

# Drugmaker Pfizer decides not to break up business

September 26 2016, by Linda A. Johnson

---



In this Monday, Nov. 23, 2015, file photo, a man enters Pfizer's world headquarters, in New York. Pfizer will not split into two publicly traded companies, a decision that, at least for now, ends Wall Street speculation over the drugmaker's future. The company believes it is best positioned to maximize shareholder value in its current form, but said Monday, Sept. 26, 2016, that it's reserving the right to split in the future if the situation changes. (AP Photo/Mark Lennihan, File)

Drug giant Pfizer says it won't split into two publicly traded companies,

despite pressure from investors frustrated by its lagging stock price, ending years of Wall Street speculation over its strategy and future.

The biggest U.S.-based drugmaker said Monday it believes it is best positioned to maximize shareholder value in its current form, but it reserves the right to split in the future if the situation changes.

For several years, the maker of Viagra and the pain treatment Lyrica has been under growing pressure from analysts and investors who argued that by splitting up, the resulting two companies might grow faster than one.

As a result, Pfizer has been reporting detailed financial results for each of its business segments, information that would be required by regulators for a split. Earlier this year, Pfizer promised a decision by the end of the year, but then it reorganized and renamed those segments—a sign a breakup was less likely.

Chances of the breakup began to fade even more over the summer, due in part to increasing sales for key new drugs from Pfizer and rising prospects for its drugs under development.

Pfizer CEO Ian Read told analysts last month that the prospect of a split was not a "make-or-break decision" for the company. The company recently said it had spent \$600 million on preparations for such a split.

"Given that Pfizer has been talking down expectations for a separation in recent months, we think the stock will only be down modestly on this news," Jeffries analyst Jeffrey Holford wrote to investors.

Shares of Pfizer Inc. fell 56 cents, or 1.6 percent, to \$33.71 in midday trading Monday. The stock is up almost 6 percent over the past year.

Pfizer said Monday that a split would not help the competitive positioning of its businesses, and such a move would create disruptions and increased costs.

The drugmaker's most likely path forward involves hunting for more acquisition targets, according to Bernstein analyst Dr. Tim Anderson, who had pressed Pfizer repeatedly on its quarterly results conference calls to break up.

Pfizer has been buying several companies and products to help make up for a wave of sales losses to cheaper, generic competition, most notably for the cholesterol pill Lipitor. It also attempted and failed at two mega-acquisitions, of Britain's AstraZeneca Plc in 2014 and this year of Ireland's Allergan Plc.

Both those deals had been structured as tax inversions, meant to allow Pfizer to move its headquarters from New York—but just on paper—to a country with lower tax rates to reduce its U.S. tax bill. AstraZeneca rebuffed Pfizer, and the U.S. Treasury Department set up new rules that effectively blocked the Allergan acquisition.

Last month, Pfizer said it would spend about \$14 billion to buy cancer drug developer Medivation, and it is buying rights to AstraZeneca's portfolio of approved and experimental antibiotic and antifungal pills. In June, Pfizer completed a \$5.2-billion acquisition of Anacor Pharmaceuticals Inc., which could get a new eczema drug, crisaborole, approved by January.

"A critic could argue that Pfizer is back to being the same old Pfizer as before, relying on (mergers and acquisitions) to grow and to refill its pipeline, but at the expense of growing larger in the process depending on the size of deals it chases," Anderson said in a research note.

© 2016 The Associated Press. All rights reserved.

Citation: Drugmaker Pfizer decides not to break up business (2016, September 26) retrieved 20 April 2024 from <https://medicalxpress.com/news/2016-09-drugmaker-pfizer-business.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.