

BANK OF AMERICA 

# STATERA Capital

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BofA Research Challenge 2023



João Lindenberg  
Ricardo Escobar  
Rodrigo Mesquita  
Thales Barbosa



# Pfizer: Beyond the Prescription

Pfizer Inc. is a leading global pharmaceutical company it stands out for its high capability in developing winning patents, a result of significant investments in research and development, as well as its high production capacity and scale

### Company Resume

Pfizer Inc., established in 1849, is one of the **world's premier** biopharmaceutical companies, with its headquarters in New York, USA. With a longstanding legacy in the healthcare sector, Pfizer dedicates itself to the discovery, development, manufacture, and distribution of **health solutions**, including both medicines and vaccines, addressing a vast array of medical needs. Company operates in diverse therapeutic areas like cardiology, neurology, oncology, and immunology.

### Business Segments

Segments as % of Revenue

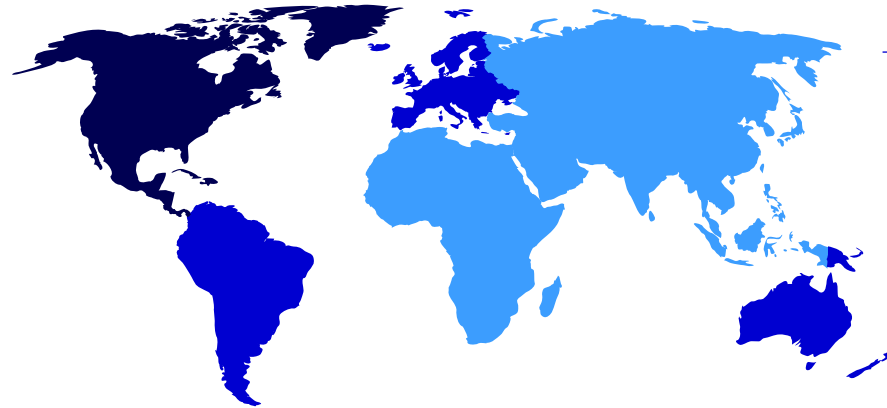
Year	Primary Care	Oncology	Specialty Care	Pfizer CentreOne
2020	37,4%	26,1%	34,3%	2,2%
2021	64,0%	15,2%	18,7%	1,1%
2022	72,8%	12,1%	13,8%	1,3%

### Financial Highlights

Revenue 2022 (bn)	USD 100.33
5y Revenue CAGR (%)	13.34%
EBIT 2022 (bn)	USD 38.15
Cash 2023 (bn)	USD 44.79

## Global footprint: Pfizer's worldwide presence

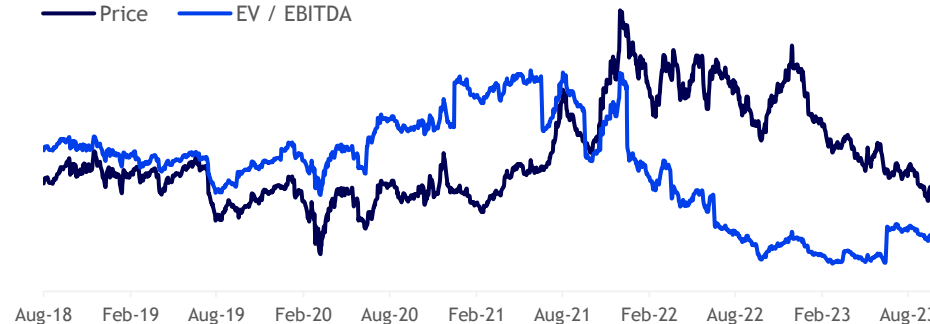
Revenues by regions



## PFE Stocks performance VS EV/EBITDA evolution

PFE 5y stocks performance

— Price — EV / EBITDA



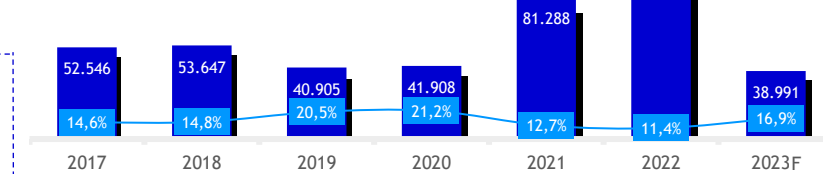
### Key Statistics (October 2023):

Market Cap: USD 182.93 bn  
 LTM Performance: -26,08%  
 52 Weeks Max: USD 54.93  
 52 Weeks Min: USD 32.36

## Pfizer's Revenue over the years and R&D expenses plus pipeline

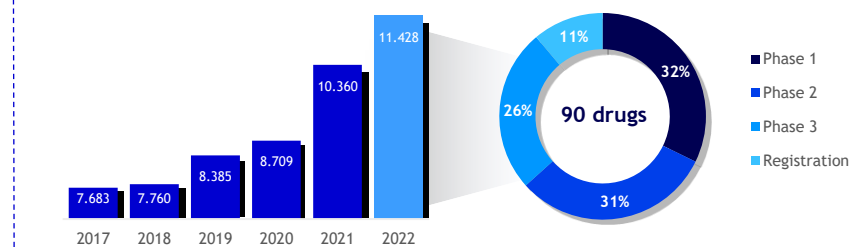
Pfizer's Revenues (USD mn)

R&D % of Revenues

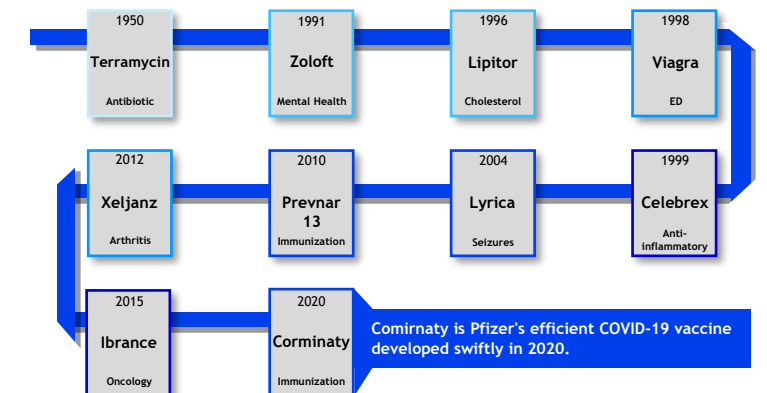


R&D Expenses (USD mn):

Pfizer's Pipeline:



## Main blockbusters over the years



# Investment Theses



## Primary Care, the end of an important cycle

The reinvestment of profits generated from COVID-related products in research and development (R&D) initiatives aimed at expanding Pfizer's patent portfolio.



## Oncology, the way to go

A shift in the focus towards developing cancer related drugs and the repositioning of the company in this segment.



## M&A as a strategy for success

Pfizer's strategic M&A's that help the company reposition itself in several segments. Especially when it comes to oncology



**PFE: BUY**

Price U\$D 31.26 -----◆----- Target Price U\$D 39.95

Football Field  
Upside 27.80% |-----| IRR 13.10%

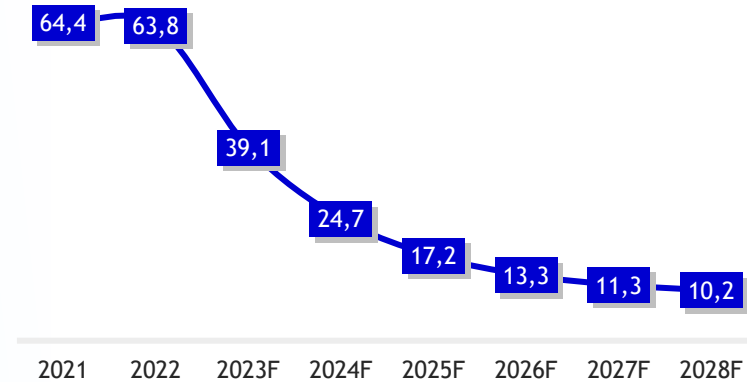


# Primary Care: The Pfizer's Hypertrophied Heart

The Primary Care segment of Pfizer has stood out as a frontrunner compared to others in recent years, mainly due to the boom in Corminaty , Pfizer COVID-19 Vaccine, revenues. However, this scenario has already changed this year with the end of the pandemic and the sharp decrease in vaccination

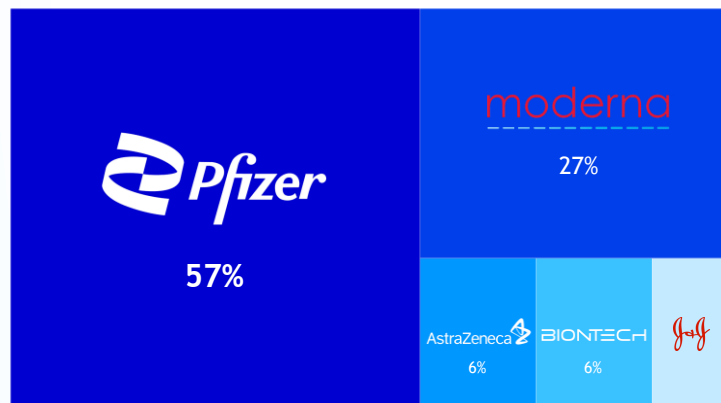
With the pandemic's end, fewer COVID-19 vaccinations are expected for the next years

COVID-19 Vaccines Worldwide Revenues (USD bn)



Corminaty has become highly significant in recent years, mainly because it stood out globally for its methodology...

2021 Vaccines Key Players (%)



We went into the field and realized that COVID might require new vaccinations every year due to mutations, like the flu

Health specialist call realized 10/24/2023



**Dra. Ana Escobar**  
PhD from FMUSP and health communicator with over 2.5 million followers

"Viruses have a very high mutation capacity, but when they mutate, they become increasingly weaker. This characteristic will require new waves of vaccinations over the years."

...that uses messenger RNA technology, never used before in vaccines, which earned the Pfizer scientists the Nobel Prize

Winners of the 2023 Nobel Prize



"For their discoveries concerning nucleoside base modifications that enabled the development of effective mRNA vaccines against COVID-19"

**Drew Weissman**, Professor at UPenn  
**Katalin Karikó**, VP at BioNTech

mRNA Vaccine Technology Explanation:

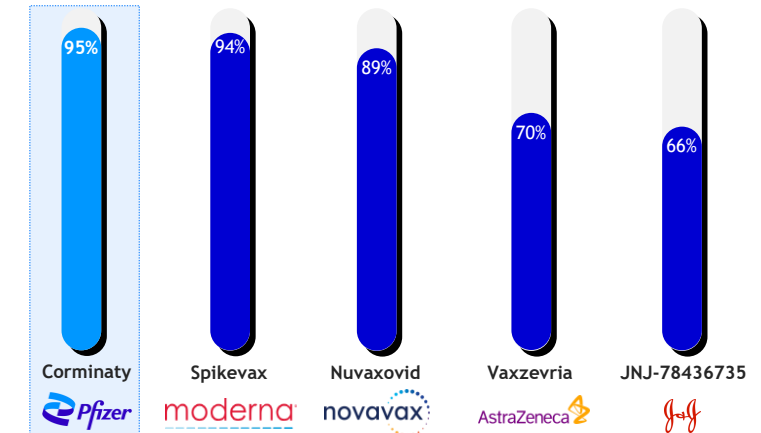


Spike Protein

"mRNA vaccines introduce a snippet of COVID-19's spike protein's genetic code. Human cells use this to make the spike protein, triggering an immune response. The body then remembers this and can fight the real virus if exposed. The mRNA is eventually degraded, leaving no trace."

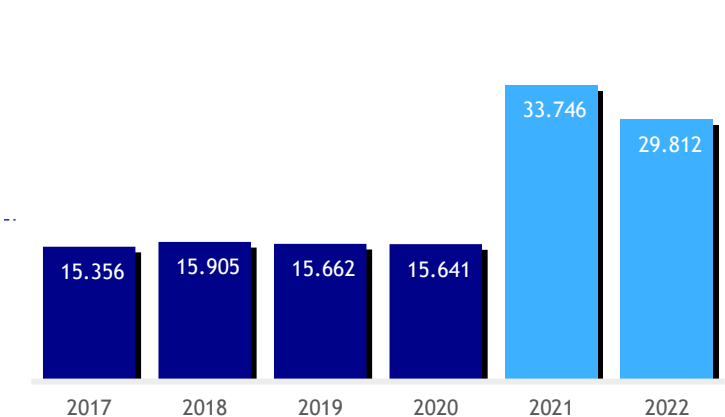
Despite an expected drop in COVID vaccinations, we believe Corminaty will lead due to its efficacy in new vaccine waves

Comparison of select COVID-19 vaccines 2022, by efficacy (%)



This leadership in COVID-19 vaccination resulted in revenues that have led to a strong cash position currently

Operational Cash Flow (USD Mn)



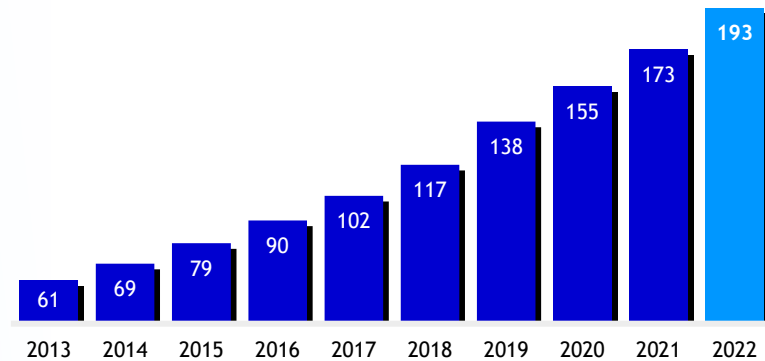


# Oncology Market Showdown

The oncology segment has some unique features. The sector is not very concentrated, but it has been undergoing a consolidation process in recent years with many M&As and high premiums being paid for assets. Pfizer now faces unfavorable prospects for the future

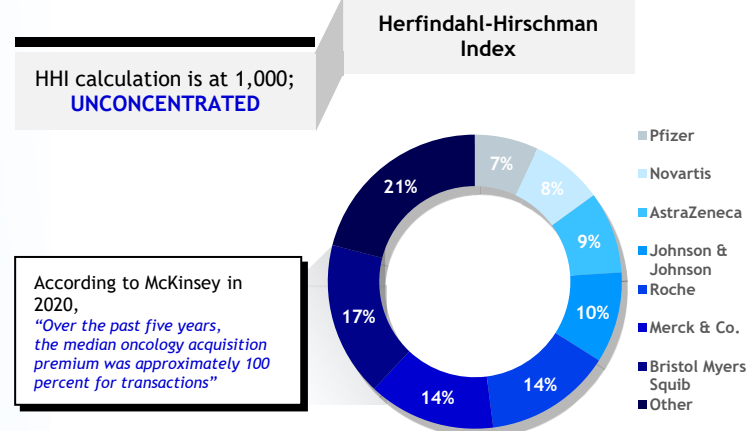
Global spending on oncology is on an upward trajectory, with indications of its persistence because of its drivers

Global Oncology Spending in billions USD



The oncology sector displays diverse market players, indicating a balanced competitive landscape

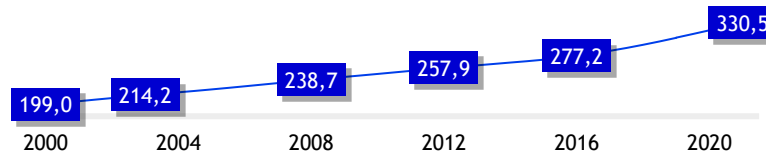
Oncology Market Share



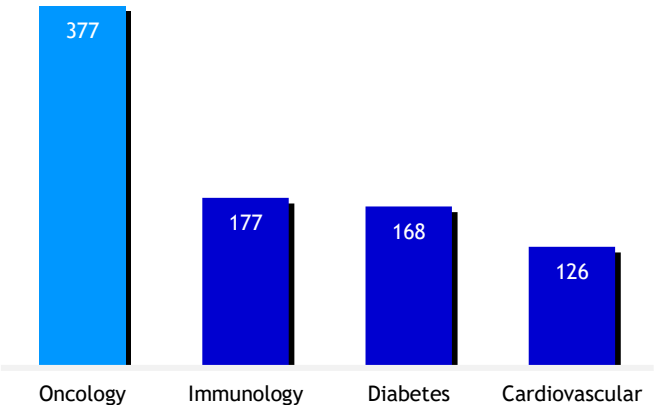
**Fernando Torelly**  
CEO Hcor and amongst the 100 more influential figures in the sector

"Cancer will kill more than heart disease, heart attacks and strokes, due to the aging population"

World Population aged 70-79 in millions

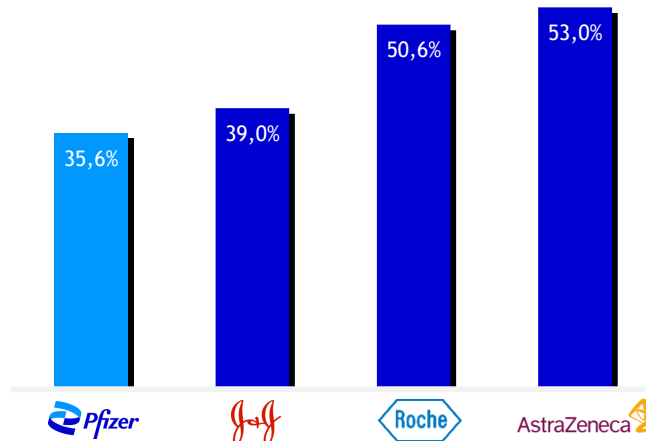


Projected top therapy areas worldwide in 2027, in billions USD



Pfizer's, has a small oncology pipeline and its most relevant oncology products have been losing market share even before their LOE

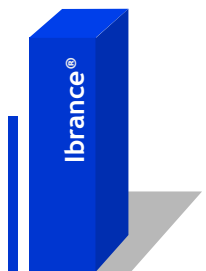
Oncology as % of the Pipeline



Compared to its competitor **Erleada** from J&J, Xtandi lacks strong competitiveness. Moreover, as **PARP inhibitors** gain traction for prostate cancer treatment, this could further reduce Xtandi's sales



Ibrance is losing market share to competitors, notably LLY's Verzenio. While Verzenio's trend has been rising, Ibrance has declined since 2020





# Oncology: From Challenge to Chance

Even though it has a low market share and faces many challenges with its current portfolio, we believe that Pfizer has an opportunity to positioning itself well in the oncology market in the future and capitalizing on the sector's potential for consolidation

We spoke with Pfizer's ex-president (2009-2017) and learned that biopharmaceutical companies can have holes in their revenue because of patents expiring

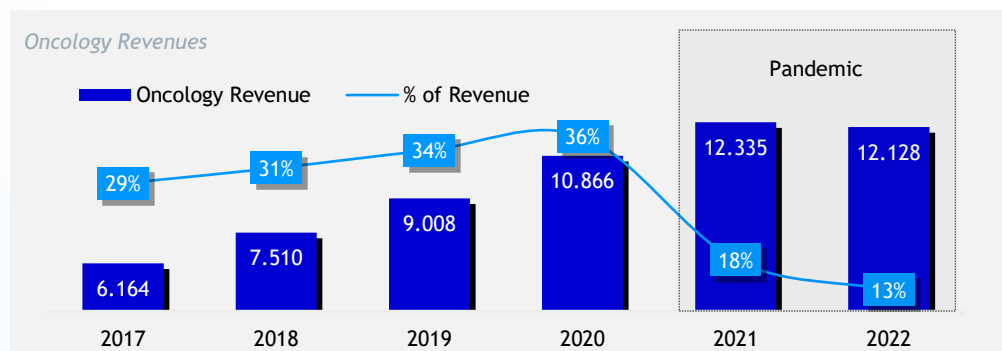
Health Specialist Call realized 10/30/2023



**Victor Mezei**  
Former LATAM  
President of Pfizer  
from 2009-2017.

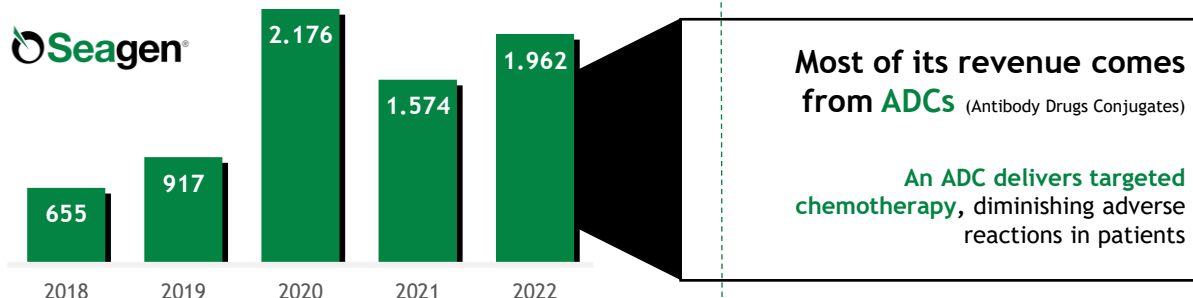
"I see the oncology market consolidating slowly. That is the driving force behind the sector's M&As."

Pfizer had plans to consolidate in oncology. However, the pandemic disrupted this project, and drugs have been losing patents and competitiveness



In a bid to enhance its competitiveness in the oncology sector, Pfizer acquired Seagen in 2023. The acquisition was sealed at \$43 billion, approximately 20x Revenue

Seagen Revenue



Seagen is a Oncology Biotech Co.

Most of its revenue comes from **ADCs** (Antibody Drugs Conjugates)

An ADC delivers targeted chemotherapy, diminishing adverse reactions in patients

ADCs stand out as an innovation for oncology, and the partnership between Pfizer and Seagen accounts for 43% of the approved ADCs

ADCs analysis

With Seagen Pfizer's can focus all their forces on oncology with the ADCs, we see it becoming more competitive

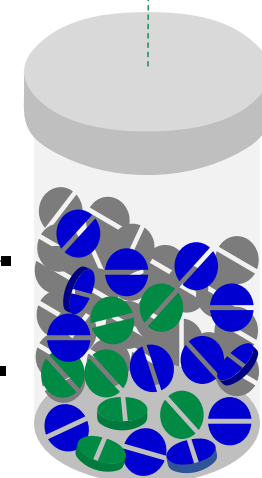
**ADC's Technology Explanation**

"ADCs (Antibody-Drug Conjugates) combine a specific antibody with a potent drug. The antibody targets cancer cells, delivering the drug directly to them. This can kill the cancer cells while sparing healthy ones. After delivery, the drug is released, and the antibody is typically metabolized by the body."

The two together could be a powerhouse in the ADC market

Seagen has 29% of approved ADCs

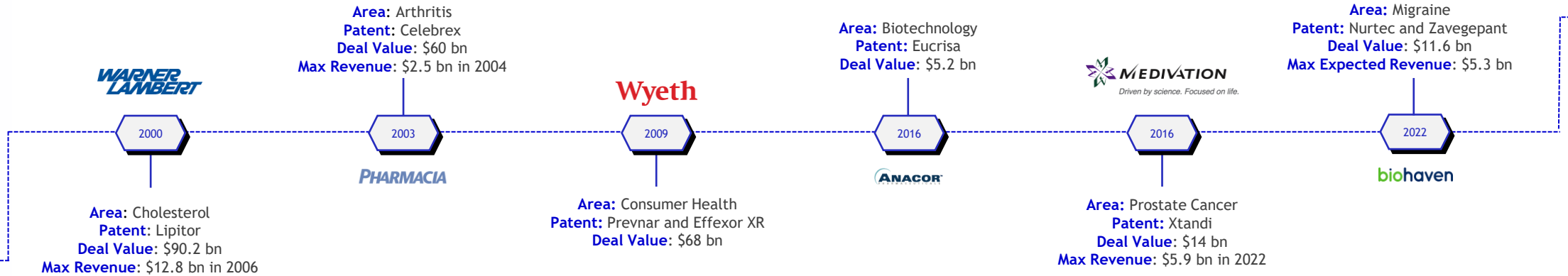
Pfizer has 14% of approved ADCs





# A dive into the M&A's that Shaped Pfizer's Journey


Acquisitions have always been important chapters in Pfizer's history, especially due to the company's strong ability to boost the sales of the main patents from the acquired entities and turn them into blockbusters



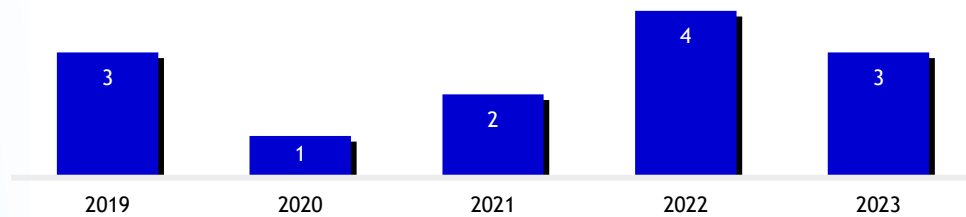
Amidst the sea of molecular possibilities, Pfizer strategically acquires companies with the compass. Using its platform, the acquired value is maximized

Pfizer's M&As Historic and Banker Call realized 11/02/2023

"Pfizer is capable of acquiring companies with one or a few patents that have potential as blockbusters, scaling up their production, offering them globally, and indeed turning such patents into blockbusters with returns at scale and value."

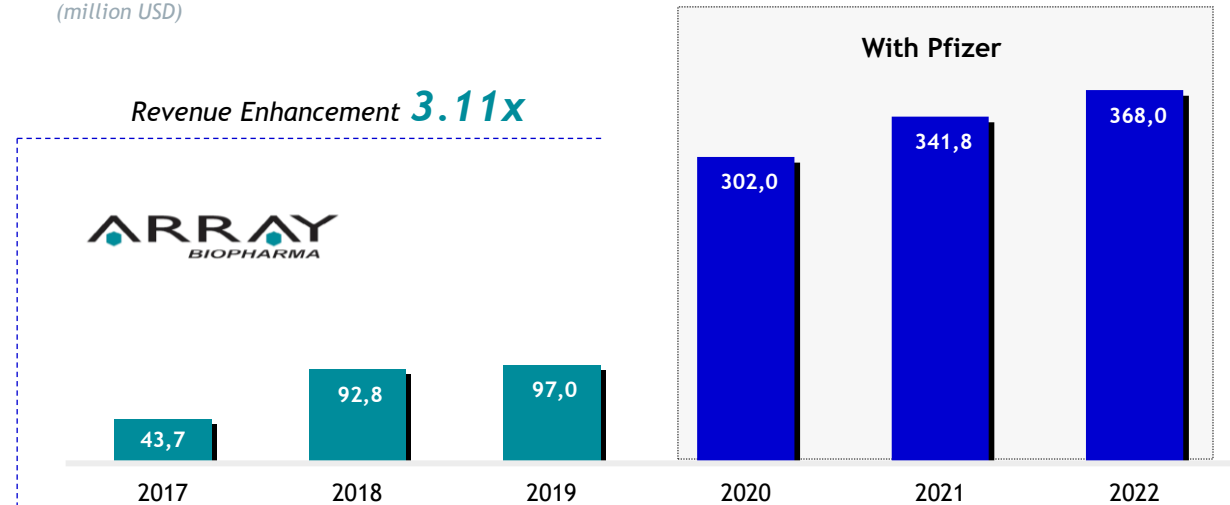


**Antônio Ferraz**  
 Former JP Morgan (NY) banker and Arbitral Finance Partner



Pfizer's platform is designed to bring out the best in its acquisitions. The 2019 Array Biopharma case stands as proof of it

Revenue of Array Biopharma Assets With and Without Pfizer (million USD)



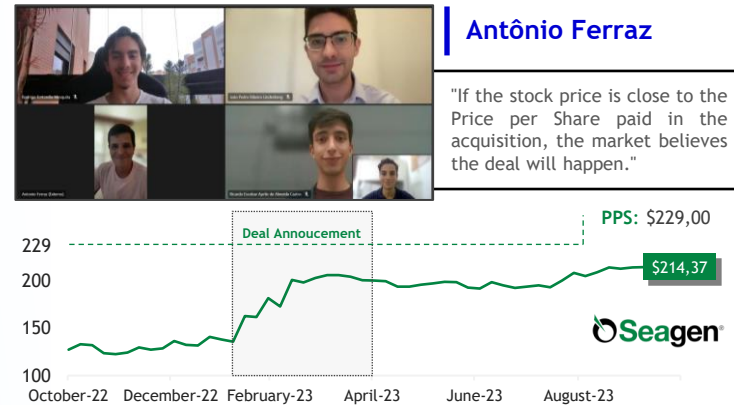


# Pfizer and Seagen, a New Company

The group believes that the completion of this significant deal will be transformative for Pfizer's strategic positioning in the oncology market in the coming years, a crucial strategy to launch a blockbuster and gain market share in the sector

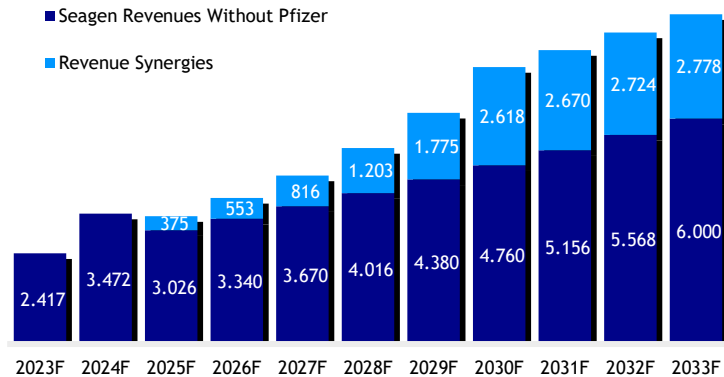
The group believe the Deal will happens because the market already precified it in SGEN stock price

Stock Prices and Banker Call realized 11/02/2023



Despite having paid a high premium for Seagen's assets, Pfizer places a big bet on its potential to generate future revenues

Seagen's Value with 50% of Synergy



We see Seagen capitalizing on synergies from its merger with Pfizer over time

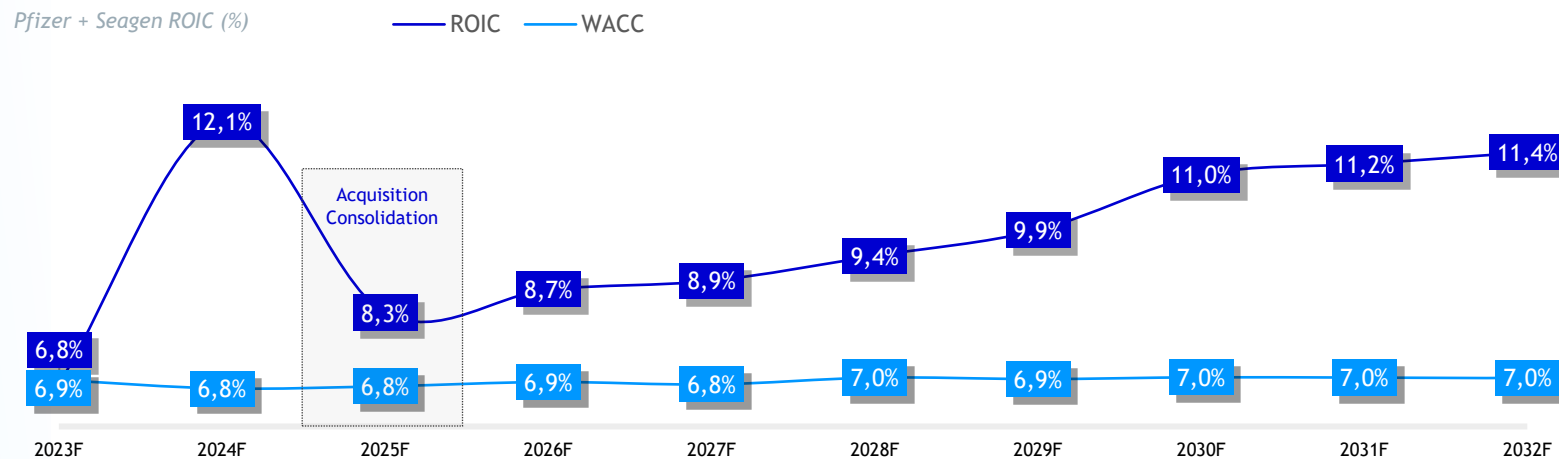
Seagen's Revenue With and Without Synergies (millions USD)

Seagen Valuation	USD mn
EV - Explicitly Flow	7.855,5
EV - Perpetuity	27.384,2
Enterprise Value	34.625,6
(-) Net Debt	4.945,4
Equity Value	39.571,0
Price per Share	211,74

The Deal needs at least **57%** of synergy proposed by Pfizer to justify the price of the acquisition

Analyzing the ROIC of the companies collectively, we see that it exceeds the WACC in every projection

Pfizer + Seagen ROIC (%)



Synergy x Wacc Sensibility Table for SGEN PPS (USD)

		Synergy Completion Rate				
		20%	35%	50%	65%	80%
WACC	9,1%	101,4	130,9	160,5	190,1	219,7
	8,3%	114,6	148,4	182,2	216,0	249,7
	7,6%	132,7	172,2	211,7	251,3	290,8
	6,8%	158,5	206,3	254,0	301,7	349,4
	6,1%	197,9	258,1	318,3	378,5	438,7

Howard Marks,  
Oaktree Capital Management Co-Founder

"Investing on the basis of rosy scenarios and ignoring the range of possible outcomes—especially the negative ones—can be dangerous".



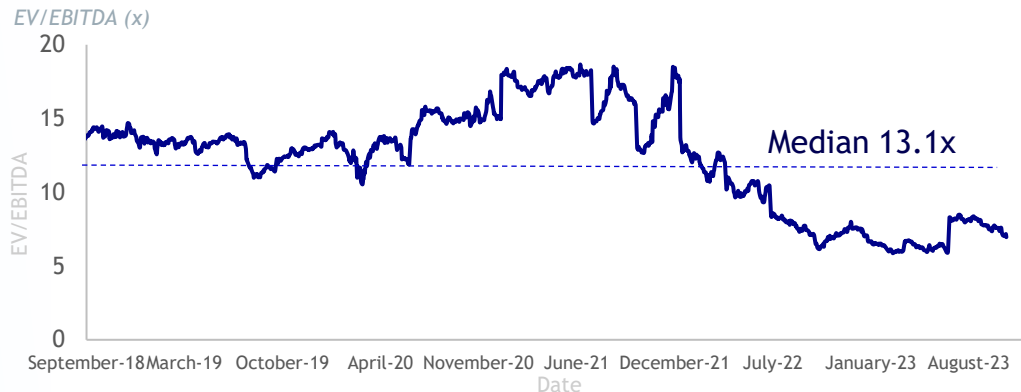




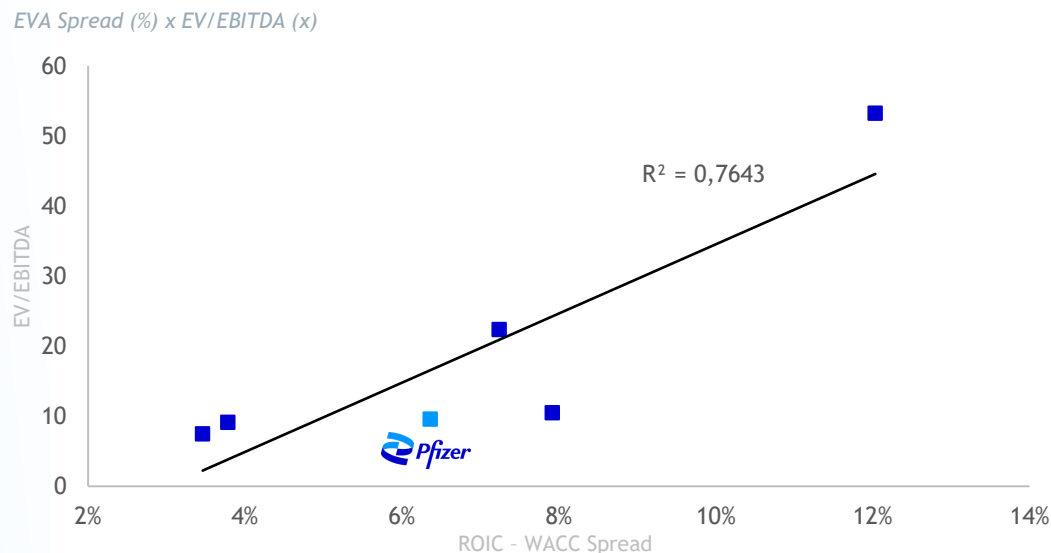
# Pfizer Price Breakdown

Before making our final recommendation, it was essential to pinpoint the factors driving the company's price and understand the primary variables that could influence its intrinsic value

Upon analyzing Pfizer's historical performance, we note that the company has been trading below its historical median

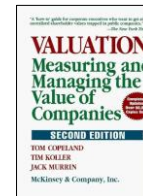


We analyzed the market's payment for each EVA spread to start the company's price study. This suggests Pfizer might be undervalued, being below the trend line



To find out what the market expects from the company in the coming years, we use the market consensus revenue from 2023 to 2025 plus perpetuity

Continuing Value (Terminal Value) Formula



$$\text{Continuing Value} = \frac{(\text{Revenue} \cdot \text{NOPAT Margin}) \cdot (1 + g) \cdot (1 - \frac{g}{\text{ROIC}})}{\text{WACC} - g}$$

Thus, we approximately determine the variables that the market prices into the asset and perform sensitivity analysis to discover which would have the most impact on the price

Sensitivity Tables

		NOPAT Margin				
		18.2%	20.2%	22.2%	24.2%	26.2%
G	0.5%	23.09	26.09	29.09	32.09	35.08
	1.0%	23.60	26.65	29.71	32.76	35.81
	2.0%	24.87	28.07	31.26	34.46	37.65
	3.0%	26.74	30.14	33.54	36.94	40.34
	3.5%	28.09	31.64	35.19	38.73	42.28

		Perpetuity ROIC				
		3.8%	5.6%	7.6%	9.6%	11.6%
G	0.5%	26.70	28.24	29.09	29.58	29.90
	1.0%	24.46	27.84	29.71	30.79	31.50
	2.0%	18.31	26.66	31.26	33.94	35.69
	3.0%	8.33	24.58	33.54	38.76	42.16
	3.5%	0.70	22.92	35.19	42.31	46.97

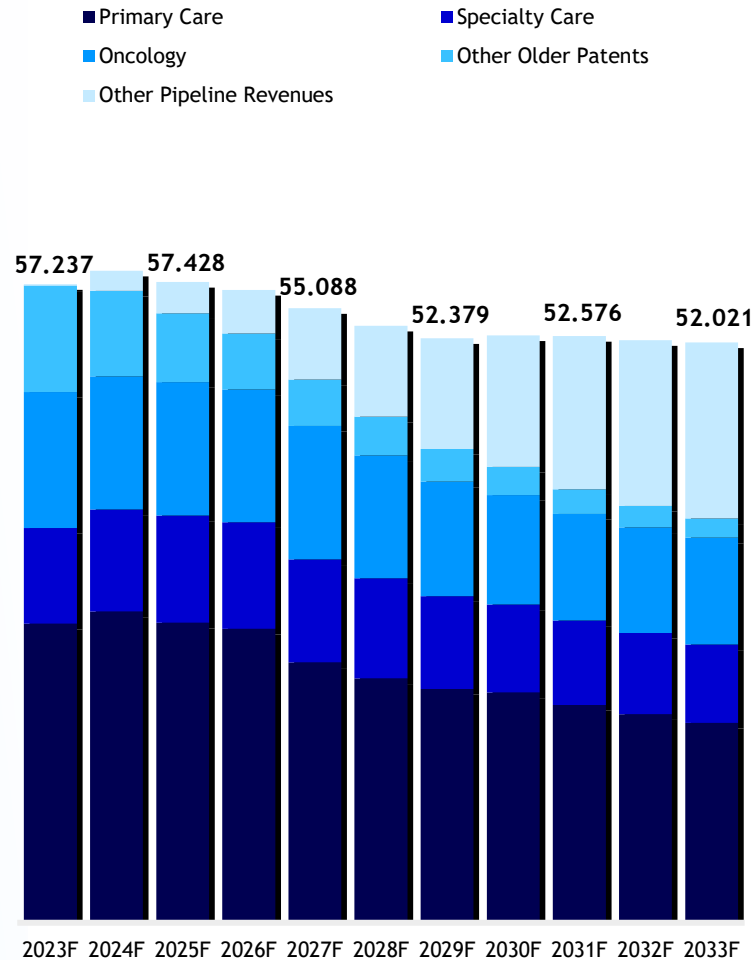


# From Revenue to Value

Pfizer's revenue was forecasted based on its various business segments, and when combined with the corresponding profit margins, these projections allow for the evaluation of the company's overall value using Free Cash Flow to Firm analysis

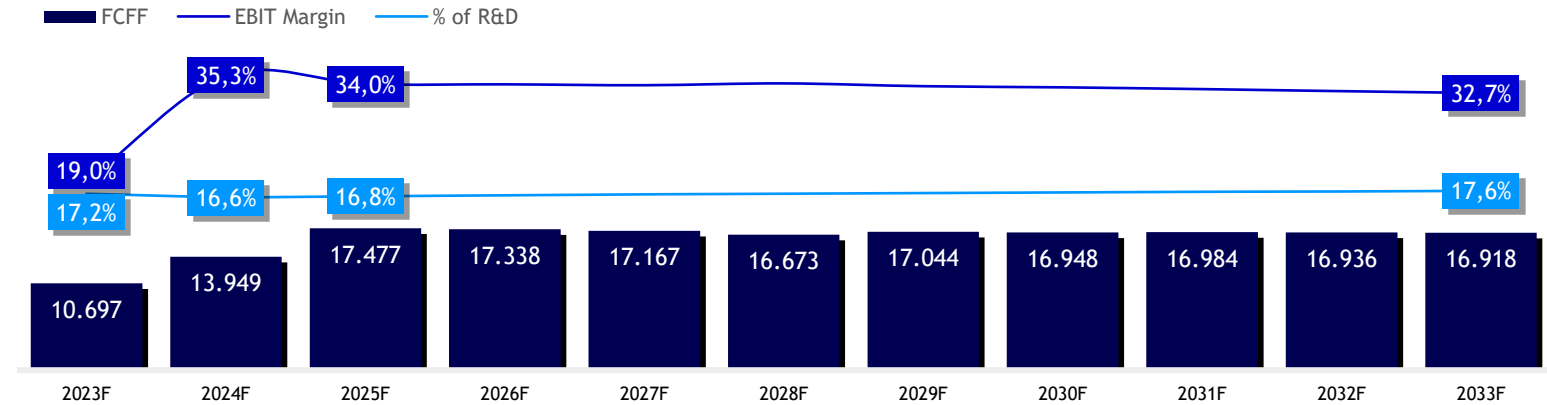
The revenues are expected to drop when compared to 2022 because of Corminaty. However, it should stabilize afterwards

Revenue Projection by Segment (in million USD)



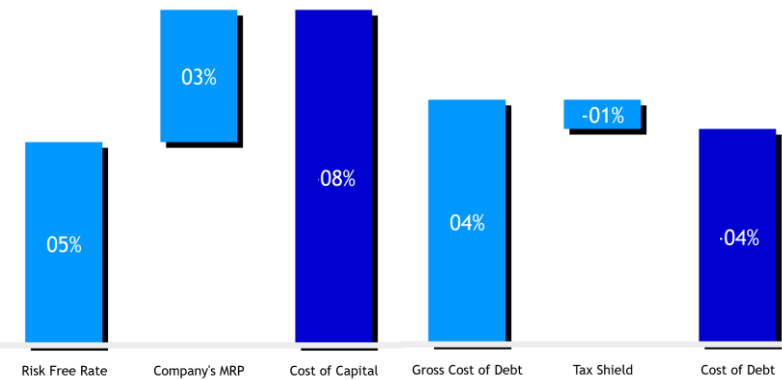
The premises for the company's OPEX were primarily based on historical data, where SG&A and R&D continue at their historical values. Therefore, regarding the FCFF, we highlight that Pfizer has a very predictable cash flow generation

EBIT Margin (%), R&D Projections (%) and Free Cash Flow to Firm (millions USD)



Regarding the cost of capital, we calculated a "Rolling WACC", which is a WACC specific for each year of the projection. Thus, based on our projections, we calculated the model's output

2023 WACC Build-Up (%) and Valuation Output



WACC Calculation	
% Debt	23.7%
% Equity	76.3%
<b>WACC</b>	<b>6.9%</b>

Pfizer DCF Valuation		USD mn
EV - Explicit Flow		125,577.55
EV - Perpetuity		121,221.74
<b>Enterprise Value</b>		<b>246,799.29</b>
(-) Net Debt		-19,938.40
<b>Equity Value</b>		<b>226,860.89</b>
<b>Price per Share</b>		<b>39.71</b>

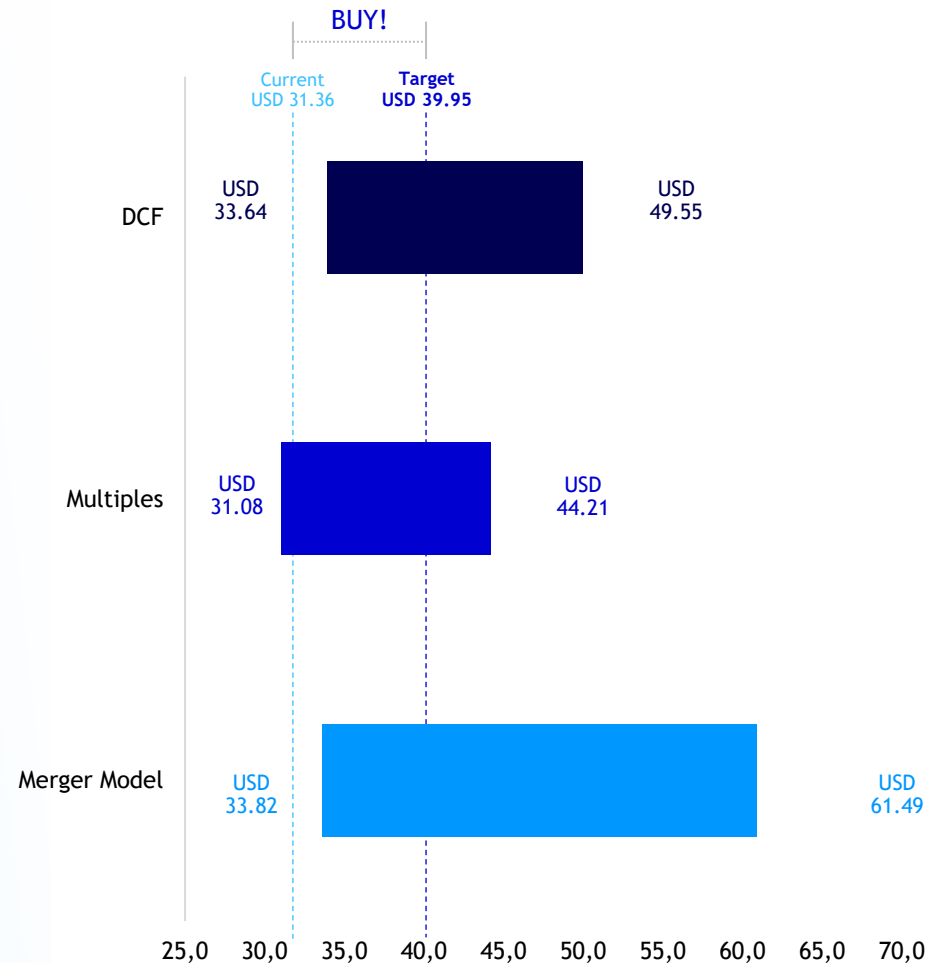


# What's the Main Risks to the Potential Returns?

The oncology sector represents a particularly promising field for a multitude of compelling reasons. To begin with, the prevalence of risk factors associated with cancer, including advanced age and a familial history of the disease, is on the rise

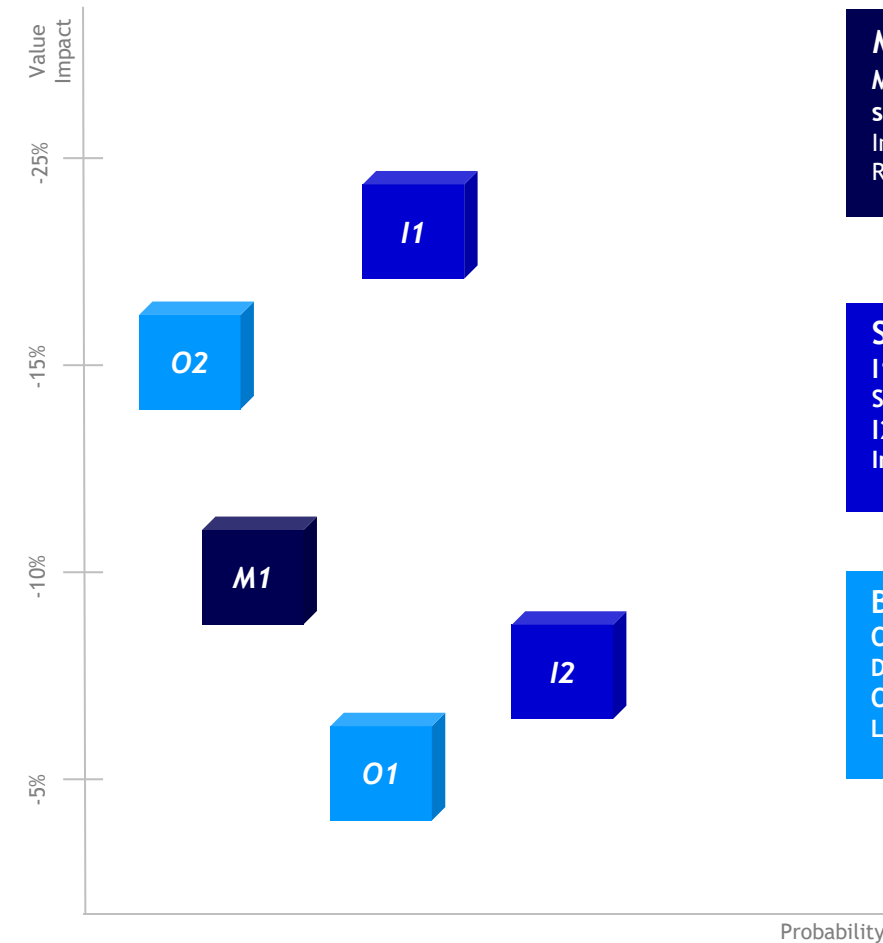
Based on our assumptions and methods used, we reiterate our target price of **USD 39.95** and our **buy recommendation**

Football Field



Although the attractiveness, the group sees main risks that could result in a decrease in upside and potentially a change in recommendation. We mapped the probability and impact

Risks Matrix



**Macroeconomic Risks**  
**M1. Global Macroeconomic scenario**  
 Increase in COGS, SG&A, and R&D.

**Sector Risks**  
**I1. Competitiveness**  
 Share Reduction  
**I2. Price Pressure**  
 Increase in COGS

**Business Risks**  
**O1. Pipeline Setbacks**  
 Discounted Pipeline Projection  
**O2. Patent Losses**  
 LOE 2 years early

## Q&A

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Thank you for your attention!



