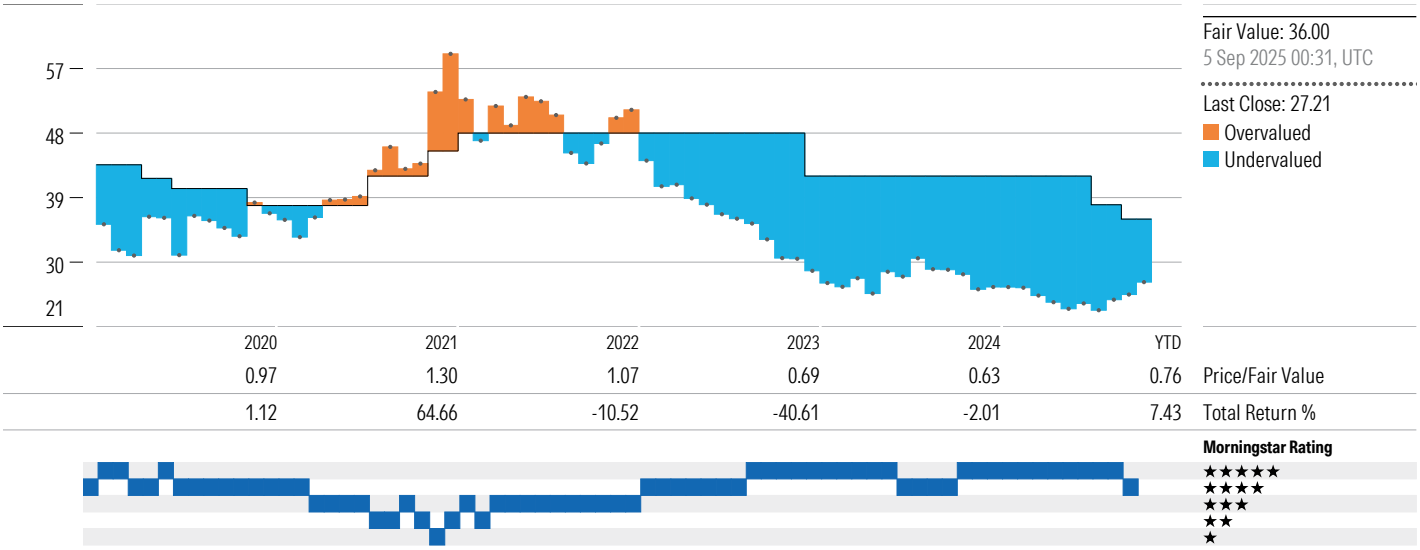
Morningstar Equity Analyst Report | Report as of 1 Oct 2025 23:45, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC. Page 1 of 23

Pfizer Inc PFE ★★★★ 1 Oct 2025 22:16, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.21 USD 1 Oct 2025	36.00 USD 5 Sep 2025 00:31, UTC	0.76	154.70 USD Bil 1 Oct 2025	Narrow	Large Value	Medium	Standard	3 Sep 2025 05:00, UTC

Price vs. Fair Value



	2020	2021	2022	2023	2024	YTD	
	0.97	1.30	1.07	0.69	0.63	0.76	Price/Fair Value
	1.12	64.66	-10.52	-40.61	-2.01	7.43	Total Return %

Morningstar Rating

★★★★★
★★★★
★★★
★★
★

Total Return % as of 01 Oct 2025. Last Close as of 01 Oct 2025. Fair Value as of 5 Sep 2025 00:31, UTC.

Contents

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Pfizer: First Out of the Gate With a Drug Pricing Agreement; Positioned to Avoid Major Headwind

Analyst Note Karen Andersen, CFA, Director, 1 Oct 2025

The Trump administration and Pfizer announced an agreement on Sept. 30 that includes most-favored-nation pricing for Pfizer's drugs in Medicaid programs, discounts for direct sales of Pfizer drugs, and pricing parity with developed markets for new drug launches. Pfizer shares rose more than 6%.

Why it matters: The market has been anticipating an announcement on President Trump's plans to bring US drug prices more in line with international markets, following a May 2025 executive order and letters to biopharmaceutical CEOs on July 31 that set a Sept. 29, 2025, deadline for firms to lower prices.

- Led by Pfizer, the drug industry seems to have avoided further pricing pressure via rulemaking or legislation by coming to a "voluntary agreement" with the administration.
- Pfizer also pointed to its planned $70 billion US investment in R&D and manufacturing over "the next few years" as helping it to secure a three-year grace period for Section 232 tariffs.

The bottom line: We retain our $36 fair value estimate for narrow-moat Pfizer, as we think this voluntary agreement fits well with our current forecast, with most of the long-term policy pressure coming from rising tax rates as more of the firm's manufacturing moves to the US.

- Details remain confidential, but we expect more Pfizer drugs to become available for direct purchase through Pfizer's own platform as well as industry and government-run platforms, likely at prices similar to those offered to large pharmacy benefit managers (a 50% average discount).

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Sector
Healthcare

Industry
Drug Manufacturers - General

Business Description

Pfizer is one of the world's largest pharmaceutical firms, with annual sales of roughly $60 billion. While it historically sold many types of healthcare products and chemicals, now prescription drugs and vaccines account for the majority of sales. Top sellers include pneumococcal vaccine Prevnar 13, cancer drug Ibrance, and cardiovascular treatment Eliquis. Pfizer sells these products globally, with international sales representing 40% of total sales. Within international sales, emerging markets are a major contributor.

- Specific Pfizer drugs highlighted include migraine drug Zavzpret (50% discount), dermatitis drug Eucrisa (80% discount), and arthritis drug Xeljanz (40% discount), which are all smaller products in Pfizer's portfolio.

Big picture: We think this announcement could allow Pfizer—and investors—to refocus on pipeline advancement, and we point to Metsera and Seagen as two key acquisitions that could result in long-term growth opportunities for this undervalued firm.

Business Strategy & Outlook Karen Andersen, CFA, Director, 2 Jul 2025

Pfizer's foundation remains solid, based on steady cash flows generated from a basket of diverse drugs. The company's large size confers significant competitive advantages in developing new drugs. This heft, combined with a broad portfolio of patent-protected drugs, has helped Pfizer build an economic moat around its business.

Pfizer's size establishes one of the largest economies of scale in the pharmaceutical industry. In a business where drug development needs a lot of shots on goal to be successful, Pfizer has the financial resources and the established research power to support the development of more new drugs. A key mRNA-based covid vaccine (Comirnaty) and covid treatment Paxlovid drove roughly $90 billion in supplemental revenue in 2021-22 alone, further supporting Pfizer's ability to invest in new internal and external pipeline initiatives (including the 2023 acquisition of oncology-focused biotech Seagen).

