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PRESENTATION

Carter Lewis Gould - *Barclays Bank PLC, Research Division - Senior Analyst*

Okay. Good afternoon, and welcome to day 3 of the Barclays Global Healthcare Conference. My name is Carter Gould. I am senior biopharma analyst here at Barclays. I'm pleased to welcome Pfizer to the conference. Representing the company is CFO and EVP of Supply Chain, Frank D'Amelio. We're also joined by Chuck Triano, SVP, on the IR Squad. I want to welcome both of you as well say thank you and congratulations to the Pfizer team on all the success in developing and rolling out the vaccine. It's truly been astounding to watch, and it's -- particularly acceleration in the past weeks and months, it's been truly remarkable.

So I believe Chuck is going to make some opening comments and Frank as well, and then we'll get into Q&A. Thank you.

Frank A. D'Amelio - *Pfizer Inc. - CFO & Executive VP of Global Supply*

Thanks, Carter.

Charles E. Triano - *Pfizer Inc. - SVP of IR*

Great. Thank you, Carter. Thanks for hosting. Good afternoon, everyone. Just give the usual safe harbor. Of course, there will be forward-looking statements that are made by Frank and myself during today's presentation, and actual results could be differ -- different than those.

And with that, I'll turn it over to Frank, maybe for a couple of minutes of opening remarks.

Frank A. D'Amelio - *Pfizer Inc. - CFO & Executive VP of Global Supply*

Thanks, Chuck. Thanks, Carter. Good day, everybody. Delighted to be here with you all today, and thank you for your interest in Pfizer.

So just maybe very short opening remarks, maybe a comment or 2 on 2020 actual results and a little bit about our 2021 guidance, and then we'll get into the Q&A.

So from my perspective, in 2020, we had a really solid performance year from an operating perspective. Revenues were up operationally, excluding Consumer for the full year by 8%, and for the fourth quarter, they're up 11%. We generated almost \$42 billion in revenue for the innovative part of our company, less Upjohn. And we generated almost \$14.5 billion in operating cash flow. So very solid performance in 2020.

In terms of the guidance that we provided for 2021, if you look at our overall guidance, including COVID, the \$15 billion in COVID revenues, revenues are growing operationally 41%. EPS is growing operationally 38%. If you remove the COVID revenues and the COVID P&L from our overall numbers, and you go to just, I'll call it, our business without COVID, the top line next year is growing operationally 6%. EPS -- adjusted diluted EPS is growing 11%. So from my perspective, we've got a nice operational rhythm going relative to the operational performance of the business.

so Carter, with that, I will turn it over to you. And once again, I'm delighted to be here with you and everyone today.

QUESTIONS AND ANSWERS

Carter Lewis Gould - *Barclays Bank PLC, Research Division - Senior Analyst*

Great. So as I kind of pointed out in my opening comments, the vaccine piece seems to evolve almost daily. We get sort of updates. And I thought it would be a good opportunity for you to kind of give us a little bit of a sort of a state of the state on where we stand in terms of manufacturing and rollout. Putting aside the guidance, that is what it is, but there have been a number of updates on contracts and moving forward on distribution. Your partner talked up advances on manufacturing recently. And your CEO was making comments this morning, I think, on addressing some of the adolescent population. So I figure it would be a good opportunity for you to sort of set the stage.

Frank A. D'Amelio - *Pfizer Inc. - CFO & Executive VP of Global Supply*

Sure. So we've been making really good progress in terms of stability testing and manufacturing efficiency. Let me hit each one of those, and then maybe what I'll do is talk a little bit about the emerging variants of the virus.

So first, on stability testing, we now can have our vaccine stored in a regular freezer, the kind of freezers that you have in your home for 2 weeks. That's in addition to what we've said previously, where it could be stored in a regular refrigerator, the kind that you have in the house, for 5 days; and our thermal shipping container, which we designed for up to 30 days, and when you refill it with dry ice in one of these ultra low-temperature freezers, for 6 months.

