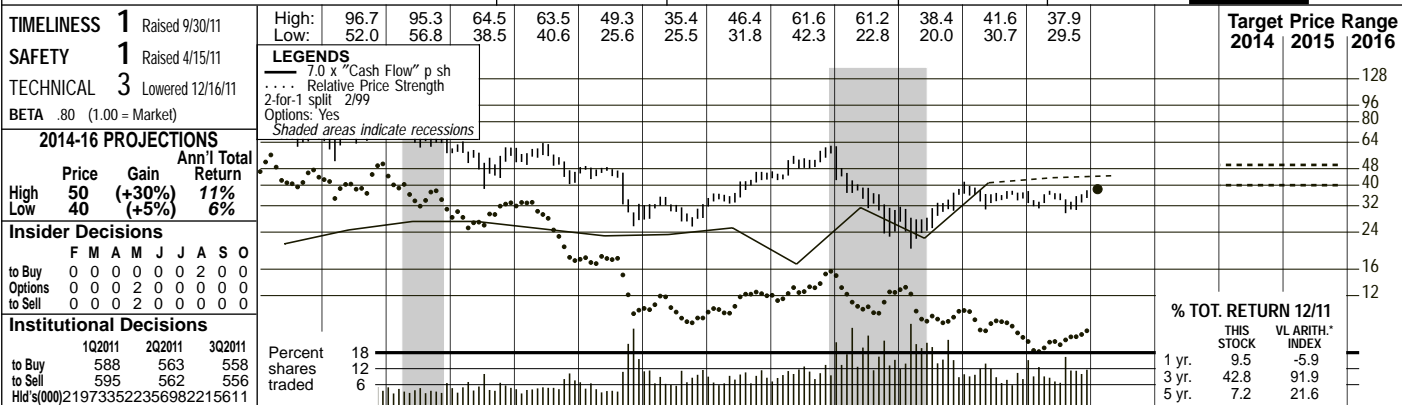


# MERCK & CO. NYSE-MRK

RECENT PRICE **38.30** P/E RATIO **10.1** (Trailing: 10.4 Median: 15.0) RELATIVE P/E RATIO **0.70** DIV'D YLD **4.4%** VALUE LINE



Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16	
Price	6.79	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	15.60	15.35	Sales per sh	15.00	
Gain	1.63	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	6.20	6.35	"Cash Flow" per sh	6.25	
Return	1.35	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	5.42	5.75	5.90	Earnings per sh <sup>A</sup>	3.60	
Options	.62	.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	1.52	1.68	Div's Decl'd per sh <sup>B</sup>	1.68
to Buy	.41	.50	.61	.84	1.10	1.18	1.20	1.06	.86	.78	.64	.45	.47	.62	.47	.54	.60	.65	Cap'l Spending per sh	.80	
to Sell	4.78	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	17.55	17.70	Book Value per sh	19.35	
to Buy	2457.7	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	3080.0	3060.0	Common Shs Outst'g <sup>C</sup>	3000.0	
to Sell	18.4	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	9.0	9.0	Avg Ann'l P/E Ratio	13.0	
Hld's	1.23	1.33	1.43	1.56	1.70	1.66	1.16	.94	1.04	.86	.64	.82	1.81	.61	.61	.68	.55	.55	Relative P/E Ratio	.85	
2009	2.5%	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%	4.4%	Avg Ann'l Div'd Yield	3.3%	

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
Total Debt	47716	51790	22486	22939	22012	22636	24198	23850	27428	45987	48000	47000	Sales (\$mill)	45000						
LT Debt	24.1%	21.9%	44.1%	35.2%	35.2%	32.9%	31.4%	48.5%	24.1%	23.3%	25.0%	26.0%	Operating Margin	25.0%						
LT Interest	1463.8	1488.3	1314.2	1450.7	1708.1	2268.4	1988.0	1631.2	2576.0	7381.0	7500	7500	Depreciation (\$mill)	8000						
(22% of Cap'l)	7281.8	7149.5	6589.6	5813.4	5575.8	5513.0	3275.4	7808.4	7409.3	10715	11550	11930	Net Profit (\$mill)	10800						
Pension Assets-12/10	30.0%	30.0%	27.2%	27.1%	29.1%	29.9%	28.8%	20.4%	20.0%	20.0%	20.0%	20.0%	Income Tax Rate	22.0%						
\$12.7 bill. Oblig. \$14.0 bill.	15.3%	13.8%	29.3%	25.3%	25.3%	24.4%	13.5%	32.7%	27.0%	23.3%	24.1%	25.4%	Net Profit Margin	24.0%						
Pfd Stock None	1417.4	2458.7	1957.6	1731.1	7745.8	2507.5	2787.2	4986.2	12678	13423	13700	13500	Working Cap'l (\$mill)	12700						
Common Stock 3,047,921,407 shs.	4798.6	4879.0	5096.0	4691.5	5125.6	5551.0	3915.8	3943.3	16075	15482	15500	15500	Long-Term Debt (\$mill)	14000						
as of 10/31/11	16050	18201	15576	17288	17917	17560	18185	18758	59058	54376	54000	54150	Share Equity (\$mill)	58000						
MARKET CAP: \$117 billion (Large Cap)	35.5%	31.5%	32.4%	26.9%	24.9%	24.5%	15.5%	34.8%	10.1%	15.8%	17.5%	18.0%	Return on Total Cap'l	15.5%						
	45.4%	39.3%	42.3%	33.6%	31.1%	31.4%	18.0%	41.6%	12.5%	19.7%	21.5%	22.0%	Return on Shr. Equity	18.5%						