Pfizer's vast financial resources support a leading salesforce. Pfizer's commitment to postapproval studies provides its salespeople with an armamentarium of data for their marketing campaigns. Further, leading salesforces in emerging countries position the company to benefit from the dramatically increasing wealth in nations such as Brazil, India, and China.

Pfizer's 2020 move to divest its off-patent division Upjohn to create a new company (Viatris) in combination with Mylan, as well as its consumer business spinoff (Haleon) in 2022, should drive focus and accelerating growth at the remaining innovative business. We think Pfizer is poised for steady growth in the near term before a round of patent losses hit in 2027-28.

We believe Pfizer's operations can withstand eventual generic competition; its diverse portfolio of drugs helps insulate the company from any one patent loss. Following the 2009 merger with Wyeth, Pfizer has a much stronger position in the vaccine industry with pneumococcal vaccine Prevnar. Vaccines tend to be more resistant to generic competition because of their manufacturing complexity and relatively lower prices. In addition, a novel pipeline of oncology drugs in late-stage development should help drive long-term growth.

Bulls Say Karen Andersen, CFA, Director, 5 Sep 2025

- Pfizer's portfolio contains several blockbusters, including differentiated cardiovascular drug Vyndaqel

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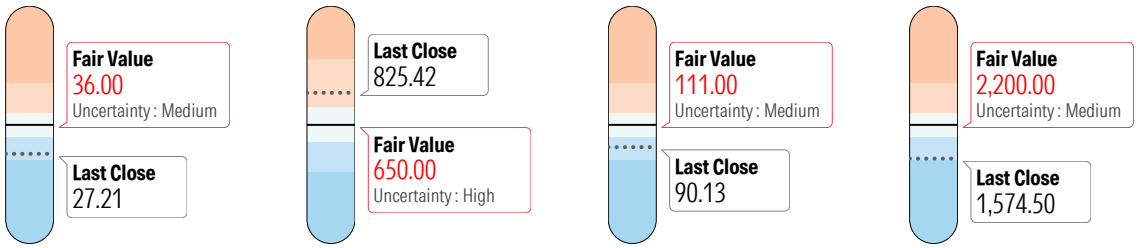
Competitors



	Pfizer Inc PFE	Eli Lilly and Co LLY	Merck & Co Inc MRK	GSK PLC GSK
Economic Moat	Narrow	Wide	Wide	Wide
Currency	USD	USD	USD	GBX
Fair Value	36.00 5 Sep 2025 00:31, UTC	650.00 7 Apr 2025 20:58, UTC	111.00 4 Feb 2025 19:32, UTC	2,200.00 19 Sep 2022 11:26, UTC
1-Star Price	48.60	1,007.50	149.85	2,970.00
5-Star Price	25.20	390.00	77.70	1,540.00
Assessment	Undervalued 1 Oct 2025	Overvalued 1 Oct 2025	Undervalued 1 Oct 2025	Undervalued 1 Oct 2025
Morningstar Rating	★★★★ 1 Oct 2025 22:16, UTC	★★ 1 Oct 2025 22:18, UTC	★★★★ 1 Oct 2025 22:16, UTC	★★★★★ 1 Oct 2025 17:11, UTC
Analyst	Karen Andersen, Director	Karen Andersen, Director	Karen Andersen, Director	Jay Lee, Senior Equity Analyst
Capital Allocation	Standard	Exemplary	Standard	Standard
Price/Fair Value	0.76	1.27	0.81	0.72
Price/Sales	2.13	12.31	3.13	1.99
Price/Book	1.53	35.66	4.01	4.15
Price/Earning	10.37	38.22	12.30	9.59
Dividend Yield	7.17%	0.80%	4.12%	4.15%
Market Cap	154.70 Bil	739.95 Bil	225.13 Bil	6,728.02 Bil
52-Week Range	20.92—30.43	623.78—937.00	73.31—114.79	1,242.50—1,672.14
Investment Style	Large Value	Large Growth	Large Value	Large Value

and oncology drug Padcev.

- Pfizer's rapid success in developing both a covid vaccine and treatment yielded a massive cash windfall.
- Pfizer's decision to divest its off-patent division (Upjohn) and consumer business (Haleon) should allow it to focus on its faster-growing, innovative drug business.

Bears Say Karen Andersen, CFA, Director, 5 Sep 2025

- Aggressive cost-cutting in research and development could hurt Pfizer's long-term prospects, given the importance of continued investment in innovation.
- Competition is increasing for Prevnar (especially from Merck's Capvaxive) and Ibrance (from Novartis' Kisqali).
- Covid product sales appear to have normalized but don't appear to add to Pfizer's future growth potential.

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Economic Moat Karen Andersen, CFA, Director, 2 Jul 2025

We're downgrading Pfizer's moat rating from wide to narrow. We think the company is still more likely than not to see returns on invested capital in excess our estimated 7.1% cost of capital over the next 10 years. However, our high-single-digit return on invested capital projections through 2034 don't provide a very large buffer against low-probability (but potential high impact) threats of major value destruction, like the Donald Trump administration's most favored nation, or MFN, pricing strategy that could lower US drug prices to international levels. We see a less than 10% probability of full-scale implementation of this strategy across public (Medicare/Medicaid) and private (employer sponsored) insurance markets, but we think Pfizer's ROICs could dip below its cost of capital in such a scenario, unlike other large-cap biopharma firms that have bigger buffers against this outcome due to higher margins, stronger pipelines, and less invested capital.

Strong pricing power on innovative drugs protected by patents supports Pfizer's economic moat, largely through intangible assets. Patents give companies 20 years of exclusivity to complete drug development and marketing while also developing the next generation of drugs before generic competition arises on marketed drugs. Regardless of payer consolidation and potential US policy changes, we think payers will continue to pay high prices for innovative therapies, supportive of the industry's moat.

The US market represents close to half of global pharmaceutical sales and well more than 50% of profits, giving it increased importance in assessing moats. Pharmacy benefit managers, or PBMs, negotiate pricing with drug firms on behalf of most individuals in the US, whether they are covered by private insurance (typically through employers) or government programs (like Medicare and Medicaid). We think pricing power that drug firms can generate from their intangible assets has weakened, as PBMs have gradually consolidated over the past 20 years, with the top three PBMs now representing nearly 80% of the market, giving them greater negotiating power for each contract. In addition, the 2022 Inflation Reduction Act made changes to Medicare (30% of the US market) that discourage price increases and allow Medicare to negotiate significant discounts on certain older drugs that still hold patent protection, significantly reducing government spending and out of pocket costs for seniors. The industry faces further threats, as the Trump administration is assessing potential pharma-specific tariffs and working with US Department of Health and Human Services secretary Robert F. Kennedy Jr. to implement plans in the May 12 executive order to lower drug prices to MFN levels. However, we think tariff impacts look manageable and MFN pricing looks unlikely, which should allow large-cap biopharma revenue to grow at a mid-single-digit rate over the next five years.

