



Global diversification drives performance

Q1 2023 results

Media Call

Marcus Kuhnert, CFO

May 11, 2023



Merck KGaA
Darmstadt, Germany

Disclaimer



Publication of Merck KGaA, Darmstadt, Germany. In the United States and Canada the group of companies affiliated with Merck KGaA, Darmstadt, Germany operates under individual business names (EMD Serono, Millipore Sigma, EMD Performance Materials). To reflect such fact and to avoid any misconceptions of the reader of the publication certain logos, terms and business descriptions of the publication have been substituted or additional descriptions have been added. This version of the publication, therefore, slightly deviates from the otherwise identical version of the publication provided outside the United States and Canada.

Cautionary Note Regarding Forward-Looking Statements and financial indicators

This communication may include "forward-looking statements." Statements that include words such as "anticipate," "expect," "should," "would," "intend," "plan," "project," "seek," "believe," "will," and other words of similar meaning in connection with future events or future operating or financial performance are often used to identify forward-looking statements. All statements in this communication, other than those relating to historical information or current conditions, are forward-looking statements. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond control of Merck KGaA, Darmstadt, Germany, which could cause actual results to differ materially from such statements.

Risks and uncertainties include, but are not limited to: the risks of more restrictive regulatory requirements regarding drug pricing, reimbursement and approval; the risk of stricter regulations for the manufacture, testing and marketing of products; the risk of destabilization of political systems and the establishment of trade barriers; the risk of a changing marketing environment for multiple sclerosis products in the European Union; the risk of greater competitive pressure due to biosimilars; the risks of research and development; the risks of discontinuing development projects and regulatory approval of developed medicines; the risk of a temporary ban on products/production facilities or of non-registration of products due to non-compliance with quality standards; the risk of an import ban on products to the United States due to an FDA warning letter; the risks of dependency on suppliers; risks due to product-related crime and espionage; risks in relation to the use of financial instruments; liquidity risks; counterparty risks; market risks; risks of impairment on balance sheet items; risks from pension obligations; risks from product-related and patent law disputes; risks from antitrust law proceedings; risks in human resources; risks from e-crime and cyber attacks; risks due to failure of business-critical information technology applications or to failure of data center capacity; environmental and safety risks; unanticipated contract or regulatory issues; a potential downgrade in the rating of the indebtedness of Merck KGaA, Darmstadt, Germany; downward pressure on the common stock price of Merck KGaA, Darmstadt, Germany and its impact on goodwill impairment evaluations as well as the impact of future regulatory or legislative actions.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included elsewhere, including the Report on Risks and Opportunities Section of the most recent annual report and quarterly report of Merck KGaA, Darmstadt, Germany. Any forward-looking statements made in this communication are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. Except to the extent required by applicable law, we undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

This presentation contains certain financial indicators such as EBITDA pre adjustments, net financial debt and earnings per share pre adjustments, which are not defined by International Financial Reporting Standards (IFRS). These financial indicators should not be taken into account in order to assess the performance of Merck KGaA, Darmstadt, Germany in isolation or used as an alternative to the financial indicators presented in the consolidated financial statements and determined in accordance with IFRS. The figures presented in this statement have been rounded. This may lead to individual values not adding up to the totals presented.



Agenda

01 Executive summary

02 Financial overview

03 Outlook & Guidance



EXECUTIVE SUMMARY

01

Highlights Q1 2023:



Operations

Life Science:

- +1% org. growth despite severe Covid-19 headwinds
- Core business¹ at +7% org. sales growth, mainly driven by LSS and SLS
- +3% org. growth in PS core, despite inventory dynamics

Healthcare:

- Launch business up +28% org., driving +5% org. growth
- Largest growth contribution to Group
- Fertility and CM&E deliver +7% and +3% org. sales growth, respectively

Electronics:

- +2% org. sales growth in Semiconductor Solutions, significantly outperforming double-digit MSI decline
- Overall Electronics sales decline (-7% org.), driven by low post-Covid utilization at LC customers, against tough comps



