



Stock Pitch Presentation

**Merck & Co
(MRK)**

Current Price: 109.51 (6 Shares)

Recommendation: Buy

Healthcare Sector: Ishbah, Kayla, Morkos

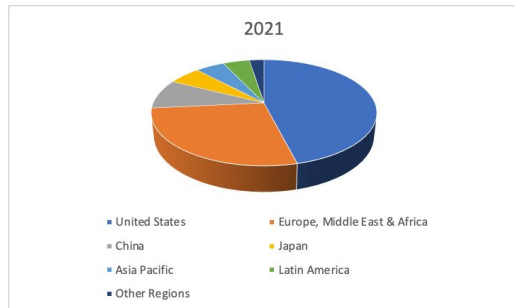
Company Overview

Company Overview

Company Highlights

- **Description/Profile:** Merck & Co., Inc. (MRK) has operations all over the world, covering Animal Health and Pharmaceutical. It provides services to hospitals, government organizations, drug wholesalers and retailers, physicians and physician distributors, veterinarians, and animal producers, as well as managed health care organizations, pharmacy benefit managers, and other institutions. MRK invest in researching long-acting HIV therapies and making small chemical inhibitors of the transforming growth factor—activated kinase 1 (TAK1) protein.
- **Business Strategy:** Turning Science into long-term solutions for customers
- **Revenue Segments:** Pharmaceutical and Animal Health
- **Sector:** Healthcare
- **Sub-Industry:** Drugs and Manufacturing

Core Segment Revenues (\$mm) Q1 FY'22 (Multinational Exposure)



Report Date	12/31/21
Currency	USD
Scale	%
United State	46%
Europe, Middle East & Africa	27.40%
China	8.99%
Japan	5.60%
Asia Pacific	4.90%
Latin America	4.50%
Other Region	2.50%

Valuation & Share Price Performance

Key Financial Overview

Market Cap: \$277.67B

Dividend Yield: 2.92 (2.67%)

