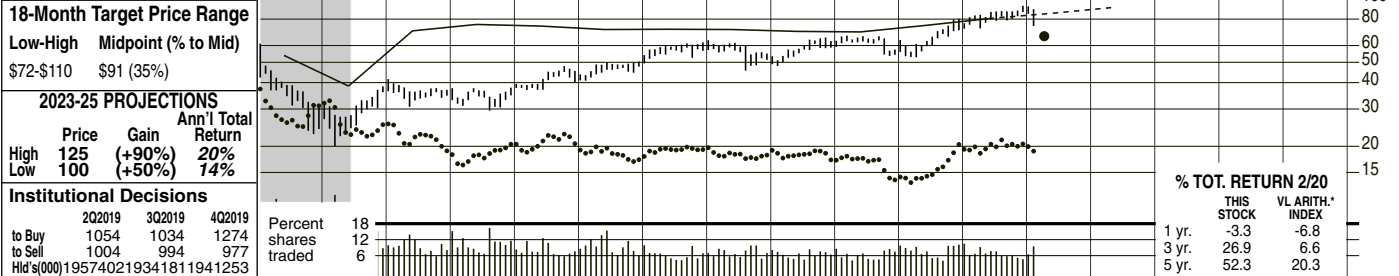


# MERCK & CO. NYSE-MRK

RECENT PRICE **66.40** P/E RATIO **12.1** (Trailing: 12.8; Median: 15.0) RELATIVE P/E RATIO **1.10** DIV'D YLD **3.7%** VALUE LINE **1627**

TIMELINESS <b>2</b> Lowered 11/22/19	High: 38.4	41.6	37.9	48.0	50.4	62.2	63.6	65.5	66.8	80.2	92.6	92.1		Target Price Range
SAFETY <b>1</b> Raised 4/15/11	Low: 20.0	30.7	29.5	36.9	40.8	49.3	45.7	48.0	53.6	52.8	72.1	65.3		2023 2024 2025
TECHNICAL <b>3</b> Lowered 3/13/20	LEGENDS — 12.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession													
BETA .90 (1.00 = Market)														



2023-25 PROJECTIONS		Price	Gain	Ann'l Total	Return													
High	Low	125	(+90%)	20%	14%													
		100	(+50%)															
Institutional Decisions																		
to Buy	202019	302019	402019	Percent														
to Sell	1054	1034	1274	shares														
Hlds(000)	1004	994	977	traded														
	195740219341811941253																	

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC		23-25
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	18.45	<b>20.00</b>	<b>21.15</b>	Sales per sh		<b>24.25</b>
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	6.71	<b>7.10</b>	<b>7.60</b>	"Cash Flow" per sh		<b>8.80</b>
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	5.19	<b>5.75</b>	<b>6.30</b>	Earnings per sh <sup>A</sup>		<b>7.50</b>
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	<b>2.44</b>	<b>2.60</b>	Div'ds Decl'd per sh <sup>B</sup>		<b>3.08</b>
.78	.64	.45	.47	.62	.47	.54	.57	.65	.53	.46	.46	.59	.70	1.01	1.37	<b>1.20</b>	<b>1.20</b>	Cap'l Spending per sh		<b>1.25</b>
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	10.20	<b>10.80</b>	<b>11.80</b>	Book Value per sh		<b>15.30</b>
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	2539.0	<b>2500.0</b>	<b>2460.0</b>	Common Shs Outst'g <sup>C</sup>		<b>2350.0</b>
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	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio		<b>15.0</b>
.86	.64	.82	1.81	.61	.61	.67	.57	.69	.75	.86	.80	.80	.78	.80	.86			Relative P/E Ratio		<b>.85</b>
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		<b>2.7%</b>

