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# EDITED TRANSCRIPT

PFE.N - Pfizer Inc at JPMorgan U.S. All Stars Conference

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## CORPORATE PARTICIPANTS

**David M. Denton** *Pfizer Inc. - CFO & Executive VP*

**Ronen Tamir** *Pfizer Inc. - VP of IR*

## CONFERENCE CALL PARTICIPANTS

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

## PRESENTATION

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

We're ready to go. So good morning, everybody. I'm Chris Schott, the pharma analyst here at JPMorgan, and it's my pleasure to be hosting a fireside chat today with Pfizer. From the company, we have Dave Denton, the company's CFO, and before we jump into, which will be, I'm sure, a very interesting discussion. We have Ronen, from the IR team, read disclosure here, and then we'll dive into the conversation from there.

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**Ronen Tamir** - *Pfizer Inc. - VP of IR*

Thank you, Chris. I just wanted to inform you that we are going to be making some forward-looking statements. And then we're going to be making those looking forward statements that are true for today. And if you have any additional questions, on the forward-looking statements, please see the relevant sections in our SEC filing on the Forms 10-Q and 10-K. Thank you.

## QUESTIONS AND ANSWERS

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

Great. Thanks, Ronen. Great. Well, thanks for joining us here. Yes. So I want just to kick off the conversation. It's obviously been a very eventful few years for the industry and I think for Pfizer in particular. And I'd love just maybe just a bigger picture question to start with just how you see the company positioned today as we kind of are transitioning from this kind of pandemic stage and this kind of big bolus of COVID revenues into kind of a more diversified company with a lot of investments in M&A the company has pursued? So just kind of hear your thoughts where we and Pfizer are.

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**David M. Denton** - *Pfizer Inc. - CFO & Executive VP*

Sure. Well, first, thank you for inviting me here today, and thank you for your interest in the company. Obviously, it's a very interesting and exciting time for the company at this juncture. To your point, we've gone through a period or phase where the company invested heavily and managed itself through what we call the COVID crisis phase of the pandemic. Through that process, not only did we create vaccines but also treatments through PAXLOVID for COVID. We've also performed extremely well, both from a top line and a bottom line perspective.

We've taken the proceeds from COVID and have invested that back into the business. We've -- more or less suspended over that period of time, share repurchases, and we've taken the cash that has come out of that portfolio or that franchise and invested really to support our growth aspirations from 2025 to 2030.

We were talking about this earlier. If you just looked at the company, it's pretty easy to model the fact that we have products that lose patent protection in the back half of the decade. We've now invested such that we, in the back half of the decade, Pfizer is now a growth company. We're going to -- not only will we -- our expectations are to overlap and grow based on the pipeline that we currently have in place. But also, to date, we've invested, from a business development perspective in hopes of generating in excess of \$20 billion of revenue by 2030 from a BD perspective.

This gives us promise in the sense that we've taken the proceeds from COVID, now we've invested in oncology. With our proposed acquisition of Seagen, we're moving into the ADC space from an oncology perspective. That company has 4 products currently on market with a very robust pipeline. We've recently reorganized our R&D infrastructure to have a vertical from an oncology perspective to making sure that we're aligning our resources internally with that bet that we made from an oncology perspective.

And it would be -- above and beyond that, we have about 18 products that we're launching -- or 19 products over the last 18 months, which year-to-date, we've launched about 10. So we're in this phase of investing heavily behind product launches that are yet to come this year and early next year.

So really interesting time for the company. We're very focused on the future and growth in the company over time. Obviously, we'll talk a bit about COVID as we now are managing our post-COVID crisis phase, but still a product portfolio that's very productive for us.

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

Great. And maybe just building on that comment about the longer-term growth, and the company gave these longer-term growth targets. And I guess maybe a 2-part question. One, what can be the confidence to kind of lay out these fairly large numbers, both in the pipeline and in the BD side? And then two, I think we've seen consensus numbers clearly come up, but the Street is still a bit below those long-term targets. So are there any obvious places when you look at where Pfizer is confident and where you think there's maybe a disconnect versus the Street?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Well, a couple of things. One is, to my point earlier, it's easy to look ahead and understand the products that lose patent protection and be able to model that. I think what we were trying to do is look back, look at our existing in-line set of products, be able to, with confidence, forecast that utilization and pathway forward from a growth perspective. But importantly, look back into our pipeline and our portfolio of products in our pipeline and be able to risk adjust and forecast that out. At the same time, we have complete control over business development. And we knew we were going to lean into business development to support our growth aspirations in the back half of the decade. And so we want to give investors a parameter of which to hold us accountable for from that growth perspective.

