



Pfizer, Inc (NYSE: PFE)
Current Price: \$29.48

Healthcare - Pharmaceutical & Biotechnology
Target Price: \$29-\$34

Recommendation: Hold

Date: Nov. 10, 2023

Analysts

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Company Description

Pfizer is a multinational pharmaceutical corporation headquartered in New York City. It is one of the largest pharmaceutical companies in the world, with a global portfolio of medicines and vaccines. Pfizer develops and produces medicines and vaccines for immunology, oncology, cardiology, endocrinology, and neurology. Recently, Pfizer has become one of the major pharmaceutical firms that produced a COVID-19 vaccine, which resulted in a heightened period of profitability.

Investment Thesis

The Krause Fund recommends a **hold** rating for Pfizer with a target price range between \$28 and \$34. Our DCF analysis resulted in a margin of safety of 13.38% from the current price level. On the low end, our target price of \$28.39, due to the dividend discount model valuation method, which can be explained by Pfizer's recent M&A activity softening their balance sheet and limiting their ability to raise dividends in the future. As a result, we believe that Pfizer is close to its intrinsic valuation given all public information.

Investment Drivers

- Pfizer has profited exceptionally from the COVID pandemic allowing for a 5.56% dividend yield and investment through M&A.
- The Seagen acquisition could bring substantial revenue to Pfizer through new drug pipelines, R&D efficiency, and drug manufacturing capabilities.
- Pfizer is well positioned in an industry that has high future growth expectations.

Investment Risk

- Pfizer may not be able to sustain their high dividend yield if their acquisition strategy does not pay off. This remains a concern for investors as the patent cliff nears and COVID revenue slows.
- Pfizer does not have a high proportion of investment in some of the currently popular pharmaceuticals such as diabetes and weight loss medicine (GLP-1s)
- Government price negotiations for Medicare subscribers could disincentivize American pharmaceutical innovation

Financial Snapshot

Model Valuation

DCF_EP: \$33.42

DDM: \$28.39

2023E Relative P/E: \$34.73

Current Stock

Price (as of 11/10/23): \$29.48

52-Week Hi/Lo: \$29.48-\$54.48

Shares Outstanding: 5.646 billion

Beta: 0.55

Financial Metrics

2022 Revenue: \$100.33 billion

2023E Revenue: \$56.4 billion

2022 EPS: \$5.59

2023E EPS: \$1.45

WACC: 6.68%

Ratios

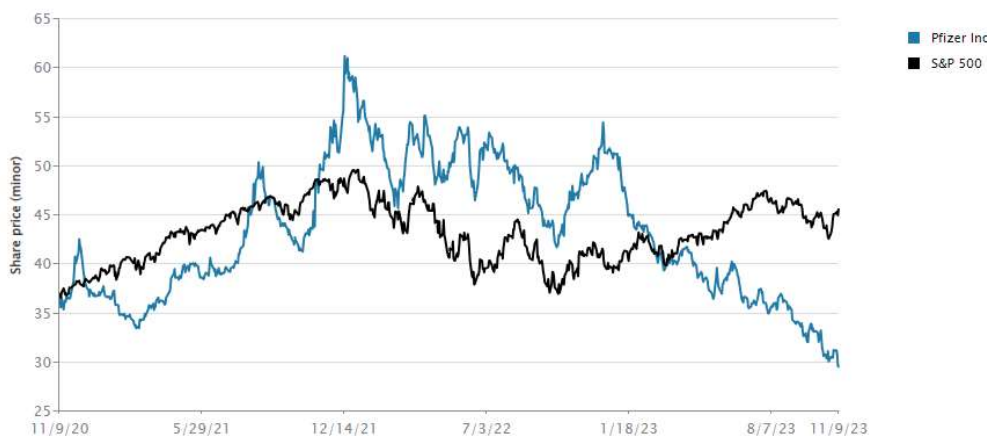
2023E Net Margin: 14.50%

2023E ROA: 7.96%

2023E ROE: 8.53%

2023E ROIC: 14.77%

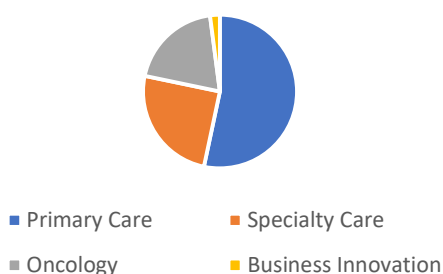
Pfizer Inc Price



Revenue Analysis

Pfizer’s main revenue drivers are the assortment of pharmaceutical drugs that they produce and sell under the categories of Primary Care, Specialty Care, and Oncology. Additionally, they have added Business Innovation, “Other Revenue” in our model to account for the classification of old drugs, which includes R&D consulting and contract development revenue.

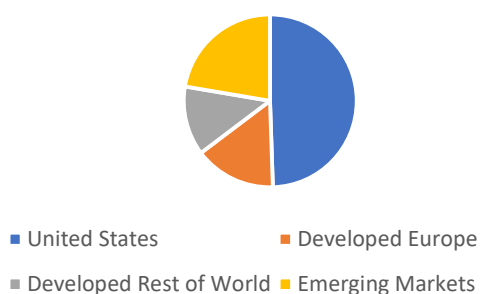
2023 YTD Revenue by Segment



Source: Pfizer Q3 2023 10-Q

Pfizer has geographic diversity in their revenue streams with 50.8% of revenue coming from the United States and the rest between Europe, emerging markets, and developed Rest of world.

2023 YTD Revenue by Geography



Source: Pfizer Q3 2023

2023 revenue has seen a sharp decrease from year end 2022, primarily due to the COVID-19 vaccine, Comirnaty, and Paxlovid, the COVID-19 anti-viral drug. On October 13th Pfizer cut their revenue guidance down to \$58-\$61 billion (CNBC & Pfizer), a number more consistent with their second and third quarter earnings. This projects a

decrease of 44.5% from last year. While COVID related revenue has seen a sharper decrease than expected due to a decrease in vaccine demand, many other drugs are performing well.

Primary Care

Primary care makes up 53.3% of Pfizer’s revenue due to large profits from the COVID pandemic. While these drugs are projected to continue to fall in their market share, other primary care drugs can be seen steadily growing. Eliquis, the anticoagulant, has been growing steadily by nearly 10% per year for the past 5 years. Plevnar, a pneumonia and meningitis vaccine, is another major primary care drug bringing in revenue of \$6.3 billion for Pfizer in 2022. Both Eliquis and Plevnar are facing patent expiration beginning in 2026 and will be susceptible to biosimilar competition if they cannot extend those patents.

Specialty Care

Specialty care generated 24.9% of Pfizer’s revenue YTD. Vyndaqel, a heart failure treatment, is the largest revenue driver within the specialty care category. This drug generated \$2.5 billion in 2022 and has seen rapid growth since its release in 2019. Enbrel, an arthritis inhibitor, generated \$1 billion in 2022. Sulperazon, an antibacterial, is the third biggest specialty care drug and has seen a continued increase in demand. These three drugs face patent expiration in 2024, 2028, and 2032 respectively though Pfizer has filed for an extension of the Vyndaqel patent. Investors should continue to monitor changes in patent expiration as it is a significant predictor of future revenue.

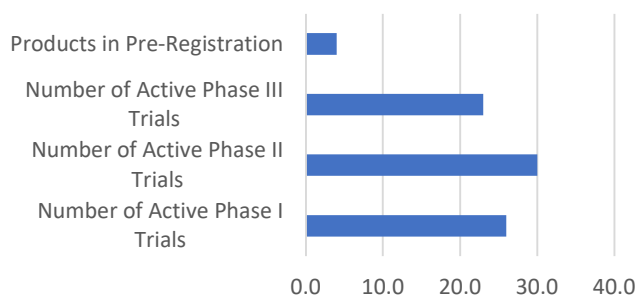
Oncology

The oncology segment remains a focus for Pfizer per their annual report and acquisition priorities (Seagen, Biohaven, Arena Pharmaceuticals). This category brought in 19.7% of their revenue YTD. Notable drugs are Ibrance, Xtandi, Inlyta, and Bosulif. These drugs are facing patent expiration in 2027, 2027, 2025, and 2025 respectively.

Future Drug Pipelines

Pfizer faces a drug patent expiration cliff beginning in 2025 and continuing until 2028. If new drug pipelines are not introduced by Pfizer over the next few years, they face the risk of biosimilar drugs capturing their existing drug market share. To combat this Pfizer has stated they have many new drugs coming to market by 2025 and has made acquisitions to ensure this future. Additionally, they've allocated a significant amount of capital towards ensuring that there will be new drugs to replace those which aren't under patent protection through R&D.

Current Drug Pipeline



Source: Pfizer Drug Pipelines

Pfizer currently has a total of 83 drugs in their pipeline through various stages of the trial and registration process. They currently have 23 drugs undergoing phase 3 trials and 4 drugs that are pending registration (Pfizer Drug Pipelines). The drugs in their pipeline are centered around expanding their existing product segments of oncology, vaccines, anti-infectives, immunology, and internal medicine. The largest portion of these drugs are in the oncology space which remains a focus for future innovation according to their earnings press release (Q2 2023 10-Q).

Seagen Acquisition

Pfizer is working towards acquiring Seagen for the agreed upon price of \$43 billion. In May of 2023 they had issued \$31 billion in bonds to finance this acquisition (Q2 10-Q Report). The Seagen company is a Seattle based biotechnology company that develops innovative cancer treatments. This acquisition will further Pfizer's mission in expanding their oncology business. This deal is the largest biotechnology transaction in the past three years and is a significant cost to Pfizer.

According to Visible Alpha, Seagen is well positioned to bring many new drugs to market with a revenue goal of \$11 billion by 2030 (Visible Alpha). This appears to be an optimistic revenue growth rate as Seagen would have to grow with a revenue CAGR of over 25% until 2030.

Precedent Transactions

Pfizer's internal company guidance has established a goal of obtaining \$25 billion in revenue by 2030 from business development deals (Pfizer 2022 Annual Report). With the profitability of the COVID pandemic and its positive impacts on their balance sheet Pfizer has been very active in M&A activity. Below is a list of Pfizer's recent deals.

| Company | Focus | Cost | Acquisition Year |
|---------------------------|---------------------|----------------|------------------|
| Global Blood Therapeutics | Rare Blood Diseases | \$5.4 billion | 2022 |
| Array BioPharma | Oncology | \$11.4 billion | 2019 |
| Trillium Therapeutics | Immuno-oncology | \$2.3 billion | 2021 |
| Biohaven | Neurology | \$11.6 billion | 2022 |
| Medivation | Oncology | \$14 billion | 2016 |

Source: Visible Alpha

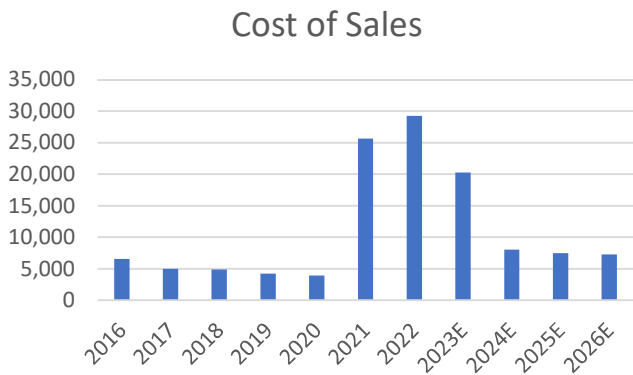
Expense Analysis

Pfizer's expenses have seen an increase since the introduction of the COVID vaccine. This is a major indicator of their future profitability as they need to keep these costs under control as their COVID-related revenue decreases. This has been a focus of Pfizer's management.

Cost of Sales

From 2020 to 2021 Pfizer's COGS has seen an increase of 554% due to Comirnaty and Paxlovid production, as well as the supply chain disruption that caused an increase in cost for shipping and distribution, as a result of the COVID pandemic. Pfizer had pressure to meet global demand for vaccine production and quickly react to the changes in COVID variants. To ensure that they stayed on top of the vaccine production they invested heavily in these two

drugs. As a result, Pfizer’s margins fell nearly 20%, from 91% gross margin to 71% at the end of 2022. With the fall of COVID related revenue 2023 YTD has seen a decrease trending towards pre-COVID levels. In our forecasts we are projecting Pfizer’s cost of goods sold to continue to move in the direction of pre-COVID levels, resulting in improved margins.



Source: Mergent (for historical)

Research & Development

Pfizer’s management decided to allocate a significant portion of their profits from Comirnaty and Paxlovid towards developing future drug pipelines and COVID related drugs. This decision has resulted in an increase in R&D spending of over \$4 billion relative to pre-COVID years. In 2022 and 2023 YTD these levels can be seen returning in the direction of pre-COVID levels (Mergent). From Pfizer’s R&D efforts in recent years, management appears to be confident in their ability to bring new drugs to market by the year 2025, before the beginning of their expected patent expiration cliff. With a recent focus on M&A activity and the layoffs discussed later in the report, we project that R&D expenses will decrease sharply to levels that are closely aligned with their pre-COVID levels, relative to revenue.

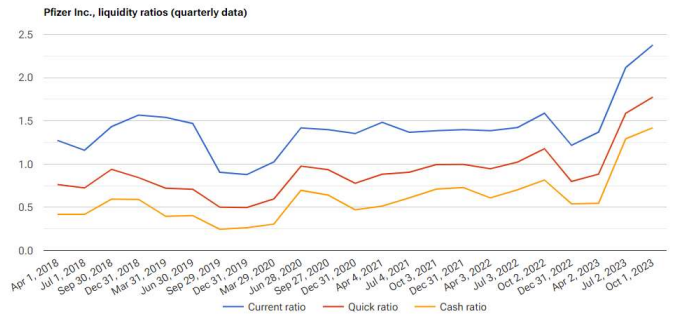
Capital Expenditures

Pfizer’s capital expenditures are closely correlated to their rolling out of new drugs. For this reason, they had seen an increase in capital expenditures during the COVID pandemic as they needed to increase their PP&E spending to produce and distribute Comirnaty and Paxlovid. Historically, Pfizer had low capital expenditure

before the COVID pandemic. This is mostly attributed to them being an existing industry leader in their drug research and distribution technology and expansion through M&A. With Pfizer’s new drug pipelines in mind, we have forecasted a capital expenditure growth rate of 3.5%. This growth rate is relatively low since historically they have not had to invest heavily in capital expenditures but allows for enough growth to develop and distribute their upcoming drugs. This projection is consistent with the idea that their future financials will revert to the direction they were at pre-COVID.

Debt Maturity

Pfizer currently has \$92.2 billion in total debt, of which \$61.05 billion is long-term debt on their balance sheet. \$31 billion of this debt is from their bond issuance for the acquisition of Seagen. Moody’s and S&P have issued a rating on Pfizer’s debt as A1 and A+ respectively. These are strong ratings and show signs of low credit risk.



Pfizer’s credit risk could be subject to an increase if they continue their expansion through M&A activity and continue to aggressively pay out a dividend and repurchase shares. This would overall weaken their balance sheet which benefited from the production of COVID-related drugs. Management is under a cost-cutting agenda as they have not purchased shares in 2023 and have even begun a layoff, attempting to lower their SG&A costs.

