

and sale of healthcare products. Portfolio includes medicines, vaccines, and various consumer healthcare products. Manages commercial operations through two segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH), which was previously known Dirs/Off. own less than 1% of common stock; BlackRock, 7.4%; Vanguard, 6.6%; State Street, 5.3% (3/17 proxy). Chairman/CEO: lan C. Read, Inc.: Del. Addr.: 235 East 42nd St., New York, NY 10017. Tel.: 212-733-2323. Internet: www.pfizer.com

29399 **ANNUAL RATES** Est'd '14-'16 Past Past 5 Yrs. 1.0% 1.0% 2.0% 7.5% -1.0% 10 Yrs. 1.5% of change (per sh) to '20-'22 4.0% 6.5% 11.0% Sales "Cash Flow" -3.0% -5.0% Earnings Dividends Book Value 3.5% 1.0% 6.0%

43804

10160

15619

38949

10688

15891

31115

4536

35878

3393 7680

13791

24864

Current Assets

Accts Payable Debt Due

Current Liab.

Cal- endar	QU/ Mar.31	ARTERLY S Jun.30	SALES (\$) Sep.30		Full Year
2014	11353	12773	12361	13118	49605
2015	10864	11853	12087	14047	48851
2016	13005	13147	13045	13627	52824
2017	12779	13100	13100	13721	52700
2018	13100	13300	13600	14000	54000
Cal-	EARNINGS PER SHARE A Full				
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2014	.36	.45	.42	.19	1.41
2015	.38	.42	.34	d.03	1.11
2016	.49	.33	.21	.13	1.17
2017	.51	.37	.27	.20	1.35
2018	.45	.45	.40	.25	1.55
Cal-	QUARTERLY DIVIDENDS PAID B= Full				
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2013	.24	.24	.24	.24	.96
2014	.26	.26	.26	.26	1.04
2015	.28	.28	.28	.28	1.12
2016	.30	.30	.30	.30	1.20
2017	.32	.32			

Pfizer reaffirmed its 2017 outlook despite a mixed first-quarter showing. The drugmaker reported GAAP earnings of \$0.51 a share in the March period, up from \$0.49 in the comparable year-ago quarter. The bottom-line improvement was fueled largely by reduced production costs (-13%) and, to a lesser extent, lower SG&A (-2%) and R&D (1%) outlays, partially offset by a 2% decline in sales. On an adjusted basis, which excludes one-time items and is more closely followed by Wall Street, earnings came in at \$0.69 a share versus \$0.67 in 2016. While the tally topped consensus expectations by a few pennies, the top-line result (\$12.78 billion) came up short. Following the release, management reiterated its full-year adjusted earnings guidance of \$2.50-\$2.60 a share, on sales of \$52 billion-\$54 billion.

Several of the company's more mature **franchises are facing pressure.** Pfizer's top-grossing product *Prevnar 13* saw its sales decline 8% last quarter as its target market (older adults) appears to have reached a saturation point. Overseas generic erosion on Enbrel (-20%) and weak domestic sales of fading blockbuster

 $\it Viagra$ (-17%) represent additional nearterm overhangs. While the company's #2 drug *Lyrica* posted strong sales growth in Q1 (+12%), it will also be facing losses when its U.S. patent expires next year.

The new product cycle is encouraging, highlighted by oncology. The company will be leaning heavily on its oncology business (sales +54% in 2016) to help fill the generic void in the coming years. Its standout breast cancer asset *Ibrance* has been impressive since its early-2015 launch, with sales nearly tripling last year, to \$2.1 billion. We believe this figure could reach \$3 billion in 2017.

The stock is ranked 4 (Below Average) for Timeliness. That said, we continue to view Pfizer as a solid, lower-risk income play in the large pharmaceutical space. The blue chip stock scores well for Safety (1) and Stock Price Stability (95), to go along with a below market Beta (.85). The company's Financial Strength grade (A++) is also top notch. An above-average dividend yield (3.8%) and expectations for continued share repurchases should enhance shareholder value.

July 7, 2017

(A) Diluted earnings (GAAP). May not sum due to change in share count. Next earnings report due early August. (B) Dividends paid in early Mar., Jun, Sep., Dec. Div'd reinvest. plan. (C) 10/09, included from 4th qtr. (G) Switched to

Includes intangibles. In '16: \$107.1 bill., \$17.64/sh. (D) In millions. (E) Pharmacia acqd. 4/03, included from 2nd qtr. (F) Wyeth acqd.

Michael Ratty

Company's Financial Strength Stock's Price Stability A++ 95 Price Growth Persistence 75 **Earnings Predictability** 70