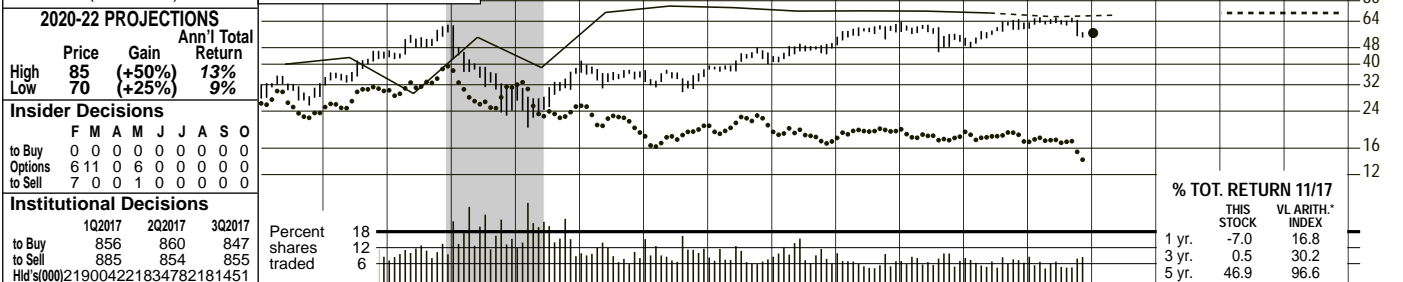


<b>MERCK &amp; CO. NYSE-MRK</b>				RECENT PRICE	56.34	P/E RATIO	13.9 (Trailing: 14.5; Median: 12.0)	RELATIVE P/E RATIO	0.68	DIV'D YLD	3.4%	VALUE LINE
---------------------------------	--	--	--	--------------	-------	-----------	-------------------------------------	--------------------	------	-----------	------	------------

TIMELINESS	2	Raised 12/29/17	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	53.6			2020 2021 2022																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
TECHNICAL	4	Lowered 12/29/17	<div>LEGENDS</div> <div>— 12.0 x "Cash Flow" p sh</div> <div>.... Relative Price Strength</div> <div>Options: Yes</div> <div>Shaded area indicates recession</div>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														



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	5.60	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	3.95	4.20	Earnings per sh <sup>A</sup>	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 <sup>B</sup>	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 <sup>C</sup>	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	15.7		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	.78		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%	3.0%		Avg Ann'l Div'd Yield	2.7%

<b>CAPITAL STRUCTURE as of 9/30/17</b> Total Debt \$26995 mill. Due in 5 Yrs \$9001 mill. LT Debt \$21838 mill. LT Interest \$683 mill. (36% of Cap'l)																	
<b>Pension Assets-12/16</b> \$17.6 bill. <b>Oblig.</b> \$19.2 bill.																	
<b>Pfd Stock</b> None																	
<b>Common Stock</b> 2,724,436,835 shs. as of 10/31/17																	
<b>MARKET CAP: \$153 billion (Large Cap)</b>																	
<b>CURRENT POSITION (SMILL.)</b>																	
Cash Assets	13427	14341	11195														
Receivables	6484	7018	7671														
Inventory (LIFO)	4700	4866	5263														
Other	5153	4389	3790														
Current Assets	29764	30614	27919														
Accts Payable	2533	2807	2620														
Debt Due	2585	568	5157														
Other	14085	13829	11690														
Current Liab.	19203	17204	19467														

<b>ANNUAL RATES</b> Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 of change (per sh) 3.5% 2.0% 3.5% Sales 5.5% 3.0% 1.0% "Cash Flow" 3.5% 1.0% 5.5% Earnings 2.0% 3.5% 2.0% Dividends 7.0% -2.5% -3.0% Book Value																	
<b>QUARTERLY SALES (\$ mill.)</b>																	
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	9434	9930	10325	10511													40200
2018	9600	10100	10600	10700													41000
<b>EARNINGS PER SHARE <sup>A</sup></b>																	
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31													Full Year
2014	.88	.85	.90	.87													3.49
2015	.85	.86	.96	.93													3.59
2016	.89	.93	1.07	.89													3.78
2017	.88	1.01	1.11	.95													3.95
2018	.95	1.05	1.15	1.05													4.20
<b>QUARTERLY DIVIDENDS PAID <sup>B</sup></b>																	
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31													Full Year
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	.47													
2018	.48																

**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.

**We have raised our 2017 EPS target for Merck & Co.** The drugmaker's third-quarter earnings came in ahead of consensus expectations, despite a negative impact from the highly-publicized Petya cyberattack. Management indicated that the incident reduced sales by roughly \$135 million due to manufacturing disruptions, but does not anticipate much of an effect going forward. On a positive note, Merck's standout immuno-oncology asset *Keytruda* continued to exhibit strong momentum (sales +194% year over year), as did Hep-C drug *Zepatier* (+185%). The animal health business also performed well (+16%), helping to offset reductions in a few of the company's older franchises (more below). All told, management upped its full-year adjusted earnings guidance to \$3.91-\$3.97 a share (previously \$3.76-\$3.88) and its sales outlook to \$40.0 billion-\$40.5 billion (previously \$39.4 billion-\$40.4 billion). **Several core drugs are likely to continue to face pressure in 2018.** The *Zetia/Vytorin* cardiovascular franchise has been hit hard since going off patent (Q3 sales -51%), and declines are expected to persist over the next several quarters.

Rheumatoid arthritis drug *Remicade* and former respiratory standout *Singular* have also experienced significant fallout due to generics. We anticipate additional losses in both franchises in 2018. **The long-term growth story remains centered around *Keytruda*.** With several mature drugs in decline, Merck will be leaning heavily on the new product cycle to offset losses in 2018 and beyond. Encouragingly, the drugmaker possesses one of the most promising new assets in the industry in *Keytruda*. The immuno-oncology drug surpassed \$1 billion in annual sales last quarter and now is Merck's second-largest revenue generator (10% of total). Current projections suggest annual sales could top \$8 billion by 2021. **The stock's Timeliness rank has been raised a notch to 2 (Above Average).** Based on our system, shares of MRK are now pegged to outperform the broader market in the year ahead. An attractive dividend yield (3.4%) and superior grades for Safety (1) and Financial Strength (A++) should appeal to risk-averse, income-oriented investors

*Michael Ratty* January 5, 2018

<b>(A)</b> 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 February.				<b>(B)</b> Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.				<b>(C)</b> In millions.			
Company's Financial Strength				A++				Stock's Price Stability			
Price Growth Persistence				65				Earnings Predictability			
100				To subscribe call 1-800-VALUELINE				© 2017 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.			