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# EDITED TRANSCRIPT

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## PRESENTATION

**Umer Raffat** - *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research*

Excellent. Listen, let's try it again. I think we have Frank. We're going to jump right into it. Frank, let me turn it over to you for some opening comments, and we'll dig right in.

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**Franklin K. Clyburn** - *Merck & Co., Inc. - Executive VP & President Human Health*

Sure, Umer. I'll be very brief. I just want to thank everyone for joining. We have a lot of excitement happening at Merck right now. We had a very strong quarter that we announced, both top and bottom line, good operational performance, Umer, good performance throughout the year. A lot of strategic actions that have taken place, the spin of Organon this year. We've announced the closing now of our Acceleron business development transaction.

And we're really excited to be a new, agile, focused management team. Obviously, we had an important AdCom yesterday, I'm sure we'll get into. And also this morning, we announced VAXNEUVANCE as an accelerated approval opportunity for us for pediatric patients.

So a lot going on, Umer, and we're excited to spend some time with you this morning.

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## QUESTIONS AND ANSWERS

**Umer Raffat** - *Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research*

Thank you so much, Frank. So maybe let's just start with the COVID anti-viral, if I may. Frank, I feel like there are several things going on there. One is just, obviously, there's a lot of questions on immunogenicity, but a lot of those questions originate from studies that are done on a much more extended dosing intervals on the 5 days that's being used in humans.

But then there's also this whole layer around a lack of broader understanding on the popular press on the drug interactions that come with ritonavir, especially in older people.

And I have felt, in general, the approach around -- the messaging around much of the COVID antiviral being perhaps a little bit more on the passive side from the Merck side. Is it -- I guess the question really is, how high a corporate priority is it? And how high is the confidence at Merck on just being a very incredible and competitive regimen in the marketplace?

**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Thanks for the question. So let me start with molnupiravir is a very important product for us and for the company. And we believe, obviously, to help address, most importantly, the pandemic that we're seeing around the world. We feel very confident in the clinical profile of molnupiravir. And given the totality of the data, we really believe it can be a very important treatment for COVID-19.

As you are well aware, yesterday, we had a very good discussion with the advisory committee to the FDA. A positive, favorable vote was given to recommend that molnupiravir will be -- receive an early use authorization from the agency, and we're waiting obviously to now see how the FDA makes its decision.

I would also highlight that when you look at the profile of the product, we announced in the first interim, the benefit of reduction of hospitalization and death of about 50%. The expanded cohort, we did see hospitalization and death around -- the reduction was 30%. So think of the profile of the product in that 30% to 50% range, we think that is very meaningful. We think that's important especially as we continue to deal with the ebbs and flows of the pandemic.

Another important aspect, as you highlighted, this is a single product, does not require a booster. And we'll -- there are patients that may be taking other medications that will not be able to maybe take one of our competitor's or antiviral where they would likely be able to take molnupiravir. So we think it's important.

We also are focused on ramping our supply around the world. You've heard us mention that we plan to have up to 10 million courses this year. I think that's very important, especially what we're seeing with the emergence of variance now and then to more than double the supply, our supply as we head into 2022. So an important priority for us, we think, very important part of the arsenal to hopefully help to fight COVID.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Frank, what happened in the second part of the -- sorry, go ahead, Jon.

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**Jonathan Miller** - Evercore ISI Institutional Equities, Research Division - VP

I was going to ask -- we should definitely talk about the second half of the trial, but I would love to ask about the vote that you mentioned from the advisory committee yesterday. Were you surprised by how split that final vote was? And were you at all concerned by the opinion of some of the panel members who voted no that maybe molnupiravir ought to be restricted to a more limited subset of the patients than the original question overall asked?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

No, we actually feel as though there was a very good robust discussion yesterday. As you often see in advisory committee meetings, you have a number of different advisers that participate. We felt the discussion was really looked at the risk/benefit profile of molnupiravir. And we were pleased that the overall outcome was that it was a favorable recommendation for the FDA to give us an early use of authorization.

