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Teva Pharmaceutical Industries Ltd.

(TEVA)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Christopher J. Stevo
Senior Vice President-Investor Relations & Competitive Intelligence, Teva Pharmaceutical Industries Ltd.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.

Eli Kalif
Executive Vice President & Chief Financial Officer, Teva Pharmaceutical Industries Ltd.

OTHER PARTICIPANTS

Louise Chen
Analyst, Scotiabank

Glen Santangelo
Analyst, Barclays Capital, Inc.

Matt Dellatorre
Analyst, Goldman Sachs & Co. LLC

Dennis Ding
Analyst, Jefferies LLC

Jason M. Gerberry
Analyst, BofA Securities, Inc.

Umer Raffat
Analyst, Evercore ISI

David Amsellem
Analyst, Piper Sandler & Co.

Chris Schott
Analyst, JPMorgan Securities LLC

Ashwani Verma
Analyst, UBS Securities LLC

Les Sulewski
Analyst, Truist Securities

MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the Teva Pharmaceutical Industries Limited Q1 2026 Earnings Conference Call. My name is Alex, and I'll be coordinating today's call. [Operator Instructions]

I'm going to hand it over to Chris Stevo, SVP-Investor Relations. Please go ahead.

Christopher J. Stevo

Senior Vice President-Investor Relations & Competitive Intelligence, Teva Pharmaceutical Industries Ltd.

Thank you, Alex. Good morning and good afternoon, everyone. Thank you for joining us on our first quarter call. I'd like to note that before we posted our press release this morning on earnings, we also posted a press release on the Emalex transaction, as well as a slide deck relating to that transaction. And you can find those materials in the same section as you can find our earnings materials.

Before I turn the call over to our CEO, Richard Francis, I want to remind everyone that we will be making forward-looking statements on this call. The company cautions investors that any forward-looking statement involves risks and uncertainties and is not a guarantee of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements due to a variety of factors. These factors are described in our earnings press release in our most recent 10-Q and 10-K filed with the SEC. Any statements we make are only as of today, and we undertake no obligation to update these statements subsequently.

With that, Richard Francis.

Richard Francis

President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

Thanks, Chris. Good morning and good afternoon, everybody. Thank you for joining the call. On the call with me today will be my colleague, Dr. Eric Hughes, Head of R&D and Chief Medical Officer; and Eli Kalif, the Chief Financial Officer.

So, starting with, as I always do, on the Pivot to Growth strategy slide. We launched this Pivot to Growth strategy three years ago and it's based on four pillars: deliver on your growth engines, step up innovations, sustain generics powerhouse, and focus the business. And as you will see through the presentation today, we've made great progress across all of these pillars.

On deliver on growth engines, you'll see AUSTEDO and UZEDY and AJOVY continue to drive good, solid growth. Step up innovation, you'll hear from Eric about the exciting pipeline we have and some data readouts and milestones we have this year. On sustain generics powerhouse, you'll see the growth – start to see the growth of and the emergence of our biosimilar portfolio. And lastly, focus our business. You'll see that we remain dedicated allocating our capital to the highest return opportunities. And Eli will walk you through some of this and also give you an update on the organizational effectiveness work we've done and how we're on track to achieve our $700 million of savings in 2027.

But before I do that, and to pick up on what Chris has just said, I'd like to talk a bit today about the announcement we made on the acquisition of Emalex Biosciences. This is the first acquisition under the Pivot to Growth strategy.

And with this acquisition of Emalex, we take ownership of ecopipam, a first-in-class asset with compelling efficacy and favorable tolerability in Tourette's syndrome.

Now, to let you know a bit about Tourette's, this is a serious, life-altering pediatric neurological disorder with limited good options today. So, this is a market of serious unmet medical need where current therapies really do not satisfy the needs. They either have efficacy but have challenges with tolerability, or they don't quite have the efficacy, but they have the tolerability profile. It's because of that failure that only about half of patients are actually treated and fewer than a third stay on therapy after one year. So, we see this as a clear opportunity to help patients expand the market, something we have successfully done with AUSTEDO and UZEDY. As you know, we have strong CNS capabilities at Teva, whether that's in sales, marketing, market access, patient services, and we believe leveraging these will help drive penetration and growth.

It's worth noting that this transaction is highly aligned to our Pivot to Growth business development strategy. Ecopipam has a de-risk mechanism, strong pivotal data, no major development overhangs, and orphan dynamics that support attractive pricing. In short, this is a high-quality, value-accretive asset that accelerates our shift towards innovative revenue and profitable growth without compromising our balance sheet discipline.

Now, I'm just going to just give you an insight into the next slide, the treatment landscape, because this will explain why we're so excited about ecopipam.

Patients generally start on behavioral therapies. And if these fail, families are left with difficult choices. They either have alpha-2 antagonists, which are generally safe, but maybe do not offer the efficacy for many patients. The next step is antipsychotics, which can be effective, but come with meaningful metabolic and neurologic side effects that lead many families to discontinue or even avoid them altogether.

I think we can understand there would be a real hesitation in putting a 10-year-old on an antipsychotic for the next decade. That is not a sustainable long-term solution for a chronic pediatric condition. Ecopipam changes that equation. It delivers meaningful efficacy with a good side effect profile, positioning it to become a preferred later-line therapy, and we fully expect pricing to reflect that value.

Now, in the next slide, you'll see some of the transaction details. Now, I'll leave this for Eli to go through in more detail, but one theory I want to highlight is that the asset carries a gross margin significantly above our corporate average, and that it has no impact on our ability to hit our 2027 targets and those beyond.

Now, with that, I'm going to move into the quarter one results.

So, we had a good start to the year. Solid performance driven by continued strength of our innovative portfolio, and you'll see the growth of AUSTEDO, AJOVY, and UZEDY in a couple of slides. Our revenues came as expected, down 1%, or up 7%, excluding both the Japan divestment and excluding generic Revlimid. It's great to see that we are able to mitigate the decrease in generic Revlimid revenues also as planned and as I shared with you in the past few months.

So, the figures. Revenue down 1%, as I said, at $4 billion. Adjusted EBITDA, up 2%, reaching $1.1 billion. Non-GAAP EPS grew 2%, reaching $0.53. Free cash flow grew 76%, reaching $200 million. Net debt to EBITDA is now at 2.42. It's worth noting these are all compared to Q1 2025.

But let's double-click and go into a bit more detail on what's behind this $4 billion. As you can see, strong growth of our innovative portfolio. All of these grew 41%. AUSTEDO, in coincidence, also grew 41%, up to $578 million.