João Lindenberg  
Ricardo Escobar  
Rodrigo Mesquita  
Thales Barbosa

# Presentation Summary



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- [4. Oncology Market Showdown](#)
- [5. Oncology: From Challenge to Chance](#)
- [6. A dive into the M&A's that Shaped Pfizer's Journey](#)
- [7. Pfizer and Seagen, a New Company](#)
- [8. Pfizer Price Breakdown](#)
- [9. From Revenue to Value](#)
- [10. What's the Main Risks to the Potential Returns?](#)

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# Appendix Summary



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- [1.2\) Industry Drivers](#)

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- [2.3\) Competitive Landscape](#)

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- [3.2\) Prescription Drugs](#)
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- [4.2\) Actual Pfizer Presence](#)
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- [7.2\) Wacc and Tax](#)
- [7.3\) Changes in Our Assumptions](#)
- [7.4\) Multiples](#)

## 8. Risks Analysis

- [8.1\) Model's Sensibilization](#)

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# 1. Sector Analysis

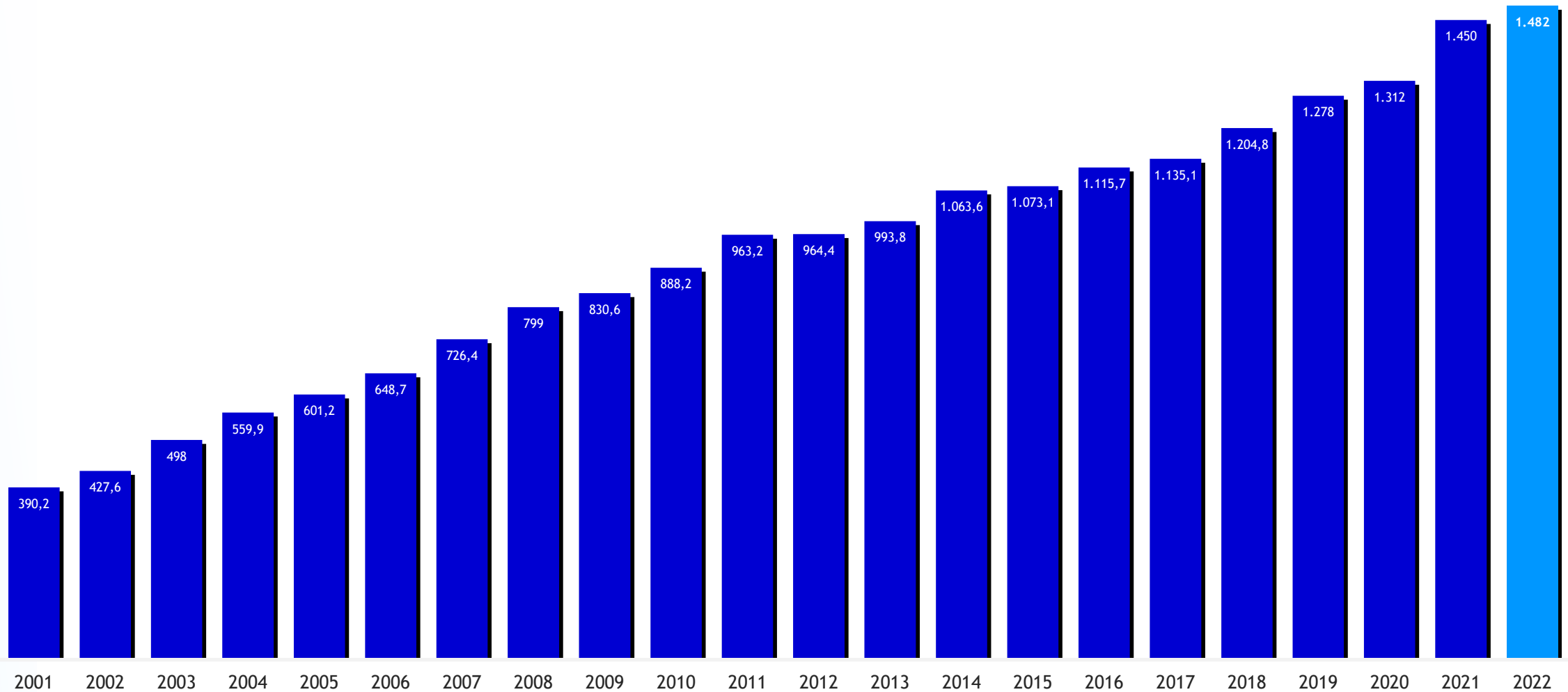


# Appendix - Global Pharma Market Footprint

The pharmaceutical market's global footprint extends across diverse regions, reflecting a dynamic landscape shaped by research, innovation, and healthcare demands. It spans from established markets in North America and Europe to emerging markets in Asia, driving continuous growth and adaptation

Revenues in the global pharmaceutical sector follow an upward trend with a roughly constant growth rate

Pharmaceutical worldwide revenue (USD bn)





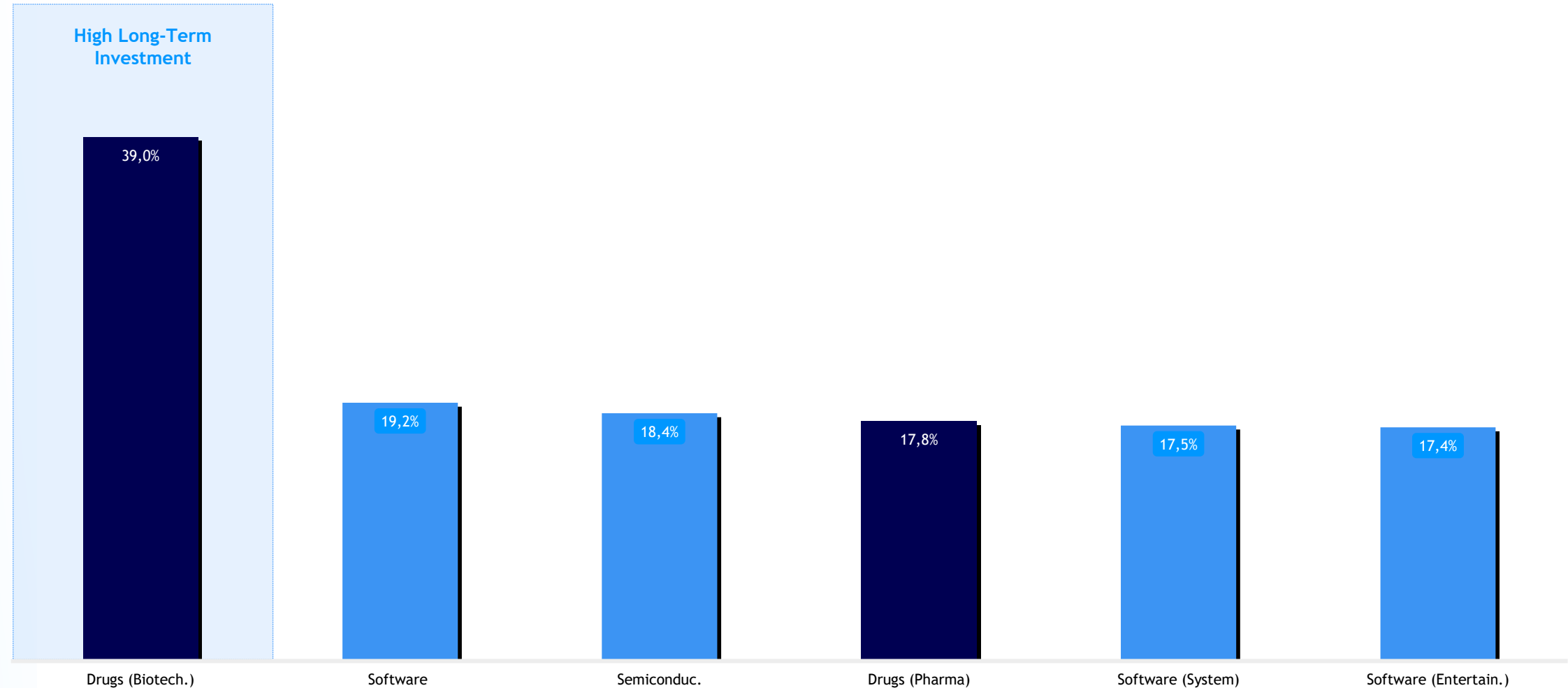
# Appendix - an R&D intensive sector



The sector's dynamics are closely tied to companies' investments in research and development to uncover patents that can yield returns and ultimately justify their long-term investment in these discoveries

In contrast to other industries, the pharmaceutical sector distinguishes itself by its substantial commitment to research and development. Even the software sector, known for its extensive research efforts in product development, lags behind when juxtaposed with the advancements in biotechnology.

Percentage of revenue dedicated to R&D (%)

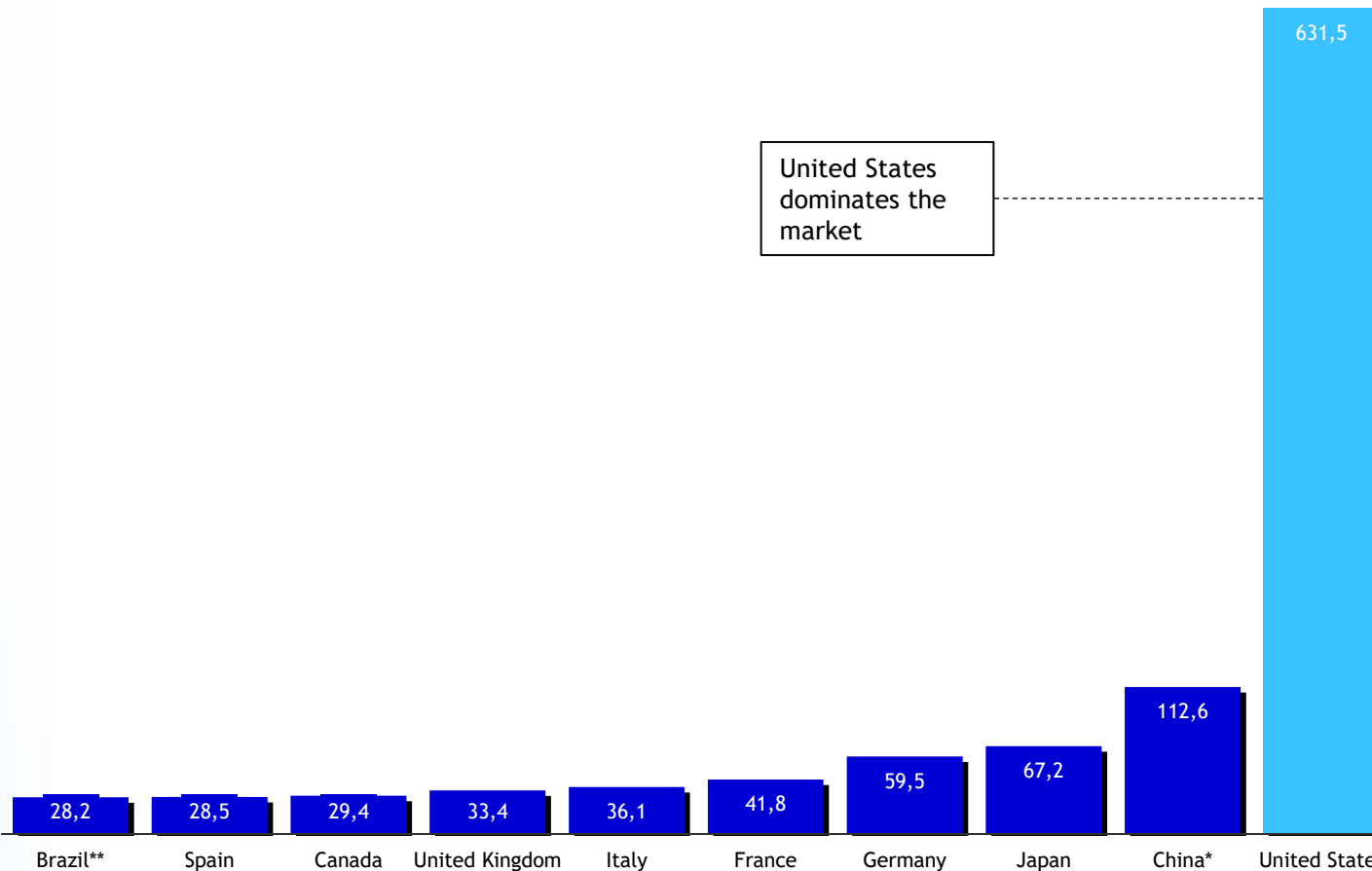


# Appendix - Leading Markets in Pharmaceuticals

The leading markets in the pharmaceutical industry, such as the United States and Europe, serve as epicenters of innovation and research, setting global standards in healthcare and drug development. They play pivotal roles in shaping the industry's future and addressing pressing health challenges.

The United States leads as the largest pharmaceutical market in the world, being over 5 times larger than the second-place holder, China. And companies explore that, since, for most companies a big part of their revenue comes from the United States.

Revenues of top 10 global Pharmaceutical markets 2022



There are some reasons that make the American pharmaceutical market disproportionately larger than others are tied to how the U.S. healthcare market and American culture are distinct.



**Victor Mezei**  
Former LATAM  
President of Pfizer  
from 2009-2017.

“The main reasons for the United States leading by a wide margin are the high drug prices, large population, and high diagnostic capability.”

Percentage of Pharmaceutical revenue by region

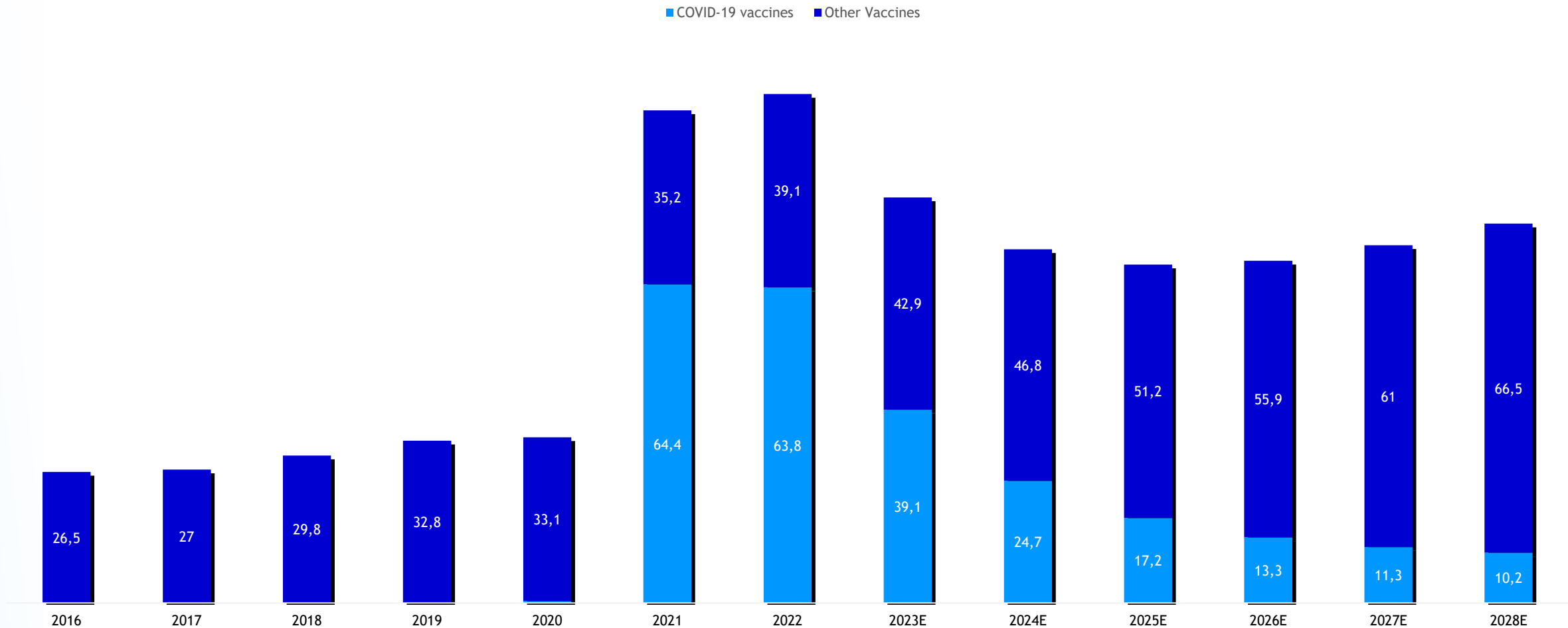


# Appendix - But the Sector is about to Change

The expectation is that the vaccine boom's relevance to the global pharmaceutical sector will decline, as with the end of the pandemic, people will get vaccinated less frequently.

It is expected that revenues from COVID-19 vaccines will decline rapidly over the next few years, causing companies to reposition themselves for upcoming trends. Pfizer, which was a very relevant player in the pandemic will be affected.

Global Vaccines Revenues (USD bn)

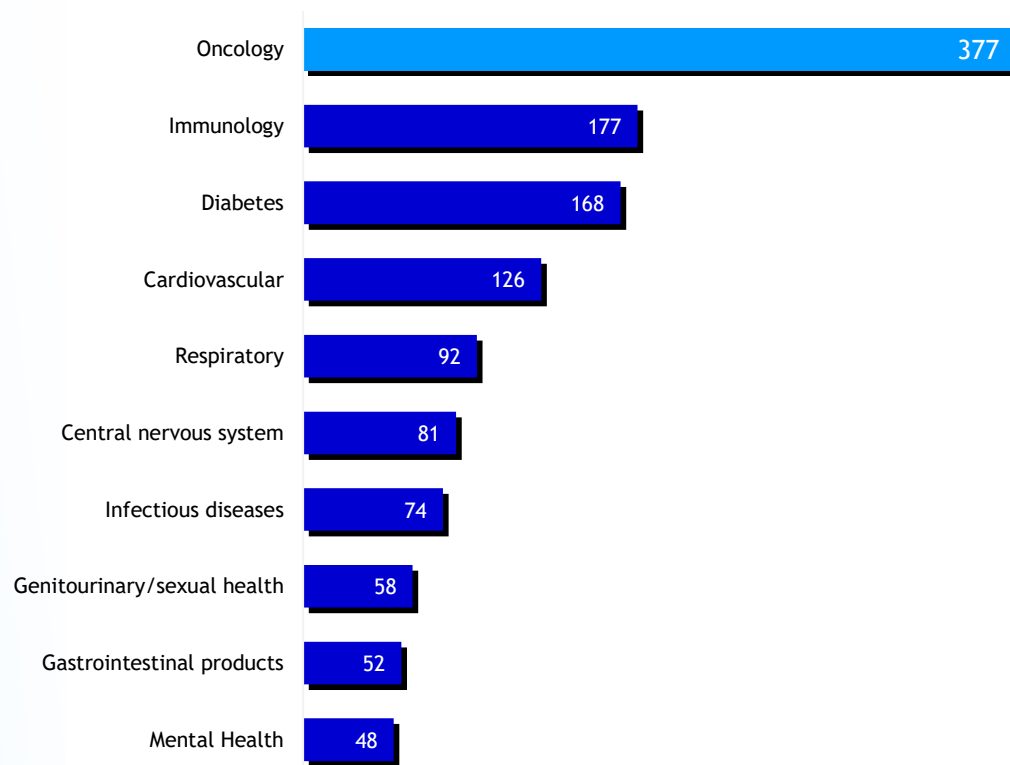


# Appendix - And all roads lead to Oncology

Market projections indicate that oncology is expected to become the most significant sector within the pharmaceutical industry, driven by the increasing relevance of biotechnology, that is, the importance of the emergence of innovative patents.

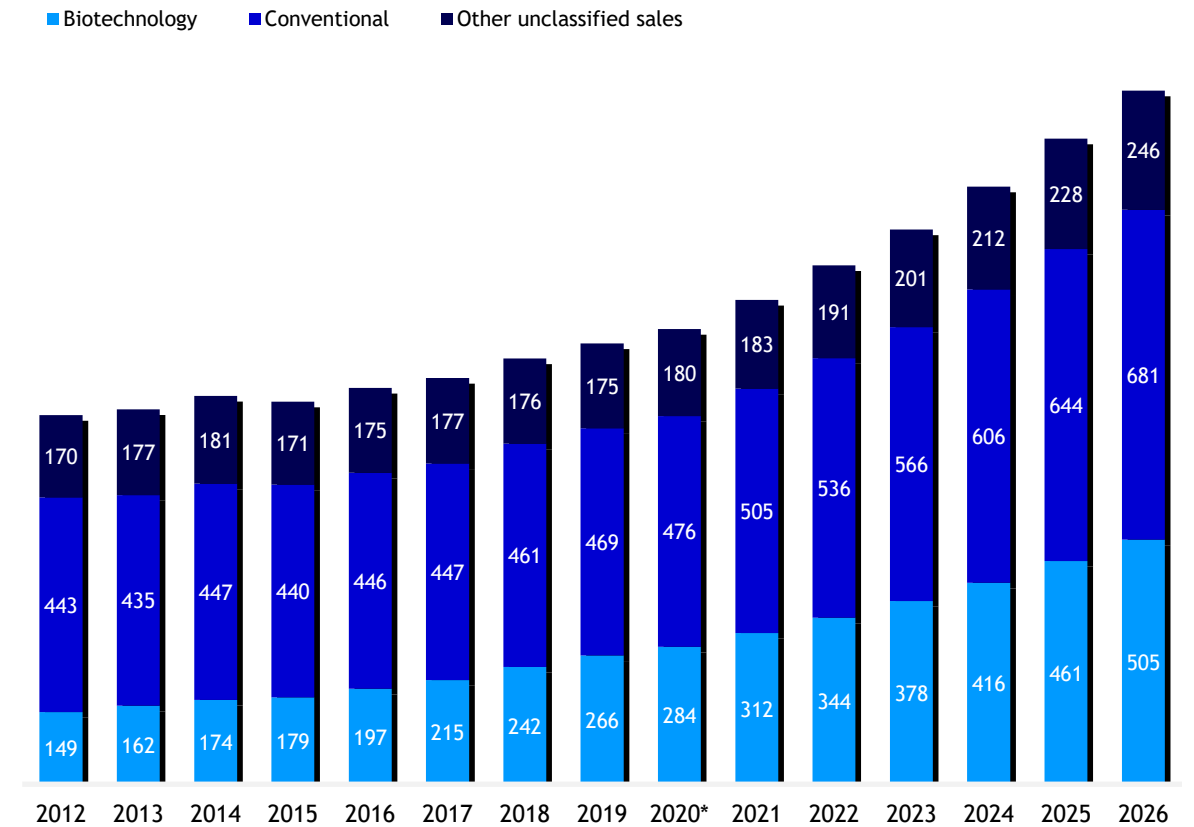
It is expected that by 2027, oncology will lead in spending, being more than twice as large as the second-place, immunology.

Top therapy classes by spending global market 2027 forecast (USD bn)



Market projections indicate biotechnology reaching \$505 billion in revenue and representing ~35% of pharmaceutical revenues in 2026.

Global pharmaceutical revenue by technology 2012-2026 (USD bn)



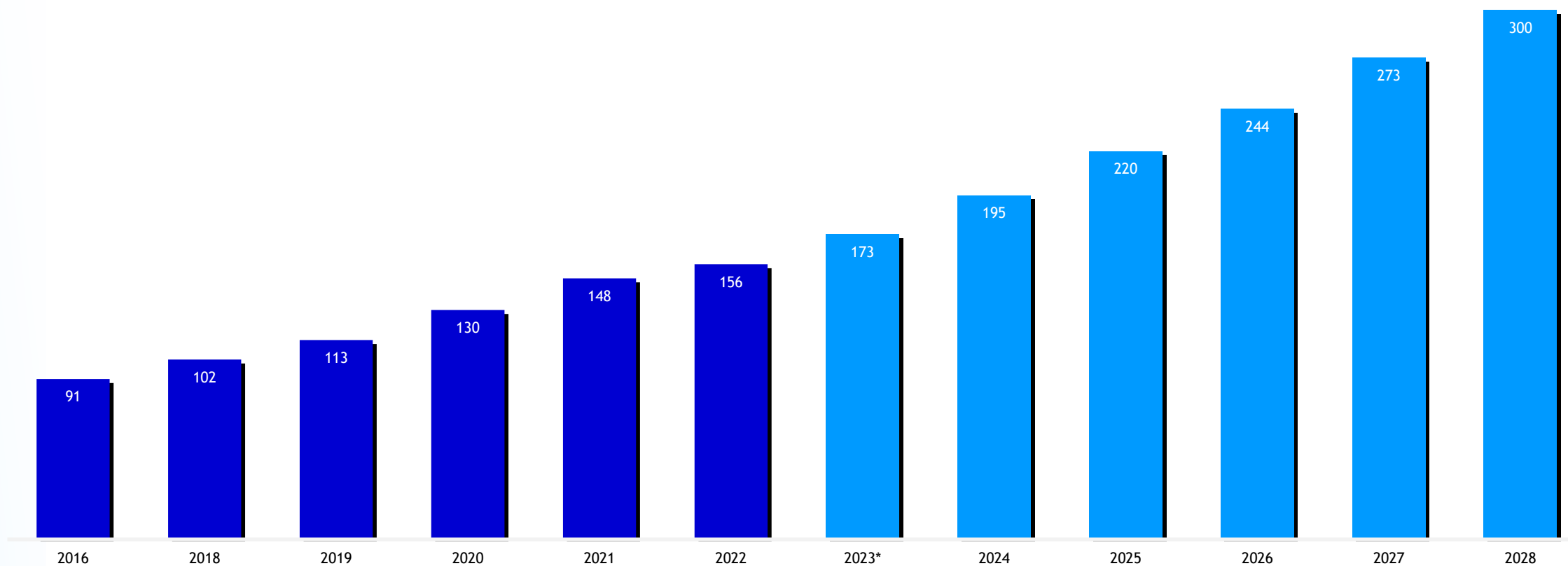


# Appendix - Rare diseases are also a path

Orphan drugs are specialized pharmaceuticals developed to treat rare diseases with limited patient populations, often receiving regulatory incentives to encourage their development

The possibilities of growth for orphan drugs are substantial, driven by increased awareness, advancements in biotechnology, and ongoing regulatory support, making them an attractive sector for pharmaceutical innovation and investment

Global Revenue for Orphan Drugs (in billion USD)

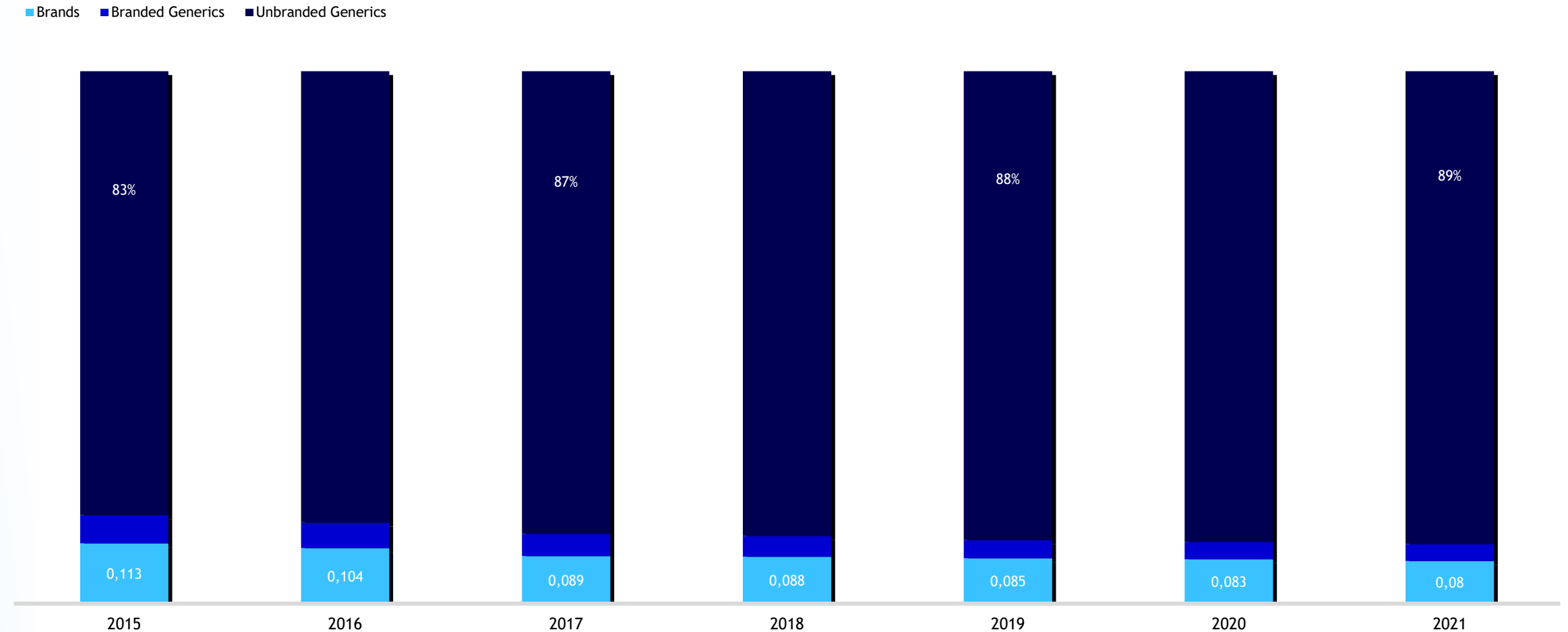


# Appendix - Generics Market

Unbranded generics are cost-effective alternatives to brand drugs, while branded generics offer a compromise between affordability and brand recognition in the pharmaceutical world. Brand drugs, on the other hand, are original products developed and marketed by pharmaceutical companies.

Unbranded generics correspond to most part of the market since they are more accessible to the population. On the contrary, branded generics, which are less cost effective, end up having a similar relevance to the original brand drugs.

Generics Market (in %)

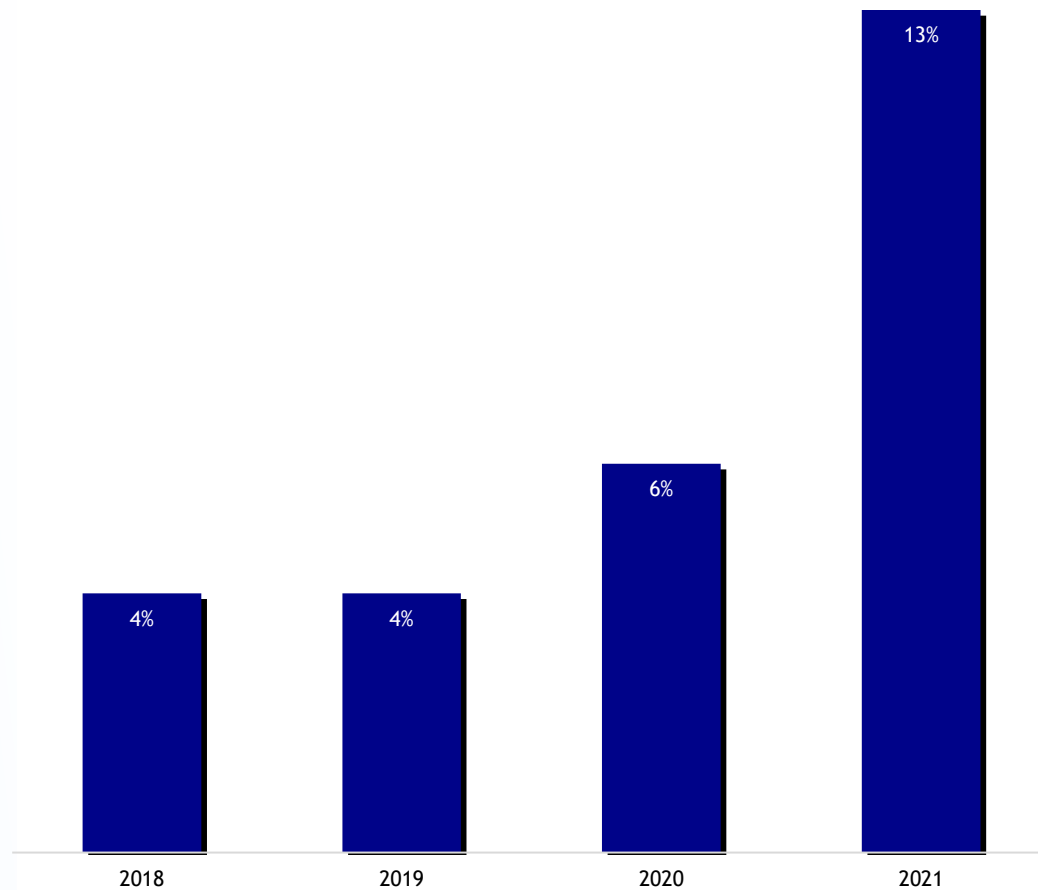


# Appendix - Ozempic

The drug made for losing weight is breaking into the market as a huge success given its efficacy. However, other companies like Pfizer are already following the trend and developing their own drugs to compete with Ozempic

The success from Ozempic can be seen in its usage for weight loss, which is different from its first intentions of helping with diabetes

Ozempic Usage destined for obesity (in %)



The total Market cap is Worth USD 90 Bn in 2030, according to global data. But Pfizer has no Ozempic rival in her pipeline, currently in Phase 1/2

HEALTH | PHARMA | HEARD ON THE STREET

## Never Mind Covid, Investors Want a Pfizer Obesity Pill

The pharmaceutical company's silence on oral obesity drug worries investors

By David Wainer

Oct. 31, 2023 12:35 pm ET

Healthcare & Pharmaceuticals

## Pfizer scraps one weight loss drug in race to develop Ozempic rival

By Michael Erman and Manas Mishra

June 26, 2023 3:56 PM UTC · Updated ago





## 2. Business Analysis





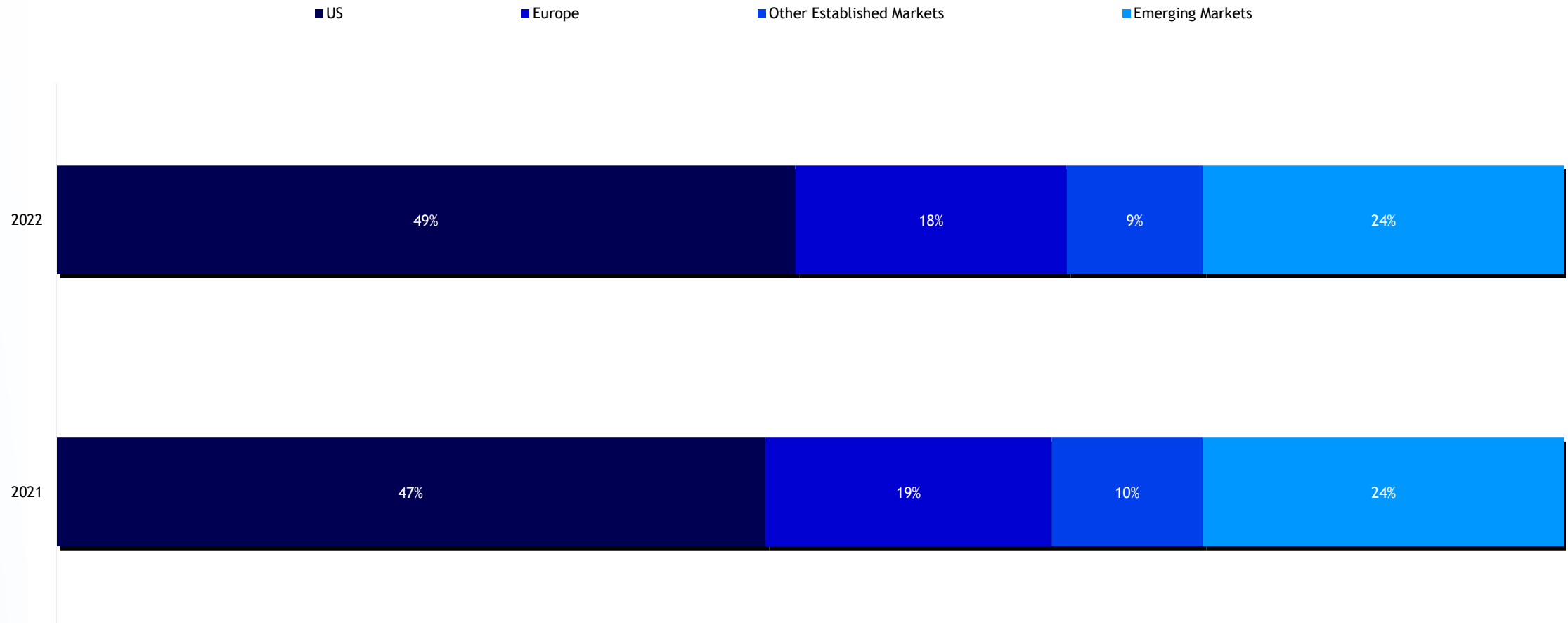
# Appendix - Global Revenue



With its extensive international operations, the company experiences considerable revenue disparities influenced by the distinct characteristics of specific markets, a phenomenon clearly reflected in the breakdown of its revenue by region

Pfizer's primary revenue driver is unquestionably the United States, given its substantial market for pharmaceuticals. Europe holds the second position, though it significantly lags behind the U.S. Intriguingly, emerging markets exert a more significant influence on revenue than other well-established markets

Revenue Breakdown by Region



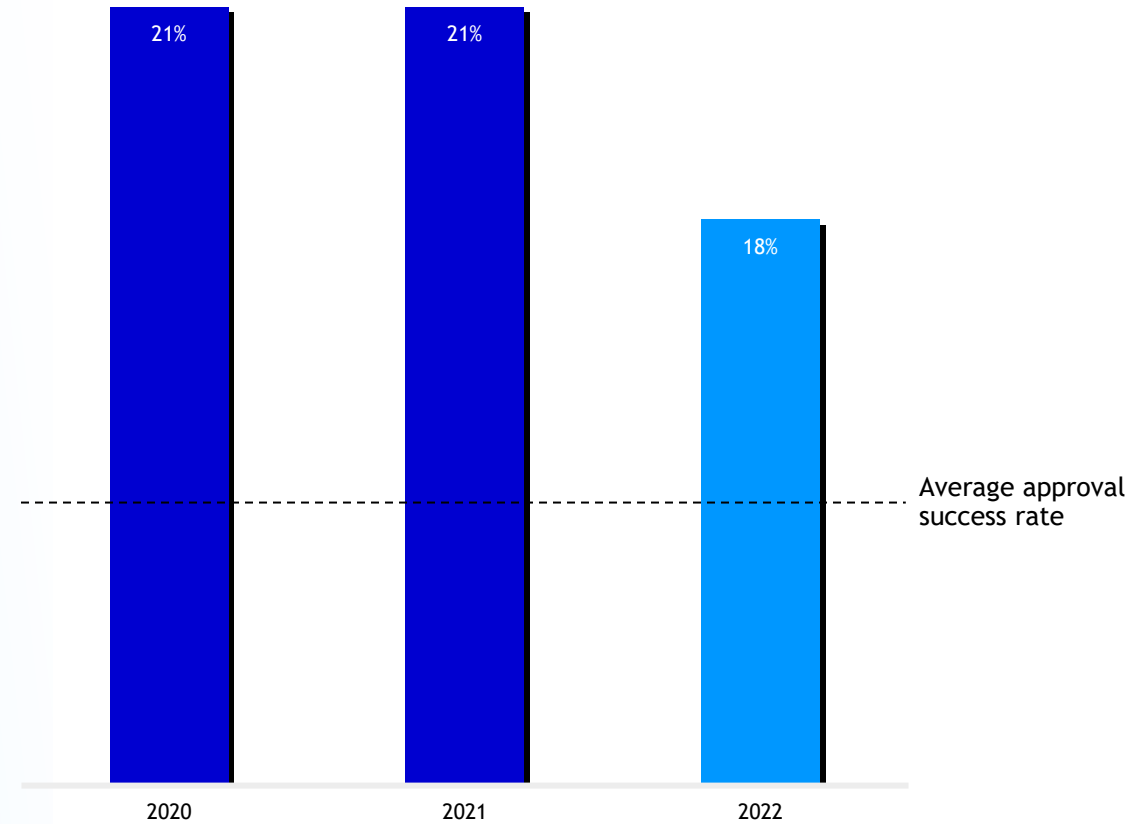
# Appendix - Pipeline Success



Pfizer continues to set the bar for drug approval success, while their commitment to investing in a robust pipeline promises a healthier future for all

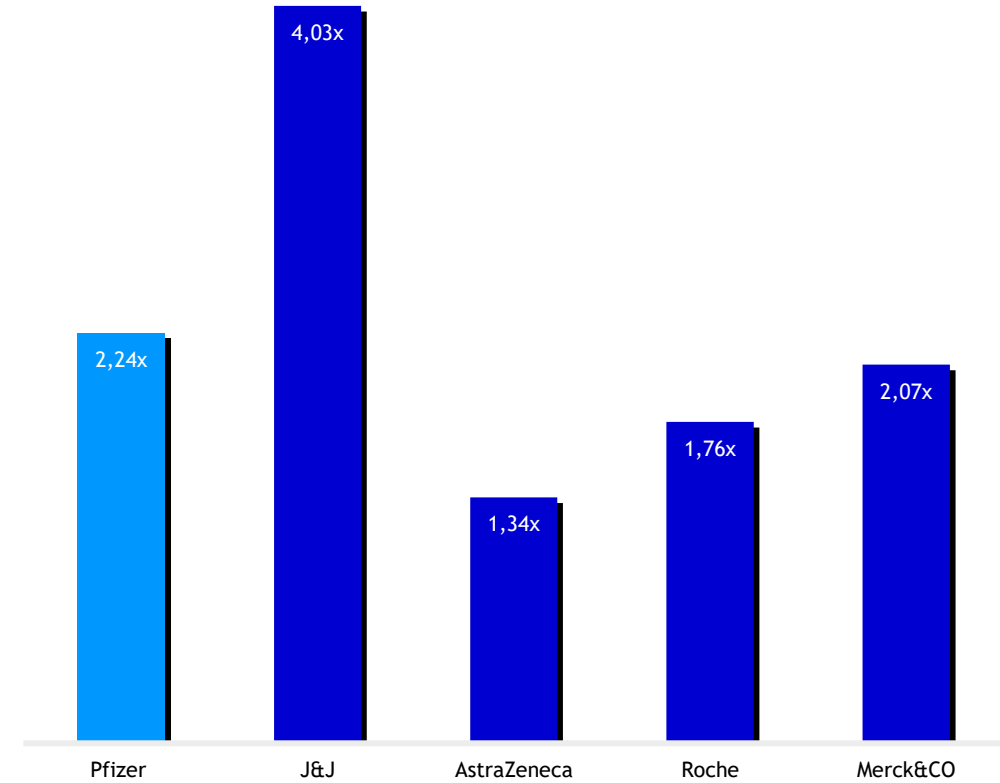
Despite a drop in 2022, Pfizer's approval rate is relatively high, especially when compared to the average of all drugs approved from clinical trials

*From First in Human to Approval (excluding generics and biosimilars)*



A low EV/EBITDA may represent that a company is undervalued, especially in the long-term since it has more drugs in the pipeline to a lower enterprise value

*EV/Pipeline*



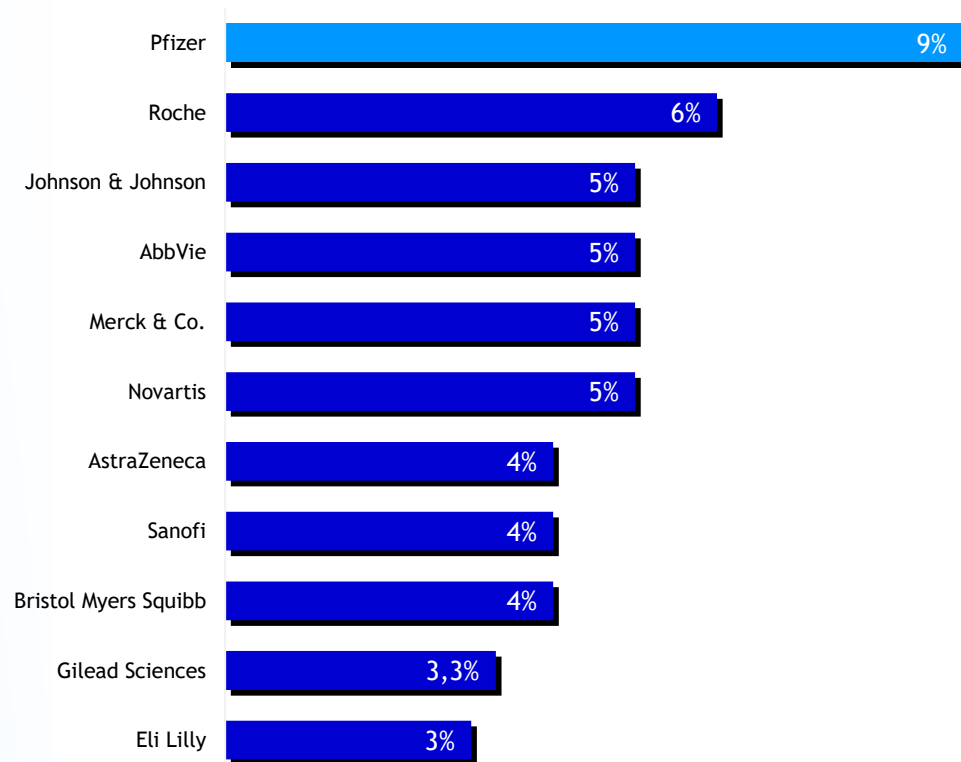
# Appendix - Pfizer leads the pharmaceutical sector



The sector is extremely fragmented, with the leading player (Pfizer) holding 9% of market share. Among the top 5 products, 3 are related to COVID-19, with two of them being from Pfizer.

