

TOP 20 PHARMA



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HEADCOUNT	100,000	
YEAR ESTABLISHED	2000	
PHARMA REVENUES	\$44,424	-1%
TOTAL REVENUES	\$48,418	flat
NET INCOME	\$8,144	-58%
R&D BUDGET	\$8,089	+6%

DRUGS APPROVED/LAUNCHED

<i>Drug</i>	<i>Indication</i>
selzentry	HIV in CCR5-tropic treatment-experienced patients
lyrica	fibromyalgia
fragmin	blood clot prevention in cancer patients
lipitor	secondary prevention of CV events
chantix	smoking cessation aid (Japan)
fesoterodine	overactive bladder (EU)
celebrex	ankylosing spondylitis EU, osteoarthritis and rheumatoid arthritis (Japan, EU)
somavert	acromegaly (Japan)
sutent	mRCC as a first-line treatment, GIST as a second-line treatment (EU)
spiriva	respimat device for COPD (EU)
eraxis/ecalta	invasive candidiasis in adult non-neutropenic patients (EU)
selera (inspra)	hypertension (Japan)

DRUGS CANCELLED

<i>Drug</i>	<i>Indication</i>
exubera	inhalable recombinant human insulin
lyrica	generalized anxiety disorder (EU)

DRUGS PENDING APPROVAL

<i>Drug</i>	<i>Indication</i>
fablyn	osteoporosis
zmax (pediatric)	bacterial infections sustained release
fesoterodine	overactive bladder
vfend	fungal infections -pediatric
dalbavancin	complicated skin/skin structure gram-positive bacterial infections
spiriva	respimat device for COPD
dalbavancin	skin and skin structure infections (EU)

DRUGS IN PHASE IIB AND BEYOND

<i>Drug</i>	<i>Indication</i>
pf-610355	asthma
uk-432097	COPD
cp-866087	obesity
pf-734200	diabetes Mellitus-Type II
pd-348292	thrombosis
cp-533536	bone healing
apixaban	acute coronary syndrome, venous thromboembolism, atrial fibrillation
pf-885706	gastroesophageal reflux disease
pf-868554	hepatitis C virus

pf-232798	HIV
ph-797804	rheumatoid arthritis, COPD, pain
sc-84250	osteoarthritis
maraviroc	rheumatoid arthritis, HIV in treatment-naïve patients

DRUGS COMING OFF PATENT

<i>Drug</i>	<i>Indication</i>
norvasc	hypertension (2007)
amptosar	colorectal cancer (2008)
zyrtec/zyrtec D	allergy (2008)

TOP SELLING DRUGS

<i>Drug</i>	<i>Indication</i>	<i>\$</i>	<i>(+/- %)</i>
Lipitor	cholesterol	\$12,675	-2%
Norvasc	antihypertensive	\$3,001	-38%
Celebrex	arthritis	\$2,290	12%
Lyrica	epilepsy/neuropathy	\$1,829	58%
Viagra	erectile dysfunction	\$1,764	6%
Xalatan	glaucoma	\$1,604	10%
Zyrtec	allergy	\$1,541	-2%
Detrol	overactive bladder	\$1,190	8%
Camptosar	colorectal cancer	\$969	7%
Zyvox	bacterial infections	\$944	21%
Chantix	smoking cessation	\$883	774%
Geodon	schizophrenia	\$854	13%
Genotropin	HGH deficiency	\$843	6%
Vfend	fungal infections	\$632	23%
Sutent	cancer	\$581	165%
Caduet	cholesterol/ hypertension	\$568	54%
Zoloft	antidepressant	\$531	-75%
Cardura	hypertension / prostatic hyperplasia	\$506	-6%
Alliance Revenues*		\$1,789	30%
Aricept	Alzheimer's disease		
Macugen	wet macular degeneration		
Mirapex	Parkinson's disease		
Olmotec	hypertension		
Rebif	multiple sclerosis		
Spiriva	COPD		

Account for 79% of total pharma sales, up from 78% in 2006.

* Listed as Alliance Revenues: Aricept revenues are shared with Eisai; Macugen revenues are shared with OSI; Mirapex and Spiriva revenues are shared with Boehringer-Ingelheim; Olmetec revenues are shared with Daiichi Sankyo; Rebif revenues are shared with Serono

TOP 20 PHARMA: Pfizer

IT SEEMS THAT I START PFIZER'S profile every year with news of multi-billion-dollar patent expirations. Despite it all, Pfizer manages to hold onto the #1 spot in the Top 20 Pharma rankings year after year. I suppose it's a tribute to the absolutely enormous scale they built up in the earlier part of this decade.

Still, those expirations make for a good jumping-off point, because they set the tone for the rest of Pfizer's activities. The company lost patent protection for four significant drugs in the past two years: Zoloft (August 2006), Norvasc (March 2007), Zyrtec/Zyrtec-D (January 2008), and Camptosar (February 2008).

