Pfizer profit dips on ease in memand for Lipitor

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As the drug giant Pfizer sails toward its merger with Wyeth, the company is hitting headwinds in the form of patent expirations and weakening sales in some important products, including Lipitor.

Pfizer reported a 2 percent decline in first-quarter profits on Tuesday, to $3.7 billion, and an 8 percent decline in revenue, to $10.9 billion. While more than half the revenue decline came from the effect of a stronger dollar on overseas sales, company officials and analysts said, the profits fell in response to generic competition and weakening demand for some of Pfizer's leading drugs.

The cholesterol fighter Lipitor, the world's top-selling drug, had sales of $2.7 billion, a decline of 8 percent from the first quarter of 2008, on lower-than-expected sales in the United States. Pfizer has been hoping to wring more revenue from Lipitor, whose patent expires in November 2011.

Pfizer also reported declining sales in two brand-name drugs that went off patent last year — the allergy medicine Zyrtec and the chemotherapy drug Camptosar. And Chantix, a smoking cessation drug the company had formerly hoped could be a blockbuster, had a sales decline of 36 percent, to $177 million, for the quarter, on concerns that it can have psychiatric side effects.

But several analysts praised Pfizer for slightly beating expected earnings per share, which it achieved mainly through cost-cutting. Excluding restructuring costs, the company earned 54 cents a share, compared with 49 cents a share forecast by analysts surveyed by Thomson Reuters.

"A solid quarter, and the earnings beat is encouraging, especially on the heels of Merck's miss last week," Jami Rubin, a Goldman Sachs analyst, wrote in a note to investors. Merck announced a 56 percent drop in earnings last week, and an 8 percent decline in sales in the first quarter, compared with a year earlier.

In midafternoon trading, Pfizer shares were down 4 cents, to $13.45.

On the brighter side, the deal to acquire Wyeth, intended to replenish Pfizer's drug pipeline, is going better than expected, Pfizer's chairman and chief executive, Jeffrey B. Kindler, said in a conference call with analysts.

Pfizer, based in New York, is buying Wyeth, 30 miles west in Madison, N.J., for cash, stock and debt, with the deal still expected to close in the third or fourth quarter.

Pfizer's stock has declined by 25 percent since the purchase was announced in late January, in part because the company is cutting dividends in half to help finance it. Responding to analysts' questions Tuesday, Frank A. D'Amelio, Pfizer's chief financial officer, said that financing and merger agreements required dividends to be kept low "until the deal is closed."

The merger deal has spurred a round of drug industry consolidation. Merck has agreed to pay $41 billion for Schering-Plough, while Roche paid $47 billion for the 44 percent share of Genentech it did not already own.

The lower stock price means Pfizer will end up paying less than the $68 billion calculated in January. And Mr. Kindler said lower interest rates in the global recession have also made borrowing cheaper.

Mr. Kindler said 34 banks were now financing the deal, none of them committed for more than $600 million.

Three weeks ago, Pfizer announced that the merger would result in creation of two major research units in the combined operation to build on each company’s strengths. A biotechnology group will be led by Mikael Dolsten, Wyeth’s head of research, while his Pfizer counterpart, Martin Mackay, will lead a traditional pharmaceuticals group.

Pfizer is also giving crucial roles to Menelas Pangolas, who leads Alzheimer’s disease research for Wyeth, and Emilio Emini, who heads vaccine research for Wyeth, as the company searches to replace profits from older drugs facing generic competition.

Catherine J. Arnold, a CreditSuisse analysts, wrote in a note to investors that the restructuring and personnel moves “appear well thought out and make us more optimistic” the merger will succeed.

Mr. Kindler said the combined company would produce $20 billion cash flow a year by 2012.

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