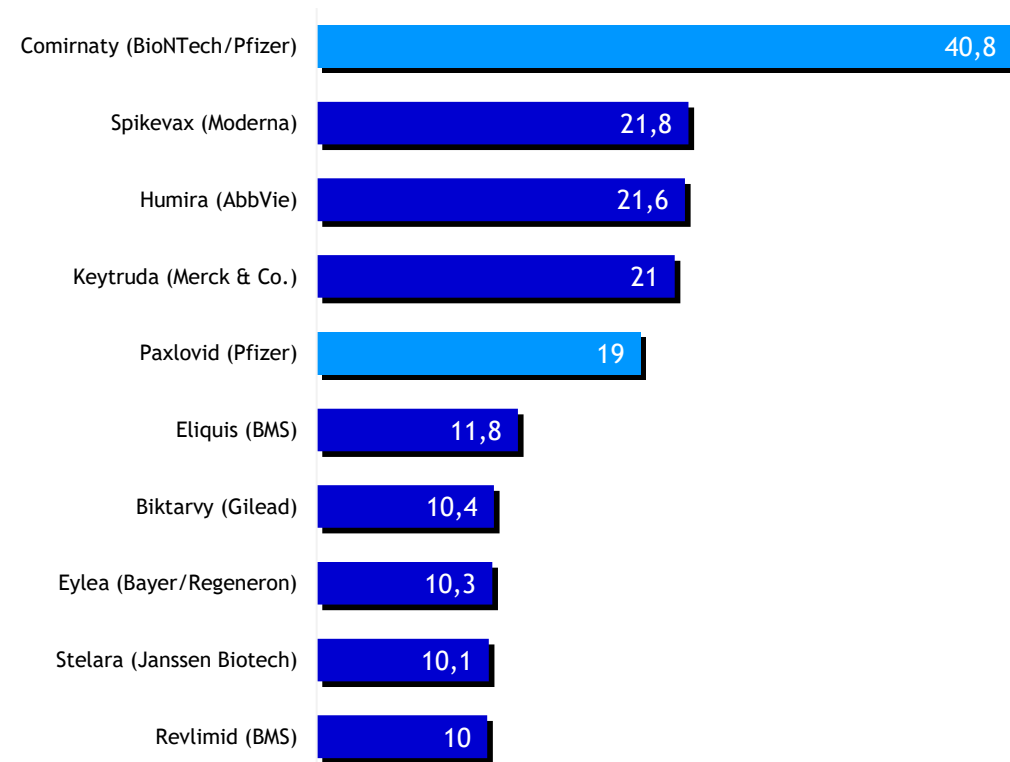
The pharmaceutical sector is highly fragmented. Pfizer leads with approximately 9% market share.

Global pharma market share by top companies 2022 (%)



This is primarily because 2 of the top 5 pharmaceutical products are from the company (Mainly COVID-related products)

Top pharmaceutical products by sales worldwide 2022 (USD bn)





# Appendix - Pfizer Historical Stock Price

Pfizer's stock has exhibited enduring resilience and growth over the past four decades, navigating fluctuations and evolving alongside the pharmaceutical industry's pivotal advancements.





### 3. Primary and Specialty Care Analysis



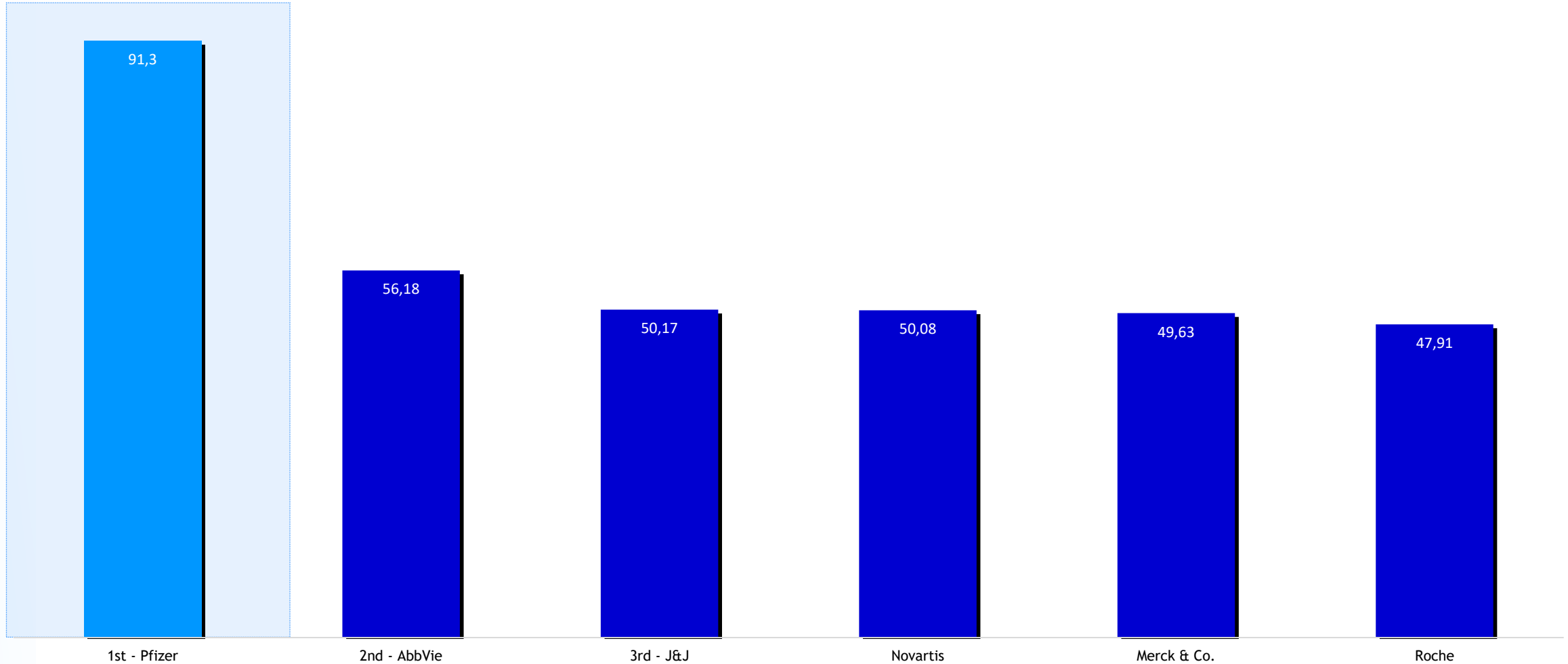
# Appendix - Pfizer's Pandemic Profits



The pandemic greatly elevated Pfizer's prescription drug sales, catapulting the company into a prominent position among the leading prescription drug sellers.

When compared to other companies, Pfizer profited the most out of the pandemic, which can be seen by prescription sales in 2022. Pfizer's is higher than all of its competitors in this period, given Cormanatoy and Paxlovid

Prescription Sales in 2022 (in billion USD)



# Appendix - Winners of the 2023 Nobel Prize

Drew Weissman, and Katalin Karikó winners of the 2023 Nobel Prize in Medicine for their mRNA vaccine against COVID-19

## The Nobel Prize in Physiology or Medicine 2023

### Katalin Karikó

“for their discoveries concerning nucleoside base modifications that enabled the development of effective mRNA vaccines against COVID-19”



Ill. Niklas Elmehed © Nobel Prize Outreach

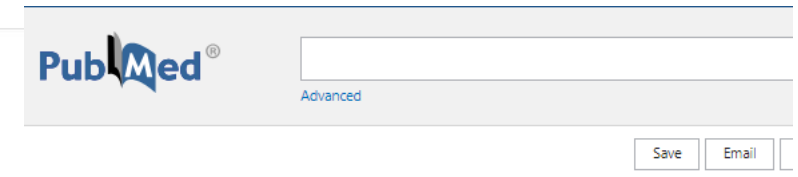
### Drew Weissman

“for their discoveries concerning nucleoside base modifications that enabled the development of effective mRNA vaccines against COVID-19”



Ill. Niklas Elmehed © Nobel Prize Outreach

Research article from 2005 by Karikó and Weissman with others researchers



[Immunity](#), 2005 Aug;23(2):165-75. doi: 10.1016/j.immuni.2005.06.008.

### Suppression of RNA recognition by Toll-like receptors: the impact of nucleoside modification and the evolutionary origin of RNA

Katalin Karikó <sup>1</sup>, Michael Buckstein, Houping Ni, Drew Weissman

Affiliations + expand

PMID: 16111635 DOI: 10.1016/j.immuni.2005.06.008

[Free article](#)

#### Abstract

DNA and RNA stimulate the mammalian innate immune system through activation of Toll-like receptors (TLRs). DNA containing methylated CpG motifs, however, is not stimulatory. Selected nucleosides in naturally occurring RNA are also methylated or otherwise modified, but the immunomodulatory effects of these alterations remain untested. We show that RNA signals through human TLR3, TLR7, and TLR8, but incorporation of modified nucleosides m5C, m6A, m5U, s2U, or pseudouridine ablates activity. Dendritic cells (DCs) exposed to such modified RNA express significantly less cytokines and activation markers than those treated with unmodified RNA. DCs and TLR-expressing cells are potently activated by bacterial and mitochondrial RNA, but not by mammalian total RNA, which is abundant in modified nucleosides. We conclude that nucleoside modifications suppress the potential of RNA to activate DCs. The innate immune system may therefore detect RNA lacking nucleoside modification as a means of selectively responding to bacteria or necrotic tissue.

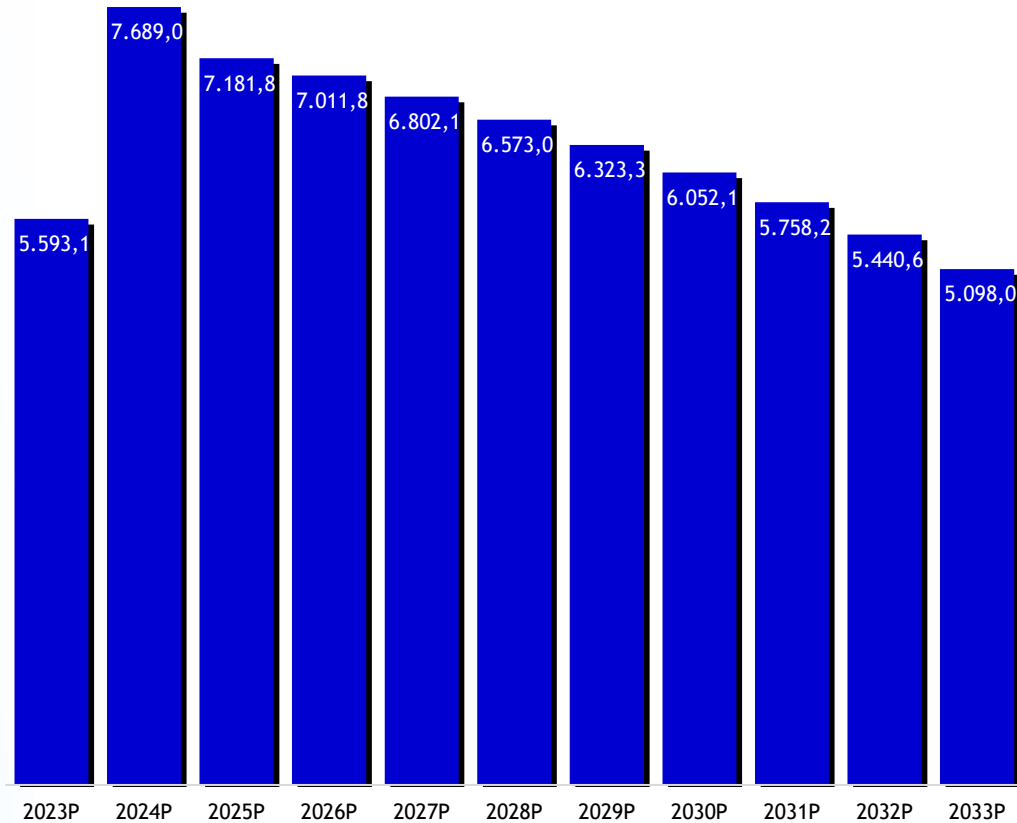
[PubMed Disclaimer](#)

# Appendix - Corminaty

Corminaty, created during the COVID-19 pandemic, represents a groundbreaking vaccine. Leveraging mRNA technology, it rapidly gained global acceptance in response to the urgent situation, marking a significant advancement in vaccine development

Revenues will decline since the COVID pandemic is over. However, most likely the vaccine will be incorporated into a flu yearly shot.

Corminaty Revenue in million USD

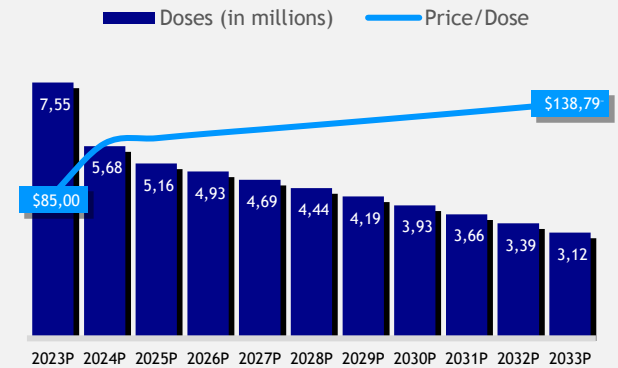


The main audience for this medication is the elderly population; however, there's a declining rate of individuals returning for additional doses after having already received many

Corminaty Market Highlights

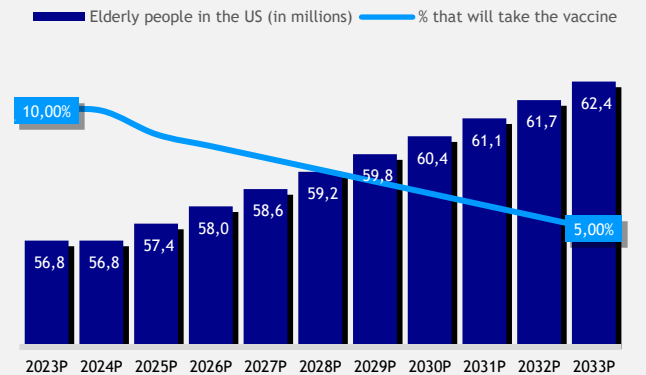
## Doses vs. Price

Prices will increase since they were subsidized by governments in the pandemic emergency



## Elderly

Despite being the target group of this drug, the marginal return of additional doses are diminishing



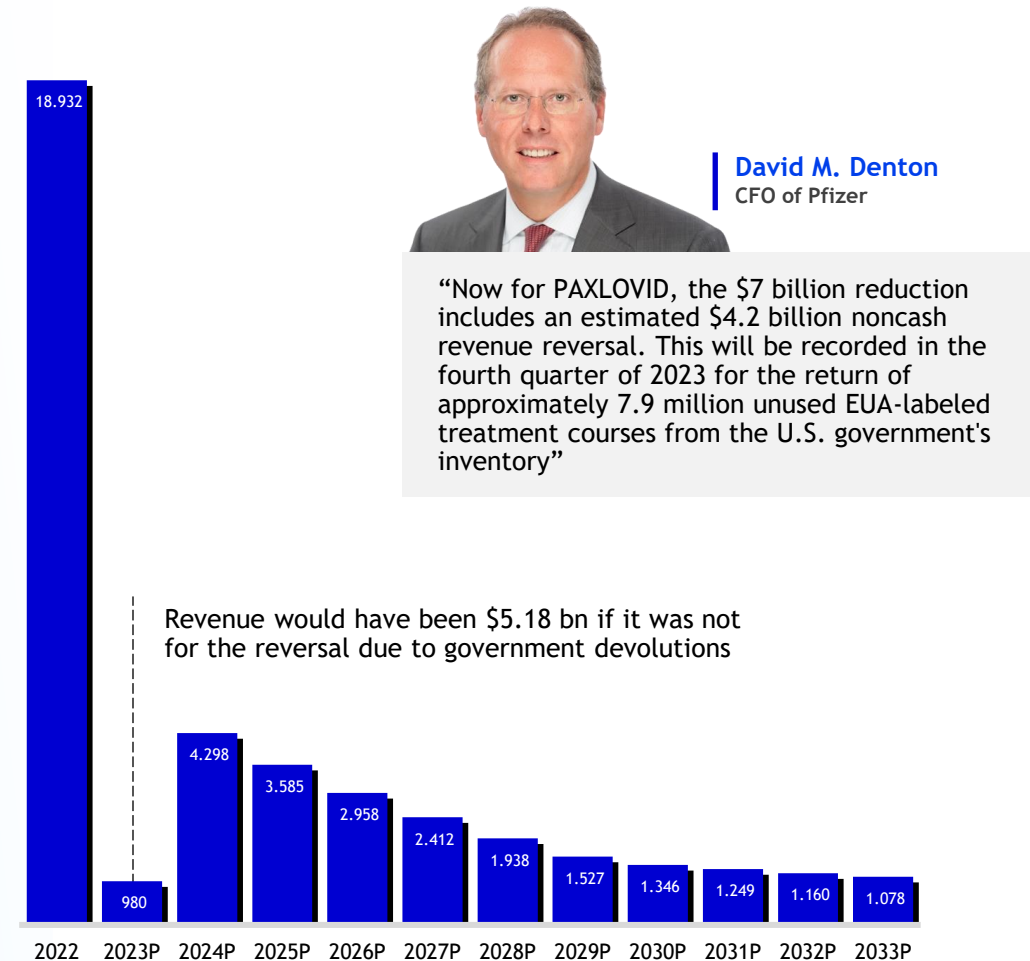


# Appendix - Paxlovid Assumptions

Paxlovid is an antiviral medication developed by Pfizer for the treatment of mild to moderate COVID-19, working to inhibit the replication of the SARS-CoV-2 virus. It is used in combination with ritonavir and has received emergency use authorization in some regions

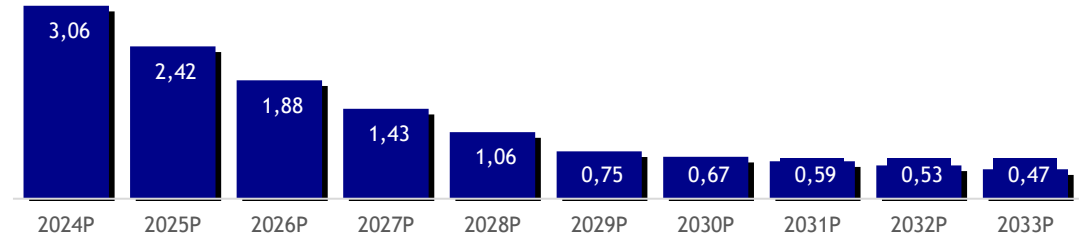
The company is expected to have to pay in 2023

Paxlovid Revenue (in million USD)



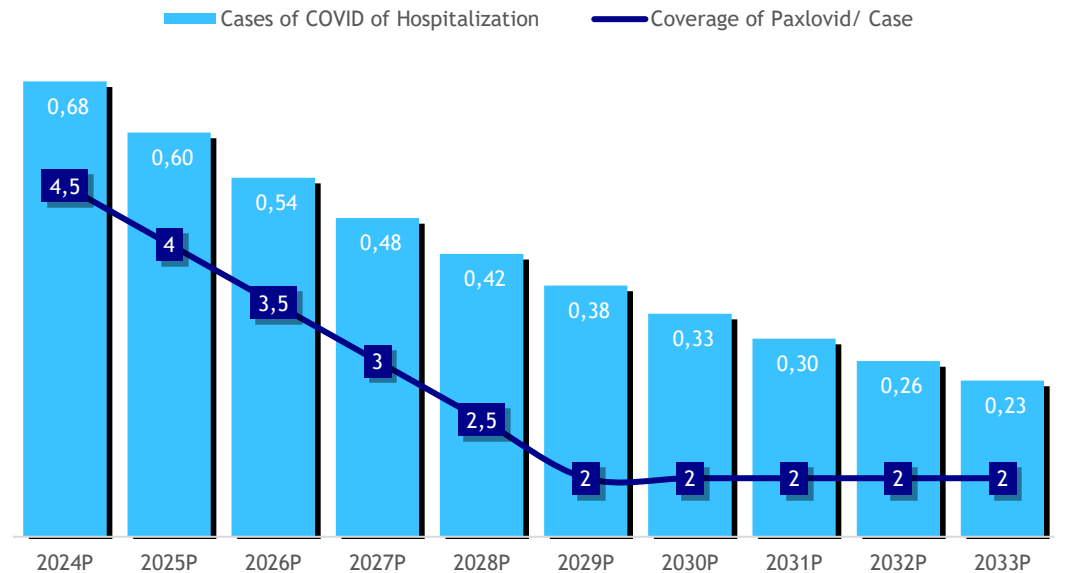
The doses administered depend on two factors: Number of cases of hospitalization and the number of doses which is given when hospitalized

Paxlovid US doses (in millions)



The doses administered depend on two factors: Number of cases of hospitalization and the number of doses which is given when hospitalized

Hospitalization and Paxlovid

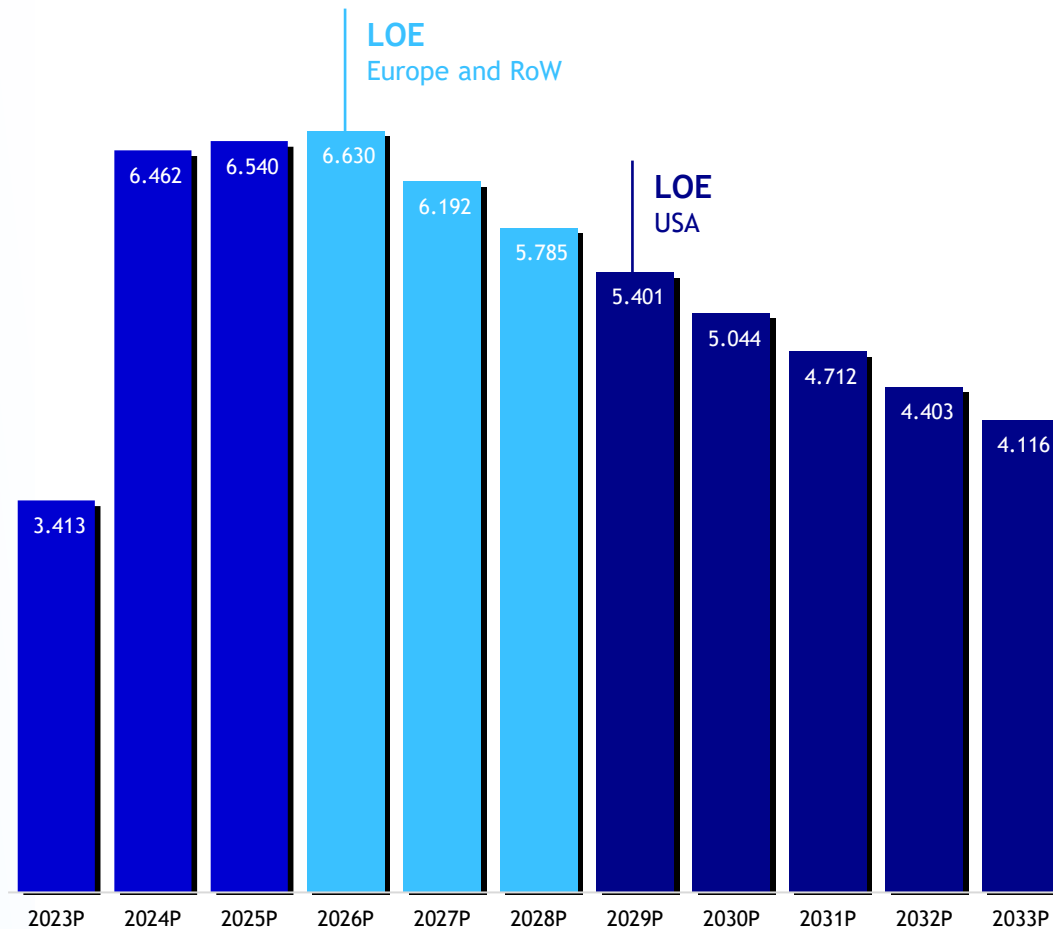


# Appendix - Prevnar Assumptions

Prevnar is a vaccine developed by Pfizer to safeguard against pneumococcal infections, providing immunity against 20 different strains of the bacteria. It is crucial for protecting individuals, especially infants and older adults, from serious diseases like pneumonia and meningitis

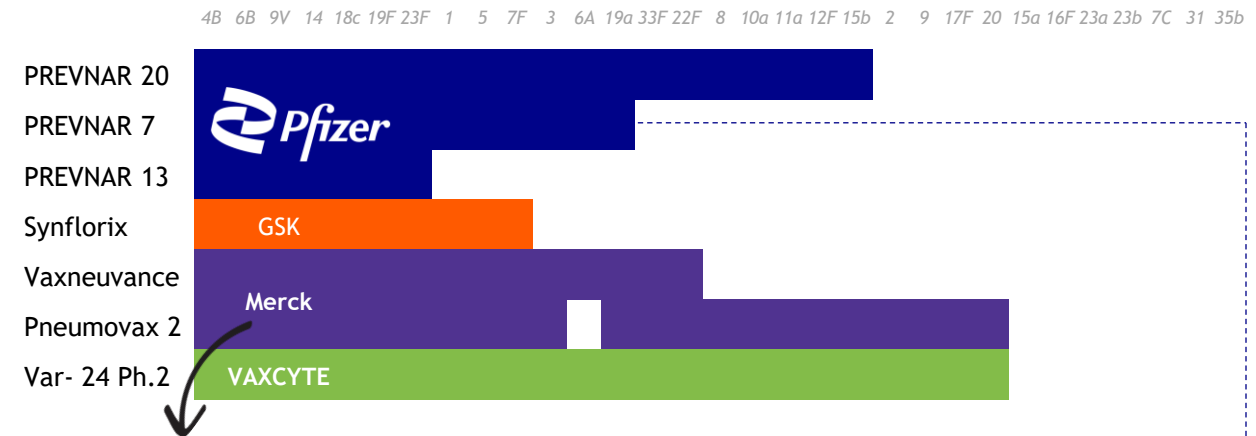
Even with the lost of the patent in 2026/2029 in the US and Europe, the group doesn't believe that the revenue will decrease abruptly

Prevnar Revenue (in million USD)



The Family of Prevnar's Vaccines is well positioned against its main competitors and with the PREVNAR 20, but Pfizer needs to be aware of the competition

Coverage Spectrum of approved vaccines and pipeline candidates



Pneumovax2 and VAR-24 are the main competitors to PREVNARs' Market Share after 2026...

**BUT**

Due to the high number of Pathogens covered by PREVNAR 20, with high levels of efficacy, the trust upon the Pfizers' vaccine is a importante point in this equation. In the same manner that, Pfizer also sells PREVNAR in a B2G Platform

“ The PREVAR 7 vaccine is the one available in the SUS. It does the job of preventing the patient from pneumonia in most cases. The ones that are more technological, you will find majorly in vaccination clinics.” - **Dr Ana Escobar**

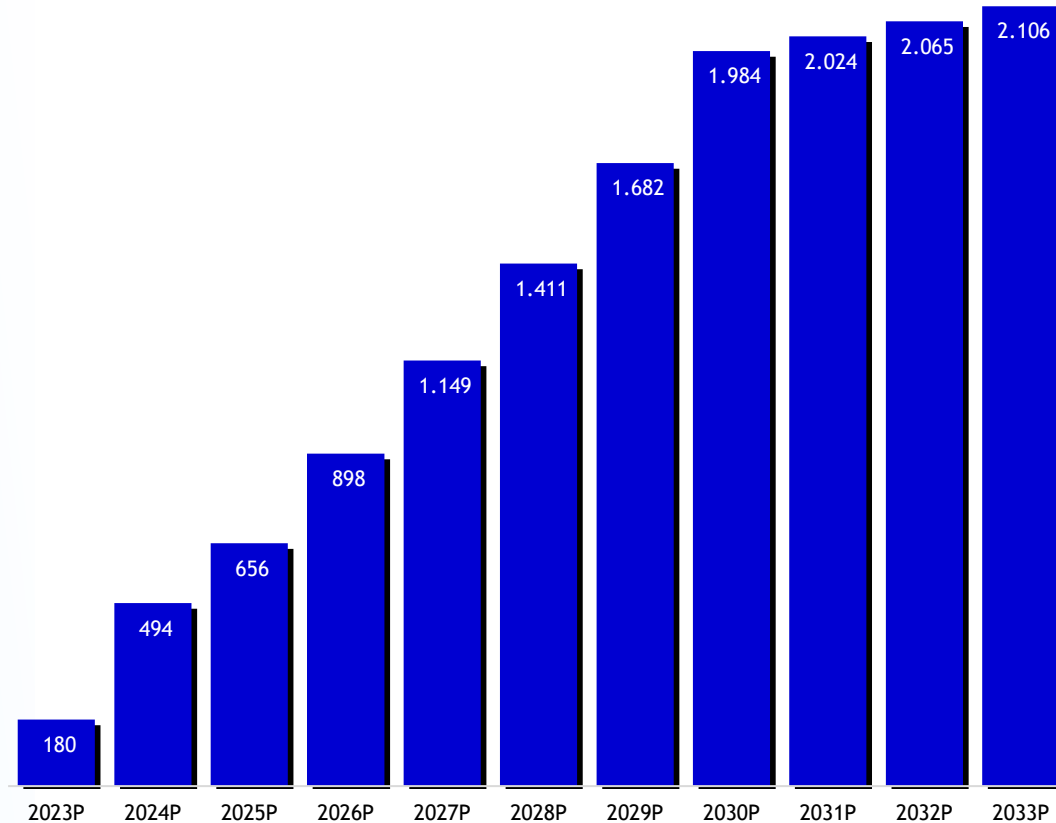


# Appendix - Oxbryta Assumptions

Oxbryta is a drug developed by Pfizer to treat a rare disease called: Sickle Cell Disease. This disease changes the shape of the blood cells and due to the stiffed shape, one may have clogged vein and may cause, high blood pressure and heart related problems. The expiration of the patent is due 2033.

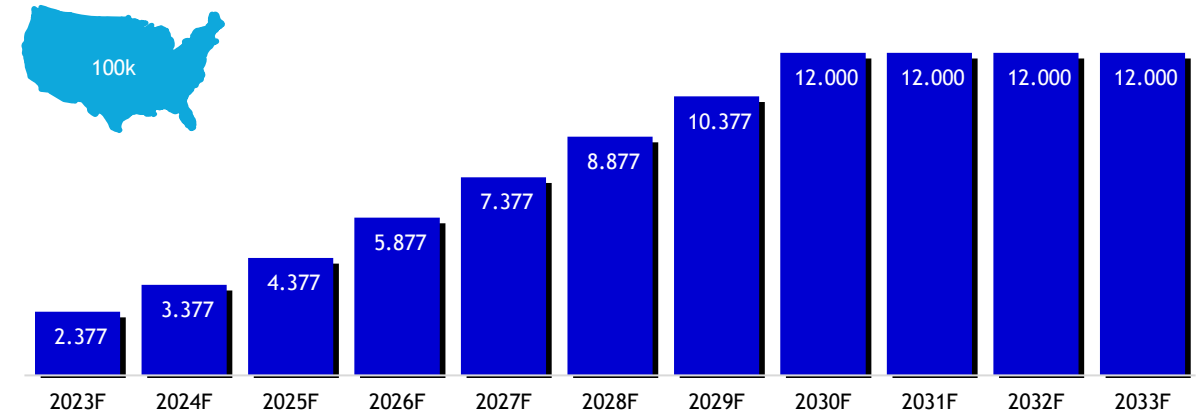
In 2022 and 2031.1, Oxbryta had a selling price of 125.000 USD and combined served 2800 americans. Due to the Inflation Act, the price will adjusted by inflation

Oxbryta Revenue (in million USD)



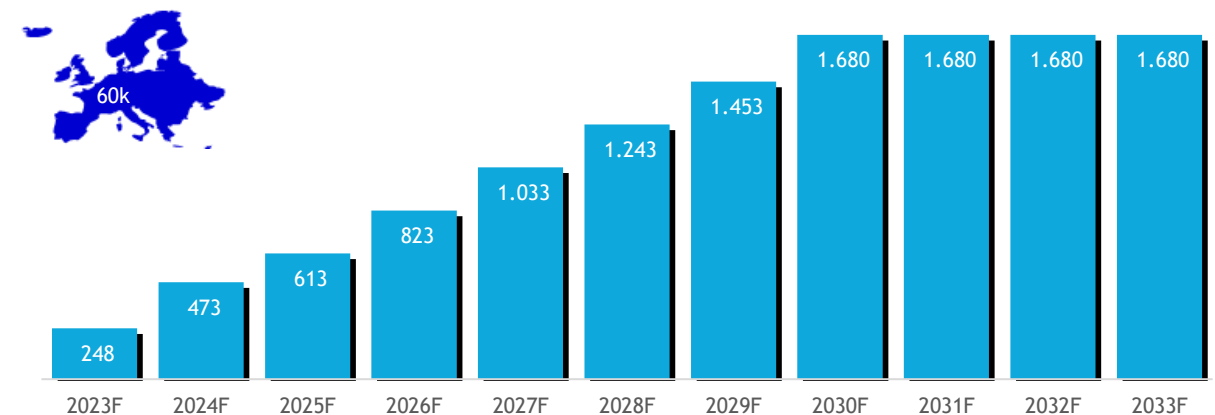
In the USA: the biggest market for Pfizer due to the high level of medical observations, Oxbryta has a competitor from Novartis with similar efficiency results. Max 12%

Patients served by Pfizer in the US



In Europe the number of cases is lower due to its incidence in the black community. Also, the potential share is lower because of the lower number of medical prescriptions. Max 3%

Patients served by Pfizer in Developed Europe

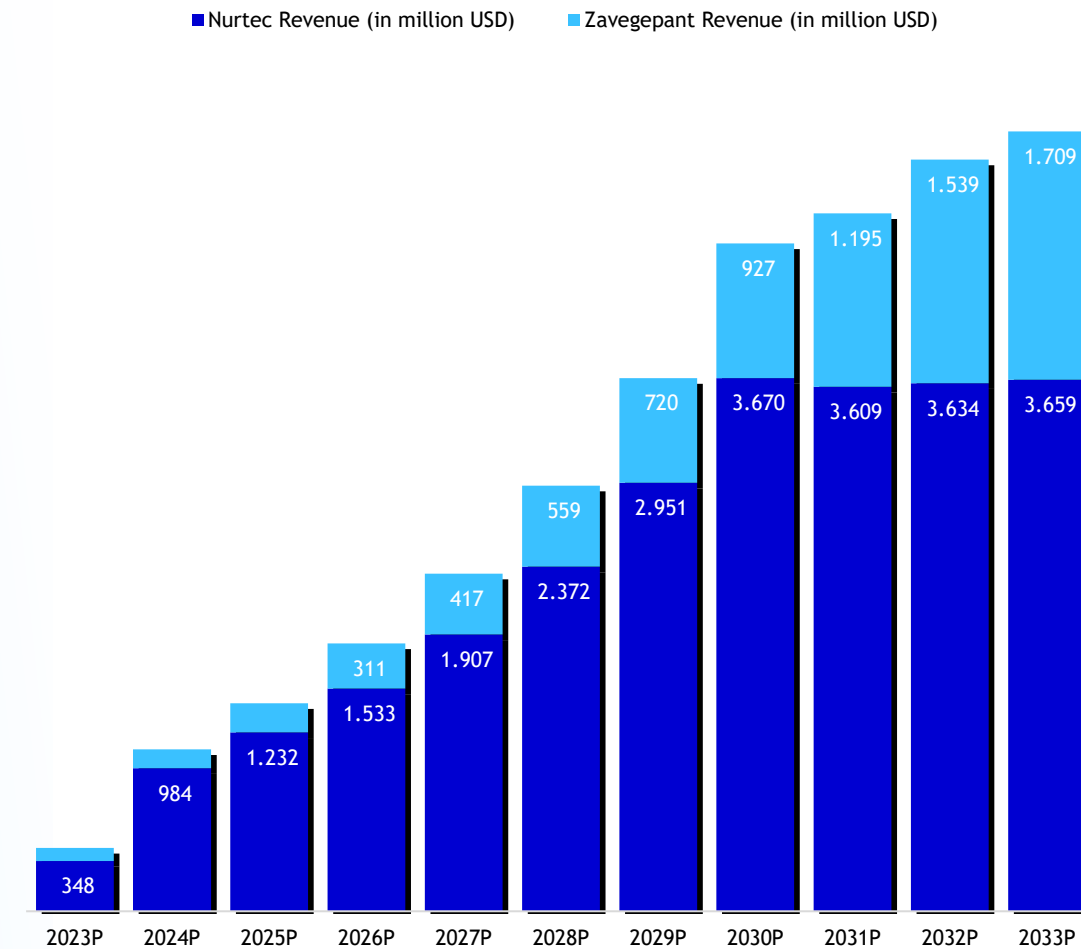


# Appendix - Biohaven Revenue Assumptions

The acquisition of Pfizer in Biohaven was a pivotal to Pfizer enter in the Migraine Market, selling Nurtec and Zavegepant. The impressive levels of efficacy and medical trustworthiness are the major points for the growth in the Migraine Market Share

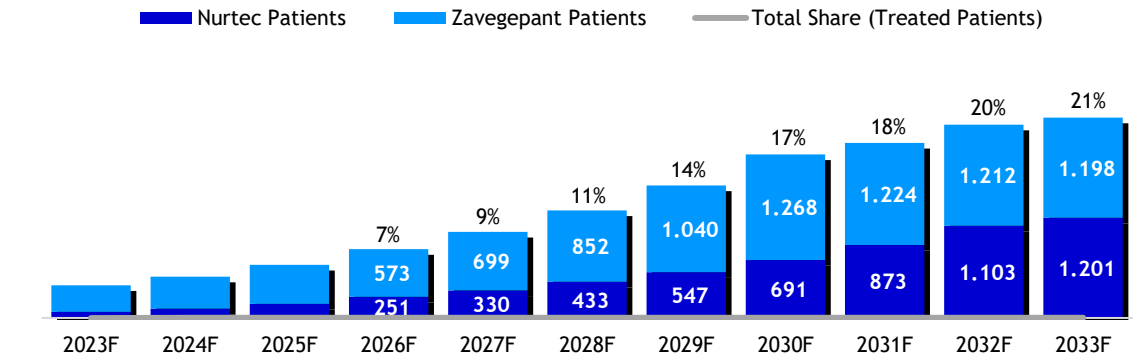
Nurtec has the patent expiration due to 2030, but there is a PTE claim to increase the expiration to 2033. Affecting the revenue growth, since Nurtec serve most patients

Biohaven Drug's Revenue



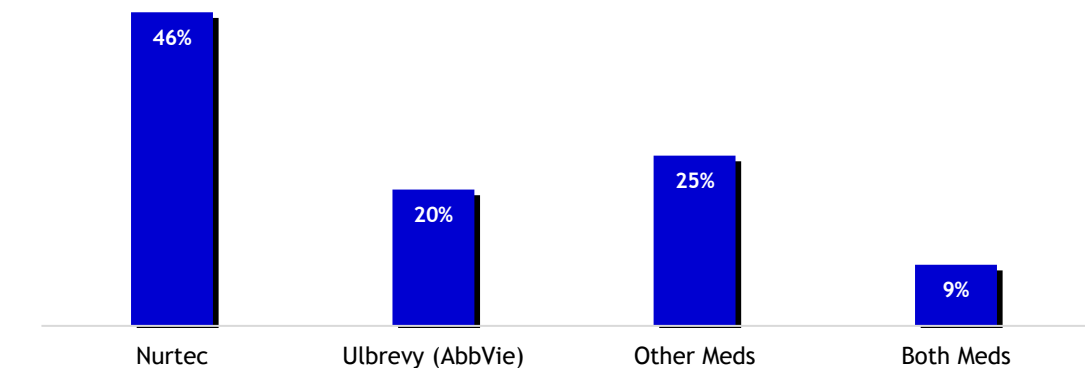
According to CDC there are 20.4 million american suffering from Migraine and on average 38% of them are in treated case

Pfizer Patients in Thousand



The high share percentage captured by Pfizer is explained by the high level of confidence that doctors and patients have upon the medicament

Preferred Migraine agente across specialists and patients

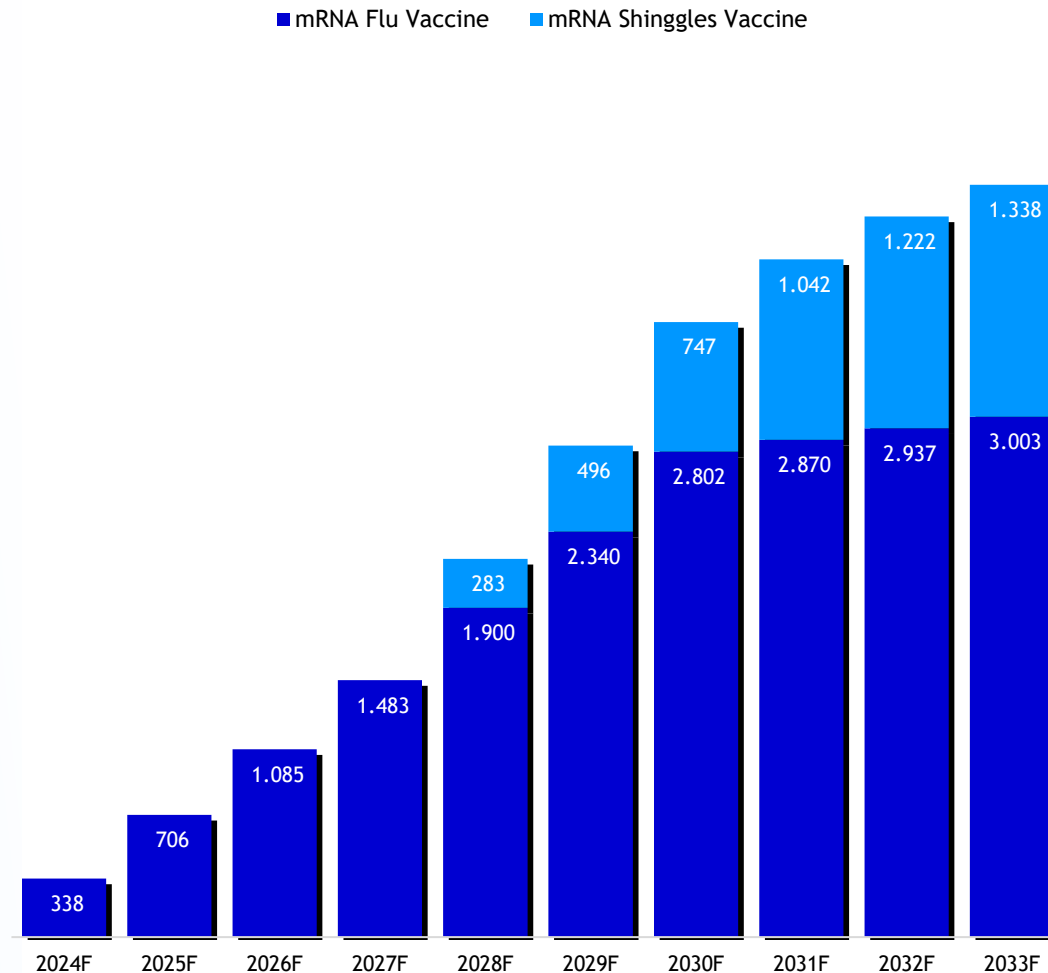


# Appendix - mRNA Vaccine Assumptions

The mRNA vaccines are going to take an important role in Pfizer's future. A Nobel Prize winner technology is going to be essential to develop new and more advanced vaccines for different diseases. Our talks with specialists in the sector helped to confirm this vision.

