

RECENT PRICE	76.75	P/E RATIO	12.8 (Trailing: 13.2 Median: 15.0)	RELATIVE P/E RATIO	0.63	DIV'D YLD	3.4%	VALUE LINE	1627
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18-Month Target Price Range
 Low-High Midpoint (% to Mid)
 \$66-\$127 \$97 (25%)

2024-26 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	120	(+55%)	14%
Low	100	(+30%)	10%

Institutional Decisions

	3Q2020	4Q2020	1Q2021
to Buy	1255	1433	1352
to Sell	996	988	1113
Hld's(000)	18527401	18426201	1831178

% TOT. RETURN 5/21

	THIS STOCK	VL ARITH. INDEX
1 yr.	-2.9	68.0
3 yr.	39.3	54.6
5 yr.	56.8	106.2

CAPITAL STRUCTURE as of 3/31/21	48047	47267	44033	42237	39498	39807	40122	42294	46840	47994	47600	49500	Sales (\$mill)	56000
Total Debt \$31253 mill. Due in 5 Yrs \$14331 mill.	32.4%	32.9%	31.6%	32.4%	33.9%	34.4%	33.8%	32.9%	34.0%	35.3%	35.5%	37.5%	Operating Margin	38.0%
LT Debt \$24002 mill. LT Interest \$831 mill.	7427.0	6978.0	6988.0	6691.0	6375.0	5441.0	4637.0	4519.0	3652.0	3625.0	3500	3400	Depreciation (\$mill)	3100
(47% of Cap'l)	11697	11743	10443	10271	10195	10580	10981	11625	13382	15082	15150	16880	Net Profit (\$mill)	19360
Leases, Uncapitalized Annual rentals \$336 mill.	23.4%	23.8%	21.7%	24.3%	21.7%	22.3%	19.1%	19.8%	16.6%	15.5%	16.0%	16.0%	Income Tax Rate	16.0%
	24.3%	24.8%	23.7%	24.3%	25.8%	26.6%	27.4%	27.5%	28.6%	31.4%	31.8%	34.1%	Net Profit Margin	34.6%
Pension Assets-12/20 \$24.7 bill. Oblig. \$27.1 bill.	16936	16509	17817	14407	10561	13410	6152.0	3669.0	5263.0	437.0	6000	6000	Working Cap'l (\$mill)	7000
	15525	16254	20539	18699	23929	24274	21353	19806	22736	25360	23000	22000	Long-Term Debt (\$mill)	20000
Common Stock 2,532,058,364 shs. as of 4/30/21	54517	53020	49765	48467	44676	40088	34336	26701	25907	25317	24500	26000	Shr. Equity (\$mill)	31000
	17.2%	17.4%	15.4%	15.8%	15.3%	17.0%	20.4%	25.8%	28.4%	30.6%	32.5%	36.0%	Return on Total Cap'l	38.5%
MARKET CAP: \$194 billion (Large Cap)	21.5%	22.1%	21.0%	21.1%	22.8%	26.4%	32.0%	43.5%	51.7%	59.6%	62.0%	65.0%	Return on Shr. Equity	62.5%
CURRENT POSITION	2019	2020	2020	3/31/21										
(\$MILL.)	12.9%	12.5%	10.6%	10.5%	11.4%	13.6%	16.9%	24.2%	29.7%	35.0%	35.0%	38.0%	Retained to Com Eq	37.0%
	40%	44%	49%	50%	50%	48%	47%	44%	43%	41%	43%	41%	All Div'ds to Net Prof	41%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '18-20 to '24-'26
Sales	4.5%	4.0%	4.0%
"Cash Flow"	4.0%	2.5%	5.0%
Earnings	4.0%	8.0%	7.5%
Dividends	3.5%	4.5%	7.0%
Book Value	-4.0%	-9.5%	3.5%

