ModernGraham Valuation

Company Name: Merck & Co., Inc.

Company Ticker MRK

Date of Analysis 2/24/2018

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	$149,489,797,063	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.43	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
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	-19.12%	Fail
6. Moderate PEmg Ratio	PEmg < 20	23.13	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.91	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	1.43	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	2.58	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		Fail
	Score		

Suitability

Defensive	**No**
Enterprising	**No**

Stage 2: Determination of Intrinsic Value

EPSmg		$2.37
MG Growth Estimate		-0.39%
MG Value		**$18.30**
MG Value based on 3% Growth		$34.40
MG Value based on 0% Growth		$20.17
Market Implied Growth Rate		7.31%

MG Opinion

Current Price		$54.87
% of Intrinsic Value		299.87%
Opinion	**Overvalued**	
MG Grade	**D+**	

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$9.35
Graham Number	$0.00
PEmg	23.13
Current Ratio	1.43
PB Ratio	3.91
Current Dividend	$1.89
Dividend Yield	3.44%
Number of Consecutive Years of Dividend Growth	7

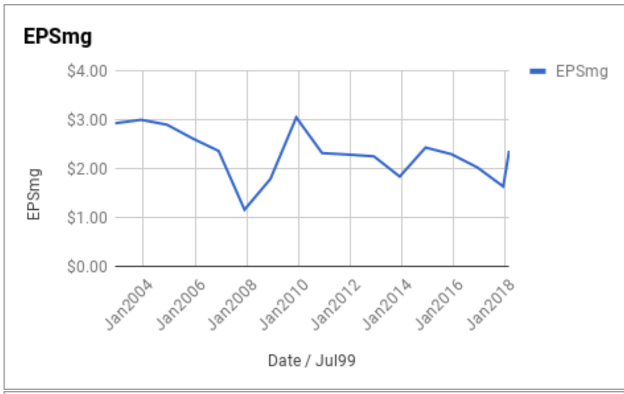
Useful Links:

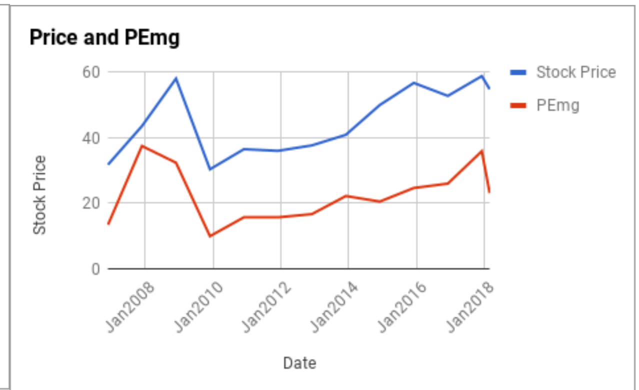
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

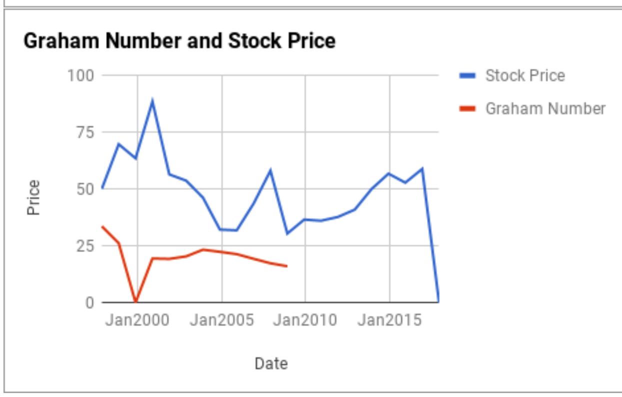
EPS History	
Next Fiscal Year Estimate	$4.09
Dec2017	$0.93
Dec2016	$1.41
Dec2015	$1.56
Dec2014	$4.07
Dec2013	$1.47
Dec2012	$2.00
Dec2011	$2.02
Dec2010	$0.28
Dec2009	$5.65
Dec2008	$3.63
Dec2007	-$1.04
Dec2006	$2.03
Dec2005	$2.10
Dec2004	$2.62
Dec2003	$2.97
Dec2002	$3.14
Dec2001	$3.14
Dec2000	$2.90
Dec1999	$2.45
Dec1998	$2.15

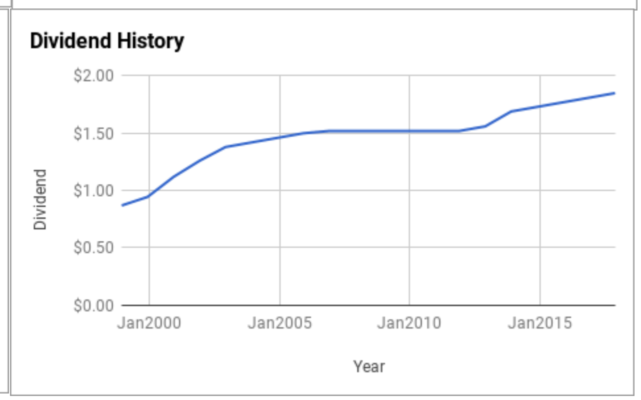
EPSmg History	
Next Fiscal Year Estimate	$2.37
Dec2017	$1.64
Dec2016	$2.03
Dec2015	$2.30
Dec2014	$2.44
Dec2013	$1.84
Dec2012	$2.26
Dec2011	$2.29
Dec2010	$2.32
Dec2009	$3.05
Dec2008	$1.79
Dec2007	$1.16
Dec2006	$2.37
Dec2005	$2.62
Dec2004	$2.91
Dec2003	$3.01
Dec2002	$2.93

Balance Sheet Information	9/1/2017
Total Current Assets	$27,919,000,000
Total Current Liabilities	$19,467,000,000
Long-Term Debt	$21,838,000,000
Total Assets	$91,676,000,000
Intangible Assets	$33,478,000,000
Total Liabilities	$53,428,000,000
Shares Outstanding (Diluted Average)	2,727,000,000









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 Inc Valuation – August 2016 $MRK]
- [5 Overvalued Dow Components – July 2016]
- [Merck & Co Inc Valuation – March 2016 $MRK]
- [Merck & Co Valuation – November 2015 Update $MRK]
- [5 Most Overvalued Dow Components – July 2015]

Other ModernGraham posts about related companies

- [Bristol-Myers Squibb Co Valuation – September 2017 $BMY]
- [Momenta Pharmaceuticals Inc Valuation – Initial Coverage $MNTA]
- [Depomed Inc Valuation – Initial Coverage $DEPO]
- [Endo International PLC Valuation – July 2017 $ENDP]
- [Biogen Inc Valuation – July 2017 $BIIB]
- [Mylan NV Valuation – March 2017 $MYL]
- [Amgen Inc Valuation – March 2017 $AMGN]
- [Celgene Corporation Valuation – March 2017 $CELG]
- [Ligand Pharmaceuticals Inc Valuation – Initial Coverage $LGND]
- [Pfizer Inc Valuation – March 2017 $PFE]