| TIMELIN | $\text { NESS } 2$ | Lowered | 1/25/19 | High: Low: | $\begin{aligned} & 72.8 \\ & 52.1 \end{aligned}$ | $\begin{aligned} & 65.4 \\ & 46.3 \end{aligned}$ | $\begin{aligned} & 1 \\ & \hline 66.2 \\ & 56.9 \end{aligned}$ | $\begin{aligned} & 68.1 \\ & 57.5 \end{aligned}$ | $\begin{aligned} & 72.7 \\ & 61.7 \end{aligned}$ | $\begin{aligned} & 96.0 \\ & 70.3 \end{aligned}$ | $\begin{array}{r} 109.5 \\ 86.1 \end{array}$ | $\begin{array}{r} 106.5 \\ 81.8 \end{array}$ | $\begin{array}{r} 126.1 \\ 94.3 \end{array}$ | $\begin{aligned} & 144.4 \\ & 110.8 \end{aligned}$ | $\begin{aligned} & \hline 149.0 \\ & 118.6 \end{aligned}$ | $\begin{aligned} & 135.2 \\ & 125.0 \end{aligned}$ |  |  | Target Pri 2022 20 | Range 2024 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| SAFETY |  | New 7127 |  | $\begin{array}{\|l} \text { LOW. } \\ \hline \text { LEGEN } \\ \hline \end{array}$ | DS ${ }^{\text {52.1 }}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\mathbf{c}_{\mathbf{2 0 2 4}}^{320}$ |
| TECHN BETA | ICAL 2 <br> $85 \quad(1.00=$ | Lowered <br> Market) |  | Options: Shaded |  | Flow ${ }^{\prime \prime}$ p Strength <br> tes rece |  |  |  |  |  |  |  |  |  |  |  |  |  | 320 200 |
|  | 2-24 PR | JECTIO | NS |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 160 |
|  | Pre | in | 1 Total |  |  |  |  |  |  |  |  |  |  |  | Tr | - |  |  |  | 120 |
|  | Price | ain | eturn |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 100 |
| $\begin{array}{\|ll} \text { High } & 23 \\ \text { Low } & 18 \end{array}$ | $\begin{aligned} & 230 \\ & 185 \end{aligned}$ | $\begin{aligned} & 75 \% \\ & +40 \%) \end{aligned}$ | 17\% |  |  |  |  |  |  | , إ1111 | , | $\mathrm{I}^{1}$ |  |  |  |  |  |  |  | 80 |
| Insider | Decisi | ons |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 60 |
| to Buy | A M J | $J$ A S | O N D |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 0 |
| $\begin{aligned} & \text { to } \begin{array}{l} \text { Opy } \\ \text { Options } \\ \text { to Sell } \end{array} \end{aligned}$ | $\begin{array}{llll}0 & 0 & 0 \\ 0 & 0 & 0 \\ 0 & 0 & 0\end{array}$ | 0 0 0 <br> 0 1 0 <br> 0 1 1 | 0 0 3 <br> 0 1 1 <br> 0 1 2 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Institut | tional D | ecision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | RETURN 1/19 |  |
|  | 102018 | 202018 | 302018 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $={ }^{18}$ |
| $\begin{aligned} & \text { to Buy } \\ & \text { to Sell } \end{aligned}$ | $\begin{aligned} & 1169 \\ & 1215 \end{aligned}$ | 1160 | 1158 1154 | shares |  |  |  |  |  |  |  |  |  |  |  |  |  | 1 yr. $3 \mathrm{rr}$. 5 | $\begin{array}{rr} -1.1 & -4.5 \\ 38.0 & 46.9 \\ \hline \end{array}$ |  |
|  | 17838601 | 19282001 | 791372 |  | 5 |  |  |  | 四 |  | 䛧 |  |  | \||11| | \|11| |  |  | 5 yr . | 72.540 .8 |  |
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | $\bigcirc$ © VA | UE LINE PUB. LLC | 22-24 |
