

# [Pfizer analysis essay samples](https://assignbuster.com/pfizer-analysis-essay-samples/)

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P/E ratio is the ratio of the market price of the stock and the earnings per share. P/E ratio has been a very important parameter to decide whether or not the stock is overvalued or undervalued in the market. Historical data shows that the Pfizer company’s price-earnings ratio was 15. 09 in 2014, and it is estimated to be 16. 72 in 2015.
P/E ratio = Market price per share/EPS
If we want to know whether the stock of Pfizer is overvalued or undervalued, we can calculate the intrinsic price of the share. The highest EPS forecast for the Pfizer is $ 2. 08 in 2015. We have P/E forecast to be 16. 72 in 2015. So, the anticipated market price per share is
Market price per share = P/E ratio x EPS
Market price per share = 16. 72 x 2. 08 = $34. 78
The current market price of Pfizer is $33. 36. This shows that the stock price of the Pfizer is slightly undervalued.

## The dividend history of Pfizer is

Average growth rate of dividend = 9. 24%. So, we assume that the growth of the stock will occur at the constant rate of 9. 24% over time.
So, Intrinsic value of the stock = Dividend of 2015/(Required rate of return, k – Growth Rate)
Intrinsic value = Dividend 2014 (1+g)/(k-g)
Intrinsic value = 1. 04 (1+0. 0924)/(0. 1055-0. 0924)
Intrinsic value = 1. 14/0. 0131 = $87. 022
However, the market price of the share in 2015 is too less ($33. 36). So, we can say that the stock of the Pfizer is undervalued.

## Works Cited

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