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PFIZER INC AT JPMORGAN HEALTHCARE CONFERENCE

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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

- **Chris Schott** *JPMorgan - Analyst*

PRESENTATION

Chris Schott *JPMorgan - Analyst*

Thank you. Good morning, everybody. I'm Chris Schott at JPMorgan, and it's my pleasure to be hosting this fireside chat with Albert Bourla, Chairman and CEO of Pfizer. Albert, happy new year. Thanks for joining us.

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

Happy new year, and happy new year to everyone.

Chris Schott *JPMorgan - Analyst*

I know you're going to make some opening comments, and then we'll jump into the questions.

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

Yes, if I may. So a year ago in the same stage, you and me, we're sitting here, and I expressed my dissatisfaction and my disappointment for Pfizer's performance in 2023. And then also, I articulated the plan that we have built with five priorities that I projected on the screen, but we are going to execute so that we can turn around the situation.

A year later in the same stage, I'm very pleased that all the goals that we had said in all five priorities were achieved and exceeding, in most of the case. I remind you the five priorities that was about oncology and particularly, Seagen, that was a major for us, acquisition. It was about turning around our commercial engine. It was -- and maximizing the new products. It was about reducing the cost, and we announced that we're going to take $4 billion out of our cost.

It was about boosting our pipeline. And of course, it was about capital allocation that will be shareholder friendly. We achieved all of that. And at the same time, I think we did significant transformative changes in Pfizer. We, of course, integrated Seagen but doubled the size of our R&D capabilities in oncology, make us the number three oncology company in terms of sales in the US, behind the ones with the PD-1s. And we are very satisfied with the way that this evolved.

In commercial, we changed our commercial model, we changed leadership, and we were able to significantly exceed expectations and market shares gains. On the cost base, we're able to take all $4 billion. And at the same time, we announced an additional $1.5 billion of margin improvements.

In the R&D, we changed the leadership of R&D after 15 years of successful Mikael Dolsten's service. And also we restructured our R&D organization, and I can talk about it a little bit later. We returned significant amounts to shareholders. We returned in the first nine months, $7-plus billion in dividend. $4.5 billion, we paid down our debt.

And of course, we invested in R&D. And then we changed also two members of the Board, we refreshed our Board with two members that they are very shareholder value creation.

So all in all, I have to say that as I was dissatisfied with '23 performance, I'm quite satisfied with the performance of 2024. But moving ahead, I want to honor the tradition and introduce what are the priorities of Pfizer for the new year, for year '25. And they are pretty much the same, but you will see some important nuances.

If 2024 was a year where commercial execution was the forefront and the most important thing for the company, clearly for us, in 2025, R&D and the advance of our pipeline is taking number one priority. So it is number one, -- we need to improve our R&D productivity and efficiency.

We will continue expanding margins. It is a significant part of our thesis. We will do that by using simplification in our business processes and a lot of technology. We have implemented already in 2024, a lot of AI applications that significantly reduce the G&A, cost base and also improve the manufacturing yields.

The third one, of course, it is to achieve commercial excellence in our key categories. And we all know where is our strength, oncology, vaccines, cardiovascular, migraine and, of course, immuno-inflammation. And then we will continue optimizing the capital allocation. Things will not change. We will continue our dividend, growing dividend.

We will pay down even more of the debt. We want to improve to 3.25. And we will, of course, invest in our business.

So all in all, I think '24 was a year of execution, '25 will remain a year of execution and creation through that of shareholder value with an emphasis of R&D, margin expansion, continue the commercial successes and continue capital allocation strategy that will be shareholder-friendly. And with that, I'm at your disposal.

QUESTIONS AND ANSWERS

Chris Schott *JPMorgan - Analyst*

Yes, a lot to dig into. So maybe I'll start with some bigger picture kind of new administration questions. I know that's top of mind for a lot of people as we head into this year. So maybe just would love to hear your thoughts. New administration coming on board, what are you most focused on in terms of potential changes in the health care environment and what that could mean for Pfizer?

