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PRESENTATION

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good afternoon, everybody. I'm Chris Schott at JPMorgan, and it's my pleasure to be hosting a fireside chat today with Albert Bourla, Chairman and CEO of Pfizer. Albert, first of all, Happy New Year. Great speaking with you today. I thought you'd have a tough act to follow this year after your 2021 presentation with -- at that point, all the progress you've made on the vaccine. But you managed to top it this year, both with the vaccine front and now with the antiviral. So obviously, congrats on the tremendous success you've had here.

Before we kick it off with the conversation, I know, Chris, I think you're going to run through a quick disclosure, and then we'll jump right into it from there. So over to you, Chris.

Christopher J. Stevo - *Pfizer Inc. - Senior VP & Chief IR Officer*

Great. Thank you, Chris. So Albert's going to be making forward-looking statements in the course of this presentation. These statements are current only as of today, and we undertake no obligation to update those statements in the future. Any forward-looking statements are subject to risks and uncertainties. If you have questions about that or want more information, please see our SEC filings under Form 10-Q and Form 10-K under those respective -- under the respective parts of the filings.

QUESTIONS AND ANSWERS

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Thanks, Chris. And maybe, Albert, just to kick off the conversation, maybe we will start on the COVID front given that's top of mind for all of us, and I was hoping this was going to be an in-person discussion. But unfortunately, Omicron got in our way here. But maybe just based on your perspective, just reflecting on where we stand today in terms of the tools we have to manage through COVID versus maybe where we were a year ago and I guess just to kind of like live with this virus, just would love to hear your perspective on where we stand.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

I think we are in a way better place right now than where we were a year ago. First of all, we have vaccines that they work, and we have manufacturing capacity that now has reached a peak. Our ability basically to give vaccines to everyone in the world, it is now -- wherever they don't have enough vaccination, it is more of a problem of hesitancy or infrastructure. We have treatments, which we never had before. We had processes in place that we can adapt the vaccine and create new versions in less than 3 months, which is what we are doing with Omicron.

Now we have also a virus that is tougher than what anyone would ever think in terms of being able to change very rapidly, that's one. The, let's say, the variants that creates, it is spread all over the world. So it's now very, very difficult to eradicate.

And the third is that both the vaccines and the natural infection, both, even the natural infection actually even less, they can create durable protection for the population.

So you have the situation that people can get infected, and then after some time, can be reinfected. So fact needs, say, to make us alert so that we will be always ahead of the virus. And -- but clearly, the situation is way, way better than what we had when we started, when we didn't even have treatments.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, absolutely. And I know on the vaccine front, we're dealing with a pretty steep spike in infections right now. Just your latest thoughts in terms of vaccine effectiveness against Omicron and the severity of this variant maybe versus the prior ones that we've been experiencing, just your latest...

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Yes. Omicron is very -- way more challenging target. So the 2 doses, they are not enough for Omicron. The third dose of the current vaccine is providing quite good protection against deaths and decent protection against hospitalization. So most of the people that they are ending up in hospital are unvaccinated with Omicron. They are not people that they had the vaccine.

I think the question mark, it is how long that protection will last with the third dose. We have seen with the second dose very clearly that the first thing that we lost was the protection against infections, which anyway is not as good and sort of against infection with a third dose for Omicron. But then 2 months later, what used to be very strong in hospitalization also went down. I think this is what everybody is worried about, and we are looking this is why a lot of -- here in the U.S., we recommend the fourth dose for the immunocompromised. In Israel, they recommend a fourth dose to everyone above 60 years old. So they are all looking to see what more needs to be done to protect those that are more vulnerable. And clearly, everybody now is trying to secure quantities of the treatment that doesn't seem to lose any of its efficacy against Omicron.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. Absolutely. So when we think about an Omicron updated vaccine, is that the most likely outcome of where we land as we go through 2022? So maybe just talk a little bit about where you are in the development of that and when we can think about clinical data on that front.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

I think it is the most likely scenario. It's not a slam dunk because we need to make sure that we have not a vaccine that works against Omicron. I think the best, it is a vaccine that covers the others and works against Omicron. This is what we want to -- because that will be a very easy decision to switch to that one.