<b>CAPITAL STRUCTURE as of 12/31/19</b>				45987	48047	47267	44033	42237	39498	39807	40122	42294	46840	<b>50000</b>	<b>52000</b>	Sales (\$mill)	<b>57000</b>
Total Debt \$26346 mill. Due in 5 Yrs \$11210 mill.				23.3%	32.4%	32.9%	31.6%	32.4%	33.9%	34.4%	33.8%	32.9%	34.0%	<b>34.0%</b>	<b>35.0%</b>	Operating Margin	<b>36.0%</b>
LT Debt \$22736 mill. LT Interest \$893 mill. (47% of Cap'l)				7381.0	7427.0	6978.0	6988.0	6691.0	6375.0	5441.0	4637.0	4519.0	3652.0	<b>3400</b>	<b>3200</b>	Depreciation (\$mill)	<b>3000</b>
Leases, Uncapitalized Annual rentals \$264 mill.				10715	11697	11743	10443	10271	10195	10580	10981	11625	13382	<b>14380</b>	<b>15500</b>	Net Profit (\$mill)	<b>17630</b>
Pension Assets-12/19 \$21.5 bill. Oblig. \$23.6 bill.				20.0%	23.4%	23.8%	21.7%	24.3%	21.7%	22.3%	19.1%	19.8%	16.6%	<b>18.0%</b>	<b>18.0%</b>	Income Tax Rate	<b>18.0%</b>
Common Stock 2,536,268,760 shs. as of 1/30/20				23.3%	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	27.4%	27.5%	28.6%	<b>28.8%</b>	<b>29.8%</b>	Net Profit Margin	<b>30.9%</b>
MARKET CAP: \$168 billion (Large Cap)				13423	16936	16509	17817	14407	10561	13410	6152.0	3669.0	5263.0	<b>7000</b>	<b>8000</b>	Working Cap'l (\$mill)	<b>10000</b>
CURRENT POSITION (SMILL.)				15482	15525	16254	20539	18699	23929	24274	21353	19806	22736	<b>21000</b>	<b>20000</b>	Long-Term Debt (\$mill)	<b>19000</b>
Cash Assets				54376	54517	53020	49765	48647	44676	40088	34336	26701	25907	<b>27000</b>	<b>29000</b>	Shr. Equity (\$mill)	<b>36000</b>
Receivables				15.8%	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	20.4%	25.8%	28.4%	<b>31.0%</b>	<b>32.5%</b>	Return on Total Cap'l	<b>33.0%</b>
Inventory (LIFO)				19.7%	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	32.0%	43.5%	51.7%	<b>53.5%</b>	<b>53.5%</b>	Return on Shr. Equity	<b>49.0%</b>
Other				44%	40%	44%	49%	50%	50%	48%	47%	44%	43%	<b>42%</b>	<b>41%</b>	Retained to Com Eq	<b>29.0%</b>
Current Assets				All Div'ds to Net Prof <b>41%</b>													
Accts Payable																	
Debt Due																	
Other																	
Current Liab.																	

**Merck & Co. is well positioned to keep the ball rolling in 2020.** Management is guiding for full-year adjusted earnings of \$5.62-\$5.77 a share on sales of \$48.8 billion-\$50.3 billion, implying midpoint annual growth of 10% and 6%, respectively. Continued momentum in the blockbuster *Keytruda* franchise (2019 sales +55%) will likely remain a key catalyst, fueled by further gains in the non-small-cell lung cancer market and growing uptake across other indications. We are also encouraged with several of Merck's complementary assets, including *Bridion* and *Lynparza*, both of which are poised to be more meaningful contributors in the year ahead. Cost-cutting initiatives and favorable trends in the animal health business should provide additional support to comps. All told, we are targeting 2020 adjusted earnings of \$5.75 a share on sales of \$50.0 billion.

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	9434	9930	10325	10433	40122
2018	10037	10465	10794	10998	42294
2019	10816	11760	12397	11868	46840
2020	<b>11700</b>	<b>12500</b>	<b>12800</b>	<b>13000</b>	<b>50000</b>
2021	<b>12400</b>	<b>12900</b>	<b>13300</b>	<b>13400</b>	<b>52000</b>

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	1.16	5.19
2020	<b>1.39</b>	<b>1.43</b>	<b>1.52</b>	<b>1.41</b>	<b>5.75</b>
2021	<b>1.53</b>	<b>1.57</b>	<b>1.65</b>	<b>1.55</b>	<b>6.30</b>

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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
2020	.61	.61			

**There are a few challenges on the horizon.** Continued generic erosion on cardiovascular drugs *Zetia/Vytorin* and respiratory products *Singular* and *Nasonex* will remain somewhat of a drag in 2020. Merck is also facing increased competitive pressure on other key assets including *Isentress* and *Remicade*, and the immuno-oncology space is quickly becoming crowded. The recent and rapid spread of the coronavirus (COVID-19) adds a substantial degree of uncertainty near term. **The company is looking to get leaner.** Merck recently announced plans to spin off its women's health business, biosimilar drugs and legacy products into a new publicly traded company. Management indicated that the move would enable the drugmaker to sharpen its focus on key growth drivers, namely *Keytruda*. The strategy seems to mirror that of rival Pfizer, who has also been trimming certain aspects of its business to concentrate on higher-margin pharmaceuticals. Merck expects the transaction to wrap up during the first half of 2021. It is forecasting cost savings of over \$1.5 billion by 2024. **The stock is ranked 2 (Above Average) for Timeliness.** Based on our system, MRK shares are currently pegged to outperform the broader market in the year ahead. The equity also boasts a decent dividend yield (3.7%) and scores well across all of our proprietary risk metrics.

Michael Ratty April 3, 2020

Company's Financial Strength	A++
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	95

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