EDITED TRANSCRIPT
MRK.N - Merck & Co Inc at Goldman Sachs Global Healthcare Conference

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Okay. Let’s get underway. Good morning, everybody, and welcome to the second day of the conference. My name is Chris Shibutani. And on behalf of the entire Goldman Sachs healthcare research team, we’re thrilled that you’re joining us down here in Miami. Even more so, very excited to once again have Merck join us -- Rob Davis, CEO; Dean Li, Head of -- President of Merck Research Labs. Everybody has a slightly different title but we’ll go with that.

So Rob, every year, we come back here, and you’re always cool and calm and collected. Progress is made. Here, we sit in June 2024. Give us the current snapshot that we can then push and prod on.

Yeah. And maybe I’m starting to sound like a broken record, but I would say I feel very good of the progress we’re making. We’re three years into this journey, basically.

And if I think about where we were three years ago and where we are now and really looking at the breadth and the depth of the pipeline we have, obviously, we continue to be very excited about oncology; increasingly excited about the breadth of what we have beyond KEYTRUDA. Whether it’s the tissue-targeting agents, ADCs, whether it’s all of the molecular targeting agents we’re looking at, several small molecule deals we’ve done, the INT in partnership with Moderna, we continue to be very excited about our opportunity in oncology.

But beyond that, if you look at what we’ve now built out in the cardiometabolic space -- and I would say probably less appreciated, but the increasing depth in our vaccines portfolio, neuroscience portfolio, most recently in ophthalmology with the deal we just did for EyeBio, and probably one of the underappreciated assets we have, our Animal Health business. So as I look right now, I feel very good about what we have.

And then if you look from stages of phases of development, a few years ago, we were pretty much talking about not having much in Phase 2, Phase 3. If you look today, we have a very deep Phase 2, Phase 3 portfolio across all of those areas.

So progress is good. More to do. We are positioning ourselves for growth well into the next decade my confidence is as high as it’s ever been.
Chris Shibutani - Goldman Sachs Research - Analyst

Yeah. No, that's very helpful. And it's been that very thoughtful narrative that Peter's showing and the IR team is showing their chops in terms of his experience of being on the investor side, creating the vocabulary around into the next decade on neurosis, KEYTRUDA. And we're going to worry from six years, the clock starts in advance of that. And you've methodically built pillars or diversification and strength around that.

I'll ask you a series of bigger picture questions again because you are one of the most prominent CEOs that we have here. You've also been a very good sport about being thoughtful in your commentary about some broader macro trends. So you have clearly engaged in very strategic M&A.

For several years now, you and I have talked a couple of times. Typically, you're always wonderful about cutting short your holiday vacation to sit on the stage with me at CEOs Unscripted, which everyone better go to this coming year or we won't host it anymore.

But talk about the macro environment in terms of the level of engagement that you're seeing with small mid-caps. Where are valuations? What is the temperature like when you're interacting and mixing and mingling?

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Sure. Yeah, no. So if you look at the environment overall, I would say -- and we all see what's happening in the -- from the macro environment, clearly, valuations are down from their peaks. We'll see if maybe they're going to start to come back. But I think the more important message is that while that maybe is true at a macro level, if you look at individual assets, what we continue to find is that it is a continuing have and have-not marketplace.

For those companies that have compelling data, as those cards start to turn, we continue to see high demand, competitive processes versus those who don't. So while overall, capital raising maybe is more challenging, I think you almost have to -- you can't really look at it in its totality. You have to go asset by asset.

That being said, I feel very good that where we have had areas of interest, we have been able to move quickly and have been able to get deals done where we can be confident in value creation. EyeBio is the most recent example of that, where we saw very compelling data.

We have been doing work in this space, in our discovery side of the business, both internal and through partnerships we had already underway. Many of those efforts did not pan out. But through that, and actually through investments we did seeding EyeBio -- so you might not realize, but actually, MRL Ventures, our venture fund, was one of the founding investors in EyeBio going back a few years. So we were close to that opportunity, and we're able to move quickly and competitively.

And I think you've seen that, whether it's there, across all the deals done. So I feel very good about our ability to get deals done. And I continue to see a robust market where, for the right partner, the management of these companies are willing to deal with us.

