Capital Executive LLC

Portfolio Management
Business Development
Corporate Strategy
Global Perspective

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Dr. Albert Bourla **Chairman, CEO** **PFIZER INC (PFE)**

During your PFE leadership, what economic value have you created for the PFE ownership – even though you were handed the "mother" of all headstarts: COVID, Comirnaty and Paxlovid! According to Table 1, you haven't created any shareholder value for PFE. In fact, you've destroyed shareholder value because the market capitalization (value) of PFE has decreased by 33%, whereas your peer group (BMY, MRK, LLY, JNJ) increased shareholder value by more than 238%. Please, help me understand this disconnect!

Leadership / Governance & Value Creation			
PFE US EQUITY	1/15/2019	11/13/2026	% Growth
Market Capitalization $M	$ 247,000	$ 164,669	-33%
AGGREGATE PEER GROUP	1/15/2019	11/13/2026	% Growth
Market Capitalization $M	$ 745,871	$ 2,518,586	238%
Source: **Bloomberg**			**Table 1**

I'm a highly educated, sensible man. I take great pride in the knowledge I've developed about the global capital markets. Yet I'm struggling to understand how the Bourla leadership has created long-term, sustainable value for the PFE organization and its shareholders. From 2019 through 2022, revenue soared from $41 billion to $100 billion, while net income grew from $7 billion to $36 billion.

1st burning question: how has the Bourla leadership deployed the excess capital from its good fortune? And has the deployed capital created any incremental value (return) for the ownership of PFE?

Bourla Leadership - Acquisitions				
Target	**Announced**	**Deal Value**	**Therapeutic Area**	**Status**
Array BioPharma	Jun-19	~$11.0B	Oncology (BRAF/MEK)	Completed
Trillium Therapeutics	Aug-21	~$2.3B	Immuno-oncology	Completed
Arena Pharmaceuticals	Dec-21	~$6.7B	Immuno-inflammatory	Completed
Biohaven Pharmaceutical	May-22	~$11.6B	Migraine (Nurtec)	Completed
Global Blood Therapeutics	Aug-22	~$5.4B	Sickle-cell disease	Completed
ReViral	Apr-22	~$525M	RSV antivirals	Completed
Seagen	Mar-23	~$43.0B	Oncology/ADCs	Completed
Metsera	Sep-25	~$10.0B	Obesity/cardiometabolic	Completed
Source: **Bloomberg**		**~$90B**		**Table 2**

Table 1 and Table 2 suggest that **no** shareholder value has been created for the PFE ownership!

2nd burning question: why has the Bourla leadership reduced the organization's relative R&D expense – especially after the organization generated an extraordinary Return on Capital with mRNA? Isn't that the time to double down, learn all you can and apply everything you've got towards the market opportunity?

Bourla Leadership vs Peer Group -- R&D Expense as a % of Revenue							
	2019	2020	2021	2022	2023	2024	2025
PFE % of Revenue	20.5%	22.6%	12.7%	11.4%	17.9%	17.0%	16.7%
BMY % of Revenue	23.5%	26.2%	22.0%	20.6%	20.7%	23.1%	20.6%
MRK % of Revenue	24.9%	32.3%	25.1%	22.9%	50.8%	28.0%	24.3%
LLY % of Revenue	25.1%	24.4%	24.5%	25.2%	27.3%	24.4%	20.5%
JNJ % of Revenue	13.8%	14.7%	15.7%	17.7%	17.7%	19.4%	15.6%
Peer Group (**AVG**) % of Revenue	19.3%	22.3%	20.3%	20.7%	28.6%	23.3%	19.7%
Source: **Bloomberg**							**Table 3**

Table 3 suggests that we assess R&D's economic value from a different perspective. I believe that with appropriate incentives and insightful guidance, the R&D function (especially in biopharmaceuticals) should provide invaluable expertise for an organization's long-term growth and healthy development.

Financial Metrics	PFE US EQUITY			Aggregate Peer Group		
Operations	**2019**	**2025**	**% Δ**	**2019**	**2025**	**% Δ**
Annual Revenue	$ 40,905	$ 62,579	53.0%	$ 169,645	$ 272,577	60.7%
EBIT	$ 14,817	$ 14,244	-3.9%	$ 38,267	$ 83,037	117.0%
Operating Cash Flow	$ 12,588	$ 11,704	-7.0%	$ 49,903	$ 71,971	44.2%
Capital Expenditures	$ (2,046)	$ (2,629)	28.5%	$ (8,737)	$ (18,096)	107.1%
Cash & Short Term Investments	$ 9,646	$ 13,596	40.9%	$ 48,336	$ 53,004	9.7%
R&D Expense	$ 8,385	$ 10,437	24.5%	$ 32,822	$ 53,742	63.7%
Credit						
Total Debt	$ 53,449	$ 67,416	26.1%	$ 118,886	$ 190,871	60.5%
Debt / Mkt Cap	0.25	0.48	93.2%	0.65	0.77	19.0%
Debt / EBITDA *	2.55	3.16	23.8%	12.13	8.18	-32.6%
Equity						
Shares Outstanding	$ 5,534	$ 5,686	2.7%	$ 8,357	$ 7,840	-6.2%
Total Book Value - Equity	$ 63,446	$ 86,775	36.8%	$ 139,869	$ 179,246	28.2%
Source: **Bloomberg**						**Table 4**

Table 4 illustrates PFE financial metric performance. However, to create meaningful shareholder value requires a compelling vision for R&D and the organization. I believe the recent clinical success from MRNA and MRK presents an opportunity for PFE to articulate a combination strategy to the capital markets using a PFE personalized mRNA cancer vaccine with one of the cancer therapies acquired through Seagen?

Dealt a great hand but destroyed value! Why?

Respectfully,
Ken Copley
Capital Executive LLC

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