UZEDY's strong performance, up 62% at $63 million. And AJOVY also performed well, growing at 35% to $196 million. Our generics revenue performance was as expected, down 13% excluding Japan, or flat excluding both Japan and generic Revlimid.

Now, I want to walk you on to the next slide. I think this is a really interesting slide. This shows the transition that's been taking place at Teva from a pure play generics company to a world-leading biopharma company. And as you can see, this is pretty significant, and the speed of change is significant. Since 2022, the amount of revenue that's been driven by our innovative portfolio is up from 9% to over 20%. And as you can see by this slide, we continue to see this grow to 2030 and beyond.

What is an important aspect that I always draw people's attention to is the gross margin and how our gross margin is fundamentally changing at Teva because of this portfolio shift. And as you see in 2030, we anticipate a gross margin of above 60%.

Now, let me dive into the individual products, starting with AUSTEDO. Another strong quarter for AUSTEDO in the US, reaching $559 million, up 41% year over year, with global results mirroring that growth. Now, growth has been driven by a combination of TRx, where we had a 13% growth and milligram growth of 20%, reflecting new patient growth and improved adherence. We continue to see the benefit from the shift towards once-daily AUSTEDO XR, which now represents over 60% of new patients. And it's clear that the convenience and simplicity of AUSTEDO XR are proving to be major drivers of the franchise durability.

It is worth noting that as we talked about in Q4 where we had some buildup of inventory in the channel, that has not all been drawn down in Q1. Now, for AUSTEDO, we're reiterating our guidance of $2.4 billion to $2.55 billion for the year.

Now, moving on to UZEDY. Q1 performance for UZEDY was strong with revenues up 62% year-on-year and underlying growth driven by continued prescription growth, 75% TRx. Now, this all reflects the fact that we have a very strong product profile: subcutaneous, low volume, no loading dose, reaching therapeutic levels within 24 hours. But it also highlights the excellent commercial capabilities we have in the United States.

Now, I'm pretty proud of some numbers that I'd like to highlight. So, since UZEDY was launched, it's nearly doubled the market share of risperidone LAI from 5% to 9%. Now, this is a massive accomplishment to drive such a change in what has been a static market for so long. So, congratulations to the team.

We're also now to see expansion into the combined market of risperidone and paliperidone LAIs. It's worth noting that UZEDY is positioned as the LAI of choice with over 86% of its NBRx's coming from patients transitioning from orals and those who are naïve to antipsychotic drug therapy. Once again, we are reiterating our guidance for the year.

Now, I can't talk about UZEDY without talking about the upcoming launch of olanzapine, where we're very excited about this. And let me explain why we're so excited. Well, the significant global opportunity is clear. Olanzapine currently holds 19% of the oral market, but lacks viable long-acting options for a patient population that would meaningfully benefit from one. Second, as I've just described with UZEDY, this is an area where we will have clear synergies, sales force, market access, MSLs, patient services, et cetera. But more than that, we have real know-how. The team has built up know-how over the last three years with UZEDY. And as you see on this slide, the investigator excitement is palpable. People are really looking forward to the launch of this product as there is a clear unmet medical need.

Now, moving on to AJOVY. AJOVY is a great example of how well we execute commercially innovative products globally. And despite being a late entrant to the crowded CGRP injectable market, AJOVY has steadily grown, consistently outpacing the overall injectable market, as you can see from the figures on this slide. Where we launch, we generally end up as number one. And as you can see on the slide, Q1 growth was driven primarily by the US and ex-US, Europe particularly, where we had market share gains, volume growth, and valuable growth when it comes to access.

Now, moving on to our pipeline. I always struggle not to talk about this in great detail because I know Eric likes to talk about it, but I am excited about it. What I will just say is, we have seven milestone readouts this year. We all started the year with the duvakitug maintenance data, which we thought was excellent, but now we're going to have the anti-IL-15 vitiligo data in Q2. And then in H2, it's really a lot of data readouts coming through, whether that's the futility analysis on emrusolmin, whether that's the anti-IL-15 data in celiac disease, whether that's the DARI conclusion of our Phase 3 results, whether that's the launch of olanzapine LAI, or whether that's the first-in-human PD-1/IL-2. But the worth noting is that these will all add up to over $10 billion of peak sales.

Now, moving on to our generics business, moving into the third pillar of our Pivot to Growth strategy. This performed as planned. Global generics were down 13%, mainly due to generic Revlimid, or flat if you take out generic Revlimid.

Now, looking at the US, we were down 28%, or up 10% excluding Revlimid. And this increase was driven mainly by the higher revenues from our portfolio of biosimilar products. EU was down 1% due to seasonality of some of our products, as well as launches. And international markets was down 9%, excluding Japan.

Now, as I've just mentioned, the generic growth in the US has now started to be driven by our biosimilar portfolio. So, let me give you sort of a review of where we are. We currently have 11 biosimilar products on the market, 4 more which will be covering $16 billion of originator brand sales expected between now and 2027; and another 9 more after that, covering $58 billion of originator brand sales. So, what does that mean? It means we have increased our portfolio by over 50% in the last three years, and it's starting to have a meaningful impact on our generics business. It is worth noting that we start to be launching biosimilars on a regular basis in Europe.

So, to conclude, and before handing over to Eric, I want to reiterate our 2027 financial targets on the Pivot to Growth journey. Revenue, mid single-digit, non-GAAP operating income of 30%, net debt to EBITDA of less than 2, and cash to earnings of 80%.

And with that, I will hand over to my colleague, Eric.

Eric A. Hughes

Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.

Thank you, Richard. And as Richard mentioned, I do like to talk about this slide for two good reasons: one, there's a big impact we can make for patients across a number of different indications; and, two, this represents four submissions over the next five years. And when the deal closes for the Emalex deal, that would be five submissions in the next five years, a real accomplishment for the teams at Teva and the R&D group, and we're very excited about this future potential for our pipeline.

First, I want to talk about olanzapine LAI. I have a little bit of a late-breaking announcement. We just did our EU submission just yesterday, and we'll be looking forward to the validation of that acceptance by the EU in the coming months. So, very exciting. The team did a great job at accelerating that submission. And as you know,

we've done the submission for the FDA back in December, and we believe the process of the review is going as planned, and we're looking forward to that approval by the end of this year.

Now, on to the Dual-Action Rescue Inhaler program, our DARI program in Phase 3. I'm very excited that we've now completed the enrollment of the large Phase 3 program called FLAIR. This is – we enrolled over 2,700 patients. And more important thing about this large study is, we have a very large sample size of both pediatrics and adolescents in this study, which is a very important component of this program because 25% of the patients with asthma are pediatrics and adolescents. And our unique dry powder inhaler is uniquely positioned to be really advantageous for this patient population. I'm also happy to report that over 60% of the events had occurred at this point, so we're on track for an end of the year completion of events for this study.