Chris Shibutani - Goldman Sachs Research - Analyst

Should we think about seeing more of those types of deals, where you got in there early, you already have a seat at the kitchen table, and maybe have some insight to give you an edge that makes sense?

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. I mean, I think that clearly continues to be something that we're very focused on, and I think you will continue to see. As you think about from a capital allocation perspective, we've been pretty clear that that zero to $15 billion range continues to be our sweet spot.

We always start with science. We always ask, is there interesting science? Does it address an unmet need? How does it fit within our broader strategy?
And then if we see that value is attainable and really in alignment across those value and the science, then we move. And you're going to continue to see that, I think, both some of the smaller deals, the EyeBios, but then up to that $15 billion range.

**Chris Shibutani - Goldman Sachs Research - Analyst**

And then in terms of therapeutic areas, obviously, the center of gravity has always been oncology. You've done a lot of strategic work there. It's actually interesting in oncology with the ADCs. You've created unique structures, partnerships. Talk about what's the advantage to Merck in those scenarios.

**Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer**

Well, as we think about deal structure, we think of it from different perspectives. First and foremost is, what is it going to take to get the deal done?

So in some cases where we've done partnerships or collaborations, it's because that is the way we could access the science. In other cases, we've done it to derisk our ability to move into that space.

Obviously, you're sharing the risk. You're sharing the cost with a partner. So sometimes you're doing it for derisking. Sometimes, you're doing it because that's what it will take to get the partner to engage.

And we're open to all the different forms, obviously, acquisitions as well as collaborations and partnerships. And we will continue to look at all of those avenues going forward.

**Chris Shibutani - Goldman Sachs Research - Analyst**

Ophthalmology was a little bit of a surprise. Technically, I guess, the back of the eye is attached to the brain. Is this going to fall under CNS?

And I bring that up slightly pejoratively because you've often talked about how it doesn't generate press releases. But the number of intellectual property, licensings and partnerships and work on the neuroscience space is something that is actually at quite a quantum, if you're just counting beads.

**Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer**

Yeah, I'll let Dean comment. I think we'd probably say this is closer to the cardiovascular or vascular than neuroscience, but we're interested in both.

**Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories**

We've had maybe two or three forays in it. The lead EyeBio molecule is clearly for diabetic macular edema and for neovascular age-related macular degeneration. It's all -- it's vascular biology. So those programs, the analogous programs internally, are run out of south San Francisco, which is our cardiovascular metabolism hub.

We've also looked at Kallikrein in relationship to the eye. And we also looked at complement in HTRA1 in relationship to the eye in partnership with NGM. That clinical trial didn't read out positive so we didn't advance it. So we've been playing in this space for the last five, six years. And so the EyeBio fits very well with our concept of diabetes, complication, inflammation, and vascular biology.
Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

You might speak to CNS more broadly as an area of interest.

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Yeah. So CNS more broadly, we're very interested in CNS. But one of the things that we should emphasize is we have readouts: MK-8189, which we think is an important readout for our Phase 2b. Again, there was renewed interest in what I would call symptomatic neuroscience pathways in relationship to psychiatry, schizophrenia, that. And so that's where our programs that are in the visible pipeline are focused on, and we hope to get important readouts in the next year or so.

But we've also done a series of early stage -- for example, the acquisition of Caraway, which is another company that we helped seed, is also in the mitophagy, autophagy field in the neurosciences. So we're very much interested in moving neuroscience forward as well.

Chris Shibutani - Goldman Sachs Research - Analyst

And when I think about the relative maturity in the stage and the adventurous nature of some of these opportunities, it speaks to something that you're seeing the line of sight to revenue in the post-2030 period. And that's been a very important part of the framing that I think investors appreciate.

We started out the year by talking about how all the progress points, including data that you presented all throughout last year for WINREVAIR which we'll talk about, prompting you to feel comfortable enough to talk about into the early mid-2030s -- I maybe didn't get that exactly precise. But from the cardiometabolic category -- and I always think it's interesting that you use cardiometabolic as opposed to cardiovascular, we'll go into that. And oncology, how you basically felt as if you can envision incremental revenues in that period during that time.

