

Pfizer Inc.(PFE)

\$32.64 (As of 03/31/20)

Price Target (6-12 Months): **\$35.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/01/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: B

Summary

The Consumer Healthcare joint venture with Glaxo, the Array acquisition and the pending merger of Upjohn unit with Mylan, if successful, will make Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines. The smaller Pfizer should see better revenue growth as the Lyrica LOE cliff will go away. Pfizer expects continued strong growth of key brands like Ibrance, Inlyta and Eliquis to drive sales in 2020. Pfizer also has a strong portfolio of new drugs, which will accelerate growth in 2020 and beyond. However, Lyrica generic erosion, currency headwinds, pricing pressure and uncertainty surrounding coronavirus pandemic are the key near-term top-line headwinds. Shares have underperformed the industry this year so far.

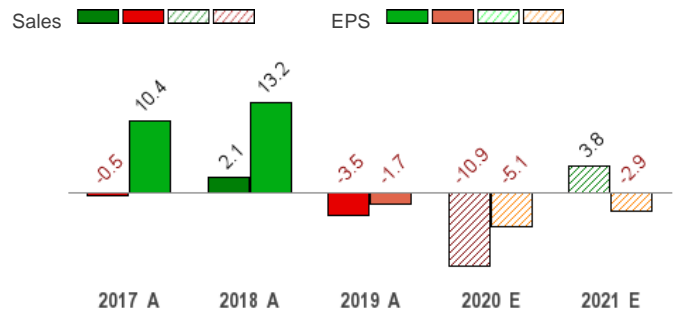
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$44.56 - \$27.88
20 Day Average Volume (sh)	44,187,016
Market Cap	\$181.1 B
YTD Price Change	-16.7%
Beta	0.60
Dividend / Div Yld	\$1.52 / 4.7%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 8% (21 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-3.5%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	04/28/2020
Earnings ESP	0.0%
P/E TTM	11.1
P/E F1	11.7
PEG F1	2.0
P/S TTM	3.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					47,861 E
2020					46,096 E
2019	13,118 A	13,264 A	12,680 A	12,688 A	51,750 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$2.72 E
2020	\$0.70 E	\$0.69 E	\$0.72 E	\$0.55 E	\$2.80 E
2019	\$0.85 A	\$0.80 A	\$0.75 A	\$0.55 A	\$2.95 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/31/2020. The reports text is as of 04/01/2020.

Overview

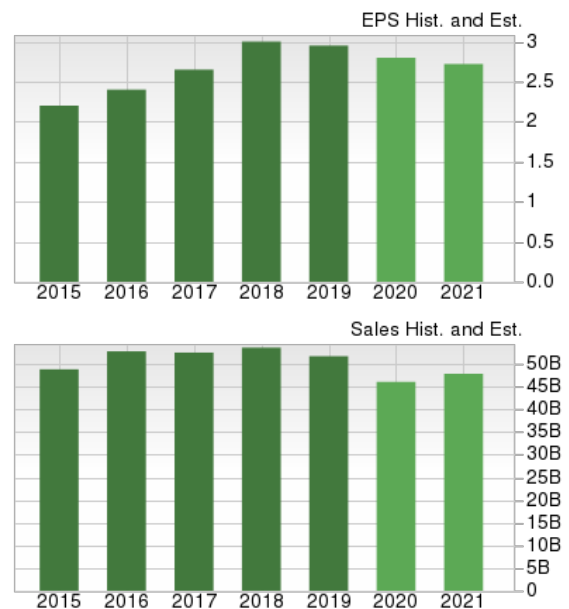
With eight blockbuster products in its portfolio, New York-based, Pfizer, Inc. boasts a sustainable pipeline with multiple late-stage pipeline programs that can drive growth.

