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# EDITED TRANSCRIPT

PFE.N - Pfizer Inc to Host Full-Year 2026 Guidance Call

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**OVERVIEW:**

Company Summary





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## PRESENTATION

**Operator**

Good day, everyone, and welcome to Pfizer's analyst and investor call to review full-year 2026 financial guidance. Today's call is being recorded.

At this time, I would like to turn the call over to Francesca DeMartino, Chief Investor Relations Officer and Senior Vice President. Please go ahead, ma'am.

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**Francesca DeMartino** - *Pfizer Inc - Chief Investor Relations Officer, Senior Vice President*

Good morning, and welcome to Pfizer's 2026 financial guidance call. I'm Francesca, Investor Relations Officer. On behalf of the Pfizer team, thank you for joining us.

This call is being made available via audio webcast at pfizer.com. Earlier this morning, we released our 2026 financial guidance via a press release that is available on our website at pfizer.com. I'm joined today by Dr. Albert Bourla, our Chairman and CEO; and Dave Denton, our CFO. Albert and Dave have some prepared remarks, and we will then open the call for questions.

Before we get started, I want to remind you that we will be making forward-looking statements and discussing certain non-GAAP financial measures. I encourage you to read the disclaimers in our slide presentation, the press release we issued this morning, and the disclosures in our SEC filings, which are all available on the IR website on pfizer.com. Forward-looking statements on the call are subject to substantial risks and uncertainty, speak only as of the call's original date, and we undertake no obligation to update or revise any of the statements.

With that, I will turn the call over to Albert.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Francesca. Good morning, everyone. Thank you for joining our call today and, of course, happy holidays to all. 2025 has been an important year for Pfizer with disciplined execution, focused performance, and notable strategic milestones that have strengthened our company for future growth and impact. Today, we are reaffirming full-year 2025 adjusted diluted EPS guidance and revising full-year 2025 revenue guidance to approximately $62 billion, which is within the previous revenue guidance range. In a moment, Dave will provide additional perspective and walk through our 2026 guidance.

In addition to delivering our financial performance this year, we are very proud because we also resolved significant uncertainties facing our business. First, with our landmark voluntary agreement with the US government, we now have greater clarity on two critical fronts, pricing in the US and tariffs. We addressed the call for lowering prescription drug costs and aligning prices with those in other developed countries. With our commitment to further invest in manufacturing in the US, we also have a three-year grace period from certain US tariffs.

Second, we exceeded adjusted diluted EPS expectations through the third quarter despite lower COVID-19 revenues. With the underlying strength of our business, we've had the agility to take other actions of setting the impact of lower infections rates on our COVID-19 portfolio, which makes COVID business not as -- Pfizer business not as dependent on COVID anymore.

And third, we established a strategy that we believe will position Pfizer as a significant leader in the next generation of therapies for chronic weight management. Following the recent closing of our Metsera acquisition, our new exclusive global collaboration and licensing agreement with YaoPharma and other Pfizer programs that include our GIPR antagonist candidate, we have a robust and diverse obesity portfolio. It includes highly differentiated incretin and amylin injectables in the clinic and a wealth of next-generation oral and injectable early clinical and preclinical molecules.

We plan to move quickly in 2026 to advance about 15 programs, with many of them being Phase 3 studies just for this program. With Pfizer's proven scientific, commercial, and manufacturing capabilities, we believe we are in a strong position to help address substantial unmet patient need in obesity and many adjacent cardiometabolic conditions.

Now I will review additional 2025 highlights that also reinforce why we are confident in our ability to drive progress in the year ahead. We successfully executed on each of the key strategic priorities guiding Pfizer in 2025. Refocusing our R&D engine on the most impactful opportunities was a key objective. I'm pleased with a very successful year of execution and high-quality results as we both advanced high-priority internal programs and completed strategic deals we believe will be transformative for Pfizer.

We started 2025 organizing our R&D team and pipeline focused to prioritize opportunities where Pfizer is in the strongest position to address significant patient need in high-growth therapeutic areas. We made good discipline progress with our late-stage R&D pipeline this year and so far have delivered seven positive Phase 3 readouts and nine key pivotal program starts.

Oncology is a source of strength, and our continued progress in 2025 was illustrated by a series of potential practice-changing data readouts, approvals, and multiple Phase 3 study starts. Recently, for example, the FDA approved PADCEV in combination with pembrolizumab for patients with muscle-invasive bladder cancer who are ineligible for cisplatin-containing chemotherapy. With this approval, which was received months, I repeat, months earlier than anticipated, PADCEV with pembrolizumab is the first and only ADC and PD-1 inhibitor regimen for this patient population and the potential new standard of care.

This supports our efforts to substantially expand the benefits of PADCEV, adding approximately 7,500 addressable US patients to the previous US addressable population of about 19,000 with locally advanced or metastatic urothelial cancer.

We are also expecting a near-term readout of the EV-304 study of PADCEV plus pembrolizumab in patients with cis-eligible muscle-invasive bladder cancer. Clinical trial success and regulatory approval in this population would extend the reach for PADCEV to approximately 15,000 additional patients in the US.

