



Lisbon School  
of Economics  
& Management  
Universidade de Lisboa

# **MASTER OF SCIENCE IN FINANCE**

## **MASTERS FINAL WORK PROJECT**

**EQUITY RESEARCH:  
PFIZER INC.**

**JOÃO VENTURA**

**OCTOBER 2021**



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**SUPERVISOR:  
TELMO FRANCISCO SALVADOR VIERA**

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## Abstract

This report includes a detailed valuation of Pfizer Inc. The format of this Equity Research Report combines both rules of ISEG Master Final Work Project and the CFA institute recommendations. The choice of Pfizer Inc was firstly because the pharmaceutical industry is a trending topic nowadays, due to covid-19, and secondly because Pfizer developed the first covid-19 vaccine which awakened in me a special interest in learning more about the company.

Pfizer Inc. (PFE) is a research-based, global biopharmaceutical company, that is committed to the discovery, development, manufacture, marketing, sales, and distribution of biopharmaceutical products worldwide – with 2020FY revenues of \$41.9Bn and a market capitalization of \$205 Bn.

Pfizer has a BUY recommendation, with a 2022FY PT of \$54.48/share, which represents an upside potential of 18.3%, equivalent to an annualized return of 13.4%, against the closing price of \$46.07/share on August 31<sup>st</sup>, 2021, with medium risk. The PT was obtained using Discounted Cash Flow model (DCF), other methodologies were considered to reach Pfizer's PT such as the Adjusted Present Value (APV), the Flow-to-Equity (FTE) method, the Dividend Discount Model (DDM), and a Relative Valuation using market multiples from peers.

The report also includes a detailed explanation about the risks that can affect the price target, as well as a sensitivity analysis to assess the impact of those risks in the investment recommendation.

This report considers all the public information available until 31<sup>st</sup> August 2021.

JEL classification: G10; G32; G34;

Keywords: Pfizer, Pharmaceutical industry; Biotechnology; Covid-19; Research & Development; Equity Research; Mergers & Acquisitions.

## Resumo

Este relatório inclui uma avaliação detalhada da Pfizer Inc. O formato desta *Equity Research* combina as regras do Projeto de Trabalho Final de Mestrado do ISEG e as recomendações do *CFA Institute*. A escolha da Pfizer Inc foi em primeiro lugar devido à indústria farmacêutica ser uma indústria que está na moda hoje em dia, devido à pandemia de covid-19, e em segundo lugar porque a Pfizer foi a empresa que desenvolveu a primeira vacina, o que despertou em mim um interesse especial em aprender mais sobre a empresa.

A Pfizer Inc. (PFE) é uma empresa farmacêutica que opera a nível global dedicando-se à pesquisa, descoberta, desenvolvimento, produção, marketing, vendas e distribuição de produtos farmacêuticos em todo o mundo - com uma receita no final do ano de 2020 de 41,9 mil milhões de dólares e uma capitalização de mercado de 205 mil milhões de dólares.

A Pfizer tem uma recomendação de COMPRA, com um preço alvo de \$ 54,48/ação para o final do ano de 2022, o que representa uma potencial valorização de 18,3%, equivalente a um retorno anualizado de 13,4%, contra o preço de fecho de \$ 46,07/ação em 31 de agosto de 2021, com risco médio. O preço alvo foi obtido usando o modelo dos Fluxos de Caixa Descontados (DCF), outras metodologias foram consideradas para calcular o preço alvo da Pfizer, como o Valor Presente Ajustado (APV), o método Flow-to-Equity (FTE), o Modelo de Dividendos Descontados (DDM) e uma Avaliação Relativa usando múltiplos de mercado de empresas comparáveis.

O relatório também inclui uma explicação detalhada sobre os riscos que podem afetar o preço alvo bem como uma análise de sensibilidade para quantificar o impacto desses riscos na recomendação.

Para este relatório foram consideradas todas as informações públicas disponíveis até 31 de agosto de 2021.

Classificação JEL: G10; G32; G34;

Palavras-Chave: Pfizer, Indústria Farmacêutica; Covid-19; Biotecnologia; Investigação e Desenvolvimento; Equity Research; Avaliação de Empresas; Fusões e Aquisições;

## **Acknowledgements**

This project represents the end of an amazing journey that has been the last five years, in this magnificent institution that is ISEG. Therefore, my first acknowledgement goes to ISEG and to all the people that make part of it.

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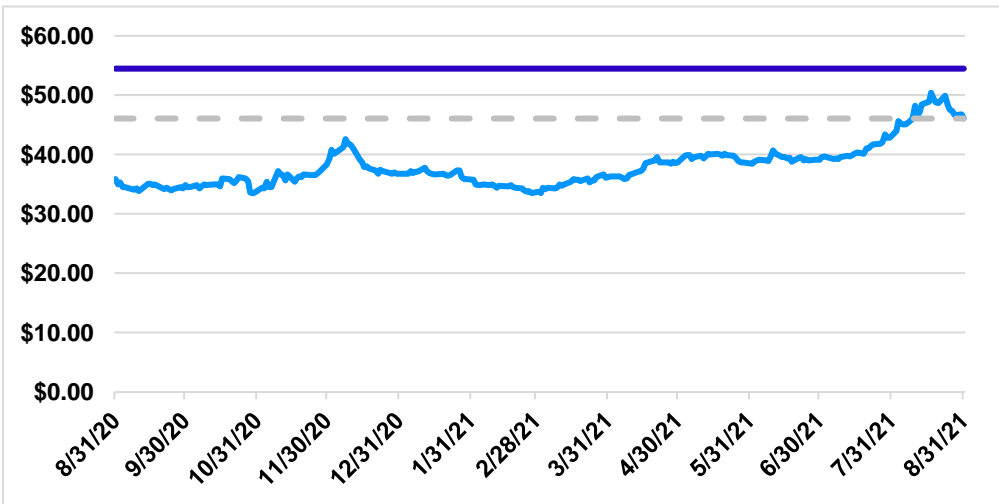
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## Abbreviations

<b>API</b> – Active Pharmaceutical Ingredient	<b>FCFF</b> – Free Cash Flow to the Firm
<b>Bn</b> – Billions	<b>FDA</b> – Food and Drug Administration
<b>Bps</b> – Basis Points	<b>FED</b> – Federal Reserve System
<b>CAGR</b> – Compound Annual Growth Rate	<b>FY</b> – Fiscal Year
<b>CAPEX</b> – Capital Expenditures	<b>GDP</b> – Gross Domestic Product
<b>CAPM</b> – Capital Asset Pricing Model	<b>M</b> – Millions
<b>CEO</b> – Chief Executive Officer	<b>MBV</b> – Market Based Valuation
<b>CFO</b> – Chief Financial Officer	<b>M&amp;M</b> – Modigliani-Miller
<b>CRP</b> – Country Risk Premium	<b>NWC</b> – Net Working Capital
<b>D</b> – Debt	<b>PP</b> – Percentage Point
<b>DCF</b> – Discounted Cash Flow	<b>PT</b> – Price Target
<b>DDM</b> – Dividend Discount Model	<b>Q2</b> – Second Quarter
<b>E</b> – Equity	<b>RFR</b> – Risk Free Rate
<b>EMA</b> – European Medicines Agency	<b>ROA</b> – Return on Assets
<b>EBIT</b> – Earnings Before Interest and Taxes	<b>ROE</b> – Return on Equity
<b>EBITDA</b> – Earnings Before Interest, Taxes, Depreciation, and Amortization	<b>R&amp;D</b> – Research and Development
<b>ERP</b> – Equity Risk Premium	<b>t</b> – Corporate Tax Rate
<b>ESG</b> – Environmental, Social and Governance	<b>US</b> – United States
<b>EV</b> – Enterprise Value	<b>YE</b> – Year End
<b>F</b> – Forecast	<b>YoY</b> – Year-on-Year
<b>FCFE</b> – Free Cash Flow to Equity	



## 1. Research Snapshot

### PFIZER: Breakthroughs in Innovation and Growth

**BUY** is the recommendation for Pfizer INC. (PFE), with a **2022YE PT of \$54.48/share**, using the Discounted Cash Flow model (DCF), resulting in an **upside potential of 18.3%**, equivalent to an annualized return of 13.4%, when compared with the closing price of \$46.07/share at 31<sup>st</sup>, August 2021. Regarding the risk assessment, it is a **medium risk investment**.

#### Leading the battle against Covid-19

Pfizer is one of the companies leading the battle against Covid-19, in collaboration with BioNTech, developed the fastest vaccine ever to be approved, rolled-out and massively administered. With **2.1Bn doses planned to be distributed this year**, production capacity can **hit 4Bn doses in 2022YE**. It's expected that Comirnaty generates at least \$51Bn in revenues over the next six years, more than half is set to be recorded this year. **Pfizer revenues should increase +76YoY reaching \$74Bn.** (Figure 1)

#### Smaller, but More Focused Company

As of 2020, with the completion of the Upjohn transaction, Pfizer became a single segment company. Pfizer will benefit from this transaction as it now can focus on developing new innovative medicines, **leveraging the company's strong R&D department**. Besides this, Pfizer will lower its costs, improving the company profitability, by 2026 **EBIT margin should rise to 24.4%**. (Table 1)

#### Wide Product Portfolio

Pfizer's highly diversified portfolio is fundamental for the next year's growth, as Pfizer revenues are expected to grow at **4.3% CAGR from 2020 to 2026**, excluding covid-19 vaccine revenues. (Figure 2) This growth is mainly supported by the company's main blockbusters, as they are protected by longer life patents, therefore protected from generic competition. (Table 2)

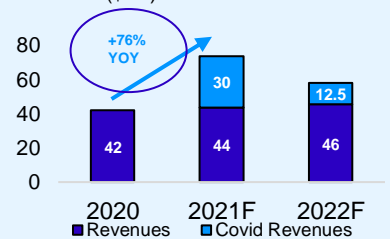
#### Creating value for shareholders

Pfizer has a stable shareholder return policy as the company pays dividends for **330 consecutive quarters and increases dividend levels for 12 consecutive years**. The company's solid financial position and ability to generate cash should support further dividend increases as the **CFO is expected to grow at 4% CAGR from 2020 to 2026, reaching \$13.4Bn in the last year.** (Table 1)



<b>Price Target</b>	<b>\$54.48</b>
Current Price (Aug.31st)	\$46.07
<b>Upside Potential</b>	<b>18.3%</b>
Annualized Return	13.4%
	<b>Medium Risk</b>
Ticker	<b>PFE</b>
Market Cap (\$M)	<b>258,300</b>
Free Float (%)	99.97%
Shares Outstanding (#M)	5,567
52-week range (\$)	<b>32.83 - 51.86</b>

**Figure 1 - Covid Vaccine Revenues vs. Total Revenues (\$Bn)**



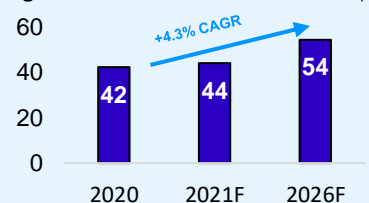
Source: Author analysis

**Table 1 - Financial Highlights**

	2020	2021F	2026F
Revenues (\$Bn)	41.9	73.7	54.9
EBIT(\$Bn)	8.2	18.3	13.4
EBIT Mg (%)	19.5%	24.8%	24.4%
Net Inc.(\$Bn)	9.6	14.1	9.9
NPM (%)	17%	19%	18%
Net Debt/EBITDA	2.2	1.2	1.1
Int. Coverage	5.6	14.1	9.2
R&D(\$Bn)	9.4	10.5	11.3
ROE (%)	15%	20%	15%
CFO(\$BNU)	10.6	12.24	13.4

Source: Author analysis

**Figure 2 - Pfizer Revenues Forecast (\$Bn)**



Source: Author analysis

**Table 2 - Pfizer Blockbusters with longer life patents**

Product	Revenue (\$Bn)	Patent Expiry
Prevnar	5.85	2026
Ibrance	5.39	2027
Eliquis	4.95	2026
Xeljanz	2.44	2025
Vyndaqel /Vyndamax	1.29	2024
Xtandi	1.02	2027

Source: Pfizer 10-K

## 2. Business Description

### The Company

Pfizer Inc. (PFE) is a research-based, **global biopharmaceutical** company, that is committed to the discovery, development, manufacture, marketing, sales, and distribution of **biopharmaceutical products worldwide** – selling products in over 125 countries, with revenues of **\$41.9Bn** and a market capitalization of **\$204.6Bn**.

Pfizer business includes 6 different therapeutic areas, **Internal Medicine, Oncology, Hospital, Vaccines, Inflammation & Immunology and Rare Disease** (Appendix 1)– Pfizer spent around **\$9.4Bn in R&D** in 2020FY, **22.4%** of revenues, **more 5 pp** than the industry average. (Figure 3)

Pfizer is committed to fulfilling its purpose of delivering breakthroughs for changing patients' lives and at the same time creating value for shareholders and other stakeholders. **“Breakthroughs that change patients' lives”**

### The History

The Company history goes back to 1849 when two cousins Charles Pfizer and Charles Erhart founded **Charles Pfizer & Company** in Brooklyn, New York. Although it was only in 1900 that the company filed an official certificate of incorporation in the state of New Jersey. With an authorized capital of \$2 million divided into 20,000 shares of \$100 each, the company would remain privately held until 1942, when 240,000 shares of new common stock were offered to the public.

In 1939 Pfizer became leader in fermentation technology, and thanks to this technology Pfizer was able to mass produce the “miracle drug” penicillin, playing a major role in the treatment of Allied soldiers that were fighting in World War II.

Apart from Pfizer's operational growth and international expansion, Pfizer made some **major M&A operations**, in 2000 Pfizer acquired Warner-Lambert (an American pharmaceutical company, in a \$90.2Bn transaction) to form the new Pfizer, creating the **world's fastest-growing major pharmaceutical company**. In 2009 Pfizer acquired Wyeth (pharmaceutical company producer of some of America's most used over-the-counter (OTCs) and prescription drugs, in a cash and stock transaction of \$68Bn), making Pfizer the **largest pharmaceutical company in the world**. In 2015 Pfizer acquired Hospira (the largest manufacturer of injectable medicines in the world, in a paid in stock transaction of \$15.2Bn). In 2019 Pfizer acquired Array Biopharma (a pharmaceutical company focused on oncology medication, in a cash paid transaction of \$10.6Bn) improving Pfizer's oncology pipeline. Also, in this year Pfizer combined his Consumer Healthcare business with GSK's consumer healthcare business, forming a consumer healthcare joint venture<sup>1</sup>, in which Pfizer owns a 32% equity stake. (Table 3)

In 2020 Pfizer completed the spin-off of Upjohn<sup>2</sup> and subsequent combination with Mylan<sup>3</sup> in a Reverse Morris trust transaction, creating **Viatrix**. **Pfizer' shareholders received 0.124 of Viatrix** common stock for every share of Pfizer owned. This transaction follows **Pfizer's transformation into a more focused, innovative science-based biopharmaceutical products business**.

<sup>1</sup>This JV operates globally under the GSK consumer healthcare name,

<sup>2</sup>Upjohn was Pfizer's off-patent branded and generic established medicines business, that operated mainly in Asia and emerging markets

<sup>3</sup>Mylan was a global generic and specialty pharmaceuticals company

Figure 3 - Pfizer 2020FY major figures



Source: Pfizer 2020 10-K

Table 3 - Pfizer major M&A operations

	Value	Pavmnt type
2000 - Warner-Lambert	\$90.2Bn	Stock
2009 - Wyeth	\$68Bn	Stock
2015 - Hospira	\$15.2Bn	Stock
2019 - Array Biopharma	\$10.6Bn	Cash
2019 - C. Healthcare JV	-	-
2020 - Upjohn spin-off	-	-

Source: Bloomberg

## Pfizer's business segments

Pfizer sells its products in over 125 countries, in 2020, **operations in the US represented 52% of total revenues. Developed Rest of World<sup>4</sup> and Europe represented 20% and 19% of total revenues, respectively, while Emerging Markets<sup>5</sup> account for 10% of total revenues** (Figure 4). Until 2020 Pfizer operated under a global structure consisting of two businesses – Biopharma and Upjohn, each led by a single manager. Although, as previously mentioned, in 2020 Pfizer completed the spin-off and combination of Upjohn with Mylan. Following the combination, Pfizer started operating as a single segment company across six different therapeutic areas: **Internal Medicine, Oncology, Hospital, Vaccines, Inflammation & Immunology and Rare disease.** (Figure 5 and Appendix 1)

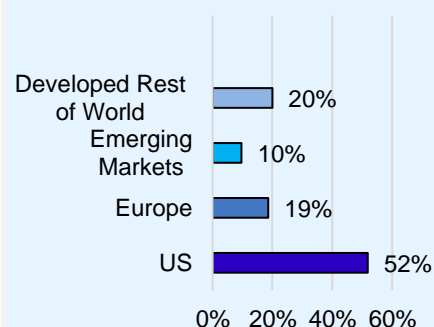
- Internal Medicine:** Internal Medicine develops therapeutics for cardiovascular diseases, diabetes and related disorders, liver diseases, obesity, and related co-morbidities. **Internal medicine grew 2% YoY, representing 21% of Pfizer revenue in 2020YE**, it's second largest therapeutic area in terms of revenue. In terms of products, this area includes both blockbusters<sup>6</sup> **Eliquis and Chantix/Champix**, and the Premarin family.
- Oncology:** The Oncology aims to develop innovative treatments for breast, prostate, lung, colorectal, ovarian, hematologic, and other forms of cancer. **Oncology field grew 22% YoY and is Pfizer's major therapeutic area in terms of revenue, accounting for 26% of its revenue in 2020YE.** Its key products include Sutent, Inlynta, Braftovi and both blockbusters **Xtandi and Ibrance** that represent more than 50% of the revenues in this area.
- Hospital:** Hospital includes Pfizer's global portfolio of sterile injectables and anti-infective medicines, as well as Pfizer CenterOne, their contract manufacturing and active pharmaceutical sales operation. **This area grew 7% YoY and represented 19% of Pfizer's revenues in 2020YE.**
- Vaccines:** Vaccines field specializes in developing vaccines for pneumococcal and meningococcal diseases, as well as major infectious diseases. The **Vaccine's area grew 4.6% YoY, accounting for 16% of revenue in 2020.** Its key products include the blockbuster Prevnar/Prevenar 13 that represented 90% of vaccine's total revenue, and the **Covid-19 vaccine (Comirnaty) that is expected to surpass \$30Bn in revenues this year.**
- Inflammation & Immunology (I&I):** I&I seeks to develop medicines for patients that suffer from chronic immune and inflammatory diseases. It focuses on three areas, rheumatology, gastroenterology/hepatology and medical dermatology. **This I&I field represents 11% of Pfizer's revenue in 2020YE.** Its key products include both blockbusters **Xeljanz and Enbrel** that together account for more than 80% of the area's revenues.
- Rare Disease:** Rare disease field focus on developing therapies for patients suffering from rare diseases, especially in areas such as rare cardiology, endocrinology, rare neurologic, inborn errors of metabolism and gene

<sup>4</sup>Developed Rest of World includes Japan, Canada, Australia, South Korea, and New Zealand

<sup>5</sup>Emerging Markets includes Asia (excluding Japan and South Korea), Latin America, Africa, and Middle East

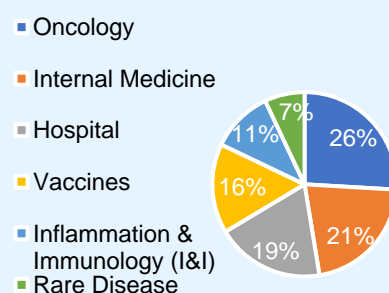
<sup>6</sup>Blockbuster drug is a drug that generates annual sales of at least \$1Bn

Figure 4 - Pfizer Revenues by Region



Source: Pfizer 10-K

Figure 5 - Pfizer Revenues by Therapeutic Area



Source: Pfizer 10-K

Table 4 - Pfizer's Top 10 Products

Products	Revenue in 2020 (\$M)
Prevnar/Prevenar13	\$5,850
Ibrance	\$5,392
Eliquis	\$4,949
Xeljanz	\$2,437
Enbrel	\$1,350
Vyndaqel/Vyndamax	\$1,288
Xtandi	\$1,024
Chantix/Champix	\$919
Sutent	\$819
Inlynta	\$787

Source: Pfizer Proxy Statement for investors 2021

therapy. **Rare disease grew 29% YoY, representing 7% of Pfizer's revenue in 2020YE.** Its key products include the blockbuster **Vyndaqel/Vyndamax and Benefix.** (Table 4 and Appendix 2)

### Comirnaty (covid-19 vaccine)

Covid-19 vaccine, Comirnaty was developed in collaboration with BioNTech<sup>7</sup>, the agreement between the companies presupposes that both companies share equally both development costs and gross profits.

The vaccine has been available for people over 16 years under an emergency use authorization by FDA since December 11, 2020, in the US and since December 21, 2020, in Europe as EMA granted a conditional market authorization. In Q2 of 2021 the vaccine received both emergency authorizations by the FDA and EMA for individuals from 12-15 years.

Until Q2 Pfizer had already shipped 1Bn doses, and it **plans to deliver 2.1B doses** and be able to potentially manufacture 3Bn doses at the end of the year. With an average price<sup>8</sup> of \$20 per dose, **estimates point for \$51Bn in revenues for the next six years** and, being more than half of that estimated for this year. (Figure 6)

Besides the potential financial impact that Comirnaty will produce on Pfizer, the company is also trying to apply the technology used in the development of Comirnaty in Pfizer's core therapeutic areas, **Pfizer's mRNA strategy** (Appendix 3).

### Company Strategy

Pfizer strategy is driven by their purpose *"Breakthroughs that change patients' lives"* and by doing it they expect to create value for the patients and all the stakeholders involved especially the shareholders.

