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EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Steve Scala *TD Cowen - Analyst*

Prem Lachman *Maximus Capital - Chief Investment Officer*

PRESENTATION

Steve Scala - *TD Cowen - Analyst*

Well, good morning, once again, and welcome to TD Cowen's 45th Annual Healthcare Conference. We are absolutely delighted to have Pfizer with us again this year. Representing the company is Albert Bourla, who is Chairman and CEO.

So Albert, thank you so much for making the effort to be with us today.

QUESTIONS AND ANSWERS

Steve Scala - *TD Cowen - Analyst*

Lots to talk about both big picture, and unique and specific to Pfizer. But let's start out at the big picture side of things. What has surprised you most about the new Trump administration, the Cabinet, the Congress? And what of that concerns you the most?

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

Look, I wouldn't say that's something surprising. I was expecting him probably to win. It was a very big win, and that if -- something is a surprise. I knew that we're going to have radical change, and I said it multiple times. And with radical change, the status quo is challenged, so there will be risks and opportunities.

And one can speculate if the risks are higher than the opportunities and vice versa. But the important thing is, what are you doing about it? And what are you doing about it is you try to influence the environment. From our perspective, the whole pharma industry and us as Pfizer, we try to stay as close to the administration.

We try to make sure that the arguments that we have are well understood. It's important that we make it simple so that people understand it. And we are trying not to focus on the things that we disagree, which means let's start to have confrontation for vaccines, for example, but focus on the things that we can do together, like do something for cancer, for example.

But the boldness of the new administration, if they decide to go for something, they do go. So this is what I would say. So the jury is still out, and there are risks. There are opportunities, and I hope the opportunities will prevail.

Steve Scala - *TD Cowen - Analyst*

Okay. I should have mentioned this at the outset, but should you have questions anywhere along the line, just raise your hand, and we'll call on you. Dealing with kind of the Trump methodology and so forth, one of the concerns that's percolating up in the investment community is manufacturing.

So just in broad brush strokes, what percent of drugs that Pfizer manufacturers are manufactured in the US versus outside the US? And the reason why investors are thinking about this is, under the scenario where Trump basically tariffs every country.

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

Yeah. First of all, for the industry is very different from company to company. But in general, I would say that the vast majority of generics are manufactured outside the US. I think a few are manufactured here, particularly the solid oral doses.

And in terms of innovative products, significant number is manufactured outside the US, in different countries, again, depending on the company. Some they have in China, some have in India, some they have in Europe, some they have in Singapore, et cetera, et cetera.

Ourselves in the US, we have probably the largest manufacturing network of any other company. We have 13 manufacturing sites in the US right now up and running. Some of them are mega, mega sites that -- particularly on sterile injectables and in antibodies and all of that.

So we have all the capabilities here, and the manufacturing sites are operating at -- in good capacity right now. It's not that they are not. But if something happens, we will try to mitigate by transferring from manufacturing sites outside to manufacturing sites here the things that can be transferred quickly.

Steve Scala - *TD Cowen - Analyst*

Yeah. And you --

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

We don't have to build the network. So we do have 13 manufacturing sites that are already existing here.

Steve Scala - *TD Cowen - Analyst*

Just two questions on this point, and then we'll move on to another topic. But you used the word significant when talking about the industry's production of innovative drugs outside the US. So I'm now interested in what the word significant means. Is that a third? Is it 40%? What is significant?

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

I think it also depends on the company. So I don't really have a number, but I know. (multiple speakers)

Steve Scala - *TD Cowen - Analyst*

Okay. And assuming that Pfizer has done this analysis based on your 13 plants and the fact that some are very large and do a lot of production and so forth, assume you've done the analysis, would Pfizer be more kind of immune from tariffs if they were leveraged on a global basis than other companies? Or has that -- is that reading too much into your comments?

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

Reading too much into the comment. I think that, first of all, it is so volatile the situation. We don't know what will happen in -- there will be tariffs. We don't know if the tariffs will be in Canada and Mexico, in China. And clearly, we don't know what will happen in Europe. But they have other bigger problems now to deal with.

So what you try to extrapolate is that, if there are tariffs and there is a need for someone to transfer production in the US to avoid, will be better for someone that has already the network and he just needs to transfer than someone who doesn't have a network and needs to build it.

Steve Scala - *TD Cowen - Analyst*

Makes sense.

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

On that aspect, yes, we are better immune. But I think we need to wait to see what could be the situation here.

