

MERCK & CO. NYSE-MRK				RECENT PRICE	55.58	P/E RATIO	15.0 (Trailing: 15.3 Median: 12.0)	RELATIVE P/E RATIO	0.86	DIV'D YLD	3.3%	VALUE LINE
---------------------------------	--	--	--	--------------	-------	-----------	------------------------------------	--------------------	------	-----------	------	------------

TIMELINESS	2	Raised 2/26/16	High: 35.4	46.4	61.6	61.2	38.4	41.6	37.9	48.0	50.4	62.2	63.6	57.9				Target Price Range			
SAFETY	1	Raised 4/15/11	Low: 25.5	31.8	42.3	22.8	20.0	30.7	29.5	36.9	40.8	49.3	45.7	48.0				2019	2020	2021	
TECHNICAL	3	Raised 7/1/16	LEGENDS --- 9.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA	.80	(1.00 = Market)																			
2019-21 PROJECTIONS																					
Price	75	Gain (+35%)	Ann'l Total																		
High	75		10%																		
Low	65		7%																		
Insider Decisions																					
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Options	0	0	3	1	0	0	1	1	0	2											
to Sell	0	0	3	1	0	0	0	0	1												
Institutional Decisions																					
to Buy	302015	402015	102016																		
to Sell	790	833	825																		
Hld's(000)	722	711	745																		
	208537820401222076568																				
Percent shares traded			18																		
			12																		
			6																		
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC		19-21	
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	14.20	14.45	14.65	Sales per sh		17.00	
3.51	3.85	3.85	3.56	3.29	3.34	3.59	2.42	4.48	3.21	5.87	6.29	6.19	5.95	5.98	5.96	5.90	6.00	"Cash Flow" per sh		7.25	
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	3.59	3.70	3.80	Earnings per sh ^A		5.00	
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	1.88	Div'ds Decl'd per sh ^B		2.00	
1.18	1.20	1.06	.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.45	.45	Cap'l Spending per sh		.50	
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	16.06	14.65	14.05	Book Value per sh		17.75	
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	2781.1	2730.0	2700.0	Common Shs Outst'g ^C		2650.0	
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	15.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio		14.0	
1.66	1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80			Relative P/E Ratio		.90	
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%	3.2%			Avg Ann'l Div'd Yield		2.9%	
CAPITAL STRUCTURE as of 3/31/16																					
Total Debt \$25769 mill. Due in 5 Yrs \$6544 mill.																					
LT Debt \$23656 mill. LT Interest \$650 mill.																					
(35% of Cap'l)																					
Pension Assets-12/15 \$16.5 bill. Oblig. \$17.5 bill.																					
Pfd Stock None																					
Common Stock 2,768,025,348 shs. as of 4/30/16																					
MARKET CAP: \$154 billion (Large Cap)																					
CURRENT POSITION (SMILL.)				2014	2015	3/31/16															
Cash Assets				15719	13427	12943															
Receivables				6626	6484	6850															
Inventory (LIFO)				5571	4700	5102															
Other				5257	5153	3877															
Current Assets				33173	29764	28772															
Accts Payable				2625	2533	2241															
Debt Due				2704	2585	2113															
Other				13437	14085	13214															
Current Liab.				18766	19203	17568															
ANNUAL RATES				Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21															
of change (per sh)				3.5%	4.5%	2.5%															
Sales				6.0%	5.5%	3.5%															
"Cash Flow"				2.5%	.5%	6.0%															
Earnings				1.5%	3.0%	2.0%															
Dividends				8.0%	2.0%	1.0%															
Book Value																					
QUARTERLY SALES (\$ mill.)				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year												
2013				10671	11010	11032	11320	44033													
2014				10264	10934	10557	10482	42237													
2015				9425	9785	10073	10215	39498													
2016				9312	9700	10100	10388	39500													
2017				9300	9700	10100	10400	39500													
EARNINGS PER SHARE ^A				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year												
2013				.85	.84	.92	.88	3.49													
2014				.88	.85	.90	.87	3.49													
2015				.85	.86	.96	.93	3.59													
2016				.89	.89	.99	.93	3.70													
2017				.88	.92	1.02	.98	3.80													
QUARTERLY DIVIDENDS PAID ^B				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year												
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													
2016				.46	.46	.46	.46														

to Buy
Options
to Sell

to Buy
to Sell
Hld's(000)

Percent shares traded

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

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 14.20 14.45 14.65

3.51 3.85 3.85 3.56 3.29 3.34 3.59 2.42 4.48 3.21 5.87 6.29 6.19 5.95 5.98 5.96 5.90 6.00

