

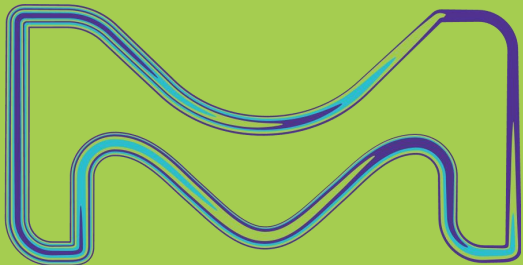
A strong Q3 driven by business recovery and COVID-19 upsides

Q3 2020 results

Presentation for the media

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Merck KGaA
Darmstadt, Germany

Disclaimer

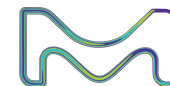
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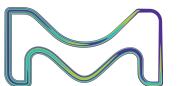
Agenda

01 Executive summary

02 Financial overview

03 Guidance

04 Sustainability



EXECUTIVE SUMMARY

01



Highlights



Operations

Healthcare: Mavenclad® up 72% organically YoY after dip in Q2, Oncology up 7% strongly supported by early U.S. Bavencio® 1L UC ramp-up; sequential recovery of Fertility back to pre COVID-19 levels

Life Science: Process Solutions up 27% organically, strong rebound in Research Solutions with 10% organic growth, Applied Solutions recovery slower with 4% organic growth

Performance Materials: Semiconductor Solutions' organic growth mitigates Display and Surface decline in pandemic; Versum performance & integration ahead of plan

Group: New ESG-targets - enhanced sustainability strategy leverages strengths and manifests company's commitment



Financials

Q3 organic sales: growth of +7.2%

Q3 organic EBITDA pre: growing +52.6%
(+19.8% *excl. release of Biogen provision*)

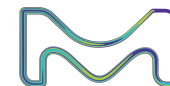
EBITDA pre guidance upgraded:

Net sales: €17.1 – 17.5 bn

EBITDA pre: €5.05 – 5.25 bn (incl. Biogen €365 m)

EPS pre: €6.50 – 6.80 (incl. Biogen €0.63)

Net financial debt to EBITDA pre at 2.3 on September 30, 2020 – continued focus on deleveraging



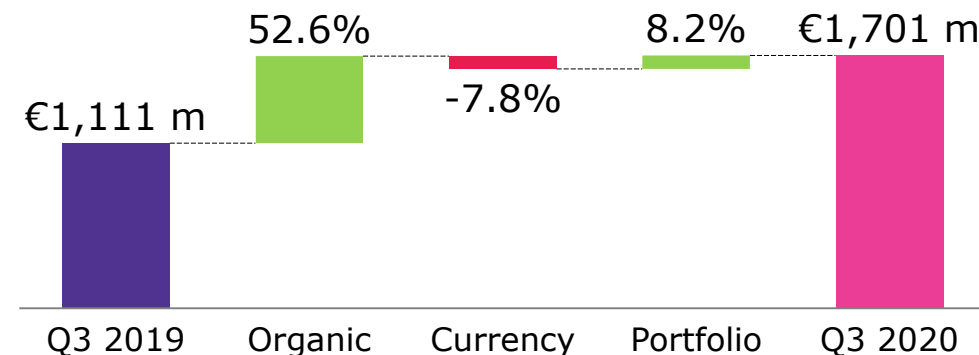
7% organic sales growth driven by swift recovery from COVID-19 in most businesses including “BIG 3” (HC pipeline, Process & Semi Solutions)

Q3 YoY Net Sales

	Organic	Currency	Portfolio	Total
Healthcare	3.2%	-5.1%	-1.2%	-3.1%
Life Science	15.6%	-4.2%	0.0%	11.3%
Performance Materials	-5.4%	-2.8%	51.6%	43.4%
Group	7.2%	-4.4%	6.9%	9.7%

- Healthcare back to organic growth with Mavenclad® rebounding (+72%), Bavencio growing strongly (+53%), General Medicine & Endocrinology slightly positive; Fertility back to pre COVID-19 levels
- Process Solutions underlying strength amplified by COVID-19 business with 27% organic growth; Research catching up post lockdown (+10%); Applied Solutions moderate growth (+4%)
- Semiconductor Solutions continues growth path with 8% organic increase; YoY decline in Q3 less than half of Q2 rate for Display and Surface Solutions, but COVID-19 still weighing on both

