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# EDITED TRANSCRIPT

MRK - Merck & Co Inc at CECP CEO Investor Forum

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## CORPORATE PARTICIPANTS

**Kenneth C. Frazier** *Merck & Co., Inc. - Chairman, CEO and President*

**Rochelle B. Lazarus** *Merck & Co., Inc. - Independent Director*

## CONFERENCE CALL PARTICIPANTS

**Daniel Nielsen**

**Andrew Winston**

**Anita Green**

**Judith F. Samuelson**

## PRESENTATION

### Unidentified Analyst

(technical difficulty)

citizens. With that, I have a real privilege of introducing a long-term member of the [CCP] board, and truly one of the leaders in American advertising and marketing, Shelly Lazarus. She has been the president, COO, chairman and now chairman emeritus of Ogilvy and Mather, the great ad agency. Also a member of the board of some of the great companies in America, including Merck. Shelly?

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### **Rochelle B. Lazarus** - *Merck & Co., Inc. - Independent Director*

Thank you. Well, I'm so happy to be up here right now because I love Ken Frazier. And -- it's true, I confess it to all of you. I tell Ken all the time, too. But I joined the Merck board over 10 years ago, and Ken was the general counsel. But he was a general counsel like no other general counsel that you've seen. And so when Ken became CEO and Chairman, no one was surprised.

Ken Frazier became really famous last August when he was the first CEO to resign from the President's manufacturing council, I think you remember right -- because of Trump's stance after the violence in Charlottesville.

Now I was in Amalfi at the time, truth be told. Ken let the board know what he intended to do, and we signaled our immediate support. But the most fun was the next day, I'm on the beach at Amalfi, I'm in one of these chaise lounges, and sitting in front of me is a man who's reading one of the Italian dailies, holding it up, and there was a headline that I don't really understand, but this great, huge picture of Ken Frazier, and I couldn't help it, but I went over to the man and I said, "I know that man. He's my friend." Just a -- I don't -- I spoke it in English, I don't know if he understood, but I felt good.

But this wasn't the first time I watched Ken do the right thing. He lives the ethic of putting patients first. He led the company through the Vioxx withdrawal and all the consequences that followed. He gave the company the strength and the moral compass they needed at a time when they really needed it. His perspective was always long term.

Ken's commitment to investing in research that will deliver drugs that will cure people of disease is extraordinary. You only have to look at KEYTRUDA, the new remarkable Merck cancer drug, to understand how important this kind of commitment to investment and science and basic research is to the world. Bill McNabb posed the 2 questions before about any company: Why does the company exist? And will it still be relevant in the future? A cure for cancer? I think so.

You want to see long term, welcome to pharma, as you just heard from Alex. 15 years on average to bring a drug to market. Just think about that, you have to make a decision about \$1 billion, and it's going to take 15 years to get to market. That's probably 2 CEO terms. Think about that. You



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might start it and never see the result of your investment. The odds of success are daunting, but the payoff is huge in both financial and societal terms. It seems so right to have Ken present the Merck long-term perspective at this conference. There are few industries or few companies where the perspective, given the time line for bringing drugs to market. The perspective must be long term. Ken never blinks.

When other pharmaceutical companies were slashing R&D budgets -- it happens fairly frequently actually, Ken stood firm. Merck is a science company. It's who we are, Ken always says, and the board backs him completely. Ken is loved and respected by Merck employees. His commitment to diversity is fierce.

I recently had lunch with a group of senior women who said that whenever they're feeling a little less optimistic, all they have to do is listen to Ken for a while. One woman actually said, "More Ken, please." Indeed.

I introduce you, Ken Frazier.

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**Kenneth C. Frazier** - Merck & Co., Inc. - Chairman, CEO and President

I don't think I can add to that. Any questions? No. No, actually, thank you so much, Shelly. Shelly has been a board member at Merck longer than any other board member. And she has seen the good, the bad and the not so good. And I'm very fortunate to have a board of people made of people like Shelly who really do understand and really get what we're about as a company. And so I want to thank you for your support through the years.

