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PFE - Pfizer Inc at Goldman Sachs Healthcare CEOs Unscripted: A View from the Top Conference

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PRESENTATION

Keyur Parekh *- Goldman Sachs Group Inc., Research Division - Equity Analyst*

Thanks for joining us. My name is Keyur Parekh, and I cover the European pharma names at Goldman Sachs. And Albert, it's a real pleasure to have you here on your third official day as Pfizer CEO and your first official Pfizer CEO presentation, so thank you very much for joining us.

Albert Bourla *- Pfizer Inc. - CEO*

Thank you for having me.

QUESTIONS AND ANSWERS

Keyur Parekh *- Goldman Sachs Group Inc., Research Division - Equity Analyst*

Pleasure. So let me start off by saying Pfizer has gone through multiple kind of strategic changes over the last 10, 20 years. What's your vision for Pfizer?

Albert Bourla *- Pfizer Inc. - CEO*

Happy New Year to all. And I think it's important to remember that I'm coming to become CEO, but I was a member of this leadership team for many years. So the vision that we have in Pfizer was a collective vision. And actually, if I can say, I think the success of the vision was because Ian was able to make not his own vision but our vision. And things were happening for a change. What I want to say is that things that would change in Pfizer right now is not the result of a leadership change, it's not the result of a new sheriff in town. But it is the result of very different situation that I'm facing in the start of my tenure than the one that Ian was facing. When Ian took over at the end of 2010, Pfizer has more than $60 billion, $62 billion of revenues. By the end of '15, just before we bought Hospira, we ended up less than $50 billion, $49 billion. So Ian was facing a very severe cliff that was driven by the fact that we have a lot of patent expirations. It was -- there are these LOE wave. And the pipeline at the time was not helping that much. Although I think it was going to be very difficult for any company to do something better than that when you have that big numbers of loss of revenues, in the billions of dollars, over $20 billion of revenues just to operate. Now we are facing a very different situation. Right now, we are facing our last LOE. That will be Lyrica. That will happen in June of this year. And then we have a virtually LOE-free period until the end of 2025, so for a very long period of time. At the same time, we have likely the best pipeline we've ever had at the corporation. So obviously, things need to be done differently now than they had to be done at the time that Ian was running the show. And the difference is that now, we need to maximize the growth potential of the company instead of trying through major financial engineering moves maintain a healthy bottom line growth.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So I want to spend some time talking about each of those 3 elements that you just laid down, which is kind of managing, delivering on growth. I think what you're suggesting was that a lot has been going on from a pipeline perspective that perhaps this creed isn't as focused on -- largely been focused on the financial engineering part of the story. And then lastly, on kind of lack of LOEs, so I want to focus on 3 of those. But as you think about what markers you want to set for the company in the near term, maybe in 12 months' time, kind of on a 3-year view or a 5-year view, how do you deem success over the short term?

Albert Bourla - *Pfizer Inc. - CEO*

I think -- it's inevitable, but for every CEO, the success is measured through -- with total shareholder return, how much your stock was appreciated and how much dividend were you able to pass to the shareholders. But let's not forget that this is only a surrogate point, a very good one because the market really knows how to value your operational value creation. But it is a surrogate point, where fundamentally it is how much you can stay true to your purpose. And the purpose of the pharma company is to bring breakthrough products that save patients' lives. So the operational measurement of success will be our ability to have a constant flow of breakthrough innovation that significantly changes the current standards of care, and that's for the long term. So a way to measure it, for us, it is, we have a list of 15 potential blockbusters that could come by the year -- in 5 years, so it is by 2022 when we put it out in '18. And I think my focus will be to make sure that we deliver more than our fair risk adjustment of this number, and that will be success.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And I think historically, people have been very skeptical of Pfizer's kind of innovation engine. What gives you the confidence today that those 15 candidates that you've spoken about will actually come true and deliver on near-term growth?

