

## Summary of the financial reports for GlaxoSmithKline from 2010-2016

By David Belk MD

First, some definitions:

*-Sales/revenue:* For these reports I try to stick to the revenues from pharmaceutical sales only whenever possible. Many of these companies have other product lines such as medical devices, over-the counter (OTC) health aids or nutritional products. When possible, I separate out the revenues from those product sales, though.

*-Profit:* Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to their net income after taxes. 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 might even include such expenses as 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.

*-Rebates/Chargebacks:* Rebates are payments that go mostly to pharmacy benefit managers (PBMs) in the U.S. These rebates are incentives for the PBMs "prefer" certain medications when deciding which medications to cover. Chargebacks are normally refunds given to medication suppliers to balance the rebates given to the PBMs. Both rebates and chargebacks are normally deducted from the total pharmaceutical revenue of a company initially, and not listed as an expense.

*-Revisions:* When a figure is revised in a subsequent report it's often because that company divested one or more products by either selling that line to another company or splitting off a new company. When companies do this, they often retroactively deduct the revenues and expenses related to that division from the finances of previous years, but not the profits. This makes year over year comparisons for these companies challenging. For the most part, I only use original data, and not revised data for these reports.

**GlaxoSmithKline** (GSK), like AstraZeneca, is a UK pharmaceutical company that markets, among other things, the asthma inhaler Advair. Asthma inhalers in general have enjoyed many years of patent protection beyond the patent expiration dates of the medications they deliver. This is because the delivery device for the inhaler itself can have separate patents and any change (improvement) in the delivery device might qualify the inhaler for a new patent.

Recently, a generic competition for Advair was approved called generic Airduo. This competition is likely to significantly hurt GSK, which has suffered declining revenues in the last several years and relied on Adair for nearly 20% of their pharmaceutical revenue since 2010.

In addition to pharmaceutical products, GSK also markets vaccines and consumer health products. Consumer health account for just over 25% of GSK's revenue and, unlike their pharmaceutical business, appears to be growing somewhat in recent years.

Here are the composite numbers for GlaxoSmithKline from 2010-2016:

Total Revenue (Sales):	\$284 Billion
Total Profit:	\$47 Billion
Total Spent on Research:	\$42 Billion
Total Spent on Marketing:	\$101 Billion
Total Spent in Taxes:	\$15 Billion
US Revenue:	\$94 Billion
Revenue from All Other Countries:	\$190 Billion
Pharmaceutical Sales Revenue	\$184 Billion
Vaccine Sales Revenue	\$40 Billion
Consumer Health Revenue	\$57 Billion

Total Executive pay for GlaxoSmithKline £16.4 million in 2015 with £6.83 million going to their CEO Andrew Witty.

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

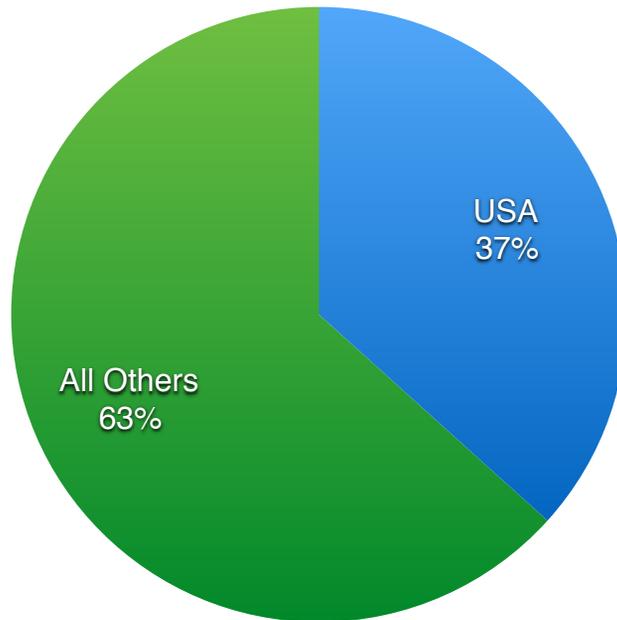
[http://truecostofhealthcare.net/pharmaceutical\\_financial\\_index/](http://truecostofhealthcare.net/pharmaceutical_financial_index/)

