Pfizer Inc. (PFE)

Updated November 6th, 2024 by Prakash Kolli

Key Metrics

Current Price:	$28	**5 Year CAGR Estimate:**	13.3%	**Market Cap:**	$158.61B
Fair Value Price:	$34	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/08/24
% Fair Value:	82%	**5 Year Valuation Multiple Estimate:**	4.1%	**Dividend Payment Date:**	12/02/24
Dividend Yield:	6.0%	**5 Year Price Target**	$44	**Years Of Dividend Growth:**	15
Dividend Risk Score:	D	**Retirement Suitability Score:**	B	**Rating:**	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 its over-the-counter business. Pfizer owns 32% of the JV, but is exiting the company, now known as Haleon. Pfizer spun off its Upjohn segment and merged it with Mylan forming Viatris for its off patent, branded and generic medicines in 2020. Pfizer's top products are Eliquis, Ibrance, Prevnar family, Vyndaqel family, Abrysvo, Xeljanz, and Comirnaty. Pfizer had revenue of $58.5B in 2023.

Pfizer reported excellent Q3 2024 results on October 29th, 2024. Companywide revenue grew 31% operationally to $17,702M from $13,491M and adjusted diluted earnings per share climbed to $1.06 versus a loss of ($0.17) on a year-over-year basis because of much higher COVID-19 related sales, new product launches, and lower expenses. Global Biopharmaceuticals sales gained 32% to $9,060M from $6,310M led by gains in Primary Care (+44%), Specialty Care (+14%), and Oncology (+30%). Pfizer Centerone saw 3% lower sales to $285M, while Ignite revenue was $25M. Of the top selling drugs, sales increased for Eliquis (+8%), Plaxlovid, Cominraty (+9%), Nurtex ODT/Vydura (+45%), Vyndaqel/ Vyndamax (+63%), and Xtandi (+28), but declined for Prevnar (-2%).

New launches, Octagam, Padcev, Adcetris, Tukysa, and Tivdak are growing rapidly.

Since 2021 the company has used its COVID cash flow to acquire companies like Trillium for its cancer drug candidates, Arena for its autoimmune candidate, ReViral for its RSV programs, biohaven for its CGRP assets (migraines), GBT for its sickle cell disease treatments, and Seagen for its ADC technology.

Pfizer increased revenue guidance to $61.0B - $64.0B and adjusted diluted EPS guidance to $2.75 - $2.95 for 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS[1]	$2.26	$2.20	$2.40	$2.65	$3.00	$2.95	$2.22	$4.42	$6.58	$1.84	***$2.85***	***$3.64***
DPS	$1.04	$1.12	$1.20	$1.28	$1.36	$1.44	$1.52	$1.56	$1.60	$1.64	***$1.68***	***$1.77***
Shares[2]	6291	6175	6070	5979	5717	5534	5567	5620	5616	5616	***5652***	***5375***

Pfizer's current product line is expected to produce top line and bottom-line growth out to 2029 because of significant R&D and acquisitions. As a result, Pfizer's current product line is growing, offset by considerable declines from COVID-related therapies. 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. However, loss of exclusivity (LOE) in Eliquis, Ibrance, and other drugs will cause a headwind between 2025 and 2028. We are expecting 5% earnings per share growth out to 2029 besides declines from the COVID-19 vaccine and anti-viral therapies. We have reduced our dividend growth rate to 1% due to the spinoffs and higher debt. Pfizer is not focused on share repurchases. The company's emphasis 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	13.8	14.7	13.5	13.7	14.6	13.3	29.5	10.7	9.5	14.0	***9.8***	***12.0***
Avg. Yld.	3.4%	3.3%	3.7%	3.8%	3.5%	3.6%	4.1%	3.7%	3.2%	6.4%	***6.0%***	***4.0%***

Pfizer's stock price is down since our last report despite beating estimates and higher guidance. We have increased our earnings estimate to the mid-point of updated 2024 guidance. Our fair value multiple is 12X, accounting for risks to an R&D pharma company. However, Pfizer's main business is performing well with new drug approvals and a robust pipeline. The current fair value is now $34. Our 5-year price target is now $44.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	51%	50%	48%	45%	49%	68%	35%	24%	24%	89%	***59%***	***49%***

