

GLAXOSMITHKLINE PLC

Form 6-K

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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending 08 February 2017

GlaxoSmithKline plc

(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS

(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F or Form 40-F

Form 20-F ☒ Form 40-F

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Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under the
Securities Exchange Act of 1934.

Yes No ☒

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Issued: Wednesday, 8 February 2017, London U.K.

Unaudited Preliminary Results Announcement for the year ended 31 December 2016

GSK delivers continued momentum in 2016 through broadly-based sales growth, improved cash flow and further pipeline progression

Core results

	2016 £m	Growth CER%	£%	Q4 2016 £m	Growth CER%	£%
Turnover	27,889	6	17	7,586	3	21
Core operating profit	7,771	14	36	2,062	16	52
Core earnings per share	102.4p	12	35	26.1p	11	45

Total results

	2016 £m	Growth CER%	£%	Q4 2016 £m	Growth CER%	£%
Turnover	27,889	6	17	7,586	3	21
Operating profit	2,598	(86)	(75)	595	>100	>100
Earnings per share	18.8p	(99)	(89)	5.3p	>100	>100

Summary

Group sales £27.9 billion, +6% CER on a reported basis , +5% CER pro-forma

Pharmaceuticals £16.1 billion, +3% (+4 % pro-forma); Vaccines £4.6 billion, +14% (+12% pro-forma); Consumer Healthcare £7.2 billion, +9% (+5% pro-forma)

New product sales more than doubled to £4.5 billion; Q4 £1.4 billion, +71% CER. Driven by HIV (Tivicay, Triumeq), Respiratory (Relvar/Breo, Anoro, Incruse, Nucala) and Meningitis vaccines (Bexsero, Menveo)

- New Pharmaceutical products sales represented 24% of 2016 Pharmaceuticals sales; 27% of Q4 sales

Improved core operating leverage across all three businesses

- Group core operating profit margin 27.9%; Pharmaceuticals 34.1%; Vaccines 31.7%; Consumer 15.5%

- Incremental annual cost savings of £1.4 billion delivered in 2016, with total annual cost savings now at £3.0 billion including currency benefit of £0.2 billion

2016 core EPS 102.4p, +12% CER

2016 total EPS 18.8p, -99% CER, primarily reflecting comparison with £9.2 billion profit in 2015 from disposal of marketed Oncology assets

2016 net cash flow from operations of £6.5 billion (2015: £2.6 billion), reflecting improved operating performance and the net benefit of exchange rate movements

GSK and Shionogi have agreed to remove the Shionogi put option and first two exercise windows of GSK's call option in relation to ViiV Healthcare. Liability for put option of £1.2 billion de-recognised to equity

23p dividend declared for Q4 delivering total dividend for 2016 of 80p. Continue to expect 80p dividend for 2017

Continued progress by the Group expected in 2017 although core EPS growth subject to uncertainty of timing and impact of possible generic competition to Advair in the US

- In the event of no generic competition to Advair in the US, expect 2017 core EPS growth to be 5-7% CER
- In the event of a mid-year introduction of a substitutable generic competitor to Advair in the US, expect full year 2017 US Advair sales of ~£1 billion at CER (US\$1.36/£1) with core EPS flat to a slight decline in percentage terms at CER
- January 2017 average exchange rates, if applied to whole of 2017, would benefit Sterling turnover by around 6% and core EPS by around 9%

Sustained pipeline progress with multiple milestones expected in 2017/18:

- Filed 4 assets with regulators in H2 2016 (Shingrix; Closed Triple; Benlysta SC; sirukumab), with regulatory decisions expected by end 2017
- 4 key phase III starts in Q4 for assets in HIV, respiratory and anaemia
- Continue to expect key data on between 20-30 assets by end 2018 in areas including HIV, respiratory, immuno-inflammation, oncology and vaccines

The full results are presented under 'Income Statement' on page 39 and core results reconciliations and pro-forma growth rate reconciliations are presented on pages 12 and 57 to 62. All commentaries are presented in terms of CER growth, unless otherwise stated. See 'Definitions' on page 36. All expectations and targets regarding future performance should be read together with the "Assumptions related to 2016-2020 outlook", and "Assumptions and cautionary statement regarding forward-looking statements" on page 37.

