



# A LEADER IN LIFE SCIENCE

Merck KGaA, Darmstadt, Germany

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# Agenda

**01** Business overview

**02** Life Science – Focusing on profitable growth



01

## **BUSINESS OVERVIEW**

# Group

## Portfolio of three high-tech businesses



### Leading in specialty pharma markets

- Biologics and small-molecules
- Research focus: Oncology, Immunology & Immuno-Oncology
- Over-the-counter medicine



### Leading life science company

- Tools and services for biotech research & production
- Tools and laboratory supply for the academic research and industrial testing

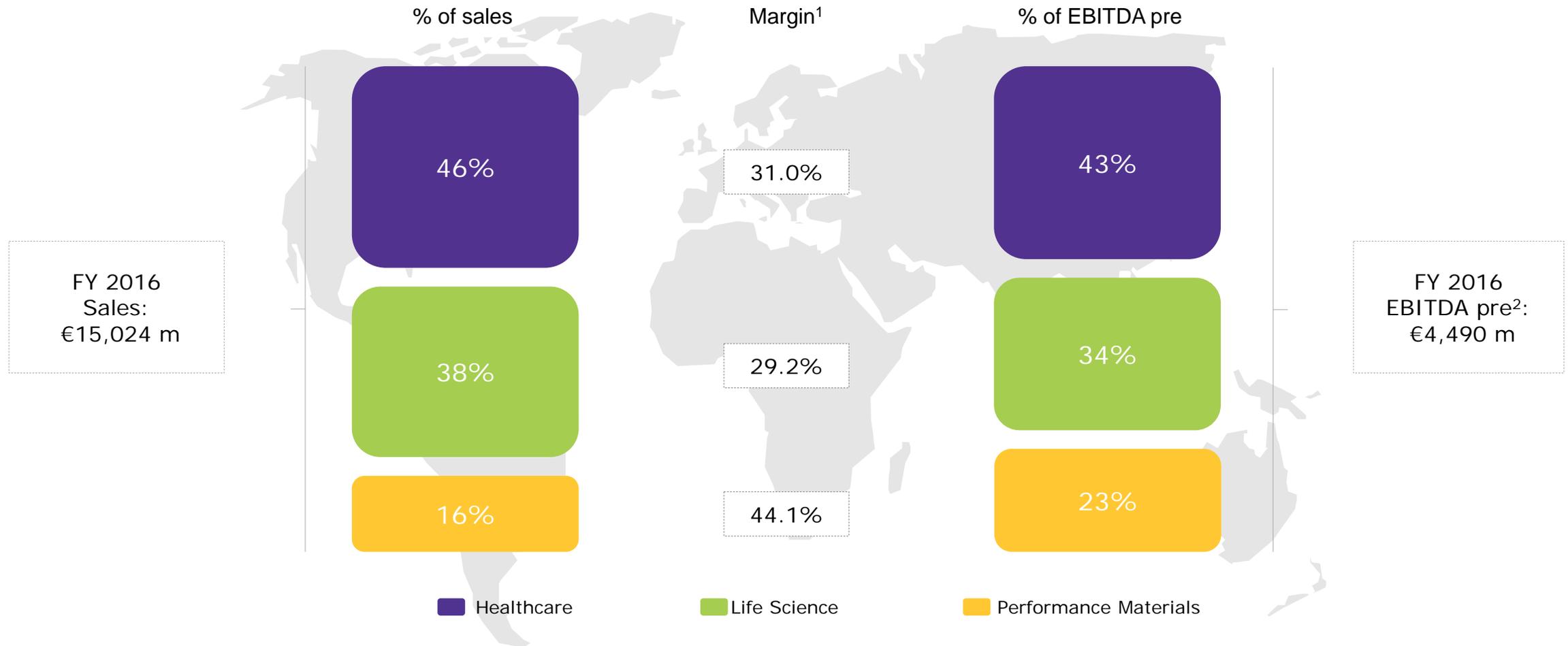


### Market leader in specialty materials

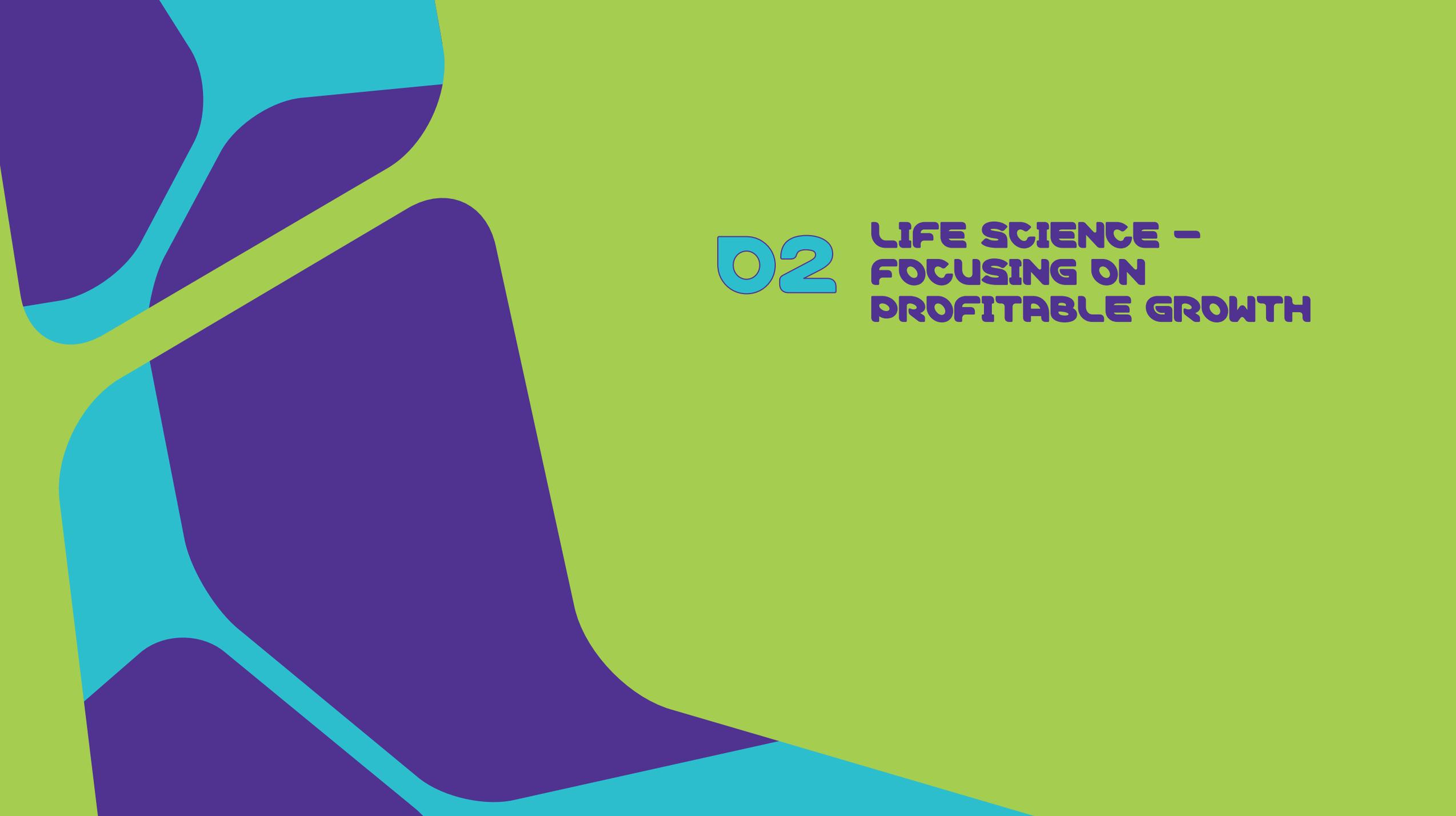
- Innovative display materials
- Effect pigments and functional materials
- High-tech materials for electronics

