

Summary of the financial reports for Pfizer/Wyeth 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.

Pfizer is one of the largest pharmaceutical companies in the world but, like many of the major pharmaceutical companies, they've 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 few recent marketing successes to offset these losses, their revenue has been declining steadily since about 2008.

The composite numbers for Pfizer from 2010-2016:

Total Revenue (Sales):	\$397 Billion
Total Profit:	\$78 Billion
Total Spent on Research:	\$57 Billion
Total Spent on Marketing:	\$114 Billion
Total Spent in Taxes:	\$18 Billion
US Revenue:	\$166 Billion
Revenue from All Other Countries:	\$231 Billion

Proportional Allocation of Revenue 2010-2016



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

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

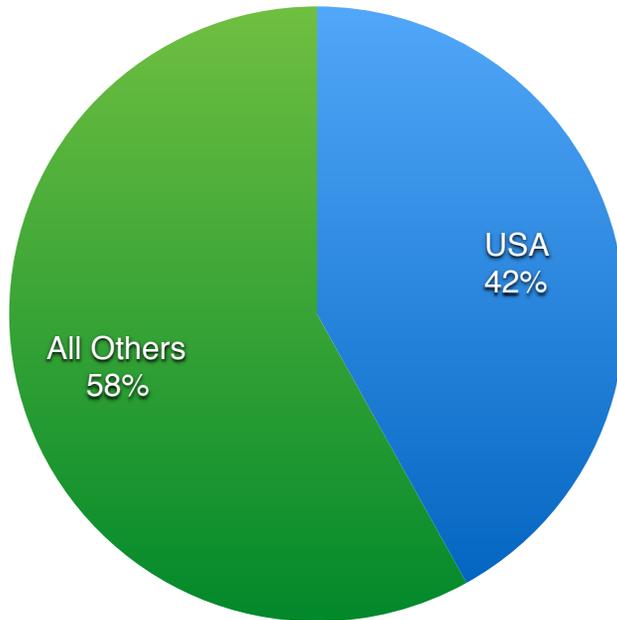


Figure 2: 42% of Pfizer's revenue since 2010 has come from sales in the U.S.

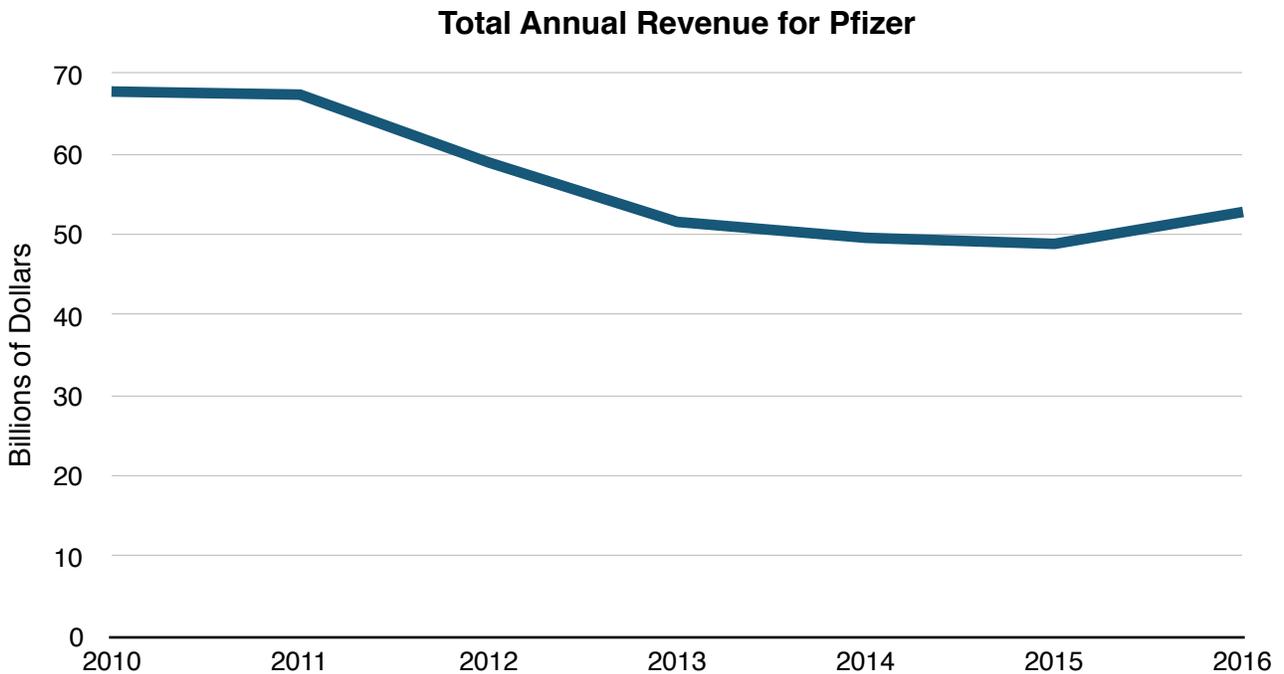


Figure 3: Pfizer, like most of the major pharmaceutical companies, has seen a consistent drop in their revenues each year since 2010. This annual revenue drop has only been partially offset by dramatically raising the prices of all of their medications sold in the U.S. as well as the rebates given to U.S. PBMs (next figure).