As previously mentioned with the formation of the Consumer Healthcare JV and the spin-off and combination of Upjohn, Pfizer transformed itself into a more focused company, the company new strategy begins with the ongoing restructuring of some corporate functions to ensure that all the support is given to the "heart" of the company the **R&D pipeline** (Figure 7). Ensuring as well that the new cost base aligns appropriately with their revenue base, since there were some indirect costs that have not been transferred.

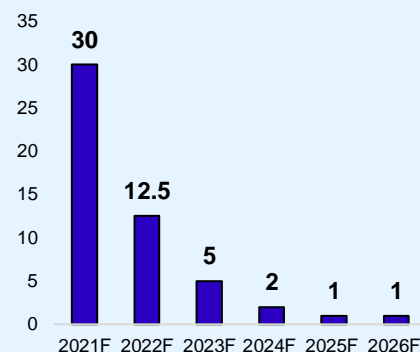
Therefore, Pfizer strategy is focused on organizing and leveraging their pipeline around their five core therapeutic areas and increasing the investment in new emerging technology platforms to capitalize on the industry trends to create long-term opportunities, including:

- An **ageing global population** that is generating increased demand for innovative medicines and vaccines that address patients' unmet needs.
- Advances in both biological science and digital technology that are enhancing the delivery of breakthrough new medicines and vaccines.
- An increasingly significant role of hospitals in healthcare systems.

<sup>7</sup>BioNTech is a German biotechnology company

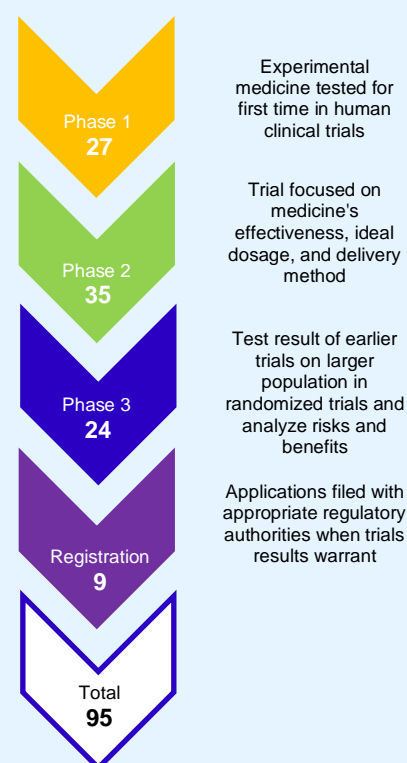
<sup>8</sup>Average price for developed countries, as Pfizer adopts a non-profit price for the undeveloped countries

Figure 6 - Comirnaty Revenue Forecast



Source: Consensus Estimate

Figure 7 - Pfizer's Pipeline



Source: Pfizer 10-K

Pfizer also relies on **M&A and strategic partnerships** as opportunities to create value. In the case of M&A's Pfizer targets to acquire more late-stage assets, while pretending to develop partnerships that help create breakthroughs across all the stages of development.

## Key Drivers of Profitability

The main factor that affects Pfizer's profitability is R&D's new strategy focuses on developing innovative therapies around five different therapies, oncology, internal medicine, vaccines, inflammation & Immunology, and rare diseases. The company pretends to capitalize on new opportunities that arise from the growth of the world population, as well as the ageing population.

As the world population grows, and the life expectancy rises, there is a tendency for the number of people to also rise, generating a constantly increasing tendency in demand for innovative medicines. Pfizer's strategy expects to capitalize on these opportunities by investing in R&D and new medicines technology to create competitive advantages and most importantly improving patients' lives.

## Shareholder Structure

Pfizer Inc. (PFE) has a total of 5,557,629,491 shares outstanding, these shares are traded in **New York** (New York Stock Exchange), **Frankfurt** (Frankfurt Stock Exchange) and in **London** (London Stock Exchange). It's also possible to acquire shares directly through Pfizer, through The Computershare "CIP".

With a **free float of 99.97%**, most Pfizer's shares are held by institutional investors – **67%**, while the remaining is held by individual investors. And its biggest investor is **Vanguard Group Inc/The** that holds 8.14% of the share capital. (Figure 8 and Table 5)

The shares held by Pfizer's members of the Board of directors account for approximately 0.05% of the share capital, equivalent to 2,775,946 shares.

There is a **single class of shares**, in which each share is entitled to one vote.

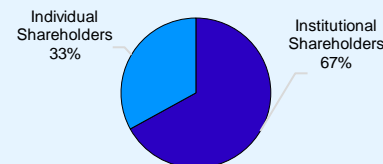
## Dividend Policy

Pfizer doesn't have an explicit shareholder return policy, the company states that their current and projected dividends provide return to shareholders while maintaining sufficient capital to invest back in the business growth. **Pfizer dividends are restricted by any debt covenant.**

The dividend levels remain a decision of Pfizer's Board, as they currently believe that Pfizer can support future annual dividend increases. Although recently the company CEO, Mr. Albert Bourla said that Pfizer will increase its dividends level but at lower rates.

Pfizer paid a dividend of **\$1.53 per share in 2020FY**, this represents an increase of **+4.8% YoY or an +5% CAGR** 2016-2020 and 12 years of consecutive dividend increases. Pfizer recently announced a \$0.39 dividend per share for the Q3 of 2021 meaning that the company will pay the **330th consecutive quarterly dividend** (Figure 9).

**Figure 8 - Shareholder Structure by Shareholder type (% of capital)**



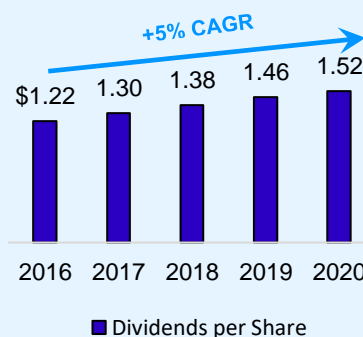
Source: Bloomberg (June 2021)

**Table 5 - Top 10 Shareholders (% of capital)**

Holder Name	Institution type	%
Vanguard Group Inc/The	Investment Advisor	8.14%
BlackRock Inc	Investment Advisor	7.19%
State Street Corp	Bank	4.97%
Capital Group Inc/The	Investment Advisor	4.34%
Wellington Management	Asset Manager	4.31%
Geode Cap. Management	Asset Manager	1.72%
Northern Trust Corp	Bank	1.15%
Bank of America Corp	Bank	1.14%
Norges Bank	Sovereign Wealth Fund	1.08%
Bank of NY Mellon	Investment Bank	1.05%

Source: Bloomberg (June 2021)

**Figure 9 - Dividend per share (DPS)**



Source: Bloomberg



### 3. Management and ESG

#### Corporate Governance

Pfizer believes that a good corporate governance is fundamental to its business, their “Shareholder Outreach” program, through which they interact regularly with their shareholders and stakeholders plays a key role in Pfizer’s governance. With this more collaborative approach they expect that all the stakeholders help the Board address new issues of importance to them and to the industry.

Pfizer’s annually elected board is composed entirely by eleven independent directors, including the lead independent director, the CEO and Chairman (**Unified Management Form**), Mr. Albert Bourla (Figure 10) and is composed by five committees, each one with a respective Chair. (Table 6)

**Audit Committee:** This committee is composed by Suzanne Nora Johnson as Chair, Ronald Blaylock, Joseph Echevarria and James Smith. All committee members are independent, financially literate and qualified as “Audit Committee Financial Experts”. This committee is primarily responsible for overseeing Pfizer’s Enterprise Risk Management (ERM) program. This committee is also responsible for reviewing and consulting on matters related to the annual audit, the published financial statements, earnings releases, and the accounting principles applied. It also reviews and discusses with management the company’s policies with respect to risk assessment and risk management.

**Compensation Committee:** This committee is composed by James Smith has Chair, Ronald Blaylock and James Quincey. This committee is mainly responsible for reviewing and approving the company’s overall compensation philosophy and for overseeing the administration of Pfizer’s executive compensation and benefit programs, policies and practices

**Governance & Sustainability Committee:** Consisted by Joseph Echevarria as chair, together with Susan Desmond-Hellman, Helen Roberts, and Dan Littman. This committee is responsible for overseeing the practices, policies and procedures of the Board and its committees, advising on the structure of Board meetings, and advising and recommending Director compensation, which is approved by the full Board. This committee is also directly responsible for the company’s ESG strategy and reporting as well as the company’s policies and practices related to its management of human resources, talent management, culture, diversity and inclusion.

**Regulatory & Compliance Committee:** Composed by Scott Gottlieb as chair, Helen Hobbs, Susan Hockfield, Dan Littman, and Suzanne Nora Johnson. This committee is responsible for reviewing and overseeing Pfizer’s compliance program, including evaluating its effectiveness. It’s also responsible for processing information related to the current and emerging risks, as well as new regulatory directives that may potentially affect Pfizer’s business operations, risk management, performance, or the company’s strategy. These risks are related to Pfizer’s healthcare law compliance and quality programs and the status of compliance with applicable laws, regulations, and internal procedures.

Figure 10 - Mr. Albert Bourla's profile



**Director** since 2018  
**Age:** 63

- Doctor of Veterinary Medicine and holds a Ph.D. in the Biotechnology of Reproduction from the Veterinary School of Aristotle University.
- Joined Pfizer in 1993 in the Animal Health Division as technical director of Greece. In 2001 became group marketing director in the Animal Health Division. In 2004 was appointed Vice President of Business Development and New Products Marketing. In 2006 President of Animal Health Europe, Africa and Middle East, and two years later assumed additional responsibilities for the Asia and Pacific regions. In 2010 became General Manager of Pfizer’s Established Products. In 2014 was appointed Group President of Pfizer’s Global Vaccines, Oncology and Consumer Healthcare business. In 2017 became Group President of Pfizer Innovative Health. In 2018 became Pfizer’s Chief Operating Officer (COO).
- Became **CEO of Pfizer in 2019** and was appointed **Chairman of the Board in 2020**.

**Source:** Proxy Statement for investors 2021

Table 6 - Pfizer Committees Structure

Name	Committee Memberships					
	Independent	Audit	Compensation	Governance & Sustainability	Regulatory & Compliance	Science & Technology
Ronald E. Blaylock	✓	•	•			
Albert Bourla						
Susan Desmond-Hellmann	✓			•		•
Joseph J. Echevarria	✓	•		CHAIR		
Scott Gottlieb	✓				CHAIR	•
Helen H. Hobbs	✓			•	•	CHAIR
Susan Hockfield	✓				•	•
Dan R. Littman	✓			•	•	•
Shantanu Narayen Lead Independent Director	✓					
Suzanne Nora Johnson	✓	CHAIR			•	
James Quincey	✓		•			
James C. Smith	✓	•	CHAIR			

**Source:** Proxy Statement for investors 2021

**Science & Technology committee:** Formed the Chair Helen Hobbs, and the other independent members Susan Desmond-Hellmann, Scott Gottlieb, Susan Hockfield and Dan Littman. This committee is responsible for periodically examining management's strategic direction and investment in the company's biopharmaceutical R&D and technology initiatives. This includes monitoring Pfizer's R&D pipeline as well as evaluating the quality and competitiveness of the R&D programs. The committee also identifies emerging issues and evaluates the performance of the R&D leaders.

**Lead Independent Director:** Pfizer's Lead Independent Director is Mr. Shantanu Narayen since 2018, his principal responsibilities are serving the as liaison between the other independent directors and the Chairman and CEO and lead the independent Director's evaluation of the Chairman and CEO's effectiveness, that is, assessing his ability to provide leadership and direction to the full board. He also serves as an ex-officio member of each committee and can attend to the meetings of the different committees.

The Board believes that at this moment this is Pfizer's optimal leadership structure, nevertheless the Board also recognizes that given the dynamic and competitive environment in which the company operates the leadership structure may vary as the circumstances demands.

## Environmental, Social and Governance (ESG)

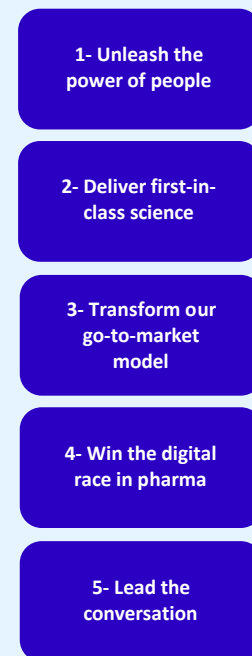
Pfizer's new strategy was developed in accordance with the **United Nations Sustainable Goals**, the company aligned their five "**Bold moves**", with the sustainable goals in which they expect to have more contribution, such as good health and well-being, gender equality, decent work, industry innovation and infrastructure and climate change (Figure 11).

Recently, Pfizer successfully achieve their 2020 environmental goals<sup>9</sup> of a 33% direct reduction in greenhouse gas emissions, a 19% reduction in water withdrawal and a 15% reduction in waste disposed. By 2030 the company expects to become carbon neutral across their internal and external operations meaning a 43% reduction in greenhouse emissions.

In 2020 Pfizer launched a \$1.25Bn **Sustainability Bond**, the first to be issued by a pharmaceutical company. The bond proceeds will be used to support patients' access to Pfizer's medicines and vaccines, in underserved populations.

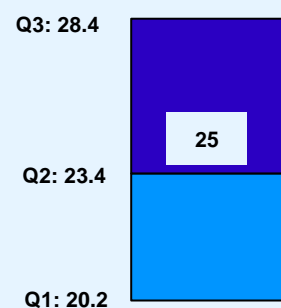
In relation to ESG's metrics and comparing with the industry, Pfizer is placed at 93 out of 947. When compared with its peers, Pfizer as an **ESG Risk Rating of 25**<sup>10</sup> slightly above the median (Figure 12). According to Bloomberg, Pfizer as an **ESG Disclosure Score of 44**<sup>11</sup> out 100.

Figure 11 - Pfizer Five "Bold Moves"



Source: Proxy Statement for investors 2021

Figure 12 - ESG Risk Rating



Source: Yahoo! Finance

<sup>9</sup> Comparing to 2012 baseline

<sup>10</sup> The lower score is associated with less unmanaged ESG Risk.

## 4. Industry Overview and Competitive Position

### Global Economic Outlook

#### World GDP growth

According to the International Monetary Fund, the global economy is projected to grow **6.0% percent in 2021** and **4.9% in 2022**. (Figure 13) Although economic prospects have diverged across countries since the Q1 of 2021, the access to vaccines is the principal fault of having the global recovery of the economy split into two blocks. The developed countries that had access to vaccines and have a considerable percentage of the population already fully vaccinated, are gradually coming back to normal activity's levels. On the other hand, emerging markets didn't get the same number of vaccines as developed ones and they are still facing resurgent covid-19 waves and rising covid-19 deaths. (Appendix 4)

#### World Population growth

The world population in the past 10 years grew at **1.12% CAGR** reaching 7,645 million in 2020, for the next two years it is expected that growth trend remains stable with an annual forecast growth of **1.1%**. By 2026 the world population is expected to reach 8,107 million. (Figure 14)

### Europe Economic Outlook

According to the European Commission, the overall **GDP is forecasted to grow by 4.8% in 2021 and 4.5% in both the EU and the euro area**. The improvement of health in putting back economies in motion, as most countries lift covid restrictions. The contraction of the GDP in Q1 of this year turned out to be marginal, and some countries can even see their economic output return to pre-pandemic levels in Q3.

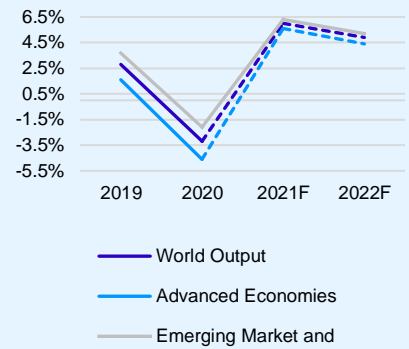
The **inflation forecast has been revised upwards**, in the **EU inflation is now forecast to average 2.2% this year and 1.6% in 2022**, in euro area inflation is forecast to average 1.9% in 2021 and 1.4% in 2022. This upward trend can be explained by the rising of energy and commodities prices, **shortage of semiconductors** and other raw materials. (Figure 15)

### US Economic Outlook

According to OECD the **real GDP is projected to grow by 6.9% in 2021 and 3.6% in 2022**, the impact of the vaccination campaign and substantial fiscal stimulus have been boosting the economic recovery. The unemployment rate continues to fall, as labor market conditions continue to improve. (Figure 16)

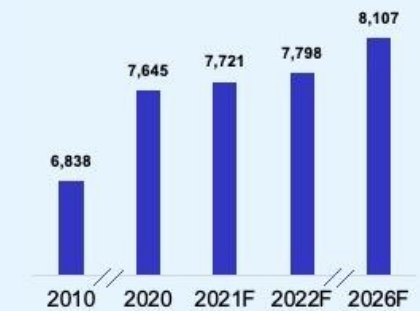
Macroeconomic policies continue to support the economy recovery, as FED expects to maintain the federal fund rate between 0 – 1/4 per cent target range. Core inflation will rise, although it should remain under control, FED expects that after this inflation spike, it is unlikely that inflation surpasses the target of 2% in the medium term established by FED.

Figure 13 - World GDP projections



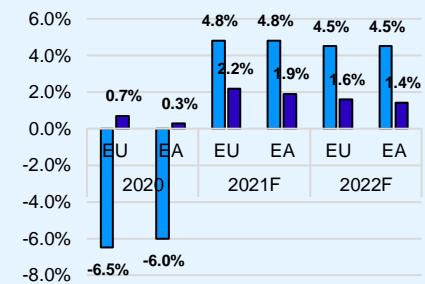
Source: IMF 2021

Figure 14 - World Population projection (millions)



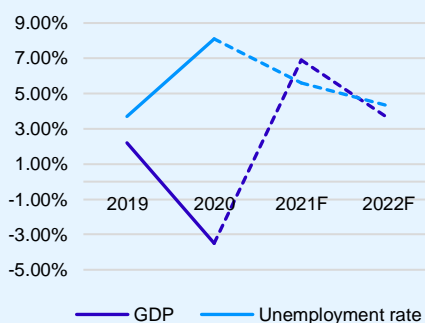
Source: IMF 2021

Figure 15 - GDP and inflation forecast for the EU and Euro Area



Source: European Commission

Figure 16 - US GDP and Unemployment rate forecast



Source: OECD

## Outlook of Pharmaceutical Industry

The **pharmaceutical industry** is part of the healthcare sector that deals with medicines. The industry comprises different subcategories concerning the development, production, and marketing of drugs. These co-dependent subcategories consist of drug marketers, drug manufacturers and biotechnology companies.

The main objective of this industry is to provide medicines that avoid infections, increase health, and treat diseases. Due to advances in R&D and technology, the pharmaceutical industry is starting a new era in medicines development. According to **Evaluate Pharma** report: “Industry R&D spend is forecast to grow at a CAGR of 3.2% to 2026.” (Figure 17).

It is expected that prescription drug sales reach almost \$1.4trn by 2026, even though the COVID-19.

### Industry Trends

The Pharmaceutical Industry is constantly changing, not only because of the appearance of new illnesses, but also because of the faster growth of the worldwide population and the ageing population as well. The unstable burden of healthcare costs is making the industry shifting from a volume to value-based, more focused on patients and in delivering more personalized treatments and therapies.

Digital transformation also contributes to shaping the new healthcare landscape as it brings new solutions in how patients interact with healthcare professionals, as well as the better usage of data in decisions about treatment plans. The Covid-19 pandemic produced a catalytic effect in the industry, accelerating the development rate of new digital solutions and increasing investments into new groundbreaking therapies and innovative medicines.

### Digital Transformation

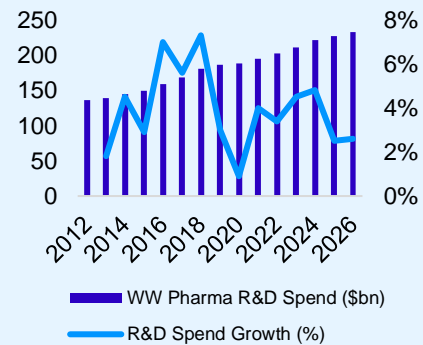
As previously stated, digital transformation was already a trend before the Covid-19 pandemic arrived, although according to the **EvaluatePharma** report, Covid-19 has accelerated the industry’s digital transformation in more than five years.

The data generated from the industry is set to grow 36% CAGR 2018-2025, higher than industries like financial services or media and entertainment (Figure 18). Currently Big Pharma companies are investing in biotechnology, drug delivery, medical devices, and equipment (Appendix 5) and emerging technologies. In emerging technologies Big Pharma companies concentrate their investments in cybersecurity, Cloud computing, big data and blockchain (Figure 19).

This investment shift is also because Big Techs are trying to enter the healthcare market. Tech giants aim to establish a leadership position in the quickly evolving landscape of the sector, as they increase the investment in digital health.

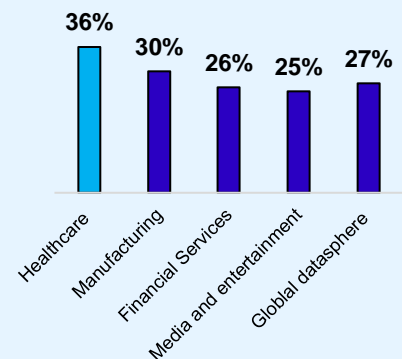
An unequal battle for the leadership of the sector, as Big Tech companies have on average 3 times more cash than pharma companies, and almost unlimited capacity of debt. (Appendix 6)

**Figure 17 - Worldwide Total Pharmaceutical R&D spent in 2021-2026**



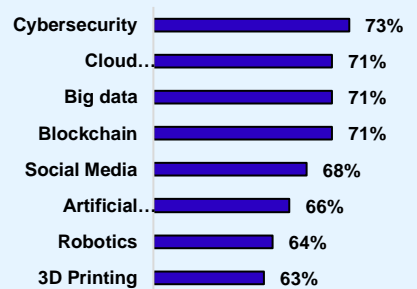
Source: Evaluate Pharma 2021

**Figure 18 – 2018-2025 Data generation**



Source: RBC capital Markets

**Figure 19 – Pharma current investments in emerging technologies**



Source: RBC capital Markets

## Therapeutic Areas Expectations

Oncology was the largest therapy in 2020, and it's expected to continue being the largest therapy area in 2025, with an estimated growth of 9-12% CAGR 2021-2025 the whole of oncology can reach \$273Bn in revenues (Appendix 7). Oncology continues to be the main R&D focus area in the biopharmaceutical industry. Immunology is the second largest therapy area globally, and it is expected to reach \$175Bn in 2025, growing at 9-12% CAGR 2021-2025. The third largest therapy area is diabetes, and it is expected to grow at 4-7% CAGR 2021-2025.

