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PRESENTATION

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

So thanks, everybody, for joining us for the Pfizer session. It's very much my pleasure to welcome the company's Executive Vice President of Business Operations and Chief Financial Officer, Frank D'Amelio.

So Frank led the integration of Pfizer and Wyeth. We were just talking about how long he's been in the business and been a CFO. He has an extraordinary amount of experience. He was involved in the sale of Pfizer's nutrition business to Nestlé, the split-off of Pfizer's animal health business, Zoetis. And before joining Pfizer in 2007, Frank was Chief Administrative Officer and Executive Vice President of Integration of Alcatel-Lucent, and so he has a significant financial and operating experience. And obviously, he's helped the company deliver on its commitments over the last several years and enhancing returns to shareholders, so we're fortunate to have him with us today.

Frank, let me turn it over to you for some opening comments, please.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure. Good afternoon, everybody. So I thought I'd just, for a minute, mention our past quarter because we have a rock-solid quarter. We had a beaten race. We printed $13.5 billion in sales, $0.81 in EPS and stock prices performing very well over the last few months. Up -- we're up for the year 17% when you throw in the dividend. At least, year-to-date, if you put the full year dividend on here, it's over 20% for a company our size. I think that's really good performance. So we've been having a good year. Hopefully, when we have the Q&A, I'll have an opportunity to comment a little bit on how I see the rhythm of the business going forward and maybe get to comment a little bit on our pipeline, which we are very bullish about. So maybe that's enough. I could talk for the whole 30 minutes, but...

QUESTIONS AND ANSWERS

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

That's great. Well, maybe you can expand a little bit more on the company's prospects as you see them. Clearly, the company has still the Lyrica patent expiration in front of it, which will constrain growth, but you've discussed a step-up in growth starting early next decade. It's quite compelling. And if you could walk us through your outlook, that would be helpful.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure. Sure, Dave. So the way I think about this is we have the real potential now for a positive change in what I call the rhythm of the numbers, the rhythm of the business. So here's the way to think about it. I think about it in maybe 3 or 4 chunks. So chunk 1, our LOEs. So obviously, patent expirations. If you think about what we had to deal with from 2010 to 2015, we had about $25 billion in LOEs that we had to deal with, more than twice the industry average. If you look at LOEs now, about $2 billion for the year this year -- I'm rounding the numbers, about $2 billion next year, about $2 billion in 2020. And by the way, Dave, to your point, in '19 and '20, what's driving that is the Lyrica LOE. 2021, about $1 billion. 2022 to 2025, $500 million or less. So think about we've got that sweet spot now between 2021 and 2025, we'll have really low LOEs. At the same time, we

have a really strong in-line portfolio, drugs like IBRANCE, Eliquis, Xeljanz, our biosimilars, Xtandi, sterile injectables, emerging markets. And we have a very strong late-stage pipeline, much of which, hopefully, will kick in over that time frame. So when you put that -- you put that package together, you could see a real nice positive change in the rhythm of the business, the rhythm of the revenues now. If you were to say to me, "All right. Frank, translate that into numbers. So what does that look like when you translate into numbers?" If we use 2020 as the base year. And why use 2020? By the end of 2020, Lyrica LOE should be pretty much behind us, right? Hopefully, it hits the middle of 2019. We get the pediatric extension from the end of this year, gets the middle of next year. So by the end of 2020, Lyrica LOE should be pretty much behind us. I think using 2020 as our base year, we can grow that top line mid-single digits, maybe even a little better. And hopefully, one of the things we've demonstrated is when we grow the top line, we will leverage that to the bottom line. I think we do a good job on managing our expenses, being disciplined with our capital. So that's kind of how I think about it. The term I use inside the company when we talk about this is I see there's this really potential positive inflection point in terms of the rhythm of the business. Now our job is to go execute and deliver that. That's what we need to do. So our job now is all about execution.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Great. Maybe we could step back to the current pricing environment in the U.S. and get your thoughts on what the industry is up against and what we would -- what we should be focused on going forward.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

