Co. reported 4Q19 revenue of $12.7b and GAAP loss per share of $0.06. Expects 2020 total Co. revenue to be $48.5-50.5b.
Charles E. Triano - Pfizer Inc. - SVP of IR

Morning, and thank you for joining us today to review Pfizer's fourth quarter and full year 2019 performance and 2020 financial guidance. I'm joined today by our CEO and Chairman, Albert Bourla; Frank D'Amelio, our CFO; Mikael Dolsten, President of Worldwide Research and Development; Angela Hwang, Group President, Pfizer Biopharmaceuticals Group; John Young, our Chief Business Officer; and Doug Lankler, General Counsel. The slides that will be presented on this call were posted to our website earlier this morning and are available at pfizer.com/investors. You'll see here that Slide 3 covers our legal disclosures. Albert and Frank will now make prepared remarks, and then we will move to a question-and-answer session. With that, I'll now turn the call over to Albert Bourla. Albert?
Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Thank you, Chuck, and good morning, everyone. This morning, I will speak about our performance for the year, the continued advancement of our pipeline and the steps we are taking to position Pfizer for accelerated growth, following the expected separation of Upjohn from Pfizer later this year. Frank will then provide details regarding our fourth quarter performance and our 2020 financial guidance.

2019 was a productive and transformational year for Pfizer, in which we generated solid full year financial results. These results were highlighted by exceptional 8% operational revenue growth for the year and 9% in the fourth quarter for our Biopharma business, which will become the new Pfizer following the expected separation of Upjohn. Once again, our Biopharmaceuticals Group, outstanding growth was driven primarily by the continued strong performance from all our key growth drivers. This include Ibrance, Xtandi, Eliquis, Xeljanz, Vyndaqel, among others. Biopharma also generated 14% operational growth in emerging markets in 2019. I would point out that Biopharma’s 2019 growth came from volume increases, not pricing. In fact, pricing had a negative 2% impact in Biopharma’s results.

For full year 2019, global Ibrance revenues increased 23% operationally to become a nearly $5 billion a year product. In the U.S., Ibrance realized robust growth and retained its strong leadership position in the CDK class with a nearly 90% share. Ibrance performance outside of the U.S. was also very strong, and we still see significant opportunities in countries where the use of CDK inhibitors has not yet reached the levels seen in the U.S. Overall, Ibrance is approved in more than 90 countries. It’s the #1 prescribed CDK 4/6 inhibitor globally and has reached more than 250,000 patients.

For Xtandi, alliance revenues in the U.S. were up 20% for the full year, and when combined with our royalty income on ex U.S. sales, totaled nearly $1.2 billion in 2019. Xtandi is the leading branded novel hormone therapy in an increasingly competitive but growing class, with 37% market share in total prescriptions. The robust year-over-year growth was due to continued uptake of the non-metastatic castration-resistant prostate cancer indication as well as prescriber confidence and recognition of Xtandi’s strong data across CRPC. With the recent launch of our extended indication in metastatic castration-sensitive prostate cancer in the U.S., Xtandi is now the first and only oral treatment approved by the FDA in 3 distinct types of prostate cancer.

Eliquis continued to perform well. Pfizer’s share in the global revenues was up 26% operationally to $4.2 billion. This growth was driven primarily by continued increased adoption in nonvalvular atrial fibrillation as well as oral anticoagulant market share gains. Eliquis is now the oral anticoagulant leader in 12 markets across the globe.

Xeljanz had a strong performance with global revenues increasing 29% operationally to $2.2 billion. We are very pleased with the continued positive uptake across all indications: rheumatoid arthritis, psoriatic arthritis and ulcerative colitis, and we continue to launch psoriatic arthritis and ulcerative colitis in new markets.

Looking at our Rare Disease business. Vyndaqel continues to ramp up nicely in the U.S., following the May 2019 approval and launch for the treatment of ATTR-cardiomyopathy. Overall, this first-of-its-kind medicine contributed $473 million in revenue in 2019. Our disease awareness efforts helped drive the diagnosis rate to 9% by the end of the fourth quarter compared with 1% prior to launch. As of the end of 2019, more than 9,000 patients have been diagnosed, more than 5,500 patients had received a prescription for Vyndaqel and more than 3,000 patients had received the drug. These numbers do not include approximately 100 patients who are still in the Early Access Program.

Global Prevnar 13 revenues were up 3% operationally to $5.8 billion. The U.S. CDC also published its updated recommendation for immunocompetent adults aged 65 and older to Shared Clinical Decision Making in the November Morbidity and Mortality Weekly Report, highlighting that a patient can share the decision to vaccinate with PCV13 with a physician, physician’s assistant, nurse practitioner or pharmacist.

Looking at our Sterile Injectables portfolio, our focus on manufacturing recovery is taking shape and beginning to have a positive impact on the top line in the U.S. We have made solid progress with remediation and modernization and expect continued improvement throughout 2020. Of note, while global revenue from our Sterile Injectables portfolio declined 1% operationally for the full year, it increased 5% operationally during the fourth quarter. Additionally, more than 80% of our injectables portfolio is in stock today, and we anticipate this percentage will continue to increase in 2020.
Our global Biosimilars portfolio grew 22% operationally to $911 million for the full year. This was driven largely by 70% growth in the U.S., thanks to the launch of RETACRIT and a gradual uptake of Inflectra. The growth in the U.S. was partially offset by a decline in international markets, driven mainly by Inflectra. We expect an additional contribution from biosimilars in 2020 with the launch of 3 oncology monoclonal antibody biosimilars. Last week, we announced the launches of ZIRABEV and Ruxience in the U.S. market. And next month, we expect to launch TRAZIMERA. All 3 products will be available at a substantially discounted price compared with their originator products.

Full year revenues for our Upjohn business were down 16% operationally to $10.2 billion. The key headwind during the year was the advent of generic competition on Lyrica in the U.S., which was partially offset by 7% operational growth in China. The growth in China was driven primarily by Viagra and Celebrex as well as Lipitor in non-reimbursed channels, which constitutes significant market share in China. We are making good progress with the pre-integration planning for Upjohn’s proposed combination with Mylan, which remains on track for mid-2020. In December, we announced that former Pfizer Chairman, Ian Read, and current Pfizer director, James Kilts, will join the Viatris Board of Directors upon completion of the transaction. We are also working closely with our counterparts of Mylan on the CFO selection process. We expect to announce the appointments of both the CFO and the third director by the end of this quarter. We have great confidence in Viatris, which will combine Upjohn’s strong commercial capabilities and iconic brands with Mylan’s terrific pipeline.

Turning now to R&D. We remain very pleased with the progress we are making with our pipeline. We are expecting key clinical readouts in 2020, several of which have the potential to make this an exciting year for patients hoping for new treatment options. We anticipate sharing data from up to 15 proof-of-concept readouts with contributions from all our therapeutic areas as well as up to 10 pivotal study starts and 5 key pivotal study readouts. I will now highlight some of those expected events.

We continue to expect our 2 event-driven Ibrance early breast cancer programs, PENEOLEP-B and PALLAS to readout in late 2020 and early 2021, respectively. If successful and following regulatory approval, these programs could double the number of patients eligible to benefit from Ibrance. The Phase 2 open-label single-arm anchor CRC study evaluating the efficacy and safety of the combination of Braftovi and Mektovi and cetuximab in patients with previously untreated BRAF V600E mutant metastatic colorectal cancer is currently ongoing. Results from the study will be submitted for presentation at a medical congress in the second half of 2020.

For abrocitinib, our investigational JAK1 inhibitor for the treatment of moderate to severe atopic dermatitis, we look forward to sharing top line findings from the Phase 3 JADE compare trial in the coming months. Pending successful conclusion of the core Phase 3 studies, regulatory submission in the U.S. is projected for the third quarter of 2020, with subsequent markets following later in the year. This study is designed to assess the efficacy and safety of abrocitinib or dupilumab placebo in adults on background medicated topical therapy with moderate to severe atopic dermatitis.

The study also has a key secondary endpoint but it is designed to assess the effect of -- on each severity of abrocitinib compared with dupilumab in adults with moderate to severe atopic dermatitis on background topical therapy. There are up to 5 proof-of-concept readouts expected in 2020 from our industry-leading immunokinase pipeline. Our hope is to advance several of these into Phase 3 trials. These include: TYK2/JAK1 with potential POC readouts for psoriatic arthritis and for a topical formulation for psoriasis and atopic dermatitis; as well as an oral JAK3/TYK for vitiligo and oral TYK2 for psoriasis. This is a great example of our unique strategy to purposefully match a molecule to a disease where we think it has the potential to make the most difference as well as the formulation that we believe has the potential to treat milder forms of disease.