| 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 | 28.50 | 30.40 | 31.65 | 30.65 | Sales | er sh A | 38.15 |
| 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 | 8.32 | 8.20 | 9.95 | 9.95 | "Cas | Flow" per sh | 12.70 |
| 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 | 6.20 | 5.61 | 7.00 | 7.80 | Earning | sper sh A B | 11.20 |
| . 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 | 3.54 | 3.75 | 3.95 | Div'ds | Decl'd per sh Cm | 5.05 |
| . 76 | . 73 | . 88 | . 92 | 1.04 | 1.11 | . 86 | . 87 | 1.06 | 1.06 | 1.27 | 1.33 | 1.26 | 1.19 | 1.22 | 1.20 | 1.25 | 1.23 |  | pending per sh | 1.15 |
| 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 | 22.43 | 25.05 | 28.90 | 29.20 | Book | alue per sh D | 43.90 |
| 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 | 2682.5 | 2682.0 | 2700.0 | 2700.0 | Com | S Shs Outst'g E | 2700.0 |
| 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 | 20.9 | 23.7 | Bold | re | Avg | n'I P/E Ratio | 18.5 |
| 1.11 | . 96 | . 99 | . 90 | . 82 | . 86 | . 83 | . 83 | . 80 | . 83 | . 88 | . 93 | . 92 | 1.00 | 1.02 | 1.28 |  | Line | Relativ | P/E Ratio | 1.00 |
| 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\% | 2.6\% | 2.7\% |  | es | Avg An | n'I Div'd Yield | 2.7\% |
| CAPITAL STRUCTURE as of 9/30/18 <br> Total Debt $\$ 31,253$ mill. Due in 5 Yrs $\$ 8,227$ mil. <br> LT Debt $\$ 29,480$ mill. LT Interest $\$ 925.0$ mill. (31\% of Capital) |  |  |  |  |  | 61897 | 61587 | 65030 | 67224 | 71312 | 74331 | 70074 | 71890 | 76450 | 81581 | 80800 | 82800 | Sales | nill) A | 103000 |
|  |  |  |  |  |  | 31.6\% | 31.4\% | 32.3\% | 35.7\% | 33.3\% | 33.7\% | 31.1\% | 34.6\% | 32.0\% | 31.0\% | 35.0\% | 35.5\% | Opera | g Margin | 37.5\% |
|  |  |  |  |  |  | 2774.0 | 2939.0 | 3158.0 | 3666.0 | 4104.0 | 3895.0 | 3746.0 | 3754.0 | 5642.0 | 6900 | 6200 | 5800 | Depre | ation (\$mill) | 6500 |
|  |  |  |  |  |  | 12906 | 13279 | 13867 | 14345 | 15876 | 16323 | 15409 | 16540 | 16680 | 15045 | 18900 | 21060 | Net Pro | fit (\$mill) | 28350 |
| Leases, Uncapitalized Annual rentals \$372 mill. |  |  |  |  |  | 22.0\% | 21.1\% | 20.1\% | 23.1\% | 17.2\% | 20.6\% | 19.7\% | 16.5\% | NMF | 20.0\% | 20.0\% | 20.0\% | Incom | Tax Rate | 20.0\% |
|  |  |  |  |  |  | 20.9\% | 21.6\% | 21.3\% | 21.3\% | 22.3\% | 22.0\% | 22.0\% | 23.0\% | 21.8\% | 18.4\% | 23.4 | 25.4\% | Net Pr | Margin | 27.5\% |
| Pension Assets-12/17 \$28.4 bill. Oblig. \$33.2 bill. |  |  |  |  |  | 17810 | 24235 | 31505 | 21854 | 30732 | 34226 | 32463 | 38745 | 12551 | 20000 | 22000 | 21000 | Work | Cap'l (\$mill) | 30000 |
|  |  |  |  |  |  | 8223.0 | 9156.0 | 12969 | 11489 | 13328 | 15122 | 12857 | 22442 | 30675 | 29500 | 30000 | 30000 | Long-T | rm Debt (\$mill) | 35000 |
|  |  |  |  |  |  | 50588 | 56579 | 57080 | 64826 | 74053 | 69752 | 71150 | 70418 | 60160 | 67200 | 78000 | 78900 | Shr. Eq | uity (\$mill) | 118500 |
