Pfizer Inc.(PFE)

$37.64 (As of 05/01/20)

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:C
	Value: B | Growth: F | Momentum: B	

Summary

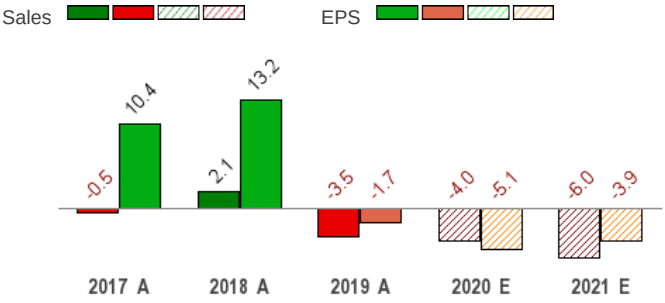
Pfizer beat estimates for earnings and sales in Q1. However, Pfizer expects a significant impact from coronavirus-related business disruption in Q2, which it expects to ease in the second half of 2020. Meanwhile, the Consumer Healthcare joint venture with Glaxo, the Array acquisition and the pending 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. 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)	**22,749,578**
Market Cap	**$208.8 B**
YTD Price Change	**-3.9%**
Beta	**0.71**
Dividend / Div Yld	**$1.52 / 4.0%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Top 7% (17 out of 253)**
Last EPS Surprise	**12.7%**
Last Sales Surprise	**NA**
EPS F1 Est- 4 week change	**0.1%**
Expected Report Date	**NA**
Earnings ESP	**-12.5%**
P/E TTM	**13.0**
P/E F1	**13.4**
PEG F1	**2.2**
P/S TTM	**4.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					46,672 E
2020	12,028 A				49,666 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					$2.69 E
2020	$0.80 A	$0.64 E	$0.70 E	$0.53 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 05/01/2020. The reports text is as of 05/04/2020.

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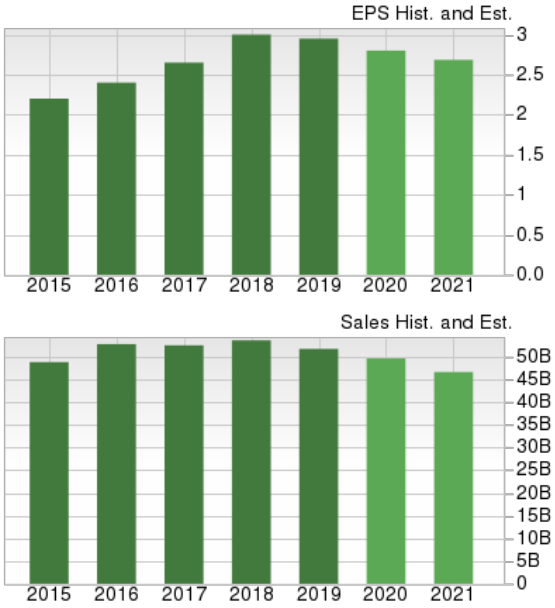
Overview

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 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. 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 & Xeljanz/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 atomic 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 the fourth quarter of 2020),tanezumab (osteoarthritis pain – under review in the United States), somatrogon (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 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 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. Zirabev, Trazimera and Ruxience were launched in the United States in early 2020. Abrilada will be launched in 2023 per a settlement with AbbVie. 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 $1.0 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:

Currency headwinds and pricing pressure are top-line headwinds.

- **Shares Underperforming Industry:** Pfizer's shares have lost 4% this year so far compared with the industry's decline of 3.3%.

- **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:** 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 Q1 Earnings Top, Biopharma Gains From Coronavirus

Quarter Ending	03/2020
Report Date	Apr 28, 2020
Sales Surprise	NA
EPS Surprise	12.68%
Quarterly EPS	0.80
Annual EPS (TTM)	2.90

Pfizer reported first-quarter 2020 adjusted earnings per share of 80 cents, which beat the Zacks Consensus Estimate of 71 cents. Earnings however declined 5% year over year as lower revenues offset spending reductions.