Focusing in on Pfizer's diversified portfolio, we think Pfizer has average exposure to patent expirations but a relatively weak growth trajectory for newer products and the pipeline. Pfizer's amazing speed in developing a covid vaccine (Comirnaty) and treatment (Paxlovid) led to sales of over $90 billion in 2021

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and 2022, supporting a spike in ROICs. While sales have normalized after the drop in covid revenue, patent exposure is increasing over the next five years, with oncology drug Ibrance (7% of 2024 sales) facing generic competition in 2027 and cardiovascular drugs Eliquis (12% of 2024 revenue) and Vyndaqel (9% of 2024 revenue) likely to see generic pressure in 2028. Pfizer expects to counter this pressure with a cost savings plan ($7.2 billion in annual cost savings by the end of 2027) and pipeline progress (including a $500 million re-investment of savings to improve pipeline productivity). However, since Eliquis revenue is a profit share, the patent loss will have an amplified impact on Pfizer's bottom line. Beyond the 2027-28 patent expirations, Pfizer has a longer stretch until it hits another patent cliff, particularly given more limited expected impact from patent expirations of vaccines (Prevnar, Comirnaty) and antibody-drug conjugates (from the Seagen acquisition), partly due to more complex manufacturing.

However, we think Pfizer will struggle to grow revenue at more than a low-single-digit level over the next 10 years, due to multiple recent pipeline disappointments and uncertain growth potential from acquisitions. We think Pfizer will rely on strong growth from bladder cancer drug Padcev (from Seagen) and potential sales of breast cancer drug candidate atirmociclib to help keep profits steady. The $43 billion acquisition of oncology-focused biotech Seagen weighs down ROICs and also hurts Pfizer's ability to acquire new assets in the near term. Pfizer claims to have capacity for $10 billion-$15 billion in additional acquisitions, and pressure on growth could make it more likely to overpay. High-profile pipeline failures like obesity drug danuglipron and headwinds against vaccine makers from current leadership at the Department of Health and Human Services also weigh on our growth forecast.

Long-term ROICs could improve if covid revenue falls as a percentage of sales and oncology sales increase. The oncology pipeline includes Seagen-sourced potential first-in-class programs like sigvotatug vedotin (starting phase 3 in first-line lung cancer) and a PDL1-targeting ADC (in phase 3 in lung cancer and head & neck cancers) as well as mevrometostat (in phase 3 in prostate cancer, combining with Xtandi) and a KAT6-targeting breast cancer drug (entering phase 3). However, KAT6 and PDL1 ADC programs were both accelerated to phase 3 from phase 1, meaning there is limited data to judge their potential for differentiation. Beyond oncology pipeline programs, the main wild card not included in the model is ponsegromab (entering phase 3 for helping cancer patients with muscle wasting). Phase 3 vaccine programs for c difficile (diarrhea) and Lyme disease look less promising due to prior trial failures and enrollment setbacks.

We think the company does face environmental, social, and governance risks, particularly related to potential US drug price-related policy reform to increase access by lowering drug prices. Ongoing product governance issues (including litigation related to side effects and patents) also weigh on the company. While we have factored these threats into our analysis, they are not material to our moat rating.

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Fair Value and Profit Drivers Karen Andersen, CFA, Director, 5 Sep 2025

We are lowering our fair value estimate for Pfizer to $36 per share from $38, after incorporating lower sales forecasts for the firm's marketed mRNA-based covid vaccine Comirnaty, as well as a phase 2 influenza vaccine program, both stemming from the BioNTech partnership. In 2025, we now assume US Comirnaty sales of $1.8 billion (down from $2.2 billion previously) and global Comirnaty sales of $5.3 billion (down from $5.8 billion previously). We also now assume low-single-digit annual declines in Comirnaty revenue in our forecast, versus our prior assumption of low-single-digit growth.

While we think Pfizer will struggle to grow the bottom line in the midterm due to patent expirations, we still see its diversified portfolio providing relatively steady free cash flows that will support continued low-single-digit increases to the dividend in the long run.

On the top line, we expect fairly stable sales over the next decade despite high-single-digit declines in 2028-29 due to patent expirations, as new products help offset older drugs losing patent protection. We think this will translate to a steady bottom line as well, as $7.2 billion in projected annual cost savings by the end of 2027 should help the firm counter margin pressure from the loss of the Eliquis profit share and potential tax rate increases (with a shift toward more US manufacturing away from more tax-advantaged markets). We forecast an average 3% five-year sales decline and 5% adjusted EPS decline annually through 2029, which is likely a trough year due to the timing of patent expirations.

We don't model unannounced acquisitions, but acquisitions hold the potential to accelerate the company's growth rate. Over the long term, we believe the more diversified lineup of drugs should reduce the volatility of earnings. We estimate Pfizer's cost of equity at 7.5% and weighted average cost of capital at 7.1%, in line with the peer group. We assume a long-term effective tax rate growing to 19%, due to increased investment in US manufacturing.

Risk and Uncertainty Karen Andersen, CFA, Director, 2 Jul 2025

Pfizer faces generic competition, potential drug pricing policy changes by governments, an increasingly stringent Food and Drug Administration, and stronger managed-care and pharmacy benefit manager negotiating power. New-drug development has become challenging in several disease areas with a more risk-conscious FDA. Additionally, managed-care companies and pharmacy benefit managers have grown during the past two decades into powerful entities that can negotiate lower drug prices. However, we give Pfizer a Medium Morningstar Uncertainty Rating partly based on the low volatility of cash flows from a diverse product portfolio with inelastic demand.

Our uncertainty rating for the firm is not materially affected by environmental, social, or governance risks, although we see access to basic services (tied to potential US policy reform on drug pricing) as the biggest ESG risk that the firm needs to manage.

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We model in policy changes around reforms to Medicare that are reflected in the Inflation Reduction Act as the firm has exposure to this patient group. For example, Pfizer's Eliquis (cardiovascular), Vyndaqel (cardiovascular), and Ibrance (cancer) generated more than one quarter of the firm's total sales in 2024, and the drugs have significant exposure to the Medicare channel. Additionally, we assume a more than 50% probability of Pfizer seeing future costs related to product governance ESG risks, such as off-label marketing or litigation related to side effects. We model base-case annual legal costs at close to 2% of non-GAAP net income, in the middle of the peer range based on Pfizer's product portfolio having average exposure to potential litigation (boosted by its vaccine portfolio).

Capital Allocation Karen Andersen, CFA, Director, 2 Jul 2025

We give Pfizer a Standard Capital Allocation Rating. This reflects our belief that the firm possesses a sound balance sheet, a reasonable record of investments, and largely fair shareholder distributions.

