

AstraZeneca to Cut 1,600 Jobs in US, UK

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TRENTON, New Jersey (AP) — Struggling Anglo-Swedish drugmaker AstraZeneca PLC said Monday that it will eliminate 1,600 jobs, mostly in the U.S. and United Kingdom, as its new CEO starts a major research and development reorganization.

The cuts, meant to reduce costs and make research programs more productive, come just weeks after the company reported big drops in revenue and net income for 2012 and forecast continuing difficulties as generic competition hurts sales.

The job reductions amount to nearly 3 percent of AstraZeneca's 57,200 workers worldwide and are part of moves affecting several major AstraZeneca sites in the UK, U.S. and Sweden.

Even the global headquarters will be shifted, from London to Cambridge, England, as the company moves many of its scientists near top centers for bioscience research. Rivals have been doing the same, to be near those talent pools and to increase collaborations with scientists at universities and small biotech companies.

The changes, to be made between now and 2016, are expected to produce annual savings of about \$190 million by then. They'll result in restructuring charges of \$1.4 billion, about \$800 million of that likely in cash.

"Given the limited financial benefits, this deal is really about improving science, and the ability to capture innovation and recruit top-tier scientists," Citigroup analyst Mark Dainty wrote to investors. "The pay-off is likely to take several years to be realized but is evidence of sensible organizational change, in our view."

In the U.S., AstraZeneca will scale back its site in Wilmington, Delaware, by about 1,200 jobs. That includes eliminating 650 positions and shifting 300 others as key functions are transferred to Gaithersburg, Maryland, home to AstraZeneca's MedImmune subsidiary and research on biologic drugs — injected medicines produced in living cells rather than by mixing chemicals.

AstraZeneca's global medicines development group, which oversees research on both pills and injectable biologic drugs, will move from Wilmington to Gaithersburg, as will the global marketing staff and U.S. sales staff for specialty drugs. Those are complex, very expensive injected medicines for chronic conditions.

Wilmington will still be AstraZeneca's North American headquarters for sales and marketing, with about 2,000 employees remaining. The other 250 jobs being cut in Wilmington include 80 going to a site in Waltham, Massachusetts, and about 170 going to other U.S. or overseas locations.

In the UK, AstraZeneca said most of the corporate and global commercial functions

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based in London will move to a new \$500 million center being built in Cambridge. The company will consolidate all its UK pill and biologic drug research in Cambridge, which is known for innovation in the biological sciences and links to key research institutions in London.

"This is a major investment in the future of this company that will enable us to accelerate innovation by improving collaboration, reducing complexity and speeding up decision-making," CEO Pascal Soriot, who took over last August after his predecessor resigned, said in a statement. "The strategic centers will also allow us to tap into important bioscience hotspots."

The company said its site in Molndal, Sweden, will join Cambridge and Gaithersburg as one of its three strategic centers, focusing on developing traditional drugs in pill form.

The three sites will be supported by other AstraZeneca facilities around the world, including the one in Waltham.

Meanwhile, AstraZeneca will end research and development work at its facility at Alderly Park in the UK. It will move about 1,600 jobs from there to a nearby manufacturing facility in Macclesfield, the new center in Cambridge or company sites overseas. The company said at least 700 nonresearch jobs will remain at Alderly Park, and it will explore options for "a successful future" for that facility.

Like other big drugmakers, AstraZeneca is being squeezed by the weak global economy, government health programs trying to hold down spending, rising research costs and a surge of new generic competition to blockbuster drugs that had brought in billions every year.

In January, AstraZeneca said generic competition in Western Europe and other areas was slashing sales of top sellers including Nexium for severe heartburn, Seroquel IR for schizophrenia and Crestor for high cholesterol. The company's total sales dropped to \$28 billion last year, from \$33.6 billion in 2011, while net income plunged 37 percent.

So like most of its rivals, AstraZeneca is trying to do more with less staff and improve its success rate in the laboratory and in the expensive patient testing needed to get new drugs approved. The process generally takes a decade or more and costs more than \$1 billion per drug, averaging in the costs for hundreds of failed drug candidates.

In early-afternoon U.S. trading, AstraZeneca shares were down 22 cents at \$46.24.

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