Should we expect to see that also be a part of the immunology part of the house? That was something where you did the Prometheus acquisition, quite competitive, bold, first-in-class. It's one of my favorite nits to pick with you, Dean, in terms of figuring out how the additional indications are going. But as we think about immunology as a pillar and as something that could demonstrate that it could be a little bit more muscular come 2030s, how do you feel about that?

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Dean can -- I'll let Dean comment on the broader opportunities we see in immunology. And we are focused in this area, but I would just remind that when we did the deal for Prometheus, really, the two areas we were interested, they had the two front-running programs: one in ulcerative colitis, one in Crohn's. We're now in Phase 3 in both. We've enrolled patients now in both.

And at the time we did the deal, and we continue to believe this, we see each of those as multi-billion-dollar opportunities. So as you think in that time frame of the early 2030s, we definitely see that as a meaningful contributor and we're not done yet in that space. There's other programs we have underway in discovery and development, and I'll let Dean comment on that.

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Right. I would just step back. As a company, Merck had been known before the transition of really KEYTRUDA and GARDASIL. But I would just step back. Those are immunology plays. They just happen to be immunology plays in cancer. So we have lots of expertise in immunology.

In relationship of moving it out of oncology, continuing in oncology, but also driving it to other therapeutic areas, immunology itself as a specialty is important. The TL1A is very interesting to us. The scientific story, the genetics, and the preclinical models is really important.
When we look at that ulcerative colitis data, essentially, what you look at is it's as effective as a JAK inhibitor with the adverse effect profile of an S1P. That's really important to us, and I'll come back to why that's important.

The other one is the CD30 ligand. We're very interested in moving that. That basic science story is equivalent to TL1A and [its orthogonal]. The reason I bring these two together is what you see in the field of immunology is that immunology, for the longest while, could never get into combinations.

In cancer, we think about combinations all the time. The initial data with TNF and IL-1 beta back then, 15, 20 years ago, had made people stay away from that. You're beginning to see people reapproach that combination.

And so for example, for us, having CD30 ligand, having TL1A is critically important. We think they're going to be effective. But most important, we think their adverse effect profile might be one where you can begin to think about combination.

Chris Shibutani - Goldman Sachs Research - Analyst

So now that you've teased us, give us a sense for when we might be able to see some data. On the UC front, I think there's some maintenance data. Just in general sense, I think we think about a multi-year trajectory. You have the commitment to these assets and in immunology. But when should we start to sharpen our pencils?

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Well, I think for the TL1A, I think over the next year or so, the data will be presented at congresses or so in relationship to ulcerative colitis and maintenance. In terms of Crohn's, the Phase 3 has just opened. The patients are already recruit -- beginning to be recruited, so I think that will be advanced.

And I would also emphasize the one thing that's interesting about TL1A as a TNF family member is there's a concept out there that it might do something by fibrosis. So we're very interested in what it does for Crohn's disease, but we're pushing the envelope by also looking at interstitial lung disease. And I think all of those will advance in the next one to two to three years.

Chris Shibutani - Goldman Sachs Research - Analyst

And there was a biomarker-based strategy originally with that story. Precision immunology, which has a good intent, some ambition, may limit the scope of the TAM. Are we going to see biomarker-based work?

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

I think you will. But one of the things I just want to emphasize is that the biomarker, when you look at that data, the most impressive thing about the TL1A is in all-comers. It worked really well. Now you could use a biomarker to identify what I would call, super responders, but it's a little bit different than, for example, in oncology, where in the biomarker-negative patient, TL1A still works pretty well.

So one has to think about that biomarker a little bit different than how one thinks about oncology where it's an on-off. Do I give or not give? Here it's -- the biomarker-negative, it works very well.

Chris Shibutani - Goldman Sachs Research - Analyst

The CD30 ligand also, another tease opportunity to think about data and when you'll indicate what indications you may be thinking might be better positioned for.
Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Yeah. I think the critical thing to watch is when we begin to open up Phase 2 programs. And I think those decisions will become more visible in the next year or so.

