

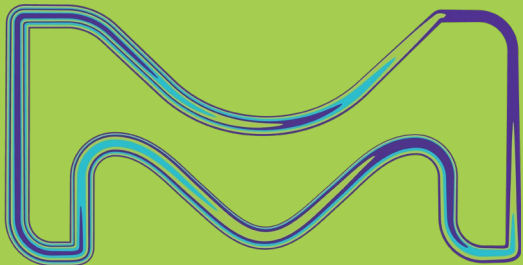
strong quarter with double-digit growth DRIVEN BY BIG3

Q2 2021 results

Presentation for the media

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August 5, 2021



Merck KGaA
Darmstadt, Germany

Disclaimer

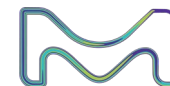
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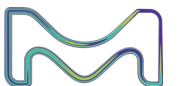


Agenda

01 Executive summary

02 Financial overview

03 Guidance



EXECUTIVE SUMMARY

01

Highlights: Strong group performance with contribution of all businesses



Healthcare: 88% organic growth in Fertility; Oncology up nearly 50% with Bavencio® nearly tripling in size, Mavenclad® more than doubling & resuming sequential growth; dynamic market beginning to recover

Life Science: Record organic growth; double-digit growth in all three business sectors; Process Solutions still the main driver despite comparison base including initial COVID-19 demand; Research Solutions up 31% against soft comps

Electronics: Strong performance of Semiconductor Solutions and strong recovery of Surface solutions drive double digit org. sales growth, while ongoing LC decline nearly offset by strong OLED



Q2 organic sales: +23.0%

Q2 organic EBITDA pre: +52.0%

Guidance:

Net sales: €18.8 – 19.7 bn

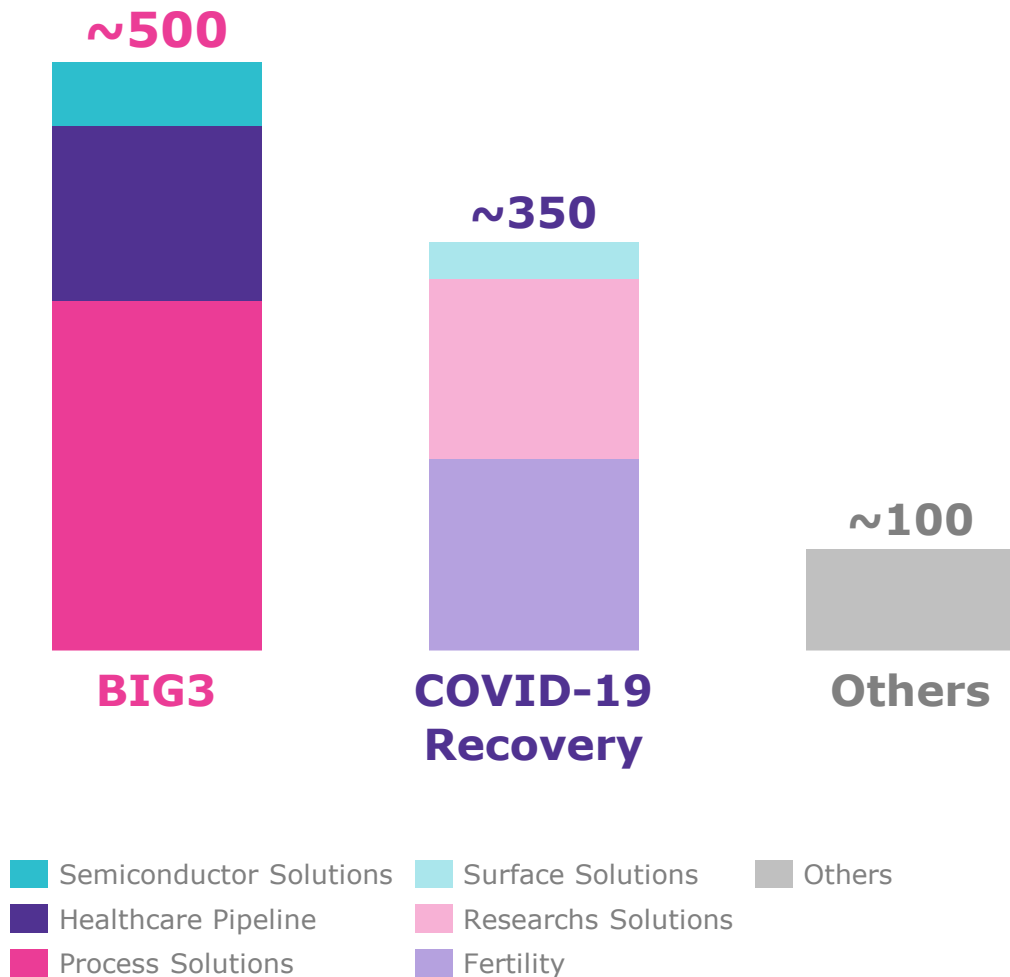
EBITDA pre: €5.6 – 6.0 bn

EPS pre: €7.80 – 8.50

Net financial debt to EBITDA pre ratio of 1.7 on June 30, 2021



BIG3 primary driver of ~ €950 m organic growth in Q2, further supported by recovery in areas impacted by COVID-19 in Q2 2020



Growth drivers by Business

Process Solutions:

- +34% organic growth delivering additional ~€300 m
- Bioprocessing primary driver amid strong underlying business and demand for COVID-19 projects

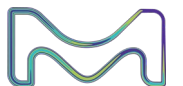
Healthcare Pipeline:

- All pipeline products growing >100% delivering ~ €150 m
- First signs MS dynamic market recovery

Semiconductor Solutions:

- +12% organic growth delivering additional €55
- Strong performance amid increasing demand

Fertility, Research Solutions and Surface Solutions all recovering broadly against COVID-19 impact in Q2 2020



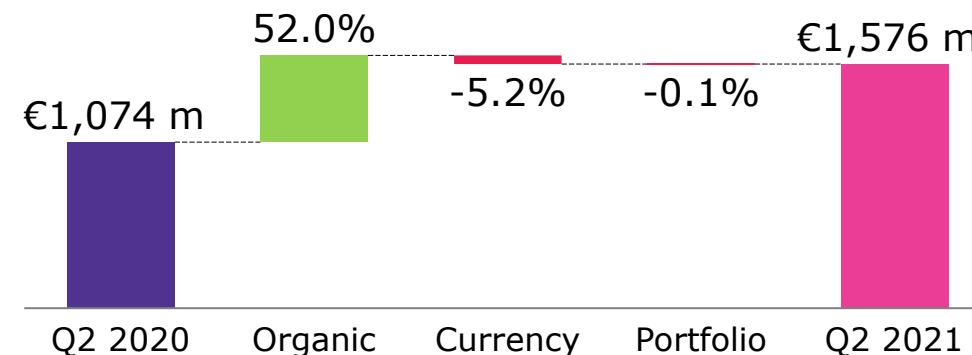
Strong Life Science demand and robust Healthcare recovery drive 23% sales and 52% EBITDA pre organic growth

Q2 YoY Net Sales

	Organic	Currency	Portfolio	Total
Healthcare	23.6%	-4.3%	0.0%	19.2%
Life Science	28.2%	-5.0%	0.0%	23.2%
Electronics	10.3%	-5.0%	0.0%	5.4%
Group	23.0%	-4.8%	0.0%	18.2%

- Strong recovery in Fertility well above pre COVID-19 levels, organic Mavenclad[®] growth of 102% and Oncology organic growth of +49% drive +24% growth in Healthcare overall
- Record 28% organic growth in Life Science; driven by all businesses with Process Solutions up +34%; Research Solutions +31% and Applied Solutions +13% against soft comps from lockdown
- Electronics growing 10% organically, driven by strong performance in Semiconductor Solutions (+12% org.) and strong recovery of Surface Solutions while Display Solutions declines slightly