I'm very honored to be here today, and I'm actually enthusiastic about this growing movement here of investors who have a long-term focus on not just our business, not just our sector, but all sectors. And so I'd like to thank the organizers for convening this forum. I think it's a critical, critical thing for companies as there's tremendous, tremendous short-term pressure that exists in the markets today. What I hope to persuade you of is what Shelly said, that at Merck, our inherent compass is focused on delivering value not just to our shareholders, but to all stakeholders over the long term.

So next slide, please. Our purpose is very simply Inventing for Life for humans as well as animals. We operate in more than 140 countries around the world. We have nearly 70,000 employees around the world. We have about \$40 billion in revenue last year. And we're among the top investors along with J&J in R&D. We spent \$7 billion last year in R&D, roughly 10% of all the R&D in the biopharmaceutical industry.

Now Shelly mentioned bringing medicines to market in our industry is a terribly time-consuming, risky and expensive proposition. On average, it takes 10 to 15 years and it costs about \$2.6 billion for every successful molecule. Most projects fail. I sometimes say to people, "I am probably the CEO who can make the most correct decisions of any CEO I know." And it's not because I'm smart, it's not because I'm insightful. It's the nature of our business.

If every time a scientist in Merck who's working on a new chemical, if every time that person says, "Let's commission a project," if I say no 100% of the time, I'll be right maybe 95% of the time. That's the nature of the failure rate in our business. But what I also say is the other 5% frankly can change the world, and it can change the world in glorious, glorious ways.

In other industries -- my daughter worked for Apple. She's a computer engineer. She worked for Apple, and then she went to work for Google. And she would come home, and she felt really good because she got paid a lot, and her stock was worth a lot. And I think that's great. But think about Apple's #1 product, which is the iPhone. It was introduced in 2007, and they're now up to the iPhone X. Now there was no iPhone 9, so there have been 9 new iPhones since 2007, each one of them being better than the rest.

But in our business, we're in the business of inventing something that has never existed in the history of the world, and we can't do that 9 times in 10 years. In fact, we can't do it on average once in 10 years.

So a little bit about the company. Next slide. Our company was established 126 years ago, and I think there's a theme today when you hear these companies. I think the bottom line is summarizing what David Abney said and what Alex Gorsky said, is if a company exists for a century, then it



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really has to have a societal purpose. There are a lot of companies in the short run that are like meteors, they go up and they go down. But if you live as a company for 126 years, you have to have a purpose. And our purpose is very clear to us and all of our people, and that is to discover and develop lifesaving medicines for society, including some developed for poor and underserved populations only.

So one example I would use is Mectizan, which is a drug that Merck developed a number of years ago and made the decision to make available for free, wherever it's needed, for however long it's needed. We've now given out more than 2 billion treatments of this drug for river blindness. We treat more than 250 million people free every year. We've done that for more than 30 years, and I'm very proud to say that one of my company colleagues, Dr. William Campbell, was awarded the Nobel Prize in medicine for that just 3 years ago.

So in addition to doing all those wonderful things for society, we also have to deliver value for our shareholders. And Merck is among the top companies that have created the most value for shareholders over the last century. You probably can't see that too well, but we put Merck in green, so it would stand out. This is research that was published recently in the New York Times with all publicly-traded companies since 1926, and Merck ranks number 16 in all of those companies over that time period in terms of creating shareholder wealth.

We continue to invest in R&D to sustainably deliver these innovations. As Shelly has said, we're really clear inside Merck that our strategy is to translate cutting-edge science into medically important solutions, whether they're vaccines, biologicals, medicines, that's what we exist to do. And we're prepared to take the ups and downs that are associated with that business.

The good news for us is we're very excited about our pipeline today and where it can take us tomorrow. So I'd like to talk a little bit about some of the pillars of that pipeline. I can't talk about all of it, but I want to talk about 4 main pillars of growth that we see going forward in the long run. They are oncology, vaccines, hospital and specialty products and Animal Health.

