# **ModernGraham Valuation**

### **Company Name:**

Merck & Co., Inc.

Company Ticker MRK

Date of Analysis 3/21/2016



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

 ${\it Defensive\ Investor;\ must\ pass\ 6\ out\ of\ the\ following\ 7\ tests.}$ 

Adequate Size of the Enterprise	Market Cap > \$2Bil	\$147,061,541,931 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.55 Fail
Earnings Stability	Positive EPS for 10 years prior	Fail
Dividend Record	Dividend Payments for 10 years prior	Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at	
5. Earnings Growth	beginning and end	12.14% Fail
Moderate PEmg Ratio	PEmg < 20	18.92 Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.32 Fail

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

Current Ratio > 1.5	1.55 Pass
Debt to NCA < 1.1	2.27 Fail
Positive EPS for 5 years prior	Pass
Currently Pays Dividend	Pass
EPSmg greater than 5 years ago	Pass
	Debt to NCA < 1.1 Positive EPS for 5 years prior Currently Pays Dividend

Suitability

Defensive No Enterprising Yes

#### Stage 2: Determination of Intrinsic Value

EPSmg	\$2.76
MG Growth Estimate	3.36%
MG Value	\$42.07
MG Value based on 3% Growth	\$40.06
MG Value based on 0% Growth	\$23.48
Market Implied Growth Rate	5.21%

MG Opinion

Current Price \$52.26 % of Intrinsic Value 124.23%

Opinion Overvalued MG Grade C+

#### Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$9.62
Graham Number	\$36.12
PEmg	18.92
Current Ratio	1.55
PB Ratio	3.32
Dividend Yield	3.46%
Number of Consecutive Years of Dividend Growth	6

Morningstar

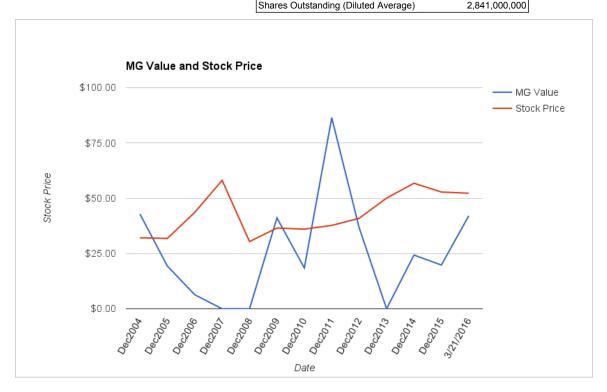
Useful Links: ModernGraham tagged articles

 Google Finance
 MSN Money

 Yahoo Finance
 Seeking Alpha

 GuruFocus
 SEC Filings

EPS History		EPSmg History	,
Next Fiscal Year Estimate	\$3.61	Next Fiscal Year Estimate	\$2.76
Dec2015	\$1.56	Dec2015	\$2.30
Dec2014	\$4.07	Dec2014	\$2.44
Dec2013	\$1.47	Dec2013	\$1.84
Dec2012	\$2.00	Dec2012	\$2.26
Dec2011	\$2.02	Dec2011	\$2.29
Dec2010	\$0.28	Dec2010	\$2.32
Dec2009	\$5.65	Dec2009	\$3.05
Dec2008	\$3.63	Dec2008	\$1.79
Dec2007	-\$1.04	Dec2007	\$1.16
Dec2006	\$2.03	Dec2006	\$2.37
Dec2005	\$2.10	Dec2005	\$2.62
Dec2004	\$2.62	Dec2004	\$2.91
Dec2003	\$2.97	Dec2003	\$3.01
Dec2002	\$3.14	Dec2002	\$2.93
Dec2001	\$3.14	Dec2001	\$2.72
Dec2000	\$2.90	Dec2000	\$2.40
Dec1999	\$2.45	Balance Sheet Information	Dec2015
Dec1998	\$2.15	Total Current Assets	\$29,764,000,000
Dec1997	\$1.87	Total Current Liabilities	\$19,203,000,000
Dec1996	\$1.56	Long-Term Debt	\$23,929,000,000
		Total Assets	\$101,779,000,000
		Intangible Assets	\$40,325,000,000
		Total Liabilities	\$57,103,000,000
		Shares Outstanding (Diluted Average)	2.841.000.000





#### 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

Merck & Co Valuation – November 2015 Update \$MRK

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

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Biogen Inc Valuation – February 2016 Update \$BIIB

Perrigo Co PLC Valuation – January 2016 Update \$PRGO

Johnson & Johnson Valuation – January 2016 Update \$JNJ

Mylan NV Valuation – January 2016 Update \$MYL