And I think largely, we've been kind of tracking pretty consistently against those expectations. And we've been giving investors a perspective on how we're doing, where we continue to have gaps or exceeded expectations so that investors can hold us accountable for those actions and those levels of performance.

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

Great. And then -- lots of topics to get into here, but digging into the COVID side of things to start with. Just latest views on the COVID franchise. I know we've seen certainly in the U.S. an uptick in infection rates and -- just any advice you can share relative to where we stood with 2Q?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I think we said that coming out of Q2, we'd have probably a better perspective for the balance of the year when we get to Q3, which is in late October and where we report our performance. As you know, the COVID vaccine was just recently authorized in the U.S. We're now beginning the vaccine program at the moment in combination with kind of the flu vaccine program that's being launched across the U.S. So by the time we get to late October, we'll have several weeks under our belt. So we'll get a good sense of how utilization is tracking from that perspective, both the U.S. and ex U.S. So that's on the vaccine side of the house.

On the PAXLOVID side or the treatment side of the house, you see treatment doses being dispensed pretty consistently with underlying infection rate. So as infections go up, utilization of PAXLOVID goes up. As infections come down, utilization of PAXLOVID comes down. So I think we continue

to monitor that very directly. Keep in mind that our expectation for this year is that from a vaccination perspective in the U.S. is roughly 24% vaccination rate. Keep in mind, the flu is probably closer to a 50% vaccination rate. So we haircut that pretty significantly for the year. We will see how that plays out as we look at the trends in the coming weeks in the U.S. and globally from that perspective.

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

And can you talk to maybe on the vaccine side, I know you're transitioning that business from the government to a commercial model in the U.S. Is there any surprises with that transition so far? Is it as early, but.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

No, I think it's still pretty early. I'd say there's no really surprises, but what I would say is think about while we know that the vaccine has been out there for multiple years. This is -- think about this as a product launch. We're developing -- from a commercialization standpoint, the infrastructure from a field force perspective to be able to support this product, we're launching direct-to-consumer advertisements such that consumers understand the need to get vaccinated and at what rate and what level to get vaccinated. So there's a lot of infrastructure and investments being made behind both COMIRNATY and also PAXLOVID ultimately, as these products become commercialized in the U.S. and broadly around the globe.

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

Any update on the current inventory situation with PAXLOVID in the U.S. and when we could see the commercial transition there?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

No. Probably no updates from that perspective. Obviously, we've been very clear and transparent that the U.S. government and globally, many governments sit on inventory within their current infrastructure and the burn down of the inventory will be necessary before we launch into the marketplace globally. So that will -- has the effect of essentially dampening 2023 revenue performance as we transition out of this phase in 2023 being a transitional year, '24 will be a year that will be much more typical, if you will, from a commercialization time frame.

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

Okay. And then just maybe last on this topic, ex U.S., I know we have the European contract. But -- are you seeing a more consistent approach for governments of how they're going to handle vaccinations and is that giving any more, I guess, visibility into how to think about that piece of the business over time?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I don't know if it's consistent. I would say that obviously, we signed a longer-term contract for Europe. So that gives us some visibility and some floor, if you will, for the next several years of sales for -- from a vaccination standpoint. Each government tends to handle the patient population a little bit differently, but that does give us some visibility and stability into our forecast for multiple years out.

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

And then just, I guess, given the uncertainty on the COVID dynamics. I think we're all trying to get our hands around how to model all this. Just talk about how you approach, I guess, guidance setting for this? And then as you think about managing the business, how are you thinking about kind of investing back in the business given some of the uncertainty?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, a couple of things. If you recall, when we gave guidance for 2024, we actually gave a lot of data around what we thought vaccination rates were going to be, what we thought pricing was going to be, what the rate of infection, both U.S. and ex U.S. So we gave a lot of data points because we want to make sure that investors had clarity around. There are things that we can control and there's things that we cannot control.