Financials

Q1 organic sales: +1%

Q1 organic EBITDA pre: -2%

Guidance:

Net sales: €21.2 bn to €22.7 bn

EBITDA pre: €6.1 bn to €6.7 bn

EPS pre: €8.80 to €9.90

Net financial debt to EBITDA pre:

1.3 on March 31, 2023



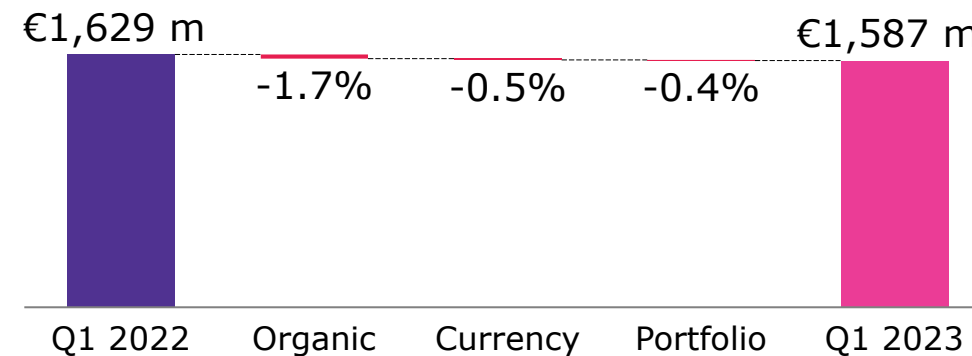
Healthcare performance drives Group sales growth; EBITDA pre burdened by Electronics and fading Covid-19 business

Q1 YoY Net Sales

	Organic	Currency	Portfolio	Total
Life Science	0.6%	0.9%	0.3%	1.7%
Healthcare	5.3%	0.8%	0.0%	6.2%
Electronics	-7.1%	0.8%	0.3%	-5.9%
Group	0.8%	0.8%	0.2%	1.8%

- Life Science: Core growth of +7% org. driven mainly by Life Science Services (+35% org.) and Science & Lab Solutions (+7% org.); Covid-19 declines as anticipated
- Healthcare: recent launches up +28% org. with continued strong Bavencio® (+31% org) and Mavencic® (+23% org.) uptake, driving +5% org. sector growth
- Electronics: Semiconductor Solutions resilient at +2% org., partially compensating for Display Solutions decline (-28% org.)

Q1 YoY EBITDA pre



- EBITDA pre slightly down by -2% org., burdened by Electronics and decline of Covid-19 business
- Healthcare strongly contributes to EBITDA with +10% org. growth boosted by product mix and lower comps on gross profit
- Minor FX burden on EBITDA pre, mitigated by hedging



02

Financial Overview

Q1 2023: Overview

Key figures

[€m]	Q1 2022	Q1 2023	Δ
Net sales	5,198	5,293	1.8%
EBITDA pre	1,629	1,587	-2.6%
<i>Margin (in % of net sales)</i>	31.3%	30.0%	-1.4pp
EPS pre	2.41	2.36	-2.1%
Operating cash flow	840	853	1.5%

[€m]	Dec. 31, 2022	March 31, 2023	Δ
Net financial debt	-8,328	-8,992	8.0%
Working capital	5,237	5,684	8.5%
Employees	64,233	64,012	-0.3%

Comments

- Sales up +2%, driven largely by performance of Healthcare, supported by slight FX tailwinds
- Electronics and fading Covid-19 business primary drivers of organic EBITDA pre decline
- EPS pre down slightly, about in line with EBITDA pre
- Operating cash flow slightly up due to lower increase in working capital, related mainly to trade receivables
- Working capital up mainly on higher inventories and receivables, partly offset by payables
- Net financial debt increases, mainly due to short-term investments



Q1 2023: Reported figures

Reported results

[€m]	Q1 2022	Q1 2023	Δ
EBIT	1,173	1,035	-11.8%
Financial result	-34	-23	-33.9%
Profit before tax	1,139	1,012	-11.1%
Income tax	-255	-213	-16.8%
<i>Effective tax rate (%)</i>	22.4%	21.0%	-1.4pp
Net income	880	796	-9.6%
EPS (€)	2.02	1.83	-9.4%

