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Fiscal 2023: Proven Resilience During Transitional Year

Financial results of fiscal 2023

- **Net sales decrease organically by 1.6% to € 21.0 billion**
- **EBITDA pre down organically by 9.0% to € 5.9 billion**
- **“Transitional year” 2023 characterized by demanding market conditions in Life Science and Semiconductor Materials**
- **Strong sales and earnings performance of Healthcare demonstrates benefits of diversified business model of the Group**
- **Stable dividend proposal: € 2.20 per share**

Forecast for fiscal 2024

- **Return to organic growth expected in 2024**
- **Sales and EBITDA pre: slight to moderate organic growth**

Darmstadt, Germany, March 7, 2024 – Merck KGaA, Darmstadt, Germany, a leading science and technology company, reported financial results for 2023 in line with its guidance published in August despite a challenging market environment, thus demonstrating the robustness of its business model. The strong development of the Healthcare business sector partly compensated for the market-related declines in sales and earnings in Life Science and Electronics. The company expects to gradually return to organic growth in the course of fiscal 2024.



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Fiscal 2023 was characterized by difficult market conditions:

- the significant decline in Covid-19-related demand as expected
- persistent inventory destocking by key customers in Process Solutions
- and the cyclical slowdown in demand for semiconductor materials.

Overall, Group net sales decreased by 5.6% (organically: -1.6%) to € 20,993 million. EBITDA pre declined by 14.2% (organically: -9.0%) to € 5,879 million.

“We delivered solid results in a transitional year 2023 despite difficult market conditions, demonstrating the robustness of our businesses. Our diversified business will continue to benefit from the attractive market growth opportunities also in the medium term,” said Belén Garijo, Chair of the Executive Board and CEO of Merck KGaA, Darmstadt, Germany. “Now, we are fully focusing on gradually returning to growth during fiscal 2024, while defining our strategic roadmap to ensure long term profitable and sustainable growth for our company.”

Negative foreign exchange effects weigh on sales and earnings

In fiscal 2023, Group net sales decreased organically by 1.6% in comparison with the previous year. Foreign exchange effects, primarily from the development of the U.S. dollar and the Chinese renminbi, had an adverse impact of 4.1% on sales. EBITDA pre declined organically by 9.0%. Foreign exchange had an additional negative impact on earnings of 4.9%. The EBITDA pre margin was 28.0%.

Earnings per share pre were € 8.49. On this basis, the Executive Board and Supervisory Board will propose to the Annual General Meeting on April 26, 2024, a dividend of € 2.20 per share. This corresponds to the dividend of the previous year.

Life Science: Market environment affected by decline in Covid-19-related demand and inventory destocking among key customers

In fiscal 2023, the sales and earnings performance of the Life Science business sector was mainly impacted by two market factors. As expected, Covid-19-related sales declined significantly from around € 800 million in the previous year to around € 250 million. In addition, the core business of Process Solutions slowed down considerably due to inventory destocking by key customers, who consequently placed fewer new orders. This led to an overall organic sales decline in the core business (excluding Covid-19-related sales) of Life Science of around 2%.

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Overall, sales of the business sector decreased by 10.6% to € 9,281 million. Organically, the decline amounted to 7.9%. Foreign exchange had a negative impact of 2.7% on sales. As a result of the aforementioned market factors, the Process Solutions (-14.4%) and Life Science Services (-14.6%) business units recorded organic sales declines.

Science & Lab Solutions, which generated around half of the net sales of Life Science in fiscal 2023, saw an organic sales decline of 0.6%. The business unit offers products and services to support research, diagnostics and testing activities.

In fiscal 2023, EBITDA pre of Life Science decreased organically by 21.4% to € 2,820 million. Foreign exchange had a negative impact of 3.3% on earnings. The EBITDA pre margin was 30.4%.

Healthcare: Wave 1 launches remain major growth drivers, supported by resilient growth of the established product portfolio

Net sales of the Healthcare business sector increased organically by 8.5% in fiscal 2023. Amid negative foreign exchange effects of 5.8%, sales rose overall by 2.7% to € 8,053 million.

The key growth drivers were once again the so-called Wave 1 launches. The oncology medicine Bavencio grew organically by 23.4%. Sales of Mavenclad for the treatment of relapsing multiple sclerosis increased organically by 15.9%. Mavenclad exceeded the equivalent of US\$ 1 billion in sales per year for the first time since its market launch, thus achieving blockbuster status. The same applied for the second year to the oncology drug Erbitux with sales of € 1,025 million. The Fertility (organically: +14.9%) and Cardiovascular, Metabolism & Endocrinology (organically: +4.0 %) franchises also generated organic sales increases. In Fertility, this was further supported by stock-outs of competitor products.

EBITDA pre of Healthcare rose organically by 17.1% to € 2,543 million. Foreign exchange had a negative impact of 14.4% on earnings. The EBITDA pre margin was 31.6%.

Electronics: Cyclical slowdown in demand for semiconductor materials impacts business performance

In the Electronics business sector, fiscal 2023 was mainly characterized by the ongoing cyclical slowdown in the semiconductor industry. Overall, sales decreased

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by 8.8% to € 3,659 million. In addition to the organic decline of 5.1%, foreign exchange had an adverse impact of 4.1% on the sales development.

In the Semiconductor Solutions business unit, sales decreased organically by 3.9%, outperforming the market. The decline was mainly the result of weaker demand for semiconductor materials. This was partly offset by the project and equipment business within Delivery Systems & Services, which benefited from continued investments by key customers in long-term capacity expansion.

Persistent price pressure and low-capacity utilization by customers in the liquid crystals field, especially in the first half of 2023, were the main reasons for the organic sales decline of 9.2% in the Display Solutions business unit.