The mRNA Shingles Vaccine is currently under development and Pfizer will capture at least 15% of the Market Share

mRNA Vaccines Revenue (in million USD)



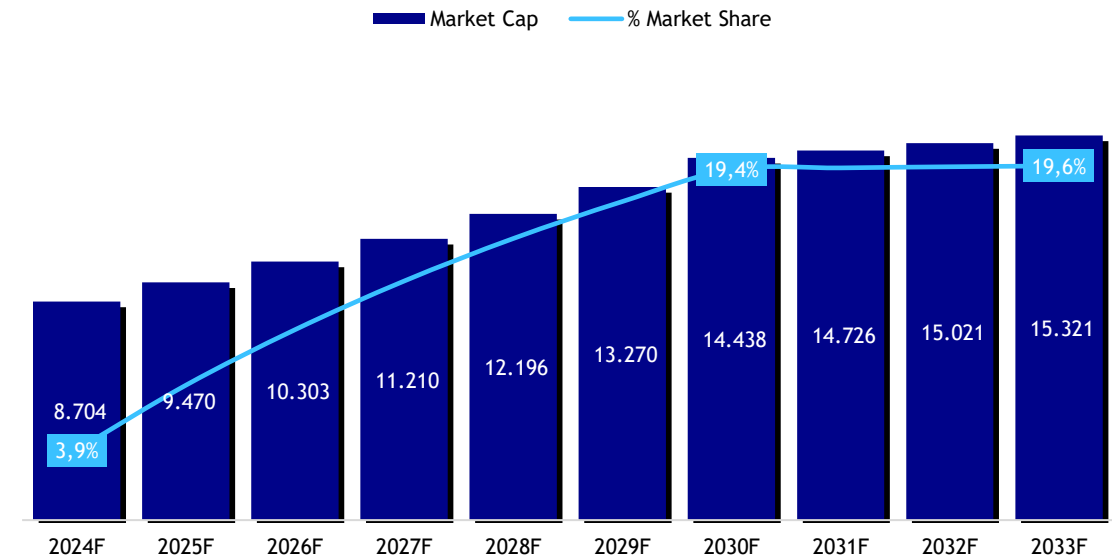
The manner that those vaccines work have a pivotal role in new mutations of common disease such as the Flu and is set to capture share in the next years

“mRNA technology for vaccines uses a portion of the virus's RNA, making it easier to adapt to new mutations quickly. This innovation will likely lead to more cost-effective and faster development of flu vaccines in an mRNA platform. Pfizer, which owns this technology, is poised to expand its market share in the future.” - Dr Ana Escobar



Global Data predicts that the market capitalization of flu vaccines will grow by at least 8.8% until 2030, and they anticipate that Pfizer will gain a share of this expanding market

Market Cap and Pfizer growing Share

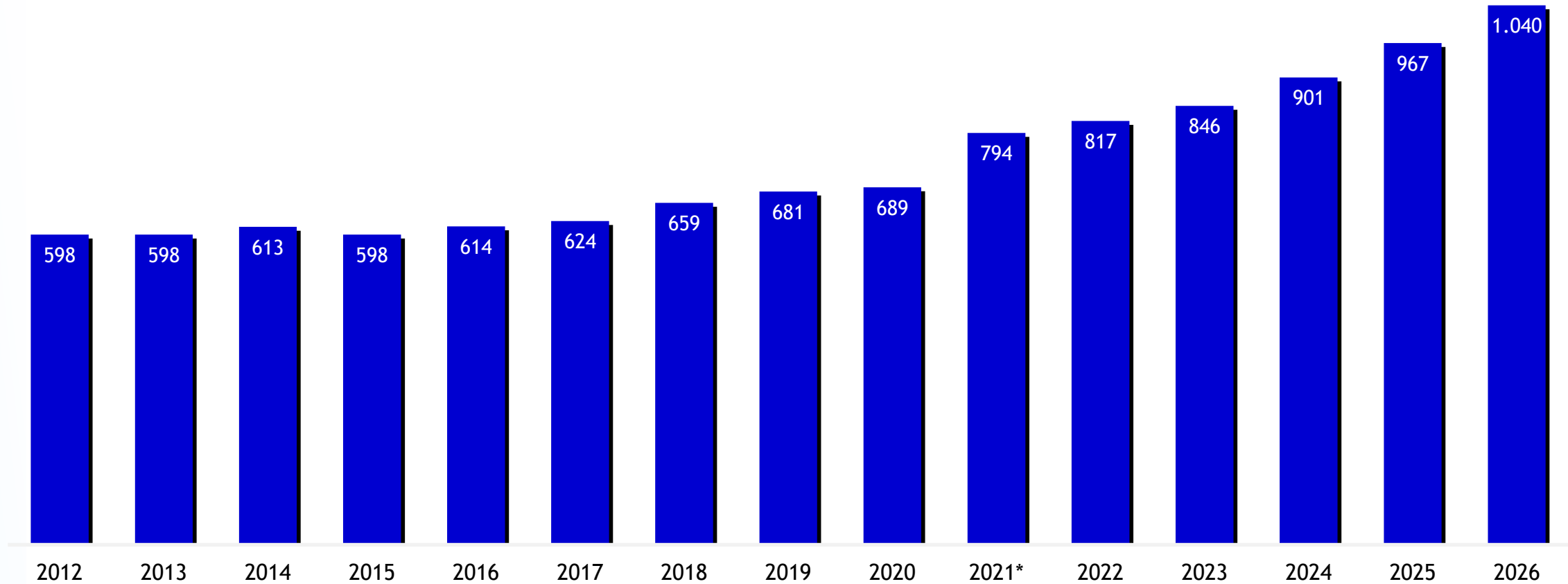




# Appendix - Specialty Care

Specialty Care is already a consolidated sector, and there are still projections of growth with the market reaching one trillion dollars by 2026.

Specialty Care Projected Sales (USD bn)

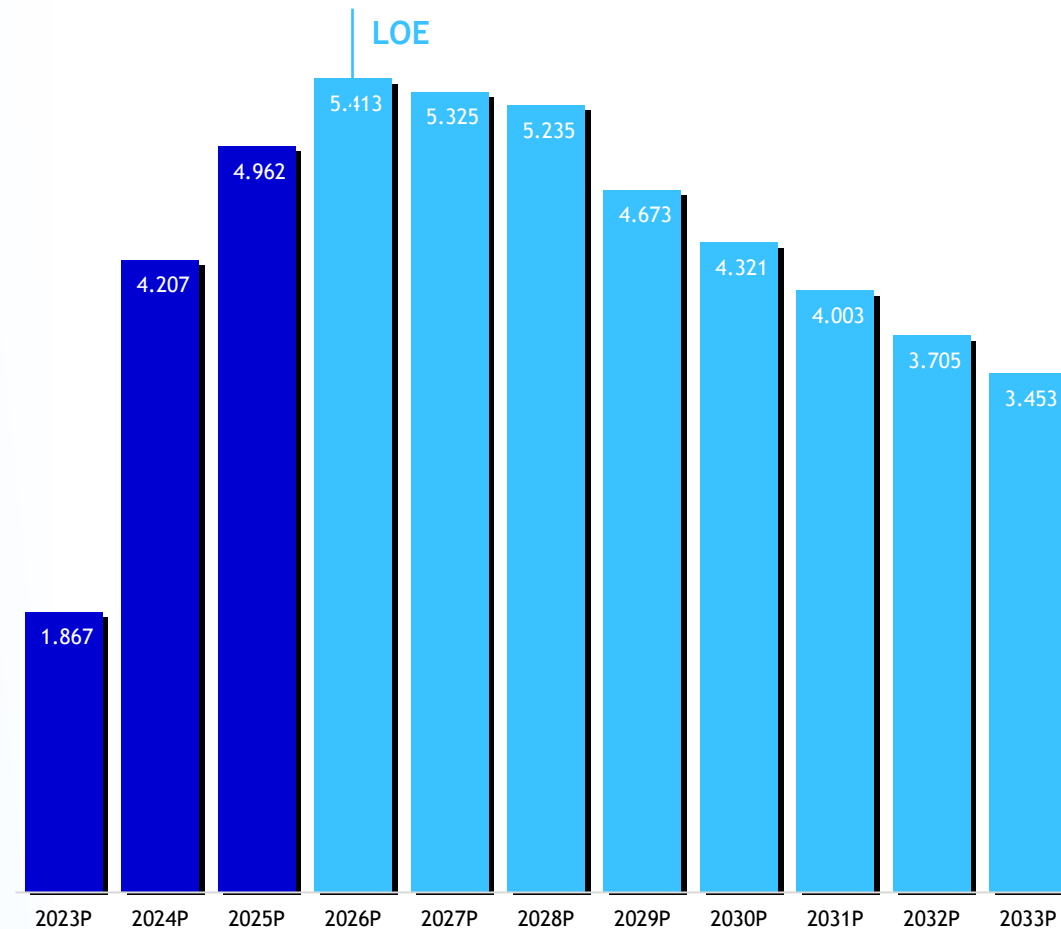


# Appendix - Vyndaqel/Vyndamax Assumptions

Vyndaqel and Vyndamax are brand-name medications containing tafamidis, used to treat transthyretin amyloidosis (ATTR), a rare disease involving abnormal protein deposits in organs, particularly the heart, by stabilizing the transthyretin protein to slow disease progression. Vyndamax is often preferred due to its once-daily dosing

Vyndamax has the patent expiration due to 2026, but there is a PTE claim to increase the expiration to 2029

Vyndaqel/Vyndamax Revenue (in million USD)

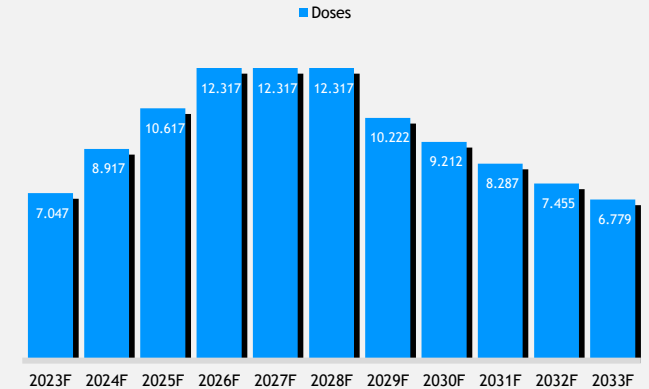


The Vyndamax is set to lose its share after 2029, but the group projected a steady growth between 2026 and 2029, since it has the probability to lose the patent

Doses and Prices

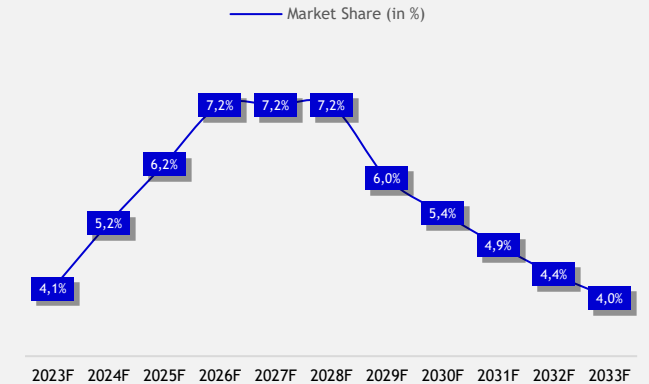
## Doses vs. Price

Set to lose its patent in 2026 there is a risk Pfizer can extend it. The company also has a price lower than competitors at USD 300 thousand



## Market Share

Despite the risk of losing exclusivity, Pfizer has an attractive price for a rare disease (market in which generics are uncommon)





## 4. Oncology Analysis



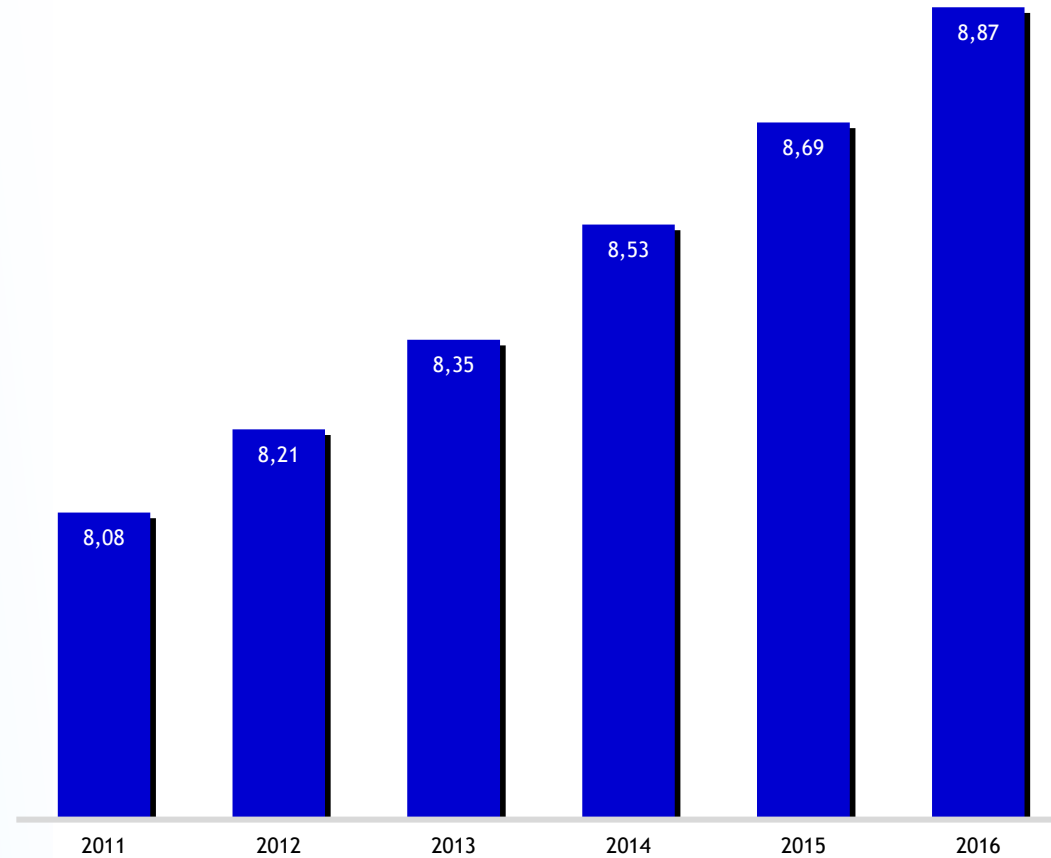


# Appendix - Cancer Incidence

The increase in cancer incidence can be attributed to a combination of risk factors and population growth, leading to a rise in the number of individuals with a family history of the disease

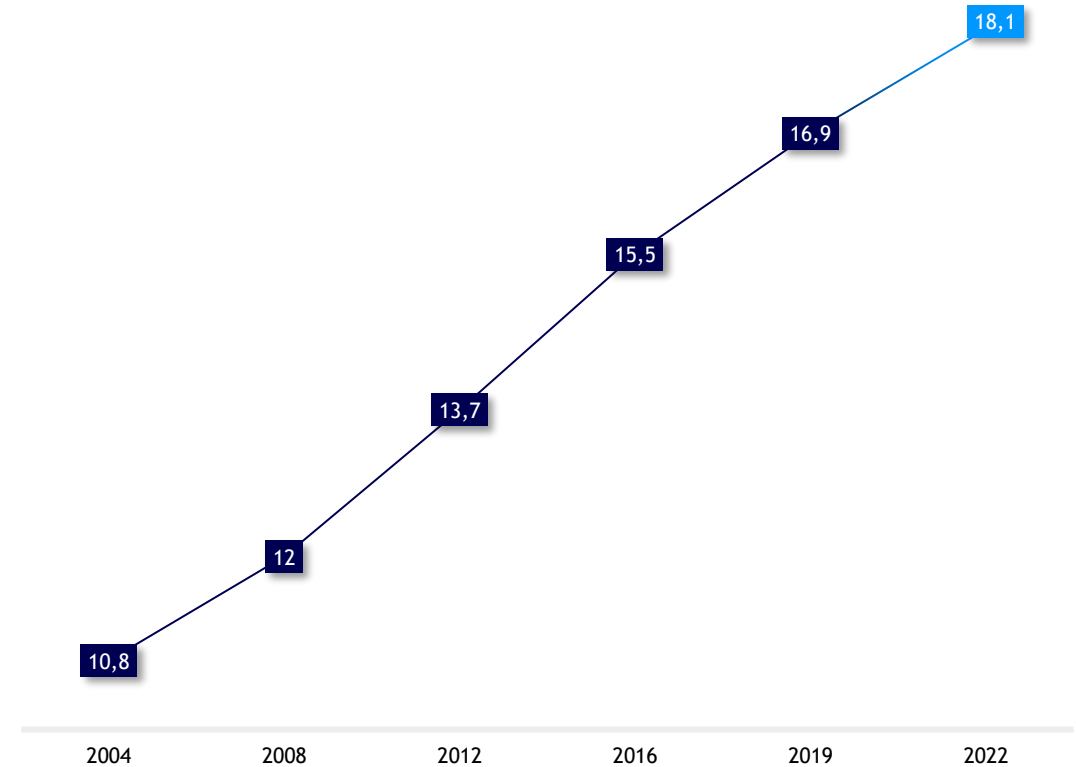
When we look at the cancer deaths around the world, we see a crescent trend throughout the years

Global cancer deaths in millions of people



The increase in cancer cases, driven by population growth and rising risk factors, leads to more people having a family history of the disease

Americans with a history of cancer in the family

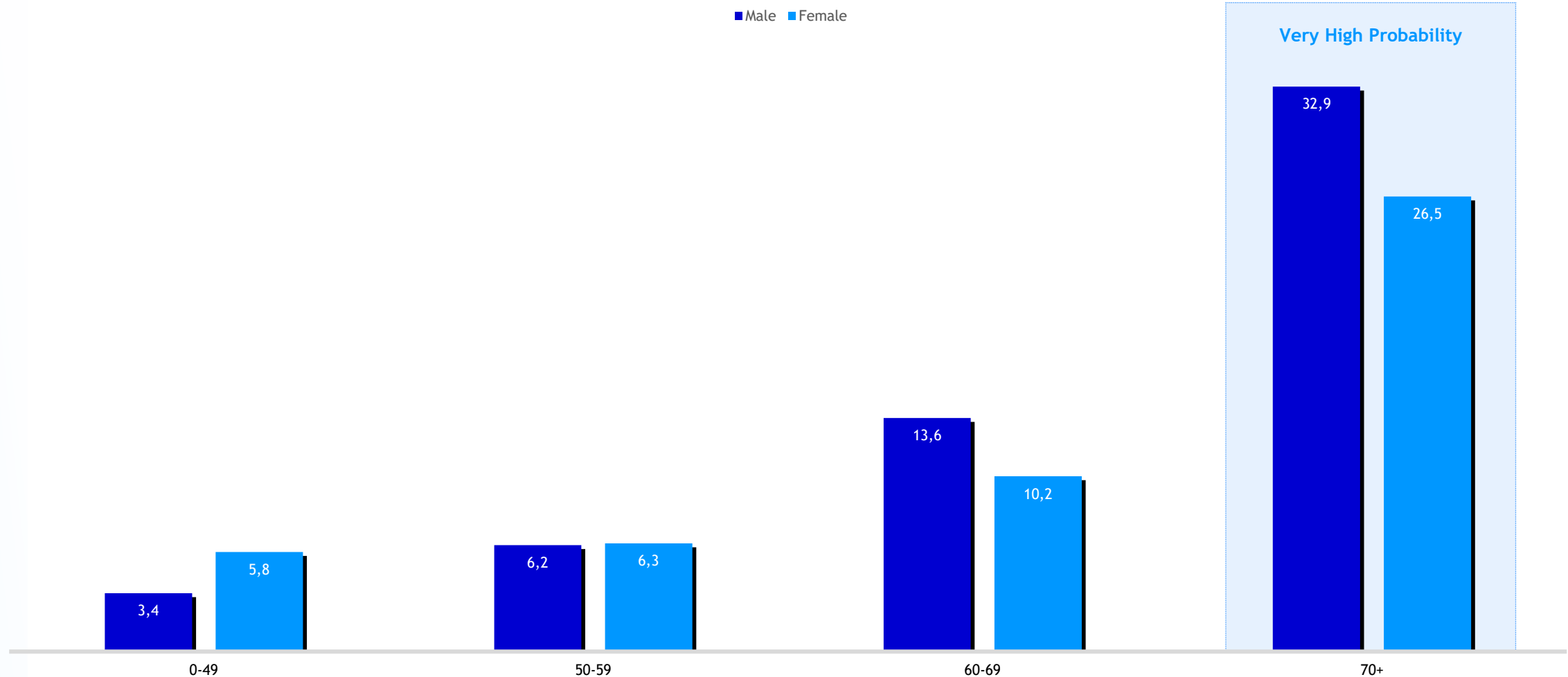


# Appendix - Age and Cancer

Cancer risk often increases with age, as accumulated genetic mutations and prolonged exposure to risk factors can contribute to its development. Understanding this correlation underscores the importance of regular screenings and lifestyle choices in mitigating cancer's impact on the aging population

Older individuals face a higher probability of developing cancer due to the cumulative effects of aging on their cells and DNA. This underscores the need for proactive screenings and healthcare measures to detect and address cancer risks in the elderly, improving their chances of early intervention and successful treatment

Probability of developing invasive cancer during selected age intervals by sex, US, 2016-2018 (in %)

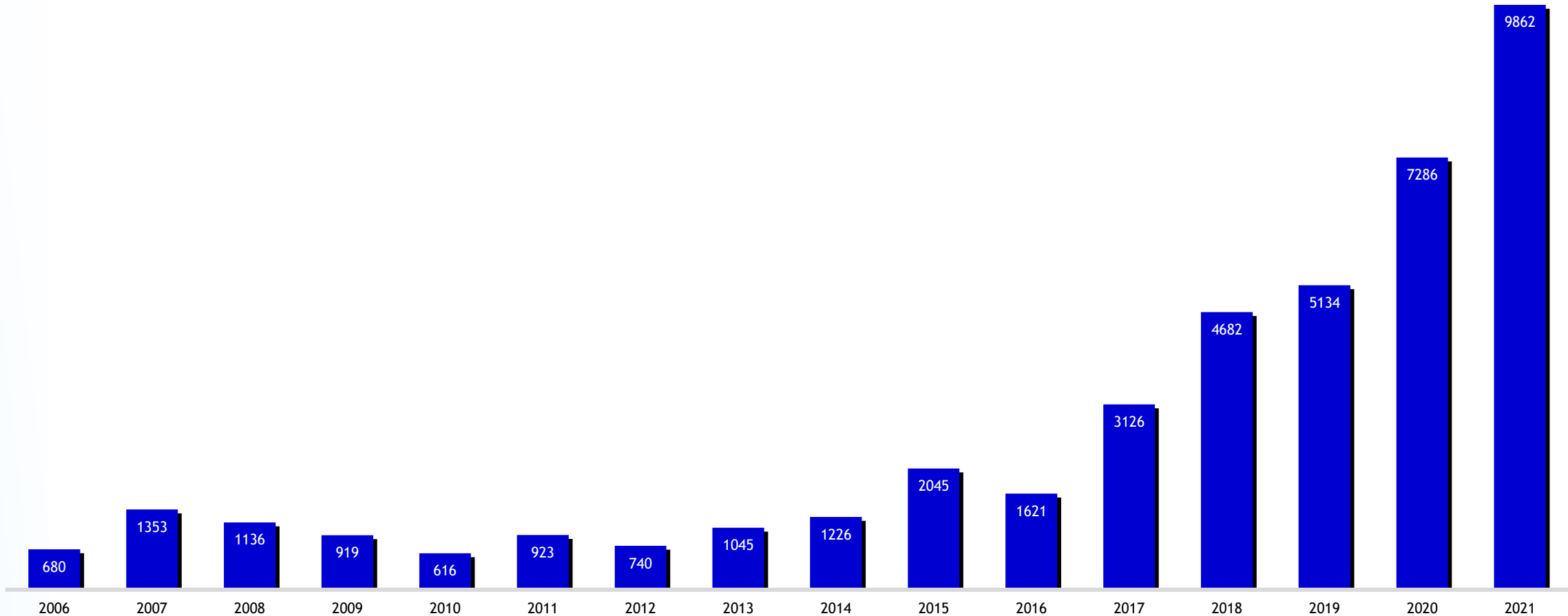


# Appendix - Investment in Oncology

Over the last decade, there has been a remarkable surge in investment within the field of oncology, signifying an enduring commitment to advancing cancer research and treatment. This sustained financial support holds the potential to revolutionize the way we combat and manage cancer.

If we look at the United States, Venture investments in oncology, have particularly surged in alignment with the rapid pace of new innovations in the field. This advancement is closely tied with the acquisition of new companies aiming to combat cancer in a new and innovative way

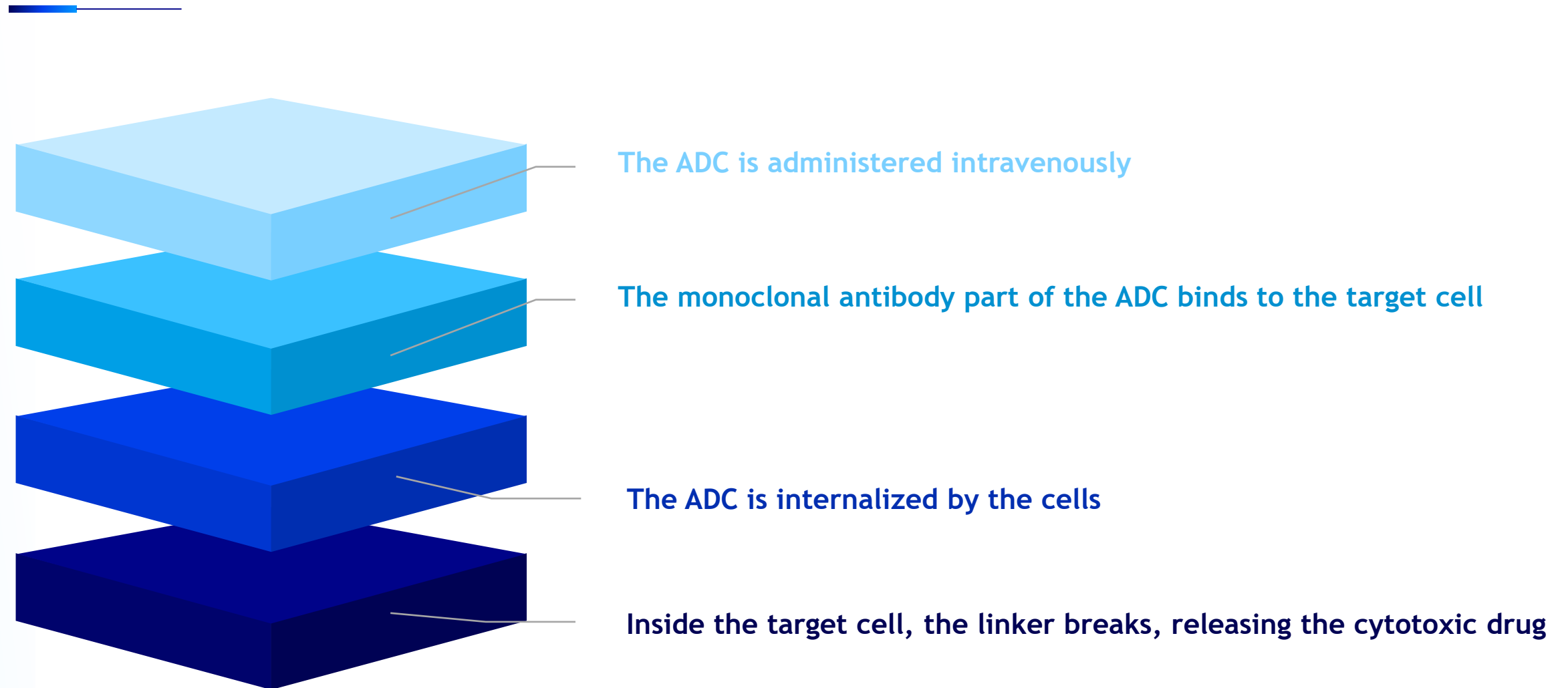
Venture Investments in Oncology Companies in the US (In millions USD)



# Appendix - Antibody Drug Conjugates

An ADC is a therapy that combines a monoclonal antibody targeted at diseased cells with a cytotoxic drug, aiming for specific treatment with less harm to healthy cells, whereas traditional chemotherapy uses cytotoxic drugs that affect dividing cells without a specific target

Many recent news reports are emphasizing the potential of ADCs to become blockbusters, particularly Seagen's products

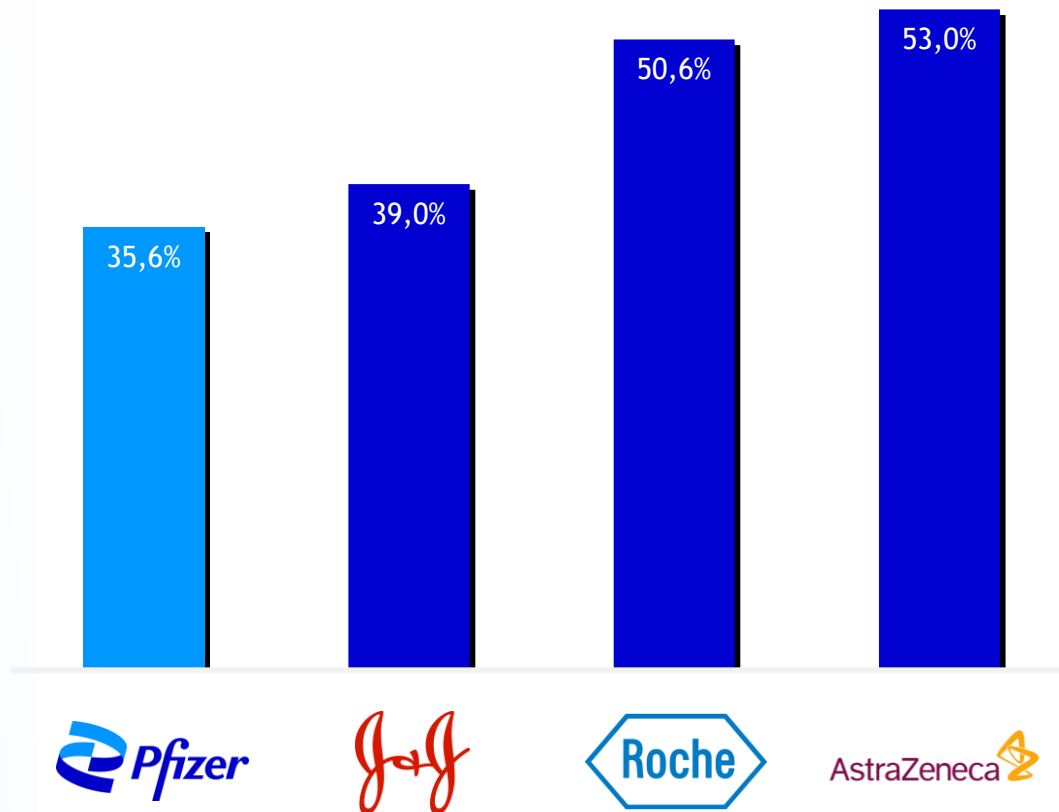


# Actual Pfizer Oncology Presence



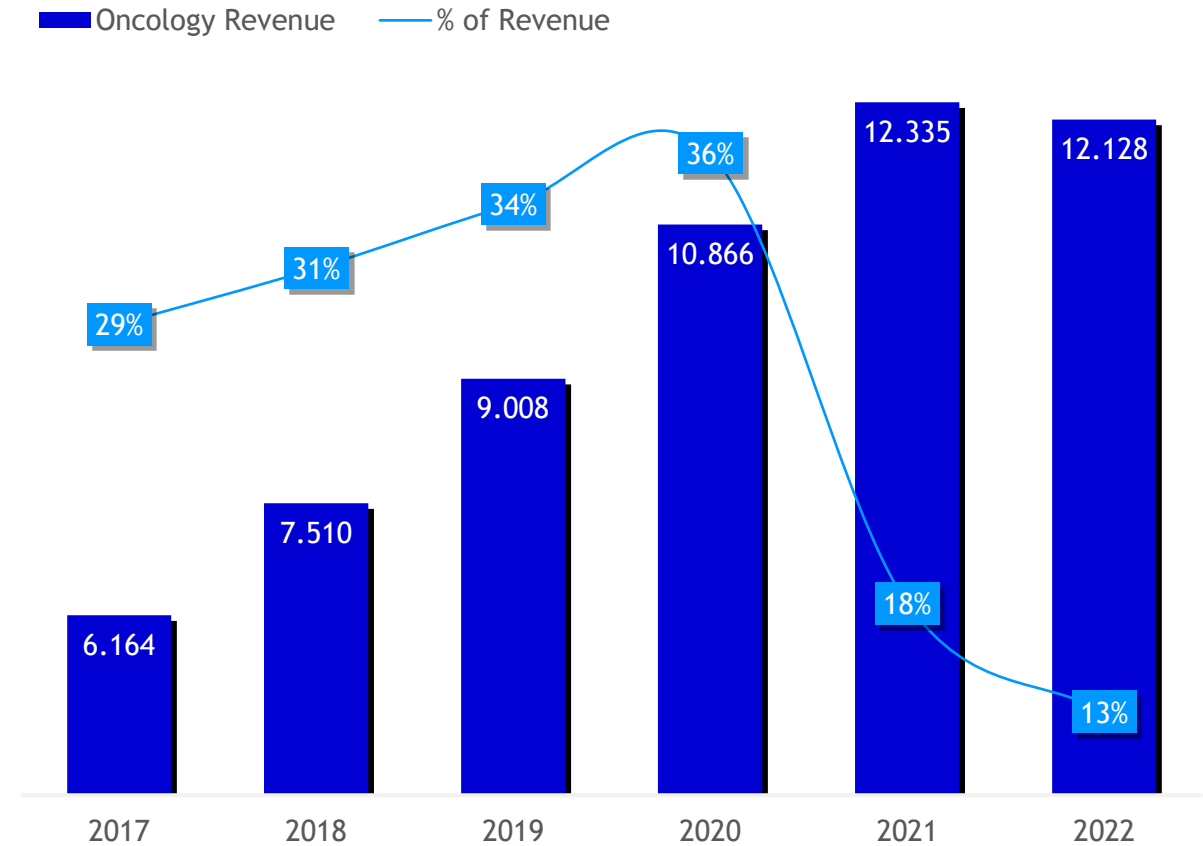
Pfizer today is not well-positioned to ride the next pharmaceutical wave, which is the oncology sector.

Oncology as % of Pipeline



This is mainly due to the company's need to put all its efforts into the production of COVID-19 vaccines.

Oncology Revenue (USD mn) and Oncology as % of Revenue



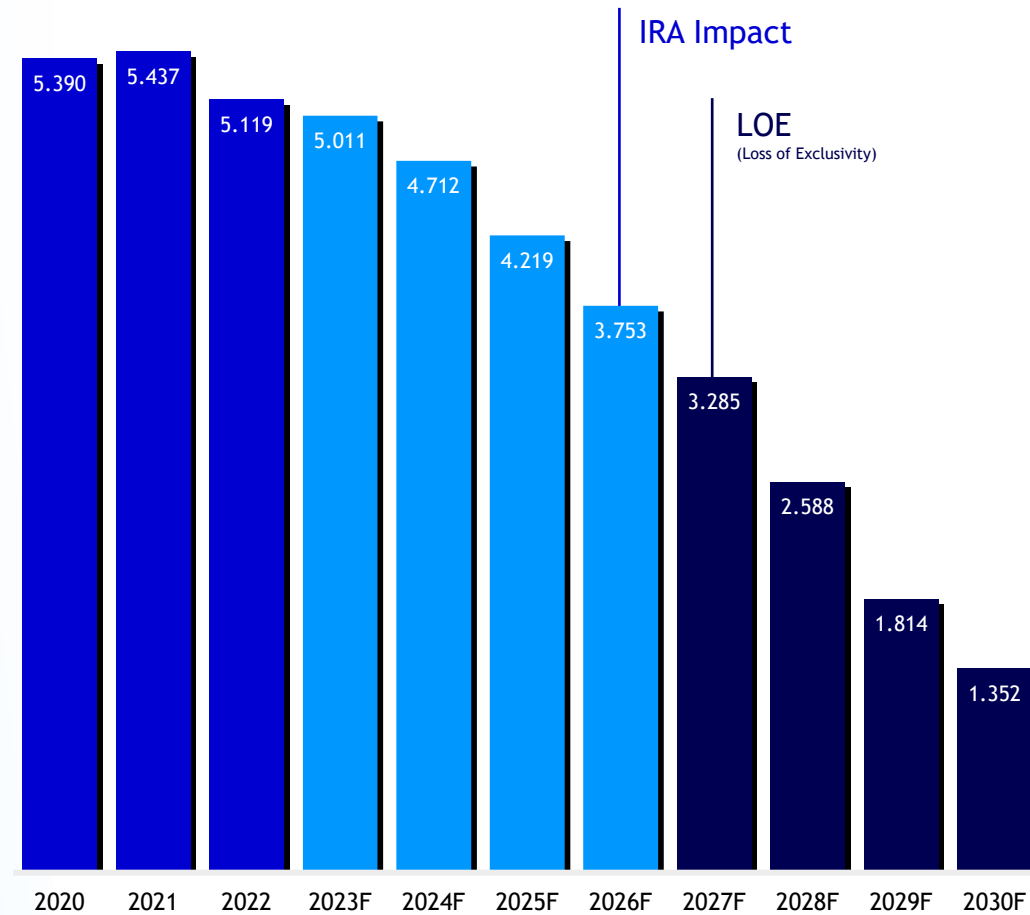
# Appendix - Ibrance Assumptions

Ibrance is Pfizer's primary oncology revenue source, generating about \$5 billion the previous year. However, we observe a trend among its major competitors, which could significantly reduce its revenue in the coming years. Additionally, its patent will expire in 2027.

We see Ibrance losing competitiveness towards the end of its LOE due to strong competitors and a projected decline in its methodology.

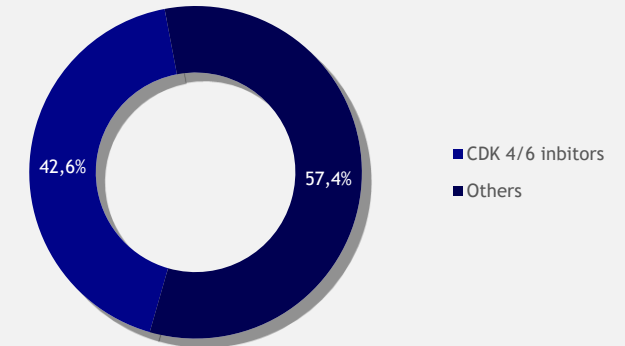
Ibrance employs a methodology known as CDK 4/6 inhibitors for the treatment of breast cancer

Ibrance Revenue (millions USD)



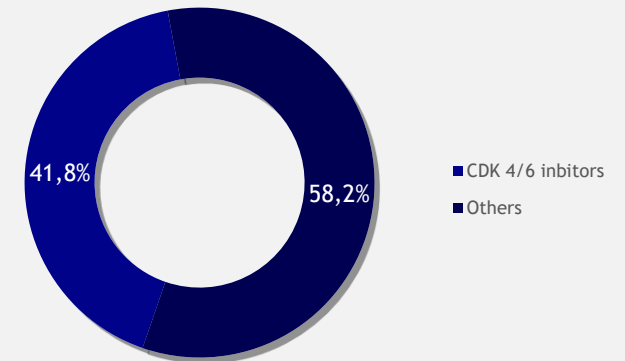
## 2022

CDK inhibitors are a significant part of breast cancer treatment, with Ibrance holding a large share of the market



## 2029

It is projected that CDK inhibitors will lose some market share to other methodologies

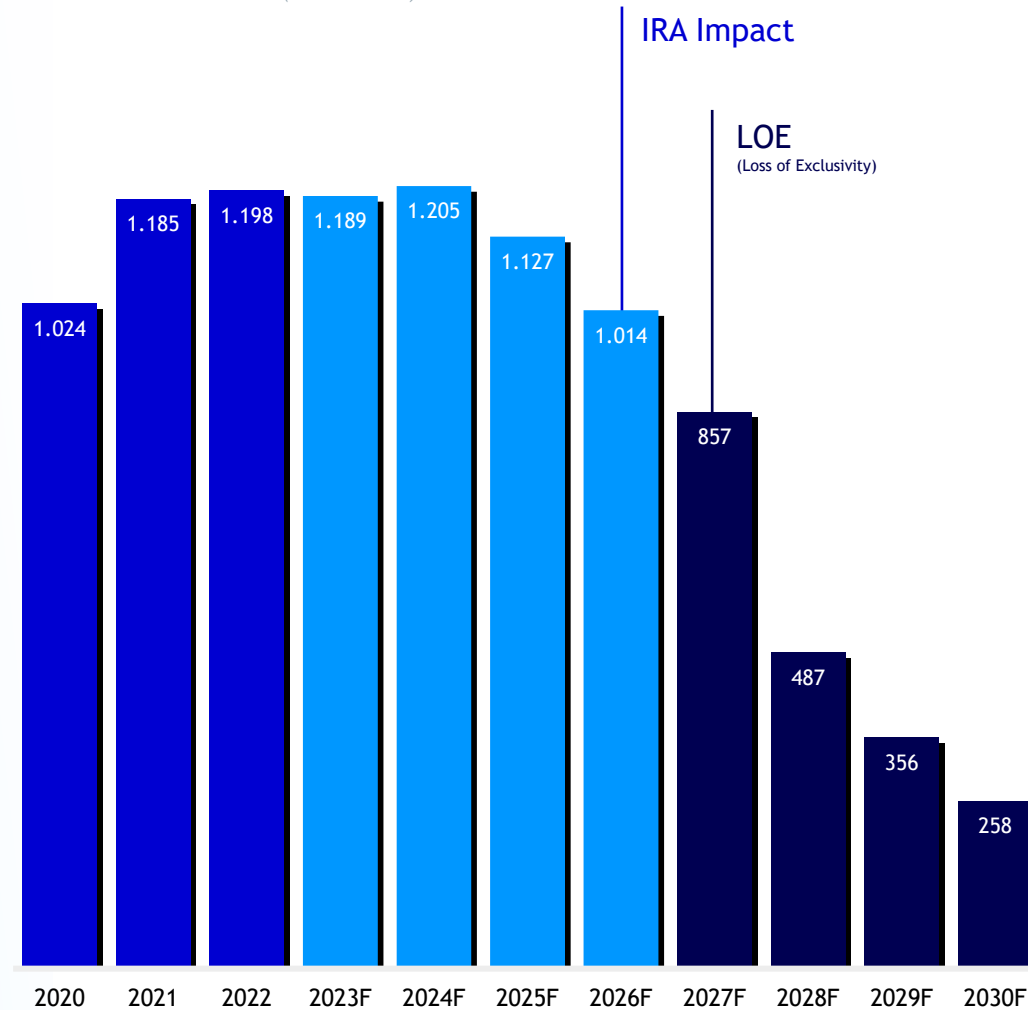


# Appendix - Xtandi Assumptions

Xtandi is a prescription medication used to treat certain types of prostate cancer. Developed by Pfizer and Astellas

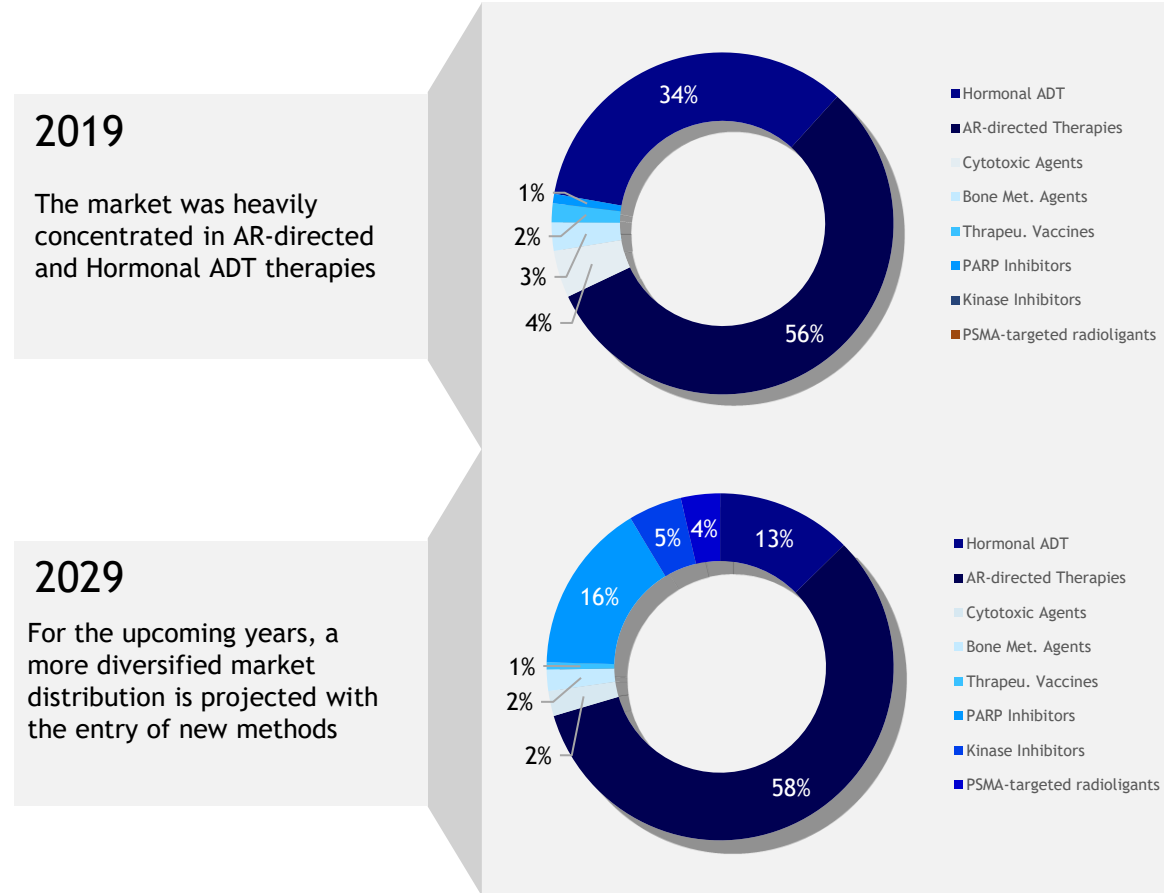
For the upcoming years, we project a decline in Xtandi's revenue due to the competitiveness of prostate cancer drugs and the LOE in 2027

Xtandi Forecasted Revenue (Millions USD)



Beyond Xtandi's competitive challenges, projections indicate other methods gaining traction, such as Kinase inhibitors and PSMA-targeted therapies

Prostate Cancer Drug Market

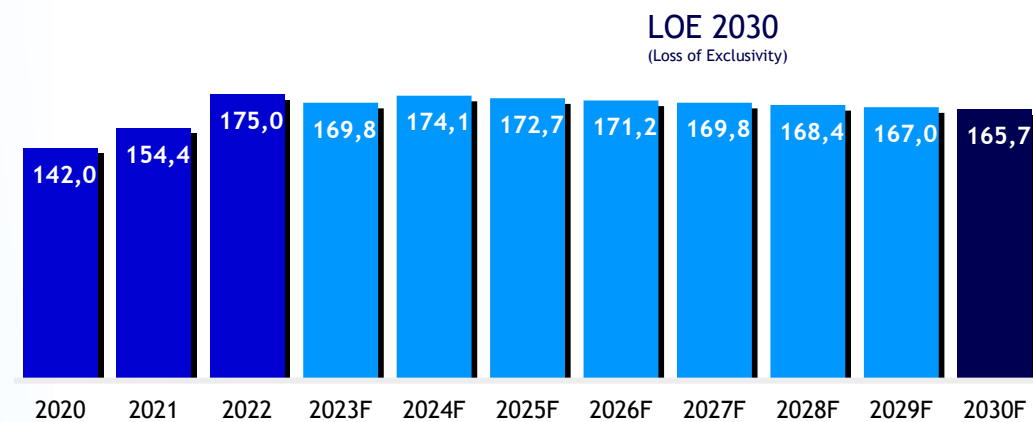
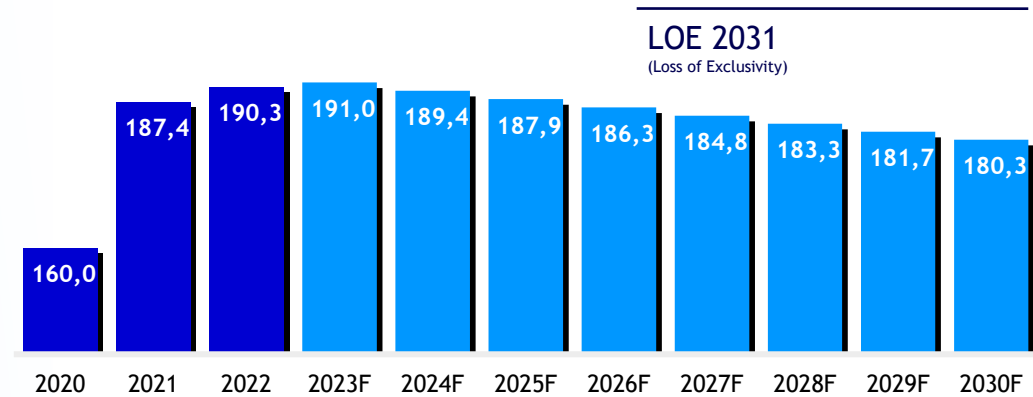


# Appendix - Braftovi and Mektovi Assumptions

Mektovi (binimetinib) and Braftovi (encorafenib) are drugs used to treat metastatic melanoma with a BRAF V600 mutation. They inhibit cell signaling pathways involved in cancer growth.