Level of vaccinations and infection rates are things that largely we can't control. The virus in some cases, will dictate that and/or government mandates might dictate some of those. And so we wanted to make sure that you had a sense for what our expectations were. And so therefore, you can see if we -- if vaccination rates were higher, you should hold us accountable for higher revenue yield. Vaccination is lower, sometimes we might not be able to control that completely. So I think we tried to give that transparency.

I think now coming out of 2023, with some of this now being more in the commercial space, we'll have better clarity on what '24 and beyond begins to look like, and we'll just try to lay out a similar set of facts and stats so that you can manage our expectations and our performance levels.

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

But your -- I guess your hope would be kind of getting past this year that, that, I guess, variability component of it might come in a bit?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, I would hope that we start kind of -- this becomes kind of more, I'll say, "normal products" and we can begin to see some kind of normal variability up and down based on utilization across the globe.

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

Okay. And maybe last question on that. When you think about the 2 components of your COVID business, what do you expect will be the motion volatile going forward? Do you think that 1 of them will become -- like will become the -- COMIRNATY becomes more predictable or how do you think of it?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I do think the vaccine becomes a bit more stable over time because they'll be essentially a protocol that will be established kind of by country or by region about vaccination rates and those protocols will become standard and more understood within the patient population.

Clearly, PAXLOVID will be -- utilization of that will be dictated based on the virus. Again, as infection rates go up, utilization of PAXLOVID will go up; as infection rates go down, utilization of PAXLOVID will go down, appropriately so. So I think that will be more difficult to predict. And I think that will be -- obviously, will be subject to how the virus behaves over time.

At some level, there are a little bit natural hedges. The more vaccinations occur, probably the less infections. And so I think they should somewhat over time offset one another, maybe not the exact timing period, but you would think of that largely to happen.

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

If I think about Pfizer's OpEx, as we kind of think about this revenue kind of ramp you had with COVID, we saw OpEx obviously come up quite a bit. I think your OpEx is maybe \$6 billion above where we were sitting in 2020 or so. Can you just help me understand how much of that is tied to COVID

investments versus redeploying some of those cash flow from COVID to broaden out the rest of the business as we think about the -- kind of the new run rate we've seen for OpEx?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, I probably won't break it out that specifically. But what we have talked about specifically is we are discussing the opportunity to, I'll say, rationalize our cost basis based on resilient revenue performance over time. And so we said coming out of our Q2 earnings is that we are evaluating the cost program to reduce our expenses across Pfizer more broadly and aligning that cost basis to our resilient revenues over time.

And so we're in the process of planning for that today. We will have a lot more to say about it as we get to the back half of the year and begin to give some understanding and framing of where we're focusing our efforts, number one.

Realizing that we want to make sure that we're investing appropriately based on our R&D pipeline and the investments that we're making and bets that we made, particularly around Seagen, making sure we're investing appropriately in oncology as an example. Investing in the COVID franchise as the COVID virus continues to mature and mutate. We want to make sure that we're invested appropriately there.

But importantly, we got to make sure that those investments are aligned to the revenue performance of the company long term. We won't -- we do not want to put fixed costs into our environment where revenues are less resilient and making sure that now that we're coming into -- out of the COVID crisis phase, we'll be able to do that more appropriately going forward.

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

And when I think about those maybe cost-cutting opportunities, it sounds like you're being thoughtful of not wanting to impact the core drivers of the business. But -- should I think about this more on the R&D side? Is it more on the SG&A side? Is it the COVID business versus the non-COVID business? Just help us.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

It's going to be a little bit of all, all of the above. And I think about this, we're launching -- our pipeline has been very productive recently, we're launching a lot of products in the marketplace today and into early next year. Those launches, you invest in advance of those launches. And so we've now ramped up SI&A expenses in support of those products going into commercial market channels, both here in Europe as well as in the U.S. Those are largely variable expenses. So as the products are launched, they begin to get momentum, we can begin to rationalize those investments. And so think about us across both the existing portfolio, the launches as well as COVID being appropriate from that standpoint.

