Analysis Regarding Pfizer's 2019-2020 Financial Report

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Abstract. Pfizer keeps making a positive difference in the world for the benefit of countless patients, according to the 2021 Pfizer Annual Report. The outbreak of COVID-19 has sent Pfizer's results skyrocketing, while Pfizer has also used the data to satisfy its stakeholders and the general public. This essay conducts an objective analysis of Pfizer's annual financial statements for 2019-2021, including balance sheet analysis, income statement analysis, cash flow statement analysis, financial ratio analysis, and Du-pont analysis. The research demonstrates an overall upward trend in Pfizer's revenues. It is primarily motivated by sales growth across the Pfizer portfolio. The company's net income grew because of increased revenue and the implementation of cost-cutting measures. Pfizer kept a solid financial position and a healthy cash balance, allowing it to invest in R&D, make strategic acquisitions, and return value to shareholders through dividends and share repurchases. Ultimately, the financial report demonstrates Pfizer's dedication to driving long-term growth and creating value for its stakeholders.

Keywords: Covid-19; Profitability; Liquidity; Du-Pont Analysis.

1. Introduction

1.1 Business Overview

The pharmaceutical sector is a crucial one that significantly contributes to raising public health and well-being. Currently, more than US$1 trillion is spent on medicines globally, and the market is still expanding at a record-breaking rate. Pfizer, founded in 1849, is a major multinational pharmaceutical company which trades on the New York Stock Exchange (PFE: NYSE). It has been at the forefront of medical innovation for more than 170 years. The business operates in over 190 nations, has a diversified portfolio, and places a big emphasis on research and development. Pfizer wants to improve the lives of people with a variety of diseases by creating ground-breaking medications. Its focus areas include internal medicine, inflammation & immunology, vaccines, oncology, and anti-infectives. It also focuses on rare diseases. The innovation strategy of Pfizer aims to transform the most significant therapeutic modalities from cutting-edge scientific and technological research. Pfizer has made strides and taken the lead globally in the fields of maternal vaccination and gene therapy, in particular.

1.2 Commercialization and Distribution

Pfizer is a pharmaceutical company that conducts research, development, and commercialization of prescription drugs and vaccines. The commercialization of its products is a multi-step process.Initially, new compounds are discovered and developed in the company's research and development laboratories.The second step is to obtain regulatory approval from institutions such as the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA) . Following approval, the manufacturing and marketing processes begin. With 39 manufacturing sites worldwide, the company has one of the most innovative manufacturing infrastructures in the industry. It provides vaccines and medicines to 181 countries worldwide.Every year, more than 25 billion doses are distributed.

Pfizer's distribution network includes Pfizer Distributors (PD) and Greenstone Distributors. To reach customers and ensure that its products are available to patients in need, the company employs a combination of direct sales representatives and third-party distributors. Pfizer also collaborates closely with insurance companies and health systems to ensure that its products are covered by insurance.

1.3 Competition

In terms of product innovation, pricing, marketing, distribution, and other crucial facets of the pharmaceutical industry, Pfizer is up against the fierce competition. Nonetheless, Pfizer's main challenge is generic competition. To some extent, this will result in lower prices and declining margins for Pfizer's products. In fact, because of its robust R&D pipeline, varied product portfolio, and well-known brand worldwide, Pfizer has managed to keep its competitive advantage. For starters, Pfizer has heavily invested in research and development and has a robust pipeline of innovative drugs and treatments. Second, the company's diverse product portfolio includes prescription drugs, vaccines, and nutritional supplements. Likewise, it acts as a buffer against market volatility and lessens the company's reliance on any one product or area. Finally, Pfizer enjoys a stellar reputation as a global brand. It is due to the company's continued provision of high-quality goods and medical solutions. Furthermore, Pfizer's good brand reputation has allowed it to gain the trust of more healthcare professionals and consumers. As a result, their global distribution network is more efficient.

1.4 Research and Development

Pfizer has a long history of pharmaceutical and biotechnology research and development. The company prioritises product safety, efficacy, and dependability in its research and development process. Pfizer has developed several groundbreaking medical procedures over the years that have improved patients' lives and health. Right now, Pfizer is enhancing its R&D capabilities by making a significant investment in cutting-edge science and technology. Their research and development are focused on highly differentiated products. It guarantees that they have unique opportunities to help patients in need and also can establish an unrivalled market position. And then, Pfizer's new partnership model implements the sharing of technology and risk, lowering R&D costs. Pfizer collaborated with the German biotechnology company BioNTech to develop the COVID-19 vaccine in 2020. The vaccine has been approved by regulatory authorities worldwide and has played a significant part in controlling the spread of the virus, putting it at the forefront of global COVID-19 vaccine development. It also verifies the inventiveness and urgency of their new partnership model.

On the other hand, Pfizer continues to face several development challenges. For example, failures in drug development. The process of creating new drugs is time-consuming and expensive. The average drug takes 12 years to develop. As a result, some drugs fail in clinical trials, putting the company under financial and operational strain. Drug regulation is legally binding. Before they can be mass-produced and sold, new drugs need to receive regulatory authority approval. However, this procedure is frequently time-consuming and complicated. Furthermore, the highly dynamic market environment and obstacles may result in products that are less competitive than anticipated.