Cost Cutting Initiative

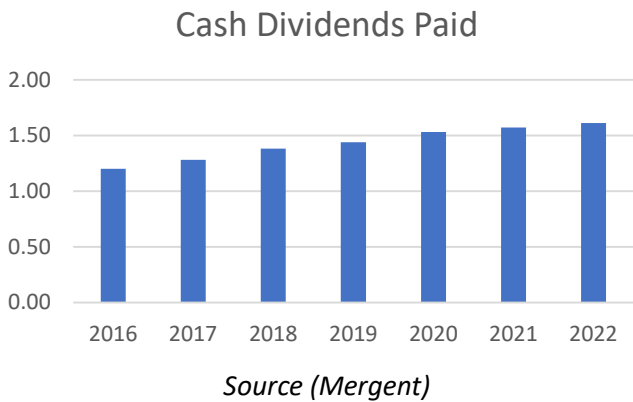
On October 13, 2023, Pfizer had cut its guidance for 2023 FYE revenue down to \$58-\$61 billion due to a greater than expected demand decrease for Comirnaty and Paxlovid. For this reason, they decided they will begin cutting operating costs. They had set goals of \$1 billion

for 2023 and another \$2.5 billion in projected cost savings for 2024. This includes scaling down Comirnaty and Paxlovid operations.

Pfizer has begun laying off an undisclosed number of people. While initially this figure was set at 800 employees, that has been retracted and now they are uncertain. They plan on shutting down facilities in New Jersey and North Carolina, while reducing employee count in Illinois and Colorado (CNBC).

Payout Policy

Pfizer's dividend payout policy is very attractive to common stock investors, currently yielding 5.56% for common stock investors. YTD, they have returned \$6.9 billion through cash dividends, equivalent to \$1.23 per share (Pfizer Q3 10-Q). In the Q2 earnings call Pfizer discussed their ability to continue to increase dividends in the future, which did not seem to be a focus of Q3. This is consistent with our dividend forecasts as we do not think they will be able to sustain the dividend increases that they have issued historically. We expect significantly more moderate dividend increases to come.



Pfizer has not repurchased any stock in 2023. While they have repurchase authorization of \$3.3 billion dollars, managements guidance does not anticipate any repurchases for the current year (Pfizer Q3 10-Q). This could be interpreted as a sign that they do not think that their company is being undervalued.

Economic Analysis

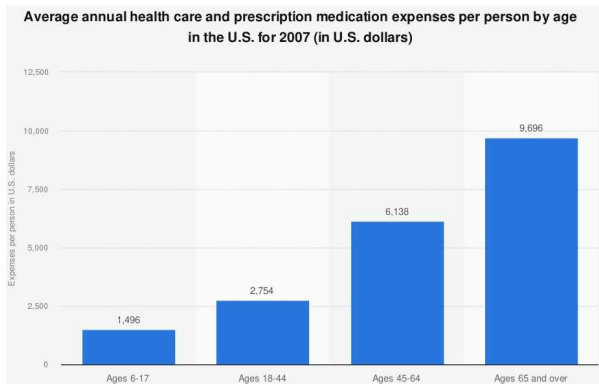
Government Regulation

Government regulation affects healthcare profitability because it limits prices charged and locations serviced. These regulations are difficult to predict and have disruptive tendencies. The Biden Administration is currently negotiating prices directly with large pharmaceutical companies to reduce costs for Medicare subscribers. These lower prices are not set to take into effect until 2026 but could result in reduced profitability and even reduce drug innovation. We expect this to remain relevant under the Biden administration and potentially continue depending on administration changes. This could disproportionately affect those companies which have high United States based revenue, such as Pfizer. It is important for investors to closely monitor the companies and drugs impacted as these negotiations progress.

Population demographics

Population growth is essential for the pharmaceutical industry as an expanding population leads to new customers for drug products. The United States current fertility rate is currently 1.8 which is below the replacement rate of 2.1 (Macrotrends). As a result, the United States population is likely to peak over the next decade with an expected population growth in 2027 of less than 1% (Statista).

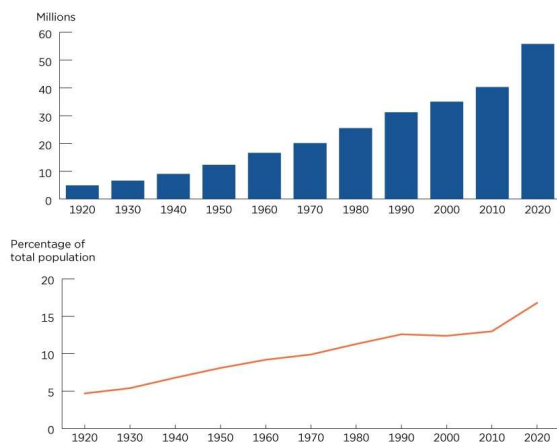
Despite this pessimistic outlook on population growth, the United States is rapidly growing in elder population, above the age of 65. Individuals above the age of 65 typically incur high pharmaceutical expenditures. The extended lifespan and increased spending patterns within this demographic are poised to positively impact healthcare profitability.



Source: Statista

The chart above shows the average pharmaceutical expense by age. The older growing population can be seen spending nearly as much as everyone below the age of 65 combined (Statista).

Figure 1. Population 65 Years and Over by Size and Percentage of Total Population: 1920 to 2020



Source: Census.gov

While recognizing the potential positive effects on industry profitability, it's still crucial to emphasize the necessity of sustained population growth. A growing population ensures expanded healthcare coverage by providers and promotes an environment ripe for innovation. The link between demographic trends and healthcare dynamics highlights the need for strategic considerations in the industry's long-term planning.

Interest Rates and Inflation (CPI)

In times of high inflation rates, companies often transfer these increased expenses to consumers. The existing

regulations in the United States allow considerable freedom for such cost shifts, particularly for individuals enrolled in employer-sponsored healthcare plans (CNBC). Consequently, the prevailing high inflationary conditions serve as a potential precursor to escalating costs, contributing to increased profits for healthcare companies.

Our anticipation is that inflation rates will experience a modest decrease from the current rate of 3.7% to 3.5% within the next six months, with a further decline to 3.25% over a more extended period of 2-3 years. These projections are closely tied to our expectations for interest rates, guided by insights gleaned from Federal Reserve press releases and predictions (US Inflation Calculator). Concentrated efforts have been made to counteract inflationary pressures witnessed over the past two years, including interest rate hikes designed to temper the economic impact of COVID-related disruptions.

Over the upcoming year we predict the fed funds rate to stay the same in 2023 and potentially decrease in 2024 by up to .5 basis points, aligning with our inflationary outlook and reflecting market sentiment. Despite the Federal Reserve's fed funds rate flexibility, the observed moderation in inflation, coupled with our projections, suggests a stable trajectory for both inflation and interest rates (10-year treasury bond rates). Our forecast envisions a period of slightly elevated inflation relative to the Fed's target of 2%, in line with market expectations. We do not perceive inflation as a significant impediment to the industry's growth at the current time.

Economic Growth

To establish a framework for our economic growth forecast, we used an article published by Deloitte on predictions for the US economy. The model suggests that while GDP growth rates will slow, they will continue to increase over time by an average of 1.6%. We attribute this performance to the economic measures implemented by the Federal Reserve being stronger than current economic weaknesses such as slowing job growth and market saturation (Deloitte).

We consider the Federal Reserve's projection of 2.1 percent GDP growth over the next decade to be a bit optimistic and hold a more conservative outlook. We consider the potential dampening effect of the recent interest rate hikes by the Federal Reserve on their growth forecast. We expect the repercussions of these rate increases to manifest more gradually, influencing consumers over a longer timeframe.

In light of these considerations, our short-term GDP forecast entails an annual rise of 1.7% over the next two years, with a subsequent annualized rate of 1.55% continuing until 2028. Recognizing the relationship between economic growth and consumer spending, we anticipate increased consumer expenditure flowing into the healthcare industry. This surge in spending is expected to be exhibited through heightened engagement in preventive care, as well as increased investments in surgeries and medical procedures to ensure positive outcomes.

Capital Market Forecast

The healthcare sector overall has seen growth over the past year. The industry is up 5.6% over the past 12 months, with earnings expected to increase approximately 18.0% annually (NetAdvantage CapitalIQ). With continuous efforts to improve the R&D process, the sector is projected to see an approximate 2% decrease in revenue this year. Pharmaceuticals in specific have had the greatest number of returns over the past 12 months at approximately 14.5%, which is about 1.3% higher than the market. Many investors believe that now is a good time to invest in the pharmaceuticals industry due to its inherently low risk and seemingly high growth potential, reflected in high valuation multiples. Revenue is anticipated to return to growth next year due to the growing popularity of many treatments. We believe that now is a good time to invest in the pharmaceutical industry due to its high potential for growth, as previously mentioned. Due to the increasing consumer spending on pharmaceutical products as well as spending on research and development, big pharmaceutical companies are looking to revolutionize the drug industry

and remain rivalrous in the increasingly competitive market.

Industry Analysis

Major Pharmaceuticals Industry

Major pharmaceutical companies can be classified as large cap pharmaceutical & biotechnology companies. Companies under this classification make money through selling pharmaceutical drugs. Development can be accomplished through personal R&D, where new drugs are discovered, or by purchase of patents of existing drugs. These companies are mostly unregulated in their pricing requirements and therefore have very high profit margins. These companies tend to react well to getting FDA approval for trials on drugs discovered from R&D. FDA approvals and successes of clinical trials have lasting effects on stock prices due to expected future profits from the discovery of new drugs.

Firms in this industry are differentiated by their unique/rare treatments that they have patents for. Trends in the number of people with targeted conditions can serve as an indicator of expected future profits. Whether a drug is a treatment, or a cure has a big effect on its value and sales forecasts. Cures can charge very high prices because they generally only need to be used for a short period of time and therefore can charge extremely high prices.

Among the various segments within the healthcare industry, the pharmaceutical sector is anticipated to exhibit one of the most substantial growth and performance rates, with global prescription drug sales expected to increase at a 7.2% compound annual growth rate (CAGR) from 2023 to 2028, reaching a projected \$1.6 trillion in 2028 (NetAdvantage CapitalIQ).

Recent Developments and Trends

Policy and Technology

A big change to the pharmaceutical industry has been the evolution of government drug pricing regulations. With consistent year-over-year price increases felt by businesses, healthcare providers, and consumers there is

an increase in the desire for regulation. This is a difficult problem to navigate because nobody wants to decrease the quality of drugs or availability on the market. The Biden administration has begun targeting drugs to negotiate pricing for Medicare subscribers.

The pharmaceutical industry also has been subject to many technological changes in recent years due to the abundance of new technological developments. In specific, gene therapy and mRNA vaccines are becoming feasible due to CRISPR and other gene sequencing innovations. This has opened a new area of advancements for vaccines and treatments that were previously not possible. AI and Machine learning are also becoming increasingly popular for drug R&D.

Population and Illnesses

Due to an increasing population, more R&D efforts are taking place to develop drugs that treat illnesses correlated to older age. These illnesses include cancer, heart disease, and Alzheimer’s. This is expected to remain prevalent as the percentage of older citizens in the United States continues to grow.

COVID-19 related sales were a huge profit boost for any company that took part. In recent months, a decrease of these profits can be seen across the industry. It is expected that these prices will continue to decrease as the number of confirmed cases declines.

Diabetes, Weight loss, and GLP-1s

Another major trend in the pharmaceutical industry right now is diabetes and weight loss medications. This has led to major profits for firms such as Eli Lilly, Novo Nordisk, and Bristol. GLP-1s are a category of weight loss with the most popular one being Ozempic, produced by Novo Nordisk. This drug has a growing appeal and is currently dominant in its industry. As a result, major pharmaceutical companies are rushing to push out an alternative to this weight loss drug because of Novo’s success. However, Pfizer does not have much exposure to this segment signaling a potential weakness within their revenue streams.

M&A Activity

Mergers and acquisitions have always been an area of popularity for the biotech industry as unique startups are a foundation for innovation in the R&D department. Entire company acquisitions can also be a way of acquiring a company's patents for existing drugs. The table below shows recent acquisitions found in the industry.

| Purchasing Firm | Firm Purchased | Date Acquired |
|-----------------|----------------------|---------------|
| Regeneron | Decibel Therapeutics | 08/09/23 |
| Eli Lilly | Dice Therapeutics | 06/20/23 |
| Novartis | Chinook Therapeutics | 06/12/23 |

Source: BioPharma Dive

Major Patent Expirations

Patent expirations are one of the major implications for the pharmaceutical industry. Over the next upcoming years, the losses from these expirations are expected to increase due to many highly popular drug patent expirations. Pharmaceutical companies are projected to lose around \$148 billion in sales in the next five years (Nurhayati & Suhaimi, 2023).

| Year | Product | Company | 2022 Sales (\$, In Mill.) |
|------|----------|----------------------|---------------------------|
| 2023 | Stelara | JNJ | 9,723 |
| 2023 | Humira | ABBV | 21,237 |
| 2024 | Eylea | REGN | 6,265 |
| 2025 | Ofev | Boehringer Ingelheim | 3,444 |
| 2025 | Xeljanz | PFE | 1,796 |
| 2025 | Pomalyst | BMY | 3,497 |
| 2025 | Yervoy | BMY | 2,131 |
| 2026 | Eliquis | BMY | 11,789 |
| 2028 | Opdivo | BMY | 8,249 |
| 2028 | Keytruda | MRK | 20,937 |

Source: NetAdvantage CapitalIQ

Competition and Peer Comparisons

There are many big players in the pharmaceutical industry. Of the big firms, Eli Lilly and Company holds the largest market value at \$386,630 million (FactSet).

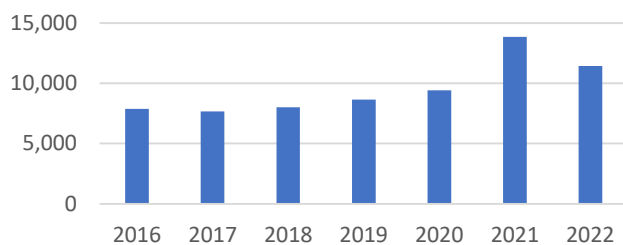
According to the table below, Johnson & Johnson (JNJ) has the highest number of sales with \$97,814 million. Pfizer is second in sales with \$77,943 million, despite having the smallest market value on the list. This number is expected to decrease due to it being heavily fueled by decreasingly popular COVID-19 related drugs.

| Symbol | Market Value | Sales | Net Income Margin |
|--------|--------------|----------|-------------------|
| LLY | 556,723.7 | 29,515.5 | 21.9 |
| NVO | 439,092.7 | 28,393.5 | 31.4 |
| JNJ | 386,630.8 | 97,814.0 | 18.9 |
| MRK | 276,716.7 | 57,352.0 | 24.8 |
| ABBV | 263,027.2 | 56,023.0 | 20.3 |
| NVS | 225,053.4 | 51,808.0 | 13.8 |
| PFE | 193,374.1 | 77,943.0 | 31.3 |

Source: FactSet

To make up for this projected loss of sales, Pfizer has ramped up their R&D spending in efforts to maximize their future sales forecasts.

