

GlaxoSmithKline shareholders welcome Emma Walmsley plan on demerger

Shares in GlaxoSmithKline jumped as investors reacted to chief executive Emma Walmsley's crunch update on her plans for the pharmaceuticals giant.

Walmsley is splitting off the group's vast consumer healthcare joint venture into a separate FTSE 100 company next year.

Shareholders told the Evening Standard they were "relieved" that the company had opted to do the split through a demerger rather than an IPO to raise more funds for the pharmaceuticals arm's research and development budget.

Shareholders will be given shares in the new company which will have an enterprise value of around £45 billion, made up of around £35 billion of equity and £10 billion of debt.

Long suffering shareholders had been alarmed at reports in recent weeks that Walmsley was mulling an IPO that would leave them either having their current stakes in the business diluted by new shareholders or having to buy more shares to keep their stakes where they currently are.

"I have to say I'm very pleased at what I've heard," said one major shareholder. "I'm extremely glad they're not going to make me pay again for what I already own."

GSK also set out [new sales and profit targets](#) for the pharmaceuticals and vaccines side of the business (being dubbed "New GSK") which shareholders said were broadly in line with expectations.

Walmsley has faced criticism over whether she should run New

GSK after the demerger due to her not having a science background. Asked if she was sticking to the plan, she said: "I am committed to lead us through this separation and beyond."

One shareholder described her responses to queries about her future as being "a bit woolly".

READ MORE

- [GlaxoSmithKline chief Emma Walmsley unveils crunch plan for decade of growth](#)
- [GlaxoSmithKline shareholders seek assurance they won't be left out of pocket in shakeup](#)

Analysts were broadly supportive of the company's presentation.

Analysts at Morgan Stanley described the new performance targets as "ambitious" and "ahead of consensus both on the mid-term growth outlook and the dividend.

Goldman Sachs analysts described it as "comforting across all fronts".

Under the demerger, GSK will hand up to 80% of its 68% share in the consumer joint venture over to the new company with a view to selling the remaining 20% soon afterwards.

The 20% being held back would allow the group to sell at the most opportune time – perhaps when the share price is riding high or New GSK has a need for the money.

Holding back the 20% also makes it easier to fund New GSK's pension deficit.

Analysts said there was a potential downside in that having New GSK as a massive shareholder in the consumer business

which had committed to sell its stake could have a depressing effect on the share price.

However, this so-called stock overhang could be largely offset by the fact that most GSK shareholders are likely to keep hold of their shares, meaning supply of shares for new investors would be tight, holding up the share price.