BioSpectrum the business of Bio & Health Sciences

Pfizer quashes break-up plans, to remain as one entity

28 September 2016 | News | By BioSpectrum Bureau

Pfizer quashes split-ups plans, to remain as one entity

Pfizer Inc. announced that, after an extensive evaluation, the company's Board of Directors and Executive Leadership Team have determined the company is best positioned to maximize future shareholder value creation in its current structure and will not pursue splitting Pfizer Innovative Health and Pfizer Essential Health into two, separate publicly traded companies at this time.

"With this decision, our two distinct businesses will remain separately managed units within Pfizer, which we believe is currently the best structure to continue to deliver on our commitments to patients, physicians, payers and governments, and to drive value for our shareholders," stated Ian Read, chairman and chief executive officer. "We believe that by operating two separate and autonomous units within Pfizer we are already accessing many of the potential benefits of a split - sharper focus, increased accountability, and a greater sense of urgency - while also retaining the operational strength, efficiency and financial flexibility of operating as a single company as compared with operating as two, separate publicly traded companies. We will continue to generate the financial information necessary to preserve our option to split our businesses should factors materially change at some point in the future."

As the company previously indicated, the process for making a decision was guided by criteria that included evaluating the performance of each business within Pfizer, determining if each business could compete as a stand-alone entity, assessing if trapped value existed in a combined entity and if any trapped value could be unlocked efficiently. In addition, the company evaluated whether key strategic and operating imperatives could best be achieved in the current structure versus two, separate publicly traded companies.

"When we first explored the trapped value question several years ago, market valuations of other companies suggested that our two businesses could potentially be worth more as separate companies than they are together in a single company," explained Frank D'Amelio, executive vice president, Business Operations and Chief Financial Officer. "However, over time, any potential gap between Pfizer's market valuation and an implied Sum of the Parts (SOTP) market valuation has closed. In our analysis, we concluded that splitting into two companies at this time would not enhance the cashflow generation and competitive positioning of the businesses and the operational disruption, increased costs of a split and inability to realize any incremental tax efficiencies would likely be value destructive."

Pfizer believes it is poised to grow its Innovative Health and Essential Health businesses, so that they can be leaders in their markets. Over the past several years, the company rebuilt its pipeline and transformed its approach to R&D. Pfizer also created a dedicated R&D capability for its Essential Health business and formed the Global Product Development Group, which is a unified center for late-stage development to maximize the value of its R&D investments. Since 2010, Pfizer received 20 new drug approvals and launched multiple products to address patients unmet medical needs, including Ibrance, Xalkori, Bosulif, Inlyta, Eliquis, Prevnar Adult and Trumenba. In addition, the company has established an industry leading portfolio of sterile injectables, biosimilars and effective, high-value treatments that have lost their market exclusivity.

Pfizer Innovative Health is growing with incremental revenues from the company's most recently launched products and is further strengthened by the acquisition of Anacor and the pending acquisition of Medivation. Pfizer believes that its Essential Health business is positioned to return to sustainable growth over the next few years driven by the sterile injectables and biosimilars businesses, and anticipated continued growth in emerging markets. The business was further bolstered with the acquisition of Hospira and Innopharma, and the pending acquisition of AstraZeneca's small molecule anti-infectives business.

Over the same period, Pfizer captured approximately $32 billion from the disposition of its Capsugel and Nutrition businesses, and the IPO and share exchange associated with the spinoff of its Animal Health business, and has returned $88.1 billion to shareholders through dividends and share repurchases since 2010. The company remains committed to creating value for its shareholders, and will continually evaluate the composition of its portfolio to determine the optimal mix of businesses for maximizing that value.

To further outline the financial performance of its two businesses, the Company will begin to more fully allocate indirect expenses for each of its two businesses by including estimates of the dollar value of such expenses, where appropriate. This will commence with the publicly-disclosed quarterly financials for the first-quarter 2017.

Pfizer will move forward with a focus on its strategic priorities to grow and increase operational efficiency to be more competitive.