



# **First Quarter 2017 Earnings Teleconference**

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May 2, 2017

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## **Introduction**

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Chuck Triano  
Senior Vice President,  
Investor Relations

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# Forward-Looking Statements and Non-GAAP Financial Information

- Our discussions during this conference call will include forward-looking statements about, among other things, our anticipated future operating and financial performance, business plans and prospects, in-line products and product candidates, strategic reviews, capital allocation, business-development plans, the benefits expected from our acquisitions of Hospira, Anacor, Medivation and AstraZeneca's small molecule anti-infectives business, as well as plans relating to share repurchases and dividends that are subject to substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Additional information regarding these factors can be found in Pfizer's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, including in the sections thereof captioned "Risk Factors" and "Forward-Looking Information and Factors That May Affect Future Results", as well as in our subsequent reports on Form 8-K, all of which are filed with the U.S. Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov) and [www.pfizer.com](http://www.pfizer.com). The forward-looking statements in this presentation speak only as of the original date of this presentation and we undertake no obligation to update or revise any of these statements.
- Also, the discussions during this conference call will include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles (GAAP). Reconciliations of those non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures can be found in Pfizer's Current Report on Form 8-K dated May 2, 2017. Any non-U.S. GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by U.S. GAAP, have no standardized meaning prescribed by U.S. GAAP and may not be comparable to the calculation of similar measures of other companies.



# Opening Remarks

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Chairman and Chief Executive Officer

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# CEO Perspectives

- Solid start to 2017 with strong performances for our core Innovative Health brands (Ibrance, Eliquis, Lyrica and Xeljanz) and for the key growth drivers of our Essential Health business
- Both of our businesses remain focused on executing their individual strategies
- Pipeline highlights
  - Talazoparib: Phase 3 gBRCA+ breast cancer top-line results expected in January 2018
  - Immuno-oncology: early data from avelumab doublets in 2017; triplet combo now in clinic
  - Lorlatinib: Breakthrough Therapy granted for ALK+ NSCLC; U.S. filing expected in 2H17
  - Xeljanz: submitted PsA in the U.S.; expect to file UC in 1H17 and both EU filings in 2H17
  - HemB: potential proof of concept in 2H17 for FIX gene therapy asset with partner Spark
  - NASH: Positive phase 1b data for ACC inhibitor; expect data on DGAT2 and KHK in 2017
  - *C. difficile* vaccine candidate: entered phase 3 in March 2017
- We continually assess a variety of opportunities to create shareholder value, including acquisitions, divestitures, direct capital returns and managing our investment in the business
- We are closely monitoring the evolving political landscape and will be alert and flexible to potential policy or legislative changes

**Our Businesses are Strong, Our Pipeline is Solid and Our Financial Strength Will Help to Enable Sustainable Value Creation**



## **Financial Review**

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Frank D'Amelio  
Executive Vice President &  
Chief Financial Officer

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# Income Statement Highlights

(\$ Millions, Except Per Share Amounts and Percentages)

	First Quarter		
	2017	2016	Change
Revenues	\$12,779	\$13,005	(2%)
Reported Net Income <sup>(1)</sup>	3,121	3,038	3%
Reported Diluted EPS <sup>(1)</sup>	0.51	0.49	6%
Adjusted Income <sup>(2)</sup>	4,192	4,177	—
Adjusted Diluted EPS <sup>(2)</sup>	0.69	0.67	3%

**Reported Results Favorably Impacted Primarily by Lower Legal Charges and Asset Impairment Charges as well as Higher Net Gains on Asset Disposals; Unfavorably Impacted Primarily by a Higher Effective Tax Rate, Fewer Selling Days and Lower Royalty Income**

<sup>(1)</sup> Reported net income is defined as net income attributable to Pfizer Inc. in accordance with U.S. GAAP. Reported diluted earnings per share (EPS) is defined as reported diluted EPS attributable to Pfizer Inc. common shareholders in accordance with U.S. GAAP.

<sup>(2)</sup> Adjusted income and its components and Adjusted diluted EPS are defined as reported U.S. GAAP net income<sup>(1)</sup> and its components and reported diluted EPS<sup>(1)</sup> excluding purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items (some of which may recur, such as restructuring or legal charges, but which management does not believe are reflective of ongoing core operations). Adjusted cost of sales, Adjusted selling, informational and administrative (SI&A) expenses, Adjusted research and development (R&D) expenses and Adjusted other (income)/deductions are income statement line items prepared on the same basis as, and therefore components of, the overall Adjusted income measure.