**Proportional Allocation of Revenue  
2010-2016**



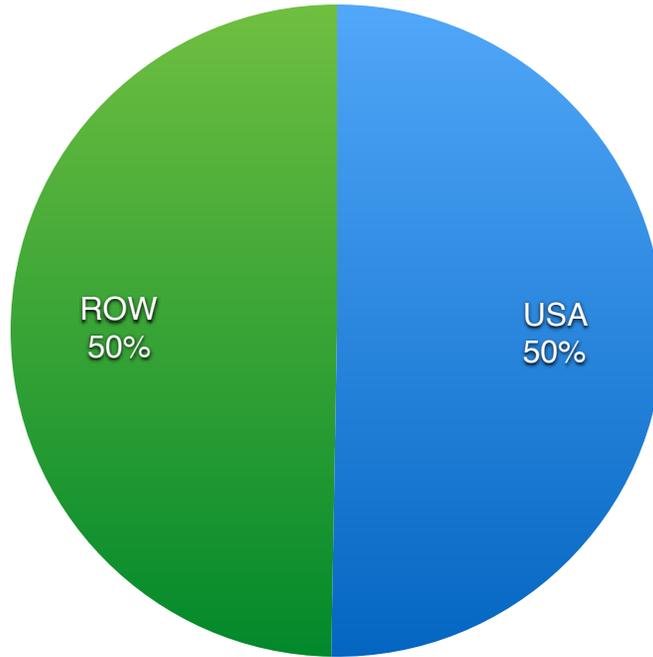
**Figure 1:** The proportion of GlaxoSmithKline’s total revenue that was allocated toward research, marketing, taxes and profits.