Q3 YoY EBITDA pre

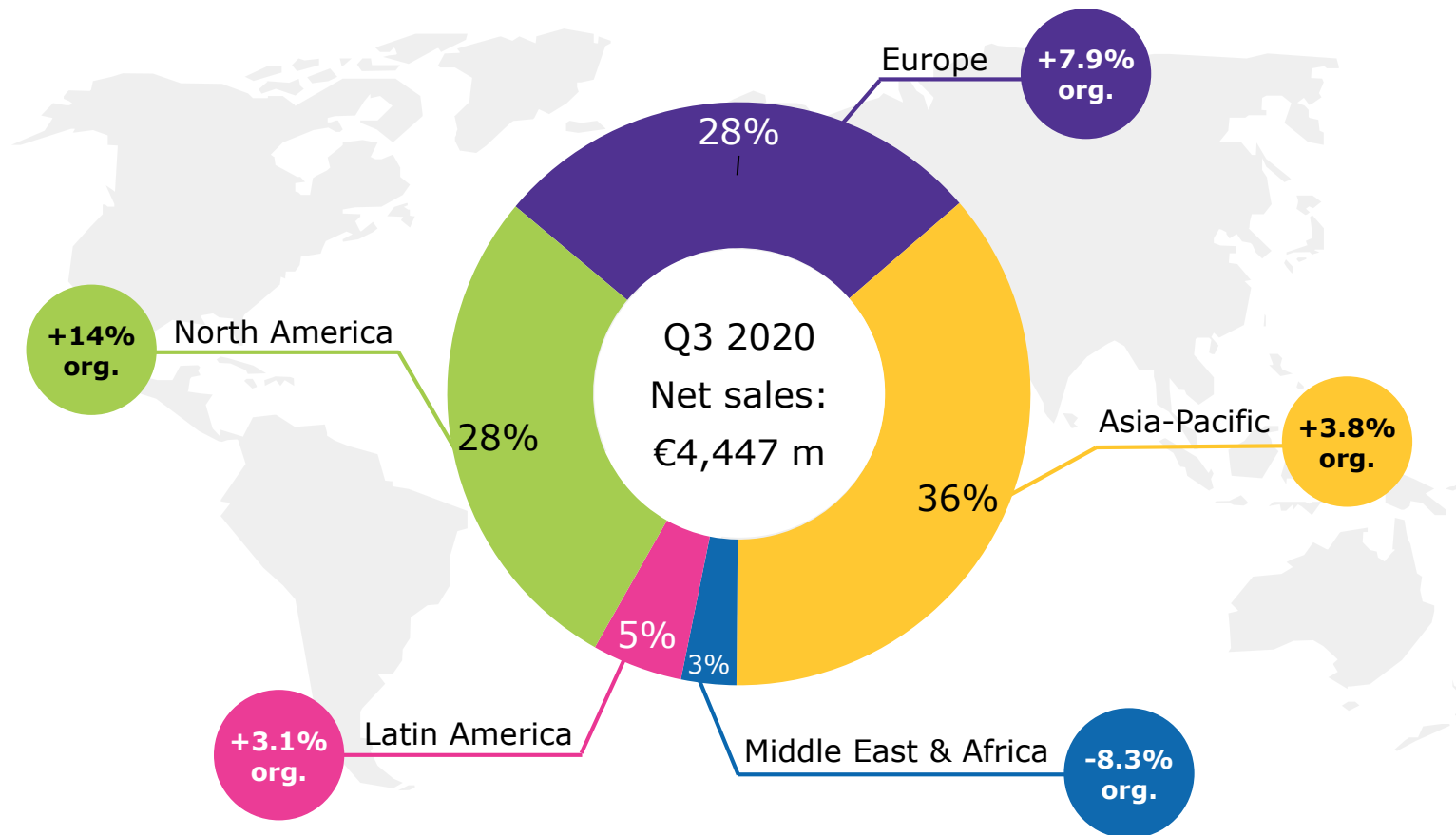


- EBITDA pre grew 20% -i.e. approx. 3 times faster than sales with even excl. Biogen provision release and despite lower non-recurring income
- Cost discipline in all sectors further supported by reduced face-to-face activities amid pandemic
- Margin accretive Versum portfolio effect
- FX headwinds across most currencies with largest impact from USD, BRL and CNY



