



Merck Q2 2020 Earnings



Forward-looking statement of Merck & Co., Inc., Kenilworth, N.J., USA

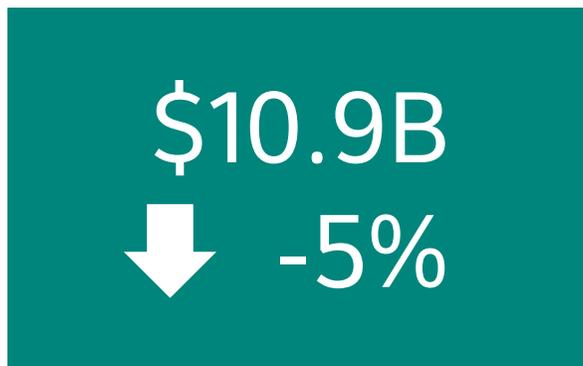
This presentation of Merck & Co., Inc., Kenilworth, N.J., USA (the “company”) includes “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include statements with respect to the company's plans to spinoff certain of its businesses into an independent company, the timing and structure of such spinoff, the characteristics of the business to be separated, the expected benefits of the spin-off to the company and the expected effect on the company's dividends. 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 whether the proposed spinoff will be completed on the proposed timetable or at all or 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 the recent global outbreak of novel coronavirus disease (COVID-19); 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 2019 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).

Q2 performance highlights

Revenue impacted by reduced patient access¹



Strong financial discipline helped drive non-GAAP EPS growth¹



- Continued commitment to value-enhancing business development, including three COVID-19 research deals and the Animal Health acquisitions of Sentinel and Quantified Ag
- Returned \$1.6 billion to shareholders through dividends
- Continued to invest in our key growth pillars and made significant progress in advancing our pipeline

Created shareholder value

- In the U.S., received 7 FDA approvals across oncology portfolio, including 4 for KEYTRUDA (KN-177, KN-629, TMB-H, Q6W dosing), 2 for Lynparza (PAOLA-1, PROfound) and 1 for Koselugo (NF-1)
- Outside the U.S., Lynparza approved by EMA for pancreatic cancer based on POLO, and KEYTRUDA approved in China for esophageal cancer based on KN-181
- Virtually presented first-time and updated data from oncology program at AACR and ASCO, including KN-177, KN-189, KN-204, KN-355, KN-524, KN-555, KN-799, and MK-6482 in VHL
- GARDASIL 9 granted accelerated approval by FDA for HPV-related H&N cancers, and first 2 positive Phase 3 datasets for investigational PCV vaccine, V114, were presented at ISPPD
- FDA approved RECARBRIO for HABP/VABP and data from STEGLATRO's VERTIS CV trial were presented at ADA

Advanced the pipeline

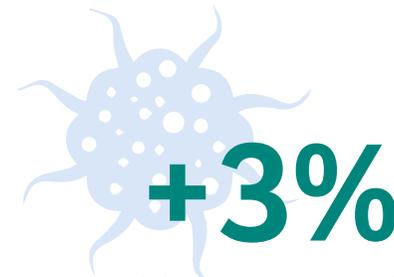
1. Growth rates exclude impact of foreign exchange
2. The GAAP to non-GAAP reconciliation is available in the Supplemental Tables to Merck's Q2 2020 earnings release.
3. GAAP EPS \$1.18

Fundamentals of the business remain intact through the first half of the year

Growth in 1H20 reflects strong underlying demand for our innovative portfolio



Total Revenue

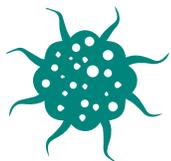


Human Health



Animal Health

Oncology: strong growth across portfolio

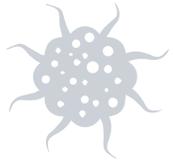


- KEYTRUDA sales of \$3.4B increased 31% year-over-year, reflecting strong growth despite slight decline in new patient starts due to COVID-19
 - In the U.S sales of \$2.0B driven by growth across all key tumor types, including continued growth in lung
 - 23% international growth, driven by global uptake in lung more
- Strong growth from both Lynparza and Lenvima continues to bolster oncology portfolio with growth of 62% and 57%, respectively
- Year-to-date growth across our oncology business continues to reflect fundamental strength with KEYTRUDA, Lynparza and Lenvima growing 38%, 72% and 64%, respectively