1.5 Financial Highlights

Pfizer is a mature and financially stable company with a decade-long upward trend in revenue growth, profitability, and dividend payments. Pfizer's total revenue rises by $39.6 billion, or 95%, from $41.7 billion in 2020 to $81.3 billion in 2021. Pfizer's net operating cash flow of $32.6 billion in 2021 is a 126% increase from $1.44 billion in 2020. Pfizer's reported diluted EPS for 2019, 2020, and 2021 is $2.82, $1.63, and $3.85, respectively. In 2021, there will be a 137% increase in 2020.Adjusted Diluted Earnings EPS (Non-GAAP) of Adjusted Diluted Earnings (Non-GAAP) of $4.42 in 2021, up 96% from 2020.

2. Balance Sheet Analysis

2.1 Asset Quality Analysis

PFIZER INC.Common-Size Consolidated
Statement of Financial Position, Assets

Table 1. Common-size Analysis of financial position, assets

	2021	2020	2019
Assets			
Cash and cash equivalents	1.07%	1.16%	0.67%
Short-term investments	16.05%	6.77%	5.09%
Trade accounts receivable ,less allowance for doubtful accounts	6.33%	5.13%	4.04%
Inventories	4.99%	5.20%	4.22%
Current tax assets	2.35%	2.12%	1.63%
Other current assets	2.10%	2.36%	1.41%
Current assets of discontinued operations and other assets held for sale	-	-	2.52%
Total current assets	**32.89%**	**22.74%**	**19.57%**
Equity-method investments	9.08%	10.93%	10.22%
Long-term investments	2.78%	2.21%	1.80%
Property, plant and equipment	8.20%	8.91%	7.74%
Identifiable intangible assets	13.86%	18.37%	20.25%
Goodwill	27.12%	32.13%	28.76%
Non-current deferred tax assets and other non-current tax assets	1.84%	1.55%	1.14%
Other non-current assets	4.23%	3.16%	2.51%
Non-current assets of discontinued operations	-	-	8.01%
Total Non-current assets	**67.11%**	**77.26%**	**80.43%**
Total assets	**100%**	**100%**	**100%**

Current assets

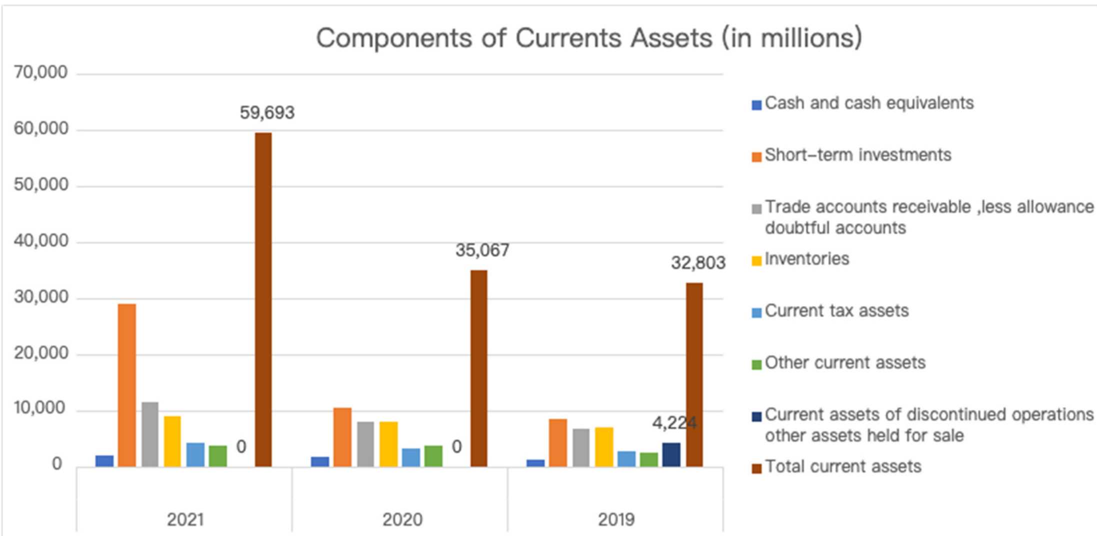

Figure 1. Components of Current Assets (in millions)

The value of Pfizer's assets has steadily increased between 2019 and 2021. Current assets, in particular, have grown exponentially over the last three years. Short-term investments account for a sizable portion of current assets and are rapidly expanding. The value of short-term investments rises from $10,437 billion to $2,912.5 billion between 2020 and 2021. Most of those investments are in non-U.S. government and agency available-for-sale debt securities. Cash flow, cash equivalents, and inventories are all reasonably stable. Accounts receivable increased each year, but only slightly. In 2020 and 2021, no data is available for current assets of discontinued operations and other assets held for sale. It is primarily related to discontinued operations of Pfizer's former Meridian subsidiary and the Mylan-Japan collaboration.In brief, the increase in liquid assets has significantly increased asset liquidity, allowing Pfizer to achieve its short-term obligations more quickly and reduce risk.

