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PRESENTATION

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Hello, everyone. I'm Gregg Gilbert. I cover pharmaceuticals here at Truist. I'm fortunate to be hosting this next fireside, next to Chuck's fireplace with Pfizer.

Before we begin, I need to read the following disclaimer. This call is arranged by Truist Securities Research, released by institutional investors and issuer clients, as defined by FINRA. If you are not an institutional investor or issuer, please disconnect at this time. For required disclosures, please see our website at truistsecurities.com or our equity research library.

For this next fireside, we have with us Chuck Triano, who's Pfizer's Senior Vice President and Head of IR. Chuck, thank you for joining me, and thanks to our Truist investor clients that are following along now or later.

QUESTIONS AND ANSWERS

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

So Chuck, I can't believe it was over 20 years ago when we met. You were new to in-house IR, and I was new to covering pharma. It's hard to believe we're that old. Preliminary congrats on your retirement, although it doesn't sound like Albert and Frank are ready to let you go just yet, especially when your stock capped down a little bit, right on the heels of Albert's announcement, which you should make sure you point out. But it's been a great journey. And again, a preliminary congrats and best of luck. Don't be a stranger.

So I'd love to start, Chuck, with just your reflections on how Pfizer has evolved during your tenure. Since we're used to hearing it from other execs, I'd like to hear from you.

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

Yes, sure. Thanks, Gregg, and great to be here. I'll give you our 5-second safe harbor statement. Of course, there'll be forward-looking remarks that I'll make and actual results could be different, and you know the usual places to find those factors.

Yes. Thanks. When I got to Pfizer, Lipitor, it was all about Lipitor, patent expiry, the answer. Torcetrapib did not work out. It worked until it didn't. That was before my time. So I came in and it was a Lipitor story and what are you going to do? Pfizer had a big dividend yield. But the question was, if Lipitor went away and couldn't be replaced, the dividend wouldn't be sustainable. So there was a lot of questions on what was going to happen.

So the answer to that came with the Wyeth acquisition, which -- \$69 billion acquisition. And interestingly, what that brought into Pfizer, we still see a lot of that today, it brought us great people, of course. And our Head of R&D, Michael Dolsten is from Wyeth. It brought us the largest biologics and kind of vaccines programs at the time, the world's largest biologic, Enbrel, the largest vaccine, Prevnar, and all the manufacturing that went with it, came into Pfizer at the time.

It allowed us ultimately to get into the biosimilars market. We had looked at biosimilars before we owned Wyeth, but the investment to start from scratch would be enormous. And so we see our biosimilars, particularly in oncology, biosimilars today, doing very, very well. Obviously, the vaccine, the talent that we brought into vaccines, manufacturing, know-how, that goes without saying how well that has played out.

So that became the story of the time. That was the answer to Lipitor. Then Pfizer was a company that had probably 80%, 85% of its business in biopharma, but we had a Consumer health business at the time from Wyeth. We had an infant formula business from Wyeth at the time. We had Animal Health from Pfizer, Capsugel.

So the debate at Pfizer when I first started, and I was here before Wyeth and then went through the Wyeth acquisition, when the dust settled from that, it became, what do you want to be? Are you trying to be a conglomerate? Because if you are, your non-pharma businesses are still only about 15-plus percent of the company. So it's not a true conglomerate. And at the time, Pfizer didn't answer the question. It was we're going to play the hand we have. Let's see what happens. So there was some uncertainty into what Pfizer was going to do in terms of the next step and what did it want to be.

Also at that time, the management team then broke the company, a large company, broke it down into business units. And that largely in the same structure remains today at Pfizer. We had a question on our earnings call yesterday, and with everything going on with your COVID vaccine, is there fatigue? And that the company view is, we have business units. So the Oncology team, by therapeutic areas, obviously, a Vaccine team, Internal Medicine, Rare Disease, I&I, Hospital business. So we're operating really as numerous biotech companies today. And that was started right after the Wyeth transaction.

We then shifted, as Ian came in, he was handed a lot of assets. And Ian made the -- really made the declaration to say, I am going to do a strategic review. His belief was if we could be a more focused company, one thing we do very well is chemistry and biology. And so he coined the phrase fix the innovative core, get back to our roots as an innovative biopharma company. Not that we didn't do well with the other businesses, but the view was we were not getting credit in the Pfizer valuation for having a good Consumer business, for having an Animal Health business.

