



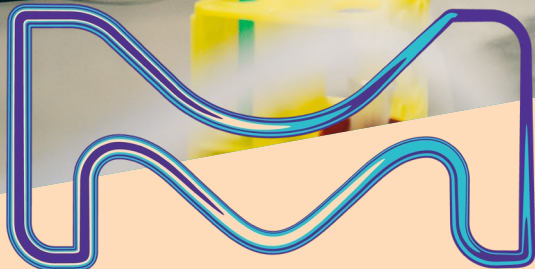
continued strength amid a challenging MACRO environment

Q2 2022 results

Presentation for the media

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August 4, 2022



Merck KGaA
Darmstadt, Germany

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Agenda

01 Executive summary

02 Financial overview

03 Outlook & Guidance



EXECUTIVE SUMMARY

01

Highlights Q2 2022



Operations

Life Science:

- Life Science delivers 10% organic growth & another record quarter, driven by core business performance in Process Solutions (org. growth >20% excl. declining COVID-19)
- Largest growth contribution to group (org. +€232 m)
- All business units growing

Healthcare:

- Recent launches up +41% organically
- Moderate sector growth against elevated comps due to U.S. Erbitux supply (+€26 m org. growth contribution to group)

Electronics:

- +7% organic growth mainly driven by ongoing strength in Semiconductor Solutions (+20% org.)
- Contribution of +€63 m to group organic growth



Financials

Q2 organic sales: growth of +6.6%

Q2 organic EBITDA pre: growth of +3.2%

Guidance:

Net sales: €21.9 bn to €23.0 bn

EBITDA pre: €6.75 bn to €7.25 bn

EPS pre: €9.85 to €10.75

Net financial debt to EBITDA pre:

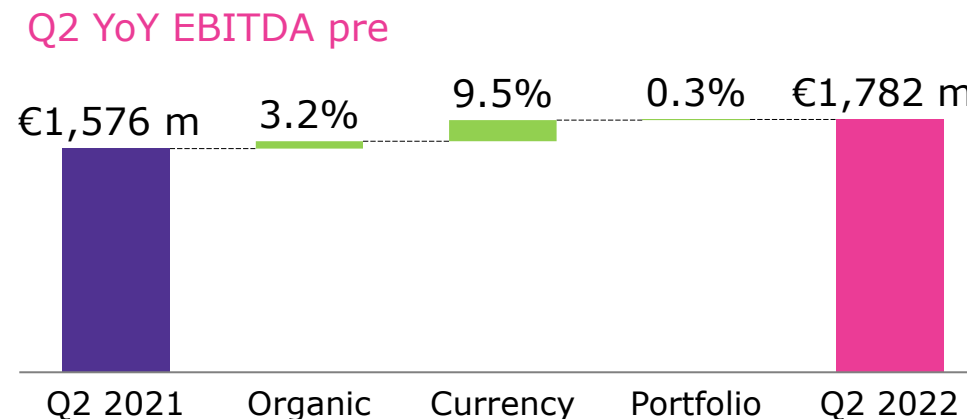
1.6 on June 30, 2022



All sectors contribute to 6.6% organic sales growth; Sales and EBITDA pre further supported by significant positive FX effects

Q2 YoY Net Sales	Organic	Currency	Portfolio	Total
Life Science	10.4%	7.4%	1.1%	19.0%
Healthcare	1.4%	6.2%	0.0%	7.6%
Electronics	7.4%	8.9%	0.0%	16.3%
Group	6.6%	7.2%	0.5%	14.3%

- Life Science: Double digit org. growth driven by all businesses; Process Solutions contributing most in absolute terms (+€119 m org.) and Life Science Services growing the fastest (+25% org.)
- Healthcare: Recent launches up +41% organically (fueled by Bavencio® and Mavenclad®) leading to 1% org. growth (excl. Q2 2021 Erbitux® supply to Eli Lilly, org. growth was 4.3%)
- Electronics: +20% org. growth in Semiconductor Solutions drive strong sector growth of +7%, more than offsetting -16% organic decline in Display Solutions; Surface growing 2% organically

