

## News Release

Your Contact

**Media Relations**

esther.doeringer@emdgroup.com

Phone: +49 151 1454 7809

**Investor Relations**

investor.relations@emdgroup.com

Phone: +49 6151 72-3321

May 11, 2023

# Q1 Results: Merck KGaA, Darmstadt, Germany, Benefits from Global Diversification in a Challenging Environment

## Financial results of Q1 2023

- **Group net sales rise by 1.8% to € 5.3 billion**
- **New Healthcare products major growth drivers**
- **EBITDA pre down –2.6% to € 1.6 billion**
- **Medium-term structural growth drivers intact**

## Forecast for fiscal 2023

- **Net sales: organic growth of 1% to 4%**
- **Net sales excluding Covid-19-related business: organic increase of 4% to 7%**
- **EBITDA pre: organic decline of –5% to stable at 0%**
- **Negative foreign exchange effects on net sales and EBITDA pre of –5% to –2% expected**

Darmstadt, Germany, May 11, 2023 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, generated net sales of € 5.3 billion in the first quarter of 2023. This corresponds to an increase of 1.8% over the year-earlier quarter (organically 0.8%). Sales growth was in particular attributable to Healthcare, which delivered significant increases in its business with new medicines, one of the company's "Big 3" growth drivers. Life Science, in particular the Science



## News Release

& Lab Solutions business unit, also contributed positively to sales growth. EBITDA pre decreased by –2.6% (organically –1.7%) to € 1.6 billion. The main reasons for this were the decline in the Display Solutions business as well as the significant decrease in earnings contributions from Covid-19-related sales.

“2023 will be a transition year for us. As expected, our Life Science and Electronics businesses were confronted with a difficult market environment in the first quarter. The weaker market for Display and Semiconductor Solutions as well as the continued decline in Covid-19-related sales weighed on our business performance,” said Belén Garijo, Chair of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. “At the same time, Healthcare benefited from the growth of new products. This proves the resilience of our diversified, multi-industry portfolio. Our structural growth drivers remain intact. We are confident that we will be able to achieve our medium-term target of 25 billion euros in sales by 2025.”

In the first quarter of 2023, the company continued to drive key growth and strategic initiatives. A team from the Life Science business sector helped to further drive digitalization by [publishing its code library](#) together with partner Palantir in March. It is the first-ever customer-developed, open-source library for Palantir Foundry that provides consistent digital blueprints to boost productivity and quality for developers. In March, the Group strengthened its Oncology franchise and terminated the alliance agreement with Pfizer on Bavencio. Effective June 30, 2023, the company will regain the [exclusive worldwide rights](#) to develop, manufacture and commercialize Bavencio. As a result, Merck KGaA, Darmstadt, Germany, expects a significant increase in profit from sales of Bavencio. In the Electronics business sector, construction work for a [new production facility for semiconductor materials](#) began in Kaohsiung, Taiwan, in February.

### **Lower customer utilization in Display Solutions and continued decline in Covid-19-related demand impact earnings**

Group net sales rose organically by 0.8% to € 5,293 million in the first quarter of 2023. Foreign exchange effects, especially from the development of the U.S. dollar, contributed 0.8% to the growth in sales. Portfolio effects were responsible for 0.2% and were mainly attributable to the acquisitions of the biopharmaceutical contract development and manufacturing organization Exelead, Inc., USA, as well as the

## News Release

chemical business of Mecaro Co. Ltd., a Korea-based supplier to the semiconductor industry.

EBITDA pre fell by –2.6% to € 1,587 million. Organically, the decline amounted to –1.7%. Among other things, this was due to lower customer utilization in Display Solutions as well as the significant decrease in earnings contributions from Covid-19-related sales. In addition, one-time effects such as royalty and license income had a positive impact on EBITDA pre in the year-earlier quarter. EBITDA pre was adversely affected by foreign exchange effects of –0.5% and a portfolio impact of –0.4%. The EBITDA pre margin was 30.0% and EPS pre amounted to € 2.36.