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

Yes. I think the new administration will bring radical change. There is no doubt about it. So when you have radical change, there are all risks coming with risks and opportunities. There are several people that think for our industry, the risks outweigh the opportunities.

There are other people among them, myself, who they think that the opportunities outweigh the risks. I guess we will see. But the important thing is not to speculate if things will go well right.

The important thing is what are you doing to influence the environment? What are you doing to make sure that the opportunities are the ones that will come up? And what we do as an industry and as Pfizer, it is engaged with the new administration. We have very productive engagements and to try to explain the positions, I think they are well understood so that we can implement policies that is very clear.

Pro patient, patient's out-of-pocket is extremely expensive in the US. We need change on that. Pro innovation policies, China is growing faster and faster, and we should not let them take the lead. So we need to invest in innovation, in bio-innovation. And those are the two fundamental things, innovation and patient access of our medicines.

Chris Schott *JPMorgan - Analyst*

To your focus. On the topic of vaccines, I know it's been particularly controversial. How do you think about any early reads from the administration and what could change for vaccines, or if anything, will change on the vaccine front?

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

Look, I don't know. I've spoken a lot about it. It was written with the President, but also with President-elect, but also with Mr. Kennedy. Clearly, the things that he has said for the vaccines in the past are in complete contradiction with what we believe and what the medical community believes, and what the scientific community believes and what regulators all over the world believe.

And vaccines are the most effective, cost-effective health care intervention that have existed since clean water. So again, my philosophy is that we should try to engage not only on the things that we disagree, but try to find the opportunities on things that we can agree. On the vaccines, if he does some of the things that we had spoken in the past, I think he will find in front of him, not us, but the entire medical community, the entire scientific community, the entire health care -- in terms of insurance.

Let's say, companies community because they know that this is very cost effective. And also the employers who are really believing that by using vaccination, they are reducing their health care costs rather than increasing it. And even worse, if he does some of the things because already, we have some -- we are losing some vaccinations in pox and other type of polio, in terms of how many people are vaccinating. If we go below a specific threshold, we will start having an epidemic, and that will be detrimental for him and for the administration. So I think we made that very clear.

But things that we can work together are things like cancer. He is very much -- the President-elect is very much focused on the cancer. He has seen a lot of his friends and people that he knew dying from cancer, and he keeps asking every time I meet -- what are we doing with cancer, and can we cure it. And I think that's an opportunity to try to build programs but will accelerate the cancer development.

Chris Schott *JPMorgan - Analyst*

Excellent. Pivoting to maybe the 2025 outlook for Pfizer, we're fresh off your guidance call. Can you just talk a little bit about the company's approach to setting expectations for this year? And maybe as part of that, just the visibility you have into the business as maybe the COVID piece of the franchise has become a bit less volatile than we've seen in the last four or five years?

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

I think that's the biggest change between '24 and '25. The COVID in '24, when we gave guidance, we were coming out of a major -- let's say, miscalculation of what the COVID revenues would be. There was a lot of uncertainty because we are coming commercial with PAXLOVID, which is half of our COVID business more or less.

And going commercial was a very big step. And we had also renegotiated the contracts with Europe. So there was a lot of uncertainty. So we were more -- let's say, cautious with the way that we gave guidance, particularly in the COVID business. Eventually, in 3 quarters, we exceeded COVID and non-COVID business, and we beat in all three fronts.

This year is more of a normal guidance. We feel quite confident for the numbers that we are putting out there. We reconfirm our guidance on '24 just in December.

And within the '24 guidance, we reconfirm also our COVID revenues of approximately $5 and $5.5 billion, PAXLOVID and COMIRNATY. And we feel very comfortable that we will achieve the goals in '24. And we feel very comfortable about the projections that we gave in '25. That includes COVID, we didn't separate it. But we said that COVID be stable in terms of utilization.

Chris Schott *JPMorgan - Analyst*

Yes, just maybe more broadly, just talk about the key pushes and pulls for this year. What should we be most focused on in terms of those opportunities and anything balanced against that?

