Pfizer
PFE
Investment Notes

Please read Disclaimer at bottom of these notes!

"Pfizer Inc. is a major producer of pharmaceuticals, hospital products, consumer products, and animal health lines. Important product names include Norvasc (cardiovascular); Zoloft (antidepressant); Zithromax (antibiotic); Lipitor (cholesterol); Aricept (Alzheimer's); Cardura (cardiovascular); Diflucan (antifungal); Zyrtec (antihistamine); Viagra (impotence); Celebrex (rheumatoid arthritis and osteoarthritis). Int'l business, 57% of sales; R&D, 13.9%. '10 depreciation rate: 26.3%. Estimated plant age: 22 yrs. Has about 110,600 employees. Directors/Officers own less than 1% of stock; BlackRock, 5.0% (3/11 proxy). President & CEO: Ian C. Read. Inc.: Del. Address: 235 East 42nd Street, New York, NY 10017. Tel.: 212-733-2323. Internet: www.pfizer.com " Value Line 4/15/11

May 3, 2011 (20.39) Review of Thesis, etc.

Thesis:

One of the largest if not largest pharmaceutical companies measured by revenues. Close to $10B of revenues coming off patent on or before 2012. Disparity between reported earnings and adjusted earnings. Pfizer claims these are "one time adjustments" and normalized earnings going forward will be absorbed by elimination of many overlaps. It will be difficult to grow revenues, due to patent expiration and pipeline. Yet, fundamentals produce a value play if synergies of Wyeth and King Pharma work. I discuss at length below the difficulty of valuing because of the difference in reported and GAAP earnings. If we use F2011 eps of $2.18, and then use a 10 year growth rate of 4%, Price to Tangible book of 3X, followed by years 11 -15 of 3%, we would get 10 and 15 year annualized ROI's of slightly less than 13%. Financially strong company and not much seems to be able to "kill' the company. Hence a built in margin of safety.

Expanded Thesis and Discussion:

The difficulty I have with valuing Pfizer is the question of using Reported Earnings, versus Adjusted Earnings. Pfizer claims that costs are being incurred for the Wyeth acquisition, and I think some others, hence adjusted earnings should be used. I need to verify looking back, but I think this has been the case for many years. Hence, what is reoccurring and what is not. Big dilemma. Most analysts are using adjusted earnings. Of course adjusted earnings are much higher. I have taken the approach of using reported earnings. This also good be problematic, as my Return on Investment (ROI) projections, could be materially to punishing, and in theory that could cause us to miss out on a prime future investment. I have outlined the guidance that Pfizer gave on May 3, 2011 below. Most of my calculations have been based on the reported earnings. You will see this below.

Compounding the issue with reported versus adjusted earnings, we have a negative tangible book value which causes eps projections to be less relevant when we try to project future shareholder's equity. One must be cognizant of this, and perhaps run the spreadsheets in two formats. One format, not so punishing to the Shareholders Equity. We do see that Cash Flow and Free Cash Flow do show greater amounts than earnings.

If I use cash flow, or even adjusted eps, the valuation and Returns on Investment become more enticing. One must be careful not to fool themselves here. I do see the potential usage of these numbers, and not trying to fall into a trap.

If we use the same inputs as the example below, but switch eps to $2.18, and then use a 10 year growth rate of 4%, Price to Tangible book of 3X, followed by years 11 -15 of 3%, we would get 10 and 15 year annualized ROI's of slightly less than 13%.

If we do the same for Intrinsic Value spreadsheet, we get the following:

Company	Pfizer
Report Date	03-May-11
Price	20.11
Growth Rate	**4.00%**
Price/Sales	2.49
Price/ Net Cash Flow	9.86
Price/ Net Book Value	(11.83)
P/E Ratio Current	9.22
P/E Ratio Year 2	8.74
Current Ratio	2.11
Quick Ratio	1.82
LT Debt / Shr. Equity	43.74%
LT Debt / Current Assets	63.52%
Return on Shr. Equity	8.50%
PEG Ratio (Current)	2.31
PEG Ratio Year 2	2.19
PEGY Ratio (Current)	1.16
PEGY Ratio Year 2	1.10
Graham Ratio (current)	(109.12)
Graham Ratio Year 2	(103.43)
Growth Flow Ratio	6.21

(<12=nrml)	
Cash King (s/b > 10 %)	25.22%
Flow Ratio (s/b < 1.25)	1.41
Intrinsic Value (current)	28.78
Intrinsic Value Year 2	30.36
Intrinsic Value Year 3	31.57
Intrinsic Value Year 4	32.84
Intrinsic Value Year 5	34.15
Intrinsic Value / Price (current)	43.09%
Intrinsic Value / Price Year 2	50.97%
Intrinsic Value / Price Year 3	57.01%
Intrinsic Value / Price Year 4	63.29%
Intrinsic Value / Price Year 5	69.82%

Here are some spreadsheets using reported data, and not using any adjusted numbers.

When you look at the data below, you will see ROI's of < 5% are projected through 2021, and less than 8% for 2026.

Company Name	**Pfizer**
Symbol	**PFE**
Date Worked On	3-May-11
Base Year	31-Dec-11
Price	$20.21
Shares Outstanding	8,035
Market Capitalization	$162,387
Cash and CE	$28,012
Long Term Debt	$38,410
Minority Interests	$0
Goodwill	$43,947
Intangibles	$57,558

Other Intangibles	$0
Enterprise Value	$172,785
Short Term Debt	$5,623
Stockholders Equity	$87,813
Depreciation and Amortization	$8,487
CapEx	$1,513
Revenues	$65,000
Total Assets	$195,014
Net Income	$9,400
Dividend	$0.80
Interest Expense	$1,800
Net Income Before Taxes	$13,239
Enterprise Value Per Share	$21.50
Price To Enterprise Value	93.98%
Total Debt	$44,033
Total Debt / Net Income	468.44%
Total Debt Per Share	$5.48
Tangible Book Value	-$13,692
Book Value Per Share	$10.93
Tangible Book Value Per Share	-$1.70
Price / Book Value	184.92%
Price / Tangible Book Value	-1186.00%
Price / Earnings Ratio	17.28
Enterprise Value / Earnings Ratio	18.38
Earnings Yield	5.79%

Price To Sales Ratio	249.83%
Net Income / Total Assets	4.82%
Total Assets / (Revenues/365)	1095.08
Enterprise Value / Revenues	265.82%
Goodwill / Total Assets	22.54%
Goodwill / Stockholders Equity	50.05%
Debt / Equity	50.14%
Average P/E Last 10 Years	16.0
Free Operating Cash Flow	$16,374
Free Operating Cash Flow Per Share	2.04
Free Operating Cash Flow Flow Yield	10.08%
Price / Free Operating Cash Flow	9.92
Revenues Per Share	$8.09
Net Income Per Share	$1.17
Return on Equity	10.70%
Bond Rating (S&P)	AA
Growth Rate	5.00%
Dividend Yield	3.96%
Dividend / Net Income	68.38%
Dividend / Cash Flow	39.26%
Interest Coverage Ratio	8.36
Insider Activity	Mostly Sales
Buy-Backs	Yes
Dilution	No

Management Compensation	Fair
Price to Consider buying more	$22.00
Price to sell or consider reducing	$30.00
Action (Buy, Hold or Sell)	Buy
Portfolio Allocation Suggestion	4%

Pfizer	
As of Date	March 31, 2011
EV Analysis	
Date Worked On	May 3, 2011
Share Outstanding	8,035.00
Share Price	$20.17
Market Capitalization	$162,065.95
Less: Cash and Short Term Investments	($28,012.00)
Add: Long Term Debt	$38,410.00
Minority Interest	$0.00
Enterprise Value	**$172,463.95**
EV per share	$21.46
Stockholders' Equity	$87,813.00
Adjustments:	
Goodwill	($43,947.00)
Tradenames	$0.00
Other Intangibles	($57,558.00)
Net Stockholders' Equity	($13,692.00)
Adjusted Book Value per Share	-$1.70

Quick Projections	May 3, 2011
Revenue	$65,000.00
Net Margin % before tax	20.00%

Net Margin before taxes	$13,000.00
Tax Rate	29.00%
Corporate Taxes	$3,770.00
Net Income after Taxes	$9,230.00
Net Margin %	14.20%
Shares Outstanding	8,035.00
eps	$1.15

FV of current equity and future earnings	03-May-11
Adjusted Stockholder's Equity	-$13,692.00
Net Income after Taxes	$9,230.00
Growth Rate of Net Profit for 10N	**4.00%**
Growth Rate of Net Profit after 10N through 15N	**3.00%**
FV of Net Profit in 10N	$13,662.65
FV of Net Profit in 15N	$15,838.76
FV of tangible book value plus Net Profits for 10N	$90,548.86
FV of tangible book value plus Net Profits for years 11 - 15N	$177,507.84
Current Enterprise Value	$172,463.95
FV of tangible book value plus Net Profits for 10N	($90,548.86)
Years	10
ROI on tangible book value plus Net Profits for 10N	-6.24%
FV of tangible book value plus Net Profits for 10N	$90,548.86
FV of tangible book value multiplier	3.00
FV of Tangible Book Value using BV multiplier in year 10	**$271,646.59**
Current Enterprise Value	$172,463.95
FV of tangible book value plus Net Profits for years 11 - 15N	($177,507.84)
Years	15
ROI on tangible book value plus Net Profits for 15N	0.19%
FV of tangible book value plus Net Profits for 15N	$177,507.84
FV of tangible book value multiplier	3.0
FV of Tangible Book Value using BV multiplier in year 15	**$532,523.52**
Potential Future EV using BV multiplier above	

Current Enterprise Value	$172,463.95
FV of Tangible Book Value using BV multiplier in year 10	($271,646.59)
Years	10
ROI on FV of Tangible Book Value using BV multiplier in year 10	**4.65%**
Current Enterprise Value	$172,463.95
FV of Tangible Book Value using BV multiplier in year 15	($532,523.52)
Years	15
ROI on FV of Tangible Book Value using BV multiplier in year 15	**7.81%**
Sanity Checks:	
P/E in future	
FV of Net Profit in 15N	$15,839
P/E estimate	15.00
Market Cap on above	-$237,581
Years	15
Current Enterprise Value	$172,464
ROI in 15N using above	2.15%
Potential Revenue Growth	
Current Revenues	$65,000
Growth Rate of Revenues for 10N	4.00%
Growth Rate of Revenues after 10N through 15N	3.00%
FV of Revenues in 10N	($96,216)
FV of Revenues in 15N	$111,541
FV of Revenues in 15N	$111,541
Revenue Multiplier based on Al Meyer Rule of Thumb net margins	3
Possible Market Cap year 15	($334,622)
Years	15
Current Enterprise Value	$172,464
ROI in 15N using above	5%

Company	Pfizer
Report Date	03-May-11
Price	20.11
Growth Rate	**5.00%**

Price/Sales	2.49
Price/ Net Cash Flow	9.86
Price/ Net Book Value	(11.83)
P/E Ratio Current	17.49
P/E Ratio Year 2	12.57
Current Ratio	2.11
Quick Ratio	1.82
LT Debt / Shr. Equity	43.74%
LT Debt / Current Assets	63.52%
Return on Shr. Equity	8.50%
PEG Ratio (Current)	3.50
PEG Ratio Year 2	2.51
PEGY Ratio (Current)	1.95
PEGY Ratio Year 2	1.40
Graham Ratio (current)	(206.86)
Graham Ratio Year 2	(148.68)
Growth Flow Ratio (<12=nrml)	9.10
Cash King (s/b > 10 %)	25.22%
Flow Ratio (s/b < 1.25)	1.41
Intrinsic Value (current)	17.02
Intrinsic Value Year 2	23.68
Intrinsic Value Year 3	24.86
Intrinsic Value Year 4	26.11
Intrinsic Value Year 5	27.41
Intrinsic Value / Price (current)	-15.37%
Intrinsic Value / Price Year 2	17.75%
Intrinsic Value / Price Year 3	23.64%
Intrinsic Value / Price Year 4	29.82%
Intrinsic Value / Price Year 5	36.31%

2011 and 2012 Financial Guidance Reaffirmed. If I read the annual report correctly, these are identical to guidance given in 2010 Form 10 – K.

