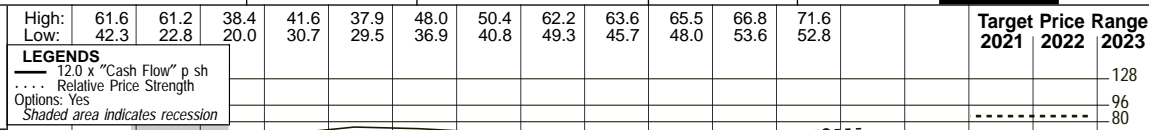


MERCK & CO. NYSE-MRK

RECENT PRICE **70.65** P/E RATIO **16.2** (Trailing: 16.8; Median: 12.0) RELATIVE P/E RATIO **0.89** DIV'D YLD **2.7%** **VALUE LINE**

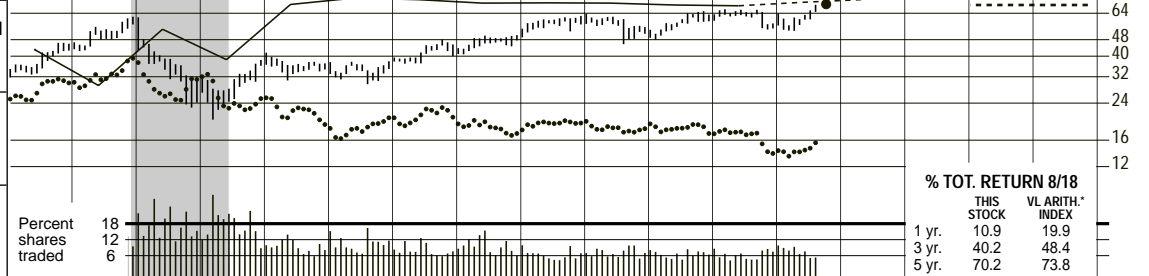
TIMELINESS 3 Raised 9/21/18
SAFETY 1 Raised 4/15/11
TECHNICAL 2 Raised 9/14/18
BETA .95 (1.00 = Market)



2021-23 PROJECTIONS
 Price High **85** Gain **(+20%)** Ann'l Total Return **7%**
 Price Low **70** Gain **(Nil)** Ann'l Total Return **3%**

Insider Decisions
 N D J F M A M J J
 to Buy 0 0 0 0 0 0 0 0
 Options 1 0 2 2 1 1 0 3
 to Sell 1 0 3 1 0 1 1 1

Institutional Decisions
 4Q2017 1Q2018 2Q2018
 to Buy 778 909 869
 to Sell 845 902 926
 Hlds's(000)2007087198446651956355



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	14.88	16.00	16.80	Sales per sh	18.40
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	5.79	6.00	6.20	"Cash Flow" per sh	6.40
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	3.98	4.28	4.60	Earnings per sh ^A	5.20
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	1.96	Div'ds Decl'd per sh ^B	2.08
1.06	.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.59	.70	.80	.80	Cap'l Spending per sh	.80
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	12.73	12.45	12.25	Book Value per sh	14.00
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	2696.6	2650.0	2610.0	Common Shs Outst'g ^C	2500.0
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	15.6	15.0	15.0	Avg Ann'l P/E Ratio	15.0
.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.80	.78	.78	.78	Relative P/E Ratio	.85
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%	3.0%	3.0%	Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 6/30/18
 Total Debt \$23338 mill. Due in 5 Yrs \$10757 mill.
 LT Debt \$19959 mill. LT Interest \$754 mill.
 (38% of Cap'l)

Leases, Uncapitalized Annual rentals \$255 mill.

Pension Assets-12/17\$20.2 bill. Oblig. \$21.4 bill.

Common Stock 2,659,525,311 shs. as of 7/31/18

MARKET CAP: \$188 billion (Large Cap)

CURRENT POSITION (SMILL.)

	2016	2017	6/30/18
Cash Assets	14341	8498	7594
Receivables	7018	6873	7287
Inventory (LIFO)	4866	5096	5178
Other	4389	4299	4005
Current Assets	30614	24766	24064
Accts Payable	2807	3102	3024
Debt Due	568	3057	3379
Other	13829	12455	11725
Current Liab.	17204	18614	18128