Comments

- EBIT decline of -12% mainly driven by costs of efficiency initiatives at Group level and higher D&A
- Improved financial result primarily driven by higher interest income due to higher rates
- Lower effective tax rate within updated guidance range, driven by change in country mix, in particular a higher share of profit in the U.S.
- Net income and EPS drop reflect EBIT decline, mitigated by better financial result and lower effective tax rate



Life Science Q1: Robust org. growth of +7% in core business, with Process Solutions core at +3% org.; sharp decline in Covid-19 business as expected

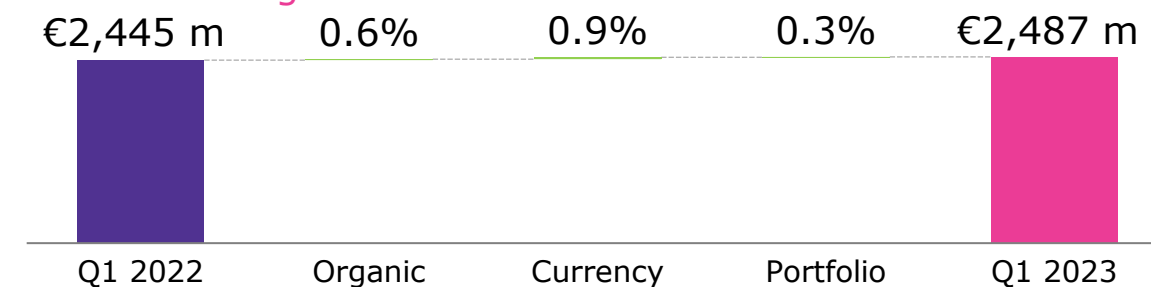
Life Science P&L

[€m]	IFRS		Pre	
	Q1 2022	Q1 2023	Q1 2022	Q1 2023
Net sales	2,445	2,487	2,445	2,487
M&S*	-552	-568	-552	-569
Admin	-91	-105	-84	-94
R&D	-88	-104	-88	-104
EBIT	723	672	730	689
EBITDA	922	884	-	-
EBITDA pre	927	901	927	901
(in % of net sales)	37.9%	36.2%	37.9%	36.2%

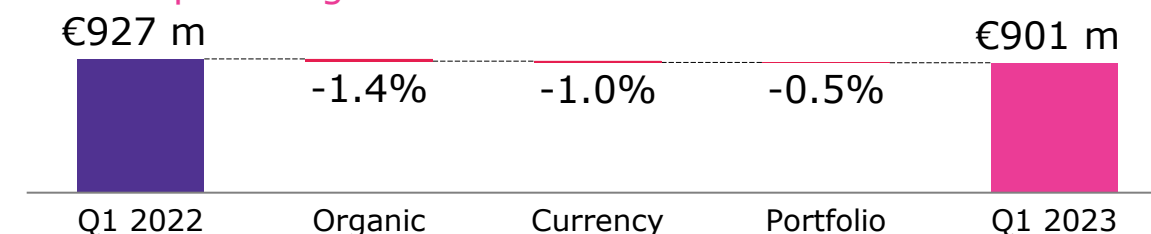
Comments

- Process Solutions: +3% org. growth in core business partially offsets sharp Covid-19 business decline; PS sales down -4% org.
- Life Science Services: Strong performance in core business (+35% org.), pronounced Covid-19 headwinds lead to decline of -7% org.
- Science & Lab Solutions: +6% org. growth driven by strong core business (+7% org.) with slight headwinds from fading Covid-19
- M&S slightly up in absolute terms mainly due to FX and about stable in % of sales; higher R&D in % of sales due to ongoing investments in high growth & emerging segments, e.g. novel modalities
- Temporary uplift in gross profit supported by production cost efficiencies
- EBITDA pre down slightly by -1% org. on lower Covid-19 sales and strategic growth investments, e.g. increasing capacities in PS and CDMO