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

And then when I think about what that kind of means from an operating margin perspective, if I remember correctly, your margins, I think were in the upper 30s as we headed into the pandemic, we're in the low 30s today. Is it reasonable to think of the company getting back to pre-pandemic margins over time?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

It is with one little asterisk to that is that if you look at our product portfolio, particularly around the vaccine around COMIRNATY, we have a partner. Our partner splits 50-50 gross margin in that product. So if you mix adjust for that product specifically, our objective is to get back into the pre-pandemic levels from an operating margin perspective.

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

And can you just elaborate on what it's going to take to get there? Is that simply -- is it cost driven? Or is this really having to watch the -- kind of these new product launches scale?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

It's both. It's both. I mean, we have -- we've invested ahead of these product launches. I think we have a fairly specific target for each of these products as far as their peak revenue and I'll say, the revenue curve around those products is making sure that we deliver on that. At the same time is, again, going back mostly from an SI&A perspective, ensuring that our cost base is supportive of that revenue performance in totality. So we're going to get there in both mechanisms.

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

And I know you've laid out through 2030, some of these longer-term targets. I mean, is that -- are we thinking about this as kind of a longer-term process to get the margins back? Or do you think it's faster there?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I think it's faster than that. I think we're thinking about this in the medium term, if you will to be able to get there.

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

Yes. And I don't know if this is something you can directionally comment, but if we think about 2024, should we think about '23 being trough margins for Pfizer?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I think it's too early to talk about that in 2024. Keep in mind, we're also acquiring Seagen, which is dilutive in the short term as well, but a very productive longer term for us. So I think when we get to giving '24 guidance, we'll be able to give you a perspective around how we think -- I'll say the non-COVID business is going to behave, how the COVID products are going to overlay on top of that, and then finally, when Seagen is approved, assuming it gets approved, what the impact of that on top of our business in totality might look like.

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

And then when I think about just the communication around it, it sounds like a lot more detail with the 4Q earnings. Can we -- I think, there's some update you're going to provide with 3Q? What should we -- can we be expecting that?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I think, what you'll see in Q3 is you'll get a sense for now that we'll have several weeks under our belt from a COVID perspective, how that business is trending. You all will -- if there's anything to report around Seagen, we will, but that will be dictated based on the progression through the Trade Commission. But we -- and we probably will give you an outline of how we're thinking about cost -- our cost management program. I want to be clear, though, we're probably going to give you a lot more color as we give 2024 guidance both on -- because I want to make sure that again, our cost basis needs to be in perspective of our revenue performance. So putting -- you need to kind of think about those in totality. So that's really more of it when we give guidance for 2024, which is early next year.

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

Okay. And I think it's certainly something investors are trying their hands around this, but it sounds like we're not that much longer to wait.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. No, correct. And listen, we're in our planning cycle now. We plan pretty completely for next year and will take several months to put all those programs together.

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

Right. Maybe just moving over to some of the growth drivers. Can you just talk through the recent product launches and how we should think about those contributing to the step-up in growth, I guess, for the non-COVID business as we think about where Pfizer was in the first half of the year versus what you're forecasting for the second half of the year?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I think what's interesting is that if you look at just the launch pattern for this year, for 2023, the vast majority, almost exclusively our launches for new products is back half loaded in the year. So if you look at our performance over each quarter, our back half Q3 and Q4 revenue performance from a growth perspective ticks up because those launches do occur in the back half of the year. And largely on track, we've had a couple of little setbacks largely with the -- one of our manufacturing facilities being damaged with a tornado in North Carolina and things of that nature, but largely in on track for that. If you recall, our non-COVID business, we expect it to grow this year 6% to 8% from a revenue perspective. We consistently are focused against that level of growth.

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

And in terms of -- I know you've talked about some small setbacks in terms of the launch profile. Have any of those affected your views on the long-term business at all? Or...

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

No. I think they have not affected our view long term. I think, obviously, some of the short-term, I'll say, headwinds that are modest in nature, but still headwinds. Nonetheless, we need to manage ourselves through those. And I think we'll continue to focus against getting some real-world evidence around some of our products will be really important as we think about the future of those launch programs.

