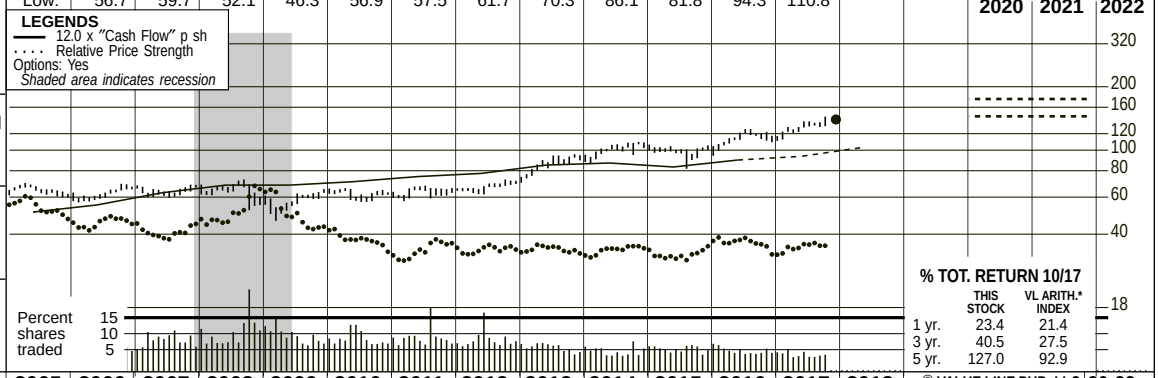
JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE **139.77** | P/E RATIO **20.9** (Trailing: 24.3 / Median: 15.0) | RELATIVE P/E RATIO **1.07** | DIV'D YLD **2.5%** | VALUE LINE

TIMELINESS 2 Raised 11/3/17
SAFETY 1 New 7/27/90
TECHNICAL 3 Raised 11/17/17
BETA .85 (1.00 = Market)

High:	69.4	68.8	72.8	65.4	66.2	68.1	72.7	96.0	109.5	106.5	126.1	144.4
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

Target Price Range
2020 | 2021 | 2022



2020-22 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	175	(+25%)	8%
Low	145	(+5%)	4%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	9	2	0	0	0	2	0	0
to Sell	0	2	3	0	0	0	2	0	0

Institutional Decisions

	4Q2016	1Q2017	2Q2017
to Buy	1037	981	956
to Sell	1049	1143	1140
Hld's(000)	1788204	1975654	1949120

% TOT. RETURN 10/17

	THIS STOCK	VL ARITH.* INDEX
1 yr.	23.4	21.4
3 yr.	40.5	27.5
5 yr.	127.0	92.9

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	26.56	*28.35*	*29.20*	Sales per sh A	*39.05*
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	7.50	*7.80*	*8.75*	"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	*6.05*	*7.25*	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	*3.32*	*3.52*	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	1.19	*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	26.02	*28.05*	*31.65*	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	2706.5	*2690.0*	*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	*Bold figures are*		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	1.01	*Value Line*		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%	2.8%	*estimates*		Avg Ann'l Div'd Yield	*3.1%*

CAPITAL STRUCTURE as of 10/1/17
Total Debt $35166 mill. **Due in 5 Yrs** $8,227 mil.
LT Debt $26,675 mill. **LT Interest** $835.0 mill.
(27% of Capital)

Leases, Uncapitalized Annual rentals $216 mill.

Pension Assets-12/16 $23.6 bill. **Oblig.** $28.1 bill.

Preferred Stock None

Common Stock 2,686,520,050 shares
as of 10/27/17
MARKET CAP: $375 billion (Large Cap)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		20-22
61095	63747	61897	61587	65030	67224	71312	74331	70074	71890	*76315*	*78900*	Sales ($mill) A	*105500*
29.4%	29.5%	31.6%	31.4%	32.3%	35.7%	33.3%	33.7%	31.1%	34.6%	*35.0%*	*36.0%*	Operating Margin	*37.0%*
2777.0	2832.0	2774.0	2939.0	3158.0	3666.0	4104.0	3895.0	3746.0	3754.0	*4670*	*4000*	Depreciation ($mill)	*5550*
12085	12949	12906	13279	13867	14345	15876	16323	15409	16540	*16335*	*19575*	Net Profit ($mill)	*26730*
22.1%	23.5%	22.0%	21.1%	20.1%	23.1%	17.2%	20.6%	19.7%	16.5%	*21.4%*	*20.0%*	Income Tax Rate	*20.0%*
19.8%	20.3%	20.9%	21.6%	21.3%	21.3%	22.3%	22.0%	22.0%	23.0%	*22.6%*	*24.8%*	Net Profit Margin	*25.8%*
10108	13525	17810	24235	31505	21854	30732	34226	32463	38745	*11000*	*20000*	Working Cap'l ($mill)	*30000*
7074.0	8120.0	8223.0	9156.0	12969	11489	13328	15122	12857	22442	*26800*	*28500*	Long-Term Debt ($mill)	*25000*
43319	42511	50588	56579	57080	64826	74053	69752	71150	70418	*75400*	*85400*	Shr. Equity ($mill)	*118000*
24.1%	26.0%	22.3%	20.6%	20.2%	19.1%	18.4%	19.5%	18.6%	18.2%	*16.5%*	*17.5%*	Return on Total Cap'l	*19.0%*
27.9%	30.5%	25.5%	23.5%	24.3%	22.1%	21.4%	23.4%	21.7%	23.5%	*21.5%*	*23.0%*	Return on Shr. Equity	*22.5%*
17.1%	18.6%	15.0%	13.2%	13.5%	11.9%	11.6%	12.3%	10.2%	11.2%	*10.0%*	*12.5%*	Retained to Com Eq	*11.5%*
39%	39%	41%	44%	44%	46%	46%	48%	53%	52%	*55%*	*49%*	All Div'ds to Net Prof	*49%*