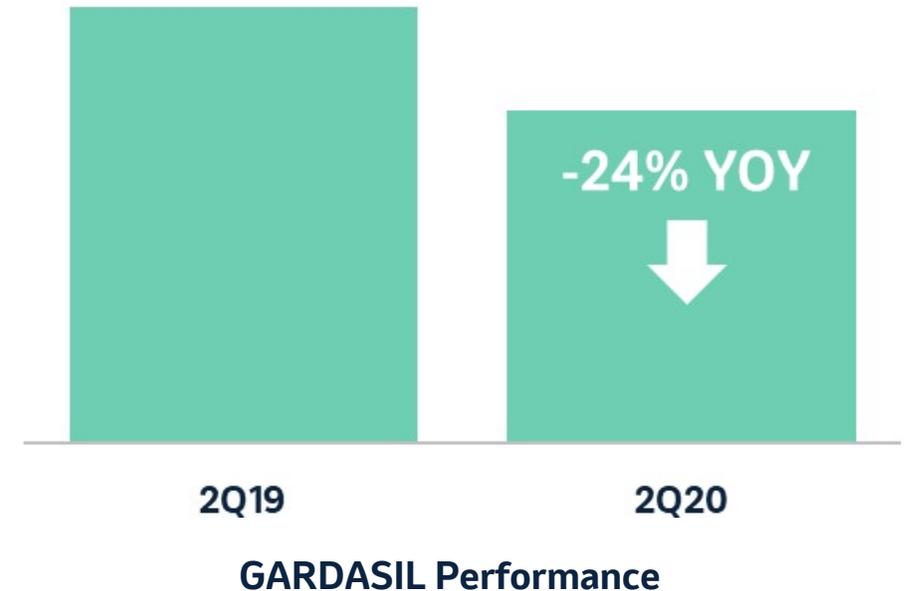


1. All growth rates exclude the impact of foreign exchange.

Vaccines: short-term challenges driven by stay-at-home orders



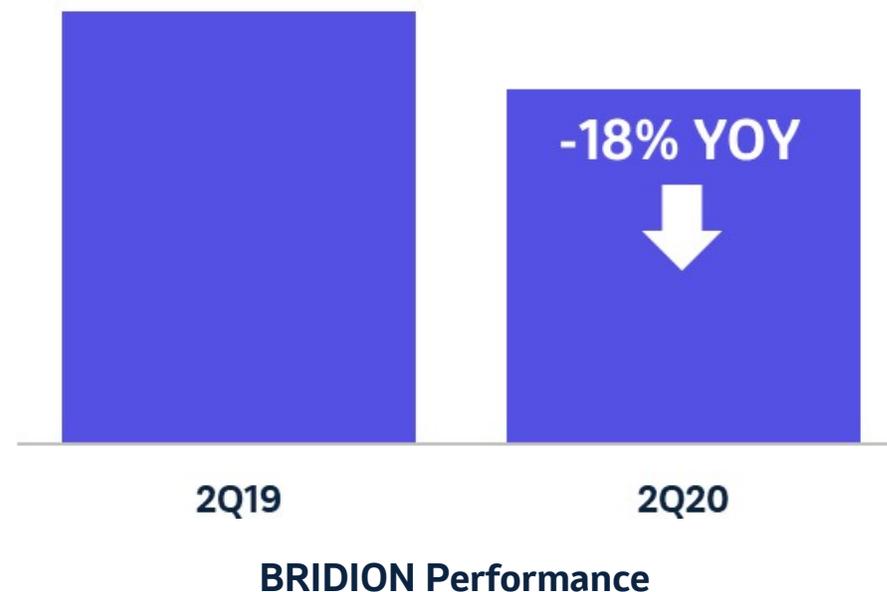
- Vaccines sales declined 29% year-over-year due to COVID-19 related stay at home orders and reduced patient visits to physician offices
- GARDASIL sales of ~\$660M decreased 24% year-over-year
 - In the U.S., sales decreased 63% primarily due to reduced patient access to providers
 - Ex-U.S., GARDASIL sales grew 18%, reflecting underlying demand growth in China, partially offset by lower demand in Hong Kong due to the pandemic
- Pediatric vaccines also declined due to lower demand in the U.S. related to the COVID-19 pandemic and fewer measles outbreaks
- Year-to-date, demand drove 4% global growth for GARDASIL