Moving on to our first milestone that we announced and had a press release back in February for duvakitug. That was our maintenance data. And just as a review, remember, this study looked at ulcerative colitis and Crohn's disease patients with an induction period of 14 weeks, and they rolled over into a maintenance period for 44 weeks. Now, maintenance is very important because this is a chronic disease and patients who suffer with it cycle through therapies frequently. So, having a drug that can maintain its response and continue on for years is very important.

So, we were very excited to see that the data at our 44-week time point showed great maintenance. We had ulcerative colitis patients maintaining 55% of their – or 56% of their response at 44 weeks for ulcerative colitis. And for Crohn's disease, for the endoscopic response, they maintained 55% of that response at the high dose. And it's also nice that we had a dose response between the low and high dose. And that you should remember, this is given subcutaneously every four weeks for maintenance. So, patient-friendly and good results.

But how does that compare? We're excited to see data here that we think is best-in-class. But when you look across the entire landscape, this has the potential to be best-in-disease. So, you can see that our numbers stack up favorably when you do a cross-study comparison against TL1As in development, anti-IL-23s that are approved, and the JAKs that are [ph] approved (00:18:05). So, favorable. We're very hopeful and excited to see what the results of the Phase 3 program look like.

So, the fundamentals of duvakitug are very strong. The antibody has high potency, high selectivity, and low immunogenicity. We've shown in our induction data that we have very favorable results of that 14-week induction period, all given subcutaneously. And the safety profile continues to be strong and favorable.

And then we recapitulated those results with strong maintenance data out to 44 weeks now, again, with good safety, with Q4 dosing, and all subcutaneous. So, the fundamentals are there, and that brings us to the last slide on duvakitug, the Phase 3 study.

We're working very closely with our partner, Sanofi. I'm happy to report that the study is on track and has started well, and we're looking to accelerate this program. The SUNSCAPE and STARSCAPE programs I think will be incredibly important for defining this class of molecule.

Now, moving on to another Teva born and raised antibody from our labs in Sydney, is our anti-IL-15 program. This program is now currently in two proof of concept studies for vitiligo and celiac disease. The exciting thing about this molecule similarly to duvakitug, it has the potential to be approved someday in multiple different medications. So we're looking at vitiligo, and celiac today, but alopecia areata, atopic dermatitis, and eosinophilic esophagitis are all possible things in the future for this molecule.

And just as a review, what we're expecting this year, we have a proof of concept study running in the vitiligo. One thing to take away from this study, which should emphasize what I think will be a potential great product profile, is the fact that we're running a 24-week study that only has two shots given subcutaneous: once at day 0 and once at week 12. And then we'll have a week 24 readout for the VASI score, which is the endpoint for registration in vitiligo. Those results will be coming out at the end of this first half.

And then in the second half, our celiac disease program will read out. Again, showing the product profile, this is a single-dose study with a readout after 12 weeks of therapy. And here's a classic proof of concept study where we give a dose of either active or placebo, and we challenge the patients with six weeks of gluten about 3 grams per day. So – and then at eight weeks, we will get the biopsy. And what we'll be looking at and reporting in the second half is the protection of the gut from damage according to the villus-to-crypt depth ratio on an endoscopic biopsy.

So, very exciting program. I think I'm looking forward to the data, and that's going to be the first half for vitiligo and second half for celiac.

And finally, the last program I want to just mention because I think it's such an important indication for multiple system atrophy, our emrusolmin program. This is a differentiated small molecule, brain penetrant molecule that attacks the alpha-synuclein at the very genesis of the pathogenic aggregations. We're on track. The enrollment is going very well. In fact, we're going to over-enroll this study to make sure it's robust while keeping it on time. And we're on track for futility analysis at the end of this year. Again, we have Orphan designation and Fast Track designation from FDA.

So, I'll just want to end with our very exciting slide about the milestones that we're achieving this year. First, I mentioned the duvakitug readout and maintenance. We thought that was great data showing the value of duvakitug. The anti-IL-15 program, I mentioned the vitiligo in the first half readout. And then celiac disease in the second half. The DARI program, fully enrolled Phase 3 program on track for the final readout and final exacerbation by December. Emrusolmin, we're on track for the futility analysis. The olanzapine LAI program is under FDA review now, and we did our submission just yesterday in the EU. And finally, we'll be having PD-1/IL-2 data at the end of this year.

So, it's a great year. I appreciate all the work that's being done in R&D, and the extra effort everyone is putting into this.

And with that, I'm going to pass it off to Eli Kalif.

Eli Kalif

Executive Vice President & Chief Financial Officer, Teva Pharmaceutical Industries Ltd.

Thank you, Eric, and good morning and good afternoon to everyone. I would like to start my review of Q1 2026 results with the following key messages.

First, we started the year with a solid first quarter result, driven by continued strength in our innovative portfolio.

Second, the increasing mix of our innovative revenue, along with our transformation programs, give us the confidence to improve margin throughout 2026 and on track to achieve our 30% operating margin target in 2027.

Third, we continue to monitor the geopolitical situation in the Middle East. Our operations remain uninterrupted with no material impact on our 2026 guidance.

And lastly, our capital allocation strategy remains focused on driving our Pivot to Growth strategy and creating a shareholder value. The agreement to acquire Emalex and the potential share buyback program reflect our ongoing commitment to the disciplined approach for capital allocation.

Now, moving to slide 35. Before I start with the results, I would like to remind everyone that our Q1 2025 financial results included approximately $75 million revenue contribution from the Japan business venture, which was divested on March 31, 2025. For like-to-like comparison, I will exclude the contribution of this business from last year when discussing our financial results for this quarter.

Now, starting with our Q1 GAAP performance. Our Q1 revenue were approximately $4 billion, up 4% in US dollars or down 1% in local currency compared to Q1 2025. Our key innovative products, AUSTEDO, AJOVY, and UZEDY continued to show strong momentum, largely offsetting lower generics due to the loss of revenue from generic Revlimid that we had expected. GAAP net income, EPS were $360 million and $0.31, respectively.

