| TIMELIN | $\text { NESS } 1$ | Raised 11 | /11/16 | High: Low: | $\begin{array}{r} 70.0 \\ 59.8 \\ \hline \end{array}$ | $\begin{array}{l\|} \hline 69.4 \\ 56.7 \\ \hline \end{array}$ | 68.8 59.7 | $\begin{aligned} & 72.8 \\ & 52.1 \end{aligned}$ | $\begin{aligned} & \hline 65.4 \\ & 46.3 \end{aligned}$ | $\begin{aligned} & 66.2 \\ & 56.9 \end{aligned}$ | $\begin{aligned} & \hline 68.1 \\ & 57.5 \end{aligned}$ | $\begin{aligned} & 72.7 \\ & 61.7 \end{aligned}$ | $\begin{aligned} & 96.0 \\ & 70.3 \end{aligned}$ | $\begin{array}{r} 109.5 \\ 86.1 \end{array}$ | $\begin{array}{r} 106.5 \\ 81.8 \end{array}$ | $\begin{array}{r} 126.1 \\ 94.3 \end{array}$ |  |  | Target Price 20192020 | $\begin{aligned} & \text { ange } \\ & 2021 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| SAFET | 1 | New 7/27 |  | LEGEN | NDS |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| TECHNI BETA | CAL 3 <br> ( $1.00=$ | Lowered <br> Market) |  | $\begin{aligned} & 12 . \mathrm{Cl} \\ & \ldots \text { Rel } \\ & \text { Options: Y } \\ & \text { Shaded } \end{aligned}$ | $.0 x$ "Cas Yes area indic | Flow" $p$ <br> Strength <br> ates reces |  |  |  |  |  |  |  |  |  |  |  |  |  | 320 200 |
|  | 9-21 PR | JECTIO |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 160 |
|  | Pres |  | 'I Total |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 120 |
|  | Price |  | Return |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 100 |
| High | $60$ | $\begin{aligned} & .35 \% \\ & 10 \% \end{aligned}$ | $11 \%$ |  |  |  |  |  |  |  |  |  | - |  | $+$ |  |  |  |  | 80 |
| Insider | Decisi | Ons |  |  |  |  |  |  |  |  | III | !'" |  |  |  |  |  |  |  | 60 |
|  | J F M | A M J | J A S |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| to Buy Options to Sell | $\begin{array}{lll} 0 & 0 & 0 \\ 7 & 7 & 0 \\ 0 & 2 & 0 \end{array}$ | $\begin{array}{llll}0 & 0 & 0 \\ 0 & 1 & 1 \\ 0 & 1 & 2\end{array}$ | $\begin{array}{lll} 0 & 0 & 0 \\ 2 & 0 & 0 \\ 2 & 0 & 0 \end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  | ****** |  |  |  | 40 |
| Institu | tional D | ecision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | this VL ARITH. |  |
|  | 402015 | 102016 | 202016 | Percent |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{cc} & \text { STOCK } \\ 18.1 & 6.4\end{array}$ | $={ }^{18}$ |
| to Buy to Sell | $\begin{array}{r} 1008 \\ 933 \end{array}$ | $\begin{aligned} & 996 \\ & 996 \end{aligned}$ | $\begin{array}{r} 937 \\ 1065 \end{array}$ | shares |  |  |  |  |  |  |  |  |  |  |  |  |  | 1 yr . 3 yr. | $\begin{array}{rr} 18.1 & 6.4 \\ 36.3 & 15.7 \end{array}$ |  |
| (Hld's(000) | 18148351 | 8808871 | 797740 |  |  |  |  |  |  |  |  |  |  | U11 |  | \|U1] |  | 5 yr . | $109.9 \quad 76.0$ |  |
| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | $\bigcirc$ © VA | UE LINE PUB. LLC | 19-21 |
| 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 | 25.44 | 26.65 | 27.95 | Sale | sh A | 36.30 |
| 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 | 6.95 | 7.35 | 8.05 | "Cash | Flow" per sh | 11.20 |
| 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 | 5.48 | 5.95 | 6.70 | Earnin | sper sh A B | 9.20 |
| . 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 | 3.15 | 3.35 | Div'd | Decl'd per sh C■ | 4.55 |
| . 59 | . 57 | . 71 | . 76 | . 73 | . 88 | . 92 | 1.04 | 1.11 | . 86 | . 87 | 1.06 | 1.06 | 1.27 | 1.33 | 1.26 | 1.05 | 1.20 | Cap' | pending per sh | 1.15 |
| 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 | 25.83 | 27.10 | 31.95 | Book | Value per sh D | 43.70 |
| 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 | 2755.0 | 2705.0 | 2700.0 | Comm | S Shs Outst'g E | 2700.0 |
| 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 | 18.2 | Bold fig | res are | Avg | 'I P/E Ratio | 16.0 |
| 1.72 | 1.39 | 1.41 | 1.11 | . 96 | . 99 | . 90 | . 82 | . 86 | . 83 | . 83 | . 80 | . 83 | . 88 | . 93 | . 92 |  |  | Relativ | P/E Ratio | 1.00 |
| 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\% | 3.0\% | estim | ates | Avg An | Div'd Yield | 3.1\% |
| CAPITAL STRUCTURE as of 10/2/16 Total Debt $\$ 26,989$ mill. Due in 5 Yrs $\$ 13,565$ mil. LT Debt $\$ 23,546$ mill. LT Interest $\$ 735.0$ mill. (24\% of Capital) |  |  |  |  |  | 53324 | 61095 | 63747 | 61897 | 61587 | 65030 | 67224 | 71312 | 74331 | 70074 | 72100 | 75550 | Sales | mill) A | 98000 |
|  |  |  |  |  |  | 28.7\% | 29.4\% | 29.5\% | 31.6\% | 31.4\% | 32.3\% | 35.7\% | 33.3\% | 33.7\% | 31.1\% | 34.5\% | 35.0\% | Operat | Margin | 36.5\% |
|  |  |  |  |  |  | 2177.0 | 2777.0 | 2832.0 | 2774.0 | 2939.0 | 3158.0 | 3666.0 | 4104.0 | 3895.0 | 3746.0 | 3600 | 3635 | Depr | tion (\$mill) | 5400 |
|  |  |  |  |  |  | 11133 | 12085 | 12949 | 12906 | 13279 | 13867 | 14345 | 15876 | 16323 | 15409 | 16250 | 18090 | Net P | iti (\$mill) | 24840 |
| Leases, Uncapitalized Annual rentals \$224 mill. |  |  |  |  |  | 23.3\% | 22.1\% | 23.5\% | 22.0\% | 21.1\% | 20.1\% | 23.1\% | 17.2\% | 20.6\% | 19.7\% | 18.0\% | 20.0\% | Income | Tax Rate | 20.0\% |
|  |  |  |  |  |  | 20.9\% | 19.8\% | 20.3\% | 20.9\% | 21.6\% | 21.3\% | 21.3\% | 22.3\% | 22.0\% | 22.0\% | 22.5\% | 24.0\% | Net Pro | it Margin | 25.3\% |
| Pension Assets-12/15 \$22.3 bill. Oblig. $\$ 25.9$ bill. |  |  |  |  |  | 3814.0 | 10108 | 13525 | 17810 | 24235 | 31505 | 21854 | 30732 | 34226 | 32463 | 40200 | 38000 | Wor | Cap'l (\$mill) | 40000 |
|  |  |  |  |  |  | 2014.0 | 7074.0 | 8120.0 | 8223.0 | 9156.0 | 12969 | 11489 | 13328 | 15122 | 12857 | 23250 | 23000 | Long-T | m Debt (\$mill) | 22000 |
| Preferred Stock None |  |  |  |  |  | 39318 | 43319 | 42511 | 50588 | 56579 | 57080 | 64826 | 74053 | 69752 | 71150 | 73300 | 81720 | Shr. Eq | uity (\$mill) | 118000 |
| Common Stock 2,720,531,728 shares as of 10/28/16 |  |  |  |  |  | 27.1\% | 24.1\% | 26.0\% | 22.3\% | 20.6\% | 20.2\% | 19.1\% | 18.4\% | 19.5\% | 18.6\% | 17.0\% | 17.5\% | Return | on Total Cap'I | 18.0\% |
|  |  |  |  |  |  | 28.3\% | 27.9\% | 30.5\% | 25.5\% | 23.5\% | 24.3\% | 22.1\% | 21.4\% | 23.4\% | 21.7\% | 22.0\% | 20.0\% | Return | on Shr. Equity | 21.0\% |
| MARKET CAP: \$318 billion (Large Cap) |  |  |  |  |  | 17.5\% | 17.1\% | 18.6\% | 15.0\% | 13.2\% | 13.5\% | 11.9\% | 11.6\% | 12.3\% | 10.2\% | 10.5\% | 11.0\% | Retained to Com Eq All Div'ds to Net Prof |  | 10.5\% |
| $\begin{array}{llll}\text { CURRENT POSITION } 2014 & 2015 & \text { 10/2/16 }\end{array}$ |  |  |  |  |  | 38\% | 39\% | 39\% | 41\% | 44\% | 44\% | 46\% | 46\% | 48\% | 53\% | 53\% | 50\% |  |  | 49\% |


