



Pfizer Inc. (PFE)

Updated August 10th, 2022 by Prakash Kolli

Key Metrics

Current Price:	\$50	5 Year CAGR Estimate:	14.5%	Market Cap:	\$279.31B
Fair Value Price:	\$70	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	07/28/22
% Fair Value:	71%	5 Year Valuation Multiple Estimate:	7.2%	Dividend Payment Date:	09/06/22
Dividend Yield:	3.2%	5 Year Price Target	\$89	Years Of Dividend Growth:	13
Dividend Risk Score:	C	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Pfizer Inc. is a global pharmaceutical company focusing on prescription drugs and vaccines. Pfizer's new CEO completed a series of transactions significantly altering the company structure and strategy. Pfizer formed the GSK Consumer Healthcare Joint Venture in 2019 with GlaxoSmithKline plc, which includes Pfizer's over-the-counter business. Pfizer owns 32% of the JV. Pfizer spun off its Upjohn segment and merged it with Mylan forming Viatrix for its off patent, branded and generic medicines in 2020. Pfizer's top products are Eliquis, Ibrance, Plevnar, Enebrel (international), Sutent, Xtandi, Vyndaqel/ Vyndamax, Inlyta, Xeljanz, Plaxlovid, and Comiranty. Pfizer had revenue of \$81.3B in 2021. Pfizer reported excellent Q2 2022 results on July 28th, 2022. Companywide revenue rose 47% to \$27,425M from \$18,416M and adjusted diluted earnings per share rose 92% to \$2.04 versus \$1.06 on a year-over-year basis. Diluted GAAP earnings per share rose 77% to \$1.73 from \$0.98 in comparable quarters. Total sales increased for Eliquis (+23%), Inlyta (+11%), Vyndaqel/ Vyndamax (+16%), Sulperazon (+9%), Zithromax (+48%), Zirabev (+11%), Bosulif (+20%), Plevnar (+18%), Xlakori (+2%), Inflectra (+4%), Hospital (flat), and Biosimilars (+7%). This was offset by declines in Xeljanz (-24%), Enebrel (-1%), Ibrance (-3%), Xtandi (-4%), and Sutent (-47%). Chantix sales are suspended.

The COVID-19 vaccine (Comirnaty) with 63% market share and the anti-viral drug (Plaxlovid) with 91% market share generated \$16+ billion in revenue. The mRNA vaccine technology will be tried in multiple other vaccines and therapies. Pfizer completed its acquisition of ReViral for its RSV programs and announced the acquisition of Biohaven for its CGRP programs. Pfizer announced it will exit the 32% interest in Haleon plc, the GSK joint venture.

Pfizer maintained revenue guidance at \$98B - \$102B and raised adjusted diluted EPS guidance to \$6.30 - \$6.45 for 2022.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS¹	\$2.19	\$2.22	\$2.26	\$2.20	\$2.40	\$2.65	\$3.00	\$2.95	\$2.22	\$4.42	\$6.37	\$8.13
DPS	\$0.88	\$0.96	\$1.04	\$1.12	\$1.20	\$1.28	\$1.36	\$1.44	\$1.52	\$1.56	\$1.60	\$1.68
Shares²	7276	6399	6291	6175	6070	5979	5717	5534	5567	5620	5564	5291

Pfizer's current product line is expected to produce top line and bottom-line growth out to 2027 because of significant R&D and acquisitions. Eliquis (cardiovascular), Ibrance (oncology), Xtandi (oncology), Comirnaty (COVID-19 vaccine), Vyndaqel/Vyndamax (transthyretin stabilizers), Inlyta (renal cell carcinoma), Plevnar family (pneumococcal vaccine), Hospital Products, and Biosimilars are all posting robust sales growth. New launch, Paxlovid (antiviral) is growing rapidly. Future growth will come from increasing sales for approved indications, extensions, R&D, and bolt-on acquisitions. Pfizer has a strong pipeline in oncology, inflammation & immunology, rare diseases, and vaccines. We are expecting 5% earnings per share growth out to 2027 (beside the COVID-19 vaccine and anti-viral). We have reduced our dividend growth rate to 1% due to the spinoffs and higher debt. Pfizer did not repurchase shares in 2020 – 2021 and bought \$2B in 2022. The company's focus is on pipeline development, partnerships, and acquisitions.