2011 Financial Guidance(1)(2)

Reported Revenues	$65.2 to $67.2 Billion
Adjusted Cost of Sales(3) as a Percentage of Revenues	19.5% to 20.5%
Adjusted SI&A Expenses(3)	$19.2 to $20.2 Billion
Adjusted R&D Expenses(3)	$8.0 to $8.5 Billion
Adjusted Other (Income)/Deductions(3)	Approximately $1.0 Billion
Effective Tax Rate on Adjusted Income(3)	Approximately 29%
Reported Diluted EPS(3)	$1.09 to $1.24
Adjusted Diluted EPS(3)	$2.16 to $2.26

Reaffirm All Elements of 2011 Financial Guidance Given Continued Confidence in the Business

(1) At exchange rates that reflect a blend of the actual exchange rates in effect during first-quarter 2011 and mid-April 2011 exchange rates for the remainder of the year.
(2) Includes revenues and expenses related to the Capsugel business as a discontinued operation but does not include any gain on the sale of Capsugel. Does not assume the completion of any business-development transactions not completed as of April 3, 2011. Also excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of April 3, 2011.
(3) See Slide 8 for definition.

2012 Financial Targets(1)(2)

Reported Revenues	$62.2 to $64.7 Billion
Adjusted SI&A Expenses(3)	$17.5 to $18.5 Billion
Adjusted R&D Expenses(3)	$6.5 to $7.0 Billion
Adjusted Operating Margin(3)	High 30%s to Low 40%s
Adjusted Other (Income) / Deductions(3)	Approximately $1.0 Billion
Effective Tax Rate on Adjusted Income(3)	Approximately 29%
Reported Diluted EPS(3)	$1.58 to $1.73
Adjusted Diluted EPS(3)	$2.25 to $2.35
Operating Cash Flow	$19+ Billion

Reaffirm All 2012 Financial Targets

(1) At mid-April 2011 exchange rates.
(2) Includes revenues and expenses related to the Capsugel business as a discontinued operation but does not include any gain on the sale of Capsugel. Does not assume the completion of any business-development transactions not completed as of April 3, 2011. Also excludes the potential effects of the resolution of litigation-related matters not substantially resolved as of April 3, 2011.
(3) See Slide 8 for definition.
Note: Given the longer-term nature of these targets, they are subject to greater variability and less certainty as a result of potential material impacts related to foreign exchange fluctuations, macroeconomic activity including inflation, and industry-specific challenges including changes to government healthcare policy, among others.

- Anticipate repurchasing $5 billion to $7 billion of shares in 2011
  - Repurchased ~$1.4 billion, or ~73.5 million shares, during Q1 2011
  - Repurchased a total of ~$2.2 billion, or ~110.5 million shares, through April 30th
  - After-tax proceeds of ~$2.0 billion from the pending sale of Capsugel will be used to repurchase shares and/or to invest in business development opportunities

Review of 2010 Annual Report and Form 10-K

1. Record sales of $67.8B.

2. Expects to repurchase $5B of stock in 2011.

3. Cost-reduction goal of $4B to $5B, by the end of 2012. More than $2B of this was achieved in 2010.

4. Wyeth contributed $18.1B

Analysis of the Consolidated Statements of Income

	YEAR ENDED DECEMBER 31,			% CHANGE	
(MILLIONS OF DOLLARS)	**2010**	2009	2008	**10/09**	09/08
Revenues	**$67,809**	$50,009	$48,296	**36**	4
Cost of sales	**16,279**	8,888	8,112	**83**	10
% of revenues	**24.0%**	17.8%	16.8%		
Selling, informational and administrative expenses	**19,614**	14,875	14,537	**32**	2
% of revenues	**29.0%**	29.7%	30.1%		
R&D expenses	**9,413**	7,845	7,945	**20**	(1)
% of revenues	**13.9%**	15.7%	16.5%		
Amortization of intangible assets	**5,404**	2,877	2,668	**88**	8
% of revenues	**8.0%**	5.8%	5.5%		
Acquisition-related IPR&D charges	**125**	68	633	**84**	(89)
% of revenues	**0.2%**	0.1%	1.3%		
Restructuring charges and certain acquisition-related costs	**3,214**	4,337	2,675	**(26)**	62
% of revenues	**4.7%**	8.7%	5.5%		
Other deductions—net	**4,338**	292	2,032	*****	(86)
Income from continuing operations before provision for taxes on income	**9,422**	10,827	9,694	**(13)**	12
% of revenues	**13.9%**	21.7%	20.1%		
Provision for taxes on income	**1,124**	2,197	1,645	**(49)**	34
Effective tax rate	**11.9%**	20.3%	17.0%		
Discontinued operations—net of tax	**(9)**	14	78	**(164)**	(81)
Less: Net income attributable to noncontrolling interests	**32**	9	23	**256**	(59)
Net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	**(4)**	7
% of revenues	**12.2%**	17.3%	16.8%		

Percentages may reflect rounding adjustments.
* Calculation not meaningful.

Revenues by Segment and Geographic Area

Worldwide revenues by segment and geographic area follow:

	YEAR ENDED DECEMBER 31,									% CHANGE					
	WORLDWIDE			U.S.			INTERNATIONAL			WORLDWIDE		U.S.		INTERNATIONAL	
(MILLIONS OF DOLLARS)	**2010 (a)**	2009 (a)	2008	**2010 (a)**	2009 (a)	2008	**2010 (a)**	2009 (a)	2008	**10/09**	09/08	**10/09**	09/08	**10/09**	09/08
Biopharmaceutical	**$58,523**	$45,448	$44,174	**$25,962**	$20,010	$18,817	**$32,561**	$25,438	$25,357	**29**	3	**30**	6	**28**	—
Diversified	**8,966**	4,189	3,592	**2,981**	1,646	1,383	**5,985**	2,543	2,209	**114**	17	**81**	19	**135**	15
Corporate/Other (b)	**320**	372	530	**103**	93	201	**217**	279	329	**(14)**	(30)	**11**	(54)	**(22)**	(15)
Total Revenues	**$67,809**	$50,009	$48,296	**$29,046**	$21,749	$20,401	**$38,763**	$28,260	$27,895	**36**	4	**34**	7	**37**	1

(a) Legacy Wyeth revenues are included for a full year in 2010. 2009 includes revenues from legacy Wyeth products commencing on the Wyeth acquisition date, October 15, 2009, in accordance with Pfizer's domestic and international year-ends.
(b) Includes Pfizer CentreSource, which includes contract manufacturing and bulk pharmaceutical chemical sales.

Revenues by Segment and Unit

Worldwide revenues by segment and by unit follow:

	YEAR ENDED DECEMBER 31,			% CHANGE	
(MILLIONS OF DOLLARS)	**2010 (a)**	2009 (a),(b)	2008 (b)	**10/09**	09/08
Biopharmaceutical:					
Primary Care (c)	**$23,328**	$22,576	$23,160	**3**	(3)
Specialty Care (d)	**15,021**	7,414	6,000	**103**	24
Established Products (e)	**10,098**	7,790	7,588	**30**	3
Emerging Markets (f)	**8,662**	6,157	6,053	**41**	2
Oncology (g)	**1,414**	1,511	1,590	**(6)**	(5)
Returns adjustment	**—**	—	(217)	**—**	*
Total Biopharmaceutical	**58,523**	45,448	44,174	**29**	3
Diversified:					
Animal Health	**3,575**	2,764	2,825	**29**	(2)
Consumer Healthcare	**2,772**	494	—	*****	*
Nutrition	**1,867**	191	—	*****	*
Capsugel	**752**	740	767	**2**	(4)
Total Diversified	**8,966**	4,189	3,592	**114**	17
Corporate/Other (h)	**320**	372	530	**(14)**	(30)
Total Revenues	**$67,809**	$50,009	$48,296	**36**	4

Revenues—Major Biopharmaceutical Products

Revenue information for several of our major Biopharmaceutical products follows:

(MILLIONS OF DOLLARS)		YEAR ENDED DECEMBER 31,			% CHANGE	
PRODUCT	PRIMARY INDICATIONS	**2010**	2009	2008	**10/09**	09/08
Lipitor	Reduction of LDL cholesterol	**$10,733**	$11,434	$12,401	**(6)**	(8)
Enbrel [(a), (b)]	Rheumatoid, juvenile rheumatoid and psoriatic arthritis, plaque psoriasis and ankylosing spondylitis	**3,274**	378	—	*	*
Lyrica	Epilepsy, post-herpetic neuralgia and diabetic peripheral neuropathy, fibromyalgia	**3,063**	2,840	2,573	**8**	10
Prevnar/Prevenar 13 [(a)]	Vaccine for prevention of invasive pneumococcal disease	**2,416**	—	—	*	*
Celebrex	Arthritis pain and inflammation, acute pain	**2,374**	2,383	2,489	—	(4)
Viagra	Erectile dysfunction	**1,928**	1,892	1,934	**2**	(2)
Xalatan/Xalacom	Glaucoma and ocular hypertension	**1,749**	1,737	1,745	**1**	—
Effexor [(a)]	Depression and certain anxiety disorders	**1,718**	520	—	*	*
Norvasc	Hypertension	**1,506**	1,973	2,244	**(24)**	(12)
Prevnar/Prevenar(7-valent) [(a)]	Vaccine for prevention of invasive pneumococcal disease	**1,253**	287	—	*	*
Zyvox	Bacterial infections	**1,176**	1,141	1,115	**3**	2
Sutent	Advanced and/or metastatic renal cell carcinoma (mRCC) and refractory gastrointestinal stromal tumors (GIST)	**1,066**	964	847	**11**	14
Premarin family [(a)]	Menopause	**1,040**	213	—	*	*
Geodon/Zeldox	Schizophrenia; acute manic or mixed episodes associated with bipolar disorder; maintenance treatment of bipolar mania	**1,027**	1,002	1,007	**2**	(1)
Detrol/Detrol LA	Overactive bladder	**1,013**	1,154	1,214	**(12)**	(5)
Zosyn/Tazocin [(a)]	Antibiotic	**952**	184	—	*	*
Genotropin	Replacement of human growth hormone	**885**	887	898	—	(1)
Vfend	Fungal infections	**825**	798	743	**3**	7
Chantix/Champix	An aid to smoking cessation	**755**	700	846	**8**	(17)
Protonix [(a)]	Gastroesophageal reflux disease	**690**	68	—	*	*
BeneFIX [(a)]	Hemophilia	**643**	98	—	*	*
Zoloft	Depression and certain anxiety disorders	**532**	516	539	**3**	(4)
Caduet	Reduction of LDL cholesterol and hypertension	**527**	548	589	**(4)**	(7)
Aromasin	Breast cancer	**483**	483	465	—	4
Revatio	Pulmonary arterial hypertension (PAH)	**481**	450	336	**7**	34
Pristiq [(a)]	Depression	**466**	82	—	*	*
Medrol	Inflammation	**455**	457	459	—	—
Aricept [(c)]	Alzheimer's disease	**417**	432	482	**(3)**	(10)
Zithromax/Zmax	Bacterial infections	**415**	430	429	**(3)**	—
Cardura	Hypertension/Benign prostatic hyperplasia	**413**	457	499	**(10)**	(8)
ReFacto AF/Xyntha [(a)]	Hemophilia	**404**	47	—	*	*
BMP2 [(a)]	Development of bone and cartilage	**400**	81	—	*	*
Rapamune [(a)]	Immunosuppressant	**388**	57	—	*	*
Fragmin	Anticoagulant	**341**	359	316	**(5)**	14
Tygacil [(a)]	Antibiotic	**324**	54	—	*	*
Alliance revenues [(d)]	Various	**4,084**	2,925	2,251	**40**	30
All other [(e)]	Various	**8,307**	7,417	7,753	**12**	(4)

5. Total Costs of Wyeth acquisition projected between $11.5B to $13.5B through 2012. They have incurred around $9.5B through December 31, 2010.

We incurred the following costs in connection with our cost-reduction initiatives and the acquisition of Wyeth:

	YEAR ENDED DECEMBER 31,		
(MILLIONS OF DOLLARS)	**2010**	2009	2008
Transaction costs [(a)]	**$ 23**	$ 768	$ —
Integration costs [(b)]	**1,004**	569	49
Restructuring charges [(c)]			
Employee termination costs	**1,125**	2,571	2,004
Asset impairments	**870**	159	543
Other	**192**	270	79
Restructuring charges and certain acquisition-related costs	**$3,214**	$4,337	$2,675
Additional depreciation—asset restructuring, recorded in our Consolidated Statements of Income as follows [(d)]:			
Cost of Sales	**$ 526**	$ 133	$ 596
Selling, informational and administrative expenses	**227**	53	19
Research and development expenses	**34**	55	171
Total additional depreciation—asset restructuring	**787**	241	786
Implementation costs [(e)]	**—**	250	819
Total	**$4,001**	$4,828	$4,280

Reconciliation

A reconciliation of *Net income attributable to Pfizer Inc.* , as reported under U.S. GAAP to Adjusted income follows:

	YEAR ENDED DECEMBER 31,			% CHANGE	
(MILLIONS OF DOLLARS)	**2010**	2009	2008	**10/09**	09/08
Reported net income attributable to Pfizer Inc.	**$ 8,257**	$ 8,635	$ 8,104	**(4)**	7
Purchase accounting adjustments—net of tax	**6,109**	2,633	2,439	**132**	8
Acquisition-related costs—net of tax	**2,909**	2,859	39	**2**	*
Discontinued operations—net of tax	**9**	(14)	(78)	*	82
Certain significant items—net of tax	**699**	89	5,862	*	(98)
Adjusted income [(a)]	**$17,983**	$14,202	$16,366	**27**	(13)

[(a)] The effective tax rate on Adjusted income was 29.8% in 2010, 29.5% in 2009 and 22.0% in 2008. The higher tax rate on Adjusted income in 2010 is primarily due to, the change in the jurisdictional mix of earnings and the write-off of the deferred tax asset of approximately $270 million related to the Medicare Part D subsidy for retiree prescription drug coverage resulting from changes in the U.S. Healthcare Legislation concerning the tax treatment of that subsidy effective for tax years beginning after December 31, 2012, partially offset by the extension of the U.S. research and development credit and $460 million in tax benefits for the resolution of certain tax positions pertaining to prior years with various foreign tax authorities.