# Impact of Foreign Exchange on Revenues and Select Adjusted Income<sup>(1)</sup> Components

(\$ Millions, Except Percentages)

Favorable / (Unfavorable)

	First Quarter				
	2017	2016	FX Impact		
<b>Revenues</b>	<b>\$12,779</b>	<b>\$13,005</b>	<b>(\$116)</b>		<b>(1%)</b>
Adjusted Cost of Sales <sup>(1)</sup>	2,434	2,565	28		1%
<i>COS as a Percentage of Revenues</i>	19.1%	19.7%	—		—
Adjusted SI&A Expenses <sup>(1)</sup>	3,288	3,368	23		1%
Adjusted R&D Expenses <sup>(1)</sup>	1,705	1,723	11		1%
<b>Total Adjusted Costs &amp; Expenses<sup>(2)</sup></b>	<b>\$7,428</b>	<b>\$7,656</b>	<b>\$61</b>		<b>1%</b>

**Foreign Exchange Had Virtually No Impact on Adjusted Diluted EPS<sup>(1)</sup> Compared to the Year-Ago Quarter**

<sup>(1)</sup> See slide 7 for definition.

<sup>(2)</sup> Totals may not add due to rounding.

# 2017 Financial Guidance<sup>(1)(2)</sup>

Revenues	\$52.0 to \$54.0 billion
Adjusted Cost of Sales <sup>(3)</sup> as a Percentage of Revenues	20.0% to 21.0%
Adjusted SI&A Expenses <sup>(3)</sup>	\$13.7 to \$14.7 billion
Adjusted R&D Expenses <sup>(3)</sup>	\$7.5 to \$8.0 billion
Adjusted Other (Income) / Deductions <sup>(3)</sup>	Approximately \$100 million of deductions
Effective Tax Rate on Adjusted Income <sup>(3)</sup>	Approximately 23.0%
Adjusted Diluted EPS <sup>(3)</sup>	\$2.50 to \$2.60

## Reaffirmed All Components of 2017 Financial Guidance

<sup>(1)</sup> Exchange rates assumed are a blend of the actual exchange rates in effect through first-quarter 2017 and mid-April 2017 exchange rates for the remainder of the year. <sup>(2)</sup> Pfizer does not provide guidance for GAAP Reported financial measures (other than Revenues) or a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP Reported financial measures on a forward-looking basis because it is unable to predict with reasonable certainty the ultimate outcome of pending litigation, unusual gains and losses, acquisition-related expenses and potential future asset impairments without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP Reported results for the guidance period. Does not assume the completion of any business development transactions not completed as of April 2, 2017, including any one-time upfront payments associated with such transactions. Reflects an anticipated negative revenue impact of \$2.4 billion due to recent and expected generic and biosimilar competition for certain products that have recently lost or are anticipated to soon lose patent protection. Guidance for 2017 Revenues also reflects the anticipated negative impact of \$0.5 billion as a result of unfavorable changes in foreign exchange rates relative to the U.S. dollar compared to foreign exchange rates from 2016. The anticipated negative impact on adjusted diluted EPS<sup>(3)</sup> resulting from unfavorable changes in foreign exchange rates compared to foreign exchange rates from 2016 is approximately \$0.03. Adjusted Diluted EPS<sup>(3)</sup> guidance assumes diluted weighted-average shares outstanding of between 6.0 to 6.1 billion shares. <sup>(3)</sup> See slide 7 for definition.

# Key Takeaways

- ✓ First quarter 2017 performance was solid, with operational revenue growth excluding Hospira Infusion Systems from all periods, despite a ~\$300M negative impact due to fewer selling days compared to the prior year quarter
- ✓ Reaffirmed all components of our 2017 financial guidance
- ✓ Accomplished several product and pipeline milestones since our previous quarterly update
  - FDA approved Bavencio (avelumab) for the treatment of adults and pediatric patients 12 years and older with metastatic Merkel cell carcinoma
  - FDA converted the accelerated approval of Ibrance to regular approval and broadened the range of anti-hormonal therapies that may be administered with Ibrance, based on the results from the confirmatory Phase 3 trial, PALOMA-2
  - European Commission approved Xeljanz 5 mg twice daily oral tablets in combination with methotrexate for the treatment of moderate to severe active rheumatoid arthritis in adult patients who have responded inadequately to, or who are intolerant to one or more DMARDs
  - FDA accepted and the EMA validated for review three applications for medicines containing ertugliflozin, an investigational SGLT2 inhibitor
- ✓ Returned \$6.9 billion to shareholders in Q1 2017 through a combination of dividends and a \$5.0 billion accelerated share repurchase agreement executed in February 2017

**Remain Committed to Delivering Attractive  
Shareholder Returns in 2017 and Beyond**



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**Q&A Session**  
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