

# Company Update Report

## Pfizer Inc

### Pharmaceuticals

#### Analyst thesis

Ticker	PFE-US
Share price	\$27
Intrinsic value	\$29
Upside/(Downside)	8%
Recommendation	Hold

As at: 8 May 2026

Our recommendation is based on:

- Pfizer's (PFE) oncology division, expanded by the US\$43 billion Seagen acquisition in 2023, accounts for a third of group sales. Its lead drug, Padcev (an antibody-drug conjugate (ADC)-targeting bladder cancer), is tracking a \$2.4 billion annualised sales run rate, with muscle-invasive bladder cancer (MIBC) label expansion underway. The ADC platform generates successive oncology drugs, each cheaper to develop than the previous. The base case projects a 50% uplift, valuing Seagen's oncology revenue at \$8–10 billion by 2030.
- The patent cliff downside case is improving: Vyndamax exclusivity has been extended to June 2031, and a favourable Belgian court ruling on Comirnaty contracts has reduced near-term risk on Covid vaccine revenues. Management has indicated that a high single-digit five-year revenue CAGR is possible post-2028.
- Optionality is effectively priced at zero: the Metsera's obesity programme (10 phase-2/3 assets with earliest approvals around 2028–2029), Atirmociclib as a credible Ibrance successor, and the early radiopharmaceuticals pipeline all sit outside our base-case valuation. This is attractive because as the obesity market draws in more competitors, Pfizer is one of the few new entrants with the scale, leverage and commercial infrastructure to win a share of the market from incumbents that already trade on higher multiples and must defend their positions. Radiopharmaceuticals specifically are excluded from the valuation, as it remains in early-stage clinical development with no near-term revenue visibility.
- A dividend yield of more than 6% provides a valuation floor, underpinned by strong FCF generation and investment-grade balance sheet that supports maintaining the dividend through the deleveraging cycle.

#### Latest company and market insights

##### Key highlights

In this report, we review the 1Q26 results released in May 2026:

##### Financial results at a glance:

- Group revenue increased by 5% from \$13.7 billion in 1Q25 to \$14.5 billion in 1Q26. Covid-related sales (Comirnaty and Paxlovid) continue to drag on overall sales, but revenue growth is driven by the oncology portfolio (Padcev, Eliquis and other products). Vyndaqel family grew by 4% operationally, with the Vyndamax patent settlement stabilising expected US revenues from 2028 through to mid-2031. Excluding Covid-related sales, revenue was boosted by 7% compared to 1Q25.
- Cost of sales increased as a share of revenue, compressing gross margin to roughly 76% in 1Q26 (from ~81% in 1Q25), primarily due to the non-recurrence of the prior year's favourable royalty accrual, alongside changes in product mix and adverse foreign-exchange movements.
- Total operating costs were further impacted by a 12% increase in R&D spending, valued at \$2.5 billion for the quarter. This increase reflects intensified investment in oncology and obesity products.
- A net income of \$2.69 billion beat expectations but still declined by 18% from \$2.97 billion in 1Q25 – influenced by the higher cost base from Seagen and Metsera integration. EPS of \$0.75 per share beat the consensus of \$0.72 but remains lower than the \$0.92 posted in 1Q25.
- Pipeline: Padcev and Keytruda phase three MIBC data indicates that muscle-invasive bladder cancer is showing a nearly 50% reduction in risk of recurrence or death. Upon FDA approval, this could push Padcev's valuation from \$2 billion to \$3.5 billion. Metsera plans to initiate 10 phase three studies for PF'3944 in 2026, ahead of the original timelines. The start of phase three trials for the GLP-1 and Amylin combination will also trigger the first CVR milestone payment.
- The total quarterly dividend declared was \$0.43 per share (\$1.72 annualised).

##### Management's guidance:

Management has positioned 2026 as a reset year, with Covid-related revenues normalising, while core franchises face peak LOE pressure, offset by new launches and strict cost control measures, supporting EBITDA margins stabilising in the mid-30s. Central to the strategy are the Seagen and Metsera acquisitions, which strengthen the pipeline for ADCs looking toward 2030, alongside a portfolio of GLP-1 therapies that includes an oral offering in development. FY26 guidance includes



revenue of \$59.5–\$62.5 billion and adjusted EPS of \$2.80–\$3.00. Cost savings of \$7.2 billion remain on track for delivery by end-2026.