Turning now to our non-GAAP performance. Our non-GAAP gross margin in Q1 2026 was 52.9%. This gross margin performance was better than our expectation, mainly driven by continued strong growth in our key innovative products and a favorable product mix within generics. Non-GAAP operating margin decreased approximately 50 basis points year-over-year to 24%, mainly due to higher planned investment in sales and marketing to support our innovative growth. Overall, we ended the quarter with a non-GAAP EPS of $0.53 compared to $0.52 in Q1 2025. Our free cash flow in Q1 was $188 million, up from $107 million last year. As I shared on our previous earning call, our Q1 2025 results included approximately $300 million revenue contribution from our generics Revlimid. Excluding this contribution and the divestment business in Japan, our revenue increased by 7% in local currency and adjusted EBITDA by 28% in Q1 2026.

On slide 36, I would like to remind everyone of the margin trajectory I shared last year in May and how we plan to go from approximately 26% operating margin in 2025 to our 30% target in 2027. This represents approximately 400 basis point improvement over two years, driven by our continued portfolio shift towards high growth and high margin innovative products, as well as $700 million of cost savings expected from our transformation programs and despite the impact of losing revenue from our generics Revlimid in 2026. In 2025, we made significant progress towards these goals by improving our underlying operating margin to 26.8%, which was ahead of our initial expectation for 2025.

Moving to slide 37. We continue to make progress on our margin expansion journey in 2026, with a solid start in the first quarter. Overall, we are transforming Teva into a structurally higher gross margin business with a growing innovative portfolio mix and the transformation of our manufacturing cost base. In addition, our OpEx transformation allow us to keep operating expenses as a percentage of revenue stable as we reinvest significant savings from our G&A towards our innovative portfolio and pipeline to position us for both the short-term and the long-term growth.

Moving to slide 38. We're also making significant progress in our Teva transformation programs to deliver sustainable margin improvement. During Q1, we continued to execute on our targeted programs and remain on track to achieve approximately two-third of our total $700 million savings target to be realized by the end of 2026.

In relation to these programs, we have already recorded approximately $205 million in restructuring costs in 2025 and cash outflow of approximately $100 million. In Q1 2026, we recorded an additional restructuring cost of approximately $25 million. And for the full year of 2026, we expected cash outflow of approximately $90 million to $100 million, all of which are already [indiscernible] (00:28:13) in our guidance. These transformation efforts,

along with our ongoing portfolio shift towards innovative products, give us the confidence to grow underlying EBITDA in 2026 and in 2027, and to achieve our 30% operating margin target by 2027.

Now, on slide 39, let me provide some additional details on our agreement to acquire Emalex with a couple of key messages. First, as Richard highlight earlier, Emalex is highly aligned with our Pivot to Growth strategy. Second, we are maintaining a strong balance sheet with no change to our 2027 leveraged targets of 2 times net debt to EBITDA.

Now, turning to the key terms of the transaction. The upfront consideration is $700 million in cash, with additional commercial milestone was up to $200 million. We expect the transaction to close in late Q2 or early Q3 subjected to customary closing condition.

Moving to the financials impact. We expect the product to have a gross margin profile of approximately 80% subjected to regulatory approval and launch in 2027. I will discuss changes to our 2026 financial guidance to reflect this acquisition on the next slide. But importantly, we expected Emalex to meaningfully contribute to our revenue growth and margin expansion after ecopipam is launched and scaled and be accretive to our non-GAAP EPS starting in 2028.

And finally, we remain on track with our 2027 financial target including our 30% operating margin. We expect the higher operating expenses related to Emalex in 2027 to be absorbed by the initial revenue uptick from ecopipam following its launch, as well as additional efficiency measures.

Now, let me turn to our 2026 outlook on slide 40. As I mentioned earlier, we had a solid start to the year with a strong underlying revenue, margins, cash flow performance in Q1, largely offsetting tough comparison related to generics Revlimid revenue last year.

We're also excited about Emalex acquisition, which is expected to further [ph] sense (00:30:40) and build upon our strong commercial infrastructure in the CNS space. Based on our Q1 result and our visibility into the rest of the year, we are reaffirming our 2026 outlook range on an underlying basis excluding Emalex for all financial metrics provided on our Q4 earning call, including growing our EBITDA in 2026.

However, even though Teva is acquiring 100% of Emalex shares, we expect the acquisition will be treated as an asset deal, and therefore the upfront consideration of $700 million will flow through R&D line as IP R&D expenses in the P&L. We also expect approximately $75 million of additional operating expenses in 2026 related to Emalex starting Q3, including the transaction cost. The changes to our 2026 guidance range for operating profit, EBITDA, and EPS are slowly reflecting this additional $775 million expenses related to the acquisition. There is no change to our free cash flow guidance range of $2 billion to $2.4 billion. Excluding the Emalex acquisition, our effective tax rate outlook range of 16% to 19% also remains unchanged.

Moving on, we continue to expect 2026 non-GAAP gross margin to be in the range of 54.5% to 55.5% during the year. Our operating expenses are expected to be in the range of 27% to 28% of revenue with the first half of the year higher than the second half, reflecting planned investment in the first half along with the higher impact of the transformation program cost savings in the second half of the year. Now, with the expected operating expenses and the transaction cost related to Emalex, we expected our operating expenses for 2026 to be towards the higher end of our 27% to 28% range.

Lastly, let me provide you with some directions on how to think about quarterly progression for the rest of 2026.

We continue to expect revenue to gradually increase over the course of the year. AUSTEDO Q1 revenue were slightly better than our expectation due to a less-than-expected destocking in the channel and timing of some orders from Q2 to Q1. Since the inventory levels in the channels remain elevated, we may see these dynamics evolve during the rest of the year. In addition, as mentioned last quarter, we expected AUSTEDO revenue in Q4 2026 to be down year-over-year due to the different purchasing patterns and pricing environment expected ahead of the IRA implementation in January 2027.

Our non-GAAP margin are also expected to gradually ramp up over the course of the year in line with the revenue trajectory, as well as savings from the ongoing transformation programs. However, we expect margin to be stable in Q4 versus Q3, reflecting the anticipated channels dynamics related to AUSTEDO in Q4 2026.

Lastly, our capital allocation strategy remains focused on driving our Pivot to Growth strategy. Over the last few years, we have made significant progress to strengthen our balance sheet and are now at a short distance from our target leverage of 2 times net debt to EBITDA and achieving an investor-grade credit profile. We believe we are well-positioned to achieve these goals, and our execution has been recognized by the major credit rating agencies. The progress we have been making allows us to continue to invest organically in our innovative portfolio and pipeline, as well as provide flexibility to execute thoughtful and accretive business development to create a long-term shareholder value as we are doing with Emalex.

