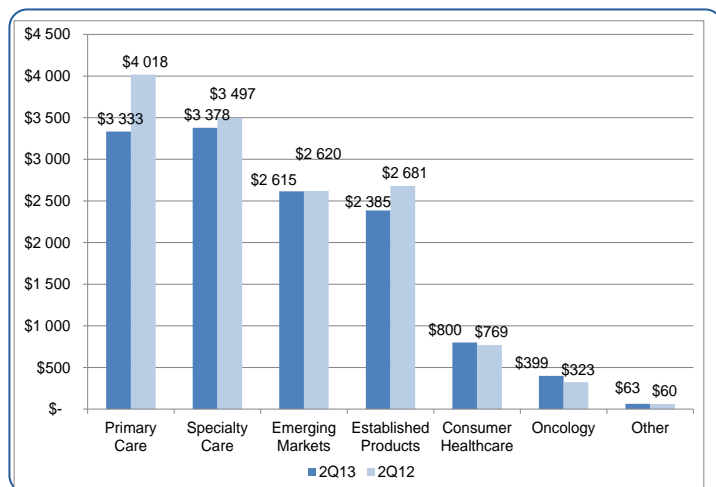


Pfizer 2Q13 results: Zoetis sale boosts profit, but patent loss impact remains

Pfizer released results yesterday (30 July) which showed net profit soared more than fourfold to \$14.1bn (\$1.98/share) in 2Q13, buoyed by the spin-off of the company's animal-health business (Zoetis) and a patent-infringement settlement with Teva and Sun Pharmaceutical over Pfizer's Protonix (acid reflux) medicine. However, adjusted net profit fell 10% to \$4bn. EPS of \$0.56 beat consensus expectations but revenue dropped 7.1% YoY to \$12.97bn and missed expectations.

The biggest hits were seen in Pfizer's primary care unit, which was off 15% operationally, and its established products business (-7%). However on the positive side the company's oncology sales rose 28% in 2Q13 vs the same period last year.

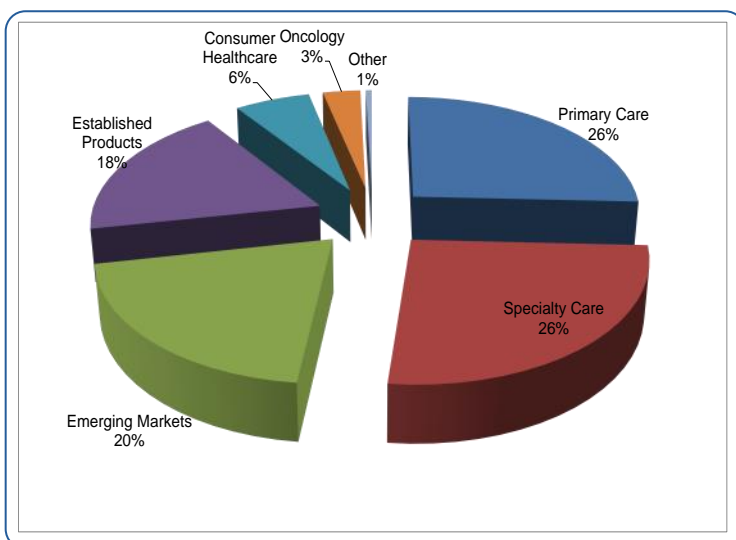
Pfizer revenue by business unit, \$mn (2Q13 vs 2Q12):



Source: Company data, Anchor Capital

The loss of its patent protection on the cholesterol medication Lipitor and patients' resulting move to generic alternatives continued to hurt its overall sales as Lipitor sales declined 55% QoQ resulting in an overall revenue reduction of over \$600mn. Its restructurings and new drug launches have made up for some of this but not enough to overcome all of the declining sales.

Contribution to revenue by business unit (2Q13):



Source: Company data, Anchor Capital



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Pfizer also announced that it planned to buy back its stock aggressively in the last half of the year - likely more than doubling the \$8.7bn it has spent on share repurchases so far this year. The company bought back \$3.1bn worth of shares during 2Q13 alone and has a further \$13.1bn for repurchases.

On Monday (29 July), Pfizer announced a restructuring of the company that will divide its commercial operations into three distinct business segments with two of these (falling under Innovative Business) focusing on new medicines, while the third (Value Business) will oversee generic medicines and drugs about to lose patent protection.

Pfizer reaffirmed its outlook for full-year adjusted earnings of \$2.10-\$2.20/share. The share price did not react in a major way to the results and was up only 0.4% on the day.

Marco de Matos



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