Bayer AG

Investor Webinar – Recent Asundexian News

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Transcript

Speakers:

Dr Jost Reinhard

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Jost Reinhard:
Good morning and good afternoon to everybody and thank you for joining today's update call. With me here are Bill Anderson, our CEO, Stefan Oelrich, President of Pharmaceuticals, Christian Rommel, our Head of Pharma R&D, and Wolfgang Nickl, our CFO. To get us started, Bill and Stefan will provide background and perspective on the recent news and we will then have our Q&A session. Before handing over, I'd like to start to draw your attention to the cautionary language included in our Safe Harbor statement. And with that, I hand it over to you, Bill.

Bill Anderson:
Thanks, Jost, and thanks to all of you for joining the call. We wanted to make sure you had a chance to hear directly from me, from our team on what happened over the last weekend. The events of the last few days have been very challenging for us, but we also recognize the very negative impact they've had on our investors. I deeply regret that. I mean, the entire leadership at Bayer is very concerned about our shareholders and we're working overtime to sort through all of this and ensure that we deliver value for all of you in the months and years ahead.

So, based on a recommendation by the Independent Data Monitoring Committee, we stopped the OCEANIC-AF study due to lack of efficacy. This was a very important study, and it's one of three in the broader OCEANIC program and Stefan will talk more about that later. But because of the material nature of that information, we issued an ad hoc release on Sunday night. It's disappointing to get data like that and there's no way around it. I've been in the pharma business for most of my career and I've been in situations where the clinical data has yielded incredible, life changing results for patients. But I've also been in situations like this one in which the efficacy just isn't where we hoped it would be.

So, I mean, when you choose to work in pharmaceuticals, you choose an industry that comes with really high stakes and a high risk profile. These risks are unavoidable if we're really working for medical breakthroughs. But that's why we're so focused on expanding our pipeline. And we've made progress on this in 2023, and we won't stop that. But going forward, our pharma team is going to take a closer look at the data in the OCEANIC-AF study. Based on the IDMC recommendation, we'll continue investigating asundexian in the OCEANIC-STROKE study and we'll continue to strengthen the rest of our pharma pipeline with a lot of strong candidates like elinzanetant where we expect Phase III data very soon.

Let me also briefly comment on the glyphosate litigation news. After nine straight wins in glyphosate litigation, we've had four consecutive losses with a significant range of damage amounts. Now we're confident that we have strong grounds for appeal on each of these, and these awards will not stand. And we're going to fight for what we think is right. And our expert legal team is going to go after each case in the best interest of the company. And as a reminder, following our appeals of the first three adverse glyphosate verdicts, the appellate court substantially reduced the amount of damage in each of those cases. Now, these decisions are often subject to what evidence gets allowed in trial as opposed to a product's true safety profile. So consider this in the same week that the jury reached this latest decision, the European Union renewed the approval of glyphosate for another 10 years. So this is what we mean about evidence-based decision making.

So where do we take it from here? Well, first off, overall at Bayer, we're going to deliver on the here and now. We have everything we need to produce what we committed for 2023 and our stakeholders are counting on us and we got to be rock solid on these commitments and get the most out of the innovation that we're bringing to the market. So ranging from Nubeqa and Kerendia today to upcoming launches across the company, high-dose Eylea in pharma, the Preceon's Smart Corn System in Crop Science. And we're also launching a personalized health approach in consumer. So there's a lot to be excited about.

Second, we've got to go full speed ahead with our implementation of a new operating model for the company, we call it Dynamic Shared Ownership. And as I highlighted in our Q3 earnings call, Dynamic Shared Ownership is the way we're going to strengthen value creation across Bayer and we've already re-imagined our customer interface in major parts of the company and the implementation has begun. And at the same time, we're redesigning our product development approach in all three divisions. We're making really rapid progress and I'm just blown away by the receptivity that we've had from the people of Bayer and the leaders of Bayer to this new system that really has the potential to unleash the power of each of our people. I'm getting daily reports of breakthroughs for customers, ways we're accelerating product development and truly empowering our people.