In addition, our board of directors has instructed the management to plan for a share repurchase program that may be implemented, subjected to meeting applicable legal requirements. The timing and the exact amount of repurchase will be subjected to further board approval and will be depend on a [ph] various (00:35:14) of other factors including market condition, share price, and other investment opportunity, aligned with our Pivot to Growth strategy. We believe this potential use of capital will further enhance long-term shareholder value while preserving financial flexibility to continue to invest in our business and to execute on our Pivot to Growth strategy.

With that, I will now hand it back to Richard for his closing remarks.

Richard Francis

President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

Thank you, Eli. So, moving on to this slide. I just wanted to once again reiterate why we are excited by our Emalex deal and why it fits perfectly with the strategy of Pivot to Growth and the criteria we laid out for business development. Let me just go through those.

First, it is a rare neurological asset squarely within our core therapeutic focus area. Second, it's a natural fit for our CNS franchise, leveraging the commercial infrastructure and capabilities we already have in place. Third, it is financially accretive, driving revenue growth starting in 2027, margin expansion beginning in 2028, and creating both strategic and financial optionality over time. Fourth, the risk profile is highly attractive. Pivotal studies are complete, the program is well-understood, and the regulatory filing is expected in the second half of 2026. And finally, this transaction has no impact on our commitment to 2 times net debt to EBITDA by 2027.

[ph] I suppose (00:36:44) to summarize, this is exactly the type of disciplined, value-creating transaction we said we would pursue. I'm very excited about the impact this can have for patients who today have very limited treatment options.

Before I conclude, let me remind you of some of the drivers that we believe make Teva an attractive investment and how our Pivot to Growth strategy continues to execute as planned, transforming Teva into a leading innovative biopharma company. We expect our innovative portfolio to continue driving growth well beyond 2027.

It's currently anchored by AUSTEDO, which we are reiterating our target of reaching more than $2.5 billion in 2027 and over $3 billion peak sales. Along with our innovative products of UZEDY and AJOVY, we'll continue to drive our product mix and profitability. And as I said, we're also preparing for the exciting innovative launches coming up, starting with olanzapine this year.

And then for my concluding slide, the growth journey continues. Innovative brands double digit growth for upcoming launches, Emalex attractive acquisition of first-in-class neuroscience treatment aligned with our strategy of financial targets, near-term value unlocking milestones from our world-class pipeline, a stable outlook for our generics powerhouse, accelerating the Pivot to Growth strategy.

And with that, I would like to open the floor to questions. Thank you.

Christopher J. Stevo

Senior Vice President-Investor Relations & Competitive Intelligence, Teva Pharmaceutical Industries Ltd.

Thank you, Richard. Alex, while you're queuing up the callers, I just want to remind everyone, if you could limit yourself to one call – one question and one follow up, and we can get back to you in the queue if you have additional questions after that, that would be appreciated so we can make time for as many people as possible.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you. Our first question for today comes from Louise Chen of Scotiabank. Your line is now open. Please go ahead.

Louise Chen

Analyst, Scotiabank

Q

Hi. Congratulations on the quarter, and thanks for taking my question. I wanted to ask you about your Emalex acquisition, and if you could give more color on the synergies with your CNS franchise, especially on the pediatric side. And then as a follow-up, how do you think about the peak sales potential of this asset? And what kind of assumptions support that thought? Thank you.

Richard Francis

President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Hi, Louise. Thank you for the question. So, yeah. So, when it comes to ecopipam, we're very excited about this asset because of the significant unmet medical need. Now, there are about 100,000 children, pediatrics who suffer from Tourette's. Only about 50,000 of those actually go on to therapy. And as I said, less than 30% stay on therapy after one year. So, clearly, there is a significant unmet medical need.

As I sort of talk about this, this probably makes you very familiar with the work we've done with AUSTEDO and, to a certain degree, UZEDY. So then going back to the part of your question around what are the synergies, so we clearly have synergies in many aspects of our business, from patient services to managed markets to MSLs, and, to a certain degree, to our sales force. We will have to put in place a small pediatric sales force to focus on ecopipam.

That said, it is worth noting, just the deep expertise we have in movement disorders here at Teva. We have with neurologists and we have with the psychiatric community. So, I think for that reason, we're very excited about the fact that we can really offer some meaningful hope to for what is a very difficult condition for children.

With regard to your question around peak sales, I'll just go back to, this is a significant opportunity. And as we get closer to launch this product, we'll start to give an idea of what we think this could be. But I think at this moment, it's worth just thinking about the unmet medical need, the lack of treatment options, and a significant unmet medical need from a patient perspective.

Thank you for your question, Louise.

Operator: Thank you. Our next question comes from Glen Santangelo of Barclays. Your line is now open. Please go ahead.

Glen Santangelo
Analyst, Barclays Capital, Inc.

Q

Yeah. Thanks for taking my question. I mean, Richard, clearly impressive growth in the innovative portfolio. And I think in your closing remarks, you reiterated the greater than $2.5 billion in sales number for AUSTEDO in 2027. And I'm just trying to sort of reconcile some comments you made earlier this year about 2027 where you expected low single-digit growth.

And when we unpack this quarter and you normalize for FX, and the Japan business venture, and generic Revlimid, this looks like a 7% growth quarter to us. And I was wondering, Eli, if you could maybe confirm that.

Then I'm trying to reconcile the growth rate in the business currently versus your expectation for that low single-digit growth in 2027. Not that you want to guide on 2027 at this point, obviously. But we're looking down the pipe, and you see olanzapine coming in. Now you have ecopipam, which may be a modest contributor next year. I'm just trying to reconcile all the big moving pieces around how we should be thinking about the balance this year and the growth rate into next year. Thanks.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Hi, Glen. Thanks for your question. I'll try and sort of unpack it. And I think what I'm hearing is maybe – and maybe this you can advise me is that maybe you're feeling that we could be slightly conservative towards 2027. Is that the question?

Glen Santangelo
Analyst, Barclays Capital, Inc.

Q

Yeah. Yeah. It just kind of feels, Richard that you're growing much faster than that at this point, and you're expecting maybe some modest growth in AUSTEDO next year with some contribution from your pipeline next year. I'm just trying to reconcile your thoughts around that low single-digit expectation for next year.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Okay. Now I get it. Okay. So, thanks, Glen. Thanks for that clarification. So, I think when it comes to – let's start specifically with AUSTEDO. I think as I pointed out and as Eli pointed out, there's a few moving parts here. And one of those, and probably the biggest moving part, is how the IRA impacts us sort of pre-IRA, which is Q4. What

happens to our inventory? What happens to the channel? Will there be a drawdown because of the pricing change in 2027? It's hard to understand and predict that.

