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EDITED TRANSCRIPT

PFIZER INC AT JEFFERIES GLOBAL HEALTHCARE CONFERENCE

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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

- **Akash Tewari** *Jefferies LLC - Analyst*

PRESENTATION

Akash Tewari *Jefferies LLC - Analyst*

Good morning everyone. I hope you are all doing well. Nice to see a packed room. Day three of our London Healthcare conference and again, I was mentioning to Dave, it is good to see optimism and smiling faces, year-over-year increase.

My name is Akash Tewari. I'm a pharma and biotech analyst here at Jefferies. I have the pleasure of hosting the Pfizer management team.

Dave, why don't I hand it off to you for some intro remarks, and we'll get started.

QUESTIONS AND ANSWERS

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

Great. Thank you. First, thank you for hosting us today. I really appreciate everybody's interest in the company. I think, as you know, we're 2024, 2025 has been a very interesting and exciting year for us.

I think as we started out in the journey for the year, we continue to focus on executing at a high level, both commercially and also financially. We continue to deliver on our financial promises. And importantly, as we think about the next several years, we have a very keen focus on ensuring that we return to growth in the '29 and '30 time frame for our business.

Over the next several years, we have many LOEs coming about. So we have done a few things as we begin to manage our way through this LOE period. First and foremost, we've improved our cost structure. We've identified about \$7.7 billion of cost improvements across our business that are being taken out over the next several years. So we're rightsizing the business for again, as we enter the LOE period, at the same time, making sure that we're investing for growth in the back half of the decade.

Secondly, we restructured and reorganized our R&D emphasis. We've promoted Chris Boshoff to lead our R&D infrastructure and organization within Pfizer. He has created a world-class team around him, focused in oncology, vaccines, internal medicine and I&I will talk about some of the programs that we have behind those.

Thirdly, we have just implemented and executed two really important business development transactions, one with 3SBio to further supplement our oncology practice in our oncology business. And then very recently, the Metsera transaction which will allow us to enter the obesity place, space in a very meaningful way.

So again, I think we're very excited about where we are. We continue to invest at the appropriate levels to ensure that our business returns to growth, and we continue to focus on improving productivity. So with that, happy to go into some details.

Akash Tewari Jefferies LLC - Analyst

Yeah, absolutely. You know what you mentioned the BD deals. Why don't we start with that? And I'll go from this perspective. Whenever your team has talked about and we'll start with Metsera, Pfizer and obesity.

Historically, it was when we think about the global obesity market, you're never going to be able to reach so many patients using the injectable approach, it was really an oral small molecule angle that I think your team was particularly interested in.

But over time, I think your team did start to talk about other forms of differentiation. And I think one of the things that stood out about Metsera was even though they were a SMID-cap, they did look at obesity with kind of a global approach, and they were looking at it from a health economic perspective. What did you see in that asset that really let your team say, even if we might get in a bit of a bidding war with our friends on this side of the Atlantic, it was really worth it for Pfizer?

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

Yeah. Albert called it the crisis phase of our negotiation if you will. I think a couple of things. As we looked at first, taking a step back and thinking about obesity and how Pfizer can play with this. We have really three strengths that allow us to play in this space in a very competitive way.

One, we have a very strong commercial engine within primary care globally, probably the largest and the biggest and most robust program in the world. Secondly, we have a footprint of manufacturing both in the US and outside the US that would allow us to very quickly ramp up and to be able to accommodate molecules and medicines in this space. And thirdly, we have a long history in research in cardiometabolic diseases.

So we have a platform in the sense to be very successful in obesity. The one thing that we didn't have is a successful product in late stages. Metsera, when we looked at this and we looked at the landscape pretty broadly globally, we felt like it had a, one, a platform of products, so it's not just one product.

It has the opportunity to be very differentiated from a potentially monthly dosage perspective with a very good profile from a tolerability perspective and very limited side effects. So I think both with the GLP-1 as well as the Amylin platform, I think the combination of those two with the existing pipeline that we have with the GIPR antagonist that we have in our early phases both stand-alone but also in combination, we feel like this could be a meaningful platform for us to compete over the next decade.

