



*We invent for
a more hopeful tomorrow.*

Q1 2019 EARNINGS CALL

April 30, 2019



We are an innovative, global healthcare leader, committed to improving health and well-being around the world.

Forward-Looking Statement of Merck & Co., Inc., Kenilworth, N.J., USA

This presentation from Merck & Co., Inc., Kenilworth, N.J., USA (the “company”) includes “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based upon the current beliefs and expectations of the company’s management and are subject to significant risks and uncertainties. There can be no guarantees with respect to pipeline products that the products will receive the necessary regulatory approvals or that they will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements.

Risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation in the United States and internationally; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the company’s ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the company’s patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the company’s 2018 Annual Report on Form 10-K and the company’s other filings with the Securities and Exchange Commission (SEC) available at the SEC’s Internet site (www.sec.gov).

STRATEGY IN ACTION

Merck is well-positioned for growth and value creation by addressing unmet medical needs, delivering innovations and returning capital to shareholders



Mission

To discover, develop and provide innovative products and services that save and improve lives around the world



**REINVENT DISCOVERY
RESEARCH AND ADVANCE
THE PIPELINE**

Vision

Committed to being the premier, research-intensive biopharmaceutical company



**CREATE VALUE FOR
SHAREHOLDERS AND
PATIENTS**

Execution

Proven strategy to deliver growth and create long-term sustainable shareholder value



**DELIVER TOP AND
BOTTOM LINE GROWTH**

CONSISTENT SCIENCE-DRIVEN STRATEGY TO CREATE VALUE FOR PATIENTS AND SHAREHOLDERS

Q1 PERFORMANCE HIGHLIGHTS

ALL GROWTH RATES EXCLUDE IMPACT OF EXCHANGE



DELIVERED WORLDWIDE SALES GROWTH

\$10.8B

↑ 11%

Returned \$2.5 billion to shareholders through dividends and share repurchases

Executed on value-enhancing business development, including the acquisitions of Immune Design and Antelliq

CREATED SHAREHOLDER VALUE

DROVE NON-GAAP EPS GROWTH

\$1.22

GAAP \$1.12¹

↑ 18%

Announced five additional approvals for KEYTRUDA globally, including 1L NSCLC (KN-189) in China and 1L RCC (KN-426) in the U.S.

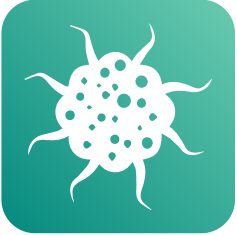
Announced two filing acceptances in our hospital/specialty business in the U.S.