So first, on oncology. As Shelly said, we are now the leader in immuno-oncology, thanks to KEYTRUDA. KEYTRUDA is a specialized, personalized medicine. It has over a dozen indications, including as a first treatment for people with non-small cell lung cancer, and we intend to pursue many more. We are the first and only company to show that we can actually lead to overall survival for these lung cancer patients, which is a big deal.

KEYTRUDA received its first pan-tumor indication. So let me tell you what that means. It's the first drug in the history of the world where the FDA deemed it fit to approve it across all malignancies as long as there's a common genetic signature to those malignancies. Historically, we thought about malignant disease based on the primary tissue that affects. Let's say breast cancer, let's say lung cancer, head and neck cancer, et cetera.

But through the research that we've been able to do, we've been able to find out that, that's really not the right way to bucket these cancers. There are generic signatures, if you will, that are cut across all those tissue types. And with the evidence that we've had, we've been able to get the FDA to see that, and that's a major advance. It's actually the first step towards much more personalized medicine, much more genetically-driven medicine, which we expect to get over the next few years.

So we like to say inside Merck that this is a pipeline and a product. As it shows right here, we have more than 700 pending clinical trials for a drug that was first introduced to the market in September 2014. So that shows the kind of investment that you have to be prepared to make when you have a truly lifesaving medicine, and we're studying it across 30 tumor types.

We have other drugs in our pipeline for oncology. I won't spend today talking about them, but it's a very, very exciting time as we think about oncology. I will say that I was fortunate to have started in the company in the early 1990s when the company brought to market a drug called CRIXIVAN. You don't need to know the name, but you need to know the following. CRIXIVAN was the drug that, when introduced into clinical practice, made HIV/AIDS a chronic, manageable disease.

There have been many drugs after it that are better, have fewer side effects. But I can tell you what it felt like the first time we administered that drug to people in hospice, and you would randomize 20 men, 10 on the drug and 10 on a placebo. And the 10 who got the drug rose from their deathbeds, were able to eat, stand up and gain weight and be strong and we were able to knock that virus down. I can tell you that lasted in terms of the spirit of the company for many, many years. Shelly talked about some of the dark times, but people remember the fact that this science can change the world.



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Let's talk about vaccines. Next slide, please. Merck has a very long, rich history in vaccines. Our most recent evidence of that is GARDASIL, which is a public health success story. It -- vaccines actually are probably the best investment that society makes in healthcare because it prevents disease. And we're able to show that with the GARDASIL vaccination program for boys and girls. By vaccinating U.S. girls and boys, we'd actually save about \$20 billion in direct medical costs over a \$70 million -- 70-year horizon. That's just one country. And the vaccine is approved in 134 countries, so you can appreciate the opportunity around the world. And what's interesting is now we are hearing people talk about the possibility of eliminating HPV disease, which causes almost 90% of all cervical cancers. So that's a really big deal to talk about, eliminating most cervical cancers.

I would also say, historically, a vaccine that's now thought of as an everyday thing like measles, mumps, rubella vaccine is a huge issue. According to the World Health Organization, over the last 10 years or so, that vaccine has saved 20 million children's lives. So if you think about it, 20 million children's lives. So the work that we do is very important. And in our vaccine pipeline, we have vaccines for pneumococcal disease, respiratory syncytial disease, cytomegalovirus virus disease, dengue and Ebola.

And I'll say something about Ebola, again, at some point in this conversation. Why does a company like Merck develop an Ebola vaccine? There is essentially no commercial market for an Ebola vaccine. Well, that may be an overstatement. There's no real substantial commercial market. There's probably for service people or healthcare workers who go into Ebola regions, but the populations that are affected by these diseases are not populations that are likely to create immediate financial value for Merck.

But I can tell you, it creates tremendous business value just based on the reaction that our employees have to the opportunity when the Ebola situation was at its height inside the company, and we were asked to think by the U.S. government about developing a vaccine. In our scientific organization, it would have been impossible to say to those scientists who had the capability of doing something, we won't go there because we don't see a robust commercial market. And I think that's part of what Alex was talking about in terms of having a purpose-driven organization.

