

Pfizer 1Q profit drops 15 pct due to lower sales (Update)

May 5 2014, by Linda A. Johnson



The Pfizer logo is displayed on the exterior of a former Pfizer factory, Sunday, May 4, 2014, in the Brooklyn borough of New York. The pharmaceutical giant said, Monday, May 5, 2014, that their first-quarter profit dropped 15 percent due to cheaper generic competition continuing to reduce sales of multiple medicines and the end of some partnerships promoting other companies' medicines. (AP Photo/Mark Lennihan)

Despite sharply lower expenses and taxes, Pfizer Inc.'s first-quarter profit dropped 15 percent, due to cheaper generic competition for

multiple medicines and some promotion partnerships with other drugmakers ending.

The world's second-biggest drugmaker missed Wall Street's revenue expectations by \$730 million, but narrowly beat profit expectations. Its shares fell almost 3 percent in afternoon trading.

The New York-based company has seen its revenue shrink since 2011 as inexpensive copycat pills hurt sales of about 20 off-patent drugs that once brought in billions annually, particularly cholesterol fighter Lipitor, the top-selling drug of all time with peak revenue of nearly \$13 billion.

According to Pfizer, "the vast majority" of generic competition will be over by the end of 2015.

Meanwhile, Pfizer said it's reviewing its options after British rival AstraZeneca PLC on Friday rejected Pfizer's third acquisition proposal, this time for about \$106 billion. Pfizer has been trying since January to get AstraZeneca to discuss a deal that would include Pfizer moving its official domicile—but not its corporate offices—to London, a move that would reduce Pfizer's income tax rate.

The maker of Viagra said net income was \$2.33 billion, or 36 cents per share, for January through March, down from \$2.75 billion, or 38 cents per share, a year earlier.

Excluding one-time charges, income was 57 cents per share, two cents less than analysts expected.

Revenue totaled \$11.35 billion, down 9 percent. Analysts expected \$12.08 billion.

Among Pfizer's top sellers, sales rose 8 percent to \$1.15 billion for pain

and fibromyalgia treatment Lyrica and 4 percent to \$914 million for immune disorder drug Enbrel. Sales of pneumonia vaccine Prevnar were flat at \$927 million, while key newer medicines—rheumatoid arthritis pill Xeljanz and cancer drugs Xalkori and Inlyta—remain disappointing at less than \$100 million in the quarter.

"Our new products are just beginning to rev up," Chief Financial Officer Frank D'Amelio said in an interview with The Associated Press. "The business will pick up."

Research head Mikael Dolsten said that over the next nine months, Pfizer could win U.S. regulatory approval for two new drugs—an abuse-resistant opioid painkiller and a vaccine against meningitis B—and could get approvals for new uses for two other drugs. In addition, the Food and Drug Administration should decide by end of June whether Pfizer can apply for approval of its breakthrough drug for advanced breast cancer, palbociclib, based on mid-stage patient testing results. Otherwise, Pfizer will have to do a third, larger round of tests, delaying potential approval for well over a year.

Pfizer confirmed its 2014 adjusted profit forecast for earnings per share of \$2.20 to \$2.30 and revenue of \$49.2 billion to \$52.3 billion. Analysts expect earnings of \$2.24 per share on revenue of \$49.77 billion.

For the first time, Pfizer reported separate operating results for its three business segments, to give investors more insight into performance as the company considers eventually breaking off some of its business.

All three segments reported sales at least slightly below 2013's first quarter. Only the segment that includes vaccines, cancer drugs and consumer health products posted higher income, up 6 percent to \$1.06 billion. Pfizer reported income of \$1.77 billion for its newer medicines business and \$4.05 billion for its older "established" prescription drugs.

Its shares fell 82 cents, or 2.7 percent, to \$29.93 in afternoon trading. Its shares have been about so far this year.

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Citation: Pfizer 1Q profit drops 15 pct due to lower sales (Update) (2014, May 5) retrieved 3 May 2024 from <https://medicalxpress.com/news/2014-05-pfizer-1q-profit-pct-due.html>

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