

FINAL TRANSCRIPT

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PFE - Q2 2009 Pfizer Earnings Conference Call

Event Date/Time: Jul. 22. 2009 / 3:00PM GMT



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PRESENTATION

Operator

Ladies and gentlemen, welcome to the second-quarter 2009 earnings call. Chuck Triano, you may now begin the call.

Chuck Triano - *Pfizer - SVP IR*

Thank you, operator, and good morning everyone. Thank you for joining us today to review our second-quarter 2009 performance. I am here with Jeff Kindler, Frank D'Amelio, Ian Read, Martin Mackay, and Amy Shulman.

The financial charts that will be presented on this call can be viewed on our home page at www.Pfizer.com in the Investor Presentations tab by clicking on the link, Quarterly Performance, Second Quarter 2009.



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We know this is a busy day for many of you with other companies reporting and we will keep our opening remarks brief and then move to Q&A. The call will last for 45 minutes and we will end at 11.45.

Before we start, I would like to remind you that our discussions during this conference call will include forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ are discussed in Pfizer's 2008 annual report on Form 10-K and in our reports on Form 10-Q and Form 8-K.

Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with generally accepted accounting principles. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in Pfizer's current report on Form 8-K, dated today, July 22, 2009. These reports are available on our website at www.Pfizer.com in the Investors SEC Filing section.

With that, I will now turn the call over to Jeff Kindler.

Jeff Kindler - Pfizer - Chairman, CEO

Good morning everyone and thanks for joining us today. I will start this morning with a brief overview of our second-quarter results, then offer a few comments on the integration planning for the pending Wyeth acquisition, and conclude with a few short remarks on healthcare reform in the United States. And then, as always, I will turn it over to Frank for a more thorough review of the quarter.

First our results. On a constant currency basis every one of our Pharmaceutical units, as well as our Animal Health business, generated revenue growth during the quarter, with the exception of the Established Products unit. In previous calls we have explained that since the Established Products unit manages a portfolio of products that generally have loss patent protection or marketing exclusivity, it is expected to experience declining revenues at this stage of its lifecycle.

As you have heard from Dave Simmons, the President of that business, our plan is to recapture value for these products and ultimately stabilize and then grow revenue for the business. It is important to note that in this quarter this unit again performed in-line with our expectations, as did all of our business units.

Our solid second-quarter performance comes despite the effects of a challenging global economy and the highly competitive conditions we face in most of our markets. Despite the various challenges, our colleagues remain intensely focused on meeting our commitments to our shareholders.

As a result, we remain on track to meet our financial goals for 2009. In fact, today we are increasing our 2009 guidance for recorded and adjusted diluted earnings per share, as well as raising the lower end of the range on our 2009 revenue guidance.

As you saw in our release, we posted revenue of \$11 billion in the second quarter. This represents a 9% decrease compared to the second quarter of last year. Revenues were flat on a constant currency basis.

Operationally many of our key products performed well, including Lyrica, Geodon, Sutent and Revatio, as well as Lipitor, which performed well internationally, despite intense generic competition.

As for the bottom line, we are building on the achievements of the last two years by continuing to reduce our cost base and improve our productivity. Overall operational improvements decreased our adjusted total costs by about \$410 million in the second quarter.



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We plan to reinvest a portion of these savings throughout the rest of the year, including increased investment in our emerging-market Emerging Markets and Established Products units, where we have identified important high potential growth opportunities.

For example, we plan on increasing our investment in China to continue to grow our field force and enhance our support for key product opportunities there, including Lipitor, Champix and Celebrex.

And following recent changes in the Chantix labeling here in the United States, we also plan to invest in increased communications with smokers and physicians about this important medicine.

In addition, we intend to further support our late stage development portfolio. This quarter we presented positive Phase 2 data on our JAK-3 inhibitor for rheumatoid arthritis, as well as positive Phase 1 data on our oral ALK inhibitor for patients with non-small cell lung cancer.

Our pipeline now includes more than 100 projects, and we remain on track to meet the R&D commitments we made to our shareholders last year. All of this demonstrates that our colleagues are focused on delivering on our commitments, even as Pfizer continues to change to meet the demands of an evolving global healthcare marketplace.

In that regard I am pleased to report that our planning to integrate Wyeth following the closing is moving ahead smoothly. Teams from both companies are meeting regularly, and our planning is being guided by lessons learned from past integrations. These teams have kept to a minimum the distraction and disruption that large-scale integrations can sometimes cause. And I believe this bodes very well for a successful and rapid integration once the transaction closes.

On the financing front, following the successful offering of notes in the US and Europe, we terminated the bridge loan facility that we entered into in order to finance a portion of the acquisition. No amount has been drawn down under that facility.