Steve Scala - *TD Cowen - Analyst*

Okay. Now on to IRA. So what is the one or two most likely change to occur, and what's the kind of the probability of that? So we'd all like 13 years to prevail across all products. But what is the probability of that if that's one of the things you think may change?

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

It's something that we discussed with the administration. I think they are sympathetic to it, both the President and the Secretary. But I don't know if that could be achieved or not. It's -- IRA is very tense, is very political, right? So it's -- as you know, IRA will cost us, this year, $1.5 billion. It's part of our guidance. But we factor $1.5 billion in the US incremental rebates.

We do say that there will be probably $500 million offset with incremental volume because the out-of-pocket it is. One thing I want to make sure that also is understood as the Street is making their calculations, it is that in the year before the IRA implementation, the rebates were predominantly given in the second part of the year. So we had very high sales in the first part but were offset by rebates that were coming up towards the end of the year because we were entering into the doughnut hole.

Now with the new IRA, we expect this $1.5 billion to be predominantly in Q1 and Q2 because this is where the change is happening. This is now where the catastrophic that you start to fund by 20% will kick in in the very expensive products immediately, script one, week one; and in the less expensive products, probably week two -- month two.

So it's going to be -- I don't think that the Street has adjusted for that yet, and I think they should have a look on it. But the rebates that we will be asked to pay in the third and fourth quarter probably will be less than what we were paying last year. It's just that the rebates that we'll be asked to pay in the first and second month will be higher -- way higher than the first.

Steve Scala - *TD Cowen - Analyst*

Okay. What is your level of confidence that Pfizer can grow through the LOE, so deliver growth every year between now and 2030?

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

I think that we need to be seeing the aspects. We had $17 billion of LOE that will come basically by year '28 when the last of the products will go LOE. And then we'll have a period that there is no LOE. So starting in '26, will be smaller, the impact, '27 will be much bigger, and '28 will be the biggest. So that's the cadence, and this is how the $17 billion are coming up.

In order to offset that, we did a significant number of acquisitions. Our acquisitions, by year 2030, approximately $20 billion of revenues in all our calculations. I don't think there is huge difference between the Street and us on this number. And so by year '28, let's say, that will be $17 billion, something like that, right?

So basically, the new launches will be offsetting the LOEs. The issue, it is that they are growing the new -- the business development or the new launches, while the other ones come in significant (inaudible). So in the next three years, I don't think that Pfizer will be a top-line growth story.

And following that, we will be probably a very strong top-line growth story because there will be nothing to offset, let's say, this huge growth that we will see because of the new products and the launches. So more or less, this is how you should be seeing. In the next three years, we should be a good pipeline story and we should be a good margin expansion story, which we will meticulously focus on both.

Steve Scala - *TD Cowen - Analyst*

And relative to margins, is this next three-year period the time in which you'll return to pre-pandemic operating margin?

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

I don't want to give a number because my CFO will kill me if I go too far. But it's very clear that we have a goal to go there. And we are in a very, very good path of doing it. So as you can see, already from low 60s very -- high 60, very low 70s of our gross margins, we arrived already into mid-70s. And pre-pandemic was very high-70s.

So I think it's 4 points that I think we should be able to achieve on the growth. And I'm even more focused on the SI&A because also there is an opportunity to reduce cost over there.

Steve Scala - *TD Cowen - Analyst*

So the company has said on the Q4 call that you have capacity of $10 billion to $15 billion for business development 2025. Curious, what is that number in '26? Is it higher? Is it the same? Is it lower?

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

I think it will depend. Actually, it should be higher, unless if you spend it. So that's your firepower. And I think in '26, the firepower probably, if we spend nothing, will increase.

Steve Scala - *TD Cowen - Analyst*

And the top one or two areas, three areas that you think would be most likely for an acquisition? Is it neurology? Is it oncology? Is it infectious disease?

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

We operate in four areas of high interest for us. The oncology is one. The vaccines, internal medicine, and I&I. In oncology, we have so much opportunity. It's actually -- if we have a challenge, it has to manage that much opportunity, right? We operate at capacity and to keep investing. We are moving to new buildings in the West Coast, so to increase the scope of oncology.

So I would say that in oncology, probably not big dollars deployed, probably will be dollars to get early innovation that could be combined with our ADC platforms or with other stuff that we do. But those things, they don't cost much money.

Vaccines, we have very strong also pipeline on ourselves. And anyway, there is not much you can find outside in business development. So also, I don't think that that will be an area that we will see big dollars. Internal medicine, I think it is where the opportunities of business development and I&I.

