

GSK Plc

Could Blenrep make a comeback? Detailed data still mixed

Maintain Rating: UNDERPERFORM | PO: 1,433 GBp | Price: 1,663 GBp

Blenrep details released ahead of ASCO tonight

Details of GSK's Blenrep (anti-BCMA ADC) DREAMM7 press-released ahead of presentation at ASCO plenary (online conference) tonight. DREAMM-7 assessed Blenrep over standard of care Darzalex in 2L+ Relapsed/Refractory Multiple Myeloma (RRMM). Data demonstrated a strong statistically significant PFS, and a trend towards OS benefit. As expected, high rate of Ocular events (34% \geq G3 AE), with GSK flagging low (9%) dropout, with 98% resolved at time of analysis. Overall, more encouraging than expected but we remain cautious given need for DREAMM8 (data 2H) and the significant ocular tox (keratopathy leading to severe vision loss in some patients), which FDA raised significant concerns around at Blenrep's 2020 adcom ([see report](#)), with approval only recommended given limited alternative treatment options for patients. Maintain underperform.

Efficacy data strong vs Darzalex, with OS trending

Strong statistically significant PFS benefit demonstrated, superior to Darzalex with HR 0.41 ($p < 0.00001$), and a 23.2m absolute PFS benefit (36.6 months vs 13.4 months Darzalex). A trend to OS was observed, with a HR 0.57, but p-value hasn't met the much higher interim threshold for statistical significance yet ($p = 0.00049$), though may do as data matures. Clinically meaningful improvement demonstrated in all secondary endpoints, including Complete Response (doubling), ORR, PR and DoR.

Safety higher rate ocular tox remains key

Key focus remains worse ocular tox, with \geq G3 AE occurring in 34% of Blenrep patients, including blurred vision (22%), dry eye (7%), eye irritation (5%) and visual impairment (5%). 34% of patients saw BCVA worsening from baseline (20/25) to 20/50. However, GSK cites as "generally reversible and manageable with dose reduction" and leading to a low (9%) dropout rate, and sees 98% of patient events had resolved at time of analysis. However, we note control arm was not given. Note in pivotal DREAMM-2 trial rate was 27% G3/4 keratopathy and FDA adopted a cautious approach and rejected GSK's view it was reversible and manageable with dose adjustment. Safety tolerability for non-ocular events also looks directionally worse overall vs Darzalex, with thrombocytopenia (55% vs 35%), neutropenia (12% vs 6%), pneumonia (12% vs 4%) and anemia (8% vs 10%).

Blenrep withdrawn in 2022 post confirmatory study miss

GSK [announced in Nov-22](#) (see note) that Blenrep's DREAMM-3 failed to meet primary endpoint of superiority to SoC in 3L+ RRMM patients on PFS, and was subsequently withdrawn from the market by FDA. DREAMM-3 was the first confirmatory study post accelerated approval based on DREAMM-2 (4L RRMM). FDA originally approved Blenrep in 2020, but was cautious around ocular tox/ safety in the 2020 adcom ([see report](#)), which only recommended approval given limited alternative treatment options for patients. We note all GSK's guidance's given at FY results now exclude Blenrep, hence return to market would represent upside to guide.

06 February 2024

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Stock Data

Price (Common / ADR)	1,663 GBp / 41.57 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-1,670 GBp
Market Value (mn)	67,418 GBP
Shares Outstanding (mn)	4,055.0 / 2,027.5
Average Daily Value (mn)	90.38 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

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Timestamp: 06 February 2024 02:38AM EST

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

Although GSK's 9.5x 25E PE puts it as one of 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 negative risk-reward (Zantac Delaware Daubert settlement/ruling, Arexvy 3rd season data May/June) as consensus assumes success.

Glossary

G3 = Grade 3

AE = Adverse Events

ORR = Overall Response Rate

PR = Partial Response

PFS = Progression Free Survival

OS = Overall Survival

DoR = Duration of Response

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.

