



2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
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	16.31	17.60	18.95	Sales per sh	22.15
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	6.23	6.35	6.85	"Cash Flow" per sh	8.00
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	4.34	4.65	5.20	Earnings per sh <sup>A</sup>	6.50
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	2.20	2.28	Div'ds Decl'd per sh <sup>B</sup>	2.64
.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.59	.70	1.01	1.00	1.00	Cap'l Spending per sh	1.00
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	10.30	10.30	10.95	Book Value per sh	14.05
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	2592.6	2530.0	2470.0	Common Shs Outst'g <sup>C</sup>	2350.0
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	14.8	15.0	14.8	Avg Ann'l P/E Ratio	15.0
1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.80	.78	.80	.80	.80	Relative P/E Ratio	.85
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%	3.0%	Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 12/31/18  
 Total Debt \$25114 mill. Due in 5 Yrs \$13408 mill.  
 LT Debt \$19806 mill. LT Interest \$772 mill.  
 (43% of Cap'l)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
27428	45987	48047	47267	44033	42237	39498	39807	40122	42294	44500	46800	Sales (\$mill)	52000							
24.1%	23.3%	32.4%	32.9%	31.6%	32.4%	33.9%	34.4%	33.8%	32.9%	32.5%	33.0%	Operating Margin	35.0%							
2576.0	7381.0	7427.0	6978.0	6691.0	6375.0	5441.0	4637.0	4519.0	4300	4100	Depreciation (\$mill)	3500								
7409.3	10715	11697	11743	10443	10271	10195	10580	10981	11625	11770	12850	Net Profit (\$mill)	15280							
20.0%	20.0%	23.4%	23.8%	21.7%	24.3%	21.7%	22.3%	19.1%	19.8%	19.0%	19.8%	Income Tax Rate	19.0%							
27.0%	23.3%	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	27.4%	27.5%	26.5%	27.5%	Net Profit Margin	29.4%							
12678	13423	16936	16509	17817	14407	10561	13410	6152.0	3669.0	5000	7000	Working Cap'l (\$mill)	10000							
16075	15482	15525	16254	20539	18699	23929	24274	21353	19806	19000	18500	Long-Term Debt (\$mill)	17000							
59058	54376	54517	53020	49765	48647	44676	40088	34336	26701	26000	27000	Shr. Equity (\$mill)	33000							
10.1%	15.8%	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	20.4%	25.8%	27.0%	29.0%	Return on Total Cap'l	31.0%							
12.5%	19.7%	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	32.0%	43.5%	45.5%	47.5%	Return on Shr. Equity	46.5%							
43%	44%	40%	44%	49%	50%	50%	48%	47%	44%	47%	44%	All Div'ds to Net Prof	41%							

Leases, Uncapitalized Annual rentals \$188 mill.  
 Pension Assets-12/18 \$18.2 bill. Oblig. \$19.7 bill.  
 Common Stock 2,581,220,308 shs. as of 1/31/19  
 MARKET CAP: \$214 billion (Large Cap)

CURRENT POSITION (\$MILL.)	2016	2017	12/31/18		
Cash Assets	14341	8498	8864	7.1%	11.0%
Receivables	7018	6873	7071	43%	44%
Inventory (LIFO)	4866	5096	5440	12.9%	12.5%
Other	4389	4299	4500	10.6%	10.5%
Current Assets	30614	24766	25875	10.5%	11.4%
Accts Payable	2807	3102	3318	13.6%	16.9%
Debt Due	568	3057	5308	16.9%	24.2%
Other	13829	12455	13580	24.0%	26.5%
Current Liab.	17204	18614	22206	47%	44%

**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 2018 included *Keytruda* (cancer), *Januvia* (diabetes), 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.

**Merck & Co. stock has risen 17% in value since our January report.** The drugmaker's solid fourth-quarter results and a broader market recovery were key catalysts, helping to overshadow lingering political pressures related to drug pricing. In regard to Q4, adjusted earnings of \$1.04 a share beat consensus expectations by a penny, driven by continued strong demand in the standout *Keytruda* franchise, which for the first time surpassed \$2 billion in quarterly sales. Although management's 2019 guidance wasn't overly inspiring (which appears to be a common trend among the large pharma group of late), it did fit into Wall Street's projected ranges. **We have raised our 2019 estimates.** For the full year, the company is guiding for adjusted earnings of \$4.57-\$4.72 a share on sales of \$43.2 billion-\$44.7 billion, implying annual growth of 7% and 4%, respectively, at the midpoints. We look for much of the improvement to be fueled by continued strong momentum in *Keytruda*, which generated a staggering \$7.2 billion in 2018 sales (+88% year over year). The drug has emerged as a clear favorite in the immuno-oncology space, recently surpassing its main rival *Opdivo* (made by Bristol-Myers Squibb) in terms of total sales, and has established a dominant position in the most lucrative segment of the market, lung cancer. Current projections suggest that annual sales of *Keytruda* could top \$12 billion by 2024. All told, we have upped our 2019 adjusted earnings call to \$4.65 a share (previously \$4.60). **Shareholder-friendly initiatives are likely to continue.** Merck returned a whopping \$14 billion to shareholders in 2018 through dividends and share repurchases. While the pace may decelerate in the coming years, particularly on the buyback front due to the equity's higher valuation, we look for these measures to remain key components in the capital allocation strategy out to 2022-2024. **The stock holds our Highest (1) rank for Timeliness.** Based on our system, shares of MRK currently represent one of the more attractive year-ahead growth plays in the large pharma space. An above-average dividend yield (2.7%) and strong scores for Safety and Price Stability further bolsters overall investment appeal. *Michael Ratty* April 5, 2019

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	9312	9844	10536	10115	39807
2017	9434	9930	10325	10433	40222
2018	10037	10465	10794	10998	42194
2019	10500	11000	11400	11600	44500
2020	11100	11600	12000	12100	46800

  

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.89	.93	1.07	.89	3.78
2017	.88	1.01	1.11	.98	3.98
2018	1.05	1.06	1.19	1.04	4.34
2019	1.09	1.15	1.27	1.14	4.65
2020	1.23	1.29	1.41	1.27	5.20

  

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	1.92
2019	.55	.55	.55	.55	2.20