

cines, and various consumer healthcare products. Manages commercial operations through two distinct business segments: Pfizer Innovative Health (IH) and Pfizer Essential Health (EH). Highest-

7.8%; State Street, 5.1% (3/19 proxy). Chairman: Ian C. Read. CEO: Albert Bourla. Inc.: Del. Addr.: 235 East 42nd St., New York, NY 10017. Tel.: 212-733-2323. Internet: www.pfizer.com

Pfizer has performed well thus far in 2019. The drugmaker's first-quarter results surpassed consensus expectations on both lines, with much of the upside coming from the Biopharma portfolio. Key catalysts included stronger showings from cancer drug Ibrance (sales +21% year over year) and lead vaccine asset Prevnar (+8%). Meantime, continued momentum in rheumatoid arthritis treatment Xeljanz (+30%) and blood thinner medication Eliquis (+32%) provided further support to comps, helping to offset declines in the Upjohn (-1%) and Consumer Healthcare (-5%) segments. Altogether, the report was well received on Wall Street and PFE stock is up about 9% in value since the release.

However, there are some challenges on the horizon. The most significant is the recent patent expiration of blockbuster nerve medication Lyrica. The drug, which accounts for about 9% of Pfizer's top line, lost U.S. exclusivity in June and will likely see a good amount of sales erosion in the back half of 2019 as cheaper generics enter the market. Additional pressures related to currency and pricing are also expected to weigh on comparisons this year.

The company inked a deal to bolster its oncology portfolio. On June 17th, it agreed to buy Array BioPharma for \$48 a share in cash, or about \$11 billion. While the offer represented a hefty 62% premium to Array's preannouncement closing price, it gives Pfizer access to an attractive lineup of skin cancer treatments which management believes have significant long-term growth potential via expansion into other areas (drugs being investigated in over 30 clinical trials across several tumor types). The deal has been approved by both boards and is slated for completion in the second half of this year. Management expects it will be dilutive to adjusted EPS by \$0.04-\$0.05 in both 2019 and 2020, neutral in 2021, and accretive by 2022.

The stock's Timeliness rank has been upgraded to 2 (Above Average). Based on our system, PFE shares are now pegged to outperform the broader market in the year ahead. The equity also scores well across all of our proprietary risk metrics and boasts an attractive 3.3% dividend yield, which should appeal to more conservative, income-oriented investors

Michael Ratty July 5, 2019

	2019 2020	13118 13000	13400 13500	13100 13600	13682 14200	53300 54300
	Cal- endar		RNINGS P Jun.30			Full Year
	2016 2017 2018 2019 2020	.49 .51 .59 .68	.33 .51 .65 .57	.21 .47 .69 .50	.13 .23 d.07 .30 .40	1.17 1.73 1.87 2.05 2.25
	Cal- endar	QUARTERLY DIVIDENDS PAID B Mar.31 Jun.30 Sep.30 Dec.31				Full Year
	2015 2016 2017	.28 .30 .32	.28 .30 .32	.28 .30 .32	.28 .30 .32	1.12 1.20 1.28
- 1	2018	.34	.34	.34	.34	1.36

4656

9953

15818

30427

Past

10 Yrs.

2.5%

.5% -1.5%

QUARTERLY SALES (\$ mill.)

Mar.31 Jun.30 Sep.30 Déc.31

13045

13168

13298

13147

12896

13466

4674

8831

18353

31858

5 Yrs. 1.5%

1.5% 3.5%

8.0% -.5%

13627

13703

13976

Past Est'd '16-'18

4156

9410

15857

29423

to '22-'24

4.5% 7.0% 11.0%

5.5% 2.0%

52824

52546

53647

Accts Payable Debt Due

Current Liab

ANNUAL RATES

of change (per sh)

Sales "Cash Flow"

Dividends Book Value

13005

12779

12906

Earnings

endar

2016

2017

2018

2019

.36

(A) Diluted earnings (GAAP). May not sum due to change in share count. Excludes one-time gain of \$1.79 a share in Q4, 2017. Next earn-(C) Includes intangibles. In '18: \$88.6 bill. \$15.50/sh.

(B) Dividends paid in early Mar., Jun, Sep., Dec. ■ Div'd reinvest. plan.

Company's Financial Strength Stock's Price Stability A++ 95 Price Growth Persistence 75 **Earnings Predictability** 60

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