

WHITMAN INVESTMENT COMPANY
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Research Report

Merck & Co

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Presented on 11/07/06

Company Information

Merck & Co. is a major U.S. pharmaceutical company and is currently one of the top 5 largest pharmaceutical companies in the world both by capital and revenue. Today, Merck has about 70,000 employees in 120 countries and 31 factories worldwide. It is the maker of such medication as, Vytorin, Zocor, Propecia, Emend, Fosamax, Singulair, Crixivan, and Maxalt to name a few.

Recent Company Development

On October 20th, Merck & Co.'s third-quarter profit declined 34 percent as cheaper copies of its Zocor cholesterol pill, the company's best-selling product, ate into sales. Merck shares have gained 40 percent this year as the company won marketing clearance for five new products. The stock is the best performer this year among the 14 members of the Standard & Poor's 500 Pharmaceuticals Industry Index.

Security Information

Ticker Symbol: MRK

Exchange: NYSE

Price: 45.10

52-Week Range: 27.99 - 46.37

Financial Information

Earnings per Share: 2.32

Price/Earnings: 19.44

PEG Ratio (5yrs Expected): 3.61

Price/Sales: 4.4

Dividend Rate: 1.52

Current Yield: 3.40 %

Company Analysis

Earnings Growth (quarterly yoy): -33.80%

Revenue Growth (quarterly yoy): -0.10%

Profit Margin (ttm): 22.72%

Return on Equity: N/A

Return on Assets: N/A

Peer Analysis

Analysis Information

Date	Symbol	Company	Broker	Comments
10/23/2006	Raymond James			Price target raised to \$55 from \$46
10/23/2006	Morgan Stanley			Broker lifts price target to \$50 from \$45
9/29/2006	Merrill Lynch			Price target raised to \$47 from \$43
9/20/2006	Deutsche Bank			Price target raised to \$46 from \$44.50
7/25/2006	Prudential			Broker lifts Merck's price target to \$40 from \$36
7/17/2006	Morgan Stanley			Broker lifts drug giant's price target by \$3 to \$43

Evaluation

For the past year, Merck has had a phenomenal runup in stock price. The forecast for Merck for the next few years seems to be very good. They have several new drugs in the pipeline including a new drug for hepatitis C, and Januvia, a new type 2 diabetes drug which just received FDA approval. Merck also has ambitions to

expand into the biotech arena, recently agreeing to by Sirna Therapeutics Inc., a biotechnology firm. The stock price is currently about 33% below its 5 year high, however, with the stock at near 52-week high levels, Merck's success may have hit a high point with all the good news it has received lately.