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EDITED TRANSCRIPT

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CONFERENCE CALL PARTICIPANTS

Aaron Gal *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

PRESENTATION

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay, guys. Let us go ahead and start. Thank you for being here today. And obviously, it's one of the -- we rarely ever have a celebrity here, and Albert has now gotten to a point where he's a bit of the ambassador for the drug industry and what it can do to help the human race. So Albert, thank you and through you all the Pfizer folks who work so hard on helping us being able to hold this event in-person and helping us move to the post-COVID period.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, thank you. And on behalf of all Pfizer colleagues, and I hope you will do the same in Novartis now that you're going.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Thank you. Well, we'll try to match you guys at some point with equivalently valuable innovation.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

That's fantastic.

QUESTIONS AND ANSWERS

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Why don't we go ahead and start actually with the COVID space? I think one of the -- probably the biggest question that investors struggling with Pfizer today is how do you think about the contribution of the vaccine and small molecule business, targeting COVID-19 in the post-pandemic stage? And one of the questions that I hear most often is how often do you really need to be immunized?

I know the Pfizer argument has been, this should become something you do every year. I'm kind of thinking about this, the virus is not mutating that quickly on the normal non-pandemic conditions, and the immunization we got after 3 or 4 jabs, it's probably going to last us more than just 12 months. How do you think, how does Pfizer think about the rationale why we should all be taking our vaccines reasonably frequently?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I don't say that we should all take our vaccines on a yearly basis. What I said it is that likely there is a need to take it in less than a year right now. And what we need to achieve with technologies to make vaccines that they will last longer, and the idea will be at least a year. Now if I take a step from how to think about the revenues and how to think about -- it's not an easy, of course, modeling because we don't know, right? And some could be on the optimistic side, some will be on the pessimistic side of the pandemic. And as a result, revenues will be very, very (inaudible).

How I think about it is that there are a few things that I think they are very likely to happen. What is very likely to happen, it is that the virus will continue to be around. And I think what is likely to happen it is that the virus will mutate.

Now the second thing it is that I think will happen it is that the social distancing which was a major public health measure that was used against this pandemic will relax a lot. That is happening partially because of the tools that we have. We can reduce death and hospitalizations. But the main reason is because people, they are really ready to accept lower bar, maybe some people can die if we can have our lives back. So unfortunately, this is the situation, so those will go down.

The third is that we can, of course, also debate because you said maybe the vaccine should last longer than a year, which I don't think it is the evidence that we have right now. It is that this virus creates not durable immune responses. And I'm not speaking about antibody also, I'm speaking about the overall response of the immune system compared to other viruses, either in natural infection or in vaccination.

We have a phenomenon of people that got sick. They can get again. And I know some -- there are people that are getting 3 times, and they are with the same variant in many cases, right? So that's another thing to take into consideration.

And the fourth is that likely the compliance of the vaccines will be a challenge to maintain it very high. the vaccinations, the compliance of vaccinations. Those that they didn't get vaccine would be very, very difficult to convince to get one. This population, I think, will be -- will remain as it is. And they resisted taking vaccine under a lot of pressure from society.

So now that the pressure will go down, they will not do it. And those that they got the vaccine are those that really we will use to create, let's say, kind of herd immunity in the society, but those will not be getting the fifth or sixth dose to the same percentage as they got the first and second.

So with all of that in mind, I know -- I'm coming to the point. What I see it is that a likely scenario, it is that we have repeated waves of COVID with higher numbers of people that will be getting sick. The more we take distance and the more the compliance of the vaccines is down, the more the severities of the wave how we will experience it.

So what I see from our perspective, it is, first of all, we are preparing for a high level of usage of treatment. I think treatments will become the main tool now to deal with the situation. And we are preparing with vaccines that will enforce or, let's say, be as close as possible to consumers' preference so that they can maintain the compliance and that it is combinations and longer duration of COVID vaccines. These are 2 efforts that we have right now. Treatments, enough manufacturing capacity, a lot of commercial entrenchment and then vaccines, combinations and longer.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So the one thing you did say that was -- struck me as something we probably should push on, is this notion that the vaccine does not last. The question is not whether people get reinfected. Sure, the immune system has naturally turned off the level of antibodies. Once the acute phase of the infection is down, this is a nasal transmission primarily, you will get some presence of the virus, you might get mildly ill.

