Event Brief of Pfizer Inc to Discuss Proposed Combination with Allergan Plc - Final

10,844 words
23 November 2015
CQ FD Disclosure
FNDW
English

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OVERVIEW

PFE has entered into definitive merger agreement under which PFE will be combining with Allergan in stock transaction implying price of $363.63 per Allergan share, for total enterprise value of approx. $160b, based on PFE's closing stock price on 11/20/15.

FINANCIAL DATA

1. Transaction value = approx. $160b.

PRESENTATION SUMMARY -

Review (I.R.)

1. Highlights:

1. Once transaction closes, Brent Saunders will serve as President and COO of combined co.

1. Brent Saunders and Paul Bisaro, along with two other current Allergan Board members will become members of Co.'s Board of Directors.

2. Up on close, Brent will be responsible for oversight of PFE and Allergan's combined commercial businesses, manufacturing and strategy functions.

2. Combination is compelling for several reasons:

1. It helps to accelerate existing strategy.

2. Enhances best-in-class innovative and established businesses.

3. Innovative business adds top-tier positions in number of attractive therapeutic areas with good growth potential.

4. Will enhance prominent Established Products business.

3. Allergan provides with attractive category leadership across multiple desirable therapeutic areas.

1. Transaction will expand growth profile by providing immediate revenue growth engine during period when recent product launches ramp up, and as Co. invests mid and late-stage pipeline by providing opportunities for cost and financial synergies and by leveraging PFE and Allergan's strong track record integrating large transactions.

2. By combining with Allergan, increasing financial flexibility.

3. Will have substantially improved access to existing or future cash to invest in R&D and manufacturing, increasing ability to bring new medicines to patients, while also having flexibility to return capital to shareholders.

4. Today, Co. invests over $7b in R&D with vast majority of it in US.

1. Expects transaction to add to sustainability of [investment in US-base science].

2. Add to this Allergan's investment also primarily in US, will be significantly supporting research efforts in US that advance science and accelerate development of new cures and treatments.

5. Transaction preserves option to potentially split Co. into innovative and established businesses.

1. Given current and acute focus Co. will have on successfully integrating two companies following close, expects to be in position to make decision regarding potential split by 2018-end.

6. Rebuilt pipeline and transformed approach to R&D.

1. Since 2010, had 15 new drug approvals of which 10 were new molecular entities and five were new indications.

7. Allergan expands Co.'s leadership position by bringing strong franchises, Aesthetics, Dermatology, Eye Care, GI, Women's Health, Urology and Anti-Infectives.

1. Several years ago, Co. decided to exit or de-prioritize these areas because it did not have scale, expertise or market-leading positions to be competitive.

2. Generating sustainable growth remains priority.

3. Had positive since beginning of 2015.

4. Co.'s global infrastructure and footprint will significantly expand reach of Allergan's products give that 85% of Allergan's business today is in North America.

5. Allergan's product franchise and key therapeutic areas can benefit from Co.'s global scale for growth.

8. Combination with Allergan is right opportunity for Co. because it optimizes capital structure by giving substantially improved access to existing cash and future cash flow, expanding ability to make investments in US and leveling playing field with foreign competitors for more competitive tax structure.

Additional Details (B.S.)

1. Allergan:

1. Paul Bisaro became CEO of Watson in 2007.

2. Transformed co. from US generic co. to focused and fast-growing global branded pharmaceutical co.

3. Journey led to creation of new Allergan and new leader in Growth Pharma, with double-digit revenue growth, product line depth and category leadership, and open science model that built strong R&D pipeline.

4. Believes combination will enhance growth of each of PFE's businesses with potential for double-digit growth in global innovative businesses and aspiration for mid-single-digit growth in established brands business.

5. Focused on establishing and maintaining category leadership in seven therapeutic areas.

1. Achieved goal of being Number 1 or Number 2 in several areas, like Eye Care, Aesthetics and Dermatology, Alzheimer's disease, and GI.

2. Making excellent progress in building out therapeutic areas internationally.

3. Combination brings opportunity to expand geographical reach to bring more of co.'s products to more markets.

6. Open science model allowed to bring in some of the most cutting-edge projects from across innovation ecosystem, each complemented internal efforts and helped build additional depth in each area.

1. This year, brought in multiple programs to build on Eye Care, Neuroscience and Aesthetics.

2. 2,000-person R&D unit excellent at delivering new products to patients globally.

7. Financial benefits:

1. Shareholders will own approx. 44% of combined co.

2. More than 30% premium from Allergan's unaffected share price in Oct.

3. Provides for additional future value creation from combined pipeline, a leading global commercial presence and strong free cash flow generation.

4. Based on PFE's unaffected closing price of $35.45 on 10/28/15, exchange ratio of 11.3 translates to Allergan stock price of more than $400 per share.

8. Strategic drivers:

1. Accelerates strategy to move up value chain and create new leader in innovative biopharmaceuticals.

2. By creating enhanced innovative pipeline with more than 100 mid-to-late stage projects, combination creates lot of future value for customers, patients and shareholders.

3. Deal gives ability to leverage PFE's global scale to maximize value of Allergan's leading innovative franchises by taking its products into more markets more quickly and more efficiently without building unnecessary infrastructure.

1. Gives access to more than 70 additional markets where Allergan doesn't operate today.

4. Combination delivers immediate long-term values to Allergan shareholders.

5. PFE's dividend and potential for enhanced share repurchases will add another lever to create long-term shareholder value.

9. Through enhanced scale capabilities and operating synergy, deal delivers significant value to Allergan shareholders.

Financials (F.D.)

1. Highlights:

1. Under terms of agreement, PFE will be combining with Allergan in stock transaction implying price of $363.63 per Allergan share, for total enterprise value of approx. $160b, based on PFE's closing stock price on 11/20/15.

1. PFE and Allergan will be combined under existing Irish Allergan entity and continuing co. will be called Pfizer plc.

2. PFE stockholders will own approx. 56% of combined co. on pro forma fully diluted basis.

3. PFE stockholders will receive one share of Pfizer plc. to each PFE share and can also elect to receive cash for some or all of their current PFE shares provided that total amount of cash paid isn't less than $6b or greater than $12b.