Pfizer markets a wide range of drugs and vaccines and reports under two business units — Pfizer Biopharmaceuticals Group and Upjohn. Biopharma comprises six business units — Oncology, Inflammation & Immunology, Rare Disease, Hospital, Vaccines and Internal Medicine. Upjohn is a global, off-patent branded and generic established medicines business, which includes 20 off patent solid oral dose legacy brands, as well as certain generic medicines. In July 2019, Pfizer announced a definitive agreement to spin-off the Upjohn unit and combine it with generic drugmaker Mylan to create a new generic pharmaceutical company to be called Viatris. The transaction is expected to close in second half of 2020. The Consumer Healthcare segment, an over-the-counter medicines business, was merged with Glaxo's unit in July 2019 to form a new joint venture (JV). Pfizer owns a stake of 32% in the JV and Glaxo owns the remaining 68%.

The Consumer Healthcare joint venture with Glaxo and the pending merger of Upjohn unit with Mylan, if successful, will make Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines. The smaller Pfizer should see better revenue growth as the Lyrica loss of exclusivity cliff will go away. However, its Upjohn unit is a cash rich business and its divestiture will reduce the company's cash flow.

Pfizer's acquisition strategy has evolved from making huge acquisitions to buying early to mid-stage opportunities, which cost much less than the massive deals. Its key acquisitions include cancer-focused biotech Array BioPharma in July 2019, cancer-focused biopharma company, Medivation in September 2016, Anacor in June 2016, sterile injectable drugs and biosimilars manufacturer, Hospira in September 2015, King Pharmaceuticals in February 2011 and Wyeth in October 2009.

Worldwide sales were \$51.8 billion in 2019 (down 4%). Biopharmaceuticals and Upjohn segments accounted for 76% and 20% of total revenues, respectively in 2019.



Reasons To Buy:

▲ **Acquisitions to Boost Growth & Pipeline:** Pfizer's October 2009 acquisition of Wyeth helped the company become more diversified with a stronger presence in emerging markets. Wyeth's large biologics platform, strong presence in vaccines, and significant consumer products businesses has been beneficial for Pfizer. Pfizer realized synergies of more than \$4 billion from the Wyeth acquisition.

The September 2015 Hospira acquisition has significantly expanded Pfizer's sterile injectable and biosimilar capabilities. The acquisition provided Pfizer with Hospira's lucrative biosimilar portfolio of both marketed and pipeline assets.

In 2016, the company spent approximately \$40 billion on acquisitions, which enhanced the company's growth potential by expanding its footprint in the highest-growth therapeutic areas.

The June 2016 Anacor acquisition added Eucrisa (crisaborole) topical ointment for treating eczema to Pfizer's pipeline. The Bamboo Therapeutics acquisition (August 2016) complemented Pfizer's rare disease portfolio and enhanced its leadership position in gene therapy.

The September 2016 acquisition of cancer-focused biopharma company, Medivation, added prostate cancer (castration-resistant) treatment, Xtandi, and talazoparib (now approved as Talzenna), an orally-available PARP inhibitor, to Pfizer's portfolio, which further strengthened its cancer franchise.

▲ **Active on the Licensing and Collaboration Front:** In addition to acquisitions, Pfizer is looking to drive growth through licensing deals and collaborative agreements. Pfizer has a co-marketing deal with Merck for new type II diabetes medicine Steglatro/ertugliflozin, both as a monotherapy and also in two fixed-dose combinations with metformin and with Januvia/sitagliptin. Other agreements include the development and commercialization of Eliquis with Bristol-Myers Squibb, Xtandi with Astellas and Bavencio with Merck KGaA. In December 2016, Pfizer acquired the rights to AstraZeneca's late-stage small-molecule anti-infectives business, primarily in ex-U.S. markets.

▲ **New Drugs and Deep Pipeline to Drive Long-Term Growth:** Pfizer has committed significant number of resources toward the development of treatments in the fields of oncology, internal medicine, rare diseases, immunology, inflammation, vaccines and hospital. Most of these are areas in which the company believes it can take leading positions. Pfizer has been working on streamlining its R&D efforts and has several late-stage candidates in its pipeline.

Pfizer expects approximately 25 to 30 drug approvals through 2022, including around 15 products that have blockbuster potential, including line-extensions for Xtandi, Ibrance & Xeljanx/XR. Half of these potential blockbusters are expected to receive approval by 2020.