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

There are a lot as always. I think let's start with the COVID stability. We expect that vaccination rates will remain as they are in '24, which were very low, right? So everything that we were able to achieve in '24, we expect to reachieve in '25, I don't think that there is downside in that at all. When it comes to PAXLOVID, it's highly, highly correlated with the waves of COVID, and we made one of the most accurate measures of that.

It is the wastewater viral -- let's say, concentration, which CDC has a very wonderful site, but you can see how it evolves, is identical in the last three years. It's two waves every year. And our sales of PAXLOVID is identical, two waves of sales in PAXLOVID every year. So COVID, we expect stability.

Key IRA is another important variant there. We did say that we expect a $1 billion negative impact because of the IRA. In reality, it is more or less $1.5 billion reduction of our sales because of higher rebates that we are asked to pay. And there is $500 million higher sales because of volume. So the net is $1 billion.

So that is already calculated. The new product -- the acquisition products will continue growing. Seagen, we expect to have strong performance will continue growing. NURTEC, we expect to continue growing. We expect challenges in -- to continue with IBRANCE, so we calculated that over there. On PCV, on PREVNAR, our assumptions were that we'll see a modest decline when we gave the guidance.

This is constant in the pediatric, but let's say, decline because of competition in the adults.

So those are more or less the puts and takes on the revenues. On the cost, continuous improvement. We gave a $500 million reduction of the SI&A so I think that we will achieve that with, as I said, without waves of restructuring it's technology that enables us to do that and efficiencies, and the margin expansion.

Chris Schott *JPMorgan - Analyst*

Can I just looking past 25, just how are you thinking about the overall growth profile for Pfizer shaping up both top line and from a margin perspective?

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

Yes. I have been burned by giving long-term projections in the past, and I keep some distance from doing that.

Chris Schott *JPMorgan - Analyst*

Sure, sure.

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

We gave guidance for '25 and we will give guidance for '26. But I can repeat some conceptual, how to think about '25 to '30. There is clearly a LOE wave that is coming, that will cost us $17 billion, $18 billion and it's coming in gradually '26, '27, '28. So those will reduce revenues by $17 billion, $18 billion.

Our products that we acquired, we expect that will deliver $20 billion of revenues by 2030. And we feel comfortable that this will happen. So more or less, I can say the product that we acquire will offset and provide a little bit of head in growth, the LOE products. And then we have the products that we launched so far and the pipeline that is coming. And that, I think, it is where most of the -- also difference and the gap comes between our expectations and The Street expectations on some of these new product launches, which admittedly in '23 were not very impressive, but in '24, they progressed dramatically up. And so that's the puts and takes.

Chris Schott *JPMorgan - Analyst*

And on the margin front, I know you've articulated an opportunity for the gross margins to improve over time. What needs to be done to get that margin improvement? Is that just -- do you have a lot of line of sight on that?

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

I have a lot of line of sight. It's a very specific program that we implement and we have time lines and costs. And we do feel that we will come to pre-COVID margins over time. For this year, we said that it will be mid-70s, right? And coming to pre-COVID, it means to go closer to 80, as high as 70s, close to 80s.

Why the margin deteriorated were for several reasons. One was the vaccine had low margin because we were sharing half of that with BioNTech. Also, the vaccine and PAXLOVID created a tremendous manufacturing infrastructure that was built to support 3 billion doses of the world, right? That reduced, of course, increased the cost of manufacturing. Then we had a lot of new products that are growing proportionally.

And the new products are having always lower margin because you do all the investment, but the investment is absorbed with smaller volumes until the volumes pick up.

And then fourth, we had a lot of acquisitions. Seagen is a good example that most of their manufacturing was outsourced. So they were coming with modest lower margins than what we have in Pfizer. All of that, we are tackling. We have taken down most of the COVID infrastructure, and we continue doing that so we can scale it up if we want.

But right now, we have it down. So that creates a lot of momentum. We are in-sourcing a lot of the products, and we have a program to do that as they are coming in. And we hope that as the volumes increase with the new products, also will go up.

