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Pfizer Inc at TD Cowen Health Care Conference

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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

PRESENTATION

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Well, good morning once again. We're delighted to have Pfizer here at Cowen's 44th Annual Healthcare Conference. Representing the company, Dave Denton, who is Chief Financial Officer as well as Executive Vice President, will start out. Dave is going to give a few thoughts about Pfizer and the outlook, and then we'll dive into our questions as well, as very importantly, your questions.

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

Great. Thank you. And thank you again for hosting me, Steve, and my Investor Relations team, and thank you for your interest in Pfizer. Before I get started, my lawyers want me to make sure that I disclose that today we might make some forward-looking statements and discussion of many non-GAAP measures. You can see some explanation of that and some additional information in our SEC filings and on our Investor Relations website at Pfizer.

So with that, again, thank you again for your interest in Pfizer. I just want to make sure -- there's just a handful of points I want to make sure that we get through today, which I'm sure we'll cover in the Q&A, but I just want to emphasize those a bit. First and foremost, 2024 is a year of execution for Pfizer. We're very focused on making sure that we execute against all of the launches that happened late last year and into this year. So commercial excellence is important, not just for those launches, but also our in-line portfolio as we begin to continue to take market share both here in the U.S. and abroad.

Secondly, we're very focused on innovation. We've reprioritized and really leaned into innovation from an R&D perspective. We're very focused on that, both from an oncology perspective as we've now closed the acquisition of Seagen and began to make oncology one of the many core areas of emphasis for Pfizer long term.

And then finally, we've launched a fairly ambitious cost savings program across the enterprise. We're very focused on making sure that we deliver \$4 billion in savings by the end of 2024. We're well on our way with that.

Secondly, also very mindful of capital allocation. Our focus is to, one, invest appropriately within our business to drive innovation long term, but importantly, support the dividend from an investor perspective over time to both maintain and grow the dividend over time.

Third, if you haven't had the chance, we hosted an Oncology Day from an innovation perspective last week. That replay of that 4-hour event is on our website. I encourage you to take a look at that. It really shows the integration of Seagen, but importantly, the innovations that we're making in that very important space long term.

And then finally, just a little note. I continue to get asked about the phasing of sales for our vaccine COMIRNATY from a COVID perspective. If you've seen our disclosures recently, we said more than 80% of the vaccine will be -- revenues will occur in the back half of the year. I would expect that to be 80% to 90%, so probably even higher from a timing perspective and a cadence perspective. That implies that the first half of the year, the COMIRNATY vaccine revenue will be very minimal from that perspective. So I just want to make sure from a cadence perspective, investors have asked me a lot about that, so I want to make sure that you had a good explanation of that.

So with that, thank you again. Steve, back to you.

QUESTIONS AND ANSWERS

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Great. Thanks, Dave. And let me just reiterate that we have questions, but also, we'd like to answer your questions. So please feel free to ask any along the way.

So Dave, you've been CFO of Pfizer for nearly 2 years. You certainly had some expectation when you walked in the door versus what you know now. What have been the positives that you encountered? And what have been the less positives that you also encountered?

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

Yes. So we'll start with the glass half full. I do think that if you look what's happened over the past several years, even before my tenure, Pfizer has taken, I'll say, the dividends created out of the COVID franchise, and we've invested them back into the business. And we've invested them with an eye to growth in the back half of the decade. So I'd say at least almost checked the box in the sense that those investments have happened, I think we have line of sight to performance in the back half of the decade as we think about revenue performance and corresponding cash flow performance over that timeframe.

Clearly, that has been a little bit at the detriment, if you will, of near-term performance. So I think we've solidified long term, near term has been somewhat weak, and we're focused against improving near-term performance as we've talked about some of the issues or programs that we have underway at the moment.