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

Great. Maybe longer term on the pipeline. I think you've talked about roughly \$20 billion from these kind of near-term launch. What are the really critical assets from your perspective to get to that?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Well, the good news is not one. There's a bunch. I think RSV is really important to us longer term. I think we've got a really nice set of products there. Elranatamab from a cancer perspective, I think is also a really interesting product that we think will be best in class from that perspective. But -- the good news is we have a list of 19 that all of which contribute to some degree to that yield of \$20 billion by 2030.

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

And I guess part of that is that -- I mean, that breadth of portfolio is important.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I think we talked about this in some of our earlier meetings is, in almost, we need to think about this as a portfolio to some degree. We'll have products in that portfolio that we'll do better than expected. We'll have some products that might lag from that perspective. But in totality, we feel pretty good about our ability to yield \$20 billion by 2030 in that space.

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

Okay. A couple on the kind of end market portfolio. I guess one question I've been getting a lot has been on the PREVNAR franchise. This is one of the company's largest products. You've had kind of a strong position in the market, a lot of competition seemingly on the horizon. How do you think about sustaining the leadership position? And how do you think about evolving that asset over time?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. Well, I think the good news is that we've had a long storied history in the PREVNAR franchise. We've been kind of the leaders in that market for many years. I think we continue to invest heavily against the franchise, both from a new product perspective now, Pevnar 20. But importantly, we've kept up our relationships with those health care providers. And I think that history, that knowledge, that relationship that we have in the franchise is going to be really important as competitors come to market. And we welcome competition. In some cases, competition makes us a better player in the marketplace, and we will work aggressively to -- one, we have a great product, a world-class product. We'll continue to market aggressively against that.

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

Do you see opportunities to continue to improve upon PREVNAR? Or do you think you get an asset that can stand on its own?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. No, I think we have an asset that can stand on its own, but we're continuing to invest against the product. So I don't think we're done yet. We think there's still runway to further develop a product over time. And time will tell.

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

The other, I guess, product -- I'm trying to get my hands around has been on VYNDAQEL. It seems like at least in my model, it seems like every quarter, nice source of upside, market bigger -- seemingly bigger and bigger than we expected. So I guess, first of all, how much more runway do you see for VYNDAQEL to grow over time?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I think there's a lot of runway left in the product. I think -- the product, again, is a really great product, showing a lot of promise. And I think what the challenge has always been is to get diagnosis of the patient population is we're constantly educating health care professionals such that they can diagnose patients who can really benefit from utilization of this product. And I think our focus right now is making sure that those patients are

identified, they're -- to get the appropriate patients on the appropriate utilization of the product. And we're optimistic that there's still a big runway ahead of us in this product, both ex U.S. and U.S.

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

When I think about competitive landscape, things like we're starting to see some data from competitors out there. How are you feeling about the ability to sustain leadership?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I think, we feel good about it. I think, what we've seen is we have a really solid product here. I think we -- again, to my point earlier, we actually welcome competition in many ways because I think it does make us a better competitor when we do -- when we have competition. We have a good product. We're -- I think we're nicely positioned.

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

Yes. And maybe last one is, on the questions beginning just on the duration of this franchise. I think you've talked about kind of later this decade that's been part of that LOE cycle. Is there an opportunity to extend this one beyond the 2020s?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Maybe. I don't know if we know that for certain at this point in time. Yes.

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

Timing on visibility there is still a ways off?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

There's still a ways off, I think. Not in the near term.

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

Okay. Maybe just pivoting a little bit here to Seagen kind of big acquisition announced. Maybe first, just talk about -- I know you mentioned earlier kind of creating a stand-alone oncology business. How do you think about integrating Seagen into the Pfizer kind of portfolio?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. So we have appointed a leader who's doing some pre-integration planning, a pretty complete pre-integration planning. Gentleman by the name of Chris Boshoff, who's a leader in our research and development area at Pfizer probably have been with Pfizer probably over a decade now, an oncologist. He's created a -- what we've done is we've reorganized R&D. So we have essentially a stand-alone top to bottom, early to late-stage R&D program around oncology. If you look at that his announced org structure, it's probably 75% or 80% legacy Seagen scientists and the rest being Pfizer. So it's almost the inverse, if you think about it from an acquisition standpoint.

