



off to a strong start

Q1 2022 results

Presentation for the media

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Merck KGaA
Darmstadt, Germany

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Agenda

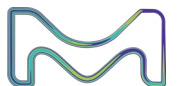
01 Executive summary

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EXECUTIVE SUMMARY

01

Highlights Q1 2022



Operations

Life Science:

- 10% organic growth & sequential step-up driven by core business performance amid declining COVID-19 demand
- Largest growth contribution to group (org. +€207 m)
- All business units growing, Process & Applied key drivers

Healthcare:

- +102% org. growth in Bavencio[®] and +25% org. growth in Mavenclad[®] drive +7% organic growth in sector (+€107 m)
- Established portfolio stable, driven by solid Fertility and CM&E performance

Electronics:

- +5% organic growth (+€45 m) mainly driven by ongoing strength in Semiconductor Solutions (+16% org.)



Financials

Q1 organic sales: growth of +7.8%

Q1 organic EBITDA pre: growing +1.6%

Guidance:

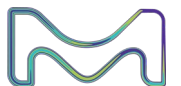
Net sales: Net sales: €21.6 bn to €22.8 bn

EBITDA pre: €6.6 bn to €7.1 bn

EPS pre: €9.60 to €10.50

Net financial debt to EBITDA pre:

Remains stable vs. 2021 at 1.4 on March 31, 2022



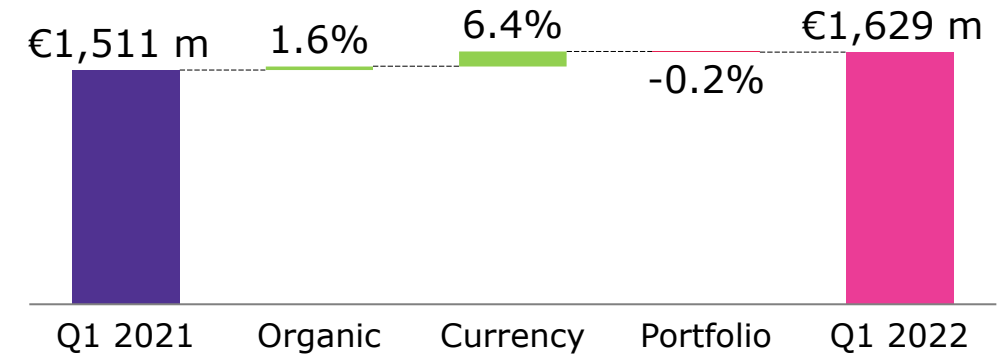
All sectors contribute to strong organic sales growth; Sales and EBITDA pre further supported by significant positive FX effects

Q1 YoY Net Sales

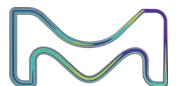
	Organic	Currency	Portfolio	Total
Life Science	9.7%	4.8%	0.2%	14.7%
Healthcare	6.5%	3.0%	0.0%	9.5%
Electronics	5.2%	6.0%	0.0%	11.2%
Group	7.8%	4.4%	0.1%	12.2%

- Life Science: Strong organic growth driven by all business units with Process and Applied Solutions both up +13% org.; Research Solutions growing (+2% org.) despite tough comps
- Healthcare: Recent launches up +50% organically (continued strong Bavencio® uptake) driving strong sector growth
- Electronics: +16% org. growth in Semiconductor Solutions more than offset organic decline in Display Solutions; Surface Solutions growing slightly

