

Q1 2024 Pre-Announcement Aide Memoire

Issued: Friday 12 April 2024



Disclaimer: GSK has prepared this Q1 2024 pre-announcement aide-memoire per our standard prior practice. It includes statements made in previous public communications by GSK as extracted from their original source and, therefore, by definition, they should only be taken as speaking as at the date they were initially made, and they do not reflect subsequent or recent events, circumstances, or developments. Any updates to these and other previously made statements would only be included in further communications by GSK to the market and the inclusion of the extracted statements herein should not be taken to indicate that they will not be updated in the future.

Please read the assumptions and cautionary statements regarding forward-looking statements set out on page 317 of the Annual Report 2023 and "Guidance and outlooks, assumptions and cautionary statements" on pages 54 and 55 of the Q4 2023 results release. Please read the definitions and reconciliations for non-IFRS measures on pages 20, 21, 23, 24 and 53 of the Q4 2023 results release and the annual report on Form 20-F for FY 2023.

From Q1 2024, GSK has made one update to its reporting framework which is to change the description of 'Adjusted' results to 'Core' results to align with the industry. GSK believes this provides more clarity in describing our operational performance. There is no change to 'Total' Results or definition of the 'Adjusting' items.

Full-year 2024 guidance

Commentary from Q4 2023 stock-exchange announcement (pages 1-3)

GSK provides its full-year guidance at constant exchange rates (CER). All expectations and full-year growth rates exclude any contributions from COVID-19 solutions.

- **Turnover** is expected to increase between 5 to 7 per cent.
- **Adjusted operating profit** is expected to increase between 7 to 10 per cent (absorbing the loss of Gardasil royalties impacting 6 percentage points of profit growth in 2024).
- **Adjusted earnings per share** is expected to increase between 6 to 9 per cent (an increase in the adjusted effective tax rate to around 17% following implementation of a global minimum corporate income tax rate aligned with the Organisation for Economic Co-Operation and Development 'Pillar 2' initiative).

Key information for Q1 2024

Foreign exchange

We expect that the negative impact of foreign exchange on Q1 2024 sales will be around -5%. As a result of the mix of currency movements relative to the combination of costs, we expect that the negative impact of foreign exchange on Q1 2024 sterling adjusted operating profit will be more significant than the negative impact on sales.

Weighted average number of shares (WANS)

The basic WANS in Q1 2024 was 4,069m (an increase of 0.6% relative to 4,044m in Q1 2023).

The information below includes commentary from recent circulars, stock-exchange announcements, investor/analyst calls, and previously published outlook statements.

2024 COVID-19 solutions expectations

Commentary from Q4 2023 stock-exchange announcement (page 2):

For the full year 2024, GSK does not anticipate any further COVID-19 pandemic-related sales or operating profit. The adverse impact of lower sales of COVID-19 solutions in 2024 is anticipated to be one percentage point of growth in sales and two percentage points in Adjusted operating profit.

Impact of COVID-19 solutions on Q1 2023 Adjusted results

Q1 2023	Reported	Contribution from COVID-19 solutions	Reported excluding COVID-19 solutions
Turnover (£m)	6,951	132	6,819
Adjusted operating profit (£m)	2,092	118	1,974
Adjusted EPS (p)	37.0	2.5	34.5

Note that in Q1 2023 COVID-19 solutions sales totalled £132m comprising Xevudy (£31m) and pandemic vaccines (£101m). For Xevudy, GSK books all sales and pays a 72.5% profit share through COGS.

Sales (excluding COVID-19 solutions)

2024 full-year guidance: Turnover is expected to increase between 5 to 7 per cent at CER.

Vaccines

2024 full-year outlook: Sales are expected to increase high single-digit to low double-digit per cent at CER.

Shingrix

Commentary at Q4 2023: We continue to expect strong growth for *Shingrix* this year and to deliver more than £4bn in peak-year sales. In the US, our immunisation rate is 35% in those people 50 years and older, which means close to 80 million people who are eligible are unvaccinated, with more than 4 million people joining this cohort each year. We expect 2024 growth to be driven outside the US, where the vaccine is now approved in 39 countries, most of which have less than 4% penetration, and we're really excited about our new partnership with Zhifei in China.

Considerations for 2024: In October 2023, we announced a deal with Zhifei to co-promote *Shingrix* in China [GSK and Zhifei announce exclusive strategic vaccine partnership in China | GSK](#). Subject to the terms of the agreement, Zhifei will purchase agreed volumes of *Shingrix* with a value to GSK of £2.5 billion in total over the initial three-year period. Under the agreement there is an agreed procurement minimum of ~£0.4bn in 2024.

Comment on 2023 *Shingrix* sales in China: Please note that 2023 sales were £0.2bn.

Commentary on *Shingrix* China Phasing in 2024: One thing to keep in mind with revenue recognition in China next year is driven by shipment, so there will be a bolus which is between 60-80%, depending on how much we ship, which will be recognised in Q2, so that is just one watch-out.

