Pfizer Inc.(PFE)

$38.48 (As of 07/31/20)

Price Target (6-12 Months): **$40.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/01/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: B | Momentum: F	

Summary

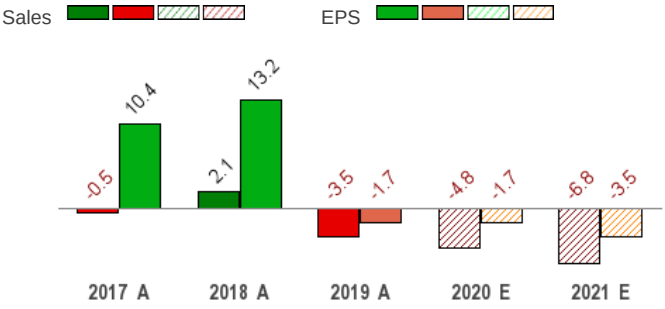
Pfizer beat Q2 estimates for earnings while missing for sales. In Q2, new prescriptions for some drugs and vaccination rates for most vaccines slowed due to COVID-19. However, Pfizer expects these trends to improve from Q3 onward. The Consumer Healthcare joint venture with Glaxo, the Array acquisition 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. However, currency headwinds and pricing pressure are key top-line headwinds. The stock has underperformed the industry this year so far.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$40.97 - $27.88**
20 Day Average Volume (sh)	**32,108,124**
Market Cap	**$213.8 B**
YTD Price Change	**-1.8%**
Beta	**0.68**
Dividend / Div Yld	**$1.52 / 4.0%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 29% (74 out of 253)**
Last EPS Surprise	**21.9%**
Last Sales Surprise	**-0.6%**
EPS F1 Est- 4 week change	**0.4%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**
P/E TTM	**13.4**
P/E F1	**13.3**
PEG F1	**2.2**
P/S TTM	**4.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					45,884 E
2020	12,028 A	11,801 A	12,451 E	12,014 E	49,246 E
2019	13,118 A	13,264 A	12,680 A	12,688 A	51,750 A

EPS Estimates

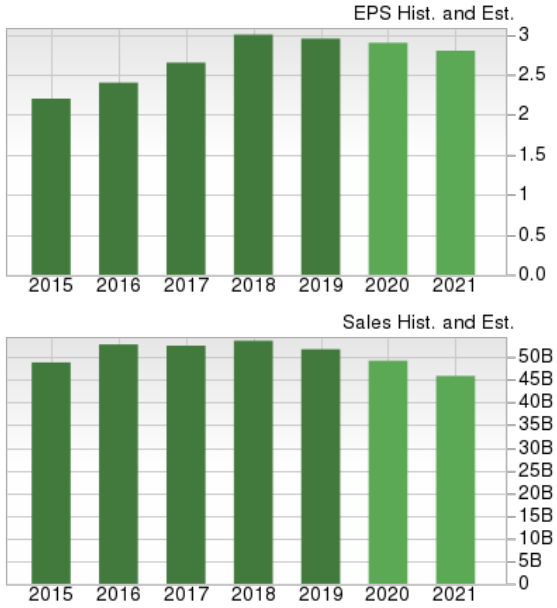
	Q1	Q2	Q3	Q4	Annual*
2021	$0.62 E	$0.63 E	$0.64 E	$0.66 E	$2.80 E
2020	$0.80 A	$0.78 A	$0.70 E	$0.60 E	$2.90 E
2019	$0.85 A	$0.80 A	$0.75 A	$0.55 A	$2.95 A

*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 07/31/2020. The reports text is as of 08/03/2020.

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 the fourth quarter 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 los 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. Biopharmaceuticals segment sales were $39.4 billion in 2019, up 5% year over year. Upjohn recorded sales of $10.23 billion, down 18%.

Reasons To Buy:

> 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

- **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, 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. Pfizer expects approximately 25 to 30 drug approvals through 2022, including around 15 products that have blockbuster potential, including line-extensions for Xtandi, Ibrance & Xeljanz/XR.

  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/first 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 atomic dermatitis – phase III; NDA filing expected in third quarter of 2020), ritlecitinib/PF-06651600 (JAK3 inhibitor for severe alopecia areata – phase III), PF-06482077 (20-valent pneumococcal conjugate vaccine – phase III; NDA filing expected in the fourth quarter of 2020), tanezumab (osteoarthritis pain – under review in the United States), somatrogon (children with growth hormone deficiency – phase III) PF-06886992 (pentavalent meningococcal vaccine candidate - phase III), PF-06928316 (respiratory syncytial virus (RSV) vaccine candidate - 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 and launched in the United States in 2019 and are off to a strong start.