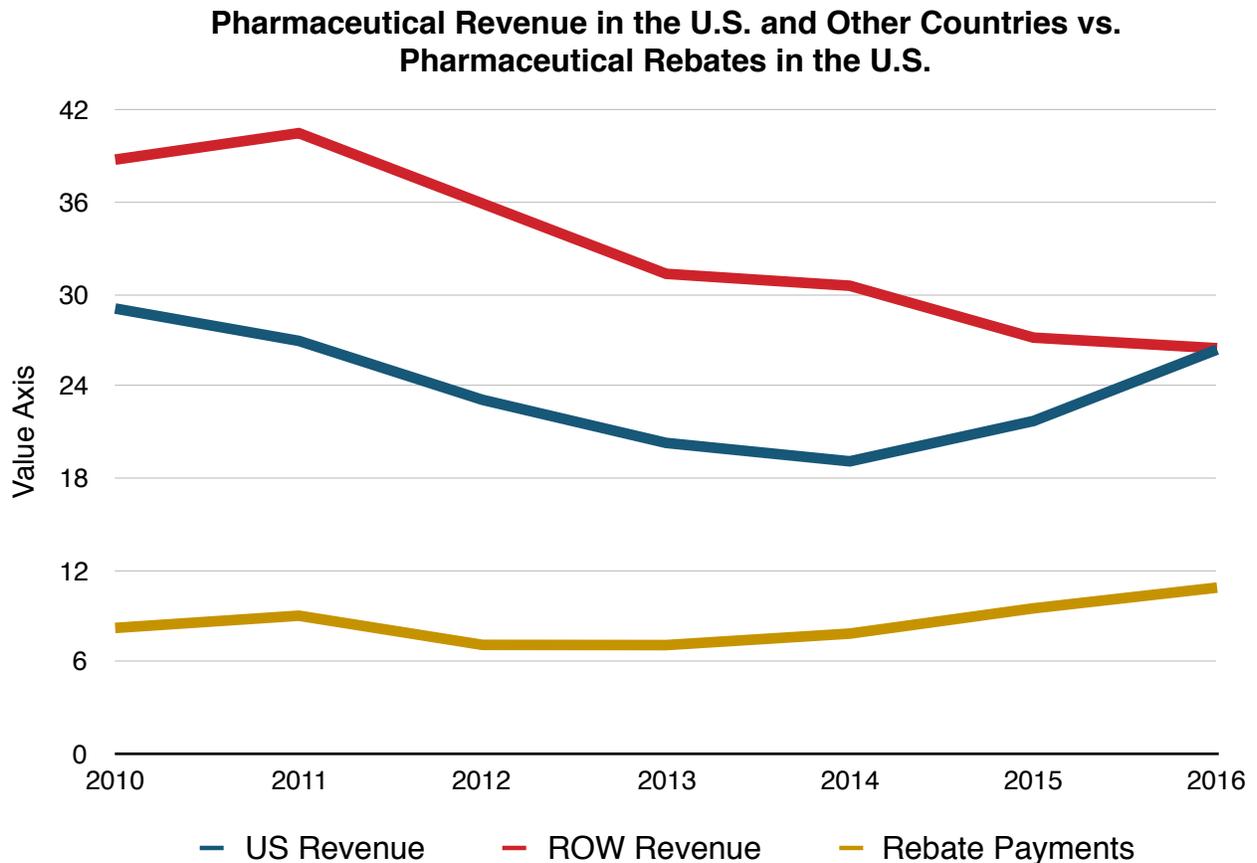


Figure 4: Rebates definitely boost sales for pharmaceutical companies. rebates given by pfizer to PBMs in the U.S. (yellow line) rose from about \$7 billion in 2013 to nearly \$11 billion in 2016. These increased rebate payments appear to have offset revenue losses from U.S. sales (blue line) relative to their sales in the rest of the world (red line).

Total Executive pay for Pfizer was \$62.7 million in 2016 with \$17.3 million going to their CEO Ian C. Read.

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

http://truecostofhealthcare.net/pharmaceutical_financial_index/

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