And we've done that such that we believe that the pipeline and the science based in the ADC infrastructure is so important to our future growth that we've organized around that, number one. That is completely inverse, if you will, if you think about the commercialization aspect of oncology because Pfizer has a long legacy of commercializing oncology and cancer products, both U.S. and ex U.S. We're going to use that commercialization engine to help bring those products to market sooner and get adoption of those products more rapidly across the globe.

So we're excited about the platform coming on board, the Pfizer engine, if you will. And we're looking forward to that happening late this year or early next year. I would say Chris is a world-class leader from a research perspective, and I think we're really excited about the pipeline with the 2 companies together.

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

Can you just help here a little bit. I think 1 of the areas the Street has been trying to get their hands around is you're targeting about \$10 billion of sales from Seagen by end of decade. I guess where do you see the biggest delta versus the Street to get to that target?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, sure. Keep in mind that Seagen currently has, I think, 4 products on the market today, and that has a fairly robust pipeline. If you look at those 4 products and you forecast that out from a Street perspective, those 4 products yield about \$8 billion in revenue by 2030. That's what the expectations are externally. The delta between that \$8 billion and the \$10 billion that Pfizer put on it is the pipeline. Through our due diligence effort and our analytics, we applied some amount of revenue yield coming out of the pipeline, which I think is appropriate. So that's the disconnect, if you will, between the expectations from investors from the sell side largely in our expectations.

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

And then maybe just last question on Seagen. I think you talked a little bit on the commercialization side, but what brought you to this asset? What can Pfizer do with Seagen that Seagen wasn't going to be able to do on its own?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Well, I think a couple of things. One is from a research and development perspective, we have a lot of scale and breadth. So I think we can expand clinical trials more broadly and get product to market sooner and much more broadly, if you will, from an indication perspective, number one.

And then number two, Seagen has done a great job of developing these products, but they have really not had a lot of expertise and experience commercializing these assets. We have a big commercial presence globally. We can now plug these products into that commercialization engine and really accelerate adoption of these products and revenue yield over time.

So I think that's the really the benefit that we see. We talked about this earlier. This was not a play in which you put 2 companies together and you harvest a bunch of synergies. That's not what this is about. This is about putting 2 companies together, each having really broad capabilities either in research and marketing our products and distribution of products globally. We'll make one another better from that perspective. So this is about getting these drugs in the hands of patients more quickly.

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

And how do you feel the broader, I guess, ADC competitive landscape? It seems like different mechanisms, but there does seem to be more and more activity in the space. I know Seagen was an early player here, but -- how did you factor in kind of competitive dynamics?

**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. We certainly understood the landscape. But keep in mind, if you went back probably a decade or so, Pfizer was in the ADC space. So we have a little experience here. So we understand the market a bit. The good news is Seagen is a pioneer in the space. They're a leader from a technology perspective in the space. They're constantly developing and pushing the envelope to improve performance in their products, in their platform. We're going to continue to make that investment and that focus over time.

So to my point earlier, competition does make you better if you embrace it and you focus against it. And we're not going to do anything differently in this space than we have in others. So -- but yes, we know there's competition in the space. That is actually good for patients at the end of the day, because the more drugs we can get in the hands of patients who are fighting the battle against cancer, the better, and we're going to be -- we'll be a leader there.

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

And still feeling confident with that \$10 billion target?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

We are. Yes, we are feeling confident about that. We feel really good about where we stand at this point in time.

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

Yes, great. Just on kind of broader capital deployment kind of piece of the story, maybe talk first about post Seagen. How should we think about where leverage will stand? And ideally, where do you want to see the company move up?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I think immediately post the deal closing, leverage will be higher than it has been historically and typically is our expectation that once we close and we start commercializing these products, and our launches begin to take hold, leverage will begin to come down is our expectation that we will need to digest a little bit both this acquisition and prior acquisitions. Before we -- I'll say are back into the BD space more completely, we will still be able to do smaller BDs, but we're not going to do anything of scale in the very short term based on until we digest a bit from that perspective. And that's going to take several quarters for certain, if not more.