4. Allergan shareholders will receive approx. 4.7b shares of combined co. for all current Allergan shares resulting from 11.3-for-one share split.

5. This is fixed exchange ratio with no collar.

6. Shares of Pfizer plc. will remain listed on New York Stock Exchange under PFE ticker.

2. PFE combining with Allergan for implied price of $363.63 per share and Allergan parent co. will be parent co. of combined group.

1. Will use existing Irish Allergan entity as Top-Co.

3. Ownership structure of combined co. will be accomplished by Top-Co. through three steps:

1. Allergan will increase its authorized share capital.

2. Allergan will effect 11.3-for-one share split.

1. Allergan's shareholders will receive [approx. 4.7b] shares of combined co.

3. PFE stockholders will receive approx. 5.9b new shares of combined co. through one-for-one share exchange with PFE stockholders having ability to elect to receive cash for some or all of their current PFE shares.

1. Consequently on pro forma fully diluted basis, PFE stockholders will own approx. 56% of resulting co. and Allergan shareholders will own approx. 44%.

2. This assumes that $12b of cash is paid in transaction and does not take into account share repurchases that Co. plans to execute in ordinary course of business.

3. Structure allows combined co.'s financials to remain relevant for comparison to PFE's current financials in terms of future reporting and modeling, and in terms of EPS.

4. Pfizer plc.'s global operational headquarters will be in New York, while maintaining Allergan's Irish domicile.

1. Today, PFE and Allergan have approx. 5,000 colleagues in Ireland.

2. Boards of Directors of Allergan and PFE unanimously approved merger.

3. Pfizer plc.'s combined Board will have 15 directors consisting of PFE's current 11 directors and four directors from Allergan including Paul Bisaro, Allergan's current Executive Chairman, Brent Saunders, Allergan's current CEO, and two other directors from Allergan to be selected at later date.

4. Completion of transaction subject to customary closing conditions including Allergan and PFE shareholder approvals, regulatory clearance in certain jurisdictions including US and EU, and completion of Allergan's pending divestiture of generics business to Teva, which Allergan expects to close in 1Q16.

5. Expects transaction to close during 2Q16.

6. Both companies have right to terminate and specify circumstances with fees of up to $3.5b.

7. Further details on termination rights and fees payable will be included in merger agreement, which Co. expects to file promptly with SEC.

5. Combination will enhance revenue and earnings growth profile for innovative and established businesses.

1. Expects to realize more than $2b in peak operational synergies over first three years after completion of transaction, with 40% of total savings by first full year after close, 60% by second year, and 100% by third year.

2. Slightly less than two-thirds of savings expected to come from SI&A expenses, less than one-third from R&D and small remainder from COGS.

3. Anticipates transaction to be neutral to adjusted diluted EPS in 2017, accretive beginning in calendar 2018, more than 10% accretive in 2019, with high-teens percentage accretion in 2020.

4. Expectations include impact of expected share repurchases following transaction.

6. Remains committed to attractive dividend policy.

1. Targeting payout ratio of approx. 50% of adjusted diluted EPS, similar to PFE's current ratio.

2. Combination will significantly expand PFE's access to cash providing optimal financial flexibility that will ensure ability to invest in continuing innovation of new medicines for patients, return capital directly to shareholders, invest in US and pursue future business development opportunities on more competitive footing within Co.'s industry.

7. Expects combined co. to generate annual operating cash flow in excess of $25b beginning in 2018.

1. Expects pro forma adjusted effective tax rate of 17-18% by first full year after closing.

2. Transaction does not impact previous 2015 adjusted financial guidance.

3. For 1H16, independent of transaction, PFE anticipates executing $5b accelerated share repurchase program consistent with terms of program conducted during 2015.

4. PFE currently has approx. $5.4b remaining under current authorization.

Combination Benefits (I.R.)

1. Details:

1. Combination with Allergan provides with expanded portfolio of in-line branded products in several desirable therapeutic areas.

1. Enhancing innovative portfolio with flagship brands in information immunology with GI assets in neurosciences, Aesthetics and Dermatology, Eye Care, cardiovascular and metabolic, and rare diseases.

2. In next four years, believes combination will create top-tier innovative growth pharma business that will now have potential of high rate of growth in high single digits, which is more robust than anticipated for PFE on its own today.

1. Allergan's open science model complements work Co. launched over five years ago to change Co.'s approach to R&D, by focusing efforts in areas where Co. has greatest expertise and best chance of commercial and scientific success, setting up industry-leading models for collaboration with academic institutions through centers for therapeutic innovation, aligning global R&D network footprint with key hubs for science and technology like Co.'s expanded R&D presence in Cambridge, Massachusetts, and in-licensing intellectual property and [establishing external relationship to R&D services that did not] drive competitive value for PFE.

3. By combining with Allergan, will enhance pipeline capabilities in new molecular entities and product line extensions, and will achieve this will minimal disruption to current R&D work.

1. In neuroscience, Allergan has promising pipeline of assets across number of disease areas including novel treatment in development for major depression with rapid action in treatment resistant population.

2. In ophthalmology, Allergan building capabilities to develop solutions for back-of-the-eye disease of retina.

1. Ophthalmology has natural connection with neuroscience.

3. In gastrointestinal disease, Allergan has number of novel drugs for irritable bowel disease, and potential break-through for diabetic and gastroparesis, an area of high unmet need.

4. Allergan's experience with BOTOX brings additional capabilities in developing and commercializing complex biologics complementary to Co.'s own expertise in biopharmaceutical science.

5. Co. can benefit from Allergan's extensive work in building extensive pipeline around BOTOX for multiple new indications of other disease areas, and other aesthetic indications.

6. Allergan will help to maximize value of Established Products business through number of mature brands and complementary brands that span multiple areas including cardiovascular, anti-infectives and women's health.

7. PFE's established business will benefit from Allergan's additive topical formulations, manufacturing and Anda distribution capabilities.

Key Takeaways (F.D.)

