

Pfizer analysis essay samples

[Finance](#), [Investment](#)



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.

$$\text{P/E ratio} = \text{Market price per share} / \text{EPS}$$

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

$$\text{Market price per share} = \text{P/E ratio} \times \text{EPS}$$

$$\text{Market price per share} = 16.72 \times 2.08 = \$34.78$$

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 = $\text{Dividend of 2015} / (\text{Required rate of return, } k - \text{Growth Rate})$

$$\text{Intrinsic value} = \text{Dividend 2014} (1+g) / (k-g)$$

$$\text{Intrinsic value} = 1.04 (1+0.0924) / (0.1055-0.0924)$$

$$\text{Intrinsic value} = 1.14 / 0.0131 = \$87.022$$

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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