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.

A reconciliation of Reported diluted EPS as reported under U.S. GAAP to Adjusted diluted EPS follows:

	YEAR ENDED DECEMBER 31,			% CHANGE	
	2010	2009	2008	**10/09**	09/08
Earnings per common share—diluted:					
Reported income from continuing operations attributable to Pfizer Inc. common shareholders [(a)]	**$ 1.02**	$1.23	$ 1.19	**(17)**	3
Income from discontinued operations—net of tax	**—**	—	0.01	—	(100)
Reported net income attributable to Pfizer Inc. common shareholders	**1.02**	1.23	1.20	**(17)**	3
Purchase accounting adjustments—net of tax	**0.76**	0.38	0.36	**100**	6
Acquisition-related costs—net of tax	**0.36**	0.40	—	**(10)**	*
Discontinued operations—net of tax	**—**	—	(0.01)	—	100
Certain significant items—net of tax	**0.09**	0.01	0.87	*	(99)
Adjusted Net income attributable to Pfizer Inc. common shareholders [(a)]	**$ 2.23**	$2.02	$ 2.42	**10**	(17)

[(a)] Reported and Adjusted diluted earnings per share in 2010 and 2009 were impacted by the increased number of shares outstanding in comparison with 2008, resulting primarily from shares issued to partially fund the Wyeth acquisition.

* Calculation not meaningful.

Certain amounts and percentages may reflect rounding adjustments.

Adjusted income as shown above excludes the following items:

(MILLIONS OF DOLLARS)	YEAR ENDED DECEMBER 31, 2010	2009	2008
Purchase accounting adjustments:			
Amortization, depreciation and other [(a)]	**$ 5,228**	$ 2,743	$ 2,546
Cost of sales, primarily related to fair value adjustments of acquired inventory	**2,904**	976	—
In-process research and development charges [(b)]	**125**	68	633
Total purchase accounting adjustments, pre-tax	**8,257**	3,787	3,179
Income taxes	**(2,148)**	(1,154)	(740)
Total purchase accounting adjustments—net of tax	**6,109**	2,633	2,439
Acquisition-related costs:			
Transaction costs [(c)]	**23**	768	—
Integration costs [(c)]	**1,004**	569	6
Restructuring charges [(c)]	**2,187**	2,608	43
Additional depreciation—asset restructuring [(d)]	**787**	81	—
Total acquisition-related costs, pre-tax	**4,001**	4,026	49
Income taxes	**(1,092)**	(1,167)	(10)
Total acquisition-related costs—net of tax	**2,909**	2,859	39
Total discontinued operations—net of tax	**9**	(14)	(78)
Certain significant items:			
Restructuring charges—cost-reduction initiatives [(e)]	**—**	392	2,626
Implementation costs—cost-reduction initiatives [(f)]	**—**	410	1,605
Certain legal matters [(g)]	**1,703**	294	3,249
Net interest expense—Wyeth acquisition [(h)]	**—**	589	—
Certain asset impairment charges [(i)]	**2,151**	294	213
Inventory write-off [(j)]	**212**	—	—
Returns liabilities adjustment [(k)]	**—**	—	217
Gain related to ViiV [(l)]	**—**	(482)	—
Other [(m)]	**(102)**	20	180
Total certain significant items, pre-tax	**3,964**	1,517	8,090
Income taxes [(n)]	**(3,265)**	(1,428)	(2,228)
Total certain significant items—net of tax	**699**	89	5,862
Total purchase accounting adjustments, acquisition-related costs, discontinued operations and certain significant items—net of tax	**$ 9,726**	$ 5,567	$ 8,262

6.

Financial Condition, Liquidity and Capital Resources

Net Financial Liabilities, as shown below:

(MILLIONS OF DOLLARS)	AS OF DECEMBER 31, 2010	2009
Financial assets:		
Cash and cash equivalents	**$ 1,735**	$ 1,978
Short-term investments	**26,277**	23,991
Short-term loans	**467**	1,195
Long-term investments and loans	**9,748**	13,122
Total financial assets	**$38,227**	$40,286
Debt:		
Short-term borrowings, including current portion of long-term debt	**$ 5,623**	$ 5,469
Long-term debt	**38,410**	43,193
Total debt	**$44,033**	$48,662
Net financial liabilities	**$ (5,806)**	$ (8,376)

Credit Ratings

Two major corporate debt-rating organizations, Moody's Investors Service (Moody's) and Standard & Poor's (S&P), assign ratings to our short-term and long-term debt. The following chart reflects the current ratings assigned by these rating agencies to our commercial paper and senior unsecured non-credit-enhanced long-term debt issued by us:

NAME OF RATING AGENCY	COMMERCIAL PAPER	LONG-TERM DEBT RATING	LONG-TERM DEBT OUTLOOK	DATE OF LAST ACTION
Moody's	P-1	A1	Stable	October 2009
S&P	A1+	AA	Stable	October 2009

Debt Capacity

We have available lines of credit and revolving credit agreements with a group of banks and other financial intermediaries. We maintain cash and cash equivalent balances and short-term investments in excess of our commercial paper and other short-term borrowings. As of December 31, 2010, we had access to $9.0 billion of lines of credit, of which $1.9 billion expire within one year. Of these lines of credit, $8.4 billion are unused, of which our lenders have committed to loan us $7.0 billion at our request. Also, $7.0 billion of our unused lines of credit, all of which expire in 2013, may be used to support our commercial paper borrowings.

Selected Measures of Liquidity and Capital Resources

The following table sets forth certain relevant measures of our liquidity and capital resources:

(MILLIONS OF DOLLARS, EXCEPT RATIOS AND PER COMMON SHARE DATA)	AS OF DECEMBER 31, 2010	2009
Cash and cash equivalents and short-term investments and loans [(a)]	**$28,479**	$27,164
Working capital [(b)]	**$31,859**	$24,445
Ratio of current assets to current liabilities	**2.11:1**	1.66:1
Shareholders' equity per common share [(c)]	**$ 10.96**	$ 11.19

Deutsche Bank Grid on PFE issued 5/3/11 (yet this table has not been updated for new reporting)

Fiscal year end 31-Dec	2008	2009	2010	2011E	2012E	2013E
Financial Summary						
DB EPS (USD)	2.42	2.02	2.23	2.21	2.33	2.54
Reported EPS (USD)	2.43	2.02	2.23	2.21	2.33	2.54
DPS (USD)	1.27	0.79	0.75	0.79	0.89	1.00
BVPS (USD)	8.81	13.24	11.25	12.83	14.67	16.79
Valuation Metrics						
Price/Sales (x)	2.6	2.2	1.9	2.5	2.5	2.4
P/E (DB) (x)	8.0	7.8	7.5	9.5	9.0	8.3
P/E (Reported) (x)	8.0	7.8	7.5	9.5	9.0	8.3
P/BV (x)	2.0	1.4	1.6	1.6	1.4	1.3
FCF yield (%)	18.9	24.2	14.3	16.1	16.2	17.5
Dividend yield (%)	6.6	5.0	4.5	3.8	4.2	4.8
EV/Sales	2.2	2.3	2.0	2.4	2.3	2.1
EV/EBITDA	4.5	4.8	4.0	4.7	4.3	3.8
EV/EBIT	5.5	5.9	5.2	6.2	5.5	4.9
Income Statement (USDm)						
Sales	48,341	49,934	67,791	65,996	63,925	64,057
EBITDA	24,073	24,286	34,073	33,793	34,747	35,771
EBIT	19,769	19,770	26,373	25,793	26,747	27,771
Pre-tax profit	21,012	20,157	25,644	24,843	25,747	26,871
Net income	**16,366**	**14,202**	**17,983**	**17,626**	**18,094**	**19,072**
Cash Flow (USDm)						
Cash flow from operations	**25,691**	**27,192**	**20,361**	**29,126**	**28,594**	**29,572**
Net Capex	-1,701	-1,205	-1,513	-2,800	-2,800	-2,800
Free cash flow	**23,990**	**25,987**	**18,848**	**26,326**	**25,794**	**26,772**
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-8,541	-5,548	-6,088	-6,300	-6,900	-7,500
Net inc/(dec) in borrowings	0	0	0	0	0	0
Other investing/financing cash flows	-12,889	-18,550	-3,017	-11,000	-14,000	-9,000
Net cash flow	**2,560**	**1,889**	**9,743**	**9,026**	**4,894**	**10,272**
Change in working capital	*4,395*	*11,441*	*-1,500*	*-1,500*	*-1,500*	*-1,500*
Balance Sheet (USDm)						
Cash and cash equivalents	23,731	25,969	28,012	29,038	25,932	28,012
Property, plant & equipment	13,287	22,780	19,123	19,000	18,000	18,000
Goodwill	21,464	42,376	43,947	48,000	48,000	49,000
Other assets	52,666	121,824	103,932	121,472	120,947	120,561
Total assets	**111,148**	**212,949**	**195,014**	**217,510**	**212,879**	**215,573**
Debt	17,283	48,662	44,033	37,035	27,035	22,035
Other liabilities	36,125	73,841	62,716	80,884	75,059	71,373
Total liabilities	**53,408**	**122,503**	**106,749**	**117,919**	**102,094**	**93,408**
Total shareholders' equity	**57,740**	**90,446**	**88,265**	**99,591**	**110,785**	**122,357**
Net debt	*-6,448*	*22,693*	*16,021*	*7,997*	*1,103*	*-5,977*
Key Company Metrics						
Sales growth (%)	0.1	3.3	35.8	-2.6	-3.1	0.2
DB EPS growth (%)	11.2	-16.7	10.4	-1.0	5.6	9.0
Payout ratio (%)	50.7	38.0	32.9	34.7	37.1	38.2
EBITDA Margin (%)	49.8	48.6	50.3	51.2	54.4	55.8
EBIT Margin (%)	40.9	39.6	38.9	39.1	41.8	43.4
ROE (%)	26.7	19.2	20.1	18.8	17.2	16.4
Net debt/equity (%)	-11.2	25.1	18.2	8.0	1.0	-4.9
Net interest cover (x)	nm	nm	nm	nm	nm	nm
DuPont Analysis						
EBIT margin (%)	40.9	39.6	38.9	39.1	41.8	43.4
x Asset turnover (x)	0.4	0.3	0.3	0.3	0.3	0.3
x Financial cost ratio (x)	1.0	1.0	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.8	0.7	0.7	0.7	0.7	0.7
= ROA (post tax) (%)	**14.5**	**8.8**	**8.8**	**8.5**	**8.4**	**8.9**
x Financial leverage (x)	1.8	2.2	2.3	2.2	2.0	1.8
= ROE (%)	**26.7**	**19.2**	**20.1**	**18.8**	**17.2**	**16.4**
annual growth (%)	*20.1*	*-28.1*	*5.0*	*-6.8*	*-8.3*	*-4.9*
x NTA/share (avg) (x)	9.1	10.5	11.1	11.8	13.5	15.5
= Reported EPS	**2.43**	**2.02**	**2.23**	**2.21**	**2.33**	**2.54**
annual growth (%)	*11.2*	*-16.7*	*10.3*	*-1.0*	*5.5*	*9.2*

Source: Company data, Deutsche Bank estimates

April 18, 2011 (20.43) Review of Value Line 4/15/11

Various Metrics Revised since last issue

Sales per share for F2011, projected at $8.55. On 10/15/10 Value line these were the projections. F2010 sales per share raised from $8.45 to $8.65. F2011 sales per share raised from $8.80 to $8.95.

CF per share for F2011, projected at $2.40. On 10/15/10 Value line these were the projections.F2010 cash flow per share raised from $2.05 to $2.20. F2011 cash flow per share raised from $2.35 to $2.55.