So let me run a few numbers and then I'll answer the question in terms of pricing. But if you look at drug pricing or you look at drug, medicine cost as a percentage of total health care cost in the country, so drugs or medicines as a percentage of total cost -- health care cost, it's about 13%. And if you look, it's been declining. And the reason it's been declining is over the last couple of years, all-in drug price increases have been lower than the rate of medical inflation. So that 13% has actually been declining. I always like to say that because my kids always ask me about this. The visual I always use is a pizza. You order a pizza. You get 8 slices, unless it's a Sicilian. but a round pizza you get 8 slices. 13% is one slice. Yet all the noise seems to be on the one slice, and no one talks about the other 7 slices, which were all the other things that are part of the health care vertical, just to point. I always have a need to just say that. Now put that aside. So going forward now on pricing, what do we think? I think the big thing to look for from a development perspective it's was going to happen with the President's Blueprint on drug affordability. And I think the big ticket item there is going to be what's included, what's stated around rebates. And here's the big ticket item. If you think about list prices of drug manufacturers, of every dollar of list price, we keep, on average, as an industry, $0.58. $0.42 goes to nondrug manufacturers. So to me, the big ticket item here is how do we get much more of the rebates directly to patients because to me the real problem is patient out-of-pocket expense, and the solution is reducing patient out-of-pocket expense. Because so much of the rebates today do not get to patients, they bear more the cost and, therefore, have a higher out-of-pocket expense. So I think the big thing to look for will be the Blueprint and rebates inclusion in the Blueprint and then, specifically, specifics around rebates. I think that's the big ticket item, at least, that where -- you say to me, "Frank, what developments are you looking for?" That's really what we're looking for.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. I want to pivot to your Rare Disease therapeutic area. This is a business segment that Pfizer had set up a number of years ago. People didn't pay much attention, but you're starting to make some pretty impressive progress. Could you talk about that business unit and the momentum you have in the pipeline?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure. So it's interesting. If you look at our Rare Disease portfolio today, it's about, I'm rounding, $2.5 billion a year in sales. It's BeneFix, GENOTROPIN and ReFacto. Those are the 3 major products in our Rare Disease portfolio. And we've been in this business for 30 years. So it's always interesting to me when people say, "Frank, rare diseases, like, well, it's a pretty big number for us." The $2.5 billion is slightly less than 5% of sales, and we've been in the business for 30 years. In terms of some specifics around Rare Disease, I think the first one I mentioned is tafamidis. We've had really