So before I hand it over to Stefan, let me take a step back and provide some perspective. The recent events are a big setback. There's no dressing that up, but Bayer's ability to win through best-in-class or first-in-class innovation across all of our activities remains strong. All three businesses have the foundations to create a lot of value, value for our patients, for farmers and consumers and for the society at large, and ultimately for our shareholders.

So, now over to Stefan for more on the asundexian situation.

Stefan Oelrich:
Thank you, Bill. And hello everyone also from my end. So, as promised, let me briefly provide you with some additional background on where we're currently standing regarding the OCEANIC-AF program. It's important to say that we also would like to give you some additional context on the continuation of the asundexian program moving forward.

As Bill mentioned before, our study in patients with atrial fibrillation has been stopped based on the recommendation of the Independent Data Monitoring Committee that was formally issued this Sunday afternoon as part of ongoing surveillance which showed an inferior efficacy of asundexian versus the control arm. That being said, the reported safety data that we have analyzed so far is consistent with previously reported safety profiles of asundexian, including a low risk for bleeding. But still, we had really no choice here but to stop the trial immediately, given the superior efficacy of the control arm. Quite frankly, we were a little surprised by the marked efficacy difference in the two arms of the study. Patients will be contacted, of course, by their treating physicians and investigators to discuss next steps.

In contrast to OCEANIC-AF, the IDMC did also recommend continuing OCEANIC-STROKE, our Phase III trial with asundexian for secondary stroke prevention, studying patients without atrial fibrillation that have previously suffered from a stroke. Unlike for AF, secondary stroke prevention currently should not be treated with marketed oral anticoagulants, and the need for adequate therapeutic options here is really very high. Existing evidence from populations with genetically depleted levels of Factor XI show a lower occurrence of strokes. We therefore clearly continue to believe that asundexian may still constitute a viable therapeutic option to address this high unmet need and plan to continue the OCEANIC-STROKE trial.

The third trial of the OCEANIC Program, AFINA, which we announced recently to study patients in atrial fibrillation at high-risk for stroke or systemic embolism who are deemed ineligible for OAC treatment has not yet started to recruit patients. In light of the new data set from the OCEANIC-AF study, we will have to reevaluate the protocol and feasibility of such a study. This turn of events constitutes an important setback for our pipeline value and shows the risks attached to clinical development in pharma as Bill just stated. Asundexian was estimated to reach more than 5 billion Euros peak sales over the two indications we were studying and atrial fibrillation was estimated to represent a significant portion of potential sales. We now need to newly assess the value proposition and peak sales potential of asundexian in a changed patient population, which will also likely change important access variables like

price, for example. However, I think, it's important to say we continue to expect sales coming out of asundexian for this secondary stroke prevention, and those sales come in as early as 2026.

So as we talk a lot about asundexian, I thought it may also be useful that we provide some more context on the value of the overall Bayer Pharma pipeline. We're currently making really good progress on our road to replace the ongoing impact of Xarelto's LoE through existing portfolio elements and, of course, through new launches. Despite the setback with OCEANIC-AF, asundexian is one of five major value drivers of our late-stage pipeline and our ability to grow our pharma division in the coming years.

We see continued significant growth potential in the years to come from Nubeqa and Kerendia, each of them estimated to potentially generate peak sales of more than 3 billion Euros. We expect significant label-enhancing data readouts for both in the next 24 months to further underline that growth potential.

For aflibercept 8 milligram, we recently received the positive CHMP opinion in Europe that will allow us to launch in the first quarter of 2024 with a best-in-class label and continue to improve on an already class-leading standard.

And then for elinzanetant, we do expect final readouts of all three pivotal trials, Phase III trials, early next year. Based on the favorable Phase II proof-of-concept data, we remain very confident and optimistic to introduce a new best-in-class non-hormonal solution for women suffering from symptoms of menopause. This asset is expected to be a blockbuster in its own right.