# Group

## Strong businesses with attractive margins



<sup>1</sup>EBITDA pre margin in % of net sales; <sup>2</sup>Including Corporate/Others (-€101 m)



02

**LIFE SCIENCE –  
FOCUSING ON  
PROFITABLE GROWTH**

## Key takeaways for today



**Leading position in an attractive market**



**Integration progressing well**



**Comprehensive strategy in place to strengthen leadership**



# Serving customers across the life science industry

## RESEARCH



- Academic and government institutions
- Biopharma R&D
- Industry R&D

## PROCESS



- Pharmaceutical companies
- Small biotech
- Contract manufacturing organizations

## APPLIED



- Diagnostic manufacturers
- Clinical testing labs
- Food & Beverage manufacturers

# Life Science is an attractive market

## RESEARCH

~€44 bn  
Low single digit



- Academic funding
- Industry R&D investment

## PROCESS

~€47 bn  
High single digit



- Biologics volume growth
  - from biologics
  - from emerging modalities
- Shift to single-use

## APPLIED

~€49 bn  
Mid single digit



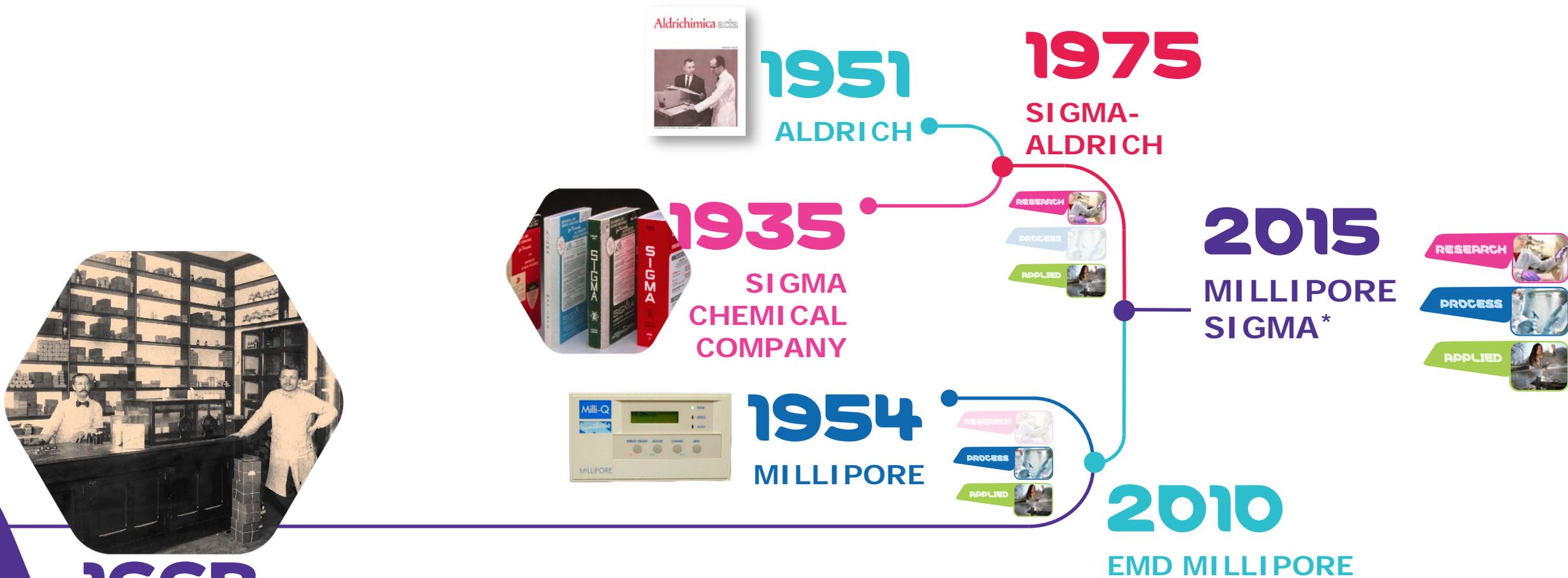
- Population growth
- Regulations and testing needs