Albert Bourla - *Pfizer Inc. - CEO*

Yes. And I don't blame those that they were skeptical because that was the truth that the pipeline was not very productive in the past, actually. The fact that we're going to have an LOE-free period is because we didn't have a lot of products to launch than 50 years back, so that they can lose patent right now, right? So there was a period that we didn't have significant introductions of innovation. That has changed. And that has changed over the last 1 year. That has changed basically the last almost 8 years, I would say, since the Wyeth acquisition. A lot of things have changed in the way that we do R&D. We used to focus on 13 therapeutic areas. This is where we were extended. We're stretched thin in 13 therapeutic areas. Right now, we are having 5 purely innovative areas and I would say 6, together with anti-infectives that we started now, building a bit more after the acquisition of anti-infectives portfolio from GSK and from AstraZeneca, too. So the focus was one of the very important things, the areas that we are. We changed a lot of the people that were doing R&D. We brought a new Head of R&D which came with Wyeth. And since then we have changed virtually all the heads of -- the chief scientific officers. We've put a very, very disciplined process in terms of governance of R&D. And I emphasize the disciplines because it's not rocket science to put a good process to manage R&D. The tough moment is when you have to make the tough decision to stop something because it is below your thresholds of returns while knowing that it is something. And we were very adamant on doing that. So as a result, we have right now, as I said, 25 approximately potential approvals, 15 of which are potential blockbusters defined as more than $1 billion. So there are a lot of things that we have done in R&D. And what gives me confidence is also exactly that, that we are not basing our future growth on 2 or 3 mega blockbusters. It's a very well-spread portfolio of 25 assets, 15 of them could be blockbusters, spread in 5 therapeutic areas. But now we master science on them. We know how to develop products in these areas and we know how to research products in these areas. So this is what gives me the confidence.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I think one of the products which has been hugely successful would be Ibrance. How should we think about the adjuvant opportunity there? Kind of what do you -- how do you see the kind of riskiness of the program and the commercial potential kind of going forward for that?

Albert Bourla - *Pfizer Inc. - CEO*

The potential of adjuvant therapies, both in breast cancer and prostate cancer because we have the same situation there where we have a lead, is very large. The adjuvant treatment, it is affecting almost double the population of metastatic treatments. And also, duration of treatment in this population is much, much longer because, of course, people live for many years. And that's exactly the focus of an adjuvant treatment. So provided that the studies are successful and given the reputation of the product, I think that the commercial potential could be very high. Now are the studies going to be successful? All indicators, right, are very positive right now, but we will have to wait to see the data that will come in 2020.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And as we think about some of the other strategic decisions Pfizer has made over the last kind of 6 to 12 months, I thought the Glaxo transaction was a very elegant transaction. Are you broadly happy with the shape of the company today? Or should we think about potential opportunity for further simplification, restructuring, along those lines?

