

Summary of the financial reports for GlaxoSmithKline from 2003-2015

By David Belk MD

First, some definitions:

-Sales/revenue: Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

-Profit: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

-Research includes research and development and purchased in-process research.

-Marketing is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

-Revisions: Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation (see Pfizer). In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

GlaxoSmithKline, like AstraZeneca, is a UK pharmaceutical company. Unlike AstraZeneca they do all of their finances in British Pounds instead of dollars. Fortunately, each statement provides the average exchange of currencies for each year. For this report I kept many of the figures in Pounds since I'm mostly trying to demonstrate the proportional distribution of their finances and that does change with a change in currency. For my composite analysis of all the pharmaceutical companies I converted all finances to dollars.

GlaxoSmithKline did an analysis of the global pharmaceutical market in 10 of their 13 reports. The global figures vary only slightly from those of AstraZeneca which is not unexpected. For my composite analysis I'll simply take the averages whenever the figures from the two companies vary.

There were a number of revisions in GSK's numbers for a variety of reasons. As always, I used the latest figures I could as long as the revisions appear to be done to increase accuracy. Therefore many of the numbers I used for each year were provided in the reports of subsequent years.

Now the composite numbers for GlaxoSmithKline from 2003-2015:

Total Revenue (Sales):	£317 Billion
Total Profit:	£63 Billion
Total Spent on Research:	£47 Billion
Total Spent on Marketing:	£110 Billion
Total Spent in Taxes:	£23 Billion
US Revenue:	£121 Billion
Revenue from All Other Countries:	£196 Billion

Total Executive pay for GlaxoSmithKline was £15.57 million in 2014 with £3.89 million going to their CEO Andrew Witty.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=GSK>
http://truecostofhealthcare.net/pharmaceutical_financial_index/

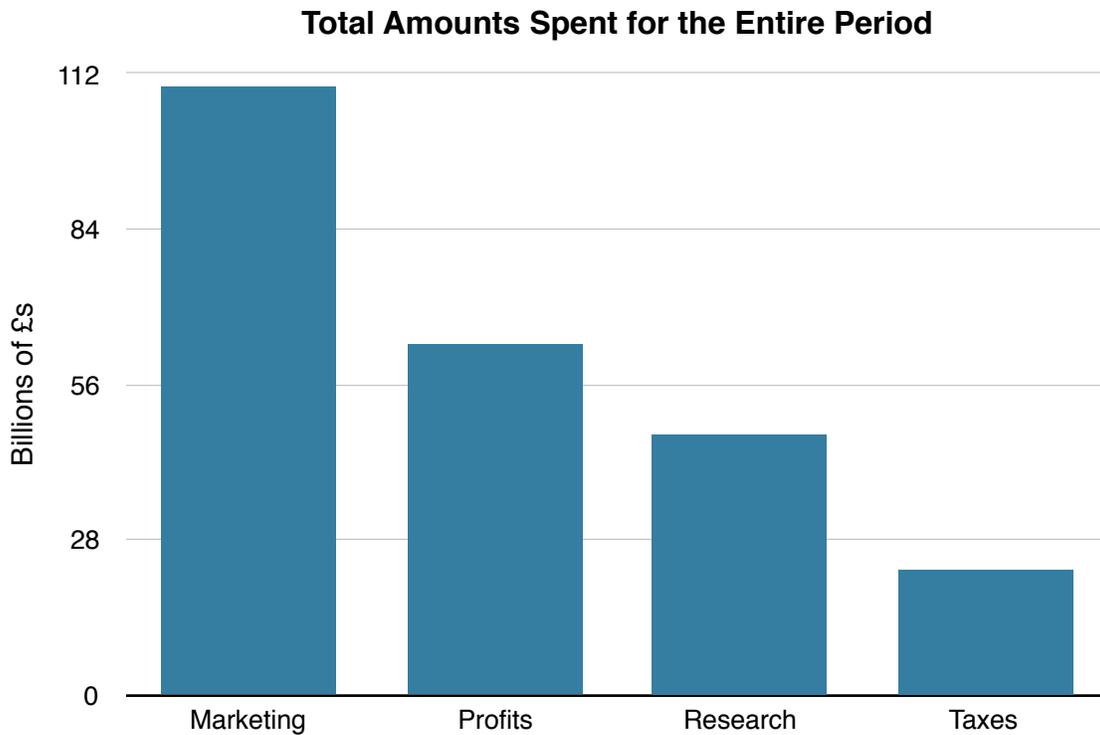


Figure 1: Total amount GlaxoSmithKline earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research and marketing and taxes. Figure 2 (below) shows the proportion of GlaxoSmithKline’s total revenue that was allocated toward research, marketing, taxes and profits.

