

Pfizer net down on lower sales, higher research, legal costs

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In this May 4, 2014 file photo, a security camera hangs above the Pfizer logo on the exterior of a former Pfizer factory in the Brooklyn borough of New York. The pharmaceutical giant reports quarterly financial results on Tuesday, Jan. 27, 2015. (AP Photo/Mark Lennihan, File)

Pfizer Inc.'s fourth-quarter profit fell by half as worsening generic competition and unfavorable currency rates reduced sales, and higher research and legal costs also reduced the bottom line.

The world's second-biggest drugmaker by revenue reported lower sales for most of its prescription medicines, with new generic competition particularly hurting painkiller Celebrex.

Pfizer revenues have been declining for several years amid patent expirations, which allow cheaper generic versions of its drugs to corner the market, while CEO Ian Read looks for a way to return to growth and mollify frustrated investors.

The New York-based company still beat Wall Street expectations, but it forecast 2015 profit and revenue below its 2014 results. Pfizer expects 2015 revenue of \$44.5 billion to \$46.5 billion and adjusted earnings per share of \$2 to \$2.10, below analyst expectations for \$48.21 billion in revenue and \$2.21 per share.

Shares of Pfizer, a Dow component, rose 1 cent to \$32.81 in afternoon trading as the broader markets fell.

The Viagra maker on Tuesday reported net fourth-quarter income of \$1.23 billion, or 19 cents per share, down from \$2.57 billion, or 39 cents per share, a year earlier.

Excluding one-time items, Pfizer had adjusted income of \$3.44 billion, or 54 cents per share. Analysts were expecting 53 cents.

Revenue totaled \$13.12 billion, down 3 percent but above expectations of \$12.89 billion.

Recently approved drugs, particularly for various cancers, are building up sales, but Pfizer remains under pressure from investors to boost its stock price. Selling and spinning off big parts of its business over the last few years, including animal health, nutrition and a capsule-making unit, have helped but haven't satisfied detractors.

That's pushed Read to attempt Pfizer's oft-used strategy of doing big deals to quickly boost revenue and cut costs, but his \$119 billion offer for Britain's AstraZeneca PLC was rejected last May. That deal would have moved Pfizer's headquarters to Britain—and reduced the company's corporate tax rate.

Erik Gordon, an analyst and professor at University of Michigan's Ross School of Business, said Pfizer had "a good fourth quarter," but that "after its failure to win AstraZeneca, it needs to find another large takeover target."

Read said he's open to any deals that boost value.

Total prescription drug sales dipped 3 percent, to \$12.08 billion.

Pfizer's top two drugs, Lyrica for fibromyalgia and other pain, and Prevnar vaccines against pneumonia and other infections, grew 10 percent and 16 percent, respectively. Each produced more than \$1.3 billion in sales.

"We see 2015 as the trough earnings year for" Pfizer and expect value to be driven by mergers and acquisitions, restructuring and experimental cancer drug Ibrance, Jeffries LLC analyst Jeffrey Holford wrote to investors.

Ibrance is expected to be approved in the U.S. by mid-April. It's a first-in-class drug for the most common type of advanced breast cancer in postmenopausal women.

Research head Mikael Dolsten said in an interview that Pfizer also could get six other brand-new drugs approved in the next four years—including ones for severe pain, Type 2 diabetes, severe cholesterol problems, a type of leukemia and two rare diseases. Eight

drugs could also win approvals for additional uses.

Meanwhile, Pfizer said it expects about \$2 billion in additional revenue from its newest drugs, including blood thinner Eliquis, cancer drugs Xalkori and Inlyta, new meningococcal group B vaccine Trumenba and its pneumonia vaccine Prevnar 13, now recommended for adults.

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