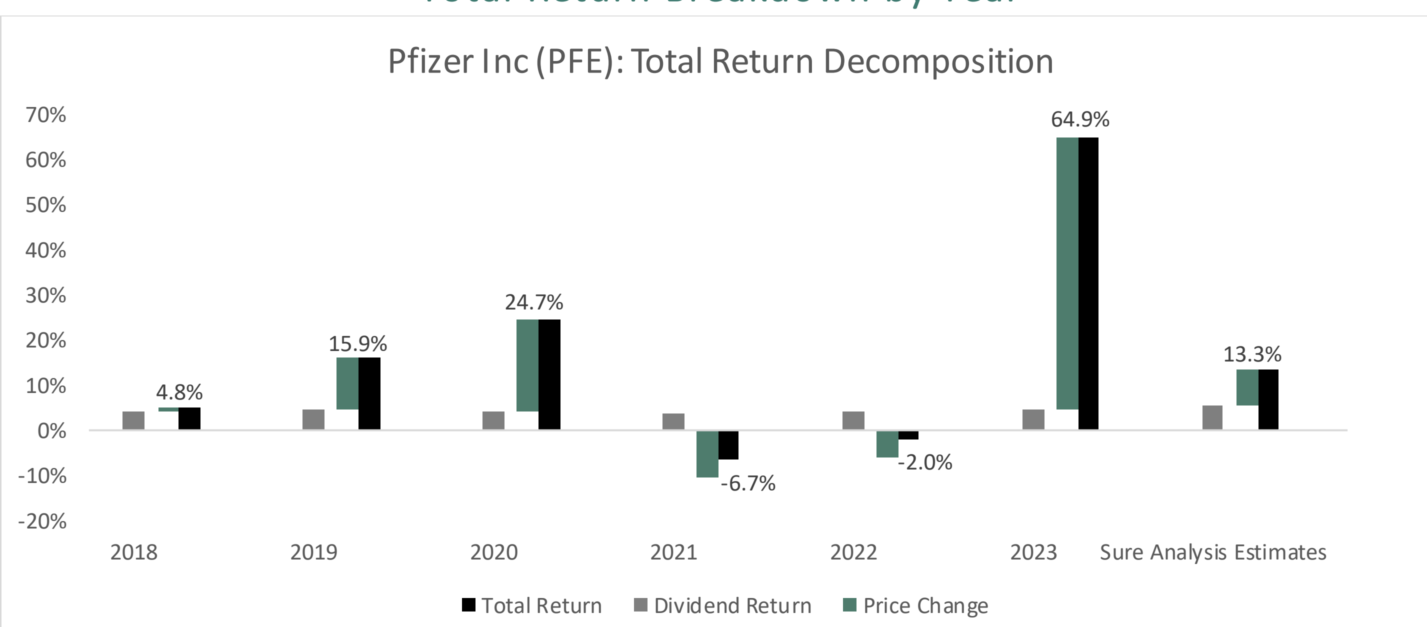
Pfizer is one of the largest pharmaceutical companies in the world. As such, it has scale in R&D, manufacturing, regulatory affairs, distribution, and marketing around the world. This gives Pfizer the ability to bring new therapies to market, partner with smaller companies, or acquire entire companies 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 has increased due to acquisitions. Short-term and current long-term debt are $9,699M and long-term debt is $58,002M offset by cash, equivalents, and marketable securities of $9,952M at end of Q3 2024. Interest coverage is about 3.74X, and leverage ratio is 3.22X.

Final Thoughts & Recommendation

At present we are forecasting 13.3% average annualized total return through 2029 from a dividend yield of 6.0%, 5.0% EPS growth, and 4.1% P/E multiple expansion. COVID-related revenue was declining, and the firm has taken charges and write downs. As a result, 2023 was a difficult year but Pfizer's main business is growing, and the COVID franchise is still in demand. At the current share price, we have changed Pfizer's rating to Buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	49605	48851	52824	52546	53647	51750	41908	81288	100330	58496
Gross Profit	40028	39203	40502	41318	42399	41531	33216	50467	65986	33542
Gross Margin	80.7%	80.3%	76.7%	78.6%	79.0%	80.3%	79.3%	62.1%	65.8%	57.3%
SG&A Exp.	14097	14809	14844	14804	14455	14350	11615	12703	13677	14771
D&A Exp.	5537	5157	5757	6269	6384	6010	4777	5191	5064	6290
Operating Profit	13499	12976	13710	14073	15045	13921	8760	20235	37272	3359
Op. Margin	27.2%	26.6%	26.0%	26.8%	28.0%	26.9%	20.9%	24.9%	37.1%	5.7%
Net Profit	9135	6960	7215	21308	11153	16273	9616	21979	31372	2119
Net Margin	18.4%	14.2%	13.7%	40.6%	20.8%	31.4%	22.9%	27.0%	31.3%	3.6%
Free Cash Flow	15501	13192	14193	14585	13631	9994	11612	29869	26031	4793
Income Tax	3120	1990	1123	-9049	706	1384	477	1852	3328	-1115

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets ($B)	167.6	167.4	171.6	171.8	159.4	167.5	154.2	181.5	197.2	226.5
Cash & Equivalents	3343	3641	2595	1342	1139	1305	1784	1944	416	2853
Acc. Receivable	8401	8176	8225	8221	8025	8724	7930	11479	10952	11177
Inventories	5663	7513	6783	7578	7508	8283	8046	9059	8981	10189
Goodwill ($B)	77.2	88.6	107.1	104.7	88.6	94.0	78.0	74.4	94.7	132.7
Total Liab. ($B)	95.9	102.4	111.8	100.1	95.7	104.0	907.6	104.0	101.3	137.2
Accounts Payable	3210	3620	4536	4656	4674	4220	4309	5578	6809	6710
Long-Term Debt	36682	38899	42085	43492	41740	52150	38274	36998	34870	70845
Total Equity	71272	64694	59520	71287	63388	63126	63238	77201	95661	89014
D/E Ratio	0.51	0.60	0.71	0.61	0.66	0.83	0.61	0.48	0.36	0.80

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.4%	4.2%	4.3%	12.4%	6.7%	10.0%	6.0%	13.1%	16.6%	1.0%
Return on Equity	12.4%	10.2%	11.6%	32.6%	16.6%	25.7%	15.2%	31.3%	36.3%	2.3%
ROIC	8.3%	6.6%	7.0%	19.6%	10.1%	14.7%	8.9%	20.3%	25.6%	1.5%
Shares Out.	6291	6175	6070	5979	5977	5675	5479	5708	5733	5643
Revenue/Share	7.72	7.81	8.58	8.67	8.98	9.12	7.44	14.2	17.5	10.37
FCF/Share	2.41	2.11	2.30	2.41	2.28	1.76	2.06	5.23	4.54	0.85

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