Q2 YoY EBITDA pre

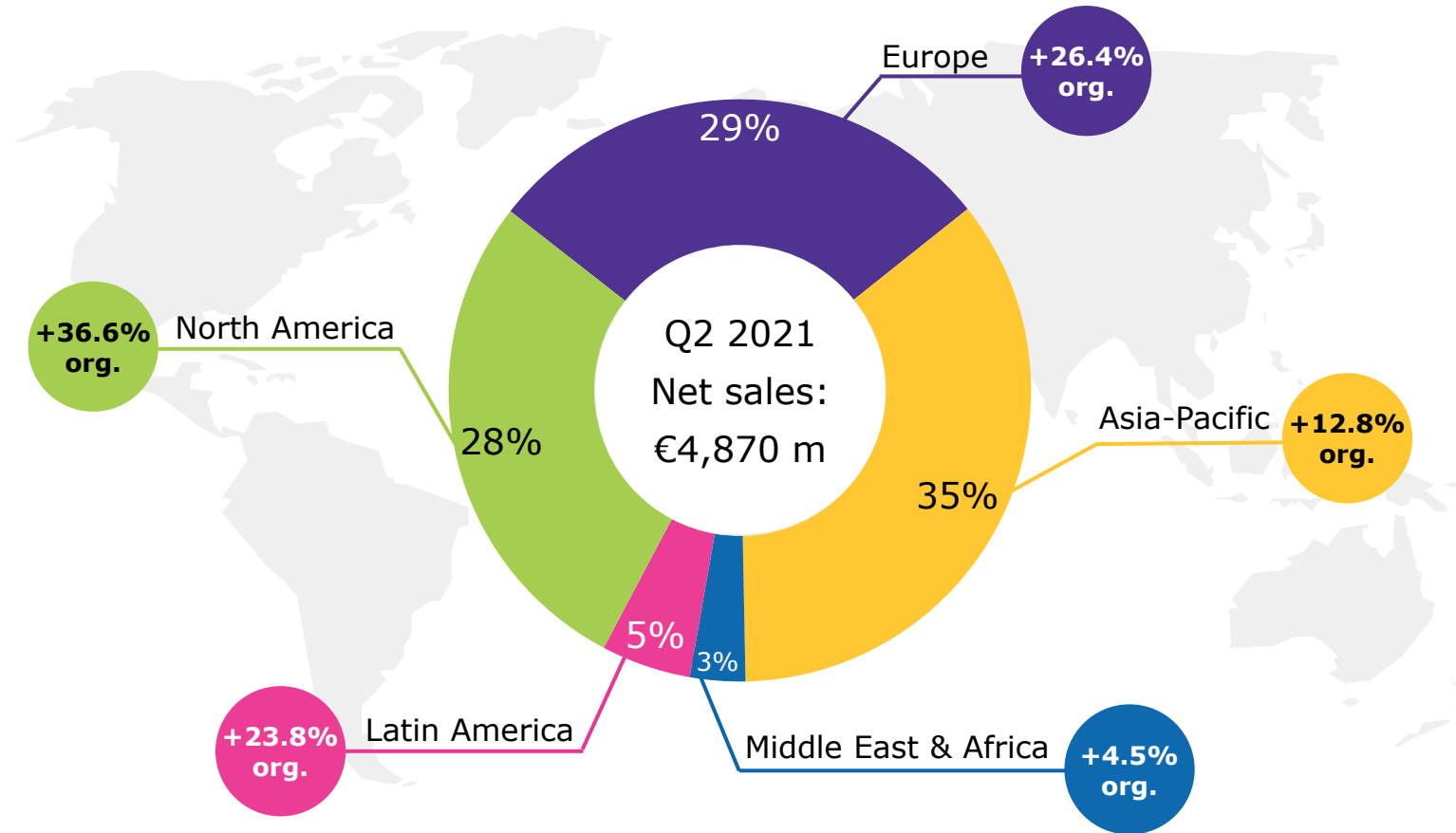


- Organic EBITDA pre increases by more than 50% and more than twice as fast as sales
- Strong uptake in Life Science and Healthcare gross profit paired with continued cost discipline in all sectors vs. soft Q2 2020
- FX burden of -5% across various currencies with largest negative impact from USD and JPY; partly mitigated by hedging



