

GLAXOSMITHKLINE PLC
Form 6-K
October 31, 2018

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 31 October 2018

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

Issued: Wednesday, 31 October 2018, London U.K.

GSK delivers Q3 sales of £8.1 billion, +3% AER, +6% CER

Total EPS 28.8p, +16% AER, +23% CER; Adjusted EPS 35.5p, +10% AER, + 14% CER

Financial highlights

Group sales £8.1 billion. Pharmaceuticals £4.2 billion, +1% AER, +3% CER; Vaccines £1.9 billion, +14% AER, +17% CER; Consumer Healthcare £1.9 billion, -1% AER, +3% CER

Adjusted Group operating margin of 31.2%, -0.3 percentage points AER; +0.2 percentage points CER.

Pharmaceuticals 32.2%; Vaccines 43.0%; Consumer Healthcare 22.0%

Total EPS 28.8p +16% AER, +23% CER

Adjusted EPS 35.5p +10% AER, +14% CER

YTD free cash flow £2,375 million (2017: £1,668 million)

19p dividend declared for the quarter. Continue to expect 80p for FY 2018

Now expect 2018 Adjusted EPS growth of 8-10% CER

Product and pipeline highlights

Total New Respiratory product sales £645 million, +39% AER, +40% CER;

Ellipta sales £500 million, +34% AER, +35% CER; Nucala £145 million, +59% AER, +62% CER

Tivicay and Triumeq sales £1.1 billion +12% AER, +13% CER. Juluca sales £37 million

Shingrix sales £286 million. Now expect £700-750 million sales for FY 2018

New two-drug regimen dolutegravir (DTG) and lamivudine (3TC) for HIV filed in US and Europe

Positive phase III study results received for new HIV therapy cabotegravir+rilpivirine (FLAIR/ATLAS)

Clinical study initiated for use of BCMA in second line treatment of multiple myeloma

New phase II efficacy and safety data for aGM-CSF in rheumatoid arthritis presented at ACR and supports further clinical development

R&D prioritisation continues with resources reinvested in priority projects following termination of several pipeline programmes as data thresholds not met

Positive phase II data for candidate TB vaccine published in NEJM

Q3 2018 results

	Q3 2018	Growth		9 months 2018	Growth	
	£m	£%	CER%	£m	£%	CER%
Turnover	8,092	3	6	22,624	-	4
Total operating profit	1,910	2	7	3,929	10	22
Total earnings per share	28.8p	16	23	49.0p	15	30
Adjusted operating profit	2,524	2	6	6,549	-	7
Adjusted earnings per share	35.5p	10	14	88.3p	4	12
Net cash from operating activities	2,077	9		4,302	6	
Free cash flow	1,554	21		2,375	42	

Emma Walmsley, Chief Executive Officer, GSK said:

“GSK has made further good progress this quarter with CER sales growth in all three businesses, improvements in the Group operating margin at CER and Adjusted earnings per share growth of 14% (CER). Strong commercial execution for key products and new launches, notably Shingrix, together with an effective focus on cost control is driving this improved performance and we now expect 2018 Adjusted EPS growth of 8-10% at CER. Looking further ahead, we remain confident in our ability to deliver the Group outlooks for sales and EPS growth we previously set for the period 2016-2020.”

The Total results are presented under ‘Income Statements’ on page 40 and Adjusted results reconciliations are presented on pages 16, 24 and 58 to 61. Adjusted results are a non-IFRS measure that allows key trends and factors in the Group’s performance to be more easily identified by shareholders. Non-IFRS measures may be considered in addition to, but not as a substitute for, or superior to, information presented in accordance with IFRS. The definitions of £% or AER% growth, CER% growth, Adjusted results, free cash flow and other non-IFRS measures are set out on page 37. All expectations and targets regarding future performance should be read together with “Assumptions related to 2018 guidance and 2016-2020 outlook” and “Assumptions and cautionary statement regarding forward-looking statements” on page 38.

2018 guidance update

With continued strong trading in the first nine months of 2018, the Group is tightening its full year guidance range towards the upper end of previous expectations. The Group now expects full year 2018 Adjusted EPS growth of 8 to 10% at CER, whether or not a generic competitor to Advair is launched in the US in 2018.

This revised guidance primarily reflects an increase in our expectations for sales of Shingrix, which we now expect to be £700-750 million in 2018.

We continue to expect the effective tax rate for 2018 to be approximately 19-20% of Adjusted profits after the impact of US tax reform.

If exchange rates were to hold at the closing rates on 30 September 2018 (\$1.30/£1, €1.12/£1 and Yen 148/£1) for the rest of 2018, the estimated negative impact on full-year 2018 Sterling turnover growth would be around 3% and if exchange gains or losses were recognised at the same level as in 2017, the estimated negative impact on 2018 Sterling Adjusted EPS growth would be around 6%.

Total and Adjusted results

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. As a result, GSK also reports Adjusted results, which is a non-IFRS measure. GSK believes that

Adjusted results allow the Group's performance to be more easily and clearly identified by shareholders. The definition of Adjusted results, as set out on page 37, also aligns the Group's results with the majority of its peer companies and how they report earnings.

