

Pfizer, Wyeth Merger to Add More Value to Stocks

Generous dividend, more free float and operational synergy boost market sentiment

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Indian units of global drug majors Pfizer and Wyeth have been star performers on Dalal Street, notching up gains of nearly 55% and 60%, respectively, over the past month in the broader BSE 500 Index.

Shares of both Pfizer and Wyeth are trading near their life-time highs as experts believe that Pfizer will qualify for a stock re-rating, post amalgamation with Wyeth.

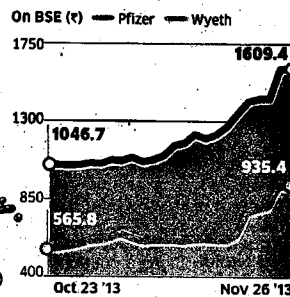
Both companies have made generous dividend announcements as well, boosting market sentiment. Pfizer's shareholders are likely to receive a dividend of ₹360 a share, or 28% of its share price as of November 18 (a day before the merger proposal became public). Wyeth is also paying a dividend of ₹145 a share, or 24% of its share price.

Also, increase in public float of 170 million shares from 8.7 million shares, post merger will help Pfizer grab large institu-

Rich Pickings

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tional investor's attention. "The merger of Pfizer and Wyeth will strengthen Indian operations through expansion across various therapeutic categories with major presence in vitamins, vaccines, women's healthcare, respiratory, CNS and anti-infectives. We expect the merged company to report consistent performance due to strong growth of its 13 major



brands," said Ranjit Kapadia, analyst at Centrum.

The Pfizer-Wyeth merged entity is also likely to see operational synergies in terms of compliance, governance cost and simplified trade partners with diversified therapeutic areas (TA) under a single brand.

Pfizer operates in multiple therapeutic areas, including pain, respiratory diseases, etc.

While Wyeth plays a big role in vaccine and women's health-care products. The merged entity is likely to cover products across nine out of the top 10 largest therapeutic areas in the domestic market with a combined field force of 2,320.

"The combined entity will have ₹1,580 crore of revenues and ₹352 crore of EBITDA as of FY13. At current market price, the merged entity trades at 13x EV/EBITDA, which is at a discount to MNC peers like Glaxo and Sanofi. The merged entity will have a stronger market presence with a higher free float," said Nitin Agarwal, analyst at IDFC Securities.

The merged entity will become the third largest multinational company in India after Abbott and GSK Pharma and will be ranked 10th in the domestic market with a 2.9% market share.

Shares of Pfizer closed 0.25% higher at ₹1,609 on BSE on Tuesday, while the Wyeth stock ended up 1.14% at ₹935.

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