

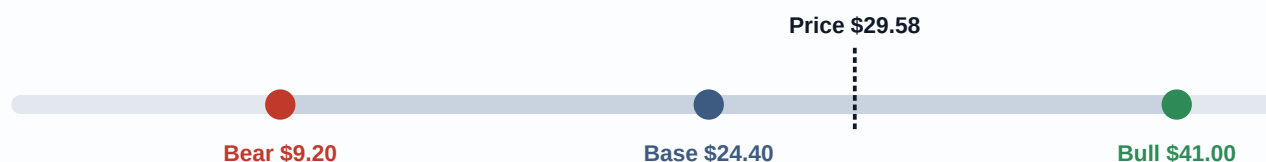
Initiated 2026-10-17 · Price \$29.58 (close 2026-10-16, stockanalysis.com) · Mkt cap \$168.6bn · Health care / pharmaceuticals · Model: verified

Rating: Sell — Conviction: Low

Pfizer is at a 52-week high (+21% in a year), priced at ~9.9x FY2025 EBITDA on the model's basis, near the earnings peak. Over 2027–28, franchises worth ~\$23bn of annualized revenue lose exclusivity or face Medicare price setting. The base case has cost savings and launches absorbing much of the hit and still sits below the price, because growth after 2028 has to be bought as well as discovered. The call is fragile: it becomes a Hold at a 1pp lower discount rate, on the Gordon method alone, or if business-development spending is excluded.

Conviction tests (3a-v-c): T1 fail (Sell → Hold at -1pp: Base -17.5% → -3.4%; -28.1% at +1pp) · T2 fail (Gordon alone -11.2%, a Hold; exit-multiple alone -23.8%) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Pfizer sold \$62.6bn in FY2025 (~2%; +6% operationally excluding Comirnaty and Paxlovid) and \$29.5bn in H1 2026 (+4%, +2% operationally). The book is broad: primary care (Eliquis, vaccines including Prevnar and Abrysvo, Nurtec), specialty care (the Vyndaqel family), and oncology (Ibrance, Xtandi, Padcev and the Seagen ADCs). COVID revenue fell from ~\$6.7bn in FY2025 to a guided ~\$4bn in 2026. Three variables drive earnings:

- the pace of exclusivity loss. Q2 2026 run-rates: Eliquis \$2.4bn a quarter, Vyndaqel \$1.8bn, Ibrance \$1.1bn, Xtandi \$0.5bn;
- whether launches and acquisitions (Padcev +23%, Nurtec +17%, Abrysvo +43% in Q2; Metsera obesity) fill the gap;
- ~\$9.7bn of targeted cost and manufacturing savings through 2029.

Competition

- **Eliquis.** Partnered with Bristol-Myers Squibb, so BMJ faces the same 2028 cliff. BMJ trades at 9.7x forward earnings and 8.2x EV/EBITDA (aggregator, 2026-10-16), close to Pfizer's 10.7x and 8.7x.
- **Vaccines.** Merck (Capvaxine) and GSK (Arexvy) compete in pneumococcal and RSV. Prevnar revenue fell 4% operationally in Q2 2026 while Abrysvo grew 43% off a small base (Q2 2026 release).
- **Obesity.** A late entrant against Lilly and Novo Nordisk; ~10 Metsera Phase 3 starts in 2026 put revenue years away.

- **Where pressure shows first.** In price: Medicare negotiated prices (Eliquis from 2026, Ibrance and Xtandi from 2027) arrive before generics. Pfizer has also agreed MFN/TrumpRx pricing terms with the US government (not quantified).

Bull case

1. **Launches and acquired assets bridge the cliff.** Seagen oncology, Nurtec, Abrysvo and later Metsera's obesity assets offset most of the LOE, with revenue flat to slightly down through 2028 and growing from 2029, as the company targets. Plays out if non-COVID operational growth stays at or above ~5% into 2027. *Model: rev_growth*
2. **Savings hold the margin.** ~\$6.7bn of SI&A/R&D savings plus ~\$3.0bn of manufacturing savings by 2029 lift model-basis EBITDA margin from 35.8% toward 38%. Plays out if adjusted SI&A stays at or below \$13bn while revenue falls. *Model: ebitda_margin*
3. **Re-rating once growth returns.** A visible growth leg (oncology ADCs, obesity) moves the multiple from ~9.9x toward 11x, with 2.5% terminal growth. *Model: exit_ev_ebitda, terminal_growth*