good results recently on tafamidis. This is for the treatment of cardiomyopathy. We plan on filing in the U.S. for that by the end of this year. That could be, I think -- will make a significant indication for us. What's interesting on tafamidis and cardiomyopathy, just to spend a few minutes on this, we think less than 1% of patients that have this disease are diagnosed. And current estimates are 400,000 to 500,000 patients in developed markets with 15% to 25% of those patients in the U.S. So we think there's a huge opportunity here. Now the question becomes, I always get asked about tafamidis, hopefully, this is what you're looking for just at least a little bit, "Frank, if less than was 1% of the patients are diagnosed, well, how do we increase diagnosis?" So I think, first, assuming approval, right, assuming the drug gets approved, we think being the first approved drug in this class will be a catalyst for our physician awareness. And then, obviously, we'll be working with discussing with physicians and diagnostic tools, patient checklist -- patient symptom checklist to enable diagnosis and then, obviously, treatment. So we think we clearly have the significant opportunity here on tafamidis, so that's one I mentioned. We have the rivipansel drug for sickle cell, and we expect some data on that, I believe, to read out next year. And then we just are going to come back to this relative to our 15 in 5 in terms of what we talked about because a couple of these are on our 15 in 5 list. And then we just discontinued the study for Duchenne's, but we actually have a gene therapy program for Duchenne's. That's very interesting, and some early data on that will read out in the first half of next year. And maybe just one of the things we did about a year or so ago is Mikael Dolsten was at a conference, and we had them put on that -- on a chart 15 potential blockbusters in the next 5 years with -- by 2022, up to half of those in 3 years. So if you look at those 15, and I always say, "Time passes. You got to give yourself a scorecard in terms of how are we doing with that chart." We've had, I think, pretty much 5 winners to date and 1 loser. The 5 winners: Xeljanz psoriatic arthritis, Xeljanz ulcerative colitis, Xtandi non-metastatic. We just had the recent BAVENCIO-INLYTA trial results, which were really good. And then this latest is on tafamidis. And then I think the bad guy would be the stopping of the Duchenne's disease drug. So quite right now, we have a real nice rhythm with our business. I've been in this chair now -- I've been with Pfizer 11 years. From my perspective, our pipeline and the rhythm of the pipeline and the strength of the pipeline is the best it's been since I've been here. And hopefully, once again, actions speak louder than words. Results speak the most. Hopefully, our results are demonstrating that. But that's how I talk about Rare Disease.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Excellent. So pivoting back to financial question, the company has evolved its focus on M&A, I think, away from pursuing a mega transaction because you see the light at the end of the tunnel to accelerating growth organically early next decade. But M&A is still a critical part of your strategy. It has been year in and year out. So could you just talk to us about landscape and what investor expectations should be?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure, sure. So I'll be crystal clear about this. On our last earnings call, we tried to hit this head on, and so I'll try to hit it head on again today, which is I always say one of the neat things about being the Pfizer CFO is I have this really strong capital structure. I have this really strong balance sheet. We generate lots of operating cash flow. So I clearly have the ability to do a large deal pretty much anytime I want to. It's one of the privileges of my chair. We do -- but that said, and though we never say never to anything because things can always change, but we don't see the need for a large deal right now. We don't see any need at all. Remember, when you do large deals, and over the course of my career, I've done a bunch of large deals, they're disruptive. Integration is not easy. Integration is a heavy lift. Integration takes thousands of people to do correctly when you're integrating big companies. And right now, with the strength of our late-stage pipeline, I don't see disruption as being good thing, kind of. So what are we focused on? I think, really, smaller bolt-on opportunities and really things that could strengthen our later-stage pipeline, Phase 2, Phase 3 in our strategic therapeutic areas: Internal Medicine, Inflammation and Immunology, oOcology, Vaccines, Rare Disease. And so those are the things where I really think you could see us deploy some capital, Established Medicines to a degree, but that's how we think about it. So right now, we don't see any need to do a large deal. We always say we reserve the right to never say never, but no need to do a large deal right now. We always can, but I don't see any need to do it.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

And what about any potential exits or streamlining?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

So on the exit, the one I get asked about all the time is Consumer, right, in terms of just one of the things we'd been looking at. So on our last earnings call, we said that at that point in time, we had not received an acceptable offer for the Consumer business, so we said we're exploring strategic options. We continue to explore strategic options. Strategic options could continue to be a sale or a spin or a split or a joint venture, which is retaining the business. We always like to keep all of our options open. We said we'd make a decision and communicate it to our -- to the investment community by the end of the year. We fully intend to do that. We will get a decision made and communicate it to the investment community by no later than the end of year. That's really the one I get asked about all the time relative to the portfolio right now.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Pivoting to franchises, IBRANCE has been a phenomenal success. Obviously, ex-U. S., it's starting to kick in as U.S. has flattened out. Could you talk about the prospects in both regions?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure. So first, let me just run some numbers. So this past quarter, IBRANCE sales, $1.27 billion, 19% revenue growth operationally, 2% in the U.S., which is your point. And then it more than doubled outside the U.S. on a year-over-year basis, So strong performance overall, but the U.S. a little bit slow. So let me talk about IBRANCE and try to answer your question to the best of my ability. So we think about IBRANCE in terms of 3 growth phases. So Phase 1, the current late-stage approved indication, which, by the way, when you think about breast cancer, that's the smallest population. I always try to draw -- I always draw a triangle, draw 2 lines across the triangle. The late stage is kind of the top of the triangle, right? The intermediate and early are really the bigger patient populations, longer durations. So right now, even though we're in the smaller population within the sense of the shorter duration, $1.27 billion for the quarter, 19% growth. So Phase 1, current indication sales in the U.S. Phase 2, current indication of sales outside the U.S. This past quarter, first half of the year, year-over-year outside the U.S., sales are more than doubling operationally. So we kind of have real nice growth from Phase 1. Right now, we're getting really nice growth from Phase 2. And then if you say to me, "Frank, what's Phase 3?" Assuming positive data, an indication in the adjuvant setting in the U.S. and EU. And all of a sudden, we got a real nice rhythm going on in that business. Maybe just once again, I always like numbers, right, so a few numbers on oncology. One thing is, clearly, one immediate opportunity is to penetrate the lower-prescribing oncologist. That's an immediate opportunity in the U.S., we think, for sure. Then if you look at share, we look at market share for, let's see, new prescriptions, so kind of total share, new prescriptions for the class, about 70%. Our market share for total prescriptions for the class is about 60%. Once again, lots of opportunity there to grow the class. And if we grow the class, clearly, we'll take a big piece of that share. So even despite the great growth we've had in the U.S., we still see opportunities to grow further compounded with what we believe we can do outside the U.S.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. And Xtandi has been a strong growth driver, if you could talk about the latest indication and then the ability to continue to grow that franchise in the face of ZYTIGA generics.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure. So once again, this past quarter on Xtandi, we did $171 million in sales, 21% operational growth, so strong performance. In terms of Xtandi, so to your point, we just got the approval recently for non-metastatic. So if you compare Xtandi to, what you just said, the ZYTIGA generic, so we don't think the ZYTIGA generic has much of an impact on Xtandi. Xtandi is approved for metastatic and non-metastatic prostate cancer. ZYTIGA is only approved for metastatic. The ZYTIGA generic, also, you need to take a steroid with that. And with Xtandi, you don't. So we think Xtandi is very strongly differentiated relative to the ZYTIGA generic. And we don't think it'll have much of an impact on our drug.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Let me pause there and see if there any questions from the audience. Yes, question upfront here, please.