We believe Pfizer holds a sound balance sheet with low levels of risk regarding the size of the debt carried, the business cyclicality facing the firm, and the debt maturity outlook. While an argument could be made to increase the leverage of the balance sheet to be more active in investing, we believe the company (along with the majority of firms in the large-cap biopharma industry) should hold ample balance sheet strength to support opportunistic acquisitions as dynamic scientific data emerges that might require relatively quick investment action. Also, a strong balance sheet helps biopharma firms through most product litigation challenges with minimal market concern.

Turning to investments, we believe Pfizer is operating at a reasonable level. The company tends to spend on R&D at about a mid- to high-teens percentage of sales (a little below the industry average of high teens). Solid investment in creating the next generation of drugs has yielded a pipeline to offset patent losses. Investment in innovative new drugs (largely targeting oncology and immunology) can also help fortify the firm's narrow moat, although some acquisitions look pricey, making it difficult to see benefits to returns on invested capital.

On the acquisition and divestment side, we think Pfizer has made some stronger decisions. The decisions to sell the nutritional and animal healthcare businesses appear to have created value for shareholders several years ago. Also, we like the strategic decision to form a joint venture with GSK on the consumer healthcare front, giving both firms more scale in the marketplace, which was followed by the divestment of this joint venture. The prices for the acquisitions of Seagen (2023), Biohaven (2022), Global Blood Therapeutics (2022), Array (2019), Medivation (2016), and Hospira (2015) all bordered on the high side but look largely reasonable. The failed attempts to acquire AstraZeneca and Allergan are partly concerning, but several factors outside Pfizer's control helped scuttle those deals.

We view Pfizer's dividends and share repurchase levels as reasonable. Pfizer has generally targeted close to a 50% payout in dividends as a percentage of normalized earnings, which seems about right for a more mature industry. Further, Pfizer has shown a strong willingness to buy back shares during

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Pfizer Inc PFE ★★★★ 1 Oct 2025 22:16, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.21 USD 1 Oct 2025	36.00 USD 5 Sep 2025 00:31, UTC	0.76	154.70 USD Bil 1 Oct 2025	Narrow	Large Value	Medium	Standard	3 Sep 2025 05:00, UTC

generally favorable periods.

Albert Bourla became CEO at the beginning of 2019 after holding several positions at Pfizer. Before taking the leadership role, he was the chief operating officer and led the innovative health division. Bourla brings over 25 years of experience at Pfizer to the top position. This vast experience should help his decision-making. One of the first major decisions Bourla made was to divest the off-patent business, combining it with Mylan to form Viatris. The remaining innovative business should be in a stronger position to expand top-line sales. Also, the newly created off-patent business should have increased scale, which is important in the highly competitive generic business. Overall, we view this corporate restructuring as a modest positive that will allow both the innovative and off-patent firms more focus to drive better returns for each segment.

Analyst Notes Archive

Pfizer: Metsera Acquisition Puts Firm Back in Contention in Potential $200 Billion GLP-1 Market

Karen Andersen, CFA,Director,22 Sep 2025

Pfizer announced on Sept. 22 that it plans to acquire Metsera and its obesity drug candidates for $4.9 billion upfront and up to $2.4 billion in contingent payments based on pipeline progress. Why it matters: The market for GLP-1-based therapies in obesity, diabetes, and beyond could reach $200 billion globally by 2031, and large pharmaceutical firms are vying to develop differentiated assets that could compete with market leaders Eli Lilly and Novo Nordisk. Pfizer's obesity drug pipeline crumbled with the discontinuation of oral GLP-1 drug candidate danuglipron in April due to liver safety concerns. An aging portfolio of branded drugs and patent expirations late in the decade (Ibrance in 2027, Eliquis in 2028) put pressure on Pfizer's pipeline to secure long-term growth. The bottom line: We're maintaining our $36 fair value estimate for Pfizer after incorporating the two lead Metsera pipeline programs into our valuation model. Phase 2a data in January for injectable GLP-1 MET-097i and phase 1 data for injectable amylin MET-233i in June appear to support the potential for a monthly combination regimen with leading efficacy and solid tolerability, and we're assuming $5.5 billion in probability-adjusted Metsera revenue in 2034. While we recently lowered our moat rating for Pfizer from wide to narrow, we think Pfizer is still capable of restoring stronger returns on invested capital if pivotal acquisitions—particularly Metsera and Seagen—result in differentiated drug launches. Coming up: We expect to see phase 2b data for MET-097i shortly, with longer-term phase 1 data for MET-233i later this year. We think Pfizer will have enough information to begin phase 3 development of MET-097i, phase 2 for MET-233i, and the combination regimen in 2026, with launches by 2029.

Covid Vaccine Market: CDC Advisory Committee Preserves Access but Removes Recommendation

Karen Andersen, CFA,Director,22 Sep 2025

At a Sept. 19 meeting, the Centers for Disease Control and Prevention's Advisory Committee on

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Immunization Practices voted to recommend healthcare provider consultation prior to covid vaccination for individuals six months and older but voted against requiring a prescription. Why it matters: The committee's recommendation for individual decision-making for covid vaccines (rather than prior recommendations supporting vaccination) could weigh on demand for Pfizer/BioNTech and Moderna's vaccines. If signed off on by acting CDC Director Jim O'Neill, the vote likely means that seniors and high-risk individuals can consult a pharmacist and get vaccinated at the pharmacy. However, the close vote on requiring a prescription (6-6 split, broken by Chair Martin Kulldorff) highlights internal conflict. While the long-term implications for insurance coverage are unclear, we think near-term coverage will remain stable, particularly given the Sept. 16 announcement from trade organization America's Health Insurance Plans that it will honor old ACIP recommendations through 2026. The bottom line: We're maintaining our fair value estimates for narrow-moat Pfizer ($36) and no-moat BioNTech ($100) and Moderna ($61) following the committee's votes. We expect the 2025-26 covid vaccine market to be focused even more on high-risk individuals, consistent with updated US Food and Drug Administration labels. While we think enthusiasm over BioNTech's oncology pipeline has guided its shares close to our fair value estimate, we think the market undervalues the potential of Moderna's mRNA-based pipeline and the potential of Pfizer's diverse portfolio, oncology pipeline potential, and 7% dividend yield. We think Moderna and BioNTech continue to warrant Very High Uncertainty Ratings, partly due to US vaccine policy risks as well as potential high-risk programs in areas like oncology and rare diseases.

