Pfizer Inc
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August 5, 2019

Ms. Vanessa Countryman, Secretary
File No. S7-05-19
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Subject: File No. S7-05-19 Request for Comment, Amendments to Financial Disclosures about Acquired and Disposed Businesses

Dear Mr. Fields:

Pfizer Inc. is a research-based, global biopharmaceutical company headquartered in New York. We discover, develop, manufacture and market leading medicines, vaccines and medical devices, as well as many of the world's best-known consumer healthcare products. In 2018, we reported revenues of $54 billion, pre-tax income from continuing operations of $12 billion and total assets of $159 billion.

Pfizer is pleased that the Commission undertook this project and supports the Commission's efforts to amend the requirements for providing financial statements and other financial information about acquisitions and dispositions of businesses in Rule 3-05, Rule 3-14 and Article 11; however, we do have some concerns and suggestions related to the proposed rules that are discussed below. Overall, we believe the rest of the Commission's changes will provide relevant information to investors about significant acquisitions and dispositions while reducing the costs and complexity to prepare such financial information.

Significance Tests

While we favor the Commission's decision to use the lower of 1) a revenue test and 2) an income test under Rule 3-05, we suggest the Commission require pre-tax income from continuing operations rather than after-tax earnings from continuing operations in the denominator of the income test. Since income tax expense can be volatile, such as due to a large uncertain tax position becoming more likely than not, the recording of a valuation allowance on a previously recognized deferred tax asset and a change in tax law, the income test calculation using after-tax earnings may produce results not reflective of a company's underlying business. For example, in the fourth quarter of 2017 we recorded a $10.7 billion dollar tax benefit in our *Provision/(benefit) for taxes on income* in our Consolidated Statement of Income for the net tax effects of the U.S. Tax Cuts and Jobs Act. This resulted in a significant variance from our *Provision for taxes on* *income* of $1.1 billion in 2016 and $0.7 billion in 2018. These types of one-time charges could distort the true significance of an entity to the registrant. We believe switching to an after-tax income measurement metric would result in additional work and provide a less meaningful measure. We also believe using pre-tax income from continuing operations as the measurement metric is a more reliable and consistent indicator for determining significance.

For these same reasons, we also recommend using pre-tax income when calculating the absolute value of net income and losses when the net income threshold is met and the registrant has no recurring revenue.

We also noted the proposal to use the absolute value of losses instead of zero for purposes of the calculation of average income in the income test under Computational Note 2 to Rule 1-02(w). Registrants may generate large losses that are not indicative of the company's recurring performance. For example, a development stage company may incur significant research and development expenses in a single year and may or may not generate revenues to recover those costs. Additionally, even if the registrant earns revenues, it may take many years for those revenues to recover the costs. Similarly, a registrant may incur large one-time expenses, such as due to an accounting standard change, a legal event or a natural disaster. However, all of the examples that we created produced a higher income number when there was a change in the result of the 10% test as a result of the proposed amendment. Therefore, we believe the change will decrease the number of transactions that will be deemed significant and therefore decrease complexity, reduce work and reduce cost.

We do not support the Commission's proposed Paragraph (w)(1)(i)(C) changes to the investment test for asset acquisitions under US GAAP. While we agree with the proposed rule mandating the use of contingent consideration in business combinations to measure investments in the numerator of the investment test, we believe requiring the fair value of contingent consideration, except sales-based milestones and royalties, in the numerator for asset acquisitions under US GAAP will add burdensome requirements to preparers and not add meaningful information for investors. In the pharmaceutical industry, registrants enter into arrangements with significant contingent development and regulatory approval milestone obligations. Under existing US GAAP, registrants do not recognize these potential future milestone payments or any contingent consideration as liabilities in asset acquisitions. Therefore, registrants would need to value these potential development and approval milestones payments in asset acquisitions using internal or external resources. Also, we believe using a different measurement basis for investments in asset acquisitions in the US GAAP financial statements and the investment test will confuse investors. As a result, we suggest the investment test conform to US GAAP and be adjusted for any changes the FASB makes in its current "Improving the Accounting for Asset Acquisitions and Business Combinations" project.

Pro Forma Financial Information

While we support the Commission's proposal to amend Article 11 by requiring pro forma financial information to include Transaction Accounting Adjustments, we do not support mandating Management Adjustments. We believe these adjustments require significant judgment and may mislead investors due to a lack of consistency among registrants. Additionally, we are concerned that disclosing sensitive information, such as closing of facilities, discontinuing product lines, terminating employees and executing new or modifying existing agreements that are "reasonably expected to occur" could put registrants at a competitive disadvantage. A possible unintended consequence of such a requirement might be for companies to take very conservative views or result in disconnects between synergies and costs. In addition, it is only subsequent to closing on an acquisition that we are able to get more deeply immersed and obtain better details and transparency of an acquired company's operations. As such, it can result in significant changes to the estimated Management Adjustments included in the proposed Article 11 pro forma disclosures potentially resulting in those original preliminary disclosures to have been misleading to investors.

We appreciate the opportunity to provide feedback on these proposed rules and would be pleased to discuss our perspectives on these issues with you at any time.

Very Truly Yours,

Loretta Cangialosi

Loretta Cangialosi
Senior Vice President and Controller

cc: Frank A. D'Amelio
Executive Vice President and Chief Financial Officer