Our gene therapy platform is advancing with promising Phase 1/2 hemophilia A data that is expected to support a Phase 3 start this year. This would be our second gene therapy pivotal study following the ongoing hemophilia B Phase 3 study. In addition, our DMD gene therapy program is gathering additional robust patient data, building on the progress we served at the Parent Project Muscular Dystrophy conference last June. We are preparing for an expected POC in the first half of 2020 and the Phase 3 pivotal study start in second half of this year. We look forward to successfully completing the Phase 3 studies for our Investigational 20-valent pneumococcal conjugate vaccine candidate in adults and remain on track to submit the Biologics License Application to the FDA by the end of this year.

Pfizer’s candidate represents a potential significant advancement compared with the potential 15-valent. If successful in Phase 3 and approved, the 5 additional serotypes may provide coverage against approximately 33% more strains that cause invasive pneumococcal disease in adults and 42% more strains causing the disease in infants in the United States.
For our maternal vaccine for respiratory syncytial virus, RSV, we are preparing for an expected POC in the second quarter of 2020, followed by potentially swift progression to Phase 3. We look forward to sharing more updates on our pipeline during our upcoming Investor Day on March 31.

In summary, we finished 2019 with strong momentum and we look forward to continuing that momentum in 2020. During the year, we generated a solid financial performance, further advanced our strong R&D pipeline and took bold actions to reshape Pfizer into an innovation powerhouse that were built on our legacy of delivering breakthroughs that change patients’ lives. Now I will turn it over to Frank to provide details on the quarter and our outlook for the remainder of 2020. Frank?

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

Thanks, Albert. Good day, everyone. Now moving on to the financials. Fourth quarter 2019 revenues were $12.7 billion, down 8% operationally versus the year-ago quarter. Excluding the impact of the Consumer Healthcare business, revenue was down 1% operationally. Our Biopharmaceuticals Group business revenues were $10.5 billion, up 9% operationally versus the year-ago quarter, with strong operational growth in Ibrance, Eliquis, Xeljanz and VYNDAQEL and a second straight quarter of operational growth for our Hospital business, including our Sterile Injectables.

Revenues for our Upjohn business in the fourth quarter decreased 32% operationally to $2.2 billion, with the primary year-over-year impact again being generic competition for Lyrica in the U.S. that began in July of 2019. Excluding the unfavorable impact of Lyrica in the U.S. and other recent product losses of exclusivity, fourth quarter 2019 revenues for Upjohn declined 6% operationally. I know Upjohn’s business in China has been an area of focus and fourth quarter revenues for Upjohn declined 1% operationally. We saw the expected revenue declines for Lipitor and Norvasc in provinces where the volume-based procurement program has been implemented, and these declines were mostly offset by operational growth from products not impacted by the VBP program, including Celebrex and Viagra.

Adjusted cost of sales as a percentage of revenue was favorably impacted by the July completion of the Consumer Healthcare joint venture transaction with GSK, partially offset by the negative impact of foreign exchange and the Lyrica loss of exclusivity. In the fourth quarter, we recorded a $0.06 loss per share on a GAAP basis, which primarily due to a $2.6 billion asset impairment charge for Eucrisa and restructuring, purchase accounting and legal charges. Adjusted diluted EPS for the fourth quarter was $0.55 versus $0.63 in the year-ago quarter. The decrease was primarily due to lower revenues, again mainly due to the Lyrica LOE in the U.S. and higher operating expenses.

I want to point out that diluted weighted average shares outstanding declined by 281 million shares compared to the year-ago quarter, reflecting the impact of shares repurchased during 2018 and 2019 and partially offset by dilution related to share-based employee compensation programs. Finally, foreign exchange had a negative impact of $158 million or 1% on fourth quarter 2019 revenues and a $0.03 negative impact on adjusted diluted EPS compared to the year-ago quarter. As you can see on the chart, our 9% operational growth in the Biopharma business was driven by strong performance by Ibrance, Eliquis, Xeljanz, Xtandi, VYNDAQEL and Inlyta.

Moving on to 2019 financial guidance. As you can see on the chart, we met or exceeded all components of our 2019 financial guidance. Now I want to highlight how our 2020 guidance compares to 2019 revenue and adjusted diluted EPS. Starting on the left side of the slide, our 2019 results reflect partial year contributions from the Consumer Healthcare business segment, which we deconsolidated in the third quarter of 2019. Excluding $2.1 billion in revenues generated from the Consumer Healthcare business segment, total company 2019 revenues were $49.7 billion, and 2019 adjusted diluted EPS is $2.95.

For 2020, the adjusted diluted EPS guidance range reflects Pfizer’s share of the Consumer Healthcare’s joint venture’s earnings that were generated in fourth quarter 2019 and will be reported in first quarter 2020 along with Pfizer’s share of the JV’s anticipated earnings for the first 3 quarters of 2020. As you can see, the midpoint of our 2020 guidance range for revenues implies comparable performance to 2019 revenues after excluding the partial year contribution from Consumer Healthcare as well as an anticipated $200 million favorable impact from foreign exchange based on mid-January 2020 rates compared to last year. Despite an anticipated $2.4 billion in LOE headwinds in 2020, we expect the midpoint of the revenue range to remain flat operationally, excluding Consumer Healthcare.
Now let’s go through the full details of our 2020 financial guidance for total company. As we’ve said, we are expecting the close of the transaction between our Upjohn business and Mylan to be completed in mid-2020 so we are providing 3 sets of guidance: first, total company, which reflects our current construct of the Biopharma and Upjohn businesses and excludes any impact from the pending Upjohn combination with Mylan; second, new Pfizer, which is a full year pro forma view that reflects the impact of the pending Viatris transaction by removing Upjohn and including $12 billion in cash proceeds from Upjohn to new Pfizer and other transaction-related factors, such as transitional service agreement revenue; and third, Upjohn as a stand-alone business. All of these scenarios are based on a full year of revenues and expenses in 2020.

Beginning with total company, 2020 revenue guidance of $48.5 billion to $50.5 billion reflects anticipated continued strong momentum in our Biopharma business, primarily offset by the continued negative impact of product losses of exclusivity in our Upjohn business, primarily Lyrica in the U.S.

Moving on to other elements of our 2020 financial guidance for total company. Compared with 2019 actual results, the midpoints of these ranges imply higher adjusted cost of sales as a percentage of revenues due to the continued impact from the Lyrica LOE, higher adjusted R&D expenses and higher adjusted other income, which reflects earnings from the Consumer Healthcare joint venture and lower adjusted SI&A expenses and adjusted diluted EPS. In 2020, financial guidance for adjusted EPS assumes no new share repurchases, and we will focus instead on increasing the dividend and investing in the business during this period of growth. As a result, our guidance for adjusted diluted EPS assumes diluted weighted average shares outstanding of approximately 5.65 billion shares, which is approximately the same as 2019.

Moving on to financial guidance for new Pfizer. For the full year 2020, we now anticipate full year 2020 revenues between $40.7 billion and $42.3 billion, with the midpoint of the guidance range representing 8% operational growth as compared to 2019 Biopharma revenues, excluding Meridian and Mylan Japan and an improvement from our initial July targets. This guidance range excludes $600 million of contributions from Meridian, Pfizer’s subsidiary and manufacturer of EpiPen and other auto-injector products as well as from the strategic collaboration with Mylan in Japan for the development, manufacturing and marketing of generic medicines.

Due to an organization realignment, both of these assets have shifted to Upjohn effective at the start of 2020. Both Meridian and Mylan Japan will be reported in Pfizer’s Upjohn business beginning in first quarter 2020. We now anticipate full year 2020 adjusted IBT as a percentage of revenue of approximately 37%, also an improvement from July. We anticipate the midpoint of the guidance range for adjusted diluted EPS to be $2.30. The operating cash flow guidance range remains approximately $11 billion to $12 billion. This EPS guidance reflects the $12 billion cash that Pfizer will receive upon the close of the combination of Upjohn with Mylan, which will be used to pay down debt during 2020.

As you can see, the midpoints for new Pfizer’s 2020 revenue and adjusted IBT margin guidance have improved materially since our preliminary 2020 projections were presented in July in conjunction with the announcement of the proposed Mylan and Upjohn combination. We have provided a bridge from our initial July targets to this current guidance on the bottom of the chart for clarity. Upon the close of the Mylan and Upjohn combination and once we become new Pfizer, you can expect the same level of detail in our 2020 guidance that we provided today for total company.