Non-current assets

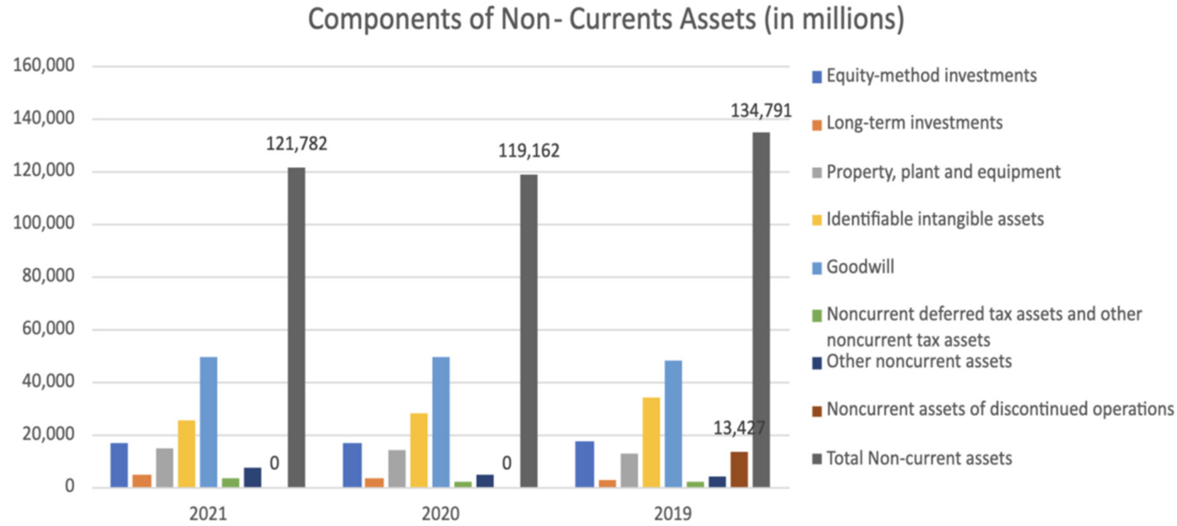

Figure 2. Components of Non-current Assets(in millions)

Pfizer's non-current assets represented 80.43%, 77.26%, and 67.11% of its total assets from 2019 to 2021, respectively. It is a high proportion of total assets. That means Pfizer is making large-scale investments which take to some operational risks. As a result of their inability to produce short-term cash flow. Compared with 2019, non-current assets in 2020 have decreased by $1,562.9 billion. It relates to non-current assets of discontinued operations. Long-term investment has increased significantly. Restricted trusts held $194 million in long-term equity securities as of December 31, 2021, and $190 million in long-term equity securities as of December 31, 2020. In the previous three years, goodwill and identifiable intangible assets formed the majority of non-current assets, and both decreased slightly year on year. According to Pfizer's goodwill impairment review as of December 31, 2021, goodwill is unbesmirched without risk. Pfizer has a host of IPR&D assets (about 310 million US dollars as of December 31, 2021). It is a high-risk asset as it is susceptible to negative impacts. Such as R&D uncertainty, legal challenges, competition, etc. In addition, Newly acquired and recently impaired indefinite-lived assets are more prone to impairment. These are the factors contributing to the decline in identifiable intangible assets. Intangible asset declines can have a significant impact on financial results. As a result, Pfizer must regulate and protect the value of its identifiable intangible assets.

2.2 Capital Structure Analysis

PFIZER INC.Common-Size Consolidated
Statement of Financial Position, Liabilities and Stockholders' Equity

Table 2. Common-size Analysis of financial position, liabilities and shareholders' equity

	2021	2020	2019
Liabilities and Equity			

Short-term borrowings,including current portion of long-term debt:2021-$1,636: 2020-$2,002; 2019-$1,462	1.23%	1.75%	9.66%
Trade accounts payable	3.07%	2.78%	2.32%
Dividends payable	1.24%	1.40%	1.26%
Income taxes payable	0.70%	0.68%	0.58%
Accrued compensation and related items	1.84%	1.98%	1.43%
Deferred revenues	1.69%	0.72%	-
Other current liabilities	13.74%	7.50%	5.57%
Current liabilities of discontinued operations	-	-	1.44%
Total current liabilities	**23.51%**	**16.81%**	**22.26%**
Long-term debt	19.94%	24.08%	21.45%
Pension benefit obligations	1.92%	3.09%	3.16%
Postretirement benefit obligations	0.13%	0.42%	0.55%
Non-current deferred tax liabilities	0.19%	2.63%	3.37%
Other taxes payable	6.24%	7.50%	7.24%
Other non-current liabilities	5.37%	4.32%	4.11%
Total non-current liabilities	**33.80%**	**42.04%**	**39.88%**
Total liabilities	**57.32%**	**58.84%**	**62.14%**
Commitments and Contingencies			
Preferred stock no par value,at stated value; 27 shares authorized;issued:2020-0 ; 2020-0 ; 2019-431	-	-	0.01%
Common stock $0.05 par value:12,000shares authorized;issued:2021-9,471 ;2020-9,407 ; 2019-9,369	0.26%	0.30%	0.28%
Additional paid-in capital	49.92%	57.50%	52.17%
Treasury stock, shares at cost: 2021-3,851 ; 2020-3,840 ; 2019-3,835	-61.36%	-71.96%	-66.11%
Retained earnings	56.97%	58.61%	58.28%
Accumulated other comprehensive loss	-3.25%	-3.44%	-6.95%
Total Pfizer Inc. shareholders'equity	**42.54%**	**41.00**%	**37.68%**
Equity attributable to noncontrolling interests	0.14%	0.15%	0.18%
Total equity	**42.68%**	41.16%	**37.86%**
Total liabilities and equity	**100.00%**	**100.00%**	**100.00%**

