

Merck & Co., Inc, Rahway, N.J. USA
First-Quarter 2026 Sales and Earnings
Prepared Remarks
April 30, 2026





Forward-looking statement of Merck & Co., Inc., Rahway, N.J., USA

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Mr. Rob Davis - Merck & Co., Inc., Rahway, N.J., USA, Chairman and Chief Executive Officer

[SLIDE 4 - Strategy and Business Update]

Thanks Peter.

Good morning and thank you for joining today's call.

Advancing and delivering breakthrough science to address unmet medical needs remains the foundation of our strategy to create sustainable value for patients and shareholders. We continue to make tangible progress in accelerating and augmenting our pipeline, and with the recent new product launches, the transformation of our portfolio to a far more diversified set of commercial drivers is now well underway.

[SLIDE 5 - Q1 Worldwide Sales]

Turning to our first quarter results ... we delivered year-over-year growth, with revenue of \$16.3 billion driven by continued strength in Oncology, Animal Health and growing contributions from new products. We remain confident in our outlook for 2026, which Caroline will speak to in a moment.

We also achieved several important pipeline milestones. The FDA approved IDVYNSO as a new treatment option for adults with virologically suppressed HIV-1, reflecting our ongoing commitment to innovation to address the evolving needs of people living with HIV. Additionally, the FDA granted priority review for I-DXd, our antibody drug conjugate being developed in collaboration with Daiichi Sankyo, for adult patients with previously treated extensive-stage small cell lung cancer. In ophthalmology, we initiated Phase 2b/3 studies in neovascular age-related macular degeneration



for MK-8748, our TIE-2/VEGF bispecific antibody, the second candidate from our acquisition of EyeBio. We also presented important Phase 3 results across multiple other therapeutic areas.

Finally, in our Animal Health business, we have high expectations for long-term growth driven by new and ongoing product launches. We're pleased to have introduced NUMELVI to the U.S. market, the first and only second-generation JAK inhibitor for allergic dermatitis in dogs.

[SLIDE 6 - Announced strategic acquisition of Terns Pharmaceuticals]

Our planned acquisition of Terns Pharmaceuticals, with its promising candidate for certain patients with chronic myeloid leukemia, is another example of our science-led business development strategy in action. TERN-701 has the potential to be a best-in-class therapy in a disease where there is an opportunity to further improve depth and duration of response for patients. Given the substantial unmet need for additional options, we believe TERN-701 has multibillion-dollar commercial potential and will be a significant driver of growth in the next decade.

This transaction demonstrates our disciplined approach to pursuing business development when compelling science and value align, and we are confident in our belief that TERN-701 can benefit patients while generating value for our shareholders.

[SLIDE 7 - Transforming our portfolio with next wave of innovation]

Looking ahead, we continue to expect a particularly robust period of Phase 3 data readouts from novel candidates over the next eighteen months. Our portfolio is undergoing a meaningful transformation to one with a rapidly expanding



and diversified set of growth drivers. We're in the midst of initial launches of over 20 new products, almost all of which have blockbuster potential, across a broad set of therapeutic areas.

To move with the speed and precision this opportunity demands, we announced an evolution of our commercial operating structure. Our new business unit model - organized around products and therapeutic areas - is built to drive accountability, sharpen focus, and increase agility, ensuring that every part of our commercial organization delivers on the promise of our pipeline for patients.

We're pleased to welcome Brian Foard to our executive team to lead our new Specialty, Pharma & Infectious Diseases Business Unit, while Jannie Oosthuizen has been appointed to lead our new Global Oncology and MSD International business unit. Chirfi Guindo has taken leadership of a newly formed Strategic Access, Policy & Communications unit. Each of these individuals brings deep experience to these important roles.

Together, this leadership team and structure will enable strong execution of our strategy, which includes extending our leadership in oncology while building a powerful, diversified portfolio across a range of therapeutic areas. We're confident that this change will best position us to deliver on a potential commercial opportunity of over \$70 billion by the mid-2030s from these 20-plus anticipated new growth drivers alone.