In 2007, Zoloft and Norvasc dropped \$3.4 billion in revenues. By the time 1Q08 wrapped up, Zyrtec sales fell \$344 million (-75%), Camptosar was down 16%, and Pfizer's pharma revenues dropped 6%.

The good news is that Pfizer has no major expirations coming until 2011. The bad news is, it's a doozy.

Timewave?

According to the techno-shaman and ethnopharmacologist Terence McKenna's Timewave Zero theory, the world is going to end on December 21, 2012. For Pfizer, the date has been moved up to November 30, 2011; that's when Ranbaxy is permitted to begin selling generic Lipitor (and Caduet, the Lipitor/Norvasc combo). The two companies negotiated that date as part of their patent settlement in June 2008. It's my unfounded assumption that Ranbaxy's buyer, Daiichi Sankyo,

applied some pressure to get the Lipitor issue settled.

Others contend that the June 2008 settlement between the two companies was the first step in Pfizer's counterbid to take over Ranbaxy. Since the final day for a Pfizer bid (by Indian regulatory law) occurs after this issue goes to press, I shall stick my neck out on a limb and tell you why Pfizer should not / did not buy Ranbaxy. (Mr. McKenna also believed in alternate realities, so maybe there's at least one universe where my predictions turned out to be correct.)

The purchase price — probably \$5 or \$6 billion — wouldn't be difficult for Pfizer to swallow — they netted \$11 billion in the 2006 selloff of their consumer health business to J&J — but I don't think the company wants any part of the complications that would ensue. Personally, I don't believe the FTC would allow Pfizer to acquire the company to which it just licensed a generic of the biggest-selling drug in history. And invalidating the agreement would likely open the door to patent lawsuits from other generics companies, throwing Pfizer right back into the uncertainty that led it to settle with Ranbaxy in the first place.

Once again: I don't run a company and this is a million times more complicated than I'm making it out to be. That said, I don't think the business model or the culture of a generics-heavy company are what Pfizer wants or needs.

But back to Lipitor. U.S. sales of Lipitor dropped 18% in 1Q08, with competition from generics and other statins. I hate to say that this is a blessing in disguise, but a gradual decline in Lipitor revenues before its expiration may actually be healthier for the company than a jolt. Sales are still going to fall off a cliff after November 2011, but if there's a downhill slope leading to the cliff, maybe the drop will be more manageable. (DISCLAIMER: I have no experience running a company and should not be trusted when it comes to theories like the previous one.) Total sales of Lipitor were still \$3.1 billion in 1Q08, so it's not like Pfizer's flagship is exactly running aground.

THE LOWE DOWN

PFIZER IS AN EASY STORY TO SUM UP: 2008 will be another year that, when it ends, will take them that much closer to generic Lipitor. There you have it; that's been the single biggest fact about the company for some time now. True, there have been a few changes in that story along the way. For example, it used to be unlikely that they could replace all that revenue. No longer! Now it's simply impossible. According to a recent study, Pfizer has led the industry in the unwanted category of missing forecasts for the performance of its drug pipeline — Exubera alone is going to be a case study in business schools for a long time to come.

There have been tremors and earthquakes inside the company, and there will be more, because in the same way that no one has ever had a drug as big as big as Lipitor, no one has ever lost one that big, either. This is not going to be anyone's idea of a stable workplace for years to come, I'm afraid, and that's going to have an effect on the whole industry. Ask not for whom the patent expiration tolls, because it's soon going to toll for thee good and hard. And for the rest of us, too.

—Derek Lowe

Contracting and Contracting

Pfizer's new management team — including chief executive officer Jeffrey Kindler, global R&D president Dr. Martin Mackay, chief financial officer Frank A. D'Amelio and senior vice president of strategy and business development William Ringo — has its work cut out for it. The company needs to produce or in-license new compounds, build markets for existing products, and trim costs, while making sure there's enough cash on hand to pay its quarterly dividend.

Pfizer's been in restructuring mode since 2005, when it announced plans to cut its workforce by 20,000 and radically reduce its costs. In January 2007, following the cancellation of torcetrapib, a new plan was instituted, calling for 10,000 layoffs and overall savings of \$1.5 to \$2.0 billion per year. From 2005 to the end of 2007, the company let 13,000 staffers go; the bulk of severance costs came in 2007, when Pfizer paid out \$2.0 billion in employee termination, compared to \$809 million in 2006 and \$303 million in 2005.

Following this profile, there's an interview with Anthony J. Maddaluna, vice president of Pfizer Global Manufacturing (PGM) Strategy and Supply Network Transformation.

