

Pfizer Inc.(PFE)

\$35.21 (As of 07/13/20)

Price Target (6-12 Months): **\$37.00**

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:A

Value: B

Growth: B

Momentum: C

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. However, Pfizer expects a significant impact from coronavirus-related business disruption in Q2, which it expects to ease in the second half. Meanwhile, currency headwinds and pricing pressure are other top-line headwinds. Shares have underperformed the industry this year so far. Estimates have gone up ahead of Q2 earnings. Pfizer has a mixed record of earnings surprises in the recent quarters.

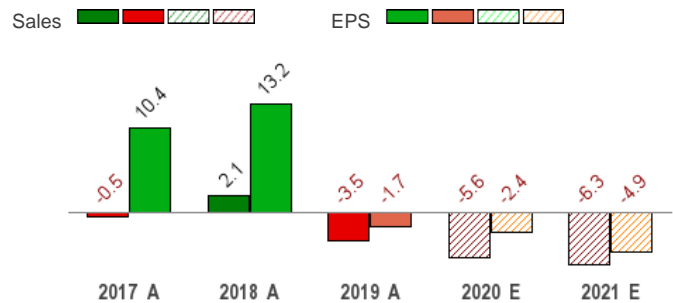
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$43.23 - \$27.88
20 Day Average Volume (sh)	31,634,234
Market Cap	\$195.6 B
YTD Price Change	-10.1%
Beta	0.68
Dividend / Div Yld	\$1.52 / 4.3%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 10% (26 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.7%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	0.8%
Expected Report Date	07/28/2020
Earnings ESP	7.3%
P/E TTM	12.1
P/E F1	12.2
PEG F1	2.0
P/S TTM	3.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	10,600 E	10,900 E	11,000 E	11,700 E	45,751 E
2020	12,028 A	11,936 E	12,501 E	11,935 E	48,846 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	\$2.74 E
2020	\$0.80 A	\$0.64 E	\$0.72 E	\$0.59 E	\$2.88 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.

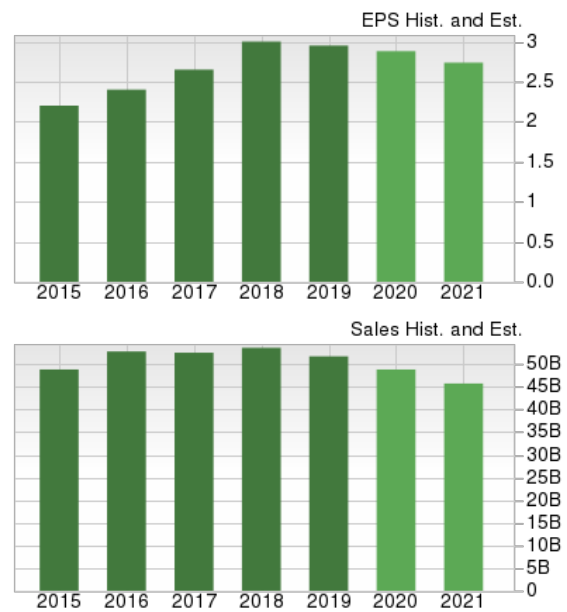
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/13/2020. The reports text is as of 07/14/2020.

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 Viatrix. 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. 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:

- ▲ **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 Steglato, 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.

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 atopic 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), somatrogen (children with growth hormone deficiency – phase III) and fidanacogene elaparovvec/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.

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

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.

▲ **Favorable Debt Profile:** Pfizer has \$36.2 billion in long term debt and \$16.0 billion in short term debt as of March 31, 2020. Its cash of \$10.35 billion is slightly short of meeting its short term debt obligations. However, Pfizer has \$15 billion available in revolving credit facilities bank which should be sufficient to pay its short term debt. As of Mar 31, 2020, the company's debt to total capital ratio stands at 35.7, which compares favorably to 36.2 as of Dec 31, 2019. A lower ratio indicates lower financial risk. Moreover, the company carries an A1 rating from Moody's (as of Mar 31, 2020) for its long term debt which indicates low credit risk. For its short term debt (commercial paper) Moody's has assigned a P-1 rating which means the company has a high ability to repay short term debt. Overall, Pfizer is in good financial health.