# Good margin profile driven by success factors



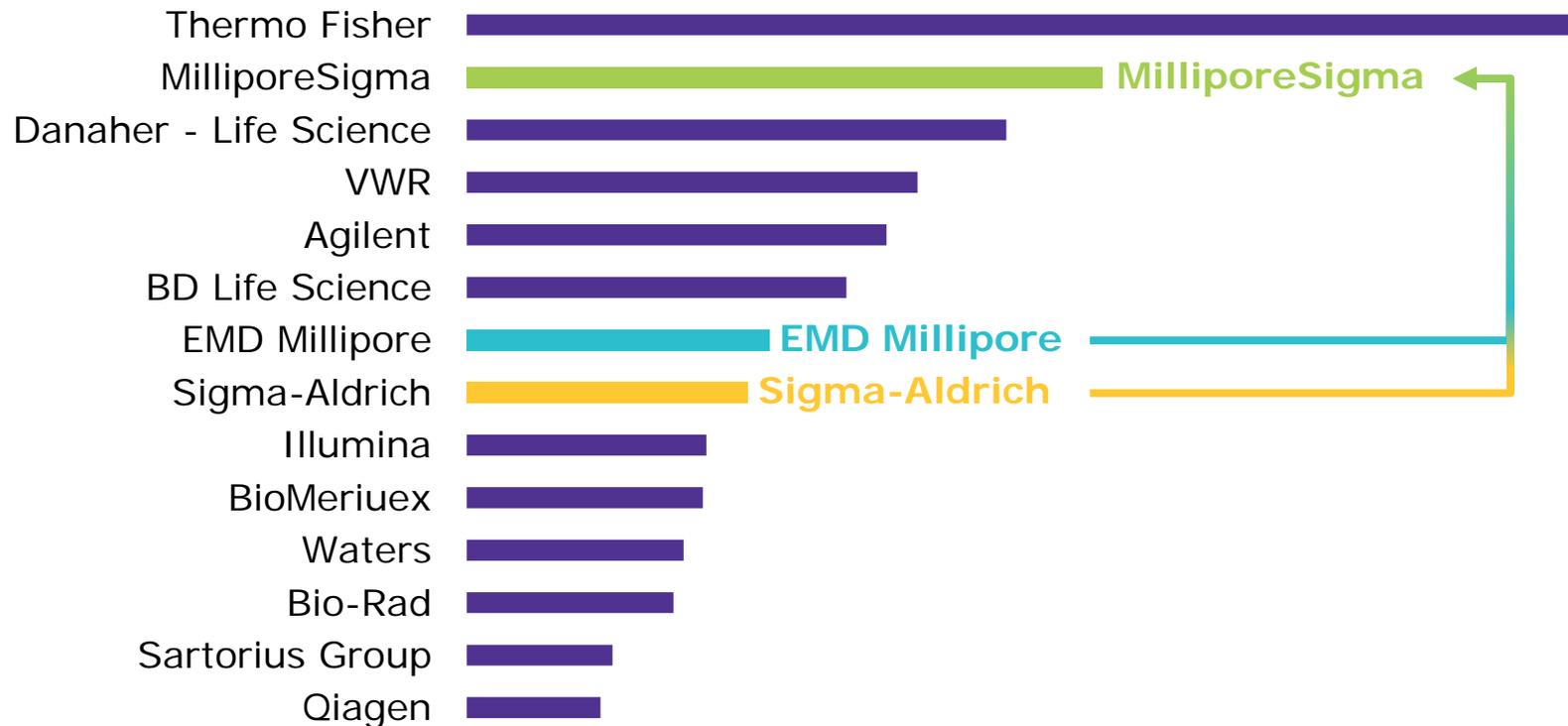
<p style="font-weight: bold; font-size: 1.2em;">EBITDA pre margin of Top 3 Life Science players</p> <p style="font-weight: bold; font-size: 1.2em;">Q1 2017</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">MilliporeSigma</td> <td style="padding: 5px;">~30%</td> </tr> <tr> <td style="padding: 5px;">Company 1</td> <td style="padding: 5px;">~25%</td> </tr> <tr> <td style="padding: 5px;">Company 2</td> <td style="padding: 5px;">~22%</td> </tr> </table>	MilliporeSigma	~30%	Company 1	~25%	Company 2	~22%
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Company 1	~25%						
Company 2	~22%						