Expanded V114 Phase 3 program with additional studies

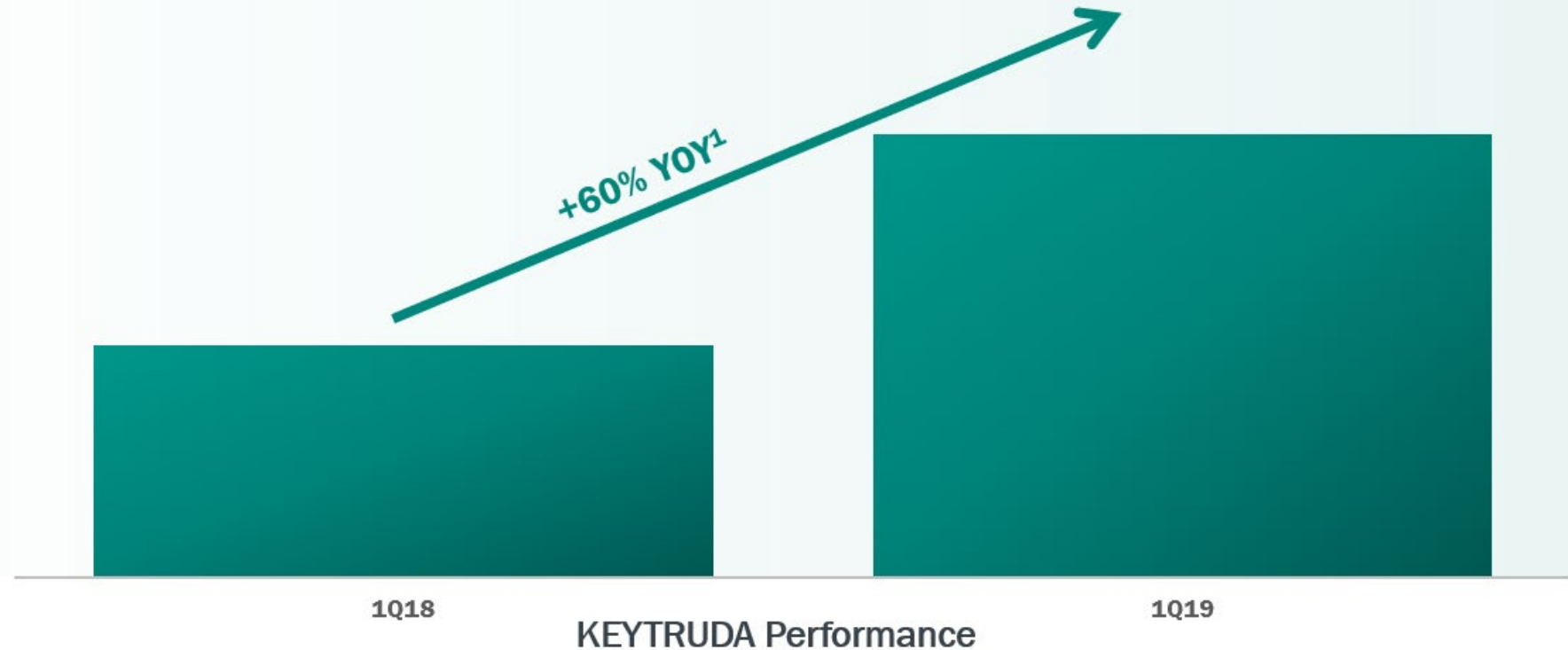
ADVANCED THE PIPELINE

1. The GAAP to non-GAAP reconciliation is available in the Supplemental Tables to Merck's Q1 2019 earnings release.

ONCOLOGY: STRONG KEYTRUDA AND LYNPARZA GROWTH

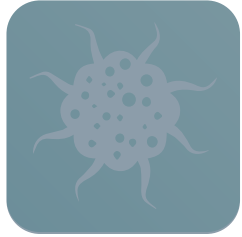


- KEYTRUDA growth of +60%¹ year-over-year including +69%¹ in International markets
- Ex-U.S. approvals and reimbursement of 1L NSCLC (KEYNOTE-189 and KEYNOTE-407)
- Encouraging early customer feedback in adjuvant melanoma
- Lynparza sales doubled in the quarter driven by 1L ovarian maintenance launch (SOLO-1) in the U.S. and expanded ovarian indication in Europe

