



Merck & Company (MRK)

Updated November 10th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$86	5 Year Annual Expected Total Return:	14.3%	Market Cap:	\$214 B
Fair Value Price:	\$116	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	12/16/25 ¹
% Fair Value:	74%	5 Year Valuation Multiple Estimate:	6.3%	Dividend Payment Date:	01/08/26 ²
Dividend Yield:	3.8%	5 Year Price Target	\$149	Years Of Dividend Growth:	14
Dividend Risk Score:	C	Sector:	Health Care	Rating:	Hold

Overview & Current Events

Merck & Company is one of the largest healthcare companies in the world. Merck manufactures prescription medicines, vaccines, biologic therapies, and animal health products. Merck employs 71,000 people around the world and generates annual revenues of more than \$65 billion.

On November 19th, 2024, Merck raised its quarterly dividend 5.2% to \$0.81.

On May 29th, 2024, Merck completed its \$1.3 billion purchase of EyeBio, which has a pipeline of drug candidates that target retinal diseases.

On October 30th, 2025, Merck reported third quarter results for the period ending September 30th, 2025. For the quarter, revenue increased 3.6% to \$17.3 billion, which was \$320 million above expectations. Adjusted earnings-per-share of \$2.58 compared very favorably to \$1.57 in the prior year and beat estimates by \$0.23.

Keytruda, which treats cancers such as melanoma that cannot be removed by surgery and non-small cell lung cancer, continues to be the key driver of growth for the company as sales for the drug grew 10% to \$8.1 billion during the period. We note once again that this is a much slower growth rate for *Keytruda* than in the past. The product generated \$29.5 billion in 2024, up from \$25 billion in 2023 and \$20.9 billion in 2022. Sales for Merck's HPV vaccine *Gardasil* continue to decline, this time by 24% to \$1.7 billion as a national catch-up immunization program in Japan took place last year. *Winrevair*, which treats pulmonary arterial hypertension in adults, had sales of \$360 million, which was a 141% increase from the prior year. Analysts expect peak sales of at least \$2 billion to \$4 billion. Animal Health improved 9% to \$1.6 billion due to higher demand for livestock products.

Merck provided updated guidance for 2025 as well, with the company now expecting sales in a range of \$64.5 billion to \$65 billion, compared to \$64.3 billion to \$65.3 billion and \$64.1 billion to \$65.6 billion previously. Adjusted earnings-per-share are now projected to be in a range of \$8.93 to \$8.98 for the year, compared to \$8.87 to \$8.97, \$8.82 to \$8.97, and \$8.88 to \$9.23 previously. This guidance includes a one-time charge of \$0.16 related to a licensing agreement. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.59	\$3.78	\$3.98	\$4.34	\$5.19	\$5.94	\$6.02	\$7.48	\$1.69	\$7.65	\$8.96	\$11.44
DPS	\$1.80	\$1.84	\$1.88	\$1.99	\$2.20	\$2.48	\$2.64	\$2.76	\$2.96	\$3.08	\$3.24	\$4.14
Shares³	2781	2749	2697	2650	2603	2536	2535	2548	2533	2532	2498	2450

Merck's earnings declined during the last recession and it took the company several years to return to growth. Merck had earnings-per-share growth of 8.8% for the 2015 to 2024 period. Growth has slowed somewhat to 8.6% annually over the last five years. *Keytruda* has shown very high rates of growth and has patent protection in the U.S. until 2028, in the European Union until 2030, and in Japan until 2032. The patent could be extended to 2036 for some indications in

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions of shares

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the U.S. We note that the product's growth rate has slowed somewhat in recent quarters. The company's spinoff of Organon should allow for a higher growth as Merck focuses on its pharmaceutical, vaccines and animal health businesses. For now, we maintain our estimate of 5% earnings growth over the next five years. Merck has increased its dividend for 14 consecutive years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.8	15.2	15.6	14.8	15.9	13.6	12.7	14.8	64.5	13.0	9.6	13.0
Avg. Yld.	3.2%	3.2%	3.0%	3.0%	2.7%	3.0%	3.4%	2.5%	2.7%	3.1%	3.8%	2.8%

Shares of Merck have gained \$7, or 8.9%, since our August 3rd, 2025 update. Based off earnings estimates for the current year, the stock has a forward P/E ratio of 9.6. Excluding 2023, Merck's long-term average P/E ratio is 14.6. While *Keytruda* has been an enormous source of growth over the recent years, Merck's other products have not seen as much success. We reaffirm our target P/E to 13 as a result. If shares were to revert to this target by 2030, then valuation would add 6.3% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