I think, Gregg, you and I would remember, you probably never asked me a question -- maybe not never. But very rarely, would we get a question on Animal Health or Consumer. And so we did a strategic review. And I think, in a very orderly fashion, we sold the Nutrition business. That was a great deal. We then spun out Zoetis. And in a sense, the valuation when Zoetis came out of Pfizer into the public markets on its own as a best-in-class company. We can see the PE ratio where that was relative to the pharma group. The off-patent business out as well, with the more recent deal with Mylan.

So what we saw was the company fixing its innovative core behind the scene, really looking at where were the shortcomings in the R&D organization. How could we improve our hit rate, our success rate within clinical studies. So that was happening behind the scenes, and we made tremendous progress on that, while more visible was Pfizer slowly exiting the non-pharma businesses. And then we had the whole discussion of where we're going to split the company on-patent versus off-patent business. So I think that was really the last steps.

So during that decade, our R&D productivity really improved. We had some very big product launches, and we refined the company to become a smaller, much more nimble, obviously, solely focused on biopharma. And I think while we didn't advertise it 10 years ago, where we wanted to land was where we are today. So really a big biotech company not trying to be all things to all people in terms of therapeutic areas, but rather focused on those therapeutic areas where we have the right people, the right platforms, the right products, and what I'll say, a right to win.

As opposed to what we're in areas we really don't understand, I think that the areas we're in today are ones we do understand. And whether that's for internal development or as you look at external opportunities to bolt-on assets, to strengthen those businesses, generally, you can do better deals and be smarter about deals that you might do in a therapeutic area where you understand it and you know what questions to ask.

So all of that moved forward to a pure-play biotech company where we are today. The first many years of my tenure at Pfizer were all about patent expiries. So revenue is going down due to patent expiries, and we would always look at the numbers. Well, if you ignore the patent expiries, actually, we grew. It's like telling your financial -- or the financial adviser telling you when you're ready to fire her, well, if you ignore the losers and only look at the winners, I did fine.

But over that period of time, we increased the market value of the company. A lot of it was share repurchase, being very vigilant on costs. Again, I think extracting value for the non-pharma businesses. And today, where we've landed is a top line growth company that is driving very good bottom line growth. As opposed to your driving your bottom line through either share repo or cost reductions, more financial engineering, which there's always a time for that. But today, where we are, we're solely focused on driving durable, top line growth, bringing the right value to patients. When the patient wins, generally, we all win.

And then obviously, COVID vaccine kind of landed, and that's a whole another set. But again, in our area of expertise, we're through that, we're now becoming and probably are a leading mRNA company. So that brings us yet another leg of the stool within our Vaccines business that we think we can really deliver value.

So a manageable number of therapeutic areas continue to be very tightly focused on costs. We've got a revenue CAGR of at least 6% out for the next several years. Like every drug company that launches products, which is a good thing, you will have patent expiries. We're well aware of that, and we can plan for those.

And so I would close, Gregg with, I think, where we are now is really a big biotech. We've got a -- purposely a broad pipeline. We don't want to be beholden to just 1 or 2 opportunities in the pipeline because we know while that can be very good, can also be very painful if one of them doesn't work. So a broad pipeline.

And our view now is to continue to execute, bringing good clinical data forward, so investors can get a better feel for our pipeline, executing on the end market compounds that we already have in key areas. And keeping our eyes wide open for deployment of capital to help shareholders. But smaller, singularly focused, everyone knows kind of what the job at Pfizer is, and I think it's a great place to be for the company, looking forward, with a lot of opportunity in front of it.

So when I came here it was how are you going to move an ocean liner? It took a while, but the ocean liner has turned from, we're not sure what's going to happen with Lipitor, to you have a whole bunch of businesses, what are you doing, to really fully turning to say, this is what we're doing, biotechnology, a big biotech company, with chosen therapeutic areas.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

That was super helpful and interesting walk down memory lane. It jogs the memories loose there. I just wish you could have made all that happen in 2 years instead of the many years that it took and finish all that change happen.

Let's shift to a more mundane topic of the quarter in sort of some recurrent themes that have come up since the call clarifications are making, any confusion that exists since we're so close to you having just reported, it's still fresh. So what would you say about that?

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

Yes. Yes. Interesting on the earnings call, most of the questions on the COVID vaccine, some on capital deployment, but really not many questions on the other commercial products, which are all doing well, I would say, maybe 2 or 3 points.

