



staying the course through challenging MACRO environment

Q3 2023 results

Presentation Media Call

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Merck KGaA
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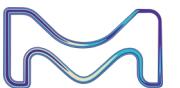


Agenda

01 Executive summary

02 Financial overview

03 Outlook & guidance



EXECUTIVE SUMMARY

01

Highlights Q3 2023:



Operations

Life Science:

- Sales down -13% org. as COVID-19 fades, pronounced destocking, China macroeconomy and SAP roll-out
- Core business¹ sales -8% org., mainly driven by PS and SLS

Healthcare:

- Continues to drive strong and broad organic growth (+7%), Wave 1 launches +13% org., established portfolio +6% org.
- Fertility +14% org., boosted by competitors' stock-out

Electronics:

- Electronics sales decline (-4% org.) amid market headwinds
- Display up +12% org. partially offsetting lower Semi sales (-9% org.), as guided; outperforms high-teens MSI decline



Financials

Q3 organic sales: -4%

Q3 organic EBITDA pre: -13%

Guidance:

Net sales: €20.5 bn to €21.9 bn

EBITDA pre: €5.8 bn to €6.4 bn

EPS pre: €8.25 to €9.35

Net financial debt to EBITDA pre:

1.4x on September 30, 2023



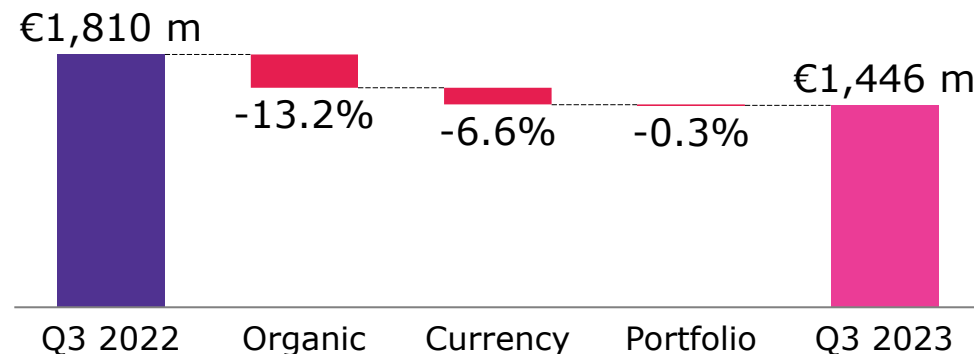
Group resilient as Healthcare organic performance partially offsets decline in Life Science and Electronics

Q3 YoY Net Sales

	Organic	Currency	Portfolio	Total
Life Science	-13.2%	-5.1%	0.0%	-18.3%
Healthcare	7.4%	-8.5%	0.0%	-1.1%
Electronics	-4.0%	-7.9%	0.3%	-11.6%
Group	-4.1%	-6.8%	0.1%	-10.9%

- Life Science: Core¹ decline of -8% org., driven by Process Solutions (-15%) and Science & Lab Solutions (-4%); Life Science Services with +12% core¹ org. growth
- Healthcare: Bavencio[®] (+22% org.), Mavenclad[®] (+3% org.) with pricing pressures and increasing competitive intensity in Europe. CM&E growing +7% org. and Fertility +14% org.
- Electronics: Semiconductor with -9% org. decline, against backdrop of MSI down high-teens amount; Display up +12% org., driven by volume recovery in liquid crystals

Q3 YoY EBITDA pre



- Life Science EBITDA pre down -32% org. mainly due to underutilization caused by lower volumes
- Healthcare EBITDA pre up +17% org. driven by org. sales growth and stringent cost management
- Electronics margins reflect higher idle cost during the Semi down cycle, mix and cost inflation
- Significant foreign exchange burden on EBITDA pre



02

Financial Overview

Q3 2023: Overview

Key figures

[€m]	Q3 2022	Q3 2023	Δ
Net sales	5,806	5,173	-10.9%
EBITDA pre	1,810	1,446	-20.2%
<i>Margin (in % of net sales)</i>	31.2%	27.9%	-3.3pp
EPS pre	2.68	2.07	-22.8%
Operating cash flow	1,552	1,255	-19.1%