Q1 YoY EBITDA pre

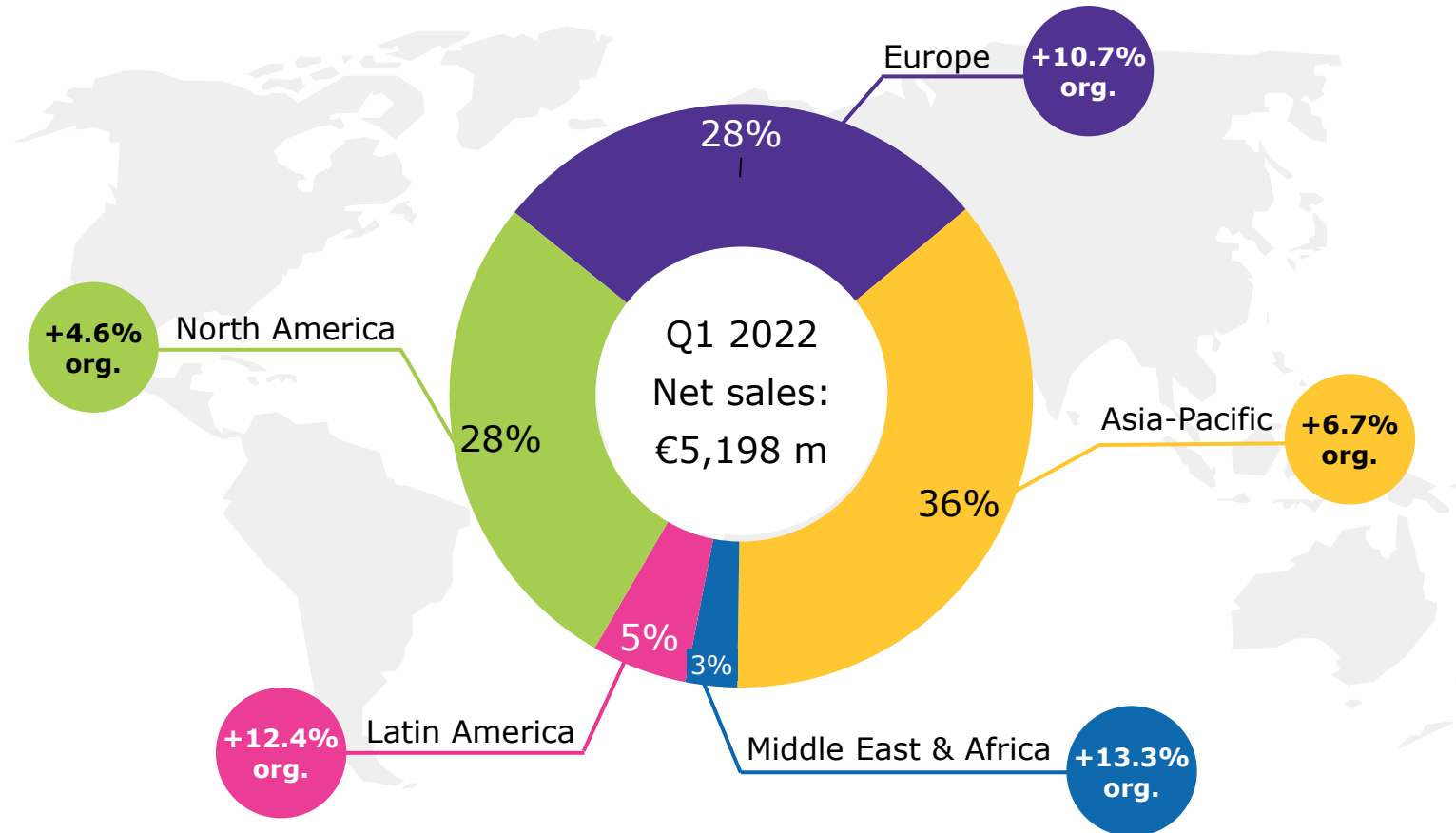


- EBITDA pre growing 2% org. despite higher non-recurring income in Healthcare comps amid inflationary price pressures
- Life Science entirely drives org. EBITDA pre growth
- Positive FX effect of +6% across various currencies with largest positive impact from USD, CNY and TWD; partly offset by TRY and hedging



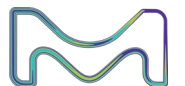
Strong Life Science and Healthcare are primary growth drivers across all regions

Regional breakdown of net sales [€m]



Regional organic development

- APAC: Semiconductor Solutions main growth driver, supported by Process Solutions and Bavencio®
- Europe: Process Solutions, Bavencio® and Mavenclad® primary growth drivers
- North America: Life Science, especially Process and Applied Solutions drive growth; Bavencio® supporting further
- LATAM: CM&E primary growth driver, further supported by Applied Solutions, Process Solutions and Fertility
- Fertility & CM&E main contributors to ME&A growth



