Krause Fund Research
Spring 2024 April 10, 2024

Stock Rating: **BUY**

Target Range: $36 – $43 Current Price: $26.32

Analysts

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Company:	*Pfizer Inc.*
Sector:	*Healthcare*
Industry:	*Pharmaceuticals*
Exchange:	*NYSE* [PFE]

Investment Thesis

We recommend a **BUY** rating for PFE with a target share price of $36 – $43 which would represent a 36% – 63% upside from its current share price. PFE is an industry leader within the healthcare sector and is well-positioned to generate steady revenue growth in the coming years.

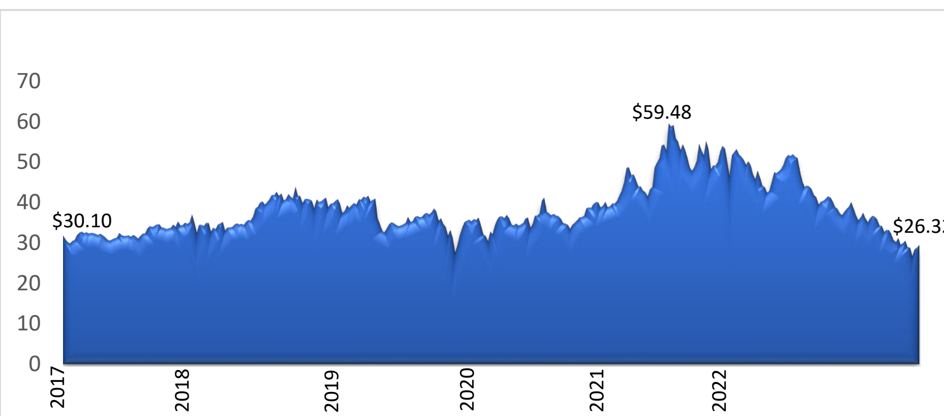
Drivers of Thesis

- Revenue growth is expected to be $25 billion per annum by 2030, with $10 billion from Seagen. We expect a more moderate growth expectation and higher declines from loss of exclusivity.
- Management began a cost realignment program in 2023 to reduce overall R&D and SI&A expenses by an estimate of $4B per annum, half of which has already been realized, the rest of which is expected to be realized in 2024.
- Expectations of lower inflation, realizing economies of scale due to in-sourcing production, and launching of new products leads us to believe PFE will return to pre-pandemic levels of 70% gross margin by the end of 2024.
- Management is focused on deploying excess capital from the pandemic to enhance shareholder value through: growing dividends, reinvesting in the business, and making share repurchases after de-levering the balance sheet.

Risks to Thesis

- There is no guarantee that pipeline drugs will pass clinical trials, receive approval, or even bring significant sales thereafter.
- The Inflation Reduction Act will reduce prices of name brand drugs, if PFE is included in the next round of price negotiations, it could heavily impact revenues. The highly profitable Eliquis is already on the list.
- Seagen may fail to deliver the $10B in revenues that management expects by 2030 in the event they are: unable to successfully bring drugs to market, unable to outperform competitors, oncology fails to be a profitable segment and/or fail to be as high growth as expected.
- Patent expirations may result in greater than expected loss on sales of certain products in the event generics are created or competitors gain market share.
- The cost realignment program cost $3 billion in 2023 and another expected $3 billion in 2024, failure to realize the cost cutting initiatives will have proven to be a waste of resources and detrimental to the overall longevity of the business.

Pfizer 2017-2023 Stock Performance



Financial Snapshot

Model Price Projections	
DCF/EP:	$43.17
DDM:	$43.70
DDM:	$43.70
EV/EBITDA:	$39.88
P/E (FY1):	$17.96
P/E (FY2):	$28.66
Price Data	
Current Price:	$26.32
52-Week Range:	$25.61 - $41.33
%ile of 52-Wk Range:	4.52%
YTD Performance:	(8.86)%
Key Statistics:	
Shares Outstanding:	5647M
2023 EPS:	$0.38
2024E EPS:	$1.55
Forecasted EPS Growth (CAGR):	19.8%
2023 Revenue:	$58,496M
2024E Revenue:	$63,886M
Forecasted Revenue Growth (CAGR):	2.2%
Dividend Yield:	6.231 %
Market Capitalization:	148.629 B
Beta:	0.61
WACC:	6.54 %
Ratios	
Gross Margin:	57.34%
Debt-To-EBITDA:	10.50x

Company Overview

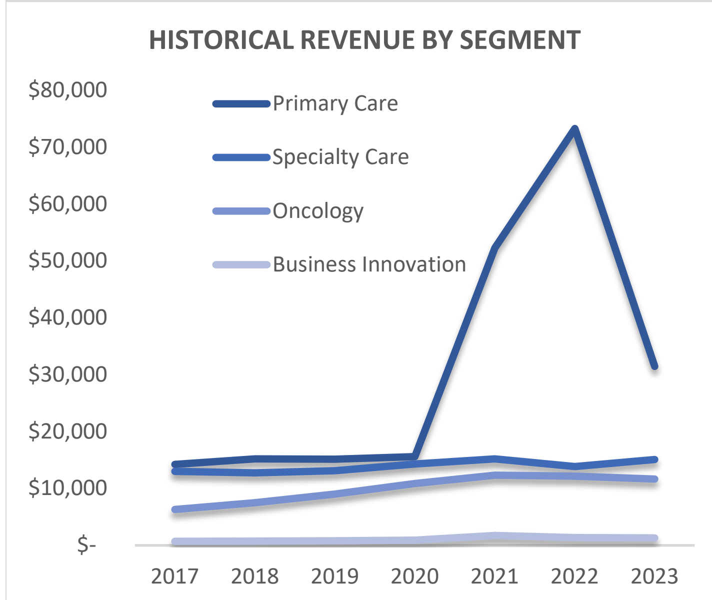
Pfizer Inc. is a global pharmaceutical corporation headquartered in New York City, NY, United States. It is one of the world's largest pharmaceutical companies, with a rich history dating back to its founding in 1849 by Charles Pfizer and Charles F. Erhart. Pfizer develops, manufactures, and markets a wide range of healthcare products, including medicines and vaccines for a variety of medical disciplines such as immunology, oncology, cardiology, endocrinology, and neurology.

Company Analysis

Company Overview:

Pfizer (PFE) has solidified it's standing as one of the world's largest pharmaceutical companies, with a market cap exceeding $146B; they are currently the 9th largest pharmaceutical by that measure. The company employs nearly 88,000 employees globally and sells products in ~200 countries.

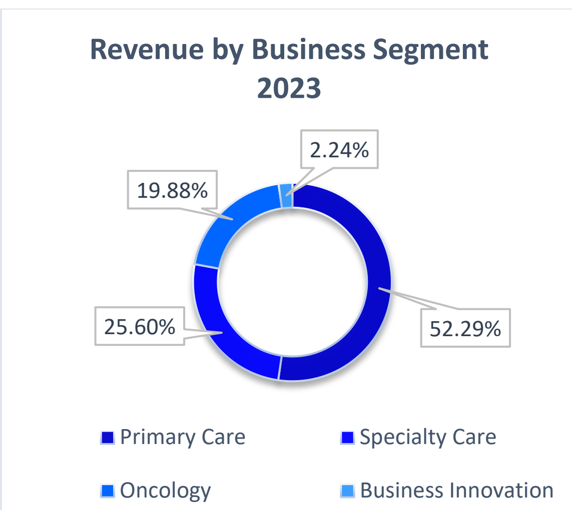
PFE is notorious for creating the earliest variant of a vaccine for the worldwide COVID-19 pandemic. Since then, PFE has invested heavily into the oncology space, among other verticals, after acquiring the cancer research company Seagen.



Revenue Analysis

Revenue Summary

PFE revenues come from the manufacture and sale of biopharmaceutical products, reporting revenues of $58.5B in 2023, a decrease YoY of 41.8% from $100.6B, and a decrease over the past 2 years of 27.8% from $81.5B in 2021. The revenues can be split up into four distinct segments: Primary Care, Specialty Care, Oncology, and Business Innovation. See graph below.



PFE Revenue Breakout by Business Segment 2023

Business Segments

Primary Care

Primary Care is listed as internal medicine products, vaccines, products for COVID-19 prevention and potential future mRNA and antiviral products. In 2023 Primary Care accounted for roughly 52.29% of PFE revenues. Key products within the Primary Care customer group include: Eliquis, Nurtec ODT/Vydura, Prevnar family, Comirnaty (COVID-19 vaccine), and Paxlovid (oral medication for COVID-19). During the pandemic, the primary care sector accounted for an abnormal portion of total revenues.

Specialty Care

Specialty Care includes inflammation and immunology products, rare disease products, and the hospital portfolio. In 2023 Specialty Care accounted for 25.60% of total revenues. Key products within the Specialty Care customer group include: Xeljanz, Enbrel, Vyndaqel family, and Sulperazon.

Oncology

Oncology includes innovative oncology brands across a wide range of cancers which recently doubled in size with the acquisition of Seagen in late Q4 of 2023. The end of 2023 saw Oncology revenues contribute 19.88% towards total revenues for PFE. Key products within Oncology customer group include: Ibrance, Xtandi, Inlyta, Retacrit, Lorbrena, and Braftovi.

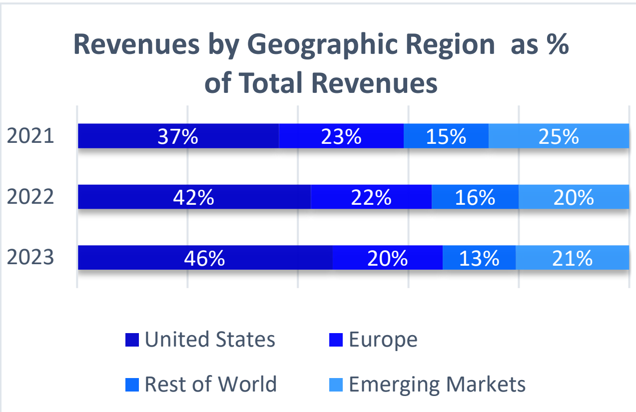
Business Innovation

Early 2023 saw PFE launch a new operational division in Business Innovation. This segment encompasses PFE CentreOne (PC1), the company's worldwide contract development and manufacturing organization renowned for supplying specialty active pharmaceutical ingredients. Business

Innovation also includes PFE Ignite, a service aimed at offering strategic counsel and comprehensive R&D support to chosen innovative biotech firms that closely match PFE research and development priorities. In 2023 Business Innovation accounted for 2.24% of PFE revenues.

Growth by Geographic Region

Revenues by geography can be broken up into four categories: United States, Developed Europe, Developed Rest of the World, and Emerging Markets.



PFE Revenue Breakout by Region

United States

The United States is the largest contributor to Pfizer's revenue, making up roughly 46% in 2023. The United States has consistently had the highest healthcare spending as a percentage of GDP[21] and will continue to be a large area of growth for PFE due to a freer market and higher rates of individuals with cancer, obesity, and cardiopathy within the United States.[21]

Europe

The second largest segment is Europe with about 20% of Pfizer's revenue in 2023. This segment includes: Western Europe, Scandinavian countries, and Finland. Europe is a quickly growing area of healthcare that has grown by 31% from 2017-2022 and is expected to outpace the growth of the U.S.[18] However, there are stricter regulations in the European healthcare markets, making it more difficult to obtain and renew patents.

Rest of World

The rest of the world made up 13% of Pfizer's revenue in 2023, this includes Japan, Canada, South Korea, Australia, and New Zealand.

Emerging Markets:

This segment includes but is not limited to: Asia (excluding Japan and South Korea), Latin America, Eastern Europe, Central Europe, the Middle East, Africa, and Turkey. Pfizer has made it a priority to expand the access to healthcare in emerging markets which has allowed them to capture market share, particularly with their sickle cell disease drug, Oxbryta. This segment made up 21% of 2023 revenues.

Seagen Acquisition

In mid-December of 2023, Pfizer acquired Seagen for the agreed price of $43B. Pfizer acquired all outstanding shares of common stock paying a 17% premium. With the acquisition, Pfizer gained access to a pipeline of late-stage oncology drugs. The deal saw Pfizer's oncology programs double in size, now totaling 60 programs.

Seagen's pipeline which includes four in-line medicines (Padcev, Adcetris, Tukysa and Tivdak), are expected to clear FDA regulations in the next 3 years.[25] Tukysa, is currently in stage 3 clinical tries. Tivdak is currently approved under the accelerated approval program. Adcetris and Padcev have received FDA approval in December 2023. Seagen is expected to immediately increase top-line growth and provide the opportunity to be a leader in genitourinary cancers and bladder cancer. Management expects to deliver at least 8 potential blockbuster products by 2030 with the combined portfolio.[27] From the Seagen pipeline management expects a $10B increase by 2030.

Blockbuster Drugs

Pfizer's main revenue streams stem from the success of their 5 blockbuster drugs. The COVID-19 era products Comirnaty and Paxlovid combined for $12.5B in sales for 2023. The duo of oncology drugs Ibrance and Xtandi accounted for $4.7B and $1.2B respectively in 2023. The Vyndaqel family of drugs, used to treat rare and serious conditions, accounted for $3.3B. Looking forward, the migrane drug—Nurtec, which is being prescribed by 90% of primary care physicians according to Pfizer estimates is expected to continue to gain market share. Oxbryta, a sickle cell disease drug, has large opportunities outside the U.S. The RSV vaccine Abrysvo, is expected to take a 30% market share in a rapidly growing market with few competitors.

Drug Pipeline

Pfizer's drug pipeline is extensive and boasts 112 drugs in development. Of those in development, 6 have been filed for registration, 31 are currently in Phase 3 clinical trials, 34 are in Phase 2 trials and 41 in Phase 1 trials. 13 of the 31 products in stage 3 are in late -stage development and are expected to file for registration in the coming year.[25] The proportion of drugs in the pipeline heavily favors oncology drugs. Pfizer has placed significant importance on their oncology department growth. 16 of the 31 products in phase 3 trials are oncology drugs. Phase 2 is often considered the steepest hurdle in clinical development. Some 70% of Phase 2 candidates industry-wide fail in this stage. It is promising news that Pfizer has the number of oncology drugs it does at this stage of development.

Expense Summary

As is the case with most pharmaceutical companies, Pfizer's research and development costs protrude as the third biggest expense behind the typical combination of Cost of Goods Sold and Selling, Informational, and Administrative expenses. In 2023 R&D expenses as a percentage of sales shot up to 18.3%, marking the highest since 2020. The increase in expenses signal more drugs in development and expected future top-line growth.

Cost of Goods Sold

Pfizer's cost of goods sold was its largest expense in 2023 and has been since 2021, sitting at 40% in 2023, 32.78% in 2022, and 36.08% in 2021. Pfizer's COGS spiked in 2021 due to an unfavorable impact of $4B as a result of increased sales for the mRNA COVID-19 vaccine named Comirnaty.[25] The increase of COGS was also attributable to inventory write-offs of Paxlovid, a prescription drug for COVID-19 treatment, plus increased sales.

The pandemic has elevated Pfizer to a prominent role in the pharmaceutical industry. While the growth was beneficial, our forecasts project COGS to dip in the coming 5 years. Management expects COGS to come down in 2024 and onward, partially because of lower inflationary expectations and since the initial high cost of COVID-19 products is reduced .[25] For our valuation, we took an average of historic COGS as a percentage of revenue, added our inflationary expectations, and adjusted the values to hit the management expectation of 70% gross margin. The consensus expects COGS related to COVID-19 products to fall over the next 5 years reinforcing our methodology.

Research and Development

Research and development (R&D) is arguably the most significant expense for Pfizer, as it is a critical driver of the company's long-term growth and sustainability in the competitive pharmaceutical industry. This expense reflects Pfizer's commitment to innovation and its strategic priority to lead in drug discovery and the development of new vaccines. In 2023 R&D accounted for 18.26% of sales coming in at $10.7B[25]

We forecasted R&D by taking the historical average of percent of sales over the last 7 years due to relatively consistent rates between 11.4% - 20.9%. We believe the average will accurately represent the future development into target areas with high potential for breakthrough advancements such as oncology, rare diseases, and vaccines. We then reduced it by a percentage of the total expected savings from the cost realignment program. Data for the exact expectations of the allocation for savings is not available, but since a large portion comes from staffing restructuring and layoffs, we attributed only 25% of the $2 billion per annum savings to R&D, with the remaining $1.5 billion in savings being attributed towards SI&A.

Selling Informational & Administrative expenses

In 2023, SI&A expenses were Pfizer's second largest expense at 25.3% of sales. However, Pre-2021 SI&A had been ~10% higher than COGS. Given the atypical decrease in SI&A expenses during these years, we opted to use a 7-year historical average, excluding 2021 and 2022, to forecast future expenses. This approach reflects a return to Pfizer's standard operational expenditure levels as markets stabilize and the intense phase of pandemic-related spending subsides. As mentioned above, $1.5 billion per annum of expected savings from the cost realignment program have been attributed to SI&A in every year.

Depreciation & Amortization expenses

Pfizer holds approximately 30 patents for the drugs in its current portfolio. A significant portion of the company's Depreciation and Amortization (D&A) expenses is driven by the impending expiration dates of these patents. Depreciation costs are primarily attributable to Pfizer's substantial investment in fixed assets, including manufacturing equipment and facilities.

In 2023, Pfizer recorded an 8.09% Depreciation and Amortization Expense as a percentage of sales. This number was up ~4% from 2022. The amortization schedule of Pfizer projects an increase to 8.5% for 2024 to 2028.[25] Depreciation on Property, Plant, and Equipment is forecasted as an average percentage of historical Depreciation Expense of Beginning Net PPE.

Restructuring and Acquisition Costs

Acquiring intellectual property is a regular part of Pfizer's operations. We included restructuring and acquisition costs as a percentage of historical revenue over all years as a part of our valuation because of this. However, due to the unpredictable nature of M&A transactions, the value is set to decrease over time. Note that 2023 saw higher restructuring costs than previous years, likely due to the acquisition of Seagen as well as costs associated with the cost realignment program. We expect a one-time increase of $3 billion dollars to restructuring and acquisition costs in 2024 to fund restructuring for the cost realignment program per management guidance.[25]

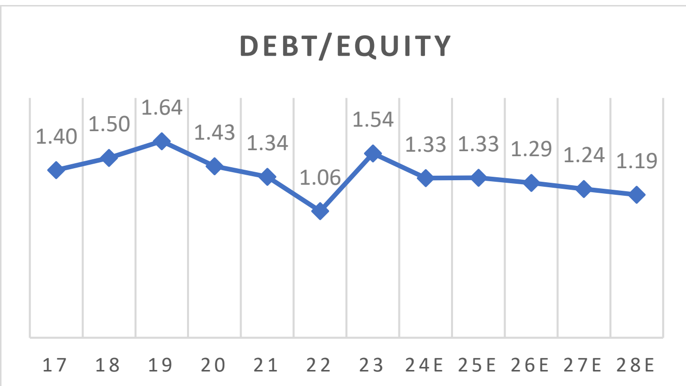
Other Loss and Income

Pfizer's other loss and income is primarily related to royalty related income and net interest expense. We forecasted interest income as a gain on Short Term and Long-Term Investments including Cash and Cash Equivalents at the one-year treasury rate, and interest expense as a loss on short term and long term debt and implied lease interest at the cost of debt. Royalty related income was forecast as a historical percentage of revenue over all years.

Capital Structure

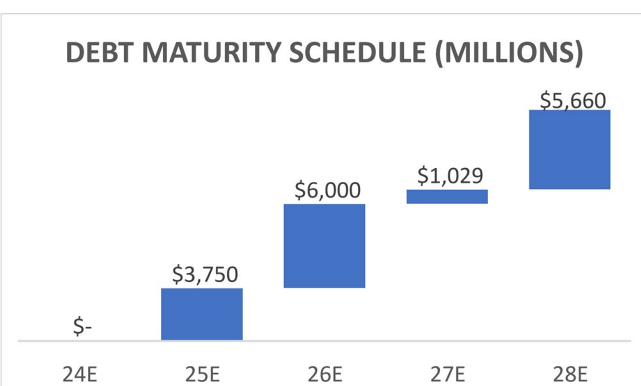
Capital Summary

PFE has had stable debt-to-equity ratios for the past several years. These ratios have consistently ranged from around 1.06 to 1.64 for the last 5 years. The debt-to-equity ratio hit a low of 1.06 in 2022, and since resurged to 1.54 in 2023 following the acquisition of Seagen. Pfizer has preserved a strong credit rating, with S&P Global Ratings classifying it as 'A+'.[20] This rating is a testament to Pfizer's financial resilience and positions it favorably when compared to many of its competitors in the pharmaceutical industry. Below is a chart illustrating Pfizer's projected debt-to-equity ratings through 2028.



Debt

In 2023 Pfizer has outstanding Long-Term Debt of $61.5B. Their total debt amounts to $75.1B. To raise capital for the acquisition of Seagen, PFE raised $31B of debt through bond issuance effectively doubling their debt balance in 2023.[25] PFE also has an unused $15B revolver at its disposal. Long term debt is forecasted as a historical average percentage of Non-Cash Long Term Assets and is forecast to be paid down according to the debt schedule graph. ST Debt is also forecast as a percentage of Non-Cash Short Term Assets, while also including the Current Portion of LT Debt.



Source: Pfizer, Inc. Form 10-K[25]

Investments

Other than borrowings, PFE holds $2.8B in cash and cash equivalents in hand with $9.8B stashed in short-term investments which can be liquidated in the event of an unforeseen circumstance. In our valuation, cash was used as a plug account to balance the balance sheet and accounts for increases and decreases to our assets and liabilities. Short Term Investments were forecasted to grow at our expected forecast of the 2-year treasury rate. Equity Method Investments, classified as 20-50% holdings in business development including life sciences and majority interests in other pharmaceuticals,[25] are forecast to grow using the CAPM at a beta of 1 plus an expected investment rate of 5%.

Capital Expenditures

Pfizer's Capital Expenditures (CapEx) mainly serve as investment in new equipment and technology. It is vital for improving the manufacturing process which amplifies R&D capabilities. This includes laboratory equipment, production machinery, and IT services. In our forecasts, we expect CapEx to be an average of historical percentage of revenue over all years. Historically, CapEx spending has maintained hovered between the range of 3.2% - 6.7% as percentage of sales.

Payout Policy

Pfizer's dividend yield in 2023 was an attractive 6.38%, or $1.64 per share. Management expects to continue to increase the dividend and share repurchases to create value for shareholders. Pfizer has seen an average YoY increase of 4.24% in per share dividends, which is our expected forecasted dividend increase going forward, with a 2024E of $1.71 per share. Pfizer did not repurchase any stock in 2023. They have an allowance of $3.3 billion for share repurchases and management has expressed the intent to utilize it moving forward, thus in our model we have forecasted the entirety of this allowance to be capitalized over the 5-year projection period at a steady rate of $660 million per year.

S.W.O.T Analysis

Strengths

Dominant Market Position

PFE is one of the largest pharmaceutical companies in the United States by revenue. In 2023, PFE reported revenues of $58.5B making it the 3rd largest by measure of sales, following JNJ's $85.2B and MRK's $60.1B. As of April 2024, PFE's market cap of $149.2B makes it the world's 86th most valuable company. PFE's market leading position within the United States helps to distinguish itself from other companies in the industry and is one of its many strengths.

Brand and Recognition

PFE has a long history of work within the pharmaceutical industry, dating back to 1849. Since its inception PFE has developed and taken a lot of successful drugs to market and has grown to become a well-respected international company. PFE is known worldwide as being the first to bring an effective COVID-19 vaccine to market in record time. Additionally, PFE has a large grasp on many of the key segments in healthcare, ranging from vaccines to oncology therapies.

Quick Response to Global Needs

PFE gained a large amount of market share during the COVID-19 pandemic, this was no accident. This can be attributed to PFE's ability to quickly switch towards pioneering research and development of a vaccine during the initial stages of the global pandemic. PFE's actions were a direct result of its continued investment in innovative pharmaceuticals over the years and the continued establishment of a mature R&D framework. At the onset of the pandemic, PFE's response was unparallel, showcasing its industry knowledge. Since then, PFE's success again COVID-19 served as a testament to their capabilities helped to expand upon market share, in turn propelling PFE's ability to create large-scale production of new drugs. Overall, PFE came out of the pandemic well ahead of competitors, bolstering PFE's financial standings.

Research and Development

A large reason PFE is such a big company within the pharmaceutical industry is due to its continued investment in its R&D program. On an average basis from 2017-2023 PFE spent around $9.2B on R&D, accounting to an average of 15.4% of revenues over the course of that period. This continued investment in the innovation of new products for vaccines and drugs, has catapulted PFE into an industry leader. PFE actively invests in the development of drugs and vaccines in a wide array of fields such as immunology, oncology, cardiology, internal medicine, and rare diseases. In total PFE has 112 projects in their pipeline which leads all other competitors. JNJ has 90 projects, and LLY has 70 projects. Per management guidance, PFE is project to keep R&D investments in the range of $8-11 billion over the next 5 years, which will help PFE maintain its dominance in the industry. The cost realignment program will allow for more efficient uses of funds allocated to R&D.

