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PFE.N - Pfizer Inc at Handelsbanken Life Science Innovation Day (Virtual)

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PRESENTATION

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

So good morning for those of you in the U.S. and good afternoon for those of you joining here in Europe. So my name is Mattias Häggblom. I'm Sector Head of Healthcare Research here at Handelsbanken, and welcome to the final but perhaps most important session at our second annual Life Science and Innovation Day.

It's a great honor to welcome Mikael Dolsten, Chief Scientific Officer, President, Worldwide Research, Development and Medical at Pfizer, as our keynote speaker to this year's Innovation Day. And what better fits by ending an event focused on innovation to bring a company who played a crucial role and continues to do so in the fight against COVID-19, both with the vaccine but also an antiviral.

Before I start my discussion with Mikael, I'm going to hand over to Chris Stevo, Head of IR at Pfizer, who's going to help us with some of the disclaimers around forward-looking statements. Chris, over to you.

Christopher J. Stevo - *Pfizer Inc. - Senior VP & Chief IR Officer*

Thank you, Mattias. You know what these U.S. companies are like. So I'd like to point out that our discussion today may include forward-looking statements. Forward-looking information is subject to substantial risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Additional information regarding forward-looking statements is available in our SEC Forms 10-K and 10-Q under Risk Factors and forward-looking Information and factors that may affect future results.

Please note that forward-looking statements on today's webcast speak only as of the webcast original date, and we undertake no obligation to update or revise any of these statements. Back to you, Mattias. Thanks.

QUESTIONS AND ANSWERS

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

Thanks, Chris, for that. And Mikael, I'm honored to have you here. Thanks for spending the time with us. Let's jump straight into today's discussion, which will, of course, focus on innovation. It's tricky not to start our discussion with the pandemic, given the role Pfizer has played and continues to play. So I'm curious to hear if there was a particular point in time when you might have understood how serious this was going to be. And if so, when and perhaps also in addition, what was the thought process about reaching out to the BioNTech team, whom I know Pfizer already had a partnership with and start the process of adding a COVID-19 vaccine candidate to the agreement.

Mikael Dolsten - *Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical*

Yes. Thank you very much for starting up with this crucial question and for inviting me to share some of the stories how we succeeded to become a company really giving promise during times of darkness in the pandemic. We have a long history in vaccines and in anti-infectives.

So we tend to monitor all the time, changes in the infectious disease panorama. And clearly, late 2019, early 2020 when the reports came from China, we were on our toes trying to understand if this was going to be another epidemic or whether it would have the feature of a pandemic. It spread to Europe with a lot of cases in Italy, and there was some really good connection between many New York hospitals and Italian physicians that I was able to listen into increasingly gave us a sense that this was indeed a quite difficult to manage disease and spreading unexpectedly fast.

And then, of course, later in that first quarter, we started to find cases in the United States, which made it a 3-continent disease. Like many scientists, when I discussed with our key experts, they have a healthy skepticism and told me how hard they worked in previous pandemics, whether SARS-CoV-1 or anthrax. And before they were just starting to make progress, the pandemic -- the epidemic had kind of gradually vanished. So we were at this crucial inflection point, not waiting too long, and at the same time, being willing to take a deep dive into this world of uncertainty.

And I think there was a little bit of a historical moment. I was asked by Pfizer to be the representative first day of March at a White House meeting with the administration of the current president in those days and a few other companies that were invited because of their skills and capabilities working with vaccines and antivirals. And that gravity, you'd sense as a large group of world-leading experts came together hosted by the United States President, I think, made me see the pieces in the puzzles much clearly reflect a pandemic than an epidemic.

On my way back to New York, I called Albert Bourla, our CEO, we had previously made a statement that Pfizer was a company that will use all its resources to deal with this disease. And I told him, I think we can play a unique opportunity here using a novel mRNA technology that seems fit for purpose and also developing an antiviral. Albert felt compelled by, I think, the enthusiasm and the confidence in my voice and he said, let's make sure that we have already this fall, which was only 8 months, something available because we know that in winter time, respiratory infections tend to become much worse and you could have co-appearance of COVID-19 with flu or other viruses.

That sounded like an almost impossible task, but it really made this race start with adding tremendous resources initially on the vaccine, but in the background, also on the field. And right now, as you know, it turned out to be a tremendous success after lots of ups and down to have a vaccine used in billions of people with a really terrific safety profile and appeal that, particularly in the United States, has been used extensively and save many lives and keep hospitals free of over-flood of patients.

