

PFIZER INC. Health Care



Recommendation: **BUY**

Closing price: 40.21

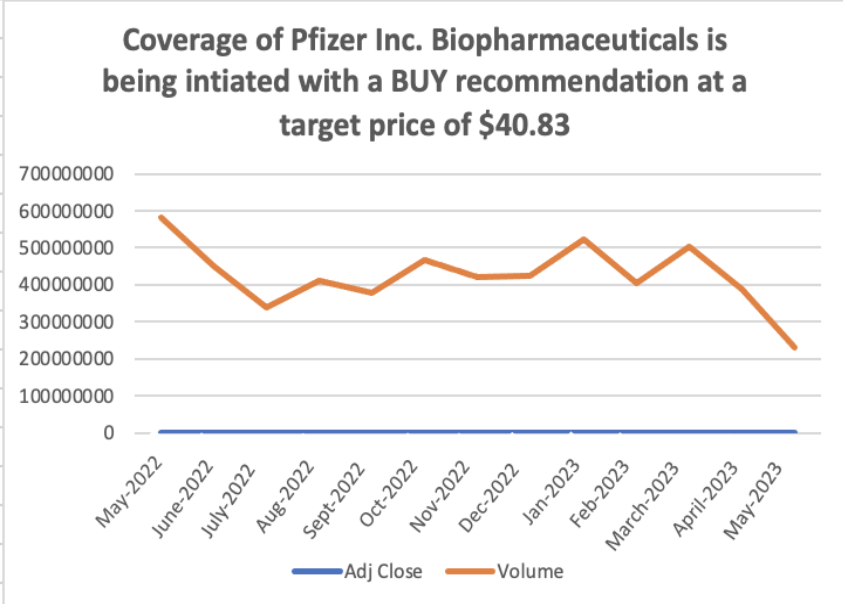
12-Mo Target Price: \$40.83 (as of April 23, 2023)

12-Mo Target Return: -14.25%

Sector: Health Care
Industry: Biotech & Pharmaceuticals

Figure 1

Profile	
Closing Price (April 23, 2023)	\$40.21
52-Week Range (Date Reach : March 10, 2023)	\$38.895 - \$54.93
Outstanding Shares	5.616B
60-Mo. Weekly Beta (Raw or Adjusted??)	0.746
Market Cap	\$225.27B
Enterprise Value	\$241,837.098 Mil.



Source: Bloomberg

Figure 2

Credit Ratings	April 23, 2023		
	S&P	Moody's	Fitch
Corporate Rating	A	A1 to A2	A' / Stable
Unsecured Notes	F1 Affirmed	A1 to A2	A' / Stable

Figure 3

Valuation Summary		
Valuation Date	April 23, 2023	
Models	Weight	Price
NAV	30%	\$51.67
DCF	30%	\$49.89
DDM	30%	\$35.12
Relative Valuation	30%	\$51.75
75% Confidence		\$42.51
12-Month Target Price		\$40.83
Target Price Upside Return		-14.25%
2022 Dividends		\$1.60
Total 12-Mo Return (%)		-14.25%

HIGHLIGHTS

Pfizer Inc. (NASDAQ: PFE) serves, according to their 10K, as “a research-based, global biopharmaceutical company” (Pfizer.com). They prioritize bringing advanced therapy, wellness, and treatment through discovering, developing, manufacturing, marketing, selling, and distributing biopharmaceutical products to a worldwide market. Their advanced wellness, prevention, and treatments alone guide PFE in communicating with developing and emerging markets regarding the challenges of feared diseases. In their research and development, they operate through WRDM and GPD to obtain technical expertise and share resources among projects in the therapeutic areas and phases of product development. Some of their recent business highlights include distributing and developing COVID-19 vaccines, developing a strong portfolio of oncology drugs, treating rare disease in their portfolio of drugs, develop biosimilars for blockbuster drugs, investing in digital health initiatives, and having a corporate responsibility over access to healthcare, environmental sustainability, and diversity and inclusion. All in all, PFE is a diversified biopharmaceutical company with a strong presence in key therapeutic areas, a growing biosimilars business, and a commitment to corporate responsibility and digital health initiatives.

BUSINESS DESCRIPTION

PFE’s global headquarters are located at Spiral, an office budding in the Hudson Yards neighborhood of New York. PFE was founded in 1849 by German immigrant cousins Charles Pfizer and Charles Erhart in a red brick building in Brooklyn, NY. PFE’s original name was Charles Pfizer & Company. Their growth stemmed from the events of The Civil War, where the demand for medical supplies, and Pfizer supplied preservatives, disinfectants, iodine, chloroform, and morphine to the war front. Since then, PFE has marked historical contributions in pioneering penicillin production, developing a leading method for absorbing Vitamin C, establishing an agricultural division for solutions to animal health problems, and committing to rapidly manufacturing a vaccine and treatment in response to the COVID-19 pandemic.

Portfolio Description

PFE owns and leases 301 properties marked for sales and marketing, customer service, regulatory compliance, research and development, manufacturing and distribution, and corporate enabling functions. Their real estate has lease terms of 1-30 years, some of which include options to terminate or extend the lease for up to 5-10 years or on a month-to-month basis. PFE’s PSG division is headquartered primarily in New York City and Peapack, New Jersey. As of December 31, 2022, the company is responsible for 36 plants worldwide, manufacturing products for commercial divisions such as Belgium, Germany, India, Ireland, Italy, Japan, Singapore, and the US, and operates multiple distribution facilities worldwide. Their portfolio comprises non-US government and agencies available for sale debt securities, foreign exchange contract notional derivatives, equity investments, and long-term debt issuances. Their significant investments in developing their pipeline and acquiring biopharmaceutical companies targeted critical unmet patient needs to support their near- and longer-term growth plans in research and development and SI&A.

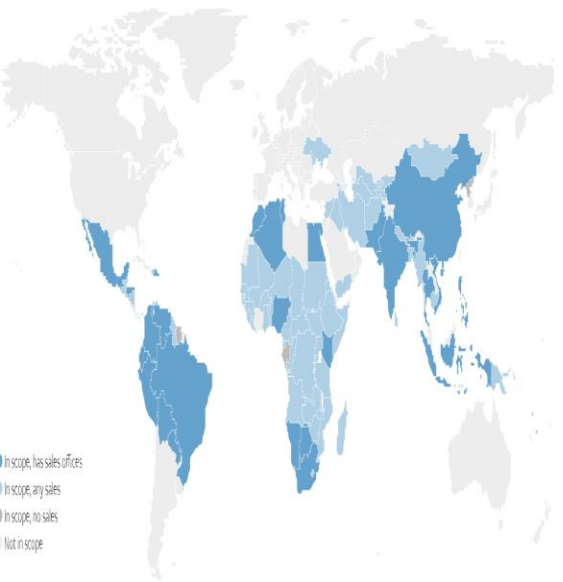
Geographic Location

PFE’s location selection is based on their initiative to achieve synergy and operational efficiencies within non-US and US markets. Their worldwide revenues by geographic areas from 2021-2022 are highly significant at an amount of \$25,435 compared to the US’s \$13,197 and the International’s \$12,238. The operational growth is from companies Paxlovid, Comirnaty, the Prevnar family, Eliquis, the Vyndagel family, Inylta, and Xtandi and is partially offset by worldwide declines from Xelijanz and Ibrance. The operating segment Biopharma stands out as the most significant in their worldwide revenues compared to Pfizer CenterOne. Biopharma receives its research and development from WRDM and GPD and includes IPR&D projects for new investigational products and additional indications of in-line products. Each operating segment has a geographic footprint across developed and emerging markets where responsibilities over research projects over their Biopharma portfolio, clinical trials and technical support costs, digital, global real estate operations, and worldwide public affairs in consumer healthcare.

