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Pfizer, Allergan CEOs: Tie-up aims for growth, not cost cuts

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In this Monday, Nov. 23, 2015, file photo, the Allergan logo appears above a trading post on the floor of the New York Stock Exchange. Pfizer and Allergan are joining in a $160 billion stock deal that will create the world's largest drugmaker. Speaking at an industry health care conference, Tuesday, Jan. 12, 2016, Pfizer CEO Ian Read and Allergan CEO Brett Saunders both said that Pfizer's purchase of Allergan is aimed at helping the combined company grow faster. (AP Photo/Richard Drew, File)

The heads of drugmakers Pfizer and Allergan said Tuesday that the record $160 billion combination they're planning is meant to produce more medicines and boost revenue, not to just slash jobs and other costs as the companies previously have done.

The deal announced last November would move Pfizer's official headquarters for tax purposes from New York to Allergan's base in Ireland. The strategy, called a tax inversion, would sharply decrease Pfizer's income tax bill compared to current U.S. tax rates, though the drugmaker's operations would still be run from New York.

Pfizer has a history of making such huge acquisitions of other drugmakers, then closing some facilities and eliminating thousands of jobs to boost profit quickly, though usually just temporarily. Over the last 15 years, along with many smaller acquisitions, Pfizer has gobbled up Top 20 drugmakers Warner-Lambert, Pharmacia and Wyeth, paying $68 billion for Wyeth alone in 2009.

Speaking at the 34th Annual J.P. Morgan Healthcare Conference in San Francisco Tuesday, Pfizer CEO Ian Read and Allergan CEO Brett Saunders both said that Pfizer's purchase of Allergan is aimed at helping the combined company expand faster.

"This isn't about cost-cutting. This is about leadership and growth," said Saunders, adding the companies have "lots of new drugs" they plan to launch in the next few years.

In this May 13, 2014, file photo, Pfizer CEO Ian Read arrives for a committee hearing at Portcullis House in London. Speaking at an industry health care conference, Tuesday, Jan. 12, 2016, Read and Allergan CEO Brett Saunders both said that Pfizer's purchase of Allergan is aimed at helping the combined company grow faster. (AP Photo/Matt Dunham, File)

His company, which mostly made generics until recent years, likewise has grown quickly from a surge of acquisitions.

In the last few years, the former Actavis PLC has bought Watson Pharmaceuticals, Forest Laboratories and Warner Chilcott, all multibillion-dollar deals. Buying Warner Chilcott allowed Actavis to do its own tax inversion, moving its headquarters from Parsippany, New Jersey, to Warner Chilcott's Dublin home. Actavis then bought Allergan Inc. last March, later changing its name to the better-known Allergan.

Read said Pfizer and Allergan have little overlap in their operations and both have removed considerable excess costs. That means their integration, already in the early steps, will focus on factors such as where best to invest research dollars and how to create value for shareholders, he said.

"This is going to be a powerhouse company with a strong dividend," Saunders predicted, "and the best pipeline in the industry."

Pfizer currently is the world's second-biggest drugmaker by revenue, and buying Allergan will boost it back to the top spot over current leader Novartis AG.

Read said the deal pushes back until at least 2018 any possibility of Pfizer separating its new brand-name drugs unit and its division that sells older, mostly off-patent drugs.

Some analysts and investors have been pushing Pfizer for years to break up, arguing that smaller segments could grow faster than the company as a whole and that the price of Pfizer's stock, often a laggard in the sector, would rise more.