Moving on to 2020 financial guidance for Upjohn. For the full year 2020, we anticipate revenues of $8 billion to $8.5 billion, reflecting the continued negative impact of losses of exclusivity for products such as Lyrica in the U.S., which began facing multi-source generic competition in July 2019 and the expansion of the volume-based procurement program in China and reflecting the inclusion of revenues and expenses associated with Meridian and Mylan Japan. We anticipate full year 2020 adjusted EBITDA for the Upjohn business of $3.8 billion to $4.2 billion. Other than the inclusion of revenues and expenses associated with Meridian and Mylan Japan, there are no operational changes to Upjohn’s 2020 financial guidance compared with preliminary financial targets provided in July of 2019. Again, we have provided a bridge from our initial July targets to this current guidance at the bottom of the chart.

Moving on to key takeaways. Regarding 2019, we delivered a strong fourth quarter with our Biopharma business growing 9% operationally, which represents our go-forward business after the pending combination of Upjohn and Mylan. We provided 2020 guidance ranges for total company, new Pfizer and Upjohn. Importantly, we are projecting strong organic revenue growth for new Pfizer in 2020. We accomplished key product and pipeline milestones since our previous quarterly update, and we returned $16.9 billion to shareholders in 2019 through a combination of dividends.
and share repurchases. Looking ahead, we remain committed to delivering attractive shareholder returns in 2020 and beyond. Now I'll turn it back to Chuck.

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

Thanks, Frank and Albert, for those remarks. At this time, operator, can we please poll for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Randall Stanicky from RBC Capital Markets.

Randall S. Stanicky - RBC Capital Markets, Research Division - MD of Global Equity Research & Lead Analyst

I have 2, 1 for Albert and 1 for Angela. Albert, a couple of weeks ago, you called out $4.5 billion in enabling costs in SI&A with an opportunity to simplify. So how do we think about the cost savings opportunity after you close Upjohn in terms of: number one, how much incremental cost savings do you see beyond what is built into the 37% margin? And then number two, how much of that could hit back half 2020 versus 2021? And then I have a follow-up after that for Angela.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Okay. I think you should -- how can he ask the question to Angela now? He can get back. Okay. All right. So indeed, we have, this year, approximately $14.3 billion of SI&A and I will ask Frank to run the numbers in more details. And as I said, $4.5 billion approximately of that is what we call enabling functions. These are functions like finance, legal, HR, facilities that they are facilitating and enabling the core functions of our business to perform core functions. I mean, R&D, that is discovering the products. Manufacturing, that is making them happen. And commercial, that is making them available to the patients.

We do believe that this $4.5 billion and actually approximately 10,000 people can be improved and we have plans to do so. In the current guidance and I will ask Frank to comment, there is a part, a small part of that cost opportunity saving already incorporated. And in 2021 will be a much bigger part. So Frank?

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

So Randall, just let me run the numbers, which is if you look at 2019 actual SI&A, for example, we spent about $14 billion as a company. Obviously, that $4.5 billion that Albert alluded to in that $14 billion. If you look at our 2020 guidance for SI&A, the range is $12 billion to $13 billion, midpoint $12.5 billion. $12.5 billion from $14 billion is a decline of $1.5 billion. Now roughly half of that is Consumer because we went from consolidating Consumer to equity accounting on Consumer once the deal closed in July 31 of 2019. The remaining half is really operational savings across the company, including part of the 4 -- including some of the $4.5 billion that Albert alluded to. And that obviously helped contribute to the IBT as a percentage of revenue, improving from 35%, from the mid-30s to 37%. And then to Albert's point, obviously, what we're doing now is working on further improvements that would obviously positively impact the SI&A and that would flow to the bottom line.

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

Great. Thanks, Albert and Frank.
Operator

Your next question comes from Chris Schott from JPMorgan.

Christopher Thomas Schott - JP Morgan Chase & Co, Research Division - Senior Analyst

Great. Just had 3 quick product ones. The first was on VYNDAQEL. Seems like a nice step-up in all your patient metrics. Seems like all those basically doubled or tripled from 3Q. Can you help bridge those figures with the sequential sales ramp we saw, which wasn't quite as dramatic? The second question I had was on Ibrance. Just elaboration there in terms of what drove the revised time lines for PALLAS. And have you taken another interim look at the data at this point? And then finally, on tanezumab, just an update in terms of what the status and outlook is for that product at this point.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Very good. Thank you very much. I will ask Angela to address the VYNDAQEL and tanezumab questions, and then I will say a few words about Ibrance. And maybe I will ask Mikael to chime in. Please.

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

So thanks for the question. And certainly, we are pleased with the increased diagnosis, prescription as well as the numbers of patients that are receiving VYNDAQEL. As you said, our diagnosis now is up to about 9%. The ability for patients to receive prescription is up to about 64% of those that are diagnosed. And those that are receiving medications are around 35% of those that are diagnosed. So -- and every quarter, since we've been reporting this, we've been seeing some nice increases. So we're certainly pleased with that.

I think in terms of just the sort of the commensurate alignment with the actual net sales numbers, I think that there are -- obviously, there -- every single day, this is a dynamic situation. And the number and the proportion of patients, whether they are Medicare and commercial lives, those are changing. And so the gross to net of those are going to affect, I think, what you see on a net sales basis. So I think that we are watching and really focused on driving diagnosis and ensuring that as many patients can get on these drugs as possible. And we're starting to see some really nice pickup. But I think that it's still a very dynamic situation because we're really relatively new in this process. So we'll continue to monitor and should expect to see some quarter-to-quarter changes in terms of net sales.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

And obviously, the new patients are contributing disproportional because they are in fewer months of treatment in terms of sales.

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Right. And then your second question was on tanezumab. So we're really pleased that in December of 2019, we completed our U.S. submission of tanezumab. And we are also pursuing regulatory submissions in the EU and in Japan. This submission was done in close collaboration with the FDA, and it includes the 2.5 milligram in moderate-to-severe osteoarthritis patients. So at this moment in time, we're awaiting acceptance of this filing. But we see significant potential of tanezumab in osteoarthritis, so we're really excited about this filing, and particularly, because we're in a time where non-opioid solutions are very, very much needed for these patients. If you look at the market potential, today, there are about 27 million Americans that suffer from osteoarthritis, and 11 million of those have moderate-to-severe OA. 80% of those 11 million people have tried and failed 3 or more analgesics. So that tells us that there is just a huge amount of unmet need in this patient population. Patients are cycling through a number of pain medications. And there just is an incredible need for new options, and this is where we think tanezumab can really fill an unmet
Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Thank you. Now let me address the question on Ibrance. The expected completion of the study slipped a little bit a few weeks actually. It was at the end of '19 -- excuse me, at the end of '20, and now it's moved in the very beginning of '21. The only reason of this is that the events are not coming at the pace that we had forecasted and expected. So another means, people are not progressing into their disease. I don't think we can draw any conclusions if that means good news or bad news. I think it's the structure of the data. We don't know if the people aren't progressing equally in the 2 arms or they aren't progressing in the treatment arm. That remains to be seen when we unblind the data.

As regards to your question if there was an interim analysis, there was not an interim analysis, so haven't seen any interim analysis. There will be an interim analysis, but we do not expect that -- the most likely scenario is that the study will continue when this interim analysis comes. The study was designed to come to full completion. And the criteria that we have set to stop for efficacy in the interim study are very, very high. So it's not impossible, but this will happen. But most likely scenario, it is that as we had planned that the study will come to completion. At the end of it, this is what will happen. But we are very -- we still remain very, very encouraged and optimistic about Ibrance. Of course, it's a Phase 3, you never know what will be. But all the science behind it is supporting that we could have a positive outcome. And I will ask actually Mikael to make a few comments on the science and what does this mean.

Mikael Dolsten - Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical

I'll just punctuate a few things that Albert described so well, full aspect of why we are very excited and optimistic about the science and clinical data to predict a potential positive outcome for the discussed PALLAS study. As you know, first of all, that the CDK4/6 inhibitor, Ibrance, converge with estrogen receptor drugs to stop cancer cells or breast cancer cells to divide. We've shown that in the PALOMA-2 and 3 studies, and more recently, we reported that we could reproduce data direction in real-world evidence based on real-world data from Flatiron and other databases. And this is noteworthy, including also overall survival data, again, showing in medical practice the importance of these drugs.

Three, the PALLET study that looked at ability of palbociclib Ibrance to stop dividing of estrogen receptor positive breast cancer showed that this mechanism was very well operating in a powerful way.

And finally, let me remind you that other agents that act on estrogen receptor positive breast cancers and converge with palbociclib such as tamoxifen and aromatase inhibitors all were initially developed in metastatic cancer and did very well in adjuvant treatment in early breast cancer.

