

# Drugmakers spend more on dividends than research

## Payouts, buybacks rise

By Julie Appleby  
USA TODAY

Some major drugmakers spent a greater percentage of their money on dividends to shareholders and buybacks of company stock in the past 18 months than on research and development of new products.

The nine biggest drugmakers returned about \$56 billion in dividends and buybacks in the past six quarters, according to an analysis by Banc of America

**Health care** Securities. Companies in other sectors also have increased buybacks and dividends in recent months.

But the pharmaceutical industry's research spending has become a political lightning rod because of high prices for prescription drugs.

The industry says it needs higher prices in the USA to fund research of new drugs. It says cutting prices through government controls would devastate research.

### Stock vs. research

Share buybacks and dividends as a percentage of research and development:

Pfizer	210%
Merck	143%
GlaxoSmithKline	122%
Abbott Laboratories	107%
Bristol-Myers Squibb	93.4%
Johnson & Johnson	89.8%
Eli Lilly	67.7%
Wyeth	56.7%
Schering-Plough	43.3%
Total pharmaceuticals	124%

Source: Banc of America Securities

Critics say the industry has plenty of money for research. They also say it is researching too few novel drugs, concentrating on copycats of existing drugs.

The health care sector, which includes drugmakers, spends 8.1 cents of every \$1 in revenue on research and development, a USA TODAY analysis of data from Reuters Fundamentals found.

That's more than any sector except technology, at 8.4 cents. Health care companies have also steadily increased dividends. They were up 11.9% in the most recent quarter vs. a year ago.

The Banc of America Securities report by analyst David Peterson found:

► Pfizer, the world's largest drugmaker, spent \$22.2 billion on stock buybacks and dividends, or 210% of what was spent on research. Merck returned \$7.3 billion, or 143% of research spending. Merck spokeswoman Anita Larsen would not comment on the Banc of America report, but she said the company's R&D budget grew 19% in 2003 to nearly \$3.2 billion. Pfizer did not respond to a request for comment.

► The spending had little effect on share prices, which grew an anemic 5% during the period. Analysts say share prices in the drug sector have been affected by uncertainty over the election and concern about possible price controls or drug importation.