Nearly all regions resumed growth despite persisting pandemic impacts

Regional breakdown of net sales [€m]



Regional organic development

- APAC: double-digit growth in Life Science and Semiconductor Solutions overcompensates for declines in Display, Surface Solutions and Fertility
- Europe: Neurology & Immunology as well as Research Solutions rebound
- North America: double-digit growth in Life Science, particularly strong in Process Solutions; strong Mavenclad[®] and Fertility; solid uptake of UC 1L
- LATAM resumed while Middle East & Africa now impacted, particularly by the effects of COVID-19 in Fertility



Financial Overview

02



Q3 2020: Overview

Key figures

[€m]	Q3 2019	Q3 2020	Δ	(Excl. Biogen provision release)	
				Q3 2020	Δ
Net sales	4,054	4,447	9.7%		
EBITDA pre	1,111	1,701	53%	1,336	20%
Margin (in % of net sales)	27.4%	38.2%	10.8pp	30.0%	2.6 pp
EPS pre	1.35	2.34	73.3%	1.71	26.6%
Operating cash flow	931	1,170	25.8%		
[€m]	Dec. 31, 2019	Sept. 30, 2020	Δ		
Net financial debt	12,363	12,082	-2.3%		
Working capital	3,944	4,364	10.6%		
Employees	57,071	58,077	1.8%		

Comments

- Double-digit growth in Life Science, Versum portfolio effect and recovery in Healthcare drive sales growth of 10% despite 4% FX drag
- EBITDA pre growing more strongly than sales; margin improving significantly even excluding Biogen provision release
- Operating cash flow up 26% supporting further net debt reduction
- EPS pre at 1.71 EUR (growing 27% excl. upside from Biogen provision release)
- Lower payables and higher inventories increase working capital amid COVID-19



Reported figures

Reported results

[€m]	Q3 2019	Q3 2020	Δ
EBIT	608	1,167	91.9%
Financial result	-135	-102	-24.6%
Profit before tax	473	1,065	125.1%
Income tax	-134	-258	93.3%
<i>Effective tax rate</i>	28.3%	24.3%	-4.0pp
Net income	343	805	135.0%
EPS (€)	0.79	1.85	134.2%

Comments

- EBIT nearly doubling as strong business performance is further elevated by Biogen provision release
- Lower LTIP* provisions and reduced interest expense lead to improved financial result
- Effective tax rate back within guidance range of ~24-26%
- Higher income tax in line with strong quarter incl. Biogen provision release
- Robust EBIT and financial result improvement drive higher net income and EPS



Healthcare: top line acceleration and stringent cost management drive underlying EBITDA pre expansion, further elevated by provision release

Healthcare P&L

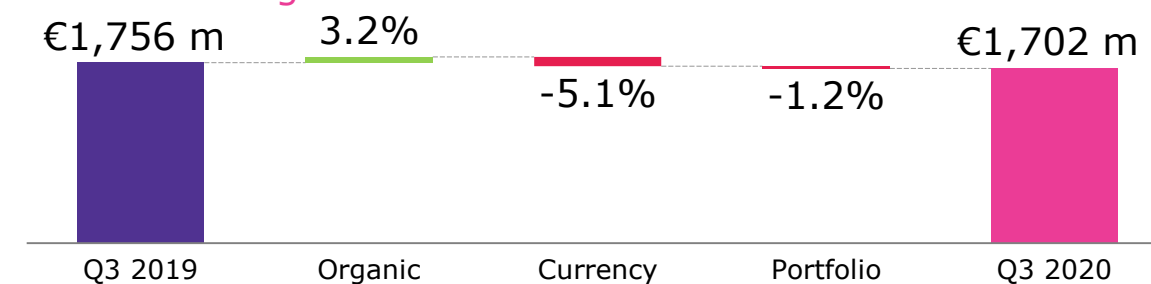
[€m]	IFRS		Pre	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020
Net sales	1,756	1,702	1,756	1,702
M&S*	-561	-382	-558	-379
Admin	-82	-75	-81	-75
R&D	-429	-378	-428	-378
EBIT	325	807	323	812
EBITDA	504	892	-	-
EBITDA pre (in % of net Sales)	501 28.5%	896 52.7%	501 28.5%	896 52.7%