We are working on a vaccine like that. So we have a sequencing that we hope will help us do more of a big part of what I just described. We are working on a hybrid. So 1 vaccine that will have both, the wild-type and the Omicron, to compare results. We are working on higher doses. We are working different schedules. We are doing a lot of things right now as we speak.

We will have not only data, but I think we will be ready almost to go file and launch if it's successful and if we need the demand. And in fact, I want to tell you that we started already producing at risk all the preparation. So a part of our manufacturing capacity currently is moving to make at risk more Omicron -- the newest version of the vaccine so that we will be able to have quantities to launch if it's needed now in March.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Excellent. That's great to hear. And I think about -- you mentioned there's different iterations of ideally, we get a vaccine that covers both the new variants and still goes as coverage against some of the prior ones. If we're in one of the scenarios where we're looking at -- you have a hybrid approach where you have combined vaccines, et cetera. Is that something you will also have kind of clarity on and capacity for in March? Or is the March time frame more about if we're just kind of swap out kind of the current version for this new updated version?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

No, I think in March also, we are trying to find out if a hybrid does their job better than, let's say, bivalent than monovalent and if that could be a solution. And in terms of manufacturing, we have so big capacity build right now, but it won't be an issue to switch immediately.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. Excellent. Great to hear that.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

That's why I told you that we are well prepared right now. We are not even near to where we used to be a year ago.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, yes. Absolutely. And then just pivoting over to PAXLOVID. Just latest on 2022 capacity. I know you recently updated some of the targets there and just maybe it's important to hear how do we think about the ramp of capacity as the year progresses.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Yes. We are very transparent so that people know. We have confidence that we can make 120 million treatments this year. 120 million treatments, just to make the math, is 3.6 billion tablets. So it's a very big capacity. But it is doable because we are making currently way more billions of tablets. We are making, let's say -- it's not a problem.

The ramp-up has to do -- not with like COVID vaccine was a very different situation. It was highly specialized manufacturing, highly specialized raw materials, very few places in the world could make it. Here, it is very different, the situation. Any decent manufacturer of medicines can make it. But the chemistry, it is complicated, and it takes time to synthesize the active substance, the API.

For this reason, the first quarter, we expect to have 6 million to 7 million. The second quarter all the way to June, we're going to have 30 million altogether, 30 million doses. And then the remaining 90 million, 120 million will be spread equally more or less between third and fourth quarter. So this is how that will go.

We are -- so that means that in the beginning, we will have, in the first quarter, more constraints in terms of availability, second quarter a little bit better and then we should be okay. We are working on scenarios to make more. Why we are working on scenarios to make more? Because there are several governments that have expressed interest for stockpiling. And this is an ideal product to supply because it is -- the shelf-life should be permitting to do something like, the product you can put in a shelf 2, 3 years. So you can buy in advance so that you can be independent, which is what they want to do and for health safety issues.

So if those discussions progress with several of them, we are -- we will need to do more than 120 million, and this is what we are aiming now.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Interesting. So on that front, I mean, do we think about this as a similar situation to maybe when the vaccine rolled out where you'd expect you're going to be able to basically sell the vast majority of what you're producing this year? I mean it sounds like, if anything, there might be need for more than 120 million courses of capacity this year. Is that -- is that kind of like a floor almost to think about? Or is it too early to tell?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

There is uncertainty. Certainly, when we made the decision to book 3 billion doses for '21 and 4 billion for '22, it was not certain that we will need it all, right? Because there were other vaccine players around that the venture didn't take the market share but one would think at the time, and we ended up being the major, let's say, preference of vaccines. That's why everything well.

But more or less is the same. Right now, we are making 120 million not because I have in hand orders for 120 million treatments. But looking the needs and the discussions, I see that, that's a reasonable thing that it could be. We may reach way lower than that but better, that we can have more than that in case that, for any reasons, orders will not come. It's not a big financial risk for us because we can store the API and the tablets and then use them for later years.