We also recently shared our robust plan to develop PF'4404. This is our in-licensed PD-1, VEGF bispecific, with speed, breadth, and depth across tumor types, lines of therapy settings, and novel combinations, including with ADC. We believe this has the potential to become a next-generation backbone oncology therapy, and we are investing heavily behind. Our first wave of studies includes seven planned or recently started trials with two Phase 3 studies, and we expect a second meaningful way of study starts in 2026.

2025 was also marked by our strong US and international commercial execution. In the US, we are encouraged by our progress across primary care, specialty care, and oncology portfolios that are the key to driving strong performance in business. Our international commercial growth also has come from a strategic focus and execution supporting key products in key markets. As we enter a period of loss of exclusivity for several of our major brands, we remain focused on driving growth of recently launched and acquired products while also protecting our core products portfolio.

Financial discipline and productivity improvement was another area of success this year. We remain on track to deliver about $7.2 billion in total combined net cost savings, with the majority of the savings now expected by the end of 2026 rather than in 2027 as original state. We are committed to enhancing long-term shareholder value, and we advanced a capital allocation strategy that through the third quarter of 2025, return approximately $7.3 billion to shareholders via our quarterly dividend.

Our 2025 performance has demonstrated our focus on supporting patients and creating long-term value for shareholders. We have shown agility to deliver even as the dynamic COVID-19 environment continues to shift. And our landmark voluntary agreement with the US government, as I said in the beginning, to lower costs for Americans has provided much-needed clarity for '26. '25 has strengthened Pfizer's foundation. As we develop our strategy for the year ahead, we will prioritize our commitment to delivering on the promise of key recent acquisition and differentiating programs.

Through our internally discovered products, as well as acquisitions of Biohaven Pharmaceutical, Seagen, and Metsera, our licensing agreement with 3SBio and additional key development programs, we believe we are well positioned for '29 and '30 to become growth years for Pfizer. We have made strides in simplifying our business, and we intend to continue improving productivity in support of our margins. Additionally, leveraging AI and other technologies is a key area of focus for 2026 as we work to scale these efforts across our enterprise.

With that, I will turn over to Dave to provide the meat of today's meeting, guidance.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Great. Thank you, Albert, and good morning, and happy holidays to everyone. As we near the end of 2025, it's clear that Pfizer continues to deliver on its near-term financial commitments while strategically investing for its future. This year, we entered into a licensing agreement with 3SBio, further strengthening our oncology pipeline, and with our recent Metsera acquisition, we have an opportunity to enter the important and expanding obesity space. We expect these deals will further strengthen Pfizer's revenue growth potential late in the decade and beyond.

Additionally, we anticipate our recently launched and acquired set of products to demonstrate solid double-digit growth, which we believe will allow us to partially offset the company's future LOEs. Let me begin this morning by providing an update on our 2025 financial guidance, which remains strong. With only a couple of weeks remaining in this year, we now expect total revenues to be approximately $62 billion. As you might expect, given the low rate of COVID infections globally, our COVID revenues have been compressed. We now expect our COVID products to deliver revenues of approximately $6.5 billion this year, a decline of approximately 40% versus last year.

PAXLOVID is more significantly affected as its utilization is directly related to infection rates of the COVID virus. COMIRNATY has shown a slower rate of decline as patients continue to seek protection from COVID via vaccinations despite narrowing of government eligibility recommendations. We expect the declining COVID trends to continue into next year, which I'll cover in just a moment.

Importantly, we are reaffirming our 2025 adjusted diluted earnings per share guidance range of $3 to $3.15, demonstrating our confidence in our ability to deliver on our profit commitments despite a weak COVID environment. Further, I'll note that we are trending towards the top end of this EPS guidance range for the year.

As we look ahead to 2026, we have confidence in the strength of our business and our ability to deliver on our commitments, all while creating long-term value for our shareholders. On a total company basis, we anticipate '26 revenues to be in the range of $59.5 billion to $62.5 billion. Our COVID products are expected to trend lower again in 2026 with revenues of approximately $5 billion.

PAXLOVID utilization remains volatile but closely follows infection rates. PAXLOVID's revenues fluctuates based on the timing, duration, as well as the severity of COVID-19 cases. Next year, PAXLOVID's forecast assumes that COVID infection rates will again decline, and we expect this will be especially true in Q1, given the current trends.

COMIRNATY continues to decline globally but is a more predictable revenue stream near term. In the US, we expect a modest decline with stable government eligibility recommendations versus '25. Like in the US, we expect a modest revenue decline internationally as we defend our market share and begin managing the transition of multi-year contracts. Keep in mind that our existing European Commission contract runs through 2026. To be clear, next year, we expect PAXLOVID to decline more significantly than COMIRNATY.

We continue to expect stable revenue contributions from our non-COVID products portfolio, which incorporates an expectation of approximately $1.5 billion in revenue compression due to products impacted by generic entry or loss of patent protection in 2026. Revenues at the midpoint, excluding COVID and LOE products, are expected to grow approximately 4% operationally year over year. On a total company basis, we anticipate 2026 adjusted diluted earnings per share in the range of $2.80 to $3 a share.

While we are continuing to drive productivity and execute on our cost improvement programs, we are prioritizing investments in our business to drive growth by the end of this decade. The company has made several strategic investments over the past several periods, Seagen, 3SBio, and Metsera, just to name a few, and it's imperative to invest behind these important assets as well as our pipeline to maximize their long-term potential.