Albert Bourla - *Pfizer Inc. - CEO*

We did a restructuring and actually we did a much deeper restructuring than maybe people are aware of. The fundamentals, I think, everybody knows, is we restructured our corporation into 3 businesses. And we did that with the lenses of growth. The reason why those 3 has been created the way they have been created is because they serve common growth drivers. In the first, in our biopharmaceutical business, which is the main business of Pfizer is approximately 78% would be when Lyrica goes away of the company. This is a high-risk, high-reward business, but it is investing significantly in risky R&D and has patent protections once you achieve the results, and it is a business that we master, we know very well. That's one. But the growth comes from the next 10, 25 new products that will come. On the Established products, the way that we organized it, it is a business that it is heavily -- depends on Asia and China. This is 20 iconic brands like Lipitor, Viagra, Celebrex, et cetera. They're all sold in Asian and emerging markets. They're all sold in China. And this is a very predictable business. It's low risk, high cash flow business. And the growth drivers of the next 25 breakthroughs is the next 250 million people that are getting access to health care. It is the urbanization and it is the creation of a middle class. But in these parts of the world, this gives us more than 150 million people every year that are getting additional access to pharmaceuticals. This is a business that also we are very, very good. You need to know that in China, we are the largest company right now, not the largest multinational, the largest company, period, in pharmaceuticals. We -- if you -- we haven't announced the fourth quarter results. But if you make the extrapolation of the first 3 quarters, that's a business that should approach approximately $4.5 billion and should have double-digit growth that starts with 2, right? So we are having thousands of people there, and we have manufacturing capacity there. And this business that we created, we moved the headquarters to China. So there is an executive leadership team member that reports to me but is sitting together with his entire group over there. And we have isolated as much as we can from Pfizer. I would use the analog like Sandoz with Novartis when -- yes. Sandoz with Novartis. I would use the same example with this business. And the third was the Consumer business. So that was -- and the Consumer business, the growth drivers are consumers. As people want to have their self-care, there's a tendency for wellness and well-being, and there's a tendency to go straight from -- consumer directly to manage his own care. That is the driver of the business. With Consumer, we thought that we will create significant value if we bring it together with someone else. It's not that it was -- we wanted to get rid of the business. It is that a business like that is extremely sensitive to scale. But when you bring together those 2 companies that will make by far the biggest OTC business in the industry, there's a lot of value to be created not only by taking out cost, but I think also their ability to do business. In the second -- so that I think is going out of Pfizer. So now we are staying with 2 businesses, the Innovative and the Established business. With Established business, our goal is to stand it up right now. As I said, this is a completely new operation that we are creating. People are moving, as we speak, into China. So the first and main goal, it is to make sure that we set up a business that can grow the way that we expect it to grow given the urbanization. And with our Innovative business, of course, the goal is to keep investing in R&D.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Is it feasible on a 2-, 3-, 4-year view that if the innovation engine kind of delivers, the Established business then starts becoming a drag on the innovation-led growth over the next kind of decade, and therefore, housing it under Pfizer may not be the best solution? Or do you think that's not how we should think about your approach to growth?

Albert Bourla - *Pfizer Inc. - CEO*

It is possible. It is possible, but the Established business can grow even further than the Innovative business. It is -- that needs to do very different things to be able to grow. It needs to go to adjacencies, it needs to go to all the generics in China and it needs to keep investing in geographical expansion in Asia, which will take them a decade to be able to saturate the market. So both could grow. If you're asking me, is it feasible, but the 2 we will consider options for -- to separating the 2, we never say never. But right now, as I say, the focus is to build something that can stand on its own in the growth challenges of the particular environment they operate, which is by far the biggest focus.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And you're confident that from an organizational, operational perspective, you can cost apportionate adequately to compete as a stand-alone with the Chinese manufacturers or the Reddy's and the Suns of world as opposed to it being gold-plated by the Pfizer 42nd Street kind of cost structure?

Albert Bourla - *Pfizer Inc. - CEO*

Well, in this part of the world, the quality, it is extremely important. The reason why we are growing 20% in 2018 -- or north of 20% in 2018 in an off-patent environment, it is because that brand names in Asia play a significant role. So it's not because they are cheaper. So I think that the growth drivers are very different than the ones that we are thinking when we think about the Western world. And I think that will continue being a differentiated advantage.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Good. I want to spend some time talking about kind of 2 big picture industry questions around kind of pricing and the broader Washington landscape but also around kind of consolidation. We've obviously seen Bristol-Celgene this morning. But before we go there, any kind of audience questions on the stuff you addressed so far? Asad?

Asad Haider - *Goldman Sachs Group Inc., Research Division - MD & Marketing Strategist*

Asad Haider, Goldman Sachs. Maybe, Keyur, this is where you're going with the question. But just as a follow-up on your strategic priorities, clearly, what's top of mind today is M&A and capital allocation. On the third quarter call, you said, if I recall correctly, that you see large M&A as a distraction. I think you said, in your words, the potential for operational distraction that a large deal brings. Given the news in the industry today and the fact that valuations have come in, can you just maybe update us on your thinking? Has that evolved at all?

