

# ModernGraham Valuation

Company Name:

Merck & Co., Inc.

Company Ticker MRK

Date of Analysis

11/11/2015



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$150,907,779,045	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.62	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Fail
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	65.15%	Pass
6. Moderate PEmg Ratio	PEmg < 20	21.82	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.36	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.62	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.20	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$2.48
MG Growth Estimate	1.21%
<b>MG Value</b>	<b>\$27.04</b>
MG Value based on 3% Growth	\$35.92
MG Value based on 0% Growth	\$21.06
Market Implied Growth Rate	6.66%

### MG Opinion

Current Price	\$54.05
% of Intrinsic Value	199.86%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$9.55
Graham Number	\$27.58
PEmg	21.82
Current Ratio	1.62
PB Ratio	3.36
Dividend Yield	3.33%
Number of Consecutive Years of Dividend Growth	5

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.09	Next Fiscal Year Estimate	\$2.48
Dec14	\$4.07	Dec14	\$2.44
Dec13	\$1.47	Dec13	\$1.84
Dec12	\$2.00	Dec12	\$2.26
Dec11	\$2.02	Dec11	\$2.29
Dec10	\$0.28	Dec10	\$2.32
Dec09	\$5.65	Dec09	\$3.05
Dec08	\$3.63	Dec08	\$1.79
Dec07	-\$1.04	Dec07	\$1.16
Dec06	\$2.03	Dec06	\$2.37
Dec05	\$2.10	Dec05	\$2.62
Dec04	\$2.62	Dec04	\$2.91
Dec03	\$2.97	Dec03	\$3.01
Dec02	\$3.14	Dec02	\$2.93
Dec01	\$3.14	Dec01	\$2.72
Dec00	\$2.90	Dec00	\$2.40
Dec99	\$2.45	Dec99	\$2.06
Dec98	\$2.15	<b>Balance Sheet Information                      Sep15</b>	
Dec97	\$1.87	Total Current Assets	\$28,567,000,000
Dec96	\$1.56	Total Current Liabilities	\$17,583,000,000
Dec95	\$1.32	Long-Term Debt	\$24,124,000,000
		Total Assets	\$101,232,000,000
		Intangible Assets	\$41,485,000,000
		Total Liabilities	\$55,645,000,000
		Shares Outstanding (Diluted Average)	2,836,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

## Recommended Reading:

Other  
ModernGraham  
posts about the  
company

- [5 Most Overvalued Dow Components – July 2015](#)
- [5 Most Overvalued Dow Components – June 2015](#)
- [5 Most Overvalued Dow Components – May 2015](#)
- [5 Most Overvalued Dow Components – February 2015](#)
- [5 Most Overvalued Dow Components – February 2015](#)

Other  
ModernGraham  
posts about related  
companies

- [Zoetis Inc. Valuation – October 2015 Update \\$ZTS](#)
- [Biogen Inc. Valuation – October 2015 Update \\$BIIB](#)
- [Perrigo Company PLC Analysis – October 2015 Update \\$PRGO](#)
- [Amgen Inc. Analysis – September 2015 Update \\$AMGN](#)
- [Pfizer Inc Analysis – September 2015 Update \\$PFE](#)
- [Johnson & Johnson Analysis – September 2015 Update \\$JNJ](#)
- [Celgene Corporation Analysis – September 2015 Update \\$CELG](#)
- [Allergan PLC Analysis – August 2015 Update \\$AGN](#)
- [The Best Companies of the Pharmaceuticals Industry – August 2015](#)
- [Alexion Pharmaceuticals Inc. Analysis – August 2015 Update \\$ALXN](#)