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OVERVIEW:

Company Summary

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

PRESENTATION

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

Good afternoon, everybody. 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.

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

Happy New Year.

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

I know you want to make some quick opening remarks, and then we'll jump right into the conversation from there.

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

That will be fantastic. First of all, I was instructed that you should all read very carefully this statement here, Legal insist on that. But I wanted to make a few comments before we go into the questions.

So clearly, 2023 was not a good year for us. We missed our internal projections and also, we missed the expectations of The Street. And the miss was predominantly in COVID but also, we didn't impress very much with the commercial performance of the other products. We were a little bit behind. And clearly, that was shown in our stock price performance, that was very, very bad. That hurt a lot.

You can imagine, first of all, is not coming to this position from a position of mediocrity. We used to be the stars of the industry for a few years, so that drop really hurts. Also, we're not used to it. I'm a 5-year CEO. We have 19 earnings releases under my watch, 17 of them, we have beat Bloomberg estimates in EPS, 17 of the 19. And actually, 13 of the 17 we also beat revenue. So it was a high-quality beat. So for us comes as a very big surprise and actually came also as a year, that I don't say we want to forget, but a year, I want to remember that we'll never repeat again.

However, I want to emphasize that because of all these bad taste that the drop of the stock created, there were a few good things that happened in year 2023, that maybe were lost in translation. Number one, it is Pfizer, affected the lives of 600 million people in the world. I don't think in our estimations that there is any other company that has this broad reach of consumers and patients as Pfizer. And particularly, if you multiply that with the brand equity and the awareness of Pfizer, I think that creates a very unique connection with the consumers that can be a very strong asset in our hands.

The second is despite the fact that we had to take write-offs and returns and all the things that you all know with COVID, we will end up the year probably the #1 pharmaceutical company in terms of revenues in only pharma business. Clearly, we were the top 1 year-to-date period 9, which is not given. We used to be #4 before COVID and we jumped to #1 position.

Third and even more important, I would say, it is that 2023 was a record year for FDA approvals for Pfizer. We had 9 approvals of 9 new molecular entities. We have numerous more approvals because we had a lot of new claims in already approved products, but 9 new molecular entities, which is 3x the size of the second one. And that's a very productive research year for Pfizer.

And last but not least, we closed the Seagen acquisition. In the political environment that we are all living, I think being able to close the Seagen acquisition with very minimal commitments, demonstrates our ability to navigate a very complex legal and political system in an effective way.

Now in addition to all of these things that were good things, clearly, we realize that things are not doing well with our stock price already in the mid of the year. And we clearly try to understand what is the driver of the stock price over that can take some corrective actions. And we did a lot of things to fix what we thought was the problem so that we can come in year '24 with a clean slate.

We realized that one of big overhang of our stock performance is the COVID uncertainty. For many people, COVID uncertainty means how many people will use the vaccine or how many people will use the treatment.

For us, which was way more complex and actually scariest if you think about it. We had multibillion-dollar contracts with multiple governments in the world. That suddenly, although they were signed, they had second thoughts if they want to honor them or not because they are governments. So one of the most famous of that was in EU. So we were able to negotiate and resolve each one of them. So now we have a clean slate, and we have constant, very predictable supply over 3, 4 years that gives us basically the lion market share in these countries for the years to come.

A second uncertainty that was not maybe in the eyes of many people was that COVID needed to go to many countries from a government business into commercial business. That meant significantly different pricing, and you all know the price differences that require significant access discussions and discuss significant careful moves so that you will not create the public sentiment. We're able to do both in PAXLOVID and in COMIRNATY. We launched with the new prices in the U.S. in COMIRNATY, and we launched with the new price of PAXLOVID in the U.S. And not only launch, but we have secured more than 95% of lives, commercial lives, access next year for PAXLOVID with small co-pays. Okay.

The third thing that was overhanging in stock uncertainties was a lot of stocks that existed already, particularly in the U.S. with PAXLOVID that could take maybe 2 years for -- to be exhausted that could lock us out of the market for many years. So again, that was resolved with very careful negotiations with the U.S. government in a deal that was very favorable for them and for us and for the taxpayers and for the public health, and that issue is now behind us.