Akash Tewari Jefferies LLC - Analyst

Understood. And just to be clear, you mentioned it's monthly. When you thought about the value add for Metsera and you thought about dosing, was being a monthly kind of combination approach really critical when you were evaluating that portfolio?

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

Yeah, it is, the platform itself can work on a weekly basis financially we believe, but I think taking it to the monthly dosage will allow us to be very differentiated in the marketplace which will allow us to, we think even be further successful versus a weekly platform.

Akash Tewari Jefferies LLC - Analyst

Understood. And it's interesting. I've -- whenever companies do ask me, should we enter into the obesity space. I've always said, absolutely, I mean, tezepertides, the world's biggest drug in two years. I think that says something.

But it's funny when you think about entering into obesity, I think especially a year ago, two years ago, it's always -- I need to spend \$20 billion in CapEx. I need to catch up with Lilly and Novo. And I think we're seeing that, that's not necessarily the framework we should be thinking about. When you think about CapEx necessary to really compete in obesity, what do you feel like is the adequate amount of investment for Pfizer?

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

Ironically, we don't have a big CapEx need to support this platform. We have an infrastructure of manufacturing as well as research that we can kind of plug these assets into the existing infrastructure that we have. Keep in mind, we will have to reconfigure a bit of our production lines, but the relatively minor incremental investments that we need to make over the next several years to support these medicines.

So we feel like -- as we think about the return platform just financially, getting a medicine in the space, we do not have to make those incremental investments to ensure that these medicines get to market.

Akash Tewari Jefferies LLC - Analyst

Understood. Maybe actually, on the TrumpRx deal and the announcement, I mean, obviously, Pfizer is putting products there already, but I can't help but think you're going to have an obesity portfolio entering into the market in the next couple of years. How -- first of all, what do you think about that TrumpRx deal in terms of suddenly, Medicare now has access to obesity treatments? And really, is that an avenue that Pfizer would be interested in entering with the Metsera portfolio?

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

Likely, I think it's a little early to tell that definitively at this point in time. I will say that the recent announcements with both Novo and Lilly when we thought about the pricing constructs that was announced, largely in the same material levels that we thought about pricing at this point in time. We -- clearly, as we thought about this market over the next decade, we clearly understood it was going to be a very competitive market. There's going to be more entrants coming in the market. There's going to be price pressure.

So we expected that. I think the one thing that we didn't count on was actually coverage by Medicare. So it's probably an upside as we think about looking into the future. And so we'll see how that plays out over time, but I think that's constructive to the environment in the US.

Akash Tewari Jefferies LLC - Analyst

Understood. And maybe just finally, again, I can't help but think the oral small molecule part for Pfizer in terms of entering obesity and the global potential is still something your team is interested in exploring. But you also are in terms of your piggy bank for M&A this year, you set out \$15 billion in terms of what you were comfortable with spending.

A, is Pfizer still interested in adding an oral small molecule as a part of their obesity approach. And also, given you do have some capital constraints now, should we think about maybe China as an avenue where you could potentially explore adding that product into your portfolio?

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

Yeah. The answer is yes to both of those. But keep in mind that actually Metsera has an early preclinical, some oral medications as well as we do as well within our pipeline, but early stages. At the same time, we will look globally to maybe supplement this asset over time to ensure that we're competitive in all segments. So for sure.

Akash Tewari Jefferies LLC - Analyst

Understood. Now maybe stepping back and the deal that Albert was really in the forefront in terms of securing a deal with the Trump administration and removing the regulatory overhang. I think on the Q3 call, your team had mentioned, this deal will be dilutive to a certain extent to '26 EPS. Can you kind of put some guardrails in terms of where the pushes and pulls? And I know, obviously, you can't give guidance, but how impactful from a ballpark perspective, this would be?

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

Yeah. I probably can't get into too much detail here but maybe frame it up a little bit in the sense that we clearly are giving MFN pricing, sort of discounts within the Medicaid segment of our business, which is about 5% of the US volume, about 2.5%, 3% of our global volume.