### Sector outlook

The industry is entering a period marked by LOE pressure and declining demand for Covid-related vaccines. Nearly \$200 billion in brand value across the sector is expected to be lost to generic competition through 2030. The sector is increasingly shifting towards high-margin, complex biologics and metabolic health therapies. In oncology, the market is moving towards ADCs, while the GLP-1 market continues to show strong momentum, with innovation now increasingly focused on oral GLP-1 therapies. There is a notable sector trend towards US-based manufacturing in response to US policy shifts and tariffs on branded drug imports, aimed at mitigating geopolitical risks associated with Asia-concentrated production.

**Table 1: Qualitative summary**

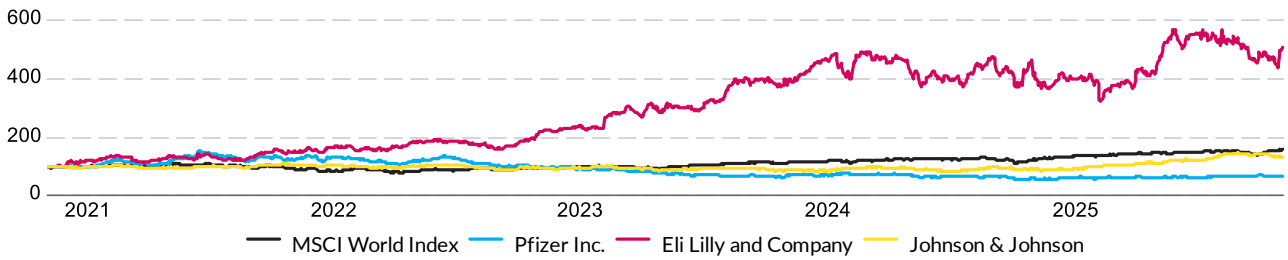
Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is -4.5%, and expected three-year EPS CAGR is 10.1%. EPS growth is expected to be weighed down by lower Covid-related sales and LOE on patents. However, there is a concerted effort to efficiently manage costs and invest in oncology and obesity expansion, through Seagen and Metsera, that should keep earnings buoyant.
Valuation	★★★★☆	The share price is trading at an 8% discount to the IV. Current NTM P:E of 8.9x is trading at a 9% discount to the five-year average NTM P:E of 9.8x.
Dividend	★★★★☆	LTM dividend yield 6.5%. NTM dividend yield 6.7%.
Issuance	★★★★☆	Shares issued have increased by 1% over the past five years.
Catalyst		Cost realignment: \$7.2 billion savings programme with tighter guidance on selling, general and administrative (SG&A) and R&D for 2026, intended to hold EBITDA margins in the mid-30s even as Covid-related revenues and patent-protected brands roll off. Oncology: The Seagen deal gives Pfizer four commercial oncology drugs and a leading ADC-platform that may generate over \$6 billion annually by 2029. Obesity: The Metsera acquisition allows Pfizer to expand its product portfolio to include the highly lucrative GLP-1 market, also improving its market advantage.
Quality of earnings	★★★★☆	Five-year average ROE 17.7%. Five-year average operating margin 25%. Earnings growth has been positive in six of the past 10 years. Financial performance remains highly sensitive due to the impact of Covid-19-related sales, which now contribute about 11% of group revenue, as well as acquisitions aimed at mitigating the decline from Covid-related revenue peaks and stabilising earnings.
Moat	★★★★☆	PFE's strongest moat is intangible assets and cost advantages that rest on the combination of patent protection, global manufacturing scale, and ADC-platform technology through the Seagen acquisition. Patent estate: A deep, diversified portfolio of patents across oncology, vaccines, internal medicine, and immunology extends exclusivity over multiple waves of products, protecting pricing power and giving Pfizer time and cash flow to reinvest into the next generation of therapies. ADC-platform technology: Unlike a single-drug patent that expires on a fixed date, a technology platform compounds. Each new approved ADC broadens the clinical know-how, the manufacturing capability, and the regulatory relationships. Of the 11 total FDA-approved ADCs in the US, five are Pfizer's – a structural position that rivals cannot quickly replicate. Global manufacturing scale and complexity: Pfizer operates one of the largest, most complex biopharmaceutical manufacturing and supply chains globally, spanning sterile injectables, biologics, vaccines and oral therapies. This scale supports consistent quality, cost efficiency, and the ability to launch and supply global blockbusters rapidly, which smaller competitors cannot easily match.
Management and governance	★★★★☆	Dr Albert Bourla has served as chairman and CEO of Pfizer since 2019, with more than 25 years at the company in various commercial and regional leadership roles. Under his leadership, Pfizer has pivoted towards a pure-play, innovation-led biopharmaceutical business, delivering the first approved Covid vaccine and oral antiviral treatment.
Balance sheet	★★★★☆	Pfizer has a debt to EBITDA-ratio of 2.2x. Debt levels have risen since the pandemic, primarily to fund acquisitions, product research, and development. Interest coverage is around 6x and is expected to improve towards 2030. PFE tends to issue long-term bonds at low rates to fund acquisitions and use operating cash flow, plus occasional divestiture proceeds, to pay down higher-cost tranches over time. The company has a total-debt-to total asset ratio of 32.4%, indicating a meaningfully leveraged balance sheet that remains comfortably within big pharma ranges. PFE's balance sheet can sustain its strategy (Seagen/Metsera integration, high dividend, and ongoing R&D) without pressure to de-risk.
Risks		Pfizer's valuation anchors on the successful execution of its large late-stage pipeline, while ramp-up of Seagen and Metsera assets, any failures in key trials, setbacks or delayed launches will harm the investment case. Between 2026 and 2028, Pfizer faces a significant LOE wave, with an estimated \$17-\$18 billion in annual revenue at risk as drugs such as Eliquis (co-promoted), Ibrance, Xeljanz, and others lose exclusivity.