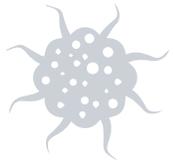
Hospital: reduced access to hospitals & delayed procedures



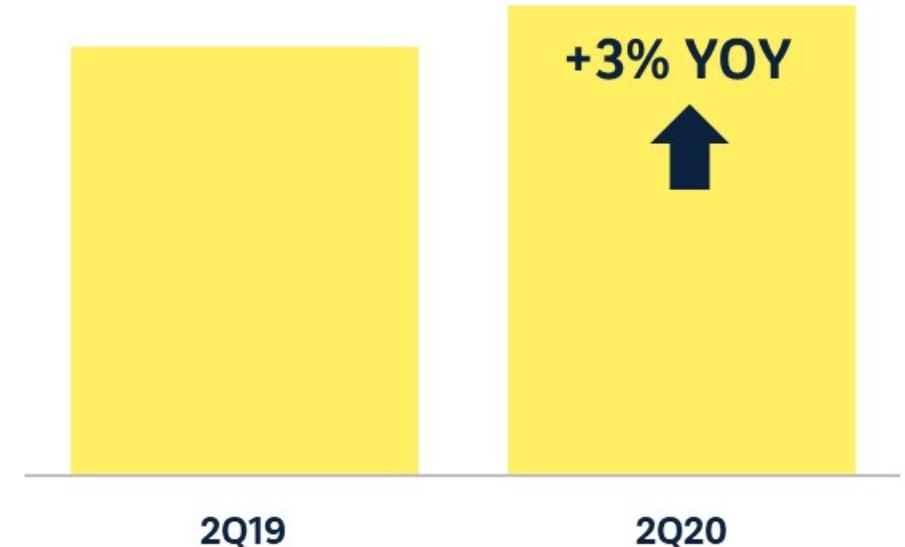
- BRIDION sales of ~\$225M declined 18% year-over-year driven by delayed or canceled surgery procedures
 - Underlying health of business remains strong, and year-to-date BRIDION sales were flat year-over-year
- Ongoing launch of PREVYMIS drove 67% growth in the quarter
- Demonstrated commitment to the development of novel antibiotics and antivirals as evidenced by recent RECARBIO HABP/VABP approval