| \$MILL.) |  |  |  |
| :---: | :---: | :---: | :---: |
| Cash Assets | 14523 | 38376 | 4640433 |
| Receivables | 10985 | 10734 | 11798 |
| Inventory (FIFO) | 8184 | 8053 | 5488 |
| Other | 25619 | 3047 | 2600 |
| Current Assets | 59311 | 60210 | 63319 |
| Accts Payable | 7633 | 6668 | 5971 |
| Debt Due | 3638 | 7004 | 4 3443 |
| Other | 13814 | 14075 | - 13816 |
| Current Liab. | 25085 | 27747 | 4723230 |
| ANNUAL RATES of change (per sh) | Past 10 Yrs. | $\begin{array}{ll} \hline \text { Past } & \text { Est' } \\ 5 \text { Yrs. } & \text { to } \end{array}$ | $\begin{gathered} \text { Est'd '13-'15 } \\ \text { to '19.'21 } \end{gathered}$ |
| Sales | 5.0\% | 2.5\% | 5.5\% |
| "Cash Flow" | 6.5\% | 4.0\% | 7.5\% |
| Earnings | 6.0\% | 3.5\% | 8.5\% |
| Dividends | 9.5\% | 7.5\% | 8.5\% |
| Book Value | 9.0\% | 7.0\% | 10.0\% |