Sir Andrew Witty, Chief Executive Officer, GSK said:

"2016 has seen GSK perform strongly with good sales growth across all three businesses, excellent new product momentum, disciplined cost control and further pipeline progress. Core EPS for the year was 102.4p, up 12% CER and we have announced a dividend of 23 pence for the quarter, making a total dividend for shareholders of 80 pence for 2016.

"Our performance reflects the investments we have made to build new scale and sustainability in the Group and to develop new products. We expect the sales momentum of our new products to continue and, with regulatory decisions on other major product opportunities also expected this year, like Shingrix and Closed Triple, we remain confident in the financial outlook we have previously set out for investors.

"Clearly, this year we face some uncertainty as to the level of our earnings performance, given the possibility of substitutable generic competition to Advair in the US, and this is reflected in the guidance we have issued today. This event is something we have anticipated and prepared for, and whilst there will be an inevitable financial impact to absorb, we fully expect to maintain leadership in this therapy area given our new product portfolio and the innovation we have in our pipeline.

"The next 24 months will be significant for GSK's pipeline and it marks the start of another intense period of R&D activity for the company, as we expect important data read-outs on around 20-30 assets in HIV, respiratory, immuno-inflammation, oncology and vaccines.

"This quarter marks the last I will report to shareholders after nearly 10 years as CEO and more than 30 years as an employee. GSK is a very special company that touches people's lives across the world and I feel enormously privileged to have had the opportunity to lead it. I would like to thank all of GSK's employees, partners and shareholders for their support to build a company that delivers strong financial performance and meaningful

contributions to society.”

Full year performance summary

Group sales grew 6% (5% pro-forma) to £27.9 billion with growth across all three businesses. New Pharmaceuticals and Vaccines sales contributed significantly to the growth with sales more than doubling to £4.5 billion.

Pharmaceutical sales grew 3% (+4% pro-forma) to £16.1 billion. This reflected the continued good performance of new HIV products Tivicay and Triumeq with combined sales for the year of £2.7 billion, up 82%. Total respiratory sales grew 2%, with the continued decline in Seretide/Advair sales offset by growth in the rest of the portfolio. New respiratory products generated sales of £1.05 billion. The Vaccines business grew 14% (+12% pro-forma) to £4.6 billion. This included Meningitis vaccines Bexsero and Menveo, which had combined sales of nearly £600 million (+96%), and flu vaccines sales of £414 million, up 38%. Consumer Healthcare grew 9% (+5% pro-forma) to £7.2 billion with good contributions to growth from a number of power brands including Sensodyne, Voltaren and Panadol as well as growth from Flonase OTC.

Core earnings per share was 102.4p (+12% CER), at the top end of our guidance for the year.

Total earnings per share was 18.8p (2015: 174.3p). The year on year decline primarily reflected the comparison with the £9.2 billion profit from the sale of our marketed Oncology assets to Novartis reported in 2015 but also the impact in 2016 of charges arising from increases in the valuations of the liabilities for contingent consideration and the put options associated with increases in the Sterling value of the Group’s HIV and Consumer Healthcare businesses, partly offset by improved performance and reduced restructuring costs.

The Group has declared a full-year dividend of 80p (23p declared for Q4) and continues to expect to pay 80p for 2017.

2017 guidance

The Group expects to make continued progress in 2017 although the expectation for core EPS growth is dependent on a number of factors including, in particular, uncertainties relating to the timing and extent of potential generic competition to Advair in the US.

In the event that no generic version of Advair is introduced to the US market in 2017, the Group expects 2017 core EPS growth of 5-7% at CER. This is based on an expected decline in 2017 US Advair sales of 15-20%.

In the event of a mid-year introduction of a substitutable generic competitor to Advair in the US, the Group expects full year 2017 US Advair sales of around £1 billion at CER (US\$1.36/£1), with core EPS flat to a slight decline in percentage terms at CER.

If exchange rates were to hold at January 2017 average levels for the rest of 2017, the estimated positive impact on full-year 2017 Sterling turnover growth would be around 6% and if exchange losses were recognised at the same level as in 2016, the estimated positive impact on 2017 Sterling core EPS growth would be around 9%.

Group strategy outlook

GSK has created a Group of three world-leading businesses in Pharmaceuticals, Vaccines and Consumer Healthcare, which aim to deliver growth and improving returns to shareholders through development of innovative healthcare options for patients and consumers.