But do we have good evidence to suggest that within a year of being vaccinated, you can actually -- material percentage of the population, we're not talking about immunocompromised, material percent of the population will get severely sick. We will get to the same level of hospitalization over the number of people infected or something of that nature because that's -- when I talk to immunologists, at least early on, that was not the impression.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. Well, we have from your home country, from Israel and where we did a lot of the real world data. And we knew that at -- the third dose was needed because we are having increase not only in the infections -- now I'm talking about Delta environment not only in the infections, but we have increase in deaths and hospitalization. The third dose reversed this situation, and both deaths and hospitalizations and infections were prevented way better.

Then we did see the first signs of going down with the third dose, and this is when Israel started recommending the fourth, there is a reason. But then suddenly also things became complicated because Omicron came. And so now basically, we (inaudible), right, with Omicron. I don't think you can go to conclusion because they are not real-world evidence. It's only a few months that Omicron appeared.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. So let's move a little bit about oral therapy. So one other question is just how much is oral therapy being used. The early -- we were like everybody else who were tracking third sources of data about how much [oral therapy] (corrected by company after the call) is being used. It seems to be going a little bit more in the United States. On the other hand, you've discussed how Europeans asked you to delay supply to later in the year versus early in the year of some of the supplies that they purchased. Can you talk a little bit about what you're seeing right now in terms of use in demand for PAXLOVID and both in the United States and internationally? As we think about next year 2023, how does that translate into expectations?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. So Europeans ask us to delay supply and we agreed of vaccines, not of treatment. So the -- and basically, they're waiting for the new one. So they have, I think, stocks right now, and they didn't want -- they have contracts that they need to take the product. We came to an agreement so that we will deliver it towards the last quarter.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So it will be fresher for 2023.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

It will be -- and the new, like the Omicron like. If not Omicron, they will take the old one, that increases the likelihood by delaying those that they would go there, and they will have -- first, I don't think that will be the issue, but they don't want to build now stocks.

Now let's go back to PAXLOVID. PAXLOVID is more used right now in the U.S. than in Europe. Europe is lesser, the use. In the U.S. is doing very, very well, actually. The latest data that we saw -- I think the latest data we presented was at our earnings call, and we were at 90,000 treatments per week. 3 weeks later or 4 weeks later, I don't remember when exactly it was. We are 240,000. So that's a dramatic jump per week -- 240,000 per week and is growing.

Right now, we have in the U.S. approximately more than 60% of people that are eligible are receiving. Now, of course, if you take into consideration, what are the daily or the weekly reported cases from CDC, if there is underreported, then this percentage will drop, of course, right? For example, if it is double, then 30% are getting, right?

So it is -- but the point is that this 60%, it is way, way higher than a month ago that was on the 35%, sometime like that. So it's going quite, quite well over there. We have now contracts with a lot of countries -- there are a lot of small Europeans that haven't signed yet because they are waiting procurement altogether from Europe, which I think is on the main. But the large European market, they have -- all of them they have individual contracts and we are delivering.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Are we seeing difference in hospitalization rates and mortality rates as a result of the difference between Europe and the United States when it comes to COVID...

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think and I hope, but I can't say that reliably now, but we do. It's very clear, but we see lesser death and hospitalization. And I think in the U.S., we have enough PAXLOVID that can be justifying that. But I couldn't say in all honesty that we have the data to support that, right? So we need to wait to see it.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Also, how are you guys thinking about this issue of the virus escaping PAXLOVID. I mean there's always a concern that with a single agent antiviral you'll sooner or later see an escape. What are kind of your estimates about the risk and likelihood of timing or something like that?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. escaping, you mean resistance?

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Resistance.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes, we monitor it very, very closely. But I don't think anyone reasonable is expecting now to see resistance. We don't -- we haven't seen any, right? I don't think anyone would expect now. Usually, you can see resistance, but we are talking about 4 years, 5 years after the use of a medicine. That's the typical thing that you could see.