Net sales bridge



EBITDA pre bridge



Healthcare Q1: Profitable growth driven by sales momentum of Bavencio® and Mavenclad® in line with the mid-term guidance

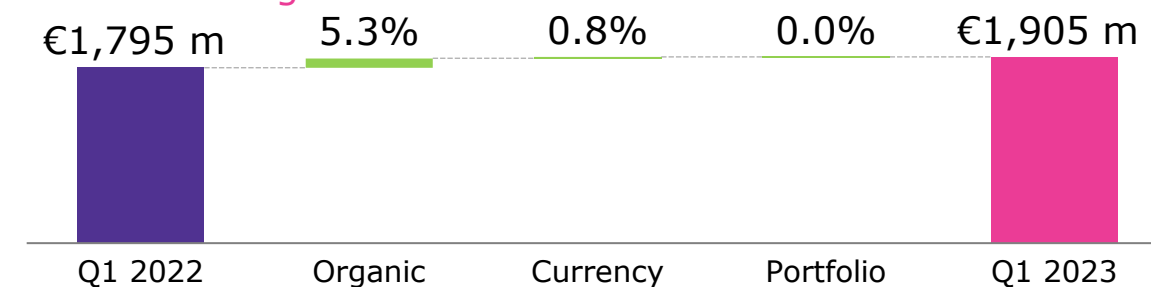
Healthcare P&L

[€m]	IFRS		Pre	
	Q1 2022	Q1 2023	Q1 2022	Q1 2023
Net sales	1,795	1,905	1,795	1,905
M&S*	-376	-381	-375	-380
Admin	-71	-76	-69	-72
R&D	-397	-395	-397	-403
EBIT	454	520	458	516
EBITDA	526	593	-	-
EBITDA pre	529	590	529	590
(in % of net sales)	29.5%	30.9%	29.5%	30.9%

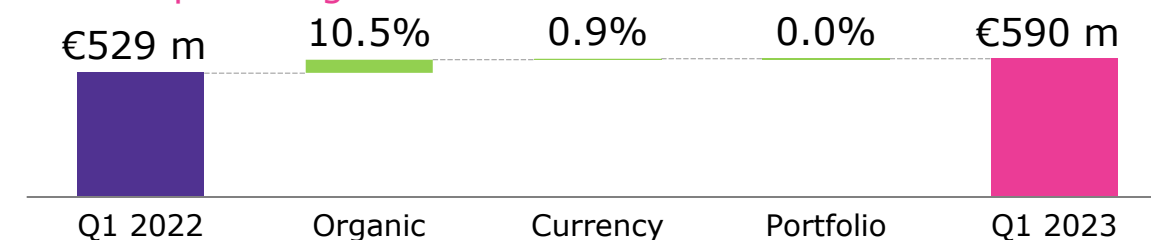
Comments

- Oncology up +15% org., driven by continuous growth of Bavencio® (+31% org.) across all regions and supported by Erbitux® (+4% org.)
- N&I softer at -2% org.: Mavenclad® growing +23% org., largely offsetting Q1 Rebif® decline (-25% org.), amplified by channel dynamics
- Stable established portfolio, driven by resilient Fertility (+7% org.) and CM&E (+3% org.)
- M&S declining in % of sales based on constant productivity efforts
- R&D up slightly in absolute terms, down in relative terms, in line with mid-term ambition of low twenties
- Strong organic EBITDA pre with profitable growth (+10%), driven by strong sales momentum, product mix, lower R&D in relative terms, and lower comps on gross profit

Net sales bridge



EBITDA pre bridge



Electronics Q1: Semi Solutions grows +2% org., ahead of a depressed market; decline in Display Solutions weighs on sales and profits