In addition, we have a fast-emerging early pipeline with expected breakthrough potential in a variety of modalities, including oncology, cardiology, Parkinson's, immunology, just to name a few, and we shared this in more detail just a few months ago at our R&D Day that many of you attended in person.

Bill said it, we at Bayer were really super disappointed today about the results of the OCEANIC-AF trial, but our future is more than just one failed study. I hope I gave you some additional perspective on the strength of future innovations from Bayer. Expect to hear more from me at upcoming meetings early next year and at our Capital Markets Day.

And with that, I hand it back to Jost to start the Q&A session.

Jost Reinhard:
Thank you very much, Stefan, and thank you very much, Bill. Before we open the line for questions, some housekeeping. If you want to raise a question, please click on the raise your hand icon. When called to ask your question, you first have to unmute yourself by confirming the corresponding prompt that will appear on your screen. And please keep it to two questions per person so we are able to accommodate as many participants as possible. The first question comes from Richard Vosser.

Richard Vosser, Analyst, JPMorgan:
Hi. Thanks for taking my questions. One question on asundexian and one question more strategically. So on asundexian, I realize the IDMC has said secondary stroke could continue, but the Phase II data only showed some benefit on large clots and not small clots, the Factor X data was mixed there and inhibiting Factor XI seems inferior to Factor X for strokes in OCEANIC-AF. So just maybe anything else you can give us on the rationale for continuing the

trial at this point? And then secondly and maybe more for Bill, how does the asundexian news and the continued glyphosate uncertainty impact your review of strategic options for Bayer? Thanks.

Bill Anderson:
Great. Maybe, Christian, do you want to take the first one, about the rationale for continuing in stroke?

Christian Rommel:
Yeah. Happy to do so. Hi, Richard. In fact, when we've seen the data on the PACIFIC-STROKE in the subpopulation analysis of patients that have large artery disease prior to atherosclerosis, or atherosclerosis in prior stroke, we thought this was actually a very robust signal. It was very much in line with also data we've seen from the human genetics side of patients, of people that have a deficiency in Factor XI. And going forward with the OCEANIC-STROKE, this is actually by excluding lacunar stroke and small artery diseases, this is a patient population that we ultimately, by protocol design, enriched. So, we are having hope and confidence in this trial. And please do not forget that this is on top of anti-platelets or dual anti-platelets, placebo controlled, and the bleeding profile, the safety profile was also extremely encouraging from the PACIFIC-STROKE. So, if you put together that is on top of anti-platelets, the bleeding profile was a success of the PACIFIC-STROKE, the signal we've seen and now the recommendation to go ahead with OCEANIC-STROKE, Richard, I think this is rather encouraging.

Bill Anderson:
Great. Thanks, Christian. And Sachin, thanks for the questions. The impact of the recent events on our financial structure options, I would say, it doesn't change the type of options that we have. We mentioned potential of either maintaining the three division structure or potential separation of either Crop Science or Consumer Health, I think that set of choices is the same. I think, obviously things that have the potential to diminish our future earnings can just make the fit a little tighter sometimes in terms of flexibility around debt ratios and that sort of thing. But I don't think it doesn't fundamentally change the situation. As I mentioned, we have grounds for appeal we believe in all of these cases. We don't believe that all of these awards are going to stand. And so it's not a major change in our strategic options. Hope that makes sense.

Richard Vosser:
Thank you.

Jost Reinhard:
Thanks, Richard. The next question comes from Pete Verdult from Citigroup.

Peter Verdult, Analyst, Citigroup:
Yeah, thanks. Pete Verdult from Citi and thanks for putting up me twice in 24 hours. Bill and Wolfgang, posting asundexian setback you've highlighted the need to invest or the need to invest in innovation across pharma goes up. So with that in mind and the balance sheet

constraints you face and the litigation backdrop, do we now need to consider a dividend suspension and/or equity raise as potential options to add to our scenario analysis or is it very much more focused on consumer sale and partial IPO of crop. I'll pause there and then I will have a very quick follow-up question.