### **Life Science: Robust growth in core business compensates decline in Covid-19-related demand**

In the first quarter of 2023, the Life Science business sector generated net sales of € 2,487 million. The robust growth in the core business compensated for the expected, sharp decline in Covid-19-related sales. Compared with the year-earlier quarter, this represents an increase of 1.7%, comprising 0.6% from organic growth, 0.9% from foreign exchange effects and 0.3% from acquisitions.

The Process Solutions (–4.1%) and Life Science Services (–7.2%) business units saw organic sales declines due to the significant decrease in Covid-19-related demand. By contrast, the net sales of Science & Lab Solutions increased organically by 5.9%. This business unit offers products and services to support research activities. With net sales of € 1,276 million, it accounted for 51% of Life Science sales in the first quarter.

EBITDA pre of Life Science decreased by –2.9% to € 901 million compared with the first quarter of 2022. This reflected the lower share of Covid-19-related sales and earnings as well as higher investments in growth segments such as novel modalities, among other things. Organically, the decline amounted to –1.4%. Foreign exchange was responsible for –1.0%, and portfolio effects for –0.5%. The EBITDA pre margin of Life Science was 36.2%.

### **Healthcare: Very good first quarter driven by growth of recent launches**

In the first quarter of 2023, sales of the Healthcare business sector increased by 6.2% to € 1,905 million. Organic growth was 5.3%. Foreign exchange had a positive effect of 0.8% on sales growth.

## News Release

The key growth drivers were once again new Healthcare products: The immunoncology drug Bavencio generated an organic sales increase of 30.6%. Sales of Mavenclad for the treatment of relapsing multiple sclerosis grew organically by 23.0%. Both the Fertility and the Cardiovascular, Metabolism & Endocrinology franchises saw organic sales growth of their portfolio products.

EBITDA pre of Healthcare rose by 11.4% to € 590 million in the first quarter of 2023. Organic growth was 10.5%, supported by positive foreign exchange effects of 0.9%. The EBITDA pre margin of the business sector came in at 30.9%.

### **Electronics: Semiconductor Solutions grows slightly despite decline in the semiconductor materials market; continued weakness of Liquid Crystals**

In the Electronics business sector, sales decreased by –5.9% to € 901 million in the first quarter of 2023. The organic decline of –7.1% was mitigated by positive foreign exchange effects of 0.8% as well as a portfolio effect of 0.3%. In a semiconductor market that slowed as expected, Semiconductor Solutions generated an organic sales increase of 2.0%, well above market. This business unit accounted for around two thirds of the sales of Electronics. By contrast, the Display Solutions (–28.1%) and Surface Solutions (–4.9%) business units saw organic sales declines. In Display Solutions, this was due in particular to continued low demand for liquid crystals.

EBITDA pre of Electronics decreased by –18.0% to € 237 million compared with the year-earlier quarter. The organic decline amounted to –19.8%. The further price decline in the Liquid Crystals business, the weaker market environment in Semiconductor Solutions as well as cost inflation had negative impacts. Foreign exchange effects of 2.3% made a positive contribution to the development of EBITDA pre, whereas the acquisition of the chemical business of Mecaro had a negative impact of –0.4 % on this figure. The EBITDA pre margin of Electronics was 26.4%.

### **Forecast for fiscal 2023: Healthcare remains a growth driver; negative impacts from softer market environment in Electronics, continued decline of Covid-19-related demand and high cost level**

The Group is specifying the forecast for fiscal 2023. For sales, the company expects growth especially from new Healthcare products and the Life Science core business. Negative impacts are likely from declining Covid-19-related sales, the slowing Display Solutions business and an even more pronounced weakening of the

## News Release

semiconductor materials market. This market is expected to recover in the second half of 2023, but at a later point and from a lower base than previously assumed. For EBITDA pre, the company expects the high level of costs due to inflation to weigh on earnings of all business sectors, in particular in Life Science and Electronics. EBITDA pre of Healthcare is forecast to increase organically, mainly thanks to the expected strong business performance.