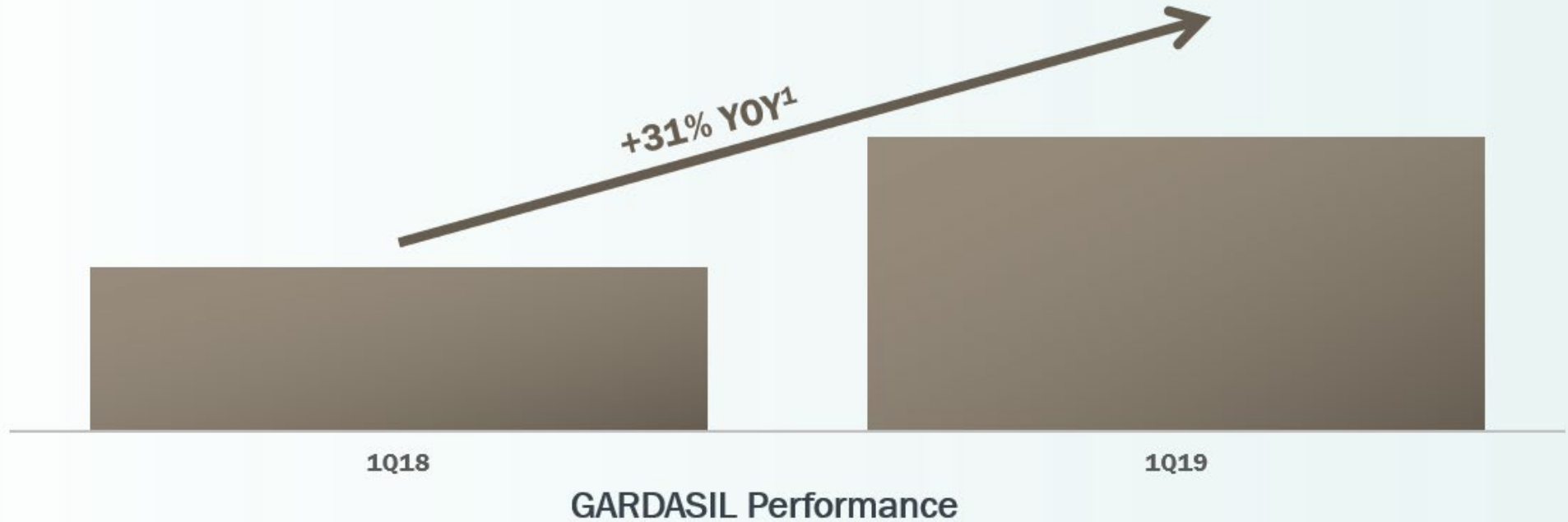


1. All growth rates exclude the impact of foreign exchange.

VACCINES: GARDASIL GLOBAL UPTAKE REMAINS ROBUST

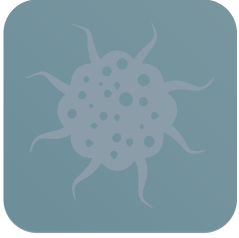


- Vaccine sales growth of +24%¹ driven by GARDASIL and GARDASIL 9, fueled by ongoing commercial launch in China and demand in Europe, partially offset by public sector buying patterns in the U.S.
- Pediatric vaccines, including PROQUAD / MMR-II / VARIVAX and ROTATEQ also contributed to vaccines growth

