

Pfizer beats 3Q expectations, raises 2015 earnings forecast

October 27 2015, by Linda A. Johnson

Pfizer Inc., finally turning the corner after years of generic competition that slashed revenue from the drugmaker's former blockbusters, easily beat Wall Street expectations for the third quarter and raised its 2015 earnings forecast on Tuesday, the second time in barely two months.

The world's second-largest drugmaker benefited from surging sales for its newest drugs and key products that are slightly older. Those include Eliquis for preventing heart attacks and strokes, cancer drug Ibrance, rheumatoid arthritis drug Xeljanz and Prevnar 13, a vaccine against pneumonia and ear and other infections.

They helped counter costs tied to a \$17 billion acquisition and pressure from currency exchange rates, as Pfizer posted its fourth straight quarter with higher revenue, excluding the impact of currency rates. Still, total sales were down 2 percent and net income dropped 20 percent, due to one-time charges for restructuring, acquisitions and writedowns in the value of assets.

On a conference call with analysts, Pfizer CEO Ian Read addressed the ongoing furor over high prescription drug prices, particularly over some companies jacking up prices for old drugs, saying he doesn't expect it to fade away soon and that public policy "must take into account the role of medicines and the value they bring to the overall health care system."

"We must preserve the marketplace system in the U.S. that enables us to pursue" innovative treatments, Read said, referring to the fact that the

U.S. doesn't set limits on drug prices, as most other countries do.

The maker of pain and fibromyalgia treatment Lyrica and erectile dysfunction drug Viagra said net income dropped to \$2.13 billion, from \$2.67 billion in the previous year's quarter. But adjusted earnings excluding one-time items came to 60 cents per share, trouncing the 51 cents per share that analysts expected.

Total revenue slipped to \$12.09 billion, as the strong dollar reduced revenue by \$1.1 billion, because products sold overseas are bought in local currencies. New York-based Pfizer still handily beat the average Street forecast of \$11.49 billion.

Pfizer said it now expects 2015 adjusted earnings of \$2.16 to \$2.20 per share—well above the \$2.09 per share, on average, that analysts expect.

The new forecast is higher than Pfizer's update to \$2.04 to \$2.10 per share, given on Sept. 3, when it completed its purchase of Hospira. That acquisition makes Pfizer the world's top maker of sterile injectible drugs, a fast-growing field that has been plagued by product shortages, and gives it a stronger position in developing biosimilars, near-copies of pricey biologic drugs produced in living cells rather than by mixing chemicals. That new class of drugs is anticipated to be lucrative, while cutting prices somewhat.

The Hospira deal also boosts Pfizer's global established products unit, which handles medicines that have lost patent protection but still sell well in many countries, led by cholesterol fighter Lipitor. It brought in \$454 million in the quarter, four years after getting generic competition.

Pfizer's revenue has been declining since 2011, with a wave of generic competition for about 20 drugs that have lost patent protection costing it an estimated \$28 billion from 2010 through next year. That impact will

decline starting next year.

Pfizer included just several weeks of Hospira's third-quarter U.S. results in its report, but absorbed more than \$500 million in costs and charges tied to the deal. That contributed to the decline in net income.

Global sales of Lyrica fell 7 percent to \$1.22 billion in the quarter, Viagra rose about 1 percent to \$430 million and new breast cancer treatment Ibrance brought in \$230 million.

Overall, the drugmaker was supported by solid performances in vaccines, consumer health and oncology treatments, SanfordBernstein analyst Dr. Timothy Anderson wrote in a research note.

Read said the company is aiming to launch one or two new drugs annually through 2022. Those include medicines for various cancer types, pain and heart disease, plus vaccines against two deadly infections often acquired in hospitals.

Shares of Pfizer Inc. jumped 2.6 percent, or 88 cents, to \$35.04 in afternoon trading Tuesday, while broader indexes slipped.

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