Strong Cash Flows for Business Development

PFE historically has strong cash flows, which it looks to use for growth opportunities outside of the company. Pursuing business development opportunities through inorganic growth, which was most recently seen with the acquisition of Seagen for $43 billion in late 2023. With this acquisition PFE more than doubled its oncology portfolio and gained access to Seagen's large portfolio of ADC therapies, a large growth area in the world of oncology treatment. In 2024 PFE expects Seagen's drugs and therapies to contribute $3.1 billion of revenues. Looking forward, this acquisition could contribute more than $10 billion in risk-adjusted revenues in 2030, and additional expected growth beyond 2030.

Weaknesses

Loss of Exclusivity

Patents are the reason pharmaceutical companies are historically profitable. Patents allow for the temporary monopoly of a drug or therapy for a term of 15-20 years depending on the country. However, when those patents expire, patent cliffs become a substantial risk. Patent cliffs occur when PFE's blockbuster drugs expire, losing market exclusivity, and lead to increased competition from generic drug manufacturers. This leads to price erosion and revenue decline for PFE, as generic versions of the drug become more affordable. To overcome this PFE must continually invest into R&D to bring new drugs to market, and to help replenish its pipeline. This development process tends to be quite expensive, lengthy, and most importantly, does not guarantee new commercial products.

Revenue Volatility Post COVID-19

PFE benefited from the COVID-19 pandemic by quickly developing a vaccine which it was able to distribute across the world. Revenues attributable to Comirnaty (COVID-19 vaccine) in 2021 were $36.8B and $37.8B in 2022. However, as demand for Comirnaty as stabilized revenues for the drug have fallen by -70.3% to $11.2B in 2023. This volatility highlights a weakness in PFE's overall revenues and the company's dependence on pandemic-related products.

Pipeline Risks

PFE is an industry leader with 112 drugs and therapies in its pipeline as of January 30, 2024. Despite this, rigorous screening processes by the FDA may lead to the termination of programs within PFE's pipeline, in-turn causing potential write-offs of R&D investments. These potential failures can delay and prevent new products coming to market, negatively impacting PFE's growth prospects.

Reputation Risks

With any new drug or therapy there is always the risk that something may have slipped through the cracks of the strict FDA approval process, leading to potential product safety concerns. Any adverse events associated with drugs developed by PFE for instance: safety issues, side effects, or recalls can damage the company's reputation in the pharmaceutical industry, and lead to consumers switching to a different company in the industry. Further decreasing sales, increasing regulatory scrutiny, and legal liabilities. For example, PFE's last large settlement related to its pharmaceutical products was in 2009. This was related to the improper marketing of 13 drugs for unapproved uses which resulted in a $2.3 billion settlement charge.

Supply Chain Vulnerabilities

There are many risks associated with PFE's supply chain which can impact their ability to manufacture products. Difficulties ranging from regulatory actions, shut-downs, work stoppages or strikes, approval delays, withdrawals, and recalls. All in all, these difficulties PFE faces impact the company's ability to increase or maintain production capacity with regards to demand with market conditions. Additionally, PFE is not immune to climate risks which can also impact their supply chain. In July 2023 one of PFE's largest manufacturing plants, PGS Rocky Mount site, was damaged significantly by a tornado. Production has since resumed, but this event had impacted the overall supply of sterile injectables for the company.

Opportunities

Emerging Markets

PFE can increase its market share, and influence in emerging markets, where healthcare needs are rapidly increasing. Opportunities are ever increasing in regions such as Asia, Latin America, and Africa, in part because of the increase in the number of investments in local healthcare systems. Countries within these regions present PFE with an opportunity to expand its business due to the rapid increase in middle-class populations and improved healthcare infrastructure. By adapting their business to align with the needs seen within these countries, PFE will be able to boost both revenues and global presence.

Oncology Growth

Oncology is one of the fastest growing sectors within the pharmaceutical industry. This has been driven by a large portion of the global population who are currently living with cancer. Within the United States alone more than 18 million people had been diagnosed with cancer as of January 1, 2022. Looking forward, research shows that 1 in 2 women and 1 in 3 men will develop cancer at some point in their lifetime within the United States, and similar results have been shown by studies in Europe. Overall, rising cases of cancer can be attributable to increased lifespans. Naturally, as humans live to a longer, we run the risk of eventually developing cancer. Oncology presents a great opportunity for PFE to increase its revenues and outperform competitors. With the recent acquisition of Seagen, PFE has been able to distance itself from other pharmaceutical companies. In total, PFE's oncology portfolio currently has 49 drugs and therapies in the pipeline. This accounts for over 43% of all current projects. Moving forward, PFE will look to continue growing its market dominance in the oncology space through both organic and inorganic growth.

Obesity Epidemic

The obesity epidemic represents another significant opportunity for PFE. Increasing rates of obesity and related health issues such as diabetes and cardiovascular disease creates a large demand for effective weight management solutions. Analysts within the space expect the obesity market to grow to $100 billion market by the end of 2030 and PFE can look to leverage its mature R&D platform to develop new innovative drugs like GLP-1s which is aimed at treating this epidemic.

Collaborations and Acquisitions

Strategic collaborations and acquisitions allow PFE to diversify its portfolio and share some of the risks experienced in the pharmaceutical industry. These collaborations can take form in various forms: partnerships with biotech startups (for example the partnership with BioNTech for the COVID-19 vaccine) academic institutions, and other pharmaceutical companies. By expanding opportunities within this space PFE will be able to sustain its growth, enhance global reach, and respond in a quick and efficient manner to the many needs seen across the globe. Acquisitions also allow Pfizer to hire the top scientists of the target company and gain access to research which could speed up their own product developments.

Threats

Intellectual Property and Cybersecurity Risks

PFE ability to generate revenue relies heavily on exclusivity gained through patents. A large threat for PFE is patent infringement, where another company creates and sells a product which is still covered under PFE's patents. This is especially true if a generic version of a drug is brought to market before PFE's patent expires. Cybersecurity also presents another threat with regards to data breaches of intellectual property. PFE handles a large swath of sensitive data relating to patient information, drug research data, and proprietary manufacturing processes. If an outside organization or entity were to break into PFE's database and distribute this information it could lead to an onslaught of problems.

Competitive Pressure

Pressure from outside forces can impact market share, pricing strategies, and overall profitability. When PFE's patents expire they face a lot of outside pressure from companies who focus solely on generic drug production. These companies are able to replicate and take generic versions of PFE's drugs to market at a cheaper price, undercutting PFE and pushing PFE out of the market. Leading to dramatic decreases in revenue, which is especially true with regards to PFE's blockbuster drugs. In addition, to this the pharmaceutical industry is made up of companies who are constantly trying to innovate and become the industry leader in a certain area of medicine. PFE's competitors will always try to develop new drugs with better efficacy, fewer side effects, or more convenient dosing in hopes of making PFE's drugs and therapies obsolete.

Legal and Litigation Issues

Within the pharmaceutical industry, it is quite common for there to be patent litigations. Companies often engage in litigation over the legitimacy of patents, which is costly and time-consuming. If PFE is swept into these disputes, it can prove to be costly. Losing exclusivity over a drug, and resulting generic versions, can once again have a negative impact on overall revenues. Furthermore, pharmaceutical companies are subject to lawsuits of all forms. Typically, seen in drugs with side effects, adverse reactions, or a failure to inform patients of certain risk associated with taking a particular drug. A lawsuit of this nature can be extremely devastating for PFE, resulting drug recalls, increased scrutiny from regulators, and a loss of consumer confidence in the brand.

Regulatory and Political Changes

Just like any other pharmaceutical company, PFE experiences a complex array of regulatory and political challenges which impact the course of business. The biggest challenge PFE faces is regulatory approval process of all prospective drugs. In the United States PFE has to comply to FDA standards, and in Europe a similar entity in that of the EMA. This process is lengthy and expensive, with any delays in the process postponing market entry, effecting returns on certain projects. On another note, changes in the political landscape can also prove to be a threat for PFE. Healthcare policy reforms like that seen in the Inflation Reduction Act of 2022, will directly affect PFE and the prices at which drugs are sold in the United States. With the passing of IRA Medicare now can negotiate prices for certain high-cost drugs directly with pharmaceutical companies. PFE has several high-selling drugs which are covered by Medicare, and with new negotiated prices for these drugs, PFE could see a decrease in revenues.

Summary

PFE displays a strong position in the market because of its diverse portfolio of drugs, continued investment in R&D, strong cash flows used for business development, and overall global presence. However, PFE needs address weakness seen with revenue volatility post COVID-19, pipeline risks, and supply chain issues to maintain strong financial health. Opportunities within emerging markets, oncology, and obesity will help propel revenue growth for PFE in the coming years. Yet, strong guidance from management will be required for PFE to overcome threats from competitors, regulatory concerns, a changing political scene, and intellectual property challenges. Looking forward, PFE has positioned itself well with regards to innovative drug development and the oncology space, helping to solidify PFE's position at the top of the pharmaceutical industry.

Economic Analysis

Overview

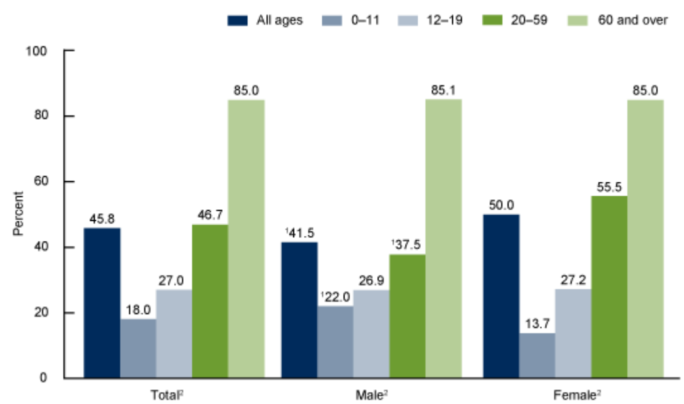
U.S. Focus

Given that Pfizer operates primarily out of the United States where a large portion of its revenues come from, we chose to focus primarily on the U.S. economy. We chose a variety of factors to forecast that have a significant impact on healthcare, particularly the pharmaceutical industry: Population demographics, the Fed Funds rate and inflation measured by CPI, the unemployment rate, and real GDP growth. While many of these forecasts are not directly programmed into the model, they influence our overall assumption of a growing economy and subsequently growth in the pharmaceutical space.

Population Demographics

Relevance

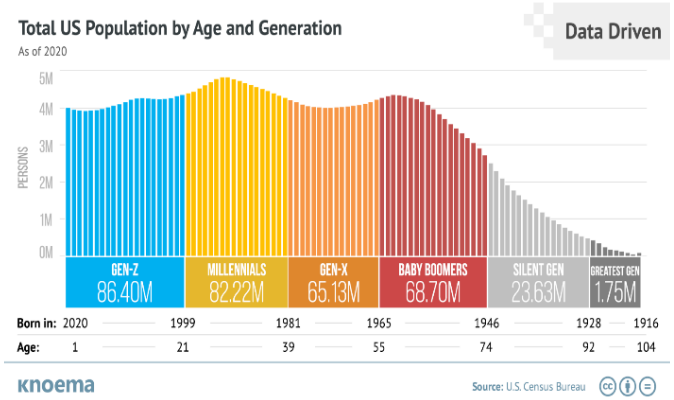
The types and dosages of drugs prescribed are dependent on the demographics of the country. The amount of people over the age of 60 has more than doubled since 1980 and is estimated to double again before the year 2050. This growing demographic will require specific drugs related to later in life complications. Nearly 9 in 10 (90%) adults over the age of 65 report using more than one prescription daily, compared to 4 in 10 (40%) 18–29-year-olds. Therefore, most of the industry's revenue will rely on a growing population, specifically, baby boomers and Generation X. The graph below depicts the percentage of people that take prescription drugs broken into demographic groups by total, male, and female and further into age groups.



Source CDC [20]

Aging Population

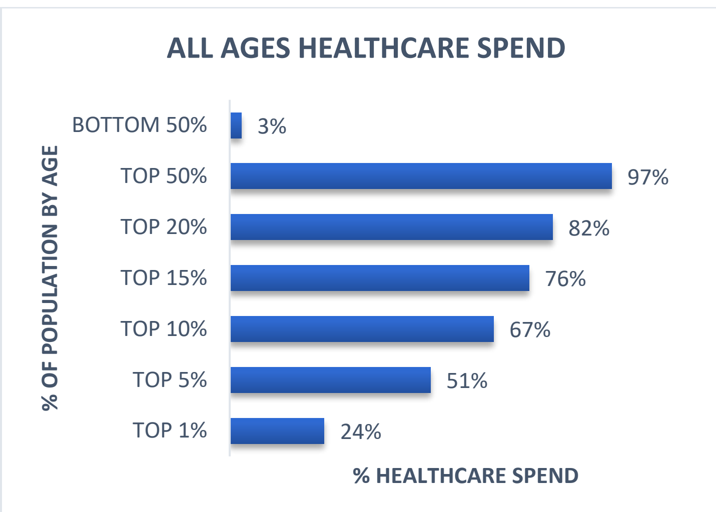
Data shows the U.S. has 68.7 million baby boomers (those aged 55-74) and 65.13 million Gen-Xers (aged 39-55) as of 2020.[38] As larger portions of the population get older, their demand for prescription drugs will increase.



Source: OSU[45]

Healthcare Spend by Demographic

Furthermore, data shows that out of all people, the top 50% in regard to age make up 97% of healthcare spending, and the top 10% make up 67%.[22] As the general population ages, healthcare spending follows. See corresponding graph with healthcare spend by age.



Source: AHRQ[22]

Expectations

We expect that in the near term, a small percentage of aging populations will enter the next demographic group, leading to an increase in healthcare spending and prescription drug demand. Long term, we are expecting this percentage to grow significantly, especially since younger generations have significant increases in population, leading to significant long term sustained growth in demand for prescription drugs.

Fed Funds Rate, 10 Year Treasury, and Inflation (CPI)

Current Rates

Fed Funds: 5.25-5.50%[15]
10-yr treasury: 4.52%[29]
CPI: 3.5% March 2024,[38] 4.13% in 2023.[30]

Relevance

The healthcare industry, due to the nature of patent cliff, is heavily reliant on M&A and R&D to stay profitable. Since the fed funds rate and ten-year treasury are used as benchmark rates to determine the cost of capital and borrowing capabilities, we determined it to be an important variable in our economic forecast, having a high impact on the profitability of pharmaceutical companies. Inflation is key to the COGS of drug manufacturers as well with higher inflation leading to higher costs of production. Although medical inflation historically has outpaced other goods overall, we chose to use CPI as a benchmark for inflation due to the difficulty of segmenting which portions of COGS or sales prices would be associated with the respective groups.

Expectations

We expect in the near term that the fed funds rate will come down from its current 23 year high of 5.25-5.50% to somewhere around 4.75-5.00% by the end of 2024. The recent CPI print in 2024 has continued to come in hotter than expected and consumer confidence and spending remains high.[6] Many analysts are predicting no landing,[5] rather than the previously expected soft landing, and we tend to agree. We expect rates to stay higher for longer than anticipated as the economy continues to grow at an unexpected pace until the fed hits its long-term CPI goal of 2%.

Unemployment Rate

Current Rates

The current unemployment rate as of March 2024 is 3.8%[3].

Relevance

Changes in unemployment rate can affect individuals' access to employer sponsored healthcare plans. The unemployment rate should have some impact on the purchase of prescription drugs, given 87% of private sector workers are covered under employee healthcare insurance policies,[3] and some studies show that those who lose their jobs fill significantly less prescriptions.[3] However, we did not include any reference to unemployment in our model as we could not conclusively determine this to be true.

Historical Impact

When comparing unemployment data from the past 20 years to U.S. prescription drug expenditures,[7] there is weak negative correlation of -0.369 indicating lower unemployment may lead to increased spending, however, a regression model shows very weak correlation coefficient R Square of only 0.136. Thus, we cannot conclude there is a significant impact on prescription drug sales from unemployment alone, however, we believe it to still be a good metric to look at when assessing overall economic health.

Expectations

As inflationary pressure keeps up and the economy continues to expand, we expect short term falls in the unemployment rate to somewhere in the 3.4-3.6% range. As growth contracts in the long term, we would expect a moderate increase in the unemployment rate to somewhere in the 4-4.2% range.

Real GDP Growth

Current Rates

RGDP growth: 2.5% increase in 2023, 1.9% increase in 2022 ,[2] 3.10% average increase (estimated at all time CAGR of RGDP with 2017 as the base year)[30]

Relevance

RGDP growth is a widely used indicator of economic health and is also correlated with the aforementioned unemployment rate. Healthcare expenditure has historically made up an average of 17.2% of U.S. GDP from 2005-2022 and the percentage has been increasing by a CAGR of 15.55%,[8] meaning the healthcare industry has made up a significant portion of GDP and continues to outpace overall economic growth. Additionally, given RGDP is impacted by or correlated with many of the aforementioned indicators, it is a good overall indicator of healthcare growth. That being said, RGDP growth is not directly incorporated into our model, but influences our positive growth outlook on many model assumptions which are covered further in the valuation discussion.

Expectations

We expect RGDP to increase very moderately in the range of 1-2% in 2024 as inflationary pressure continues. Long term, as economic expansion slows, we expect consumer and government spending to follow suit, with fewer monetary policy adjustments as the fed nears its inflationary target, resulting in low RDGP growth in the range of 2-3%.

Capital Markets

Historical Performance (LTM)

S&P 500: 25.21%[33]
S&P 500 Health Care: 3.67%[35]
S&P Pharma Select Industry Index: -3.11%[36]

Investment Landscape

As evidenced by the S&P Pharmaceuticals Select Industry Index, the industry as a whole had subpar performance in 2023, especially compared to the broader market. We attribute much of this loss to the amount of capital and time spent developing and marketing COVID-19 drugs. As we come out of the pandemic era, companies are shifting focus to positioning themselves well for taking advantage of the changing investment landscape. We believe now is a good time to take advantage of the lower prices in this industry as companies reinvest the outsized returns they made during the pandemic to take advantage of the aforementioned economic factors like growing population, aging demographics, expanding economy, and as we will get into in the industry analysis, the advancement of technology.

Forecasted Industry Performance

We forecast the industry to outperform expectations. Based on our economic outlook, technological advancements, and the emergence of numerous drugs in spaces like oncology, immunology, neurology, and obesity [S&P], we think there is much room for growth. These drugs are capable of treating, and nearly curing in some cases, some of the most difficult to treat ailments such as cancer, autoimmune diseases, Alzheimer's, and obesity. As technology, particularly AI, advances, R&D will become more efficient and new advancements will be made at breakneck pace to develop drugs that will have incredible demand. We think this will happen faster and on a larger scale than generally expected, and Pfizer is at the forefront of a lot of these high potential areas.

Industry Analysis

Pharmaceuticals Landscape

The pharmaceutical industry is one of the largest and most profitable sectors globally. Pharmaceutical companies comprise 11.6% of all revenues seen within the Healthcare sector. As of 2023, the global pharmaceutical market was valued at over $1 trillion making it the second largest in the Healthcare Sector. Through 2023, the pharmaceutical industry held the fourth highest EBITDA margins[51] when taking a composite of the top 10 companies in each industry.

There are a variety of product lines within the pharmaceutical industry. A pharmaceutical company's drug portfolio is the main ingredient of success in the industry. It's also important to note that most major pharma companies tend to focus on a few specific therapeutic markets. Both Oncology and Obesity have garnered the attention of pharmaceutical giants due to the high margins and endless demand for products. Oncology is currently the largest therapy area and CAGR spending is expected to be between 13-16% percent through 2027.[27] Spending for obesity treatment is expected at 10%-13%[14].

Recent Developments and Trends

For the past decade, there have been three large segments in the pharmaceutical industry: Oncology, Diabetes, and Immunology. The surge in demand from weight loss drugs has given way to a fourth focus area. In 2023 alone, global obesity spending reached nearly $24B.[14]

COVID-19 related sales will continue to diminish through 2024 with the pandemic labeled as officially over. However, the CDC is recommending yearly booster shots, similar to the flu vaccine, which should keep sales and demand at a relatively stable level.

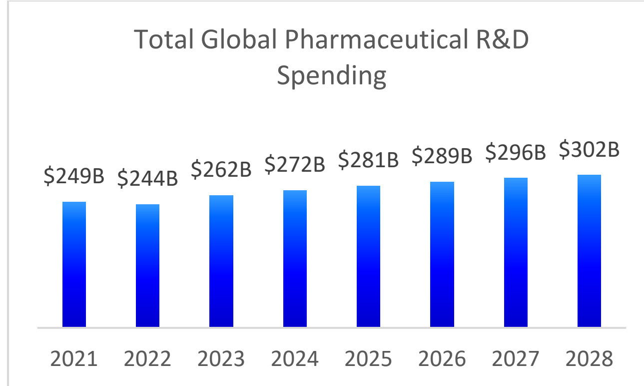
With the current economic conditions, high interest rates have limited the number of mergers and acquisitions seen in the pharmaceutical industry. High interest rates increase the cost of financing, which can make acquisitions more expensive and less attractive. M&A allows pharmaceutical companies to expand their business inorganically by acquiring top talent on the developmental side while also gaining access to innovative technologies and new forms of research. This is of high importance across the industry, ensuring that companies stay one step ahead of the competition. To illustrate this, see graph below:

<u>Artificial Intelligence (AI)</u>

AI in the Pharmaceutical industry is still in its early stages, yet it has the potential to revolutionize the industry by optimizing manufacturing, research, enhancing drug discovery, and improving patient outcomes. Companies have taken notice and In May of 2023, Eli Lilly announced a partnership with XtalPi, a pharmaceutical technology company, which will integrate the use of robotics and AI platforms to accelerate the drug discovery process. The drug discovery process is complex and costly, often spanning several years.[28]

<u>R&D Spending Globally</u>

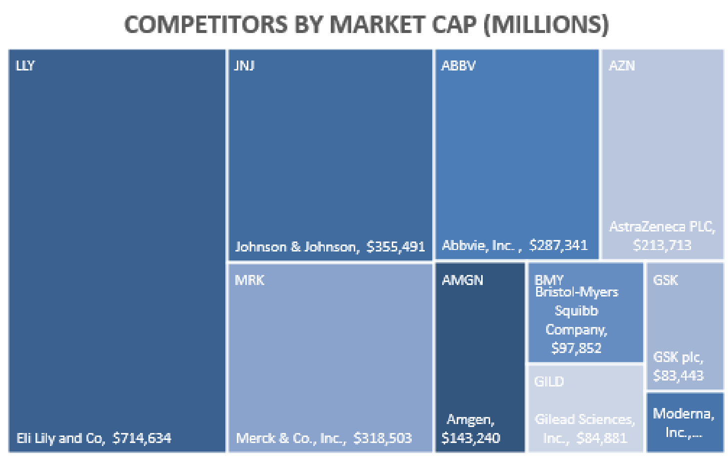
From an industry standpoint, companies are spending more and more on pharmaceutical research and development than ever seen before. In 2023 industry-wide R&D spending reached $262B. Analysts expect this number to keep rising and by 2028 reach $302B, representing a 2.4% CAGR.[7]



Source: Statista[7]

Competition and Peer Comparisons

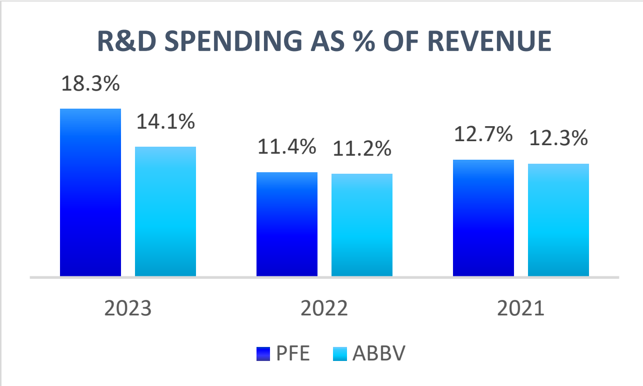
Pfizer operates in a highly competitive pharmaceutical industry where it contends with both traditional big pharma companies and a range of biotech firms focused on niche segments. Based off a combination of equity value, market share and financial ratios, our peer competitors are shown below. We evaluated the 5 comparable companies most similar to PFE.