Bill Anderson:
Yeah. Well, first off, the immediate effect of the asundexian news is, obviously, it takes a chunk out of the asundexian program, which obviously impacts the future value, but it also reduces the expense footprint of asundexian in the pipeline. So, I think, there's not a sort of a one-to-one correlation of like with the AFib study failure that now we need X amount more R&D spend, it's more like there'll be a reallocation of R&D spend. And as Stefan mentioned, we have quite a healthy early stage pipeline and a lot of INDs coming through. So, there's no shortage of projects that convey for that funding that the asundexian news freeze up. So I don't think it's not a particular new requirement for capital, and I think we've already commented on our dividend policy. I mean, we always remain open to new ideas and input from shareholders on these things. But I don't think it's not triggering a major rethinking of those things.

Peter Verdult:
Got it. And then maybe just Wolfgang, quickly. Am I right that 7 billion of provisions a currently in the balance sheet for glyphosate, 1 billion for PCB, or if I got my facts wrong? Thank you.

Wolfgang Nickl:
Hey, Pete, it's 7 billion in total, and the vast majority is for glyphosate, it's probably 85% to 90%. That's about 6 of it.

Peter Verdult:
Thank you.

Wolfgang Nickl:
You're welcome.

Jost Reinhard:
Thanks a lot, Pete. Just as a reminder to everybody in the call, if you want to ask your questions please raise your hands and we will then provide you with the right. The next question comes from Gunther Zechmann from Bernstein.

Gunther Zechmann, Analyst, Bernstein:
Hi. Good afternoon. Thanks for hosting the call first of all. Gunther Zechmann from Bernstein. And Bill, maybe for you a more strategic question. You said that … [indiscernible] … strategic options. Does it increase the … [indiscernible] … And that's the first question. And if you allow me, on Glyphosate, did you comment on the quality of the remaining, I think, about 50,000 outstanding cases, and it is not … [indiscernible] …. And then lastly, if I can push my luck, on

asundexian, you commented in your prepared remarks so what the AF study … [indiscernible] …. Thank you very much.

Bill Anderson:
Yeah. I'm sorry, for some reason your sound was really poor. I think we understood maybe the first two questions. I think you'll have to restate the asundexian question when we get to it, but we could try the first. So if I understood you right, the first question was do these events change the urgency with which we're pursuing our options. And I would say no, because we're already pursuing them with great urgency. I don't think there hasn't been a hint of relaxation amongst the leaders at Bayer. These past six months have been super intense and I think we believe we need to act urgently to address the challenges we face and to take advantage of the opportunities we have. And any, how I would say, for example, the time we're taking up until Capital Markets Day in March on some of the decisions doesn't reflect any lack of urgency. It has more to do with there are some things that are playing out in time and we need that time in order to make the best decisions. But certainly we're moving with extreme rapidity on the, sort of, rejuvenation of the whole business. We're making massive changes across every part of Bayer, and the financial structure options are things that play out over years with the exception, I would say, of a trade sale that can happen faster. But, we're open to all options on this. And there's no hint of, I don't know, of waiting. We're going forward as fast, I think, as we possibly can and doing it in a wise way and not rushing to judgment and taking a wrong turn, because these are decisions that are one way streets. And so we're working urgently to maintain or create new options and to enhance the business as we go. Let's see, there was a question about … I didn't pick it up very well, but Wolfgang, did you understand?

Wolfgang Nickl:
Yeah, I got the second one. I can address it real briefly. Your question was the quality of the outstanding 50,000 cases. So for everybody's benefit, we have removed about 113,000 glyphosate cases, the total list was about 165,000 cases. The question was on quality. I think, it's in general true that (A) you try to remove the most significant cases first. And I think I said also on the call two weeks ago that the other side is probably bringing the strongest cases forward first in the most difficult jurisdictions. But Gunther, I wouldn't leave you down the path that we are underestimating anyone of these outstanding cases. We'll defend ourselves vigorously in all of them. We will be very well prepared, we have the best teams on these cases. And as Bill said in his introductory remarks, we will take these four cases that we just lost to post-trial motions and appeals. And I want to underline one more time what Bill said in his remarks. If you recall, the first three cases that we lost in subsequent steps like post-trial motions or appeals, they got reduced by over 90%. So we're going to try to do that first and defend ourselves vigorously and add to the record of 9 wins out of the last 13 cases. I hope that helps you. And I think nobody understood the asundexian question. So you may have to rephrase it, Gunther.

