REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PFE.N - Pfizer Inc at Jefferies London Healthcare Conference

EVENT DATE/TIME: NOVEMBER 20, 2024 / 9:00AM GMT

OVERVIEW:

Company Summary

REFINITIV

CORPORATE PARTICIPANTS

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

Andrew Baum *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

CONFERENCE CALL PARTICIPANTS

Akash Tewari *Jefferies LLC - Analyst*

PRESENTATION

Akash Tewari - *Jefferies LLC - Analyst*

Good morning, everyone. This is day two of our London Healthcare Conference. My name is Akash Tewari. I am a pharma and biotech analyst here at Jefferies. I hope you all enjoyed day one. It was a little rainy, but still fun.

I have the pleasure of hosting the Pfizer management team: Dave Denton; and for the first time, Andrew Baum, sitting on the other side of the podium.

Maybe, Dave, I'll hand it over for you for any brief introductory remarks, and then we'll get started.

QUESTIONS AND ANSWERS

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

Yeah. Thank you, and thank you for hosting us today. And importantly, thank you for your interest in Pfizer.

I'll be very brief because we'll get right into Q&A. But I just want to state that, obviously, we went into 2024 as a company really with a keen focus on execution. I think we've continued to drive delivery of both top line and bottom line throughout this year. We continue to be very focused on enhancing and growing our Oncology franchise as well as continuing to optimize the cost structure of the organization coming off the COVID highs, now at a revenue base of about $60 billion.

We're excited about the future, and we're hoping that today, we'll get a chance to both talk about what we're doing here and now, but importantly, the growth and financial outlook of the company going forward. Thank you.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. So Dave, we'll start with the question that I think we've all gotten over the last few weeks or at least particularly last week with the RFK announcement and then, of course, Dr. Oz more recently heading up HHS and potentially CMS, it sounds like. I think there's been a lot of anxiety, especially when that initial announcement got through.

But I feel like from our work and I think talking to investors, there's the rhetoric and then there's the anxiety and then there's the reality. And I know you have a huge government affairs team, and I know you guys have looked at this. Can you talk about the impact, the administration change and the new appointments will have fundamentally actually on the business of Pfizer, which I think is what we really should be focusing on?

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

Yeah, certainly. Keep in mind that, obviously, the company has had a long history of dealing with different administrations over time. We've had a really good relationship with the outgoing administration, and we actually had a very good relationship with President Trump's prior administration as well as his transition team at the moment.

I think as it specifically relates to the kind of health care policy, obviously, the change in, I guess, officials from that standpoint will, at least at a macro level, suggest a change. Some of this will be positive. Some of this will be negative. I think it's been very constructive of the ingoing administration talking about making the health care infrastructure from a government perspective in the US more efficient. So trying to get drugs to market more quickly, I think, will be a benefit to pharma.

I think the other aspect of that, not everybody is a complete believer in vaccines. So I think that's been really the essence of a lot of the questions that we've received. I would say if you look at the actual comments from the incoming administration, they've not been as destructive as they might have been, let's say, months ago. I think the rhetoric is a bit more tempered from that perspective.

And then maybe just taking a big step back, if you look at who's actually taking vaccines, it's actually, particularly from a COVID perspective, it's over 65 and those at high risk. And I think the appetite for continuing of vaccines and supportive of vaccines in that realm of patient population, I think, is still very high and supportive from a government perspective.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. And actually, just a quick follow-up on -- outside of vaccines, we've gotten a couple of questions on PAXLOVID. Our work suggests there really shouldn't be any impact there. Any early comments?

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

I wouldn't think so. I've never heard anything like that. PAXLOVID actually is a great drug. We'll probably talk about today, we actually have a second-generation PAXLOVID in the clinic at the moment. The utilization of PAXLOVID has been very consistent with infection rates globally and particularly within the US.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. So we'll hop around here because there's a lot to cover. I think the biggest catalyst that's coming up, I think, for Pfizer near term is on obesity. You're going to have an update in Q1 '25. You guys owe us a publication on that Phase 2b danuglipron data, and I'm sure we'll have that shortly.