Braftovi and Mektovi are products of the merger with Array Biopharma in 2019; they generate significant revenue for Pfizer in projections

Braftovi and Mektovi Revenue Forescated (Millions USD)

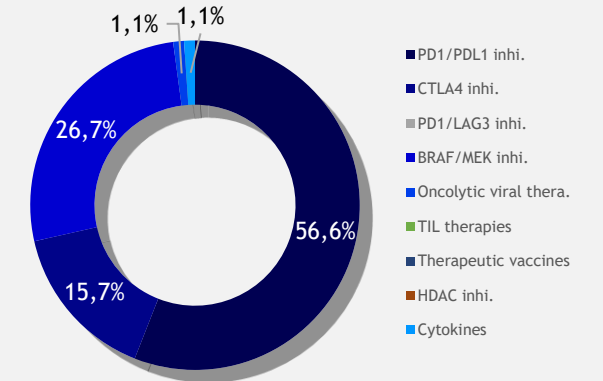


The projections are that the malignant melanoma market will receive more technologies over time

The malignant melanoma market

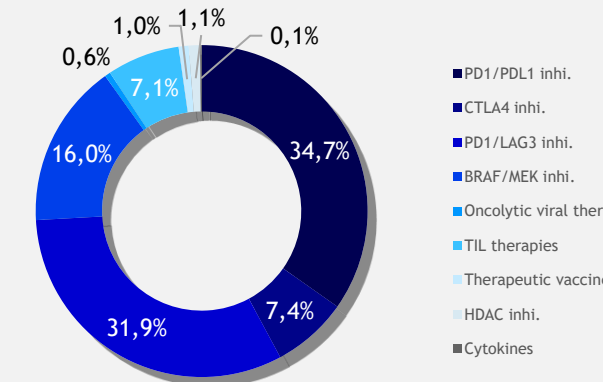
2019

Braftovi and Mektovi hold a significant portion of the BRAF/MEK market share



2029

For the coming years, it's projected that new technologies will enter the sector, but they should remain resilient







## 5. M&A Analysis



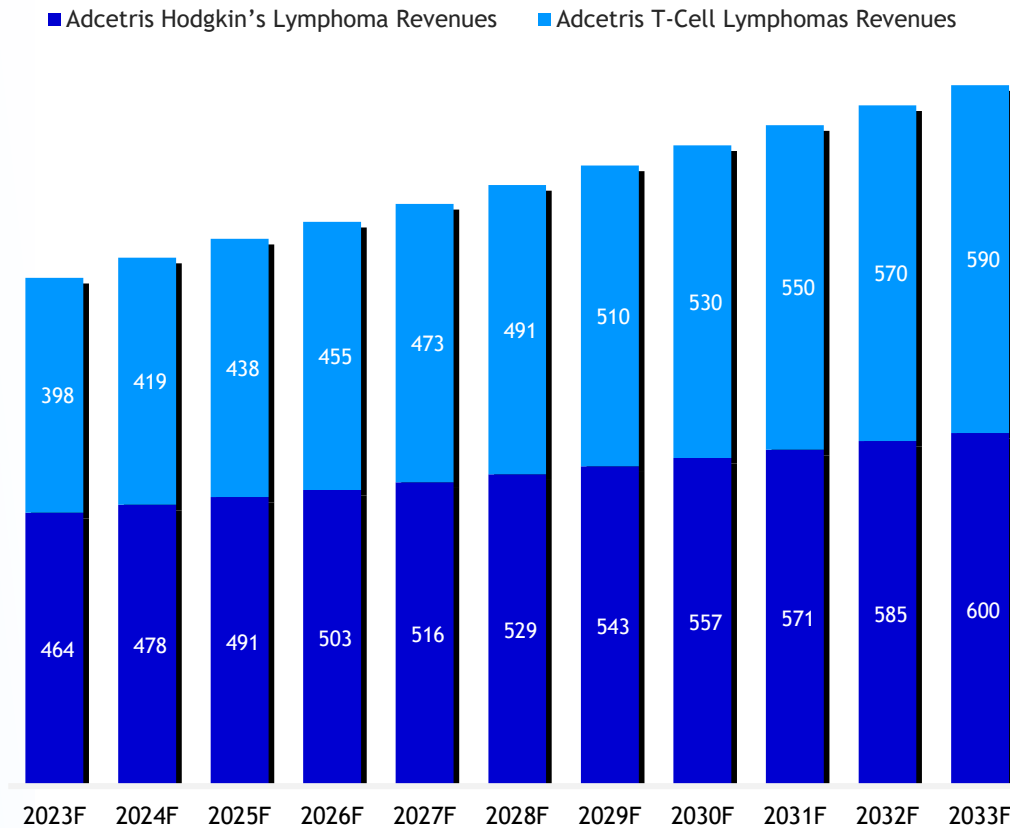


# Appendix - Adcetris Assumptions

Adcetris is a targeted therapy used in the treatment of certain lymphomas and leukemias, utilizing an antibody-drug conjugate to deliver chemotherapy directly to cancer cells. Developed by Seattle Genetics and Takeda.

For the coming years, the group believes that the revenues from this patent will grow at a rate of approximately 3% based on a price increase

Adcetris Forecasted Revenue (USD mn)

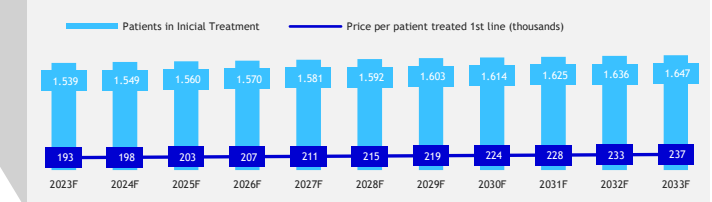
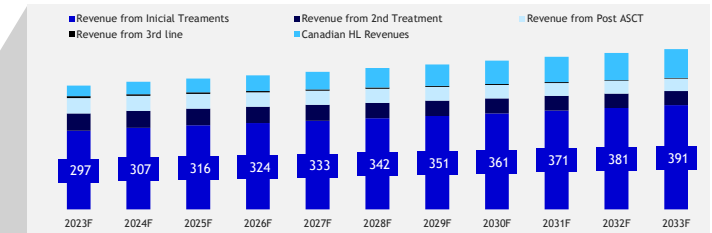


The primary premise for Adcetris is that it will gain market share for the 1st line treatment of T-Cell Lymphoma, given its still low penetration.

Main Assumptions and Results for Adcetris

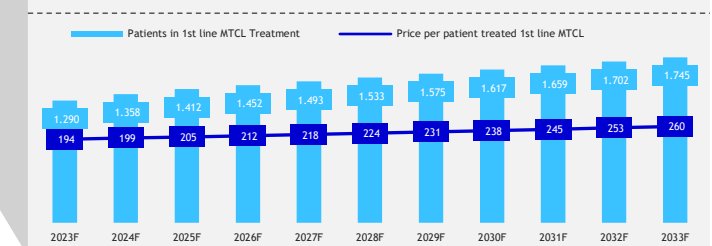
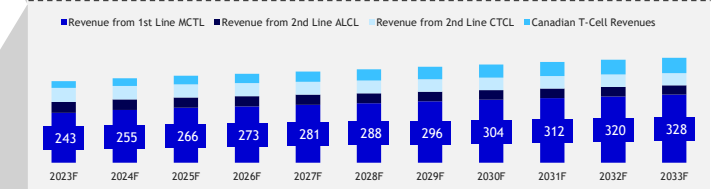
## H.L. Revenues

Prices will increase by inflation and quantity will grow by a low gain of market share



## T-Cell L. Revenues

Prices will increase by inflation and quantity will grow by a gain of market share (22% of 1st Line MTCL treated with Adcetris in 2023 to 27,8% in 2033)

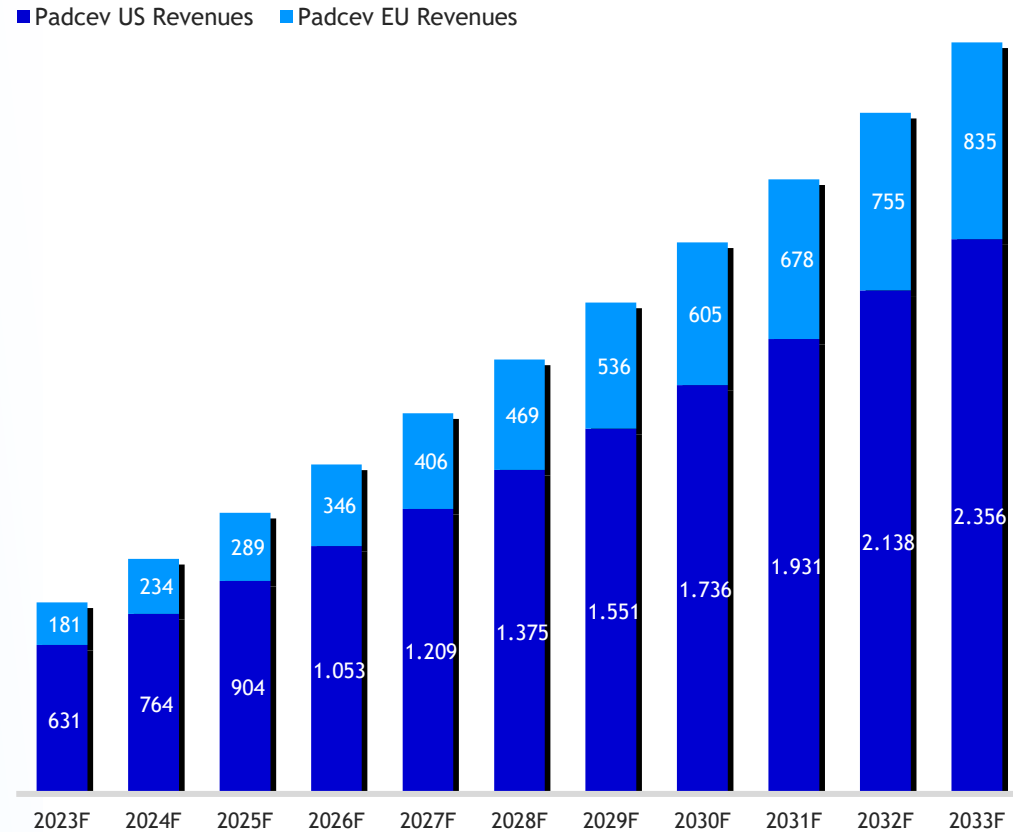


# Appendix - Padcev Assumptions

Padcev is a prescription medicine for advanced bladder cancer, developed by Seattle Genetics and Astellas.

The group believes that Padcev's global revenues will reach over three billion dollars by 2033, becoming Seagen's leading patent.

Padcev Forecasted Revenue (USD mn)

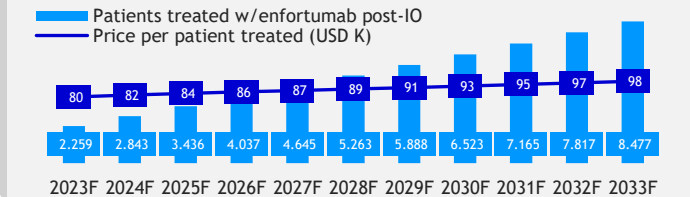
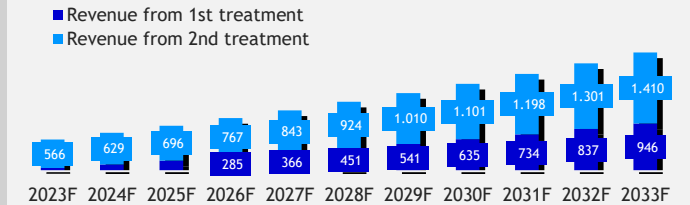


Our main assumption is that the patent will gain an annual increase in market share both in the United States and in Europe.

Main Assumptions and Results for Padcev

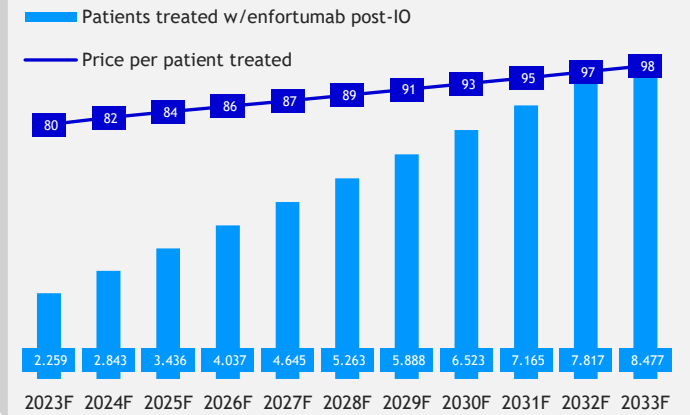
## US Revenues

Prices will increase by inflation and quantity will grow by a gain of market share (3% of IO+enfortumab treated with Padcev in 2023 to 33% in 2033)



## EU Revenues

Prices will increase by inflation and quantity will grow by a gain of market share (6% of enfortumab post-IO treated with Padcev in 2023 to 21% in 2033)

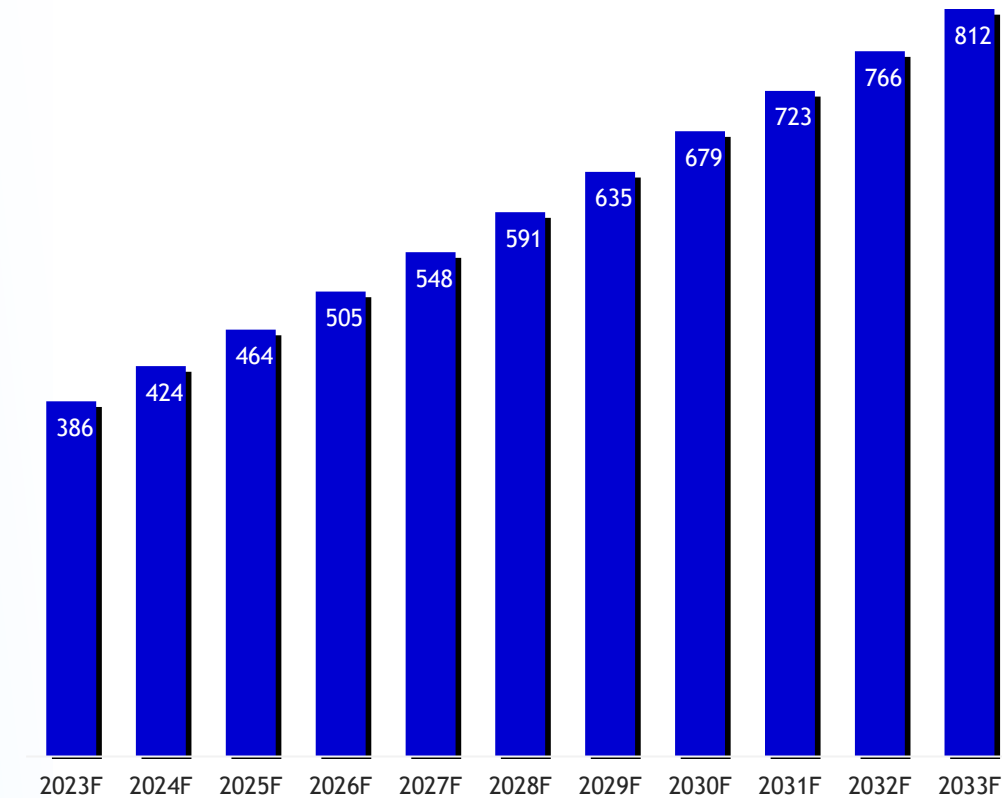


# Appendix - Tukysa Assumptions

Tukysa is a prescription drug for HER2+ breast cancer, co-created by Seattle Genetics and Merck.

The group believes that revenues from Tukysa will grow with diminishing increases over the years, reaching 800 million dollars in 2033.

Tukysa Forecasted Revenue (USD mn)



Our premise for the United States and Europe is the same for Tukysa, in which growth in both regions will decrease by half a percentage point each year.

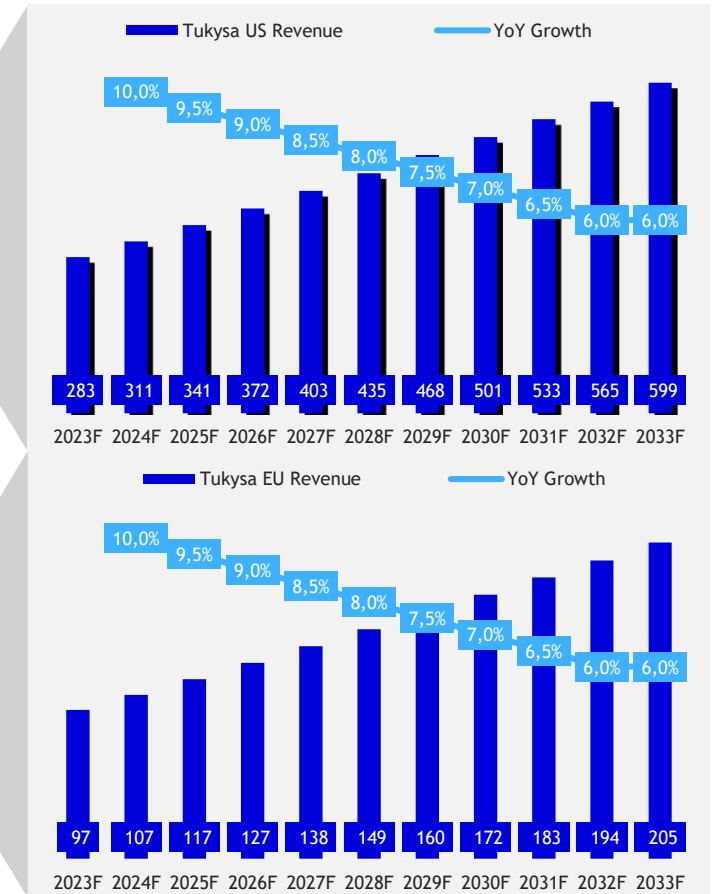
Main Assumptions and Results for Tukysa

## US Revenues

Prices will increase by inflation and quantity will grow by a low gain of market share

## EU Revenues

Prices will increase by inflation and quantity will grow by a low gain of market share

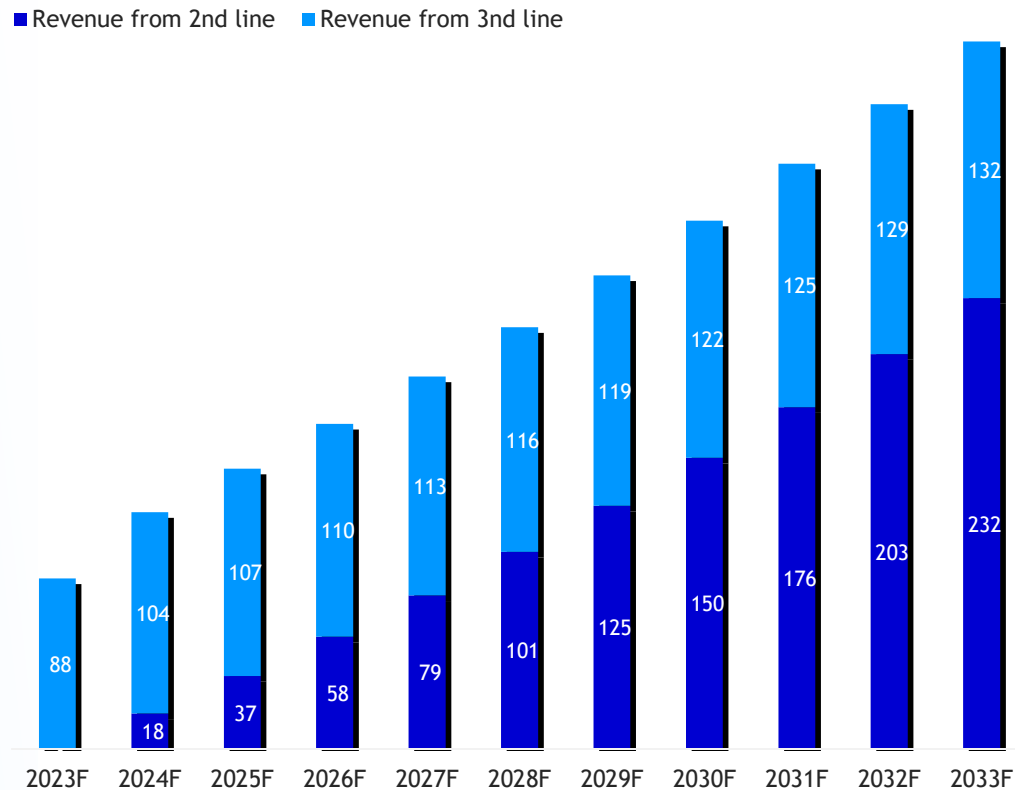


# Appendix - Tivdak Assumptions

Tivdak is a prescription medication for recurrent cervical cancer, developed by Seagen and Genmab.

The group believes that Tivdak will gain significant market share in 2nd line treatments, thus reaching USD 364 million in revenue by 2033.

Tivdak Forecasted Revenue (USD mn)

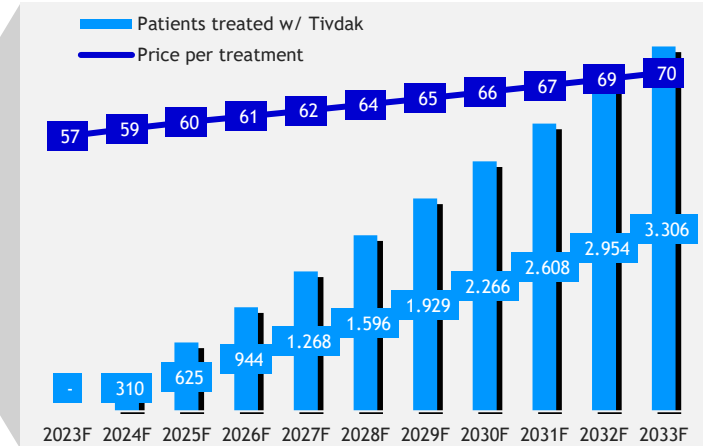


The main premise is that Tivdak will gain market share, reaching 50% of 2nd line treatments by 2033, which means treating approximately 3300 people.

Main Assumptions and Results for Tivdak

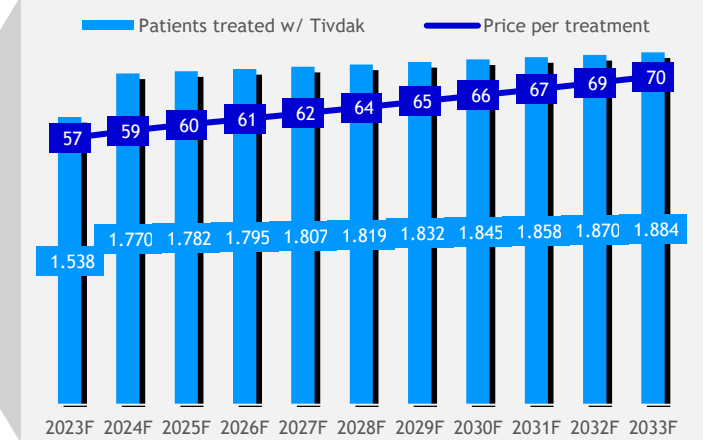
## 2<sup>nd</sup> Line Revenues

Prices will increase by inflation and quantity will grow by a gain of market share (from 0% in 2023 to 50% in 2033)



## 3<sup>rd</sup> Line Revenues

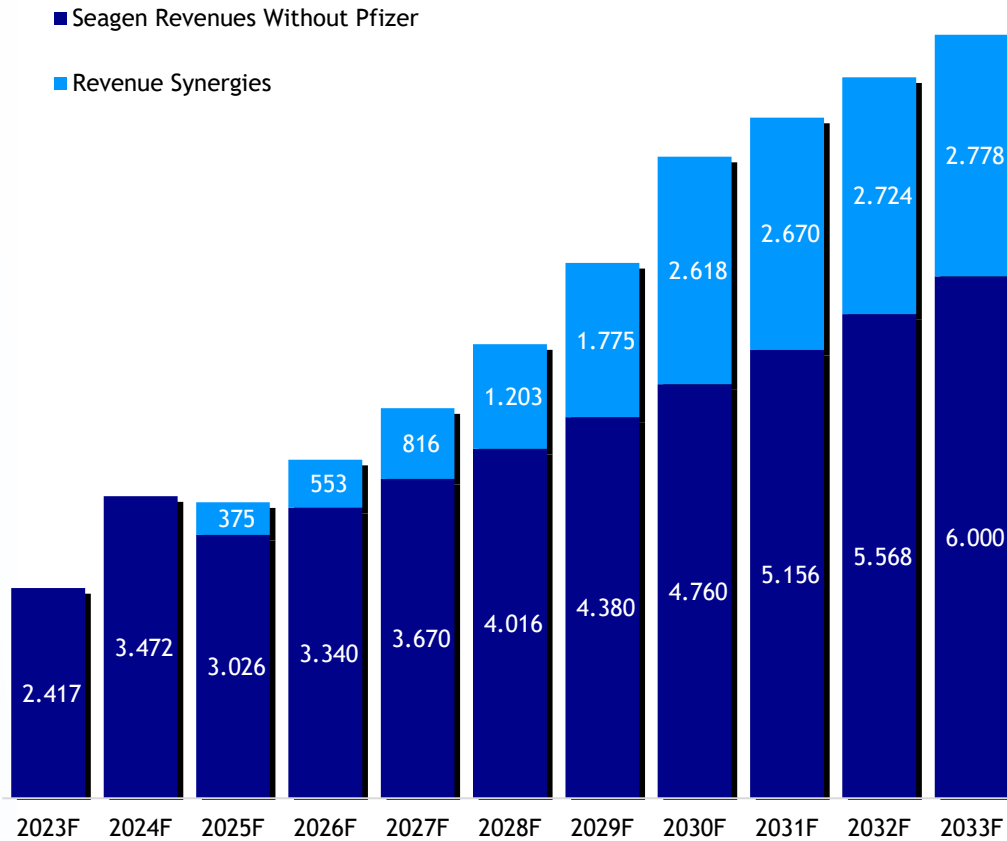
Prices will increase by inflation and quantity will grow by a low gain of market share



# Appendix - Revenue Synergies

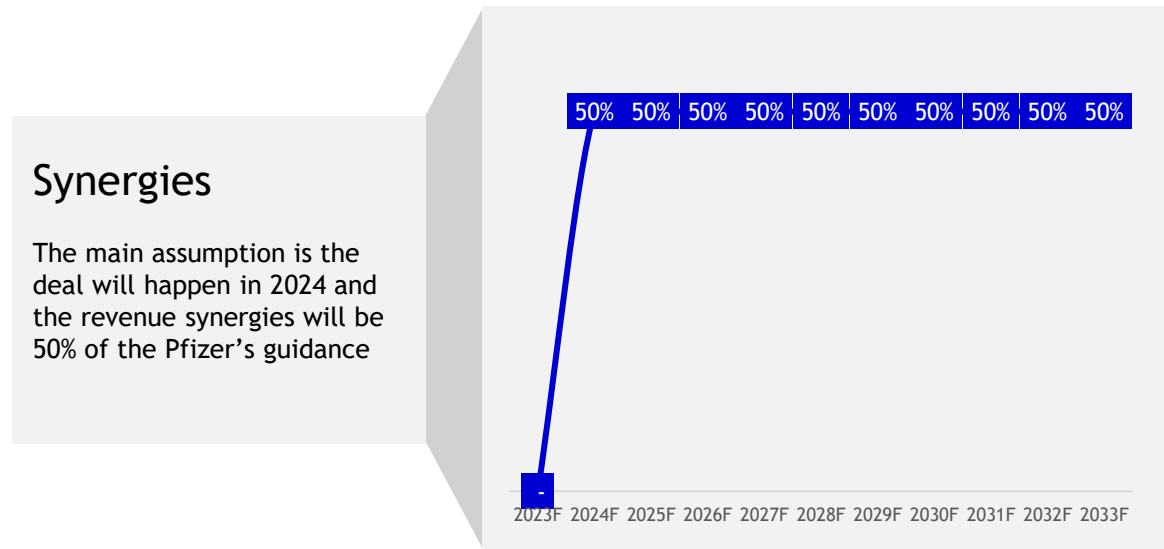
The group was conservative with the synergies from the deal, and our output was that Seagen will reach \$7.3 billion in revenue by 2030, approximately 73% of Pfizer's guidance.

Synergies Forecasted Revenue (USD mn)



This is because, in our Seagen model, we considered that only 50% of the proposed revenue synergy will materialize in the years following the acquisition.

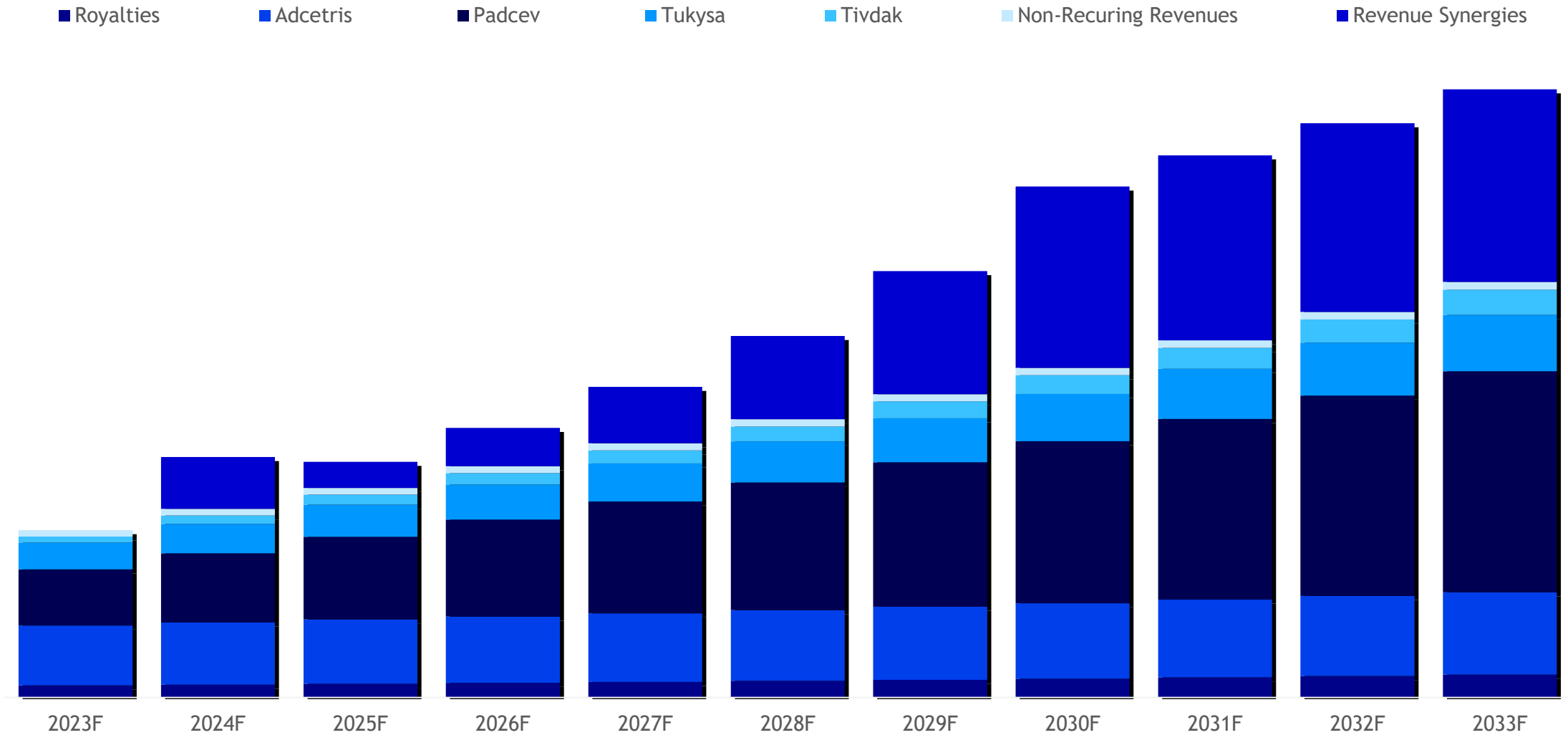
Main Assumptions and Results for Adcetris



# Seagen Revenue Breakdown



Seagen revenue breakdown output for the next years, based on the construction of all the patent premises previously presented here

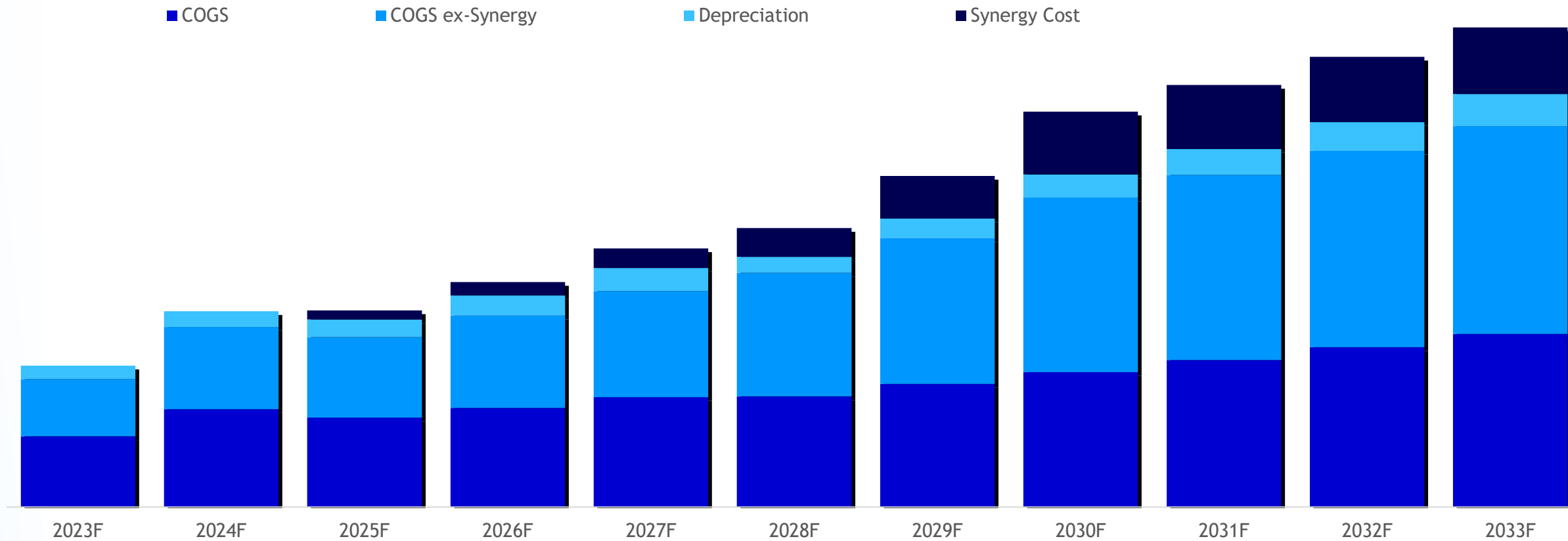


# Seagen COGS Projection

The COGS projection

The group believes that the merger with Pfizer will generate cost synergies that will improve the company's margins.

Seagen COGS Breakdown in US Mn





# Appendix - Merger Model Synergies

Synergies occur when the combined efforts or resources of two or more entities result in a greater outcome than what each could achieve individually, often leading to increased efficiency or effectiveness

In an investor call regarding Paxlovid and its revenues, the CEO stated that Pfizer still sees synergy in the deal with Seagen

Investor Call 10/16/2023

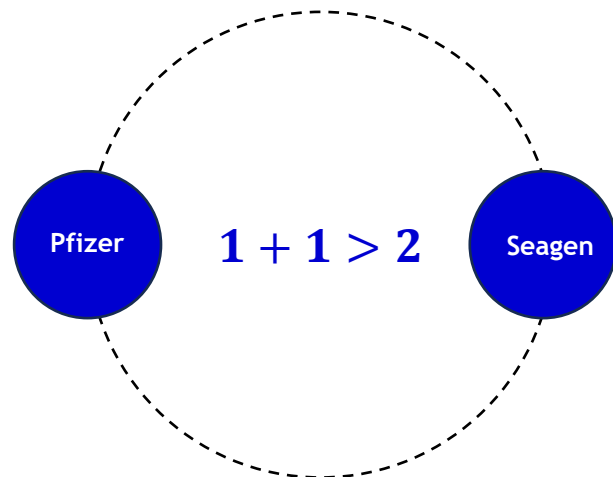


“continue to expect incremental 2030 revenues in excess of \$10 billion and cost efficiencies of \$1 billion without impacting R&D programs”

Dr. Albert Bourla (Pfizer’s CEO)

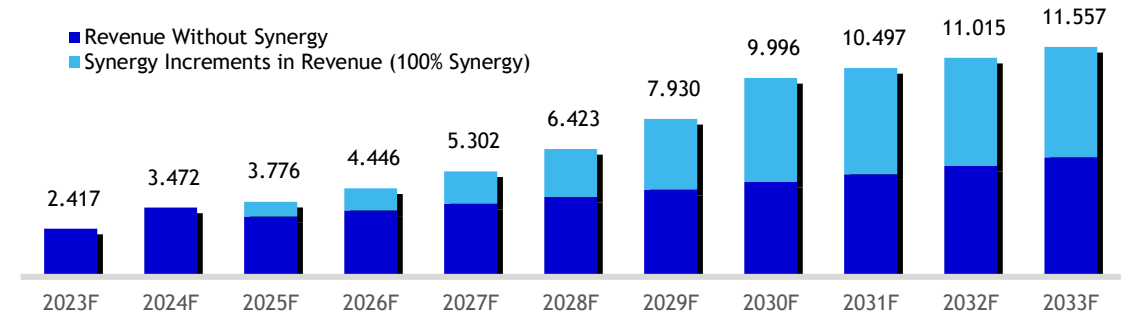
The Synergy that we calculated for the acquisition process of Pfizer and Seagen comes from these differences in revenue that the joining of both operations can generate

M&A dynamic



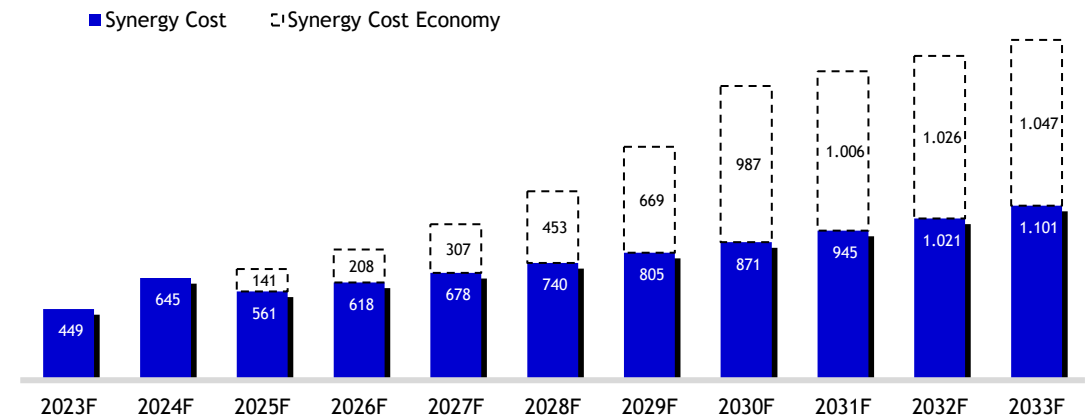
The efficient integration of Seagen into Pfizer’s operation can result, because of the synergies, in an increase of the acquired company’s revenue

Seagen’s Revenue (in million USD)



A well structured and executed acquisition process also results in more cost efficiency in both companies

Seagen’s COGS (in million USD)





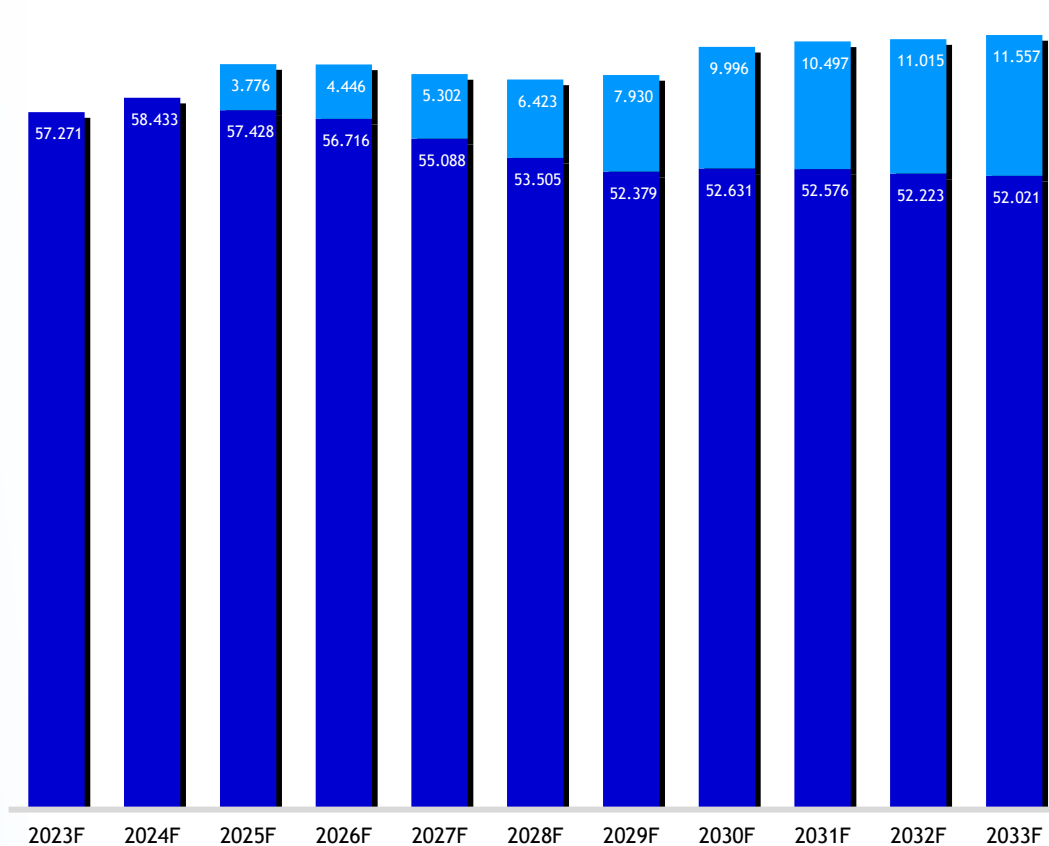
# Pfizer's Gross Profit With and Without Seagen

Given the acquisition, some things are set to change both for Pfizer and for Seagen. A main channel of changes for both companies are their revenues and the costs of their operations

Because of new segments that Pfizer will have a stronger presence in, its revenues are set to increase with Seagen's acquisition

Revenues (in million USD)

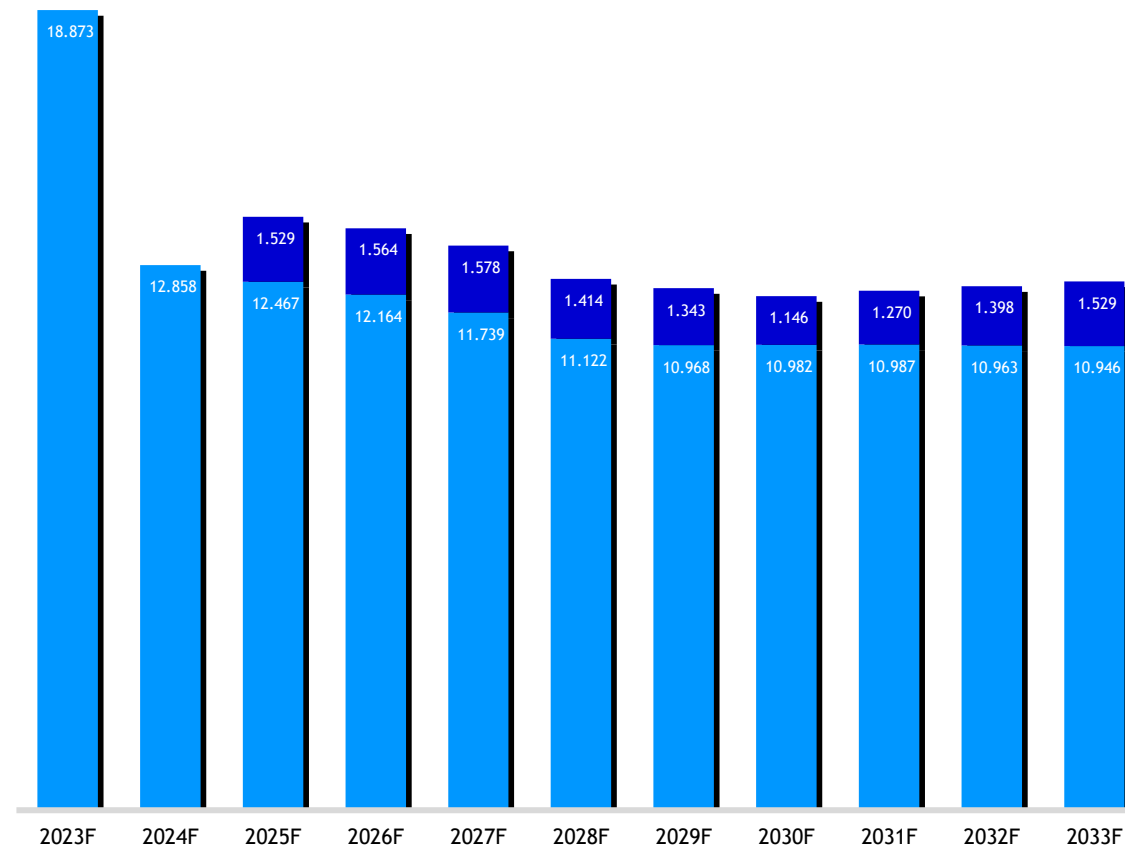
■ Pfizer Without Seagen ■ Seagen's Revenue



The acquisition will create a write-up in the company's income statement, that is already included in the COGS calculation

COGS (in million USD)

■ Pfizer Without Seagen ■ Seagen's Cogs

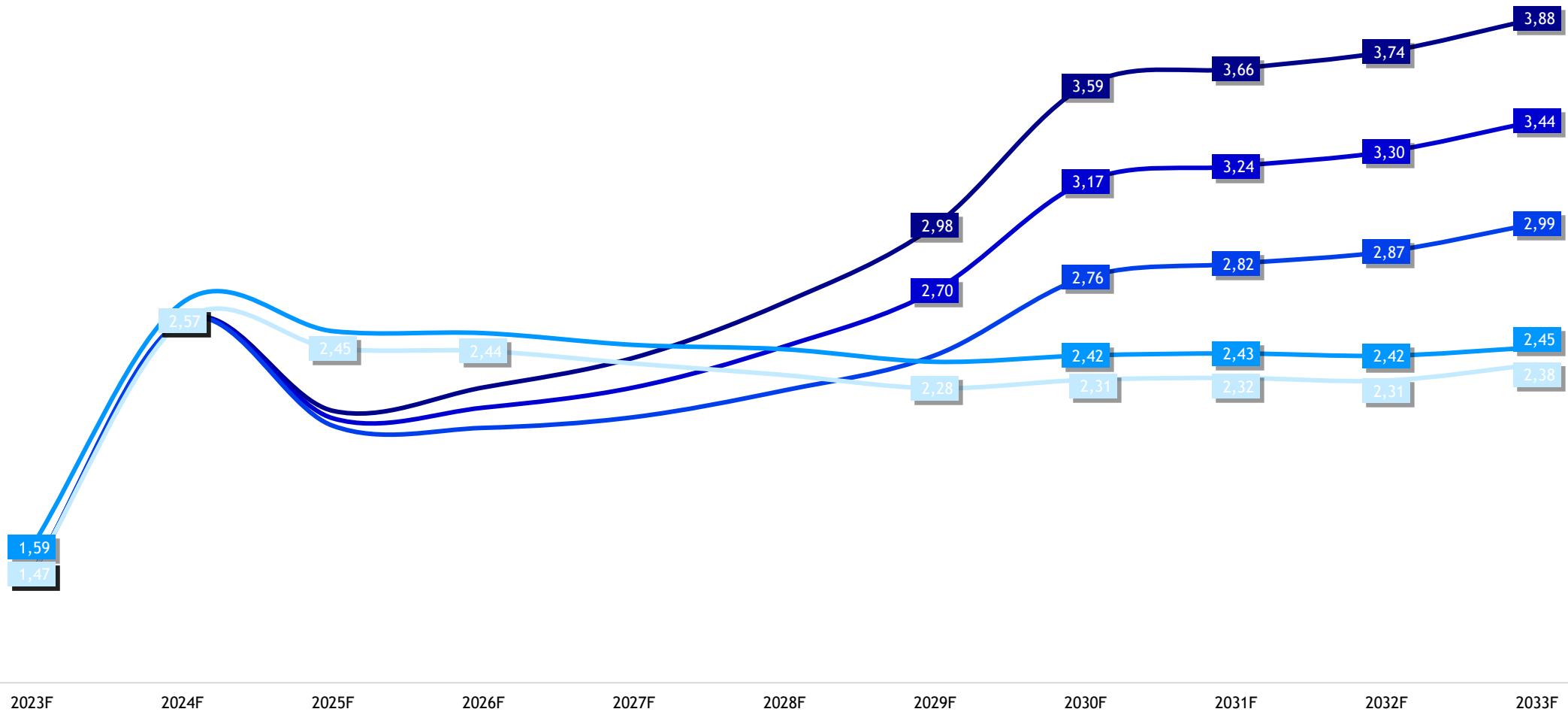


# When the Deal becomes accretive for the Shareholder?

In different scenarios, the deal may become accretive earlier. The scenario without the USD 31 Bn Debt considers lower levels of interest payments



— EPS Merger Model (100% of Synergy)    
 — EPS Merger Model (75% of Synergy)    
 — EPS Merger Model (50% Synergy)    
 — EPS Model No Debt Issuance    
 — EPS Base Model



# FCFF and Sensibility Tables

The acquisition is set to take place in 2024, but the consolidation of the statements are going to take place in 2025F, the group considered the Acquisition as CAPEX in 2024F.

