Pfizer has performed well thus far in 2019. The drugmaker’s first-quarter results surpassed consensus expectations on both lines, with much of the upside coming from the Biopharma portfolio. Key catalysts included stronger showings from cancer drug Ibrance (sales +23% year over year) and lead vaccine asset Prevnar (+8%). Meantime, continued momentum in rheumatoid arthritis treatment Xeljanz (+30%) and blood thinner medication Eliquis (+32%) provided further support to comps, helping to offset declines in the Upjohn (-1%) and Consumer Healthcare (-5%) segments. At all events, the report was well received on Wall Street and PFE stock is +1% since the release.

However, there are some challenges on the horizon. The most significant is the recent patent expiration of blockbuster nerve mediation Lyrica. The drug, which accounts for about 10% of Pfizer’s top line, lost U.S. exclusivity in June and will likely see a good amount of sales erosion in the back half of 2019 as cheaper generics enter the market. Additional pressures related to currency and pricing are also expected to weigh on comparisons this year.

The company inked a deal to bolster its oncology portfolio. On June 17th, it agreed to buy Array BioPharma for $48 a share in cash, or about $1 billion. While the offer represented a hefty 62% premium to Array’s preannouncement closing price, it gives Pfizer access to an attractive lineup of skin cancer treatments which management believes have significant long-term growth potential via expansion into other areas (drugs being investigated in over 30 clinical trials across several tumor types). The deal has been received positively by both boards and is slated for completion in the second half of this year. Management expects it will be dilutive to adjusted EPS by $0.04-$0.05 in both 2019 and 2020, neutral in 2021, and accretive by 2022.

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

Michael Ratty
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