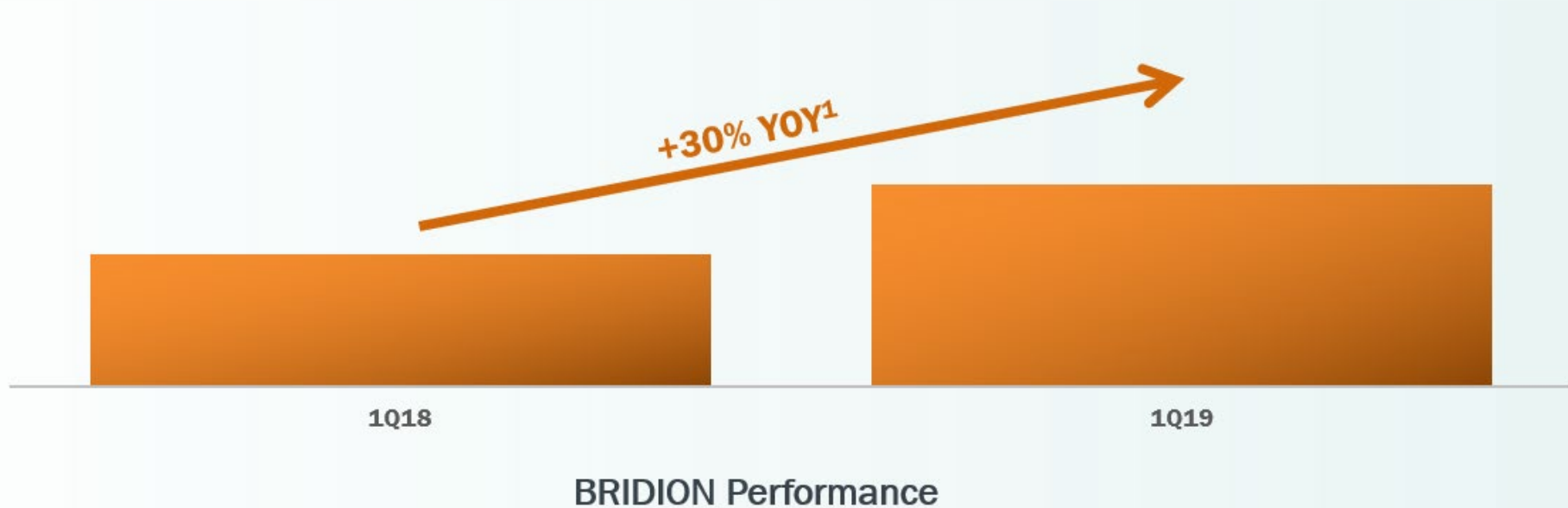


1. All growth rates exclude the impact of foreign exchange.

HOSPITAL/SPECIALTY: BRIDION DEMAND REMAINS STRONG

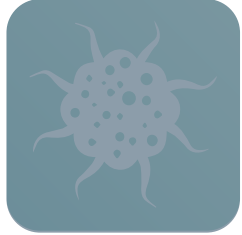


- BRIDION annualizing at over \$1 billion. Growth in the U.S. reflects increased utilization of BRIDION in procedures where neuromuscular blockade reversal agents are used
- Ongoing PREVYMIS launch contributing to performance
- Successful ZERBAXA trial in pneumonia with June 3 FDA PDUFA date



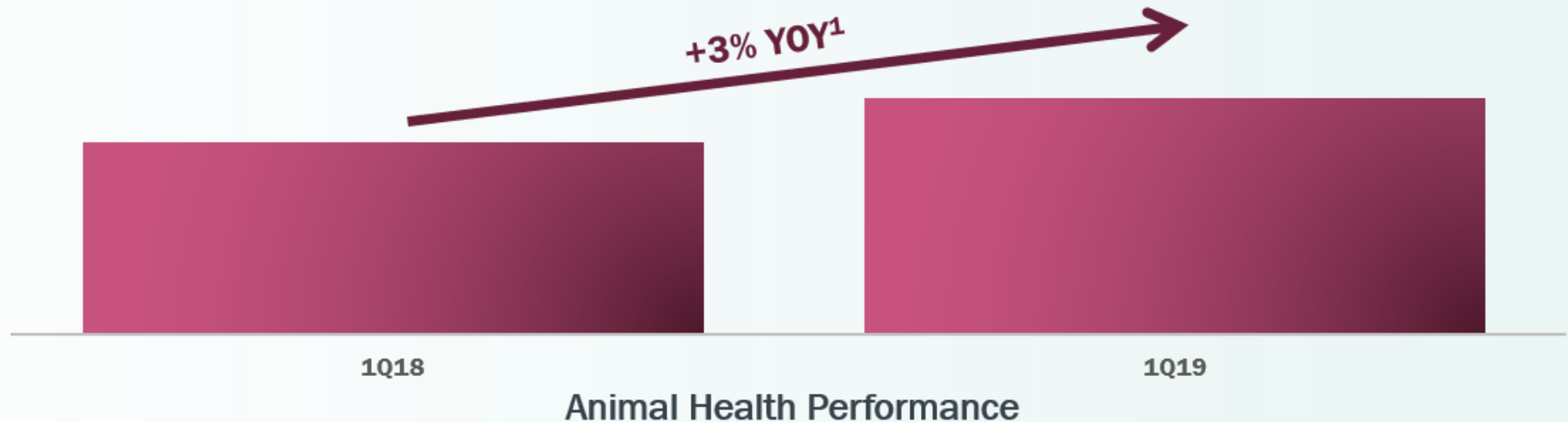
1. All growth rates exclude the impact of foreign exchange.

