

GlaxoSmithKline plc (GSK) - Financial and Strategic Analysis Review

Reference Code: GDPH4279FSA

Publication Date: AUG 2010

Phone	Revenue	(million GBP)
Fax	Net Profit	(million GBP)
Website	Employees	
Exchange	Industry	Pharmaceuticals & Healthcare

Company Overview

GlaxoSmithKline plc (GSK) is a UK-based pharmaceutical, biological, and healthcare company engaged in the development, manufacture and marketing of pharmaceutical and consumer health related products. GSK operates in two industry segments: Pharmaceuticals and Consumer Healthcare. The company, through its Pharmaceuticals segment, focuses on providing prescription pharmaceuticals and vaccines. Its Consumer Healthcare segment provides OTC medicines, Oral healthcare and Nutritional healthcare. The company operates in almost 120 countries and its products are sold in over 150 countries worldwide. The company is headquartered in Middlesex, the UK.

Key Executives

Name	Title
------	-------

Source: Annual Report, Company Website, Primary and Secondary Research
GlobalData

Share Data

GlaxoSmithKline plc

Share Price (GBP) as on 09-Aug-2010

EPS (GBP)

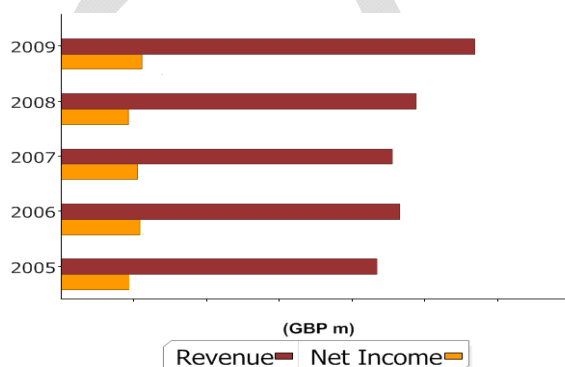
Market Cap (million GBP)

Enterprise Value (million GBP)

Shares Outstanding (million)

Source: Annual Report, Company Website, Primary and Secondary Research
GlobalData

Financial Performance



Source: Annual Report, Company Website, Primary and Secondary Research
GlobalData

SWOT Analysis

GlaxoSmithKline plc, SWOT Analysis	
Strengths	Weaknesses
Opportunities	Threats

Source: Annual Report, Company Website, Primary and Secondary
Research
GlobalData

Recent Developments

Aug 04, 2010

Aug 03, 2010

Jul 29, 2010

Jul 27, 2010

Jul 26, 2010

Source: Annual Report, Company Website, Primary and Secondary
Research
GlobalData

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Section 1 - About the Company

GlaxoSmithKline plc - Key Facts

GlaxoSmithKline plc, Key Facts			
Corporate Address		Ticker Symbol, Exchange	
Telephone		No. of Employees	
Fax		Fiscal Year End	
URL		Revenue (in USD Million)	
Industry		Revenue (in GBP Million)	
Locations			
Source: Annual Report, Company Website, Primary and Secondary Research GlobalData			

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GlaxoSmithKline plc - Key Employee Biographies

GlaxoSmithKline plc, Key Employee Biographies	
Source: Annual Report, Company Website, Primary and Secondary Research GlobalData	

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GlaxoSmithKline plc - Key Operational Employees

GlaxoSmithKline plc, Key Operational Employees			
Name	Job Title	Since	Age

Source: Annual Report, Company Website, Primary and Secondary Research
GlobalData

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GlaxoSmithKline plc - Company Statement

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GlaxoSmithKline plc - Locations And Subsidiaries

Head Office

Other Locations & Subsidiaries

GlaxoSmithKline plc, Other Locations	
Source: Annual Report, Company Website, Primary and Secondary Research GlobalData	

GlaxoSmithKline plc, Subsidiaries	

GlaxoSmithKline plc - Key Manufacturing Facilities

GlaxoSmithKline plc, Key Manufacturing Facilities	
Source: Annual Report, Company Website, Primary and Secondary Research GlobalData	

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Section 2 – Company Analysis

GlaxoSmithKline plc - Business Description

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GlaxoSmithKline plc- Corporate Strategy