And the fourth, of course, we had a lot of stocks ourselves because we had built stocks to save the world. And the world didn't need them. So we made sure that within the year '23, we took all the right adjustments so that we can write off everything, that is not going to be needed so that we can come in the COVID business with a clean slate. So all of that was COVID related. So it's not simple how many people will use their vaccine, but there were a lot of things that we had to remove.

Right now with COVID, every person that is using a vaccine, we know the price and we know the market share that we are getting. Now in addition to COVID, we understand that a big overhang on the stock price was that our cost base, if COVID is not as we thought will be and probably, it was not, as you can see, obviously, it's very high. So we came to also address that with a high sense of urgency. And we announced the cost adjustment plan that had $3.5 billion reductions. We upgraded those projections to $4 billion reductions in the beginning of the year, already we started implementing in next year. And right now, everybody knows what is in Pfizer, if he is in or out based on this new cost program.

And last but not least, I think what we had to do was to enhance the commercial structure, the Seagen acquisition gave us an opportunity to create a new business model. So -- and we were not very happy with the performance of our commercial operations, particularly outside the U.S. where we had a decline compared to double-digit growth in the U.S. in international developed markets.

So by splitting the business, which is very big, we think we have now way better conditions to start the year. So all of that was done in year '23. So on January 1, we start executing. And if you can go to the next slide, please. I just want very briefly to say what investors should expect from Pfizer as priorities for the year to come, 2024. Number one is the obvious for all. We just completed a major acquisition of Seagen. We need -- give us the

opportunity to achieve world-class oncology leaders. Our research in oncology overnight with the acquisition of Seagen is doubled right now. We have exactly doubled the resources.

The commercial presence is 1/3 larger, for Seagen 3x means in the commercial. The very important thing for Seagen was the way that we did the integration. Right now, 50% of people of the new Pfizer Oncology research group are coming from Pfizer. 50% of the people in the new Pfizer Oncology group come from Seagen. We have a leadership team that is driving the new Oncology business unit. 9 members are reporting to Chris Boshoff. 5 of the 9 are coming from Seagen, 4 are coming from Pfizer.

We believe that because the integration was done in a way that we're able to inspire people from Seagen to join us in a common vision how to run the new Pfizer Oncology, that will deliver on the promise of becoming a world-class oncology leader.

Second priority, Pfizer launched more products than any other company has ever done in the history and what is also first thing for Pfizer, we never launched this many products. It's extremely important to get it right. So priority to maximize the performance of the new products is paramount for us and to have set all the right commercial structures in place and many other things that you can't see that we are doing underneath so that it will be successful. Deliver the next wave of pipeline innovation. I'm sure you're asking a lot of questions about it.

We need to expand our margins. And the first thing in our effort to expand our margins comes by adjusting our cost base. We have announced a $4 billion cost base program in the guidance, but everybody recognizes that guidance, that it is reliable and conservative. So which means that we feel comfortable we will achieve the cost reductions that we are promising.

And last but not the least, I want to emphasize that a lot of investors were penalized this year with Pfizer, we were not happy. I want to make sure that they all understand, first of all, that we are very sensitive to that. Secondly, that our capital allocation will continue being investor-friendly capital allocation going forward. #1 priority for capital allocation, it is growing dividend. Sacred cow, that will not change. Number 2 priority, it is to delever. We are going to pay back a lot of this debt in the next 1 and 2 years. Number 3 priority, it is to allocate after we do those 2 things, the business between growing the business and buying back shares. And of course, the first periods of my tenure was always we didn't buy back shares, was investing in the business. This is what needed to be done so that we can cover the gap of the LOEs.

Now we have done it, and we are moving. So in essence, you should expect 2024, after all the changes in the setup that we did in year '23, to be a year of execution. We think we did the right steps to execute, but the proof is in the pudding. So quarter after quarter, we need to deliver, and we will be here hopefully next year.