Now PAXLOVID, I think, is going to be quite resistant to developing resistance for a few reasons. The first one, it is that the protein that we inhibit is essential for the life of the virus. It's very difficult for the virus to live without it. The second is that the PAXLOVID creates very high concentration within the blood. It is multiples of EC90. The treatment is short, it's 5 days, not a chronic treatment. So with -- for all these reasons, we do not expect that something will happen soon. But just in case, of course, we are developing alternatives and pretty soon, we'll go to the clinic with alternative antivirals, second generation.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

If you've done -- I'm assuming you've done the experiment, we simply attempted to select mutants by reducing the concentration of PAXLOVID in a cell culture environment. I'm assuming you were able to develop resistant....

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

We were not. We did not and we were not

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. Essentially some element of hope -- some reason for hope here?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think it is. We should never relax, but we did that, as you said, and multiple labs in the world are doing that. And so far, they haven't reported that they were able to create resistance there.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So the other thing that happened with PAXLOVID, which is really interesting is we spoke with Lidia. And one of the things that was mentioned is how PAXLOVID was actually developed in silico. They're using artificial intelligence should be some machine learning tools. Can you talk a little bit about your own understanding of the value machine language created here versus more traditional development that Pfizer used in the past? And as a result of that, how are you changing how you're thinking about development or discovery for new drugs in Pfizer?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. I think the modern technologies had the dramatic impact. Typically, the phase of...

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Maybe you want to explain a little bit to the audience what exactly was done, just in case people are less familiar with this.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. The -- basically, PAXLOVID instead of being drug discovered was drug designed. So we were not having, let's say, a lot of molecules that they were tried in vitro to see if they bind and how they are doing well. The process that usually takes 4 years almost, right, by using a lot of things. We were able to concentrate that in 4 months, first of all, by taking some risks, but also by designing the molecule and testing it in silico, the screening of hundreds of thousands of molecules were -- actually to be accurate, we tested 600 after with 100,000 of iterations, 600 different molecules in 4 months, but would not be possible if it wasn't in silico . And then we selected the ones that we felt that they are binding the best. And then that's the one that we design and then we synthesize and then we try it to...

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So it's always that's dramatic. Obviously, this is dramatic improvement.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Dramatic improvement.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So how do we think is first about antiviral, antifungal, antimicrobial agent in Pfizer? How this development process going to change? What are you going to do now, now that you've done PAXLOVID versus the past? And then if you can take the same argument and just expand it to the broader portfolio.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think not only antivirals or antifungals but every molecule. That's the idea that we go there. We used for PAXLOVID a very favorable regulatory environment that would allow us to speed up things, et cetera. We use the fact that was characterized within Pfizer as the Lightspeed program, which meant no resources are questioned because it was about COVID. But clearly equal results, I hope we will be able to develop for other molecules, so to move from clinical not only for antifungal or anti-infectives, but for cardiovascular (inaudible).

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So you've got other -- so I'm kind of focusing on this idea of machine learning. Are there -- is there like another example of a program which you've now applied machine learning to successfully?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

If there is another one, you...

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Yes, essentially, essentially you did this huge program with PAXLOVID. Presumably, the NVIDIA resources dedicated to you are still there, the technologists who wrote the algorithms are still there, and you're applying them to a new problem as we go along. Is there another field where you can say, look, it used to take us 4 years to develop molecules in this field, we're able to take within several months, we may basically get our lead compound by using machine learning technology?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes, I understand. Let me clarify something, PAXLOVID was not the first one that we did by using AI. We are using that constantly. We are using that constantly in our oncology medicines that we are doing. And it's just that with PAXLOVID it happened that we developed it to a certain level that was quite mature to be more successful now because technologies are rapidly. We had invested the computational power that is needed for something like that. And as I said, we use those as the regulatory environment. But we did and we will continue doing a lot of things. Frankly, Pfizer is trying to move as much as possible from drug discovery to drug design.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. And is this a consistent advantage you have with some of your peers? So essentially, is this something that you basically go, look, we've got something here that -- where we are ahead of the industry. And if we work on this, this could be a sustainable real business advantage.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think it could be. I don't think we are there right now. I don't have any data to claim that in using AI or, let's say, computational design we are better than others. I do have data to compare other capabilities of Pfizer. I think in commercial, I do have data that are showing that we are top in manufacturing. I have data to say that we are top in clinical development, multiple benchmark that we are very good.

