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PRT260

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Demonstrating the real enterprise value of cloud at Merck

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Agenda

Overview of Merck

BlueSky: Our cloud journey

Calculating value

Lessons learned

Business value

Building our path forward

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MERCK

Overview

Our Purpose: To use the power of leading-edge science to save and improve lives around the world.

Businesses
Prescription medicines, vaccines, biologic therapies, animal health products

2021 revenues
$48.7 billion; 54% of sales come from outside the United States

2021 R&D expenses
$12.2 billion

Headquarters
Rahway, New Jersey, U.S.

Merck & Co., Inc.
This is our legal name and is listed on the New York stock exchange under the symbol “MRK”

Employees
Approximately 68,000 (as of 12/31/21)

MERCK

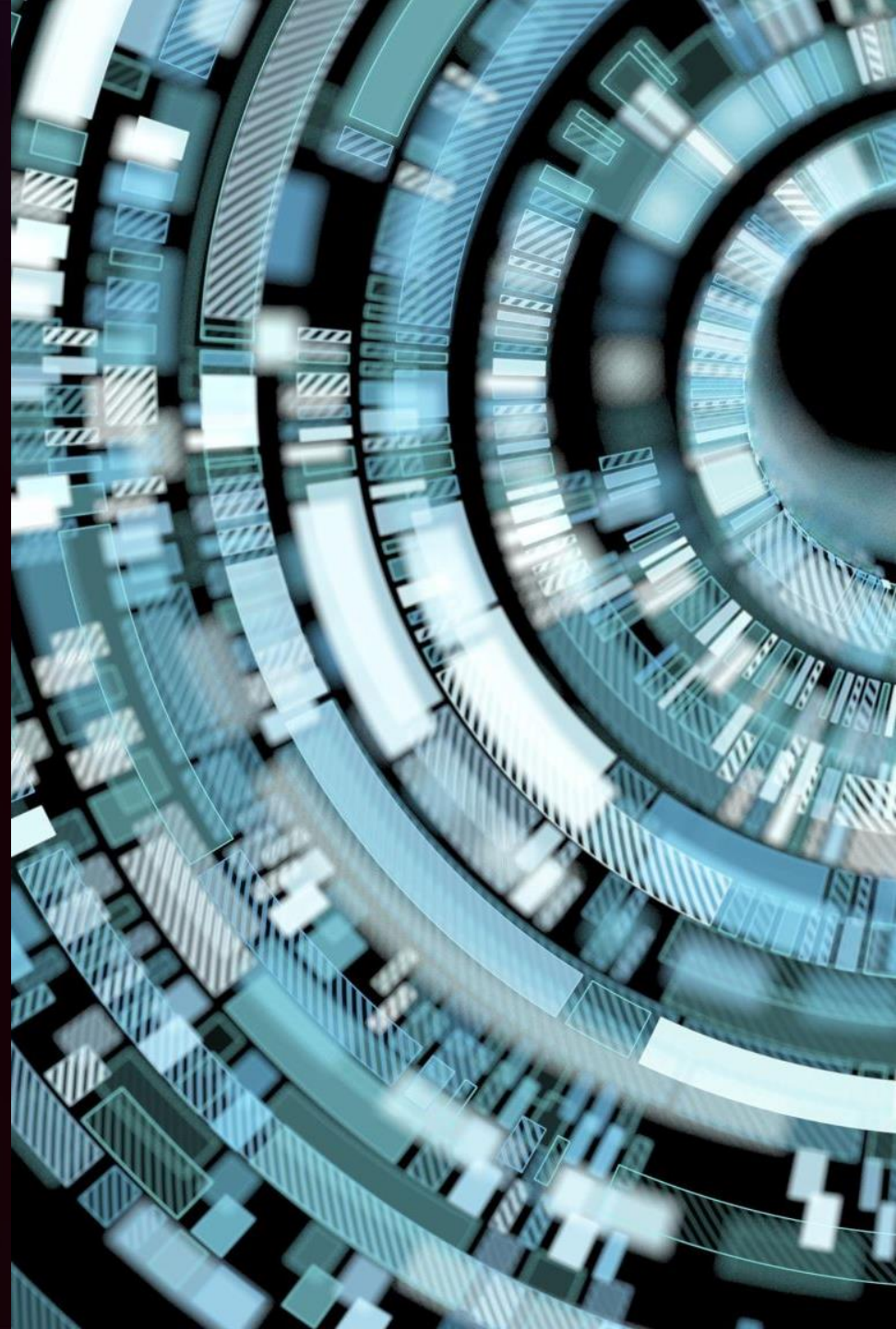
BlueSky: Leveraging the cloud to modernize our IT landscape

