



Pfizer Inc

A Steady Dose

PFE is in a period of adjustment as pandemic-driven revenues ease and patent expirations create short-term headwinds. Its broad international presence and strong late-stage pipeline highlight long-term stability. **We initiate a HOLD rating and a one-year PT of \$24.**

Thesis Point 1: Recently, Pfizer opted into TrumpRx, an initiative by the Trump administration to offer discounted prescription drugs to consumers, expected to launch in 2026. In return, Pfizer will be granted a 3-year waiver/grace period on tariffs that might be imposed on branded pharmaceuticals. The partnership also positions Pfizer as a policy leader, helping shape future drug pricing reforms in its favor. Though the short-term financial impact is neutral at best, the long-term strategic benefits of the deal, including political goodwill, manufacturing scale, and market access, offer potential upside for Pfizer over time.

Thesis Point 2 Pfizer is currently facing several external challenges that are impacting its revenue and growth outlook, justifying a HOLD rating. A major concern is the rapid decline in demand for COVID-related products such as Comirnaty and Paxlovid, which were strong revenue drivers in previous years. In Q2 2025, COVID-related revenues fell by over 50% year-over-year, significantly dragging down total revenue. Additionally, the Inflation Reduction Act in the U.S. is putting pressure on drug pricing and could negatively impact Medicare reimbursements, especially for high-priced treatments. Another growing concern is Pfizer's exposure to upcoming patent expirations on key drugs such as Ibrance and Xtandi, which are expected to face similar competition starting in 2026. International markets, particularly in Europe, are also being affected by tighter regulatory pricing controls. These drivers, along with a cautious consumer spending environment and higher interest rates, suggest that Pfizer may struggle to achieve meaningful top-line growth in the near term, despite its strategic pipeline investments this year, which could lead to deterred investor confidence.

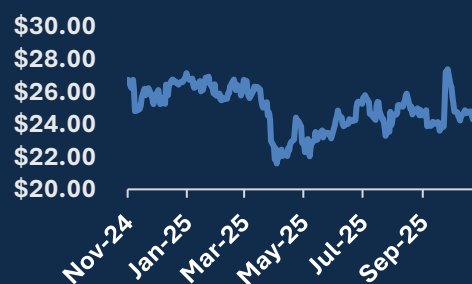
Company Overview

Founded in 1849, Pfizer is one of the world's leading biopharmaceutical companies. Pfizer supervises the research, development, and commercialization of medicines, vaccines, and consumer health products. The company markets its products globally, covering therapeutic areas ranging from oncology to rare disease to immunology and infectious disease. Its broad product portfolio and strong R&D pipeline distinguish Pfizer from competitors, allowing it to compete across multiple health sectors while hedging risks. Pfizer manufactures in multiple countries, including the U.S., Europe, and emerging markets, and depends heavily on international sales, which account for a significant share of its revenue. The company has strong roots in North America and Europe, and is continuing to expand in Asia-Pacific and Latin America by investing in local infrastructure and regulatory partnerships. In their most recent quarterly earnings call, Pfizer highlighted several key pipeline advancements and business developments, which could lead to long-term potential to strengthen their financial performance, especially after the COVID vaccine rush subsides.

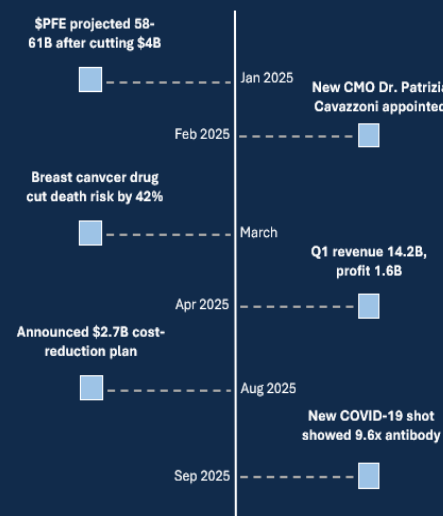


TICKER:	\$PFE
RATING:	HOLD
PRICE:	\$24.75
PRICE TARGET:	\$24.00
MARKET CAP:	\$140.72bn
52-W RANGE:	\$20.92 - \$29.17
P/E:	13.1x
IMPLIED UPSIDE:	0%

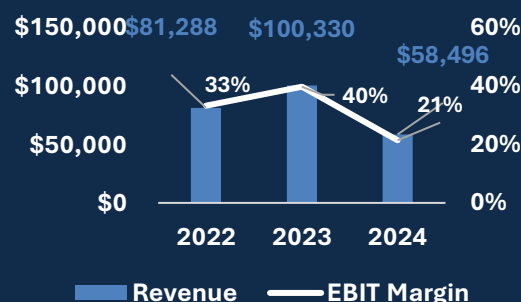
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risk to our thesis 1

A positive risk for Pfizer lies in its large late-stage pipeline and oncology expansion following the \$43 billion Seagen acquisition. The 10-K notes over 110 projects in clinical development, including 15 potential launches by 2026. If the company executes well on these approvals or sees stronger-than-expected uptake of new products in oncology and immunology, revenue growth could rebound faster than modeled. Early clinical or regulatory successes would strengthen investor confidence and potentially drive the stock higher.