Proportional Allocation of Revenue 2003-2015



Figure 2

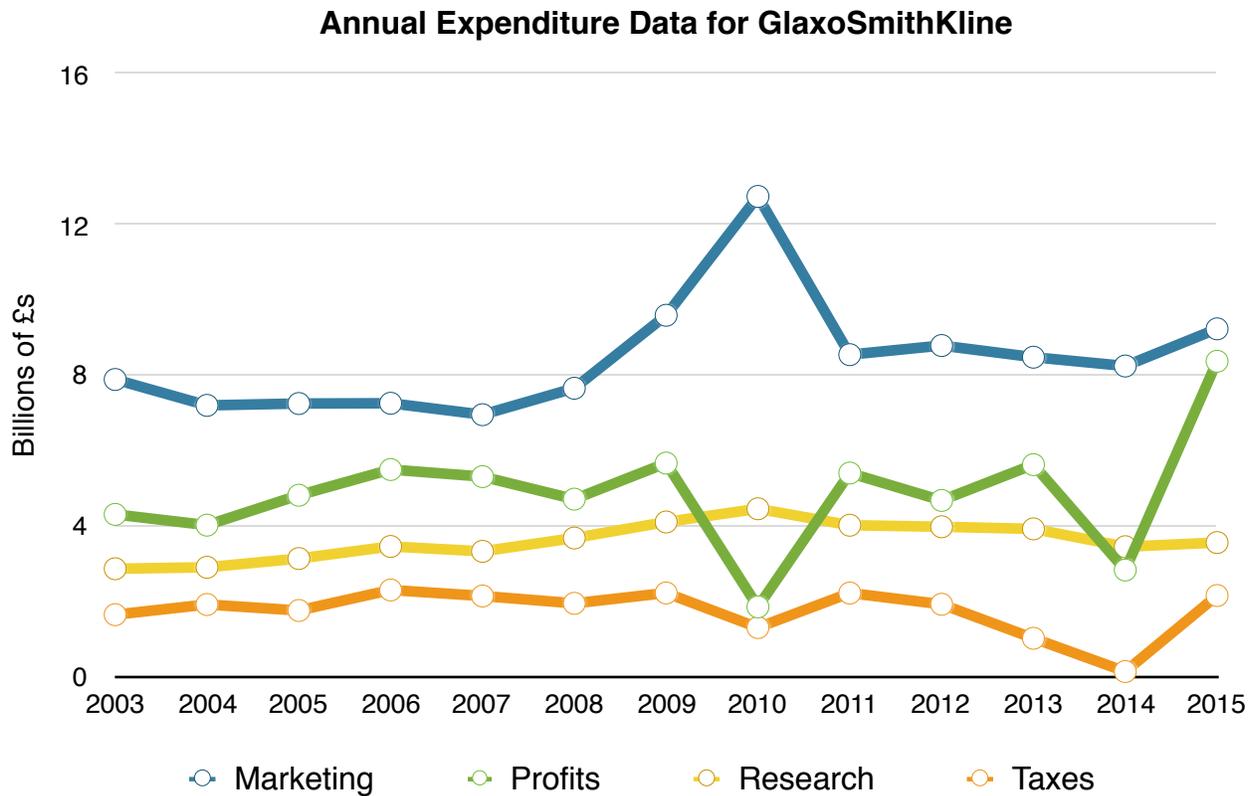


Figure 3: GlaxoSmithKline’s profit compared with amount spent on research, marketing and taxes each year from 2003-2015

Proportion of Revenue from US vs. All Other Countries

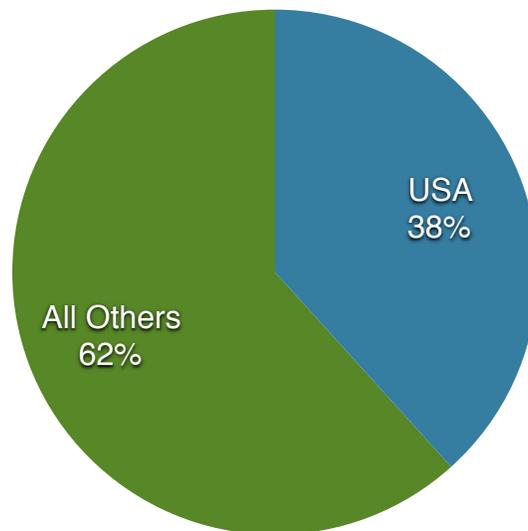


Figure 4: 38% of GlaxoSmithKline’s revenue from 2003-2015 came from sales in the US.

