

Summary of the financial reports for Pfizer/Wyeth from 2003-2015

By David Belk MD

First, some definitions:

-Sales/revenue: Some companies report total sales only, some total revenue only and some itemize total sales then add extra revenue. I use total revenue whenever it's an option.

-Profit: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to that net income. In such cases I'll use net income attributable to that company for profit.

-Research includes research and development and purchased in-process research.

-Marketing is usually listed as Selling, informational, and administrative. It includes more than just the money spent on direct to consumer advertising. The marketing budget also includes money spent on pharmaceutical representatives that visit your doctor, free drug samples left at doctors' offices, payments to doctors who give "educational" talks on behalf of pharmaceutical companies, etc...

There are other administrative expenses that are not directly related to marketing lumped into this budget. This even includes litigation costs to fight lawsuits against these companies. Still, the pharmaceutical companies could list their marketing budget as a separate expense if they wanted the way Bristol-Myers Squibb lists their advertising budget separately, so it's their choice not to. Anyway, much of what Pharmaceutical companies call research is really just marketing so all figures should be taken with a grain of salt.

-Revisions: Revisions in financial reports occur for a number of reasons. Often, when a company divests a division by spitting it off or selling it to another company, it will retroactively deduct the revenue and expenses related to that division from the finances of previous years. For reasons unclear to me, companies often won't retroactively deduct the profits they earned from the divested division; only the revenue and expenses. Other revisions might reflect a change in accounting methods or a reallocation of funds.

When a figure is revised in a subsequent report I often use the revised figure unless the reason for the revision appears truly artificial. This can be challenging when, for example, frequent revisions occur over multiple years with little explanation, which occurred in Pfizer's financial Statements. In general, I did my best to use the numbers that I felt most accurately reflected the companies actual finances when considering the revisions.

Pfizer, like many of the major pharmaceutical companies, has seen a steep drop in the sales of their products in recent years. Pfizer lost their patent protections on Norvasc in 2007 and Lipitor in 2012, which were two of their most profitable drugs. Since they've had almost no recent marketing successes to offset these losses, their revenue has been declining steadily since about 2008.

Pfizer bought **Wyeth** pharmaceuticals in 2009. Just as with the Merck/Schering Plough merger, I decided to combine Pfizer's and Wyeth's finances from 2003-2009 as though they'd been one company all along. In both cases, combining their revenues helps to show that the mergers did very little to offset the fact that these companies are bleeding to death financially. Also, as with the Merck/Schering Plough merger, I could not find any financial statement for Wyeth for 2009 beyond the second quarter, so I have no record of their finances for the second half of that year.

Pfizer has had quite a few revisions in their financial statements, more than for any of the other pharmaceutical companies. Most of these revisions appear to be the result of Pfizer selling several of their product divisions to other companies over several years. The exact reasons for all of their revisions haven't explained very clearly much of the time, though. I mostly used the revised figures in my analysis in order to show that year over year sales of pfizer's existing products are declining, so their revenue losses aren't just the result of their discontinuing or selling certain product lines.

The composite numbers for Pfizer from 2003-2015:		Unrevised totals
Total Revenue (Sales):	\$666 Billion	\$688 Billion
Total Profit:	\$139 Billion	\$139 Billion
Total Spent on Research:	\$112 Billion	\$103 Billion
Total Spent on Marketing:	\$201 Billion	\$209 Billion
Total Spent in Taxes:	\$30 Billion	\$32 Billion
US Revenue:	\$307 Billion	\$314 Billion
Revenue from All Other Countries:	\$360 Billion	\$374 Billion

The composite numbers for Wyeth from 2003-2009 (Q2):

Total Revenue (Sales):	\$129 Billion
Total Profit:	\$22 Billion
Total Spent on Research:	\$19 Billion
Total Spent on Marketing:	\$41 Billion
Total Spent in Taxes:	\$6 Billion
US Revenue:	\$63 Billion
Revenue from All Other Countries:	\$54 Billion

Total Executive pay for Pfizer was \$55.85 million in 2014 with \$23.28 million going to their CEO Ian C. Read.

<http://insiders.morningstar.com/trading/executive-compensation.action?t=PFE>
http://truecostofhealthcare.net/pharmaceutical_financial_index/

