

## GSK Plc

# FY23 EPS in line. Arexvy beat on stocking. 24E guide in-line. Mid-term raise to cons

Maintain Rating: UNDERPERFORM | PO: 1,433 GBp | Price: 1,538 GBp

## FY23 EPS in line cons on 1% sales beat (Arexvy/HIV)

Key takes from FY23 results and FY24 guidance: 1) FY23 EPS of 155p, in line cons, on sales 1% ahead, mostly driven by Arexvy 13% ahead (we think was predominantly inventory, c20% of full year, therefore less burn than we assumed in 4Q), and HIV 1.5% beat; 2) FY24 guide roughly implies in line with consensus reported EPS, with stronger underlying offset by worse Fx. No specific Arexvy guide for FY24 but Vaccines growth high-SD to low-DD (cons 9%); 3) Mid-term guide raised (21-26E sales to >7% from >5% and core oping to >11% from >10%) but consensus already there; 4) No real Zantac update, following Delaware Daubert hearings. *See detailed variance sheet inside.* Maintain Underperform given negative risk reward on Zantac/Arexvy 3<sup>rd</sup> season.

## FY24 guide broadly in line cons. Fx offsets underlying

GSK FY24 guide is broadly in line consensus, with stronger underlying offset by worse Fx. Specifically: 1) GSK guided to FY24 ex-COVID solutions revenue of 5% to 7% growth CER vs cons 6% CER, with Fx 3% headwind vs consensus 2%; 2) Core opinc ex-COVID solutions guide of 7% to 10% growth CER vs consensus 7.5% CER, but Fx -5% impact vs consensus 4%; 3) EPS guide of 6-9% growth vs consensus 5% CER, but Fx -5% vs cons -4%, we think implies 154-155p, in line with consensus. FY24 guide is consistent with the raised mid-term guide, now ">7%" CER sales CAGR 21-26E ex-COVID solutions vs ">5%" prior (but cons already at 8%), with opinc guide raised to >11% from >10% (vs cons at 12%). FY26 margin guide of 31% vs cons 31.3%. FY31E sales outlook increased to GBP38bn, up from GBP33bn and expects operating margins to be broadly stable given through Dolutegravir LOE (majority of impact 29-30E). We see guide uplift as not surprising given product acquisitions in M&A, with cons (GBP31bn) likely to remain cautious/sceptical of guide given it is heavily dependent on R&D (where GSK track record is historically weak).

## Key topics for the call

1) Views on the recent Zantac Delaware Daubert hearing, and potential for settlement ahead of further California bellwethers (next trial due in Feb); 2) Arexvy FY24 guide, and confidence in achieving. Colour on 3<sup>rd</sup> season data May/June where cons assumes success but we see risks.

## Low PE but sales/EPS growth turning negative 25-28E

Although GSK's 9.5x 25E PE puts it as one the lowest-rated stocks in the sector, we maintain our Underperform given: 1) Slowest post 25E growth in the sector (-2% 25-28E EPS CAGR) as key franchises Shingrix and dolutegravir (DTG) peak 26/27E without sufficient pipeline to offset; 2) Near-term catalysts are -ve risk-reward (Zantac Delaware Daubert settlement/ruling, Arexvy 3<sup>rd</sup> season data May/June) as cons assumes success.

31 January 2024

### Equity

**Graham Parry >>**  
Research Analyst  
MLI (UK)  
[graham.parry@bofa.com](mailto:graham.parry@bofa.com)

**Sachin Jain, CFA >>**  
Research Analyst  
MLI (UK)  
[s.jain@bofa.com](mailto:s.jain@bofa.com)

**Charlie Haywood >>**  
Research Analyst  
MLI (UK)  
[charlie.haywood@bofa.com](mailto:charlie.haywood@bofa.com)

**Joe Bowden >>**  
Research Analyst  
MLI (UK)  
[jbowden@bofa.com](mailto:jbowden@bofa.com)

### Stock Data

Price (Common / ADR)	1,538 GBp / 39.09 USD
Price Objective	1,433 GBp / 35.00 USD
Date Established	1-Nov-2023 / 17-Jul-2023
Investment Opinion	A-3-8 / B-3-8
52-Week Range	1,303 GBp-1,594 GBp
Market Value (mn)	62,358 GBP
Shares Outstanding (mn)	4,055.0 / 2,027.5
Average Daily Value (mn)	81.66 USD
Free Float	95.2%
BofA Ticker / Exchange	GLAXF / LSE
BofA Ticker / Exchange	GSK / NYS
Bloomberg / Reuters	GSK LN / GSK.L
ROE (2023E)	50.0%
Net Dbt to Eqty (Dec-2022A)	170.3%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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**Refer to important disclosures on page 4 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 2.**