Revenues came in at $12.03 billion, which declined 8% from the year-ago quarter on a reported basis. On an operational basis, excluding the 1% negative impact of currency, revenues declined 7% year over year as higher sales of some key brands in Pfizer's Biopharmaceuticals group was offset by revenue decline in the Upjohn segment and sales lost due to the spin-off of the Consumer Healthcare (CHC) unit.

In the quarter, Pfizer saw slower rates of new prescriptions for certain drugss and fewer vaccines administered due to widespread restrictions on patient visits to doctors amid coronavirus-related lockdown. However, it expects the impact of these factors to be more significant in the second quarter. Meanwhile, some of Pfizer's medicines —- Prevnar 13/Prevenar 13 and certain of its hospital products —saw increased demand as Pfizer believes they were prescribed to COVID-19 patients though not approved to treat the same. Meanwhile, Pfizer also saw an increase in wholesaler buying patterns for Eliquis due to COVID-19. Overall, first-quarter revenues included a net positive impact of approximately $150 million, or 1%, due to COVID-19. Pfizer did not see a significant disruption in its supply chain as a result of the pandemic.

Importantly, excluding the spin-off of the Consumer Healthcare (CHC) unit, first-quarter revenues declined 1% operationally. International revenues declined 8% to $6.38 billion. On an operational basis, international sales declined 6% in the quarter. U.S. revenues declined 8% to $5.65 billion.

Adjusted selling, informational and administrative (SI&A) expenses declined 16% (operationally) in the quarter to $2.75 billion. Adjusted R&D expenses rose 2% to $1.73 billion.

Segment Discussion

Pfizer Biopharma sales grew 11% on a reported basis (up 12% an operational basis) from the year-ago period to $10 billion. Higher sales of brands like Eliquis, Ibrance, Inlyta and Vyndaqel/Vyndamax and higher biosimilars and emerging market revenues drove this segment's sales growth. Weaker sales of Prevnar 13/Prevenar 13 in the United States and Enbrel internationally offset the increase.

Within the Biopharma group, Oncology revenues increased 25% (on an operational basis) to $2.44 billion. Vaccine revenues rose 1% to $1.61 billion. Internal Medicine rose 10% to $2.33 billion. The Inflammation & Immunology franchise declined 4% to $978 million. The portfolio of Rare Disease rose 38% to $639 million. Hospital sub-segment's sales rose 11% to $2.01 billion. The Hospital segment comprises Pfizer's global portfolio of sterile injectable and anti-infective medicines.

In the Hospital segment Pfizer saw an increase in demand for certain of its anti-infective medicines, as well as other sterile injectable products utilized in the incubation and ongoing treatment of mechanically ventilated COVID-19 patients.

Pfizer's Upjohn group's sales declined 37%, both on a reported and operational basis, to $2.02 billion mainly due to U.S. loss of exclusivity of Lyrica and lower sales of Lipitor and Norvasc in China, following the implementation of the VBP program in the country in December 2019. Upjohn revenues in China declined 41% operationally.

Performance of Key Drugs

Ibrance revenues rose 11% year over year to $1.25 billion as continued strong uptake in emerging markets and increased volumes and continued CDK class markets share gains in the United States offset the impact of pricing pressure in developed European markets.

Xeljanz sales rose 8% to $451 million driven mainly by growth in international markets. International sales rose 38% 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 4% as higher volumes were offset by higher rebating from new commercial contracts and temporary lowering of wholesaler inventories in the quarter. However, Pfizer said that the wholesaler inventory levels for Xeljanz were restored to normal levels in early April.

Inlyta revenues were $169 million in the quarter, much higher than $73 million in the year-ago quarter, driven mainly by 255% 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 declined 1% to $1.45 billion. Prevnar 13 revenues declined 10% in the United States, reflecting unfavorable timing of government purchases for the pediatric indication.Prevenar 13 revenues rose 11% in international markets

Enbrel revenues declined 21% to $347 million in key European markets due to continued biosimilar competition.

Eliquis alliance revenues and direct sales rose 29% to $1.3 billion driven by continued increased adoption in nonvalvular atrial fibrillation as well as oral anticoagulant market share gains. Xalkori sales rose 24% to $149 million. Xtandi recorded alliance revenues of $209 million in the quarter, up 25% year over year. Sutent sales declined 9% to $205 million. Chantix sales were flat at $270 million in the quarter.