Regulation: New US drug-pricing frameworks (for example, Medicare price negotiations) and global cost-containment efforts threaten margins on older, high-revenue products, particularly in the cardiovascular and oncology sectors. Pfizer may be subject to tariffs beginning on 31 July 2026. Pfizer's valuation anchors on the successful execution of its large late-stage pipeline, while the ramp-up of Seagen and Metsera assets, any failures in key trials, setbacks or delayed launches will harm the investment case.

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



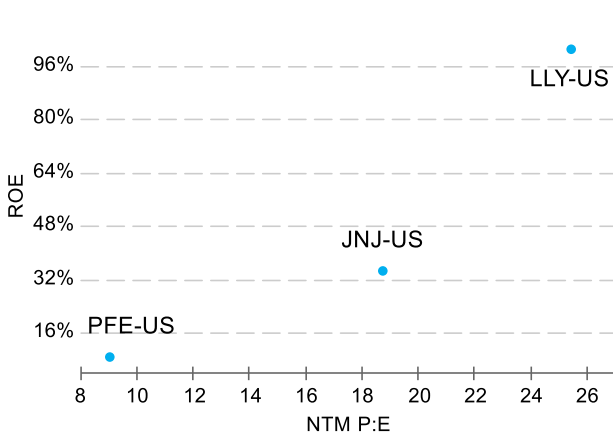
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
PFE-US	6.2%	-0.9%	-0.2%	7.5%	10.8%	-4.9%	-31.3%	-33.8%	-16.8%
JNJ-US	9.0%	-1.9%	-5.1%	21.3%	45.5%	51.1%	38.6%	35.0%	99.8%
LLY-US	-8.0%	5.8%	-3.1%	6.8%	20.4%	34.5%	131.1%	412.9%	1213.8%
MSCI world	5.4%	0.4%	5.1%	6.7%	25.8%	35.6%	65.1%	64.2%	192.7%

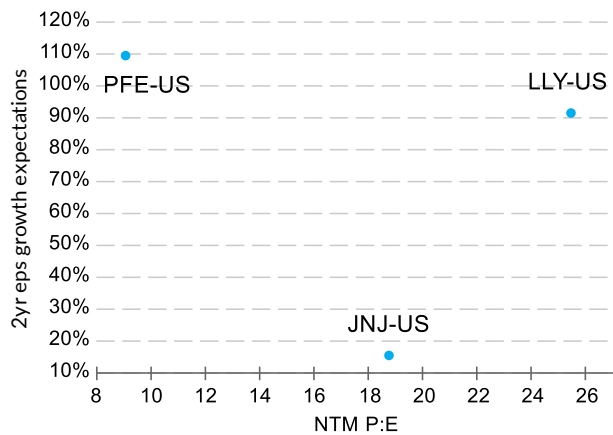
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet



## Valuation

The valuation is derived using a discounted enterprise value framework, anchoring on Pfizer's 2028 forecasted EBIT as the terminal earnings base. This marks trough for Pfizer's patent cliff cycle – after which management has indicated a high single-digit revenue CAGR driven by the Seagen oncology portfolio, Metsera's obesity pipeline, and the extended Vyndamax exclusivity through 2031. Three scenarios, bear, base, and bull, are considered, with probability weightings applied to capture upside from pipeline delivery and M&A integration, and downside from LOE, pricing pressure, cyclical volatility, and execution risk.

Table 3: Valuation summary

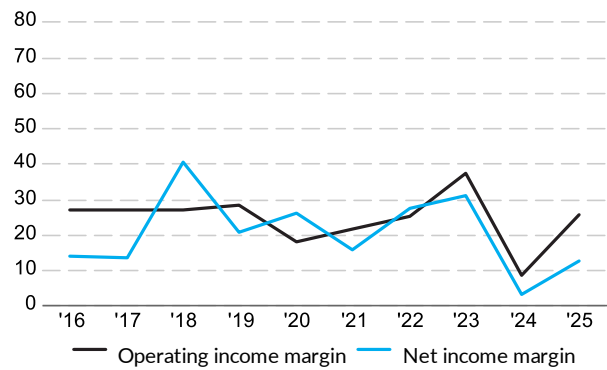
Valuation Probabilities			
	Bear	Base	Bull
EV/EBIT Multiple	9x	11x	14x
Probability	20%	65%	15%
Implied share price	\$22	\$28	\$39
<b>Weighted intrinsic value</b>	<b>\$29</b>		
<b>Upside/(Downside)</b>	<b>8%</b>		

Graph 4: NTM P:E relative to benchmark



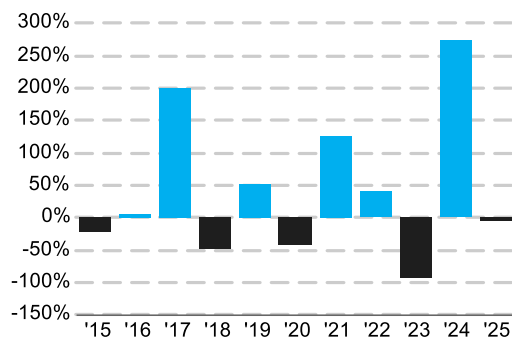
Source: FactSet

Graph 5: Profit margins (%)



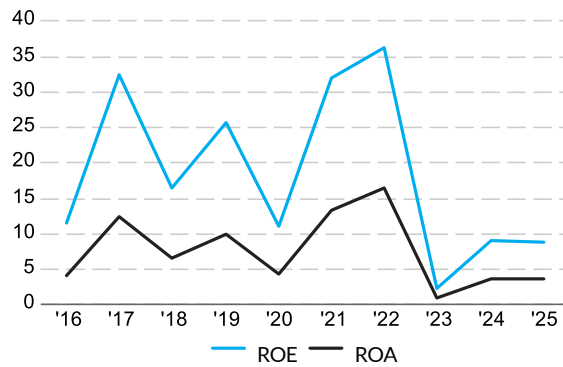
Source: FactSet

Graph 6: 10Y EPS year-on-year change



Source: FactSet

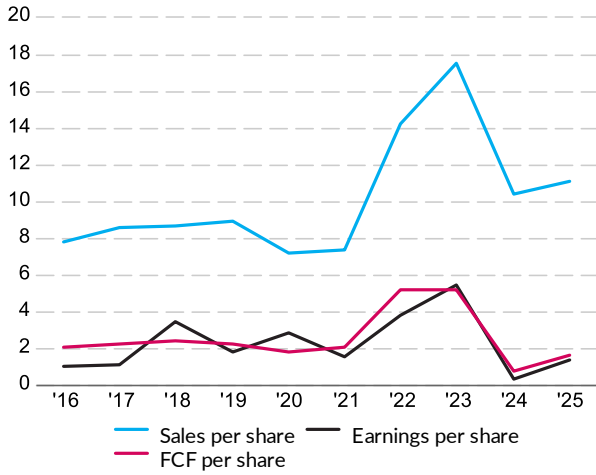
Graph 7: ROE and ROA (%)