Risk to our thesis 2

Pfizer’s near-term performance remains exposed to the sharp decline in COVID-19–related revenue. In 2023, total company revenue fell 42 % year-over-year to \$58.5 billion, driven by an 87 % drop in Paxlovid sales and a 70 % decline in Comirnaty sales, according to the 10-K. This demand erosion, coupled with lower government purchasing and inventory write-downs, threatens Pfizer’s ability to sustain prior profit levels. Additionally, the Inflation Reduction Act introduces Medicare price negotiations on several of Pfizer’s high-revenue drugs starting in 2026, posing further margin pressure and uncertainty for long-term earnings growth.

Catalysts

Pfizer’s main catalysts include the integration of Seagen, continued new-product launches, and clarity on pricing reforms under the Inflation Reduction Act. Near-term, management expects at least eight major approvals between 2024 and 2025, which could offset declining COVID sales and demonstrate sustainable post-pandemic growth. Broader industry tailwinds in cancer treatment, alongside U.S. incentives for domestic biomanufacturing, may also help the market recognize Pfizer’s long-term value and support multiple expansion.

Valuation

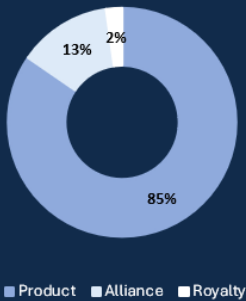
DCF Analysis (\$mm)							
	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Revenue	62,204	66,300	72,004	77,675	83,227	88,569	93,607
Revenue Growth	6%	7%	9%	8%	7%	6%	6%
Product	53,816	55,300	59,724	64,054	68,217	72,140	75,747
Alliance	8,388	9,200	10,120	11,056	11,996	12,926	13,830
Royalty	1,423	1,800	2,160	2,565	3,014	3,504	4,029
EBIT	16,328	18,500	7,920	9,515	11,236	13,064	14,977
EBIT Margin	26%	28%	11%	12%	14%	15%	16%
Tax Expense	(28)	600	1,663	1,998	2,359	2,743	3,145
Effective Tax Rate	0%	3%	21%	21%	21%	21%	21%
NOPAT	16,356.00	17,900.00	6,257.15	7,517.01	8,876.19	10,320.52	11,831.86
D&A	6,994	1,100	1,440	1,748	2,081	2,436	2,808
Capex	2,909	3,200	3,240	3,787	4,369	4,982	5,616
Changes in NWC	474	950	2,160	1,942	1,665	1,329	936
UFCF	19,967	14,850	2,297	3,536	4,923	6,446	8,088
PV of FCF		14,790	2,216	3,225	4,246	5,257	6,238

Our base DCF case assumes revenue growth at a 7.6% CAGR through FY2030, with sales rising from \$11.2B in FY2025 to \$14.7B by FY2030. EBIT margins expand modestly from 20% to 22% as cost efficiencies and product mix improvements offset near-term pricing and R&D pressure. We see support from an expanding late-stage pipeline and the anticipated rollout of TrumpRx, which could enhance patient access and drive prescription volume recovery. At a terminal EV/EBITDA multiple of 13.5x, PFE’s valuation suggests limited near-term upside, aligning with our HOLD rating. Continued delivery on pipeline catalysts and clearer TrumpRx implementation remain key to multiple expansion.

Conclusion

We rate Pfizer (PFE) a HOLD rating, reflecting a balanced outlook between its expanding drug pipeline and near-term challenges. The company’s continued innovation, including the advancement of TrumpRx and several late-stage pipeline therapies, supports its long-term growth trajectory. However, headwinds such as pricing pressures, slower post-COVID revenue recovery, and potential regulatory hurdles have tempered short-term expectations. Given these mixed dynamics, we believe Pfizer’s valuation fairly reflects its risk-reward profile at this stage. Therefore, we assign a HOLD rating with a \$24.00 price target, representing limited to no upside from current levels.

