

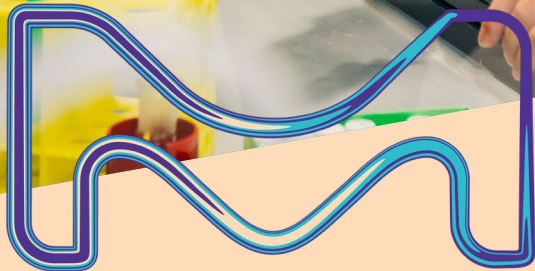


# **BIG3 DRIVE ANOTHER QUARTER OF DOUBLE-DIGIT GROWTH**

**Q3 2021 results – presentation for the media**

Belén Garijo, CEO  
Marcus Kuhnert, CFO

November 11, 2021



**Merck KGaA**  
Darmstadt, Germany

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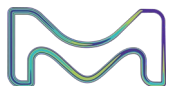
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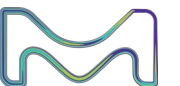


# Agenda

**01** Executive summary

**02** Financial overview

**03** Guidance



01

# EXECUTIVE SUMMARY

# Highlights: All sectors contribute to ~ €500 m organic net sales increase



## Operations

**Life Science:** another record quarter in terms of absolute sales and 17% organic growth against higher comps; largest growth contributor to group (~ €330 m org.) with all three business units growing above mid-term guidance; Process Solutions remains main driver

**Healthcare:** Bavencio® now delivering more than €100 m net sales in one quarter; Mavenclad® with highest quarter since launch amid muted dynamic market recovery; continued strong organic growth in Fertility

**Electronics:** Semiconductor Solutions delivering ~ €100 m org. growth, driving another quarter of double-digit org. sales growth in Electronics vs. COVID-19-impacted Q3 2020



## Financials

**Q3 organic sales:** +10.9%

**Q3 organic EBITDA pre:** +13.4% underlying  
(-10.9% incl. Q3 2020 Biogen provision reversal)

### 2021 Guidance:

Net sales:	€19.30 bn to 19.85 bn
EBITDA pre:	€6.00 bn to 6.30 bn
EPS pre:	€8.50 to 9.00

Net financial debt to EBITDA pre ratio of 1.6 on Sept. 30, 2021



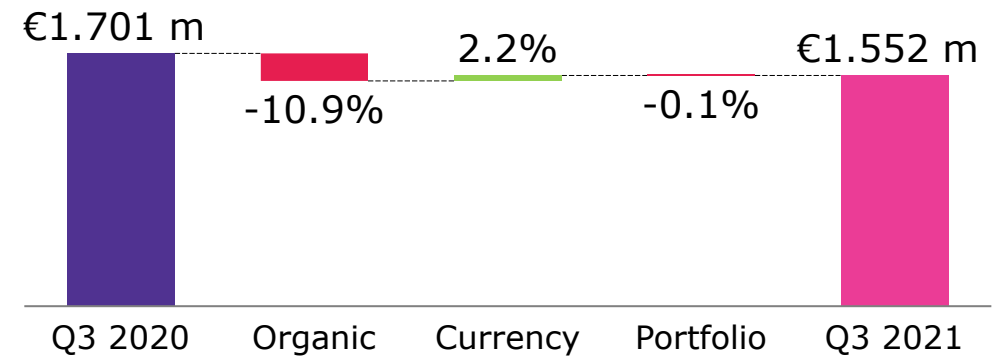
# 11% organic sales growth driven by all three business sectors; EBITDA pre growing 13% organically (excluding Biogen)

## Q3 YoY Net Sales

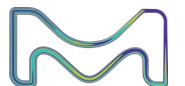
	Organic	Currency	Portfolio	Total
Life Science	17.1%	0.6%	0.0%	17.7%
Healthcare	4.1%	1.0%	-0.1%	5.1%
Electronics	10.3%	1.7%	0.0%	12.1%
<b>Group</b>	<b>10.9%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>11.8%</b>