Calendar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2018	1.05	1.06	1.19	1.04	4.34
2019	1.22	1.30	1.51	1.16	5.19
2020	1.50	1.37	1.74	1.32	5.94
2021	1.40	1.49	1.63	1.48	6.00
2022	1.62	1.68	1.80	1.60	6.70

				on demand for Members Hospital Network Study July 2, 2021	
(A) Diluted earnings (adjusted). Quarters may not sum due to rounding. Excludes nonrecurring gains (losses): '05, (.43c); '06, (.13c); '09, (.32.40); '10, (\$3.16); '11, (.15.75); '12, (\$1.66); '13, (\$2.02); '14, 58c; '15, (\$2.03); '16, (\$2.37); '17, (\$3.11); '18, (\$2.02); '19, (\$1.38); '20, (\$3.16). Next eps. report due July 29th.				April, July, and October. ■ Dividend reinvestment plan available.	
		(B) Dividends historically paid in early January.		(C) In millions.	
				Company's Financial Strength A++	
				Stock's Price Stability 100	
				Price Growth Persistence 60	
				Earnings Predictability 100	
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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. Operations comprised of two segments: Pharmaceutical (90% of total sales) and Animal Health (10%). Top-grossing franchises in 2020 included *Keytruda* (oncology), *Januvia* (diabetes), *Gardasil* (vaccine), *ProQuad* (vaccine), and *Bridion* (hospital acute care). Acq. Schering-Plough (11/09). Has about 74,000 employees. Off./dirs. own less than 1% of common stock; Vanguard, 8.2%; BlackRock, 7.8% (4/21 proxy). Chairman: Kenneth C. Frazier. President/CEO: Robert M. Davis. Inc.: NJ. Addr.: 2000 Galloping Hill Road, Kenilworth, NJ 07033. Tel.: 908-740-4000. Internet: www.merck.com.

Merck recently completed the spinoff of Organon. The transaction, which comprised the drugmaker's women's health business, legacy brands, and biosimilar products, was finalized on June 3rd. Not only does the split allow for Merck to sharpen its focus on higher-margin areas of the portfolio, but management also anticipates the deal will result in incremental operating efficiencies of \$1.5 billion, which are expected to be achieved ratably over three years, with \$500 million realized during 2021. Previous guidance called for 2021 sales in a range of \$45.8 billion-\$47.8 billion post-spin, but we expect to get a bit more clarity on the Q2 conference call scheduled for July 29th.

First-quarter results came in light versus our expectations. The company reported adjusted earnings of \$1.40 a share on sales of \$12.08 billion for the March period, missing our estimates by \$0.24 a share on the bottom line and roughly \$700 million on the top. Much of the miss was due to persistent pandemic-related pressures across the healthcare sector, which took a heavier-than expected toll on demand for Merck's hospital-

administered products. The vaccines segment appeared to be hit the hardest, particularly in the *Gardasil* franchise where sales declined 16% year over year. In total, management estimated that COVID-19 had a \$600 million negative impact on the top line in the first quarter.

A recently inked government contract should help to fill some of the void. On June 9th, Merck announced a \$1.2 billion deal to supply the U.S. government with 1.7 million courses of molnupiravir, its experimental COVID-19 treatment being developed in collaboration with Ridgeback Biotherapeutics. Merck anticipates having 10 million courses of molnupiravir available by the end of this year and is currently in discussions with other countries interested in advance purchase agreements.

The stock holds an Average (3) rank for Timeliness. MRK shares have underperformed thus far in 2021, but our 18-month and 2024-2026 projections suggest this may be an attractive entry point. An above-average dividend yield (3.4%) and rock-solid risk profile should also appeal to conservative investors seeking income.

Michael Rattay *July 2, 2021*

Dividend reinvest-	Company's Financial Strength	A++
	Stock's Price Stability	100
	Price Growth Persistence	60
	Earnings Predictability	100
<p>variances of any kind. rial, internal use. No part icipation, service or product.</p>		
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