I think what's been challenging, very honestly, is COVID. COVID's been very unpredictable and really hard to understand the performance and the cadence of those programs over time. I think the good news about it, despite having it be very unpredictable as far as how it's going to come out in the marketplace is that COVID provides important cash flows for the business that can be reinvested back in the business to support our growth platform over time. So I think that's been -- I'll say, what's been difficult for us is to manage that very volatile set of products around the COVID franchise.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Great. And Dave, you're kind of unique among senior leaders within pharma in that you have experience in different industries, both services within health care, but also non-health care positions. So what do you see as the structural inefficiencies in pharma today? And what is the path to realizing greater efficiencies on those points?

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

Well, I think what's interesting, if you step back, and we were talking about this before the session started, if you look at the health care landscape, the pharma industry has not been consolidated, but much of the payer market has, I think, something like 95% of all prescription drugs dispensed in the U.S. go through 1 of the 3 either PBMs or insurance carriers. And I know that space well coming from my background. So I think that's just an inefficiency in the marketplace to some degree.

I do think it's an opportunity for pharma to really lean into and partner more deeply with those players in the marketplace because as we all know, good utilization of appropriate pharmaceutical medication drives both cost savings and better health outcomes. So I think there is a big partnership opportunity there if we can get it right, number one.

Number two, I'm just struck by the sense that innovation is -- takes a long time and pharma is a long-cycle business. I do believe that the investments and the focus on using technology, using generative AI can be an area of which we can improve and shorten the cycle time within the business models. And I think that's a real potentially unlock, probably not in the really near term, but certainly over the next, I'll say, medium to long term that can really change the playing field of this industry. So I do think that's a big unlock.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

So those are both really interesting possibilities. Let's drill down a bit on the first one. Give us some examples of how this partnering with managed care might look?

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

Yes. Well, I think there's been a lot of discussion around how can you partner such that you can drive outcomes. So either lower cost, improved adherence or improve health care status, I think there's a big opportunity from that perspective. Now listen, that says hard -- that says easy, but kind of does hard. So I think there'll be baby steps there.

Secondly, I do think, just as you think about ways in which you can take some of the friction out of the marketplace, I think there's a lot of concern about transparency in the marketplace. I think that we, along with other pharmas, along with the PBM industry, can create more transparent, let's say, cost-plus arrangements over time, might be impactful to the market so that people can understand and the ultimate payer can understand the cost of health care. I think that's a big opportunity for us and something that I discussed frequently within the walls of Pfizer and with the walls -- and within my partners in that space.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

I could see how that would be great for pharma, but what's in it for a PBM or another managed care organization? I would think that they would not necessarily want those things to happen, especially kind of the elucidation of what actually is happening.

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

Yes. Well, I think -- listen, I think that -- if you look at the PBM space, they're in a tremendous pricing pressure as well. So I think to the degree that we can create more transparency, they can go back to their clients and make sure that they -- their clients better understand what they're paying for within the marketplace, I think, is a benefit to them.

And listen, making sure that we're all held accountable for delivering quality outcomes. This is not a free -- we're not trying to create a free pass for anyone in the marketplace. What we're trying to do is create incentives such that if we do better, either from a health outcomes perspective or a cost management perspective and/or they do better in those perspectives, we should get rewarded for that.

And I think we -- those incentives today are not necessarily as clear and aligned as they could be. And I think if you could get the incentives aligned more appropriately, I think there's a big opportunity to enhance the model -- the business model around health care.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Questions from the audience? Yes, [Alan].

Unidentified Analyst

The AI [piece], do you think that (inaudible) and a lot of data. Does that [anger] the bigger companies compared to the small companies because in the past, a lot of benefits had come (inaudible) things that you [bought] them in the industry to be able to (inaudible). So is the AI thing likely to move your position relative to whatever you did in the past?

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

Yes. So let me just paraphrase the question. So the question basically is do -- are larger companies better able to leverage AI than, say, a smaller company. I think the answer is, yes. I think larger companies should be more enabled to capitalize on that with one caveat: they have to leverage it and be focused at -- so they can be nimble with it.