Reasons To Sell:

▼ **Shares Underperforming Industry:** Pfizer's shares have lost 10.1% this year so far compared with the industry's decline of 2.2%.

Currency headwinds and pricing pressure are top-line headwinds.

▼ **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 Zolof 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

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 drugs 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 — Plevnar 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% on 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 Plevnar 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 Plevnar 13/Prevenar 13 revenues declined 1% to \$1.45 billion. Plevnar 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.

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

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 Ibrance 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. S&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

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.

Promising Initial Data From Coronavirus Vaccine Study – July 1

Pfizer and BioNTech announced early positive data from the phase I/II U.S. clinical study on the most advanced (BNT162b1) of their four experimental mRNA-based vaccines, being evaluated under BioNTech's BNT162 program, to prevent COVID-19. The preliminary data showed that BNT162b1, targeting the RBD of SARS-CoV-2 spike protein, can produce neutralizing antibody responses in humans at or above the levels observed in convalescent sera, which means the serum of patients who have recovered from COVID-19. Moreover, the candidate could achieve this benefit at relatively low dose levels. Once, further clinical data on the four vaccine candidates is available, the companies will select the lead candidate and dose level for a larger, global phase IIb/III safety and efficacy study that may begin in July. 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 1.2 billion doses by the end of 2021.

FDA Approves Bavencio for First-Line Bladder Cancer – June 30

Pfizer announced that the FDA has granted approval to Bavencio as first-line maintenance treatment for patients with locally advanced or metastatic urothelial carcinoma (UC), a form of bladder cancer. The approval is for patients whose disease has not progressed with first-line platinum-containing chemotherapy. Bavencio is already approved for patients with locally advanced or metastatic UC who have disease progression during or following platinum-containing chemotherapy. The supplemental biologics license application (sBLA) seeking approval for the expanded indication was based on interim data from the phase III JAVELIN Bladder 100 study.

Daurismo Gets Approval in EU – June 30

The European Commission granted approval to Daurismo (glasdegib), a once-daily oral medicine for use in combination with low-dose cytarabine (LDAC) — a kind of chemotherapy treatment — for newly-diagnosed acute myeloid leukemia (AML) in patients who cannot take intensive chemotherapy.

Declares Dividend – June 25

The board of directors of Pfizer declared a dividend of 38 cents per share for third-quarter 2020, payable on Sep 1 to shareholders of record at the close of business on Jul 31.

Begins Four Phase III Studies on Vaccine Candidates – June 22

announced the start of four phase III studies on its various vaccine candidates. The first subjects were recently administered immunization in two studies of 20-valent pneumococcal conjugate vaccine candidate, 20vPnC, in infants; one study of the respiratory syncytial virus (RSV) vaccine candidate, RSVpreF, in pregnant women; and one study of the pentavalent meningococcal vaccine candidate, MenABCWY in adolescents and young adults. Pfizer expects to file a new drug application for 20vPnC in the fourth quarter of 2020.

EMA Validates Application for Bavencio Label Expansion – June 22

Pfizer announced that the European Medicines Agency has validated its application seeking expanded approval of Bavencio for the first-line maintenance treatment of patients with locally advanced or metastatic urothelial carcinoma (UC). The label expansion filing is based on interim data from the phase III JAVELIN Bladder 100 study. The EMA will now review the application.

FDA Approves Neulasta Biosimilar – June 11

Pfizer announced that the FDA granted approval to Nyvepria, a biosimilar version of Amgen's drug Neulasta. Pfizer now has six FDA-approved oncology biosimilars in its portfolio. Nyvepria will be launched later this year.

Valuation

Pfizer's shares are down 10.1% in the year-to-date period and 17.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 2.2% and 2.5%, respectively in the year-to-date period. Over the past year, stocks in the Zacks sub-industry and sector are up

8.5% and 2.6%, respectively.

The S&P 500 Index is down 0.8% in the year-to-date period but up 6.4% in the past year.