Chris Shibutani - Goldman Sachs Research - Analyst

In my conversations, we always feel like there are so many different directions I can go and it’s a bit meandering. But I’ll ask you to close this broader section even though we did a bit of an immunology deep dive by asking you to do your best Caroline and remind us where we sit today on your capital allocation priorities.

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. So obviously, we talked about the progress we've made. I think you've seen our focus from the deal perspective, and I commented on that earlier.

As we sit here today, while we feel very good about the progress we have made, I don't think we're done. So we continue to prioritize both investing in the business, building out the capital we need to make sure we can fully supply the products, and then continuing with business development. Those are areas of focus because that to me is what drives sustainable growth.

Obviously, we remain committed to our dividend. But from a share repurchase perspective, while we are doing nominal share repurchases largely to offset dilution, my priority and the company's priority still very much is on investment for growth, not repurchase.

That said, if at some point, we see the deal flow slow down and/or we see excess cash build, we're always looking at that and considering how do we make sure we return capital to shareholders in a constructive way. I don't see that in the near term, however.

Chris Shibutani - Goldman Sachs Research - Analyst

Excellent. I even imagine a touch of a British accent with that. So let's get on to WINREVAIR. We love shiny new objects. We're having a really hard time --

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

That was a Hoosier accent, by the way, or close.

Chris Shibutani - Goldman Sachs Research - Analyst

So I love PAH as a market. But then as someone on the street, we're, all of a sudden, without a knob to hang on to, which would be third-party prescription data. This goes through specialty pharmacies, et cetera. Throw on top of that, you have a disruptive treatment that is changing the paradigm potentially, making a lot of clinicians and patients think.

Frame for us how we should be thinking about expectations for that initial print, that dramatic day, and perhaps early August or late July when we'll find out how the first quarter WINREVAIR went. And there's inventories and there's gross to nets and there's patient assistant programs and stuff. But get us within a zone of comfort so we're not too neurotic.
Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. Maybe I'll start and if Dean wants to add, he can jump in. I would say we went into this launch with high expectations ourselves. Those expectations were embedded in the guidance we gave at the beginning of the year.

We are very much on track to deliver against what we see as those high expectations. The launch is off to a very strong start across all of the measures we look at, and we remain committed as we get into the next quarter to think about how can we provide the data to share that confidence with investors because we know that you can’t access it through the normal means.

But as we look at it, whether you look at prescribing patterns, the breadth of the physicians who are prescribing both across the centers of excellence and non-COEs, looking at repeat prescriptions coming through physicians, the patient experience has been quite positive. The feedback we’re getting through the specialty pharmacies we’re using, including the nurse practitioners who are going into the homes and teaching patients how to use the kits and the ability to successfully do that.

And then as you look at it from a payer perspective, we’re seeing good coverage from an insurance perspective. Really no incremental barriers being put up. So our strategy, which was aimed at driving access, seems to be working.

And so across every measure, whether it’s physicians, patients, or payer, everything is going well and I feel very good about it. It’s early. We need to continue to see this play itself out.

If you think of the characteristic of the patient who’s being treated first, these tend to be the sickest patients. So clearly, both what we’re hearing from — anecdotally from the physicians, key opinion leaders we’re speaking with is they prioritized their most severe patients first, and that’s not surprising. And then over time, we expect that to broaden. So everything is playing out pretty much as expected or better than expected so far.

Chris Shibutani - Goldman Sachs Research - Analyst

And the characterization of the patients there, that handset, the population that you’re studying in ZENITH currently. So I think the scope of the TAM here for this product is considerable when you think about the natural history of disease. Where are we with ZENITH and HYPERION? Comment on enrollment and when we might be able to learn something.

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. And maybe before — I’ll let Dean give you on that. But just I think it is important to point out, from a — the label that we have is a pretty broad label. So a lot of these follow-on studies are important to give confidence to the physicians, but they’re not necessarily needed from a label perspective from what is out there. The label is pretty much about as expansive as it could be, but maybe you can comment on mortality and other things.

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Yeah. I think ZENITH could be very important if it allows us to put something in the US FDA label that isn’t there, a specific claim on overall survival mortality. I think that being in the label will be important both for the US and also ex-US as well.