And in terms of our cold chain requirements, they have not been an impediment in any way relative to our ability to deliver the vaccine on time or in terms of vaccine provisioning.

Now in terms of manufacturing efficiency, I think the way I'll do this to start is let me run some numbers. So initially, we were supposed to deliver 100 million doses to the U.S. government by the end of March. We're now at 120 million. We were supposed to deliver 200 million doses by the end of July. We'll now deliver that 200 million doses by the end of May. And now we will deliver 300 million doses, up from the 200 million, by the end of July, and we're obviously trying to even accelerate that further.

For the full year, we had originally said we thought we could do 1.3 billion doses. We're now at 2 billion doses. And obviously, we're working to improve upon that number as well. So from my perspective, very significant improvement in terms of our supply chain capabilities.

And how have we done that? We've -- in many ways. The specialist syringe, where we're getting 6 doses per vial now instead of 5, we've doubled our batch runs per week. We've doubled the yield in each of those batch runs. So that's almost a factor of 4 compared to where we were originally. We've expanded our own facilities with existing manufacturing lines. We've added new suppliers. We've added new contract manufacturers. So you put all of that together, we've really, really made, I think, significant progress in terms of our manufacturing capabilities and our ability to produce and supply and deliver the vaccine. So really good progress.

A little bit now on the emerging variants, which is we've been working with our partner, BioNTech, in terms of trying to understand what impact it would have on the protection that our vaccine provides. And to date, we've seen no evidence that would suggest there is a loss of protection in terms of the protection that's provided by our vaccine. So I view that is obviously a good thing.

Now we still -- given all that, we still want to stay ahead of these emerging variants. And so hopefully, one of the things you noticed is we announced recently that we will be evaluating a third dose of our vaccine, a booster, to understand the durability of immunity and the efficacy against these emerging variants of the virus. So that's kind of, I'll call it, maybe a quick summary of everything that's been going on.

And you mentioned guidance. Let me just touch for a minute on guidance, which is, to the point about contracts, which you alluded to, Carter, it's fluid. We have negotiations going on constantly. We're in discussions with various governments. And so the intent would be for us on our earnings calls to continue to provide updates on our COVID revenues and then what that does to our overall financial guidance. So that's the intent.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Perfect. I think that helps bring clarity to a lot of our questions. One of the comments you guys made over the summer, and then we heard it from you, I guess, on the last earnings call, was around the longer-term business model here as we move from a pandemic to an endemic phase. Clearly got a lot of focus on the street. And in particular, some of your comments around the potential for higher pricing. I think one of the things that people point to is both the optics of that as well as some of their experience with the flu market. Now this is absolutely different. But I was hoping you could maybe give us a little bit more depth on your thoughts here and around the potential to pursue higher pricing down the road?

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

Let me hit 2 different parts of that. I think one was just, I'll call it, kind of the enduring -- kind of the durability of the franchise, which is what I kind of heard in the first part of the question. And then pricing, I thought I heard in the second part of your question. So let me hit on both of those, see if I cover each of those.

So in terms of, I'll call it, the business going forward, although we're not certain, based on everything we've seen to date, we believe it's becoming increasingly likely that an annual revaccination is going to take place. And we believe that, that's going to take place for the foreseeable future, most likely a single dose, but that's what we see based on what we've seen to date. And not as -- so we don't see this as a onetime event, but we see this as something that's going to continue for the foreseeable future.

Now in terms of pricing, let me see if I can hit on that. So if you look at how current demand and current pricing is being driven, it's clearly not being driven by what I'll call normal market conditions, normal market forces. It's really been driven by kind of the pandemic state that we've been in and the needs of governments to really secure doses from the various vaccine suppliers. So what we believe, what I believe is as we move from a pandemic state, from a pandemic situation to an endemic situation, normal market forces, normal market conditions will start to kick in. And factors like efficacy, booster ability, clinical utility will basically become very important, and we view that as, quite frankly, a significant opportunity for our vaccine from a demand perspective, from a pricing perspective, given the clinical profile of our vaccine. So clearly, more to come here. But we think as this shifts from pandemic to endemic, we think there's an opportunity here for us.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

I wanted to just dig in a little bit more in terms of that -- the need to revaccinate annually. Is that being driven by some of the early results you're seeing from the Phase 3 that was running in the fall? Or is it -- I'm just trying to understand the inputs that are going into that.