In summary, the Group expects for fiscal 2023:

- Net sales of between € 21.2 billion and € 22.7 billion (2022: € 22.2 billion)
  - Thereof: organic growth of 1% to 4%
  - Excluding Covid-19-related sales: organic sales growth of 4% to 7%
  - Sales from Covid-19-related demand: around € 250 million
  - Negative foreign exchange effects of –5% to –2%
- EBITDA pre of € 6.1 billion to € 6.7 billion (2022: € 6.8 billion)
  - Organic decline of –5% to stable at 0%
  - Negative foreign exchange effects of –5% to –2%
- EPS pre of € 8.80 to € 9.90, based on an underlying tax rate of 22%

## News Release

### Overview of the key figures for Q1 2023

#### Group

##### Key figures

€ million	Q1 2023	Q1 2022	Change
Net sales	5,293	5,198	1.8%
Operating result (EBIT) <sup>1</sup>	1,035	1,173	-11.8%
Margin (% of net sales) <sup>1</sup>	19.6%	22.6%	
EBITDA <sup>2</sup>	1,491	1,603	-7.0%
Margin (% of net sales) <sup>1</sup>	28.2%	30.8%	
EBITDA pre <sup>1</sup>	1,587	1,629	-2.6%
Margin (% of net sales) <sup>1</sup>	30.0%	31.3%	
Profit after tax	800	884	-9.5%
Earnings per share (in €)	1.83	2.02	-9.4%
Earnings per share pre (€) <sup>1</sup>	2.36	2.41	-2.1%
Operating cash flow	853	840	1.5%
Net financial debt <sup>3</sup>	8,992	8,328	8.0%
Number of employees <sup>4</sup>	64,011	61,517	4.1%

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Not defined by International Financial Reporting Standards (IFRS); EBITDA corresponds to operating result (EBIT) adjusted by depreciation, amortization, impairment losses, and reversals of impairment losses.

<sup>3</sup> Figures for the reporting period ending on March 31, 2023, prior-year figures as of December 31, 2022.

<sup>4</sup> Figures for the reporting period ending on March 31, 2023, prior-year figures as of March 31, 2022. Prior-year figures have been adjusted. This figure refers to all employees at sites of fully consolidated entities.

#### Life Science

##### Net sales by business unit

€ million	Q1 2023	Share	Organic growth <sup>1</sup>	Exchange rate effects	Acquisitions/divestments	Total change	Q1 2022 <sup>2</sup>	Share
Science & Lab Solutions	1,276	51%	5.9%	0.5%	-	6.5%	1,199	49%
Process Solutions	1,022	41%	-4.1%	1.1%	0.1%	-3.0%	1,053	43%
Life Science Services	188	8%	-7.2%	1.7%	2.9%	-2.6%	193	8%
<b>Life Science</b>	<b>2,487</b>	<b>100%</b>	<b>0.6%</b>	<b>0.9%</b>	<b>0.3%</b>	<b>1.7%</b>	<b>2,445</b>	<b>100%</b>

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

<sup>2</sup> Previous year's figures have been adjusted owing to an internal realignment.