HYPERION is trying to go into earlier lines. But as Rob has said, physicians can already do that. And they may do that on their own account regardless they’re going to prioritize the most sick patients. And as they get more comfortable, they’ll move in.

We also have CADENCE moving forward. And that’s asking the question, can we move it outside of PAH to pulmonary hypertension due to heart disease? And I think the other thing that’s important is as this takes on from the sickest patients to patients earlier in their journey, can we make it easier for them?
And so the issue right now is it's a vial and syringe and moving forward with an auto-injector. So all of those are data points that will continue to move the field as well as the commercial access and the comfort level people have in real life.

Chris Shibutani - Goldman Sachs Research - Analyst

In an ideal scenario, auto-injector would have been at launch. When can we expect that to be threaded in?

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

I would imagine that that will be available or we'll have data in that in the next couple of years.

Chris Shibutani - Goldman Sachs Research - Analyst

And then an annoying payer question. Does this make it Medicare part B? What categorization should we think of WINREVAIR and particularly with the auto-injector?

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. So WINREVAIR is Part D, not Part B.

Chris Shibutani - Goldman Sachs Research - Analyst

Got it. And then you did mention about the international opportunity there. Europe seems to have come on a little bit more quickly. It's unusual for European regulators to be leaning forward and raising their hands.

I think Joe is at another event with investors and talked about how that market is relatively consolidating. You can be pretty efficient about attacking that. How should we think about the European opportunity from a trajectory of launch standpoint?

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

So we continue to expect that for approval later this year, in the second half of this year. That's -- obviously, the discussions with European regulators is ongoing. We continue to be very confident about what this could be because if you look across the makeup of the population in Europe, it's very similar to the United States in size and in how the centers of excellence are composed.

So there's about 150 centers of excellence in the United States, about an equal number across Europe and the UK. And we think there's about, what, 40,000 patients in the US. We're looking at about a similar number when you look outside the US into the US -- into Europe and the UK.

So every indication is this will be a big opportunity in Europe. And to your point, given the strength of the STELLAR data, obviously, this has moved faster than when we originally did the deal. So we'll see once we get approval, but we remain confident in the opportunity globally.

Chris Shibutani - Goldman Sachs Research - Analyst

We were in Chicago recently. And I'm not quite going to go to oncology yet, but I'm still staying in the cardiometabolic. And my pushy colleagues and I in Wall Street bullied Eliav into talking about, like a good father, which one of his kids might be his favorite. And he did call out the oral PCSK9, probably thrilling some, offending others.
What's the latest to know about the oral PCSK9? Because I think that is part of that into the 2030s heightened confidence in the revenue potential there, right?

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Yeah. I mean, that clinical trial has two aspects. It's in biomarker looking -- LDL lowering is in FDA, very much approved biomarker that they have approved based on this. I think also we're doing an outcomes trial as well. So all of that is going extremely well. And the recruitment -- if recruitment is a surrogate of enthusiasm, the ability to have a PCSK9 oral pill is something that there appears to be a big demand for it if you use as a proxy how well and how fast we can get this recruited.

Chris Shibutani - Goldman Sachs Research - Analyst

Got it. Then let's see if we can generate some clickbait here. GLP-1, which you have an asset that you're developing actually for NASH MASH. We're just coming off of the European meeting there. What was the House's take on progress of state of the art? And how are you guys doing with your asset?

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

So in terms of efinopegdutide, I mean, I think one of the issues for us is that GLP biology is important. You can bracket it into weight and weight loss. You can bracket it into cardiovascular outcomes, liver outcomes, potentially kidney outcomes, and other outcomes.

In relationship to liver outcomes, we think the combination is important. And we think the glucagon component is important. And if you look at the data using as a surrogate liver fat reduction, I think the two standouts in terms of liver fat reduction are the GGG and efinaopegdutide, having the most liver fat reduction and hopefully leading to liver fibrosis.

I would sit there and say, semaglutide, tirzepatide, those also have impacts on liver fat, but that may be at a different level. And so we'll have to see, as the field moves forward, how that moves forward. But we're very interested in the subsegment of GLP biology that's related to MASH. And we think a glucagon component is important to get the maximum reduction in liver fat and hopefully, fibrosis.

