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# EDITED TRANSCRIPT

PFE.N - Pfizer Inc at JPMorgan Healthcare Conference

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## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Christopher Thomas Schott** *JPMorgan Chase & Co, Research Division - Senior Analyst*

## PRESENTATION

**Christopher Thomas Schott** - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good afternoon. I'm Chris Schott at JPMorgan, and it's my pleasure to be hosting a fireside chat today with Albert Bourla, Chairman and CEO of Pfizer. So Albert, happy new year. Thanks for joining us.

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

Great to be here. Thank you very much.

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**Christopher Thomas Schott** - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I know you want to make some opening remarks, and then we can jump into the conversation.

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

Yes, I can do that. But first, I want to say that last time we met was in this place, the 2 of us, just before COVID. So how many things have changed since then?

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**Christopher Thomas Schott** - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Really amazing.

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

It's unbelievable, which sets also the stage for some opening comments that I want to do. What I want to discuss, it is what is the future of Pfizer in the post-COVID crisis? And I'm using on purpose the post-COVID crisis era because I don't think that COVID is stopping this year. In fact, I think that COVID will remain for the next multiple years, a serious health issue, and as a result, will be a big part of our R&D line that we are going to invest, and it's going to be an even bigger part in our revenue line.

So although our revenues from COVID in both treatment and vaccines will go down, clearly, will remain both of them, each one of them, the 2 largest products of Pfizer in the long run. But the business clearly has 2 components. And the only distinction between the 2, it is that one is way more predictable, which is the non-COVID business. This is a business, all of us, us, you, everybody there, can model way more -- way easier because we have benchmarks, we have analogs. And then there is the COVID which is more uncertain because the assumptions if the disease will exist, what would be the treatment rate, they don't have a precedence.

So I'm going to try to isolate the 2. And the first and only slide, if I can have the next slide, please. Please read all of this in our website, then we can speak. I'm going to start with the non-COVID business. And this is a graph that more or less we put out during our last quarter's earnings. And this is basically the growth strategy of Pfizer and why we believe that it's going to be a very strong growth strategy.

In 2020, we set a goal that our business will grow at 6%, starting from '19 as a baseline. If you see the midpoint of our guidance that we gave for the end of '22, we will give a real number. In a few weeks, we must be around \$44 billion. This is the midpoint. The \$44 billion in constant exchange rate is exactly 6%. This \$44 billion of non-COVID business, which is exactly at 6%, will continue growing at 6% all the way to year '25. And we are very confident about it. So which means that if you do the math, that in year '25, the non-COVID business, excluding business development, should be at \$52 billion, which is the first graph that you see there.

However, most of the analysts were in line with these expectations. Some were saying it's 5%, some were saying is 6%. Now I think everybody goes closer to the 6%. But the challenge that we're raising was that after '25, you are facing a very big cliff of LOEs that basically will take away all the growth prospects that you have. And that's why we try to build this graph to demonstrate how the situation will go.

Indeed, between '25 and '30, we estimate that we are going to lose \$17 billion because of products that will go LOE. The analyst expectations about this number is pretty much the same. They think \$18 billion. We think \$17 billion. With the consensus that I'm reading, it is \$18 billion.

In the next 18 months are the most important 18 months in the history of Pfizer because we are going to do something that has never done before. We are going to launch 19 new products and indications. Most of them are new products, and some of them are indications -- new indications of existing products. Those collectively starting from now all the way to the mid of '24, we estimate that will produce revenues of 2030 of approximately \$20 billion. The analyst expectations on that is, surprise, surprise, slightly lower. So they are at \$16 billion from that, but there are not huge differences between the 2.

Following that, we made a commitment. We put a goal out there that we are going to purchase through the extraordinary firepower that we are having, projects and science that will deliver eventually, products that will deliver \$25 billion of incremental revenues by year 2030. So far from this goal of \$25 billion, we have achieved 40% of it in the first year of implementation. We have approximately, with the 4 acquisitions that we did, \$10 billion. The analysts think that the \$10 billion is \$8 billion, by the way, as I think the same thing. So they are all hard cutting it a little bit.

