

Merck & Co., Inc.
Form 10-Q
November 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-6571

Merck & Co., Inc.
2000 Galloping Hill Road
Kenilworth, N.J. 07033
(908) 740-4000

Incorporated in New Jersey I.R.S. Employer
Identification No. 22-1918501

The number of shares of common stock outstanding as of the close of business on October 31, 2018: 2,600,376,500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Part I - Financial Information

Item 1. Financial Statements

MERCK & CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(Unaudited, \$ in millions except per share amounts)

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Sales	\$10,794	\$10,325	\$31,296	\$29,689
Costs, Expenses and Other				
Materials and production	3,619	3,307	10,220	9,472
Marketing and administrative	2,443	2,459	7,459	7,432
Research and development	2,068	4,413	7,538	8,024
Restructuring costs	171	153	494	470
Other (income) expense, net	(172)	(207)	(512)	(351)
	8,129	10,125	25,199	25,047
Income Before Taxes	2,665	200	6,097	4,642
Taxes on Income	707	251	1,682	1,186
Net Income (Loss)	1,958	(51)	4,415	3,456
Less: Net Income Attributable to Noncontrolling Interests	8	5	22	16
Net Income (Loss) Attributable to Merck & Co., Inc.	\$1,950	\$(56)	\$4,393	\$3,440
Basic Earnings (Loss) per Common Share Attributable to Merck & Co., Inc. Common Shareholders	\$0.73	\$(0.02)	\$1.64	\$1.26
Earnings (Loss) per Common Share Assuming Dilution Attributable to Merck & Co., Inc. Common Shareholders	\$0.73	\$(0.02)	\$1.63	\$1.25

MERCK & CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited, \$ in millions)

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net Income (Loss) Attributable to Merck & Co., Inc.	\$1,950	\$(56)	\$4,393	\$3,440
Other Comprehensive (Loss) Income Net of Taxes:				
Net unrealized gain (loss) on derivatives, net of reclassifications	27	(66)	223	(441)
Net unrealized gain (loss) on investments, net of reclassifications	40	135	(56)	213
Benefit plan net gain and prior service credit, net of amortization	40	13	106	86
Cumulative translation adjustment	(136)	67	(240)	423
	(29)	149	33	281
Comprehensive Income Attributable to Merck & Co., Inc.	\$1,921	\$93	\$4,426	\$3,721

The accompanying notes are an integral part of these condensed consolidated financial statements.

MERCK & CO., INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEET
 (Unaudited, \$ in millions except per share amounts)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,826	\$ 6,092
Short-term investments	2,459	2,406
Accounts receivable (net of allowance for doubtful accounts of \$229 in 2018 and \$210 in 2017)	7,374	6,873
Inventories (excludes inventories of \$1,294 in 2018 and \$1,187 in 2017 classified in Other assets - see Note 7)	5,416	5,096
Other current assets	3,761	4,299
Total current assets	26,836	24,766
Investments	7,606	12,125
Property, Plant and Equipment, at cost, net of accumulated depreciation of \$16,568 in 2018 and \$16,602 in 2017	12,755	12,439
Goodwill	18,258	18,284
Other Intangibles, Net	12,175	14,183
Other Assets	7,500	6,075
	\$ 85,130	\$ 87,872
Liabilities and Equity		
Current Liabilities		
Loans payable and current portion of long-term debt	\$ 3,656	\$ 3,057