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CORPORATE PARTICIPANTS

Christopher Schott – Analyst
JPMorgan Securities LLC

Mikael Dolsten
President-Worldwide Research & Development, Pfizer Inc.

MANAGEMENT DISCUSSION SECTION

Christopher Schott – Analyst
JPMorgan Securities LLC

Good morning, everybody. I'm Chris Schott from JPMorgan, and very pleased today to be introducing Pfizer. From Pfizer we have Mikael Dolsten, the company's President of R&D. For the format today, we're going to do a short presentation from Mikael then we're going to break to a fireside chat type format and we'll not be doing a break-out session afterwards.

So with that, I'll turn it over to Mikael. Thank you.

Mikael Dolsten
President-Worldwide Research & Development, Pfizer Inc.

Thank you very much, Chris, and a pleasure to share with you what we think is the new year of Pfizer and the productivity at the higher level. But as always before, I go into sharing some of our progress, please look at the forward looking statement details are on the slides and will be available to our filings and web pages.

So we've been working since 2010 together with our CEO, Ian Read, to really look at the way to transform how we do R&D. And if I take you back to the period 2005 to 2010 you can note as a indicator of R&D and productivity that Pfizer had a moderate output with two blockbusters SUTENT and then PREVNAR 13 infant that was approved just after the acquisition of Wyeth close. So at that time point, we took a look at how do you impact the productivity, how do you transform, how we work together from R&D and commercial. And we focused on rigorous science crisp decision making, early development for go, no-go. We looked at ways to put our key biomedical innovators in the right geographies, looked at how we get early alignment between commercial and science in the programs and how do you focus on the areas where you can win, and that led to a reduction from our rather broad therapeutic area span of 14, 1-4 to now five areas and indeed actually last week we announced that we are exiting early research and early development in neuroscience in order to focus and reallocate our resources into the other five areas, where we think we can give them most value near to mid-term for shareholders and for patients. So that's part of making sure you're putting resources where you can make the biggest impact and where you can win.

With all of those changes in place, we started to look at the uptick in our R&D productivity. And again, using a blockbuster approval as a measure of that, you can now see between 2011 and 2016 that we got five products approved with blockbuster potential. Four of them actually have already reached blockbuster status in the marketplace, [indiscernible] and eye brands. And the fifth was approved quite recently, EUCRISA, which we think has a multi-billion dollar blockbuster potential.

At the same time from 2011, and if I extend to 2017, we actually got approvals in major markets, U.S., EU and we got 17 of them were new medical entities. And we started 45 new pivotal study starts to refill the pipeline. So that gives us on average four or more approvals per year, of which, two more enemies and six or more pivotal study start annually. And we think we can now take that momentum and even augment it to project an upward exciting slope of R&D productivity to augment growth for the company.

And that's really the focus of the next few minutes, our opportunity to deliver up to 15 blockbusters in 5 years, of course subject to attrition. You can see they are expanding their five therapeutic areas, and starting at the top, we have them, immuno-oncology portfolio particularly focusing on the drug combinations combining focusing on the drug combinations, combining BAVENCIO, our PD-L1 drug partnered with German Merck, with a variety of Pfizer targeted agents. Most recently, we've got the breakthrough designation for BAVENCIO combined with enlightened renal cell cancer and we've started now multiple trials combining with other targeted agents and immuno-oncology agents.

Recently, we've got the readout from one of the [ph] IOIO studies with 4-1BB, where we did not see an incremental gain, adding a second immuno-oncology agent. And we obviously are looking at exploratory, [indiscernible] to see as the data mature, what we can learn, but it clearly shows the importance of having a broad portfolio, because the ability to predict isn't always possible to perfection.

And in the IOIO space, we're particularly now excited about our OX40 combination with BAVENCIO as we've seen single agent activity of OX40 and interesting immunopharmacology profile. You can see the third bracket related to targeted cancer agents, where you see four different indicated, all of them are projected to be for regulatory submissions this year. Then we have our two oncology anchor product I Brands going from metastatic to early breast cancer, where we've seen in our smaller focus, the study of promising effect on tumor shrinkage and also antiproliferative molecules.

In this setting, where we are leaders, when it comes to CDK inhibitors for breast cancer, I'm also pleased to share that we're starting soon the next generation CDK inhibitor for the breast cancer, resistance in both breast and other non-breast indications. We shared last year our JAK-1 proof-of-concept and that we were the first to start the Phase 2 in atopic dermatitis. We're pleased with our C Difficile vaccine and we are now the leading late-stage vaccine and we are now the leading late-stage vaccine in the space of the competitor had a setback. It's such an important unmet need and a great opportunity. Then we have our last bucket, where we have multiple rare disease and in turn our medicine opportunities. So you can see overall, it's a really exciting cohort of up to 15 blockbusters over the next five years, of course subject to attrition and they're part of a larger approval cohort or some 25 to 30 opportunities again of course subject to attrition.