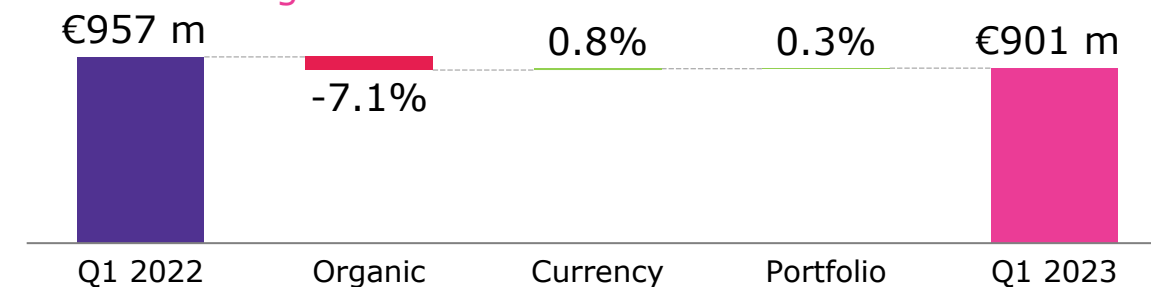
Electronics P&L

[€m]	IFRS		Pre	
	Q1 2022	Q1 2023	Q1 2022	Q1 2023
Net sales	957	901	957	901
M&S*	-156	-158	-156	-158
Admin	-28	-33	-28	-31
R&D	-75	-74	-75	-74
EBIT	145	86	156	105
EBITDA	279	228	-	-
EBITDA pre	289	237	289	237
(in % of net sales)	30.2%	26.4%	30.2%	26.4%

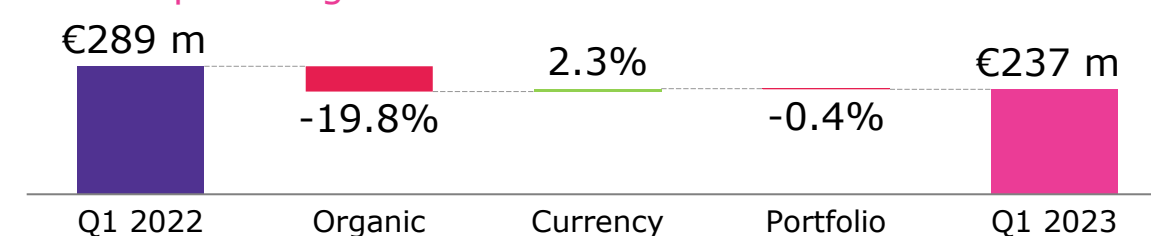
Comments

- Semiconductor Solutions: +2% org. growth, supported by DS&S large project and equipment business
- Display Solutions: down -28% org. with continued decline in Liquid Crystals against tough comps, driven by lower customer utilization
- Surface Solutions: down -5% org. driven by softer industrials and coatings, partially offset by strong Cosmetics business

