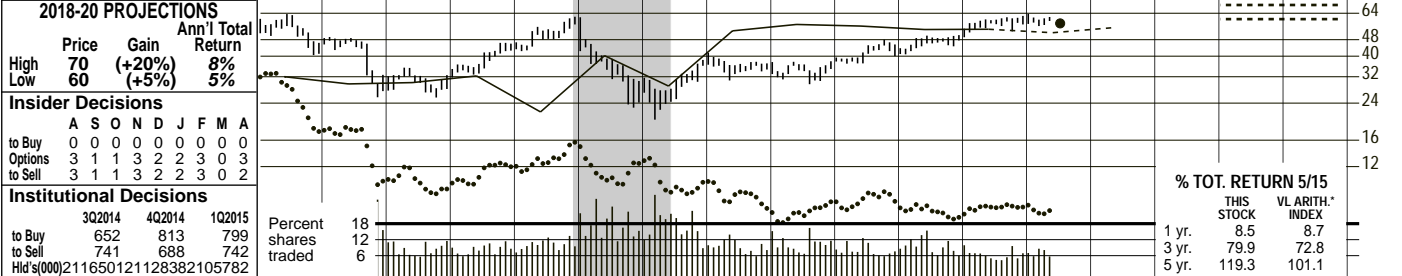


MERCK & CO. NYSE-MRK

RECENT PRICE **57.29** P/E RATIO **16.6** (Trailing: 16.5; Median: 12.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **3.1%** VALUE LINE

TIMELINESS 3 Lowered 6/12/15	High: 49.3	35.4	46.4	61.6	61.2	38.4	41.6	37.9	48.0	50.4	62.2	63.6	Target Price Range								
SAFETY 1 Raised 4/15/11	Low: 25.6	25.5	31.8	42.3	22.8	20.0	30.7	29.5	36.9	40.8	49.3	55.6	2018 2019 2020								
TECHNICAL 3 Lowered 7/10/15	<p>LEGENDS 9.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession</p>																				
BETA .75 (1.00 = Market)	<p>2018-20 PROJECTIONS</p> <table border="1"> <tr> <td>Price</td> <td>Gain</td> <td>Ann'l Total Return</td> </tr> <tr> <td>High 70</td> <td>(+20%)</td> <td>8%</td> </tr> <tr> <td>Low 60</td> <td>(+5%)</td> <td>5%</td> </tr> </table>												Price	Gain	Ann'l Total Return	High 70	(+20%)	8%	Low 60	(+5%)	5%
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Insider Decisions	<table border="1"> <tr> <td>to Buy</td> <td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td> </tr> <tr> <td>Options</td> <td>3</td><td>1</td><td>1</td><td>3</td><td>2</td><td>2</td><td>3</td><td>0</td><td>3</td><td></td><td></td><td></td><td></td> </tr> <tr> <td>to Sell</td> <td>3</td><td>1</td><td>1</td><td>3</td><td>2</td><td>2</td><td>3</td><td>0</td><td>2</td><td></td><td></td><td></td><td></td> </tr> </table>												to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	Options	3	1	1	3	2	2	3	0	3					to Sell	3	1	1	3	2	2	3	0	2					% TOT. RETURN 5/15	THIS STOCK	VL ARITH. INDEX
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0																																												
Options	3	1	1	3	2	2	3	0	3																																																
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1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
14.05	17.49	20.99	23.07	10.12	10.39	10.09	10.44	11.14	11.32	8.82	14.92	15.80	15.62	15.04	14.88	14.10	14.65	Sales per sh	15.70
3.02	3.51	3.85	3.85	3.32	3.29	3.34	3.59	2.42	4.48	3.21	5.87	6.29	6.19	5.95	5.98	5.75	6.10	"Cash Flow" per sh	6.90
2.45	2.90	3.14	3.14	2.92	2.61	2.53	2.52	1.49	3.64	3.25	3.42	3.77	3.82	3.49	3.49	3.45	3.80	Earnings per sh ^A	4.60
1.10	1.21	1.37	1.41	1.45	1.49	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.68	1.72	1.76	1.80	1.84	Div's Decl'd per sh ^{B=C}	1.96
1.10	1.18	1.20	1.06	.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.45	.45	Cap'l Spending per sh	.50
5.69	6.43	7.06	8.11	7.01	7.83	8.21	8.10	8.37	8.90	19.00	17.64	17.93	17.52	17.00	17.14	17.15	17.85	Book Value per sh	20.00
2329.1	2307.6	2272.7	2245.0	2221.8	2208.6	2181.9	2167.8	2172.5	2107.7	3108.2	3082.1	3040.8	3026.6	2927.5	2838.1	2800.0	2800.0	Common Shs Outst'g ^C	2800.0
29.8	25.6	22.7	17.3	18.2	16.2	12.1	15.2	34.1	10.2	9.1	10.5	9.1	10.8	13.3	16.4	14.0	14.0	Avg Ann'l P/E Ratio	14.0
1.70	1.66	1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	1.80	1.84	Relative P/E Ratio	.90
1.5%	1.6%	1.9%	2.6%	2.7%	3.5%	5.0%	4.0%	3.0%	4.1%	5.1%	4.2%	4.4%	4.1%	3.7%	3.1%	3.1%	3.1%	Avg Ann'l Div'd Yield	3.0%