Now unfortunately, dealing with a pandemic of this scale does not allow us to say game over. It just changes the conversation from being overwhelmed of the pandemic to having tools and approaches to deal with it, keep society open, but we need to constantly innovate in order to stay ahead of this virus.

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

And one thing that still puzzles me is that mRNA vaccines have been in the making for decades, not only for tricky cancer vaccines, but also other infectious disease, including CMV. And how come all stars were aligned when COVID-19 hit, and we had 2 proven mRNA vaccines out so rapidly.

Mikael Dolsten - *Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical*

Yes. That's a very insightful question. And you may look upon it from what stars were aligned within Pfizer and, of course, similarly for Moderna and what stars were aligned outside.

Starting with our company, we made already at 2018 a move into this technology. I had the opportunity to meet Ugur Sahin in New York. I was actually quite impressed with him at that time being an entrepreneur with an early rising company, but still being a very good scientist, that gave me the sense of working with a team that could bring mRNA to a next level. We were the infectious disease company with long experience in vaccines, and we charted a path forward on flu. We had by then 2 years experience working together how to make a, let's call it, a new vaccine technology with, like always, small-scale experience to gradually think about how do you take it to a different scale. And that gave us the confidence to go into COVID-19 SARS-CoV-2, blending the small company that spent almost 2 decades working on mRNA and us, having got to know them, getting in joint processes and have the experience to go from the lab to clinical studies to production for maybe hundreds of millions or billions of patients.

At the same time, outside Pfizer, the rapid progress in understanding the genetic sequence of SARS-CoV-2, all the work done to identify that, it seems to be 1 single protein, the spike that was responsible for the viral entry into host cells, made it a preeminent target for an mRNA technology. That's different from other viruses like CMV that seems to have a much more complex entry process into cells.

And finally, I felt that it was a top end point when the medical community across the globe came together so well. In the U.S., I was -- actually, I received a call maybe mid-March from the Head of NIH, Francis Collins, we have worked many years together, whether we should start a consortium of academic and industry leaders to share ideas and improve best practice. We did that together, and we also had ample contacts with many European countries. So I felt the world acted like one team. So you had that special opportunity, the stars aligned internally and externally.

And the regulatory authorities stepped up. We're thinking outside the box. It doesn't need to take months between the dialogue. It may take days, and that type of urgency made all of us become a very different team that, in a way, saved humanity from tremendous suffering and loss. I think it was estimated at maybe 10 million lives were saved and so many more hospitalizations because of the availability of vaccines. And more importantly, the despair in society, the unemployment, the need to return to a more normal sustained social environment, all of that became possible again.

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

So maybe let's leave the pandemic and the mRNA vaccine for now. Let's shift gear a bit and talk about the process around innovation. So one thing I often think about is the fact that small companies, they often lack resources and large companies have such. And small companies can be agile and quick, whereas large companies rarely are. So how do you combine the best of those 2 worlds from your point of view, Mikael?

Mikael Dolsten - *Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical*

Yes. We have had an R&D strategy for quite some time that a team needs to be the best team you can assemble. And whether you need to work inside the company or find a biotech partner, you really need to think about boundary-less ways of creating teams, go alone or make a deal or even acquire a capability depending on what's best for that particular product development, for that particular medical advance. And I think that matters that you value very highly that innovation at its peak comes from very cross-disciplinary experience.

And I think PAXLOVID pill was an all inside Pfizer innovation. The vaccine was a true partnership. So it just exemplify, you can go very fast, whether you're a large company alone or whether you are a partnership. And if you look at Pfizer, we have over the last 4, 5 years, really amped up our pace in how we work with the biotech community. Clearly, Albert Bourla, our CEO, has been willing to put significant capital behind that strategy.

And from entering into new area in oncology, when we acquired Array Biopharmaceuticals, which gave us a foothold into colorectal cancer, a difficult-to-treat disease that we would like to transform, into inflammatory diseases where we not long ago made an acquisition of Arena Pharmaceuticals to add a new type of oral drugs for gastrointestinal inflammation, inflammatory bowel disease.