But maybe, Andrew, if -- we don't have that data right now, but if we were to see that data, what makes your team confident that there's going to be a competitive profile that a QD formulation can really deliver that can really hold up versus your peers like Lilly, which should be first on the market?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Sure. Well, thank you for the question, and thank you for hosting. The data that you'll see from the 2b is a BID formulation, which you're aware. And so it will talk to that formulation, which will show a series of doses, and it will show the weight loss together with the tolerability for each of the individual doses. What you will see is at a selection of very satisfactory doses, weight loss, which is competitive with the other agents that you see in clinical development.

Now there's a couple of things to bear in mind, and I think these have been already disclosed on the call. The first thing is there was no ability to step down in therapy during the trial. There was forced discontinuation. So that's very important. And the second thing was the timing of the trial, when was it initiated, which also led to the discontinuation rate. But what I would encourage you to do is when you see the Phase 2 data, and you won't have to wait so much longer, you will see that a competitive profile will emerge.

Now what we're addressing now in the dose optimization trial, which you will see together with the drug interaction trial, again, in the relatively near future, you will see the effectively bridging trial to a once-daily formulation, which provides competitive dosing. And we imagine the drug to behave very similarly, if not better, in terms of tolerability than what we saw from the BID trial.

So it's a partly mosaic approach. But I think when you step back and you look at the data, it will be pretty obvious, assuming we take the decision to go forward into Phase 3, why we're making that decision.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Maybe two quick follow-ups on that. One, I was with your IR team a couple of weeks ago, and I feel like a lot of people, when they think about oral GLP-1s, there's a focus on the US market. But as you've mentioned, there's 1 billion people in the world with obesity.

When I think about the structural advantages Pfizer may have, and you've seen this with COVID, the ability to do country-by-country negotiations to really deliver a product at scale, would you be surprised, let's say, five, ten years down the road when danu is launched, that this would also have a very significant ex-US presence? And how are you thinking about distributing a product like that?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Yeah, I think it's a good question. I think the ability to tender and not have to deal with rebate walls is a distinct advantage for ex US opportunities. Obesity is a global problem. It's US, it's forging the way, but Europe is not too far behind. So I think there is -- it's going to be a very significant market and also not just Europe, but also Asia as well in certain areas. So I think it's certainly a part of how we think about the commercial build for the molecule.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. And just maybe lastly on danu, like the legal term is usually burden of proof. It feels like the burden of proof is why we wouldn't move this forward. You have competitive weight loss data. You have bridging data that you're soon about to generate. It certainly sounds like there is momentum on moving this forward. I mean, are there any early comments you can make about the confidence Pfizer has about moving this into Phase 3 trials early next year?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Look, all I would do is I repeat what Albert has indicated both totally and then directly through commentary. We make data-based decisions. We will look at the Phase 2 data, which we've already looked at plenty of times. We will then have the additional data from the bridging dose optimization drug interaction trial. We look at the competitive environment. We look at our overall portfolio, right? Because remember, we have a GIPR, which is in the clinic now. We have other agents, which are in preclinical, and then we make a determination based on that. So nothing really to add beyond what Albert and Mikael said previously.

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

And maybe I'll just add a little financial lens to that. Obviously, there's components around the data and what we think the drug profile might look like if successful. But I think importantly, we want to make sure that at the end of the day, we forecast ahead multiple years to say, hey, if this product

were to be launched with this target profile, what are the economics associated with that product? And does the investment today or the next several years to bring that product to market, does that make economic sense from a returns perspective? So we'll also overlay that market lens and that market expectation to our development thesis as well.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Now I think the -- it's a funny saying that we hear is Albert's e-mail signature is under-promise, over-deliver, which I think is generally a great thing in pharma. In -- for 2023 guidance, though, I think there was a pretty wide delta between what the Street was expecting, what Pfizer guided and then, to your credit, probably where you're actually tracking to this year. I know you're -- obviously, we're not going to make guidance on today's call.

But when you think about how we should think about guidance next year, A. should investors expect directional growth given that there are those $0.30 of onetime effects? And then number two, would you -- for us, warn us because it will probably come out at the end of the year, we're going to be in our updates. Do you think there is going to be that wide delta between what the Street expected and then what Pfizer ultimately guides to?

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

Yeah. So maybe let's -- I'll do a little real quick history and then move forward into your question specifically. Obviously, coming into 2023, we guided down from roughly $50 billion to $20 billion in COVID. Actually, it yielded, at the end of the day, just a little over $12 billion. And so obviously, a big revision from that perspective. We actually -- we thought we had discounted it enough, but clearly had not.