If I could just address, IBRANCE. One of the first numbers I think all investors look at in our earnings report is IBRANCE revenue. And in the U.S., it was down year-over-year. And really the driver of that -- because the question and I did a bunch of meetings at -- or conference before you and I started our chat here. And a lot of questions were, is it because you were losing market share? Is it because you were cutting price to be competitive? And the answer to both of those is no, our market share remains very, very strong with IBRANCE. We have really not seen any encroachment on our market share. And no, we are not discounting or rebating. We're not using price as a way to preserve our market share because of perceived, kind of, competitive threats.

The main reason was we have a slight increase in the proportion of patients who have qualified for our annual patient assistance program and receive free drug. And that issue, that will be with us for the next few quarters because it's an annual program. And due to COVID and this market for late-stage breast cancer, very often, active women still employed. So for those who have economically suffered or lost their job because of COVID, and maybe ran out of COBRA insurance or may have had to purchase their own insurance with less coverage, more of those patients qualified at the beginning of this year for patient assistance.

We expect as the economy continues to improve, as we get to next year, we'll probably see that normalize down. But that has the impact of giving away a slightly more free drug. And that impact, while not enormous, was the difference between IBRANCE revenues being up year-over-year and being down slightly year-over-year.

So it's more of a finite factor that we can look at, and one that we think normalizes, as opposed to you're losing market share there. So I think that's one. The biggest question by far, and we've been talking a lot about this at Pfizer is the durability of the COVID vaccine opportunity. And I think slowly, as events unfold, whether it's continued word of new mutations, whether it's the view that a booster shot for the right reasons. And what I mean by the right reasons is we want to stay ahead of this pandemic.

And so with normal half-life here, you would expect neutralizing antibodies to begin to weigh a bit within a year. We'll have more data on that. But you would want to see those -- you want to see a booster there. You want to see T cells and B cells, kind of, reignited to keep the protection against the vaccine up. You want to be able to address any variance that could escape the original version of the vaccine. We can make a new version, if necessary, probably within 100 days.

So I liken it to saying, the pharma companies that have delivered the vaccines, at this point, have allowed the economy to reopen. And I think a lot of investors see this in other parts of their portfolio, the benefit is there. What we want to see is, let's keep the economies open. Let's not go backwards. Let's stay ahead of the pandemic. So we don't think it's a view that next year, you won't even hear about COVID anymore, it will be gone. I think we want to be able to manage this. And in terms of our capacity to manufacture, we've said 2.5 billion doses this year, 3 billion or more next year. So we'll be in a position there.

But I think that's the bigger question. And I'd say, while we do not have a crystal ball that no one else sees, we do see logical reasons why you probably will need more durable -- more durable business in terms of boosters to stay ahead of the pandemic and not let it move the other way on us too quickly.

And I think investors, what we're seeing is they're slowly -- and again, we'll all learn together with the passage of time, but slowly seeing events happen that say, we actually could see that as well. So there's more value ascribed to the earnings from the vaccine. I think 3, 4 months ago or 6 months ago, the view was this was going to be a special dividend, [baked it in] and then down.

The other question that I had a lot of was our mRNA platform going forward. And we've talked about an influenza vaccine that we're working on. We've alluded to 2 things. One is the fact we increased our R&D guidance by \$600 million. We said a large part of that is that we are, in fact, deploying shareholders' money into other mRNA applications. So we've got a great history of infectious disease research at Pfizer. So I think we're relying on our history and our ability there to move forward with mRNA. I think we have clearly emerged as an mRNA leader through the COVID vaccine experience, looking at a wide range of opportunities.

Certainly, manufacturing, I think, has been a hallmark of Pfizer throughout the COVID vaccine view here. So we're going to leverage our long-standing scientific and manufacturing capacities in vaccines. And we can see, while we didn't give specific indications beyond flu, we see a lot of opportunities. And the one question that I got repeatedly was, okay, so are all of these -- these all are split 50-50 with your current partner? And the answer is no. No. The COVID vaccine is 50-50. But future programs, including flu, are not part of that agreement at all.