# We have strengthened our position with the Sigma-Aldrich acquisition



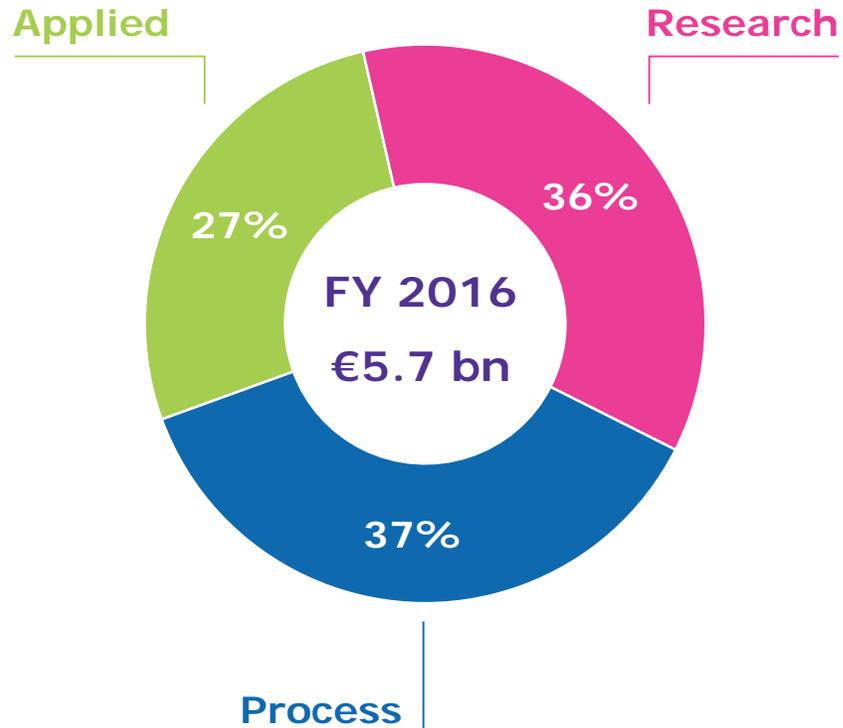
## And became a scale Life Science business

