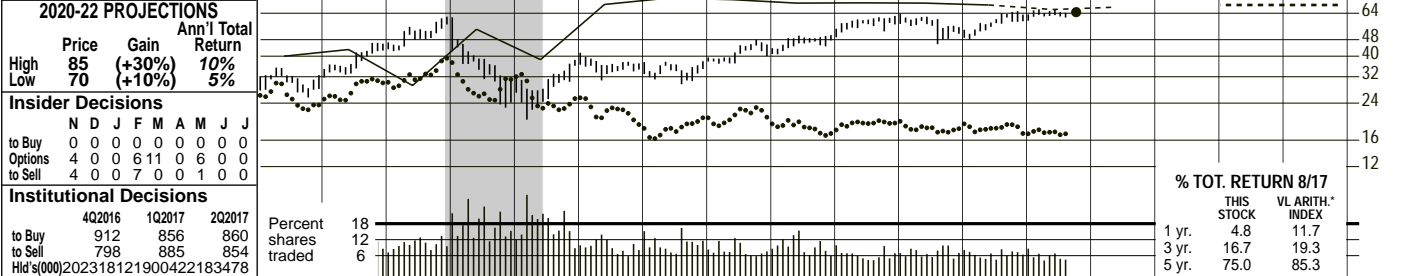


MERCK & CO. NYSE-MRK

RECENT PRICE **64.76** P/E RATIO **16.4** (Trailing: 16.8 Median: 12.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **2.9%** VALUE LINE

TIMELINESS 3 Raised 7/21/17	High: 46.4	61.6	61.2	38.4	41.6	37.9	48.0	50.4	62.2	63.6	65.5	66.8							Target Price Range
SAFETY 1 Raised 4/15/11	Low: 31.8	42.3	22.8	20.0	30.7	29.5	36.9	40.8	49.3	45.7	48.0	59.1							2020 2021 2022
TECHNICAL 3 Raised 10/6/17	LEGENDS — 12.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA .85 (1.00 = Market)																			



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	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	14.85	15.35	Sales per sh	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	5.55	5.70	"Cash Flow" per sh	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	3.87	4.20	Earnings per sh ^A	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	Div'ds Decl'd per sh ^B	2.04
1.20	1.06	.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.59	.55	.55	Cap'l Spending per sh	.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	14.00	13.85	Book Value per sh	13.35
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	Common Shs Outst'g ^C	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	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.80			Relative P/E Ratio	.95
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 6/30/17		24198	23850	27428	45987	48047	47267	44033	42237	39498	39807	40300	41000	Sales (\$mill)	45000
Total Debt \$24887 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 \$21706 mill. LT Interest \$683 mill. (35% 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
Pension Assets-12/16 \$17.6 bill. Oblig. \$19.2 bill.		3275.4	7808.4	7409.3	10715	11697	11743	10443	10271	10195	10580	10500	11200	Net Profit (\$mill)	12750
Pfd Stock None		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%
Common Stock 2,727,354,340 shs. as of 7/31/17		13.5%	32.7%	27.0%	23.3%	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	26.1%	27.3%	Net Profit Margin	28.3%
MARKET CAP: \$177 billion (Large Cap)		2787.2	4986.2	12678	13423	16936	16509	17817	14407	10561	13410	10000	10000	Working Cap'l (\$mill)	10000
CURRENT POSITION (SMILL.)	2015	2016	6/30/17												
Cash Assets	13427	14341	11967												
Receivables	6484	7018	7439												
Inventory (LIFO)	4700	4866	5407												
Other	5153	4389	3354												
Current Assets	29764	30614	28167												
Accts Payable	2533	2807	2934												
Debt Due	2585	568	3181												
Other	14085	13829	12643												
Current Liab.	19203	17204	18758												

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, 6.7%; 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.

Merck & Co. has performed well of late. The drugmaker's second-quarter results beat consensus expectations on both lines, thanks in part to continued strong demand for standout immuno-oncology drug, *Keytruda* (sales +180%, to \$881 million). Double-digit growth in lead vaccine asset *Gardasil* (+19%) and a solid contribution from still young Hep-C drug *Zepatier* (\$517 million) were also key highlights, helping to offset an 8% decline in the top-grossing *Januvia/Janumet* diabetes franchise (owing to weakness in the U.S.) and continued generic erosion in *Zetia/Vytorin* (-45%) and *Remicade* (-39%). **Despite a better-than-expected second-quarter showing, management reaffirmed its full-year adjusted earnings guidance of \$3.76-\$3.88 a share.** Meantime, it slashed its GAAP profit forecast to \$1.60-\$1.72 a share (previously \$2.51-\$2.63) due to the inclusion of licensing expenses related to an agreement with AstraZeneca. All told, we have raised our 2017 adjusted earnings estimate by \$0.02 a share, to \$3.87, and our sales target from \$39.7 billion, to \$40.3 billion. **The company entered into an oncology collaboration with AstraZeneca.** The two sides recently reached an agreement to co-develop and co-commercialize AstraZeneca's *Lynparza* for multiple cancers. The drug's pipeline has grown significantly in recent years, with 14 indications currently being developed across several tumor types, including breast, prostate, and pancreatic cancers. Astra is hopeful that Merck's broad development of *Keytruda* could help maximize the potential of *Lynparza*, and its willing to give up half of the drug's future sales to find out. While Merck will shoulder a big chunk of the near-term costs, the payoff could be substantial. Under the terms, Merck will pay up to \$8.5 billion in total consideration, including \$1.6 billion upfront. **The stock's Timeliness rank has been raised a notch to 3 (Average).** We continue to view Merck as a solid core holding for investors seeking participation in the large pharma space. An above-average dividend yield (2.9%) and superior grades for Safety (1) and Financial Strength (A++) should appeal to risk-averse, income-oriented accounts. *Michael Ratty* October 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); '16, (\$1.74). Next egs. report due late October.	(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	65
			Earnings Predictability	100