

## Mylan and Pfizer to create a new company

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Mylan and Pfizer Inc. has announced a definitive agreement to combine Mylan with Upjohn, Pfizer's off-patent branded and generic established medicines business, creating a new global pharmaceutical company.

Under the terms of the agreement, which is structured as an all-stock, Reverse Morris Trust transaction, each Mylan share would be converted into one share of the new company. Pfizer shareholders would own 57% of the combined new company, and Mylan shareholders would own 43%. The Boards of Directors of both Mylan and Pfizer have unanimously approved the transaction.

The new company will transform and accelerate each businesses' ability to serve patients' needs and expand their capabilities across more than 165 markets by bringing together two highly complementary businesses. Mylan brings a diverse portfolio across many geographies and key therapeutic areas, such as central nervous system and anesthesia, infectious disease and cardiovascular, as well as a robust pipeline, high-quality manufacturing and supply chain excellence. Upjohn brings trusted, iconic brands, such as Lipitor (atorvastatin calcium), Celebrex (celecoxib) and Viagra (sildenafil), and proven commercialization capabilities, including leadership positions in China and other emerging markets.

The transaction will allow the new company to meaningfully expand the geographic reach of Mylan's existing broad product portfolio and future pipeline – including significant investments that have been made across complex generics and biosimilars – into new growth markets where Upjohn has existing sales infrastructure and local market expertise.

The combination will drive a sustainable, diverse and differentiated portfolio of prescription medicines, complex generics, over-the-counter products and biosimilars supported by commercial and regulatory expertise, established infrastructure, best-in-class R&D capabilities and high-quality manufacturing and supply chain excellence.

The new company is expected to have pro forma 2020 revenues<sup>1</sup> of \$19 to \$20 billion. Pro forma 2020 adjusted EBITDA is anticipated to be in the range of \$7.5 to \$8.0 billion, including phased synergies of approximately \$1 billion annually to be realized by 2023. Pro forma free cash flow for 2020 is expected to be more than \$4 billion.

The new company will be focused on returning capital to shareholders, while maintaining a solid investment grade credit rating. It expects to achieve a ratio of debt to adjusted EBITDA of 2.5x by the end of 2021. In addition, the new company

intends to initiate a dividend of approximately 25% of free cash flow beginning the first full quarter after close and the potential for share repurchases once the debt to adjusted EBITDA target is sustained.

The new company, which will be renamed and rebranded at close, will be led by Mylan's current Chairman Robert J. Coury, who will serve as Executive Chairman of the new company; Michael Goettler, current Group President, Upjohn, who will serve as Chief Executive Officer (CEO); and Rajiv Malik, current Mylan President, who will serve as President. Ken Parks, currently CFO of Mylan, has agreed to depart the company at closing. Heather Bresch, Mylan's current CEO, will retire from Mylan upon the close of this transaction.

Robert J. Coury, Mylan Chairman, said, "Over the past year and a half, I have spent a lot of time speaking with and listening attentively to our shareholders. Today's announcement builds upon many of those meaningful conversations and represents a transformative move for Mylan. The new company, which combines the unique assets of Mylan with the iconic brands of Pfizer's Upjohn business, will not only accelerate our mission to serve the world's changing health needs, but also further unlock the true value of our platform while delivering attractive returns to shareholders for many years to come. Importantly, the combined organization will have a presence across nearly every continent and major market, establishing a new leadership position in Asia, and offering products capable of treating all major therapeutic areas. This combination also further accelerates Mylan's longstanding strategy to create the operational scale and commercial capabilities necessary to provide the world's more than 7 billion people with access to medicine.

As important, the transaction we are announcing today will enhance the strength of our balance sheet by scaling and increasing our existing strong cash flows, providing the new company with the financial flexibility to support and accelerate deleveraging and the expected initiation of a meaningful dividend from the first full quarter after the transaction closes. There will also be potential for share repurchases once the long-term leverage target is achieved. This powerful new profile positions the new company for sustained success and long-term value creation."

The Board of Directors of the new company will include its Executive Chairman and its CEO, as well as eight members designated by Mylan, and three members designated by Pfizer, for a total of thirteen members.