ANIMAL HEALTH: SUSTAINED PERFORMANCE



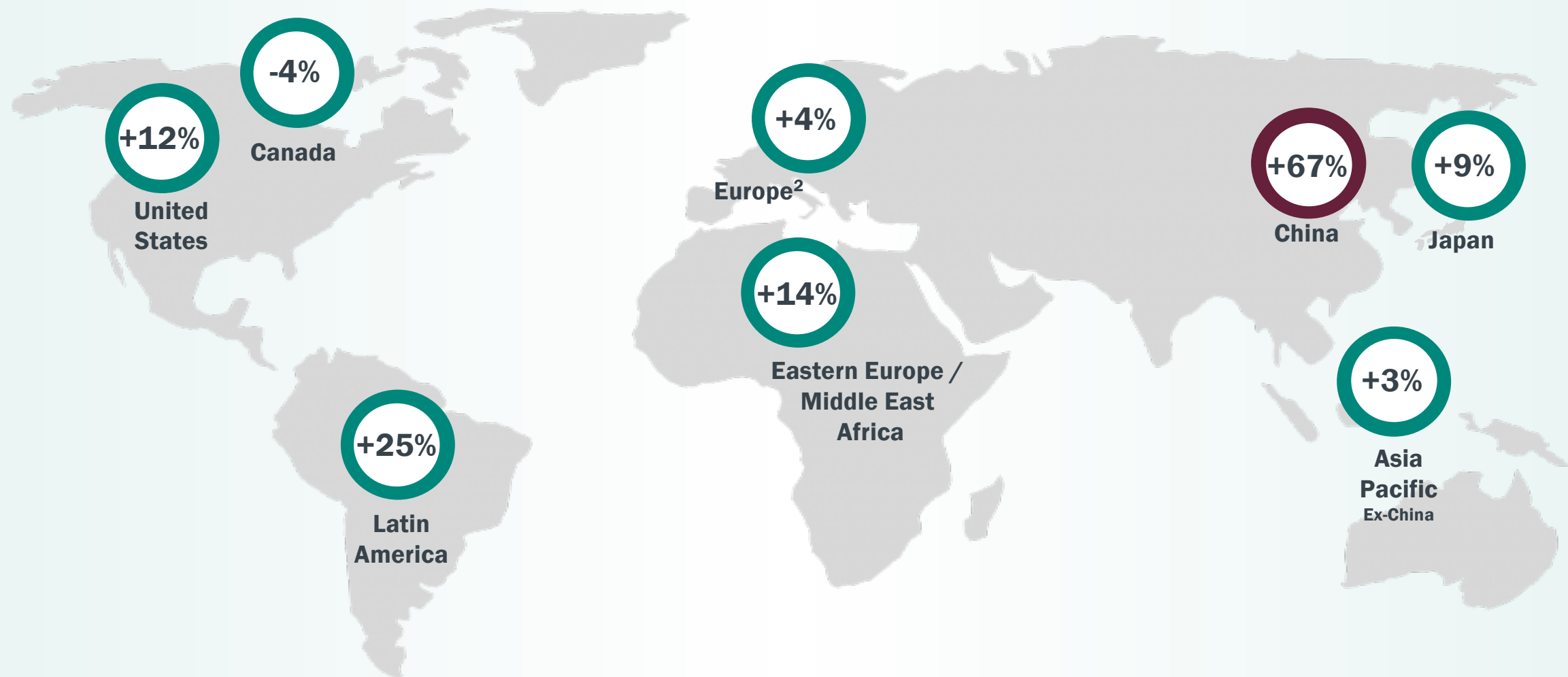
International growth offsets U.S. decline highlighting benefits of global scale

- Growth in companion animals, led by BRAVECTO, drove sales in the quarter. Growth also supported by new poultry and swine product sales
- Customer buying patterns within the U.S. business for livestock as well as a 7% negative impact from FX, offset demand growth
- Closed acquisition of Antelliq group, which establishes Merck as a leader in digital animal identification, traceability and monitoring solutions



1. All growth rates exclude the impact of foreign exchange.

ROBUST INTERNATIONAL PHARMACEUTICAL GROWTH LED BY CHINA¹



EX-U.S. GLOBAL PHARMACEUTICAL SALES +12%

¹ All growth rates exclude the impact of exchange.
² Europe primarily represents all European Union countries and the European Union accession markets.



FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS SUMMARY – Q1 2019

DELIVERED +11% REVENUE GROWTH AND +18% NON-GAAP EPS GROWTH (EX-FX)

\$ in millions, except EPS amounts

	Q1 2019	Q1 2018	Change	Change Ex-FX
Sales	\$10,816	\$10,037	8%	11%
GAAP net income ¹	2,915	736	> 100%	> 100%
Non-GAAP net income that excludes certain items ^{1,2}	3,175	2,844	12%	13%
GAAP EPS	1.12	0.27	> 100%	> 100%
Non-GAAP EPS that excludes certain items ²	1.22	1.05	16%	18%
GAAP Gross Margin	71.8%	68.3%	3.5pts	2.4pts
Non-GAAP Gross Margin ²	75.9%	75.7%	0.2pts	-0.9pts