We're also taking important additional steps to accelerate our ongoing transformation as it relates to Artificial Intelligence. Last week, we announced a multi-year partnership with Google Cloud to scale advanced AI, data and agentic capabilities across our company. This complements our recently expanded collaboration with Tempus AI designed to advance our precision oncology strategy, as well as a recent agreement with the Mayo Clinic that will allow us to leverage Mayo's clinical insights and genomic data sets at scale. Together, these efforts support improved productivity across our organization, and create a real opportunity to advance the innovation in our pipeline with greater speed and with a higher likelihood of ultimately reaching patients.



As we look forward, we continue to see robust demand for our innovative medicines and vaccines around the world. We're investing behind our pipeline, optimizing our operating structure, and are fully committed to our purpose of using leading-edge science to save and improve lives. We're encouraged by the progress we're making and look forward to the many significant milestones coming in the months ahead. In summary, we remain confident in our strategy and in our ability to deliver sustained growth and value for our shareholders.

Before I turn the call over to Caroline, I want to recognize Sanat Chattopadhyay and Joe Romanelli, both of whom have announced their retirements. Sanat and Joe have made lasting contributions to our company and to the patients we serve, and I want to thank them for their many years of impact.

And now to Caroline ...

Ms. Caroline Litchfield - Merck & Co., Inc., Rahway, N.J., USA, Chief Financial Officer

[SLIDE 8 - Financial Results and Outlook]

Thank you, Rob. Good morning.

[SLIDE 9 - Q1 worldwide performance driven by demand for our innovative portfolio]

As Rob noted, we delivered growth in the quarter driven by continued strength in Oncology and Animal Health as well as increasing contributions from our many compelling product launches. Our commercial and operational execution continues to enable us to generate strong results in the short term, while we advance our broad and deep pipeline and



invest in innovation to deliver long-term value for patients, customers and shareholders. Now, turning to our first quarter results.

Total company revenues were \$16.3 billion, an increase of 5%, or 3% excluding the impact of foreign exchange.

The following revenue comments will be on an ex-exchange basis.

[SLIDE 10 - Oncology: KEYTRUDA continues to benefit patients and drive growth]

In Oncology, sales of the KEYTRUDA family of products, which includes KEYTRUDA and KEYTRUDA QLEX, increased 8% to \$8.0 billion, with global growth driven by continued strong demand from metastatic indications and robust uptake in earlier-stage cancers.

Strong utilization in tumors that primarily affect women, including breast and cervical cancers, continues to be a key contributor to growth. In addition, we saw increased use of KEYTRUDA in combination with Padcev in locally advanced or metastatic urothelial cancer. In the U.S., growth benefitted by approximately \$250 million from the timing of purchases.

We are pleased with the positive feedback following the recent launch of KEYTRUDA QLEX. Sales in the quarter were \$128 million. On April 1st we received the permanent J-code and we look forward to having an even greater impact on patients and health care systems.



[SLIDE 11 - Oncology: Continued impact for patients across broad portfolio]

Our broader oncology portfolio achieved another quarter of strong growth. Notably, WELIREG sales increased 43% to \$199 million driven by continued uptake from ongoing launches in international markets and increased use in certain patients with previously treated advanced renal cell carcinoma in the U.S. We look forward to potentially reaching more patients with renal cell carcinoma following positive results from the LITESPARK-011 and -022 studies.

[SLIDE 12 - Vaccines & Infectious Disease: Protecting lives globally]

In Vaccines and Infectious Diseases, GARDASIL sales were \$1.1 billion, a decrease of 22% driven by lower demand in China and Japan, consistent with our expectations. In the U.S., sales declined 10% primarily due to timing of CDC purchases, which was partially offset by price.