And then post that 18 months of launches, we have an entire pipeline that is maturing and is going to give launches that will occur in the second half of '24 and in the year '25, '26, '27, '28. Products that are included in this box over there, which we call X, are GLP-1. And it is the gene therapy portfolio. We have 3 projects that are in this X category. And we just announced results from one. We have the vaccines against Lyme. We have vaccines against shingles. We have all the combination vaccines between COVID and flu; COVID, flu and RSV; flu and RSV. We have multiple oncology launches, et cetera, et cetera, et cetera.

We have made estimations occasionally for each individual products, but they don't quantify it here in this box how much those are because they are a little bit earlier. I'm sure that the difference between us and analysts will be even bigger. But what is the punchline here? That if we will be able to execute in our plan of delivering \$25 billion of revenues and \$20 billion of business development and \$20 billion of risk-adjusted revenues through the launches that we are doing, we should be reaching a situation that we will have a growth that will exceed the 6% benchmark that we set in the beginning of '20 all the way to '25. So our revenues should go comfortably between '25 and '30 at the 6%. And based on the success of the pipeline, could easily exceed the 10% mark.

And those are the numbers. Of course, if we make 6% from \$52 billion all the way to '30, that means \$70 billion. If we make 10% from \$52 billion all the way to '30, \$84 billion. So this is the growth story of Pfizer, and I believe it is pretty well de-risked. The \$20 billion, they don't have any technical risk other than the flu product that we haven't seen yet significant results. All the other big components of the next 18 months launches have been de-risked technically, at least, so there's only the commercial risk. And the \$25 billion, we have invested so far, \$26 billion to buy revenue of approximately 10, which gives us a very good value for money and a good rate of 2.6x revenues through our acquisition. So with that, I feel that the non-COVID business is very, very solid. Do you want to discuss that and then...

## QUESTIONS AND ANSWERS

**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Let's do that. Absolutely. A lot on COVID. So as one of the questions I have, I totally -- I mean this framework is very helpful to, I think, help contextualize not only your organic business, but how you think about putting capital to work. But I guess I always get concerned if I see a company putting a revenue target on acquired assets and that I just -- this idea of like how do you ensure attractive returns on the business. Now so far, I think we certainly like the deals you've done, it seems like the Street's like the deals you've done. But how do you think about the risks that get introduced by incentivizing the organization to be looking at a revenue target versus just looking at returns on transactions?

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

More or less you gave the answer to that, but I will elaborate on that. It is -- many people advise against setting a goal about that. One, it is because that makes you accountable and then you need to deliver. So be careful before we set a goal. But we felt very comfortable that we plan and we will deliver, and we wanted to be accountable against that.

But the second was exactly what you said. Many people will say, if you put a goal, you give the impression to the Street that you are after a number. So in order to make your number, you're not going to be disciplined in allocating the capital. And I knew this risk. And I took it and indeed, people talk to me like that.

But however, then, we did one after the other. And the 3 big acquisitions that we did following this announcement, because ReViral was very small, in each one of them, the stock went up, in each one of them. So each one of them received the confirmation if you're going to the Street, that it's a good allocation of capital. We like what you did. So this is less of a concern now. Still, I think it is there.

So I'm sure that everybody of you will be looking at us next year, this year, actually, and we will see how we deploy, what will be our next move. And we will see how much of that \$25 billion we can achieve to start with, and what is the means of achieving it? Is it 2.6? Or it is different numbers? Is it good value for money? So everybody will be judging us on that.

If we wouldn't put that number there, people wouldn't have this discussion that we are having right now ourselves that you need to count when you value Pfizer's stock, the firepower that the company has developed that it is a different link than basically any other pharma company right now in the industry, which is a significant advantage that is not counted unless if you translate it to something tangible, which is billions by 2030 revenue and CAGR.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

On the BD front, if I think about those 3 bigger deals we saw in 2022, is that a good proxy for how you'd envision capital allocation for Pfizer going forward? So I guess the question is, were those kind of unique assets? Or can we think about either deals skewing larger or smaller? I'm trying to get a sense of kind of what's your sweet spot right now for M&A?

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

First of all, sizes, we are agnostic to size. We can execute big. What we don't want is to execute big business development of the typical we buy another pharma company and then we give a high premium to the shareholders of the other company, and then we cut costs so that we can justify the premium. That is not going to happen. Why? It's not because it's bad strategy in general, right? But it is a bad strategy for the time of the company. Look at that in the next 18 months, we are launching 19. And in the next 18 months, we are having a significant R&D pipeline, but it is developed.