Unidentified Analyst

So you previously touched the point on drug pricing and rebates. And people have been talking about the inefficiencies and misaligned incentives in the supply chain. So wonder how do you think about different payment mechanism as an alternative to the rebate and what role Pfizer could play in terms of better aligning those incentives.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

I didn't hear the question, quite -- did you hear...

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Yes. The question was there's been discussion about misalignment of incentives and the event of pressure on rebates. How do you see Pfizer's role in working in the new environment?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Okay. So in terms of misalignment, I think I tried to hit on this before, which is to me, the biggest misalignments right now is the amount of rebates we pay as a pharmaceutical company, the pharmaceutical industry and how little of those rebates actually get to the patients. And to me, the biggest thing we can do is get much more of those rebates directly to patients. That's how I think about it. That will really get at the patient out-of-pocket drug expense. Listen, there's other things to be looked at. Value-based outcomes is clearly one that could be looked at, for example. Free riding outside of the U.S. There's multiple areas where there's opportunities. But to me, the big ticket item where I think we can have a very big impact quickly is getting more of the rebates to patients and reducing patient out-of-pocket expense because the way I think about this is, I always start with what problem do we need to solve, that's where I always start. To me, the problem that needs to be solved is patient out-of-pocket expense.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

So pivoting back to another key franchise, Prevnar. If you could discuss that franchise momentum U.S. and ex-U. S. and what to watch going forward.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure, sure. So once again, the past quarter, $1,250,000,000 in sales on Prevnar, 7% operational growth globally, 6% in the U.S., 8% outside the U.S., really strong performance relative to our franchise. In terms of the rhythm of that business going forward, we expect -- we can see nice, strong growth pediatric indication, particularly outside the U.S. and there, particularly, in emerging markets. It's been doing very well. That will be offset somewhat by the U.S. adult indication simply because there's a lower, what is it, unpopulated -- or non-vaccinated population, right? You had the big catch-up opportunity with pretty much -- we've fairly covered that turf, so there's a much lower population that is unvaccinated. We think the U.S. adult will steady state out in couple of years. So nice growth with the pediatric indication. We'll have a little bit of headwind, nothing partial offset with the adult indication from the U.S. But net-net, we expect that indication to -- we expect that drug to continue to grow.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

And what about the adult opportunities ex-U.S?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Yes. The adult opportunities in the ex-U. S. are absolutely there, yes. I should have mentioned that.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Could you talk little bit about the biosimilar business? Obviously, you've been pretty vocal on the struggles in competing with the entrenched players in the U.S. market. What do you see changing going forward? And what are the prospects?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