So all in all, we feel good. And as I mentioned, we feel very strong about the clinical profile and benefit of this product. And I think as we continue to see emerging variants and the ebb and flow of this virus, we need molnupiravir, we need other options. And having an oral option, we think, is very important for the world.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Right. Do you think the study conduct in the second half got relaxed such that people were just making their way to the trial, even though they were perhaps beyond the 5 days from symptoms, meaning they're positive or perhaps more previously infected people are coming in, so they're

positive from those angles? I just -- I struggle to understand first half versus second half, knowing that the active arm was generally similar to the placebo that switched from 14% to a 4% event rate.

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. I think you hit on the key point that we know. I think what you heard Nick and the team say is we really are delving into -- we really don't specifically know as you heard yesterday during the advisory committee, but you did see the placebo arm clearly look a lot different in the second part of the trial. In the first part of the trial, you saw a very similar effect in benefit from molnupiravir.

And I would say that we're focused on the totality of the data. We still believe that it is a very strong clinical benefit and when you think about the reduction in hospitalization and death.

The other thing I would highlight, Umer, is that when you think about mortality, which we looked at also in this trial, you had -- in the initial interim, it was 0 patients on the molnupiravir arm that actually rest or actually died in the trial compared to 8 in the placebo arm. And when you look at the totality, it was 1 in 9. So when we look at the totality of the data, we still feel as though the overall clinical benefit is strong, and the advisers did make a positive recommendation on the overall [profile].

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

And Frank, I think -- I know Eric has been compiling this, and he's been aggregating up to \$3 billion worth of announced contracts on molnupiravir so far. Just given what we saw on the vaccine side, is there a chance on a worldwide basis, we end up with something closer to, I don't know, \$7 billion to \$10 billion worth of contracts on molnupiravir?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. So what we've guided to and at this point in time, we feel as though it's the appropriate guidance, assuming that we get in, obviously, an EUA in the United States as well as other regulatory approvals. If you recall, we guided to the \$5 billion to \$7 billion range. So that's the range that we think is appropriate at this point in time. We have line of sight into a number of purchase agreements to your point. But that's the range I would continue to focus on at this point.

The one thing that we do have is an opportunity we've highlighted for our prophylactic study in the spring of '22. So we do have another study that's supposed to read out in the spring, if that was positive, that may provide some additional upside. But for right now, we're focused on kind of the treatment setting in that \$5 billion to \$7 billion range.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

And Frank, in an extreme scenario where on a real-world basis, the molecule doesn't get used as much, then what happens? Is there a way government could return?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes, I won't get any more to the specifics of the contract. We don't anticipate that would be a likely scenario. I think what we're now seeing -- and as we all see the emergence of variance, I think governments are really looking forward to having this as an option to treat patients.

**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Okay, excellent. Perhaps on KEYTRUDA then, Frank, I feel like that was the most time spent on a non-KEYTRUDA item at the start. Maybe on KEYTRUDA, I feel like there's a lot of momentum, obviously. I guess the first question is your confidence heading into the adjuvant lung study because there's no reason why it shouldn't work, but it's something that's not out yet and some of the competitors are out by now. So just your confidence?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. So to your point, and the way I look at it is, one, we've had very significant success in the adjuvant setting across many different cancer types. So if you think about where we are now based off of KEYNOTE-522 in triple-negative breast cancer and that approval, our recent approval in adjuvant renal cell carcinoma, which was very important approval for us, Umer. We already have an approval in adjuvant melanoma based off of KEYNOTE-054. We have additional opportunities in adjuvant melanoma based off of an upcoming FDA review here at the end of the year, so to move into stage 2 of melanoma. And then also, we have very good uptake in non-muscle invasive bladder cancer, which is an earlier stage of disease of bladder cancer as well.

So very confident in lung. Just to remind, we've mentioned that we expect to see data by the end of this year. This is a cooperative group study, so this is in conjunction with the EORTC group in Europe. So we're confident in the position that we have. You mentioned that there have been some readouts by our competitors. Our hope is that if we're positive with our trial, we still believe that based off of a significant breadth and brand loyalty that we're seeing in KEYTRUDA across now 31 indications, 16 tumor types, 20 registrational studies in the adjuvant and neoadjuvant setting, we think we would be very well positioned. We have to obviously wait and see.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

But no interim yet, right, Frank?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Correct.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Right. And then also, Frank, I feel like this builds off of this broader point where we've seen such deviation in data sets in lung setting between, for example, KEYTRUDA and Opdivo that I'm sort of still coming to terms with all the questions around, oh, sort of some of these data sets coming out of China will be filed in U.S. and that at a cheaper price point, there could potentially be a preference for using those over KEYTRUDA.

