

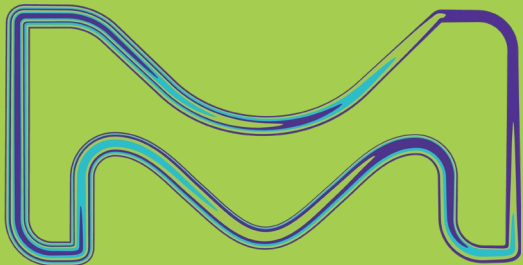
BIG 3 drive strong start into the year, Mobilizing for future growth

Q1 2021 results

Presentation for the media

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Merck KGaA
Darmstadt, Germany

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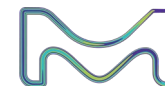
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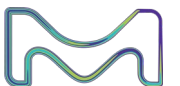


Agenda

01 Executive summary

02 Financial overview

03 Outlook



EXECUTIVE SUMMARY

01

Highlights: BIG 3 drive growth, especially Process Solutions



Operations

Healthcare: Fertility organic growth accelerating to 22%; 20% organic growth of Oncology as Bavencio[®] sales double while Erbitux[®] is growing 10%; Mavenclad[®] up 26% organically amid continued depression in dynamic market

Life Science: Record 27% organic growth, fueled by 38% in Process Solutions as additional capacities support fight against COVID-19 and 24% in Research Solutions; Applied Solutions growing strongly as well

Electronics: Solid Semiconductor Materials growth (partially offset by tough comps from unfavorable DS&S project phasing); Surface Solutions back to growth (+5% org.) post COVID-19 trough



Financials

Q1 organic sales: +12.2%

Q1 organic EBITDA pre: +36.3%

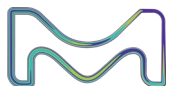
Guidance:

Net sales: €18.5 – 19.5 bn

EBITDA pre: €5.4 – 5.8 bn

EPS pre: €7.50 – 8.20

Net financial debt to EBITDA pre ratio at 1.8 on March 31, 2021



27% organic growth in Life Science, moderate Healthcare growth & stable Electronics drive very strong organic Group sales and EBITDA pre growth

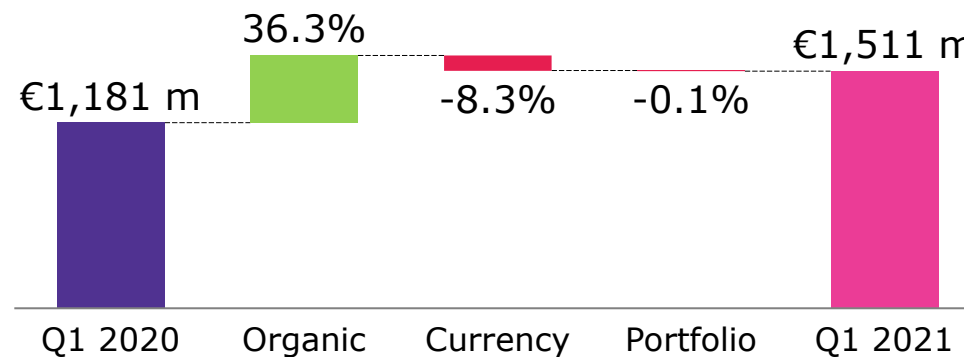
Q1 YoY Net Sales

	Organic	Currency	Portfolio	Total
Healthcare	3.5%	-5.9%	-1.2%	-3.6%
Life Science	26.7%	-6.2%	0.0%	20.4%
Electronics	0.2%	-4.5%	0.0%	-4.3%
Group	12.2%	-5.8%	-0.4%	6.0%

- 22% org. growth in Fertility and 20% org. growth in Oncology more than compensate for N&I decline (-4% org.) amid depressed dynamic market and VBP impact in CM&E¹ (-4% org.)
- Record Life Science organic growth driven by all business units with Process Solutions up +38%; Research elevated to +24%; Applied Solutions delivers 8% organic growth
- Electronics about stable as Semiconductor Solutions growth (+4% org.) and recovering Surface Solutions (+5% org.) are offsetting decline in Display (-7% org.)