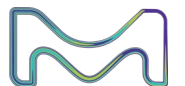
Life Science demand and Healthcare recovery drive particularly strong growth in North America and Europe

Regional breakdown of net sales [€m]



Regional organic development

- APAC: Strong growth across all sectors particularly in Process Solutions, Fertility and Semiconductor Solutions
- Europe: Strong demand in Process Solutions and strong recovery in Fertility against heavily impacted Q2 2020 drive 26% growth
- North America: Growth across all sectors, particularly strong Life Science, Fertility & Oncology (supported by Eli Lilly supply agreement)
- LATAM growth driven foremost by Fertility and CM&E
- Fertility drives growth in ME&A



Financial Overview

02

Q2 2021: Overview

Key figures

[€m]	Q2 2020	Q2 2021	Δ
Net sales	4,119	4,870	18.2%
EBITDA pre	1,074	1,576	46.7%
Margin (in % of net sales)	26.1%	32.4%	6.3pp
EPS pre	1.30	2.24	72.3%
Operating cash flow	502	888	76.9%

[€m]	Dec. 31, 2020	June 30, 2021	Δ
Net financial debt	-10,758	-10,141	-5.7%
Working capital	3,938	4,222	7.2%
Employees	58,096	58,382	0.5%

Comments

- EBITDA pre & margin increase, driven by operating leverage in Life Science and Healthcare vs. LY COVID-19 burden
- EPS pre increase driven by EBIT pre, better financial result and lower tax rate vs. particularly soft Q2 2020
- Operating cash flow up 77% driven by higher profit after tax in all three sectors
- Ongoing reduction of net financial debt



Q2 2021: Reported figures

Reported results

[€m]	Q2 2020	Q2 2021	Δ
EBIT	491	1,049	113.6%
Financial result	-102	-95	-7.3%
Profit before tax	389	955	145.4%
Income tax	-100	-208	107.9%
<i>Effective tax rate</i>	25.7%	21.8%	-3.9pp
Net income	290	745	157.1%
EPS (€)	0.67	1.71	155.2%

Comments

- EBIT more than doubles, driven by strong performance across all sectors vs. Q2 2020 COVID-19 burden
- Improved financial result largely driven by lower interest expense from deleveraging
- Effective tax rate benefitting from boosted results in Life Science (better country mix)
- Strong EBIT growth, improved financial result and lower tax rate drive higher net income & EPS



Healthcare Q2: Strong Fertility recovery & Bavencio[®] performance; Mavenclad[®] returns to sequential growth as dynamic market picks up

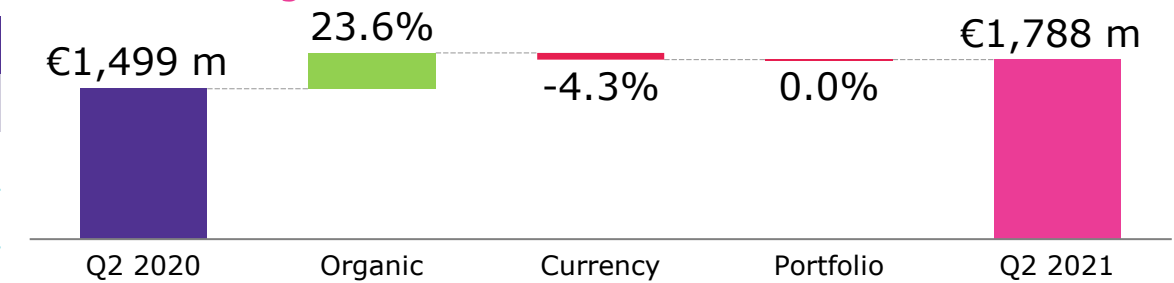
Healthcare P&L

[€m]	IFRS		Pre	
	Q2 2020	Q2 2021	Q2 2020	Q2 2021
Net sales	1,499	1,788	1,499	1,788
M&S*	-409	-391	-401	-389
Admin	-81	-78	-79	-76
R&D	-366	-415	-366	-414
EBIT	269	501	284	512
EBITDA	359	572	-	-
EBITDA pre	374	581	374	581
(in % of net sales)	24.9%	32.5%	24.9%	32.5%

