

Company: Pfizer Inc.	Ticker: PFE	Price: \$27.51	Industry: Healthcare (Biotech/Pharma)
Target Price: \$28.82 Stop Loss: \$17.50 52 Week High/Low: \$43.37/25.76	TTM P/E: 74.65 Forward P/E: 12.44 EPS (TTM): \$0.37	Beta (5Y): 0.57 Credit Rating: A2 (Moody's) Rating Outlook: Stable	Market Cap: 155.95B Avg. Vol: 31.7M Dividend Yield: 6.08%

**Company Background:**

Pfizer Inc. is a research based, biopharmaceutical company with competitive operations in the global market. Their multinational operations enable them to benefit from economic upswings in various regional markets, despite crisis in others. They employ about 83,000 employees and sell their products in more than 185 countries. In 2023, Pfizer generated \$58.5B in revenue with 9 products generating over \$1B each. Pfizer operates in six main focus areas (Rare Disease, Internal Medicine, Inflammation & immunology, Vaccines, Oncology, and Anti Infectives). As of January 30th 2024, Pfizer has 112 projects in their pipeline while their main competitor Johnson & Johnson has only 90.

**Industry Outlook:**

The global pharmaceutical market was estimated to be \$1.5 trillion in 2022 and is projected to grow at a compound annual growth rate (CAGR) of 6.12% from 2023 to 2030. Currently Pfizer and Johnson & Johnson (\$JNJ) are the two leaders in market share in the United States and globally. No company holds more than 10% of the market share in the U.S or globally. Covid window and decreasing revenue from it has created necessity to generate new drug revenue. This involves large amounts of Research and Development from pharmaceutical companies to create new streams of revenue.

**Investment Thesis:**

Pfizer Inc is a leader in innovation with a strong portfolio of drugs, aggressive Research & development and an impressive pipeline. Investing in Pfizer would further diversify our portfolio as we are underweight in the healthcare sector relative to the S&P 500. Pfizer has a history of paying our great dividends relative to competitors in the sector and is bolstered by an A2 credit rating. Additionally, we are buying Pfizer at a significant discount relative to where they usually trade. Our conservative valuation gives them about 4.5% upside but historically they have traded much higher during times such as the pandemic. Pfizer remains on the forefront of innovation and has recently made a pivot towards oncology, supported by their recent acquisition of Seagen, which has doubled the size of their oncology pipeline.

**Risks and Mitigants:**

Competitive Products poses a risk because this could erode future sales of products existing and nonexisting but Pfizer mitigates this through strategic alliances with complimentary businesses and by diversifying through business development and acquisitions. Research & Development poses a risk to Pfizer because the discovery and development of new products are necessary to the continued strength of Pfizer. This is mitigated through aggressive R&D and expansion of Pfizers in house research units. There's risks involved with product manufacturing, sales and marketing as well due to the fact that supply chain inefficiencies and distribution networks may become growing issues. Pfizer mitigates this risk by utilizing multiple suppliers and establishing parallel supply chains throughout the US and Europe to manufacture the most important vaccines. The last risk and potentially the most daunting, is the development and regulatory approval of products. The discovery and development of drugs are time consuming, costly, and unpredictable. Pfizer mitigates this by investing in due diligence early in the development process of each drug and by maintaining a diverse portfolio of drug candidates. This can spread the risk across multiple products and compensate for failure in one area with success in another.

## ESG

Pfizer Inc. is dedicated to ESG goals, planning to source 80% of electricity from renewables by 2025 and 100% by 2030. Pfizer priorities green chemistry and promotes this concept across the industry while also having a strong commitment to limiting discharge of active pharmaceutical ingredients to wastewater from manufacturing process. Pfizer Inc. has a global workforce parity of 47% for women at the VP level or higher and 32% for U.S minorites at the VP level or higher. The company is also a leader of many programs that support equitable access such as Zipline or Project Last Mile. Pfizer Inc. was also named one of the world's most ethical companies by Ethisphere in 2021 and 2022.