Let me just highlight a few anticipated significant drivers of EPS performance in '26 versus this year. First, recall that the 3SBio and Metsera transactions have an anticipated dilutive impact of approximately $0.22 or compressing EPS by nearly 7%. Approximately $1.5 billion decline in our COVID revenue expectations drive approximately $0.18 in anticipated earnings compression. And next year, we expect a more typical tax rate of approximately 15%, which drives an anticipated $0.12 earning headwind as compared to 2025's rate.

And finally, the company's productivity efforts, as well as our recently launched and acquired products, are expected to enhance profits in '26, partially offsetting these negative headwinds.

Now moving further down the P&L. Total adjusted SI&A and R&D expenses are expected to be in the range of $23 billion to $25 billion and reflect the anticipated achievement of $5.7 billion of savings from our cost realignment program by year-end 2026, again, one year earlier than initially targeted. I will talk more about that in a moment.

Specifically, the company expects adjusted SI&A expenses will be in the range of $12.5 billion to $13.5 billion, a reduction of approximately 4% at the midpoint versus '25 guidance. Now, adjusted R&D expenses are expected to be in the range of $10.5 billion to $11.5 billion, reflecting continued focus and prioritization in key therapeutic areas as well as maximizing the development of PF'4404 as well as the Metsera assets.

The effective tax rate on adjusted income is expected to be approximately 15%, largely reflecting the jurisdictional mix of income as well as a more typical tax year. We will continue to be disciplined with our operational expense management as we remain focused on driving operating margin expansion over the coming years.

Now, let me just touch on the phasing of the programs over the next two years. Phase 1 of the Manufacturing Optimization Program is expected to achieve savings of $600 million by the end of 2025, with additional expected savings of $700 million in '26 and again, $200 million in '27. As a reminder, we initiated our cost realignment program in Q4 '23 with the midpoint of our August '23 adjusted SI&A and adjusted R&D guidance at approximately $29.7 billion, inclusive of Seagen.

Now, let's take a closer look comparing the adjusted SI&A and R&D baseline to the midpoint of our FY25 and '26 guidance. We expect to achieve $5.6 billion in savings through '25. As previously communicated, approximately $500 million of R&D savings achieved in 2025 will be reinvested in '26 and is reflected in our '26 R&D guidance range. Now looking forward to 2026, we expect to achieve $600 million in SI&A savings. And considering all of these items, we now expect to deliver $5.7 billion of total net savings by the end of '26, a year ahead of our initial plans.

At that point, the savings under the cost realignment program will be achieved. Nonetheless, we will continue to focus on identifying further productivity opportunities and efficiencies as we go forward.

We will remain focused and disciplined with our capital allocation. We recently declared our first quarter '26 dividend, which was maintained at $0.43 a share. We believe the current dividend levels ensures an attractive dividend yield for our shareholders while preserving financial flexibility to continue to invest in the business as well as enhance long-term shareholder value.

Additionally, as previously noted, our leverage is expected to end '25 slightly above 2.7 times target following the close of the Metsera transaction. However, given the next few years of LOE headwinds, we expect leverage to remain consistent with current levels through the LOE period. That said, we have approximately $6 billion in BD capacity as we enter 2026. Our '26 guidance assumes no share repurchases.

And before I wrap up, I'll touch on just a few other items. We expect to continue to generate robust cash flow from operations in '26. The bulk of the restructuring cash payments related to our cost realignment programs are now behind us, and in '26, we will make our final CTJA repatriation tax payment of approximately $2.6 billion. Additionally, our '26 capital expenditures are expected to be slightly over $3 billion for the year.

Adjusted gross margin expected to be in the mid-70s, which takes into consideration our expectations of product mix, anticipated impact from our LOEs, and anticipated savings from our Phase 1 of our Manufacturing Optimization Program.

Lastly, effective with fiscal year '26, Pfizer is reorganizing the Global Hospital and Biosimilars products, a new organization which will bring together our global portfolio of generic sterile injectables, anti-infective injectables, as well as biosimilars. We believe the new organization will transform the way we prioritize and deliver these medicines to patients, as well as provide productivity benefits within the organization. We will provide a recast of our '25 product revenue tables before we report Q1 '26 earnings.

As we look ahead, the next few years will be defined by continued investments behind our critical set of assets, as well as by managing our upcoming LOEs, which are primarily expected to occur in 2026 through 2028. Between now and the end of the decade, we expect approximately $17 billion of revenues impacted by patent and regulatory exclusivity expirations. Once we move to the latter part of the decade, we expect to see meaningful growth by three factors, the maturization of our R&D pipeline, the business development initiatives we've executed, and the continued wrap-up of our recently launched and acquired products.

Our priority is to invest strategically so that the end of the decade becomes strong years of growth. This means balancing cost reductions while ensuring we fund the projects and products that will deliver long-term value. Our approach is clear: disciplined investments and operational efficiencies designed to achieve and sustain growth and drive shareholder value.

And with that, I'll now turn it back over to Albert and open up for Q&A.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

And I turn it immediately back to operator. Please assemble the queue.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Alex Hammond, Wolfe Research.

