

# Pfizer Inc. (PFE)

**Rating: Buy**

**Price** \$25.62      **Yield** 6.6%      **Market Cap.** \$148.0B      **52-Week Range** \$40.37 – \$25.20

Data as of 04/30/2024

Sector	Health Care
Subsector	Biopharma & Life Sci
Investment Category	Large Cap
Price Movement	Average

## Company Overview

Pfizer is one of the largest drug companies in the world. Top drugs include Ibrance, Prevnar and Enbrel. The company was founded in 1849 and is headquartered in New York, New York. Pfizer's competitors include Johnson & Johnson, Merck, and AbbVie.

Revenues International	54%
Standard & Poor's/Moody's	A+/A2
MSCI ESG Rating	A/Average

## Dividend Outlook (1-Year): Rising

Annualized Payment	\$1.68
Last Change	2% (Dec 14, 2023)
Consec. Yrs Increased	15
Paid Since	1901
5-Yr. Trailing Growth	3%
Long-Term Growth Est.	3%
Payout Ratio ('24)	71%
Dividends Paid	Mar, Jun, Sep, Dec

**Commentary:** Pfizer's dividend was maintained despite the spinoff of Viatrix. We believe dividend growth will be below earnings growth as the company focuses its spending on new product development.

## Valuation & Earnings

	'22A	'23A	'24E
Earnings Per Share	6.58	1.84	2.35
P/E	3.9x	13.9x	10.9x
PEGY	0.3x	0.9x	0.7x
LT EPS Growth Est.			9%
Est. Earnings Date	July 31, 2024		

Pfizer notably benefited from sales of its COVID-19 products during the pandemic. With the pandemic fading, Pfizer's COVID-19 product sales declined and had a negative impact on its near-term earnings per share. This should change as COVID-19 product sales begin to normalize and new products potentially help growth. Eventually, we see Pfizer's earnings per share approximating our 9% growth estimate.

Annualized Total Returns	1yr	3yr	5yr
Pfizer Inc.	(30)%	(9)%	(4)%
S&P Health Care Index	7%	7%	11%
S&P 500 Index	22%	8%	13%

Data as of 4/30/24. Source: FactSet. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

## Investment Summary

We rate Pfizer a Buy. Following multiple spinoffs, we believe Pfizer's growth will accelerate as the company is now more focused on innovative drugs and vaccines. The company has research and development (R&D) expertise and strong product diversification. Profit from the COVID-19 vaccine should further strengthen the company's financial position and allow for investment in internal drug development and acquisitions. The recent Seagen acquisition is one such example. Seagen participates in the rapidly growing antibody drug conjugate (i.e., ADC) space for cancer. COVID-19 sales should notably slow this year, but we also believe that investors focusing too much on an expected COVID-19 sales slump may miss the underlying growth we see.

## Outlook

### Recent Spinoffs Accelerate Growth -

Through a series of recent transactions, Pfizer has become a company focused on developing innovative drugs and vaccines. We believe Pfizer will be able to grow earnings at a higher rate because of the potential for new drugs and vaccines, such as those for cancer and RSV, having a bigger impact on the company's growth rate.

### Diversified Business Helps Results -

Pfizer's extensive drug and vaccine business remains very diversified. Many products have over \$1 billion in annual sales. Pfizer generates significant cash flow, which we believe it will continue to use to return cash to shareholders and to pay down debt.

### Strong Drug Pipeline Drives Growth

- Given Pfizer's size advantages and experience, it has been successful in developing drugs. Pfizer's new products are progressing well, and its shorter-term product pipeline for cancer, immunology and others appears solid. We believe Pfizer has strong financials that it may use for further R&D investments and acquisitions.

### Valuation and Recent Performance -

Pfizer trades at a price-to-earnings ratio of 10.9 times our 2024 earnings estimate, which is lower than its peer average of 14.2 times. Given our growth outlook, we view shares as attractively valued. The stock has underperformed due to fears of slowing COVID-19 sales.

**Risks** - The primary downside risks to our Buy rating are product failures or liabilities, early patent losses, pricing pressure from third-party payers, and legal, political and regulatory (FDA) risk, including Medicare-related drug negotiations. Lower-than-expected COVID-19 product sales and negative COVID-19 news are also a risk.

## Key Developments

**5/1/24:** Pfizer reported a first-quarter earnings-per-share (EPS) result of \$0.82, which was higher than the consensus view of \$0.51. Sales were notably higher than the consensus forecast and were largely driven by better-than-expected sales of Paxlovid (COVID-19 antiviral), partly due to a favorable adjustment from last quarter into this quarter. The company raised its 2024 EPS guidance range to \$2.15-\$2.35. Previously it was \$2.05-\$2.25. Sales guidance for 2024 was unchanged.

Most investors will focus on the higher-than-expected sales, even including the sales adjustment, of Paxlovid, which helped drive this quarter's outperformance. However, Pfizer's strong gross margin (a measure of profitability) and healthy sales of its recently acquired cancer drug, Padcev, should not go unnoticed. This improvement in gross margin was likely due in part to better Paxlovid sales, but we suspect that solid cost control also played a smaller role. We will be watching gross margins closely, along with other cost-control measures. Additionally, sales of other drugs generally came within our expectation boundaries, except for Nurtec (migraine) and Comirnaty (COVID-19 vaccine), which underperformed, and Xandi (cancer) and Vyndaqel (heart) which outperformed. Keeping all that in mind, we view guidance as achievable, if not conservative. Our unchanged view is that eventually Pfizer's new products, along with significant cost-reducing measures, should help Pfizer return to predictable growth. We do not believe this positive outlook is reflected in the price of the shares, as evidenced by Pfizer's price-to-earnings ratio trading below its peers.