Importantly, new drug Vyndaqel/Vyndamax recorded sales of $231 million in the quarter compared with $213 million in the previous quarter, driven by strong performance in the United States. However, Pfizer saw a slowdown in new diagnosis in April due to lockdown restrictions as fewer patients visited doctors.

Braftovi and Mektovi, which Pfizer acquired following its acquisition of Array BioPharma in 2019, recorded sales of $37 million each in the first quarter of 2020 versus $30 million in the previous quarter

Total biosimilar revenues were $288 million, up 63% year over year. Inflectra/ Remsima recorded sales of $158 million globally, up 15% year over year. New biosimilar product, Retacrit, a biosimilar of Epogen and Procrit, recorded $89 million of revenues in the first quarter versus $79 million in the previous quarter, reflecting continued strong uptake. In the United States, Retacrit recorded sales of $66 million. Pfizer expects additional contribution from biosimilars in 2020 with the launch of Zirabev, Ruxience and Trazimera in the year.

In sterile injectables, global revenues increased 15% operationally to $1.41 billion and U.S. revenues increased 22% operationally driven by increasing demand due to the COVID-19 pandemic and as Pfizer's manufacturing recovery efforts started taking shape.

In the Upjohn segment, sales of key drug Lyrica declined 70% to $357 million due to multi-source generic erosion. Viagra sales declined 12% to $127 million due to generic competition.

2020 Guidance

Pfizer expects to see significant impact of the uncertainty related to COVID-19 in the second quarter. Pfizer expects minimal impact on patient starts for brance and Eliquis in the second quarter while for Vyndaqel and Xeljanz, it expects a drop in new patient starts in the second quarter. It also expects a temporary slowdown in Prevnar vaccinations. However, it expects a significant negative impact on sales of Chantix as it is administered on visiting a doctor.

However, it expects trends of patient visit to doctors, vaccinations and elective surgical procedures to improve in the second half of the year. It expects enrollment in clinical studies and new study starts to resume in the second half of the year.

Despite expectations of incremental negative currency impact, the company re-affirmed its financial guidance for 2020 for the present Pfizer as well as for the "New Pfizer", after the Upjohn divestiture. The company, however, did update certain components of the guidance to reflect actual and anticipated impacts of the coronavirus pandemic.

Revenues are still expected in the range of $48.5 billion to $50.5 billion. 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. Unfavorable impact of currency is expected to hurt 2020 revenues by $600 million (previously $200 million) and adjusted earnings by 4 cents per share.

Research and development expense guidance for present Pfizer was raised from a range of $8.1- $8.5 billion to $8.6 - $9.0 billion to account for the company's coronavirus-related research efforts. SI&A spending guidance was lowered from a range of $12.0–$13.0 billion to $11.5 - $12.5 billion, primarily to reflect spending reductions related to COVID-19. Adjusted tax rate is expected to be approximately 15% in 2020.

The above guidance takes into account a full year of revenues 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.

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

Recent News

Vaccine Collaboration with Valneva – April 30

Pfizer announced a collaboration with French specialty vaccine company, Valneva to co-develop and commercialize Valneva's Lyme disease vaccine candidate, VLA15. The investigational multivalent protein subunit vaccine, VLA15 is presently being evaluated in a phase II study. For the deal, Pfizer will make an upfront payment of $130 million to Valneva. In addition, Valneva will also be entitled to receive $35 million in development milestones and $143 million in early commercialization milestone payments.

Gets Approval to Begin Clinical Study on COVID-19 Vaccine in Germany – April 22

Pfizer and BioNTech announced that Germany's regulatory authority has granted approval to begin a phase I/II clinical study for BioNTech's mRNA-based vaccine program BNT162 to prevent COVID-19. Pfizer and BioNTech announced plans to co-develop a vaccine to prevent COVID-19 in March. Four vaccine candidates, each representing different mRNA formats and target antigens, are expected to enter clinical studies in Germany. The companies will jointly conduct clinical studies on their COVID-19 vaccine candidate in the United States as well upon getting regulatory approvals.