The stock is currently trading at 12.56X forward 12-month earnings per share which compares to 15.0X for the Zacks sub-industry, 22.64X for the Zacks sector and 22.69X 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 13.39X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$37 price target reflects 13.2X 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	12.56	15	22.64	22.69
	5-Year High	16.39	17.6	23.17	22.69
	5-Year Low	10.25	13.61	15.91	15.25
	5-Year Median	13.39	15.32	18.99	17.52
P/S F12M	Current	4.25	4.66	2.75	3.55
	5-Year High	4.96	4.85	3.74	3.55
	5-Year Low	3.31	3.88	2.22	2.53
	5-Year Median	4.01	4.4	2.9	3.02
P/B TTM	Current	2.99	6.62	4.25	4.37
	5-Year High	4.12	7.37	5.07	4.65
	5-Year Low	2.49	3.69	2.94	2.83
	5-Year Median	3.28	5.24	4.29	3.7

As of 7/13/2020

Industry Analysis Zacks Industry Rank: Top 10% (26 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Outperform	3
Bristol Myers Squibb Company (BMY)	Outperform	2
Eli Lilly and Company (LLY)	Outperform	1
GlaxoSmithKline plc (GSK)	Neutral	3
JohnsonJohnson (JNJ)	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	A	-	-	A	D	B
Market Cap	195.59 B	148.96 B	21.41 B	130.67 B	195.24 B	197.01 B
# of Analysts	4	3	14	5	7	5
Dividend Yield	4.32%	2.56%	1.92%	3.12%	3.15%	2.33%
Value Score	B	-	-	A	B	B
Cash/Price	0.06	0.04	0.07	0.14	0.04	0.02
EV/EBITDA	9.35	13.90	12.70	23.09	13.86	13.96
PEG Ratio	2.04	2.13	2.87	1.12	2.16	1.90
Price/Book (P/B)	2.99	3.90	3.02	2.61	7.46	3.86
Price/Cash Flow (P/CF)	8.57	11.23	11.61	13.15	11.56	10.90
P/E (F1)	12.23	15.31	21.07	9.38	14.59	15.25
Price/Sales (P/S)	3.86	4.06	2.23	4.21	4.06	4.05
Earnings Yield	8.18%	6.52%	4.47%	10.67%	6.85%	6.55%
Debt/Equity	0.56	0.56	0.76	0.86	0.82	0.50
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%	1.77%
Proj. EPS Growth (F1/F0)	-2.37%	2.30%	-9.37%	31.34%	2.15%	7.71%
Curr. Cash Flow Growth	-6.57%	2.90%	5.51%	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	1.30	1.66	1.11	0.74
Debt/Capital	35.70%	35.70%	44.46%	46.16%	45.14%	33.33%
Net Margin	31.17%	23.97%	10.59%	3.08%	21.10%	24.97%
Return on Equity	25.76%	33.97%	15.75%	30.06%	52.46%	24.39%
Sales/Assets	0.31	0.46	0.55	0.33	0.57	0.41
Proj. Sales Growth (F1/F0)	-10.61%	3.88%	-2.54%	59.05%	2.67%	3.40%
Momentum Score	C	-	-	B	F	C
Daily Price Chg	4.08%	-0.12%	-0.19%	0.56%	0.81%	-1.07%
1 Week Price Chg	-1.97%	-2.02%	-0.41%	-2.89%	-2.60%	-0.64%
4 Week Price Chg	5.55%	1.64%	-0.91%	4.81%	4.50%	1.08%
12 Week Price Chg	-2.41%	2.32%	10.22%	-6.37%	-6.92%	-4.12%
52 Week Price Chg	-17.64%	6.38%	-7.40%	30.69%	-4.46%	-3.57%
20 Day Average Volume	31,634,234	1,984,869	2,267,087	14,726,789	8,881,234	1,531,650
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.03%	-0.04%
(F1) EPS Est 4 week change	0.82%	0.12%	0.00%	0.27%	-0.19%	0.14%
(F1) EPS Est 12 week change	6.75%	-0.20%	-6.60%	0.90%	-6.50%	-1.09%
(Q1) EPS Est Mthly Chg	0.46%	0.00%	0.00%	0.22%	-0.49%	-2.13%

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	C
VGM Score	A

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.