**Analyst:** John Boylan, CFA

Please see important disclosures and analyst certification on page 2 of the report.

**Analyst Certification**

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. John Boylan, CFA

**Required Research Disclosures**



Source: Reuters

May 1, 2024	BUY	HOLD	SELL
<b>Stocks</b>	51%	48%	1%
<b>Investment Banking Services</b>	5%	3%	0%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies that have been investment banking clients within the past 12 months.

- Initiated Coverage PRE-1994.....BUY since 10/06/01...(B) 10/06/01-
- Analysts receive compensation that is derived from revenues of Edward Jones as a whole which include, but are not limited to, investment banking revenue.

**Opinion Rating Definitions:** **Buy (B)** - We believe the valuation is attractive and total return potential is above average over the next 3-5 years compared with industry peers. **Hold (H)** - We believe the stock is fairly valued and total return potential is about average over the next 3-5 years compared with industry peers or a special situation exists, such as a merger, that warrants no action. **Sell (S)** - We believe the stock is overvalued and total return potential is below average over the next 3-5 years compared with industry peers. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain. **FYI (FYI)** - For informational purposes only; factual, no opinion. **Under Review (UR)** – Our rating, estimates, and opinion for this company are under review and should not be relied upon for making investment decisions until updated.

**Other Disclosures**

- Information about research distribution is available through the Investments and Services link on [www.edwardjones.com](http://www.edwardjones.com)
- For U.S. clients only: Member SIPC --- For Canadian clients only: Member - Canadian Investor Protection Fund
- In general, Edward Jones analysts do not view the material operations of the issuer.
- Shareholders of issuers domiciled outside the shareholders' country of residence are generally subject to a withholding tax on dividends paid by that issuer. Subject to certain conditions and limitations, these shareholders may be entitled to a partial refund of the withholding tax or the withholding taxes may be treated as a foreign tax eligible for a deduction or credit against the shareholders' tax liability. Shareholders should consult their tax advisors regarding ownership of such shares and the procedures for claiming a deduction, tax credit or withholding tax refund. When investing in issuers incorporated outside your country of residence, you should consider all other material risks such as currency risk, political risk, liquidity risk and accounting rules differences, which can adversely affect the value of your investment. Please consult your financial advisor for more information.
- MSCI's ESG Ratings are assigned to individual companies and issuers of securities and are designed to measure resilience to material environmental, social and governance (ESG) risks relative to industry peers. The ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). Source: MSCI.com ESG Investing: ESG Ratings. For additional information see [MSCI.com](http://MSCI.com).
- All the proper permissions were sought and granted in order to use any and all copyrighted materials/sources referenced in this document.
- Dividend Outlook (1-Year): Rising – We believe the dividend is likely to increase based on historical trends, the current payout ratio, and/or expected future earnings and cash flow; Stable – We believe the dividend is stable at the current level and is unlikely to increase or decrease; At Risk – We believe the dividend is at risk of being reduced or eliminated; No Dividend – This company does not pay a dividend.
- This report does not take into account your particular investment profile and is not intended as an express recommendation to purchase, hold or sell particular securities, financial instruments or strategies. You should contact your Edward Jones Financial Advisor before acting upon this report.
- Investment Category: Large Cap - Stocks of large-sized companies; Small and Mid Cap - Stocks of small- or medium-sized companies; Aggressive - Micro-cap companies, companies with share prices below \$4, and emerging market equity.
- Price Movement: Above Average (AA) – This stock will likely be more volatile than the average stock in the S&P 500 Index. These companies are often growing faster than the average company and/or are in industries that are more sensitive to the economy. Average (A) – This stock will likely experience volatility similar to the average stock in the S&P 500 Index. Below Average (BA) – This stock will likely be less volatile than the average stock in the S&P 500 Index. These companies are often more mature, grow more slowly than the average company, and/or are in industries that are less sensitive to the economy.
- This report is a product of the Edward Jones Security Research Department.
- Dividends can be increased, decreased or eliminated at any point without notice.
- Diversification does not guarantee a profit or protect against loss in declining markets.
- This opinion is based on information believed reliable but not guaranteed. The foregoing is for INFORMATION ONLY. Additional information is available on request. Past performance is no guarantee of future results.
- Our expectation for average annual earnings growth through a full economic cycle. This figure avoids distortions that can occur due to one-time items or by extreme peaks or troughs within the cycle.
- The S&P 500 Index is based on the average performance of 500 widely held common stocks. The S&P 500 Sector Indexes are subsets of the S&P 500 Index. These are unmanaged indexes and cannot be invested in directly. Past performance is no guarantee of future results.
- Ratings from Standard & Poor's ("S&P"), Moody's and Fitch may be shown for certain securities. S&P requires we inform you: (1) Ratings are NOT recommendations to buy, hold, sell or make any investment decisions and DO NOT address suitability or future performance; (2) S&P DOES NOT guarantee the accuracy, completeness, or availability of any ratings and is NOT responsible for results obtained from the use of any ratings. Certain disclaimers related to its ratings are more specifically stated at <http://www.standardandpoors.com/disclaimers>.