

## 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

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# Merck KGaA, Darmstadt, Germany, Confirms Forecast for Fiscal 2023 Despite Difficult Market Environment in the Third Quarter

## Financial results of Q3 2023

- **Strong organic performance of Healthcare partly compensates for market weakness in Life Science and Electronics**
- **Net sales decrease organically by 4.1% to € 5.2 billion**
- **EBITDA pre down organically by 13.2% to € 1.4 billion despite double-digit organic earnings growth of Healthcare**
- **Negative foreign exchange impact increases again over Q2 2023**

## Forecast

- **Company confirms and specifies forecast for fiscal 2023**
- **Return to organic sales growth expected in 2024**

Darmstadt, Germany, November 9, 2023 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, confirmed its forecast for fiscal 2023 despite a difficult market environment in the third quarter. The strong organic development of the Healthcare business sector partly compensated for the decline in sales and earnings in Life Science and Electronics. Once again, the company benefited from its diversified set-up.

Group net sales decreased organically by 4.1% to € 5,173 million in the third quarter of 2023. While Healthcare delivered an organic sales increase of 7.4%, Life Science



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and Electronics recorded organic sales declines owing to the expected difficult market environment. Organic sales development in the third quarter was once again impacted by three main factors: the, compared to the previous year, significant decline in Covid-19-related demand, destocking by key customers in Process Solutions, and the continued weakness of the semiconductor materials market.

Despite the organic earnings growth of 17.2% in the Healthcare business sector, Group EBITDA pre decreased organically by 13.2% to € 1,446 million. This was primarily due to lower sales volumes as well as the proportionately lower share of sales of high-margin products in the Life Science and Electronics business sectors.

Belén Garijo, Chair of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany: "We remain disciplined and on track to achieve not only our fiscal 2023 but also our medium-term targets. In 2024, we expect to return to organic sales growth."

### **Negative foreign exchange impact increases in Q3 2023**

In the third quarter of 2023, sales decreased by 10.9%; organically, by 4.1%. Negative exchange rate effects, especially due to the U.S. dollar and the Chinese renminbi, had an impact of 6.8% on the development of net sales.

EBITDA pre decreased by 20.2%. In addition to the organic decline of 13.2%, foreign exchange had a negative impact here of 6.6%. The EBITDA pre margin was 27.9%. Earnings per share pre were € 2.07.

### **Lower Covid-19-related demand and inventory destocking by key customers adversely affect sales and earnings of Life Science**

The Life Science business sector recorded an organic decline of 13.2% in net sales to € 2,191 million in the third quarter of 2023. The main reasons for this were the expected significantly lower Covid-19-related demand compared to the same quarter of the previous year as well as the considerable slow-down of the core business of Process Solutions due to inventory destocking by key customers. Science & Lab Solutions saw more cautious spending behavior of pharmaceutical customers in a changing macroeconomic environment. Consequently, all three business units – Science & Lab Solutions (-5.0%), Process Solutions (-22.5%) and Life Science Services (-9.8%) – recorded organic sales declines. The company expects an incremental recovery of the order situation in Process Solutions

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approximately from mid Q4 2023. This should then also start having a positive impact on the development of sales during the first half of 2024.

EBITDA pre of Life Science declined organically by 31.5% to € 615 million. In particular, this was due to the lower sales volumes as well as the lower share of sales from higher margin products. The EBITDA pre margin was 28.1%.

### **Strong organic business performance of Healthcare stabilizes the Group in challenging third quarter**

Net sales of the Healthcare business sector increased organically by 7.4% in the third quarter of 2023, supported by all franchises. This organic growth was offset by negative foreign exchange effects of 8.5%. As a result, sales declined by 1.1% overall compared with the year-earlier quarter and totaled € 2,066 million.

