

Pfizer

Takeaways from Pfizer's Oncology Innovation Day

Maintain Rating: NEUTRAL | PO: 35.00 USD | Price: 27.04 USD

Pfizer's oncology strategy aims to diversify portfolio

We attended Pfizer's Oncology Innovation Day where the company showcased its expansive oncology pipeline and overarching strategy of growing oncology sales through the end of the decade by diversifying away from Ibrance (2027 LOE), focusing on three modalities (bispecifics, ADCs, small molecules) and four indications (breast, thoracic, genitourinary, heme/onc). While we were impressed by the company's breadth, inflection from pivotal data is not expected until 2026+ with major readouts in 2025. We remain sidelined on PFE as we don't see a material inflection from commercial execution in oncology (despite seeing potential upside in some oncology assets) while pipeline data matures. Maintain Neutral on PFE, \$35 PO.

Potential near-term oncology growth drivers

We maintain that 2024 Seagen legacy sales of \$3.1B look beatable (BofA \$3.2B; cons \$3.1B) and wouldn't be surprised by upside in this segment driven by Pfizer's selling infrastructure but think potential of the heme/onc franchise with BCMaXCD3 Elrexio launch (BofA \$200M; cons \$124M) may be underappreciated by the Street. Despite growing competition in r/r MM bispecifics (e.g., J&J's Tecvayli, Regeneron's linvoseltamab), we think Elrexio's clinical (durability / survival benefit), and commercial profile (convenient dosing) could support robust uptake, leveraging the company's reorganized heme/onc salesforce. Indeed, Pfizer plans to report additional OS data and launch Elrexio in 16 countries by end of 2024. Furthermore, consensus CAGR expectations for Elrexio are relatively low ('25-30 CAGR: +19% Elrexio vs. +28% Tecvayli) with 2030 consensus sales of \$608M (BofA: \$1.5B) versus \$2.7B / Tecvayli.

Our top picks from the ADC pipeline

In-line with expectations, new data shared were mostly from the early-stage pipeline. We thought introduction of the PD-L1 ADC had potential, especially given the synergistic potency observed with the vedotin payload and PD-1 inhibitors. We were also interested in the development of ADCs utilizing topoisomerase 1(TOP1) payloads, which have demonstrated more potent cytotoxicity than DXd preclinically. While there were fewer late-stage assets, we are optimistic about disitamab vedotin (HER2) as we think approval in China provides some clinical de-risking and initial development in mUC is strategic given potential synergy with PD-1 inhibition and limited competition as Kadcyra (Roche's HER2 ADC) is commercialized in HER2+ mBC. Pfizer also shared new data on sivatatug vedotin (IB6) in non-squamous NSCLC, demonstrating a 31% ORR. Our initial impression of the sivatatug vedotin are that monotherapy data are solid, but not impressive and look for upside potential with PD-1 combo data.

Catalysts suggest next oncology inflection isn't until 2026

Although Pfizer listed multiple catalysts throughout their presentation, we highlight that most material read-throughs are 2025+: 1) label expansion opportunity for Padcev in MIBC (EV-303 / cis-ineligible; EV-304 / cis-eligible), which would grow the TAM 2x (2025-2027), 2) disitamab vedotin (HER2) data in 1L and 2L+ HER2+ mUC (1H25 and 2026 readout, respectively), 3) sigvatatug vedotin (IB6) pivotal data in non-squamous NSCLC (2026/2027), and 4) MagnetisMM-5 / -32 Elrexio label expansion (2025/2026).

01 March 2024

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Stock Data

Price	27.04 USD
Price Objective	35.00 USD
Date Established	13-Dec-2023
Investment Opinion	B-2-7
52-Week Range	25.76 USD - 42.22 USD
Mrkt Val (mn) / Shares Out (mn)	154,371 USD / 5,709.0
Free Float	100.0%
Average Daily Value (mn)	1167.39 USD
BofA Ticker / Exchange	PFE / NYS
Bloomberg / Reuters	PFE US / PFE.N
ROE (2024E)	13.6%
Net Dbt to Eqty (Dec-2023A)	17.7%
ESGMeter™	High

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Abbreviations on page 2.

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Timestamp: 01 March 2024 07:15AM EST

Abbreviations:

LOE: loss of exclusivity

ADC: antibody drug conjugate

r/r: relapsed and refractory

MM: multiple myeloma

BCMA: B-cell maturation antigen

CD3: cluster of differentiation 3

HER2: human epidermal growth factor receptor 2

IB6: integrin beta 6

TAM: total addressable market

OS: overall survival

DXd: exatecan derivative

mUC: metastatic urothelial cancer

mBC: metastatic breast cancer

NSCLC: non-small cell lung cancer

1L: first-line

2L: second line

PD-1: programmed cell death protein 1

PD-L1: programmed death-ligand 1

Price objective basis & risk

Pfizer (PFE)

Our \$35/share for Pfizer is based on a 50/50 blended average of our discounted cash flow (DCF) analysis and P/E multiple based on the large cap global therapeutics group. For our DCF, we use a weighted-average cost of capital (WACC) of 7% and 1% terminal growth for an intrinsic value of \$47/share. Our P/E analysis assumes a 10x multiple of our 2025 EPS estimate, which yields a \$24 intrinsic value.

Downside risks: 1) sales downside, 2) inability for pipeline to overcome patent loss of exclusivities (LOEs) after 2025, 3) M&A transactions that are perceived to be value destructive.

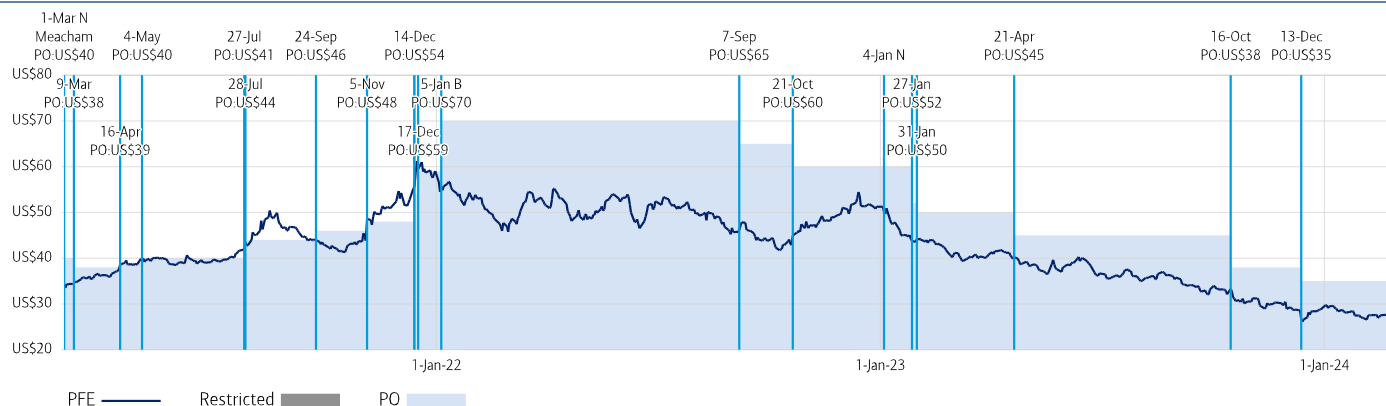
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Pfizer (PFE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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