FCFF with 50% of Synergy

FCFF	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P	2033P
EBIT	3.054,4	20.724,3	18.274,2	19.012,2	19.069,7	19.792,6	20.574,5	22.573,6	22.690,2	22.786,6	22.862,7
(-) Tax	(366,5)	(3.315,9)	(2.923,9)	(3.041,9)	(3.051,2)	(3.166,8)	(3.291,9)	(3.611,8)	(3.630,4)	(3.645,9)	(3.658,0)
(+) Depreciation	2.485,0	4.930,9	5.495,6	5.480,3	5.409,5	5.072,2	5.215,0	5.330,8	5.465,0	5.601,0	5.736,7
(-) Capex	(1.246,0)	<b>(45.570,6)</b>	(2.844,4)	(2.827,8)	(2.771,3)	(2.721,8)	(2.701,2)	(2.755,9)	(2.769,0)	(2.768,5)	(2.776,0)
(-/+ Working Capital	6.800,9	(4.876,7)	(1.422,9)	(1.132,9)	(519,6)	(391,6)	56,2	9,4	21,6	71,4	95,1
FCFF	10.727,8	(28.108,0)	16.578,7	17.489,8	18.137,1	18.584,6	19.852,6	21.546,1	21.777,3	22.044,6	22.260,5

Synergy has an important role for Pfizer's value

Synergy x WACC Sensibility Table

		Rate of Synergy Completion				
		0%	25%	50%	75%	100%
WACC	5,3%	42,09	48,62	55,14	61,66	68,2
	5,8%	36,80	42,44	48,08	53,72	59,4
	6,3%	32,79	37,75	42,72	47,69	52,7
	6,8%	29,65	34,10	38,54	42,99	47,4
	7,3%	27,15	31,18	35,20	39,23	43,3

The perpetuity growth has a lower impact in the company's value than the completion rate of the synergies

		Perpetuity Growth				
		1,0%	1,5%	2,0%	2,5%	3,0%
Long-Term ROIC	5,5%	39,81	39,44	38,95	38,29	37,4
	6,5%	40,68	40,89	41,12	41,38	41,7
	7,5%	41,33	41,96	42,72	43,65	44,8
	8,5%	41,82	42,78	43,94	45,38	47,2
	9,5%	42,21	43,43	44,91	46,75	49,1

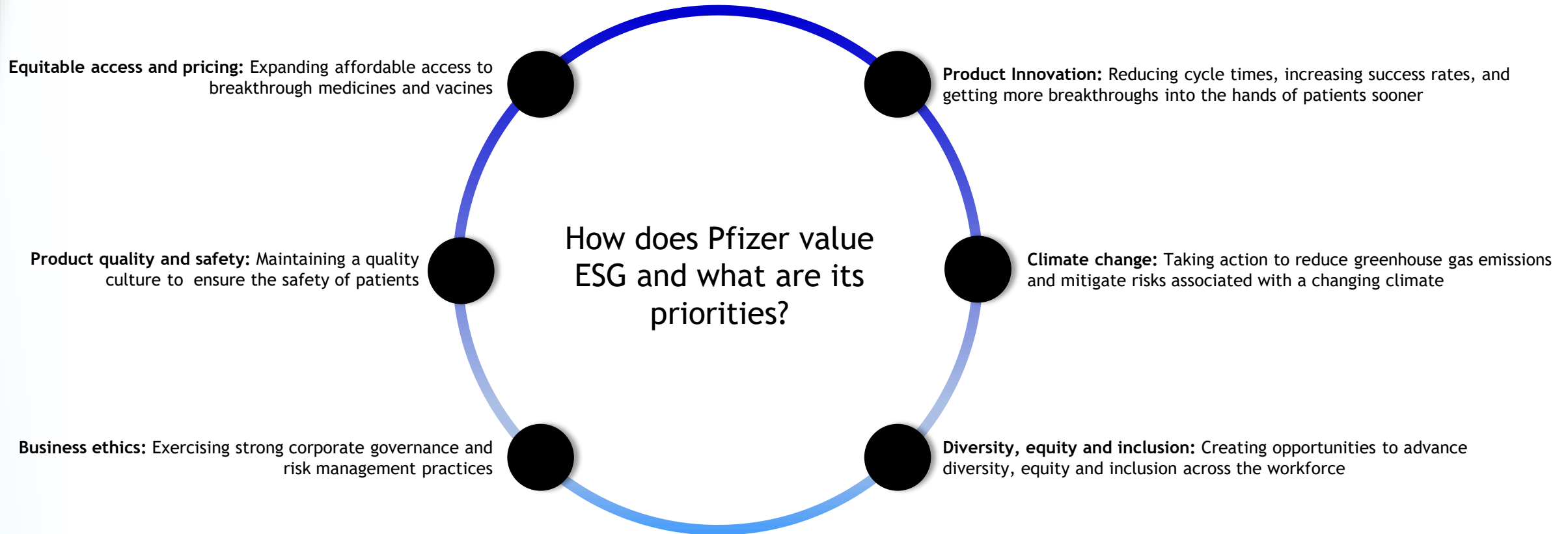


## 6. ESG Analysis



# Appendix - ESG top priorities

Pfizer places a strong emphasis on ESG (Environmental, Social, and Governance) values, actively engaging in projects that encompass all facets of sustainability and responsible corporate practices.





# Appendix - Environment

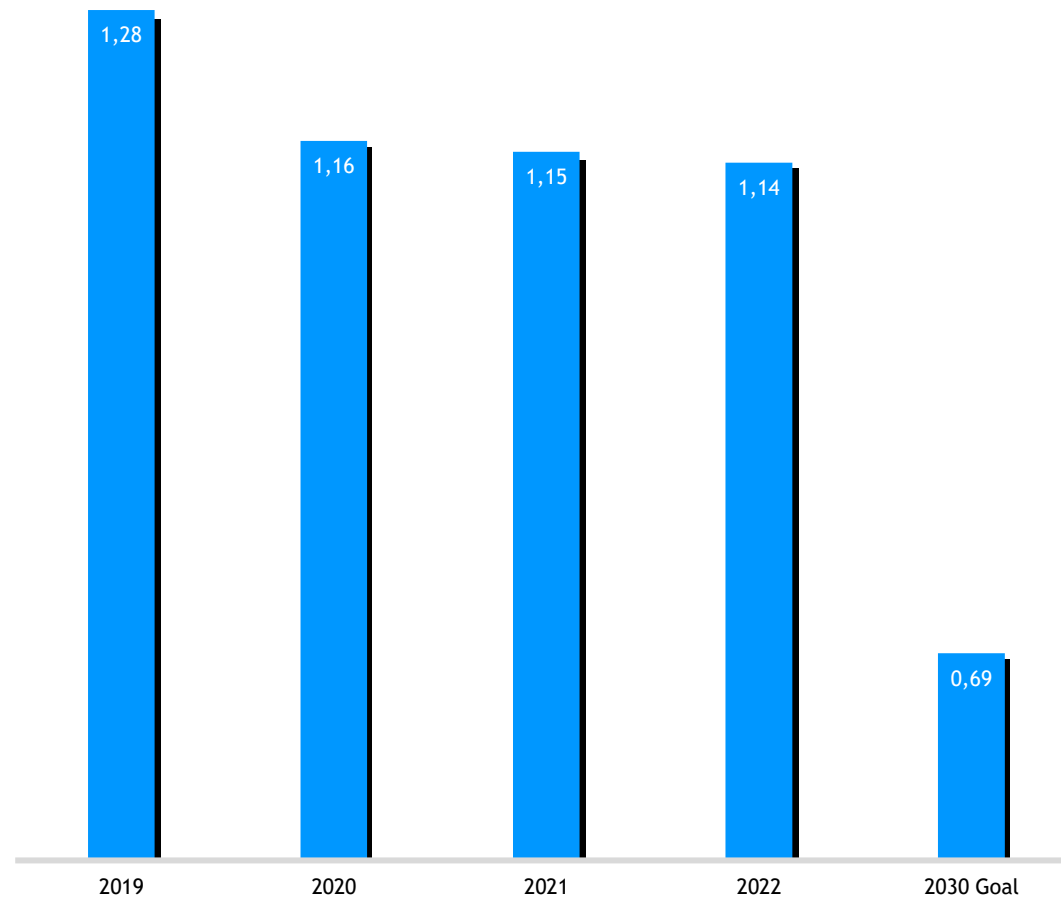
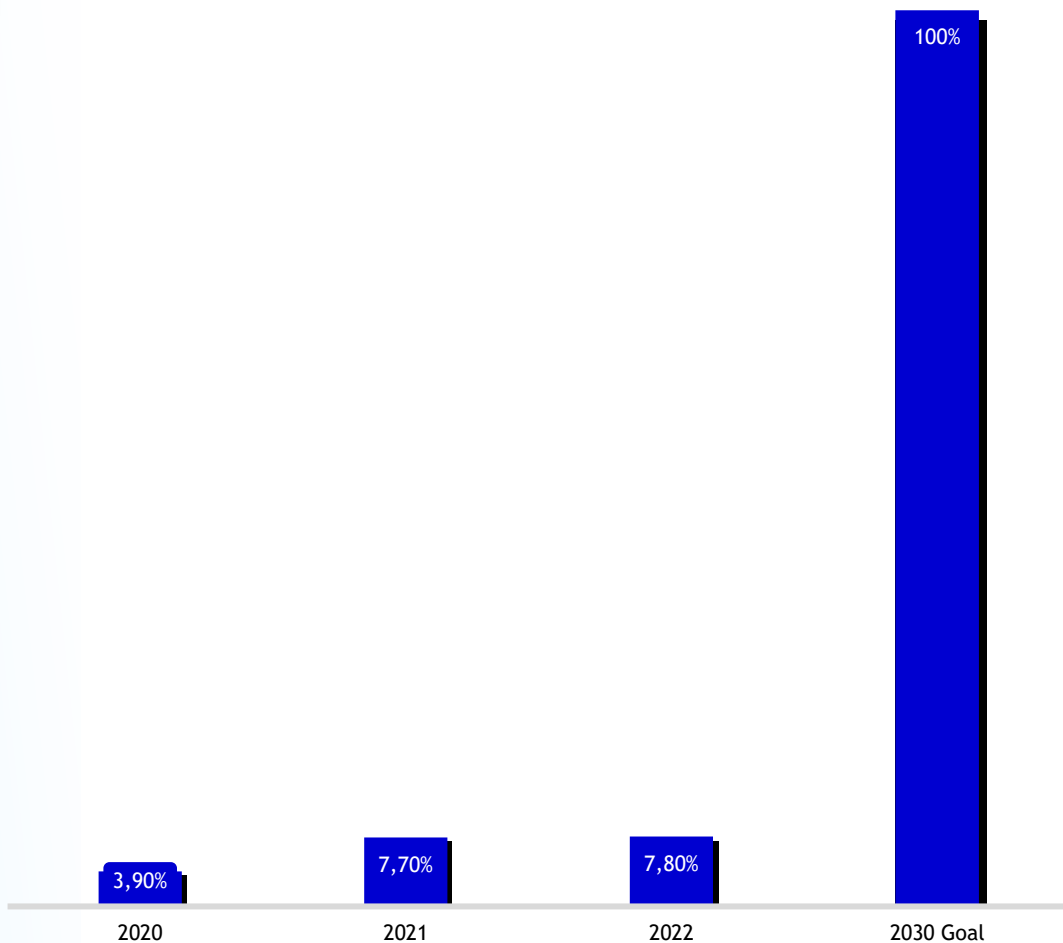
Pfizer demonstrates a strong commitment to sustainability, aligning with the Net Zero by 2040 initiative, and consistently provides detailed environmental performance reports in its annual ESG Report.

Pfizer is committed to transitioning its operations to rely entirely on renewable energy sources, advancing its sustainability goals.

Renewable Energy (%)

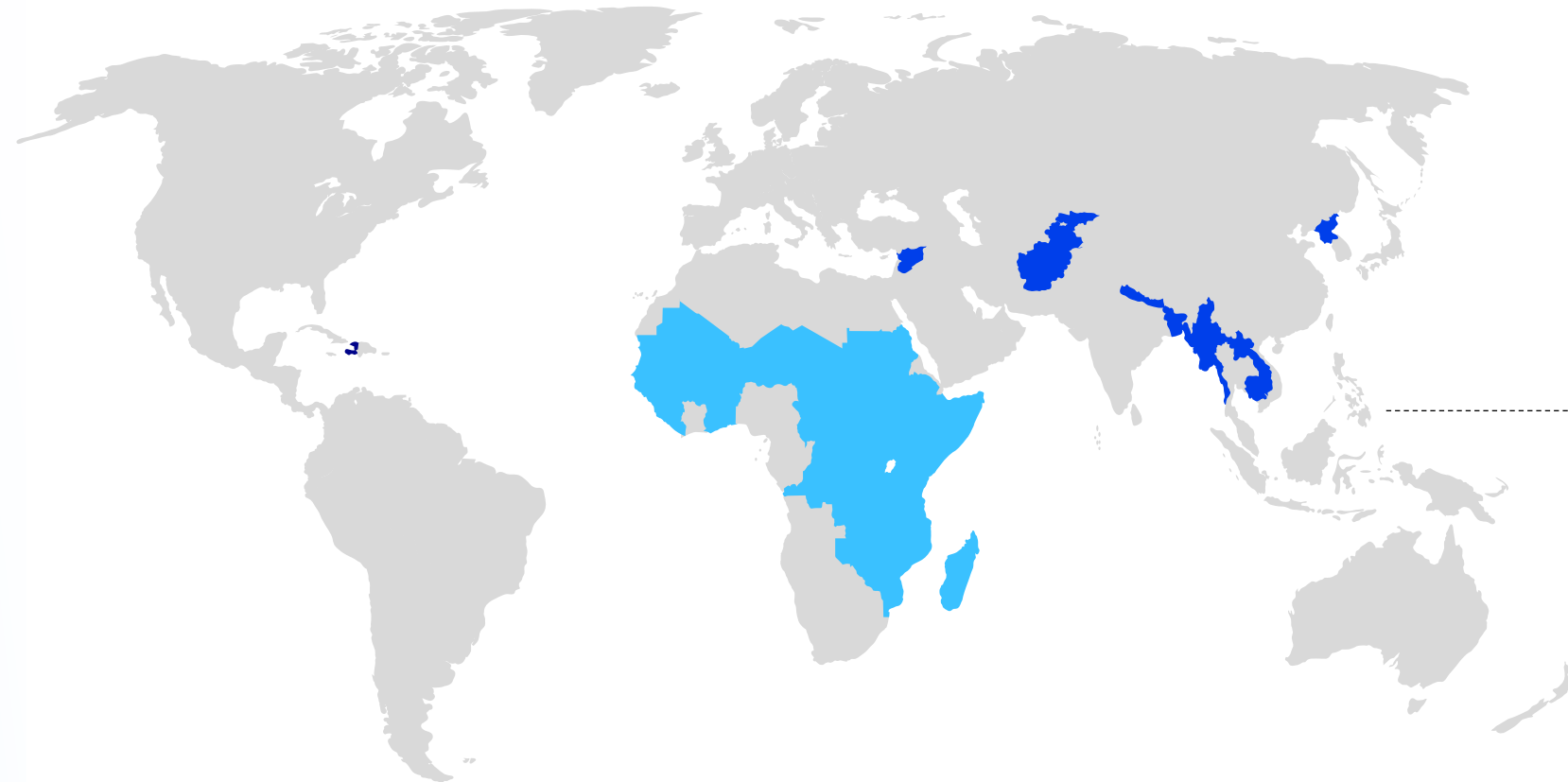
Pfizer is dedicated to significantly reducing carbon emissions as part of its comprehensive net-zero plan. The company has been consistently reducing its emissions.

Carbon Emissions (In million metric tons CO<sub>2</sub>e)



# Appendix - An Accord for a Healthier World

The program, launched by Pfizer in 2022, is dedicated to bridging the global health equity gap by supplying a diverse range of essential medicines to 45 countries in greater need on a non-for-profit basis.



Region	UHC Index
Global	64
Africa	46
Asia	64
Europe and Northern America	77
Latin America and the Caribbean	75
Oceania	74

After a highly successful start, Pfizer extended its commitment to include off-patent products, significantly **expanding the total offerings from 23 to approximately 500 drugs**



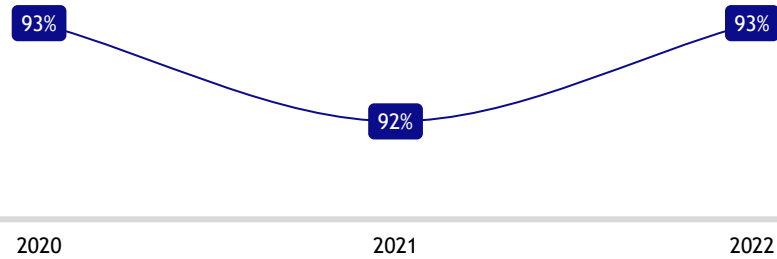


# Appendix - Pfizer's people

Pfizer prioritizes its workforce, cultivating an inclusive environment that not only promotes well-being but also encourages diverse perspectives, ultimately driving innovation and technological advancements.

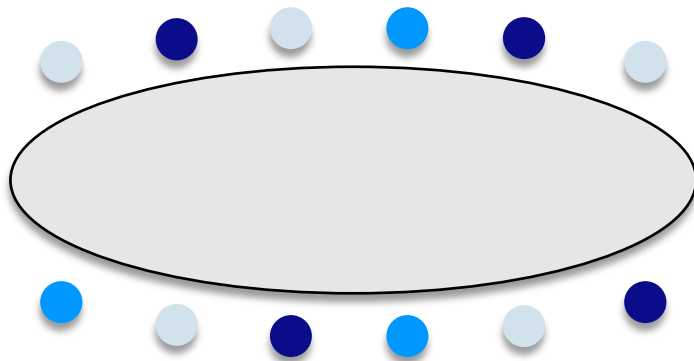
In pursuit of the company's overarching objective to deliver worldwide healthcare solutions, its staff exhibits a strong sense of purpose.

Employee Purpose (%)



Pfizer places a high value on diversity and encourages an environment that embraces varying perspectives, as evident through the composition of its board of directors.

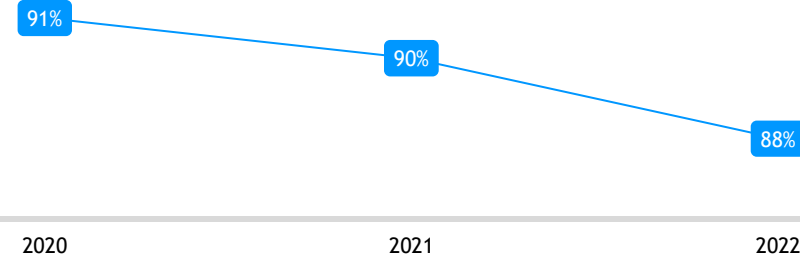
Board Composition



Out of 12 members, 4 are women and 3 are ethnically diverse

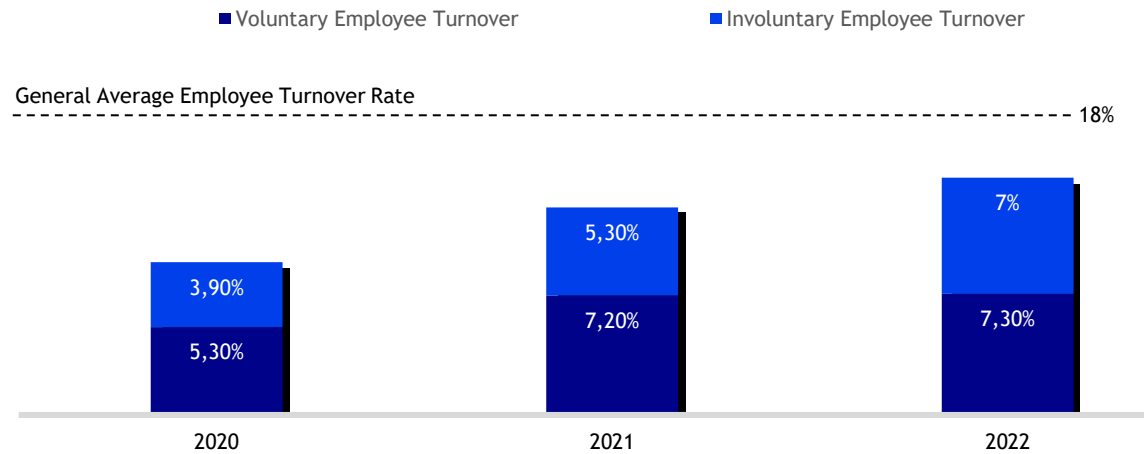
Although experiencing a recent decline, the index computed by the company still maintains a notably high level

Employee Engagement (%)



With contented employees, the company achieves exceptional employee retention rates significantly below the average of 18%

Employee Turnover Rate



# Appendix - Pfizer's people

Pfizer maintains a highly capable team with talented people. Most of its directors are doctors which aligns well with the company's goal. Besides, Pfizer has a remuneration program tied to performance and incorporates ESG indexes in it.

C. Financial Officer



Dave Denton

C. Business Innovation



Aamir Malik



Payal Becher

C. People Experience



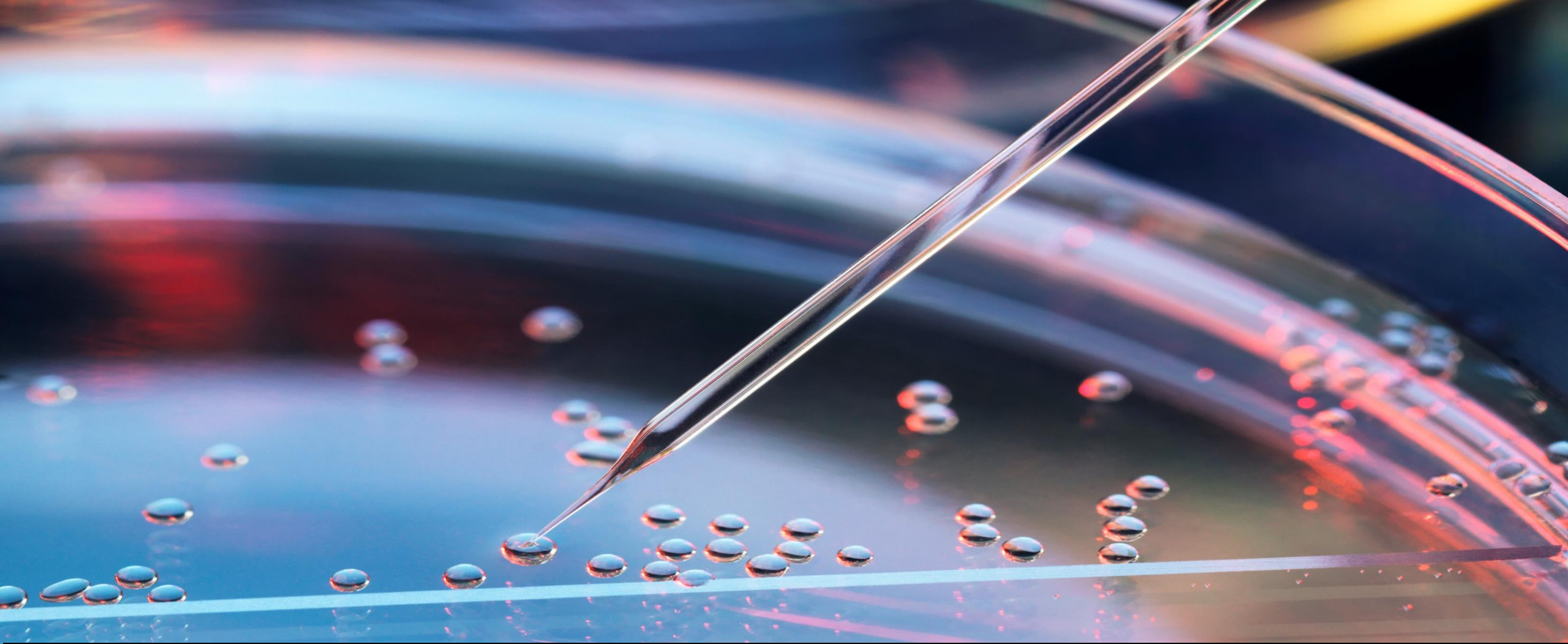
Dr. Albert Bourla (CEO)

C. Executive Officer

## GPP (Global Performance Plan)

Pfizer's remuneration is tied with ESG based KPIs and performance metrics. More than thirty thousand employees have ESG KPIs factored into their compensation

CEO remuneration is highly dependent on a bonus that can vary from 0% to 250% based on the company's performance in financial, R&D and ESG criteria. There are also incentive grants implemented to align the CEO's compensation with shareholder interests



## 7. Valuation



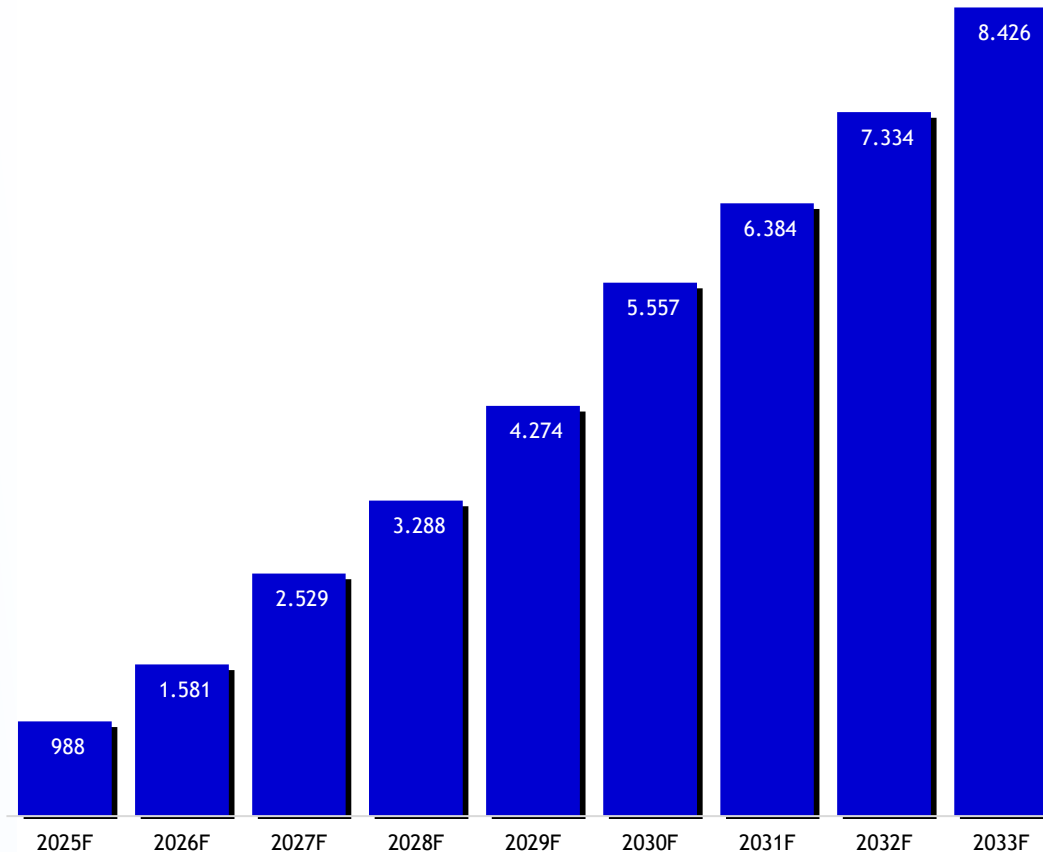


# Appendix - Other Pipeline Assumptions (1/2)

The company has 90 drugs in its pipeline, with 58 being new. Among them, 20 are in Oncology, mainly in early stages, with success rates and revenue projections based on past drugs were considered.

The success of the pipeline is one of the most important things for a pharmaceutical company

Other Pipeline Revenue projection in Mn USd

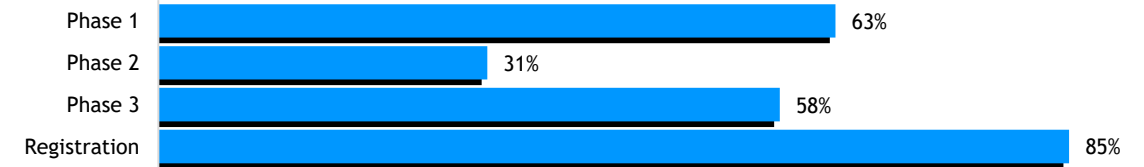


The projection needs to take accountability on each stage each drug is, in other to know how many drugs are going to be launched and how many years is going to take

Average Years for Each FDA Phase

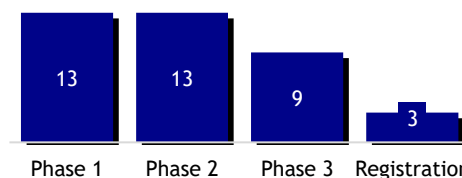


But...  
Each Stage has its own Success Rate

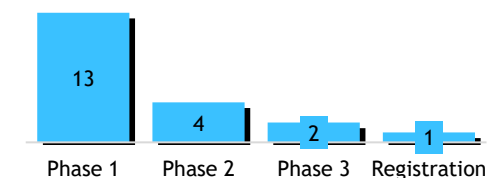


And...  
Not every segment has the same drugs in each phase

Primary and Specialty Pipeline



Oncology Pipeline

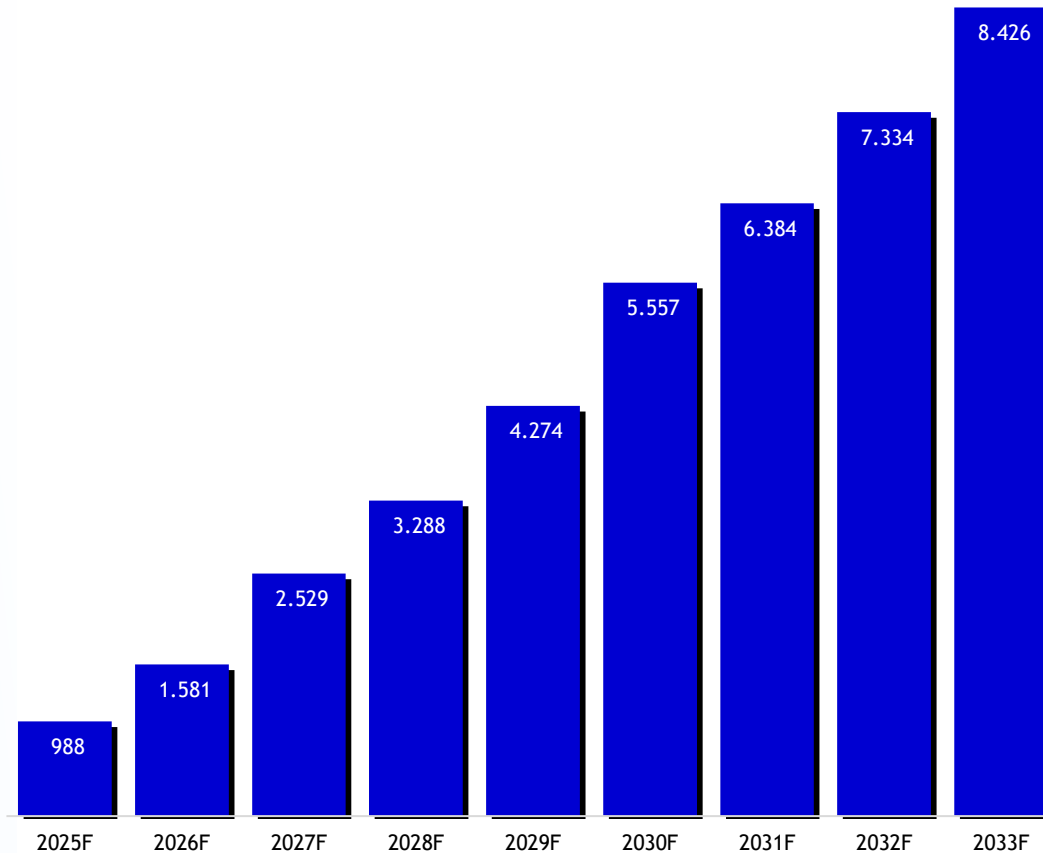


# Appendix - Other Pipeline Assumptions (2/2)

The company has 90 drugs in its pipeline, with 58 being new. Among them, 20 are in Oncology, mainly in early stages, with success rates and revenue projections based on past drugs were considered.

The success of the pipeline is one of the most important things for a pharmaceutical company

Other Pipeline Revenue projection in Mn USD



Each segment has different revenue perspectives. But in both, we project a consolidation in 7 years. The minimum and maximum revenue were based on past blockbusters

## Past Oncology Blockbusters

- Xtandi
- Inlyta
- Mektovi
- Braftovi
- Sutent
- Lobrena
- Xalkori
- Bosulif, Besponsa, Aromasin, Trazimera

**Median - Minimum Revenue Year**  
321 Mn USD

**Median - 3<sup>rd</sup> Quartile Revenue Year**  
744 Mn USD

*2.3x Growth*

## Past Primary/Specialty Blockbusters

- Oxbryta
- Nurtec
- Vyndaqel/Vyndamax
- Premarin
- BMP2
- Sulperazon
- IVIg Products
- BeneFIX, Zavicefta

**Median - Minimum Revenue Year**  
239 Mn USD

**Median - 3<sup>rd</sup> Quartile Revenue Year**  
609 Mn USD

*2.1x Growth*

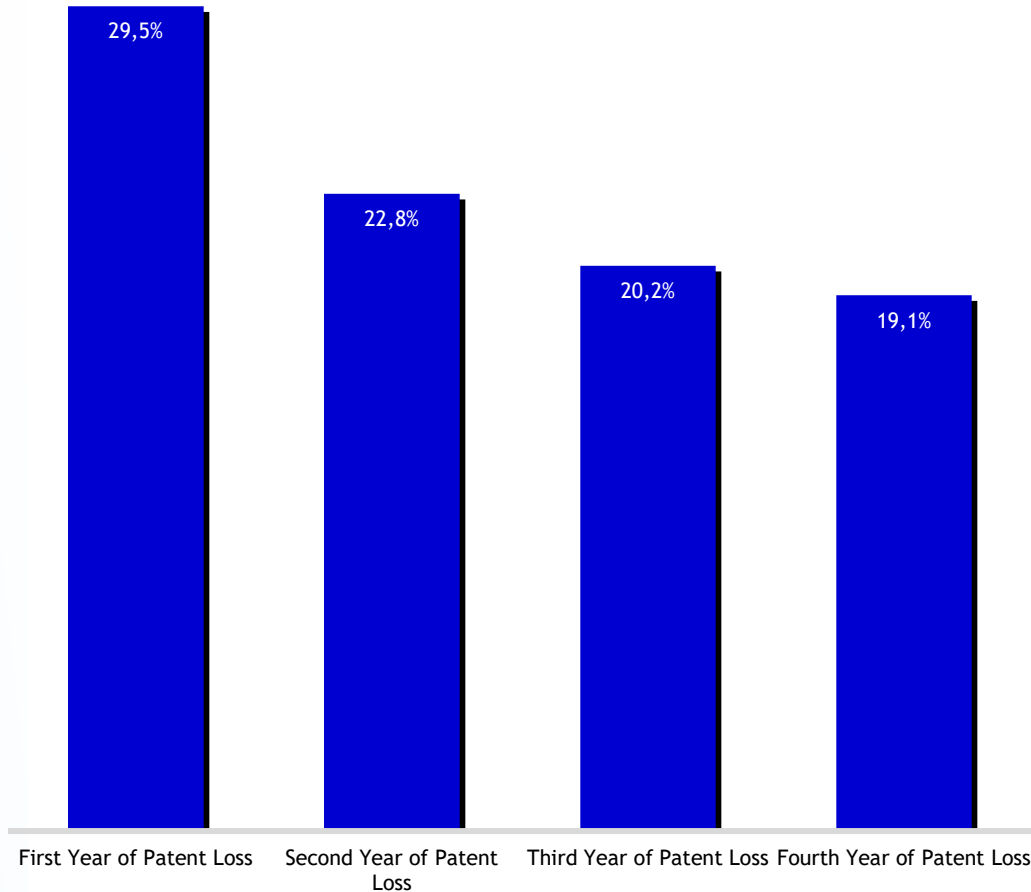
# Appendix - What changes when Pfizer loses a Patent?



One of the main risks for Pfizer (and all biopharmaceutical companies) is losing its patents since the exclusivity grants them a return for investing in long-term projects. However, how relevant is losing a patent in a drug sales

The first year after losing a patent is the most relevant, in which there is a reduction of almost half in the sales of a certain drug

Reduction in sales after LOE



To calculate this, we used a total of ten drugs with their respective loss of exclusivities and measured their sales after it

Calculating sales after LOE

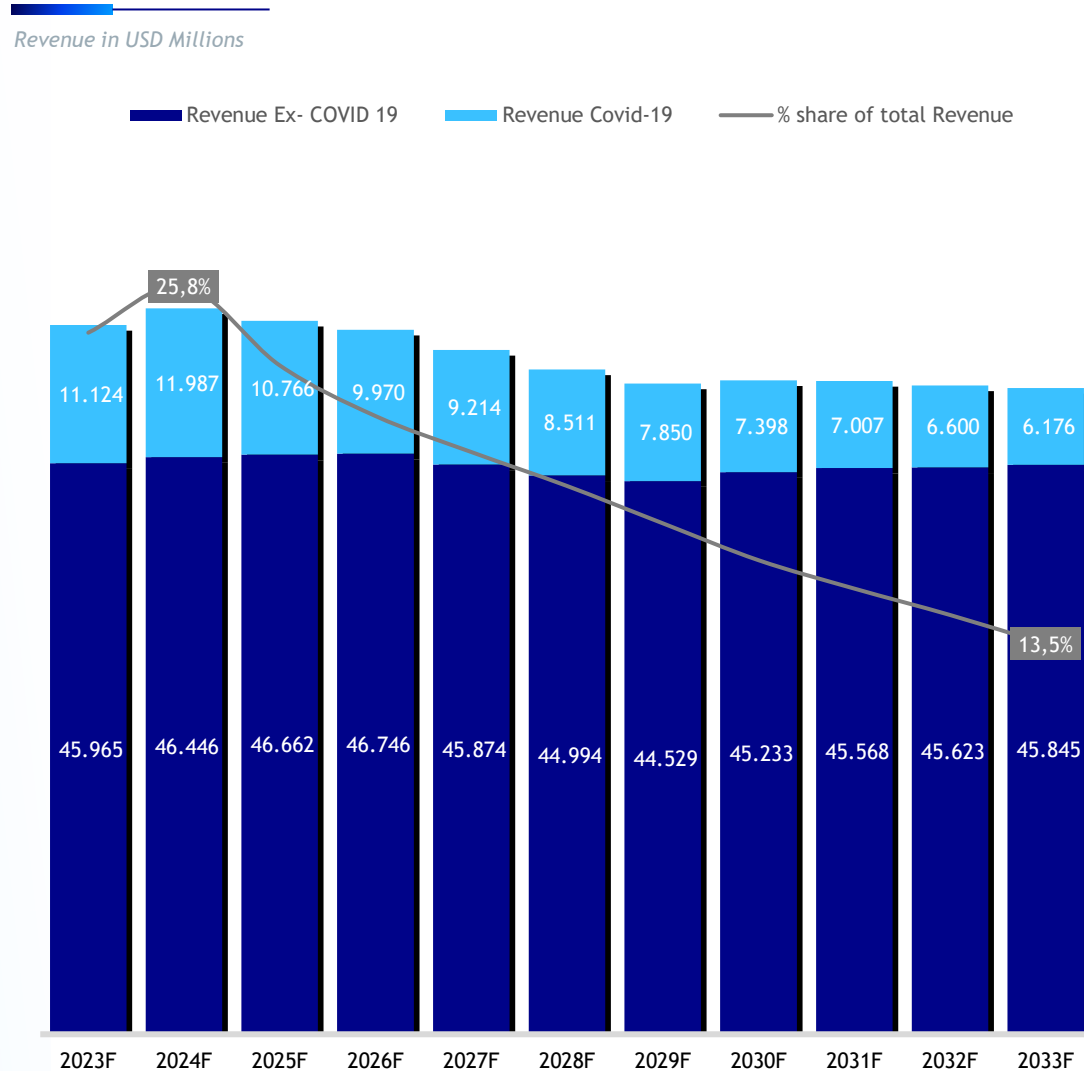
Drug	Year of LOE
Chantix/Champix	2020-22
Premarin Family	2021-24
Sutent	2021
Medrol	2015
Zyvox	2015
Enbrel	2015
Viagra	2017 US
Celebrex®	2014
Relpax®	2017
Lyrica®	2019

The calculation was made considering all regions and then a average of them (representative consumer). The data considered in this slide is na average of the result of all drugs for every region.

