

Pfizer to Visit Hundreds of Companies in \$17 Bln Shopping Spree
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By Shannon Pettypiece

June 30 (Bloomberg) -- Pfizer Inc. will scrutinize hundreds of drug and biotechnology companies this year in a hunt for the next \$1 billion medicine, company officials said.

Pfizer, the world's largest drugmaker, has earmarked as much as \$17 billion to acquire new drugs or biotechnology treatments during the next two years, the New York-based company said on June 26.

John L. LaMattina, Pfizer's global research president, said this week that he is directing a search for deals -- acquisitions or product licenses -- that would cost between \$1 billion and \$4 billion. Pfizer will have about \$29 billion in cash after the \$16.6 billion sale of its consumer-products unit to New Brunswick, New Jersey-based Johnson & Johnson, announced this week.

"We have a very disciplined focus on acquisitions," said LaMattina, 56, in a June 28 telephone interview. "We will go after a variety of technology, some early-stage compounds, some late-stage, some devices, and all designed to help us with what we are doing right now."

Chief Executive Officer Hank McKinnell, 63, needs new products to restore Pfizer's luster before he retires in February 2008. The company's shares have lost half their value in the five years McKinnell has been at the helm. Investors have dumped the shares as generic drugmakers erode sales of old products, said David Heupel, who helps manage \$2.5 billion, including Pfizer shares, at Thrivent Financial for Lutherans in Minneapolis.

"You look at patent expiration and product portfolio and don't see growth opportunities," Heupel said in an interview. "They need to bolster their pipeline or do something to excite investors."

One of Richest

The company's \$15.5 billion in cash, before the consumer unit sale, made Pfizer one of the richest non-banking U.S. companies behind Johnson & Johnson, Cisco Systems Inc., Exxon Mobil Corp., Microsoft Corp., Ford Motor Co., General Electric Co. and General Motors Corp., based on data compiled by Bloomberg at the end of this year's first quarter.

Pfizer shares rose 34 cents, or 1.5 percent, to \$23.24 yesterday in New York Stock Exchange composite trading. On Jan. 2, 2001, Pfizer closed at \$46.13, a point it never again reached under the leadership of McKinnell, who has a doctorate in business from Stanford University.

In the hunt for drugs and companies to buy, LaMattina said he is counting on help from Pfizer's 14,000 scientists and researchers. They closely follow medical journals and presentations at conferences, and call on personal contacts to scout prospects, he said.

Pfizer will spend years following a candidate company, LaMattina said. He met with officials of a small drugmaker this week that approached Pfizer a year ago, he said, while declining to name it. The research executive also wouldn't discuss specific companies or technologies Pfizer is considering.

Not Nouveau Riche

People shouldn't get the view that we are nouveau riche and we are going around spending money left and right," LaMattina said.

Pfizer aims to keep getting about a third of its \$51.3 billion in revenue, or about \$17 billion a year, from drugs or treatments brought in from outside the company, LaMattina said.

While McKinnell's war chest is large enough to finance the biggest biotech acquisition since Amgen paid \$10.3 billion for Immunex in 2002, Pfizer isn't likely to make a purchase that big, LaMattina said.

"With the money and the size of Pfizer, the sky is the limit," Thrivent Financial's Heupel said. "They could buy almost anything or everything in biotech-land if they wanted."

Analyst John Farrall of National City Private Client Group in Cleveland said possible Pfizer targets may include CV Therapeutics Inc. of Palo Alto, California, with the Ranexa heart drug; Antigenics Inc. of New York for its cancer vaccine; and Cell Genesys Inc. of South San Francisco, for its prostate cancer drug Gvax.

'Zero to a Billion'

Antigenics spokesman Sunny Uberoi and CV Therapeutics spokesman John Bluth declined to comment. Cell Genesys spokeswoman Ina Cu didn't return a phone call for comment.

Pfizer may be more likely to acquire a small company with the potential to "go from zero to a billion," said Deutsche Bank analyst Barbara Ryan in Greenwich, Connecticut, in an interview this week. There are hundreds of such companies and almost no disease area where Pfizer isn't looking, she said.

"It could be anywhere, anything," Ryan said. "They have been more focused on development-stage companies, and I think that will continue to be the focus."

Under McKinnell, Pfizer has made 19 acquisitions, including \$58 billion for Pharmacia Corp. and \$1.3 billion for the worldwide rights to Sanofi-Aventis SA's Exubera inhaled insulin. Recent purchases include the rights to Schwarz Pharma AG's overactive bladder drug for \$210 million and closely held Rinat Neuroscience for its pain and Alzheimer's drugs.

Shareholder's Advice

Potential takeover targets may also include companies with which Pfizer already has partnerships, including Incyte Corp. of Wilmington, Delaware; OSI Pharmaceuticals Inc. of Melville, New York; and Inpharmatica Ltd. of London.

Pfizer shouldn't rush into any acquisitions, and if McKinnell doesn't find \$17 billion of good deals, he should spend more on repurchasing shares, said Jeffrey Malcom, who manages 460,000 Pfizer shares for Horan Capital Management in Towson, Maryland. Pfizer this week said it will buy back as much as \$17 billion in shares by 2008.

"They shouldn't make an acquisition for the sake of making an acquisition," said Malcom. "Whether they can make good acquisitions is a result of what is available in the market. If there is a dearth of really good investment opportunities for them, perhaps 50 percent allocated to that is too much."

--with reporting by Marni Kottle in San Francisco and Tom Contiliano in Chicago. Editor: Simison (shw).

Story illustration: To see a chart of Pfizer's earnings by quarter, see {PFE US <Equity> CH2 Q <GO>}.

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