¹ Cardiovascular, Metabolism and Endocrinology (new Franchise name as of Q1 2021)

Q1 YoY EBITDA pre

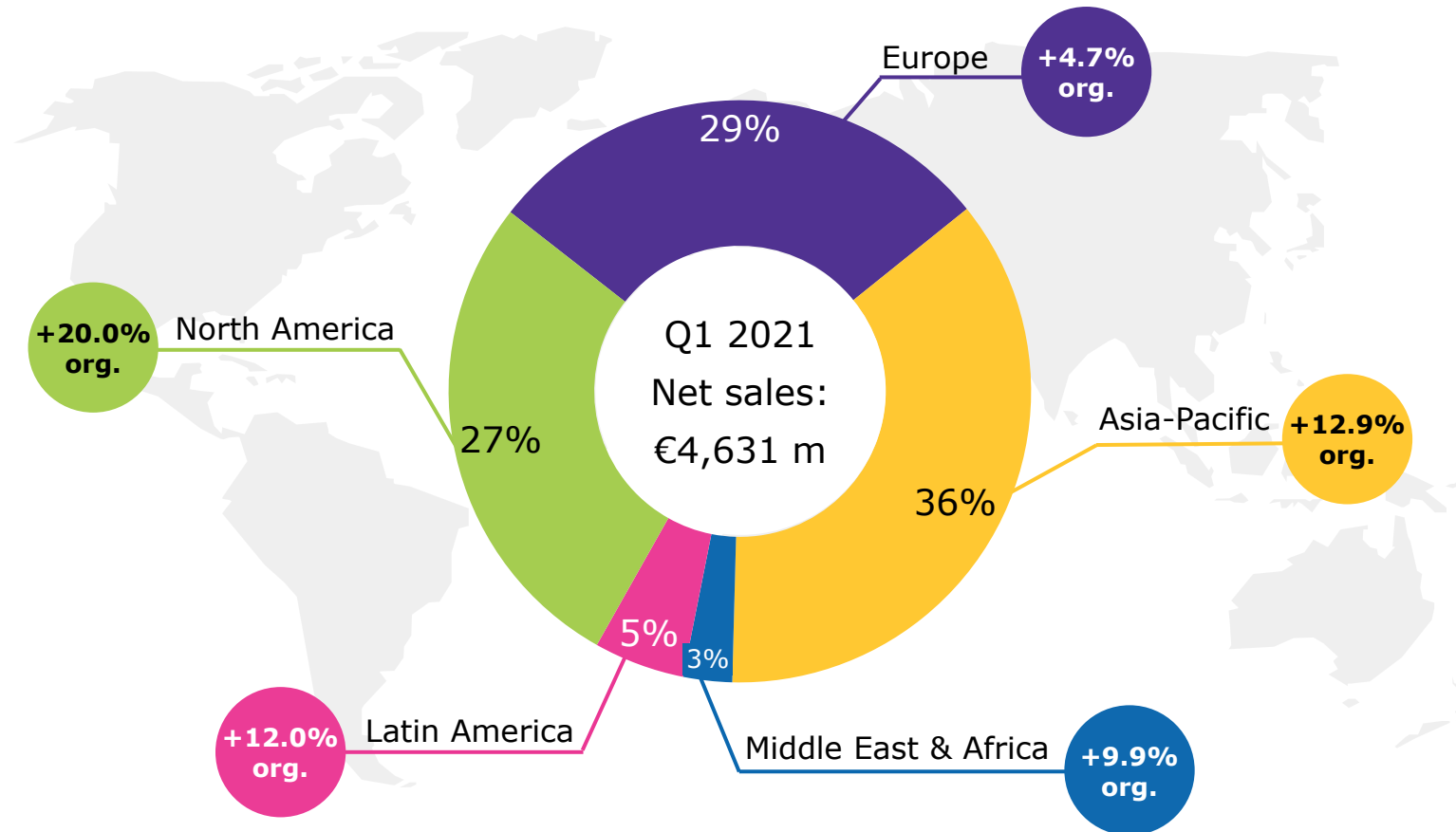


- Organic EBITDA pre growth three times faster than sales growth
- Strong Life Science gross profit further boosted by Bavencio[®] milestones and continued cost discipline in all sectors
- FX burden of -8% across various currencies with largest negative impact from USD, BRL and JPY; partly mitigated by hedging



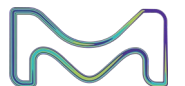
Life Science demand drives particularly strong growth in North America and Asia-Pacific

Regional breakdown of net sales [€m]



Regional organic development

- APAC: strong Life Science and Healthcare growth while Electronics ~ stable with Semi offsetting Display
- Europe: Growth in Process & Research Solutions more than compensates Healthcare decline largely in CM&E
- North America: growth across all three sectors, particularly strong Life Science and Bavencio[®] performance
- LATAM growth driven foremost by Fertility and Bavencio[®]
- CM&E is the largest growth driver in ME&A