It needs to be in those two areas because we are good in this area, so we will make less mistakes in choosing the right assets. But clearly, metabolic diseases, cardiovascular, the obesity space, are things that will be highly interesting to us. The same is in I&I.

Steve Scala - *TD Cowen - Analyst*

Okay. Just dwelling on oncology BD for a second, one of your competitors recently asserted that they got into the ADC space at a fraction of what Pfizer spent. I assume you don't agree with that. So tell us --

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

Who was the competitor? I didn't see that.

Steve Scala - *TD Cowen - Analyst*

I believe it was AstraZeneca, but I'm -- I wouldn't swear on my own blood on that, but I think it was. But what -- why do you disagree with that assertion? What is unique about Seagen that can't be replicated? I think there's 80 companies in ADC. So what can't be replicated?

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

Yeah. I think that with Seagen, we didn't get a product or a pipeline. We get four products and then 13 pipeline assets and a huge infrastructure, and expertise and intellectual properties on ADCs. So it is a unique asset. But there was not anything like that, even close, out there.

So I wouldn't compare it with AstraZeneca getting one ADC here and then Merck getting another ADC there. These are things that are happening, but it is not what we did. We built a huge platform on that. It's doing extremely well, not only is the current four products.

We had significant confirmation of their value because we have new data that significantly enhanced the current population. And we are expecting new data. For example, PADCEV is a very good example of that. And with PADCEV, we are expecting a readout that will double the current population, and actually will increase even further the duration of treatment. So we'll more than triple the potential of the product. I think someone wants to ask a question.

Steve Scala - *TD Cowen - Analyst*

Sure.

Prem Lachman - *Maximus Capital - Chief Investment Officer*

As a follow-up, you have a good lineup of ADCs through your acquisitions (technical difficulty) you're combining it with other drugs like KEYTRUDA. Now you did a deal with Summit. Basically, the cost of all -- adding all these drugs has been (technical difficulty) KEYTRUDA will go generic, which will help. But can you discuss all these combinations (technical difficulty) how big can this (technical difficulty) with all these combinations?

Steve Scala - *TD Cowen - Analyst*

Yeah. So for the webcast benefit, the question was on the cost of combinations of oncology drugs. And how could that be -- ADCs in particular. And Prem mentioned the Seagen deals -- I mean, not the Seagen deal, the Summit deal. So why don't you mention that as well? Why don't you talk about that?

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

Well, we -- currently, the -- our ADCs looks like they work extremely synergistically with immunomodulators. That we know as a fact because we have seen the data. We -- the theory behind it, it is probably because we -- our vedotin, which is the payload of our ADCs, creates a significant immunogenic death. So that immediately increases the sensitivity also to the PD-1s.

So that's why we have significant -- so the results were spectacular, more than double. And right now, they are used. So the system pays. If the results are very good, the system will pay. Clearly, when KEYTRUDA goes off patent, that will be cheaper for the system, right?

Now there are other -- the deal with Summit is because they expect that they will be better than KEYTRUDA. So we want to make sure that we are ready if there is something better, particularly because we are -- our ADC line, which is not the same with all ADCs, right? It is the vedotin that creates that synergistic effect. But then, I think we will be ready also with that.

And so that's my answer to this question on the ADCs. I also wanted to say that, in addition to the current -- also you asked what will be the -- what we expect to be the revenues. And we said that we will -- when we did the deal, we forecasted $10 billion by the end of the decade coming from the Seagen portfolio. And we believe we will achieve that right now the way that things are going. So we are quite confident that this will happen.

And I will also use the opportunity to mention some of the new ADCs that we put into the clinic, that they could become significant blockbusters. The first one, it is the SV is DB6 -- IB6, excuse me -- that we already have a study; stellar results so far, the Phase 2. We have already study in second-line lung cancer, which is a huge cancer. And we are about to start Phase 3 in first line. So that, if successful, will be a very, very big product.

The other one is a very novel ADC, but also it is in two Phase 3 studies, but it is the PD-L1 ADC. This is not an ADC that works with the immune system. It is an ADC that the antibodies program to bind to cancer cells that they are producing a lot of PD-L1, which is the cells that clearly respond better to immunotherapy.

Again, it's with vedotin. So we are sending to PD-L1, which is basically everything that KEYTRUDA is covering, and ADC, particularly in combination with KEYTRUDA, but also in standalone will be significant, we hope, the benefit. Again, because that goes to lung and head and neck, that could become a mega blockbuster. So those are just two examples that they are not in anybody's numbers right now, and they are on Phase 3.