And I think, Frank, this is like very squarely in your wheelhouse from a commercial angle. Like how do you understand the commercial dynamic and let's say, the U.S. market first on a cheaper PD-1, which is cross-referencing data? And perhaps your answer breaks down differently on different channels, if you could refer to them.

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes, Umer. So let me start with -- and we've been, I think, saying this now for a significant amount of time. And I think you're seeing it play out, honestly, Umer, in the U.S. market right now. There are 7 approved PD-1s in the U.S. market. And the oncology market is very, very heavily driven through data. And having strong clinical data, which we have across many different tumor types, and I mentioned 16, I start there. And if there is a product that comes in from China, I think if it was approved, Umer, oncologists, both at the community setting and the academics, they're going

to stare into that data set. And especially if it's a homogeneous patient population where it doesn't have broad patients or heterogeneous population of patients, oncologists are going to stare into that, number one.

Number two, is that when you have a product that is a buy-and-bill product like what you have in the U.S. market, oncologists become very familiar with that product. And not only is the clinical data, they have significant real-world experience. And we hear from our customers that they are very pleased with the performance of what they've seen with KEYTRUDA in lung cancer and all the other cancer indications that we talked about.

The third thing I would highlight is that because of the way in which products are reimbursed in the U.S., we do think there would have to be some type of fundamental kind of change also to have broad adoption in a lower-priced PD-1 per se.

But I come back to the fact that 50%, Umer, of our growth, we project is going to come from the early stage indications. We highlighted about 30% of our use will be in that area. So if there is an indication or 1 company that comes in with a single indication with the breadth of our data and strength of our data, we're clearly looking at the competition, but we feel very confident in the growth profile of KEYTRUDA going forward.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it. And Frank, do you think there's any channels where a cheaper WAC price PD-1 would be preferred, let's say, VA channel or like are channels or not at all?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Well, I think, Umer, there will be some channels that may be more price sensitive than others. You mentioned could it be the VA, could it be some of the integrated systems, possibly. But I'll still come back to within those channels are oncologists that are very comfortable in what they've seen in using KEYTRUDA and the breadth of our data in our program. So yes, I think there may be a channel or 2. But as I mentioned, I still think it will come back ultimately to the data, (inaudible) clinical decision.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it. And Frank, also, there are the sort of ASP plus 6 dynamics for the physician practices. Are those going to be relevant?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Well, I do believe that is the reimbursement system in the United States at this point in time, and we anticipate that will continue. So obviously, that is something that does play into how physicians are reimbursed. But ultimately, they will make their decision based on which product they feel the most comfortable.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it. Maybe one last one on -- please?

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**Jonathan Miller** - Evercore ISI Institutional Equities, Research Division - VP

I was going to switch gears just a little bit, but to stay on KEYTRUDA and ask maybe about the ramp beyond the mid-2020s. Obviously, you guys have been guiding to 2028 as a key potential LOE for KEYTRUDA. But obviously, there's subcu formulations upcoming, manufacturing and combo patents that could last much longer. From a practical erosion standpoint, what's the commercial likelihood at the end of the 2020s for KEYTRUDA biosimilars? And what does the erosion rate look like relative to maybe other drugs that aren't as protected from [resource].

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. So our focus really for KEYTRUDA has always been on thinking about how do we continue to bring patient benefit to patients with cancer. So we're doing a couple of things and we've highlighted them.

Number one, we have our subcu formulation. That's something that is important, especially as you think about earlier stage of disease having a different formulation. And with that can come additional IP protection. And depending on how that data plays out, we think that's going to be a really important aspect of what we would call our overall KEYTRUDA innovation approach.