Portfolio Summary (as of Dec. 31, 2022)	Shares (millions)
Moderna	1.2
Bristol-Myers	7.8
Eli Lilly	1.3
Merck & Co.	3.6
AbbVie	1.2
Total Notable Equity Investments	15.1

Bloomberg

Sales by geographic region



Pfizer, Inc.

Bloomberg								
Key Financials								
	2015	2016	2017	2018	2019	2020	2021	2022
Total Revenue	\$48.85B	\$52.82B	\$52.55B	\$40.83B	\$40.91B	\$41.65B	\$81.29B	\$100.33B
Operating Income	\$10.2B	\$16.1B	\$13.9B	\$16.2B	\$18.6B	\$16.6B	\$20.4B	\$34.94 B
Operating Income Margin	18.35%	15.81%	23.42%	22.15%	34.17%	17.89%	29.91%	21.62%
FFO	\$14.69B	\$16.19B	\$16.80B	\$15.83B	\$12.59B	\$14.40B	\$32.58B	\$29.27B
FFO/Share	\$1.11	\$1.17	\$3.52	\$1.87	\$2.82	\$1.63	\$3.85	\$5.47
Interest Coverage	65.23X	65.59X	66.47X	67.34X	67.85X	68.15X	69.09X	69.6X

INDUSTRY OVERVIEW

Pfizer’s industry spans global countries to provide products for consumers to heal from illnesses that can impair their health. Their industry relies on consumer healthcare products with a specialty in biopharmaceuticals, vaccine manufacture and distribution, consumer health drugs, and animal health products. Their industry prioritizes their mission to the "health and well-being of people and the planet to deliver breakthroughs around the world in a responsible way" (*Pfizer.com*) through the healthcare and biopharmaceutical industry.

Pharmaceuticals

PFE's primary focus is on developing and marketing prescription drugs for various diseases and conditions, including cardiovascular diseases, oncology, inflammation and immunology, rare diseases, and vaccines. They want to apply science and global benefit to the people who are suffering from diseases. Their implementation of current technology through the acquisition of GBT technology and partnering with other companies allows the company to garner more utility for their products. Through the competitive pharmaceutical, they stand out in regard to their unique take on innovating their brand from partnerships and rapid manufacturing. It has a bright volatility ahead for their future.

Vaccines

PFE partnered with BioNTech in 2020 to develop a COVID-19 vaccine rapidly and provide it to various pharmacy and emergency centers. The vaccine received emergency use authorization from regular. It is one of the world's leading vaccine manufacturers. The company's vaccine portfolio includes vaccines for various diseases, including pneumococcal disease, meningococcal disease, HPV, and COVID-19. They continue to work with companies and acquire technological rights to GBT and Biohaven for a sustainable source of their vaccine provision.

Consumer Health

PFE sells over-the-counter health products such as pain relievers, cough and cold medications, vitamins, and supplements. The company's consumer health brands include Advil, Centrum, and Robitussin. Their involvement in prioritizing consumer health allows them to work with successful brand who succeed in implementing healing to the world. Consumers can work and find a means of grasping their health intake for a well-balanced life. PFE is able to provide healing for consumers not only in the means of an injection but easily fixable at home with medical products.

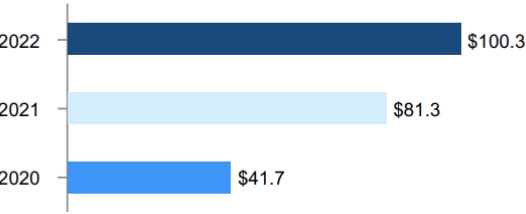
Animal Health

PFE has an animal health division (Zoetis) that manufactures and sells products meant to improve the health for livestock and companion animals. Through diagnostic products and genetic tests, they pertain to making healing accessible for all audiences as well as quality healthcare. They remain dedicated to their support of veterinarians and livestock producers who raise and farm all animals in their farms. The mission alone authenticates PFE's ability to go above and beyond in their breakthrough goal.

Overall Healthcare Industry

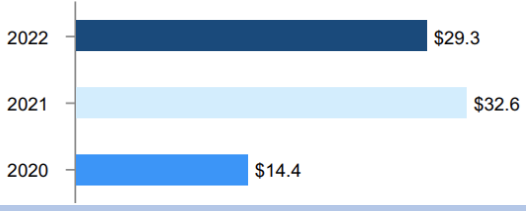
PFE's primary revenue sources come from its prescription drugs and vaccine businesses. The company operates from a global standpoint, with a presence in over 175 countries. The healthcare industry is subject to strict regulations, and PFE operates in a highly competitive healthcare market where it competes with other pharmaceutical companies including Merck, Johnson & Johnson, and Novartis, among others. All in all, the work done by Pfizer to implement COVID vaccines, supplement their consumer and livestock audience, and sprout innovation by pharmaceutical work allows us to see how PFE plans to innovate beyond the standards of pharmacies.