But it could be, as I said, that's why we are examining the scenarios that we may need more if countries want to stockpile or if they just have a very broad use or have another variant that it is way more lethal, all of that would play and we want to be ready.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. That makes sense. One other question I get on this is just how difficult is it going to be, I know you talked a little bit about this in your presentation last month, to get this medication to people within a few days of their symptoms developing? I know New York is an example right now. It's pretty hard to get tests back quickly with the spike we're seeing. So can you just talk a little bit about the efforts Pfizer is making to make sure we kind of, I guess, tie someone getting diagnosed with actually getting access to the product?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Yes. That's something that we need to make sure that works well. Right now, I don't have data from the United States, and it is different state by state. But we should be knowing how things are moving in the United States next week when we have, let's say, a couple of weeks of real world.

In Israel, it's moving very, very well because they do have -- they have electronic system that immediately identifies high risk people. And immediately, they send them to the treatment.

Here in the U.S., I think, within a couple of weeks, we will have it everywhere. So at least once you have a positive test and a script from your doctor, you can get it in any state. But things will become better and better as the quantities are becoming bigger and bigger.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, that makes sense. And the other question I have is just about the standard risk population and then the role the antiviral plays there. I know you had this novel endpoint that didn't hit, but there was obviously a pretty strong signal in terms of more severe outcomes. So how are you thinking about the way governments are going to handle severe versus standard risk populations as this product becomes more broadly available?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

I think it will depend on the situation in every country. Clearly, I think from regulatory approval, we have a very good chance to demonstrate statistical significance and get it in the label because the hospitalizations are a thing, meaning in the low-income countries. It was very high, just we need to have the power to demonstrate that. And right now, the approval is for vaccinated and unvaccinated. So by definition, vaccinated, it is part of the standard risk, right, because this is what we had in our trials. So that's something that I think will not be a barrier.

Then I think will be governors that they will assess the cost effectiveness. So if it is someone who is young and they don't have an issue with hospitalization may not recommend and because of the costs and they recommended it only in the older people or the underlying conditions or, let's say, people with higher risk. However, we are running studies right now that can be used even in prevention for the household, the studies. Also, I think those could become a very big part of the solution. Imagine that you diagnose 1 case in a senior house, all these people are high risk. And then typically, that means people that they know, some people here would die. You can give the pills and then no one will die. So that's over hopefully. So it remains to be seen how that will be used.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, absolutely. Maybe one last one on this topic then we'll move to the broader business. Can you just -- your latest thoughts as we look at the endemic phase of COVID looking out a few years, how big can these products remain as we make that transition, I guess, from a pandemic to endemic? And I know it's quite a moving target and there's no clear answer now, but just maybe your perspective on how meaningful these franchises will be looking out a few years for Pfizer.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

It's -- I don't think anyone knows, and no one has a crystal ball. But I'm afraid it will be meaningful. I'm afraid for the world that it will be meaningful. As I said before, this virus that is spread all over the world, so very difficult to eradicate. This virus that mutates and finds ways to live. And unfortunately, this is a virus that -- the immune responses are not very durable against this virus. And I'm not speaking about only vaccines, it's also about natural infection.

So the scenarios that -- we will all get it, so that's it. I don't think it's meaningful. But of course, we will all get it the next year, maybe, again, we will all get it and some of us will die. So given all of that, I think -- I don't want to scare people, not at all because, as I said before, we have a lot of tools that we've never even -- we're not even dreaming that we would have. But we should reach a good level but we'll be always ahead of the virus with the right update on the vaccine that, hopefully, we could be giving it annually, and maybe for some groups that they are high risk, more often. But for the general population, 1 annual will give very good protection. And then you have the treatment that will, let's say, resolve the issues of those that are getting the disease. So I think this is how I see that going in the next decade's time.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. Excellent. Maybe as we kind of transition to the rest of the business. Just on a broader organizational level, I mean, developing these COVID therapies is obviously -- in such a short time has obviously required significant resources and focus within Pfizer. I guess what have you been doing to ensure that the other strategic priorities of the company continue to move forward and they get kind of the attention and resources they need? So I guess challenge becomes as we kind of move past this, is the rest of the company -- is dealing sort of for resource, getting the attention they need, like how do you think about that for the broader Pfizer's future?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