1. Details:

1. PFE and Allergan have history of successfully executing transformational business combinations, and subsequently integrating companies while meeting and exceeding synergy targets like:

1. PFE's acquisition of Wyeth, and recent acquisition of Hospira.

2. Allergan's transactions with Actavis and Forest Laboratories.

2. Combination is compelling for shareholders in that it will create two best-in-class businesses operating within more competitive biopharmaceutical leader, enhanced earnings with near-term revenue growth potential and expected adjusted diluted EPS accretion beginning in calendar 2018, increase Co.'s financial flexibility to deploy capital for reinvestment in business, business development activities, R&D and direct return of capital to shareholders and preserve option to consider future value-creating opportunities for Co.

QUESTIONS AND ANSWERS

OPERATOR: (Operator Instructions)

Jami Rubin from Goldman Sachs.

JAMI RUBIN, ANALYST, GOLDMAN SACHS: Thank you very much and congratulations both of you to what looks to be a very exciting deal. Maybe for you first, Ian. The $2 billion in synergies does seem low relative to what we have seen with other deals, even the Wyeth deal. Initially you talked about a synergy number that you did exceed, that this $2 billion on a combined operating expense basis does seem a little bit low. I'm wondering if you can flush that out a bit and if you can give us a sense for the conservatism that you used to call out that number.

And then secondly, just curious what is included -- you talk about earnings being accretive in 2018 and 2019 including share buybacks. I'm again wondering what the implied share buyback number is. Is that the $5 billion you are talking about because the $5 billion seems what you would normally do anyway. I would think with this deal you have so much more access to cash and flexibility that you should be able to go much, much bigger than that $5 billion.

And then thirdly on the split, you talk about 2018 as being now the earliest you can make a decision. Again, that does seem conservative and wondering again why it is likely to take so long to make that decision. Thanks very much.

IAN READ, CHAIRMAN & CEO, PFIZER INCORPORATED: Jamie, thanks for the congratulation and the great questions as always. All of these questions seem perfect for Frank to answer, so I am going to pass them over to Frank to give you the answers. Thank you.

FRANK D'AMELIO, CFO, PFIZER INCORPORATED: Let me hit each one of these. So on the $2 billion in synergies, I think a couple ways to think about that. One, these are both two companies that are extremely well run, quite efficient. And, two, we have portfolios where there is not a lot of overlap. In fact, they are very complementary which is one of the big appeals I think of the transaction.

That said, please know we will get every dollar of synergy that is available to us. We said no more than $2 billion. We will get to $2 billion and everything that is available beyond the $2 billion we will get, but there is not a lot of overlap between the two companies, and these are two companies that are run effectively already.

In terms of the buyback amount, I think the way to think about the buyback amount is we did $5 billion this year, we did $6 billion last year. Clearly in terms of the improved access to our global cash going forward, we will clearly be able to enhance the buybacks that we are able to do on a going-forward basis.

In terms of the timing, with the decision on the split by no later than 2018, I think the way to think about that is we've talked about previously by the end of 2016. Given the size of this transaction we have really re-prioritized and there's nothing we can do more important than to get this transaction right, to get the integration done effectively and efficiently, and obviously as we work our way over the integration planning process we will fine tune and firm up that date.

IAN READ: Thank you, Frank.

CHUCK TRIANO, SVP OF IR, PFIZER INCORPORATED: Next question please, operator.

OPERATOR: Liav Abraham from Citi.

LIAV ABRAHAM, ANALYST, CITI: Good morning and let me add my congratulations. Two questions. Firstly, I am interested in your thoughts on the political risk to close the transaction. It seems as though following the recent treasury rules that came out last week any political risk would require action by Congress. I'm interested in your thoughts on the likelihood of that happening over the next 6 to 12 months.

And then secondly for Brent, I'm curious on the due diligence you did on Pfizer and specifically on how your key growth assets could be impacted by this transaction. Can growth pharma exist within such a large organization and how do you anticipate to keep the fantastic Allergan growth momentum going within such a large integration and within such a large infrastructure more generally? Thank you.

IAN READ: Thanks for the questions. On the political risk we have accessed this deal looking at the present regulations, the new notices, and all the information we can glean, and we believe this deal is a great deal for shareholders both for Allergan and Pfizer, and are happy to be announcing this deal today. Brent.

BRENT SAUNDERS, CEO, ALLERGAN: Yes, so with respect to diligence, obviously we would have done extensive reverse diligence here since we are taking our full consideration in Pfizer stock, and we got very comfortable that Pfizer is an incredibly well-run Company and that our products and our culture fit very nicely into Pfizer. I think with respect to growth pharma and momentum, I would say that we think that it can stay alive. When you look at the innovative business of Pfizer, it is growing very nicely. When you look at the pipeline of the combined companies with over 100 late-stage programs, that's the jet fuel that will keep the growth moving forward.

Ultimately, I don't think the integration will be a distraction for our people. We are quite experienced at doing these things. We have had lots of skepticism through the Allergan integration that we would keep that strong growth going in many of those legacy businesses, and I think we proved quarter over quarter that our people could handle the integration and sell our products. In fact, we are launching a product today to our sales force in Viberzi, and our sales force is incredibly focused at going out and talking to doctors about this important new therapy. So, I am very comfortable that growth pharma not only can stay alive but can be accelerated in the new innovative products division here at Pfizer and the pipeline will only sustain that growth for the long term.

IAN READ: Thank you, Brent. I would add that one of the reasons Pfizer is doing this deal is because we believe in that growth potential in the innovative business and think we have a wonderful combination of assets to ensure that.

CHUCK TRIANO: Thanks. Can we move on to the next question, please.

OPERATOR: Chris Schott from JPMorgan.

CHRIS SCHOTT, ANALYST, JPMORGAN: Great. Thanks very much and congrats as well on the deal here. My first question. Can you talk a little bit about business development and capital allocation going forward. Ian, Pfizer's been very active with deals increasingly so over the past few years and, Brent, you've talked in the past about the potential for rapid consolidation on large cap names in the sector.

