



Merger of Wyeth Ltd. With Pfizer Ltd. – Creating A Single Pfizer Brand

November 23, 2013



Pfizer Ltd. and Wyeth Ltd. – A Snapshot

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	Pfizer Limited (“Pfizer India”)	Wyeth Limited (“Wyeth India”)
Overview	<ul style="list-style-type: none"> Present in India since 1950 Current holding of Pfizer Inc is 70.8%; increased its stake from 41.2% in 2009 	<ul style="list-style-type: none"> Present in India since 1947; Wyeth India became a subsidiary of Pfizer Inc following the global merger of Wyeth USA with Pfizer Inc. Current holding of Pfizer Inc is 51.1%
Products	<ul style="list-style-type: none"> Operates in multiple TAs including Pain, Respiratory, CNS, GI, Vit.\Min.\Nut., CVS, AI 6 brands in top 100 (Corex, Becosules, Gelusil, Dolonex, Magnex, and Minipress)⁽¹⁾ 	<ul style="list-style-type: none"> Diversified portfolio – pharmaceuticals including vaccines, women’s health and consumer products 2 brands in top 100 (Prevenar and Folvite) ⁽¹⁾
Ranking	<ul style="list-style-type: none"> Ranked #18 in the IPM, market share of 1.9%⁽¹⁾ <ul style="list-style-type: none"> # 3 player in Respi. with a market share of 6.0% ⁽¹⁾ #6 player in Vit.\Min.\Nut. with a market share of 3.9% ⁽¹⁾ 	<ul style="list-style-type: none"> Ranked #28 in the IPM, market share of 1.0%⁽¹⁾ <ul style="list-style-type: none"> Market leader in oral contraceptives and folic acid
Manufacturing	<ul style="list-style-type: none"> Local manufacturing (in-house and outsourced) (95%) and imports (5%) 	<ul style="list-style-type: none"> Local manufacturing (64%) and imports (36%)
Headcount	<ul style="list-style-type: none"> Field force of ~2,000 people (675 promote Wyeth India brands) ~2,470 employees as of September 2013 	<ul style="list-style-type: none"> Field force of ~320 people Arrangement with Pfizer India for front end and back end support functions ~480 employees as of September 2013

Key Financials ⁽²⁾	<u>Excludes Animal Health Business</u>			
	INR m m	FY13	INR m m	FY13
	Sales	9,151	Sales	6,612
	% Growth	3.5%	% Growth	13.2%
	EBITDA	1,896	EBITDA	1,622
	% Margin	20.7%	% Margin	24.5%
	PBT	2,751	PBT	1,933
	% Margin	30.1%	% Margin	29.2%

(1) Source: Based on IMS Moving Annual Total (MAT) sales as of Sept 2013

(2) EBITDA is calculated as sales less cost of materials consumed, purchases of stock-in-trade, changes in inventories of finished goods, work-in-progress and stock-in-trade, employee benefits and other expenses





Transaction Overview and Rationale

Overview

- The Board of Directors of Pfizer India and Wyeth India at their meetings today
 - Approved a proposal to merge Wyeth India with Pfizer India
 - Announced an interim dividend of INR 360 per share and INR 145 per share, respectively, which will be paid on December 17, 2013

MERGER TRANSACTION HIGHLIGHTS

Appointed Date

- The appointed date for the proposed merger is April 1, 2013

Swap Ratio Post Dividend

- The swap ratio, post interim dividend for the merger is 7 shares of Pfizer India (face value of INR 10 each), for every 10 shares of Wyeth India (face value of INR 10 each)

Pro-forma Shares

- As per the swap ratio, approximately 15.9 mm shares of Pfizer India will be issued to shareholders of Wyeth India
- Implied pro-forma shareholding of Pfizer Inc., post merger, will be 63.9%