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**Alexandria Hammond** - *Wolfe Research LLC - Equity Analyst*

I guess, can you elaborate a little bit more on your expectations for VYNDAQEL growth next year? With the first year of the parts redesign in the rear view, how are you thinking about continuing volume growth of the franchise?

And as you expand into more ex-US markets, how much of a net tailwind could that be? I guess the real question is, how much do you think that organic growth can offset the recent competitor launches that have taken some new patient starts?

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Thank you. This is Dave. We don't really give product-level expectations, but just a little bit of color on this. VYNDAQEL continues to perform well globally. Specifically, internationally, we continue to see nice progression of the product as we continue to see new patient starts, and we continue to maintain our market share.

In the US, obviously faced with a bit more competition, we continue to invest behind gross to net to make sure that we have proper placement within formularies. We see prescriptions continue to increase, but we continue to have to reduce and improve our gross to net yield to maintain our position. But again, the product's a great product. It continues to perform well. It will continue to grow through its LOE period.

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**Operator**

Terence Flynn, Morgan Stanley.

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**Terence Flynn** - *Morgan Stanley - Analyst*

I guess two for me. First, I was just wondering, Dave, if you can give us any color at all about what's embedded for the agreement you signed with the US government regarding MFN for 2026. And then on Metsera, I think we were expecting to see or at least hear from you guys regarding some of the VESPER-3 monthly data. So just wondering if you can confirm if that trial is done, if you can give us any insight in terms of the monthly dosing schedule and then how that might tie into your Phase 3 plans in '26. Thank you.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Let me take them, and then Dave can speak about what is included in the guidance. We expect in the first quarter to print and to review the results of the monthly dose. So that is coming as part of the plan. I haven't seen those data yet. We are also going to review data about

the combination program, probably also in the Q1, which I had seen, but there are more data coming, and I think they're promising. But we are going to discuss that in the next quarter.

So Dave, about the US agreement and how that affects our guidance?

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah, certainly, as Albert indicated, the agreement with the US government is a critical milestone for us as we enter 2026 and we think about the next several years. It relieves a significant headwind and allows us to be much more planful and certain about the environment in which we'll operate in. Clearly, with our guidance expectations that we just walked through, there is price compression and margin compression baked into that as we have given deeper discounts in our Medicaid business for the US government, which will help patients over time.

I'm not going to break it out specifically, but that is consistent with our expectations with the US government, and we continue to manage to make sure that we can drive affordability measures for our patients and get great access to our drugs and medications.

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**Operator**

Dave Risinger, Leerink Partners.

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**David Risinger** - *Leerink Partners LLC - Analyst*

Thank you for the detailed update. So I have two questions. First, you've obviously done a great job executing on the efficiencies and bringing them forward. I'm just wondering how we should think about operating costs, i.e., for the SG&A line and for R&D beyond 2026. So is there a specific goal you have, for example, to grow costs modestly in '27 or keep them flat?

And then separately, there's a note in one of the slides about $6 billion of BD capacity. Just wondering if you meant that to be for 2026. Thanks very much.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah, so first on the efficiency side is I think we have stated pretty clearly that the level of R&D that we currently have within our business is likely appropriate for 2026 and for the next several years. We have a lot of substrate to work through and continue to progress, so we think that's -- in the zip code of where we are today is appropriate.

Secondly, on the SI&A side of the house, we continue to look for productivity of gains. Clearly, we've made a lot of those already, so probably, the pace of those improvements is going to slow, but we're still working our way through that.

And then finally, on the BD capacity, clearly, we have $6 billion. That will continue in '26 and potentially into '27 until we return to generating more robust cash flows post the LOE period.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Thank you, Dave. And also, Dave, don't forget that there is also the line of cost of goods, but also, it's a line that we are having incredible focus right now.

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**Operator**

Evan Seigerman, BMO Capital Markets.

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**Evan Seigerman** - *Bank of Montreal - Analyst*

Two for me. Just walk me through some of the levers that that you can use to maybe drive upside to next year's numbers. I know you highlighted some on the call, but any others you want to focus on?

And then I wanted to touch on some commentary you made around performance later in the decade. So I know you're not going to give guidance on trough earnings, but with your discussion around revenue growth in '29, 2030, let's think about what could contribute to trough earnings and how we should be maybe potentially modeling it as we think about your P&L in the next couple of years. Thank you so much.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah, so I think on the lever side, Evan, and I think we've done a nice job of this, of managing productivity and cost management across the enterprise. Clearly, as we think about that in the corporate functions, but importantly in the field force of being able to make sure that we're allocating our expenses in areas that actually drive increased growth or really result in superior performance so that allocation of SI&A has increased productivity. So I think that's probably the biggest lever we have in the short term.

And I think as it relates to the next several years, probably the best thing to think about this, Evan, is as we go into next year, we have about $1.5 billion of LOEs. Those LOEs double basically as we go into '27, and they yet again double again as we go into '28. So think about $1.5 billion, $3 billion-plus, $6 billion-plus. Those will be the headwinds that we'll face, and we'll have to drive productivity and improvements and drive our newly launched and acquired products to partially offset that. And that's how to think about it, but those are the headwinds that we'll wrestle with.