The fastest growing therapy is vaccines as it is expected to grow at 12-15% CAGR 2021-2025, although this growth understates the impact of covid-19's vaccines as it is expected that by 2025 spending in covid-19 vaccines will be moderate (Table 7 and Appendix 8).

## Drivers of Revenues

The key Drivers of the Industry are the increase of worldwide population and linked to this is the increase of life expectancy, the healthy years after 65 rose 1.6 years in the last 10 years (Figure 20). These new pressures will bring new opportunities for some companies and the investment in R&D and in Technology will increase the production of new drugs, leading to creation of new patents. Thus, a huge possibility to raise the profits exponentially appears.

## Drivers of Costs

Despite this, the industry faces real challenges. The expenditures in R&D and the Patent Expiration can put at risk the worldwide revenues of the industry. Nevertheless, the additional government regulations have been severely hit by the impact of fiscal austerity.

The long development of new medicines can result in delays in study initiation, leading to increasing costs. On the other hand, these studies are necessary to ensure a competitive drug classification and to boost the likelihood of obtaining a good quality medicine.

## Demand and Supply Analysis

### Demand

The demand for medicines can be measured by its prescription, in Figure 21, it is possible to identify the growth trend from 2017 to 2020 and the forecast growth rate 6.05% CAGR from 2021 to 2025. This upward trend of medicines' consumption depends on some economic and demographic trends, including, the increase of chronic diseases as consequence of the ageing population as well as sedentariness lifestyle, greater governments expenditures on health especially after the covid-19 pandemics, and a higher demand for new and more efficient treatments.

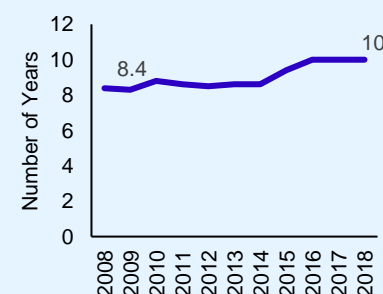
As seen before the world population is growing at a tremendous rate, the projections point to the global population reaching 8.5 billion in 2030. Figure 22 helps support the idea that European and North American populations are getting older which means that there will be an increase in demand for medicines in these regions in upcoming years. In the same figure we can also see that emerging markets in regions like Asia, Africa and Latin make companies want to shift towards those markets since it is expected to have a higher rate of sales growth. To give an example, from 2010 to 2015 the revenues in China grew at 22.4% CAGR and it is expected a forecast growth rate of 8% CAGR for the next five years. For the rest of

**Table 7 - Therapy areas forecast grow 2021-2026**

Therapy Area	2021-2025 CAGR's
Oncology	9 - 12%
Immunology	9 - 12%
Antidiabetics	4 - 7%
Neurology	3 - 6%
Cardiovascular	1 - 4%
Anticoagulants	6 - 9%
Respiratory	2 - 5%
Pain	3 - 6%
Vaccines incl Covid	12 - 15%
HIV antivirals	2 - 5%

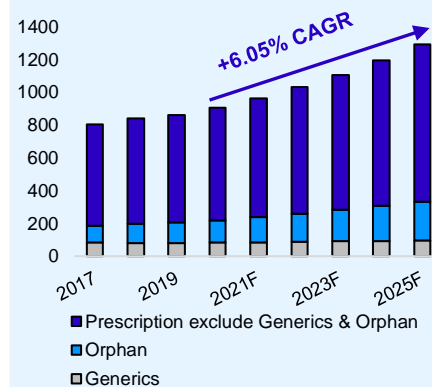
Source: IQVIA Institute

**Figure 20 - Healthy years after 65**



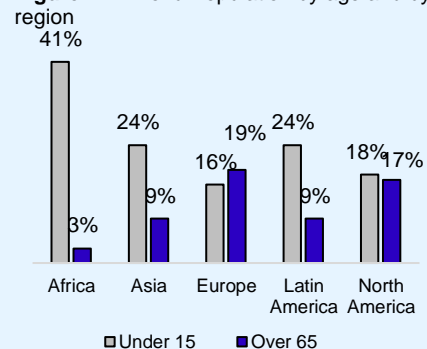
Source: Eurostat

**Figure 21 - Worldwide Total Prescription Drug Sales**



Source: Evaluate Pharma 2021

**Figure 22 - World Population by age and by region**



Source: Statista

emerging markets it is expected that in 2025 the revenues will achieve double of the revenues registered in 2015.

Another key driver of demand is the number of people that suffer from chronic diseases, Figure 23 shows the projections for the percentage of the American population that could be suffering from at least one chronic disease, and in 2030 we can have almost half (49.57%) of the American suffering from at least one chronic disease.

In addition to all the drivers referred previously government expenditures on healthcare shown a growth trend in previous and it is expected that trend to continue in upcoming especially because of the covid-19 pandemic, recent studies point to an increase of upon 50% for next years in health expenditures for some countries, this factor will contribute to and higher demand for pharmaceutical products in the future.

### Supply

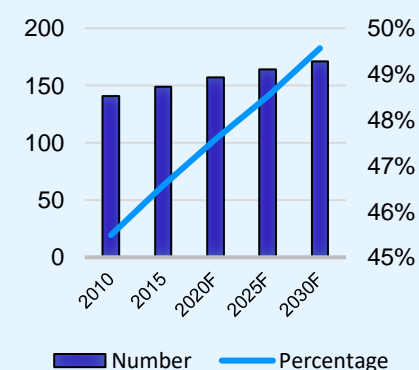
The **supply** for medicines is affected by **exchange rates**, since it directly affects the companies' profitability, costs, and revenues, and therefore companies' financial statements. Since the volatility of these rates can be difficult to predict and given the exposure exchange fluctuations, companies can mitigate this risk by hedging.

Another driver of supply is the expiration of the patents, as companies lose their exclusivity rights for some treatments, the supply of generics increases which leads to price competition, that negatively affects companies' revenues. In Figure 24 it is possible to evaluate the sales at risk due to patent expiration, and between 2020 and 2026 it is expected that on average 3.4% of the market is at risk.

### PESTLE Analysis

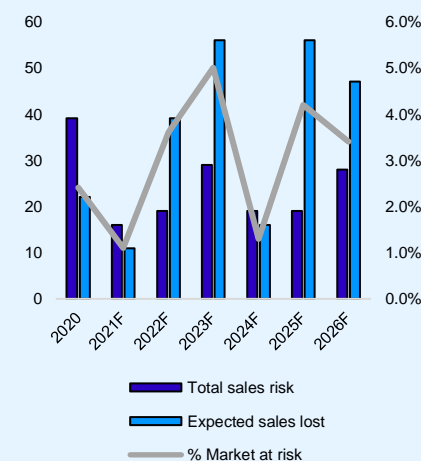
The world is constantly changing, and external factors tend to have a long-term impact, which requires more time and research from companies. The Table above specifies these factors. (Table 8)

**Figure 23** - Number of People with Chronic diseases (millions)



**Source:** Statista & American Hospital Association

**Figure 24** - Worldwide sales at Risk due to Patent Expiration 2020-2026



**Source:** Evaluate Pharma

**Table 8** - PESTLE Analysis

Political	Economic	Social
<ul style="list-style-type: none"> <li>Political changes, focus and pressure on health industry</li> <li>Price regulation</li> </ul>	<ul style="list-style-type: none"> <li>Worldwide crisis</li> <li>Changes in GDP, unemployment rate and tax environment</li> <li>Growth in investment in healthcare per capita</li> <li>Reduction in consumer income</li> <li>Price pressure</li> </ul>	<ul style="list-style-type: none"> <li>More social awareness and interest among consumers</li> <li>Growth in ageing population and in population on general</li> <li>Culture changes</li> <li>Increasing in population with chronic diseases</li> </ul>
Technological	Legal	Environmental
<ul style="list-style-type: none"> <li>More technological advancements and innovation will affect the services provisions, customized treatments, and the marketing of products</li> <li>New digital opportunities (social media)</li> <li>Innovation in biotech</li> <li>Machine learning evolution</li> </ul>	<ul style="list-style-type: none"> <li>High regulatory and legislative restrictions</li> <li>Changes in advertising laws</li> </ul>	<ul style="list-style-type: none"> <li>More conscientiously worldwide to environmental issues, like pollution and waste</li> </ul>

**Source:** Author Analysis

## Competitive Analysis

### Peers Identification

There are several industry classification systems that can be used to identify the industry peers. For the identification of Pfizer's peers, we combined the peer group from Bloomberg of with the SARD<sup>12</sup> approach.

The peer group from Bloomberg contains the biggest pharmaceutical companies, headquartered in Europe and US, by market capitalization, to which was applied the SARD approach. To apply the SARD approach five selection variables were chosen to rank the companies against each other. The variables chosen were the market capitalization as a size-measured, ROE as a substitute for profitability, Net debt-to EBITDA as surrogate for risk, EPS, and EBIT margin.

As result of this approach conclude that most of similar peer group that include 6 companies<sup>13</sup> is composed of: **Roche, Pfizer, Eli Lilly, Novartis, Abbvie and Merck.** (Table 9)

### Peers Strategies

Pharmaceutical industry is highly competitive, as companies invest millions of dollars in research, trying to find the new blockbuster and therefore gaining a competitive edge. So, it's important to understand what the competitors are doing, and what their strategies are.

- **Roche** focuses their business into two different segments, Diagnostics and Pharmaceuticals Division. Their strategy focuses on finding new medicines and diagnostics to help patients live longer, better lives and evolve the practice of medicine.
- **Eli Lilly** focuses on four therapeutic areas, Oncology, Diabetes, Neuroscience, and immunology. Their purpose is to create new medicines that make people's lives better around the world.
- **Novartis** divides their operations into two different segments, Sandoz, and Innovative Medicines. Its strategy is to "build a leading, focused medicines company powered by advanced therapy platforms and data science".
- **Abbvie** develops new medicines across five therapeutic areas, immunology, oncology, neuroscience, virology, and eye care. Its strategy is to deliver innovative medicines and to impact people's lives.
- **Merck** works on four therapies areas, oncology, vaccines, infectious diseases, and cardio-metabolic disorders. Merck wants to become the leading science and technological company in three main fields: Healthcare, Life science and Electronics.

<sup>12</sup> Sum of Absolute Rank Differences

<sup>13</sup>6 companies are the minimum number of selected companies the authors believe to be necessary to minimize the error

**Table 9 - Biggest Pharmaceutical Companies headquartered in US and Europe**

Rank	Company	Ticker	Market Cap (\$M)	Selected Peer
1	JOHNSON & JOHNSON	JNJ US	431,820	-
2	ROCHE HOLDING AG	ROG SW	320,770	✓
3	PFIZER INC	PFE US	244,900	✓
4	ELI LILLY & CO	LLY US	226,050	✓
5	NOVO NORDISK A/S - B	NOVOB DC	222,750	-
6	NOVARTIS AG-REG	NOVN SW	199,450	✓
7	ABBVIE INC	ABBV US	194,370	✓
8	MERCK & CO INC	MRK	192,890	✓
9	ASTRAZENECA PLC	AZN LN	186,100	-
10	SANOFI	SAN FP	121,560	-
11	GLAXOSMITHKLINE PLC	GSK LN	95,100	-
12	BAYER AG-REG	BAYN GR	53,480	-

**Source:** Bloomberg

## Pfizer's SWOT analysis

Table 10 - Pfizer's SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• <b>Strong Brand presence</b> - Pfizer has built a strong brand image as it produces some of the famous products over the years, that contributed to Pfizer becoming one of the biggest companies of the industry.</li> <li>• <b>High Product Diversification</b> - Pfizer develops products across six different therapeutic areas</li> <li>• <b>Strong R&amp;D department</b> - Pfizer is one of the pharmaceutical companies with the biggest Research &amp; Development budget within the industry. In 2020FY the company spent \$9.4Bn in R&amp;D.</li> <li>• <b>Covid-19 response</b> - Pfizer's works on developing and mass-producing the covid-19 has been incomparable, as it was the fastest vaccine ever to be approved, rolled out and mass-administrate to the public.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Fraud involvement</b> - Pfizer faced thousands of lawsuits over the years, mainly for allergic reactions to their most popular products. It holds the record of paying the largest fine in the pharmaceutical industry. Pfizer paid \$3.2Bn for illegal marketing practices.</li> <li>• <b>High competition</b> - Pharmaceutical industry is a highly competitive industry as it is difficult to achieve competitive advantages over competitors.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• <b>Strategic Agreements with other pharmaceutical companies</b> - Building strategic partnerships with other pharmaceutical companies to boost research and development of new products. An example of this is the partnerships with BioNTech in the development of the covid-19 vaccine.</li> <li>• <b>Ability to apply new approaches to broader product development</b> - Pfizer can apply the new technology used in the development of covid-19 in other therapeutic areas.</li> <li>• <b>Increasing awareness about healthcare needs</b></li> <li>• <b>Increasing demand for new quality healthcare solutions</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Pricing Pressure</b> - Increasing pricing pressure from governments and healthcare organizations.</li> <li>• <b>Regulatory environment becoming more stringent</b></li> <li>• <b>Generic competition</b></li> <li>• <b>Counterfeit products</b></li> </ul>

Source: Author Analysis

## Porter's 5 Forces

### Threat of New of New Entrants: LOW

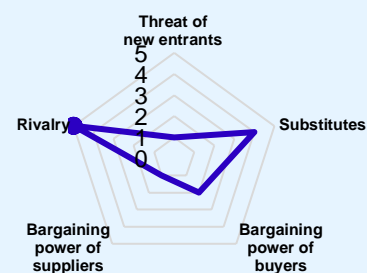
The threat of new entrants is low for the pharmaceutical industry, mainly because of the high government regulations and laws to enter (EMA and FDA). The expenditures with establishing a manufacturing firm are high and the investment in R&D of new drugs are also elevated. Establishing product differentiation, leading to client engagement is also difficult and the existing companies developed economies of scale, leading to increased profits, which is challenging to achieve for new companies. To conclude, most drugs have patents, so a new firm must start from zero to produce a new pharm.

### Bargaining Power of Buyers: MEDIUM

The bargaining power of buyers is medium in Europe and the US. Patents of new medicines last 20 years in both, allowing the producer to set the price. When the time ends generic production begins and prices become more competitive, so customers have a higher set of choices, and the switching costs are low.

On the other hand, a higher client's base pressures pharmaceuticals to keep prices quite low. However, hospitals, health care insurance companies and governments have significant bargaining power because they can choose to not subsidize certain medicines. Furthermore, the patients have the "obligation" to follow the medical prescriptions, having in this way less bargaining power.

Figure 25 - Porter's 5 Forces



Legend: 1 - Low; 2 - Low to Medium; 3 - Medium; 4 - Medium to High; 5 - High

Source: Author analysis



### **Bargaining Power of Suppliers: LOW**

The bargaining power of suppliers is low because sales are concentrated in the larger companies and there are multiple providers. Firms have higher switching costs when investing in new medicines (high investment in R&D) and the raw materials used in the drug production are available in large quantities.

On the other hand, when researchers discover new products, the company of which they belong have a vast bargaining power, due to the fact new patents are created.

### **Threat of Substitutes Products: MEDIUM to HIGH**

The threat of substitute products can be medium or high because if the drug is still in its patent period, there is no substitute product. However, when this time ends, its generic production starts, and a high number of substitutes are produced and the demand for low-cost drugs increases.

On the other hand, alternative medicines, and promotion of a healthy lifestyle can be other alternatives for medicines.

### **Industry Rivalry: HIGH**

The pharmaceutical industry is quite competitive because most of its players have good brand recognition. The profit margins are high, there are a lot of firms, and the government laws make this market highly competitive. The investment in R&D has been increasing, and so companies are becoming more competitive, because there exists a constant pressure to innovate. Additionally, a huge number of M&A for the development of new drugs and chemicals have been appearing. (Figure 25)

## 5. Investment Summary

Pfizer has a **Buy recommendation**, with a 2022YE PT of **\$54.48/share**, using the DCF method, meaning an **upside potential of 18.3%** or an annualized potential return of 13.4%, comparing with the closing price of \$46.07/share on August 31<sup>st</sup>, with **medium risk**. (Figure 26)

Pfizer is one the biggest pharmaceutical companies of the industry, it was the first company to develop a covid-19 vaccine, that is expected to generate more than **\$51Bn in the next six years**, being more than half of that set to be recorded this year. Given this, Pfizer's revenues should **increase 76% YOY, reaching \$74Bn**.

Besides this, Pfizer has a broader product portfolio, selling products across six different therapeutic areas, **including oncology** that is set to grow at **9-12% CAGR 2021-2025**. Moreover, most of Pfizer's blockbusters have long-life patents which means that, theoretically they are against generic competition. In these conditions we expect Pfizer's revenues to grow at 4.3% CAGR from 2021-26, excluding the impact of covid-19 vaccine, much better than last 3 years as Pfizer grew at 1% CAGR (Figure 27).

In addition to this, is Pfizer's stable shareholder return policy, **the company pays dividends for 330 consecutive quarters and increases dividends for 12 consecutive years**. Pfizer's solid financial position will make it possible to continue increasing dividend levels, as the CEO of the company already stated.

### Valuation Models

To obtain Pfizer's PT different methodologies were used, as the PT **ranges between \$48.54/share and \$54.87/share**.

The lowest PT obtained was\$ \$48.54/share through the DDM – Total Payout Method, in line with Pfizer's CEO Albert Bourla that Pfizer will increase their dividend at a lower rate.

The PT used in the investment recommendation was the **WACC method** with a **PT of \$54.48/share**, supported by the **PT obtained with the APV method of \$53.59/share and by the relative valuation**. The PT obtained using the Flow-to-Equity method was \$51.40/share (Figure 28).

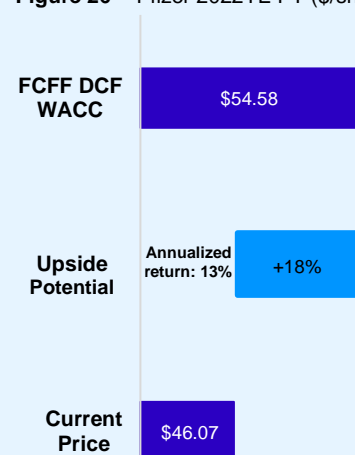
### Investment Risks

Investors should be aware that Pfizer Business is subject to various risks that can jeopardize the investment recommendation. As a research based pharmaceutical company is subjected to the main risk of the industry, research and development risk. Besides having been increasing **its investment in R&D there is no guarantee that it will succeed**.

Besides this, is the **increasing pricing pressure** from governments and wealth organizations, as the increasing demand for medicines resulting from the aging population and the increasing number of people suffering from chronic diseases, negatively impacts government budgets.

Moreover, the possibility of Pfizer **failing in future patent applications or patent extensions** can have a negative impact in the future stock performance.

Figure 26 - Pfizer 2022YE PT (\$/share)



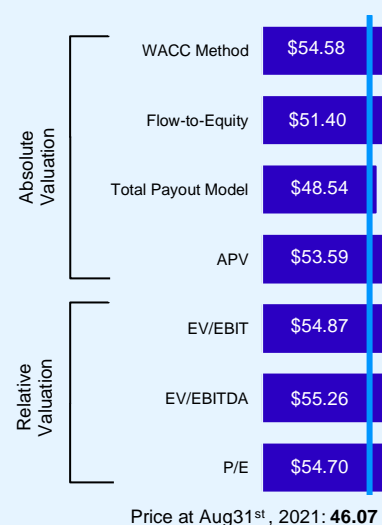
Source: Autor analysis

Figure 27 – Comirnaty Revenues vs Pfizer Total Revenues (\$M)



Source: Autor analysis

Figure 28 - Valuation Models TP vs Current Price (\$/share)



Source: Autor analysis

## 6. Valuation

### Revenues Assumptions

Pfizer revenues in 2020 reached \$41.9Bn an increase of 1.8% YoY. As of last year, after the UpJohn spin-off, Pfizer operates as a single segment company within six different therapeutic areas.

To forecast the revenues, the main drivers of demand, the growth and ageing of the world population must be considered, but also the industry trends like the digital transformation and the therapeutic areas growth expectations. The digital transformation of the industry, accelerated by the covid-19 pandemic, is expected to bring a reduction in costs for pharmaceutical companies in the next few years, but more importantly will bring new technologies for the R&D of new medicines. In the case of Pfizer, the technology used in the covid-19' vaccine (Appendix 3) will be applied to the other therapeutic in which the company is focused, this will contribute to the long-term growth of the company.

Pfizer revenues will follow the therapeutic areas expected growth, as the company blockbusters for each therapeutic area are protected by longer life patents (Appendix 2). The impact of generics will be felt in the long term when the main products lose their patent protection.

Therefore, the revenues forecast was based on the expected growth for each therapeutic area except for the vaccines' field were the forecasted was based on the **average estimates for covid-19 vaccine (Comirnaty)** (Appendix 7), and the expected future growth **rate of 2% CAGR for Prevnar13/Prevenar13**, as it represents 90% of total area revenues in 2020.