Financial Overview

02

Q1 2021: Overview

Key figures

[€m]	Q1 2020	Q1 2021	Δ
Net sales	4,370	4,631	6.0%
EBITDA pre	1,181	1,511	27.9%
<i>Margin (in % of net sales)</i>	27.0%	32.6%	
EPS pre	1.50	2.18	45.3%
Operating cash flow	516	1,216	135.4%

[€m]	Dec. 31, 2020	March 31, 2021	Δ
Net financial debt	10,758	10,081	-6.3%
Working capital	3,938	4,231	7.4%
Employees	58,096	57,933	0.0%

Comments

- Net sales growth of 6% driven by 12% organic growth and FX burden of -6%
- EBITDA pre increase, driven particularly by operating leverage in Life Science further boosted by Bavencio[®] milestones
- EPS pre driven by EBIT pre growth, supported by better financial result & lower effective tax rate
- Operating cash flow more than doubles, largely driven by strong EBITDA pre growth and favorable net working capital
- Significant reduction of net financial debt



Q1 2021: Reported figures

Reported results

[€m]	Q1 2020	Q1 2021	Δ
EBIT	716	1,043	45.7%
Financial result	-98	-59	-40.0%
Profit before tax	617	984	59.4%
Income tax	-159	-236	48.1%
<i>Effective tax rate</i>	25.8%	24.0%	
Net income	456	747	63.7%
EPS (€)	1.05	1.72	63.8%

Comments

- Strong performance across all sectors particularly in Life Science drives 46% EBIT growth
- Reduced interest expense and lower LTIP provisions drive improved financial result
- Effective tax rate at the higher end of the new guidance range
- EBIT growth, improved financial result and lower tax rate drive higher net income & EPS



Healthcare: strong Fertility & Oncology performance, while Mavenclad[®] remains impacted by depressed dynamic market

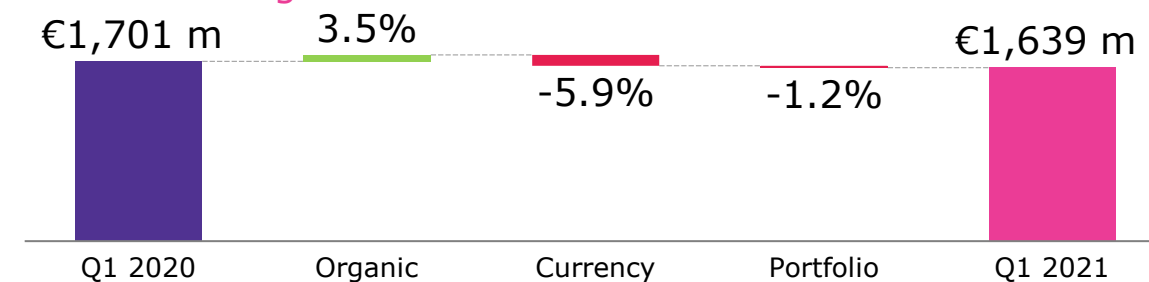
Healthcare P&L

[€m]	IFRS		Pre	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
Net sales	1,701	1,639	1,701	1,639
M&S*	-423	-370	-423	-365
Admin	-79	-73	-78	-69
R&D	-417	-416	-417	-415
EBIT	422	445	395	455
EBITDA	501	523	-	-
EBITDA pre	472	533	472	533
(in % of net sales)	27.8%	32.5%	27.8%	32.5%

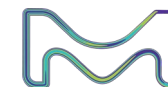
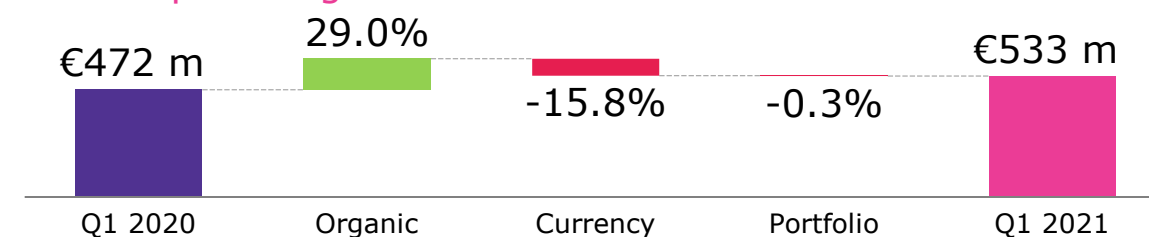
Comments