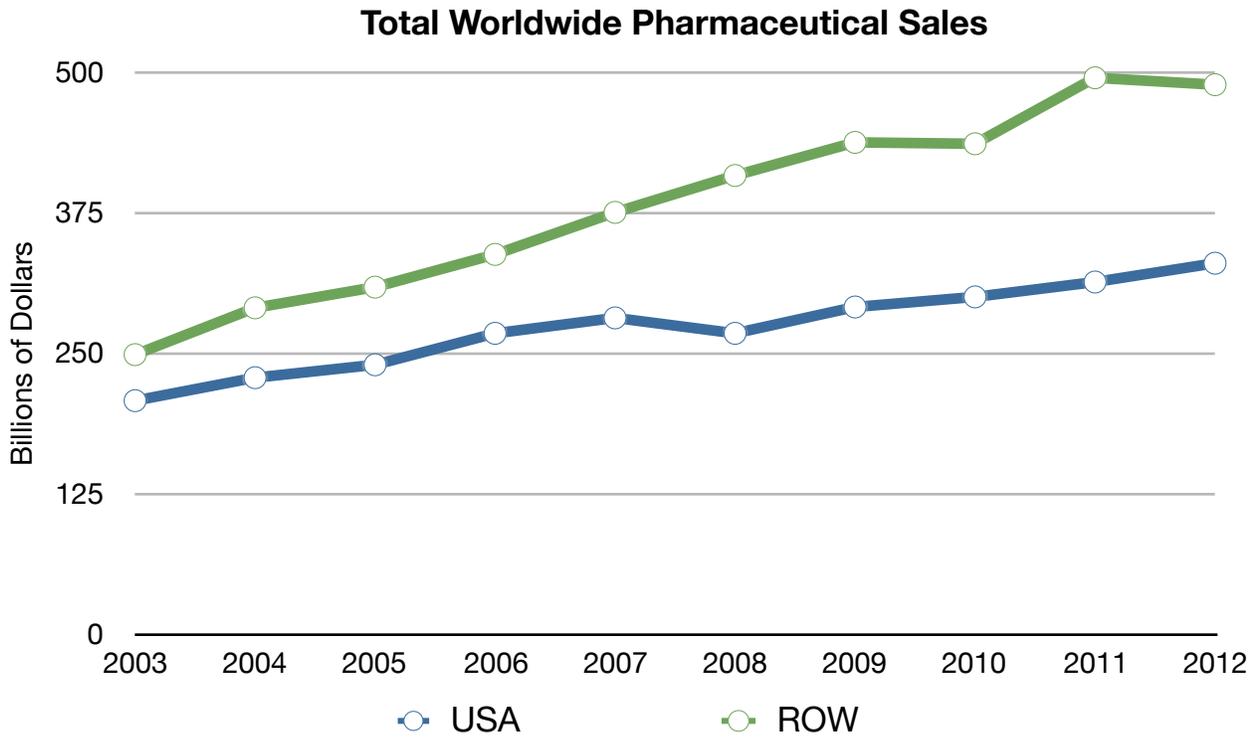


Figure 5: Annual total pharmaceutical sales in the US vs. all other Countries from 2003-2012 according to GlaxoSmithKline.

Proportion of Revenue from Advair Sales

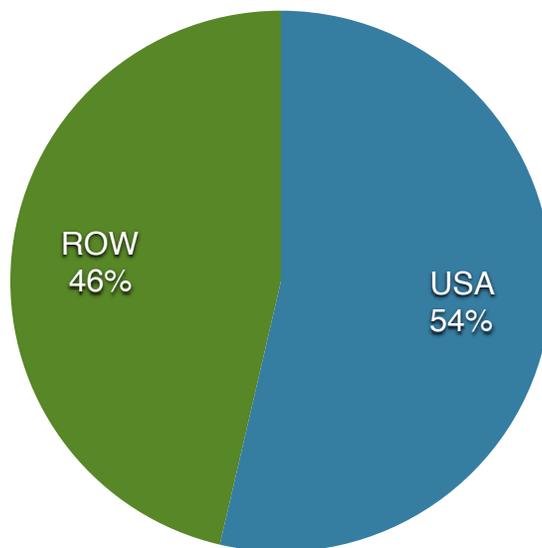


Figure 6 & 7: More than half of GSK's Advair revenue since 2003 was from sales in the US.