On the regulatory front we continue to engage in a constructive dialogue with the appropriate agencies around the world. Last week the European Commission approved the pending acquisition. A decision that includes our commitment to divest certain Animal Health assets in Europe. We are pleased to have achieved this significant milestone for the pending acquisition.

In China the Ministry of Commerce extended its review of our regulatory submission past the initial 30 day review period. This was not unexpected, since this is the first major pharmaceutical transaction under China's new anti-monopoly law.

Here in the US the Securities and Exchange Commission last month declared our Form S-4 Registration Statement effective, registering our common stock to be issued in connection with the Wyeth acquisition. And on Monday Wyeth shareholders voted overwhelmingly to approve the merger of their company with Pfizer. This is an important milestone and we are grateful for their expression of confidence in Pfizer.

I want to take this opportunity to express my personal appreciation to Bernard Poussot for the outstanding leadership that he has provided and that he will continue to provide throughout this process.

All in all our planning is proceeding well. We remain on track to close the transaction around the end of the third quarter or during the fourth quarter. And we are confident that when the deal closes, we will be ready to execute our plans quickly.

Finally, I would like to comment briefly on US healthcare reform. At Pfizer, we have long expressed our support for comprehensive reform of the US healthcare system that would expand access, improve quality, and increase value, while preserving patient choices, the doctor/patient relationship, and strong incentives for medical innovation and American competitiveness.

We believe we have played a constructive role in the process and we will continue to do so. We are pleased that policymakers have been open to our ideas, and that we have the privilege of having a seat at the table.



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An important step in this regard came a few weeks ago when we and our colleagues in the biopharmaceutical industry reached an agreement to help millions of senior citizens achieve improved access to high-quality and affordable healthcare coverage. Helping to fill the Medicare prescription drug coverage gap will help seniors afford (technical difficulty) medicines, which will improve health outcomes and lead to better control of chronic diseases.

Regarding proposals related to the taxation of overseas earnings, we are encouraged that policymakers have announced plans to review this in the scope of overall tax reform, in all likelihood sometime next year. Now, obviously, that the legislative process is far from final, and it is premature to predict the impact that it may ultimately have on our business. But we will continue to participate constructively in the policy discussions.

Before turning it over to Frank, let me just sum up by saying that like many other businesses we face a challenging economy and tough competition. And in our case we also face a very dynamic operating environment and the particular challenges of significant losses of exclusivity.

I am proud of the fact that the changes that we have made over the past three years in our operating model and in our culture. But most importantly the enormous skill and dedication of our people have enabled us to overcome those challenges, to seize the many opportunities ahead of us, and to continue to deliver on our commitments. And we will continue to do just that.

With that, I will turn it over to Frank to give you more detail on the second quarter.

Frank D'Amelio - Pfizer - CFO

Good morning everyone. The charts I am reviewing today are included in our webcast and will help facilitate the discussion of our second-quarter 2009 results. Now let me get to our financials.

Our second-quarter results, as well as our results for the first-half of 2009, remains consistent with our expectations, given the continued challenging economic and operating environment. Reported revenues for the second quarter of '09 were \$11 billion, a decrease of 9% year-over-year. On an operational basis revenues were essentially flat; however, foreign exchange had an unfavorable impact of approximately \$1.1 billion or 9%.

Second-quarter 2009 reported net income was \$2.3 billion, a 19% decrease compared with the year-ago quarter. And reported diluted EPS was \$0.34 compared with \$0.41, both driven by the negative impact of foreign exchange, the increase in the effective tax rate related to the financing of the pending Wyeth acquisition, and acquisition related costs. These were partially offset by cost reduction initiatives, lower costs associated with cost reduction initiatives, and lower IPR&D charges in 2009.

Adjusted income of \$3.2 billion and adjusted diluted EPS of \$0.48 decreased year-over-year by 12% and 13%, respectively. These results reflect the unfavorable impact of foreign exchange and the increase in the effective tax rate, which were partially offset by savings from cost reduction initiatives.

Adjusted revenues of \$11 billion, which exclude a minimal amount of transition services from the sale of the consumer healthcare business, declined 9% year-over-year. Adjusted cost of sales as a percentage of revenue was 15.4% versus 16.9% in the prior-year quarter. The improvement was due to savings from ongoing cost reduction initiatives and foreign exchange, which decreased cost by \$264 million versus the year-ago quarter.

Adjusted SI&A expenses decreased 12% or \$432 million year-over-year due to savings from ongoing cost reduction initiatives and foreign exchange, which decreased expenses by about \$253 million versus the prior-year quarter.