03

Financial Overview

Q1 2022: Overview

Key figures

[€m]	Q1 2021	Q1 2022	Δ
Net sales	4,631	5,198	12.2%
EBITDA pre	1,511	1,629	7.8%
<i>Margin (in % of net sales)</i>	32.6%	31.3%	-1.3pp
EPS pre	2.18	2.41	10.6%
Operating cash flow	1,216	840	-30.9%

[€m]	Dec. 31, 2021	March 31, 2022	Δ
Net financial debt	-8,753	-9,228	5.4%
Working capital	4,207	4,811	14.4%
Employees	60,335	61,518	2.0%

Comments

- Sales up +12%, driven by strong organic performance and FX tailwinds
- Life Science primary driver of organic EBITDA pre growth; FX upsides
- EPS pre growth driven by EBIT pre contribution, better financial result
- Operating cash flow decline driven by net working capital (favorable phasing in prior year payables) & tax payments
- Net financial debt increases, mainly driven by Exelead acquisition



Q1 2022: Reported figures

Reported results

[€m]	Q1 2021	Q1 2022	Δ
EBIT	1,043	1,173	12.5%
Financial result	-59	-34	-41.9%
Profit before tax	984	1,139	15.8%
Income tax	-236	-255	8.1%
<i>Effective tax rate (%)</i>	24.0%	22.4%	-1.6pp
Net income	747	880	17.9%
EPS (€)	1.72	2.02	17.4%

Comments

- EBIT growing +13% despite lower non-recurring income in Healthcare amid inflationary pressures
- Improved financial result primarily driven by reduced interest expenses from lower interest on tax liabilities & ongoing repayment of financial debt
- Lower effective tax rate within guidance range, driven by positive country mix in Life Science
- Net income and EPS growth reflect EBIT growth, improved financial result and lower tax rate



Life Science Q1: Core business drives sequential growth & another record quarter

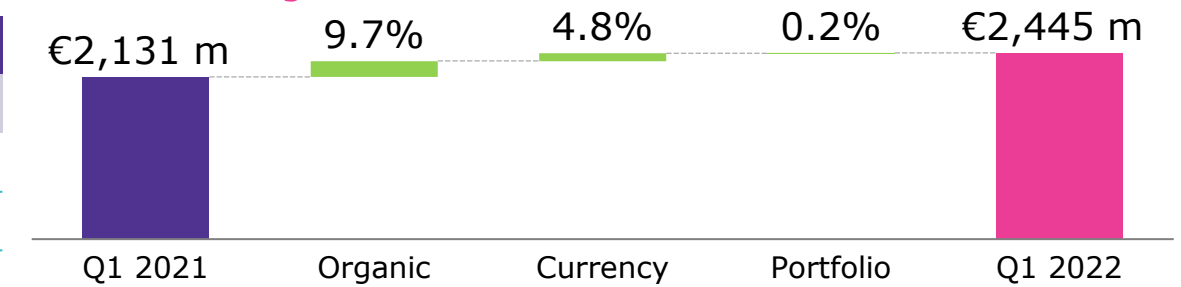
Life Science P&L

[€m]	IFRS		Pre	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Net sales	2,131	2,445	2,131	2,445
M&S*	-501	-552	-500	-552
Admin	-82	-91	-74	-84
R&D	-75	-88	-75	-88
EBIT	594	723	608	730
EBITDA	780	922	-	-
EBITDA pre	794	927	794	927
(in % of net sales)	37.2%	37.9%	37.2%	37.9%