Cal- QUARTERLY SALES (\$ mill.) A $\quad$ Full endar Mar.Per Jun.Per Sep.Per Dec.Per Year 201317505178771757518355 \begin{tabular}{l|llll|l|}
2014 \& 18115 \& 19495 \& 18467 \& 18254 \& 74331 \\
2015 \& 17374 \& 17787 \& 17102 \& 1781 \& 70074

 

2015 \& 17374 \& 17787 \& 17102 \& 17811 \& 70074 \\
2016 \& 17482 \& 18482 \& 17820 \& 18316 \& 72100

 

2017 \& 18350 \& 19300 \& 18600 \& 19300 \& 75550 \\
\hline
\end{tabular}

| Cal- <br> endar | EARNINGS PER SHARE AB <br> Mar.Per Jun.Per Sep.Per Dec.Per |  |  |  | Full <br> Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 2013 | 1.44 | 1.48 | 1.36 | 1.24 | 5.52 |
| 2014 | 1.64 | 1.51 | 1.66 | .89 | 5.70 |
| 2015 | 1.53 | 1.60 | 1.20 | 1.15 | 5.48 |
| 2016 | 1.54 | 1.43 | 1.53 | 1.45 | 5.95 |
| 2017 | 1.75 | 1.70 | 1.65 | 1.60 | 6.70 |
| Cal- | QUARTERLY DIVIDENDS PAID Ca |  |  | Full |  |
| endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Year |
| 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 | .75 | 2.95 |
| 2016 | .75 | 80 | 80 |  |  |

[^0]J ohnson \& J ohnson posted better-than-expected third-quarter results. The company's share earnings came in at $\$ 1.53$, versus last year's depressed $\$ 1.20$, level and our estimate of $\$ 1.45$. Organic sales were up a healthy $4.3 \%$, and the impact from currency exchange rates, which had been a negative influence on the bottom line, was marginal at best.
The Pharmaceutical business is leading the way. Sales in this segment climbed $9.2 \%$ last quarter to $\$ 8.4$ billion. Highlighted for being partially successful were IMBRUCA, a therapy approved for treating certain cancers; DARZALEX, used by patients with multiple myeloma; and XARELTO, an anticoagulant. Moreover drugs for patients with immunerelated inflammatory diseases, which include STELARA, REMICADE, and SIMPONI also turned in solid performances, as did antipsychotics and schizophrenia products.
The drug pipeline holds great promise. JNJ recently received FDA approval for INVOKAMET and STELARA. The company believes that these between these two drugs along and several promising
ogy, circulatory disease management, orthopedic joint reconstruction, etc.). Employs about 127,100. Officers \& directors own about . $1 \%$ of common stock; BlackRock, $6.3 \%$; Vanguard Group, 6.3\%; State Street, 5.4\%. (3/16 Proxy). Chairman \& CEO: Alex Gorsky. Inc.: NJ. Address: One Johnson \& Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jnj.com.
new submissions, it has 10 new pharmaceutical products that have the potential to each generate $\$ 1$ billion in sales between 2015 and 2019. One negative would be a new biosimilar that will compete with REMICADE
Earnings prospects are bright. The strong drug operations should offset some weakness that has unexpectedly shown up in the Consumer sector. As J \& J has some iconic American brands, we think the slump may be temporary. The Medical segment also hasn't been turning in an impressive performance. Still, we think electrophysiology products in the cardiovascular business, endcutters in the advanced surgery operation, and ACUVUE contact lenses, as well as joint reconstruction, should see better days ahead. All told, we think share earnings may well rise 9\% this year to $\$ 5.95$, and $13 \%$ in 2017, to $\$ 6.70$.
These shares carry our Highest rank (1) for both Timeliness and Safety. Furthermore, the equity has a good yield and above-average dividend growth prospects. Conservative investors may consider making J NJ a core portfolio holding. J ames A. Flood

November 18, 2016

[^1]
[^0]:    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 (electrophysiol

[^1]:    (A) Years end on the last Sunday in December. (B) Diluted earnings. Excludes nonrecurring: 01, d7c; '02, d7c; '03, d30c; '04, d26c; '05,
    d\$1.51; '12, d\$1.24;' 13 , d71c. GAAP as of 2015. Next earnings report due late Jan. (C) Dividends historically paid: March, June
    vestment plan available.
    (D) Includes intangibles. On 10/2/16: $\$ 50.8$ billion, $\$ 18.67$ a share. (E) In millions.