Adjusted R&D expenses decreased 11% or \$213 million year-over-year due to savings from cost reduction initiatives and foreign exchange, which decreased expenses by approximately \$68 million versus the prior-year quarter.



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On an adjusted results basis foreign exchange decreased second-quarter revenues by approximately \$1.1 billion or 9% year-over-year. In the year-ago quarter foreign-exchange increased revenues by \$796 million or 7% versus the second quarter of 2007.

Cost reduction initiatives continued to favorably impact our adjusted total cost this quarter. In addition, foreign exchange reduced these costs by approximately \$585 million or 8% year-over-year. Excluding the impact of foreign exchange, adjusted total cost decreased operationally by \$412 million or 5% year-over-year.

While foreign exchange continued to lower our costs and expenses, it also continued to lower revenue this quarter, resulting in a year-over-year net decrease of \$0.05 related to adjusted diluted EPS.

Now let's move to the results of our businesses. On a constant currency basis all Pharmaceutical units and Animal Health achieved revenue growth, with the exception of Established Products, whose products, as Jeff explained, have generally lost patent protection or marketing exclusivity resulting in revenue declines at this stage of their lifecycle.

Primary Care revenues were \$5.1 billion, a decrease of 6% year-over-year. Operational growth of 1%, driven by Lyrica's strong international performance, was more than offset by the 7% unfavorable impact of foreign exchange on revenues.

Specialty Care revenues of \$1.4 billion decreased 5% versus the prior-year quarter. Operational growth of 2%, driven by the solid US performance of certain products such as Revatio and Geodon, were more than offset by the 7% unfavorable impact of foreign exchange.

Oncology revenues of \$352 million decreased by 8% year-over-year. Operational growth of 4%, driven by Sutent's and Aromasin's strong international performance, was more than offset by the 12% negative impact of foreign exchange on revenues.

Revenues for the Established Products business were \$1.6 billion, a year-over-year decrease of 20%. Operationally, Established Products revenues decreased 13% year-over-year, and foreign exchange unfavorably impacted revenues by an additional 7%.

Revenues generated in Emerging Markets were \$1.5 billion, a decrease of 8% year-over-year. Operational growth, primarily driven by China and Turkey, of 9% was more than offset by the negative impact of foreign exchange, which unfavorably impacted revenues by 17%.

Animal Health revenues of \$648 million decreased 9% versus the prior-year quarter. Operational growth of 2% driven by emerging markets and certain new products worldwide was more than offset by the 11% negative impact of foreign exchange.

During the second quarter we continued to make progress on our ongoing cost reduction initiatives, achieving about \$410 million in net cost reductions versus the year-ago quarter on a constant currency basis. These cost reduction initiatives continue to span essentially all divisions, functions, markets and sites across Pfizer. Broad categories of activity include manufacturing and research site exits, targeted workforce reductions, and outsourcing.

We continue to have opportunities for outsourcing, which include manufacturing, logistics, finance, facilities, legal and IT. And these are in various stages of implementation. For example, outsourced manufacturing comprises about 24% of manufacturing versus 17% at year-end 2008.

We are also continuing to size our work force level with current market dynamics, with a work force level of 76,500 at quarter end. This represents a net decrease of about 5,400 compared with year-end 2008. Since the beginning of 2008 our total workforce decreased by approximately 10,100 people.



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For the first-half of 2009 we realized a decrease of about \$740 million in adjusted total cost at 2008 exchange rates. During the second half of the year we expect to make investments in business opportunities and in support of our late-stage development portfolio, among other things, which will offset a portion of these savings.

We remain on track to achieve our \$2 billion net cost reduction target by 2011, which is in addition to the approximately \$4 billion in deals synergies related to the pending acquisition of Wyeth that we expect to realize by 2012.

Now moving on to 2009 financial guidance. We remain on track to achieve our 2009 objectives. And today we are increasing the lower end of our revenue and increasing our adjusted diluted EPS guidance. We currently expect reported 2009 revenues to be within the range of \$45 billion to \$46 billion versus our previous expectation of \$44 billion to \$46 billion. And we now expect adjusted diluted EPS to be within the range of \$1.90 to \$2 compared with the previously expected \$1.85 to \$1.95.

We are also improving the guidance for adjusted SG&A and R&D expenses, and increasing the lower end of the range of adjusted other income guidance, while reaffirming the remaining components of the 2009 guidance, including adjusted cost of sales as a percentage of revenue.

And as I said, we continue to expect to achieve our net savings target of \$2 billion by 2011 versus '08 at 2008 foreign exchange rates.

