

Pfizer 3Q net falls due to generics, higher costs

29 October 2013, by Linda A. Johnson



In this Jan. 30, 2012 file photo, boxes of the drug Relpax, made by Pfizer, are displayed in Surfside, Fla. Pfizer reports quarterly results before the market open on Tuesday, Oct. 29, 2013. (AP Photo/Wilfredo Lee, File)

Pfizer Inc.'s third-quarter profit dropped 19 percent as competition from generic drugs continued to cut sales, while lower operating expenses failed to offset higher taxes and charges.

Like many other drugmakers, Pfizer is suffering as cheaper generic versions erode [sales](#) of older drugs, no longer protected by patents, that once brought in billions annually. Those are led by cholesterol fighter Lipitor, which lost patent protection at the end of 2011 after reigning as the world's top-selling [drug](#) for nearly a decade.

Like other drugmakers this quarter, Pfizer said unfavorable currency exchange rates significantly cut revenue, in this case by 2 percentage points. Pfizer and its rivals also have been hurt by the weak global economy and growing pressure for lower prices in many countries.

The maker of Viagra and fibromyalgia treatment

Lyrica said Tuesday that its net income fell to \$2.59 billion, or 39 cents per [share](#), from \$3.21 billion, or 43 cents per share, a year earlier.

Excluding \$1.27 billion in charges for restructuring, asset write-downs and other items, the world's second-largest drugmaker said income would have been \$3.86 billion, or 58 cents per share. Analysts surveyed by FactSet expected 56 cents per share.

Revenue totaled \$12.64 billion, down 2 percent from \$12.95 billion a year ago. Analysts expected \$12.69 billion.

Three of Pfizer's six business segments —primary care and specialty care drugs and off-patent medicines—had lower sales. Sales of consumer health products such as Centrum vitamins rose just 1 percent at \$788 million, sales in emerging markets increased 2 percent to \$2.43 billion, and sales of cancer drugs rose 26 percent off a small base, to \$407 million.

Cancer treatments are a relatively new area for Pfizer, and its recent successes in developing drugs for rare cancers could eventually turn that into a huge franchise.

U.S. medicine sales were flat at \$4.75 billion. But international sales—nearly 60 percent of Pfizer's business—fell 5 percent, including the effect of exchange rates, to \$7 billion.

"International sales aren't producing the growth Pfizer and other drug companies predicted and need," noted Erik Gordon, an analyst and professor at University of Michigan's Ross School of Business.

Lipitor sales plunged 29 percent in the quarter to \$533 million—still at blockbuster levels, with more than \$1.7 billion in annual sales for the first nine months, but well below its peak rate of nearly \$13 billion a year.

Top seller Lyrica posted a 10 percent sales jump, to \$1.14 billion, and sales of immune disorder treatment Enbrel, painkiller Celebrex and several other drugs all climbed by 5 percent or more. But many more older drugs with [generic competition](#) continued to post big declines. Even erectile dysfunction drug Viagra, while still under patent in the U.S., saw sales fall 11 percent to \$460 million due to recent generic competition in much of Europe.

New York-based Pfizer lowered its 2013 profit forecast to \$3.05 to \$3.15 per share, down from \$3.07 to \$3.22, but raised the lower end of its adjusted forecast, which excludes one-time items, by a nickel and now expects \$2.15 to \$2.20 per share. The company also reduced the top end of its revenue forecast for the year by \$1 billion, saying it now anticipates between \$50.8 billion and \$51.8 billion.

Analysts expect earnings per share of \$2.17 and revenue of \$51.51 billion.

"We continue to generate solid financial results on an operational basis, despite the impact of product losses of exclusivity," and the "challenging operating environment," CEO Ian Read said in a statement.

In morning trading, Pfizer shares rose 40 cents, or 1.3 percent, to \$31.14.

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