**Oncology** area was forecasted at **6.5% CAGR 2021-26**, as oncology therapy is set to grow at 9-12% CAGR 2021-26 (Appendix 8) from the same period and given the weight of the blockbuster **Ibrance**<sup>14</sup> in the segment (more than 50% of oncology in revenues in 2020), 6.5% seems a reasonable and at the same time conservative estimate (Table 11).

**Inflammation&Immunology** was forecasted at **5% CAGR 2021-26**, as Immunology therapy is expected to grow at 9-12% CAGR 2021-2026 (Appendix 8), this growth rate is supported by the blockbuster Xeljanz, that accounts for more than 50% of I&I revenues in 2020.

**Rare Disease** was forecasted based on the neurology expected growth of 3-6% CAGR 2021-2025 (Appendix 8) align with the expected growth of the blockbuster Vyndaqel/Vyndamax<sup>15</sup>, thus we forecast rare disease therapy at **5% CAGR 2021-25**.

**Hospital** was forecasted at **2.5% CAGR 2021-25**, as Hospital solutions are expected to grow at 2-5% CAGR 2021-26, and we **consider 2.5% as a conservative estimate**.

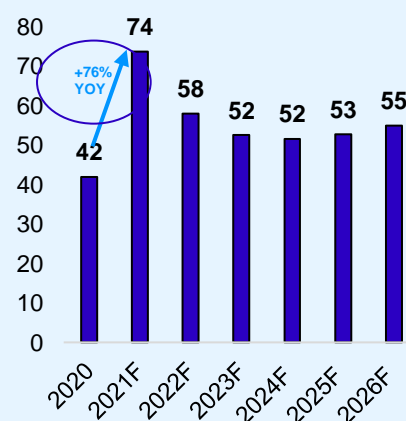
**Internal Medicine** was forecasted at 4% CAGR 2021-26, as a combination of the expected growth rate of 4-7% CAGR 2021-2025 for Antidiabetics and 1-4% CAGR 2021-2025 for Cardiovascular, the two main therapies areas of Internal Medicine.

**Table 11 - Therapeutic Areas Revenues assumptions**

Therapeutic Areas	Assumptions
Oncology	6.50%
Immunology&Inflammation	5.0%
Internal Medicine	4.0%
Hospital	2.50%
Vaccines	2.00%
Rare Diseases	5.00%

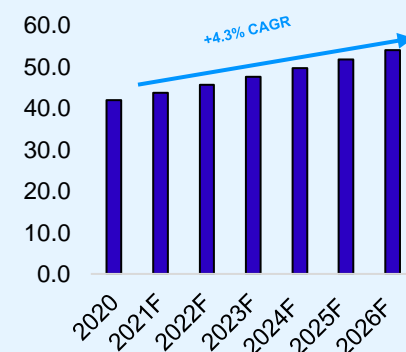
**Source:** Author analysis

**Figure 29 - Pfizer Revenues Forecast (\$Bn)**



**Source:** Author analysis

**Figure 30 - Pfizer Revenues forecast excluding Covid-19 vaccine (\$Bn)**



**Source:** Author analysis

<sup>14</sup>Ibrance is set to grow at 10% CAGR 2020-25, according to Evaluate Pharma

<sup>15</sup>Vyndaqel/Vyndamax is expected to reach \$3.3Bn in 2025

Pfizer revenues will increase **around 76% YoY**, reaching \$74Bn, because of the Covid-19 vaccine revenues that solely accounts for \$30Bn. (Figure 29)

According to these estimates Pfizer's revenues **will grow at 4.3% CAGR 2020-26, a more conservative estimate** compared with company projections of growing at 6% CAGR 2020-2025. (Figure 30)

## Valuation Models

Pfizer's valuation considers a forecasted period of 6 years, from 2021F to 2026F, in which all three financial statements were forecasted. This valuation aims to reach a company PT target for 2022 YE. For the valuation itself two main different methods were used, an absolute valuation and a relative valuation.

Concerning the Absolute Valuation, it was considered the following models, Discounted Cash-flow model (DCF) and the Dividend Discount Model (DDM). In the DCF model both approaches were considered, an enterprise through the WACC method and APV and an Equity approach using the FTE method.

In the relative valuation we applied the Market Multiples approach based on the selected peer group previously mentioned.

### WACC Method

The first method used to compute Pfizer Price Target was a single-stage DCF, assuming a constant capital structure, and using the **WACC rate of 5.7%** to discount the estimated FCFF. This approach resulted in a 2022YE PT of **\$54.48/share** meaning **an upside potential of 18.3%**, compared with **current price of \$46.07/share** (Table 12) (Appendix 25).

### WACC Assumptions

For the **Cost of Equity (Re)** computation, was used a **Risk-free rate of 1.30%**, which corresponds to the 10-year maturity yield of the US T-Bond, on August 31<sup>st</sup>. (Appendix 17). The beta was calculated using the pure-play method, using the benchmark Pharmaceutical/Drug unlevered beta<sup>16</sup>, in which was obtained a **beta of 0.91** (levered beta). (Appendix 18) **The 5.39% Equity Risk Premium** was computed using the weighted average of the regions Equity Risk Premium in which Pfizer operates. The region ERP corresponds to the spread of the average CRP premiums in which Pfizer operates. (Appendix 19) Thus we obtained a **Cost of Equity of 6.2%** using the CAPM formula (Appendix 20).

The **Cost of Debt (Rd) of 3.1%** was estimated as the historical 2019-2020 average interest rate. (Appendix 21)

A **WACC of 5.7%** was obtained considering a D/(D+E) of 14,3% estimated using both market values of Debt<sup>17</sup> and Equity (Appendix 23) (Table 13).

### Long-Term Sustainable growth rate (g)

For the long-term sustainable growth rate, we test different methods. The first one, was the Stable growth model that considered Pfizer's Reinvestment Rate and ROE (DuPont Analysis) in which a **g of -3.4%** was obtained. This value does not seem reasonable to be considered since it would indicate that Pfizer is not growing in the

Table 12 - WACC method

WACC method	
<b>(=) Enterprise Value</b>	<b>323,758</b>
(+) Non-operational Assets	27,214
(-) Non-operational Liabilities	-26,589
(+) Cash & Cash Equivalents	22,692
(-) Debt	-43,555
(-) Non-controlling interests	-235
<b>(=) Equity</b>	<b>303,285</b>
#Shares	5,567
<b>Price</b>	<b>\$54.48</b>

WACC	5.7%
<b>Upside potential</b>	<b>18.3%</b>

Source: Author analysis

Table 13 - WACC Assumptions

WACC Assumptions	
RFR	1.31%
Beta	0.91
ERP	5.4%
<b>Re</b>	<b>5.9%</b>
<b>Rd</b>	<b>3.1%</b>
E/(D+E)	86%
D/(D+E)	14%
t	17%
<b>WACC</b>	<b>5.7%</b>

Source: Author analysis

<sup>16</sup>Source: Damodaran 2021

<sup>17</sup>Appendix 23

long-term. It could be possible, although there is a reason behind this negative long-term growth rate. CAPEX is lower than D&A, and since in this method  $g$  is linked to CAPEX it is natural to obtain a negative  $g$ . Most Pharmaceutical companies concentrate their investments into R&D or in acquisitions, being difficult to implement in this model.

The other approach to estimate  $g$  was using the PRAT Model in which a  **$g$  of 3.2% was obtained**, once again this cannot be considered a reasonable value for the  **$g$** . (Appendix 24)

The  **$g$**  typically ranges between the historic inflation and the average GDP growth rate. Given the weight that  $g$  has in the Terminal Period estimation (the terminal period contributes to around 80% of Pfizer's valuation), we assumed conservative  **$g$  of 2.0%**. Further on this report a sensitivity analysis was performed to assess the impact of this component in the PT.

### Adjusted Present Value (APV)

The second enterprise approach used to estimate Pfizer's PT was the APV methodology, in which we discounted the FCFE using the unlevered cost of capital (Ru) of 5.9% (Appendix). This methodology differs from the previous ones as it considers the effect of Debt through the Interest Tax shield. Through this model was estimated a **2022YE PT of \$53.59/ share**, an **upside potential of 16.3%** when compared to the current price of \$46.07/share (Appendix 26) (Table 14)

### Flow-to-Equity Method (FTE)

The entity approach used to estimate Pfizer's PT was the FTE method, computed using the FCFE calculated for the forecasted period and with the cost of equity of 6.2%. This method resulted in **2022YE PT of \$51.40/share** equivalent to an **upside potential of 11.6%** (Appendix 27).

### Dividend Discount Model – Total Payout Method

Considering Pfizer's Shareholder return policy of paying cash dividends and exercising the share repurchase agreement, was estimated a **PT for 2022YE of \$48.54/share**, using a two-stage dividend model.

The first stage of the model considers the future expected total cash flow deliver to shareholders, that is, accounts for both cash dividends and share repurchases. (Figure 31).

The second stage of the model is based on the Gordon Growth Model, applied through a H-model with two different dividend growth rates, a short-term dividend growth rate that follows the average world GDP and a long-term dividend growth rate that we assume to be the long-term sustainable growth rate. We considered a half-time life of the high growth period of 8 years, align with the average time for Pfizer's key products patents expire<sup>18</sup> (Appendix 28).

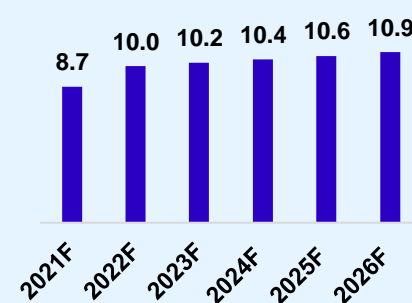
**Table 14 - APV Method**

APV method	
PV(Tax Shield)	8,111
PV (Explicit period of Business Cash Flow)	310,706
<b>(=) Unlevered Enterprise Value</b>	<b>318,817</b>
(+) Non-operational Assets	27,214
(-) Non-operational Liabilities	-26,589
(+) Cash & Cash Equivalents	22,692
(-) Debt	-43,555
(-) Non-controlling interests	-235
<b>(=) Equity</b>	<b>298,344</b>
#Shares	5,567
<b>Price</b>	<b>53.59</b>

Unlevered Cost Capital (Ru)	5.9%
<b>Upside potential</b>	<b>16.3%</b>

*Source: Author analysis*

**Figure 31 - Pfizer's Shareholder cash flow (\$Bn)**



*Source: Author analysis*

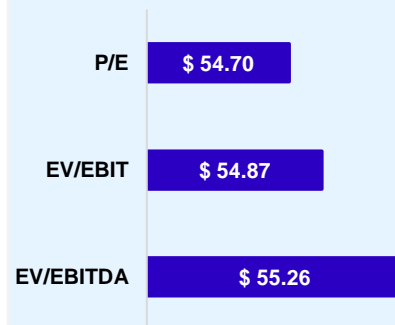
<sup>18</sup>Appendix 2

## Market Based Valuation

To complement the absolute valuation, a relative valuation methodology was implemented, by comparing the market multiples of the peers' group previously chosen. For this MBV approach was included two Enterprise Value multiples and on Equity Value Multiple, was obtained (Appendix 30) (Figure 32):

- **2022YE PT of \$54.70/share**, using the P/E with a peer average of 25x;
- **2022YE PT of \$54.87/share**, using the EV/EBIT with a peer average of 21.7x;
- **2022YE PT of \$55.26/share**, using the EV/EBITDA with a peer average of 16.3x.

Figure 32 - Market Based Valuation (\$/share)



Source: Author analysis

## 7. Financial Analysis

### Solid Cash generation improves liquidity

In the last three years Pfizer's cash Ratio ranged between 0.3x and 0.6x, dropping around 50% in 2019 because of the acquisition of Array Biopharma for \$10.9Bn in a cash payment transaction.

For the forecasted period the combination of the **4.3% CAGR 2020-2026** growth of the company baseline products and the covid-19 vaccine revenues growth of other will drive **CFO to grow at 4% CAGR between and 2020 and 2026**. This strong CFO growth trend will be able to support future dividend increases as well as improving company profitability, since it is expected that Cash ratio will be 1.1x by 2026F. Current ratio is expected to increase from 1.4x in 2020 to 2x in 2026, and Quick ratio to grow from 0.8 to 1.4 in the same period (Appendix 15) (Figure 33).

### Consistent Growth Brings Consistent Profitability

Between 2018 and 2020 Pfizer showed inconsistent profitability levels, given the ongoing company transformation. A series of non-recurring earnings resulting from discontinued operations, as well as gains from the completion of Consumer Healthcare JV transaction have overestimated the company profitability in those years.

Covid-19 vaccine revenues will have a similar impact on Pfizer profitability in the next two years, given the sudden rise of vaccine revenues in this period. From 2023 onwards the impact of the vaccine revenues will be moderate, and profitability should stabilize and therefore reflecting the real company growth, of **4.3% CAGR 2020-2026**.

EBITDA margin should be steady around 32% from 2023-2026, EBIT margin will increase from 23% in 2023 to 24.4% in 2026, due to a decrease in amortization expenses. Net Profit margin will increase from 17% to 18%, in the same period (Appendix 15) (Figure 34).

### Improving Solvency

Given Pfizer's foreseeable business performance it is expected that the company will improve its solvency ratios, besides the slight increase in debt.

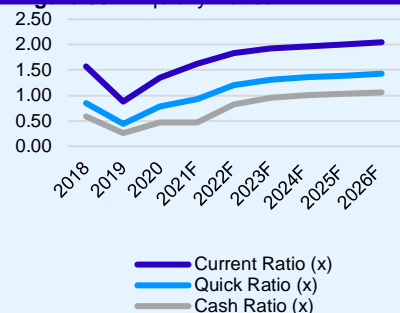
Interest Coverage increased from 4.31x to 5.64x between 2018-2020, in 2019 was 9.41x because of the gains from the completion of the Consumer Healthcare JV transaction. For the next two years interest coverage ratio should rise suddenly because of the impact of covid-19 vaccine revenues, but it should stabilize in 2023 at 8.84x, and therefore grow to 9.15x in 2026.

Net debt to EBITDA also improves between 2021 to 2026 from 1.18x to 1.08x (Appendix 15) (Figure 35).

### Stable Efficiency in the Future

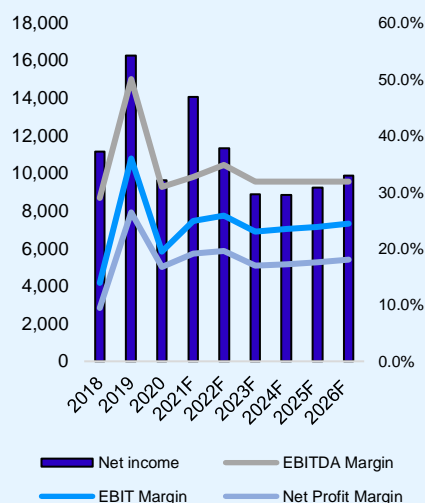
From 2018-2020 Pfizer's cash cycle increased from 208 to 255 days, next year the cash cycle should decrease to 154 days mainly due to the impact of covid-19 vaccine revenues. **For the rest of the forecasted period the cash cycle should be flat.** Total assets turnover should slightly increase to 0.4x in 2022, although it should stabilize at 0.3x for the rest of the forecasted period (Appendix 15).

Figure 33 - Liquidity Ratios



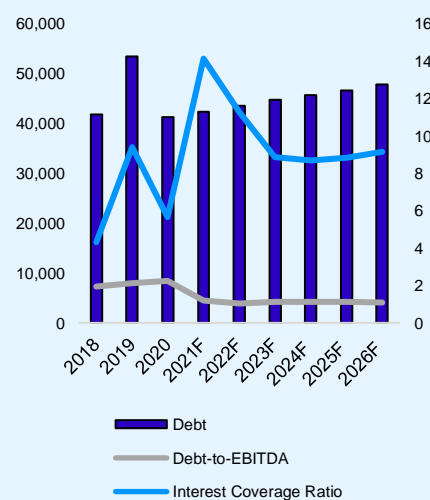
Source: Author analysis

Figure 34 - Profitability Ratios



Source: Author analysis

Figure 35 - Solvency Ratios



Source: Author analysis

## 8. Investments Risks

Pfizer deals with several risks that can have significant impact on its business, these risks can be either **external or internal risks**. The external risks – risks that are not directly controllable by the company, such as macroeconomic risk, regulatory and political risk, pandemic risks. The internal risks are the risks inherent in the company operations, that is, operational risks (Figure 36).

### Pandemic Risks

#### Covid-19 Pandemic (Covid-19)

Covid-19 will continue to have an impact on Pfizer business at varying levels. The pandemic generated disruptions to pipeline developments and clinical trials which affected the development of new possible products. It also caused interruptions and delays in the operations of regulatory authorities which can delay potential approvals of new products. Pfizer will also be exposed to inherent risk of the development and commercialization of the Covid-19 vaccine (Comirnaty).

### Markets Risks

#### Competitive Products (MR1)

New competitive product launches can have an impact on Pfizer revenues, as they may erode both existing and in development product's sales. Recently new launches have occurred and there are several potential competitors in various stages of development. Although it is not possible to measure with accuracy the timing or the impact of competitive products in Pfizer's product revenues.

#### Generic Competition (MR2)

Competition from generics can have a substantial negative impact on a Pfizer's product whose patent is expiring, since when a product loses its patent, it's expected that the product's sales drop significantly. Pfizer's main blockbusters are likely to resist generic competition for the upcoming years as they are protected by patents for considerable time. (Appendix 2)

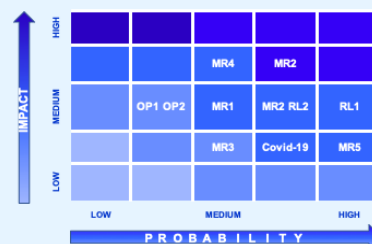
#### Counterfeit Products (MR3)

Counterfeit products pose a significant risk to patient's health and safety. The prevalence of these products is growing, nowadays even more, because of the increase of e-commerce, as the internet is the preferred vehicle for the sale of these products. This can have an adverse impact on Pfizer business as can affect Brand reputation as the integrity of the company's products, potentially causing sales drop, product recalls or even threats of litigation.

#### Research & Development (MR4)

Developing new healthcare products and bringing them to the market is a costly, lengthy, and uncertain process. Pfizer's growth depends in large part on their ability to identify and develop new products, as the discovery and development of new products is essential for replacing products whose patents expired or lost market share. Besides Pfizer being increasing their investment in R&D there is no guarantee that they will succeed in developing new products.

Figure 36 - Risk Matrix



Source: Author analysis



## **Exchange Rate (MR5)**

Pfizer operates worldwide, transacting in over 100 currencies. Around 48% of Pfizer revenues came from international markets, thus changes in exchange rates can impact revenues, costs, and earnings and in the reported values of assets, liabilities, and cash flows.

## **Regulatory and Legal Risks**

### **Pricing Pressure (RL1)**

Pricing pressures are particularly strong given the increasing demand for medicines resulting from the growth and ageing population, and associated increases in chronic diseases, resulting in the impact on healthcare government budgets. These pressures are further compounded by significant controversies and intense political debate and publicity about prices for pharmaceuticals that some consider excessive, including government regulatory efforts, funding restrictions, legislative proposals, policy interpretations, investigations, and legal proceedings regarding pharmaceuticals pricing practices regarding the pharmaceutical industry that may affect Pfizer. It is expected that pricing pressures continue globally.

### **Intellectual Property (RL2)**

Pfizer's success depends on its ability to market technologically competitive products as the company relies on intellectual properties such as patents, trademarks, copyrights to protect its intellectual property and property rights. Pfizer aims to maintain adequate intellectual property protection as the company pretends to prevent third parties from launching generics of their branded products. Other risks related to this involve the possibility of failing in future patent applications or patents extension. If Pfizer fails to obtain and maintain adequate intellectual property protection, it negatively impacts the company financial results.

## **Operational Risks**

### **Manufacturing operations delays (OP1)**

Delays in product manufacturing can occur due to shut-downs, supply disruptions, shortages of stock-outs or even damage to the facilities caused by natural or man-made disasters. This can inhibit Pfizer's demand for their products, therefore harming financial results.

### **Complex Manufacture of Products (OP2)**

Pfizer operations rely upon sophisticated information and technological systems to operate their business, such as to collect, store, and transmit large amounts of confidential information. As a global pharmaceutical company Pfizer is frequently subjected to cyber-attacks. Any interruption or breach of the company systems can adversely affect Pfizer's operations or result in the loss of critical confidential information.

Although Pfizer has cyber liability insurance, it is not possible to guarantee that this would be sufficient to cover all financial, legal, or reputational losses that may result from this risk.

## Sensitivity Analysis

A sensitivity analysis was performed to assess the Price Target sensitivity to cost of capital (WACC), to the long-term sustainable growth rate (g) and to Comirnaty revenues in 2022, and the strength of the investment recommendation (Figure 37).

### Cost of capital (WACC) vs Long-term Sustainable growth rate (g)

The **WAAC rate** is set at 5.7% for the base, an **increase (decrease)** of 20 bps could lead to a decrease (increase) of about \$3.1-5.2/share on PT, with all other variables remaining constant. The long-term sustainable growth rate is set for 2.0% in the base, an **increase (decrease) of 10bps** could lead to an increase (decrease) of about \$0.8-1/share on the PT, with all other variables remaining constant (Figure 38).