The company is organized in 6 business units. This is how we have organized the early reserves. There are 6 groups. And then this is how we have organized the development, clinical development, the same identical groups. And this is how we have organized the commercial, the same like identical groups. One of them is Vaccines. So although a tremendous amount of resources went into developing the vaccine, these were resources

that were given to this one business unit because the others were not affected at all. Oncology had nothing to do with what is happening. And we didn't take resources out of Oncology to give it to Vaccines. We took the risk and to add it in the resources to the Vaccines when we decided to go all in this vaccine, let's say, development. The same we did with the second business unit that had the treatment, which is the Hospital business unit, a very different business unit that we gave them on top of the resources.

So it is more of an issue within the Vaccines how to manage that much opportunity because they have, in addition to the COVID vaccine, the same people they are working on RSV, on pentavalent, on C. diff, on -- you name it, on flu, now on shingles. They are working on Lyme disease. So it's very, very rich. Over there, we are trying to deal with the situation by increasing dramatically the resources in the Vaccines group.

On the other units, I would say it's -- imagine if you're Pfizer and you're Oncology. Of course, you want to become -- also to have your moment of fame by bringing the cancer cure now, but the vaccine is that high, the level, in bring a vaccine like that or the Hospital unit raise the bar that high. So there is a very good competition, I think, right now and the resources are among all.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. Makes sense. And when I think about the Lightspeed kind of approach you took to drug development that works so well in the COVID side of the business, where else are you applying that within the organization? And I guess what type of diseases or products do you think will be the most appropriate for that type of approach?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

I don't think there are technical or other type of -- this type of consideration. It's more mentality that it is different when it comes to the Lightspeed. It was the fact that the focus was relentless. The resources were without limitations. That -- and the bureaucracy was cut off completely, means having meetings of 4 or 5 layers of management altogether rather than 1 layer and getting approval from the second, gets from the third, from the fourth and then comes to me.

All of that, you can't do it for everything, but you can do it for things that they have the ability to have a great impact on public health. And as a result, if they have a great impact on public health, we will have on the financials of the company. And the -- we could make a difference by putting the resources into it.

We have done twice that. We call those Project Lightspeed. And those are projects that every week with a group of 30 people I review and myself. So we did that with the treatment. We are doing that with flu and RSV. We are doing that with an oncology treatment for lymphoma. And we are -- yes. And we -- yes, those are the projects that we have right now. And there are other projects that are coming as a result of the business units asking we want also to be part of that. We want the resources. This is our proposal.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. So this is more about unmet need and just kind of identifying your highest, most interesting pipeline assets more than this works specifically well for vaccines, doesn't work as well and maybe some other, oncology or something. So it's more about...

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Exactly.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. That's very helpful. The other question, the company has been pretty active on the BD front recently. So maybe the first question is looking at the Arena deal that you announced last month, I guess what brought you to that deal? And how are you comfortable making a bet in acquiring an asset so close to Phase 3 data? So you think about kind of the risk you're taking on there, how do you get comfortable taking that risk?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Look, it is -- the comfort comes from the scientific expertise that you have in each therapeutic area. This is an area that our people examine. And these are people that they have run multiple studies from UC, from ulcerative colitis, for example, or for atopic dermatitis, and they review those data. They didn't review final data because they were not in existence, but they review blinded data. And they -- without having the higher level of certainty, they could, let's say, recommend that we think that is going to be successful.

Now there is risk in the one but also there is benefit. The benefit is that we got it without having to go into an auction after the data were released. We pay like if I think it was successful, although it might not be, but if we were waiting to buy it after it was successful, clearly, we'll pay more. And it is 5 billion. Let's say, this is the magnitude, let's say, more or less that we are putting at risk, or this is more or less. Maybe I wouldn't do it if we had to place a 50 billion back into something that didn't read out before because that looks more like -- even if you have a very high comfort level.

