

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
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Share Price (5/8/2014)  
Swiss Exchange, in USD **56.03**

# of Shares (,000)	2,922,376.00
Market Cap (in USD mn )	163,740.73
A.D. Volume (p)	11,528,241
Beta Co-efficient	0.40
<b>Statistical Data</b>	
Max 52 week, USD	59.62
Min 52 week, USD	45.09
1-M Rtn	-5.35%
6-M Rtn	2.08%
12-M Rtn	15.67%

Source: VRS Calculations, Reuters.

## Stock Price Performance (1 year, in USD)



Note: Share price performance based on share price closes on New York Stock Exchange.  
Period as day/month/year.

## MERCK INC

Listed on New York Stock Exchange, US [Bloomberg Ticker: MRK:US] [Reuters Ticker: MRK.N]

**Business Sector: Pharmaceutical Companies**

### Corporate & Investment Highlights

- Merck & Co Inc is a US based pharmaceutical company with international operations. Merck stock is listed on the New York stock Exchange (NYSE) and the company's headquarters are located in New Jersey. It is the second largest pharmaceutical company worldwide based on market share.
- On consolidated basis, total debt increased during the last five years from USD 6.240 billion in 2008 to USD 25.060 billion in 2013. The total equity of Merck increased from USD 18.758 million in 2008 to USD 59.058 million in 2009 due to the acquisition of Schering-Plough for USD 41 billion.
- Merck stock has been outperforming the market over the past 52 wks. Trailing P/E and P/S ratios stand at 29.17x and 3.76x respectively.

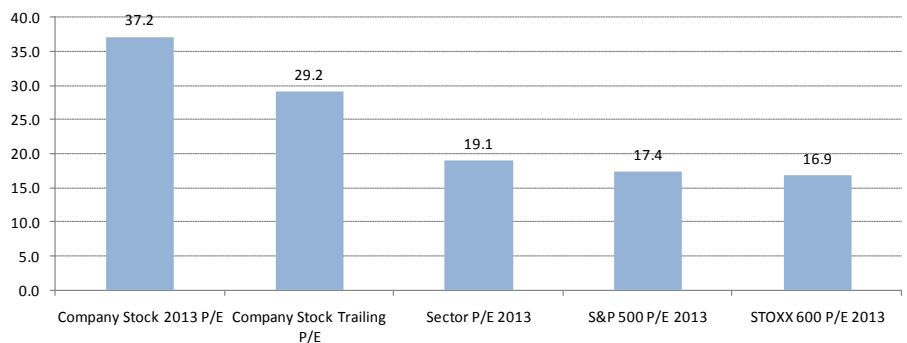
[As of the date of this report, the latest available financial statements of the Company/Group were of the 2<sup>nd</sup> Quarter 2014.]

### 1<sup>st</sup> Half 2014 Consolidated Results

(USD million)	6M 2014	%	6M 2013
Revenues	21,198.0	-2.23%	21,682.0
EAT (Net Income)	3,709.0	48.42%	2,499.0

Source: The Company.

### Company Historic P/E Multiple versus Market P/E Multiples (x)



Source: VRS calculations based on consolidated IFRS accounts, FACTSET.

### Important Note:

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# Company Report

**FLASH NOTE**  
August 5, 2014

## MERCK INC

Listed on New York Stock Exchange, US [Bloomberg Ticker: MRK:US] [Reuters Ticker: MRK.N]

**Business Sector: Pharmaceutical Companies**

### BASIC FINANCIAL INDICATORS

(in USD mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT/EQUITY (x)	ROE %
<b>2008</b>	23,850.3	12,954.9	9,931.7	7,808.4	21.0	8.7	12.8	0.3	42%
<b>2009</b>	27,428.0	17,891.0	15,290.0	12,899.0	12.7	2.8	9.6	0.3	22%
<b>2010</b>	45,987.0	10,375.0	1,653.0	861.0	190.2	3.0	16.5	0.3	2%
<b>2011</b>	48,047.0	16,308.0	7,334.0	6,272.0	26.1	3.0	10.3	0.3	12%
<b>2012</b>	47,267.0	15,739.0	8,739.0	6,168.0	26.5	3.1	10.9	0.4	12%
<b>2013</b>	44,033.0	14,308.0	5,545.0	4,404.0	37.2	3.3	12.1	0.5	9%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price.  
Source: Official Consolidated Financial Statements, VRS Calculations.  
n/c stands for non calculable.

### Working Capital Ratios

in USD million		2008	2009	2010	2011	2012	2013
Revenues	USD mn	23,850.30	27,428.00	45,987.00	48,047.00	47,267.00	44,033.00
Cost (net of depreciation)	USD mn	5,582.50	9,019.00	18,396.00	16,871.00	16,446.00	16,954.00
Gross Profit Margin	%	76.59%	67.12%	60.00%	64.89%	65.21%	61.50%
Net Income / Profit	USD mn	7,808.40	12,899.00	861.00	6,272.00	6,168.00	4,404.00
Net Profit Margin	%	32.7%	47.0%	1.9%	13.1%	13.0%	10.0%
Cash & Cash Equivalents	USD mn	4,368.30	9,311.40	10,900.00	13,531.00	13,451.00	15,621.00

### Stock Days

Days	137	326	116	135	145	134
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### Stock Inventory

USD mn	2,091.00	8,055.30	5,868.00	6,254.00	6,535.00	6,226.00
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### Debtors Days

Days	44	88	58	63	59	60
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### Debtors - Receivables

USD mn	2,907.70	6,602.90	7,344.00	8,261.00	7,672.00	7,184.00
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### Creditors Days

Days	40	91	46	53	39	49
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### Creditors - Suppliers

USD mn	617.60	2,236.90	2,308.00	2,462.00	1,753.00	2,274.00
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### Operating Cycle (Days)

Days	181	414	175	198	204	194
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### Cash Cycle (Days)

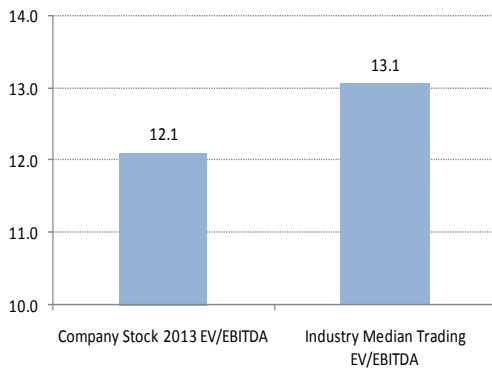
Days	141	323	129	145	165	145
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Source: Official Consolidated Financial Statements, VRS Calculations.  
Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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Company Historic EV/EBITDA Multiple versus Industry Market EV/EBITDA Multiple (x)



Source: VRS calculations based on consolidated accounts, VALMETRICS VALUATION INDEX.

### Group Sales Breakdown

Period 2011 – 6M 2014, Per Business Segment

USD million, consolidated figures

	6M 2014	2013	2012	2011
<b>Pharmaceuticals</b>				
Sales	17,538	37,437	40,601	41,289
<b>Animal Health</b>				
Sales	1,685	3,362	3,399	3,253
<b>Consumer Care</b>				
Sales	1,129	1,894	1,952	1,840
<b>Other Revenues</b>				
Sales	846.00	1,340	1,315	1,665

Source: The Company.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
MERCK INC	MRK:US	MRK.N	USD 56.03	August 5, 2014	----

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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