Source: FactSet

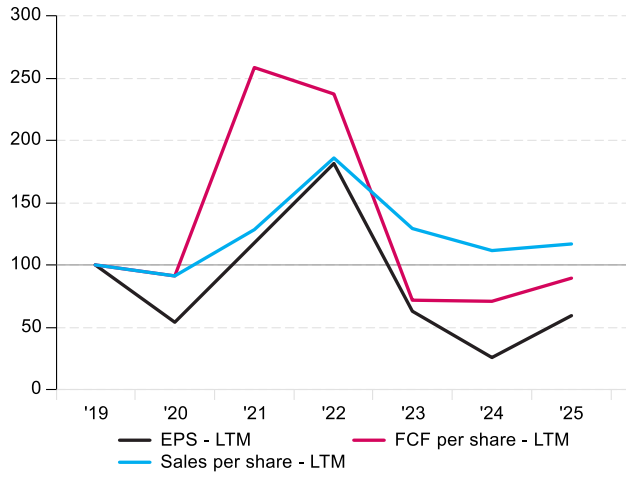


Graph 8: Sales, earnings and FCF per share (USD)



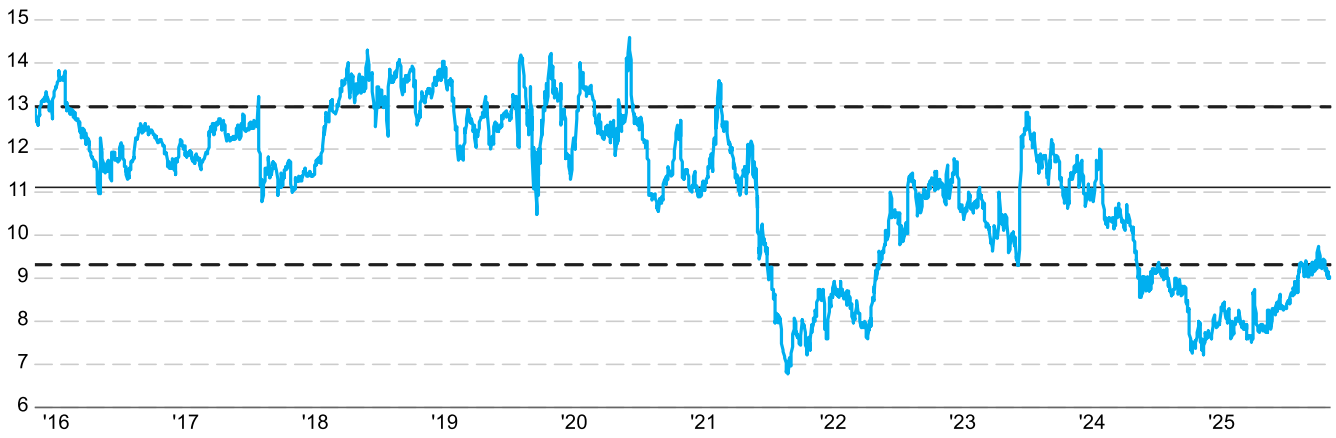
Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet



**Table 4: Financials and ratios**

Income statement (\$Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	81 288	100 330	59 553	63 627	62 579	-2%	-15%	8%
Cost of sales	34 413	38 240	29 213	21 781	21 544	-1%	-17%	13%
Gross income	46 875	62 090	30 340	41 846	41 035	-2%	-13%	7%
EBIT	20 793	32 549	5 292	16 483	17 106	4%	-23%	13%
EBITDA	25 984	42 613	11 582	23 496	23 698	1%	-18%	11%
Net income	22 415	31 366	2 133	8 020	7 746	-3%	-37%	3%
EPS (USD)	3.88	5.47	0.37	1.41	1.36	-4%	-37%	-4%
Balance sheet (\$Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	181 476	197 205	226 501	213 396	208 160	-2%	2%	6%
Total shareholders' equity	77 463	95 917	89 288	88 497	86 775	-2%	-3%	6%
Total liabilities	104 013	101 288	137 213	124 899	121 385	-3%	6%	6%
Ratios	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	5Y Avg		
Net debt/EBITDA	0.28	0.31	5.11	1.87	2.16	1.95		
Interest coverage	14.9	27.6	2.2	5.0	6.0	11.2		
Debt/assets	22.8%	19.8%	33.1%	31.4%	32.4%	27.9%		