So let's talk at the next slide real quickly, let's talk about hospital and specialty care. We have a great deal of promise in our pipeline to meet unmet medical need. I talked about CRIXIVAN as the first drug that made HIV a chronic, sustainable disease, but we still need better drugs. We need long-acting drugs. We need drugs that can be administered through things like implantables. We don't have a vaccine for HIV. But there's really promise, if we can actually implant devices that allow the drug to be used over long periods of time, like implantable contraceptives that you use. That could actually seriously interrupt the transmission of the disease without a vaccine. So those are really exciting things.

Another area that we stay very much involved in is antibiotic research. Often, people think that's not a promising area. Merck is very much committed to this battle that's been going on for as long as we've been around between the bugs and humans. And we continue to have to win against the bugs, which are constantly adapting to the medicines that we have. That's an important area for society, and it's one that we remain committed to.

I'll stop by on this area talking about neuroscience, where we are involved in Parkinson. You may have read we had a failure, a large-scale failure in Alzheimer's recently. That's a disease area where there have been more than 400 clinical trials that have failed over the last few years, but it's a critically important disease. It's one that we remain committed to because we have programs that we believe have real scientific integrity aimed at neuroscience, which, of course, is taking a huge toll.

If you get to be age 85 in our society, which I think most of us hope to do and some of us have achieved already, the data suggests that you'll have a 1 in 2 chance of having Alzheimer's disease. So if we're not careful, pretty soon, we'll pretty much be, at least at certain levels of age, a nation of Alzheimer's patients and Alzheimer's caregivers, and we don't want to be there.

Our fourth pillar is Animal Health, and we have a broad Animal Health program, both with respect to companion animals and production animals, and there's huge synergy between human health and animal health. We're different species, but we often have the same pathologies. And so it's useful to have both forms of the business. It's a significant business with more than \$4 billion worth of sales.

So I want to talk about investing in tomorrow's science. I talked a lot about this. Long-term investors are always interested in how we're investing our capital. Our company maintains a very strong balance sheet and very strong cash flow. Our highest priority in Merck, as Shelly said, is R&D.



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We've recently announced that we're making \$12 billion of capital expenditures over 5 years in research and manufacturing, \$8 billion in the United States.

Beyond those kinds of investments in R&D and in our ongoing business, the next thing for us to do is value-creating business development, which is a fancy way of saying getting the next generation of early external science that we can bring in and develop over the next 10, 15, 20 years to make a difference in the world. We also, of course, support the dividend and shareholder returns through share repurchases. But I want to be very clear, what matters to us is the investment we make in R&D because that's what makes a company sustainable for more than a century.

Let's talk about our commitment to philanthropy. So we have corporate responsibility we divided into 4 areas in Merck: access to health, employees, environmental sustainability and ethics and transparency. So when you think about corporate social responsibility, we think about it in different ways. So sort of version 1.0 is pure philanthropy, financial and product donations, disaster relief, things of that nature.

2.0 is the public-private partnerships that we're able to have around the world. For example, with the government of China, where we've donated hepatitis B vaccines as well as facilities to manufacture those vaccines. And what was behind that? It was -- there was a period of time in 1 in 9 babies born in China had hepatitis B infection. Completely unsustainable thing for the Chinese government. We were able to develop a partnership where now that's almost nonexistent in China.

Version 3.0, which is where we want to end up, is what I would call the shared value approach to things, where we're able to benefit society by leveraging our business expertise in different areas. Example of which is when we can invent a business -- a vaccine for something like dengue or Ebola. So that's a good example.

Let's talk about employees -- I see I'm running out of time according to our thing. So I don't want to repeat everything that Alex said, but he really hit the nail on the head. When you run these businesses, you've got to deal with changes in the business environment constantly. You have to think about having a competitive operating model. You have to think about what scientific strategies are going to win 20, 25 years from now. But at the end of the day, what makes a company like Merck successful is its core purpose. Our competitors can certainly copy our operating model. All pharmaceutical companies would articulate a strategy that sounds more or less the same. We all operate in the same business environment.

