

July 23, 2020

A poor quarter for Roche leads to muted expectations



[Elizabeth Cairns](#)



Launching a suite of Covid-19 diagnostics could not prevent Roche's first-half profits sliding 5%.

Roche has not escaped a hit to its top line from the Covid-19 pandemic, but as one of the leading lights of the coronavirus diagnostics effort – and with no other medical device products to drag it down – it found itself at the half-year point in the unusual position of having its medtech division doing better than pharma.

Its revenues, down 4% overall at SFr29.3bn (\$31.5bn), missed analysts' consensus expectations, and its US stock traded down 5% in the morning today. However, its full-year guidance remains unchanged, at low to mid single-digit sales growth at constant exchange rates – roughly where it is now.

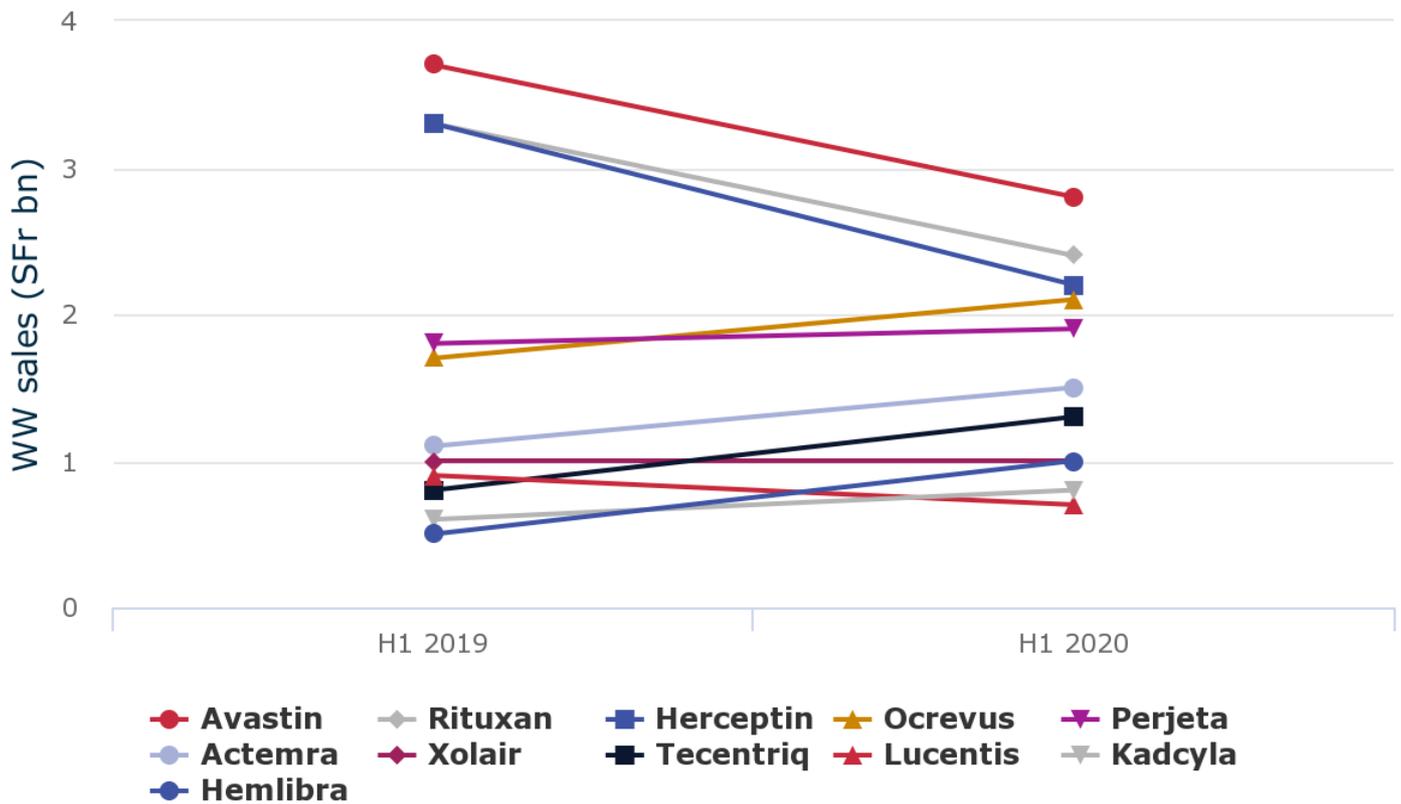
At constant exchange rates the group's first-half sales ticked up 1% thanks to the strong Swiss franc. On an underlying basis, though, both total revenues and sales of its drugs fell 4% owing to decreased hospitalisations and outpatient visits, which hit sales of products including Lucentis and Rituxan in particular. Overall group profits were down 5%, at SFr\$8.5bn.