23850	27428	45987	48047	47267	44033	42237	39498	39807	40122	42400	43800	Sales (\$mill)	46000
48.5%	24.1%	23.3%	32.4%	32.9%	31.6%	32.4%	33.9%	34.4%	33.8%	33.0%	34.0%	Operating Margin	35.0%
1631.2	2576.0	7381.0	7427.0	6978.0	6988.0	6691.0	6375.0	5441.0	4637.0	4500	4200	Depreciation (\$mill)	3000
7808.4	7409.3	10715	11697	11743	10443	10271	10195	10580	10981	11340	12000	Net Profit (\$mill)	13000
20.4%	20.0%	20.0%	23.4%	23.8%	21.7%	24.3%	21.7%	22.3%	19.1%	19.0%	19.1%	Income Tax Rate	19.0%
32.7%	27.0%	23.3%	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	27.4%	26.7%	27.4%	Net Profit Margin	28.3%
4986.2	12678	13423	16936	16509	17817	14407	10561	13410	6152.0	8000	9000	Working Cap'l (\$mill)	12000
3943.3	16075	15482	15525	16254	20539	18699	23929	24274	21353	20000	19000	Long-Term Debt (\$mill)	17000
18758	59058	54376	54517	53020	49765	48647	44676	40088	34336	33000	32000	Shr. Equity (\$mill)	35000
34.8%	10.1%	15.8%	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	20.4%	22.0%	24.5%	Return on Total Cap'l	25.5%
41.6%	12.5%	19.7%	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	32.0%	34.5%	37.5%	Return on Shr. Equity	37.0%
42%	43%	44%	40%	44%	49%	50%	50%	48%	47%	45%	41.5%	Retained to Com Eq	22.5%
												All Div'ds to Net Prof	40%

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '15-'17 to '21-'23

of change (per sh)	3.0%	-1.0%	4.0%
Sales	6.5%	-1.0%	1.5%
"Cash Flow"	5.5%	5.0%	5.5%
Earnings	2.0%	3.0%	2.0%
Dividends	6.0%	-4.0%	-5%
Book Value			

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 2017 included *Januvia* (diabetes), *Keytruda* (cancer), and *Gardasil* (HPV). Acquired Schering-Plough, 11/09. Has 69,000 employees. Officers and directors own less than 1% of common stock; Vanguard, 7.2%; BlackRock, 6.8% (4/18 proxy). Chairman and CEO: Kenneth Frazier, Inc.: NJ. Addr.: 2000 Galloping Hill Road., Kenilworth, NJ 07033. Tel.: 908-740-4000. Internet: www.merck.com.

QUARTERLY SALES (\$mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	9425	9785	10073	10215	39498
2016	9312	9844	10536	10115	39807
2017	9434	9930	10325	10433	40122
2018	10037	10465	10900	10998	42400
2019	10300	10800	11300	11400	43800

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	.85	.86	.96	.93	3.59
2016	.89	.93	1.07	.89	3.78
2017	.88	1.01	1.11	.98	3.98
2018	1.05	1.06	1.12	1.05	4.28
2019	1.12	1.14	1.20	1.14	4.60

QUARTERLY DIVIDENDS PAID ^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	1.88
2018	.48	.48	.48	.48	

We have raised our 2018 estimates for Merck & Co. The drugmaker's second-quarter share earnings (\$1.06 adjusted) beat consensus expectations by \$0.03, with much of the upside coming from strength in the blockbuster *Keytruda* franchise. Indeed, sales of Merck's standout immunology asset surged 89% year over year during the period, thanks to recent launches with new indications globally, and should continue to be a major catalyst over the back half of 2018 and beyond (more below). Following the Q2 release, management upped its full-year adjusted earnings guidance to \$4.22-\$4.30 a share (previously \$4.16-\$4.28) and narrowed its sales outlook to \$42.0 billion-\$42.8 billion (previously \$41.8 billion-\$43.0 billion). All told, we have increased our 2018 earnings call by \$0.03 a share, to \$4.28, and sales target by \$400 million, to \$42.4 billion.

Double-digit momentum in Gardasil and several other complementary assets is encouraging. While *Keytruda* was once again the headliner, Merck's Q2 results also included a strong sales performance from cancer-preventing vaccine *Gardasil* (+30%), which benefited from growth

in the Asia-Pacific region, largely due to its ongoing launch in China. Other drugs including *Bridion* (+48%), *Nuvaring* (+18%), and *Simponi* (+17%) delivered healthy gains as well, helping to offset further generic erosion in the *Zetia/Vytorin* franchise (-31%) and sharp declines in hep-C drug *Zepatier* (-78%).

In our view, the long-term growth story is largely unchanged. While several core drugs are gaining traction and the animal health business remains a key component (10% of Q2 sales), Merck's long-term growth projections remain heavily reliant on the continued success of *Keytruda*. The drug has established itself as the favorite in the attractive immunology market, with annual sales projected to exceed \$12 billion by 2024.

The stock is ranked 3 (Average) for Timeliness. Shares of MRK have performed well in 2018, rising 16% in price since our last report and 25% year to date. While this has discounted some of the longer-term gains potential, the equity still maintains solid appeal as a low-risk income play in the pharmaceutical space.

Michael Ratty
 October 5, 2018

(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, (\$2.37); '17, (\$3.11). Next eggs. 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	90
Price Growth Persistence	50
Earnings Predictability	100