[€m]	Dec. 31, 2022	Sept. 30, 2023	Δ
Net financial debt	-8,328	-8,426	1.2%
Working capital	5,237	5,728	9.4%
Employees	64,232	63,297	-1.5%

Comments

- Sales down -11%, impacted by FX headwinds
- Lower volumes in Life Science and Electronics, partially offset by org. growth in Healthcare
- EBITDA pre decline impacted by lower sales and negative mix in both Life Science and Electronics
- EPS pre down, in line with EBITDA pre
- Decline in operating cash flow mainly due to lower EBITDA pre; lower NWC effect
- Working capital stable sequentially, following increase in Q1
- Net financial debt broadly flat



Life Science Q3: Core business down -8% org. with Process Solutions destocking; COVID-19 sales fading out as expected

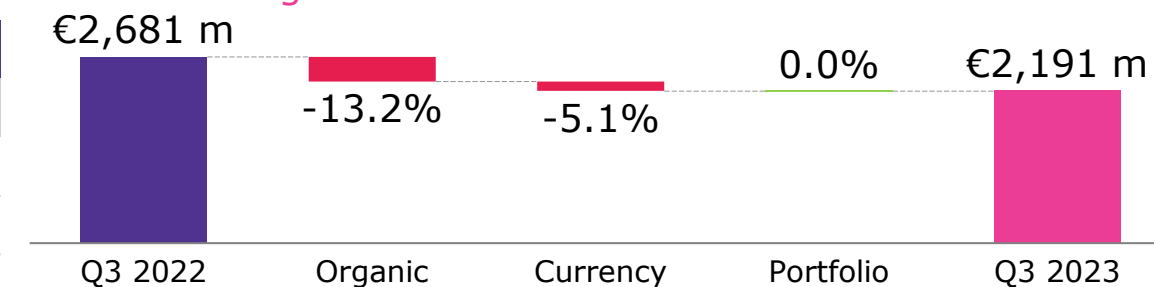
Life Science P&L

[€m]	IFRS		Pre	
	Q3 2022	Q3 2023	Q3 2022	Q3 2023
Net sales	2,681	2,191	2,681	2,191
M&S*	-634	-556	-629	-555
Admin	-112	-103	-102	-94
R&D	-106	-90	-106	-90
EBIT	719	396	760	411
EBITDA	936	601	-	-
EBITDA pre	976	615	976	615
(in % of net sales)	36.4%	28.1%	36.4%	28.1%

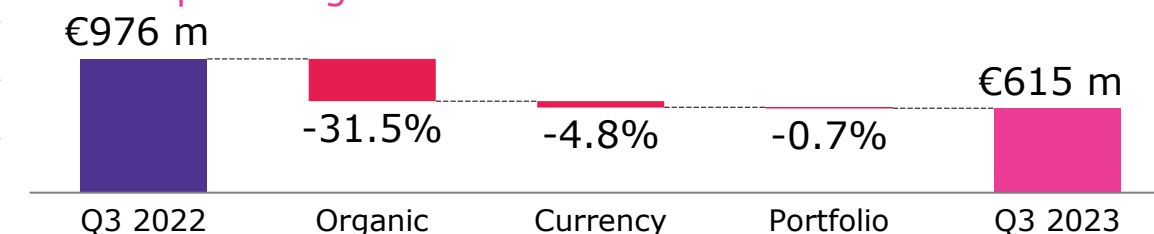
Comments

- Process Solutions: -15% org. decline in core business; overall PS org. sales decline of -22% including anticipated pronounced COVID-19 decline
- Science & Lab Solutions: Core org. sales down -4% mainly due to suppressed demand, more pronounced in China, and SAP roll-out; with slight headwinds from fading COVID-19 resulting in -5% org. decline
- Life Science Services: Core org. growth of +12% supported by both CTS and CDMO; with COVID-19 headwinds org. growth overall down -10%
- Lower M&S, Admin, R&D and other operating expenses reflecting cost discipline and efficiencies; operating expenses declining less than sales
- Sequential FX rates partially easing in North America and Asia
- EBITDA pre down -32% org. on lower sales and with negative mix effects impacting the gross margin