Albert Bourla - *Pfizer Inc. - CEO*

Yes. No, my thinking remains the same. Pfizer has -- we are blessed to have a very strong balance sheet. And we can do small or large deals anytime we want. But right now, I feel we have a unique window of opportunity to get it right with our pipeline and the new launches commercially. And already, in 2018, and this is what I was referring, we did a significant restructuring within the company. We were able to reduce significantly our SI&A base in favor of R&D base. And that was -- already was distractive enough. Now I think we are, I think, having this unique opportunity to be able to bring these medicines to people and thrive. So this doesn't change the way that I discussed about it. We never say never because I don't want to corner myself or to make statements but -- without having any reason to restrict myself. But our strategy right now, it is to be able to get our pipeline right.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

How do you think about the political landscape around drug pricing, kind of all the noise that comes out of D.C.? How do you think the industries can change perceptions? And what role can Pfizer play in that perception change?

Albert Bourla - *Pfizer Inc. - CEO*

The political situation obviously worries me and disappoints me, also the way that -- the way pharmaceutical industry is perceived by the public. It's wrong. It's a mistake. I think we play our fair -- we have our fair share to blame. But it's completely wrong. But let me take a step aside. I think the fundamentals for the pharmaceutical industry are very positive in the years to come. And they are driven by 2 main drivers: One, demographics. We have an aging population in the Western world but creates significant need -- medical need, not only for significant higher population because they live longer, but also new medical needs that before were very -- of small importance, now they are becoming very big. So that's one driver. The second driver it is that we are at the cusp of bringing new breakthrough medicines into the world. We have biology, as it collides with digital technologies, artificial intelligence, it's creating -- it's brought science at a level, but pharmaceutical industry will deliver solutions to these unmet medical needs. People need drugs, and we will be able to bring them. Now that being said, I will need to add to these tailwinds, the headwind of the cost to the health care system. And the cost is not drug related, to be clear. It is a very small part of the health care cost, and it's actually the less growing in the United States. But it is because as people are getting older, of course, the health care cost in general, hospitals, physicians, will go high. And when you have high health care costs, that creates political intervention and that creates tensions between the stakeholders and companies like us, but also we don't -- industries like us. But also, we don't enjoy the best popularity that is very well known in this space. So these are the dynamics. But still, despite these pricing pressures that exist, I think the fundamentals for the industry are very positive. Now we have a little bit of uncertainty right now. I think the President works very close with the Secretary of Health, and they have ideas in the way that they want to restrict the increases of medicines or even see them going down. One thing I want to say it is that -- that has already affected the way we do business the last few years. There used to be years in this decade. But we are growing 6%, 7% because of price. In '17, we had minus 2% because of price in the U.S. And in '18, we were in the first 3 quarters minus 1%, minus 2%, right? So then we'll see how the last quarter will go. And we made a statement as pre-guidance for '19 when we did price increases that we expect in the U.S. to be flat in terms of price increases. All the price increases that we are giving into the list price are going to be offset by incremental rebates. So already, the industry has adapted their practices, and we are living this new situation, so it remains to be seen.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And as you -- do you see the potential for a significant legislation that could structurally change drug pricing in the U.S.? Or do you think that's very difficult to achieve in the construct of the existing House and the Senate and the White House?

Albert Bourla - *Pfizer Inc. - CEO*

I think that it's going to be much more challenging to see changes that requires legislation actions. I think we could see easier changes that require administrative actions because of the reasons that you just mentioned.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Coming back to the -- one of the tailwinds you were talking about is on the cusp of real change in science, our understanding of things. A couple of the areas that there's a lot of investor excitement would be around cell therapy, gene therapy. Can you tell us a bit about Pfizer's ambitions kind of in those areas? What technologies or capabilities you think you have in-house versus what you need to build on over the next couple of years?