Arexvy

Commentary at Q4 2023: The *Arexvy* launch has been exceptional, and we expect good growth this year mainly driven by further penetration in the US, but also early adoption from the international rollout of the vaccine. We are currently approved in 39 countries. And in the US, our choice to emphasise our 94.6% efficacy in the co-morbid population continues to resonate well. Script data shows strong brand preference – and market data tells us that two out of three HCPs prefer *Arexvy*. And we continue to have a strong position with all major pharmacies as we start 2024. Looking into this year, we have a major opportunity, subject to approval and ACIP recommendation, with a potential label for at-risk individuals in the 50 to 59 year old cohort – this is around 15 million people. On other dynamics for this year, we know we are facing a more competitive environment and, of course, we won't benefit from launch-stocking. We will also start to see how seasonality affects use patterns for *Arexvy*.

Comment on 2023 Arexvy sales in US: In 2023 wholesaler and retailer inventory build accounted for around 20% of Shingrix ex-factory sales.

RSV activity in the US is tracked by the CDC. [RSV Surveillance Data - NREVSS | CDC](#)

Meningitis

Commentary at Q1 2023: Strong growth in Meningitis vaccines was primarily driven by *Bexsero*, our vaccine against meningitis B, which grew in Europe mainly from inclusion in National Immunisation Programmes and in International due to an increase in demand ahead of an anticipated price increase. *Menveo*, our vaccine against meningitis strains ACWY, grew in the US primarily due to initial public stocking of the new liquid formulation and Center for Disease Control (CDC) purchasing patterns.

Established Vaccines

Commentary at Q1 2023: Established Vaccines grew mainly in Hepatitis vaccines resulting from continued travel market recovery in Europe and International, and due to CDC purchasing patterns in the US. *Rotarix*, a vaccine to protect infants against rotavirus, grew in the US primarily driven by initial stocking of the new liquid formulation by the CDC. *Synflorix*, our 10-valent vaccine for pneumococcal disease, declined in the quarter reflecting phasing of public market supply and lower demand related to decreased birth cohorts in International.

COVID immunisation progress in the US is tracked by the CDC. For US COVID vaccine demographics, including adoption by age, you can visit:

<https://covid.cdc.gov/covid-data-tracker/#vaccination-demographic>

Specialty Medicines

2024 full-year outlook: Sales are expected to increase low double-digit per cent at CER

HIV

2024 full-year outlook: Sales are expected to increase high single-to-low double digit per cent at CER.

Respiratory/Immunology and Other

Commentary at Q4 2023: *Benlysta*: Q4 2023 growth acceleration to 25% driven by US performance coupled with the impacts of channel inventory build, uplifted the full year growth to 19%.

Oncology

Commentary at Q4 2023: In Oncology, we were very pleased with the strong uptake for *Ojjaara*. We're also seeing increasing use of *Jemperli* and *Zejula*, in patients with endometrial and ovarian cancers, driven by generation of compelling data and launch of new patient-valued formulations.

General Medicines

2024 full-year outlook: Sales are expected to decrease mid-single-digit per cent at CER.

Commentary at Q4 2023: Overall, we expect Gen Meds to decrease mid-single digit per cent in 2024. This guidance takes into account the AMP Cap removal in the US, which we previously highlighted as impacting the business by up to \$700 million dollars. We provided for around 20% of this in 2023. And continue to expect a broadly flat outlook between 2021 and 2026.

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Note: On 1 January 2024, GSK cut the list prices by up to 70% on *Advair*, up to 48% on *Lamictal* and 10% for *Valtrex*. Effective 1 January 2024, GSK discontinued manufacturing branded *Flovent* HFA (all strengths) and branded *Flovent Diskus* (all strengths) for the US market. We launched an authorised generic for *Flovent* HFA (inhalation aerosol) in May 2022 and for *Flovent Diskus* (inhalation powder) in October 2023.

Financials (adjusted)

Operating profit (excluding COVID-19 solutions)

2024 full-year guidance: Adjusted operating profit is expected to increase between 7 to 10 per cent.

Q4 2023 commentary on guidance: Adjusted Operating profit is expected to grow between 7 to 10 per cent at CER, despite a 6 percentage point impact to Operating Profit growth following the loss of Gardasil royalties effective from the beginning of 2024. GSK expects to deliver leverage at a gross margin level due to improved product mix from Vaccines and Specialty Medicines growth and continued operational efficiencies. In addition, GSK anticipates further leverage in Operating Profit due to a step down in SG&A growth to a low single-digit increase. R&D is expected to increase broadly in line with sales to support growth of the pipeline.

Commentary on COVID-19 solutions impact in Q1 2023. COVID solutions contributed £118m / 6% of 2023 Q1 adjusted operating profit. For the full year 2024, GSK does not anticipate any further COVID-19 pandemic-related sales or operating profit. The adverse impact of lower sales of COVID-19 solutions in 2024 is anticipated to be one percentage point of growth in sales and two percentage points in Adjusted operating profit.

Cost of goods sold

2024 full-year outlook: GSK expects to deliver leverage at a gross margin level due to improved product mix from Vaccines and Specialty Medicines growth and continued operational efficiencies.

SG&A

2024 full-year outlook: Anticipated to increase low single-digit per cent at CER.