But the most important things will come from a $1.5 billion efficiencies program that we announced between '25 and '27. And we have a very clear line of sight, which is basically a reduction of overhead costs and with implementation of AI already, the implementations that we did in '24 resulted significant yields improvement. And so it's very clear.

Last but not least, the biggest part is when you reconfigure your manufacturing network. We have almost 40 manufacturing sites. Some of them, they operate in very high capacity, some of them not. We could -- we have a plan to consolidate that and then bring the margin. So it's very clear to me, we have a path to go there, and to see constant improvement.

Chris Schott *JPMorgan - Analyst*

Maybe pivoting to the pipeline that seems like the critical piece of the story over the next few years. What are you most excited about and most focused on at this point as we think about over the next 12 or 24 months in terms of the pipeline reporting out?

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

It's -- this year, we expect to start 13 Phase 3 studies. And we expect also critical readouts for eight of them that will happen this year more or less, right? But because we may get lost in big numbers, let me be more specific. I'll tell you what things excite me the most.

Oncology, I will speak about CDK4. It's something that really excites. We have two ADCs from Seagen but they have very high -- we have plenty ADCs from Seagen, but two -- but I will separate, it is the SV, which is basically the IB6, vedotin ADC and the PD-L1 ADC, and we can speak later if you have an interest in all of these products. And the last in Oncology, we mean ELREXFIO. ELREXFIO is probably where we have the highest gap between what -- The Street is projecting and what we believe that we will do.

We based our beliefs on data -- when we can discuss a little later. But those are the four products, I think, that are very important in oncology.

Going to vaccines, I will emphasize two. The next generation Prevnar, we are starting a 25 Valent this year. And we hope to start probably next year pivotal on -- we are developing a 30-plus. So that's a very important piece. And the C. diff, clostridium difficile, we think we have a very good path to success for a vaccine. For a disease that is devastating, there are no vaccines out there, and they are causing 600,000 hospitalizations and 50,000-60,000 deaths according to CDC every year.

So it's an important health care issue without prevention. So those two, I would mention. In, let's say, metabolic or internal medicine, I would mention the new PAXLOVID. I think that's a very important product because of -- we will expand the utilization of antiviral for COVID in eligible population because it doesn't have the DDIs, which is the problem that PAXLOVID is perceived by some

physicians. Of course, Danu, we will see how that will go -- and to the other end of the spectrum, ponsegromab, which is our cachexia.

And in I&Is, the assets that I will emphasize are more younger, earlier in the pipeline, but there are two tri-specifics. So those are things pretty broad across the board, but those that I mentioned, I mentioned it because they are mega-blockbusters according to us. So it's not $1 billion. It is -- it's a big $3 billion-plus products.

Chris Schott *JPMorgan - Analyst*

And it seems like your comments today and some of your recent comments have pointed to maybe more prioritization towards these kind of mega products within the pipeline. I guess what does that process look like as we think about a new Head of R&D coming on board? Should we think about the pipeline maybe being a little more focused going forward or prioritized more than we've seen over the past few years? Just talk a bit about what we should expect with Chris stepping into the new role.

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

Absolutely. You should expect that exactly. When I try to understand Pfizer's productivity, when I see the productivity of Pfizer in terms of volume, how many products, and technically challenging products, not easy product, we were able to get through the finish line. Actually, we are top quartile. We had 13 approvals in 2024, and we have equal number, I think, bigger in 2023.

So we have tremendous volume of things. And also, when I see productivity in terms of success rates, time that it takes to complete the study, all of that, we are taking. However, when I see the dollars that are coming out from new launches that came out from our pipeline, I see that we could have done way better.

So why this is happening, and what are the good news here? It is that we are not having any capabilities in Pfizer. Our machine in development is really stellar. Our early is stellar, our farm science, the medicinal science, the chemist probably the best in the world, particularly in the small molecules. So in terms of capabilities, we are there, oncology, vaccines, superpowers, right?

But we put all these capabilities to work to products that they didn't deliver. Gene therapy is a good example. We announced that we exited them, right? Cost us a lot of money, took a lot of attention from management, from R&D. They were technically very challenging to develop, but they are selling nothing.