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

  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. Zirabev, Trazimera and Ruxience were launched in the United States in early 2020. Abrilada will be launched in 2023 per a settlement with AbbVie. In June 2020, Pfizer gained FDA approval for Nyvepria, a biosimilar version of Amgen's drug Neulasta which will be launched in 2020. Biosimilar versions of Herceptin, Avastin and Rituxan are also approved in the EU. Pfizer is evaluating several biosimilar molecules in various stages of development.

- **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 $1.2 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:

Currency headwinds and pricing pressure are top-line headwinds.

- **Shares Underperforming Industry:** Pfizer's shares have lost 1.8% this year so far compared with the industry's decline of 0.6%.

- **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. 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:** Pfizer has faced 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.

Last Earnings Report

Pfizer Q2 Earnings Top, Sales Hurt by Coronavirus, View Up

Quarter Ending	06/2020
Report Date	Jul 28, 2020
Sales Surprise	-0.63%
EPS Surprise	21.88%
Quarterly EPS	0.78
Annual EPS (TTM)	2.88

Pfizer reported second-quarter 2020 adjusted earnings per share of 78 cents, which beat the Zacks Consensus Estimate of 64 cents. Earnings however declined 2% year over year due to lower revenues and higher R&D costs.

Revenues came in $11.80 billion, which marginally missed the Zacks Consensus Estimate of $11.88 billion. Sales declined 11% from the year-ago quarter on a reported basis. On an operational basis, excluding the 2% negative impact of currency, revenues declined 9% year over year hurt by business disruption and reduced doctor visits in the United States amid the coronavirus pandemic. Second-quarter revenues included a net negative impact of approximately $500 million, or 4%, due to COVID-19.

Overall, higher sales of some key brands in Pfizer's Biopharmaceuticals group were offset by revenue decline in the Upjohn segment and sales lost due to the spin-off of the Consumer Healthcare (CHC) unit.

Importantly, excluding the spin-off of the Consumer Healthcare (CHC) unit, second-quarter revenues declined 3% operationally.
In the quarter, new prescriptions for some drugs and of vaccination rates for most vaccines slowed in certain markets, including the United States due to reduced patient visits to doctors amid COVID-19-related mobility restrictions & limitations. Its sales and marketing activities were hurt significantly in the United States in the quarter due to widespread restrictions on in-person meetings with doctors. However, some of Pfizer's medicines —- Prevnar 13/Prevenar 13 in international markets and certain sterile injectable products — saw increased demand due to COVID-19.

International revenues declined 8% to $6.4 billion. On an operational basis, international sales declined 4% in the quarter. U.S. revenues declined 15% to $5.4 billion.

Adjusted selling, informational and administrative (SI&A) expenses declined 17% (operationally) in the quarter to $2.8 billion due to decreased sales and marketing activities due to the COVID-19. Adjusted R&D expenses rose 4% to $1.9 billion.

Segment Discussion

Pfizer Biopharma sales grew 4% on a reported basis (up 6% an operational basis) from the year-ago period to $9.8 billion. In the Biopharma group, the revenue growth was led by higher volumes as net price had a negative impact of 2% on the segment's growth. Higher sales of brands like Eliquis, Ibrance, Inlyta and Vyndaqel/Vyndamax and higher biosimilars revenues drove this segment's sales growth. Weaker sales of Prevnar 13/Prevenar 13 in the United States, Chantix in the United States and Enbrel internationally offset the increase.

Within the Biopharma group, Oncology revenues increased 20% (on an operational basis) to $2.65 billion. Vaccine revenues however declined 6% to $1.25 billion. Internal Medicine rose 4% to $2.3 billion. The Inflammation & Immunology franchise declined 3% to $1.15 billion. The portfolio of Rare Disease rose 34% to $681 million. Hospital sub-segment's sales were flat at $1.8 billion. The Hospital segment comprises Pfizer's global portfolio of sterile injectable and anti-infective medicines.

Pfizer's Upjohn group's sales declined 32% on a reported basis (31% on an operational basis) to $2 billion mainly due to U.S. loss of exclusivity of Lyrica.

Performance of Key Drugs

Ibrance revenues rose 9% year over year to $1.35 billion as consistent CDK class market share growth in the United States offset the impact of pricing pressure in certain European markets. The pricing pressure will continue to hurt international Ibrance revenues in the second half of 2020.