So we will take price compressions in that piece to make sure that medicines are more affordable to our most vulnerable citizens in the US. So that will be a headwind to us.

I think to your point, this does allow this construct with the US government allows for a constructive path forward such that we can better plan our business. We can understand the infrastructure we can utilize in the US and what we can utilize outside the US, understand how pricing going forward both US and ex US, hopefully can come closer to parity over time, and it gives a framework for allowing that to happen systematically over some time so that all countries can begin to absorb and plan for those adjustments in pricing.

So we think it's a good start. We think we're well positioned to now make the strategic decisions necessary in our business to continue to improve our productivity going forward.

Akash Tewari Jefferies LLC - Analyst

Understood. And I can't help but think with the guardrails you just kind of set that seems like modestly incremental but not a major framework shift in terms of how you were thinking about next year's guidance.

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

Yeah, I think that's correct. And it also -- clearly, we have made commitments to make additional investments within the US from a manufacturing perspective, and we will continue to do that. The good news is we have as we think about Metsera and 3SBio and even our Seagen portfolio, we need to make investments in manufacturing and in research within the US to support these products and these portfolios going forward.

So we will leverage that commitment to continue to invest to ensure those products come to market.

Akash Tewari Jefferies LLC - Analyst

Understood. Now Dave, you had mentioned Pfizer becomes a growth company as we kind of exit the decade. But I think another part of that, which maybe doesn't get as appreciated. I have the pleasure of hosting the Bristol team earlier in the conference. Bristol obviously talks about trough earnings and then kind of a return to growth.

I've never sensed that Pfizer, it's not a trough earnings type of story for Pfizer. It almost seems like it's more -- your team has shown an ability to have earnings north of \$3. And it seems like state stability when we think about earnings power towards the end of the decade with the potential to growth. How would you characterize that?

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

Yeah. I think what's important for us, obviously, as we go into next year and the next two years after that, that's the bulk of our LOEs. We have between now and the end of the decade, about \$17 billion of product losing patent protection. The bulk of that is '26, '27 and '28.

Once we get behind '28, we began to -- the LOEs largely behind us, we can begin to see both maturity in our R&D pipeline plus business development work that we've just done plus the acceleration and continued ramp-up of our newly launched products.

We can see real growth at that point in time. Now listen, that's not modelled into the expectations from an investor perspective because it's a little further out. And we have the need to put some additional data on the board to demonstrate that we have products to fill in that gap over time.

I think the point between now and 2029 is we need to make sure that we're investing appropriately such that '29 and '30 are growth years. And I think we're much more focused on ensuring that investment is properly allocated, focused in the right areas and are very consistent with making sure that we deliver on the growth aspirations over time.

So we've not set a minimum EPS target. We have not set kind of a trough as you discussed, but I think it's more about we're making our business much more efficient by taking out costs but also ensuring that we're not starving those products and those projects and those areas that really allow us to grow over time.

Akash Tewari Jefferies LLC - Analyst

Understood. Now I think we're all work in progress. I can say that for myself. When you look at Pfizer and what you just laid out as a company that returns to meaningful growth, exiting the decade, how much of a work in progress are you that with your current portfolio? Are there assets that you still need to acquire externally to really achieve that?

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

No. I think that we have the substrate within our either newly acquired or launched products as well as the substrate that we have in our pipeline today to do that. Most of the products that we're looking at are opportunities we're looking at are typically late '29, '30 or '31.

So I don't think there's anything from a business development perspective that's going to, at this point, meaningfully change the growth trajectory between now and 2030 for the most part.

Akash Tewari Jefferies LLC - Analyst

Understood.

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

Even Metsera, which we think is going to be a great, if successful, a great acquisition. It comes about in '28 and '29 and '30. So it's really almost behind -- it really peaks after 2030.