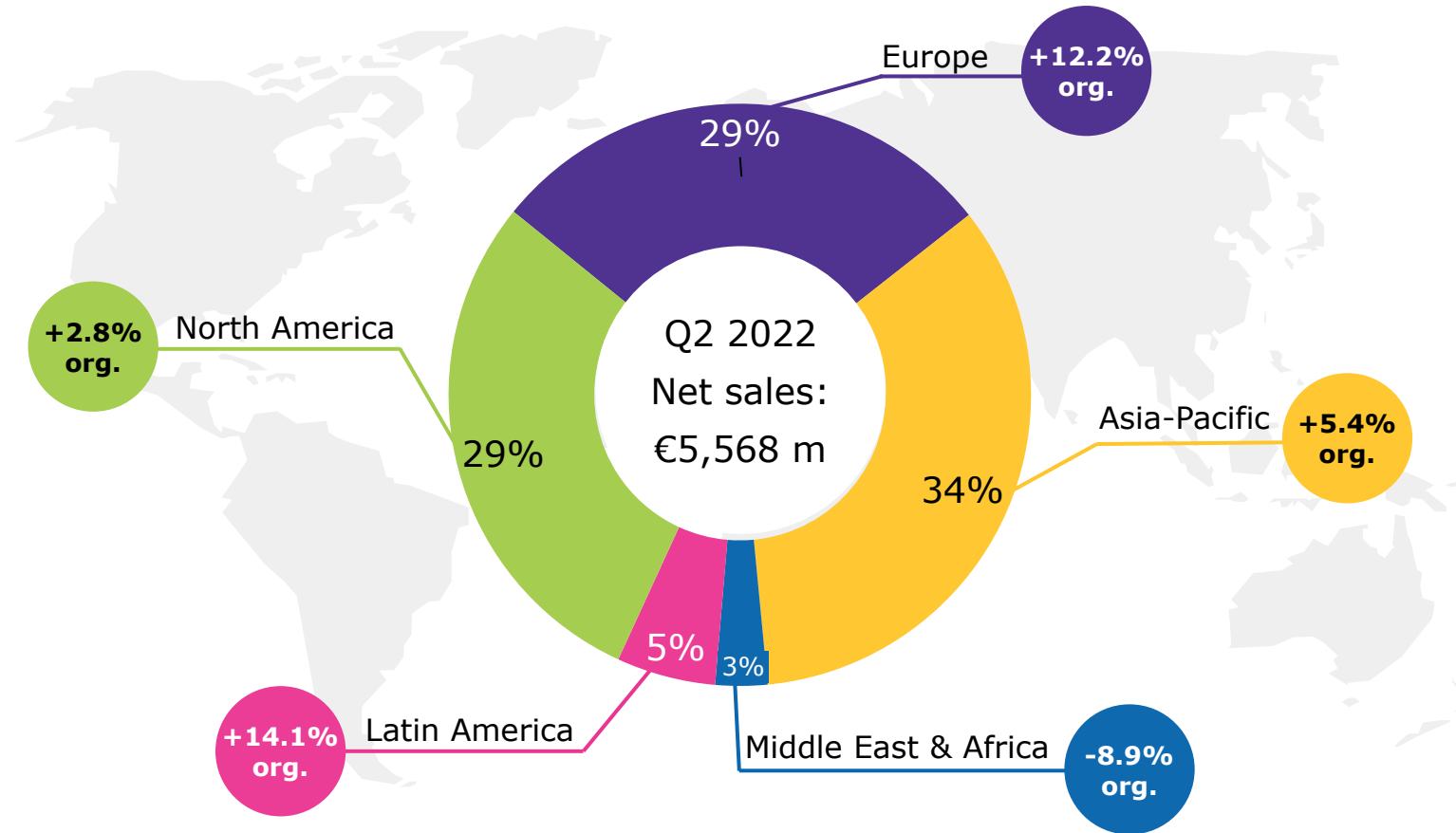


- EBITDA pre growing 3% org. despite tough comps in Healthcare and increasing input cost for raw materials, energy and logistics
- Life Science key driver of org. EBITDA pre growth with a record margin of 38%
- Positive FX effect of +10% across various currencies with largest positive impact from USD and CNY; partly offset by hedging