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Timestamp: 31 January 2024 03:30AM EST

# Variance Sheet

## Exhibit 1: GSK 4Q23 Variance analysis

GSK 4Q23 Variance analysis

Product	Previous 4Q22A	BofAe 4Q23E	% Chg	Cons 4Q23E	Reported 4Q23A	% Chg	Diff v BofAe GBPm	% Chg	Diff v Cons GBPm	% Chg	Previous 2022A	BofAe 2023E	% Chg	Cons 2023E	Reported 2023A	% Chg	Diff v BofAe GBPm	% Chg	Diff v Cons GBPm	% Chg
<b>Specialty medicines</b>	<b>2,681</b>	<b>2,724</b>	<b>2</b>	<b>2,690</b>	<b>2,893</b>	<b>8</b>	<b>169</b>	<b>6</b>	<b>203</b>	<b>8</b>	<b>11,269</b>	<b>10,077</b>	<b>-11</b>	<b>10,012</b>	<b>10,244</b>	<b>-9</b>	<b>167</b>	<b>2</b>	<b>232</b>	<b>2</b>
<b>HIV Total</b>	<b>1,678</b>	<b>1,723</b>	<b>3</b>	<b>1,676</b>	<b>1,773</b>	<b>6</b>	<b>50</b>	<b>3</b>	<b>97</b>	<b>6</b>	<b>5,749</b>	<b>6,394</b>	<b>11</b>	<b>6,347</b>	<b>6,444</b>	<b>12</b>	<b>50</b>	<b>1</b>	<b>97</b>	<b>2</b>
Dolutegravir products	1,482	1,413	-5	1,378	1,445	-2	32	2	67	5	5,191	5,376	4	5,341	5,408	4	32	1	67	1
Tivicay	373	313	-16	321	349	-6	36	12	28	9	1,381	1,350	-2	1,358	1,386	0	36	3	28	2
Triumeq	479	378	-21	371	403	-16	25	7	32	9	1,799	1,517	-16	1,510	1,542	-14	25	2	32	2
Juluca	192	188	-2	187	177	-8	-11	-6	-10	-5	636	672	6	671	661	4	-11	-2	-10	-1
Dovato	438	534	22	499	516	18	-18	-3	17	3	1,375	1,837	34	1,802	1,819	32	-18	-1	17	1
Cabenuva	129	215	67	196	223	73	8	4	27	14	340	700	106	681	708	108	8	1	27	4
Apretude	21	50	138	51	52	148	2	4	1	2	41	147	259	148	149	263	2	1	1	1
Blenrep	27	10	-63	8	6	-78	-4	-39	-2	-25	118	42	-64	40	36	-69	-6	-14	-4	-10
ZeJula	125	120	-4	110	152	22	32	26	42	38	463	491	6	481	523	13	32	6	42	9
Benlysta	326	358	10	363	389	19	31	9	26	7	1,146	1,318	15	1,323	1,349	18	31	2	26	2
Nucala (mepolizumab)	395	430	9	433	471	19	41	10	38	9	1,423	1,614	13	1,617	1,655	16	41	3	38	2
Xevudy (sotrovimab)	125	0	-100	0	13	-90	13	nm	13	nm	2,309	31	-99	31	44	-98	13	42	13	42
<b>General medicines</b>	<b>2,621</b>	<b>2,571</b>	<b>-2</b>	<b>2,551</b>	<b>2,576</b>	<b>-2</b>	<b>5</b>	<b>0</b>	<b>25</b>	<b>1</b>	<b>10,118</b>	<b>10,215</b>	<b>1</b>	<b>10,195</b>	<b>10,220</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>25</b>	<b>0</b>
Respiratory	2,277	1,676	-26	1,681	1,746	-23	70	4	65	4	6,548	6,755	3	6,760	6,825	4	70	1	65	1
Anoro (LAMA/LABA)	138	146	6	134	155	12	9	6	21	16	483	548	14	536	557	15	9	2	21	4