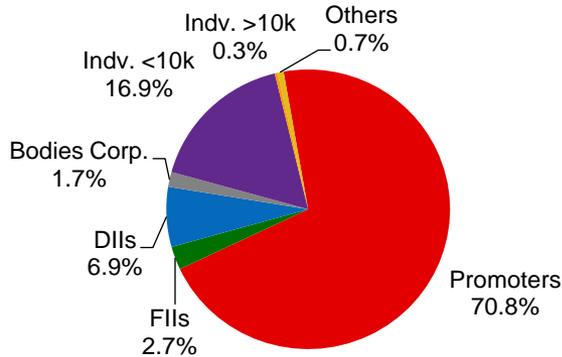
Approvals and Timeline

- The key approvals required for the proposed merger are:
 - Shareholders of Pfizer India and Wyeth India
 - Securities and Exchange Board of India (SEBI); Stock Exchanges
 - Foreign Investment Promotion Board (FIPB), India
 - Jurisdictional High Court of Bombay
- The merger process is expected to be completed in approximately nine months

Proforma Shareholding

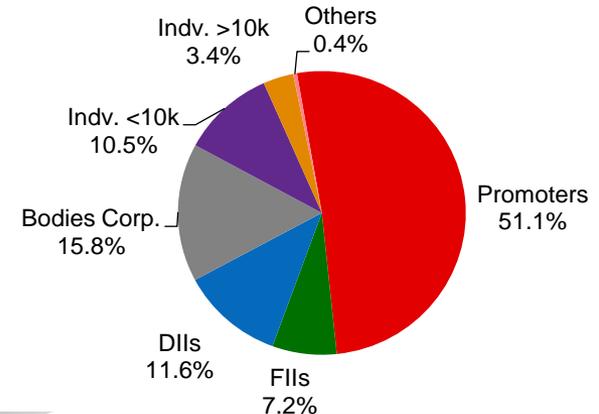
Pfizer Inc. continues to remain highly committed to India with majority shareholding in the merged entity. Significant increase in public float is expected to result in increased liquidity

Pfizer India Shareholding (1)



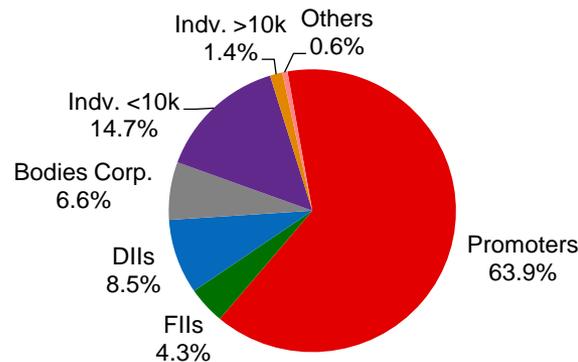
Shares Outstanding: 29.8mm
Publicly Held Shares: 8.7mm

Wyeth India Shareholding (1)



Shares Outstanding : 22.7mm
Publicly Held Shares: 11.1mm

Pfizer India Pro-forma Shareholding



Shares Outstanding : 45.7mm
Publicly Held Shares: 16.5mm

FIIIs – Foreign Institutional Investors
DIIIs – Domestic Institutional Investors
Bodies Corp. – Bodies Corporate
Ind. <10k – Individuals with holding < 10,000 shares
Ind. >10k – Individuals with holding >10,000 shares

(1) Shareholding pattern as of Sept 30, 2013



Transaction Rationale

1

Increase in the long-term value for the shareholders of Pfizer India and Wyeth India

2

Creation of a single “Go to Market” strategy and single company brand image leading to stronger market presence and higher confidence levels with all stakeholders

3

Increased share in therapeutic areas while de-risking business profile

4

More focused operational efforts, realizing operational synergies in terms of compliance and governance costs

