

Summary of the financial reports for AstraZeneca from 2010-2016

By David Belk MD

First, some definitions:

-Sales/revenue: For these reports I try to stick to the revenues from pharmaceutical sales only whenever possible. Many of these companies have other product lines such as medical devices, over-the counter (OTC) health aids or nutritional products. When possible, I separate out the revenues from those product sales, though.

-Profit: Net income after taxes. Many companies will add or subtract money from taxes or other revenue/fees from discontinued items to their net income after taxes. 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 might even include such expenses as 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.

-Rebates/Chargebacks: Rebates are payments that go mostly to pharmacy benefit managers (PBMs) in the U.S. These rebates are incentives for the PBMs "prefer" certain medications when deciding which medications to cover. Chargebacks are normally refunds given to medication suppliers to balance the rebates given to the PBMs. Both rebates and chargebacks are normally deducted from the total pharmaceutical revenue of a company initially, and not listed as an expense.

-Revisions: When a figure is revised in a subsequent report it's often because that company divested one or more products by either selling that line to another company or splitting off a new company. When companies do this, they often retroactively deduct the revenues and expenses related to that division from the finances of previous years, but not the profits. This makes year over year comparisons for these companies challenging. For the most part, I only use original data, and not revised data for these reports.

AstraZeneca is a UK pharmaceutical company that sells medications throughout the world. In spite of being a foreign company with a worldwide market, 39% of their total pharmaceutical sales revenue since 2010 was from sales in the US. Most of the disproportionately high revenue AstraZeneca makes from the US is due to inflating the price of the products they sell in the US when compared to other Countries.

AstaZeneca has not produced a new product that has sold well in over a decade and, as a result, their annual sales revenues have been declining steadily since 2011.

Here are the composite numbers for AstraZeneca from 2010-2016:

Total Sales Revenue:	\$192 Billion
Total Profit:	\$34 Billion
Total Spent on Research:	\$38 Billion
Total Spent on Marketing:	\$77 Billion
Total Spent in Taxes:	\$7.7 Billion
US Revenue:	\$74 Billion
Revenue from All Other Countries:	\$118 Billion

Proportional Allocation of Revenue 2010-2016

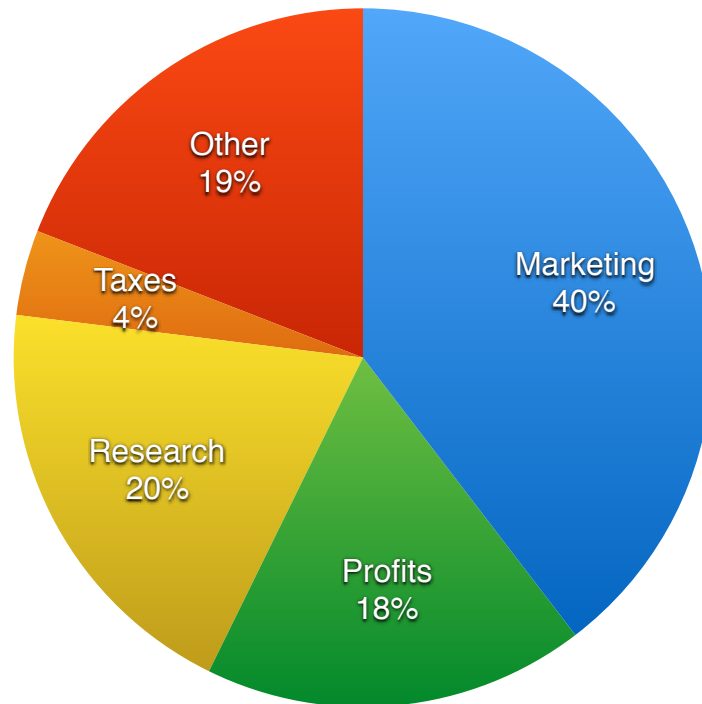


Figure 1: The proportion of AstraZeneca's total revenue that was allocated toward research, marketing, taxes and profits.