Trelegy	457	508	11	546	589	29	81	16	43	8	1,729	2,121	23	2,159	2,202	27	81	4	43	2
Breo/Relvar	249	241	-3	257	302	21	61	25	45	18	1,145	1,042	-9	1,058	1,103	-4	61	6	45	4
Seretide/Advair	330	309	-6	270	276	-16	-33	-11	6	2	1,159	1,172	1	1,133	1,139	-2	-33	-3	6	1
Flixotide/Flovent	134	107	-20	125	100	-25	-7	-7	-25	-20	545	458	-16	476	451	-17	-7	-2	-25	-5
Ventolin	206	197	-5	190	198	-4	1	1	8	4	771	748	-3	741	749	-3	1	0	8	1
Other General Medicines	939	895	-5	870	830	-12	-65	-7	-40	-5	3,570	3,460	-3	3,435	3,395	-5	-65	-2	-40	-1
<b>Pharma ex vaccines</b>	<b>5,302</b>	<b>5,295</b>	<b>-0</b>	<b>5,241</b>	<b>5,469</b>	<b>3</b>	<b>174</b>	<b>3</b>	<b>228</b>	<b>4</b>	<b>21,387</b>	<b>20,292</b>	<b>-5</b>	<b>20,207</b>	<b>20,464</b>	<b>-4</b>	<b>172</b>	<b>1</b>	<b>257</b>	<b>1</b>
Arexvy	0	391	nm	384	529	nm	138	35	145	38	0	1,100	nm	1,093	1,238	nm	138	13	145	13
Bexsero	150	179	19	183	171	14	-8	-4	-12	-7	753	857	14	861	849	13	-8	-1	-12	-1
Menveo	77	84	9	88	87	13	3	3	-1	-1	345	377	9	381	380	10	3	1	-1	-0
Seasonal flu vaccine	276	120	-56	136	95	-66	-25	-21	-41	-30	714	529	-26	545	504	-29	-25	-5	-41	-8
Shingrix	769	871	13	875	908	18	37	4	33	4	2,958	3,409	15	3,413	3,446	16	37	1	33	1
Infanrix & Pediarix (DTP)	111	91	-18	133	147	32	56	61	14	11	594	498	-16	540	554	-7	56	11	14	3
Boostrix	131	127	-3	135	142	8	15	11	7	5	594	599	1	607	614	3	15	2	7	1
Hepatitis Vaccines	126	145	15	139	126	0	-19	-13	-13	-9	571	630	10	624	611	7	-19	-3	-13	-2
Rotarix	147	143	-3	147	148	1	5	3	1	1	527	609	16	613	614	17	5	1	1	0
Synflorix	68	66	-2	66	48	-29	-18	-28	-18	-27	305	293	-4	293	275	-10	-18	-6	-18	-6
Pandemic vaccines	58	0	-100	1	7	-88	7	nm	6	600	64	143	123	144	150	134	7	5	6	4
<b>Vaccines Total</b>	<b>2,074</b>	<b>2,381</b>	<b>15</b>	<b>2,436</b>	<b>2,583</b>	<b>25</b>	<b>202</b>	<b>8</b>	<b>147</b>	<b>6</b>	<b>7,937</b>	<b>9,662</b>	<b>22</b>	<b>9,717</b>	<b>9,864</b>	<b>24</b>	<b>202</b>	<b>2</b>	<b>147</b>	<b>2</b>
<b>Group sales</b>	<b>7,376</b>	<b>7,676</b>	<b>4</b>	<b>7,646</b>	<b>8,052</b>	<b>9</b>	<b>376</b>	<b>5</b>	<b>406</b>	<b>5</b>	<b>29,324</b>	<b>29,954</b>	<b>2</b>	<b>29,924</b>	<b>30,328</b>	<b>3</b>	<b>374</b>	<b>1</b>	<b>404</b>	<b>1</b>
<b>Group sales, ex COVID solns</b>	<b>7,193</b>	<b>7,676</b>	<b>7</b>	<b>7,645</b>	<b>8,032</b>	<b>12</b>	<b>356</b>	<b>5</b>	<b>387</b>	<b>5</b>	<b>26,951</b>	<b>29,780</b>	<b>10</b>	<b>29,749</b>	<b>30,134</b>	<b>12</b>	<b>354</b>	<b>1</b>	<b>385</b>	<b>1</b>