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Mr. Maddaluna is one of the men in charge of right-sizing Pfizer's manufacturing network, which is in the process of shrinking from a net of 100 sites to 43. In our conversation, we discuss Pfizer's goal of doubling its manufacturing outsourcing expenditure and how that jibes with Pfizer's reduced internal network.

In addition to shrinking the manufacturing network, Pfizer has also been reducing its R&D headcount, either by closing sites or spinning them off, by selling research facilities and some drug programs to venture capital and private equity groups.

Compound Interest

At an August 2007 R&D event, Pfizer mentioned that it had 99 projects in the pipeline: 85 NMEs and 14 line extensions and new indications. Of the 85 projects, 20 were treatments for cancer; 16 for cardiovascular, metabolic and endocrine diseases, 17 for pain and inflammation, 17 for neurological disorders and 10 for infectious diseases. The rest were "other."

At a followup event in March 2008, Pfizer announced that it had boosted its biologics pipeline thanks to several small-scale (for them) acquisitions, with 26 projects in development across eight therapeutic areas. Like many of its competitors, Pfizer is pursuing biologics intensely and has no qualms

about using its war chest to snap up small players in the field. So far, there's been little chatter about Pfizer making a play for one of the bigger biopharmas in play; perhaps AstraZeneca's valuation of MedImmune (\$15.5 billion) put a damper on big bio buyouts.

ACQUISITION NEWS

Target: Encysive

Price: \$195 million

Announced: February 2008

What they said: "The acquisition of Encysive will add growing, near-term revenue from the European market and increase our already strong presence in the cardio-respiratory arena with a product that complements Revatio, a Pulmonary Arterial Hypertension treatment that was discovered and developed by Pfizer researchers."

—Ian Read, president, Pfizer's
Worldwide Pharmaceutical Operations

Target: CovX

Price: not disclosed

Announced: December 2007

What they said: "This deal demonstrates Pfizer's ongoing commitment to build a competitive biotherapeutics enterprise through the acquisition of talented scientists, promising product candidates and a cutting edge technology platform."

—Dr. Corey Goodman, president, Pfizer's
Biotherapeutic and Bioinnovation Center

Target: Coley Pharmaceutical Group

Price: \$164 million

Announced: November 2007

What they said: "Coley's innovative product candidate portfolio and technology have the potential to significantly enhance future vaccine and immunotherapeutic approaches to a broad range of diseases including Alzheimer's, asthma, infectious disease and oncology, where we already have strong collaborative research in place."

—Jeffrey B. Kindler, chairman and CEO, Pfizer Inc

In March 2008, the company announced the creation of an Oncology Business Unit. More than 20% of the company's development budget goes toward cancer treatments, a market that grew 14% to \$17.8 billion in the U.S. in 2007, according to IMS Health. During 2008, Pfizer plans to have seven Phase III trials underway for three different oncology drugs. Sales of the company's new cancer drug, Sutent, passed \$500 million in 2007 and were up 86% (to \$190 million) in 1Q08.

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Smoke in the Air?

Pfizer has had success with several other new compounds. Pain medication Lyrica is zooming up the ranks and will be Pfizer's #3 drug by the end of this year, behind only Lipitor and Celebrex. In June 2007, Lyrica received approval for

treatment of fibromyalgia. The company also added a first-in-class HIV treatment in 2007 in Selzenti.

The company has also seen an explosion in demand for its smoking cessation drug Chantix, which more than octupled in sales in 2007 before slowing down to

71% growth in 1Q08. However, I wouldn't count Chantix as a perennial blockbuster just yet; there are some ugly side effects for the drug. The recent label

NOT EXUBERANT

LAST YEAR, I WROTE THAT Pfizer was getting ready to "reboot" Exubera, the inhaled insulin product it developed with Nektar Therapeutics. Sales of the product were disastrous, and the company "rebooted" Exubera right off the stage in October 2007. Pfizer's surrender came as a surprise to its development partner, which led to some rancor from the company's president. Pfizer and Nektar settled on what appear to be amicable terms, with Pfizer allowing Nektar to pursue new partnerships with the technologies that the two companies developed.

update includes the rather scary "serious neuropsychiatric symptoms, including changes in behavior, agitation, depressed mood, suicidal ideation and suicidal behavior." (I've only smoked about two dozen cigarettes in my life, but those side effects sound awfully similar to what I've seen people go through when they quit cold turkey.) In May 2008, those side effects led the FAA to bar pilots and air traffic controllers from taking Chantix. I think that sales are going to be curtailed in future.

At this point, I'm not too optimistic that Pfizer-as-we-know-it is going to be here by the end of 2011, but I'm sure interested in seeing the company that emerges from this process. (But please: no mega-merger!) ■

**For more on Pfizer's
network plan and
its outsourcing strategy,
read our PGM
Newsmaker interview,
starting on page 44!**