As we cycle into this year and into next year, the error bars around COVID has shrunk because now we've gone from $55 billion franchise to roughly a $10 billion franchise. We feel like that franchise is relatively stable that in some years, it could, depending upon what happens with the virus, it could go from $10 billion to $12 billion or it could go from $10 billion to $8 billion, but we're in that ZIP code.

So I think from a guidance perspective, as we think about next year, think about that a more normal year. Coming into this year, the error bars around COVID were still a bit uncertain to us. We've been burnt once before, so we wanted to make sure that, in fact, that environment and that franchise was stable. We feel like it is stable at this point in time. So again, the error bars has shrunk. There's always going to be some additional variability around COVID, but just the size of the franchise makes the actual magnitude of those variables somewhat smaller.

And then maybe I'll just make a comment about this year. Obviously, we're tracking really well this year. I think it's not lost on everybody that specifically one area that I think there's been a lot of questions about is really the RSV market. The RSV market this year versus last year is contracted. It's probably about 60% the size this year versus last year. We're taking share. So we're doing really well from a share perspective, but that market is -- has contracted as a lot of pull-forward vaccinations happened last year.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Now as we think about -- your team has announced $5.5 billion of cost cuts. On Wall Street, the question is always, can there be more? Your team has actually not talked away from that. It does seem like there could be potential upside, specifically on COGS. But as you think about rightsizing the business going forward and you think about SG&A, R&D and then your COGS line, where do you feel like there might be still room for further optimization at Pfizer?

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

Yeah. I feel like from an R&D and SI&A perspective, we've rightsized the business to a $60 billion revenue trajectory, and I think that feels correct to us. So there's always going to -- we're always going to work and focus on cost to make it better, but that's in the ZIP code of correct.

We've also announced, to your point, a $1.5 billion improvement from a margin perspective. That yield will happen beginning next year, over the next couple of years, and that's Phase 1 of a multiphase effort. So there's probably more unlock in that line over time, but we feel like that's where we stand at this point in time.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Now Andrew, you've obviously been on this side of the podium for your career. And you've been critical sometimes of Pfizer and, you know what, that's fair. What do you feel like since you've entered the organization has been the biggest surprise to the upside about Pfizer, whether it's the science, the way that the business has been rerun? But then number two, where do you feel like you really could add value in terms of helping the business operate in a manner that leads to actual shareholder value?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Yeah. So I say that because I've done it. It's a lot easier to tell companies what you think they should do than actually -- it's true, get things done.

So I say that with all due humility because it's very true. Look, I think Pfizer has some really incredible strengths that I haven't necessarily fully appreciated. I had some sense of it. And so it's less there's some great discovery that I saw inside that I didn't see outside in terms of -- I always thought that Pfizer was a terrific medicinal chemistry, and that's who they are. And it's obviously an incredible execution engine. You see that with, most recently, with COVID, but also with other multi-blockbuster drugs, IBRANCE, Eliquis, and I could go on and on.

I think if there's one thing, which really gets to your second question, where we haven't delivered, and I use we a lot now, now it's been five months, is that this machine has been focused, in some cases, on molecules, which really haven't delivered the economic return that we would want it to do. And not just above the cost of capital because that's clearly the absolute cut point, but it's really the size of the contribution is meaningful enough for a company the size of Pfizer.

And when I look at what I do, one of my roles is I'm Chair of the PMT, which is our Governance Committee, which determines which products we take forward, which products we don't, which areas we should think about going into working in partnership with our R&D function. This is the area that's really occupying most of my time. So we basically take this incredibly powerful machine, these very talented colleagues that we have around the world in every single function and making sure we actually deliver maximum value for our shareholders and for patients; and maybe we focus a little bit less on exploring drugs with, even though they have a medical need, but perhaps a lesser economic return for the shareholder base.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Maybe to follow up to that, and this is something that I think we hear from investors, I'm sure you did as well was, where are the areas where Pfizer has a right to win? And for me, personally, when we look at our research, I look at the CDK4, I mean, CDK4/6s are a $25 billion class. The data that, that molecule has shown, I think, is remarkable.