Pfizer and BioNTech: Slightly Lowering Our MRNA Vaccine Forecast Due to US Policy Headwinds

Karen Andersen, CFA,Director,5 Sep 2025

The US Food and Drug Administration's Vinay Prasad issued a memo on Aug. 25 detailing the agency's evolving thoughts on the coadministration of vaccines and approval requirements. A meeting of the Advisory Committee on Immunization Practices is scheduled for Sept. 18-19. Why it matters: Pfizer's and BioNTech's covid vaccine Comirnaty still makes up roughly 8% of Pfizer's top line and the majority of BioNTech's profits, and while international sales are protected by multiyear contracts through at least 2026, vaccine hesitancy and US policy changes could affect US demand. The memo, along with the recent departure of CDC Director Susan Monarez and the defunding of mRNA research, are some of the latest indicators that Secretary of Health and Human Services Robert F. Kennedy Jr. is continuing to erect barriers to the administration and development of vaccines in the US. If the ACIP does not provide a recommendation for covid vaccinations at the September meeting, pharmacists in some states may not be allowed to administer the vaccines this season, and insurers won't be required to cover them. The bottom line: After reducing our sales forecasts for Comirnaty and a phase 2 mRNA-based influenza vaccine, we're lowering our fair value estimates for narrow-moat Pfizer to $36 from $38 and for no-moat BioNTech to $100 from $126. We've lowered our 2025 US covid vaccine revenue forecast to $1.8 billion from $2.2 billion, as we're concerned that barriers to access, as well as confusion about access, will further limit US uptake. With the safety of coadministration of vaccines being questioned, we no longer

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assume that Pfizer/BioNTech and Moderna will be able to launch a differentiated covid/flu vaccine. We had previously thought this could help covid vaccination rates reach the nearly 50% level seen for influenza.

Narrower FDA Approval of Updated Pfizer and Moderna Covid Vaccines but Focus on Likely Recipients Karen Andersen, CFA,Director,28 Aug 2025

The latest versions of covid vaccines were approved by the US Food and Drug Administration on Aug. 27, including Pfizer and BioNTech's mRNA-based Comirnaty, Moderna's mRNA-based mNexspike and Spikevax, and Novavax and Sanofi's protein-based Nuvaxovid. Why it matters: Pfizer/BioNTech and Moderna filed for approval of their updated vaccines shortly after the release of updated guidance from the FDA advisory committee and a new FDA vaccine framework in May, and the market had been anticipating more restricted approval for this season. This season's FDA approvals essentially remove healthy children and younger adults from the vaccine indications. The vaccines were approved for seniors (age of 65 years-plus) and other high-risk individuals (Comirnaty for 5 years-plus, Spikevax for 6 months-plus, mNexspike for 12 years-plus, and Nuvaxovid for 12 years-plus). Last season, Moderna said 54% of the 40 million in the US who received a covid vaccine were 65 years or older, and among the remaining 46%, the vast majority were considered at high risk. The bottom line: We maintain our $38 fair value estimate for narrow-moat Pfizer and $85 fair value estimate for no-moat Moderna following this news. We view both firms as deeply discounted. We continue to model global covid vaccine sales in 2025 of $1.9 billion for Moderna and $5.8 billion for Pfizer, and assume relatively flat sales of each in the future. We think the market doesn't appreciate Pfizer's diversification and ability to make cost savings to stabilize earnings and secure its dividend through the upcoming patent cliff. We think Moderna's mRNA technology is especially underappreciated in oncology. Coming up: We're waiting for more information from the Centers for Disease Control and Prevention, although it's unclear if its Advisory Committee on Immunization Practices will issue a recommendation on covid vaccines this season, particularly given the departure of CDC director Susan Monarez.

Pfizer Earnings: Impressive Second-Quarter Results Bolster 2025, but Awaiting More Pipeline Data Karen Andersen, CFA,Director,6 Aug 2025

Pfizer's second-quarter 10% revenue growth and adjusted EPS of $0.78 were ahead of consensus expectations. Management maintained full-year revenue guidance of $61 billion-$64 billion and raised adjusted EPS guidance by $0.10 at the midpoint (after absorbing a $0.20 licensing payment to 3SBio). Why it matters: Pfizer had a strong quarter across multiple products and geographies, and commentary on US policy changes reassured investors, driving shares up 5% on Aug. 5. Solid growth of 22% from cardiovascular drug Vyndaqel and 11% in oncology (double-digit growth from Padcev and Xtandi) led broadly strong sales ahead of our expectations, and cost-cutting programs are starting to drive meaningful earnings benefits. Pfizer's guidance absorbs current tariffs as well as potential US price

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adjustments tied to the Trump administration's July 31 letter to pharma CEOs, which provides some reassurance that the firm does not expect a drastic change in US pricing policy tied to most-favored-nation pricing. The bottom line: We're maintaining our $38 per share fair value estimate for narrow-moat Pfizer following the solid quarter, and despite the positive investor reaction, we think shares remain undervalued. While Pfizer remains on track for an impressive $7.2 billion in cost cuts by the end of 2027, we think the market is more interested in pipeline progress and the ability to grow beyond upcoming patent expirations for key drugs in 2027 (Ibrance) and 2028 (Vyndaqel and Eliquis). Coming up: We're closely watching Pfizer's pipeline for evidence that it can support a quick recovery from potential top-line declines in 2028-29. We're awaiting phase 3 data later this year for Padcev in muscle-invasive bladder cancer that could begin to broaden the drug's label. Pfizer expects to start several important phase 3 studies this year, led by oncology programs including PD-1/VEGF bispecific antibody SSGJ-707 (from 3SBio) and the Seagen pipeline (PDL1V and sigvotatug vedotin).

Pfizer: We Think Competitive Advantages Still Exist, but Signs of Erosion Weigh on Our Valuation

Karen Andersen, CFA,Director,2 Jul 2025

Pfizer faces patent expirations amounting to more than one quarter of 2024 revenue by 2028, and the 2023 acquisition of oncology-focused biotech Seagen boosted the firm's invested capital base, lowering adjusted returns on invested capital to 7.3% in 2024. Why it matters: We estimate Pfizer's cost of capital at 7.1%, and our projected high-single-digit ROICs do not provide much of a buffer against potential emerging headwinds to profitability over the next decade. Blockbuster drugs like cancer drug Ibrance and cardiovascular drugs Eliquis and Vyndaqel are likely to face generic competition in the 2027-28 timeframe, adding pressure on Pfizer's pipeline. We think the fate of Seagen's pipeline programs—and relative positioning of its antibody-drug conjugate technology—will be key in determining Pfizer's pipeline productivity. The bottom line: We're lowering our fair value estimate for Pfizer to $38 from $42 after reducing the firm's moat rating from wide to narrow, accounting for the thin margin of our ROIC forecast over its cost of capital. We also factored pressure from the Donald Trump administration into our tax rate forecast (rising to 19% in the long run with increased US manufacturing) and moat rating. While we see most favored nation pricing as unlikely, Pfizer has less of a ROIC buffer than its peers to handle pressure to US profits. Our $7.7 billion 2030 forecast for revenue from the Seagen portfolio is still below management's $10 billion goal, although we're carefully watching Padcev's expansion into new indications and advancement of the phase 3 pipeline. Big picture: We think Pfizer shares still look significantly undervalued, as despite flat growth prospects, its 7% dividend yield and the steadiness of its diversified portfolio are compelling.