In oncology, Pfizer gained FDA approval for several innovative medicines like Daurismo, Lorbrena, Vizimpro, Talzenna, Besponsa, and Mylotarg in 2017/2018, which can boost its oncology sales. Braftovi plus Mektovi, which Pfizer acquired following its acquisition of Array BioPharma, was launched as a treatment for BRAF-mutant melanoma, in 2018. Meanwhile, the combination therapy is being investigated in over 30 studies across several solid tumor indications.

A key candidate in the oncology pipeline is Bavencio (avelumab), which is being evaluated for different types of cancer while being already approved for Merkel cell carcinoma and second-line treatment of locally advanced or metastatic urothelial carcinoma. Bavencio is also approved for use in combination with Inlyta for first-line treatment of advanced kidney cancer. Though approved for these three small indications currently, Bavencio can be a key long-term growth driver for Pfizer if it gains label expansion approvals. Avelumab is being evaluated in various studies as a single agent as well as in various combinations with Pfizer/Merck KGaA's approved and investigational oncology therapies.

Interesting non-oncology pipeline candidates include abrocitinib/PF-04965842 (JAK selective inhibitor for atopic dermatitis – phase III; NDA filing expected in third quarter of 2020), PF-06651600 (JAK3 inhibitor for severe alopecia areata – phase III), PF-06482077 (20-valent pneumococcal conjugate vaccine – phase III; NDA filing expected in 2020), tanezumab (osteoarthritis pain – under review in the United States), somatrogen (children with growth hormone deficiency – phase III) and fidanacogene elaparvovec/PF-06838435 (gene therapy for hemophilia B –phase III). Meanwhile, Vyndaqel and Vyndamax, two oral formulations of tafamidis to treat transthyretin cardiomyopathy (TTR-CM), were approved in the United States in May 2019 and are off to a strong start.

Pfizer is also working on expanding the labels of approved products like Ibrance, Xeljanx, Xalkori and Eliquis. Xeljanx was approved in the United States for new indications, psoriatic arthritis in December 2017 and ulcerative colitis in May 2018. Xeljanx is also being evaluated in late-stage studies for ankylosing spondylitis (AS) with top-line data expected to be presented in first half of 2020. Pfizer is exploring the possibility of expanding Ibrance into recurrent and subsequent early breast cancer as well as several non-breast cancer indications like pancreatic and head and neck cancers.

Pfizer looks well positioned to deliver several potential new breakthrough innovative medicines in the next five years, which can drive long-term growth.

▲ **Growing Biosimilar Portfolio:** Pfizer launched Inflectra, its first biosimilar version of Remicade in November 2016. Inflectra was the first biosimilar monoclonal antibody available in the United States and its sales are growing in certain U.S. channels as well as in developed Europe. Gradually, Pfizer is venturing into the oncology biosimilars space. In Europe and United States, Pfizer markets biosimilar versions of Amgen's drugs Neupogen and Epogen. Biosimilar versions of Roche's cancer drugs Herceptin (trade name: Trazimera), Avastin (trade name: Zirabev) and Rituxan (trade name: Ruxience) and AbbVie's Humira (trade name: Abrilada) were approved by the FDA in 2019. While Zirabev and Ruxience were launched in the United States in January 2019, Trazimera is expected to be launched in February. Abrilada will be launched in 2023 per a settlement with AbbVie. Biosimilar versions of Herceptin and Avastin are already approved in the EU while that of Rituxan is under review in the EU. Pfizer is evaluating several biosimilar molecules in various stages of development.

The Consumer Healthcare JV with Glaxo, the Array acquisition and the pending merger of Upjohn unit with Mylan, if successful, will make Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines

▲ **Cost-Cutting Initiatives & Shareholder Returns:** With several new product launches lined up for the next few years, Pfizer will need to make investments in new market creation activities. Pfizer is taking steps to simplify the organization, increase spans of control and reduce organizational layers to reduce bureaucracy and expedite decision making.