Bear case

1. **The cliff is steep.** Generic and biosimilar erosion on Eliquis, Vyndaqel, Ibrance and Xtandi, layered on IRA price setting, takes revenue down ~19% from 2026 to 2029. Plays out if 2027–28 LOE exceeds the press-reported ~\$3bn and ~\$6bn and launches underdeliver. *Model: rev_growth, exit_ev_ebitda*
2. **Deleverage outruns savings.** High-margin products roll off, obesity Phase 3s add R&D, and MFN pricing caps price, so margin falls to ~29%. Plays out if adjusted R&D runs above \$11.5bn while revenue declines. *Model: ebitda_margin*
3. **Growth has to be bought.** Pfizer spent \$43.4bn on Seagen (2023) and \$6.9bn net on Metsera (2025), and closed a \$650mm Innovent upfront in Q3 2026. Another large deal would add to \$63bn of debt, against a dividend (~\$9.8bn) that already exceeds FY2025 CFO less capex (~\$9.1bn). *Model: capex_pct_rev, wacc*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$221.4bn = mkt cap at 5,734mm diluted shares – cash and ST investments \$11.7bn + debt \$63.2bn + NCI \$0.3bn; EBITDA after acquired IPR&D, before amortization)	9.89x FY2025	EBITDA margin 17.7% / 34.3% / 35.8% FY2023–25	BMJ 8.2x · GSK 8.3x · MRK 14.1x (aggregator, lease-inclusive)	model-inputs.json ; stockanalysis.com 2026-10-16
Forward P/E (consensus)	10.7x	n/a (unverified)	BMJ 9.7x · GSK 10.2x · MRK 17.5x	stockanalysis.com 2026-10-16
FCF yield (aggregator TTM) / dividend yield	6.5% / 5.8%	FY2025 CFO \$11.7bn – capex \$2.6bn	FCF: BMJ 9.4% · GSK 9.2% · MRK 4.5%	stockanalysis.com 2026-10-16; FY2025 10-K

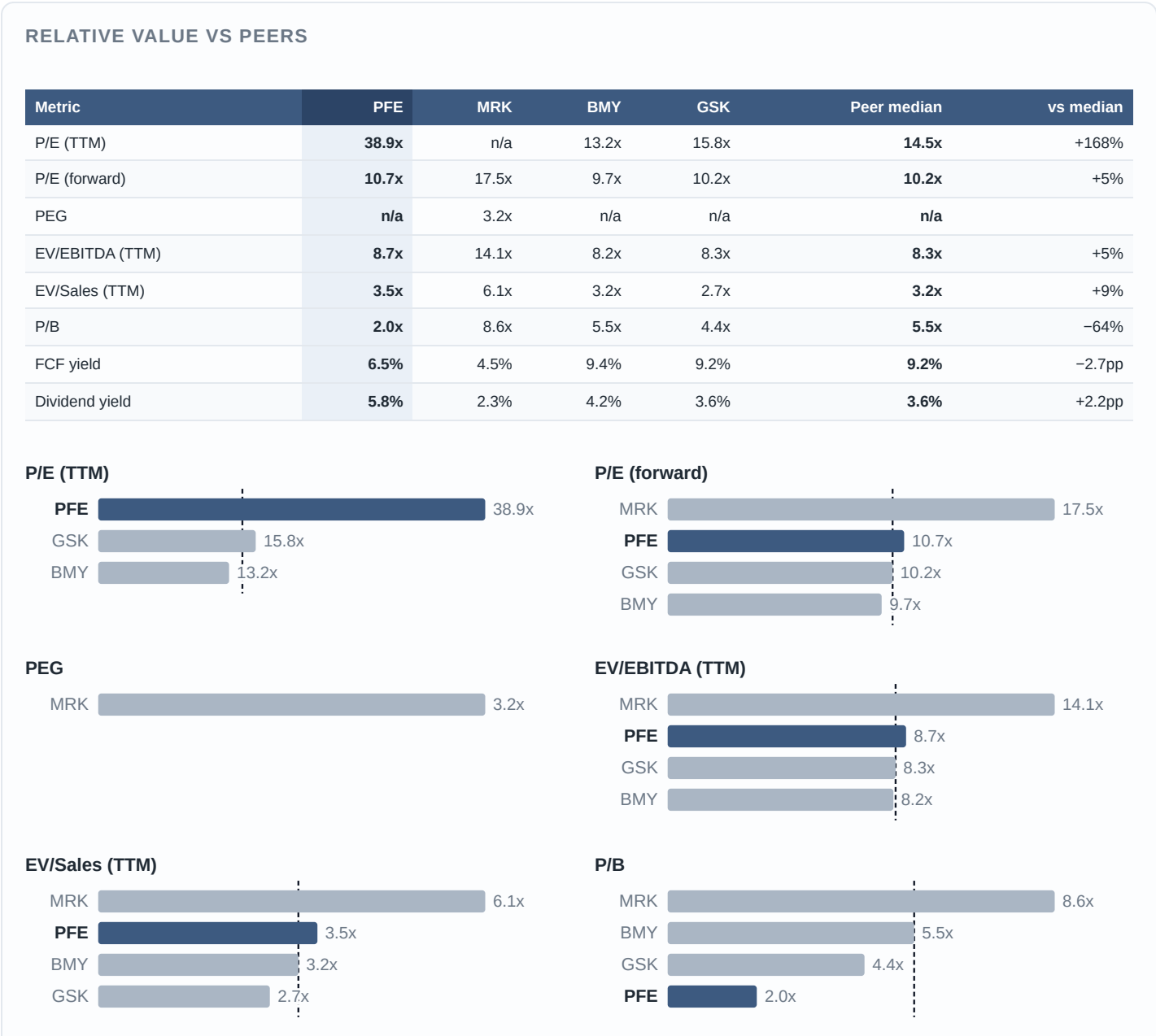
Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$9.20 · Base \$24.40 · Bull \$41.00 per share, i.e. implied returns of –68.9% / –17.5% / +38.6% vs \$29.58. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** The price sits a third of the way from Base to Bull, pricing much of the bull bridge.
- **Re-rating.** Base exit 9.0x is a ~9% de-rating from today's 9.89x. The methods differ by 16% (Gordon \$26.26, exit \$22.55): Gordon embeds a higher terminal multiple, a re-rating in that method. On Gordon alone the call is a Hold.
- **Business development as capex.** Base capex includes ~4% of revenue (~\$2.5bn a year) for acquisitions on top of 4.2% PP&E. With PP&E capex only, Base is \$28.28 (–4.4%), a Hold. That assumption carries the Sell.
- **Bear depth.** The bear is a break, not a plateau, and \$51.5bn of net debt (~\$9/share) magnifies it. No single product is ≥50% of revenue, so no separate tail case was run.