Market landscape\* - pre and post acquisition

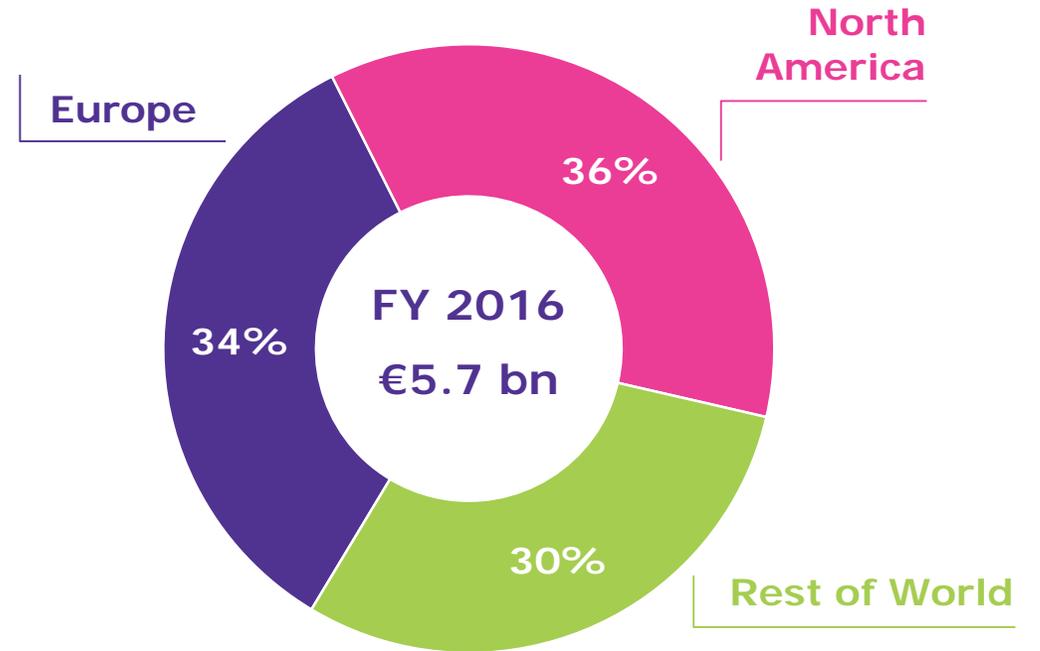


# A balanced portfolio and geographic presence

## Sales by business unit



## Sales by region



# Integration on track

**Value**

- On track to deliver cost and revenue synergies

**Organization**

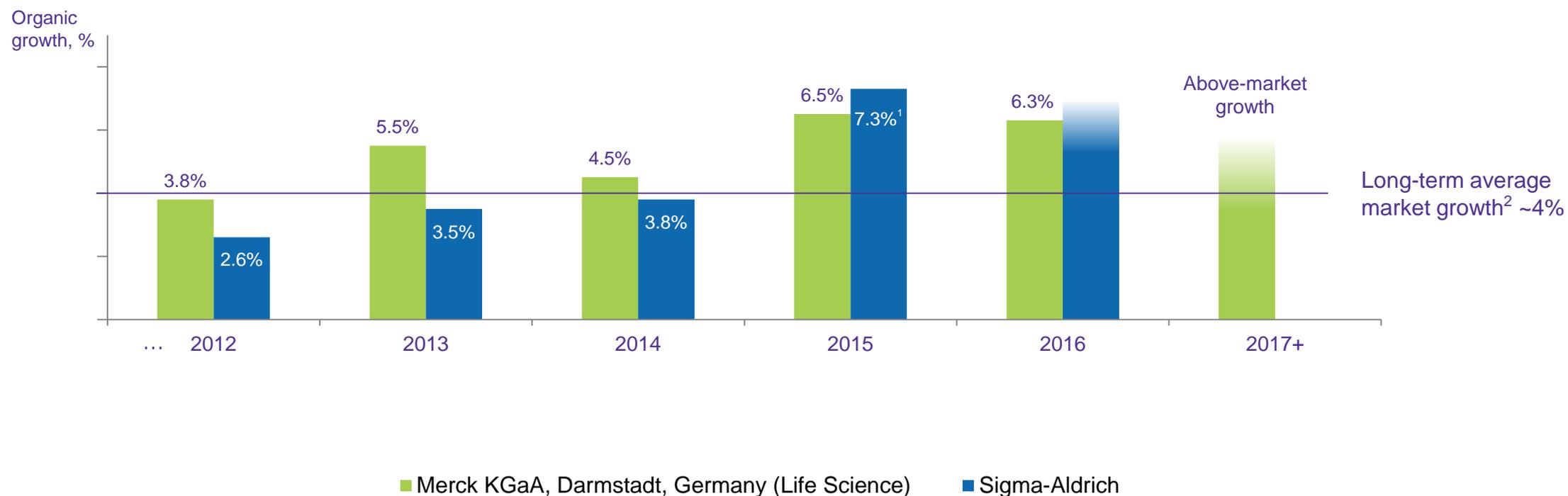
- Ongoing engagement with employees
- Making work easier

**Processes**

- **Integrate operations**, e.g. Branding, ERP systems
- **Establish operational excellence**