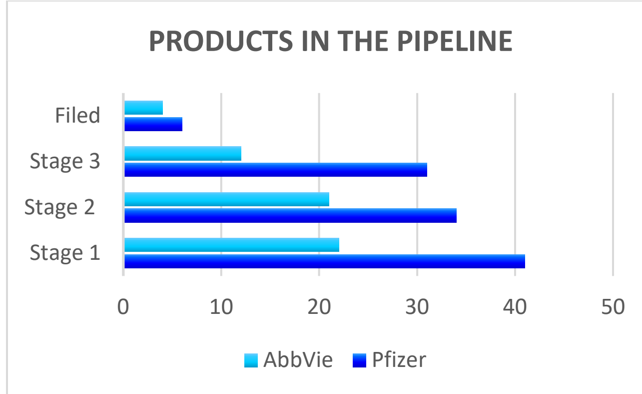


Source: Yahoo Finance[46]

AbbVie, Inc. (ABBV)

AbbVie, Inc. founded in 2013 as a spin-off from Abbott Laboratories, is headquartered in North Chicago, Illinois. ABBV is a global, research-driven biopharmaceutical company focused on the development of innovative advanced therapies for complex and critical medical conditions. ABBV's mission is to make a lasting impact on people's lives through the deep understanding of patients' and their specific needs. ABBV's revenues can be broken down into the following key therapeutic areas: Immunology, Oncology, Aesthetics, Neuroscience, and Eye Care.



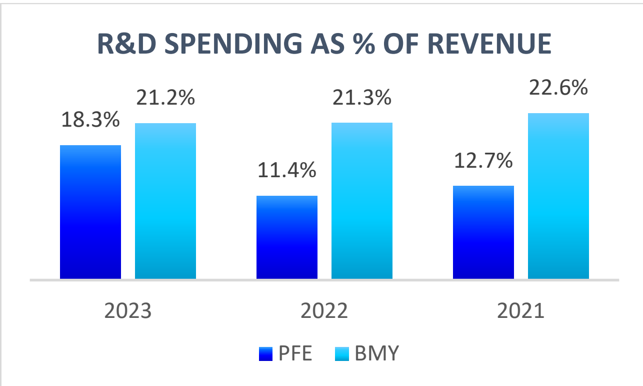


ABBV's R&D efforts are focused mainly on the key therapeutic areas listed above. The company is well known for its extensive Immunology portfolio with blockbuster drugs for a range of autoimmune diseases like rheumatoid arthritis, psoriasis, and Crohn's disease. ABBV's flagship drug Humira helps reduce pain for those living with rheumatoid arthritis. In 2023 Humira contributed to \$14.4B worth of sales, making up 26.5% of ABBV's revenues for the year. However, looking forward this number is expected to decrease as ABBV lost exclusivity of Humira in January of 2023. This patent cliff led to a YoY decrease of -32% in Humira specific revenues in 2022 – 2022 saw the drug bring in \$21.2B worth of sales accounting to an astonishing 36.5% of total company revenues. Moving forward ABBV hopes to pursue strategies aimed at maintaining dominant market share for Humira, however, with the entrance of biosimilars, it cannot be said how effective this strategy will be. ABBV's second leading drug by sales was Skyrizi, a treatment for those suffering from Psoriasis a common skin disease. Revenues for Skyrizi came in at \$7.8B equal to 14.4% of overall company revenues. Unlike Humira, Skyrizi still has quite a few years left on its patent, until it expires around sometime close to 2030. ABBV will look to increase production and distribution of Skyrizi to account for the losses seen with Humira's patent cliff. Humira along with Skyrizi brought in over 40% of total revenues seen by ABBV in 2023 and over 45% in 2022. This large percentage of overall revenues, points to the company's industry knowledge, and expertise within the immunology space, helping to distinguish ABBV from other competitors, pointing to potential future success with other drugs in its immunology pipeline. Currently, ABBV has 8 immunology drugs in various stages of the FDA approval process, with 2 being recently approved and expected to come to market soon.[40]

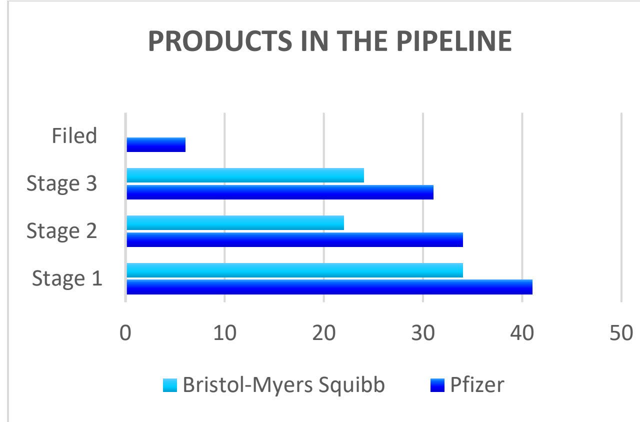
When comparing PFE to ABBV its important to consider the following for both companies, Product Portfolio and Pipeline, Market Diversification, Innovation and R&D Capabilities. PFE with its long history in the pharmaceutical industry, has a diversified product portfolio which encompasses a large section of the medical industry. With expertise in the development of vaccines, immunology, oncology, internal medicine, and anti-viral drugs. The success of these drugs and therapies, helps to further establish PFE's pipeline through its constant R&D investments. ABBV has historically relied on Humira one of the world's best-selling drugs, as its main source of revenue. However, with the recent patent expiration of Humira in 2023 ABBV saw a decrease in total revenues of -6.4%. This loss of market exclusivity is expected to continue over the coming years as ABBV loses market share with Humira to generic versions of the drug. It is expected that ABBV will continue to lose top line revenues, unless projects in its pipeline can compensate for these loses. With this ABBV revenues are expected to continue declining, unless its other projects can compensate for this patent cliff. ABBV has recently started to diverse its portfolio with M&A activity with the hope that inorganic growth can help to growth top line revenues. It is also important to look at market diversification when comparing PFE to ABBV. PFE has a significant global presence with a wide range of products, across all major marketplaces in the world. This diversity in terms of drugs and location helps to mitigate the impact of regional economic downturns and specific market challenges. The last important consideration that needs to be made is innovation and R&D capabilities. PFE continues to invest heavily into its robust R&D program, spending on average \$9.2B of total revenues, allowing PFE to have a constant flow of new projects entering their pipeline. ABBV's R&D program mainly focuses on drugs within the immunology and oncology space with 31 out the 59 projects in its pipeline, falling into one of these two areas. In 2023 ABBV spent \$7.6B of total revenues to continue growing its program with the hope of finding the next blockbuster drug to fill the shoes of Humira. In conclusion, PFE is better positioned than ABBV at this point in time because of PFE's expansive product portfolio and pipeline, market diversification, and continuous investment in its R&D program.

Bristol-Myers Squibb Company (BMY)

Founded in 1887 Bristol-Myers Squibb is a global biopharmaceutical company which headquartered in Princeton, NJ. BMY engages in the discovery, development, licensing, manufacture, marketing, distribution, and sale of a wide range of drugs. It offers small molecules, products produced from biological processes called biologics, and chimeric antigen receptor (CAR-T) cell therapies. BMY is focuses on the following therapeutic areas: Oncology, Cardiovascular, Immunology, Hematology, and Neuroscience.[41]



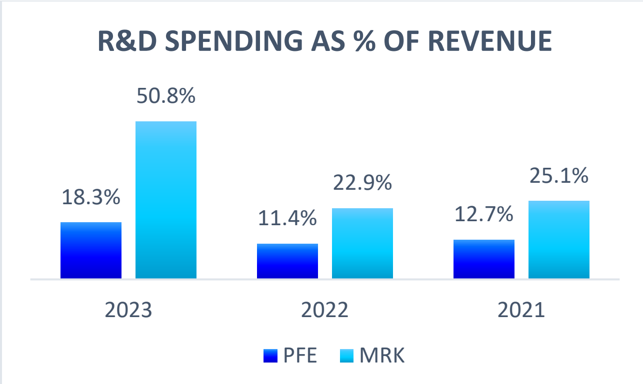
An integral part of BMY's business is strategic acquisitions which help to develop the company's product portfolio, drug pipeline and therapeutic expertise in the biopharmaceutical industry. Some of BMY's most significant acquisitions are: MyoKardia, Inc. in 2020 for $13.1B, Celgene Corporation in 2019 for $74B, and Turning Point Therapeutics in 2022 for $4.1B. BMY's acquisition of MyoKardia, Inc. brought mavacamten to the company's portfolio. Mavacamten is a hypertrophic cardiomyopathy drug used by those with chronic heart disease and was a great way for BMY to expand its Cardiovascular portfolio. The acquisition of Celgene Corporation was one of the largest deals to ever be made within the healthcare sector. Through this purchase BMY has been able to develop its presence in the hematology space adding several blockbuster drugs like Revlimid and Pomalyst/Imnovid. Additionally, Celgene had a promising pipeline in oncology and inflammation, which BMY looks to further develop and become an industry leader in. Finally, BMY's purchase of Turning Point Therapeutics was aimed at further developing BMY's oncology portfolio with Repotrectinib a drug at the forefront of treatment for advanced solid tumors. Outside of inorganic growth through recent acquisitions, BMY also focuses on the organic growth of its in-house drugs and therapies through its R&D infrastructure. In 2023 BMY invested $9.3B into R&D to continue leading innovation in the biopharmaceutical industry through sustainable investments. Innovation within BMY R&D takes place with the use of cutting-edge science, like cellular therapy and genetic therapy, helping to create drugs and therapies that address a wide range of needs seen across the healthcare sector.[41]



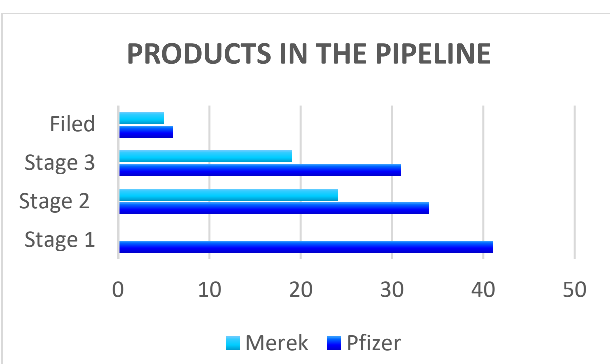
Overall, when comparing PFE to BMY one needs to take into consideration product pipeline, market presence, and strategic positioning. PFE has a well establish pipeline, investing a large percentage of revenues into developing a pipeline across a wide array of areas: vaccines, oncology, rare diseases and many more. BMY has a strong pipeline focused mainly on oncology and hematology, but it is not as diversified as PFE's. Additionally, PFE has a larger footprint across the world when compared to BMY. In 2023 PFE reported 53% of its total revenues came from outside the United States, while BMY reported only 30% of total revenues being attributable to markets outside the United States. This points to PFE large, diverse market, which allows the company to really excel and reach all corners of the market, rather than some of its peers. On top of this, PFE's global presence and diverse demographic of consumers allows PFE to manage risks in a more effective manner, which the same cannot be said about BMY. In conclusion, PFE proves to be better positioned company within the pharmaceutical industry, because of its long history of market dominance, and well-established product pipeline.[41]

Merck & Co. (MRK)

Founded in 1891 and headquartered in Kenilworth, NJ, Merck & Co. is a global pharmaceutical company which operates across various segments, focused on improving the health and wellness of people and animals worldwide. MRK business operations are split into two segments: Pharmaceuticals and Animal Health. The pharmaceuticals segment includes human health pharmaceuticals and vaccine products, which cover the following therapeutic areas: Oncology, Vaccines, Hospital Acute Care, Cardiovascular, Virology, Neuroscience, Immunology, and Diabetes. The Animal Health segment works to develop and manufacture veterinary pharmaceuticals with the following therapeutic areas: Livestock Product and Companion Animal Products.[42]



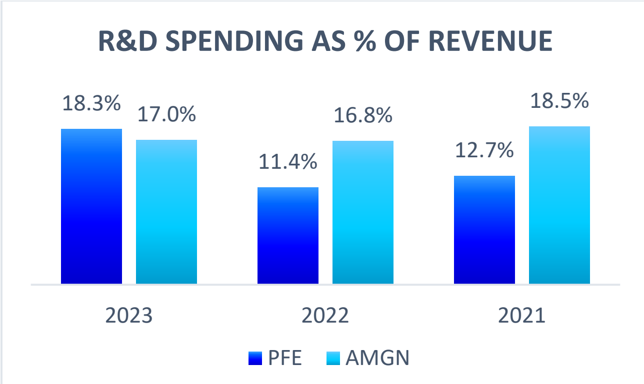
MRK's R&D efforts are focused on addressing unmet medical needs through the investment of billions of dollars into its innovative projects, in order to drive advancements within the industry. MRK focuses its R&D efforts and developments in oncology, infectious diseases, and emerging health threats. MRK's blockbuster drug Keytruda is an immunotherapy which is used to treat a wide variety cancer such as melanoma, lung cancer, and some forms of lymphomas. In 2023 Keytruda was the bestselling pharmaceutical drug out of all companies in the industry, it contributed to $25B worth of sales, making up 41.5% of MRK's total revenues. Keytruda has a dominant foothold in the specialized immunotherapy field, since 2019 Keytruda has seen immense growth of 127% and is projected to continue its rapid increase of top line growth for MRK. Analysts are projecting that by 2028 in its final year of patent exclusivity Keytruda will breach $30B in revenues for MRK. Outside of Keytruda MRK's second largest drug by revenue is Gardasil an HPV vaccine used in the prevention of certain strains of human papillomavirus. In 2023 Gardasil accounted for $8.8B of sales, or 14.6% of total revenues. Gardasil when combined with Keytruda make up 56.1% of MRK's total revenues. With such a large percent of MRK's revenues relying on two drugs, this poses a significant threat once patents for both drugs expire in 2028. MRK will look to its drug pipeline for future growth once these two key drugs reach their respective patent cliffs. At the moment MRK has 19 oncology drugs in various stages of the FDA approval process, with 14 of these drugs in phase 3 and should be approved in the coming year. This extensive pipeline extends beyond oncology, but historically oncology has been an extremely profitable therapeutic area, which MRK will look to capitalize upon here in the near future.



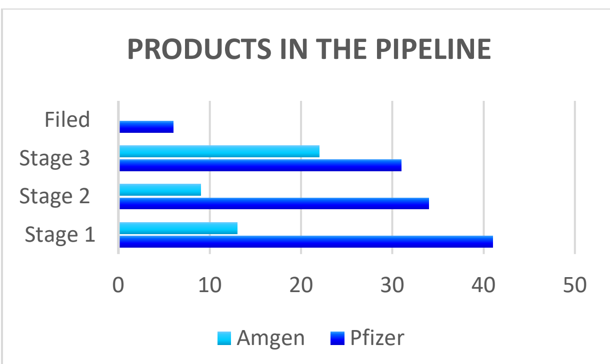
When comparing PFE and MRK, it is important to look at how the companies compare with regard to strategic position, market presence, product pipeline, and areas of therapeutic focus. PFE's big strength is with its highly diversified portfolio which includes drugs and therapies in many fields. While MRK's portfolio is not as well positioned and is heavily reliant on the success of Keytruda and Gardasil which contribute to over half of the company's revenues. PFE also has larger global reach than that of MRK. Currently PFE operates in all regions of the world supplying consumers, with a wide range of drugs and therapies for their many needs. Although MRK is a globally recognized company, it once again suffers from its smaller portfolio which can be susceptible to changes in market conditions, and the ever-changing regulatory scene. Both companies face risks in their most popular drugs. PFE has continued to see a decline its revenues generated from Comirnaty, however, PFE has the opportunity to role the excess cash from this drug into its R&D program to further develop new drugs and therapies which it can bring to market. MRK faces a similar problem with Keytruda and will need to continue investing in its R&D program to account for the eventual loss of Keytruda to biosimilars and generic versions of the drug. Overall, PFE and MRK both positioned for future success, thanks to their extensive R&D programs, and market dominance in respective segments. However, PFE will prove to be more successful due its revenue diversification, financial flexibility and investments in emerging technologies. MRK proves to be more vulnerable because of its large reliance on Keytruda but will be an interesting company to follow and watch what steps management takes in order to combat this issue.

Amgen, Inc. (AMGN)

Founded in 1980 and headquartered in Thousand Oaks, CA, Amgen, Inc. is one of the world's leading biotechnology companies. With a mission to serve patients, Amgen uses advanced science and technology to discover, develop, manufacture, and deliver innovative human therapeutics. AMGN specializes in areas of high unmet medical demand and leverages its biologic manufacturing to create innovative therapies. AMGN focuses on several key therapeutic areas including: Oncology, Hematology, Cardiovascular Disease, Inflammation, Bone Health, Neuroscience.[43]



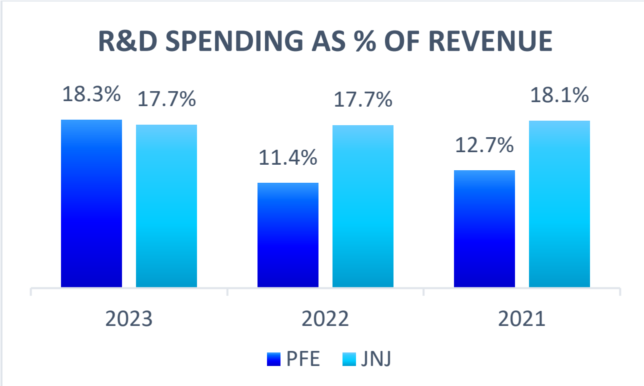
AMGN had total revenues of $28.2 billion in 2023, a moderate increase from 2022 from $26,323. Throughout the pandemic, revenues grew at a relatively steady pace, with margins following suit. They are committed to innovation within the biotechnology space, this is best reflected through the companies well laid out R&D program. The company invests heavily in R&D to help drive the discovery of new treatments within its key therapeutic groups. In 2023 AMGN spent $4.8B on R&D or 16.9% of total revenues for the year. AMGN's R&D program focuses on the use of cutting-edge science and technology, most noticeably through its use of human genetics, and molecular biology to develop new therapies aimed at improving health outcomes. AMGN's business also relies heavily on strategic initiatives to stay ahead of other companies within the biotech industry. Recent acquisitions and strategic partnerships have helped AMGN build out its pipeline of drugs and therapies in recent years, and overall presence in the industry.



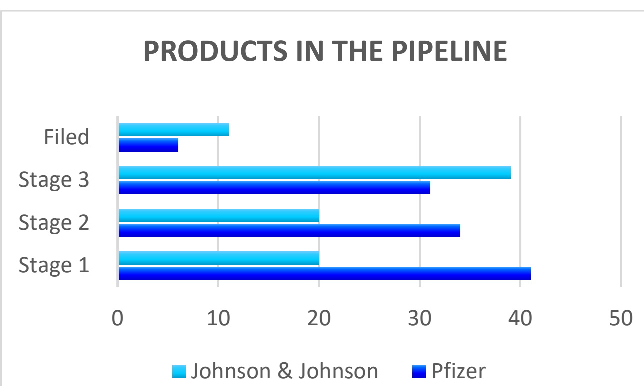
When comparing AMGN to PFE, it is important to look at both companies drug pipelines, market presence, and financial performance. PFE's drug pipeline currently has 112 projects in development which is an industry leader. These projects cover a wide variety of therapeutic treatments, but are mainly focused within the oncology, anti-viral, vaccine, immunology and internal medicine space. PFE's diversification within its pipeline helps to insulate the company from outside threats and provides potential for multiple streams of revenue. AMGN's pipeline is more narrowly focused on areas within oncology, cardiovascular disease, and inflammation with a total of 44 drugs and therapies. PFE has a well-established grasp on the pharmaceutical industry with an extensive market and broader distribution network, which allows PFE to scale up projects as most recently seen with the COVID-19 pandemic and Comirnaty vaccine rollout. AMGN has significant presence throughout the world, but once again is focused on certain industry trends, impact its ability to adapt quickly to ongoing changes on the global stage. Finally, PFE's historically has had very strong financials. With multiple blockbuster drugs set to hit the market soon (as seen within the ADC acquired from the Seagen acquisition) revenues are expected to continue growing at a steady rate, allowing for reinvestment into PFE's R&D program and potential M&A activity. AMGN's blockbuster drug Prolia brought in $4.0B of revenue in 2023 but has a patent expiring in early 2025, which will deal a significant blow to AMGN's revenues as it accounted for 15% of revenues in 2023. With this being said AMGN could experience overall decrease in revenues if another drug or therapy cannot fill Prolia's place. In conclusion, PFE is better position at this time than AMGN, in part because of PFE's large portfolio of pipeline drugs, dominant global positioning, and strong financial performance.

Johnson & Johnson (JNJ)

Established in 1886 and headquartered in New Brunswick, NJ, Johnson & Johnson is a global leader in the pharmaceutical industry. JNJ primary focus is the development of products related to improving the health and well-being of people around the world. JNJ is separated into two main business segments: Innovative Medicine and MedTech. Innovative medicine focuses on the following key therapeutic areas: Immunology, Infectious Diseases, Neuroscience, Oncology, Cardiovascular and Metabolism, and Pulmonary Hypertension. MedTech includes a large portfolio of products underneath the following categories: Interventional Solutions, Orthopedics, Surgery and Vision. Interventional solutions include electrophysiology products (branch of cardiology), Abiomed (treatments for treating severe coronary artery disease), and Neurovascular care (treatments for hemorrhagic and ischemic strokes). The orthopedics portfolio has a large group of products and technologies focused on improving mobility within patients and their hips, knees, spine, and or other trauma areas of the skeletal system. The surgery portfolios encompass general surgery technologies, and specific reconstructive surgeries including breast aesthetics, and ear, nose, and throat procedures. Finally, vision products include ACUVUE basic contact lenses, and TECNIS intraocular lenes for cataract surgery.[44]

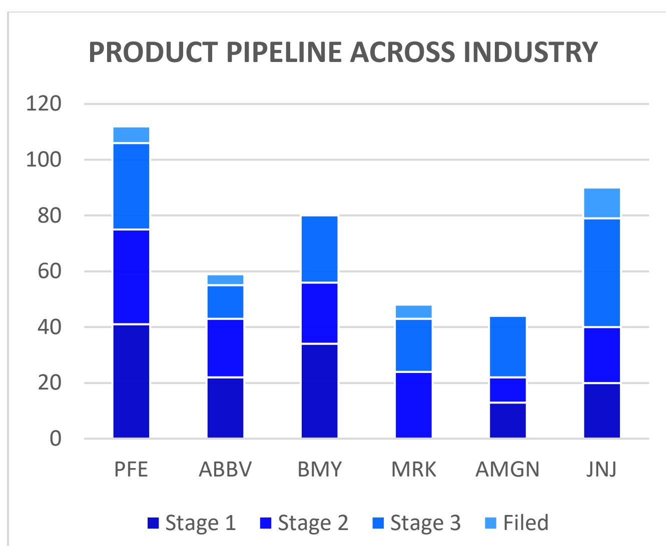


2023 was a great year for JNJ, generating revenues of $85.2B over the course of the year, helping to propel JNJ past both PFE and MRK, to become the leading pharmaceutical company in the world. JNJ's leading drug in 2023 was Stelara which is used to treat types of plaque psoriasis and made up $10.9B or 12.8% of total revenues. JNJ has a well-diversified portfolio with many successful drugs, which helped the company get ahead of competitors in the space. A lot of the success seen in within JNJ's portfolio can be attributable to the companies continued commitment to investments in R&D. In 2023 JNJ spent $15.0B on R&D, and an additional $9.2B on purchased in-process R&D both numbers contributing to one of the most expensive R&D programs in the pharmaceutical industry. These high investment rates into R&D have positively affected JNJ's drug pipeline which currently has 90 projects in development, the second highest among all competitors. JNJ is a leader in the industry with the number of drugs which have been filed for approval by the FDA, with a total of 11 drugs being filed as of January 2024. This is significant, because filing with the FDA represents the last step before a company can take a drug to market. JNJ's 11 filed projects, are a strong indication of potential revenue growth in the coming years. Within these 11 projects are drugs focusing on oncology, cardiovascular disease, infectious diseases, and immunology.[44]



For this comparison between PFE and JNJ it is important to look at recent financial performance, product pipeline, market presence, and strategic initiatives. PFE has continued to produce strong financial numbers over the past couple of years. With its healthy revenue streams coming in from four business segments in primary care, specialty care, oncology and business innovation. These segments help to provide stability across the company when one segment is underperforming compared to another. The one risk PFE has had recently is the fall off of revenues from COVID-19 products. However, the increased activity and R&D within the oncology space should help to minimize any large decrease in overall revenues. JNJ's two business segments Innovative Medicine and MedTech and the expansive drug portfolios underneath each segment provides stability and resilience against market fluctuations. However, JNJ's largest product by sales, Stelara recently loss exclusivity with its patent expiring in 2023. Management does not expect any biosimilars of the drug be produced and taken to market until early 2025, but it will be interesting to see how JNJ handles potential decreasing revenues. PFE and JNJ have very similar product pipelines with PFE's 112 projects and JNJ's 90. Yet, they differ in the number of projects in stage 1 and projects being filed with the FDA. JNJ has the upper hand with 11 projects being filed, compared to PFE's 6. So JNJ could experience greater potential revenues from these projects in the near future, but it is impossible to really gain an idea as to how successful any particular drug will be until it hits the market. PFE has the advantage with projects in stage 1 of the approval process with 41, to JNJ's 20. However, it is also difficult to project out which projects for both companies will make it through the tough regulatory process and eventually into global markets. Last of all both companies have very strong brand recognition and presence across the globe. PFE has a large international presence across multiple regions of the world, allowing PFE to capitalize on specific market opportunities and continue to build upon its reputation. JNJ has global footprint similar to that of PFE but may standout with regards to its brand reputation with products like Tylenol and the cosmetic brand Neutrogena. In conclusion, JNJ is better positioned then PFE because of its large and successful portfolio, and more mature project pipeline which has the potential for new blockbuster drugs.