- Process Solutions continues to drive Life Science growth; sequential evolution takes sales to new record level of €1.2 bn in the quarter; Research Solutions growth at higher levels but normalizing
- Mavenclad<sup>®</sup> and Bavencio<sup>®</sup> contributions and ongoing strong growth in Fertility more than offset continued Rebif<sup>®</sup> decline and China VBP impact on CM&E, driving 4.1% organic growth in Healthcare overall
- Electronics again growing 10% organically, driven by strong performance of Semiconductor Solutions (+21% org.) and soft comps in Surface Solutions

## Q3 YoY EBITDA pre

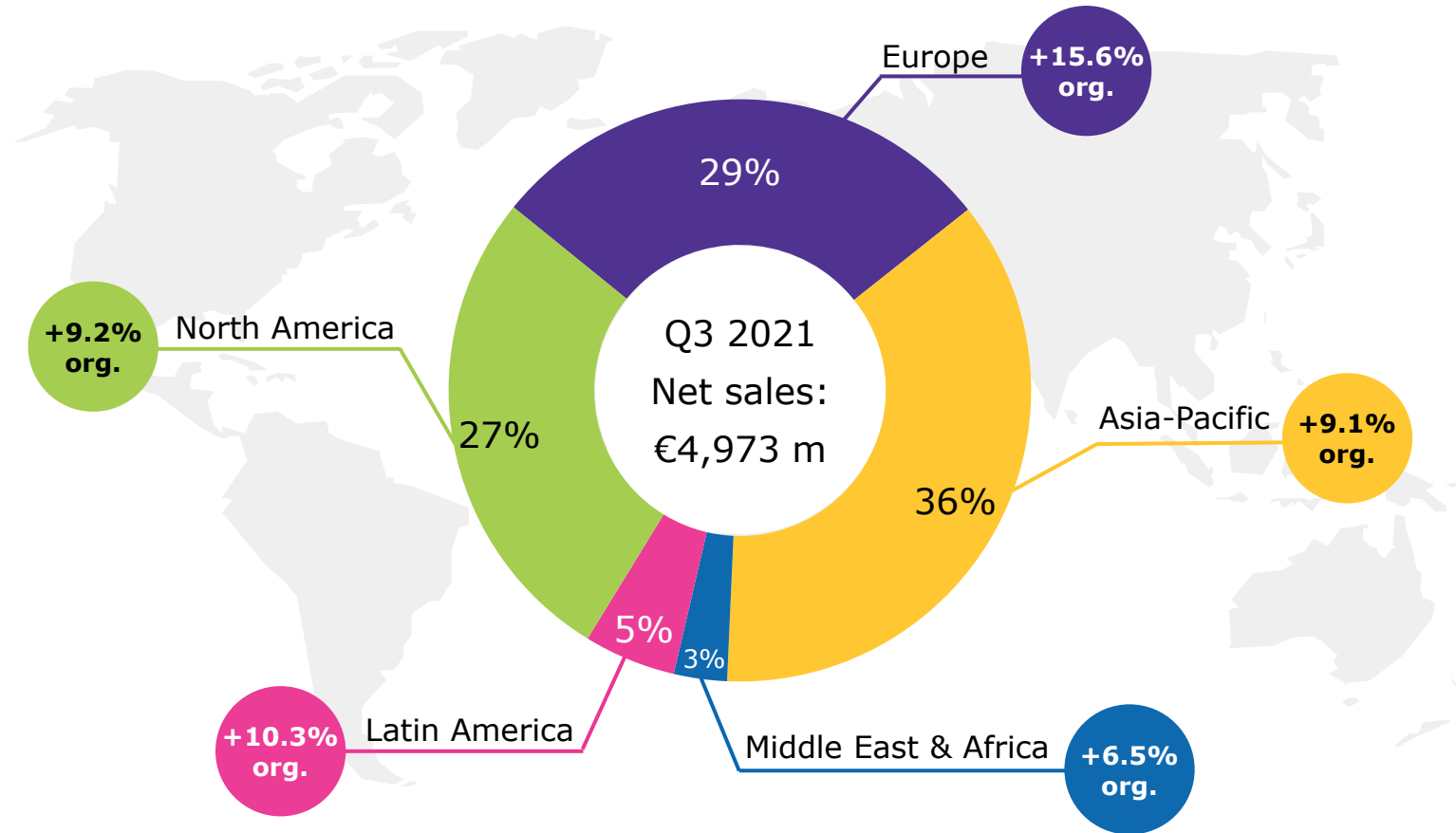


- Underlying organic EBITDA pre growth of 13% against Q3 2020 (elevated by €365 m Biogen)
- Profitable growth primarily in Life Science paired with continued cost discipline in all sectors main driver of underlying EBITDA pre
- FX effect now turning positive at +2% driven by various currencies, with largest positive impact from CNY as it moves below previous years' rates



