



1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
8.22	9.90	11.40	14.05	17.49	20.99	23.07	10.12	10.39	10.09	10.44	11.14	11.32	8.82	14.92	15.80	15.65	15.25	Sales per sh	15.00
1.91	2.28	2.65	3.02	3.51	3.85	3.85	3.56	3.29	3.34	3.59	2.42	4.48	3.21	5.87	6.29	6.15	6.00	"Cash Flow" per sh	6.05
1.60	1.92	2.15	2.45	2.90	3.14	3.14	2.92	2.61	2.53	2.52	1.49	3.64	3.25	3.42	3.77	3.85	3.70	Earnings per sh ^A	3.70
.71	.85	.95	1.10	1.21	1.37	1.41	1.45	1.49	1.52	1.52	1.52	1.52	1.52	1.52	1.52	1.68	1.72	Div'ds Decl'd per sh ^B	1.84
.50	.61	.84	1.10	1.18	1.20	1.06	.86	.78	.64	.45	.47	.62	.47	.54	.57	.80	.85	Cap'l Spending per sh	.90
4.96	5.28	5.42	5.69	6.43	7.06	8.11	7.01	7.83	8.21	8.10	8.37	8.90	19.00	17.64	17.93	18.30	18.55	Book Value per sh	20.00
2413.2	2387.3	2360.5	2329.1	2307.6	2272.7	2245.0	2221.8	2208.6	2181.9	2167.8	2172.5	2107.7	3108.2	3082.1	3040.8	3030.0	3020.0	Common Shs Outst'g ^C	3000.0
21.3	24.8	30.0	29.8	25.6	22.7	17.3	18.2	16.2	12.1	15.2	34.1	10.2	9.1	10.5	9.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
1.33	1.43	1.56	1.70	1.66	1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.67	.57			Relative P/E Ratio	.85
2.1%	1.8%	1.5%	1.5%	1.6%	1.9%	2.6%	2.7%	3.5%	5.0%	4.0%	3.0%	4.1%	5.1%	4.2%	4.4%			Avg Ann'l Div'd Yield	3.8%

CAPITAL STRUCTURE as of 6/30/12				51790	22486	22939	22012	22636	24198	23850	27428	45987	48047	47400	46000	Sales (\$mill)	45000
Total Debt \$18979 mill. Due in 5 Yrs \$6900 mill.				21.9%	44.1%	35.2%	35.2%	32.9%	31.4%	48.5%	24.1%	23.3%	32.4%	30.0%	30.0%	Operating Margin	30.0%
LT Debt \$15057 mill. LT Interest \$800 mill.				1488.3	1314.2	1450.7	1708.1	2268.4	1988.0	1631.2	2576.0	7381.0	7427.0	7000	7000	Depreciation (\$mill)	7000
(21% of Cap'l)				7149.5	6589.6	5813.4	5575.8	5513.0	3275.4	7808.4	7409.3	10715	11697	11665	11175	Net Profit (\$mill)	11100
Pension Assets-12/11 \$12.5 bill. Oblig. \$14.4 bill.				30.0%	27.2%	27.1%	29.1%	29.9%	2.8%	20.4%	20.0%	20.0%	23.4%	24.0%	24.0%	Income Tax Rate	24.0%
Pfd Stock None				13.8%	29.3%	25.3%	25.3%	24.4%	13.5%	32.7%	27.0%	23.3%	24.3%	24.6%	24.3%	Net Profit Margin	24.7%
Common Stock 3,045,632,274 shs. as of 7/31/12				2458.7	1957.6	1731.1	7745.8	2507.5	2787.2	4986.2	12678	13423	16936	17000	17000	Working Cap'l (\$mill)	16000
MARKET CAP: \$138 billion (Large Cap)				4879.0	5096.0	4691.5	5125.6	5551.0	3915.8	3943.3	16075	15482	15525	15000	15000	Long-Term Debt (\$mill)	13000
				18201	15576	17288	17917	17560	18185	18758	59058	54376	54517	55500	56000	Shr. Equity (\$mill)	60000
				31.5%	32.4%	26.9%	24.9%	24.5%	15.5%	34.8%	10.1%	15.8%	17.2%	17.0%	16.5%	Return on Total Cap'l	15.5%
				39.3%	42.3%	33.6%	31.1%	31.4%	18.0%	41.6%	12.5%	19.7%	21.5%	21.0%	20.0%	Return on Shr. Equity	18.5%
				21.7%	21.4%	14.5%	12.4%	12.5%	NMF	24.1%	7.1%	11.0%	12.9%	12.0%	10.5%	Retained to Com Eq	9.5%
				45%	49%	57%	60%	60%	101%	42%	43%	44%	40%	44%	46%	All Div'ds to Net Prof	50%

