Pfizer Inc. (PFE)

Rating: Buy

Price	Yield	Market Cap.	52-Week Range
$28.37	5.9%	$163.9B	$42.22 – $25.61

Data as of 03/11/2024

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)	75%
Dividends Paid	Mar, Jun, Sep, Dec

Commentary: Pfizer's dividend was maintained despite the spinoff of Viatris. 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	2.25
P/E	4.3x	15.4x	12.6x
PEGY	0.3x	1.0x	0.8x
LT EPS Growth Est.			9%
Est. Earnings Date			April 30, 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.	(24)%	(3)%	(3)%
S&P Health Care Index	20%	10%	12%
S&P 500 Index	34%	11%	15%

Data as of 3/11/24. 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 and Strong Financial Position - 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 for acquisitions.

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 12.6 times our 2024 earnings estimate, which is lower than its peer average of 13.2 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. Lower-than-expected COVID-19 product sales and negative COVID-19 news are also a risk.

Key Developments

1/30/24: Pfizer reported fourth-quarter earnings-per-share (EPS) results of $0.10, which were higher than the consensus view of a loss of $0.18. Sales were modestly lower than the consensus forecast. The company maintained its 2024 EPS guidance range of $2.05-$2.25.

Considering that Pfizer lowered its COVID-19 product sales expectations a while back and issued 2024 EPS guidance late last year, this was an unsurprising quarter. We continue to believe that the company's 2024 EPS guidance is achievable, if not conservative. Pfizer has several new products, including a recently acquired cancer drug. We also believe that COVID-19 product sales should eventually become more seasonal, like the flu. However, considering the unpredictability of Pfizer's performance last year, the company will likely have to put together a string of good quarters to regain investor credibility. Turning to the quarter, apart from surprisingly weak Prevnar (Streptococcus pneumoniae vaccine) and stronger COVID-19 vaccine sales, product sales were largely aligned with our view. Our view is that eventually its 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

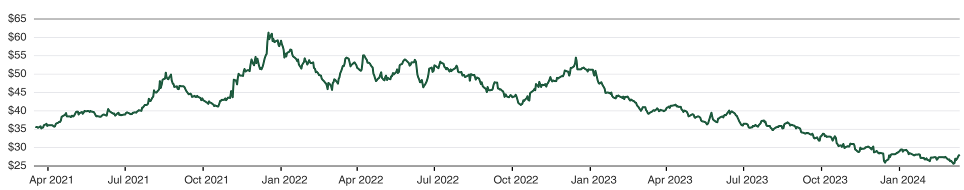
Please see important disclosures and analyst certification on page 2 of the report.

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

3-Year Rating and Price History for: Pfizer Inc. (PFE) as of 03/11/2024



Source: Reuters

March 12, 2024	BUY	HOLD	SELL
Stocks	52%	48%	1%
Investment Banking Services	5%	2%	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-
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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.

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- 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.
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