And once '28 is behind us, the vast majority of those LOEs are done, and the growth drivers that we invest in over the next several years will be maintained, and that should allow us to begin to accelerate the top line.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

And I want to emphasize what Dave says, that he and me, we are laser-focused to bring growth post-'28 in this company. And we have, by the end of the decade, to have strong growth. And this is where both the performance of the new products, the new launches that will be in their prime time during the end of the decade. It's extremely important.

And back to your question, Evan, that could represent potential upside. We think the guidance that we gave, it is the right guidance. We think that we will be within this range, but clearly, we will strive to see what we can do with a new product. And I think the R&D, also investments in business development, investments that we are doing right now, also should contribute to that level. Don't forget that our Metsera first introduction, we hope will happen in year '28. So in '29 and '30, we will have some more tangible results that could drive growth. Thank you.

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**Operator**

Louise Chen, Scotiabank.

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**Louise Chen** - *Scotiabank GBM - Analyst*

I just have two for you. First one, I wanted to ask you how you think about the magnitude of growth once you pull out of that trough EPS period in 2029 and 2030. And then, yeah, maybe if you could just give a little bit more color on what key products you think are going to drive that.

And then secondly, if you could give more color on what the 15 obesity studies that you have planned for 2026 will be. Thank you.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Yeah, Dave, you want to take that magnitude of growth?

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah, so I think -- yeah, obviously, we probably can't get too specific there. I will say that what Albert just articulated is between now and 2028, we are focused on investing behind our launched, acquired products, as well as the business transactions that we've recently done, such that we can maximize their potential once we get to '29 and beyond. So I think between now and then, as we get more clarity on the readouts and we get more clarity about where our focus is on some of those products as we see the growth drivers continue to take hold, we can probably give you a bit more color on that. But clearly, we're working to maximize that as we speak today.

Secondly, on the key products, clearly, it goes back to a little bit with Metsera '4404, but also all the products that we have just recently acquired and recently launched, which today, at the end of the day, at the end of 2025, will be about $10 billion in revenue, again, growing at double digits going into next year.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Yeah. That's very -- that's an area that I'm also very encouraged to see the growth of that business because it's also the result of the investments we did. Also, I want to edit a little bit on the 15 studies that we spoke on obesity. Those -- I can't tell you which ones they are for several reasons and competition, but of course, we will disclose the plan, but I can give you some color. Most of them will be because of Metsera portfolio, that's clear.

Also, I can tell you on the 15, most of them will be Phase 3. And in addition to the Metsera, of course, you need to think about our own pipeline, and the one that it is right now the most advanced is in Phase 2. It is our oral GIPR that we are testing on the backbone of a GLP-1. Keep in mind that we just did the licensing of an oral GLP-1, which is clearly more advanced than ours in the clinic. So in case the GIPR is proven, the theory correct, that it does create synergistic effects on GLP-1, the additional GIPR, then we have our own GIPR that will not delay -- our own GLP-1 that will not delay as much the GIPR program because this one that we licensed is more advanced.

So all of that will be part of our clinical program that we will have for obesity, which I repeat, at least 15 studies, of which most will be Phase 3.

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**Operator**

Geoff Meacham, Citibank.

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**Geoffrey Meacham** - *Citi Infrastructure Investments LLC - Analyst*

I just have a couple. The first, on metabolic disease, I just want to get your perspective on the price and volume assumptions looking to the end of the decade, just following the White House agreement and post the Metsera closing. Wasn't sure if those numbers align with kind of your deal assumptions.

And then strategically, it does seem that vaccines are in a tougher spot in this environment. Does Pfizer look at this as short-term in terms of your investments? Or is there maybe a natural push in hemlock and metabolic where infectious disease will diminish in its contribution over time? Thank you.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Thank you. Let me maybe take the first question, the metabolic disease, which basically is the obesity portfolio, and the MFN agreements with Lilly, first of all, and Novo Nordisk. The prices that we saw that were announced were pretty much the prices that we estimated when I did our NPV analysis for Metsera portfolio. So they were quite a bit aligned with what we had.

Actually, since we did the analysis and we went into our agreement to acquire Metsera, there were a few things that happened. Most of them are on the positive side rather than on the negative. One was that we never calculated the Medicare in our expectations. Now, there is a Medicare business to be expected, given the Lilly and Novo agreements.

The second thing is that we didn't appreciate how large the out-of-pocket market will be international. We had a much smaller business, similar prices, for instance, the US, so MFN will not be affected, but very much lower uptake because we assume that without the reimbursement, the uptake will not be very big. We are seeing multiples of what we were expecting in a cash market, which clearly also will help us cover and de-risk a lot of our projections with material.

Then on the vaccines, I think vaccines are an essential part of any healthcare system. I believe strongly and like the vast majority of the scientific community, the vast majority of the payers, if not exclusively, and of the government healthcare systems, that vaccines, it is the most cost-effective intervention to prevent illness in the world. And that will continue, will not go away. I can assure you are not going back to Pasteur, Louis Pasteur times, or before his times.