Akash Tewari Jefferies LLC - Analyst

Now I also cover BioNTech, and obviously, both you and that company got an influx of cash from what happened during the pandemic, which again, was well deserved. But even BioNTech thought about when we're developing a PD-1 VEGF and we're thinking about the costs associated with running these novel, novel combinations, they were looking at Bristol as a partner to really space out that cost. You have the 3SBio asset. And you can tell how excited your team is. But I feel like, to a certain extent, who's going to win this race.

Is it really a battle of BD and running the right trials and also finding the right partners. When you think about the costs associated to really make that product reach its potential, how much of that spend do you think will be done by Pfizer versus thinking about external partners to really spread out the OpEx spend?

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

Obviously, we'll look to see if a partner not so much financially, but more operationally can bring some insights to the development plan. I would say, having said that, my expectation is the vast majority, if not all of that spend will be borne by Pfizer at this point in time.

We have, I think, seven programs that we've identified that we're going to launch within 3SBio to ensure that medicines appropriately, I guess, designed over time to fit the right patient population and profile, and we'll invest aggressively behind it.

Back to my point earlier while not talking about a trough earnings, we're talking about making sure that we put the right R&D dollars against an asset like 3SBio such that in 20 or 30 or 31, 32, it becomes a very meaningful product and the race is on.

So I think we are focused very much on investing in from a timing perspective to be -- we'd like to be first to market. We're working to that, and we're aggressively investing to ensure that we can achieve that.

Akash Tewari Jefferies LLC - Analyst

Understood. Now maybe stepping back and we go again with that \$15 billion external capital commitment, you're kind of towards the tail end of that right now. Let's put it this way, and I think we hear this from a lot of our companies. If we find the right asset, we will do what's necessary to externally acquire it. And then number two is, again, your team has also been very disciplined in terms of your BD approach.

So given some of your more limited capital constraints now, what areas is your team most focused on building out for the rest of the year or into '26? And then number two, let's put it this way, how much of a hard line is that \$15 billion number that your team communicated at the start of the year?

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

Yeah. It's a pretty hard number. We'll keep in mind that we're probably now with Metsera down to about \$5 billion in capacity that we have over the next couple of years. Maybe from an area perspective, let me kind of go through my four therapeutic areas and talk about where we are at this point in time. First, on oncology our pipeline with the Seagen acquisition and 3SBio is very rich at this point in time.

So we're opportunistically looking to how to fill additional substrate into oncology. We don't need it. But I think if we can opportunistically put something in there to enhance our market potential and reach to patients, we will do so, but not a big need. Vaccines is a space that's largely internally developed.

We will always look to the external environment from BD, but realistically, there's not a big opportunity BD. So check the box, we're probably okay there. Internal Medicine, we just made a big bet in Metsera. So we've kind of checked the box. To your point, we may supplement that asset with smaller molecules over time, but pretty much, we've laid our bet for the next several years in internal medicine.

Now we have I&I. I&I, we have two trispecifics in the pipeline that we think very highly of. But if you really look at the substrate within I&I, it's not as robust as we'd like. So I think that's an area strategically we'd like to understand if we can -- is there additional molecules or projects that we can bring into that platform over time.

Akash Tewari Jefferies LLC - Analyst

Interesting. And when you think about I&I, there's kind of, I think, two angles that we're seeing in terms of differentiation going forward. You have your trispecifics, you're already in that -- you finish your contribution of components angle, you can get products relatively quickly into the clinic. There's also the oral side, right? And you've seen Lilly, really, I think, look at I&I targets with an eye towards getting oral molecules.

When you think about differentiation in I&I going forward and you think, a, combinations of novel targets with -- that are potentially biologics versus an oral approach what kind of fits best into Pfizer's internal capabilities?

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

We actually have probably capabilities to do both a bit from -- within our infrastructure. Obviously, we're -- we have steep knowledge in the oral small molecule space is probably our sweet spot. But if you think about what we've done over the last decade, we've actually moved more into biologics and actually by the end of the decade, the vast majority of our revenues will likely be in biologics versus oral small molecules. So we have capacity in both. So I'm not -- I wouldn't say that's a limiting factor for us.

We looked at what is the best medicine to reach the most patients in a highly unmet need situation.