Europe fastest growing major region in Q2 with strong performance across all three sectors

Regional breakdown of net sales [€m]



Regional organic development

- APAC: Semiconductor Solutions main growth driver, further supported by Bavencio® in Japan
- Europe: Process Solutions, Mavenclad® and Bavencio® primary growth drivers
- North America: Life Science drives growth, further supported by Semiconductor Solutions
- LATAM: CM&E primary growth driver, further supported by all Life Science business units
- ME&A: decline driven by CM&E



02

Financial Overview

Q2 2022: Overview

Key figures

[€m]	Q2 2021	Q2 2022	Δ
Net sales	4,870	5,568	14.3%
EBITDA pre	1,576	1,782	13.1%
<i>Margin (in % of net sales)</i>	32.4%	32.0%	-0.4pp
EPS pre	2.24	2.64	17.9%
Operating cash flow	888	852	-4.1%

[€m]	Dec. 31, 2021	June 30, 2022	Δ
Net financial debt	-8,753	-10,165	16.1%
Working capital	4,207	5,287	25.7%
Employees	60,335	62,758	4.0%

Comments

- Sales up +14%, driven by FX tailwinds on top of strong organic performance
- Life Science drives organic EBITDA pre growth, boosted by FX tailwinds
- EPS pre growth driven by EBIT pre contribution & better financial result
- OCF decline despite higher EBITDA pre largely due to working capital
- Working capital increase driven by receivables from sales phasing, inventories from inflationary effects, higher safety stocks, & goods in transit
- Net financial debt increases, mainly driven by Exelead acquisition and temporary investment of excess cash



Q2 2022: Reported figures

Reported results

[€m]	Q2 2021	Q2 2022	Δ
EBIT	1,049	1,177	12.2%
Financial result	-95	-55	-41.9%
Profit before tax	955	1,122	17.5%
Income tax	-208	-252	21.1%
<i>Effective tax rate (%)</i>	21.8%	22.4%	0.7pp
Net income	745	867	16.4%
EPS (€)	1.71	1.99	16.4%

Comments

- Life Science primary organic driver of +12% EBIT growth, further boosted by favorable FX effects amid inflationary pressures
- Improved financial result primarily driven by lower LTIP¹ accruals and reduced interest expense
- Effective tax rate in the lower end of guidance range
- Net income and EPS growth reflect EBIT and improved financial result



Life Science Q2: Core business drives 9th consecutive quarter of sequential growth and another record quarter

