

Pfizer net plunges 38 pct., misses Street 3Q forecasts

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In this Monday, Nov. 23, 2015, file photo, a woman passes Pfizer's world headquarters, in New York. Pfizer reports financial results Tuesday, Nov. 1, 2016. (AP Photo/Mark Lennihan, File)

Drugmaker Pfizer topped off a difficult third quarter with news that it's scrapping a closely watched experimental cholesterol drug, partly due to expectations insurers would limit access so much that it wouldn't make much money, a possible bad omen for the pharmaceutical industry.

The biggest U.S.-based drugmaker on Tuesday reported its quarterly profit plunged 38 percent as higher spending and a slew of acquisition-related charges more than offset higher sales. The mediocre results missed Wall Street expectations and Pfizer lowered the top end of its 2016 profit forecast.

Coming after Pfizer Inc.'s Sept. 26 announcement that it won't split into two companies to accelerate growth—a move some investors and analysts had hoped would boost Pfizer's lagging stock—Tuesday's results disappointed investors and triggered a selloff.

In afternoon trading, shares were down 62 cents, or 2 percent, at \$31.20, with more than a normal day's volume traded in the first three hours.

"Some investors feel the company has careened from strategy to strategy over the past few years," said Erik Gordon, a professor and pharmaceuticals analyst at University of Michigan's Ross School of Business.

That includes failed attempts at two mega-acquisitions—first of Britain's AstraZeneca Plc in 2014 and this year of Ireland's Allergan Plc—meant to slash Pfizer's taxes, plus deals including this year's purchase of cancer drugmaker Medivation and then abandoning its long-expected breakup.

Pfizer "has built shareholder value more on its wheeling and dealing" than on developing new medicines, Gordon added.

The maker of Viagra and pain treatment Lyrica said it discontinued the pricey bococizumab due to unimpressive results of late-stage testing and limited commercial prospects as payers increasingly squeeze pharmaceutical companies amid public fury over soaring drug prices. Bococizumab is in a new class of cholesterol medicines, PCSK-9 inhibitors, costing about \$14,000 per year. Insurers are aggressively

limiting patient access in favor of generic cholesterol pills such as Pfizer's former blockbuster Lipitor that cost several hundred dollars per year.

Sanford Bernstein analyst Dr. Tim Anderson wrote to investors that scrapping the drug "was unexpected, and unusual given the late-stage of development of the product. It further narrows (Pfizer's) already-thin pipeline."

New York-based Pfizer posted net income of \$1.32 billion, or 21 cents per share, down from \$2.13 billion, or 34 cents per share, a year ago.

Excluding \$2.4 billion worth of charges for acquisitions and restructuring, adjusted earnings came to 61 cents per share, a penny less than analysts expected.

Revenue, which was boosted by last year's \$15 billion acquisition of injected drugmaker Hospira, totaled \$13.05 billion, up 8 percent. Analysts expected \$13.06 billion.

Sales increased 9 percent to \$7.33 billion for Pfizer's new medicine segment, while sales increased 7 percent to \$5.71 billion for its essential health business, which sells older, mostly off-patent drugs.

"We have strengthened both of our businesses through nearly \$40 billion in acquisitions over the past year," CEO Ian Read told analysts during a conference call.

Pfizer's top seller, its Prevnar vaccine against pneumonia and related bacterial infections, dipped 3 percent to \$1.54 billion, while Lyrica sales were flat at \$1.24 billion. New breast cancer drug Ibrance more than doubled sales, to \$550 million.

Pfizer said the essential health business should "transition to a modest revenue growth business" due to its strength in emerging markets such as China, Hospira's products and the biosimilar drugs—near-copies of expensive biologic drugs "manufactured" in cells—Pfizer is developing. The first, a near-copy of blockbuster immune disorder drug Remicade, called Inflectra, will launch late in November. Already on sale in Europe, it brought in \$83 million in the third quarter.

Pfizer's spending soared, partly due to acquisitions. Production costs jumped 39 percent, and spending on research and on marketing and administration both increased 9 percent.

Meanwhile, Pfizer said it expects full-year earnings of \$2.38 to \$2.43 per share, down from its prior forecast of \$2.38 to \$2.48. It forecast revenue of \$52 billion to \$53 billion, tweaked from its prior forecast of \$51 billion to \$53 billion.

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