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Global pharma giants report 27% growth in profits in 2009 despite economic slow down

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World's top15 pharmaceutical companies reported improved top line and bottom line growth during the year 2009 as compared to previous year. This is despite tough economic conditions, competition, volatile exchange rates, stringent approval system, reduction in healthcare cost by several countries and investments in R&D activities. With increasing competition in the regulated markets, these companies are now focusing more on emerging markets and generic segment.

A Pharmabiz study of these 15 global companies shows that their aggregate revenues increased by 5.9 per cent to US\$ 516 billion from US\$ 488 billion in the previous year whereas their net profit surged by 27.4 per cent to US\$ 107 billion from US\$ 84 billion. This growth is far better when compared with previous year's growth of 2.1 per cent in revenues and 1.2 per cent in bottom line. There were 99 blockbuster products with sales of over US\$ 1 billion and their aggregate sales improved by 7.2 per cent to US\$ 235 billion during 2009. The aggregate revenues includes pharmaceutical, vaccines, generics, consumer healthcare, diagnostic products, animal health, nutritional products and others.

Pharmaceutical sales, including generic and vaccines, of 15 companies went up by 6.9 per cent to US\$ 399 billion from US\$ 373 billion in 2009. The sales of vaccines of Novartis, GlaxoSmithKline and sanofi-aventis moved up smartly by 40.7 per cent to US\$ 13,318 million from US\$ 9,467 million. Similarly sales of generic from Sanofi and Novartis increased by 11 per cent to US\$ 8943 million as compared to US\$ 8056 million. Sales from consumer healthcare segment increased by 3 per cent to US\$ 34,534 million and that of Diagnostic segment improved by 2.8 per cent to US\$ 36,839 million, dominated mainly by Jhonson & Jhonson and Roche.

The pharmaceutical sales of 15 companies in US improved only by 3.8 per cent to US\$ 181 billion from US\$ 175 billion in the previous year and that in Europe increased by 4.4 per cent to US\$ 99 billion. The pharma sales in the rest of the world, including emerging markets like China, Brazil and India, increased by 14.6 per cent to US\$ 114 billion from US\$ 100 billion in the last year. The share of US sales in aggregate pharmaceutical sales declined to 45 per cent in 2009 from 47 per cent and that in rest of the world increased to 30 per cent from 27 per cent. The share of European sales remained stagnant at 25 per cent. Thus, emerging markets are showing significant growth as compared to highly regulated market like US and Europe.

Pfizer, sanofi-aventis and Novartis maintained their top position with pharmaceutical sales of US\$ 45,448 million, US\$ 43,452 million and US\$ 38,455million during 2009. GlaxoSmithKline (GSK) climbed to fourth position with pharma sales of US\$ 37,766 million from its sixth position in the last year with pharma

sales of US\$ 29,497 million. GSK overtake AstraZeneca and Roche in ranking. Roche generated pharmaceutical sales of US\$ 37,569 million and got fifth position as against fourth in the last year. AstraZeneca has notched up pharma sales of US\$ 32,804 million with ranking at sixth place among the 15 companies.

The year 2009 saw merger of Wyeth with Pfizer and Schering-Plough Corporation (Schering) with Merck & Co. Pfizer and Merck have not given consolidated financial working of Wyeth and Schering and these two merged companies have not declared their financial working separately. Two new companies viz., Boehringer Ingelheim and Takeda Pharma entered for the first time in the list of top 15 companies. Except, Takeda Pharma, which closed its accounting year in March 2010, all other companies ended their financial year in December. For better comparison, Pharmabiz study has converted all currencies into US Dollar at a constant exchange rate as at the end of accounting year of each company.

Among the 15 companies viz., Pfizer, sanofi-aventis, Novartis, GlaxoSmithKline (GSK), Roche, AstraZeneca, Merck & Co, Jhonson & Jhonson (J&J), Eli Lilly, Bristol-Myers Squibb, Abbott, Bayer, Amgen, Boehringer Ingelheim and Takeda Pharma, GSK achieved strong growth of 28 per cent in pharmaceutical sales during 2009 to US\$ 37,766 million as compared to US\$ 29,497 million. This growth is mainly on account of higher sales of pandemic related products including Relenza and H1N1 vaccine. Favourable exchange rates pushed GSK's pharma sales in US by 13.6 per cent to US\$ 14,620 million. However, the same in local currency i.e. British Pound declined by 13 per cent. Its sales in Europe increased by 30.4 per cent to US\$ 12,233 million and that in rest of the world increased by 45.3 per cent to US\$ 10,519 million.

The growth in pharmaceutical sales of Pfizer restricted only to 2.9 per cent to US\$ 45,448 million during 2009 as against US\$ 44,174 million due to decline in sales of its major products like Lipitor, Norvasc, Camptosar, Chantix/Champix, Zyrtec, Celebrex, Detrol/Detrol LA, Aricept and Viagra. The sales of Lipitor, a leading product in the world pharm segment, declined by 7.8 per cent to US\$ 11,434 million during 2009 and 2.2 per cent to US\$ 12,401 million in the previous year. Similarly sales of Norvasc declined by 12.1 per cent to \$1,973 million from US\$ 2,244 million.