5-Year Financial Performance:

DCF Valuation:



Net Debt	
Source Docu	2023 10-Q
Source Date	10/1/23
Gross Debt and Equivalent	
Debt	63,596
Cash	44,181
Net Debt	19,415

  

Terminal Value: Growth in Perpetuity	
Long Term Growth Rate	4%
2030 FCF	10,448.31
Terminal Value	208,966.20
PV of Terminal Value	124,688.00
PV of Stage 1 CF	57,455.46
TEV	182,143.46
Terminal Value as % of TEV	0.68
Stage 1 CF as % of TEV	0.32
Implied TV Exit multiple	5.53

  

Valuation	
Enterprise Value	182,143.46
Net Debt	19,415.00
Equity Value	162,728.46
Shares Outstanding	5,646.41
Equity Value per share	28.82

  

	25.82	8%	8.50%	9%	9.50%	10%
2%	27.24	24.51	22.21	20.24	18.54	
3%	31.51	27.52	24.96	22.50	20.41	
4%	37.91	32.83	28.82	25.58	22.90	
5%	45.58	40.56	34.61	30.82	26.39	
6%	55.32	54.47	44.25	37.81	31.63	

Account	2019	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue	93,647	91,790	41,861	81,288	100,508	16,498	81,809	69,938	77,838	87,885	97,839
Rev Growth Rate		-2.04%	-18.11%	86.10%	21.43%	-43%	6%	12.05%	12.1%	11.5%	11.1%
Cost of Sales	11,248	10,219	8,884	30,821	36,344	26,854	16,460	20,794	23,311	26,210	29,299
Gross Profit	82,399	81,571	32,977	50,467	64,164	39,644	65,349	49,144	54,527	61,675	68,540
SGM	79%	89%	80%	62%	60%	67%	79%	70%	70%	70%	70%
SGM as a % of Rev	14,025	12,560	11,087	12,783	12,877	12,271	15,007	14,142	15,319	17,389	19,095
SGM as a % of Rev	20,844	21,778	27,848	15,838	13,831	25,211	22,448	20,444	20,444	20,444	20,444
R&D as a % of Rev	8,004	8,650	9,262	12,281	10,231	11,007	11,448	12,660	12,660	12,660	12,660
R&D as a % of Rev	14,025	16,714	22,554	17,911	12,244	18,706	16,544	17,844	17,844	17,738	17,447
Amortization of Intangibles	4,803	4,613	3,248	3,769	3,665	4,232	3,229	3,944	4,083	5,173	5,020
Amortization of Intangibles as a % of Rev	5.12%	5.01%	7.76%	4.64%	3.62%	25.6%	3.94%	5.07%	5.24%	5.88%	5.13%
Restructuring Charges and certain operations related costs	1,044	747	0	652	1,273	2,843	1,513	2,044	2,211	2,000	2,000
Reacquisition Costs as a % of Rev	1.09%	1.44%	1.59%	0.80%	1.57%	0.01%	2.48%	2.95%	3.43%	2.97%	3.13%
Gain on completion of an Business Acquisition	0	0	0	0	0	0	0	0	0	0	0
Other non-recurring items, net	2,116	3,878	1,213	(4,878)	217	(836)	672	796	851	987	1,061
as a % of Rev	2.25%	4.21%	2.89%	-6.00%	0.13%	-5.07%	0.82%	0.96%	1.09%	1.12%	1.08%
Net Interest (Income)/Expense	880	1,348	1,376	1,255	987	405	1,141	1,284	1,444	1,605	1,811
Net Interest (Income)/Expense as a % of Revenue	0.93%	1.47%	3.29%	1.54%	0.60%	2.46%	1.38%	1.50%	1.86%	2.05%	2.36%
Income/(Loss) from continuing operations before provision/benefit for taxes on income	11,885	17,682	2,037	34,311	34,222	1,587	12,234	16,099	16,084	16,205	17,423
Provision/benefit for taxes on income	706	1,288	291	1,881	2,228	(1,114)	1,438	2,415	2,410	2,481	2,474
Income/(Loss) from continuing operations	11,179	16,394	1,746	32,430	32,094	473	10,796	13,684	13,674	13,724	14,949
Income/(Loss) from discontinued operations, net of tax	0	0	0	0	0	0	0	0	0	0	0
Gain on disposal of discontinued operations, net of tax	0	0	0	0	0	0	0	0	0	0	0
Discontinued operations net of tax	0	0	0	0	0	0	0	0	0	0	0
Net income/(loss) before allocation to noncontrolling interests	11,179	16,394	1,746	32,430	32,094	473	10,796	13,684	13,674	13,724	14,949
Less: net income attributable to noncontrolling interests	0	0	0	0	0	0	0	0	0	0	0
Net income/(loss) attributable to Pfizer common shareholders	11,179	16,394	1,746	32,430	32,094	473	10,796	13,684	13,674	13,724	14,949
Depreciation and Amortization	6,112	6,710	4,984	5,134	5,528	6,122	5,878	6,138	6,823	7,589	8,161
ACTUAL EBIT	12,842	18,055	10,966	35,087	35,685	1,608	12,075	17,282	17,508	20,439	23,225
as a % of Revenue	13.7%	19.7%	26.2%	43.2%	35.3%	10.0%	14.8%	24.7%	22.6%	23.3%	24.7%
ACTUAL EBITDA	18,564	24,220	15,870	30,191	40,713	7,820	18,653	23,520	24,132	27,880	31,401
as a % of Revenue	19.8%	26.4%	37.9%	37.1%	40.3%	47.6%	22.8%	33.4%	30.9%	31.6%	32.1%
NOPLAT	13,879	17,517	10,333	23,178	22,265	3,499	11,369	14,775	14,882	17,765	19,770
CapEx	2042	2176	2226	2711	3226	2863	3343	3999	3919	3888	4001
CapEx as a % of Revenue	2.18%	2.37%	5.34%	3.34%	3.23%	4.89%	4.14%	4.99%	4.99%	4.99%	4.19%
NOIC	16,899	4,880	8,055	17,621	9,132	44,000	0	0	0	0	0
Change in NOIC	0	0	0	0	0	0	0	0	0	0	0
FCF as a % of Revenue	18.21%	21.25%	13.08%	15.38%	36.81%	49.76%	14.83%	17.17%	14.92%	16.23%	16.13%
Share Repurchasing CF	24,024						1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
PV of FCF							8,104.80	10,005.47	8,885.40	10,074.60	10,249.00