According to capital structure components, Pfizer's total liabilities and equity will reach US$181,476 million in 2021, an increase of 17.67% over 2020. Although total liabilities make up a large portion of the total, it gradually declined from 62.14% in 2019 to 57.32% in 2021. Pfizer's total debt stood at $10,401.3 million as of December 31, 2021. Current liabilities are increasing, while non-current liabilities are decreasing. Long-term debt, which makes up the majority of debt, is also declining. Moreover, over the three years, equity increased significantly. It increased by 22.98%, from $6,344.7 billion to $7,746.2 billion. It resulted from the Comirnaty (BNT162b2) milestone's capitalization, which increased Pfizer's net worth and debt-service capacity. Overall, there was an increase in equity and a decrease in liabilities. It indicates that Pfizer is working to strengthen its balance sheet and reduce its financial burden. It's a good indicator of the company's financial health.

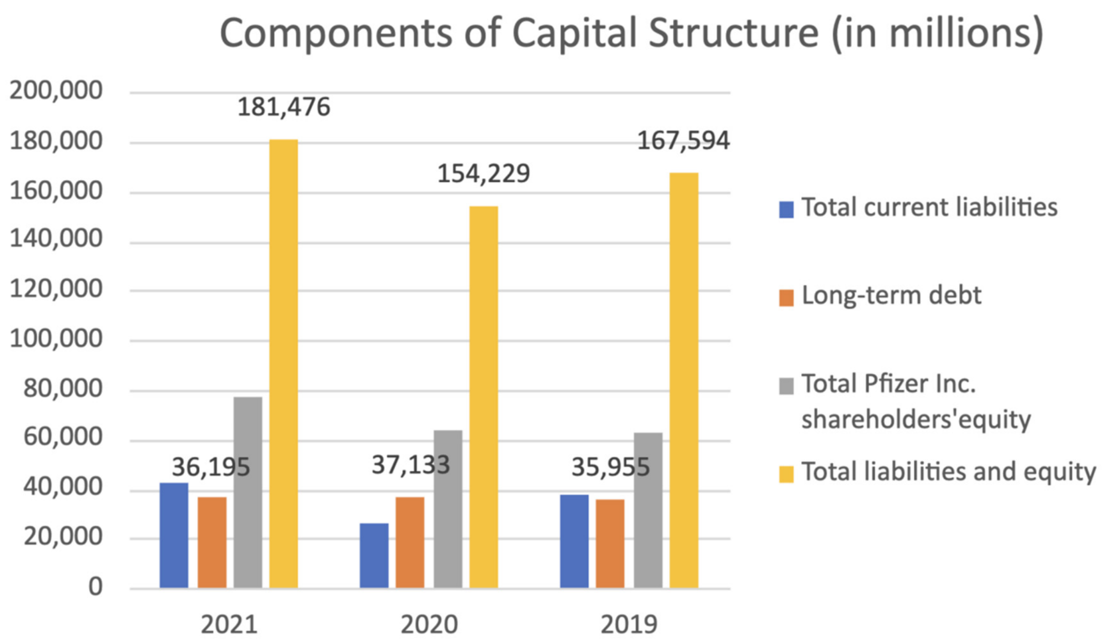

Figure 3. Components of capital structure

3. Income Statement Analysis

3.1 PFIZER INC. Common-Size Consolidated

Income Statement

Table 3. Common-size Analysis of income statements

	2021	2020	2019
Revenues	**100.00%**	**100.00%**	**100.00%**
Cost of goods sold	-37.92%	-20.37%	-19.69%
Gross Profit	**62.08%**	**79.63%**	**80.31%**
SG&A expenses	15.63%	27.84%	31.11%
Research and development expenses	17.01%	22.55%	20.50%
Operating expenses	38.18%	59.82%	63.91%
Operating income	**23.91%**	**19.81%**	**16.40%**
Total Non-Operating Income/Expense	6.00%	-2.91%	11.27%
Pre-Tax income	29.91%	16.90%	27.68%
Income taxes	2.28%	0.89%	1.43%
Income after taxes	27.63%	16.00%	26.25%
Discontinued Operations - net of tax	-0.53%	6.07%	13.00%
Net income	**27.10%**	**22.08%**	**39.18%**
Net income(loss) attributable to noncontrolling interest	0.06%	0.09%	0.07%
Net income attributable to Pfizer Inc. common shareholders	**27.04%**	**21.99%**	**39.18%**

Revenue Analysis

Table 4. Period-to-period of revenues

(In millions,except percentage)	2021	change	2020	change	2019
Revenues	$81288	95%	$41651	1.02%	$40905

According to revenue data, Pfizer's revenue increased significantly, from $41,651 million in 2020 to $81,288 million in 2021, a $39,637 million (95%) increase. It reflect an operational increase of $38.4 billion, or 92%, as well as a favorable impact of foreign exchange of $1.2 billion, or 3%. The covid-19 vaccine Comirnaty (BNT162b2) generated $36.78 billion in revenue due to strong demand in the global market. Furthermore, operating income increased rapidly from $6,710 million to $19,433 million (6% increase). It is due to solid growth in Eliquis, Biosimilars, PC1, Vyndaqel/Vyndamax, Hospital Therapeutic Area, Inlyta, and Xtandi, which partially offset by declines in the Prevnar family, Chantix/Champix, Enbrel, and Sotan.