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GlaxoSmithKline plc - SWOT Analysis

SWOT Analysis - Overview

GlaxoSmithKline plc - Strengths

Strength - Global Manufacturing and Supply Network

Strength - Focused Research and Development Capabilities

Strength - Diversified Product Portfolio

Strength - Strong Financial Performance

GlaxoSmithKline plc - Weaknesses

Weakness - Limited Investor Confidence

Weakness - Patent Infringement Claims

GlaxoSmithKline plc - Opportunities

Opportunity - Target Indications - Market Potential

Opportunity - Market Potential – Oncology

Opportunity - Growth in Emerging Markets

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Opportunity - Strategic Agreements

Opportunity - New Product Launches and Approval

GlaxoSmithKline plc - Threats

Threat - Uncertain R&D Outcomes

Threat - Increase in Prevalence of Counterfeit Drugs

Threat - Growing Parallel Trade

Threat - Competitive Pressures

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GlaxoSmithKline plc - Key Competitors

GlaxoSmithKline plc, Key Competitors		
Name	Headquarters	Revenue (US\$ m)

Source: Annual Report, Company Website, Primary and Secondary Research
GlobalData

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Section 3 – Company Financial Ratios

Financial Ratios - Capital Market Ratios

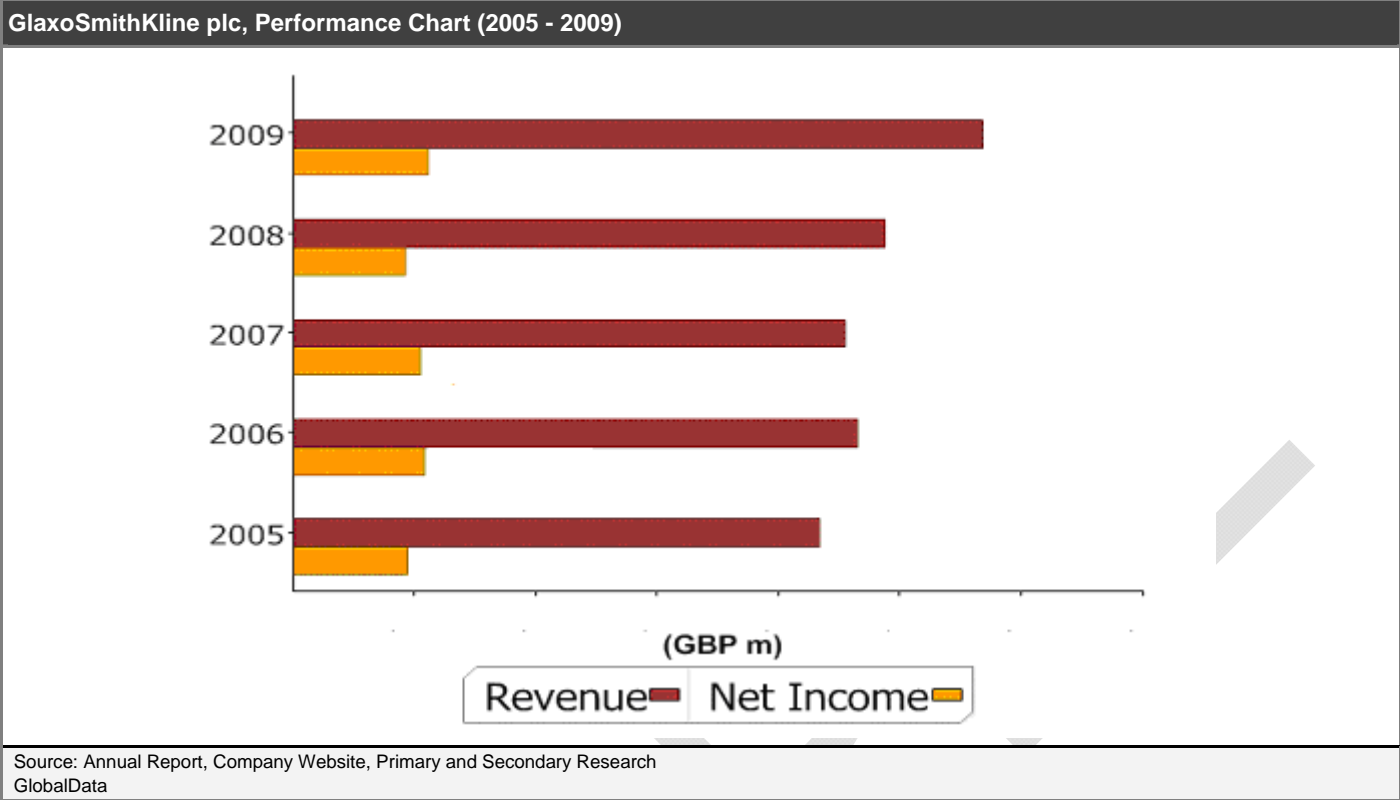
GlaxoSmithKline plc, Ratios based on current share price	
Key Ratios	09-Aug-2010
P/E (Price/Earnings) Ratio	
EV/EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization)	
Enterprise Value/Sales	
Enterprise Value/Operating Profit	
Enterprise Value/Total Assets	
Dividend Yield	
Note: Above ratios are based on share price as of 09-Aug-2010, the above ratios are absolute numbers	
Source: Annual Report, Company Website, Primary and Secondary Research	
GlobalData	