CAPITAL STRUCTURE as of 3/31/15				22012	22636	24198	23850	27428	45987	48047	47267	44033	42237	39500	41000	Sales (\$mill)	44000
Total Debt \$30234 mill. Due in 5 Yrs \$6653 mill.				35.2%	32.9%	31.4%	48.5%	24.1%	23.3%	32.4%	32.9%	31.6%	32.4%	33.5%	35.0%	Operating Margin	36.0%
LT Debt \$25506 mill. LT Interest \$730 mill. (35% of Cap'l)				1708.1	2268.4	1988.0	1631.2	2576.0	7381.0	7427.0	6978.0	6988.0	6691.0	6500	6500	Depreciation (\$mill)	6500
Pension Assets-12/14 \$17.7 bill. Oblig. \$19.0 bill.				5575.8	5513.0	3275.4	7808.4	7409.3	10715	11697	11743	10443	10271	9660	10640	Net Profit (\$mill)	12880
Pfd Stock None				29.1%	29.9%	2.8%	20.4%	20.0%	20.0%	23.4%	23.8%	21.7%	24.3%	25.0%	25.0%	Income Tax Rate	25.0%
Common Stock 2,825,221,749 shs. as of 4/30/15				25.3%	24.4%	13.5%	32.7%	27.0%	23.3%	24.3%	24.8%	23.7%	24.3%	24.5%	26.0%	Net Profit Margin	29.3%
MARKET CAP: \$162 billion (Large Cap)				7745.8	2507.5	2787.2	4986.2	12678	13423	16936	16509	17817	14407	15000	16000	Working Cap'l (\$mill)	18000
CURRENT POSITION (SMILL.)				5125.6	5551.0	3915.8	3943.3	16075	15482	15525	16254	20539	18699	25000	23000	Long-Term Debt (\$mill)	17000
Cash Assets				17486	15719	15601	15601	15601	15601	15601	15601	15601	15601	15601	15601	Share Equity (\$mill)	56000
Receivables				7184	6626	6670	6670	6670	6670	6670	6670	6670	6670	6670	6670	Return on Total Cap'l	18.0%
Inventory (LIFO)				6226	5571	5539	5539	5539	5539	5539	5539	5539	5539	5539	5539	Return on Shr. Equity	23.0%
Other				4789	5257	5117	5117	5117	5117	5117	5117	5117	5117	5117	5117	Retained to Com Eq	13.0%
Current Assets				35685	33173	32927	32927	32927	32927	32927	32927	32927	32927	32927	32927	All Div'ds to Net Prof	43%
Accts Payable				2274	2625	2091	2091	2091	2091	2091	2091	2091	2091	2091	2091		
Debt Due				4521	2704	4728	4728	4728	4728	4728	4728	4728	4728	4728	4728		
Other				11073	13437	13623	13623	13623	13623	13623	13623	13623	13623	13623	13623		
Current Liab.				17868	18766	20442	20442	20442	20442	20442	20442	20442	20442	20442	20442		