Products in Development Across the Industry



PFE is by far the industry leader when comparing overall size of portfolios, but also when comparing the diversification of products. PFE's pipeline has six areas of focus: anti-infectives, rare diseases, inflammation and immunology, internal medicine, oncology, and vaccines. Each one of these focus areas has drugs in all stages of the FDA approval process. This diversification helps PFE minimize risk when taking products through the strict approval process. At the end of 2022 PFE achieved an end-to-end success rate of 18%. A pharmaceutical companies end-to-end success rate refers to the likelihood of a drug or treatment successfully making it through the FDA approval process and onto the market. In 2022 the pharmaceutical industry average was an 11% end-to-end success rate, once again pointing to PFE's strong R&D program and product pipeline.[25]

Government Regulation and Inflation Reduction Act

The Food and Drug Administration

Since its inception in 1906 the FDA has served to protect citizens in the United States by ensuring new drugs go under a rigorous testing and approval process. This focus on safety results in most drugs taking around 10 years to be researched, developed and investigated before they are brought to the market. The three phases of human clinical trials – Stage 1, Stage 2, and Stage 3 – all need to be completed in order for a new drug to make it to market. Each one of these stages focuses on a certain aspect of the new potential drug, to assess any potential problems which could arise, and can take months to years to complete. A drug can only move onto the next stage of the process if it has received approval from the FDA. Otherwise, the company will have to go back and spend more on research and development costs. Overall, in terms of the pharmaceutical industry, no company is exempt from the FDA process, however, some companies, including Pfizer, have received Emergency Use Authorizations for vaccines which accelerates the approval process. Every company faces challenges during the process and must overcome these headwinds to continue as a successful business.[48]

Inflation Reduction Act (IRA)

The IRA was signed into act in 2022. This act represents one of the largest investments into the economy of the United States in history. The IRA is a large bill with many specific objectives listed out, one of them being reform in the pharmaceutical industry through introduction of new tax measures, Medicare inflation-based drug rebates, spending caps, and a drug pricing negotiation program. Inflation-based rebates within the IRA, state that pharmaceutical companies will pay drug rebates to Medicare if they raise drug prices faster than the rate of inflation. This rebate is aimed at keeping drug prices affordable, by trying to prevent unreasonable price increases by big pharma companies. Secondly, the IRA established a program allowing Medicare to negotiate prices of expensive drugs. Drugs whose prices can be negotiated must be single-sourced brand-name drugs which currently do not have any generic or biosimilar competition. To ensure pharmaceutical companies comply with these negotiations, the IRA introduced a new tax which can be applied to companies in the industry who fail to enter into negotiation agreements with Medicare. Another significant impact the IRA will have on the pharmaceutical industry won't come into effect until 2025, which will be the first year in which certain Medicare individuals will have an annual out-of-pocket spending cap of $2,000 helping to provide financial relief for low-income enrollees. With these new rules, manufacturers in the space will move their focus to prescriptions outside of this $2,000 cap. Overall, the IRA proves to be a beneficial act for low-income individuals making healthcare easier to access, yet it is at the expensive of pharmaceutical companies who now have to abide by the many guidelines in place for making drugs and therapies cheaper.[49]

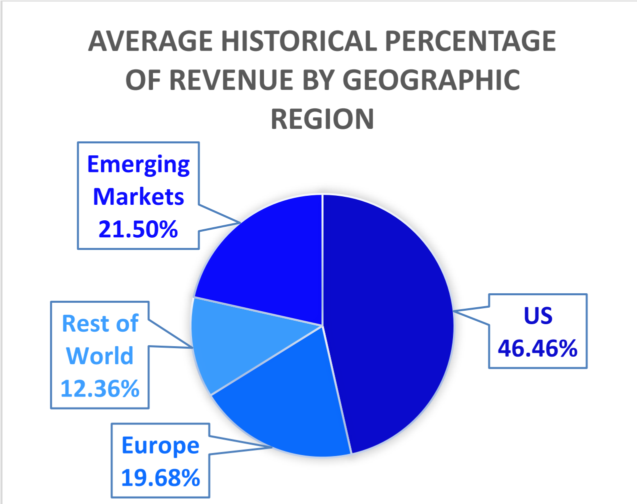
Valuation Discussion

Revenue Decomposition[14,25,27]

Management expects an additional $25 billion per annum growth in revenue by 2030, with $10 billion attributed to the Seagen pipeline. We have reflected a more moderate expectation of around $9 billion in revenue growth by 2028, which nearly holds constant with our projections when looking forward another 2 years. We attributed the $10 billion of revenue to Seagen and the rest of the $15 billion throughout the other 2 segments and pipeline. We have included higher declines in revenue than typically expected due to patent cliffs, hence the more moderate expectation of growth.

Patent Cliff

To forecast how much drugs will decline due to patent expiry, we found data showing the average decline in sales of 38-48% for administered drugs and 25% on average for oral drugs after patent expiration.[23] For administered drugs we selected the value of 43% in the middle of the range to decrease revenues at the year of expiry. The latest 10k contains data on upcoming patent expiration years, including some drugs that may have patent expiry at different times for different geographic locations. To estimate the effect on revenue decline for drugs with differing patent expiries by geographic region, we assigned a weight by average historical percentage of revenue by geographic location to the 43% or 25% decline. See below chart for a breakdown of the weights by geographic region. The total patent cliff of 43% or 25% was weighted by each respective category in the year the patent expires. For years thereafter we used an estimate of 3% decline to account for loss of market share due to generics and competitors. We did not account for possible patent extensions due to the unpredictability of being granted one.



Primary Care

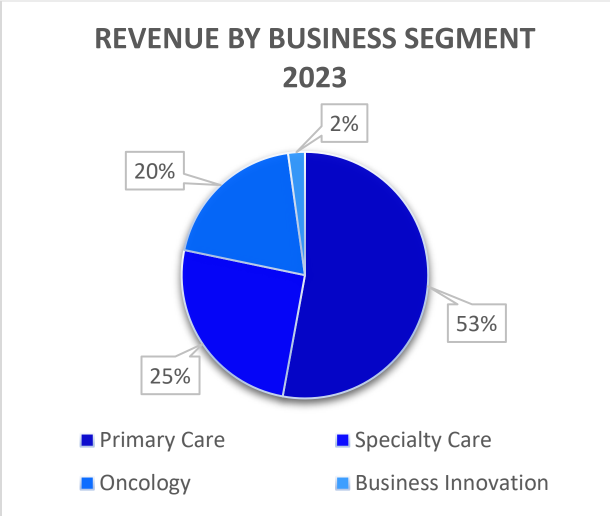
This segment is saw revenue of $31.48 billion in 2023, and we expect a decline to $28 billion in 2024, reaching $29 billion at the end of the 5-year forecast period in 2028. Primary Care includes the COVID-19 drugs Comirnaty and Paxlovid which, have been forecasted to decrease by 55.4% and increase by 134.6%, respectively, per management guidance for 2024. Thereafter, we forecast Comirnaty to slowly decline to a steady state due to expectations of seasonal sales, much like flu vaccines. Paxlovid has also been forecast to decline to a steady state. Eliquis, an oral drug designed to prevent blood clots and stroke has been forecast to decrease at its patent expiration date of 2026. The Prevnar family of drugs, despite patent expiration in 2026, has not been forecast to decrease due to broad analyst expectations of continued growth and the vast market dominance with management claiming a 96% market share. The Prevnar family has instead been forecast at a moderate 3% growth rate. Management notes that over 90% of newly prescribed migraine drugs are Nurtec, and plan to continue to increase its market share, for that reason, we estimate Nurtec to grow in revenue significantly over the next few years. Abrysvo, an RSV vaccine that hit the market in 2023 obtained a roughly 36% market share, and management plans on increasing the market share by about 30% in 2024. We expect revenues for Abysvo to increase significantly over the next few years and slow quickly thereafter. RSV vaccines hit the market for the first time in 2023 and have seen huge success in a previously underserved market. GSK and Pfizer are the only companies with FDA approval for the RSV vaccine. All other primary care drugs are expected to grow at a very moderate steady state rate of 1-3%.

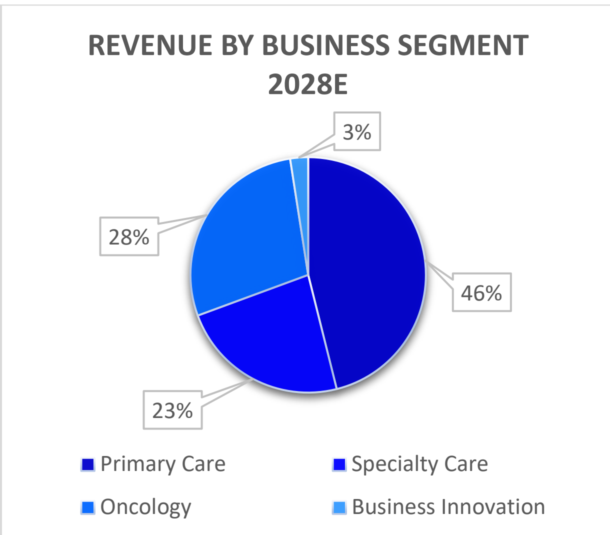
Specialty Care

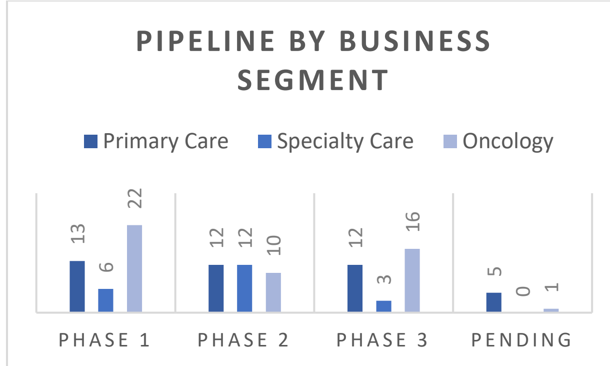
The revenue growth in this segment is very marginal, attributed primarily to patent cliff and what generally appears to be a much lower return on investment for smaller, specialty markets. Revenues in 2023 for Specialty Care were $15.10 billion, and we forecast a decrease to $14.6 billion in 2024, reaching only $14.8 billion in 2028. The Vyndaqel family is a group of oral drugs used to delay nerve damage. We forecast the revenues from this drug family to decline by the weight of revenue from the U.S. and emerging markets at its first patent expiration in those locations in 2024 and further decrease by the weight of revenue from Europe and Rest of World when those patents expire in 2026. This drug family made up roughly 20% of Specialty Care revenue in 2023 and is another reason for declining growth in this segment. Xeljanz is another oral drug which is used for the treatment of rheumatoid arthritis and, similar to Vyndaqel, is expected to decrease by a sizeable weight in 2025 followed by another decrease in 2028 after a second patent expiration. Although revenue is almost negligible, both oral drugs Oxbryta and Velsipity, treatments for sickle cell disease and ulcerative colitis, respectively, were mentioned in the most recent earnings call as being areas for high growth and potential. Velsipity in particular was noted as having a strong benefit-risk profile and management plans on capturing a market where there is high demand and low access to the drugs. For this reasoning we have these drugs forecast to grow at a steep rate over the length of the forecast period, with Velsipity growing much faster. Velsipity and Ngenla, an innovative human growth hormone deficiency therapy, are both novel drugs expected to hit the market in 2024. We used FactSet estimates for the 2024 revenue which is very low. Ngenla is expected to cannibalize some market share of Genotropin, an inferior version of the drug that Pfizer currently already markets. Cibinqo is an oral eczema drug that hit the markets in 2022. FactSet estimates for this drug have very steep growth over the length of the forecast period, and in the January earnings call, management claimed it is one of the drugs they instead on focusing on. We have reflected this in our estimates. All other specialty care drugs are expected to grow at a moderate steady state growth rate of 1-3%, and in some cases decline at that rate.

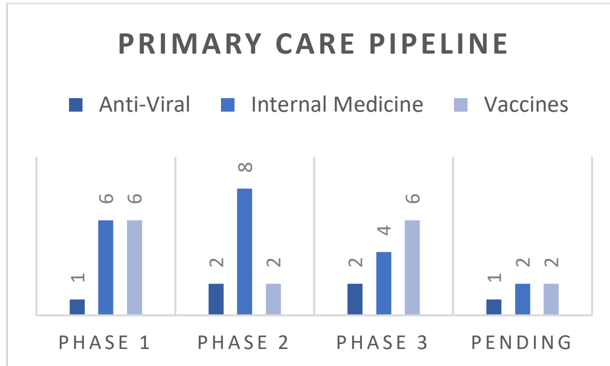
Oncology

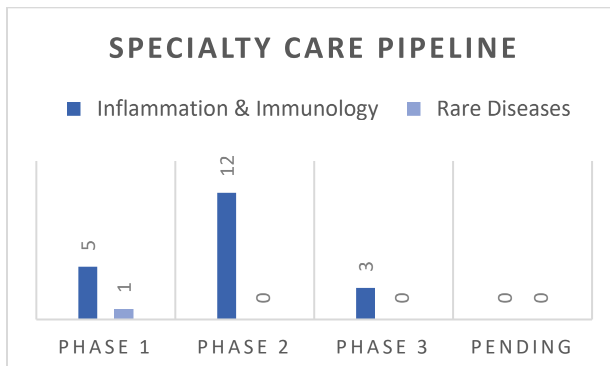
One of Pfizer's main objectives is to become the global leader in oncology. With the acquisition of Seagen, their portfolio nearly doubled. Management expects to add $10 billion in revenue by 2030 from Seagen alone. Our model includes impact from Seagan forecast as large growth throughout the life of the forecast period. There are several oncology drugs in the portfolio, nearly all oral drugs, which are reaching patent cliffs in the projection period. Despite this large loss of revenue, the gain from Seagen is enough to greatly increase revenue in this segment over the next 5 years. Oncology also makes up about 44% of the pipeline.

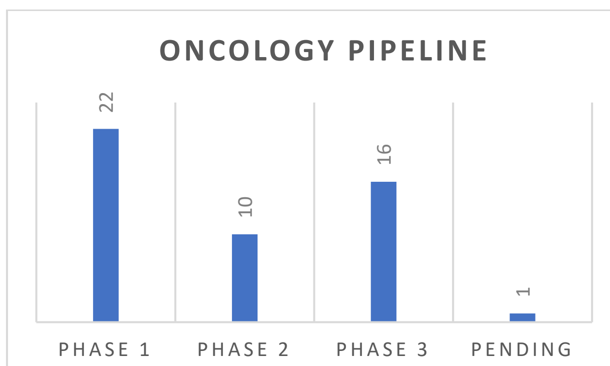












Pipeline

Pfizer's pipeline currently consists of 112 drug trials. Among those, Primary care has 42, Specialty Care has 21, and Oncology has 49.[29] There are 41 in Phase 1, 34 in Phase 2, 31 in Phase 3, and 6 that have been filed and are pending FDA decision. In our model, we used FactSet consensus estimates for pipeline revenues and simply assigned a weight for each business segment as a percentage of total trials in the pipeline. This weighted revenue was added to the bottom line of each respective segment to estimate the effect of new drugs on revenues. See below charts for more detailed breakout.

Cost of Equity

The cost of equity was calculated as 7.76% using the CAPM. The beta of 0.61 was calculated as an average of the raw 2, 3, 4, and 5-year monthly betas[50]. We used the 10-year treasury yield of 4.57% as the risk-free rate at the date of model creation. The equity risk premium was calculated as the 30-year geometric mean of S&P 500 returns of 10.16% less the risk-free rate of 4.57% for an ERP of 5.59%[4].

Cost of Debt

The cost of debt was calculated using the YTM on a 10-year corporate bond of 5.28% less the tax shield on debt at an assumed marginal tax rate of 14.80%.[16] We calculated the tax rate by taking the corporate tax of 21% less a historical average of foreign income tax of 6.20%. State and local income taxes were too erratic to predict and were thus omitted.

WACC

To find our estimate for Weighted Average Cost of Capital of 6.80%, we took the assumptions of cost of equity and cost of debt after tax and weighted them by equity as a percentage of total capital and debt as a percentage of total capital, respectively. To calculate the weight of equity, we took the current share price of $26.32 and multiplied it by the total shares outstanding at the end of 2023 to get a market value of common equity of $148.6 billion. To calculate the weight of debt, we summed the ST debt, current and non-current LT debt, and the present value of operating leases to get a market value of debt of $74.9 billion. Pfizer has no preferred stock. The total capital amounted to $223.5 billion.

Gross Margin

Pre-pandemic, Pfizer had gross margin percentages of around 80% per annum. High inflation and increased cost of production for COVID-19 drugs have led to a low of 57.3% gross margin at the end of 2023. In the most recent earnings call, management discussed their expectation of returning gross margin to levels around 70% by the end of 2024 as inflationary pressure eases and COVID-19 related expenditures are reduced. Additionally, management noted that they have been in-sourcing products they have been recently acquired, and that has initially led to a decrease in gross margin but will ultimately lead to further increases down the line. To calculate gross margin, we took a historical average of percentage of revenue, added our inflationary expectation, and subtracted an adjustment to reach the 70% target in 2024, and subsequent adjustments to grow by an estimated 1% per annum.

Cost Realignment Program

Management expects a per annum total cost savings of $4 billion dollars by the end of 2024 from this program that primarily surrounds restructuring and staffing cuts. Pfizer's R&D teams have undergone significant changes and restructuring in 2023. Costs related to this program have been absorbed in 2023 at $3 billion and are expected to be another $3 billion in 2024, which we have reflected in our model. Half of the cost savings have already been realized according to management, with the other half expected to come by 2024. We expect these savings to be split 75%25% to SI&A/R&D.

Research and Development (R&D)

We believe, with the cost realignment program and recent acquisition of Seagen, that short-term R&D expenditures will be reduced as Pfizer develops more efficient R&D procedures. To calculate our R&D, we took a historical average of percentage of revenue and subtracted our estimated decrease in R&D spending due to the expected cost realignment program savings of $500 million.

Selling, Informational, and Administrative Expense (SI&A)

Similar to R&D expenditures, we have forecast SI&A as a historical average of percentage of revenue. We expect SI&A costs to decrease in the short term by the per annum savings from the cost realignment program that we estimated at $1.5 billion.

Debt

We have incorporated the management guidance on the debt maturity schedule to accurately reflect the payoff of Long-Term Debt, especially in relation to the massive borrowing incurred for the Seagen acquisition. Long-Term Debt has been forecast to decrease in accordance with this debt schedule while also reflecting a historical average percentage of all Non-Current Assets of 28.5%. The idea behind this is that Non-Current Assets are funded by Long-Term Debt. Short-Term Debt reflects a similar trajectory, being a historical average of non-cash Current Assets of 34.7% plus Current Portion of Long-Term Debt.

Pension and Postretirement Benefit

Using the notes from the 10k's, we were able to determine the funding status of employee Pension and Postretirement obligations by using the idea that Pension and Postretirement Assets less Pension and Postretirement Liabilities will reflect an over or under funded plan if the result is positive or negative, respectively. The Pension/Retirement assets and liabilities have been forecast to continue to decrease at the historical CAGR. This is valuable for the Non-Operating Adjustments in our valuation models.

Valuation Analysis

Valuation Range

The lower bound for our range ($36) was calculated using an equal weight of the per share price proved by each of the following methods: P/E (FY1), EV/EBITDA, DCF/EP, and the DDM. Although we don't think the P/E method is a great representation of Pfizer's value due to the sudden decline in earnings following very successful pandemic years, we want to incorporate equal weights from the information that we have from both relative and intrinsic analysis. The upper bound for our range ($43) was calculated by taking the maximum valuation of the 4 aforementioned valuation methods. Both of these bounds were rounded down to the nearest whole number as to not reflect a decimal level of accuracy in our assumptions and rounded down for modesty. All of the information presented about our valuation model here is taken from the base case assumption. Additionally, all of our forecasts have been projected out to a period of 5 years.

DCF / EP Model

Key Inputs

CV Growth of NOPLAT: 3.10% (Average RGDP growth)
CV Year ROIC: 22.89%
WACC: 6.80%
Cost of Equity: 7.96%

Non-Operating Adjustments

We made the following Non-Operating Adjustments to the value of the Operating Assets to get the value of Equity:

Plus: Long-Term Investments, Short-Term Investments, Equity Method Investments, Excess Cash, Other Non-Operating Assets (forecast as an estimate of 90% of total Other Assets)

Less: ESOP (calculated as number of options outstanding times exercise price), Notes Payable, ST & LT Debt, Operating Lease Liability, Pension/Retirement Liability, NCI, and Other Non-Operating Liabilities (forecast as an estimate of 90% of total Other Assets)

The value of equity was then divided by number of shares outstanding and adjusted for the portion of the fiscal year that has elapsed (26.7%), using 6.38% as the current dividend yield.

Valuation

Our DCF/EP model gives us a per share price of $43.17, a 64.02% premium to the current share price of $26.32. While we are confident in the thesis and assumptions we have made, we do not believe this to be sufficient enough on its own to determine the fair share price.

DDM Model

Key Assumptions

CV Growth of EPS: 3.10% (Average RGDP growth)
CV Year ROE: 17.24%
Cost of Equity: 7.96%

Valuation

Our DDM model gives us a per share price of $43.70, a 66.03% premium to the current share price of $26.32. Again, while we are confident in our thesis and assumptions, we don't believe this to be sufficient on its own to determine the fair share price. However, this will serve as the upper bound of our valuation range.

Relative Valuation

Comparable Peers

Amgen, Eli Lily, Johnson & Johnson, Abbvie, Bristol-Myers Squibb, Merck, GSK, AstraZeneca, Gilead Sciences. All peer EPS estimates and financial data was pulled from FactSet[46] consensus estimates while price data was taken from Yahoo Finance[47].

Multiples

For the relative valuation, we looked at 3 different ratios: Price to Forward Earnings, Price to Earnings to Growth, and EV to EBITDA.

Price-To-Earnings-To-Growth (PEG) Ratio

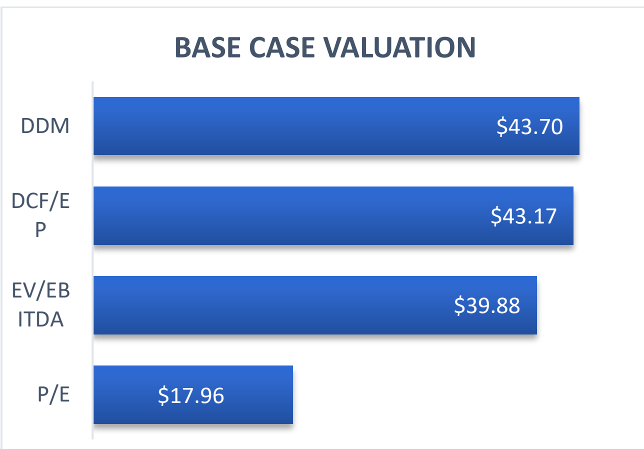
The PEG ratio does not seem relevant in this context, yielding an unrealistic per share price of $205.36 in 2024 and of $339.67 in 2025. This kind of growth seems too unrealistic, even with cutting out PEG ratios from the average multiple that would increase the valuation even more. For this reason, we have chosen to omit it from our graphics and our overall valuation analysis.

EV/EBITDA

The EV/EBITDA ratio provides a slightly more reasonable expectation of $39.88 per share in 2024, growing to $51.62 in 2025. That would be an increase of 51.50% and 96.14%, respectively to the current share price. We removed any outliers from the calculation of the EBITDA average multiple, which across both years turned out to be, on the higher end, Eli Lily and Moderna, and on the lower end, Bristol-Myers Squibb, GSK, and Gilead Sciences. The remaining companies made up a multiple range of 11.7x – 14.1x in 2024 with an average of 12.5x and 10.0x – 13.6x in 2025 with an average of 11.7x.