Comments

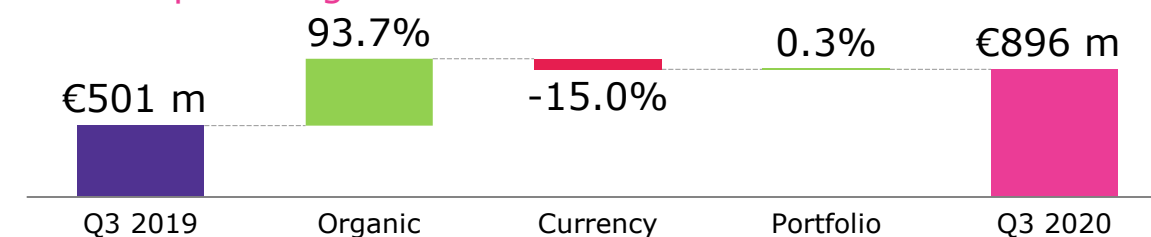
- Mavenclad® growing 72% organically expanding dynamic shares in high efficacy and oral class; Rebif® still better than underlying trajectory with -9% due to reduced switches amid pandemic
- Oncology up 7% with Erbitux® +2% and Bavencio® up 53% as UC 1L ramp-up in U.S. progressing very well, three months into the launch
- Fertility back to pre COVID-19 levels with strong growth in Europe and North America, other regions remain impacted by pandemic (APAC)

* Marketing and selling expenses

Net sales bridge



EBITDA pre bridge



- General Medicine¹ growing 3% despite China VBP
- Strong cost savings in M&S further supported by reduced face-to-face activities and lower intangibles amortization
- Significant savings in R&D coming from continued prioritization; all projects on track despite COVID-19
- Underlying EBITDA pre margin expansion to 31.2% of sales - further elevated by €365 m Biogen provision release to 52.7%

¹includes CardioMetabolic Care & General Medicine and others
Totals may not add up due to rounding



Life Science: Outstanding performance in Process Solutions and temporary post lockdown catch-up in Research Solutions drive 16% organic growth

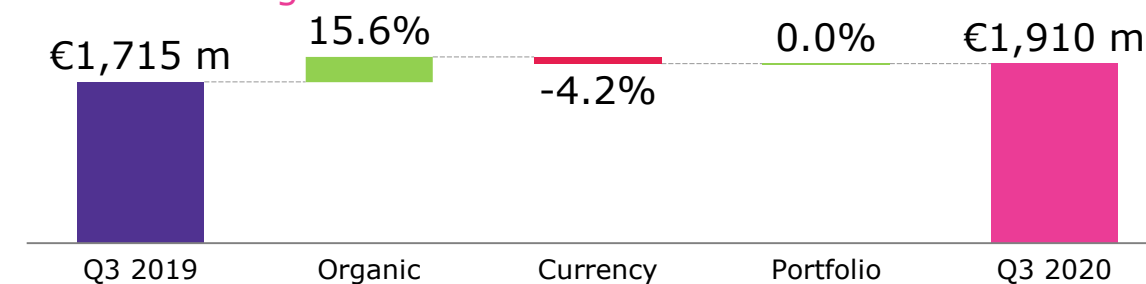
Life Science P&L

[€m]	IFRS		Pre	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020
Net sales	1,715	1,910	1,715	1,910
M&S*	-474	-478	-474	-477
Admin	-83	-88	-77	-80
R&D	-67	-75	-67	-75
EBIT	316	417	336	435
EBITDA	511	612	-	-
EBITDA pre	511	612	531	630
(in % of net Sales)	31.0%	33.0%	31.0%	33.0%