Historical Changes In R&D Spending



Source: Pfizer 10-K

Johnson & Johnson

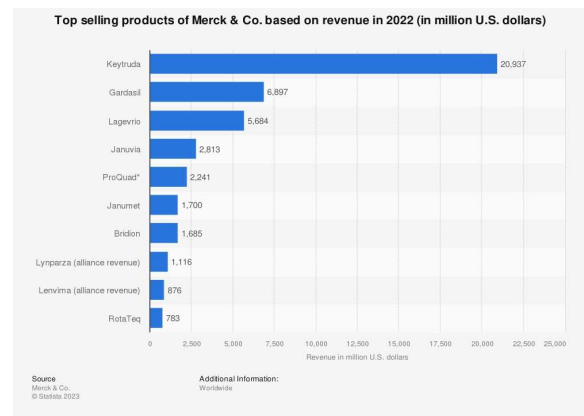
JNJ is a multinational healthcare company that focuses on medical devices, pharmaceuticals, and consumer packaged goods. Relative to Pfizer, they are more diverse in their revenue streams with 28.9% of revenue coming from MedTech and 15.7% coming from the consumer health segment. While they were another major pharmaceutical company that created a COVID vaccine,

their revenue didn't see as much of a decrease due to their diversity of income streams. They also have nearly 50% of their revenue coming from outside of the United States, allowing for less currency risk (JNJ 10-K).

Johnson & Johnson has a long track record of profitability and significant stability in their historical financials. This has allowed for consistent dividend increases and low volatility, reflected in their beta of .57 (Yahoo Finance).

Merck & Co.

MRK produces revenue from their product segments of human pharmaceuticals, animal health products, healthcare services, and alliances. A majority of Merck's revenue comes from the oncology drug Keytruda, a drug used to treat various types of cancer. Keytruda is one of the top drugs by revenue worldwide and is expected to reach revenue of \$30 billion worldwide (FiercePharma).



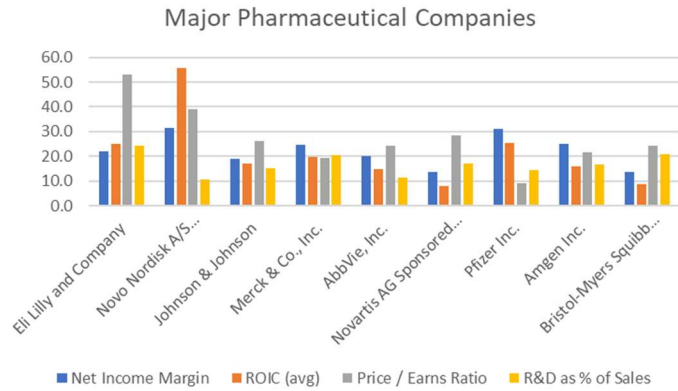
Source: Statista

Merck is well positioned within the industry as they have experienced consistent revenue growth. Keytruda is also a drug that is not projected to face much competition in the future as it is in a class of its own.

Eli Lilly & Novo Nordisk

Eli Lilly and Novo Nordisk are two of the largest pharmaceutical companies with exceptionally high valuations. They were not included in our relative valuations because they are trading at such high multiples. These two companies have profited substantially from weight loss and diabetes medication. Eli Lilly produces Trulicity, a type two diabetes medication that has made them over \$7 billion in 2022. On the other

hand, Novo Nordisk's main drug is Ozempic. This drug has very effectively been able to improve weight loss. In the United States weight loss and diabetes medication remain an industry focus after the sharp increases that these two companies have seen. Pfizer has very few substantial revenue streams in the weight loss and diabetes treatment segments, remaining a focus for future R&D.



As seen in the chart above, Eli Lilly and Novo Nordisk appear to be in a category of their own in terms of valuation. Markets are expecting these drugs to continue to grow substantially in revenue.

Valuation Discussion

Revenue Decomposition

To project out Pfizer's revenue for our forecast period we broke down their historical revenue into their current segment classifications of primary care, specialty care, oncology, and other revenue, which contains Business Innovation. We then used their YTD earnings to project forward each drug's revenue within the product segments, staying consistent with historical growth rates and loss of sales from patent expiration. Most of the years in which patents expire saw a smaller decrease in that year due to a period of lag in which it takes for new companies to begin production of biosimilar compounds. Our revenue projection is built on the assumption that Pfizer closes on Seagen at some point in 2024. We have included a segment in our revenue decomposition that contains Seagen's revenue projection with a conservative approach on their growth rate. Additionally, this section also contains new drug pipelines of one new drug per year producing initial revenue of 50 million per year, a

conservative historical average of first year new drug revenue with a 15% CAGR.

Cost of Equity

We calculated a cost of equity of 7.59% using CAPM. Our beta for this calculation is the average of the 2,3, and 5-year weekly betas for Pfizer. Our assumption for the risk-free rate is the 10-year treasury bond and our equity risk premium assumes the market rate of return as 9.84%, the geometric average return of the S&P 500 over the past 30 years.

Cost of Debt

Our cost of debt assumption uses the yield-to-maturity on the 2049 company bond, which at the time is 5.97%. Using these assumptions and a marginal tax rate of 22% we estimate the after-tax cost of debt to be 4.66%.

WACC

Using our estimated costs of debt and equity above we estimate a WACC of 6.68%. This calculation uses the current stock price of \$29.48 and the total shares outstanding for 2023 of 5,616 to calculate the market value of equity. To calculate Pfizer's market value of debt we used their 2022-year end debt accounts along with the present value of operating leases and current portion of long-term debt from the 2022 10K report.

Gross Margin

We have projected that Pfizer's gross margin will revert to their pre-COVID levels after their cost cutting is in full effect. For this reason, after 2023 we used the historical average of 84% gross margin to forecast our COGS. This assumption is synonymous with many of our assumptions in the fact that Pfizer will return to historic profitability levels.

Research & Development

To project Pfizer's R&D we used a historical average of 16%. This has remained stable in many years except those which Comirnaty and Paxlovid drove revenue. We think this to be accurate despite their upcoming drug releases due to the existing drugs in their pipeline and the focus on expansion through acquisition. If the Seagen

acquisition does not pay off, future R&D increases are likely to ensure new product lines.

Selling, Informational, and Administrative Expense

The selling, informational, and administrative expenses are projected as a historical average percentage of sales. As COVID-related sales continue to fall this expense will follow. We believe this to be accurate as it will incorporate the effects of layoffs.

Long-term Debt

We have added in the bond issuance from Pfizer in May of 2023 as an increase in long-term debt and short-term investments, as they were reflected in the Q3 10Q. This will be a new normal level of debt on their balance sheet due to their investment decisions with COVID-related profits.

Valuation Analysis

DCF / EP Model

Our DCF/EP analysis resulted in a final share price of \$33.42. This provides a 13.38% margin of safety on the difference between its current price and our estimated share price. We don't believe this to be significant enough to provide a buy rating as it is within a margin of error when related to our other valuation techniques. This model considers our projected revenue and the other key assumptions listed in the valuation discussion. Our target price is at the low end of analyst price targets.

DDM Model

Our dividend discount model takes into consideration our forecasted dividend assumptions that are utilized in the DCF analysis. For our forecast period we expect a growth rate of 2% in dividend prices. This is lesser than the historical dividend increases because they need to close on Seagen and introduce new drug pipelines to reach steady state growth in the perpetuity phase. Once they reach perpetuity, we assume a 2.5% growth rate in their dividend which results in a final share price of \$28.39. This is lower than their current price but can be explained due to their M&A activity and investments. This has weakened their ability to increase the dividend in the

short-term, but could potentially increase free cash flow providing deferred future dividend increases.

Relative Valuation

Pfizer is trading at lower multiples when compared to peers primarily due to their significant reduction in sales since COVID. When looking at the 2023 expected P/E multiple for this industry, Pfizer's multiple is on the low end of the industry because many firms have done well due to diabetes and weight loss drugs. Pfizer's lesser exposure to this industry segment is a potential risk and explains their lower trading multiples. However, when forecasting forward to the 2024 EPS they are trading at \$34.73 a share.

Using a price to sales multiple Pfizer is placing at the lower end of the industry again. For the years 2023 and 2024 their valuations come in at \$44.77 and \$37.83 respectively. This takes into consideration our forecasted sales assumptions discussed earlier. We believe that the 2024 P/E and P/S relative valuations are accurate representations of our findings on Pfizer when compared to peers.

Sensitivity Analysis

CV growth of NOPLAT vs WACC

Our sensitivity analysis on the perpetuity growth rate and the WACC reflects a potential for substantial change in the model result price. A lower WACC, which could be adjusted by using a lower beta or risk premium, could yield a significantly higher margin of safety in the value of Pfizer.

| | | CV Growth of NOPLAT | | | | | | |
|------|---------|---------------------|-------|-------|-------|-------|-------|-------|
| | | 1.75% | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% | 3.25% |
| WACC | \$33.42 | | | | | | | |
| | 6.10% | 34.83 | 35.99 | 37.31 | 38.81 | 40.54 | 42.54 | 44.90 |
| | 6.30% | 33.28 | 34.31 | 35.47 | 36.79 | 38.28 | 40.01 | 42.02 |
| | 6.50% | 31.85 | 32.77 | 33.80 | 34.95 | 36.26 | 37.76 | 39.49 |
| | 6.67% | 30.73 | 31.56 | 32.49 | 33.53 | 34.70 | 36.04 | 37.57 |
| | 6.90% | 29.32 | 30.06 | 30.87 | 31.78 | 32.79 | 33.94 | 35.24 |
| | 7.10% | 28.19 | 28.85 | 29.58 | 30.39 | 31.29 | 32.30 | 33.44 |
| | 7.30% | 27.14 | 27.74 | 28.39 | 29.11 | 29.91 | 30.81 | 31.81 |

Beta vs Equity Risk Premium

This sensitivity table can provide additional insight into how individual changes in components of the WACC with

reflect a price change. A change in the beta will therefore reflect a more significant change in price relative to the equity risk premium, given a relative percent change.

| | | Equity Risk Premium | | | | | | | |
|------|------|---------------------|-------|-------|-------|-------|-------|-------|-------|
| | | \$33.42 | 4.40% | 4.60% | 4.80% | 5.01% | 5.20% | 5.40% | 5.60% |
| Beta | 0.45 | 38.07 | 37.46 | 36.88 | 36.28 | 35.76 | 35.23 | 34.71 | |
| | 0.48 | 37.19 | 36.57 | 35.98 | 35.37 | 34.84 | 34.31 | 33.78 | |
| | 0.51 | 36.35 | 35.72 | 35.12 | 34.51 | 33.98 | 33.43 | 32.91 | |
| | 0.55 | 35.28 | 34.65 | 34.04 | 33.42 | 32.89 | 32.34 | 31.81 | |
| | 0.57 | 34.78 | 34.14 | 33.53 | 32.91 | 32.37 | 31.82 | 31.28 | |
| | 0.60 | 34.04 | 33.40 | 32.78 | 32.16 | 31.62 | 31.06 | 30.53 | |
| | 0.63 | 33.34 | 32.69 | 32.07 | 31.45 | 30.90 | 30.35 | 29.82 | |

Average R&D as % of sales vs Average COGS as % sales

A change in the COGS and R&D percentage relative to sales would also reflect a change of roughly \$2.50 per share given that this assumption is used to forecast our expenses. If Pfizer's cost cutting initiative is less effective then the stock valuation should be reflected in the table below.

| | | Average 2016-2022 R&D % of Sales | | | | | | | |
|--------------------------------|--------|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| | | \$33.42 | 14.50% | 15.00% | 15.50% | 15.99% | 16.50% | 17.00% | 17.50% |
| Avg. 2016-2022 COGS % of Sales | 14.09% | 37.90 | 37.16 | 36.42 | 35.69 | 34.92 | 34.17 | 33.42 | |
| | 14.59% | 37.16 | 36.42 | 35.67 | 34.94 | 34.17 | 33.42 | 32.66 | |
| | 15.09% | 36.42 | 35.67 | 34.92 | 34.19 | 33.42 | 32.66 | 31.91 | |
| | 15.59% | 36.42 | 35.67 | 34.92 | 34.19 | 33.42 | 32.66 | 31.91 | |
| | 16.09% | 34.92 | 34.17 | 33.42 | 32.68 | 31.91 | 31.32 | 30.78 | |
| | 16.59% | 34.17 | 33.42 | 32.66 | 31.92 | 31.32 | 30.78 | 30.24 | |
| | 17.09% | 33.42 | 32.66 | 31.91 | 31.33 | 30.78 | 30.24 | 29.70 | |

Marginal Tax Rate vs Risk-free Rate

This table shows the effect that government tax change can have on their valuation given the upcoming election and potential for a party shift. In our assumptions we used the 10-year treasury for our risk-free rate which could additionally be influenced by government though the fed funds rate's implication on interest rates.

| | | Marginal Tax Rate | | | | | | | |
|----------------|-------|-------------------|-------|-------|-------|-------|-------|-------|-----|
| | | \$33.42 | 19% | 20% | 21% | 22% | 23% | 24% | 25% |
| Risk Free Rate | 4.23% | 36.22 | 35.77 | 35.32 | 34.87 | 34.40 | 33.93 | 33.63 | |
| | 4.43% | 35.72 | 35.28 | 34.83 | 34.37 | 33.91 | 33.44 | 33.14 | |
| | 4.63% | 35.23 | 34.79 | 34.35 | 33.89 | 33.43 | 32.96 | 32.67 | |
| | 4.83% | 34.76 | 34.32 | 33.88 | 33.42 | 32.96 | 32.50 | 32.21 | |
| | 5.03% | 34.30 | 33.87 | 33.42 | 32.97 | 32.51 | 32.05 | 31.77 | |
| | 5.23% | 33.86 | 33.42 | 32.98 | 32.53 | 32.07 | 31.61 | 31.34 | |
| | 5.43% | 33.42 | 32.99 | 32.55 | 32.10 | 31.64 | 31.18 | 30.92 | |

Cost of Equity vs Pre-Tax Cost of Debt

The pre-tax cost of debt and cost of equity assumptions are estimates that may be subject to change. The table

below reflects some change in these assumptions given our forecasts remain constant.

| | | Cost of Equity | | | | | | | |
|----------------------|-------|----------------|-------|-------|-------|-------|-------|-------|-------|
| | | \$33.42 | 6.09% | 6.59% | 7.09% | 7.59% | 8.09% | 8.59% | 9.09% |
| Pre-Tax Cost of Debt | 4.47% | 35.85 | 36.00 | 36.15 | 36.31 | 36.46 | 36.61 | 36.76 | |
| | 4.97% | 34.86 | 35.01 | 35.16 | 35.31 | 35.45 | 35.60 | 35.75 | |
| | 5.47% | 33.91 | 34.06 | 34.20 | 34.35 | 34.49 | 34.64 | 34.78 | |
| | 5.97% | 33.00 | 33.14 | 33.28 | 33.43 | 33.57 | 33.71 | 33.85 | |
| | 6.47% | 32.13 | 32.27 | 32.41 | 32.54 | 32.68 | 32.82 | 32.95 | |
| | 6.97% | 31.29 | 31.43 | 31.56 | 31.69 | 31.83 | 31.96 | 32.09 | |
| | 7.47% | 30.49 | 30.62 | 30.75 | 30.88 | 31.01 | 31.14 | 31.27 | |

Depreciation Rate vs Dividend Yield

The comparison below between the dividend yield and the depreciation rate of assets reflect less change in the stock price. Investors should consider due to the fact that it remains a risk that Pfizer cannot sustain their high dividend yield of 5.56% if their acquisition strategy and future pipelines do not pay off.

| | | Depreciation Rate | | | | | | | |
|----------------|-------|-------------------|-------|-------|--------|--------|--------|--------|--------|
| | | \$33.42 | 9.55% | 9.85% | 10.15% | 10.44% | 10.75% | 11.05% | 11.35% |
| Dividend Yield | 4.00% | 33.93 | 33.91 | 33.88 | 33.86 | 33.84 | 33.82 | 33.81 | |
| | 4.50% | 33.79 | 33.77 | 33.74 | 33.72 | 33.70 | 33.68 | 33.67 | |
| | 5.00% | 33.65 | 33.62 | 33.60 | 33.58 | 33.56 | 33.54 | 33.53 | |
| | 5.56% | 33.49 | 33.47 | 33.44 | 33.42 | 33.40 | 33.39 | 33.37 | |
| | 6.00% | 33.37 | 33.34 | 33.32 | 33.30 | 33.28 | 33.26 | 33.24 | |
| | 6.50% | 33.23 | 33.20 | 33.18 | 33.16 | 33.14 | 33.12 | 33.10 | |
| | 7.00% | 33.08 | 33.06 | 33.04 | 33.02 | 33.00 | 32.98 | 32.96 | |

Conclusion

Overall, the Krause Fund believes that Pfizer is currently trading at a fair price relative to their intrinsic value. While we do project a margin of safety on this investment of 13.38% from its current stock price of \$29.48 we caution investors to be vigilant as to how Pfizer's acquisition of Seagen plays out and the outcome of their cost-cutting initiative. With Pfizer's recent decrease in revenue due to a harder landing than expected of Comirnaty and Paxlovid revenue, Pfizer needs their costs to return to pre-COVID levels to stay an attractive company. We believe this to be the case due to their layoffs. Long-term over the next 2-3 years, Pfizer needs to bring innovative new drug pipelines to market, which they are well positioned to do. Pfizer is in a growing industry that will see significant future growth. Despite this, Pfizer themselves doesn't manufacture or produce many of the drugs that are popular today such as diabetes medications and GLP-1s. Entrance into these

markets could be significant revenue streams for Pfizer in the future, and potentially move them into a buy rating.

