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Merck's Share Price Declines as Profit Forecasts Fall Short

By THE ASSOCIATED PRESS

The drug maker [Merck](#) yesterday offered profit forecasts for this year and next that fell short of Wall Street expectations, sending its shares lower.

Less than a month ago, Merck announced it would pay \$4.85 billion to settle tens of thousands of lawsuits stemming from its painkiller [Vioxx](#), which it withdrew from the market in 2004. Since then, Merck's stock has risen, trading in recent days near its 52-week high of \$60.49.

Yesterday, Merck shares fell 38 cents, to \$58.39, after trading as low as \$56.56.

Merck said that while it expected higher sales of its [cancer](#)-fighting vaccine [Gardasil](#), its [diabetes](#) treatment Januvia and its allergy treatment Singulair next year, generic competition would drive down sales of another top seller, Fosamax, an [osteoporosis](#) treatment.

Merck also said it would take a pretax charge of \$670 million this year for the expected resolution of federal and state investigations into past marketing practices, which were first disclosed in 2002.

A cost-cutting plan announced in 2005 is on track, the company said. Merck, which has already cut about 6,000 jobs under the plan, said yesterday that it would reach its target of eliminating 7,000 positions by the end of 2008.

The company, based in Whitehouse Station, N.J., reaffirmed its outlook for 2007 profit, excluding items, of \$3.08 to \$3.14 a share.

Including the Vioxx settlement, legal and reorganization costs and other items, Merck expects its profit to range from \$1.45 to \$1.51 a share for the full year.

In 2008, the company expects profit of \$3.96 to \$4.06 a share. Excluding one-time items, earnings are projected to range from \$3.28 to \$3.38 a share.

Both annual forecasts were a penny a share below Wall Street expectations.

A [Goldman Sachs](#) analyst, James Kelly, in a note to investors, called the 2008 guidance "good but not great." Analysts polled by [Thomson](#) Financial have forecast 2007 profit of \$3.15 a share and 2008 profit of \$3.39 a share. Those estimates typically exclude one-time items.

Richard T. Clark, Merck's chairman, president and chief executive, said that the company expected to deliver "compound annual double-digit earnings growth, excluding certain items, by 2010" from its 2005 base.

Merck's profit for the first nine months of the year rose to \$4.9 billion, or \$2.24 a share, up 24 percent from \$3.96 billion, or \$1.81 a share, for the same period in 2006. Nine-month sales rose 8 percent, to \$17.95 billion.

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