

Novartis profit slips as generic drug competition hits sales

July 19 2016, by Jamey Keaten



This Oct. 25, 2011 file photo shows the logo of Swiss pharmaceutical company Novartis AG on one of their buildings in Basel, Switzerland. Swiss pharmaceuticals company Novartis says Tuesday July 19, 2016 a key measure of its profits fell 3 percent in the second quarter, largely because of new generic competition for its top cancer drug, though it expressed high hopes for a psoriasis drug that has turned out to be one of its best product launches ever. (Georgios Kefalas/Keystone via AP, File)

Swiss pharmaceuticals company Novartis says its net profit fell 4 percent in the second quarter, largely because of new generic competition for its top cancer drug, though it expressed high hopes for a psoriasis drug that has turned out to be one of its best product launches ever.

The Basel-based giant reported Tuesday that net income slipped to \$2.93 billion from \$3.07 billion a year earlier. Sales slipped 2 percent to \$12.5 billion, though that topped the consensus estimate of analysts for \$12.3 billion.

Core operating profit for the full year is expected to be "broadly in line" or slightly down. That will depend largely on the expected continued slide in sales for the cancer treatment Gleevec due to generics competition, and increased spending for the Entresto heart failure drug, which is expected to reap billions in sales, Novartis said.

"The second quarter was solid for Novartis and our innovation continues to deliver," CEO Joseph Jimenez told reporters in a conference call on Tuesday.

Core operating income fell 7 percent, amid losses of the exclusivity on Gleevec in the United States, plus investments in innovation and a growth plan for its Alcon eye care unit. Novartis expects Alcon to return to revenue growth later this year.

Facing U.S. generic competition for Gleevec since Feb. 1, Novartis reported a 25 percent plunge in net sales for the drug during the quarter. The company's top-selling drug since 2012 has also come under political pressure: Authorities in Colombia announced last month that the South American country will force Novartis to lower prices of the drug in a closely followed patent dispute.

Entresto, meanwhile, was approved in the U.S. about a year ago and has

faced high expectations to become a blockbuster. Sales have been disappointing, with uptake slow in part due to its \$4,600 annual price in the United States.

However, Jimenez said new treatment guidelines in both the U.S. and Europe had recently endorsed the drug as a "standard of care for heart failure." He summarized a JAMA Cardiology report saying Entresto "could prevent or postpone more than 28,000 deaths per year in the U.S. alone."

"And on top of that, Entresto prescriptions in the U.S. have started to accelerate, showing a break in the trend line," he said.

Cosentyx, a treatment for psoriasis, psoriatic arthritis and ankylosing spondylitis, a form of spinal arthritis, posted "great, strong sales in the quarter" of \$260 million, Jimenez said. "This is turning out to be one of the most successful launches in our history."

He said Novartis expects it will become a "multibillion-dollar drug—and most likely over \$4 billion."

Sanford C. Bernstein analyst Tim Anderson called the results "decent," citing in a note "continued strength" for Cosentyx and assets in the oncology business that Novartis acquired from Glaxo. He also said an arrangement the company has with U.S. payers has helped ease the impact of generics on Gleevec in the U.S.

Shares of Novartis were down about 0.5 percent to 80 Swiss francs in mid-afternoon trading on the Six Swiss stock exchange.

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