

RECENT PRICE	65.54	P/E RATIO	17.0 (Trailing: 17.4 Median: 12.0)	RELATIVE P/E RATIO	0.87	DIV'D YLD	2.9%	VALUE LINE
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2020-22 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+30%)	9%
Low	70	(+5%)	4%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	3	1	1	4	0	6	11	0	0
to Sell	2	1	1	4	0	0	7	0	0

Institutional Decisions

	3Q2016	4Q2016	1Q2017
to Buy	799	912	856
to Sell	805	798	885

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	THIS STOCK	VL ARITH. INDEX
1 yr.	19.3	16.7
3 yr.	23.7	22.7
5 yr.	105.1	95.1

CAPITAL STRUCTURE as of 3/31/17				24198	23850	27428	45987	48047	47267	44033	42237	39498	39807	39700	41000	Sales (\$mill)	45000			
Total Debt \$28474 mill. Due in 5 Yrs \$9001 mill.				31.4%	48.5%	24.1%	23.3%	32.4%	32.9%	31.6%	32.4%	33.9%	34.4%	34.0%	35.0%	Operating Margin	36.0%			
LT Debt \$23437 mill. LT Interest \$683 mill. (37% of Cap'l)				1988.0	1631.2	2576.0	7381.0	7427.0	6978.0	6988.0	6691.0	6375.0	5441.0	4500	4000	Depreciation (\$mill)	3000			
				3275.4	7808.4	7409.3	10715	11697	11743	10443	10271	10195	10580	10430	11200	Net Profit (\$mill)	12750			
Pension Assets-12/16 \$17.6 bill. Oblig. \$19.2 bill.				2.8%	20.4%	20.0%	20.0%	23.4%	23.8%	21.7%	24.3%	21.7%	22.3%	22.0%	22.0%	Income Tax Rate	22.0%			
				13.5%	32.7%	27.0%	23.3%	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	26.3%	27.3%	Net Profit Margin	28.3%			
Pfd Stock None				2787.2	4986.2	12678	13423	16936	16509	17817	14407	10561	13410	12000	11000	Working Cap'l (\$mill)	10000			
Common Stock 2,735,164,510 shs. as of 4/30/17				3915.8	3943.3	16075	15482	15525	16254	20539	18699	23929	24274	23000	23000	Long-Term Debt (\$mill)	23000			
				18185	18758	59058	54376	54517	53020	49765	48647	44676	40088	38000	37000	Shr. Equity (\$mill)	34000			
MARKET CAP: \$179 billion (Large Cap)				15.5%	34.8%	10.1%	15.8%	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	17.5%	19.0%	Return on Total Cap'l	23.0%			
				18.0%	41.6%	12.5%	19.7%	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	27.5%	30.5%	Return on Shr. Equity	37.5%			
CURRENT POSITION				2015	2016	3/31/17	NMF	24.1%	7.1%	11.0%	12.9%	12.5%	10.6%	10.5%	11.4%	13.6%	14.0%	16.5%	Retained to Com Eq	22.0%
(SMILL.)							101%	42%	43%	44%	40%	44%	49%	50%	50%	48%	49%	46%	All Div'ds to Net Prof	41%
Cash Assets				13427	14341	15249														

Receivables	6484	7018	7066	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: <i>Januvia</i> (diabetes) and <i>Zetia</i> (cholesterol). Acquired Schering-Plough, 11/09. Has 68,000 employees. Off/dirs. own less than 1% of common stock; BlackRock, 6.7%; Vanguard, 6.7%; Capital World Investors, 5.1% (4/17 proxy). Chairman/President/CEO: Kenneth Frazier, Inc.: NJ. Addr.: 2000 Galloping Hill Road., Kenilworth, NJ 07033. Tel.: 908-740-4000. Internet: www.merck.com .
Inventory (LIFO)	4700	4866	5146	
Other	5153	4389	4069	
Current Assets	29764	30614	31530	
Accts Payable	2533	2807	2484	
Debt Due	2585	568	5037	
Other	14085	13829	12302	
Current Liab	19203	17204	19823	