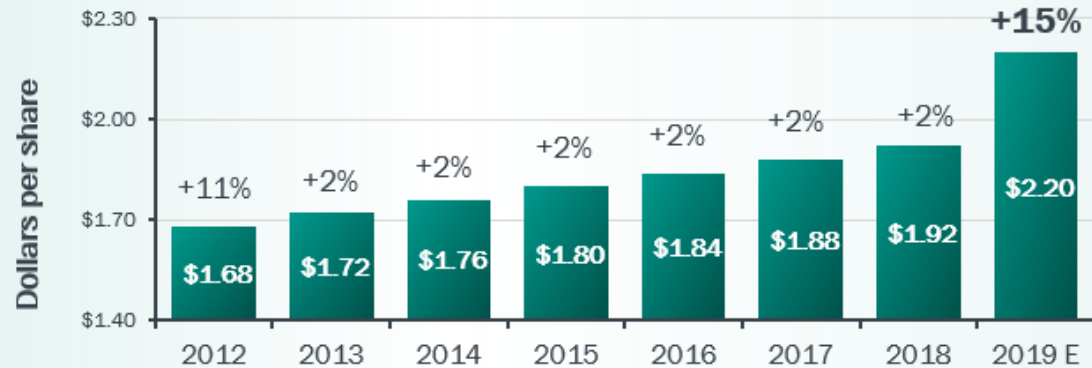
1. Net income attributable to Merck & Co., Inc.

2. Merck is providing certain 2019 and 2018 non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's results as it permits investors to understand how management assesses performance. Management uses these measures internally for planning and forecasting purposes and to measure the performance of the company along with other metrics. Senior management's annual compensation is derived in part using non-GAAP income and non-GAAP EPS. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP. For a description of the items, see Table 2a of the company's Q1 2019 earnings press release.

BALANCED APPROACH TO CAPITAL ALLOCATION

INVESTING IN THE BUSINESS AND CREATING VALUE FOR SHAREHOLDERS

Commitment to the Dividend



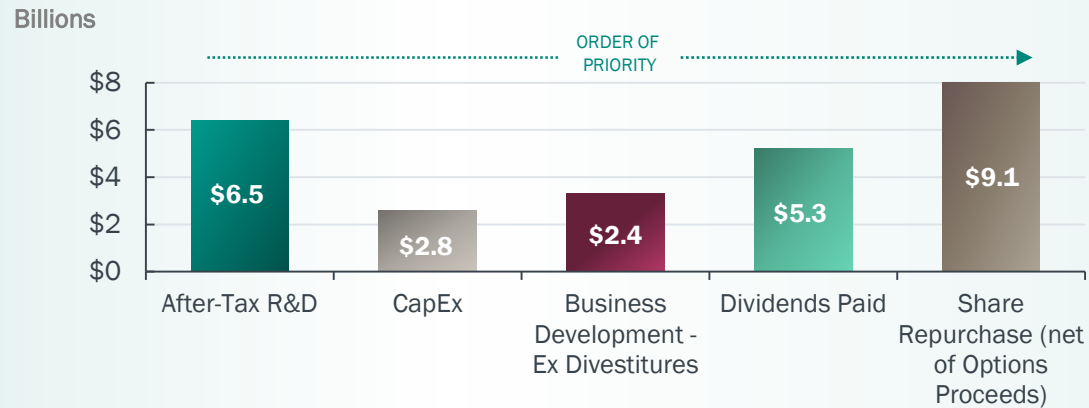
Capital Investments



\$16.0B

Over 5 years, including expanding manufacturing capacity for Oncology, Vaccines, and Animal Health. Includes approximately \$9B in the U.S.