2022 Total Revenues—\$100.3 billion
An increase of 23% compared to 2021



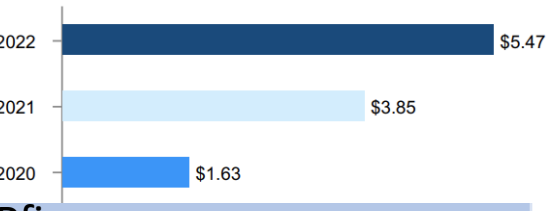
Pfizer.com

2022 Net Cash Flow from Operations—\$29.3 billion
A decrease of 10% compared to 2021



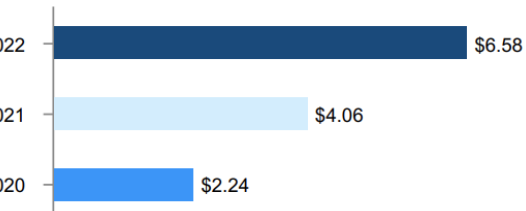
Pfizer.com

2022 Reported Diluted EPS—\$5.47
An increase of 42% compared to 2021



Pfizer.com

2022 Adjusted Diluted EPS (Non-GAAP)—\$6.58*
An increase of 62% compared to 2021

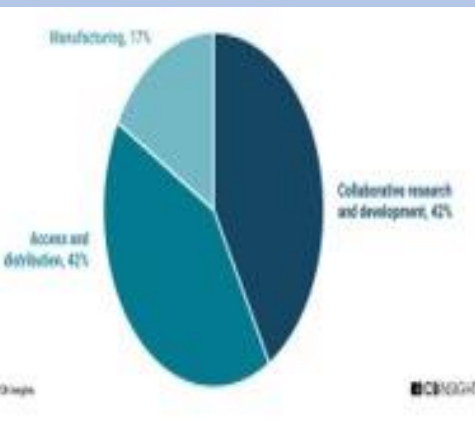


Pfizer.com





Pfizer.com



Pfizer's ESG Review

Competitive Positioning

PFE operates in a highly competitive market in the consumer healthcare industry. Their main competitors as of 2022 include Merck, Johnson and Johnson, Novartis, and GlaxoSmithKline. They stand out within the COVID vaccine allocation, strong financial position with cash reserves and a large market capitalization. They can not only invest heavily in research and development and make strategic acquisitions, but they also acquired technology rights with GBT and Biohaven Pharmaceuticals to increase their ability to access new technologies and expertise for developing new treatments.

Product Portfolio

PFE has an advantage over other worldwide-research-based biopharmaceutical companies. Their research is vaster regarding their recent events and constant research of continuing COVID diagnoses and managing everyone's safety. Smaller research companies with a more limited therapeutic focus and generic drug and biosimilar manufacturers However, PFE has a strong portfolio with a focus on developing and marketing prescription drugs for various diseases and conditions, such as cardiovascular diseases, oncology, inflammation and immunology, rare diseases, and vaccines. Their portfolio also includes only of the most widely used COVID-19 vaccines globally.

Research & Development

PFE has a robust R&D program where their significant investments are developing innovative drugs and vaccines. The company's R&D investments have led to the development of numerous successful drugs in the market such as Liptor, Celebrex, and Viagra. These driven accomplishments was made by their ongoing research of the safety and efficacy of medicines and study the new issues of medicine today. From their sponsored clinical research at universities to investor-initiated research from independent studies of their drugs, patients can grasp PFE's commitment to giving quality products.

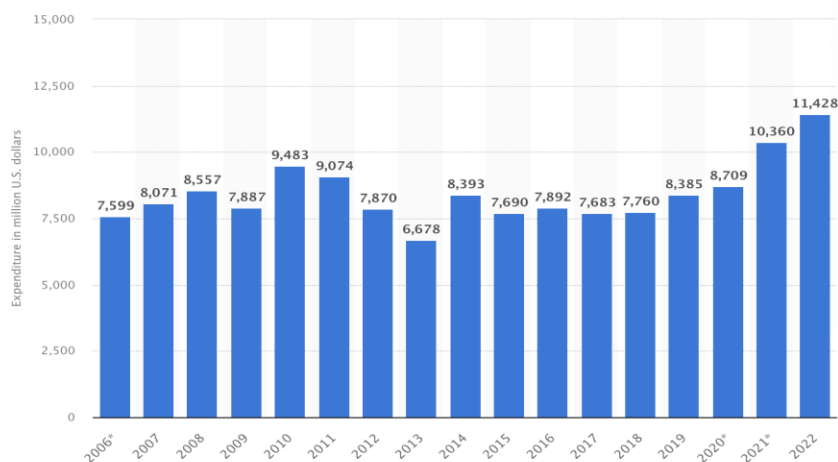
Manufacturing Capabilities

PFE has a global manufacturing network and expertise in biologics, sterile injectables, and oral solid dose manufacturing. Their manufacturing capabilities provide it with a competitive advantage in producing large quantities of drugs and vaccines at scale. From 2020-2022, their revenue increased by \$500 million which allowed them to manufacture their products quickly and efficiently. PFE has the leverage from their works to attain a high benefit from their expansions to GBT and Biohaven for technology rights.

Mergers and Acquisitions

PFE has a history of making strategic acquisitions to strengthen its portfolio and expand its presence in key markets. In 2023, Pfizer purchased Global Blood Therapeutics (GBT) for \$5.4 billion, migraine headache drug manufacturer Biohaven Pharmaceutical Holding for \$11.6 billion, and drug developer Arena Pharmaceuticals for \$6.7 billion. These acquisitions owned a majority of their intangible assets and made their goodwill the greatest asset amount. This behavior of their recent acquisitions show Pfizer's potential to grow despite their risk taken and may possibly attain a heightened benefit to develop their brand endlessly.

Figure 7: Expenditure on PFE R&D



Bloomberg

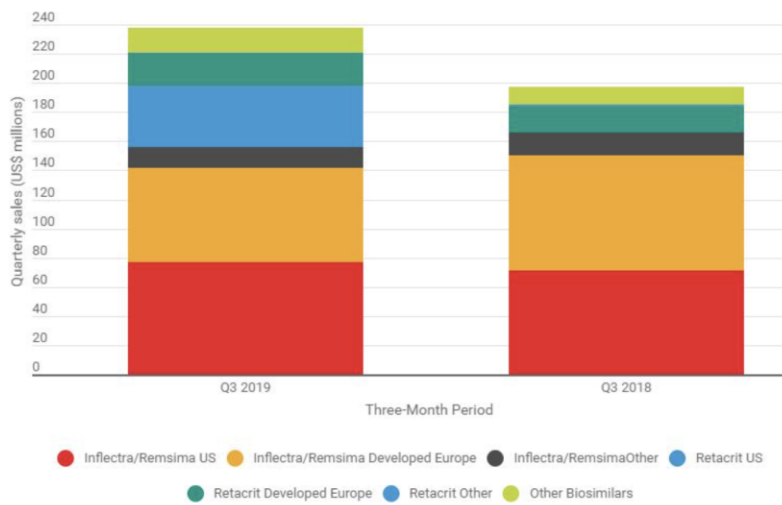
Brand Recognition & Customer Groups

PFE's brand is well-respected and known in the healthcare industry as a rapidly and innovative incorporation for modern healthcare. Their customer groups are primary care, specialty care, and oncology. Regarding their primary care, they bring forth a former internal medicine and vaccine product portfolio, COVID-19 prevention and treatment products, and potential future mRNA and antiviral products. The biopharmaceutical company aspires to build upon its scientific and supplying pharmaceuticals. Their operations are run through a global structure consisting of operating segments Biopharma, an innovative science-based biopharmaceutical business, and PC1, their global contracted manufacturing organization and a leading supplier of specifically active pharmaceutical products.

Potential Challenges to their Competitive Positioning

Their competitors are branded or generic drugs or biosimilars that treat the indicators of a similar disease. The competitive companies form to focus on new product entrants, safety, ease of use, and significant transaction costs. PFE demonstrates their products' value as a critical factor for their success. However, there are external factors, including technology, advantages over obtaining resources, and government policies, where they can falter in their growth. Additionally, the company is subject to strict regulations, and the development of new drugs and vaccines can be a lengthy and expensive process. Finally, PFE faces increasing pressure to keep drug prices affordable, which can impact its revenue and profitability.