Animal Health: underlying strength more than offset COVID-19 headwind

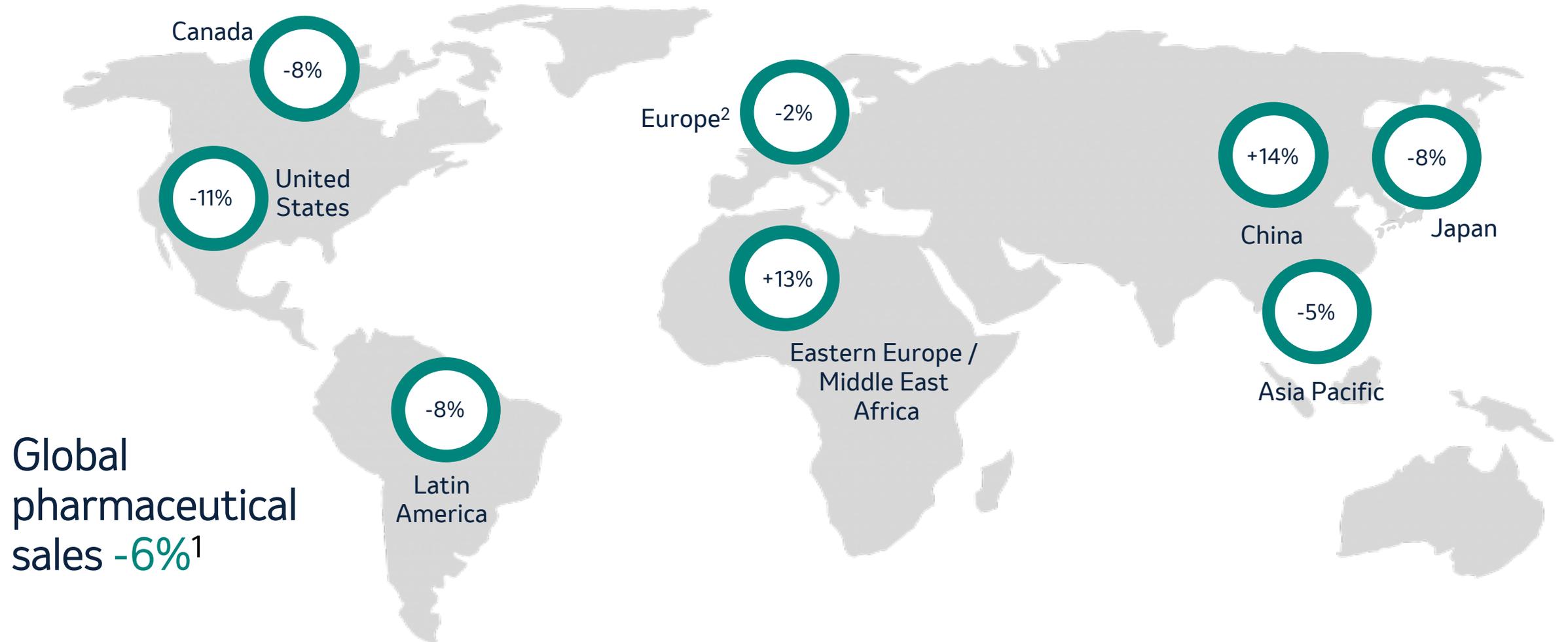


- Animal Health sales increased 3% to ~\$1.1B, absorbing ~\$100M COVID-19 headwind
 - Livestock sales increased 3% due to an acquisition in Animal Health Intelligence. Sales were impacted by decreased protein and milk demand due to restaurant and school closures resulting from the pandemic
 - Companion Animal sales increased 3%, driven by strong growth from the BRAVECTO line of products. Sales reflected reduced veterinary visits
- Year-to-date, Animal Health increased 12%, reflecting the fundamental strength of the business and an acquisition



Animal Health Performance

Human health performance impacted by global pandemic



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

2. Europe primarily represents all European Union countries and the European Union accession markets.

Q2 2020 financial results summary: Strong P&L resiliency despite patient access challenges

\$ in billions, except EPS amounts

	Q2 2020	Q2 2019	Change	Change Ex-FX
Sales	\$10.9B	\$11.8	-8%	-5%
GAAP Gross Margin	70.9%	71.1%	-0%	-0%
Non-GAAP Gross Margin ²	73.8%	75.4%	-2%	-2%
GAAP net income ¹	\$3.0	\$2.7	+12%	+17%
Non-GAAP net income that excludes certain items ^{1,2}	\$3.5	\$3.4	+4%	+7%
GAAP EPS	\$1.18	\$1.03	+15%	+19%
Non-GAAP EPS that excludes certain items ²	\$1.37	\$1.30	+6%	+9%

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

2. Merck is providing certain 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. In addition, senior management's annual compensation is derived in part using non-GAAP pretax income. This information should be considered in addition to, but not as a substitute for or superior to, information prepared in accordance with GAAP.

Confident in the long-term fundamental strength of our business

Business Recovery	Financial Strength	Pipeline Progress	Strategic Direction
<ul style="list-style-type: none">• Business recovered through the quarter with stronger underlying performance and improving momentum into quarter-end• Key growth drivers remain intact with strength in the quarter from KEYTRUDA and Animal Health and favorable recovery trends in both Vaccines and Hospital	<ul style="list-style-type: none">• Financial strength and conservatively positioned balance sheet allow for continued execution on capital allocation priorities, including business development• Disciplined expense management expected to result in operating leverage	<ul style="list-style-type: none">• Pipeline continues to mature with key upcoming presentations, data readouts and filings across late-stage pipeline assets, including gefapixant, V114, vericiguat, islatravir, and in early stage oncology• Accelerating our COVID-19 research efforts	<ul style="list-style-type: none">• Committed to the spinoff of Organon & Co. to best position both companies for stronger futures• Evolving the operating model to help ensure success in a changing landscape• Remain highly focused on strategic business development

