

JOHNSON & JOHNSON (JNJ)

Healthcare – Pharmaceutical and Medical Devices

April 6, 2023

Stock Rating

HOLD

Investment Thesis

The Henry Fund recommends a HOLD rating for JNJ with a target share price of \$166 - \$179 which would represent a 0 – 7% upside from its current closing price. JNJ is one of the largest and most powerful healthcare companies in the world and it is well-positioned to be generating steady revenue.

Drivers of Thesis

- JNJ is the market leader in the Pharmaceutical industry and has one of the most diverse pipelines among its peers.
- The spin-off of the consumer health segment to Kenvue could transform JNJ from a value company to a growth company as JNJ would be subjected to a more R&D-driven revenue stream.
- JNJ proposed to pay \$8.9B to settle the talcum powder lawsuits on April 2023, ending the decade-long legal battle. Investors reacted positively to the news.

Risks to Thesis

- The spin-off of Kenvue would take the most stable revenue stream of JNJ out of the company and possibly make the stock to be less defensive.
- The settlement cost offered by JNJ is \$8.9B, which is \$6.9B more than what the Company expected to pay for the claims in 2021. The Company would now need to pay those claims over the course of 25 years after receiving the court approval.
- JNJ's most popular drug, STELARA which contributed 10.2% of the company's revenue will be having its patent expiry in 2023. The replacement drug, TREMFYA is facing market competition and have not been performing as expectation.

Earnings Estimates

Year	2020	2021	2022	2023E	2024E	2025E
EPS	\$5.59	\$7.93	\$6.83	\$9.09	\$9.35	\$9.73
HF est.				\$6.90	\$7.20	\$7.82
Growth	-2.27%	41.9%	-13.9%	1.1%	4.3%	8.7%

12 Month Performance



Target Price

\$166 - \$179

Henry Fund DCF	\$201
Henry Fund DDM	\$166
Relative Multiple	\$111 - \$179

Price Data

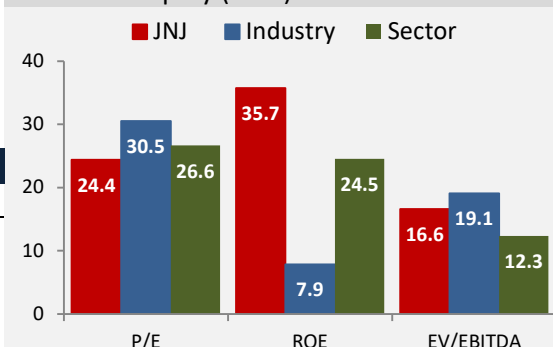
Current Price	\$165.99
52wk Range	\$150.11 – 186.69
Consensus 1yr Target	\$179

Key Statistics

Market Cap (B)	\$427.8
Shares Outstanding (M)	\$2,604
Institutional Ownership	71.4%
Beta	0.53
Dividend Yield	2.8%
Est. 5yr Growth	4.6%
Price/Earnings (TTM)	17.4
Price/Earnings (FY1)	15.6
Price/Sales (TTM)	4.9
Price/Book (mrq)	6.2

Profitability

Operating Margin	22.3%
Profit Margin	67.7%
Return on Assets (TTM)	15.3%
Return on Equity (TTM)	35.7%



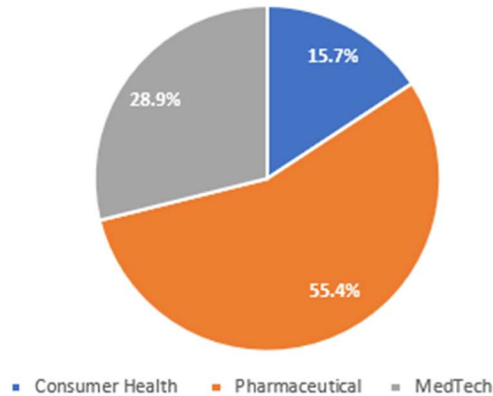
Company Description

J&J is a pharmaceutical company that focuses on producing solutions for human health and well-being. Through its wide range of subsidiaries, JNJ actively engages in the research and development, manufacture, and sale of products in the healthcare field. JNJ is separated into three business segments: Consumer Health, Pharmaceutical, and MedTech and generated a total revenue of \$94.9B in 2022.

COMPANY DESCRIPTION

Johnson & Johnson is a pharmaceutical company that focuses on producing solutions for human health and well-being. Through its wide range of subsidiaries, JNJ actively engages in the research and development, manufacture, and sale of products in the healthcare field.^[33] JNJ is separated into three business segments: Consumer Health, Pharmaceutical, and MedTech.^[33]

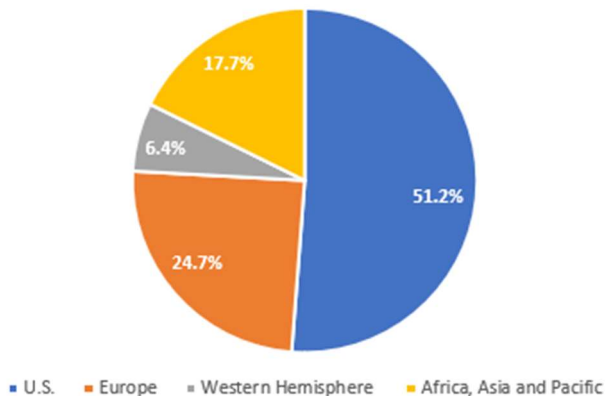
2022 Revenue by Business Segments



Sources: JNJ 10-K

JNJ has a significant presence in the global business as approximately 49% of the revenue is generated out of the United States. Therefore, the strength of the U.S. Dollar has a significant impact on the company's revenue as well.

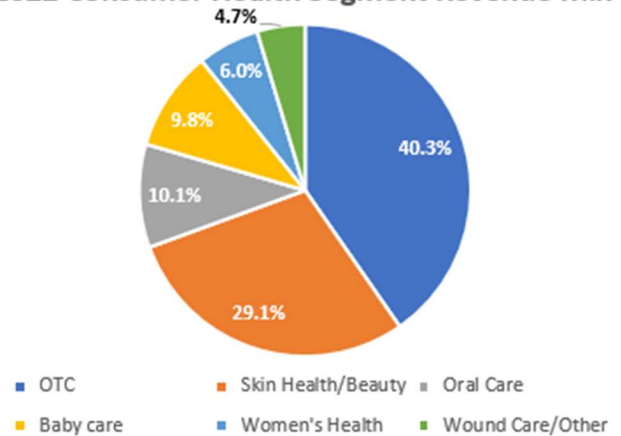
2022 Revenue by Geographical Locations



Sources: JNJ 10-K

Consumer Health

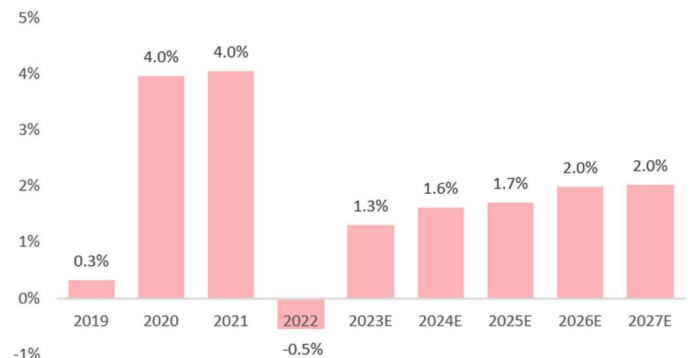
2022 Consumer Health Segment Revenue Mix



Sources: JNJ 10-K

In 2022, the Consumer Health Segment accounted for 15.7% of JNJ's total revenue. The segment includes the sales of a broad range of products in personal healthcare used in Skin Health/Beauty, Oral Care, Baby Care, Women's Health, Wound Care/Other, and Over-the-Counter (OTC) medicines.^[33] Some popular products that the consumer health segment offers include JOHNSON'S, BENADRYL, AVEENO, TYLENOL, ZYRTEC, LISTERINE, and BAND-AID.^[31]

Consumer Health Revenue Growth (%)



Sources: JNJ 10-K, Henry Fund

The Consumer Health segment experienced high growth in 2020 and 2021 which was mainly driven by the high demand for OTC medicines due to COVID-19 and its flu-like symptoms. In 2020 and 2021, the OTC business grew by 8.5% and 8.4% respectively, which is about twice its usual rate.^[33] It is notable that in 2022, OTC and women's health are the only two lines that had positive operational

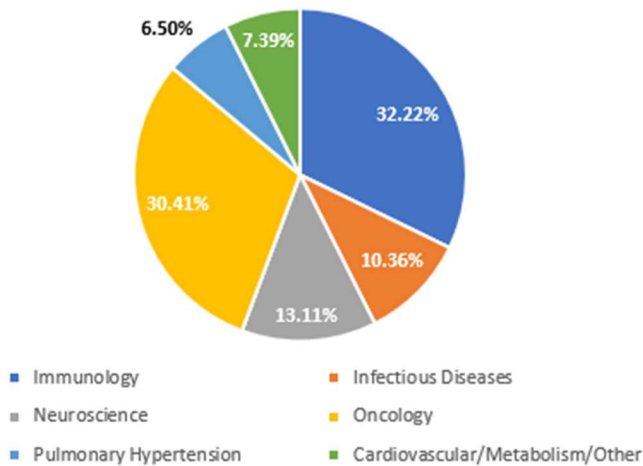
change, and these positive operation changes were not enough to offset the negative currency impacts and caused the segment to experience -0.5% growth in 2022. Over the next 5 years, the segment is forecasted to grow at a CAGR of 1.5% before reaching a steady growth rate of 2% annually in 2027.

The products are marketed to the general public by wholesalers or sold online through e-commerce platforms. As 56% of the revenue was generated out of the U.S., the products sold in the international business have different methods of distribution depending on the country and culture; they could be locally developed by the subsidiaries or distributed by international retail outlets.^[33]

In November 2021, the Company announced that it has the intention to separate the consumer health business into a new publicly traded company by the end of fiscal year 2023 as Kenvue.^[33]

Pharmaceutical

2022 Pharmaceutical Segment Revenue Mix



Sources: JNJ 10-K

In 2022, the Pharmaceutical Segment accounted for 55.4% of JNJ's total revenue.^[33] The segment focuses on the development of six therapeutic areas including infectious diseases, immunology, neuroscience, oncology, pulmonary hypertension, cardiovascular / metabolism / other.^[33] Janssen Biotech is the main subsidiary that focuses on the development of new research pipelines.

Within the major business, STELARA is the most popular drug that JNJ has and brought approximately \$9.7 billion of revenue to the company globally.^[33] The drug is facing

its U.S. patent expiration in September 2023 and 2024 in Europe. The patent expiration would cause the company to lose market exclusivity and is expected to result in a reduction in sales. As a result, the Henry Fund forecasts that STELARA's revenue will have a 10% reduction in sales starting in 2024. As a result of the upcoming patent expiration, JNJ launched TREMFYA and hoped that it would serve as STELARA replacement, but due to biosimilar competition by other pharmaceutical companies and a less effective result, the drug has not been widely adopted by the patients yet.^[33] Nevertheless, TREMFYA is still experiencing its rapid growth period with a CAGR of 37.44% in the past five years and bringing about \$2.67 billion in revenue to the Company.

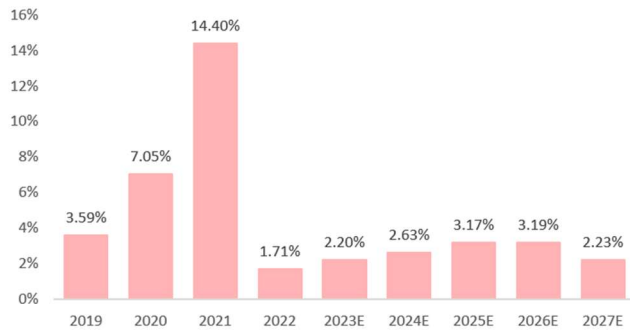
While COVID-19 did provide a growth opportunity for JNJ especially when it successfully developed a vaccine for the virus. In 2022, it recorded a revenue of \$2.1 billion with the COVID-19 vaccine and announced that it counted a \$700 million one-time COVID-19 vaccine manufacturing exit-related cost, indicating that the company will be out of the vaccine production.^[33] The management commented that they will ensure that its COVID-19 vaccine is available for the people in need and still have hundreds of millions of doses kept in the inventory.

DARZALEX is another popular drug by JNJ and it generated almost \$8 billion in revenue in 2022. The drug is expected to expire in 2029 in the U.S. and in 2032 in Europe.^[33] Before the drug faces its patent expiration, Henry Fund is forecasting that the drug will continue to bring positive growth to the oncology line.

Excluding the "other" pharmaceutical products that JNJ has, it listed 18 drugs and at least five of the drugs have expired patents that caused them to lose exclusivity and face slowing growth with the market competition.

Overall, the pharmaceutical segment is a business line that experiences a more volatile growth rate due to patent expiration and continuous market competition. Therefore, the research pipeline is a major key to monitor for JNJ. In the latest earning call, JNJ announced an ambitious sales target for the segment of \$60 billion by 2025. That represents a CAGR of 4.5% in the next three years. While thinking that this is an appropriate target, the Henry Fund only forecasts a pharmaceutical revenue of \$58.7 billion in 2025, which is slightly less than JNJ's current target.^[18]

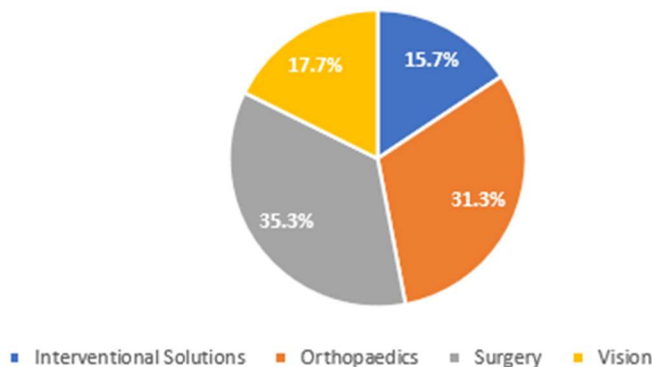
Pharmaceutical Revenue Growth (%)



Sources: JNJ 10-K, Henry Fund

MedTech

2022 MedTech Segment Revenue Mix



Sources: JNJ 10-K

In 2022, the MedTech Segment accounted for 28.9% of the Company's total revenue. [33] The segment is also commonly referred as the Medical Devices segment and has a broad portfolio that includes products like interventional solutions, orthopedics, surgery, and vision. The products are distributed to wholesalers, hospitals, and retailers and are mainly used by professionals. [33]

As this segment functions more like a biotechnology space, its revenue stream is not that stable and often surprises investors. Moving on, the management mentioned that they would be seeing more growth for the segment as the Company would resume certain R&D that was halted due to COVID-19.

Cost Structure Analysis

JNJ has a steady cost structure as their cost of products sold and selling, marketing and administrative expenses were maintained at a steady rate in the past 5 years; therefore, the forecast follows the historical rates.