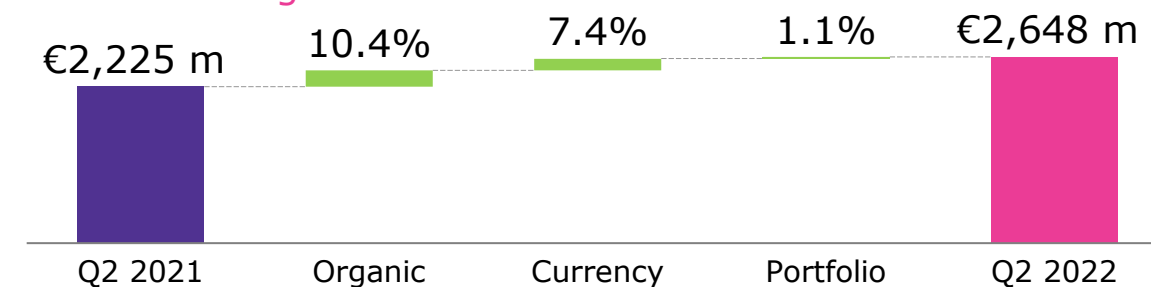
Life Science P&L

[€m]	IFRS		Pre	
	Q2 2021	Q2 2022	Q2 2021	Q2 2022
Net sales	2,225	2,648	2,225	2,648
M&S*	-505	-609	-505	-598
Admin	-92	-103	-84	-94
R&D	-87	-99	-87	-98
EBIT	644	765	638	796
EBITDA	835	975	-	-
EBITDA pre	829	1,006	829	1,006
(in % of net sales)	37.3%	38.0%	37.3%	38.0%

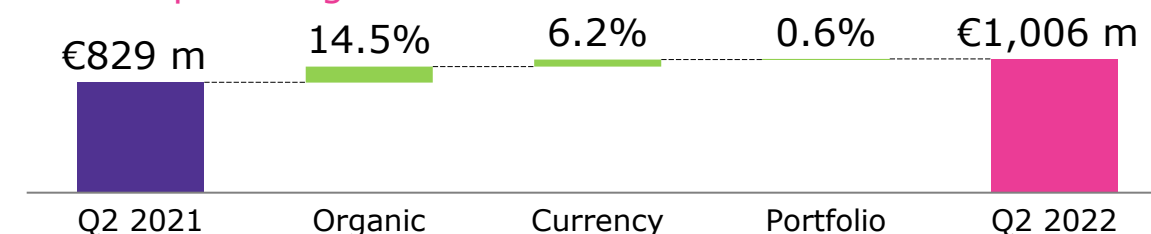
Comments

- Process Solutions: +12% org. growth, driven by strong core business performance despite challenges from lockdowns in China; COVID-19 business declining as anticipated (org. growth >20% excl. declining COVID-19)
- Science & Lab Solutions: growing +6% organically across the portfolio, supported by positive pricing amid inflationary pressures
- Life Science Services: scale-up mode with +25% org. growth and strong performance across all businesses
- M&S about stable in % of sales despite steep increases in logistics costs; excluding logistics, M&S growing significantly below sales
- Higher R&D in absolute terms with continued investments in high growth & emerging segments, e.g. novel modalities
- EBITDA pre growing +14% org., still 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 Q2: Bavencio® and Mavenclad® growth more than offsets decline in established portfolio against elevated comps

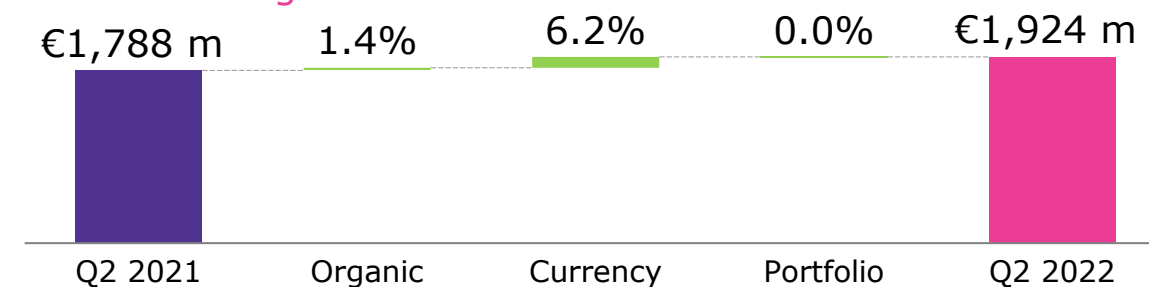
Healthcare P&L

[€m]	IFRS		Pre	
	Q2 2021	Q2 2022	Q2 2021	Q2 2022
Net sales	1,788	1,924	1,788	1,924
M&S*	-391	-417	-389	-415
Admin	-78	-81	-76	-78
R&D	-415	-401	-414	-395
EBIT	501	439	512	530
EBITDA	572	603	-	-
EBITDA pre	581	604	581	604
(in % of net sales)	32.5%	31.4%	32.5%	31.4%