Financial Ratios - Annual Ratios

GlaxoSmithKline plc, Annual Ratios						
Key Ratios	Unit/Currency	2005	2006	2007	2008	2009
Equity Ratios						
EPS (Earnings per Share)	GBP					
Dividend per Share	GBP					
Dividend Cover	Absolute					
Book Value per Share	GBP					
Profitability Ratios						
Gross Margin	%					
Operating Margin	%					
Net Profit Margin	%					
Profit Markup	%					
PBIT Margin (Profit Before Interest & Tax)	%					
PBT Margin (Profit Before Tax)	%					
Return on Equity	%					
Return on Capital Employed	%					
Return on Assets	%					
Return on Fixed Assets	%					
Return on Working Capital	%					
Growth Ratios						
Sales Growth	%					
Operating Income Growth	%					
EBITDA Growth	%					
Net Income Growth	%					
EPS Growth	%					
Working Capital Growth	%					
Cost Ratios						
Operating Costs (% of Sales)	%					

Administration Costs (% of Sales)	%					
Interest Costs (% of Sales)	%					
Liquidity Ratios						
Current Ratio	Absolute					
Quick Ratio	Absolute					
Cash Ratio	Absolute					
Leverage Ratios						
Debt to Equity Ratio	%					
Net Debt to Equity	%					
Debt to Capital Ratio	%					
Interest Coverage Ratio	%					
Efficiency Ratios						
Asset Turnover	Absolute					
Fixed Asset Turnover	Absolute					
Inventory Turnover	Absolute					
Current Asset Turnover	Absolute					
Capital Employed Turnover	Absolute					
Working Capital Turnover	Absolute					
Revenue per Employee	GBP					
Net Income per Employee	GBP					
Capex to Sales	%					
R&D to Sales	%					
Source: Annual Report, Company Website, Primary and Secondary Research GlobalData						