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

Sure. So no, I think it -- I think I would say it's more from these emerging variants that we're seeing. We've got what now? We've got the U.K. variant, the South Africa variant, the Brazilian variant. And so is there the possibility for more variants to emerge? I think the answer is clearly, there is. So I'd say it's more of these emerging variants that are, at least in terms of what we've seen to date, why I've made the statement that I just made.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Okay. And then there's been some talk around other applications of the platform beyond COVID, been a lot of talk around moving into flu. I think there's also been a lot of talk about, again, as we move to more of an endemic phase with COVID, do we see other kind of broader pandemic

preparedness efforts. How do you guys think about that? And is that something we could start to see Pfizer make some progress on in 2021? Or should we have sort of a longer-term horizon on that front?

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

So I think I'll hit on the flu piece of this because I think we've talked about that publicly before, which is we believe that a multivalent mRNA-based flu vaccine has the potential to significantly improve flu vaccine efficacy. We also believe that if we can significantly improve flu vaccine efficacy, we can also, quite frankly, significantly increase the overall flu market based on increased uptake. So let me start there.

And then from a safety perspective, obviously, we want to be able to -- be our intent to demonstrate safety and tolerability that would be comparable to, similar to the other flu vaccines that are out there. So from my perspective, the punchline on that is we think that flu represents a potentially significant opportunity for us.

Now you also asked me about timing. From a timing perspective, we think we could try to get some early clinical data late this year and hopefully, a proof-of-concept within a year from now. That's kind of the time line that we're thinking about relative to the flu. But we see flu, at least currently, we see flu as potentially a significant opportunity for us.

Charles E. Triano - Pfizer Inc. - SVP of IR

And Frank, I would just add, probably similar to the COVID vaccine where we had several different variants of the vaccine when we went into the COVID studies, we'd probably take the same approach with an influenza vaccine, take a few different modifications of the vaccine and look at it that way.

We also have said, without being specific, but we have said that the platform mRNA itself, we expect, will provide another leg of the stool, so to speak, of our vaccines research platform. In terms of other applications, beyond flu and beyond COVID, we haven't been specific at this point, but given how much we've learned through this process, we do see that there are potential even additional opportunities for this platform.

And I think we can all agree on the Zoom meeting that mRNA has been validated. So I think this really opens the door for us to really look at other potential applications of mRNA.

So premature to get into what might those be, but just I would offer, we are looking at those, and we may see some interesting potential additional applications here.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Great. Maybe moving on to capital allocation here. We can debate the magnitude and the durability of the revenues that are coming in from COVID, but they're there. They're sizable. And I don't think anybody expected them to be there at the start of last year. At the same time, your capital allocation strategy has largely just been reaffirmed. I guess, does that in any way sort of change the calculus, either around more deals or larger deals or faster dividend growth or a special onetime dividend, particularly as you haven't received much credit for your pipeline thus far?

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

So let me run some numbers, and then I'll answer the question, which is, we said on our last earnings call, we said that we assumed about \$15 billion in COVID revenue. And we also said that our income before tax as a percentage of revenue, so obviously before taxes, is high 20s. So if you take that number and you hit it by our effective tax rate, we guided to approximately 15%. You'll get a kind of a return after taxes of approximately 25%. So 25% times \$15 billion is \$3.75 billion. So let's just translate that net income into incremental cash. We won't worry about things like incremental CapEx or incremental working capital that could offset that. We'll just leave it at the \$3.75 billion.