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

Excellent. Well, I appreciate those opening comments.

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

Thank you.

QUESTIONS AND ANSWERS

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

We'd love -- so we're fresh off the 2024 guidance call. And I just want to talk a little bit about the company's approach towards setting expectations for this year. In particular, it seems like you guided to a lower COVID number than maybe what the company is expecting internally. So maybe just talk a little bit about how you thought about approaching guidance this year and maybe how the guidance stacks up against maybe an internal base case for the business?

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

Clearly, I cannot say how it stacks internal or external expectations, but it is a guidance that we think is very reliable, very achievable and clearly will be the base case. We did speak about COVID and we spoke that we don't think that the utilization of COVID products should be different this year in '24 than last year. Those people that they did get a vaccine in year '23 were people that despite the fact that there was COVID fatigue or there was anti-vax rhetoric, et cetera. They feel that there is a need, the value to vaccination. So those people will do it also, again, if not more, right, next year. Our guidance doesn't assume that all of them will do it. It's more conservative. That's true.

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

I guess on -- to the extent that you see a COVID franchise that outperforms this base case in 2024, should we think about that revenue largely flowing to the bottom line once we adjust for the profit split, et cetera? Or would you look to reinvest that upside back into...

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

Particularly for COVID, but for any other product, if you exceed expectations, the entire things should fall into the bottom line. The only exception is the cost of goods. All everything else should fall into the bottom line. We are not going to -- our cost base is not going to be higher in terms of R&D or SI&A because we do better in COVID.

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

Okay. Great. And the other, I think gross margins were a big question we've all been grappling with as we kind of digested the guidance. Can you just elaborate what's contributing to maybe a lower gross margin than I think The Street would have anticipated based on the components of your business this year? And beyond even this year then, how do we think about gross margins progressing once we look beyond 2024?

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

There are several items, but I would say the most impactful. Last year, we had an infrastructure that deliver way higher revenues, right? And particularly around COVID, more than double, right, in terms of revenue. Right now, those revenues are not there. So the same cost base is allocated in way less revenues. That improved. That, let's say, improves the cost of goods and reduces the margin. It's not that because we are anticipating and we forecasted less revenue that we kill the infrastructure that can produce more in case that the demand is there. So this is there. Even if we wanted to do it, it takes time to do that, a couple of years, right? But right now, we keep it intact so that we can deliver demand even upside the (inaudible).

The second thing it is that we have a lot of new launches. And typically, the new product that are disproportional amount compared to normal, right? The new products that are coming always with lower, let's say, margin because the yields to manufacture them are improving over time. And also, you set the infrastructure to manufacture them, but then you start with lower volumes. So also that will improve. But also let's not underestimate that there is inflationary pressures that improves a lot of the cost, let's say, entries in our business.

We are going to take care of a lot of these things. And of course, we will try to make sure that we optimize our manufacturing network. We are using our purchasing power to reduce cost. But right now, it's a guidance that it is, I think, reliable and okay.

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

As I think about those components of maybe the COVID franchise and the underutilized capacity versus the new product launches, is the gross margin dynamic? Is it skewed more towards COVID? Or is it skewed more towards the new product piece of it?

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

I think COVID is a bigger component of that, but I wouldn't underestimate also -- the new also. Some of the new products keep in mind that NURTEC, for example, there's a lot gross to net. There are a lot of rebates in the categories, also that affects a little bit.

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

Okay. And then off of the -- I guess maybe one last question on that. To the extent the COVID business, I guess, doesn't normalize to some degree, is that infrastructure that over a couple of year time you could start to normalize? Or is it too early to talk about that?

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

No. This is, first of all, a hypothetical question and COVID could go lower, COVID could go higher. And the same is with other products as well, right? So clearly, we should be able to adjust based on whatever happens, and that's what a dynamic business should be doing. But I don't anticipate right now something other than being able to gradually consolidate infrastructure on COVID because we have built billions of doses and now it is a smaller number.