So these 4 observations and others makes us continue to be excited and very optimistic. And as Albert alluded to, a relatively small change in projected trial is based on a trial that actually started 4.5 years ago. And it is quite common that in the final 12 months or so, minor changes in enrollment rate and process planning for study reports can affect the trial. But with all of this, you can hear we remain encouraged, enthusiastic about what Ibrance can offer for adjuvant treatment of breast cancer.

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

Great. Thanks for the helpful context, Mikael.

Operator

Your next question comes from Terence Flynn from Goldman Sachs.
Terence C. Flynn - Goldman Sachs Group Inc., Research Division - MD

Maybe just 2 product ones from me. Was wondering if you can talk about Ibrance rest of world dynamics. Any specific headwinds this quarter and how to think about the trajectory into end of this year. And then for Xeljanz, was wondering if you can give us a split of sales by indication and if you're seeing any impact in RA from the launch of AbbVie's RINVOQ on either share price.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Thank you very, very much. So Angela?

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Sure. So first off, on Ibrance, we continue to see good growth and strong growth ex U.S., but probably 2 factors that are tempering the net sales, as you saw in Q4. The first is pricing, and that continues to be something that we work hard at, especially in the EU to gain access for our product in Europe. And the second is class growth. So if you look at the class growth of the CDK class through the quarters, that has increased, but over the last quarter, it has tempered and it's sort of sitting around a 35% CDK class growth right now -- class share. But within that, the -- Ibrance still has a very, very high product share in the 80s. So I think it's pointing out to us the fact that there's still opportunity for us to grow and that growing the CDK class is going to be an area of tremendous focus for us ex U.S. in 2020 and beyond.

Your second question was around Xeljanz. And so on Xeljanz, again, we continue to see excellent growth in Xeljanz. In fact, despite the fact that you only see the sort of 1% net sales growth in Q4, I'll point out that globally, full year, we had 29% growth of Xeljanz, which is one of the highest of all of our core brands here at Pfizer in our entire portfolio. Q4, we saw 23% prescription growth. And this prescription growth was driven by extremely strong performance in rheumatoid arthritis, which really was not impacted by the label changes. And we still continue to see strong growth in ulcerative colitis, even though here was the biggest label change. And so physicians did have to adjust the way that they were prescribing Xeljanz.

But we expect this growth to continue because we have excellent momentum and confidence in prescribing from our physicians. We have significant unmet need, and we have greatly improved access. And this access is, in fact, what drove the 1% net sales growth in Q4. There was a -- in Q4 of '18, we saw an inventory build at the end of the year, which didn't happen in Q4 '19. So that was one of the reasons that affected our Q4 performance in '19. And then also, and more importantly, throughout the course of 2019, we gained significant access. In fact, we added 59 million incremental lives through contracting. And it's because of the timing of when these contracts were signed or renewed that drove the subsequent impact of rebates. And this sort of came to a head and sort of disproportionately affected us in Q4 of '19.

So I think stepping back, we're really pleased with the access that we do have in Xeljanz. And since it was launched 8 years ago, this is the most favorable access situation that we've ever had, which is very important when it comes to our ability to compete with RINVOQ.

You asked a question around RINVOQ. Just to sort of put into perspective, I think that we are excited about having another competitor help drive the growth of the JAK class in all of our indications. And that being said, Xeljanz still enjoys a lion -- a leading market share, especially in RA where we have more than 15% of the market share of the entire class.

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

Great. Thank you very much, Angela.

Operator

Your next question comes from Umer Raffat from Evercore.
Umer Raffat - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

First, Albert, if I may, what are you hearing on a possible upcoming rule on IPI? There’s a lot of press that companies have been notified by White House. I was curious what you know about it and if it’s something we should be very concerned about. Mikael, quick -- one quick one for you on the DMD gene therapy for a minute. You mentioned there’s a proof-of-concept coming. My question is, have there been additional protocol-driven pauses in enrollment? And I ask because recall when the first SAE and acute kidney injury happened, the trial was paused. And I’m curious, has anything like that happened again? And then finally, Frank, maybe just quickly on SI&A line. I know it’s a little higher than consensus, but technically, year-over-year versus 4Q ’18, it wasn’t that much higher, but I also realize 4Q ’18 had some Consumer. Maybe if you could just tell us about your holiday party.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

All right. So let me start with the IPI. We have not received any notification on that. So there is no news from our side other than what we read on the newspaper. So Mikael?

Mikael Dolsten - Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical

Yes. Just to remind you, we shared at the PPMD conference mid of last year update on 6 patients dosed with our DMD gene therapy that showed encouraging data on expression in muscle fibers amount to microdystrophin. And on some of the patients, we had also an opportunity to report the encouraging trends on functional outcomes. We have dosed additional patients since then, and we continue to gather experience on efficacy, safety and clinical management that are incorporated in the procedures, how we manage these patients going forward. We plan to conclude Phase 2 this spring. And based on current data and insights, we are planning to start Phase 3, of course, pending regulatory dialogues later this year, as indicated in Albert’s opening remarks.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

All right. Frank, maybe you want to tell us about the holiday party. I was not invited.

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

Sure. Yes. I wasn’t invited either, so maybe Umer was at the party. Let me run the numbers, and then I’ll explain what happened. So for the quarter, SI&A all-in was about $4.1 billion. It was up about 4% operationally, $100 million, give or take, from the prior year quarter. What really drove that was increased investment behind some of our brands, some of our oncology products, some of our launch products like VYndaqel and some increased investment in emerging markets, but it was really investment in terms of being -- supporting our brands.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Yes. Thank you, Mikael. And just to make a comment, we are very, very diligent in the way that we allocate capital. And we are -- when we have opportunities to put in promotional money so we can have a very strong start, we do it. And we take those money usually by being very diligent in the way that we control the indirect expense. I have been very clear but direct. We think direct is a very clear distinction in our mind. So when it comes to things like the overheads and things that they are not affecting directly the business results, we are very, very tough. And when it comes to areas that the investments can affect business results, we are creative and generous. So that’s what you saw here.

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

And these were clearly direct expenses.
Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

And these are all direct expenses. And the same, by the way, although you didn't ask, comes to R&D. Right now, we are increasing R&D investments, but we are increasing R&D investments only for programs, only for projects. We are not increasing infrastructure. We're not increasing research centers. At large, we maintain a very strong presence there and we keep that very strong. But what is driving the increased R&D, it is more Phase 3 or Phase 2 studies. It's very clear.

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

Right. Thank you.

Operator

Your next question comes from David Risinger from Morgan Stanley.

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

Yes. So I have 3 questions, please. First, Albert, could you discuss why Pfizer decided not to repurchase shares in 2020? And then maybe, Frank, you can comment about — comment on how we should think about the EPS implications when we consider your guidance relative to consensus, which had assumed some share repurchase. Second, regarding the opportunity to rationalize the $4.5 billion in cost, can you just give us a sense for what percentage reduction is reasonable to assume a few years out? I was guessing maybe 20%, but I just don't know what's reasonable. And then third, regarding the transfer of $600 million in revenue to Upjohn, does that change the economics that Pfizer will receive as part of the exit to Mylan?

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Yes. And I think basically all questions can be answered by Frank. I would just make some introductory comments. The reason why in our capital allocation, we are allocating right now money to increase the dividend and also to invest in our business all the OpEx to modernize our — all the CapEx to modernize our facilities. The reason why we don't do right now share repurchases, it is because we want to make sure that we maintain very strong firepower to invest in the business.

The past was a very different Pfizer. The past of the last decade had to deal with declining of revenues, constant declining of revenues. And we had to do what we had to do even if that was financial engineering, purchasing back ourselves. We couldn’t invest them and create higher value. Now it’s a very different situation. We are a very different company. The company is going to have best-in-class top line growth, revenue story starting from now from the separation of Upjohn in the middle of the year, from the expected separation of Upjohn in the middle of the year.

And we do not need. We can organically grow EPS. As you can see, all our projections on EPS this year are organically, no share repurchases, but we can use the capital to invest in good Phase 2, Phase 3 assets that could build our pipeline. So this is the strategy behind it. Now let me ask Frank to run the numbers.

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

So David, now all I’ll do is I don’t want to duplicate anything Albert said. I’ll just add a couple of things on the share repurchases. One, we also announced a dividend increase in December, so obviously, we continue to deploy capital in the area of dividends, which we think is important to our investment thesis, and that’s something obviously, as we go forward, we’ll continue to look at. And then obviously, our 2020 guidance assumes no repurchases. So when you look at the improvement, which is material in terms of the midpoint versus what we did back in July, none of that is coming from share repurchases.
Let me answer your other couple of questions. On the $600 million transfer to Upjohn and does that change any of the economics, let me kind of -- let me give some context on this, which is, one, nothing has been decided yet. We are still in negotiations with Mylan on those 2 businesses and whether or not they will transfer to Viatris upon close. If -- by the way, if we don't come to an agreement, those businesses would remain with new Pfizer. And so we're still in negotiations. And so in terms of the economics, I'd say more to come, still to be determined. And if and when we complete that, obviously, I'll be in a better position to answer that.

