

Pfizer beats Street 2Q forecasts despite big drop in profit

August 2 2016, by Linda A. Johnson



In this Monday, Nov. 23, 2015, file photo, people walk past Pfizer World Headquarters in New York. Pfizer reports financial results Tuesday, Aug. 2, 2016. (AP Photo/Mark Lennihan, File)

Rising sales of Pfizer Inc.'s key new medicines and prospects more drugs will be approved over the next couple years have analysts speculating the biggest U.S. drugmaker won't break up after all.

For the past five years, the maker of Viagra and fibromyalgia and pain treatment Lyrica has been mulling a split up that might enable the resulting pieces to grow faster.

The impetus seemed come from analysts, not Pfizer executives. Over that stretch, they bought several companies and products, boosting sales enough to eventually offset losses from a tsunami of generic competition to multiple big sellers, most notably cholesterol pill Lipitor. It reigned for nearly a decade as the world's top-selling drug, with peak annual sales of \$13 billion.

Pfizer also attempted and failed at two mega-acquisitions, first of Britain's AstraZeneca Plc and this year of Ireland's Allergan Plc. Both deals were structured as tax inversions, meaning they would move Pfizer's headquarters—on paper only—from New York to the other company's base to reduce Pfizer's U.S. tax bill. New rules issued by the Treasury Department this spring that aimed to specifically block the \$160 billion Allergan deal succeeded and apparently axed that strategy.

Pfizer didn't mention a possible split-up when reporting its second-quarter results on Tuesday, instead focusing on rising sales of newer drugs and progress on its pipeline of experimental ones. It even reorganized from three business segments to two, folding its vaccines, cancer drugs and consumer products into its newly named innovative health business—a likely sign it will remain one company.

"Our updated thinking is now that the company is NOT likely to split itself up," wrote Sanford C. Bernstein analyst Dr. Timothy Anderson.

In the quarter, sales of Lyrica, Pfizer's newer cancer medicines and rheumatoid arthritis drug Xeljanz rose significantly, fueling an 11 percent increase in revenue to \$13.15 billion.

However, its top seller, the Prevnar 13 vaccine against pneumonia and other infections, saw sales drop 16 percent to \$1.26 billion. It protects against more bacterial strains than original Prevnar, but the number of people getting Prevnar 13 "catch-up" shots for that extra protection is dropping.

Meanwhile, higher production costs and charges for restructuring, acquisitions and litigation dragged down Pfizer's bottom line. Net income plunged 23 percent to \$2.02 billion, or 33 cents per share.

Pfizer still beat Wall Street's expectations. Its adjusted earnings amounted to 64 cents per share, two cents better than analysts estimated, and sales exceeded expectations by \$150 million.

Sales of newer, patent-protected medicines rose 7 percent to \$7.11 billion, while sales of older medicines jumped 16 percent to \$6.04 billion, mostly due to Pfizer's purchase of sterile injectable drugmaker Hospira last year.

Sales of consumer health products were flat at \$837 million, and Pfizer brought in about \$570 million from its contract manufacturing operation, infusion systems and biosimilar drugs sold outside the U.S.

Pfizer affirmed its prior financial forecasts for 2016. It expects full-year earnings of \$2.38 to \$2.48 per share, with revenue ranging from \$51 billion to \$53 billion.

Its shares fell 87 cents, or 2.3 percent, to \$36.44 in morning trading. Pfizer shares are up a little more than a percentage point since a year ago.

"At current prices, the stock remains inexpensive relative to peers, but it needs to be appreciated that this has often been the case over the last

decade," analyst Dr. Tim Anderson wrote to investors.

© 2016 The Associated Press. All rights reserved.

Citation: Pfizer beats Street 2Q forecasts despite big drop in profit (2016, August 2) retrieved 23 May 2024 from <https://medicalxpress.com/news/2016-08-pfizer-street-2q-big-profit.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.