2024 consideration: (Commentary from Julie Brown on Q4 2023 Investors and Analysts call)

We have been in an investment cycle, supporting our newly launched vaccines and medicines, and we now expect to move to a period of delivering increasing returns on our investment. In this new cycle, we expect a step down in SG&A growth to a LSD%, improving productivity and providing margin leverage, whilst remaining competitive. We will continue to invest for growth, as established in our capital allocation framework, and we will continue to build a strong R&D pipeline for the longer-term.

Commentary at Q1 2023: Growth in Total and Adjusted SG&A primarily reflected an increase in legal provisions primarily relating to the *Zejula* royalty dispute resulting in an increase of 4 pts and an increased level of launch investment in Specialty Medicines particularly HIV and Vaccines including Shingrix to drive post-pandemic recovery demand and support market expansion.

R&D

2024 full-year outlook: Expected to increase broadly in line with sales to support pipeline growth.

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Royalty income

2024 full-year outlook: Expected to be £500-£550 million, with minimal Gardasil royalties (2023 £472m). The two largest remaining royalty streams are Biktarvy (3% royalty on US sales until October 2027) and Kesimpta (tiered royalties up to 12%).

In £ millions	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Gardasil	446	71	132	189	80	472
Other	312	109	94	123	155	481
Total	758	180	226	312	235	953

Associates

2024 Full-year outlook: Expected to be negligible.

Net Interest payable

2024 Full-year outlook: slightly lower than 2023 (£669m).

Tax

2024 full-year outlook: Adjusted Tax rate expected to be around 17% (2023 15.5%).

2024 consideration: GSK anticipates, as previously communicated, an increase in the adjusted effective tax rate to around 17% following implementation of a global minimum corporate income tax rate aligned with the Organisation for Economic Co-Operation and Development 'Pillar 2' initiative.

Adjusted Tax rate	Q1	Q2	Q3	Q4	Full year
2022	16.5%	15.2%	16.6%	12.6%	15.5%
2023	15.8%	15.6%	15.4%	15.1%	15.5%
2024					around 17%

Non-Controlling interests

In £ millions	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
ViiV	551	120	136	156	154	566
Other	44	1	(6)	13	(2)	6
Total	595	121	130	169	152	572

Adjusted EPS

2024 full-year outlook: Expected to increase between 6 to 9 per cent.

Commentary on COVID-19 solutions impact in Q1 2023. COVID solutions contributed 2.5p / 7% of 2023 Q1 adjusted EPS. For the full year 2024, GSK does not anticipate any further COVID-19 pandemic-related sales or operating profit. The adverse impact of lower sales of COVID-19 solutions in 2024 is anticipated to be one percentage point of growth in sales and two percentage points in Adjusted operating profit.

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Dividend

The expected dividend for 2024 is 60p.

Dividend per share (p)	Q1	Q2	Q3	Q4	Full year
2022 – GSK Group	17.50 ¹	16.25 ¹	13.75	13.75	61.25
2022 – GSK portion	13.75	13.75	13.75	13.75	55.00
2023 - paid	14.00	14.00	14.00	16.00	58.00
2024 - expected					60.00 ²

¹paid prior to the demerger of Consumer Healthcare which was completed on 18 July 2022.

²The actual dividend amount is determined by the Board of Directors with the FY 2024 results.

Summary of Outlooks presented at Q4 2023

Below is slide 7 from the Conference call and webcast for investors and analysts at our Full-year and Q4 2023 results on 31 January 2024.

- Delivering on our commitments and upgrading our outlooks

2024 Guidance <ul style="list-style-type: none"> Sales growth: 5-7% Adj. OP growth: 7-10% Adj. EPS growth: 6-9% 	2021-2026 New Outlook <ul style="list-style-type: none"> >7% Sales CAGR¹ >11% Adj. operating profit CAGR¹ >31% Adj. operating profit margin >£10bn CGFO² 	2026-2031 New Outlook <ul style="list-style-type: none"> >£38bn sales by 2031 Continued focus on margin improvement, with broadly stable OP⁴ margin through dolutegravir loss of exclusivity⁵
2021-2026 Previous Outlook³ <ul style="list-style-type: none"> >5% Sales CAGR >10% Adj. operating profit CAGR 30% Adj. operating profit margin >10bn CGFO 	2031 Previous Ambition³ <ul style="list-style-type: none"> >£33bn sales 	



All guidance, outlooks and expectations regarding future performance should be read together with the section "Guidance and outlooks, assumptions and cautionary statements" on pages 54 to 55 of GSK's full-year and Q4 2023 stock-exchange-announcement. 2024 guidance growth of CAGR, unless stated otherwise. All outlook statements are given on a CAGR basis and use 2023 average exchange rates as a base. All values including COVID-19 solutions. 1. Compound annual growth rate. 2. Cash flow generated from operations. 3. Investor Update June 2021. 4. Adj. operating profit excl. COVID-19 solutions. 5. Loss of exclusivity in the US and EU is expected in 2029-2030.

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To illustrate underlying performance, it is the Group's practice to discuss its results in terms of CER growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. All commentaries are presented in terms of CER growth unless otherwise stated.

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