Pfizer says it has the potential to supply millions of vaccine doses by the end of 2020 if it receives the necessary regulatory approvals. Thereafter, it can rapidly scale up capacity to produce hundreds of millions of doses in 2021.

Meanwhile, Pfizer is also working to develop an investigational antiviral compound to treat SARS-CoV-2, the virus that causes COVID-19. It has identified a lead antiviral compound that showed activity against SARS-CoV-2 in preclinical screening. The company plans to start a potential clinical study of the lead molecule in the third quarter of 2020, 3-4 months earlier than expected.

Advancing Efforts on COVID-19 Drugs/Vaccines - April 9

Pfizer and BioNTech announced that they will jointly conduct clinical studies on their COVID-19 vaccine candidate initially in the United States and Europe and then increase manufacturing capacity to supply the vaccine globally. The vaccine candidate is presently in pre-clinical testing and both companies expect to initiate clinical studies by the end of April.

Pfizer said that they have the potential to supply millions of vaccine doses by the end of 2020, if they receive the necessary regulatory approvals. Thereafter, they can rapidly scale up capacity to produce hundreds of millions of doses in 2021. For the collaboration, Pfizer will make an upfront payment of $185 million to BioNTech, which includes an equity investment of approximately $113 million in the German company. Meanwhile, BioNTech will be eligible to receive future milestone payments of up to $563 million for a potential total consideration of $748 million. Pfizer and BioNTech will share development costs equally.

Meanwhile, Pfizer is also working to develop an investigational antiviral compound to treat SARS-CoV-2. It has identified antiviral compounds that showed activity against SARS-CoV-2 in preclinical screening. The company plans to start a potential clinical study of the lead molecule in the third quarter 2020, 3-4 months earlier than expected.

Files sBLA for Bavencio in First Line Urothelial Carcinoma – Apr 9

Pfizer and partner Merck KGaA announced that the FDA has granted Breakthrough Therapy designation to Bavencio for the first-line maintenance treatment of patients with locally advanced or metastatic urothelial carcinoma (UC). The companies also announced the completion of the submission of a supplemental biologics license application (sBLA) to the FDA seeking expanded approval of Bavencio for the same indication. The sBLA is being reviewed by the FDA under its Real-Time Oncology Review (RTOR) pilot program and based on interim data from the phase III JAVELIN Bladder 100 study.

FDA Approves Braftovi Doublet for CRC – Apr 8

Pfizer announced that the FDA has approved Braftovi Doublet — Braftovi in combination with Lilly's Erbitux — for the treatment of BRAFV600E-mutant metastatic colorectal cancer in patients who have received prior therapy. The sNDA was based on data from the BEACON CRC study. Braftovi plus Mektovi (an oral small molecule MEK inhibitor), which Pfizer acquired following its acquisition of Array BioPharma in 2019, is presently marketed as a treatment for BRAF-mutant melanoma

EU Approval for Ruxience – Apr 2

Pfizer announced that the European Commission (EC) granted marketing approval to Ruxience, a biosimilar version of Roche's MabThera/Rituxan. It is approved for the treatment of adult patients with non-Hodgkin's lymphoma (NHL), chronic lymphocytic leukemia (CLL), rheumatoid arthritis (RA), granulomatosis with polyangiitis (GPA) and microscopic polyangiitis (MPA). Ruxience was approved by the FDA for NHL, CLL, GPA and MPA in July last year.

Valuation

Pfizer's shares are down 4% in the year-to-date period and 9.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 3.3% and 6%, respectively in the year-to-date period. Over the past year, stocks in the Zacks sub-industry and sector are down 7.2% and 3%, respectively.

The S&P 500 Index is down 12.2% in the year-to-date period and 3.7% in the past year.

