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Pfizer Inc. (PFE US)

Pipeline execution being the key re-rating driver

Pfizer reported 2Q26 revenue of US$15.0bn and adjusted diluted EPS of US$0.77. In 1H26, revenue reached US$29.5bn (+4% YoY), accounting for 48% of our previous FY26 estimate, in-line with our expectations. Underlying trends remained solid, with ex-COVID revenue growing 9% YoY driven by Eliquis, Padcev, the Vyndaqel family and Lorbrena, partly offset by continued weakness in COVID products. Management raised the lower end of FY26 revenue guidance to US$60.5–62.5bn (from US$59.5–62.5bn) with midpoint of US$61.5bn (-2% YoY), and reaffirmed adjusted EPS of US$2.80–3.00. Beyond 2028, Pfizer targets high single-digit 5-year revenue CAGR.

- **Monthly GLP-1 moves quickly into Ph3, with amylin combo data expected in 2H26.** We view berobenatide (PF'3944) as one of Pfizer's most important near-term assets. The Ph2b VESPER-3 data and modeling support berobenatide's potential for efficacy similar to tirzepatide at the top Ph3 dose. In the trial, 4.8mg monthly dose delivered ~12% placebo-corrected weight loss at week 28, with ~21% discontinued treatment (10% due to GI side effects). Pfizer has already initiated three Ph3 obesity studies: VESPER-4 and VESPER-5 (both weekly dose) are fully enrolled, while VESPER-6 is enrolling and will test up to 9.6mg monthly. We believe higher dosing plus an improved titration scheme in VESPER-6 could enhance the efficacy/tolerability balance. Pfizer plans to start 10 pivotal studies for the asset in 2026. Importantly, combination data with PF'3945 (monthly Amylin) are expected in 2H26, representing a key catalyst for the obesity franchise.
- **PF'4404 and ADC platform continue to expand.** Pfizer is rapidly advancing PF'4404 (PD-1xVEGF) as a core oncology backbone, with Ph3 trials underway in 1L mCRC and 1L NSCLC (sq + nsq), and additional Ph3 starts in 1L endometrial cancer and 1L mUC expected in 2H26. Ph2 studies are also ongoing across 1L ES-SCLC, 1L GC, transformed SCLC and early-stage NSCLC. We see strategic value in combining PF'4404 with Pfizer's ADC portfolio, including Nectin-4 ADC, IB6 ADC, and others. The recent Innovent collaboration further strengthens this platform, adding 12 early-stage oncology programs, including ADCs and multispecific antibodies; notably, IBI3028, an EGFR/c-MET dual-payload ADC, is in Ph1 in China. Within IB6 ADCs, sigvotatug vedotin missed its OS endpoint in pre-treated nsq-NSCLC, but development continues in first line settings, with one Ph3 trial ongoing and another planned. In parallel, two new IB6 ADCs are in Ph1.
- **Padcev remains a major commercial growth driver.** Padcev delivered 23% YoY revenue growth in 2Q26 to US$667mn. The asset now covers the full bladder cancer spectrum, including 1L la/mUC and perioperative MIBC in both cisplatin eligible and ineligible settings. Ongoing EV-309 could further expand use into bladder-sparing MIBC. Pfizer plans to start a Ph3 study of Padcev + PF'4404 in 1L mUC, which could further strengthen long-term franchise positioning. With new patient share in la/mUC reaching over 60%, continued uptake in perioperative disease, we expect Padcev to be one of Pfizer's most important growth engines.
- **Maintain BUY.** With LOE pressure over the next 2–3 years largely discounted, we believe investor focus will shift toward pipeline execution, especially in obesity and PF'4404-led oncology. We revise our earnings forecasts based on the results, and modestly revise our TP from US$35.46 to US$35.75 (9.95% WACC, 2.0% terminal growth, both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	63,627	62,579	61,581	61,057	56,546
YoY growth (%)	6.8	(1.6)	(1.6)	(0.9)	(7.4)
Adjusted net profit (US$ mn)	13,096.9	17,915.0	16,404.9	16,886.9	15,644.6
YoY growth (%)	87.0	36.8	(8.4)	2.9	(7.4)
P/E (Adjusted) (x)	11.3	8.3	9.1	8.8	9.5
ROE (%)	9.1	8.9	12.4	14.0	13.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$35.75**
(Previous TP	US$35.46)
Up/Downside	**36.4%**
Current Price	**US$26.20**