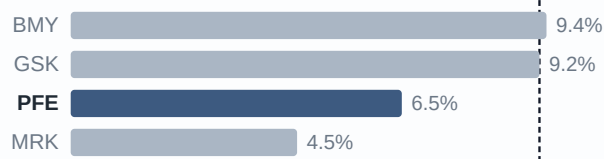
Balance sheet: net leverage 2.3x FY2025 EBITDA (gross 2.8x), coverage 7.9x, liquidity \$11.7bn cash and short-term investments, nearest material maturity \$2.7bn of short-term borrowings within 12 months (June 2026), ratings n/a (unverified).

Model note: tier `full`, status `built`, verification `verified` (3,207 formula cells matched in LibreOffice). No unverified inputs. No assumptions without basis. Scenario consistency `OK` on all 14 rows.

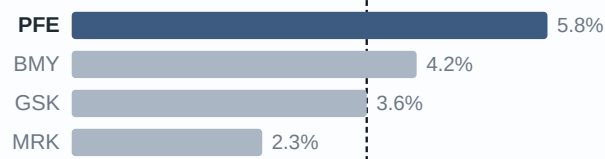
- **Sourcing.** Historicals FY2023–25 from the FY2025 and FY2024 10-K R-pages; balance sheet from the Q2 2026 10-Q.
- **Debt.** Tranches not retrieved: modeled as two blocks with a placeholder 4.5% coupon (display only).
- **Exclusions.** The Metsera CVR liability is not in `other_claims`.
- **Unverified LOE path.** The press-reported 2027/2028 LOE figures (\$3bn+, \$6bn+) could not be confirmed in filings. Product run-rates are Q2 2026 ×4 (est.).
- **EPS vs guidance.** Base Y1 EPS \$2.63 is ~9% below the \$2.80–3.00 adjusted guide. The model charges interest on net debt at an estimated 4.6% after tax, excludes other income (royalty and investment income in other deductions), and deducts the Q3 Innovent IPR&D charge.
- **WACC.** 7.4% = cost of equity 8.49% (CAPM 6.49%: 10Y 5.09%, beta 0.28, 5% ERP; plus a stated 2.0pp premium, because the COVID-distorted beta understates patent-cliff risk) and after-tax debt 4.6% at a 27% market weight.



FCF yield



Dividend yield



As of 2026-10-17. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). All figures at the 2026-10-16 close, fetched 2026-10-17 (Saturday). Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-17.

Notes. Merck's trailing P/E is 114.66x (above the 100x display cap), far above its 17.54x forward P/E. Pfizer's 38.88x reflects GAAP charges (impairments, acquired IPR&D) in other deductions. The source shows no PEG for PFE, BMY or GSK; Merck's 3.24 is shown as given.