Over the Past 12 Months



Balanced Capital Allocation to Return Cash to Shareholders While Investing in Growth

- Quarterly dividend increased 15%
- Additional \$10 billion share buyback authorized
 - Completed \$5 billion accelerated share repurchase program
- ~\$14 billion in 2018 dividend and share repurchases

UPDATED FULL-YEAR 2019 GUIDANCE

	PRIOR GUIDANCE	2019 UPDATED GUIDANCE	2019 KEY ASSUMPTIONS
Revenue	\$43.2B - \$44.7B +2% to +6% (+3% to +7% ex-FX)	\$43.9B - \$45.1B +4% to +7% (+5% to +8% ex-FX)	<ul style="list-style-type: none"> Narrowed and Raised; Assumes slightly over 1% negative FX impact
Non-GAAP Gross Margin ¹	Roughly in line with 2018	Roughly in line with 2018	<ul style="list-style-type: none"> Improved product mix and favorable FX offset by price, royalties, and collaboration milestones
Non-GAAP Operating Expenses ²	Low to mid single-digit increase	Low to mid single-digit increase	<ul style="list-style-type: none"> Increased R&D investment
Other (Income) / Expense	Roughly zero	Roughly zero	<ul style="list-style-type: none"> Assumes significantly lower gains from equity investments Higher net interest expense
Tax Rate ³	18.5% - 19.5%	18.5% - 19.5%	
Shares Outstanding	~2.6B	~2.6B	
GAAP EPS ⁴	\$3.97 - \$4.12	\$4.02 - \$4.14	
Non-GAAP EPS ⁴	\$4.57 - \$4.72 +5% to +9% (+4% to +8% ex-FX)	\$4.67 - \$4.79 +8% to +10% (+8% to +10% ex-FX)	<ul style="list-style-type: none"> Narrowed and Raised; Assumes slightly positive FX impact

1. GAAP Gross Margin: Low single digit increase compared to 2018

2. GAAP Operating Expenses: Mid single digit decrease compared to 2018

3. GAAP Tax Rate: 16.5% - 17.5%

4 The GAAP to non-GAAP reconciliation is available in Merck's Q1 2019 earnings release

WHAT TO WATCH

KEY CLINICAL & REGULATORY CATALYSTS THROUGH 2020

Oncology Clinical Readouts

KEYTRUDA	KN-057	NMIBC Bladder (Ph2)	2019
	KN-119	2L TNBC (Ph3)	
	KN-361	1L Bladder (Ph3)	
	KN-177	1L MSI-H CRC (Ph3)	
	KN-522	Neoadjuvant/Adjuvant TNBC (Ph3)	
	KN-355	1L TNBC (Ph3)	
	KN-629	2L Cutaneous Squamous Cell Carcinoma (Ph2)	
	KN-604	1L SCLC (Ph3)	
	KN-122	2L+ Nasopharyngeal Carcinoma (Ph3)	2020
Lynparza	POLO	gBRCAm 1L Pancreatic (Ph3) – Topline results announced	2019
	PROfound	Prostate Cancer (Ph3)	
	PAOLA-1	1L Ovarian Combination (Ph3)	
Lenvima	KN-581/ Study 307	1L RCC Combination with KEYTRUDA	2020

Vaccines, Hospital/Specialty and Other Clinical Readouts

MK-8591	Combination with doravirine (Ph2)	2019
MK-7264	Endometriosis-related Pain (Ph2)	
V114	Study in Healthy Infants (Ph2)	
ZERBAXA	HABP/VABP data presentation (Ph3)	
MK-7655A	HABP/VABP (Ph3)	2019-2021
V114	Eleven Ph3 Studies	
MK-7264	Chronic Cough (Ph3)	2020
Vericiguat	Heart Failure (Ph3)	

Regulatory

KN-048	1L H&N (monotherapy and combo) PDUFA	June 2019
KN-158/028	3L SCLC PDUFA	June 2019
ZERBAXA	HABP/VABP PDUFA	June 2019
MK-7655A	Bacterial infections PDUFA	July 2019

MERCK PIPELINE

Phase 2

ONCOLOGY

KEYTRUDA

Cutaneous Squamous Cell Carcinoma
Advanced Solid Tumors
Prostate

MK-7690

Colorectal cancer

VACCINES

V160

Cytomegalovirus

MK-1654

Respiratory Syncytial Virus

DIABETES

MK-8521

Diabetes Mellitus

LENVIMA

Non Small Cell Lung
Biliary Tract

CAVATAK (V937)

Melanoma

Selumetinib (MK-5618)

