Medical Xpress

Drugmaker Merck posts spike in 4Q profit, beats forecasts

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In this Thursday, Feb. 28, 2013, file photo, Merck scientist Meizhen Feng conducts research to discover new HIV drugs in West Point, Pa. Merck & Co. reports quarterly financial results, Wednesday, Feb. 4, 2015. (AP Photo/Matt Rourke, File)

Drugmaker Merck & Co.'s fourth-quarter profit skyrocketed to $7.32 billion, skewed by an $11.2 billion gain from selling its consumer health business to Germany's Bayer AG.

Merck, the maker of blockbuster diabetes pill Januvia, edged past Wall Street expectations, despite hits to revenue from multiple divestitures, patent expirations and the strong dollar, but its 2015 forecast missed Wall Street expectations. Merck shares dropped 4 percent, or $2.41, to $58.61 in morning trading.

The company expects to soon launch six products approved in the U.S. in 2014—the most Merck's ever had in one year. Those are Keytruda for advanced skin cancer, insomnia drug Belsomra, allergy treatments Grastek and Ragwitek, blood thinner Zontivity and an improved version of its vaccine against cancer-causing HPV, Gardasil.

The drugmaker began yet another restructuring in 2013, this one including not just staff cuts and site closures to save money, but jettisoning the $1.9 billion-a-year consumer health business that sells Claritin allergy pills and Coppertone sun care items.

Merck has been sharpening its focus, emphasizing four areas—diabetes, hospital and acute care, cancer and vaccines. It just bought antibiotics maker Cubist Pharmaceuticals for $9.5 billion and was rewarded with the recent approval of Cubist's Zerbaxa, for serious and resistant bacterial infections.

Merck, the world's fourth-biggest drugmaker by revenue, on Wednesday predicted adjusted 2015 profit of $3.32 to $3.47 per share, below the $3.50 analysts expected. Merck anticipates revenue of $38.3 billion to $39.8 billion; analysts anticipated $40.46 billion.

Since September, the dollar has strengthened against most foreign currencies. Medicines are bought in local currency, reducing the value of overseas sales when translated back into dollars. Merck said that cut fourth-quarter sales by 3 percent and should reduce adjusted 2015 profit by 27 cents per share.

The Kenilworth, New Jersey-based company posted fourth-quarter profit of $2.54 per share. Excluding $4.81 billion in one-time charges, adjusted profit was $2.5 billion, or 87 cents per share, a penny more than analysts expected.

Revenue fell 7.4 percent to $10.48 billion, just above forecasts for $10.47 billion.

Prescription drug sales totaled $9.37 billion, led by Januvia and combination pill Janumet, up 2 percent to $1.65 billion. Sales of several other top products all fell by 10 percent: immune disorder Remicade, Gardasil and cholesterol drugs Zetia and Vytorin.

Remicade, a biologic drug with $2.4 billion in 2014 sales, now faces biosimilar competition in Europe, where Merck expects most new patients will receive the biosimilar. Biosimlars are similar, but not identical to, injected biologic drugs, which are produced in living cells. Merck said EU countries likely will slash Remicade's price.

"In our view, this is something payers will be very aggressive with," Sanford Bernstein analyst Tim Anderson wrote to investors.

The veterinary medicine business, which Merck intends to retain and expand, posted sales of $885 million, up 2 percent.

"Overall, this was a solid quarter for Merck," wrote Edward Jones analyst Ashtyn Evans, "However, we are disappointed by the potential delay in approval for the company's new hepatitis C program. "

The Food and Drug Administration now expects to rescind the breakthrough therapy designation, which speeds the review process, previously given to Merck's experimental hepatitis C combo drug, grazoprevir/elbasvir. That's because other new hepatitis C drugs—Gilead

Sciences Inc.'s Sovaldi and Harvoni and AbbVie Inc.'s Viekira —are huge improvements over older drugs and quickly cornered that market.