EBITDA pre of Electronics amounted to € 913 million. Apart from the organic decline of 17.1%, foreign exchange had an adverse impact of 5.6% on the earnings development. The EBITDA pre margin was 25.0%.

Outlook for fiscal 2024: Return to growth

Merck KGaA, Darmstadt, Germany, expects a gradual return to organic growth during 2024. The year is expected to be characterized by the following developments:

- In the **Life Science** business sector, order intake in Process Solutions will gradually improve. The company expects the inflection point during the first half of 2024. Sales will subsequently recover in the second half of 2024. In fiscal 2024, the Group expects the remaining Covid-19-related sales to phase out.
- Sales of the **Healthcare** business sector are forecast to grow in line with medium-term expectations as tailwinds from competitor stock-outs fade out.
- The semiconductor materials market in the **Electronics** business sector is expected to recover gradually in 2024 compared with 2023, with the turning point occurring early in the second half of the year.

Overall, the company assumes the following qualitative development. As in previous years, the company will announce a quantitative forecast with the publication of Q1 financial results on May 15, 2024.

- The Group expects slight to moderate organic sales growth in fiscal 2024, with Healthcare as the main driver. Foreign exchange is expected to impact sales development by -3% to 0%.

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- For EBITDA pre, the company also expects slight to moderate organic growth. Earnings growth will be mainly driven by the Healthcare business sector in fiscal 2024. Foreign exchange will likely have an impact of -4% to -1% on the earnings development.

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Overview of the key figures for fiscal 2023

Group

Key figures

€ million	2023	2022	Change	
			€ million	%
Net sales	20,993	22,232	-1,239	-5.6 %
Operating result (EBIT) ¹	3,609	4,474	-865	-19.3 %
Margin (% of net sales) ¹	17.2 %	20.1 %		
EBITDA ²	5,489	6,504	-1,015	-15.6 %
Margin (% of net sales) ¹	26.1 %	29.3 %		
EBITDA pre ¹	5,879	6,849	-970	-14.2 %
Margin (% of net sales) ¹	28.0 %	30.8 %		
Profit after tax	2,834	3,339	-505	-15.1 %
Earnings per share (€)	6.49	7.65	-1.16	-15.2 %
Earnings per share pre (€) ¹	8.49	10.05	-1.56	-15.5 %
Operating cash flow	3,784	4,259	-475	-11.2 %

¹ Not defined by International Financial Reporting Standards (IFRS).

² 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.

Life Science

Net sales by business unit

€ million	2023	Share	Organic growth ¹	Exchange rate effects	Acquisitions / divestments	Total change	2022 ²	Share
Science & Lab Solutions	4,706	51 %	-0.6 %	-3.3 %	-	-3.9 %	4,898	47 %
Process Solutions	3,782	41 %	-14.4 %	-2.3 %	-	-16.7 %	4,540	44 %
Life Science Services	792	8 %	-14.6 %	-2.0 %	0.6 %	-15.9 %	943	9 %
Life Science	9,281	100 %	-7.9 %	-2.7 %	0.1 %	-10.6 %	10,380	100 %

¹ Not defined by International Financial Accounting Standards (IFRS).

² Prior-year figures have been adjusted due to internal realignment.

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Healthcare

Net sales by major product lines/products

€ million	2023	Share	Organic growth ¹	Exchange rate effects	Total change	2022	Share
Oncology	1,819	22%	17.3%	-9.2%	8.1%	1,683	22%
thereof: Erbitux®	1,025	13%	10.9%	-10.6%	0.3%	1,023	13%
thereof: Bavencio®	713	9%	23.4%	-6.8%	16.6%	611	8%
Neurology & Immunology	1,665	21%	-0.9%	-3.5%	-4.5%	1,743	22%
thereof: Mavenclad®	956	12%	15.9%	-4.3%	11.7%	856	11%
thereof: Rebif®	709	9%	-17.2%	-2.9%	-20.1%	887	11%
Fertility	1,547	19%	14.9%	-7.8%	7.0%	1,446	18%
thereof: Gonal-F®	847	11%	10.5%	-7.8%	2.7%	825	11%
Cardiovascular, Metabolism and Endocrinology	2,786	35%	4.0%	-4.6%	-0.7%	2,805	36%
thereof: Glucophage®	882	11%	-0.5%	-4.6%	-5.1%	930	12%
thereof: Concor®	571	7%	1.6%	-4.9%	-3.3%	590	8%
thereof: Euthyrox®	565	7%	5.4%	-3.2%	2.2%	553	7%
thereof: Saizen®	332	4%	35.7%	-10.6%	25.1%	266	3%
Other	235	3%				161	2%
Healthcare	8,053	100%	8.5%	-5.8%	2.7%	7,839	100%

¹ Not defined by International Financial Reporting Standards (IFRS).

Electronics

Net sales by business unit

€ million	2023	Share	Organic growth ¹	Exchange rate effects	Acquisitions/divestments	Total change	2022	Share
Semiconductor Solutions	2,479	68%	-3.9%	-3.9%	0.5 %	-7.3%	2,674	67%
Display Solutions	770	21%	-9.2%	-5.3%	-	-14.5%	900	22%
Surface Solutions	411	11%	-3.6%	-2.9%	-	-6.5%	439	11%
Electronics	3,659	100%	-5.1%	-4.1%	0.3 %	-8.8%	4,013	100%

¹ Not defined by International Financial Accounting Standards (IFRS).

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Notes to editors:

- The **press conference for media representatives** will take place at 10:00 a.m. (CET).
- The respective **presentation** and further information for journalists, including a **digital press kit**, can be found [here](#)
- The annual report 2023 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. Around 63,000 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 2023, Merck KGaA, Darmstadt, Germany, generated sales of € 21 billion in 65 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.