Performance Chart



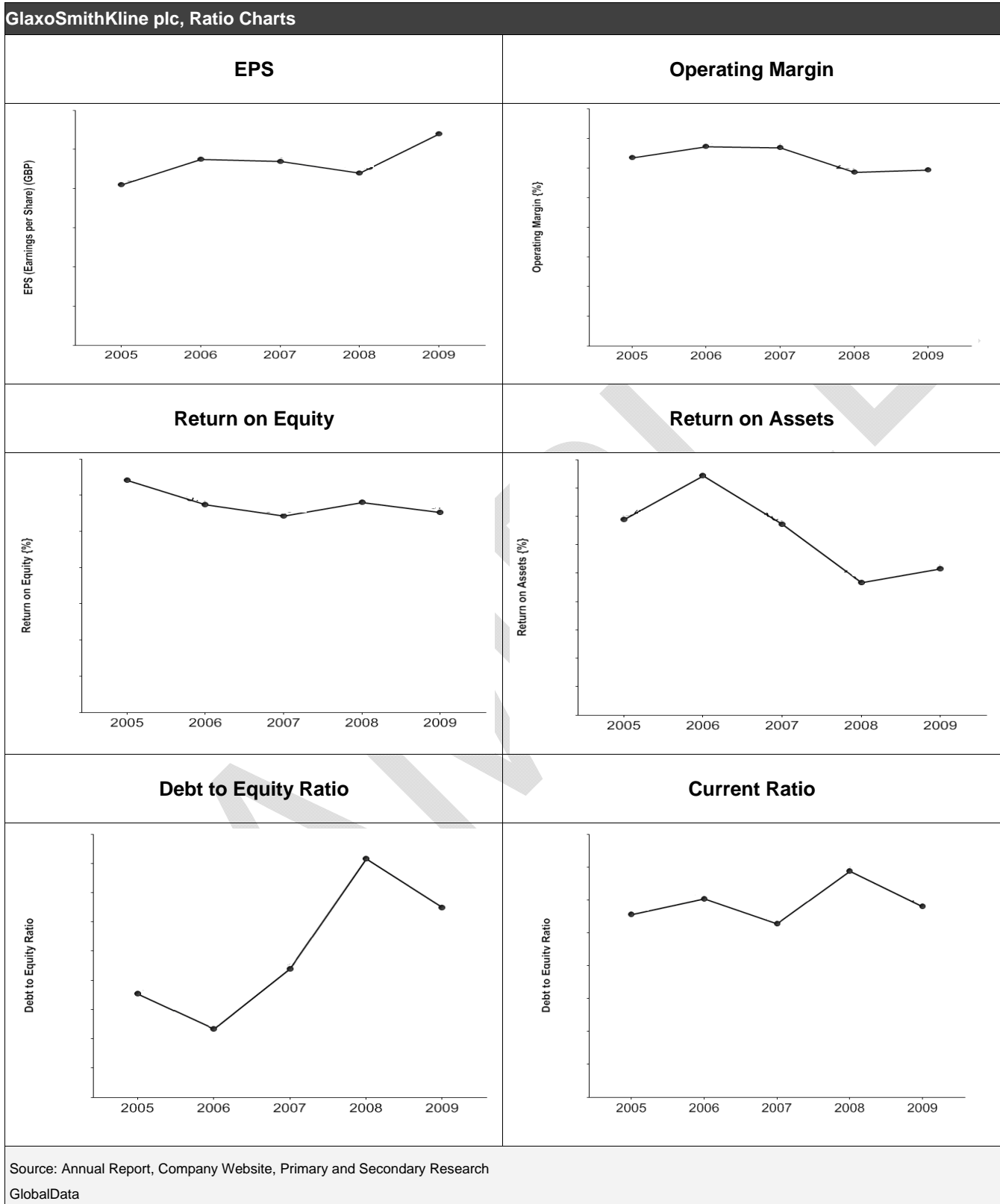
Financial Performance

SAMM

Financial Ratios - Interim Ratios

GlaxoSmithKline plc, Interim Ratios					
Key Ratios	Unit/Currency	Sep-2009	Dec-2009	Mar-2010	Jun-2010
Interim EPS (Earnings per Share)	GBP				
Dividend per Share	GBP				
Book Value per Share	GBP				
Gross Margin	%				
Operating Margin	%				
Net Profit Margin	%				
Profit Markup	%				
PBIT Margin (Profit Before Interest & Tax)	%				
PBT Margin (Profit Before Tax)	%				
Operating Costs (% of Sales)	%				
Administration Costs (% of Sales)	%				
Interest Costs (% of Sales)	%				
Current Ratio	Absolute				
Quick Ratio	Absolute				
Debt to Equity Ratio	%				
Net Debt to Equity	%				
Debt to Capital Ratio	%				
Interest Coverage Ratio	%				
Source: Annual Report, Company Website, Primary and Secondary Research GlobalData					

Financial Ratios - Ratio Charts



Section 4 – Company's Recent Developments

Aug 04, 2010: GlaxoSmithKline And Amplimmune Form Research Partnership

Aug 03, 2010: Five Prime Partners With GSK To Discover Innovative Biologics For Skeletal Muscle Disorders

Jul 29, 2010: GSK Exercises Option On Anacor's New Antibiotic For Treatment Of Gram-Negative Infections

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Jul 21, 2010: GSK Reports Net Loss Of GBP304 Million For Q2 2010

Jul 15, 2010: GSK Expects To Record Legal Charge Of GBP1.57 Billion For Q2 2010

Jul 02, 2010: GSK And EDB Commit \$35 Million In Funding To Support Research In Green And Sustainable Manufacturing In Singapore

Jun 23, 2010: Prosensa And GSK Initiate Development Of Four Additional Products Under Existing Alliance In Duchenne Muscular Dystrophy

Jun 02, 2010: GSK Announces Revised Product Labels For Serevent And Advair

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Section 5 – Appendix

The data and analysis within this report is driven by Global Markets & Companies.