**Figure 37** - Investment recommendation system - Medium Risk

Investment recommendation	Threshold (upside potential)
<b>Sell</b>	-5%≤
<b>Reduce</b>	>-5% & ≤ 5%
<b>Hold</b>	>5% & ≤ 15%
<b>Buy</b>	>15% & ≤ 30%
<b>Strong Buy</b>	>30%

**Figure 38** - Cost of Capital (WACC) vs. Long-term sustainable growth rate (g)

	Long-term Sustainable growth rate (g)										
	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%
4.9%	\$60.11	\$61.76	\$63.52	\$65.39	\$67.38	\$69.51	\$71.80	\$74.25	\$76.90	\$79.75	\$82.85
5.1%	\$56.77	\$58.23	\$59.78	\$61.42	\$63.17	\$65.02	\$67.01	\$69.13	\$71.40	\$73.84	\$76.47
5.3%	\$53.78	\$55.08	\$56.46	\$57.91	\$59.45	\$61.08	\$62.82	\$64.67	\$66.64	\$68.74	\$71.00
5.5%	\$51.09	\$52.26	\$53.48	\$54.78	\$56.15	\$57.59	\$59.12	\$60.75	\$62.47	\$64.31	\$66.27
5.7%	\$48.66	\$49.71	\$50.81	\$51.97	\$53.19	\$54.48	\$55.84	\$57.28	\$58.80	\$60.41	\$62.13
5.9%	\$46.44	\$47.39	\$48.39	\$49.44	\$50.53	\$51.69	\$52.90	\$54.18	\$55.53	\$56.96	\$58.48
6.1%	\$44.42	\$45.29	\$46.19	\$47.14	\$48.13	\$49.17	\$50.26	\$51.41	\$52.61	\$53.89	\$55.23
6.3%	\$42.57	\$43.36	\$44.19	\$45.04	\$45.94	\$46.88	\$47.87	\$48.90	\$49.99	\$51.13	\$52.33
6.5%	\$40.87	\$41.59	\$42.35	\$43.13	\$43.95	\$44.80	\$45.69	\$46.63	\$47.61	\$48.64	\$49.71

Source: Author analysis

## Covid 19 vaccine Revenues

Given the uncertainty related to Covid-19 pandemic, it's difficult to predict with accuracy what would be the amount of Comirnaty' revenues for the following years. Thus, a sensitivity analysis was performed to understand the impact of the 2022FY Comirnaty's revenues in 2022YE PT. The base case considered was the one with revenues of \$12.5Bn, and multiple scenarios were considered, including an extreme scenario where we assume revenues to maintain in line with 2021FY revenues.

We conclude that the vaccine's revenues have no significant impact on the 2022YE PT, even in the extreme scenario where the **PT only increases \$0.58/share equivalent to 1% increase** to the base case PT (Figure 39).

**Figure 39** - PT sensitivity to Comirnaty Revenues in 2022

Comirnaty (covid-19)	-20%	-10%	Base Case	10%	20%	30%	40%	50%	Extreme Scenario
	10,000	11,250	12,500	13,750	15,000	16,250	17,500	18,750	28,000
Price Target	\$54.38	\$54.43	\$54.48	\$54.53	\$54.57	\$54.62	\$54.67	\$54.71	\$55.06

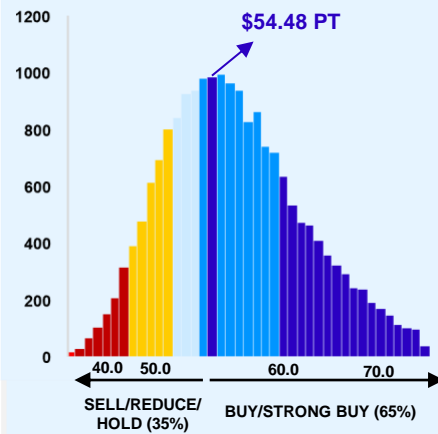
Source: Author analysis

## Monte Carlo Simulation

To complement the analysis on the PT sensitivity, a Monte Carlo simulation was made, assuming the simultaneous changes in the following value drivers; i) the EBIT margin; ii) the cost of capital (WACC); iii) the long-term sustainable growth-rate (g) and iv) the effective tax rate (t).

From the output analysis, **resulted in a mean value of \$54.48/share**, in line with the previously estimated **PT and 65% Buy/Strong Buy probability**, that supports our recommendation to buy (Figure 40).

Figure 40 - Monte Carlo Simulation output



Source: Author analysis

## Appendices

### Appendix 1: Pfizer therapeutic areas and key products

Therapeutic Area	Description	Key Products
<b>Internal Medicine</b>	Includes innovative brands from two therapeutic areas, Cardiovascular Metabolic and Pain, as well as regional brands	Eliquis, Chantix/Champix and the Premarin family
<b>Oncology</b>	Includes innovative oncology brands of biologics, small molecules, immunotherapies and biosimilars across a wide range of cancers	Ibrance, Xtandi, Sutent, Inlyta, Retacrit, Lorbrena and Braftovi
<b>Hospital</b>	Includes our global portfolio of sterile injectable and anti-infective medicines, as well as Pfizer CentreOne, our contract manufacturing and active pharmaceutical ingredient sales operation	Sulperazon, Medrol, Zithromax, Vfend and Panzgya
<b>Vaccines</b>	Includes innovative vaccines across all ages - infants, adolescents, and adults - in pneumococcal disease, meningococcal disease, tickborne encephalitis and COVID-19, with a pipeline focus on infectious diseases with significant unmet medical need	Pevnar 13/Prevnar 13 (pediatric/adult), Nimenrix, FSME/IMMUNTIcoVac, Trumenba and the Pfizer-BioNTech COVID-19 vaccine
<b>Inflammation &amp; Immunology</b>	Includes innovative brands and biosimilars for chronic immune and inflammatory diseases	Xeljanz, Enbrel (outside the US and Canada), Inflectra and Eucrisa/Staquis
<b>Rare Disease</b>	Includes innovative brands for a number of therapeutic areas with rare diseases, including amyloidosis, hemophilia and endocrine diseases	Vyndaqel/Vyndamax, BeneFIX and Genotropin

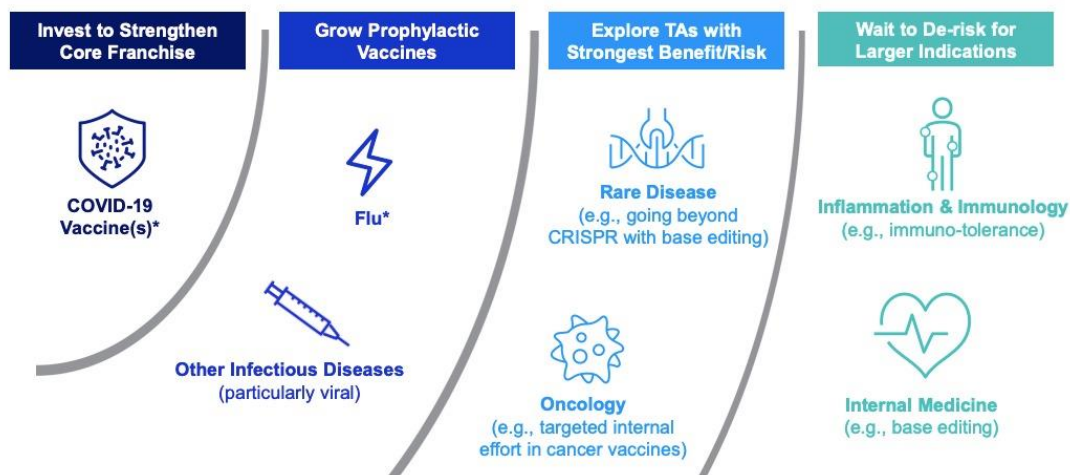
Source: Pfizer 10-K

### Appendix 2: Pfizer Key products

Drug	U.S. Basic Product Patent Expiration Year	Major Europe Basic Product Patent Expiration Year	Japan Basic Product Patent Expiration Year
Chantix/Champix	2020	2021	2022
Sutent	2021	2022	2024
Inlyta	2025	2025	2025
Xeljanz	2025	2028	2025
Prevnar 13/Prevenar 13	2026	-	2029
Eliquis	2026	2026	2026
Ibrance	2027	2028	2028
Xtandi	2027	-	-
Vyndaqel/Vyndamax	2024 (2028 pending PTE)	2026	2026
Xalkori	2029	2027	2028
Besponsa	2030	2028	2028
Braftovi	2031 (2031 pending PTE)	-	-
Mektovi	2031	-	-
Bavencio	2033	2032	2033
Lorbrena	2033	2034	2036

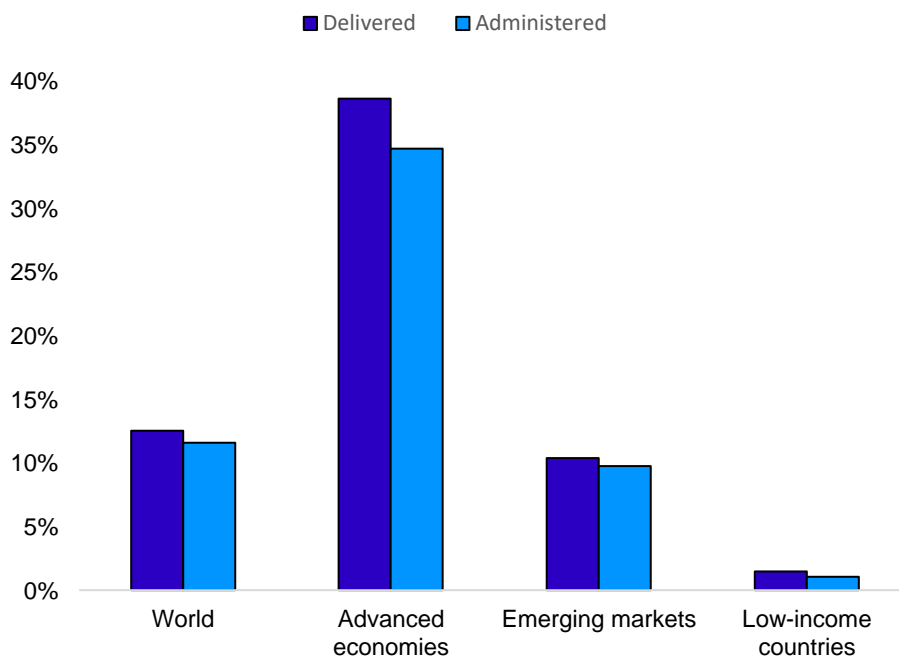
Source: Pfizer 10-K

### Appendix 3: Pfizer new mRNA Strategy



Source: Pfizer Q2 2021 report

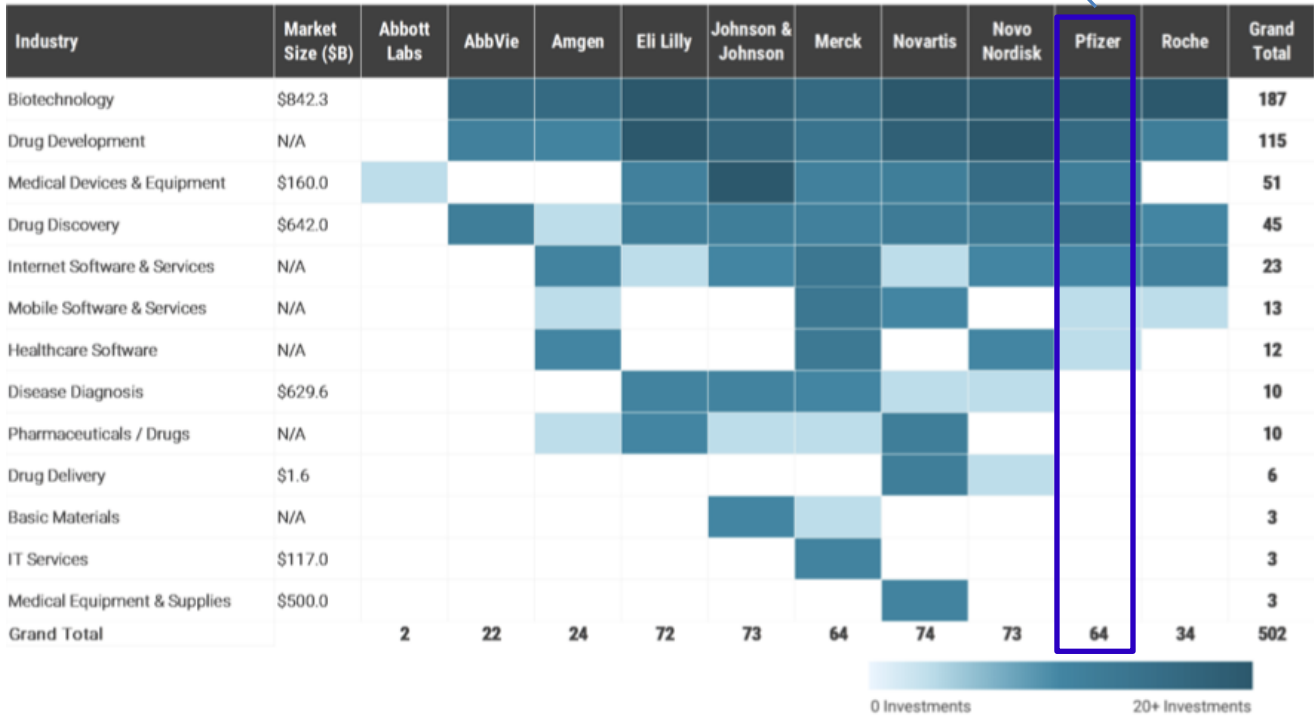
### Appendix 4: Vaccine Courses (Percent of population)



Source: IMF

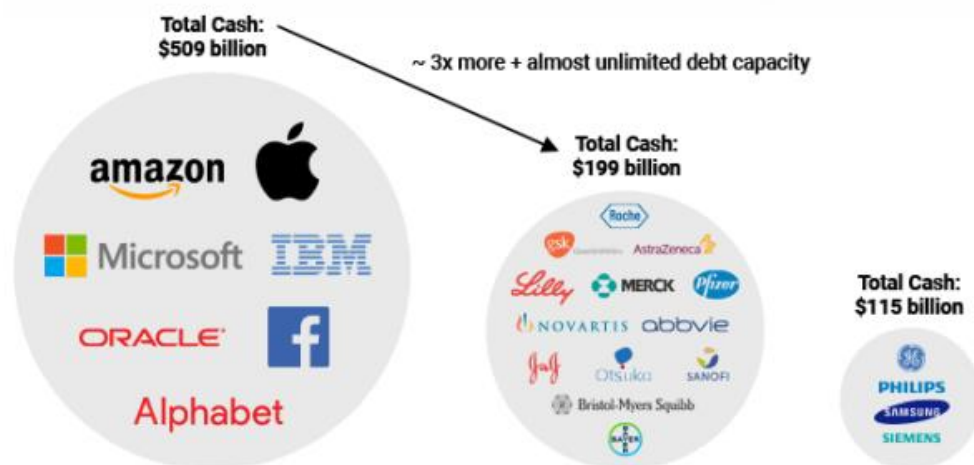
## Appendix 5: Big Pharma Investments by sector 2015-2018

Pfizer is one of the Big Pharma companies more invests in the pharmaceutical industry. Across the different sectors, biotechnology is the one that Pfizer's has concentrated more resources followed by Drug Development and Drug Discovery.



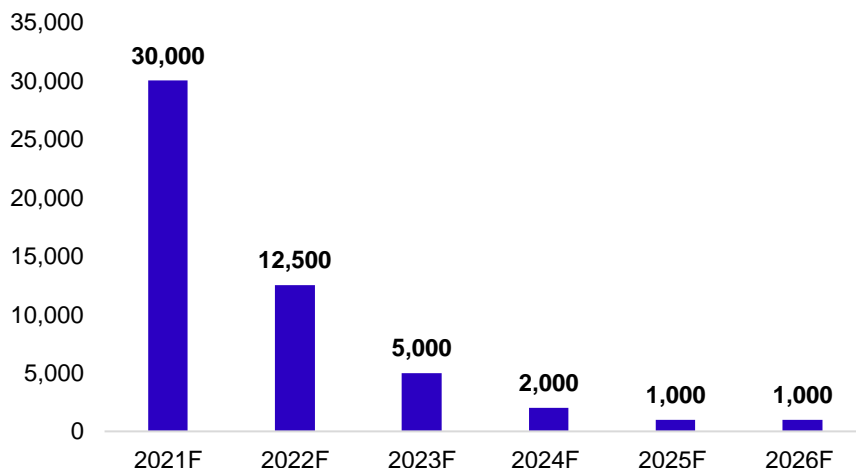
Source: CBN Insights

## Appendix 6: Giant Tech vs Big Pharma



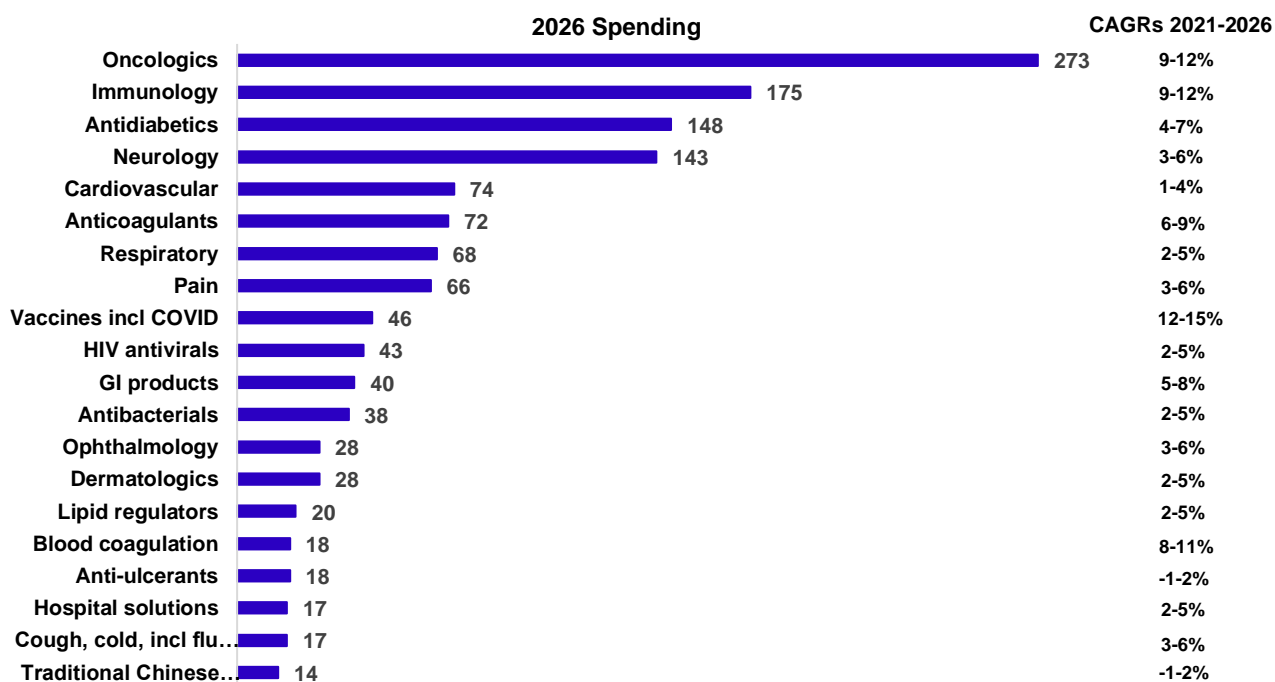
Source: RBC Capital Markets

## Appendix 7: Covid-19 Vaccine (Comirnaty) Forecast



Given the uncertainty related to Covid-19, vaccine revenues were forecasted based on average estimates, including Evaluate Pharma, Bloomberg and Pfizer Q1 and Q2 reports. The company does not disclose contracts, and the price per dose varies according to region.