Steve Scala - *TD Cowen - Analyst*

You used the word mega blockbuster. That's not a word that other companies tend to use so much. So what -- can you define what a mega blockbuster is? And what are the two or three within your pipeline that you're most excited about?

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

It's a good question, and I don't think that we have a line that is cutting it. But anything above $1 billion, usually companies are calling it blockbuster. Mega blockbuster, it's anything above $2.5 billion, something like that, right? So significantly different than the previous ones.

I just mentioned two that we think will become like that, the two ADCs. CDK4, it is something that will also fall into this category if it is successful. ELREXFIO, from the products that we launched, we believe will fall in this category. This is for multiple myeloma. Actually, ELREXFIO, when I see these three testaments, this is one of the products that we have a very big difference between our estimations and what the Street is forecasting.

We are very confident and we are very happy with how the product is moving. Keep in mind, we hit $130 million, $140 million in the first year of sales. And that's in a very small population. That's 15,000 patients that is covering ELREXFIO. We expect this year a readout for the next population of ELREXFIO.

But like I said, with PADCEV, more than doubles the current population that is treated, and significantly enhances more than more double the duration of treatment. So of the following, let's say, the introduction of that one, I think ELREXFIO will see a significant step added up.

And then, of course, there are four studies, Phase 3, that are running right now that will go into new and more -- new population. So I think that is one that will fall this category. Pneumococcal, '25, I think, will fall clearly in this category, and they are working very diligently for that. So just a few examples.

Steve Scala - *TD Cowen - Analyst*

Okay. Danuglipron may be part of that category someday, I guess. Where does the data currently stand?

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

I think we are on track to deliver, as we said, in Q1 -- a week earlier, a week later is not the point. But by the end of the month, we should be having, let's say, enough data, as I said, maybe a week later, to be able to come to a decision about if we develop it and what will be the development plan for that.

Steve Scala - *TD Cowen - Analyst*

Okay. So it sounds like it's coming on time, but it's going to come at the very fringe of this quarter. Is that a correct interpretation of what you just said?

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

Say it once more?

Steve Scala - *TD Cowen - Analyst*

It's coming at the very end of this quarter. You don't have -- the data is not in-house now.

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

Yes, yes.

Steve Scala - *TD Cowen - Analyst*

Okay. What was I going to ask you. I'm forgetting. So this was not it, but I'll think of that one. So will you wait for the orforglipron Phase 3 data before designing your own Phase 3 trial?

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

I don't think so. I think if we move ahead, I think speed is of essence. So we will move ahead with everything we know.

Steve Scala - *TD Cowen - Analyst*

Okay. And you did just say in response to your -- the question before that one, that you'll decide whether to move ahead. But it seemed to us, at least, based on what the company has said so far, that it's kind of fait accompli that you're moving ahead with this asset.

It's just that you're going to see the data and then maybe choose the optimal formulation to move forward. But is it still a possibility that you don't move forward at all?

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

Look, in any company, before you push the button, it's never fait accompli, right? So you can do the investment or not. And if things other than our data come around the market or competition, et cetera, also could affect our decision. Now, of course, we are very close to it.

But it's not only -- the data that we're expecting to see are important for us to feel confident that we can move either to a Phase 2 or Phase 3 straight, right? And before you see the entirety of that, because it has to do with a lot of elements, it's not fait accompli. So no, it's not. And that's why we are very careful, and we don't say, yes, danu, we are moving ahead. We will see.

Steve Scala - *TD Cowen - Analyst*

Okay. Let's move back to oncology and an asset for which we are getting data in the not-too-distant future is vepdegestrant. What do you think the prospects are for an ER degrader like this to succeed in both frontline and the adjuvant setting?

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

I think it will depend on the data. This is the best opportunity to bring a background of hormone therapy in the breast cancer that is better than the current standard of care. So far, no one has worked on something like that.

And I think that will be the first time that we will see -- I mean, there are other companies -- AstraZeneca, I think, made some data. But it will depend on the strength of the data and how successful this Phase 3 study will be. And it's not far away from where we sit right now we'll hear it.

Steve Scala - *TD Cowen - Analyst*

Okay. Another very successful franchise for Pfizer has been VYNDAQEL. Can you just like walk us through the future? So you have competition coming, but you have underlying market growth that's just phenomenal. But then you have IP issues, which honestly are still not clear to me when those are actually going. So can you just kind of walk us through the future for this very important franchise?

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

Yes. It's growing very nicely. Clearly, we faced -- we already faced competition in Q1 by one company, and probably another one also will enter into the mix. We think that this is a medicine that it is taken for many years. So it's chronic use, right?