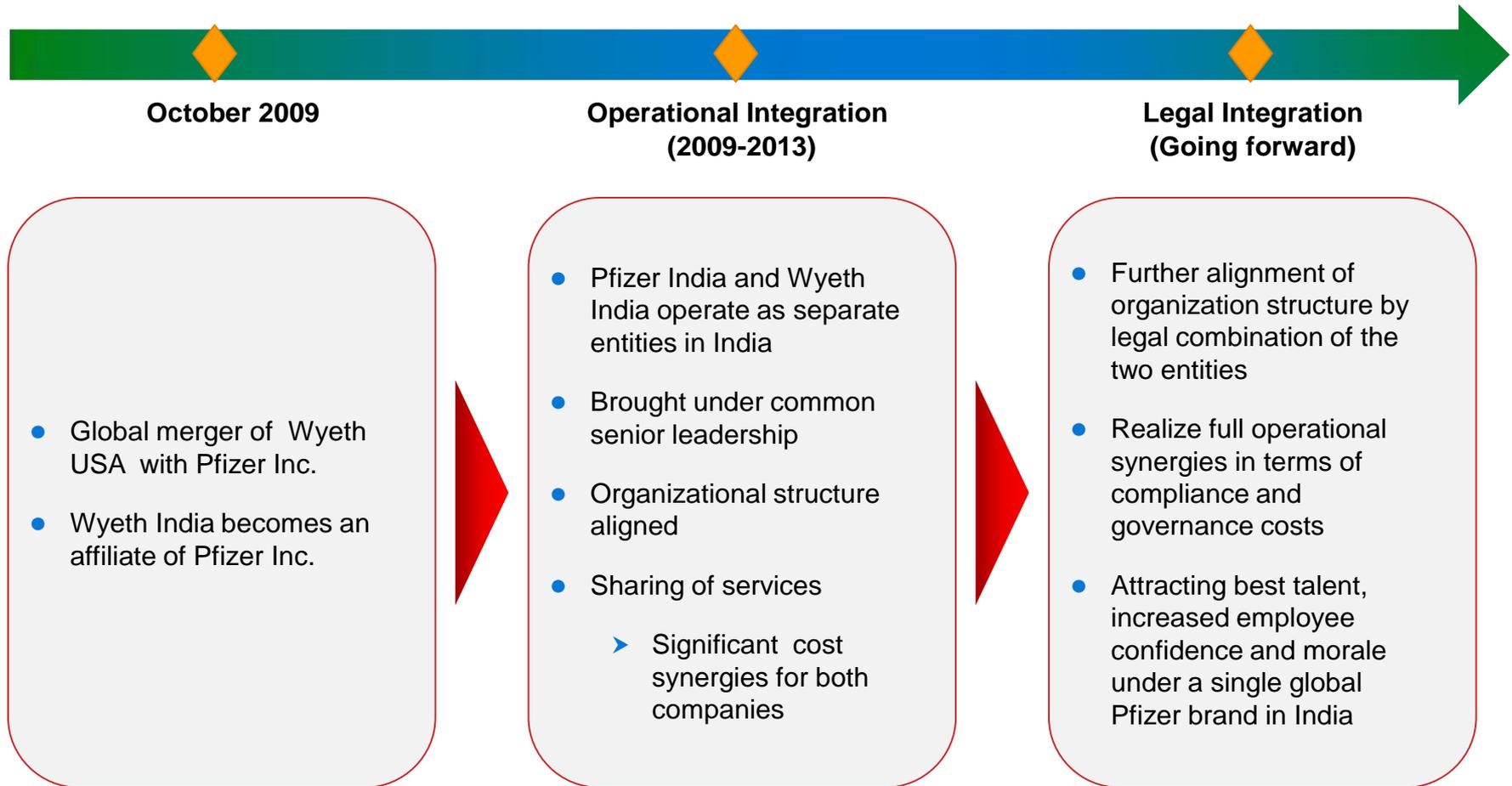
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Greater financial strength