We also are focused on our combinations, and they are co-formulated combinations, and I'll give you the one example. We right now have KEYTRUDA Plus, our ticket molecule that is in combination in PD-L1 high population in lung comparing that to KEYTRUDA. We think if that combination is successful, clearly, co-formulations provide additional opportunity for some protection beyond the '28 time frame that we've been guiding to.

So the way we've said is that we've been saying that '28 is where we have said that, that is the LOE of KEYTRUDA. But between subcu and some of our co-formulations and other approaches that we are looking at, especially in the clinical setting, we do think there may be some opportunity beyond that time frame as we move forward.

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**Jonathan Miller** - Evercore ISI Institutional Equities, Research Division - VP

From a co-formulation perspective, I wonder, do you lose a certain amount of pricing power if you're trying to -- do you just have 1 branded price essentially for innovative oncology regimen. Do you lose the ability to have pricing power on that combination molecule as well? You mentioned TIGIT specifically. Can you -- are you limited in what you can charge for the regimen if you're co-formulated and trying to keep KEYTRUDA as semi-branded?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. I always start with what will we see in the magnitude of effect and the benefit, for instance, of that combination, right? So all of our pricing is anchored on what value we are bringing to the health care system. So the benefit of a co-formulated product, it gives you a lot of flexibility from a pricing perspective, right? But you start with the magnitude of effect in the clinical effect size. And then from there, we will determine our pricing strategy. But the beauty of this is that you have a lot of flexibility in a co-formulated dosing regimen.

The other thing I would also really highlight is think about the patient benefit that you have, think about the ability to reduce infusion times to health care systems if it's co-formulated versus a patient having to go for multiple infusions. So if successful with our co-formulations -- and take it as an example, there's several others that we're co-formulating, we think this is a really important opportunity for the marketplace and for patients and gives us a lot of flexibility.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Excellent. Maybe switching, Frank, to islatravir. And I personally thought -- I just personally thought islatravir was definitely 1 of the top 3 pipeline programs in terms of commercial potential. And I guess maybe taking our sort of interpretation of the recent updates out of it. I guess, how would you characterize whether -- to what extent was this a setback, how small or meaningful of a setback it was? Or is the answer different depending on whether it's a daily versus weekly versus monthly dose?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes, thanks for that question. Let me start with a couple of things. One, we believe that islatravir, and we've highlighted this, really has some very favorable features when you think about an HIV patient, including potency, the long intracellular half-life, the excellent resistance profile and high

tissue penetration. And we have top line, if you recall, the daily, the QD switch studies, which show a really good risk-benefit profile. That was the combination of islatravir and doravirine daily. So we did top line that. What you're highlighting is the combination of islatravir plus MK-8507. We did see in that study a reduction in lymphocytes and decreases -- which is something that clearly was a concern, and that was one that we decided to stop that trial, but we have also a broad islatravir program.

So one of the things that we are doing is we are spending time to figure out how do we harness the real positive attributes of islatravir and try to minimize any reductions in lymphocyte counts. And our scientists are reviewing data across the entirety of the program. We have a program islatravir plus lenacapavir. This is something we're doing in collaboration with Gilead, and we are looking at the dosing regimen for that program. And really thinking about how we optimize all of the applications across daily, monthly, 2, 3 months and also our implant approaches.

So we're right now taking the time to take learnings from what we saw in the islatravir 8507 trial and make sure that we're doing everything we can to maximize the positive attributes and try to minimize any reduction in lymphocyte counts. So that's our focus right now.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Frank, is there a house view on whether islatravir is going to end up with CD4 monitoring requirement?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

I don't want to get in front of the science at this point in time. Like I said, we're doing our diligence, and we'll see how things evolve.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it. Got it. Frank, on Acceleron, the one question I've thought about is I feel like there were a lot of mechanisms -- mechanistic explanations proposed by the Acceleron folks on sort of the activin and this nonbinding, which results in the efficacy in PAH. But none of that is truly definitive. And I almost wondered why would or wouldn't it sort of broad TGF-beta targeted programs work in PAH? Is that something that came up in the diligence as you guys were going through Acceleron?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. so what I would say, what we've seen and I think you highlighted the TGF-beta work that Acceleron has done. We're very excited about sotatercept in PAH. And if you listen to our scientists, in Dean and Roy and York, I mean, I think if you look at how is PAH treated today and why we are excited about this deal, PAH is, one, you have still significant unmet need, high mortality rates still with PAH, with all of the innovation that's taken place. But it's primarily treated through by vasodilate. This is a different mechanism of action.