There is clearly an anomaly, I would call it, right now, in this trend of everyone believing that, which is reflected in the beliefs of HHS and all the institutions that they are controlling, like the FDA, which makes several comments about vaccines, the CDC that makes several comments about vaccine. I think those comments, they don't have merit. And that will not change the way that we are looking at our long-term investments on vaccines. We will continue investing on vaccines because, as I said, this is an anomaly that will correct itself, I hope pretty soon.

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**Operator**

Jason Gerberry, Bank of America.

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**Jason Gerberry** - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So my question is just, as we think about 2026 and sort of the obesity and PD-1 bispecific investment, should we be thinking that it's like a more of a partial year investment and then 2027 looks like more of a full encumbrance of the P&L as you get those programs up and running full year, steady state?

And as you kind of navigate those P&L dynamics, any programs that are going to get delayed or terminated, any additional color you can just kind of provide as to how you navigate some of those puts and takes from a P&L perspective? Thanks.

**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Hey, Jason, it's Dave. I think largely think about the obesity and the PD-L1 investment in '26 as a full-year run rate. Obviously, there are ebbs and flows in any R&D pipeline based on Phase 3 starts because they're typically more expensive. But by and large, it's fully loaded. I think that's the most critical component of that.

**Operator**

Mohit Bansal, Wells Fargo.

**Mohit Bansal** - *Wells Fargo Securities LLC - Analyst*

Happy holidays to all of you as well. So a couple of questions. One, I want to double-click on the thought process that 2029 and '30, you could grow as well. So in our models, it can happen if you can extend tafamidis beyond 2029. Is that the thought process there as well? Or is that baked in there as well?

And then the second one is on Metsera. Are we going to see data from the monthly dosing as well as the combination dosing in the first quarter as well? Or it is just the internal review at this point? Thank you.

**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Let me take the Metsera quickly because I answered it before, and then Dave can take the financial question. Yes, we expect to see in the first half, probably earlier than later, but in the first half, both the monthly data and the combo data. Dave, on the finance?

**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah. We expect that we will grow by the end of the decade, not with the extension of VYNDAQEL from a LOE perspective. It's our expectation that -- certainly, in the US, that we'll go LOE in late '28. We have enough substrate in our pipeline as well as what we've acquired and what we've advanced and launched recently to return to growth by the end of the decade is our expectation.

**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

And don't forget that, as Dave said, this year is expected to be in the zip code of $10 billion revenues, this portfolio, growing double-digit. So that accelerates and grows significantly as we move towards those years, plus all these new acquisitions that will add data in the pipeline.

**Operator**

Chris Schott, JPMorgan.

**Christopher Schott** - *JPMorgan Chase & Co - Analyst*

My first question was just on capital deployment and where a share repo might fit into the mix, I guess. Let's just consider where the stock price is. Is that part of the consideration at this point? Or as you work through the LOE cycle, is really the prioritization here for more on the BD side of things?

And then just the second question was just following up on the margin front. On the gross margin front, is it still reasonable to think about upper 70% margins over time and you get some initiatives playing through? I'm just trying to get a sense as we're trying just kind of land what this operating margin range could look like these next few years before you return to growth and try to get any color you might have on the GM side would be great. Thanks.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah. Chris, Dave, on capital allocation and deployment, obviously, I would love to do share repurchase. I'm a big share repurchase believer. I think it drives a lot of value. The reality is at this point in time, I think the best and highest use of capital is continued investment in business development. So we do not anticipate doing any share repurchases in the near term.

Secondly, if you think about gross margin, we do expect that over time we can get to the mid to high 70s. Obviously, over the next two to three years, with this headwind of these LOEs, that puts tremendous pressure on gross margin, so we'll have to work through that. But we're working hard so that when we come out of this growth period, we come out not only at growth from a top-line perspective, but we come out with what I would consider productive growth, where we can really drive margins and drive leverage through the P&L, so we're accelerating delivery of earnings post that period. Hope that helps.

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**Operator**

Courtney Breen, Bernstein.

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**Courtney Breen** - *Sanford C Bernstein & Co LLC - Equity Analyst*

I did just want to jump back to your comments, Albert, earlier on the White House deal and impact on the business. I just wanted to clarify, do you think that the reason you're not having to call out any material impact to your economics this year -- I'm sorry, for 2026, is something specific to Pfizer and the Pfizer deal that was made? Or do you think this is something that we can anticipate for other players in the sector when it comes to their deals, given the similar constructs?

And then secondly, you did call out today the new business unit that's being established, kind of aggregating some of these kind of less core parts of your organization. Can you talk a little bit about the different trajectories or kind of different long-term potential scenarios that could play out with that business unit? And specifically, is there an opportunity to remove more manufacturing costs that is kind of in the Pfizer base if you were to spin out this particular business unit over time? Thank you so much.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Courtney. Very good questions. Look, on the MFN, I don't know, of course, the deals of the other companies, so I don't know what is inside them and how they affect their EPS in 2026. What I want to clarify is that neither Dave nor me said that the impact is not material. What we said is included in our guidance. We are covering it because we have things that are doing very well. So don't assume that will be immaterial. I think that you should assume that there is an impact, as we always said, and will be covered.