Epoetin alfa brand's US introduction late last year more than made up for lower European sales of Inflectra/Remsima (infliximab) in the third quarter of 2019

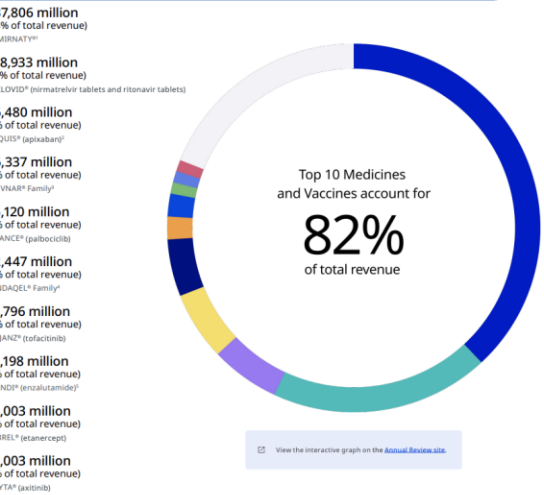
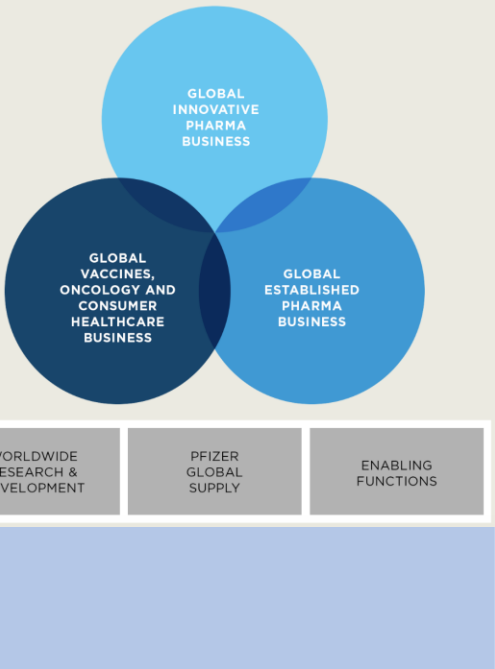


Pfizer's Biosimilars sales by product and region in the third quarters of 2019 and 2018 (Source - Pfizer)

Who is doing What in the Biosimilar War?

Pfizer	Roche	AMGEN	?	NOVARTIS
PF-06410293	X	ABP501	abbvie HUMIRA adalimumab	GP2017
PF-05280586	Rituxan Rituximab	ABP 798	CELLTRION CT-P10	GP2013
PF-05280014	Herceptin trastuzumab	ABP 798	SAMSUNG SB3	X
X	Neulastim	Neulasta pegfilgrastim	cinfa Biotech B12019	LA-EP2006
PF-06439535	AVASTIN bevacizumab	ABP 215 [+ Allergan]	Boehringer Ingelheim BI 695502	X

Made by labiotech.eu



¹ COMBINATY refers to, as applicable, and as authorized or approved, the Pfizer-BioTech COVID-19 Vaccine, the Pfizer-BioTech COVID-19 Vaccine, Bivalent (Original and Omicron BA.4/BA.5), the COMBINATY Original/Omicron BA.1 Vaccine, and COMBINATY Original/Omicron BA.4/BA.5 Vaccine. COMBINATY includes direct sales and alliance revenues related to sales of the above-mentioned vaccines.

² ELIQUIS includes alliance revenues and direct sales.

³ PREVNAR Family includes revenues from PREVNAR 13/PREVNAR 13 (pediatric and adult) and PREVNAR 20/PEXNNAR (adult).

⁴ VYNDAQEL Family includes global revenues from VYNDAQEL, as well as revenues for VYNDAQEL in the U.S. and VYNMAC in Japan.

⁵ XTANDI represents alliance revenues.

Our Inspiration:
As Diverse as the Patients and Communities We Serve



Our Aspiration:
We are all accountable to make Diversity & Inclusion a part of our DNA and unlock its power to serve patients.

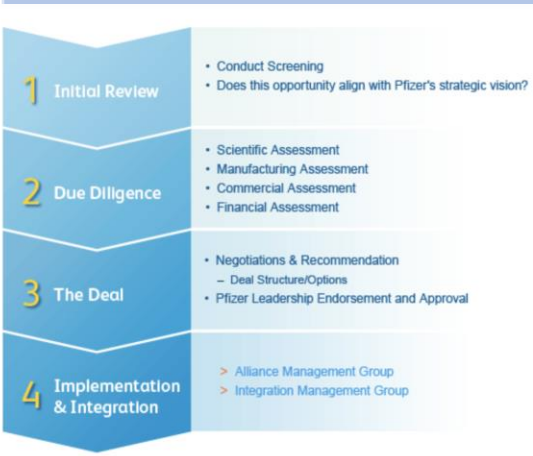


Our new global D&I strategy, launched on October 3, 2018, shows that we are all accountable to make Diversity & Inclusion a part of our DNA and unlock its power to serve patients.

Pfizer Patients at Center



Pfizer.com



Pfizer.com Our Process

INVESTMENT SUMMARY

A **BUY** recommendation of Pfizer, Inc is being initiated at a target price of \$127.50, offering a -0.75% return over the current price of \$39.80 as of the closing price of December 31, 2022. The target price is based on “(Bloomberg Analysis)”. The key drivers for the recommendation include their strategic portfolio positioning, responsive management strategy, and great credit ratings (mentioned in Figure 2).

Research & Development

PFE invests heavily in R&D to develop new drugs and vaccines. In 2022, the company invested \$11.4 billion in R&D, which accounted for approximately 11.4% of its total revenue. PFE's R&D efforts focus on developing treatments for a range of diseases, including cancer, migraines, and COVID-19. Their ability to carry on these priorities allow their products and services to evolving from their original intention. They can have depth and more growth to the customer as they evolve themselves.

Strategic Acquisitions

PFE has a history of making strategic acquisitions to strengthen its portfolio and expand its presence in key markets. In 2023, the company announced their merger with GBT which garnered a lot of attention from their noncurrent assets overall. Their devotion to committing time for garnering technological innovation provides a huge advantage for their future product developments.

Partnerships & Collaborations

According to their income statement as of December 31, 2022, most assets were towards their goodwill when they purchased developed technology rights to Biohaven and GBT. Their identifiable intangible assets' gross carry amount increased by 14.32% alone. Their partnership with the brands allowed them to grow their company and deliver innovative drugs. PFE has also partnered with BioNTech to develop and commercialize a COVID-19 vaccine, which has been one of the most widely used vaccines in the world.

Capital Investments

PFE makes capital investments in its manufacturing and distribution infrastructure to support the growth of its business. In 2023, the company invested \$3.236 billion in capital expenditures.

Share Buybacks & Dividends

PFE returns capital to shareholders through share buyback and dividends. In 2023, the company repurchased \$6.8 billion of its common stocks and paid \$4 billion in dividends.