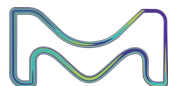
# Continued strong Life Science demand primary driver of growth across all regions

## Regional breakdown of net sales [€m]



## Regional organic development

- APAC: Life Science and Electronics largest contributors to growth particularly in Process Solutions, and Semiconductor Solutions
- Europe: Strong demand in Process Solutions primary growth driver, Bavencio® ramp-up also contributing
- North America: Process Solutions, Research Solutions and Bavencio® top three drivers of growth, further supported by Semiconductor Solutions
- LATAM growth driven foremost by CM&E, Applied Solutions and Fertility
- Fertility continues driving ME&A growth



02

# Financial Overview



# Q3 2021: Overview

## Key figures

[€m]				(Excl. Biogen provision reversal)	
	Q3 2020	Q3 2021	Δ	Q3 2020	Δ
Net sales	4,447	<b>4,973</b>	11.8%		
EBITDA pre	1,701	<b>1,552</b>	-8.7%	1,336	16.2%
Margin (in % of net sales)	38.2%	<b>31.2%</b>	-7.0pp	30.0%	1.2 pp
EPS pre	2.34	<b>2.24</b>	-4.3%	1.71	30.9%
Operating cash flow	1,170	<b>1,467</b>	25.3%		
[€m]	Dec. 31, 2020	Sept. 30, 2021	Δ		
Net financial debt	-10,758	<b>-9,320</b>	-13.4%		
Working capital	3,938	<b>4,481</b>	13.8%		
Employees	58,096	<b>58,483</b>	0.7%		

## Comments

- Growth across all sectors, particularly Life Science, further supported by +1% FX tailwind results in +12% sales growth
- 120 bps uplift in underlying EBITDA pre margin (excl. Biogen provision reversal)
- Underlying EPS pre growth of 31% driven by EBITDA pre growth, improved financial result and lower income tax rate
- Operating cash flow up 25% supporting YTD net debt reduction of €1.4 bn
- Life Science sales growth main driver of higher working capital



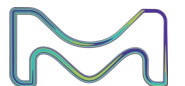
# Q3 2021: Reported figures – comps impacted by Biogen provision

## Reported results

[€m]	Q3 2020	Q3 2021	Δ
EBIT	1,167	<b>1,047</b>	-10.2%
Financial result	-102	<b>-54</b>	-46.7%
Profit before tax	1,065	<b>993</b>	-6.7%
Income tax	-258	<b>-229</b>	-11.2%
<i>Effective tax rate (%)</i>	24.3%	<b>23.1%</b>	-1.2pp
Net income	805	<b>761</b>	-5.6%
EPS (€)	1.85	<b>1.75</b>	-5.4%

## Comments

- Underlying EBIT growing 31% while reported EBIT growth impacted by Q3 2020 €365 m provision reversal
- Improved financial result primarily driven by improved interest result from ongoing deleveraging
- Effective tax rate benefitting from favorable country mix in fastest growing business sector, Life Science