What's very difficult to copy is that core purpose that we have. That's what makes our people come to work every day. It's what makes them make the tremendous commitment that gives them the willingness to make the discretionary effort. It's our sense of purpose, it's our character and it's something that our employees feel very strongly about. And it allows us to recruit the kind of world-class talent that you need in an organization like Merck if you're going to make these kinds of huge breakthroughs over time.

So let's talk about overall healthcare costs very quickly. Big issue on our society. We have to find ways of getting these new medicines to people in an affordable, accessible way. It's a big challenge. Healthcare systems are under tremendous financial pressure. We just released our 2017 price transparency report last week, which is our way of providing the public with information so that they can see that we are, in fact, pricing our drugs in a very responsible way. I won't go through all the detail. It's publicly available to everyone. It makes you understand how we do that and how it is that we're actually trying to make sure that these drugs get to the patients who really need them.

Let's go to the next slide, please. So we have this materiality, corporate responsibility materiality matrix that we actually use. It helps us engage with our shareholders and our stakeholders. And what this slide shows is a matrix of issues that are important to all of our shareholders. And we've tried to also incorporate where we do this, the areas where we can have the most impact. So we focus in our matrix where we can have the greatest business and societal impact.

We also have a disciplined enterprise risk management process, which I won't go into a great deal of details. But I will say that our Board of Directors pays special attention to both the societal contribution we're making as well as the risk management metric.

So this is sort of the end of my presentation. I just want to say, where I started, J&J has their credo, we have the quote of our founder, George W. Merck. And by the way, George W. Merck -- I should just tell this really quick story. When he made this quote at a graduation speech at the University of Virginia in 1950, Merck was a pretty obscure company. But the idea in this, that we try never to forget that "medicine is for the people, it is not



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for the profits" was so large that he was then on the cover of Time Magazine. Because the idea was so strong, and it's an ideal that every employee of Merck holds, and on the org chart, it looks like I run the company. In reality, every employee in the company is looking constantly at me and all the other leaders to see whether we're living these words in a powerful way. So we aspire as a company to close, not just to be, in effect, successful, but significant in the world.

And I would actually now be open to your questions, and I'm sorry it took so long to go through all of that.

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## QUESTIONS AND ANSWERS

### Unidentified Analyst

No problem, it was great. We must have questions after that. We just must.

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**Kenneth C. Frazier** - Merck & Co., Inc. - Chairman, CEO and President

This one over here.

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### Unidentified Analyst

I think it's Daniel. Is that right? And could people please introduce themselves and their company.

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### Daniel Nielsen

Sure. Dan Nielsen with Great Lakes Advisors out of Chicago. I'm hoping you could go into a little bit more detail talking about how Merck engages its employees. I think from your presentation, we see that employees are an incredibly valuable asset of the firm. What are some of the initiatives underway to make employees feel really valued and invested? What are some of the investments Merck makes to try to retain employees and attract the best? And what sort of metrics do you use to track the effectiveness of your initiatives?

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**Kenneth C. Frazier** - Merck & Co., Inc. - Chairman, CEO and President

So let me start on the issue around how to hire people because we've now recently opened 2 discovery hubs, 2 new scientific centers, one in Cambridge and one in South San Francisco, which are what I would call talent-dense areas. I would be -- I'm pleased to tell you that we've been able to hire top talent into both of those areas, even though there's a huge amount of competition. And what the employees tell us is it is our clear commitment to science and our clear commitment to humanity that attract them to Merck as a company. But once they're in the door, we still have to retain them and develop them. So we've invested a significant amount with our board's support into developing employees. We've made sure that our employees understand that we're holding all of our managers accountable for their careers. We actually -- also do periodic surveys, like you heard J&J describe, which allow us to understand down to the manager level where there may be issues and what it is that we're doing well as a company. But I think that investment in employees is the most important thing that in terms of when younger people come into the company, they want to be able to believe that they're going to be able to develop their careers to maximize their ability to contribute. But I will come back to the beginning and say that I think the most important thing for us, from our standpoint, in terms of our competitive advantage is that we've been true to our own mission for many, many years and that we continue to say that Merck as a company is going to do first-rate science, and we're going to do science that's focused on really important unmet medical need. And I have to say, I think that's the big driver of success at the end of the day because the quality of a company like Merck -- I'm a lawyer by training and I have a great deal of admiration for all the employees of Merck, but at the end of the day, I always say the quality of this company comes down to the quality of the science we do and the quality of the scientists in the company.