- Mavenclad[®] growing +26 % organically to €147 m, amid still depressed dynamic market; Rebif[®] decline -17% in Q1 due to tough comps related to tender win in Q1 2020
- Oncology up +20%, Bavencio[®] sales doubled post UC 1L launch in U.S. and initial contribution from EU & JP¹; Erbitux[®] up +10% largely driven by China growth
- Base business about stable, strong Fertility growth (+22% org.) compensating for Rebif[®] and CM&E decline (-4% org.)
- Strong savings in M&S from continuous rigorous cost discipline, supported by reduced face-to-face activities amid pandemic
- R&D flat as a result of continued prioritization; no significant COVID-19 related project delays
- EBITDA pre and margin significantly supported by Bavencio[®] milestones (~ €50 m)

Net sales bridge



EBITDA pre bridge



Life Science: strong core business and rising COVID-19 demand fuel record growth, particularly in Process and Research Solutions

Life Science P&L

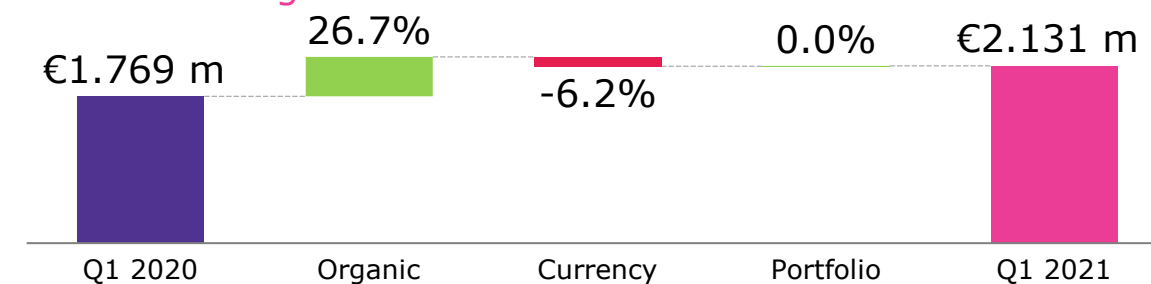
[€m]	IFRS		Pre	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
Net sales	1,769	2,131	1,769	2,131
M&S*	-498	-501	-497	-500
Admin	-89	-82	-80	-74
R&D	-75	-75	-75	-75
EBIT	345	593	357	607
EBITDA	541	779	-	-
EBITDA pre	553	793	553	793
(in % of net sales)	31.2%	37.2%	31.2%	37.2%

Comments

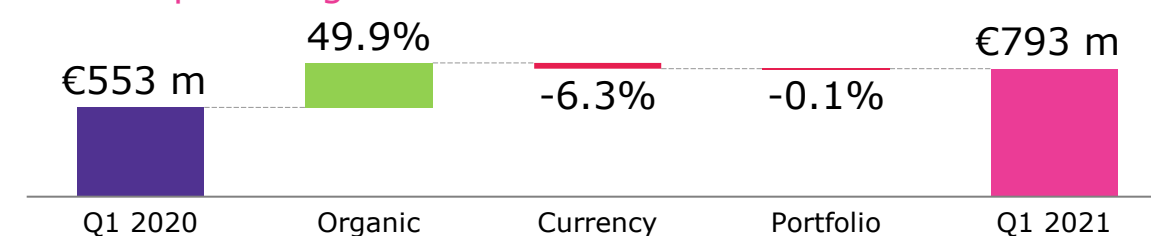
- Process Solutions org. growth of +38% driven by downstream & single use for COVID-19 projects; strong underlying demand supported by acceleration of capacity expansions
- Research Solutions speeding up further to an exceptional +24% organic growth, driven by recovery in base business and additional COVID-19 opportunities, mainly in diagnostics and pharma
- Applied Solutions growth (+8% org.) driven by APAC recovery against low Q1 2020

* Marketing and selling expenses

Net sales bridge



EBITDA pre bridge



- Declining M&S in % of sales from 28% to 23% despite higher logistics cost amid pandemic
- Flat R&D spend with continued focused investments in strategic projects in high growth & emerging segments
- Business performance, operational leverage & favorable mix continue to drive strong EBITDA pre and margin expansion despite 6% FX drag



Electronics: year-over-year and vs. Q4 2020 Semi growth as well as recovering Surface compensate Display Solutions decline