Akash Tewari Jefferies LLC - Analyst

Understood. Now, This is, I think a question that just kind of occurred to me now and I, tafamidis has been, such a remarkable product and I think it has really changed the amyloidosis space and I just can't, we will hear this from investors too, you are just modeling tafamidis revenues going off patent towards the end of the decade and it kind of feels wrong, right? Like you have built out a sales force there in specialty cardiovascular, you have really started to make inroads into the community care setting.

How do you think about when you think about external BD, not letting that go to waste, right? What are you seeing in the specialty cardiovascular realm which is still interesting to your team and could we think about other developments in ATTR for Pfizer?

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

We're always looking at that. I think we're unfortunately in a tough situation with the pending LOE coming, particularly in the US, I think, in 2028. But we're constantly looking at what could we do clinically, what can we do from a BD perspective or what can we do legally to extend the patent on that molecule.

At this point in time, I don't have anything to announce. I don't have a pathway for that but just rest assured that it's certainly a big priority within the four walls of Pfizer to understand if there's something we can do to unlock that both in the US and as well as internationally.

Akash Tewari Jefferies LLC - Analyst

Okay. Understood. Now it's interesting. Your team laid out different OpEx cuts in kind of waves. And I think when the initial wave came out maybe two years ago, I feel like there was and your team kind of also hinted at this, there could be more to come.

There was more operating leverage flexibility that your team had depending on how the portfolio approach, how the portfolio played out and then also what you're comfortable with doing. You're now as we go in towards the end of the decade, thinking about \$7 billion in either cuts that have already occurred or are planned to occur going forward, should we still have that sense that there's maybe a bit left in the tank for Pfizer in terms of operational efficiencies.

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

Yeah, there is. I think keep in mind that by the end of this year, we'll generate \$4.5 billion of savings of the \$7.7 billion target, that largely doesn't include a lot of the cost savings that we've already achieved or implemented within our manufacturing facilities because think about when we improve productivity and manufacturing facility, that shows up in improved cost of goods sold.

That shows up in better gross margin when we sell the product. And typically, we sit on several months of products. So as we turn product into 2026, you will see improved gross margins due to those cost savings.

So while we've maybe we've not realized all those savings. Many of those savings have already been achieved from an infrastructure perspective.

Now as we cycle into 2026, we have new opportunities to go improve the productivity across either enabling functions as well as our manufacturing facilities and our commercial operations. So we -- there's more opportunities there. We continue to leverage technology and process improvement to do that and really streamline our focus.

Akash Tewari Jefferies LLC - Analyst

Maybe just last thing, Dave. I think this is one of the more underappreciated parts of this year for Pfizer. I know two years ago, you're always getting questions that I think you probably still might get some of, will Pfizer cut the dividend, et cetera, et cetera. Your team had a very significant working capital improvement on free cash flow in 2025, I think of like \$3 billion to \$4 billion, which I don't think a lot of people appreciated. Can you talk about how you're able to achieve that for this year?

And then going forward, how much more efficiencies you can get on working capital as we think towards the end of the decade?

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

Yeah. This has largely been with, I guess, coordination with our manufacturing group as we think about managing inventories across our platform. Just given the fact that we have [sit] center SKUs and compete in 170 countries, it's hard to get inventory correct.

So we carry a large volume of inventory, making sure that we streamline our supply chains, a good focus on that. And then maybe the last comment I'll make about cash flow because I know we have to go is one thing that's not appreciated.

As we've gone through these cost reduction efforts, we have incurred a lot of cash cost, i.e., severance or selling of assets at below book value, some time.

So we've incurred cash outflows as we implemented these cost savings efforts. That will go away. We're getting close to into that. That is billions of dollars of cash flow that is outgoing that will dissipate over time that will enhance our cash.

Akash Tewari Jefferies LLC - Analyst

\$3 billion to \$5 billion. I mean--

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

Probably.

Akash Tewari Jefferies LLC - Analyst

Understand. That's very helpful. Thank you so much. I really appreciate it.

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

Thank you so much for your interest.

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