J&J holds its own on sales per employee

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Johnson & Johnson is easily the largest big pharma employer, and on certain metrics outstrips smaller rivals.

The 11 companies that make up “big pharma” are in reality vastly different in size, notably so on employee numbers. Starting with Abbvie and Bristol-Myers Squibb at a mere 30,000 staff members, the stats range up to Johnson & Johnson’s 132,200; for years only Novartis came close to matching the US conglomerate but the sale of Alcon saw the Swiss firm become a much smaller employer.

Sales per employee generates a very different league table – but once again J&J stands out. True, the company is far from the best performer on this metric, but it is certainly not the worst (Astrazeneca wins that award). In fact the sprawling company manages to hold its own against considerably smaller drugmakers.

Of course this metric is only one of many used to compare companies deemed to be in the same peer group. The fact that Astrazeneca’s share price has doubled in the last three years suggests that investors are unperturbed by its relative position in the analysis below, for example, or the fact that its sales per employee are at a decade low.
The decline in this metric at AstraZeneca occurred because while employee numbers have been climbing to a 10-year peak, sales have dropped to a decade low in the wake of a series of patent expiries. Still, investors will presumably be hoping to see the company's sales per employee increase in the coming years.

J&J meanwhile has managed to improve its sales per employee over the decade through substantial top-line growth, even while employee numbers have also risen. It currently sits in the same range as Pfizer, Roche, Merck & Co and Eli Lilly despite employing significantly more people – four times as many, in the case of Lilly.

It should also be remembered that the Celgene acquisition has yet to be properly reflected in Bristol-Myers's performance on this measure. The company's 2019 annual report records a 29% jump in staff numbers as the biotech's staff were consolidated when the deal closed at the end of November; however, Bristol's top line will not fully reflect the takeover until the end of this year.

Source: Evaluate; Interactive chart/legend
This could well propel Bristol back into the same realm as Abbvie, which in 2019 for the second year in a row became the only big pharma company to register more than $1m in sales per employee. Still, it could be argued that Abbvie is actually more like a big biotech – given its over-reliance on one biotechnology product and relatively small top-line sales and employee numbers.

Again, the Allergan acquisition has yet to be reflected in Abbvie’s showing here. A look at big biotech companies below shows that on sales per employee these two firms are not dissimilar.

It is interesting that Biogen and Gilead generate pretty similar numbers – both are companies under pressure to boost their top lines. And while Biogen has at least improved its sales per employee over the past few years, Gilead’s has been heading firmly south, as its huge hepatitis C franchise shrinks.

The sellside predicts that Gilead’s revenues will trough this year before slowly climbing again, and executives will be under pressure to make sure that the big biotech retains the sort of metrics that qualify it as a growth stock. However this analysis shows how the lines between big pharma and big biotech are in many cases blurring – Biogen is the only big biotech company not to pay a dividend, for example.