Adjusted results may exclude significant costs such as those from major restructuring programmes, significant legal charges or transaction items. Major restructuring charges have been reported as an adjusting item since the Group adopted its current reporting structure in 2012. Estimated charges from the major restructuring programmes approved by the Board, are set out on page 25. Adjusted results include the benefits arising from the major restructuring programmes.

As Adjusted results may exclude significant costs, such as those from major restructuring programmes or significant legal charges, they should not be regarded as a complete picture of the Group's financial performance which is presented in its Total results. When restructuring charges are excluded, Adjusted earnings will be higher than Total earnings. The exclusion of other Adjusting items may result in Adjusted earnings being materially higher or lower than Total earnings.

Reconciliations between Total and Adjusted results, as set out on pages 16, 24 and 58 to 61, including detailed breakdowns of the key adjusting items, are provided to shareholders to ensure full visibility and transparency as they assess the Group's performance.

GSK is not able to give guidance for Total results as it cannot reliably forecast certain material elements of the Total results, particularly the future fair value movements on contingent consideration and put options that can and have given rise to significant adjustments driven by external factors such as currency and other movements in capital markets.

In addition, it should be noted that contingent consideration cash payments are made each quarter primarily to Shionogi by ViiV Healthcare which reduce the balance sheet liability and are hence not recorded in the income statement. The cash payments made to Shionogi by ViiV Healthcare for the nine months to 30 September 2018 were £584 million. An explanation of the acquisition-related arrangements with ViiV Healthcare, including details of cash payments to Shionogi, is set out on page 56.

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Brand names and partner acknowledgements

Brand names appearing in italics throughout this document are trademarks of GSK or associated companies or used under licence by the Group. Cialis is a trademark of Eli Lilly and Company.

Sales performance

Group turnover by business and geographic region

Group turnover by business Q3 2018

	£m	Growth £%	Growth CER%
Pharmaceuticals	4,221	1	3
Vaccines	1,924	14	17
Consumer Healthcare	1,947	(1)	3
Group turnover	8,092	3	6

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Group turnover was up 3% AER, 6% CER to £8,092 million, with CER growth delivered by all three businesses.

Pharmaceuticals sales grew 1% AER, 3% CER, driven primarily by the growth in sales of HIV and the new Respiratory products, Nucala and the Ellipta portfolio. This was partly offset by lower sales of Seretide/Advair and Established Pharmaceuticals. Overall Respiratory sales were up 3% AER, 5% CER.

Vaccines sales were up 14% AER, 17% CER, driven primarily by sales of Shingrix in the US and market growth of Bexsero, partly offset by declines in some Established Vaccines.

Consumer Healthcare sales declined 1% AER but grew 3% CER reflecting growth in Wellness, Oral health and Nutrition, partly offset by a decline in Skin health, the divestments of some smaller brands including Horlicks and MaxiNutrition in the UK as well as the final quarter's impact of the implementation of the Goods & Services Tax (GST) in India.

Group turnover by geographic region Q3 2018

	£m	Growth £%	Growth CER%
US	3,405	11	13
Europe	1,952	(2)	(2)
International	2,735	(2)	4
Group turnover	8,092	3	6

US sales grew 11% AER, 13% CER driven by strong performances from Shingrix, HIV products and new Respiratory sales.

Europe sales declined 2% AER, 2% CER as growth from HIV and the new Respiratory products was more than offset by continued generic competition to Epzicom as well as a decrease in Bexsero sales largely due to the completion of the vaccination of catch-up cohorts in certain markets which benefited Q3 2017. Growth in new Respiratory products more than offset the decline in Seretide.

In International, sales declined 2% AER but grew 4% CER reflecting strong growth in the new Respiratory products as well as HIV sales. Sales in Emerging Markets were flat AER, but grew 8% CER, driven by strong growth of Cervarix in China and Horlicks in India.

Group turnover by business and geographic region

Group turnover by business 9 months 2018

	£m	Growth £%	Growth CER%
Pharmaceuticals	12,459	(2)	2
Vaccines	4,415	12	15
Consumer Healthcare	5,750	(2)	2
Group turnover	22,624	-	4

Group turnover was flat at AER but increased 4% CER to £22,624 million, with CER growth delivered by all three businesses.

Pharmaceuticals sales were down 2% AER but up 2% CER, driven primarily by the growth in HIV sales and the new Respiratory products, Nucala and the Ellipta portfolio. This was partly offset by lower sales of Seretide/Advair and Established Pharmaceuticals. Overall Respiratory sales declined 3% AER but grew 1% CER.

Vaccines sales were up 12% AER, 15% CER, primarily driven by sales of Shingrix in the US, a competitor supply shortage in Hepatitis and market growth for Bexsero, partly offset by declines in some Established Vaccines.

Consumer Healthcare sales declined 2% AER but grew 2% CER with continued strong broad-based growth in Oral health partly offset by a decline in Panadol, the divestments of some smaller brands including Horlicks and MaxiNutrition in the UK as well as the impact of the implementation of the Goods & Services Tax (GST) in India.

Group turnover by geographic region 9 months 2018

	£m	Growth £%	Growth CER%
US	8,708	3	9
Europe	5,943	-	