As regards the Hospital business, which is a combination of sterile injectables, biosimilars, this is a business that has very different characteristics than the remaining Pfizer business. It is mainly -- the main customer is hospitals, both internationally and in the US of this portfolio. Those products are typically generic products. So their promotion is not that much based on detailing to physicians because they are very experienced by using them. It is more key account management on the hospitals. And the two things that matter the most with those business, it is the cost of goods and even more importantly, reliable supply. So those are the two things that help you to get market share with this business.

As a result, we built together an end-to-end business where commercial and manufacturing are all under one leader in this business. That's extremely important because the cost of goods now and the market share are within the same leader that has to maximize and optimize the P&L. That's a very important step.

So what do we expect from that business? First of all, you need to understand that it is sizable in terms of size, but not that big in terms of size. But in terms of overall SKUs, it's almost half of Pfizer SKUs. So basically, we are moving half of the SKUs, removing the complexity of the business into almost a stand-alone business that will be able to maximize in a much better way. And the maximization has to do with both optimization of cost, optimization of supply, cleaning of the portfolio, as a result gaining market share. And the bottom line, it is improving as much as possible the EPS that is generated by this business.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah, maybe just a little color additional on that is when you think about these set of products, they're not big growing products. These are products that have been around for a long time. They're generic. They're stable. They're consistent. What we can do by organizing this fashion is be able to drive productivity through how we deliver and execute against these products and getting them to hospitals and to patients ultimately. So I think about this as more of a productivity play than it is a growth play at this point.

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**Operator**

Carter Gould, Cantor.

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**Carter Gould** - *Cantor Fitzgerald LP - Analyst*

I wanted to double-click on the dividend strategy. We did see an evolution on that front with you sort of maintaining the dividend for the first time in sort of 16 years after steady increases. How should we think about the evolution of that strategy going forward, specifically sort of the push-pulls from here as we contemplate COVID, both EU contracts running off in '27 and the prioritization of business development? Thank you.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Thank you. Obviously, the dividend is very important and a critical component of our capital allocation strategy. To be very clear, we're very focused on maintaining the dividend. And to be very clear, ultimately, we're very focused on growing the dividend. The reality is, at the moment, as we go into this period of LOEs and this investment period to lock in growth by the end of the decade, we think the best and highest use is to give financial flexibility to invest back into the business behind these -- the substrate to be sure that we can return to growth. So that's the priority. That's the focus. That's the allocation strategy at this point in time. Thank you for the question.

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**Operator**

Kerry Holford, Berenberg.

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**Kerry Holford** - *Joh Berenberg Gossler & Co KG - Analyst*

Just one last, please, on the tax rate guidance now back up to 15%. Dave, just interested to hear you talk about how that might evolve. Clearly, it's evolved more positively than expected through the course of this year. Can you envisage any flex on that into the year ahead? Thank you.

**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Thank you, Kerry. Obviously, we're planning for next year to be, I'll say, a more typical tax year. If you look at now the global tax infrastructure, 15% is a fairly typical overlay and expectation for that rate. I do -- obviously, this year has been a little lower, largely because of some very specific one-time discrete items that will not be repeated next year. And I think 15% is a reasonable expectation for the next several years, assuming no major overhaul in tax policy from a government perspective.

**Operator**

Vamil Divan, Guggenheim Partners.

**Vamil Divan** - *Guggenheim Securities LLC - Equity Analyst*

I think most of mine have been asked, but a couple of follow-ups on topics that I've been asked about before. One, just on the Manufacturing Optimization Program, you mentioned Phase 1 of this cost optimization program, the $1.5 billion that you've laid out. I'm curious, I think when you first announced that Phase 1, you did say there would likely be a Phase 2 and maybe more beyond. I'm just curious when we might get more visibility on the manufacturing side and, again, further optimization there.

And then, Albert, I was curious on your comments regarding the vaccines that you made earlier, and it sounds like you're saying maybe there'll be a reversal over time in the scientific community. I'm just curious from your side, in your role at Pfizer, in your role at pharma, is there anything -- what you're doing or what you think you can do maybe differently to try and address, I guess, not just the vaccines, but also some of the other maybe broader dysfunctions around the FDA, which I think a lot of investors are just sort of wondering about? There may be a broader than Pfizer question, but given your leadership position, I'm just curious if you'd comment on kind of what can be done to give investors a little more comfort on how some of these factors are playing out in CDC right now. Thanks.

**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Vamil. Let me answer that one, and then Dave can go to the financial question. Look, in pharma, the entire pharma is very worried about it, irrelevant if they are on vaccines or not because what is worrisome, it is that science is replaced with political beliefs or with sometimes obsession that can be easily moved to other areas of the business. So everyone is, let's say, worried about what is happening.

But I would say this is nothing our worry compared to the worry that we see in the world. The American associations of pediatricians, obstetricians, of cardiologists, you name it, of pneumologists, they are extremely, extremely upset, and they keep issuing statements that they are contradicting recommendations that are happening from CDC. Let's not forget that CDC used to be the most reliable and credible organization in the world that everybody was looking up at, and right now, we have, for the first time, the entire world, and by the way, that includes WHO, the World Health Organization, includes health authorities of other countries that they are not doing what they are recommending here.

So I think we need to let the whole thing play. As I said, it is an anomaly, but will correct itself. Well, I think it's mostly driven politically, and when political situation allows, that, I think, will be resolved. It has nothing to do with science. Now, Dave, let's go back to what you were saying.