And let me ask now, close with a brief touch on what's going to happen in 2018, and I think you will see that it will be a busy year starting at the top, we plan to be back here soon in San Francisco and share the data from the [ph] prostate study at the ASCO GU. The study was reported to be positive on its primary endpoint and we are on track with our partner, Astellas to put it into filing for registration this first half of the year.

You can see filing will tell us a period multiple readouts in the first half of the year in lung cancer and in cardiomyopathy, please note, however [indiscernible] in the early stage start to deliver readout rheumatoid arthritis with our unique next-generation JAK-3 inhibitor. And later second half, you can see a number of selective JAKs with readout in UIA such as alopecia, psoriasis, you can note in the vaccine space in the early phase, we have readout of the [indiscernible] prolonged vaccine to [indiscernible] and then during the second half in the later stage, you can see an action data saliency in its first indication outside rheumatology, which was colitis made up

here in U.S. later in EU readout for rivipansel in sickle cell and exciting novel pain class tanezumab has a readout in a very large Phase 3 study, where we are again leading the development of this innovative drug class.

And then finally, we have our triplet immuno-oncology with OX40, 4-1BB at the end of the year and our NASH portfolio that has emerged with a proof-of-concept study on ACC and are close to mention a GLP-1 and this is one of the few maybe the first however small molecule GLP-1 that we see an opportunity to study for NASH and other metabolic disorders.

So I'll close to say, 2018 will be a rich data delivery year, will allow us to follow the progress with delivering up to 15 new blockbusters and continue to augment the growth of Pfizer and the productivity gain we have seen over the last few years.

And now back to the dialogue with Chris here. Thank you.

QUESTION AND ANSWER SECTION

Q

Thank you for those comments. So maybe just to kick off our discussion here, I mean, it seems that the company is increasingly confident with regards to its late-stage pipeline, we've seen pretty rapid build out of this, the portfolio. Can you help me just understand what's happened with the new organization that has allowed for this accelerated productivity that we've been seeing?

A

I think it's been – as alluded to a number of key things. On one hand, the focus on the rigor in the science and making sure that we are selecting the most promising areas where other science and technology can lead. We focus far more now on being the company that – drive to breakthrough potential than just being someone that is a follow-on company here. And the ability to integrate science and business have allowed us I think to have an opportunity to really have the company come together and do proper risk assessment, on which [ph] IS will be the most promising and do it in a very unbiased manner. A lot of efforts has been around decision making, how do you do unbiased decision making, how do you do multivariate analysis on the probability of technical regulatory or commercial success in the pipeline.

And then finally, our CEO has done a lot of work when it comes to ownership culture that everyone in organization need to own their outcome of your program, where do you decide to stop or continue, you own that important dialog with management.

Q

All right, makes sense. Digging into some of the individual opportunities here, immuno-oncology obviously a huge focus across the industry, can you just give us a snapshot of how you see Pfizer positioned in this very rapidly evolving field and it -- you've got a lot of assets, you are doing a lot of studies, but there are some that are a bit ahead in development. So how do you think about your role in the market, how do you catch up in certain areas where maybe you start developing a bit later than others and?

A

Yeah, for us, we look at on oncology as a comprehensive approach.

Q

Yeah.

A

And we see a future where most cancer patients we likely have two or three or more different cancer drugs, addressing the immuno-oncology aspect the cancer biology and the tumor microenvironment. So for us having such a large portfolio of targeted therapies of course with leadership in breast, CDK and Ibrance, growing in [indiscernible] (00:11:03) renal and also significant presence in lung and blood to have a backbone of IO agents that can be over time combined in the right fashion is important.

Q

Yeah.

A

And we think we've made a lot of progress together with the German Merck and Bavencio registered in two smaller indications as you know that we have a every year now a readout in various indications and in light the breakthrough designation is a hallmark for when you get those combinations right, we saw more than 60% response rate in renal cell carcinoma and many deep responses. So that's how we're thinking to be a company that have the abilities to combine richly across our portfolio gives us much more flexibility going forward, of course we are very eager and this is a great meeting place to look at other biotechs or specialized pharma that may have unique assets that could fit and combined with our comprehensive portfolio. And that's really how we are seeing quality develop over the next years.