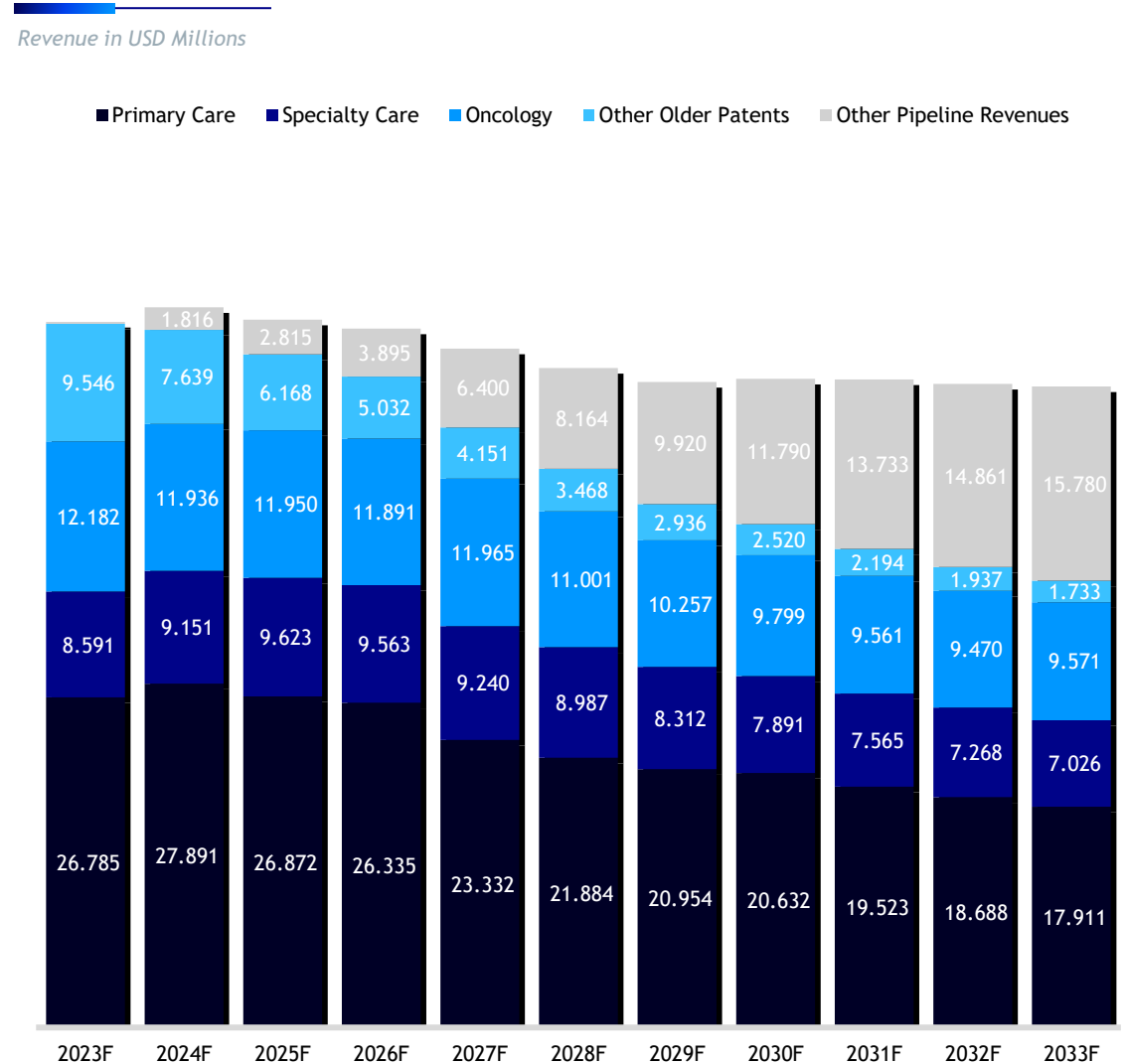
# Revenue Breakdown

Revenue projections until 2033 were segmented by the company, considering COVID-related and non-COVID products

### Company's revenue with and without Covid related products



### Company's Revenue Breakdown in Segments

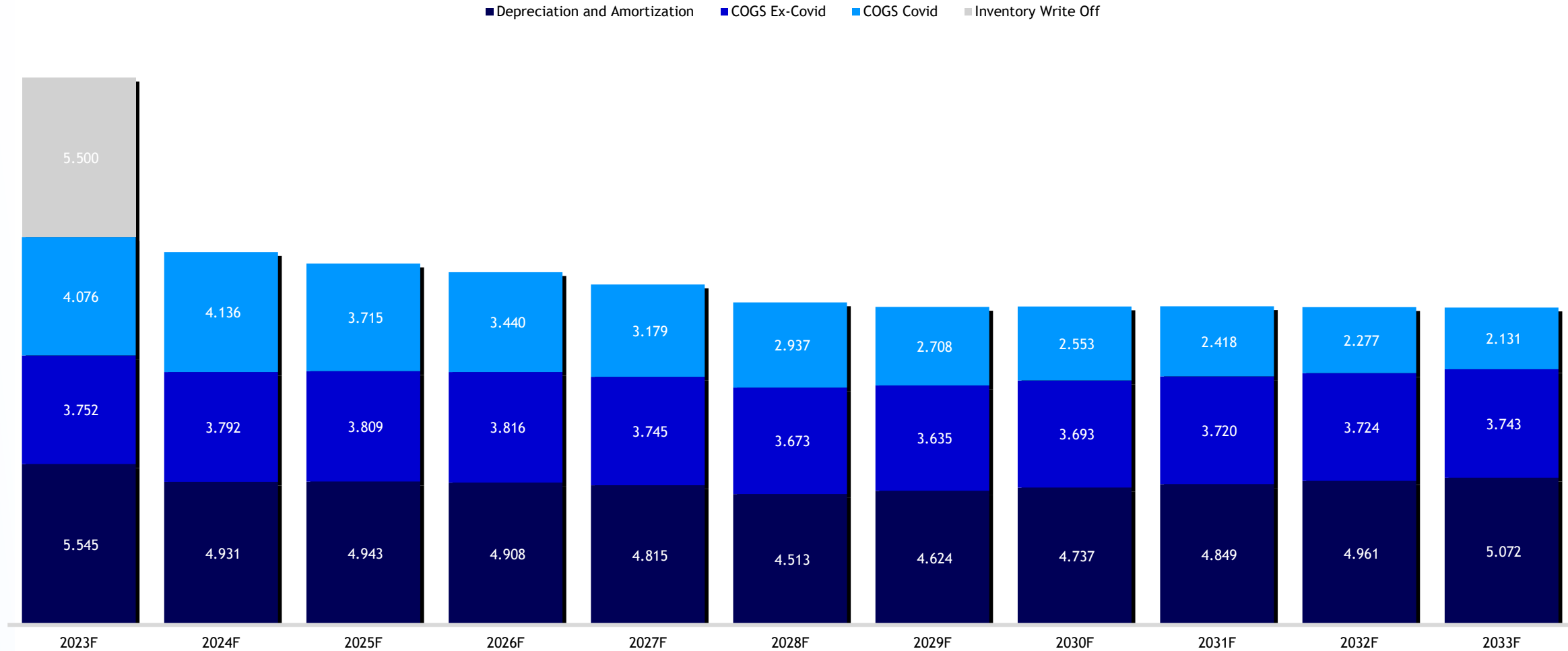


# COGS Projection

The COGS projection

The COGS had an unexpected increase in 2023F, majorly because the Inventory Write-Off that took place in the company's financials

COGS Breakdown in US Mn



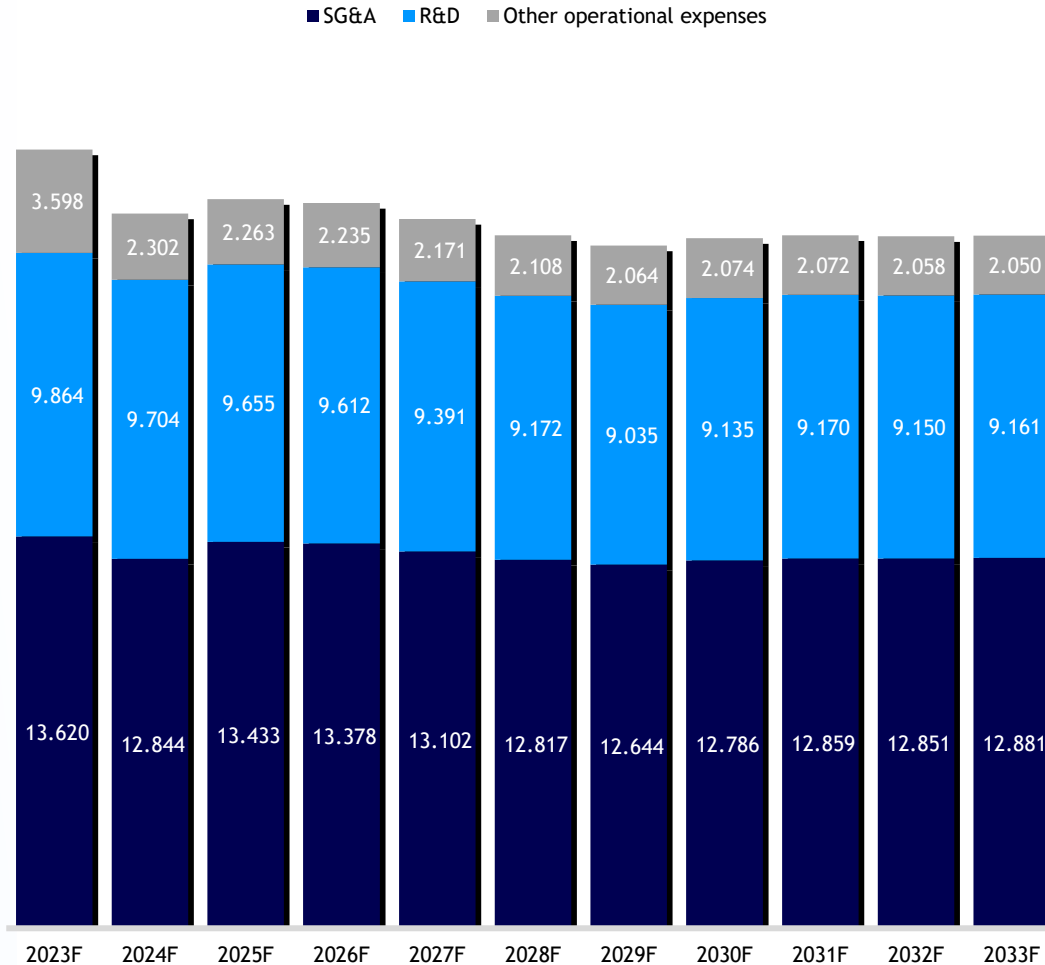


# OPEX Cost Projection

The OPEX is very important for the company's future. Since the R&D is a way to develop new patents and maintain the continuous growth of the company. The group divided the OPEX in three major segments and analyzed the impact that COVID had on those Costs

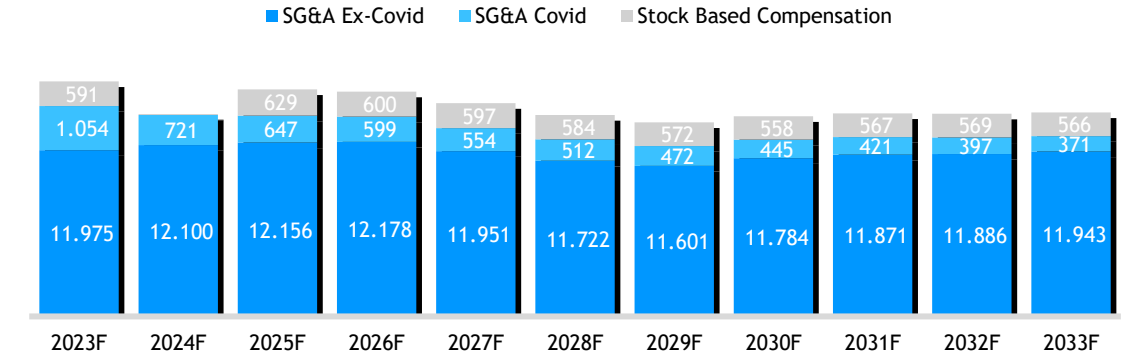
The major driver for the OPEX Build-Up was its relationship with the revenue and it was projected both the OPEX related and not related to COVID

OPEX in Mn USD



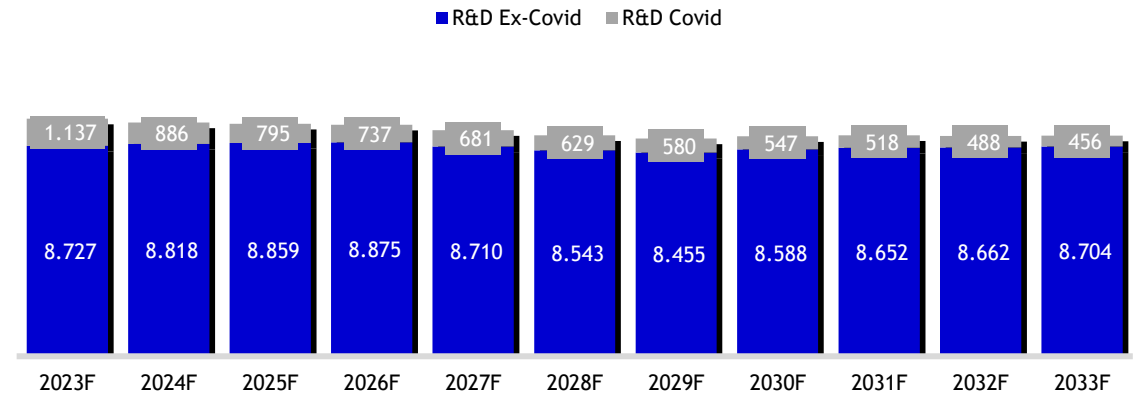
Due to lower levels of net income in 2023, the group Project lower levels of Stock-Based Compensation

SG&A Breakdown in Mn USD



The COVID Revenue didn't change the company's plans abruptly, resulting in a higher percentage in the revenue in 2033, compared to 2023

R&D Breakdown in Mn USD

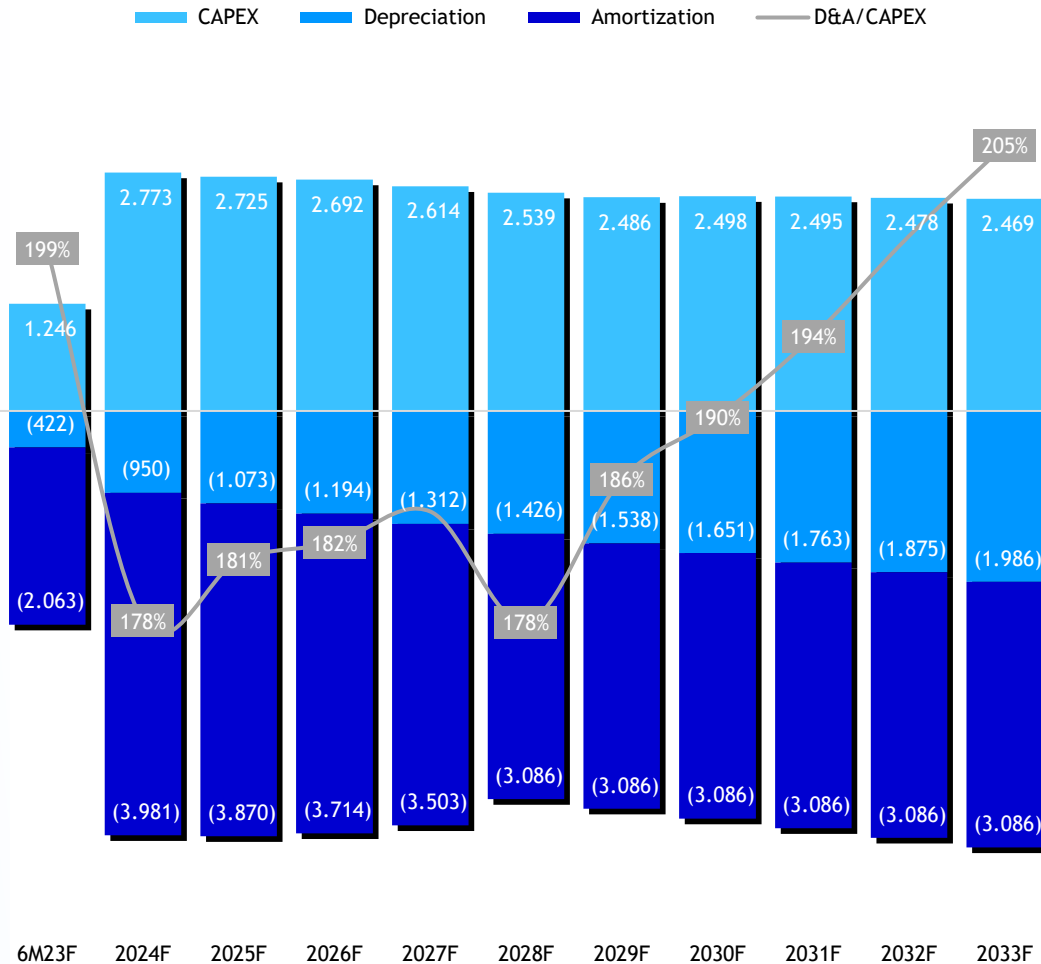


# Depreciation and Amortization Projections

The depreciation and Amortization Schedules were based in the company's past and in their 10K Guidance

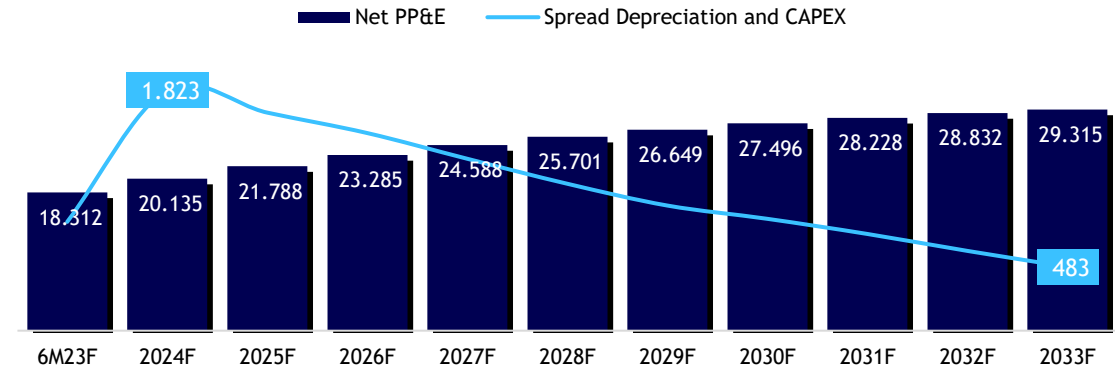
The growth of intangibles is set by a possible acquisition or a write-up charge, the company invests in CAPEX solely in her PP&E

CAPEX and D&A USD Mn



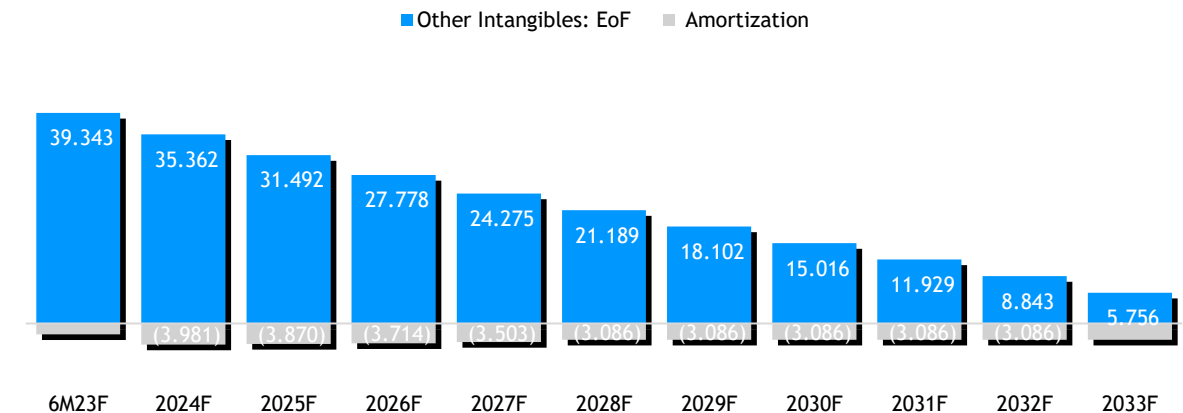
The PP&E's average useful life of 22 was crucial for calculating accumulated depreciation, with CAPEX determined as a percentage of revenue, typically at 4%

Net PP&E and Spread Depreciation Capex in Mn USD



The company outlines its amortization projections up to 2027, followed by an amortization period of approximately 9 years, as indicated in its 10K report.

Intangibles and Amortization in Mn USD

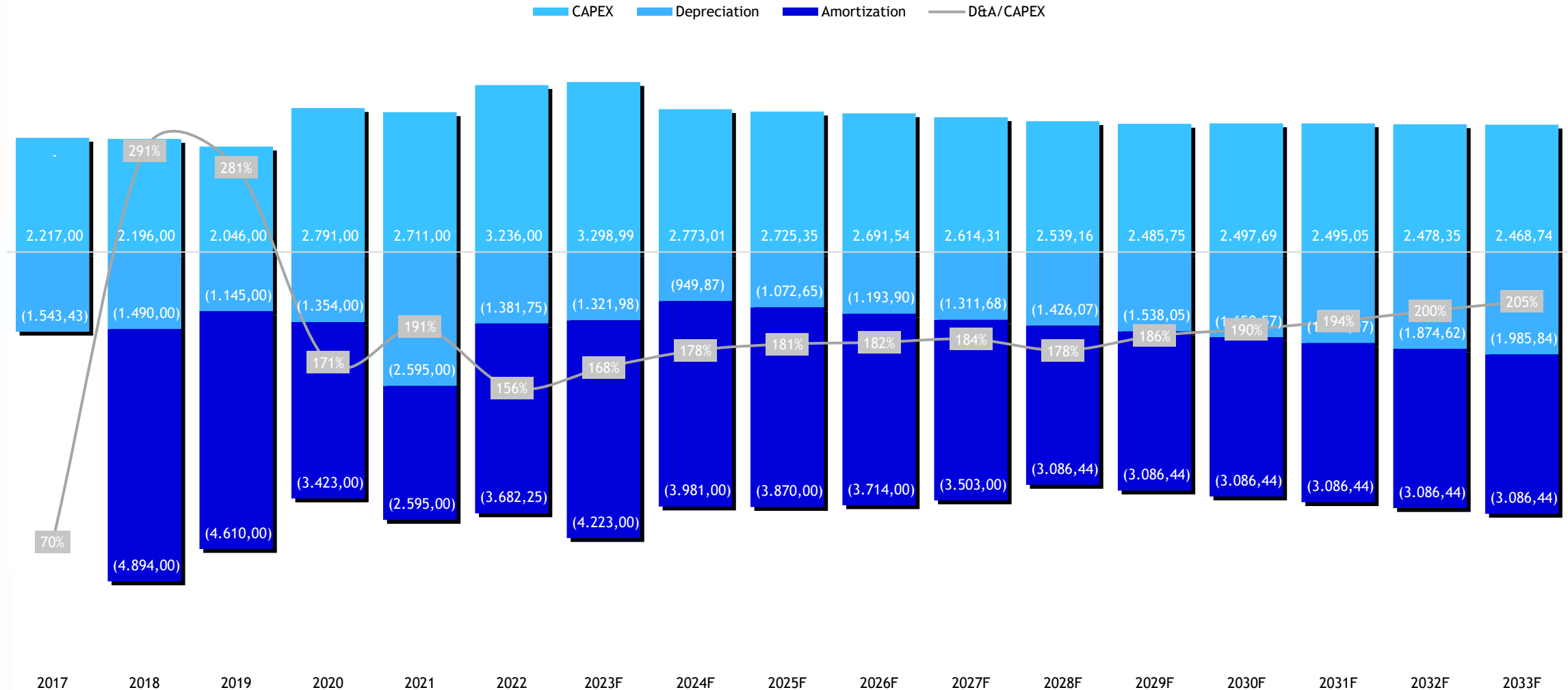


# Depreciation and Amortization in The Past

The depreciation and Amortization Schedules were based in the company's past and in their 10K Guidance

A sanity check analysis to prove our assumption upon the depreciation

CAPEX and D&A USD Mn



# Projected Debt Schedule (1/2)



	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Average Cost of Debt
Notes due 2024	0	0	0	0	0	0	0	0	0	0	0	0	
Current portion	2,250	0	0	0	0	0	0	0	0	0	0	0	2024 3.90%
Interest	88	0	0	0	0	0	0	0	0	0	0	0	2025 0.80%
Notes due 2025	3,750	0	0	0	0	0	0	0	0	0	0	0	
Current portion	0	3,750	0	0	0	0	0	0	0	0	0	0	
Interest	76	146	76	0	0	0	0	0	0	0	0	0	2025 4.65%
Notes due 2026	6,000	6,000	0	0	0	0	0	0	0	0	0	0	
Current portion	0	0	6,000	0	0	0	0	0	0	0	0	0	2026 2.90%
Interest	154	154	154	154	0	0	0	0	0	0	0	0	2026 4.45%
Notes due 2027-2033	18,660	18,660	18,660	18,660	14,660	14,660	11,660	11,660	11,660	0	0	0	2033 3.60%
Current portion	0	0	0	0	4,000	0	3,000	0	0	11,660	0	0	2028 4.45%
Interest	399	399	399	399	399	468	379	310	240	240	0	0	2030 4.65%
Notes due 2031	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0	
Current portion	0	0	0	0	0	0	0	1,000	0	0	0	0	
Interest	18	18	18	18	18	18	18	18	11	0	0	0	2031 1.79%
Notes due 2034-2038	5,517	5,517	5,517	5,517	5,517	5,517	5,517	5,517	5,517	5,517	5,517	5,517	
Current portion	0	0	0	0	0	0	0	0	0	0	0	0	
Interest	303	303	303	303	303	303	303	303	303	303	303	303	2038 5.50%
Notes due 2039-2043	10,153	10,153	10,153	10,153	10,153	10,153	10,153	10,153	10,153	10,153	10,153	10,153	
Current portion	0	0	0	0	0	0	0	0	0	0	0	0	2043 4.80%
Interest	420	497	497	497	497	497	497	497	497	497	497	497	2043 5.11%

# Projected Debt Schedule (2/2)



	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Average Cost of Debt
Notes due 2044-2048	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	
Current portion	0	0	0	0	0	0	0	0	0	0	0	0	2048 4.20%
Interest	137	137	137	137	137	137	137	137	137	137	137	137	
Notes due 2049-2063	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	2053 3.40%
Current portion	0	0	0	0	0	0	0	0	0	0	0	0	2053 5.30%
Interest	351	617	617	617	617	617	617	617	617	617	617	617	2063 5.34%
Unamortized bond discounts, premiums and issuance costs, net	-171	-171	-171	-171	-171	-171	-171	-171	-171	-171	-171	-171	
Fair value adjustments		0	0	0	0	0	0	0	0	0	0	0	
<b>Other long term debt</b>	<b>697</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total value of debt</b>	<b>11,806</b>	<b>5,582</b>	<b>2,668</b>	<b>6,570</b>	<b>8,877</b>	<b>8,738</b>	<b>9,916</b>	<b>9,055</b>	<b>12,208</b>	<b>1,571</b>	<b>2,050</b>	<b>13,710</b>	
<b>Less current portion</b>	<b>-2,250</b>	<b>1,031</b>	<b>961</b>	<b>886</b>	<b>732</b>	<b>802</b>	<b>713</b>	<b>643</b>	<b>567</b>	<b>555</b>	<b>316</b>	<b>316</b>	
<b>Short-term debt</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	<b>621</b>	
<b>Total Long Term Debt</b>	<b>9,556</b>	<b>6,613</b>	<b>3,630</b>	<b>7,456</b>	<b>9,609</b>	<b>9,540</b>	<b>10,629</b>	<b>9,698</b>	<b>12,775</b>	<b>2,126</b>	<b>2,366</b>	<b>14,026</b>	
<b>Interest</b>	<b>-201,384</b>	<b>-191,309</b>	<b>-177,809</b>	<b>-165,809</b>	<b>-161,809</b>	<b>-153,809</b>	<b>-150,809</b>	<b>-143,809</b>	<b>-141,809</b>	<b>-130,149</b>	<b>-106,829</b>	<b>-106,829</b>	
<b>Interest Expense</b>	<b>-201,384</b>	<b>-191,309</b>	<b>-177,809</b>	<b>-165,809</b>	<b>-161,809</b>	<b>-153,809</b>	<b>-150,809</b>	<b>-143,809</b>	<b>-141,809</b>	<b>-130,149</b>	<b>-106,829</b>	<b>-106,829</b>	
<b>Total Debt</b>	<b>11,806</b>	<b>5,582</b>	<b>2,668</b>	<b>6,570</b>	<b>8,877</b>	<b>8,738</b>	<b>9,916</b>	<b>9,055</b>	<b>12,208</b>	<b>1,571</b>	<b>2,050</b>	<b>13,710</b>	
<b>Repayment</b>		<b>-6,224</b>	<b>-2,914</b>	<b>3,902</b>	<b>2,308</b>	<b>-140</b>	<b>1,178</b>	<b>-861</b>	<b>3,153</b>	<b>-10,638</b>	<b>479</b>	<b>11,660</b>	

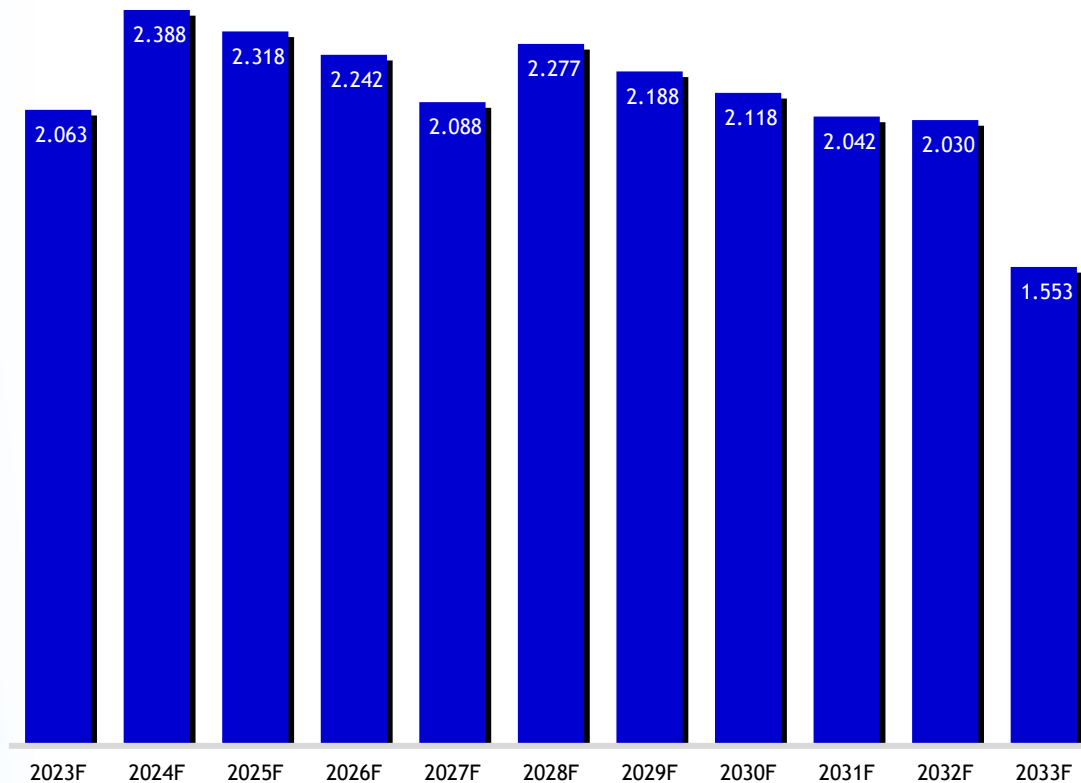


# Interest Income and Expenses

Projecting interest expenses involves estimating future costs related to borrowed funds. For this reason, the debt schedule was used for the projections, as well as, the cash, since the company can earn interest in it too

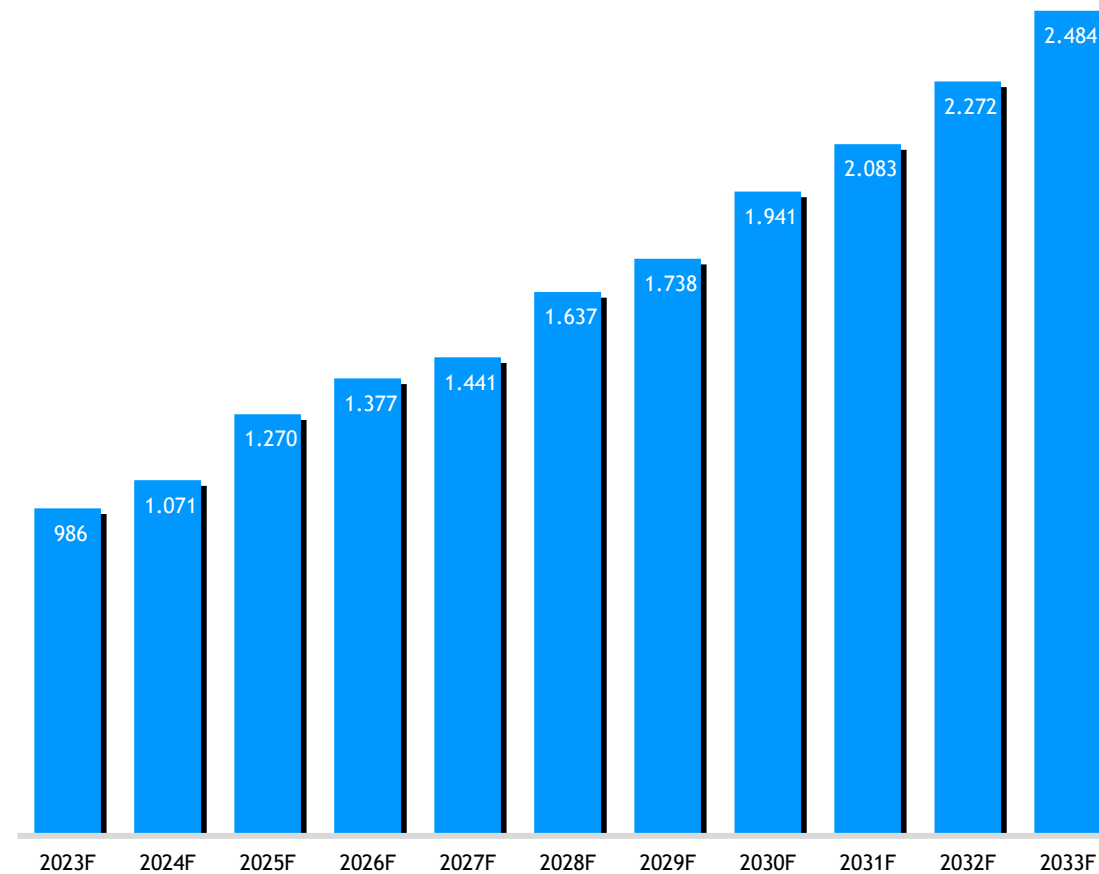
The interest payments were projected based on the debt schedule given that it dictates how much will be paid in interests

Interest Payments (in million USD)



For the interest income, the group considered 2% of Interest in Cash as the main assumption for the projections

Interest Income (in million USD)

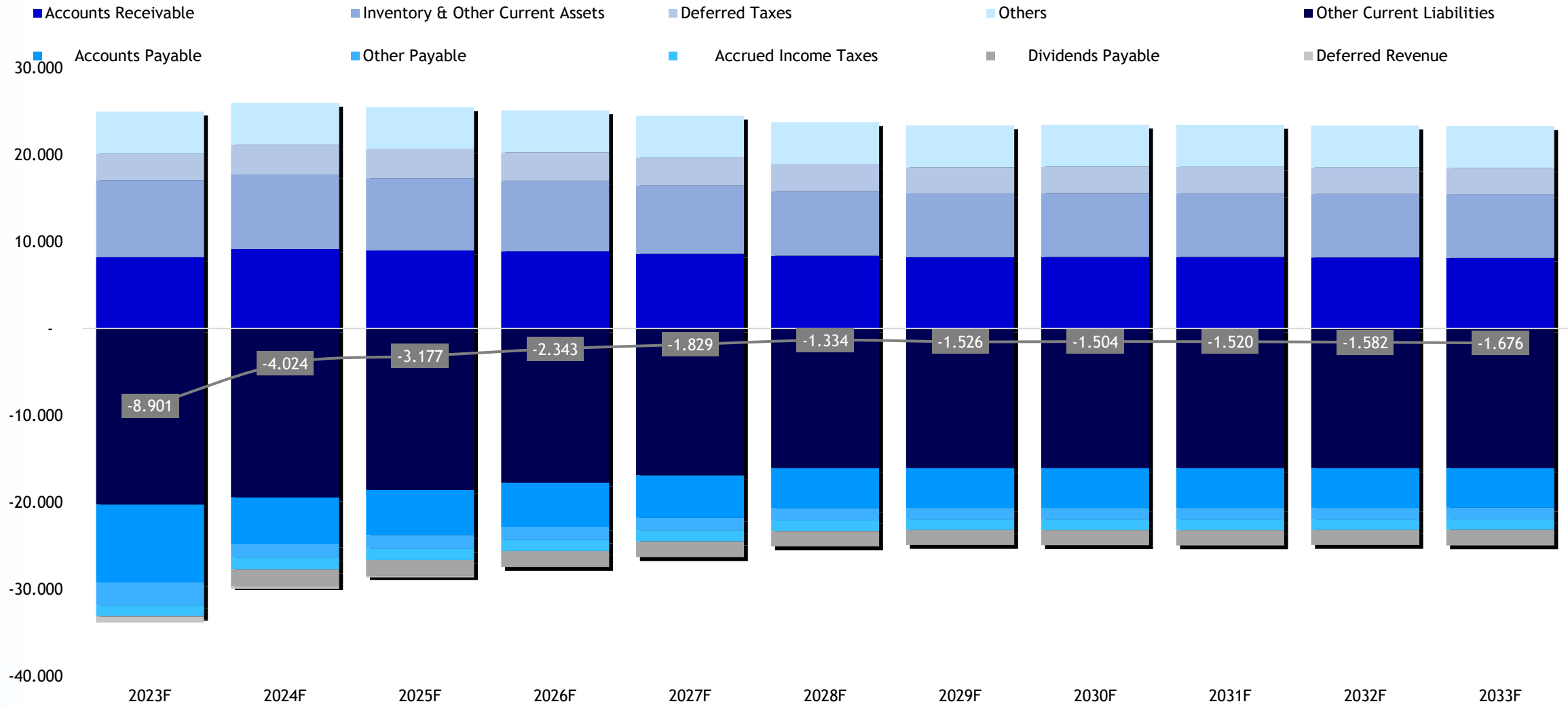


# Working Capital Projections (1/3)



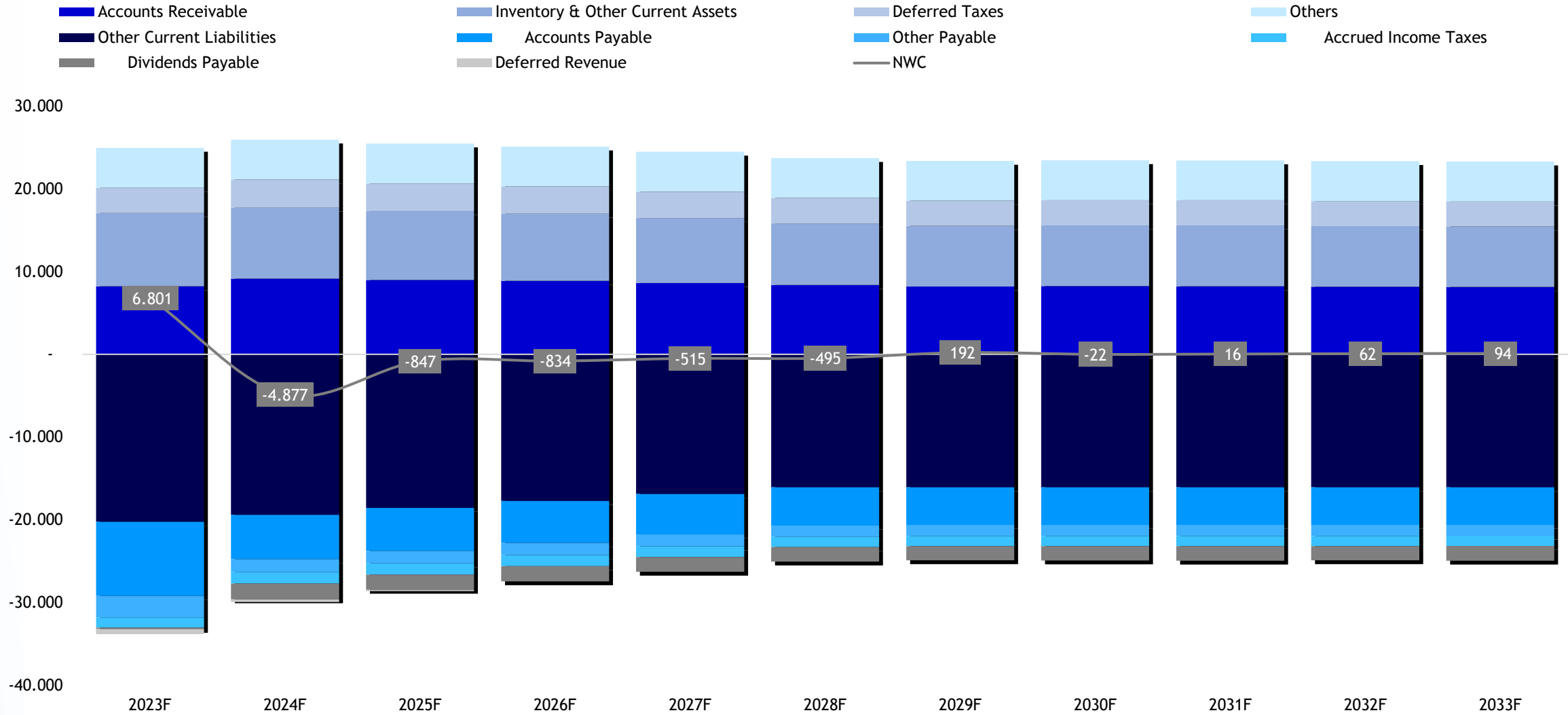
Working Capital	USD[mn]	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
<b>Current Assets</b>		24.954,5	25.950,4	25.473,4	25.118,3	24.485,3	23.733,6	23.389,3	23.452,7	23.444,0	23.352,2	23.297,3
<i>Accounts Receivable</i>		8.215,5	9.142,0	8.984,9	8.873,4	8.618,8	8.371,0	8.194,9	8.234,3	8.225,6	8.170,5	8.138,9
<i>Days In Receivables</i>		56	56	56	56	56	56	56	56	56	56	56
<i>Inventory &amp; Other Current Assets</i>		8.865,0	8.590,8	8.329,1	8.126,9	7.842,9	7.430,9	7.328,0	7.337,4	7.340,7	7.324,4	7.312,9
<i>Days in Inventory</i>		241	241	241	241	241	241	241	241	241	241	241
<i>Write Off</i>		(5.500)										
<i>Deferred Taxes</i>		3.048,0	3.391,7	3.333,4	3.292,0	3.197,6	3.105,7	3.040,3	3.054,9	3.051,7	3.031,3	3.019,5
<i>Days in Deferred Taxes</i>		21	21	21	21	21	21	21	21	21	21	21
<i>Others</i>		4.826,0	4.826,0	4.826,0	4.826,0	4.826,0	4.826,0	4.826,0	4.826,0	4.826,0	4.826,0	4.826,0
<b>Current Liabilities</b>		33.855,39	29.974,62	28.650,33	27.461,65	26.314,07	25.067,83	24.915,50	24.956,53	24.963,88	24.934,30	24.973,07
<i>Accounts Payable</i>		8.941,5	5.347,4	5.184,5	5.058,6	4.881,8	4.625,4	4.561,3	4.567,2	4.569,2	4.559,1	4.552,0
<i>Days in Accounts Payable</i>		150	150	150	150	150	150	150	150	150	150	150
<i>Accrued Income Taxes</i>		1.238,2	1.377,8	1.354,2	1.337,4	1.299,0	1.261,6	1.235,1	1.241,0	1.239,7	1.231,4	1.226,7
<i>Days in Accrued Income Taxes</i>		8	8	8	8	8	8	8	8	8	8	8
<i>Deferred Revenue</i>		643,00	321,50	160,75	-	-	-	-	-	-	-	-
<i>Days in Deferred Revenue</i>												
<i>Dividends Payable</i>		142,5	1.927,4	1.837,9	1.829,5	1.788,6	1.751,1	1.708,0	1.735,6	1.741,6	1.733,4	1.786,2
<i>Days in Dividends Payable</i>		47	47	47	47	47	47	47	47	47	47	47
<i>Other Payable</i>		2.611,1	1.561,6	1.514,0	1.477,2	1.425,6	1.350,7	1.332,0	1.333,7	1.334,3	1.331,4	1.329,3
<i>Days in Payable</i>		44	44	44	44	44	44	44	44	44	44	44
<i>Other Current Liabilities</i>		20.279,0	19.439,0	18.599,0	17.759,0	16.919,0	16.079,0	16.079,0	16.079,0	16.079,0	16.079,0	16.079,0
<i>Non-Cash Revenue Charge</i>		4200	-840	-840	-840	-840	-840					

# Working Capital Projections (2/3)





# Net Working Capital Projections (3/3)



# Beta Assumptions

The beta of a company measures its sensitivity to market movements, helping investors assess its risk relative to the broader market. A beta above 1 indicates higher volatility, while a beta below 1 suggests lower market risk

We used the unleveraged beta in the projected years. However, for the perpetuity the sector's beta was used given that we see the company returning to the sector's average in the long term because of changes in precification

## Beta Calculations

Beta Comparable Companies	Sector	Equity	Debt	%D/E	%E/D	Tax Rate	Leveraged Beta	Unleveraged Beta	
Ticker									
JOHNSON & JOHNSON (XNYS:JNJ)	Pharmaceuticals	\$ 430,044.00	\$ 45,602.00	11%	943%	15%	0.57x	0.52x	
ASTRAZENECA PLC (XNAS:AZN)	Pharmaceuticals	\$ 222,230.00	\$ 29,838.00	13%	745%	17%	0.16x	0.15x	
ABBVIE INC. (XNYS:ABBV)	Pharmaceuticals	\$ 237,771.00	\$ 61,015.00	26%	390%	16.82%	0.50x	0.41x	
BRISTOL-MYERS SQUIBB COMPANY (XNYS:BMJ)	Pharmaceuticals	\$ 133,591.00	\$ 39,210.00	29%	341%	8%	0.36x	0.29x	
GLAXOSMITHKLINE PHARMACEUTICALS LIMITED (XNSE:GLAXO)	Pharmaceuticals	\$ 56,300.00	\$ 21,474.00	38%	262%	12%	0.38x	0.28x	
MODERNA, INC. (XNAS:MRNA)	Biotechnology & Medical Research	\$ 46,291.00	\$ 1,168.00	3%	3963%	10%	1.68x	1.64x	
Novartis Inc. (XNYS:NVS)	Pharmaceuticals	\$ 208,051.00	\$ 28,340.00	14%	734%	17%	0.55x	0.50x	
Takeda Pharmaceutical Company Limited (XNYS:TAK)	Pharmaceuticals	¥ 7,037	¥ 4,747	67%	148%	15%	0.61x	0.39x	
MERCK & CO., INC. (XNYS:MRK)	Pharmaceuticals	\$ 293,024.30	\$ 369,100.00	126%	79%	16%	0.37x	0.18x	
Roche Holding Ltd (XSWX:RO)	Pharmaceuticals	CHF 218,431.00	CHF 20,405.00	9%	1070%	17.79%	0.28x	0.26x	
Sanofi SA (XFRA:SNW2)	Pharmaceuticals	€ 123,966.00	€ 21,027.00	17%	590%	20%	0.39x	0.35x	
Bayer AG (XFRA:BAYA)	Pharmaceuticals	€ 49,966.00	€ 46,517.00	93%	107%	42%	1.10x	0.71x	
Median				21%	490%		0.45x	0.37x	
PFE	Pharmaceuticals		207058	64227	31%	322%	12%	0.62x	0.49x

# Tax Benefit and Projections

The group expects different tax rates for different periods of time in our projection

Pfizer's tax benefits scenario for 2024 due to 2023

10K Effective Tax rate analysis

## EFFECTIVE TAX RATE IN 2022

<b>U.S. statutory income tax rate</b>	<b>21%</b>
Taxation of non-U.S. operations (*)	-5%
Tax settlements of certain tax positions	-3%
Foreign-Derived Intangible Income deduction	-1,90%
Certain Consumer Healthcare JV initiatives	
U.S. R&D tax credit	-0,60%
Interest	0,20%
All other, net	-1,10%
<b>Effective Rate</b>	<b>9,6%</b>

The impacts of the new contract of the Paxlovid in Pfizer's tax rate

10/16/2023 Call with Investors

“Our revised guidance also reflects anticipated improvements in our effective tax rate on adjusted income for '23 from approximately 15% in our original guidance to approximately 12%”- **Dave Denton (CFO)**



The tax rate in the perpetuity doesn't accomplish the Tax Benefits that the Pfizer holds in the 30-year spectrum

Most of those tax benefits are non-recurrent and are impossible to predict  
**BUT...**

(\*) Lower effective tax rate due to earnings in low-tax jurisdictions, benefiting from Puerto Rican incentives (until 2053) and Singapore's favorable rates (until 2048).