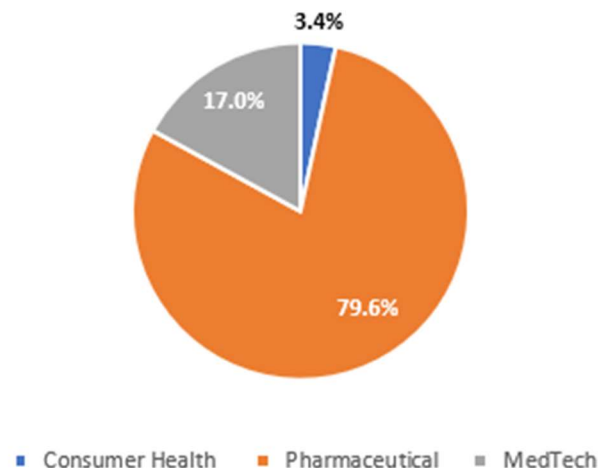
Research and Development Expenses

As a pharmaceutical company, JNJ spent around 15% of the company's revenue on R&D expense and the expenses were used in discovering, testing, and developing new products, upfront payment and developmental milestones by subsidiaries as well as improving existing products. [33]

In 2022, the Company recorded an intangible asset of an impairment charge of \$0.8 billion after it terminated the development of bermekimab, an investigational drug. [33]

Moving on, JNJ will continue the R&D process that they are engaged in and reward its subsidiaries for developmental milestones. The Company also monitors certain pipeline development program and decide if they should continue the process. In March 2023, JNJ announced that they are halting the development of a vaccine for a respiratory syncytial virus (RSV). [33] Even though the Company was already in late-stage clinical trials of the vaccine, JNJ pulled out from the study as its competitor, Pfizer and GSK are further into the clinical trials and are likely to complete the vaccine before JNJ will be able to. [5] After assessing its current competitive position, Janssen Biotech, JNJ's subsidiary that focuses on developing pharmaceutical solutions commented that it is refocusing its portfolio and would remain to advance in other differentiated pipelines.

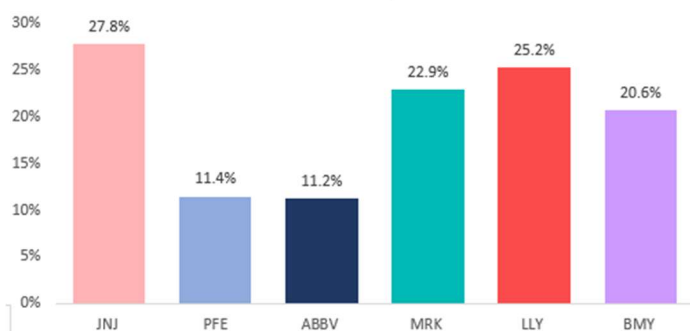
2022 Research and Development Mix



Sources: JNJ 10-K

Among its peers, JNJ has the highest R&D expenses, and this is because JNJ is involved in more collaboration with other subsidiaries and has the most phase 3 research projects that would require higher expenses.

2022 R&D Expenses



Source: Companies 10-K

Kenvue

As mentioned in the segment description, JNJ is planning to separate the consumer health business into a new publicly-traded company named Kenvue in late 2023.^[33] The spin-off is believed to benefit JNJ by allowing the Company to emphasize its pharmaceutical and MedTech business and streamline the operation process without paying much attention to the steady consumer health business. This would change JNJ's business mix to mostly research and development and technology-based products. The Henry Fund sees that the introduction of Kenvue would potentially make JNJ's stock subject to greater volatility in stock prices and revenue because the consumer health segment provided most of the defensive characteristics of a traditional healthcare company. By taking the line of business off the portfolio, it would then change JNJ into a biotechnology company which is usually known to be more volatile. In a way, this decision could provide opportunities for JNJ to step out of its matured stage and work towards a greater growth rate in the future.

Upon the popular belief that the announcement of Kenvue spin-off is a strategy that the Company used so that it will have a new company to bear the talc litigation liabilities, JNJ commented that LTL Management LLC is the subsidiary that will mainly be dealing with the litigations and most of the responsibilities will still remain with JNJ; Kenvue will not carry the liabilities over along with consumer health business.^[33] However, Kenvue is expected to take on the

claims from the talc products that were sold out of the U.S. and Canada.^[20]

Currency Impact

In 2022, the U.S. Dollar appreciated over 12% YOY after the dollar reaching at a new high in September 2022. Foreign currency is an important topic for JNJ as about 49% of its revenue is generated out of the U.S., with consumer health having more international exposure than the other two segments.^[33] 25% of JNJ's revenue comes from Europe and 18% from Asia-Pacific and Africa Region. It was also notable that JNJ mentioned that it was hard to maintain profitability in countries with extremely high inflation like Argentina and Turkey as their 3-year cumulative inflation was more than 100%.^[33]

In 2022, JNJ reported a net 1.3% revenue increase, and we can observe a further breakdown in the table below.

2022 Revenue Increase Breakdown	
Operational Growth	6.90%
Product's Price Inflation	-0.80%
Currency Impact	-4.80%

Sources: JNJ 10-K

The currency transaction losses that JNJ faced in 2022 is \$1.8 billion and the table summarized that if JNJ did not face the -4.8% currency impact that it did in 2022, the Company would be getting at least an EPS of \$7.51, which is \$0.69 higher per share basis.^[33]

For hedging purposes, JNJ enters into forward foreign exchange contracts to protect the value of certain assets and liabilities and to hedge transactions that are mainly related to production costs and debt borrowings. It left the sales revenue from international business unhedged with the hope that the foreign currency would be favorable to the Company.^[33]

As of December 2022, the Company has notional amounts outstanding for forward foreign exchange contracts, cross-currency interest rate swaps, and interest rate swaps that totaled \$91 billion, \$2.2 billion down from the previous year.^[33]

Moving forward, the Henry Fund does not see the currency impact to be as severe as 2022 and believes that JNJ has hedged all its required obligations, so the currency

fluctuation is not posing a significant financial distress to the Company. At the same time, with a current economy where investors are worrying about a potential slowdown, the U.S. dollar is seen as one of the safest currencies to hold so the dollar might remain relatively strong in 2023 and continue to pose a negative impact on the Company.

Pipelines

As a pharmaceutical company, JNJ has numerous research pipelines going on to make sure that the Company has new products launching before having a patent expiration for certain pipelines.

As of January 2023, JNJ has 109 clinical research in the pipeline, including 43 of the products that are in Phase 3 clinical trial, and 12 in the registration phase.^[33] For drugs like TREMFYA that could potentially be used to treat several diseases within the immunology line, it is subjected to multiple research projects and each result would affect how widely the drug can be used.

The management has announced the key events for the pipeline in 2023 and that includes the timeline of each planned submission and potential approvals by the U.S. and EU governments.^[33] By 2025, the Company expects to file for at least 14 new drugs with a projected average peak sales of \$4 billion a year for each drug.^[33] With the strategic review conducted by the team, the Company expects the segment to grow at a quicker rate than right now. While forecasting continuous sales growth for the approved drugs, the Henry Fund did not forecast the potential multi-billion revenue generated by the new drugs as the revenue would be completely event-driven and depend on the success of the clinical trials.

Debt Maturity Analysis

The Company has \$26.8 billion worth of debt outstanding and the required repayment for 2023 is \$1.5 billion.^[33] As of September 2022, JNJ is one of the two companies in the world that has an AAA rating with Moody's and S&P, a rating that is one grade above the U.S. government itself.^[31] Based on the rating given, it indicates that JNJ is not in any financial distress that would affect its ability to repay its debt obligations. Moreover, the Company currently has 4 notes that are sold in Euro that are worth approximately \$3.7 billion. These debt obligations are completely hedged with financial instruments so any fluctuations in currency should not have an impact on the income statement. The

Euro-denominated notes were issued as a net investment hedge for JNJ's international subsidiaries that use the Euro as their currency and the notes were used to reduce the volatility caused by the changes in exchange rates.

Other than the borrowings, JNJ holds \$14 billion of cash and cash equivalents in hand with \$9 billion worth of marketable securities which reassures investors that it has a steady stream of cash flow and would be ready even if the Company faces unexpected losses in the future.

Five-Year Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$mil)
2023	4.05	\$1,551
2024	3.08	1,392
2025	1.59	1,667
2026	2.45	1,997
2027	1.95	2,271
Thereafter	3.63	19,562
Total	3.36	\$26,888

Sources: JNJ 10-K

ESG Analysis

JNJ currently has a 24.0 ESG Risk Rating which bought them to having a medium risk.^[27] It is ranked 139 out of 906 within its industry group in terms of ESG rating.^[27] Overall, the peer group has an average ESG Risk Rating since all of them fall under the medium risk category with MRK being slightly better positioned as compared to ABBV.

	ESG Risk Rating	Ranking (out of 909)
JNJ	24	139
PFE	24.5	162
ABBV	29.8	417
MRK	21.5	93
LLY	24.3	147
BMJ	22.5	109

Sources: Sustain Analytics

Environmental

JNJ has the initiative to improve the environmental footprint of the operations, products and value chain. The Company is actively progressing towards reducing its carbon footprint and transitioning to 100% renewable electricity and carbon neutrality in global operations along with reducing upstream emissions. JNJ announced 3

scopes of targets to achieve carbon neutrality: to reduce 60% of emissions from the 2016 level by 2030. ^[33]

Social

While the world has made significant progress in providing improved healthcare, there is a major gap in achieving better health for all. By targeting the under-resourced communities where health disparities are high, JNJ is motivated to close the gap of inequity and pave the way to a healthier future for underserved populations. ^[33] The Company is going to contribute solutions to endemic diseases by establishing global access plans for all JNJ Global Public Health and Janssen Infectious Diseases & Vaccines R&D pipeline assets by 2025. ^[3]

Governance

A company would not be successful without accepting diverse perspectives, cultures, and experiences and that is why JNJ is committed to embracing diversity, promoting equity, and fostering inclusion. ^[33] Its 2025 governance goals include achieving 50% of women in management positions globally, 35% ethnic diversity in management positions within the U.S., and a 50% growth on the Black and African American employees in management positions in the U.S. ^[33]

RECENT DEVELOPMENTS

Recent Earnings Announcement

On January 24, 2023, JNJ announced its earnings for Q4 and FY2022. The total revenue increased by 1.3% compared to 2021 and report an adjusted EPS of \$10.15, a 3.6% increase from the previous year. ^[33] Moving on to 2023, the management reported that they are expecting an adjusted diluted EPS of \$10.45 – 10.65 which is slightly higher than the street estimation of \$10.33. While the company saw an increase of 6.9% in volume sales, the growth was offset by the negative currency impact, causing the company to experience a relatively lower growth rate in FY2022. ^[33]

The Company announced the termination of COVID-19 vaccines and would focus on finished supplying the remaining inventories to the people in need. They record \$0.7B as the vaccine manufacturing exit costs in 2022.

While it is hard to project the EPS after earning adjustment, the Henry Fund estimated JNJ to have a

diluted GAAP EPS of \$6.90 in 2023, which is 1% higher than the diluted EPS of \$6.73 for FY2022. Assuming the dividend yield remained the same, the Company is expected to continue to increase its dividends payout for the sixth decade in 2023.

COVID-19 Impact

When the pandemic hit the world, several companies, including JNJ decided to search for solutions for the disease. The Company announced the vaccine completion on February 27, 2021, and received an Emergency Use Authorization from the FDA. While the vaccine has some controversies for its potential side effects, the vaccine still generated more than \$4B for the Company in 2021 and 2022. The consumer health segment also benefited from a higher growth for its OTC medicines mainly due to COVID-19 giving out flu-like symptoms and patients would often use OTC medicines to treat themselves at home.

As mentioned above, JNJ recorded vaccine manufacturing exit costs in 2022 and would stop the production of the vaccines entirely. This would have a minimal effect to JNJ's pharmaceutical pipeline as the vaccine contributed less than 2.5% of the total revenue to the Company in 2022. COVID-19 certainly benefited JNJ's business in the past 2 years and the Henry Fund valuation model slowed the growth rate down a little in the next few years as the economy is expected to slowly recover back to the pre-pandemic times instead of continuing to experience high growth rate for certain segments.

TALC Lawsuit

Baby power containing talc caused cancer and is alleged to cause users to have ovarian cancer or mesothelioma. While it is tough to determine that JNJ talc products have a direct relationship with an increased chance of ovarian cancer since research studies have been giving mixed results, it is found out that JNJ has some internal memos and corporate documents that acknowledge that there is a problematic link between genital talc use and ovarian cancer. ^[25] This can be dated back to 1975 and the Company is said to deny the danger of the product use to regulators and the public. ^[26]

In 2017, several separate trials find that JNJ talcum powder products caused ovarian cancer for two women and the combined jury awarded to the victims was more than \$525 million. Following in the next year, a St. Louis jury finds JNJ

to be liable for over \$4.6 billion in damages for 22 ovarian cancer victims.^[26]

In 2020, JNJ announced that the Company will no longer sell talc-based powders in North America and received more than 21,800 pending legal claims where the New Jersey federal court found scientific evidence that there is a reliable connection between talc and ovarian cancer.^[26] With all the trials and claims, JNJ proceeded to appeal and request to undo the \$2.1 billion talc case judgment with the U.S. Supreme Court which later got rejected.^[8]

In 2021, the Company announced that it created a subsidiary, LTL Management Inc, to hold all talc litigation liabilities then followed by filing for Chapter 11 bankruptcy for the subsidiary. As a result of the filing, all talc litigation was halted until a judgment is made.^[8]

On January 2023, the Chapter11 filing for LTL Management got rejected by the U.S. Court, claiming that the parent company, JNJ is not in any financial distress and the purpose of the bankruptcy was not filed in good faith.^[18]

On April 2023, JNJ proposed to pay \$8.9 billion to settle the talcum powder lawsuits and which is \$6.9 billion more than what the company previously estimated and reserved to pay for the claims in October 2021.^[6] The proposed settlement would be paid out over 25 years and the agreement will resolve all current and future claims involving JNJ products that contain talc. The deal is yet to be finalized as the court would first have to accept a new bankruptcy filing by LTL Management and the settlement itself.^[12] If approved, the settlement would end the legal claims that weighed on JNJ's image for over a decade. So far, the investors seem to react positively to the news as the stock price jumped 3% after the announcement of the settlement fees which provides a conclusion for the decade-long discussion.

Since the claims are going to be paid off in 25 years, the DCF valuation model has accounted for 5 years of claims, which is \$1.8 billion over the next 5 years.