## News Release

### Healthcare

#### Net sales by major product lines/products

€ million	Q1 2023	Share	Organic growth <sup>1</sup>	Exchange rate effects	Total change	Q1 2022	Share
<b>Oncology</b>	<b>433</b>	<b>23%</b>	<b>14.7%</b>	<b>-0.4%</b>	<b>14.3%</b>	<b>379</b>	<b>21%</b>
thereof: Erbitux®	250	13%	3.7%	-0.6%	3.1%	242	13%
thereof: Bavencio®	167	9%	30.6%	-	30.7%	128	7%
<b>Neurology &amp; Immunology</b>	<b>390</b>	<b>20%</b>	<b>-2.0%</b>	<b>1.9%</b>	<b>-0.1%</b>	<b>391</b>	<b>22%</b>
thereof: Rebif®	154	8%	-25.4%	1.6%	-23.8%	201	11%
thereof: Mavenclad®	237	12%	23.0%	2.2%	25.2%	189	11%
<b>Fertility</b>	<b>366</b>	<b>19%</b>	<b>6.7%</b>	<b>0.6%</b>	<b>7.3%</b>	<b>341</b>	<b>19%</b>
thereof: Gonal-f®	197	10%	-2.1%	0.7%	-1.4%	200	11%
<b>Cardiovascular, Metabolism and Endocrinology (CM&amp;E)</b>	<b>677</b>	<b>36%</b>	<b>3.0%</b>	<b>0.8%</b>	<b>3.8%</b>	<b>652</b>	<b>36%</b>
thereof: Glucophage®	218	11%	-0.1%	0.2%	0.1%	218	12%
thereof: Concor®	142	7%	0.8%	2.0%	2.9%	138	8%
thereof: Euthyrox®	130	7%	0.4%	0.5%	0.9%	128	7%
thereof: Saizen®	76	4%	25.1%	-0.1%	25.0%	61	3%
<b>Other</b>	<b>38</b>	<b>2%</b>				<b>32</b>	<b>2%</b>
<b>Healthcare</b>	<b>1,905</b>	<b>100%</b>	<b>5.3%</b>	<b>0.8%</b>	<b>6.2%</b>	<b>1,795</b>	<b>100%</b>

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

### Electronics

#### Net sales by business unit

€ million	Q1 2023	Share	Organic growth <sup>1</sup>	Exchange rate effects	Acquisitions/divestments	Total change	Q1 2022	Share
Semiconductor Solutions	604	67%	2.0%	1.6%	0.5%	4.1%	581	61%
Display Solutions	187	21%	-28.1%	-0.4%	-	-28.5%	262	27%
Surface Solutions	109	12%	-4.9%	-0.2%	-	-5.1%	115	12%
<b>Electronics</b>	<b>901</b>	<b>100%</b>	<b>-7.1%</b>	<b>0.8%</b>	<b>0.3%</b>	<b>-5.9%</b>	<b>957</b>	<b>100%</b>

<sup>1</sup> Not defined by International Financial Reporting Standards (IFRS).

## News Release

### Notes to editors:

- The **press conference for media representatives** will take place at 9:30 a.m. (CEST).
- The respective **presentation** and further information for journalists, including a **digital press kit**, can be found [here](#)
- The quarterly statement can be found [here](#)
- [Twitter](#) and [LinkedIn](#)
- **Photos and images** can be found [here](#)
- **Stock symbols**

*Reuters: MRCG, Bloomberg: MRK GY, Dow Jones: MRK.DE*

*Frankfurt Stock Exchange: ISIN: DE 000 659 9905 – WKN: 659 990*

All Merck KGaA, Darmstadt, Germany, press releases are distributed by e-mail at the same time they become available on the EMD Group website. In case you are a resident of the USA or Canada, please go to [www.emdgroup.com/subscribe](http://www.emdgroup.com/subscribe) to register for your online, change your selection or discontinue this service.

### About Merck KGaA, Darmstadt, Germany

Merck KGaA, Darmstadt, Germany, a leading science and technology company, operates across life science, healthcare and electronics. More than 64,000 employees work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. From providing products and services that accelerate drug development and manufacturing as well as discovering unique ways to treat the most challenging diseases to enabling the intelligence of devices – the company is everywhere. In 2022, Merck KGaA, Darmstadt, Germany, generated sales of € 22.2 billion in 66 countries.

The company holds the global rights to the name and trademark "Merck" internationally. The only exceptions are the United States and Canada, where the business sectors of Merck KGaA, Darmstadt, Germany, operate as MilliporeSigma in life science, EMD Serono in healthcare and EMD Electronics in electronics. Since its founding in 1668, scientific exploration and responsible entrepreneurship have been key to the company's technological and scientific advances. To this day, the founding family remains the majority owner of the publicly listed company.