**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

Yeah, so on the margin improvement program that we have in place, first, Phase 1, we're very happy. It's going to deliver $1.5 billion savings over the next few years, so we're off to the races from that standpoint.

Secondly, what's important is that, to Albert's point earlier, the agreement with the US government now gives us a stable environment in which we can plan for the next several years. So this will allow us to begin to plan for and execute additional phases of our program in the future, and think about the Hospital and Biosimilar product grouping that we announced today is the next evolution of us organizing a way to drive efficiencies across our business, across our manufacturing platform specifically. So you'll hear more about this as we move forward, but that's kind of where we stand at the moment. So thanks for the question.

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**Operator**

Steve Scala, TD Cowen Securities.

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**Chris LoBianco** - *Cowen and Company LLC - Analyst*

This is Chris on for Steve Scala. Pfizer has been saying growth could return in 2028, but today is saying 2029 to '30. Why the push out? And second, what are the most important clinical readouts that Pfizer expects in 2026? Thank you.

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**David Denton** - *Pfizer Inc - Executive Vice President, Chief Financial Officer*

So maybe I'll hit the first one, and Albert, maybe you can take the second one. So as we think about the first one, we've been very clear that we have these LOEs '26, '27, and 28, and '28 being the largest, and we would not return to growth until we hit at the end of the decade. And as we think about readouts coming up, and we'll have more to say about this in the future, but PADCEV has a very important readout soon, ELREXFIO additional indications from multiple melanoma. Our SV readout is coming out next year, which will be critical and important to us if we think about that.

Our VESPER-3 data, Metsera is another readout. We have Lyme disease also reading out at some point in time. So those are just off the top of my head, some critical ones. And as we go into JPMorgan, as we go into the first half of this year, we'll be more explicit and give you a scorecard so you can track our performance against these readouts. So thank you for the question.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Yeah, very important year for readouts next year.

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**Operator**

Asad Haider, Goldman Sachs.

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**Asad Haider** - *Goldman Sachs Group Inc - Analyst*

Most of mine have been answered as well. But maybe just going back to the obesity market, and Albert, your comments on how growth in the cash-based segment is giving you incremental confidence in your internal projections. So if you could just double-click on that comment a little bit more in the context of just consumerization trends impacting how you're thinking about US and OUS launch dynamics. Are there any analogs we should be looking at? And then maybe any updated framing on how you expect the oral versus injectable mix to evolve over time? Thanks.

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**Albert Bourla** - *Pfizer Inc - Chairman of the Board, Chief Executive Officer*

Yes. Let me start with the obesity market and the part of the cash market. It is the first time that we have seen since the Viagra introduction an international market, but also a US market, but it is developing such a very, very big part of cash pay. It's a very different type of animal, this category, and the passion of the consumers to receive the medicine, it is what is driving that. That clearly plays strongly to companies that have very strong international presence, which is what we are.

Don't forget that I don't think anyone else has more direct -- let's say, more direct presence in so many countries with so much relations with healthcare authorities, physicians, and with direct enforcers than us. I think really in the industry, we are very, very, very large across the world. So from that aspect, I think, plays to our strength, and in general, plays to the strength of this market for all companies.

The second thing about the oral, we always believe that oral could be a very significant component. You remember that we had the first, probably, oral molecules of GLP-1s way back in the day. We believed in that. Unfortunately, those molecules failed. So we stayed with a very strong clinical organization, very strong manufacturing organization, very strong commercial, but not portfolio. And that was a very big uncertainty for Pfizer. What is your obesity strategy? By doing the Metsera, now we have a very clear obesity strategy.

Metsera has also oral products, and they have both amylin and the GLP-1s. They are peptides, but unlike other peptides, they don't have to be taken with empty stomachs, which means that you can take them in the morning, irrelevant if you take breakfast or not, which is a very big advantage, I think.

But of course, the biggest will be the efficacy, which we are very optimistic about it. And then we have our own orals. And the most important of that, it is a GIPR antagonist, but we have many others. I just want to clarify in our pipeline, but a GIPR antagonist that we are waiting Phase 2 now. And I think it is the most advanced GIPR oral in the world right now among all our pharmaceutical companies.

So if the results are positive and we really see on the Phase 2 that creates synergistic effects on top of GLP-1s, we do have now also a GLP-1 oral, but it is a small dose that can be easily combined because the small dose is a very important component of combining. And that, I think, will give us a strong play also into the oral market. So we believe oral could become a significant market, could treat the masses, and we are going to have a very strong play in that.

So thank you very much for all. I think that concludes our call. As we look to the year ahead, I'm really confident and excited about our future. Business is performing well. We are very disciplined in the way that we allocate our capital. In internal R&D, we are having a lot of efficiencies. From SI&A, we have a lot of efficiencies from manufacturing, cost of goods. And by the way, we have a lot of efficiencies from R&D, which we are reinvesting in R&D, which we believe is the absolutely right thing to do.

So I'm really thinking that '26 will be a pivotal year for Pfizer. And we are going to take a small break, our thousands of colleagues, so that they can return very strong into this new year. Happy holidays to all.

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**Operator**

Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.

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