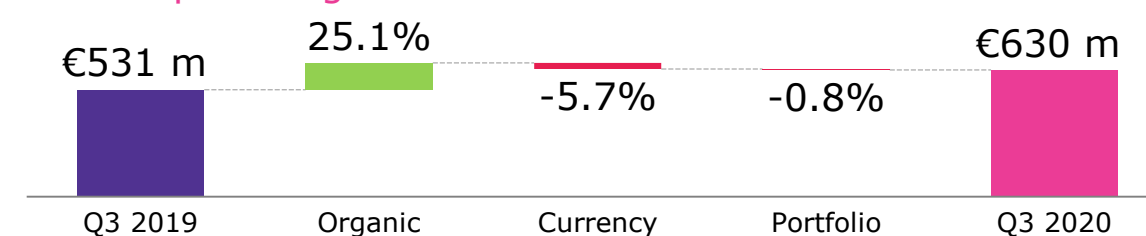
Comments

- Process Solutions growing 27% organically, driven by downstream and single use, further supported by COVID-19-related demand
- Research Solutions 10% organic growth, supported by anticipated catch-up post Q2 lockdowns and additional COVID-19 pull-in effect
- Applied Solutions back to moderate organic growth despite continuing adverse impact from COVID-19
- Slightly higher M&S mainly driven by logistics to ensure supply
- Flat R&D in % of sales with focused investments in strategic projects
- Business performance and operational leverage drive significant EBITDA pre growth and EBITDA pre margin expansion by overall 2pp