Proportion of Astra Zeneca's Revenue from US vs. All Other Countries

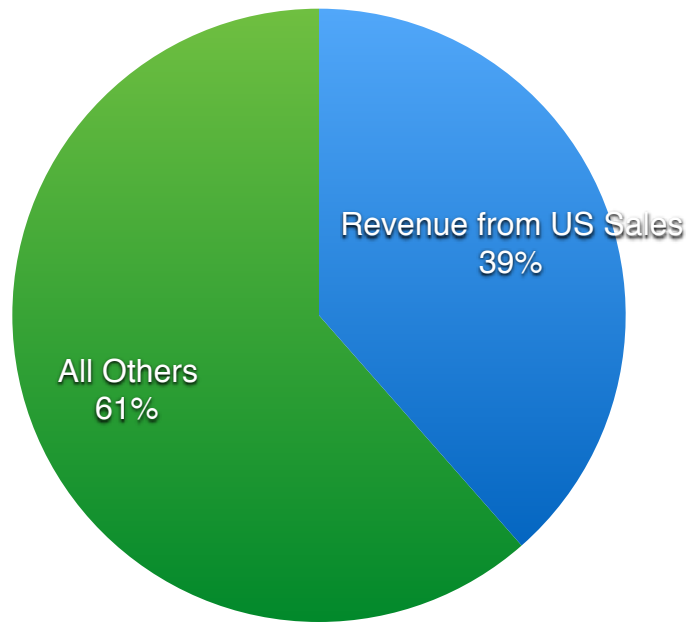


Figure 2: 39% of AstraZeneca's revenue has come from the U.S. since 2010.

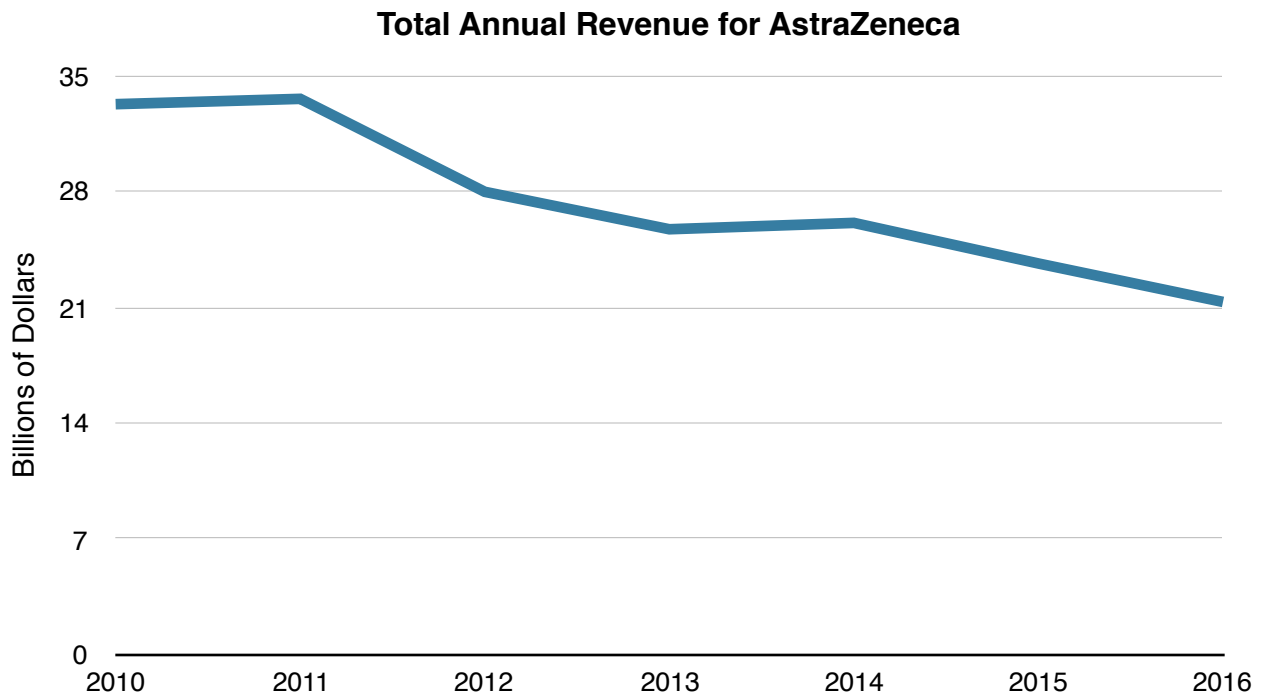


Figure 3: Annual total revenue for AstraZeneca has been dropping since 2011 in spite of the fact that the prices of their medications have increased dramatically in the U.S. in recent years.