Net sales bridge



EBITDA pre bridge



Healthcare Q3: Organic growth of +7% supported by all franchises

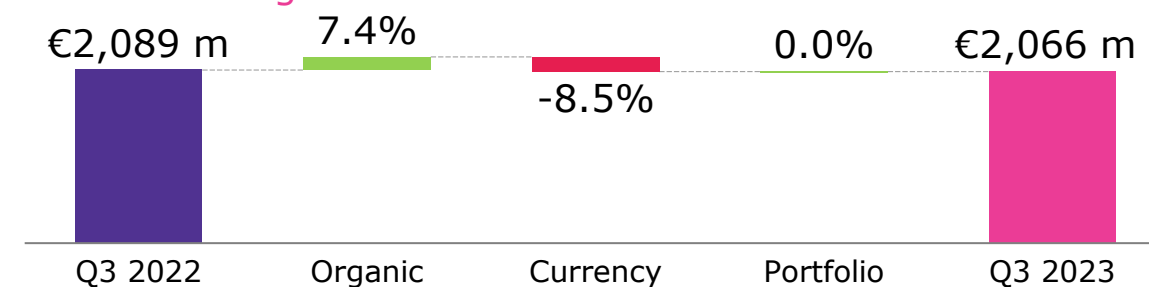
Healthcare P&L

[€m]	IFRS		Pre	
	Q3 2022	Q3 2023	Q3 2022	Q3 2023
Net sales	2,089	2,066	2,089	2,066
M&S*	-413	-406	-412	-400
Admin	-84	-79	-79	-74
R&D	-431	-391	-409	-391
EBIT	606	653	635	615
EBITDA	683	723	-	-
EBITDA pre	711	685	711	685
(in % of net sales)	34.0%	33.2%	34.0%	33.2%

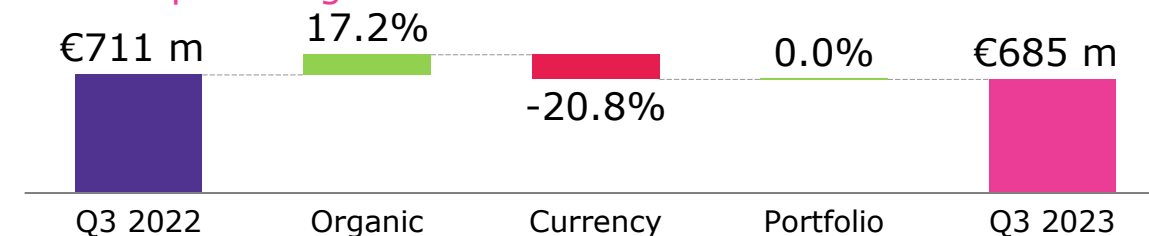
Comments

- Oncology up +18% org., driven by continuous growth of Bavencio® (+22% org.) across all regions and supported by Erbitux® (+13% org.)
- Mavenclad® +3% org., U.S. driving growth partially offset by Europe. Rebif® declines -25% org. amid PY channel dynamics yielding tougher comps
- Solid growth of established portfolio driven by Fertility (+14% org.) boosted by competitors' stock-outs and CM&E (+7% org.)

Net sales bridge



EBITDA pre bridge



- Constant productivity efforts drive M&S decline in % of sales
- R&D lower in absolute terms; mid-term ambition of low twenties remains unchanged
- Currency impacts mostly driven by major businesses in APAC and North America
- EBITDA pre margin in line with H1'23, supported by positive product mix and cost discipline



Electronics Q3: Semi Solutions demonstrates resilience as guided; Display Solutions compensates with volume driven growth