Chris Shibutani - Goldman Sachs Research - Analyst

It seems as if sometimes it's too easy to think about some of these major disease areas as a monolith, and there's typically a progression aspect based upon the pathophysiology. It's like oncology, right? We start with metastatic disease and then hopefully navigate our way towards the adjuvant setting.

When you use the word fibrosis, that immediately like skyrockets the degree of difficulty from a pathophysiology and pharmacology standpoint. So when you think about your assets, is there a positioning that makes sense so that we don't think zero-sum game? It's like you guys or tirzepatide or --

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

I think you're going to have to show a meaningful reduction in fibrosis, and you need to show that progression, especially in the later-stage MASH patients. I mean, that's what you're trying to do. You're trying to prevent them from going to liver failure. So I think being able to prove that through clinical trials is what the FDA has said that they require. That could change, but I don't see that changing.
And then just for the record, GLP-1s, obesity, diabetes, your point of view on Merck’s interest in these realms?

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. And Dean can build on this. We continue to be -- you brought up the point -- interested in the broad cardiometabolic space. Obviously, the GLP-1 is one opportunity to play in this space. As we look at, though, the opportunity set that’s out there, we’re very much focused on the second and third generation opportunities. We think more in terms of small molecule orals versus injectables as preferred routes.

And then to Dean’s point, and I think he raised it, today, I think everything is couched in terms of obesity first. And then we think about some of these outcomes supporting the reimbursement within the broader obesity space. Can you see this fragment over time where the primary focus becomes whether it’s liver disease or kidney disease that has a weight loss component, but that it is driven more by the comorbidity as the primary goal?

And that’s what we’re focused on through combinations where you can see things that are -- have good tolerability, good combinability. And that’s where we’re thinking. That’s where we’re putting our time, both in terms of our own discovery efforts and then also as we continue to scan the external landscape.

Chris Shibutani - Goldman Sachs Research - Analyst

You’re always a good sport, very clear, and address the topics that everybody is always wanting to ask. Chicago was fun. Thank you for hosting another meeting. You’re always very comprehensive, talk about a lot of different things.

One of the things that was a flare -- shot in the sky outside the window in that was data from a competitor that looked at the combination of PD-L1 and VEGF, two very familiar targets, et cetera, somehow combining them sometimes with a bispecific. It moved the needle a little bit.

Share some commentary about how you guys think about this. I imagine your trove of insight into all of these mechanisms that combine PD-1s is on par with anybody’s in the business.

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

So first of all, we haven’t seen anything except the top line, so we’re anxiously waiting or eagerly awaiting to see what that data is. So that’s number one.

The number two thing, if the top line reads out, there’s the scientific thing and then there’s clinical point of view. From a scientific standpoint, one would have to ask, is it because of the amount of dosing they’re doing? Is it because there’s some cooperativity? Or is it that blocking VEGF and blocking PD-1 is doing something differently in that situation? Then it’s done.

For example, I think Genentech Roche has looked at PD-L1 and Avastin. We’ve looked at PD-1 and Lenvima, and we’ve never top lined data like that. So we’ll have to see what that data is.

The other point of view is this is a China-only. It needs to come to the US, and they’ve also identified the patient population in a little bit different way than what’s standard in the US and EU, which is in the high PD-L1 expressors, that’s where you talk about monotherapy. Where the PD-L1 is lower, that’s where you talk about PD-1.
And provide it in a different way, they've looked at PD-L1. So the other point that has to do is what does a confirmatory global trial looks like and how to think about its combinability, for example, with chemo. Because KEYNOTE-189 is still a major driver in all forms of PD-L1, but especially in the low PD-L1.

**Robert Davis**  
*Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer*

And I think the other point is we're going to need to see their PFS data translated into OS data, especially given the extent of overall survival data we have with KEYTRUDA across so many different tumor types. We tend to believe that creates a pretty high barrier of entry.

**Chris Shibutani**  
*Goldman Sachs Research - Analyst*

Yeah, and precedent has shown in clinical studies that that translation is not a guarantee. Other quick hits just to make sure we're capturing on the opportunity from ASCO here. Maybe I'll go a little bit out of order.

