

5th September 2016

Healthcare

**GlaxoSmithKline**

Price 1,655p

**A diversified Respiratory franchise on its way to face Advair generics**

**Fair Value 1810p (+9%)**

**BUY**

Bloomberg	GSK LN
Reuters	GSK.L
12-month High / Low (p)	1,712 / 1,238
Market Cap (GBP)	80,690
Avg. 6m daily volume (000)	8,562

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.1%	14.6%	18.6%	20.5%
Healthcare	-3.8%	-1.7%	1.6%	-7.6%
DJ Stoxx 600	4.5%	1.8%	2.8%	-4.2%

	2015	2016e	2017e	2018e
P/E	21.9x	16.5x	15.9x	15.3x
Div yield (%)	6.0%	4.8%	4.8%	5.3%

#### ANALYSIS

- Ahead of the ERS congress, GSK held a meeting dedicated to its respiratory franchise and managed by the three heads of the business to share a growing confidence in the group's ability to at least maintain GSK's positions in the field despite upcoming Advair generics.
- GSK has been consistent over the years in saying that it would replace an Advair-dominated franchise by a more diverse portfolio and this is what is now taking place with Breo, Incruse, Anoro and Nucala progressing. The group still believes it can achieve at least flat sales in the division in 2020 compared to 2015. This statement is of course reinforced by the perspective of a filing of the closed triple combination in COPD by year-end. However, caution is still required when considering the recent decision by CVS to exclude Opsumit or Toujeo because Tracleer and Lantus have available copies in light of what might happen to Breo next year.
- We found GSK very vocal about real-life studies and digital influence to help achieve adherence, compliance and, especially in COPD, build on complex and confusing guidelines. The group believes that based on this type of work (like the SLS study the results of which will be at ERS) and with closed triple on the market by early 2018, it should be better equipped to better address the needs of COPD patients, hence to boost market growth further and benefit from this growth. Interestingly, GSK said that about 25-30% of COPD patients are on open triple therapy and therefore a closed triple will have an immediately addressable market that is larger than we would have expected.
- Last but not least, GSK showed very high confidence in having the best available device with Ellipta and like pens with insulins, this is a highly meaningful argument to assess when comparing drugs and discussing value because it matters a lot for patients.

#### VALUATION

- We have not changed our numbers following the meeting.

#### NEXT CATALYSTS

- 4-6th September 2016: ERS conference in London

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## Distribution of stock ratings

BUY ratings 55.3%

NEUTRAL ratings 33.3%

SELL ratings 11.3%

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