So we really don't think there will be any switch to start with, so people that are already in our medicines will move to another competitor. I don't think that the physicians have any experience with the other meds. This is something that always happens. When you have a medicine that's working very well and the physician knows it, they will never switch a patient to something different.

Now the question is, if -- what happens with the new scripts that are coming? And I think that we will maintain a lion's market share there, again, because of the network, the understanding of physicians of the brand. We are there promoting it for many years. We created the market, right? So we will face competition. It was easier without competition, but it's not that we are afraid to compete and be successful within competition.

Now on the IP, the IP at the end of the year, there is the first IP that expires. But we are expecting an extension that will take us to '28. In Europe, the IP is gone in '26. That's -- I know that there is a lot of discussion. Maybe you're right, it can go beyond '28. I hope they are right. But now it's not at all our assumption, and we plan for LOE by that time.

Steve Scala - *TD Cowen - Analyst*

Okay. So in the US, just to be clear that I understand you correctly, in the US, prior to the LOE, you expect to be the dominant player in terms of new prescription capture despite the new competition?

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

Correct. And of course, super dominant on the current prescriptions.

Steve Scala - *TD Cowen - Analyst*

Okay. Moving to China for a second, is China an opportunity or a risk to Pfizer?

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

No, it's an opportunity. I think the risk is not going to be to Pfizer. The risk is going to be to the Chinese-US relations and what if those will come to escalate, tensions. And then we have retaliation from one company -- from one government to the companies of the other government. So -- but other than that, China is a business that is growing very nicely for us. We have significant presence.

I'm very happy actually with the management team that we have over there. They will continue growing. The market will continue growing. And if there is something for me on China, it is that I see them developing as a significant innovative competitor to the US industry. I think the only country that right now can challenge the dominance of -- the US dominance on life sciences, it is China.

Because, of course, they are doing the last four years all the right things for their industry. Protecting their IP. They are providing more access. They try to be more reasonable with their pricing strategy. They encourage mergers and acquisitions. And they encourage private money of China -- Chinese venture capital and private equity to go to their biotech industry.

So they have built a huge network of biotech. At the same time, we had IRA. We were giving our IP to World Trade Organization, and I can go on and on. And we had seriously overreaching antitrust policies that just killed the biotech industry.

So I think for me, that should be a warning call for the Congress and for the administration. And I'm clear when I speak to them. I explain to all of them, what is the situation, that China will emerge as a significant competitor.

And this good strategy from the US perspective is not to try to block China. It is to try to be better than China, to overperform them. And to do that, we need to go back to what we knew. So biotech industry, it is the crown, together with pharma, we are going to dominate.

Steve Scala - *TD Cowen - Analyst*

Yeah. We are actually out of time, but allow me one more question. And that is, what will be the biggest difference in the Pfizer in 5 to 10 years versus the Pfizer we see today?

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

I think that Pfizer of today is a Pfizer that struggled to transition from the most successful company of the COVID period to being COVID liability rather than an asset suddenly. And that liability was not only because of the politics around COVID, but of course -- also that played a role -- but also the rebase of the assumptions.

I need to remind you that in '22, we had $56 billion of COVID sales. And for '23, that was, for us, a very bad year in terms of missing our numbers and our performance in the stock market. We expect the $56 billion to go to $22 billion. So it was not that we were just dreaming. But it went, instead of $22 billion, to $12 billion. But $10 billion has played a key role. We had to write off inventories. We had to readjust our cost base, et cetera.

But '24, we did all of that. Actually in '24, we changed our commercial model to be back to what Pfizer used to be, the fear of the competitors when we go into launching products. We made significant changes to the R&D organization towards the end of '24. And I think now we have not only a commercial and manufacturing, but also an R&D organization that will improve performance.

We were able to allocate capital in a way that we reduce our debt. Actually, if you see the -- we just filed 10-K. We have achieved below 3 leverage, right, already in '24, below 3, right? If you make the calculation, probably you will find it close to 2.8. Significant achievement. Our cash flow in 2024 were at $12.8 billion, right? Significant improvement.

All of that has created a base for us to excel going forward. So I think that the investments that we have done, in Seagen, particularly, and the changes that we have done in R&D, will have a pipeline story that will start from this year and that will start having introductions in the years that come. So it will be very, very different. It's not going to be the COVID company. It's going to be the cancer-plus company. And I hope cancer plus obesity, cancer plus vaccines. Cancer is the crown jewel.

Steve Scala - *TD Cowen - Analyst*

Great. It sounds very exciting and something to look forward to. So thank you so much, Albert, for a great discussion.