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<http://www.global-markets-companies.com/RequestforDemonstration.aspx>

Methodology

GlobalData company reports are based on a core set of research techniques which ensure the best possible level of quality and accuracy of data. The key sources used include:

- Company Websites
- Company Annual Reports
- SEC Filings
- Press Releases
- Proprietary Databases

Currency Codes	
Currency Code	Currency
GBP	British Pounds
GlobalData	

Ratio Definitions

Capital Market Ratios	
Capital Market Ratios measure investor response to owning a company's stock and also the cost of issuing stock.	
Price/Earnings Ratio (P/E)	Price/Earnings (P/E) ratio is a measure of the price paid for a share relative to the annual income earned per share. It is a financial ratio used for valuation: a higher P/E ratio means that investors are paying more for each unit of income, so the stock is more expensive compared to one with lower P/E ratio. A high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. Price per share is as of previous business close, and EPS is from latest annual report. Calculation: Price per Share / Earnings per Share
Enterprise Value/Earnings before Interest, Tax, Depreciation & Amortization (EV/EBITDA)	Enterprise Value/EBITDA (EV/EBITDA) is a valuation multiple that is often used in parallel with, or as an alternative to, the P/E ratio. The main advantage of EV/EBITDA over the PE ratio is that it is unaffected by a company's capital structure. It compares the value of a business, free of debt, to earnings before interest. Price per share is as of previous business close, and shares outstanding last reported. Other items are from latest annual report. Calculation: (Market Cap + Debt + Preferred Stock - Cash & Cash Equivalents) / (Net Income + Interest + Tax + Depreciation + Amortization)
Enterprise Value/Sales	Enterprise Value/Sales (EV/Sales) is a ratio that provides an idea of how much it costs to buy the company's sales. EV/Sales is seen as more accurate than Price/Sales because market capitalization does not take into account the amount of debt a company has, which needs to be paid back at some point. Price per share is as of previous business close, and shares outstanding last reported. Other items are from latest annual report. Calculation: (Market Cap + Debt + Preferred Stock - Cash & Cash Equivalents) / Sales
Enterprise Value/Operating Profit	Enterprise Value/Operating Profit measures the company's enterprise value to the operating profit. Price per share is as of previous business close, and shares outstanding last reported. Other items are from latest annual report. Calculation: (Market Cap + Debt + Preferred Stock - Cash & Cash Equivalents) / Operating Income

Enterprise Value/Total Assets	Enterprise Value/Total Assets measures the company's enterprise value to the total assets. Price per share is as of previous business close, and shares outstanding last reported. Other items are from latest annual report. Calculation: $(\text{Market Cap} + \text{Debt} + \text{Preferred Stock} - \text{Cash \& Cash Equivalents}) / \text{Total Assets}$
Dividend Yield	Dividend Yield shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. Calculation: $\text{Annual Dividend per Share} / \text{Price per Share}$
GlobalData	

Equity Ratios	
These ratios are based on per share value.	
Earnings per Share (EPS)	Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Calculation: $\text{Net Income} / \text{Weighted Average Shares}$
Dividend per Share	Dividend is the distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.
Dividend Cover	Dividend cover is the ratio of company's earnings (net income) over the dividend paid to shareholders. Calculation: $\text{Earnings per share} / \text{Dividend per share}$
Book Value per Share	Book Value per Share measure used by owners of common shares in a firm to determine the level of safety associated with each individual share after all debts are paid accordingly. Calculation: $(\text{Shareholders Equity} - \text{Preferred Equity}) / \text{Outstanding Shares}$
Cash Value per Share	Cash Value per Share is a measure of a company's cash (cash & equivalents on the balance sheet) that is determined by dividing cash & equivalents by the total shares outstanding. Calculation: $\text{Cash \& equivalents} / \text{Outstanding Shares}$
GlobalData	