As Jeff previously explained, to date we have achieved significant milestones related to our pending acquisition of Wyeth. The items remaining include continuing to execute on our '09 goals, and obtaining the remaining regulatory approvals, continuing to develop detailed synergy plans, and ultimately closing the transaction.

We continue to expect the transaction to close late in the third quarter or during the fourth quarter. So to summarize the key takeaways, we continued to deliver solid operational results, despite a challenging macroeconomic environment. On an operational basis our total revenues were essentially flat year-over-year. We reduced our cost by approximately \$410 million this quarter on a constant currency basis due to operational cost improvements. And we have increased the lower end of our 2009 reported revenue guidance range and raised our adjusted diluted EPS guidance ranges, improved guidance for certain expense items, and narrowed adjusted other income guidance.

Finally, our integration planning remains -- our integration planning remains on track, while we continue to advance our integration plans.

And now I will turn it back over to Chuck.

Chuck Triano - Pfizer - SVP IR

Thanks for the review, Frank. Operator, at this point if we could move to the Q&A segment, please. Thanks.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Catherine Arnold, Credit Suisse.



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Catherine Arnold - Credit Suisse - Analyst

I wanted to ask you two questions. One is related to the repatriation and tax rate. I was wondering if you could kind of, even just in relative terms, put into context how much repatriation the Company did this quarter versus past history. Was it double? Was it 25% more? Just give me something directional so I can appreciate the tax rate and the impact of that activity.

And then also along that line, I am trying to square the fact that your interest expense for the Wyeth deal seems more manageable perhaps than your conservative scenario that you had put forward when the deal was announced. I am wondering if you have any thoughts on whether that means you'll need to bring back less, and the impact on tax rate? I know that is kind of a long-winded question, but if you could address those issues.

The second question, just to put them both out there, is related to the US review. I understand that you have certified compliance and that you provided FDC everything they need for the second phase. Could you confirm that is correct? And if so, what was the date for when that happened?

Jeff Kindler - Pfizer - Chairman, CEO

Obviously, Frank will take the first question and Amy the second one.

Frank D'Amelio - Pfizer - CFO

So on repatriation, we said at the beginning of the year we would repatriate international earnings. We have been repatriating international earnings. And obviously we have been repatriating more international earnings than we have in the past. And the way you can see that is in the tax rate.

If you look at the adjusted rate last year in Q2 it was 20%. This quarter it was with 28.1%. And there will be some, I will call it, volatility in the quarterly tax rate. Last quarter it was 29.7% -- this quarter 28.1%. 29% on a year-to-date basis. We reinforced the guidance of approximately 30% on that tax rate for the year.

And what causes that volatility? The changes from quarter to quarter are really just, I will call it, geographic mix, where the income is that we are repatriating, and the different jurisdictions have different tax rates. So that is the way to think about the repatriation.

Relative to the interest rates, we took out the bridge facility with two tranches or two offerings here in the US. The rates we paid, I will call it, on blended basis for those two offerings were about 5.5%. And I would call it from my perspective we did good relative to what we went out with and the rates that we got. And clearly that is what is driving the interest expense relative to the Wyeth -- what we are doing from a financing perspective to get ready for the Wyeth acquisition.

Jeff Kindler - Pfizer - Chairman, CEO

Okay, Amy, on the FTC.

Amy Schulman - Pfizer - General Counsel

So let me reiterate what we have stated previously, which is that we continue to work cooperatively with the FTC. We have been responsive to all of their requests. And continue to believe, as we have stated previously, that we are on target to achieve a close towards the end of the third quarter or during the fourth quarter.



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Jeff Kindler - Pfizer - Chairman, CEO

Thank you. Operator, next question.

Operator

[David Reisinger], Morgan Stanley.

David Reisinger - Morgan Stanley - Analyst

I have some revenue questions and then a R&D question. In terms of revenue, the revenue performance seems to be a bit sluggish in both the US and ex-US, even excluding currency. I was just hoping that maybe Ian could comment on how you evaluate the negative impact of sales and marketing spending cuts on revenue, given that there must be some trade-off, and how you balance that. And also how you're tracking towards the \$70 billion in revenue in '12?

And then on R&D, I am just wondering how you plan to evaluate internal R&D productivity now and going forward, given the change to move molecules to the business unit leaders after Phase 2. Particularly since the business units may make different decisions than the R&D team would have planned. So I would appreciate your thoughts on that as well, Martin.

Jeff Kindler - Pfizer - Chairman, CEO

Let's break this, if I could, into a number of different parts. So maybe Ian can talk about the impact on marketing spend on the revenue and give you some thoughts about '12. But I would also like Frank to address the \$70 billion '12 issue. And then both Martin and Ian may have some thoughts about R&D productivity metrics under the new (technical difficulty). That's okay. So you will hear from all of us on those various subjects, if that's okay.