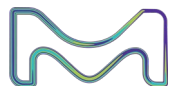
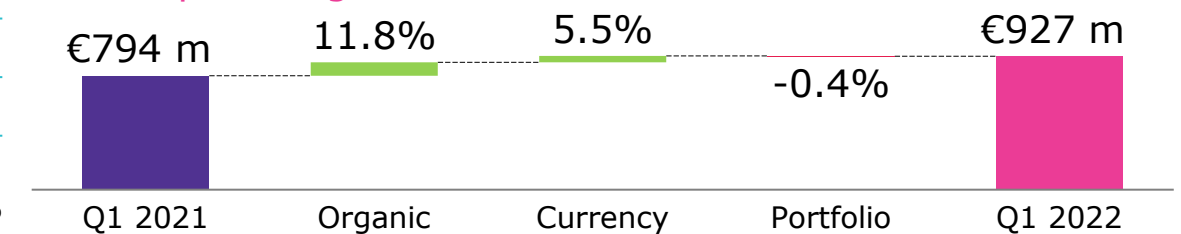
Comments

- Process Solutions: +13% org. growth, driven by strong core business performance; COVID-19 business declining sequentially as anticipated
- Research Solutions: growing +2% organically against strong comps, elevated by Q1 2021 post lockdown rebound & COVID-19 business
- Applied Solutions: +13% org. growth with strong performance across all businesses and customer segments, particularly in analytics & diagnostics in the pharma & biotech customer segments
- M&S in % of sales declining from 24% to 23% due to strong top line leverage, higher in absolute terms with logistics being the largest driver
- Higher R&D in absolute terms as well as in % of sales with continued investments in high growth & emerging segments, e.g. novel modalities
- EBITDA pre growing +12% org., exceeding sales growth despite significant investment in future growth and inflationary environment; driven by operating leverage and favorable product mix in core business

Net sales bridge



EBITDA pre bridge



Healthcare Q1: Doubling Bavencio[®] sales and continued Mavenclad[®] growth drive +6.5% organic growth in the sector

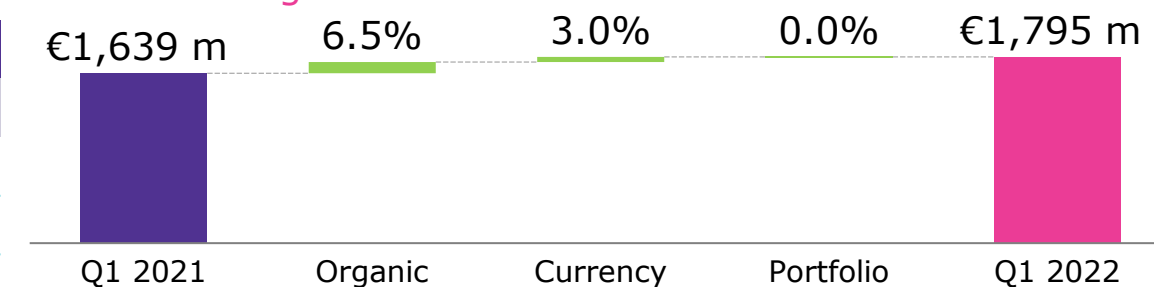
Healthcare P&L

[€m]	IFRS		Pre	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Net sales	1,639	1,795	1,639	1,795
M&S*	-370	-376	-365	-375
Admin	-73	-71	-69	-69
R&D	-416	-397	-415	-397
EBIT	445	454	455	458
EBITDA	523	526	-	-
EBITDA pre	533	529	533	529
(in % of net sales)	32.5%	29.5%	32.5%	29.5%

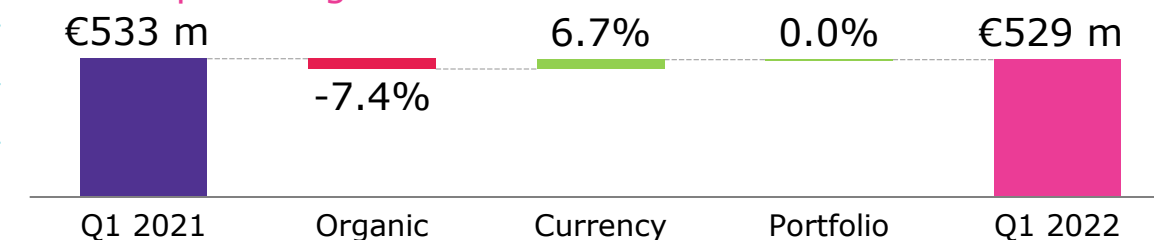
Comments

- Oncology up +27% org., primarily driven by continuous strong uptake of Bavencio[®] (+102% org.) particularly in the EU and Japan; Erbitux[®] growing across all regions (+10% org.)
- Mavenclad[®] ramp-up (+25% org.) amid still depressed U.S. dynamic market more than offsets ongoing Rebif[®] decline (-15% org.)
- Stable established portfolio, driven by solid performance in Fertility (+4.3% org.) and CM&E (+2.5% org.)