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Pfizer

Revenue Decomposition

| Fiscal Years Ending Dec. 31 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Revenue | 41,908 | 81,288 | 100,330 | 56,395 | 51,560 | 47,910 | 46,500 | 46,100 | 44,380 | 42,875 | 43,070 |
| Primary Care | 15,333 | 51,840 | 72,903 | 29,435 | 23,725 | 20,475 | 18,280 | 17,235 | 15,705 | 14,035 | 14,005 |
| growth rate % | 1.42% | 238.09% | 40.63% | -59.62% | -19.40% | -13.70% | -10.72% | -5.72% | -8.88% | -10.63% | -0.21% |
| Comimaty | 154 | 36781 | 37806 | 11500 | 6000 | 3000 | 1000 | 350 | 300 | 150 | 50 |
| Paxlovid | 0 | 76 | 18933 | 1000 | 500 | 150 | 75 | 50 | 25 | 10 | 5 |
| Eliquis alliance | 4949 | 5970 | 6480 | 7250 | 7650 | 7800 | 7800 | 7950 | 7750 | 7450 | 7000 |
| Prevnar family | 5850 | 5272 | 6337 | 5900 | 6050 | 6100 | 6000 | 5500 | 4450 | 4300 | 3900 |
| Premarin Family | 680 | 563 | 455 | 420 | 350 | 275 | 165 | 100 | 15 | 0 | 0 |
| BMP2 | 274 | 266 | 277 | 320 | 275 | 250 | 225 | 150 | 15 | 0 | 0 |
| Nimenrix | 221 | 193 | 268 | 160 | 135 | 100 | 125 | 115 | 75 | 25 | 0 |
| Nurtec ODT/Vydura | 0 | 0 | 213 | 750 | 650 | 675 | 700 | 650 | 575 | 600 | 550 |
| FSME/IMMUN-ticovac | 196 | 185 | 200 | 285 | 250 | 225 | 175 | 170 | 150 | 100 | 50 |
| Toviaz | 252 | 238 | 146 | 100 | 65 | 50 | 15 | 0 | 0 | 0 | 0 |
| All other primary care | 2757 | 2296 | 1788 | 1750 | 1800 | 1850 | 2000 | 2200 | 2350 | 1400 | 2450 |
| Speciality Care | 13,507 | 14,377 | 13,760 | 13,705 | 13,975 | 12,955 | 13,330 | 13,425 | 13,535 | 13,825 | 14,185 |
| growth rate % | 7.78% | 6.44% | -4.29% | -0.40% | 1.97% | -7.30% | 2.89% | 0.71% | 0.82% | 2.14% | 2.60% |
| Vyndaqel family | 1,288 | 2,015 | 2,447 | 2,900 | 3,200 | 3,350 | 3,400 | 3,450 | 3,500 | 3,550 | 3,600 |
| Enbrel | 1,350 | 1,185 | 1,003 | 830 | 750 | 700 | 750 | 800 | 675 | 600 | 525 |
| Sulperazon | 618 | 683 | 786 | 950 | 1,000 | 1,100 | 1,200 | 1,250 | 1,300 | 1,350 | 1,400 |
| Inflectra/Remsima | 659 | 657 | 532 | 490 | 475 | 400 | 375 | 350 | 250 | 175 | 125 |
| Ig Portfolio | 376 | 430 | 491 | 565 | 650 | 725 | 775 | 825 | 870 | 900 | 925 |
| BeneFIX | 454 | 438 | 425 | 420 | 400 | 390 | 350 | 200 | 175 | 150 | 125 |
| Zavicefta | 212 | 413 | 412 | 470 | 500 | 550 | 575 | 600 | 625 | 650 | 675 |
| Genotropin | 427 | 389 | 360 | 425 | 375 | 350 | 325 | 275 | 200 | 175 | 150 |
| Zithromax | 276 | 278 | 331 | 375 | 325 | 350 | 300 | 275 | 315 | 335 | 365 |
| Medrol | 402 | 432 | 328 | 330 | 305 | 275 | 255 | 235 | 200 | 165 | 145 |
| Fragmin | 252 | 305 | 269 | 240 | 250 | 265 | 285 | 290 | 285 | 305 | 295 |
| Somavert | 277 | 277 | 268 | 260 | 275 | 275 | 275 | 275 | 275 | 285 | 290 |
| Refacto AF/Xyntha | 370 | 304 | 239 | 220 | 185 | 150 | 100 | 50 | 0 | 0 | 0 |
| Vfend | 270 | 267 | 225 | 210 | 185 | 175 | 165 | 150 | 115 | 85 | 65 |
| All other Speciality Care | 2,435 | 2,412 | 2,377 | 2,320 | 2,400 | 2,500 | 2,650 | 2,750 | 3,000 | 3,250 | 3,500 |
| All other Anti-infectives | 1,404 | 1,437 | 1,471 | 1,250 | 1,350 | 1,400 | 1,550 | 1,650 | 1,750 | 1,850 | 2,000 |
| Oncology | 10,866 | 12,333 | 12,133 | 11,980 | 12,510 | 13,065 | 13,620 | 13,865 | 13,605 | 13,375 | 13,185 |
| growth rate % | 25.36% | 13.50% | -1.62% | -1.26% | 4.42% | 4.44% | 4.25% | 1.80% | -1.88% | -1.69% | -1.42% |
| Ibrance | 5,392 | 5,437 | 5,120 | 4,900 | 5,000 | 5,150 | 5,250 | 5,300 | 5,000 | 4,700 | 4,550 |
| Xtandi alliance | 1,024 | 1,185 | 1,198 | 1,175 | 1,200 | 1,250 | 1,300 | 1,350 | 1,300 | 1,200 | 1,050 |
| Inlyta | 787 | 1,002 | 1,003 | 1,075 | 1,100 | 1,150 | 1,100 | 975 | 900 | 850 | 750 |
| Bosulif | 450 | 540 | 575 | 610 | 625 | 650 | 700 | 675 | 615 | 575 | 550 |
| Zirabev | 143 | 444 | 562 | 475 | 475 | 500 | 525 | 550 | 575 | 600 | 625 |
| Xalkori | 544 | 493 | 465 | 400 | 350 | 300 | 265 | 215 | 175 | 100 | 50 |
| Ruxience | 170 | 491 | 458 | 430 | 475 | 550 | 615 | 675 | 700 | 725 | 750 |
| Retacrit | 386 | 444 | 394 | 360 | 375 | 400 | 425 | 450 | 500 | 525 | 550 |
| Sutent | 819 | 673 | 347 | 195 | 150 | 100 | 75 | 50 | 0 | 0 | 0 |
| Lorbrena | 204 | 266 | 343 | 475 | 500 | 520 | 540 | 565 | 575 | 625 | 650 |
| Bavencio | 80 | 178 | 271 | 350 | 385 | 400 | 425 | 450 | 475 | 500 | 525 |
| Aromasin | 148 | 211 | 248 | 305 | 320 | 350 | 365 | 375 | 400 | 425 | 450 |
| Besponsa | 182 | 192 | 219 | 245 | 265 | 275 | 285 | 300 | 315 | 330 | 345 |
| Trazimera | 98 | 197 | 203 | 140 | 150 | 155 | 160 | 175 | 150 | 135 | 100 |
| Braftovi | 160 | 187 | 194 | 200 | 210 | 230 | 250 | 265 | 275 | 280 | 285 |
| Mektovi | 142 | 155 | 176 | 175 | 180 | 185 | 190 | 195 | 200 | 205 | 205 |
| All other Oncology | 137 | 238 | 357 | 470 | 750 | 900 | 1,150 | 1,300 | 1,450 | 1,600 | 1,750 |
| Future Drug Pipelines & Seagen | 0 | 0 | 0 | 0 | 2,250 | 2,645 | 3,099 | 3,622 | 4,222 | 4,913 | 5,708 |
| Other Historical Hospital Revenue | 482 | 350 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenue (Business Innovation) | 1,720 | 2,388 | 1,534 | 1,275 | 1,350 | 1,415 | 1,270 | 1,575 | 1,535 | 1,640 | 1,695 |
| growth rate % | -52.47% | 38.84% | -35.76% | -16.88% | 5.88% | 4.81% | -10.25% | 24.02% | -2.54% | 6.84% | 3.35% |
| Pfizer CentreOne | 926 | 1,731 | 1,342 | 1,250 | 1,300 | 1,350 | 1,200 | 1,500 | 1,450 | 1,550 | 1,600 |
| Pfizer Ignite | 0 | 0 | 0 | 25 | 50 | 65 | 70 | 75 | 85 | 90 | 95 |

Pfizer

Income Statement

| <i>Fiscal Years Ending Dec. 31</i> | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | 41,908 | 81,288 | 100,330 | 56,395 | 51,560 | 47,910 | 46,500 | 46,100 | 44,380 | 42,875 | 43,070 |
| Cost of Sales and Expenses: | | | | | | | | | | | |
| Cost of sales | 3,915 | 25,630 | 29,280 | 20,294 | 8,040 | 7,471 | 7,251 | 7,189 | 6,921 | 6,686 | 6,716 |
| Gross Margin | 91% | 68% | 71% | 64% | 84% | 84% | 84% | 84% | 84% | 84% | 84% |
| Depreciation Expense | 1,341 | 1,491 | 1,455 | 1,700 | 1,623 | 1,558 | 1,503 | 1,458 | 1,422 | 1,393 | 1,372 |
| Amortization of intangible assets | 3,436 | 3,700 | 3,609 | 4,223 | 3,981 | 3,780 | 3,714 | 3,503 | 2,745 | 2,433 | 2,157 |
| Selling, informational & administrative expenses | 11,615 | 12,703 | 13,677 | 13,524 | 12,365 | 11,490 | 11,151 | 11,056 | 10,643 | 10,282 | 10,329 |
| Research & development expenses | 9,405 | 13,829 | 11,428 | 9,020 | 8,246 | 7,663 | 7,437 | 7,373 | 7,098 | 6,857 | 6,889 |
| Acquired in-process research & development expenses | - | 3,469 | 953 | - | - | - | - | - | - | - | - |
| Restructuring charges & acquisition-related costs | 600 | 802 | 1,375 | 916 | 837 | 778 | 755 | 749 | 721 | 696 | 700 |
| Other income (deductions) - net | -669 | 4,878 | -217 | 3793 | -108 | 23 | -36 | -128 | -206 | -189 | -93 |
| Interest income | -73 | -36 | -251 | -20 | -364 | -208 | -242 | -323 | -406 | -381 | -271 |
| Interest expense | 1,449 | 1,291 | 1,238 | 4054 | 477 | 436 | 405 | 393 | 390 | 375 | 362 |
| Royalty-related income | 770 | 857 | 845 | 691 | 631 | 587 | 569 | 565 | 543 | 525 | 527 |
| Other income (deductions) - gross | -2,815 | 2,766 | -2,049 | -932 | -852 | -791 | -768 | -762 | -733 | -708 | -712 |
| Operating Income | 7,497 | 24,311 | 34,729 | 10,511 | 16,359 | 15,193 | 14,652 | 14,645 | 14,625 | 14,338 | 14,816 |
| Provision (benefit) for taxes on income | 477 | 1,852 | 3,328 | 2,312 | 3,599 | 3,343 | 3,223 | 3,222 | 3,217 | 3,154 | 3,259 |
| Income (loss) from continuing operations | 7,021 | 22,459 | 31,401 | 8,199 | 12,760 | 11,851 | 11,429 | 11,423 | 11,407 | 11,184 | 11,556 |
| Income (loss) from discontinued operations | 2,631 | - | - | - | - | - | - | - | - | - | - |
| Gain (loss) on disposal of discontinued operations | - | - | - | - | - | - | - | - | - | - | - |
| Discontinued operations | - | -434 | 6 | - | - | - | - | - | - | - | - |
| Net income before noncontrolling interests | 9,652 | 22,025 | 31,407 | 8,199 | 12,760 | 11,851 | 11,429 | 11,423 | 11,407 | 11,184 | 11,556 |
| Less: net income noncontrolling interests | -36 | -46 | -35 | -22 | -34 | -31 | -30 | -30 | -30 | -29 | -30 |
| Net income attributable to Pfizer | 9,616 | 21,979 | 31,372 | 8,177 | 12,727 | 11,820 | 11,398 | 11,393 | 11,377 | 11,154 | 11,526 |
| Less: preferred stock dividends, net of tax | - | - | - | - | - | - | - | - | - | - | - |
| Net Income attributable to CS | 9,616 | 21,979 | 31,372 | 8,177 | 12,727 | 11,820 | 11,398 | 11,393 | 11,377 | 11,154 | 11,526 |
| Earnings Per Common Share - Basic: | 1.73 | 3.92 | 5.59 | 1.45 | 2.26 | 2.10 | 2.02 | 2.03 | 2.03 | 1.99 | 2.06 |
| Weighted average shares outstanding - basic | 5,555 | 5,601 | 5,608 | 5,624 | 5,637 | 5,638 | 5,631 | 5,622 | 5,614 | 5,606 | 5,597 |
| Total shares outstanding | 5,567 | 5,620 | 5,616 | 5,633 | 5,641 | 5,635 | 5,626 | 5,618 | 5,610 | 5,601 | 5,593 |
| Cash dividends paid per common share | 1.53 | 1.57 | 1.61 | 1.64 | 1.67 | 1.71 | 1.74 | 1.78 | 1.81 | 1.85 | 1.88 |