=

**16%**  
for 2024F and 2033F

For the Perpetuity we considered the base U.S. Statutory Income Tax:

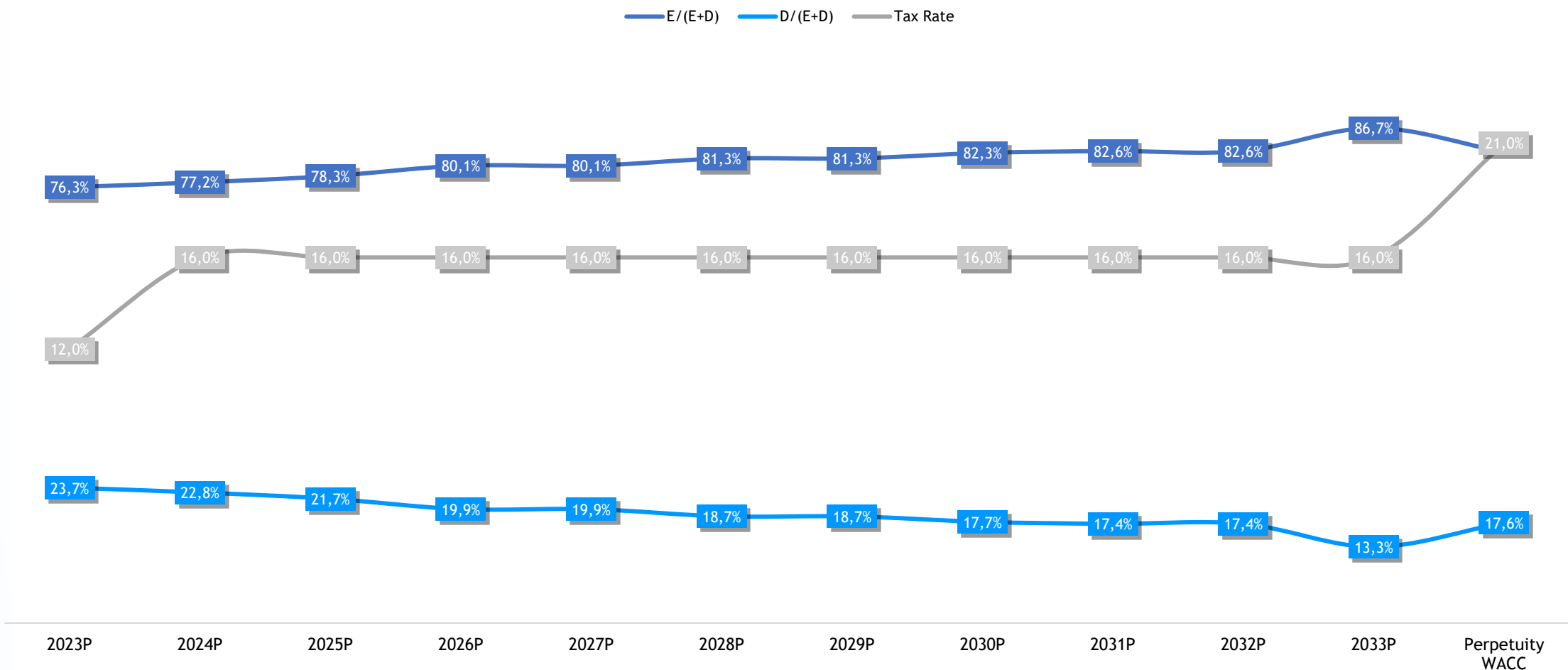
**21%**

# Rolling WACC Assumptions

A rolling WACC is a dynamic measure of a company's average cost of capital that adjusts over time to reflect changes in its capital structure and financing costs. It provides a more accurate assessment of the company's cost of capital as it evolves

The WACC was calculated assuming a constant market capitalization and projecting the debt to obtain the cost of debt. For the perpetuity WACC, we used the sector's beta, and the 30-year T-Bond rate.

D/E and Tax Rate (%)

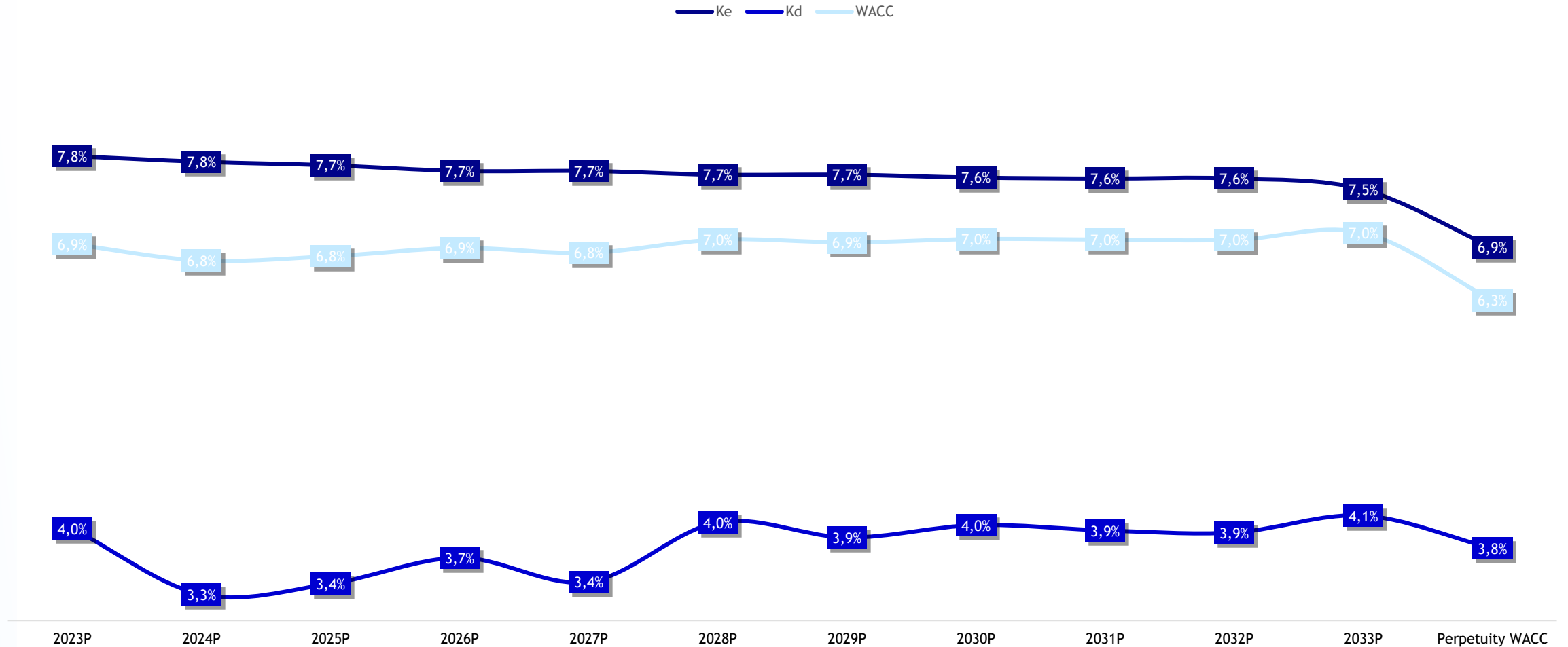


# Rolling WACC Assumptions

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The WACC was calculated assuming a constant market capitalization and projecting the debt in order to obtain the cost of debt. For the perpetuity WACC, we used the sector's beta, and the 30 year T-Bond rate.

WACC x Ke x Kd (in %)



# FCFF and Equity Value (1/2)

FCFF Projections

FCFF	USD[mn]	2022	2023	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT		38.146	8.261	3.054	20.724	19.611	19.328	18.686	18.286	17.669	17.654	17.488	17.202	16.984
(-) Tax		- 5.722	- 1.239	- 367	- 3.316	- 3.138	- 3.092	- 2.990	- 2.926	- 2.827	- 2.825	- 2.798	- 2.752	- 2.717
(-) Depreciation		5.064	3.060	2.485	4.931	4.943	4.908	4.815	4.513	4.624	4.737	4.849	4.961	5.072
(-/+) CAPEX		- 3.236	- 2.053	- 1.246	- 2.773	- 2.725	- 2.692	- 2.614	- 2.539	- 2.486	- 2.498	- 2.495	- 2.478	- 2.469
(-/+) Net Working Capital		2.044	9.423	6.801	4.877	847	834	515	495	192	22	16	62	94
<b>FCFF</b>		<b>36.296</b>	<b>- 1.394</b>	<b>10.728</b>	<b>14.690</b>	<b>17.844</b>	<b>17.618</b>	<b>17.382</b>	<b>16.839</b>	<b>17.172</b>	<b>17.047</b>	<b>17.061</b>	<b>16.995</b>	<b>16.964</b>
Discount Factor				1,0x	1,1x	1,2x	1,3x	1,3x	1,4x	1,5x	1,7x	1,8x	1,9x	2,0x
Discounted Cash Flow				10.375	13.318	15.138	13.955	12.909	11.623	11.100	10.278	9.620	8.961	8.303
Perpetuity														231.182
Discounted Perpetuity														121.222
Discounting Time				0,5	1,50	2,50	3,50	4,50	5,50	6,50	7,50	8,50	9,50	10,50

# FCFF and Equity Value (2/2)

FCFF Projections

The Perpetuity Assumptions

## Perpetuity Cash Flow (2033P)

<b>EBIT</b>	16.984,4
<i>(-) Perp. Effective Tax Rate</i>	21,0%
<i>(=) NOPAT</i>	13.417,7
<i>(*) Perp. ROIC</i>	7,5%
<i>(*) Perp. g</i>	2,0%
<b>WACC Perpetuity</b>	<b>6,3%</b>

The Equity Value Table and Calculations

<b>PFIZER INC. (XNYS:PFE)</b>	<b>\$ 31,26</b>
<b>DCF Valuation</b>	
EV - Explicit Flow	125.577,55
EV - Perpetuity	121.221,74
<b>ENTERPRISE VALUE</b>	<b>246.799,29</b>
Debt	64.227,00
Cash	44.785,00
Minority Interest	274,00
Termination Fee	222,40
<b>EQUITY VALUE</b>	<b>226.860,89</b>
Number of Shares	5.713,00
<b>Price Per Share</b>	<b>39,71</b>

# Sensitivity Tables



NOPAT Margin x Growth Rate Sensibility Table



G	ROIC in the Perpetuity				
	5,5%	6,5%	7,5%	7,8%	8,0%
4,3%	60,17	63,83	66,52	67,08	67,61
5,3%	44,91	47,23	48,94	49,29	49,63
6,3%	36,90	38,52	39,71	39,96	40,19
7,3%	32,06	33,25	34,12	34,31	34,48
8,3%	28,86	29,77	30,44	30,58	30,71

Percentage of the Pipeline Revenue x Growth



G	Percentage of Pipeline Revenue				
	50,0%	75,0%	100,0%	125,0%	150,0%
4,3%	61,19	63,85	66,52	69,18	71,85
5,3%	45,30	47,12	48,94	50,75	52,57
6,3%	36,97	38,34	39,71	41,08	42,45
7,3%	31,92	33,02	34,12	35,22	36,32
8,3%	28,59	29,51	30,44	31,36	32,28



# Changes in our Assumptions (1/4)

The major differences between the model sent in 10/16/2023 and 11/06/2023 are in the revenue and in the COGS, but both of them had a counterpart in the Working Capital, since they aren't cash charges. This is the main reason why our projections didn't collapse.

Our projections in the DCF ( Base Model) decreased in 2.3%, Rather than the 6.7% decreased recorded

16/10/2023

Major KPI's USD Mn	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
<i>Revenue</i>	38.991	60.600	60.047	59.494	56.889	55.170	53.944	54.524	53.455	52.724	52.597
<i>COGS</i>	(7.874)	(13.582)	(13.205)	(12.887)	(12.345)	(11.674)	(11.465)	(11.509)	(11.435)	(11.383)	(11.373)
<i>OPEX</i>	(17.302)	(26.512)	(26.796)	(26.757)	(25.716)	(25.074)	(24.680)	(25.067)	(24.657)	(24.390)	(24.430)
<i>Net Working Capital</i>	(4.033)	1.487	17	3	513	408	229	(73)	180	128	59
<i>FCFF</i>	8.333	20.761	18.951	18.772	18.460	17.799	17.273	17.187	17.116	16.867	16.786
Price:	40,58										

06/11/2023

Major KPI's USD Mn	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
<i>Revenue</i>	26.255	58.433	57.428	56.716	55.088	53.505	52.379	52.631	52.576	52.223	52.021
<i>COGS</i>	(10.750)	(12.858)	(12.467)	(12.164)	(11.739)	(11.122)	(10.968)	(10.982)	(10.987)	(10.963)	(10.946)
<i>OPEX</i>	(12.451)	(24.850)	(25.350)	(25.224)	(24.663)	(24.097)	(23.742)	(23.995)	(24.100)	(24.058)	(24.091)
<i>Net Working Capital</i>	6.801	(4.877)	(848)	(834)	(515)	(495)	192	(22)	16	62	94
<i>FCFF</i>	10.728	14.690	17.843	17.618	17.382	16.839	17.173	17.047	17.061	16.995	16.964
Price:	39,71										
<i>Variation Revenue</i>	-33%	-4%	-4%	-5%	-3%	-3%	-3%	-3%	-2%	-1%	-1%
<i>Variation Cogs</i>	37%	-5%	-6%	-6%	-5%	-5%	-4%	-5%	-4%	-4%	-4%
<i>Variation Opex</i>	-28%	-6%	-5%	-6%	-4%	-4%	-4%	-4%	-2%	-1%	-1%

# Changes in our Assumptions (2/4): What Changed?

On October 16, 2023, Pfizer unveiled revisions in Covid-related revenue and costs while notably reaffirming its commitment to the Seagen acquisition.

Investor Relations > Events & Presentations > Event Details

## Pfizer Analyst and Investor Call to Review Amended U.S. Government Paxlovid Supply Agreement and Updated Full-Year 2023 Guidance

October 16, 2023 08:00 AM ET

### 1. Noncash Revenue Reversal

“Now for PAXLOVID, the \$7 billion reduction includes an estimated **\$4.2 billion noncash revenue reversal**. This will be recorded in the fourth quarter of 2023 for the return of approximately 7.9 million unused EUA-labeled treatment courses from the U.S. government's inventory.”

“Pfizer will provide the U.S. government with 1 million NDA-labeled PAXLOVID treatment courses for a strategic national stockpile in 2024 at no cost to the taxpayer, and **refresh stock prior to expiry through 2028 or earlier if the stockpile [is depleted].**”

#### CHANGES:

- 1- Lower Expectations in Paxlovid Sales
- 2- Changes in Working Capital Liability Side

### 2. Inventory Write-Off

“Due to lower-than-expected utilization for our COVID products, we have recorded a **noncash charge of \$5.5 billion to cost of goods sold** in the third quarter of '23. This charge is primarily related to **inventory write-offs for PAXLOVID of \$4.6 billion** and, to a lesser extent, for inventory write-offs and other charges for **COMIRNATY of \$0.9 billion**”

#### CHANGES:

- 1- Higher COGS
- 2- Decrease in the Inventory Value

### 3. Merger Model Perspective

“We remain extremely excited about the deal, which reflects our significant commitment to helping lead the battle against cancer. We continue to expect the transaction to close later this year or early in 2024, subject to customary closing conditions, including the receipt of all regulatory approvals”

#### TAKEAWAY:

Even with revenue and costs problems, the company stays with its former flight plan on acquiring **Seagen**

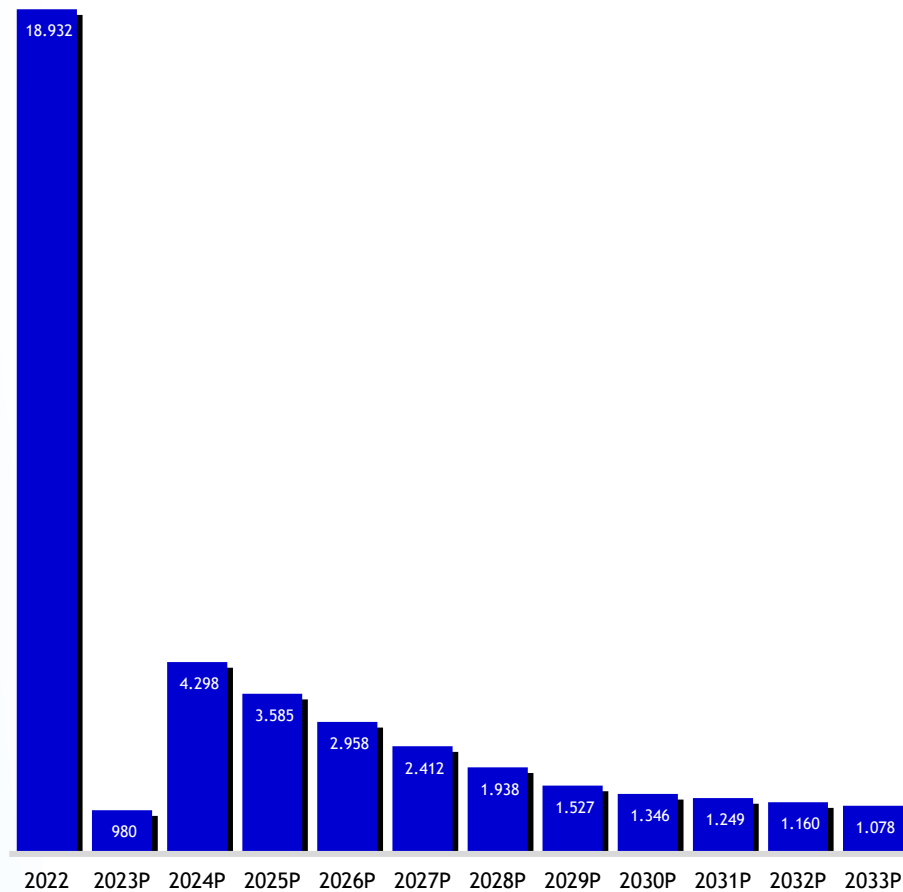
# Changes in our Assumptions (3/4): Noncash Revenue Reversal



On October 16, 2023, Pfizer unveiled revisions in Covid-related revenue and costs while notably reaffirming its commitment to the Seagen acquisition.

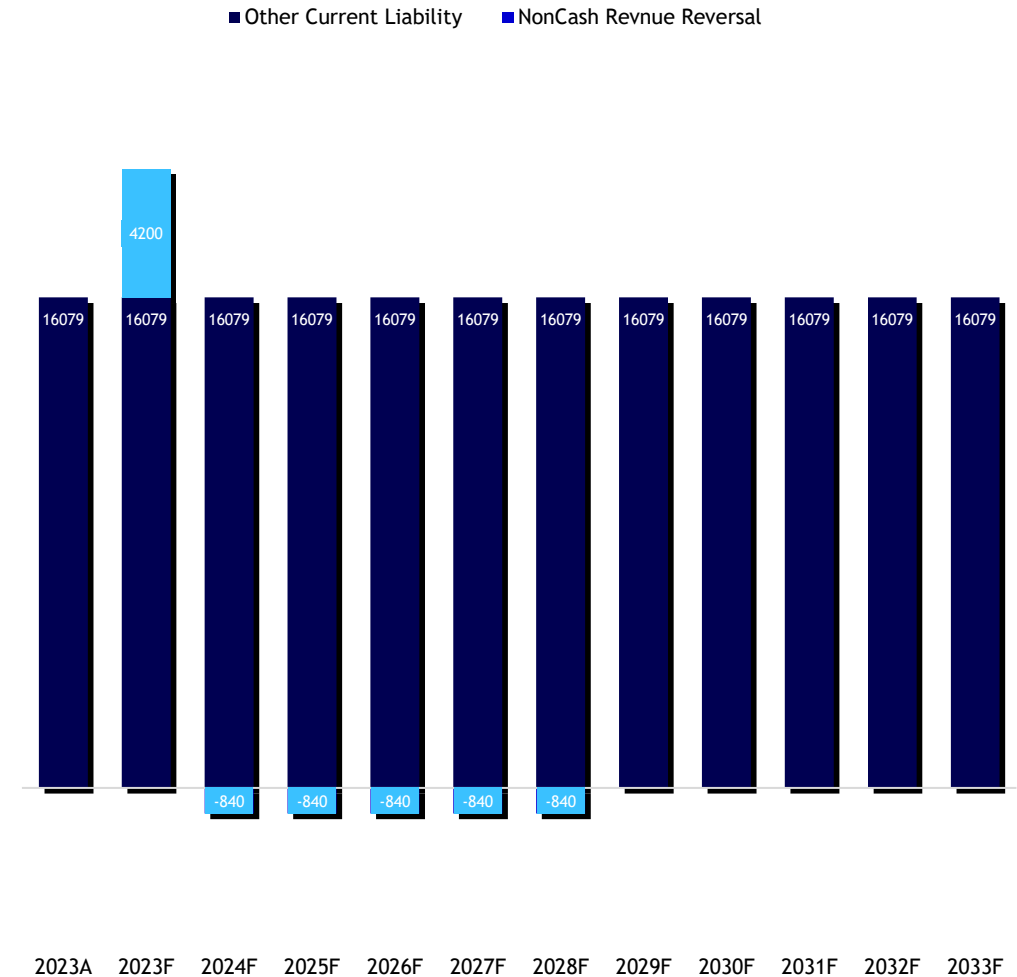
The inconsistent guidance provided by Pfizer in the Cominaty and Paxlovid, changed the perspective upon those medicaments and decreased the projected revenue

Paxlovid Revenue in Mn USD



The non-cash charge changed the working capital perspective. The noncash revenue reversal was amortized until 2028, until this stockpile is depleted. As was recorded in the call

Other cCurrent Liabilities in MN USD

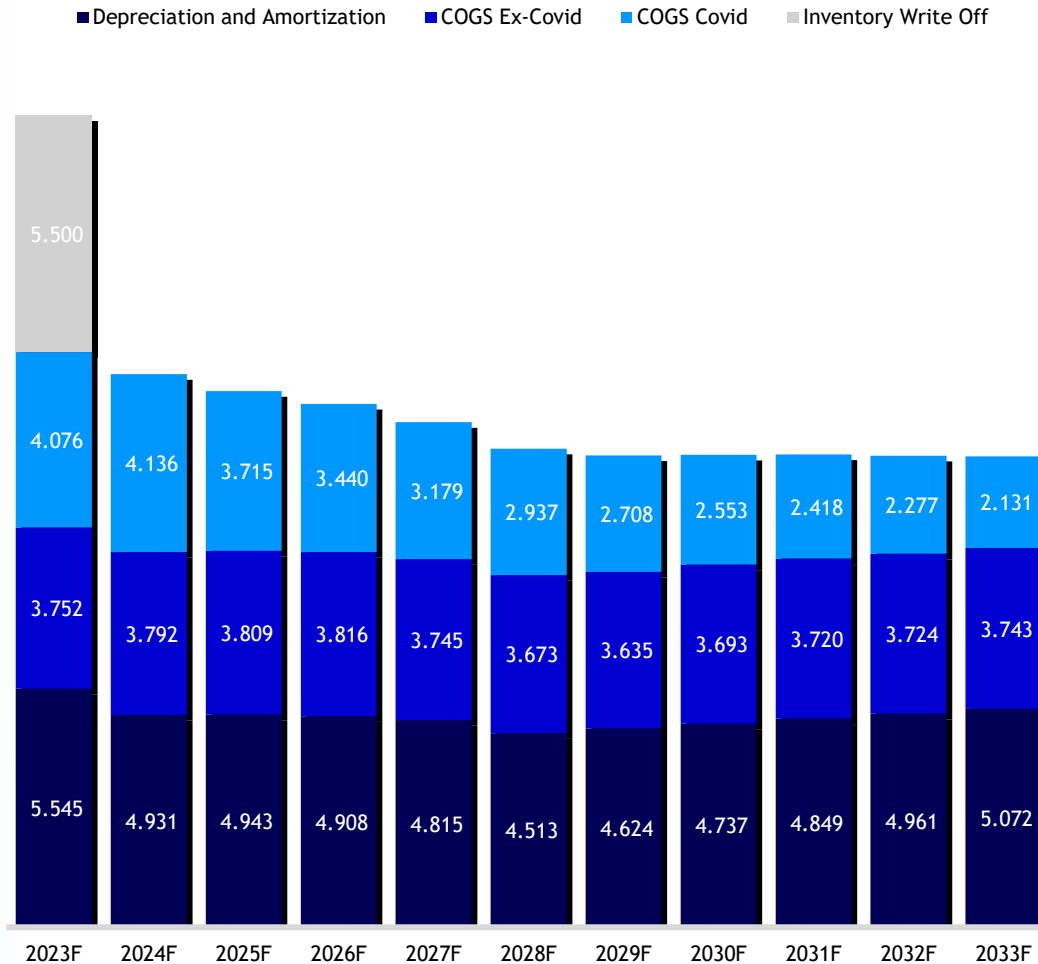


# Changes in our Assumptions (4/4): Inventory Write Off

On October 16, 2023, Pfizer unveiled revisions in Covid-related revenue and costs while notably reaffirming its commitment to the Seagen acquisition.

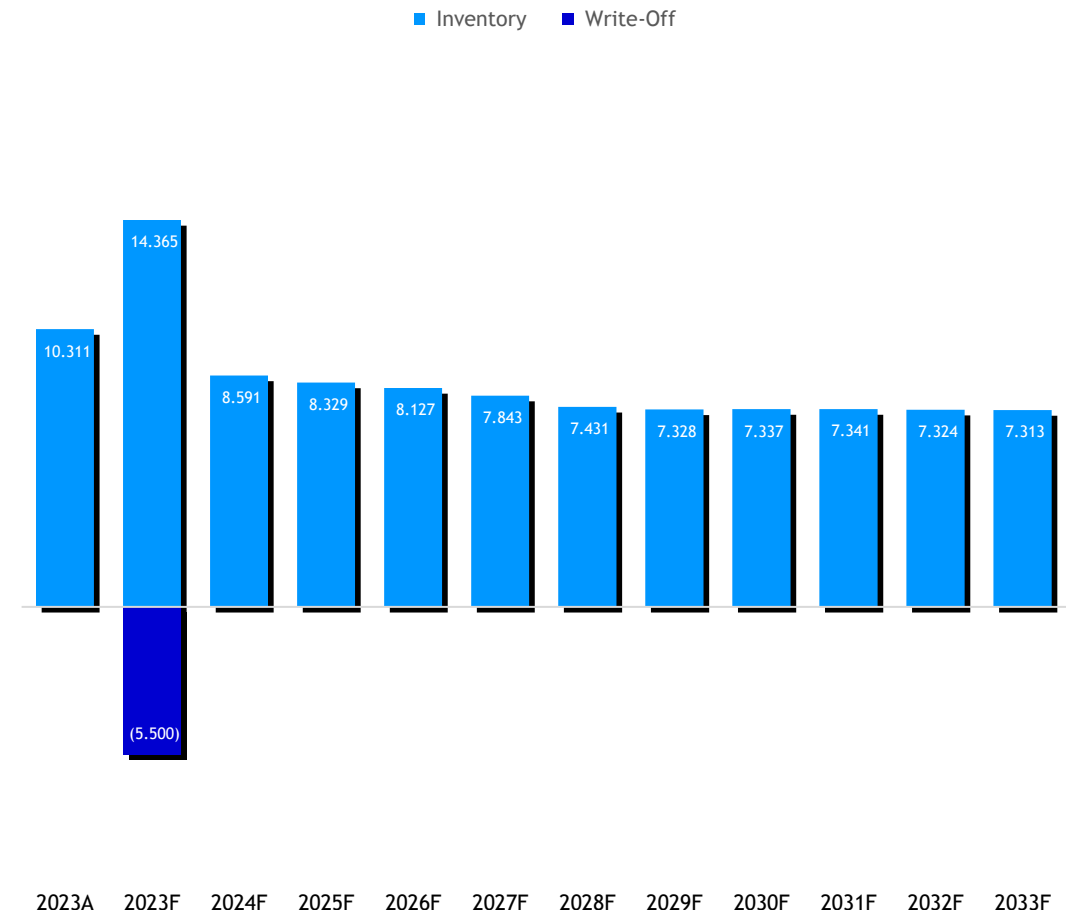
The inventory write-off had an important role in the COGS recognition and changed the perspective on the gross margin

Paxlovid Revenue (in million USD)



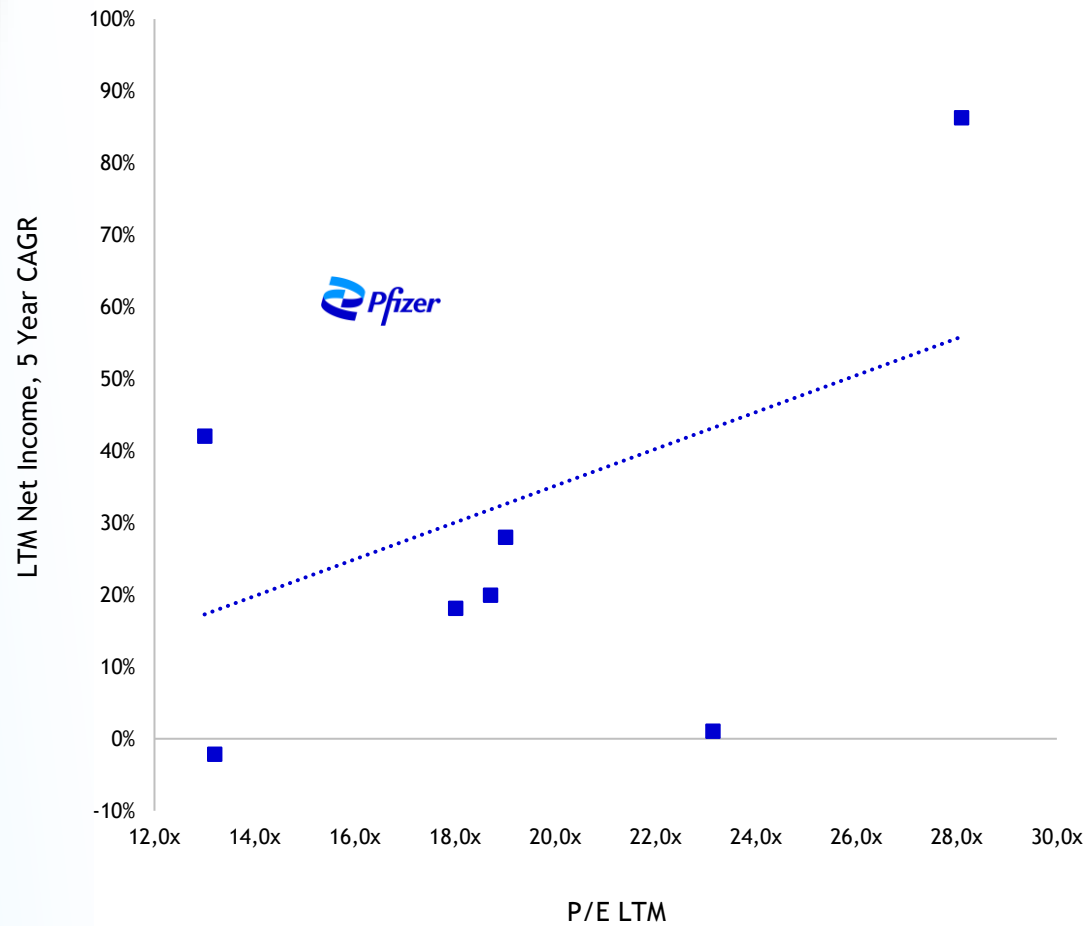
The write-off affects the inventory as well and because of this feature there is a non-cash charge upon the FCF

Inventory (in million USD)



# Appendix - Multiples

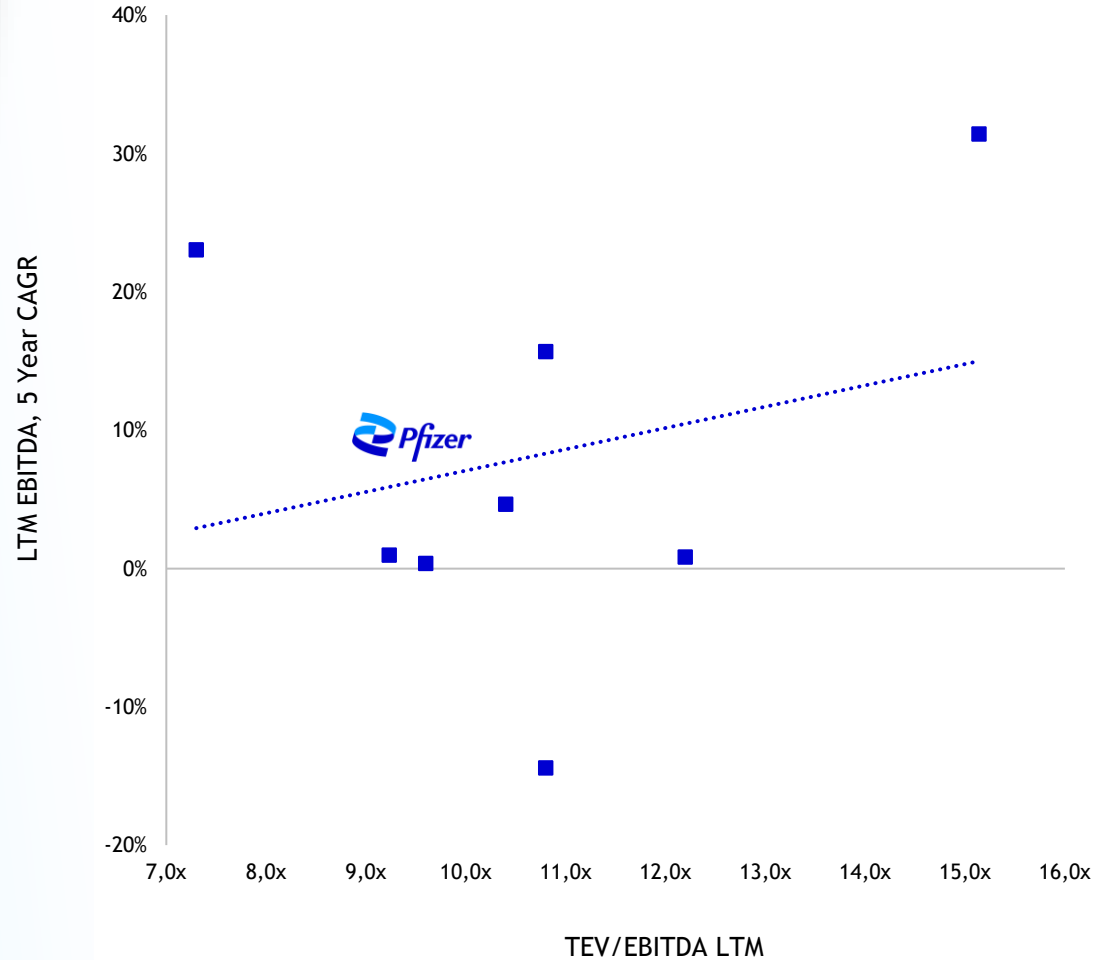
Examining a company's multiples facilitates comparisons with similar peers, revealing how the company's valuation aligns with market perceptions of its peers. When assessing Pfizer, these multiples affirm our findings from the DCF and merger models.



Company Comp Set	TEV/EBITDA	P/E LTM	TEV/EBITDA	NTM	LTM EBITDA, 5 Yr	LTM Net Income, 5 Yr	LTM Total	LTM Total
	LTM		FY1 Forward	P/E	CAGR %	CAGR %	Debt/Capital %	Debt/EBITDA
Amgen Inc. (NasdaqGS:AMGN)	12.2x	19.0x	9.19x	13.96x	0.82%	28.00%	88.76%	4.5x
BMS (NYSE:BMJ)	7.3x	13.0x	7.18x	6.69x	23.04%	42.06%	57.50%	2.1x
Gilead (NasdaqGS:GILD)	9.6x	18.7x	8.64x	10.60x	0.37%	19.96%	54.48%	2.0x
Biogen Inc. (NasdaqGS:BIIB)	10.8x	13.2x	9.47x	15.99x	(14.43%)	(2.13%)	31.30%	2.1x
J&J (NYSE:JNJ)	10.4x	28.1x	11.24x	14.22x	4.64%	86.32%	29.58%	0.8x
Eli Lilly (NYSE:LLY)	47.3x	105.1x	41.38x	52.39x	8.76%	61.78%	62.96%	1.7x
Merck & Co., Inc. (NYSE:MRK)	22.3x	57.1x	11.75x	16.78x	(2.04%)	6.60%	48.79%	2.8x
AstraZeneca PLC (LSE:AZN)	15.1x	18.0x	NM	8.98x	31.41%	18.15%	45.15%	1.7x
Novartis AG (SWX:NOVN)	9.3x	31.8x	10.96x	17.10x	9.40%	(10.16%)	39.71%	1.2x
Roche Holding AG (SWX:ROG)	9.2x	23.1x	9.12x	16.29x	0.96%	1.05%	46.66%	1.1x
AbbVie Inc. (NYSE:ABBV)	10.8x	39.2x	11.99x	12.94x	15.68%	(2.95%)	82.64%	2.2x
Pfizer	9.4x	16.6x	9.76x	14.16x	8.76%	61.80%	62.96%	1.7x

# Appendix - Multiples

Examining a company's multiples facilitates comparisons with similar peers, revealing how the company's valuation aligns with market perceptions of its peers. When assessing Pfizer, these multiples affirm our findings from the DCF and merger models.



	TEV/EBITDA LTM	P/E LTM	TEV/EBITDA FY1	NTM Forward P/E
Min	7.30x	13.00x	7.18x	6.69x
1st Quartile	9.47x	18.35x	9.14x	11.77x
Median	10.80x	23.14x	10.21x	14.22x
3rd Quartile	13.67x	35.49x	11.62x	16.54x
Max	47.30x	105.10x	41.38x	52.39x

Pfizer Data	EBITDA LTM	P/E LTM	EBITDA FY	P/E FY
Consensus	<b>18,899.010,482.0</b>		<b>22,684.017,757.8</b>	
EV 2024				231,703.7252,516.37
EV 2023A	204,109.20		206,886.9	228,931.9
Debt	64,227			
Cash	44,785			
Equity Value 2023	184,667.20	242,555.58	187,444.89	228,931.90
Share Count		5713	5713	5713
Price Per Share	32.32	42.46	32.81	40.07

# Appendix - Multiple Tropicalization

To facilitate the comparison of multiples across various countries, it is essential to standardize them. To achieve this standardization, we must apply a factor that adjusts the multiple to the specific country under analysis.

Comparing multiples from two different countries may not be meaningful, as they can have varying overall higher or lower multiples. Therefore, it is more reasonable to adjust the multiple by a factor of the average multiple. This adjustment reflects how the multiple would equate to if it were in the other country.

*Formulas to adjust the multiples*

$$\text{Imported Multiple} \times (1 + AF) = \text{Local Multiple}$$

Calculating the Adjusting Factor (AF)

$$AF = \frac{\text{Multiple}_{Local}}{\text{Multiple}_{Imported}}$$

(Multiple of the country's stock Exchange)

# Exit Multiples



FCFE	2023P	2024P	2025P	2026P
EBIT	3.054,4	20.724,3	19.611,4	19.327,8
(-) Tax	(366,5)	(3.315,9)	(3.137,8)	(3.092,4)
(-) Depreciation	2.485,0	4.930,9	4.942,7	4.907,9
(-/+) CAPEX	(1.246,0)	(2.773,0)	(2.725,3)	(2.691,5)
(-/+) Net Working Capital	6.800,9	(4.876,7)	(847,2)	(833,6)
FCFF	10.727,8	14.689,5	17.843,6	17.618,1
(-) Debt Repayments	(1.114,0)	(2.947,0)	(3.750,0)	(6.000,0)
(-) Interest Expense	(2.063,1)	(2.387,6)	(2.317,8)	(2.242,1)
FCFE	7.550,7	9.355,0	11.775,8	9.376,0

	FCFE/Share	Payable	Total Flow
2023	1,3	-31,26	-29,94
2024	1,6		1,64
2025	2,1		2,06
2026	1,6	37,20	38,84

P/E Multiple	
Current	9,70x
FY 2026	15,25x
Net Income 2027	13623,7
Number of Shares	5713
IRR	13,1%



# Appendix - Continuing Value by ROIC

During research for the analysis, a decision was made to use a different Continuing Value than the conventional one for a methodology that relies on NOPAT and ROIC instead of FCF. Thus, it is important to maintain the accuracy of their valuation, providing proof that the formula is an equivalent to what is considered FCF.

$$FCF = NOPLAT - In$$

$$NOPLAT_T = NOPLAT_{T-1} + (ROIC \times In_{T-1})$$

$$NOPLAT_T - NOPLAT_{T-1} = (ROIC \times In_{T-1})$$

$$g = \frac{NOPLAT_T - NOPLAT_{T-1}}{NOPLAT_{T-1}} = \frac{(ROIC \times In_{T-1})}{NOPLAT_{T-1}}$$

$$g = ROIC \times \frac{In}{NOPLAT}$$

$$In = NOPLAT \times \frac{g}{ROIC}$$

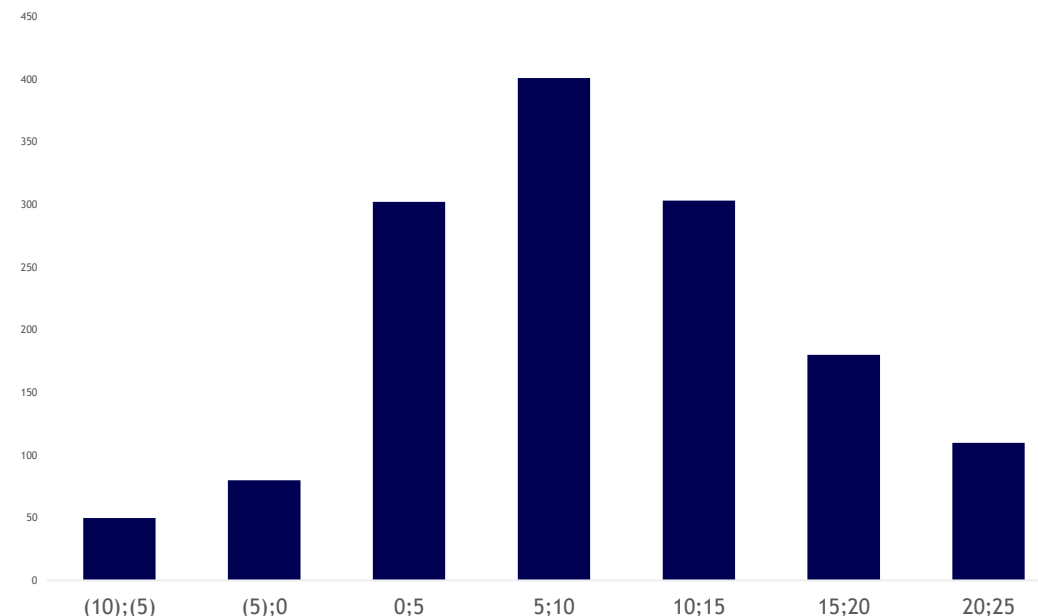
$$NOPLAT - In = NOPLAT - NOPLAT \times \frac{g}{ROIC}$$

$$FCF = NOPLAT \left(1 - \frac{g}{ROIC}\right)$$

$$\text{Continuing Value} = \frac{FCF}{WACC - g} = \frac{NOPLAT \left(1 - \frac{g}{ROIC}\right)}{WACC - g}$$

**The perpetual projection becomes much more grounded and realistic.** This is because the long-term average ROIC of companies, according to Morgan Stanley, tends to align with the country's average. Furthermore, it is possible to easily access the data for the average ROIC of companies.

ROIC Russel 3000, 2021





# 8. Risks Analysis



# Risk Matrix

The analysis of the sensibility of the mian risks on the target price

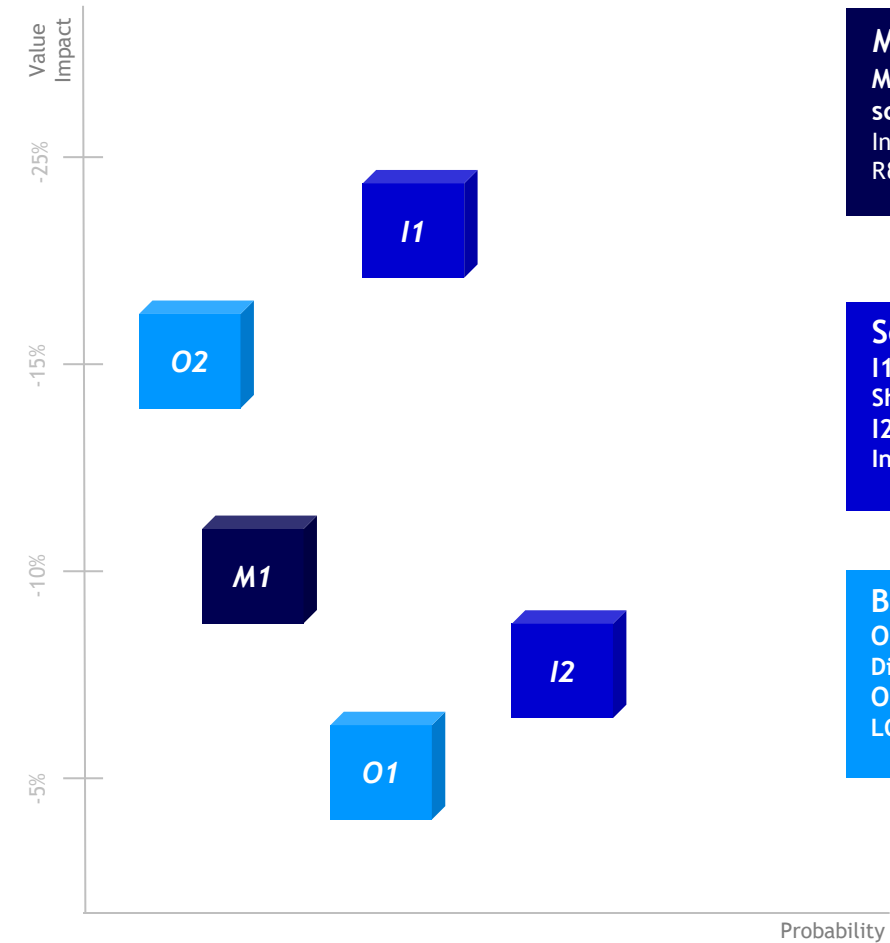
The risks were sensibilize in the DCF base case and how much the changes translate in the Target Price

Base Price	39.38
Sense Price	39.38
<b>Downside</b>	<b>0.0%</b>

Sensibilidade de Riscos 1: Sensibilidade Ativada

x Macro			
SG&A Impact	2	8.0%	0.0%
COGS Impact	2	6.0%	0.0%
x Competitividade			
Market Share Impact	2	-6.0%	0.0%
COGS Impact	2	10.0%	0.0%
x Pipeline			
Pipeline SetBack	2	30.0%	0.0%
x Patent Losses (2 years early)			
Ibrance	2		
Nurtec	2		
Vyndamax	2		
Prevnar	2		

Risk Matrix



**Macroeconomic Risks**  
**M1. Global Macroeconomic scenario**  
 Increase in COGS, SG&A, and R&D.

**Sector Risks**  
**I1. Competitiveness**  
 Share Reduction  
**I2. Price Pressure**  
 Increase in COGS

**Business Risks**  
**O1. Pipeline Setbacks**  
 Discounted Pipeline Projection  
**O2. Patent Losses**  
 LOE 2 years early

# Thank You!

## Group Members



### Thales Barbosa

Former President -

Insper Asset 2023.1

Insper - Economics

[thaleseb1@al.insper.edu.br](mailto:thaleseb1@al.insper.edu.br)

### João Lindenberg

Private Equity Analyst -

Insper Asset 2023.2

Insper - Computer Engineering

[joaoplindenberg@gmail.com](mailto:joaoplindenberg@gmail.com)



### Ricardo Escobar

Former Logistics Head -

Insper Asset 2023.1

Insper - Business Administration

[castro.ri@outlook.com](mailto:castro.ri@outlook.com)

### Rodrigo Mesquita

Equity Analyst -

Insper Asset 2023.2

Insper - Economics

[rodrigotm2@al.insper.edu.br](mailto:rodrigotm2@al.insper.edu.br)



# STATERA Capital

Bank of America Research Challenge 2023