Do I want to shut down research centers, shut down manufacturing sites and reallocating reps because we are reducing the field force? No, I don't want to do it. So it's not good for the company right now. But if it is a biotech of a large size, it could be part of that. But when you see the targets

out there, I would say that there are 3 distinct groups. One, it is some usual suspects, few big biotechs that usually, they have few products and a very big pipeline. Usually, they are very expensive. And they are very expensive because there's a lot of value in their platform, the mRNA platform, for example, something like that. This is a lot of money to get a company like that, but has the benefit that it comes a significant chunk of revenues in 1 transaction. And also, it's very expensive in terms -- that comes with a lot of R&D cost.

Then there is a middle level, which is companies like more or less the ones that we did, which is they're having 1 leading asset that it is quite developed, maybe before registration, maybe just after registration, and then a follow-up molecule that looks very promising. Arena was the same. Biohaven was the same. They are coming with less R&D expense, which doesn't affect your leverage as a result, and they are immediately accretive in most of the cases. And the question is if you get them in a good price so that you can add value either through your bigger commercial presence, your ability to manufacture, your ability to develop the follow-up molecule faster.

And then there is a third, which are smaller in size biotech, they don't have any product yet, but they have platforms. Those are very cheap to buy compared to how much you pay in terms of molecules, see if everything is relative in America. But it's relatively cheaper. I don't think that to make the \$25 billion, and then also continue growing further, we can do it by focus on only one or the second or the third category. It's going to be a portfolio of all 3 with different, of course, size. So far, was mainly the middle level. But it's going to be a portfolio that will derisk it as a result. And will likely aim nonrisk adjusted more than \$25 billion, so risk adjusted will be \$25 billion.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. That makes a lot of sense. Maybe just on the core business growth itself. I know you're targeting 7% to 9% top line growth for 2023 ex your COVID business. Can you just elaborate on what are the biggest drivers of that growth we should expect this year? And if I kind of break it into how much of that's core, how much of that's new launch, how much of that's acquired revenue.

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

Yes. It's coming -- you are right. We almost gave guidance, 7% to 9% for the non-COVID business. And we are going to give the official guidance in -- but will not be any different numbers than that, right. We're not going to change our mind in a month. The driver, it is approximately 1/3 of this, let's say, 9% growth, comes from already launched products, 1/3 comes from business development-acquired products, and 1/3 comes from newly or about to be launched next year from our own pipeline products. It's almost 1/3, 1/3, 1/3. If you take out -- that's very indicative. If you take out the business development, the remaining is exactly 6% as we have promised. Always will be, which means the in-line products plus our own pipeline that we are launching.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

All right. And then I think with that, you talked about OpEx stepping up and that you're making investments to support these new launches. Should I think about this as a multiyear increase in expenses? Or is this more of a onetime kind of rebasing of OpEx and then we can think about maybe slower growth going forward?

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

I would say it's rather the second. Let me explain. Look, we are in a unique situation. No other company, including us, have ever launched 19 products in 18 months. So it's a very big thing. And you need to do it right because the future of our company, it is so successful, we are going to execute.

So just look at these bars. Clearly, in order to support 2020 -- excuse me, the \$20 billion expectations of new product launches, we will have to make sure that we have enough S&A. Already, we restructured, months ago, our commercial operations. So they are already and better aligned with this new portfolio that is coming, and we are going to offer resource those launches. I'm not going to take any chances.

Then let's go to the last one, which is all these products that they are continuing now with R&D. We have very high expectations for those products. And I just said some of that, in addition to all the flu and mRNA type of things that are happening, and they are not included there. So R&D is to go up to support the game this point there.

And then the third is, of course, we're going to progress from the 10 that we are now. Let's say, I don't want to give a number, but we are going to progress significantly towards the goal of \$25 billion. And that could come with more or less R&D expense because we're not buying just products, right? We are buying also projects. So with all of that in mind, to support this plan next year and the year after, but especially next year, we would have a significant number of expenses that should not be needed, and that we are post those launches, which is where the vast majority of the expense goes when we launch new products.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

So we kind of have this window where that steps up and then as top line continues to grow, we can think about that investment kind of...