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 3.59 3.70 3.80

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 1.88

1.18 1.20 1.06 .86 .78 .64 .45 .47 .62 .47 .54 .57 .65 .53 .46 .46 .45 .45

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 16.06 14.65 14.05

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 2781.1 2730.0 2700.0

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 15.8

1.66 1.16 .94 1.04 .86 .64 .82 1.81 .61 .61 .67 .57 .69 .75 .86 .80

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% 3.2%

22636 24198 23850 27428 45987 48047 47267 44033 42237 39498 39500 39500

32.9% 31.4% 48.5% 24.1% 23.3% 32.4% 32.9% 31.6% 32.4% 33.9% 34.5% 35.0%

2268.4 1988.0 1631.2 2576.0 7381.0 7427.0 6978.0 6988.0 6691.0 6375.0 6000 6000

5513.0 3275.4 7808.4 7409.3 10715 11697 11743 10443 10271 10195 10100 10260

29.9% 2.8% 20.4% 20.0% 20.0% 23.4% 23.8% 21.7% 24.3% 21.7% 25.0% 25.0%

24.4% 13.5% 32.7% 27.0% 23.3% 24.3% 24.8% 23.7% 24.3% 25.8% 25.6% 26.0%

2507.5 2787.2 4986.2 12678 13423 16936 16509 17817 14407 10561 9000 8000

5551.0 3915.8 3943.3 16075 15482 15525 16254 20539 18699 23929 23000 21000

17560 18185 18758 59058 54376 54517 53020 49765 48647 44676 38000 38000

24.5% 15.5% 34.8% 10.1% 15.8% 17.2% 17.4% 15.4% 15.8% 15.3% 16.5% 18.0%

31.4% 18.0% 41.6% 12.5% 19.7% 21.5% 22.1% 21.0% 21.1% 22.8% 25.5% 27.0%

12.5% NMF 24.1% 7.1% 11.0% 12.9% 12.5% 10.6% 10.5% 11.4% 12.5% 13.5%

60% 101% 42% 43% 44% 40% 44% 49% 50% 50% 49% 49%

60% 101% 42% 43% 44% 40% 44% 49% 50% 50% 49% 49%

BUSINESS: Merck & Co., Inc. is a global health care company that delivers innovative health solutions through its prescription medicines, vaccines, biologic therapies, and animal health products, which it markets directly and through joint ventures. Operations comprised of four segments: Pharmaceutical, Animal Health, Alliances and Healthcare Services. Top-grossing drugs in 2015:

Januvia (diabetes) and *Zetia* (cholesterol). Acquired Schering-Plough, 11/09. Has 68,000 employees. Off/dirs. own less than 1% of common stock; BlackRock, 6.9%; Wellington Mgmt., 6.5%; Vanguard, 6.0% (4/16 proxy). Chairman/President/CEO: Kenneth Frazier, Inc.: NJ. Addr.: 2000 Galloping Hill Road, Kenilworth, NJ 07033. Tel.: 908-740-4000. Internet: www.merck.com.

We are maintaining our 2016 estimates for Merck & Co. The company reported first-quarter earnings of \$0.89 a share (adjusted), ahead of our \$0.86 estimate and up from \$0.85 in the comparable year-ago period. Although revenues came in a bit light at \$9.3 billion (-1% year over year), wider-than-expected cost cutting helped to pick up the slack and drive the bottom-line beat. Following the release, management upped its full-year adjusted earnings guidance from \$3.60-\$3.75 a share to \$3.65-\$3.77, reflecting favorable movements in foreign exchange rates. The company is scheduled to report second-quarter results on July 29th. **The Remicade fallout will likely continue to weigh on comparisons in the coming quarters.** Sales of the arthritis medication plummeted 30% in the first quarter, hampered by an accelerated biosimilar impact in most European markets. With further generic erosion expected in the back half of the year, Merck will be leaning heavily on some of its newer assets (*Keytruda*, *Cubicin*, *Zepatier*) and continued momentum in more mature franchises to help fill the void. On a positive

note, the company's top two grossing products, *Januvia* and *Zetia*, each posted sales growth of 4% (constant currency) in the March period.

All eyes are on Keytruda. The immunoncology drug is widely-viewed as Merck's most promising new asset and it did not disappoint in the first quarter, with sales tripling to \$249 million (topping consensus of \$230 million). Although it will likely continue to face stiff competition from Bristol-Myers Squibb's *Opdivo*, specifically in the fields of skin and lung cancer, we believe *Keytruda* is well positioned to build on recent momentum over the next several years. With the immunotherapy market projected to rise to \$30 billion+ by 2020, the commercial opportunity is significant.

The stock is ranked to outperform the broader market in the year ahead (Timeliness: 2). We continue to view Merck as a strong core holding for investors seeking pharmaceutical exposure. An above-average dividend yield (3.3%) and superior grades for Safety (1) and Financial Strength (A++) should appeal to the more conservative, income-oriented crowd.

Michael Ratty *July 8, 2016*