Net sales bridge



EBITDA pre bridge



- M&S declining in % of sales; absolute increase mainly driven by increasing face-to-face activities, primarily in the U.S.
- Lower absolute R&D level mainly driven by termination of Bintrafusp study in Q3 2021
- EBITDA pre and margin decline driven by non-recurring income components of ~ €75 m in Q1 2021 (Bintrafusp deferred income & ~€50 m Bavencio[®] milestones)



Electronics Q1: Strong Semi performance continues to drive sector growth

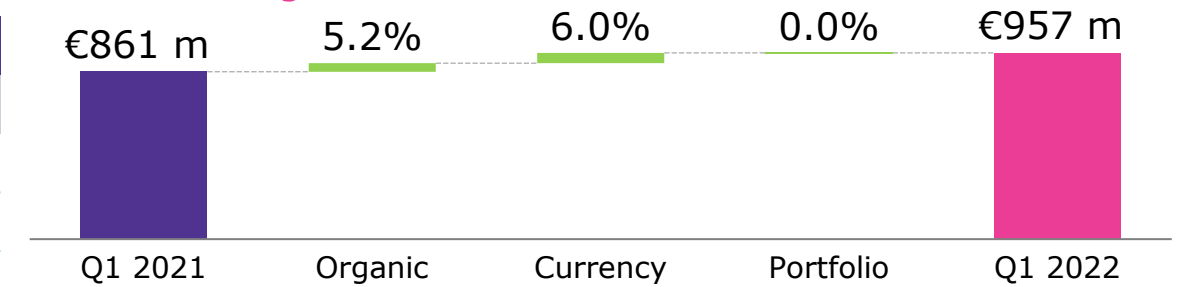
Electronics P&L

[€m]	IFRS		Pre	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Net sales	861	957	861	957
M&S*	-135	-156	-135	-156
Admin	-34	-28	-33	-28
R&D	-67	-75	-66	-75
EBIT	125	145	142	156
EBITDA	259	279	-	-
EBITDA pre	273	289	273	289
(in % of net sales)	31.8%	30.2%	31.8%	30.2%

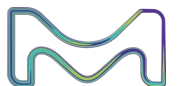
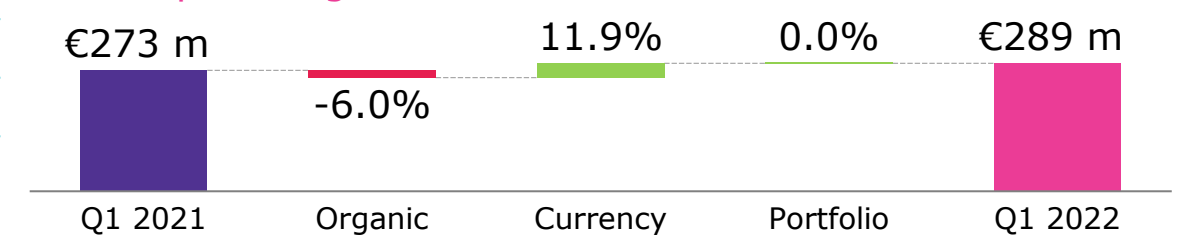
Comments

- Semiconductor Solutions: +16% org. growth fueled by mid teens growth in Materials further supported by DS&S project business
- Display Solutions: down -12% organically, driven by continued decline in Liquid Crystals (accelerated by lower utilization at Chinese customers)
- Surface Solutions: +1% org. growth driven by strong cosmetics business, more than offsetting softer industrials and coatings (automotive shortages)
- M&S as a percentage of sales increasing by ~1pp driven entirely by higher logistics cost, while M&S w/o logistics is declining
- R&D increase in line with sales growth, fully driven by investments in Semiconductor Materials
- EBITDA pre margin remains at 30% amid inflationary developments (raw materials, energy & logistics); own pricing measures keep Semi margins intact

