MOODY'S
INVESTORS SERVICE

Announcement: Moody's: Pfizer's US vaccine authorization is credit positive

13 Dec 2020

New York, December 13, 2020 -- Moody's Investors Service ("Moody's") commented that the US emergency use authorization for Pfizer and BioNTech's COVID-19 vaccine is positive for Pfizer's credit profile. The authorization follows recent authorizations in several other countries, including the United Kingdom and Canada, and represents the final milestone prior to vaccine distribution. Distribution is beginning immediately, consistent with a supply agreement with the US government in which various government agencies will manage the allocation and distribution. There is no impact on Pfizer's A2/Prime-1 ratings or the stable outlook.

The approval is credit positive because of incremental profit and cash flow from sales of the vaccine, as well as ESG-related social implications. The revenue and profit opportunities for Pfizer are significant because it has priced the vaccine at a profit. Unlike several other pharmaceutical companies, Pfizer never pledged to donate it on a profit-free basis. Moody's anticipates at least $5 billion of revenue in 2021. The initial demand is very high based on supply contracts entered to date, and in light of increasing COVID-19 infections in many regions of the world. Among others, the US government committed to purchase 100 million doses of the vaccine at a cost of $1.95 billion, and can purchase up to 500 million additional doses. The European Union has committed to purchasing 200 million doses, with an option for 100 million more, but at undisclosed prices. Pfizer and BioNTech have a target of manufacturing globally up to 50 million doses by the end of 2020 and up to 1.3 billion doses by the end of 2021. Selling this entire production would likely result in revenue well above Moody's $5 billion estimate. But variables like competition, pricing, public receptivity, and the unknown duration and severity of the pandemic are key variable that will influence the demand throughout 2021. The emergency authorization is for individuals age 16 and older. With additional efficacy and safety data, the companies plan to file for full regulatory approval in 2021.

Beyond the profit opportunities, the vaccine authorization also has positive ESG implications related to reputational improvement and customer relations. Factors like extremely high efficacy results, timeliness to market, and breakthrough innovation using messenger RNA technology all boost Pfizer's reputation. Social opportunities also related to the positive impact the vaccine will have on human health, and relations with key stakeholders including patients, healthcare workers, hospitals, governments and regulators. Effective vaccination of the population will also help ease social distancing measures, allow people to return to work and aid in the global economic recovery.

Pfizer and BioNTech face execution risk related to manufacturing scale-up, distribution and logistics. Complexities include the vaccine's ultra-cold storage requirements and the need for a second dose after 21 days. The companies have designed special GPS-enabled shipment containers, which can also be used for temporary on-site storage. To date the logistics do not appear to have caused setbacks in countries where vaccinations began last week. However, other vaccines in development may have advantages related to a less onerous temperature requirement and hence less complex logistics.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Michael Levesque, CFA
Senior Vice President
Corporate Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Jessica Gladstone, CFA
Associate Managing Director
Corporate Finance Group

JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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