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PFIZER:
DATA APPENDIX
for
William Lazonick, Öner Tulum, and Matt Hopkins,
"Tax Dodging Just One Part of Pfizer's Corrupt Business Model,"
***Huffington Post*, December 4, 2015**
http://www.huffingtonpost.com/william-lazonick/tax-dodging-just-one-part_b_8721900.html

From 2010 to 2014, Pfizer's revenues fell from $67.8 billion to $49.6 billion, mainly because of the expiration of the patents on a number of the company's blockbuster drugs. The company's revenues are on track to be even lower in 2015. From the end of 2010 to the end of 2014, worldwide employment was slashed from 110,600 to 78,300. Meanwhile, Pfizer's R&D spending relative to sales declined from an annual average of 17.0% over 1995-2009 to 14.2% in 2010-2014.

As Table 1 shows, in 1975-1984, Pfizer did no buybacks while paying ample dividends, retaining 57% of net income. Pfizer did its first buybacks in 1985, and since then has become habituated to them even as it has distributed more than half of profits as dividends. In its first ten years of buyback activity, retentions dropped to 7%, and subsequently have been negative on a decade-by-decade basis, reflecting Pfizer's commitment to its stated corporate governance objective of enhancing shareholder value.

Table 1. Pfizer's buybacks (BB), dividends (DV), and research & development spending (R&D) by decade, 1975 to 2014, and 2011-2015Q3

	Buybacks $b	Dividends $b	BB/NI%	DV/NI%	(BB+DV)/ NI%	R&D/ Sales%	BB/R&D
1975-1984	0.0	1.2	0.0	43.1	**43.1**	5.5	0.00
1985-1994	3.2	4.0	41.7	51.4	**93.1**	10.5	0.50
1995-2004	34.5	21.9	71.6	45.6	**117.2**	17.8	0.76
2005-2014	60.8	66.6	52.3	57.3	**109.5**	15.5	0.72
2011-2015Q3	**44.7**	**31.2**	**71.1**	**49.6**	**120.7**	**14.3**	**1.19**

Sources: S&P Compustat database and Pfizer 10-Q filing for nine months ending September 27, 2015.
Notes: Buybacks and dividends are in current dollars; NI is net income.

Pfizer's provision for taxes on its income statements have been only fractions of its distributions to shareholders, especially over the past 15 years, even when deferred taxes on foreign profits are included in the calculations. Since 2011, with current

CEO Ian C. Read at the helm, the ratio of stock buybacks to total income taxes has been 2.8:1 while the ratio of buybacks plus dividends to total taxes has been 4.9:1.

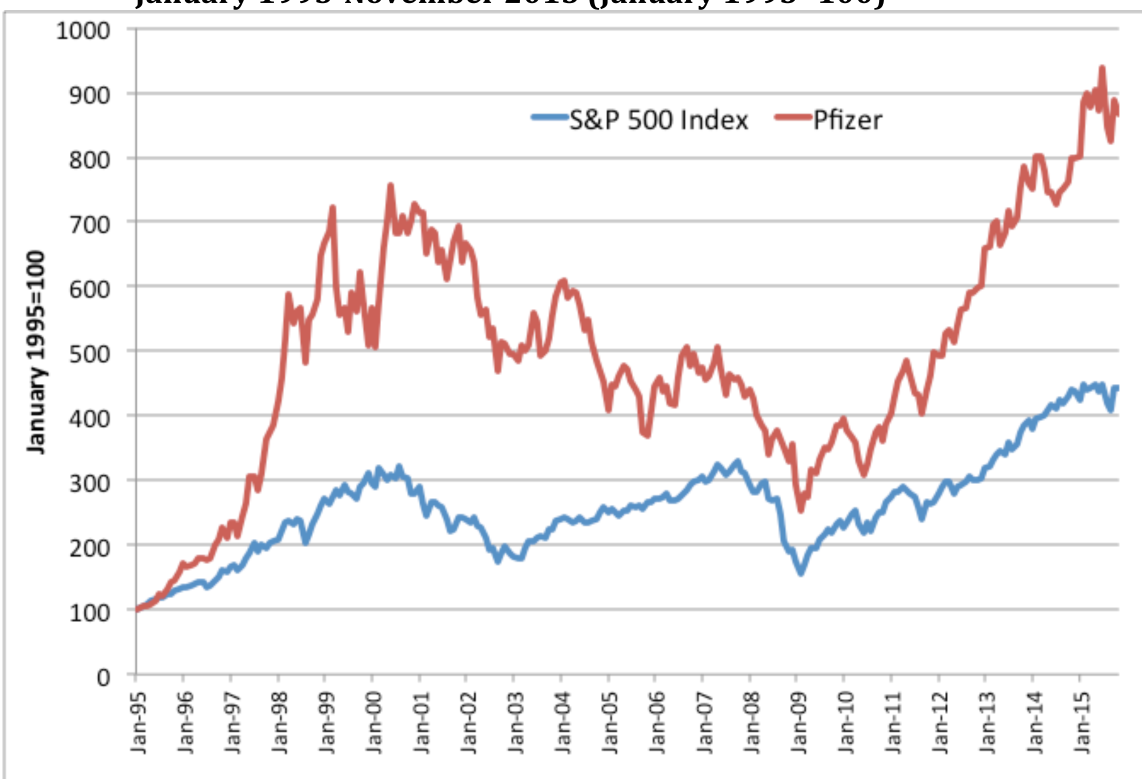
Table 2. Pfizer's buybacks (BB), dividends (DV), and income taxes (IT), 1991-2000, 2001-2010, and 2011-2015Q3

