

Merck breaks ranks with Covid-19 downgrade



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On the super-Tuesday of pharma first-quarter earnings Merck cut a lonely figure as the only big company to downgrade its 2020 guidance in light of the Covid-19 pandemic. The US giant said revenues could be as much as \$2.7bn lower this year. In contrast Novartis and Pfizer played down the full-year financial impact of Covid-19 and stuck by their numbers, largely echoing Sanofi and Eli Lilly last week. Merck is, however, a slightly different beast. Firstly, two thirds of its products are physician-administered, a punishing statistic at a time where patients are advised to remain in their homes and many healthcare facilities have closed their doors to non-Covid-19 ailments. Secondly, it has an animal health division, a business hit even harder than human health. Completing the downgrade triumvirate was foreign currency impact. Despite stepping out from the herd with its financial outlook, Merck joined Novartis and others in predicting a return to "normal operations" by the end of the year. But it is becoming clear with Covid-19 that no one knows what "normal" will look like, so subsequent quarterly results will be scrutinised for any further deviation.

Key guidance assumptions: COVID-19

Patient Access	Peak Outbreak	Normalization	Variability
<ul style="list-style-type: none">Reduced access to hospitals and other healthcare sites, particularly those treating COVID-19, resulting in decreased patient visits	<ul style="list-style-type: none">Peak of the virus assumed in the second quarter in the U.S. and EUCurrent social distancing measures in the U.S. and EU to extend into June	<ul style="list-style-type: none">Anticipate gradual return to normal operations beginning late in the second quarter and through the third quarterFull return to normal operations in the fourth quarter	<ul style="list-style-type: none">These assumptions will vary based on:<ul style="list-style-type: none">Duration, spread and severity of outbreakTiming of return to normal conditions

Source: Merck & Co presentation.