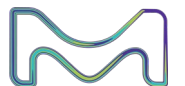
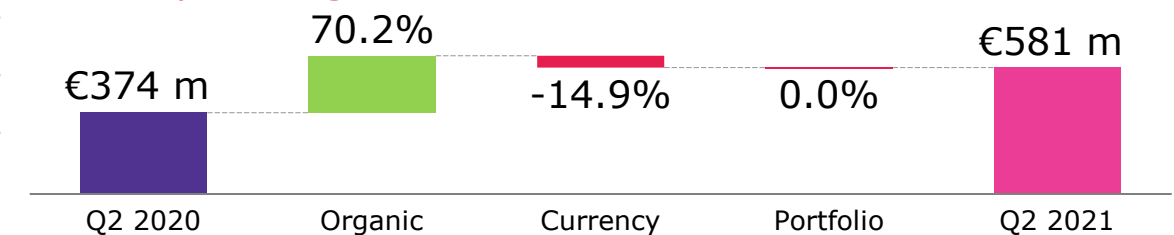
Comments

- Mavenclad[®] growth +102 % organically to €157 m, amid first signs of recovery of dynamic market and low comps; Rebif[®] declines -9%
- Oncology up +49%; Bavencio[®] grows +206% fueled by UC 1L launch in key markets; Erbitux[®] up +36% supported by Eli Lilly supply agreement
- Base business up +15%, driven primarily by strong Fertility recovery (+88% org.); CM&E +1% org. Glucophage VBP impact compensated for by Endocrinology
- Lower absolute M&S vs. Q2 2020 with higher level of face-to-face activities amid progressing adaptation to pandemic situation
- Higher absolute R&D driven largely by ramp up of Evobrutinib and Xevinapant development activities; lower R&D as % of sales
- EBITDA pre and margin increasing with operating leverage, further supported by temporary Eli Lilly supply agreement in the U.S.

Net sales bridge



EBITDA pre bridge



Life Science Q2: Strong core business and COVID-19 demand fuel record growth, mainly driven by Process and Research Solutions

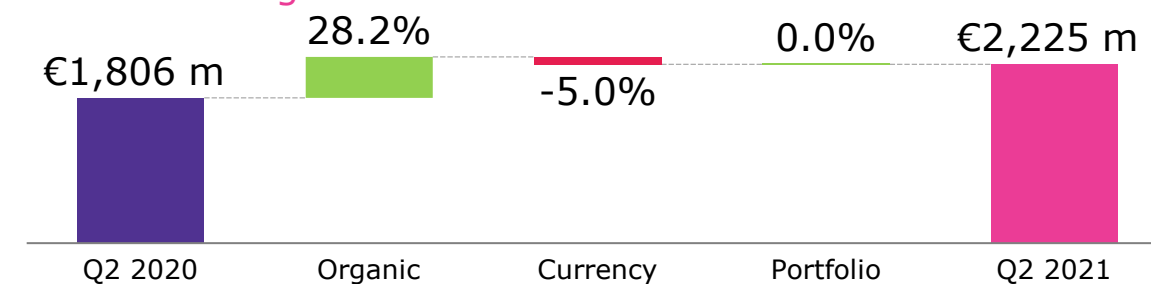
Life Science P&L

[€m]	IFRS		Pre	
	Q2 2020	Q2 2021	Q2 2020	Q2 2021
Net sales	1,806	2,225	1,806	2,225
M&S*	-488	-505	-488	-505
Admin	-100	-92	-88	-84
R&D	-75	-87	-75	-87
EBIT	386	644	370	638
EBITDA	584	835	-	-
EBITDA pre	569	829	569	829
(in % of net sales)	31.5%	37.3%	31.5%	37.3%