In pneumococcal, CAPVAXIVE continues to progress well, with sales of \$142 million, an increase of 31%. Outside of the U.S., sales were driven by uptake from ongoing launches in certain markets. In the U.S., growth was driven by increased demand from both retail pharmacies and non-retail customers, partially offset by a reduction in wholesaler inventory.

[SLIDE 13 - Cardiometabolic & Respiratory: Continuing to drive impact for patients with successful ongoing launches]

In Cardiometabolic and Respiratory, WINREVAIR continues to have a positive impact on patients with pulmonary arterial hypertension. Global sales were \$525 million, a reflection of the continued strong demand for this important therapy. In the U.S., we continued to see steady progress with more than sixteen hundred new patients having



received a prescription and an increase in usage by patients whose background therapies do not include a prostacyclin. Outside the U.S., we continue to progress with securing reimbursement and ongoing launches.

Sales of OHTUVAYRE, a novel maintenance treatment for adults with COPD, were \$131 million. As expected, sales were adversely impacted by the CMS reimbursement change as well as Medicare deductible resets. We are encouraged by the prescription trends, which began to recover in March.

Consistent with our strategy to maximize OHTUVAYRE's strong potential, we are making investments to reach more patients and physicians which we expect will accelerate growth in the second half of the year and beyond.

[SLIDE 14 - Animal Health: Strong growth driven by livestock and companion animal]

Our Animal Health business delivered another quarter of strong growth, with sales increasing 6%. Livestock sales grew 8% driven primarily by higher demand for ruminants and poultry products as well as price. Companion animal sales increased 4% due to new product launches and price partially offset by a reduction in vet visits.

[SLIDE 15 - Q1 2026 non-GAAP financial results summary]

I will now walk you through the remainder of our P&L, and my comments will be on a non-GAAP basis.

Gross margin was 81.9%, a decrease of 0.3 percentage points.



Operating expenses increased to \$15.2 billion, including a \$9.0 billion one-time charge related to the acquisition of Cidara Therapeutics. Excluding this charge, operating expenses grew 2%, reflecting increased investments in support of our key growth drivers, partially offset by benefits of our multi-year optimization effort and recognition of a portion of the external funding for sac-TMT.

Other expense increased to \$318 million, primarily reflecting financing related to recent business development transactions

Our tax provision was \$957 million. As a result of the non-tax deductible one-time charge for Cidara, we had a pre-tax loss this quarter, resulting in a tax rate of negative 43.5%.

Taken together, we reported a loss of \$1.28 per share, which includes a negative impact of \$3.62 per share from the one-time charge related to Cidara.

[\[SLIDE 16 - Updated 2026 financial outlook\]](#)

Now turning to our 2026 non-GAAP guidance.

We have narrowed the range and raised the midpoint of both our full year revenue and EPS guidance. We now expect revenue to be between \$65.8 and \$67.0 billion, representing growth of 1 to 3%, including a positive impact from foreign exchange of approximately 1 percentage point using mid-April rates.

Our gross margin assumption remains approximately 82.0%.



Operating expenses are assumed to be between \$36.0 and \$36.8 billion. This range does not include the proposed acquisition of Terns or any additional significant potential business development transactions.

Other Expense is expected to be approximately \$1.3 billion.

We assume a full year tax rate between 23.5 and 24.5%, which reflects the non-tax deductible one-time charge for Cidara.

We assume approximately 2.48 billion shares outstanding.

Taken together, we expect EPS of \$5.04 to \$5.16, including a positive impact from foreign exchange of approximately 10 cents, using mid-April rates.

It is important to note that this guidance does not include the impact of the proposed acquisition of Terns, which is expected to close soon. We expect the transaction will result in a one-time charge that will increase research and development expense by approximately \$5.8 billion, or approximately \$2.35 per share.

In addition, ongoing investment to advance TERN-701 and the assumed cost of financing will negatively impact EPS by approximately 12 cents this year.



[SLIDE 17 - Key modeling considerations]

As you consider your models, there are a few items to keep in mind.