Net sales bridge



EBITDA pre bridge

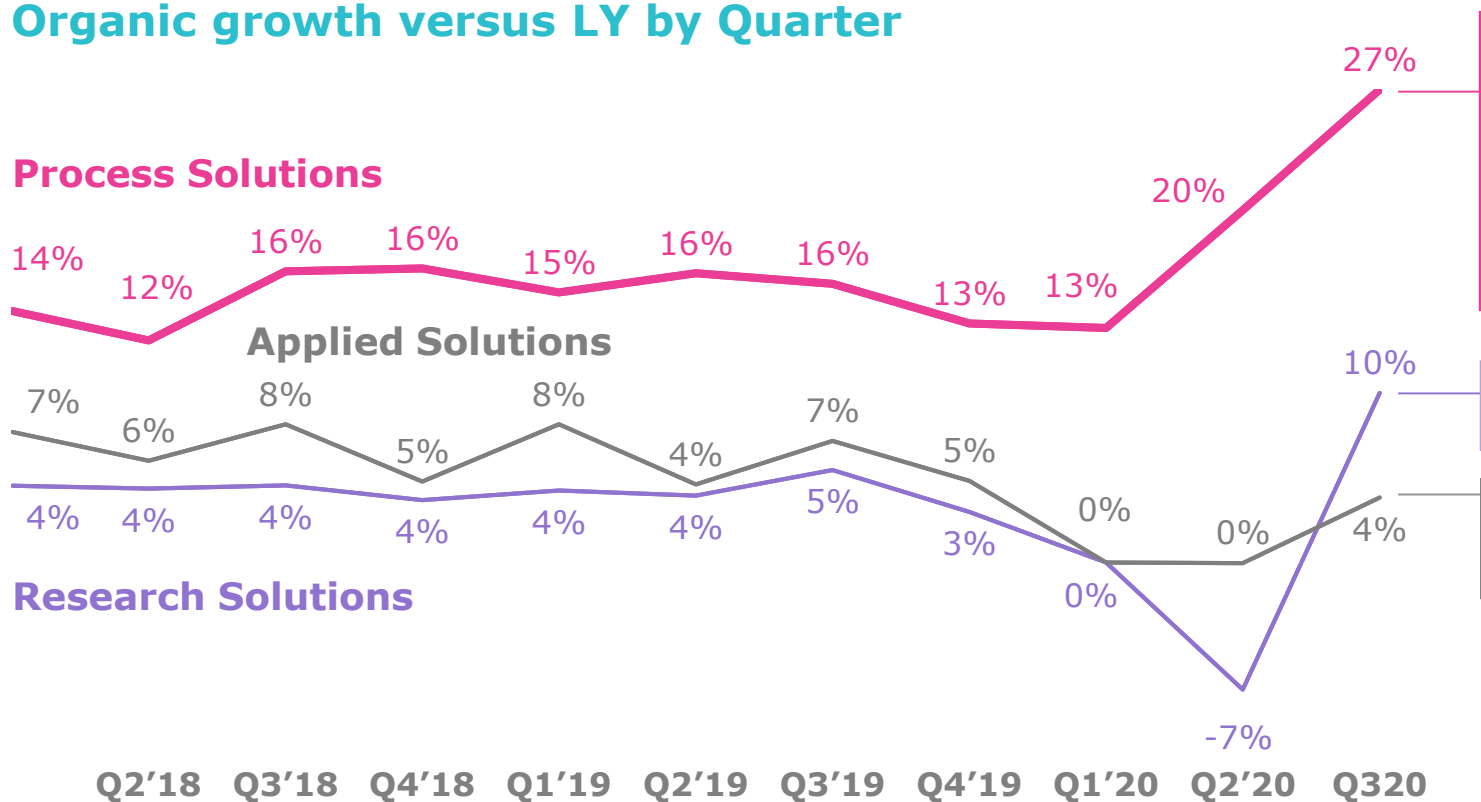


* Marketing and selling expenses



Life Science: Significant upside potential for Process Solutions; Research and Applied started recovering

Organic growth versus LY by Quarter



- **Strong tailwinds** in Process Solutions
- **Order intake** accelerating to **>50%**
- **Sustainable increase** in underlying demand
- **Capacity investments** ongoing
- **Catch-up** effects in Q3
- **Some pull-in** effects from Q4
- Visible **recovery in Q3**
- **Returning** to underlying growth rate



Confirm mid-term outlook: **Life Science downsides to fade**, some **upsides to remain**
 Q4 scenario assumes **Research normalization** but no additional impact from imminent lockdowns



Performance Materials: Versum portfolio effect and Semiconductor growth more than offset decline in Display and Surface Solutions

Performance Materials P&L

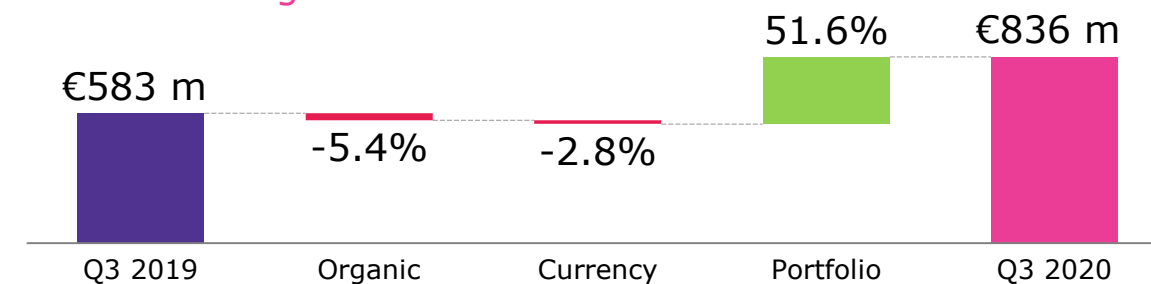
[€m]	IFRS		Pre	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020
Net sales	583	836	583	836
M&S*	-61	-133	-62	-132
Admin	-30	-38	-23	-36
R&D	-48	-65	-59	-65
EBIT	98	75	114	104
EBITDA	169	227	-	-
EBITDA pre	177	254	177	254
(in % of net Sales)	30.5%	30.4%	30.5%	30.4%

Comments

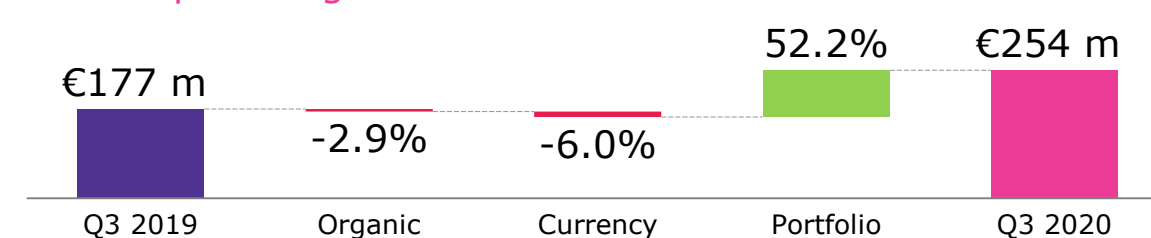
- Portfolio effect elevates sales growth to 43% overcompensating FX headwinds and organic declines in Display and Surface Solutions
- Semiconductor Solutions: organic growth with 8% at the higher end of mid-term guidance
- Display Solutions: Liquid Crystals closer to the underlying trajectory and OLED stabilizing but still significantly impacted by COVID-19