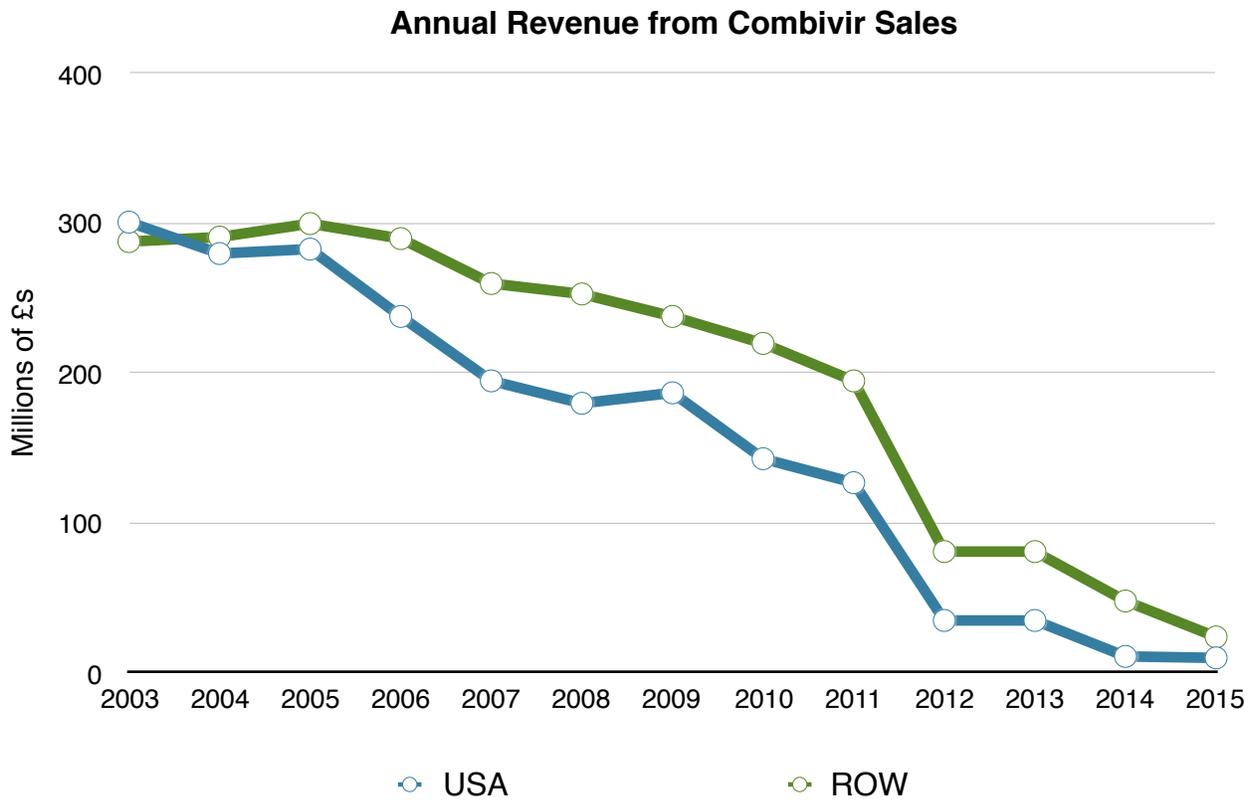
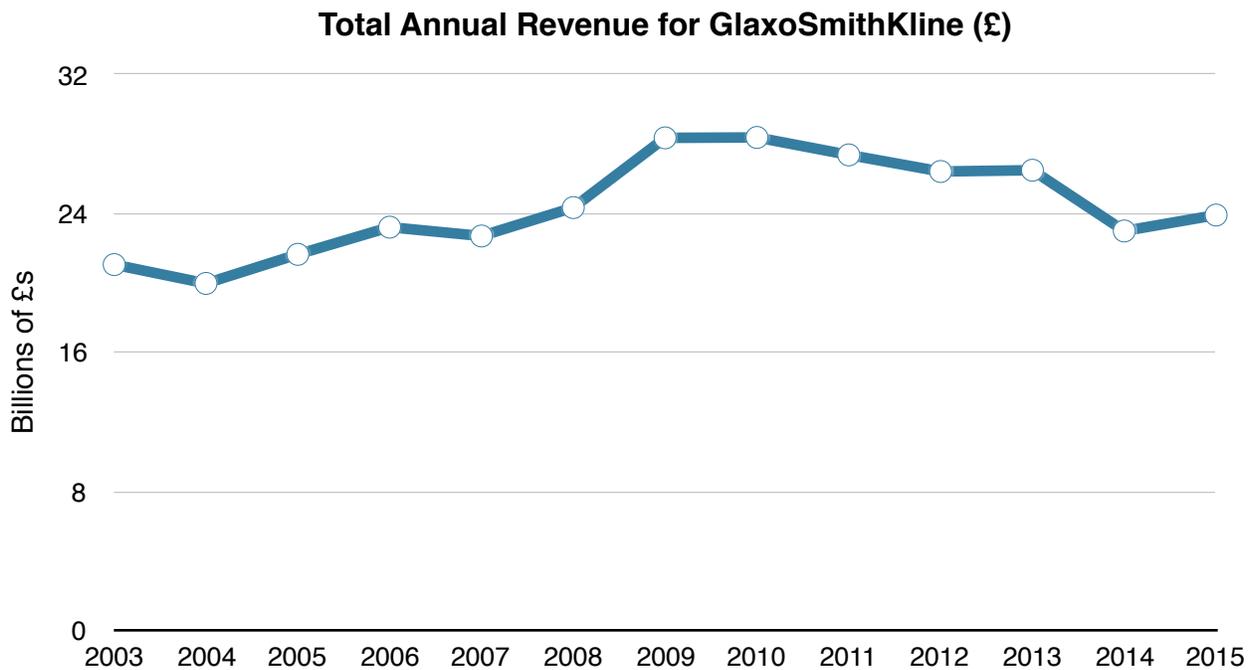