So I would say that the fundamental capabilities that help us to differentiate and advance with competitors, I wouldn't call it is AI right now. It's all the other 3 that I said that we are way better. I think we are all on the top. But this is one that we try very hard and we are very determined to develop into significant (inaudible) around this as well.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. Let's move away and talk a little about the broader use of mRNA technologies. One of the questions is the question of myocarditis. Essentially, we have seen a signal of this with COVID-19 vaccines in a pandemic environment that's acceptable. But it seems that for other applications, where there are other treatments you would need to either eliminate that signal or it will narrow the use of the drug. Where do we stand in terms of understanding the sources of carditis? And whether it is -- whether it can be overcome for future vaccines?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. First of all, I think we should put the issue to perspective is small, but also compared to the 2 vaccines that are mRNA, we are way, way smaller, right? So I think this was the reason why we get all -- I think this is the reason why we have received all the approvals all the way to 5 years old and hopefully, we'll get it all the way to 6 months old and not Moderna, right? This is the reason why in Europe it is not recommended under 30 in many cases, et cetera, et cetera.

So I think for us, it's less of an issue. But for everything, there was an issue. We, again, tried very hard to identify the myocarditis issue with the third and fourth dose for a vaccine in Israel because over there, not only they have a good real-world data, but particularly for myocarditis they were actively seeking to find the cases. So they were screening daily, all the hospitals, and then they were screening daily their system to see if there is any myocarditis-like symptoms reported. And then they will try to see if there was a vaccination before. So they were doing that active.

And it became extremely, extremely rare when they did that. I think it was 1 in 1 million or something. So it's a very, very small number. Don't quote me on the 1 in 1 million, but it was very, very, very small, the number. So really, we are monitoring. I don't think that we have developed a good understanding why that has happened. To your question, but I don't think it is any more any issue.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So is that going to be a problem as you think about a flu vaccine or an RSV vaccine just because there might be alternative -- there are sometimes alternative approach in using protein-based vaccines? How do we think about the argument there?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think everybody will see the safety profile and efficacy profile, and they will make, let's say, their decision.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

But that would argue for a full-blown development process that is, biotechnologies approved for COVID, it seems that here, you will have like a de novo, full-blown long-term safety monitoring on a very large population before approval will take place. There will not be a shortened process to get those vaccines into the market as against influenza, for example.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think FDA has very clearly characterized, and EMA, what are the conditions and they are not, let's say, different for mRNA to get the flu vaccine and what is to get a combination vaccine, so.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So essentially, the argument has been to some extent that the small changes in the RNA sequence that might take place because it's -- the RNA is all the same, you could rely on the safety of PAXLOVID to get in the full vaccine approval, but it seems that you will still need to do a full-blown program for (inaudible).

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think we should -- yes. But keep in mind that for flu, always there is for every technology that you can do immunogenicity in the beginning and then you can do for advanced approval and then you can have, let's say, follow up to prove the efficacy, which if we do, this is what we plan to do. So still we plan to do the efficacy studies, but we don't plan to wait until they are finished to get approval for flu.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So the argument is you'll be able to get approval based on immunogenicity alone without showing -- without doing...

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, you will have to have safety of a specific population which is a standalone, but you don't have to prove the efficacy in the real-world data that will be a study that will be 30 or 40 before approval necessarily.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. Got it. The other question I have is the idea of using mRNA to deliver protein or a antisense sequences. Where is that science? Where is this idea of moving beyond vaccination and using mRNA delivery for other proteins -- other form of protein expression or inhibiting protein expression, where is that in terms of development?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think it's advancing. And I think in the mRNA, we are just scratching the surface right now. But it's not only that there are other applications as you said, other than vaccines [in the loop]. But also there are other forms of mRNA that are studied. There is the self-amplifying, there is the circular mRNA. So there are a lot of technologies that they are developing.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

When -- where -- how far are we from having the first non-vaccination application entering the clinic? Is this a '23 or '24 or 2030? Where are we in terms of getting the science (inaudible)?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Look, for cancer, there are already. So I would say that's not the vaccination, it is use it therapeutically, right? And there are a lot, we don't have, but there is a lot of activity out there.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

I thought it was still mostly in generating a signal to the immune system recognizes some attacks.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

For cancer, you mean?

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Yes.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, there are clinical studies Phase 2, Phase 3 that BioNTech is doing as far as I know. And these are -- I don't know if you consider them into the vaccine space, still there are...