My question is, does this pro forma company remain a highly active acquirer of assets, including larger deals or should we think about a period of digestion where the focus is on integration and the potential split of the Company.

My second question is maybe one for Brent in the new role you are going to be joining here. I think when you joined Forest and then over to Allergan you talked about filling white space in building out areas the Company had a presence but maybe not market leadership.

When you look at this pro forma Company, I think we can all identify areas of leadership, but are there verticals when you look at the new company here where you see an opportunity to build out where Pfizer or Allergan can be even stronger and where are those newer verticals we should maybe focus on there? Thanks so much.

IAN READ: Well, Chris, let me answer a couple questions about meeting capital allocation and then I will ask Frank to add anything he wants to add to it. We have just completed a substantial investment in our established products business with purchasing Hospira. This is a major undertaking. I think our first focus, I wouldn't call it as you say a pause, but our first focus is on getting this integration right and then getting our balance sheet in an optimal capital situation.

With that being said, we have very, very strong cash flows. We are always looking at the potential to acquire intellectual property that can add to our growth rate and we will remain open to those types of opportunities. Frank, do you want to add anything to that?

FRANK D'AMELIO: I think I will punctuate what Ian said in terms of clearly priority one is to get this integration right given the criticality of this to the combined companies. I think at a macro level if we bump it up, our priorities for capital allocation hasn't changed. We get the importance of the dividend in our investment thesis. We talk about continuing with a very attractive payout ratio.

We continue to do share buybacks. We will be able to enhance our buybacks. We will continue to invest in the business, and where prudent we will continue to do business development. I think we have a track record of being good stewards of our shareholder's capital and we continue to remain shareholder friendly relative to capital allocation.

IAN READ: Thank you, Frank. Just to put a finer point in the dividend. We talked about a payout ratio of roughly 50%. I think in numerical terms this will mean that effectively the dollar dividend per share will remain similar to that of Pfizer shareholder's dividend today. With that, I pass it over to Brent. I am excited, too, to hear about his ideas of looking for white space and vertical growth.

BRENT SAUNDERS: Absolutely. Thanks, Chris. Look, I think there are plenty of opportunities for white space in growth and I think that will come from a balance of our own pipeline as well as business development and a company that is going to have $25 billion of free cash flow is going to have a lot of optionality in the future.

When you look at specific areas, clearly in our areas there were lots of areas for white space, like neuroscience was an area for us. While we are number one, a strong number one in aesthetics, we had a lot of white space in medical dermatology, for example. When you look at Pfizer, I think there is clearly opportunity in oncology and their strong pipeline in oncology and rare disease just to name two.

I think when you step back and look at the Pfizer pipeline their depth in JAK inhibitors, for example, I think could add lots of potential for dermatology as well as GI. There are just natural areas like that, and I could probably go on for hours and talk about them.

I think the biggest one we should focus on is international though. Our ability to leverage over 70 markets that we don't have a presence in today and probably another 30 where we just have distributors today and not a direct presence is a huge opportunity for future growth and that is something I think we should be equally excited about in terms of not just the pipeline and business development but our ability to grow globally with all these great products.

CHUCK TRIANO: Thanks, Brent. Could we move to the next question please, operator.

OPERATOR: Ronny Gal from Bernstein.

RONNY GAL, ANALYST, BERNSTEIN: Good morning and thank you for taking my question. A couple of technicals and then I have a question for Brent. First, will their shareholders be required on both sides to get this deal approved? Second, does the deal contain a high provision or are there other aspects that will guarantee it will go through even if there is some sort of government action against it?

And third, the question to Brent. Brent, during the summer you told us when the stock was around $340 that some will have to pay something well into the $400's to justify this deal. The stock is now 20% lower and you come out with a price which, if it is what I'm hearing from your investors, something they found very pleasing.

I understand there is some combination here with Pfizer that could generate more value but you are selling out to Pfizer, it's their management, their organization, their strategy, I understand you might be able to contribute, but you had a pretty good asset at hand, you were doing a lot with it, why sell here?

IAN READ: Frank, do you want to take the first part of the question and then Brent will move on to the second part?

FRANK D'AMELIO: Yes. So, I think the first part of the question had to do with closing conditions. There are three major closing conditions. One is it does require shareholder approval, shareholder approval by the Allergan shareholders, shareholder approval by the Pfizer shareholders. Obviously it will require a regulatory clearance in certain jurisdictions, including the United States, the EU, and some other countries, and then last obviously Allergan completing the disposition of its generics business to Teva.

And then in terms of other contract language or merger agreement language, customary terms and conditions are included in the contract, the merger agreement, we will be disclosing that very quickly as we file promptly with the SEC.

IAN READ: Brent.

BRENT SAUNDERS: Ronny, I appreciate the question. It's a good one. I think you can't get caught up in the spot price on one day. This is a fixed share exchange ratio of 11.3 Pfizer shares for 1 Allergan share. And to be fair, the day we kind of shook hands on this, on October 28, that would've represented a price over $400. What the stock does day to day I think we can't get too focused on. We have to look at where it goes over the long term.

I think the better way to think about it is our shareholders will own 44% of the leading biopharmaceutical company with tremendous future optionality for growth and value creation. They will get access to a dividend, a steady stream of cash that will be returned to shareholders.

It isn't just Pfizer management. I am joining in a very significant role. I think over time you will learn of other potential members that will join. We are going to treat this more as a merger than an acquisition or a combination.

I think the team will continue to work hard together to create incredible value, and when you look at the leading pipeline and you look at all the future opportunity for growth, I think this is an outstanding deal for our shareholders.

CHUCK TRIANO: Thank you, Brent. Next question please, operator.

OPERATOR: Tim Anderson from Bernstein.

TIM ANDERSON, ANALYST, BERNSTEIN: Thank you very much. Question -- going back to the first line of questioning. This is really for Ian, I guess. You are talking about not splitting up or not making that decision until late 2018. You may remember that we started to have these discussions with you about splitting up in March of 2011. That will have been almost 7 years ago by the time we get to 2018. I'm wondering what has taken so long in making this decision.