COGS (Adj)/(BP)	-2,030	-2,025	-0	-2,064	-2,163	7	-138	7	-99	5	-8,741	-7,578	-13	-7,617	-7,716	-12	-138	2	-99	1
% Sales	27.5	26.4		27.0	26.9						29.8	25.3		25.5	25.4					
S,G&A (Adj)	-2,436	-2,545	4	-2,505	-2,588	6	-43	2	-83	3	-8,128	-8,986	11	-8,946	-9,029	11	-43	0	-83	1
% Sales	33.0	33.2		32.8	32.1						27.7	30.0		29.9	29.8					
R&D (Adj)	-1,522	-1,575	4	-1,543	-1,784	17	-209	13	-241	16	-5,062	-5,541	9	-5,509	-5,750	14	-209	4	-241	4
% Sales	20.6	20.5		20.2	22.2						17.3	18.5		18.4	19.0					
Royalties (Adj)	206	185	-10	182	235	14	50	27	53	29	758	903	19	900	953	26	50	6	53	6
<b>Operating profit (Adj)</b>	<b>1,594</b>	<b>1,715</b>	<b>8</b>	<b>1,716</b>	<b>1,752</b>	<b>10</b>	<b>37</b>	<b>2</b>	<b>36</b>	<b>2</b>	<b>8,151</b>	<b>8,751</b>	<b>7</b>	<b>8,752</b>	<b>8,786</b>	<b>8</b>	<b>35</b>	<b>0</b>	<b>34</b>	<b>0</b>
Margin	21.6	22.3	0.7	22.4	21.8						27.8	29.2	1.4	29.2	29.0					
Associates (Adj)	2	4	100	2	-1	-150	-5	-125	-3	-150	-2	0	-100	-2	-5	150	-5	nm	-3	150
Net interest (Adj)	-236	-153	-35	-190	-191	-19	-38	25	-1	1	-791	-631	-20	-668	-669	-15	-38	6	-1	0
<b>Profit before tax core</b>	<b>1,360</b>	<b>1,566</b>	<b>15</b>	<b>1,528</b>	<b>1,560</b>	<b>15</b>	<b>-6</b>	<b>-0</b>	<b>32</b>	<b>2</b>	<b>7,358</b>	<b>8,120</b>	<b>10</b>	<b>8,082</b>	<b>8,112</b>	<b>10</b>	<b>-8</b>	<b>-0</b>	<b>30</b>	<b>0</b>
Tax (Adj)	-168	-237	41	-215	-235	40	2	-1	20	9	-1,138	-1,259	11	-1,237	-1,257	10	2	-0	-20	2
Tax rate % (Adj)	12.4	15.1		14.1	15.1				1	7	15.5	15.5		15.3	15.5					
All minorities (Adj)	-149	-124	-17	-162	-152	2	-28	23	10	-6	-595	-544	-9	-582	-572	-4	-28	5	10	-2
<b>Net profit (Adj)</b>	<b>1,043</b>	<b>1,206</b>	<b>16</b>	<b>1,151</b>	<b>1,173</b>	<b>12</b>	<b>-33</b>	<b>-3</b>	<b>22</b>	<b>2</b>	<b>5,625</b>	<b>6,318</b>	<b>12</b>	<b>6,263</b>	<b>6,283</b>	<b>12</b>	<b>-35</b>	<b>-1</b>	<b>20</b>	<b>0</b>
Net Profit Margin %	14.1	15.7		15.1	14.6						19.2	21.1		20.9	20.7					
<b>EPS (Adj)</b>	<b>25.9</b>	<b>29.7</b>	<b>15</b>	<b>28.4</b>	<b>28.9</b>	<b>12</b>	<b>(0.8)</b>	<b>-3</b>	<b>0.5</b>	<b>2</b>	<b>139.7</b>	<b>155.9</b>	<b>11.6</b>	<b>154.6</b>	<b>155.1</b>	<b>11</b>	<b>-0.8</b>	<b>-1</b>	<b>0.5</b>	<b>0</b>
DPS (p)	13.8	14.5	5	14.4	16.0	16	1.5	10	1.6	11	61.3	56.5	-8	56.4	58.0	-5	1.5	3	1.6	3