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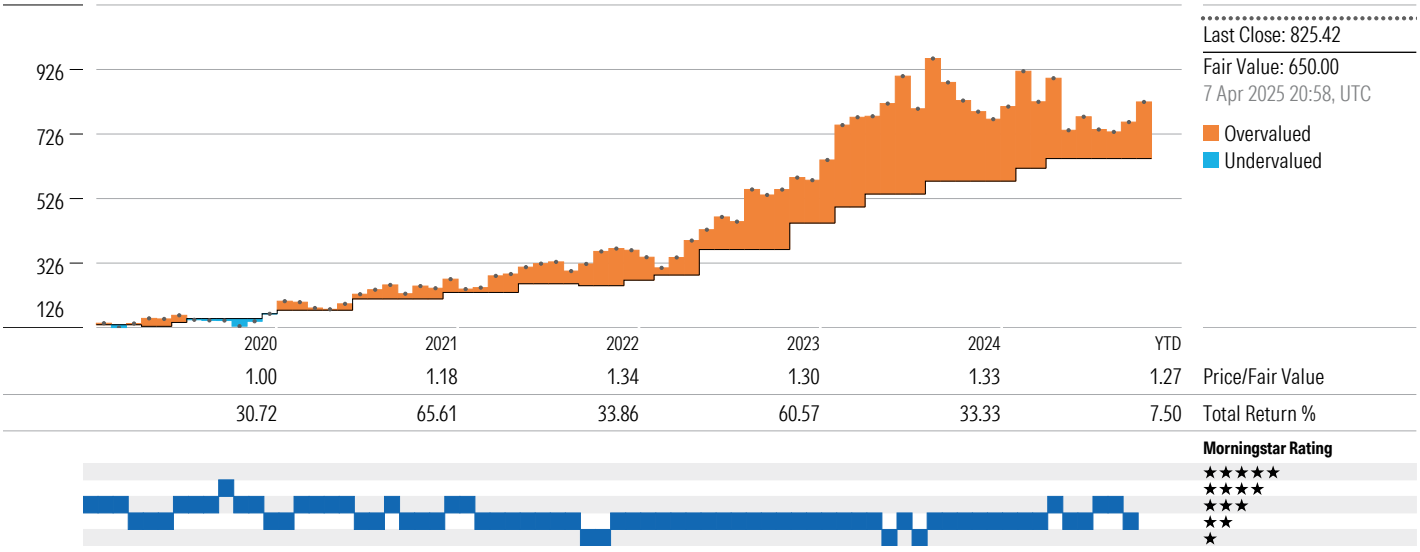
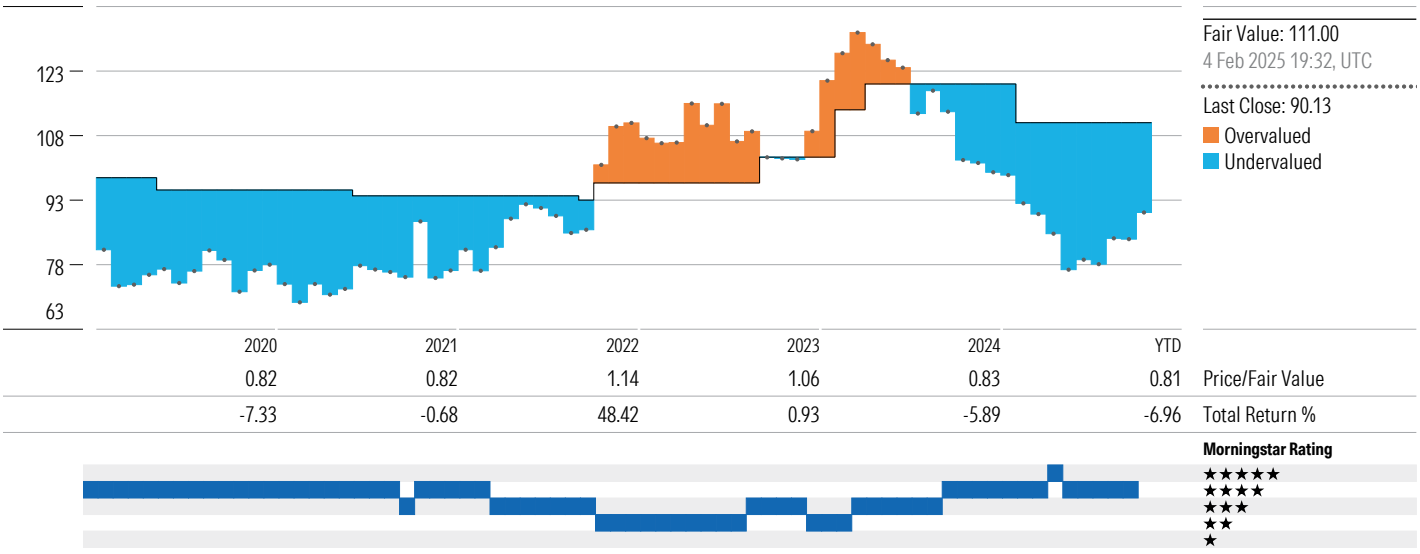
Competitors Price vs. Fair Value

Eli Lilly and Co LLY



Total Return % as of 01 Oct 2025. Last Close as of 01 Oct 2025. Fair Value as of 7 Apr 2025 20:58, UTC.

Merck & Co Inc MRK



Total Return % as of 01 Oct 2025. Last Close as of 01 Oct 2025. Fair Value as of 4 Feb 2025 19:32, UTC.

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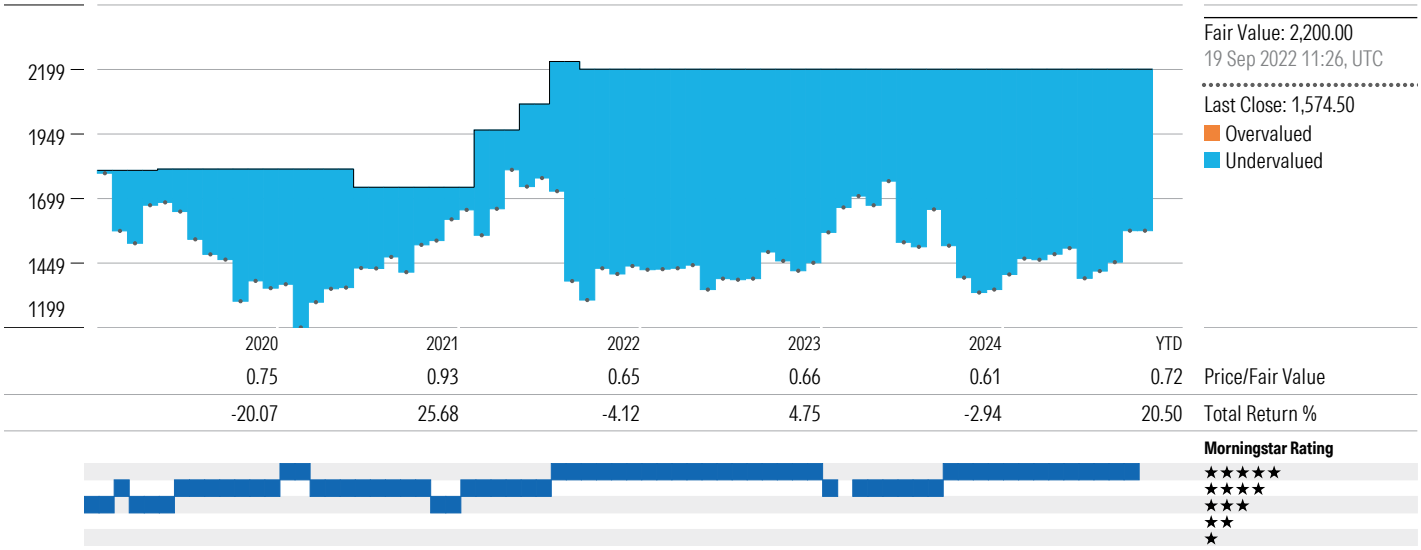
Competitors Price vs. Fair Value