So Ian, why don't you start.

Ian Read - Pfizer - President Global Pharmaceutical Operations

So, David, firstly I think on the -- Frank may have more specific numbers -- but I was very satisfied with the ex-US performance on operational growth. It is being masked a little bit by exchange, but operationally it was a very strong quarter and strong year-to-date in both Lipitor and Lyrica and Celebrex and most of our major franchises, including Sutent.

Regarding the question of how we balance the field force support and the revenue, we look at it in -- [with] sophisticated models. And I think what we are seeing here is, in the first-half at any rate, is a temporary dislocation of field force focused in the US as we move to a new Primary Care field force model.

We feel this model is important, as we see the loss of effectiveness of traditional detailing, and we sort of move to a de-averaging approach in the US, where -- when traditional detailing works, like in Alabama, we have traditional detailing. And where in the West, where you have more group practices and you need different approaches, we go to those different approaches. So we look at brand by brand. And I am satisfied that, aside from what I think is a temporary dislocation as new relationships are established, that our brand have a healthy level of support.

Jeff Kindler - Pfizer - Chairman, CEO

Okay. Why don't we turn to the 2012 number, Frank, Dave asked about.



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Frank D'Amelio - Pfizer - CFO

Dave, let me just spend one minute to punctuate something Ian said in terms of the results for the quarter and year-to-date. From an international perspective, if you remove the impact of foreign exchange, we are up operationally about 2%. So about 2% in the quarter, and about 2% to -- 2% on a year-to-date basis. So operationally from my perspective up, in clearly a challenging overall environment.

And with some products performing very well on the international market. Lyrica and Sutent, if you look at how they are performing for an international growth perspective year-over-year, quarter and year-to-date, they are both growing, give or take, about 30%. So those are clearly two of the reasons why the international number operationally is up 2%.

On the \$70 billion, this is a question that we periodically get asked. The way I think about it is if you look at, I will call it, some of the consensus numbers out there, the average numbers, they average around \$65 billion. Then obviously we will look at some of the details of that, and clearly we think, if you look at those numbers versus our own estimates on the \$70 billion, the two areas where, I will call it, there are differences are in line products and what we believe we can do with products like Lyrica, Sutent and Chantix versus what some of the consensus numbers are.

And then Established Products in emerging markets, where we think there is lots of opportunities. For example, this quarter Emerging Markets grew 9% on an operational basis. And in the focus countries, in priority countries, like China and Turkey.

I use statistics on this and I have said this before. If you talk about Asia Pacific and remove Australia, New Zealand and Japan, in 2008 that was a \$50 billion market. We had 4% of that market. By 2012 we think that is a \$70 billion to \$80 billion market. If we only kept our 4%, we would pick up \$1 billion in incremental revenue. If we can pick up a share, 1 point a share -- for every point we pick up it is \$700 million, \$800 million. We think we can pick up a point or two a share, because of our ability to execute in these markets.

Given our capabilities in these markets, our field force in these markets, our relationships in these markets, our logistical capabilities in these markets, we think clearly there is lots of opportunity there for us to not only hold our share, but to grow share. So those are the kinds of things that we think help us get to the \$70 billion.

And business development will also be a contributor to helping us to achieve the \$70 billion. So that is how we --.

Jeff Kindler - Pfizer - Chairman, CEO

Let me suggest, Dave, to get to your final part, I do want to -- this is obviously a very, very important topic, R&D productivity and metrics that we could spend a lot of time on, but there is a lot of folks in the queue and I want to get to other questions. So let me just ask briefly, Martin, give you the perspective from research and Ian from the perspective of the business units.

Martin Mackay - Pfizer - President Global R&D

Yes, I will be brief. First of all, to say the commitments that we made in March '08 still stand today. In fact, of the four commitments we have made, one we have already achieved, and that was the number of Phase 3 starts in the first year from that date. And the other three are all on track to be achieved.

That is clearly very important to our productivity that we move our pipeline into that Phase 3, that cohort along, and obviously onto the marketplace. That stands today.



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In terms of the R&D piece and the handoff as positive proof of concept, which scientifically and clinically makes absolutely the most sense to move it into the business unit. And whilst it is a handoff, I can say that the business units are heavily involved prior to that decision. And clearly R&D are heavily involved after that decision. So for example, we are doing mechanistic studies in JAK-3 and Dimebon and other programs.