So, I think for one of those reasons – for that reason, I think we have to be thoughtful about AUSTEDO and see how this plays out. Do we have any conservatism and concern and worry about the untreated patient population that still need to go on AUSTEDO? Do we have any worry about our ability to execute and get more patients onto AUSTEDO, onto the right dose, onto the right compliance, [ph] adhering (00:43:47) programs? No, absolutely not. We remain very, very confident about the long-term growth of AUSTEDO, and that's why I reiterated the $3 billion peak sale. It's just a bit of timing there, Glen, and just seeing how that plays out.

With regard to some of the other growth drivers, UZEDY and AJOVY, and soon to be olanzapine, as you know, we tend to like to really get a couple of quarters under the belt to really understand what this looks like, so we don't sort of get ahead of ourselves. So, that's what we're thinking about. So, I think maybe as we talk about 2027 guidance, we'll come to the end of the year and be able to give clarity on that. But I think one quarter is – we're pleased with the quarter, but let's get some more quarters under our belt before we start predicting what the future could be.

So, hopefully that helps you, but I'm pleased that you see the strength in the underlying innovative business, and let's talk about what that could be in 2027 and beyond. But maybe [ph] for, right (00:44:46), me to conclude, I'd say it is a bit beyond 2027, 2028, 2029. I hope you can see the opportunity for us to keep growing this company, keep growing our innovative portfolio, and keep growing our gross margin, and thus keep growing our EPS.

Thanks for the question, Glen.

Operator: Thank you. Our next question comes from Matt Dellatorre of Goldman Sachs. Your line is now open. Please go ahead.

Matt Dellatorre
Analyst, Goldman Sachs & Co. LLC

Q

Great. Good morning, guys. Thanks for taking my question, and congrats on the strong quarter and the deal announcement. Maybe first on capital allocation broadly, if we think about free cash flow of $2.5 billion to $3 billion over the next several years, could you maybe comment on what you see as a fair base case at this point on how you might allocate across potentially additional BD, now maybe share repurchases, and then further debt pay-down?

And then maybe one on the branded pipeline. What is the latest expectation for the indication expansion strategy for duvakitug? And is there anything that you're particularly focused on from a competitive landscape perspective this year or over the coming months? Thank you.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Thanks for the question, Matt. And, clearly, as I'm suffering for some sore throat, I'm going to quickly take a break and hand the capital allocation to Eli, and then the two new indications to Eric. Over to you, Eli.

Eli Kalif
Executive Vice President & Chief Financial Officer, Teva Pharmaceutical Industries Ltd.

A

Okay. Thanks for the question, Matt. So, look, we end up the quarter with $3.7 billion cash on the balance sheet. If you think about – all about midpoint for this year, like $2.2 billion free cash flow, we generate almost $200 million already. It's like another $2 billion to build, so it's get you like to the $5.7 billion. Considering the closing on Emalex, it go to $5 billion, and we have another tranche by October to pay like $1.8 billion. So, most likely we're going to be north than $3.2 billion by end of the year. Very strong balance sheet from our perspective.

So, as we move forward and we keep growing our EBITDA and totally transforming our gross margin projections, looking on $2.4 billion to $3 billion kind of a run rate beyond, I will say, 2026 on free cash flow, what we actually announced this morning about the buyback, this is basically kind of part of a natural evolution of our capital allocation, which really focused us now on maximizing shareholder value. It's basically giving us kind of a – creating additional optionality to the management to allocate capital. And we are able to do it because the balance should become more stronger.

What we're going to see going forward? We're going to see maybe another one or two deals with couple of hundreds of millions. We are not actually going to do something bigger than that in the short term. If some things will come in front of us and will require any other financing, we still have our revolver like $1.8 billion that we are not utilizing. We're – as I mentioned, we are growing EBITDA and we are growing our free cash flow. So, anything around that, I will say, a quantum will – should not actually depart us from our 2-time net debt-to-EBITDA. But the rationale here is to come to the 2 times net debt-to-EBITDA. And then going forward, looking on our debt management in order to make sure that we have enough flexibility to grow the business.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Thank you, Eli. And now, Eric, on the two new indications for duvakitug.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.
A

Yeah. Thank you, Matt, for the question. So, duvakitug, as we always say, has a great potential across many different indications. We in Sanofi bucket these possibilities in T2, non-T2, and fibrotic indications. And we have a very clear pathway on how we choose those based on market size, scientific justification, and regulatory chances of success, as well as speed. So, we've aligned on those indications. We'll be announcing those before the end of the year. I think there's great excitement around that.

One of the things I'm glad to see though right now is the effort and the speed in which we're interrogating the Phase 3 programs in the inflammatory bowel space. The opportunity there is massive, and I think we're highly differentiated from the other molecules out there, and that's the great success that we've been focused on so far. But we will be announcing those. I think that the indications across this field will advance quickly. Thank you.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Thank you, Eric. Thanks for the question, Matt.

Operator: Thank you. Our next question comes from Dennis Ding of Jefferies. Your line is now open. Please go ahead.

Dennis Ding
Analyst, Jefferies LLC
Q

Hi. Good morning. Thanks for taking my questions. I have two on the Emalex transaction. So, your slides don't really mention anything about the adult population, but the Phase 3 hit on both peds and adults as a secondary. So, I'm curious if you expect a broad label that covers both peds and adults. And how meaningful can that be on the TAM beyond the 50,000 children that you noted that are on therapy? And if you can maybe also comment on the efficacy in the adult-only population as well. And then as a follow-up, can you just help us narrow down pricing? I mean, you mentioned rare in your slides, but that's still fairly broad. Thank you.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Thank you, Dennis. Was the last part pricing? Okay. So, thank you, Dennis. I'll tag-team the first one with you, Eric. So, just to be clear, this is a pediatric treatment, ecopipam for pediatric Tourette's. So, to be clear about that. If you look at the patient population, the majority are pediatric. So, hopefully that answers your question.

When it comes to pricing in rare and orphan, yes, we think because of the significant unmet medical need, we think about the size of the population that we think that allows us to have a pricing within the range that is normal for orphan and rare. I hope that answers your question, Dennis. Do you want to add something to it, Eric?

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.
A

Yeah. And, yes. Thanks, Dennis, about the question about adults. It was a small population of adults in the Phase 3 study. Those efficacy results trended along with the pediatric result. But I would – I'd build on what Richard said. The efficacy in the pediatrics is particularly important because when you're thinking about a novel mechanism like this, a D1 receptor antagonist and the profile of safety, particularly for the pediatric population, there's no weight changes. There's no metabolic findings. There's no extrapyramidal signals that you would see with a D2 receptor antagonist. This is a product that can deliver a great efficacy profile, but more importantly, the safety for the pediatric population is something we're very proud to be part of, and I think that's the true value.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Thank you, Eric. And thank you for your question, Dennis.