Pfizer

Balance Sheet

(MILLIONS, EXCEPT PER SHARE DATA)

| Fiscal Years Ending Dec. 31 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | | | | | |
| Cash & cash equivalents | 1,784 | 1,944 | 416 | 7,531 | 4,308 | 5,005 | 6,696 | 8,404 | 7,882 | 5,604 | 2,960 |
| Short-term investments | 10,437 | 29,125 | 22,316 | 45,349 | 47,449 | 49,646 | 51,944 | 54,349 | 56,866 | 59,499 | 62,253 |
| Trade accounts receivable | 7,930 | 11,479 | 10,952 | 8,620 | 7,881 | 7,323 | 7,107 | 7,046 | 6,783 | 6,553 | 6,583 |
| Accounts receivable, gross | 8,438 | 11,971 | 11,401 | 9,148 | 8,364 | 7,772 | 7,543 | 7,478 | 7,199 | 6,955 | 6,986 |
| Less allowance for doubtful accounts | 508 | 492 | 449 | 528 | 483 | 449 | 436 | 432 | 416 | 402 | 403 |
| Inventories | 8,046 | 9,059 | 8,981 | 7,779 | 7,112 | 6,609 | 6,414 | 6,359 | 6,122 | 5,914 | 5,941 |
| Current tax assets | 3,264 | 4,266 | 3,577 | 6,537 | 10,174 | 9,448 | 9,112 | 9,107 | 9,095 | 8,917 | 9,214 |
| Current assets of discontinued operations & other assets | 167 | - | - | - | - | - | - | - | - | - | - |
| Assets held for sale | - | - | - | - | - | - | - | - | - | - | - |
| Other current assets | 3,438 | 3,820 | 5,017 | 5,249 | 5,492 | 5,747 | 6,013 | 6,291 | 6,582 | 6,887 | 7,206 |
| Total current assets | 35,066 | 59,693 | 51,259 | 81,065 | 82,416 | 83,777 | 87,287 | 91,557 | 93,330 | 93,374 | 94,157 |
| Equity-method investments | 16,856 | 16,472 | 11,033 | 11,529 | 12,048 | 12,590 | 13,157 | 13,749 | 14,368 | 15,014 | 15,690 |
| Long-term investments | 3,406 | 5,054 | 4,036 | 4,223 | 4,418 | 4,623 | 4,837 | 5,061 | 5,295 | 5,540 | 5,797 |
| Net Property, plant & equipment | 13,900 | 14,882 | 16,274 | 15,540 | 14,917 | 14,394 | 13,962 | 13,612 | 13,338 | 13,132 | 12,990 |
| <i>Gross Property, plant & equipment</i> | <i>28,711</i> | <i>29,955</i> | <i>31,448</i> | <i>32,414</i> | <i>33,414</i> | <i>34,449</i> | <i>35,520</i> | <i>36,628</i> | <i>37,775</i> | <i>38,963</i> | <i>40,192</i> |
| <i>Less: accumulated depreciation</i> | <i>14,812</i> | <i>15,074</i> | <i>15,174</i> | <i>16,874</i> | <i>18,497</i> | <i>20,055</i> | <i>21,558</i> | <i>23,016</i> | <i>24,438</i> | <i>25,831</i> | <i>27,202</i> |
| Identifiable intangible assets | 28,471 | 25,146 | 43,370 | 39,147 | 35,166 | 31,386 | 27,672 | 24,169 | 21,424 | 18,991 | 16,834 |
| Goodwill | 49,577 | 49,208 | 51,375 | 51,375 | 51,375 | 51,375 | 51,375 | 51,375 | 51,375 | 51,375 | 51,375 |
| Noncurrent deferred tax assets & other tax assets | 2,383 | 3,341 | 6,693 | 2,153 | 3,351 | 3,112 | 3,001 | 3,000 | 2,996 | 2,937 | 3,035 |
| Other noncurrent assets | 4,569 | 7,679 | 13,163 | 4,811 | 4,399 | 4,087 | 3,967 | 3,933 | 3,786 | 3,658 | 3,674 |
| ROU assets (Lease Liability) | 1,386 | 2,839 | 3,002 | 2,860 | 2,741 | 2,641 | 2,559 | 2,494 | 2,442 | - | - |
| Total assets | 154,228 | 181,475 | 197,203 | 209,843 | 208,090 | 205,345 | 205,258 | 206,456 | 205,912 | 204,022 | 203,552 |
| Liabilities and Equity | | | | | | | | | | | |
| Short-term borrowings | 2,703 | 2,241 | 2,945 | 7,982 | 7,297 | 6,781 | 6,581 | 6,525 | 6,281 | 6,068 | 6,096 |
| Trade accounts payable | 4,309 | 5,578 | 6,809 | 4,693 | 4,290 | 3,986 | 3,869 | 3,836 | 3,693 | 3,568 | 3,584 |
| Dividends payable | 2,162 | 2,249 | 2,303 | 2,400 | 2,452 | 2,498 | 2,544 | 2,591 | 2,639 | 2,688 | 2,738 |
| Income taxes payable | 1,049 | 1,266 | 1,587 | 636 | 989 | 919 | 886 | 886 | 884 | 867 | 896 |
| Accrued compensation & related items | 3,058 | 3,332 | 3,407 | 2,691 | 2,460 | 2,286 | 2,219 | 2,200 | 2,118 | 2,046 | 2,055 |
| Deferred revenues | - | 3,067 | 2,520 | 1,772 | 1,620 | 1,506 | 1,461 | 1,449 | 1,395 | 1,347 | 1,353 |
| Other current liabilities | 12,640 | 24,939 | 22,568 | 13,439 | 12,287 | 11,417 | 11,081 | 10,986 | 10,576 | 10,217 | 10,264 |
| Liabilities held for sale | - | - | - | - | - | - | - | - | - | - | - |
| Total current liabilities | 25,921 | 42,672 | 42,139 | 33,613 | 31,397 | 29,393 | 28,642 | 28,472 | 27,586 | 26,802 | 26,986 |
| Long-term debt | 37,133 | 36,195 | 32,884 | 63,014 | 63,312 | 62,614 | 62,254 | 62,150 | 62,146 | 62,225 | 62,665 |
| Pension & postretirement benefit obligations | 5,411 | 3,724 | 2,250 | 1,575 | 1,103 | 772 | 540 | 378 | 265 | 185 | 130 |
| Noncurrent deferred tax liabilities | 4,063 | 349 | 1,023 | 468 | -863 | -1,237 | -360 | 876 | 1,235 | 351 | -913 |
| Other taxes payable | 11,560 | 11,331 | 9,812 | 8,734 | 7,775 | 6,921 | 6,161 | 5,484 | 4,882 | 4,346 | 3,869 |
| Other noncurrent liabilities | 6,669 | 9,743 | 13,180 | 7,077 | 6,470 | 6,012 | 5,835 | 5,785 | 5,569 | 5,381 | 5,405 |
| Total liabilities | 90,757 | 104,014 | 101,288 | 114,482 | 109,194 | 104,476 | 103,073 | 103,147 | 101,683 | 99,289 | 98,142 |
| Preferred stock | - | - | - | - | - | - | - | - | - | - | - |
| Common Equity | 89,142 | 91,063 | 92,276 | 92,805 | 93,333 | 93,386 | 93,386 | 93,386 | 93,386 | 93,386 | 93,386 |
| Treasury stock | 110,988 | 111,361 | 113,969 | 113,969 | 114,219 | 114,474 | 114,734 | 114,999 | 115,270 | 115,546 | 115,828 |
| Retained earnings (accumulated deficit) | 96,770 | 103,394 | 125,656 | 124,595 | 127,885 | 130,091 | 131,697 | 133,117 | 134,337 | 135,146 | 136,135 |
| Accumulated other comprehensive income (loss) | -11,688 | -5,897 | -8,304 | -8,304 | -8,304 | -8,304 | -8,304 | -8,304 | -8,304 | -8,304 | -8,304 |
| Total Pfizer Inc. shareholders' equity (deficit) | 63,236 | 77,199 | 95,659 | 95,127 | 98,696 | 100,699 | 102,045 | 103,200 | 104,149 | 104,682 | 105,390 |
| Equity attributable to noncontrolling interests | 235 | 262 | 256 | 234 | 201 | 170 | 140 | 110 | 80 | 50 | 20 |
| Total equity (deficit) | 63,471 | 77,461 | 95,915 | 95,361 | 98,896 | 100,869 | 102,185 | 103,310 | 104,229 | 104,732 | 105,410 |
| Total liabilities and equity | 154,228 | 181,475 | 197,203 | 209,843 | 208,090 | 205,345 | 205,258 | 206,456 | 205,912 | 204,022 | 203,552 |

Pfizer

Historical Cash Flow Statement

(millions)

| Fiscal Years Ending Dec. 31 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|----------------|----------------|---------------|---------------|----------------|----------------|
| Net income before allocation to noncontrolling interests | 7,246 | 21,355 | 11,188 | 16,302 | 9,652 | 22,025 | 31,407 |
| Discontinued operations - net of tax | - | - | - | - | -2,631 | 434 | -6 |
| Net income (loss) from continuing operations before allocation to noncontrolling interests | - | - | - | - | 7,021 | 22,459 | 31,401 |
| Depreciation & amortization | 5,757 | 6,269 | 6,384 | 6,010 | 4,777 | 5,191 | 5,064 |
| Asset write-offs & impairments | 1,613 | 634 | 3,398 | 2,953 | 2,049 | 276 | 550 |
| Loss on sale of HIS net assets | - | - | -1 | - | - | - | - |
| Write-down of HIS net assets to fair value less estimated costs to sell | 1,712 | 55 | - | - | - | - | - |
| Tax Cuts & Jobs Act ("TCJA") impact | - | -10,660 | -596 | -323 | - | - | - |
| Loss (gain) on completion of Consumer Healthcare JV transaction, net of cash conveyed | - | - | - | -8,233 | -6 | - | - |
| Deferred taxes from continuing operations | -700 | -2,410 | -2,205 | 614 | -1,468 | -4,293 | -3,764 |
| Share-based compensation expense | 691 | 840 | 949 | 718 | 756 | 1,182 | 872 |
| Benefit plan contributions in excess of expense or income | -712 | -961 | -1,095 | -336 | -1,790 | -3,123 | -1,158 |
| Other adjustments, net | 209 | 50 | -1,268 | -1,086 | -478 | -1,573 | 758 |
| Trade accounts receivable | -134 | 259 | -644 | -742 | -1,249 | -3,811 | 261 |
| Inventories | 365 | -357 | -717 | -1,050 | -736 | -1,125 | 592 |
| Other assets | -60 | -31 | -16 | 795 | -146 | -1,057 | -4,506 |
| Trade accounts payable | 871 | 46 | 431 | -564 | 353 | 1,242 | 1,191 |
| Other liabilities | -223 | -67 | 98 | 267 | 2,741 | 18,721 | -1,449 |
| Other tax accounts, net | -734 | 1,446 | -78 | -2,737 | -1,238 | -1,166 | -545 |
| Net cash flows from operating activities from continuing operations | - | - | - | - | 10,586 | 32,922 | 29,267 |
| Net cash flows from operating activities from discontinued operations | - | - | - | - | 3,817 | -343 | - |
| Net cash flows from operating activities | 15,901 | 16,470 | 15,827 | 12,588 | 14,403 | 32,580 | 29,267 |
| Purchases of property, plant & equipment | -1,823 | -1,956 | -2,042 | -2,176 | -2,252 | -2,711 | -3,236 |
| Purchases of short-term investments | -15,957 | -14,596 | -11,677 | -6,835 | -13,805 | -38,457 | -36,384 |
| Proceeds from redemptions or sales of short-term investments | 29,436 | 10,307 | 17,581 | 9,183 | 11,087 | 27,447 | 44,821 |
| Net proceeds from (purchases of) redemptions or sales of short-term investments with original maturities of | -4,218 | 2,058 | -3,917 | 6,925 | 920 | -8,088 | -483 |
| Purchases of long-term investments | -8,011 | -3,537 | -1,797 | -201 | -597 | -1,068 | -1,913 |
| Proceeds from redemptions or sales of long-term investments | 11,254 | 3,594 | 6,244 | 232 | 723 | 649 | 641 |
| Acquisitions of businesses, net of cash acquired | -18,368 | -1,000 | - | -10,861 | - | - | -22,997 |
| Dividend received from the GSK Consumer Healthcare joint venture | - | - | - | - | - | - | 3,960 |
| Acquisitions of intangible assets | -176 | -261 | -154 | -418 | -539 | - | - |
| Other investing activities, net | 51 | 650 | 288 | 205 | 274 | -305 | -192 |
| Net cash flows from investing activities from continuing operations | - | - | - | - | -4,188 | -22,534 | -15,783 |
| Net cash flows from investing activities from discontinued operations | - | - | - | - | -82 | -12 | - |
| Net cash flows from investing activities | -7,811 | -4,741 | 4,525 | -3,945 | -4,271 | -22,546 | -15,783 |
| Proceeds from short-term borrowings | 7,472 | 8,464 | 3,711 | 16,455 | 12,352 | - | 3,891 |
| Payments on short-term borrowings | -5,102 | -9,990 | -4,437 | -8,378 | -22,197 | - | -3,887 |
| Net proceeds from (payments on) short-term borrowings with original maturities of three months or less | -3,084 | 1,401 | -1,617 | 2,551 | -4,129 | -96 | -222 |
| Proceeds from issuances of long-term debt | 10,976 | 5,274 | 4,974 | 4,942 | 5,222 | 997 | - |
| Payments on long-term debt | -7,689 | -6,154 | -3,566 | -6,806 | -4,003 | -2,004 | -3,298 |
| Purchases of common stock | -5,000 | -5,000 | -12,198 | -8,865 | - | - | -2,000 |
| Cash dividends paid | -7,317 | -7,659 | -7,978 | -8,043 | -8,440 | -8,729 | -8,983 |
| Proceeds from exercise of stock options | 1,019 | 862 | 1,259 | 394 | 425 | - | - |
| Other financing activities, net | -196 | -233 | -588 | -736 | -869 | 16 | -335 |
| Net cash flows from financing activities from continuing operations | - | - | - | - | -21,640 | -9,816 | -14,834 |
| Net cash flows from financing activities from discontinued operations | - | - | - | - | 11,991 | - | - |
| Net cash flows from financing activities | -8,921 | -13,035 | -20,440 | -8,486 | -9,649 | -9,816 | -14,834 |
| Net increase (decrease) in cash & cash equivalents & restricted cash & cash equivalents | - | - | -205 | 125 | 475 | 159 | -1,515 |
| Cash & cash equivalents & restricted cash & cash equivalents, at beginning of period | - | - | 1,431 | 1,225 | 1,350 | 1,825 | 1,983 |
| Cash & cash equivalents & restricted cash & cash equivalents, at end of period | - | - | 1,225 | 1,350 | 1,825 | 1,983 | 468 |
| Effect of exchange-rate changes on cash & cash equivalents | -215 | 53 | - | - | - | - | - |
| Net increase/(decrease) in cash & cash equivalents | -1,046 | -1,254 | - | - | - | - | - |
| Cash & cash equivalents, beginning | 3,641 | 2,595 | - | - | - | - | - |
| Cash & cash equivalents, end | 2,595 | 1,342 | - | - | - | - | - |