Profitability Ratios	
Profitability Ratios are used to assess a company's ability to generate earnings, based on revenues generated or resources used. For most of these ratios, having a higher value relative to a competitor's ratio or the same ratio from a previous period is indicative that the company is doing well.	
Gross Margin	Gross margin is the amount of contribution to the business enterprise, after paying for direct-fixed and direct-variable unit costs. Calculation: $\{(\text{Revenue} - \text{Cost of revenue}) / \text{Revenue}\} * 100$
Operating Margin	Operating Margin is a ratio used to measure a company's pricing strategy and operating efficiency. Calculation: $(\text{Operating Income} / \text{Revenues}) * 100$
Net Profit Margin	Net Profit Margin is the ratio of net profits to revenues for a company or business segment - that shows how much of each dollar earned by the company is translated into profits. Calculation: $(\text{Net Profit} / \text{Revenues}) * 100$
Profit Markup	Profit Markup measures the company's gross profitability, as compared to the cost of revenue. Calculation: $\text{Gross Income} / \text{Cost of Revenue}$
PBIT Margin (Profit Before Interest & Tax)	Profit Before Interest & Tax Margin shows the profitability of the company before interest expense & taxation. Calculation: $\{(\text{Net Profit} + \text{Interest} + \text{Tax}) / \text{Revenue}\} * 100$
PBT Margin (Profit Before Tax)	Profit Before Tax Margin measures the pre-tax income over revenues. Calculation: $\{\text{Income Before Tax} / \text{Revenues}\} * 100$
Return on Equity	Return on Equity measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. Calculation: $(\text{Net Income} / \text{Shareholders Equity}) * 100$
Return on Capital	Return on Capital Employed is a ratio that indicates the efficiency and profitability of a company's

Employed	capital investments. ROCE should always be higher than the rate at which the company borrows; otherwise any increase in borrowing will reduce shareholders' earnings. Calculation: $EBIT / (Total Assets - Current Liabilities) * 100$
Return on Assets	Return on Assets is an indicator of how profitable a company is relative to its total assets, the ratio measures how efficient management is at using its assets to generate earnings. Calculation: $(Net Income / Total Assets) * 100$
Return on Fixed Assets	Return on Fixed Assets measures the company's profitability to its fixed assets (property, plant & equipment). Calculation: $(Net Income / Fixed Assets) * 100$
Return on Working Capital	Return on Working Capital measures the company's profitability to its working capital. Calculation: $(Net Income / Working Capital) * 100$
GlobalData	

Cost Ratios	
Cost ratios help to understand the costs the company is incurring as a percentage of sales.	
Operating costs (% of Sales)	Operating costs as percentage of total revenues measures the operating costs that a company incurs compared to the revenues. Calculation: $(Operating Expenses / Revenues) * 100$
Administration costs (% of Sales)	Administration costs as percentage of total revenue measures the selling, general and administrative expenses that a company incurs compared to the revenues. Calculation: $(Administrative Expenses / Revenues) * 100$
Interest costs (% of Sales)	Interest costs as percentage of total revenues measures the interest expense that a company incurs compared to the revenues. Calculation: $(Interest Expenses / Revenues) * 100$
GlobalData	

Liquidity Ratios	
Liquidity ratios are used to determine a company's ability to pay off its short-term debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts. A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment. Bankruptcy analysts and mortgage originators frequently use the liquidity ratios to determine whether a company will be able to continue as a going concern.	
Current Ratio	Current Ratio measures a company's ability to pay its short-term obligations. The ratio gives an idea of the company's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The higher the current ratio, the more capable the company is of paying its obligations. A ratio under 1 suggests that the company would be unable to pay off its obligations if they came due at that point. Calculation: $Current Assets / Current Liabilities$
Quick Ratio	Quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. Calculation: $(Current Assets - Inventories) / Current Liabilities$
Cash Ratio	Cash ratio is the most stringent and conservative of the three short-term liquidity ratio. It only looks at the most liquid short-term assets of the company, which are those that can be most easily used to pay off current obligations. It also ignores inventory and receivables, as there are no assurances that these two accounts can be converted to cash in a timely matter to meet current liabilities. Calculation: $\{(Cash \& Bank Balance + Marketable Securities) / Current Liabilities\}$
GlobalData	