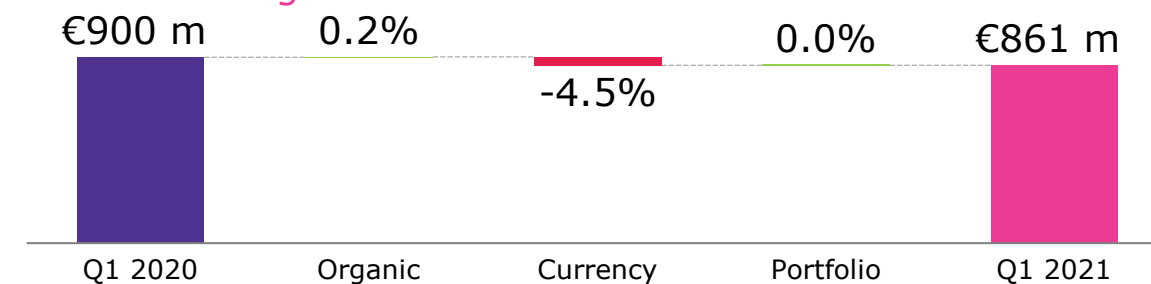
Electronics P&L

[€m]	IFRS		Pre	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
Net sales	900	861	900	861
M&S*	-136	-135	-134	-135
Admin	-38	-34	-38	-33
R&D	-71	-67	-73	-66
EBIT	116	126	151	142
EBITDA	251	260	-	-
EBITDA pre	286	274	286	274
(in % of net sales)	31.7%	31.8%	31.7%	31.8%

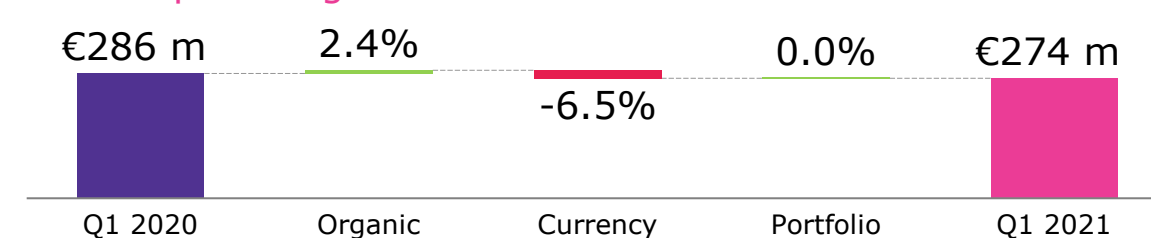
Comments

- Semiconductor Solutions: solid Semiconductor Materials growth across all product categories muted by DS&S project launch phasing; continued confidence in strong outlook for FY 2021
- Display Solutions: down -7% organically as OLED growth not yet compensating for Liquid Crystals decline
- Surface Solutions: returning to 5% organic growth, mainly supported by recovery in the automotive industry
- Stable M&S despite higher logistic costs, while Admin and R&D are declining
- All P&L lines continue to reflect diligent cost management amid Bright Future transformation and Versum integration synergies
- EBITDA pre (+2% org.) exceeds sales growth but burdened by -7% FX headwinds