¹ Adjusted diluted earnings per share.

² Share count in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	11.5	13.8	13.8	14.7	13.5	13.7	14.6	13.3	29.5	10.7	7.8	11.0
Avg. Yld.	3.8%	3.3%	3.4%	3.3%	3.7%	3.8%	3.5%	3.6%	4.1%	3.7%	3.2%	1.9%

Pfizer's stock price is down slightly since our last report. We have raised our earnings estimate to the mid-point of updated guidance for 2022. Our fair value multiple is now 11X, accounting for risks to an R&D pharma company and expected fluctuations for the COVID-19 vaccine revenue. Pfizer's business is performing well with new drug approvals, the COVID-19 vaccine, and a robust pipeline. The current fair value is now \$70. Our 5-year price target is now \$89.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	40%	43%	46%	51%	50%	48%	45%	49%	68%	35%	25%	21%

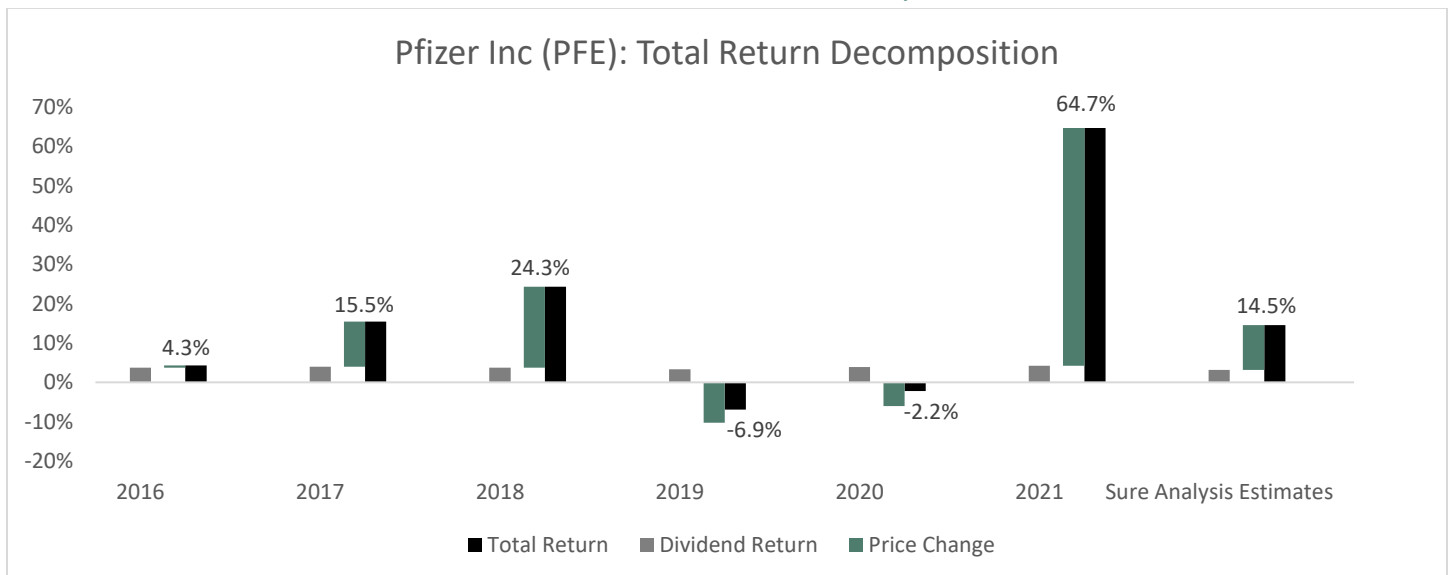
Pfizer is one of the largest pharmaceutical companies in the world. As such, it has scale in R&D, manufacturing, regulatory affairs, distribution, and marketing around the world. This gives Pfizer the ability to bring new therapies to market, partner with smaller companies, or acquire entire companies outright. The current pipeline is robust, and some will likely be blockbuster drugs even after attrition. As a pharmaceutical company, Pfizer is thought to be recession resistant. But there are always risks related to patent expiration, generics, competition, and regulatory approvals.