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**Unidentified Analyst**

Great. Next question? Over here.

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**Judith F. Samuelson**

Judith Samuelson with the Aspen Institute. Thank for your leadership. It's great to have you here. I want to just touch on 2 or ask you to touch on 2 issues that are not really connected to one another, but they both feel to me like they're in this zone of things that are outside of the control of your company in particular but are a great concern. I couldn't tell if one of them. One of them is the opioid crisis. And the other one is this kind of balance of how much money is going to share buybacks versus -- I think that the [Washington Post] published a piece last week or the week before that said, it's something like 30x as much share buyback -- purchased buybacks have been announced since the tax cut as investment in employees, whether it's bonuses or increases in pay or benefits, which is a pretty stunning number in this kind of particular moment. And I'm just kind of curious, again, this isn't about Merck. It's about something wider in terms of business leadership and what they're thinking and talking about today and kind of first-mover problems and just kind of curious of your thoughts.

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**Kenneth C. Frazier** - Merck & Co., Inc. - Chairman, CEO and President

So on the opioid issue, I think that's a very important issue for our society. I happen to think it reflects the growing lack of hope in our society, among other things. Our company is not directly involved in that because we don't have any opioid-containing products, but we continue to do research in 2 critical areas. One of which is on the research of addiction itself, the receptors in the brain that cause people to be addicted. And the second one is we're doing an awful lot of research, and we have a great deal of hope because we have some late-stage programs in pain. What we need are very strong pain medicines that are not addictive. And so we are looking at nonaddictive pain relief as one area and just looking at addiction as itself and how we can actually develop treatments to actually counterbalance the tendency to be addicted in the receptors of the brain. Those are 2 areas that we're very involved in. Your second question had to do with the comparison and the amount of money in share buybacks versus what's been invested in employees. I would say that I don't think that, that's really the right comparison from where I sit. Now when the tax reform happened and money came back in, we decided that we were going to provide every employee of the company with \$1,000 worth of Merck stock to have an ownership interest in the company. But at the end of the day, what I need to do with that money is invest it in the science that's going to produce drugs down the line. So I spend \$7 billion a year on R&D. If I can take that money and profitably invest that in external science or internal science and take that number up, I think that's the right way of investing it in the long term. So I think it's really important to reward employees. I don't think it's necessarily a comparison between share buybacks, which by the way, we've not announced any new share buybacks since the money has come back. I said to my investors, what I hope to be able to do is to employ it and drive the kind of science that has made Merck a strong company for the next 126 years. Okay?

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**Unidentified Analyst**

Next question, over here. I think she had her hand up first.

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**Anita Green**

Anita Green, I'm with Wespath Investment Management. And my question is around [long-termism] because the theme of the day with the investors here is that we are long-term investors. And we recognize that companies are constantly under this tension between the short-term results and the long-term investor. And for many, many years, it was the short-term investor whose voice was louder and has carried the day. As long-term investors, we have been trying to push, and we have been trying to get our voice heard. So my question is from your perspective, are we moving the needle at all? Are the long-term investors now having a louder voice? And what advice would you give for us to continue to push this long-term message?





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**Kenneth C. Frazier** - Merck & Co., Inc. - Chairman, CEO and President