Cost of Goods Sold Analysis

Table 5. Period-to period changes in revenues, cost of revenues and gross margin

(In millions,except percentage)	2021	change	2020	change	2019
Cost of goods sold	$30821	363.28%	$8484	1.05%	$8054
Gross margin	25.17%	34.97%		38.74%	

Pfizer's cost of goods sold rises in tandem with its revenue. The revenue cost reached $30,821 million in 2021. Excluding amortisation of intangible assets, it increased by 22,767 million US dollars, a 363.28% increase over 2019. In contrast, gross margins are declining dramatically. It is respectively 38.74%, 34.97%, and 25.17% over the last three years. However, in the pharmaceutical industry, high gross margins reflect the scarcity of products or the level of R&D. Pfizer cannot avoid high costs if it aims to compete in this market.

3.2 Expenses Analysis

Table 6. Period-to period changes in expenses, R&D,SG&A

(In millions,except percentage)	2021	change	2020	change	2019
R&D expenses	$13829	47%	$9393	12%	$8385
SG&A expenses	12703	10%	11597	(9)%	12726

Pfizer has always viewed R&D as an important part of its strategic deployment as a biopharmaceutical company founded on scientific innovation. As a result, Pfizer's ability to innovate is reflected in the continuous increase in R&D expenses. Pfizer's R&D expenses increased by $4.4 billion between 2020 and 2021. These include the purchase of Trillium-related intellectual property and R&D costs, a net increase in collaboration and licencing fees, and increased investments in a variety of therapeutic areas. However, Pfizer's R&D expenses increased by $1 billion between 2019 and 2020. The costs associated with a collaboration agreement with BioNTech to develop a COVID-19 vaccine are among the most significant.

4. Cash Flow Statement Analysis

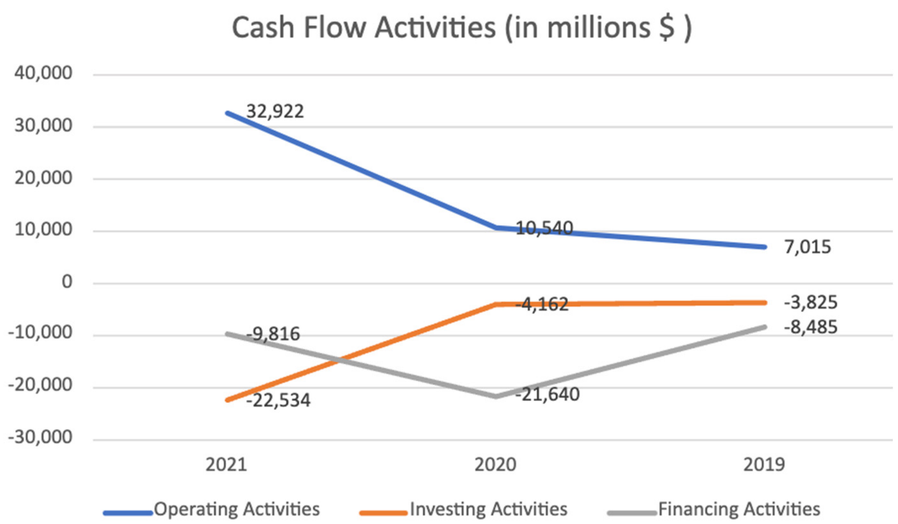

Figure 4. Cash flow activities (in millions)

Cash flow management is an essential component of modern business management. Establishing a sound cash flow management system can assist businesses in increasing their market competitiveness. It is an important safeguard to ensure a company's survival and growth.

Cash flow from operations (CFO) refers to cash flows that are directly associated with the production and sale of goods from normal operations(Hayes, 2020). A company's CFO can provide a more accurate picture of the company's operations.Pfizer's CFO is on an upward trajectory from 2019 to 2021. In particular, it rises sharply by 212% between 2020 and 2021, from $10,540 million to $32,922 million. This rapid expansion is primarily due to an increase in net income, which includes a $9.7 billion gross profit contribution from BioNTech. It thus demonstrates that Pfizer is currently in an efficient operating position.

Cash flow from investing (CFI) reflects the cash flow generated by a company's investing activities, such as investing in fixed assets or financial instruments. Pfizer's CFI has been negative overall, but this is not a cause for concern. It is a result of Pfizer's protracted history of making sizable financial investments in R&D. Pfizer's cash outflow for investing activities is significant, standing at $22,534 million in 2021, up 441% from 2020. This rise is primarily due to a $24.7 billion increase in Pfizer's purchases of short-term investments with original maturities of more than three months in 2021. In the short term, the large outflow of CFI will have no massive influence on Pfizer. On the contrary, it reflects Pfizer's long-term strategy of remaining committed to R&D.

Cash flow from financing activities (CFF) is the net cash flow between a company and its owners, creditors, and investors. It reflects the company's financing portfolio (Business Class: Trends and Insights | American Express, 2022). Pfizer's CFF declined from a negative $8,485 million in 2019 to a negative $21,640 million in 2020, as shown in the chart above. However, it increased to a negative $9816 million in 2021. According to Pfizer's 2021 annual report, this change is the result of both short-term and long-term debt repayment. Pfizer's CFF appears to be negative overall, and the company is paying down debt to reduce its reliance on external financing. It is encouraging and will aid Pfizer in strengthening the company's financial stability.