All the changes that needed to be done to go into here 2024 has been done. So it's purely a year of execution for manufacturing, research and commercial.

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

Great. And then bigger picture, as I kind of just think about the growth algorithm for Pfizer looking beyond 2024, so it seems like you said, it seems like a very conservative, very achievable kind of baseline this year. But can you just talk about how we should think about top line growth and margin progression over time as we kind of think about the longer-term model at Pfizer?

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

Let's say, on the top line, which is so important in pharmaceutical industry, right, there is one thing that it is certain. Some products will lose LOE. Those products, when we measure them, they are coming to approximately $16 billion, $17 billion of revenues that we're going to lose from '26, '27, '28, '29, all the way to year '30, right? This is why we try to deploy a lot of capital to acquire projects or products that will deliver revenues in year 2030 to cover this gap.

We deployed $72 billion of capital, and we bought what we estimated, $20 billion of 2030 revenue right now. The Street is very close to that. Right now, The Street when I count the business development that we have accomplished, they are $19 billion. And they haven't adjusted yet the Seagen for the new successes of Padcev, et cetera, but we'll bring it 20 and plus, I think. So that there is a strong consensus that Pfizer will lose '26 and through the new business development that has accomplished will deliver minus small growth into that.

Now we are -- we launched -- not we are launching, we launched basically all 18 new products already within the first months of this year. We estimated that these 18 new products will provide $20 billion of revenues. The Street is very different. The Street estimates that instead of $20 billion, it's almost $13 billion of revenues that we will make with those 20 products. And the truth is that we didn't impress with all of them in our new launches.

So we have work to do to be able to bring this number if not at, very close to what we estimated at $20 billion, which is, again, the corrective actions that we are taking right now to be able to accomplish that. But even if we do the $13 billion plus the differentiation between LOE 16 and Seagen and business development 20, I think we have just with the products that we are launching, and we have acquired a healthy opportunity to have top line growth.

And of course, to that, you need to add anything from pipeline that is coming out. Of course, it's not only about growing the top line, it is also growing the bottom line. I think in our business, growing the top line is a very good predictor of growing the bottom line because you need really to mess it up, not to have leverage down the road. But there are a lot of levers but we plan also to do, and that's why Dave Denton, our CFO, said that we plan to bring, over time, the margins to pre-COVID margins of Pfizer, and we think we have a path to do it.

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

Okay. And then the time line on that, is that kind of later part of the decade? How many years until we kind of think about those margins?

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

I have been burned giving predictions in previous years. So allow me if I will be a little bit less talkative.

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

Fair enough. Okay. Perfect. Maybe moving over to the pipeline. Just first on the cost kind of cut piece for the specific products. I guess how much of the $4 billion came from R&D? And I guess, how do you go about prioritizing what within the R&D portfolio stuck around and what was maybe impacted by them?

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

I would be very transparent in that. From the $4 billion, that is all Pfizer, nothing Seagen, 70% comes from R&D. So $2.8 billion approximately from R&D, $1.2 billion from SI&A. However, following the acquisition of Seagen, we didn't take any cuts in the Seagen R&D. So that added $1.5 billion.

So right now, Pfizer, I will give you 2 numbers, just to assess our ability, why I feel very comfortable that R&D we have enough resources to thrive, not to do well, to thrive. Our guidance for this year after we take out the $4 billion is $11 billion to $12 billion of R&D. The absolute number of R&D is one of the highest in the industry. So just to make sure that we are not starving anyone.

Also to give a comparative to Pfizer, in 2019, when I took over, Pfizer's R&D was $7 billion. Now it's $12 billion. So I don't think anyone is suffering in R&D right now with Pfizer. The fact that we are reducing and still maintain that high, means -- feel more comfortable that we'll be more productive on R&D because the way that you are reducing, it is by taking out the least productive parts of R&D, including projects or divisions that are not very productive. So I think we will have very sizable and more productive R&D machine going forward.