Earnings per share for F2011, projected at $1.25. On 10/15/10 Value line these were the projections.F2010 earnings per share raised from $1.05 to $1.15. F2011 earnings per share raised from $1.25 to $1.40.

ROE projected at 11.5% in F2011 (9.4% for 2010).

Dividend pay-out ratio expected to decrease to be 64% in F2011.

November 2, 2010 (17.35) J

Pfizer reported 3rd quarter results this morning.

3rd quarter revenues were $16,171M, a 39% increase over last year's 3Q. Wyeth revenues accounted for 44% increase, legacy Pfizer was down 4%, and 1% decline was due to foreign exchange. Lipitor sales represented 15.7% of total revenue in the quarter (24.6% of total revenue last year). Lipitor sales were down 11% from last year.

Reported eps for the qtr was $0.11 ($0.43 last year) and ytd reported eps is $0.67 ($1.17 last year). Adjusted eps for the qtr was $0.54 ($0.51 last year) and ytd adjusted eps is $1.76 ($1.54 last year).

Updated 2010 guidance from management:

	Current guidance	Previous guidance
2010 revenue	$67B-$68B	$67B-$69B
2010 reported eps	$0.84-$0.94	$0.95-$1.10
2010 adjusted eps	$2.17-$2.22	$2.10-$2.20

Management affirmed its 2012 guidance of revenues of $65.2B-$67.7B, reported eps of $1.58-$1.73, adjusted eps of $2.25-$2.35, and adjusted operating margin in a range of the high 30%s to low 40%s.

As I have noted before, I am unable to see how the company will have adjusted operating margins near 40%. For the third quarter 2010, the company had adjusted income of $4,372 and revenue of $16,171, a margin of 27%. In the third quarter of 2009, the margin was 30%. YTD 2010, the margin is 28% and YTD 2009 had a margin of 31%. Given that Lipitor is coming off patent, and because of that I anticipate lower margins, I am unable to see how management is projecting an increase in adjusted margins of 33% (30% current margin to 40% margin in 2012).

The company repurchased $500M, or 30M shares ($16.66/share), of common stock in the third quarter.

No balance sheet or cash flow statement released with the earnings results. Dependin on one's preference for reported (GAAP) earnings or adjusted earnings, the shares trade at a PE between 7.8 and 18.5 based on 2010 earnings. As with most things, the true PE is probably somewhere in the middle. Note that 2012 adjusted eps is not significantly different from 2010's adjusted eps.

Credit Suisse note on the 3Q earnings – EPS beat from better cost controls and lighter revenues, same pattern as their peers. Nothing too surprising but expect shares to be flat or underperform today. The 2012 re-affirmation is a positive. Revenue miss was driven by lower international sales. CS has an outperform rating and a $20 target.

October 12, 2010 (17.39) R Notes of King Pharmaceutical announcement of buyout

PFE claims to be immediately accretive

The total consideration net of King's cash and cash equivalents is expected to be approximately $3.3 billion.

"*We believe that there are meaningful cost savings opportunities to be realized which we initially project at a level of at least $200 million. We expect that these savings will be achieved from the operating expense base and will be driven by corporate G&A and pharmaceutical and animal health marketing and promotion. We also expect 50% of these savings to be realized in the first year after the closing of the transaction, 75% in the second year, and 100% by the end of the third year*." D'Amelio

"*On accretion, I said $0.02 in '11 and '12, $0.03 to $0.04 in '13, '14, '15. There is no -- there are no negatives, Dave. Quite frankly it's me wanting to put numbers out there with Jeff and the team that we're going to deliver and hopefully from not only delivering on those numbers but provide some upside from those numbers. And remember, even though it's $0.02 it doesn't mean the number isn't increasing. Every penny for us pretax is $115 million. So the numbers are increasing but you get into some rounding. So $0.02 the first couple years, $0.03 to $0.04 a couple years after that, and obviously if there's more there to get, we will get it*." D'Amelio

I reviewed VL for King Pharma (KG) dated 10/15/10. All looked okay from a metric level and smell test.

October 11, 2010 (17.34) R Review of Value Line 10/15/10

Various Metrics Revised since last issue

F2010 sales per share raised from $8.45 to $8.65. F2011 sales per share raised from $8.80 to $8.95.

F2010 cash flow per share raised from $2.05 to $2.20. F2011 cash flow per share raised from $2.35 to $2.55.

F2010 earnings per share raised from \$1.05 to \$1.15. F2011 earnings per share raised from \$1.25 to \$1.40.

Common Shares outstanding reduced to 8020 for F2010, and 8000 for F2011. This is a reduction from 8060 and 8055 for F2010 and F2011 respectively.

ROE has been projected to increase to 11% in F2011 (10% for 2010).

Dividend pay-out ratio expected to decrease to 62% in F2010, and 57% in F2011.

"Price-recovery looks worthwhile at the current quotation."

October 6, 2010 (17.32) J
Intrinsic value

I have updated the intrinsic value schedule. A spreadsheet result is only as good as the information plugged into it. Assumptions and results follow:

	Value line	John	John 2
30 yr bond	5.25%	5.25%	5.25%
Growth	5%	1.5%	2%
2010 est eps	\$1.05	\$1.95	\$2.00
2011 est eps	\$1.25	\$2.00	\$2.10
Curr Intrinsic Value	\$16.28	\$18.79	\$20.95
Yr 5 Intrinsic Value	\$22.44	\$20.16	\$23.33

The Value line eps is based on actual earnings. I have added back certain adjustments to arrive at an eps figure that is in line with the management guidance. I use a lower growth rate than VL and that lower growth rate is more in line with the Reuters consensus long-term growth rate of 2%. The bond rate is also subject to some debate but according to Finra info, the 2027s were yielding 4.9% today so I don't feel that the 5.25% is too harsh.

Valuation analysis

Assumptions and results:

2010 est eps	\$2.06	\$2.06	\$1.18
10 yr growth rate	0%	1%	1%
11-15 yr growth rate	1%	1%	1%
Tangible book multiple	3	2	2.5
10 yr ROI based on tang bk	10.79%	6.79%	2.15%
15 yr ROI based on tang bk	10.60%	8.08%	5.22%
ROI using Yr 15 PE=15	3.40%	4.09%	0.27%
Al Meyer Yr 15 ROI	6.00%	6.00%	6.00%

This is a difficult analysis as the variables are great. I have used \$2.06 eps which is the adjusted eps that management uses as guidance as a starting point and I have also used \$1.18 gaap eps as a starting point. Given the on-going nature of these "one-time" adjustments, normalized earnings are probably somewhere between the gaap company estimate of $0.95-$1.05 and the estimated adjusted earnings of $2.00-$2.10.

I think management has offered a much too optimistic picture of revenues and margins than is warranted. I have noted before (see 3/1/10 notes) that around one-third of the company's revenue comes off patent within the next 3 years and that management's guidance of 40% operating margins is not realistic. There is nothing that has altered my opinions. I am assuming the management has included the 40% margins in their $2.20 eps and it will be difficult to achieve those future results. Operating margins before tax have been around 20% for the past three years. How are margins going to double as patent issues are dealt with?

Debt

Since October 2009 S&P rates as AA, Moody's as A1, and Fitch rates as AA-. On 10/4/10, Fitch put the debt on negative watch. Fitch noted "effects of upcoming patent expirations on the world's largest drug maker's revenue and margins as likely worse than expected."

Management 2012 guidance (as noted in 2Q10 Q)

Comparison of 2012 guidance vs. 2010 guidance:

	2010	**2012**
Revenues	$67.0B-$69.0B	$65.2B-$67.7B
Diluted eps (Gaap)	$0.95-$1.10	$1.58-$1.73
Acquisition adjustment	0.29-0.34	0.15-0.20
Purchase acctng impact	0.78	0.47
Certain significant items	0.03	0.00
"Adjusted" eps	$2.10-$2.20	$2.25-$2.35

PE based on current price assuming various earnings estimates:

	Gaap low	Gaap high	Adjusted low	Adjusted high
2010 eps	$0.95	$1.10	$2.10	$2.20
PE based on 2010 eps	18.2	15.7	8.2	7.9
2012 eps	$1.58	$1.73	$2.25	$2.35
PE based on 2012 eps	11.0	10.0	7.7	7.4

Share repurchases
The company also announced that it resumed buying back shares under the 1/23/08 $5B purchase plan. During the second quarter, there were 30.8M shares purchased at an average cost of $16.24. There is $4.5B remaining under the plan.

Book value
Book value at the end of the second quarter was $10.69 (86,439/8,085). Tangible book is negative due to the goodwill and intangibles, much of it from the Wyeth transaction.

Conclusion
There are no expectations for this stock and those expectations may still be too high. The dividend of 4.2% is attractive but we could probably find yield elsewhere with less uncertainty. My issue is primarily the company guidance and my opinion that it is not realistic – maybe no one believes the guidance and that is the reason for the low valuation. I would not purchase currently and if price rises, we should sell.

Other analysts notes:
Morningstar (8/4/10) rates as 5 stars (?!) with a price target of $26. The foundation remains solid based on strong cash flows from its diverse basket of drugs. Expect billions of dollars in cost cuts which will buoy earnings. Lipitor generates gross margins in excess of 90% (J note-how are they going to increase margins once it goes off patent?). They believe that the earnings will come in above the $2.20 estimate in 2010.

"Considering that most of the investment community believes Pfizer won't reach its 2012 forecast, we believe a slight miss on long-term guidance should not be detrimental to the stock price."

"Accounting transparency is not ideal, largely because of financial distortions caused by frequent acquisitions. Reconciliation between generally accepted accounting practices and adjusted results is complex, diluting the clarity of earnings statements."

J note – I wonder what they say about companies rated 1 star.

S&P (8/24/10, price $16.10) rates as 4 stars with a $19 price target using 8.6 multiple on 2010 earnings and note that $19 is close to their intrinsic value using dcf. They think the Wyeth acquisition will largely offset the impending generic erosion of Lipitor. Risks include the inability to achieve planned synergies and pipeline setbacks.

Credit Suisse (8/27/10, price $15.90) rates outperform with a $20 price target. EPS estimates (adjusted) are $2.19 in 2011, $2.29 in 2012, and $2.26 in 2013.

	Revenue estimates	EPS estimates
2010	$67,822	$2.19
2011	$66,064	$2.30
2012	$61,142	$2.26
2013	$61,855	$2.33
2014	$62.172	$2.36
2015	$63,633	$2.51

August 3, 2010 (16.30; +5.3% today) (J)

PFE reported second qtr earnings this morning. "Adjusted" earnings were $0.62/share vs. analysts' consensus estimates of $0.52/share. Although "adjusted" earnings were significantly above expectations, the company did not change full year estimates and said full year "adjusted" earnings would be at the high-end of its previous guidance of $2.10 - $2.20 per share.

The press release also noted, "The continued strength of our balance sheet and significant operating cash flow", which is interesting because the release did not include either statement. They did not release it in Q1 either and I do not recall if that has always been the case. With all the reference to the "adjusted" earnings of $0.62/share, the actual eps on the income statement was $0.31.

Getting on my soapbox now…I realize most companies "adjust" their earnings but it is frustrating that it is so accepted. Adjusting for one-time items is one thing but when it goes on for years, at some point these adjustments are just a normal part of doing business. For example, in 2012 PFE has issued "adjusted" earnings guidance of $2.25-$2.35 per share but actual earnings of $1.58-$1.73 per share. At least the "adjustments" in two years will "only" be $0.62-$0.67 per share versus the current year's adjustments of $1.10-$1.20 per share. While the "adjustments" effectively double the 2010 actual earnings, they will only increase actual earnings by about 50% in two years. ...Getting off my soapbox now.

The second quarter revenues were $17.3B, an increase of 58% compared to $11B last year. 50% of the increase was attributed to Wyeth products, 3% was due to PFE legacy products and 5% of the increase was foreign exchange. US revenues in the qtr were 43% of the total (41% last year) while International revenues were 57% of the quarter's total (59% last year).

I saw one analyst on bubblevison saying it was a good quarter but also noted the coming loss of Lipitor (16% of the YTD 6/30/2010 revenue). Her impression was that the Lipitor loss was already factored into the current price and the shares are "cheap" now.

Using the current price (16.30) and the high end of company estimates:

	"Adjusted" earnings	Actual earnings
2010	$2.20	$1.10
PE – 2010 earnings	7.4	14.8
2012	$2.35	$1.73
PE – 2012 earnings	6.9	9.4

We'll be able to see more info upon the release of the Q but looking at earnings, one can argue it is undervalued. I continue to think that management's projections of 2012 revenue is too high, but Ron's impression of the CFO (based on Ron's understanding of Lucent) is that he under promises and over delivers so we shall see what happens with regard to revenues and earnings.