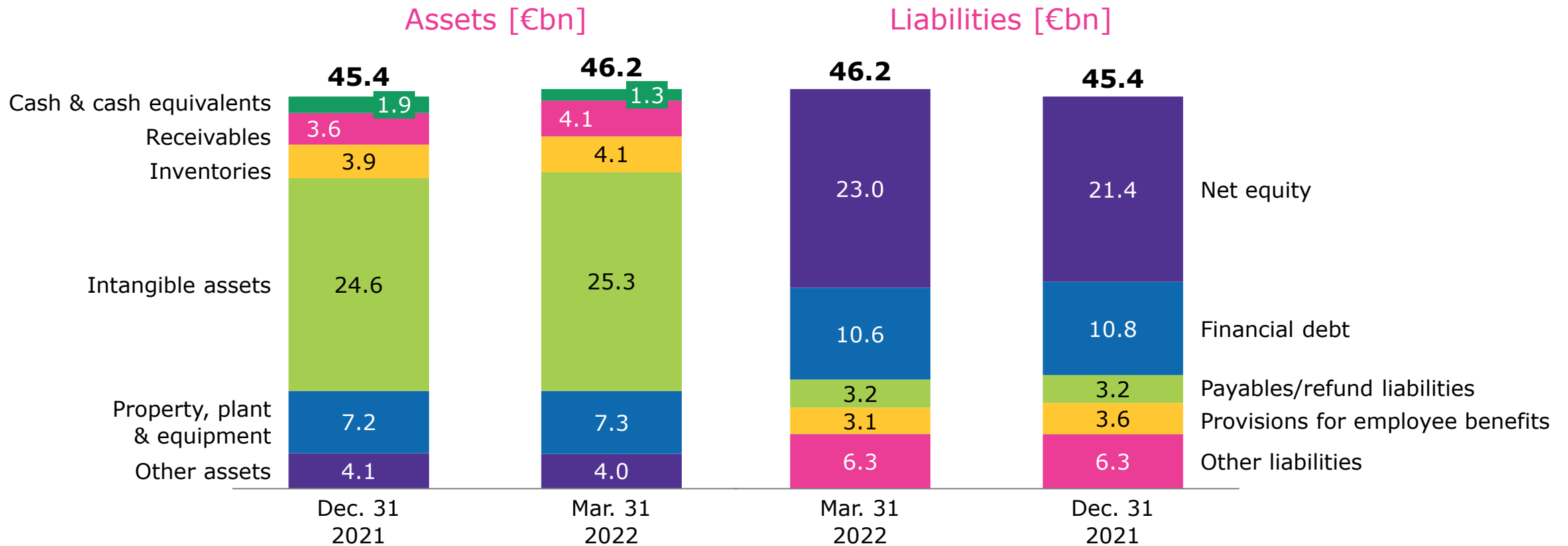
Net sales bridge



EBITDA pre bridge

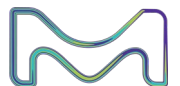


Balance sheet



- Lower cash level driven largely by Exelead acquisition and capex investments, partially offset by strong operating cash flow
- Receivables & inventories driven by strong business growth and FX
- Higher intangible assets driven by Exelead acquisition and FX effects

- Reduction in provisions for employee benefits driven by actuarial gains from higher interest rates
- Equity ratio up further to 50% (vs. 47% in 2021) driven by retained earnings and translational FX effects



Cash flow statement

Q1 2022 – Cash flow statement

[€m]	Q1 2021	Q1 2022	Δ
Profit after tax	748	884	136
D&A	424	430	6
Changes in provisions	-34	22	55
Changes in other assets/liabilities	160	-149	-309
Other operating activities	6	-24	-30
Changes in working capital	-88	-322	-234
Operating cash flow	1,216	840	-376
Investing cash flow	-346	-1,089	-743
thereof Capex on PPE	-309	-413	-105
Financing cash flow	6	-315	-321

