



# **Third Quarter 2015 Earnings Teleconference**

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October 27, 2015

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## **Introduction**

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Chuck Triano  
Senior Vice President,  
Investor Relations

**Third Quarter 2015 Earnings**

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# Forward-Looking Statements and Non-GAAP Financial Information

- Our discussions during this conference call will include forward-looking statements about, among other things, our anticipated future operating and financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, the accretion and cost synergies expected from our recent acquisition of Hospira, and plans relating to share repurchases and dividends that are subject to substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Additional information regarding these factors can be found in Pfizer's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and in our subsequent reports on Form 10-Q, including in the sections thereof captioned "Risk Factors" and "Forward-Looking Information and Factors That May Affect Future Results", as well as in our subsequent reports on Form 8-K, all of which are filed with the SEC and available at [www.sec.gov](http://www.sec.gov) and [www.pfizer.com](http://www.pfizer.com). The forward-looking statements in this presentation speak only as of the original date of this presentation and we undertake no obligation to update or revise any of these statements.
- Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles (GAAP). Reconciliations of those non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures can be found in Pfizer's Current Report on Form 8-K dated October 27, 2015. Any non-U.S. GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by U.S. GAAP, have no standardized meaning prescribed by U.S. GAAP and may not be comparable to the calculation of similar measures of other companies.



## **Opening Remarks**

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Ian Read  
Chairman and Chief Executive Officer

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# CEO Perspectives

- Achieved another quarter of strong operational performance, driven by:
  - Strong performance of certain in-line brands, including Lyrica in the U.S., Chantix and Enbrel
  - Uptake from our new products, including Prevnar 13 in adults, Ibrance and Eliquis
  - Growth in emerging markets
  - Contribution from the legacy Hospira business
- Pipeline momentum continues to build
  - In immuno-oncology, including four assets currently in the clinic, and up to 10 assets expected to be in the clinic by 2016
  - In vaccines, with ongoing trials of potential vaccines for *Staphylococcus aureus* and *Clostridium difficile*
  - In chronic pain, with a resumed Phase 3 program for tanezumab with our partner, Eli Lilly
  - In inflammation and immunology, where we are focusing our future Xeljanz investments on rheumatoid arthritis, psoriatic arthritis and ulcerative colitis, while also advancing the next generation of potential therapies including oral selective JAK inhibitors and IRAK4
- Thoughts on drug pricing

**Remain Focused on Creating Value for Shareholders and Continuing to Research and Develop New Treatments that Help Patients Live Healthier Lives**



## **Financial Review**

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Frank D'Amelio

Executive Vice President &  
Chief Financial Officer

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# Income Statement Highlights

(\$ Millions, Except Per Share Amounts and Percentages)

	Third Quarter		
	2015	2014	Change
Reported Revenues <sup>(1)</sup>	\$12,087	\$12,361	(2%)
Adjusted Income <sup>(2)</sup>	3,728	3,655	2%
Adjusted Diluted EPS <sup>(2)</sup>	0.60	0.57	5%
Reported Net Income <sup>(1)</sup>	2,130	2,666	(20%)
Reported Diluted EPS <sup>(1)</sup>	0.34	0.42	(19%)

**Reported Results Favorably Impacted Primarily by Revenue Growth of Certain New, In-line and Acquired Products, a Lower Tax Rate and Fewer Shares Outstanding; Unfavorably Impacted Primarily by Product LOEs, Foreign Exchange, Higher Restructuring and Acquisition-Related Costs, and Higher Asset Impairment Charges**

<sup>(1)</sup> Reported revenues is defined as revenues in accordance with U.S. generally accepted accounting principles (GAAP). Reported net income is defined as net income attributable to Pfizer Inc. in accordance with U.S. GAAP. Reported diluted earnings per share (EPS) is defined as reported diluted EPS attributable to Pfizer Inc. common shareholders in accordance with U.S. GAAP.

<sup>(2)</sup> Adjusted Income and its components and Adjusted Diluted EPS are defined as Reported Net Income<sup>(1)</sup> and its components and Reported Diluted EPS<sup>(1)</sup>, excluding Purchase Accounting Adjustments, Acquisition-Related Costs, Discontinued Operations and Certain Significant Items. Adjusted Revenues, Adjusted Cost of Sales, Adjusted SI&A expenses, Adjusted R&D expenses and Adjusted Other (Income)/Deductions are components of the overall Adjusted Income measure.