As a whole, Pfizer's operating activities resulted in a sizable cash flow. As a result, Pfizer was better able to pay off its debt while also funding its investment activities. The company has also generated substantial funds from financing activities, primarily bond issuances. As a result, Pfizer's cash flow seems to be in decent shape, with strong operating cash flow and reasonable strategic investments.

5. Financial Ratios Analysis

5.1 Profitability Ratios

Table 7. Profitability ratios

Profitability ratios	2021	2020	2019
Gross profit margin	62.08%	79.26%	80.25%
Operating profit margin	23.91%	19.81%	16.40%
Net profit margin	27.04%	21.99%	39.18%
Return of R&D expenses	159%	98%	191%

The gross profit margin of a company calculates its gross profit as a percentage of revenue. It is a valuable metric for determining a company's profitability. Pfizer's gross margin remains stable between 2019 and 2020, as shown in the **Profitability ratios chart** above. It dropped from 79.26% to 62.08% in 2021. One of the primary reasons for the decline in gross margin is an increase in costs. According to Pfizer's annual report for 2021, the impact of Comirnaty will raise Pfizer's cost of sales by $22.3 billion in 2021. Furthermore, lower sales prices will result in lower gross margins. Pfizer reduces the price of its products as the market becomes more competitive.

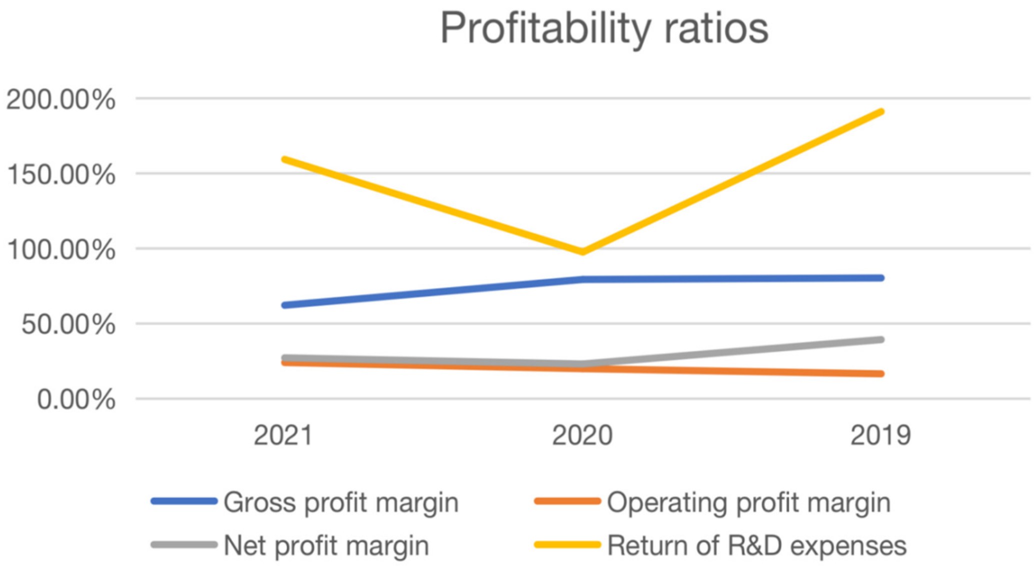

Figure 5. Profitability ratios

Operating profit margin is critical for businesses. It assists cooperate in determining the health and profitability of their core business. The operating margin at Pfizer is increasing year on year, rising from 16.4% in 2019 to 23.91% in 2021. This increase is primarily due to massive sales of the COVID-19 vaccine, which Pfizer created alongside BioNTech during the outbreak. as a result, Pfizer's profitability appears to be satisfactory.

The graph above depicts how Pfizer's net profit margin has fluctuated over the last three years. It fell from 39.18% to 21.99% in 2019 before rebounding in 2021. Actuality, in addition to operating costs, the net profit margin also accounts for taxes, interest, and other non-operating costs. All of these factors have an impact on the company's overall profitability.

In 2020, Pfizer's return on R&D expenses dropped dramatically to 98%. It does, however, improve in 2021, returning to 159%. This fluctuation is principally due to the impact of the covid-19 vaccine development.

Indeed, the covid-19 pandemic has provided Pfizer with unprecedented opportunities that far outweigh the negative consequences. However, It is unknown whether the company's innovation momentum will continue as the pandemic enter a new phase in 2022. According to Deloitte's research, the return on R&D investment in the pharmaceutical industry fell following the pandemic. It was due to a longer R&D cycle time and higher drug development costs (Lesser, 2023). Overall, Pfizer's return on R&D costs remains significant. Pfizer's continued implementation of its R&D strategy is essential as a major pharmaceutical company.

5.2 Activity Ratios

Table 8. Activity ratios

Short-term (operating) activity ratios	**2021**	**2020**	**2019**
Turnover Ratios			
Inventory turnover	3.4	1.08	1.23
Collection turnover	7.08	5.28	5.93
Payable turnover	5.53	2.02	2.42
Average No. of days			
Days inventory held	107	338	296
Add: Average collection period	52	69	62
Operating cycle	**159**	**407**	**358**
Less: average payable payment period	66	181	151
Cash conversion cycle	**93**	**226**	**207**

The activity ratio is a vital financial indicator to help enterprises measure inventory management. It is also critical to the Company's operating liquidity and overall financial health (Kenton, 2020). As shown in the table above, Pfizer's inventory turnover ratio remains stable between 2019 and 2020, with a significant increase (3.4) in 2021. As a result of Covid-19, Pfizer's inventory turnover increased significantly.