GSK PLC GSK



Total Return % as of 30 Sep 2025. Last Close as of 30 Sep 2025. Fair Value as of 19 Sep 2022 11:26, UTC.

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Morningstar Valuation Model Summary

Financials as of 22 Sep 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	2022	2023	2024	2025	2026	2027	2028	2029
Revenue (USD Mil)	101,175	59,553	63,627	62,507	64,336	63,105	58,272	55,117
Operating Income (USD Mil)	38,117	4,416	14,938	15,834	17,245	17,220	13,003	11,014
EBITDA (USD Mil)	40,780	7,932	17,582	22,121	25,802	25,325	20,637	18,259
Adjusted EBITDA (USD Mil)	40,780	7,932	17,582	22,121	25,802	25,325	20,637	18,259
Net Income (USD Mil)	31,372	2,118	8,031	11,790	13,426	13,500	10,082	8,539
Adjusted Net Income (USD Mil)	37,348	10,501	17,716	17,359	17,941	17,511	13,820	12,148
Free Cash Flow To The Firm (USD Mil)	16,236	-23,157	13,336	14,004	19,474	19,777	16,644	14,225
Weighted Average Diluted Shares Outstanding (Mil)	5,733	5,709	5,700	5,700	5,700	5,597	5,497	5,398
Earnings Per Share (Diluted) (USD)	5.47	0.37	1.41	2.07	2.36	2.41	1.83	1.58
Adjusted Earnings Per Share (Diluted) (USD)	6.51	1.84	3.11	3.05	3.15	3.13	2.51	2.25
Dividends Per Share (USD)	1.61	1.65	1.68	1.72	1.75	1.77	1.80	1.83

Margins & Returns as of 22 Sep 2025		Actual			Forecast					
	3 Year Avg	2022	2023	2024	2025	2026	2027	2028	2029	5 Year Avg
Operating Margin %	18.2	37.7	7.4	23.5	25.3	26.8	27.3	22.3	20.0	25.3
EBITDA Margin %	—	40.3	13.3	27.6	35.4	40.1	40.1	35.4	33.1	—
Adjusted EBITDA Margin %	—	40.3	13.3	27.6	35.4	40.1	40.1	35.4	33.1	36.8
Net Margin %	15.7	31.0	3.6	12.6	18.9	20.9	21.4	17.3	15.5	18.8
Adjusted Net Margin %	27.5	36.9	17.6	27.8	27.8	27.9	27.8	23.7	22.0	25.8
Free Cash Flow To The Firm Margin %	-0.6	16.1	-38.9	21.0	22.4	30.3	31.3	28.6	25.8	27.7

Growth & Ratios as of 22 Sep 2025		Actual			Forecast					
	3 Year CAGR	2022	2023	2024	2025	2026	2027	2028	2029	5 Year CAGR
Revenue Growth %	-7.8	24.5	-41.1	6.8	-1.8	2.9	-1.9	-7.7	-5.4	-2.8
Operating Income Growth %	-14.3	60.8	-88.4	238.3	6.0	8.9	-0.2	-24.5	-15.3	-5.9
EBITDA Growth %	24.7	33.0	-80.6	121.7	25.8	16.6	-1.8	-18.5	-11.5	2.1
Adjusted EBITDA Growth %	-16.9	33.0	-80.6	121.7	25.8	16.6	-1.8	-18.5	-11.5	0.8
Earnings Per Share Growth %	-28.4	42.8	-93.2	279.8	46.8	13.9	2.4	-24.0	-13.8	2.3
Adjusted Earnings Per Share Growth %	-28.4	59.4	-71.8	69.0	-2.0	3.4	-0.6	-19.6	-10.5	2.3

Valuation as of 22 Sep 2025	Actual			Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Price/Earning	7.9	15.6	8.5	8.9	8.6	8.7	10.8	12.1
Price/Sales	2.8	2.7	2.4	2.5	2.4	2.5	2.7	2.8
Price/Book	3.1	1.8	1.7	1.7	1.7	1.6	1.7	1.8
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	7.0	22.9	11.8	9.1	7.8	8.0	9.8	11.1
EV/EBIT	7.5	41.1	13.9	12.8	11.7	11.8	15.6	18.4
Dividend Yield %	3.1	5.7	6.3	6.3	6.4	6.5	6.6	6.7
Dividend Payout %	24.7	89.7	54.1	56.5	55.5	56.6	71.5	81.1
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 22 Sep 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	2022	2023	2024	2025	2026	2027	2028	2029
ROA %	15.9	0.9	3.8	5.6	6.4	6.6	5.1	4.5
ROE %	32.7	2.4	9.1	13.0	14.3	14.5	11.4	10.3
ROIC %	27.1	3.2	7.3	8.3	8.8	8.7	6.7	5.6

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Pfizer Inc PFE ★★★★ 1 Oct 2025 22:16, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.21 USD 1 Oct 2025	36.00 USD 5 Sep 2025 00:31, UTC	0.76	154.70 USD Bil 1 Oct 2025	Narrow	Large Value	Medium	Standard	3 Sep 2025 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Debt/Capital %	10.8	30.3	29.7	22.6	21.4	20.5	19.6	18.4
Assets/Equity	2.1	2.5	2.4	2.3	2.2	2.2	2.3	2.3
Net Debt/EBITDA	0.3	7.3	2.5	1.9	1.3	1.2	1.4	1.6
Total Debt/EBITDA	0.9	8.9	3.6	2.8	2.3	2.2	2.6	2.8
EBITDA/ Net Interest Expense	41.3	13.6	6.9	9.6	12.5	13.8	12.7	12.6

