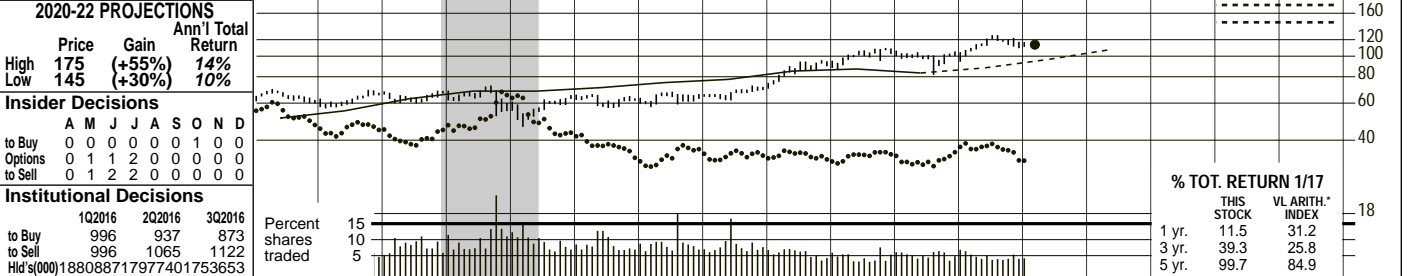


JOHNSON & JOHNSON NYSE:JNJ

RECENT PRICE **113.40** P/E RATIO **17.6** (Trailing: 19.3; Median: 15.0) RELATIVE P/E RATIO **0.91** DIV'D YLD **3.0%** VALUE LINE

TIMELINESS 3 Lowered 1/6/17	High: 69.4	68.8	72.8	65.4	66.2	68.1	72.7	96.0	109.5	106.5	126.1	117.0							Target Price Range
SAFETY 1 New 7/27/90	Low: 56.7	59.7	52.1	46.3	56.9	57.5	61.7	70.3	86.1	81.8	94.3	110.8							2020 2021 2022
TECHNICAL 2 Raised 2/3/17	LEGENDS — 12.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded area indicates recession																		
BETA .80 (1.00 = Market)																			



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	26.60	27.55	28.60	Sales per sh ^A	38.35
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	7.45	7.95	8.55	"Cash Flow" per sh	11.95
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	5.93	6.60	7.15	Earnings per sh ^{A B}	9.90
.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	3.55	Div'ds Decl'd per sh ^C	4.90
.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	1.20	Cap'l Spending per sh	1.15
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	30.20	33.70	Book Value per sh ^D	43.70
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	2700.0	Common Shs Outst'g ^E	2700.0
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	19.1	19.1	19.1	Avg Ann'l P/E Ratio	16.0
1.39	1.41	1.11	.96	.99	.90	.82	.86	.83	.83	.80	.83	.88	.93	.92	1.00	1.00	1.00	Relative P/E Ratio	1.00
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%	3.1%	3.1%	3.1%	Avg Ann'l Div'd Yield	3.1%