What I have really noticed, and a piece that has exceeded my expectations in terms of moving to the business unit model, has been the prioritization going on. And like never before we are seeing folks looking at our portfolio, and making in some cases pretty tough decisions on what areas that we should invest more in and what areas we should pull out of.

So I think it has been well documented that we stopped some late-stage programs. But the really important thing is that we invested more heavily in these critical programs such as JAK-3, Tanezumab, our IGF-1R antibody and Axitinib. And this is a very positive and meaningful step forward, I believe.

Ian Read - Pfizer - President Global Pharmaceutical Operations

I think Martin really described it very well. The only thing I would add is that I think one of the advantages of this shift of proof of concept is the increased focus that the business unit will bring on clinical outcomes and outcomes research and meeting access needs. And that is also healthy.

Jeff Kindler - Pfizer - Chairman, CEO

Thank you. Next question please.

Operator

Jami Rubin, Goldman Sachs.

Jami Rubin - Goldman Sachs - Analyst

Frank, a couple of questions for you. First, obviously in this sort of -- in line with the previous question, obviously R&D productivity has been a huge issue for the Company over the past eight, nine years or so. When you look at the combined R&D expense of both Wyeth and Pfizer it is about \$10.5 billion. Can you share with us how you think about what the appropriate level of R&D spend should be?

Then my second question is, when you announced the deal with Wyeth in January you sent a message to investors when you cut the dividend. Now once the deal closes, I am just curious to know what will be the message you want to send on the dividend going forward?

Frank D'Amelio - Pfizer - CFO

So on R&D productivity, your numbers are roughly right. The combined spend of the two companies last year was almost \$11 billion. We were about \$7.6 billion, and I think Wyeth was about \$3.3 billion, which is \$10.9 billion, which is around the \$11 billion.

In terms of what the spend of R&D will be for the combined company, we have looked at lots of different metrics on this in terms of benchmarking, productivity. And I think the short directional answer is, it will be less. So it will be less R&D spending for the combined company than there is for the two stand-alone companies as they exist today.



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What that number will settle at, we are still working on. We are working through detailed planning with Martin and with Mikael Dolsten from Wyeth, as well as with many folks on our respective teams. And so that will -- that work is all very much under way. And lots of details work is taking place in that area. But I think the short answer to the question is, it will be less.

In terms of the dividend, you're right. Back in January when we announced the Wyeth transaction we cut the dividend in half. So it was \$1.28 annually, \$0.32 a quarter. We cut that to \$0.16 a quarter, \$0.64 annually. If you think about the number of shares we will have post close it will be about 8 billion shares. So if you run the numbers, it will still be about a \$5 billion dividend, but we also saved \$5 billion in US cash flow, all of which was part of our planning for financing the acquisition.

In terms of going forward for the dividend, from my perspective we have lots of opportunities on how to deploy our capital, how to deploy our cash. The five priority areas that we typically talk about are the level of the dividend that we pay, share buybacks, debt paydown, business development, and the level of earnings we repatriate from overseas, because we could choose at some point to repatriate less, which would lower the tax rate and raise our earnings.

Now all of those are priority areas. And we will do what we always do, which is try to deploy capital in terms of what is best from a total shareholder return prospective.

Then specific to the dividend, now each year in December we have a Board meeting, and one of the topics of that Board meeting is what the dividend payout will be for the following year. So in December of 2009 at our Board meeting we will make a determination of what the dividend payout should be for 2010.

Jeff Kindler - Pfizer - Chairman, CEO

Thank you. Next question please.

Operator

Tim Anderson, Sanford Bernstein.

Tim Anderson - Sanford Bernstein - Analyst

A couple of questions for you. So going back to your 2012 comments, you mentioned three products that might account for the gap between the consensus model and your internal model -- Lyrica, Chantix and Sutent. But it seems like Lyrica continues to decline. Chantix has been kind of struggling as well, and then Sutent it seems like it has flattened out. So I don't know what -- I guess my question is, why do you see the future of those products differently than how the Street might see them?

And second question is on Emerging Markets. Your underlying growth ex currency seems to be a little bit lower than what I would expect by looking at what some of the other drug companies are reporting. And I am wondering is that just a function of the mix of those revenues or what exactly?

Jeff Kindler - Pfizer - Chairman, CEO

Ian.

Ian Read - Pfizer - President Global Pharmaceutical Operations

Tim, let me try the emerging markets first. Frankly, you know, I believe we were up operationally 9% in the quarter, and up 12% in the key markets, some of the BRICK markets we look at. And when I compare IMS data across those markets of our competitors,



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we are very competitive. In fact, we are running neck to neck with Novartis, and that is our major competitor in those marketplaces vis-a-vis growth. So I am not quite sure what data you're looking at, but the data from IMS and where I am looking at I am satisfied that we are competitive in those marketplaces.