Gunther Zechmann:
Thank you Wolfgang and thank you, Bill, as well. And apologies for the background noise here. This is what I hear my day all. But yeah, the asundexian question was, if you could just add to the prepared remarks, please, you said that the AF study is a significant part of the peak sales potential. If you could just update us on your current thinking more quantitatively, if that's possible? I know I'm pushing my luck a bit. Thank you very much.

Bill Anderson:
Stefan, you want to take that?

Stefan Oelrich:
Yeah. So thanks, it's a good question that I'm revisiting right now as we stand, because I think we really need to. If we look at the stroke indication in isolation, to me, it's a different product now. And so we need to look at this product entirely different. So bear with me that in one day, I can't make that assessment. That's something that we need to go a little deeper on. But needless to say it's going to be below 5 billion for sure, at least from what I can see right now in this one indication. We're also, of course, looking if there is still a possibility to study other populations, but also for a later day at this point.

Jost Reinhard:
Thanks, Gunther. Thanks, everyone. The next one in line is Alycia Samsudin from Berenberg.

Alycia Samsudin, Analyst, Berenberg:
Hi. Good afternoon. Thank you for taking my questions. I have a couple, I'm sorry if you've already covered these. I was a little bit late to dial in. My first one is whether there's any value in pursuing knee replacement dose ranging to optimize the Phase III dose for AFib or is the AFib indication dead now? And my second question is whether you could study a higher dose in AFib and are you sure you had the optimal dose with only two doses in Phase II? Thank you.

Bill Anderson:
Christian, maybe this is for you.

Christian Rommel:
Yeah. So, hi. At the time where we've chosen the dose going forward in the OCEANIC program we thought we had all the data at hand and were confident. Now with the information from OCEANIC-AF, we got the data literally a few days ago, so we're going through the data and now have to have the time to learn. So we cannot rule out to revise a protocol to go up higher dose. We cannot also confirm to you today that we will revisit AFib yet Stefan mentioned already there. We also communicated the trial AFINA for patients with AFib that are not eligible to anticoagulation therapy and that could be an opportunity. This is still under reevaluation. There's a commitment and there we apply probably the understanding of taking the right dose. Yet also for the OCEANIC stroke, we have confidence that we are using a dose that is sufficient for hitting the target very hard.

Stefan Oelrich:
But maybe to add to that, what we saw, and that was - I said this in my introductory remarks - we saw a really significant difference in efficacy between the two arms, very significant. So that makes it to me appear that the dose alone is not necessarily going to do the trick.

Alycia Samsudin:
Ok, thank you so much.

Jost Reinhard:
Alright, there no one next in line. So I would invite our investors dialed-in, if there's any further questions please raise your hand. I just give a moment. So the next one in line is Charles Bentley from Jefferies. Please go ahead, Charles.

Charles Bentley, Analyst, Jefferies:
Great. Thanks so much for the opportunity to ask questions. Bill, can I just have a follow-up on one of the comments you made around the kind of opportunities from a strategic perspective. You said the fit would be a little bit tighter in terms of flexibility around debt ratios. Does that potentially rule out, kind of, I mean, potentially divesting Consumer Health without thinking about Crop? Like, how should we be thinking about the need to do multiple stages to reduce debt to an acceptable level? Like I … just a little bit more detail around that comment around a tighter fit, I'd really appreciate. And then Wolfgang, just on potential divestments, if you can give any kind of ballpark comment around where, what you would expect in terms of tax leakage for strategic options, that would be very helpful. Thank you.

