

Gsk Stock Pitch

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GSK background

- One of the largest Pharmaceutical companies in the world
- Founded in 2000 via a merger between Glaxo Wellcome and Smithkline Beecham
- Their vaccine portfolio consists of over 20 vaccines that protect the public from a large range of infections and diseases
- Over 90 thousand employees
- Market cap = \$59.201 billion
- 767 million vaccines delivered in 2021
- 1.7 billion medicine doses delivered in 2021

Products and revenue background

- **Vaccines**



GSK's vaccines target infectious diseases. They use advanced technologies and collaborate with partners to produce effective vaccines for the general public.

- **General Medicines**

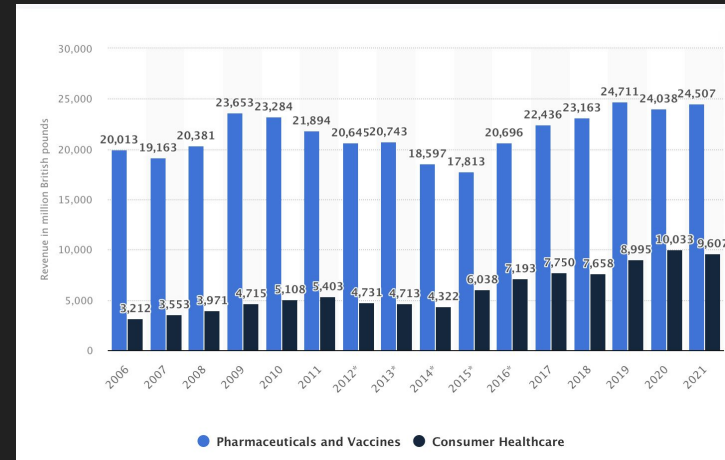


The general medicines produced are prescribed by GP's across the world for inhaled respiratory, dermatology and other diseases.

- **Specialty Medicines**



Specialty medicines are consistently being manufactured as they are the forefront of GSK's high-value pipeline. These medicines treat issues like respiratory diseases and HIV.



SWOT - Strengths

Strength	Effect
Global Presence	Due to operating in different countries, GSK reduces its risk of overdependence on only a few markets
Training & Development	Spend a massive amount of money on training and developing their employees to ensure that they are highly skilled. These employees will help to generate profits for the company
Research & Development	GSK focus a lot of energy on their research and development. This has led to them making a lot of progress in developing several medicines. Their vast numbers of medicines places them in a stronger position in the market

SWOT - Weaknesses

Weakness	Effect
Frauds & Allegations	In the past, GSK, have been accused of numerous offences such as promoting false advertised prices, the endorsement of antidepressants in the US that had not yet been approved by the FDA.
Inaccurate Demand Forecasting	GSK have been labelled as poor demand forecasters with regards to their inability to predict the demands for their products.

SWOT - Opportunities

Opportunities	Effect
New Technology	New technology will permit GSK to produce products of good value which will allow them to improve their services to their current customers while also enticing a new wave of customers.
Collaborations & Acquisitions	Collaborations and acquisitions allow GSK to expand the range of their portfolio which will in turn increase their market share.
Reducing the Cost of New Product Launches	GSK are able to promote new product launches via social network enabling them to reduce the costs of advertisement.

SWOT - Threats

Threats	Effects
Competition	GSK have to compete with several other large pharmaceutical companies. This can lead them to battling over prices, which will then affect their respective market shares.
Governments	Governments all over the world have different sets of rules and regulations, this means that GSK are sometimes limited to the rules they must obey. For example, GSK may have to follow the prices set by the governments themselves.

Upcoming pipeline / events / news

GSK shares surge as US judge dismisses Zantac cancer claims

- Wall Street analysts suggest that the probability of any future Zantac damages due to any lawsuits have become remarkably lower.

GSK's success with US drug regulator

- GSK's drug aimed at chronic kidney disease patients with anemia moves closer to getting accepted.

JP Morgan Healthcare Conference 2023

- GSK will attend the investment banks 41st annual healthcare conference in San Francisco, CA, USA.

New developments in IO therapy

- GSK have made new immuno-oncology research developments towards understanding non-small cell lung cancer (NSCLC)

E.S.G compliance - GSK Policy

Trust priority and ESG approach

- Support the company's aim to create a long-term value for shareholders and meet the needs of society

ESG Approach

- Use science and technology to address health needs
- Make products affordable and available
- Be a modern employer
- Be a responsible business

