



Rating
Buy

North America
United States

Health Care
Pharmaceuticals / Major

Company
PFIZER INC. Alert

Reuters
PFE.N

Bloomberg
PFE US

Exchange
NYS

Ticker
PFE

Date
11 July 2018

Company Update

Price at 10 Jul 2018 (USD)	37.43
Price target	42.00
52-week range	39.02 - 32.67

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Not major, but logical changes

Making Innovative more innovative, Established more independent

PFE announced changes to its segment structure, which will include three businesses starting in 2019 – Innovative Medicines (IM), Established Medicines (EM), and Consumer Healthcare (PCH) vs. the current two – Innovative Health (IH) and Essential Health (EH). While not major, we view moving biosimilars and injectables into the innovative business and allowing EM to operate with more autonomy as logical changes. PFE also continues to assess strategic alternatives for PCH and expects to make a decision this year. It is important to note that the segment changes were not done with a future split of the company in mind. We are not changing our \$42 PT or Buy rating, which is based on attractive valuation and dividend yield, strong cash flow generation, and a management team focused on shareholder return. Our thesis has not been dependent on a major M&A deal or split-up of the company.

Brief overview of the planned segment changes

PFE will form a new Hospital Medicines business unit within IM that includes sterile injectable and anti-infective medicines currently in the EH segment. The company will also move its biosimilar products from EH into the IM segment, where they will be marketed by their respective sales teams (immunology and oncology). The new EM segment will have dedicated manufacturing, marketing, and regulatory functions, and will operate with greater autonomy. The company will also report PCH separately from the Innovative business.

Stock & option liquidity data

Market cap (USD)	225,964.9
Shares outstanding	6,037.0
Free float (%)	100
Volume (10 Jul 2018)	7,147,991
Option volume (und. shrs., 1M avg.)	3,176,452

Source: Deutsche Bank

Key data

FYE 12/31	2017A	2018E	2019E
1Q EPS	0.69	0.77A	–
2Q EPS	0.67	0.74	–
3Q EPS	0.67	0.78	–
4Q EPS	0.62	0.68	–
FY EPS (USD)	2.65	2.97	3.13
P/E (x)	12.8	12.6	12.0

Source: Deutsche Bank

* Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

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