I mean you have 15% Grade 3-4 neutropenia when KISQALI and IBRANCE at 45%, 60%, you have a higher response rate. And you've really built a moat in terms of several Phase 3 studies there where if those start to hit, I think you're really going to change standard of care in HR-positive breast cancer. Can you talk a bit about your strategy there? Why do you feel like investors are maybe not paying enough attention to that molecule?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Yeah. So thank you for the question. I think it's a great question. I'm going to just broaden that a little bit beyond just the CDK4, and obviously, we were the pioneers with IBRANCE in the field. But I'm super excited about the whole of the Oncology business. And it's not just because of the Seagen

assets, it's actually -- you mentioned the CDK4, but we have the EZH2. We have a whole host of other small molecules and legacy Pfizer drugs, ELREXFIO, which in aggregate, I think, do not get the appreciation by the Street.

So the products is one side, but also the talent. And the talent starts with Chris, he's my colleague, who's a very talented colleague, I knew him previously through sitting here, but also through his role in academia, who runs the whole of the Oncology business. And then, of course, we have Roger Dansey as well, who did all the development work on KEYTRUDA.

So the combination of the breadth of products, the data they have delivered, the talent, really, it's one of the shining jewels in Pfizer. So I absolutely agree with you, it doesn't get the appreciation it should.

So then turning the attention to the CDK4, completely agree, right? The data is spectacular in terms of efficacy in refractory patients in terms of tolerability because you're not hitting the CDK6, which seems to be associated with most of the heme tox. And we have a material lead time over competitors with CDK4 selective agents.

And the trials are going. Initially, they're with -- initially -- well, we have the SERD that we'll come on to, but we're exploring initially the SERD with IBRANCE, but then we'll add on that to this. So we feel that we're going to maintain and grow our dominant position in ER-positive breast cancer. And we're looking at this not as a two or three year type window. We're looking at to dominate it for the next 10 years. And on top of that, just to add, on the Seagen side, we have disitamab vedotin, the HER2 ADC, which rounds out the whole of the breast cancer franchise.

Akash Tewari - *Jefferies LLC - Analyst*

Interesting. Okay. A couple of follow-ups there. One, when I look at the, I guess, not SERD or ER degrader, as we would like to call it, but when I look at that molecule, I know you guys are going to make an efficacy-based decision on moving that forward middle of next year. And I find that comment quite interesting. I wouldn't be surprised if that actually ends up showing a 50% response rate.

But why not take that compound -- like the way I think about it, I would want that compound run, not just first with the CDK4, not only in first line, but also in second line. I don't really see the point of running it with IBRANCE given that compound is going generic. And really, the CDK4 is going to be the Pfizer bet over the next decade.

Is that the right way to think about it is even though right now, there's an announcement about taking that to first line, that combination where you're replacing the two standards of care and HR positive is probably where this is going to play out?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Well, look, obviously, we had many of these discussions internally, and we need to be led by the data. Now the question is, why use IBRANCE? Well, you touched upon it. It's a very well-known molecule. We already have data in combination with, I'm going to call it, degrader with the Arvinas molecule. So it's a natural first step and also it facilitates easier conversations with the regulator in getting it to market first. So it's really a pragmatic-based decision that is a stepping stone to then potentially going forward through the combination of two effectively novel molecules.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Now it's interesting, Chris has made comments and even today, you're talking about the EZH2. And it's funny because your team talked about it on the Oncology Day. And I got 30 e-mails from SMID-cap investors who had an early-stage company that wanted to understand it. No one seemed to have focused on it for the Pfizer side. But look, I think EZH2 has also had a mixed track record. You've seen data from Ipsen recently, which didn't work in combination with ZYTIGA. Why does Pfizer have confidence that, that molecule can actually show a meaningful benefit in prostate cancer?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Data in SYMPHONY. And I'm going to pause because I'm looking at Ronen. Have we shared the data? Okay. Data, there we go. Lucky I am. I'm getting the hang of this.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Now Dave, one of the questions we get into next year is, obviously, the Inflation Reduction Act. I think Bristol did a great job with Eliquis laying out, hey, here's the impact. And for some of these highly discounted products, what people don't seem to understand is actually there's not that much of a net price reduction.

Is there an appetite when you give '25 guidance to explicitly call out the impact of Medicare Part D reform? And then number two, can you -- just like Bristol said, okay, REVLIMID, POMALYST will hurt us, Eliquis will help us. Can you talk about the products that will benefit and then the ones that will maybe have an incremental negative impact from Medicare Part D reform?