6

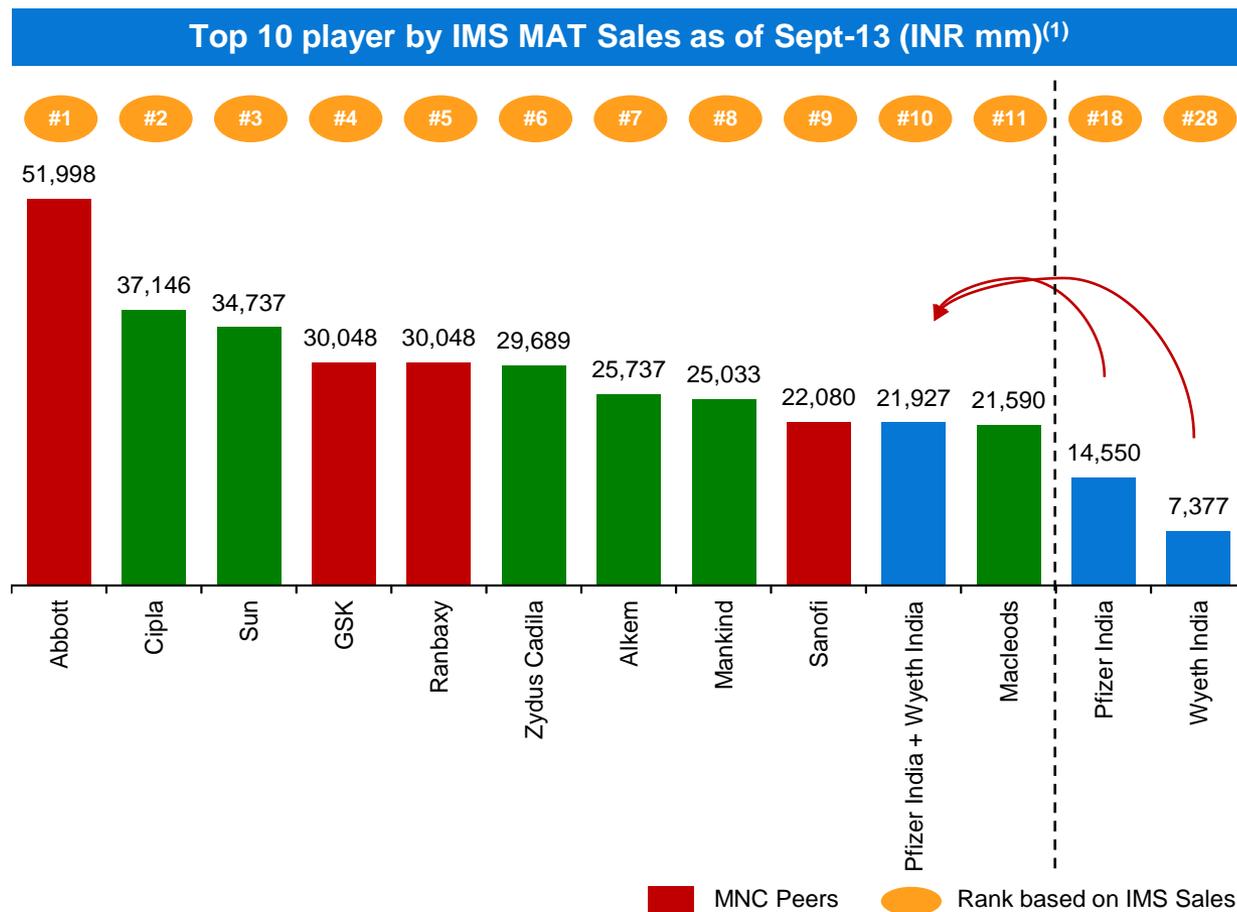
Attracting best talent, increased employee confidence and morale under a single global Pfizer brand in India

Increase in the Long-term Value for the Shareholders and Simplification of Group Structure



Single “Go to Market” Strategy – Creation of a ‘Larger’ Listed Company

- Creation of a single “Go to market” strategy and single company brand image
- Market share of combined listed entity increases to 2.9%⁽¹⁾⁽²⁾
- Merged entity to rank amongst Top 10 companies by IMS MAT sales as of Sept 2013
- Simplified operations for trade partners
- Enhanced image amongst healthcare professionals



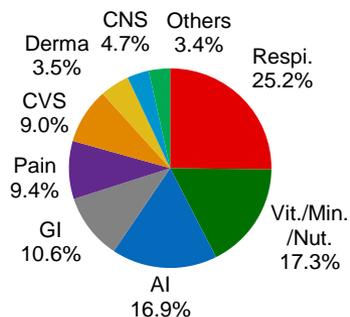
(1) Source: Based on IMS Moving Annual Total (MAT) sales as of Sept 2013

(2) Pfizer Group is ranked #9 with a market share of 3.2% based on IMS MAT sales of Sept 2013

Increased Share in Therapeutic Areas while De-risking Business Profile

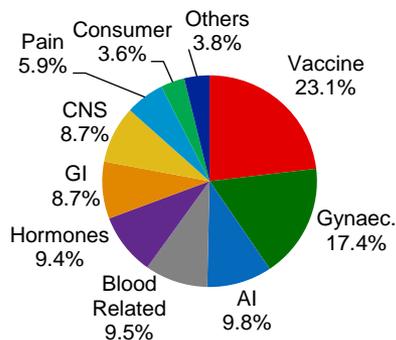
Revenue Split by Therapeutic Area (Company Data Mar-13)⁽¹⁾