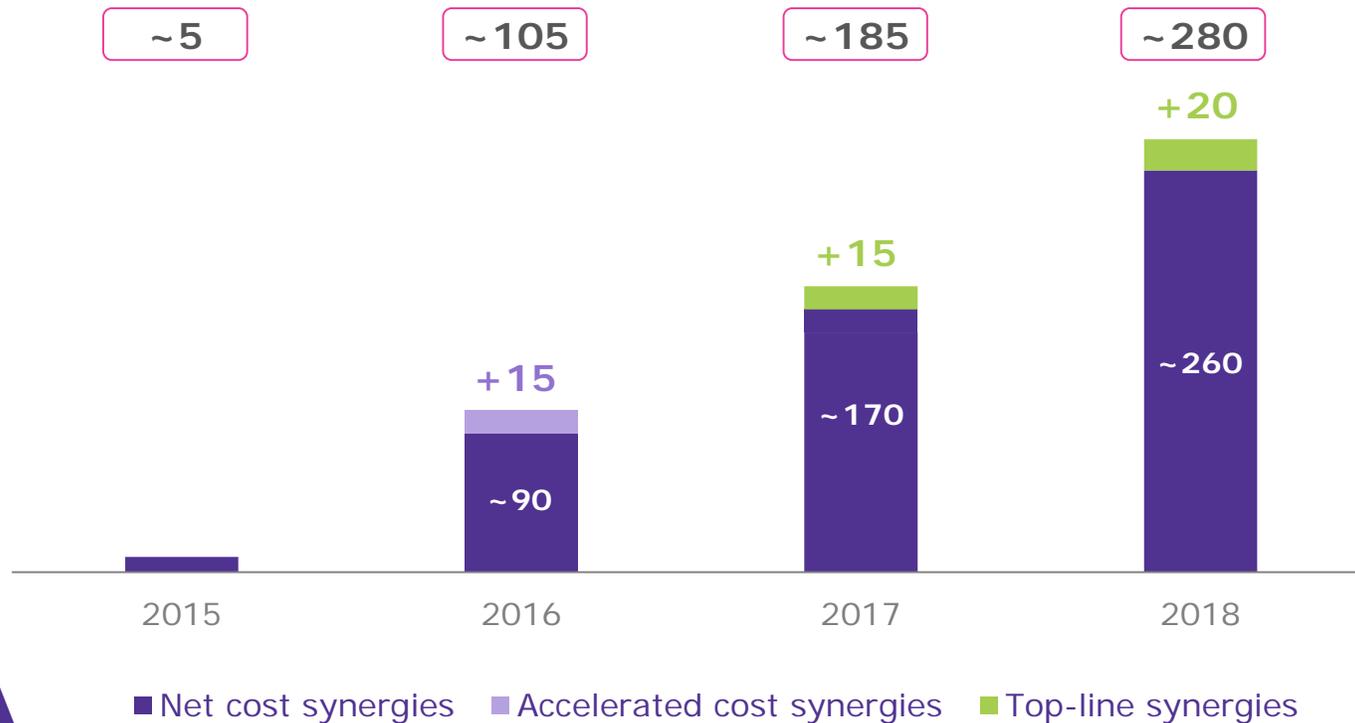
## We have delivered at or above market growth during integration

Merck KGaA, Darmstadt, Germany and Sigma-Aldrich organic growth rates versus market growth



# Synergy upgrade reflects fast execution and top-line synergies

EBITDA pre impact of synergy ramp-up [€m]



Sources

## Cost synergy update (for 2016)

- Faster implementation of synergy measures in all areas
- 2016: Total cost synergies of ~€105 m
- Integration costs remain unchanged at ~€400m

## Top-line synergies (from 2017)

- Comprehensive biologics production portfolio
- Best in class eCommerce
- Global reach

# Our strategy to maintain industry leadership



- Revitalize Research portfolio
- Next generation bioprocessing
- Excellence in Lab Water launch
- ...

- Capture value from revenue and cost synergies
- Drive organizational engagement
- Harmonize and transform processes

- eCommerce
- End-to-end bioprocessing
- Gene editing and novel modalities
- ...

## Key takeaways for today



**Leading position in an attractive market**



**Integration progressing well**



**Comprehensive strategy in place to strengthen leadership**



