Merck
Q2 2020 Earnings
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 access

$10.9B
-5%

Strong financial discipline helped drive non-GAAP EPS growth

$1.37
+9%

- 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
- 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

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

1. Growth rates reflect year-to-date (1H20 vs. 1H19) and exclude the impact of foreign exchange.
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
  o In the U.S sales of $2.0B driven by growth across all key tumor types, including continued growth in lung
  o 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

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

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

1. All growth rates exclude the impact of foreign exchange.
Human health performance impacted by global pandemic

Global pharmaceutical sales -6%¹

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

<table>
<thead>
<tr>
<th>$ in billions, except EPS amounts</th>
<th>Q2 2020</th>
<th>Q2 2019</th>
<th>Change</th>
<th>Change Ex-FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$10.9B</td>
<td>$11.8</td>
<td>-8%</td>
<td>-5%</td>
</tr>
<tr>
<td>GAAP Gross Margin</td>
<td>70.9%</td>
<td>71.1%</td>
<td>-0%</td>
<td>-0%</td>
</tr>
<tr>
<td>Non-GAAP Gross Margin</td>
<td>73.8%</td>
<td>75.4%</td>
<td>-2%</td>
<td>-2%</td>
</tr>
<tr>
<td>GAAP net income&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$3.0</td>
<td>$2.7</td>
<td>+12%</td>
<td>+17%</td>
</tr>
<tr>
<td>Non-GAAP net income that excludes certain items&lt;sup&gt;1,2&lt;/sup&gt;</td>
<td>$3.5</td>
<td>$3.4</td>
<td>+4%</td>
<td>+7%</td>
</tr>
<tr>
<td>GAAP EPS</td>
<td>$1.18</td>
<td>$1.03</td>
<td>+15%</td>
<td>+19%</td>
</tr>
<tr>
<td>Non-GAAP EPS that excludes certain items&lt;sup&gt;2&lt;/sup&gt;</td>
<td>$1.37</td>
<td>$1.30</td>
<td>+6%</td>
<td>+9%</td>
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</table>

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

<table>
<thead>
<tr>
<th>Business Recovery</th>
<th>Financial Strength</th>
<th>Pipeline Progress</th>
<th>Strategic Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business recovered through the quarter with stronger underlying performance and improving momentum into quarter-end.</td>
<td>• Financial strength and conservatively positioned balance sheet allow for continued execution on capital allocation priorities, including business development.</td>
<td>• 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.</td>
<td>• Committed to the spinoff of Organon &amp; Co. to best position both companies for stronger futures.</td>
</tr>
<tr>
<td>• Key growth drivers remain intact with strength in the quarter from KEYTRUDA and Animal Health and favorable recovery trends in both Vaccines and Hospital.</td>
<td>• Disciplined expense management expected to result in operating leverage.</td>
<td>• Accelerating our COVID-19 research efforts.</td>
<td>• Evolving the operating model to help ensure success in a changing landscape.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 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.</td>
<td>• Remain highly focused on strategic business development.</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Vaccine candidates</th>
<th>Antiviral candidate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IAVI Collaboration (V590)</strong></td>
<td><strong>Themis Acquisition (V591)</strong></td>
</tr>
<tr>
<td>Collaboration with IAVI to develop an investigational vaccine against SARS-CoV-2 using the recombinant vesicular stomatitis virus (rVSV) technology</td>
<td>Acquisition of Themis, a company focused on vaccines and immune-modulation therapies for infectious diseases and cancer</td>
</tr>
<tr>
<td>rVSV is the basis for Merck’s Ebola Zaire virus vaccine, ERVEBO, which is the first rVSV vaccine approved for use in humans</td>
<td>Broad pipeline of vaccine candidates and immune-modulatory therapies developed using Themis’ innovative measles virus vector platform</td>
</tr>
<tr>
<td>V590 expected to enter the clinic in the second half of 2020</td>
<td>V591 expected to enter the clinic in 3Q20</td>
</tr>
</tbody>
</table>
### 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

<table>
<thead>
<tr>
<th>Human Health</th>
<th>Animal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaningsful increases in wellness visits through end of quarter set up favorable trends heading into the second half of the year</td>
<td>Improving trends favorably impact full year outlook across companion animal and livestock businesses following vet clinic openings and lifting of stay at home orders</td>
</tr>
<tr>
<td>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</td>
<td>We will continue to monitor restaurant and school openings and potential impact on demand for our livestock products</td>
</tr>
</tbody>
</table>
## Updated full-year 2020 guidance

<table>
<thead>
<tr>
<th></th>
<th>Prior Guidance</th>
<th>Updated Guidance</th>
<th>Key Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$46.1B - $48.1B</td>
<td>$47.2 - $48.7B</td>
<td>• Assumes ~2.0% negative FX impact&lt;br&gt;• Reflects strong underlying performance and reduced COVID-19 impacts</td>
</tr>
<tr>
<td></td>
<td>-2% to +3% (+1% to +5% ex-FX)</td>
<td>+1 to +4% (+3% to +6% ex-FX)</td>
<td></td>
</tr>
<tr>
<td><strong>Non-GAAP Gross Margin Rate¹</strong></td>
<td>~75.0%</td>
<td>~75.0%</td>
<td>• No change</td>
</tr>
<tr>
<td><strong>Non-GAAP Operating Expenses²</strong></td>
<td>Low single-digit rate decrease</td>
<td>Roughly flat</td>
<td>• Increased spend on COVID-19 research efforts</td>
</tr>
<tr>
<td><strong>Other (Income) / Expense</strong></td>
<td>~$200M of other expense</td>
<td>~$550M of other income</td>
<td>• Reflects gains on equity investments, based on 6/30/20 prices</td>
</tr>
<tr>
<td><strong>Tax Rate³</strong></td>
<td>17.0% to 18.0%</td>
<td>16.0% to 16.5%</td>
<td>• Reflects favorable impact of earnings mix</td>
</tr>
<tr>
<td><strong>Shares Outstanding</strong></td>
<td>~2.54B</td>
<td>~2.54B</td>
<td>• No change</td>
</tr>
<tr>
<td><strong>GAAP EPS⁴</strong></td>
<td>$4.14 to $4.29</td>
<td>$4.58 to $4.73</td>
<td></td>
</tr>
<tr>
<td><strong>Non-GAAP EPS⁴</strong></td>
<td>$5.17 to $5.37</td>
<td>$5.63 to $5.78</td>
<td>• Assumes ~3% negative FX impact</td>
</tr>
<tr>
<td></td>
<td>0% to +4% (+3% to +7% ex-FX)</td>
<td>+8% to +11% (+11% to +14% ex-FX)</td>
<td></td>
</tr>
</tbody>
</table>

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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

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

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.

Commitment to the Dividend

Over the Past 12 Months
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**

- 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**

- 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**

- 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**

- 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

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

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

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

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