Revenue Segments

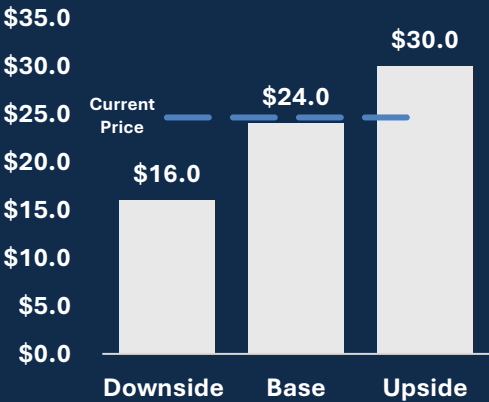


Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$17,785
EV/EBITDA Exit Multiple	10.0x
Terminal Value	\$177,852
PV of Terminal Value	\$136,859
PV of Projection Period	\$35,906
PV of Terminal Value	\$136,859
Implied TEV	\$172,766
(-) Debt	\$48,795
(+) Cash	\$13,249
Implied Equity Value	\$137,220
Diluted Shares Outstanding	5,686
Implied Share Price	\$24.13
Upside/Downside	-2.5%

Football Field Valuation Range



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	62,204	66,300	71,645	77,005	82,307	7.3%
EBITDA	23,322	19,600	10,747	12,513	14,404	-11.4%
EBIT	16,328	18,500	9,314	10,781	12,346	-6.7%
NOPAT	16,356	17,900	7,358	8,517	9,753	-12.1%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	37.5%	29.6%	15.0%	16.3%	17.5%	23.2%
EBIT Margin	26.2%	27.9%	13.0%	14.0%	15.0%	19.2%
Revenue Growth	6.3%	6.6%	8.1%	7.5%	6.9%	7.1%
EBIT Growth	30.4%	13.3%	-49.7%	15.7%	14.5%	4.9%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	7.0x	9.5x	41.1x	30.7x	24.0x	22.5x
EV/Sales	2.8x	2.7x	2.5x	2.3x	2.1x	2.5x
EV/EBITDA	7.5x	9.0x	16.4x	14.1x	12.2x	11.8x
FCF Yield	14.2%	10.6%	2.4%	3.3%	4.2%	6.9%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Merck & Co., Inc. (NYSE:MRK)	\$238,634	\$238,634	0.2x	\$63,616	\$28,330
AbbVie Inc. (NYSE:ABBV)	\$469,712	\$469,712	0.5x	\$58,328	\$28,074
Johnson & Johnson (NYSE:JNJ)	\$497,220	\$497,220	0.1x	\$92,149	\$32,480
Novartis AG (SWX:NOVN)	\$280,712	\$280,712	0.1x	\$55,186	\$23,552
PFIZER INC. (XNYS:PFE)	\$188,465	\$188,465	0.5x	\$63,833	\$24,506

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth	Rate LF
Merck & Co., Inc. (NYSE:MRK)	8.4x	77.4%	44.5%	37.6%		1.8%
AbbVie Inc. (NYSE:ABBV)	16.7x	82.6%	46.5%	43.0%		36.8%
Johnson & Johnson (NYSE:JNJ)	15.3x	73.9%	40.1%	26.5%		2.6%
Novartis AG (SWX:NOVN)	11.9x	71.2%	48.1%	34.0%		6.1%
PFIZER INC. (XNYS:PFE)	7.7x	68.4%	35.2%	26.9%		13.5%

High	16.73x	82.6%	48.1%	43.0%	36.8%
75th Percentile	15.31x	77.4%	46.5%	37.6%	13.5%
Average	12.01x	74.7%	42.9%	33.6%	12.2%
Median	11.92x	73.9%	0.0%	34.0%	6.1%
25th Percentile	8.42x	71.2%	40.1%	26.9%	2.6%
Low	7.69x	68.4%	35.2%	26.5%	1.8%

PFIZER INC. (XNYS:PFE)

Implied Enterprise Value (25th Percentile)	\$	206,423
Implied Enterprise Value (Median)	\$	292,083
Implied Enterprise Value (75th Percentile)	\$	375,150

Implied Share Price (25th Percentile)	\$	30.05
Implied Share Price (Median)	\$	45.12
Implied Share Price (75th Percentile)	\$	59.73

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	0.47
Risk Free Rate	4.39%
Cost of Equity	4.77%
Weighted Average Cost of Debt	5.00%
Tax Rate	21.00%
Cost of Debt	0.98%
Total Equity	\$141,286
Total Debt	\$35,546
Equity/Total Capitalization	74.28%
Debt/Total Capitalization	25.72%
WACC	5.75%

Downside Case: Our downside case assumes a 7.7x EV/EBITDA exit multiple. In this scenario, slower uptake of TrumpRx and delays in pipeline approvals weigh on revenue growth. Additionally, foreign market headwinds and potential pricing pressures could compress margins, leading to weaker-than-expected earnings performance.

Upside Case: Our upside case assumes a 15.3x EV/EBITDA exit multiple. In this scenario, we expect Pfizer's expanding pipeline and the successful rollout of Trump to accelerate revenue growth beyond projections. Continued innovation and faster-than-expected adoption of new therapies would support stronger margins and sustained long-term earnings momentum.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.