For KEYTRUDA, recall that while growth benefitted from the timing of wholesaler purchases in the first quarter, we will face a corresponding headwind in the third quarter.

For ENFLONSIA, consistent with the first quarter, we expect minimal sales in the second quarter given the seasonal nature of the product and continued high levels of RSV monoclonal antibody inventory in the market. We are actively engaging customers in advance of the RSV season and remain focused on educating healthcare professionals and parents on the importance of protecting infants from this potentially serious disease, and expect shipments to increase in the second half of the year.

Lastly, we expect SG&A expenses to increase over the remainder of the year as we invest to maximize the impact of our recent and upcoming launches.

[SLIDE 18 - Remain committed to balanced capital allocation strategy]

Now turning to capital allocation, where our strategy remains unchanged.

We will prioritize investments in our business to drive near- and long-term growth, including new product launches and our robust pipeline.

We remain committed to the dividend, with the goal of increasing it over time.



Business development remains a high priority, as evidenced by our recently announced acquisition of Terns. We maintain the ability within a strong investment grade credit rating to pursue additional, science driven, value enhancing transactions going forward.

We are on pace for approximately \$3 billion of share repurchases this year, as previously communicated.

To conclude, we are confident in the outlook for our business, driven by global demand for our innovative medicines and vaccines, including our many new product launches. We remain committed to bringing forward medically significant innovations that will enable us to deliver value to patients, customers and shareholders well into the future.

With that, I'd now like to turn the call over to Dean.

Dr. Dean Y. Li - Merck & Co., Inc., Rahway, N.J., USA, President, Research Laboratories

[SLIDE 19 - Research Update]

Thank you, Caroline.

Good morning.

Progress continued with a steady cadence of clinical and regulatory developments. Today, I will provide updates in cardiometabolic and respiratory, oncology, infectious diseases and ophthalmology, then conclude with key upcoming milestones.



[SLIDE 20 - Important updates across cardiometabolic and respiratory portfolio]

Starting with cardiometabolic and respiratory...

The global burden of atherosclerotic cardiovascular disease remains significant, and with recently updated clinical guidelines recommending lower LDL-cholesterol thresholds, there remains a need for innovation that is broadly accessible.

At the American College of Cardiology congress last month, additional Phase 3 data were presented for enlicitide, our investigational oral PCSK9 inhibitor. Enlicitide is designed to reduce LDL- cholesterol in a similar manner to PCSK9 antibody therapies with the simplicity of a daily pill.

The Phase 3 CORALreefAddOn study demonstrated statistically significant and clinically meaningful greater reductions in LDL-cholesterol at eight weeks compared to other oral add-on lipid lowering therapies when added to background statin therapy. Of note, enlicitide also showed statistically significant greater reductions across key secondary endpoints, including apolipoprotein B and non-high-density lipoprotein cholesterol.

The CORALreef program has generated compelling evidence for the efficacy and safety of enlicitide. As a pill, enlicitide has the potential to democratize access to a potent lipid-lowering therapy. With clinical guidelines targeting lower LDL-cholesterol targets, the field of preventive cardiology is increasingly energized and focused on early, aggressive LDL-cholesterol reduction.



Also at ACC we shared full results from the Phase 2 CADENCE trial evaluating WINREVAIR in adults with combined post- and precapillary pulmonary hypertension and heart failure with preserved ejection fraction. WINREVAIR met the primary endpoint of reduction from baseline in pulmonary vascular resistance compared to placebo. At the 0.3 mg/kg dose WINREVAIR prolonged the time to first occurrence of a clinical worsening event, which was an exploratory secondary endpoint, with a hazard ratio of 0.18. Results provide compelling proof-of-concept and warrant further evaluation in Phase 3. This is an underdiagnosed condition with an extremely poor prognosis. There are currently no approved therapies.

[SLIDE 21 - Continuing to advance cancer care with broad portfolio and pipeline]

Moving to oncology...

KEYTRUDA now has 44 FDA approved indications across 19 tumor types as well as 2 tumor agnostic approvals and continues to generate evidence further transforming cancer care.