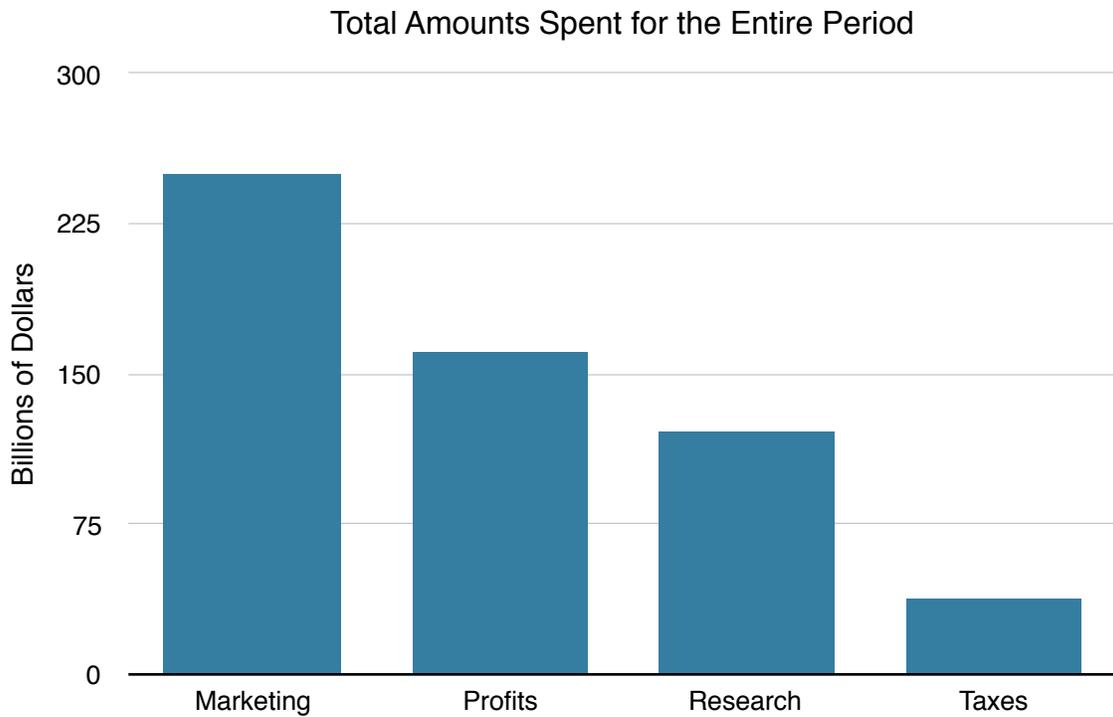


Figure 1: Total amount Pfizer/Wyeth earned in profit (net income after taxes) from 2003-2015 compared to how much they spent on research, marketing and taxes. Figure 2 (below) shows the proportion of Pfizer’s total revenue that was allocated toward research, marketing, taxes and profits.

Proportional Allocation of Revenue 2003-2015



Figure 2

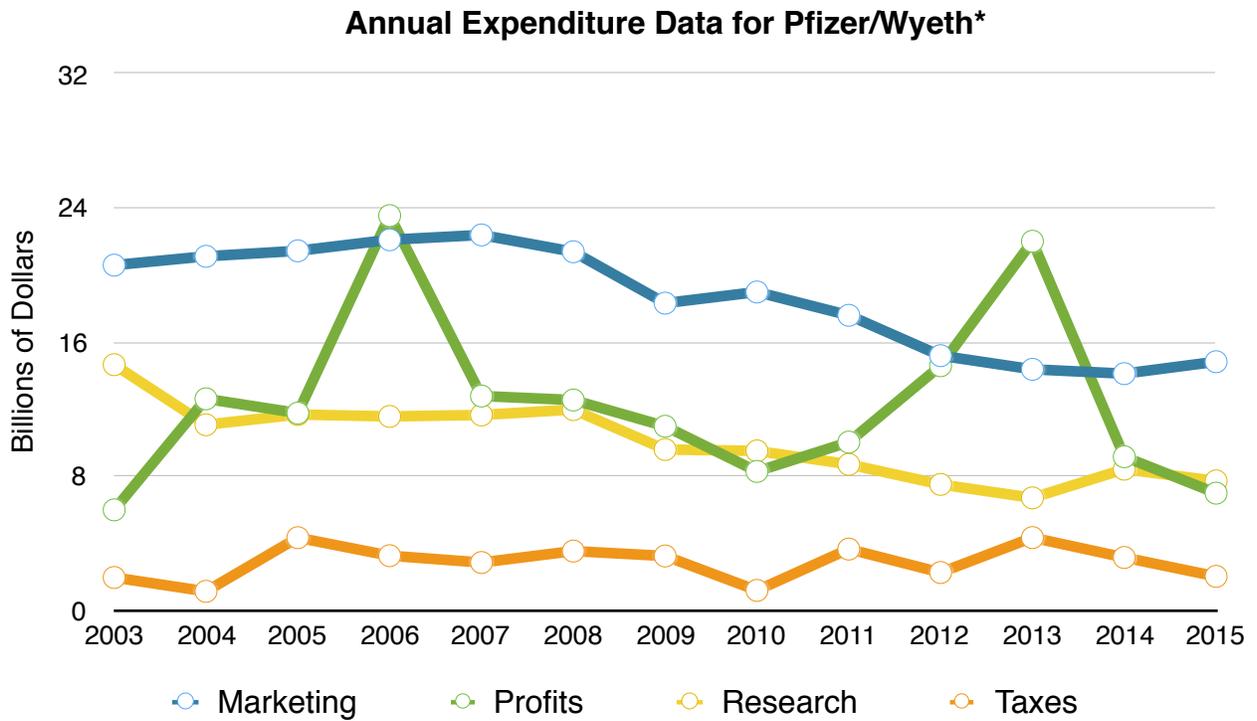


Figure 3: Pfizer’s profit compared with amount spent on research, marketing and taxes each year from 2003-2015. *Information is missing for Wyeth’s second half of 2009.