Pfizer India



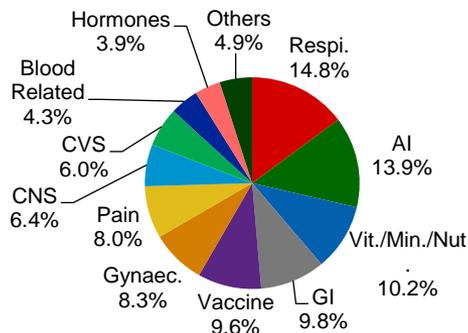
Three TAs contribute ~60% of sales

Wyeth India



Four TAs contribute ~60% of sales

Merged Entity



Five TAs contribute ~60% of sales

Market Share Across Key Therapeutic Areas (IMS MAT Sept-13)⁽²⁾

	Pfizer India	Wyeth India	Merged Entity
Respi.	6.0%	0.0%	6.0%
Gynaec.	0.6%	3.5%	4.1%
Vit./Min./Nut.	3.9%	0.0%	3.9%
CNS	1.9%	1.8%	3.7%
GI	1.6%	1.0%	2.6%
AI	1.8%	0.6%	2.4%
Pain	2.1%	0.3%	2.4%
CVS	1.7%	0.2%	1.9%
Derma	1.2%	0.0%	1.2%

- Resultant merged entity to have greater therapeutic diversification
 - Vaccines and women's healthcare products –new growth drivers for Pfizer India
- Merged entity to cover products across 9 out of the top 10 largest therapeutic areas (in value terms) in the Indian Pharmaceutical Market⁽²⁾
- Market share expansion across key TAs such as AI, GI, CNS etc.
- Stronger overall portfolio with 8 brands in top 100 brands⁽²⁾

(1) Source: Company Information for year ending March 31, 2013

(2) Source: IMS Moving Annual Total (MAT) sales as of Sept 2013

Greater Financial Strength

Indicative FY13 Financials			
INR mm	Pfizer India	Wyeth India	Merged Entity
Sales	9,151	6,612	15,763
EBITDA ⁽¹⁾	1,896	1,622	3,518
% Margin	20.7%	24.5%	22.3%
PBT	2,751	1,933	4,683
% Margin	30.1%	29.2%	29.7%
Net Cash	14,329	4,368	18,697 ⁽²⁾

- Financials for Pfizer India exclude Animal Health business but not adjusted for inter company eliminations
- Combined entity revenue of INR 15,763 mm and EBITDA of INR 3,518 mm
- Stronger balance sheet and enhanced debt raising capability
- Operational synergies in terms of compliance and governance costs and more focused operational efforts
- High cash flow generating capacity
- Significant RoE enhancement post dividend payout

(1) EBITDA is calculated as Sales less cost of materials consumed, purchases of stock-in-trade, changes in inventories of finished goods, work-in-progress and stock-in-trade, employee benefits and other expenses

(2) Cash is not adjusted for payout of dividend

Valuation Overview

- Valuation analysis has been undertaken by independent chartered accountants, Deloitte Haskins & Sells and S.R. Batliboi & Co LLP
- Valuation methodology based on
 - Market values
 - Trading multiples
 - Discounted cash flow
- Fairness opinion to the Board of Pfizer India has been provided by DSP Merrill Lynch Limited and to the Board of Wyeth India has been provided by Citigroup Global Markets India Private Limited
- Swap ratio post dividend for the merger is 7 shares of Pfizer India (face value of INR 10 each), for every 10 shares of Wyeth India (face value of INR 10 each)
 - Swap ratio adjusted for an interim dividend payout of INR 360 per share by Pfizer India and INR 145 per share by Wyeth India

Interim Dividend

	Pfizer India	Wyeth India
Cash & Cash Equivalents (As on Sep 30, 2013)	INR 14,776 mm	INR 4,400 mm
Interim Dividend Paid (including DDT) ⁽¹⁾	INR 12,569 mm	INR 3,854 mm
Cash & Cash Equivalents (As on Sep 30, 2013)	INR 2,208 mm	INR 546 mm

