Pfizer's 2Q profit sinks 79 pct but tops forecasts

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This May 4, 2014 photo shows the Pfizer logo on the exterior of a former Pfizer factory, in the Brooklyn borough of New York. The pharmaceutical giant reports quarterly financial results on Tuesday, July 29, 2014. (AP Photo/Mark Lennihan)

Pfizer's second-quarter earnings plunged 79 percent from last year, when the world's second-largest drugmaker booked a $10 billion-plus gain from a business spinoff.

The New York company said Tuesday it earned $2.91 billion, or 45 cents per share, down from $14.1 billion, or $1.98 per share, last year. Adjusted earnings totaled 58 cents per share, a penny more than analysts expected.

Revenue slipped 2 percent to $12.77 billion, $300 million above forecasts.

Among Pfizer's top medicines, sales climbed 16 percent to $1.32 billion for pain and fibromyalgia treatment Lyrica and 14 percent to $1.1 billion for its Prevnar vaccines against pneumonia and other infections. Pfizer noted increased generic competition to multiple Pfizer drugs, plus the end of some revenue-producing partnerships, cut revenue $850 million in the quarter.

Pfizer Inc. is best known for creating medicines for the masses, including the erectile dysfunction pill Viagra, Prevnar and cholesterol fighter Lipitor, which was the world's top-selling drug for a decade.

CEO Ian Read has been selling noncore assets and reducing costs to free up money for research on diabetes, cancer and other complex disorders needing better treatments.

Over the past three years, Pfizer divested its capsule-making and nutrition businesses. In June 2013, it spun off its remaining stake in its animal health business as a new company, Zoetis Inc., receiving an after-tax $10.6 billion gain.

Then in May, British drugmaker AstraZeneca rejected Pfizer's $119 billion buyout proposal, which would have been the largest deal in pharmaceutical history. Besides gaining AstraZeneca's drugs and pipeline, Pfizer wanted to move its legal headquarters to England to get a lower tax rate than it faces in the U.S., a strategy called "inversion" that is suddenly hot in corporate America.

In an interview, Read said Pfizer continues to look at deals of all sizes, with three goals: improving its portfolio of new and experimental drugs, limiting overlap in research and sales forces, and lowering its tax bill, as inversion would do.

"There is a limited number of companies" that meet all three aims, Read said.

He said the company continues to push the federal government to reform the corporate tax structure, which taxes companies at a high 35 percent, including profits made overseas and brought back to the U.S. Most other countries tax businesses only on profits made inside their borders, putting U.S.-based companies at a disadvantage, Read said.

Pfizer noted it's awaiting U.S. approval of a meningitis B vaccine and will apply next month for approval of its highest-profile experimental drug, palbociclib for advanced breast cancer.

Erik Gordon, an analyst and professor at University of Michigan's Ross School of Business said the 13 percent jump in research spending in the quarter "may scare investors who are wary of Pfizer's spotty record in turning internal R&D into successful products."

The company reaffirmed its 2014 forecast for adjusted earnings of $2.20 to $2.30 per share. Analysts expect $2.24.

In afternoon trading, Pfizer shares were down 15 cents at $29.95.