7/14/10 (14.83) R Review of Value Line 7/16/10

Various Metrics Revised since last issue

	2010	2011
Sales per share	8.45	**8.80**
Cash Flow per share	**2.05**	**2.35**
Earnings per share	1.05	**1.25**
Dividends per share	0.72	0.80
Capex per share	0.20	0.20
TBV	< 0	< 0

Some setbacks in drug development.
"Price-recovery looks worthwhile at the current quotation.

5/19/10 Pfizer (PFE) (15.88) J
Current year eps estimate of 2.17, PE 7.3; and next year eps estimate of 2.29, PE 6.9. The annual dividend is .72 (4.5%). Keep in mind that the consensus estimates do not include "one-time" charges so that is influencing the PE. We have reduced the position and while I believe the company's estimates are unrealistic, the dividend will support the share price. I would not sell/reduce.

April 14, 2010 (17.04) R Review of Value Line 4/16/10

1. Various Metrics

	2010	2011
Sales per share	8.45	9.65
Cash Flow per share	1.70	1.85
Earnings per share	1.05	1.15
Dividends per share	0.72	0.80
Capex per share	0.20	0.20
TBV	< 0	< 0

Blackrock owns 5.8% (3/10 proxy)
"Next year could be tough one." - Lipitor off patent. Reflected in 2011 eps projection.
Thinks new healthcare plan will provide more individuals ability to receive pharmaceuticals.
"Appears to be considerable growth potential overseas."
Financial Strength A+.
John mentioned BMY (25.68) in note below. Unlike PFE, BMY's earnings are expected to increase in 2010, and 2011. VL attributes this to other major pharmas are diversifying their revenue basis, whereas BMY is doing the opposite and beefing up their drug portfolio. VL included BMY, PFE and LLY as about to hit "patent expiration cliffs." I have not researched but eps growth might be acquisition related (Medarex?)

March 5, 2010 (17.25) J

Not Pfizer specific, but Bristol-Myers (24.98) said that they expect 2013 earnings to be 9%-13% below 2010 when its big drug Plavix goes off patent. Plavix was about 30% of its 2009 revenue. Can we extrapolate this to Pfizer?

March 1, 2010 (17.80) J

2009 10-K released so we have a 12/31/09 balance sheet and the actual shares outstanding.

12/31/09

Stockholders' equity	$90,446	
Common shares o/s		8,070
Book value/share	$11.21	
Goodwill	$42,376	
Other intangibles	$68,015	
Tangible equity	($19,945)	
Tangible book value/share	($2.47)	

Running the valuation schedule:
Assuming $18B in net profits in 2010 (2.23/share) and 0% growth, the ROI, assuming 3X book, is around 11% for 10 and 15 years. This assumes pre-tax margins of 33% and a 20% tax rate. I would consider these optimistic assumptions. Note that PFE has projected adjusted eps of $2.1-$2.2 for 2010 and $2.25-$2.35 for 2012.
Using a PE of 15, the 15 yr ROI is 3.5%.
Using the Al Meyer rule of thumb assuming net margins of 25%, the 15 yr ROI is 5%.

If I adjust the projection slightly, and use a pre-tax margin of 30% and a 25% tax rate, the ROI is just under 10%. Using a PE of 15, the 15 yr ROI is 2.5%. I think this is a more realistic scenario on the margin assumption, but is still more optimistic on the revenue than I think is warranted.

Quite frankly, I am stunned that PFE now has negative tangible equity.

12/31/09 Long term debt is $43,193M vs. $7,963M last year.
LT Debt maturities:
$ 4,137M
$ 3,522M
$ 4,278M
$ 4,125M
After 2014 $27,131M

Pension-expected return on plan assets 8.5% (target allocation has 40% in debt instruments and cash)
Funded status of plans:
US qualified plan at 12/31/09 ($2,601M); at 12/31/08 ($1,886M)
US non-qualified plan at 12/31/09 ($1,368M); at 12/31/08 ($876M)
International plans at 12/31/09 ($2,538M); at 12/31/08 ($1,457M)
Post retirement benefits at 12/31/09 ($3,363M); at 12/31/08 ($1,663M)

Revenue challenges:
Well-documented loss of Lipitor on the horizon. In 2009, Lipitor's sales ($11,434M) were 4 times as large as the second leading drug and represented 22.9% of revenue. However, there are other significant drugs coming off patent in the next few years:

Year off patent	Drug	2009 Revenue (M)
2011	Lipitor	$11,434
2014	Celebrex	$2,383
2012	Viagra	$1,892
2011	Xalatan	$1,737
2012	Detrol	$1,154
2010	Aricept	$432
2011	BeneFIX	$98
Total 2014 and prior		$19,130

This is 38% of total 2009 revenue. There will be new drugs coming to market during this time but it is a significant amount of revenue that needs to be replaced. While Pfizer will be able to continue to manufacture the drugs, the margins on these drugs will not be as high as they are currently. That is a concern for me as management continues to guide to an operating margin of 40%, even with the patent issues.

Operating margins before tax have been around 20% for the past three years.

	2009	2008	2007
Revenue	$50,009	$48,296	$48,418
Inc from Continuing ops before taxes	$10,827	$9,694	$9,278
% of revenue	21.65%	20.07%	19.16%
Income from Continuing ops	$8,630	$8,049	$8,255

% of revenue	17.26%	16.67%	17.05%

Included in the operating expenses are acqusition related costs amounting to 8.7% of revenue in 2009, 5.5% in 2008 and 5.2% in 2007. I am assuming that management does not include those amounts when calculating the 40% margins, but they seem to be an on-going event, yet I have given the company the benefit of the doubt and not included in the valuation schedule. Even with the exclusion of the acquisition costs, I cannot see how management gets to 40% margins.

$650M liabilities for legal contingencies associated with Wyeth. Pfizer says will resolve in a different manner than Wyeth planned.

I continue to believe that an overweight position in these shares is not warranted by the financials. Now that I have bashed the company yet again, watch the share price soar...

February 19, 2010 (18.06) J

Still waiting for balance sheet. The 2018 bonds are not acting out of the ordinary when compared with similarly rated companies—they are essentially at par.
Things to watch for when the K comes out:
Shares outstanding
Cash balance (the large cash was a reason people liked it)
Debt levels
Wyeth legal issues (diet drug lawsuits)

Ron continues to like the overweight position and sees future growth and is not as concerned about patent issues. I continue to be leery of the patent issues. Lipitor is a major issue but PFE also had an additional 10% of its revenue (2008) coming off patent by 2012 and no one mentions that. We need to watch the margins once these drugs go generic, as I think the company's guidance of ~ 40% margins will be difficult to achieve.

I will say that I appear to be alone in my concerns with management's ability to project the future and in the impact of generic competition. Other analyst reports note that the Wyeth acquisition relieved the patent cloud hanging over Pfizer.

February 4, 2010 (18.21) R

Standard and Poors – 2/3/10 report (post earnings release) – Projects $67B for F2010. Projects growth with various products. Thinks there will be margin shrinkage. "*Lyrica neuropathic pain drug. We also expect volume gains in Zyvox, Sutent, Viagra and Geodon. Principal Wyeth growth drivers, in our opinion, should be Prevnar vaccines and Enbrel TNF inhibitor, boosted by new indications and greater market penetration .We also see modest growth in continuing animal health and consumer product lines*." On other hand they project SG&A and R&D improving. Merger related interest expense "*sharply higher*". Thinks Wyeth is a major plus, even with dilution. Thinks top line growth will be offsetting to Lipitor coming off patent. Thinks merger synergies will save $2B.

Bank America Merrill Lynch 2/3/10

Buy rating $21.

2010 and 2011 ests reduced, because of reinvested costs within organization, including emerging markets. Maximizing product opportunities. Expects them to diversify its sales mix.
Raising estimates for 2012 – 2015.
Expects $100B of FCF by 2015.
Attractively valued at 8.2X 2011 E eps of $2.26.
Because of price, they see little downside risk.
2012 estimated revenues of $60.739B, down from previous of $60,040. Thinks 2012 sales expectations by PFE to be potentially overly optimistic.

Morgan Stanley 2/3/10

2012 outlook is encouraging.
Thinks 2010 eps guidance could be conservative.
$22 price target.
Claims CFO has "exceeded annual guidance in recent years." Cited 2008 and 2009 initial targets. A few % points above initial guidance.
Expects eps to grow 3-5% and beyond starting in 2013.
Thinks there will be multiple expansion in future.
5 events to watch in 2010:

Prevnar 13 – thinks analysts not factoring in premium pricing expectations.
Dimebon for Alsheimer's – a free call option. 10% odds of success in their model.
Sutent 2nd line breast and 3rd line lung, studies to be disclosed by mid year.
Tanezumab
Thinks dividend will be raised to $0.80 in 12/10.

February 4, 2010 (18.21) J

Pfizer reported 4th qtr earnings yesterday. The 4th qtr eps was .10/share diluted, .49/share adjusted. For the year 2009, diluted eps was $1.23 and adjusted eps was $2.02. The 4th qtr adjusted was 1 penny below consensus estimates. A one penny miss is not anything to get excited about. The company still is integrating Wyeth operations and is still anticipating cost cutting to add to the bottom line. As I noted in June, I think the cuts they are anticipating are aggressive and borderline unattainable.

They also issued guidance for 2010 and 2012. Note that 2012 is the year after Lipitor comes off patent.

	2010	**2012**
Revenue	$67B-$69B	$66B-$68.5B
Diluted eps	.95-1.10	1.58-1.73
Adjusted eps	2.10-2.20	2.25-2.35

The company is anticipated operating percentage margin in the high 30s or low 40s. As I noted in June, the company's margins will probably closer to 30% (as it was in 1998/1999).

Lipitor represents about 25% of revenue and it is coming off patent in 2011. Once generics are available, Pfizer's margins on its biggest product will be cut. This is the main reason I think management's guidance of a 40% operating margin is "pie in the sky."

Note that earlier in 2009, mgt said that 2012 revenues would be $70B and has already trimmed that estimate. EPS estimate have also been revised down and I will not be surprised to see guidance continue to be on the low side.

Very rough projection for 2012:

Revenue	$66,000
Operating margin	30%
Operating margin	$19,800
Net of 35% tax	$12,870
Shares o/s	8,000
Eps	$1.61
Potential prices:	
PE 10	$16.10
PE 12	$19.32
PE 15	$24.15

We do not have the balance sheet yet for 12/31/09 so I am estimating the shares outstanding. I think I may be generous with the revenue amount. One could argue that the tax rate (35%) is high but Pfizer pays a higher than normal rate as it repatriates cash from foreign countries. The days of drug makers selling at premium multiples are long gone and with a company as large as Pfizer, it will be hard to make a dramatic impact on the revenues and earnings.

We have an overweight position in the stock and I think there are significant uncertainties in the future. In my opinion, the uncertainties are only on the downside. I think guidance is too high on both revenue and margins, yet that is what people are using to value the stock. I think the position should be trimmed for all accounts to no more than 5%. One could argue that a recommendation to cut the ownership % is drastic without having the balance sheet at year end but it really is difficult to see any great future and the cash raised will be useful on any market drops.

Some other analyst notes:

Deutsche Bank 2/2/10 – has a buy and a $25 price target based on 10.3 times their 2011 forecast of $2.42/share estimate. Noted 2010 eps guidance was below consensus estimates but 2012 revenue was above. They think $2.42 in 2011 is realistic given merger synergies despite the loss of patent protection for major drugs. They project eps of $2.26 in 2010 and $2.75 in 2014. Wyeth acquisition will be positive for long term earnings.

Credit Suisse 2/2/10 – has an outperform and $25 price target. They called the 4th qtr "muddled" with revs above estimates and eps below. Company now says merger synergies of $4B savings projected will be $2-$3B.

I just saw an interview with Bruce Berkowitz from Fairholme Fund. He had a very large (double digit) holding in Pfizer and reduced it substantially during Oct and Nov 2009. He noted that he thinks the company will do well (he still has a small position) but he was concerned with the recurring "non-recurring" charges in the industry. He noted that while he may have sold cheap, he was able to buy cheaper companies.

Ron's comments on Berkowitz. Look at transcript below. I think John misinterpreted Berkowitz comments on recurring charges. He specifically mentioned this to be an industry wide event, and not Pfizer specific.

"When we went into the drug industry, it was defensive, we saw a storm coming. And we were right; these companies have maintained reasonably good earnings.

But to some extent we were mistaken, because we found that when you are in a tremendous crisis, everything is correlated. And we were hoping that the companies would protect us more than they did. But we did all right.