Debt increased due to acquisitions, but Pfizer used \$12B from the Upjohn spinoff to pay down debt. Short-term debt is \$645M and long-term debt is \$35,656M offset by cash, equivalents, and marketable securities of \$23,897M at end of Q1 2022. Interest coverage is about 25.1X and leverage ratio is down to 0.33X.

Final Thoughts & Recommendation

At present we are forecasting 14.5% average annualized total return through 2027 from a dividend yield of 3.2%, 5.0% EPS growth, and 7.2% P/E multiple expansion. Comirnaty, and Paxlovid, are increasing the top and bottom lines. Pfizer has many other drugs moving through trials and is expecting 15 approvals in the next 18 months. Investors may find this high-quality stock appealing and the company is flush with cash. At the current stock price, we rate Pfizer a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	54657	51584	49605	48851	52824	52546	53647	51750	41908	81288
Gross Profit	44836	41998	40028	39203	40502	41318	42399	41531	33216	50467
Gross Margin	82.0%	81.4%	80.7%	80.3%	76.7%	78.6%	79.0%	80.3%	79.3%	62.1%
SG&A Exp.	15171	14355	14097	14809	14844	14804	14455	14350	11615	12703
D&A Exp.	7655	6410	5537	5157	5757	6269	6384	6010	4777	5191
Operating Profit	17074	16366	13499	12976	13710	14073	15045	13921	8760	20235
Op. Margin	31.2%	31.7%	27.2%	26.6%	26.0%	26.8%	28.0%	26.9%	20.9%	24.9%
Net Profit	14570	22003	9135	6960	7215	21308	11153	16273	9616	21979
Net Margin	26.7%	42.7%	18.4%	14.2%	13.7%	40.6%	20.8%	31.4%	22.9%	27.0%
Free Cash Flow	15327	16219	15501	13192	14193	14585	13631	9994	11612	29869
Income Tax	2221	4306	3120	1990	1123	-9049	706	1384	477	1852

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets (\$B)	185.8	172.1	167.6	167.4	171.6	171.8	159.4	167.5	154.2	181.5
Cash & Equivalents	10081	2183	3343	3641	2595	1342	1139	1305	1784	1944
Acc. Receivable	10675	9357	8401	8176	8225	8221	8025	8724	7930	11479
Inventories	6076	6166	5663	7513	6783	7578	7508	8283	8046	9059
Goodwill (\$B)	88.8	81.9	77.2	88.6	107.1	104.7	88.6	94.0	78.0	74.4
Total Liab. (\$B)	104.1	95.5	95.9	102.4	111.8	100.1	95.7	104.0	907.6	104.0
Accounts Payable	2921	3234	3210	3620	4536	4656	4674	4220	4309	5578
Long-Term Debt	37460	36489	36682	38899	42085	43492	41740	52150	38274	36998
Total Equity	81221	76274	71272	64694	59520	71287	63388	63126	63238	77201
D/E Ratio	0.46	0.48	0.51	0.60	0.71	0.61	0.66	0.83	0.61	0.48

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	7.8%	12.3%	5.4%	4.2%	4.3%	12.4%	6.7%	10.0%	6.0%	13.1%
Return on Equity	17.8%	27.9%	12.4%	10.2%	11.6%	32.6%	16.6%	25.7%	15.2%	31.3%
ROIC	12.1%	18.9%	8.3%	6.6%	7.0%	19.6%	10.1%	14.7%	8.9%	20.3%
Shares Out.	7276	6399	6291	6175	6070	5979	5977	5675	5479	5708
Revenue/Share	7.28	7.48	7.72	7.81	8.58	8.67	8.98	9.12	7.44	14.2
FCF/Share	2.04	2.35	2.41	2.11	2.30	2.41	2.28	1.76	2.06	5.23

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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