Operator: Thank you. Our next question comes from Jason Gerberry of Bank of America. Your line is now open. Please go ahead.

Jason M. Gerberry
Analyst, BofA Securities, Inc.
Q

Hey, morning, guys. I've got a generics pipeline question. So, Teva has a settlement to launch generic TYVASO nebulizer this year, but has chosen not to launch for business reasons. But I'm wondering if the company would reconsider, given that that drug in dosage format are set to launch in the large IPF category. I think some analysts have that being a $4 billion to $5 billion indication. And I think a license would give you sole source as a generic for pre-extended period of time. So, just wondering what's going on there. Is it simply difficult to get a generic approval?

And then as my follow-up, I noticed on your slides with the IL-15 for vitiligo, it's now listed as accelerated path, 2031 time to BLA versus before it was a range of 2031 to 2034. So, have you had a regulatory interaction? Are you confirmed now on that accelerated path? Thanks.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Hi, Jason. Thanks for the question. With regards to the generic pipeline, we don't tend to talk about our generic pipeline for competitive reasons, as well as legal and others. So, I'm sorry. I can't really give you any more color to that. But I'll let Eric give you some color on the anti-IL-15.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.
A

Yeah. Yeah. Thank you, Jason, for noticing. That was a change that we made for this announcement. It's really driven by the fact that the team is executing. We have a very clear pathway in which we're going to design our Phase 2, Phase 3 study. So, it's greater confidence in our execution at this point, but thank you for noticing.

Operator: Thank you. Our next question comes from Umer Raffat of Evercore ISI. Your line is now open. Please go ahead.

Umer Raffat
Analyst, Evercore ISI
Q

Thank you, guys, for taking my question. I just thought I would spend a little bit of time on the Emalex acquisition as well. Maybe, first, unlike in a traditional pharma company where you sort of inherit a range of molecules which have their own [ph] expiries (00:53:59), I feel like the advantage you guys have is, you get to decide how you want to stack on the LOEs.

And I guess my first question is, knowing that this molecule is an old Merck drug, so there's probably not a composition patent, and the method of use is also likely pegged to early 2030s because of some of the earliest work done in Tourette's and back in 2014. I guess my question is, is it really just orphan exclusivity? And would that effectively become an overlapping with AUSTEDO IPs? That's number one.

And number two, how – is there any preliminary FDA feedback on whether the duration of trials run so far is sufficient to satisfy them on suicide ideation and neuropsych disorders in general? Thank you very much.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Hi, Umer. Thanks for the questions. So, we expect ecopipam to be covered by orphan drug exclusivity. So, that gives us seven years from the date of FDA approval. So, that sort of takes us into the 2033-2034 timelines. But in addition, Emalex has granted patent expiring in 2035 covering methods of treating Tourette's syndrome using ecopipam. Now, this patent is likely to be eligible for patent term extension. And Emalex has filed an additional application covering methods of treating Tourette's syndrome, which could expire in 2043 if granted.

So – and then going back to your comment, Umer, on AUSTEDO XR, we also believe, without going into the detail that we have, a clear path of patent extension into the 2040s as well for the XR formulation.

So, I think that – I think we feel pretty good. But when it goes on to the FDA question, I'll hand that to Eric.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.
A

Yes. Thank you, Umer, for the question. So, yeah, there's a long development history and a very large data package that's associated with this molecule. It actually started with Schering-Plough, a company I used to work at, and then went on to Merck.

But the – focusing on the Tourette's program, this program includes two well-controlled studies. Remember, there was a Phase 2 study that showed on-treatment responses and changes from baseline in the Yale score, and then there was a randomized withdraw Phase 3 study that showed a great persistence compared to placebo, both statistically significant and powerful. And that database from orphan disease is robust. It doesn't meet all requirements. But from an orphan disease, we're fairly confident that on top of the history of the compound is satisfactory for approval.

Now, according to your – I mean, to address your specific question about suicidality, the rates of suicidality were extremely low, just a handful, and it was actually balanced within the placebo-controlled parts of these studies. So – and more importantly, the studies were run very carefully with lots of measures on many different aspects, particularly suicidality, extrapyramidal syndrome. And with this intense monitoring, there was actually no signal at all with regards to suicidality and any changes from baseline. And more importantly, on that extrapyramidal syndrome, there was no disorder or signal of motor events in this. And the reason I bring all this up is that they were very thorough studies in a placebo-controlled way that shows that there's no weight gain, there's no metabolic changes, there's no extrapyramidal syndrome, symptoms of motor dysfunction that you see.

This highly differentiates it from the D2 receptor antagonist that, as a parent, I would not normally want to put a pediatric patient on a molecule like an antipsychotic that causes that sometimes permanent changes. So, the profile of a D1 agonist is very, I think, conducive to this patient population, that side effect profile is very well-tolerated. And more importantly, if you have an efficacious drug that the patient can actually stay on, that's the important thing. Doesn't matter what your efficacy is, if the patient can't continue. In fact, their long-term one-year study in the open-label extension at the one year, 66% of the patients stayed on drug compared to 20% or 23% of a normal antipsychotic treatment. So, the totality of this information, I think, is favorable, and I think that would be appreciated by regulators.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Thank you, Eric. And thank you, Umer, for the question.

Operator: Thank you. Our next question comes from David Amsellem of Piper Sandler. Your line is now open. Please go ahead.

David Amsellem
Analyst, Piper Sandler & Co.

Q

Hey. A couple from me. So, on Emalex, just piggybacking the last questions, do you think that there will need to be a REMS here regarding suicidal ideation or potentially other risks? Just wanted to get some color on your thought process there. And then as you think about other indications, I believe Emalex had a program in restless leg syndrome. I believe it was augmentation. So, can you talk about what you're planning to do there?

And then lastly for Richard, I think you've alluded to, in terms of M&A strategy, in terms of building the neuroscience pipeline, looking at that more inorganically, either via M&A, whereas immunology, you're going to focus more on organic development. Is that still the case or are you taking more of a flexible approach as you think about those two verticals? Thank you.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Thanks, David. Thanks for the question. I'll hand the first two to Eric.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.
A

Yeah. Thanks for the question, David. So, we don't see this program having a REMS. Given the class of these drugs, you might expect a black box for suicidality, but that's typical of this these class of medications. We haven't made a final decision on the restless legs syndrome indications, but that's something we can entertain in the future.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

And then to the question of M&A, you're right, David. We tend to talk about neuroscience inorganically, and we tend to talk about immunology more organically from a pipeline point of view. That said, it always goes back to what is our goal at Teva, to create a world-class biopharma company, and to make sure we are creating value for patients and shareholders. And it comes back to capital allocation and what is the most appropriate way to allocate capital.