E.S.G compliance - GSK policy examples

Environmental	Social	Governance
Priority: Net zero impact on climate and net positive impact on nature by 2030	Use access strategies to reach 800 million underserved people in low-income countries with products by 2025 - currently over 323 million people since 2018	Changed recruitment policy in 2021 to require diverse shortlists for senior vacancies
Aims: 100% renewable electricity usage and good water stewardship at all sites (2021 at 67%, increase of 15% since 2020); 100% of materials sustainably sourced; 100% use of electric vehicles by GSK sales reps	Accelerate progress on inclusion and diversity, including aspirational targets for female and ethically diverse representation in senior roles by end 2025	Aim of 45% women in VP and SVP roles by the end of 2025 (currently rising to 40% in 2021)
Since 2010, GSK has reduced carbon emissions by 34%, waste to landfill by 78%, total water use by 31%	Improve disease prevention, awareness and access to healthcare services, by 12 million people by 2025 - exceeded the target in 2020 reaching 13.9 million people	2022, FTSE Women Leaders ranking: top 10% of FTSE 100 based on proportion of women on Board and in leadership positions.
September 2021: £50 million investment in UK and US manufacturing sites to secure renewable power generation	Increased community investment from 2018 (224 million) to 2021 (260.2 million)	Gender pay gap of 1.18% (2021) outperforms national average of 14.9%
Collaborative approach - Energize Programme and Manufacture 2030		

External benchmarking	Change	Current rating	Previous rating	Relative to peers
Dow Jones Sustainability Index	→	88/100	88/100	1st in the pharmaceutical industry group
Access to Medicines Index	↑	4.23	4.01	1st in the Index
Antimicrobial Resistance Benchmark	↓	84%	86%	Leader
CDP Carbon	↑	A-	B	
CDP Water	↓	B	A	
CDP Forest (palm oil and timber)		B	N/A	
CDP Supplier engagement	→	Leader	Leader	
Sustainalytics	↓	18.9	19.3	4/454 subindustry group
MSCI	→	AA	AA	
FTSE4Good	→	Member of FTSE4Good Index since 2004	Member of FTSE4Good Index since 2004	

ESG Risk Rating

COMPREHENSIVE ?

18.9

Low Risk



Ranking

Industry Group (1st = lowest risk)

Pharmaceuticals

47 out of 1002

Industry Comparison

Company	ESG Risk Rating	Industry Rank
GSK Plc	18.9	Low 47 out of 1002
Zoetis, Inc.	19.4	Low 55 out of 1002
Merck KGaA	19.8	Low 61 out of 1002
Daiichi Sankyo Co., Ltd.	27.5	Medium 251 out of 1002
Bayer AG	29.6	Medium 364 out of 1002

Financials - Balance sheet

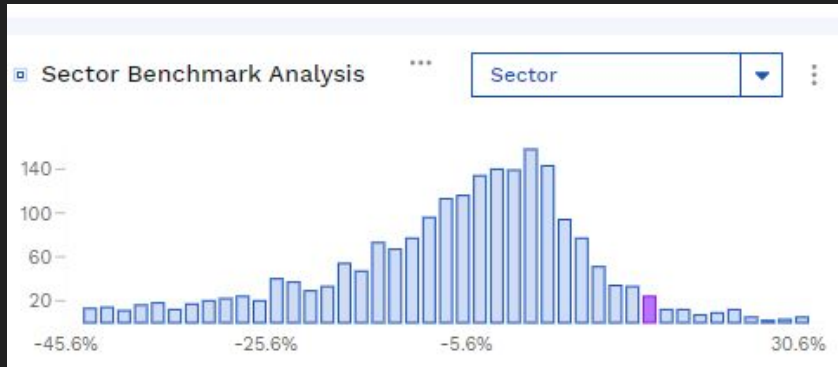
Ratio	GSK result
Current ratio	0.97
debt/equity ratio	2.22

Financials - Income statement

Measure	Current	Trend
Operating revenue	\$1.403 Billion	47% decrease YoY
Net income	\$12.149 Billion	654.34% increase YoY
Shares outstanding	2.044 Billion	0.99% decrease YoY

Financials - Cash Flow Statement

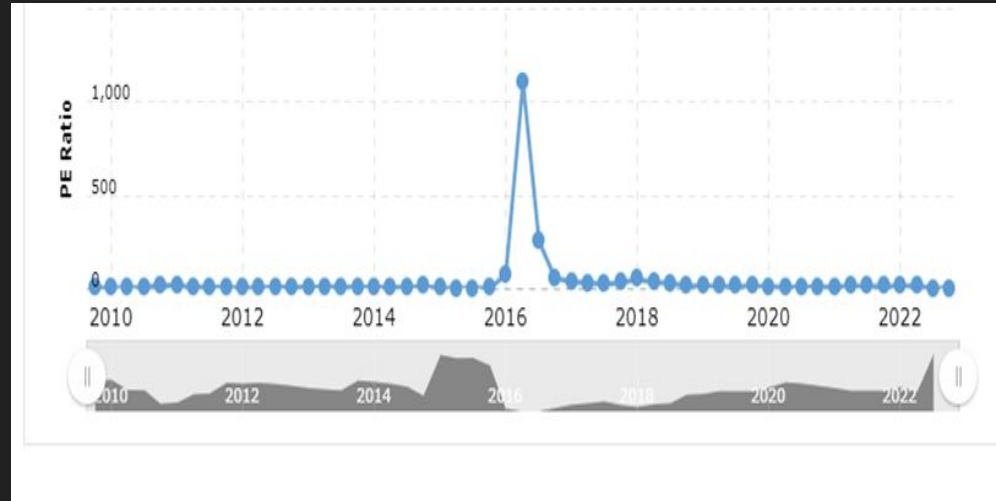
- The free cash flow of GSK is currently is \$7.964 Billion
- The Market capitalization is \$59.201 billion
- Therefore the free cash flow yield is 13.5 percent
- The diagram below shows that gsk sits in the 95.6% percentile in the sector for free cash flow yield
- This suggest that GSK are in a strong position financially are able to pay its debt and other obligations
- This also explains why they are also able to consistently pay out a dividend to their investors.