Pharmaceutical Revenue in the U.S. and Other Countries vs. Pharmaceutical Rebates in the U.S.

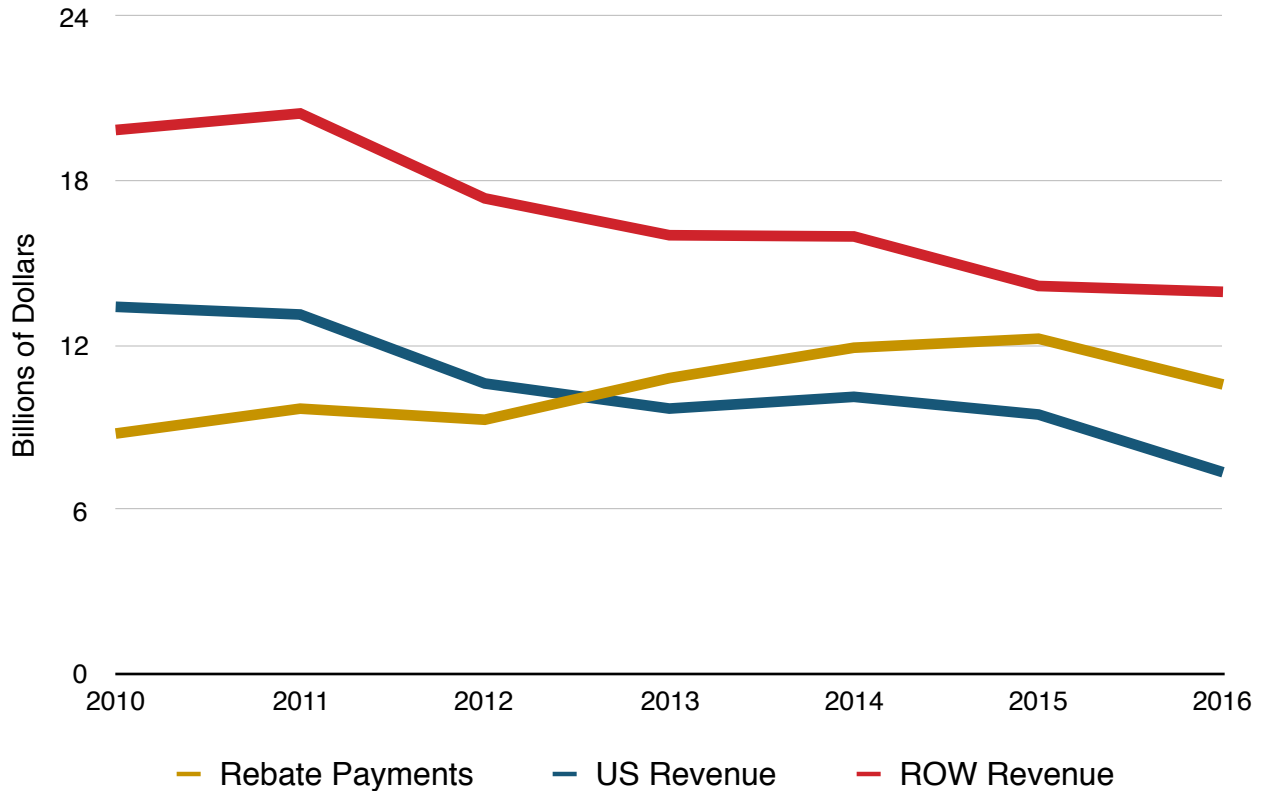


Figure 4: A clear sign that AstraZeneca’s best days might be behind them is the fact that they’re not even able to boost their U.S. sales with bribes anymore. The amount they’re spending on rebates to U.S. PBMs as well as other incentives have leveled off in recent years (yellow line) as their sales continue to decline everywhere. This is in contrast to most of the other pharmaceutical companies which are at least able to prop up their U.S. sales with rebates.

The total Executive pay for AstraZeneca was £17.8 million in 2016 with £13.4 million going to their CEO Pascal Soriot. The Average exchange rate for GBP to USD in 2016 was \$1.30 to £1 so AstraZeneca’s CEO made about \$17.4 million in 2016.

- <http://insiders.morningstar.com/trading/executive-compensation.action?t=AZN>
- http://truecostofhealthcare.net/pharmaceutical_financial_index/
- <http://truecostofhealthcare.net/brand-name-medication-prices/>