Net sales bridge



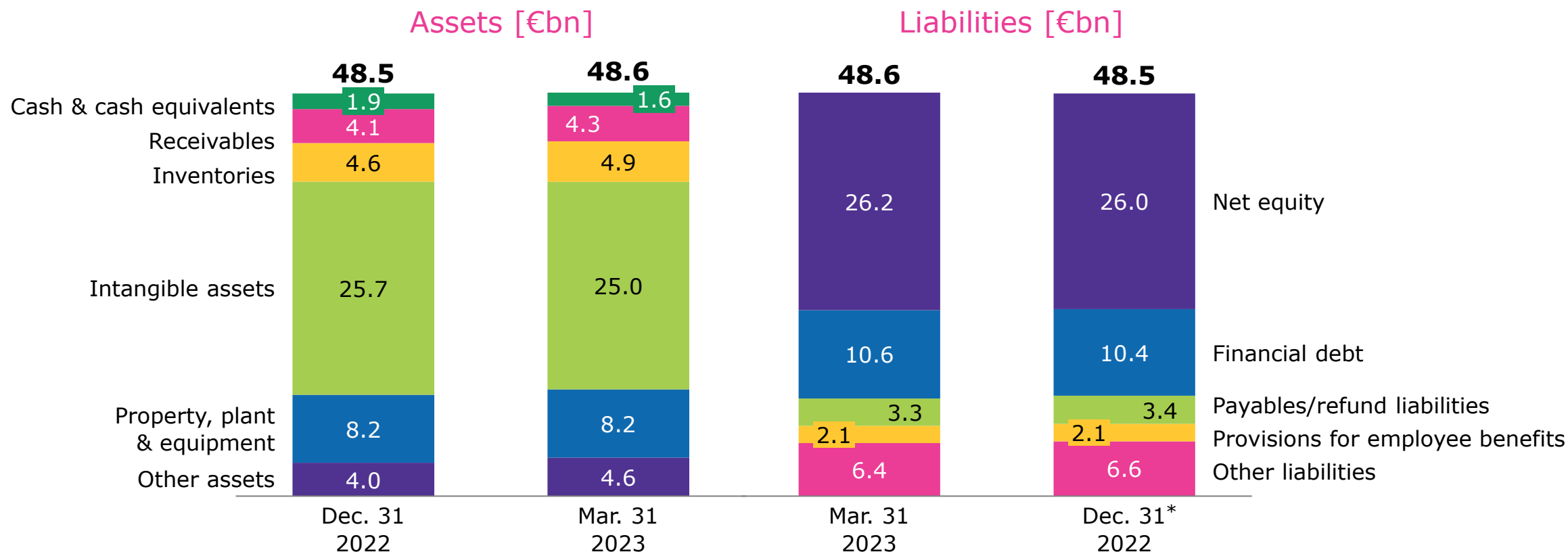
EBITDA pre bridge



- M&S costs about stable in absolute terms; R&D stable in absolute terms due to ongoing investments, higher in % of sales due to lower topline
- EBITDA pre margin down mainly due to LC price and volume decrease amid inflationary developments (raw materials, energy), and gradual tightening of conditions among the semi-materials customer base



Balance sheet



- Lower cash level largely driven by temporary excess cash investment
- Inventories increase due to fluctuations during Q1 across the business
- Receivables up due to higher sales volume at end of quarter
- Decrease in intangible assets primarily driven by FX and amortization
- Slight increase in financial debt mainly due to use of bilateral lines of credit
- Equity ratio stable at 54% in line with 2022 (54%)

*As of January 1, 2023, wage- and salary-related liabilities are disclosed under other non-financial liabilities instead of under other financial liabilities as in the past. Also, the tranche of the Group Long-Term Incentive Plan to be paid out in the months following the balance sheet date is disclosed under other current non-financial liabilities and no longer under current provisions for employee benefits. For better comparability, the previous year's figures have been adjusted. Totals may not add up due to rounding



03

outlook & guidance

Full-year 2023 guidance

Net sales:

Organic: +1% to +4% YoY (ex-COVID: +4% to +7%)
FX: -5% to -2% YoY
~€21.2 – €22.7 bn

EBITDA pre:

Organic: -5% to 0% YoY
FX: -5% to -2% YoY
~€6.1 – €6.7 bn

EPS pre:

~€8.80 to €9.90



2023 business sector guidance¹

Life Science

Net sales

- Organic: -2% to +2%; ex-Covid: +3% to +8%
- FX: -5% to -1% YoY
- ~€9.70 bn to €10.45 bn
- All BUs to contribute to core growth
- Total Covid-19 sales of ~€250 m (vs. ~€800 m in 2022)

EBITDA pre

- Organic: -8% to -4% YoY
- FX: -6% to -2% YoY
- ~€3.20 bn to €3.50 bn

Healthcare

Net sales

- Organic: +5% to +9%; FX: -6% to -3%
- ~€7.75 bn to €8.30 bn
- Driven by recent launches
- Complemented by CME & Fertility

EBITDA pre

- Organic: +8% to +12% YoY
- FX: -13% to -9% YoY
- ~€2.35 bn to €2.55 bn

Electronics

Net sales

- Organic: -2% to +3%; FX: -6% to -3%
- ~€3.70 bn to €4.00 bn
- Based on industry consensus of a Semi Market recovery in late H2 2023
- Semi expected to continuously outperform MSI
- Continued low utilization at Display customers

EBITDA pre

- Organic: -12% to -3% YoY
- FX: -8% to -5% YoY
- ~€950 m to €1,080 m