But if you do 10 of that, and you spread $50 billion of capital into 10 deals that your experts, they are feeling very good about it, then statistics will work. And then you will have acquired successful assets, at least at the success rates of the industry in better prices. And this is what drove me to do it.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, that makes a lot of sense. I think it's way to solve for some of the valuation challenge because I think we've been seeing across the industry in terms of target valuations. So...

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

A lot of readouts -- forget it. It's getting, let's say, to numbers that all the value goes to the people that have it. And so many times, people came to me and says, let's acquire this company. What is the stock price? $30. How much was the stock price 6 months earlier? $12. Why we didn't come to our -- 6 months earlier to buy at that time? Well, we didn't have the data. Well, yes, but you see what is happening if you wait, I think you will over wait.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, that makes sense. And then I guess the other one. More recently, we've seen a number of RNA-related deals, I guess, some today, some last week. Can you help us just put these all together and how this fits within kind of Pfizer's broader approach here?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Yes. Let's start with the fundamentals. We truly believe that mRNA is a game-changer technology. It's not the holy grail. Not everything will happen because of mRNA. But clearly, it is a very powerful technology, and we have seen just scratching the surface of it. So we decided that we are going in because we have developed also the expertise and the infrastructure that allow us to be a leading player.

Now to do that, we analyzed all the landscape and -- as to where we can go. And we did some moves which are part of the puzzle, strategic puzzle that we have built. It's not the only one. Others will come.

But how those fit? One, in the -- the lowest hanging fruit, it is the other infectious disease. And clearly, our partnership with BioNTech was a winning partnership, a fantastic partner, scientific competent. They serve the same values with ours, so we had 1 for COVID that keeps us very busy, both of us. We have 1 for flu. And we have now a third one that we are going to develop for zoster. That's 1 sphere. So they are one of our main partners over there.

We did license from Acuitas the LNP technology for at least 10 additional targets that will allow us to do other things if we want, give us an independent, if we want to do other things. And we are working on a custom RNA technologies or saRNA, which is the self-amplifying. So that's one.

The second is that there is a lot of work happening right now in cancer vaccines with mRNA. And we are having internal efforts to complement internal efforts that we had for AAV type of cancer vaccines now that we have the RNA technology.

The third area, it is an area on rare diseases or even not rare disease but genetically, let's say, induced diseases because there's a mistake in your DNA. And we analyzed a lot, all the technologies that exist. We came at the most promising technology. It is the base technology. And the most prominent company mastering this technology is Beam. That's why we did this deal with 3 targets. And that builds also from all our understanding of RNA and LNP.

And the last but not least, we did the deal with Codex that will allow us to, if successful, to be able to accelerate dramatically over the time that needs to synthesize DNA, which is a very big part of any mRNA project. Right now, for example, to make a new vaccine, we said we need 100 days, right? 1/3 of the time, it is to build the DNA template because we need to do it with biological means. Codex technology potentially could allow us to do it instead of 30 days too, so that we can shrink the time to bring a new variant of vaccine into the market in 2 months instead of 3 or to make a flu vaccine way more effective because you can do it way closer to the real strain, to have a better match with the real strain because you can wait to see rather than predict from 9 months ago.

So all of that, I think, are part, and you will see other ones as well as we are building this, let's say, leadership position.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. Can you talk about the shingles vaccine? I guess my 2 questions here. First, how do we think about timing here in terms of how quickly can you move this forward? And second, how do you differentiate this from Shingrix? And what did you see with this program that got you excited?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Look, what gets me excited is that we can move very fast. And we should be able to do it, of course, this year, and we will wait to see when. We said second quarter -- second half of the year that we will go to the clinic. But clearly, we'll try to see if we can do it faster. That's one.

Now what is the need here? I think the current zoster vaccines, they have pretty good efficacy. What they don't have pretty good, it is their tolerability profile, the reactogenicity profile. It's very, very hard to vaccine, very, very tough to get it. That not only creates a competitive advantage if you bring something better, but also blocks the market. So there are people that they don't do it just because of that.