On the $4.5 billion of indirect spend and directionally what do we think we can do there, I don't want to give a specific percentage because we're still working our way through the process. But I think I alluded to this earlier, which is we've already made some nice headway. I think we can make additional headway. That additional headway would show up in SIA. And obviously, our intent would be for that to show up in the IBT as a percentage of revenue line. So that's what we're working to do. Our intent is to improve upon those numbers. And as we work our way through the process and as we have more to report, we'll make sure we do so.

Albert Bourla  -  Pfizer Inc.  -  Chairman of the Board & CEO

Thank you, Frank. And just a comment on the reasons why we transfer those business to Upjohn. Both of these businesses, first of all, they fit more under Upjohn in terms of the dynamics that they have, so they can be managed much better. And secondly, I think they fit very nicely with Mylan because, one, it is the EpiPen predominantly business that Mylan is -- but right now is shared between Mylan, we are providing for them. And the second, it is the -- a partnership that we have with Mylan that was established years back and with generics in Japan. So both of them fit much better in Viatris. And that's the reason why we separate it. And also that will allow you to have, in case that this happens, a much more cleaner view of the growth trajectory of the company because now you know exactly what would be the P&L of the remaining company.

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

Great. Thank you.

Operator

Your next question comes from Louise Chen from Cantor.

Louise Alesandra Chen  -  Cantor Fitzgerald & Co., Research Division  -  Senior Research Analyst & MD

So I had a few. My first question is, is the 6% -- approximately 6% 5-year sales CAGR for stand-alone Pfizer or the new Pfizer still hold? Second question I had is, how much of a priority is M&A for you under the new Pfizer? And what kind of size of deals or types of deals are you most interested in? And last question I have is on the PCV data set that's coming through. You and a competitor also have a whole set of PCV data. I'm just curious how you see that landscape evolving over time.

Albert Bourla  -  Pfizer Inc.  -  Chairman of the Board & CEO

Yes. Thank you very, very much, Louise. Let me start with the 6% CAGR if it still holds. Absolutely, it still holds. Actually, as you can see, if anything else, this business that we are projecting 5 years -- all the way to '25, actually, CAGR of 6%. This year performed at 8%, 9% for the quarter, and we are projecting 8% for 2020. So definitely, we are on good, let's say, way to achieve that.

As regards the M&A, yes, the M&A is a very important part of our strategy. And as I just alluded before, this is why also we are not diluting our firepower with stock purchases right now because we do believe that we can create significant value with the right strategic move. Now we never say never to anything. But strategically, we have made very clear that we are not interested in a big M&A, that we'll have cost synergies as value driver because, first of all, that will be light and diluted in our top line growth. I don't think there are many companies that they can have this type of growth trajectory, what we have in the next few years.
Second, it could be destructive because having a big M&A means that thousands of people will have to work on integrations rather than supporting all these products that we just saw that they’re growing 20s and 30s and also all this pipeline that is coming up. So this — we never say never, but this is not our strategy. Our strategy for M&A, it is to be able to have Phase 2, Phase 3 programs ready, Phase 2, Phase 3, which could become potential medicines in the period ’25, ’26, ’27, ’28 so that we can augment our internal pipeline and be able that we maintain the 6% growth for the long term, actually for the very, very long term because it’s right now 5 years, I would say, it’s a long term.

And the other thing that I want to emphasize, it is that the 6% CAGR, it is risk adjusted. I repeat, it is risk adjusted. That means that in our projections, we are adjusting all the non-read studies right now appropriately. Now if all the Phase 3 goes in the right way and they are all successful, it’s not going to be 6%. It’s going to be double-digit, whether it’s 12%, 13%, 14%, 15%. Now if everything fails, also would not be 6%, will be very low. But if statistics works and the studies, let’s say, 50% more or less are successful, that means that we will achieve 6%. That’s why I want to emphasize that there is no binary event in our projections. Binary event would be if 6% was dependent on 2 or 3 major readouts. But if they could go one way or another, it could affect. Right now, they are dependent on 15, 16, 17 blockbusters, and then many others but they are much smaller. So then, Frank, maybe something to add on that before I ask Mikael to comment on PCV data.

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

Yes. And Louise, the only thing I wanted to add, just to punctuate everything Albert said is, and why are we focusing on Phase 2b, Phase 3, it’s because the LOEs really start to kick in, in 2027. So if you think about we’re in January of 2020, we literally have 8 years to work our way through this problem. And by the way, given that kind of a time frame, given the breadth and strength of our pipeline, given our balance sheet, our capacity, obviously, we feel confident we will be able to solve it.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Mikael?

Mikael Dolsten - Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical

Yes. I’m pleased that you asked about our pneumo next generation. So as you know, we have adult and pediatric studies ongoing. The adult study has been given Breakthrough designation 28th in September based on our encouraging Phase 2 data. And we expect very soon to report Phase 3 outcome of the adult PCV20 trial. And obviously, we are optimistic about that outcome based on the Phase 2 and the Breakthrough designation.

On the pediatric, we have now accumulated further post-fourth dose data of the PCV20 Phase 2 study. This data from the fourth dose further substantiate the positive data reported in the press release after the third dose. And we expect initiation of Phase 3 soon for the infant vaccine pending discussions with regulators. The full data set will be presented at a major vaccine-related conference likely mid of this year.

Now Albert commented also in his introduction very nicely on the improved relative coverage of the PCV20 from us versus a potential competitor 15-valent, and he mentioned 33% better coverage for adults and 42% better coverage in the U.S. for infants. Obviously, very important, significant, better coverage. I just wanted to punctuate when you look in the top European market, similar, the improved coverage in adults is actually 60% to 100%; in infants, 80% to 200%. This is all for invasive pneumococcal disease. Also in U.S., we have analyzed for community-acquired pneumonia where we see substantial better coverage for the 20- versus a potential 15-valent. So all in all, you can see, we look forward to data sets advancing the program and think it would be the premier 20-valent and premier pneumococcal vaccine for patients.

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

Thank you.
Operator

Your next question comes from Steve Scala from Cowen.

Stephen Michael Scala - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

I have a few questions. An increase in the dividend was mentioned twice, but it sounds as though Upjohn will be spun, not split, in which case the dividend will be reduced. So I'm wondering if you could clarify the dividend comment. And I assume the 2020 EPS guidance implies a spin, not a split. Secondly, on the abrocitinib versus Dupixent study, given the fact that it is completed, Mikael, I'm wondering if the data met the very positive portrayal you provided on the Q3 call, which included superior itch relief to Dupixent. And then lastly, will the proof-of-concept DMD data be presented at the March 31 meeting?

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

No, thank you very much, Steve. Very good questions. So Frank, why don't you clarify once more the dividend?

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

Sure. So Steve, in terms of the guidance, you're right. It assumes a spin, not a split. And then in terms of the dividend, you said -- I think you said in your question it'd be a reduction. I don't see it that way. What we've said is the sum of Viatris dividend and our dividend would equal the current dividend that a Pfizer shareholder receives today. So I don't see a reduction in the dividend. The dividend income will be kept whole. And I think we've been very clear about that all along.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

And we'll continue growing, maybe not at the same pace of -- which we do right now, $0.02 per quarter, but we'll continue growing.

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

Right. And Steve, I can quickly run the numbers for you if you'd like. Just -- so if you think what Viatris has said is their first full year of about $4 billion of free cash flow, they pay about 25% of that in the dividend, so that's $1 billion. Total Viatris will have about 1.2 billion shares. You put the $1 billion over 1.2 billion shares, it's about $0.83. The exchange ratio is about .12. You put 100 shares of Pfizer, you get 12 shares of Viatris. Assuming a spin, that's roughly $10 a share. We would reduce our dividend on an annual basis by that $10. But the sum of our dividend plus that $10...

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

$0.10.

Frank A. D’Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

$0.10, I'm sorry, thank you, would equal the -- what a Pfizer shareholder gets today. And in my thing, it's $10.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Yes.
$10, not $0.10.

Okay.

Abrocitinib?

Yes. So thank you for your interest in abrocitinib, and we believe that it's going to be a new drug class for such a prevalent disease that affects tens of millions of Americans, atopic dermatitis and where an oral alternative seems to be a real patient and physician preference. We will soon report out the data from the important Compare study. So I haven't actually seen the data, so I can only punctuate a little bit what we discussed at earlier investor meetings, that the historical comparison between abrocitinib and Dupixent suggests that we should expect to see similar or better impact on clearing skin. And particularly, as Albert alluded to in his introduction, there is an important key secondary end point looking at itch relief starting with a readout already of 2 weeks and then following the study through the 12 to 16 weeks.

