



Is the New Pfizer an Attractive Investment?

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Introduction

Pharmaceutical giant Pfizer (PFE) is a company in transition that will soon be smaller but hopefully more profitable. Since many of their established drugs are coming off patent, the company is divesting its older drug platform under the Upjohn brand and selling it to Mylan a leading generic pharmaceutical company. Pfizer believes that this will position them for more profitable growth going forward.

Consequently, after selling their established drugs to Mylan, the company will no longer have to offset patent losses. Therefore, their pipeline of new drugs is expected to deliver strong results beyond 2020 which is expected to be a transition year. According to Morningstar Pfizer's patents, economies of scale and powerful distribution network support a wide moat.

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Conclusions

Pfizer is a well-established pharmaceutical giant with enormous resources that is currently in transition. Management expects that the new Pfizer will be capable of generating strong profitable future growth.

However, markets tend to dislike change which has resulted in a very favorable current valuation on Pfizer shares. As a result, the company offers exceptional current dividend yield and the long-term opportunity for exceptional total returns going forward. Nevertheless, I do believe that investors interested in Pfizer take the time and make the effort to conduct their own due diligence. There are unknowns with change.

Disclosure: Long PFE

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