

Teva Wins Approval to Sell Copies of Pfizer's Zoloft (Update3)
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(Adds analyst's comment in 10th paragraph.)

By Shannon Pettypiece and Lisa Rapaport

June 30 (Bloomberg) -- U.S. regulators approved the sale of cheaper copies of the top-selling antidepressant in America, Pfizer Inc.'s Zoloft, opening the door for insurers and employers to save billions of dollars.

Teva Pharmaceutical Industries Ltd., the world's biggest maker of generic medicines, won clearance to sell a tablet form, Food and Drug Administration spokeswoman Kimberly Rawlings said today in an interview. The Roxane Laboratories unit of Germany's closely held Boehringer Ingelheim GmbH will market a concentrated generic Zoloft liquid, she said.

Zoloft, with worldwide sales last year of \$3.1 billion, is the second widely used drug in a week to lose patent protection, after Merck & Co.'s Zocor, with \$4.8 billion in 2005 revenue. The products are among 70 name-brand medicines that will have generic competition by 2011. U.S. health insurance companies and employers as a result may cut their pharmaceutical costs by \$49 billion over five years, analysts said.

"What we call the Three Zs are all going off patent early this year," said Matt Gibbs, the top pharmacy consultant at Hewitt Associates in Lincolnshire, Illinois, in a June 23 interview, referring to Zocor, Zoloft and the Pfizer antibiotic Zithromax. "The consumer will get the benefit of a more affordable option."

Zoloft, costing as much as \$2.75 a pill on the web site Drugstore.com, was the focus of a series of television ads featuring a sad cartoon ball. New York-based Pfizer spent \$81 million on Zoloft ads in 2004, according to Nielsen Media Research in New York.

Teva's Profits

Petah Tikva, Israel-based Teva and Ingelheim, Germany-based Boehringer will have six months to sell generic Zoloft without competition from other generic drugmakers. Pfizer plans to sell unbranded versions of Zoloft through its Greenstone Ltd. division, company spokesman Paul Fitzhenry said yesterday.

Zoloft may boost Teva profits to \$2.10 a share in 2006, up from an estimate of \$1.91, Merrill Lynch & Co. said in a report.

Teva's American depository receipts, each representing one ordinary share, rose 41 cents, or 1.3 percent, to \$31.70 at 2:08 p.m. New York time in Nasdaq Stock Market composite trading. Shares of Pfizer rose 41 cents, or 1.8 percent, to \$23.65 in New York Stock Exchange composite trading.

The drug has been on the market since 1991. It is part of a more than \$12.5 billion-a-year U.S. depression market that includes Wyeth's Effexor XR, Forest Laboratories Inc.'s Lexapro, GlaxoSmithKline Plc's Wellbutrin XR and Eli Lilly & Co.'s Cymbalta. Effexor was the world's best-selling depression treatment last year with revenue of \$3.5 billion.

Costs for Patients

"Typically, as soon as a generic launches, the price of the generic is at least a 30 percent discount on the brand," said Michael Krensavage, a pharmaceutical analyst with Raymond James & Associates Inc. in New York, in a telephone interview.

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For the first six months of limited competition, "the net cost of the generic Zoloft is going to be pretty much the same as our current net cost for the brand Zoloft," said Tim Heady, chief executive officer of the drug benefits unit of UnitedHealth Group Inc. Heady manages pharmacy benefits for about 15 million people.

To encourage people to switch to the cheaper pills, UnitedHealth will charge customers \$25 a month for generic zoloft and \$50 for the brand-name version, he said. As more competition forces costs down, patients' monthly fee for the generic copy will fall to \$10, Heady said.

'Price Wars'

"When the price wars really begin, I think the price of generic Zoloft will get to 60 or even 70 percent of the current brand price," said Tim Heady, chief executive officer of the drug benefits unit of UnitedHealth Group Inc., in an interview today.

After the first six months, as many as 10 other generic drug companies may begin selling generic Zoloft, based on the number of companies that have tentative approval, according to the FDA on its web site.

Competing aggressively with generic drugmakers is a switch for Pfizer and other big pharmaceutical companies. In the past, drugmakers tended to walk away from a product once its patent expired. Merck said last week it will sell its unbranded copy of Zocor through Dr. Reddy's Laboratories Ltd. of India.

"I can't imagine that the margins in that business come anywhere near the 20, 30 percent margins in the branded business," said Jeffrey Malcom, who manages 460,000 Pfizer shares for Horan Capital Management in Towson, Maryland. "I think it is more an attempt to get at Teva and the other generic companies."

The FDA gives six months of sole rights to brand-name treatments whose patents have expired to the first generic drugmaker to file for approval under a U.S. law designed to encourage copycat competition. The exclusivity period allows generic drugmakers a period of higher profits.

--with reporting by Duncan Moore in Chicago. Editor: Simison

Story illustration: For a history of Teva's earnings, see {TEVA US <Equity> ERN <GO>} and {TEVA US <Equity> FA Q <GO>}. For today's top health stories, see {HTOP <GO>}.

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