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

Great. Danuglipron and the obesity category in general has been top of mind, I think, in terms of the R&D discussion. Maybe just put some context around the data that you released in December in terms of the profile you have with danuglipron and just your expectations from here on that opportunity.

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

Yes. I will be a little bit careful, particularly with the obesity because it became very material event for Pfizer without knowing that it could be. Let me start by the obesity opportunity in general. I think it's a great opportunity. Obesity. The science has matured enough. GLP-1s are fantastic molecules, and they are not the only ones. I think they are unlocking a very big opportunity. So there is craziness right now in the market with that. I don't think it's without merit, maybe it's a little bit overwhelmed, but there is opportunity there.

Obesity is going to be a big market, period. Pfizer will play in the market. Why? Not because it's big, but because it's big and I think we have the capabilities and the right to play and win. Metabolic disease was always a big strength of Pfizer. We are having very strong groups. Let's not forget that Pfizer had the first GLP-1 orals. They didn't do well, but we had them, and we had them because we have people that developed them and they worked on them. So I think the capabilities we have.

Now in terms of assets, our leading asset was lotiglipron. If that would be successful, we would be in a very different place with the stock price right now because that would be the first oral, very strong once-a-day molecule that would appear in a world that obesity, it helps a lot. Unfortunately, liver enzymes were elevated. We had to kill it.

With danu, we presented the data, tolerability was not good. And I think we also didn't design well the study, frankly, because we had -- we didn't allow step down in a dose. If you see the studies, for example, of Lilly, when you go to a higher dose and you don't tolerate, the protocol allows you to go back to the previous dose. In our study, the protocol didn't allow you to do that. So it was very, very high, the criteria, right?

So as a result, if you couldn't tolerate it, either you had to suck it up or to exit the study. And that didn't work well. So that's one. But the efficacy was competitive. We are very careful with that because a twice a day is not viable. So we are not planning to go into a Phase 3 before we see the totality of the data. And the totality of the data means we want to see particularly how we are doing with extended release. So for that remains to be seen, data will be seen in the first half of the year.

We have in the clinic, right now, 2 other molecules with humans. The first one we announced that it is a GLP-1 follow-up. And the second one, we didn't announce the mechanism of action for competitive reasons because it's getting very competitive right now, but we do have one in the clinic. And we have a lot preclinical. So it's an area that we are watching and we are looking around like everyone else. And we have our own assets that we are progressing.

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

So this is an area you're still very much focused on as a company.

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

It's an area that we will continue to focus.

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

Yes. Excellent. Outside of danu, can you just -- pipeline new assets, what are you most excited about? And maybe where do you see the biggest disconnect between Pfizer's expectations and where The Street is?

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

On the disconnect with -- first of all, I said that the biggest disconnect it is in the products that we are launching, not those that we bought. Within those products, when I see one after the other, I think The Street is severely underestimating Elrexfio, which is the elranatamab, the multiple myeloma product. We have higher, let's say, projections for that what The Street is having.

I believe on The Street probably, and you are The Street, you know better, right?

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

Yes.

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

One, it is allocating right now the potential only to the current existing indication, which, of course, is a small one, is the triple refractory. But I think they are missing 2 things. One, it is that the data that we have presented, that demonstrates better, significant efficacy advantages compared to competition and also significant convenience, the twice a month right now for chronic disease, this is rather once, it's a very big competitive advantage. And The Street is not understanding that we have right now thousands literally of patients in Phase 3 studies with this molecule.

We are going all the way. We have 4 Phase 3 studies that are going all the way to first line of treatment. And we plan for success. We are optimistic that, of course, the data need to read out. But if those things go well, this product will be way higher than what The Street. But let me speak about some other opportunities. Let's take oncology. Let's go one from Pfizer, CDK4 is going to clinic this year, will go to clinic as a follow-on on IBRANCE. But of course, we have plans to take it into second line, but also have plans to take it in first line. I think it's highly promising molecule, that we should all watch it.

I think on the Seagen, of course, the B6A is going to the clinic or not to the clinic, Phase 3, excuse me, not the clinic, all of that, it's going to Phase 3, CD4 and the B6A is going for lung cancer, is going to the clinic this year. Again, very, very significant opportunity.