INDUSTRY TRENDS

Artificial Intelligence Robotics

As technology continues to grow in every industry, the healthcare industry started implementing Artificial Intelligence (AI) in surgery robots would allow machines to perform cognitive functions through machine learning and

natural language processing. Therefore, other than allowing doctors to perform more complex procedures with precision, flexibility, and control, robotics is expected to analyze the patient's conditions as well.^[15] It is proven that robotics surgery has fewer complications and often results in a shorter hospital and quicker recovery, making the procedures more efficient than certain traditional open surgical procedures.^[15]

Preoperative planning is the stage where surgeons plan the surgical intervention based on the patient's medical records and imaging.^[19] Traditionally, doctors would use general image-analysis techniques to analyze the patient's conditions, but AI and deep learning algorithms were able to identify abnormalities from CT scans.^[20]

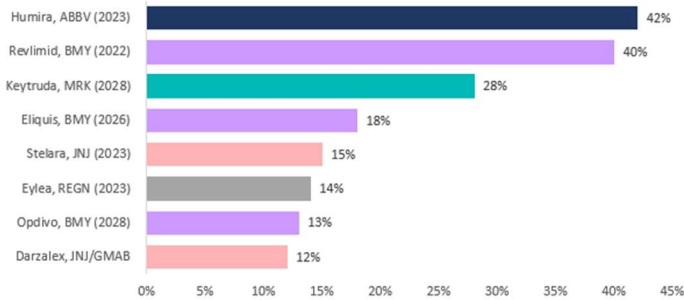
Currently, JNJ is the only company in the pharmaceutical industry that is actively developing these products and competing with other biotechnology companies for the technology. For JNJ, MedTech is a specific segment for the research, manufacture, and sales of these surgery robots and the Company is constantly improving its technology on current products while integrating the latest AI, machine learning, and internet-of-things into the products.^[22]

Patent Expirations

The industry has a 20 years term for a new patent starting from the date the patent application was filed to the FDA in the U.S. Although the patents are good for two decades, in most cases, this time frame would shorten to having only 10 years of exclusivity since a company would take up to an average of eight years to do enough testing before receiving FDA approval for the product sales.^[16] Depending on the drugs, it is estimated that some name brands could drop sales by 80% after a generic drug hits the market.^[16]

The table below shows the leading products in different companies that are at risk of drug patent expiries. Since the patent expiry would continue to be a problem for all pharmaceutical companies until they successfully develop new and improved drugs to treat the same conditions, it helps to balance the industry and helps patients to have access to cheaper drugs.

Sales share of leading products at risk in the U.S.
due to drug patent expiries as of 2022



Sources: Sustain Analytics

MARKETS AND COMPETITION

The pharmaceutical industry is intensely competitive and often highly regulated to ensure the safety of consumers. A lot of products face competition in the form of branded or generic drugs or biosimilars that treat similar diseases. The differentiation includes efficacy, safety, ease of use, and cost.

Pharmaceutical

It is the second-largest industry in the healthcare sector, right behind the managed healthcare sector. As of 2022, PFE is the biggest individual revenue contributor to the industry, representing a 12.8% industry revenue and a 33% operating margin among its peers.^[13] However, this high revenue that PFE generated in 2022 is not sustainable as more than 57% of the company's revenue was generated by COVID-19-related products. The chart below shows each company's market capitalization and the revenue it manages to generate in 2022; for the industry, having a high market cap does not necessarily mean earning a higher revenue.^[1]



Sources: FactSet

Industry Key Metrics

The table below shows that JNJ is currently the largest pharmaceutical company among its peers in terms of market capitalization; the value is expected to decrease next year when Kenvue gets spun off. Using the pro-rata method, JNJ should remain the company with the highest market cap post-spin-off.

The Company also has the second highest P/E ratio right after LLY and indicates that the investors do not mind paying a little premium to the share price to purchase the Company's equity as it has a more diverse business pipeline. While JNJ has the most current pharmaceutical drugs available in the market, it currently has an industrial average number of research and development projects in the pipeline.

Based on the operating margins, JNJ is not in a superior position as it has a relatively low gross margin with its high cost of goods sold. This can be partially explained by JNJ having more global business and the strong dollar negatively impacted JNJ's revenue slightly more than its peers.

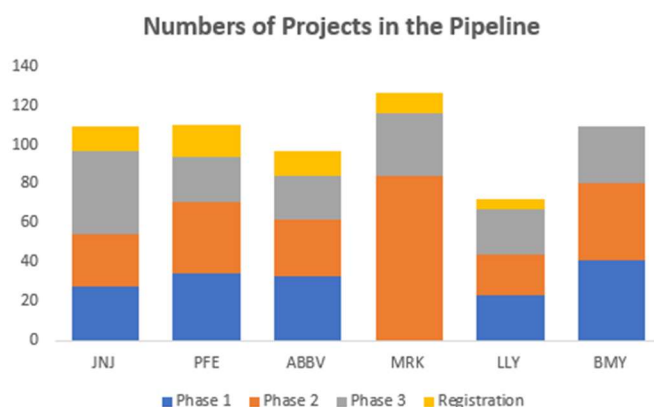
	Market Cap (\$B)	P/E 2023E	Gross Margin	Pipelines
JNJ	408.5	23.37	67.7%	109
PFE	232.3	11.28	61.9%	110
ABBV	283.8	14.46	71.7%	97
MRK	276.4	15.75	70.6%	126
LLY	330.3	42.17	76.8%	72
BMY	146.3	8.56	57.4%	109

Sources: FactSet

The R&D pipeline is significant for a pharmaceutical company as it shows how likely the companies are going to release new drugs in the following years. On average, it takes about 10 years for a Phase 1 drug from the initial process to regulatory approval, not to mention that it is less likely to get approved without any rejection by the FDA. (bio.org) Depending on the drug's targeted disease or condition, Phase 2 could range from 3 – 6 years, and the final Phase 3 clinical trial would last for 1 – 4 years before registering for the registration which would usually take the FDA 6 months to review the new drugs.^[17] With that being said, JNJ is the company that has the most R&D pipeline that is currently in phase 3 clinical trial with 16

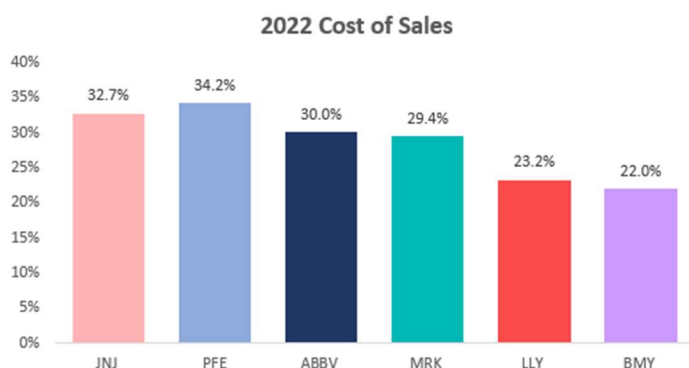
targeted clinical data announcements and 8 new drug submissions by the end of 2023. ^[33]

ratio, the other four companies received the same credit rating from S&P and have a stable outlook moving on. ^[1]



Sources: 10-K

In terms of Cost of Goods Sold, BMY and LLY are having a better margin as they have 10% COGS less than JNJ and PFE. However, it is also understandable that JNJ and PFE have high COGS since they manufactured and distributed COVID-19 vaccines around the world and their main customers are international governments; making the companies not able to generate a higher profit for the vaccine's sales. ^[33]



Sources: FactSet

Credit Analysis and Capital Structure

As pharmaceuticals is one of the industries that have a lot of M&A activities, the credit rating and capital structure of a company is important for the funding of the deals. In 2022, JNJ has the best S&P credit rating among its peers with the second-lowest debt-to-TSE ratio, suggesting that the company has no problem paying back its debt nor funding them in the future. ^[1] It is notable to notice that except for ABBV which has a much higher debt-to-TSE

	S&P Credit Rating	Outlook	Debt / TSE Ratio
JNJ	AAA	Stable	0.52
PFE	A+	Stable	0.37
ABBV	BBB+	Positive	3.67
MRK	A+	Stable	0.67
LLY	A+	Stable	1.52
BMY	A+	Stable	1.27

Sources: FactSet

2023E Management Outlook

The table below shows each company's provided 2023E management outlook and JNJ is one of the two companies that gave out a management outlook that is greater than the street consensus for the following fiscal year. It is also notable that the \$10.15 adjusted EPS is just the second highest right after its best-positioned competitor ABBV. ^[1]

	2022 Adjusted Diluted EPS	2023E Management Outlook	2023 Street Consensus
JNJ	\$10.15	\$10.45 - \$10.65	\$10.33
PFE	\$6.58	\$3.25 - \$3.45	\$4.41
ABBV	\$13.77	\$10.70 - \$11.10	\$11.65
MRK	\$7.48	\$6.80 - \$6.95	\$7.16
LLY	\$7.94	\$8.10 - \$8.30	\$9.16
BMY	\$7.63	\$7.95 - \$8.25	\$7.90

Sources: FactSet, 10-K

Peer Comparisons

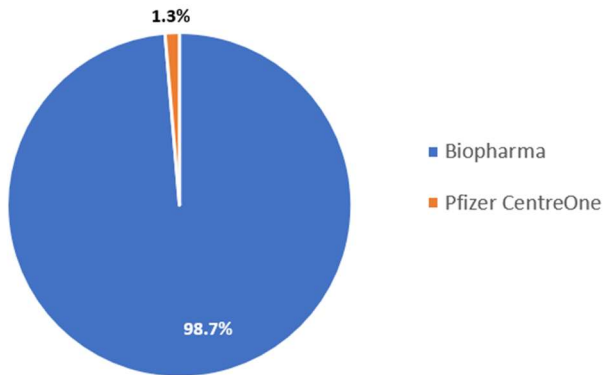
Pfizer (PFE)

PFE is a research based global biopharmaceutical company that engages in discovering, developing, manufacturing, marketing, and distributing biopharmaceutical products worldwide. ^[29]

In 2022, they saw a total revenue of \$100B with most of the revenue generated from its biopharma segment. As the name suggests, the segment consists of most of the innovative science-based pharmaceutical drugs that the Company developed. Pfizer CentreOne is a global contract

development and manufacturing organization as well as a supplier of specialty active pharmaceutical ingredients. ^[29]

PFE 2022 Revenue Decomposition



Sources: Pfizer 10-K

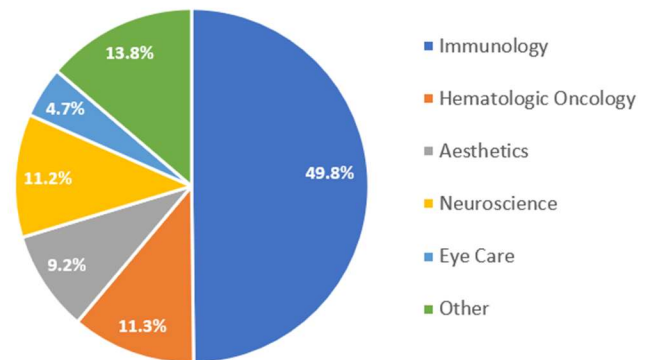
Moving on, PFE is not viewed as a strong competitor for JNJ as JNJ has a more mature and diverse pipeline as compared to PFE, especially when 57% of PFE's 2022 revenue was generated with COVID-19-related products. ^[29] The Company is expecting the revenue to deteriorate by 60% in 2023. However, it is being considered a peer competitor now for its high sales in COVID-19 vaccines and how it would continue to manufacture the drugs in the next two years.

AbbVie (ABBV)

ABBV is a research based biopharmaceutical company that engages in the development and sale of pharmaceutical products. ^[30] It mainly focuses on treating conditions such as chronic autoimmune diseases in rheumatology, oncology dermatology, gastroenterology, and neurological disorder. ^[30] As compared to the other peers, ABBV is the only company that has a more diverse business segment

like JNJ. In 2022, it saw a revenue of \$58B and was mainly driven by the sales of immunology drugs.

ABBV 2022 Revenue Decomposition



Sources: AbbVie 10-K

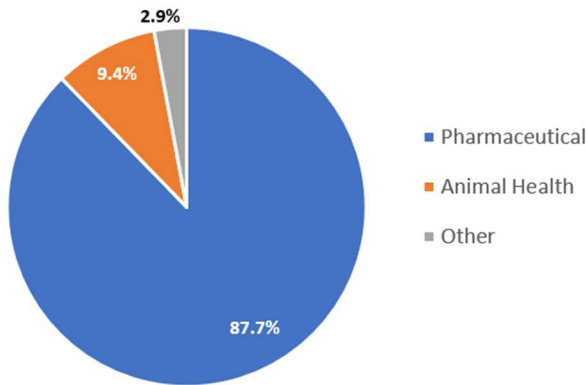
The management outlook for ABBV is below the street consensus mainly due to the patent expiration of its best-selling products that generated 37% of the Company's revenue in 2022. ^[30] With the drug facing bio similarity, it is expected to cause a decline in revenue significantly.

Overall, ABBV is considered the best-positioned peer to JNJ for its pipelines and international presence.

Merck & Co., Inc (MRK)

MRK is a healthcare company that engages in the provision of health solutions through its prescription medicines, vaccines, biologic therapies, animal health, and consumer care products. ^[31] With most of the revenue generated from the pharmaceutical segment, MRK saw a revenue of \$59B in 2022 and is expected to continue experiencing high growth in 2023 due to the strong sales of Keytruda. Excluding COVID-19-related drugs, Keytruda is currently the best-selling drug worldwide, just falling behind ABBV's Humira. With the LOE of Humira, Keytruda is expected to overtake the position and be the top-selling prescription medicine in 2023, indicating its strong presence in the industry.

MRK 2022 Revenue Decomposition



Sources: Merck & Co, Inc

While JNJ does not have any products that have bio similarity to Keytruda, the strong sales of the prescription drug could make it harder for JNJ to enter the space in the future.

Eli Lilly and Company (LLY)

LLY engages in the discovery, development, manufacture, and sale of pharmaceutical products. The company has products for neuroscience, immunology, diabetes, oncology, and other therapies.^[32] The company only has a business segment, Human Pharmaceuticals, and it makes up 100% of the company's revenue. In 2022, the company saw a revenue of \$28.5B worldwide. LLY is successful with its pipeline as it does not have a single drug dominating more than one-third of its revenue.^[32] Half of its prescribed drugs generated more than \$1B in sales worldwide in 2023 and would not experience a large reduction in total sales during patent expiration like some of its peers.^[32]

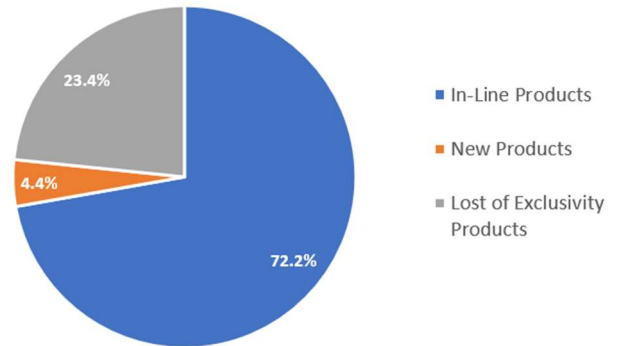
LLY is currently the company with the best gross margin and is expected to have an improved gross margin in 2023. While the Company has fewer drugs in the pipeline, it has the second-highest market cap and high PE ratio mainly driven by its high stock price. Historically speaking, this could mean that LLY stock is overpriced at the moment. Moving on, LLY is considered as a competitor to JNJ for its unique pipeline and diverse revenue stream.

Bristol-Myers Squibb Company (BMY)

BMY engages in the discovery, development, licensing, manufacture, marketing, distribution, and sale of pharmaceutical products. It offers chemically synthesized drugs or small molecules and products produced from biologics.

BMY announced the revenue according to how mature the products are, and we could observe that most of the revenue is generated from its current in-line products and the LOE products made up 23% of the revenue.^[34] While it is expected that the new products will eventually be generating more revenue in the upcoming years, it is concerning that BMY had two products that had an expired patent, especially Revlimid which made up 21.6% of the company's 2022 revenue.^[34] In 2022, BMY saw a revenue of \$46.1B.