In fact, influenza, we have a research agreement that expires in July with our partner. After that point, it all comes to Pfizer. We said there's going to be an influenza vaccine we're taking forward with mRNA technology. That's all Pfizer's development. We would pay a royalty, we said low double-digit royalty and perhaps some milestones for the partner, but very different financials than 50-50. And then beyond that, in some way, we

can -- we may largely be able to go this alone. So a lot of questions on the financials, as I think analysts are saying there could be a real play in mRNA. But do you only get half of anything you do in mRNA? The answer is no. That's really just related to the COVID programs.

So I think those are the key issues after the quarter. I think the investors knew that there was going to be a big guidance bump, which they saw. So I think the durability of the vaccine program, some building excitement and anticipation about what else is happening in mRNA. And then the rest of the business, it's all about what you and I talk about regularly, pipeline and events coming there to further derisk the balance of our pipeline.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

So a few questions, basically. So one, the durability is certainly important to how we think about the effect on the DCF, et cetera. But what about the fact that J&J had its issues? Is there a bit of a perception shift in the amount of share you can hold on to regardless of the size of the pie? Did you notice anything there from a competitive perception standpoint?

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

Yes. Yes. I think -- and I would put that into a couple of drivers, that's one of them. So those issues -- and if you were to say, perception wise, which vaccines, if I had a choice, if it became a more private market where I had a choice, would I prefer the mRNAs over the others, given what I've read? I think largely, an answer would be probably. So I'd -- so yes.

And the other thing is while we have commented that we are in discussions it was reported by a couple of news sources a few weeks ago that, in fact, the EU is looking to sign a very, very large multiyear deal with vaccines. And they have confirmed that, yes, it's -- discussions are ongoing. We would certainly announce that when it's done. So people say, well, you didn't talk about it on your call, it wasn't in your guidance. It hasn't been signed, but very likely to be signed. So that's another sign.

And I think you and I have talked about, was there a switch that would be flipped and suddenly, everyone would say, "Oh, it's a long-term opportunity." And I think we agreed, probably a series of events. So some stumbles, for lack of better term, with other vaccines, seeing more variance. The view that herd immunity might be a little more of a wish than a reality. The view that other countries are already looking at multiyear deals for the vaccine. And just improving antibody binding affinity and neutralizing antibody levels through a booster to stay ahead of this, keep the economies open, that seems to be slowly gaining ground.

And then one other question is -- I had in the last meeting, at some point, right now, it's Pfizer, here's our vaccine guidance, here's the rest of the company. Would eventually this be just one company? Or whether this would...

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

I was just going to ask you that. I mean, are you going to advise your successor that it should always be kept aside because we will never know how durable it is, and we hope it's not durable for (inaudible)?

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

No. I mean I think at some point -- no, that's a great question. I think I think our answer is, I think we'll learn together. At some point, it either is or it isn't, and it's pretty obvious. But if it is, I think that it becomes -- here's the Pfizer -- here's Pfizer, it includes a COVID vaccine as a franchise. And then that's a whole assorted level of other topics to talk about. But no, you could see it merging to say we're not breaking it out anywhere because it is not viewed as short-term onetime and clouds the numbers on everything else.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Well unless your bosses convince you to stay long term, it won't be your problem to deal with that decision. I was intrigued by comments made on the call about, if I heard it correctly, COVID vaccine plus Pevnar. Is that a co-formulation? Is that just doing a study to show that they can be dosed together safely? Is that an attempt to kind of redefine how older folks should get everything in 1 visit? What was behind that comment? I don't think it came up.

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

Yes. Yes, sure. So it's not a co-formulation. If you look now, I think the guidance out there is avoid other vaccinations, 14 days either side of a COVID vaccine. And -- but our vaccine is dosed on day 1, then again at 21. Given these are well visits, particularly in the adult section for Pevnar, these are generally well visits. You say, all right, I can get my first dose of Pfizer COVID vaccine and then theoretically on the 15th day, maybe I can get my Pevnar adult. Well, wait, you can't because that's not 14 days before your second dose.

So what you're seeing is like patients don't want to come in for multiple well visits. And so you're losing some of that traction. And so the study we're running is actually we're using Pevnar 20, which will be bridged back to 13. But to say, let's see what happens if you co-administer within a much closer time frame, the COVID vaccine and the pneumococcal vaccine, Pevnar 20. And I think driven by data, I would expect that ACIP would then look at the data and say, based on the data, it's either we should keep that or we should say we can relax those regulations because we're not seeing degradation either way.