* Marketing and selling expenses

Net sales bridge



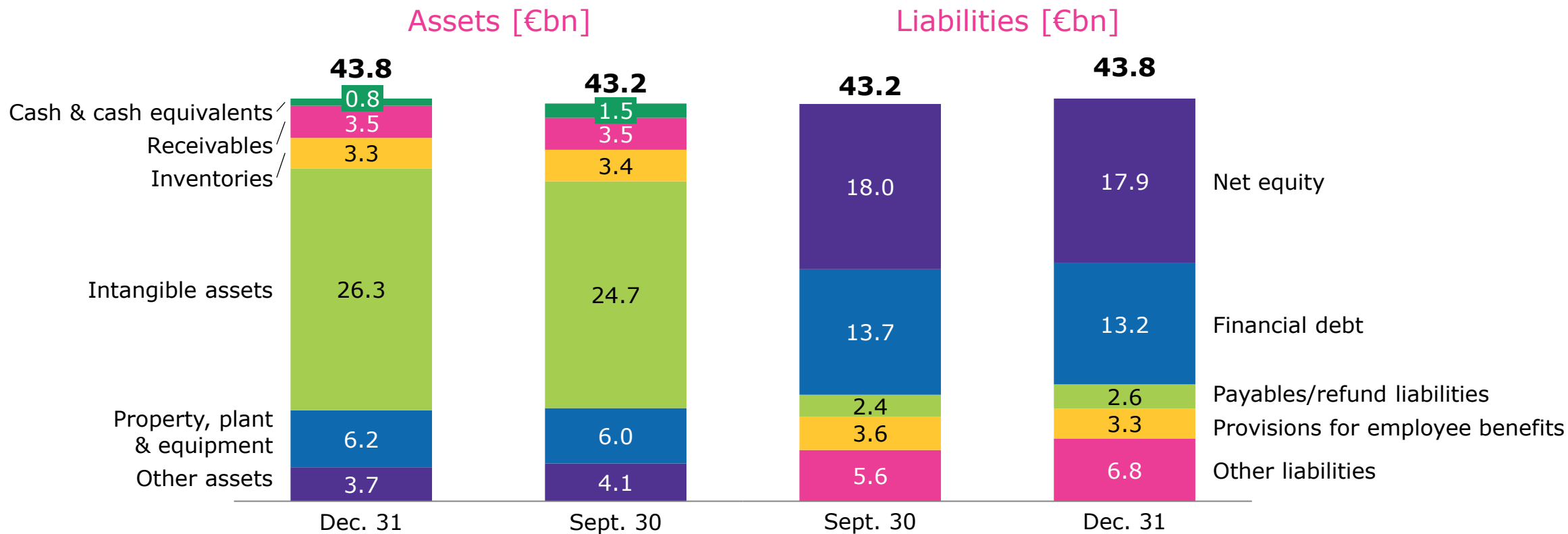
EBITDA pre bridge



- Surface Solutions: COVID-19 impact easing vs. Q2 as anticipated but still clearly weighing on cosmetics and automotive end markets
- M&S, Admin and R&D reflect consolidation of Versum and diligent underlying cost management as part of Bright Future transformation program
- Increase in EBITDA pre driven by accretive portfolio effect from Versum already including initial synergy realization



Balance sheet



- Stable balance sheet since Dec. 31, 2019
- Higher cash level in order to secure liquidity in the face of the COVID-19 pandemic

- Equity ratio of 42%
- Bond redemptions and repayments (€2.7 bn) outweighed by bond issuances (€2.5 bn), commercial paper issuance and utilization of other liquidity lines, leading to slight increase in financial debt