CURRENT POSITION (SMILL.)				2010	2011	6/30/12
Cash Assets				12201	14972	17450
Receivables				7344	8261	8152
Inventory (LIFO)				5868	6254	6249
Other				3651	3694	3788
Current Assets				29064	33181	35639
Accts Payable				2308	2462	1674
Debt Due				2400	1990	3922
Other				10933	11793	11316
Current Liab.				15641	16245	16912

ANNUAL RATES				Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
of change (per sh)						
Sales				-3.0%	5.0%	2.0%
"Cash Flow"				4.0%	8.5%	3.0%
Earnings				2.0%	6.5%	1.0%
Dividends				2.0%	-	3.0%
Book Value				11.0%	17.5%	1.5%

QUARTERLY SALES (\$mill.)				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009					5385	5900	6050	10094	27428
2010					11422	11346	11125	12094	45987
2011					11580	12151	12022	12294	48047
2012					11731	12311	11600	11758	47400
2013					11000	11500	11500	12000	46000
EARNINGS PER SHARE ^A				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009					.72	.84	.90	.79	3.25
2010					.83	.86	.85	.88	3.42
2011					.92	.95	.94	.97	3.77
2012					.99	1.05	.92	.89	3.85
2013					.90	.90	.95	.95	3.70
QUARTERLY DIVIDENDS PAID ^B				Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008					.38	.38	.38	.38	1.52
2009					.38	.38	.38	.38	1.52
2010					.38	.38	.38	.38	1.52
2011					.38	.38	.38	.38	1.52
2012					.42	.42	.42		

(A) Based on avg. shares outstanding through 1997, diluted thereafter. Quarters may not sum due to rounding. Excludes nonrecurring gains (losses): '98, 1¢; '05, (43¢); '06, (13¢); '09, \$2.40; '10, (\$3.16); '11, (\$1.75). Next eggs. report due late October.

(B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan available.

(C) In millions, adjusted for stock split.

Company's Financial Strength A++
Stock's Price Stability 85
Price Growth Persistence 30
Earnings Predictability 75

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We are maintaining our 2012 estimates for Merck & Co. The company has performed relatively in line with our expectations thus far in 2012. Continued growth of its blockbuster *Singular* product, coupled with double-digit sales gains for *Januvia*, *Janumet*, and *Istentress*, have helped fuel a solid 6% earnings advance through the first half of the year. Although we expect performance to come under some pressure in the third and fourth quarters, mainly due to the patent expiration of *Singular* in August, a leaner cost structure and new product contributions should help to lighten the impact on the bottom line. All told, we have left our 2012 earnings estimate unchanged at \$3.85, implying year over year growth of 2%. Management reaffirmed its guidance range of \$3.75-\$3.85 a share.

The company is on track for six major filings in 2012 and 2013. In preparation for the loss of *Singular*, Merck had been allocating a substantial amount of resources into R&D in order to find replacements to help fill the void left by its aging blockbuster. After a period of limited visibility, several prospects are beginning to emerge from the pipeline which should help to bolster top-line generation over the long term. The primary candidates at this juncture include *Suvorexant*, *Odanacatib*, and *Tredaptive*.

Suvorexant is generating significant investor interest. Merck's insomnia treatment product has fared well in late-stage studies and management is confident a regulatory filing for approval will take place before year's end. With a growing number of the population suffering from sleep deprivation, and a high level of dissatisfaction among current therapies, *Suvorexant* has the potential to become a significant top-line component for the company down the road. At present, the sleep market is estimated at about \$2 billion.

This neutrally ranked blue chip is an attractive selection for investors seeking income and relative stability. Shares of MRK are currently yielding 3.7%, well above our *Survey's* 2.3% average. In addition, superior rankings for Safety (1) and Financial Strength (A++) make Merck one of the lower-risk plays within the pharmaceutical group.

Michael Ratty
 October 12, 2012