JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE **99.01** | P/E RATIO **16.0** (Trailing: 17.3 Median: 15.0) | RELATIVE P/E RATIO **0.88** | DIV'D YLD **3.0%** | **VALUE LINE**

TIMELINESS 3 Raised 2/27/15
SAFETY 1 New 7/27/90
TECHNICAL 4 Raised 8/21/15
BETA .75 (1.00 = Market)

2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	130	(+30%)	*10%*
Low	110	(+10%)	*6%*

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	0	0	0	1	1	0
to Sell	1	1	1	0	0	0	1	1	0

Institutional Decisions

	3Q2014	4Q2014	1Q2015
to Buy	821	938	976
to Sell	932	945	950
Hld's(000)	1856100	1841902	1834642

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
High:	64.3	70.0	69.4	68.8	72.8	65.4	66.2	68.1	72.7	96.0	109.5	106.5						
Low:	49.3	59.8	56.7	59.7	52.1	46.3	56.9	57.5	61.7	70.3	86.1	96.6						

Target Price Range 2018 | 2019 | 2020

% TOT. RETURN 7/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.9	5.9
3 yr.	58.3	63.0
5 yr.	102.7	95.5

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
9.88	10.47	10.83	12.23	14.10	15.94	16.98	18.43	21.51	23.02	22.47	22.49	23.87	24.19	25.28	26.71	***25.80***	***27.30***	Sales per sh [A]	***33.15***
2.03	2.27	2.46	2.85	3.36	3.84	4.25	4.60	5.23	5.70	5.69	5.92	6.25	6.48	7.08	7.26	***7.40***	***7.75***	"Cash Flow" per sh	***9.40***
1.49	1.70	1.91	2.23	2.70	3.10	3.50	3.76	4.15	4.57	4.63	4.76	5.00	5.10	5.52	5.70	***6.10***	***6.50***	Earnings per sh [B]	***8.00***
.55	.62	.70	.80	.92	1.10	1.28	1.46	1.62	1.80	1.93	2.11	2.25	2.40	2.59	2.76	***2.95***	***3.11***	Div'ds Decl'd per sh [C] ■	***3.60***
.62	.59	.57	.71	.76	.73	.88	.92	1.04	1.11	.86	.87	1.06	1.06	1.27	1.33	***1.10***	***1.10***	Cap'l Spending per sh	***1.15***
5.83	6.76	7.95	7.65	9.05	10.71	12.73	13.59	15.25	15.35	18.37	20.66	20.95	23.33	26.25	25.06	***30.45***	***32.80***	Book Value per sh [D]	***40.95***
2779.4	2781.9	3047.2	2968.3	2968.0	2971.0	2974.5	2893.2	2840.2	2769.2	2754.3	2738.1	2724.4	2778.5	2820.6	2783.3	***2750.0***	***2730.0***	Common Shs Outst'g [E]	***2700.0***
31.6	26.4	27.2	25.9	19.4	18.1	18.5	16.6	15.4	14.3	12.5	13.1	12.7	13.1	15.6	17.7			Avg Ann'l P/E Ratio	***15.0***
1.80	1.72	1.39	1.41	1.11	.96	.99	.90	.82	.86	.83	.83	.80	.83	.88	.93			Relative P/E Ratio	***.95***
1.2%	1.4%	1.3%	1.4%	1.8%	2.0%	2.0%	2.3%	2.5%	2.8%	3.3%	3.4%	3.5%	3.6%	3.0%	2.7%			Avg Ann'l Div'd Yield	***3.0%***
50514	53324	61095	63747	61897	61587	65030	67224	71312	74331	***71000***	***74500***	Sales ($mill) [A]	***89550***
30.6%	28.7%	29.4%	29.5%	31.6%	31.4%	32.3%	35.7%	33.3%	33.7%	***35.0%***	***35.5%***	Operating Margin	***36.0%***
2093.0	2177.0	2777.0	2832.0	2774.0	2939.0	3158.0	3666.0	4104.0	3895.0	***3500***	***3300***	Depreciation ($mill)	***3225***
10545	11133	12085	12949	12906	13279	13867	14345	15876	16323	***16875***	***17810***	Net Profit ($mill)	***22100***
24.8%	23.3%	22.1%	23.5%	22.0%	21.1%	20.1%	23.1%	17.2%	20.6%	***20.0%***	***21.0%***	Income Tax Rate	***23.5%***
20.9%	20.9%	19.8%	20.3%	20.9%	21.6%	21.3%	21.3%	22.3%	22.0%	***23.4%***	***23.8%***	Net Profit Margin	***24.7%***
18759	3814.0	10108	13525	17810	24235	31505	21854	30732	34226	***29100***	***30100***	Working Cap'l ($mill)	***37600***
2017.0	2014.0	7074.0	8120.0	8223.0	9156.0	12969	11489	13328	15122	***13000***	***13000***	Long-Term Debt ($mill)	***12000***
37871	39318	43319	42511	50588	56579	57080	64826	74053	69752	***83700***	***89600***	Shr. Equity ($mill)	***110500***
26.5%	27.1%	24.1%	26.0%	22.3%	20.6%	20.2%	19.1%	18.4%	19.5%	***19.0%***	***18.5%***	Return on Total Cap'l	***18.0%***
27.8%	28.3%	27.9%	30.5%	25.5%	23.5%	24.3%	22.1%	21.4%	23.4%	***21.0%***	***20.5%***	Return on Shr. Equity	***20.0%***
17.8%	17.5%	17.1%	18.6%	15.0%	13.2%	13.5%	11.9%	11.6%	12.3%	***11.5%***	***11.5%***	Retained to Com Eq	***11.0%***
36%	38%	39%	39%	41%	44%	44%	46%	46%	48%	***48%***	***48%***	All Div'ds to Net Prof	***44%***

Bold figures are Value Line estimates

CAPITAL STRUCTURE as of 6/28/15
Total Debt $19,307 mill. **Due in 5 Yrs** $7,090 mill.
LT Debt $14,085 mill. **LT Interest** $609.4 mill.
(17% of Capital)

Leases, Uncapitalized Annual rentals $200 mill.