	Buybacks $b	Dividends $b	Income Taxes $b	(BB+DV)/ NI%	BB/IT	DV/IT	(BB+DV)/ IT
1991-2000	8.8	8.7	7.8	89.8	1.1	1.1	2.2
2001-2010	50.6	55.9	20.9	114.9	2.4	2.7	5.1
2011-2015Q3	44.7	31.2	16.2	120.7	2.8	2.1	4.9

Sources: S&P Compustat database and Pfizer 10-Q filing for nine months ending September 27, 2015.
Notes: Buybacks, dividends, and income taxes are in current dollars; NI is net income. The income tax figure used in the calculation is provision of taxes on income, which includes deferred taxes, as reported on Pfizer's income statements.

As shown in Figure 1, Pfizer's stock price has soared. If increasing its stock price is Pfizer's raison d'être, then the allocation of more than 100% of profits to "enhancing shareholder value" through buybacks and dividends has worked – but at a huge cost to innovation, employment, and the distribution of income.

Figure 1. Comparative stock-price movements of Pfizer and the S&P 500 Index, January 1995-November 2015 (January 1995=100)



Source: Yahoo! Finance (monthly data)

Pfizer's executives are incentivized to boost the company's stock price. Table 3 displays total direct compensation and its components for the Pfizer CEO as well as the four other highest-paid executives named in the company's proxy statements. In

2014 CEO Read pocketed $22.6 million, with 77% coming from the realized gains on stock-based pay. In that year, the other four highest paid averaged $8.0 million, with 65% from stock-based pay.

While the eight years displayed in Table 3 show variability in the particular components of executive pay that figure most prominently in the totals, the biggest paychecks occur when stock-price increases boost the realized gains on the exercising of stock options and the vesting of stock awards

Table 3. Total direct compensation and its components, Pfizer CEO and other four highest-paid executives, 2007-2014

			Percentage of total direct compensation					
YEAR	**CEO**	**Total direct comp., $m.**	**Salary**	**Bonus**	**Stock options**	**Stock awards**	**Non-equity**	**Other**
2007	Jeffrey B. Kindler	5.8	25.4	53.8	0.0	13.1	0.0	7.7
2008	Jeffrey B. Kindler	5.0	31.4	0.0	0.0	0.0	59.8	8.7
2009	Jeffrey B. Kindler	7.4	21.6	0.0	0.0	24.9	47.3	6.1
2010	Jeffrey B. Kindler	18.1	9.0	0.0	0.0	45.5	18.0	27.5
2011	Ian C. Read	8.1	21.1	0.0	0.0	31.4	43.5	4.0
2012	Ian C. Read	11.2	15.6	0.0	0.0	50.3	30.4	3.7
2013	Ian C. Read	15.4	11.5	0.0	9.6	53.8	22.0	3.1
2014	Ian C. Read	22.8	8.0	0.0	26.8	50.3	13.2	1.7
	Other four highest paid	**Total direct comp., $m.**	**Salary**	**Bonus**	**Stock options**	**Stock awards**	**Non-equity**	**Other**
2007	Other four average	4.9	18.4	15.9	7.6	28.4	0.0	29.8
2008	Other four average	3.3	28.6	15.3	0.0	21.4	30.9	3.8
2009	Other four average	4.2	21.6	16.2	0.0	22.9	24.3	15.0
2010	Other four average	3.7	27.2	12.2	0.0	25.9	31.3	3.3
2011	Other four average	3.9	24.5	0.0	0.0	41.2	31.4	3.0
2012	Other four average	6.7	15.5	0.0	3.0	58.3	21.4	1.8
2013	Other four average	6.5	16.0	0.0	0.0	50.6	18.1	15.3
2014	Other four average	8.0	14.5	0.0	24.2	41.0	16.3	4.1

Source: Standard And Poor's Compustat ExecuComp database

Notes: The "stock options" component is the realized gains on the exercise of stock options. The "stock awards" component is the realized gains on the vesting of stock awards. This definition of total direct compensation does not include as a component changes in the estimated vale of pensions.

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