Proportion of Revenue from US vs. All Other Countries

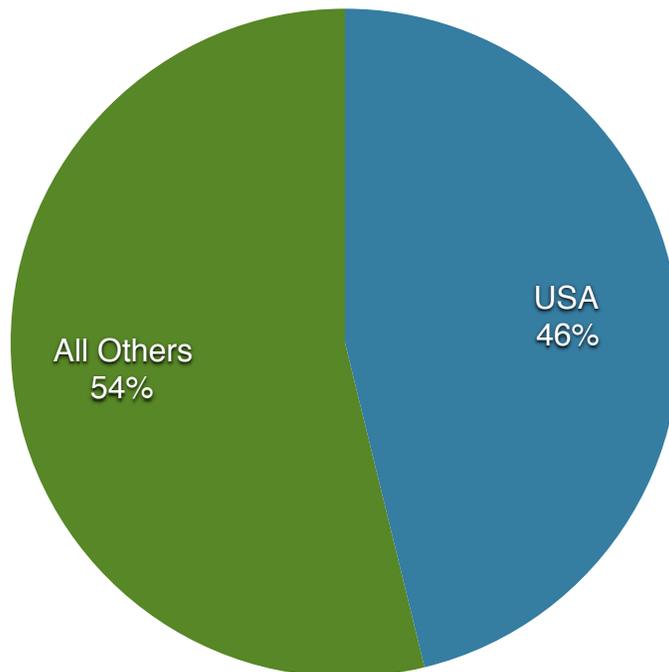


Figure 4: 46% of Pfizer’s revenue since 2003 has come from sales in the US.

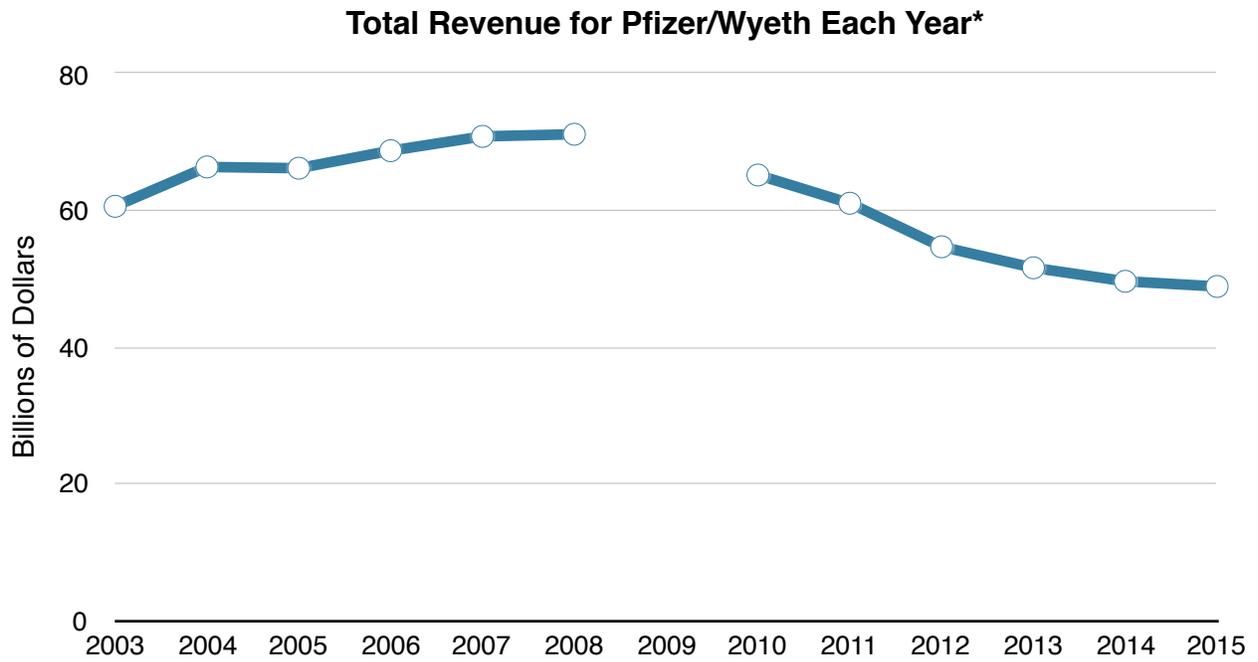


Figure 5: Pfizer, like most of the major pharmaceutical companies, has seen a consistent drop in their revenues each year since 2008. This annual revenue drop has only been partially offset by dramatically raising the prices of all of their medications sold in the US. The revenue for 2009 is missing because I have no information about Wyeth’s revenue for the second half of that year.

<http://truecostofhealthcare.net/brand-name-medication-prices/>