Item	2009	2010	9/30/11
Cash Assets	9605	12201	15576
Receivables	6603	7344	8136
Inventory (LIFO)	8055	5868	6239
Other	4166	3651	4158
Current Assets	28429	29064	34109
Accts Payable	2237	2308	2282
Debt Due	1379	2400	2455
Other	12135	10933	11856
Current Liab.	15751	16591	16593

**BUSINESS:** Merck & Co., Inc. is a global health care company that delivers innovative health solutions through its prescription medicines, vaccines, biologic therapies, animal health, and consumer care products. Operations comprised of four operating segments: Pharmaceutical, Animal Health, Consumer Care, and Alliances. Top-grossing products include *Singularair* (respiratory), *Remicade* (arthritis), *Zetia* and *Vytorin* (cholesterol), and *Januvia* (diabetes). Acquired Schering-Plough, 11/09. Has about 94,000 employees. Capital World owns 6.8% of comm; BlackRock, 5.3%; Off/dirs., less than 1%. (4/11 proxy). Chrmn.: Richard T. Clark; CEO: Kenneth Frazier. Inc.: NJ. Addr.: One Merck Dr., P.O. Box 100, Whitehouse Station, NJ 08889. Tel.: 908-423-1000. Internet: www.merck.com.

**We look for Merck to keep the ball rolling in 2012.** Though 2011's full-year results have not yet been released (scheduled for early February), we estimate sales and earnings grew by 4%, and 10%, respectively. Looking to the new year, we project solid demand for the company's core products (i.e., *Januvia*, *Janumet*, *Singularair*, *Gardasil*) and a lower cost outlook to help drive the bottom line.

**The patent loss for Singularair remains a key focus.** *Singularair* is Merck's top-selling drug accounting for roughly 11% of total revenues. When its patent expires in August, 2012, management will be looking to the pipeline to help fill the void.

**Merck is upping the ante in China.** Top brass recently announced it will be sinking approximately \$1.5 billion into research & development in China over the next five years. Spending will begin with the construction of an R&D headquarters in Beijing that is expected to support operations in drug discovery, transitional research, clinical development, regulatory affairs, and scientific research. Given the cloudy economic outlook in Europe and the U.S., building its presence in China seems like a prudent move at this time.

**The board has raised the dividend for the first time since 2004.** Merck heightened its quarterly payout from \$0.38 a share, to \$0.42 in the current quarter. Shares of MRK are now yielding an attractive 4.4%, well above 2.3% *Value Line Investment Survey* median.

**The stock maintains our Highest (1) rank for Timeliness.** Despite ongoing global economic challenges, Merck continues to perform well relative to its industry peers. In the year ahead, we look for strong core product demand and a leaner cost structure to help support solid top- and bottom-line gains.

**However, a 22% increase in its share price since our last review has discounted some of the issue's long-term appeal.** Shares of Merck are now trading just outside our 3- to 5-year Target Price Range, indicating that some of the projected upside may already be reflected in the stock's current valuation. The weakened outlook to 2014-2016 will likely hold pending further clarity on pipeline development.

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	5822	6052	5943	6033	23850
2009	5385	5900	6050	10094	27428
2010	11422	11346	11125	12094	45987
2011	11580	12151	12022	12247	48000
2012	11500	11900	11400	12200	47000

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.52	.82	.51	.78	3.64
2009	.72	.84	.90	.79	3.25
2010	.83	.86	.85	.88	3.42
2011	.92	.95	.94	.94	3.75
2012	.94	.98	.93	1.05	3.90

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				

(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). Next eggs. report due early Feb.

(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	25
Earnings Predictability	70

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