- Dividend is the most equitable way to return cash to the shareholders; This has also been suggested by various stakeholders from time to time
- Post the interim dividend, both companies will continue to have sufficient cash balance to fund ordinary course business operations, finance their respective capital expenditures
- Both the companies have high EBITDA to free cash flow conversion (68.5% for Pfizer India & 61.4% for Wyeth India in FY13) and nominal capex requirements, which are expected to be met easily going forward as well
- Post dividend payout, significant improvement in Return on Equity
- In case of a significant capital requirement, we will evaluate how best to fund those opportunities and decide the optimal route to adopt

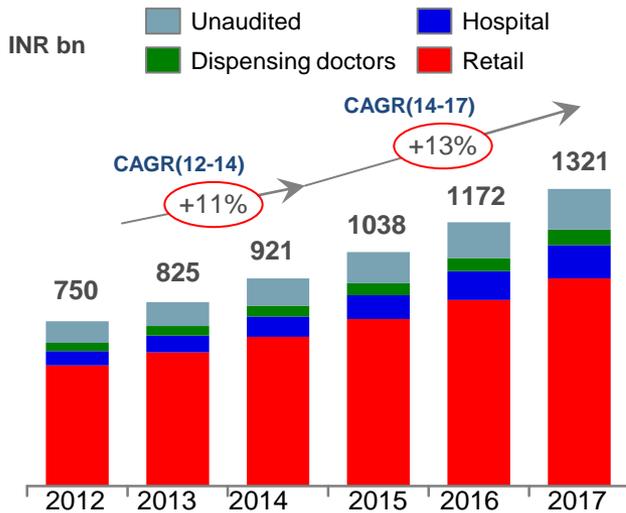
(1) Pfizer India dividend includes DDT of INR 1,826 mm and Wyeth India dividend includes DDT of INR 560 mm



Business Strategy Going Forward

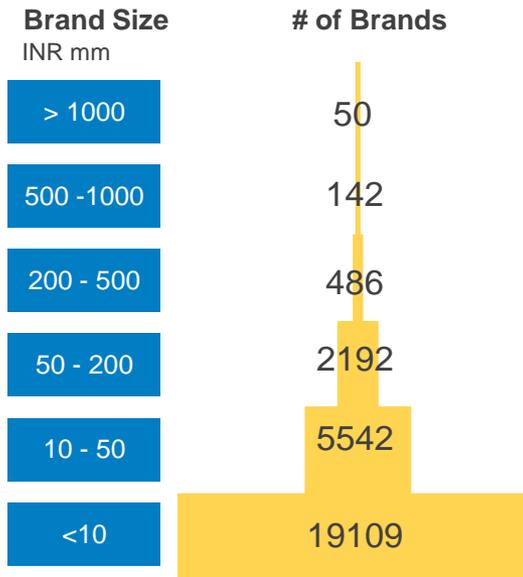
Pharma Market Growth, Competitive Outlook and Dynamics

Short-term, we believe the market is slowing down more than expected



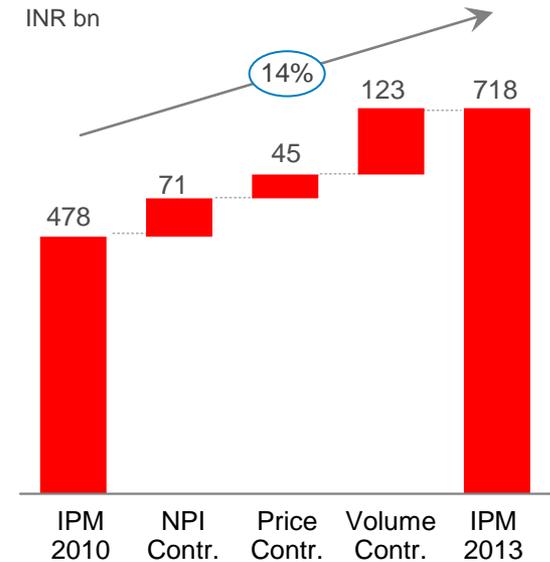
	Earlier Prognosis	Updated IMS Prognosis
2012 Growth%	15.6	11.9 (Actual)
2013 Growth%	15.0	10.0
2014 Growth%	15.4	11.6