One of the main growth drivers in Healthcare was the Oncology franchise with an organic sales increase of 18.1%. This was a result of good organic sales growth of the medicines Bavencio (21.6%) and Erbitux (13.3%). The Fertility (14.0%) and the Cardiovascular, Metabolism & Endocrinology (6.8%) franchises also delivered organic sales increases in the third quarter of 2023. This was attributable to increased demand, helped by stock-outs of competitor products. Net sales of the multiple sclerosis medicine Mavenclad grew by 2.9%. Mavenclad growth in the North America region was partly offset by a sales decline in Europe.

EBITDA pre of Healthcare rose organically by 17.2% to € 685 million. Due to negative foreign exchange effects of 20.8%, EBITDA pre of the business sector decreased by 3.6% overall. The EBITDA pre margin was 33.2%.

### **Display Solutions delivers volume-driven organic growth while market environment in Semiconductor Solutions remains weak as expected**

In the third quarter of 2023, sales of the Electronics business sector declined organically by 4.0% to € 916 million. The Display Solutions (+11.9%) and Surface Solutions (+2.6%) business units generated organic sales increases. Capacity utilization at key liquid crystal customers improved considerably compared with the very weak prior-year quarter. Sales of Semiconductor Solutions decreased organically by 9.3%, in line with the company's expectations. This was due to the economic slowdown in the semiconductor industry, which is more pronounced and longer-lasting compared with previous market cycles.

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As a result of the lower volumes, the continued price pressure in liquid crystals and the lower share of sales of high-margin products, EBITDA pre of Electronics decreased organically by 17.8% to € 208 million. The EBITDA pre margin was 22.7%.

### **Forecast for fiscal 2023 reconfirmed**

Merck KGaA, Darmstadt, Germany, reconfirms its forecast for fiscal 2023 and specifies the indicated target corridor prior to the last quarter of the year. The company expects:

- Organic sales: -2% to +2% to a total of € 20.5 billion to € 21.9 billion – trending slightly below the mid-point of the absolute range
- Organic sales growth excluding the Covid-19 business: +1% to +5%
- Organic decline of EBITDA pre by -9% to -3% to a total of € 5.8 billion to € 6.4 billion – trending in the lower half of the absolute range
- Negative foreign exchange effects on sales and EBITDA pre: -6% to -3%
- EPS pre: € 8.25 to € 9.35 – trending in the lower half of the range.

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### Overview of the key figures for Q3 2023

#### Group

##### Key figures

€ million	Q3 2023	Q3 2022	Change	Jan.-Sept. 2023	Jan.-Sept. 2022	Change
Net sales	5,173	5,806	-10.9%	15,768	16,572	-4.8%
Operating result (EBIT) <sup>1</sup>	983	1,234	-20.3%	2,988	3,585	-16.7%
Margin (% of net sales) <sup>1</sup>	19.0%	21.3%		18.9%	21.6%	
EBITDA <sup>2</sup>	1,418	1,704	-16.8%	4,361	5,016	-13.1%
Margin (% of net sales) <sup>1</sup>	27.4%	29.3%		27.7%	30.3%	
EBITDA pre <sup>1</sup>	1,446	1,810	-20.2%	4,586	5,221	-12.2%
Margin (% of net sales) <sup>1</sup>	27.9%	31.2%		29.1%	31.5%	
Profit after tax	740	926	-20.0%	2,246	2,680	-16.2%
Earnings per share (€)	1.70	2.12	-19.8%	5.15	6.14	-16.1%
Earnings per share pre (€) <sup>1</sup>	2.07	2.68	-22.8%	6.64	7.73	-14.1%
Operating cash flow	1,255	1,552	-19.1%	2,731	3,244	-15.8%
Net financial debt <sup>3</sup>	8,426	8,328	1.2%			
Number of employees <sup>4</sup>	63,297	63,731	-0.7%			

<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 September 30, 2023, prior-year figures as of December 31, 2022.