I think what can happen is a big company making a lot of investments, but being encumbered, if you will, by procedures and policies and bureaucracy. So I think you have to do it in a way that you can unlock that innovation cycle. If you don't do that, the capital is not going to solve the problem. But I do think that just the richness of the data that we have in our history as well as the ability to incrementally invest into AI should allow us and other big pharmas to be successful from that standpoint.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Other questions in the audience?

Unidentified Analyst

I guess a quick one on the balance sheet. Can you -- how should investors think about the monetization potential of certain assets there, given what's still your capital allocation?

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Monetization of balance sheet assets.

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

Yes. And just -- I'll say even the health of the balance sheet. Today, as we've closed Seagen, the leverage of the company has gone up. The balance sheet is probably more constrained now than it has been in the past. Is our intention from a capital allocation perspective, as I said earlier, is really to support our dividend, but also begin to delever over time.

With that, as you know, we have a stake in -- particularly, I think probably your question is really leaning into Haleon. We have a stake that we've said that we are going to monetize the Haleon -- our stake in Haleon over time. We still plan to do that. So nothing has changed from that perspective. That will -- as we monetize that, that will help us delever the balance sheet to some degree. And we're going to exit that in an orderly, consistent manner to, I'll say, maximize value.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Other questions? Yes.

Unidentified Analyst

My name is Jack. I wanted to ask if given some of the just near-term balance sheet in this case, would you say additional bolt-on M&As are on pause right now? Or are there opportunities that you think are important enough that you will go after (inaudible).

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Question has to do with M&A and whether bolt-ons are still likely or possible?

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

Big bolt-ons are not likely, maybe smaller bolt-ons could be a potential, given, again, the constraint of the balance sheet at this point in time. Yes.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

So you talked about COVID a little bit a couple of minutes ago. Investors tend to be kind of a skeptical sort. And when we hear things are going to happen at the end of the year, we start thinking about, okay, not this year, it's next year. So how confident are you that while things will be pushed out, that \$8 billion number is still attainable for 2024?

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

Yes. I think as I said earlier is the COVID franchise, just by its very nature, is less predictable. What I will -- and importantly, the COVID franchise is now a seasonal business. And the vaccine season, the immunization season is largely late Q4, early -- late Q3, early Q4 of every year. So I think this is going to be an ongoing cadence of revenue yield in that franchise over time. So unfortunately, I can't do much about that.

Having said that, I will say, if you look at our COVID projections for 2024, and you think about vaccination rates as a good example, in 2023, the folks who got -- the people who got vaccinated are likely to get vaccinated in '24. Those people heard a lot of political noise around the vaccine, but also heard all the benefits of the vaccine, and they chose to get vaccinated. Our expectation is those people will get vaccinated in '24, just like in '23, but we've set our guidance below that level. So I think we've tried to be very appropriate and conservative and reasonable as we think about our yield in both revenue and PAXLOVID in 2024 based, again, on the uncertainty of the marketplace.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Yes, sir.

Unidentified Analyst

Can I just ask how much below of that?

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

Yes, we haven't disclosed that. But what we've tried to do is, again, given that there is a lot of volatility in this, we want to make sure that we gave ourselves a little comfort room there. And then secondly is we do have agreements with the European Union to -- that they're going to buy a certain amount of vaccines for us in 2024 with some ability for them to toggle up or down depending upon demand. So that gives us some comfort around some portion of that revenue expectation in 2024.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Maybe we can move to RSV. So what is the path to Pfizer holding 50% share? I mean kind of in the economic textbook, one would think Pfizer would be at 50%, but it's just not.

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

I think the reality is we have to make sure -- but maybe back to your opening question is making sure that we're partnering with other health care players, i.e., the retail pharmacies more deeply and more appropriately as we cycle into 2024. I think there's a lot of value that we can bring as we approach the marketplace and approach those dispensers of vaccine -- administrators of vaccines.