**Proportion of GSK’s Pharmaceutical  
Revenue From the US vs. All Other  
Countries**

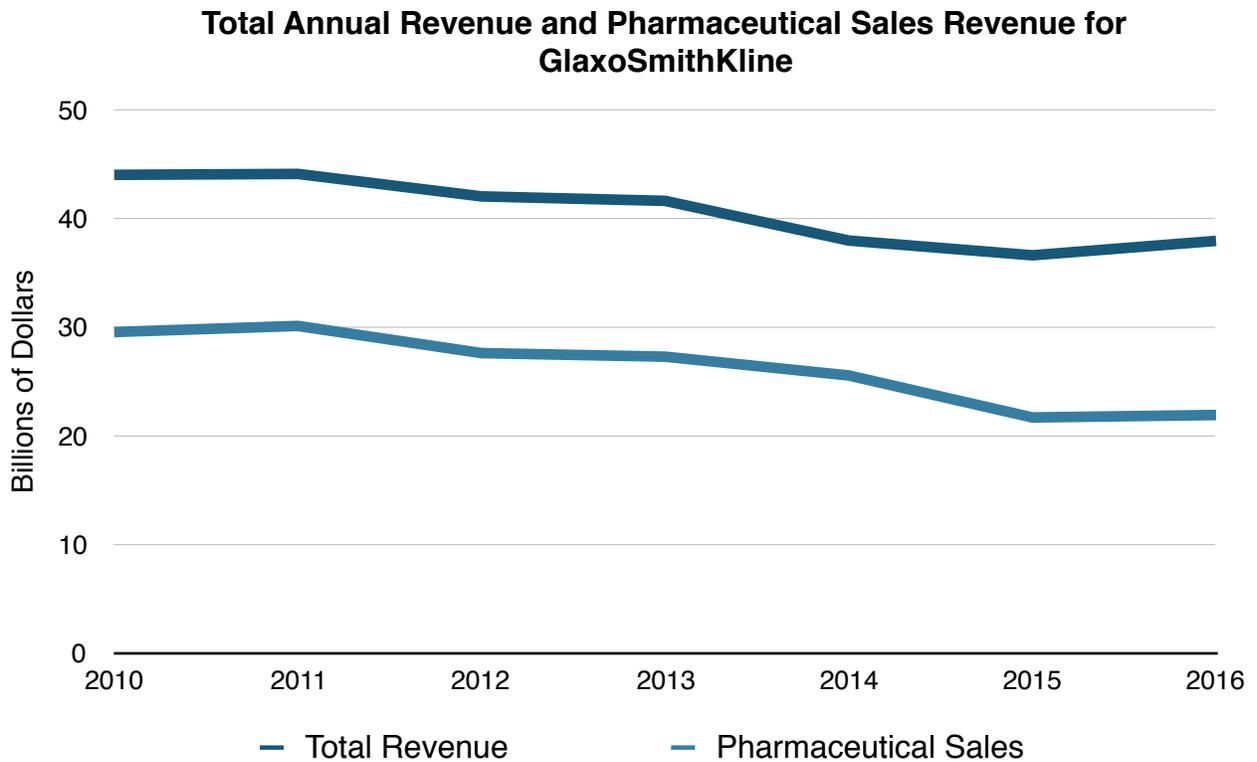


**Figure 2:** 37% of GlaxoSmithKline’s Pharmaceutical and vaccine revenues since 2010 came from sales in the US.

### Revenue From Advair Sales

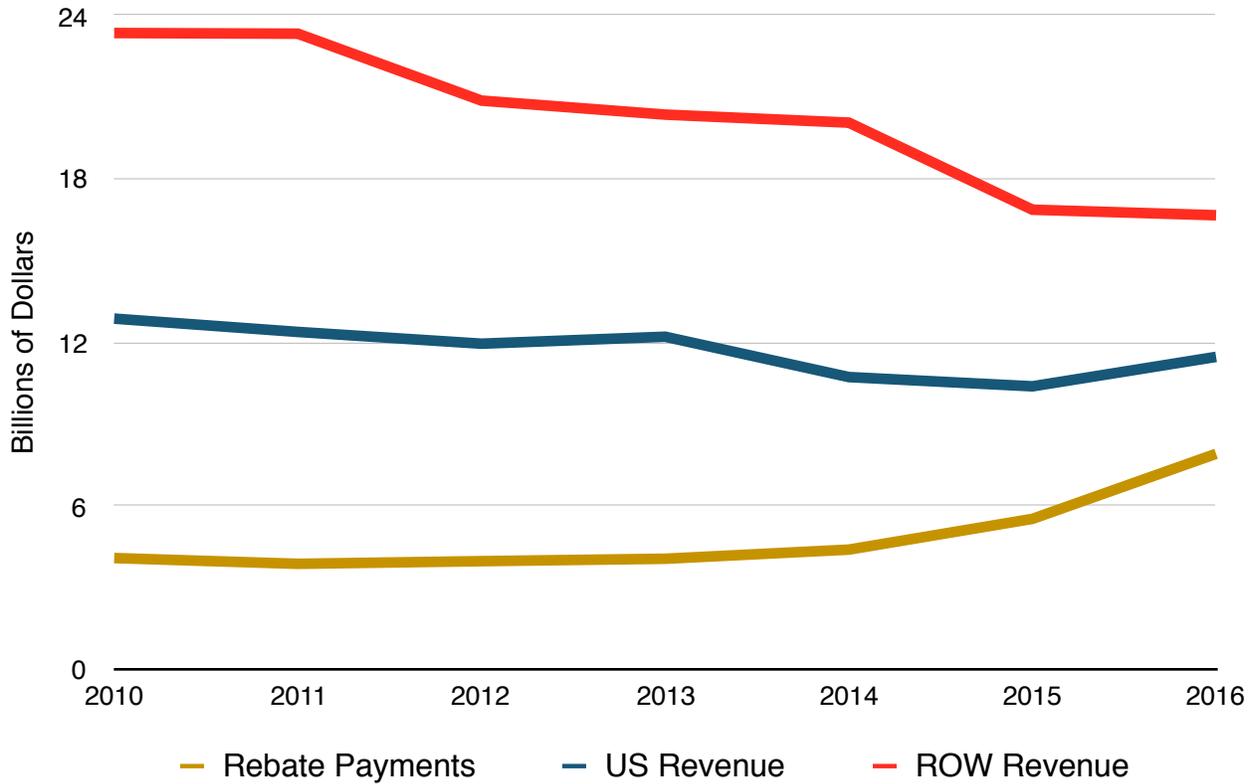


**Figure 3:** Half of GSK’s Advair revenue since 2010 was from sales in the U.S.



**Figure 4:** GlaxoSmithKline’s total and pharmaceutical revenues have been declining in recent years along with the revenues of most of the major pharmaceutical companies.

### Pharmaceutical Revenue in the U.S. and Other Countries vs. Pharmaceutical Rebates in the U.S.



**Figure 5:** Rebates definitely boost sales for pharmaceutical companies. Increasing rebates given by GSK to PBMs in the U.S. (yellow line) in recent years appear to have halted the drop in sales revenue from U.S. sales (blue line) relative to their sales in the rest of the world (red line).