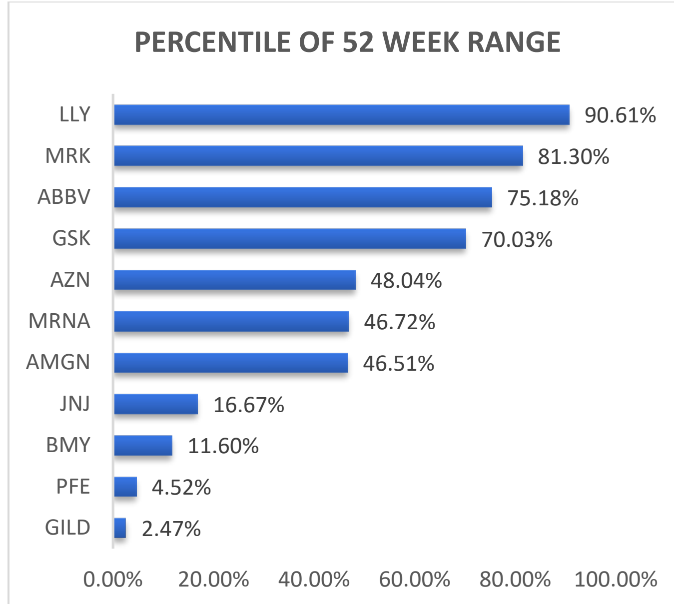
Price-To-Earnings

The P/E ratio gives us the lowest valuation of all of our methods, with a per share price of $17.96 in 2024, a 31.78% downside to the current share price, and $28.66 in 2025, an 8.91% upside to the current share price. Both years exclude the same outliers: Eli Lily, Moderna, Bristol-Myers Squibb, GSK, and Gilead Sciences. The remaining companies made up a multiple range of 13.63 – 15.21 with an average of 14.53 in 2024, and a range of 12.66 – 13.91 with an average of 13.30 in 2025. This is not that surprising as peers in the group have significantly higher earnings. While the P/E ratio gives us a good indication of relative value, it does not account for intrinsic value, which much of the thesis is predicated on, and is only looking forward 1 to 2 years, where a lot of growth is expected after 2024 and 2025 as cost savings are realized and new product revenues ideally come to fruition.



52 Week Range

We created a percentile range of the 52-week range with 0% being the low and 100% being the high. While this method may not be based in theory and doesn't directly correlate to price, earnings, or growth, we think it is still an interesting piece of data to compare against other companies. As seen in the figure below, PFE is second to last in terms of percentile of 52-week range, and at a percentile of 4.52%, this means it is very close to its 52-week low. We believe on some level this helps to support the investment thesis, assuming there is some sort of industry average, it would be riskier to purchase a peer that is significantly closer to its high than to its low. By this logic, it seems that PFE is quite undervalued relative to peers. It's important to note, however, that this metric does not account for intrinsic advantages or disadvantages and does not take into account actual model assumptions.



Alternative Cases

We have programmed into our model 5 negative impact alternative cases to showcase what valuation might look like in the event certain risks to our thesis become true.

Lower Than Expected Seagen Revenue

Programmed as cutting Seagen growth in half. This would give us a target range of $33 – $39, which still represents a 25% – 48% upside to the current share price.

Lower Than Expected Pipeline Revenue

Programmed as cutting expected pipeline revenue in half. This would give us a target range of $34 – $41, which still represents a 29% – 55% upside to the current share price.

No Pipeline Revenue

Programmed as zero realized expected pipeline revenue. This would give us a target range of $33 – 39, which is still a 28% – 51% upside to the current share price.

Both Lower Than Expected Pipeline & Seagen Revenue

Programmed as cutting both pipeline and Seagen revenue in half. This would give us a target range of $32 – $38, which is still a 22% – 47% upside to the current share price.

Failure to Increase Gross Margin

Programmed to remove the adjustment to COGS that will increase gross margin to the expected 70% target and grow by 1% thereafter. This has the biggest impact on our valuation. This would give us a target range of $29 – $35, still a 11% – 35% upside to the current share price.

Sensitivity Analysis

Est. % of Other Assets/Liabilities as Operating vs. CapEx as a % of Sales on DCF

Given no management guidance on CapEx, we figured it would be valuable to observe a range of values for our expected percentages of sales. As expected, when these expenses are lower, the valuation is higher. We contrasted this with an estimate of Other Assets and Other Liabilities as Operating, given there is not much information available on the nature of these items, evidently, it has little impact on the valuation.

DCF	CapEx% of Sales						
Est. % of Other Oper / 43.17	1.25%	2.25%	3.25%	4.25%	5.25%	6.25%	7.25%
4.00%	46.36	45.21	44.07	42.92	41.77	40.62	39.47
6.00%	46.45	45.30	44.15	43.00	41.85	40.70	39.55
8.00%	46.53	45.38	44.23	43.08	41.93	40.78	39.63
10.00%	46.62	45.47	44.32	43.17	42.02	40.87	39.72
12.00%	46.70	45.55	44.40	43.25	42.10	40.95	39.80
14.00%	46.79	45.64	44.49	43.34	42.19	41.04	39.89
16.00%	46.87	45.72	44.57	43.42	42.27	41.12	39.97

SI&A as a % of Sales vs. R&D as a % of Sales on DCF

Since the cost realignment program is a large driver of our thesis, we figured a data table comparing a range of different percentages of sales for both SI&A and R&D expenses would be beneficial. This way, since we are unsure about the exact breakdown of cost savings, we can see a range of valuations.

DCF	R&D% of Sales						
SI&A Sales / 43.17	16.26%	16.16%	16.36%	16.56%	16.76%	16.96%	17.16%
24.31%	44.40	44.60	44.19	43.78	43.37	42.95	42.54
24.41%	44.19	44.40	43.98	43.58	43.16	42.75	42.34
24.51%	43.98	44.19	43.78	43.37	42.95	42.54	42.13
24.61%	43.78	43.99	43.58	43.17	42.75	42.34	41.93
24.71%	43.57	43.78	43.37	42.96	42.54	42.13	41.72
24.81%	43.37	43.57	43.16	42.75	42.34	41.92	41.51
24.91%	43.16	43.37	42.95	42.55	42.13	41.72	41.31

Cost of Equity vs. Dividend Growth on DDM

For this table, we compared the effect of a range of costs of equity and future dividend growth on the dividend discount model. Since equity risk premium and cost of equity are tough to find a secure value for, and due to the big impact it has on valuation, we think it is a good idea to have at least one table that shows a range of valuations for this metric. Additionally, dividend growth is unpredictable and was calculated just as a historic average. Although management intends on continuing to issue larger dividends, we can't be sure where it will land, hence the need for a range of values. However, as is evident by the table, the impact of the dividend growth range is very small, even on the dividend discount model.

DDM	Dividend Growth						
Cost of Equity / 43.70	2.74%	3.24%	3.74%	4.24%	4.74%	5.24%	5.74%
7.36%	49.78	49.84	49.90	49.96	50.02	50.08	50.14
7.56%	47.50	47.56	47.62	47.68	47.74	47.80	47.86
7.76%	45.41	45.47	45.53	45.59	45.65	45.71	45.78
7.96%	43.52	43.58	43.64	43.70	43.76	43.82	43.89
8.16%	41.74	41.80	41.86	41.92	41.98	42.04	42.10
8.36%	40.11	40.17	40.23	40.29	40.35	40.41	40.47
8.56%	38.60	38.66	38.72	38.78	38.84	38.90	38.97

Risk-Free Rate vs. Marginal Tax Rate on DCF

Due to the unpredictability of tax rates in healthcare as a result of tax credits and unpredictable state, local, and foreign taxes, having a range of the marginal tax rate gives a better picture of what the valuation range might look like. Additionally, we have included the risk-free rate to observe what might happen as the risk-free rate changes.

DCF	Marginal Tax Rate						
Risk-Free Rate / 43.17	11.80%	12.80%	13.80%	14.80%	15.80%	16.80%	17.80%
4.27%	43.51	43.78	44.05	44.32	44.60	44.88	45.16
4.37%	43.14	43.40	43.66	43.93	44.20	44.48	44.76
4.47%	42.76	43.02	43.28	43.55	43.82	44.09	44.36
4.57%	42.39	42.65	42.91	43.17	43.43	43.70	43.97
4.67%	42.03	42.28	42.54	42.80	43.06	43.32	43.59
4.77%	41.67	41.92	42.17	42.43	42.69	42.94	43.21
4.87%	41.32	41.57	41.82	42.07	42.32	42.57	42.83

Patent Cliff (Admin.) vs. Post Patent Cliff on DCF

We choose to examine the effects of different patent cliff rates for administrated drugs vs. different rates of decline post patent cliff, particularly because the values were chosen somewhat arbitrarily. However, it appears the patent cliff percentage decline for administrated drugs had marginal effect on the valuation, likely due to the fact that most of the patent cliffs are oral drugs. The rate of decline thereafter, which affects all of the patented drugs post patent cliff, has a more significant impact on valuation, however, is still very low.

DCF	Post Patent Cliff						
Patent Cliff (admin.) / 43.17	0.00%	-1.00%	-2.00%	-3.00%	-4.00%	-5.00%	-6.00%
-37.00%	44.12	43.83	43.55	43.27	42.99	42.72	42.46
-39.00%	44.09	43.80	43.52	43.24	42.96	42.69	42.43
-41.00%	44.05	43.76	43.48	43.20	42.93	42.66	42.40
-43.00%	44.01	43.73	43.45	43.17	42.90	42.63	42.37
-45.00%	43.98	43.69	43.41	43.14	42.87	42.60	42.34
-47.00%	43.94	43.66	43.38	43.11	42.83	42.57	42.31
-49.00%	43.91	43.62	43.35	43.07	42.80	42.54	42.28

Beta vs. ERP on DDM

As aforementioned, equity risk premium is hard to nail down, hence the need for a range of valuation. We opted to include Damodaran's top method of 12-month trailing cash yield at 4.33% on the low end to show the large change in valuation.[9] Additionally, we included beta on the other axis as beta is another variable that is hard to exact. Note the wide range of valuation for the DDM as the variables that affect cost of equity and WACC are modulated.

DDM	Equity Risk Premium						
43.70	4.33%	4.75%	5.17%	5.59%	6.01%	6.43%	6.85%
Beta 0.31	75.27	72.19	69.36	66.77	64.37	62.15	60.09
0.41	65.10	62.02	59.23	56.70	54.38	52.26	50.31
0.51	57.33	54.34	51.66	49.24	47.05	45.05	43.23
0.61	51.42	48.55	45.99	43.70	41.63	39.76	38.06
0.71	46.24	43.51	41.09	38.94	37.00	35.26	33.67
0.81	42.15	39.55	37.26	35.23	33.41	31.78	30.30
0.91	38.71	36.24	34.07	32.15	30.45	28.92	27.53

Effect on Valuation

Given the variables we have selected, we believe the tables show a good estimation of fluctuation for the upside and downside of our valuation. We don't expect these variations have a significant impact on our overall recommendation of buy, but it may have an impact on the price range. We believe, with an exception to the unlikely chance of severely underestimated beta and ERP, that our valuation range is still accurate.

Conclusion

Given the assumptions and estimations we have made, we believe that Pfizer is undervalued based on its intrinsic value and that it is better positioned than most of its peers to achieve stable, steady growth in the coming years. We expect a valuation range of $36 – $43, reflecting a 36% – 63% upside to the current share price of $26.32. Management has strong guidance on reducing expenditures with the cost realignment program, solid evidence for a return to a pre-pandemic gross margin percentage, and a sharp focus on growing shareholder value through dividends, repurchases, and reinvestment. There is large potential for growth into the oncology space with the recent acquisition of Seagen. Patent cliffs and declining revenue due to loss of exclusivity will not significantly outweigh the benefits of these objectives. Downside cases and sensitivity analysis reveal that the potential upside from our thesis outweighs the potential downside from the risks to our thesis.

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Pfizer
Revenue Decomposition
(millions of dollars)

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenues by Segment												
Biopharma												
(U.S. Patent Expiration Date)												
Primary Care												
Comirnaty *(2041)*	-	-	-	154	36,781	37,806	11,220	5,000	4,750	4,608	4,515	4,470
Growth					23783.8%	2.8%	-70.3%	-55.4%	-5.0%	-3.0%	-2.0%	-1.0%
Paxlovid *(2041)*	-	-	-	-	76	18,933	1,279	3,000	2,910	2,881	2,910	2,939
Growth						24811.8%	-93.2%	134.6%	-3.0%	-1.0%	1.0%	1.0%
Eliquis *(2026)*	2,523	3,434	4,220	4,949	5,970	6,480	6,747	7,017	7,298	5,473	5,309	5,150
Growth		36.1%	22.9%	17.3%	20.6%	8.5%	4.1%	4.0%	4.0%	-25.0%	-3.0%	-3.0%
Prevnar family *(2026)*	5,601	5,802	5,847	5,850	5,272	6,337	6,440	6,633	6,832	7,037	7,248	7,466
Growth		3.6%	0.8%	0.1%	-9.9%	20.2%	1.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Premarin family *(2024)*	977	832	734	680	563	455	397	226	220	213	207	200
Growth		-14.8%	-11.8%	-7.4%	-17.2%	-19.2%	-12.7%	-43.0%	-3.0%	-3.0%	-3.0%	-3.0%
BMP2	261	279	287	274	266	277	338	348	359	369	380	392
Growth		6.9%	2.9%	-4.5%	-2.9%	4.1%	22.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Nimenrix	86	140	230	221	193	268	179	183	186	190	194	198
Growth		62.8%	64.3%	-3.9%	-12.7%	38.9%	-33.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Nurtec ODT/Vydura *(2030)*	-	-	-	-	-	213	928	1,392	1,740	2,175	2,393	2,632
Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	335.7%	50.0%	25.0%	25.0%	10.0%	10.0%
FSME-IMMUN/TicoVac	134	184	220	196	185	200	268	273	279	284	290	296
Growth		37.3%	19.6%	-10.9%	-5.6%	8.1%	34.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Toviaz	257	271	250	252	238	146	-	-	-	-	-	-
Growth		5.4%	-7.7%	0.8%	-5.6%	-38.7%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trumenba *(2024)*	88	116	135	112	118	123	126	72	70	68	66	64
Growth		31.8%	16.4%	-17.0%	5.4%	4.2%	2.4%	-43.0%	-3.0%	-3.0%	-3.0%	-3.0%
Chantix/Champix	997	1,085	1,107	919	398	8	-	-	-	-	-	-
Growth		8.8%	2.0%	-17.0%	-56.7%	-98.0%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Abrysvo							890	1,202	1,622	2,190	2,299	2,414
Growth								35.0%	35.0%	35.0%	5.0%	5.0%
All other Primary Care	3,304	3,059	2,089	1,972	1,967	1,778	2,667	2,747	2,829	2,914	3,002	3,092
Growth		-7.4%	-31.7%	-5.6%	-0.3%	-9.6%	50.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Primary Care Total Revenues	**14,228**	**15,204**	**15,120**	**15,579**	**52,264**	**73,271**	**31,479**	**28,093**	**29,094**	**28,402**	**28,812**	**29,311**
Growth		6.9%	-0.6%	3.0%	235.5%	40.2%	-57.0%	-10.8%	3.6%	-2.4%	1.4%	1.7%
Specialty Care												
Vyndaqel family *(2024)*	124	148	473	1,288	2,015	2,447	3,321	2,757	2,674	2,460	2,386	2,314
Growth		19.4%	219.6%	172.3%	56.4%	21.4%	35.7%	-17.0%	-3.0%	-8.0%	-3.0%	-3.0%
Xeljanz *(2025)*	1,345	1,774	2,242	2,437	2,455	1,796	1,703	1,669	1,334	1,294	1,255	1,193
Growth		31.9%	26.4%	8.7%	0.7%	-26.8%	-5.2%	-2.0%	-20.1%	-3.0%	-3.0%	-4.9%
Enbrel (outside the U.S. and Canada) *(2029)*	2,452	2,112	1,699	1,350	1,185	1,003	830	805	781	758	735	713
Growth		-13.9%	-19.6%	-20.5%	-12.2%	-15.4%	-17.2%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Sulperazon	471	613	684	618	683	786	757	772	788	803	819	836
Growth		30.1%	11.6%	-9.6%	10.5%	15.1%	-3.7%	2.0%	2.0%	2.0%	2.0%	2.0%
Inflectra/Remsima *(2027)*	419	642	625	659	657	532	490	480	471	461	263	255
Growth		53.2%	-2.6%	5.4%	-0.3%	-19.0%	-7.9%	-2.0%	-2.0%	-2.0%	-43.0%	-3.0%
Immunoglobulin portfolio	-	-	275	376	430	491	584	642	675	708	744	781
Growth		0.0%	0.0%	36.7%	14.4%	14.2%	18.9%	10.0%	5.0%	5.0%	5.0%	5.0%
BeneFIX *(2026)*	604	554	488	454	438	425	424	428	433	247	239	232
Growth		-8.3%	-11.9%	-7.0%	-3.5%	-3.0%	-0.2%	1.0%	1.0%	-43.0%	-3.0%	-3.0%
Zavicefta	-	-	108	212	413	412	511	537	563	592	621	652
Growth		0.0%	0.0%	96.3%	94.8%	-0.2%	24.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Genotropin *(2033)*	532	558	498	427	389	360	539	523	507	492	477	463
Growth		4.9%	-10.8%	-14.3%	-8.9%	-7.5%	49.7%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Ngenla*								50	54	58	63	68
Growth								8.0%	8.0%	8.0%	8.0%	8.0%
Zithromax *(2024)*	299	326	336	276	278	331	406	305	295	287	278	270
Growth		9.0%	3.1%	-17.9%	0.7%	19.1%	22.7%	-25.0%	-3.0%	-3.0%	-3.0%	-3.0%
Medrol	540	493	469	402	432	328	339	346	353	360	367	374
Growth		-8.7%	-4.9%	-14.3%	7.5%	-24.1%	3.4%	2.0%	2.0%	2.0%	2.0%	2.0%
Fragmin	306	293	253	252	305	269	238	236	233	231	229	226
Growth		-4.2%	-13.7%	-0.4%	21.0%	-11.8%	-11.5%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Somavert *(2024)*	254	267	264	277	277	268	267	152	148	143	139	135
Growth		5.1%	-1.1%	4.9%	0.0%	-3.2%	-0.4%	-43.0%	-3.0%	-3.0%	-3.0%	-3.0%
ReFacto AF/Xyntha *(2039)*	551	514	426	370	304	239	230	223	216	210	204	198
Growth		-6.7%	-17.1%	-13.1%	-17.8%	-21.4%	-3.8%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Vfend	421	392	346	270	267	225	187	183	180	176	172	169
Growth		-6.9%	-11.7%	-22.0%	-1.1%	-15.7%	-16.9%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Oxbryta *(2033)*	-	-	-	-	-	73	328	426	554	665	798	878
Growth		0.0%	0.0%	0.0%	0.0%	0.0%	349.3%	30.0%	30.0%	20.0%	20.0%	10.0%
Velsipity	-	-	-	-	-	-	-	45	135	270	405	587
Growth								0.0%	200.0%	100.0%	50.0%	45.0%
Cibinqo	-	-	-	-	-	27	128	218	326	392	431	474
Growth								70.0%	50.0%	20.0%	10.0%	10.0%
All other Anti-infectives	1,237	1,041	1,396	1,679	1,835	1,471	1,092	1,070	1,049	1,028	1,007	987
Growth		-15.8%	34.1%	20.3%	9.3%	-19.8%	-25.8%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
All other specialty care	3,461	3,012	2,521	2,934	2,830	2,377	2,724	2,778	2,834	2,891	2,949	3,008
Growth		-13.0%	-16.3%	16.4%	-3.5%	-16.0%	14.6%	2.0%	2.0%	2.0%	2.0%	2.0%
Specialty Care Total Revenues	**13,016**	**12,740**	**13,105**	**14,283**	**15,195**	**13,859**	**15,102**	**14,645**	**14,602**	**14,524**	**14,581**	**14,812**
Growth		-2.1%	2.9%	9.0%	6.4%	-8.8%	9.0%	-3.0%	-0.3%	-0.5%	0.4%	1.6%
Oncology												
Ibrance *(2027)*	3,126	4,118	4,961	5,392	5,437	5,120	4,753	4,658	4,565	4,473	3,713	3,416
Growth		31.7%	20.5%	8.7%	0.8%	-5.8%	-7.2%	-2.0%	-2.0%	-2.0%	-17.0%	-8.0%
Xtandi *(2027)*	590	699	838	1,024	1,185	1,198	1,191	1,215	1,239	1,264	948	919
Growth		18.5%	19.9%	22.2%	15.7%	1.1%	-0.6%	2.0%	2.0%	2.0%	-25.0%	-3.0%
Inlyta *(2025)*	339	298	477	787	1,002	1,003	1,036	1,046	785	761	738	716
Growth		-12.1%	60.1%	65.0%	27.3%	0.1%	3.3%	1.0%	-25.0%	-3.0%	-3.0%	-3.0%
Bosulif *(2025)*	233	296	365	450	540	575	645	655	491	476	462	448
Growth		27.0%	23.3%	23.3%	20.0%	6.5%	12.2%	1.5%	-25.0%	-3.0%	-3.0%	-3.0%
Zirabev	-	-	1	143	444	562	424	420	416	411	407	403
Growth		0.0%	0.0%	14200.0%	210.5%	26.6%	-24.6%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Xalkori *(2027)*	594	524	530	544	493	465	374	370	367	363	272	264
Growth		-11.8%	1.1%	2.6%	-9.4%	-5.7%	-19.6%	-1.0%	-1.0%	-1.0%	-25.0%	-3.0%
Ruxience	-	-	(1)	170	491	458	390	386	382	378	375	371
Growth		0.0%	0.0%	-17100.0%	188.8%	-6.7%	-14.8%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Retacrit	67	82	225	386	444	394	340	335	330	325	320	315
Growth		22.4%	174.4%	71.6%	15.0%	-11.3%	-13.7%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%
Sutent	1,081	1,049	936	819	673	347	180	176	173	169	166	163
Growth		-3.0%	-10.8%	-12.5%	-17.8%	-48.4%	-48.1%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Lorbrena *(2033)*	-	-	115	204	266	343	539	561	583	606	631	656
Growth		0.0%	0.0%	77.4%	30.4%	28.9%	57.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Bavencio *(2024)*	-	-	49	80	178	271	190	108	105	102	99	96
Growth		0.0%	0.0%	63.3%	122.5%	52.2%	-29.9%	-43.0%	-3.0%	-3.0%	-3.0%	-3.0%
Aromasin	-	-	136	148	211	248	301	306	310	315	319	324
Growth		0.0%	0.0%	8.8%	42.6%	17.5%	21.4%	1.5%	1.5%	1.5%	1.5%	1.5%
Besponsa *(2030)*	-	-	157	182	192	219	236	238	241	243	246	248
Growth		0.0%	0.0%	15.9%	5.5%	14.1%	7.8%	1.0%	1.0%	1.0%	1.0%	1.0%
Trazimera	-	-	6	98	197	203	91	90	88	87	86	84
Growth		0.0%	0.0%	1533.3%	101.0%	3.0%	-55.2%	-1.5%	-1.5%	-1.5%	-1.5%	-1.5%
Braftovi *(2030)*	-	-	48	160	187	194	213	216	219	223	226	229
Growth		0.0%	0.0%	233.3%	16.9%	3.7%	9.8%	1.5%	1.5%	1.5%	1.5%	1.5%
Mektovi *(2031)*	-	-	49	142	155	176	174	176	177	179	181	183
Growth		0.0%	0.0%	189.8%	9.2%	13.5%	-1.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Impact from Seagen*		-	-	-	-	-	-	3,100	3,720	4,650	5,813	7,266
Growth									20.0%	25.0%	25.0%	25.0%
All other oncology	274	406	122	137	238	357	550	578	606	637	669	702
Growth		48.2%	-70.0%	12.3%	73.7%	50.0%	54.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Oncology Total Revenues	**6,304**	**7,472**	**9,014**	**10,866**	**12,333**	**12,133**	**11,627**	**14,633**	**14,797**	**15,664**	**15,670**	**16,804**
Growth		18.5%	20.6%	20.5%	13.5%	-1.6%	-4.2%	25.9%	1.1%	5.9%	0.0%	7.2%
Pipeline	Trials	Phase 1	Phase 2	Phase 3	Pending	Total	Revenues	-	-	-	-	-
Growth								0.0%	0.0%	0.0%	0.0%	0.0%
Primary Care		**13**	**12**	**12**	**5**	**42**		-	-	-	-	-
% of Pipeline								37.5%	37.5%	37.5%	37.5%	37.5%
Anti-Viral		1	2	2	1	6		-	-	-	-	-
% of Pipeline								5.4%	5.4%	5.4%	5.4%	5.4%
Internal Medicine		6	8	4	2	20		-	-	-	-	-
% of Pipeline								17.9%	17.9%	17.9%	17.9%	17.9%
Vaccines		6	2	6	2	16		-	-	-	-	-
% of Pipeline								14.3%	14.3%	14.3%	14.3%	14.3%
Specialty Care		**6**	**12**	**3**	-	**21**		-	-	-	-	-
% of Pipeline								18.8%	18.8%	18.8%	18.8%	18.8%
Inflammation & Immunology		5	12	3	-	20		-	-	-	-	-
% of Pipeline								17.9%	17.9%	17.9%	17.9%	17.9%
Rare Diseases		1	-	-	-	1		-	-	-	-	-
% of Pipeline								0.9%	0.9%	0.9%	0.9%	0.9%
Oncology		**22**	**10**	**16**	**1**	**49**		-	-	-	-	-
% of Pipeline								43.8%	43.8%	43.8%	43.8%	43.8%
Total Pipeline		**41**	**34**	**31**	**6**	**112**		-	-	-	-	-
Pfizer CentreOne	706	755	810	926	1,731	1,342	1,265	1,328	1,395	1,464	1,538	1,614
Growth		6.9%	7.3%	14.3%	86.9%	-22.5%	-5.7%	5.0%	5.0%	5.0%	5.0%	5.0%
Pfizer Ignite	-	-	-	-	-	7	44	46	49	51	53	56
Growth		0.0%	0.0%	0.0%	0.0%	0.0%	528.6%	5.0%	5.0%	5.0%	5.0%	5.0%
Business Innovation Total Revenues	**706**	**755**	**810**	**926**	**1,731**	**1,349**	**1,309**	**1,374**	**1,443**	**1,515**	**1,591**	**1,671**
Pfizer Total Revenues	**52,546**	**40,825**	**40,905**	**41,651**	**81,277**	**100,330**	**58,496**	**58,745**	**59,936**	**60,105**	**60,654**	**62,599**
Growth		-22.3%	0.2%	1.8%	95.1%	23.4%	-41.7%	0.4%	2.0%	0.3%	0.9%	3.2%