So that was the challenge. So for us, I think we went to multiple things without really being very focused on where we should turn, let me put it, the guns, right, so that we can -- of these capabilities. And this is something that the only division that did extremely well on that was oncology, all right?

And when Chris Boshoff is taking over my expectation from him, it is one under his leadership to continue that with oncology but also repeated with all 3 other therapeutic areas that we could do a lot better.

So as I said, the good news is if it was a question of capabilities, that will take years to reshuffle. But when it is a question of prioritization and selecting the right assets, this is way easier to achieve. And it's not only Chris, that is helping on that but also we have Andrew Baum, that came with that mandate, to help us prioritize our pipeline and select really the assets that will deliver value for patients and shareholders. We won't get it correct all the time, like nobody will. But I think we have room for significant improvement there.

Chris Schott *JPMorgan - Analyst*

When I just think about the absolute R&D spend, are you happy with the amount of dollars spent now? I'm trying a sense of like, does that -- as you are focusing on some assets deprioritizing others, is that cost savings we should think about? Or is this more freeing up resources to put into those (inaudible)?

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

It's more the second. I think the overall size of our R&D, which is around $11 billion or whatever, it is on the 18% of our revenues, which is on the low end of the industry. So if anything, I would like to see that going up, but I don't think I have the conviction right

now that we will take that up but we will maintain that $11 billion.

However, we have identified significant opportunities with Chris to take a lot of efficiencies in R&D and to reduce cost in several areas of our R&D. But we will reinvest all of that back in R&D, right? In -- for example, in manufacturing, every efficiencies that we are gaining, they fall to the bottom line, 100%.

In SI&A, big part of the efficiencies that we are accomplishing are going down to the bottom line. And part of that is reinvested to an A&P. So we are invested two of the synergies that we are generating and the savings into promoting the business. For R&D, 100% will go back to R&D.

Chris Schott *JPMorgan - Analyst*

Okay. Excellent. Maybe pivoting to some of the individual pipeline assets. Starting with Danu. I know it's still a big area of focus for folks. Just as we think about the upcoming PK studies that you'll be looking at data, what are you looking for in those studies to inform a Phase 3 decision? And maybe just characterize the overall level of excitement around Danu at this point.

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

I'm very cautious with Danu because I have been burned and I don't want to create neither false expectations or positive or negative. It is exactly as we have said it. In Danu, we are working now on once-a-day formulation. This is about pharmacokinetics. We think we found the right ones after we did a lot of experiments and now, we are in dose optimization of those formulations.

So we'll have the data in a few months. And then we will see if really we can basically replicate the results that we had in Phase 2B study because Danu has been tested in more than 1,600 people. So it's not -- let's say, something that it is a few hundred people. It's a lot of people.

Then we will feel comfortable that we can go with once a day. And this is when? Probably, as I said, we succeed that, we will start the Phase 3 in the second part of the year. With Danu, we expect that we'll have a competitive profile and probably will be second, if we stick to our time lines and if the others, they don't accelerate or they don't delay, I expect that Lilly will come with an oral before us, if they are successful.

Then I think we'll be us that will come with an oral, if we are successful. And then there are other two that will come two years intervals, more or less, one from the other. So big opportunity. It's not going to be like Mounjaro, Danu, but it's going to be second oral in a market that has a lot of potential for growth.

Chris Schott *JPMorgan - Analyst*

If you do move to Phase 3, just talk a little bit about the breadth of the Phase 3 you would envision. Is this something that you would need to run kind of a full spectrum of studies with outcomes, et cetera? Or is there a way to kind of maybe just look at weight loss, or HbA1c, in a way that maybe is a little bit (inaudible)?

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

We are analyzing all scenarios. Now is with the full blown with outcomes. We have a scenario that it is focused on weight loss, and we are seeing what creates higher value. And also, of course, we see that in connection with other products in our pipeline or things that we are thinking from the outside. So it is something that we will see. We are still working on it, and we will make decisions when time is appropriate.