But now that we are through this financial earthquake, even though we expect maybe a few more aftershocks, we do expect a more normal environment. So we are shifting from defense to offense, and we need the cash, so we have moved on to some new positions. We are absolutely sure companies we have sold will do quite well. But I think we can do a bit better as our optimism about the future grows.

Breen: With Pfizer in particular, that was taken down from a double-digit position, and you still have a small stake, a couple or three percent. Were there any company-specific issues there that were maybe not clouding the entire future picture, but maybe making you a little less confident?

Berkowitz: What bothers me about the pharmaceutical industry is the use of very low tax rates based on offshore businesses. But that money eventually has to come back to the U.S. It is going to be somehow passed to shareholders where taxes will be taken. So the use of very low tax rates is somewhat bothersome, even though it is GAAP.

And of course, the only other area that always bothers me in almost all industries is the recurring nonrecurring expense. In the pharmaceutical business it seems to be tremendous amounts of recurring nonrecurring expenses, which is the nature of the business.

That is all, those are the parts that bother me, but we are fully aware of them, and the price was right. But with the further collapse of the financials and the health insurers, there became a better proposition.

That is, investing is all about what you give versus what you get. So we are constantly looking at the price of securities versus our expectation of the amount of cash that those securities will generate over the lifetime of the investment. And since a dollar doesn't know how it is made, and we have to put ourselves in the shoes of our shareholders every day, we are going to go for the best possible risk-reward ratio.

Breen: OK. And to clarify you actually made a decent return on Pfizer. You bought it in '08 and averaged down a little bit, so it is not as if you did not have a return, correct?

Berkowitz: We did OK, but nothing to write home about. I don't look at it as a win, nor do I look at it as a loss."

November 10, 2009 (17.56) R

Read the 3Q09 10Q. Pfizer didn't combine Wyeth for reasons of not having all of the full information. They claim they will combine and proforma with the 10K. Pfizer increased guidance to non-gaap (primarily Wyeth costs) to $2.00 - $2.05. Same thesis as prior. Thesis being that PFE is being punished for an expiring pipeline. Indeed the entire industry has this concern. PFE to me is working on synergies, and future revenue and income flows.

From the 10Q for 9/30/09, "On October 20, 2009, we revised our guidance for 2009, at current exchange rates, to reflect the acquisition of Wyeth on October 15, 2009. This guidance incorporates the projected impact of Wyeth's operations from the acquisition closing date through Pfizer's international and domestic year-ends (see note (a) to the table below). In addition, our guidance reflects the projected impact of the strengthening of the U.S. dollar, increased pension expenses and lower interest income compared to 2008. It also reflects an increase in the effective tax rate associated with certain business decisions executed to finance the Wyeth acquisition. We revised our guidance for 2009 revenues to a range of $49.0 billion to $50.0 billion from $45.0 billion to $46.0 billion, and we increased our guidance for 2009 Adjusted diluted earnings per common share (EPS) to a range of $2.00 to $2.05 from $1.90 to $2.00. We also increased our guidance for 2009 reported diluted EPS attributable to Pfizer Inc. common shareholders to a range of $1.45 to $1.50 from $1.30 to $1.45."

	Previous Full-Year 2009 Guidance		Revised Full-Year 2009 Guidance	
($ BILLIONS, EXCEPT PER SHARE AMOUNTS)	Net Income	Diluted EPS	Net Income [a]	Diluted EPS [a]
Adjusted income/diluted EPS [1] guidance	~$12.8-$13.5	~$1.90-$2.00	~$14.1-$14.4	~$2.00-$2.05
Purchase accounting impacts from Wyeth acquisition and business-development transactions completed as of 12/31/08	(1.5)	(0.23)	(2.5) [b]	(0.36) [b]
Costs related to cost-reduction initiatives	(0.9-1.2)	(0.14-0.17)	(0.6) [c]	(0.08) [c]
Wyeth acquisition-related costs [d]	(1.1-1.2)	(0.16-0.18)	(0.9)	(0.12)
Certain legal matters	(.1)	(0.01)	—	—
Other, net	(.1)	(0.01)	0.1	0.01
Reported Net income attributable to Pfizer Inc./diluted EPS attributable to Pfizer Inc. common shareholders guidance	~$8.7-$9.8	~$1.30-$1.45	~$10.2-$10.5	~$1.45-$1.50

Quick Thoughts:

Pfizer of course is an unknown right now. We are waiting for Wyeth numbers. In the meantime, I think we should assume management is being forthcoming, and no known skeletons in the closet.

With that said, intrinsic value of PFE in its current form, and see November 10, 2009 workups shows the potential of intrinsic value. Of course, the unknown is the growth rate, or perhaps the shrink rate, as patents (Lipitor) come off of revenue stream. I am confident that Pfizer will generate growth, and continue to strengthen balance sheet. Time will tell. If we use a negative ½% growth rate, value becomes impaired, but not a blow out. If PFE can achieve a 4% growth rate (and of course could be a lot more), then the investment could provide some fruits.

Valuation analysis shows double digit returns for 15N, yet uses a growth rate of positive to do such, and other assumptions. Even if we show near zero growth, there seems to be value in PFE according to Valuation Analysis. Even if we bring in severe negative growth rates, it still seems as though PFE will be earning at least $10B per year, down from projected $14.1 to $14.4b this year.

Bonds are still strong. 2018's are yielding around 4%.

October 20, 2009 (17.85) J

The Wyeth deal closed on Oct 15, 2009. 4th qtr results will include Wyeth operations beginning on Oct. 16. During the earnings call, Pfizer management said that Wyeth 3rd qtr results will not be released.

Pfizer's 3rd qtr eps of .51 beat estimates of .48/share. The "beat" was due to cost cutting, although Morningstar noted that the expenses were not down as much as they anticipated (the rate of cost cutting slowed vs. previous quarter results). For the nine months this year, revenue was down 7% versus 2008 and "adjusted income" was down 13% while the reported eps for 2009 was unchanged vs. 2008. Pfizer noted that revenues were impacted by 5% unfavorable foreign currency translation. I think that would impact costs as well. (Ron thought the 7% revenue decline was better than most other companies. I checked Eli Lilly revenues for 2009 and through Sept. Lilly revenue was +5%. Merck reports Thurs. and that will be an interesting comparison.)

Cost of sales was 15.4% of sales in 3Q09 vs. 14.5% in 3Q08. Selling expenses decreased 6% and R&D declined 8% in 3Q09 vs. last year.

Pfizer increased its guidance for 2009 for revenues and earnings but I think this "increase" is just the Wyeth numbers being added to the Pfizer stand-alone numbers. Now, expect revenues of $49B - $50B vs. previous of $45B - $46B and reported eps pf $1.45 - $1.50 vs. previous of $1.30 - $1.45 and adjusted eps of $2.00 - $2.05 vs previous $1.9 - $2.

Credit Suisse (10/20) says the unexpected beat should keep interest in the name. They have an outperform rating and a $21 price target. Revenues beat their estimate and noted that expense control was encouraging.

S&P (10/12/09; price of $17.04) has a buy rating and target of $21 based on pe of 10.8 of 2009 earnings. They estimate a PFE standalone revenue decline of 6% in 2009. Risks include an inability to achieve Wyeth synergies.

Deutsche Bank has a buy rating and target of $25 (10/20/09). Their price target is based on pe of 11 on 2011 eps and they anticipate PFE increasing dividend by double digits in Dec 2009. Concerns include greater than anticipated Lipitor losses and more disappointments from new drug portfolio.

Value Line (10/16/09) lowered timeliness rating to 4 on current report. They note that integrating Wyeth will be tough but it should stabilize sales when Lipitor goes off patent in 2011. Target price range between 2012 and 2014 is $16 - $20.

All 3 credit agencies cut PFE debt rating. Not unexpected as they had almost announced they would do it when Wyeth deal closed.

From the 3Q conference call:
Emerging market growth about 9%. They expect to grow 13%-15%, "although to be truthful, 12% is pretty robust growth." Gross margins are lower in emerging markets but sales costs are lower and operating margins should be in high 30s to low 40s.
Concerned with US unemployment as they will cause more people to use generics.
Come Jan 1, 2010 there will be 8 billion diluted shares for eps calculation.

In general, analysts liked the report and think the Wyeth deal will help replenish the PFE pipeline. It will be interesting to see how the company integrates the operations. There is a lot of hope that current management will do a better job than previous managements in cutting costs and combining organizations. I see there still being a great deal of uncertainty within the company and the 10%+ position we have is, I think, too high. That said, the stock trades at a PE of 8. People will point out that it traded of PEs of 30 and 40 but I think those days are long gone we should look for a PE in the mid-teens at best—and that assumes not too great of an impact from healthcare reform.

August 12, 2009 (15.86) John

My thoughts have been expressed below and have not changed. The share price is up 12.4% since I said we should reduce and S&P is up 8.5%.

Other analysts:
Morningstar (7/22/09) rates as 5 stars and fair value of $26. Pfizer reported solid 2Q results. After adjusting for foreign exchange, the company posted flat sales versus last year but eps declined 13%. PFE raised earnings guidance to $1.90-$2. The tax rate increased to 28% from 20% as the company was forced to repatriate foreign cash to pay for Wyeth deal.

Credit Suisse (7/22/09; price of 15.70) notes that revenues were lighter than they anticipated. They are buyer for the long-term story. They project eps of 1.99. Rated as outperform with $20 target. As for Wyeth, they noted that expense control was the reason for the eps beat. WYE is also rated as outperform—although I think that is related to PFE rating.

June 15, 2009 (14.11) John

I ran a valuation analysis for my projection of the combined company. There are a great deal of unknowns in the makeup of the merged company. I have assumed earnings decline over the next 5 years due to patent expirations and margin contractions. At a multiple of 2 times tangible book, the ROI is –5.5% next year, 11.39% in year 5 and 8.5% in year 15. Again, my numbers could be materially off.

Assuming $2 in earnings in 2012 and using a PE of 15, we have a $30 price and who could argue with that. If earnings are worse than I presume (a scenario that I think is more likely than not) due to revenue and margin contraction and come in at $1 or $1.5, we are holding a stock that in all likelihood is right where it is now.

While I am not saying that we should dispose of the entire position today, I feel strongly that when we find an opportunity, this is something that should be reduced if we are looking for cash.

June 10, 2009 (14.22) John

We have a 10% position in stock ($3.65M). Purpose is to review PFE (and WYE) and see if it still merits such a large percentage of the portfolio. The shares of this company have declined 60% over the past 5 years. The S&P is down 18% during that time. Such a decline is not the reason to sell but it is certainly concerning and maybe we have missed something in earlier analysis.

One reason for the large holding in the past was the high dividend rate. The company had increased its dividend payout for 40+ years. Effective 2Q09, the dividend was cut in half.

The yield is currently 4.5%, competitive within the industry (and market), yet not compelling enough by itself to own the stock. I would argue that a 9% yield is a compelling enough reason to own a stock and wait for future growth.

One drug, Lipitor, is 26% of 2008 revenues and is coming off patent in 2-3 years. Morningstar analyst reports say that the margin on this drug is above average. In any event, it is unlikely that new drugs would offer that margin. Lipitor is not going away and Pfizer would have the ability to continue manufacturing the drug but at much lower margins as it would be competing with generic manufacturers.

Major products with patents expiring in 2012 or prior represented 39% of Pfizer's 2008 revenue. Those products include Viagra ($1.934B sales), Xalatan ($1.745B sales) and Detrol ($1.214B sales). As with Lipitor, the company can still manufacture the drugs but probably at significantly lower margins. Pfizer's operating margins have been in mid to high 40s since 2003. In 2008, the operating margin declined to 45.9% from 2007's 47.8% and 2006's 49.1%. Back in 1999 and 2000, the operating margins were 33.3% and 33%, respectively. With no new drugs, the operating margins could easily drop to 30%.

As with others in the health care industry, Pfizer faces a more difficult political environment. While Kindler has publicly stated that the company supports the government's help in getting medical care to all, the company may face future price controls out in place by the government. This is not a Pfizer-specific issue, it will affect all health care related entities. This is a significant unknown in the near future.

One of the thoughts on a PFE investment was its large cash balance, $23.7B as of 12/31/08. With the $68B merger with Wyeth, that cash balance is gone. In addition, the company is taking on an additional $22.5B in debt and issuing new PFE shares.