So what here, it is the question is can, by using the mRNA technology, bring the same efficacy with way more tolerable profile. And if we are able to -- and we have reasons to believe that, that will be the case, because we have seen this similar information, how -- the RNA reacts. So if that is proven in the clinic, then we have a very competitive vaccine that not only can grow the market, but take market share from existing players.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. That makes -- interesting to watch that one progress as well. Maybe a final question just on like RNA in general is it seems like the area is becoming more and more crowded very quickly. We've got big companies looking to small companies, lots of resources going in. What do you think allows Pfizer to kind of win here versus some of the other assets and players that are kind of pouring resources into the space as well?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Look, I think Pfizer, through this pandemic experience, we were able to accumulate experience of a decade into 1 year. So very difficult for anyone to repeat that. So we are very competent in manufacturing, in formulating it, in manipulating it, you name it. And that gives us an advantage to be first and best.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. That makes sense. The other one I just wanted to ask about was RSV. That's the other kind of the big data release we should be thinking about in '22. Just your thoughts on Pfizer's candidate here relative to competition, your confidence in just the studies you're running. Just talk a little bit about why you're so enthusiastic about the asset you have.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Look, there are 2 different, let's say, vaccines right now that we have. One, it is a maternal; and the other is the adult, right? On the maternal that it is the one that, hopefully, if things continue to -- the cases accumulate as they are right now, we may have the results this quarter. So if we have results this quarter -- I don't know how competition is moving, but we may be first or maybe head-to-head with the competition. I think this is what I expect.

Then the question is who is going to be better? That remains to be seen. But what I know is that we have done with our vaccine, a challenge study in the U.K. So we challenged people with RSV and to hit 100% efficacy. Also, I know that we are the only ones that we have both A and B components in RSV, which is not the case for competition. So I have high reasons to believe that we will be first and best, and if not first, best, but we will only know when we see the results.

The maternal, I don't think anyone has presented anything so far. So clearly, I think we are ahead. And also in the quarter -- I mean, the second quarter, we should be able to have, let's say, this data also come out. So this is why we place this project into a Lightspeed mentality, as I explained, so that we can move it. I review the progress every week. And the progress is good. So things are moving.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good to hear. Maybe in the last 5 or 6 minutes here, we'll let just pivot maybe to business development for a bit. Just what are your priorities as you think about how you look at business development and think about business development given the substantial step-up in cash flow we've seen for the company over the last few years? How has that, I guess, changed when you think about the assets you think about Pfizer considering?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Look, for us, there is one clear goal that supersedes everything else. We need to bring medicines that change patients' lives and allow us to have -- to maintain a 6% CAGR from now until '25 to the '26 to '30. So that's what we want.

I think that something like that, it is something that will allow us to have a higher multiple, likely the highest in the industry. Like right now, I think Lilly has the highest in the industry. But with a profile like one that I described, we could have something like that and in a much higher EPS, which is the EPS of Pfizer. So that's clearly what we want to do.

I think we are having very good projections from our internal pipeline way better than the Street thinks. But clearly, we will need a lot of external support, and this is where all the money goes. Right now, when we make an acquisition, we have, of course, a portfolio of metrics that we are looking to see -- should do it or not. But always one of them, it is, what is the growth that adds to the 2030 CAGR, I mean, '26 to '30 CAGR, 1 point, 0.5 point, 2 points of course, the valuations, the NPVs, of course, what will be the impact on P&L, dilutive or not and when.