Pension Assets-12/14 $22.6 bill. **Oblig.** $26.9 bill.

Preferred Stock None

Common Stock 2,769,106,237 shares
as of 7/24/15
MARKET CAP: $274 billion (Large Cap)

CURRENT POSITION ($MILL.)	2013	2014	6/28/15
Cash Assets	29206	33098	33954
Receivables	11713	10985	11968
Inventory (FIFO)	7878	8184	8298
Other	7610	7044	6781
Current Assets	56407	59311	61001
Accts Payable	6266	7633	6140
Debt Due	4852	3638	5222
Other	14557	13814	13150
Current Liab.	25675	25085	24512

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Sales	6.0%	2.5%	*4.5%*
"Cash Flow"	7.5%	4.5%	*5.0%*
Earnings	7.5%	4.0%	*6.5%*
Dividends	10.5%	7.5%	*5.5%*
Book Value	10.5%	9.0%	*8.5%*

Calendar	QUARTERLY SALES ($ mill.) [A] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2012	16139	16475	17052	17558	67224
2013	17505	17877	17575	18355	71312
2014	18115	19495	18467	18254	74331
2015	17374	17787	***17800***	***18039***	***71000***
2016	***17900***	***18700***	***18900***	***19000***	***74500***

Calendar	EARNINGS PER SHARE [AB] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2012	1.37	1.30	1.25	1.18	5.10
2013	1.44	1.48	1.36	1.24	5.52
2014	1.64	1.51	1.66	.89	5.70
2015	1.53	1.61	***1.50***	***1.46***	***6.10***
2016	***1.60***	***1.80***	***1.65***	***1.45***	***6.50***

Calendar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.54	.57	.57	.57	2.25
2012	.57	.61	.61	.61	2.40
2013	.61	.66	.66	.66	2.59
2014	.66	.70	.70	.70	2.76
2015	.70	.75	.75		

BUSINESS: Johnson & Johnson is engaged in the research & development, manufacture, and sale of a broad range of products in the healthcare field. Has three business segments: Consumer (baby care, skin care, oral care, wound care, etc.), Pharmaceutical (antiinfective, antipsychotic, contraceptive, dermatology, gastrointestinal, etc.), and Medical Devices & Diagnostics (electrophysiology, circulatory disease management, orthopedic joint reconstruction, etc.). Employs about 126,500. Officers & directors own less than 1% of common stock; BlackRock, 6.1%; Vanguard, 5.9%; State Street, 5.7%. (4/15 Proxy). Chairman & CEO: Alex Gorsky. Inc.: NJ. Address: One Johnson & Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jnj.com.

Johnson & Johnson's top and bottom lines continue to be buffeted by currency headwinds. The strong U.S. dollar took a toll on most large American multinationals through the first half of 2015. In the second quarter, the effect doesn't show up in our earnings presentations as we have switched to GAAP reporting, due in part to J&J's altering the way it reports adjusted share earnings. Thus, exact year-over-year comparisons will be skewed to some degree until next year.

Operationally, the company is doing reasonably well. For the first half of the year, sales in the Consumer sector rose a modest 3.5% based on a constant currency basis, with over-the-counter products such as *TYLENOL*, *LISTERINE*, and the analgesic *ZYRTEC* being the main standouts. In the all-important Pharmaceutical segment, sales were better than decent as the group's revenues increased 5.3% before the 7.4% negative currency impact. Posting the biggest increase in sales were the cardiovascular and metabolism drugs, *XARELTO* and *INVOKANA*. *IMBRUVICA*, which is used in oncology and the neuroscience drug *CONCERTA*, also did very well. On the negative side of the ledger, medicines targeted at treating infectious diseases did poorly.

We think next year's earnings could surprise to the upside. The drag on profits from the strong dollar could ease some by the end of 2015. Moreover, based on J&J's track record, we think the pharmaceutical and consumer segments could fuel a 6% gain in share net, to $6.10

Johnson & Johnson's shares have barely moved since our May report and have remained in a relatively tight trading range between $98 and $104 over the past six months. The equity also continues to be ranked to perform in line with the broader market averages in the year ahead.

Very conservative accounts may still view these shares as a nice core holding. JNJ is among a select few stocks in the 1700 member *Value Line* group that carry our Highest marks for Safety (1) and Financial Strength (A++), Stock Price Stability, and Earnings Predictability. Income-seeking will also be attracted to the 3.0% dividend yield.

James A. Flood *August 21, 2015*

(A) Years end on the last Sunday in December. **(B)** Diluted earnings. Excludes nonrecurring: '99, 2¢; '01, d7¢; '02, d7¢; '03 d30¢; '04, d26¢; '05, d4¢; '06, d3¢; '07, d52¢; '09, d23¢; '10, 2¢; '11, d$1.51; '12, d$1.24; '13, d71¢. GAAP as of 2014. Next earnings report due late October.. **(C)** Dividends historically paid: March, June, September, and December. ■ Dividend reinvestment plan available. **(D)** Includes intangibles. In '14: $48.4 billion, $17.45 a share. **(E)** In millions, adjusted for stock split.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	100

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