Regarding Lyrica, Chantix and Sutent, I think I will ask Martin to talk a little bit about the new indications of Sutent. This would be Lyrica. Lyrica's growth internationally -- I mean, Lyrica, while it has slowed up in the US, and that is undoubted and we can talk to that, but Lyrica was up 12% in the quarter globally operationally, up 18% year-to-date, up 32% internationally in the quarter, of which the whole franchise now international is half of the total Lyrica franchise.

So Lyrica per se in the US, let's talk about it. It is facing, as is Celebrex, as is Lipitor, a reasonably generitized market with managed care pressure and co-pays, and facing an economic downturn in the US. While at the same time we are remodeling our field force, which I think is essential to have a field force that fits the purpose for the healthcare environment we will be facing in the next two to three years in the US. So all of those things are undoubtedly a drag on the performance of Lyrica in the US.

We are focusing on fixing that by looking at driving up diagnosis growth for fibromyalgia, driving up the treatment of the pain indications, and using co-pays to try and offset the managed care tiering. So Lyrica, robust continued growth outside, and agreed, we have issues we need to fix in the US.

Chantix, the labeling discussion I think has -- will allow us to go forward and begin to reeducate from a firm base. The label was agreed upon on the FDA. That is important for us. That gives confidence to our field force. It allows us to talk about the product and start to really educate on that.

So you can see, in fact, in the first semester scripts are up above, I believe, 30% above the script rate of the fourth quarter. So with the labeling discussions behind us, I really believe we can now motivate our field force to move that product forward.

And on Sutent, I would just like Martin Mackay to make a few comments.

Martin Mackay - Pfizer - President Global R&D

Just briefly, as you know, we have approval for our renal cell carcinoma and gastric intestinal stromal tumor. Growth will come from other indications. And we continue with our breast cancer studies, our non-small cell lung carcinoma studies. And then in Phase 3 as somewhat earlier, the hepatocellular carcinoma and hormone refractory prostate cancer. So that is where we expect the growth to come from.

Jeff Kindler - Pfizer - Chairman, CEO

Okay. Thank you very much. Next question please.

Operator

Harlan Sonderling, Columbia Asset Management.

Harlan Sonderling - Columbia Asset Management - Analyst

Just a question please on the shift in sales ongoing from the established to the emerging markets, the strength there. Are you moving resources on the administrative sales and marketing side in advance of this move or in a lagging basis, such that you're able to maximize the opportunity?



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Ian Read - Pfizer - President Global Pharmaceutical Operations

I am not quite sure if you are -- if you're talking about are we moving resources into emerging markets to strengthen our ability to drive growth, absolutely. We have been doing that over the last two to three years and we accelerated that.

I am not sure vis-a-vis your question on established and emerging, but the established business unit we are certainly resourcing it up in countries, giving at specific focused resources to drive out every opportunity country by country. Does that answer the question?

Harlan Sonderling - Columbia Asset Management - Analyst

Somewhat. More to the point, on something like Lipitor, which is in decline in the United States, are you shifting resources out of that product in advance of that decline? Are you still fighting the battle for every point of market share? At what point do you begin to accelerate the removal of resources from the established, call it, the US market, where these sales trends are not favorable.

Ian Read - Pfizer - President Global Pharmaceutical Operations

We continue to support Lipitor and the opportunities we see in the specific micro markets in the US. And we will continue to do that while we can drive growth.

Jeff Kindler - Pfizer - Chairman, CEO

Okay. Thank you. Next question.

Operator

Tony Butler, Barclays Capital.

Tony Butler - Barclays Capital - Analyst

I wanted to stick with at least one product question, and that is on Sutent, which has done extremely well internationally, as you pointed out. But Ian, and maybe Martin, to some degree I am curious with a new entrant from Novartis and Afinitor, which at least in the US albeit new, has shown some traction in new prescription trends in renal cell carcinoma. And assuming its approval internationally, I am just curious if you have thought about, or had some best practices, to think from a competitive standpoint in the US that you're able to apply internationally that will allow that product to continue to grow, despite that competition?

Ian Read - Pfizer - President Global Pharmaceutical Operations

I actually say that our -- I am not sure I will be sharing best practices from Europe into the US actually, given the performance internationally of Sutent -- growth of 31% in the second quarter. The US has done a very good job too. The US field force and our performance, we've got about 60% marketshare in first line.

We are getting competition, you're right. And the way we have to deal with that prior to new indications is to focus on maintaining the standard of care in first line, focus on keeping the dose at the right level, and getting the longest number of cycles as appropriate for the patient.