Leveraging strong legacy and expertise in vaccines and anti-infectives to thoughtfully select and develop promising SARS-CoV-2 candidates

Vaccines

Conviction: Vaccine development based on technology and platforms proven to work safely and effectively

Effectiveness: Vaccines that we believe could be effective with a single dose

Scalability: Investigational vaccines that can be deployed globally

Antivirals

Timeliness: Opportunity to have a more immediate and direct impact on SARS-CoV-2 outbreak

Formulation: Focus on oral formulation with potential to provide convenience in access and administration

Applicability: Agent with the possibility to play a role in this and potential future coronavirus outbreaks

Driving multiple scientific programs in an effort to help combat COVID-19

Vaccine candidates		Antiviral candidate
IAVI Collaboration (V590)	Themis Acquisition (V591)	Ridgeback Collaboration (MK-4482)
<p>Collaboration with IAVI to develop an investigational vaccine against SARS-CoV-2 using the recombinant vesicular stomatitis virus (rVSV) technology</p> <p>rVSV is the basis for Merck's Ebola Zaire virus vaccine, ERVEBO, which is the first rVSV vaccine approved for use in humans</p> <p>V590 expected to enter the clinic in the second half of 2020</p>	<p>Acquisition of Themis, a company focused on vaccines and immune-modulation therapies for infectious diseases and cancer</p> <p>Broad pipeline of vaccine candidates and immune-modulatory therapies developed using Themis' innovative measles virus vector platform</p> <p>V591 expected to enter the clinic in 3Q20</p>	<p>Collaboration with Ridgeback Bio to develop MK-4482, an orally available antiviral candidate for the treatment of patients with COVID-19</p> <p>To date, initial results from a Phase 1 study suggest compound is well tolerated</p> <p>Phase 2 trials currently underway</p>

Updated guidance assumptions: COVID-19

Pandemic Recovery Assumptions

- Favorable recovery trends through the end of the second quarter:
 - Height of pandemic impact seen in April; recovery began in May and improved through June
- Improved patient access to hospitals and other healthcare sites
- Healthcare system is better positioned to provide care to patients as we move through the balance of the year
- Continue to anticipate a gradual recovery through the third quarter with a return to normal operating levels in the fourth quarter

Human Health

- Meaningful increases in wellness visits through end of quarter set up favorable trends heading into the second half of the year
- We will continue to monitor patient access to providers given ongoing pandemic, but believe healthcare system overall is adapting in order to provide care to patients

Animal Health

- Improving trends favorably impact full year outlook across companion animal and livestock businesses following vet clinic openings and lifting of stay at home orders
- We will continue to monitor restaurant and school openings and potential impact on demand for our livestock products

Updated full-year 2020 guidance

	Prior Guidance	Updated Guidance	Key Assumptions
Revenue	\$46.1B - \$48.1B -2% to +3% (+1% to +5% ex-FX)	\$47.2 - \$48.7B +1 to +4% (+3% to +6% ex-FX)	<ul style="list-style-type: none"> Assumes ~2.0% negative FX impact Reflects strong underlying performance and reduced COVID-19 impacts
Non-GAAP Gross Margin Rate ¹	~75.0%	~75.0%	<ul style="list-style-type: none"> No change
Non-GAAP Operating Expenses ²	Low single-digit rate decrease	Roughly flat	<ul style="list-style-type: none"> Increased spend on COVID-19 research efforts
Other (Income) / Expense	~\$200M of other expense	~\$550M of other income	<ul style="list-style-type: none"> Reflects gains on equity investments, based on 6/30/20 prices
Tax Rate ³	17.0% to 18.0%	16.0% to 16.5%	<ul style="list-style-type: none"> Reflects favorable impact of earnings mix
Shares Outstanding	~2.54B	~2.54B	<ul style="list-style-type: none"> No change
GAAP EPS ⁴	\$4.14 to \$4.29	\$4.58 to \$4.73	
Non-GAAP EPS ⁴	\$5.17 to \$5.37 0% to +4% (+3% to +7% ex-FX)	\$5.63 to \$5.78 +8% to +11% (+11% to +14% ex-FX)	<ul style="list-style-type: none"> Assumes ~3% negative FX impact

