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# Here's what Covid vaccines are worth to Big Pharma

By [Chris Isidore](#), CNN Business

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**New York (CNN Business)** – The various Covid-19 vaccines currently being distributed around the globe have the potential to end the worst pandemic in a century. They also will mean hundreds of billions dollars in sales for the pharmaceutical companies that make them.

Despite being priced at less than \$20 per dose, Pfizer ([PFE](#)) expects sales of the vaccine it developed with BioNTech ([BNTX](#)) to total about \$15 billion by the end of this year, with a profit margin of nearly 30%.

Vaccines are typically not the most profitable products in the Big Pharma catalog, especially compared to drugs used to treat chronic conditions.

"Flu vaccines on balance are a lower margin business," said Seamus Fernandez, senior managing director at Guggenheim Securities. There are of course exceptions — including the Prevnar vaccine that protects the elderly from pneumococcal pneumonia, which Fernandez describes as "extremely lucrative" for Pfizer. And the drug maker's Covid vaccine is likely to be an even a bigger money maker.

Developing the vaccines was a gamble for the all the companies that tried, even with most drug makers accepting government grants.

"It would have been a terrible business if the vaccine had failed. It would have been a write off," Fernandez said. "Obviously for Pfizer and Moderna ([MRNA](#)) and Johnson & Johnson, it succeeded pretty spectacularly."

Although Johnson & Johnson ([JNJ](#)) has said it will provide the vaccine on a not-for-profit basis as long as the world continues suffering from the pandemic, that doesn't mean the company won't ever make money from it.

That's because there is an assumption among experts and executives at the drug companies that, even after the

pandemic has passed, people will need to receive booster shots to protect themselves from new variants.

"Genetic mutations occur naturally during virus replication and spread," Pfizer CEO Albert Bourla said in his most recent call with analysts. "There is an increasingly probable scenario when it could become necessary within the next few years to boost COVID-19 vaccinated patients with a vaccine encoding the spike variant."

That will mean even more sales — and more profits — from the vaccine.

Bourla on Thursday defended Pfizer's earnings from the vaccine even as Johnson & Johnson provides it on a not-for-profit basis. He pointed out that in poorer countries that can't afford the less-than-\$20 a dose, the vaccine is being provided at cost. Bourla also said that unlike some other companies, Pfizer did not take any taxpayer money to develop its vaccine and assumed all of the risk with an investment of between \$1 billion to \$2 billion in research and development.

"The value it brings to the world is much, much higher [than the price]," Bourla said in a Thursday interview on CNBC. "Not only the health value but the economic value is tremendous. The price for all Americans is free right now. The price for the government is a fraction of what the economy is gaining."



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Pfizer, for one, expects 2021 revenue of between \$44 billion and \$46 billion, with profits of at least \$14 billion, not counting any spike in revenue from its Covid vaccine. (Its revenues in 2020 totaled \$41.9 billion.) Pfizer and the other Big Pharma companies also have seen their share prices trail the gains in the S&P 500 over the course of the last 12 months.

One exception is Moderna, a relatively new pharmaceutical company which had no approved products for sale as recently as 2019. The drug maker had only \$60 million in revenue that year, but took in \$529 million in grant revenue and \$200 million from early sales of its vaccine in 2020. The forecast for 2021 is for revenue of \$16 billion, overwhelmingly from vaccine sales. Moderna shares are up 187% over the last 12 months.

Governments around the globe have placed orders for 18 billion doses of various vaccines since late last year and so far this year, according to an estimate from Airfinity, a London based research firm. That's more than enough to vaccinate every one of the nearly 8 billion people on the planet two times each. Those orders were placed before governments could be sure that all of the vaccines would be developed successfully, or that production by each company would be sufficient to meet demand.

And some development efforts did encounter problems.

One of the reasons Merck ([MRK](#)) had the excess capacity to help produce some of the Johnson & Johnson vaccine is that its own development efforts failed. On Thursday, Denmark, Iceland and Norway suspended use of a vaccine developed by AstraZeneca ([AZN](#)) and the University of Oxford after reports of blood clots. And some other companies, including GlaxoSmithKline ([GLAXF](#)) and its partner Sanofi ([SNY](#)), are still conducting trials and awaiting initial approval of their vaccines, which may not come until much later this year.

But whether they add billions or nothing to the bottom lines of individual companies, one thing is clear; the vaccines are a PR

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other hand, have given drug makers their best brand development to date, he said.

"There really has been a sea change in the way people perceive them," Dai said. "They're not greedy drug companies charging outrageous prices. They're saving the world. It's really brilliant PR."

In fact, vaccine development could even help quiet the recent talk about government action to drive down drug prices, he said.

boon for the industry unlike any ever seen.

Typically not even patients taking a drug on a daily basis know which drugmaker produced it. At best, they know the brand name of the drug, said Tinglong Dai, business professor at Johns Hopkins University. The coronavirus vaccines, on the

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