Harpoon T cell engagers, it's very early. But again, this speaks to your strategy in the long term. What should we know about what we learned from ASCO and how do we keep this on the radar?

**Dean Li**  
*Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories*

Well, I think two things. Whether it be CAR T cells or immune engagers, they've had the biggest impact in heme malignancy. It's been very hard to move CAR T into solid tumors. And it hasn't been easy to put T cell engagers. So this DLL3 T cell engager in small cell just seems like a really important opportunity.

The other point I would just emphasize is we've done a lot for lung cancer using IO in non-small cell lung cancer. The field hasn't really moved the needle in small cell lung cancer. So the fact that this was an immune engager for DLL3 in small cell was really important.

And also, we just think there's a lot of opportunity in small cell lung cancer. It's not just the Harpoon asset. It's also our collaboration with Daiichi Sankyo, where B7-H3 is focused in small cell lung cancer. We think there is great opportunity to move the needle of small cell lung cancer, similar to how we've moved the needle for non-small cell lung cancer.

**Chris Shibutani**  
*Goldman Sachs Research - Analyst*

Period, paragraph, TROP2 ADCs. A little tough sledding across the competitive landscape. What do you think that this says in terms of the opportunity for 2870?

**Dean Li**  
*Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories*

I think one of the things that I said previously is KEYNOTE-189 is a high bar in lung. And if you want to put a TROP2 ADC there, I'm not so sure that a TROP2 ADC broadly can cover that. And so one has to be very careful about patient selection. That's one thing I would say into the lung space.

In the breast cancer space, what we also provided there was some (technical difficulty) and for China only and that (technical difficulty) TROP2 ADC. So we're going into a global trial with that in our -- at our backs to really move forward.

So the final thing I would just say is, oftentimes, TROP2 ADCs get thrown together as the same. I remind myself, in HER2 and Kadcyla (technical difficulty) and it's actually really the same antibody. So it's more than just the antibody. It's the linker, it's the payload, it's all of that.
Chris Shibutani - Goldman Sachs Research - Analyst

(inaudible) flipped on you with Nectin targeting ADCs, EV-302, PADCEV and KEYTRUDA got a standing ovation from Europeans. And yet you are working with Kelun with that Nectin. So what’s the --

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

So we think that asset is a really important drug for bladder. It has a certain payload. And I just would remind myself that that data with KEYTRUDA really gave us the confidence of IO with ADCs. So we think that’s broadly.

One of the things that we think is that for whatever tissue it is or tissue-targeting, whether it’s Nectin, that there are other changes one could make to the ADC linker and payload that will open it up for other tumors. So we’re very interested in advancing PADCEV, but also looking at Nectin-4 as a target and potentially changing linkers and payloads with that.

Chris Shibutani - Goldman Sachs Research - Analyst

An unplanned ending as we approach time here, you never say anything unintentionally. You did slip in animal health as potentially something within the realm of something underappreciated. I’m in transcripts of being a bit of a bully about that business. I’ll take the bait. Tell us about, again, the strategic logic and where there’s value up that maybe not be as well appreciated there.

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Well, I think what is probably not appreciated about our animal health business is that it is very much in parallel to our human health business. So if you think about what we just spent all of this hour time -- half an hour with you talking about, it’s about where our innovation is taking us and our opportunities to make a real difference for patients through the innovative medicines we have.

Our animal health business is very similar. Most of the growth we’re going to be driving over the next decade is coming from innovation, new product launches across the companion animal space, vaccines, and across technologies. And the growth we expect to achieve is going to be well ahead of the animal health market and frankly is, I think, underappreciated by the Street.

Chris Shibutani - Goldman Sachs Research - Analyst

Okay, terrific. We’re past our time. There’s many more opportunities to talk. And I could go on forever, but I really appreciate you joining us, Rob Davis, Dean Li from Merck. Thank you.

Robert Davis - Merck & Co Inc - Chairman of the Board, President, Chief Executive Officer

Thank you very much.

Dean Li - Merck & Co Inc - Executive Vice President, President - Merck Research Laboratories

Thank you.
JUNE 11, 2024 / 2:00PM, MRK.N - Merck & Co Inc at Goldman Sachs Global Healthcare Conference

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