I understand the Allergan integration takes time, pushes out that timeline, but even without that we are 4-1/2 years downstream of those initial discussions. So I'm wondering what changed either in the market or with Pfizer's business such that we are talking about such a protracted timeline. It doesn't really seem if I go back to March of 2011 we were really talking about something that would not occur until 2018.

And second question is on the accretion guidance high teens by 2020, I think the -- I guess one question is what the reference point is. Should we think of 2020 current Pfizer consensus as a valid reference point for where that high teen accretion should be applied to?

IAN READ: Okay. Let's go back seven years. I think we had a very interesting conversation seven years about different strategic directions that Pfizer could take. We have always said that first of all we had to move to see internally whether those businesses could be successfully managed inside Pfizer. That took time to reorganize.

We then said that we wanted to see if they could run well on a standalone basis. We wanted to see if there was on-track value. We wanted to be sure it could be done in a tax efficient manner. Those were all big issues that needed to be tackled.

Now, I think you can see that through these intervening years we have moved to deal with every one of those issues. We have strengthened our established business so it is a powerful company that works well inside Pfizer and I believe could work well independently. We, through this transaction, added strength to our innovative business, given it a lot more sustainability, and we have also created I think the potential capital allocation and access to capital that will help these businesses compete.

So while I appreciate you feel the timeline is long, we do have legal impediments to putting together or breaking up internally companies, creating the balance sheet, the P&L's, and the cash flows. And we were getting ready to be able to make that decision in Pfizer in 2016. So that's not really that long from the point of view when we were talking. Now because of this transaction, which I think adds huge value, it's not unexpected to say it's going to take us two years to get back into that same position.

With that, I will pass it over to Frank for the discussion on accretion.

FRANK D'AMELIO: So, Tim, relative to the high teens percentage accretion in 2020 that is based on the internal projections of both companies. So that is the way to think about that. And obviously those accretion numbers that I gave by year, neutral in the first year, modestly accretive in the second year, more than 10% in the third year, and then high teens percentage come 2020 also assumes planned enhanced share buybacks.

CHUCK TRIANO: Operator, can we please move to the next question?

OPERATOR: Andrew Finkelstein from Susquehanna Financial.

ANDREW FINKELSTEIN, ANALYST, SUSQUEHANNA FINANCIAL GROUP: Morning. Thanks very much for taking the question. I was hoping you could comment at all on any benefits you uncovered during the process of discussion that were maybe greater than what you would have assumed looking at the obvious attractions from the outside. Then as you look forward, if you could talk at all about what the keys are going to be for organic growth for each of these companies. What we should be looking for over the next nine months or so as this process is ongoing? Thanks very much.

IAN READ: Well, from my point of view, and I will ask Brent to make some comments as well, the benefits that I really could see but didn't fully really appreciate was the strength of the franchises that Allergan has, the way they built up their customer base, the way they have built around key molecules, the way they've got durable assets that have incredible growth still available in the United States, the fact they have a young in-line portfolio. They have good assets that can be developed and this incredible potential of taking these assets which are today sold mainly in the United States out through Pfizer's international distribution network.

So I am incredibly excited about the strength of the franchises, the focus of the franchises, international expansion, and our ability to use our resources and theirs and R&D to continue that journey of offering and creating new medicines. Brent.

BRENT SAUNDERS: I would at that when you look at the strategy I think both companies have had around category and therapeutic leadership I think it was very reassuring to me not only will we complement each other in the existing therapies and categories, but we can extend that into new ones from an Allergan perspective, whether that be oncology, whether that be vaccines, whether that be rare disease. It just gives us so much more optionality for future strong growth.

I think the other thing I mentioned already is the international capabilities to be able to touch roughly as I said 70 new markets and 30 with the direct presence of close to 100 new markets with our products, many of which have already been approved or registered will give us an instant boost to growth. So that I think is also exciting.

And the last I would comment is R&D. I think our open science approach is highly complementary to that that was built under Mikael's leadership here with Ian and the team. And I think when we look at our capability to add new capabilities I should say in discovery to development to therapeutic area of focus, I think we are going to create a powerhouse for growth on a go-forward basis.

CHUCK TRIANO: Next question, please.

OPERATOR: David Risinger from Morgan Stanley.

DAVID RISINGER, ANALYST, MORGAN STANLEY: Thanks very much, and I wanted to add my congratulations on the transformational deal. I have two questions. First, regarding the potential future separation of established products, how many years post closing do you have to wait to exit it while preserving the new Irish domicile and tax rate for established products?

And then separately, I'm just hoping you could talk about plans for integrating Allergan's business and people in Irvine, California, with Pfizer's in New York. Obviously the decision was made to try to protect the employees at Allergan when the Actavis transaction was announced. Maybe you could just talk about any high-level integration plans cross country. Thank you.

IAN READ: Frank, do you want to deal with the timing?

FRANK D'AMELIO: With the expectation that we will continue to run the Company in the current two segments, so think innovation and established products, we will be able to use some of our existing financial information and would be in a position to meet all appropriate accounting requirements for a split if we so chose to do so during 2019.

IAN READ: And I think, David, on your question about integration preserving talent, we are very focused on that. I don't think there should be any concerns within either organizations about the fact that we are to conserve all of the talent expertise that both companies have accumulated to drive our businesses forward. I would ask Brent to add some comments to that if he wants to.

BRENT SAUNDERS: David, the reason we, as you said, protected our colleagues in California is because they are quite good at what they do. Eye Care, for example, which is headquartered there. Southern California is the epicenter of eye care innovation. Our eye care franchise will stay in California. Medical aesthetics is based out of California. Our discovery unit is in California. They are all together marketing and R&D and I suspect that that will stay there for the long term. And so it's not about protecting people, it's about keeping the best people in the right location to drive value in the future and that will be the philosophy we approach integration with here as well.

CHUCK TRIANO: Can we move on to the next one, please?

OPERATOR: Mark Schoenebaum from Evercore ISI.

