



# Pfizer Inc. (PFE)

Updated November 9<sup>th</sup>, 2022 by Prakash Kolli

## Key Metrics

<b>Current Price:</b>	\$47	<b>5 Year CAGR Estimate:</b>	15.8%	<b>Market Cap:</b>	\$264.29B
<b>Fair Value Price:</b>	\$71	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	11/03/22
<b>% Fair Value:</b>	67%	<b>5 Year Valuation Multiple Estimate:</b>	8.4%	<b>Dividend Payment Date:</b>	12/05/22
<b>Dividend Yield:</b>	3.4%	<b>5 Year Price Target</b>	\$91	<b>Years Of Dividend Growth:</b>	13
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Buy

## Overview & Current Events

Pfizer Inc. is a global pharmaceutical company focusing on prescription drugs and vaccines. Pfizer's 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 Viartis for its off patent, branded and generic medicines in 2020. Pfizer's top products are Eliquis, Ibrance, Plevnar, Enebrel (international), Sutent, Xtandi, Vyndaquel/ Vyndamax, Inlyta, Xeljanz, Plaxlovid, and Comiranty. Pfizer had revenue of \$81.3B in 2021. Pfizer reported Q3 2022 results on November 1<sup>st</sup>, 2022. Companywide revenue fell (-6%) to \$22,638M from \$24,035M and adjusted diluted earnings per share rose 40% to \$1.78 versus \$1.27 on a year-over-year basis. Diluted GAAP earnings per share rose 6% to \$1.51 from \$1.42 in comparable quarters. Total sales increased for Eliquis (+15%), Inlyta (+3%), Vyndaquel/ Vyndamax (+29%), Sulperazon (+3%), Zithromax (+125%), Zirabev (+57%), Bosulif (+9%), Plevnar (+14%), Xlakori (+7%), Nimenrix (+76%), Sulperazon (+3%), and Xtandi (+3%). This was offset by declines in Inflectra (-21%), Xeljanz (-14%), Enebrel (-8%), Ibrance (-3%), and Sutent (-43%). Chantix sales are suspended.

The COVID-19 vaccine (Comirnaty) and the anti-viral drug (Plaxlovid) generated ~\$12 billion in revenue but this is decreasing and will probably fall further in 2023. But the company is using its COVID cash flow to acquire companies. Since 2021, Pfizer as acquired Trillium for its cancer drug candidates, Arena for tis autoimmune candidate, ReViral for its RSV programs, biohaven for its CGRP assets (migraines), and GBT for its sickle cell disease treatments. Pfizer is focusing on expanding its leadership in the oncology, respiratory, and vaccine franchises.

Pfizer increased revenue guidance at \$99.5B - \$102B and adjusted diluted EPS guidance to \$6.40 - \$6.50 for 2022.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS<sup>1</sup></b>	\$2.19	\$2.22	\$2.26	\$2.20	\$2.40	\$2.65	\$3.00	\$2.95	\$2.22	\$4.42	<b>\$6.45</b>	<b>\$8.23</b>
<b>DPS</b>	\$0.88	\$0.96	\$1.04	\$1.12	\$1.20	\$1.28	\$1.36	\$1.44	\$1.52	\$1.56	<b>\$1.60</b>	<b>\$1.68</b>
<b>Shares<sup>2</sup></b>	7276	6399	6291	6175	6070	5979	5717	5534	5567	5620	<b>5564</b>	<b>5291</b>

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), Vyndaquel/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 (besides 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 is buying \$2B in 2022. The company's focus is on pipeline development, partnerships, and acquisitions.

<sup>1</sup> Adjusted diluted earnings per share.

<sup>2</sup> 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	7.3	11.0
Avg. Yld.	3.8%	3.3%	3.4%	3.3%	3.7%	3.8%	3.5%	3.6%	4.1%	3.7%	3.4%	1.9%

Pfizer's stock price is down again since our last report. But the firm updated guidance again for 2022 and we have increased our estimate to the mid-point. Our fair value multiple is now 11X, accounting for risks to an R&D pharma company and consistency of the COVID-19 vaccine and anti-viral revenue. Pfizer's business is performing well with new drug approvals and a robust pipeline. The current fair value is now \$71. Our 5-year price target is now \$91.