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

I know we were talking about this earlier, but if I think about Pfizer historically, there's a lot of share repo of the company and you took the share count down pretty dramatically. And then it seems like the last few years, it's been kind of pivoting almost the complete opposite direction where there hasn't been much repo at all. How do I -- how do you think about balancing, I guess, repo versus further building out the portfolio over time?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, a couple of things. I think it was a very deliberate action to take the proceeds from COVID and not use them to do share repurchases, but actually use them to invest back into the business, either internal R&D or external BD to improve performance longer term really with a view of the 2025 to 2030 time frame. I think we've largely -- I'll say, check the box. Maybe it's not completely done, but we've made a very significant dent into that program into that objective.

Now that we've done that, as those products begin to mature and they begin to grow in the back half of the decade, we should be able to perform much better from a cash utilization perspective. And therefore, we can get ourselves rebalanced into doing increases in dividends doing share repurchases at the same time investing back into the business, but we'll be a lot more balanced from that perspective.

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

You see share repo is still kind of an important.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

It is an important -- I think it's an important and critical lever that we have to drive value for shareholders. At the same time, investing in the business with the appropriate return threshold to drive revenue yield in the back half of the decade, I think it's also important for investors. I know that creates a little bit of headwind near term, but longer term, it's the right thing is we'll improve the cash generation capabilities of the company as we see those products mature in the back half of the decade.

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

And then I think your \$25 billion target, you're kind of at about \$20 billion of that \$25 million. How should we think about the remaining portion of that? It's just -- a little bit of -- is there a bias within the company at this point of -- is that more late-stage pipeline assets? Is it end market? Is it platform-type deals in this area?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I don't know that there's a bias. I think what we've always said is we want to buy the right science that supports our objective at the time. As we just said, I think at the moment, we're probably in the digestion mode of BD as opposed to looking for other assets to bring on to our platform. I think once we've kind of digested a little bit, then I think we'll take a step back, understand what the portfolio looks like and where we have opportunities to supplement it. And also look at the marketplace because sometimes the market dictates what's available and what's not available. So we will make the right decisions at that point.

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

I know we've got about 5 or 10 minutes left here. Let me open up to the audience. If there's any questions and then we can continue or from otherwise.

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**Unidentified Participant**

Just if there's any comment you could make on what the environment in terms of rules, regulation reimbursement means in terms of pricing further M&A? It feels tougher than it has been.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. I think you're right. I think the implementation of the IRA in the U.S. has changed the pricing dynamics a bit in the U.S. I think if you look at the impact of IRA on Pfizer, it's relatively modest, only because the likely products that are going to be impacted by the IRA in the near term are products that are losing patent protection in '26 and '27. So I think the net present value impact is not that great. It will be painful when it occurs, but it's not a 10-year runway.

I do think that it's not dramatically changing how we think about R&D. I think it is changing around our expectations of revenue performance in business development. So we would have factored that within our Seagen acquisition, we would factor that within our acquisition of Biohaven from a revenue curve perspective. So -- but it's pretty dynamic. Obviously, we're watching it closely. There's a lot of press, some of our competitors are out there actively suing the federal government to maybe overturn that. We're not part of those suits at this point in time. But again, we'll keep it in mind. We will price appropriately, obviously. But it's clearly a headwind to the industry. Sure.

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

Let me just follow up, is that creating -- as a wider bid-ask spread as you're considering, whether it's partnerships or deals just given. I'm assuming you have to take a conservative stance of what IRA look like and then someone selling an asset that maybe (inaudible).

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

I think it does. I think there's no doubt about it. I think if you're probably not in the space day in and day out, you probably don't understand how the pricing dynamics might work. So if you're an earlier-stage company you might not have the insight to that versus a company the scale of our size and we deal with that every day. So yes, I think it does create a disconnect to some degree.

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

But from a Pfizer kind of organic perspective, it sounds like this is more tweaks to the model versus something radical?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, I think that's right. I don't think you're seeing -- in fact, I don't think you're seeing any big pharma dramatically change their R&D portfolio based on the IRA alone, there may be tweaks around the edges to it.