Beta (5Y Monthly): 0.37

Debt to Equity Ratio: 93.7%

PE Ratio: 19.17

Return on Equity: 20.2%

EPS : 5.71

Share Price: \$109.52

Current: \$109.52

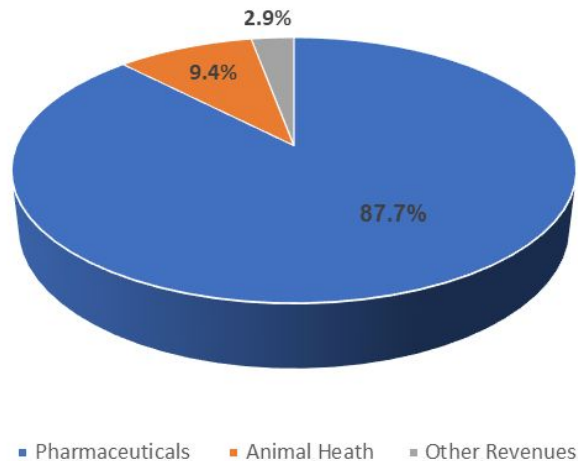
52 wk High/Low: \$72.88-115.49



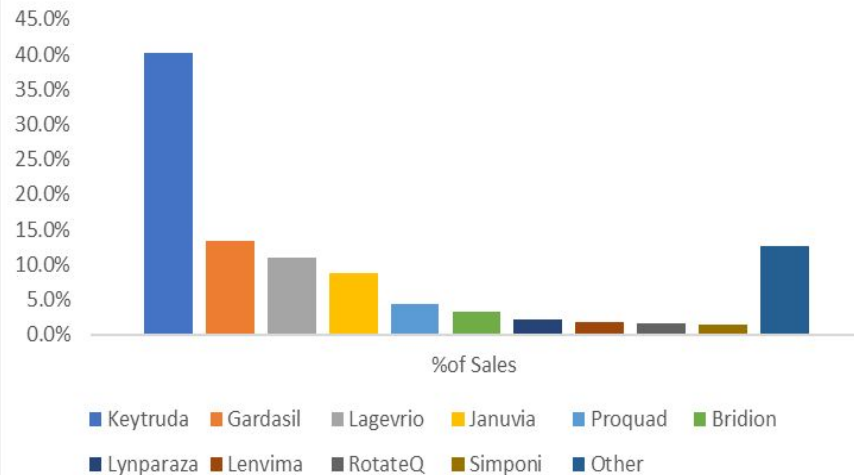
Revenue Breakdown

Segments and Core Drivers

Major Revenue Segments



Pharmaceutical Revenue Breakdown



Industry Overview

Competitors

Company	Merck & Company	Johnson & Johnson	Eli Lilly and Company	Abbvie Inc	Astrazeneca Plc ADR	Pfizer Inc
Stock Price	\$109.52	\$160.39	\$328.4	\$151.31	\$68.97	\$43.21
Market Capitalization	277B	419B	312B	267B	213B	242B
Shares Outstanding	2,535,396	2,614,484	950,178	1,768,480	3,099,600	5,613,314
Annual Sales	59.283B	94.943B	28.541B	58.054B	44.351B	100.330B
60-Month Beta	0.36	0.54	0.35	0.61	0.51	0.62
Earnings per Share	1.62	2.35	2.09	3.6	0.69	1.14
Most Recent Dividend	0.73	1.13	1.13	1.48	0.455	0.41
Price/Earnings ttm	14.24	15.57	41.07	10.73	20.34	6.53
Weighted Alpha	41.4	-6.1	25	3.9	15.7	-14.9
Debt/Equity	0.64	0.37	1.39	3.77	0.65	0.35

Industry Risk & Regulations

Political Risk Factors & Public Policy or Legal Regulations

Legal Regulatory

- FDA Approvals and Labels - increasing regulations and political action
- Lawsuits

Public Policy

- Pressures to reduce pricing over drugs / country based pricing mismatch
- Changes in Medicare and other payers can effect the drugs purchase
- Changes in Patent regulation
- Tax laws

Macro risk

- Competition in the pharmaceutical industry
- Any introduction of a new process or products
- Generics/Biosimilars
- Unexpected safety and efficacy concerns
- Other conditions such as potential political instability, changes in trade sanctions and embargoes, significant currency fluctuation and controls, financial crises, and limited or changing market access especially in emerging markets

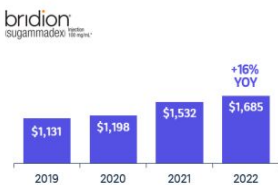
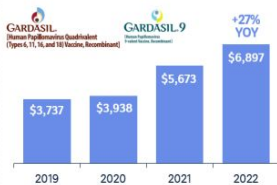
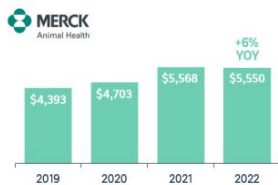
Investment Thesis

Investment Thesis 1

Diverse Portfolio of Drugs

Oncology
Cardiovascular
Vaccines
Neuroscience
Infectious Disease/ Immunology
Animal Health