Pfizer

Forecasted Cash Flow Statement

(million)

| Fiscal Years Ending Dec. 31 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash Flow From Operating Activities | | | | | | | | |
| Net Income | 8,177 | 12,727 | 11,820 | 11,398 | 11,393 | 11,377 | 11,154 | 11,526 |
| Adjustments to reconcile net income to cash | 9,908 | 3,074 | 5,203 | 6,205 | 6,199 | 4,529 | 3,002 | 2,166 |
| Depreciation & Amortization | 5,923 | 5,604 | 5,338 | 5,217 | 4,961 | 4,167 | 3,826 | 3,528 |
| Change in Deferred Taxes | 3,985 | -2,530 | -135 | 988 | 1,238 | 363 | -824 | -1,362 |
| Change in Working Capital | -20,498 | -5,624 | -1,313 | -1,054 | -1,045 | -1,287 | -1,034 | -1,018 |
| Trade Accounts Receivable | 2,332 | 739 | 558 | 216 | 61 | 263 | 230 | -30 |
| Inventories | 1,202 | 667 | 503 | 194 | 55 | 237 | 208 | -27 |
| Other Current Assets | -232 | -243 | -254 | -266 | -278 | -291 | -305 | -319 |
| Current Tax Assets | -2,960 | -3,637 | 725 | 337 | 4 | 13 | 178 | -297 |
| Other non-current liabilities | -6,103 | -607 | -458 | -177 | -50 | -216 | -189 | 24 |
| Trade Accounts Payable | -2,116 | -402 | -304 | -117 | -33 | -143 | -125 | 16 |
| Accrued Compensation & Other Liabilities | -716 | -231 | -174 | -67 | -19 | -82 | -72 | 9 |
| Income Tax Payable | -951 | 354 | -71 | -33 | 0 | -1 | -17 | 29 |
| Other taxes payable | -1,078 | -959 | -854 | -760 | -677 | -602 | -536 | -477 |
| Deferred Revenue | -748 | -152 | -115 | -44 | -13 | -54 | -47 | 6 |
| Other | -9,129 | -1,152 | -870 | -336 | -95 | -410 | -359 | 46 |
| Net cash provided by operating activities | -2,413 | 10,178 | 15,710 | 16,549 | 16,547 | 14,619 | 13,122 | 12,674 |
| Cash Flow From Investing Activities | | | | | | | | |
| (Increase) decrease in short-term investments | -23,033 | -2,100 | -2,197 | -2,299 | -2,405 | -2,516 | -2,633 | -2,755 |
| (Increase) decrease in long-term investments | -187 | -196 | -205 | -214 | -224 | -234 | -245 | -257 |
| Equity method investments | -496 | -519 | -542 | -567 | -592 | -619 | -647 | -676 |
| Capital Expenditures (change in gross PPE) | -966 | -1,000 | -1,035 | -1,071 | -1,109 | -1,147 | -1,187 | -1,229 |
| Capitalization of intangible assets (change in intangibles) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Business acquisition (change in goodwill) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase) decrease in other assets | 8,352 | 412 | 311 | 120 | 34 | 147 | 128 | -17 |
| Net cash provided by investing activities | -16,331 | -3,401 | -3,667 | -4,030 | -4,295 | -4,370 | -4,584 | -4,933 |
| Cash Flow from Financing Activities: | | | | | | | | |
| Short-term borrowings | 5,037 | -684 | -517 | -200 | -57 | -243 | -213 | 28 |
| Pension & Post Retirement Benefit Obligations | -675 | -473 | -331 | -232 | -162 | -113 | -79 | -56 |
| Equity attributable to non-controlling interest | -22 | -34 | -31 | -30 | -30 | -30 | -29 | -30 |
| Change in current portion of long-term debt | 30,130 | 298 | -698 | -361 | -103 | -4 | 79 | 441 |
| Dividends Payable | 97 | 52 | 46 | 46 | 47 | 48 | 49 | 50 |
| Payment of Dividends | -9238 | -9437 | -9614 | -9792 | -9973 | -10158 | -10345 | -10537 |
| Proceeds from issuance of common stock (ESOP) | 529 | 529 | 53 | 0 | 0 | 0 | 0 | 0 |
| Repurchases of Common Stock | 0 | -250 | -255 | -260 | -265 | -271 | -276 | -282 |
| Changes in accumulated other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash provided by financing activities | 25,859 | -9,999 | -11,346 | -10,828 | -10,543 | -10,772 | -10,816 | -10,386 |
| Change in total cash | 7,115 | -3,223 | 697 | 1,692 | 1,708 | -522 | -2,278 | -2,645 |
| Beginning of yr cash | 416 | 7,531 | 4,308 | 5,005 | 6,696 | 8,404 | 7,882 | 5,604 |
| End of yr cash | 7,531 | 4,308 | 5,005 | 6,696 | 8,404 | 7,882 | 5,604 | 2,960 |

Pfizer

Common Size Income Statement

| Fiscal Years Ending Dec. 31 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Sales and Expenses: | | | | | | | | | | | |
| Cost of sales | 9.34% | 31.53% | 29.18% | 35.99% | 15.59% | 15.59% | 15.59% | 15.59% | 15.59% | 15.59% | 15.59% |
| Gross Margin | 90.66% | 68.47% | 70.82% | 64.01% | 84.41% | 84.41% | 84.41% | 84.41% | 84.41% | 84.41% | 84.41% |
| Depreciation | 3.20% | 1.83% | 1.45% | 3.01% | 3.15% | 3.25% | 3.23% | 3.16% | 3.20% | 3.25% | 3.18% |
| Amortization of intangible assets | 8.20% | 4.55% | 3.60% | 7.49% | 7.72% | 7.89% | 7.99% | 7.60% | 6.18% | 5.67% | 5.01% |
| Selling, informational & administrative expenses | 27.72% | 15.63% | 13.63% | 23.98% | 23.98% | 23.98% | 23.98% | 23.98% | 23.98% | 23.98% | 23.98% |
| Research & development expenses | 22.44% | 17.01% | 11.39% | 15.99% | 15.99% | 15.99% | 15.99% | 15.99% | 15.99% | 15.99% | 15.99% |
| Acquired in-process research & development expenses | - | - | 0.95% | - | - | - | - | - | - | - | - |
| Restructuring charges & acquisition-related costs | 1.43% | 0.99% | 1.37% | 1.62% | 1.62% | 1.62% | 1.62% | 1.62% | 1.62% | 1.62% | 1.62% |
| Other income (deductions) - net | -1.60% | 6.00% | -0.22% | 6.73% | -0.21% | 0.05% | -0.08% | -0.28% | -0.46% | -0.44% | -0.21% |
| Interest income | -0.17% | -0.04% | -0.25% | -0.04% | -0.71% | -0.43% | -0.52% | -0.70% | -0.91% | -0.89% | -0.63% |
| Interest expense | 3.46% | 1.59% | 1.23% | 7.19% | 0.92% | 0.91% | 0.87% | 0.85% | 0.88% | 0.87% | 0.84% |
| Royalty-related income | 1.84% | 1.05% | 0.84% | 1.22% | 1.22% | 1.22% | 1.22% | 1.22% | 1.22% | 1.22% | 1.22% |
| Other income (deductions) - gross | -6.72% | 3.40% | -2.04% | -1.65% | -1.65% | -1.65% | -1.65% | -1.65% | -1.65% | -1.65% | -1.65% |
| Operating Income | 17.89% | 29.91% | 34.61% | 18.64% | 31.73% | 31.71% | 31.51% | 31.77% | 32.95% | 33.44% | 34.40% |
| Provision (benefit) for taxes on income | 1.14% | 2.28% | 3.32% | 4.10% | 6.98% | 6.98% | 6.93% | 6.99% | 7.25% | 7.36% | 7.57% |
| Income (loss) from continuing operations | 16.75% | 27.63% | 31.30% | 14.54% | 24.75% | 24.74% | 24.58% | 24.78% | 25.70% | 26.08% | 26.83% |
| Income (loss) from discontinued operations | 6.28% | - | - | - | - | - | - | - | - | - | - |
| Gain (loss) on disposal of discontinued operations | - | - | - | - | - | - | - | - | - | - | - |
| Discontinued operations | - | -0.53% | 0.01% | - | - | - | - | - | - | - | - |
| Net income before allocation to noncontrolling interests | 23.03% | 27.10% | 31.30% | 14.54% | 24.75% | 24.74% | 24.58% | 24.78% | 25.70% | 26.08% | 26.83% |
| Less: net income attributable to noncontrolling interests | -0.09% | -0.06% | -0.03% | -0.04% | -0.07% | -0.07% | -0.06% | -0.07% | -0.07% | -0.07% | -0.07% |
| Net income attributable to Pfizer Inc. | - | - | - | - | - | - | - | - | - | - | - |
| Less: preferred stock dividends, net of tax | - | - | - | - | - | - | - | - | - | - | - |
| Net income attributable to Pfizer Inc. common shareholders | 22.95% | 27.04% | 31.27% | 14.50% | 24.68% | 24.67% | 24.51% | 24.71% | 25.64% | 26.02% | 26.76% |
| Weighted average shares outstanding - basic | 13.26% | 6.89% | 5.59% | 9.97% | 10.93% | 11.77% | 12.11% | 12.20% | 12.65% | 13.07% | 13.00% |
| Total shares outstanding | 13.28% | 6.91% | 5.60% | 9.99% | 10.94% | 11.76% | 12.10% | 12.19% | 12.64% | 13.06% | 12.99% |

Pfizer

Common Size Balance Sheet (% sales)

| Fiscal Years Ending Dec. 31 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | | | | | |
| Cash & cash equivalents | 4.26% | 2.39% | 0.41% | 13.35% | 8.36% | 10.45% | 14.40% | 18.23% | 17.76% | 13.07% | 6.87% |
| Short-term investments | 24.90% | 35.83% | 22.24% | 80.41% | 92.03% | 103.62% | 111.71% | 117.89% | 128.13% | 138.77% | 144.54% |
| Trade accounts receivable | 18.92% | 14.12% | 10.92% | 15.28% | 15.28% | 15.28% | 15.28% | 15.28% | 15.28% | 15.28% | 15.28% |
| Accounts receivable, gross | 20.13% | 14.73% | 11.36% | 16.22% | 16.22% | 16.22% | 16.22% | 16.22% | 16.22% | 16.22% | 16.22% |
| Less allowance for doubtful accounts | 1.21% | 0.61% | 0.45% | 0.94% | 0.94% | 0.94% | 0.94% | 0.94% | 0.94% | 0.94% | 0.94% |
| Inventories | 19.20% | 11.14% | 8.95% | 13.79% | 13.79% | 13.79% | 13.79% | 13.79% | 13.79% | 13.79% | 13.79% |
| Current tax assets | 7.79% | 5.25% | 3.57% | 11.59% | 19.73% | 19.72% | 19.60% | 19.76% | 20.49% | 20.80% | 21.39% |
| Current assets of discontinued operations & other assets | 0.40% | - | - | - | - | - | - | - | - | - | - |
| Assets held for sale | - | - | - | - | - | - | - | - | - | - | - |
| Other current assets | 8.20% | 4.70% | 5.00% | 9.31% | 10.65% | 11.99% | 12.93% | 13.65% | 14.83% | 16.06% | 16.73% |
| Total current assets | 83.67% | 73.43% | 51.09% | 143.74% | 159.84% | 174.86% | 187.71% | 198.61% | 210.30% | 217.78% | 218.61% |
| Equity-method investments | 40.22% | 20.26% | 11.00% | 20.44% | 23.37% | 26.28% | 28.29% | 29.82% | 32.37% | 35.02% | 36.43% |
| Long-term investments | 8.13% | 6.22% | 4.02% | 7.49% | 8.57% | 9.65% | 10.40% | 10.98% | 11.93% | 12.92% | 13.46% |
| Net Property, plant & equipment | 33.17% | 18.31% | 16.22% | 27.56% | 28.93% | 30.04% | 30.03% | 29.53% | 30.05% | 30.63% | 30.16% |
| Gross Property, plant & equipment | 68.51% | 36.85% | 31.34% | 57.48% | 64.81% | 71.90% | 76.39% | 79.45% | 85.12% | 90.88% | 93.32% |
| Less: accumulated depreciation | 35.34% | 18.54% | 15.12% | 29.92% | 35.87% | 41.86% | 46.36% | 49.93% | 55.06% | 60.25% | 63.16% |
| Identifiable intangible assets | 67.94% | 30.93% | 43.23% | 69.42% | 68.20% | 65.51% | 59.51% | 52.43% | 48.27% | 44.29% | 39.09% |
| Goodwill | 118.30% | 60.54% | 51.21% | 91.10% | 99.64% | 107.23% | 110.48% | 111.44% | 115.76% | 119.83% | 119.28% |
| Noncurrent deferred tax assets & other tax assets | 5.69% | 4.11% | 6.67% | 3.82% | 6.50% | 6.50% | 6.45% | 6.51% | 6.75% | 6.85% | 7.05% |
| Other noncurrent assets | 10.90% | 9.45% | 13.12% | 8.53% | 8.53% | 8.53% | 8.53% | 8.53% | 8.53% | 8.53% | 8.53% |
| ROU assets (Lease Liability) | 3.31% | 3.49% | 2.99% | 5.07% | 5.32% | 5.51% | 5.50% | 5.41% | 5.50% | - | - |
| Total assets | 368.02% | 223.25% | 196.55% | 372.10% | 403.59% | 428.61% | 441.41% | 447.84% | 463.97% | 475.85% | 472.61% |
| Liabilities and Equity | | | | | | | | | | | |
| Short-term borrowings | 6.45% | 2.76% | 2.94% | 14.15% | 14.15% | 14.15% | 14.15% | 14.15% | 14.15% | 14.15% | 14.15% |
| Trade accounts payable | 10.28% | 6.86% | 6.79% | 8.32% | 8.32% | 8.32% | 8.32% | 8.32% | 8.32% | 8.32% | 8.32% |
| Dividends payable | 5.16% | 2.77% | 2.30% | 4.26% | 4.76% | 5.21% | 5.47% | 5.62% | 5.95% | 6.27% | 6.36% |
| Income taxes payable | 2.50% | 1.56% | 1.58% | 1.13% | 1.92% | 1.92% | 1.91% | 1.92% | 1.99% | 2.02% | 2.08% |
| Accrued compensation & related items | 7.30% | 4.10% | 3.40% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% |
| Deferred revenues | - | 3.77% | 2.51% | 3.14% | 3.14% | 3.14% | 3.14% | - | - | - | - |
| Other current liabilities | 30.16% | 30.68% | 22.49% | 23.83% | 23.83% | 23.83% | 23.83% | 23.83% | 23.83% | 23.83% | 23.83% |
| Liabilities held for sale | - | - | - | - | - | - | - | - | - | - | - |
| Total current liabilities | 61.85% | 52.49% | 42.00% | 59.60% | 60.89% | 61.35% | 61.60% | 61.76% | 62.16% | 62.51% | 62.66% |
| Long-term debt | 88.61% | 44.53% | 32.78% | 111.74% | 122.79% | 130.69% | 133.88% | 134.82% | 140.03% | 145.13% | 145.50% |
| Pension & postretirement benefit obligations | 12.91% | 4.58% | 2.24% | 2.79% | 2.14% | 1.61% | 1.16% | 0.82% | 0.60% | 0.43% | 0.30% |
| Noncurrent deferred tax liabilities | 9.70% | 0.43% | 1.02% | 0.83% | -1.67% | -2.58% | -0.77% | 1.90% | 2.78% | 0.82% | -2.12% |
| Other taxes payable | 27.58% | 13.94% | 9.78% | 15.49% | 15.08% | 14.45% | 13.25% | 11.90% | 11.00% | 10.14% | 8.98% |
| Other noncurrent liabilities | 15.91% | 11.99% | 13.14% | 12.55% | 12.55% | 12.55% | 12.55% | 12.55% | 12.55% | 12.55% | 12.55% |
| Total liabilities | 216.56% | 127.96% | 100.95% | 203.00% | 211.78% | 218.07% | 221.66% | 223.75% | 229.12% | 231.58% | 227.87% |
| Preferred stock | - | - | - | - | - | - | - | - | - | - | - |
| Common Equity | 212.71% | 112.03% | 91.97% | 164.56% | 181.02% | 194.92% | 200.83% | 202.57% | 210.42% | 217.81% | 216.82% |
| Treasury stock | 264.84% | 137.00% | 113.59% | 202.09% | 221.53% | 238.94% | 246.74% | 249.46% | 259.73% | 269.50% | 268.93% |
| Retained earnings (accumulated deficit) | 230.91% | 127.19% | 125.24% | 220.93% | 248.03% | 271.53% | 283.22% | 288.76% | 302.70% | 315.21% | 316.08% |
| Accumulated other comprehensive income (loss) | -27.89% | -7.25% | -8.28% | -14.72% | -16.11% | -17.33% | -17.86% | -18.01% | -18.71% | -19.37% | -19.28% |
| Total Pfizer Inc. shareholders' equity (deficit) | 150.89% | 94.97% | 95.34% | 168.68% | 191.42% | 210.18% | 219.45% | 223.86% | 234.68% | 244.16% | 244.69% |
| Equity attributable to noncontrolling interests | 0.56% | 0.32% | 0.26% | 0.42% | 0.39% | 0.35% | 0.30% | 0.24% | 0.18% | 0.12% | 0.05% |
| Total equity (deficit) | 151.45% | 95.29% | 95.60% | 169.10% | 191.81% | 210.54% | 219.75% | 224.10% | 234.86% | 244.27% | 244.74% |
| Total liabilities and equity | 368.02% | 223.25% | 196.55% | 372.10% | 403.59% | 428.61% | 441.41% | 447.84% | 463.97% | 475.85% | 472.61% |