Retire applications that are no longer needed

Rehost and modernize applications across all lines of business

Drive **new capabilities** for business innovation and meaningful patient impact

…**freeing up money** to support strategic business priorities



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BlueSky: Our journey to the cloud



Phase 0

Initial exploration

- Exploration
- Scoping
- Business case development

Tranche 1

Implement the transformation

- Begin implementation: retire, rehost & modernize applications
- Build foundational capabilities
- Capture unambiguous business value immediately

Tranche 2

Scale transformation

- Continue implementation: retire, rehost & modernize applications
- Mature and scale up
- Demonstrate accelerated pace of business value capture

Tranche 3+

Self-service

- Continue implementation: retire, rehost & modernize applications
- Pivot to federation & self-service
- Drive transformational business opportunities

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BlueSky: Modernizing the core IT portfolio

TARGETED APPLICATIONS ARE ASSESSED AND CATEGORIZED INTO RELEVANT FLOW

Application

Retire



- Reducing application portfolio by retiring specific applications
- Reducing hardware, OS licenses, and labor efforts
- Eliminating application development & support costs

Rehost



- Migrating applications directly to the cloud without changes
- Allowing future scalability and cloud benefits
- Eliminating and reducing on-premises footprint

Modernize



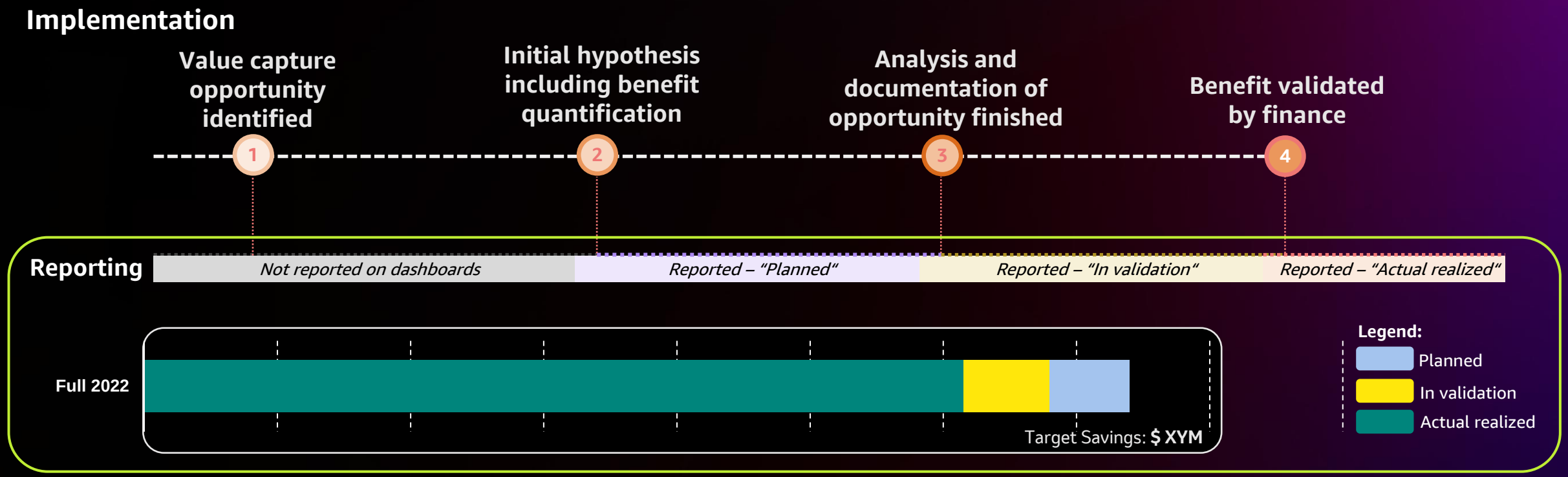
- Modernizing applications including automation
- Enabling technologies and functionality on the AWS Cloud
- Enabling new business and IT transformation processes

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Value capture process: Standardized process to capture benefits



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Categorization of captured value