Bill Anderson:
Yeah. Thanks. Thanks, Charles. I think just conceptually, it's, we have more debt than we'd like. And one of the ideas in the financial structure options would be to improve on that. But in the mechanics of going through that, you end up if you split-off an entity before you have additional cash coming in, you have a reapportionment of debt and that can lead to leverage ratios in either the Remain Co or the New Co going up in the, for an interim period before the new cash comes in. So these are just things we have to evaluate. And so anything that affects our future cash flows negatively just makes that a little tighter. So I'm saying that's the only … the impact of these recent events doesn't change what our strategic options are. It just, it may mean that some of those conditions are a little tighter than they otherwise would be. Does that make sense?

Charles Bentley:
Yeah. Very clear. Thanks.

Wolfgang Nickl:
Great, Charles. It's really hard to put it on the tax leakage independent of a very specific option. I think that the general situation is, just also building on what you said, Bill, depending on what you would separate and how you do it, you create a taxable event that could require you to write a very big check before you get any money in. And that would be one situation where it would be actual detrimental to the debt situation. But again, in isolation it's very hard to comment on that. I hope you understand that Charles, but good question.

Charles Bentley:
Okay. Thank you.

Bill Anderson:
Yeah. And maybe I could just add to it so that we provide clarity on this. You know there's different ways of separating. So, for example, if we take Consumer Health, this ranges from a trade sale where the entire division would basically be sold to another company and that would happen at a point in time. It ranges from that to an IPO all the way to a spin. When you have a spin you have one-time costs, you have dissynergies and you have tax leakage. But when the actual spin event happens there's no cash transaction and there's no cash coming in, there's only cash going out. And then you only realize cash as you selloff the remaining stake. And so, you can imagine a timeline that includes both the amount of cash coming in and the timing, a trade sale could be earlier and be all at once and be a larger amount, whereas the spin could take longer time, have a lower ultimate amount, and that amount can be spread over, if you look, say, from here, going out over, say, years three, four and five. So they have very different profiles and very different properties in terms of paying down debt. And so that's the kind of evaluation that we're doing. Makes sense?

Charles Bentley:
Absolutely. Thanks, Bill.

Bill Anderson:
Thank you.

Jost Reinhard:
Thank you very much. And the next one in line is Damien Conover from Morningstar.

Damien Conover, Analyst, Morningstar:
Great. Thanks for taking the questions and thanks for hosting the call. I had two questions. The first was on the remaining glyphosate cases. I think you mentioned that the plaintiffs start with their best cases. And I just kind of want to get a little bit better understanding what you meant by that. So there's about 50,000 cases remaining. And are there any cases in there that just aren't high enough quality to reach the settlement or are these 50,000 cases just really strong cases and they all wanted to litigate individually in hopes of a better payment than what was offered in the settlement. So that's the first question. And then the second question is really on the pipeline optimization going forward. You talked a little bit about the drug development has been a risky area of high-risk, high reward. And when you think about the pipeline in the next two or three years, what would you say would be sort of your optimal portfolio number of unique assets with high potential? Because when we step back right now, I think you talk about five assets, some of those are follow-on studies with good opportunity. But when I step back and think about Bayer, it seems like there's an opportunity to increase the portfolio. But I just was wondering what sort of numbers that Bayer could support financially. And from the pipeline that would be maybe a goal that you would be shooting for over the next 24 months? Thank you.

Bill Anderson:
Wolfgang, you want to take the first one?

Wolfgang Nickl:
Yeah, gladly, and again, I want to repeat a bit what I said. I wouldn't want to dismiss anyone of the 50,000 cases as bad cases. It's just in general, and I don't want speak for the other side as well, but if you have an attack and you file cases, you probably file the one first that has the strongest arguments associated with it. And also when we settle, and we settled 113,000 or we moved a 113,000, you can assume that we focus our settlements on the ones that we deem the strongest. But by no means, I would suggest that everything that's in there is weak. In general, in every population you see a lot of accumulation of lines in spreadsheets. And we always find cases that have zero merits altogether and that is very normal in mass-tort litigation like we are dealing with it right now. I hope you understand that I can't go much further because we are talking about the tactics, but I still wanted to provide some color on how we're looking at that. And Bill, back to you on the pipeline question.