MARK SCHOENEBAUM, ANALYST, EVERCORE ISI: Hi, guys. Thanks a lot for taking my question. Congratulations to Ian and the whole company for great pre-deal communication on general strategy, et cetera. Certainly the specifics of the deal weren't expected, but I think we all understood in general what the goals were.

I have one more question on the dividend. You tried to answer this earlier, Ian, but I just want to be very clear. The dividend to Pfizer shareholders per share will remain roughly the same as where it is today is what I understand the message is. But once the NewCo, once the companies are combined and the share count grows so much, will the dividend per share also remain around the same or should we expect that to drop just given the massive increase in the share count?

And then I was hoping maybe Brent for the benefit of the Pfizer analysts on the line who are just getting to know you, could you maybe tell us what the top three pipeline programs are at Allergan that could generate $1 billion in revenue that may launch by 2018, maybe just pick three? We are interested in blockbuster stuff at peak that could launch over the next three maybe four years.

And then finally just to clarify the answer I think to David's question, and this is probably to Frank, must you wait three years post closing in order to split given that you will need three years of audited financials as you have explained before? So should we eliminate this speculation, the split for 2019 is conservative. You have explained very clearly before that you will need three years audited financials. Will this transaction post close reset that three-year requirement? Thank you very much.

IAN READ: Some interesting questions. I will try and articulate the dividend issue and then allow Frank to make further comments that haven't been clear. Our expectation is that we will follow the -- the Board of course always approves all dividend policy. Our expectation is we will continue at Pfizer standalone with our dividend policy and at post the integration, the new shareholders per share will receive a similar level of dollar dividend that Pfizer shareholders received prior to that and any future dividend policy will be determined by appropriate capital allocation the way we have been doing all the time while we have been at Pfizer. So I hope that is clear enough. Frank, is there anything you want to add to that?

FRANK D'AMELIO: I think the only thing I would add is you heard us say in our prepared remarks that we intended to keep approximately a 50% payout ratio which is what we have today as our adjusted earnings grow and obviously with that 50% payout ratio being roughly the same, the resulting dividend would increase. So just in terms of the rhythm of the numbers relative to the dividend payout ratio.

In terms of the timing, we do not restart the clock relative to the three years. But once again I just want to reiterate the reason we talked about by the end of 2018 on the decision is the most important thing we can do now relative to capital allocation is get this transaction right, get these combined companies humming operationally. So get the integration done effectively, get the integration done efficiently. On that timetable, that would get us to a 2019 date if we so chose to exercise our option.

IAN READ: Okay. Please, Brent.

BRENT SAUNDERS: It's like trying to pick favorite children. I think there are a couple that come to mind very quickly. For Rapastinel for depression is something I am very excited about. I think that and the oral follow-on compound sitting right behind it could be among the largest drugs we ever developed inside of Allergan or the legacy companies and Rapastinel should hit the market roughly 2019.

I think another very exciting program is abicipar or the DARPin program for AMD. That is in phase 3 and enrolling as we speak. We are also very excited about what that could do for patients suffering with AMD.

Getting to a third one it's kind of a tie for me between Esmya for uterine fibroids also enrolling in phase 3 and should be approved and launched in 2018. Very large market, very high unmet need.

And then of course relamorelin for diabetic gastroparesis, which Ian mentioned in his script, also finishing up phase 2B or in phase 2B is something that really could be a first-in-class treatment in a disease category that has not had a new treatment in 30 years. And so that is something we look very much forward to not only bring for patients but could be a huge growth driver for our GI franchise in the future.

Remember, I mentioned earlier Viberzi is launching today and so we were in Dallas last week getting the sales force trained. Bill and I both were there and the sales force is incredibly motivated. Perfect complement to Linzess. Powerhouse in IBS, and our sales reps are hitting the streets today which is very exciting.

CHUCK TRIANO: Let's move on to the next question, please.

OPERATOR: Gregg Gilbert from Deutsche Bank.

GREGG GILBERT, ANALYST, DEUTSCHE BANK: Thanks a couple of follow-ups for Frank first. Can you confirm that the tax rate should go lower after your year one predictions in the press release? Secondly, can you help us understand the cost of achieving the synergies, both the operational and tax synergies?

And lastly for Ian, just to hopefully cover this capital allocation question. I think people understand the importance of you gaining full access to the balance sheet. But more specifically, am I hearing you right that the financial commitments you are making today to sort of account the outlay is maintaining your dividend payout ratio over time and then buying back additional stock beyond the norm to offset EPS dilution? Or philosophically should we be taking away more than what I just said in terms of this new flexibility and how we can see some tangible benefits from that, that you can commit to today? Thanks.

IAN READ: Okay, Gregg. Thank you. I am going to let Frank answer all of those questions because I apparently have been unable to communicate the dividend policy post and prior the merger. So, Frank, go ahead.

FRANK D'AMELIO: On the tax rate I said 17% to 18% in the first full year following close, call that 2017. From a modeling perspective, you should assume that 17% to 18% remains essentially constant. That would be the first one.

In terms of cost or synergies, for every dollar of synergy we will achieve, assume about $1.25 to $1.30 in terms of cost to achieve that synergy. By the way, that is very customary with what we have done in our past transactions.

And then in terms of the capital allocation, I think approximately a 50% payout ratio and enhanced buybacks is the way I would explain it. So very friendly capital allocation relative to returning capital directly to our shareholders.

IAN READ: And I think once again your point about the dividend payout we expect the new company to pay out initially subject to Board approval the same dollar amount per share that Pfizer shareholders prior to the merger would have been getting, and then post that we will continue with a shareholder friendly capital allocation as you've seen in the past years.

FRANK D'AMELIO: And we clearly want to move to an optimal capital structure as quickly as possible.

IAN READ: Right. And we believe all of those can be done under this construct.

CHUCK TRIANO: Next question, please.

OPERATOR: Brent Rice from Janney Montgomery.

BRENT RICE, ANALYST, JANNEY MONTGOMERY: Gentlemen, I will stipulate that you're not in the business of rendering tax advice, but in your opinion for a US shareholder of Pfizer in a taxable account, what tax consequences are we looking at?

IAN READ: I'll ask Frank to answer that and I think it depends on which shareholder?