A very rough projection of combined company
Estimated PFE/WYE combination

		PFE	WYE	Combined	
Revenues	act. 2008	48,296	22,834	71,130	
	est. 2009	47,330	22,250	69,580	
	est. 2010	46,383	22,805	69,188	
	est. 2011	44,064	23,945	68,010	
	est. 2012	41,861	25,143	67,004	
Operating margin	act. 2008	46%	32%		
	est. 2009	45%	30%		
	est. 2010	40%	30%		
	est. 2011	40%	30%		
	est. 2012	35%	30%		
Operating margin	act. 2008	22,168	7,307	29,475	
	est. 2009	21,299	6,675	27,974	
	est. 2010	18,553	6,842	25,395	
	est. 2011	17,626	7,184	24,809	
	est. 2012	14,651	7,543	22,194	33.12%
Net margin (30% tax rate)	act. 2008	15,518	5,115	20,632	

	est. 2009	14,909	4,673	19,581
	est. 2010	12,987	4,789	17,776
	est. 2011	12,338	5,029	17,367
	est. 2012	10,256	5,280	15,536
Shares o/s 12/31/08		6,746	1,331	8,057
EPS	act. 2008			2.56
	est. 2009			2.43
	est. 2010			2.21
	est. 2011			2.16
	est. 2012			1.93

There are signifcant assumptions made within this estimate and as such it is subject to significant error. Pfizer revenue is projected to sequentially decline 2% in 2009 and 2010 and to decline 5% in 2011 and 2012.
I have used VL projections for WYE revenue in 2009 and 2010 and increased 5% in 2011 and 2012.
2008 Operating margins are actuals from VL. I have estimated 2009-2012 for both companies.
Shares o/s for combined company is actual PFE + 98.5% of WYE o/s.

The company has projected $70B in sales in 2012 and eps of $2.42. Projected operating margins are high 30's to low 40's and they are projecting significant cost savings (job cuts). It will be a significant challenge to meet those goals and I think it is more likely that Pfizer's margins will be closer to 1998/1999 levels (low 30's) than 40%. The FDA has also been tougher on approving new drugs for market.

If we assume $2 eps in 2012, what do we assume about a future PE? I was trying to be realistic with the estimate. While the $2 is about 17% less than the company is projecting, I can envision a scenario with earnings of half that number. I think the company's expectations of a 40% operating margin are too optimistic and I think the number will be closer to 30%, and may be lower depending on how significant the margin reductions are for the PFE drugs that go off patent but are still manufactured.

There have also been reports in Financial Times that PFE is considering an acquisition of Elan, the Irish pharma. Elan has a market cap of $3.7B.

Berkowitz, to my knowledge, still holds a significant number of shares. He has noted that company used to sell for 30 and 40 times earnings are now selling for 10 times. PFE sold at that level in 1998-2000 (bubble-time). It will not sell at that level again. (After all, it's not a coffee roaster or e-tailer. Just a sarcastic note about the ridiculous valuations (my opinion only) being put on GMCR and AMZN.)

Wyeth is not without its legal issues. Diet drug charges total $21B through 2008 and litigation settlement will continue through 2018. S&P notes, however, that their product pipeline ranks among the industry's better ones.

The stock is down about 17.5% since the merger announcement. Some of that may be related arbitrage with the WYE stock and and selling PFE. That is only speculation on my part though.

Investment thesis/recommendation

Berkowitz said that you pay a high price for a cheery consensus and there is certainly little clarity about this company and that may explain price. However, given the potential government industry involvement and the unrealistic (in my opinion) margin assumptions the company is using, we should consider reducing the position. I do not believe that the company is going out of business, yet it is difficult to see a reason for having a 10% position.

Other analyst reports – Note these are only PFE reports and none have made estimates of the combined company.

Value Line (4/17/09) – Speaking of the merger, “Pfizer will inherit Wyeth’s legal woes, which include claims by over 10,000 women that hormone replacement drugs Prempro and Premarin cause breast cancer, as well as claims that its fen-phen diet pill has contributed to heart damamge and lung disease. While the deal will help stabilize sales and earnings, as legacy patents expire, it also creates a very large company that will be challenged to continue to grow the bottom line. Whether the merger will solve Pfizer’s problems remains to be seen, in our view.”

S&P (5/4/09) – rated hold with a price target of $16. Expect a 5% revenue decline in 2009 and 2009 gross margins will likely slip modestly. Bottom line results will come under pressure from higher pension expense and sharply lower non-operating income. WYE will cushion PFE’s loss of Lipitor...see significant eps dilution over the next few years.

April 21 , 2009 (13.52) Fairholme fund Conference call notes from 3/30/09.

Interesting comment made about Lipitor. $12B in Lipitor international sales. D'Amelio claims that Lipitor patent expiration in 2011 is USA only. About 50% of Lipitor revenues are outside the USA.

Berkowitz feels that current management under-promise and over-deliver. He calls D'Amelio and Kindler proper jockeys for PFE. Apparently, Berkowitz has always used the term "jockey" for leadership role. I have witnessed that with D'Amelio in the Lucent days. I think he likes things lean. Yet, one needs to question the success at Lucent. I think he did a good job, but stock price certainly did not show that. Frank D’Amelio became CEO of Lucent during May 2001. As I think about it and looked, Lucent's stock price imploded from May 2001 ($9ish), and really never recovered. Whereas CSCO was around $19ish at same time, and is now in area of $17. Frank was with Lucent for much of his career. Is he to blame? He took on a sinking ship. Yet, you never know. My gut is that he was okay at Lucent. I knew people there, and they found him competent. Yet, morale was awful and they all feared their jobs. This was during the telecom depression. From one end, he seemed to always deliver operationally for Lucent, and there was a depression. On the other end, did PFE bring him in to squeeze drops from a damp towel and get PFE ready for a disintegration of business? I don't think so, yet just trying to invert.

March 23, 2009 (13.77) Berkowitz discussion from OID 3/17/09

Generating $17B a year in FCF, and selling at 7X FCF.

"AAA credit rating and sterling balance sheet."

largest pharmaceutical company in the world, with largest distribution system.

Thinks CEO is misunderstood.

Thinks PFE will become largest player in Generic industry.

Generic margins (20% – 25%) are less than original compound margins (74% – 78%), yet Generics still gather a respectable 20%+ Net Margins.

OID claims that another contributor worked through FCF after Lipitor expires, and "it wasn't pretty." Berkowitz claims that cash flow lost after expiration will be around $37 per share."

Claims FCF will be $2.00 in 2009, with Wyeth acquisition.

Maybe re-patent Lipitor for reducing incidence of heart attacks. OID claims that in Obama's budget proposal, there is an elimination of patent extension rules.

Mentions that consultants to Fairholme are claiming that facilities are being tooled for generic delivery, and facilities are actively hiring for production of generics.

Hirings from other generics are also occurring. Yet, because of such large number of employees, not getting press.

Has high esteem for Kindler. Knows people that have worked for him, and on Exxon board, Kindler supposedly gets high marks.

Calls Kindler a "cost cutter and an operator, not a scientist."

Says Kindler has always "under-promised and over-delivered." Thinks Kindler's claim that Wyeth is at least a push is probably accurate, based on his past knowledge of Kindler.

Thinks Wyeth deal, "can't hurt, but can help a lot."

Kindler and Berkowitz think Wyeth deal accretive in 18 – 24 months.

Claims Fairholme paid as low as $14 and as high as $21.

Likes Forest Labs (FRX $21.76).

You do not need a return to normalcy for PFE to work. Fundamentals already are pricing in poor business metrics.

January 30, 2009 (14.70)

I ran our intrinsic value worksheet for Wyeth using a 6% earnings growth rate (Value Line est). The computed intrinsic value is currently $41 and 5yr value is $52. At the time of

merger announcement, the deal was valued at $51.19/WYE share, or a total of $68B. PFE price in that value was $17.19/share.
$68B/51.19 = 1,355M wye shares times .985 conversion = 1,335M additional PFE shs., a 20% increase in PFE shares. Press reports say dilution and dividend cut will scare current investors.
Out of my range of knowledge but apparently WYE has been working on treatments for Alzheimers and this is something PFE has been working on as well.

Credit Suisse 1/26/09 says combination improves Pfizer's outlook. Offer price is fair to generous to WYE shareholders. Dividend cut will be disappointing—yield focused investors will exit the stock and value and growth investors will revisit the stock. Could create volatility in share price. They are disappointed that it appears WYE CEO will not assume a senior role as he has decades of industry experience and the would help with integration. They project eps growing from 2.42 in 2008 to 2.94 in 2011 and decling to 2.39 in 2015.

Egan-Jones 1/23/09 on Wyeth—merger would be modest positive for credit. The largest risk for WYE is product liability as the company lost a $200M judgement to 2 former fen-phen diet pill users. WYE plans to appeal or settle for significantly less. WYE has approximately 50k unresolved fen-phen cases and is adding $4.5B to cover liability on 5,000 outstanding cases.

January 28, 2009 (15.14)

Pfizer and Wyeth announced merger transaction on 1/26. The value of the deal is $68B, value of Wyeth shares is $50.19 based on Pfizer share price of 17.19 (1/23 close).
Each WYE share will receive $33 cash plus .985 share of Pfizer.
PFE announced it will cut its dividend in half in the 2nd qtr 2009.

Projected revenues based on value line and 8K

	2008	Est 2012
PFE revenue	$48,296	
WYE revenue	$23,400	
Total	$71,696	$71,000

Projected WYE revenue using VL growth estimate of 7.5% through 2013

2008	23,400
2009	25,038
2010	26,791
2011	28,666
2012	30,673

If a 7.5% increase in WYE revenue is projected, in order to reach $71B of sales projected by the combined companies PFE's revenue over the period declines by "only" $7.3B (15%). 50% of PFE drug sales will lose patent protection by 2011-2012. Is a 15% decline realistic when losing 50% of patents? The FDA has been much tougher and slower in its approval of new drugs recently.

The combined companies also project operating margins in the high 30% range to low 40% range. In 2008, PFE's operating margin was approx. 46% and WYE was 31%. PFE margins in the past ten years have ranged from low 30% 1998-2000, mid-30% 2001-2003, and high 40% through 2008. Wyeth's margin has been around 30% since 1998. Without Lipitor, is a

40% margin reasonable? I think the projection is too high and will likely be close to the Wyeth long-term average. MRK's operating margin has been in low to mid 30% since 2004.

In terms of net margin, WYE has been in 20% range over past 10 years. PFE's net has been in 30% range recently but was around 20% 8-10 years ago.

Projections using various revenue and margin assumptions and price projection using 13 p/e:

	2012	2012	2012	2012
Revenue	71,000	67,500	65,000	60,000
Net margins	25%	25%	25%	25%
Net profit	17,750	16,875	16,250	15,000
Projected shs	8,055	8,055	8,055	8,056
eps	2.20	2.09	2.02	1.86
Price w/13 pe	28.65	27.23	26.23	24.21
Revenue	71,000	67,500	65,000	60,000
Net margins	22%	22%	22%	22%
Net profit	15,620	14,850	14,300	13,200
Projected shs	8,055	8,055	8,055	8,056
eps	1.94	1.84	1.78	1.64
Price w/13 pe	25.21	23.97	23.08	21.30
Revenue	71,000	67,500	65,000	60,000
Net margins	20%	20%	20%	20%
Net profit	14,200	13,500	13,000	12,000
Projected shs	8,055	8,055	8,055	8,056
eps	1.76	1.68	1.61	1.49
Price w/13 pe	22.92	21.79	20.98	19.36

The projected shares are based on PFE shs of 6,743M and .985 of WYE shares totaling 1,331M.

The company has projected eps of 2.42 in 2012. As with revenue, this may be tough to achieve. They are obviously projected significant cost savings, probably in personnel. Perhaps my estimates are too harsh or maybe the company is too aggressive.

There are risks with the transaction. If it doesn't close, PFE would pay $4B to WYE. The deal is dependent on financing but the banks are lined up so it should close.

From May 2008 - bonds 2018, **PFE.GF**, are yielding 4.965%. Currently yield is 4.04% so there isn't any stress in debt market for PFE.

It will be difficult for the combined company to achieve its revenue and cost cutting goals and there will probably be missed targets which will make for volatility. It's hard to see much of a downside to the $15(the stock is down over 10% since the announcement) price but any share price recovery could be slow and with the dividend being cut in half later this year, it's hard to see why we would have >10% position here if we see better opportunities and need capital for those transactions. Price appreciation could be anywhere from 25% to 85% in 2012 based on revenue and margins projected above but that is far from certain—and "you pay a high price for a cheery consensus." From Berkowitz at Fairholme (and some guy named Buffett.

WYE shares are trading at a 10% discount to a merger price with PFE at $15/share ($15*.985, plus $33=$47.75; WYE trading at $43.40). That seems unusual as the banks are lined up for the financing.

Other reports:
EJ 1/23/09 notes that merger would be near term negative but positive long term. PFE's drug failures make an acquisition appealing.

Morningstar 1/26/09 says the two companies have strong complimentary lines of business. They do not expect major changes to fair value but they note that success of the deal lies in the amount of cost savings that can be achieved. They believe that the anticipated $4B in cost savings is achievable. They also are pleased that the company will reduce its dependence on a single drug.