# Impact of Foreign Exchange on Revenues<sup>(1)</sup> and Select Adjusted Income<sup>(1)</sup> Components

(\$ Millions, Except Percentages)

Favorable / (Unfavorable)

	Third Quarter				
	2015	2014	FX Impact		
<b>Reported Revenues<sup>(1)</sup></b>	<b>\$12,087</b>	<b>\$12,361</b>	<b>(\$1,069)</b>		<b>(9%)</b>
Cost of Sales <sup>(1)</sup>	2,108	2,244	343		15%
SI&A Expenses <sup>(1)</sup>	3,276	3,299	223		7%
R&D Expenses <sup>(1)</sup>	1,725	1,788	34		2%
<b>Total<sup>(2)</sup></b>	<b>\$7,109</b>	<b>\$7,330</b>	<b>\$601</b>		<b>8%</b>

**Foreign Exchange Had a ~\$0.06 Negative Impact on Adjusted Diluted EPS<sup>(1)</sup> Compared to the Year-Ago Quarter**

<sup>(1)</sup> See slide 7 for definition.

<sup>(2)</sup> Totals may not add due to rounding.

# Global Innovative Pharmaceutical (GIP) Selected Financial Highlights

(\$ Millions, Except Percentages)

	Third Quarter			
	2015	2014	% Change	
			Total	Oper.
Revenues	\$3,521	\$3,490	1%	10%
Cost of sales	378	485	(22%)	(7%)
SI&A expenses	820	835	(2%)	6%
R&D expenses	405	386	5%	7%
IBT <sup>(1)</sup>	2,146	2,063	4%	14%
	As a % of Revenues		Percentage Point Change	
Cost of sales	10.7%	13.9%	(3.1) ppts	(2.2) ppt
SI&A expenses	23.3%	23.9%	(0.6) ppts	(1.0) ppt
R&D expenses	11.5%	11.1%	0.5 ppts	(0.3) ppts
IBT <sup>(1)</sup>	60.9%	59.1%	1.9 ppts	1.7 ppts

<sup>(1)</sup> IBT represents income from continuing operations before provision for taxes on income.

- Q3 2015 revenues increased 10% operationally to \$3,521M vs. Q3 2014
  - Driven primarily by operational growth of Eliquis globally, Lyrica primarily in the U.S., Enbrel in most international markets, as well as Xeljanz and Viagra primarily in the U.S., partially offset by generic competition for Rapamune in the U.S.
- Cost of sales decreased 7% operationally; Cost of sales as a % of revenues decreased 2.2 percentage points (ppts) operationally
  - Operational decrease in cost of sales as a % of revenue was driven by a decrease in royalty expenses and an increase in alliance revenues, which have no associated cost of sales
- SI&A expenses increased 6% operationally
  - Additional investment in recently launched products and certain in-line products partially offset by reduced investments in certain other in-line products
- R&D expenses increased 7% operationally
  - Increased investment in certain late-stage programs, primarily bococizumab and tanezumab, partially offset by lower expenses for previously approved products

# Global Vaccines, Oncology and Consumer Healthcare (VOC) Selected Financial Highlights

(\$ Millions, Except Percentages)

	Third Quarter			
	2015	2014	% Change	
			Total	Oper.
Revenues	\$3,231	\$2,511	29%	37%
Cost of sales	497	475	5%	16%
SI&A expenses	705	602	17%	26%
R&D expenses	230	200	15%	18%
IBT <sup>(1)</sup>	1,796	1,235	45%	52%
	As a % of Revenues		Percentage Point Change	
Cost of sales	15.4%	18.9%	(3.5) pts	(2.9) pts
SI&A expenses	21.8%	24.0%	(2.2) pts	(1.8) pts
R&D expenses	7.1%	7.9%	(0.8) pts	(1.1) pts
IBT <sup>(1)</sup>	55.6%	49.2%	6.4 pts	5.6 pts

- Q3 2015 revenues increased 37% operationally to \$3,231M vs. Q3 2014
  - Primarily driven by continued strong uptake of Prevnar 13 among adults as well as strong momentum following the U.S. launch of Ibrance
- Cost of sales increased 16% operationally; Cost of sales as a % of revenues decreased 2.9 percentage points (pts) operationally
  - Operational decrease in cost of sales as a % of revenue was driven primarily by manufacturing efficiencies and a favorable change in product mix
- SI&A expenses increased 26% operationally
  - Increased promotional expenses for Prevnar 13 adult and Ibrance
- R&D expenses increased 18% operationally
  - Increased costs associated with our oncology programs, primarily our anti-PD-L1 alliance with Merck KGaA, partially offset by lower clinical trial spend for certain vaccine programs

<sup>(1)</sup> See slide 9 for definition.