Figure 7: Combivir has been generic since 2011 and this has greatly impacted GSK’s revenue from that drug combination.



Figures 8 & 9: GlaxoSmithKline’s revenue has been declining in recent years along with the revenues of most of the major pharmaceutical companies.

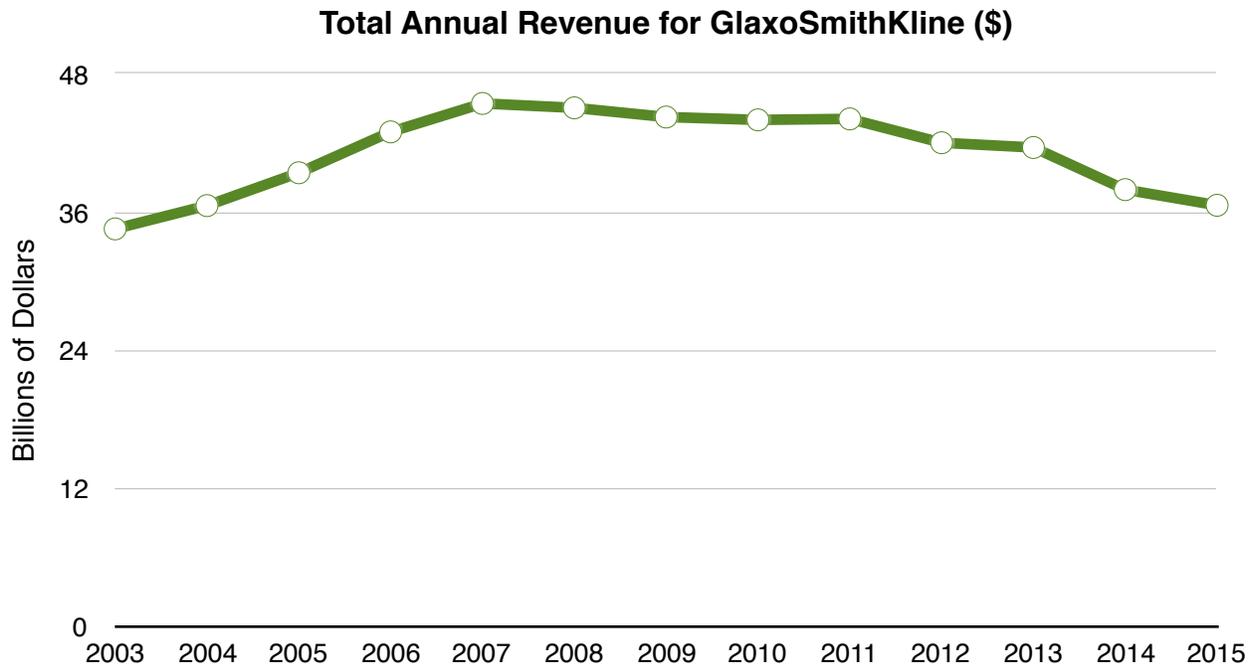


Figure 9: Annual total revenue for GSK in dollars shows that their revenue has been declining since 2007 in spite of the fact that the prices of most of the medications they sell have gone up dramatically in recent years.

<http://truecostofhealthcare.net/brand-name-medication-prices/>