I definitely think when you see people like Bill McNabb and you hear people like Larry Fink saying this, I think it does help management teams stiffen their spines. And so the more noise you can make about the fact that there are people out there who have long-term investment horizons, the better it is for our companies. Let me just make a couple of points. So first of all, I think the amount of money that's being invested passively in index funds is a real problem now. Because you don't really have that many people who are making specific investments in your company. So that's a challenge that I think goes the other way. But I think the bottom line is for pharmaceutical companies and other companies that have these long lead times in terms of their investments, I just don't see how you can be anything other than long term in your perspective. We used to be challenged. There was one company in our industry in particular that was creating a lot of shareholder wealth that had sort of an anti-science point of view. I won't mention their name. They began with a V. You may know who they are. And I remember, people would say to me, "Well, if you're so right about investing in R&D, why is their stock worth that much?" And now, I want to say, "Ooh, can I answer it now?" No one asks it anymore. There are no shortcuts in an industry like ours. And the reason why this company has been around for 126 years is its belief that if you invest in first-rate science and you keep first-rate scientists inside the company, through good times and bad -- because science needs a certain amount of peace and quiet in order to happen. We found that, that's our success formula, and we're going to continue to stick with that. I'm so pleased that when I first became CEO, and as Shelly mentioned, many companies were cutting their R&D budget, the Merck board stood behind me, even to the extent of allowing us to withdraw long-term guidance, which wasn't helpful to the stock in the short run because we believed that we need to invest for the long term. Now the last comment I'll make is that a very wise person told me many years ago that the long term is composed of a series of short terms and that you shouldn't forget that either, that you have to balance the short term and the long term. Management would love to get away with saying just wait and we're going to produce this panacea for you. I don't believe that's the right thing for management teams to do, either. So thank you.

**Unidentified Analyst**

Shelly, I'm now understanding why you made your opening comments. I think a lot of us share that view. So you were right, you're completely right. Okay. Great. You can pass the mic right to the colleague next to you.

**Andrew Winston**

Andrew Winston. I work with large companies on sustainability strategy. I want to pick up on Judy's comment about kind of societal issues that you have to kind of take a stance on. And first of all, thank you for being the first one out of the council's last year. That was very brave. You mentioned science repeatedly. There's an outright, I would say, attack on science and even fact, coming from some of our leaders, some of our networks -- I won't name which one, but it starts with an F. And it is an attack on reason and science in vaccines in particular. We see that from a lot of people, and on climate, I think, to an order of magnitude, more than vaccines. What do you think a company in the private sector can do about this big an issue besides just push STEM in schools? But how do you deal with the fact that there's an attack on science and fact as a basis for policy and business decisions?

**Kenneth C. Frazier** - Merck & Co., Inc. - Chairman, CEO and President

So I think that's really one of the environmental things that I'm most concerned with. The only way in which you can conduct a business like ours is if you can actually have fact-based decisions being made by policymakers, and that's a scary issue. What we try to do in addition -- by the way, I think your STEM point is a very important point for the next generation to help them understand scientific methodologies and mathematics and things of that nature. But I do think the way in which we can actually make a difference is to engage actively in the policy environment. I find that -- I use this as an example. I happened to be invited to the White House very early in President Trump's term. And the first meeting I have with the President, the President expressed some beliefs, including beliefs about vaccines that I think were not squarely in conformity or concordance with science. But we were able to have a conversation in that room, and I don't know that I was able to persuade the President. But in subsequent meetings, a lot of his aides came up to me and said, "It was very helpful that you were actually not willing to accept these statements that were being made just because they were being made in a powerful way. And even though you may not have persuaded the person who has the most power in the room, you did persuade a lot of us who actually have influence over the person who has the most power in the room." So I have to



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say that I think at the end of the day, although it drives me crazy, I think we have to engage. For example, I spent a lot of time with parents of children who have autism. It's a very emotional thing for those parents. And I think -- but it's important for us to show both empathy to their situation and at the same time, continue not to shrink from the facts and the science. Because at the end of the day, I think it's science that's actually going to create the vast majority of the wealth that gets created in this country going forward. Technology and science is what makes America a very powerful country. I know I've taken too much of your time.

### Unidentified Analyst

You have not. Thank you very much. Appreciate your time. So now we're ahead of schedule. So I don't think I've ever said this before. We get a longer break than originally anticipated, so that's very good. So let's come back here at 4:00 sharp, not 4:01, and we're going to hear from Omar Ishrak from Medtronic and Paul Polman from Unilever. So let's -- everyone, come back here at 4:00, and thank you very much.

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