In 2017/2018, Pfizer undertook more cost-reduction/productivity initiatives, which generated cost savings of approximately \$1.6 billion in the three-year period 2017-2019. In 2020, Pfizer will be working to transform into a more focused company with CHC JV and Upjohn transactions. Actions in this regard are expected to result in cost savings of about \$1.0 billion to be achieved over the three-year period 2020-2022.

Pfizer is also looking to reward shareholders through share buybacks and dividends. The company returned about \$16.9 billion to shareholders in the form of dividends and share buybacks in 2019, \$20.2 billion in 2018 and 12.7 billion in 2017.

Reasons To Sell:

▼ **Shares Underperforming Industry:** Pfizer's shares have declined 16.7% this year so far, underperforming the industry's decrease of 11%.

▼ **Generics Remain a Headwind:** We are concerned about the patent expiration faced by several products in Pfizer's portfolio over the next few years. Pristiq and Viagra lost patent exclusivity in the United States in 2017 and are facing generic competition. In 2019, Pfizer's sales were significantly hurt by the loss of Lyrica exclusivity in June 2019 (multi-source generic competition began in July 2019) in the United States. Loss of exclusivities (LOEs) is expected to hurt 2020 sales by \$2.4 billion mainly due to Lyrica generic erosion.

Some other products like Chantix and Sutent will lose exclusivity in the country in 2020 (November) and 2021, respectively. Meanwhile, many companies are seeking approval for generic versions of other key products like Ibrance and Xeljanz. Generic competition not only puts pressure on the company's pricing, it will also impact gross margins.

▼ **Rising Competition in Immuno-Oncology Market:** Although Pfizer is among the major players in immunotherapy, there are several other companies, big as well as small, looking to develop and bring immunotherapy treatments to market. Though Pfizer's growing immuno-oncology portfolio holds great potential, many of these assets are a few years away from commercialization. Rising competition in the immuno-oncology market is a significant concern.

In the breast cancer market, competition for Ibrance has increased with launches for Eli Lilly's Verzenio and Novartis' Kisqali. Xtandi faces competition from J&J's new prostate cancer drug Erleada as well as generic versions of Zytiga.

▼ **Pipeline Setbacks:** While Pfizer invests a significant amount of dollars in its pipeline, we believe that new product launches may not be sufficient to make up for the loss of revenues that will take place in the next few years. Additionally, we are disappointed with some high profile pipeline failures in the CNS category including insomnia drug Indiplon and antipsychotic asenapine. Pfizer's CNS franchise has been significantly impacted by the loss of exclusivity on Zoloft and the failure of these two candidates. The category remains a significant need for Pfizer, which we believe was part of the interest in Wyeth. Pfizer's other high-profile pipeline failures include bapineuzumab IV for Alzheimer's disease, torcetrapib for high cholesterol, dalbavancin (Zeven), an antibiotic for the treatment of skin infections, inhaled insulin drug Exubera, Sutent for liver cancer, melanoma candidate tremelimumab, bococizumab (a PCSK9 inhibitor for the treatment of elevated cholesterol) and OTC Lipitor.

▼ **Global Pricing Pressure:** Global efforts toward health care cost containment are creating pricing pressure on drugs and market access. While many of the company's drugs face pricing pressure in the United States, in many markets outside the United States, government-mandated pricing actions have led to lowering of generic and patented drug prices. All these factors are creating pressure on sales and profits of pharma companies. Also changes in the U.S. healthcare system as part of the health care reforms could further create pricing pressure.

This pricing pressure is expected to continue and hurt the top line in the future quarters.

Currency headwinds, Lyrica loss of exclusivity and pricing pressure are top-line headwinds.

Last Earnings Report

Pfizer Lags Q4 Earnings & Sales Estimates

Fourth-quarter 2019 adjusted earnings per share of 55 cents missed the Zacks Consensus Estimate of 57 cents. Earnings declined 13% year over year due to lower revenues and higher operating costs.

Revenues of \$12.69 billion also missed the Zacks Consensus Estimate of \$12.70 billion. Revenues declined 9% from the year-ago quarter on a reported basis. On an operational basis, excluding the 1% negative impact of currency, revenues declined 8% year over year as higher sales of some key brands in Pfizer's Biopharmaceuticals group was offset by revenue decline in the Upjohn segment. The segment was hurt mainly by the loss of Lyrica exclusivity in July 2019 in the United States.