Albert Bourla - *Pfizer Inc. - CEO*

Yes. I think these are very exciting platforms that have been developed. Let me start with one platform. It's the gene therapy. This is -- actually, I'm going to mention 2. One that we feel that we have very strong internal science and we take very different course, then one that we felt we have great assets but not necessarily the right focus on science to do it. The first is gene therapy. This is an area that we started investing years back. And right now we have 3 programs in the clinic in terms of gene therapy and 10 all together, being 7 preclinical. The 3 in the clinic are in hemophilia B, in hemophilia A and in Duchenne muscle dystrophy. But all of them -- we have those patients. And the ones that are advanced, they are doing extremely well. So the hemophilia B, for example, it is the most advanced. We are already on the third year. And the people that have received the treatment, they still have both therapeutic -- both immediate levels of factor IX. In this area, the way that we try to invest, it is, one, we know that manufacturing is a bottleneck in this field. It is very difficult, and manufacturing right now is happening with pretty much, I would say, still racing with the rolling bottles, et cetera. And we are making -- years back, we started making investments that could scale up gene therapy production. That not only will allow our portfolio to develop further, but I believe also makes us a partner of choice for biotechs that they have assets that they would like to partner given that we would provide this capability and this value-adding activity. So the reason -- the way we did it so far, we try to build a franchise by taking our clinical expertise, for example, hemophilia was an area that we were working for years, and merge with the best vectors in the market. We licensed the vectors, we partner with the vectors and we build the manufacturing capacities they bring with it and that we plan to develop. So full speed ahead with gene therapy for us with investments. Another area that we felt that is very exciting but maybe we are not the best positioned to develop appropriately by us was CAR-T technology, right? And over there, we felt that we will be better off if we created a joint venture rather than just sell it, where we took a significant position of 20%. And then people that they have done it again and again was Allogene Corporation. They take on this a bit with their own money. They bring it to the market, and they take the right people and they try to develop. We feel that, that was probably going to create much higher value than keeping it inside. And that will be our approach to everything we do. We did the same with neuroscience. We felt that neuroscience is not where we have the best capabilities of developing. We created a joint venture with a company, with Bain Capital, and they put their own money and they try to develop these assets. Inflammation and immunology where we feel that we have top-notch scientists running our programs, it's all hands on deck.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

As you think -- and I think your messaging on what Pfizer's plan A is over the next few years is very clear. But from a broader industry perspective, do you see further consolidation, kind of either on the back of something like Bristol-Celgene? We have seen today often the perspective of companies that still have the LOEs yet to come through [in order to fairly] have a strong enough pipeline. So do you think there'll be more big-scale consolidation across the industry?

Albert Bourla - *Pfizer Inc. - CEO*

I think so. I think so. And this is what we have said for many years back, at least what Ian kept saying that the way that the standards are getting stricter and the pricing pressures, likely the industry will consolidate through cost savings at least that they were facing there for stability. But this is going to be as a trend, true, but it is going to be much more, I think as you predicted, profound in people that they have tough times ahead of them rather than people that they have a period of growth in front of them for organic.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Any audience questions at this point in time? I'll carry on then. Albert, as you think about the next wave of innovation at Pfizer, are there particular technologies or areas that really excite you? You obviously mentioned kind of immunology and inflammation as one of core expertise. How should we think about your assessment of your capabilities there, where you think you have strength?