Pfizer
Value Driver Estimation

| Fiscal Years Ending Dec. 31 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| NOPLAT: | | | | | | | | | | | |
| EBIT | | | | | | | | | | | |
| Revenue | 41,908 | 81,288 | 100,330 | 56,395 | 51,560 | 47,910 | 46,500 | 46,100 | 44,380 | 42,875 | 43,070 |
| COGS (excluding D&A) | 3,915 | 25,630 | 29,280 | 20,294 | 8,040 | 7,471 | 7,251 | 7,189 | 6,921 | 6,686 | 6,716 |
| D&A Expense | 4,777 | 5,191 | 5,064 | 5,923 | 5,604 | 5,338 | 5,217 | 4,961 | 4,167 | 3,826 | 3,528 |
| SG&A Expense | 11,615 | 12,703 | 13,677 | 13,524 | 12,365 | 11,490 | 11,151 | 11,056 | 10,643 | 10,282 | 10,329 |
| R&D Expense | 9,405 | 13,829 | 11,428 | 9,020 | 8,246 | 7,663 | 7,437 | 7,373 | 7,098 | 6,857 | 6,889 |
| Restructuring & Acquisition Charges | 600 | 802 | 1,375 | 916 | 837 | 778 | 755 | 749 | 721 | 696 | 700 |
| Implied Interest of Operating Lease | 83 | 169 | 179 | 171 | 164 | 158 | 153 | 149 | 146 | - | - |
| EBIT | 11,679 | 23,302 | 39,685 | 6,889 | 16,631 | 15,328 | 14,840 | 14,921 | 14,977 | 14,527 | 14,908 |
| Adjusted Taxes (-) | | | | | | | | | | | |
| Income Tax Expense | 477 | 1,852 | 3,328 | 2,312 | 3,599 | 3,343 | 3,223 | 3,222 | 3,217 | 3,154 | 3,259 |
| (+) Tax shield on operating lease inter | 13.7 | 28.0 | 29.6 | 28.2 | 27.0 | 26.0 | 25.2 | 24.6 | 24.1 | - | - |
| (+) Tax shield on Interest Expense | 239 | 213 | 204 | 669 | 79 | 72 | 67 | 65 | 64 | 62 | 60 |
| (-) Tax on non-operating income | 464 | -456 | 338 | 154 | 141 | 131 | 127 | 126 | 121 | 117 | 117 |
| (-) Tax on Interest Income | -12 | -6 | -41 | -3 | -60 | -34 | -40 | -53 | -67 | -63 | -45 |
| Total Adjusted Taxes | 1,182 | 1,631 | 3,859 | 3,160 | 3,785 | 3,537 | 3,402 | 3,384 | 3,360 | 3,270 | 3,392 |
| Change in Deferred Taxes (+) | -2,082 | -2,825 | 529 | 3,985 | -2,530 | -135 | 988 | 1,238 | 363 | -824 | -1,362 |
| NOPLAT | 8,415 | 18,847 | 36,356 | 7,714 | 10,316 | 11,657 | 12,426 | 12,776 | 11,980 | 10,432 | 10,155 |
| Invested Capital (IC): | | | | | | | | | | | |
| Normal Cash | 174 | 337 | 416 | 234 | 214 | 199 | 193 | 191 | 184 | 178 | 179 |
| Trade Accounts Receivable | 7,930 | 11,479 | 10,952 | 8,620 | 7,881 | 7,323 | 7,107 | 7,046 | 6,783 | 6,553 | 6,583 |
| Inventories | 8,046 | 9,059 | 8,981 | 7,779 | 7,112 | 6,609 | 6,414 | 6,359 | 6,122 | 5,914 | 5,941 |
| Prepaid Expenses | 2,383 | 3,341 | 6,693 | 2,153 | 3,351 | 3,112 | 3,001 | 3,000 | 2,996 | 2,937 | 3,035 |
| Other Current Operating Assets | 3,438 | 3,820 | 5,017 | 5,249 | 5,492 | 5,747 | 6,013 | 6,291 | 6,582 | 6,887 | 7,206 |
| Operating CA | 21,971 | 28,036 | 32,059 | 24,035 | 24,050 | 22,989 | 22,728 | 22,887 | 22,667 | 22,469 | 22,944 |
| Trade Accounts Payable | 4,309 | 5,578 | 6,809 | 4,693 | 4,290 | 3,986 | 3,869 | 3,836 | 3,693 | 3,568 | 3,584 |
| Deferred Revenue | - | 3,067 | 2,520 | 1,772 | 1,620 | 1,506 | 1,461 | 1,449 | 1,395 | 1,347 | 1,353 |
| Income Tax Payable | 1,049 | 1,266 | 1,587 | 636 | 989 | 919 | 886 | 886 | 884 | 867 | 896 |
| Non Interest-Bearing CL | 5,358 | 9,911 | 10,916 | 7,100 | 6,900 | 6,411 | 6,216 | 6,170 | 5,972 | 5,782 | 5,833 |
| Operating Working Capital | 16,613 | 18,125 | 21,143 | 16,935 | 17,150 | 16,578 | 16,512 | 16,717 | 16,695 | 16,687 | 17,110 |
| Plus: Net PPE | 13,900 | 14,882 | 16,274 | 15,540 | 14,917 | 14,394 | 13,962 | 13,612 | 13,338 | 13,132 | 12,990 |
| Identifiable Intangible Assets | 28,471 | 25,146 | 43,370 | 39,147 | 35,166 | 31,386 | 27,672 | 24,169 | 21,424 | 18,991 | 16,834 |
| Other Non-Current Assets | 4,569 | 7,679 | 13,163 | 4,811 | 4,399 | 4,087 | 3,967 | 3,933 | 3,786 | 3,658 | 3,674 |
| Add: ROU Asset | 1,386 | 2,839 | 3,002 | 2,860 | 2,741 | 2,641 | 2,559 | 2,494 | 2,442 | - | - |
| Invested Capital (IC): | 64,939 | 68,671 | 96,952 | 79,293 | 74,373 | 69,087 | 64,672 | 60,925 | 57,686 | 52,468 | 50,609 |
| Free Cash Flow (FCF): | | | | | | | | | | | |
| NOPLAT | 8,415 | 18,847 | 36,356 | 7,714 | 10,316 | 11,657 | 12,426 | 12,776 | 11,980 | 10,432 | 10,155 |
| Change in IC | -6,858 | 3,732 | 28,281 | -17,659 | -4,921 | -5,286 | -4,415 | -3,747 | -3,239 | -5,217 | -1,860 |
| FCF | 15,272 | 15,115 | 8,075 | 25,373 | 15,237 | 16,943 | 16,840 | 16,523 | 15,219 | 15,650 | 12,014 |
| Return on Invested Capital (ROIC): | | | | | | | | | | | |
| NOPLAT | 8,415 | 18,847 | 36,356 | 7,714 | 10,316 | 11,657 | 12,426 | 12,776 | 11,980 | 10,432 | 10,155 |
| Beginning IC | 71,797 | 64,939 | 68,671 | 96,952 | 79,293 | 74,373 | 69,087 | 64,672 | 60,925 | 57,686 | 52,468 |
| ROIC | 11.72% | 29.02% | 52.94% | 7.96% | 13.01% | 15.67% | 17.99% | 19.75% | 19.66% | 18.08% | 19.35% |
| Economic Profit (EP): | | | | | | | | | | | |
| Beginning IC | 71,797 | 64,939 | 68,671 | 96,952 | 79,293 | 74,373 | 69,087 | 64,672 | 60,925 | 57,686 | 52,468 |
| x (ROIC - WACC) | 5.04% | 22.34% | 46.26% | 1.27% | 6.33% | 8.99% | 11.30% | 13.07% | 12.98% | 11.40% | 12.67% |
| EP | 3,616 | 14,507 | 31,766 | 1,235 | 5,016 | 6,686 | 7,808 | 8,453 | 7,908 | 6,577 | 6,648 |

Pfizer*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

| | |
|-----------------------|--------------|
| Risk-Free Rate | 4.83% |
| Beta | 0.55 |
| Equity Risk Premium | 5.01% |
| Cost of Equity | 7.59% |

ASSUMPTIONS:

10-Year Treasury Bond
Average of 2, 3, and 5-year weekly beta
1992-2022 geometric average over 10-year Treasury

Cost of Debt:

| | |
|-------------------------------|--------------|
| Risk-Free Rate | 4.83% |
| Implied Default Premium | 1.14% |
| Pre-Tax Cost of Debt | 5.97% |
| Marginal Tax Rate | 22% |
| After-Tax Cost of Debt | 4.66% |

10-Year Treasury Bond

YTM on 2049 Corporate Bond

Market Value of Common Equity:

| | |
|--------------------------|-------------------|
| Total Shares Outstanding | 5,616 |
| Current Stock Price | \$29.48 |
| MV of Equity | 165,559.68 |

MV Weights

| |
|--------|
| 69.20% |
|--------|

Market Value of Debt:

| | |
|-------------------------|---------------------|
| Short-Term Debt | 7,982 |
| Current Portion of LTD | 2550 (per 2022 10k) |
| Long-Term Debt | 63,014 |
| PV of Operating Leases | 153 |
| MV of Total Debt | 73,698.95 |

| |
|--------|
| 30.80% |
|--------|

Market Value of the Firm**239,258.63**

100.00%

Estimated WACC

| |
|-------|
| 6.68% |
|-------|

Pfizer*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

| | |
|---------------------|--------|
| CV Growth of NOPLAT | 2.50% |
| CV Year ROIC | 19.35% |
| WACC | 6.68% |
| Cost of Equity | 7.59% |

| Fiscal Years Ending Dec. 31 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

DCF Model:

| | | | | | | | | |
|----------------------------------|-----------------|---------|---------|---------|---------|---------|---------|----------|
| Free Cash Flow (FCF) | 25372.7 | 15236.5 | 16943.2 | 16840.3 | 16522.9 | 15218.5 | 15649.7 | |
| Continuing Value (CV) | | | | | | | | 211382.9 |
| PV of FCF | 23783.2 | 13387.3 | 13954.3 | 13000.6 | 11956.5 | 10322.7 | 9950.2 | 134398.5 |
| Value of Operating Assets: | 230753.3 | | | | | | | |
| Non-Operating Adjustments | -46252.1 | | | | | | | |
| (+) Short-term investments | 22316.0 | | | | | | | |
| (+) Long-term investments | 4036.0 | | | | | | | |
| (+) Non-controlling interest | 11033.0 | | | | | | | |
| (-) ESOP | 127.1 | | | | | | | |
| (-) Notes payable | 6809.0 | | | | | | | |
| (-) Debt Obligations | 73698.9 | | | | | | | |
| (-) Operating Lease Liability | 3002.0 | | | | | | | |
| Value of Equity | 184501.2 | | | | | | | |
| Shares Outstanding | 5616.0 | | | | | | | |
| Intrinsic Value of Last FYE | \$ 32.85 | | | | | | | |
| Implied Price as of Today | \$ 33.42 | | | | | | | |

EP Model:

| | | | | | | | | |
|----------------------------------|-----------------|--------|--------|--------|--------|--------|--------|----------|
| Economic Profit (EP) | 1234.6 | 5016.4 | 6686.4 | 7808.4 | 8453.4 | 7907.7 | 6577.0 | 6647.9 |
| Continuing Value (CV) | | | | | | | | 158914.6 |
| PV of EP | 1157.3 | 4407.6 | 5506.9 | 6028.0 | 6117.1 | 5363.8 | 4181.7 | 101038.9 |
| Total PV of EP | 133801.3 | | | | | | | |
| Invested Capital (last FYE) | 96952.0 | | | | | | | |
| Value of Operating Assets: | 230753.3 | | | | | | | |
| Non-Operating Adjustments | -46252.1 | | | | | | | |
| Value of Equity | 184501.2 | | | | | | | |
| Shares Outstanding | 5616.0 | | | | | | | |
| Intrinsic Value of Last FYE | \$ 32.85 | | | | | | | |
| Implied Price as of Today | \$ 33.42 | | | | | | | |

