Merck & Co.: Stock Performance & Analysis (Company Report #2)

As of September 11, 2025, Merck & Co. (MRK) is trading at approximately $85.04 per share. Over the past year, its share price has fallen significantly from highs near $119 to its current level— reflecting a drop of roughly 25-30%. In contrast, Pfizer (PFE) is trading around $24.75, also down from its 52-week highs. While both companies have underperformed healthcare and pharmaceutical indexes, Merck has experienced a greater decline.

Key Events Explaining the Trends

1. **Gardasil Vaccine Issues in China**
   One of the most significant headwinds has been weakening demand for Merck's Gardasil vaccine in China, leading the company to pause shipments earlier in the year. In July, this pause was extended through the end of 2025. The company also withdrew its previous target of $11 billion in global Gardasil revenue by 2030 due to uncertainty around China's market dynamics. These announcements triggered investor concern and corresponded with considerable drops in share price.
2. **Stock Reaction to Earnings & Guidance**
   Despite challenges with Gardasil, Merck reported overall revenue growth (~7%) and strong performance from its cancer‑immunotherapy drug Keytruda. Still, because revenue forecasts for 2025 fell below some analysts' expectations—partly due to Gardasil constraints—the stock has seen negative sentiment.
3. **Strategic Shifts: R&D, Cost-Cuts, and London Withdrawal**
   Merck has initiated cost-saving measures, targeting approximately $3 billion in savings by 2027, including trimming administrative, sales, and certain R&D roles. Most recently, the company announced it is scrapping its planned £1 billion research center in London, citing the UK's unfavorable business climate, undervaluation of medicines, and insufficient government support. This move led to criticism and concern over Merck's global strategy, but some investors interpreted it as a reallocation of resources to areas with higher return.

Comparisons: Competitors & Sector Performance

Versus Pfizer and Peers
- YTD, Merck's stock is down more than Pfizer's, making MRK one of the weaker performers in big pharmaceuticals. Pfizer has also fallen, but less steeply. For example, in one analysis Merck declined ~22.9% YTD while the industry average declined ~4%.

Versus Sector Indexes (S&P 500):
- Merck has underperformed both broad market indexes, which generally have held up better. The Gardasil news, reduced guidance, and halted China shipments particularly made MRK diverge downward relative to more diversified pharma firms and general market trends.

52-Week High / Low:
- The 52-week high is around $119, while the low is near $73, putting the current price below its peak and closer to the bottom of that annual range. This gives context to how much the market has revalued MRK in response to the specific negative news.

Questions:

1. How does Merck plan to sustain long-term growth if Gardasil demand in China continues to lag beyond 2025?
2. Why did Merck decide not to publicly provide more detailed commentary after its February 2025 revenue guidance miss? Was this an intentional communications strategy?
3. How will the cancellation of the London R&D hub affect Merck's global research pipeline and hiring in Europe?
4. Are there continued discussions between Merck and China about resuming Gardasil shipments, or is this pause most likely indefinite?