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

Actually, they should divert. The top line should continue to grow. But because -- exactly. We did all of that 1 big chunk, so you should expect big top line growth because 19 products is driving, not 3 or 4. And also big -- also more stabilization of expenses in the outer years because you are out of this extraordinary situation that you are investing to support 19 launches altogether.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes, that makes sense. I know you hosted a broad late-stage pipeline day in December. I guess just maybe taking a step back, just the thoughts on the overall state of the pipeline at this point. I think it's something we're talking about ahead of time of how much the company has changed going back from last time. We're sitting here in 2019, it just kind of -- it's a lot of progress. So just talk a little bit about how the R&D portfolio as a whole and just R&D within Pfizer has changed over the years and how comfortable you are with the business here today.

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

Yes. To assess that, you need to assess, first of all, with some of the current benchmarks' metrics that we are using to assessing this. As you know, all of us, all the companies participate in benchmark studies, but we are giving very detailed numbers of our R&D productivity, and then they are coming to results.

We are standing out as one of the best most-productive R&D machine right now. We are having the best success rates. Our success rates, end-to-end, from first in humans all the way to approval, is around 22%, and that's 5, what, years rolling, right? So it's difficult to change measure. The same measure for the industry in this benchmark is 11. So double the success rate.

When it comes to time to complete from first in humans all the way to approval, we were able to take out almost 3 years in the last 3 years, 2.6 to be accurate, right? We were at 9-point something and we are at 6-point something now in terms of how long it takes. And we are very pleased about that. That's why we are so encouraged and we keep investing in our R&D machine so that to have these -- because we believe the return will be very high.

Now you don't measure metrics, you measure revenues. And if we arrive, that will give us \$20 billion. It's a very phenomenal productivity of R&D. And the fact that we are launching 19 products in the next 18 months says that we did something well in the last 4 years. So in general, I believe that we are in a very good state. And as I said, the next 18 months is not everything we have. I just listed the things that are not included there. And there are multiple, multiple projects that are triggering the attention of everyone. So I feel very good about our R&D productivity.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

When I look across the pipeline, what are you most excited about when you think about what's coming to market? And what do you think is most underappreciated in the portfolio?

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

First of all, I try to understand what is the most underappreciated. When I see we have 20, they have 16, what is going on? And a lot of that comes that a lot of the analysts, they don't forecast all the way to '30, frankly, right? So we have a number. You, for example, I think you go all the way to '27 most in your numbers, right?

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

We're getting there. We're getting there.

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

You're not because you want to be accurate, and everybody's way more accurate and more, let's say, professional when he can defend what he says. So a lot of the discrepancy comes in that outer years. And now there are some that we think is more than others. The one that I think is the most underappreciated, it is the elranatamab, which is our lymphoma. I believe when we see the data that it is best in class. And we are coming, of course, now early next year -- early this year, I'm sorry, we changed the year, with a new launch for a category of triple refractory, which is a smaller indication, but we have 8 -- 6 indications in 8 pivotal studies running right now. I think that could be a double-digit blockbuster.

Now we will see how things will evolve. But that's one clearly. GLP-1, clearly, everybody is excited about that. I believe that it is something that could -- we said that we think it could be \$10 billion product for us in a market that could be \$90 billion. So it's not part of this calculation, but it is a major upside if we get it right. Again, we think that we'll be very few players that will play in the oral GLP-1, us and Lilly. Clearly, we are going to be one of them. We think the data should show which one has a better profile. We believe and we hope that we will have. But no matter what, it's going to be so big a market that it's going to be a very big product for both of us, I think.

Also, the mRNA vaccines, because, of course, we speak about -- I was hearing Stephane before speaking about the potential of mRNA. And I get what everything you said that can have on flu, but also how that can unlock the combination products, flu and COVID, flu and RSV, and how that can unlock dramatically the utilization of COVID or of RSV because with the combination product, you can immediately [raise] it into the flu utilization, which is 50% in these countries. So very, very big. So these are some of the very exciting opportunities.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes. Can I just go to a different one, RSV. You had some very interesting data as to the second half of last year. How do we think about that market developing as kind of a new kind of vaccine coming to the space? There's obviously a lot of RSV in the news these days, but talk a little bit about market development of that asset.