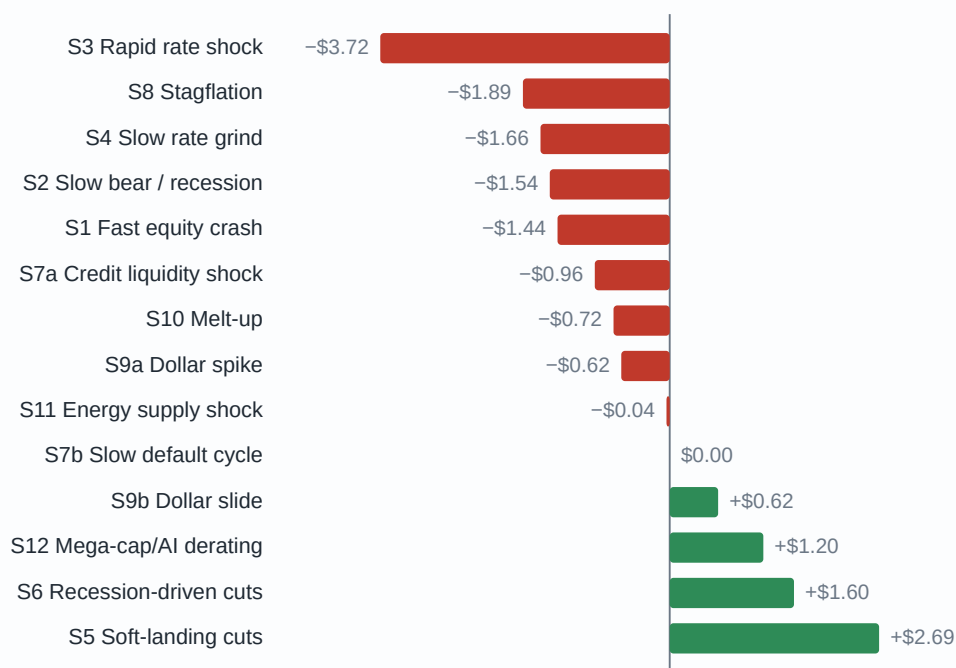
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Low-beta defensive; modest de-rating in a liquidity sell-off	Med	–\$1.44
S2 Slow bear / recession	–	Prescription demand largely non-cyclical; vaccines soften and payer mix worsens. About a tenth of Base – Bear (\$15.20), because the bear is a permanent patent cliff and a recession is transitory	Med	–\$1.54
S3 Rapid rate shock	–	A 5.8% dividend yield trades as a bond proxy; higher discount rate	High	–\$3.72
S4 Slow rate grind	–	Multi-year discount-rate drag; refinancing \$63bn of debt costs more	Med	–\$1.66
S5 Soft-landing cuts	+	Yield proxy re-rates as rates fall	High	+\$2.69
S6 Recession-driven cuts	+	Defensive earnings plus a lower discount rate outweigh a small volume drag	Med	+\$1.60
S7a Credit liquidity shock	–	Investment-grade, but forced selling compresses multiples	Low	–\$0.96
S7b Slow default cycle	0	No material effect, not modeled: IG balance sheet, non-cyclical customers	—	\$0.00
S8 Stagflation	–	Input and wage costs rise while MFN terms cap price increases; higher rates	Med	–\$1.89
S9a Dollar spike	–	International revenue translates lower (FX added ~2pp to Q2 growth)	Low	–\$0.62
S9b Dollar slide	+	Translation tailwind	Low	+\$0.62
S10 Melt-up	–	Rotation out of defensives into momentum	Low	–\$0.72
S11 Energy supply shock	–	Freight, energy and petrochemical input costs	Low	–\$0.04
S12 Mega-cap/AI derating	+	Rotation from mega-cap tech into defensive value	Low	+\$1.20

Currently active/on watch per the playbook: S3 partially active (price-level leg only; 10Y 5.09% on 2026-10-16, pace legs below threshold per the macro log); S8, S10, S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: non-COVID operational growth holds at or above ~5% through 2027 with adjusted SI&A at or below \$13bn, or Pfizer frames 2027–28 LOE below the reported ~\$3bn/~\$6bn. A pullback toward the low-\$20s would also close the gap to Base. **Downgrades if:** (conviction rises) a debt-funded acquisition of \$10bn+, or 2027 guidance implying revenue below ~\$59bn.

Watch items

- **W1:** Non-COVID operational revenue growth and the 2026 LOE estimate — $\geq 5\%$ and $\leq \$1.1\text{bn}$ hold the bull bridge; $< 3\%$ confirms the bear — Q3 2026 Performance Report — 2026-11-03 — *Model: rev_growth*
- **W2:** Adjusted SI&A + R&D run-rate against the \$23–25bn guided range — at or below the midpoint while obesity Phase 3s start — Q3 2026 report — 2026-11-03 — *Model: ebitda_margin*
- **W3:** 2027 guidance: revenue and the stated LOE impact — revenue $\geq \$59\text{bn}$ and LOE $\leq \$3\text{bn}$ — December 2026 guidance release — mid-Dec 2026 — *Model: rev_growth*
- **W4:** Business-development spend — any deal over \$5bn, or net debt rising above \$55bn — 8-K / Q3 10-Q — ongoing — *Model: capex_pct_rev*

Sources

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