Management Strategy

PFE focuses on R&D,, commercialization of innovative products, and portfolio diversification. They invest heavily in R&D to discover and develop new treatments and therapies for various diseases. They also seek to invest in projects and acquire or partner with other companies. PFE actively manage to ensure a balance of mature and emerging products, as well as a high and low-risk products. They seek to optimize its operations through cost management initiatives and operational efficiency improvements. Finally, they create a strong commitment to corporate responsibility and sustainability. They aim to operate ethically and responsibly, minimize its environmental impact, and utilize their breakthrough mission to provide benefit for their customers.

FINANCIAL ANALYSIS

Revenue

PFE's total revenue for 2023 was \$100.33 billion, which was an increase compared to 2022. Their 18.98% increase in revenue was primarily due to the adverse impact of the COVID-19 pandemic on some of its businesses, including its sterile injectables and biosimilars businesses, and their engagement of GBT and Biohaven for their technological implementations.

Net Income

PFE's net income for 2023 was \$31.37 billion, an increase of 35% compared to 2022. The increase in net income was primarily due to their loss in operating expenses and recent behavior in their strategic acquisitions which decreased their tax rate.

Earnings Per Share (EPS)

PFE's EPS for 2023 was \$5.47, an increase of 8.3% compared to 2022. Investors can thus present a greater value in their products and services because of their garnered success and achievements within the financial market.

Cash and Cash Equivalents

PFE had cash and cash equivalents of \$146 millions of December 31, 2022, a 79% decrease of compared to the end of 2022. The decrease is primarily due to their significant changes in acquiring GBT and greatly utilizing their assets in partnerships and acquisitions.

Debt

PFE total debt as of December 31, 2022, was \$32.8 million, a 12.3% increase compared to the end of 2022. The same expansion for the change is given above in Cash and Cash Equivalents.

Operating Margin

PFE's operating margin for 2023 was 38.11% as of March 31, an increase of 19.3% points compared to 2022.

Return on Equity (ROE)

PFE's ROE is 30.78, which is a decrease of 12% from 2022's 34.96%. Even though it looks like it is decreasing, it comes to be stable with their net income increase and find leverage within their healthcare industry.

Growth Rate Forecast

The forecast percentages located below reflect the ability for PFE to increase in a stabilizing manner. These allocation of numbers relate to their ability to grow their company from their COVID vaccine provision and find additional resources through their acquisitions. Coming from the potential of technological innovations, PFE can implement their skill of attaining volatility within their industry. Their potential

Millions, Except Per Share Data				% Change	
	2022	2021	2020	22/21	21/20
Revenues	\$ 100,330	\$ 81,288	\$ 41,651	23	95
Reported net income ^(a)	\$ 31,372	\$ 21,979	\$ 9,159	43	*
Reported diluted EPS ^(a)	\$ 5.47	\$ 3.85	\$ 1.63	42	*
Adjusted income ^(a)	\$ 37,717	\$ 23,196	\$ 12,601	63	84
Adjusted diluted EPS ^(a)	\$ 6.58	\$ 4.06	\$ 2.24	62	82
Net cash provided by operating activities	\$ 29,267	\$ 32,580	\$ 14,403	(10)	*
Cash dividends paid	\$ 8,983	\$ 8,729	\$ 8,440	3	3

* Indicates calculation not meaningful.

^(a) Reported net income is defined as Net income attributable to Pfizer Inc. common shareholders in accordance with U.S. GAAP. Reported diluted earnings per share (EPS) is defined as diluted EPS attributable to Pfizer Inc. common shareholders in accordance with U.S. GAAP.

Year	0	1	2	3	4	5
g		12.30%	13.27%	13.40%	13.58%	2.50%
DVD	1.6 \$	1.40 \$	1.58 \$	1.80 \$	2.04 \$	2.09
Rs		7.8905%				

Year	1	2	3	4	5	Forecast Factor
NOPAT	24.37%	37.91%	20.10%	21.76%	31.55%	27.02%
Capital	196.66%	236.10%	250.24%	146.22%	134.52%	178.47%
FCF	25.70%	21.24%	29.03%	36.76%	25.95%	28.80%
EPS	0.004292%	0.002576%	0.004309%	0.004949%	0.006316%	0.00%
DVD	59.929648%	114.464916%	84.820934%	39.027543%	25.249736%	25.2497%

Equity-method investments	11,033
Long-term investments	4,036
Property, plant and equipment	16,274
Identifiable intangible assets	43,370
Goodwill	51,375
Noncurrent deferred tax assets and other assets	6,693
Other noncurrent assets	13,163

Zoom out

Pfizer 10K

The following summarizes the components of identifiable intangible assets:

	As of December 31, 2022			As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Identifiable Intangible Assets, less Accumulated Amortization
(MILLIONS)						
Finite-lived intangible assets						
Developed technology rights ^(a)	\$ 85,604	\$ (56,307)	\$ 29,297	\$ 73,346	\$ (53,732)	\$ 19,614
Brands	922	(844)	78	922	(807)	115
Licensing agreements and other	2,237	(1,397)	841	2,284	(1,299)	985
	88,763	(58,548)	30,215	76,552	(55,838)	20,714
Indefinite-lived intangible assets						
Brands	827		827	827		827
IPR&D ^(b)	11,357		11,357	3,092		3,092
Licensing agreements and other ^(c)	971		971	513		513
	13,155		13,155	4,432		4,432
Identifiable intangible assets ^(c)	\$ 101,919	\$ (58,548)	\$ 43,370	\$ 80,984	\$ (55,838)	\$ 25,146

Pfizer 10K

Pfizer Inc. (PFE)				
<i>t</i>	Date	Price _{PFE,<i>t</i>} ¹	Dividend _{PFE,<i>t</i>} ¹	<i>R</i> _{PFE,<i>t</i>} ²
	Jan 31, 2018	\$37.04		
1.	Feb 28, 2018	\$36.31	\$0.34	-1.05%
2.	Mar 31, 2018	\$35.49		-2.26%
3.	Apr 30, 2018	\$36.61		3.16%
.
.
.
58.	Nov 30, 2022	\$50.13	\$0.40	8.55%
59.	Dec 31, 2022	\$51.24		2.21%
Average (<i>R̄</i>):				1.22%
Standard deviation:				7.69%

Pfizer 10K

Stock Quote			
Price	\$37.35	Volume	16,541,294
Change	-0.23	% Change	-0.61%
Today's Open	\$37.61	Previous Close	\$37.58
Intraday High	\$37.72	Intraday Low	\$37.23
52 Week High	\$54.93	52 Week Low	\$37.20

Pfizer.com

INVESTMENT RISKS

PFE carries investment risks that expand among various factors pertaining to their competitive streaks with companies. Even though the biopharmaceutical company presented an upward trend for facilitating COVID vaccines, there is more to invest in Pfizer. They provide therapeutic facilitations and the potential to innovate drug discovery and development. Pfizer is addressed on their website as a “direct investor in private companies” and has “all stages possible, with a focus on the early stage” (Pfizer.com). Their high priorities can mirror or underlap their competitive positions against other pharmaceutical companies. Pfizer’s investment risks include managed care trends, competitive products, concentration on products that can falter revenues, market fluctuations in our equity & other investments, and COVID-19.