So first -- so this past quarter, $188 million in biosimilar sales. It was up 44% operationally, more than doubled inside the U.S. 14% growth outside of the U.S. where the bulk of those sales have been year-to-date. Now -- but we've talked about -- kind of we call it -- I'll call it anti-competitive maneuvers by some of our competitors in the space where if they've got a big drug, they leverage that big drug, they pay big rebates on that big drug. And it really kind of doesn't enable us to be able to sell our drug to the same customers. But once again, if you think about ways to reduce patient out-of-pocket expense, clearly, biosimilars is an opportunity to reduce patient out-of-pocket expense. So once again, we look at the Blueprint and, once again, for the question about alignment that the young lady asked me, one of the other things to look for is what can be done to be an accelerator of biosimilars where we would play very nicely? So it's growing nicely now. I think it has the ability to grow a lot more, but we may need some regulatory help on this. And once again, it's an opportunity, I think, in the Blueprint to enable it.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Pivoting to the pipeline, you mentioned tafamidis. That's obviously been great news for Pfizer and for patients. What's the next to watch that's most important in terms of pipeline readouts?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

So maybe for the near term, so just kind of near term, let's see, I'll make sure I don't miss anything with this. We have 3 PDUFA dates in our oncology business by the end of the year. They all have priority review: dacomitinib for lung cancer; glasdegib for leukemia, AML; and talazoparib for breast cancer. So that would be one thing to look for. You mentioned that tafamidis for cardiomyopathy. This Saturday, I believe, we are presenting data on our JAK3 for alopecia. It's a Phase 2 study at the European Academy of Dermatology & Venerology, I believe. We just had this -- the favorable BAVENCIO-INLYTA combination results for kidney cancer. I believe that's the first positive Phase 3 combination study. Obviously, we plan on filing that in the U.S. We have a couple of tanezumab Phase 3 studies in 2019. One is for OA, osteoarthritis. And the other one is for chronic lower back pain. And then we have the Xtandi ARCHES study for metastatic hormones -- hormone-sensitive prostate cancer. And I believe that's going to read out either this year -- I believe it's this year -- the remainder of this year. So those are probably near term, the things look out for relative to our pipeline. Once again, just to come back to kind of when I got here to today, when I got here, if you had asked me that question, I wouldn't had a whole lot to say. When I get asked pipeline questions today, I have a whole lot to say, which is part of why I said -- what I said relative to M&A.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

And with respect to Prevnar, so to go back to that one, Merck has a 15-valent vaccine, which would offer more coverage than your 13 valent, but you have a 20-valent vaccine that's in the pipeline as well. Could you update us on the 20 valent progress?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure, sure. So on the 20, we just recently got a POC. We had a POC approved, proof of concept, on our 20. So we think we're close in terms of, I'll call it, one of our competitive, at least, our current estimates in terms of our competitive get to the market versus when we could get to the market. We think with our 20 valent, which would have 5 valence more than our competitors, if we are close in terms of getting to the market, we think the strength of the current franchise and how good the drug performs, combined with the additional valence, we think we can get there, and we think we can keep that franchise growing very nicely. So our job on Prevnar 20 is all about execution. And one of the things we're doing, Dave, is, this year, I've actually swung R&D money around. We've moved capital. We had exited neuro internally, really did more in terms of doing that externally. I took a bunch of that money where we pivoted it -- we pointed it to Prevnar to speed up the development of that program. So we're all in on getting that Prevnar 20 to market as quickly as we can. And obviously, we're looking at the timing of our competitor's potential market entry as well. And our job is to get it to market in a way that continues to keep that franchise growing strongly. That's what we need to do.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. And what's next to watch there?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