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Stock Data

Mkt Cap (US$ mn)	148,894.6
Avg 3 mths t/o (US$ mn)	427.4
52w High/Low (US$)	28.55/23.60
Total Issued Shares (mn)	5683.0

Source: FactSet

Shareholding Structure

Vanguard	9.6%
Blackrock	8.7%

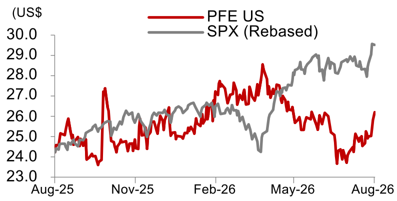
Source: BBG

Share Performance

	Absolute	Relative
1-mth	8.8%	5.8%
3-mth	-1.1%	-6.0%
6-mth	-3.7%	-13.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

	New			Old			Diff (%)		
US$mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	61,581	61,057	56,546	60,737	59,278	56,650	1%	3%	0%
Gross profit	46,801	45,915	42,070	45,735	44,162	41,751	2%	4%	1%
Operating profit	18,967	18,928	16,851	18,889	17,724	16,259	0%	7%	4%
GAAP net profit	10,834	12,421	11,859	10,769	11,399	11,355	1%	9%	4%
Non-GAAP EPS (US$)	2.89	2.97	2.75	2.88	2.79	2.66	0%	6%	3%
Gross margin	76.00%	75.20%	74.40%	75.30%	74.50%	73.70%	+0.70 ppt	+0.70 ppt	+0.70 ppt
Operating margin	76.00%	31.00%	29.80%	75.30%	29.90%	28.70%	+0.70 ppt	+1.10 ppt	+1.10 ppt
Net margin	17.59%	20.34%	20.97%	17.73%	19.23%	20.04%	-0.14 ppt	+1.11 ppt	+0.93 ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	61,581	61,057	56,546	62,046	59,653	55,133	-1%	2%	3%
Gross profit	46,801	45,915	42,070	46,528	45,066	41,569	1%	2%	1%
Operating profit	18,967	18,928	16,851	21,195	20,866	18,275	-11%	-9%	-8%
GAAP net profit	10,834	12,421	11,859	11,353	12,143	11,000	-5%	2%	8%
Non-GAAP EPS (US$)	2.89	2.97	2.75	2.97	2.88	2.47	-3%	3%	11%
Gross margin	76.00%	75.20%	74.40%	75.30%	74.50%	73.70%	+0.70 ppt	+0.70 ppt	+0.70 ppt
Operating margin	76.00%	31.00%	29.80%	75.30%	29.90%	28.70%	+0.70 ppt	+1.10 ppt	+1.10 ppt
Net margin	17.59%	20.34%	20.97%	17.73%	19.23%	20.04%	-0.14 ppt	+1.11 ppt	+0.93 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: DCF valuation of Pfizer Inc.

DCF Valuation (in US$bn)	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**
EBIT	**18,967**	**19,428**	**17,851**	**17,366**	**18,377**	**20,282**	**22,531**	**24,575**	**26,462**	**28,002**
Tax rate	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
EBIT*(1-tax rate)	16,122	16,514	15,173	14,761	15,621	17,240	19,152	20,889	22,493	23,802
+ D&A	5,755	4,681	5,191	5,064	6,290	7,013	6,880	6,892	6,719	6,558
- Change in working capital	273	-3	979	216	-718	-1,491	-1,462	-1,233	-1,488	-1,214
- Capex	-3,100	-3,162	-3,225	-3,290	-3,356	-3,356	-3,356	-3,356	-3,356	-3,356
FCFF	**19,050**	**18,030**	**18,118**	**16,751**	**17,837**	**19,406**	**21,214**	**23,192**	**24,369**	**25,790**
Terminal value										**330,896**