## Appendix 8: Top 20 Therapy Areas in 2026 in Term of Global Spending



Source: IQVIA Institute

## Appendix 9: Income Statement

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
<b>Revenues</b>	<b>52,824</b>	<b>52,546</b>	<b>40,825</b>	<b>41,172</b>	<b>41,908</b>	<b>73,680</b>	<b>58,039</b>	<b>52,489</b>	<b>51,535</b>	<b>52,683</b>	<b>54,938</b>
<b>Biopharma</b>	—	—	37,557	38,344	41,908	73,680	58,039	52,489	51,535	52,683	54,938
Oncology	4,563	6,056	7,472	8,899	10,867	11,573	12,326	13,127	13,980	14,889	15,856
Internal Medicine	4,529	5,328	8,866	8,790	9,002	9,362	9,737	10,126	10,531	10,952	11,390
Hospital	—	—	7,955	7,360	7,961	8,160	8,364	8,573	8,787	9,007	9,232
Vaccines	6,071	6,000	6,332	6,284	6,575	36,707	19,341	11,977	9,117	8,259	8,405
Inflammation & Immunology (I&I)	—	—	4,721	4,733	4,567	4,795	5,035	5,287	5,551	5,829	6,120
Rare Disease	2,369	2,241	2,211	2,278	2,936	3,083	3,237	3,399	3,569	3,747	3,935
Consumer Healthcare	3,407	3,472	3,268	2,098	0	0	0	0	0	0	0
Cost of Goods Sold	10,628	9,717	7,573	6,918	7,351	24,314	10,232	9,254	9,086	9,288	9,686
<b>Gross Profit</b>	<b>42,196</b>	<b>42,829</b>	<b>33,252</b>	<b>34,254</b>	<b>34,557</b>	<b>49,366</b>	<b>47,807</b>	<b>43,235</b>	<b>42,450</b>	<b>43,395</b>	<b>45,253</b>
Research and Development Expenses	7,872	7,683	7,760	8,394	9,405	10,538	11,962	10,818	10,621	10,858	11,323
Selling, General and Administrative Expenses	14,837	14,804	12,612	12,750	11,615	14,736	15,671	15,673	15,388	15,731	16,405
Restructuring Charges and Certain Acquisition-Related Costs	1,724	453	1,058	600	594	0	0	0	0	0	0
(Gain) on completion of Consumer Healthcare JV transaction	—	—	—	-8,086	—	—	—	—	—	—	—
<b>EBITDA</b>	<b>17,763</b>	<b>19,889</b>	<b>11,822</b>	<b>20,595</b>	<b>12,943</b>	<b>24,092</b>	<b>20,174</b>	<b>16,744</b>	<b>16,440</b>	<b>16,806</b>	<b>17,525</b>
Depreciation and Amortization	5,757	6,269	6,150	5,795	4,777	5,804	5,164	4,653	4,343	4,231	4,134
<b>EBIT</b>	<b>12,006</b>	<b>13,620</b>	<b>5,672</b>	<b>14,800</b>	<b>8,166</b>	<b>18,288</b>	<b>15,010</b>	<b>12,091</b>	<b>12,097</b>	<b>12,575</b>	<b>13,391</b>
Interest Expense, Net	716	879	983	1,348	1,376	1,294	1,333	1,367	1,395	1,426	1,463
Interest Expense	1,186	1,270	1,316	1,573	1,449	1,294	1,333	1,367	1,395	1,426	1,463
Interest Income	470	391	333	225	73	0	0	0	0	0	0
Other non-operating (income) deductions	2,939	436	1,094	1,967	-707	0	0	0	0	0	0
<b>EBT</b>	<b>8,351</b>	<b>12,305</b>	<b>3,595</b>	<b>11,485</b>	<b>7,497</b>	<b>16,994</b>	<b>13,677</b>	<b>10,723</b>	<b>10,702</b>	<b>11,150</b>	<b>11,928</b>
Income Tax Expense	1,123	-9,048	-266	618	477	2,889	2,325	1,823	1,819	1,895	2,028
<b>Net income from continuous operations</b>	<b>7,228</b>	<b>21,353</b>	<b>3,861</b>	<b>10,867</b>	<b>7,020</b>	<b>14,105</b>	<b>11,352</b>	<b>8,900</b>	<b>8,882</b>	<b>9,254</b>	<b>9,900</b>
Net income from discontinued operations	18	2	7,328	5,435	2,631	0	0	0	0	0	0
<b>Net Income before Allocation to Noncontrolling Interests</b>	<b>7,246</b>	<b>21,355</b>	<b>11,188</b>	<b>16,302</b>	<b>9,652</b>	<b>14,105</b>	<b>11,352</b>	<b>8,900</b>	<b>8,882</b>	<b>9,254</b>	<b>9,900</b>
Net Income Attributable to Noncontrolling Interests	31	47	36	29	36	36	36	36	36	36	36
<b>Net Income Attributable to Pfizer Inc.</b>	<b>7,215</b>	<b>21,308</b>	<b>11,153</b>	<b>16,273</b>	<b>9,616</b>	<b>14,069</b>	<b>11,316</b>	<b>8,864</b>	<b>8,846</b>	<b>9,218</b>	<b>9,864</b>



## Appendix 10: Statement of financial Position Forecast

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Cash & Cash Equivalents	2,595	1,342	1,139	1,121	1,784	3,375	12,255	15,473	16,774	17,568	18,531
Short-Term Investments	15,255	18,650	17,694	8,525	10,437	10,437	10,437	10,437	10,437	10,437	10,437
Accounts Receivable, Net	8,225	8,221	8,025	6,772	7,930	13,513	10,644	9,626	9,452	9,662	10,076
Inventories	6,783	7,578	7,508	7,068	8,046	13,447	10,592	9,579	9,405	9,615	10,026
Current Tax Assets	3,041	3,050	3,374	2,736	3,264	3,264	3,264	3,264	3,264	3,264	3,264
Other current assets	2,249	2,287	2,461	2,357	3,439	3,439	3,439	3,439	3,439	3,439	3,439
Assets Held for Sale	801	12	9,725	4,224	167	167	167	167	167	167	167
<b>Total Current Assets</b>	<b>38,949</b>	<b>41,141</b>	<b>49,925</b>	<b>32,803</b>	<b>35,067</b>	<b>47,642</b>	<b>50,799</b>	<b>51,986</b>	<b>52,938</b>	<b>54,152</b>	<b>55,940</b>
Long-Term Investments	7,116	7,015	2,767	20,147	20,262	20,262	20,262	20,262	20,262	20,262	20,262
Property, Plant and Equipment, Net	13,318	13,865	13,385	12,969	13,900	14,468	15,534	16,497	17,443	18,410	19,419
Identifiable Intangible Assets, Net	52,648	48,741	35,211	33,936	28,471	25,099	21,850	18,929	16,287	13,795	11,474
Goodwill	54,449	55,952	53,411	48,202	49,577	49,577	49,577	49,577	49,577	49,577	49,577
Noncurrent Deferred Tax Assets and Other Noncurrent Tax Assets	1,812	1,855	1,924	1,911	2,383	2,383	2,383	2,383	2,383	2,383	2,383
Other Noncurrent Assets	3,323	3,229	2,799	17,627	4,569	4,569	4,569	4,569	4,569	4,569	4,569
<b>Total Noncurrent Assets</b>	<b>132,666</b>	<b>130,656</b>	<b>109,497</b>	<b>134,791</b>	<b>119,162</b>	<b>116,358</b>	<b>114,175</b>	<b>112,217</b>	<b>110,521</b>	<b>108,996</b>	<b>107,684</b>
<b>Total Assets</b>	<b>171,615</b>	<b>171,797</b>	<b>159,422</b>	<b>167,594</b>	<b>154,229</b>	<b>164,000</b>	<b>164,973</b>	<b>164,203</b>	<b>163,459</b>	<b>163,149</b>	<b>163,623</b>
Short-Term Borrowings, Including Current Portion of Long-Term Debt	10,688	9,953	8,831	16,464	3,024	3,024	3,024	3,024	3,024	3,024	3,024
Accounts Payable	4,536	4,656	4,674	3,887	4,309	7,663	6,036	5,459	5,360	5,479	5,714
Dividends Payable	1,944	2,029	2,047	2,104	2,162	2,162	2,162	2,162	2,162	2,162	2,162
Income Taxes Payable	437	477	1,265	980	1,049	1,049	1,049	1,049	1,049	1,049	1,049
Accrued Compensation and Related Items	2,487	2,196	2,397	2,390	3,058	3,058	3,058	3,058	3,058	3,058	3,058
Other Current Liabilities	11,023	11,116	10,753	11,478	12,318	12,318	12,318	12,318	12,318	12,318	12,318
Liabilities held for sale	—	—	1,890	0	0	0	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>31,115</b>	<b>30,427</b>	<b>31,858</b>	<b>37,303</b>	<b>25,920</b>	<b>29,274</b>	<b>27,647</b>	<b>27,070</b>	<b>26,971</b>	<b>27,090</b>	<b>27,325</b>
Long-Term Debt	31,398	33,538	32,909	36,985	38,247	39,280	40,531	41,663	42,585	43,572	44,806
Pension Benefit Obligations, Net	6,406	5,926	5,272	5,291	4,766	4,766	4,766	4,766	4,766	4,766	4,766
Postretirement Benefit Obligations, Net	1,766	1,504	1,338	926	645	645	645	645	645	645	645
Noncurrent Deferred Tax Liabilities	30,753	3,900	3,700	5,652	4,063	4,063	4,063	4,063	4,063	4,063	4,063
Other Taxes Payable	4,000	18,697	14,737	12,126	11,560	11,560	11,560	11,560	11,560	11,560	11,560
Other Noncurrent Liabilities	6,337	6,149	5,850	5,864	5,555	5,555	5,555	5,555	5,555	5,555	5,555
<b>Total Noncurrent Liabilities</b>	<b>80,660</b>	<b>69,714</b>	<b>63,806</b>	<b>66,844</b>	<b>64,836</b>	<b>65,869</b>	<b>67,120</b>	<b>68,252</b>	<b>69,174</b>	<b>70,161</b>	<b>71,395</b>
<b>Total Liabilities</b>	<b>111,775</b>	<b>100,141</b>	<b>95,664</b>	<b>104,147</b>	<b>90,756</b>	<b>95,143</b>	<b>94,767</b>	<b>95,322</b>	<b>96,145</b>	<b>97,251</b>	<b>98,720</b>
Preferred Stock	24	21	19	17	0	0	0	0	0	0	0
Common Stock	461	464	467	468	470	470	470	470	470	470	470
Additional Paid-In Capital	82,685	84,278	86,253	87,428	88,674	88,674	88,674	88,674	88,674	88,674	88,674
Treasury Stock	-84,364	-89,425	-101,610	-110,801	-110,988	-110,988	-110,988	-110,988	-110,988	-110,988	-110,988
Retained Earnings	71,774	85,291	89,554	97,670	96,770	102,155	103,504	102,178	100,612	99,195	98,201
Accumulated Other Comprehensive Loss	-11,036	-9,321	-11,275	-11,640	-11,688	-11,688	-11,688	-11,688	-11,688	-11,688	-11,688
Equity Attributable to Noncontrolling Interests	296	348	351	303	235	235	235	235	235	235	235
<b>Total Shareholders' Equity</b>	<b>59,840</b>	<b>71,656</b>	<b>63,758</b>	<b>63,447</b>	<b>63,473</b>	<b>68,858</b>	<b>70,207</b>	<b>68,881</b>	<b>67,315</b>	<b>65,898</b>	<b>64,904</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>171,615</b>	<b>171,797</b>	<b>159,422</b>	<b>167,594</b>	<b>154,229</b>	<b>164,001</b>	<b>164,974</b>	<b>164,203</b>	<b>163,460</b>	<b>163,149</b>	<b>163,624</b>
Check	0	0	0	0	0	0	0	0	0	0	0

## Appendix 11: Cash Flow Statement

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
<b>Operating Activities</b>											
Net Income before allocation to noncontrolling interest	7,246	21,355	11,188	16,302	9,652	14,069	11,316	8,864	8,846	9,218	9,864
Income from discontinued operations - net of tax	—	—	7,328	5,435	2,631	—	—	—	—	—	—
<b>Net Income from continuous operations before allocation to noncontrolling interest</b>	<b>7,246</b>	<b>21,355</b>	<b>3,861</b>	<b>10,867</b>	<b>7,021</b>	<b>14,069</b>	<b>11,316</b>	<b>8,864</b>	<b>8,846</b>	<b>9,218</b>	<b>9,864</b>
Depreciation and Amortization	5,757	6,269	6,150	5,795	4,777	5,804	5,164	4,653	4,343	4,231	4,134
Asset Write-Offs	1,613	634	3,398	2,941	2,049	0	0	0	0	0	0
Deferred Income Taxes	(700)	(13,070)	(2,204)	596	(1,468)	0	0	0	0	0	0
Share-Based Compensation	691	840	923	688	756	0	0	0	0	0	0
Pension/Postretirement Benefits	(712)	(961)	(1,057)	(288)	(1,790)	0	0	0	0	0	0
Chg. in Non-Cash Work Cap	368	1,394	(649)	(5,644)	(2,870)	(7,630)	4,096	1,454	250	(301)	(591)
Other Non-cash Adjustments, Net	1,921	401	(1,862)	(9,634)	(484)	0	0	0	0	0	0
Change in Other Assets	(60)	7	(52)	840	(146)	0	0	0	0	0	0
Change in other Other Liabilities	(223)	(67)	367	851	2,741	0	0	0	0	0	0
Net Cash Provided by Operating Activities from continuous operations	15,901	16,802	8,875	7,011	10,586	12,243	20,577	14,971	13,439	13,148	13,408
Net Cash Provided by Operating Activities from discontinued operations	—	—	6,952	5,576	3,817	—	—	—	—	—	—
<b>Net Cash Provided by Operating Activities</b>	<b>15,901</b>	<b>16,802</b>	<b>15,827</b>	<b>12,588</b>	<b>14,403</b>	<b>12,243</b>	<b>20,577</b>	<b>14,971</b>	<b>13,439</b>	<b>13,148</b>	<b>13,408</b>
<b>Investing Activities</b>											
Capex	(1,823)	(1,956)	(1,984)	(2,072)	(2,252)	(3,000)	(2,981)	(2,696)	(2,647)	(2,706)	(2,822)
Acquisitions of intangible assets	(176)	(261)	(152)	(418)	(539)	0	0	0	0	0	0
Net Change in LT Investment	3,243	57	4,447	31	126	0	0	0	0	0	0
Net Change in ST Investment	9,261	(2,231)	1,987	9,273	(1,798)	0	0	0	0	0	0
Net Cash From Acq & Div.	(18,368)	(1,000)	0	(10,861)	0	0	0	0	0	0	0
Other Investing Activities	52	650	287	195	274	0	0	0	0	0	0
Net Cash Provided by Investing Activities from continuous operations	(7,811)	(4,741)	4,585	(3,851)	(4,189)	(3,000)	(2,981)	(2,696)	(2,647)	(2,706)	(2,822)
Net Cash Provided by Investing Activities from discontinued operations	—	—	(60)	(94)	(82)	—	—	—	—	—	—
<b>Net Cash Provided by Investing Activities</b>	<b>(7,811)</b>	<b>(4,741)</b>	<b>4,525</b>	<b>(3,945)</b>	<b>(4,271)</b>	<b>(3,000)</b>	<b>(2,981)</b>	<b>(2,696)</b>	<b>(2,647)</b>	<b>(2,706)</b>	<b>(2,822)</b>
<b>Financing activities</b>											
Dividends Paid	(7,317)	(7,659)	(7,979)	(8,043)	(8,440)	(8,685)	(8,907)	(9,130)	(9,353)	(9,575)	(9,798)
Repurchase of Common Stock	(5,000)	(5,000)	(12,198)	(8,865)	0	0	(1,060)	(1,060)	(1,060)	(1,060)	(1,060)
Cash From (Repayment) Debt	2,573	(941)	(935)	8,764	(12,755)	1,033	1,251	1,132	922	987	1,234
Other financing activities	823	250	671	(342)	(445)	0	0	0	0	0	0
Net Cash Provided by Financing Activities from continuous operations	(8,921)	(13,350)	(20,441)	(8,486)	(21,640)	(7,652)	(8,716)	(9,058)	(9,491)	(9,648)	(9,624)
Net Cash Provided by Financing Activities from discontinued operations	—	—	—	—	11,991	—	—	—	—	—	—
<b>Net Cash Provided By Financing Activities</b>	<b>(8,921)</b>	<b>(13,350)</b>	<b>(20,441)</b>	<b>(8,486)</b>	<b>(9,649)</b>	<b>(7,652)</b>	<b>(8,716)</b>	<b>(9,058)</b>	<b>(9,491)</b>	<b>(9,648)</b>	<b>(9,624)</b>
Effect of Foreign Exchange Rates	(215)	53	(116)	(32)	(8)	0	0	0	0	0	0
<b>Net Changes in Cash</b>	<b>(1,046)</b>	<b>(1,236)</b>	<b>(205)</b>	<b>125</b>	<b>475</b>	<b>1,591</b>	<b>8,880</b>	<b>3,218</b>	<b>1,301</b>	<b>794</b>	<b>962</b>

## Appendix 12: Common-size Income Statement

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
<b>Revenues</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Biopharma	—	—	—	93.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Oncology	8.6%	11.5%	18.3%	21.6%	25.9%	15.7%	21.2%	25.0%	27.1%	28.3%	28.9%
Internal Medicine	—	—	21.7%	21.3%	21.5%	12.7%	16.8%	19.3%	20.4%	20.8%	20.7%
Hospital	—	—	19.5%	17.9%	19.0%	11.1%	14.4%	16.3%	17.1%	17.1%	16.8%
Vaccines	11.5%	11.4%	15.5%	15.3%	15.7%	49.8%	33.3%	22.8%	17.7%	15.7%	15.3%
Inflammation & Immunology (I&I)	—	—	—	11.5%	10.9%	6.5%	8.7%	10.1%	10.8%	11.1%	11.1%
Rare Disease	4.5%	4.3%	5.4%	5.5%	7.0%	4.2%	5.6%	6.5%	6.9%	7.1%	7.2%
Consumer Healthcare	6.4%	6.6%	8.0%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of Goods Sold	20.1%	18.5%	18.5%	16.8%	17.5%	33.0%	17.6%	17.6%	17.6%	17.6%	17.6%
<b>Gross Profit</b>	<b>79.9%</b>	<b>81.5%</b>	<b>81.5%</b>	<b>83.2%</b>	<b>82.5%</b>	<b>67.0%</b>	<b>82.4%</b>	<b>82.4%</b>	<b>82.4%</b>	<b>82.4%</b>	<b>82.4%</b>
Research and Development Expenses	14.9%	14.6%	19.0%	20.4%	22.4%	14.3%	20.6%	20.6%	20.6%	20.6%	20.6%
Selling, General and Administrative Expenses	28.1%	28.2%	30.9%	31.0%	27.7%	20.0%	27.0%	29.9%	29.9%	29.9%	29.9%
Restructuring Charges and Certain Acquisition-Related Costs	3.3%	0.9%	2.6%	1.5%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>33.6%</b>	<b>37.9%</b>	<b>29.0%</b>	<b>50.0%</b>	<b>30.9%</b>	<b>32.7%</b>	<b>34.8%</b>	<b>31.9%</b>	<b>31.9%</b>	<b>31.9%</b>	<b>31.9%</b>
Depreciation and Amortization	10.9%	11.9%	15.1%	14.1%	11.4%	7.9%	8.9%	8.9%	8.4%	8.0%	7.5%
<b>EBIT</b>	<b>22.7%</b>	<b>25.9%</b>	<b>13.9%</b>	<b>35.9%</b>	<b>19.5%</b>	<b>24.8%</b>	<b>25.9%</b>	<b>23.0%</b>	<b>23.5%</b>	<b>23.9%</b>	<b>24.4%</b>
Interest Expense, Net	1.4%	1.7%	2.4%	3.3%	3.3%	1.8%	2.3%	2.6%	2.7%	2.7%	2.7%
Interest Expense	2.2%	2.4%	3.2%	3.8%	3.5%	1.8%	2.3%	2.6%	2.7%	2.7%	2.7%
Interest Income	0.9%	0.7%	0.8%	0.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other non- operating expenses	5.6%	0.8%	2.7%	4.8%	-1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBT</b>	<b>15.8%</b>	<b>23.4%</b>	<b>8.8%</b>	<b>27.9%</b>	<b>17.9%</b>	<b>23.1%</b>	<b>23.6%</b>	<b>20.4%</b>	<b>20.8%</b>	<b>21.2%</b>	<b>21.7%</b>
Income Tax Expense	2.1%	-17.2%	-0.7%	1.5%	1.1%	3.9%	4.0%	3.5%	3.5%	3.6%	3.7%
<b>Net income from continuous operations</b>	<b>13.7%</b>	<b>40.6%</b>	<b>9.5%</b>	<b>26.4%</b>	<b>16.8%</b>	<b>19.1%</b>	<b>19.6%</b>	<b>17.0%</b>	<b>17.2%</b>	<b>17.6%</b>	<b>18.0%</b>
Net Extraordinary Losses (Gains)	0.0%	0.0%	17.9%	13.2%	6.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income before Allocation to Noncontrolling Interests</b>	<b>13.7%</b>	<b>40.6%</b>	<b>27.4%</b>	<b>39.6%</b>	<b>23.0%</b>	<b>19.1%</b>	<b>19.6%</b>	<b>17.0%</b>	<b>17.2%</b>	<b>17.6%</b>	<b>18.0%</b>
Net Income Attributable to Noncontrolling Interests	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Net Income Attributable to Pfizer Inc.</b>	<b>13.7%</b>	<b>40.6%</b>	<b>27.3%</b>	<b>39.5%</b>	<b>22.9%</b>	<b>19.1%</b>	<b>19.5%</b>	<b>16.9%</b>	<b>17.2%</b>	<b>17.5%</b>	<b>18.0%</b>