CAPITAL STRUCTURE as of 10/2/16				61095	63747	61897	61587	65030	67224	71312	74331	70074	71890	74450	77250	74450	77250	Sales (\$mill) ^A	103500
Total Debt \$26,989 mill. Due in 5 Yrs \$13,565 mill.				29.4%	29.5%	31.6%	31.4%	32.3%	35.7%	33.3%	33.7%	31.1%	33.5%	35.0%	36.0%	Operating Margin	37.0%		
LT Debt \$23,546 mill. LT Interest \$735.0 mill. (24% of Capital)				2777.0	2832.0	2774.0	2939.0	3158.0	3666.0	4104.0	3895.0	3746.0	3600	3675	3800	Depreciation (\$mill)	5550		
Leases, Uncapitalized Annual rentals \$224 mill.				12085	12949	12906	13279	13867	14345	15876	16323	15409	16540	17820	19305	Net Profit (\$mill)	26730		
Pension Assets-12/15 \$22.3 bill. Oblig. \$25.9 bill.				22.1%	23.5%	22.0%	21.1%	20.1%	23.1%	17.2%	20.6%	19.7%	14.5%	19.0%	20.0%	Income Tax Rate	20.0%		
Preferred Stock None				19.8%	20.3%	20.9%	21.6%	21.3%	21.3%	22.3%	22.0%	22.0%	22.5%	23.9%	25.0%	Net Profit Margin	25.8%		
Common Stock 2,720,531,728 shares as of 10/28/16				10108	13525	17810	24235	31505	21854	30732	34226	32463	40200	38000	40000	Working Cap'l (\$mill)	40000		
MARKET CAP: \$309 billion (Large Cap)				7074.0	8120.0	8223.0	9156.0	12969	11489	13328	15122	12857	23250	23000	23000	Long-Term Debt (\$mill)	25000		
CURRENT POSITION				43319	42511	50588	56579	57080	64826	74053	69752	71150	73300	81510	91000	Shr. Equity (\$mill)	118000		
Cash Assets				24.1%	26.0%	22.3%	20.6%	20.2%	19.1%	18.4%	19.5%	18.6%	17.5%	17.5%	17.5%	Return on Total Cap'l	19.0%		
Receivables				27.9%	30.5%	25.5%	23.5%	24.3%	22.1%	21.4%	23.4%	21.7%	22.5%	22.0%	21.0%	Return on Shr. Equity	22.5%		
Inventory (FIFO)				17.1%	18.6%	15.0%	13.2%	13.5%	11.9%	11.6%	12.3%	10.2%	10.5%	11.0%	10.5%	Retained to Com Eq	11.5%		
Other				39%	39%	41%	44%	44%	46%	46%	48%	53%	53%	51%	50.5%	All Div'ds to Net Prof	49%		

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 (anti-infective, antipsychotic, contraceptive, dermatology, gastrointestinal, etc.), and Medical Devices & Diagnostics (electrophysiology, 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.

Johnson & Johnson has made a \$30 billion bid for Actelion Ltd. The all-cash offer for the Switzerland-based biotechnology company works out to about a 23% premium over Actelion's pre-announcement closing price. As part of the transaction, Actelion will spin off its drug discovery operations and early-stage clinical development assets into a new standalone company, which would be called R&D NewCo. Holders of Actelion would receive shares in the new entity. JNJ would start with a 16% stake in the spinoff, and have the option to increase this percentage to 32%.

What's the attraction for Johnson & Johnson? The Swiss company will provide JNJ access to its high-margined offerings that treat rare diseases. The acquisition would also allow the company to widen its portfolio of leading medicines and promising late-stage drugs. The deal was approved by the boards of both companies, but Actelion shareholders must still agree to the purchase. JNJ must acquire at least 67% of the outstanding equity for the deal to be finalized. Regulatory approval is also required. To gain control of Actelion, JNJ has had to offer to pay a high 30 times Actelion's estimated earnings in 2018. Management apparently believes that the price was appropriate because Actelion will diversify its exiting portfolio, which while strong, is facing pressure from some low-cost alternatives. JNJ believes that the acquisition will be immediately accretive to its earnings. Finally, the \$30 billion payout will not have a major impact on the company's impressive balance sheet. **Meanwhile, the company's guidance for 2017 was lowered.** Management's estimates for both revenues and adjusted share earnings have been reduced by \$600 million and \$0.10 a share, respectively. All told, we think JNJ's earnings per share will come in at \$6.60 and \$7.15 in 2017 and 2018. (Our earnings presentation does not include the proposed merger.) **These high-yielding shares are neutrally ranked.** The price of JNJ stock has declined recently, while the market indices have advanced nicely. As a result, its total return prospects through 2020-2022 are attractive. Hence, patient investors might find this blue chip of interest.

(A) Years end on the last Sunday in December.	d\$1.51; '12, d\$1.24; '13, d71c. GAAP as of 2015. Next earnings report due late April.	vestment plan available.	Company's Financial Strength	A++
(B) Diluted earnings. Excludes nonrecurring: '01, d7c; '02, d7c; '03, d30c; '04, d26c; '05, d4c; '06, d3c; '07, d52c; '09, d23c; '10, 2c; '11, d1.51; '12, d\$1.24; '13, d71c.	(C) Dividends historically paid: March, June, September, and December. ■ Dividend rein-	(D) Includes intangibles. On 10/2/16: \$50.8 billion, \$18.67 a share. (E) In millions.	Stock's Price Stability	100
			Price Growth Persistence	70
			Earnings Predictability	100