

Amgen 2Q net dips on higher research, other costs (Update)

July 30 2013, by Linda A. Johnson



This March 1, 2005 file photo shows one of many buildings at Amgen's wooded, sprawling headquarters complex in Thousand Oaks, Calif., Amgen Inc. releases its quarterly earnings Tuesday, July 30, 2013. (AP Photo/Reed Saxon, File)

Amgen Inc. said Tuesday that its second-quarter profit dipped 1 percent as higher spending on research, production and other items offset rising sales of its medicines.

However, the results from world's biggest biotech drugmaker soared above Wall Street expectations and it raised its profit forecast

significantly. The company releases its results after the stock market closes, and despite the impressive results, Amgen's stock fell \$1.80, or 1.6 percent, to \$109.40 in after-hours trading. The stock gave back most of the \$1.83 it gained during the regular trading session.

The maker of osteoporosis drug Prolia and Enbrel for rheumatoid arthritis and skin disorders said second-quarter net income was \$1.26 billion, or \$1.65 per share, down from \$1.27 billion, or \$1.61 per share, a year earlier.

Excluding one-time items, Amgen said adjusted net income was \$1.44 billion, or \$1.89 per share, well above the \$1.74 analysts were expecting.

Thousand Oaks, California-based Amgen said revenue rose 5 percent to \$4.68 billion. Analysts surveyed by FactSet expected \$4.49 billion.

"There are some questions about whether this can be done quarter in, quarter out," said Judson Clark, biotech analyst at Edward Jones.

Clark said that uncertainty might explain the drop in Amgen's stock after the results were announced, but he noted that Amgen often posts "stellar results" and they get shrugged off by investors. He said much of the earnings beat was driven by a very low tax rate, just 11.9 percent, which was partly offset by "suboptimal expense control."

Amgen noted during a conference call that operating expenses rose 8 percent in the quarter, mainly due to a 17 percent jump in research spending because multiple experimental drugs are now in the very expensive final stage of patient testing. However, production costs were up 7 percent and sales and administrative expenses rose 3 percent.

"We will remain disciplined and committed to maintaining our dividend," while looking for attractive acquisition prospects, CEO

Robert A. Bradway told analysts on the call.

Amgen said its drug pipeline is progressing well, and it expects to announce key final-stage testing data on three experimental drugs in the first half of next year. That likely will enable the company to seek approval for them from regulators. The drugs are for malignant skin cancer, recurrent ovarian cancer and high LDL, or bad cholesterol, that doesn't respond to pills such as Lipitor.

Sales in the quarter were led Neulasta and Neupogen, for fighting infection in cancer patients, with their combined sales up 7 percent to \$1.44 billion. Enbrel sales jumped 9 percent to \$1.16 billion, but sales of anemia drug Aranesp slipped 2 percent to \$524 million.

Two newer drugs, Prolia and Xgeva for preventing skeletal damage from solid tumors, saw their combined sales jump 46 percent, to \$437 million. They contain the same active ingredient, but at different doses. Xgeva got approval for a second use, for treating giant cell tumors in bone, during the quarter.

Amgen raised its 2013 profit forecast to \$7.30 to \$7.45 per share, from the \$7.05 to \$7.35 per share it predicted in April. It also tweaked its revenue forecast, saying it now expects to hit "the upper end" of its January forecast of \$17.8 billion to \$18.2 billion in sales for 2013.

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