Excluding the spin-off of the Consumer Healthcare unit, fourth-quarter revenues declined 1% operationally. Pfizer did not record any revenues from the Consumer Healthcare unit. Instead, it recorded its share of profits generated by the Consumer Healthcare JV.

International revenues declined 4% to \$7.2 billion. On an operational basis, international sales declined 2% in the quarter. U.S. revenues declined 15% to \$5.49 billion.

Adjusted selling, informational and administrative (SI&A) expenses rose 4% (operationally) in the quarter to \$4.07 billion. Adjusted R&D expenses rose 4% to \$2.53 billion.

Segment Discussion

Pfizer Biopharma sales grew 7% on a reported basis (up 9% on an operational basis) from the year-ago period to \$10.53 billion. Higher sales of brands like Eliquis, Ibrance, Inlyta, Xtandi and higher biosimilars revenues drove this segment's sales growth. Weaker sales of Prevnar 13/Prevenar 13 in the United States and Enbrel internationally offset the increase. Also, pricing had a negative 2% impact on Biopharma's sales.

Within the Biopharma group, Oncology revenues increased 26% (on an operational basis) to \$2.47 billion. Vaccine revenues rose 7% to \$1.71 billion. Internal Medicine rose 2% to \$2.37 billion. The Inflammation & Immunology franchise declined 2% to \$1.25 billion. The portfolio of Rare Disease rose 25% to \$686 million. The newly added Hospital sub-segment's sales rose 3% to \$2.06 billion.

Pfizer's Upjohn group's sales declined 32%, both on a reported and operational basis, to \$2.16 billion mainly due to U.S. loss of exclusivity of Lyrica. Excluding the unfavorable impact of Lyrica in the United States and other recent product losses of exclusivity, Upjohn sales declined 3% operationally.

Performance of Key Drugs

Ibrance revenues rose 15% year over year to \$1.28 billion on continued strong uptake in international markets and consistent CDK class market share growth in the United States. However, Ibrance revenues fell short of the Zacks Consensus Estimate of \$1.36 billion.

Xeljanz sales rose 11% to \$607 million driven mainly by growth in international markets. International sales rose 44% driven by continued uptake in the rheumatoid arthritis (RA) indication as well as from the recent launch of the ulcerative colitis (UC) indication in certain developed market. U.S. sales of Xeljanz rose 1% as higher volumes from the drug's 2018 launches for psoriatic arthritis and UC indications were offset by higher rebating from new commercial contracts.

In July 2019, Xeljanz's prescribing information in the United States was updated by the FDA to include two additional boxed warnings for the RA indication as well as some label changes for the UC indication, following review of a post-marketing study. Regarding this update, Pfizer mentioned on the call that the label changes did not impact the drug's prescription trends significantly in the quarter, both for the RA and UC indications.

Inlyta revenues increased 72% to \$161 million, driven mainly by 249% growth in the United States. U.S. sales gained from increased uptake resulting from recent FDA approvals for the combination of Inlyta plus Bavencio and Inlyta plus Keytruda in first-line treatment of advanced renal cell carcinoma patients.

Global Prevnar 13/Prevenar 13 revenues rose 6% to \$1.58 billion. Prevnar 13 revenues declined 7% in the United States, reflecting continued decline in revenues for the adult indication. Prevenar 13 revenues rose 18% in international markets.

Enbrel revenues declined 18% to \$414 million in key European markets due to continued biosimilar competition.

Eliquis alliance revenues and direct sales rose 22% to \$1.1 billion driven by continued increased adoption in nonvalvular atrial fibrillation as well as oral anticoagulant market share gains. Xalkori sales rose 39% to \$145 million. Xtandi recorded alliance revenues of \$244 million in the quarter, up 29% year over year. Sutent sales declined 10% to \$231 million. Chantix sales declined 4% to \$282 million in the quarter.