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Immune stimulants.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. They are using basically to create antibodies against your tumor cells that your body could eliminate the tumor. Now ourselves to speak about what I know well, right, in next wave other than vaccines because we are very intensively working on flu and shingles. We are working on saRNA and we are monitoring other technologies. We are working in vitro right now on oncology. But the next wave, it is our partnership with Beam, which is basically gene editing. Over there, we have agreed that we are going to investigate multi-targets on neuro, muscle and liver. And to your question, when that will go to clinic. I really don't know right now. I don't have it in my mind. But if I can take a guess, it is in -- Chris, do you remember, it is in -- we don't have it. Yes. So it's work in progress.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Yes. So there's nothing yet that is kind of like last preclinical stages. There is still some room to go.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. Let's move away from just talking about the kind of the COVID space or the mRNA space. And let's talk about your growth profile. So one of the questions I always find when I look at Pfizer is the problem the company has of having the biggest product it has ex-COVID, being less than 15% of revenue. Investors struggle a little bit with this idea of a highly diversified company. Financially, it makes a lot of sense. But investors a lot of times argue that there's nothing in the Pfizer portfolio, which is potentially moving the revenue growth up in a significant way. It's more for multiple products. Have you run into this as an issue? And how do you answer this argument that unlike companies like Lilly, which is 2 of those or AbbVie, which is the immunology franchise, Pfizer is a lot more of a conglomerate of broader portfolio of products as opposed to be driven by 1 or 2 big [products] (corrected by company after the call)?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. Look, I mean, to answer this question, you made a lot of assumptions, right?

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Correct my assumptions.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Excluding COVID, we have 2 that they are way more than 15 right now. Then you go to the less than COVID. Investors, they don't like that you don't have 1 product more than 15%. Actually, the investors I speak they love the fact that we are very diversified. We have 8 products more than 1 billion. And they like that rather than you have 1 and then something goes wrong. And then the whole thing collapses is not the case in our case. So I think that the growth profile coming from a diversified set of portfolio assets is better in my mind than something that comes with 1 or 2. It's not that I regret that we have vaccine and treatment, but they are so big, right? But I would say that it's good when you have diversified portfolio.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. You kind of mentioned in multiple points that you're -- at multiple discussions that you're the -- Pfizer the high point reputationally. The company is highly considered. And you've mentioned this is a real business advantage for you. Can you give us a couple of advantages where you have like tangible data telling you that, that reputational advantages is delivering something for Pfizer either in staffing and deal making and so forth?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. I wouldn't call them that hard data to say but I think everybody, I think, can understand that right now, people are coming to us, and we are recruiting people that we wouldn't be able to recruit, including the last people that we got either from McKinsey or from Roche or from Lowe's, as our CFO, it was not that before they would choose Pfizer, I think. And actually, I tried with some of them earlier, and they wouldn't. But I don't think that I will use that as a tangible example or to see how many people are -- how easy it's becoming now to recruit.

But I would say that when your name is almost a household brand with a positive impression. There is a lot of value that multiple assessors of value will put in something like that. I consider that when I try to see the landscape between Pfizer and competitors, I see that we have assets and capabilities. And I think in terms of assets, I would put clearly the brand name right now, which is standing out and the capital flexibility, the firepower. And these capabilities I will put the commercial capabilities, the clinical development, the manufacturing and the early research.

I think in the early research, I think we are doing very well, but I don't think people are crediting us as one of the best in the world. But in the other 3, no matter how you see it, we are in the top quartile. That combined with firepower and that combined with a good brand name. I think if we play the cards right, we have dramatic advantage over our competition. If we don't, of course, then shame on us.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

I want to touch -- we've got about a little bit more than 15 minutes left. So if folks would -- I'm going to leave the last 5 minutes for questions from the audience. So if folks in the room would like to think about a question, I'll ask you to raise your hand and ask it as we finish in the last 5 minutes.