And so, while those themes are true, we still look and scour and think about how we can really add to this Pivot to Growth strategy on a continuous basis, being very disciplined in what we do and how we do it, both internally and externally. When you have a pipeline internally, you do have to allocate capital. And we think about that as disciplined as you would externally. But broadly, you remember correctly, and that fits with our strategy. Thank you.

Operator: Thank you. Our next question comes from Chris Schott of JPMorgan. Your line is now open. Please go ahead.

Chris Schott
Analyst, JPMorgan Securities LLC
Q

Great. Thanks so much for the questions, and congrats on the acquisition. I just had two here. Maybe first on the Emalex acquisition. I know you're not going to comment on peak sales, but any comments on how we should think about the ramp post-approval here, given unmet need? I'm just trying to get my hands around are there payer dynamics that could result in a slower ramp? Or is this something that go relatively quickly, just given the market as it exists today?

Second one for me was just coming back to AUSTEDO and kind of quarterly dating dynamics. Totally understand what you're saying about 4Q, but can you just talk about the next few quarters? It seems like there was some de-stocking that was expected this quarter that maybe didn't fully occur. Is there anything we should just be keeping in mind for 2Q and 3Q that could result in maybe growth rates that are below the underlying volumes, et cetera? Anything there would be great.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.
A

Hi, Chris. Yeah. Thanks for the questions. So, with regard to Emalex, I'm not giving peak sale guidance, but giving ramp-up guidance. Sorry, look, I think we go back to I think what you've identified in your question is a significant unmet need in a patient population, which is pediatric, which obviously gets a lot of focus and attention.

That said, as usual with Teva, we like to be very thoughtful and diligent and really understand what this could look like. There is a big unmet need. We are excited about it, so I don't want to be too coy. But when it comes down to the things you've touched upon, which are around patients getting onto therapy, good access, appropriate access, those are the things that we like to think through. So, I think your excitement, which I sense within the question is appropriate, but we'll need a bit more time before we start to sort of give you a real line of sight on that.

With regard to AUSTEDO, yeah, so we just didn't see the drawdown in Q1 that we expected. So, how does that play out? Probably plays out a bit into Q2 and Q3. But then there's the fundamental question about Q4. So, we just have to see how this goes. What I always go back to when I'm having these conversations internally is, okay, but what are we doing on the leading indicators, the TRx, the milligrams, all the things we're doing around our coverage, new prescribers, the depth of prescribing. And all of those indicators are looking very much on track, so I feel very good about that, because my line of sight is the $3 billion-plus. It's not so much the short term. I feel we have that line of sight clearly laid out.

But that's how I think about it. How does that play out into Q2 and Q3? Just keep those in mind. Underlying indicators are good. De-stocking, let's see how that plays out in Q2. And then we'll give you some probably more indications as we get that data in Q2 ourselves to say, this is how we think it could trend for the rest of the year.

So, I hope that helps, Chris. Thanks for the question.

Operator: Thank you. Our next question comes from Ash Verma of UBS. Your line is now open. Please go ahead.

Ashwani Verma
Analyst, UBS Securities LLC

Q

Hey, guys. Good morning. Thanks for squeezing me in here. So, just in terms of the $700 million payout [ph] for BD (01:04:26) that you're doing, how does that change your timeline to get to investment-grade debt? Is that something that can still be achieved this year? And then just as a follow-up, with the geopolitical developments in the Middle East, is that creating any kind of a impact on your shipping or freight cost or any challenges in terms of getting materials in and out of different geographies? Thanks.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Hi, Ash. Thanks for the questions. I'll hand both of those over to Eli.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.

A

Ash, thanks for the question. So, first of all, nothing going to change in terms of trajectory to reach investor-grade this year. The $700 million, actually, it's a number that will flow, as expected, from the nature of the deal to the IP R&D line, as well from our balance sheet from cash perspective. But according to our trajectory on growing EBITDA this year and keep generating cash, we don't see this one impacting on all those metrics that we need to achieve to become investor-grade.

And on the other element, look, we are monitoring very closely the situation on the conflict with Iran and in the Middle East. And I can tell you that there was kind of a few element, call it nominal, increase on some spends related to transportation and some energies, but this one are very minimal and we're able to monitor it and everything that, considering our cost base for 2026, is already in the range in our guidance.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Thanks, Eli. Thanks, Ash. Next question. I mean, final question, I believe.

Operator: Thank you. Our final question for today comes from Les Sulewski of Truist. Your line is now open. Please go ahead.

Les Sulewski
Analyst, Truist Securities

Q

Hi. Thank you for getting me in, guys. Just one for me on the IL-15. So, what's your confidence level for the upcoming [ph] vitiligo (01:06:23) readout and later in celiac, given the Sanofi and Amgen readouts? And then second on that is, how competitive do you think the data has to be versus what we've seen from the dual inhibition approach of the IL-2, IL-15? Thank you.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

A

Thanks, Les. Thanks for the question. I'm going to hand that straight to Eric.

Eric A. Hughes
Executive Vice President-Global R&D & Chief Medical Officer, Teva Pharmaceutical Industries Ltd.

A

Yeah. Thank you for the question. So, the IL-15 program, I think the target is becoming more and more validated at this point. I think that the bar here is to look at what Phase 2 results and Phase 3 results have been, most recently for the oral JAKs. Those are systemic treatments at this point. And I think the most recent data is a good target. Remember, we're coming out with 24-week data. Always compare the times because the endpoints – the disease matures on treatment over time. So, we're going to be showing you 24-week data. So, I choose that probably from the Phase 2 and the Phase 3 of the results. And I think our program has the chance to be competitive and also has the chance to be a systemic therapy that's easily taken every quarter as a subcutaneous shot. So, that really is a differentiating profile from what's being developed now.

Richard Francis
President, Chief Executive Officer & Director, Teva Pharmaceutical Industries Ltd.

Thanks, Eric. I think that concludes our earnings call. Thank you for all your questions and interest in Teva. Look forward to giving you an update again in Q2. Thank you very much. Bye-bye.

Operator: This concludes today's conference call. Thank you, all, for joining. You may now disconnect your lines.