In the first quarter, the FDA and European Commission approved KEYTRUDA in combination with paclitaxel, with or without bevacizumab, for the treatment of certain patients with platinum resistant ovarian cancer based on the findings of KEYNOTE-B96. This is the first PD-1 inhibitor-based regimen to show a statistically significant improvement in both progression-free survival and overall survival versus paclitaxel, with or without bevacizumab for these patients.

We also announced findings from the KEYNOTE-B15 study demonstrating KEYTRUDA plus Padcev reduced the risk of event free survival related events by 47% and risk of death by 35% for cisplatin eligible patients with muscle invasive bladder cancer. This is the first and only perioperative immunotherapy plus ADC regimen to extend survival for these



patients. Based on these data, the FDA has accepted supplemental BLA filings for KEYTRUDA and KEYTRUDA QLEX under priority review and is targeting an action date of August 17th. KEYNOTE-B15 is the sixth study of a KEYTRUDA-based regimen to demonstrate overall survival in an earlier stage cancer and, if approved, would mark the twelfth earlier stage indication for KEYTRUDA.

We also continue to make progress across the broader oncology portfolio. WELIREG, our first in class oral HIF-2 α inhibitor, initially approved for the treatment of certain patients with von Hippel-Lindau syndrome, has now shown additional clinical data for patients with renal cell carcinoma across multiple stages of disease.

The LITESPARK-022 study, evaluating WELIREG plus KEYTRUDA in the adjuvant setting, demonstrated a 28% reduction in the risk of disease recurrence or death compared to KEYTRUDA alone. In addition, the LITESPARK-011 study, evaluating WELIREG plus Lenvima, demonstrated a 30% reduction in the risk of disease progression or death in certain patients with advanced RCC versus cabozantinib.

Supplemental applications for WELIREG in combination with KEYTRUDA or KEYTRUDA QLEX based on LITESPARK-022 were granted priority review by the FDA with a PDUFA date of June 19th. The FDA also set a PDUFA date of October 4th for WELIREG in combination with Lenvima based on the LITESPARK-011 study.

As announced last week, with our partner Eisai, the combination regimens from the LITESPARK-012 study, did not meet the dual primary endpoints of progression-free survival and overall survival for the first-line treatment of patients with RCC compared to KEYTRUDA plus Lenvima. The data from the study provides learnings to the broader program. Studies from the LITESPARK clinical program including LITESPARK-033 and 034, evaluating WELIREG in combination with zanzalintinib, are ongoing.



Together with our partner Daiichi Sankyo, we announced that the biologic license application for ifinatamab deruxtecan, or I-DXd, for the treatment of extensive-stage small cell lung cancer in certain patients with disease progression has been granted priority review by the FDA. This was based on results from the Phase 2 IDEate-Lung01 trial, and the Phase 1/2 IDEate-PanTumor01 trial. The FDA has set a PDUFA date of October 10th.

[\[SLIDE 22 - Terns Pharmaceuticals acquisition expands hematology pipeline \]](#)

As Rob mentioned, we continue to identify external opportunities to strengthen and diversify our pipeline, most recently with the proposed acquisition of Terns Pharmaceuticals. TERN-701, a novel oral allosteric inhibitor of the BCR::ABL oncogene, is being evaluated for the treatment of certain patients with chronic myeloid leukemia and has the potential to be an important addition to our growing hematology pipeline. Clinical data has shown encouraging activity, with promising rates of major molecular response and deep molecular response by week 24. Importantly, this includes responses in patients with high disease burden who previously received multiple lines of therapy. We are eager to get to work with the talented Terns team to advance this program in a timely fashion.

[\[SLIDE 23 - Building on our strong legacy in combatting infectious diseases\]](#)

Turning to HIV...