Furthermore, Pfizer's accounts receivable and accounts payable turnover ratios improved in 2021. The increased collection turnover suggests that Pfizer is collecting receivables more quickly, which may improve its cash flow position. Additionally, the increase in accounts payable turnover conveys to stakeholders that Pfizer has strong debt servicing capabilities.

Over last three years, Pfizer's collection period has been short and consistent. However, Pfizer has a longer inventory holding days and payable payment period in 2019-2020. It resulted in a lengthy **Cash conversion cycle** for Pfizer of 226 days in 2020 and 207 days in 2019. In 2021, the situation got better. Notably, the operating cycle and **Cash conversion cycle** have been drastically shortened to just 159 and 93 days, respectively. It reflects Pfizer's cash flow management and control. In conclusion, Pfizer is strengthening its capital and increasing profitability right now.

5.3 Liquidity Ratios

Table 9. Liquidity ratios

	2021	2020	2019
Current ratio	1.40	1.35	0.88
Quick ratio	1.00	0.78	0.50
Cash ratio	0.73	0.47	0.26

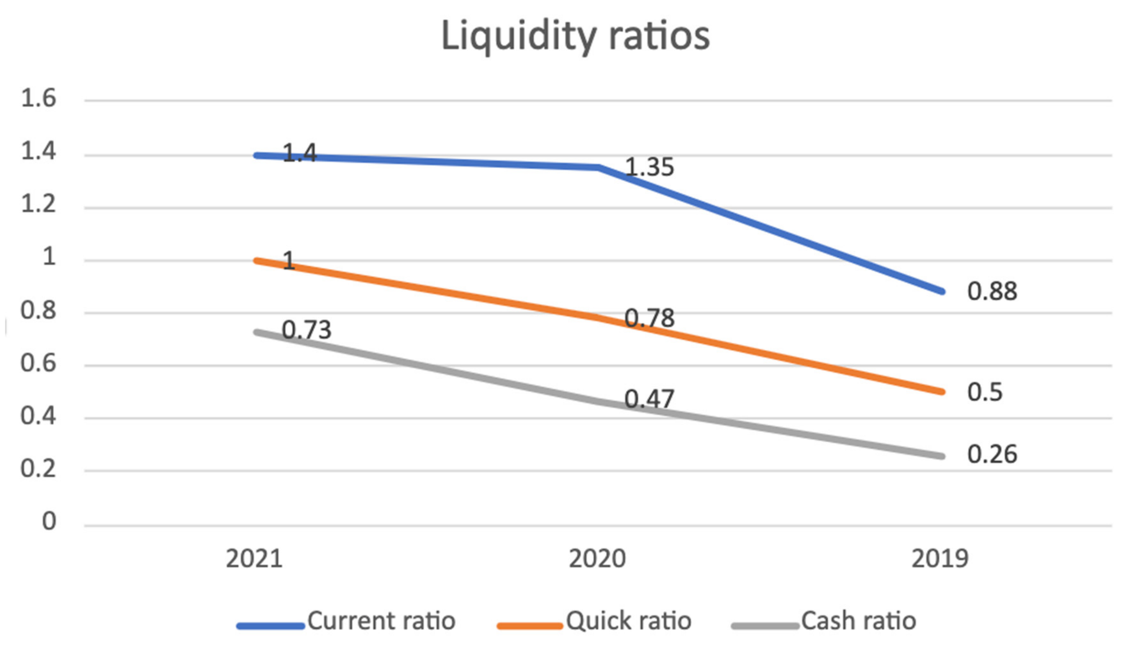

Figure 6. Liquidity ratios

The chart above shows that Pfizer's liquidity ratio is steadily increasing. And growth in 2020 was relatively strong, enhancing from 0.88 to 1.35 per cent. The speed ratio is trending in the same direction as the current ratio. And it achieved a healthy level in 2021. That means Pfizer's liquid assets are sufficient to cover its short-term liabilities. The cash ratio measures a company's ability to pay its current debt. If the cash ratio is one, the company has enough cash and cash equivalents to service its debt (Kenton, 2021). Pfizer's cash ratio is steadily rising, reaching 0.73 in 2021, but it is still not at a healthy level. As a result, Pfizer is exposed to risks associated with short-term funding because it does not have enough cash on hand to pay off its short-term debt.

5.4 Leverage and Coverage Ratios

Table 10. Leverage and coverage ratios

Long-term (investment) activity ratios	2021	2020	2019
Net fixed asset turnover	4.59	2.74	3.39
Total asset turnover	0.45	0.27	0.31
Equity turnover	1.05	0.66	0.82
Debt and solvency ratios	**2021**	**2020**	**2019**
Debt to equity	0.47	0.59	0.57
Interest coverage	7.67	5.6	16.5

Asset turnover ratios, which measure how quickly all assets move from input to output throughout a company's operations, is a critical metrics for gauging how effectively a company manages its assets. Table 10 shows a general upward trend in Pfizer's net fixed asset turnover ratios and total asset turnover ratio. It indicates that Pfizer's revenue generated per dollar of assets is gradually increasing, as is its asset utilization efficiency. The equity turnover ratio is on an upward trend and rise to 1.05 in 2021. Moreover, Debt to equity is decreasing and has been less than one. It is a favorable situation and demonstrates that Pfizer's creditors' equity is safe. Interest coverage has significantly fallen from 16.5 (2019) to 7.67 (2021), which shows that Pfizer's long-term solvency is deteriorating. Generally, investors and analysts believe that if a company has interest coverage of at least 3%, its revenues are reliable and stable(2020, GoCardless). Actuality, Pfizer's interest coverage ratio is still significantly higher than 3, and operating income is more than enough to cover interest costs. As a result, Pfizer's debt service is secure and stable.