At the same time is that we historically have been a really strong commercial engine in the vaccine space, in the primary care space and other spaces. I think we just have to get back to basics, again, back to the year of execution. We need to lean in and make sure we're leaning in to make sure that we capture again our fair share or greater than our fair share in these markets.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

So you see a path to that 50%. You know what needs to be fixed. How far along are we in that fixing process?

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

Well, I think, again, this is a -- some of this is a partnership in how we engage with those retail pharmacies, and we're in active discussions with them as we speak. So that will -- that cycle, that contracting cycle happens through the first half of this year as we think about, again, the vaccine season being largely back-end loaded.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. Questions from the audience? I believe one data set for vaccines that we're still waiting on is the quadrivalent flu vaccine, the sRNA quadrivalent flu vaccine Phase 1 data. I think if I remember correctly, it was supposed to come at the end of last year. What's going on with that?

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

We're -- probably not much more to say about it. We're still actively working on that program in the clinic. So more to come. When we have more data, more to come on that.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. What's the path to Pfizer winning in obesity. You had a lot of momentum and then took a little bit of a setback, but there's still an effort there. So what's the path to winning?

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

Yes. Well, keep in mind, maybe a little history lesson here for Pfizer. We had 2 assets in the clinic in kind of late Phase 2. We now have 1 asset. We're going to -- at the end of the day, science and data is going to guide us on how we're going -- potentially could play in this marketplace. We still have 1 asset today, danuglipron, that is in the clinic today. We're working on a once-a-day formulation of that asset.

And we'll have more data about that by, I'll say, midyear this year, and that will help guide us on the pathway forward. This is drug development. Drug development is not certain, and we'll see what the data shows. And then, based on that data, comprehensively, we'll figure out how we move forward.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Is obesity a market in which Pfizer is determined to win. So if danuglipron is not all that you want it to be, would you pursue other means to be involved in this? Or is obesity a nice market that we participate in, but not critical.

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

Well, obviously, it's a great market and just with the forecast of the size of the market. Keep in mind, we have assets that are in early-stage development in the same space as in weight management, weight loss. So again, it's a market that's attractive to us, but again, we have to make sure that we have the right assets and the data and the science behind it such that we can compete successfully in that market, and are coming out of our labs and the data that we produce will kind of give us our path forward from that perspective.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. Questions from the audience? Let's move to another very successful product for Pfizer, that's VYNDAQEL, but it does have some patent expirations coming up, U.S., EU and Japan. How would you advise investors to think about these patent expirations? When we should start assuming sales are going to start ebbing down? What should we think about this franchise?

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

Well, I think importantly, if you've seen some of our investor presentations really over the last year, you realize that, again, in the back half of the decade, we're facing a sizable amount of LOEs, several products losing patent protection. We have, through our pipeline, in our current launches as well as BD, we have covered that LOE exposure and added growth on top of it. So I think there's nothing new that, I guess, investors should be concerned about in the sense that we realize this is happening. We have many products that's going to happen. It's pretty well disclosed and documented when this is going to happen, and we've been investing to overcome those as we think about the back half of the decade.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. Maybe we can chat about IRA, and I won't ask you what is the proposed price on Eliquis. But other companies have said that while the proposed prices on their assets are a hit to their business, they seem entirely manageable, entirely manageable hit. Is that how you would portray the Eliquis situation? And I know this is more Bristol's initiative than Pfizer's, but is that how you portray it?

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

Well, maybe just a couple of statements. From an IRA perspective, one, there is an opportunity to close the out-of-pocket exposure for many patients in the marketplace. So that will -- should drive adherence, yes, improvements over time. So there's -- the IRA is not all negative. That's actually a positive development for the industry and a positive development for Pfizer. Because as we all know, when patients have large out-of-pockets, the utilization and adherence typically goes down. It's this -- the IRA will begin to solve that to some degree.