Albert Bourla - *Pfizer Inc. - CEO*

We are investing in 5 therapeutic areas, and we are having platform technologies that are cutting across many of them or they are used to develop one of them. I would say that in Pfizer, one scientific area brought that cuts across many therapeutic areas, it is the immune system. This is an area that we feel that we can scientifically own and build the best company that understands the immune system. And this is -- it goes with our vaccines where the immune system plays a significant role. We have inflammation and immuno-inflammation where the immune system plays a significant role. We have oncology. And we know that a lot of the science in oncology, it is driven by the immune system. But also, in 2 other areas like gene therapy, for example. The major impediment in all these technologies is how to master the immune system so that it will not reject the vector. And the same is with anti-infectives that we are working. It is how anti-infectives together with the immune system can have better results. So this is an area that we are developing very highly. In those 6 areas, we have multiple assets right now that's exciting. I can take them one after the other. In oncology, it is very clear that we have 2 major franchises: breast cancer and prostate cancer. We have leading products in the metastatic form of the disease in both, and we have the leading research programs for the adjuvant therapy in both. And we already announced positive results also for ARCHES, which is the second metastatic adjuvant in prostate, and now have 1 more we started running. We have 2 positive and 1 running. And then, of course, we have 3 -- 2 major in prostate. We have targeted therapies in oncology. This year -- I mean, last year, 2018, we had 4 approvals -- oncology approvals in targeted therapies. Each one of them was a medium-sized opportunity. But altogether 4 as targeted therapies are mega blockbusters, right? And it's an area that we continue. And in immuno-oncology, although it's clear that we were late when it comes to the monotherapies. Where we are investing, it is in multiple combination approach. One of them was just in '18, we announced very impressive results. That was Inlyta with our PD-L1. At the same time, Merck also announced same results with again with Inlyta, our product and their results. So there's a clear synergy between Inlyta and immunotherapy. So these are the combinations that we are working with. We go to immunology. Today, we announced already that we started a new Phase 3 for JAK3 in alopecia. And we started last year a JAK1 study in rheumatoid arthritis. So it is an area that it is progressing very strong. I think we have one of the best JAK portfolio right now in the industry. And on the backbone of Xeljanz that just got 3 new indications that are multibillion altogether, I think we'll give -- we'll propel this very highly. In vaccines, we have multiple vaccines, but 3 that we mentioned in our 15 in 5 is the pneumococcal vaccines 20 valent. This is a great approach right now. At 20 valent, we estimate that likely it will triple the effect that the protection that the 13 is offering right now. It's going again very well. We had a setback with the staph aureus. We announced that the study didn't work, so we stopped it early. I'm very disappointed, but we have to stop. I'm happy that we found it early and we stopped it early, which is basically the nature of the beast. And then we are very optimistic about the C. diff, clostridium difficile, which is a disease that it is -- there is no vaccine for this disease. And it is one of the major killers right now with 30,000 individuals only in the U.S., 25,000 or 30,000 people dying from this. So it's a major franchise. Rare disease, we have tafamidis. And this was one of the most challenging projects that we have in terms of [PTRS] with our 15 in 5 and was successful, a very good indication. You should always be persistent in research because things can come and that we expect to be a significant product, right? So I can go on and on, so it's a very, very strong pipeline.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Now one area that I think, in our organization, I think people under-appreciate conceptually, I think, is vaccines, one I think -- it's one of the kind of really great longevity, clarity of growth profile. What can you do to have a better appreciation of your vaccines business?

Albert Bourla - *Pfizer Inc. - CEO*

To bring more products, right? And right now, vaccines is we're allocating a significant part of our R&D. And we do that because we feel we have a very good organization, so that they can turn this investment into clinical successes. And we have very good leading assets, first-in-class, et cetera, et cetera. So vaccines is a great business. It is the most cost-effective medical intervention that you can find. As a result, there is -- it's very, very little price -- I mean, it's not as price-sensitive as other parts. Usually, they are covered by payers because it's positive for the system to have people vaccinated. And it has high margin as a result. You don't need a lot of promotion. So it's a great business, and we continue investing in it.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

And perhaps slightly provocatively, the other player which has a great vaccines business is Glaxo. You partnered with them on HIV. You partnered with them on Consumer. Do you see any strategic merits in combining the vaccines business?