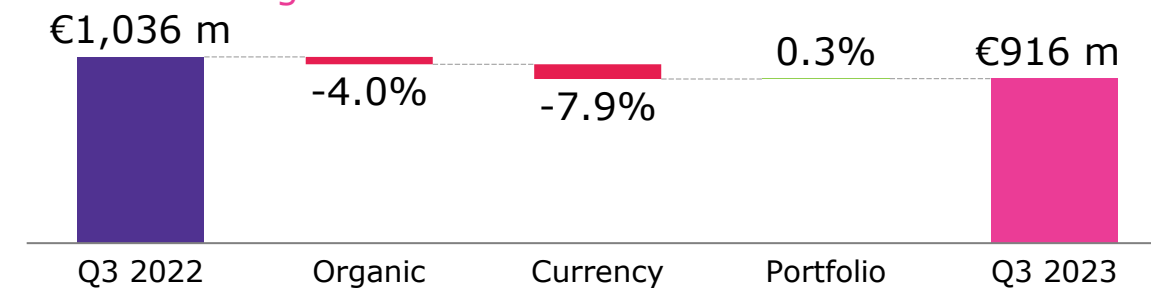
Electronics P&L

[€m]	IFRS		Pre	
	Q3 2022	Q3 2023	Q3 2022	Q3 2023
Net sales	1,036	916	1,036	916
M&S*	-173	-144	-172	-142
Admin	-33	-40	-32	-32
R&D	-78	-75	-78	-74
EBIT	144	52	162	78
EBITDA	294	186	-	-
EBITDA pre	302	208	302	208
(in % of net sales)	29.1%	22.7%	29.1%	22.7%

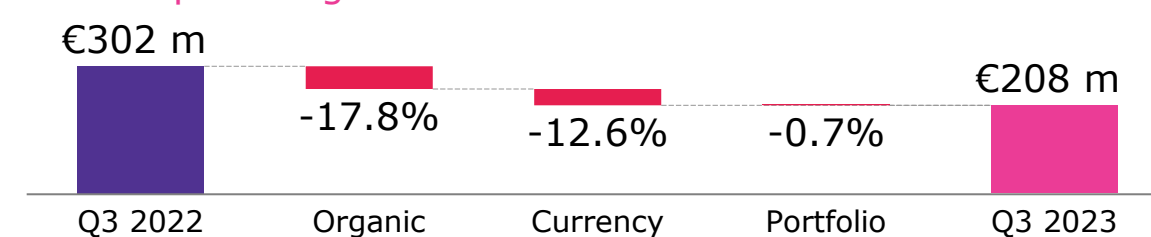
Comments

- Semiconductor Solutions: -9% org. decline, with resilient portfolio enabling outperforming of MSI (down high-teens amount)
- Display Solutions: up +12% org., with partial recovery in Liquid Crystals, driven by volume; price pressure continues to be a factor
- Surface Solutions: up +3% org., driven by strong cosmetics growth; partially offset by weaker automotive coatings demand
- M&S costs declining with strict cost discipline and efficiencies as logistics come down in line with volume development
- R&D down slightly due to higher quarterly comp, sustained high level of investment to drive mid-term growth in line with Level-up program
- Sequential FX rates partially easing in North America and Asia
- EBITDA pre margin down due to lower sales, negative mix effects, sustained inflationary costs and some new site ramp-up costs