So it's more of ease of use, convenience and guidance based on data in terms of -- with a lot of these well visits, how do you keep protection for pneumococcal disease, in our case, versus COVID. And I think other companies that have regular vaccines probably would look at the same and say, how does our vaccine or how doesn't it interact with a COVID vaccine, and what's a safe schedule at this point. So that's low administration rather than a single formulation.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Right, not a co-formulation but delivered at the same -- on the same-day for the logistics of that visit or not necessarily?

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

Not necessarily. Not necessarily, but in close proximity. But I think if you can do 2 at the same visit -- so I think you will look at that 2 at the same visit, it avoids another well visit. It's kind of the point that we're looking at here. Rather than 3 well visits to get 2 vaccines, could you narrow that down?

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Sure. Makes a lot of sense. And then just to shut the door on sort of the mRNA stuff. You've talked about flu. You haven't talked specifically about anything beyond flu, except that it would be owned by Pfizer, with potentially royalty and milestones on anything beyond flu? Is that fair?

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

I think that's fair. I think we've accounted for -- I mean even in our COVID vaccine guidance, we have an allocation in our accounting for royalties out to other parties. So I think, yes, we have a lot of in-house know how that we've brought together. But do we need a firm 50-50 partner to do anything? The answer is no. We can do most of this on our own. If there are royalties or what have you that you pay to operate, that's usually part of any business anyhow.

But what we already knew and what we've acquired on our own know-how, we think that we have got a good view where it will be a Pfizer -- dominated by Pfizer program, anything that we do. Yes. It doesn't mean that we won't -- that we can't have partners. But do you -- the question of more, do you need a partner? In our view is we don't need a partner. There may be opportunities where it makes sense. But yes, that was a common question because I think there was a perception that we would be splitting 50-50, anything on mRNA, which is not the case.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Got it. I have some product-specific questions, but I want to go back to sort of the 6% CAGR, which some folks think sort of might define the Albert Bourla tenure already. He's been pretty out front there that this is a growth company that will be driven by multiple drivers. He's believed the Street is not really ascribing too much credit for your ability to hit that.

So where do we stand now on this sort of buy-in to the 6% externally versus when it was initially put out there. And maybe talk about the pushes and pulls of things you've acknowledged on better and worse than that original set assumptions.

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

Yes. Yes. So I mean, I think I'd start with -- it's not as if the business is growing 3%, and we're saying it's going to really accelerate, we're going to get to 6%. We grew 8%. If we take out some selling day and other impacts, it's still a strong 7% operational growth that we've seen in the quarter. We've been seeing between 6% and 8% for the business last year. So we're already growing at that rate. So rather than say we're aspiring to get to that rate, we are there.

We have, I think, a nice slide back at our September Analyst Day that laid out the revenue CAGR and showing that from our starting point, we use about \$42 billion as a starting point, we then said we expect \$8 billion incremental revenue from products that are already on the market, VYNDAQEL, IBRANCE, XTANDI, biosimilars, BRAFTOVI. So we have already derisked products on the marketplace that are growing. That probably gives us \$8 billion plus.

So we said, so \$42 billion becomes \$50 billion. To get to the 5-year CAGR of 6%, we would need about \$56 billion. So okay. So if you're at \$50 billion, you need another \$6 billion. We showed our pipeline -- our key pipeline of compounds that would be potentially launched by that point in time. And while you often will risk adjust a number in your model, but the real answer, it's either going to be 0 or it's going to be whatever the real revenue is, not risk-adjusted. So we then said, if we need another \$6 or so billion, we've un-risk-adjusted the pipeline opportunities during that period. And we said it's at least \$15 billion. We need \$6 billion of the \$15 billion to hit.

So from that view, and this is by design, our view is we have a portfolio approach that you can have some failures, because you're going to have some failures. And the view of -- we don't want to have a torcetrapib story where it's all about 1 compound. And if it doesn't work, well, you've got a tough story to tell.

So I think from that standpoint -- and that was a snapshot. I mean that doesn't include the deal we did with Myovant. It certainly doesn't include the COVID vaccine. But it wasn't as if we're going to stand still and never bring in any other asset, even a marketed asset. So we need -- we basically need \$6 billion. We said the pipeline is \$15 billion plus, it allows for plenty of failures. And so that's really our approach.