Patent Cliff Weights											
% Revenues by Geographic Area									Avg Weight	Admin. Cliff	Oral Cliff
US	49.53%	49.28%	49.69%	51.51%	36.59%	42.33%	46.31%		46.46%	-19.98%	-11.62%
Growth		-0.5%	0.8%	3.7%	-29.0%	15.7%	9.4%				
Europe	16.19%	19.59%	18.90%	18.70%	22.56%	21.91%	19.92%		19.68%	-8.46%	-4.92%
Growth		21.0%	-3.5%	-1.0%	20.6%	-2.9%	-9.1%				
Rest of World	12.58%	10.02%	9.83%	9.69%	15.38%	15.73%	13.27%		12.36%	-5.31%	-3.09%
Growth		-20.4%	-1.9%	-1.4%	58.8%	2.2%	-15.6%				
Emerging Markets	21.69%	21.11%	21.58%	20.10%	25.47%	20.03%	20.51%		21.50%	-9.24%	-5.37%
Growth		-2.7%	2.2%	-6.9%	26.7%	-21.3%	2.4%				
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**		**100.00%**	**-43.00%**	**-25.00%**
Growth		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				

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Income Statement

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenues	**52,546**	**40,825**	**40,905**	**41,651**	**81,288**	**100,330**	**58,496**	**58,745**	**59,936**	**60,105**	**60,654**	**62,599**
COGS	9,717	7,573	6,728	7,151	29,330	32,889	23,397	15,653	15,371	14,813	14,342	14,176
% Revenue	18.5%	18.5%	16.4%	17.2%	36.1%	32.8%	40.0%	26.6%	25.6%	24.6%	23.6%	22.6%
Depreciation	1,511	1,414	1,326	1,333	1,491	1,455	1,557	1,923	1,981	2,038	2,091	2,140
% Implied Depreciation (from Inputs)	11.35%	10.20%	9.91%	9.54%	10.73%	9.78%	9.57%	10.15%	10.15%	10.15%	10.15%	10.15%
Gross Margin	**41,318**	**31,838**	**32,851**	**33,167**	**50,467**	**65,986**	**33,542**	**41,170**	**42,584**	**43,253**	**44,221**	**46,283**
% of Revenues	78.6%	78.0%	80.3%	79.6%	62.1%	65.8%	57.3%	70.1%	71.0%	72.0%	72.9%	73.9%
SI&A	14,804	12,612	12,612	11,597	12,703	13,677	14,771	12,956	13,249	13,290	13,425	13,904
% Revenue	28.2%	30.9%	30.8%	27.8%	15.6%	13.6%	25.3%	24.6%	24.6%	24.6%	24.6%	24.6%
R&D	7,683	7,760	7,760	8,709	10,360	11,428	10,679	9,227	9,424	9,452	9,543	9,865
% Revenue	14.6%	19.0%	19.0%	20.9%	12.7%	11.4%	18.3%	16.6%	16.6%	16.6%	16.6%	16.6%
Acquired R&D Expenses	-	-	-	684	3,469	953	194	117	90	60	30	28
% Revenue	0.0%	0.0%	0.0%	1.6%	4.3%	0.9%	0.3%	0.2%	0.2%	0.1%	0.1%	0.0%
Restructuring/Acquisition Costs	351	1,058	601	579	802	1,375	2,943	3,830	727	609	493	384
% Revenue	0.0%	2.6%	1.5%	1.4%	1.0%	1.4%	5.0%	1.4%	1.2%	1.0%	0.8%	0.6%
Other Loss (Income)	1,036	1,589	3,910	607	(5,276)	75	(335)	(168)	(187)	(218)	(241)	(316)
% Revenue	2.0%	3.9%	9.6%	1.5%	-6.5%	0.1%	-0.6%	1.4%	1.4%	1.4%	1.4%	1.4%
EBITA	**17,444**	**8,819**	**7,968**	**10,991**	**28,409**	**38,478**	**5,290**	**15,208**	**19,282**	**20,060**	**20,971**	**22,419**
Growth	-	-49.4%	-9.6%	37.9%	158.5%	35.4%	-86.3%	187.5%	26.8%	4.0%	4.5%	6.9%
Amortization of Intangibles	4,758	4,736	4,429	3,348	3,700	3,609	4,733	5,079	4,763	4,639	4,054	3,702
% Identifiable Intangibles	9.8%	13.5%	12.5%	11.8%	14.7%	8.3%	7.3%	8.5%	8.7%	9.2%	8.7%	8.7%
EBIT	**12,686**	**4,083**	**3,539**	**7,643**	**24,709**	**34,869**	**557**	**10,129**	**14,519**	**15,421**	**16,917**	**18,717**
Growth	-	-67.8%	-13.3%	116.0%	223.3%	41.1%	-98.4%	1718.5%	43.3%	6.2%	9.7%	10.6%
Interest Income	391	333	225	73	36	251	1,624	852	(211)	(107)	13	170
% ST+LT Invest+Cash	1.4%	1.5%	1.8%	0.5%	0.1%	0.9%	9.9%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Expense	1,270	1,316	1,573	1,449	1,291	1,238	2,209	3,962	3,352	3,345	3,333	3,337
% ST+LT Debt including implied lease int	2.9%	3.2%	3.0%	3.6%	3.3%	3.4%	3.1%	5.3%	5.3%	5.3%	5.3%	5.3%
Net Interest Gain (Loss)	(879)	(983)	(1,348)	(1,376)	(1,255)	(987)	(585)	(3,110)	(3,563)	(3,452)	(3,320)	(3,166)
Growth	0.0%	11.8%	37.1%	2.1%	-8.8%	-21.4%	-40.7%	431.6%	14.6%	-3.1%	-3.8%	-4.6%
Royalty Related Expense (Income)	(499)	(495)	(648)	(770)	(857)	(845)	(1,085)	(784)	(774)	(764)	(753)	(743)
% Revenue	-0.9%	-1.2%	-1.6%	-1.8%	-1.1%	-0.8%	-1.9%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%
Provision (benefit) for Income Taxes	(9,049)	(266)	583	370	1,852	3,328	(1,115)	1,155	1,736	1,885	2,124	2,412
% Marginal Tax	18.0%	14.9%	15.3%	11.1%	16.2%	16.0%	-22.6%	14.8%	14.8%	14.8%	14.8%	14.8%
Net Operating Income	**21,355**	**3,861**	**2,256**	**6,667**	**22,459**	**31,399**	**2,172**	**6,648**	**9,994**	**10,849**	**12,227**	**13,882**
Growth	0.0%	-81.9%	-41.6%	195.5%	236.9%	39.8%	-93.1%	206.1%	50.3%	8.6%	12.7%	13.5%
Income from Discontinued Oper.	**(1)**	**10**	**4**	**2,529**	**(434)**	**6**	(15)	-	-	-	-	-
% Revenue	0.0%	0.0%	0.0%	6.1%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NI Attributable to NCI	47	36	29	36	45	35	39	41	42	42	43	44
% Revenue	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
NOI After NCI and Disc. Oper.	**21,307**	**3,835**	**2,231**	**9,160**	**21,980**	**31,370**	**2,118**	**6,607**	**9,952**	**10,807**	**12,184**	**13,838**
Growth	0.0%	-82.0%	-41.8%	310.6%	140.0%	42.7%	-93.2%	212.0%	50.6%	8.6%	12.7%	13.6%

Basic EPS	$ 3.58	$ 0.66	$ 0.41	$ 1.20	$ 4.01	$ 5.60	$ 0.38	$1.24	$1.96	$2.13	$2.40	$2.73
Growth	0.0%	-81.6%	-38.4%	196.3%	234.1%	39.6%	-93.1%	221.0%	58.3%	8.7%	12.9%	13.7%
Weighted Avg Shares Outstanding	5970	5872	5569	5555	5601	5608	5643	5,381	5,111	5,103	5,096	5,089
Growth	0.0%	-1.6%	-5.2%	-0.3%	0.8%	0.1%	0.6%	-4.6%	-5.0%	-0.2%	-0.1%	-0.1%
Total Shares Outstanding	5953	5552	5548	5578	5623	5619	5647	5,115	5,107	5,099	5,092	5,085
Growth	0.0%	-6.7%	-0.1%	0.5%	0.8%	-0.1%	0.5%	-9.4%	-0.2%	-0.1%	-0.1%	-0.1%
Dividends per share	$ 1.28	$ 1.38	$ 1.44	$ 1.53	$ 1.57	$ 1.61	$ 1.64	$1.71	$1.78	$1.86	$1.94	$2.02
% Increase YoY	0.0%	7.8%	4.7%	5.9%	2.6%	2.5%	1.9%	4.2%	4.2%	4.2%	4.2%	4.2%

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Balance Sheet

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Assets												
Current Assets												
Cash and Cash Equivalents	1,342	1,139	1,305	1,784	1,944	416	2,853	(19,060)	(17,649)	(15,958)	(13,557)	(9,781)
Growth	0.0%	-15.1%	14.6%	36.7%	9.0%	-78.6%	585.8%	-768.1%	-7.4%	-9.6%	-15.0%	-27.9%
Short-Term Investments	18,650	17,694	8,525	10,437	29,125	22,316	9,837	10,287	10,757	11,248	11,762	12,300
% ROI	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	3.8%	3.3%	3.0%	3.0%
Trade accounts receivable (net allowance for doubtful accts)	8,221	8,025	8,724	7,930	11,479	10,952	11,177	11,225	11,452	11,484	11,589	11,961
% Revenue	15.6%	19.7%	21.3%	19.0%	14.1%	10.9%	19.1%	19.1%	19.1%	19.1%	19.1%	19.1%
Inventories	7,578	7,508	8,283	8,046	9,059	8,981	10,189	9,222	9,409	9,436	9,522	9,827
% Revenue	14.4%	18.4%	20.2%	19.3%	11.1%	9.0%	17.4%	15.7%	15.7%	15.7%	15.7%	15.7%
Current Tax Assets	3,050	3,374	3,344	3,264	4,266	3,577	3,978	3,687	3,250	2,775	2,240	1,633
% Deferred	0.0%	-121.8%	-5.1%	-21.6%	54.1%	-20.7%	-36.0%	-25.2%	-25.2%	-25.2%	-25.2%	-25.2%
Other Current Assets	**2,301**	**12,186**	**2,621**	**3,605**	**3,820**	**5,017**	**5,299**	**5,541**	**5,794**	**6,059**	**6,336**	**6,626**
% Current Assets	5.6%	24.4%	8.0%	10.3%	6.4%	9.8%	12.2%	26.5%	25.2%	24.2%	22.7%	20.3%
Total Current Assets	**41,142**	**49,926**	**32,802**	**35,066**	**59,693**	**51,259**	**43,333**	**20,902**	**23,013**	**25,045**	**27,893**	**32,566**
Growth	0.0%	21.4%	-34.3%	6.9%	70.2%	-14.1%	-15.5%	-51.8%	10.1%	8.8%	11.4%	16.8%
Long Term Assets												
Equity Method Investments	-	-	17,133	16,856	16,472	11,033	11,637	12,219	12,830	13,471	14,145	14,852
Growth	0.0%	0.0%	0.0%	-1.6%	-2.3%	-33.0%	5.5%	14.6%	14.1%	13.6%	13.1%	13.1%
Long-Term Investments	7,015	2,767	3,014	3,406	5,054	4,036	3,731	3,902	4,080	4,266	4,461	4,665
Growth	0.0%	-60.6%	8.9%	13.0%	48.4%	-20.1%	-7.6%	4.6%	4.6%	4.6%	4.6%	4.6%
PP&E, Net	13,865	13,385	13,967	13,900	14,882	16,274	18,940	19,513	20,078	20,593	21,079	21,598
% CapEx of Revenue	3.7%	4.9%	5.0%	5.3%	3.3%	3.2%	6.7%	4.2%	4.2%	4.2%	4.2%	4.2%
Intangible Assets	48,741	35,211	35,370	28,471	25,146	43,370	64,900	59,821	55,058	50,419	46,365	42,663
% Amortization of Identifiables	9.8%	13.5%	12.5%	11.8%	14.7%	8.3%	7.3%	8.5%	8.7%	9.2%	8.7%	8.7%
Goodwill	55,952	53,411	58,653	49,577	49,208	51,375	67,783	67,783	67,783	67,783	67,783	67,783
Growth	0.0%	-4.5%	9.8%	-15.5%	-0.7%	4.4%	31.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Noncurrent Defered Tax Assets	1,855	1,924	2,099	2,383	3,341	6,693	3,706	4,671	6,121	7,695	9,469	11,483
% Deferred	0.0%	-25.9%	30.0%	76.8%	51.7%	100.7%	267.9%	83.5%	83.5%	83.5%	83.5%	83.5%
ROU Assets	-	-	1,289	1,386	2,839	3,002	2,924	3,028	3,136	3,247	3,363	3,482
% Growth	0.0%	0.0%	0.0%	7.5%	104.8%	5.7%	-2.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Other Noncurrent Assets	3,227	2,799	3,161	3,183	4,840	10,161	9,547	9,588	9,782	9,810	9,899	10,217
% Revenue	6.1%	6.9%	7.7%	7.6%	6.0%	10.1%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%
Total Long Term Assets	**130,655**	**109,497**	**134,686**	**119,162**	**121,782**	**145,944**	**183,168**	**180,523**	**178,867**	**177,284**	**176,564**	**176,744**
Growth	0.0%	-16.2%	23.0%	-11.5%	2.2%	19.8%	25.5%	-1.4%	-0.9%	-0.9%	-0.4%	0.1%
Total Assets	**171,797**	**159,423**	**167,488**	**154,228**	**181,475**	**197,203**	**226,501**	**201,425**	**201,880**	**202,329**	**204,457**	**209,309**
Growth		-7.2%	5.1%	-7.9%	17.7%	8.7%	14.9%	-11.1%	0.2%	0.2%	1.1%	2.4%

	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Liabilities												
Current Liabilities												
S-T Borrowing including current L-T debt	9,953	8,831	16,195	2,703	2,241	2,945	10,350	9,021	13,003	15,365	10,556	15,523
% of Non-Cash Current Assets	55.0%	31.9%	82.5%	13.8%	9.2%	11.8%	38.8%	34.7%	34.7%	34.7%	34.7%	34.7%
Trade Accounts Payable	4,656	4,674	4,220	4,309	5,578	6,809	6,710	5,547	5,659	5,675	5,727	5,910
% Revenue	8.9%	11.4%	10.3%	10.3%	6.9%	6.8%	11.5%	9.4%	9.4%	9.4%	9.4%	9.4%
Dividends Payable	2,029	2,047	2,104	2,162	2,249	2,303	2,372	2,413	2,279	2,372	2,468	2,569
Growth	0.0%	0.9%	2.8%	2.8%	4.0%	2.4%	3.0%	1.7%	-5.6%	4.1%	4.1%	4.1%
Income Taxes Payable	477	1,265	980	1,049	1,266	1,587	2,349	213	320	347	391	444
% of Provision for Income Tax	-5.3%	-475.6%	168.1%	283.5%	68.4%	47.7%	-210.7%	18.4%	18.4%	18.4%	18.4%	18.4%
Accured Compensation and Related	2,196	2,397	2,720	3,058	3,332	3,407	2,776	3,045	3,107	3,115	3,144	3,245
% of Revenue	4.2%	5.9%	6.6%	7.3%	4.1%	3.4%	4.7%	5.2%	5.2%	5.2%	5.2%	5.2%
Deferred Revenues	-	-	-	-	3,067	2,520	2,700	2,135	2,178	2,184	2,204	2,275
% of Revenue	0.0%	0.0%	0.0%	0.0%	3.8%	2.5%	4.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Operating Leases, current	-	-	276	320	449	620	527	599	621	643	666	689
% of ROUs	0.0%	0.0%	21.4%	23.1%	15.8%	20.7%	18.0%	19.8%	19.8%	19.8%	19.8%	19.8%
Other Current Liabilities	11,115	12,643	10,807	12,320	24,490	21,948	20,010	20,095	20,503	20,560	20,748	21,413
% of Revenues	21.2%	31.0%	26.4%	29.6%	30.1%	21.9%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%
Total Current Liabilities	**30,426**	**31,857**	**37,302**	**25,921**	**42,672**	**42,139**	**47,794**	**43,068**	**47,668**	**50,261**	**45,904**	**52,069**
Growth	0.0%	4.7%	17.1%	-30.5%	64.6%	-1.2%	13.4%	-9.9%	10.7%	5.4%	-8.7%	13.4%
Long Term Liabilities												
Long-Term Debt	33,538	32,909	35,955	37,133	36,195	32,884	61,538	51,431	47,209	44,508	49,274	44,694
% Non-Cash Total LT Assets	25.7%	30.1%	26.7%	31.2%	29.7%	22.5%	33.6%	28.5%	28.5%	28.5%	28.5%	28.5%
Pension and postretirement benefit	7,430	6,610	6,762	5,411	3,724	2,250	2,167	1,817	1,524	1,278	1,072	899
Growth	0.0%	-11.0%	2.3%	-20.0%	-31.2%	-39.6%	-3.7%	-16.1%	-16.1%	-16.1%	-16.1%	-16.1%
Noncurrent Defered Tax Liabilities	3,900	3,700	5,578	4,063	349	1,023	640	640	640	640	640	640
Growth	0.0%	-5.1%	50.8%	-27.2%	-91.4%	193.1%	-37.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Taxes Payable	18,697	14,737	12,126	11,560	11,331	9,812	8,534	7,629	6,821	6,098	5,451	4,874
% Total Assets	10.9%	9.2%	7.2%	7.5%	6.2%	5.0%	3.8%	-10.6%	-10.6%	-10.6%	-10.6%	-10.6%
Operating Leases, Noncurrent	-	-	1,048	1,108	2,510	2,597	2,626	2,428	2,515	2,604	2,697	2,793
% of ROUs	0.0%	0.0%	81.3%	79.9%	88.4%	86.5%	89.8%	80.2%	80.2%	80.2%	80.2%	80.2%
Other Noncurrent Liabilities	6,149	5,850	5,269	5,561	7,233	10,583	13,913	8,014	8,177	8,200	8,274	8,540
% Revenue	11.7%	14.3%	12.9%	13.4%	8.9%	10.5%	23.8%	13.6%	13.6%	13.6%	13.6%	13.6%
Total Long Term Liabilities	**69,714**	**63,806**	**66,738**	**64,836**	**61,342**	**59,149**	**89,418**	**71,961**	**66,886**	**63,328**	**67,409**	**62,439**
Growth	0.0%	-8.5%	4.6%	-2.8%	-5.4%	-3.6%	51.2%	-19.5%	-7.1%	-5.3%	6.4%	-7.4%
Total Liabilities	**100,140**	**95,663**	**104,040**	**90,757**	**104,014**	**101,288**	**137,212**	**115,028**	**114,554**	**113,589**	**113,313**	**114,508**
Growth	0.0%	-4.5%	8.8%	-12.8%	14.6%	-2.6%	35.5%	-16.2%	-0.4%	-0.8%	-0.2%	1.1%
Equity												
Common stock & APIC	84,763	86,739	87,913	89,144	91,064	92,278	93,109	93,777	94,445	95,113	95,781	96,450
Growth	0.0%	2.3%	1.4%	1.4%	2.2%	1.3%	0.9%	0.7%	0.7%	0.7%	0.7%	0.7%
Treasury stock shares at cost	(89,425)	(101,610)	(110,801)	(110,988)	(111,361)	(113,969)	(114,487)	(115,147)	(115,807)	(116,467)	(117,127)	(117,787)
Growth	0.0%	13.6%	9.0%	0.2%	0.3%	2.3%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%
Retained Earnings	85,292	89,555	97,673	96,768	103,393	125,654	118,354	115,413	116,292	117,655	120,008	123,613
Growth	0.0%	5.0%	9.1%	-0.9%	6.8%	21.5%	-5.8%	-2.5%	0.8%	1.2%	2.0%	3.0%
Accumulated other comprehensive loss	(9,321)	(11,275)	(11,640)	(11,688)	(5,897)	(8,304)	(7,961)	(7,961)	(7,961)	(7,961)	(7,961)	(7,961)
Growth	0.0%	21.0%	3.2%	0.4%	-49.5%	40.8%	-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Shareholder's Equity	**71,309**	**63,409**	**63,145**	**63,236**	**77,199**	**95,659**	**89,015**	**86,082**	**86,969**	**88,340**	**90,702**	**94,315**
Growth	0.0%	-11.1%	-0.4%	0.1%	22.1%	23.9%	-6.9%	-3.3%	1.0%	1.6%	2.7%	4.0%
Equity Attributable to NCI	348	351	303	235	262	256	274	315	357	400	442	486
Growth	0.0%	0.9%	-13.7%	-22.4%	11.5%	-2.3%	7.0%	15.1%	13.4%	11.8%	10.7%	9.9%
Total equity	**71,657**	**63,760**	**63,448**	**63,471**	**77,461**	**95,915**	**89,289**	**86,397**	**87,327**	**88,740**	**91,144**	**94,801**
Growth	0.0%	-11.0%	-0.5%	0.0%	22.0%	23.8%	-6.9%	-3.2%	1.1%	1.6%	2.7%	4.0%
Total liabilities and equity	**171,797**	**159,423**	**167,488**	**154,228**	**181,475**	**197,203**	**226,501**	**201,425**	**201,880**	**202,329**	**204,457**	**209,309**
Growth	0.0%	-7.2%	5.1%	-7.9%	17.7%	8.7%	14.9%	-11.1%	0.2%	0.2%	1.1%	2.4%