Value metrics

P/E ratio

- 9.17
- The average p/e in the pharmaceutical industry sits at 24.81, which suggests that GSK is well valued.



Main Causes of Volatility

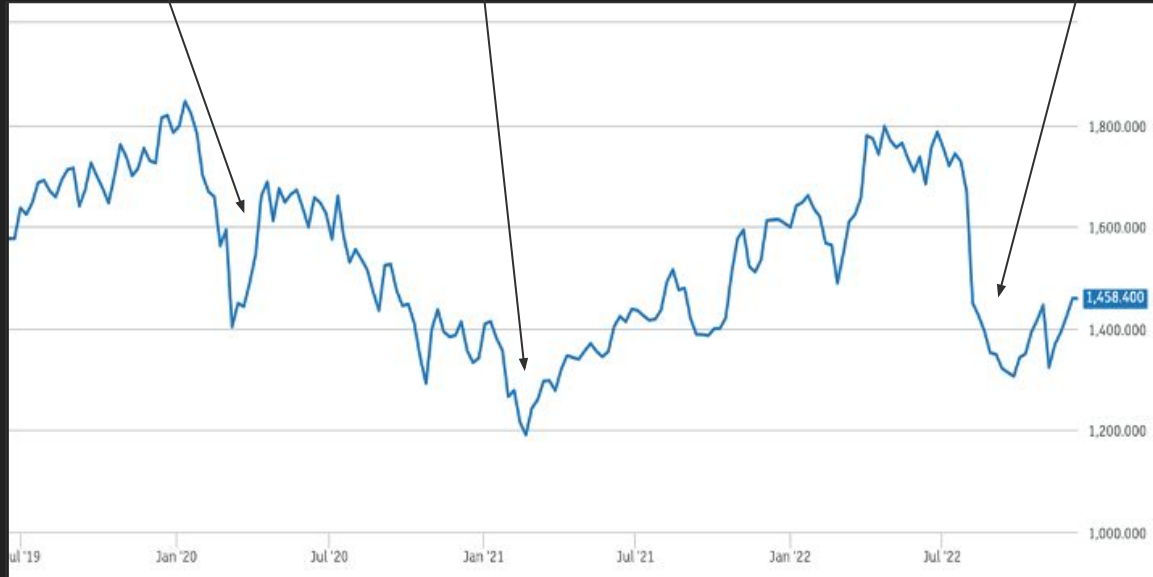
Cause	Implication	Effects on Stocks
Threats of Litigation	GSK heavily funds in R&D. Threats of litigation in the pharmaceutical company are rife and can divert money away from R&D towards court fees.	Zantac - A drug used to decrease stomach acid production which GSK invested heavily in during 1980's/1990's was shown to increase carcinogenic levels in users (Shown by FDA). Recent recall of this news due to ongoing trials has been a main factor for GSK's stock price falling
Failures in Drug Development	Developing new drugs requires investors to boost R&D. Drugs failing to move past testing stages lowers investors confidence. This may result in investors pulling out which can heavily stunt/ stop the development of the drug.	Blenrep - an antibody drug to treat patients with relapsed or refractory multiple myeloma) turned out to be worse than an existing treatment in the market. Causing the drugs approval ratings to worsen. JP Morgan – '...we therefore expect the market to price in a risk that Blenrep approval is rescinded.'

Market reactions to earnings and news

GSK is world leader in vaccines.
During COVID-19 many were
postponed/ cancelled

Failure to find a suitable covid-19
vaccine

Following Morgan Stanley Report on
Zantac



Current News Affecting GSK Stock

Currently GSK's stock price is sitting at the bottom of the trough following on from the Morgan Stanley report mentioning the potential financial impacts caused by litigation surrounding GSK due to the Zantac trials. These trials are currently awaiting results from the 'Daubert' hearings - official evidence which will be used on trial. A positive outcome of this will reflect bullishly on the markets.

Furthermore, the scope of litigation was recently narrowed from 10 cancers to 5 cancers which experts are questioning will provide evidence strong enough to pursue the damages for bladder cancer, which makes up almost 2/3rds of prevalent cases.

Stop Loss

Primarily due to the litigative concerns GSK's stock price plummeted in the past few months.

With news of potential positive news following the Daubert hearings, GSK stock could increase significantly, therefore making GSK a promising stock to invest in now.



So.. Why should Oakwood invest in GSK?

- Their low ESG risk rating displays how they are well equipped to anticipate future risks and more inclined to longer-term strategic thinking and long-term value creation, making it a great stock to take a long position on.
- GSK's low stock price also makes it accessible to investors with limited capital such as Oakwood, with the value of its shares likely to skyrocket following the Daubert hearings, according to Citibank analysts, making GSK quite the sleeper stock.

Recommendation: Moderate Buy/Hold, small position size