

Pfizer 2Q net income rises 25 pct on lower costs

July 31 2012, by LINDA A. JOHNSON



A Jan. 25, 2009 file photo, shows Pfizer's world headquarters in New York. Pfizer Inc. reported Tuesday July 31, 2012, its second-quarter net income jumped 25 percent as sharply lower production, marketing and restructuring costs more than offset a plunge in revenue from cholesterol fighter Lipitor caused by generic competition. (AP Photo/Mark Lennihan, File)

Drugmaker Pfizer Inc.'s second-quarter net income jumped 25 percent as sharply lower costs for production, marketing and restructuring more than offset a plunge in revenue from cholesterol fighter Lipitor due to increasing generic competition.

The world's biggest drugmaker easily beat Wall Street expectations. Pfizer's stock rose 73 cents, or 3.1 percent, to \$24.43 in morning trading.

The Viagra maker, based in New York, said Tuesday that its net income

was \$3.25 billion, or 43 cents per share, up from \$2.61 billion, or 33 cents per share, a year earlier.

Excluding one-time items, adjusted net income was \$4.67 billion, or 62 cents per share. That beat Wall Street expectations for 54 cents per share.

Revenue totaled \$15.06 billion, down 9 percent from \$16.49 billion a year ago. It still topped expectations for \$14.93 billion, according to FactSet.

Analyst Dr. Timothy Anderson of BernsteinResearch wrote to investors that Pfizer's strong profit "was primarily driven by better revenues, better gross margins, and lower" selling, general and administrative spending. Profit margins on product sales were wider than expected, he noted.

The company noted that sales lost to generic competition cost it about \$2 billion in the quarter.

That's mainly because Lipitor, which reigned as the world's top-selling drugs for years and had peak global sales of \$13 billion a year, got U.S. generic competition on Nov. 30. Early sales losses to two generic versions were slowed by Pfizer's ground-breaking strategy to keep patients on its brand as long as possible. That included offering prescription plans huge rebates to exclusively cover Lipitor for the first six months and patients discount cards to get the pills for a \$4 monthly copayment, which continue. But the insurer rebates stopped at the end of May when many more generic versions flooded the market and prices plunged for all the generics.

As a result, during the quarter U.S. Lipitor sales nosedived 79 percent, to \$296 million from \$1.4 billion in the second quarter of 2011. Total

Lipitor sales were down 53 percent, to \$1.22 billion.

Newer drugs, particularly pain reliever Lyrica and Prevnar 13, a vaccine against ear infections, meningitis and other effects of pneumococcal disease, showed sizable sales jumps that helped pick up the slack.

Lyrica sales jumped 14 percent to \$1.04 billion and Prevnar 13 sales rose 8 percent to \$916 million, while sales of an older version protecting against fewer strains of pneumococcal disease fell 46 percent to \$84 million. Sales of Enbrel, for rheumatoid arthritis and other immune disorders, rose 8 percent to \$988 million.

Still, total pharmaceutical sales fell 10 percent, to \$13.14 billion. Sales of veterinary medicines edged up 3 percent to \$1.09 billion, while sales of consumer health care products, such as ChapStick and Centrum vitamins, increased 8 percent to \$768 million.

Analyst Erik Gordon, a professor University of Michigan's Ross School of Business, said the question is what the impact will be from Pfizer's cost-cutting in research, sales force and administrative spending, and "whether Pfizer can move out of shrink-the-company mode and back to growth mode. That hope depends on the success of its late-pipeline new drug candidates and its ability to grow non-U.S. sales."

Overall, Pfizer said U.S. revenue fell 15 percent to \$5.7 billion, while international revenue declined only 5 percent, to \$9.3 billion. The company noted unfavorable exchange rates cut revenue by about 3 percent.

"I am confident that Pfizer is well-positioned for long-term success given the potential of our innovative late-stage and emerging pipeline, strong operating cash flow, streamlined organization and disciplined approach to capital allocation," CEO Ian Read said in a statement.

Pfizer maintained its 2012 forecast for adjusted earnings per share of \$2.14 to \$2.24 and revenue of \$58 billion to \$60 billion.

Pfizer said it remains on track for the pending sale of its nutrition business, for \$11.85 billion to Swiss food and drink giant Nestle SA, and the potential separation of its animal health business. The company said it expects to register with the Securities and Exchange Commission by mid-August for a potential initial public offering of up to a 20 percent stake in the company, to be called Zoetis.

"If the IPO is successfully completed, which we are targeting for the first half of 2013, we will have a variety of options to achieve a potential full separation of Zoetis," Read said.

Copyright 2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Pfizer 2Q net income rises 25 pct on lower costs (2012, July 31) retrieved 27 April 2024 from <https://medicalxpress.com/news/2012-07-pfizer-2q-net-income-pct.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--