BMY 2022 Revenue Decomposition



Sources: Bristol-Myers Squibb 10-K

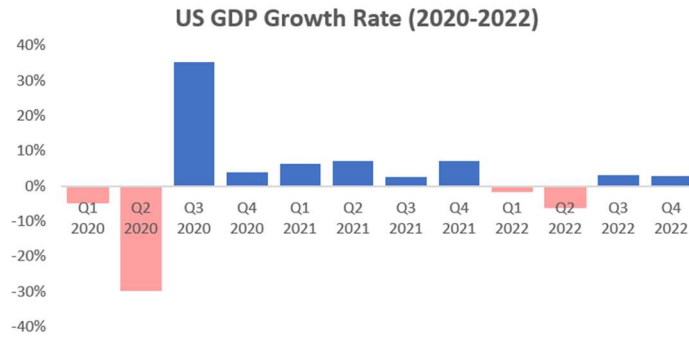
The management outlook for BMY remained positive mainly driven by its latest acquisition of Turning Point Therapeutics and having at least 2 drugs filing for FDA approval in 2023.^[34] Through mergers and acquisitions, BMY is expanding its portfolio rapidly and it is estimated that by 2030, 50% of the revenue will be generated by the drugs developed by its subsidiaries.^[34] While BMY is currently falling short on market capitalization, if the Company continues to expand and participate in M&A activities, it is expected that BMY would grow to be a greater threat to JNJ in the future.

ECONOMIC OUTLOOK

GDP Forecast

Due to the reduction in consumer spending and business investment, the US economy saw a slowdown of 1.4% in the first quarter of 2022.^[27] While inflation and supply chain disruption continue to be an issue, the US economy had a negative growth rate in two consecutive quarters in Q2 2022 with -0.9% which brought the US into a technical recession by definition.^[27] This did not last for long as the economy bounced back 3.2% in the third quarter and the advanced GDP reading for Q4 2022 is 2.9%, signaling that

the economy has been performing steadily well despite the recession fears and concerns ^[21].

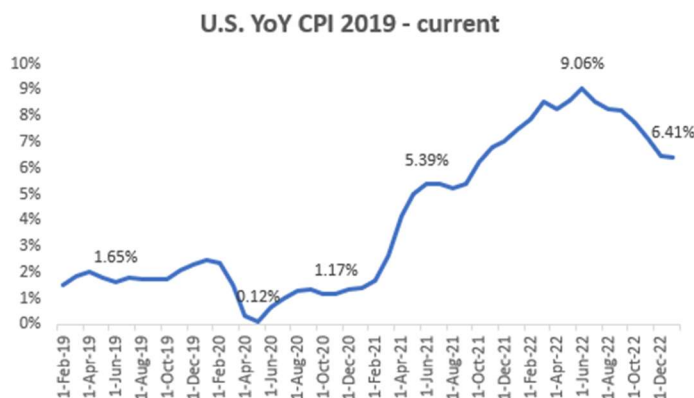


Sources: Trading Economics

The Henry Fund analysts projected a short-term real GDP growth of -0.33% in the following year as we estimated that there is a 54.6% chance that the US economy would fall into recession sometime in the next 6 -12 months. While it is only an economic indicator, this projection is parallel with the 47.31%, the highest level in 40 years, probability of US recession predicted by Treasury Spread in the next twelve months that was released by the New York Fed in December 2022 ^[11].

Inflation and Interest Rate Expectations

2022 has been a historically abnormal year for Consumer Price Index (CPI) as the YOY inflation rate once went as high as 9.1%, the highest rate in 40 years^[1]. That makes the inflation data to be one of the economic data that the FED as well as the whole market is paying close attention to. According to monetary policy, the FED mentioned that they would use the Federal Reserve Fund Rate to tame inflation down to the usual 2%. While the aggressive interest rate hike managed to bring inflation down to 6.1% in December 2022, the Henry Fund in-house projection shows that the inflation rate is very likely to be sticky around the 5-6% level before going back to the low and constant inflation rate.



Sources: Statista

This then brings the discussion of the interest rate. The current yield curve has been inverted for months, indicating that the market expects inflation to continue being high for the short term and eventually correct itself. As of February 2023, the FED Fund rate is 450-475 basis points, a relatively high rate as compared to the past few years.

As mentioned above with the inflation expectations, the terminal FED Fund rate that the market predicted and is currently being priced in is 5.1%, signaling at least one more 25bps hike, from the next FED meetings. According to the CME Group's FED Watch Tool, 70% of the analysts believe that there will be a second 25bps hike in May, making the FED Fund rate to be 500-525bps ^[8]. However, observing how the FED pays high attention to the Consumer Price Index and unemployment claim data, their decision would change according to the short-term market outlook.

Unemployment Rate

Unlike most of the economic data mentioned above, the unemployment rate remained at a steadily low rate for the past months. While the economy is starting to see hiring freezes or layoffs from bigger companies, especially in technology companies, the job market is still looking solid as the unemployment rate as of January 2023 is 3.4%, the lowest rate in the past five decades ^[12].

In the healthcare industry, the unemployment rate is an important driver since 50.1% of the population's health insurance plans were offered by their employers ^[1]. Therefore, if we see an increase in unemployment rate, there is a possibility that individuals will be losing their insurance coverages. With the high medical cost, this could result in patients not seeking medical treatments or delaying medications due to the costs. If this happens, JNJ would see slower growth since patients are not willing to spend on healthcare after losing coverages.

VALUATION

Revenue growth

Overall, the Henry Fund forecasts the revenue growth for JNJ to be 2.38% next year and eventually reach a steady growth rate of 2.5% in 2027. While the Company experienced high growth in 2021, most of the consumer

health products excluded the inflated growth rate in its projection since it is believed that the growth rate was driven by the one-time COVID-19 event.

The high-growth pharmaceutical segment will experience lower growth in 2023 since the sales of other prescribed drugs would get offset by the termination of COVID-19-related products.

Medtech is expected to experience slow but steady growth with the development of new technology being offset by other market competition.

Operating expense assumptions

Historically, JNJ has steady operating expenses as the COGS and SG&A expenses are +/- 1% within 25.5% and 26% of the revenue respectively. The expenses projection follows the same pattern and will be within the range of these revenue percentages.

Profit margin forecasts

As the projected operating expenses are the historical rate from the previous years, the profit margin forecast for 2023 is correlated to the numbers, with the consideration that a steady depreciation and amortization value would eventually generate a higher gross profit for the company.

Earnings estimates relative to the consensus

The table below compares the estimated revenue given on Q4 2021 earnings call to the actual revenue reported in 2022. While the Company eventually reduced the revenue estimation to \$93B – 93.5B for 2022 and beating the latest estimated earnings, JNJ missed more than 4% of its 2022 first revenue estimation. Moving on, JNJ provided a \$96.9B - \$97.9B revenue outlook for this fiscal year and the Henry Fund projection is within the range provided by JNJ.

	Management Outlook 2022	Management Outlook 2023E
	Total Revenues	
Estimation	\$98.9 - \$100.4	\$96.9 - \$97.9
Actual / Henry Fund	\$94.94	\$97.20
Management vs Henry Fund	missed	within

Sources: JNJ 10-K, Henry Fund

Capital structure forecasts

The current debt-to-total shareholder's equity is 0.52x for JNJ and it is expected to maintain the current capital

structure since JNJ is comfortable with its existing cash and cash equivalent and marketable securities holdings. Since it has a superior credit rating, the debt raised from its investors will be able to hedge its financial obligations as well as funding for more future acquisitions.

Payout policy forecasts

With its current dividend yield of 2.8%, JNJ is known as one of the dividends stocks, especially when the average dividend yield of the S&P500 companies is 1.66%. The model follows dividends declared per share of 65% of the year's EPS.

Valuation Analysis

DCF / EP Model

With the forecast revenue decomposition, the target price that the DCF/EP model found for JNJ is \$201.22, which is almost a 21% upside from the current stock price. While the targeted price found is high, it is on par with the higher end of the professional analyst's target price. As the DCF model has more revenue forecast and projection, the Henry Fund is taking a 25% weight from this model from the DCF model for the target price range.

DDM Model

The high dividend yield brings the DDM Model to an implied share price of \$165.87, which is a 0% upside from the current JNJ share price. With JNJ's steady stream of dividends, this is considered a better share price model so the Henry Fund is taking a 75% weight from the DDM model for the target price range.

Relative Valuation

Overall, other than LLY which has a high stock price, the industries have a similar P/E and EV/EBITDA ratio. As JNJ is the leader in the space, the industry average ratios would provide a lower implied relative value which ranges between \$111.04 - \$179.29. However, the Henry Fund thinks that JNJ is simply better positioned than the other peers due to its diverse business and pipeline. Therefore, the Henry Fund is not taking any weight from the relative valuation since the price range is wide and believes that the DCF/EP and DDM models are more reliable.

Implied Relative Value:

P/E (EPS23)	\$	127.36
P/E (EPS24)	\$	111.04
EV/EBITDA 2023	\$	179.29
EV/EBITDA 2024	\$	158.00

Sensitivity analysis

Risk-free rate vs Beta

Beta	Risk-free Rate							
	200.45	1.7%	2.2%	2.7%	3.3%	3.8%	4.3%	4.8%
	0.23	1,294.13	715.84	492.71	357.06	289.54	242.88	208.69
	0.33	685.10	477.80	365.61	284.22	239.10	205.87	180.38
	0.43	463.76	357.25	289.73	235.43	203.13	178.25	158.49
	0.53	349.26	284.41	239.29	200.45	176.17	156.84	141.07
	0.63	279.28	235.62	203.32	174.15	155.22	139.75	126.87
	0.73	232.05	200.64	176.37	153.64	138.46	125.80	115.06
	0.83	198.03	174.34	155.42	137.19	124.75	114.18	105.09

The beta shows JNJ's sensitivity towards systematic risk as compared to the benchmark. FactSet gave a 0.53 beta for JNJ's 5-year monthly beta. The risk-free rate is taken from the U.S. 10-year treasury yield as of April 7, 2023, which is 3.3%. Both values were needed to compute the WACC which then would affect the present value DCF calculation; therefore, the sensitivity analysis is needed to show how the DCF stock price would change over the assumptions.

Pre-tax Cost of Debt vs Equity Risk Premium

Equity Risk Premium	Pre-Tax Cost of Debt							
	200.45	3.2%	3.7%	4.2%	4.7%	5.2%	5.7%	6.2%
	4.0%	265.22	261.73	258.33	255.01	251.77	248.61	245.52
	4.5%	242.59	239.65	236.77	233.95	231.20	228.51	225.87
	5.0%	223.39	220.86	218.39	215.98	213.61	211.29	209.01
	5.5%	206.88	204.69	202.55	200.45	198.39	196.37	194.39
	6.0%	192.53	190.62	188.75	186.91	185.10	183.32	181.58
	6.5%	179.95	178.27	176.61	174.99	173.39	171.81	170.27
	7.0%	168.83	167.34	165.86	164.42	162.99	161.59	160.20

The Equity Risk Premium used is 5.5%, an average that Henry Fund decided based on the average ERP over the decades as well as Damodaran's cash yield ERP as of March 2023. The cost of debt was taken from JNJ's 10-K and it is close to the average cost of borrowing for the company's 10-year bonds. Similarly, the inputs would affect the model's WACC.

CV Year ROIC vs CV Growth of NOPLAT

CV Growth of NOPLAT	CV Year ROIC						
	200.45	26%	31%	36%	41%	46%	51%
	1.0%	150.12	150.97	151.59	152.05	152.41	152.71
	1.5%	161.42	162.85	163.87	164.64	165.25	165.73
	2.0%	175.51	177.65	179.18	180.34	181.24	181.97
	2.5%	193.57	196.61	198.80	200.45	201.74	202.77
	3.0%	217.54	221.79	224.84	227.15	228.95	230.39
	3.5%	250.90	256.82	261.08	264.30	266.81	268.82
	4.0%	300.49	308.90	314.96	319.53	323.10	325.96

The CY year ROIC is calculated based on the NOPLAT value in 2032E and the invested capital in 2028E. The valuation model assumes that JNJ to have reducing intangible assets, making the ROIC increases to 41% in 2028E. The CV Year NOPLAT growth rate is decided to be 2.5%, which is the average inflation rate of the U.S. economy as it is projected that CVS will be reaching a mature business in 10 years.

Operational Growth vs Sales Reduction

Sales Reduction	Operational Growth							
	200.45	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%
	5%	203.62	206.28	209.04	211.92	214.92	218.04	221.28
	0%	199.03	201.69	204.45	207.33	210.33	213.45	216.69
	-5%	195.24	197.90	200.67	203.55	206.54	209.66	212.90
	-10%	192.15	194.80	197.57	200.45	203.45	206.56	209.80
	-15%	189.64	192.30	195.07	197.95	200.94	204.06	207.30
	-20%	187.64	190.30	193.06	195.94	198.94	202.06	205.30
	-25%	186.06	188.71	191.48	194.36	197.36	200.47	203.71

The operating growth is a % estimated to decrease in sales growth as the company is entering a steadier operating stage. The model projects JNJ to experience an average of 2.5% growth in revenue for the next few years. The operating growth that is currently used in the model is -0.5%. When a company faces patent expiration, it would usually follow by significant generic competition and the sales reduction is a % estimated to decrease when a drug faces a patent expiration, as the drugs lose exclusivity, 10% is a conservative estimation of reduction in revenue.

Pharmaceutical Competitive Pressure vs COGS

Cost of Products Sold	Pharmaceutical Competitive Pressure							
	200.45	-6.5%	-6.0%	-5.5%	-5.0%	-4.5%	-4.0%	-3.5%
	-10%	313.79	318.20	322.91	327.93	333.29	338.99	345.07
	-15%	273.48	277.21	281.19	285.44	289.97	294.80	299.94
	-20%	233.18	236.22	239.47	242.94	246.65	250.60	254.81
	-25%	192.87	195.23	197.75	200.45	203.33	206.40	209.68
	-30%	152.56	154.24	156.04	157.96	160.01	162.21	164.55
	-35%	112.26	113.25	114.32	115.47	116.69	118.01	119.42
	-40%	71.95	72.26	72.60	72.97	73.38	73.81	74.29

As mentioned in the report, the pharmaceutical industry is highly competitive; a company could face bio-similarity competitive pressure from peers before the drugs' patents expire; therefore, the model is subjected to a -5% competitive pressure reduction in revenue over the years. While JNJ has a relatively stable COGS, any increase or decrease in the rate would affect the company's targeted stock price so it is made into a sensitivity test.

Dividend Yield vs R&D Expenses

		Dividend Yield						
R&D Expenses	200.45	0.0%	0.8%	1.8%	2.8%	3.8%	4.8%	5.8%
	0%	336.31	335.93	335.42	334.86	334.25	333.61	332.92
	-5%	311.91	311.57	311.12	310.62	310.08	309.50	308.88
	-10%	287.50	287.22	286.83	286.39	285.91	285.39	284.83
	-15%	263.10	262.86	262.53	262.16	261.74	261.28	260.79
	-20%	238.69	238.51	238.24	237.92	237.57	237.17	236.74
	-25%	214.29	214.15	213.94	213.69	213.40	213.06	212.69
	-30%	189.88	189.80	189.65	189.46	189.22	188.95	188.65

As JNJ has been increasing dividends for 60 consecutive years, the dividend would affect the targeted share price depending on how much payout the Company would want to give to its shareholders. Similarly, a pharmaceutical company would spend a good percentage of its revenue on R&D since a successful pipeline and product development is what drive the Company's future revenue.