Forecast Revisions as of 22 Sep 2025	2025		2026		2027	
Prior data as of 4 Sep 2025	**Current**	**Prior**	**Current**	**Prior**	**Current**	**Prior**
Fair Value Estimate Change (Trading Currency)	36.00	36.25	—	—	—	—
Revenue (USD Mil)	62,507	62,507	64,336	64,511	63,105	63,455
Operating Income (USD Mil)	15,834	15,834	17,245	18,417	17,220	19,086
EBITDA (USD Mil)	22,121	22,121	25,802	26,196	25,325	26,103
Net Income (USD Mil)	17,359	17,359	17,941	18,266	17,511	18,137
Earnings Per Share (Diluted) (USD)	2.07	2.07	2.36	2.53	2.41	2.69
Adjusted Earnings Per Share (Diluted) (USD)	3.05	3.05	3.15	3.20	3.13	3.24
Dividends Per Share (USD)	1.72	1.72	1.75	1.75	1.77	1.77

Key Valuation Drivers as of 22 Sep 2025

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	7.1
Long-Run Tax Rate %	19.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	40.0
Perpetuity Year	15

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 22 Sep 2025

	USD Mil
Present Value Stage I	115,524
Present Value Stage II	24,618
Present Value Stage III	110,294
Total Firm Value	**250,435**
Cash and Equivalents	20,477
Debt	64,350
Other Adjustments	-437
Equity Value	**206,623**
Projected Diluted Shares	5,700
Fair Value per Share (USD)	**36.00**

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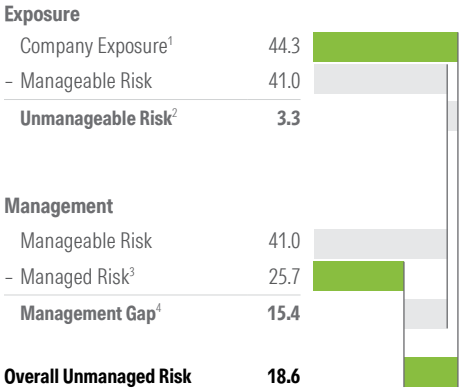
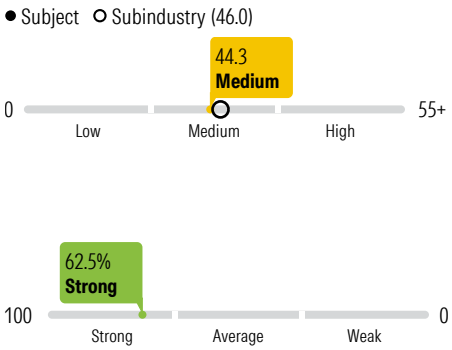
Pfizer Inc PFE ★★★★ 1 Oct 2025 22:16, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.21 USD 1 Oct 2025	36.00 USD 5 Sep 2025 00:31, UTC	0.76	154.70 USD Bil 1 Oct 2025	Narrow	Large Value	Medium	Standard	 3 Sep 2025 05:00, UTC

ESG Risk Rating Breakdown





- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating

ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 62.5% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]

ESG Risk Rating is of Sep 03, 2025. Highest Controversy Level is as of Sep 08, 2025. Sustainalytics Subindustry: Pharmaceuticals. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 03 Sep 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
Pfizer Inc	44.3 | Medium	0	55+	62.5 | Strong	100	0	18.6 | Low	0	40+
Eli Lilly and Co	45.2 | Medium	0	55+	50.4 | Strong	100	0	24.0 | Medium	0	40+
GSK PLC	42.8 | Medium	0	55+	70.4 | Strong	100	0	14.8 | Low	0	40+
Merck & Co Inc	47.3 | Medium	0	55+	64.7 | Strong	100	0	19.0 | Low	0	40+
AbbVie Inc	45.8 | Medium	0	55+	51.6 | Strong	100	0	23.9 | Medium	0	40+

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Appendix

Historical Morningstar Rating

Pfizer Inc PFE 1 Oct 2025 22:16, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
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Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
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Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
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Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
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Eli Lilly and Co LLY 1 Oct 2025 22:18, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
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Merck & Co Inc MRK 1 Oct 2025 22:16, UTC

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Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
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GSK PLC GSK 1 Oct 2025 17:11, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
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Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
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Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
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Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★★	★★★	★★★

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Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

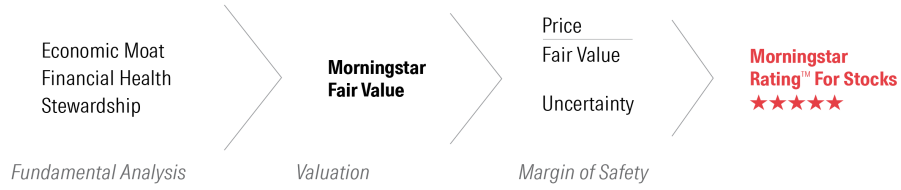
Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



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Research Methodology for Valuing Companies

outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

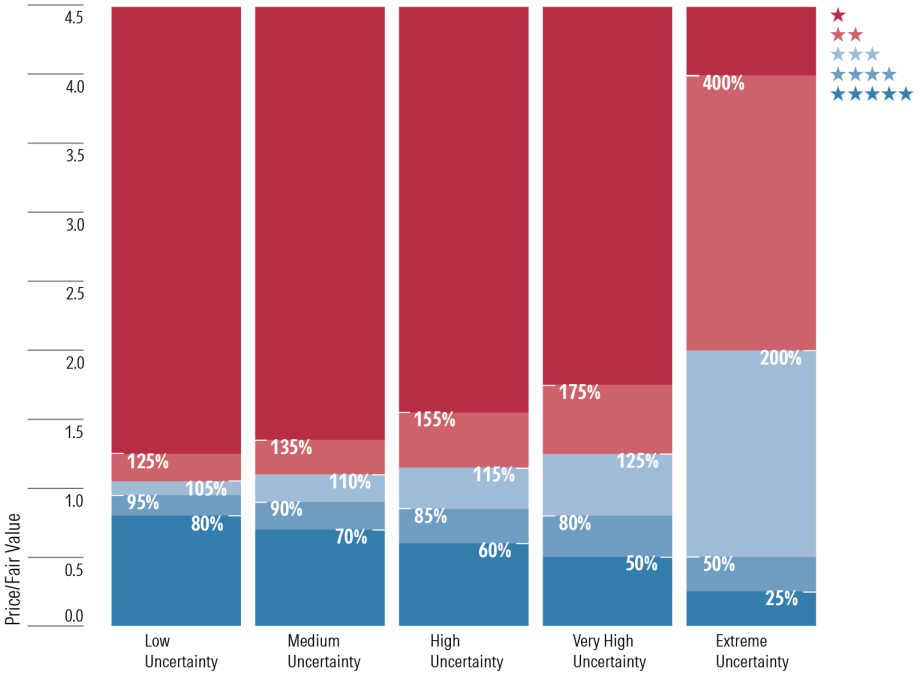
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

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Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

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Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

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