The pharmaceutical sales of Abbott, Amgen, J&J and Takeda Pharma declined during 2009 in the range of one per cent to eight per cent. However, AstraZeneca, Bayer, Bristol-Myers Squibb, Eli Lilly, Novartis and Roche recorded single digit growth, Merck, Roche and Boehringer Ingelheim achieved double digit growth in the range of 10 per cent to 14 per cent during 2009.

The 15 pharma giants achieved net sales of US\$ 235 billion from 99 blockbuster products during 2009, a growth of 7.2 per cent. Lipitor of Pfizer maintained its No 1 ranking with sales of US\$ 11,434 million and Seretide/Advaor of GSK at second spot with sales of US\$ 7926 million. Plavix (Bristol-Myers) climbed to third spot from fifth spot in the previous year. Plavix sales touched to US\$ 6146 million from US\$ 5603 million in 2008. In 2007 it was at six spot with sales of US\$ 4755 million.

During the year 2008, there were 93 blockbuster products with sales of US\$ 219 billion and 89 blockbuster products with sales of US\$ 207 billion in 2007. Few important products received blockbuster status during 2009 includes Tamiflu (Roche) with sales of US\$ 3,083 million as against US\$ 577 million in the previous year, Seloken (AstraZeneca) US\$ 1,443 million, Flu Pandemic (GSK) US\$ 1406 million, Flixotide (GSK) US\$ 1,234 million, Lucentis (Novartis) US\$ 1,234 million, Lucentis (Roche) US\$ 1154 million, Relenza (GSK) US\$ 1,147 million.

Further, few products lost blockbuster status like Losec/Prilosec (AstraZeneca) with sales of US\$ 946 million as compared to US\$ 1055 million in the previous year, Risperdal (J&J) US\$ 899 million, Duragesic (J&J) US\$ 888 million, Casodex (AstraZeneca) US\$ 844 million, Lamictal (GSK) US\$ 796 million, Depakote (Abbott) US\$ 425 million.

Profit before tax of 15 companies moved up by 17.1 per cent to US\$ 127 billion from Rs 109 billion in the previous year. Eli Lilly turned the corner and achieved profit before tax of US\$ 5358 million as against a loss of US\$ 1308 million. Merck & Co recorded highest growth of 54 per cent in profit before tax at US\$ 15292 million as against US\$ 9932 million. Similarly, profit of sanofi-aventis went up by 48.2 per cent to US\$ 8694 million from US\$ 5866 million. The profit before tax of Bayer and Takeda Pharma declined by 19.3 per cent and 6.1 per cent respectively to US\$ 2680 million and US\$ 4321 million.

The Research and Development (R&D) expenditure of 15 companies improved only by 4.1 per cent to US\$ 80,948 million from US\$ 77,757 million in the 2009. With cost cutting measures to overcome pressure on margins, several companies restricted their R&D expenditure during 2009. Pfizer's R&D expenditure declined by 1.2 per cent to US\$ 7845 million from US\$ 7945 million. Bayer's R&D expenditure in dollar terms declined by 23.6 per cent to US\$ 3936 million. However in terms of Euro, the same is increased to Euro 2746 million from Euro 2653 million. The R&D expenditure of Amgen declined by 5.5 per cent to US\$ 2864 million from US\$ 3030 million and that of J&J went down by 11.1 per cent to US\$ 6986 million. The R&D expenditure of sanofi-aventis, Novartis, Bristol-Myers remained stagnant during 2009.

GSK has stepped up its R&D expenditure by 22.8 per cent to US\$ 6539 million from US\$ 5327 million and its R&D was actively managing over 150 projects in human clinical trials across the globe. GSK is active in the fields of vaccine research and has a portfolio of over 30 vaccines approved for marketing. It has over 1,600 scientists devoted to discovering innovative vaccines.

The selling and administration cost of 15 pharma giants increased only by 5 per cent to US\$ 159 billion during 2009 from US\$ 151 billion in the previous year as several companies undertaking cost cutting measures. Though GSK, Merck and Takeda Pharma reported double digit growth in selling and administration cost, the same for all other companies was at single digit only. Abbott, Bayer and Bristol-Myers managed to reduce their selling cost during 2009.

The outlook for the full year ended December 2010 looks to be positive as many companies from the Pharmabiz sample declared better growth in sales and profit during the first quarter ended March 2010. The net sales of five companies viz Pfizer, Sanofi, Novartis, GSK and AstraZeneca improved by 23.7 per cent and their net profit has taken a jump of 19 per cent to US\$ 12946 million, despite decline in net profit of Pfizer by over 25 per cent. The consolidation activities is likely to take further momentum in the current year. The impact of merger of Wyeth and Schering-Plough with Pfizer and Merck & Co will give more positive strength to working and focus on emerging markets will add significant growth in operations in the current year.