

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?

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

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$147,061,541,931	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.55	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	12.14%	Fail
6. 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.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.55	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.27	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

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

Useful Links:

ModernGraham tagged articles	Morningstar
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	
Dec1998	\$2.15	Dec2015	
Dec1997	\$1.87	Total Current Assets	\$29,764,000,000
Dec1996	\$1.56	Total Current Liabilities	\$19,203,000,000
		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.

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[5 Most Overvalued Dow Components – June 2015](#)
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[Perrigo Co PLC Valuation – January 2016 Update \\$PRGO](#)
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