Bill Anderson:
Well, and let me just say, also just for avoidance of doubt on this, when we talk about stronger arguments or weaker arguments, all of this is in the context of claims regarding causation of non-Hodgkin's lymphoma. And our position is that there is no evidence that glyphosate causes any non-Hodgkin's lymphoma and that when we talk about stronger, weaker claims, it usually has more to do with, did the person actually use glyphosate? Did they use it a lot? That kind of thing. Because the EU just reaffirmed last week additional 10 years approval. Glyphosate is a widely used, it's probably the most essential, agricultural chemical in the world. And yeah, so just for avoidance of doubt, we stand firmly behind the safety and importance of glyphosate in the world. Let's see, Christian or Stefan, you guys want to take on the question about what our ideal number of great pipeline assets is?

Stefan Oelrich:
Maybe I go first, Christian, and then I hand over to you. This is obviously, Damian, this is a very good question. And I don't think there is a simple answer to that question because it depends a little bit on what we're looking at, especially in terms of what type of markets we're going after and so forth. When you look at our business, which is a 18 billion to 19 billion pharmaceutical business, and when you look at our risk exposure for loss of exclusivity on Xarelto and potentially also on Eylea. And you look at what we have in late stage, you mentioned two already existing medicines that will get a little bit more, I would add to that two medicines that are approved for use and that are somewhat de-risked, we're adding significant label enhancing content. So that is not insignificant. Think about Kerendia, where we're going after a broad range of patients with heart failure and high unmet need and a, in principle, an underlying mechanism that has proven to be quite effective in many settings of heart failure without ever proving it with the type of safety profile that Kerendia brings to the table. So that's a good upside opportunity. Similar for Nubeqa, which is on the market, but is not enjoying the full range of indications across the spectrum of prostate cancer. So to add those is actually important. And the risk exposure, given that we already are approved for use, is somewhat more manageable. And then we have with Eylea high-dose, with elinzanetant, two products where we've also proven, with basically Eylea, the mechanism and the proof-of-concept is completely de-risked because we have an approval in the US that is marketed by Regeneron and in Europe we have CHMP positive. So that will come. And so no more R&D investment there from a risk exposure. And for elinzanetant, we're just weeks away from giving you the full loaddown of what this is. So, add asundexian in one indication for a company of our size, that's not a bad late stage portfolio. But what is the right number? When I look at what Christian and his team have done by completely revamping our innovation approach as we presented this summer and you look at some of the fruits of this, this year alone, we're moving nine new medicines into the clinic and some of them with clear breakthrough potential. We're also advancing some of our early stuff into advanced stages of clinical trials, be it in oncology, be it

in Parkinson's with our cell and gene therapy modalities. So I would think that if you move more to a specialty area, which is our intent, you can stomach more molecules in your pipeline. Whilst if you are more on these broad evidence-generating areas like asundexian, you will probably have to have fewer because the overall cost of development is higher. So I prefer to have rather a bigger number in more specialty indications with somewhat a lower cost of development per asset and that's exactly the direction that we're taking. But maybe, Christian, you want to add some color to that?

Christian Rommel:
Oh, you covered a lot and it's my favorite topic, so I have to watch all that I don't steal time. I would just say that we have raised our ambition. So the kind of products that we want to bring forward have a very different profile. So you need a critical number because the risk will be higher. In addition to this, we want to create a problem for us that we have more pipeline opportunities than we can afford. And from an approach point of view, we have to stop things on an evidence-based area. Hence it also was a topic of our meeting today. So you can count on us that we will innovate, we will be more productive, and we have rigorous evidence-based decision-making in our pipeline. But, Stefan, it was beautiful listening to you. Thank you.