But before that, I'd like to hit, if possible, a couple of specific therapeutic areas and then a couple of industry issues. So on therapeutic areas directly. One of them is this issue of your presence in immunology. So there was a lot of effort in Pfizer around the JAK class. You have since diversified, you've outsourced a product or 2. How do you think about the JAK class right now. And the follow-on I'll ask you at the same time would be in

immunology, you've generally avoided follow-on drugs. You've attempted to be first-in-class. Is this really the preferred strategy? Or there's room for you to do follow-on molecules as well?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes. With JAK, clearly, we had, let's say, heavy investment over there, and it was a strong bet. Why we did that? It was because we were feeling that JAKs have very good advantage on efficacy, but they have a weakness on the safety profile that could be questioned. So one was the question, shall we go in or out? And then once we decided to go in, it was shall we select 1 JAK and develop it for everything, which is what most companies did? Or shall we do what we did, which is we have a portfolio of JAKs that based in their attitude, we are developing for different diseases because different -- bless you.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

I got allergies. My fault, sorry.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, no, no. It's -- you don't have to explain or to apologize.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Just in case if something happens with the CEO of Pfizer, I don't want to take personal responsibilities. People argue...

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Particularly going to competition. Yes, yes, yes. So I knew that Vas will use anything, but not -- that is too much.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Yes. I mean I'm not sure -- did you drink the coffee? That was a mistake.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

So we decided, although it was more expensive, that we go and we develop a different JAK for skin, then a different JAK for joints. And the idea was that, that will allow us to accomplish the best safe efficacy profile.

Still, I believe it was the right strategy for JAKs because in this -- even after JAKs became more painted with safety issues, the fact that you can optimally dose with this strategy makes sense, right?

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

I completely buy that.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No. It is what it is. So I think JAKs, they have quite a big potential right now. I think they reached the low and the low was risk because of an uncertainty among physicians because it was taking time by the regulators to set, let's say, to set the guidelines. This is when it's used, this is how it should be used. Now that has been set. And I think that will allow the JAKs to take the right market that they deserve, which is very low right now. So there is a growth.

But that being said, you asked 2 questions. We are diversified, yes, because that's what we need to do, and diverse is good, coming back to the previous question. And the second one, do I think that the Lilly's strategy to be follow-on is -- apparently was successful. I don't know if we were following that if we were also be lucky or competent to be as successful as Lilly, but clearly something that I noticed and there's something that I also look not only in this area but in other areas, how much value a, fast follower can bring, particularly when you have our clinical capabilities.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

And financial power.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

And financial power. Keep in mind that the BioNTech vaccine was not the first in the clinic, Moderna came first. The BioNTech vaccine, only because they partnered with us, was able to come as a fast follower if you want to say that, which I wouldn't say because they were...

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

The technology was not proven at the time you made the bet on BioNTech.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

But what I want to say is that it is our ability to move faster than even a smaller biotech that gave us a significant advantage. So that means that our capabilities can be used probably also as a fast follower, if you make the right choice.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So let's talk about 2 areas where you could be a fast follower. One of them is obesity. So you have a program that you -- with 2 early molecules in the clinic. But obviously, the market is heavily, heavily dominated by Novo and by Lilly.

And I guess the question is, as you think about your agenda for the obesity market, what is it? I mean, is the idea that you're going to catch up scientifically, is a day that you're going to be a follow-on scientifically, but your molecule have edges on particular areas over the existing players? Is the notion is this is simply a big enough market, and there will be a use for the molecules you create because they will be somewhat different, how are you thinking about your participation in that market?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think these molecules they create significant value for the patient, but they are underutilized.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Absolutely.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

And I think one of the reasons they are underutilized, it is that many they don't like the injections, right? So I think an oral, good medicine will unlock a lot of value. So that's very simple. So we want to have the best and the fastest possible into the market of an oral GLP and that's what we'll do.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

And that's okay, even if the molecule has got a somewhat lower efficacy than the leading molecules?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, I don't think we are aiming to have a lower efficacy. But I think there will be -- we are aiming to have higher, but I think we'll be a profile, but we'll speak about different things. And then both medicines, I guess, will find their marketplace.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Makes sense. What is the time point for a proof of concept for you guys, whether you basically say, "Look, I've got the profile I want?"

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

It's not in the long distance, it's coming.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

This year, next year kind of thing?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I wouldn't comment on that, but yes.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

The other market I wanted to touch on as a follow-on is this issue of the factor XIa. So you're involved...

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

And you know why I wouldn't comment because it's so early, it doesn't even move the needle, but then you're tipping competition. I don't like that, right?