It's a substantial amount of cash. But relative to Pfizer and our capital structure, it's not going to change our thoughts in terms of how we prioritize capital allocation. So from my perspective, our priorities remain the same. What are they? We continue to pay a healthy dividend. You saw us increase the dividend again this year of \$0.04 on an annual basis over last year. We continue to invest in the business. Obviously, continue to invest in our R&D pipeline and bring that forward. And obviously, we'll continue to do business development based on those variables. And obviously, whenever we're deploying capital, our objective is always to be very prudent with our shareholders' capital but always to maximize shareholder return in terms of how we deploy our capital.

Now you also mentioned biz dev, Carter. So maybe I should spend a minute or 2 on biz dev. And one of the deals maybe I should call out is the Myovant deal that we recently did, because it's an interesting tuck-in for the company, right? It's -- so one of the questions I get asked is, "Frank, give us some context around the size of the deals you're looking at doing." And I think Myovant is a good example. So let me spend a little bit of time on this.

So first, we never say never to any size deal, right? One of the nice things about Pfizer is we have the ability to do a very large deal if we so chose to do so. But our focus now is on tuck-in deals, smaller deals, tuck-in deals like Myovant that, quite frankly, generate revenue now and will generate revenue later. And then smaller deals, and I'll call it the Phase 2b, Phase 3 things, that will help us grow, continue to grow right through 2025.

Now let's maybe spend a minute or 2 on the Myovant deal. So the Myovant deal, from my perspective, shows a couple of different things. One, it fits in very nicely with our existing infrastructure. It's why I called it a tuck-in deal. We can easily add sales force details because -- we could easily add sales force details because we're already detailing prostate cancer and women's health in our oncology unit and our internal medicine unit. So it's an easy tuck-in, which is kind of the term I used earlier on.

And I think the other thing it demonstrates is when there's a medicine with an attractive profile, Pfizer can very much so enhance the commercial opportunity. And I think we've demonstrated that with Eliquis. We've demonstrated that with XTANDI. I think we're being viewed now as a partner that could be very effective in enhancing these kinds of commercial opportunities. We actually have companies seeking those out for these kinds of partnerships.

So that's how I think about capital allocation and then how we, how I think about business development right now going forward.

Carter Lewis Gould - *Barclays Bank PLC, Research Division - Senior Analyst*

Okay. That's helpful. Maybe moving on to some more, I guess, product-specific questions. Abro and certainly, the JAK franchise has been in the news recently. I think the abro launch is a critical piece of the story. At the same time, a lot of competitive intensity, also launching -- trying to launch a product and still in the -- even if it's a tail end of a pandemic. That seems like a pretty challenging set of headwinds, even before we ask about any of the questions around the class. I guess, so what gives you the confidence you're going to reach the targets you've outlined for abro?

Frank A. D'Amelio - *Pfizer Inc. - CFO & Executive VP of Global Supply*

So what we've said, what I've said is we expect a revenue CAGR through 2025 of, call it, at least 6%. So let me do this. Let me kind of run through the piece parts of that, why we believe we can do that. I'll talk about abro. And then obviously, I'll talk a little bit about abro in terms of the atopic derm opportunity.

So first, in terms of the piece parts that would contribute to the 6% revenue CAGR, because you framed the question, Carter, as part of our ability to achieve what we've said publicly. So I'd say the first piece is our in-line portfolio. Quite frankly, our strong in-line portfolio. We believe that has the potential to deliver approximately \$8 billion in incremental revenue between 2020 and 2025. That's things, medicines like IBRANCE, Eliquis, Xeljanz, VYNDAQEL, XTANDI, Braftovi/Mektovi, oncology biosimilars. So kind of, I'll call it, contribute to one in-line portfolio.

Say the next major contributor, our pipeline, where there's up to potentially 25 launches by 2025 with 9 potential blockbusters. So what are some of those blockbusters? Abro, DMD, TALZENNA, the RSV vaccine, the C. diff vaccine, the pentavalent vaccine for meningitis, ritilecitinib, so -- hem a. So those are -- so from a pipeline perspective, 25 launches potentially by 2025 with 9 potential blockbusters.