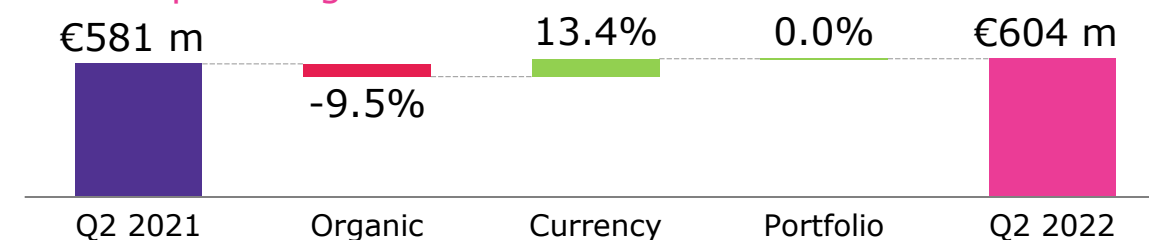
Comments

- Oncology up +8% org., driven by continuous strong uptake of Bavencio® (+61% org.); Erbitux® declining (-9% org.) against elevated comps including ~€50 m from temporary supply agreement with Eli Lilly
- Mavenclad® ramp-up (+27% org.) amid a depressed U.S. dynamic market about offsetting higher Rebif® decline (-19% org.)
- Established portfolio down -5% org. with solid CM&E performance (+3% org.) and Fertility down -3% org. (lockdowns in China); excl. 2021 Eli Lilly supply, established portfolio would have declined -1.4% org.
- M&S declining in % of sales; absolute increase mainly driven by increasing activities, primarily in the U.S.
- Lower absolute R&D level mainly driven by termination of Bintrafusp studies in Q3 2021
- Organic EBITDA pre decline primarily driven by missing profit from temporary supply agreement with Eli Lilly

Net sales bridge



EBITDA pre bridge



Electronics Q2: Strong Semi performance amid inflationary environment

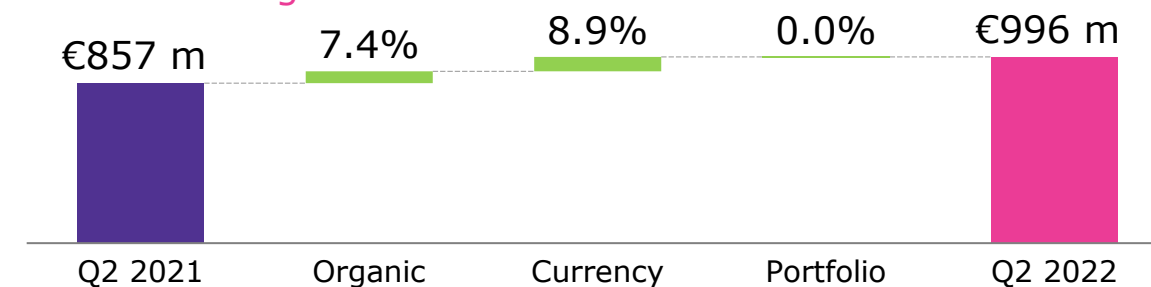
Electronics P&L

[€m]	IFRS		Pre	
	Q2 2021	Q2 2022	Q2 2021	Q2 2022
Net sales	857	996	857	996
M&S*	-137	-163	-136	-162
Admin	-30	-33	-28	-31
R&D	-67	-73	-66	-72
EBIT	118	148	129	160
EBITDA	252	282	-	-
EBITDA pre	258	293	258	293
(in % of net sales)	30.1%	29.4%	30.1%	29.4%