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

I agree. Any questions up there? Let's continue. Maybe just sticking on the newer acquired products. We talked about Seagen. Can you talk a little bit about the [inaudible] acquisition and how that's performed? I know it's 1 that I think Street expectations have been pretty broad. Has that been living up to your expectations so far? Are you seeing learnings from that deal?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yeah. Around the franchise, migraine franchise?

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

Yeah. Migraine franchise.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, sure. In many respects, it's actually lived up to our expectations. If you look at our internal forecast and the performance of that product, it's actually been largely in line. We're seeing more patients adopt the product, and we're seeing the number of pills per patients actually increase a bit, which shows that people are on more of a maintenance regimen versus just an acute regimen for the treatment of migraine, which is appropriate.

We have a follow-on product that's currently coming to market as well, but I think it will be helpful over time. Keep in mind that when we gave -- when we talked about the acquisition, we said that roughly \$6 billion of peak revenue, we still see line of sight to that level of performance over time. It's a great product. And I think we're seeing -- we're continuing to get adoption both in the U.S., but I think the real opportunity is getting some adoption ex U.S. as well.

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

And then one big topic comes up in all of our conversations is the obesity market. Talk a little bit about your opportunity there and how you're kind of thinking about the hurdles of what you need to see with that data set to move the asset forward?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Sure. We have -- we originally had 2 products or projects in our -- in the clinic in Phase 2. We actually now stopped 1. We have 1 remaining in the clinic. We will have data readout of that product later this year. So we get a sense for kind of how that product might perform in the marketplace. At that point in time, we'll let the data determine what our next steps might be and what we would do appropriately.

Keep in mind, this is a twice-a-day oral treatment product at the moment. And we will understand based on how the product performs, where we invest and how we invest going forward with that product to bring it to market. This is -- obviously, it's been very well discussed that this is a potentially very large market, \$90 billion to \$100 billion market globally, and we'll see how we play.

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

Does that size of market change the hurdles at all of how you think about how you'd want to invest around here. So it seems like you've a small piece of that market is going to be a huge product for the company?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes, I don't know if it changes the hurdle, but it changes the opportunity you have to make the products "successful", if you know, because even a low market share in a huge marketplace makes the product sometimes financially viable even when maybe in other cases, a low market share in a smaller market might not make it viable financially. But we'll see where we are. We don't have the data yet. We'll understand by the end of the year, more or less where we stand.

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

And maybe just a last question for me is, if I think about just Pfizer as an organization, and it seems like it's been a really busy few years with everything and almost with COVID, et cetera. I guess you just start to now transition this time where maybe there's a little bit of pullback on spend, there's an LOE cycle approaching. How do -- from an organizational perspective, how do you just manage maybe more of a normal run rate type of business versus what was -- what the -- what you've been going through the last few years?

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Yes. It's interesting. I do think we've learned a bunch as we went through COVID. And I think what we've learned is to get ourselves laser focused on an objective and get ourselves focused on making quick decisions appropriate with the appropriate safety precautions obviously within that. But making those decisions and moving at a different pace than maybe a legacy Pfizer might have done. And that is giving us confidence that we can go to market more effectively over time.

I think what's interesting, and I think people forget this a little bit is we're launching a bunch of products. And so that takes investment to get that done and kind of new muscles to make those products successful. But that's true of our pipeline products, but it's also true of our COVID products. These products, both COMIRNATY and PAXLOVID has largely been sold through the government channels, which is now is being transitioned, particularly in the U.S. into the commercial channel, where -- these are product launches for us, and they're big product launches. So we need to invest behind them.

So we're trying to make sure that we balance appropriately the performance from a cost infrastructure perspective behind the actual need to invest to make sure that we can get the maximum reach of these products into the hands of the appropriate patients. And so it's an interesting and unique time. I think there's a lot of opportunities ahead of us from that perspective.

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

Just on time, really appreciate the comments, Dave. Thanks for joining us thank you.

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**David M. Denton** - Pfizer Inc. - CFO & Executive VP

Thank you.

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