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Pfizer reports Q1 2019 results

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First-quarter 2019 Biopharma revenues totaled $9.2 billion

Pfizer reported financial results for first-quarter 2019 and raised the midpoint of its 2019 financial guidance for adjusted diluted EPS.

At the start of the 2019 fiscal year, Pfizer reorganized its commercial operations into three businesses:

- Pfizer Biopharmaceuticals Group, a science-based innovative medicines business, which includes all of the previous Innovative Health business units (except Consumer Healthcare) as well as a new Hospital business unit that commercializes Pfizer's global portfolio of sterile injectable and anti-infective medicines and includes Pfizer's contract manufacturing operation, Pfizer CentreOne. Pfizer also incorporated its biosimilar portfolio into its Oncology and Inflammation & Immunology business units and certain legacy established products into the Internal Medicine business unit.
- Upjohn, a global, off-patent branded and generic established medicines business, which includes 20 off-patent solid oral dose legacy brands including Lyrica, Lipitor, Norvasc, Viagra and Celebrex, as well as certain generic medicines.
- Consumer Healthcare, which includes Pfizer's over-the-counter medicines.

Pfizer Biopharmaceuticals Group Revenue Highlights

First-quarter 2019 Biopharma revenues totaled $9.2 billion, up 7% operationally, primarily driven by:

- Eliquis globally, up 36% operationally, primarily driven by continued increased adoption in non-valvular atrial fibrillation as well as oral anti-coagulant market share gains;
- Ibrance globally, up 25% operationally, primarily driven by:

- 107% operational growth in international markets, reflecting continued strong uptake following launches in developed

Europe, Japan and certain emerging markets; and
- 2% growth in the U.S., reflecting continued moderating volumes in approved metastatic breast cancer indications;

- Prevnar 13/Prevenar 13 globally, up 10% operationally, primarily driven by:

- 31% operational growth in emerging markets, reflecting the favorable overall impact of timing and increased volume associated with government purchases for the pediatric indication and increased shipments associated with *Gavi, the Vaccine Alliance*, partially offset primarily by the non-recurrence of volumes associated with an adult national immunization program in first-quarter 2018; and
- 6% growth in the U.S., reflecting increased government purchases in first-quarter 2019 for the pediatric indication, partially offset by the continued decline in revenues for the adult indication due to a declining "catch up" opportunity compared to the prior-year quarter; and

- Xeljanz globally, up 34% operationally, driven by:

- 89% operational growth in international markets, primarily reflecting continued uptake in the rheumatoid arthritis indication as well as from the recent launch of the ulcerative colitis indication in certain developed markets; and
- 18% growth in the U.S., reflecting continued strong volume growth in the rheumatoid arthritis indication and from the launches of the psoriatic arthritis and ulcerative colitis indications, partially offset by expected higher rebating and unfavorable channel mix in first-quarter 2019,

partially offset primarily by lower revenues for:

- the Hospital business in the U.S., down 8%, primarily due to the continued expected negative impact from generic competition for products that have previously lost marketing exclusivity; and
- certain rare disease products, including the hemophilia franchises primarily due to competitive pressures, and Genotropin in the U.S., primarily due to unfavorable channel mix.

Upjohn Revenue Highlights

First-quarter 2019 Upjohn revenues totaled $3.1 billion, up 1% operationally, reflecting:

- 25% operational growth in emerging markets, driven by strong, volume-driven operational growth in China, primarily from Lipitor, Norvasc and Celebrex; and
- 10% operational growth in Japan, primarily driven by strong volume growth from Lyrica and Celebrex,

partially offset by:

- 13% operational decline in developed markets excluding Japan, primarily driven by lower revenues for:

- Viagra and Upjohn's authorized generic for Viagra in the U.S. resulting from increased generic competition following Viagra's December 2017 patent expiration;
- Lyrica, primarily due to lower volumes in the U.S., reflecting wholesaler destocking in advance of anticipated generic competition beginning on June 30, 2019, and in developed Europe, reflecting continued generic competition; and
- Greenstone, Upjohn's authorized generic subsidiary, primarily due to continued industry-wide pricing challenges in the U.S.

Consumer Healthcare Revenue Highlights

First-quarter 2019 Consumer Healthcare revenues totaled $858 million, down 2% operationally, reflecting an 8% decline in the U.S., partially offset by 4% operational growth in international markets.

Dr. Albert Bourla, Pfizer's Chief Executive Officer, stated, "Our first-quarter 2019 financial results were strong, driven by continued strength from certain Biopharma brands, primarily Eliquis, Ibrance, Prevnar 13/Prevenar 13 and Xeljanz, as well as strong operational growth from certain Upjohn brands, primarily in China. Our new commercial structure is designed to maximize today's revenue growth opportunities while transitioning the company to a period post-2020 where we expect sustained mid-single-digit operational revenue growth through 2025. We remain focused on executing on our commercial strategies, managing expenses, advancing our pipeline and prudently allocating our capital to position Pfizer for sustainable success.

"Our pipeline continues to deliver differentiated therapies that have the potential to improve the standard of care for patients

across multiple therapeutic areas. In the first four months of 2019, we have received five regulatory approvals and presented Phase 3 data for Xtandi in metastatic hormone-sensitive prostate cancer as well as Phase 2 immunogenicity data in adults for our 20-valent pneumococcal vaccine candidate. Over the rest of 2019, we are looking forward to potential U.S. regulatory approvals for tafamidis in transthyretin cardiomyopathy, our Bavencio-Inlyta combination for the treatment of first-line renal cell carcinoma as well as for our biosimilar rituximab, bevacizumab and adalimumab molecules. We also expect Phase 3 read outs in 2019 for PF-04965842, our Janus kinase-1 (JAK1) inhibitor in development for moderate-to-severe atopic dermatitis, and rivipansel, in development for vaso-occlusive crisis from sickle cell disease. I believe our pipeline today represents an unprecedented opportunity to deliver a life-changing impact for millions of patients while enhancing value for all of our stakeholders," Dr. Bourla concluded.

Frank D'Amelio, Chief Financial Officer and Executive Vice President, Business Operations and Global Supply, stated, "Overall, I was pleased with our first-quarter 2019 financial performance. We were able to achieve 5% operational revenue growth and delivered Adjusted diluted EPS growth of 13%, primarily reflecting the strong performance of certain key products and the net impact of our share repurchases. We reaffirmed our 2019 financial guidance for revenues. Additionally, we raised the midpoint of our guidance range for Adjusted diluted EPS by $0.01, reflecting a $0.03 operational improvement, primarily due to approximately $100 million of incremental Adjusted other income that was recorded in first-quarter 2019, partially offset by a $0.02 negative impact reflecting unfavorable changes in foreign exchange rates since mid-January 2019. Finally, in first-quarter 2019, we returned $10.9 billion directly to shareholders through share repurchases and dividends."