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
of change (per sh)	10 Yrs.	5 Yrs.	to '18-'20
Sales	5%	8.0%	5%
"Cash Flow"	5.5%	12.5%	2.5%
Earnings	2.0%	5.0%	4.0%
Dividends	1.5%	2.5%	2.0%
Book Value	8.5%	7.5%	2.5%

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	11731	12311	11488	11738	47267
2013	10671	11010	11032	11320	44033
2014	10264	10934	10557	10482	42237
2015	9425	9800	10000	10275	39500
2016	9500	10000	10500	11000	41000

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012	.99	1.05	.95	.83	3.82
2013	.85	.84	.92	.88	3.49
2014	.88	.85	.90	.87	3.49
2015	.85	.80	.90	.90	3.45
2016	.90	.90	1.00	1.00	3.80

Cal-endar	QUARTERLY DIVIDENDS PAID ^{B=C}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2011	.38	.38	.38	.38	1.52
2012	.42	.42	.42	.42	1.68
2013	.43	.43	.43	.43	1.72
2014	.44	.44	.44	.44	1.76
2015	.45	.45	.45	.45	1.80

Merck & Co. is scheduled to report second-quarter results on July 28th. The New Jersey-based drugmaker will look to keep the ball rolling following an encouraging start to the year. Indeed, first-quarter results came in largely ahead of consensus expectations, thanks to better-than-expected sales growth in diabetes drugs (*Januvia*) and animal health products. This helped to offset ongoing foreign exchange pressure, which management indicated reduced total sales by about 5%.

The company made some adjustments to its 2015 guidance. Following the first-quarter release, management upped its full-year adjusted earnings outlook from \$3.32-\$3.47 a share, to \$3.35-\$3.48. Its revenue forecast stands at \$38.3 billion-\$39.8 billion, which includes a \$2.8 billion negative impact from foreign exchange. All told, we have left our 2015 estimates unchanged at \$3.45 a share and \$3.95 billion.

Continued development of *Keytruda* will remain a prime focus in 2015 and 2016. Merck has invested significantly in its oncology assets over the past several years, particularly in immuno-oncology,

which deals with drugs that harness the body's immune system to attack cancer cells. Its most-promising prospect *Keytruda* signifies the company's advancement in this field and has the potential to be a major top-line contributor over the next several years. *Keytruda*, which had already been approved for the treatment of melanoma, received another boost in early June when the FDA granted priority review for non-small cell lung cancer. Given that lung cancer is one of the most prevalent types of cancer, the commercial opportunity for *Keytruda* could become significantly larger.

This stock has been downgraded a notch for Timeliness to 3 (Average). While there are potentially more lucrative near-term growth plays within the industry, we continue to view this blue chip as a strong core holding for investors seeking drug exposure. Merck maintains our highest mark for Safety (1). Its dividend yield is a full percentage point above *Value Line's* 2.1% median. The Financial Strength rating of A++ also highlights Merck's strong financial position.

Michael Ratty
July 10, 2015

(A) Diluted shs. Quarters may not sum due to rounding. Excludes nonrecurring gains (losses): '05, (43c); '06, (13c); '09, \$2.40; '10, (\$3.16); '11, (\$1.75); '12, (\$1.66); '13, (\$2.02); '14, .58c. Next egs. report due late July.
 (B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.
 (C) In millions.
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 Price Growth Persistence 60
 Earnings Predictability 90
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