Pfizer

Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023
Net Income	21,355	11,188	16,056	9,195	22,025	31,407	2,158
Operating Activities							
Discontinued operations		(7,328)	(5,318)	(2,529)	434	(6)	15
Growth	0.0%	0.0%	-27.4%	-52.4%	-117.2%	-101.4%	-350.0%
Depreciation & Amortization	6,269	6,150	5,755	4,681	5,191	5,064	6,290
Growth	0.0%	-1.9%	-6.4%	-18.7%	10.9%	-2.4%	24.2%
Asset write-offs and impairments	634	3,398	2,889	2,049	276	550	3,408
Growth	0.0%	436.0%	-15.0%	-29.1%	-86.5%	99.3%	519.6%
TCJA impact	(10,660)	(596)	(323)	-	-	-	-
Growth	0.0%	-94.4%	-45.8%	-100.0%	0.0%	0.0%	0.0%
Gain on completion of Consumer Healthcare JV transaction	-	-	(8,254)	-	-	-	-
Growth	0.0%	0.0%	0.0%	-100.0%	0.0%	0.0%	0.0%
Deferred taxes from continued ops	(2,410)	(2,204)	561	(1,575)	(4,293)	(3,764)	(3,442)
Growth	0.0%	-8.5%	-125.5%	-380.7%	172.6%	-12.3%	-8.6%
Share-based compensation exp	840	923	687	755	1,182	872	525
Growth	0.0%	9.9%	-25.6%	9.9%	56.6%	-26.2%	-39.8%
Benefit plan contributions	(961)	(1,057)	(55)	(1,242)	(3,123)	(1,158)	(787)
Growth	0.0%	10.0%	-94.8%	2158.2%	151.4%	-62.9%	-32.0%
Write-Offs/Related Charges for COVID-19	-	-	-			1,183	6,199
Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other adjustments	399	(1,266)	(1,080)	(485)	(1,573)	758	(3,492)
Growth	0.0%	-417.3%	-14.7%	-55.1%	224.3%	-148.2%	-560.7%
Changes in working capital	1,334	(334)	(3,902)	(307)	12,804	(5,639)	(2,172)
Growth	0.0%	-125.0%	1068.3%	-92.1%	-4270.7%	-144.0%	-61.5%
Funds from operations	16,800	8,874	7,016	10,542	32,923	29,267	8,702
Growth	0.0%	-47.2%	-20.9%	50.3%	212.3%	-11.1%	-70.3%
Funds from discontinued operations	-	6,952	5,572	3,863	(343)	-	-
Growth	0.0%	0.0%	-19.9%	-30.7%	-108.9%	-100.0%	0.0%
Net Operating Cash Flow	**16,800**	**15,826**	**12,588**	**14,405**	**32,580**	**29,267**	**8,702**
Growth	0.0%	-5.8%	-20.5%	14.4%	126.2%	-10.2%	-70.3%
Investing Activities							
CapEx	(1,956)	(1,984)	(2,046)	(2,226)	(2,711)	(3,236)	(3,907)
% Revenue	3.7%	4.9%	5.0%	5.3%	3.3%	3.2%	6.7%
Purchases of short-term investments	(14,596)	(11,677)	(6,835)	(13,805)	(38,457)	(36,384)	(30,974)
Growth	0.0%	-20.0%	-41.5%	102.0%	178.6%	-5.4%	-14.9%
Proceeds from sales of short-term inestments	10,302	17,581	9,183	11,087	27,447	44,821	39,264
Growth	0.0%	70.7%	-47.8%	20.7%	147.6%	63.3%	-12.4%
Purchases of long-term investments	(3,537)	(1,797)	(201)	(597)	(1,068)	(1,913)	(204)
Growth	0.0%	-49.2%	-88.8%	197.0%	78.9%	79.1%	-89.3%
Proceeds from sales of long-term investments	3,579	6,244	232	723	649	641	1,979
Growth	0.0%	74.5%	-96.3%	211.6%	-10.2%	-1.2%	208.7%
Acquisitions of businesses	(1,000)	-	(10,861)	-	-	(22,997)	(43,430)
Growth	0.0%	-100.0%	0.0%	-100.0%	0.0%	0.0%	88.9%
Dividend received from Consumer Healthcare JV	-	-	-	-	-	3,960	-
Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other investing activities	2,468	(3,782)	6,702	655	(8,393)	(675)	4,995
Growth	0.0%						
Funds from investing activities continued operations	(4,740)	4,585	(3,829)	(4,159)	(22,529)	(15,782)	(32,275)
Growth	0.0%	-196.7%	-183.5%	8.6%	441.7%	-29.9%	104.5%
Funds from investing activities discontinued operations	-	(60)	(120)	(109)	(12)	-	-
Growth	0.0%	0.0%	100.0%	-9.2%	-89.0%	-100.0%	0.0%
Net Investing Cash Flow	**(4,740)**	**4,523**	**(3,951)**	**(4,268)**	**(22,537)**	**(15,782)**	**(32,274)**
Growth	0.0%	-195.4%	-187.3%	8.0%	428.1%	-30.0%	104.5%
Financing Activities							
Proceeds from short-term borrowings	8,464	3,711	16,455	12,352	-	3,891	4,525
Growth	0.0%	-56.2%	343.4%	-24.9%	-100.0%	0.0%	16.3%
Payments on short-term borrowings	(9,947)	(4,437)	(8,378)	(22,197)	-	(3,887)	(3)
Growth	0.0%	-55.4%	88.8%	164.9%	-100.0%	0.0%	-99.9%
Proceeds from issuances of long-term debt	5,274	4,974	4,942	5,222	997	-	30,831
Growth	0.0%	-5.7%	-0.6%	5.7%	-80.9%	-100.0%	0.0%
Payments on long-term debt	(6,154)	(3,566)	(6,806)	(4,003)	(2,004)	(3,298)	(2,569)
Growth	0.0%	-42.1%	90.9%	-41.2%	-49.9%	64.6%	-22.1%
Purchases of common stock	(5,000)	(12,198)	(8,865)	-	-	(2,000)	-
Growth	0.0%	144.0%	-27.3%	-100.0%	0.0%	0.0%	0.0%
Cash dividends paid	(7,659)	(7,978)	(8,043)	(8,440)	(8,729)	(8,983)	(9,247)
Growth	0.0%	4.2%	0.8%	4.9%	3.4%	2.9%	2.9%
Other financing activities	1,673	(946)	2,209	(4,573)	(80)	(557)	2,530
Growth	0.0%	-156.5%	-333.5%	-307.0%	-98.3%	596.3%	-554.2%
Funds from financing activities continued operations	(13,349)	(20,440)	(8,481)	(21,639)	(9,819)	(14,834)	26,066
Growth	0.0%	53.1%	-58.5%	155.1%	-54.6%	51.1%	-275.7%
Funds from financing activities discontinued operations	-	-	-	11,991	-	-	-
Growth	0.0%	0.0%	0.0%	0.0%	-100.0%	0.0%	0.0%
Net Financing Cash Flow	**(13,349)**	**(20,440)**	**(8,482)**	**(9,646)**	**(9,820)**	**(14,834)**	**26,063**
Growth	0.0%	53.1%	-58.5%	13.7%	1.8%	51.1%	-275.7%
Effect of Exchange-rate changes on cash	53	(116)	(32)	(8)	(59)	(165)	(40)
Growth	0.0%	-318.9%	-72.4%	-75.0%	637.5%	179.7%	-75.8%
Net increase/(decrease) in cash	(1,236)	(207)	124	483	165	(1,514)	2,451
Growth	0.0%	-83.3%	-159.9%	290.1%	-65.9%	-1019.8%	-261.9%
Cash at beginning of period	**2,666**	**1,431**	**1,225**	**1,350**	**1,825**	**1,983**	**468**
Cash at end of the period	**1,430**	**1,223**	**1,347**	**1,836**	**1,989**	**459**	**2,917**
Growth	0.0%	-14.4%	10.1%	36.3%	8.3%	-76.9%	535.3%

Pfizer

Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E
Net Income	6,648	9,994	10,849	12,227	13,882
Operating Activities					
Depreciation	1,923	1,981	2,038	2,091	2,140
Amortization	5,079	4,763	4,639	4,054	3,702
Trade Accounts Receivable	(48)	(228)	(32)	(105)	(372)
Inventories	967	(187)	(26)	(86)	(305)
Current Tax Assets	291	437	475	535	607
Other Current Assets	(242)	(253)	(265)	(277)	(290)
Non-Current Deferred Tax Asset	(965)	(1,450)	(1,574)	(1,774)	(2,014)
Other noncurrent Assets	(41)	(194)	(28)	(90)	(317)
Trade Accounts Payable	(1,163)	112	16	52	184
Income Taxes Payable	(2,136)	107	27	44	53
Accured Compensation and Related	269	62	9	28	101
Deferred Revenues	(565)	43	6	20	71
Other Current Liabilities	85	407	58	188	665
Pension and Postretirement	(350)	(293)	(246)	(206)	(173)
Other Taxes Payable	(905)	(809)	(723)	(646)	(578)
Other noncurrent liabilities	(5,899)	162	23	75	265
ROU Assets	(104)	(108)	(112)	(115)	(120)
NI attributable to NCI	41	42	42	43	44
Accumulated Other Comprehensive Loss	-	-	-	-	-
Net Operating Cash Flow	**2,886**	**14,590**	**15,176**	**16,057**	**17,546**
Investing Activities					
CapEx	(2,496)	(2,546)	(2,553)	(2,577)	(2,659)
(Increase) decrease in Short Term Investments	(450)	(470)	(492)	(514)	(538)
Equity Method Investments	(582)	(611)	(641)	(674)	(707)
Goodwill	-	-	-	-	-
(Increase) decrease in Long Term Investments	(171)	(178)	(186)	(195)	(204)
Net Investing Cash Flow	**(3,698)**	**(3,806)**	**(3,873)**	**(3,959)**	**(4,108)**
Financing Activities					
S-T Borrowing including current L-T debt	(1,329)	3,982	2,362	(4,809)	4,966
Dividend Payable	41	(135)	93	97	101
Operating Leases	72	21	22	23	24
Operating Leases noncurrent	(198)	86	89	93	96
Long Term Debt	(10,107)	(4,222)	(2,701)	4,766	(4,580)
Common Stock & APIC	668	668	668	668	668
Treasury Stock Repurchases	(660)	(660)	(660)	(660)	(660)
Cash Dividends Paid	(9,653)	(9,115)	(9,486)	(9,874)	(10,277)
Net Financing Cash Flow	**(21,165)**	**(9,374)**	**(9,612)**	**(9,696)**	**(9,662)**
Effect of Exchange-rate changes on cash	-	-	-	-	-
Net increase/(decrease) in cash	(21,977)	1,411	1,691	2,401	3,776
Cash at beginning of period	**2,917**	**(19,060)**	**(17,649)**	**(15,958)**	**(13,557)**
Cash at end of the period	**(19,060)**	**(17,649)**	**(15,958)**	**(13,557)**	**(9,781)**

Pfizer

Common Size Income Statement

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
COGS	18.49%	18.55%	16.45%	17.17%	36.08%	32.78%	40.00%	26.65%	25.65%	24.65%	23.65%	22.65%
D&A	2.88%	3.46%	3.24%	3.20%	1.83%	1.45%	2.66%	3.27%	3.31%	3.39%	3.45%	3.42%
Gross Margin	78.63%	77.99%	80.31%	79.63%	62.08%	65.77%	57.34%	**70.08%**	**71.05%**	**71.96%**	**72.91%**	**73.94%**
SI&A	28.17%	30.89%	30.83%	27.84%	15.63%	13.63%	25.25%	22.05%	22.10%	22.11%	22.13%	22.21%
R&D	14.62%	19.01%	18.97%	20.91%	12.74%	11.39%	18.26%	15.71%	15.72%	15.73%	15.73%	15.76%
Acquired R&D Expenses	0.00%	0.00%	0.00%	1.64%	4.27%	0.95%	0.33%	0.20%	0.15%	0.10%	0.05%	0.05%
Restructuring/Acquisition Costs	0.67%	2.59%	1.47%	1.39%	0.99%	1.37%	5.03%	6.52%	1.21%	1.01%	0.81%	0.61%
Other Loss (Income)	1.97%	3.89%	9.56%	1.46%	-6.49%	0.07%	-0.57%	-0.29%	-0.31%	-0.36%	-0.40%	-0.51%
EBITDA	33.20%	21.60%	19.48%	26.39%	34.95%	38.35%	9.04%	**25.89%**	**32.17%**	**33.38%**	**34.58%**	**35.81%**
Amortization of Intangibles	9.05%	11.60%	10.83%	8.04%	4.55%	3.60%	8.09%	8.65%	7.95%	7.72%	6.68%	5.91%
EBIT	24.14%	10.00%	8.65%	18.35%	30.40%	34.75%	0.95%	**17.24%**	**24.22%**	**25.66%**	**27.89%**	**29.90%**
Interest Income	0.74%	0.82%	0.55%	0.18%	0.04%	0.25%	2.78%	1.45%	-0.35%	-0.18%	0.02%	0.27%
Interest Expense	2.42%	3.22%	3.85%	3.48%	1.59%	1.23%	3.78%	6.74%	5.59%	5.56%	5.49%	5.33%
Net Interest Gain (Loss)	-1.67%	-2.41%	-3.30%	-3.30%	-1.54%	-0.98%	-1.00%	-5.29%	-5.94%	-5.74%	-5.47%	-5.06%
Royalty Related Expense (Income)	-0.95%	-1.21%	-1.58%	-1.85%	-1.05%	-0.84%	-1.85%	-1.34%	-1.29%	-1.27%	-1.24%	-1.19%
Provision (benefit) for Income Taxes	-17.22%	-0.65%	1.43%	0.89%	2.28%	3.32%	-1.91%	1.97%	2.90%	3.14%	3.50%	3.85%
Net Operating Income	40.64%	9.46%	5.52%	16.01%	27.63%	31.30%	3.71%	**11.32%**	**16.67%**	**18.05%**	**20.16%**	**22.18%**
Income from Discontinued Oper.	0.00%	0.02%	0.01%	6.07%	-0.53%	0.01%	-0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
NI Attributable to NCI	0.09%	0.09%	0.07%	0.09%	0.06%	0.03%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
NOI After NCI and Disc. Oper.	40.55%	9.39%	5.45%	21.99%	27.04%	31.27%	3.62%	**11.25%**	**16.60%**	**17.98%**	**20.09%**	**22.11%**

Pfizer

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Assets												
Current Assets												
Cash and Cash Equivalents	0.8%	0.7%	0.8%	1.2%	1.1%	0.2%	1.3%	-9.5%	-8.7%	-7.9%	-6.6%	-4.7%
Short-Term Investments	10.9%	11.1%	5.1%	6.8%	16.0%	11.3%	4.3%	5.1%	5.3%	5.6%	5.8%	5.9%
Trade accounts receivable (net allowance for doubtful accts)	4.8%	5.0%	5.2%	5.1%	6.3%	5.6%	4.9%	5.6%	5.7%	5.7%	5.7%	5.7%
Inventories	4.4%	4.7%	4.9%	5.2%	5.0%	4.6%	4.5%	4.6%	4.7%	4.7%	4.7%	4.7%
Current Tax Assets	1.8%	2.1%	2.0%	2.1%	2.4%	1.8%	1.8%	1.8%	1.6%	1.4%	1.1%	0.8%
Other Current Assets	1.3%	7.6%	1.6%	2.3%	2.1%	2.5%	2.3%	2.8%	2.9%	3.0%	3.1%	3.2%
Total Current Assets	**23.9%**	**31.3%**	**19.6%**	**22.7%**	**32.9%**	**26.0%**	**19.1%**	**10.4%**	**11.4%**	**12.4%**	**13.6%**	**15.6%**
Long Term Assets												
Equity Method Investments	0.0%	0.0%	10.2%	10.9%	9.1%	5.6%	5.1%	6.1%	6.4%	6.7%	6.9%	7.1%
Long-Term Investments	4.1%	1.7%	1.8%	2.2%	2.8%	2.0%	1.6%	1.9%	2.0%	2.1%	2.2%	2.2%
PP&E, Net	8.1%	8.4%	8.3%	9.0%	8.2%	8.3%	8.4%	9.7%	9.9%	10.2%	10.3%	10.3%
Intangible Assets	28.4%	22.1%	21.1%	18.5%	13.9%	22.0%	28.7%	29.7%	27.3%	24.9%	22.7%	20.4%
Goodwill	32.6%	33.5%	35.0%	32.1%	27.1%	26.1%	29.9%	33.7%	33.6%	33.5%	33.2%	32.4%
Noncurrent Defered Tax Assets	1.1%	1.2%	1.3%	1.5%	1.8%	3.4%	1.6%	2.3%	3.0%	3.8%	4.6%	5.5%
ROU Assets	0.0%	0.0%	0.8%	0.9%	1.6%	1.5%	1.3%	1.5%	1.6%	1.6%	1.6%	1.7%
Other Noncurrent Assets	1.9%	1.8%	1.9%	2.1%	2.7%	5.2%	4.2%	4.8%	4.8%	4.8%	4.8%	4.9%
Total Long Term Assets	**76.1%**	**68.7%**	**80.4%**	**77.3%**	**67.1%**	**74.0%**	**80.9%**	**89.6%**	**88.6%**	**87.6%**	**86.4%**	**84.4%**
Total Assets	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***
Liabilities												
Current Liabilities												
S-T Borrowing including current L-T debt	5.8%	5.5%	9.7%	1.8%	1.2%	1.5%	4.6%	4.5%	6.4%	7.6%	5.2%	7.4%
Trade Accounts Payable	2.7%	2.9%	2.5%	2.8%	3.1%	3.5%	3.0%	2.8%	2.8%	2.8%	2.8%	2.8%
Dividends Payable	1.2%	1.3%	1.3%	1.4%	1.2%	1.2%	1.0%	1.2%	1.1%	1.2%	1.2%	1.2%
Income Taxes Payable	0.3%	0.8%	0.6%	0.7%	0.7%	0.8%	1.0%	0.1%	0.2%	0.2%	0.2%	0.2%
Accured Compensation and Related	1.3%	1.5%	1.6%	2.0%	1.8%	1.7%	1.2%	1.5%	1.5%	1.5%	1.5%	1.6%
Deferred Revenues	0.0%	0.0%	0.0%	0.0%	1.7%	1.3%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%
Operating Leases, current	0.0%	0.0%	0.2%	0.2%	0.2%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
Other Current Liabilities	6.5%	7.9%	6.5%	8.0%	13.5%	11.1%	8.8%	10.0%	10.2%	10.2%	10.1%	10.2%
Total Current Liabilities	17.7%	20.0%	22.3%	16.8%	23.5%	21.4%	21.1%	21.4%	23.6%	24.8%	22.5%	24.9%
Long Term Liabilities												
Long-Term Debt	19.5%	20.6%	21.5%	24.1%	19.9%	16.7%	27.2%	25.5%	23.4%	22.0%	24.1%	21.4%
Pension and postretirement benefit	4.3%	4.1%	4.0%	3.5%	2.1%	1.1%	1.0%	0.9%	0.8%	0.6%	0.5%	0.4%
Noncurrent Defered Tax Liabilities	2.3%	2.3%	3.3%	2.6%	0.2%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other Taxes Payable	10.9%	9.2%	7.2%	7.5%	6.2%	5.0%	3.8%	3.8%	3.4%	3.0%	2.7%	2.3%
Operating Leases, Noncurrent	0.0%	0.0%	0.6%	0.7%	1.4%	1.3%	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
Other Noncurrent Liabilities	3.6%	3.7%	3.1%	3.6%	4.0%	5.4%	6.1%	4.0%	4.1%	4.1%	4.0%	4.1%
Total Long Term Liabilities	**40.6%**	**40.0%**	**39.8%**	**42.0%**	**33.8%**	**30.0%**	**39.5%**	**35.7%**	**33.1%**	**31.3%**	**33.0%**	**29.8%**
Total Liabilities	**58.3%**	**60.0%**	**62.1%**	**58.8%**	**57.3%**	**51.4%**	**60.6%**	**57.1%**	**56.7%**	**56.1%**	**55.4%**	**54.7%**
Equity												
Common stock & APIC	49.3%	54.4%	52.5%	57.8%	50.2%	46.8%	41.1%	46.6%	46.8%	47.0%	46.8%	46.1%
Treasury stock shares at cost	-52.1%	-63.7%	-66.2%	-72.0%	-61.4%	-57.8%	-50.5%	-57.2%	-57.4%	-57.6%	-57.3%	-56.3%
Retained Earnings	49.6%	56.2%	58.3%	62.7%	57.0%	63.7%	52.3%	57.3%	57.6%	58.2%	58.7%	59.1%
Accumulated other comprehensive loss	-5.4%	-7.1%	-6.9%	-7.6%	-3.2%	-4.2%	-3.5%	-4.0%	-3.9%	-3.9%	-3.9%	-3.8%
Total Shareholder's Equity	**41.5%**	**39.8%**	**37.7%**	**41.0%**	**42.5%**	**48.5%**	**39.3%**	**42.7%**	**43.1%**	**43.7%**	**44.4%**	**45.1%**
Equity Attributable to NCI	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Total equity	**41.7%**	**40.0%**	**37.9%**	**41.2%**	**42.7%**	**48.6%**	**39.4%**	**42.9%**	**43.3%**	**43.9%**	**44.6%**	**45.3%**
Total liabilities and equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Pfizer

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Assets												
Current Assets												
Cash and Cash Equivalents	2.6%	2.8%	3.2%	4.3%	2.4%	0.4%	4.9%	-32.4%	-29.4%	-26.6%	-22.4%	-15.6%
Short-Term Investments	35.5%	43.3%	20.8%	25.1%	35.8%	22.2%	16.8%	17.5%	17.9%	18.7%	19.4%	19.6%
Trade accounts receivable (net allowance for doubtful accts)	15.6%	19.7%	21.3%	19.0%	14.1%	10.9%	19.1%	19.1%	19.1%	19.1%	19.1%	19.1%
Inventories	14.4%	18.4%	20.2%	19.3%	11.1%	9.0%	17.4%	15.7%	15.7%	15.7%	15.7%	15.7%
Current Tax Assets	5.8%	8.3%	8.2%	7.8%	5.2%	3.6%	6.8%	6.3%	5.4%	4.6%	3.7%	2.6%
Other Current Assets	4.4%	29.8%	6.4%	8.7%	4.7%	5.0%	9.1%	9.4%	9.7%	10.1%	10.4%	10.6%
Total Current Assets	**78.3%**	**122.3%**	**80.2%**	**84.2%**	**73.4%**	**51.1%**	**74.1%**	**35.6%**	**38.4%**	**41.7%**	**46.0%**	**52.0%**
Long Term Assets												
Equity Method Investments	0.0%	0.0%	41.9%	40.5%	20.3%	11.0%	19.9%	20.8%	21.4%	22.4%	23.3%	23.7%
Long-Term Investments	13.4%	6.8%	7.4%	8.2%	6.2%	4.0%	6.4%	6.6%	6.8%	7.1%	7.4%	7.5%
PP&E, Net	26.4%	32.8%	34.1%	33.4%	18.3%	16.2%	32.4%	33.2%	33.5%	34.3%	34.8%	34.5%
Intangible Assets	92.8%	86.2%	86.5%	68.4%	30.9%	43.2%	110.9%	101.8%	91.9%	83.9%	76.4%	68.2%
Goodwill	106.5%	130.8%	143.4%	119.0%	60.5%	51.2%	115.9%	115.4%	113.1%	112.8%	111.8%	108.3%
Noncurrent Defered Tax Assets	3.5%	4.7%	5.1%	5.7%	4.1%	6.7%	6.3%	8.0%	10.2%	12.8%	15.6%	18.3%
ROU Assets	0.0%	0.0%	3.2%	3.3%	3.5%	3.0%	5.0%	5.2%	5.2%	5.4%	5.5%	5.6%
Other Noncurrent Assets	6.1%	6.9%	7.7%	7.6%	6.0%	10.1%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%
Total Long Term Assets	**248.6%**	**268.2%**	**329.3%**	**286.1%**	**149.8%**	**145.5%**	**313.1%**	**307.3%**	**298.4%**	**295.0%**	**291.1%**	**282.3%**
Total Assets	***326.9%***	***390.5%***	***409.5%***	***370.3%***	***223.2%***	***196.6%***	***387.2%***	***342.9%***	***336.8%***	***336.6%***	***337.1%***	***334.4%***
Liabilities												
Current Liabilities												
S-T Borrowing including current L-T debt	18.9%	21.6%	39.6%	6.5%	2.8%	2.9%	17.7%	15.4%	21.7%	25.6%	17.4%	24.8%
Trade Accounts Payable	8.9%	11.4%	10.3%	10.3%	6.9%	6.8%	11.5%	9.4%	9.4%	9.4%	9.4%	9.4%
Dividends Payable	3.9%	5.0%	5.1%	5.2%	2.8%	2.3%	4.1%	4.1%	3.8%	3.9%	4.1%	4.1%
Income Taxes Payable	0.9%	3.1%	2.4%	2.5%	1.6%	1.6%	4.0%	0.4%	0.5%	0.6%	0.6%	0.7%
Accured Compensation and Related	4.2%	5.9%	6.6%	7.3%	4.1%	3.4%	4.7%	5.2%	5.2%	5.2%	5.2%	5.2%
Deferred Revenues	0.0%	0.0%	0.0%	0.0%	3.8%	2.5%	4.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Operating Leases, current	0.0%	0.0%	0.7%	0.8%	0.6%	0.6%	0.9%	1.0%	1.0%	1.1%	1.1%	1.1%
Other Current Liabilities	21.2%	31.0%	26.4%	29.6%	30.1%	21.9%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%
Total Current Liabilities	57.9%	78.0%	91.2%	62.2%	52.5%	42.0%	81.7%	73.3%	79.5%	83.6%	75.7%	83.2%
Long Term Liabilities												
Long-Term Debt	63.8%	80.6%	87.9%	89.2%	44.5%	32.8%	105.2%	87.5%	78.8%	74.1%	81.2%	71.4%
Pension and postretirement benefit	14.1%	16.2%	16.5%	13.0%	4.6%	2.2%	3.7%	3.1%	2.5%	2.1%	1.8%	1.4%
Noncurrent Defered Tax Liabilities	7.4%	9.1%	13.6%	9.8%	0.4%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.0%
Other Taxes Payable	35.6%	36.1%	29.6%	27.8%	13.9%	9.8%	14.6%	13.0%	11.4%	10.1%	9.0%	7.8%
Operating Leases, Noncurrent	0.0%	0.0%	2.6%	2.7%	3.1%	2.6%	4.5%	4.1%	4.2%	4.3%	4.4%	4.5%
Other Noncurrent Liabilities	11.7%	14.3%	12.9%	13.4%	8.9%	10.5%	23.8%	13.6%	13.6%	13.6%	13.6%	13.6%
Total Long Term Liabilities	**132.7%**	**156.3%**	**163.2%**	**155.7%**	**75.5%**	**59.0%**	**152.9%**	**122.5%**	**111.6%**	**105.4%**	**111.1%**	**99.7%**
Total Liabilities	**190.6%**	**234.3%**	**254.3%**	**217.9%**	**128.0%**	**101.0%**	**234.6%**	**195.8%**	**191.1%**	**189.0%**	**186.8%**	**182.9%**
Equity												
Common stock & APIC	161.3%	212.5%	214.9%	214.0%	112.0%	92.0%	159.2%	159.6%	157.6%	158.2%	157.9%	154.1%
Treasury stock shares at cost	-170.2%	-248.9%	-270.9%	-266.5%	-137.0%	-113.6%	-195.7%	-196.0%	-193.2%	-193.8%	-193.1%	-188.2%
Retained Earnings	162.3%	219.4%	238.8%	232.3%	127.2%	125.2%	202.3%	196.5%	194.0%	195.7%	197.9%	197.5%
Accumulated other comprehensive loss	-17.7%	-27.6%	-28.5%	-28.1%	-7.3%	-8.3%	-13.6%	-13.6%	-13.3%	-13.2%	-13.1%	-12.7%
Total Shareholder's Equity	**135.7%**	**155.3%**	**154.4%**	**151.8%**	**95.0%**	**95.3%**	**152.2%**	**146.5%**	**145.1%**	**147.0%**	**149.5%**	**150.7%**
Equity Attributable to NCI	0.7%	0.9%	0.7%	0.6%	0.3%	0.3%	0.5%	0.5%	0.6%	0.7%	0.7%	0.8%
Total equity	**136.4%**	**156.2%**	**155.1%**	**152.4%**	**95.3%**	**95.6%**	**152.6%**	**147.1%**	**145.7%**	**147.6%**	**150.3%**	**151.4%**
Total liabilities and equity	**326.9%**	**390.5%**	**409.5%**	**370.3%**	**223.2%**	**196.6%**	**387.2%**	**342.9%**	**336.8%**	**336.6%**	**337.1%**	**334.4%**