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Why would we do that?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I can say that it's coming, nothing will change in our perception valuations, but everybody will know what to expect. I don't like it.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. ELIQUIS, so you obviously have a participant in that market as some of your peers have chosen to advance factor XIa molecules. Can you talk a little bit about what you have decided in this field and why?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

We didn't see the benefit. We didn't see that the profile will be of what exists right now in science. We'll offer better solutions than ELIQUIS, which will become generic in 2025 and after. So that was the reason, but we didn't think it is the right way to enter there and allocate capital. There were other uses of capital we could have.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Okay. Are you do still have a program in that space? That is one of the arguments made by some of your peers is perhaps not in direct competition to ELIQUIS. But perhaps on top of platelet aggregators, this class of molecules will have a significant benefit. Is this something you guys have tested? Is this something that you can -- that you test and reject? Or is this just something you have not...

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Say it again, which one?

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So the idea is that you use the Factor XI not versus ELIQUIS, but whether on top of platelet aggregators, okay, so kind of the adjacent market. Is this something that you've considered and rejected? Or is it something that you simply have not chosen not to do for some other reasons?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, there were several opportunities to participate also on that. There is nothing that -- yes, we didn't think this is where we need to go.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

All right. Let me try for the last 3 or 4 minutes, a couple of non -- a couple of industry questions. One of them is kind of the topic of the day, which is the Federal Trade Commission moving forward together to look more broadly at antitrust issues in the pharmaceutical industry. It seems that now that the commission has appointed a third Democrat, 50-50 vote. It feels like they now have the majority they need to move forward. Where do you think this is aiming for in terms of -- or can you give us the Pfizer perspective about where this is? And what are the kind of recent opportunities that, that creates for the industry?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

No, I think it's wrong. I think they are...

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Do you know what they're going to do? I just don't know what they're going to do. That's all I'm asking.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I don't know what they do, what they want to do and -- but there is a trend. And there is a perception that they create with statements. And that's it, that it's going to become more and more scrutiny. That being said, we are in a country of law, right? So there is -- there are laws that are dictating these things. So still, they can make life difficult, but I don't think they're going to stop it. But I will foresee that challenges, particularly in large scale acquisitions, but they are having value by cutting costs. That's what I think they're focused on.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

That's they are focused on. So the issue is if you're doing an acquisition that its aim is to take capacity out of the market, that will be an issue. One of the concerns is that there will be a challenge for the business model of companies established in a particular field buying a foreign molecule. So obviously, you have molecules in immunology, you bought Arena, which is essentially -- it fits into immunology programs. The concern I would have, and I don't know if it's real or not, if it's -- I need to have it or not, is that, that model of a large company buying a small company developing a drug for the same therapeutic area might come under pressure from the FTC. Is this realistic, not realistic?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think it's less realistic than the other options. I think the fact that a large company is buying a good molecule from a small one, enhances competition. It's not reducing it because in the hand of a large company, the molecule is way more competitive than in the hands of a small company compared to the other big pharma.

So -- but I think everything will be tried to be scrutinized. So we need to make sure that we do the right move, so that there is no problem. But there are rules, I repeat. It's not that -- let me see, I have 3 members now, let me see what is good and what is bad. There are rules that are saying, that should be the market share, combined, that's the power that -- there are very clear rules.

I don't say that I don't worry or I like it. I don't like it at all. And I think will make life difficult. But I think in my case -- in Pfizer's case, where the strategy is to go and become a partner of choice with smaller, I think this is where the least resistance will be.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Makes sense. The question of drug price markup by the channel is a question that the drug industry have been pointed to as a problem for a long time. So you have been talking about the sister-in-law, but you haven't been talking about the wife. So you've been talking a lot about what the PBMs are doing. Pharma has been more cautious in talking about the markups that take place in the hospital channel. Can you talk a little bit about kind of Pfizer perspective? There's been a little bit more about this in the news recently, that is the issue of 340B. Can you talk -- remind the audience a little bit what the hospital industry does in terms of marking up prices of drugs? And in your mind, is that a problem for the industry or not?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I think it's less a problem for the industry, but it's a very big problem for the patients and for the insurance company.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Why won't you mention -- to explain a little bit what they're doing, what do you understand that they're doing?