Chris Schott *JPMorgan - Analyst*

And maybe just a last quick topic on this, just obesity more broadly. Just talk about your ambitions here as you think about not just Danu, but as a portfolio of assets with Pfizer.

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

We are all-in. We are going to -- we are building our teams. We have a very strong metabolic expertise in Pfizer through the years. We are recruiting experts in obesity over the last, let's say, 12, 13, 14 months, so that are helping us now make better and more sound decisions.

We have GIPR that is following and the GLP-1 follow-on molecule. So in terms of GLPs, we are in the oral space, and we don't need to go outside because we have our own. I don't think that a GLP injectable will be of interest to us from the BD perspective right now because probably it's a little bit too late. But other mechanisms of action in the injectable space or in the oral, we are really looking everything into the market because I think we have the capabilities to develop it and to sell it, which is very important.

Chris Schott *JPMorgan - Analyst*

Maybe moving over to the Oncology portfolio. You highlighted the CDK4 as one of the priority assets. Just talk about how you think about the opportunity, maybe first and second line but also the off-good potential in first line to maybe kind of beat the current standard of care of the CDK4/6?

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

I think in CDK4, we are fully committed to developing in first line. The reason is because of the profile of the product. It's very benign. As we all know, the CDK4/6 changed the paradigm. But the four, it is what brings the efficacy, the six is what brings most of the toxicities and that's why we need, for example, IBRANCE, three doses treatment, three weeks and one week break.

Three weeks and one week break, because four weeks would be quite toxic for the patients. With that one, with the CDK4, you are having -- you minimize really the issues with the toxicity. So we have constant and we have achieved very, very high dose escalation.

So 90% of the maximum doses were taken by more than 85% of our patients. So the profile really is ideal for first line because it's very benign. Second line, we have other assets like KAT6, et cetera, but we are very much keen to development.

We started already. Actually, we started Phase 3 on that.

Chris Schott *JPMorgan - Analyst*

Yes, but sounds like your view is this is a first-line drug --

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

First-line drug with significant benefits compared to the current standard of care.

Chris Schott *JPMorgan - Analyst*

Great. Maybe just then going over to the SV opportunity. I know you've outlined a number of Phase 3 studies here. Can you just speak to the overall opportunity you would see with that asset and what you're most excited about?

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

With which one?

Chris Schott *JPMorgan - Analyst*

With SV.

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

Yes. Look, the SV is a new ADC, is targeting the IB6, which is a protein that is expressed a lot in cancer cells. And it's using the vedotin, which is a proven toxic -- let's say, pay load to attack, let's say, those cancers. Now the IB6, it is particularly expressed in lung cancer. So in 90% of the non-small cell lung cancers, they have -- they are expressing this product.

So our first study started in second line non-small cell lung cancer, and we are about to start in the first line right now. So that's a medicine that will be developed for lung cancer, full speed. And also, we are exploring first line in head and neck because that's another cancer that has very high expression of the IB6. So SV, if it is technically successful and right now, the data that we have seen are extremely encouraging. That will be a mega blockbuster.

Chris Schott *JPMorgan - Analyst*

And what are the time lines we can think about when we can start to see some of that data?

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

I know when we started the stats, I don't remember when they read out, and they are event-driven, as you see. And in the first line, it usually takes more time. But I remind you that lung cancer is the cancer that has the highest mortality of all cancers in the US. So a big opportunity.

Chris Schott *JPMorgan - Analyst*

Yes. Another one, the ADCs you mentioned, the PD-L1. That seems to be one where I know you have a lot of excitement in The Street is trying to still get their hands around the opportunity. So talk about the indications you're looking at there first and again, maybe a level of excitement here relative to some of the other ADCs you have in development?

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

Yes. It's targeting. It's the same concept in this ADC, vedotin, again, which is the payload but right now, it's targeting PD-L1. It's not interfering like the immunotherapies into the PD-1, PD-L1, let's say, interaction. What is doing it is trying to identify cells with PD-L1, which are the cancer cells and attacks it.