Q

So [indiscernible] is a core party of strategy monotherapy, it sounds like it's more about combinations for Pfizer as I think about this going forward?

A

That's true. We participate in the first wave of monotherapy...

Q

Yeah.

A

And that's why we got the first registration, it gives decision experience with BAVENCIO, it allow us in some segment to be a participant, but we do see over time that the field will evolve and in most tumor types and segment will be combinations and that's where really our major focus is.

Q

Yeah. When I look at the market right now, there seems to be either PD-1 monotherapy or some IOIO combos being established through standard of care and some very large tumor types. What challenges does that present in terms of study design and trying to develop new therapies when it seems like the bar is moving a bit higher in terms of the therapies that patients are able to receive today?

A

Yeah. Clearly, you need to put your investments into IS, where you think the field hasn't moved us much. So we feel that most indications you see 20% to 30% response rate, there are very few complete responses with a few exception of indications. So I think there's still ample opportunity to build on those initial promising data, but bring it to a far more meaningful level of durable and also complete responses. Obviously, there are subset of cancers, some of them are called cold tumors and we're putting particular efforts there looking at combinations that could heat up those tumors, whether it's chemo combination, [indiscernible] therapy or antibody-drug conjugates, and more recently we also advanced in cancer vaccines into the space. We have a prostate cancer vaccine, Phase 1, now we're planning to move lung cancer vaccine into clinical this year, as well as bi-functional antibody. Last year, we started a study in myeloma with a bi-functional antibody. So I think for each different tumor segment, we'll ask the critical question that you did, where is the biggest unmet need, how do you build on the current standard of care, but the promise we have seen is just the very start of a long journey, there is a lot more we should be offering patients over the next 5 years to 10 years progress.

Q

Yeah. What do you think about IO-IO combos I think you mentioned OX40, what other targets are you particularly excited about as you think about combining your PD-L1 with other agents?

A

So we have an array of IO molecules in our pipeline and working with ambition to every year putting another or so IO molecule into the clinic. Right now, in the pure IO segment, it is the data we have seen with OX40 single agent and its ability to activate the different arm of the new system, the helper cells versus the more cytotoxic cells being activated by PD-L1 and 4-1BB, so that's the reason why you see a more comprehensive immune response being engaged. A lot of our efforts is also to look at the combination of IO retargeted therapies.

Q

Yeah.

A

And I mentioned [indiscernible] we have now started talazoparib drug combinations, Bavencio talazoparib, Bavencio with the [ph] lorlatinib [indiscernible] and together with investigator initiated studies, we look at combination with Ibrance combination with glasdegib in blood malignancies. So we see in parallel a great opportunity for PDX targeted therapies as well as trying to figure out which IO combination can make the immune part of that equation stronger.

Q

Sure. Sure. Maybe switching gears a little bit staying oncology Ibrance, the adjuvant opportunity seems to be a fairly substantial one. Can you talk a little bit about how you see that opportunity playing out and what gives you confidence that we can see efficacy for the product in this setting?

A

Yes. Thank you very much for that question. So, in general for targeted therapies, we have seen a good translation between more advanced metastatic disease and moving to [indiscernible] in those cases, responses actually get better.

Q

Okay.

A

But specifically for Ibrance we have a number of studies, smaller Phase 1/2 studies that I reported out on early breast cancer patients in more of neoadjuvant setting where we have seen robust responses of Ibrance allowing on top of SGM [indiscernible] ...

Q

Sure.

A

...related to tumor shrinkage or looking at enter anti-proliferative markers like Ki67, so that gave us a lot of confidence. And more recently, we had a readout also on patients with early breast cancer that are on the drug for two years, and again showing good tolerability, which is important when you move into earlier lines.

Q

Sure. Yeah.

A

So we feel very strong about that opportunity. It's a large opportunity that more patients with early breast cancer than advanced metastatic. And we will hopefully see them treated successfully for a longer time period. Some of the studies that we have like the pilot study includes two years treatment duration. So that opportunity we see is very substantial for Pfizer and hopefully for patients, [indiscernible] outcome of the study.

Q

Again, what is the timeline, so I know it's a couple adjuvant states running, but once we start thinking about data potentially coming for these opportunities?

A

Yeah. I mean, the early breast cancer readouts are a few years away, we tend to say it's early 2020 period. At the same time, we actually have a readout also of Ibrance together with HER2 Blockade in tumors that are double positive for HER2 and herceptin receptors. So there is lots of opportunities for growth of Ibrance. And I wanted to close on this question to say that we have likely 100,000 patients currently treated in the marketplace with Ibrance and of course unfortunately, some of them will progress as often happens in targeted therapies and that's why we're so excited to bring this year two clinical studies and new generation of CDK inhibitors that based on our leadership in the science have been tailored to particularly address major resistance mechanist that will possibly or likely happen in these patients.