Net sales bridge



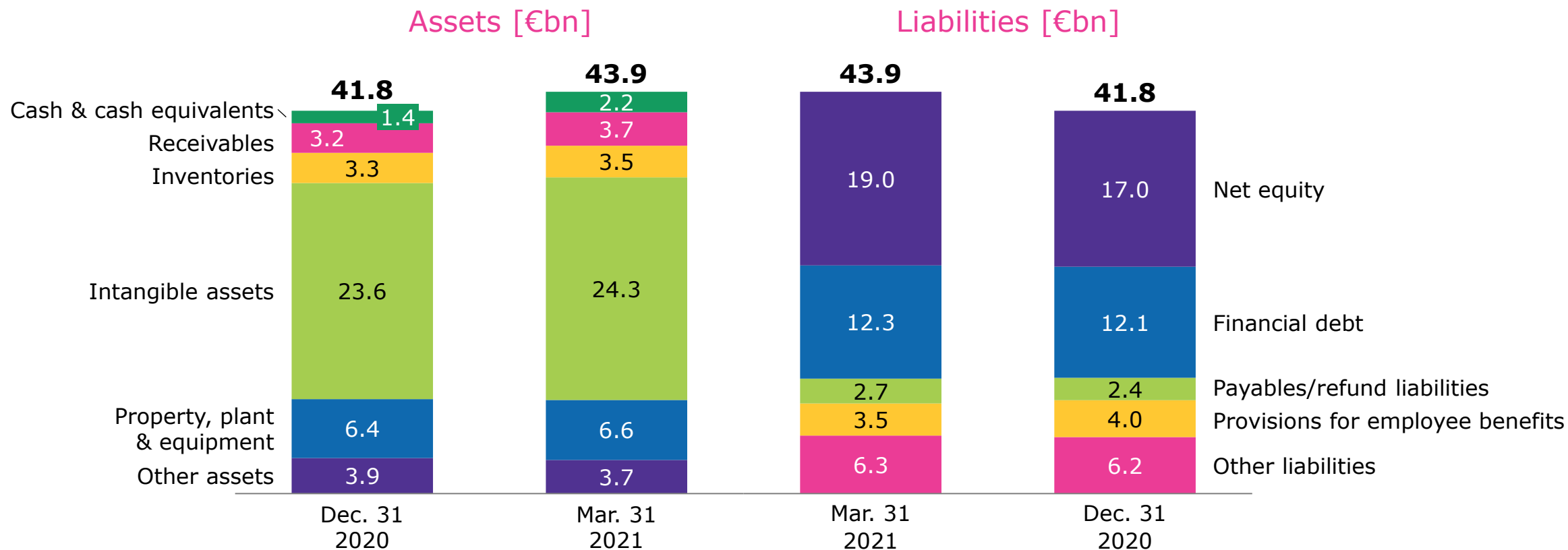
EBITDA pre bridge



* Marketing and selling expenses

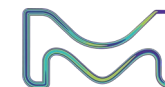


Balance sheet



- Increase in intangible assets primarily driven by FX
- Higher cash level driven by strong operating cash flow
- Higher receivables and inventories - growing slower than sales

- Reduction in provisions for employee benefits driven by actuarial gains from higher interest rates
- Reduced financial debt and higher retained earnings drive equity ratio of 43.2%



Cash flow statement

Q1 2021 – cash flow statement

[€m]	Q1 2020	Q1 2021	Δ
Profit after tax	458	748	290
D&A	431	424	-7
Changes in provisions	16	-34	-50
Changes in other assets/liabilities	-23	160	183
Other operating activities	-10	6	16
Changes in working capital	-356	-88	267
Operating cash flow	516	1,216	700
Investing cash flow	-288	-346	-58
thereof Capex on PPE	-337	-309	29
Financing cash flow	542	6	-536

Cash flow drivers

- Strong increase in profit after tax driven particularly by Life Science, further boosted by Bavencio[®] milestones
- Provisions largely reflect various favorable developments in litigation positions
- Contribution from other assets/liabilities largely explained by tax positions
- Working capital upside mainly driven by higher payables (Q4 2020 phasing effect)
- Delta in investing cash flow primarily explained by divestment of Allergopharma in Q1 2020
- Capex driven foremost by Life Science capacity expansions



outlook

03

Latest COVID-19 assumptions for 2021

Overarching assumptions

- **Increasing vaccination penetration** across large populations **in all major regions** as of summer
- **Global gradual easing of lockdowns to continue; vaccination efforts expected to keep up** with virus mutations
- **Overall improvement** in the course of 2021 to continue; **however, higher degree of forecast uncertainty**



Healthcare assumptions

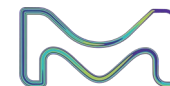
- **Confirm ~ stable organic base business & pipeline sales target**, despite higher uncertainty
- Pandemic **impact on ramp-ups** (particularly still depressed MS dynamic & high efficacy market in Q1 2021) **remains a watch out; recent vaccination data expected to accelerate market position of Mavenclad[®]**
- **Fertility to continue recovery**

Life Science assumptions

- **Continued strong additional demand & capacity expansions to support strong growth in Process Solutions**
- **Research and Applied** more volatile and differentiated across customer and product segments; **tailwinds for Research, about neutral effect in Applied**

Electronics assumptions

- **Neutral to positive impact on Semiconductor Solutions** end markets
- **Display and Surface Solutions to return to underlying trajectories**



Full-year 2021 guidance

Net sales:

Organic: +10% to +12% YoY

FX: -2% to -4% YoY

~€18.5 – 19.5 bn

EBITDA pre:

Organic: +16% to +20% YoY (*excl Biogen¹*)

FX: -2% to -4% YoY

~€5.4 – 5.8 bn

EPS pre:

~€7.50 – 8.20

¹ Q3 20 reversal of the provisions for the patent litigation proceedings for Rebif in the amount of ~€365 m; Guidance including Biogen – organic: +9% to +12%



