

Merck & Co.

Latest 4Q23 and 2023 Consensus as of
TODAY

Maintain Rating: BUY | PO: 135.00 USD | Price: 121.66 USD

Latest Consensus Estimates

Ahead of Merck reporting 4Q23 results tomorrow (2/1) before the market open, we have assessed the latest consensus estimates for 4Q23 and 2023 as of TODAY. Looking to 2024, we're above consensus on top and bottom lines (rev: \$65.0B vs. \$63.4B cons; EPS: \$8.60 vs. \$8.40), driven by strong commercial execution (Keytruda, Gardasil, and new launches). Maintain Buy, PO \$135 on solid growth trajectory.

Exhibit 1: Merck: Latest 4Q23 and 2023 estimates

The latest consensus expectations for Merck as of today

4Q23 estimates / growth

(\$ in mil, except /sh)	Cons	BofA	Growth	Change
Total Revenue	\$14,492	\$14,623	5%	Cons is -5M compared to past week
Adjusted EPS	-0.10	-0.11	NM	Cons is flat compared to past week

Key 4Q23 & 2023 products / growth

	4Q23 Cons	4Q23 BofA	Growth	2023 Cons	2023 BofA	Growth
Keytruda - US	\$3,902	\$3,950	15%	\$14,920	\$15,093	18%
Keytruda - OUS	\$2,456	\$2,464	19%	\$9,631	\$9,725	17%
Keytruda - Total	\$6,355	\$6,414	17%	\$24,562	\$24,818	17%
Gardasil - US	\$415	\$492	58%	\$2,139	\$2,210	4%
Gardasil - OUS	\$1,548	\$1,614	28%	\$6,839	\$6,910	42%
Gardasil	\$1,963	\$2,105	34%	\$8,977	\$9,119	30%
Vaxneuvance	\$201	\$261	N/A	\$687	\$750	489%
ProQuad	\$548	\$504	4%	\$2,371	\$2,327	6%
Januvia/Janumet	\$691	\$667	-24%	\$3,265	\$3,245	-28%
Animal Health	\$1,327	\$1,296	8%	\$5,674	\$5,643	2%

2023 estimates / growth

	Cons	BofA	Growth	Change
Total Revenue	\$59,931	\$60,107	1%	Cons is +\$23M in the past week
Adjusted EPS	1.38	1.37	-82%	Cons is flat compared to past week

Margin Analysis

	4Q23 Cons	4Q23 BofA	2023 Cons	2023 BofA
Gross Margin	77.4%	77.6%	76.9%	77.0%
Operating Margin	-2.9%	-3.4%	10.2%	10.0%
Net Margin	-1.8%	-1.8%	5.8%	5.8%

Source: BofA Global Research, Visible Alpha, Bloomberg; * includes adjustment for Daiichi collaboration, which impacts 4Q

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Top Questions for the Call

The top questions heading into tomorrow's print/call are: **1)** commercial performance from core products (i.e., Keytruda & Gardasil), **2)** launch expectations for sotatercept, V116, and HER3-DXd, **4)** updates on pipeline assets (e.g., ADC, TIGIT), **5)** commentary on 2024 guide and medium-term outlook (growth and margin), and **6)** BD environment.

Conference Call Details

Merck is hosting a call tomorrow, 2/1 at 9AM ET. Dial in: (800) 779-6561; ID 5958465

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Timestamp: 31 January 2024 02:21PM EST

31 January 2024

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Stock Data

Price	121.66 USD
Price Objective	135.00 USD
Date Established	26-Jan-2024
Investment Opinion	A-1-7
52-Week Range	99.14 USD - 121.76 USD
Mrkt Val (mn) / Shares Out (mn)	308,289 USD / 2,534.0
Free Float	99.6%
Average Daily Value (mn)	1027.77 USD
BofA Ticker / Exchange	MRK / NYS
Bloomberg / Reuters	MRK US / MRK.N
ROE (2023E)	8.7%
Net Dbt to Eqty (Dec-2022A)	39.1%
ESGMeter™	High

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Abbreviations:

ADC: antibody drug conjugate
TIGIT: immune-checkpoint
BD: business development

Price objective basis & risk

Merck & Co. (MRK)

Our \$135 price objective (PO) is based on the intrinsic value of Merck standalone. We use a 50/50 blended average of our P/E multiple applied to 2025E EPS (we think the current 17x vs. 18x peer average makes sense to reflect continued strength of Merck's core growth franchises but broader Keytruda concentration risk concerns) and risk-adjusted DCF (7% WACC and -2% terminal growth rate).

Risks to our PO are 1) impressive competitor readouts results in key immuno-oncology (I/O) indications, 2) more rapid declines across the diabetes franchise than expected, 3) negative outcomes from the company's later-stage assets in ongoing development, and 4) pressures from headline risks facing the sector (including drug pricing reform).

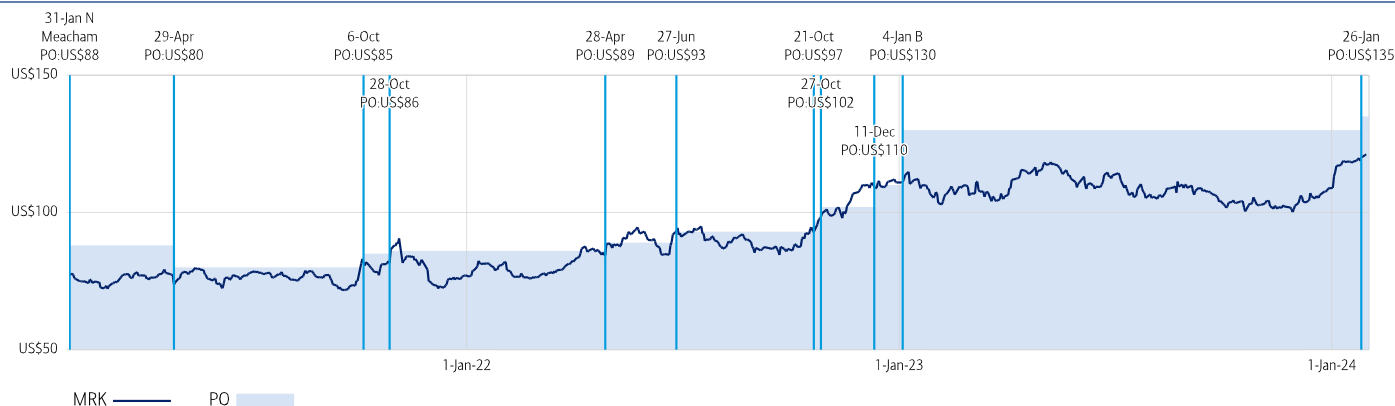
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Merck & Co. (MRK) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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