Xeljanz sales rose 5% to $635 million as higher volumes were offset by higher rebating from new commercial contract, which resulted in a lower net price. While U.S. revenues were flat, international sales rose 20%.

Inlyta revenues were $195 million in the quarter, up 89% driven mainly by 120% growth in the United States. U.S. sales gained from increased uptake, resulting from FDA approvals granted in 2019 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 declined 2% to $1.12 billion. Prevnar 13 revenues declined 22% in the United States due to slowdown in vaccination rates amid COVID-19-related mobility restrictions & limitations. Prevenar 13 revenues rose 18% in international markets driven by significantly increased adult uptake as people developed more vaccine awareness amid the COVID-19 pandemic.

Enbrel revenues declined 16% to $337 million due to continued biosimilar competition in key European markets as well as in Japan and Brazil.
Eliquis alliance revenues and direct sales rose 19% to $1.27 billion driven by continued increased adoption in nonvalvular atrial fibrillation as well as oral anticoagulant market share gains. However, lower prices and COVID-19-related unfavorable wholesaler buying patterns hurt Eliquis' sales somewhat in the second quarter. Xalkori sales rose 7% to $138 million. Xtandi recorded alliance revenues of $266 million in the quarter, up 32% year over year. Sutent sales declined 13% to $209 million. Chantix sales declined 14% to $235 million in the quarter due to expected lower demand from infrequent patient visits to doctors.

Importantly, new drug Vyndaqel/Vyndamax recorded sales of $277 million in the quarter compared with $231 million in the previous quarter, driven by strong performance in the United States. However, Pfizer saw a slowdown in new diagnosis in the quarter as fewer patients visited doctors amid the mobility restrictions.

Braftovi and Mektovi, which Pfizer acquired following its acquisition of Array BioPharma in 2019, recorded sales of $36 million and $32 million, respectively in the second quarter of 2020.

Total biosimilar revenues were $289 million, up 36% year over year driven by 120% growth in oncology biosimilars. Inflectra/Remsima recorded sales of $150 million globally, up 1% year over year. New biosimilar product, Retacrit, a biosimilar of Epogen and Procrit, recorded $87 million of revenues in the quarter versus $89 million in the previous quarter.

In sterile injectables, global revenues increased 4% operationally to $1.24 billion and U.S. revenues increased 14% operationally driven by increasing demand due to the COVID-19 pandemic and as Pfizer's manufacturing recovery efforts started taking shape. Pfizer saw an increase in demand for its sterile injectable products utilized in the intubation and ongoing treatment of mechanically ventilated COVID-19 patients.

In the Upjohn segment, sales of key drug Lyrica declined 70% to $349 million due to multi-source generic erosion. Viagra sales declined 15% to $94 million due to generic competition. However, sales were strong in China in the second quarter. Upjohn revenues in China grew 17% operationally driven primarily by Lipitor and Norvasc.

2020 Guidance

Pfizer expects trends of patient visit to doctors, vaccinations and elective surgical procedures to improve from third-quarter onward. Meanwhile, new prescription trends for certain key medicines are also expected to improve from the third quarter onward. Enrollment in clinical studies and new study starts resumed in the quarter after a brief pause in April and are expected to continue through the rest of the year. Pfizer's manufacturing and supply chain activities were not materially disrupted by COVID-19.

Pfizer slightly raised its financial guidance for 2020 for the present Pfizer as well as for the "New Pfizer", after the Upjohn divestiture.
Revenue guidance range was slightly upped from $48.5 billion to $50.5 billion to $48.6 billion to $50.6 billion. Adjusted earnings per share guidance was upped from a range of $2.82-$2.92 to $2.85-$2.95.

Research and development expense guidance for present Pfizer was maintained in the range of $8.6 - $9.0 billion. SI&A spending guidance was maintained in the range of $11.5 - $12.5 billion. Adjusted tax rate is expected to be approximately 15% in 2020.

The "New Pfizer" is expected to record revenues in the range of $40.8 billion to $42.4 billion (previously $40.7 billion to $42.3 billion). Adjusted EPS guidance for the "New Pfizer" is in the range of $2.28-$2.38, up from the previous expectation of $2.25-$2.35. Pfizer's Biopharma unit will become the "New Pfizer" following the expected separation of Upjohn.

Recent News

Supply Deal for Coronavirus Vaccine to Japan Government – July 31

Pfizer and BioNTech announced a deal with the U.K. government to supply 120 million doses of BNT162 mRNA-based vaccine candidate beginning in 2021, subject to regulatory approval or authorization.