FRANK D'AMELIO: It's a non taxable event to an Allergan shareholder. It is a taxable event to a Pfizer shareholder assuming they have a cost basis that's lower than the current price. Really two ways to think about this from a Pfizer shareholder perspective. One, this is about creating value over the long term for our shareholders and, two, we are including in the transaction no less than $6 billion of cash, no more than $12 billion in cash. That will help to mitigate the impact of this being a taxable transaction for our shareholders.

CHUCK TRIANO: Next question, please.

OPERATOR: Marc Goodman from UBS.

MARC GOODMAN, ANALYST, UBS: Yes. A few things first. Just to confirm. Do you believe, Ian, that you are going to get all the inversion benefits from doing this transaction, offshore cash, everything that we would expect?

Second thing is can you just repeat where the $2 billion of synergies will come from and if there is going to be more than $2 billion, where would the extra synergies come from?

IAN READ: Thank you. Once again, I want to stress that we are not doing this transaction simply as a tax transaction. We are doing this because of the strategic importance of the franchises, the revenue growth we believe we can get within the US and internationally, and the importance to combine the research approaches.

As we read the current law with Allergan owning approximately 44% of the new company and Pfizer shareholders owning approximately 56%, we think that we will be able to realize the full benefits of that type of transaction.

FRANK D'AMELIO: On the $2 billion, Marc, let me run through this. I will run through it in a couple of ways. First, in terms of where is it by I'll call it P&L line item, slightly less than two-thirds is SI&A, slightly less than one-third is R&D, the small remainder is in COGS. That's where it is. In terms of when we get it, approximately 40% in year one, approximately 65% in year two, and obviously 100% year three.

As I mentioned earlier, it will cost about $1.25 to $1.30 per dollar of synergies to derive those synergies. And then in terms of if there is more, Frank, where would it be. I think the way I will answer it is we need to get the first $2 billion. We will nail that. If there is more, they will get it, and when we get it we will tell you where it is.

CHUCK TRIANO: Next question, please.

OPERATOR: Elliot Wilbur from Raymond James.

ELLIOT WILBUR, ANALYST, RAYMOND JAMES: Thanks. Good morning. First question I guess just in relation to synergies. Obviously relatively easy to understand the cost synergies you have identified. You talked a little bit about revenue synergies in the sense of a much larger geographical platform to complement the existing Allergan products, but maybe there are some other areas you can talk about in terms of potential revenue synergies that you have not alluded to previously that we should be thinking about.

And then just as a followup that outside of your commentary on the reduction in the effective tax rate, I always seem to have a difficult time translating that into actual cash tax savings, so maybe you could give us some sort of targeted metrics around potential cash tax savings over the next couple years.

And then just a question for Ian. With respect to Allergan business today, obviously the properties that make up that business have all been for sale at one point in time or potentially multiple points in time over the past couple of years. Curious as to why is now the optimal timing to purchase this package of businesses versus potentially being able to have looked at them at much lower prices over the past couple years? Thanks.

IAN READ: Okay. Thank you. For the revenue synergies I think we have discussed some of them but another potential revenue synergy is the ability to put together the two amazing field forces that exist in the United States behind these therapies, behind some of the franchises that Allergan has to make sure that every franchise is fully invested in. We will have that opportunity and I suspect that that will allow us to get synergies beyond the international synergies in the cost synergies we talked about.

This is going to be a dynamic organization with great leaders, enthusiastic owner culture and we are really raring to go on maximizing the value of these franchises. So with that I would -- also on the point of view on buying the assets, I think Paul and Brent and his team have done a great job of developing these assets, positioning them, getting them in the market place, getting access. I think this is the right time and is when I feel confident in the franchise strategy that Paul and Brent have put together. So I think this is the ideal moment.

FRANK D'AMELIO: I think the simple way to answer the tax cash question is to think about what this does which is significantly increases our access to global cash and that's an enabler of the capital deployment strategy that I talked about earlier relative to dividend payment, enhanced buybacks, investment in the business including R&D, and further business development. So, that's the way to think about it.

CHUCK TRIANO: Next question, please.

OPERATOR: Colin Bristow from Bank of America Merrill Lynch.

COLIN BRISTOW, ANALYST, BOFA MERRILL LYNCH: Congratulations on the deal. Just to build a little on Chris's question. As you look at the pro forma company, can you talk about where you see the greatest need for further potential acquisitive action? Is it on the innovative side? Is it the established products side? And then a quick question for Frank. How are you thinking about the optimum capital structure going forward? Thanks.

IAN READ: On further BD, we will be very well positioned to look at assets on intellectual property that either fit within the categories we have which would be more optimal because we could leverage them or even outside of that category if we believe in them. This will give us the ability to have unencumbered access to the full power of the balance sheet and we will continue, as Brent has done and Allergan has done, to look outside our walls to acquire intellectual property to be opportunistic there, and we will continue to look at all types of deals. Number one job is to get this integration done. Get this new company working really well and while being opportunistic of any further acquisitions and property. Frank.

FRANK D'AMELIO: On optimal capital structure I talked about, one, getting there as quickly as possible. In my mind, the optimal capital structure is one that is enabling the operations of the company to be successful. Operational cause equals financial effects, so we want a capital structure that enables growth, that enables shareholder-friendly capital, allocation that enables future value creating business development. It's an enabler of the operation of the business every day.

IAN READ: Brent, do you want to add anything to the franchises?

BRENT SAUNDERS: I think it is quite simple. Obviously harder to implement, but it's all about therapeutic and category leadership. I think when Ian put up one of the charts that showed the combined therapeutic category you could see we have strong positions in every area. There are lots of white space surrounding each of those areas and I think we are building in those areas through our own R&D capabilities and supplement it with smart focused growth oriented business development, and I think that's exactly how we will continue to add value and build growth.

CHUCK TRIANO: Next question, please, operator.

OPERATOR: Seamus Fernandez from Leerink.