<sup>4</sup> Figures for the reporting period ending on September 30, 2023, prior-year figures as of September 30, 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	Q3 2023	Share	Organic growth <sup>1</sup>	Exchange rate effects	Acquisitions/divestments	Total change	Q3 2022 <sup>2</sup>	Share
Science & Lab Solutions	1,111	51%	-5.0%	-5.8%	-	-10.9%	1,247	46%
Process Solutions	873	40%	-22.5%	-4.4%	-	-26.8%	1,193	45%
Life Science Services	206	9%	-9.8%	-4.7%	-	-14.5%	241	9%
<b>Life Science</b>	<b>2,191</b>	<b>100%</b>	<b>-13.2%</b>	<b>-5.1%</b>	<b>-</b>	<b>-18.3%</b>	<b>2,681</b>	<b>100%</b>

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

<sup>2</sup> Prior-year figures have been adjusted owing to an internal realignment.

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### Healthcare

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

€ million	Q3 2023	Share	Organic growth <sup>1</sup>	Exchange rate effects	Total change	Q3 2022	Share
<b>Oncology</b>	<b>477</b>	<b>23%</b>	<b>18.1%</b>	<b>-12.8%</b>	<b>5.3%</b>	<b>453</b>	<b>22%</b>
thereof: Erbitux®	271	13%	13.3%	-14.4%	-1.1%	274	13%
thereof: Bavencio®	185	9%	21.6%	-10.0%	11.7%	166	8%
<b>Neurology &amp; Immunology</b>	<b>401</b>	<b>19%</b>	<b>-11.5%</b>	<b>-5.6%</b>	<b>-17.2%</b>	<b>484</b>	<b>23%</b>
thereof: Rebif®	175	8%	-25.1%	-4.6%	-29.7%	249	12%
thereof: Mavenclad®	225	11%	2.9%	-6.7%	-3.8%	234	11%
<b>Fertility</b>	<b>386</b>	<b>19%</b>	<b>14.0%</b>	<b>-10.4%</b>	<b>3.6%</b>	<b>373</b>	<b>18%</b>
thereof: Gonal-F®	213	10%	5.1%	-8.9%	-3.8%	221	11%
<b>Cardiovascular, Metabolism and Endocrinology</b>	<b>724</b>	<b>35%</b>	<b>6.8%</b>	<b>-7.6%</b>	<b>-0.8%</b>	<b>730</b>	<b>35%</b>
thereof: Glucophage®	235	11%	8.3%	-9.0%	-0.6%	237	11%
thereof: Concor®	142	7%	2.3%	-9.1%	-6.8%	152	7%
thereof: Euthyrox®	149	7%	9.8%	-5.3%	4.5%	143	7%
thereof: Saizen®	89	4%	37.9%	-10.5%	27.4%	69	3%
<b>Other</b>	<b>78</b>	<b>4%</b>				<b>49</b>	<b>2%</b>
<b>Healthcare</b>	<b>2,066</b>	<b>100%</b>	<b>7.4%</b>	<b>-8.5%</b>	<b>-1.1%</b>	<b>2,089</b>	<b>100%</b>

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

### Electronics

#### Net sales by business unit

€ million	Q3 2023	Share	Organic growth <sup>1</sup>	Exchange rate effects	Acquisitions/divestments	Total change	Q3 2022	Share
Semiconductor Solutions	612	67%	-9.3%	-7.2%	0.4%	-16.1%	729	71%
Display Solutions	201	22%	11.9%	-11.6%	-	0.4%	200	19%
Surface Solutions	103	11%	2.6%	-5.6%	-	-3.0%	106	10%
<b>Electronics</b>	<b>916</b>	<b>100%</b>	<b>-4.0%</b>	<b>-7.9%</b>	<b>0.3%</b>	<b>-11.6%</b>	<b>1,036</b>	<b>100%</b>

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

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### Notes to editors:

- The **press conference for media representatives** will take place at 9:30 a.m. (CET).
- The respective **presentation** and further information for journalists, including a **digital press kit**, can be found [here](#)
- The quarterly statement can be found [here](#)
- Merck KGaA, Darmstadt, Germany, on [LinkedIn](#)
- **Photos and videos** 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*

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### **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.