Pfizer Begins Late-Stage Study of Coronavirus Vaccine Candidate – July 27

Pfizer and its Germany-based partner, BioNTech began a large, global phase IIb/III safety and efficacy study, which will include up to 30,000 participants on its coronavirus vaccine candidate. Out of the four experimental mRNA-based vaccines, being evaluated under BioNTech's BNT162 program, to prevent COVID-19, the companies selected nucleoside-modified messenger RNA (modRNA) candidate, BNT162b2 (at a 30 µg dose level in a 2 dose regimen) as the lead candidate for the late-stage study. The selection of the candidate and the dose level was done after careful evaluation of the preclinical and clinical data from phase I/II studies conducted in the United States and Germany. Pfizer expects to file regulatory applications for a COVID-19 vaccine candidate by October. Eventually, if the vaccine is approved this year, Pfizer plans to manufacture up to 100 million doses by the end of this year and potentially more than 1.3 billion doses by the end of 2021.
Supply Deal for Coronavirus Vaccine With U.K. Government – July 22

Pfizer announced that the U.S. government placed an initial order of 100 million doses of BNT162 vaccine for $1.95 billion, if it is successfully developed and gets FDA's approval or emergency use authorization. Meanwhile, the U.S. government has an option to acquire up to 500 million doses of the vaccine from Pfizer/BioNTech.

Supply Deal for Coronavirus Vaccine With U.K. Government – July 20

Pfizer and BioNTech announced a deal with the U.K. government to supply 30 million doses of their mRNA-based vaccines. The 30 million doses are expected to be delivered in 2020 and 2021, subject to regulatory approval or authorization.

Positive Data from German Study on Coronavirus Vaccine – July 20

Pfizer/BioNTech announced initial positive data from the phase I/I German study on the most advanced (BNT162b1) of their four experimental mRNA-based vaccines.

The data showed that BNT162b1 vaccine elicited high, dose level-dependent SARS-CoV-2-neutralizing titers after the second dose was administered. Importantly, the data showed that BNT162b1 elicited high level CD4+ and CD8+ T cell responses against the SARS-CoV-2 receptor-binding domain (RBD). The data were very much in line with the early positive data from the I/II U.S. clinical study of BNT162b1, which was announced earlier in July. Overall, the data showed that BNT162b1 can be administered safely, with a manageable tolerability profile. The preliminary data from the U.S. and German studies along with the preclinical data and other clinical data, when available, will be used by the companies to select the lead candidate and dose level for a larger, global phase IIb/III safety and efficacy study that may begin later this month. Pfizer expects to file regulatory applications for a COVID-19 vaccine candidate by October. Eventually, if the vaccine is approved this year, Pfizer plans to manufacture up to 100 million doses by the end of this year and potentially more than 1.3 billion doses by the end of 2021.

Coronavirus Vaccine Gets FDA Fast Track Tag – July 13

Pfizer and BioNTech announced that the FDA has granted fast track designation to two out of four of their experimental vaccines to prevent COVID-19.

Pfizer and BioNTech are currently evaluating four different vaccine candidates in phase I/II studies in United States and Germany as part of their BNT162 mRNA-based vaccine program, Project Lightspeed, against SARS-CoV-2, the virus that causes COVID-19. The fast track designation was assigned to BNT162b1 and BNT162b2 which are the most advanced in the program. The designation was based on preliminary data from the phase I/II studies as pre-clinical data.

Valuation

Pfizer's shares are down 1.8% in the year-to-date period but up 4.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.6% while those in the sector are up 0.1% in the year-to-date period. Over the past year, stocks in the Zacks sub-industry and sector are 13.0% and 9.9%, respectively.

The S&P 500 Index is up 1.7% in the year-to-date period and 15.5% in the past year.

