

BN Pfizer Sales Growth May Stall Because of Painkillers (Update1)  
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(Adds opening share price in the fifth paragraph.)

By Nicole Ostrow

April 18 (Bloomberg) -- Pfizer Inc., the world's biggest drugmaker, may post little or no revenue growth for the first time in three years because of lost sales of Celebrex and Bextra, painkillers that have been linked to heart risks.

Pfizer suspended Bextra sales April 7 at the request of U.S. regulators. Revenue likely will be unchanged at \$12.5 billion when New York-based Pfizer reports first-quarter results tomorrow, according to the average forecast of 18 analysts surveyed by Thomson Financial.

Chief Executive Hank McKinnell had been counting on the combined \$4.6 billion in annual sales of Bextra and Celebrex to help compensate for patent expirations in the next two years on drugs that generate a third of Pfizer's \$52.5 billion in yearly revenue. Pfizer now plans to bolster profit by cutting its sales force and closing plants to save \$4 billion a year by 2008.

``Their pipeline has failed them,'' said Steven Sean Hill, who helps manage \$3.4 billion in New York at First Investors Corp. including Pfizer shares. ``The fact that so many drugs are going generic, and they lost the mega sales of Celebrex, was just too much.''

In the first quarter, Pfizer confronted generic competition to its Neurontin epilepsy treatment, Diflucan anti-infective and Accupril for high blood pressure, which together generated about \$4 billion in sales last year.

Pfizer shares fell 36 cents, or 1.3 percent, to \$27.35 as of 9:46 a.m. in New York Stock Exchange composite trading. Before today, they had dropped 26 percent in the past year, making the stock the fourth-worst performer in the 30-member Dow Jones Industrial Average.

#### Profit Estimates

Pfizer's first-quarter profit, excluding certain costs, rose to about 53 cents a share from 52 cents a year earlier, 26 analysts surveyed by Thomson Financial said. First-quarter results may include as much as \$2.2 billion in costs related to the return of \$28 billion in profits from overseas.

Profit has exceeded analysts' expectations by 0.25 percentage point, on average, in the past five quarters.

Full-year profit will be about \$1.97 a share, according to the survey. Analysts cut Pfizer profit estimates following the Bextra recall. Two days before the withdrawal, Pfizer had forecast profit before certain expenses of about \$2 this year,

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compared with \$2.12 in 2004.

Celebrex and Bextra are in the same class of medicines as Vioxx, which Merck & Co. withdrew Sept. 30 in the biggest drug recall ever because of links to heart attacks and strokes.

Bextra had been linked to an elevated risk of blood clots, heart attacks and strokes in cardiac-surgery patients, resulting in the Dec. 9 addition of a safety warning to its label. The drug was also tied to a rare, fatal skin disorder. Pfizer disclosed Dec. 17 that a study linked Celebrex to elevated heart risks.

#### Empty Pipeline

Before Bextra's suspension, new prescriptions had dropped more than 80 percent since the beginning of October, while new Celebrex prescriptions have fallen by about half since Dec. 17, according to data provided by Yardley, Pennsylvania-based Verispan, which tracks more than 50 percent of all U.S. pharmacy prescriptions.

Pfizer ``seems to be collapsing under their own weight,'' said Michael Obuchowski, who helps manage about \$35 million for Altanes Investments LLC in New York. ``They do not have a great pipeline of blockbusters coming out. They are facing a lot of patent expirations.''

Pfizer spokesman Paul Fitzhenry didn't respond to a request for an interview with McKinnell. McKinnell received \$21.1 million in compensation in 2004.

#### Shoring Up Sales

McKinnell, 62, said during the April 5 meeting with analysts in New York that newer products, such as Lyrica for nerve pain, will help him shore up Pfizer's sales in 2006 and 2007.

Pfizer asked the U.S. Food and Drug Administration in March to approve Exubera, the first form of insulin to be inhaled rather than injected. Exubera has the potential to generate \$2.5 billion in annual sales by 2010, according to Bert Hazlett, an analyst in New York for SunTrust Robinson Humphrey, who has a ``buy'' rating on Pfizer. Pfizer worked with Nektar Therapeutics and Sanofi-Aventis SA to develop the treatment.

Pfizer also is developing about 17 cancer medicines, including one, called Sutent, to treat several malignancies such as a rare gastrointestinal cancer that is resistant to Novartis AG's Gleevec. Pfizer in February halted a successful study of Sutent seven months ahead of schedule so that all participants would have a chance to receive the treatment.

Until Pfizer's new drugs start contributing to sales, McKinnell will rely on the Lipitor cholesterol drug, the world's

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best-selling medicine for four straight years. Lipitor accounted for \$10.9 billion, or 21 percent, of Pfizer's 2004 sales even as it faced competition from Merck & Co. and Schering-Plough Corp.'s Vytorin and AstraZeneca Plc's Crestor.

Lipitor sales in the first quarter may rise 14 percent to \$2.9 billion, Barbara Ryan, an analyst in New York with Deutsche Bank, wrote in a note to clients last week. Ryan has a ``buy'' rating on Pfizer.

``It is sort of the lion's share of the revenue as well as the growth at this stage of the game,'' said Mike Hochholzer, at North Star Asset Management in Menasha, Wisconsin, who helps manage about \$700 million including Pfizer shares.

--Editors: Schauder, Simison, Liedtka, Kraus, Schauder

Story illustration: For a series of functions on the Bloomberg related to the company, see {PFE US <Equity> CNP00094090108 <GO>}. To see a chart of Pfizer's earnings by quarter, see {PFE US <Equity> CH2 Q <GO>}.

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