The stock is currently trading at 13.63X forward 12-month earnings per share which compares to 14.64X for the Zacks sub-industry, 21.41X for the Zacks sector and 20.18X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.36X and as low as 10.43X, with a 5-year median of 13.47X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $40 price target reflects 14.5X 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	13.63	14.64	21.41	20.18
	5-Year High	16.36	18.12	21.41	20.18
	5-Year Low	10.43	13.04	15.81	15.19
	5-Year Median	13.47	15.36	18.72	17.44
P/S F12M	Current	4.56	4.56	2.66	3.19
	5-Year High	4.96	4.83	3.84	3.44
	5-Year Low	3.34	3.92	2.25	2.54
	5-Year Median	4.01	4.38	2.96	3.01
P/B TTM	Current	3.29	5.18	3.64	3.75
	5-Year High	4.1	7.19	5.04	4.54
	5-Year Low	2.53	3.8	3.02	2.9
	5-Year Median	3.29	5.21	4.29	3.65

As of 5/1/2020

Industry Analysis **Zacks Industry Rank:** Top 7% (17 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
Eli Lilly and Company **(LLY)**	Outperform	1
AbbVie Inc. **(ABBV)**	Neutral	3
Bristol-Myers Squibb Company **(BMY)**	Neutral	2
GlaxoSmithKline plc **(GSK)**	Neutral	3
Johnson & Johnson **(JNJ)**	Neutral	3
Merck & Co., Inc. **(MRK)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	3

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	PFE	X Industry	S&P 500	BMY	MRK	NVS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	C	-	-	A	A	B
Market Cap	208.81 B	137.28 B	20.61 B	136.04 B	196.99 B	191.16 B
# of Analysts	4	2	14	5	7	5
Dividend Yield	4.04%	2.59%	2.11%	2.99%	3.14%	2.41%
Value Score	B	-	-	B	B	B
Cash/Price	0.05	0.06	0.06	0.11	0.05	0.06
EV/EBITDA	10.09	13.15	11.87	24.59	14.13	13.15
PEG Ratio	2.24	1.89	2.47	1.15	2.14	1.82
Price/Book (P/B)	3.28	4.34	2.67	2.60	7.61	3.44
Price/Cash Flow (P/CF)	9.33	10.86	10.66	13.85	11.86	10.86
P/E (F1)	13.44	14.57	19.01	9.87	14.50	14.66
Price/Sales (P/S)	4.12	4.20	2.10	5.20	4.10	3.93
Earnings Yield	7.44%	6.87%	5.05%	10.12%	6.90%	6.82%
Debt/Equity	0.57	0.57	0.72	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	A	B
Hist. EPS Growth (3-5 yrs)	8.48%	8.34%	10.88%	20.53%	8.10%	0.76%
Proj. EPS Growth (F1/F0)	-5.08%	4.62%	-7.32%	30.15%	3.19%	8.55%
Curr. Cash Flow Growth	-6.57%	4.27%	5.92%	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	1.23	1.60	1.24	1.04
Debt/Capital	36.17%	39.95%	43.84%	45.63%	46.65%	28.42%
Net Margin	31.17%	22.40%	11.08%	13.15%	21.10%	24.97%
Return on Equity	26.01%	32.26%	16.44%	31.85%	52.18%	24.13%
Sales/Assets	0.31	0.48	0.54	0.38	0.57	0.42
Proj. Sales Growth (F1/F0)	-12.32%	5.31%	-1.42%	58.09%	3.32%	6.11%
Momentum Score	B	-	-	A	C	B
Daily Price Chg	0.63%	-0.36%	-2.39%	-1.33%	-1.77%	-1.14%
1 Week Price Chg	1.27%	1.87%	-1.74%	2.72%	-2.43%	-0.27%
4 Week Price Chg	16.70%	10.14%	17.07%	10.14%	3.21%	1.35%
12 Week Price Chg	0.26%	-4.69%	-18.53%	-9.37%	-7.40%	-12.61%
52 Week Price Chg	-6.46%	4.75%	-9.82%	29.71%	-0.23%	3.42%
20 Day Average Volume	22,749,578	3,577,451	2,641,413	14,239,598	11,036,834	2,208,880
(F1) EPS Est 1 week change	3.78%	0.00%	0.00%	0.00%	-5.63%	-0.21%
(F1) EPS Est 4 week change	0.09%	-1.01%	-6.62%	-0.43%	-6.69%	-0.91%
(F1) EPS Est 12 week change	1.45%	-1.43%	-13.28%	0.89%	-3.63%	0.04%
(Q1) EPS Est Mthly Chg	-6.57%	-6.17%	-11.97%	-3.29%	-17.33%	-1.39%

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	F
Momentum Score	B
VGM Score	C

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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