So that's basically what is happening. And we will develop it in head and neck. We are starting right now, but we have a program for multiple cancers because as you know, PD-L1 is expressed basically in a lot of cancers, right? Not the same everywhere, but in a lot of cancers.

Chris Schott *JPMorgan - Analyst*

But we can think about this going into a lot of those settings that have high PD-L1 expression would be --

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

This, of course, will be the lowest hanging fruit. I think we have seen it even with low. We have seen good data even with low PD-L1 expression. But clearly, the no-brainer, it is you go with high PD-L1 cancers and probably in combinations with immunotherapy.

Chris Schott *JPMorgan - Analyst*

Great. Another one you mentioned was the next-generation PAXLOVID. Just talk about the --

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

No, but I mentioned ELREXFIO also.

Chris Schott *JPMorgan - Analyst*

Oh yes, yes.

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

Which is I wanted to say a few things that --

Chris Schott *JPMorgan - Analyst*

That one.

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

One, it is that our enthusiasm with that is because, first of all, when we see data, we do think that we have potentially best-in-class in terms of treating. And I'm talking about durability.

We have right now in people that achieved remission, we had an interim -- we haven't reached median progression after three years. So that's very durable, this response, right? So it's not something that it is (inaudible).

And also that right now, we have launched it in triple refractory, which has an overall population between Europe and US of 15,000 patients. We are expecting to receive now -- a readout this year from the second class double refractory. The population of this, it is double than the population of the first one that we have.

So we are tripling the population that is addressable by if this indication is positive. And of course, the duration of treatment for this indication compared to the triple that the people, they don't make it that easily, it is way longer. So -- and then we are following with first line, and so it's -- we have four Phase 3 studies over there. So I think it's very exciting.

Chris Schott *JPMorgan - Analyst*

How big of an opportunity could this be for Pfizer?

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

Look, we -- I know that The Street has it in -- I don't know, way smaller number than us. There is no other assets that we have such a big gap in our projections compared to what I have seen in The Street. And I don't know if the truth is in the middle or if we are highly optimistic if the Street doesn't see a few things, but I would encourage everyone to see the data and speak to our people about that asset because I think it's highly, highly -- the potential is very high.

Chris Schott *JPMorgan - Analyst*

And we should think about that kind of steadily building up over time as those [four] --

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

The studies are running for a long time now, right? So we had the first one, we launched. The second one, we'll read out this year. We tripled the population and then we go to 5 times and 10 times. So it's very big.

Chris Schott *JPMorgan - Analyst*

Excellent. Made it to the last couple of minutes here. I mentioned the next generation PAXLOVID. Just talk about how big of an opportunity is there to -- like how much of an issue is there with the drug-drug interaction?

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

PAXLOVID, right now, particularly in the US, is utilized quite, quite heavily. And it is exactly following, as I said, we saw in the first -- in the third quarter, a graph in our earnings call, but we saw the waste water variability and then the PAXLOVID scripts, they are really matching one another.

But there is a lot of reluctancy from many physicians to prescribe it. And we don't have a product like that in Pfizer, at least, and I don't think anybody else that the patients will call so much the physicians, please give it to me, and they will say, I don't think you need it, right?

The reality is that what is challenging for physicians, it is that 40% of the eligible people, they are taking medicines that they have drug interactions with PAXLOVID. Statins is one of this, for example.

The solution is very easy, and it has been recommended. You stop statins for five days, you take PAXLOVID, and you continue. It's not that you -- statin is a chronic medicine, PAXLOVID is not a chronic medicine, right, it's five days treatment. But still, that creates a reluctancy. The new one has even better pharmacokinetics and killing ratios of the virus in -- than PAXLOVID and doesn't have any DDIs.

Also, doesn't have dysgeusia, which is also associated with this metallic taste. So we think that it's not only the next step so that we can have a life cycle of PAXLOVID but also will create bigger opportunity, we'll expand the market.

Chris Schott *JPMorgan - Analyst*

Excellent. We're just about of time. Albert, I really appreciate all the comments today. Thank you for joining us.

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

Thank you very much, everyone. Happy New Year.

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