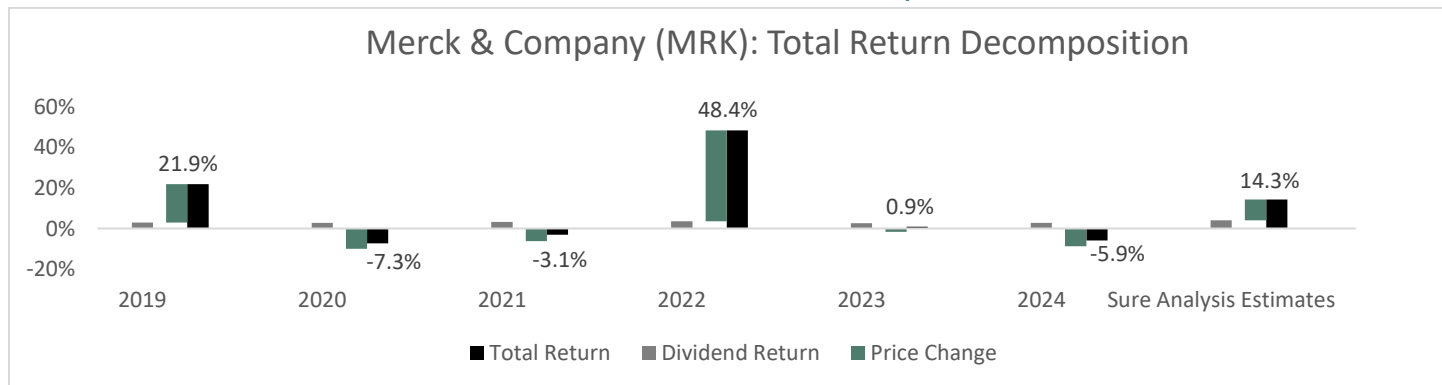
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	50%	49%	47%	46%	42%	42%	44%	37%	175%	40%	36%	36%

Many investors consider pharmaceutical companies "defensive" stocks because their products are in demand even in a protracted recession. The thinking goes that sick people will seek treatment for illnesses even in poor economic conditions, causing earnings to increase. While this is true for many names in this industry, Merck's earnings declined in 2009 and suffered a subsequently long road back to profitability that this is not necessarily true for every healthcare corporation. With that said, Merck's key competitive advantage is that it is seeing strong growth rates in key product areas. While generic competition is putting pressure on certain pharmaceuticals, we find *Keytruda*'s growth rate and peak sales expectations very appealing. Merck is also one of the largest pharmaceutical companies in the world, which gives the company size and scale. If needed, the company would likely have the ability to acquire other assets. Merck has also spent heavily (16% to 19% of sales) on research and development over the past five years.

Final Thoughts & Recommendation

Merck & Company is expected to offer a total annual return of 14.3% through 2030, up from 16.1% previously. This projected return stems from expected earnings growth of 5%, a starting yield of 3.8%, and a mid-single-digit tailwind from multiple expansion. Once again, *Keytruda* sales growth was not as impressive as they have been in previous quarters while *Gardasil* continues to experience weaker results as well. We have raised our five-year price target \$1 to \$149 due to EPS estimates, but we continue to rate shares of Merck as a hold due to a mediocre dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	39498	39807	40122	42294	46840	47994	48704	59283	60115	64168
Gross Profit	24564	25777	27210	28785	32728	32509	35078	41872	43989	48975
Gross Margin	62.2%	64.8%	67.8%	68.1%	69.9%	67.7%	72.0%	70.6%	73.2%	76.3%
SG&A Exp.	10313	10017	10074	10102	10615	10468	9634	10042	10504	10816
D&A Exp.	6375	5471	4676	4519	3652	3625	3214	3909	3872	4499
Operating Profit	7547	5499	6797	8931	12241	8483	13199	18282	2954	20221
Op. Margin	19.1%	13.8%	16.9%	21.1%	26.1%	17.7%	27.1%	30.8%	4.9%	31.5%
Net Profit	4442	3920	2394	6220	9843	7067	13049	14519	365	17117
Net Margin	11.2%	9.8%	6.0%	14.7%	21.0%	14.7%	26.8%	24.5%	0.6%	26.7%
Free Cash Flow	11255	8762	4563	8307	9967	5569	9661	14707	9143	18096
Income Tax	942	718	4103	2508	1687	1709	1521	1918	1512	2803

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	101677	95377	87872	82637	84397	91588	105694	109160	106675	117106
Cash & Equivalents	8524	6515	6092	7965	9676	8062	8096	12694	6841	13242
Acc. Receivable	6484	7018	6873	7071	6778	7851	9230	9450	10349	10278
Inventories	4700	4866	5096	5440	5978	6310	5953	5911	6358	6109
Goodwill & Int.	40325	35467	32467	31357	33621	34842	44197	41473	39208	38038
Total Liabilities	56910	55069	53303	55755	58396	66184	67437	63102	69040	70734
Accounts Payable	2533	2807	3102	3318	3738	4594	4609	4264	3922	4079
Long-Term Debt	26412	24842	24410	25114	26346	31791	33102	30691	35055	37111
Total Equity	44676	40088	34336	26701	25907	25317	38184	45991	37581	46313
LTD/E Ratio	0.59	0.62	0.71	0.94	1.02	1.26	0.87	0.67	0.93	0.80

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.4%	4.0%	2.6%	7.3%	11.8%	8.0%	13.2%	13.5%	0.3%	15.3%
Return on Equity	9.5%	9.2%	6.4%	20.4%	37.4%	27.6%	41.1%	34.5%	0.9%	40.8%
ROIC	6.3%	5.8%	3.9%	11.2%	18.9%	12.9%	20.3%	19.6%	0.5%	21.9%
Shares Out.	2781	2749	2697	2650	2603	2536	2535	2548	2533	2532
Revenue/Share	13.90	14.28	14.60	15.79	18.16	18.89	19.19	23.32	23.60	25.25
FCF/Share	3.96	3.14	1.66	3.10	3.86	2.19	3.81	5.79	3.59	7.12

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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