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In the US it will be a slower growth rate, or a difficult market as we got competition coming in. But Sutent has got a lot of growth left internationally, and we've got six plus Phase 3 trials for new indications.

Jeff Kindler - Pfizer - Chairman, CEO

Thank you. Next question please.

Operator

John Boris, Citi.

John Boris - Citi - Analyst

A question for you, Jeff. Now that you have had an opportunity to really dig in and evaluate the Wyeth assets, can you comment on how you view the strategic positioning of the nutritional and consumer business? Traditionally Pfizer likes to have a number one or number two market share position in businesses that it is participating in. Could you just comment on the positioning of those businesses, and if there is a potential opportunity to divest those assets to help pay down debt?

The second question just has to do with cash flow. Cash flow in the quarter, if you can provide, Frank, any commentary on that?

And then third question just has to do with Aricept and the exclusivity there. I think you had indicated they weren't able to secure pediatric exclusivity. Can you just remind us a period time when it loses exclusivity and implications for the alliance revenue line.

Jeff Kindler - Pfizer - Chairman, CEO

I will let Frank talk about the cash flow, and Ian will cover the Aricept exclusivity. But regarding nutritional and consumer, John, they look -- and the more I have learned about them, they are really interesting and exciting businesses. We are not looking to do anything different but grow them. We are very excited about the people that are in them. And actually we think there are tremendous opportunities by combining our resources and our distribution channels, particularly in the emerging markets, with these assets and the people that are leading them. And we are very excited about the portfolio of products that they provide and the opportunities to meet unmet medical needs.

So our intention is to grow these businesses and to create additional value in combination with the assets and the people and the distribution channels that we have. So we are very excited about that. And, as you know, Cavan Redmond, who is one of Wyeth's terrific leaders, has agreed to join us. And among the businesses that he will be responsible for are nutritionals and consumers.

And in the conversations that we have already had he has already demonstrated that he will be bringing a lot of value to the table in helping us think about how to grow those businesses, both in and of themselves and in combination with ours. So we're quite excited about that.

Frank, do you want to talk about the cash flow?



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Frank D'Amelio - Pfizer - CFO

So, John, we haven't issued Q2 operating cash flow yet, but I can run numbers for you to give you a feel for the rhythm of the numbers. The Q1 operating cash flow number was \$3.1 billion. That compared to \$3.3 billion in last year's Q1 '08 operating cash flow number.

And then just in terms of the cash flow numbers for the last three years, last year was \$18.2 billion. In '07 it was \$13.4 billion, and in '06 it was like \$17.4 billion. So first quarter of this year tracked closely to the first quarter of last year.

Ian Read - Pfizer - President Global Pharmaceutical Operations

And from memory, the exclusivity in the US goes in the fourth quarter of '10, and in Europe or in Western Europe in '12. I am not sure exactly what month in '12. And I would model the response of the immediate release formulation to be similar to other patent products when they go off patent in those markets.

Frank D'Amelio - Pfizer - CFO

One other thing. The 13.4 billion in '07 had a stub tax payment associated with the sale of the consumer healthcare business, which reduced that number on a year-over-year.

Jeff Kindler - Pfizer - Chairman, CEO

We have time for one more please.

Operator

James Fernandez, Leerink Swann.

James Fernandez - Leerink Swann - Analyst

So just maybe getting a little bit deeper into the questions around Wyeth and the opportunities in the emerging markets. Can you give us your thoughts on the interaction of the vaccine portfolio that Wyeth brings to the table as it links to nutritional and consumer in the international markets, and how, perhaps, revenue synergies with those new products might start to help to support the \$70 billion revenue estimate? Again, you're talking about 2 percentage points of market share gains, but as we look at the growth that we are seeing in emerging markets, while it is good, it is not so strong that I think that you would get that kind of a jump in marketshare.

Jeff Kindler - Pfizer - Chairman, CEO

It is premature to be putting out any kind of revenue synergy numbers, and we are not doing that. And the transaction hasn't closed, so we are not putting forth anything like that. I will just tell you that we are having right at this point appropriate and preliminary, but still very exciting, conversations with the Wyeth people about opportunities for our businesses to work together.

And you have certainly identified one of those areas, where we think there are tremendous opportunities and potential between the businesses. So stay tuned and as we go forward and close the deal, which is our focus at this point, we look forward to lots of opportunities to talk to you about the potential that these two businesses have to drive great value for our patients and shareholders going forward.



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So with that, I would like to thank you all for your attention and interest today. And I hope you all have a good day. Thanks a lot.

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