CITY & FINANCE

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Pfizer chief's £70m reward

By **Peter Campbell**

The boss of US drugs giant Pfizer could lose out on a potential £70m windfall if the proposed takeover of AstraZeneca fails.

Pfizer's chief executive Ian Read has more than 4million shares in the pharmaceuticals giant that will mature only if the company hits performance targets in the coming years.

But the group has recently been struggling financially, which has led analysts to predict that it needs to buy AstraZeneca, Britain's second-largest drugs maker, in order to keep growing.

The controversial £63bn deal would be the biggest takeover of a UK company by a foreign buyer in history, if Pfizer could pull it off.

Pfizer last week said its profits fell by a sixth to £1.3bn in the first three months of the year in spite of a fierce cost-cutting drive.

The group's Wall Street shares have fallen by almost 12pc since the start of March. And a further decline in the company's fortunes could see Read miss out on the lavish share awards.

In the past three years he was paid a total of £40.1m, as well as receiving a vast number of company shares. According to its most recent statement to shareholders, a copy of which has been obtained by the Daily Mail, Read holds shares worth around £23m.

And under the company's generous long-term rewards plan, he could be entitled to another 4.1m shares between now and 2020 – worth an eye-watering £70m. But these will pay out to Read only if the group hits stretching performance targets.

Buying Astra would help Pfizer increase profits and boost its share price – making it easier to achieve the goals. But failing to take over the company could leave it falling short of the targets.

One analyst has already accused the Pfizer board of wanting to buy AstraZeneca (up 82p at 4713p) because there was 'something wrong' with the US company on its own.

Mark Schoenebaum at Wall Street bank ISI Group said: 'The big concern about the deal is that you guys obviously think there is something wrong with Pfizer if Pfizer wasn't able to acquire [Astra].'

Now the latest revelation suggests that its top executive has a significant personal fortune riding on the outcome of the deal.

Speaking to the Mail, Dr Schoenebaum said: 'If he believes Pfizer is better with AstraZeneca, then he likely believes the Pfizer shares will go higher with Astra than without. The higher the stock goes, the more he makes.'

During 2013 Read received a package of pay and perks that topped £11m. This included £104,000 in air travel and use of a private jet, as well as £6,000 of tax advice and a £1,200 home security system.

His basic salary was £1.1m, but he also received several tranches of company shares under a plethora of lucrative rewards schemes.

His pension pot increased by £707,000 and is now worth £19.7m.

Pfizer made its first approach to AstraZeneca in January, but has since been rebuffed three times.

More opposition to the deal emerged last night with the Wellcome Trust – which gives £750m a year to medical research – voicing 'major concerns'.

In a letter to Chancellor George Osborne, its chairman Sir William Castell said: 'Pfizer's past acquisitions of major pharmaceutical companies have led to a substantial reduction in R&D activity, which we are concerned could be replicated in this instance.'

Unions GMB and Unite also urged the Astra board to resist the bid, predicting any jobs guarantees would 'prove worthless in the long run'.

Personal interest: Ian Read has 4m Pfizer shares – an AstraZeneca takeover could give him 4m more

BT Sport's £2billion gamble pays off

MORE than 3m customers signing up to BT Sport has helped the former telecoms monopoly score a hit with investors, *writes Peter Campbell.*

BT's £2bn foray into sport, in which it has launched its own channels and bought the rights to Premier League football and a host of other prestigious matches, was designed to slow the number of people switching their broadband to arch-rival Sky.

Chief executive Gavin Patterson yesterday said the gambit had worked after BT's consumer arm posted its first annual sales rise in a decade.

Some 5m households can now access the group's sports channels thanks to deals with Virgin and other providers, a number that could increase even further if BT and Sky strike a deal – although the pair are currently at loggerheads over price.

Consumer sales rose 9pc to £1.1bn, offsetting a fall in its wholesale, networks and global services divisions.

The group's revenues slipped 1pc to £4.7bn while pre-tax profits were flat at £2.3bn.

But shares, which have climbed 37pc in the past 12 months, rose 2.8pc yesterday to close 10.8p higher at 387.6p.

The company also unveiled its plans to offer mobile phones to businesses within the next three months and to consumers in the next 12 months.

It intends to use a combination of its wireless internet hotspots and 4G spectrum it bought last year to offer 'seamless' internet and phone coverage.

Morrisons sales drop by 7pc – with further falls expected

By **Rupert Steiner**

THE trading woes facing Morrisons are worse than feared, as Britain's fourth-biggest grocer has revealed that underlying first-quarter sales have fallen 7.1pc.

Under-pressure chief executive Dalton Philips, pictured, has already said the situation is unlikely to improve anytime soon, and blames 'profound structural changes' in the industry.

All the Big Four supermarket chains are suffering under intense competition from discount chains Aldi and Lidl, which have been poaching middle-class customers.

But many shoppers are also buying fewer groceries as they rein in spending to conserve cash and waste less food.

Morrisons (up 8.1p to 198.9p) has been the underdog of the sector partially because of the failure of its previous regime to launch online deliveries and smaller convenience stores – both now the big growth drivers for rivals.

Philips took steps last year to catapult the retailer into both, but paid a premium price for the accelerated entry.

Last week he set out plans to invest £1bn in cutting prices on more than 1,200 products in the next three years, fuelling the price war with rivals but confident it was the right approach.

'This is definitely not a race to the bottom for us,' he said.

'But we are going to see a negative sales trajectory for some time.

'Although it will take time for their full impact to be felt, we are confident that these meaningful and permanent reductions in our prices will enable our clear points of difference to resonate strongly with consumers.'

Veteran retail analyst Nick Bubb said: 'Clearly the price-cutting campaign has only just started, but price deflation will make the sales figures worse not better in the short run, before sales volumes pick up.'

Morrisons is not changing its £325m-£375m annual profits guidance following its profit warning earlier this year.

Big float paydays await Saga bosses

By **Rob Davies**

BOSSES at over-50s insurance group Saga will enjoy a multi-million-pound pay day as a reward for presiding over a float set to value the company's shares at up to £2.5bn.

Saga priced its offer at between £1.85 and £2.45 a share yesterday, in a long-awaited float that will see between 25pc and 58.7pc of the company sold to new investors.

It aims to raise £550m by issuing new shares while Acromas, which owns 100pc of Saga, could sell up to £717m of stock.

Saga's float prospectus – a doorstopping sheaf of information for potential investors – revealed that executives are in line for huge payouts upon listing.

Chief executive Lance Batchelor will get £1m in cash as soon as the shares start trading, thanks to an agreement signed when he joined from Domino's Pizza, and a further £1m a year later if he does not resign or get sacked.He will get a further £2m the following year if he stays with the company. Both payments are on top of a pay-and-bonuses package worth up to £2.9m a year.

Executive chairman Andrew Goodsell will be handed shares worth £5m as soon as the company starts trading.

Insiders said the gift would come out of shares owned by CVC, Permira and Charterhouse – the three private equity groups behind Acromas.

The windfall comes on top of an annual pay-and-perks deal worth some £3.1m. And Goodsell also owns 6pc of Acromas, meaning that his share of proceeds from the sale of its stake in Saga could be worth up to £43m.

Employees and customers of the group, which sells insurance, financial services, holidays and healthcare, will get priority in the float. They will also get one free share for every 20 they buy, which they will receive after a year.

Customers must sign up for at least £1,000 worth of shares, while employees can ask for a more modest £500 each.

Saga said it plans to use the £550m it raises to pay down its debt to a more sustainable £700m.