FINANCIAL RISK

INTANGIBLE ASSET RISK

Their consolidated balance sheet contain a large number of intangibles including IPR&D and goodwill. For IPR&D assets, the risk of failure is significant because there’s no certainty that the associated R&D effort will be abandoned or curtailed. For goodwill, events such as unanticipated competition, adverse regulatory actions, legal matters, or a fiduciary means to replace contributions of products that lose exclusivity may lead to impairment changes. Other intangible assets, such as technology rights and brand, can face the risks associated with the assets above. Foremost, equity-method investments may be subject to impairment due to unexpected events or management decisions that impact expected cash flows. Any minor change within the above intangible assets may be significant overall and lead to a high risk and uncertainty for investing in PFE.

EQUITY PRICE RISK

PFE holds equity securities with fair values in life science companies that result from certain business development transactions. Holding securities may expose PFE to equity price risk because of their readily determinance in their fair values. This action may increase the volatility of its income in the future due to changes in their values. Pfizer may sell these securities based on its business considerations, including limiting price risky. In the analysis, PFE seems to build their confidence in these equity securities and may in fact succeed and not significantly impact their net income.

INTEREST RATE RISK

The fair values of PFE's financial instruments holdings are analyzed at year-end to determine their sensitivity to interest rate changes. When we hold all other assumptions constant and assume a parallel curve for all maturities and for all instruments. If there was a one hundred basis point decrease as of December 31, 2022, The expected influential impact on their net income would not be significant

MARKET RISK

PFE is subject to market risk when interest rates, equity prices, and commodity prices changes. PFE would need to include the use of derivative financial instruments to hedge against potential losses. Changes in market conditions could still impact PFE's financial performances ireregardless. They would need to monitors its exposure to market risks and sensitivity analysis to determine the potential impact of market fluctuations in its financial position.

APPENDIX

Income Statement

(MILLIONS, EXCEPT PER SHARE DATA)	Year Ended December 31,		
	2022	2021	2020
Revenues	\$ 100,330	\$ 81,288	\$ 41,651
Costs and expenses:			
Cost of sales ^(a)	34,344	30,821	8,484
Selling, informational and administrative expenses ^(a)	13,677	12,703	11,597
Research and development expenses ^(a)	11,428	10,360	8,709
Acquired in-process research and development expenses ^(b)	953	3,469	684
Amortization of intangible assets	3,609	3,700	3,348
Restructuring charges and certain acquisition-related costs	1,375	802	579
Other (income)/deductions—net	217	(4,878)	1,213
Income from continuing operations before provision/(benefit) for taxes on income	34,729	24,311	7,036
Provision/(benefit) for taxes on income	3,328	1,852	370
Income from continuing operations	31,401	22,459	6,666
Discontinued operations—net of tax	6	(434)	2,529
Net income before allocation to noncontrolling interests	31,407	22,025	9,195
Less: Net income attributable to noncontrolling interests	35	45	36
Net income attributable to Pfizer Inc. common shareholders	\$ 31,372	\$ 21,979	\$ 9,159
Earnings per common share—basic:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	\$ 5.59	\$ 4.00	\$ 1.19
Discontinued operations—net of tax	—	(0.08)	0.46
Net income attributable to Pfizer Inc. common shareholders	\$ 5.59	\$ 3.92	\$ 1.65
Earnings per common share—diluted:			
Income from continuing operations attributable to Pfizer Inc. common shareholders	\$ 5.47	\$ 3.93	\$ 1.18
Discontinued operations—net of tax	—	(0.08)	0.45
Net income attributable to Pfizer Inc. common shareholders	\$ 5.47	\$ 3.85	\$ 1.63
Weighted-average shares—basic	5,608	5,601	5,555
Weighted-average shares—diluted	5,733	5,708	5,632

^(a) Exclusive of amortization of intangible assets.

^(b) See Note 1L.

(MILLIONS)	Year Ended December 31,		
	2022	2021	2020
Net income before allocation to noncontrolling interests	\$ 31,407	\$ 22,025	\$ 9,195
Foreign currency translation adjustments, net	(2,328)	(682)	772
Reclassification adjustments	—	—	(17)
	(2,328)	(682)	755
Unrealized holding gains/(losses) on derivative financial instruments, net	1,444	526	(582)
Reclassification adjustments for (gains)/losses included in net income ^(a)	(2,062)	134	21
	(618)	660	(561)
Unrealized holding gains/(losses) on available-for-sale securities, net	(1,306)	(355)	361
Reclassification adjustments for (gains)/losses included in net income ^(b)	1,809	(30)	(188)
	502	(384)	173
Benefit plans: prior service (costs)/credits and other, net	(24)	116	52
Reclassification adjustments related to amortization of prior service costs and other, net	(129)	(154)	(176)
Reclassification adjustments related to curtailments of prior service costs and other, net	(12)	(75)	—
	(166)	(113)	(124)
Other comprehensive income/(loss), before tax	(2,609)	(519)	243
Tax provision/(benefit) on other comprehensive income/(loss)	(187)	71	(227)
Other comprehensive income/(loss) before allocation to noncontrolling interests	\$ (2,422)	\$ (589)	\$ 471
Comprehensive income/(loss) before allocation to noncontrolling interests	\$ 28,985	\$ 21,435	\$ 9,666
Less: Comprehensive income/(loss) attributable to noncontrolling interests	20	43	27
Comprehensive income/(loss) attributable to Pfizer Inc.	\$ 28,965	\$ 21,393	\$ 9,639

^(a) Reclassified into Other (income)/deductions—net and Cost of sales. See Note 7E.

^(b) Reclassified into Other (income)/deductions—net.

Pfizer's 10K

Consolidated Balance Sheet

(MILLIONS, EXCEPT FOR SHARE DATA)	As of December 31,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 416	\$ 1,944
Short-term investments	22,316	29,125
Trade accounts receivable, less allowance for doubtful accounts: 2022—\$449; 2021—\$492	16,852	11,479
Inventories	6,581	9,059
Current tax assets	3,577	4,266
Other current assets	5,617	3,820
Total current assets	51,259	59,693
Equity-method investments	11,833	16,472
Long-term investments	4,636	5,034
Property, plant and equipment	16,274	14,882
Identifiable intangible assets	43,379	25,146
Goodwill	31,375	49,208
Noncurrent deferred tax assets and other noncurrent tax assets	6,685	3,341
Other noncurrent assets	13,163	7,679
Total assets	\$ 197,295	\$ 181,476
Liabilities and Equity		
Short-term borrowings, including current portion of long-term debt: 2022—\$2,560; 2021—\$1,636	\$ 2,945	\$ 2,241
Trade accounts payable	6,809	5,078
Dividends payable	2,305	2,249
Income taxes payable	1,087	1,266
Accrued compensation and related items	3,487	3,332
Deferred revenues	2,829	3,067
Other current liabilities	22,568	24,938
Total current liabilities	42,138	42,671
Long-term debt	12,884	36,196
Pension and postretirement benefit obligations	2,258	3,724
Noncurrent deferred tax liabilities	1,023	349
Other taxes payable	9,612	11,331
Other noncurrent liabilities	13,180	9,743
Total liabilities	101,288	104,013
Commitments and Contingencies		
Preferred stock, no par value, at stated value: 27 shares authorized; no shares issued or outstanding at December 31, 2022 and December 31, 2021	—	—
Common stock, \$0.05 par value: 12,000 shares authorized; issued: 2022—8,510; 2021—8,471	476	473
Additional paid-in capital	91,802	90,691
Treasury stock, shares at cost: 2022—3,903; 2021—3,851	(113,989)	(111,361)
Retained earnings	125,656	103,394
Accumulated other comprehensive loss	(8,304)	(5,897)
Total Pfizer Inc. shareholders' equity	95,641	77,201
Equity attributable to noncontrolling interests	256	262
Total equity	95,916	77,462
Total liabilities and equity	\$ 197,295	\$ 181,476