Cash flow drivers

- +18% profit after tax growth driven by strong business performance, improved financial result and lower tax rate
- Delta in other assets & liabilities driven by elevated 2021 level from phasing in tax positions and a pension related shift between provisions and other assets
- Delta in working capital mainly explained by payables phasing (+ ~ €300 m in Q1 2021); higher inventories and receivables amid strong sales growth
- Higher investing cash flow driven by Exelead acquisition; higher PPE Capex supporting capacity expansions
- Financing cash flow driven by repayment of financial debt



04

ESG
update

Merck KGaA
Darmstadt, Germany

Confirmed as “1.5°C Company” by SBTi

New!

SBTi certification of Scope 1-3 targets

Work on **SBTi roadmap** towards **climate targets 2030**

Aiming for **climate neutrality by 2040**

Scope 1+2

Absolute reduction of Scope 1+2 GHG¹ emissions by 50% until 2030 (vs. 2020)

Scope 3

Intensity reduction of kg Scope 3 GHG¹ emissions per € gross profit by 52% until 2030 (vs. 2020)

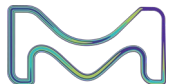


Renewable energy

Source 80% of purchased electricity from renewable sources by 2030

Science Based Target initiative (SBTi):

- Science-based targets provide a clearly defined pathway for companies to reduce GHG¹ 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



05

outlook & guidance

Well positioned to navigate operating challenges amid highly dynamic geopolitical situation

War in Ukraine

Input price pressures & supply chain disruptions

COVID-19 lockdowns



Situation

- High degree of uncertainty
- Russia sanctions might increase
- Increasing call to stop “financing” war with oil and gas



Assumption (Guidance scenario)

- Energy supply shortages throughout 2022
- Impact mainly limited to EMEA
- No outages expected

- Inflation rates rising worldwide
- Global production bottlenecks
- Risk of stagflation increasing

- Freight costs remain elevated
- Higher & volatile energy cost
- Selected materials see further price increases, very minor shortages
- Tightening labor markets

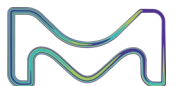
- Global trend: shift to endemic
- China: Shanghai & other provinces locked down to prevent spread of Omicron

- Limited duration of sales and production impact
- Normalization in June latest
- Only few provinces affected



Mitigation (incl. in Guidance)

- Higher safety stocks for critical raw materials, actively monitoring supply base (tier 2+)
- Evaluating & adjusting pricing case-by-case, depending on situation (e.g. temporary surcharges)
- More e-commerce & additional channels in lockdown-affected areas, primarily in Life Science
- Leveraging production sites outside of lockdown-affected areas wherever possible



Full-year 2022 guidance

Net sales:

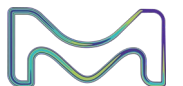
Organic: +6% to +9% YoY
FX: 3% to 6% YoY
~€21.6 bn to €22.8 bn

EBITDA pre:

Organic: +5% to +9% YoY
FX: 4% to 8% YoY
~€6.6 bn to €7.1 bn

EPS pre:

~ €9.60 to €10.50



2022 business sector guidance¹

Life Science

Net sales

- Organic: +7% to +10%
- Strong core business, Process Solutions COVID-19 sales of up to ~€700 m
- Process Solutions as main growth driver

EBITDA pre

- Organic: +6% to +10% YoY
- FX: 3% to 6% YoY
- ~€3,600 m to €3,850 m

Healthcare

Net sales

- Organic: +4% to +7%
- Mainly driven by Mavenclad[®] and Bavencio[®]
- CM&E back to growth post VBP

EBITDA pre

- Organic: +3% to +5% YoY
- FX: 8% to 12% YoY
- ~€2,350 m to €2,500 m

Electronics

Net sales

- Organic: +5% to +8%
- Underlying demand in key electronic end markets remains strong
- Strong contribution by Semiconductor Solutions

EBITDA pre

- Organic: 0% to +4% YoY
- FX: 9% to 12% YoY
- ~€1,200m to €1,300 m