But the fundamental thing that we are looking, is it helping us to grow in that period of time on a risk-adjusted basis? So when -- if we get a lot, let's say, and the risk goes away, it could be even higher. So this is what is driving it. And I think we have enough -- a lot of opportunities out there and enough capital to execute on that. That will be a very pivotal year this year.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. And on the capital deployment front, I guess I know the company has never been capital constrained necessarily for deals. But as we get maybe closer to some of those LOEs and I think as you've been getting more and more confidence in the scientific organization in general and the production you're having, is there -- should we think about Pfizer looking at larger transactions as part of that kind of approach to the BD? Or are things more -- you kind of (inaudible) if this might be a sweet spot for you going forward?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

I'm agnostic to the size. What I am clearly biased, it is I don't want to do a deal, the only thing that will offer it is value through cost synergies. And so we will put together 2 and then we will spend 3 years closing research centers and closing manufacturing sites and then maybe making again new field forces that -- resizing field forces so to justify the premium that we paid to the shareholders of the other company. That I don't want to do.

Now if it is a sizable opportunity that enhances our growth in the '26 to '30, of course. If it is a sizable deal because it brings us new science, yes, of course. So this is not at all an issue. It is just what type is the value that we can create. I don't want financial engineering, and I don't want cost cutting.

This is not the time for it. It's not that I don't think that you can have, let's say, synergies in general in business by putting together the 2 and making it more effective. But now is not the time for Pfizer. Right now, manufacturing is working very well. Our research is very productive. Our commercial operations are flying. This is not the time to disrupt all of that by cutting costs.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Sure. Sure. So you could envision the company doing a larger deal as long as it's not one of these kind of messy integrations that we might have thought about in the past. But if there was like innovative company with multiple assets, that's within the spectrum of things that you're looking at.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Absolutely, absolutely. That would be within the spectrum. We don't have any issues with that.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. Excellent. And then a question just about -- I guess, one of the things I'm finding investors are still kind of grappling with is we've got, on one hand, this kind of like spike in earnings that we have seen, 2020, '21 and '22. There's kind of an uncertain outlook on the COVID piece. So we all know it's going to be something sizable, it's just defining what sizable means is challenging. And it kind of leaves the company with that earnings profile kind of peaks and then kind of rolls over.

How do you think about Pfizer maybe turning some of this near-term upside in sales and earnings into longer-term growth, longer-term sales? I mean I think we just talked about BD, but can we think about things like accelerating R&D spend or other investments the company can make in their business that you maybe wouldn't have done in the past but are now enabled by the cash flow you're generating? How should we think about that?

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

No, you should think about all of these options are on the table, and we are very strategic about that. First of all, most of the licensing and acquisitions are coming with R&D expenses. So clearly, we need to be able to create room within the R&D. And in our projections always, I have -- since I took over 3 years ago, I ring-fence money for R&D that can only be used for outside opportunities. Because otherwise, R&D will argue that ours is better than the outside, why don't we put the money here? You can't access those money unless if you go for something which is good outside that incentivize people to go outside and look for good science. So that's one.

Clearly, our R&D expenses as our revenue goes up also. Those will continue going up. And clearly, also, there are things that are happening right now that could improve margins because there are disruptions that could occur. There are things that are happening in the way that drug discovery is happening. We are moving from drug discovery to drug design through AI. How clearly how development is happening, we are -- by the way, part of our development efforts in COVID were very successful because of the digitization that we had in our operations. That also will continue to play.

Go-to-market approach, very different the way that now you can, let's say, have access and physicians can have access to information about the medicines through digital route rather than through field forces necessarily that used to be. For all of that, I think our opportunities that clearly we are looking and we want to be the ones -- if there is a disruption in its health, we don't want to be some -- the one that will happen to us. We want to be the ones that will do it. We are looking also for this type of opportunities and what it is meaningful given our capabilities. But the bulk, it is new, novel science, but in our hand can be translated into life-saving medicines very fast.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Excellent. Well, I think we're just about out of time. Albert, again, congrats on all the progress and really enjoyed the conversation. Thanks for joining us today, and have a great rest of the conference.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

No, thank you. Thank you. And who will believe that, let's say, this will be the year that will end -- and by the way, even from financial terms because this is an investor conference that we will end up in 80 whatever will be the number we'll announce billions and we'll grow next year, that's what we'll think about, right?

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. Amazing where we've been. But again, I appreciate the conversation. We'll talk soon.

Albert Bourla - *Pfizer Inc. - Chairman & CEO*

Thank you.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Thank you.