Most recently, you have seen us in area like internal medicine. We acquired Biohaven for a deal beyond $11 billion to get access to a new migraine drug. All of these acquisitions are dependent on that you find a work to get -- a way to work together, share and evolve knowledge with a smaller and a larger entity. It doesn't need to be acquisitions.

In gene therapy, we have worked many years in partnerships with companies like Spark, Sangamo. And in oncology, we have worked now for quite some time in breast cancer, one of our areas of strengths, with a completely new oral type of small molecules called PROTACs with Arvinas, a company of a few hundred people in Connecticut.

So you can see that it's all about understanding what are the important success factors for each entities. It's about creating a unique culture between the 2 entities and really realize that things can go much better faster if you learn from each other and value each other. And that really was what happened with BioNTech. We find a way to be complementary. And I think we were able to break all kind of records how fast you can move, how much innovation can happen.

And I hope it gave you a sense, it's not a one size fits all. It's about adjusting the best way to work together, being willing to be flexible. But I will punctuate, as my last comment on this, a company that's large and mainly offer capital is a far less great partner than a company that provides capital to release speed and scale but also put in a lot of talents and capabilities. And that's really how we have been thinking, that we want to be seen as someone that can unleash the opportunity in the hands of innovators, whether they are inside our company or outside.

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

And as a follow-up to that and sort of closely related, I'm thinking about the balance between internalization and externalization. I guess the answer is there is no secret formula for optimal outcome. I guess you have to be agnostic. But a recent study from McKinsey showed that externally licensed drugs in Phase 1 had more than double the chance of reaching the market compared with an internally developed drug. What's your thoughts on this balance between internalization and externalization, Mikael?

Mikael Dolsten - *Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical*

Yes. I mean, obviously, we wish all programs, whether they come from external or internal sources, to have probability to be successful. We have gone through a transformation of Pfizer R&D over the last decade. I recall when I joined Pfizer, the Wyeth acquisition, we were facing headwinds that we had about maybe, at best, 4% chance that when we put the molecule into the clinic, that it would be a drug or a vaccine. From that 4%, we're now at 20%. So a dramatic step up, fivefold in probability.

And that includes whether it's internal or external derived. And I haven't really seen a big difference in my own experience. The earlier you work with someone from an external innovation source, the faster you can move because many biotech companies, of course, with their limited resources play -- plan step by step. And we really try to build in what do you need at the end to have a product that's so robust that it can be quickly available for patients at urgency in need all over the globe. So we invest a lot of parallel resources and documentation, and we are at our best when we can come in relatively early.

I think it depends a lot on what you're working on. In certain areas like genetic disease, probability of success are much higher than if you work in an area with high unmet need like psychiatry or neurology. So you have to do a more granular analysis than just comparing apples to pears. But for me, it has never been about one is different from the other. We try always to look at what's the next big medical breakthrough product going to be, how can we make sure it becomes a medical advance, and of course, a real reward to our shareholders, making them willing to invest again, and how do we create a partnership or go alone that makes it most probable to succeed. And I think that has led to really good success rates whether internal or external.

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

So next question around whether doubling down on a therapeutic category or vis-a-vis spreading your risks in several therapeutic categories. And I read in preparation for this discussion a paper which you co-authored that cutting therapeutic areas from 10 to 5 was one of the key for improvement in R&D productivity you could point to in 2019 compared to early 2010 at Pfizer. But now you're adding a new area with anti-infectives, I believe you said it on the Q2 call. So help me think about the balance between focus and diversification.

Mikael Dolsten - *Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical*

It's always a tricky balance in the industry as a whole. You see the industry being reshaped from highly segment-focused companies to conglomerate, and then they break up and become segment companies. That's, of course, at a very high level, of how company is organized. If you now speak about how many therapeutic areas as business segments, for a company of our size, we think it helps to have a handful of areas where we see unmet need. We see an opportunity for making products and provide health economic favorable solutions to society because all of that needs to come together.

And we prefer to have considerable focus. I think you always do much better if you focus on fewer problems but are willing to think very interdisciplinary. In addition, you need to be able to follow the science. Sometimes, you get surprised. You're working on a product and it turns out to have a much bigger opportunity somewhere else. So that's where the breadth give you some advantage. In each of our areas, whether it's oncology, immune diseases, internal medicine, genetic diseases or infectious disease, with that term, I put a little bit an umbrella over our vaccines and antivirals because they work in great synergy in understanding how bacteria, viruses interact with humans and building models for that clinical studies, regulatory paradigm.