And historical data suggests that we should be very optimistic about abrocitinib outperforming biological such as Dupixent on itch relief at earlier time points and provide a potential benefit of early onset of relief for disease. Now we have to wait for the data to be able to obviously be absolutely confident in that outcome. But this is what I believe and look forward very much to see the data come shortly.

And on the DMD question?

Yes. We are finalizing, I think, the program for the R&D day. So I can't be absolutely promise you, but I think it's likely that such an interesting program as the DMD gene therapy will be one of the potential agenda items. And obviously, we would like to then share updates from increased number of patients over a longer time period. So please welcome and take a front-row seat.

Thank you very much to both of them. By the way, Frank, as always, was right. It's $10 for 12 shares for Mylan. So...
Geoffrey Christopher Meacham - BofA Merrill Lynch, Research Division - Research Analyst

Just have a couple. Mikael, on the gene therapy platform with the advancement of hemophilia A and B as well as DMD into Phase 3, what's the capacity to add additional indications to the portfolio? I mean you guys have been successful with partnering, but at this point, it does seem like you could expand the platform organically in a material way. And then for Angela on Xtandi, I just wanted to get your perspective on the inroads you've made in M0 prostate patients. And what do you think could represent a tipping point commercially, especially given generic ZYTIGA available in the U.S.?

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Mikael?

Mikael Dolsten - Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical

Yes. So Geoff, we share your enthusiasm for the gene therapy platform. And what is particularly, I think, strategic advantage for us is the end-to-end capability from discovery, clinical, manufacturing. And of course, that capability is also linked to important external partners that gives us capacity to advance increasing number of internal as well as partner programs. And we have earned option for the Vivet Wilson disease program that could, in a relatively near-term future, be available for clinical studies. And we expect from internal and external initiatives to aspire to about bringing one new gene therapy into the clinic every year or so for the next period to come. And we think that should build up a very comprehensive gene therapy portfolio.

The 3 programs you alluded to are, of course, the frontier for us with factor IX that we hope to be the first company bringing that over the finish line in Phase 3 now and to start additional 2 Phase 3s for HemA where we think we have a best-in-class profile so far. And then we already spoke about DMD.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Thank you very much. Angela?

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Sure. So in terms of the M0, the non-metastatic CRPC, I mean, what we're seeing here is just tremendous growth and tremendous performance. Just broadly speaking, in terms of Xtandi, we had a great quarter, right? We grew 29%, and this was driven by 2 things. One was actually a demand across both metastatic as well as non-metastatic, but also what we saw was the continued expansion of the actual class, the novel hormone therapies. And in this class, Xtandi has the lion’s share. We have about 35% share right now.

So first of all, to answer your question vis-à-vis generic ZYTIGA, we really don't see a competition from a generic versus brand in this instance. I think the competition with ZYTIGA is really amongst generic ZYTIGA versus branded ZYTIGA, whereas what we're seeing here is a clear uptick in Xtandi. And specifically, from the PROSPER trial in this M0 population, as you say, we are continuing to see, as I've talked about in all the previous quarters, really, really significant and very constant uptake in urology prescribing. And we do believe that this is underpinning the growth of our non-metastatic population. And the fact that these are patients also earlier in their disease is helpful in driving our growth in this population.

I'll also mention that just from a market share perspective, though the non-metastatic, the M0 population, has Xtandi, ERLEADA as well as NUBEQA, Xtandi, by far and away, has the leading market share in this segment and has been from the time that it was launched.
Charles E. Triano - Pfizer Inc. - SVP of IR

Great. Thank you, Angela.

Operator

Our next question comes from Tim Anderson from Wolfe Research.

Timothy Minton Anderson - Wolfe Research, LLC - MD of Equity Research

A couple of questions. One is on Prevnar in China. So sales have been ramping up there, but the regulatory authorities recently approved a domestically produced 13-valent product. And the CEO of that company suggests they have capacity that's in the tens of millions of doses, and who knows if that's true or not. But I'm wondering if you can give some perspective on how you see competitive dynamics in a situation like this going forward, not only in China where a domestic producer could potentially benefit from favoritism but also if that company were to take their product into other markets outside of China at a different price point. I think a lot of investors assume vaccines are durable forever, but I'm wondering if this sort of thing could be disruptive and how you take the sort of potential competition into your forecast.

Second question is on M&A. So any M&A that you may engage with in 2020, should we assume at least during this first 6-month window while you still have Upjohn, that, that is probably put on hold? And then last question on VYNDAQEL. Might there be a low-hanging fruit phenomenon where we see initial nice uptake but then it kind of flattens out suddenly? Or do you expect this will be continued strong linear growth?

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Thank you very much. I will give a quick answer to your M&A question, Tim, and then Angela can deal with Prevnar in China and Vyndaqel. On M&A, no, the answer is no, absolutely not. We are very active looking on -- to invest capital on value creation opportunities. And then I assume that we will have several of them in the first half of 2020 before the close of the deal. Again, across the lines that I have described, you know exactly what we are doing. We want to make sure that we sustain the growth beyond 2027 when the LOEs will have some impact. Angela, what about Prevnar in China?

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Sure. So we acknowledge that there is a new competitor in the form of Walvax in PCV13. However, I want to recognize that there are some differences here. Though it is a 13-valent vaccine, Walvax's vaccine is made with a different conjugate, and this conjugate technology being an older technology so quite different from what we see in PCV13. That being said, it is a competitor. However, if you sort of step back and look at the opportunity that we have in pneumococcal vaccinations, there are approximately 14 million new births every year in China. And today, only over maybe 1% of those infants are being vaccinated.

So regardless of the volumes that Walvax might have available, I think the opportunity between us is just much larger than that. And we have a tremendous amount of untapped potential in the marketplace. And we are confident that with the quality, the reliability as well as the tremendous experience that Pfizer has had globally with PCV13 but also the tremendous success that we've had in China specifically for PCV13, that our growth will continue and this is what we expect.

We have a very robust footprint. As you know, the vaccines, and it will be the same for Walvax's PCV13, this is an out-of-pocket market and it will be the same for the both of us. So this is where we'll be competing, which is why having a robust promotional engine and having a footprint of representatives that can really be available to support patients and caregivers at the points of vaccinations is really important. And I think in this regard, we have demonstrated great expertise and ability to grow this market. So that's how we see it. We acknowledge the competition, but we continue to see tremendous potential.
Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

What about VYNDQEL?

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

All right. So in terms of VYNDQEL, so yes, of course, in the year of launch, one might expect to see a little bit of a bolus, a number of patients who have been identified and are awaiting diagnosis and treatment. That being said, we are confident of -- what we're confident about, what we've learned in the marketplace in our first year of launch, we are confident that we have the right set of tools for helping to -- physicians to suspect the patients that might have ATTR-CM. We have mobilized education around using noninvasive methods like scintigraphy to diagnose patients, and we've also mobilized a patient support hub to help patients receive their medications. So I think doing more of that as well as continuing to think about new methods to help diagnose and treat patients such as using artificial intelligence and increased number of tools, all of that will continue to support our ability to drive the important and rapid diagnosis of patients as well as their treatment.

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

Right. Thank you.

Operator

Your next question comes from Andrew Baum from Citi.

Andrew Simon Baum - Citigroup Inc, Research Division - Global Head of Healthcare Research and MD

A couple of questions, please. Firstly, on your pending oncology biosimilars rollout in the U.S. Given the challenges historically with biosimilar penetration, could you talk to your expectations, particularly with these 2 drugs? There should be an economic incentive for payers given the pass-through, but yet, there's issues in patients already on an established innovative biosimilar to switch -- and it's a brand to switch to biosimilar. So if you could give us some kind of sense as how much penetration, how quickly you may expect, that would be super helpful.

And then second, in terms of tafamidis, Angela, you kind of gave some penetration figures at the beginning, which I was struggling to keep up with and write down. But just more broadly, could you outline how large you think the untapped patient population really is here and how far Pfizer is along in establishing that market?

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Angela, a lot of questions for you today. Please go ahead.

