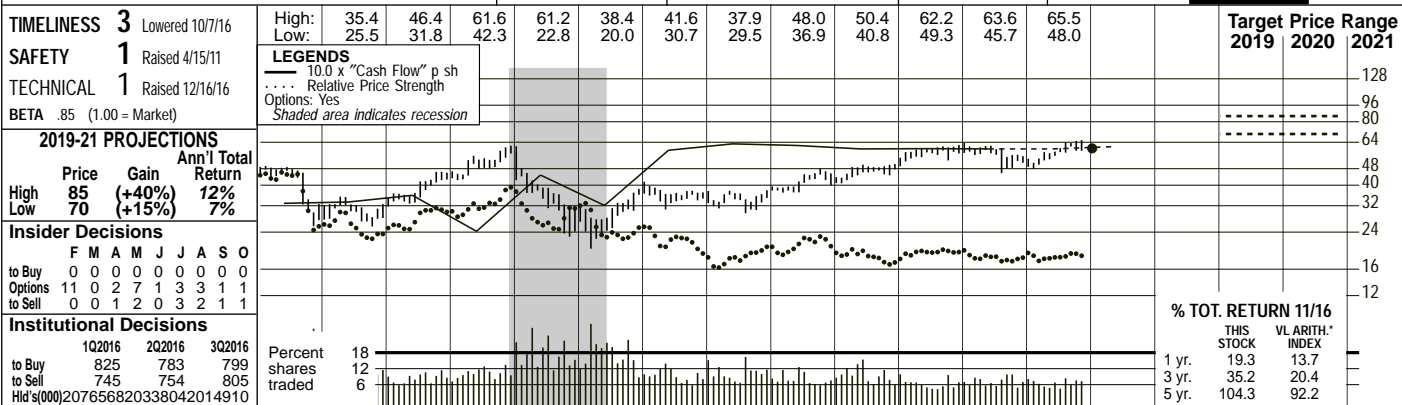


MERCK & CO. NYSE-MRK

RECENT PRICE **59.79** P/E RATIO **15.9** (Trailing: 15.7; Median: 12.0) RELATIVE P/E RATIO **0.81** DIV'D YLD **3.1%**

VALUE LINE



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	14.60	14.70	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	5.95	6.10	"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	3.75	3.90	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	15.40	14.80	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	15.3		Avg Ann'l P/E Ratio	15.0
1.66	1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.81		Relative P/E Ratio	.95
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%	3.2%		Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 9/30/16										2016		2017		19-21	
Total Debt \$25143 mill. Due in 5 Yrs \$6544 mill.										39900	39700	39700	45000	Sales (\$mill)	
LT Debt \$23656 mill. LT Interest \$650 mill. (35% of Cap'l)										34.5%	35.0%	35.0%	38.0%	Operating Margin	
Pension Assets-12/15 \$16.5 bill. Oblig. \$17.5 bill.										6000	6000	6000	6000	Depreciation (\$mill)	
Pfd Stock None										10240	10530	10240	13250	Net Profit (\$mill)	
Common Stock 2,757,137,517 shs. as of 10/31/16										25.0%	25.0%	25.0%	25.0%	Income Tax Rate	
MARKET CAP: \$165 billion (Large Cap)										25.7%	26.5%	26.5%	29.4%	Net Profit Margin	
CURRENT POSITION (SMILL.)										10000	10000	10000	10000	Working Cap'l (\$mill)	
Cash Assets										23000	21000	23000	17000	Long-Term Debt (\$mill)	
Receivables										42000	40000	42000	47000	Shr. Equity (\$mill)	
Inventory (LIFO)										16.5%	18.0%	18.0%	21.0%	Return on Total Cap'l	
Other										18.5%	15.5%	15.5%	18.0%	Return on Shr. Equity	
Current Assets										12.5%	10.6%	10.6%	17.0%	Retained to Com Eq	
Accts Payable										49%	48%	49%	40%	All Div'ds to Net Prof	
Debt Due										60%	101%	42%	43%		
Other															
Current Liab.															

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.

ANNUAL RATES					Past		Est'd '13-'15	
of change (per sh)					10 Yrs.	5 Yrs.	to '19-'21	
Sales					3.5%	4.5%	2.5%	
"Cash Flow"					6.0%	5.5%	3.5%	
Earnings					2.5%	.5%	6.0%	
Dividends					1.5%	3.0%	2.0%	
Book Value					8.0%	2.0%	1.0%	

QUARTERLY SALES (\$ mill.)						Full Year
Cal-ender	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	9844	10536	10208		39900
2017	9300	9800	10200	10400		39700

EARNINGS PER SHARE ^A						Full Year
Cal-ender	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	.93	1.07	.86		3.75
2017	.90	.92	1.10	.98		3.90

QUARTERLY DIVIDENDS PAID ^B						Full Year
Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31		Full Year
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		1.84
2017	.47					

Merck is poised to cap off 2016 on solid footing. The New Jersey-based drugmaker has outperformed earnings expectations in each of the last three quarters, attributable to tighter cost control and faster development of new products. Following its most recent beat in Q3 (released October 25th), management raised its full-year adjusted earnings guidance to \$3.71-\$3.78 a share (previously \$3.65-\$3.77), which includes a 1% negative impact from foreign exchange rates. All told, our 2016 call is unchanged at \$3.75. **Top-line comps will likely face pressure over the next several quarters.** Key drugs include continued generic erosion on *Remicade* (sales -30% in Q3), a slowdown in Merck's top-grossing *Januvia/Janumet* franchise (-1%), and anticipated biosimilar competition on *Cubicin* and *Zetia/Vytorin*. While pipeline development and recent performance of newer products has been encouraging, we forecast a slight dip in 2017 sales. **The focus remains on Keytruda.** Merck is banking heavily on its standout immuno-oncology asset to step up and fill the void left by aging franchises. The drug,

which is already approved to treat advanced melanoma and some forms of lung cancer, saw its sales more than double in the third quarter, to \$356 million (\$919 million through September). The development program is ongoing and includes more than 30 tumor types and 360 clinical trials. Some analysts believe *Keytruda* could top \$8 billion in sales by 2021, with the lion's share coming from lung cancer. **Followed very closely by Zepatier.** Merck's Hep-C treatment was approved in January, 2016 and has generated sales of \$326 million through September. With peak sales projections in the \$2 billion range, we view *Zepatier* as a nice long-term complement to *Keytruda*. **The stock's Timeliness rank is unchanged at 3 (Average).** While the equity does not stand out for year-ahead relative-price performance, we continue to view Merck as a strong core holding for investors seeking large pharma exposure. An above-average dividend yield (3.1%) and superior grades for Safety (1) and Financial Strength (A++) should appeal to risk-averse, income-oriented accounts. *Michael Ratty* January 6, 2017

(A) Diluted earnings (adjusted). 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; '15, (\$2.03). Next eggs report due early February. (B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available. (C) In millions.

Company's Financial Strength A++
 Stock's Price Stability 95
 Price Growth Persistence 60
 Earnings Predictability 95

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