The upside

Sales of newer medicines including Tecentriq, Hemlibra, Ocrevus and Perjeta were up 37%, the company said. Sales of the rheumatoid arthritis drug Actemra were up 36%, partly because of its inclusion in several countries' treatment guidelines for severe Covid-19 pneumonia – though the use case for the anti-IL-6 MAB [relies more on theory than proof](#).

Increases in sales of these drugs cannot compensate, however, for revenues from its bestsellers falling because of biosimilar competition.

Roche's top-selling pharmaceuticals



Highcharts.com

On the diagnostics side things were a little better. Test sales fell 3% overall as routine testing for disorders like cancer decreased. But molecular testing revenues jumped 51% thanks largely to the cobas Sars-CoV-2 PCR test, and could have been higher. The brake on sales here is production capacity; like other Covid-19 test makers, Roche is having difficulty meeting demand, and this situation is likely to continue for months to come, even after Roche quadrupled its test manufacturing capacity.

The cobas assay is Roche's flagship Covid-19 diagnostic, but by no means its only one. The group has so far launched seven technologies to diagnose Covid-19 or its complications, or to otherwise monitor patients known or suspected to have the disease. Its antibody test appears to be one of the most accurate available, though a link between the presence of antibodies and protection against reinfection remains unproven.

Roche is also the only company to have secured US emergency authorisation for a test to detect levels of IL-6, to identify those at risk of severe inflammatory response in patients already diagnosed with the coronavirus.

Roche's marketed Covid-19 diagnostics

Test	Usage	Availability	Launch date
LightMix Modular Sars-CoV-2	Detection of Sars-CoV-2 in tracheal aspirates or bronchoalveolar lavage	CE mark; research use only in US	Jan 24
cobas Sars-CoV-2	Detection of active infection, testing on our high throughput instruments	FDA EUA and CE mark	Mar 12
Elecsys Anti-Sars-CoV-2	Detection of antibodies against Sars-CoV-2 in patients, testing on established cobas e analysers	FDA EUA and CE mark	May 3
Viewics Labops Covid-19	Efficiency improvements in laboratories	Launched in US	May 7
Roche v-TAC	Digital tool to simplify screening, diagnosis and monitoring of patients with respiratory compromise	CE mark	May 15
Navify Symptom Tracker	Remotely track and manage symptoms related to Covid-19	Launched in US	May 20
Elecsys IL-6	IL-6 testing to help identify severe inflammatory response	FDA EUA and CE mark	Jun 4

Source: Adapted from company communications.

May was the problem month for the Swiss group, with lockdown restrictions, under which patients delayed appointments, causing a double-digit decrease in total revenues year on year. The picture brightened somewhat in June, with the group saying a “strong recovery” was under way.

Even so, the company’s full-year outlook only foresees the possibility a very slight boost from its current status. This is in marked contrast to companies such as Johnson & Johnson and Abbott, both of which asserted that their dismal second quarters would be followed by pretty spectacular comebacks by year-end. Roche’s more modest expectations probably stand a better chance of coming to pass.