Source: BofA Global Research Estimates, Company consensus, Visible Alpha, Company reports

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## Price objective basis & risk

### GSK Plc (GLAXF / GSK)

Our PO of 1433p for GSK Plc (\$35/ADS) assumes GSK Plc trades on 8.5x 25E EPS, a c50% discount to our target sector c16x 25E PE. Given GSK's 25-28E EPS CAGR of -4% is significantly below our sector average of c7%, we continue to believe a discounted multiple is warranted given GSK's relatively weak late stage pipeline and high LOE exposure (most notably dolutegravir 28/29E (c30% of 27E opinc) and Zantac litigation overhang.



Our target sector multiple of c16x 25E PE is based on: 1) A 40% premium to the market average multiple which implies c15x 25E PE, a premium which is in line with the long-term historical trend for periods of growth for the sector during times of broader market uncertainty, 2) Regression analysis of historical sector forward PEs and three-year-forward EPS CAGR implies a target PE of c16x 25E PE based on sector growth of c7%, 3) Our DCF valuations imply c17x 25E PE

Upside risks to our PO are pipeline success, favourable currency moves, better-than-expected pipeline data/approvals, cost-cutting, higher comparator multiples, favourable outcome in Zantac litigation and faster Arexvy (RSV vaccine) launch

Downside risks to our PO are slower product launches, risk of litigation, worse margins, fines, unfavourable currency moves, unexpected generic launches, pipeline failure or further worsening in pricing, dilutive M&A and/or R&D investment, lower comparator multiples and Zantac litigation.

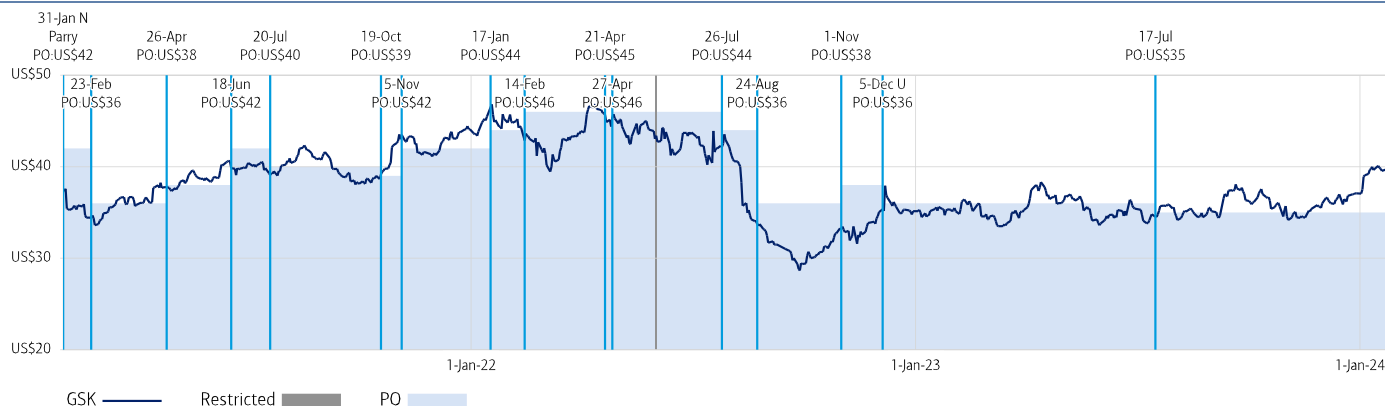
## Analyst Certification

I, Graham Parry, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

# Disclosures

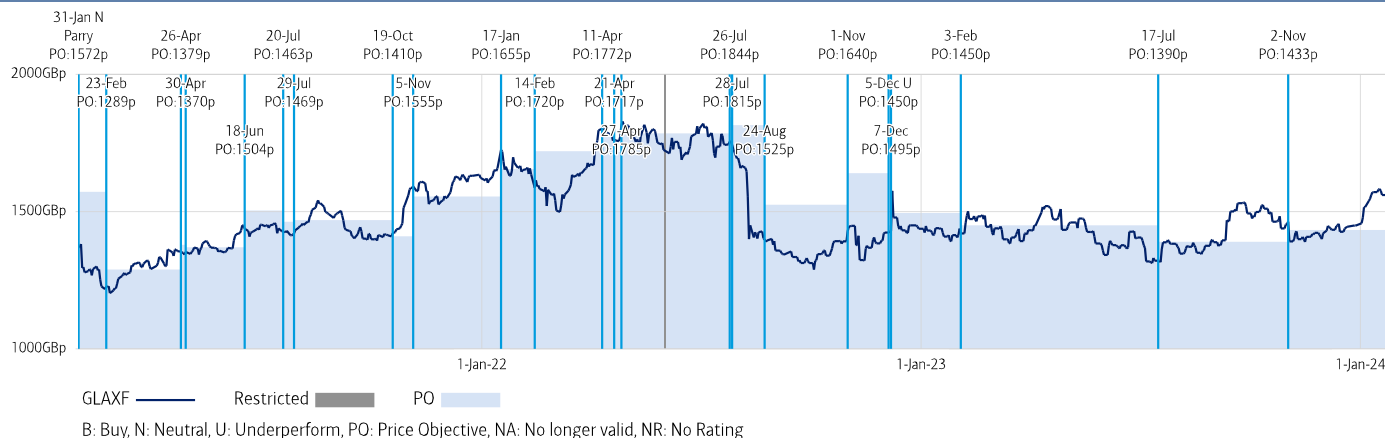
## Important Disclosures

### GSK Plc (GSK) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### GSK Plc (GLAXF) Price Chart



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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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