| Common Stock 2,681,977,969 sharesas of 10/26/18 |  |  |  |  |  | 22.3\% | 20.6\% | 20.2\% | 19.1\% | 18.4\% | 19.5\% | 18.6\% | 18.2\% | 16.9\% | 16.0\% | 18.0\% | 20.5\% | Return | on Total Cap'l | 19.0\% |
|  |  |  |  |  |  | 25.5\% | 23.5\% | 24.3\% | 22.1\% | 21.4\% | 23.4\% | 21.7\% | 23.5\% | 24.7\% | 22.5\% | 24.0\% | 26.5\% | Return | on Shr. Equity | 24.0\% |
| MARKET CAP: \$356 billion (Large Cap) |  |  |  |  |  | 15.0\% | 13.2\% | 13.5\% | 11.9\% | 11.6\% | 12.3\% | 10.2\% | 11.2\% | 9.8\% | 8.5\% | 14.5\% | 13.0\% | Retain | d to Com Eq | 12.5\% |
| CURRENT POSITION (\$MILL.) |  |  | 2016 | 2017 | 9/30/18 | 41\% | 44\% | 44\% | 46\% | 46\% | 48\% | 53\% | 52\% | 52\% | 63\% | 47\% | 51\% | All Div' | ds to Net Prof | 48\% |


| Cash Assets | 41907 | 18296 | 19364 |
| :---: | :---: | :---: | :---: |
| Receivables | 11699 | 13490 | 14048 |
| Inventory (FIFO) | 8144 | 8765 | 8678 |
| Other | 3282 | 2537 | 5104 |
| Current Assets | 65032 | 43088 | 47194 |
| Accts Payable | 6918 | 7310 | 7000 |
| Debt Due | 4684 | 3906 | 1773 |
| Other | 14685 | 19321 | 18664 |
| Current Liab. | 26287 | 30537 | 27437 |


| ANNUAL RATES <br> of change (per sh) Sales <br> "Cash Flow" <br> Earnings <br> Dividends <br> Book Value |  | Past 10 Yrs. 3.5\% 4.5\% 4.0\% 8.0\% 6.0\% |  | $\begin{array}{lc} \hline \text { Past } & \text { Est'd '15-'17 } \\ 5 \text { Yrs. } & \text { to '22' } 24 \end{array}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $.5 \%$ | 5.5\% |
|  |  | 5\% | 5\% |
|  |  | .5\% | . $0 \%$ |
|  |  | . $\%$ | 80\% |
|  |  | .5\% |  |
| Calendar | QUARTERLY SALES (\$ mill.) A Mar.Per Jun.Per Sep.Per Dec.Per |  |  |  | Full Year |
|  |  |  |  |  |  |  |  |
| 2016 | 17482 |  |  | 18482 | 17820 | 18106 | 71890 |
| 2017 | 17766 |  |  | 18839 | 19650 | 20195 | 76450 |
| 2018 | 20009 |  |  | 20831 | 20348 | 20393 | 81581 |
| 2019 | 20000 |  |  | 20500 | 20100 | 20200 | 80800 |
| 2020 | 20500 | 21000 | 20600 | 20700 | 82800 |
| Calendar | EARNINGS PER SHARE ABMar.Per Jun.Per Sep.Per Dec.Per |  |  |  | Full Year |
|  |  |  |  |  |  |  |  |
| 2016 | 1.54 | 1.48 | 1.53 | 1.38 | 5.93 |
| 2017 | 1.61 | 1.40 | 1.45 | 1.74 | 6.20 |
| 2018 | 1.60 | 1.45 | 1.44 | 1.12 | 5.61 |
| 2019 | 1.70 | 1.70 | 1.65 | 1.95 | 7.00 |
| 2020 | 1.90 | 1.90 | 1.85 | 2.15 | 7.80 |
| Calendar | QUARTERLY DIVIDENDS PAID C. |  |  |  | Full Year |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 |  |
| 2015 <br> 2016 <br> 2017 <br> 2018 <br> 2019 | $\begin{aligned} & .70 \\ & .75 \\ & .80 \\ & .84 \end{aligned}$ | $\begin{aligned} & .75 \\ & .80 \\ & .84 \\ & .90 \end{aligned}$ | $\begin{aligned} & .75 \\ & .80 \\ & .84 \\ & .90 \end{aligned}$ | 75 | $\begin{aligned} & 2.95 \\ & 3.15 \\ & 3.32 \\ & 3.54 \end{aligned}$ |
|  |  |  |  | . 80 |  |
|  |  |  |  | . 84 |  |
|  |  |  |  | . 90 |  |
|  |  |  |  |  |  |