For vaccines, we already went to the clinic with a new generation pneumococcal. We haven't disclosed how many -- how big -- how valent it is for competitive reasons, but it is the best we hope that will be in the market and more is best in this case. We are in the clinic with a combination of COVID and flu, particularly the young generation, where it represents, I think, the biggest opportunity.

Why I say that? Because COVID vaccinations in below 65 is really unpenetrated. Very few people, very few young people are doing COVID vaccinations. The 17% of Americans did, but all of them are very old ages, right? So it's predominantly in the older age. In the younger, no. The flu is way higher. It's almost 50%. And when you have a combination program -- product, that people go to the pharmacy to take their vaccine, and they will be offered if you want only flu or if you want with the same injection and with 0 co-pay to get also COVID, a lot will choose the option to get also COVID.

So I think it's a significant one, and that is going on in this reading. We all know that we bought Blood Therapeutics, and we have already their product in the market. But the good news was that the follow-on molecule had transformational data, right, phenomenal data. So this one also is in the next phase right now, and I think will deliver significantly. So I just mentioned some of them, I don't want to go to more because less is more.

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

No, that's great. On BCMA, can you just talk a little bit about how you see the bispecifics playing out versus the CAR-Ts as we think about the...

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

I think it's way more convenient and way more scaling up, and everything will be eventually decided based on the strength of the data. I think that elra will be the best-in-class bispecifics. And I think the bispecifics will get significant share into the market.

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

Timing on when we can think about those earlier line studies, is that the next few years? Or is that...

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

No, no, no. They are now -- most of them are enrolled. Of course, it's very, let's say, time, but it's not something that will happen in many years. It's happening now. The studies are all running as we speak.

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

Now that -- I guess maybe over to Seagen, now the deal is closed. Can you just provide more specifics of how you think about reaching that $10 billion-plus target by 2030? And how your expectations have changed at all since the time of the deal is announced to when the deal closed?

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

Look, the expectations for me changed by level of comfort increased significantly. And I will tell you why. First of all, a $43 billion acquisition was a significant bet in the technology, what is called ADC, significantly better, right? Since we announced the acquisition, I think there is a broad and broad consensus that this technology is going to be transformational. ADCs has become the hottest thing on earth right now in oncology. Every day, someone is trying...

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

Every day there's an announcement, yes.

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

But of course, there is not many assets that you can get ADCs to the level that you can get it. There were 2, and I think we selected the best of the 2, Seagen. Why I say I think we selected the 2 because since I announced the acquisition and today, Seagen had significant readouts of data that demonstrated the strength of their technology, significant transformational.

So I think we hit the lotto in technology and we hit the lotto in the company. Now we have seen multiple times that big companies like us buying smaller companies like Seagen and killing the innovation in the first 1 year because they bring them into their own bureaucracy and they try to Pfizerize them and they try to do all the things that we do.

Our -- and we have done this mistake ourselves, but also have done it right in certain cases. This time, I was meticulously focused from day 1 to get it right. That's why I announced, I said in the beginning that all the Seagen people are coming, that we have them basically Seagenizing Pfizer, rather Pfizer Pfizering Seagen.

And we believe that this momentum -- also the cultural difference is that in many times when a small comes to a big that we see are way less severe when we speak about oncology because the oncology people no matter where they are, they think and they feel oncology. If you ask someone in vaccines what job are you doing in Pfizer. If he's marketing, he will tell you marketing and if he is research, he will tell you research. If you ask an oncology person in Pfizer, what is your job in Pfizer, he will tell you oncology, as the Seagen people. They are very oncology minded.

So I think we did everything we can to bring the 2 together in the best way. So all of that was not known when I did the integration that we will maintain the talent that we go after it and now are known, so I'm very optimistic.

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

Yes. And is that why you created that separate structure?