# Global Established Pharmaceutical (GEP) Selected Financial Highlights

(\$ Millions, Except Percentages)

	Third Quarter			
	2015	2014	% Change	
			Total	Oper.
Revenues	\$5,219	\$6,239	(16%)	(8%)
Cost of sales	1,062	1,137	(7%)	8%
SI&A expenses	799	982	(19%)	(11%)
R&D expenses	173	166	5%	8%
IBT <sup>(1)</sup>	3,230	3,993	(19%)	(11%)
	As a % of Revenues		Percentage Point Change	
Cost of sales	20.3%	18.2%	2.1 ppts	3.2 ppts
SI&A expenses	15.3%	15.7%	(0.4) ppts	(0.5) ppts
R&D expenses	3.3%	2.7%	0.7 ppts	0.4 ppts
IBT <sup>(1)</sup>	61.9%	64.0%	(2.1) ppts	(2.5) ppts

<sup>(1)</sup> See slide 9 for definition.

<sup>(2)</sup> "Legacy HSP" refers to the inclusion of one month of legacy Hospira U.S. operations in third-quarter 2015.

- Q3 2015 revenues declined 8% operationally to \$5,219M vs. Q3 2014
  - LOEs negatively impacted revenues by \$0.9B, or 14%, operationally; Revenue from all other products grew 8% operationally, including legacy HSP<sup>(2)</sup>
  - Excluding LOEs and legacy HSP<sup>(2)</sup>, revenue grew 1% operationally
- Cost of sales increased 8% operationally; Cost of sales as a % of revenues increased 3.2 percentage points (ppts) operationally
  - Operational increase in cost of sales as a % of revenues primarily due to the impact of LOEs and legacy HSP<sup>(2)</sup>, resulting in an unfavorable change in product mix
- SI&A expenses decreased 11% operationally
  - Lower expenses associated with certain products that have recently lost exclusivity, as well as the benefits of cost-reduction and productivity initiatives, partially offset by legacy HSP<sup>(2)</sup>
- R&D expenses increased 8% operationally
  - Increased costs for biosimilar programs and legacy HSP<sup>(2)</sup>, largely offset by lower clinical trial expenses related to postmarketing commitments

# 2015 Financial Guidance<sup>(1)(2)</sup>

Reported Revenues <sup>(3)</sup>	\$47.5 to \$48.5 billion <i>(previously \$46.5 to \$47.5 billion)</i>
Adjusted Cost of Sales <sup>(3)</sup> as a % of Reported Revenues <sup>(3)</sup>	18.7% to 19.2% <i>(previously 18.0% to 18.5%)</i>
Adjusted SI&A Expenses <sup>(3)</sup>	\$13.6 to \$14.1 billion <i>(previously \$12.8 to \$13.8 billion)</i>
Adjusted R&D Expenses <sup>(3)</sup>	\$7.5 to \$7.8 billion <i>(previously \$7.3 to \$7.6 billion)</i>
Adjusted Other (Income) / Deductions <sup>(3)</sup>	Approximately (\$500 million) of income
Effective Tax Rate on Adjusted Income <sup>(3)</sup>	Approximately 25.0%
Reported Diluted EPS <sup>(3)</sup>	\$1.37 to \$1.43 <i>(previously \$1.29 to \$1.38)</i>
Adjusted Diluted EPS <sup>(3)</sup>	\$2.16 to \$2.20 <i>(previously \$2.04 to \$2.10)</i>

**Updated All Components of 2015 Financial Guidance to Reflect Operational Factors Impacting Pfizer-Standalone; Additionally, Updated Certain Components of 2015 Financial Guidance Other Than Reported Revenues<sup>(3)</sup> and Adjusted Diluted EPS<sup>(3)</sup> for Operational Factors Related to Legacy Hospira**