In conclusion, financial ratios are frequently used in financial statements and help to inform future projections (Alkhyeli et al., 2021). According to the preceding analysis, Pfizer has been profitable for the last three years, and investing in Pfizer is a wise choice for investors.

6. Du-Pont Analysis

Table 11. Du-Pont Analysis 1

	ROE	=	ROA	×	Leverage
2021	**28.47%**	=	12.11%	×	2.35
2020	**15.21%**	=	6.23%	×	2.44
2019	**25.77%**	=	9.72%	×	2.65

Table 12. Du-Pont Analysis 2

	ROA	=	Net Profit Margin	×	Asset Turnover
2021	**12.11%**	=	27.04%	×	0.45
2020	**6.23%**	=	22.95%	×	0.27
2019	**9.72%**	=	31.45%	×	0.31

Net profit margin and financial leverage are the main factors that affect Pfizer's annual ROE and ROA. The decline in net profit margin and asset turnover in 2020 as a cause of the declining ROE appears in Fig 7. ROE move up significantly in 2021, reaching a peak of 30.5%, driven primarily by net income. According to the 2021 Annual Report, Pfizer's net income increased by US$12,830 million in 2021. It's encouraging that ROE is on the rise. It demonstrates how Pfizer increased profitability by leveraging its financial resources. The performance of ROE is dependent on ROA growth. The ROA for Pfizer is satisfactory (>5%), though Covid-19's effects cause a decline in ROA in 2020. In 2021, ROA rise sharply from 6.23% to 12.75%. It demonstrates that Pfizer is utilizing its resources to produce profits efficiently.

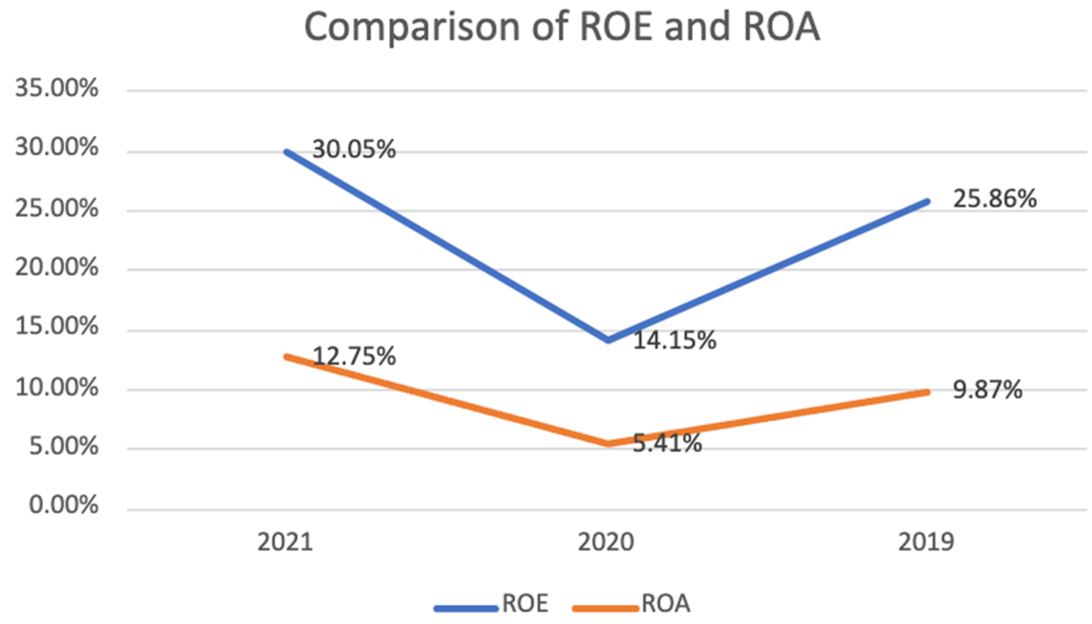

Figure 7. Comparison of ROE and ROA

7. Summary

Based on the preceding analysis. Pfizer's total assets have grown relatively steadily, demonstrating that a stable total asset base is effective for the company's development. Second, Pfizer's debt-to-equity ratio has remained relatively stable, indicating the company's financial stability. A solid capital structure can provide a solid foundation for a company to invest in R&D and develop markets. Pfizer has opportunities with Covid-19. The company's revenue increased by 92% year on year to $81.3 billion. If Pfizer wants to continue earning money, it must adjust its strategy in response to market volatility. It is still important to focus on the intersection of research and development, technology, and treatment. The increase in fees further supports this.All in all, Pfizer is financially sound and overall is on an uptrend. We have reason to believe that Pfizer will outperform in a number of areas.

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