KEYS TO MONITOR

Kenvue

A key to monitor for JNJ is if the Kenvue spin-off gets through by the end of 2023. While investors are quite positive that the spin-off will get through even when the talc lawsuits are settled, it would not be surprising that JNJ management decided to undo the said deal. The failure of the completion of the spin-off would not pose a large negative impact on the Company's stock price. However, the key to monitor here is if JNJ's business model will get affected by the completion of the spin-off as it would turn JNJ into a more biotechnology and pharmaceutical focused company after the spin-off.

Talc Lawsuit

The announcement of the talc lawsuit settlement is given by the JNJ's management and it is yet to be confirmed by the legal authorities or U.S. federal court. At the same time, the Company is insisting to file a Chapter 11 bankruptcy for its subsidiary, LTL Management to settle the cases. If there is any surprises to the talc lawsuit, it would not be surprising that JNJ's stock price would be affected by the news again.

AI Robotics

Back in 2020, the Company announced the Ottava project, a general surgery robot that would integrate artificial intelligence, deep learning, machine learning as well as internet-of-things to offer greater flexibility and control than the other competitors' products. The project was

pushed back in 2021 for 2 years due to the pandemic and if JNJ followed the timeline that it suggested, it might announce that the project will be resume within the next year any development about the new technology would be exciting for the investors.

CONCLUSION

Overall, Henry Fund believes that JNJ is currently trading at its fair value and has little upside to purchase the stock. While it is a good progress that the Company has come to a settlement for its talc lawsuits, it still has unanswered question on how Kenvue and LTL Management would change JNJ's business structure. At the same time, JNJ's greatest strength is being a mega pharmaceutical company that has diversified pipeline and does not rely its revenue solely on one or two drugs like some of its peers. With that keeping in mind, JNJ is a good investment to hold for the healthcare exposure, yet we should pay close attention to any management updates on the upcoming Kenvue spinoff.

As of April 6, 2023, Henry Fund is recommending a HOLD rating for the Company as we found a valuation range from \$166 - \$179, which represents a 0-7% upside.

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19. Biopharmadive
20. MobiHealth News
21. Fierce Pharma
22. Fierce Biotech

23. Fierce HealthCare
24. Clinical Trials Arena
25. Drug Patent Watch
26. Truth About Talc
27. Sustain Analytics
28. Trading Economics
29. Pfizer 10-K
30. AbbVie 10-K
31. Merck and Co. 10-K
32. Eli Lilly and Company 10-K
33. Johnson & Johnson 10-K
34. Bristol-Myers Squibb Company 10-K

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Johnson & Johnson
Key Assumptions of Valuation Model
Historical + Forecast

	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Amortization Expense Schedule (from 10K notes)	4,700	4,700	4,300	4,600	4,400	3,600	3,000	2,400	1,800	1,200	600	600	600
LT Debt Maturity Schedule (from 10K notes)	32,635	29,985	26,888	25,496	23,829	21,833	19,562	17,272	16,974	15,367	15,367	15,367	15,367
Management CapEx Guidance (if available)	3,708	2,896	3,541	3,565	3,660	3,769	3,885	3,983	4,022	3,957	3,868	3,743	3,634
Share Repurchases (\$, if applicable)				2,500	1,500	500	500	0	0	0	0	0	0
Total Dividends Paid													
Beginning of FY Shares Outstanding	2,633	2,632	2,625	2,628	2,636	2,651	2,669	2,688	2,706	2,715	2,715	2,715	2,715
Expected Dividend per Share	\$ 3.98	\$ 4.19	\$ 4.45	\$ 4.50	\$ 4.69	\$ 5.10	\$ 5.47	\$ 5.81	\$ 6.04	\$ 6.19	\$ 6.30	\$ 6.25	\$ 6.23
Total Dividends Paid (\$)	10,479	11,028	11,682	11,822	12,369	13,514	14,607	15,604	16,335	16,798	17,094	16,967	16,899
Property, Plant and Equipment													
PPE (t-1)	17,658	18,766	18,962	19,803	20,464	21,123	21,795	22,485	23,171	23,795	24,262	24,572	24,712
Less Depreciation	2,600	2,700	2,700	2,904	3,001	3,097	3,196	3,297	3,398	3,489	3,558	3,603	3,624
Plus CAPEX	3,708	2,896	3,541	3,565	3,660	3,769	3,885	3,983	4,022	3,957	3,868	3,743	3,634
% CAPEX to revenue	4.49%	3.09%	3.73%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%
PPE, net	18,766	18,962	19,803	20,464	21,123	21,795	22,485	23,171	23,795	24,262	24,572	24,712	24,722
Deferred Income Taxes Assets													
Deferred tax income (t-1)	7,819	8,534	10,223	9,123	10,156	11,237	12,418	13,695	15,058	16,486	17,954	19,448	20,931
Deferred tax income (t)	8,534	10,223	9,123	10,156	11,237	12,418	13,695	15,058	16,486	17,954	19,448	20,931	22,408
Tax expense	(1,783)	(1,898)	(3,784)	(3,822)	(3,999)	(4,369)	(4,723)	(5,045)	(5,281)	(5,431)	(5,527)	(5,486)	(5,464)
Deferred income taxes assets	40.10%	88.99%	-29.07%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%
Deferred Income Taxes Liabilities													
Deferred tax income (t-1)	5958	7214	7487	6,374	6,514	6,661	6,821	6,994	7,179	7,373	7,572	7,774	7,975
Deferred tax income (t)	7214	7487	6374	6,514	6,661	6,821	6,994	7,179	7,373	7,572	7,774	7,975	8,176
Tax expense	-1783	-1898	-3784	(3,822)	(3,999)	(4,369)	(4,723)	(5,045)	(5,281)	(5,431)	(5,527)	(5,486)	(5,464)
Deferred income taxes liabilities	-70.44%	-14.38%	29.41%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%

Historical

	2020	2021	2022	
Depreciation Rate:				
Depreciation Expense	2,600	2,700	2,700	
Beginning Net PPE	17,658	18,766	18,962	
Implied Depreciation Rate (%)	14.72%	14.39%	14.24%	14.66% Average
Marginal Tax Rate (%)				
US Statutory (Federal) Tax (%)	21%	21%	21%	
Foreign Income Tax (%)	-9.90%	-16%	-5%	
Other calculation (%)	-0.30%	4%	1%	
Implied Marginal Tax Rate	10.80%	8.30%	17.40%	12.84% Average
Effective Tax Rate (%)				
Provision of Income Tax	(1,783)	(1,898)	(3,784)	
Earnings Before Tax	16,497	22,776	21,725	
Implied Effective Tax Rate	10.81%	8.33%	17.42%	12.86% Average
Normal Cash Calculation (%)				
Cash from B/S	13,985	14,487	14,127	
Revenue	82,584	93,775	94,943	
Cash as a % of Sales	16.93%	15.45%	14.88%	18.11% Average
Dividend Payout Ratio (%)				
Total Dividends	10,479	11,028	11,682	
Net Income	14,714	20,878	17,941	
Implied Payout Ratio (%)	71.21%	52.82%	65.11%	63.36% Average

Johnson & Johnson
Revenue Decomposition

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Company Revenue: (in \$ million)								
Consumer Health	14,450	15,035	14,953	15,260	15,609	15,967	16,367	16,772
Pharmaceutical	45,175	51,680	52,563	53,720	55,130	56,876	58,702	60,005
MedTech	22,959	27,060	27,427	28,218	29,058	29,937	30,862	31,826
Total Revenue	82,584	93,775	94,943	97,199	99,797	102,780	105,932	108,603
CONSUMER HEALTH								
OTC	5,221	5,627	6,031	6,497	6,999	7,505	8,048	8,589
Skin Health/Beauty	4,450	4,541	4,352	4,276	4,202	4,128	4,056	3,986
Oral Care	1,641	1,645	1,506	1,496	1,487	1,477	1,468	1,459
Baby care	1,517	1,566	1,461	1,378	1,299	1,226	1,156	1,090
Women's Health	901	917	904	906	907	909	910	912
Wound Care/Other	720	739	700	707	714	722	729	736
Total Consumer Health								
U.S.	6,362	6,516	6,599	6,620	6,771	6,926	7,100	7,275
International	8,088	8,519	8,354	8,641	8,838	9,041	9,268	9,497
Worldwide	14,450	15,035	14,953	15,260	15,609	15,967	16,367	16,772
PHARMACEUTICAL								
Immunology								
REMICADE (expired 2018)	3,747	3,190	2,343	1,858	1,473	1,094	813	604
SIMPONI/SIMPONI ARIA (expires in 2024)	2,243	2,276	2,184	2,075	1,971	1,774	1,597	1,437
STELARA (expires 2023 in US; 2024 in Europe)	7,707	9,134	9,723	10,209	9,188	8,269	7,442	6,698
TREMFYA (expires 2036)	1,347	2,127	2,668	3,347	4,198	5,056	6,089	7,029
Other Immunology	11	24	17	21	26	33	41	51
Infectious Diseases								
COVID-19 Vaccine	-	2,385	2,179	545	136	34	9	2
EDURANT/rilpivirine (expires 2025)	964	994	1,008	1,031	1,054	1,078	970	873
PREZISTA/PREZCOBIX/REZOLSTA/SYMTUZA (expired 2013)	2,184	2,083	1,943	1,797	1,618	1,456	1,310	1,179
Other Infectious Diseases	396	363	318	286	258	232	209	188
Neuroscience								
CONCERTA/Methylphenidate (expired 2018)	622	667	644	641	638	635	632	629
INVEGA SUSTENNA / XEPLION / INVEGA TRINZA / TREVICTA (expires 2031)	3,653	4,022	4,140	4,306	4,478	4,635	4,797	4,941
RISPERDAL CONSTA (expires 2020)	642	592	485	397	318	238	179	134
Other neuroscience	1,610	1,706	1,623	1,595	1,568	1,541	1,514	1,488
Oncology								
DARZALEX (expires 2029 in US; 2032 in Europe)	4,190	6,023	7,977	10,166	12,448	14,619	16,438	17,661
ERLEADA (expires 2033)	760	1,291	1,881	2,553	3,336	4,194	5,062	5,856
IMBRUVICA (expires 2036)	4,128	4,369	3,784	3,641	3,504	3,354	3,210	3,057
ZYTIGA / abiraterone acetate (expired 2022)	2,470	2,297	1,770	1,497	1,266	1,071	906	766
Other Oncology	821	568	571	571	571	571	571	571
Pulmonary Hypertension								
OPSUMIT	1,639	1,819	1,783	1,783	1,774	1,756	1,730	1,695
UPTRAVI	1,093	1,237	1,322	1,413	1,503	1,591	1,677	1,758
Other	416	395	313	258	213	176	145	120
Cardiovascular/Metabolism/Other								
XARELTO	2,345	2,438	2,473	2,474	2,475	2,476	2,477	2,478
INVOKANA/IVOKAMET	795	563	448	383	327	280	239	205
Other	1,394	1,119	966	873	790	714	646	584
Total Pharmaceutical								
U.S.	25,735	27,954	28,604	29,999	30,787	31,762	32,781	33,509
International	19,440	23,726	23,959	23,721	24,344	25,114	25,921	26,496
Worldwide	45,175	51,680	52,563	53,720	55,130	56,876	58,702	60,005
MEDTECH								
Interventional Solutions								
	3,046	3,971	4,300	4,632	4,967	5,301	5,632	5,954
Orthopaedics								
Hips	1,280	1,480	1,514	1,542	1,571	1,592	1,613	1,627
Knees	1,170	1,325	1,359	1,366	1,374	1,382	1,389	1,397
Trauma	2,614	2,885	2,871	2,875	2,879	2,884	2,888	2,892
Spine, Sports & Other	2,699	2,898	2,843	2,921	3,001	3,083	3,167	3,254
Surgery								
Advanced	3,839	4,622	4,569	4,596	4,623	4,650	4,678	4,705
General	4,392	5,190	5,121	5,552	6,020	6,527	7,076	7,672
Vision								
Contact lenses/other	2,994	3,440	3,543	3,407	3,276	3,150	3,030	2,913
Surgical	925	1,248	1,306	1,326	1,347	1,368	1,390	1,411
Total Medtech								
U.S.	11,036	12,686	13,377	13,487	13,888	14,308	14,751	15,211
International	11,923	14,374	14,050	14,731	15,170	15,628	16,112	16,615
Worldwide	22,959	27,060	27,427	28,218	29,058	29,937	30,862	31,826
Total Revenue								
U.S.	43,133	47,156	48,580	50,106	51,446	52,996	54,632	55,996
International	39,451	46,619	46,363	47,093	48,351	49,784	51,300	52,607
Worldwide	82,584	93,775	94,943	97,199	99,797	102,780	105,932	108,603

