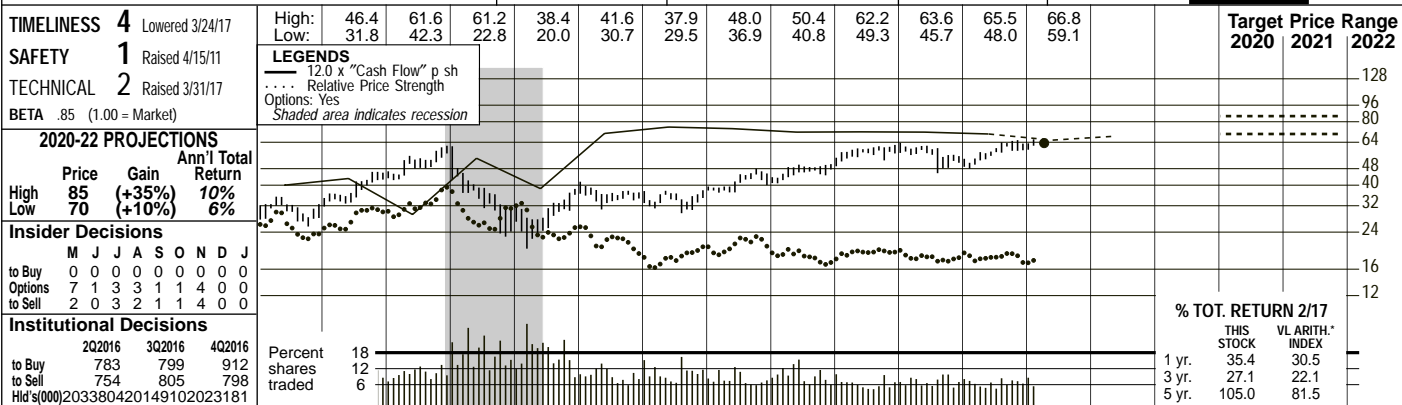


MERCK & CO. NYSE-MRK

RECENT PRICE **63.34** P/E RATIO **17.2** (Trailing: 16.8; Median: 12.0) RELATIVE P/E RATIO **0.88** DIV'D YLD **3.0%** VALUE LINE



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	20-22
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	14.48	14.60	15.35	17.65
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	5.83	5.45	5.70	6.20
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	3.78	3.80	4.20	5.00
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	1.92	2.04
1.20	1.06	.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.59	.55	.55	.60
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	14.58	13.65	13.10	12.95
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	2748.7	2710.0	2670.0	2550.0
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	15.2	15.0	15.0	15.0
1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.80	1.00	1.00	1.00
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%	3.2%	3.2%	2.7%

CAPITAL STRUCTURE as of 12/31/16				© VALUE LINE PUB. LLC 20-22																
Total Debt \$24842 mill. Due in 5 Yrs \$9001 mill.				Sales per sh																17.65
LT Debt \$24274 mill. LT Interest \$683 mill. (38% of Cap'l)				"Cash Flow" per sh																6.20
Pension Assets-12/16 \$17.6 bill. Oblig. \$19.2 bill.				Earnings per sh ^A																5.00
Pfd Stock None				Div'ds Decl'd per sh ^B																2.04
Common Stock 2,745,571,067 shs. as of 1/31/17				Cap'l Spending per sh																.60
MARKET CAP: \$174 billion (Large Cap)				Book Value per sh																12.95
CURRENT POSITION (SMILL.)				Common Shs Outst'g ^C																2550.0
Cash Assets 15719				Avg Ann'l P/E Ratio																15.0
Receivables 6626				Relative P/E Ratio																.95
Inventory (LIFO) 5571				Avg Ann'l Div'd Yield																2.7%
Other 5257				Sales (\$mill)																45000
Current Assets 33173				Operating Margin																36.0%
Accts Payable 2625				Depreciation (\$mill)																3000
Debt Due 2704				Net Profit (\$mill)																12750
Other 13437				Income Tax Rate																22.0%
Current Liab. 18766				Net Profit Margin																28.3%
ANNUAL RATES				Working Cap'l (\$mill)																10000
of change (per sh)				Long-Term Debt (\$mill)																24000
Sales 3.5%				Shr. Equity (\$mill)																33000
"Cash Flow" 5.5%				Return on Total Cap'l																23.0%
Earnings 3.5%				Return on Shr. Equity																38.5%
Dividends 2.0%				Retained to Com Eq																23.0%
Book Value 7.0%				All Div'ds to Net Prof																41%

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 2016: 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 have lowered our 2017 estimates for Merck & Co. The New Jersey-based drugmaker reported mixed fourth-quarter results (released February 2nd) and 2017 guidance was a bit soft versus consensus expectations. For the full year, management anticipates adjusted earnings of \$3.72-\$3.87 a share on sales of \$38.6 billion-\$40.1 billion, where analysts on average had been targeting \$3.85 and \$40 billion. The outlook reflects low-single-digit growth in operating expenses, an effective tax rate of 21%-22%, and includes a 2% negative impact from foreign exchange. All told, we have shaved a dime of our 2017 earnings call, to \$3.80 a share. Our revenue target has been reduced from \$39.7 billion, to \$39.5 billion. **The growth story remains centered around Keytruda.** Merck's standout immuno-oncology drug continues to impress and a recently failed trial from top competitor *Opdivo* (made by Bristol-Myers Squibb) appears to have improved its position in this high-growth market. *Keytruda* generated sales of \$483 million in Q4 (+125%) and \$1.4 billion in full-year 2016 (+148%). Current projections suggest this figure could reach as high as \$4 billion in 2017, with peak sales estimates soaring into the \$10 billion+ range. These lofty projections hinge greatly on *Keytruda's* expansion into new indications and new markets. The drug's development program is ongoing and includes more than 30 tumor types and 360 clinical trials. **We view Zepatier as a solid long-term complement.** While it does not project to have the massive sales potential of *Keytruda*, the Hep-C franchise is well positioned to be a multi-billion contributor in the near future. *Zepatier* is still in the early stages of development (approved January, 2016) but has already generated sales of \$555 million, including \$229 million in Q4 (+40% sequentially). Peak sales estimates are currently topping \$2 billion. **The stock's Timeliness rank has been dropped a notch to 4 (Below Average).** We view the long-term story favorably, but generic pressures should make for difficult comps over the next several quarters. From an investment standpoint, Merck still holds solid appeal as a lower-risk, income play in the pharmaceutical space. *Michael Ratty* April 7, 2017

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	10264	10934	10557	10482	42237
2015	9425	9785	10073	10215	39498
2016	9312	9844	10536	10115	39807
2017	9200	9700	10300	10300	39500
2018	9500	10100	10600	10800	41000

(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); '16, (\$1.74). Next egs. report due early May. (B) Dividends historically paid in early January, April, July, and October. (C) Dividend reinvestment plan available. (C) In millions. Company's Financial Strength A++ Stock's Price Stability 95 Price Growth Persistence 60 Earnings Predictability 100