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

Yeah, I can talk about it in broad strokes. Clearly, when we give guidance for 2025, it would be my expectation to give some analysis or some structure around the impact of both IRA and Medicare Part D reform. Keep in mind that there's puts and takes to this. So clearly, allowing patients to economically afford their drugs more easily, i.e., taking the $2,000 out of pocket and spreading it over 12 months will support adherence and utilization of medications. So it should be an uplift to volume.

Contrary to that is, at the end of the day, pharma in Medicare Part D moves to catastrophic and we pay 20% in the catastrophic phase. That will be a headwind to us. And because of that, higher-priced medications, they get to the catastrophic phase more rapidly. Therefore, the effect, the dampening effect from a revenue perspective is more acute on those high-priced drugs.

So VYNDAQEL would be a good example of that. That will have utilization benefits, but we'll have price headwinds as it relates to that. My expectation is that when we get to providing guidance for 2025, I will give the market an estimate of the impact of that for next year.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. Now, I think one of the comments Starboard had made was talking about Hospira and like ways that you can right size the business, pay down debt, and then also return Pfizer to a growth story. And I think people talk about the Hospira business. I think there was press announcements. Obviously, nothing has been confirmed by Pfizer.

A couple of things on that. A. I was a bit surprised in that article, there was a $500 million EBITDA. But number two, what is the appetite for Pfizer to think about divestments of the Hospira business? And what would have to be the financial return for that to actually make sense from you from a capital allocation perspective?

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

Yeah. Well, first, we have not -- we don't comment on rumours, so I'm not going to discuss that specifically. But I will step back and say, Pfizer, over the last 12 to 18 months, had been working hard to improve our balance sheet. Obviously, we levered up a bit to do the Seagen acquisition. We're in the process of delevering. We're doing it quite effectively. Part of that is the sell-down of Haleon, which we're about a little over half done of that, and we continue to make good progress there.

I've always said very specifically is we look at the assets that we have under management and understand, are some of those assets better served outside of Pfizer versus internal to Pfizer? And we're constantly looking at our business model to understand what that might look like. And clearly, we would look to, if we had an asset that felt better out, we would look to monetize that.

And then secondly, I would also just step back and say, we would do that strategically, not just operationally, because at some level, we're going to delever in the near term anyhow. Our business is on a trajectory to do that. So some of these we're not doing just to delever at the moment. But economically important strategically, if we can free up resources that we can more dedicate to put into areas that Andrew just spoke about to drive the long-term growth aspect of the business, we would do that. And I think I look at it more from that perspective or lens.

Akash Tewari - *Jefferies LLC - Analyst*

Got it. And maybe lastly for you, Andrew, and you mentioned it's not just the CDK4, it's not HR positive, it's also just oncology in general and the Seagen franchise. I think our team internally has a view, the MMAE toxins might have a return to prominence going into next year and beyond. I think part of that is also the synergy that seems to be shown with PD-1.

So like when I look at your HER2 ADC, it's not a particularly impressive monotherapy response rate. But when it was combined with pembro, suddenly, the response rate jumps to 50%, 60%. Your B6A obviously, Trop-2s and all the ADCs and NSCLC, it's an incredibly competitive space. But talk to me about what synergy you might be seeing in combination with pembro with that asset and why your team is so excited about that, not only in second-line NSCLC, but your team is also making a bet in first line with that drug?

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Yes. So you're going to see Phase 3 starts for these -- both these programs in lung and it's -- we're running two horses to identify, which one and which patients provides the most effective therapy, and it clearly has the potential to go broader than that.

You touched upon what is biologically one of the most interesting hypothesis, which is immunogenic cell death with a vedotin payload. And you see that in the clinic with PADCEV. You see it in animal models. And for those who are interested, you can look at Laurence Vogel's work, [Gustavo Rucci], who's plenty of publications suggesting, which agents potentiate a PD-1 activity.

So we have a hypothesis. We have some data that seems to support that. We look at the response rates and the duration of response you see in combination with PD-1 for both these molecules. And now we just need to let it play out in a Phase 3 clinical setting. But we are very optimistic that these are going to form an important part of the backbone for the future management of PD-L1-based therapies.

Akash Tewari - *Jefferies LLC - Analyst*

Understood. We are out of time, but thank you so much. I really do appreciate it.

Andrew Baum - *Pfizer Inc - Chief Strategy & Innovation Officer, Executive VP*

Thank you so much.

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

Thank you.