### Comparable Companies Analysis:

Ticker	Company Name	Market Data			Financial Data			Valuation Metrics				
		Price (\$/Share)	Market Cap (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	EPS (\$)	EV/Sales	EV/EBITDA	P/E	P/S	ROE
PFE	Pfizer	\$28.43	\$152,060.00	\$171,470.00	\$68,537.00	\$23,792.00	\$1.83	2.50	7.21	15.54	2.22	32.80%
JNJ	Johnson & Johnson	\$159.81	\$384,707.20	\$391,117.20	\$85,159.00	\$25,670.00	\$5.34	4.59	15.24	29.93	4.52	17.30%
ABBV	AbbVie	\$168.67	\$295,727.50	\$343,654.50	\$54,138.00	\$23,843.00	\$3.65	6.35	14.41	46.21	5.46	68.30%
LLY	Eli Lilly	\$667.75	\$633,885.00	\$651,480.00	\$32,072.00	\$11,316.30	\$5.52	20.31	57.57	120.97	19.76	58.60%
AZN	AstraZeneca	\$65.64	\$206,561.90	\$232,113.00	\$44,994.00	\$18,706.00	\$3.78	5.16	12.41	17.37	4.59	8.70%
	Average	\$218.06	\$334,588.32	\$357,966.94	\$56,980.00	\$20,665.46	\$4.02	7.78	21.37	46.00	7.31	37.14%
	Median	\$159.81	\$295,727.50	\$343,654.50	\$54,138.00	\$23,792.00	\$3.78	5.16	14.41	29.93	4.59	32.80%