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Pfizer Plans to Cut 10,000 Jobs, Lower Costs by $2 Billion a Year

Unit Sale Boosts Net but Generics Hit Zoloft Sales

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Pfizer Inc., moving to offset the loss of market exclusivity for its top-selling drug, on Monday said it will cut about 10,000 jobs, or about 10% of its world-wide work force, by the end of next year.

The latest restructuring moves come on top of plans announced by Pfizer in November to cut 20% of its U.S. sales force, or 2,200 jobs. Chief Executive and Chairman Jeffery B. Kindler said "Pfizer must transform the way we've done business in the past in order to be successful in the future."

Earlier, the world's largest drug maker by sales reported that its fourth-quarter net income more than tripled on a gain from the sale of its consumer health-care unit to Johnson & Johnson. However, the New York company's preferred measure of performance, adjusted earnings, fell as revenue was flat, hurt by the company's loss of exclusivity on antidepressant Zoloft.

As part of the overhaul plan, Pfizer said it will continue to consolidate its world-wide manufacturing operations by closing manufacturing sites in Brooklyn, N.Y., and Omaha, Neb. In addition, the company will pursue the sale of a third site in Feucht, Germany. Pfizer also said it will cut its European sales force by more than 20%. (Read the full text of Pfizer's statement1.)

From 2003 to 2008, Pfizer will have reduced its network of manufacturing plants around the world from 93 to 48, including the latest closures, it said.

Pfizer's top product, cholesterol drug Lipitor, loses market exclusivity as early as 2010. During 2006, Pfizer's patent for the blockbuster antidepressant Zoloft expired, clearing the way for cheaper, generic competition.

In its fourth-quarter earnings release, Pfizer said the biggest component of sales was Lipitor, which had sales of $3.34 billion, down 1% from $3.36 billion a year earlier. Zoloft sales fell 79% in the quarter to $166 million, the company said. Overall fourth-quarter sales rose slightly to $12.6 billion from $12.55 billion a year earlier.

Net income shot up to $9.45 billion, or $1.32 a share, from $2.73 billion, or 37 cents a share, a year earlier. The latest quarter included a gain of $7.9 billion on the J&J transaction, which closed in December, partly offset by charges. Excluding the one-time items, Pfizer's fourth-quarter earnings would have been 43 cents a share, a penny ahead of the mean estimate of analysts surveyed by Thomson Financial, but down 12% from the year-earlier period, excluding items.

Lipitor Misses $13 Billion Target

Pfizer is wrestling with some of the most difficult problems facing the pharmaceutical industry. Its bestselling Lipitor just missed its 2006 target of $13 billion as a generic version of Merck & Co.'s Zocor started eating into its market share in 2006. Lipitor faces generic competition as early as 2010, and generic competition looms this year for $4.9 billion blood-pressure medicine Norvasc and $1.6 billion allergy drug Zyrtec.

For 2006, Lipitor sales were $12.89 billion, up 6% from $12.19 billion in 2005. Nevertheless, Pfizer called this a "substantial accomplishment in the face of intense branded and generic competition in the statin market." Statins are the class of drugs to which Lipitor belongs; others include Zocor and AstraZeneca PLC's Crestor.

Pfizer, like other drug makers, has struggled in recent years to churn out new hits from labs that critics say can be bloated and inefficient. One bright spot last year was the success of Pfizer's new pain medicine Lyrica, which hit $1.2 billion. Other new launches such as smoking-cessation medicine Chantix, with $101 million in sales for the year, were less impressive. The company said that R&D expenses grew 22% in the fourth quarter and 5% in 2006. The company said savings from the initiative in 2006 were $2.6 billion, exceeding its original goal of $2 billion.

Overall sales for 2006 were $48.37 billion, up 2% from $47.41 billion in 2005. Adjusted earnings, excluding items, rose 6% to $2.06 a share, in line with the company's forecast. "In the face of many challenges in 2006, we substantially achieved a number of financial targets that we set early in the year," Mr. Kindler said in a press release.

To help meet some of these goals, Pfizer in November announced it would reduce its U.S. sales force by 20% to reduce costs. But the imperative for further cost cuts became greater in early December when Pfizer said it would discontinue development of a once-promising cholesterol drug called torcetrapib, citing safety concerns.

Pfizer had expected torcetrapib to be a big seller, and its loss left a big hole in the company's pipeline of experimental drugs. Now, in addition to cost cuts, analysts expect Pfizer to take action to beef up both its pipeline and its lineup of drugs already on the market, via license deals and acquisitions. Pfizer has the cash to do deals. Also, it's using its cash in other ways designed to boost shareholder returns, recently boosting its dividend by 21% and repurchasing $2.5 billion of its shares in the fourth quarter.

In the Pipeline

In its existing product pipeline, Pfizer moved four development programs into late-stage patient trials during the fourth quarter, including Axitinib, an experimental drug for thyroid cancer, and a potential obesity drug.

Other big contributors to fourth-quarter results were Norvasc, a hypertension treatment, with sales up 6% at $1.32 billion; Celebrex for arthritis, up 14% at $540 million; and Lyrica, a newer drug for nerve pain whose sales more than doubled to $353 million. Erectile-dysfunction drug Viagra saw sales rise 5% to $450 million.

Pfizer sold its consumer health-care unit, which included brands such as Listerine mouthwash, to J&J for $16.6 billion cash in December, or $13.5 billion in after-tax proceeds.

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