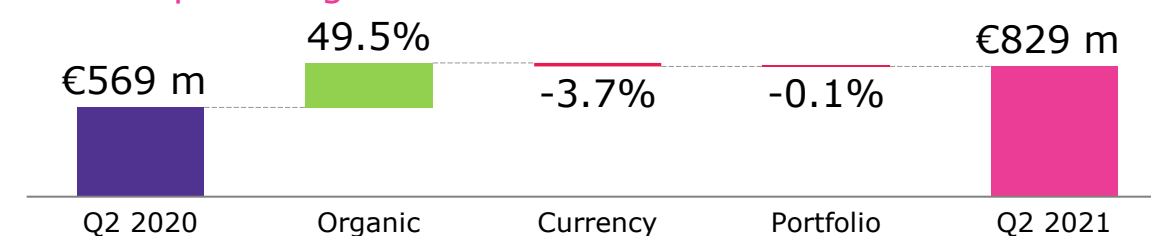
Comments

- Process Solutions: grows +34% organically, supported primarily by bioprocessing demand for COVID-19 projects; comparable base now starts including COVID-19 business
- Research Solutions: grows +31% organically against Q2 2020 COVID-19 dip, driven by recovery in base business and COVID-19 opportunities, mainly in diagnostics and pharma
- Applied Solutions: grows (+13% org.) against softest quarter of 2020
- Declining M&S in % of sales from 27% to 23% due to strong top line leverage, slightly higher in absolute terms
- Higher R&D in absolute terms with continued focused investments in high growth & emerging segments
- Business performance, operational leverage & favorable mix continue to drive strong EBITDA pre and margin expansion

Net sales bridge



EBITDA pre bridge



Electronics Q2: Strong performance in Semi, recovery in Surface, and stabilizing Display Solutions drive double-digit organic sales growth

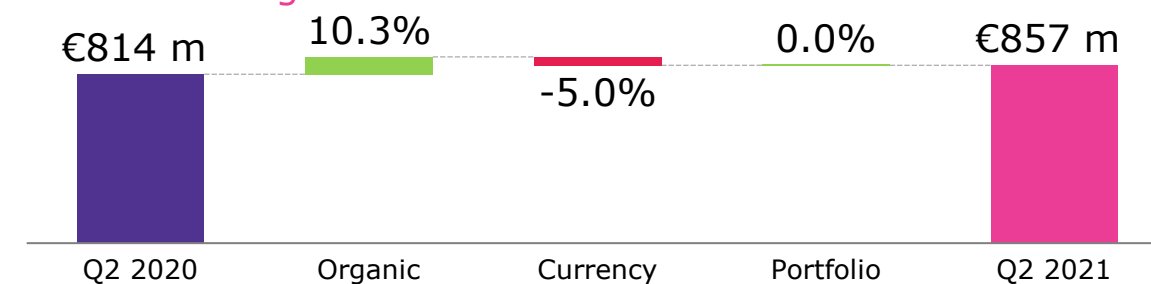
Electronics P&L

[€m]	IFRS		Pre	
	Q2 2020	Q2 2021	Q2 2020	Q2 2021
Net sales	814	857	814	857
M&S*	-134	-137	-131	-136
Admin	-44	-30	-36	-28
R&D	-68	-67	-69	-66
EBIT	-30	118	101	129
EBITDA	219	252	-	-
EBITDA pre	238	258	238	258
(in % of net sales)	29.3%	30.1%	29.3%	30.1%