Johnson & Johnson
Revenue Decomposition

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Company Revenue: (in growth %)								
Consumer Health	3.97%	4.05%	-0.55%	2.06%	2.28%	2.29%	2.51%	2.47%
Pharmaceutical	7.05%	14.40%	1.71%	2.20%	2.63%	3.17%	3.21%	2.22%
MedTech	-11.57%	17.86%	1.36%	2.89%	2.98%	3.02%	3.09%	3.12%
Total Revenue	0.64%	13.55%	1.25%	2.38%	2.67%	2.99%	3.07%	2.52%
CONSUMER HEALTH								
OTC	8.23%	7.78%	7.18%	7.73%	7.73%	7.23%	7.23%	6.73%
Skin Health/Beauty	-3.11%	2.04%	-4.16%	-1.74%	-1.74%	-1.74%	-1.74%	-1.74%
Oral Care	7.47%	0.24%	-8.45%	-0.64%	-0.64%	-0.64%	-0.64%	-0.64%
Baby care	-9.43%	3.23%	-6.70%	-5.69%	-5.69%	-5.69%	-5.69%	-5.69%
Women's Health	-8.62%	1.78%	-1.42%	0.18%	0.18%	0.18%	0.18%	0.18%
Wound Care/Other	7.30%	2.64%	-5.28%	1.02%	1.02%	1.02%	1.02%	1.02%
Total Consumer Health								
U.S.	8.96%	2.42%	1.27%	0.31%	2.28%	2.29%	2.51%	2.47%
International	0.36%	5.33%	-1.94%	3.43%	2.28%	2.29%	2.51%	2.47%
Worldwide	3.97%	4.05%	-0.55%	2.06%	2.28%	2.29%	2.51%	2.47%
PHARMACEUTICAL								
Immunology								
REMICADE	-14.45%	-14.87%	-26.55%	-20.71%	-20.71%	-25.71%	-25.71%	-25.71%
SIMPONI/SIMPONI ARIA	2.51%	1.47%	-4.04%	-5.00%	-5.00%	-10.00%	-10.00%	-10.00%
STELARA (expires 2023 in US; 2024 in Europe)	21.16%	18.52%	6.45%	5.00%	-10.00%	-10.00%	-10.00%	-10.00%
TREMFYA	33.10%	57.91%	25.43%	25.43%	25.43%	20.43%	20.43%	15.43%
Other Immunology	10.00%	118.18%	-29.17%	24.75%	24.75%	24.75%	24.75%	24.75%
Infectious Diseases								
COVID-19 Vaccine			-8.64%	-75%	-75%	-75%	-75%	-75%
EDURANT/rilpivirine	11.96%	3.11%	1.41%	2.26%	2.26%	2.26%	-10%	-10%
PREZISTA/PREZCOBIX/REZOLSTA/SYMTUZA	4.00%	-4.62%	-6.72%	-7.50%	-10%	-10%	-10%	-10%
Other Infectious Diseases	-10.20%	-8.33%	-12.40%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Neuroscience								
CONCERTA/Methylphenidate	-10.63%	7.23%	-3.45%	-0.47%	-0.47%	-0.47%	-0.47%	-0.47%
INVEGA SUSTENNA / XEPLION / INVEGA TRINZA /TREVICTA	9.70%	10.10%	2.93%	4.00%	4.00%	3.50%	3.50%	3.00%
RISPERDAL CONSTA	-6.69%	-7.79%	-18.07%	-18.07%	-20.00%	-25.00%	-25.00%	-25.00%
Other neuroscience	-0.25%	5.96%	-4.87%	-1.72%	-1.72%	-1.72%	-1.72%	-1.72%
Oncology								
DARZALEX (expires 2029 in US; 2032 in Europe)	39.76%	43.75%	32.44%	27.44%	22.44%	17.44%	12.44%	7.44%
ERLEDA	128.92%	69.87%	45.70%	35.70%	30.70%	25.70%	20.70%	15.70%
IMBRUVICA	21.02%	5.84%	-13.39%	-3.78%	-3.78%	-4.28%	-4.28%	-4.78%
ZYTIGA / abiraterone acetate	-11.63%	-7.00%	-22.94%	-15.42%	-15.42%	-15.42%	-15.42%	-15.42%
Other Oncology	101.72%	-30.82%	0.53%	0.00%	0.00%	0.00%	0.00%	0.00%
Pulmonary Hypertension								
OPSUMIT	23.51%	10.98%	-1.98%	0.00%	-0.50%	-1.00%	-1.50%	-2.00%
UPTRAVI	33.46%	13.17%	6.87%	6.87%	6.37%	5.87%	5.37%	4.87%
Other	-12.61%	-5.05%	-20.76%	-17.48%	-17.48%	-17.48%	-17.48%	-17.48%
Cardiovascular/Metabolism/Other								
XARELTO	1.38%	3.97%	1.44%	0.04%	0.04%	0.04%	0.04%	0.04%
INVOKANA/IVOKAMET	8.16%	-29.18%	-20.43%	-14.50%	-14.50%	-14.50%	-14.50%	-14.50%
Other	3.03%	-19.73%	-13.67%	-9.58%	-9.58%	-9.58%	-9.58%	-9.58%
Total Pharmaceutical								
U.S.	7.80%	8.62%	2.33%	4.88%	2.63%	3.17%	3.21%	2.22%
International	6.09%	22.05%	0.98%	-0.99%	2.63%	3.17%	3.21%	2.22%
Worldwide	7.05%	14.40%	1.71%	2.20%	2.63%	3.17%	3.21%	2.22%
MEDTECH								
Interventional Solutions								
	1.63%	30.37%	8.29%	7.73%	7.23%	6.73%	6.23%	5.73%
Orthopaedics								
Hips	-10.99%	15.63%	2.30%	1.85%	1.85%	1.35%	1.35%	0.85%
Knees	-20.95%	13.25%	2.57%	0.55%	0.55%	0.55%	0.55%	0.55%
Trauma	-3.90%	10.37%	-0.49%	0.15%	0.15%	0.15%	0.15%	0.15%
Spine, Sports & Other	-15.68%	7.37%	-1.90%	2.74%	2.74%	2.74%	2.74%	2.74%
Surgery								
Advanced	-6.25%	20.40%	-1.15%	0.59%	0.59%	0.59%	0.59%	0.59%
General	-18.76%	18.17%	-1.33%	8.42%	8.42%	8.42%	8.42%	8.42%
Vision								
Contact lenses/other	-35.25%	14.90%	2.99%	-3.84%	-3.84%	-3.84%	-3.84%	-3.84%
Surgical	-24.92%	34.92%	4.65%	1.56%	1.56%	1.56%	1.56%	1.56%
Total Medtech								
U.S.	-10.89%	14.95%	5.45%	0.82%	2.98%	3.02%	3.09%	3.12%
International	-12.20%	20.56%	-2.25%	4.85%	2.98%	3.02%	3.09%	3.12%
Worldwide	-11.57%	17.86%	1.36%	2.89%	2.98%	3.02%	3.09%	3.12%
Total Revenue								
U.S.	2.46%	9.33%	3.02%	2.20%	2.63%	3.17%	3.21%	2.22%
International	-1.28%	18.17%	-0.55%	2.89%	2.98%	3.02%	3.09%	3.12%
Worldwide	0.64%	13.55%	1.25%	2.38%	2.67%	2.99%	3.07%	2.52%

Income Statement

[illegible]

Johnson & Johnson
Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash and cash equivalents	13,985	14,487	14,127	13,678	22,107	31,160	37,854	46,897	58,832	64,785	71,963	79,008	86,193
Marketable securities	11,200	17,121	9,392	9,826	10,281	10,757	11,254	11,775	12,320	12,889	13,486	14,110	14,762
Accounts receivable trade, less allowances for doubtful accounts	13,576	15,283	16,160	16,463	16,903	17,408	17,942	18,394	18,573	18,273	17,861	17,285	16,780
Inventories	9,344	10,387	12,483	8,345	8,568	8,824	9,095	9,324	9,414	9,263	9,054	8,762	8,506
Prepaid expenses and other	3,132	3,701	3,132	3,356	3,445	3,548	3,657	3,749	3,786	3,725	3,641	3,523	3,420
Total current assets	51,237	60,979	55,294	51,668	61,304	71,697	79,801	90,140	102,925	108,936	116,004	122,688	129,662
Property, plant and equipment, net	18,766	18,962	19,803	20,464	21,123	21,795	22,485	23,171	23,795	24,262	24,572	24,712	24,722
Intangible assets, net	53,402	46,392	48,325	43,725	39,325	35,725	32,725	30,325	28,525	27,325	26,725	26,125	25,525
Goodwill	36,393	35,246	45,231	45,231	45,231	45,231	45,231	45,231	45,231	45,231	45,231	45,231	45,231
Deferred taxes on income	8,534	10,223	9,123	10,156	11,237	12,418	13,695	15,058	16,486	17,954	19,448	20,931	22,408
Other assets	6,562	10,216	9,602	9,830	10,093	10,395	10,713	10,984	9,277	9,127	8,921	8,634	8,381
Total assets	174,894	182,018	187,378	181,074	188,314	197,261	204,650	214,908	226,238	232,835	240,902	248,321	255,929
Loans and notes payable	2,631	3,766	12,771	2,101	2,157	2,222	2,290	2,347	2,370	2,332	2,279	2,206	2,142
Accounts payable	9,505	11,055	11,703	10,745	11,033	11,362	11,711	12,006	12,123	11,927	11,658	11,282	10,953
Accrued liabilities	13,968	13,612	11,456	12,568	12,904	13,290	13,697	14,043	14,179	13,950	13,636	13,196	12,811
Accrued rebates, returns and promotions	11,513	12,095	14,417	12,983	13,330	13,728	14,149	14,506	14,647	14,411	14,086	13,632	13,233
Accrued compensation and employee related obligations	3,484	3,586	3,328	3,778	3,879	3,995	4,117	4,221	4,262	4,193	4,099	3,967	3,851
Accrued taxes on income	1,392	1,112	2,127	2,194	2,295	2,508	2,711	2,896	3,031	3,117	3,172	3,149	3,136
Total current liabilities	42,493	45,226	55,802	44,369	45,598	47,105	48,675	50,019	50,612	49,931	48,930	47,432	46,125
Long-term debt	32,635	29,985	26,888	25,496	23,829	21,833	19,562	17,272	16,974	15,367	15,367	15,367	15,367
Deferred taxes on income	7,214	7,487	6,374	6,514	6,661	6,821	6,994	7,179	7,373	7,572	7,774	7,975	8,176
Employee related obligations	10,771	8,898	6,767	8,075	8,291	8,539	8,801	9,023	9,110	8,964	8,761	8,479	8,231
Long-term taxes payable	6,559	5,713	4,306	2,033	2,033	2,033	-	-	-	-	-	-	-
Other liabilities	11,944	10,686	10,437	11,206	10,652	10,198	9,820	9,518	9,291	9,140	9,064	8,989	8,913
Total liabilities	111,616	107,995	110,574	97,693	97,064	96,529	93,852	93,011	93,360	90,973	89,897	88,242	86,812
Preferred stock - without par value	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	3,120	3,120	3,120	5,874	8,628	11,382	14,136	16,890	19,134	19,134	19,134	19,134	19,134
Accumulated other comprehensive income / loss	(15,242)	(13,058)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)	(12,967)
Retained earnings	113,890	123,060	128,345	134,668	141,283	148,511	156,323	164,668	173,405	182,389	191,531	200,606	209,644
Total shareholders' equity before common stock held in treasury, at cost	101,768	113,122	118,498	127,575	136,944	146,926	157,492	168,592	179,572	188,556	197,699	206,773	215,811
Common stock held in treasury, at cost	(38,490)	(39,099)	(41,694)	(44,194)	(45,694)	(46,194)	(46,694)	(46,694)	(46,694)	(46,694)	(46,694)	(46,694)	(46,694)
Total shareholders' equity	63,278	74,023	76,804	83,381	91,250	100,732	110,798	121,898	132,878	141,862	151,005	160,079	169,117
Total liabilities and shareholders' equity	174,894	182,018	187,378	181,074	188,314	197,261	204,650	214,908	226,238	232,835	240,902	248,321	255,929

All figures in millions of U.S. Dollar.

Johnson & Johnson
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022
Net earnings	15,297	15,119	14,714	20,878	17,941
Depreciation and amortization of property and intangibles	6,929	7,009	7,231	7,390	6,970
Cash flows from operating activities					
Stock based compensation	978	977	1,005	1,135	1,138
Asset write-downs	1,258	1,096	233	989	1,216
Contingent consideration reversal	-	-	(1,148)	-	-
Net gain on sale of assets / businesses	(1,217)	(2,154)	(111)	(617)	(380)
Deferred tax provision	(1,016)	(2,476)	(1,141)	(2,079)	(1,663)
Accounts receivable allowances	(31)	(20)	63	(48)	(17)
(Increase) / decrease in accounts receivable	(1,185)	(289)	774	(2,402)	(1,290)
Increase / (decrease) in inventories	(644)	(277)	(265)	(1,248)	(2,527)
Increase in accounts payable and accrued liabilities	3,951	4,060	5,141	2,437	1,098
(Increase) / decrease in other current and non-current assets	(275)	(1,054)	(3,704)	(1,964)	687
Increase / (decrease) in other current and non-current liabilities	(1,844)	1,425	744	(1,061)	(1,979)
Net cash flows from operating activities	22,201	23,416	23,536	23,410	21,194
Cash flows from investing activities					
Additions to property, plant and equipment	(3,670)	(3,498)	(3,347)	(3,652)	(4,009)
Proceeds from the disposal of assets / businesses, net	3,203	3,265	305	711	543
Acquisitions, net of cash acquired	(899)	(5,810)	(7,323)	(60)	(17,652)
Purchases of investments	(5,626)	(3,920)	(21,089)	(30,394)	(32,384)
Sales of investments	4,289	3,387	12,137	25,006	41,609
Proceeds from credit support agreements	-	338	(987)	214	(249)
Other	(464)	44	(521)	(508)	(229)
Net cash used by / from investing activities	(3,167)	(6,194)	(20,825)	(8,683)	(12,371)
Cash flow from financing activities					
Dividends to shareholders	(9,494)	(9,917)	(10,481)	(11,032)	(11,682)
Repurchase of common stock	(5,868)	(6,746)	(3,221)	(3,456)	(6,035)
Proceeds from short-term debt	80	39	3,391	1,997	16,134
Repayment of short-term debt	(2,479)	(100)	(2,663)	(1,190)	(6,550)
Proceeds from long-term debt, net of issuance costs	5	3	7,431	5	2
Repayment of long-term debt	(1,555)	(2,823)	(1,064)	(1,802)	(2,134)
Proceeds from the exercise of stock options / excess tax bene	949	954	1,114	1,036	1,329
Other	(148)	575	(627)	395	65
Net cash used by / from financing activities	(18,510)	(18,015)	(6,120)	(14,047)	(8,871)
Increase / (decrease) in cash and cash equivalents	283	(802)	(3,320)	502	(360)
Cash and cash equivalents, beginning of period	17,824	18,107	17,305	13,985	14,487
Cash and cash equivalents, end of period	18,107	17,305	13,985	14,487	14,127

Johnson & Johnson
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net earnings	18,145	18,984	20,742	22,419	23,949	25,071	25,782	26,237	26,042	25,937
Depreciation and amortization of property and intangibles	7,504	7,401	6,697	6,196	5,697	5,198	4,689	4,158	4,203	4,224
Cash flows from operating activities										
Accounts receivable	(303)	(440)	(505)	(534)	(453)	(179)	299	412	576	505
Inventories	4,138	(223)	(256)	(271)	(229)	(91)	152	209	292	256
Prepaid expenses	(224)	(90)	(103)	(109)	(92)	(36)	61	84	117	103
Deferred taxes on income - assets	(1,033)	(1,081)	(1,181)	(1,277)	(1,364)	(1,428)	(1,468)	(1,494)	(1,483)	(1,477)
Other assets	(228)	(263)	(302)	(319)	(270)	1,707	150	206	288	252
Loans and notes payable	(10,670)	56	64	68	58	23	(38)	(53)	(73)	(64)
Accounts payable	(958)	287	330	348	295	117	(195)	(269)	(376)	(330)
Accrued liabilities	1,112	336	386	407	345	136	(229)	(315)	(439)	(386)
Accrued rebates	(1,434)	347	398	421	357	141	(236)	(325)	(454)	(398)
Accrued compensation and employee related obligations	450	101	116	122	104	41	(69)	(95)	(132)	(116)
Accrued taxes on income	67	101	213	203	185	136	86	55	(24)	(13)
Deferred taxes on income - liabilities	140	147	160	173	185	194	199	203	201	200
Employee related obligations	1,308	216	248	262	222	88	(147)	(202)	(282)	(248)
Long-term taxes payable	(2,273)	-	-	(2,033)	-	-	-	-	-	-
Other liabilities	769	(554)	(453)	(378)	(302)	(227)	(151)	(76)	(76)	(76)
Net cash flows from operating activities	16,511	25,325	26,554	25,701	28,687	30,890	28,885	28,735	28,379	28,371
Cash flows from investing activities										
Purchase of marketable securities	(434)	(455)	(476)	(498)	(521)	(545)	(570)	(596)	(624)	(653)
Purchase of PPE, gross	(3,565)	(3,660)	(3,769)	(3,885)	(3,983)	(4,022)	(3,957)	(3,868)	(3,743)	(3,634)
Net cash used by / from investing activities	(3,999)	(4,115)	(4,245)	(4,383)	(4,504)	(4,566)	(4,527)	(4,464)	(4,367)	(4,286)
Cash flow from financing activities										
Net repayment of long-term debt	(1,392)	(1,667)	(1,996)	(2,271)	(2,290)	(298)	(1,607)	-	-	-
Dividend paid	(11,822)	(12,369)	(13,514)	(14,607)	(15,604)	(16,335)	(16,798)	(17,094)	(16,967)	(16,899)
Common stock	2,754	2,754	2,754	2,754	2,754	2,244	-	-	-	-
Treasury stock	(2,500)	(1,500)	(500)	(500)	-	-	-	-	-	-
Net cash used by / from financing activities	(12,960)	(12,782)	(13,256)	(14,624)	(15,139)	(14,389)	(18,405)	(17,094)	(16,967)	(16,899)
Increase / (decrease) in cash and cash equivalents	(449)	8,429	9,053	6,694	9,043	11,935	5,953	7,177	7,045	7,185
Cash and cash equivalents, beginning of period	14,127	13,678	22,107	31,160	37,854	46,897	58,832	64,785	71,963	79,008
Cash and cash equivalents, end of period	13,678	22,107	31,160	37,854	46,897	58,832	64,785	71,963	79,008	86,193

