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Investing in Accelerated Growth

- **Strategy update presented at Capital Markets Day**
- **Company aiming for Group sales of around € 25 billion in 2025**
- **Approx. 80% of growth expected to come from “Big 3”: Process Solutions, new Healthcare products and Semiconductor Solutions**
- **Investments to increase by more than 50% in the period between 2021 and 2025 compared with the previous five-year period**
- **Medium-term growth forecast raised for the Life Science business sector**
- **Healthcare expects annual organic growth in the mid single-digit percentage range**
- **Electronics launches new “Level Up” growth program**
- **The company is aiming for gender parity in leadership positions by 2030**

Darmstadt, Germany, September 9, 2021 – Merck KGaA, Darmstadt, Germany, intends to continue to expand its leading role in science and technology and accelerate growth in the coming years. The company announced this today during its virtual Capital Markets Day.

“Our ambition is to become the world-leading science and technology company of the 21st century. In all three business sectors, Healthcare, Life Science and Electronics, the course has already been set for sustainable, profitable growth. We



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will continue to consistently and purposefully invest in areas that make us strong and thus aim to increase our Group sales to approximately € 25 billion by 2025," said Belén Garijo, Chair of the Executive Board and CEO.

The company expects Group sales to grow organically by more than 6% annually on average up to 2025. Around 80% of the planned sales growth is to come from the "Big 3" businesses – the Process Solutions business within the Life Science business sector, new products from the Healthcare business sector as well as the Semiconductor Solutions business within the Electronics business sector.

Considerable expansion of investments planned

Thanks to the rapid reduction of net financial debt, the financial flexibility of the company is increasing significantly once again. For this reason, it is planning to increase its total investments between 2021 and 2025 by more than 50% compared with the period from 2016 to 2020. More than 70% of this is to be invested in the "Big 3". "We will allocate our capital in a very targeted and disciplined manner, regardless of whether for fixed assets, acquisitions or research and development. This is crucial in order to further accelerate the growth of our company," emphasized Garijo. It is expected that, as of the end of 2022, the company will have at its disposal a high single-digit billion euro amount for acquisitions. It still considers targeted smaller to medium-sized acquisitions to be more likely than major transformational deals.

The company is paying particular attention to the ability of its organization to best support future growth. The company is therefore continuously further developing its operating model to enable new ways of working and even quicker decision making. Moreover, it is focusing on the areas of talent development and leadership culture as well as diversity and inclusion. The company aims to achieve gender parity in leadership positions by 2030. The company is also constantly working to increase efficiency regarding its processes and systems. In doing so, it is also continuing to emphasize a culture of cost consciousness.

Progress in implementing the sustainability strategy

Back in November 2020, the company presented its new sustainability strategy, with which it is incorporating sustainability even more strongly as an essential

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component of its corporate strategy. In the last few months, the company has made clear progress in executing this. For example, the most recent Annual General Meeting decided to integrate sustainability aspects into the compensation system of the Executive Board. The company will continue to work on systematically incorporating sustainability into all company processes.

Company increases medium-term expectations for Life Science

The company is increasing its medium-term growth forecast for the Life Science business sector. The company now expects average organic sales growth of 7% to 10%¹ per year – significantly higher than the expected market growth of around 5% to 7%². Previously, the company had expected medium-term average annual organic sales growth of 6% to 9%.

According to the company's own information, the main driver of Life Science will be the Process Solutions business unit, which is to contribute around 80% to the planned growth. The expansion of manufacturing capacities and the production network is to drive, in particular, growth in the Bioprocessing business. The company is also planning to expand the business with services for the contract manufacturing and development of therapies in a targeted manner, both for established and new modalities. With their diversified portfolios, Research Solutions and Applied Solutions as well as targeted smaller acquisitions are to contribute to the growth of Life Science. In addition, Life Science will sharpen its focus on the Asia-Pacific region, especially China, as well as on innovations and digital solutions in all businesses.

Healthcare to grow in the mid single-digit percentage range

In the Healthcare business sector, the company expects medium-term average annual organic sales growth in the mid single-digit percentage range. New products should contribute around 75% to growth in the coming years up to 2025. These include products that have already been launched, such as the immuno-oncology medicine Bavencio, Mavenclad for the treatment of relapsing forms of multiple sclerosis (RMS) and Tepmetko for the treatment of patients with metastatic non-small cell lung cancer whose tumors have a genetic alteration designated as *MET*-(mesenchymal-epithelial transition)-Exon-14-Skipping. At the same time, late-

¹ Including an expected decline in pandemic-related demand

² Excluding pandemic-related demand

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stage drug candidates should also contribute to growth – these include, for example, evobrutinib for the treatment of RMS, xevinapant for the treatment of patients with locally advanced squamous cell carcinoma of the head & neck (SCCHN) and berzosertib, which the company is currently investigating for the treatment of patients with small-cell lung cancer (SCLC). In research and development, the company will sharpen its focus on the therapeutic areas of Oncology and Neurology & Immunology. Given a more balanced risk profile, the company will simultaneously take novel modalities, such as antibody-drug conjugates, into account.

Electronics starts new growth program

For the Electronics business sector, the company has announced the new “Level Up” growth program. The business sector is now aiming to grow organically by 3% to 6% per year on average between 2021 and 2025. The company is thus increasing the upper end of its forecast range. Previously, growth between 3% and 4% was expected. “Level Up” follows the “Bright Future” transformation program, which Electronics completed two years earlier than planned. According to the plans that have now been presented, the Semiconductor Solutions business is to contribute around 80% to the planned growth of Electronics in the coming years.

Within the scope of “Level Up”, Electronics is addressing four mutually reinforcing key priorities: Scale, Technology, Portfolio, as well as People and Capabilities. For this reason, the company is investing in digital business models and data analysis competencies as well as innovations and expanded production capacities in close proximity to its customers, especially in the United States, Korea, Taiwan, China, and Germany. In addition, Electronics will continue to evaluate external growth options made possible by potential targeted bolt-on acquisitions.

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About Merck KGaA, Darmstadt, Germany

Merck KGaA, Darmstadt, Germany, a leading science and technology company, operates across healthcare, life science and electronics. Around 58,000 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 advancing gene editing technologies and discovering unique ways to treat the most challenging diseases to enabling the intelligence of devices – the company is everywhere. In 2020, Merck KGaA, Darmstadt, Germany, generated sales of € 17.5 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 EMD Serono in healthcare, MilliporeSigma in life science, and EMD 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.