



Genentech 1st-Quarter Net Income Rises 12% on Avastin

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[Genentech Inc.](#), the world's second- biggest biotechnology company, said profit climbed 12 percent on sales of its cancer drugs and by controlling expenses.

First-quarter net income rose to \$790 million, or 74 cents a share, from \$706 million, or 66 cents, a year earlier, the South San Francisco, California-based company said today in a statement. Earnings excluding some expenses beat analysts' [estimates](#).

Revenue in the quarter rose to \$3.06 billion, led by U.S. sales of Avastin, which chokes off blood flow to tumors. Avastin sales rose 13 percent to \$600 million from \$533 million, missing the \$624 million [analysts](#) were expecting. The product, first approved for colon cancer in 2004 and lung tumors two years later, won expanded clearance Feb. 22 for breast cancer patients. It is being studied against 20 tumor types worldwide.

``The quarter was about in line with expectations," said [Damon Ficklin](#), an analyst with Polen Capital Management, which has \$600 million under management, including Genentech shares. ``The revenue was a bit light, and Avastin was a bit below expectations, which was balanced by what looks like good cost management."

The company's spending on raw materials fell 1 percent to \$389 million. Research and development spending rose 1 percent to \$617 million in the quarter.

Shares

Genentech, majority-owned by Switzerland's [Roche Holding AG](#), rose 14 cents, or less than 1 percent, to \$78.14 at 6:14 p.m. New York time in extended trading, after the release of the earnings report. The company has [gained](#) 8.9 percent on the New York Stock Exchange since Feb. 22, when it won approval from the [U.S. Food and Drug Administration](#) to market Avastin for breast cancer patients.

[Amgen Inc.](#), based in Thousand Oaks, California, is the only biotechnology company with more sales than Genentech.

Genentech's earnings, excluding certain expenses, were 84 cents a share, beating the 82-cent average estimate of 20 analysts surveyed by Bloomberg.

Sales of Avastin for breast cancer should eventually top \$1 billion, Ficklin said. It likely didn't show up in the first quarter as Genentech needs to gear up its marketing materials after the FDA's approval. More data from two clinical trials to be presented this year should help boost demand, he said.

Marketing Moves

Genentech's sales force can show physicians the new prescribing information for Avastin that includes approval for breast cancer. Other promotional materials and handouts still need to be cleared by the FDA, which should happen by late May or early June, said Ian Clark, Genentech's head of commercial operations, on a conference call with analysts.

“It's a bit of a difficult period now from a promotional point of view,” Clark said.

The company won additional clearance from U.S. regulators to market Avastin for three-fourths of women who don't have a gene mutation that raises their risk. The added approval will boost Avastin's worldwide sales to \$4 billion in 2011, said Maged Shenouda, an analyst with UBS in New York, in a note to clients.

Genentech plans to expand the use of Avastin for patients with a type of brain cancer, relapsed glioblastoma multiforme. The company plans to ask the FDA in the second half of the year for clearance to market the drug for the new use.

Rituxan Sales

Rituxan, approved for non-Hodgkin's lymphoma and rheumatoid arthritis, generated \$605 million in the first quarter, a 13 percent increase from \$535 million a year earlier. Sales of Herceptin, a breast cancer treatment, climbed to \$339 million, a 9 percent increase from \$311 million.

Genentech is awaiting results of two clinical trials by the end of June which could drive more sales of Rituxan for patients with two autoimmune disorders, multiple sclerosis and lupus.

The company also announced that a study of Xolair, a drug for moderate to severe asthma, reached its main goal of helping children ages 6 to 11 reduce their amount of disease worsening. The full results will be presented at a medical meeting later this year.