Importantly, new drug Vyndaqel/Vyndamax recorded sales of \$213 million in the quarter compared with \$156 million in the previous quarter.

Braftovi plus Mektovi, which Pfizer acquired following its acquisition of Array BioPharma, recorded sales of \$30 million each in the fourth quarter.

Total biosimilar revenues were \$279 million, up 35% year over year. Inflectra/ Remsima recorded sales of \$179 million globally, up 5% year over year. New biosimilar product, Retacrit, a biosimilar of Epogen and Procrit, is off to a good start in the United States, recording \$79 million of revenues in the fourth quarter versus \$64 million in the third quarter. Pfizer expects an additional contribution from biosimilars in 2020 with the launch of Zirabev, Ruxience and Trazimera in the year.

Quarter Ending **12/2019**

Report Date	Jan 28, 2020
Sales Surprise	-0.10%
EPS Surprise	-3.51%
Quarterly EPS	0.55
Annual EPS (TTM)	2.95

In sterile injectables, global revenues increased 5% operationally to \$1.33 billion and U.S. revenues increased 8% operationally as Pfizer's manufacturing recovery efforts started taking shape. Pfizer expects expect continued improvement throughout 2020.

In the Upjohn segment, sales of key drug Lyrica declined 68% to \$433 million due to multi-source generic erosion. Viagra sales declined 5% to \$119 million due to generic competition.

2019 Results

Full-year 2019 sales declined 4% to \$51.75 billion, missing the Zacks Consensus Estimate of \$51.81 billion. However, sales were within the guided range of \$51.2 billion to \$52.2 billion.

Adjusted earnings for 2019 of \$2.95 per share were below the Zacks Consensus Estimate of \$2.96. Earnings however rose 1% year over year. Earnings were within the guided range of \$2.94-\$3.00.

Excluding \$2.1 billion in revenues generated from the Consumer Healthcare business segment, total revenues were \$49.7 billion and adjusted diluted EPS was \$2.95 in 2019.

2020 Guidance

The company issued its financial guidance for 2020 for the present Pfizer as well as for the "New Pfizer", after the Upjohn divestiture.

Revenues are expected in the range of \$48.5 billion to \$50.5 billion, the midpoint of which indicates a decline from 2019 levels due to lost revenue contribution from CHC unit. Unfavorable impact of currency is expected to hurt 2020 revenues by \$200 million. The midpoint of the 2020 revenue guidance indicates no change from 2019 levels, excluding Consumer Healthcare and currency headwinds.

Adjusted earnings per share are expected in the range of \$2.82-\$2.92.

Research and development expense for present Pfizer is expected in the range of \$8.1- \$8.5 billion while SI&A spending is projected in the range of \$12.0-\$13.0 billion. Adjusted tax rate is expected to be approximately 15% in 2020.

The above guidance takes into account a full year of revenue and expense contributions from Biopharma and Upjohn.

The "New Pfizer" is expected to record revenues in the range of \$40.7 billion to \$42.3 billion, the midpoint of which indicates 8% volume-driven operational growth compared to 2019 Biopharma revenues. Adjusted EPS guidance for the "New Pfizer" is in the range of \$2.25-\$2.35. Pfizer's Biopharma unit will become the "New Pfizer" following the expected separation of Upjohn.

In 2020, Pfizer expects strong growth of key brands like Ibrance, Xeljanz and Eliquis to continue to drive sales. In addition, new brands such as Vyndaqel/Vyndamax, Braftovi, Mektovi and oncology biosimilars should bring in additional sales.

Recent News

Delay in Closing of Upjohn-Mylan Merger – Mar 26

Pfizer announced a delay in closing of the pending merger of its Upjohn unit with generic drugmaker Mylan due to the global impact of COVID-19 pandemic. The merger is expected to create a new generic pharmaceutical company called Viatris. The transaction is now expected to close in the second half of 2020 versus the prior expectation of mid-2020.

FDA Approves sNDA for Eucrisa– Mar 24

Pfizer announced that the FDA has approved its supplemental new drug application (sNDA), seeking approval of its Eucrisa ointment for children as young as 3 months of age with mild-to-moderate atopic dermatitis. Eucrisa is presently approved for use in adults and children 2 years of age and older.