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Value Driver Estimation

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
NOPLAT:												
Revenue	52,546	40,825	40,905	41,651	81,288	100,330	58,496	58,745	59,936	60,105	60,654	62,599
Less: COGS	9,717	7,573	6,728	7,151	29,330	32,889	23,397	15,653	15,371	14,813	14,342	14,176
Less: Depreciation	1,511	1,414	1,326	1,333	1,491	1,455	1,557	1,923	1,981	2,038	2,091	2,140
Less: Amortization of Intangibles	4,758	4,736	4,429	3,348	3,700	3,609	4,733	5,079	4,763	4,639	4,054	3,702
Less: R&D	7,683	7,760	7,760	8,709	10,360	11,428	10,679	9,227	9,424	9,452	9,543	9,865
Less: SI&A	14,804	12,612	12,612	11,597	12,703	13,677	14,771	12,956	13,249	13,290	13,425	13,904
Less: Acquired R&D Costs	-	-	-	684	3,469	953	194	117	90	60	30	28
Less: Restructuring/Acquisitions Costs	351	1,058	601	579	802	1,375	2,943	3,830	727	609	493	384
Plus: Implied Interest on Leases	-	-	70	75	156	170	166	160	166	171	178	184
EBITA	13,722	5,672	7,519	8,325	19,589	35,114	388	10,121	14,498	15,375	16,854	18,584
Less: Adjusted Taxes	(8,794)	43	1,310	521	1,112	3,417	(1,002)	1,522	2,170	2,301	2,521	2,778
Plus:Provision for income tax	(9,049)	(266)	583	370	1,852	3,328	(1,115)	1,155	1,736	1,885	2,124	2,412
Plus: Tax Shield on Int/Invest Loss	229	196	251	169	234	225	(537)	610	521	520	520	521
Less: Tax on Int/Invest Income	160	123	134	94	145	175	(612)	242	83	97	113	135
Less: Tax (Shield) on non-op. Income (Loss)	(186)	(237)	(609)	(76)	829	(39)	(38)	1	3	7	9	20
Plus: Change in Deferred Taxes	(2,410)	(2,204)	561	(1,575)	(4,293)	(3,764)	(3,442)	(965)	(1,450)	(1,574)	(1,774)	(2,014)
NOPLAT	20,106	3,425	6,770	6,229	14,184	27,933	(2,052)	7,634	10,877	11,500	12,559	13,792
Invested Capital (IC):												
Plus: Operating Current Assets	15,799	15,533	17,007	15,976	20,538	19,933	21,366	20,447	20,862	20,920	21,111	21,788
Plus: Inventories	7,578	7,508	8,283	8,046	9,059	8,981	10,189	9,222	9,409	9,436	9,522	9,827
Plus: Accounts Receivable	8,221	8,025	8,724	7,930	11,479	10,952	11,177	11,225	11,452	11,484	11,589	11,961
Plus: Normal Cash	-	-	-	-	-	-	-	-	-	-	-	-
Less: Operating Current Liabilities	28,055	25,120	22,150	22,138	26,823	26,438	25,441	20,981	20,363	19,791	19,385	19,317
Plus: Accounts Payable	4,656	4,674	4,220	4,309	5,578	6,809	6,710	5,547	5,659	5,675	5,727	5,910
Plus: Dividends Payable	2,029	2,047	2,104	2,162	2,249	2,303	2,372	2,413	2,279	2,372	2,468	2,569
Plus: Deferred Revenues	-	-	-	-	3,067	2,520	2,700	2,135	2,178	2,184	2,204	2,275
Plus: Income Tax Payable	477	1,265	980	1,049	1,266	1,587	2,349	213	320	347	391	444
Plus: Other Taxes Payable	18,697	14,737	12,126	11,560	11,331	9,812	8,534	7,629	6,821	6,098	5,451	4,874
Plus: Accrued Compensation	2,196	2,397	2,720	3,058	3,332	3,407	2,776	3,045	3,107	3,115	3,144	3,245
Operating Working Capital	(12,256)	(9,587)	(5,143)	(6,162)	(6,285)	(6,505)	(4,075)	(534)	499	1,130	1,726	2,472
Plus: Long-Term Operating Assets	62,606	48,596	49,337	43,660	41,414	62,483	86,842	82,258	78,164	74,148	70,691	67,624
Plus: PP&E	13,865	13,385	13,967	13,900	14,882	16,274	18,940	19,513	20,078	20,593	21,079	21,598
Plus: Identifiable Intangible Assets	48,741	35,211	35,370	28,471	25,146	43,370	64,900	59,821	55,058	50,419	46,365	42,663
Plus: ROUs	-	-	-	1,289	1,386	2,839	3,002	2,924	3,028	3,136	3,247	3,363
Less: Long-Term Operating Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Plus: Other Operating Assets	553	1,499	578	679	866	1,518	1,485	1,513	1,558	1,587	1,624	1,684
Less: Other Operating Liabilities	1,726	1,849	1,608	1,788	3,172	3,253	3,392	2,811	2,868	2,876	2,902	2,995
Invested Capital (IC)	49,176	38,658	43,165	36,389	32,823	54,243	80,859	80,425	77,353	73,988	71,138	68,785
Free Cash Flow (FCF):												
NOPLAT	20,106	3,425	6,770	6,229	14,184	27,933	(2,052)	7,634	10,877	11,500	12,559	13,792
Change in IC	-	(10,518)	4,506	(6,776)	(3,566)	21,420	26,617	(434)	(3,073)	(3,365)	(2,850)	(2,354)
FCF	20,106	13,943	2,264	13,005	17,750	6,513	(28,669)	8,068	13,950	14,865	15,409	16,146
Return on Invested Capital (ROIC):												
NOPLAT	20,106	3,425	6,770	6,229	14,184	27,933	(2,052)	7,634	10,877	11,500	12,559	13,792
Beginning IC	-	49,176	38,658	43,165	36,389	32,823	54,243	80,859	80,425	77,353	73,988	71,138
ROIC	0.00%	6.96%	17.51%	14.43%	38.98%	85.10%	-3.78%	9.44%	13.52%	14.87%	16.97%	19.39%
Economic Profit (EP):												
Beginning IC	-	49,176	38,658	43,165	36,389	32,823	54,243	80,859	80,425	77,353	73,988	71,138
x (ROIC - WACC)	-6.80%	0.17%	10.71%	7.63%	32.18%	78.30%	-10.58%	2.64%	6.73%	8.07%	10.18%	12.59%
EP	-	81	4,142	3,294	11,710	25,701	(5,740)	2,137	5,410	6,241	7,529	8,956

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Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		
Risk-Free Rate	4.57%	
Beta	0.61	
Equity Risk Premium	5.59%	
Cost of Equity	**7.96%**	
Cost of Debt:		
Risk-Free Rate	4.57%	
Implied Default Premium	0.71%	
Pre-Tax Cost of Debt	5.28%	
Marginal Tax Rate	15%	
After-Tax Cost of Debt	**4.50%**	
		MV Weights
Market Value of Common Equity:		
Total Shares Outstanding	5,646.78	
Current Stock Price	$26.32	66.49%
MV of Equity	**148,623.20**	
Market Value of Debt:		
Short-Term Debt & Current Portion of LTD & I	10,350	
Long-Term Debt	61,538	
PV of Operating Leases	3,002	
MV of Total Debt	**74,890.00**	33.51%
	223,513.20	100.00%
Market Value of the Firm		
	Estimated WACC	**6.80%**

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

Key Inputs:	
CV Growth of NOPLAT	3.10%
CV Year ROIC	19.39%
WACC	6.80%
Cost of Equity	7.96%

Fiscal Years Ending Dec. 31	**2024E**	**2025E**	**2026E**	**2027E**	**TV**
DCF Model:					
Free Cash Flow (FCF)	8,068	13,950	14,865	15,409	
Continuing Value (CV)					313285.8
PV of FCF	7554.7	12230.4	12202.7	11844.2	240812.4
Value of Operating Assets:	284644.4				
Non-Operating Adjustments:	-70079.6				
(+) Long-term investments	3731.0				
(+) Short-term investments	9837.0				
(+) Equity Method Investments	11637.0				
(+) Excess Cash	2853.0				
(+) Other Non-Operating Assets	13361.4				
(-) ESOP	895.4				
(-) Notes payable	6710.0				
(-) ST Debt & LT Debt	71888.0				
(-) Operating Lease Liability	3153.0				
(-) Pension/Retirement Liability (as	-1952.0				
(-) NCI	274.0				
(-) Other Non-Operating Liabilities	30530.7				
Value of Equity	214564.7				
Shares Outstanding	5646.8				
Intrinsic Value of Last FYE	$ 38.00		**Premium**		
Implied Price as of Today	$ 38.16		44.99%		
EP Model:					
Economic Profit (EP)	2137.2	5409.6	6241.1	7528.7	
Continuing Value (CV)					242147.4
PV of EP	2001.1	4742.8	5123.5	5787.1	186130.6
Total PV of EP	203785.1				
Invested Capital (last FYE)	80859.3				
Value of Operating Assets:	284644.4				
Non-Operating Adjustments	-70079.6				
Value of Equity	214564.7				
Shares Outstanding	5646.8				
Intrinsic Value of Last FYE	$ 38.00				
Total Dividends Paid					

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

Fiscal Years Ending	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
EPS	$ 1.24	$ 1.96	$ 2.13	$ 2.40	$ 2.73
Key Assumptions					
CV growth of EPS	3.10%				
CV Year ROE	15.31%				
Cost of Equity	7.96%				
Future Cash Flows					
P/E Multiple (CV Year)					
EPS (CV Year)					
Future Stock Price					
Dividends Per Share	1.71	1.78	1.86	1.94	2.02
Discounted Cash Flows	1.58	1.53	1.48	1.43	32.97
Intrinsic Value as of Last FYE	$ 38.99		**Premium**		16.42
Implied Price as of Today	$ 39.15		48.76%		$ 2.73
					$ 44.79
					$ 32.97

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Relative Valuation Models

				Price Data				Price-To-Earnings				Est. 5 yr PEG			EV/EBITDA	
Ticker	Company	Market Cap	Price	52 Wk Low	52 Wk High	Range	%Between Hi-Lo	EPS 2024E	EPS 2025E	P/E 24	P/E 25	EPS gr.	PEG 24	PEG 25	2024E	2025E
AMGN	Amgen	143240	$266.60	211.71	329.72	59.005	46.51%	$19.56	$21.06	13.63	12.66	5.1	2.66	2.47	11.9x	11.5x
LLY	Eli Lily and Co	714634	$760.06	367.35	800.78	216.715	90.61%	$12.50	$18.15	60.80	41.88	50.7	1.20	0.83	48.6x	34.7x
JNJ	Johnson & Johnson	355491	$150.12	144.95	175.97	15.51	16.67%	$10.66	$10.99	14.08	13.66	4.7	3.00	2.91	12.4x	11.9x
MRNA	Moderna, Inc.	40256	$106.56	62.55	156.75	47.1	46.72%	($7.19)	($5.21)	(14.82)	(20.45)	-51.1	0.29	0.40	20.0x	16.0x
ABBV	Abbvie, Inc.	287341	$170.00	130.96	182.89	25.965	75.18%	$11.18	$12.22	15.21	13.91	6.4	2.39	2.19	14.1x	13.6x
BMY	Bristol-Myers Squibb Co	97852	$50.29	47.58	70.94	11.68	11.60%	$6.84	$7.06	7.35	7.12	-3.0	(8.80)	3.90	7.9x	6.8x
MRK	Merck & Co., Inc.	318503	$126.75	99.14	133.1	16.98	81.30%	$8.57	$9.78	14.79	12.96	67.6	467.50	14.10	11.7x	10.0x
GSK	GSK plc	83443	$40.69	33.33	43.84	5.255	70.03%	$1.95	$2.20	20.87	18.50	4.8	4.40	12.90	7.5x	6.8x
AZN	AstraZeneca PLC	213713	$68.20	60.47	76.56	8.045	48.04%	$4.56	$5.13	14.96	13.29	13.2	25.60	12.50	12.9X	11.2X
GILD	Gilead Sciences, Inc.	84881	$68.12	67.62	87.87	10.125	2.47%	$7.11	$7.41	9.58	9.19	5.1	5.80	3.90	8.1x	7.6x
							33.91%		Average	14.53	13.30		3.24	3.07	12.5x	11.7x
PFE	Pfizer	148623	$26.32	25.61	41.33	7.86	4.52%	$1.24	$1.96	21.3	13.5	47.9	0.44	0.28	10.9x	9.5x

Implied Relative Value:	Share Price	Premium (Loss)
P/E (EPS24)	$ 17.96	-31.78%
P/E (EPS25)	$ 26.00	-1.21%
PEG (EPS24)	$ 192.03	629.59%
PEG (EPS25)	$ 288.12	994.69%
EV/EBITDA (24)	$ 39.88	51.50%
EV/EBITDA (25)	$ 48.86	85.65%
52 Week Range	$ 30.94	17.55%

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Liquidity Ratios:												
Quick Ratio (Cash + AR/CL)	0.31	0.29	0.27	0.37	0.31	0.27	0.29	-0.18	-0.13	-0.09	-0.04	0.04
Current Ratio (CA/CL)	1.35	1.57	0.88	1.35	1.40	1.22	0.91	0.49	0.48	0.50	0.61	0.63
Cash Ratio (Cash/CL)	0.04	0.04	0.03	0.07	0.05	0.01	0.06	-0.44	-0.37	-0.32	-0.30	-0.19
Operation Cash Flow Ratio (Cash from Ops/CL)	0.55	0.50	0.34	0.56	0.76	0.69	0.18	0.07	0.31	0.30	0.35	0.34
Asset-Management Ratios:												
Total Asset Turnover (Rev/Total Assets)	0.31	0.26	0.24	0.27	0.45	0.51	0.26	0.29	0.30	0.30	0.30	0.30
Fixed Asset Turnover (Rev/((Beg + End PPE) /2)))	3.86	2.99	2.94	2.89	5.22	5.70	3.04	2.97	2.95	2.88	2.84	5.80
Working Capital Turnover (Rev/Operating WC)	-4.29	-4.26	-7.95	-6.76	-12.93	-15.42	-14.35	-109.96	120.07	53.20	35.14	25.33
Financial Leverage Ratios:												
Debt Ratio (Total Assets/Total Liabilties)	1.72	1.67	1.61	1.70	1.74	1.95	1.65	1.75	1.76	1.78	1.80	1.83
Debt to Equity Ratio	1.40	1.50	1.64	1.43	1.34	1.06	1.54	1.33	1.31	1.28	1.24	1.21
Leverage Ratio (Total Debt/EBITDA)	2.29	4.08	5.61	3.23	1.29	0.90	10.50	3.53	2.83	2.71	2.59	2.45
Profitability Ratios:												
Return on Equity (NI/Beg TSE)	0.00%	5.41%	3.56%	10.56%	35.52%	40.67%	2.27%	7.47%	11.61%	12.47%	13.84%	15.31%
Return on Assets(NI/Assets)	12.43%	2.42%	1.35%	4.32%	12.38%	15.92%	0.96%	3.30%	4.95%	5.36%	5.98%	6.63%
Gross Profit Margin	78.63%	77.99%	80.31%	79.63%	62.08%	65.77%	57.34%	70.08%	71.05%	71.96%	72.91%	73.94%
Net Income Margin	40.64%	9.46%	5.52%	16.01%	27.63%	31.30%	3.71%	11.32%	16.67%	18.05%	20.16%	22.18%
Payout Policy Ratios:												
Dividend Payout Ratio (Dividend/EPS)	213628.43%	209.88%	356.52%	127.48%	39.15%	28.76%	426.08%	138.36%	91.13%	87.37%	80.69%	73.98%
Total Payout Ratio ((Divs. + Repurchases)/NI)	0.00%	525.47%	763.92%	130.29%	40.81%	37.06%	448.13%	155.12%	97.81%	93.52%	86.15%	78.79%

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Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	28
Average Time to Maturity (years):	1.70
Expected Annual Number of Options Exercised:	17
Current Average Strike Price:	$ 39.92
Cost of Equity:	7.96%
Current Stock Price:	$26.32

Fiscal Years Ending Dec. 31	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
Increase in Shares Outstanding:	17	17	17	17	17
Average Strike Price:	$ 39.92	$ 39.92	$ 39.92	$ 39.92	$ 39.92
Increase in Common Stock Account:	**668**	**668**	**668**	**668**	**668**
Share Repurchases ($)	518	660	660	660	660
Expected Price of Repurchased Shares:	$ 26.32	$ 26.74	$ 27.16	$ 27.59	$ 28.02
Number of Shares Repurchased:	**20**	**25**	**24**	**24**	**24**
Shares Outstanding (beginning of the year)	5,118	5,115	5,107	5,099	5,092
Plus: Shares Issued Through ESOP	17	17	17	17	17
Less: Shares Repurchased in Treasury	20	25	24	24	24
Shares Outstanding (end of the year)	**5,115**	**5,107**	**5,099**	**5,092**	**5,085**

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Valuation of Options Granted under ESOP

Current Stock Price	$26.32
Risk Free Rate	4.57%
Current Dividend Yield	6.38%
Annualized St. Dev. of Stock Returns	9.72%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Stock Options	28	39.92	1.70	$ 31.47	$ 895
Range 2					$ -
Range 3					$ -
Range 4					$ -
Range 5					$ -
Range 6					$ -
Range 7					$ -
Range 8					$ -
Range 9					$ -
Total	28	$ 39.92	1.70	$ 0.00	**$ 895**

Pfizer

Sensitivity Tables

DCF — CapEx% of Sales (rows: Est. % of Other Oper)

38.16	1.25%	2.25%	3.25%	4.25%	5.25%	6.25%	7.25%
4.00%	41.20	40.11	39.02	37.93	36.84	35.75	34.67
6.00%	41.27	40.18	39.10	38.01	36.92	35.83	34.74
8.00%	41.35	40.26	39.17	38.08	37.00	35.91	34.82
10.00%	41.42	40.34	39.25	38.16	37.07	35.98	34.90
12.00%	41.50	40.41	39.32	38.24	37.15	36.06	34.97
14.00%	41.58	40.49	39.40	38.31	37.22	36.14	35.05
16.00%	41.65	40.57	39.48	38.39	37.30	36.21	35.12

DCF — Marginal Tax Rate (rows: Risk-Free Rate)

38.16	11.80%	12.80%	13.80%	14.80%	15.80%	16.80%	17.80%
4.27%	38.47	38.71	38.95	39.20	39.45	39.70	39.95
4.37%	38.13	38.37	38.61	38.85	39.09	39.34	39.59
4.47%	37.79	38.03	38.26	38.50	38.74	38.99	39.23
4.57%	37.46	37.69	37.93	38.16	38.40	38.64	38.88
4.67%	37.14	37.36	37.59	37.83	38.06	38.30	38.54
4.77%	36.81	37.04	37.27	37.50	37.73	37.96	38.20
4.87%	36.50	36.72	36.94	37.17	37.40	37.63	37.86

DCF — R&D% of Sales (rows: SI&A Sales)

38.16	16.26%	16.16%	16.36%	16.56%	16.76%	16.96%	17.16%
24.31%	39.30	39.49	39.11	38.73	38.34	37.96	37.58
24.41%	39.11	39.30	38.91	38.54	38.15	37.77	37.39
24.51%	38.91	39.11	38.72	38.35	37.96	37.58	37.20
24.61%	38.73	38.92	38.54	38.16	37.78	37.39	37.01
24.71%	38.53	38.72	38.34	37.97	37.58	37.20	36.82
24.81%	38.34	38.53	38.15	37.78	37.39	37.01	36.63
24.91%	38.15	38.34	37.96	37.59	37.20	36.82	36.44

DCF — Post Patent Cliff (rows: Patent Cliff (admin.))

38.16	0.00%	-1.00%	-2.00%	-3.00%	-4.00%	-5.00%	-6.00%
-37.00%	39.11	38.82	38.54	38.26	37.99	37.71	37.45
-39.00%	39.08	38.79	38.51	38.23	37.95	37.68	37.42
-41.00%	39.04	38.76	38.47	38.20	37.92	37.65	37.39
-43.00%	39.01	38.72	38.44	38.16	37.89	37.62	37.36
-45.00%	38.97	38.69	38.41	38.13	37.86	37.59	37.33
-47.00%	38.93	38.65	38.37	38.10	37.83	37.56	37.30
-49.00%	38.90	38.62	38.34	38.06	37.79	37.53	37.27

DDM — Dividend Growth (rows: Cost of Equity)

39.15	2.74%	3.24%	3.74%	4.24%	4.74%	5.24%	5.74%
7.36%	44.49	44.55	44.61	44.67	44.73	44.79	44.85
7.56%	42.48	42.54	42.60	42.66	42.72	42.78	42.84
7.76%	40.64	40.70	40.76	40.82	40.88	40.94	41.00
7.96%	38.97	39.03	39.09	39.15	39.22	39.28	39.34
8.16%	37.40	37.46	37.52	37.58	37.64	37.71	37.77
8.36%	35.97	36.03	36.09	36.15	36.21	36.27	36.33
8.56%	34.64	34.70	34.76	34.82	34.88	34.94	35.01

DDM — Equity Risk Premium (rows: Beta)

39.15	4.33%	4.75%	5.17%	5.59%	6.01%	6.43%	6.85%
0.31	66.83	64.16	61.71	59.46	57.38	55.46	53.67
0.41	57.90	55.23	52.80	50.60	48.59	46.74	45.04
0.51	51.08	48.47	46.14	44.03	42.12	40.39	38.79
0.61	45.89	43.38	41.15	39.15	37.35	35.72	34.23
0.71	41.33	38.95	36.84	34.96	33.27	31.74	30.36
0.81	37.73	35.46	33.46	31.69	30.10	28.67	27.38
0.91	34.71	32.55	30.65	28.98	27.48	26.14	24.93