Terminal growth rate	**2.0%**
WACC	**9.95%**
Cost of equity	12.5%
Cost of debt	5.0%
Equity beta	0.85
Risk free rate	4.0%
Market risk premium	10.0%
Target debt to asset ratio	30.0%
Effective corporate tax rate	20.0%
PV of terminal value (US$bn)	249,719
Net debt (US$bn)	46,947
Non-controlling interest (US$bn)	376
Equity value (US$bn)	203,148
# of shares (mn)	5,683
Price per share (US$)	**35.75**

Source: CMBIGM estimates

Figure 4: Valuation range based on sensitivity analysis

Price per share (US$)		**WACC**				
		8.95%	**9.45%**	**9.95%**	**10.45%**	**10.95%**
Terminal growth rate	**3.0%**	47.55	43.07	39.24	35.94	33.05
	2.5%	44.81	40.82	37.38	34.37	31.72
	2.0%	42.47	38.88	**35.75**	32.99	30.55
	1.5%	40.45	37.18	34.31	31.76	29.49
	1.0%	38.68	35.68	33.03	30.67	28.55

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Revenue	**59,554**	**63,627**	**62,579**	**61,581**	**61,057**	**56,546**
Cost of goods sold	(23,989)	(16,420)	(15,140)	(14,779)	(15,142)	(14,476)
Gross profit	**35,565**	**47,207**	**47,439**	**46,801**	**45,915**	**42,070**
SG&A expense	(14,446)	(14,617)	(13,642)	(13,055)	(13,097)	(12,270)
R&D expense	(10,679)	(10,822)	(10,437)	(11,085)	(11,143)	(10,461)
Others	(4,705)	(5,098)	1,499	(3,695)	(2,748)	(2,488)
Operating profit	**5,735**	**16,670**	**24,859**	**18,967**	**18,928**	**16,851**
Interest income	1,624	545	603	481	187	217
Interest expense	(2,209)	(3,091)	(2,681)	(2,453)	(2,052)	(1,967)
Other income/expense	2,045	563	(2,299)	0	500	1,000
Others	(6,137)	(6,664)	(12,962)	(6,554)	(5,254)	(4,454)
Pre-tax profit	**7,195**	**14,687**	**20,482**	**16,995**	**17,562**	**16,101**
Income tax	(2,327)	(2,074)	0	(1,566)	(1,846)	(1,747)
Others	3,442	2,102	266	2,000	2,000	2,000
After tax profit	**2,173**	**8,051**	**7,787**	**10,875**	**12,462**	**11,900**
Minority interest	(39)	(31)	(41)	(41)	(41)	(41)
Discontinued operations	(15)	11	25	0	0	0
Net profit	**2,119**	**8,031**	**7,771**	**10,834**	**12,421**	**11,859**
Adjusted net profit	**7,005**	**13,097**	**17,915**	**16,405**	**16,887**	**15,645**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Current assets	**43,333**	**50,358**	**40,958**	**43,038**	**45,936**	**48,138**
Cash & equivalents	2,853	1,043	(3,377)	(888)	1,871	5,302
Receivables	11,177	11,463	11,134	10,956	10,863	10,060
Inventories	10,190	10,851	9,700	9,469	9,702	9,275
ST bank deposits	9,837	19,434	15,934	15,934	15,934	15,934
Other current assets	9,276	7,567	7,567	7,567	7,567	7,567
Non-current assets	**183,168**	**163,038**	**168,308**	**165,016**	**161,959**	**159,126**
PP&E	21,865	20,682	16,602	12,810	9,253	5,920
Deferred income tax	3,706	8,662	9,662	10,162	10,662	11,162
Intangibles	132,681	123,938	132,288	132,288	132,288	132,288
Long-term investments	15,368	2,227	2,227	2,227	2,227	2,227
Other non-current assets	9,548	7,529	7,529	7,529	7,529	7,529
Total assets	**226,501**	**213,396**	**209,265**	**208,054**	**207,895**	**207,264**
Current liabilities	**47,794**	**42,995**	**43,052**	**42,917**	**43,053**	**42,803**
Payables	6,710	5,633	5,690	5,555	5,691	5,441
Tax payable	2,349	2,910	2,910	2,910	2,910	2,910