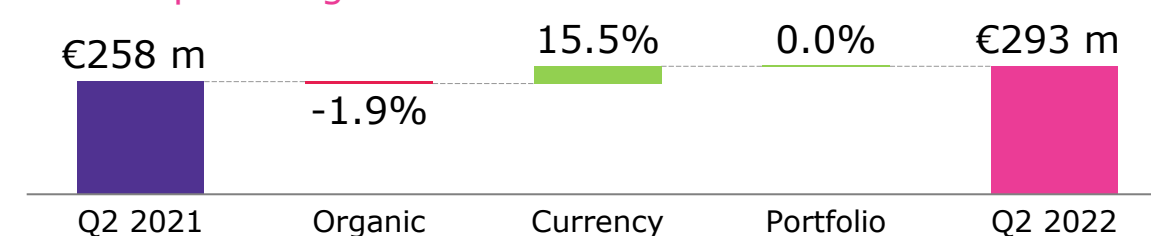
Comments

- Semiconductor Solutions: +20% org. growth fueled by high teens growth in Materials, further supported by DS&S project business
- Display Solutions: down -16% organically, driven by continued decline in Liquid Crystals (amplified by lower utilization at Chinese customers)
- Surface Solutions: +2% org. growth driven by strong cosmetics business, more than offsetting softer coatings
- M&S as a percentage of sales increasing by ~0.4pp driven primarily by higher logistics cost, while M&S w/o logistics is growing in line with sales
- R&D increase in line with sales growth, fully driven by investments in future growth of Semiconductor Materials
- Organic EBITDA pre declining amid inflationary pressures (raw materials, energy & logistics) and capacity ramp-up for future growth; own pricing keeps Semi margins intact