<sup>(1)</sup> Exchange rates assumed are a blend of the actual exchange rates in effect through third-quarter 2015 and the mid-October 2015 exchange rates for the remainder of the year. Excludes the impact of a potential devaluation of the Venezuelan bolivar. <sup>(2)</sup> Does not assume the completion of any business development transactions not completed as of September 27, 2015, including any one-time upfront payments associated with such transactions. Excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of September 27, 2015. Guidance for Reported Revenues<sup>(3)</sup> reflects the anticipated negative impact of \$3.3 billion due to recent and expected generic competition for certain Pfizer-standalone (excluding legacy Hospira) products that have recently lost or are anticipated to soon lose patent protection. Reported and Adjusted Diluted EPS<sup>(3)</sup> guidance assumes diluted weighted-average shares outstanding of ~6.25 billion shares. Guidance for the effective tax rate on adjusted income<sup>(3)</sup> does not assume the renewal of the U.S. research and development tax credit. Additional disclosures and assumptions regarding our financial guidance can be found in Pfizer's Current Report on Form 8-K dated October 27, 2015. <sup>(3)</sup> See slide 7 for definition.

# Reconciliation of Certain Components of 2015 Financial Guidance<sup>(2)</sup> from July 28, 2015 to October 27, 2015

	Reported Revenues <sup>(1)</sup>	Reported Diluted EPS <sup>(1)</sup>	Adjusted Diluted EPS <sup>(1)</sup>
2015 Financial Guidance Provided on July 28, 2015	\$45.0 to \$46.0 billion	\$1.38 to \$1.47	\$2.01 to \$2.07
Guidance Update Provided on September 30, 2015 Reflecting Anticipated Impact of Legacy Hospira Operations from September 3, 2015 -- Midpoint of range impacted by:	\$1.5 billion	(\$0.09)	\$0.03
Guidance Update Provided on October 27, 2015 Reflecting Incremental Impact of Restructuring Charges Associated with the Hospira Acquisition -- Midpoint of range impacted by:	--	(\$0.02)	--
Guidance Update Provided on October 27, 2015 Reflecting Operational Factors Impacting Pfizer-Standalone (excluding legacy Hospira) Operations as well as Changes in FX Rates Since mid-July 2015 -- Midpoint of range impacted by:	\$1.0 billion	\$0.09	\$0.11
<b>2015 Financial Guidance Provided on October 27, 2015</b>	<b>\$47.5 to \$48.5 billion</b>	<b>\$1.37 to \$1.43</b>	<b>\$2.16 to \$2.20</b>

**Raised Midpoint of 2015 Financial Guidance Ranges for Reported Revenues<sup>(1)</sup> by \$1.0 Billion and Adjusted Diluted EPS<sup>(1)</sup> by \$0.11, Primarily Reflecting Strong Performance to Date and Improved Business Outlook for the Remainder of the Year**

<sup>(1)</sup> See slide 7 for definition. <sup>(2)</sup> See Slide 12 for additional information.

# Key Takeaways

- ✓ Achieved strong Q3 2015 financial performance, with our fourth consecutive quarter of Pfizer standalone operational revenue growth, primarily driven by:
  - Strength of Prevnar 13 in adults, Ibrance, and Eliquis, all of which are early in their life cycles
- ✓ Raised the midpoint of our 2015 revenue guidance range by \$1.0 billion and the midpoint of our 2015 adjusted diluted EPS guidance range by \$0.11 to reflect strong operational performance to date and improved business outlook for the remainder of the year
  - Changes in FX rates since mid-July 2015 did not materially impact our latest guidance
- ✓ Completed the acquisition of Hospira on September 3, 2015
  - Transaction is expected to be immediately accretive to adjusted diluted EPS (between \$0.10 and \$0.12 in the first full year after the close)
  - Continue to expect to deliver ~\$800M in annual cost synergies by 2018
- ✓ Continued to create shareholder value through prudent capital allocation
  - Returned \$11.4 billion to shareholders through dividends and share repurchases to date in 2015
  - Continue to expect to return ~\$13 billion to shareholders in 2015 through dividends and repurchases

**Remain Committed to Delivering Attractive  
Shareholder Returns in 2015 and Beyond**



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**Q&A Session**  
October 27, 2015

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