SEAMUS FERNANDEZ, ANALYST, LEERINK PARTNERS: Just a couple of quick ones. As I do the math on the magnitude of the share repurchase, assuming the shares stay roughly within the range that they have been trading in over the last period, I am getting to about a $43 billion share repurchase. Just to kind of get to that net neutrality that we talked about in 2017, so maybe just as a clarifying point there. Is that within the realm of reason to execute and how would you actually go about the mechanics of executing such share repurchase? Would we be thinking about this as a Dutch auction-type option or do you think that again the natural operations of business would facilitate something to that degree?

And then just as a second question, how should we think about accretion and dilution from a Pfizer math perspective? Obviously the accretion there would -- the presumptions are that the consensus earnings might be blessed but could you move forward and basically say that within that timeframe that Pfizer kind of blesses where the consensus earnings was at least at this point in time as we think about accretion? Thanks a lot.

IAN READ: Thank you, Seamus, for the questions. I am going to ask Frank to answer the buyback and future projections question.

FRANK D'AMELIO: So, Seamus, without commenting on the specific amount that you did your forecasting on, in terms of how we would accomplish enhanced share buybacks, there are multiple options available to us. There is an accelerated share repurchase, we did one last year. There's things like a tender that we would be able to do. So, there are different options that are available to us and what we do what we believe best accomplishes the task at hand. We will explore all of our options and we will do what we think is best in terms of creating shareholder value.

In terms of the accretion dilution, the way to think about that as I mentioned earlier that's based on both company's internal plans. When we get on our next earnings call the end of January, we will close out 2015. We will give guidance for 2016. That will provide a rhythm for the EPS numbers from 2015 to 2016 and that's what we'll do. We don't give guidance beyond one year, but in terms of the accretion dilution, if I go back to what I said earlier neutral in 2017, modestly accretive in 2018, more than 10% in 2019, high teen percentages in 2020.

OPERATOR: Vamil Divan from Credit Suisse.

VAMIL DIVAN, ANALYST, CREDIT SUISSE: Thanks so much for taking the question. A lot of questions on the potential breakup down the road. Curious just on the impact of this deal on the current business structure of Pfizer. The GIP and VOC units on innovative side, but I think for Allergan's products it is interesting that some may not fit so nicely in that structure. So specifically, I'm wondering, is this something you would view as just being strictly GIP business? Is there some way to incorporate this into the consumer part of VOC given the way that franchise is consumer facing? Just curious how you're thinking about potentially changing the internal structure given the assets that you are now acquiring.

And then the second question, and this may tie in a little bit to the question earlier on share repurchases. Large amount of cash Allergan from the sale to Teva, I'm wondering if there's any sort of near-term priorities you can share on that cash that Teva will be providing when that deal closes or should we assume nothing really happens with that until this Pfizer Allergan deal closes a few months after that? Thanks.

IAN READ: It's very early to speculate on the organizational construct. We are nine months or more away from consummating this deal. Both companies have a lot of experience in working through integration and ensuring that the combined company has the optimal structure. I expect you will see we will have a continued strong focus on business units with autonomy to drive the business, and we will put together businesses that make sense to be put together. But we would like to continue to look at global businesses with strong BU leaders that can be enthusiastic and have accountability and drive the business. Brent, do you want to add anything to that?

BRENT SAUNDERS: I think Ian is right. We will figure it out. We have a lot of experience in reordering logically how assets should be managed with strong global business units and key talent managing those. I think there is interplay between consumer and some of the aesthetics business. It's not one for one or directly overlapping, but clearly OTC capabilities, DTC capabilities and things like that will be value creating. We will look for best practices. We will look for sharing experiences and that should drive value for things like aesthetic medicine as well as for the OTC franchises.

IAN READ: Okay, and the cash?

BRENT SAUNDERS: I think with respect to the cash that we get from Teva we do fully anticipate that deal to close in the first quarter. Everything there is on track and moving very nicely. We have really done an extensive amount of pre-integration separation work and are working very well with our Teva colleagues.

Clearly, we are committed to our investment grade rating as a standalone entity until the deal closes, and so we will continue to look for ways to not only preserve that cash but likely pay down some debt to make sure that we do preserve that investment grade rating.

CHUCK TRIANO: If we could take our last question, please, operator.

OPERATOR: Alex Arfaei from BMO.

ALEX ARFAEI, ANALYST, BMO CAPITAL MARKETS: Good morning, folks. Thanks for taking the question and congratulations. Frank, the cost of sales synergy given you provided sound conservative given your vast manufacturing infrastructure with Allergan. I'm just wondering if you could comment on that and whether that's partly because you are preserving the optionality for a potential split?

A follow up for Brent. You mentioned you will have access to about 100 new markets. Could you quantify what that potential revenue opportunity is versus what you can achieve on your own organically? Thank you.

FRANK D'AMELIO: On the cost synergies, Alex. The way to think about that is if you look at Allergan's total cost number, roughly two-thirds of it when we did diligence, was I'll call it unaddressable. You have got the end of distribution business and then you have got significant royalty. So really approximately one-third of that business is what I will call addressable and so the synergy number was derived based on the cost basis that was approximately one-third what the overall cost was. If you look at it on that basis, it is not nearly as low as it would appear at the general ledger level.

BRENT SAUNDERS: We can't quantify revenue synergies at this point, but I think the thing just to plant some ideas for you very quickly. Think about some of the most exciting and biggest markets that we have actually zero or low presence in. Take Japan, for example, the second largest pharmaceutical market in the world. You have a multi-billion dollar business in Pfizer that already exists there. We're trying to figure out how to bring our product flow into Japan in an efficient way. Issue is solved through this transaction.

Take China. We have most of our aesthetic and eye care products registered. We have a very strong growing business in China but off a very small base focusing on primarily the top tier 1 cities. Now we go in also with tremendous depth, talent to complement our talent, and I think we can take China to an absolute new level with our product profile added to Pfizer's. So there are just two simple examples. There are many more in that 100 country bucket that I just talked about.

CHUCK TRIANO: Thank you and thank you all for joining us this morning.

OPERATOR: Ladies and gentlemen, this concludes Pfizer's analyst and investor call. Thank you for participating. You may now disconnect.

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