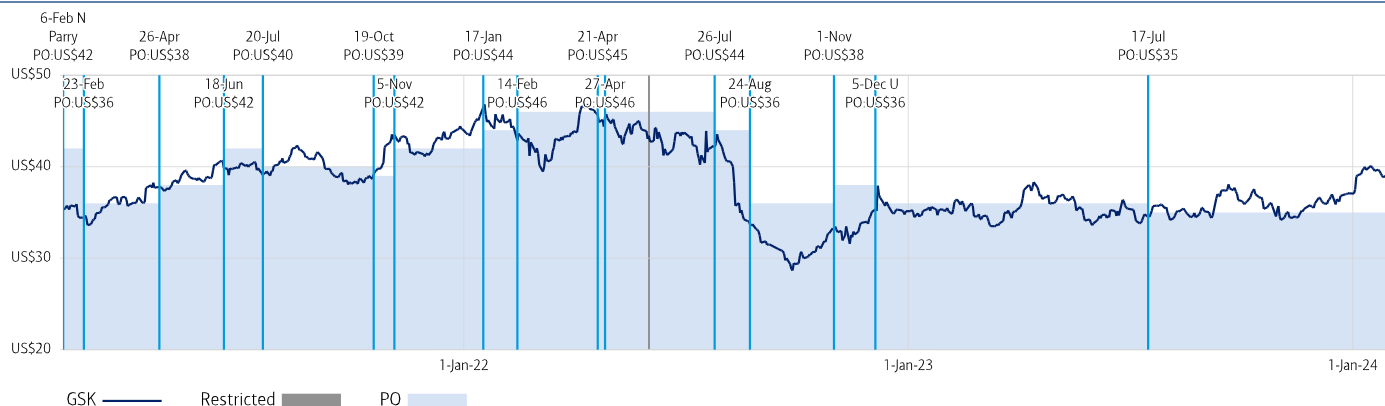
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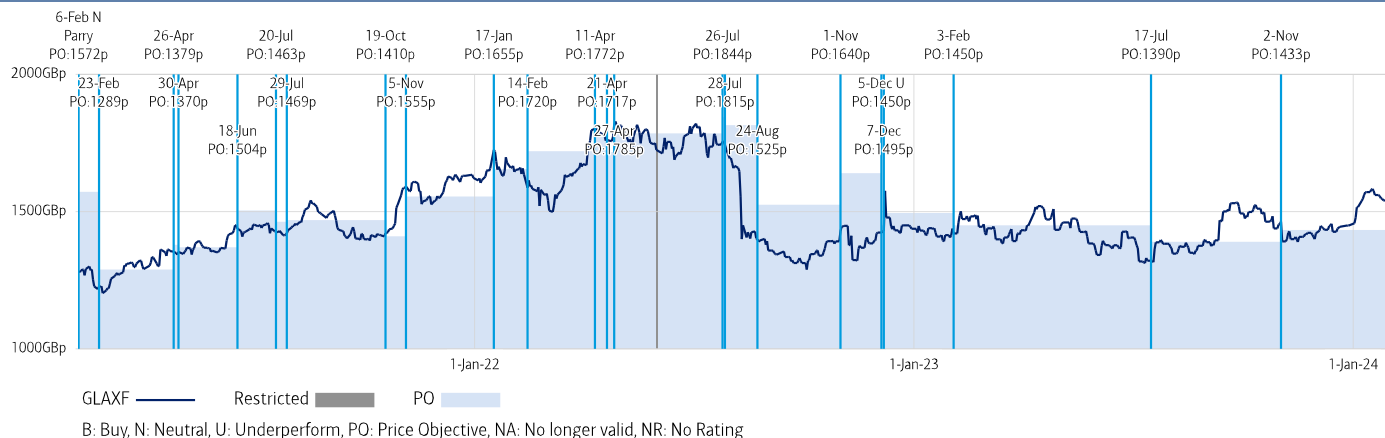
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GSK Plc (GSK) Price Chart



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GSK Plc (GLAXF) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	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%

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Underperform	N/A	≥ 20%

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