# Life Science Q3: Strong core business and COVID-19 demand drive another quarter of record sales

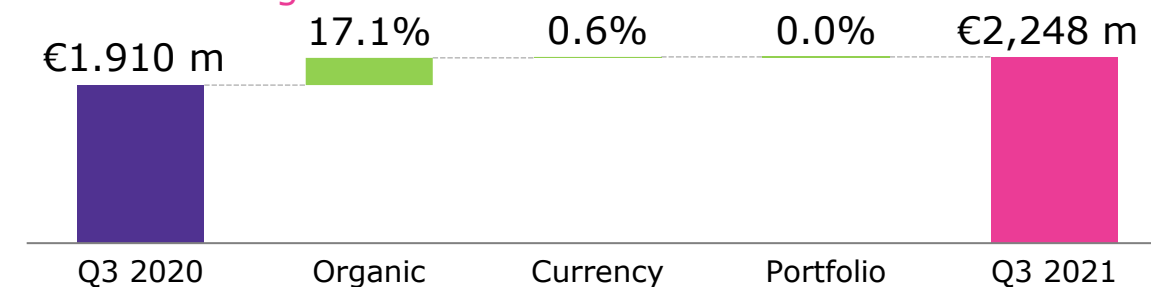
## Life Science P&L

[€m]	IFRS		Pre	
	Q3 2020	Q3 2021	Q3 2020	Q3 2021
Net sales	1,910	2,248	1,910	<b>2,248</b>
M&S*	-478	-529	-477	<b>-527</b>
Admin	-88	-93	-80	<b>-84</b>
R&D	-75	-88	-75	<b>-88</b>
EBIT	417	614	435	<b>632</b>
EBITDA	612	806	-	-
EBITDA pre	630	<b>824</b>	630	<b>824</b>
(in % of net sales)	33.0%	<b>36.6%</b>	33.0%	<b>36.6%</b>

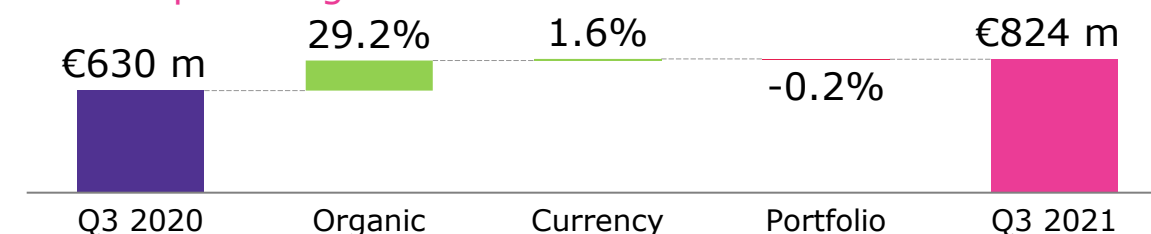
## Comments

- Process Solutions: +28% organic growth, ~2/3 driven by COVID-19 demand, primarily in bioprocessing on top of solid base business performance; comps now include significant COVID-19 business
- Research Solutions: grows +7% organically against already stronger post-lockdown recovery in Q3 2020, driven primarily by strong base business and small COVID-19 contributions
- Applied Solutions: grows +8% organically against rising comps

## Net sales bridge



## EBITDA pre bridge



- M&S in % of sales declining from 25% to 23% due to strong top line leverage, higher in absolute terms with logistics being the largest driver
- Higher R&D in absolute terms with continued focused investments in high growth & emerging segments
- Business performance, favorable mix & operating leverage continue to drive strong EBITDA pre and margin expansion



# Healthcare Q3: Strong Bavencio<sup>®</sup> performance and continued Mavenclad<sup>®</sup> ramp-up drive 4% organic growth

## Healthcare P&L

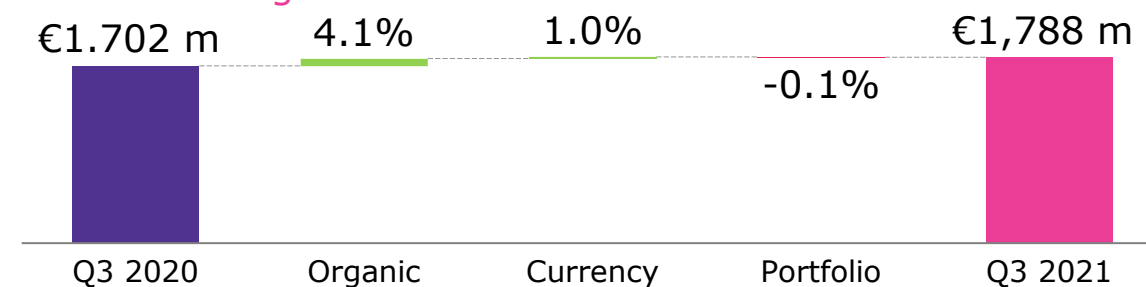
[€m]	IFRS		Pre	
	Q3 2020	Q3 2021	Q3 2020	Q3 2021
Net sales	1,702	1,788	1,702	<b>1,788</b>
M&S*	-382	-386	-379	<b>-386</b>
Admin	-75	-79	-75	<b>-77</b>
R&D	-378	-486	-378	<b>-486</b>
EBIT	807	453	812	<b>462</b>
EBITDA	892	532	-	<b>-</b>
EBITDA pre	896	<b>541</b>	896	<b>541</b>
(in % of net sales)	52.7%	<b>30.3%</b>	52.7%	<b>30.3%</b>