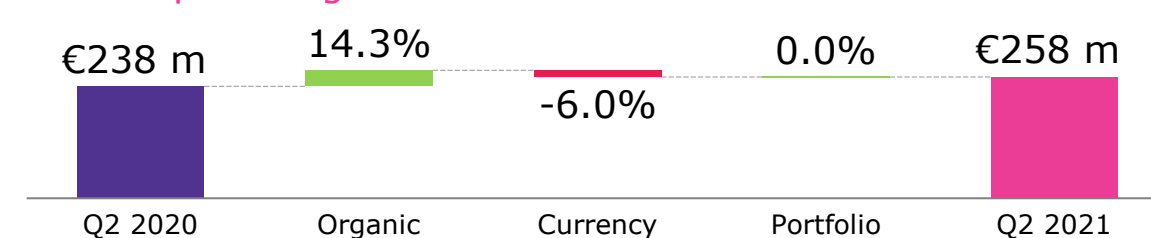
Comments

- Semiconductor Solutions: record quarter in terms of sales; 12% organic growth across all businesses with Semi Materials growing even faster than strong DS&S
- Display Solutions: down -1% organically as LC decline was nearly fully offset by growth in remaining portfolio primarily strong OLED
- Surface Solutions: delivers 41% organic growth over pandemic-impacted Q2 2020; visible recovery across all end markets
- M&S up 4%, largely driven by 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 (+14% org.) continues to exceed sales growth, but burdened by -6% FX headwinds

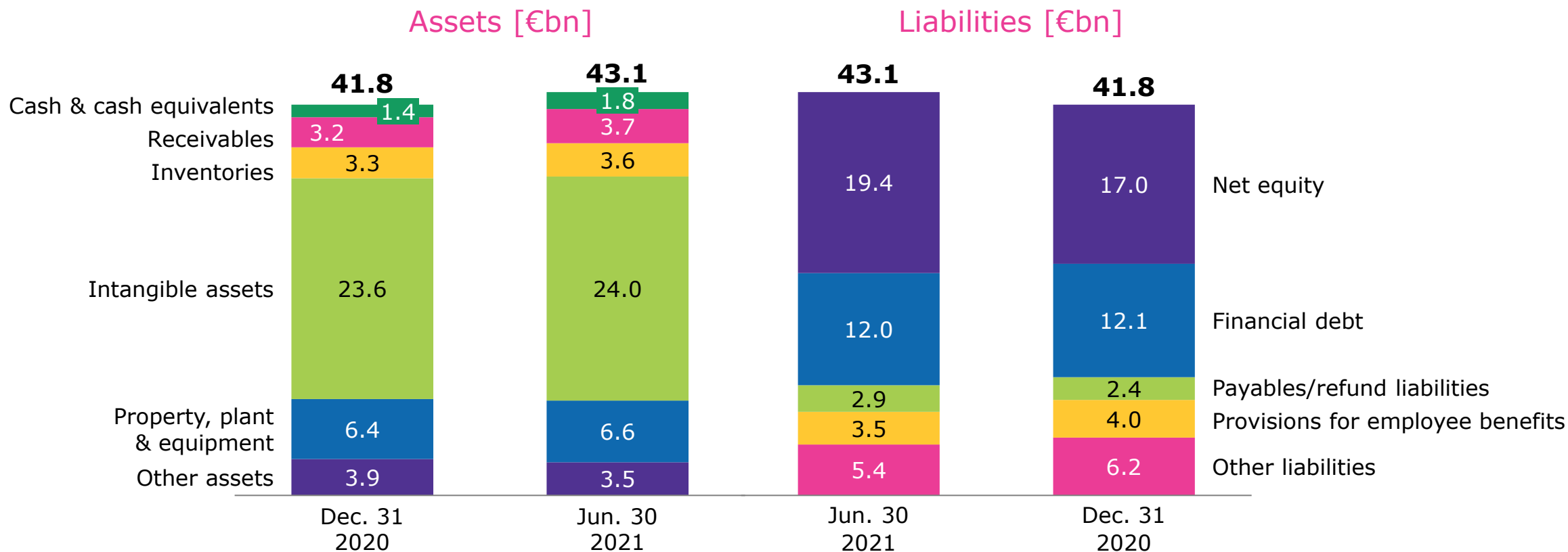
Net sales bridge



EBITDA pre bridge



Balance sheet



- Higher cash level driven by strong operating cash flow
- Higher receivables and inventories – growing slower than sales
- Increase in intangible assets primarily driven by FX and investments in pharmaceutical compounds (Xevinapant)

- Reduction in provisions for employee benefits driven by actuarial gains from higher interest rates
- Strong profit after tax and actuarial gains drive retained earnings, supported by FX driven net assets appreciation; equity ratio of 45%