So think about sotatercept being used in combination with some of the generic vasodilators as well as some of the other innovative products. And what I can tell you is we believe that Acceleron has done a tremendous job. They have a very substantial clinical development program and what I would say is that we are very excited about the opportunity. We think that the POS looks really good, which is why we went ahead and wanted to bring sotatercept into our cardiovascular pipeline and portfolio.

It's also important to note that we are also focused on our inhaled sGC compounds. So we're also focused on other aspects of PAH. So this is something that allows us to broaden out our cardiovascular offering as well.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it. Maybe just briefly on pneumococcal vaccine, Frank, I guess, what type of market share are you guys expecting versus PCV20?

**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. Umer, what I'll -- I'll maybe take it from 2 angles, if you allow me to. It's -- one, I'll start in adults and then real quickly into pediatrics because they are 2 different, I think, market opportunities. In the adult segment, we have now an equal recommendation combining VAXNEUVANCE plus PNEUMOVAX 23 versus PCV20 in the adult 65 plus and then also in the 19 to 64 immunocompromised patient population.

We acknowledge the adult market will be very competitive. I'm not going to share specific market shares, but I will tell you that there will be physicians and patients that will prefer maybe a single shot compared to the dual regimen that we have, but we will be very focused on our sequential regimen of VAXNEUVANCE and PNEUMOVAX 23 because it does provide the broadest coverage.

That regimen will give patients the broadest coverage for disease. So that will be a major focus from a commercial perspective, explaining why VAXNEUVANCE and PNEUMOVAX 23 is a really good regimen for adults, but we acknowledge that will be competitive.

In the pediatric setting, you heard and I mentioned this morning, we've just now received acceptance of our file from the FDA. We have a PDUFA date in April. We believe we have a first-mover advantage in pediatrics, which represents about 60% to 65% of the market opportunity. And I think it's also important to note in the pediatric setting, your serotypes in particular, 3 22-F, 33F, we've got really good, strong robust data there. And that -- those serotypes account for about 25% of invasive pneumococcal disease. And we think that's going to be a really important aspect of the attributes we bring, and we're very excited about VAXNEUVANCE in the pediatric setting if we get approval.

So the way I look at it, more competitive in the adult setting, we will -- like I said, we've got a really strong offering there, but also very excited about the pediatric opportunity.

The last thing I do want to highlight is we are also focused on continuing to innovate in this area with V116, which will be a vaccine that would be tailored to the adult segment as well. So if you think about our pneumococcal franchise, we're continuing to expand and bring additional innovation and opportunities to patients.

**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Jon, do you want to touch upon IO/IO targets just briefly?

**Jonathan Miller** - Evercore ISI Institutional Equities, Research Division - VP

We only have 10 minutes left. I think we should maybe give a -- get a chance to talk a little bit about gefapixant and some of the other programs as well. I know Eric wanted to ask about it.

**Eric Musonza**

Yes. I guess on gefapixant real quickly, how has Merck been framing the commercial expectations on that?

**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. So gefapixant, we think, could be an important product. If you remember, it's a very significant marketplace. And if you think about those that have refractory cough, we do believe there is a significant unmet need here. Obviously, we have our file that is under review at the FDA, and we have now had a 3-month extension to that review in March. So we do believe if we're successful with the product getting approved, we think gefapixant will have a meaningful opportunity. The commercial aspects to this, we want you to think about is we will think about the ramp needing to take some time though because it's an aware -- you have to identify the patients. We're going to have to make sure that we're getting the right

patients identified. There's going to be a lot of education required to physicians and patients. It's something that we do very well at Merck, but it is going to take some time because this is entering and shaping a new market opportunity.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it, okay. Frank, as I look at some of the announcements coming out of J&J on their consumer business, from Novartis on their Sandoz business and then what Pfizer and Lilly have done over the years on their animal health businesses, it looks like there is this macro trend in the space in favor of sort of focusing on the sort of core human health businesses. I guess how are you guys thinking about that in the context of your animal health being a big growth driver right now? But is the commitment to that absolute? Or is that something you guys are always open to over time?