## Comments

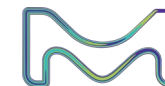
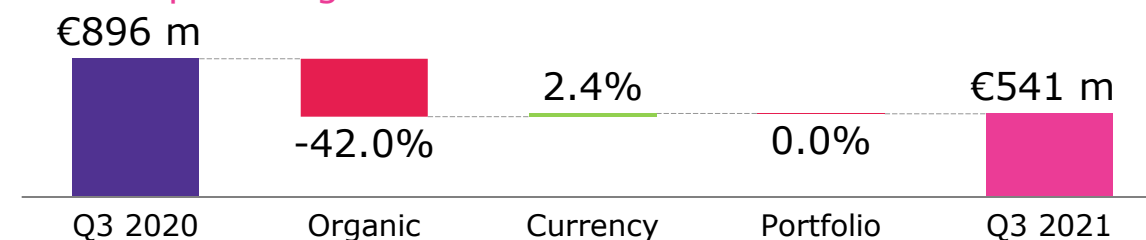
- Mavenclad<sup>®</sup> grows +33 % organically to highest quarter at €197 m, more than offsetting organic Rebif<sup>®</sup> decline of -16%
- Oncology up +26%; Bavencio<sup>®</sup> grows +147% fueled by continued UC 1L ramp-up in key markets; Erbitux<sup>®</sup> growing across all regions (+6% org.)
- VBP<sup>1</sup> impact on Glucophage<sup>®</sup> drives decline in CM&E (-3% org.) which is fully compensated by Fertility growth (+7% org.)
- Lower M&S as % of sales vs. Q3 2020 despite higher level of face-to-face activities amid progressing adaptation to pandemic situation
- Higher absolute R&D driven primarily by Bintrafusp study termination accrual (~€70 m), largely offset by accelerated recognition of Bintrafusp deferred other income (~€50 m)
- EBITDA pre and margin decline driven by Q3 2020 Biogen litigation provision reversal of €365 m, underlying EBITDA pre about stable

<sup>1</sup> Volume Based Procurement

## Net sales bridge



## EBITDA pre bridge



# Electronics Q3: 21% growth in Semi continue to drive double-digit organic sales growth

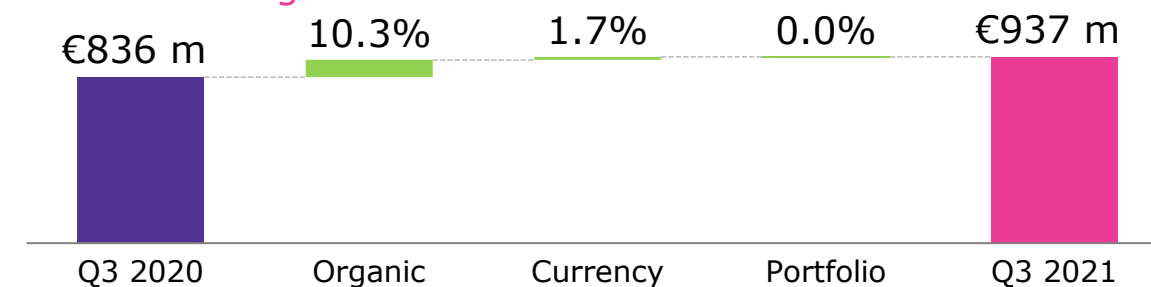
## Electronics P&L

[€m]	IFRS		Pre	
	Q3 2020	Q3 2021	Q3 2020	Q3 2021
Net sales	836	937	836	<b>937</b>
M&S*	-133	-147	-132	<b>-145</b>
Admin	-38	-39	-36	<b>-28</b>
R&D	-65	-72	-65	<b>-72</b>
EBIT	75	125	104	<b>163</b>
EBITDA	227	277	-	<b>-</b>
EBITDA pre	254	<b>297</b>	254	<b>297</b>
(in % of net sales)	30.4%	<b>31.7%</b>	30.4%	<b>31.7%</b>