[^0]J ohnson \& J ohnson's stock sold off sharply following a negative news report regarding its talc products. In mid-December, Reuters news service published an article claiming that J \& J executives were aware of the presence of asbestos in its talc products since the 1970s. The company is facing thousands of lawsuits that allege that the talc has caused ovarian cancer. Of the more than 10 cases brought so far, the plaintiffs have won three, most notably a $\$ 4.7$ billion verdict last July brought by multiple plaintiffs. $J \& J$ has filed appeals on the losses and vehemently denies that there was asbestos in the talc. I nvestors should be aware that this controversy will remain an overhang on the company for possibly years to come, as jury verdicts are hard to predict. It should be noted that the stock price has since recovered, and J\&J has done well getting jury awards lowered on appeal.
Meanwhile, the company's operational performance in the fourth quarter was decent. Total sales rose only $1 \%$, but on an apple-to-apples basis, the top line increased by $5.3 \%$. However, much of this was offset the negative im-
ogy, circulatory disease management, orthopedic joint reconstruction, etc.). Employs about 134,000 . Officers \& directors less than 1.0\% of common stock; Vanguard Group, 7.6\%; BlackRock, 6.2\% State Street, 5.8\%. (3/18 Proxy). Chairman \& CEO: Alex Gorsky. Inc.: NJ. Address: One Johnson \& Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jn.com.
pact of currency translations. Adjusted share earnings were up $13 \%$, but on a GAAP basis they fell $35 \%$ due to amortization charges and unusual expenses.
Management's guidance for 2019 was muted. Sales are estimated to be $\$ 80.8$ billion, a decline of $1 \%$ owing to some business divestitures. Adjusted earnings per share were forecast to be $\$ 8.60$, with operational sales rising 6.7\%. All told, the company may well earn $\$ 7.00$ a share, on a GAAP basis.
We also expect to see further improvement in 2020. On the negative side, revenues will probably continue to slide for key drugs such as REMICADE (inflammatoryrelated diseases) and ZYTIGA (prostate cancer) due to competition from biosimilars. Nevertheless, the company has a solid pipleine of new drugs, especially in the oncology sector. We think one or two of these will emerge as new blockbusters and compensate for lost sales.
These shares are timely. And while the talc-related lawsuits add some uncertainty, JNJ carries a 1 Safety rank (Highest).
J ames A. Flood
F ebruary 15, 2019

[^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: 03, d30¢; '04, d26c; '05, d4¢; '06, d3c; '07,
    d\$1.24; '13, d71c; 4th qtr.'17, d\$5.73 (due to tax reform.). GAAP as of 2015. Next earnings report due late April. (C) Dividends historically
    paid: March, June, September, and December.

    - Dividend reinvestment plan available (D) Includes intangibles. On 12/31/18: $\$$ billion, $\$ 29.57$ a share. (E) In millions. d52¢; '09, d234; '10, 2c;' '11, d\$1.51; '12,