Fragmented competitive market



- 488 Pharmaceutical companies
- Top 10 players have only 40% market share
- 27,000 brands
- High share of voice market with 100,000 FF, competing for attention from 760,000 HCPs

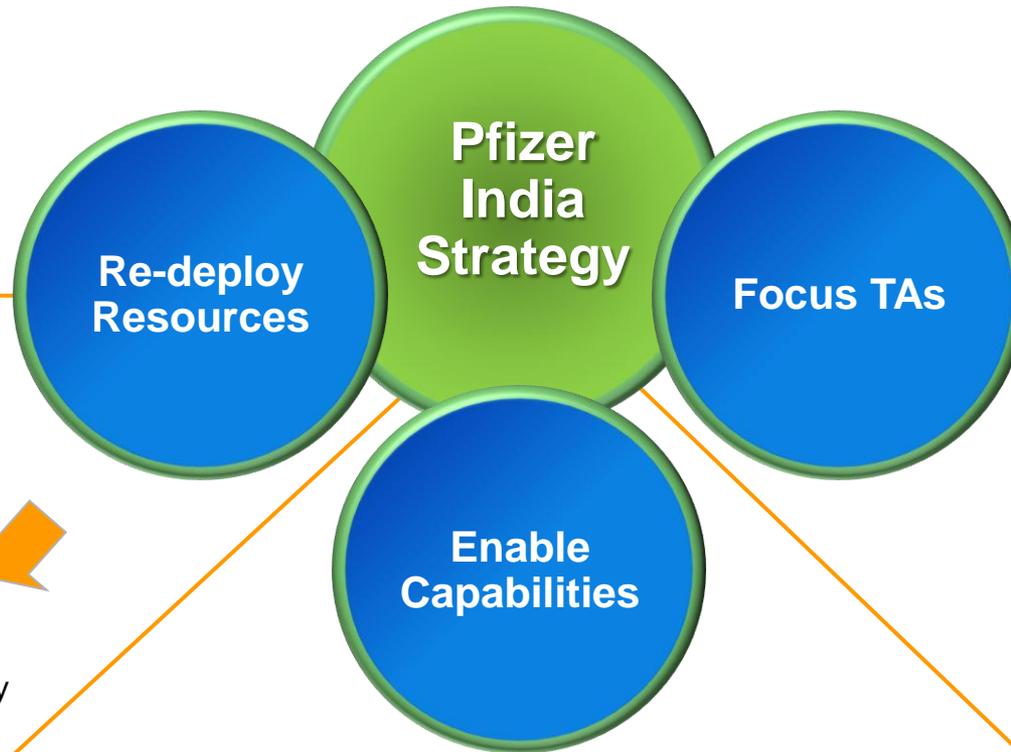
New Introductions (NI) is a key growth driver



- Contribution of NIs to total revenue have reduced from 6.4% in 2010 to 4.7% in 2013
- Only 12% NI in the Indian market are successful
- Success is defined as INR 25 mm sales in the 3rd year
- Even with tight portfolio management it takes 3 – 4 years to recoup the upfront investments

Source: IMS TSA March 2013, IMS Market Prognosis 2013 -2017 (Sep 2013 Release) Report, McKinsey, BCG Analysis

TA Based Model Supported by Structured Approach will Enable Robust Performance



- De-focus on low potential TAs and re-deploy against areas of high potential

- Grow/ Maintain/ Harvest principles
- Branded Generics strategy

- Win big in a few high-potential TAs where Pfizer has a starting position

- Women's health
- Vaccines
- Respiratory
- CNS
- Anti-Infectives
- VMS

- Build critical capabilities required to win

- Build on Strong Compliance Culture, Targeting, e-detailing, Infrastructure



Conclusion

Key Takeaways

- Operational integration culminates into legal integration
- Creating a single Pfizer brand
- Attracting best talent, increased employee confidence and morale
- Combination of both companies increases long term value for all stakeholders
 - Expanded TA base enables wider access to market
 - Stronger financial profile
 - Improves market share and strengthens competitive position
- Reinforces Pfizer Inc.'s commitment to India

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