Cash flow statement

Q2 2021 – Cash flow statement

[€m]	Q2 2020	Q2 2021	Δ
Profit after tax	289	747	458
D&A	559	419	-140
Changes in provisions	-54	88	142
Changes in other assets/liabilities	-166	-217	-50
Other operating activities	-13	19	32
Changes in working capital	-112	-168	-56
Operating cash flow	502	888	386
Investing cash flow	-216	-241	-25
thereof Capex on PPE	-194	-256	-62
Financing cash flow	-302	-1,059	-757

Cash flow drivers

- Operating cash flow up €386 m driven primarily by higher profit after tax in all three sectors, particularly Life Science
- Delta in D&A driven by COVID-19 related impairments in Q2 2020
- Provisions up, driven by litigation accruals, pension fluctuations, and LTIP*
- Higher outflow from working capital but growing considerably slower than sales
- Higher investments, particularly CAPEX on PPE in line with ongoing capacity expansion
- Financing cash flow explained by net repayment of bonds, bank liabilities and commercial papers



guidance

03

Full-year 2021 guidance

Net sales:

Organic: +12% to +14% YoY
FX: -2% to -4% YoY
~€18.8 – 19.7 bn

EBITDA pre:

Organic: +21% to +25% YoY (*excl. Biogen¹*)
FX: -2% to -4% YoY
~€5.6 – 6.0 bn

EPS pre:

~ €7.80 – 8.50

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%



2021 business sector guidance¹

Healthcare



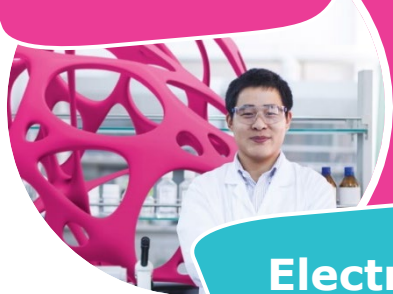
Net sales

- Organic: +7% to +10%
- Mainly driven by Mavenclo[®], Bavencio[®] and recovery of Fertility
- Base business organically around stable

EBITDA pre

- Organic: +15% to +18% YoY (excl Biogen²)
- FX: -5% to -7% YoY
- ~€2,050 – 2,150 m

Life Science



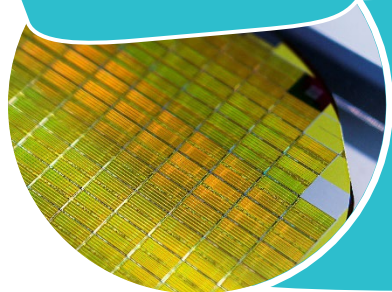
Net sales

- Organic: +18% to +21%
- Process Solutions as main growth driver

EBITDA pre

- Organic: +30% to +34% YoY
- FX: -1% to -3% YoY
- ~€3,050 – 3,200 m

Electronics

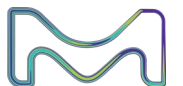


Net sales

- Organic: +6% to +8%
- Strong Semiconductor Solutions contribution
- OLED with high growth

EBITDA pre

- Organic: +9% to +12% YoY
- FX: -2% to -4% YoY
- ~€1,070 – 1,130 m



Group

Looking beyond 2021

Life Science



Upgrading the COVID-19 PS floor for 2022 to € 700m

- Higher 2021 overall **COVID-19 contribution of at least €1 bn**
- **Process Solution** expecting more than **€900 m COVID-19 related sales in 2021**
- Current strong additional demand and forward visibility warrant **upgrade**

Healthcare



Updating 2022 pipeline sales to €1.6 bn to €1.8 bn

- Mavenclo® **peak sales** of €1 to 1.4 bn **unaffected**; phased outward due to COVID-19
- Ramp-up dependent on continued **recovery of dynamic market**
- Anticipated positive **impact of vaccines data**

Electronics



Further upgraded guidance also positive signal for 2022 and beyond

- **Continued strong semi market** based on underlying **accelerating demand**
- Above mid-term guidance for 2021, **further upgraded organic sales growth**
- **Positive market signals** also anticipated to **carry on mid-term**