Albert Bourla - *Pfizer Inc. - CEO*

I don't think that -- we never had any discussions neither with them. The market is quite consolidated. There are 4 players, major players with some of them that have better synergies to combine, with some are not. But it's not that right now we are thinking about it, either to take it out. We would love to buy a vaccine business. Nobody is selling.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

An area where I think the industry more broadly has kind of struggled is biosimilars and adoption kind of in the U.S. From your perspective, what do you think the real hurdles are to greater biosimilar adoption? And what do you think changes that over the next kind of 12, 18 months?

Albert Bourla - *Pfizer Inc. - CEO*

Yes. There is one major fundamental hurdle, and this is the fact that right now, legislation -- there are practices, not legislation, there are practices that are allowing exclusionary contracting. Someone can contract a payer and say that I will give you the rebate if you exclude the biosimilar competition. It's impossible for any payer saying no to something like that, very difficult. Because the biosimilar -- because the business that it has, let's say, to give a number, $1 billion, right, if I'm giving you 30% rebate on a $1 billion, do you know that the biosimilar will take years to bring this $1 billion. So even if you give this for free, he's losing more money than if he takes. So that's something that needs to change. We think this is a clear abuse of the size. It's a clear -- we think that it is very clear antitrust case, and we went to the court. So we will see what will happen.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

We're coming up with the last couple of minutes of time. There's a question right here?

Unidentified Analyst

Just a clarification on the net price benefit that you had spoken about. When you had said that you expect to return it all in rebate, is that on the total portfolio including the Lyrica LOE? Or is that just the basket of products that you took price on, you'd have a net 0 benefit?

Albert Bourla - *Pfizer Inc. - CEO*

It's on everything. It's on everything. And it was on everything in '17, the minus 20. It will be minus 1 approximately, minus 2 this year. And as I said, we expect flat. By the way, that's another statistic which is interesting. In 2017, the total cost of medicines to the U.S. market -- to the U.S. health care system for outpatient medicines, so excluding the hospital, which is a fundamental big part, was 0.4%, the growth in the system. This is how much in '17 the American system paid compared to how much they paid in '16.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Any other...

Albert Bourla - *Pfizer Inc. - CEO*

I would argue for better because there were better products that were introduced, et cetera, et cetera for better health.

Unidentified Analyst

(inaudible)

Albert Bourla - *Pfizer Inc. - CEO*

I don't. And for EU, it's difficult because it's country by country. Yes, but I don't.

Divya Harikesh - *Goldman Sachs Group Inc., Research Division - Research Analyst*

Divya Harikesh, Goldman Sachs. You did emphasize on your focus on your strategy with respect to your pipeline and you're not interested in large M&A. How are you thinking about business development from a bolt-on perspective? What areas in your pipeline are you particularly focused on which you think you need to strengthen at this point of time?

Albert Bourla - *Pfizer Inc. - CEO*

It's a wonderful question. And let me say a few thoughts. First of all, I think there is a lot of opportunity for bolt-on, right? And there is a lot of opportunity particularly for areas that would feed our pipeline. Let's not forget our dogma until a few years back was revenues now or soon when we're looking at business development opportunities. That was our bias. And that was for a reason. Because our growth is challenged, so we needed revenues now or soon. Right now I think this is not what we will need. Post-Lyrica, we think that we will have a healthy growth. What we needed is to build even further it by buying. So that's one. The second is areas. Although we are looking at everything, but areas that I am biased in investing, it is the area -- the 6 therapeutic areas that we are good at because this is where I think as we are embarking into bolt-on moves, we will make less mistakes in choosing well because we know the science and also we have the ability to develop those projects better because we know how to do it. So those what would be, I think, the 2 thoughts that I will offer. Now it needs to make sense in terms of financial returns. And sometimes, it is challenging, sometimes it's easier to do it. But that will be our direction.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I think we are coming up to time. So with that, Albert, thank you very much for your time and thoughts. Really appreciate it.

Albert Bourla - *Pfizer Inc. - CEO*

Thank you very much.

Keyur Parekh - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Best wishes for the new role.

Albert Bourla - *Pfizer Inc. - CEO*

Okay. Thank you very much.