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

You can get the medicine that they can mark it up when they charge you 500 times. I mean it's unbelievable what are the -- for, let's say, $1, $2 or $3, maybe sometimes you will have to pay $500. And it is -- the 340B, it is a very different story. The 340B, it is a story that there is a channel that you can provide drugs -- discounted drugs for smaller and -- for people basically that are in need. There is a whole industry that hospitals are creating affiliate companies that they fall under 340B, they buy them the medicines, discounted over there, and then they sell it through their normal challenge. And of course, not only they are getting the discount of the 340B, but then they are marking up dramatically.

Look, I don't like what they do, right? But it is not the same for us because the truth is that people, they have the tendency to accuse drug companies when they go to the pharmacy and they have to pay out of their pocket, their participation to get a medicine. And this is where we have the big problem. And this is the PBMs.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Folks, we are in the last few minutes, anybody who wants to ask questions, please raise your hands and go ahead.

Unidentified Analyst

Yes. So back to the vaccine, vaccine hesitancy is certainly a big problem during the height of the pandemic. And I'm not just talking about the vaccine deniers, but people on the fence and this hesitancy is likely going to get worse going forward as you have already alluded to. So does Pfizer have any strategy to address patient concerns of being vaccinated? I just saw an interesting example in Nature where England has been doing an independent certification program to defend the quality of vaccines and what the data? So any general trends.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

I thought a lot about it. And frankly, I think it's hopeless. That's unfortunately my opinion. Those people are not driven by data. Otherwise, the data are overwhelmingly supportive. And the people that support those data were scientists are overwhelmingly 99 and 100, right, they are saying, that's what we should do. So to try to say that -- I'm not aware about the system that you said, but I imagine if we bring someone independently to -- there are so much independent studies that have tested the quality, the safety of the vaccines that have been published out there, and they were not possible to change the mind of those people. So -- and particularly under less pressure, I don't think they will do better, frankly. But if there are good ideas, I'm open to entertain them.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Any other questions? We've got 1 more minute. Over there in the corner.

Unidentified Analyst

So (inaudible) for your (inaudible)

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

It's an important population. I think it's more -- was going to move the needle in terms of -- it's not the financials behind it, right? It is that there's a major patient need over there. There's a significant need unmet over there. But it is 3 doses of -- so I don't think it's material, right? It's positive.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Any last one? Yes.

Unidentified Analyst

(inaudible)

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Yes, I don't have data to see if it is driving, let's say, duration higher. I think everybody is sticking to the 5-days courses. I don't know how many cases of rebound are retreated. I know some that they have. But it's not -- I don't have data. That is -- clearly, we are monitoring. And I think it is discussed a lot.

And the only data that we have really available are 2 sources. One is our clinical trial. And actually over there, FDA made a statement because they took our data and they reanalyzed themselves. And it is less than 2% in the clinical trial. And the most important is not the percentage because you can set up -- you can do a sensitivity analysis that how you define the rebound, okay? What should be the last and what should be the peak? And you can bring it, I don't know, to 6%, 7%, if you want. But the placebo is doing the same. So it's very, very close, placebo and PAXLOVID. In the 2%, I think PAXLOVID; placebo was 1.5%. When you do sensitivity analysis that you bring it to 6%, the other is 4.5%. So it's a phenomenon but who cares. I don't know -- that's why FDA also said, we don't know if it is because of the treatment necessarily because they have been seen in PAXLOVID.

And I don't think that the only thing that should worry us, there should be a worry about that are, if we have indications that the rebound means there are resistance and have we exhaustively analyzed, and they have not seen any resistance. In fact, we know for sure, that when we do the analysis that we are (inaudible) the rebounded variant and it's not a resistant strain, right? So that's we know. So likely, we'll respond very well in the second treatment, although we don't have the trial yet.

And the second is if those cases are coming and they are somehow now this time, they are high level, not mild as they should after PAXLOVID. And we haven't seen also any of that. So that's the data that I have, and also have pharmacovigilance data. But despite the fact that in pharmacovigilance, everything that is reported in the press has the tendency to go up. And despite the fact that this one also went significantly up after things started going into the press. They are very, very low still. So these are the data that I have. Now I'm monitoring, and we are going to run a study to see if a second treatment when you have a rebound is having an impact.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

And with that, we've gone like 30 minutes 30 seconds above the time. So Dr. Bourla, I really appreciate you being here today.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Thank you very much.

Aaron Gal - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

And thank you.

Albert Bourla - *Pfizer Inc. - Chairman of the Board & CEO*

Thank you. Thank you.