Cash flow statement: strong increase in operating cash flow

Q3 2020 – cash flow statement

[€m]	Q3 2019	Q3 2020	Δ
Profit after tax	342	806	465
D&A	464	451	-13
Changes in provisions	81	-256	-337
Changes in other assets/liabilities	129	114	-15
Other operating activities	9	24	15
Changes in working capital	-94	31	125
Operating cash flow	931	1,170	240
Investing cash flow	-209	-738	-529
thereof Capex on PPE	-194	-237	-43
Financing cash flow	934	-380	-1,314

Cash flow drivers

- Profit after tax elevated by €365 m release of Biogen provision
- Lower D&A largely driven by reduced amortization of intangibles (Rebif[®])
- Changes in provisions reflect Biogen provision release, restructuring accruals, and effects from LTIP* while changes in other assets/liabilities mainly driven by bonus accruals
- Inventory and payables management contribute to positive working capital impact
- Increased investing cash flow due to temporary investment of excess cash
- Financing cash flows returning to normal levels post Q3 2019 financing measures

*Long Term Incentive Plan

Totals may not add up due to rounding



sustainability

03



Enhanced sustainability strategy leverages our strengths and manifests the company's commitment



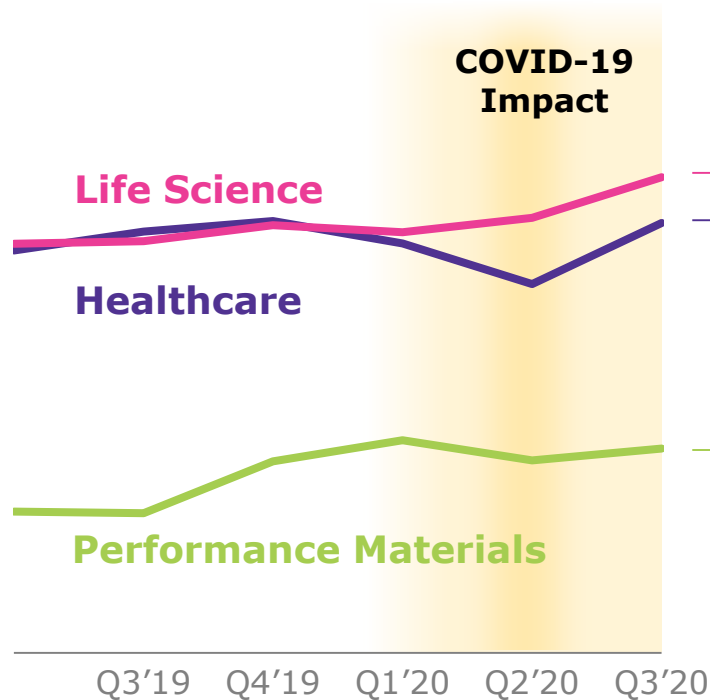
guidance

04



Successful crisis management increasingly mitigates pandemic impact

Quarterly Net Sales in €m*

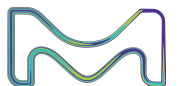


Underlying developments

- **Life Science well positioned** for new COVID-19 driven demand trends
- **Process business** rapidly addressing new market needs, **fueling net upside**
- Research and Applied **driving recovery in Q3**
- **Fertility: well managed return** to pre COVID-19 levels - not yet all regions
- **Strong Mavenclo® recovery** being driven since June
- **Bavenclo® UC launch** progressing very well on a largely virtual launch
- **General Medicine** on track with good volume development
- Managing visible **recovery in Q3**, but not yet growing organically
- **Semiconductors Solutions' strength** within strong market
- Net downside from COVID-19 **in Display and Surface**

* At fixed 2019 FX rates

Guidance upgrade proof point of **excellent crisis management** and **strong business performance**



Full-year 2020 guidance

Net sales:

Organic: +4% to +5% YoY
Versum growth contribution in the mid-single digits %
FX: -2% to -3% YoY
~€17.1 – 17.5 bn

EBITDA pre:

Organic: +14% to +16% YoY (*ex Biogen¹: +6% to +8%*)
Mid-single digit % growth from Versum
FX: -3% to -5% YoY
~€5.05 – 5.25 bn (*thereof Biogen¹ €365 m*)

EPS pre:

~ €6.50 – 6.80
(*thereof Biogen¹ €0.63 m*)