Pfizer 10K

Statement of Equity

(MILLIONS, EXCEPT PREFERRED SHARES AND PER SHARE AMOUNTS)	PFIZER INC. SHAREHOLDERS											
	Preferred Stock		Common Stock			Treasury Stock		Retained Earnings	Accum. Other Comp. Loss	Share - holders' Equity	Non- controlling Interests	Total Equity
	Shares	Stated Value	Shares	Par Value	Add'l Paid-In Capital	Shares	Cost					
Balance, January 1, 2020	431	\$ 17	9,369	\$ 468	\$87,428	(3,835)	\$(110,801)	\$ 91,397	\$ (5,367)	\$ 63,143	\$ 303	\$ 63,447
Net income								9,159		9,159	36	9,195
Other comprehensive income/(loss), net of tax									480	480	(9)	471
Cash dividends declared, per share: \$1.53												
Common stock								(8,571)		(8,571)		(8,571)
Preferred stock								—		—		—
Noncontrolling interests										—	(91)	(91)
Share-based payment transactions			37	2	1,261	(6)	(218)			1,044		1,044
Preferred stock conversions and redemptions ^(a)	(431)	(17)			(15)	1	31			(1)		(1)
Distribution of Upjohn Business ^(b)								(1,592)	(423)	(2,015)	(3)	(2,018)
Other					—			—		—	(1)	(1)
Balance, December 31, 2020	—	—	9,407	470	88,674	(3,840)	(110,988)	90,392	(5,310)	63,238	235	63,473
Net income								21,979		21,979	45	22,025
Other comprehensive income/(loss), net of tax									(587)	(587)	(3)	(589)
Cash dividends declared, per share: \$1.57												
Common stock								(8,816)		(8,816)		(8,816)
Noncontrolling interests										—	(8)	(8)
Share-based payment transactions			64	3	1,917	(11)	(373)	(77)		1,470		1,470
Other					—			(85)		(85)	(7)	(92)
Balance, December 31, 2021	—	—	9,471	473	90,591	(3,851)	(111,361)	103,394	(5,897)	77,201	262	77,462
Net income								31,372		31,372	35	31,407
Other comprehensive income/(loss), net of tax									(2,407)	(2,407)	(15)	(2,422)
Cash dividends declared, per share: \$1.61												
Common stock								(9,037)		(9,037)		(9,037)
Noncontrolling interests										—	(13)	(13)
Share-based payment transactions			48	2	1,192	(13)	(608)	(73)		513		513
Purchases of common stock						(39)	(2,000)			(2,000)		(2,000)
Other					19		—	—		19	(13)	6
Balance, December 31, 2022	—	\$ —	9,519	\$ 476	\$91,802	(3,903)	\$(113,969)	\$125,656	\$ (8,304)	\$ 95,661	\$ 256	\$ 95,916

^(a) See Note 12.

^(b) See Note 2B.

Cash Flow Statements

(MILLIONS)	Year Ended December 31,		
	2022	2021	2020
Operating Activities			
Net income before allocation to noncontrolling interests	\$ 31,407	\$ 22,025	\$ 9,195
Discontinued operations—net of tax	6	(434)	2,529
Net income from continuing operations before allocation to noncontrolling interests	31,401	22,459	6,666
Adjustments to reconcile net income before allocation to noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	5,064	5,191	4,681
Asset write-offs and impairments	550	276	2,049
Deferred taxes from continuing operations	(3,764)	(4,293)	(1,575)
Share-based compensation expense	872	1,182	755
Benefit plan contributions in excess of expense/income	(1,158)	(3,123)	(1,242)
Other adjustments, net	758	(1,573)	(485)
Other changes in assets and liabilities, net of acquisitions and divestitures:			
Trade accounts receivable	261	(3,811)	(1,275)
Inventories	592	(1,125)	(778)
Other assets ^(a)	(4,506)	(1,057)	(137)
Trade accounts payable	1,191	1,242	355
Other liabilities	(1,449)	18,721	2,768
Other tax accounts, net	(545)	(1,166)	(1,240)
Net cash provided by operating activities from continuing operations	29,267	32,922	10,540
Net cash provided by/(used in) operating activities from discontinued operations	—	(343)	3,863
Net cash provided by operating activities	29,267	32,580	14,403
Investing Activities			
Purchases of property, plant and equipment	(3,236)	(2,711)	(2,226)
Purchases of short-term investments	(36,384)	(38,457)	(13,805)
Proceeds from redemptions/sales of short-term investments	44,821	27,447	11,087
Net (purchases of)/proceeds from redemptions/sales of short-term investments with original maturities of three months or less	(483)	(8,088)	920
Purchases of long-term investments	(1,913)	(1,068)	(597)
Proceeds from redemptions/sales of long-term investments	641	649	723
Acquisitions of businesses, net of cash acquired	(22,997)	—	—
Dividend received from the Consumer Healthcare JV ^(b)	3,960	—	—
Other investing activities, net	(192)	(305)	(265)
Net cash provided by/(used in) investing activities from continuing operations	(15,783)	(22,534)	(4,162)
Net cash provided by/(used in) investing activities from discontinued operations	—	(12)	(109)
Net cash provided by/(used in) investing activities	(15,783)	(22,546)	(4,271)
Financing Activities			
Proceeds from short-term borrowings	3,891	—	12,352
Payments on short-term borrowings	(3,887)	—	(22,197)
Net (payments on)/proceeds from short-term borrowings with original maturities of three months or less	(222)	(96)	(4,129)
Proceeds from issuances of long-term debt	—	997	5,222
Payments on long-term debt	(3,298)	(2,004)	(4,003)
Purchases of common stock	(2,000)	—	—
Cash dividends paid	(8,983)	(8,729)	(8,440)
Other financing activities, net	(335)	16	(444)
Net cash provided by/(used in) financing activities from continuing operations	(14,834)	(9,816)	(21,640)
Net cash provided by/(used in) financing activities from discontinued operations	—	—	11,991
Net cash provided by/(used in) financing activities	(14,834)	(9,816)	(9,649)
Effect of exchange-rate changes on cash and cash equivalents and restricted cash and cash equivalents	(165)	(59)	(8)
Net increase/(decrease) in cash and cash equivalents and restricted cash and cash equivalents	(1,515)	159	475
Cash and cash equivalents and restricted cash and cash equivalents, at beginning of period	1,983	1,825	1,350
Cash and cash equivalents and restricted cash and cash equivalents, at end of period	\$ 468	\$ 1,983	\$ 1,825
Supplemental Cash Flow Information			
Cash paid/(received) during the period for:			
Income taxes	\$ 7,867	\$ 7,427	\$ 3,153
Interest paid	1,442	1,467	1,641
Interest rate hedges	54	(2)	(20)
Non-cash transaction:			
Right-of-use assets obtained in exchange for lease liabilities	\$ 752	\$ 1,943	\$ 410

^(a) See Note 8A.