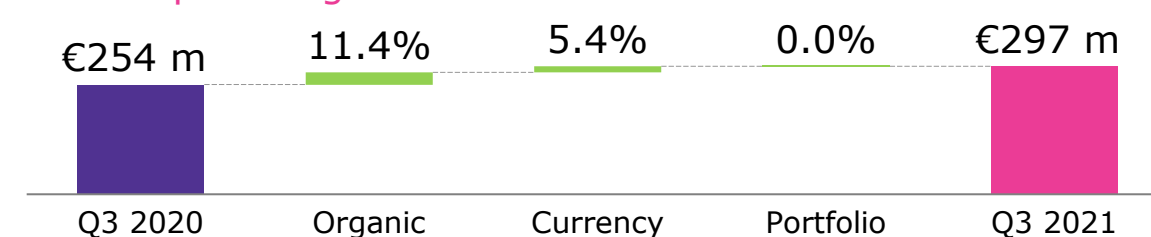
## Comments

- Semiconductor Solutions: another record quarter of absolute sales and organic growth (+21%), driven by materials and DS&S projects
- Display Solutions: down -7% organically, LC decline partly offset by high growth in OLED
- Surface Solutions: growing +10% organically vs. still pandemic-impacted Q3 2020; particularly strong cosmetics business recovery
- M&S flat as percentage of sales, despite higher logistic costs, reflecting diligent cost management amid Bright Future transformation and Versum integration synergies
- R&D flat as percentage of sales, absolute increase virtually fully driven by investments in Semiconductor Solutions
- EBITDA pre (+11% org.) again exceeding sales growth, further supported by +5% FX tailwinds

