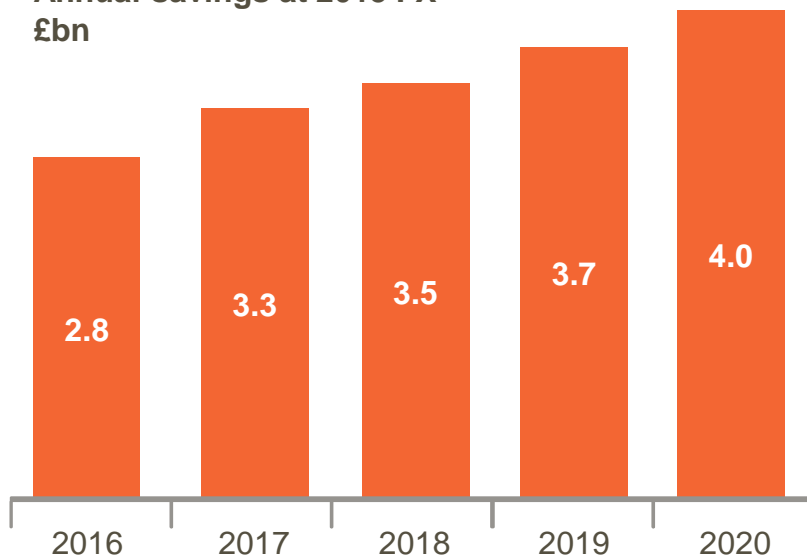


# Good progress on restructuring



Main programme mostly completed, so lower incremental savings going forwards

Annual savings at 2015 FX  
£bn



## Costs of up to £5.7bn

£4.1bn cash

£1.6bn non cash

## £4.8bn expensed to date (up to Q1 2018)

£3.5bn cash, £3.2bn paid

£1.3bn non cash

Cumulative FX benefit*:	2016	2017	2018	2019	2020
	0.2	0.4	0.4	0.4	0.4

\* 2018-2020 cumulative FX benefit estimated using March 2018 rates.

## 2017 currency sales exposure

<b>US \$</b>	37 %
<b>Euro €</b>	19 %
<b>Japanese ¥</b>	7 %
<b>Other*</b>	37 %

\* The other currencies that each represent more than 1% of Group sales are: Australian Dollar, Brazilian Real, Canadian Dollar, Chinese Yuan, Indian Rupee. In total they accounted for 12% of Group revenues in 2017.

## 2018 Adjusted EPS ready reckoner

### **US \$**

10 cents movement in average exchange rate for full year impacts EPS by approx. +/- 4.0%

### **Euro €**

10 cents movement in average exchange rate for full year impacts EPS by approx. +/- 2.5%

### **Japanese ¥**

10 Yen movement in average exchange rate for full year impacts EPS by approx. +/- 1.0%

If exchange rates were to hold at the closing rates on 31 March 2018 (\$1.40/£1, €1.14/£1 and Yen 149/£1) for the rest of 2018, the estimated negative impact on full-year 2018 sterling turnover growth would be around 5% and if exchange gains or losses were recognised at the same level as in 2017, the estimated negative impact on 2018 Sterling Adjusted EPS growth would be around 8%.