Johnson & Johnson
Common Size Income Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Revenues:										
Consumer Health	17.0%	16.9%	17.5%	16.0%	15.7%	15.7%	15.6%	15.5%	15.5%	15.4%
Pharmaceutical	49.9%	51.4%	54.7%	55.1%	55.4%	55.3%	55.2%	55.3%	55.4%	55.3%
MedTech	33.1%	31.6%	27.8%	28.9%	28.9%	29.0%	29.1%	29.1%	29.1%	29.3%
Sales to Customers	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of products sold less D&A	-24.6%	-25.1%	-25.6%	-23.9%	-25.4%	-24.9%	-24.9%	-24.4%	-24.4%	-23.9%
Gross profit	66.8%	66.4%	65.6%	68.2%	67.3%	67.4%	67.7%	68.6%	69.2%	69.8%
Selling, marketing and administrative expenses	-27.6%	-27.0%	-26.7%	-26.3%	-26.1%	-26.8%	-26.8%	-26.8%	-26.8%	-26.8%
Research and development expense	-26.5%	-26.9%	-26.9%	-28.5%	-27.8%	-28.1%	-28.1%	-28.1%	-28.1%	-28.1%
In-process research and development	10.5%	7.8%	1.5%	6.1%	5.4%	5.7%	5.7%	5.7%	5.7%	5.7%
Interest income	3.4%	2.0%	0.6%	0.4%	3.4%	34.7%	4.9%	4.8%	5.1%	4.8%
Interest expense, net of portion capitalized	-3.6%	-1.2%	-0.6%	-0.6%	-1.0%	-4.9%	-4.9%	-5.0%	-5.2%	-5.2%
Other income / expense, net	-1.7%	-3.1%	-3.5%	-0.5%	-2.0%	-2.2%	-2.2%	-2.2%	-2.2%	-2.2%
Restructuring expense	-1.5%	-1.5%	-1.3%	-1.3%	-1.6%	-1.4%	-1.4%	-1.4%	-1.4%	-1.4%
Total expenses	-44.7%	-45.3%	-45.6%	-43.9%	-44.4%	-44.8%	-44.6%	-44.1%	-43.6%	-43.1%
Earnings before provision for taxes on income	22.1%	21.1%	20.0%	24.3%	22.9%	26.9%	28.0%	30.4%	28.9%	30.5%
Provision for taxes / benefit on income	-3.3%	-2.7%	-2.2%	-2.3%	-4.6%	-4.7%	-4.9%	-5.3%	-5.0%	-5.3%
Net earnings	18.8%	18.4%	17.8%	22.3%	18.9%	22.2%	23.1%	25.1%	23.9%	25.2%

Johnson & Johnson
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Cash and cash equivalents	22.2%	21.1%	16.9%	15.4%	14.9%	14.1%	22.2%	30.3%	35.7%	43.2%
Marketable securities	3.4%	4.4%	21.9%	28.1%	17.0%	19.0%	16.8%	15.0%	14.1%	13.1%
Accounts receivable trade, less allowances for doubtful accounts	17.3%	17.6%	16.4%	16.3%	17.0%	16.9%	16.9%	16.9%	16.9%	16.9%
Inventories	31.7%	32.7%	32.9%	34.8%	40.2%	34.5%	34.5%	34.5%	34.5%	34.5%
Prepaid expenses and other	3.3%	2.9%	3.8%	3.9%	3.3%	3.5%	3.5%	3.5%	3.5%	3.5%
Total current assets	56.4%	55.2%	62.0%	65.0%	58.2%	53.2%	61.4%	69.8%	75.3%	83.0%
Property, plant and equipment, net	20.9%	21.5%	22.7%	20.2%	20.9%	21.1%	21.2%	21.2%	21.2%	21.3%
Intangible assets, net	58.4%	58.1%	64.7%	49.5%	50.9%	45.0%	39.4%	34.8%	30.9%	27.9%
Goodwill	37.3%	41.0%	44.1%	37.6%	47.6%	46.5%	45.3%	44.0%	42.7%	41.6%
Deferred taxes on income	49.9%	51.7%	58.0%	49.0%	50.9%	56.0%	59.2%	59.9%	61.1%	62.9%
Other assets	6.3%	7.1%	7.9%	10.9%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%
Total assets	187.5%	192.2%	211.8%	194.1%	197.4%	186.3%	188.7%	191.9%	193.2%	197.9%
Loans and notes payable	10.4%	4.3%	7.1%	8.1%	31.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Accounts payable	9.2%	10.4%	11.5%	11.8%	12.3%	11.1%	11.1%	11.1%	11.1%	11.1%
Accrued liabilities	9.3%	11.8%	16.9%	14.5%	12.1%	12.9%	12.9%	12.9%	12.9%	12.9%
Accrued rebates, returns and promotions	11.5%	13.3%	13.9%	12.9%	15.2%	13.4%	13.4%	13.4%	13.4%	13.4%
Accrued compensation and employee related obligations	3.8%	4.1%	4.2%	3.8%	3.5%	3.9%	3.9%	3.9%	3.9%	3.9%
Accrued taxes on income	-30.3%	-102.6%	-78.1%	-58.6%	-56.2%	-57.4%	-57.4%	-57.4%	-57.4%	-57.4%
Total current liabilities	38.3%	43.8%	51.5%	48.2%	58.8%	48.1%	48.1%	48.1%	48.1%	48.1%
Long-term debt	33.9%	32.3%	39.5%	32.0%	28.3%	33.2%	33.2%	33.2%	33.2%	33.2%
Deferred taxes on income	49.1%	39.4%	49.0%	35.9%	35.5%	35.9%	35.1%	32.9%	31.2%	30.0%
Employee related obligations	12.2%	13.0%	13.0%	9.5%	7.1%	8.3%	8.3%	8.3%	8.3%	8.3%
Long-term taxes payable	10.1%	9.1%	7.9%	6.1%	4.5%	2.1%	2.0%	2.0%	0.0%	0.0%
Other liabilities	11.0%	14.4%	13.3%	13.1%	11.2%	12.6%	12.6%	12.6%	12.6%	12.6%
Total liabilities	114.2%	119.7%	135.2%	115.2%	116.5%	100.5%	97.3%	93.9%	88.6%	85.6%
Preferred stock - without par value										
Common stock	5.22%	5.25%	4.93%	4.21%	4.06%	7.04%	9.46%	11.30%	12.76%	13.86%
Accumulated other comprehensive income / loss	-25.48%	-26.72%	-24.09%	-17.64%	-16.88%	-15.55%	-14.21%	-12.87%	-11.70%	-10.64%
Retained earnings	177.76%	186.07%	179.98%	166.25%	167.11%	161.51%	154.83%	147.43%	141.09%	135.09%
Total shareholders' equity before common stock held in treasury, at cost	157.51%	164.60%	160.83%	152.82%	154.29%	153.00%	150.08%	145.86%	142.14%	138.31%
Common stock held in treasury, at cost	-57.51%	-64.60%	-60.83%	-52.82%	-54.29%	-53.00%	-50.08%	-45.86%	-42.14%	-38.31%
Total shareholders' equity	73.24%	72.47%	76.62%	78.94%	80.89%	85.78%	91.44%	98.01%	104.59%	112.24%
Total liabilities and shareholders' equity	187.49%	192.21%	211.78%	194.10%	197.36%	186.29%	188.70%	191.92%	193.19%	197.88%

All figures in billions of U.S. Dollar.

Johnson & Johnson
Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
NOPLAT:									
Revenue	82,584	93,775	94,943	97,199	99,797	102,780	105,932	108,603	109,658
- Depreciation and Amortization	(7,300)	(7,400)	(7,000)	(7,504)	(7,401)	(6,697)	(6,196)	(5,697)	(5,198)
- Costs of Products Sold less D&A	(21,127)	(22,455)	(24,089)	(24,218)	(24,865)	(25,608)	(26,393)	(27,059)	(27,322)
- Selling, marketing and administrative expenses	(22,084)	(24,659)	(24,765)	(26,006)	(26,701)	(27,499)	(28,342)	(29,057)	(29,339)
- Research and development expense	(12,159)	(14,714)	(14,603)	(14,669)	(15,054)	(15,531)	(16,029)	(16,385)	(16,573)
- In-process research and development	(181)	(900)	(783)	(842)	(864)	(891)	(920)	(940)	(951)
+ Implied interest on operating lease	47	47	42	51	47	47	47	47	47
EBIT	19,733	23,647	23,703	23,961	24,913	26,553	28,051	29,465	30,275
Marginal Tax Rate	10.80%	8.30%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%
Provision for Income Taxes	1,783	1,898	3,784	3,822	3,999	4,369	4,723	5,045	5,281
- Tax Shield on Interest income	(12)	(4)	(85)	(189)	(189)	(261)	(337)	(395)	(472)
+ Tax Shield on implied interest on operating lease	5	4	7	9	8	8	8	8	8
+ Tax Shield on Interest expense, net of portion capitalized	22	15	48	216	205	192	176	157	139
+ Tax Shield on Other income / expense, net	313	41	326	320	320	320	320	320	320
Adjusted Tax	2,111	1,953	4,080	4,178	4,343	4,628	4,889	5,135	5,276
Changes in Deferred Tax	541	(1,416)	(13)	(893)	(934)	(1,021)	(1,103)	(1,179)	(1,234)
NOPLAT:	18,163	20,278	19,610	18,890	19,635	20,904	22,058	23,151	23,765
Invested Capital (IC):									
Normal Cash	14,955	16,982	17,193	17,602	18,073	18,613	19,183	19,667	19,858
Accounts receivable	13,576	15,283	16,160	16,463	16,903	17,408	17,942	18,394	18,573
Inventories	9,344	10,387	12,483	8,345	8,568	8,824	9,095	9,324	9,414
Prepaid expenses and other	3,132	3,701	3,132	3,356	3,445	3,548	3,657	3,749	3,786
Operating Current Assets	41,007	46,353	48,968	45,765	46,988	48,393	49,877	51,135	51,631
Accounts payable	9,505	11,055	11,703	10,745	11,033	11,362	11,711	12,006	12,123
Accrued liabilities	13,968	13,612	11,456	12,568	12,904	13,290	13,697	14,043	14,179
Accrued rebates, returns and promotions	11,513	12,095	14,417	12,983	13,330	13,728	14,149	14,506	14,647
Accrued compensation and employee related obligations	3,484	3,586	3,328	3,778	3,879	3,995	4,117	4,221	4,262
Accrued taxes on income	1,392	1,112	2,127	2,194	2,295	2,508	2,711	2,896	3,031
Operating Current Liabilities	39,862	41,460	43,031	42,268	43,441	44,883	46,385	47,671	48,242
Operating Working Capital	1,145	4,893	5,937	3,497	3,548	3,510	3,492	3,463	3,389
Property and Equipment, net	18,766	18,962	19,803	20,464	21,123	21,795	22,485	23,171	23,795
Intangible assets, net	53,402	46,392	48,325	43,725	39,325	35,725	32,725	30,325	28,525
Other assets	6,562	10,216	9,602	9,830	10,093	10,395	10,713	10,984	9,277
Total Long-Term Operating Assets	59,964	56,608	57,927	53,555	49,418	46,120	43,438	41,309	37,802
Other liabilities	11,944	10,686	10,437	11,206	10,652	10,198	9,820	9,518	9,291
Total Long-Term Operating Liabilities	11,944	10,686	10,437	11,206	10,652	10,198	9,820	9,518	9,291
Invested Capital	67,931	69,777	73,230	66,310	63,438	61,227	59,594	58,424	55,694
Free Cash Flow (FCF):									
NOPLAT	18,163	20,278	19,610	18,890	19,635	20,904	22,058	23,151	23,765
Change in IC	2,584	1,846	3,454	(6,920)	(2,873)	(2,211)	(1,633)	(1,170)	(2,730)
FCF	15,579	18,432	16,157	25,810	22,508	23,115	23,691	24,321	26,495
Return on Invested Capital (ROIC):									
NOPLAT	18,163	20,278	19,610	18,890	19,635	20,904	22,058	23,151	23,765
Beginning IC	65,347	67,931	69,777	73,230	66,310	63,438	61,227	59,594	58,424
ROIC	27.79%	29.85%	28.10%	25.79%	29.61%	32.95%	36.03%	38.85%	40.68%
Economic Profit (EP):									
Beginning IC	65,347	67,931	69,777	73,230	66,310	63,438	61,227	59,594	58,424
x (ROIC - WACC)	21.74%	23.80%	22.05%	19.74%	23.56%	26.90%	29.97%	32.79%	34.62%
EP	14,207	16,165	15,386	14,456	15,621	17,063	18,352	19,543	20,228

Johnson & Johnson

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	3.34%
Beta	0.53
Equity Risk Premium	5.50%
Cost of Equity	6.26%

ASSUMPTIONS:

10Y Treasury Yield
5-Year Monthly Beta
Henry Fund estimated ERP

Cost of Debt:

Risk-Free Rate	3.34%
Implied Default Premium	1.32%
Pre-Tax Cost of Debt	4.66%
Marginal Tax Rate	17.4%
After-Tax Cost of Debt	3.85%

10Y Treasury Yield

Average YTM on company's 10-year corporate bonds

Market Value of Common Equity:

Total Shares Outstanding	2,625
Current Stock Price	\$165.99
MV of Equity	435,757

MV Weights

91.66%

Market Value of Debt:

Short-Term Debt	11,220
Current Portion of LTD	1,551
Long-Term Debt	26,888
MV of Total Debt	39,659

8.34%

Market Value of the Firm

475,416

100.00%

Estimated WACC

6.05%

Johnson & Johnson*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	40.68%
WACC	6.05%
Cost of Equity	6.26%

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E
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DCF Model:

Free Cash Flow (FCF)	25,810	22,508	23,115	23,691	24,321	26,495
Continuing Value (CV)						627,537
PV of FCF	24,336	20,012	19,378	18,727	18,128	467,733

Value of Operating Assets:	568,314
Non-Operating Adjustments	
- Debt Obligations	(39,659)
- ESOP	(4,999)
- Loans and Notes payable	(2,101)
- Employee Related Obligations	(8,075)
- Talc Claim Obligations	(1,780)
+ Marketable Securities	9,826

Value of Equity	521,526
Shares Outstanding	2,625
Intrinsic Value of Last FYE	\$ 198.66
Implied Price as of Today	\$ 200.50

EP Model:

Economic Profit (EP)	14,456	15,621	17,063	18,352	19,543	20,228
Continuing Value (CV)						569,113
PV of EP	13,631	13,888	14,305	14,506	14,566	424,187