Source: FactSet

**Table 5: Standard finance and investment abbreviations**

Abbreviation	Definition
ADC	Antibody-drug conjugates
CAGR	Compounded annual growth rate
CVR	Contingent value right
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, and amortisation
EPS	Earnings per share
EV	Enterprise value
FCF	Free cash flow
FDA	Food and Drug Administration
FY	Financial year
GLP-1	Glucagon-like peptide-1
LOE	Loss of exclusivity
LTM	Last twelve months (also known as trailing)
M	Month
MIBC	Muscle-invasive bladder cancer
MTD	Month-to-date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
R&D	Research and development
ROA	Return on assets
ROE	Return on equity
SG&A	Selling General and Administrative expenses
US/USA	United States of America
USD/\$	United States dollar
YoY	Year-on-year
YTD	Year-to-date



## Contact details

### Qhama Macanda

Equity Analyst

+27 (11) 996 5200

[Qhama.Macanda@psg.co.za](mailto:Qhama.Macanda@psg.co.za)

### Pierre Muller, CA(SA), CFA

Head of Equity Solutions

+27 (11) 996 5200

[Pierre.Muller@psg.co.za](mailto:Pierre.Muller@psg.co.za)

---

The purpose of this document is to provide information and is not available for external distribution.

### About PSG Investment Management recommendations

PSG Investment Management provides medium- to long-term recommendations based on the premium or discount that a company trades at, relative to our estimation of intrinsic value. We expect companies to rerate towards their intrinsic value over a one- to three-year period. The long-term valuation is a quantitative-based valuation based on the fundamental performance of each company in the past, as well as their future forecasts. The fundamental features used are based on profitability and growth measures such as EPS growth and return on equity (ROE).

**House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.**

**Date and share price: The date the report was reviewed and approved by the investment research team is likely to precede the release date and price on the report.**

\*Share price as at closing.

### Disclaimer

This publication is confidential and released for the information of clients only. It shall not be reproduced in whole or in part without our permission. Any unauthorised use, duplication, redistribution or disclosure is prohibited by law. This publication is not to be construed as providing investment services in any jurisdiction where the provision of such services is not permitted. It is provided for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security, and we have no responsibility whatsoever arising here from or in consequence thereof. The user assumes the entire risk of any use made of this publication. Any decision to purchase securities mentioned in this publication must consider existing public information on such security or any registered prospectus. The information contained herein has been obtained from sources which and persons whom we believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute our judgement as of the date of this material and are subject to change without notice. This publication does not attempt to identify the nature of the specific market or other risks associated with an investment. Leveraged/Geared positions in securities can accentuate the profit/loss made on investments. Geared/Leveraged positions are not recommended based on the information contained in this publication. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and investors must make their investment decisions using their own objective advisers as they believe necessary and based upon their specific financial situations and investment objectives. Certain investments/recommendations may have tax implications for private customers. Investors should seek advice from a tax adviser before acting on information contained in this publication. The securities described herein are subject to fluctuation in price and/or value and investors may get back less than originally invested. Past performance is not indicative of future results. The employees responsible for producing this report may from time-to-time own securities mentioned herein.

### Analyst certification

The research analyst who prepared this report certifies that the view expressed herein accurately reflects the research analyst's personal views about the subject, security and issuer and that no part of their compensation was, is or will be directly or indirectly related to specific recommendations or opinions contained in this report.

### FSP

PSG Investment Management (Pty) Ltd is an authorised financial services provider. FSP: 44306

PSG Securities Limited is an authorised member of the JSE and authorised financial services provider. FSP: 42996

**DISCLAIMER:** This report constitutes general information and does not constitute financial advice as defined in the Financial Advisory and Intermediary Services Act (FAIS).