May 23, 2008 (19.55) Institute for Safe Medication (ISMP) and Chantix

ISMP highlited new potential risks of Chantix. These risks were identified as heart-thythm disturbances, seizures and glycemic issues (diabetes). Previously Chantix had a label change, and subsequent Rx reductions because of suicidal behavior and mood changes.

We are concerned that guidance might not be reached. Too early to tell and price under $20 is a hopeful opportunity?

I saw a Bear Stearns report dated today discuss Chantix decline from previous estimates as follows:

	2008	2009	2010	2011	2012
Previous	916	1053	1158	1263	1364
Current	567	624	698	803	964
Optimistic	661	741	829	954	1145
Pessimistic	512	512	527	543	559
EPS					

Previous	2.37	2.57	2.76	2.52	2.05
Current	2.34	2.53	2.71	2.47	2.01
Optimistic	2.35	2.54	2.73	2.49	2.03
Pessimistic	2.33	2.52	2.70	2.45	1.97

AIG.GPR trading at 97.56 yielding 5.973. This is down 2.44% from 5/20/08. To put this into perspective, Pfizer bonds 2018, **PFE.GF**, are yielding 4.965%. Hence for a year and a half difference, they are priced at almost 100bp difference.

April 18, 2008 Ron (20.50) Analysis of 1Q08 (10-Q not yet released)

Over the last 5 years PFE has bought back 1.6B shares costing $45.5B. ($28.44 per share)

Year	Amount in $
2002	5.0
2003	13.0
2004	6.7
2005	3.8
2006	7.0
2007	10.0
2008	0 so far

Currency added about 5% to revenues for 1Q08.

Guidance was allegedly affirmed, yet as I compared to previous released guidance I saw some deviations. This guidance was based on current exchange rates. I read a number of analyst reports, and I believe the consensus of those reports is that Pfizer will **NOT** meet guidance.

	Guidance prior to March 08	From 10K NI adj	From 10K Diluted EPS	From 8K 4/17/08	From 8K 4/17/08 EPS
Revenues	$46.5B - $48.5B	$47.0B - $49.0B		$47.0B - $49.0B	
Adjusted EPS and Income	$2.31 - $2.45	$15.8B - $16.6B	$2.35 - $2.45		$2.35 - $2.45
Purchase accounting impacts, net of tax		(2.1)	(0.31)		
Cost reductions, net of tax	(1.5 – 2.0)	(1.4 – 1.7)	(0.21 – 0.26)		
Reported NI and EPS Guidance	$1.75 – $1.93	$12.0 - $13.1B	$1.78 - $1.93		$1.73 - $1.88

Cash Flow From Operations	$18.0B - $19.0B	$17.0B - $18.0B		$17.0B - $18.0B	
Cost of Sales		14.5% - 15.5%		14.5% - 15.5%	
SI&A		$14.4B - $14.9B		$14.4B - $14.9B	
R&D		$7.3B - $7.6B		$7.3B - $7.6B	
Effective Tax Rate	22.0% - 22.5%			22.0% - 22.5%	
Adjusted total cost reduction	$1.5b - $2.0B	$1.5b - $2.0B		$1.5b - $2.0B	

According to 10K Pfizer's Pharmaceutical Business is "largest in the world." It is 92% of Total Revenues.

F2007 revenues were increased by 3.0% or $1.5B in F2007 because of currency gains.

Lipitor going off Patent in 2010 or 2011 (still pending). Lipitor revenues in 2007 were $12.7B.

Revenue base is very diverse. Pfizer's size gives it advantages in development. Pfizer has the largest economies of scale in the industry.

CEO – Frank D'Amelio formerly of Lucent. Interesting, as I read conference call transcripts, I am certainly reminded of his Lucent days. I always considered Frank to be a straight shooter. I am not thrilled that Pfizer does not include Balance Sheets and Statements of Cash Flows in their earnings releases.

Excellent Globalized Market Share.

2007 Actual results were typically more positive than guidance.

Projections

Pfizer

As of Date	March 31, 2008
EV Analysis	
	April 18, 2008
Share Outstanding	6,762.00
Share Price	$20.37

Market Capitalization	$137,741.94
Less: Cash and Short Term Investments	($25,475.00)
Add: Long Term Debt	$7,314.00
Minority Interest	$114.00
Enterprise Value	**$119,694.94**
EV per share	$17.70

Stockholders' Equity	$65,010.00
Adjustments:	
Goodwill	($21,382.00)
Tradenames	($20,498.00)
Other Intangibles	$0.00
Net Stockholders' Equity	$23,130.00
Adjusted Book Value per Share	$3.42

Quick Projections 2008	April 18, 2008
Revenue	$47,000.00
Net Margin % before tax	43.00%
Net Margin before taxes	$20,210.00
Tax Rate	22.50%
Corporate Taxes	$4,547.25
Net Income after Taxes	$15,662.75
Net Margin %	33.33%
Shares Outstanding	6,762.00
eps	$2.32

FV of current equity and future earnings	18-Apr-08
Adjusted Stockholder's Equity	$23,130.00
Net Income after Taxes	$15,662.75
Growth Rate of Net Profit for 10N	**1.00%**
Growth Rate of Net Profit after 10N through 15N	**2.50%**

FV of Net Profit in 10N	$17,301.42
FV of Net Profit in 15N	$19,574.97
FV of tangible book value plus Net Profits for 10N	$189,416.93
FV of tangible book value plus Net Profits for years 11 - 15N	$305,249.82
Current Enterprise Value	$119,694.94
FV of tangible book value plus Net Profits for 10N	($189,416.93)
Years	10
ROI on tangible book value plus Net Profits for 10N	4.70%
FV of tangible book value plus Net Profits for 10N	$189,416.93
FV of tangible book value multiplier	6.00
FV of Tangible Book Value using BV multiplier in year 10	**$1,136,501.58**
Current Enterprise Value	$119,694.94
FV of tangible book value plus Net Profits for years 11 - 15N	($305,249.82)
Years	15
ROI on tangible book value plus Net Profits for 15N	6.44%
FV of tangible book value plus Net Profits for 15N	$305,249.82
FV of tangible book value multiplier	6.0
FV of Tangible Book Value using BV multiplier in year 15	**$1,831,498.91**

Potential Future EV using BV multiplier above

Current Enterprise Value	$119,694.94
FV of Tangible Book Value using BV multiplier in year 10	($1,136,501.58)
Years	10
ROI on FV of Tangible Book Value using BV multiplier in year 10	**25.24%**
Current Enterprise Value	$119,694.94
FV of Tangible Book Value using BV multiplier in year 15	($1,831,498.91)
Years	15
ROI on FV of Tangible Book Value using BV multiplier in year 15	**19.94%**

Sanity Checks:

P/E in future

FV of Net Profit in 15N	$19,575
P/E estimate	15.00

Market Cap on above	-$293,625
Years	15
Current Enterprise Value	$119,695
ROI in 15N using above	6.16%

Potential Revenue Growth

Current Revenues	$47,000
Growth Rate of Revenues for 10N	1.00%
Growth Rate of Revenues after 10N through 15N	2.50%
FV of Revenues in 10N	($51,917)
FV of Revenues in 15N	$58,740
FV of Revenues in 15N	$58,740
Revenue Multiplier based on Al Meyer Rule of Thumb net margins	6
Possible Market Cap year 15	($352,438)
Years	15
Current Enterprise Value	$119,695
ROI in 15N using above	7%

If we adjust the above we get the following:

Growth Rate of Net Profit for 10N	**0.00%**
Growth Rate of Net Profit after 10N through 15N	**0.00%**
FV of tangible book value multiplier	3.0

Potential Future EV using BV multiplier above

Current Enterprise Value	$119,694.94
FV of Tangible Book Value using BV multiplier in year 10	($539,272.50)
Years	10
ROI on FV of Tangible Book Value using BV multiplier in year 10	**16.24%**

Current Enterprise Value	$119,694.94
FV of Tangible Book Value using BV multiplier in year 15	($774,213.75)
Years	15
ROI on FV of Tangible Book Value using BV multiplier in year 15	**13.25%**

Sanity Checks:

P/E in future

FV of Net Profit in 15N	$15,663
P/E estimate	15.00
Market Cap on above	-$234,941
Years	15
Current Enterprise Value	$119,695
ROI in 15N using above	4.59%

Potential Revenue Growth

Current Revenues	$47,000
Growth Rate of Revenues for 10N	0.00%
Growth Rate of Revenues after 10N through 15N	0.00%
FV of Revenues in 10N	($47,000)
FV of Revenues in 15N	$47,000
FV of Revenues in 15N	$47,000
Revenue Multiplier based on Al Meyer Rule of Thumb net margins	6
Possible Market Cap year 15	($282,000)
Years	15
Current Enterprise Value	$119,695
ROI in 15N using above	6%

August 9, 2007 John (24.43)
Other notes:
Dividend payout ratio has increased from the 30s to 46% in 2006 to a projected 54% in 2007. The company should have ample cash flow to support the dividend in future years. In fact, others are projecting an increased dividend. Cash flows from ops was $17B in 2006 and is projected to be in the $13B range in 2007. Morgan Stanley estimate for operating cash flow (as of 7/18/07) is $13.7B in 07 rising to $19.7B in 2010.
Common theme in readings is lack of potential growth but that downside is not so great due to dividend. No mention of company not being able to sustain dividend.

August 7, 2007 John (24.50)

Reviewed 2Q07 10Q
1. 6 mo net income decreased 29% in 2007 v. 06. ($1,867M)
2. Sales were flat and expenses for restructuring increased from $567M to $1,863M
3. Cash/ST Investments = $22.2B 7/1/07 vs. $27.8B 12/31/06
4. Price to book is 6 – low by historical values; had been in the teens in lat 90s thru early 2000s. Book value per share from Value Line is 10.25 (projected 2007) and has been increasing :
3.24/sh
8.53/sh
9.10/sh
8.88/sh
9.98/sh
5. ROE was in the 40s thru 2002 and was 21 in 2006 and projected 2007.
6. Pfizer is currently valued at 3.5 time sales while competitors such as Merck (4.9 times) and Eli Lilly (4.0 times) are trading at relatively higher multiples.
7. Interesting that largest revenue growth was in Animal Health – increased 11% in first 6 mos of 2007 to $1.2B, and their business is one of the largest in the world. Interesting to see in the future if this growth continues or increases.
Pfizer released a pipeline update Aug 7 and it showed 10 new additions to Phase II development, which could possibly turn to new revenue sources down the road.
Political climate is a question mark.

Other analysts take (reviewed other reports after doing my own reading)
Lehman 7/19/07 – Fiscal challenges are mounting. Lipitor sales down 13% worldwide. Disappointed in 2Q results. (They put lipitor's margin at 90%. Even with an increase in revenue, margins wouldn't be that good for new products.). Rated as underweight.
Argus 7/23/07 – Challenges remain particularly with top-line growth. Near term shares will be supported by the dividend and share repurchases. Rated as a hold near and long term. Lowered the growth rate projection to 6% from 5%. Feel that current price reflects the uncertainties in the company's outlook. Limited upside but downside is protected by the dividend.
Morgan Stanley 7/18/07 – Much the same as already noted. PFE has been a "marked underperformer" and the stock will remain "range bound for the foreseeable future."
Goldman & Morningstar see some upside and have stock valued at $30 and $31, respectively. Both see earnings benefits from cost cuts. Limited downside with dividend offering protection.

Still like this stock as a undervaluation play and the 5% dividend adds benefit. Even at a price of $35/share, the PE would only be 16 and would still be trading at a discount to the industry.

August 3, 2007 John (23.50)

Reviewed the 2Q07 8K and the 2006 10K.
Pfizer currently trades at PE of about 9.6. 2005/2006 avg PE of 12 per Value line.
Price/sales was 8+ in 99-01 and is now around 3.5. PE was also 30-40 and is now 11.
2Q07 revenue was down vs. 1Q07 but company maintains revenue est of $47B. Curr div yield of just under 5%. Revenue growth potential is shaky as lipitor ($13B in sales) is coming off patent in 2011 but there are generic drugs currently available and that represents 30% of U.S. revenue.

If company can manage to grow revenue at 5% (acquisition or joint venture?), and manage to keep margins, shares would appear to be under-valued according to valuation and intrinsic schedules.
Our valuation schedule, assuming a growth rate of 3% thru year 10 and 5% year 11-15, computes a ROI of 11+% in year 10 and 15. While the company is developing new revenue sources, investors are being paid a 5% dividend. The dividend amount has been increased in each of the past 5 years.
At these price levels, the market is not giving any benefit to potential growth of the company and would appear to be a safe choice with a nice dividend until the revenue growth expands.

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