CURRENT POSITION ($MILL.)	2015	2016	10/1/17
Cash Assets	38376	41907	16231
Receivables	10734	11699	13155
Inventory (FIFO)	8053	8144	9521
Other	3047	3282	2922
Current Assets	60210	65032	41829
Accts Payable	6668	6918	4684
Debt Due	7004	4684	8491
Other	14075	14685	18631
Current Liab.	27747	26287	31806

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22
Sales	4.5%	2.5%	*6.5%*
"Cash Flow"	5.5%	4.0%	*8.5%*
Earnings	5.0%	3.5%	*9.5%*
Dividends	8.5%	7.0%	*9.0%*
Book Value	7.5%	5.0%	*9.5%*

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2014	18115	19495	18467	18254	74331
2015	17374	17787	17102	17811	70074
2016	17482	18482	17820	18106	71890
2017	17766	18839	19650	*20060*	*76315*
2018	*19150*	*20100*	*19550*	*20100*	*78900*

Cal-endar	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2014	1.64	1.51	1.66	.89	5.70
2015	1.53	1.60	1.20	1.15	5.48
2016	1.54	1.48	1.53	1.38	5.93
2017	1.61	1.40	1.37	*1.67*	*6.05*
2018	*1.81*	*1.85*	*1.89*	*1.70*	*7.25*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	.80	3.15
2017	.80	.84	.84		

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 126,400. Officers & directors own about .2% of common stock; Vanguard Group, 7.0%; BlackRock, 6.3% State Street, 5.7%. (4/17 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 third-quarter results were better than they appear. The healthcare and Dow 30-company reported GAAP share earnings of $1.37, versus last year's $1.53 figure, and our $1.70 estimate. On an adjusted basis, share net was $1.90, compared to the prior year's similar posting of $1.68. JNJ managed to reverse a trend of reporting subpar top-line growth, as sales (minus acquisition and divestitures) rose 3.8%.

The Pharmaceutical sector was the main reason for the strong showing. Responsible for about half of the company's total sales, the top line rose a healthy 6.7%, on an operational basis. With the $30 billion Actelion acquisition being included for the first time, the percentage climbs to 14.6%. New products contributed to the better-than-expected quarter, namely *DARZALEX*, which is used for patients suffering with multiple myeloma, and *IMBRUVICA*, a therapy approved for lymph node cancer. Additional contributors were *STELARA* (inflammatory diseases), *XALETO*, (an anticoagulant), and *ZYTIGA* (prostate cancer).

The company's prospects are now tied more to the drug sector. The purchase of Actelion has made this by far JNJ's most significant business. Hence, drugs now in the development phase are key to the company's future. That is good news because, as of now, there are some promising new medicines in the pipeline.

The struggling consumer segment even managed a positive showing. After several quarters of declines, this sector recorded operation growth of 1.6% in the September quarter. All of the gains were attributed to OTC and Beauty products such as *TYLENOL* and *NEUTROGENA*. The four other categories in this group had unfavorable comparisons with Baby Care (-5.4%) doing the poorest.

Short-term, conservative investors may find these shares of interest. The equity is ranked to outperform the market averages in the year ahead. Moreover, the stock carries a 1 (Highest) Safety rank. Besides having low volatility, JNJ has excellent dividend growth prospects. One negative is that JNJ's recent strong showing has made the stock a less appealing holding through 2020-2022.

James A. Flood *November 17, 2017*

(A) Years end on the last Sunday in December. (B) Diluted earnings. Excludes nonrecurring: '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 2015. Next earnings report due late January. (C) Dividends historically paid: March, June, September, and December. ■ Dividend reinvestment plan available. (D) Includes intangibles. On 10/1/17: $85.9 billion, $31.97 a share. (E) In millions.

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

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