The stock is currently trading at 13.55X forward 12-month earnings per share which compares to 14.95X for the Zacks sub-industry, 22.57X for the Zacks sector and 22.66X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.39X and as low as 10.25X, with a 5-year median of 13.38X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $40 price target reflects 14.1X 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	13.55	14.95	22.57	22.66
	5-Year High	16.39	16.62	23.17	22.66
	5-Year Low	10.25	13.61	15.89	15.25
	5-Year Median	13.38	15.32	18.91	17.55
P/S F12M	Current	4.54	4.67	2.8	3.59
	5-Year High	4.96	4.85	3.41	3.59
	5-Year Low	3.31	3.88	2.22	2.53
	5-Year Median	4.01	4.4	2.9	3.04
P/B TTM	Current	3.27	6.73	4.37	4.47
	5-Year High	4.12	7.37	5.07	4.56
	5-Year Low	2.49	3.69	2.94	2.83
	5-Year Median	3.28	5.25	4.3	3.72

As of 7/31/2020

Industry Analysis **Zacks Industry Rank:** Top 29% (74 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
Bristol Myers Squibb Company **(BMY)**	Outperform	2
AbbVie Inc. **(ABBV)**	Neutral	3
GlaxoSmithKline plc **(GSK)**	Neutral	3
JohnsonJohnson **(JNJ)**	Neutral	3
Eli Lilly and Company **(LLY)**	Neutral	3
MerckCo., Inc. **(MRK)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	2

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	PFE	X Industry	S&P 500	BMY	MRK	NVS
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	B	-	-	B	B	A
Market Cap	213.75 B	145.07 B	22.59 B	132.73 B	202.53 B	187.99 B
# of Analysts	4	2	14	6	7	5
Dividend Yield	3.95%	2.61%	1.83%	3.07%	3.04%	2.44%
Value Score	B	-	-	A	B	A
Cash/Price	0.05	0.04	0.07	0.14	0.04	0.03
EV/EBITDA	10.12	13.50	12.94	23.40	14.34	13.31
PEG Ratio	2.22	2.10	3.04	1.12	2.22	1.77
Price/Book (P/B)	3.27	4.05	3.17	2.66	7.74	3.49
Price/Cash Flow (P/CF)	9.36	11.20	12.51	13.36	11.99	10.40
P/E (F1)	13.27	15.23	21.87	9.49	14.95	14.48
Price/Sales (P/S)	4.34	4.29	2.44	4.28	4.29	3.90
Earnings Yield	7.54%	6.57%	4.31%	10.54%	6.69%	6.90%
Debt/Equity	0.56	0.66	0.75	0.86	0.82	0.48
Cash Flow ($/share)	4.11	4.22	6.94	4.39	6.69	7.90
Growth Score	B	-	-	A	D	B
Hist. EPS Growth (3-5 yrs)	8.07%	8.07%	10.85%	21.90%	9.00%	2.64%
Proj. EPS Growth (F1/F0)	-1.78%	3.30%	-7.75%	31.81%	3.39%	8.28%
Curr. Cash Flow Growth	-6.57%	2.90%	5.39%	36.74%	5.54%	4.27%
Hist. Cash Flow Growth (3-5 yrs)	2.54%	7.37%	8.55%	22.46%	0.15%	7.11%
Current Ratio	1.02	1.11	1.31	1.66	1.11	0.81
Debt/Capital	35.70%	43.44%	44.32%	46.16%	45.14%	32.25%
Net Margin	28.80%	21.10%	10.44%	3.08%	21.10%	14.96%
Return on Equity	25.10%	31.21%	14.73%	30.06%	52.46%	24.14%
Sales/Assets	0.29	0.46	0.52	0.33	0.57	0.40
Proj. Sales Growth (F1/F0)	-10.63%	5.09%	-1.95%	59.87%	3.16%	5.03%
Momentum Score	F	-	-	F	B	B
Daily Price Chg	-1.32%	-0.55%	-0.92%	-0.47%	-0.45%	-0.21%
1 Week Price Chg	3.89%	-3.67%	0.37%	-4.21%	-3.47%	-4.48%
4 Week Price Chg	11.50%	-1.88%	3.81%	-0.81%	1.85%	-6.20%
12 Week Price Chg	4.11%	3.55%	11.93%	-3.90%	6.14%	-2.99%
52 Week Price Chg	0.60%	13.38%	-1.92%	29.78%	-4.12%	-11.02%
20 Day Average Volume	32,108,124	2,053,711	1,887,986	9,155,796	7,395,451	1,477,156
(F1) EPS Est 1 week change	0.43%	0.00%	0.00%	0.15%	0.00%	0.00%
(F1) EPS Est 4 week change	0.43%	0.41%	0.38%	0.29%	0.13%	0.50%
(F1) EPS Est 12 week change	1.49%	1.34%	-0.07%	1.05%	0.22%	0.67%
(Q1) EPS Est Mthly Chg	-1.38%	-0.96%	0.16%	0.27%	0.49%	-2.84%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	B
Momentum Score	F
VGM Score	B

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.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.