Total PV of EP	495,083
Invested Capital (last FYE)	73,230
Value of Operating Assets:	568,314
Non-Operating Adjustments	
- Debt Obligations	(39,659)
- ESOP	(4,999)
- Loans and Notes payable	(2,101)
- Employee Related Obligations	(8,075)
- Talc Claim Obligations	(1,780)
+ Marketable Securities	9,826

Value of Equity	521,526
Shares Outstanding	2625.2
Intrinsic Value of Last FYE	\$ 198.66
Implied Price as of Today	\$ 200.50

Johnson & Johnson

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending Dec. 31</i>	2023E	2024E	2025E	2026E	2027E	2028E	
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EPS	\$	6.90	\$	7.20	\$	7.82	\$	8.40	\$	8.91	\$	9.26
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	11.67%
Cost of Equity	6.26%

Future Cash Flows

P/E Multiple (CV Year)							20.92		
EPS (CV Year)							\$ 9.26		
Future Stock Price							\$ 193.85		
Dividends Per Share	\$	4.50	\$	4.69	\$	5.10	\$ 5.47	\$ 5.81	
Discounted Cash Flows	\$	4.23	\$	4.16	\$	4.25	\$ 4.29	\$ 4.29	\$ 143.12

Intrinsic Value as of Last FYE	\$	164.34
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Implied Price as of Today	\$	165.87
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Johnson & Johnson

Relative Valuation Models

Ticker	Company	Price	EPS 2023E	EPS 2024E	P/E 2023E	P/E 2024E	Enterprise Value 2023E	EBITDA 2023E	EV/EBITDA 2023E	EV/EBITDA 2024E
PFE	Pfizer Inc.	\$40.85	\$3.62	\$3.88	11.28	10.53	248,919	42,613	5.84	8.81
ABBV	AbbVie Inc.	\$160.11	\$11.07	\$11.10	14.46	14.42	338,842	31,069	10.91	13.39
MRK	Merck & Co., Inc.	\$108.67	\$6.90	\$8.50	15.75	12.78	295,158	21,710	13.60	10.33
LLY	Eli Lilly and Company	\$356.73	\$8.46	\$11.52	42.17	30.97	347,459	9,803	35.44	25.68
BMJ	Bristol-Myers Squibb Company	\$68.90	\$8.05	\$8.20	8.56	8.40	177,637	19,558	9.08	7.77
Average					18.44	15.42			14.97	13.20

JNJ	Johnson & Johnson	\$165.99	\$ 6.90	\$ 7.20	24.0	23.1	521,526	31,465	16.57	11.98
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Implied Relative Value:

P/E (EPS23)	\$ 127.36
P/E (EPS24)	\$ 111.04
EV/EBITDA 2023	\$ 179.29
EV/EBITDA 2024	\$ 158.00

Johnson & Johnson
Key Management Ratios

Fiscal Years Ending Dec. 31	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Liquidity Ratios:													
Current Ratio (Current Assets/Current Liabilities)	1.21	1.35	0.99	1.16	1.34	1.52	1.64	1.80	2.03	2.18	2.37	2.59	2.81
Quick Ratio (Cash + A/R + Marketable Securities)/Current Liabilities	0.91	1.04	0.71	0.90	1.08	1.26	1.38	1.54	1.77	1.92	2.11	2.33	2.55
Asset-Management Ratios:													
Total Asset Turnover (Sales/Total Assets)	0.47	0.52	0.51	0.54	0.53	0.52	0.52	0.51	0.48	0.46	0.44	0.41	0.39
Net Working Capital Turnover (Sales/Net Working Capital)	72.11	19.17	15.99	27.79	28.13	29.28	30.34	31.36	32.36	33.72	35.13	36.10	37.18
Receivables Turnover (Sales/Accounts Receivable)	6.08	6.14	5.88	5.90	5.90	5.90	5.90	5.90	5.90	5.90	5.90	5.90	5.90
Inventory Turnover (Net Sales/Inventory)	8.84	9.03	7.61	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65
Financial Leverage Ratios:													
Debt to Equity (Total Liabilities/Total Shareholder's Equity)	1.76	1.46	1.44	1.17	1.06	0.96	0.85	0.76	0.70	0.64	0.60	0.55	0.51
Equity Multiplier (Total Asset/Total Equity)	2.76	2.46	2.44	2.17	2.06	1.96	1.85	1.76	1.70	1.64	1.60	1.55	1.51
Debt to Asset (Total Liabilities/Total Assets)	0.64	0.59	0.59	0.54	0.52	0.49	0.46	0.43	0.41	0.39	0.37	0.36	0.34
Profitability Ratios:													
Return on Equity (Net Income/Total Shareholder's Equity)	23.3%	28.2%	23.4%	21.8%	20.8%	20.6%	20.2%	19.6%	18.9%	18.2%	17.4%	16.3%	15.3%
Return on Assets (Net Income / Total Assets)	8.4%	11.5%	9.6%	10.0%	10.1%	10.5%	11.0%	11.1%	11.1%	11.1%	10.9%	10.5%	10.1%
Gross Profit Margin (Gross Profit/Revenue)	65.6%	68.2%	67.3%	67.4%	67.7%	68.6%	69.2%	69.8%	70.3%	70.7%	71.1%	71.0%	70.8%
Payout Policy Ratios:													
Dividend Payout Ratio (Dividend/EPS)	71.2%	52.8%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%
Total Payout Ratio ((Divs. + Repurchases)/NI)	93.1%	69.4%	98.8%	78.9%	73.1%	67.6%	67.4%	65.2%	65.2%	65.2%	65.2%	65.2%	65.2%

Johnson & Johnson

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	119
Average Time to Maturity (years):	5.81
Expected Annual Number of Options Exercised:	20.41

Current Average Strike Price:	\$ 134.95
Cost of Equity:	6.26%
Current Stock Price:	\$165.99

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Increase in Shares Outstanding:	20.41	20.41	20.41	20.41	20.41	16.63	0.00	0.00	0.00	0.00
Average Strike Price:	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95	\$ 134.95
Increase in Common Stock Account:	2,754	2,754	2,754	2,754	2,754	2,244	-	-	-	-
Share Repurchases (\$)	2,500	1,500	500	500	0	0	0	0	0	0
Expected Price of Repurchased Shares:	\$ 165.99	\$ 171.92	\$ 178.07	\$ 184.43	\$ 191.02	\$ 197.85	\$ 204.92	\$ 212.25	\$ 219.83	\$ 227.69
Number of Shares Repurchased:	15.06	8.72	2.81	2.71	-	-	-	-	-	-
Shares Outstanding (beginning of the year)	2,625	2,631	2,642	2,660	2,678	2,698	2,715	2,715	2,715	2,715
Plus: Shares Issued Through ESOP	20	20	20	20	20	17	0	0	0	0
Less: Shares Repurchased in Treasury	15.06	8.72	2.81	2.71	-	-	-	-	-	-
Shares Outstanding (end of the year)	2,631	2,642	2,660	2,678	2,698	2,715	2,715	2,715	2,715	2,715
Dividends Paid	\$ 11,822	\$ 12,369	\$ 13,514	\$ 14,607	\$ 15,604	\$ 16,335	\$ 16,798	\$ 17,094	\$ 16,967	\$ 16,899

Johnson & Johnson*Valuation of Options Granted under ESOP*

Current Stock Price	\$165.99
Risk Free Rate	3.34%
Current Dividend Yield	2.68%
Annualized St. Dev. of Stock Returns	15.60%

(in millions)

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
\$72.54 - \$100.48	17.22	93.07	1.5	\$ 70.93	\$ 1,222
\$101.87 - \$115.67	22.04	108.78	3.6	\$ 55.28	\$ 1,218
\$129.51 - \$141.06	24.87	130.88	5.7	\$ 40.40	\$ 1,005
\$151.41 - \$164.62	35.47	157.75	7.6	\$ 29.04	\$ 1,030
\$164.63 - \$165.89	19.08	165.89	9.1	\$ 27.50	\$ 525
Total	118.67	\$ 134.95	5.81	\$ 57.31	\$ 4,999

Johnson & Johnson
Long-Term Debt / Company's Borrowing

Fiscal Years Ending Dec. 31	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
6.73% Debentures due 2023	250	-	-	-	-	-	-	-	-	-	-
3.375% Notes due 2023	801	-	-	-	-	-	-	-	-	-	-
2.05% Notes due 2023	500	-	-	-	-	-	-	-	-	-	-
0.65% Notes due 2024 (750MM Euro 1.0651)	792	792	-	-	-	-	-	-	-	-	-
5.50% Notes due 2024 (500MM 1.2037 GBP)	600	600	-	-	-	-	-	-	-	-	-
2.625% Notes due 2025	749	749	749	-	-	-	-	-	-	-	-
0.55% Notes due 2025	918	918	918	-	-	-	-	-	-	-	-
2.45% Notes due 2026	1,996	1,996	1,996	1,996	-	-	-	-	-	-	-
2.95% Notes due 2027	877	877	877	877	-	-	-	-	-	-	-
0.95% Notes due 2027	1,394	1,394	1,394	1,394	1,394	-	-	-	-	-	-
1.15% Notes due 2028 (740MM Euro 1.0651)	794	794	794	794	794	794	-	-	-	-	-
2.90% Notes due 2028	1,496	1,496	1,496	1,496	1,496	1,496	-	-	-	-	-
6.95% Notes due 2029	298	298	298	298	298	298	298	-	-	-	-
1.30% Notes due 2030	1,607	1,607	1,607	1,607	1,607	1,607	1,607	1,607	-	-	-
4.95% Debentures due 2033	498	498	498	498	498	498	498	498	498	498	498
4.375% Notes due 2033	854	854	854	854	854	854	854	854	854	854	854
1.650% Notes due 2035 (1.5B Euro 1.0651)	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591	1,591
3.55% Notes due 2036	842	842	842	842	842	842	842	842	842	842	842
4.95% Notes due 2037	993	993	993	993	993	993	993	993	993	993	993
3.625% Notes due 2037	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336	1,336
5.85% Debentures due 2038	697	697	697	697	697	697	697	697	697	697	697
3.40% Notes due 2038	992	992	992	992	992	992	992	992	992	992	992
4.50% Debentures due 2040	540	540	540	540	540	540	540	540	540	540	540
2.10% Notes due 2040	828	828	828	828	828	828	828	828	828	828	828
4.85% Notes due 2041	297	297	297	297	297	297	297	297	297	297	297
4.50% Notes due 2043	496	496	496	496	496	496	496	496	496	496	496
3.70% Notes due 2046	1,976	1,976	1,976	1,976	1,976	1,976	1,976	1,976	1,976	1,976	1,976
3.75% Notes due 2047	812	812	812	812	812	812	812	812	812	812	812
3.50% Notes due 2048	743	743	743	743	743	743	743	743	743	743	743
2.25% Notes due 2050	808	808	808	808	808	808	808	808	808	808	808
2.45% Notes due 2060	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Other	9	9	9	9	9	9	9	9	9	9	9
Subtotal	28,439	26,888	25,496	23,829	21,833	19,562	17,272	16,974	15,367	15,367	15,367
Less current portion	1,551	1,392	1,667	1,996	2,271	2,290	298	1,607	-	-	-
Total long-term debt	26,888	25,496	23,829	21,833	19,562	17,272	16,974	15,367	15,367	15,367	15,367

Johnson & Johnson
Sensitivity Tables

Beta	Risk-free Rate							
	200.50	1.7%	2.2%	2.7%	3.3%	3.8%	4.3%	4.8%
	0.23	1,294.19	715.90	492.77	357.12	289.59	242.93	208.75
	0.33	685.16	477.86	365.67	284.27	239.15	205.93	180.43
	0.43	463.81	357.31	289.79	235.48	203.18	178.30	158.55
	0.53	349.32	284.46	239.35	200.50	176.23	156.89	141.12
	0.63	279.33	235.67	203.38	174.20	155.28	139.81	126.92
	0.73	232.11	200.70	176.42	153.69	138.52	125.85	115.12
	0.83	198.09	174.39	155.47	137.25	124.80	114.23	105.15

Equity Risk Premium	Pre-Tax Cost of Debt							
	200.50	3.2%	3.7%	4.2%	4.7%	5.2%	5.7%	6.2%
	4.0%	265.28	261.79	258.39	255.07	251.83	248.67	245.58
	4.5%	242.65	239.70	236.82	234.01	231.25	228.56	225.93
	5.0%	223.44	220.92	218.45	216.03	213.66	211.34	209.07
	5.5%	206.93	204.75	202.60	200.50	198.45	196.42	194.44
	6.0%	192.59	190.68	188.80	186.96	185.15	183.38	181.63
	6.5%	180.01	178.32	176.67	175.04	173.44	171.87	170.32
	7.0%	168.89	167.39	165.92	164.47	163.04	161.64	160.26

CV Growth of NOPLAT	CV Year ROIC							
	200.50	26%	31%	36%	41%	46%	51%	56%
	1.0%	150.17	151.03	151.64	152.11	152.47	152.76	153.00
	1.5%	161.48	162.90	163.92	164.70	165.30	165.78	166.18
	2.0%	175.57	177.70	179.24	180.39	181.30	182.02	182.62
	2.5%	193.63	196.67	198.85	200.50	201.79	202.83	203.68
	3.0%	217.60	221.84	224.90	227.20	229.00	230.45	231.63
	3.5%	250.95	256.87	261.14	264.35	266.86	268.88	270.53
	4.0%	300.54	308.96	315.01	319.58	323.15	326.02	328.37

Sales Reduction	Operational Growth							
	200.50	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%
	5%	203.67	206.33	209.10	211.98	214.97	218.09	221.33
	0%	199.08	201.74	204.51	207.39	210.38	213.50	216.74
	-5%	195.30	197.95	200.72	203.60	206.60	209.71	212.95
	-10%	192.20	194.86	197.63	200.50	203.50	206.62	209.86
	-15%	189.70	192.35	195.12	198.00	201.00	204.11	207.35
	-20%	187.69	190.35	193.12	196.00	198.99	202.11	205.35
	-25%	186.11	188.77	191.53	194.41	197.41	200.53	203.77

Cost of Products Sold	Pharmaceutical Competitive Pressure							
	200.50	-6.5%	-6.0%	-5.5%	-5.0%	-4.5%	-4.0%	-3.5%
	-10%	313.85	318.25	322.96	327.98	333.34	339.05	345.12
	-15%	273.54	277.26	281.24	285.49	290.02	294.85	299.99
	-20%	233.23	236.27	239.53	243.00	246.70	250.65	254.86
	-25%	192.92	195.28	197.81	200.50	203.38	206.46	209.73
	-30%	152.62	154.29	156.09	158.01	160.07	162.26	164.60
	-35%	112.31	113.30	114.37	115.52	116.75	118.06	119.47
	-40%	72.00	72.31	72.65	73.03	73.43	73.87	74.34

R&D Expenses	Dividend Yield							
	200.50	0.0%	0.8%	1.8%	2.8%	3.8%	4.8%	5.8%
	0%	336.36	335.98	335.47	334.91	334.31	333.66	332.98
	-5%	311.96	311.63	311.18	310.68	310.13	309.55	308.93
	-10%	287.56	287.27	286.88	286.44	285.96	285.44	284.89
	-15%	263.15	262.92	262.59	262.21	261.79	261.33	260.84
	-20%	238.75	238.56	238.29	237.98	237.62	237.22	236.79
	-25%	214.34	214.21	214.00	213.74	213.45	213.12	212.75
	-30%	189.94	189.85	189.70	189.51	189.28	189.01	188.70