Leverage Ratios	
Leverage ratios are used to calculate the financial leverage of a company to get an idea of the company's methods of financing or to measure its ability to meet financial obligations. There are several different ratios, but the main factors looked at include debt, equity, assets and interest expenses.	
Debt to Equity Ratio	Debt to Equity Ratio is a measure of a company's financial leverage. The debt/equity ratio also depends on the industry in which the company operates. For example, capital-intensive industries tend to have a higher debt-equity ratio. Calculation: Total Liabilities / Shareholders Equity
Debt to Capital Ratio	Debt to capital ratio gives an idea of a company's financial structure, or how it is financing its operations, along with some insight into its financial strength. The higher the debt-to-capital ratio, the more debt the company has compared to its equity. This indicates to investors whether a company is more prone to using debt financing or equity financing. A company with high debt-to-capital ratios, compared to a general or industry average, may show weak financial strength because the cost of these debts may weigh on the company and increase its default risk. Calculation: {Total Debt / (Total assets - Current Liabilities)}
Interest Coverage Ratio	Interest Coverage Ratio is used to determine how easily a company can pay interest on outstanding debt, calculated as earnings before interest & tax by interest expense. Calculation: EBIT / Interest Expense
GlobalData	

Efficiency Ratios	
Efficiency ratios measure a company's effectiveness in various areas of its operations, essentially looking at maximizing its use of resources.	
Fixed Asset Turnover	Fixed Asset Turnover ratio indicates how well the business is using its fixed assets to generate sales. A higher ratio indicates the business has less money tied up in fixed assets for each currency unit of sales revenue. A declining ratio may indicate that the business is over-invested in plant, equipment, or other fixed assets. Calculation: Net Sales / Fixed Assets
Asset Turnover	Asset turnover ratio measures the efficiency of a company's use of its assets in generating sales revenue to the company. A higher asset turnover ratio shows that the company has been more effective in using its assets to generate revenues. Calculation: Net Sales / Total Assets
Current Asset Turnover	Current Asset Turnover indicates how efficiently the business uses its current assets to generate sales. Calculation: Net Sales / Current Assets
Inventory Turnover	Inventory Turnover ratio shows how many times a company's inventory is sold and replaced over a period. A low turnover implies poor sales and, therefore, excess inventory. A high ratio implies either strong sales or ineffective buying. Calculation: Cost of Goods Sold / Inventory
Working Capital Turnover	Working Capital Turnover is a measurement to compare the depletion of working capital to the generation of sales. This provides some useful information as to how effectively a company is using its working capital to generate sales. Calculation: Net Sales / Working Capital
Capital Employed Turnover	Capital employed turnover ratio measures the efficiency of a company's use of its equity in generating sales revenue to the company. Calculation: Net Sales / Shareholders Equity
Capex to sales	Capex to Sales ratio measures the company's expenditure (investments) on fixed and related assets' effectiveness when compared to the sales generated. Calculation: (Capital Expenditure / Sales) *100
Net income per Employee	Net income per Employee looks at a company's net income in relation to the number of employees they have. Ideally, a company wants a higher profit per employee possible, as it denotes higher productivity. Calculation: Net Income / No. of Employees

Revenue per Employee	Revenue per Employee measures the average revenue generated per employee of a company. This ratio is most useful when compared against other companies in the same industry. Generally, a company seeks the highest revenue per employee. Calculation: Revenue / No. of Employees
Efficiency Ratio	Efficiency Ratio is used to calculate a bank's efficiency. An increase means the company is losing a larger percentage of its income to expenses. If the efficiency ratio is getting lower, it is good for the bank and its shareholders. Calculation: Non-interest expense / Total Interest Income
GlobalData	

Notes

- Financial information of the company is taken from the most recently published annual reports or SEC filings
- The financial and operational data reported for the company is as per the industry defined standards
- Revenue converted to USD at average annual conversion rate as of fiscal year end

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