Phase 2				Phase 3	Under regulatory review
Oncology MK-0482 (MK-0482) NSCLC MK-1026 (nemtubrutinib) Hematological Malignancies MK-1308 (quavonilimab) NSCLC MK-1308A (quavonilimab + pembrolizumab) CRC HCC Melanoma SCLC MK-2140 (zilevertamab vedotin) Bladder Breast Gastric Hematological Malignancies NSCLC Ovarian Pancreas MK-2870 Neoplasm Malignant KEYTRUDA (MK-3475) Hematological Malignancies MK-3543 (bomedinstat) Myeloproliferative Disorders MK-4280 (favezelimab) NSCLC MK-4280A (favezelimab + pembrolizumab) Esophageal Melanoma RCC SCLC MK-4830 Esophageal Melanoma NSCLC Ovarian RCC SCLC MK-5684 Prostate MK-5890 (bosserolimab) NSCLC SCLC MK-6440 (ladiratzumab vedotin) Breast Esophageal Gastric Hematological Malignancies NSCLC Melanoma NSCLC Prostate SCLC WELIREG (MK-6482) Biliary Certain VHL tumors (EU) CRC Endometrial Esophageal HCC Pancreatic Rare Cancers LYNPARZA (MK-7339) Advanced Solid Tumors HCC HNSCC Hematological Malignancies Ovarian Prostate TUKYSA (MK-7119) Advanced Solid Tumors Bladder Biliary Cervical Endometrial Gastric NSCLC Melanoma MK-7684A (vibostolimab + pembrolizumab) Biliary Bladder Breast Cervical CRC Endometrial Esophageal Gastric HCC HNSCC Hematological Malignancies Ovarian Prostate TUKYSA (MK-7119) Advanced Solid Tumors Bladder Biliary Cervical Endometrial Gastric NSCLC Melanoma mRNA-4157/V940 Melanoma				Oncology KEYTRUDA (MK-3475) Biliary Tract CSCC (EU) Gastric (EU) Hepatocellular (EU) Mesothelioma Ovarian Prostate SCLC MK-1308A (quavonilimab + pembrolizumab) RCC MK-7684A (vibostolimab + pembrolizumab) Melanoma NSCLC SCLC MK-4280A (favezelimab + pembrolizumab) subcutaneous) CRC Hematological Malignancies LENVIMA (MK-7902) CRC Esophageal Gastric HNSCC Melanoma NSCLC LYNPARZA (MK-7339) NSCLC SCLC WELIREG (MK-6482) RCC TUKYSA (MK-7119) Breast CRC MK-3475 (pembrolizumab + pembrolizumab) NSCLC Infectious diseases MK-8591A (doravirine + islatravir) ² HIV-1 Infection LAGEVIRIO (MK-4482) ¹ COVID-19 antiviral Vaccines MK-1654 (clesrovimab) Respiratory Syncytial Virus (RSV) Cardiovascular MK-7962 (sotatercept) Pulmonary Arterial Hypertension	Oncology KEYTRUDA (MK-3475) IL Urothelial (US) 2L HCC (US) LA Merkel Cell (US) Adjuvant NSCLC (EU) B-Cell Lymphoma (JPN) LYNPARZA (MK-7339) Metastatic TL Prostate (US, JPN) Vaccines V114 Pneumococcal Vaccine, pediatric (JPN) General medicine Gefapixant (MK-7264) Cough (US, EU) Infectious diseases LAGEVIRIO (MK-4482) COVID-19 antiviral (EU)
Vaccines V181 Dengue Fever Virus Infectious diseases MK-8591B (islatravir + MK-8507) ²				General medicine MK-1942 Treatment Resistant Depression MK-6024 (efinopegudite) NASH MK-7075 (miransertib) Overgrowth Syndrome Neuroscience MK-8189 ⁴ Schizophrenia	
Cardiovascular MK-0616 Hypercholesterolemia MK-2060 Thrombosis MK-5475 Pulmonary Arterial Hypertension MK-7962 (sotatercept) Pulmonary Hypertension due to Left Heart Disease					



All growth rates exclude the impact of foreign exchange.
 \$ in millions.
 Lynparza in collaboration with AstraZeneca. Lenvima in collaboration with Eisai.

Investment Thesis 2

Collaborations(M&A/Partnerships/Royalty Income)

Acquisitions

- Acceleron Pharma Inc. -Pulmonary Arterial Hypertension Phase 3
- Imago BioSciences, Inc. - Bone Marrow Disorders Phase 2
- Pandion Therapeutics, Inc. - Autoimmune Disorders Phase 1