ALL QUANTIFIABLE BENEFITS ARE CATEGORIZED INTO RELEVANT BENEFIT BUCKETS



Hard savings

- **Specific $ amounts and detailed drivers** for what drove those amounts
- Timing and specific accounts or budgets where $ were removed can be identified & documented



Cost avoidance

- Cases of specific $ that would have been spent by somebody, **but due to cloud activity, we don't have to spend them**
- No budget or account to "remove" these $ from as lowered already



Efficiencies/time liberated

- Cases of streamlining/automating processes where **efforts required are lower & liberated time is refocused**
- Articulated via allocation-based breakdowns/unit cost estimations (validations needed)

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Modernization strategy: Methodology to standardize and scale value capturing

Model to enable industrialized quantification by combining already existing frameworks:



Modernization services

Provides information about the services that were modernized per given application



T-shirt size modeling

Categorizes applications into 3 sizes based on standardized levers



Application maturity model

Provides information on the modernization progress within defined categories

Framework requires close cooperation of numerous workstreams, such as architecture, modernization factory, and security

Framework to be used in two ways:

- **Value capture** for modernized applications
- **Prioritization** of applications to be modernized

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Continuing to build on opportunity for success

Lessons learned



Continuous improvement allows us to consistently assess and fine tune our processes while evaluating our learnings.



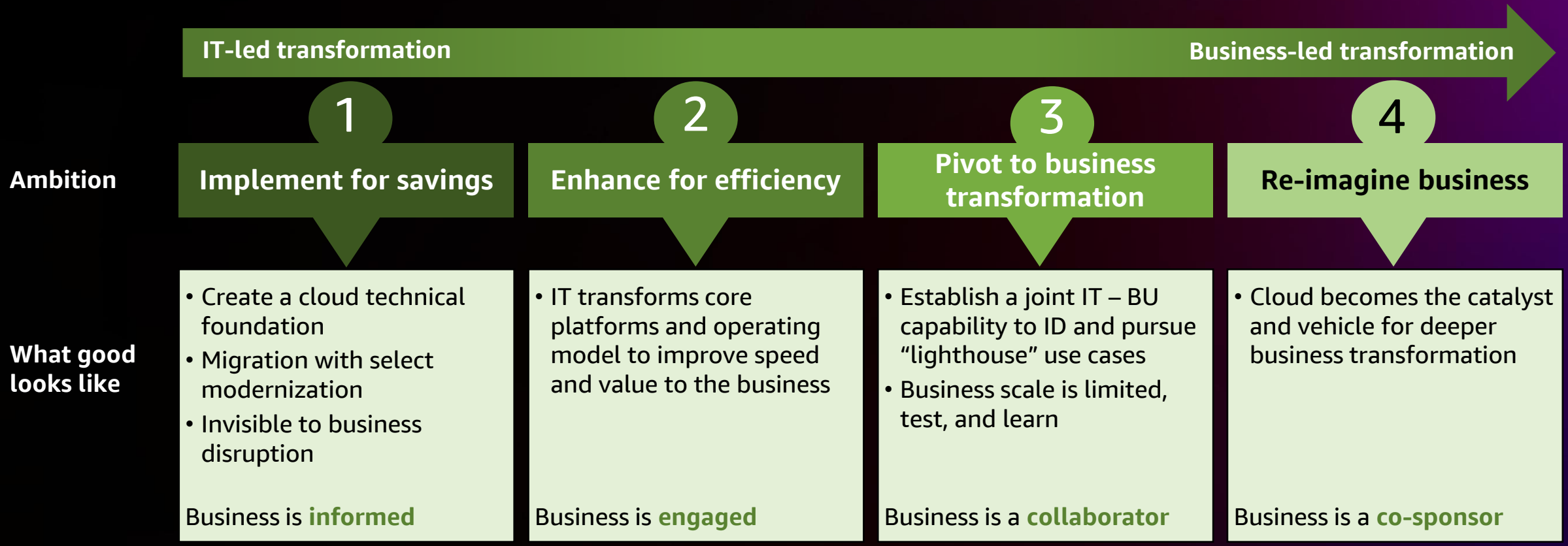
At first, we did not leverage value when prioritizing. We now understand the **importance of evaluating the value** when we modernize.

It is extremely important to have a connection between Finance and our stakeholders to **ensure there is a concurrence on the value** that it is bringing to the table.

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From technology-driven value to business value



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Cloud technology enables acceleration of business value



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Building our future: Our roadmap to success



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Thank you!

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