Top-Line Data from Phase III Study on 20vPnC – Mar 18

Pfizer announced top-line results from one of the three phase III study on its 20-valent pneumococcal conjugate vaccine (20vPnC) candidate. The study evaluated the candidate for the prevention of invasive disease and pneumococcal pneumonia in healthy adults 18 years or older. 20vPnC includes all the 13 serotypes contained in Pfizer's popular 13-valent pneumococcal conjugate vaccine, Prevnar 13 along with seven additional serotypes. The primary immunogenicity objective of the study was to demonstrate the non-inferiority for the 20 serotypes in 20vPnC in adults 60 years of age and older at one month after vaccination compared to licensed pneumococcal vaccines. The primary objective was met for all serotypes in common with licensed Prevnar 13 and six of the seven additional serotypes. However, one of the new seven serotypes failed to show non inferiority to licensed vaccines by a small margin. The company expects to file a NDA for the vaccine candidate soon.

Abrocitinib Meets Endpoints in 3rd Phase III Study – Mar 18

Pfizer also announced that a phase III study evaluating two doses of its investigational JAK inhibitor, abrocitinib, in patients with moderate-to-severe atopic dermatitis met its co-primary endpoints. Statistically higher percentage of patients receiving abrocitinib witnessed improvement in clear skin from baseline compared to placebo.

These data, along with data from other pivotal studies, MONO-1 and MONO-2, should form the basis of filings with regulatory bodies. Pfizer expects to submit a regulatory filing to the FDA later this year.

To Co-Develop BioNTech's Potential COVID-19 Vaccine – Mar 17

Pfizer announced that it has signed a letter of intent to co-develop Germany-based biotech BioNTech's mRNA-based vaccine candidate BNT162 to prevent COVID-19. BNT162 is presently in pre-clinical testing and is expected to enter clinical studies in April. The companies are already developing an mRNA-based influenza vaccine, per a deal signed in 2018.

Terminates Phase III Study on Bavencio – Mar 13

Pfizer and partner Merck KGaA announced that they are terminating a late-stage head and neck cancer study on their drug, Bavencio (avelumab). The decision to terminate the study was taken on the recommendation of an independent Data Monitoring Committee (DMC) as it was unlikely to show a statistically significant improvement in the primary endpoint of progression-free survival.

FDA Accepts BLA for Tanezumab – Mar 2

Pfizer announced that the FDA has accepted for review its and Lilly's biologics license application (BLA) seeking approval for tanezumab, which has been developed to treat chronic pain due to moderate-to-severe osteoarthritis (OA). The FDA is expected to give its decision in December.

Valuation

Pfizer's shares are down 16.7% in the year-to-date period and 11.0% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 11.0% and 12.9%, respectively in the year-to-date period. Over the past year, stocks in the sub-industry and sector are down 5.3% and 12.3%, respectively.

The S&P 500 Index is down 18.5% in the year-to-date period and 8.7% in the past year.

The stock is currently trading at 11.75X forward 12-month earnings per share which compares to 13.05X for the Zacks sub-industry, 18.17X for the Zacks sector and 16.12X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.69X and as low as 11.56X, with a 5-year median of 13.54X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$35 price target reflects 12.6X forward 12-month earnings per share.

The table below shows summary valuation data for PFE.

Valuation Multiples - PFE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	11.75	13.05	18.17	16.12
	5-Year High	16.69	18.12	21.09	19.34
	5-Year Low	11.56	13.05	15.81	15.18
	5-Year Median	13.54	15.43	18.7	17.44
P/S F12M	Current	3.89	4.11	2.44	2.85
	5-Year High	4.96	4.83	3.84	3.43
	5-Year Low	3.34	3.92	2.44	2.54
	5-Year Median	4.02	4.38	2.96	3
P/B TTM	Current	2.85	4.75	3.36	3.53
	5-Year High	4.12	7.19	5.04	4.54
	5-Year Low	2.76	3.8	2.95	2.9
	5-Year Median	3.3	5.2	4.29	3.64