Partnerships

- Moderna - mRNA + Keytruda
- AstraZeneca - Drug Combinations



Scotty Screener

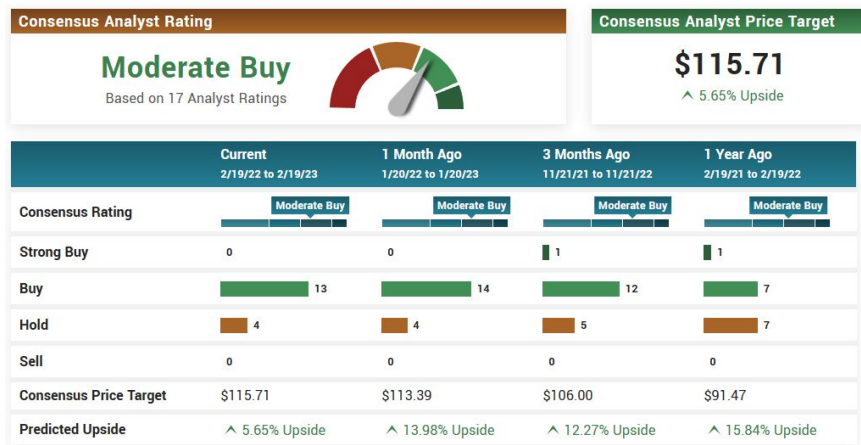
Market cap > 5B	Pass	
Revenue increased last 5 years	Pass	
Revenue estimate to increase next 3 years	Pass	
EPS increased past 5 years	Pass	
EPS estimate to increase next 3 years	Pass	
PEG Less than 1		Fail. 1.46 < Industry average of 2.49
ROE increasing for 3 yrs consecutive (20-22)	Pass	
Current DE RATIO <0.3		Fail. Current DE ratio is 0.683
Wall Street Analyst rating (pass with 70% buy or strong buy)	Pass	
Insider Trading (buy>sell)		Fail. Insider Selling -53.3%

Scotty Ratio	7	3	Pass
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Analyst Ratings

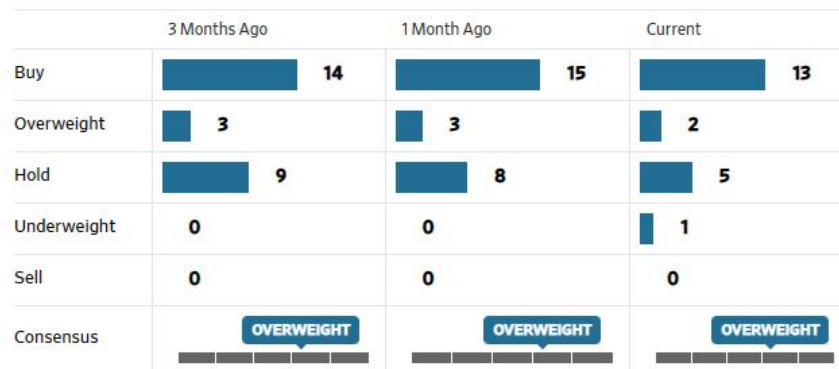
PE(\$19.17)*Projected EPS(\$6.87)= \$131.70(20.25% Upside)

Merck & Co., Inc. Consensus Rating and Price Target (2023)



Source: [MRK Price Target 2023 | Merck & Co., Inc. Analyst Ratings \(marketbeat.com\)](#)

Analyst Ratings Merck & Co. Inc.



Source: [MRK | Merck & Co. Inc. Analyst Estimates & Rating – WSJ](#)

Valuation

Valuation(Example)

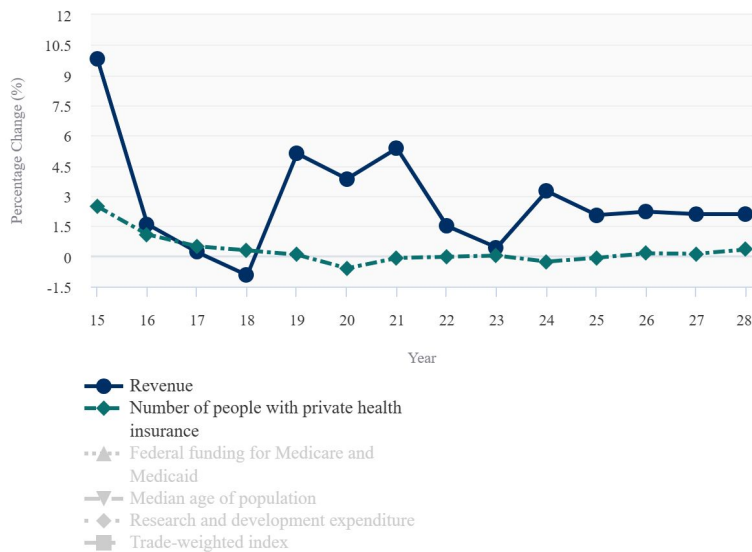
Unlevered Discounted Cash Flow Analysis

Future Outlook

Guidance and Projections (MD&A)

Future Growth, Predictions

Key External Drivers 2015–2028



Brand Name Pharmaceutical Manufacturing
Source: IBISWorld

Next 5 years:

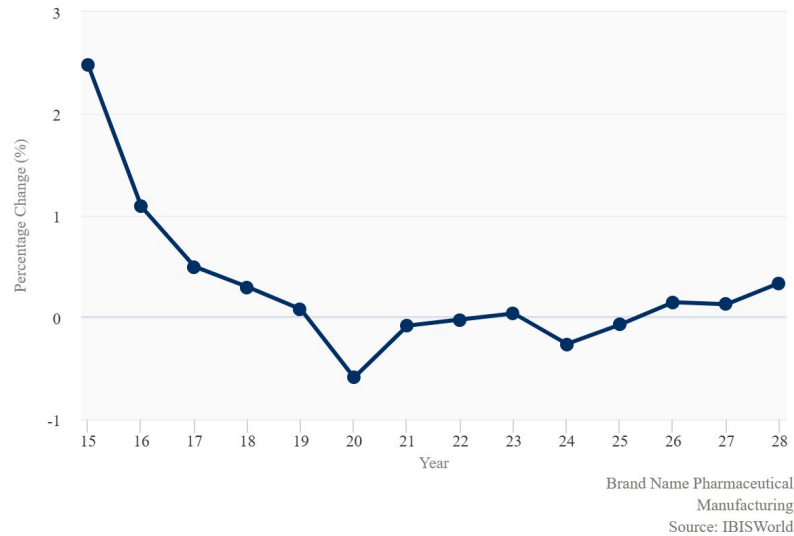
Revenue

- Mean 2.342% increase per year

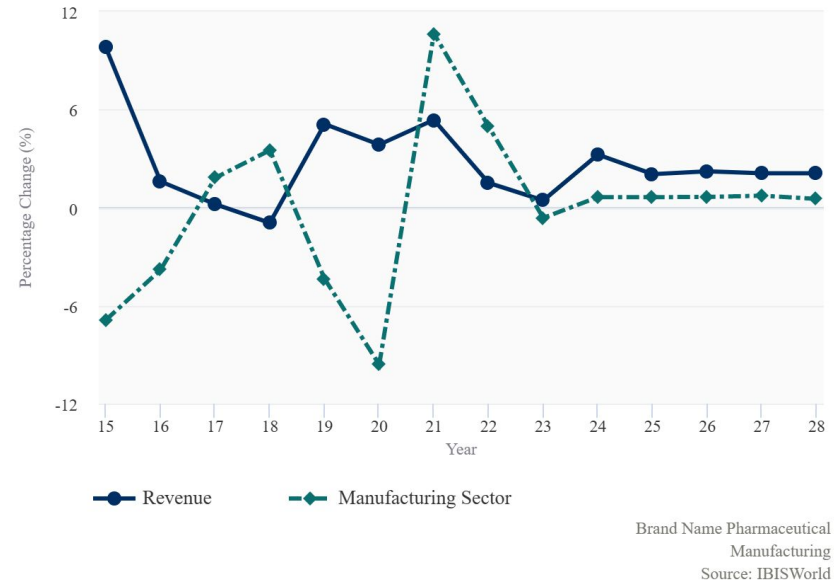
Key Drivers Increase (average)

- Private Health Insurance
 - 0.058% increase per year
- Fed. funding for Medicare/Medicaid
 - **7.156% increase per year**
- Research and Developmental expenditure
 - **2.9% increase per year**
- Median Age
 - 0.4% increase per year

Annual Change in Number of people with private health insurance 2015–2028



Industry Outlook 2015–2028



Company Risk Factors(Examples)

Disruption and Potential Risks (Current Risk)

Trade-weighted index declines, drugs become more expensive intentionally

Regulation and Policies

- The CREATES Act (December 2019)
 - Increase competition for generic drugs
- Prescription Drug User Fee Act (September 2022)
 - Collect fees from pharma in order to approve/test drugs

Patents last only for 20 years!

- Januvia & Janumet expire by Merck & Co., Inc. between 2022 and 2023, generated \$1.1 billion globally in the third quarter of 2022
Patent Expiry [Keytruda(2028), Gardasil(2028), Lenvima(2025) etc]

COVID-19

- Disrupt
 - Increase export share of revenue
- Benefit
 - Operation Warp Speed
 - \$10.0 billion of federal funds to vaccine development

Q&A