GSK has a strong portfolio of innovative products across its three businesses with a presence in more than 150 markets. In 2016 revenues were split across Pharmaceuticals 58%, Consumer Healthcare 26% and Vaccines 16%. R&D innovation underpins all three businesses. In November 2015, the Group profiled to investors an R&D portfolio of ~40 assets focused on Oncology, Immuno-inflammation, Vaccines, HIV and Infectious diseases, Respiratory and Rare diseases.

All three businesses are supported by proprietary technologies and manufacturing capabilities in areas such as devices, adjuvants, bio-electronics and formulations. The Group aims to improve returns from its R&D innovation by striking a balance between pricing and volume generation. Details of the Group's innovative R&D portfolio and the progress of assets in development can be found on pages 32 to 35 of this Announcement.

At its Investor Day on 6 May 2015, GSK outlined a series of expectations for its performance over the five year period 2016-2020. This included an expectation that Group core EPS would grow at a CAGR of mid-to-high single digits on a CER basis. The introduction of a generic alternative to Advair in the US was factored into the Group's assessment of its future performance. The Group also stated it expects to pay an annual ordinary dividend of 80p for each of the years 2015-2017.

Reporting the Group's performance

GSK presents total results and core results in order to help shareholders better understand the Group's operational performance.

Total results represent the Group's overall performance. However, these results can contain material unusual or non-operational items that may obscure the key trends and factors determining the Group's operational performance. GSK therefore also reports core results to help shareholders identify and assess more clearly the key drivers of the Group's performance. This approach aligns the presentation of the Group's results more closely with the majority of GSK's peer group.

Core results exclude the following items from total results: amortisation and impairments of intangible assets and goodwill; major restructuring costs; legal charges; transaction-related accounting adjustments; disposals and other operating income other than royalty income. Reconciliations between total and core results are provided on pages 57 to 60.

Recent costs for major restructuring reflect the programmes to reshape the Group's Pharmaceuticals business and the integration of the Novartis Vaccines and Consumer Healthcare businesses following the transaction which was completed in 2015. Costs for these major restructuring programmes are expected to reduce significantly in 2017 with only residual charges thereafter.

The most significant recent adjustments to total results have been transaction-related items and disposal gains. Transaction-related items are volatile and relate primarily to the required re-measurement each quarter of the present value of the forecast liabilities and contingent consideration associated with the Group's majority-owned Consumer Healthcare and HIV businesses. These re-measurements reflect changes in the values of these businesses and the expected forecast liabilities for the put options, preference shares and future contingent consideration payments. As these valuation adjustments do not relate to current trading but primarily to consideration potentially due in the future, they are excluded from core earnings. The major drivers of the re-measurements have been changes in the forecasts of exchange rates and performance. Re-measurement increases in liabilities result in a charge and decreases in liabilities result in a credit to total earnings.

In order to illustrate underlying performance, it is also the Group's practice to present its results at constant exchange rate (CER) growth.

Information regarding today's results, including video interviews with Sir Andrew Witty and other executives, are available on: www.gsk.com/en-gb/investors.

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Group performance

The Novartis transaction completed on 2 March 2015 and so the Group's reported results include twelve months of sales of the Vaccines and Consumer Healthcare products acquired from Novartis and exclude the former GSK Oncology business. The 2015 reported results included sales of the GSK Oncology products for the two months to 2 March 2015 and sales of the acquired Vaccines and Consumer Healthcare products for the ten months from that date.

Accordingly, for the year ended December 2016, in addition to reported growth rates, the Group is presenting pro-forma growth rates for turnover, core operating profit and core operating profit by business. Pro-forma growth rates are calculated comparing reported turnover and core operating profit for the year ended December 2016 with the turnover and core operating profit for the year ended December 2015 adjusted to include the two months of sales for January and February 2015 of the former Novartis Vaccines and Consumer Healthcare products and exclude sales of

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the former GSK Oncology business for January and February 2015. In addition, following the Novartis transaction, the Group has restated its segment information for the change in its segments described on page 47, including in particular, now reporting the results of the Pharmaceuticals operating segment as incorporating HIV.

Group turnover by business and geographic region

	2016			Q4 2016	
	£m	Reported growth CER%	Pro-forma growth CER%	£m	Reported growth CER%
Pharmaceuticals	16,104	3	4	4,575	4
Vaccines	4,592	14	12	1,137	-
Consumer Healthcare	7,193	9	5	1,874	2
	27,889	6	5	7,586	3
Corporate and other unallocated turnover	-			-	
Group turnover	27,889	6	5	7,586	3

2016