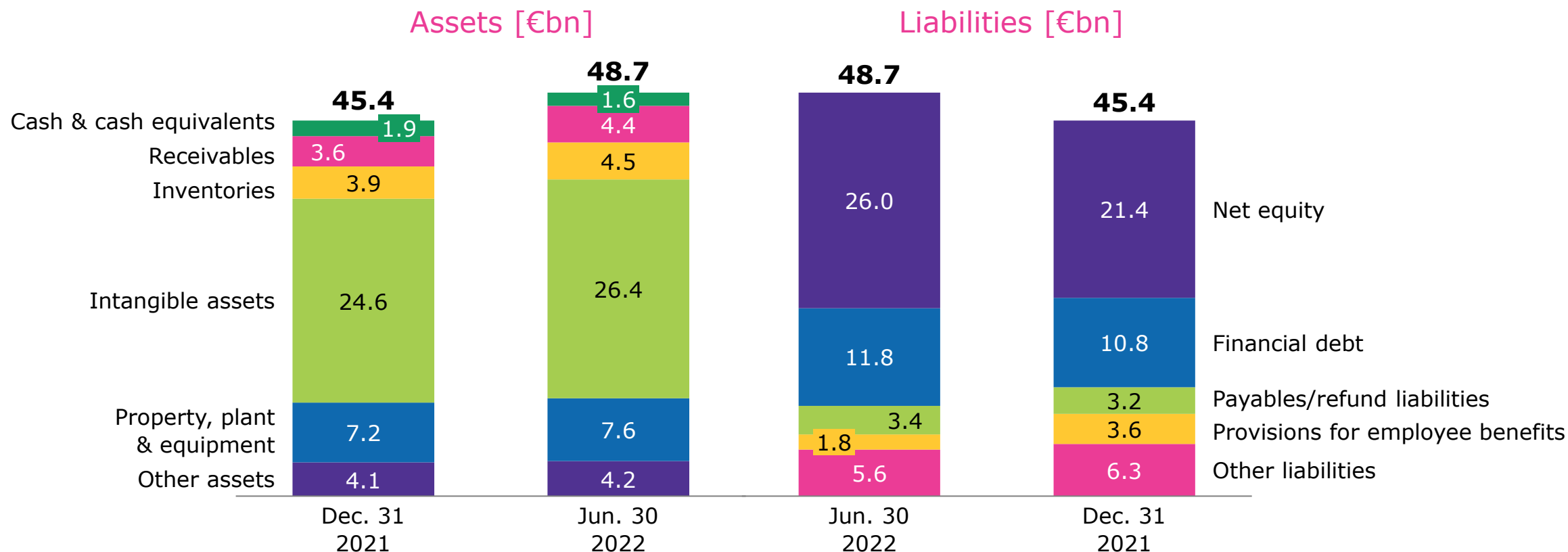
Net sales bridge



EBITDA pre bridge



Balance sheet



- Lower cash level largely driven by temporary excess cash investment
- Receivables & inventories driven by strong sales, inflationary effects, higher safety stocks and FX
- Higher intangible assets driven by FX effects and Exelead acquisition
- Reduction in provisions for employee benefits driven by actuarial gains from higher interest rates
- Equity ratio up further to 53% (vs. 47% in 2021), driven by retained earnings, actuarial gains and translational FX effects



Cash flow statement

Q2 2022 – Cash flow statement

[€m]	Q2 2021	Q2 2022	Δ
Profit after tax	747	870	123
D&A	422	532	110
Changes in provisions	88	-174	-262
Changes in other assets/liabilities	-217	-51	165
Other operating activities	15	0	-15
Changes in working capital	-168	-325	-157
Operating cash flow	888	852	-36
Investing cash flow	-241	-786	-545
thereof Capex on PPE	-256	-253	3
Financing cash flow	-1,059	167	1,226

Cash flow drivers

- +17% profit after tax; growth driven by strong business performance in Life Science, further boosted by favorable FX and improved financial result
- Delta in changes in provisions from lower LTIP¹ and a litigation provision in 2021
- Delta in other assets & liabilities driven primarily by phasing of tax payouts
- Delta in working capital driven primarily by receivables and inventories
- Higher investing cash flow reflects temporary investment of excess cash of -€500 m
- Financing cash flow impacted primarily by new bond issuance of ~ €1,000 m in June 2022



03

outlook & guidance

Group

Full-year 2022 guidance

Net sales:

Organic: +6% to +9% YoY
FX: 5% to 8% YoY
~**€21.90 – €23.00 bn**

EBITDA pre:

Organic: +5% to +9% YoY
FX: 6% to 10% YoY
~**€6.75 – €7.25 bn**

EPS pre:

~ **€9.85 – €10.75**



2022 business sector guidance¹

Life Science



Net sales

- Organic: +7% to +10%; FX: 5% to 8% YoY
- ~€10,150 m to €10,750 m
- Strong core business, PS main growth driver
- COVID-19 sales of up to ~€450 m in PS and up to ~€250m in LSS

EBITDA pre

- Organic: +7% to +10% YoY
- FX: 4% to 7% YoY
- ~€3,700 m to €3,900 m

Healthcare



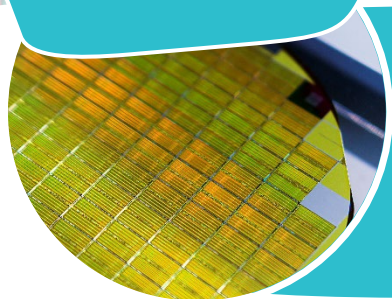
Net sales

- Organic: +4% to +7%; FX: 4% to 7%
- ~€7,700 m to €8,050 m
- Mainly driven by Mavenclad[®] and Bavencio[®]
- CM&E growing in the mid-single digits

EBITDA pre

- Organic: +3% to +5% YoY
- FX: 12% to 15% YoY
- ~€2,450 m to €2,550 m

Electronics



Net sales

- Organic: +5% to +8%; FX: 6% to 9%
- ~€ 4,050 m to € 4,250 m
- Underlying demand in key semiconductor markets remains strong
- Strong contribution by Semiconductor Materials and Delivery Systems & Services

EBITDA pre

- Organic: 0% to 3% YoY
- FX: 12% to 15% YoY
- ~€1,250m to €1,300 m