## Appendix 13: Common-size Statement of Financial Position

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
Cash & Cash Equivalents	1.5%	0.8%	0.7%	0.7%	1.2%	2.1%	7.4%	9.4%	10.3%	10.8%	11.3%
Short-Term Investments	8.9%	10.9%	11.1%	5.1%	6.8%	6.4%	6.3%	6.4%	6.4%	6.4%	6.4%
Accounts Receivable, Net	4.8%	4.8%	5.0%	4.0%	5.1%	8.2%	6.5%	5.9%	5.8%	5.9%	6.2%
Inventories	4.0%	4.4%	4.7%	4.2%	5.2%	8.2%	6.4%	5.8%	5.8%	5.9%	6.1%
Current Tax Assets	1.8%	1.8%	2.1%	1.6%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Other current assets	1.3%	1.3%	1.5%	1.4%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Assets Held for Sale	0.5%	0.0%	6.1%	2.5%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total Current Assets</b>	<b>22.7%</b>	<b>23.9%</b>	<b>31.3%</b>	<b>19.6%</b>	<b>22.7%</b>	<b>29.0%</b>	<b>30.8%</b>	<b>31.7%</b>	<b>32.4%</b>	<b>33.2%</b>	<b>34.2%</b>
Long-Term Investments	4.1%	4.1%	1.7%	12.0%	13.1%	12.4%	12.3%	12.3%	12.4%	12.4%	12.4%
Property, Plant and Equipment, Net	7.8%	8.1%	8.4%	7.7%	9.0%	8.8%	9.4%	10.0%	10.7%	11.3%	11.9%
Identifiable Intangible Assets, Net	30.7%	28.4%	22.1%	20.2%	18.5%	15.3%	13.2%	11.5%	10.0%	8.5%	7.0%
Goodwill	31.7%	32.6%	33.5%	28.8%	32.1%	30.2%	30.1%	30.2%	30.3%	30.4%	30.3%
Noncurrent Deferred Tax Assets And Other Noncurrent Tax Assets	1.1%	1.1%	1.2%	1.1%	1.5%	1.5%	1.4%	1.5%	1.5%	1.5%	1.5%
Other Noncurrent Assets	1.9%	1.9%	1.8%	10.5%	3.0%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
<b>Total Noncurrent Assets</b>	<b>77.3%</b>	<b>76.1%</b>	<b>68.7%</b>	<b>80.4%</b>	<b>77.3%</b>	<b>71.0%</b>	<b>69.2%</b>	<b>68.3%</b>	<b>67.6%</b>	<b>66.8%</b>	<b>65.8%</b>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Short-Term Borrowings, Including Current Portion of Long-Term Debt	6.2%	5.8%	5.5%	9.8%	2.0%	1.8%	1.8%	1.8%	1.9%	1.9%	1.8%
Accounts Payable	2.6%	2.7%	2.9%	2.3%	2.8%	4.7%	3.7%	3.3%	3.3%	3.4%	3.5%
Dividends Payable	1.1%	1.2%	1.3%	1.3%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Income Taxes Payable	0.3%	0.3%	0.8%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Accrued Compensation and Related Items	1.4%	1.3%	1.5%	1.4%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Other Current Liabilities	6.4%	6.5%	6.7%	6.8%	8.0%	7.5%	7.5%	7.5%	7.5%	7.6%	7.5%
Liabilities held for sale			1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Current Liabilities</b>	<b>18.1%</b>	<b>17.7%</b>	<b>20.0%</b>	<b>22.3%</b>	<b>16.8%</b>	<b>17.8%</b>	<b>16.8%</b>	<b>16.5%</b>	<b>16.5%</b>	<b>16.6%</b>	<b>16.7%</b>
Long-Term Debt	18.3%	19.5%	20.6%	22.1%	24.8%	24.0%	24.6%	25.4%	26.1%	26.7%	27.4%
Pension Benefit Obligations, Net	3.7%	3.4%	3.3%	3.2%	3.1%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Postretirement Benefit Obligations, Net	1.0%	0.9%	0.8%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Noncurrent Deferred Tax Liabilities	17.9%	2.3%	2.3%	3.4%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other Taxes Payable	2.3%	10.9%	9.2%	7.2%	7.5%	7.0%	7.0%	7.0%	7.1%	7.1%	7.1%
Other Noncurrent Liabilities	3.7%	3.6%	3.7%	3.5%	3.6%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
<b>Total Noncurrent Liabilities</b>	<b>47.0%</b>	<b>40.6%</b>	<b>40.0%</b>	<b>39.9%</b>	<b>42.0%</b>	<b>40.2%</b>	<b>40.7%</b>	<b>41.6%</b>	<b>42.3%</b>	<b>43.0%</b>	<b>43.6%</b>
<b>Total Liabilities</b>	<b>65.1%</b>	<b>58.3%</b>	<b>60.0%</b>	<b>62.1%</b>	<b>58.8%</b>	<b>58.0%</b>	<b>57.4%</b>	<b>58.1%</b>	<b>58.8%</b>	<b>59.6%</b>	<b>60.3%</b>
Preferred Stock	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stock	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Additional Paid-In Capital	48.2%	49.1%	54.1%	52.2%	57.5%	54.1%	53.8%	54.0%	54.2%	54.4%	54.2%
Treasury Stock	-49.2%	-52.1%	-63.7%	-66.1%	-72.0%	-67.7%	-67.3%	-67.6%	-67.9%	-68.0%	-67.8%
Retained Earnings	41.8%	49.6%	56.2%	58.3%	62.7%	62.3%	62.7%	62.2%	61.6%	60.8%	60.0%
Accumulated Other Comprehensive Loss	-6.4%	-5.4%	-7.1%	-6.9%	-7.6%	-7.1%	-7.1%	-7.1%	-7.2%	-7.2%	-7.1%
Equity Attributable to Noncontrolling Interests	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total Shareholders' Equity</b>	<b>34.9%</b>	<b>41.7%</b>	<b>40.0%</b>	<b>37.9%</b>	<b>41.2%</b>	<b>42.0%</b>	<b>42.6%</b>	<b>41.9%</b>	<b>41.2%</b>	<b>40.4%</b>	<b>39.7%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Appendix 14: Common-Size Cash Flow Statement

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
<b>Operating Activities</b>											
Net Income before allocation to noncontrolling interest	45.6%	127.1%	70.7%	129.5%	67.0%	114.9%	55.0%	59.2%	65.8%	70.1%	73.6%
Income from discontinued operations - net of tax	—	—	46.3%	43.2%	18.3%	—	—	—	—	—	—
<b>Net Income from continuous operations before allocation to noncontrolling interest</b>	<b>45.6%</b>	<b>127.1%</b>	<b>24.4%</b>	<b>86.3%</b>	<b>48.7%</b>	<b>114.9%</b>	<b>55.0%</b>	<b>59.2%</b>	<b>65.8%</b>	<b>70.1%</b>	<b>73.6%</b>
Depreciation and Amortization	36.2%	37.3%	38.9%	46.0%	33.2%	47.4%	25.1%	31.1%	32.3%	32.2%	30.8%
Asset Write-Offs	10.1%	3.8%	21.5%	23.4%	14.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Income Taxes	-4.4%	-77.8%	-13.9%	4.7%	-10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Share-Based Compensation	4.3%	5.0%	5.8%	5.5%	5.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension/Postretirement Benefits	-4.5%	-5.7%	-6.7%	-2.3%	-12.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chg. in Non-Cash Work Cap	2.3%	8.3%	-4.1%	-44.8%	-19.9%	-62.3%	19.9%	9.7%	1.9%	-2.3%	-4.4%
Other Non-cash Adjustments, Net	12.1%	2.4%	-11.8%	-76.5%	-3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in Other Assets	-0.4%	0.0%	-0.3%	6.7%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in other Other Liabilities	-1.4%	-0.4%	2.3%	6.8%	19.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Cash Provided by Operating Activities from continuous operations	100.0%	100.0%	56.1%	55.7%	73.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Cash Provided by Operating Activities from discontinued operations	—	—	43.9%	44.3%	26.5%	—	—	—	—	—	—
<b>Net Cash Provided by Operating Activities</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Investing Activities</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capex	-11.5%	-11.6%	-12.5%	-16.5%	-15.6%	-24.5%	-14.5%	-18.0%	-19.7%	-20.6%	-21.0%
Acquisitions of intangible assets	-1.1%	-1.6%	-1.0%	-3.3%	-3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Change in LT Investment	20.4%	0.3%	28.1%	0.2%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Change in ST Investment	58.2%	-13.3%	12.6%	73.7%	-12.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Cash From Acq & Div.	-115.5%	-6.0%	0.0%	-86.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Investing Activities	0.3%	3.9%	1.8%	1.6%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Cash Provided by Investing Activities from continuous operations	-49.1%	-28.2%	29.0%	-30.6%	-29.1%	-24.5%	-14.5%	-18.0%	-19.7%	-20.6%	-21.0%
Net Cash Provided by Investing Activities from discontinued operations	—	—	-0.4%	-0.7%	-0.6%	—	—	—	—	—	—
<b>Net Cash Provided by Investing Activities</b>	<b>-49.1%</b>	<b>-28.2%</b>	<b>28.6%</b>	<b>-31.3%</b>	<b>-29.7%</b>	<b>-24.5%</b>	<b>-14.5%</b>	<b>-18.0%</b>	<b>-19.7%</b>	<b>-20.6%</b>	<b>-21.0%</b>
<b>Financing activities</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividends Paid	-46.0%	-45.6%	-50.4%	-63.9%	-58.6%	-70.9%	-43.3%	-61.0%	-69.6%	-72.8%	-73.1%
Repurchase of Common Stock	-31.4%	-29.8%	-77.1%	-70.4%	0.0%	0.0%	-5.2%	-7.1%	-7.9%	-8.1%	-7.9%
Cash From (Repayment) Debt	16.2%	-5.6%	-5.9%	69.6%	-88.6%	8.4%	6.1%	7.6%	6.9%	7.5%	9.2%
Other financing activities	5.2%	1.5%	4.2%	-2.7%	-3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Cash Provided by Financing Activities from continuous operations	-56.1%	-79.5%	-129.2%	-67.4%	-150.2%	-62.5%	-42.4%	-60.5%	-70.6%	-73.4%	-71.8%
Net Cash Provided by Financing Activities from discontinued operations	—	—	—	—	83.3%	—	—	—	—	—	—
<b>Net Cash Provided By Financing Activities</b>	<b>-56.1%</b>	<b>-79.5%</b>	<b>-129.2%</b>	<b>-67.4%</b>	<b>-67.0%</b>	<b>-62.5%</b>	<b>-42.4%</b>	<b>-60.5%</b>	<b>-70.6%</b>	<b>-73.4%</b>	<b>-71.8%</b>
Effect of Foreign Exchange Rates	-1.4%	0.3%	-0.7%	-0.3%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Changes in Cash</b>	<b>-6.6%</b>	<b>-7.4%</b>	<b>-1.3%</b>	<b>1.0%</b>	<b>3.3%</b>	<b>13.0%</b>	<b>43.2%</b>	<b>21.5%</b>	<b>9.7%</b>	<b>6.0%</b>	<b>7.2%</b>

## Appendix 15: Financial Ratios

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F
<b>Liquidity Ratios</b>											
Current Ratio (x)	1.3	1.4	1.6	0.9	1.4	1.6	1.8	1.9	2.0	2.0	2.0
Quick Ratio (x)	0.8	0.9	0.8	0.4	0.8	0.9	1.2	1.3	1.4	1.4	1.4
Cash Ratio (x)	0.6	0.7	0.6	0.3	0.5	0.5	0.8	1.0	1.0	1.0	1.1
<b>Efficiency Ratios</b>											
Total Assets Turnover (x)	0.3	0.3	0.3	0.2	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Accounts Receivables Turnover (x)	6.4	6.4	5.1	6.1	5.3	5.5	5.5	5.5	5.5	5.5	5.5
Accounts Receivables Days	57	57	72	60	69	67	67	67	67	67	67
Inventory Turnover (x)	1.6	1.3	1.0	1.0	0.9	1.8	1.0	1.0	1.0	1.0	1.0
Days in Inventory (days)	233	285	362	373	400	202	378	378	378	378	378
Payables Turnover (x)	2.3	2.1	1.6	1.8	1.7	3.2	1.7	1.7	1.7	1.7	1.7
Accounts Payables Days	156	175	225	205	214	115	215	215	215	215	215
Cash Cycle (days)	134	167	208	228	255	154	229	229	229	229	229
<b>Solvency Ratios</b>											
Debt-to-Equity Ratio (%)	70%	61%	65%	84%	65%	61%	62%	65%	68%	71%	74%
Equity Multiplier (x)	2.87	2.40	2.50	2.64	2.43	2.38	2.35	2.38	2.43	2.48	2.52
Debt Structure (%)	25%	23%	21%	31%	7%	7%	7%	7%	7%	6%	6%
Interest Coverage Ratio (x)	10.12	10.72	4.31	9.41	5.64	14.13	11.26	8.84	8.67	8.82	9.15
Net Debt-to-EBITDA (x)	1.36	1.18	1.94	2.13	2.24	1.18	1.03	1.12	1.12	1.11	1.08
<b>Profitability Ratios</b>											
Gross Profit Margin (%)	79.9%	81.5%	81.5%	83.2%	82.5%	67.0%	82.4%	82.4%	82.4%	82.4%	82.4%
EBITDA Margin (%)	33.6%	37.9%	29.0%	50.0%	30.9%	32.7%	34.8%	31.9%	31.9%	31.9%	31.9%
EBIT Margin (%)	22.7%	25.9%	13.9%	35.9%	19.5%	24.8%	25.9%	23.0%	23.5%	23.9%	24.4%
Net Profit Margin (%)	13.7%	40.6%	9.5%	26.4%	16.8%	19.1%	19.6%	17.0%	17.2%	17.6%	18.0%
ROA(%)	31%	31%	26%	25%	27%	45%	35%	32%	32%	32%	34%
ROE(%)	12.1%	29.7%	17.5%	25.6%	15.1%	20.4%	16.1%	12.9%	13.1%	14.0%	15.2%
ROE(%) - DuPont method	12.1%	29.7%	17.5%	25.6%	15.1%	20.4%	16.1%	12.9%	13.1%	14.0%	15.2%
NI / R (%)	14%	41%	27%	40%	23%	19%	19%	17%	17%	17%	18%
R / A (%)	31%	31%	26%	25%	27%	45%	35%	32%	32%	32%	34%
A / E (%)	287%	240%	250%	264%	243%	238%	235%	238%	243%	248%	252%
SG&A/Revenues	28.1%	28.2%	30.9%	31.0%	27.7%	20.0%	27.0%	29.9%	29.9%	29.9%	29.9%
R&D/ Revenues	14.9%	14.6%	19.0%	20.4%	22.4%	14.3%	20.6%	20.6%	20.6%	20.6%	20.6%

## Appendix 16: Forecasting Assumptions

	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	Notes	Assumption
<b>Assumptions Income Statement</b>													
<b>Revenues</b>													
<b>Oncology</b>	4,563	6,056	7,472	8,899	10,867	11,573	12,326	13,127	13,980	14,889	15,856	M\$	Forecasted using the area expected growth rate align the growth of Ibrance that represents half of the area sales - <b>6.5% CAGR</b>
YoY%		32.7%	23.4%	19.1%	22.1%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	%	
<b>Internal Medicine</b>	4,529	5,328	8,866	8,790	9,002	9,362	9,737	10,126	10,531	10,952	11,390	M\$	Forecasted using the area expected growth rate - <b>4% CAGR</b>
YoY%		66.4%	-0.9%	2.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	%	
<b>Hospital</b>	—	—	7,955	7,360	7,961	8,160	8,364	8,573	8,787	9,007	9,232	M\$	Forecasted using the area expected growth rate - <b>2.5% CAGR</b>
YoY%			-7.5%	8.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	%	
<b>Vaccines</b>	6,071	6,000	6,332	6,284	6,575	6,707	6,841	6,977	7,117	7,259	7,405	M\$	Forecasted using the area expected growth rate - <b>2.5% CAGR</b>  Prevenar/Prevenar13 represents 90% of total revenues of vaccines therapeutic area, therefore this area will be forecasted using the growth rate for this product - <b>2% CAGR</b>
YoY%		-1.2%	5.5%	-0.8%	4.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	%	
<b>Comirnaty (covid-19 vaccine)</b>	—	—	—	—	—	30,000	12,500	5,000	2,000	1,000	1,000	M\$	Given the uncertainty about Covid-19, and the non disclosure of covid-19 vaccine contracts, Comirnaty will be forecasted using the average of different estimates.
<b>Inflammation &amp; Immunology (I&amp;I)</b>	—	—	4,721	4,733	4,567	4,795	5,035	5,287	5,551	5,829	6,120	M\$	Forecasted using the are expected growth rate align with the growth of Xeljanzl that accounts for more than 50% of the area revenues - <b>5% CAGR</b>
YoY%			0.3%	-3.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	%	
<b>Rare Disease</b>	2,369	2,241	2,211	2,278	2,936	3,083	3,237	3,399	3,569	3,747	3,935	M\$	Forecasted using the are expected growth rate align with the growth of Vyndaquel that accounts for more than 50% of the area revenues - <b>5% CAGR</b>
YOY%		-5.4%	-1.3%	3.0%	28.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	%	
<b>Consumer Healthcare</b>	3,407	3,472	3,268	2,098	—	—	—	—	—	—	—	M\$	Deconsolidated business
<b>Operating Expenses</b>													
<b>Cost of Goods Sold</b>	10,628	9,717	7,573	6,918	7,351	24,314	10,232	9,254	9,086	9,288	9,686	% Rev	For 2021 COGS will be 33% of Revenues given the impact of Covid-19 vaccine that will raise COGS. For the rest of the forecasted period assumed Historical 2018-2020 Average
	20.12%	18.49%	18.55%	16.80%	17.54%	33.0%	17.6%	17.6%	17.6%	17.6%	17.6%	%	
<b>Research and Development Expenses</b>	7,872	7,683	7,760	8,394	9,405	10,538	11,962	10,818	10,621	10,858	11,323	M\$	For the year 2021 assumed to grow in line with 2019-2020 YoY growth. For the rest of the Forecast period assumed the Historical 2018-2020 Average
YOY%		-2.4%	1.0%	8.2%	12.0%	12.0%	13.5%	-9.6%	-1.8%	2.2%	4.3%	%	
	14.90%	14.62%	19.01%	20.39%	22.44%	14.30%	20.6%	20.6%	20.6%	20.6%	20.6%	% Rev	
<b>Selling, General and Administrative Expenses</b>	14,837	14,804	12,612	12,750	11,615	14,736	15,671	15,673	15,388	15,731	16,405	M\$	For the year 2021 SG&A will adjusted to 20% of Revenues because of the impact of the Covid-19 vaccine. For the rest of the Forecast period assumed the Historical 2018-2020 Average
	28.09%	28.17%	30.89%	30.97%	27.72%	20.0%	27.0%	29.9%	29.9%	29.9%	29.9%	% Rev	
<b>Restructuring Charges and Certain Acquisition-Related Costs</b>	1,724	453	1,058	600	594	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
<b>Deprecitaion and Amortization</b>													
<b>Depreciation and Amortization</b>	5,757.0	6,269.0	6,150.0	5,795.0	4,777.0	5,804	5,164	4,653	4,343	4,231	4,134	M\$	Company disclosure Depreciation will be forecast using the 2018-2020 historical rate for the Dep/Revenues
Amortization	4,056.0	4,758.0	4,736.0	4,462.0	3,436.0	3,372	3,249	2,921	2,642	2,492	2,321	M\$	
Depreciation	1,701.0	1,511.0	1,414.0	1,333.0	1,341.0	2,432	1,915	1,732	1,701	1,739	1,813	M\$	
Depreciation	3.2%	2.9%	3.5%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	% Rev	
<b>Other Items</b>													
<b>Interest Income</b>	470	391	333	225	73	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
<b>Other non-operating (income) deductions</b>	2,939	436	1,094	1,967	-707	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
<b>Net income from discontinued operations</b>	18	2	7,328	5,435	2,631	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
<b>Net income from discontinued operations</b>	18	2	7,328	5,435	2,631	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
<b>Net Income Attributable to Noncontrolling Interests</b>	31	47	36	29	36	36	36	36	36	36	36	M\$	Assumed constant for the forecasted period
<b>Corporate Tax Rate</b>													
<b>Corporate Tax Rate (effective tax rate)</b>	13.4%	-73.5%	-7.4%	5.4%	6.4%	17%	17%	17%	17%	17%	17%	%	Expected effective tax for 2021 and assumed constant for the forecasted period

Assumptions Balance Sheet													
<b>Net Working Capital</b>													
Receivables	15.6%	15.6%	19.7%	16.4%	18.9%	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	% Rev	Historical 2018-2020 Average
Inventories	12.8%	14.4%	18.4%	17.2%	19.2%	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	% Rev	Historical 2018-2020 Average
Payables	8.6%	8.9%	11.4%	9.4%	10.3%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	% Rev	Historical 2018-2020 Average
<b>Current Assets</b>													
Short-Term Investments	15,255	18,650	17,694	8,525	10,437	10,437	10,437	10,437	10,437	10,437	10,437	M\$	Assumed constant for the forecasted period
Current Tax Assets	3,041	3,050	3,374	2,736	3,264	3,264	3,264	3,264	3,264	3,264	3,264	M\$	Assumed constant for the forecasted period
Other current assets	2,249	2,287	2,461	2,357	3,439	3,439	3,439	3,439	3,439	3,439	3,439	M\$	Assumed constant for the forecasted period
Assets Held for Sale	801	12	9,725	4,224	167	167	167	167	167	167	167	M\$	Assumed constant for the forecasted period
<b>Non-current Assets</b>													
Property, Plant and Equipment, Net	13,318	13,865	13,385	12,969	13,900	14,468	15,534	16,497	17,443	18,410	19,419	M\$	PPE = PPEt-1 + CAPEX - Depreciation
<b>CAPEX</b>													
Capital Expenditures	1,823	1,956	2,042	2,072	2,252	3,000	2,981	2,696	2,647	2,706	2,822	M\$	The company plans to spend \$3 billion in capital expenditures in 2021, for the remaining years of the forecast period it was assumed that capital expenditures will be forecasted using the historical average 2018-2020 in percentage of Revenues - 5.1%
YoY%		7.3%	4.4%	1.5%	8.7%	33.2%	-0.6%	-9.6%	-1.8%	2.2%	4.3%	%	
Identifiable Intangible Assets, Net	52,648	48,741	35,211.0	33,936	28,471	25,099	21,850	18,929	16,287	13,795	11,474	M\$	Intangible = Intangible <sub>t-1</sub> - Amortization
Goodwill	54,449	55,952	53,411	48,202	49,577	49,577	49,577	49,577	49,577	49,577	49,577	M\$	Assumed constant for the forecasted period
Noncurrent Deferred Tax Assets And Other Noncurrent Tax Assets	1,812	1,855	1,924	1,911	2,383	2,383	2,383	2,383	2,383	2,383	2,383	M\$	Assumed constant for the forecasted period
Other Noncurrent Assets	3,323	3,229	2,799	17,627	4,569	4,569	4,569	4,569	4,569	4,569	4,569	M\$	Assumed constant for the forecasted period
<b>Debt</b>													
Debt (ST+LT)	42,086	43,491	41,740	53,449	41,271	42,304	43,555	44,687	45,609	46,596	47,830	M\$	
Interest Rate	2.8%	2.9%	3.2%	2.9%	3.5%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	%	Estimated Rd
LT Debt	31,398	33,538	32,909	36,985	38,247	39,280	40,531	41,663	42,585	43,572	44,806	M\$	Adjusted to maintain debt to capital stable
St Debt	10,688	9,953	8,831	16,464	3,024	3,024	3,024	3,024	3,024	3,024	3,024	M\$	Assume that the company will roll over the short term debt
<b>Current Liabilities</b>													
Dividends Payable	1,944	2,029	2,047	2,104	2,162	2,162	2,162	2,162	2,162	2,162	2,162	M\$	Assumed constant for the forecasted period
Income Taxes Payable	437	477	1,265	980	1,049	1,049	1,049	1,049	1,049	1,049	1,049	M\$	Assumed constant for the forecasted period
Accrued Compensation and Related Items	2,487	2,196	2,397	2,390	3,058	3,058	3,058	3,058	3,058	3,058	3,058	M\$	Assumed constant for the forecasted period
Other Current Liabilities	11,023	11,116	10,753	11,478	12,318	12,318	12,318	12,318	12,318	12,318	12,318	M\$	Assumed constant for the forecasted period
<b>Current Liabilities</b>													
Pension Benefit Obligations, Net	6,406	5,926	5,272	5,291	4,766	4,766	4,766	4,766	4,766	4,766	4,766	M\$	Assumed constant for the forecasted period
Postretirement Benefit Obligations, Net	1,766	1,504	1,338	926	645	645	645	645	645	645	645	M\$	Assumed constant for the forecasted period
Noncurrent Deferred Tax Liabilities	30,753	3,900	3,700	5,652	4,063	4,063	4,063	4,063	4,063	4,063	4,063	M\$	Assumed constant for the forecasted period
Other Taxes Payable	4,000	18,697	14,737	12,126	11,560	11,560	11,560	11,560	11,560	11,560	11,560	M\$	Assumed constant for the forecasted period
Other Noncurrent Liabilities	6,337	6,149	5,850	5,864	5,555	5,555	5,555	5,555	5,555	5,555	5,555	M\$	Assumed constant for the forecasted period
<b>Current Liabilities</b>													
Preferred Stock	24	21	19	17	0	0	0	0	0	0	0	M\$	Assumed constant for the forecasted period
Common Stock	461	464	467	468	470	470	470	470	470	470	470	M\$	Assumed constant for the forecasted period
Additional Paid-In Capital	82,685	84,278	86,253	87,428	88,674	88,674	88,674	88,674	88,674	88,674	88,674	M\$	Assumed constant for the forecasted period
Treasury Stock	-84,364	-89,425	-101,610	-110,801	-110,988	-110,988	-110,988	-110,988	-110,988	-110,988	-110,988	M\$	Assumed constant for the forecasted period



