

Merck 3Q net income falls on charges, lower sales

28 October 2013, by Linda A. Johnson

Merck & Co. said Monday that its third-quarter profit plunged 35 percent because of competition from generic drugs, lower sales of its top-selling medicine, and restructuring and acquisition charges. It still beat Wall Street's profit expectations, but sharply lowered its own forecast for the full year, sending shares down.

Generic competition continued to hammer asthma and allergy drug Singulair, cutting [sales](#) 53 percent in the quarter to \$280 million. The drug had been bringing in \$5.5 billion a year until its patent expired in August 2012 and cheap copycat versions flooded the market.

The world's third-biggest drugmaker by revenue has previously done a better job weathering [generic competition](#) to its blockbusters, usually managing to keep total sales at the same level as before big patent expirations. This time, its other drugs aren't picking up all the slack. Merck said it now expects total 2013 sales to be down 5 percent to 6 percent from last year.

Its top seller, Type 2 diabetes pill Januvia, had been climbing steadily toward the \$4 billion-a-year mark, but sales slipped 5 percent in the last quarter. Merck blamed unfavorable currency exchange rates and wholesalers reducing their inventory.

Merck said [net income](#) was \$1.12 billion, or 38 cents per share, down from \$1.73 billion, or 56 cents per share, a year earlier.

The company, based in New Jersey, said that excluding the one-time items, net income would have been \$2.73 billion, or 92 cents per share. Analysts surveyed by FactSet were expecting 88 cents per share.

The items included \$1.2 billion for merger and integration costs and \$967 million for restructuring costs.

Revenue totaled \$11.03 billion, down 4 percent. That missed expectations for \$11.13 billion in revenue.

Along with Januvia, sales fell for its combination cholesterol pill, Vytorin, dropping 6 percent to \$396 million. But sales of Gardasil, a vaccine against cancer-causing human papilloma virus, jumped 15 percent to \$665 million and sales of Remicade, a biologic drug for immune disorders such as arthritis, climbed 17 percent to \$574 million. Sales of most other drugs rose by several percent.

The company lowered its 2013 profit forecast to \$1.61 to \$1.79 per share, from its July forecast of \$1.84 to \$2.05. It said unfavorable foreign exchange rates would account for about 2.5 percentage points of its expected sales drop for the full year.

"We are improving productivity and focusing our R&D and commercial resources more precisely to enable our investments in the best opportunities for innovation and growth," CEO Kenneth Frazier said in a statement.

In premarket trading, Merck shares dropped 66 cents, or 1.42 percent, to \$45.88.

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