I think just continue to watch our study results, how we do with our study results as the study translates. Like I said, we've gotten up a POC approval, so now we move post POC, which means we start spending a whole bunch of money on that franchise -- on that product.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. And with respect to the IBRANCE opportunity in the adjuvant settings, clearly, that offers tremendous potential. Could you just update us on that opportunity and the timing?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure. So on IBRANCE, as I mentioned before, we've done exceptionally well with the current late-stage indication that we have approved. We think we can be a significant player in the adjuvant setting in the early stage. Obviously, if we're a significant player, it will be very beneficial for the patients and be very beneficial for our shareholders. I think the thing to watch is we're anticipating data, once again, I think, by the end of this year from the PALLET study. And that will be our third study in this setting. And the first 2 studies in this setting were both positive. And Chuck, I have the date right on this just to make sure. By the end of this year, give or take. So I think in terms of the watchout, which is what you asked me, Dave, I think the watchout is the results of the PALLET study, and that's near term.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Turning back to the financials, we just got a few more minutes. So you obviously haven't provided guidance beyond 2018. But you -- could you discuss the company's margins and the outlook for those margins? I'm sure you have operating leverage in certain areas. You're going to have the negative impact of Lyrica. Just help us understand the business outlook.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Sure, sure. And I'll do this in a couple of bites. So I think -- so next couple of years, I think because of the Lyrica LOE, that will put some headwind on our margins. Once again, we clear the Lyrica LOE, we get to that 2020 base year, I think, clearly, there's a real nice opportunity for margin improvement. I think it will be driven by revenue growth. That was that rhythm, the inflection point that I've talked about at the beginning of the -- of our conversation. And then, once again, we get revenue growth. We will leverage that to the bottom line. We'll make sure we do a good job

of cranking that through to the bottom line, so that the bottom line is growing at a rate that's nicer than the top line. Now you think about some of the trends in the business, right? We got really strong alliance revenues. This past quarter, $987 million. They grew 34% operationally. It's really driven by Eliquis and Xtandi. By the way, Alliance revenues are literally 100%. Yes, we booked those as basically 50% of the profit -- the gross profit of our partner that drops right to the bottom line. That's a real tailwind on margin. Growth in emerging markets is a headwind in terms of gross margin, but very little R&D. So once again, strong relative to overall margins -- operating margins. So we kind of clear this Lyrica LOE. We'll do our best, obviously, to manage our margins through the LOE period. Hopefully, we've demonstrated -- we've done a very nice job, I think, of managing our operating margins over the years through all the LOEs. We'll continue to do our best to do that. But I think we get past the Lyrica LOE, we have a really nice opportunity to really improve upon our margins. Maybe one other point to make here, come 1/1/19, our Essential Health business as currently constituted goes away, right? Sterile Injectables, Anti-Infectives, Biosimilars are all going to move into the Innovative business. And we're going to have an Established Medicines business that we've announced recently, and that will be primarily focused on emerging markets with branded generics. So the brands that will be in that business will be things like Lipitor, Celebrex, Norvasc, EFFEXOR, those kinds of brands. And we announced the leader for that business. That leader will be located in China. So just thought I -- in terms -- as we look at the business going forward, we've kind of -- we've made a little organizational change, and I want to make sure I pointed out to you and to everybody in the room.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

And let me just follow up on that. And so will that cause any inflection in the profitability of the company overall? Or is there more investment or are there more cost efficiencies as a result of that change?

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Yes. So I don't see any negative impact, the result of the change. Obviously, whenever you do an organizational change, there's a bunch of work that needs to be done to reflect it in, I'll call it, financials, get it right operationally. We're moving very quickly with this. We only announced Essential Medicine. The announcement for the leadership team came out this week. We'll have everything in place for first quarter reporting. So the answer is no. And the thing with this, I always find, is it's almost like an integration. You want to go really fast. You want to have the playbook kind of drawn up before you announce it. And then once you announce, you want to be in execution mode. You don't want to be in planning mode. We had the playbook all drawn up before we announced this. This way, once we announce, we go right into execution mode. We're not drawing our plays on the board. We're executing plays. So no, I don't see any negative impact as a result.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Okay. Great. Well, thanks, everybody, for joining. Thanks.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

It's always a pleasure. Thank you all for your time, everybody.

David Reed Risinger - *Morgan Stanley, Research Division - MD in Equity Research and United States Pharmaceuticals Analyst*

Appreciate it.

Frank A. D'Amelio - *Pfizer Inc. - Executive VP of Business Operations & CFO*

Yes.