Last week, the FDA approved IDVYNSO, our once-daily, single-tablet, two drug regimen of doravirine and islatravir, a next generation nucleoside reverse transcriptase inhibitor that blocks translocation, indicated for the treatment of certain adults whose HIV-1 is virologically-suppressed based, on two Phase 3 switch studies.



Approval was previously granted in Japan.

IDVYNSO is the first, approved two drug regimen that does not include an integrase strand transfer inhibitor.

At CROI, additional data was presented demonstrating non inferiority and a similar safety profile at Week 48 versus the three-drug INSTI-based regimen, Biktarvy, in adults who had not previously received antiretroviral treatment. In addition, IDVYNSO was shown to maintain virologic suppression at Week 96 in adults who switched from other oral antiretroviral therapies, including Biktarvy.

Islatravir, a potent, long-acting antiviral that forms an anchor for additional regimens is currently being evaluated in late phase trials as a once weekly combination with Gilead's lenacapavir, an HIV capsid inhibitor, and separately, in combination with ulonivirine, an internally developed non-nucleoside reverse transcriptase inhibitor. We plan to present data from our HIV pipeline at an upcoming medical meeting.

Next to RSV...

In February, positive new data were presented for ENFLONSIA for the prevention of RSV lower respiratory tract disease in infants and children under two years of age at increased risk for severe disease over two seasons, from the Phase 3 SMART study. These findings will be shared with global regulatory authorities with the intent to obtain an expanded indication.



RSV is a leading cause of infant hospitalization globally, and is especially serious for children under two years of age at high risk for severe disease. These data provide additional evidence for ENFLONSIA for the prevention of RSV in young children who remain at risk entering their second season.

Earlier this month, the European Commission approved ENFLONSIA for the prevention of RSV lower respiratory tract disease in newborns and infants during their first season, based on the Phase 2b/3 CLEVER and Phase 3 SMART trials.

[SLIDE 24 - Progressing late-stage ophthalmology pipeline]

Next, in ophthalmology...

We remain focused on retinal diseases associated with vascular leakage and neovascularization, with emphasis on improving structural and functional outcomes for patients and helping reduce the burden of certain retinal diseases.

This month, we initiated two pivotal Phase 2b/3 trials evaluating MK-8748 an investigational bispecific Tie-2 agonist/VEGF inhibitor for the treatment of neovascular age related macular degeneration. The MALBEC and TORRONTES studies are the first trials in a broader late phase development program for MK-8748. The decision to advance development is based on promising results from the Phase 1/2a RIOJA trial.

[SLIDE 25 - Significant late-stage pipeline milestones over next six months]

In closing, we anticipate multiple events and milestones across therapeutic areas in the coming months including:

- In oncology:
 - please mark your calendars for our annual investor event at the ASCO Annual Meeting in Chicago on the evening of Monday, June 1st, where we will outline progress on our oncology pipeline and strategy.



- On the regulatory front, as noted, potential approvals for KEYTRUDA plus Padcev in MIBC, WELIREG in expanded RCC settings and for I-DXd in extensive stage small cell lung cancer.
- In HIV:
 - data from the Phase 3 ISLEND-1 and 2 trials evaluating islatravir and lenacapavir, a once-weekly oral two drug treatment regimen, in collaboration with Gilead.
- In cardiometabolic and respiratory:
 - the September 21st PDUFA date for WINREVAIR for the label update based on the Phase 3 HYPERION study, and
 - the Commissioner's National Priority Voucher process for enlicitide is progressing.
- In immunology, data for tulisokibart, our TL1A inhibitor, based on the:
 - Phase 3 ATLAS-UC trial in ulcerative colitis, and
 - Phase 2 ATHENA study in SSc-ILD.
- Finally in ophthalmology, data from:
 - the Phase 3 BRUNELLO study of MK-3000, our novel Wnt agonist, being evaluated in patients with diabetic macular edema, and
 - the Phase 2 portion of the RIOJA study of MK-8748 being evaluated for the treatment of patients with certain retinal diseases.

I look forward to providing further updates throughout the year.

And now I will turn the call back to Peter.