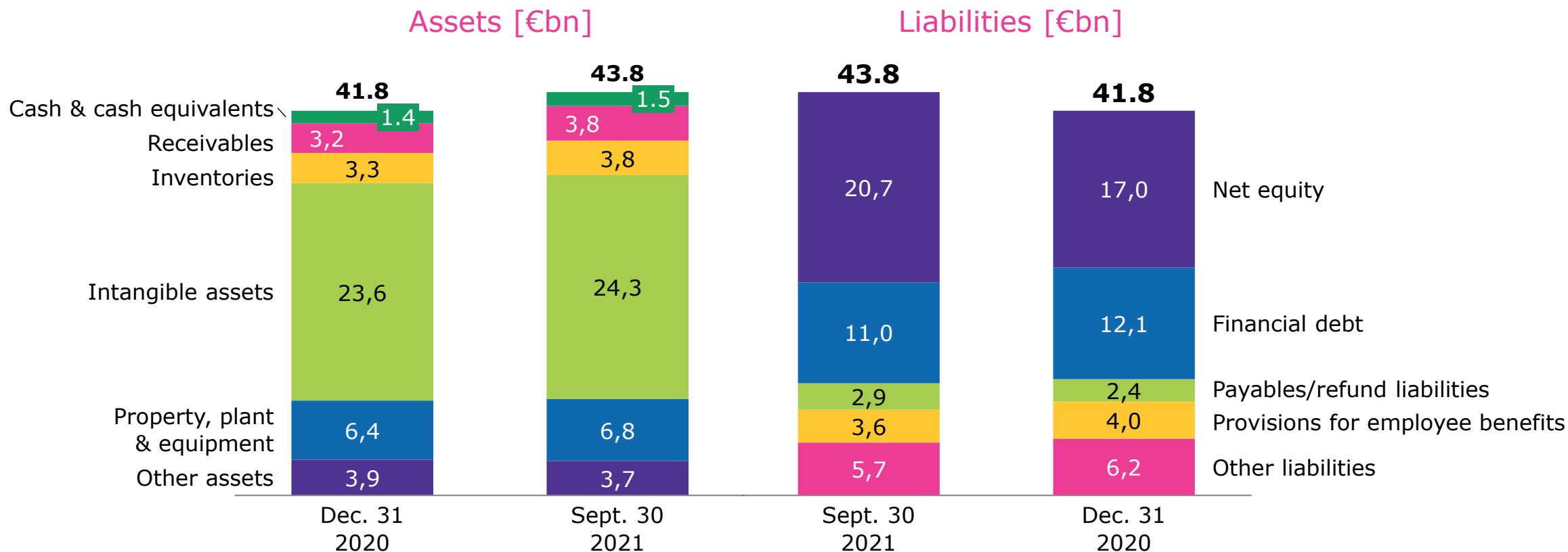
## Net sales bridge



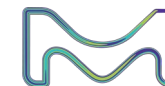
## EBITDA pre bridge



# Balance sheet



- Higher cash level driven by strong operating cash flow
- Receivables & inventories primarily driven by Life Science sales growth
- Increase in intangible assets primarily driven by FX
- Increase in property plant & equipment driven by investments and FX
- Reduction in provisions for employee benefits driven by actuarial gains from higher interest rates
- Retained earnings and FX driven net assets appreciation drive equity ratio of 47%



# Cash flow statement

## Q3 2021 – Cash flow statement

[€m]	Q3 2020	Q3 2021	Δ
Profit after tax	806	<b>764</b>	-43
D&A	451	<b>443</b>	-8
Changes in provisions	-256	<b>191</b>	448
Changes in other assets/liabilities	114	<b>128</b>	14
Other operating activities	24	<b>22</b>	-2
Changes in working capital	31	<b>-82</b>	-113
<b>Operating cash flow</b>	1,170	<b>1,467</b>	296
Investing cash flow	-738	<b>-638</b>	100
thereof Capex on PPE	-237	<b>-295</b>	-58
Financing cash flow	-380	<b>-1,131</b>	-751

## Cash flow drivers

- Operating cash flow up €296 m driven primarily by higher underlying profit after tax, particularly in Life Science
- Negative delta in profit after tax impacted by €365 m Biogen provision reversal (Q3 2020) and €71 m Bintrafusp study termination provision (Q3 2021)
- Outflow from working capital primarily driven by Life Science sales growth
- Q3 2020 investing cash flow elevated by temporary investment of excess cash in non-financial assets
- Higher CAPEX on PPE reflects ongoing capacity expansion
- Net repayment of liabilities & commercial papers drives financing cash flow

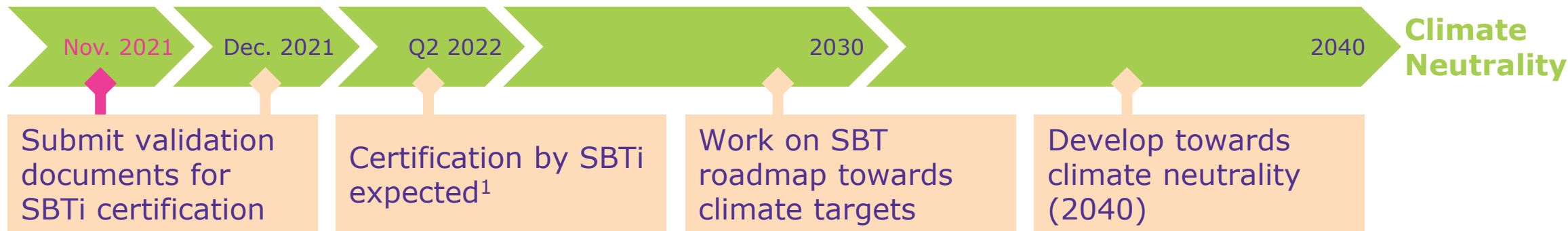


03

guidance



# Outlook: On the path towards climate neutrality 2040



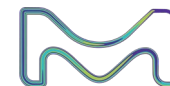
SBTi commitment letter signed

- Aiming for **climate neutrality** (scope 1-3 emissions) **by 2040**
- **Lower scope 1&2 GHG<sup>2</sup> emissions by 50%** by 2030 vs. 2020 baseline
- **Source 80% of purchased electricity from renewable sources** by 2030
- **Current scope 3 aspiration to reduce 1,500 kt<sup>3</sup> CO<sub>2</sub> equivalents** by 2030

## Science-Based Targets initiative (SBTi):

Science-based targets provide a clearly defined pathway for companies to reduce GHG emissions, helping prevent the worst impacts of climate change and future-proof business growth.