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Okay. Sure. All right. So I think, firstly, we see the dynamics in oncology biosimilars being very different from that of the -- what we saw in -- for inflammation in the form of Inflectra. So to your point about how will the dynamics change here and how quickly can payers as well as providers capture their savings, it's going to be much quicker. This is -- the use of oncology biosimilars are much more rapid, right? You see more patients cycling through, treatment times are much shorter. So that's going to enable payers and providers to capture savings much more quickly, which is a very different dynamic than you see in Inflectra where it's a chronic treatment and patients are on their treatment for a very long time. So I think that's one big difference.
The second is that there is already a -- some -- we already have some precedents. We saw this with RETACRIT where after a year of being in the market, though I know it’s a supportive care in oncology, we already have 20% market share. This is still far cry from what we see in Europe where there’s much more rapid uptake that I think that it’s a signal and an indicator of the differences you see in the various biosimilar markets. And we also have some early signals from competitor biosimilars that have already some good market share in this -- in oncology biosimilars. So I think that we have some good indicators that this is going to be different.

I think the benefit that we see here is that we have a portfolio of 3 oncology biosimilars all coming out around the similar time, like around now. And I think a -- what -- -- we have a robust pricing strategy, a discount to the WACC of the originator as well as, I think, strong relationships and networks built with both providers and payers that give us confidence that this will be an area of high growth for Pfizer.

**Albert Bourla** - Pfizer Inc. - Chairman of the Board & CEO
Thank you, Angela.

**Angela Hwang** - Pfizer Inc. - Group President of Biopharmaceuticals Group
And then your question was around tafamidis. Sorry, can you just repeat that again?

**Frank A. D’Amelio** - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations
It was the untapped population.

**Albert Bourla** - Pfizer Inc. - Chairman of the Board & CEO
The untapped population.

**Angela Hwang** - Pfizer Inc. - Group President of Biopharmaceuticals Group
So as we have said in previous calls, we do believe that this is a rare disease and that in the U.S., there will be about 100,000 patients in total. Globally, 500,000, but in the U.S., 100,000. To date, we have diagnosed 9,000 patients, so that leads us to 9% of the population that we have diagnosed. So while this may feel like very significant progress from the time that we have launched, and it is, I think you can also see that we have a long, long way to go to finding all 100,000 of these patients.

And what I spoke earlier about in terms of the education, in terms of how you suspect the disease, how you diagnose the disease and then very quickly gaining access to our patients and benefit from treatment of the disease, these are all 3 levers that we are intensely focused on.

**Charles E. Triano** - Pfizer Inc. - SVP of IR
Right. Thank you.

**Operator**
Your next question comes from Navin Jacob from UBS.
Navin Cyriac Jacob - UBS Investment Bank, Research Division - Equity Research Analyst of Specialty Pharmaceuticals and Large Cap Pharmaceutic

A couple, if I may. Just on biosimilars following up with Angela, your comment about strong growth continuing on for the biosimilars. So wondering if you could give any color around how we should think about the trajectory over the next couple of years. Is this a doubling or tripling of that now almost $1 billion business? And then also, would love to understand how you're thinking about the tail of each of the individual assets. Are you seeing -- should we be thinking of this as a ramp that goes up for a few years and then eventually starts tailing off like other generics? Or do you see this stabilizing and having a sustainable tail?

And then just on VYNDACQEL, you received positive CHMP opinion in the EU in December. Given that VYNDACQEL's already approved in the polyneuropathy indication, wondering how we should be thinking about the price with the addition of the cardiomyopathy indication. Is there any chance for moving that around? And then how we think about the ramp in the EU relative to the U.S.

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Sure. So maybe I'll start with the last one first. So you're right, we just received EU approval for VYNDACQEL. And as you know, there's a -- there's quite a time lag between approval and then reimbursement in each of the countries. So all I can say is right now, we are in active negotiations with the countries in terms of determining the price of VYNDACQEL as well as its reimbursement.

You refer to the fact that we already have the 20-milligram approved for polyneuropathy in Europe, and we recognize that. That being said, we have -- first of all, ATTR-CM is a completely different indication. The trials that were conducted as well as the significant mortality benefits that were demonstrated in our clinical trials for ATTR-CM are completely different, and we have the clinical data to demonstrate the great patient benefit that we have in ATTR-CM. And so that's the basis of our discussions with each of the countries in Europe for reimbursement.

Your second question was around VYNDACQEL growth and sort of the pace of it. I think the way to think about it is the following: We have, through analogs, seen that only 30% to 50% of all rare diseases are ever diagnosed. But of course, we believe that based on the mortality data that we have and the patient benefit that can be derived, that it is critical that we meet that or at least beat that. And so that's what we're intensely focused on. We have 10% of our patients or 9% in the U.S. that are diagnosed today. We have a long way to go, and that's what we need to do. Your last question...

Frank A. D'Amelio - Pfizer Inc. - CFO & EVP of Global Supply & Business Operations

What's the rhythm on the biosimilars? We've had strong growth, 22% this year for the year. What can we expect going forward?

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

That's right. So I think in terms of the biosimilars, again, this is an area of growth that we can anticipate. We have 3 biosimilars now in oncology, plus the 2 that we have in supportive care. And so we look forward to this being a significant growth contributor to Oncology portfolio, not just from a growth percentage perspective but also from a revenue base perspective.

Mikael Dolsten - Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical

Great. Yes, I just wanted to add that VYNDACQEL cardiomyopathy has a positive EU recommendation. So we expect the approval to come soon, and that links very nicely to really helpful outline you did, Angela.

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Thanks, Mikael.
Operator

Your final question comes from the line of Mani Foroohar from SVB Leerink.

Mani Foroohar - SVB Leerink LLC, Research Division - MD of Genetic Medicines & Senior Research Analyst

A couple little ones on the rare disease side. In terms of tafamidis, we saw pretty attractive growth OUS, including some markets that don’t necessarily have the cardiomyopathy indication yet. Is there some follow-on benefit in polyneuropathy from the increased promotional efforts in cardiomyopathy in Europe and elsewhere? As a second question, given the expansion of patient opportunity in the polyneuropathy in the U.S., how do you think about the opportunity to pursue a supplemental NDA or a similar strategy in the U.S. based on the real-world evidence guidelines laid out previously by the FDA? Or would that require a separate study?

And then finally, on the gene therapy side, obviously pretty interesting data, hemophilia at ASH moving forward into a couple of Phase 3s now. How do you think about that market in a universe where you have multiple therapies within -- in curative intent in gene therapy, alongside a number of fairly robust chronic therapies? Who are the patients who should receive an irreversible intervention in terms of gene therapy? And who do you think are more appropriate for a chronic therapy such as your own benefits?

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Yes. I think I will ask Mikael to start with gene therapy and then ask Angela this great portfolio assets that we have and how they fit together. Mikael?

Mikael Dolsten - Pfizer Inc. - Chief Scientific Officer and President of Worldwide Research, Development & Medical

Yes, thank you very much. What I think is unique in our hemophilia portfolio, first, of course, we have a legacy being one of the pioneers for intravenous delivery of factor VIII and factor IX. So we have a platform and experience on the business and R&D side. And as you so nicely alluded to, we also shared with our partner, Sangamo, some very much best-in-class data recently on the factor VIII gene therapy.

Our current portfolio has factor VIII and factor IX gene therapy plus our TFPI antibody that has, like HEMLIBRA, an opportunity to provide a subdued alternative, but actually, TFPI can be applicable for both factor VIII and factor IX deficiency. So the way we see it develop is that I think physicians will look at gene therapies that have durability and good tolerability. And that has really been the hallmark for the strategies when we developed factor VIII and factor IX best-in-class profile. Because there are alternatives to these patients, so once they see the data for drugs -- treatments that are approved, that have durability and really good outcomes, which I think has been so far what we have seen with our gene therapies, those will be the one that can be adopted because there are alternatives that have less convenience but will, at least until strong data is available, be used.

For patients that are early in their disease, diagnosed at earlier age, I think this will be a very important treatment as it saves them from the bleedings -- breakthrough bleedings that occur on lifelong treatment with infused factor. And particularly, for patients that are -- at early age that are very physically active, it is important to have a solution for cure. So I think this will be a tremendous important patient population. But the availability of subcutaneous agents will supplement them and also allow for patients that may have antibodies to gene therapies to use them until sufficient number of gene therapies available, that there is always one for each patient.

And finally, as bringing together, I think what’s unique with us is the entire portfolio that can address these patients. And we look really much forward to there around 2021 and ’22 when we see this portfolio coming into registration phase. I think that was the main piece here.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Yes. And then, Angela, maybe on VYNYDAQEL. We have seen some uptick in markets that cardiomyopathy was not approved. What is going on there and about supplement and filing on polyneuropathy?
Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

Yes. In terms of polyneuropathy in the U.S., this is something that we're continuing to explore with the FDA. So...

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

No decision can be made yet, but you are in discussion.

Angela Hwang - Pfizer Inc. - Group President of Biopharmaceuticals Group

That's right. Exactly. And then in terms of the upticks in polyneuropathy, I mean, I'm not sure that it's a cardiomyopathy effect. As you know, we are approved. It's an approved indication for us ex-U.S. So we continue to actively promote it, and it's probably as a result of those activities.