The new company will be domiciled in the U.S. and incorporated in Delaware and will operate Global Centers in Pittsburgh, Pennsylvania; Shanghai, China, and Hyderabad, India.

Dr. Albert Bourla, Pfizer CEO, stated, "We are creating a new champion for global health—one poised to bring world-class medicines to patients across a wide range of therapeutic areas. I believe that Mylan's unique profile and strategy has made it the obvious partner of choice in creating this powerful combination. By bringing Mylan's growth assets to Upjohn's growth markets, we will create a financially strong company with true global reach. I'm also excited about the management team, which combines strong executive talent from both companies, whose commitment to improving global health for patients and to delivering returns to shareholders are great assets for the new company. For Pfizer, this transaction represents our sharpened focus on innovative medicines and is a testament to our purpose – breakthroughs that change patients' lives. At the same time, we'll maintain the financial flexibility to advance our strong pipeline, invest for growth and continue to return capital to our shareholders."

Coury continued: "The combination announced today also comes with Mylan CEO Heather Bresch's decision to announce her intention to retire upon deal close after 27 years of distinguished service and leadership within Mylan. Heather has left a significant positive mark to the benefit of our company, patients and shareholders in so many ways including through her leadership and execution of our efforts to create a more sustainable Mylan. Her leadership helped to further position Mylan for this important milestone. Her presence and her impact will not only be missed by our Board of Directors, but also by our entire workforce of 35,000 across the world. We wish her much success with her future endeavors."

Heather Bresch, Mylan CEO said, "Mylan was founded nearly 60 years ago with the core purpose to provide access to medicine. Thanks to the hard work and dedication of thousands of Mylan employees and the transformative vision from leaders past and present, including Board Chair Robert J. Coury, Mylan has made significant strides toward providing that same access at a global level for the world's 7 billion people. And now, the creation of this new company introduces a powerful expanded platform with the potential for patient impact that will be truly transformative and unique within the industry. Nearly eight years after becoming CEO, I'm proud to say that this milestone represents the culmination of the goals I set for myself when I challenged Mylan and our amazing workforce to set new standards in healthcare. And so, as the company prepares to set out on this exciting new journey under the next era of leadership, I too have decided to pursue a new chapter – one that will continue to be focused on serving people, patients and public health."

Coury continued: "Additionally, it is with great pleasure that I welcome Michael Goettler, a seasoned and high-quality pharma executive, as CEO of the new company. I am also pleased that Rajiv Malik will continue to serve in the role of president. Rajiv has been and continues to be instrumental in the building and execution of our true one-of-a-kind and very complex platform, and he will serve as a strong complementary partner to Michael. Lastly, I would like to thank Ken Parks for his leadership and

service to Mylan, which has provided significant value to our company over the last three years, and know that he will continue to do so as we work toward a successful deal close.”

Michael Goettler, Group President, Upjohn added: “I’m honored by the opportunity to lead this new company, which will deliver more medicines to more patients across the globe. I’m also excited to combine two talented and deeply experienced teams that share a passion for providing patients with access to medicines. I look forward to delivering on that shared commitment by combining Mylan’s broad and diverse portfolio with Upjohn’s iconic, trusted brands and bringing the Mylan growth products to the Upjohn growth markets. I share Robert’s commitment to leading this new company with a focus on total shareholder return and look forward to working with leaders at the company towards that end.”

Mark Parrish, Chair of Mylan’s Strategic Review Committee, said: “This compelling combination concludes the work of Mylan’s Strategic Review Committee, which after our exhaustive review of available alternatives best positions the company to unlock value for our shareholders.”

The combination will be effected through a Reverse Morris Trust, under which Upjohn is expected to be spun off or split off to Pfizer’s shareholders and simultaneously combined with Mylan. The transaction is expected to be tax free to Pfizer and Pfizer shareholders and taxable to Mylan shareholders. The transaction is anticipated to close in mid-2020, subject to approval by Mylan shareholders and customary closing conditions, including receipt of regulatory approvals. No vote is required by Pfizer shareholders.

Upjohn will issue \$12 billion of debt at or prior to separation, with gross debt proceeds retained by Pfizer. Upon closing, the new company is expected to have a solid investment grade credit rating. The new company will have approximately \$24.5 billion of total debt outstanding at closing.