Pediatric Neurofibromatosis Type-1

NEUROSCIENCE

MK-8189

Schizophrenia

INFECTIOUS DISEASES

MK-8591

HIV Infection

GENERAL MEDICINE

GEFAPIXANT (MK-7264)

Endometriosis-related pain

Phase 3

ONCOLOGY

KEYTRUDA

Breast
Colorectal
Esophageal
Gastric
Hepatocellular
Nasopharyngeal
Ovarian
Renal
Small Cell Lung
Mesothelioma
Endometrial

LENVIMA

Endometrial
Renal

LYNPARZA

Pancreatic
Prostate

HOSPITAL ACUTE CARE

SIVEXTRO (MK-1986)

HABP/VABP Bacterial Pneumonia

VACCINES

V114

Pneumo conjugate

GENERAL MEDICINE

GEFAPIXANT (MK-7264)

Cough

CARDIOVASCULAR

VERICIGUAT (MK-1242)

Heart Failure

Under Regulatory Review

ONCOLOGY

KEYTRUDA

Renal Cell Carcinoma*
Small Cell Lung Cancer
Squamous Cell NSCLC (EU)*
Head and Neck Cancer
PD-L1+ NSCLC*
Alternative Dosing Q6W (EU)*

LYNPARZA (EU)

Breast Cancer*
Ovarian Cancer

HOSPITAL ACUTE CARE

ZERBAXA (MK-7625A)

HABP/VABP Bacterial Pneumonia

RELEBACTAM + (MK-7665A)

Bacterial Infection

VACCINES

V920

Ebola

CORPORATE RESPONSIBILITY THAT CREATES SUSTAINABLE VALUE

CORPORATE RESPONSIBILITY IS AT THE HEART OF MERCK'S MISSION TO DISCOVER, DEVELOP AND PROVIDE INNOVATIVE PRODUCTS AND SERVICES THAT SAVE AND IMPROVE LIVES



Access to Health

Increasing access to health advances Merck's efforts to serve more patients

- Long history of making medicines and vaccines accessible and affordable through responsible pricing practices and industry-leading patient access programs
- Addressing 88% of the top 20 global burdens of disease with products and pipeline
- Merck for Mothers - 10-year, \$500 million initiative to prevent maternal deaths has reached more than 7 million women worldwide
- Our 30+ year old MECTIZAN® Donation Program for river blindness and lymphatic filariasis that is making progress to eliminate these diseases in endemic countries. We've eliminated river blindness in 4 Latin American countries and in parts of 6 African countries so far, and we have eliminated lymphatic filariasis in 1 African country
- Rolling submission to FDA for V920, Merck's investigational vaccine for Ebola Zaire disease



Employees

Fostering diverse and gender-balanced workforce essential to performance as a research-intensive company and to attracting most talented scientists

- Numerous programs to engage employees and promote positive work environment (including female mentorship by female Board members)
 - 40% of new hires in 2017 were female
 - 40% of management roles in 2017 held by women
 - 36% of new U.S. hires in 2017 were members of underrepresented ethnic groups
 - 23% of U.S. executive roles in 2017 were held by members of underrepresented ethnic groups



Environmental Sustainability

Executing sustainability strategy to take advantage of opportunities to reduce environmental impact across operations and supply chain

- Energy-conservation and water-use-reduction initiatives
- Reducing environmental impacts of new products, packaging, buildings and equipment
- Purchasing electricity from renewable energy sources to reduce greenhouse gas emissions
- Collaborating with suppliers and customers to address shared needs and interests in environmentally beneficial ways




Ethics and Transparency

Earning trust and confidence of stakeholders is critical for a company in the business of marketing and selling medicines and vaccines

- Demonstrated commitment to transparency through disclosures about our business and how we operate, including being first pharmaceutical company to publish a multi-year report about pricing practices
- Work with broad range of stakeholders to help develop and advance innovative financing and payment models to improve access
- Integrating the SDGs into our reporting to demonstrate our commitment to sustainable development

MERCK 2019 INVESTOR DAY

Thursday, June 20, 2019
New York, NY



We try never to forget that medicine is for the people.

It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear.

— GEORGE W. MERCK



MERCK

INVENTING FOR LIFE

Thank You.