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. So our animal health business is an important business for us, Umer. And we've mentioned, we think that our animal health business, one, it's one of the leaders in the industry. Two, it really helps to diversify if you think about Merck and you think about the strength that we have in oncology and vaccines and our hospital and specialty business, the geographical strength that we're seeing around the world and then having a strong animal health business that has strong growth, good cash flow, we think it's an important business and long term is going to continue to bring in and drive shareholder value for us.

So that's why we really have liked the animal health business. We also -- our animal health colleagues have access to our R&D colleagues, unfettered access, which we think is important for our animal health innovation and pipeline, and we think that's key part of us being the owners of animal health and wanting that as a part of our overall business.

With that said, Umer, as you've seen, we -- it's interesting, people forget, we actually were one of the ones that spun out and actually sold our consumer business years ago, right? We've just now put more focus into the human health portfolio by what we have decided to do and spin Organon, which allows us more effort and more focus in some of our innovation and growth drivers. So we always look at portfolio, but I would say right now, we feel very good about animal health as a part of Merck.

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**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Got it. Okay. Okay. And then maybe since we're touching up on the high-level strategic stuff, perhaps your overall take on M&A. I know there was a comment made by Rob on the last call around potentially being able to materially increase leverage ratio. And folks started wondering if Merck is open to deals of a much larger size than we're used to seeing. Maybe just clarifying that.

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**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. And what we've said is that we really look at our business development strategy from -- it really starts with our scientists really being excited about the opportunity, and we have a balance sheet that allows us to look at deals of all sizes. But we're really interested in deals that are going to drive and enhance our pipeline, focus on innovation. And we're not interested in what we would say synergy-type deals, but we are open to different scale opportunities. And it is a major focus for us as a company. I think you've seen now the recent activity and we can point to whether it's the Pandion deal, whether it's Peloton, you think -- we just closed the Acceleron deal. So what I would say is -- and what Rob and Caroline are mentioning is that if we see something that our scientists are very excited about, we think can really bring good long-term shareholder value and really help our pipeline, that's something that we will appropriately and aggressively pursue if we believe in the science, the unmet need and also clearly that we feel as though we can successfully commercialize that opportunity.

**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Is there any therapeutic area that would make more sense? Because I know for some time -- I remember thinking back 2, 3 years ago, there was a lot of just antibody drug conjugates. There's a lot of Street speculation on going down that path, but then you guys weren't comfortable with the valuations, so you just ended up doing more like partnership deals. But is it more ADCs or oncology or maybe immunology, is there certain areas -- or orphan disease, neurology, where the focus of that?

**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Yes. Our strategy has been really agnostic to any specific therapeutic area. And I think you've seen that play out. We have done and continue to do a number of deals in oncology. We obviously have a very strong foothold and leadership position in oncology, and we think that's important. But you've also seen us do a deal just recently in the cardiovascular space. We're looking at continuing to augment our pipeline across many different therapeutic areas.

So we do not focus just on 1 or 2 areas. We're agnostic to the area. Like I said, it's really where we believe our scientists get excited, where we think we can innovate, where Merck's expertise can really drive value. And that's kind of how we look at it and where we focus our efforts.

**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Outstanding. John, anything we missed -- anything you want to touch upon. Otherwise, we should be respectful, it's 11:15. So...

**Jonathan Miller** - Evercore ISI Institutional Equities, Research Division - VP

I think we're unfortunately out of time. Thank you, Frank, for almost answering most of our questions and completely answering some of it.

**Umer Raffat** - Evercore ISI Institutional Equities, Research Division - Senior MD & Senior Analyst of Equity Research

Thank you so much.

**Franklin K. Clyburn** - Merck & Co., Inc. - Executive VP & President Human Health

Thank you, guys. Thank you very much. Appreciate it.

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