Albert Bourla - Pfizer Inc. - Chairman of the Board & CEO

Yes. We will have, as we said, approval for that indication, and this is one that we will see material impacts on VYndaqel, in cardiomyopathy in these patients. We are not right now. We are just promoting, of course, the indications, but we have registered for that, so we don't do anything outside that.

All right. I think this concludes more or less our call. Just I wanted to make some comments because really, I feel that we are at an exciting point in Pfizer's history. And if you take a big picture view, over the last decade, we have changed and refocused our approach to R&D. We have improved dramatically its productivity, and we have developed the best pipeline we ever had and one of the best, I believe, in the industry.

If you've seen 2019, it was a year that we took deliberate and thoughtful steps to strengthen each one of our businesses and eventually shed the current Pfizer into a new, smaller, high-growth profile enterprise that will remain a powerhouse in marketing but also has been converted to the powerhouse of science.

Following the expected close of the Upjohn and Mylan transaction later this year, of course, we will be a very different company. And we will focus on continuing to execute our strategy. This includes: We will continue the commercial momentum and preparing our new product launches. You have all asked a lot of questions about those products that keep surprising with our growth profile. And also, you've seen that we are taking seriously and we are investing in new launches. We are continuing advancing our internal pipeline, and we'll augment it with mid-stage R&D programs through targeted bolt-on business development opportunities. As I referenced before, you should continue seeing these type of activities in the first and second half of this year.

Of course, we are working very intensively to set up Upjohn to be in a strong position when it combines with Mylan to become Viatris and create a formidable company. And of course, we will continue leading the conversation in Washington as we work to address the affordability challenge facing patients. These are the areas that we are focusing for next year.

Once again, we look forward to sharing more pipeline updates during our Investor Day on March 31. Have a great rest of your day.

Operator

Ladies and gentlemen, this does conclude Pfizer's Fourth Quarter 2019 Earnings Conference Call. Thank you for your participation. You may now disconnect.
ADDITIONAL INFORMATION

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. In connection with the proposed combination of Upjohn Inc. (“Newco”), a wholly owned subsidiary of Pfizer Inc. (“Pfizer”) and Mylan N.V. (“Mylan”), which will immediately follow the proposed separation of the Upjohn business (the “Upjohn Business”) from Pfizer (the “proposed transaction”), Newco and Mylan have filed certain materials with the Securities and Exchange Commission (the “SEC”), including, among other materials, the Registration Statement on Form S-4 which includes a proxy statement/prospectus (as amended, the “Form S-4”), and Form 10 which includes an information statement (as amended, the “Form 10”), each of which has been filed by Newco with the SEC on October 25, 2019 and subsequently refiled and/or amended. The registration statements have not yet become effective. After the Form S-4 is effective, a definitive proxy statement/prospectus will be sent to the Mylan shareholders seeking approval of the proposed transaction, and after the Form 10 is effective, a definitive information statement will be made available to the Pfizer stockholders relating to the proposed transaction. Newco and Mylan intend to file additional relevant materials with the SEC in connection with the proposed transaction, including a proxy statement of Mylan in definitive form. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT MYLAN, NEWCO AND THE PROPOSED TRANSACTION. The documents relating to the proposed transaction (when they are available) can be obtained free of charge from the SEC’s website at www.sec.gov. These documents (when they are available) can also be obtained free of charge from Mylan, upon written request to Mylan, at (724) 514-1813 or investor.relations@mylan.com or from Pfizer on Pfizer’s internet website at https://investors.Pfizer.com/financials/sec-filings/default.aspx or by contacting Pfizer’s Investor Relations Department at (212) 733-2323, as applicable.

FORWARD LOOKING STATEMENTS

This communication contains “forward-looking statements”. Such forward-looking statements may include, without limitation, statements about the proposed transaction, the expected timetable for completing the proposed transaction, the benefits and synergies of the proposed transaction, future opportunities for the combined company and products and any other statements regarding Pfizer’s, Mylan’s, the Upjohn Business’s or the combined company’s future operations, financial or operating results, capital allocation, dividend policy, debt ratio, anticipated business levels, future earnings, planned activities, anticipated growth, market opportunities, strategies, competitions, and other expectations and targets for future periods. Forward-looking statements may often be identified by the use of words such as “will”, “may”, “could”, “should”, “would”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “pipeline”, “intend”, “continue”, “target”, “seek” and variations of these words or comparable words. Because forward-looking statements inherently involve risks and uncertainties, actual future results may differ materially from those expressed or implied by such
forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the proposed transaction; changes in relevant tax and other laws; the parties’ ability to consummate the proposed transaction; the conditions to the completion of the proposed transaction, including receipt of approval of Mylan’s shareholders, not being satisfied or waived on the anticipated timeframe or at all; the regulatory approvals required for the proposed transaction not being obtained on the terms expected or on the anticipated schedule or at all; inherent uncertainties involved in the estimates and judgments used in the preparation of financial statements and the providing of estimates of financial measures, in accordance with accounting principles generally accepted in the United States of America and related standards, or on an adjusted basis; the integration of Mylan and Newco being more difficult, time consuming or costly than expected; Mylan’s, the Upjohn Business’s and the combined company’s failure to achieve expected or targeted future financial and operating performance and results; the possibility that the combined company may be unable to achieve expected benefits, synergies and operating efficiencies in connection with the proposed transaction within the expected time frames or at all or to successfully integrate Mylan and Newco; customer loss and business disruption being greater than expected following the proposed transaction; the retention of key employees being more difficult following the proposed transaction; any regulatory, legal or other impediments to Mylan’s, the Upjohn Business’s or the combined company’s ability to bring new products to market, including but not limited to where Mylan, the Upjohn Business or the combined company uses its business judgment and decides to manufacture, market and/or sell products, directly or through third parties, notwithstanding the fact that allegations of patent infringement(s) have not been finally resolved by the courts (i.e., an “at-risk launch”); success of clinical trials and Mylan’s, the Upjohn Business’s or the combined company’s ability to execute on new product opportunities; any changes in or difficulties with Mylan’s, the Upjohn Business’s or the combined company’s manufacturing facilities, including with respect to remediation and restructuring activities, supply chain or inventory or the ability to meet anticipated demand; the scope, timing and outcome of any ongoing legal proceedings, including government investigations, and the impact of any such proceedings on Mylan’s, the Upjohn Business’s or the combined company’s consolidated financial condition, results of operations and/or cash flows; Mylan’s, the Upjohn Business’s and the combined company’s ability to protect their respective intellectual property and preserve their respective intellectual property rights; the effect of any changes in customer and supplier relationships and customer purchasing patterns; the ability to attract and retain key personnel; changes in third-party relationships; actions and decisions of healthcare and pharmaceutical regulators; the impacts of competition; changes in the economic and financial conditions of the Upjohn Business or the business of Mylan or the combined company; uncertainties regarding future demand, pricing and reimbursement for Mylan’s, the Upjohn Business’s or the combined company’s products; and uncertainties and matters beyond the control of management and other factors described under “Risk Factors” in each of Pfizer’s and Mylan’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the SEC. These risks, as well as other risks associated with Mylan, the Upjohn Business, the combined company and the proposed transaction are also more fully discussed in the Form S-4 and the Form 10. You can access Pfizer’s, Mylan’s or Newco’s filings with the SEC through the SEC website at www.sec.gov or through Pfizer’s or Mylan’s website, as applicable, and Pfizer and Mylan strongly encourage you to do so. Except as required by applicable law, Pfizer, Mylan and Newco
undertake no obligation to update any statements herein for revisions or changes after the date of this communication.

PARTICIPANTS IN THE SOLICITATION

This communication is not a solicitation of a proxy from any investor or security holder. However, Pfizer, Mylan, Newco and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction under the rules of the SEC. Information about the directors and executive officers of Pfizer may be found in its Annual Report on Form 10-K filed with the SEC on February 28, 2019, its definitive proxy statement and additional proxy statement relating to its 2019 Annual Meeting filed with the SEC on March 14, 2019 and on April 2, 2019, respectively, and Current Report on Form 8-K filed with the SEC on June 27, 2019. Information about the directors and executive officers of Mylan may be found in its amended Annual Report on Form 10-K filed with the SEC on April 30, 2019, and its definitive proxy statement relating to its 2019 Annual Meeting filed with the SEC on May 24, 2019. Additional information regarding the interests of these participants can also be found in the Form S-4 and will also be included in the definitive proxy statement of Mylan in connection with the proposed transaction when it becomes available. These documents (when they are available) can be obtained free of charge from the sources indicated above.