Now I mentioned abro in those contributors. But the way I think about it is abro is one of many contributors to that 6% growth CAGR. And we really don't depend on any 1 or 2 growth factors to really achieve that number. We've got many, many contributors, many growth factors that are contributing to that number. So that hopefully kind of frames abro.

Now in terms of abro from an atopic derm perspective, we think atopic derm has significant opportunities for growth. So maybe let me run a few numbers with this and see if I can hit it. So we currently believe that in the developed markets across the globe, there's approximately 4 million atopic derm patients that are being treated with a systemic therapy. We think, over the next decade, that's going to double. Now you mentioned there's other players trying to get in, trying to be new entrants. And our perspective on that is, one, obviously, we want to be in. And as other people come in, we think that actually helps the class because there'll be more promotion, more physician education, more patient activation. And we believe we will clearly, among others, but we will benefit from that. And when we look at the atopic derm market, we think it's underserved and clearly, has room for new entrants.

So when you put all of that together, you put all the pieces in that puzzle together, we clearly think that there's a nice opportunity for us in atopic derm.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Okay. And maybe a follow-up there. Any updates following the tofacitinib Phase 4? And any implications across the rest of your JAK portfolio at this point?

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

So this is the JAK in particular you're asking me about, right?

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Yes.

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

So obviously, we can't comment on the FDA's perspective, but we can -- I can provide some color commentary on our perspective, which is the ORAL, the Xeljanz ORAL Surveillance study, we believe, was the most extensive clinical study ever conducted for any JAK inhibitor versus standard of care. Extensive additional analysis is -- on the study data is now being performed and discussed with the FDA. We should complete all that work, complete that process in the near term. And if any modification is required to the label, obviously, that will be the time we will also show when the additional study data, the new additional study data would be made available.

So the punch line is, we do an extensive analysis on the study data, we're in discussions with the FDA and more to come.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Perfect. Great. Maybe moving to another key growth driver, and that's VYNDAQEL, who had -- which had a really strong kind of second half. I guess the question is really around the sustainability of that growth, how much of that was sort of some of the cadence of COVID dynamics in the year

impacting it? And particularly OUS, which clearly seem to hit another gear, maybe some of the nuance there. Was there more catch-up demand or other elements that maybe I'm missing?

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

So VYNDAQEL, let me -- I'm going to answer this with a lot of numbers and then a little bit without numbers. So VYNDAQEL last year, the \$1.3 billion of revenue was up 170%, just in terms of -- to punctuate the point that it's been a really strong growth driver. So let me run some numbers on VYNDAQEL.

So before we launched VYNDAQEL, the diagnosis rate was 2%. At the end of last year, the diagnosis rate was 21%. At the end of last year, more than 20,500 patients have been diagnosed; more than 14,500 patients have received a prescription; and more the 8,500 patients have received the drug, some of whom received the drug at no cost because of our patient-assistance programs.

Now based on benchmarking, we think we can get the diagnosis rate into a range of 30% to 50%. And we actually think it can get into the higher end of that range. Why do we think it can get into the higher end of that range? Broad awareness and education programs with our health care physicians, the appropriate use of noninvasive diagnostic procedures and then artificial intelligence and machine learning tools that we at Pfizer are developing to help support patient identification.

And then you mentioned outside the U.S. Some of the markets where we're really strong last year, places like Germany, places like Japan, where we have a strong referral network. So when you put all of that together, VYNDAQEL has been a really strong growth driver for the company. We expect it to continue to be a very strong growth driver for the company.

Carter Lewis Gould - Barclays Bank PLC, Research Division - Senior Analyst

Perfect. Well, I think we just hit our allotted time. It's been great just scratching the surface here. Frank and Chuck, I appreciate the time today. And thanks again.

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

Carter, thank you very much.

Charles E. Triano - Pfizer Inc. - SVP of IR

Thanks, Carter. Yes.

Frank A. D'Amelio - Pfizer Inc. - CFO & Executive VP of Global Supply

Thanks, everybody.

Charles E. Triano - Pfizer Inc. - SVP of IR

So long.

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