Other current liabilities	35,959	30,614	30,614	30,614	30,614	30,614
Accrued expenses	2,776	3,838	3,838	3,838	3,838	3,838
Non-current liabilities	**89,419**	**81,904**	**79,404**	**76,904**	**74,404**	**71,904**
Long-term borrowings	64,164	59,691	57,191	54,691	52,191	49,691
Deferred income	0	0	0	0	0	0
Other non-current liabilities	25,255	22,213	22,213	22,213	22,213	22,213
Total liabilities	**137,213**	**124,899**	**122,456**	**119,821**	**117,457**	**114,707**
Share capital	93,109	94,083	94,883	95,683	96,483	97,283
Retained earnings	118,353	116,725	114,696	115,779	117,643	119,421
Other reserves	(122,448)	(122,605)	(123,105)	(123,605)	(124,105)	(124,605)
Total shareholders equity	**89,014**	**88,203**	**86,474**	**87,857**	**90,021**	**92,099**
Minority interest	274	294	335	376	417	458
Total equity and liabilities	**226,501**	**213,396**	**209,265**	**208,054**	**207,895**	**207,264**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**2,119**	**8,031**	**7,812**	**10,875**	**12,462**	**11,900**
Depreciation & amortization	6,290	7,013	6,880	6,892	6,719	6,558
Change in working capital	4,095	(3,331)	1,537	273	(3)	979
Others	(3,804)	1,031	(200)	300	300	300
Net cash from operations	**8,700**	**12,744**	**16,030**	**18,340**	**19,478**	**19,737**
Investing						
Capital expenditure	(3,907)	(2,909)	(2,800)	(3,100)	(3,162)	(3,225)
Acquisition of subsidiaries/ investments	(41,655)	1,390	(7,000)	0	0	0
Net proceeds from disposal of short-term investments	0	0	3,500	0	0	0
Others	13,284	4,171	(1,350)	0	0	0
Net cash from investing	**(32,278)**	**2,652**	**(7,650)**	**(3,100)**	**(3,162)**	**(3,225)**
Financing						
Dividend paid	(9,247)	(9,512)	(9,800)	(9,751)	(10,558)	(10,080)
Net borrowings	35,945	(7,159)	(2,500)	(2,500)	(2,500)	(2,500)
Proceeds from share issues	0	0	0	0	0	0
Others	(632)	(469)	(500)	(500)	(500)	(500)
Net cash from financing	**26,066**	**(17,140)**	**(12,800)**	**(12,751)**	**(13,558)**	**(13,080)**
Net change in cash						
Exchange difference	(40)	(66)	0	0	0	0
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	(40.6%)	6.8%	(1.6%)	(1.6%)	(0.9%)	(7.4%)
Gross profit	(46.3%)	32.7%	0.5%	(1.3%)	(1.9%)	(8.4%)
Operating profit	(85.0%)	190.7%	49.1%	(23.7%)	(0.2%)	(11.0%)
Net profit	(93.2%)	279.0%	(3.2%)	39.4%	14.6%	(4.5%)
Adj. net profit	(80.3%)	87.0%	36.8%	(8.4%)	2.9%	(7.4%)
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	59.7%	74.2%	75.8%	76.0%	75.2%	74.4%
Operating margin	9.6%	26.2%	39.7%	30.8%	31.0%	29.8%
Adj. net profit margin	11.8%	20.6%	28.6%	26.6%	27.7%	27.7%
Return on equity (ROE)	2.3%	9.1%	8.9%	12.4%	14.0%	13.0%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	0.7	0.5	0.6	0.5	0.5	0.4
Current ratio (x)	0.9	1.2	1.0	1.0	1.1	1.1
Receivable turnover days	67.8	64.9	64.9	64.9	64.9	64.9
Inventory turnover days	(145.8)	(233.9)	(233.9)	(233.9)	(233.9)	(233.9)
Payable turnover days	(102.8)	(137.2)	(137.2)	(137.2)	(137.2)	(137.2)
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	68.9	18.5	19.2	13.7	12.0	12.6
P/B	1.7	1.7	1.7	1.7	1.6	1.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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