Pfizer

Relative Valuation Models

| Ticker | Company | Price | EPS | | P/E 23 | P/E 24 | P/S 2023E | P/S 2024E |
|---------|----------------------|----------|----------|----------|--------------|--------------|-------------|-------------|
| | | | 2023E | 2024E | | | | |
| JNJ | Johnson & Johnson | \$145.60 | \$6.41 | \$8.22 | 22.71 | 17.71 | 5.00 | 4.50 |
| MRK | Merck & Co. | \$102.80 | \$2.05 | \$7.82 | 50.15 | 13.15 | 4.80 | 4.40 |
| ABBV | Abbvie | \$138.90 | \$5.72 | \$6.65 | 24.28 | 20.89 | 4.90 | 4.67 |
| AMGN | Amgen | \$261.60 | \$15.35 | \$15.22 | 17.04 | 17.19 | 5.40 | 5.00 |
| BMY | Bristol-Myers Squibb | \$51.00 | \$3.77 | \$5.58 | 13.53 | 9.14 | 3.30 | 2.50 |
| GLD | Gilead Sciences | \$76.70 | \$4.60 | \$5.39 | 16.67 | 14.23 | 4.00 | 3.70 |
| MRNA | Moderna | \$71.91 | (\$4.34) | (\$5.50) | - | - | 3.90 | 4.20 |
| Average | | | | | 24.06 | 15.38 | 4.47 | 4.14 |

PFE Pfizer \$29.48 \$ 1.45 \$ 2.26 20.3 13.1 2.9 3.0

Implied Relative Value:

P/E (EPS23) \$ 34.99
P/E (EPS24) \$ 34.73
P/S (S23) \$ 44.77
P/S (S24) \$ 37.83

Pfizer

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

| Fiscal Years Ending Dec. 31 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

| | | | | | | | | |
|-----|---------|---------|---------|---------|---------|---------|---------|---------|
| EPS | \$ 1.45 | \$ 2.26 | \$ 2.10 | \$ 2.02 | \$ 2.03 | \$ 2.03 | \$ 1.99 | \$ 2.06 |
|-----|---------|---------|---------|---------|---------|---------|---------|---------|

Key Assumptions

| | |
|------------------|--------|
| CV growth of EPS | 2.50% |
| CV Year ROE | 11.01% |
| Cost of Equity | 7.59% |

Future Cash Flows

| | | | | | | | | |
|------------------------|------|------|------|------|------|------|------|----------|
| P/E Multiple (CV Year) | | | | | | | | 15.20 |
| EPS (CV Year) | | | | | | | | \$ 2.06 |
| Future Stock Price | | | | | | | | \$ 31.29 |
| Dividends Per Share | 1.64 | 1.67 | 1.71 | 1.74 | 1.78 | 1.81 | 1.85 | |
| Discounted Cash Flows | 1.52 | 1.45 | 1.37 | 1.30 | 1.23 | 1.17 | 1.11 | 18.76 |

Intrinsic Value as of Last FYE \$ 27.90

Implied Price as of Today **\$ 28.39**

Pfizer

Key Management Ratios

| Fiscal Years Ending Dec. 31 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---------|--------|---------|---------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
| Liquidity Ratios: | | | | | | | | | | | | | | | |
| Quick Ratio (Cash+AR/CL) | 0.37 | 0.33 | 0.30 | 0.28 | 0.39 | 0.33 | 0.28 | 0.50 | 0.40 | 0.43 | 0.50 | 0.56 | 0.55 | 0.47 | 0.37 |
| Current Ratio (CA/CL) | 1.25 | 1.35 | 1.57 | 0.88 | 1.35 | 1.40 | 1.22 | 2.41 | 2.62 | 2.85 | 3.05 | 3.22 | 3.38 | 3.48 | 3.49 |
| Cash Ratio (Cash/CL) | 0.08 | 0.04 | 0.04 | 0.03 | 0.07 | 0.05 | 0.01 | 0.22 | 0.14 | 0.17 | 0.23 | 0.30 | 0.29 | 0.21 | 0.11 |
| Operation Cash Flow Ratio (Cash from Ops/CL) | 0.51 | 0.54 | 0.50 | 0.34 | 0.56 | 0.76 | 0.69 | -0.07 | 0.32 | 0.53 | 0.58 | 0.58 | 0.53 | 0.49 | 0.47 |
| Asset-Management Ratios: | | | | | | | | | | | | | | | |
| Total Asset Turnover (Rev/Total Assets) | 0.31 | 0.31 | 0.34 | 0.31 | 0.27 | 0.45 | 0.51 | 0.27 | 0.25 | 0.23 | 0.23 | 0.22 | 0.22 | 0.21 | 0.21 |
| Fixed Asset Turnover (Rev/((Beg + End PP)/2)) | 2.52 | 2.42 | 2.44 | 2.32 | 1.92 | 3.52 | 4.27 | 2.38 | 2.16 | 1.98 | 1.89 | 1.85 | 1.74 | 1.65 | 2.14 |
| Working Capital Turnover (Rev/Oper WC) | 3.69 | 3.50 | 3.78 | 3.09 | 2.52 | 4.48 | 4.75 | 3.33 | 3.01 | 2.89 | 2.82 | 2.76 | 2.66 | 2.57 | 2.52 |
| Financial Leverage Ratios: | | | | | | | | | | | | | | | |
| Debt Ratio (Total Assets/Total Liabilities) | 1.54 | 1.72 | 1.67 | 1.61 | 1.70 | 1.74 | 1.95 | 1.83 | 1.91 | 1.97 | 1.99 | 2.00 | 2.03 | 2.05 | 2.07 |
| Debt to Equity Ratio (Total Liabilities/Total Equity) | 1.87 | 1.40 | 1.50 | 1.64 | 1.43 | 1.34 | 1.06 | 1.20 | 1.10 | 1.04 | 1.01 | 1.00 | 0.98 | 0.95 | 0.93 |
| Debt to EBITA Ratio (Total Liabilities / EBIT + A&D Expenses) | 6.29 | 5.03 | 4.69 | 5.40 | 6.97 | 4.20 | 2.46 | 13.33 | 5.98 | 6.19 | 6.31 | 6.30 | 6.20 | 6.24 | 6.03 |
| Profitability Ratios: | | | | | | | | | | | | | | | |
| Return on Equity (NI/Beg TSE) | | 35.61% | 15.56% | 25.52% | 15.16% | 34.63% | 40.50% | 8.53% | 13.35% | 11.95% | 11.30% | 11.15% | 11.01% | 10.70% | 11.01% |
| Return on Assets (NI/Assets) | 4.20% | 12.40% | 7.00% | 9.72% | 6.23% | 12.11% | 15.91% | 3.90% | 6.12% | 5.76% | 5.55% | 5.52% | 5.53% | 5.47% | 5.66% |
| Gross Profit Margin (Rev-COGS/Rev) | 87.56% | 90.54% | 90.93% | 91.87% | 90.66% | 68.47% | 70.82% | 64.01% | 84.41% | 84.41% | 84.41% | 84.41% | 84.41% | 84.41% | 84.41% |
| Net Income Margin | 13.66% | 40.55% | 20.79% | 31.44% | 22.95% | 27.04% | 31.27% | 14.50% | 24.68% | 24.67% | 24.51% | 24.71% | 25.64% | 26.02% | 26.76% |
| Payout Policy Ratios: | | | | | | | | | | | | | | | |
| Dividend Payout Ratio (Dividend/EPS) | 101.69% | 35.85% | 72.63% | 49.32% | 88.44% | 40.05% | 28.80% | 112.80% | 74.09% | 81.39% | 85.97% | 87.60% | 89.34% | 92.82% | 91.48% |
| Total Payout Ratio ((Divs. + Repurchases)/NI) | | 59.62% | 181.93% | 105.77% | 90.33% | 41.71% | 37.09% | 112.80% | 76.06% | 83.55% | 88.25% | 89.93% | 91.72% | 95.29% | 93.93% |

Pfizer*Valuation of Options Granted under ESOP*

| | |
|--------------------------------------|---------|
| Current Stock Price | \$32.11 |
| Risk Free Rate | 4.83% |
| Current Dividend Yield | 5.11% |
| Annualized St. Dev. of Stock Returns | 20.58% |

| Range of Outstanding Options | Number of Shares | Average Exercise Price | Average Remaining Life (yrs) | B-S Option Price | Value of Options Granted |
|------------------------------|------------------|------------------------|------------------------------|------------------|--------------------------|
| Range 1 | 35,280,000 | 31.47 | 2.10 | \$ 3.60 | \$ 127,103,369 |
| Total | 35,280,000 | \$ 31.47 | 2.10 | \$ 5.49 | \$ 127,103,369 |

Pfizer
Sensitivity Tables

| | | CV Growth of NOPLAT | | | | | | | |
|------|-------|---------------------|-------|-------|-------|-------|-------|-------|-------|
| | | \$ 33.42 | 1.75% | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% | 3.25% |
| WACC | 6.10% | 34.83 | 35.99 | 37.31 | 38.81 | 40.54 | 42.54 | 44.90 | |
| | 6.30% | 33.28 | 34.31 | 35.47 | 36.79 | 38.28 | 40.01 | 42.02 | |
| | 6.50% | 31.85 | 32.77 | 33.80 | 34.95 | 36.26 | 37.76 | 39.49 | |
| | 6.67% | 30.73 | 31.56 | 32.49 | 33.53 | 34.70 | 36.04 | 37.57 | |
| | 6.90% | 29.32 | 30.06 | 30.87 | 31.78 | 32.79 | 33.94 | 35.24 | |
| | 7.10% | 28.19 | 28.85 | 29.58 | 30.39 | 31.29 | 32.30 | 33.44 | |
| | 7.30% | 27.14 | 27.74 | 28.39 | 29.11 | 29.91 | 30.81 | 31.81 | |

| | | Marginal Tax Rate | | | | | | | |
|----------------|-------|-------------------|-------|-------|-------|-------|-------|-------|-----|
| | | \$33.42 | 19% | 20% | 21% | 22% | 23% | 24% | 25% |
| Risk Free Rate | 4.23% | 36.22 | 35.77 | 35.32 | 34.87 | 34.40 | 33.93 | 33.63 | |
| | 4.43% | 35.72 | 35.28 | 34.83 | 34.37 | 33.91 | 33.44 | 33.14 | |
| | 4.63% | 35.23 | 34.79 | 34.35 | 33.89 | 33.43 | 32.96 | 32.67 | |
| | 4.83% | 34.76 | 34.32 | 33.88 | 33.42 | 32.96 | 32.50 | 32.21 | |
| | 5.03% | 34.30 | 33.87 | 33.42 | 32.97 | 32.51 | 32.05 | 31.77 | |
| | 5.23% | 33.86 | 33.42 | 32.98 | 32.53 | 32.07 | 31.61 | 31.34 | |
| | 5.43% | 33.42 | 32.99 | 32.55 | 32.10 | 31.64 | 31.18 | 30.92 | |

| | | Equity Risk Premium | | | | | | | |
|------|------|---------------------|-------|-------|-------|-------|-------|-------|-------|
| | | \$ 33.42 | 4.40% | 4.60% | 4.80% | 5.01% | 5.20% | 5.40% | 5.60% |
| Beta | 0.45 | 38.07 | 37.46 | 36.88 | 36.28 | 35.76 | 35.23 | 34.71 | |
| | 0.48 | 37.19 | 36.57 | 35.98 | 35.37 | 34.84 | 34.31 | 33.78 | |
| | 0.51 | 36.35 | 35.72 | 35.12 | 34.51 | 33.98 | 33.43 | 32.91 | |
| | 0.55 | 35.28 | 34.65 | 34.04 | 33.42 | 32.89 | 32.34 | 31.81 | |
| | 0.57 | 34.78 | 34.14 | 33.53 | 32.91 | 32.37 | 31.82 | 31.28 | |
| | 0.60 | 34.04 | 33.40 | 32.78 | 32.16 | 31.62 | 31.06 | 30.53 | |
| | 0.63 | 33.34 | 32.69 | 32.07 | 31.45 | 30.90 | 30.35 | 29.82 | |

| | | Cost of Equity | | | | | | | |
|----------------------|-------|----------------|-------|-------|-------|-------|-------|-------|-------|
| | | \$33.42 | 6.09% | 6.59% | 7.09% | 7.59% | 8.09% | 8.59% | 9.09% |
| Pre-Tax Cost of Debt | 4.47% | 35.85 | 36.00 | 36.15 | 36.31 | 36.46 | 36.61 | 36.76 | |
| | 4.97% | 34.86 | 35.01 | 35.16 | 35.31 | 35.45 | 35.60 | 35.75 | |
| | 5.47% | 33.91 | 34.06 | 34.20 | 34.35 | 34.49 | 34.64 | 34.78 | |
| | 5.97% | 33.00 | 33.14 | 33.28 | 33.43 | 33.57 | 33.71 | 33.85 | |
| | 6.47% | 32.13 | 32.27 | 32.41 | 32.54 | 32.68 | 32.82 | 32.95 | |
| | 6.97% | 31.29 | 31.43 | 31.56 | 31.69 | 31.83 | 31.96 | 32.09 | |
| | 7.47% | 30.49 | 30.62 | 30.75 | 30.88 | 31.01 | 31.14 | 31.27 | |

| | | Average 2016-2022 R&D % of Sales | | | | | | | |
|-------------------------------|--------|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| | | \$ 33.42 | 14.50% | 15.00% | 15.50% | 15.99% | 16.50% | 17.00% | 17.50% |
| Avg 2016-2022 COGS % of Sales | 14.09% | 37.90 | 37.16 | 36.42 | 35.69 | 34.92 | 34.17 | 33.42 | |
| | 14.59% | 37.16 | 36.42 | 35.67 | 34.94 | 34.17 | 33.42 | 32.66 | |
| | 15.09% | 36.42 | 35.67 | 34.92 | 34.19 | 33.42 | 32.66 | 31.91 | |
| | 15.59% | 36.42 | 35.67 | 34.92 | 34.19 | 33.42 | 32.66 | 31.91 | |
| | 16.09% | 34.92 | 34.17 | 33.42 | 32.68 | 31.91 | 31.32 | 30.78 | |
| | 16.59% | 34.17 | 33.42 | 32.66 | 31.92 | 31.32 | 30.78 | 30.24 | |
| | 17.09% | 33.42 | 32.66 | 31.91 | 31.33 | 30.78 | 30.24 | 29.70 | |

| | | Depreciation Rate | | | | | | | |
|----------------|-------|-------------------|-------|-------|--------|--------|--------|--------|--------|
| | | \$33.42 | 9.55% | 9.85% | 10.15% | 10.44% | 10.75% | 11.05% | 11.35% |
| Dividend Yield | 4.00% | 33.93 | 33.91 | 33.88 | 33.86 | 33.84 | 33.82 | 33.81 | |
| | 4.50% | 33.79 | 33.77 | 33.74 | 33.72 | 33.70 | 33.68 | 33.67 | |
| | 5.00% | 33.65 | 33.62 | 33.60 | 33.58 | 33.56 | 33.54 | 33.53 | |
| | 5.56% | 33.49 | 33.47 | 33.44 | 33.42 | 33.40 | 33.39 | 33.37 | |
| | 6.00% | 33.37 | 33.34 | 33.32 | 33.30 | 33.28 | 33.26 | 33.24 | |
| | 6.50% | 33.23 | 33.20 | 33.18 | 33.16 | 33.14 | 33.12 | 33.10 | |
| | 7.00% | 33.08 | 33.06 | 33.04 | 33.02 | 33.00 | 32.98 | 32.96 | |