



## THE DAY TRADING ACADEMY

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November 03,2014 – Invest With Industry Leader GlaxoSmithKline – By Jeffrey Hagenmeier



GlaxoSmithKline (GSK) is a pharmaceutical and biotechnology multinational corporation based in London. It is the 6<sup>th</sup> largest of this kind of company in the world. The company was founded in 2000 by a merger of 3 different entities. The origin of the company began in 1935. At \$109.98 billion USD (United States Dollar) it is the 4<sup>th</sup> largest company listed on the London Stock Exchange. GSK is a manufacturer of drugs and producer of vaccines for a number of diseases that include asthma, cancer, diabetes, digestive disorders, infections and mental health conditions. The biggest selling drugs from the company at present are Advair, Augmentin, Avodart, Flovent, Lamictal and Lovaza. Many other drugs that were made by the company and its predecessors, are now sold as generics. This year GSK applied for the first vaccine against malaria. The company has already committed to make this life saving drug available, at 5% above the cost of production in all developing countries.

GSK provides pharmaceutical products in various therapeutics. These would include anti-virals, antibacterials, cardiovascular, central nervous system, dermatology, emesis, HIV, immune-inflammation, metabolic, oncology, rare diseases urogenital and vaccines.



The drugs and vaccines of the company earned \$34.03 billion USD (21.3 billion British pounds) in 2013 and its consumer healthcare division made \$8.31 billion USD (5.2 billion British pounds). These healthcare and dietary products include many popular brand names. Nutritional drinks include Boost, Horlicks and Maxinutrition. Oral care products include Aquafresh, Corega, Parodontex, Polident, Poligrip and Sensodyne. In the care of dry and irritated skin the company offers Oilatum and Physiogel. Panadol provides treatment for headaches and joint pain.

ENO Tums can be taken for relief in stomach acid. The company offers Nicabate, NicoDerm, NiQuitin CQ for aid in quitting smoking and nicotine withdrawal.

GSK also had a collaboration with Adaptimmune Limited to develop and commercialize NT-ESO-1, a strategic cancer immunotherapy.

The stock increased in price **\$0.35** or **0.78%** to settle at **\$45.49 USD** on **October 31<sup>st</sup>**. The high for the day was \$45.51 and the low \$45.16. The open share price was \$45.29 with the previous close at \$45.14. The P/E ratio (ttm) as of Friday was 16.57 and the dividend yield 5.83%. The stock began the week at \$45.65. The low for the month was realized on October 16<sup>th</sup> when the stock reached \$42.88 and the high of \$45.86 was breached on October 6<sup>th</sup>. The high for the last three months was registered on August 29<sup>th</sup> when the stock peaked at \$49.10. The low was the price seen in October. The 52 week low for a share of GSK was \$41.91 USD. The high for





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the same period has been \$56.73 USD. Share volume for Friday was 3,553,781. The 3 month average volume is just a bit over 5 million.

GSK has close to 100,000 employees. Revenue for the company in 2013 was \$40.90 billion USD (25.602 billion British pounds). Operating income for the same year was \$12.41 billion USD (7.771 billion British pounds). Net income in 2013 was \$8.37 billion USD (5.237 billion British pounds).



In April 2014 Novartis and GSK agreed on more than \$20 billion USD in deals. Novartis sold its vaccine business to GSK for \$7 billion USD. Meanwhile GSK sold its oncology (cancer) division to Novartis for \$16 billion USD. It ended up being a good deal for the company with the arrival of Ebola and other infectious diseases in the fall of 2014. The sale of the oncology unit has greatly added to the cash on hand for GSK.

To be fair the company had some legal difficulties in the past couple of years involving charges of bribery in China, with a resulting \$500 million fine. There has also been some medical upsets involving some of their recent released drugs.

This can be balanced by the program of acquisition the company has engaged in since 2010. That year GSK bought the Argentine pharmaceutical company Laboratorios Phoenix, and the leading sports nutrition company in Britain and Europe Maxinutrition. In 2011, a \$660 million USD deal with Prestige Brands Holdings brought the company 17 brands with sales of \$210 million. These included Beano, BC Powder, Ecotrin, Fiber Choice, Goody's Powder, Sominex and Tagamet.

In 2012 GSK acquired CellZome, a German bio-tech company. In 2013, the company bought United States based Human Genome Sciences.

A medium term investment should be made in the company at this time. A target of **\$50.00 USD a share** is a reasonable expectation. That would be a **gain of \$4.50** or a **10% gain**. A long term hold would bring higher returns, but one would need to weigh if the dividends provided in the duration, are worth holding the stock in the longer run.