Jost Reinhard:
Thank you very much. And the last one in line for today is Mehdi Enebati from Millennium.

Mehdi Enebati, Millennium:
Good afternoon. Thanks for taking my questions. So two questions, please. The first one, would you say it might be more difficult than you initially thought to spin off or sell the Crop Science business following the four cases you lost in a row. Hence, you might rather focus on the disposal of the Consumer Health division, which, you know, might come faster? And the second question is about the capital allocation. So, you need to invest in pipeline of products in pharmaceuticals in order to create growth in the long run. Your balance sheet is a little bit stretched. So what would you rather favor, increasing CapEx R&D or rather, you know, pay the dividend knowing that your earnings, you know, the earnings trend for the next two years, you know, might be a little bit negative. And in fact, the question that I also have regarding the shareholder remuneration, is when I look at the value of the Bayer share, don't you think it might be more interesting for investors to reallocate a portion of the dividend payment to a share buyback? Thank you.

Bill Anderson:
Right. Yeah, let's see. On the first question around the relative attractiveness of separation of Consumer versus Crop, I mean, they're very different strategic choices and they each have their pros and cons. So, yeah, I mean, but it is true that one of the things that we think about with Crop Science is, if you're talking about separating it in a separate entity, it's usually helpful to have some relative stability in the outlook for that entity and that's more challenging if we have a negative dynamic in the ag cycle or if we have less certainty around litigation and things. So there's no secret that those are general factors that we have to consider. In terms of capital allocation, first off, I think I would say we don't view the solution to our pharma pipeline as some big acquisitions. So we we're not in a place where we think, oh, we wish we had 10 billion to spend on buying a post proof-of-concept asset simply because we don't think there are positive NPV deals to be had in that space. And we don't think that's a best use of, frankly, the shareholders money to pursue those kind of assets with binary outcomes given the track

record of the industry on those sorts of deals over the last decade is quite poor. We don't think that's very wise. So our plan A, which is our base plan in any case, is to have very innovative and very efficient R&D spend in pharma. And I think Christian and his team have demonstrated abundantly that we can do that. I mean, I think if you look at our investment this year, the fact that we can fund these major cardiovascular outcome studies for molecules like asundexian and Kerendia, and at the same time we have eight INDs so far this year and we're still working on some, so, I think that's probably a bit of an underappreciated story at Bayer that one of the things that I was interested to find coming in is just to see what our kind of drug development efficiency is. And, for example, in Germany, we have a lot of great capacity and capabilities in drug development in the sort of core capabilities in toxicology, pre-clinical development, process development and then clinical development as you move into late stage, that those resources are a lot more cost effective than similar resources in Boston or California. And that's, I think, that's probably an underappreciated part of the story of how Christian and Stefan have managed this quite robust pipeline development with a very small budget.

On your question about expenditures on dividends versus share buybacks, yeah, I'm not sure we've heard much from investors on that one. We always listen to input from investors, and I have a feeling we would, before we would buy back shares, we would pay down debt. So, just with higher interest rates now and our relatively high debt level, I'm guessing share buybacks wouldn't be in the offing. And we have an existing dividend policy. We always are engaged with dialogue with shareholders on that and we'll continue to do that. But, otherwise, we plan to continue with it. So, thanks for the question, Mehdi.

Mehdi Enebati:
Thank you.

Bill Anderson:
And, yeah, and I just want to take this opportunity to thank everyone for being part of this call. Just reiterate that we're very disappointed in this recent turn of events. But our commitment to drive really hard and really fast on things that are going to create more fundamental value for the customers of Bayer and for the world and ultimately for the shareholders is undiminished. I'd say we're highly motivated and we're acting very rapidly to rejuvenate the company and to take advantage of the opportunities we have. And we appreciate your interest in Bayer and we're going to keep going. So, thank you.

Jost Reinhard:
Thank you very much, Bill, for your words, and thanks to everyone for the interest and questions. And this closes our call for today. Have a great day.