So you look for therapeutic areas that have connectivity with each other and with the need to try to create what you can call biological domains. In oncology, we have done, I think, a great job in breast cancer being able to develop a whole new paradigm with cell cycle inhibitors for breast cancer. And that domain, we're pouring new science into to extend the life expectation by being able to combine drugs for the future. So that's a little bit how we think a handful of therapeutic area ensure they are interconnected, trade biological domains with each of them where you can play uniquely and then underpin it with an engineering culture.

How you create the product is, in the end, a task of engineering, whether it's a small molecule, a pill, a large molecule, an injectable or a vaccine and more recently, mRNA like genetic medicines. We really focus on that engineering should be able to be simplified, robust products. So we try to be careful to stay away from highly complex areas that tend to have very long cycle time.

So I hope you got a sense that there are significant strategic discussions around how we evolve and a very agile thought process that we with regularity prune to be able to make sure that every resource we put in has the best probability to be a successful product.

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

So last question from me in this session because I'm, of course, mindful of your time. And this topic is so interesting, so we could go on forever. But it relates to small molecule, legacy Pfizer, I would argue, vis-a-vis large molecule, Wyeth. Another element to that R&D productivity improvement in your paper was biology in large molecules, which was one of the key reasons Pfizer brought in Wyeth at the time. In the recently approved Inflation Reduction Act, one of the things that stands out is the difference in time when Medicare can negotiate price on small molecules after 9 years vis-a-vis large molecules who are protected 13 years after approval.

So I'm curious to understand, we had a shift towards more biologicals over the years. And do you expect that to continue? Or how should we think about different modalities?

Mikael Dolsten - *Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical*

I think the biological modality antibody is more sophisticated, multifunctional antibodies. And of course, vaccine is a more large molecule. They have emerged to be a very important segment. But small molecules, pills will continue to be a thriving product place. It's oral and it's easy to store, can be used across the entire globe, doesn't require sterile production facilities in the same way as injectable.

So I look upon them as 2 supplementary great product segments and more recently, the arrival of genetic medicines, which allow you to deal with other type of mechanisms and diseases where neither small nor large molecule have been sufficient. So look at the confluency of products that Apple has from the smaller iPhone to the middle-sized iPad to the larger MacBook Pro. And they serve different purposes for the customers. And I think we are fortunate that Pfizer, we are absolutely among the top few in the world. In each of these 3 segments, the legacy of Pfizer was in small molecule.

And when we made PAXLOVID, the antiviral pill, in 20 months, it was made all on public available information on starting points. It was our skill and determination and confidence. The same with the large molecule intersection with mRNA. So I think when you have built those strong platforms, whether you're a communication iPhone platform company or a pharmaceutical company, it allows you really to continue to excel over and over. And that's how we think about having these unique 3 platforms at the level where I think very few other companies can match.

And I'll end on, since we started with the COVID vaccine, to say you may have recently seen that we now have moved a flu vaccine forward in clinical development and expect to have it in full-scale development and allow hopefully to transform flu in the same way that we have done with COVID-19, much different vaccine efficacy than has been seen with the current flu vaccines.

We're looking at other viral infections. We're using mRNA to deal with difficult diseases of genetic type. We are at the same time trying to think through how the small molecule can play new roles in obesity, where many great companies have moved injectable into treatment of obesity and diabetes.

We are now -- and we announced recently that we have an oral GLP-1 agent that is a small molecule that is able to do the same complex job as a peptide. I hope that gave you a little bit of a sense that mastering these platforms allow you to think like an engineer and a scientific breakthrough mind. And it's all about creating that experience for patients and physicians that sometimes can be life-saving and sometimes can be just improving the outcome of disease or delivering that compliance that allow you to live with the disease.

So I hope we'll stay in touch and that you follow us carefully and much more innovations to come.

Mattias Häggblom - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

Fantastic. Many thanks for that, Mikael. I'm grateful you set time aside to spend with us this morning, and I wish you and Pfizer a successful time ahead. This concludes our second annual Life Science Innovation Day. Thanks for those who helped me put this together, and thanks for all the companies that participated. Without you, no meeting. And thanks to also investors who signed up. With that, stay safe and healthy and talk soon again. And thanks again, in particular to Pfizer and you, Mikael and Chris. Thanks so much.