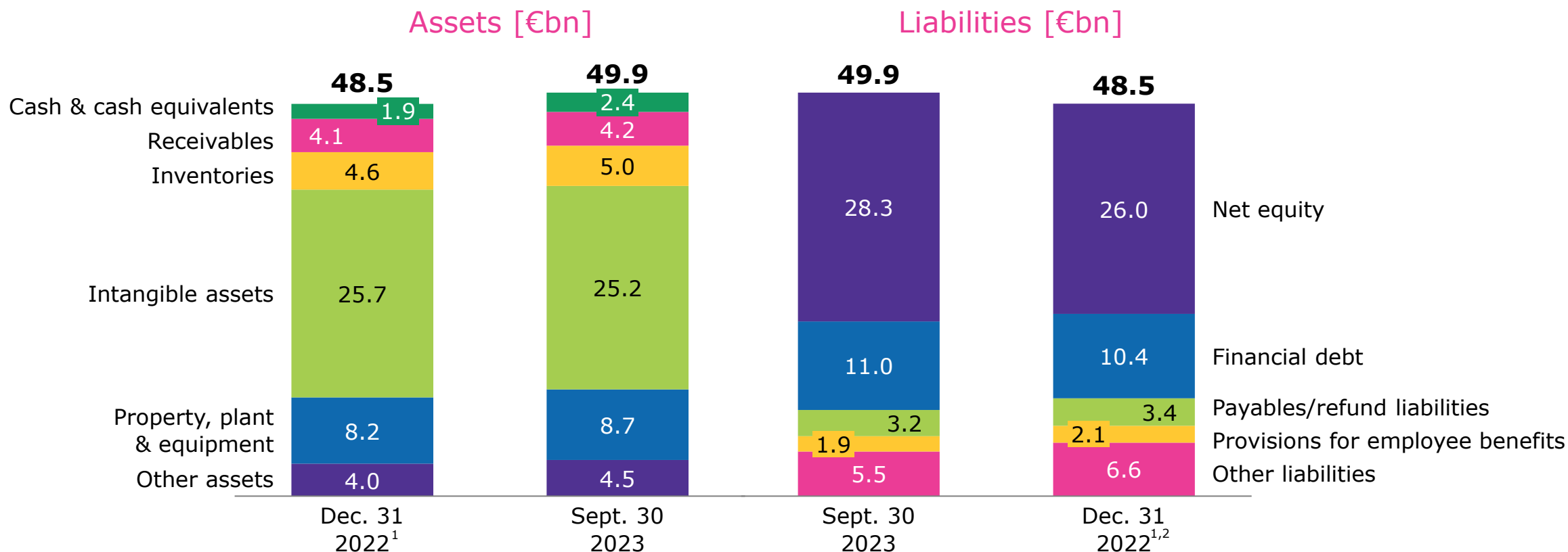
Net sales bridge



EBITDA pre bridge



Balance sheet



- Increase in inventories in Life Science and Electronics from Q1'23, development stable sequentially
- Decrease in intangible assets primarily driven by FX and amortization
- Continued investment for mid-term growth increases PPE
- Increase in financial debt proportional to increase in cash
- Reduced provisions for employee benefits driven by actuarial gains due to higher interest rates
- Other liabilities impacted by dividend payment in Q2
- Equity ratio improved to 57% (Dec. 2022, 54%)

¹Previous-year figures have been adjusted owing to the finalization of the purchase price allocation in connection with the acquisitions of the chemical business of Mecaro Co. Ltd., Korea, trading as M Chemicals Inc., Korea, as well as Erbi Biosystems Inc., USA.

²As 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.



03

outlook & guidance

Group Full-year 2023 guidance

Net sales:

Organic: -2% to +2% YoY (ex-COVID: +1% to +5%)

FX: -6% to -3% YoY

~€20.5 – €21.9 bn, trending slightly below the mid-point

EBITDA pre:

Organic: -9% to -3% YoY

FX: -6% to -3% YoY

~€5.8 – €6.4 bn, trending in the lower half of the range

EPS pre:

~€8.25 – €9.35, trending in the lower half of the range



2023 business sector guidance¹

Life Science



Net sales

- Organic: -8% to -2%; ex-COVID: -3% to +4%
- FX: -5% to -2% YoY
- ~€9.10 bn to €9.95 bn, trending in the lower half of the range
- Going through the expected trough in PS
- Total COVID-19 sales of ~€250 m (vs. ~€800 m in 2022)

EBITDA pre

- Organic: -21% to -12% YoY
- FX: -6% to -2% YoY
- ~€2.75 bn to €3.20 bn, trending in the lower half of the range

Healthcare



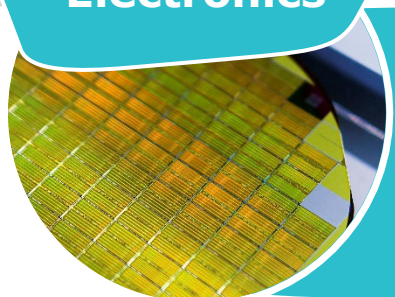
Net sales

- Organic: +6% to +9%; FX: -7% to -4%
- ~€7.75 bn to €8.30 bn, trending slightly above the mid-point
- Driven by Mavenclad® and Bavencio®
- Complemented by Fertility

EBITDA pre

- Organic: +14% to +19% YoY
- FX: -17% to -13% YoY
- ~€2.45 bn to €2.60 bn, trending towards the top end of the range

Electronics



Net sales

- Organic: -6% to -1%; FX: -7% to -4%
- ~€3.50 bn to €3.80 bn, trending around the mid-point
- Semi expected to continue to outperform in a weaker market
- Semi market recovery further delayed into 2024

EBITDA pre

- Organic: -18% to -10% YoY
- FX: -10% to -7% YoY
- ~€870 m to €980 m, trending in the lower half of the range



