

► Industry earnings on an uptick

Leading pharma and biotech firms grew in 2003.

With the close of the third quarter in March, prospects were looking good for the pharmaceutical industry as leading companies reported largely double-digit sales and earnings growth for 2003. The results are a welcome change for the industry after nearly two years of slower growth.

"Big Pharma" improves

Pfizer led major drug companies with more than \$45 billion in 2003 sales after its April 2003 acquisition of Pharmacia. The combined company's net earnings hit \$12.7 billion for the year, excluding merger-related costs of nearly \$9 billion. Pfizer sells 8 of the world's top 25 medicines, including the cholesterol-lowering drug Lipitor, which alone contributed more than \$9 billion to the company's 2003 sales.

GlaxoSmithKline is Pfizer's next closest competitor. The U.K.-based company saw more modest single-digit growth and reported earnings of \$7.82 billion on sales of \$35.2 billion. Ten major products accounted for 35% of its sales, and the company obtained FDA approval for another 10 products and new indications in 2003. However, this year may be a bit tougher, as GSK expects significant generic competition.

Novartis, Roche, Merck, and Bristol-Myers Squibb, with annual sales between about \$21 billion and \$25 billion, remain closely grouped competitors. But profitability for these companies has been mixed. For example, although its sales grew 19%, Novartis's earnings rose only 6%. Part of the problem was its 33% stake in Roche; that company reported a \$3.2 billion loss in 2002 that wasn't reflected on Novartis's books until 2003.

However, 2003 was a better year for Roche itself. Its sales for continuing operations gained 11% to reach \$23.1 billion, while earnings, excluding one-time charges, were \$2.63 billion. Roche is now focused entirely on pharmaceutical and diagnostic markets, having sold its vitamins and fine chemicals business to DSM in late 2003.

And growth has returned at Bristol-Myers Squibb. Between 2000 and 2002, its sales and earnings dropped significantly when three major products—Taxol, BuSpar, and Glucophage—faced generic competition. However, in 2003, the company's sales rose 14% to \$20.7 billion, and earnings soared 43% to nearly \$3 billion.

Merck, however, has been having a hard time in recent quarters. For all of 2003, its sales grew just 5% while earnings dropped 3%. As the company tries to move products through its pipeline, it's also been working to reduce costs. In August, Merck spun off its less profitable pharmacy management business, Medco Health Solutions, and later cut 4400 jobs.

Biopharmaceuticals gain

Meanwhile, after a difficult 2002, the biopharmaceutical sector has been on a roll, reporting double-digit growth in the past four quarters. At least 8 companies now have annual revenues, based largely on product sales, above \$1 billion, and more than 16 are expected to report profits for 2003.

Amgen has clearly pulled ahead of the pack and continues to grow rapidly. In 2003, Amgen's sales gained 51% to reach a record \$8.36 billion, while its earnings climbed 53% to \$2.54 billion.

Aranesp, Amgen's newest anemia therapy, helped drive its sales growth, as did sales of the white blood cell stimulant Neulasta and of Enbrel, an anti-inflammatory biologic it gained with its July 2002 acquisition of Immunex.

New products also played an important role at Genzyme, which debuted the enzyme replacement therapies Aldurazyme and Fabrazyme in 2003. Likewise, Genentech launched the psoriasis drug Raptiva and the asthma drug Xolair. And Serono has development and marketing rights to Raptiva outside the U.S. and Japan and expects to launch the drug later this year.

Serono's growth was also boosted by sales of Rebif, used to treat multiple sclerosis. Sales of the drug gained 165% in 2003 and more than doubled Serono's market share. The major competitor is Biogen Idec's Avonex. In November 2003, Biogen merged with Idec Pharmaceuticals and now ranks among the top six biotech firms.

—ANN M. THAYER ■

Leading drug and biopharmaceutical firms post strong results for 2003

Company	2003 sales (\$ billions)	2003 earnings ^a (\$ billions)	Change from 2002 (%)		Profit margin ^b (%)	
			Sales	Earnings	2003	2002
Pfizer	45.2	12.7	40	39	28	28
GlaxoSmithKline	35.2	7.82	5	8	22	22
Novartis	24.9	5.02	19	6	20	23
Roche	23.1	2.63	11	nm	11	nm
Merck	22.5	6.59	5	-3	29	32
Bristol-Myers Squibb	20.7	2.95	14	43	14	11
Amgen	8.36	2.54	51	53	30	30
Genentech	3.30	0.64	28	31	19	19
Serono	2.02	0.39	31	22	19	21
Biogen Idec	1.85	0.43	19	10	23	25
Chiron	1.75	0.30	37	23	17	19
Genzyme	1.58	0.31	46	36	20	21

^a Excludes extraordinary items. ^b Earnings as a percentage of sales.

Note: nm = not meaningful.