

Merck Q4 net drops 14 pct. on generic competition

February 5 2014, by Linda A. Johnson

Merck & Co. reported a 14 percent decline in fourth-quarter profit as generic competition continued to cut into sales of one-time blockbuster medicines, and unfavorable currency exchange rates reduced overseas revenue.

Results fell just short of Wall Street expectations, but company shares appeared to be headed for six-year highs before the opening bell Wednesday after the world's third-biggest drugmaker announced a new and potentially lucrative alliance.

Merck entered into collaboration agreements with three other drugmakers to test its hot experimental cancer drug in combination with theirs. The drug, known only as MK-3475, is in a new class of cancer medicines that are meant to restore the immune systems's natural ability to spot and target cancer cells.

In premarket trading, Merck shares rose \$1.11 to \$54.62. Shares last traded in that range in early 2008.

Merck reported net income of \$781 million, or 26 cents per share, down from \$908 million, or 30 cents per share, a year earlier.

The maker of Type 2 diabetes pill Januvia said that excluding one-time items, net income was \$2.6 billion, or 88 cents per share. That's a penny shy of Wall Street expectations, according to a poll by FactSet.

Revenue totaled \$11.32 billion, down 4 percent. Analysts expected \$11.36 billion.

Merck, based in Whitehouse Station, New Jersey, forecast 2014 profit of \$2.25 to \$2.47 per share, or \$3.35 to \$3.53 per share, excluding one-time items. Analysts are projecting earnings of \$3.46 per share.

"In 2013 we took decisive action to sharpen our focus, reduce our cost structure and advance our innovative research and development," CEO Kenneth Frazier said in a statement. "This year we are excited about the potential of our near- and long-term pipeline, poised for long-term growth and committed to providing continued value to patients, customers and our shareholders."

For the full year, Merck reported [net income](#) of \$4.04 billion, or \$1.47 per [share](#), on revenue of \$44.03 billion.

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