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

I don't think it's rocket science. It's very standard, and we have seen this type of markets developing with other diseases like Prevnar, like pneumococcal. I think there is a component which is a pediatric component, how to protect the infant, and we have come with a very revolutionary way, which is doing maternal immunization. You -- let's say, you immunize the mother and it's passing the protection to the baby in the first 6 months. The results were very good. So we are expecting approval based on that.

And then there's another market which is the adult market. And the adult market in RSV is going to look more like flu rather than pneumococcal because pneumococcal creates immunity almost for life. We have it -- it's once in a lifetime in the adult. Although we are looking at it right now to see after 5 years you need, but it's very long, right?

I think COVID is very short, flu is very short, and RSV likely will be the same. So a combination product of the 3, particularly when, in this country, there is no copay for any vaccines by law based on the new IRA that was voted effective January 1, no matter in which plan you belong, if you are commercial or Medicare or Medicaid. If a product, a vaccine -- if a vaccine is recommended by ACIP, then the 0 copay for patients. So people will be going to get their flu shot and they will be presented with the options you want through flu and RSV and COVID. The question will be how much it costs. They will tell you 0. I think you will do 3. So it's very clear.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

They kind of build on each other as you can...

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

I think. That's why I said it's very important because right now, if you see the booster market of COVID, it stabilized around 30% utilization rate. So around 30% of the people did booster. Let's go with 30% in this, let's say, last -- the fourth booster.

The Omicron or not Omicron, but fourth booster, right? So if you take that as a goal, I don't think we need to go to crazy calculations. But a 30% booster with 1 -- between 1 and 1.5 doses like per individual because some other people will do 2 or 3 during the year, is giving you a certain number. If you combine it with flu, this 30-plus will go to 50%. So a step growth that would unlock significant value.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes. That makes -- that's an interesting opportunity. Maybe one last one on the -- you mentioned oral GLP-1. Just talk a little bit about the competitive landscape there. I think we're all kind of -- it's all early days, but trying to...

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

It's early days, but I wanted to be very respectful also to competitors, particularly, I don't want to speak in the absence of competitive direct study comparisons, right? But I would say that it's a market that will grow to \$90 billion altogether. And we are very confident on that given the current size of the market and the current growth rates. Very big part of the value and the ability to go to \$90 billion, I think, will be the introduction of oral medications.

In all the market research that we are doing, we see that there is a preference in the diabetic population for an oral compared to injectable. But when it comes to obese population, this is what really makes -- unlocks the market. It's significantly more important, the oral in the obese market than it is in the diabetic population. But even diabetic, there is a preference.

So the question is, are the oral products going to deliver the same efficacy with the injectables? If the answer is yes, then I think this market will be very big and at least \$30 billion of the \$90 billion. And in this market, there have emerged 3 competitors right now, right? Us, Lilly and another one. Lilly and us, particularly, we're slightly real -- or we don't have any diet restrictions, et cetera, when you take the oral medication. So -- but let's say, 3 are there. It will depend on the profile. We believe, based on what we have seen, that we have way stronger profile. We believe -- we are a full agonist. We see that there is a dose dependence. So the more we increase the dose, the better the efficacy in our molecule. We haven't seen that with the other molecules. They plateau after a certain point. They don't help. So -- and we believe that by titrating appropriately, we will be able to take the dose to higher levels. Our studies that we are running now are at way higher dose levels that we think will yield better results.



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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. In the event that you're, let's say, in the same ZIP code as competition, certainly, if you got a premium profile, it's a huge opportunity. As a third entrant to the market, is there still a big opportunity for Pfizer to let's just say you're at parity with where Lilly is in as an example?

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

Yes. First of all, I wouldn't assign that we are a third entrant to the market. We have done in 8 months what others did in 8 years with COVID, and this is the same clinical development machine. So I wouldn't underestimate that. And the studies are moving very fast. We will try to come, if not first, at the same time. I can't promise that, right? But this is our goal, this is -- right now. And secondly, I truly feel that even if the profile is not as good as Lilly's, that the market is big enough so the product will be a multibillion-dollar product.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes. Yes. So a big opportunity either way, so.

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

Yes. It's not that it will be 10. It will be 2, basically, I think.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes. Pivoting over to COVID. You've talked about 2023 being a transition year for the business. Can you just elaborate on the dynamics that are contributing to that?