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement, pursuing efforts to limit global warming to 1.5°C.



# Full-year 2021 guidance

## Net sales:

Organic: +13% to +15% YoY  
FX: -1% to -2% YoY  
**~€19.30 bn to €19.85 bn**

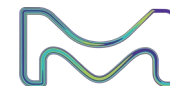
## EBITDA pre:

Organic: +26% to +29% YoY *(excl Biogen<sup>1</sup>)*  
FX: -1% to -2% YoY  
**~€6.00 bn to €6.30 bn**

## EPS pre:

**~ €8.50 to €9.00**

<sup>1</sup> Q3 20 reversal of the provision for the patent dispute over Rebif in the amount of ~€365 m; Guidance including Biogen – organic: +17% to +20%

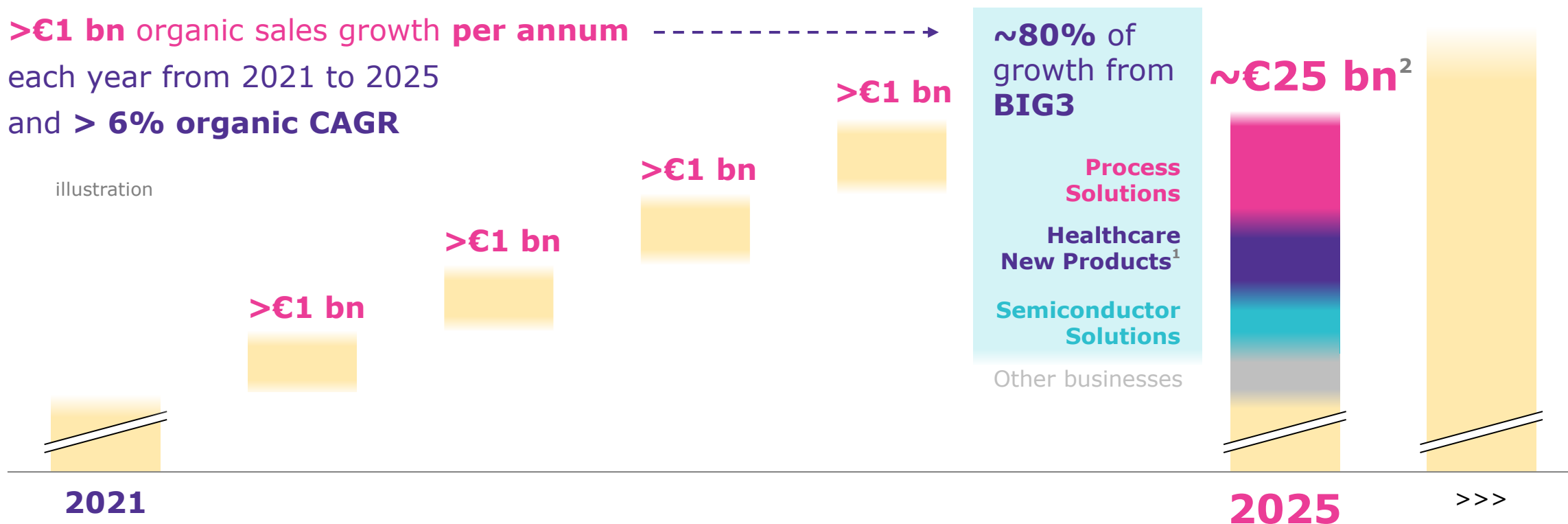


# Looking beyond 2021

## #25by25: delivering €5 bn+ organic additional sales by 2025

>€1 bn organic sales growth per annum  
each year from 2021 to 2025  
and > 6% organic CAGR

illustration



▶ **Clear commitment to efficient growth**

1) Updated scope: New Products consist of recent launches (Bavencio®, Mavenclad®, Tepmetko® MET-exon 14) and risk-adjusted launches to come until 2025 2) including potential bolt-on M&A