As of 3/31/2020

Industry Analysis Zacks Industry Rank: Top 8% (21 out of 254)



Top Peers

AbbVie Inc. (ABBV)	Neutral
Bristol-Myers Squibb Company (BMY)	Neutral
GlaxoSmithKline plc (GSK)	Neutral
Johnson & Johnson (JNJ)	Neutral
Eli Lilly and Company (LLY)	Neutral
Merck & Co., Inc. (MRK)	Neutral
Novartis AG (NVS)	Neutral
Roche Holding AG (RHHBY)	Neutral

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	PFE Neutral	X Industry	S&P 500	BMY Neutral	MRK Neutral	NVS Neutral
VGM Score	D	-	-	B	B	C
Market Cap	181.07 B	125.83 B	17.97 B	125.83 B	195.14 B	188.96 B
# of Analysts	4	3	13	5	7	5
Dividend Yield	4.66%	2.90%	2.37%	3.23%	3.17%	2.43%
Value Score	B	-	-	B	C	B
Cash/Price	0.06	0.06	0.06	0.13	0.06	0.06
EV/EBITDA	8.75	12.64	10.93	22.89	13.72	12.81
PEG Ratio	1.92	1.73	1.74	1.23	1.96	1.69
Price/Book (P/B)	2.85	3.76	2.39	2.40	7.53	3.40
Price/Cash Flow (P/CF)	7.94	10.56	9.48	12.70	11.50	10.56
P/E (F1)	11.48	13.06	14.84	9.08	13.45	14.36
Price/Sales (P/S)	3.50	4.08	1.91	4.81	4.17	3.98
Earnings Yield	8.58%	7.66%	6.65%	11.02%	7.43%	6.96%
Debt/Equity	0.57	0.57	0.70	0.84	0.87	0.40
Cash Flow (\$/share)	4.11	4.33	7.01	4.39	6.69	7.80
Growth Score	F	-	-	B	B	C
Hist. EPS Growth (3-5 yrs)	8.48%	8.34%	10.89%	20.53%	8.10%	0.76%
Proj. EPS Growth (F1/F0)	-5.17%	8.82%	1.29%	30.83%	10.24%	9.54%
Curr. Cash Flow Growth	-6.57%	4.83%	6.03%	36.74%	5.54%	4.27%
Hist. Cash Flow Growth (3-5 yrs)	2.54%	7.62%	8.55%	22.46%	0.15%	7.11%
Current Ratio	0.88	1.26	1.24	1.60	1.24	1.04
Debt/Capital	36.17%	40.59%	42.36%	45.63%	46.65%	28.42%
Net Margin	31.44%	21.60%	11.64%	13.15%	21.01%	24.73%
Return on Equity	27.01%	32.05%	16.74%	31.85%	49.41%	23.39%
Sales/Assets	0.32	0.49	0.54	0.38	0.56	0.39
Proj. Sales Growth (F1/F0)	-10.93%	6.36%	1.61%	59.79%	6.36%	6.74%
Momentum Score	B	-	-	C	C	C
Daily Price Chg	-0.09%	0.20%	-2.05%	2.48%	-0.01%	0.67%
1 Week Price Chg	6.51%	7.98%	12.32%	9.07%	0.52%	9.47%
4 Week Price Chg	-4.84%	-4.84%	-18.09%	-5.84%	-2.77%	-1.40%
12 Week Price Chg	-15.77%	-13.74%	-24.90%	-12.81%	-13.74%	-12.73%
52 Week Price Chg	-23.93%	-7.54%	-18.55%	19.36%	-7.54%	-13.10%
20 Day Average Volume	44,187,016	6,705,237	4,222,189	20,438,548	17,804,128	3,894,582
(F1) EPS Est 1 week change	0.00%	0.00%	-0.18%	0.03%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-3.16%	0.03%	0.00%	0.00%
(F1) EPS Est 12 week change	8.15%	0.06%	-4.36%	0.63%	4.22%	1.20%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-2.63%	-7.85%	0.00%	0.00%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	F
Momentum Score	B
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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