^(b) See Note 2C.

DATA

	P 0	P 1
DDM	\$ 34	\$ 36
FCFM	\$ 159	\$ 165
RIM	\$ 40	\$ 42
MVAM	\$ 106	\$ 120
Average	\$ 85	\$ 90.58
Multipliers' Prices		
P/B Price	\$ 255.63	\$ 255.63
P/Sales Price	\$ 110.58	\$ 110.58
P/EPS Price	\$ 157.47	\$ 157.47
P/FCF Price	\$ 133.29	\$ 133.29
P/EBIDA Price	\$ 131.29	\$ 131.29
Average		\$ 157.65
EPS1/K	\$ 70.20	
Average	\$ 121.18	\$ 124.12

Forecast

Actual Data					
Year	1	2	3	4	5
Sales	53,646.00	49,511.00	41,858.00	81,288.00	100,331.00
NOPAT	13,071.57	18,769.35	8,412.37	17,686.70	31,652.29
Capital	105,498.00	116,896.00	104,744.00	118,857.00	134,962.00
FCF	13,785.00	10,516.00	12,151.00	29,878.00	26,031.00
EPS	2.30	1.28	1.80	4.02	6.34
DVD	1.38	1.46	1.53	1.57	1.60
% of Sales					
Year	1	2	3	4	5
NOPAT	24.37%	37.91%	20.10%	21.76%	31.55%
Capital	196.66%	236.10%	250.24%	146.22%	134.52%
FCF	25.70%	21.24%	29.03%	36.76%	25.95%
EPS	0.004292%	0.002576%	0.004309%	0.004949%	0.006316%
DVD	59.929648%	114.464916%	84.820934%	39.027543%	25.249736%
Forecast Data					
Year	1	2	3	4	5
g	12.30%	13.27%	13.40%	13.58%	2.50%
Sales	\$ 112,671.71	\$ 127,623.25	\$ 144,724.76	\$ 164,378.39	\$ 168,487.85
NOPAT	\$ 30,440.07	\$ 34,479.47	\$ 39,099.72	\$ 44,409.46	\$ 45,519.70
Capital	\$ 201,082.95	\$ 227,766.65	\$ 258,287.38	\$ 293,362.81	\$ 300,696.88
FCF	\$ 32,450.32	\$ 36,756.48	\$ 41,681.84	\$ 47,342.24	\$ 48,525.79
EPS	\$ 5.54	\$ 6.27	\$ 7.12	\$ 8.08	\$ 8.28
DVD	\$ 1.40	\$ 1.58	\$ 1.80	\$ 2.04	\$ 2.09
BVPS	\$ 21.17	\$ 25.86	\$ 31.18	\$ 37.22	\$ 43.42
Growth					
g = ROE x (1- Payout Ratio) =		19.6522%	using 3 Year Average ROE %		
g= $\frac{M(1 - \text{Payout Ratio}) S_0}{A_0 - L_0 - M(1 - \text{Payout Ratio}) S_0}$				16.826%	

MVA

Year	0	1	2	3	4	5
g		12.30%	13.27%	13.40%	13.58%	2.50%
NOPAT	\$ 31,652.29	\$ 30,440	\$ 34,479	\$ 39,100	\$ 44,409	\$ 46,658
Capital	134,962.0000	\$ 201,083	\$ 227,767	\$ 258,287	\$ 293,363	\$ 300,697
WACC		7.08%				
EROIC1 = NOPAT t+1 /Capital t		17.147%	17.167%	17.194%	15.517%	15.517%
MVA		\$ 20,236.56	\$ 22,966.78	\$ 26,114.71	\$ 24,740.52	\$ 25,359.03
Horizon Value MVA					\$ 553,316.07	
PV		\$18,898.00	\$20,028.95	\$21,267.79	\$439,629.28	
MVA0		\$499,824.02				
MVA1		\$514,990.49	\$21,447.62	\$22,774.21	\$470,768.66	
	P0	P1				
Vop = MVA + Capital =	\$634,786	\$716,073.44				
Vop	\$ 634,786	\$716,073				
Short-Term Investments	#N/A N/A	#N/A N/A				
Non-Operating Assets	#N/A N/A	#N/A N/A				
Value of Firm	\$ 634,786	\$ 716,073				
Total debt	\$ 39,046	\$ 39,046				
Preferred Equity and Minority Interest	\$ 255	\$ 255				
Value of Equity	\$ 595,485	\$ 676,772				
Current Shares Outstanding	5,644.40	5,644.40				
MVA Price	\$ 105.50					
12-month Target		\$ 119.90				

RIM

Year	0	1	2	3	4	5
g		12.30%	13.27%	13.40%	13.58%	2.50%
EPS	6.34	\$ 5.54	\$ 6.27	\$ 7.12	\$ 8.08	\$ 8.28
BVPS	17.03	\$ 21.17	\$ 25.86	\$ 31.18	\$ 37.22	\$ 43.42
Rs		7.89%				
RI		\$ 4.20	\$ 4.60	\$ 5.07	\$ 5.62	\$ 5.35
Horizon Value RI					\$ 9.24	
PV		\$3.89	\$3.96	\$4.04	\$10.96	
			\$4.27	\$4.36	\$11.83	
RI 0		\$22.85				
RI Price = BVPS +RI		\$39.88				
12-month Target		\$ 41.63				
ω	0.5					

DDM

Year	0	1	2	3	4	5
g		12.30%	13.27%	13.40%	13.58%	2.50%
DVD	1.6	\$ 1.40	\$ 1.58	\$ 1.80	\$ 2.04	\$ 2.09
Rs		7.8905%				
Horizon Value (P4)					\$ 38.80	
PV		\$1.30	\$1.36	\$1.43	\$30.14	
			\$1.47	\$1.54	\$32.52	
DDM Price	\$34.23					
12-month Target	\$35.53					
Constant g pricing						
g1	-11.892					
g2	-15.6537					

Works Cited

“Hope Changes Lives.” *Pfizer*, www.pfizer.com/. Accessed 14 May 2023.