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd 14-'16 to '20-'22
of change (per sh)			
Sales	3.5%	2.0%	3.5%
"Cash Flow"	5.5%	3.0%	1.0%
Earnings	3.5%	1.0%	5.5%
Dividends	2.0%	3.5%	2.0%
Book Value	7.0%	-2.5%	-3.0%

Calendar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sept.30	Dec.31	
2014	10264	10934	10557	10482	42237
2015	9425	9785	10073	10215	39498
2016	9312	9844	10536	10115	39807
2017	9434	9700	10300	10266	39700
2018	9500	10100	10600	10800	41000

Cal-end	EARNINGS PER SHARE ^A					Full Year
	Mar.31	Jun.30	Sep.30	Dec.31		
2014	.88	.85	.90	.87	3.49	to offset generic pressures on several drugs including, <i>Zetia/Vytorin</i> (-35%), <i>Remicade</i> (-34%), <i>Bucibin</i> (-67%), and <i>Nasonex</i> (-40%). Following the release (May 2nd), management raised its full-year adjusted earnings guidance to \$3.76-
2015	.85	.86	.96	.93	3.59	
2016	.89	.93	1.07	.89	3.78	
2017	.88	.88	1.09	1.00	3.85	
2018	.95	1.00	1.15	1.10	4.20	

Calendar	QUARTERLY DIVIDENDS PAID \$m				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	.47	.47		

We have slightly raised our 2017 estimates for Merck & Co. The drug-maker's first-quarter results beat consensus expectations on both lines, thanks to increased cost cutting and better-than-expected demand in several key products. Continued momentum in standout oncology asset *Keytruda* (sales +137%) was a key highlight, along with a strong seasonal bump in vaccine franchise *Gardasil* (+41%). Double-digit growth in animal health sales (+13%) and a solid contribution from new Hep-C drug *Zepatier* (\$378 million) further bolstered results, helping to offset generic pressures on several drugs including, *Zetia/Vytorin* (-35%), *Remicade* (-34%), *Cubicin* (-67%), and *Nasonex* (-40%). Following the release (May 2nd), management raised its full-year adjusted earnings guidance to \$3.76-\$3.88 a share (previously \$3.72-\$3.87) and its sales outlook to \$39.1 billion-\$40.3 billion (previously \$38.6 billion-\$40.1 billion). **A new type of cholesterol drug (anacetrapib) has shown promise in late-stage studies.** On June 27th, Merck announced that anacetrapib significantly reduced heart attacks and other complica-

tions of heart disease in a 30,000 patient clinical trial. The drug works by blocking a protein called CETP, which differs from older cholesterol-lowering medications like *Lipitor* and *Crestor* and newer injectable methods. This represents a substantial commercial opportunity for Merck given the sheer size of the market. That said, the timing of a potential regulatory filing still remains largely uncertain. Full results of the anacetrapib study will be presented at the European Society of Cardiology meeting on August 29th.

Long-term growth remains centered around Keytruda. The company's top asset and now second-highest grossing franchise (behind *Januvia/Janumet*) will be leaned on heavily to drive growth over the next several years. The drug has locked up several highly-coveted approvals since 2014 and development efforts are ongoing. Current projections suggest *Keytruda* sales could top \$8 billion by 2021.

The stock is ranked 4 (Below Average) for Timeliness. We continue to view Merck as a solid core holding in the drug space, however.

Michael Petty, *July 7, 2017*

<p>(A) Diluted earnings (adjusted). Quarters may not sum due to rounding. Excludes nonrecurring gains (losses): '05, (43¢); '06, (13¢); '09, \$2.40; '10, (\$3.16); '11, (\$1.75); '12, (\$1.66); '13, (\$2.02); '14, 58¢; '15, (\$2.03); '16, (\$1.74). Next eggs report due late July.</p> <p>(B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.</p>		<p>(C) In millions.</p>		<p>Company's Financial Strength A++</p> <p>Stock's Price Stability 95</p> <p>Price Growth Persistence 60</p> <p>Earnings Predictability 100</p>		
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