Accumulated Other Comprehensive Loss	-11,036	-9,321	-11,275	-11,640	-11,688	-11,688	-11,688	-11,688	-11,688	-11,688	-11,688	M\$	Assumed constant for the forecasted period
Equity Attributable to Noncontrolling Interests	296	348	351	303	235	235	235	235	235	235	235	M\$	Assumed constant for the forecasted period
<b>Assumptions Cash Flow Statement</b>													
Asset Write-Offs	1,613	634	3,398	2,941	2,049	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Deferred Income Taxes	(700)	(13,070)	(2,204)	596	(1,468)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Share-Based Compensation	691	840	923	688	756	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Pension/Postretirement Benefits	(712)	(961)	(1,057)	(288)	(1,790)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Other Non-cash Adjustments, Net	1,921	401	(1,862)	(9,634)	(484)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Change in Other Assets	(60)	7	(52)	840	(146)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Change in other Other Liabilities	(223)	(67)	367	851	2,741	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Acquisitions of intangible assets	(176)	(261)	(152)	(418)	(539)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Net Change in LT Investment	3,243	57	4,447	31	126	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Net Change in ST Investment	9,261	(2,231)	1,987	9,273	(1,798)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Net Cash From Acq & Div	(18,368)	(1,000)	0	(10,861)	0	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Other Investing Activities	52	650	287	195	274	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
Other financing activities	823	250	671	(342)	(445)	0	0	0	0	0	0	M\$	Assumed 0 for the forecasted period
<b>Dividends &amp; Share Repurchase</b>													
Dividends Paid	7,317.0	7,659.0	7,978.0	8,043.0	8,440.0	<b>8,685</b>	<b>8,907</b>	<b>9,130</b>	<b>9,353</b>	<b>9,575</b>	<b>9,798</b>	M\$	Given that Pfizer has not a clear shareholder return policy, although the Pfizer's CEO stated the company plans to raise its dividend but at a slower rate. Therefore for the forecasted we will assume a dividend growth of <b>2.5% CAGR</b> , that is in line with 2019-2020 YoY growth.
Dividend per Share	1.22	1.30	1.38	1.46	1.52	<b>1.56</b>	<b>1.60</b>	<b>1.64</b>	<b>1.68</b>	<b>1.72</b>	<b>1.76</b>	\$/#	
Shares outstanding	6,089	5,979	5,717	5,534	5,567	<b>5,567</b>	<b>5,567</b>	<b>5,567</b>	<b>5,567</b>	<b>5,567</b>	<b>5,567</b>	#M	
Shares Repurchase	5,000	5,000	12,198	8,865	0	<b>0</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	<b>1,060</b>	M\$	The company has an agreement to buy \$5.3 billion in shares, for 2021 the company has not planned repurchase shares. Although with the expected financial results of 2021 we expected the company to exercise the agreement. Therefore we dilute the total value through the rest of the forecasted period.

## Appendix 17: Risk Free Rate Estimation

	2021F	Source	Comments
<b>Government Bond Yields</b>			
US Treasury Bond 10 Year Yield	1.31%	Blomberg (September,2021)	
US Treasury Bond 30 Year Yield	1.9%	Blomberg (September,2021)	
<b>Survey Estimates</b>			
RFR - United States	1.8%	Fernandez (2021)	

## Appendix 18: Beta Estimation

	2021F	Source	Comments
<b>Financial Agencies</b>			
Reuters	0.71	Reuters	
Financial Times	0.71	Financial Times	
Bloomberg	0.73	Bloomberg	
Yahoo Finance	0.68	Yahoo Finance	
<b>Pure-Play Method from Industry</b>			
Drugs/Pharmaceutical	0.80	Damodaran (2021)	Unlevered beta
D/E	17%		In market values
Corporate Tax Rate	17%		
<b>Levered Beta</b>	<b>0.91</b>		

## Appendix 19: Equity Risk Premium Estimation

	2021F				Source	Comments
<b>Operations based ERP</b>						
	US	Europe	Emerging Markets	Developed Rest of world		
Mature Market Premium - US	4.72%	4.72%	4.72%	4.72%	Damodaran (2021)	
Region risk Premium	0.0%	1.16%	4.26%	0.23%	Damodaran (2021)	Average Country risk premiums of the countries that it operates in each region
Equity Risk Premium	4.72%	5.88%	8.98%	4.95%		Mature Market + Region Risk Premium
Pfizer Revenues (%)	52%	19%	10%	20%	Pfizer 10-K 2020	
<b>Weighted Average ERP</b>	<b>5.39%</b>					

## Appendix 20: Cost of Equity

Cost of Equity - CAPM	
Risk-Free Rate	1.31%
Beta	0.91
ERP	5.39%
<b>Re</b>	<b>6.2%</b>

## Appendix 21: Cost of Debt Estimation

	2021F	Source	Comments
<b>Historical Average interest rate</b>			
Interest Expense	1,449		
Debt (\$M)	47,360		2019-2020 Average
<b>Cost of Debt</b>	<b>3.1%</b>		
<b>Current Rating</b>			
Moddy's LT Rating	<b>A2</b>	Bloomberg	
S&P Issuer Rating	<b>A+</b>	Bloomberg	
Fitch Rating	<b>A</b>	Bloomberg	
<b>Credit Spread</b>			
<b>RF</b>	<b>1.31%</b>		
Operating Income (\$M)	8,166		2020
Interest Expense (\$M)	1,449		2020
Interest Coverage Ratio	5.64		
Synthetic rating	A1/A+	Damodaran (2021)	
<b>Company default spread</b>	<b>1.07%</b>	Damodaran (2021)	
<b>Cost of Debt</b>	<b>2.4%</b>		

## Appendix 22: Unlevered Cost of Capital – Modigliani & Miller

Unlevered Cost of Capital - Modigliani&Miller	
WACC	5.7%
Tax Rate	17.0%
D/(D+E)	17%
<b>Ru</b>	<b>5.9%</b>

## Appendix 23: Cost of Capital - WACC

Cost of Capital - WACC	
Re	6.2%
E/(D+E)	86%
Rd	3.1%
D/(D+E)	14%
Tax Rate	17%
<b>WACC</b>	<b>5.7%</b>

Capital Structure (Market Values)	Source	Comments
<b>Market Capitalization (E)</b> 258,300	Yahoo Finance (31, August)	Market Values (\$M)
Debt 41,271		2020 Book Values
Interests Expenses 1,449		2020
Weighted-average maturity of debt 12.54		Years
Rd 3.1%		Estimated Rd
<b>Debt</b> 43,187		Estimated Market Value (\$M)
E/(E+D) 86%		
D/(D+E) 14%		
D/E 17%		

For the WACC calculation were used market value weights. In the Equity case, it corresponds to Pfizer's market capitalization on 31<sup>st</sup>, August. In the case of Debt, converted book debt value was converted into market value debt by considering all book value of debt as a one coupon bond, with the coupon equal to interest expenses, and maturity equal to the weighted average maturity of debt. And then value the bond at the current cost of debt.

$$MVD = 1,449 \times \left( \frac{1 - \frac{1}{1.031^{12.54}}}{0.031} \right) + \frac{41,271}{1.031^{12.54}} = 43,187M$$

## Appendix 24: Long-term Sustainable Growth Rate

	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	Terminal period
<b>GDP Growth</b>										
World	3.6%	2.8%	-3.3%	6.0%	4.4%	3.5%	3.4%	3.3%	3.3%	3.3%
<b>Dividend sustainable growth rate: PRAT model (g=b x ROE)</b>										
Net Income (NI)	11,153	16,273	9,616	14,069	11,316	8,864	8,846	9,218	9,864	99,220
Dividends (D)	7,978	8,043	8,440	8,685	8,907	9,130	9,353	9,575	9,798	79,908
Revenues (R)	40,825	41,172	41,908	73,680	58,039	52,489	51,535	52,683	54,938	467,270
Total Assets (A)	159,422	167,594	154,229	164,000	164,973	164,203	163,459	163,149	163,623	1,464,653
Shareholder's Equity (E)	63,758	63,447	63,473	68,858	70,207	68,881	67,315	65,898	64,904	596,741
<b>(NI-D) / NI</b>	<b>28.5%</b>	<b>50.6%</b>	<b>12.2%</b>	<b>38.3%</b>	<b>21.3%</b>	<b>-3.0%</b>	<b>-5.7%</b>	<b>-3.9%</b>	<b>0.7%</b>	<b>19.5%</b>
<b>ROE</b>	<b>17%</b>	<b>26%</b>	<b>15%</b>	<b>20%</b>	<b>16%</b>	<b>13%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>	<b>17%</b>
NI / R	27%	40%	23%	19%	19%	17%	17%	17%	18%	21%
R / A	26%	25%	27%	45%	35%	32%	32%	32%	34%	32%
A / E	250%	264%	243%	238%	235%	238%	243%	248%	252%	245%
<b>g</b>										<b>3.2%</b>
<b>Stable Growth Model: Reinvestment Rate x ROE</b>										
Capex	2,042	2,072	2,252	3,000	2,981	2,696	2,647	2,706	2,822	16,851
D&A	6,150	5,795	4,777	5,804	5,164	4,653	4,343	4,231	4,134	28,329
DNWC	-649	-5,644	-2,870	-7,630	4,096	1,454	250	-301	-591	-2,721
EBIT	5,672	14,800	8,166	18,288	15,010	12,091	12,097	12,575	13,391	83,452
Corporate tax rate	-7%	5%	6%	17%	17%	17%	17%	17%	17%	17%
<b>Reinvestment Rate</b>	<b>-78.1%</b>	<b>-66.9%</b>	<b>-70.6%</b>	<b>-68.7%</b>	<b>15.4%</b>	<b>-5.0%</b>	<b>-14.4%</b>	<b>-17.5%</b>	<b>-17.1%</b>	<b>-20.5%</b>
<b>ROE</b>	<b>17%</b>	<b>26%</b>	<b>15%</b>	<b>20%</b>	<b>16%</b>	<b>13%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>	<b>17%</b>
<b>g</b>										<b>-3.4%</b>

## Appendix 25: WACC Method

WACC method	2020	2021F	2022F	2023F	2024F	2025F	2026F	Terminal period
EBIT		18,288	15,010	12,091	12,097	12,575	13,391	
Corporate tax rate (t)		17%	17%	17%	17%	17%	17%	
(+) EBIT*(1-t)		15,179	12,458	10,035	10,040	10,437	11,115	
(+) Depreciation & Amortization		5,804	5,164	4,653	4,343	4,231	4,134	
(-) ΔNWC		-7,630	4,096	1,454	250	-301	-591	
(-) Capex		-3,000	-2,981	-2,696	-2,647	-2,706	-2,822	
<b>(=) FCFF</b>		<b>10,353</b>	<b>18,738</b>	<b>13,446</b>	<b>11,986</b>	<b>11,662</b>	<b>11,837</b>	<b>327,173</b>
WACC								5.7%
g								2.0%
<b>(=) Enterprise Value</b>		<b>316,680</b>	<b>323,758</b>	<b>322,376</b>	<b>326,508</b>	<b>332,419</b>	<b>339,009</b>	
(+) Non-operational Assets		27,214	27,214	27,214	27,214	27,214	27,214	
(-) Non-operational Liabilities		-26,589	-26,589	-26,589	-26,589	-26,589	-26,589	
(+) Cash & Cash Equivalents		13,812	22,692	25,910	27,211	28,005	28,968	
(-) Debt		-42,304	-43,555	-44,687	-45,609	-46,596	-47,830	
(-) Non-controlling interests		-235	-235	-235	-235	-235	-235	
<b>(=) Equity</b>		<b>288,578</b>	<b>303,285</b>	<b>303,989</b>	<b>308,501</b>	<b>314,219</b>	<b>320,537</b>	
#Shares		5,567	5,567	5,567	5,567	5,567	5,567	
<b>Price</b>		<b>\$51.84</b>	<b>\$54.48</b>	<b>\$54.61</b>	<b>\$55.42</b>	<b>\$56.44</b>	<b>\$57.58</b>	

## Appendix 26: Adjusted Present Value

APV	2020	2021F	2022F	2023F	2024F	2025F	2026F	Terminal period
(+) FCFF		10,353	18,738	13,446	11,986	11,662	11,837	
Corporate tax rate (t)		17%	17%	17%	17%	17%	17%	
Debt		42,304	43,555	44,687	45,609	46,596	47,830	47,830
Tax Shield		220	227	232	237	242	249	8,131
PV (Tax Shield)		8,090	8,111	8,126	8,135	8,139	8,138	
PV (Explicit period of Business Cash Flow)		303,869	310,706	309,067	312,935	318,574	324,887	<b>313,051</b>
<b>(=) Unlevered Enterprise Value</b>		<b>311,959</b>	<b>318,817</b>	<b>317,193</b>	<b>321,070</b>	<b>326,713</b>	<b>333,026</b>	
Rd								3.1%
Unlevered Ru		5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
G								2.00%
(+) Non-operational Assets		27,214	27,214	27,214	27,214	27,214	27,214	
(-) Non-operational Liabilities		-26,589	-26,589	-26,589	-26,589	-26,589	-26,589	
(+) Cash & Cash Equivalents		13,812	22,692	25,910	27,211	28,005	28,968	
(-) Debt (Gross)		-42,304	-43,555	-44,687	-45,609	-46,596	-47,830	
(-) Non-controlling interests		-235	-235	-235	-235	-235	-235	
<b>(=) Equity</b>		<b>283,857</b>	<b>298,344</b>	<b>298,806</b>	<b>303,062</b>	<b>308,513</b>	<b>314,553</b>	
#Shares		5,567	5,567	5,567	5,567	5,567	5,567	
<b>Price</b>		<b>\$50.99</b>	<b>\$53.59</b>	<b>\$53.67</b>	<b>\$54.44</b>	<b>\$55.42</b>	<b>\$56.50</b>	

## Appendix 27: Flow-to-Equity Method

Flow-to-Equity method	2020	2021F	2022F	2023F	2024F	2025F	2026F	Terminal period
(+) FCFE		10,353	18,738	13,446	11,986	11,662	11,837	
Interest		1,294	1,333	1,367	1,395	1,426	1,463	
Corporate tax rate (t)		17%	17%	17%	17%	17%	17%	
(-) Interest*(1-t)		1,074	1,106	1,135	1,158	1,183	1,215	
(+) Net Borrowings		1,033	1,251	1,132	922	987	1,234	
<b>(=) FCFE</b>		<b>10,312</b>	<b>18,883</b>	<b>13,443</b>	<b>11,750</b>	<b>11,465</b>	<b>11,856</b>	<b>286,770</b>
Re		6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
g								2.00%
<b>(=) Equity</b>		<b>279,699</b>	<b>286,135</b>	<b>283,867</b>	<b>287,236</b>	<b>292,613</b>	<b>298,626</b>	
#Shares		5,567	5,567	5,567	5,567	5,567	5,567	
<b>Price</b>		<b>\$50.24</b>	<b>\$51.40</b>	<b>\$50.99</b>	<b>\$51.60</b>	<b>\$52.56</b>	<b>\$53.64</b>	

## Appendix 28: Total Payout Method

Dividend Discount Model	2020	2021F	2022F	2023F	2024F	2025F	2026F	Terminal period
Dividend per Share		\$1.56	\$1.60	\$1.64	\$1.68	\$1.72	\$1.76	
Shares Outstanding (# millions)		5,567	5,567	5,567	5,567	5,567	5,567	
Dividends		8,685	8,907	9,130	9,353	9,575	9,798	
Share Repurchase		0	1,060	1,060	1,060	1,060	1,060	
<b>(=) Shareholders cashflow</b>		<b>8,685</b>	<b>9,967</b>	<b>10,190</b>	<b>10,413</b>	<b>10,635</b>	<b>10,858</b>	<b>11,216</b>
Re		6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
gS								3.30%
H								8
gL								2.0%
<b>(=) Equity</b>		<b>263,071</b>	<b>270,201</b>	<b>276,413</b>	<b>282,774</b>	<b>289,295</b>	<b>295,984</b>	<b>285,126</b>
#Shares		5,567	5,567	5,567	5,567	5,567	5,567	
<b>Price</b>		<b>\$47.26</b>	<b>\$48.54</b>	<b>\$49.65</b>	<b>\$50.79</b>	<b>\$51.97</b>	<b>\$53.17</b>	

## Appendix 29: Peers Selection

Rank	Company	Ticker	SARD Variables					Net Debt/EBITDA	Selected Peer	EV/EBITDA	EV/EBIT	P/E
			Market Cap (\$M)	ROE	EBIT Margin	EPS						
1	JOHNSON & JOHNSON	JNJ US	431,820	29.42%	23.89%	5.59	0.32	0				
2	ROCHE HOLDING AG	ROG SW	320,770	43.53%	31.79%	17.84	0.13	1	13.0	15.9	20.8	
3	PFIZER INC	PFE US	244,900	15.86%	19.49%	1.73	1.64	1	13.4	19.3	18.4	
4	ELI LILLY & CO	LLY US	226,050	167.55%	24.69%	6.82	1.58	1	26.9	31.5	35.5	
5	NOVO NORDISK A/S - B	NOVOB DC	222,750	70.57%	42.64%	2.76	-0.04	0				
6	NOVARTIS AG-REG	NOVN SW	199,450	43.53%	20.35%	1.48	1.53	1	12.1	19.3	20.7	
7	ABBVIE INC	ABBV US	194,370	48.86%	24.81%	2.73	3.40	1	15.5	21.4	26.4	
8	MERCK & CO INC	MRK	192,890	54.55%	16.47%	2.79	1.30	1	16.7	22.9	28.1	
9	ASTRAZENECA PLC	AZN LN	186,100	20.82%	19.72%	2.44	1.60	0				
10	SANOFI	SAN FP	121,560	10.07%	37.84%	11.21	0.77	0				
11	GLAXOSMITHKLINE PLC	GSK LN	95,100	39.58%	23.15%	1.48	1.96	0				
12	BAYER AG-REG	BAYN GR	53,480	7.87%	-39.06%	-12.19	2.16	0				
<b>Average</b>									16.3	21.7	25.0	

## Appendix 30: Relative Evaluation – Market Based Valuation

	2021F	2022F
<b>Enterprise Value Multiples</b>		
<b>EV/EBITDA</b>		
Peers Average		16.3
Pfizer - EBITDA	24,092	20,174
<b>Pfizer - EV</b>	<b>391,814</b>	<b>328,102</b>
(+) Non-operational Assets	27,214	27,214
(-) Non-operational Liabilities	-26,589	-26,589
(+) Cash & Cash Equivalents	13,812	22,692
(-) Debt	-42,304	-43,555
(-) Non-controlling interests	-235	-235
<b>(=) Equity</b>	<b>363,713</b>	<b>307,629</b>
#Shares	5,567	5,567
<b>Price</b>	<b>\$65.33</b>	<b>\$55.26</b>
<b>EV/EBIT</b>		
Peers Average		21.7
Pfizer - EBIT	18,288	15,010
<b>Pfizer - EV</b>	<b>397,097</b>	<b>325,913</b>
(+) Non-operational Assets	27,214	27,214
(-) Non-operational Liabilities	-26,589	-26,589
(+) Cash & Cash Equivalents	13,812	22,692
(-) Debt	-42,304	-43,555
(-) Non-controlling interests	-235	-235
<b>(=) Equity</b>	<b>368,996</b>	<b>305,441</b>
#Shares	5,567	5,567
<b>Price</b>	<b>\$66.28</b>	<b>\$54.87</b>

	2021F	2022F
<b>Equity Value Multiples</b>		
<b>P/E</b>		
Peers Average		25.0
Pfizer - EBITDA	14,069	11,316
<b>(=) Equity</b>	<b>351,230</b>	<b>282,507</b>
#Shares	5,804	5,164
<b>Price</b>	<b>\$60.52</b>	<b>\$54.70</b>

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### Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%