Most of it, I would say, need some more data to be modeled. If I look at that same slide, I'll take Prevnar 20 out, that's more of a replacement for Prevnar 13, that leaves us with about 9 compounds that we called out by name that we said are \$1 billion plus, a couple worth \$2 billion plus, a couple worth \$3 billion plus. And we know how the modeling aspect works at The Street. But of those 9 that we said are \$1 billion plus, 2 right now are being modeled as \$1 billion plus by the sell-side community, and only 1 is between \$500 million and \$1 billion.

So the real answer is, those that have zeros, what have you, known us said we know there's 0. It was like oral GLP-1, ritlecitinib, pentavalent vaccine, your hemophilia and DMD gene therapy programs. They're not model -- they're modeled in hundreds of millions. But I think many say, show us the data. And if it's positive, of course, then we'll update.

So I think that's how it's working. So we're not looking at the pipeline and say, "Boy, something has to work. Otherwise, all bets are off." And again, that is by design. Obviously, we're going to have bigger products and smaller products. What I find a little bit as well is when you go in and have a fulsome conversation about the pipeline that covers a few gene therapy options, covers a few oncology options, a few vaccine options. It requires work, right? Some more generalist fund managers, totally understandable, say, can you give me the 1 or 2 \$6 billion products. So we purposely aren't really -- we'll take them. But it's right, it's more broad-based on that front.

So I think the pushes and pulls there, I mean abrocitinib is one that we highlighted is \$3 billion. The PDUFA date has been extended, as we know, there's some more data that we're putting in. But we'll see the label in July. We haven't made any statements about what we expect. So that's one that's going to be watched closely. We'll have resolution in July when we see the label.

Huge unmet need there. I think one question with abrocitinib with investors, they think it's a zero-sum game with the incumbent compound that the JAKs are going to have to just steal share or get doctors to switch, which isn't good medicine, our view is no. This -- there may be some patients who don't tolerate the incumbent product, but it's a huge opportunity in terms of the number of patients who are not treated. And you bring an oral option here. I mean only 4 million out of the 60-plus million patients with moderate to severe atopic dermatitis, only 4 million are treated systemically. Even -- and we think that can double. And because Pfizer will be there, other big companies with orals.

So even if you have that double, you don't need a lot of market share. So I think one big question is a little bit like the psoriasis market, you can grow the pie, that's a clearer path. So I think we'll have clarity there. I think gene therapy has been very, very interesting. We'll have some Phase 3 clarity on our hemophilia B program later this year, DMD early next year.

So I think it's a matter of executing on what we have and then producing attractive Phase 3 data. I mean the oral GLP-1, we'll see Phase 2 data later this year, a lot of excitement. A lot of excitement there. So a lot of things coming. So the pushes and pulls, I'd say right now, abrocitinib is the one that's in focus because it's one of our bigger opportunities and it's nearer term.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Is Pfizer expecting an AdCom for the class or that product? What can you say about that?

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

We have not been advised that there is any AdCom plan. So I've had questions. We hear rumors or might there be or someone said there would be. I can say that we have not been advised that there is an AdCom plan. I guess that doesn't mean there never could be, but we are not advised that there is a JAK class AdCom.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Right. About the deal, does sort of Pfizer -- doing big deals is sort of history, right? As I recall, folks used to think about Pfizer as being on the prowl for big deals and being willing to take sort of capacity out of the system, et cetera. I think since Albert took over, that's been pretty much sloshed, and there's an assumption now that Pfizer is willing to do acquisitions, but they'd be more of the bolt-on variety and in no way needed to hit the 6%. Do I have that right? Do you think that's the appropriate mindset?

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

Yes. I think you have right. Business is doing very well. As I say, it's not as if we're growing 2% and we're telling the short 6% and how are you going to possibly do that. But big deals have their place, but they're distractive, right? Especially a big deal by definition and touches every part of your company.

So for us, if you just look at what we've been doing, a lot of licensing, one-off deals that's fit into a specific therapeutic area, where only that business unit really has to worry about. It doesn't impact the rest of the company.

So I think looking at the areas that we know well, to my earlier comment, you can be smarter about the acquisitions if you have in-house experts who truly understand the market. I think that is absolutely more likely than that because the business is really good and distraction costs a lot.

So we always -- people say, well you say, you often say, never say never. That's not a code for anything. It's really the simple truth that if the facts change or if an asset suddenly becomes available that hadn't been available and it makes sense for shareholders and patients to do what a good management team should do and not be worried about what you said, at some point in time you would never do that. So you don't -- we just don't like to box ourselves. And that's really all that's behind that.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

I believe never say never goes back to Warner-Lambert days and then Pfizer came up and shortly after, that was -- those words were uttered by (inaudible)?