Q

Yeah.

A

And we also identify that that type of resistance mechanist may be present in tumors outside breast, so they are intrinsically not eligible for Ibrance non-breast cancer and this drug in our scientific analysis show a lot of promise. So that's another major advance we're looking at in the 2018 and 2019 period.

Q

That's great. Switching gears. Nerve growth factor, tanezumab, seems like we're getting close to both the big data readouts. Remind us here just on the efficacy profile that we've seen for this drug, how you would see this kind of fitting into the pain landscape we have right now? And the second piece for that, I know there were some challenges initially with the study and some issues in new failure. Remind us how you're addressing that in the Phase 3 and your confidence that we can kind of may get around some of those issues that, that what would delay in the products initially?

A

Yeah. It's a great question and I think our competency lies very much in what it means to be a leader in developing way ahead of others these breakthrough therapies. Of course, when we were a number of years ago, in the first trials, the view unfortunately externally was that maybe there isn't a lot of need from the pain medications. I think we have suffered from that conservative view as we see how the current excessive use of opioids have led to tremendous abuse and addiction. So now of course we were pleased to see we got fast-track designation for this monoclonal antibody and I think there is completely different perspective on unmet need.

We had very strong proof-of-concept data earlier we got antibody that showed similar or in some cases better pain relief than opioids or NSAIDs and we took all the learning from those early studies when we had to take a pause in the development after some concern about how do you develop these drugs optimally was particularly related to some rare events that was determined of possible deterioration of osteoarthritis and we designed the next set of studies, so we went in osteoarthritis with slightly lower dose, we went with subcutaneous regiment, very convenient [indiscernible] and in clinical back pain we didn't see that problems we continued with the dose. We limited the use of NSAIDs which we learnt from a competitive failure seem to be an issue when you have high dose of NSAID chronic use we have limited use of NSAID and we've introduced a number of risk immunization [indiscernible] plans when it comes to how you monitor and [indiscernible] rules at individual levels for patients in the study. So the study has now performed extremely well and we look forward to the readout early second quarter – second half of the year here we hope. And we think it has the potential to be a major transformative therapy with such an urgent need and we certainly learned a lot, but we would have reached that we could have been even a few years early into the market [indiscernible] is opioid addiction.

Q

Yeah. Hopefully this time around, we'll be there. There's been a lot of talk about potential consolidation across the pharma group including large M&A. You run a very large R&D organization, that's been through consolidation over time. To an extent, there is activity in Pfizer's involved. How do you think about maintaining the momentum that you currently have in the organization, again if a deal were to happen? And then, have you seen in the past when large consolidation that can be disruption, learnings you have in place, or your comfort that if a deal would happen, you can kind of keep this going, how do you think about managing that challenge?

A

You know for a large company, it's important to always look at opportunity to augment accelerate growth and whether that's smaller or midsized bolt-on or assessing larger opportunities in order to maximize shareholder value in return. So that's obviously a capability we have and do regularly routinely. When it comes to the specific questions, and let me simplify from the various decision where I think the recipe for success is to experience that our organization have in moving swiftly in engaging in that case with another company, looking at best practice across the two companies, rolling out the roadmap how you're combining this case in R&D that the strengths in each therapeutic areas the technical design of drugs and quickly create a one single pipeline going forward. We really allude that work with that rise Pfizer precision, basically in less than a month and then to get affirmed by the important and difficult decision on where to focus, which therapeutic areas, which sides and how to allocate our resources. And I think that culture, that capability is very strong at Pfizer. Possibly, you need [indiscernible] in the industry and of course, we saw that also a smaller scale, I spoke today about PROSPER trial, a positive readout

and our on-track plans to file first half of the year with Astellas, we accelerated after the acquisition of Medivation that study with two years.

Q

Yeah.

A

And then finally the Anacor acquisition and drug EUCRISA, we were able at [indiscernible] registration phase to resolve the number of issues given our capability seeing from the sciences that allowed a very fast registration to acquire. So I think independent in scale, that's a key capability that our company have and, and of course, it's important to look at such opportunities in a very unbiased manner as part of your running a business.

Q

Great. Well, I think we're just out of time, but thank you very much for the conference.

A

Thank you very much. Enjoyed it.

Q

Thank you. It's great.