Secondly is if you look at the IRA and its implication on at least Pfizer's portfolio products, many of those products that are at risk in the near term are products that are losing exclusivity within a few years. So while it might be painful in the short term, the -- I always say the net present value of the IRA on Pfizer is relatively modest because you don't have a product sitting here that's recently launched that has 9 or 10 years of exclusivity. We have products that are nearing the end of their life cycle and therefore, the impact of the IRA over time would be modest.

And listen, that year will -- that the IRA hits will be obviously a headwind to us, like many others, but we'll be able -- we'll work to manage our way through that.

Stephen Michael Scala *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. Investors speculate a lot on what drug companies could do to blunt the impact of IRA. What is Pfizer actually doing in this regard?

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

Well, I think a lot of investors ask, okay, are you changing your R&D priorities and focus because of the IRA, I think, is really the essence of the question. And I think the reality is, just with our investment in oncology, we're actually moving to more biologics over time versus non-biologics, which will actually help from an IRA perspective over time. But realistically, you don't pivot R&D programs overnight. These are long, multiyear decisions, and you're kind of probably pivot your programs in the very near term based on the impact of the IRA, you're going to kind of work to manage your way through that.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Okay. Investors spend a lot of time thinking about drug prices and taxation in the U.S., but of course, we live in a big planet here. So what's going on outside the U.S. relative to specifically taxation? And what do you think will -- how will Pfizer's tax rate evolve over, say, the next 3 to 5 years?

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

Yes. I think realistically, the tax -- the international tax environment is becoming more challenging. Think about it largely with [pillar 2] as an effective minimum tax rate across the globe of roughly 10 -- 15%, rather. My expectation is that Pfizer, like probably many multinationals, will probably hover around that 15% rate over time. And then importantly, I think just the amount of regulations, the amount of disclosures that are going to be required for big multinational companies such as Pfizer is actually increasing pretty substantially. So you'll see many more disclosures from a tax perspective over time.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Questions from the audience? Yes.

Unidentified Analyst

A quick one on then. You mentioned your execution. So why should investors have conviction, this execution and type of cost cutting that just make it harder for you to execute in (inaudible). So why is that not the case?

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

Yes. So I think the question is execution at the same time, cost cutting, why do -- can those work in tandem together. I think the short answer is, yes, they can. I think the cost cutting has allowed us to be a lot more focused and directive around how to deliver in 2024 on our business plan, number one.

Number two, if you've noticed, we've actually reorganized our business into kind of 3 components. So we've taken 3 very senior leaders and given them components of our business. So we're actually pushing accountability and focus down into the organization so that we can make sure that we're delivering on each of the business priorities that we have for 2024. It's a combination of both of those things that is allowing us to focus and deliver on our expectations.

Unidentified Analyst

(inaudible).

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

Yes, the question is DMD. We still have a DMD program. And I think this year, we'll have more to say based on the data that's coming out of that program. So I think sooner than later, you'll have the next wave of data that will come out of the program.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

We're actually out of time, but please allow me to ask one last question and that is you know what investors think about Pfizer and the outlook. You know a whole lot more about Pfizer than we do. So what do you think will be the biggest surprise to people like us over the next 5 to 10 years? What does Pfizer deliver that we don't see?

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

Well, first and foremost, I feel like I'm kind of out of surprises, good or bad. And I don't want -- we're not a surprise company. I think what we're about is focus and execution. I think what you should see us and expect us to do is execute flawlessly against our business plan and deliver on the expectations that we set in the marketplace.

Secondly, invest in, with really hard scrutiny, around R&D, particularly with the focus in oncology, given what we've done from an investment perspective around Seagen.

And then finally, make sure that we're good stewards of capital and make sure that we're delevering the balance sheet and appropriately allocating capital in a way that can drive significant shareholder value over time. And so again, a very consistent methodical delivery mechanism that we think Pfizer can deliver both here in the short term, but importantly, in the back half of the decade.

Stephen Michael Scala TD Cowen, Research Division - MD & Senior Research Analyst

Great. Thanks so much, Dave, for your time, and thank you, everyone, for listening to the session.

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

Great. Thank you.

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