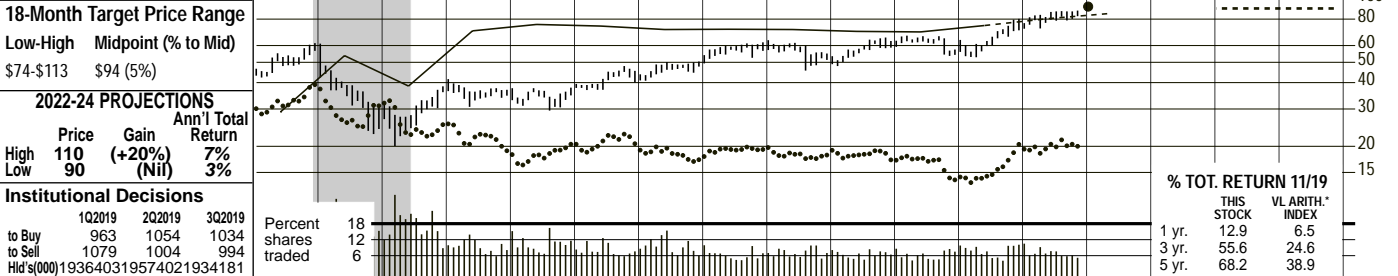


MERCK & CO. NYSE-MRK

RECENT PRICE **91.74** P/E RATIO **16.9** (Trailing: 18.1, Median: 14.0) RELATIVE P/E RATIO **0.92** DIV'D YLD **2.7%** VALUE LINE **1631**

TIMELINESS 2 Lowered 11/22/19	High: 61.2	38.4	41.6	37.9	48.0	50.4	62.2	63.6	65.5	66.8	80.2	92.6							Target Price Range		
SAFETY 1 Raised 4/15/11	Low: 22.8	20.0	30.7	29.5	36.9	40.8	49.3	45.7	48.0	53.6	52.8	72.1							2022	2023	2024
TECHNICAL 3 Lowered 12/13/19	LEGENDS — 12.0 x "Cash Flow" p sh ···· Relative Price Strength Options: Yes Shaded area indicates recession																				
BETA .90 (1.00 = Market)																					



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	18.60	20.05	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	6.70	7.10	"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	5.17	5.60	Earnings per sh ^A		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	2.44	Div's Decl'd per sh ^B		2.96
.86	.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.59	.70	1.01	1.15	1.15	Cap'l Spending per sh		1.15
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 ^C		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	15.9		Avg Ann'l P/E Ratio		16.0
1.04	.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.80	.78	.80	.88		Relative P/E Ratio		.90
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%	2.7%		Avg Ann'l Div'd Yield		2.7%

CAPITAL STRUCTURE as of 9/30/19				2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC		22-24
Total Debt \$26088 mill. Due in 5 Yrs \$13408 mill.				27428	45987	48047	47267	44033	42237	39498	39807	40122	42294	47000	49500	Sales (\$mill)		54000						
LT Debt \$22677 mill. LT Interest \$772 mill. (46% of Cap'l)				24.1%	23.3%	32.4%	32.9%	31.6%	32.4%	33.9%	34.4%	33.8%	32.9%	33.0%	33.0%	Operating Margin		34.0%						
Leases, Uncapitalized Annual rentals \$188 mill.				2576.0	7381.0	7427.0	6978.0	6988.0	6691.0	6375.0	5441.0	4637.0	4519.0	3800	3700	Depreciation (\$mill)		3500						
Pension Assets-12/18 \$18.2 bill. Oblig. \$19.7 bill.				7409.3	10715	11697	11743	10443	10271	10195	10580	10981	11625	13100	13850	Net Profit (\$mill)		15980						
Common Stock 2,545,984,142 shs. as of 10/31/19				20.0%	20.0%	23.4%	23.8%	21.7%	24.3%	21.7%	22.3%	19.1%	19.8%	17.5%	17.5%	Income Tax Rate		18.0%						
MARKET CAP: \$234 billion (Large Cap)				27.0%	23.3%	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	27.4%	27.5%	27.9%	28.0%	Net Profit Margin		29.6%						
CURRENT POSITION (SMILL.)				12678	13423	16936	16509	17817	14407	10561	13410	6152.0	3669.0	5000	7000	Working Cap'l (\$mill)		10000						
Cash Assets				16075	15482	15525	16254	20539	18699	23929	24274	21353	19806	22000	21000	Long-Term Debt (\$mill)		18000						
Receivables				59058	54376	54517	53020	49765	48647	44676	40088	34336	26701	27500	28500	Shr. Equity (\$mill)		34000						
Inventory (LIFO)				10.1%	15.8%	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	20.4%	25.8%	27.0%	28.5%	Return on Total Cap'l		31.5%						
Other				12.5%	19.7%	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	32.0%	43.5%	47.5%	48.5%	Return on Shr. Equity		47.0%						
Current Assets				43%	44%	40%	44%	49%	50%	50%	48%	47%	44%	42%	44%	All Div'ds to Net Prof		44%						
Accts Payable				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 <i>Keytruda</i> (cancer), <i>Januvia</i> (diabetes), and <i>Gardasil</i> (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.																				
Debt Due				Merck's third-quarter results soared past consensus expectations. The drug-maker reported adjusted earnings of \$1.51 a share on sales of \$12.4 billion, versus analyst estimates calling for about \$1.24 a share and \$11.6 billion on average. The beat was driven by higher sales of blockbuster immunotherapy drug <i>Keytruda</i> (+62% year over year, to \$3.01 billion) and top vaccine asset <i>Gardasil</i> (+26%, to \$1.32 billion). The former reflected improved uptake trends in non-small cell lung cancer and several other indications, while the latter benefited from higher demand in China and price increases in the U.S.																				
Other				We have raised our estimates. On the Q3 call, management increased its 2019 adjusted earnings guidance to \$5.12-\$5.17 a share, versus its previous forecast of \$4.84-\$4.94. The upward revision reflected a combination of a lower anticipated tax bill (reduced tax rate outlook from 18.5%-19.5%, to 17.5%) and an improved top-line guide (raised from \$45.2 billion-\$46.2 billion, to \$46.5 billion-\$47.0 billion). All told, we have increased our 2019 earnings call to \$5.17 a share (from \$4.90) and our 2020 estimate to \$5.60 a share (from \$5.45).																				
Current Liab.				The growth story remains centered around Keytruda. Besides the diabetes franchise, which is being hurt by domestic pricing pressure, the top end of Merck's portfolio is performing well. The animal health business is also generating solid gains and the company has recently inked several deals to bolster its oncology program (Peloton, Tilos, and ArQule). All that said, <i>Keytruda</i> is still the main centerpiece of Merck's long-term growth strategy. The drug, which accounts for about a quarter of total sales, is 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. Strong uptake trends across a growing list of indications and geographies should keep sales on a nice upward trajectory over the pull to 2022-2024.																				

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '22-'24
Sales	3.5%	-5%	7.0%
"Cash Flow"	5.5%	-5%	5.5%
Earnings	4.5%	2.0%	9.0%
Dividends	2.0%	3.0%	8.0%
Book Value	4.0%	-6.5%	2.5%

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2016	9312	9844	10536	10115	39807
2017	9434	9930	10325	10433	40122
2018	10037	10465	10794	10998	42294
2019	10816	11760	12397	12027	47000
2020	11900	12400	12700	12500	49500

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	1.51	1.14	5.17
2020	1.36	1.41	1.52	1.31	5.60

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
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	
2020	.61				

(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 early February. (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	65
Earnings Predictability	100

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January 3, 2020