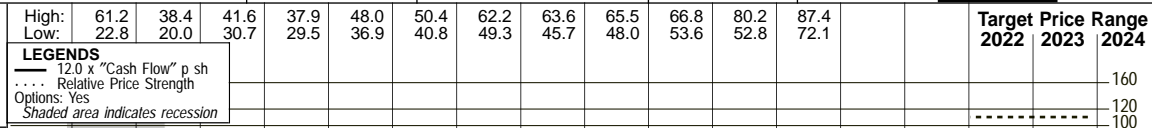


# MERCK & CO. NYSE-MRK

RECENT PRICE **83.60** P/E RATIO **16.7** (Trailing: 17.6, Median: 14.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **2.6%** VALUE LINE **1632**

TIMELINESS **1** Raised 11/30/18  
 SAFETY **1** Raised 4/15/11  
 TECHNICAL **1** Raised 9/20/19  
 BETA .95 (1.00 = Market)



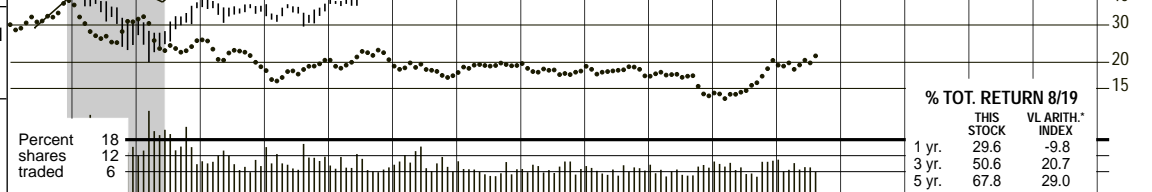
**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$75-\$110 \$93 (10%)

**2022-24 PROJECTIONS**

High	Low	Price	Gain (+30%)	Ann'l Total Return
110	90	110	+30%	10%
90	90	90	+10%	5%

**Institutional Decisions**

to Buy	to Sell	Hlds(000)	4Q2018	1Q2019	2Q2019
974	1006	195986019364031957402	963	1054	1004



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	18.15	19.60	Sales per sh	23.00
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	6.55	7.05	"Cash Flow" per sh	8.30
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	4.90	5.45	Earnings per sh <sup>A</sup>	6.80
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>	2.72
.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	10.85	11.55	Book Value per sh	14.45
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	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	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%	Avg Ann'l Div'd Yield			2.7%

**CAPITAL STRUCTURE as of 6/30/19**  
 Total Debt \$26587 mill. Due in 5 Yrs \$13408 mill.  
 LT Debt \$22771 mill. LT Interest \$772 mill.  
 (45% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$188 mill.

**Pension Assets-12/18** \$18.2 bill. **Oblig.** \$19.7 bill.

**Common Stock** 2,560,374,643 shs. as of 7/31/19

**MARKET CAP: \$214 billion (Large Cap)**

**CURRENT POSITION (SMILL.)**

	2017	2018	6/30/19
Cash Assets	8498	8864	7105
Receivables	6873	7071	7964
Inventory (LIFO)	5096	5440	5847
Other	4299	4500	3382
Current Assets	24766	25875	24298
Accts Payable	3102	3318	3142
Debt Due	3057	5308	3816
Other	12455	13580	13127
Current Liab.	18614	22206	20085

27428	45987	48047	47267	44033	42237	39498	39807	40122	42294	45900	48400	Sales (\$mill)	54000
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	6988.0	6691.0	6375.0	5441.0	4637.0	4519.0	4200	4000	Depreciation (\$mill)	3500
7409.3	10715	11697	11743	10443	10271	10195	10580	10981	11625	12400	13460	Net Profit (\$mill)	15980
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%	27.0%	27.8%	Net Profit Margin	29.6%
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	21000	20000	Long-Term Debt (\$mill)	18000
59058	54376	54517	53020	49765	48647	44676	40088	34336	26701	27500	28500	Shr. Equity (\$mill)	34000
10.1%	15.8%	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	20.4%	25.8%	26.5%	28.5%	Return on Total Cap'l	31.5%
12.5%	19.7%	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	32.0%	43.5%	45.0%	47.0%	Return on Shr. Equity	47.0%
43%	44%	40%	44%	49%	50%	50%	48%	47%	44%	45%	47.5%	Retained to Com Eq	28.0%
												All Div'ds to Net Prof	40.0%

**ANNUAL RATES**

Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18	to '22-'24
3.5%	-5%	7.0%	
5.5%	-5%	5.5%	
4.5%	2.0%	9.0%	
2.0%	3.0%	6.5%	
4.0%	-6.5%	2.5%	

**QUARTERLY SALES (\$ mill.)**

Cal-ender	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	9312	9844	10536	10115	39807
2017	9434	9930	10325	10433	40122
2018	10037	10465	10794	10998	42294
2019	10816	11760	11600	11724	45900
2020	11500	12000	12300	12600	48400

**EARNINGS PER SHARE <sup>A</sup>**

Cal-ender	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	1.22	1.30	1.23	1.15	4.90
2020	1.32	1.38	1.42	1.33	5.45

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Cal-ender	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	

**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, Aliances 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, 7.9%; BlackRock, 7.5% (4/19 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. has performed well in 2019.** The drugmaker's second-quarter results surpassed consensus expectations on both lines, driven by strong momentum in blockbuster immunotherapy drug *Keytruda* (sales +58% year over year, to \$2.63 billion) and another impressive showing from the vaccines business, led by *Gardasil* (+46%, to \$886 million). Comparisons received additional support from other key assets, including *Proquad* (+58%), *Bridion* (+16%), and *Rotateq* (+10%), helping to mitigate softness in the *Januvia/Janumet* diabetes franchise (-6%) and lingering generic pressures on cholesterol-lowering drugs *Zetia/Vytorin* (39%). All told, Merck has now beat Wall Street's targets in back-to-back quarters and appears well positioned to keep the ball rolling in the second half. Through the first six months of this year, adjusted earnings and total sales have risen 19% and 10%, respectively, versus the comparable period of 2018.

**The company has raised guidance in each of the last two quarters.** On the Q2 conference call, management guided for 2019 adjusted earnings of \$4.84-\$4.94 a

share (previously \$4.67-\$4.79) on sales \$45.2 billion-\$46.2 billion (previously \$43.9 billion-\$45.1 billion). The upward revisions reflect the drugmaker's strong 1H performance and improved sales outlooks across several key products, most notably *Keytruda* (more below). For 2019, we have upped our adjusted earnings call by \$0.15 a share, to \$4.90, and our sales target by \$1.1 billion, to \$45.9 billion.

**The long-term growth story remains heavily tied to Keytruda.** The drug has emerged as the clear leader in the immuno-oncology space and has also established a dominant position in the most lucrative segment of the market, lung cancer. Peak sales estimates have been raised consistently over these past few years, with some projections now touting *Keytruda* as a \$16 billion contributor by 2025. The franchise pulled in \$4.9 billion in sales during the first half of 2019, marking a 57% year-over-year increase.

**The stock maintains our Highest (1) rank for Timeliness.** Our projections suggest the equity could reach \$110 a share over the 18-month timeframe.

*Michael Ratty*  
 October 4, 2019

(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); '18, (\$2.02). Next egs. report due late October.	April, July, and October. Dividend reinvestment plan available.	(C) In millions.	Company's Financial Strength	A++
(B) Dividends historically paid in early January.			Stock's Price Stability	90
			Price Growth Persistence	65
			Earnings Predictability	100