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

Yes.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

One of the, sort of M&A theme is that of having this COVID upside that may not be durable. It doesn't sound like the management team is willing to change whatever screens and criteria you would have been using before, simply because you could theoretically afford more dilution or something like that. Am I right on that?

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

I think that's right, all right, Gregg. I think, first and foremost, deployment of capital and shareholders' interest to drive top line visible and durable top line growth, I think, is probably the priority. The nice issue is these are not -- or these are end propositions. So you can do that, and we have a nice dividend that we expect, if the Board approves to continue to grow. We have not recently been buying share repurchase -- repurchasing shares. Just because we feel we see more growth -- top line growth-oriented opportunities with a good return. But that can always become an option as well. So we have multiple avenues.

But to your question, I would say there has not been an avenue that has been closed to Pfizer because of lack of capital or ability to get capital that suddenly has opened because of COVID. So I think anything that we've looked at in the past we're still looking at it, and it doesn't allow things to happen that could never have happened without the vaccine.

And to your point, I mean, these are large, large numbers in terms of revenue. And our job as a management team is to continue to responsibly deploy shareholders' capital through investment that come back to you. When the patients win in terms of good new medicines that are really helpful, that really drives a lot. And you have the ability to have multiple avenues to deploy your capital for shareholders. So I think it's a good -- obviously, a good position to be in.

Gregory B. Gilbert - *Truist Securities, Inc., Research Division - Analyst*

Sure. Well, in 2 minutes that we have left, I'd love to hear everything you know about the potential effects of tax reform and direct pricing legislation. So maybe if you can hit the high level approve time...

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

Yes. Yes, I think -- right. I mean, drug pricing, we still are advocating, I think one important aspect for any drug pricing legislation -- and I would start with this. We would like to see something happen. I think status quo, where it goes away for a while, only to come back, doesn't help anybody. So we would like to see appropriate legislation that management teams understand what it is, the investment community can model it and it removes the unknown.

But for us, I think it's very important that anything that's done has, as an outcome, reduction in out-of-pocket payments by seniors. Because without that, you really are not accomplishing anything because, as you and I know, the price of the drug to a Medicare patient is the out of pocket. We don't set the copay, the pharmaceutical companies.

So without that, I think that's obviously an issue. So we're looking for out-of-pocket caps. We're looking at rebate reform, more biosimilars. We're doing quite well in biosimilars. We're seeing adoption there. We'd like to see more of that. Value-based health outcomes in terms of getting paid. All those are, I think, we will push for. But it has to have that effect of the senior sees out-of-pocket.

For the quarter, our net price in the U.S. compared to last year, negative 5%. I think we may have made a comment on the call, I'm not sure that many seniors saw a reduction in their out-of-pocket. So we'd like to see something happen. We will try to push through and negotiate but with that in mind, to get something done, not anything done, but something that can achieve that.

And then tax, the comments there, we've -- since I've been here, we've had many different tax rates at Pfizer. We've operated effectively with all of the tax rates. We like a level playing field between the U.S. and non-U.S. companies. I think early on, these are opening discussions to put rates out there. Usually, there's negotiation. We always find the details is what you need to look at.

But I think preserve the incentive for innovation, that goes for direct pricing as well. But again, work on something that continues to incentivize companies to make the right investments in people and platforms to deliver medicines.

So we're good at working there. So we will, of course, put our best foot forward and be constructive here. But from a CFO level, whatever the tax rate ultimately comes out to be, whatever the tax law is, if there is a change, we'll operate. And if there's any proportionate responses to what needs to happen from a management level, we've managed through these changes in the past. We've managed through drug price declines in Europe for years and years as part of the business.

So I think as a big global company, you can be prepared for things. But you want to preserve incentives to continue to innovate. That's what we do.

Gregory B. Gilbert - Truist Securities, Inc., Research Division - Analyst

Thank you, Chuck. We're about out of time here. Again, all the best to you. I know we'll be talking.

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

Yes. Thanks, Gregg.

Gregory B. Gilbert - Truist Securities, Inc., Research Division - Analyst

Thanks to Truist clients who are tuning in an hour later. This ends the session. Goodbye.

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

Thanks, folks.

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