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

Absolutely. What I think will happen in the COVID, one, there is a fundamental question. Is COVID going to continue? And our scientist's answer to that, in the foreseeable future, yes, it's going to be flu. There is -- they can't make a scenario that COVID disappears from the world. It's all over the places. The virus keeps mutating. And the virus -- irrelevant if it is a natural infection or a vaccine, creates very short lasting immunity. You get COVID today, forget if you are vaccinated, you'll get COVID, you can get the same strain after 6 months, right?

So this indication says that the virus will be there for the years to come. So this is our planning assumption. If this is correct, how I think things will play out. Social distancing will disappear. Already has been disappeared, look at us. During live, I see a couple of people with masks. I don't think we will see many of them as we move forward.

Vaccination rate, as I said, will stabilize to way lower levels than the levels that we saw when we launched the product. So first dose 80%; second dose, 75%, right? So that's the prime. Then in the boost there, we went down to 50%, 60%. In the second booster, the fourth dose, we went down to 30%, as I said. I think we'll stabilize somewhere there.

This is not enough because as the population is -- as time passes, the population will be less immunized, less current. And as a result, the waves that will be coming will come in with higher -- the clinical manifestation of these waves will be more severe disease and more hospitalization, basically. That will drive higher level of treatment demand. So that on volumes, how we see that happening.

What I said that our assumption is now will stabilize at around 30% in the U.S., and hopefully, we'll make it bigger. I would say dramatically if we bring a flu-COVID combination, right, but that would come -- if it comes in '25. So that comes, let's say, a step.

Now what is why -- that will be the same utilization, I think, in '23, '24, '25 going forward, right, as it is with flu. Why '23? What are the characteristics? In '23, we have very specific risks. It's the year that we are transitioning from governmental purchases to commercial market. This means that at the center -- and we believe that for both products, this will happen this year based on all our expectations. This year will happen to both products.

In order for it to happen, we need, first, to absorb the stocks that the government has purchased, and there are significant stocks here and in other places, right, that needs to be absorbed this year. And then once you start launching, there is a different price, right? We have announced our price for the vaccine. We haven't announced the price for COVID by the government for PAXLOVID. But the government and price for PAXLOVID was based on gigantic commercial costs, right? This is not going to be the retail price.

'24 -- so '23 will be impacted by that. It is difficult to predict because you don't know when the transition will happen. Also, you don't know if the government will take any stockpiles or not, strategic stockpiles. I believe, like, they will, but I don't know. I can't speak about that. But all of that needs to make sure that -- this year '23 will suffer from those too. The utilization, though, will be the same. It's just that we are using the stocks that we sold \$56 billion of revenues in '22 of those 2 products, a significant number in the U.S.

And then we will go to the remaining of the year, we will sell a new price. '24 will be the same utilization like '23. We don't see any difference. But all will be paid at the new price. So that's the difference. So I expect '23 will be the lowest ever because it's the only one that will be affected by this transition.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. And then as we go into '24, we kind of normalize. And then with the tonality of the...

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

Correct, correct. I think '24, normally, if I'm right, and no big changes are happening, should be 2023 together divide by 2 more or less, right?

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. Yes. Yes. That's fair. On PAXLOVID, there's been a lot of headlines, I think, around China and what's happening in China and the role that PAXLOVID could play over there. Can you just talk about your approach to that market? And maybe just comment on some of the headlines we've seen over the last few days in terms of what's happening with the negotiations or just the Chinese government's willingness to kind of engage with you.

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

Correct. Let me tell you what's happening in those and what are the 2 headlines that I read, right? One was that Pfizer is in discussions to give a generic version of PAXLOVID to China. This is not correct. We are not in discussions to give a generic version. But -- we are not in discussions, we have an agreement already for local manufacturing of PAXLOVID in China. So we have a local partner that will make PAXLOVID for us, and then we will sell it to the Chinese market. So that's already signed. And this production is gearing up. They haven't produced yet.

We were calculating that this will take us all the way to the end of the year to be able to have local manufacturing. But with the progress that I see and the effort from the Chinese authorities to clear the production, that will happen way earlier in the first half of the year. And I wouldn't be surprised if it comes 3, 4 months, right? So that's 1.