## 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%	20%

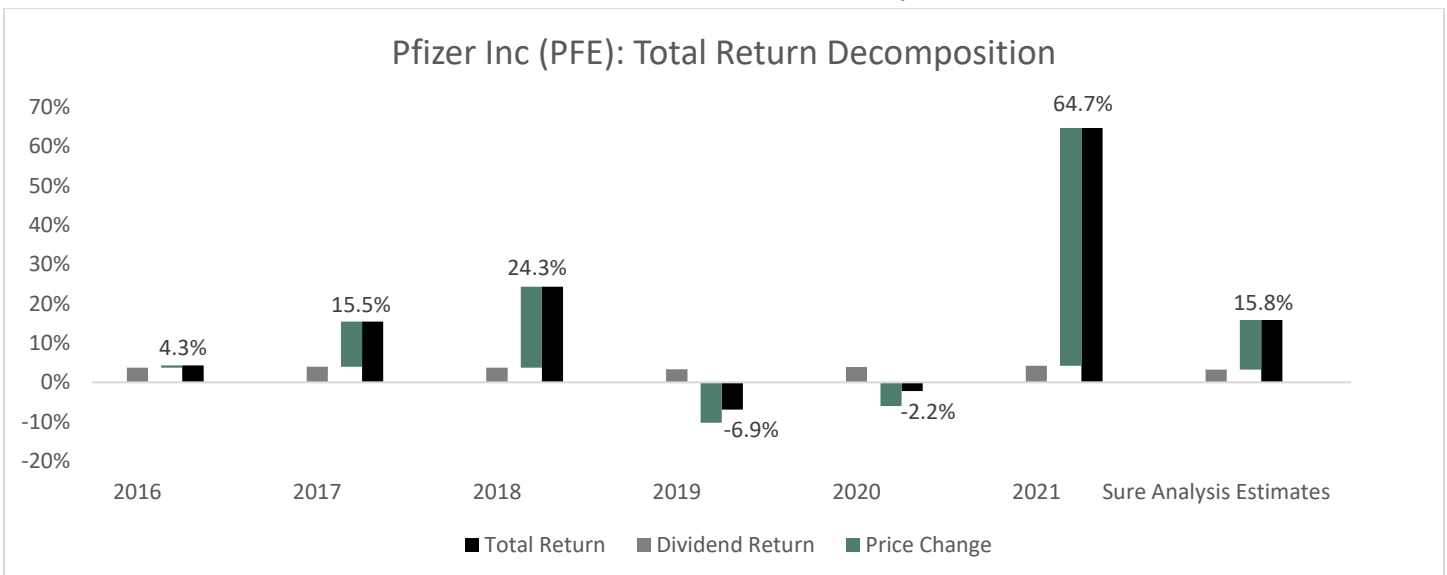
Pfizer is one of the largest pharmaceutical companies in the world. As such, it has scale in R&D, manufacturing, regulatory affairs, distribution, and marketing around the world. This gives Pfizer the ability to bring new therapies to market, partner with smaller companies, or acquire entire companies 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 \$5,990M and long-term debt is \$34,294M offset by cash, equivalents, and marketable securities of \$33,304M at end of Q2 2022. Interest coverage is about 31.8X and leverage ratio is down to 0.16X.

## Final Thoughts & Recommendation

At present we are forecasting 15.8% average annualized total return through 2027 from a dividend yield of 3.4%, 5.0% EPS growth, and 8.4% P/E multiple expansion. COVID-related revenue will likely decline in the future but Pfizer smartly increased R&D and acquisitions bolstering its pipeline. 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
<b>Revenue</b>	54657	51584	49605	48851	52824	52546	53647	51750	41908	81288
<b>Gross Profit</b>	44836	41998	40028	39203	40502	41318	42399	41531	33216	50467
<b>Gross Margin</b>	82.0%	81.4%	80.7%	80.3%	76.7%	78.6%	79.0%	80.3%	79.3%	62.1%
<b>SG&amp;A Exp.</b>	15171	14355	14097	14809	14844	14804	14455	14350	11615	12703
<b>D&amp;A Exp.</b>	7655	6410	5537	5157	5757	6269	6384	6010	4777	5191
<b>Operating Profit</b>	17074	16366	13499	12976	13710	14073	15045	13921	8760	20235
<b>Op. Margin</b>	31.2%	31.7%	27.2%	26.6%	26.0%	26.8%	28.0%	26.9%	20.9%	24.9%
<b>Net Profit</b>	14570	22003	9135	6960	7215	21308	11153	16273	9616	21979
<b>Net Margin</b>	26.7%	42.7%	18.4%	14.2%	13.7%	40.6%	20.8%	31.4%	22.9%	27.0%
<b>Free Cash Flow</b>	15327	16219	15501	13192	14193	14585	13631	9994	11612	29869
<b>Income Tax</b>	2221	4306	3120	1990	1123	-9049	706	1384	477	1852

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets (\$B)</b>	185.8	172.1	167.6	167.4	171.6	171.8	159.4	167.5	154.2	181.5
<b>Cash &amp; Equivalents</b>	10081	2183	3343	3641	2595	1342	1139	1305	1784	1944
<b>Acc. Receivable</b>	10675	9357	8401	8176	8225	8221	8025	8724	7930	11479
<b>Inventories</b>	6076	6166	5663	7513	6783	7578	7508	8283	8046	9059
<b>Goodwill (\$B)</b>	88.8	81.9	77.2	88.6	107.1	104.7	88.6	94.0	78.0	74.4
<b>Total Liab. (\$B)</b>	104.1	95.5	95.9	102.4	111.8	100.1	95.7	104.0	907.6	104.0
<b>Accounts Payable</b>	2921	3234	3210	3620	4536	4656	4674	4220	4309	5578
<b>Long-Term Debt</b>	37460	36489	36682	38899	42085	43492	41740	52150	38274	36998
<b>Total Equity</b>	81221	76274	71272	64694	59520	71287	63388	63126	63238	77201
<b>D/E Ratio</b>	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
<b>Return on Assets</b>	7.8%	12.3%	5.4%	4.2%	4.3%	12.4%	6.7%	10.0%	6.0%	13.1%
<b>Return on Equity</b>	17.8%	27.9%	12.4%	10.2%	11.6%	32.6%	16.6%	25.7%	15.2%	31.3%
<b>ROIC</b>	12.1%	18.9%	8.3%	6.6%	7.0%	19.6%	10.1%	14.7%	8.9%	20.3%
<b>Shares Out.</b>	7276	6399	6291	6175	6070	5979	5977	5675	5479	5708
<b>Revenue/Share</b>	7.28	7.48	7.72	7.81	8.58	8.67	8.98	9.12	7.44	14.2
<b>FCF/Share</b>	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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