1. GAAP Gross Margin Rate: Higher than 2019

2. GAAP Operating Expenses: Lower than 2019 by a low-single-digit rate

3. GAAP Tax Rate: ~15.0 - 15.5%

4. The GAAP to non-GAAP reconciliation is available in Merck's Q2 2020 earnings release

Balanced approach to capital allocation: Investing in the business and creating value for shareholders

Commitment to the Dividend



Over the Past 12 Months



Capital Investments 2019 to 2023



~\$20.0B

Over 5 years, including expanding manufacturing capacity for Oncology, Vaccines, and Animal Health. Includes >\$10.0B in the U.S.

Balanced Capital Allocation to Return Cash to Shareholders While Investing in Growth Over Past 12 Months

- \$8.9 billion invested in R&D (\$7.4 billion after-tax)
- ~\$6 billion spent on business development, including acquisitions and collaborations for 3 COVID-19 vaccine and antiviral candidates, and 2 Animal Health deals
- \$10 billion in dividend and share repurchases
 - Remain committed to the dividend, which increased 11% in 2020
 - Returned \$3.7 billion share repurchases (excluding option proceeds)
- Issued \$4.5B of debt at low rates

Continued progress on the spinoff of Organon & Co.

Announced Jersey City, NJ as the global headquarters for Organon & Co.

Appointment of key external talent to add to strong executive leadership team:

- Matt Walsh, Chief Financial Officer
- Rachel Stahler, Chief Information Officer
- Deborah H. Telman, General Counsel

Spinoff remains on track for completion in the first half of 2021

Rooted in our belief that
two, more focused
companies will drive
stronger growth and
unlock long-term value for
patients and shareholders

Creating long-term value for patients, employees and shareholders

Next 5 Years

Strong execution driving sustainable revenue growth, meaningful margin expansion and accelerated bottom-line growth



5-10 Years

Rich pipeline addressing areas of high unmet need to drive performance over the next 5 to 10 years



10+ Years

Revitalized discovery efforts and increased expertise in biology to deliver ongoing scientific breakthroughs for decades to come

Anchored by our deep bench of talent and commitment to our mission

Continuing to make progress on our ESG commitments



Access to Health

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

- Rich history of making medicines and vaccines accessible and affordable through responsible pricing practices and industry-leading patient support programs
- Implemented refreshed Access to Health Guiding Principles to ensure we continue to fulfill our commitment to access by focusing on the most critical issues
- Reaching more than 11 million women worldwide through Merck for Mothers, a \$500 million initiative
- Through our 30+ year old MECTIZAN® Donation Program, eliminated river blindness in 4 Latin American countries and in parts of 6 African countries so far, and eliminated lymphatic filariasis in 2 countries in Africa and the Middle East
- Thanks to the commitment of many collaborators across multiple sectors, ERVEBO, Merck's vaccine for the prevention of disease caused by Zaire ebolavirus, is now approved in the United States, conditionally approved in the European Union, prequalified by the WHO, and registered in six African countries (with additional African registrations pending review)



Employees

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

- Offering numerous programs to engage employees and promote positive work environment (including female mentorship by female Board members)
- Partnering with Year Up, a nonprofit that enables low-income young adults of color to move from minimum wage to meaningful careers in just one year
- Increase in 2019 in women on our Board (25%), in executive roles (36%), and in management roles (43%)
- Recognized as a 2020 best place to work for LGBTQ equality by the Human Rights Campaign (HRC) Foundation
- Identified by the American Indian Science and Engineering Society (AISES) as a 50 Top STEM Workplaces for Indigenous STEM Professionals



Environmental Sustainability

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

- Featuring energy-conservation and water-use-reduction initiatives
- Reducing environmental impacts as evidenced by an EPA Green Chemistry Challenge Award four years running (seven awards overall)
- Purchasing electricity from renewable energy sources to reduce greenhouse gas emissions, including the launch of our first large wind virtual power purchase agreement
- 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