There was a second that we applied for a -- to be in the list basically of the reimbursed products, and we were rejected. That's correct. And I won't give you all the elements about it. The PAXLOVID was registered in China months ago. They use very small quantities. Now because they are opening, there is a lot of treatments need. So now we are trying to bring to China products from all over the world. And we are very successful.

So already in the whole '22, we supplied a few thousands. Now we have supplied already in the last weeks of December, which counts next financial year for us in China. And the first days of January in the millions, not in the thousands, right? So we are bringing PAXLOVID to the Chinese market.

The tender of all, let's say, this governmental, let's say, listing is for April 1 and go beyond. And indeed, we gave them the price that we have, which is we have a price for high-income countries. Then we have a price different -- a tier pricing for middle-income countries, and that's 60% to 70% lower than the price of the high-income countries. And then we have a price for the low-income countries, which is at cost. That's how we do vaccines. This is how we do PAXLOVID, the same equity principles.

So they want it lower than the lowest of the middle, and we didn't agree. They are the second highest economy in the world. And I don't think that they should pay less than Salvador, right, which is a poor country. So this is where we are now. What are the consequences of that? All the way to April, nothing, we will continue selling. When this is applicable in April, unless something changes, which is one of the possibilities, and we are back in discussions with them, we will continue with the private market in China, which is significant.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. So that's still -- can that be like a \$1 billion plus market on the private side? Or can you put any numbers around what that would look like?

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

I wouldn't. I can, but I don't.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

So stay tuned on that, I guess.

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

Nice effort.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

We tried, we tried. A couple of other ones. Just on the vaccine side. As the market moves to a commercial market, is there an opportunity for Pfizer to gain market share in terms of the capabilities you have and the scale...

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

I was listening to Stephane saying that they are building their capabilities. So that will be difficult to get more market share. I don't count on that. We will try, right? But in my projections, I don't count on that. We have, right now, globally, 70%; in the U.S., 63% of market share. So basically, it's 2/3, 1/3, the market. And I assume that, that will continue for both of us. Hopefully, we can get more, but I don't count on that.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. And as I think about the ex U.S. market for the vaccine, does that, at some point, go commercial as well? Or will that always be kind of a government contract?

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

The thing is that ex U.S., the government has multiyear contracts. In the U.S., they purchased just for the next season. So they have several purchases. So they purchased now for Omicron. I don't know what is their final decision, but I doubt they will purchase another one in the U.S.

However, in Europe, in other places, we have contracts, but they are already signed years ago that they cover '23, maybe '24, '25 that we are discussing now with them because they have too much. So we're discussing maybe to spread it over a year. So this is the situation outside the U.S. And before that happens, I don't think before their stocks are exhausted, we will be able to go really commercially.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Great. And maybe just in the last minute here, just not to give the specific numbers, but how should we think about Pfizer kind of helping the Street understand the dynamics around this business? So should we expect from a guidance perspective, you're going to get -- should we expect a wide range of revenue for this year on the COVID business? Or how are you thinking about approaching that?

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

Frankly, we are still discussing with Dave, which is sitting in front, our CFO, how to best -- in the -- of uncertainty, explain that to all. I think the fundamental with COVID is not what will be the revenues. Because the assumptions that I told you, everybody will agree. Well, it is 30%. You think we'll continue 30%? Yes. At 30%, yes. Do you think that the price will be accepted? It is. We are signing already the contracts, right, with (inaudible).

All of that are very predictable, all right? I think what is the doubt in the minds of many, it is -- is it going to, in '24, disappear COVID. There is no COVID. So you stay. There is no scenario that COVID is the same. And instead of 30%, only 1% will do the vaccine. That, I cannot resolve those that they doubt. They cannot put their finger on the whole of my palm, right?

So it is a scientific belief. It's scientifically almost impossible for a virus with these characteristics to sunset, to disappear, right, and will come back -- coming back as I described. So this is where we are. We will try to do our best to explain, but people eventually will have to put their assumptions into test and see if this is a revenue stream that needs to be given onetime multiple or revenue stream that needs to be given the normal multiple that everybody is getting.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Sure. Well, We're about out of time. Obviously -- and this progress the company has made over the last few years, so congrats on all that. And thank you for joining us today.

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

Thank you very much.

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**Christopher Thomas Schott** - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes.

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