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

It's absolutely why I created a separate structure. It was the first thing that we discussed with all the Seagen leaders, what is your secret of success. And I realize that the handoff in oncology between early and late, it's way more fast as with obesity, for example, where there are very distinct

phases between Phase 1, Phase 2, Phase 3, in oncology it's all blended. So it was extremely important to bring early and late together. That was the first phase.

Everybody was telling me how big advantage they see that commercial is part of one organization because oncology, again, is very technical to sale. You are not selling on consumer conviction. You are selling on data and your ability to explain those data to the people. So it was always decided that, that will become one. Of course, we announced it when Seagen closed, we didn't want to disturb our own commercial operations by early announcements. So that was a very big part of it.

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

Is there other, I guess, therapeutic areas within Pfizer where that would make sense to also carve out? Or is oncology unique?

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

There is a different therapeutic area, which is vaccines, which already we had early and late together, again, for the same reason. But over their commercial, it's very different. The research is all about getting the immunogenicity and the technology right. Commercial in vaccines is all about consumer conviction, very different animals. They don't need. They are performing way better within the commercial organization.

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

While we're talking about vaccines, RSV was a really nice launch that we saw last year. Can you just talk us -- so far so good. Well ahead of expectations...

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

I think so. From my perspective, it was a bad launch of Pfizer. No, I will explain. I would be, again, very transparent. We did in RSV, way more than what we had in our budget. And we did in RSV way more than The Street was thinking that we will do. But we did it because the market was proven to be way, way bigger than what we thought. People were already about it. And by the way, I think this year will be even better year for RSV because the sensitivity with all this wave of respiratory diseases is increasing.

We have 35% market share. That's not Pfizer. We shouldn't. So we should have higher market share, so we need to fix it.

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

And that's the goal for the company this year?

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

Yes.

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

Yes. Any updates in terms of -- you mentioned the market size was -- surprised a lot of us. How big do you think this market can become over time?

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

I don't want again to risk projection because we have been burned, but clearly bigger than what we thought, and it's going to be multibillion-dollar products.

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

And what do you think...

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

And by the way, we have -- there are 2 markets that -- 1 is the adult respiratory, but we are playing with GSK and maybe Moderna will come. But we have the maternal, which is basically which we are alone. And I think that, first of all, provides an additional market opportunity, but also provides an opportunity to gain market share in the adult because it is the same product that is doing adults and maternal. And one, if he wants to cover both cases, needs to stock only 1 product.

If you want to cover with GSK for some products, they're going to need to stock also Pfizer's maternal. So it's more complicated. So I think it's an opportunity for us.

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

And maybe just last question. What do you think it will take to kind of regain that market share or to claw back that share?

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

No, you need to see what drove this market share. I think there is -- the RSV market has a component that it is on physicians' offices and has a component that it is on retail. The physician offices was as we predicted the size. What surprised us was the retail.

In the physicians' offices, our market share is dominant. It's not 60, way higher. So we have the physician, but it's a small part. In the retail, this is where we lost. Why we lost market share in the retail? We came later and GSK had already signed contracts, and we missed the opportunity to sign the contracts that we should have. So every year, it's clean slate. So now we'll see how the contracting will go this year.

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

Great. Maybe last question here for the last minute or so. On business development, I know you've got some priorities to delever a bit post-Seagen. What is Pfizer looking at in terms of in this intermediate period? Is the company still active in terms of looking for transactions or partnerships? Or...

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

Again, I want to be very clear and very transparent. '24 will be a year that we'll try to consolidate what we already acquired. It's a year of execution for Pfizer. It's a year, that I don't think we will see any major acquisition or any major, let's say, capital going into licensing, et cetera. We will still see licensing deals in early stages, which is smaller dollars because that's what is needed for your R&D engine to move. But this is not a year that you will see a big acquisition.

Going forward, as we start deleveraging, of course, we are looking. What we are looking to do it is areas that are playing to our strength so that we can maximize the opportunities always.

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

Excellent. I think we're just about out of time. Really appreciate the comments, Albert. Thanks for joining us.

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

Thank you very much. Thank you very much, everyone.