

Merck 2Q profit more than doubles

July 29 2014, by Linda A. Johnson

A big one-time gain and a tax benefit helped drugmaker Merck & Co. more than double its second-quarter profit, raise the lower end of its profit forecast and easily top analysts' expectations.

The maker of popular Type 2 diabetes pill Januvia and cholesterol medicines Vytorin and Zetia said Tuesday that net income increased to \$2 billion, or 68 cents per share, from \$906 million, or 30 cents per share, in the same quarter a year earlier.

Merck, based in Whitehouse Station, New Jersey, said its earnings, adjusted for one-time gains and costs, were 85 cents per share. The average per-share estimate of analysts surveyed by Zacks Investment Research was for profit of 81 cents.

Merck recorded a gain of \$741 million from AstraZeneca PLC, its longtime partner in marketing the British drugmaker's heartburn drugs Nexium and Prilosec. AstraZeneca exercised its option to buy out Merck's interest in the drugs.

The world's fourth-biggest drugmaker reported revenue of \$10.93 billion, down 1 percent from \$11.01 billion a year ago. That edged past Wall Street expectations of \$10.71 billion, according to Zacks.

Sales of Merck's prescription drugs totaled \$9.09 billion, down 2 percent as cheaper generic competition cut into sales of some older medicines and sales of its hepatitis C drugs was hurt by new brand-name competition. Sales were led by Type 2 diabetes pills Januvia and

Janumet, up 2 percent at \$1.58 billion, and Zetia and Vytorin, up 6 percent to a combined \$1.13 billion.

Sales of veterinary medicines edged up 2 percent to \$872 million. Merck's smallest segment, consumer health products, had the best performance, up 19 percent to \$583 million. In May, Merck agreed to sell that to Germany's Bayer for \$14.2 billion. It includes Claritin, the Coppertone sun-care line, Dr. Scholl's foot-care products and MiraLAX laxative.

Merck has said it would use the money to invest in business areas with the highest growth potential and beef up its drug pipeline with "external assets." The deal is expected to close in the second half of 2014.

Merck said it expects profit for 2014 of \$3.43 to \$3.53 per share, excluding one-time items. In January, it forecast earnings of \$3.35 to \$3.53. It also forecast full-year sales \$42.4 billion to \$43.2 billion, assuming current exchange rates.

"We delivered a strong first half of the year, making progress in transforming our operating model, fueling innovation and managing costs," CEO Kenneth Frazier said in a statement.

In premarket trading, Merck shares were down 18 cents at \$57.97. Merck shares have increased \$9.63, or 20 percent, in the last 12 months.

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Citation: Merck 2Q profit more than doubles (2014, July 29) retrieved 20 September 2024 from <https://phys.org/news/2014-07-merck-2q-profit.html>

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