

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-

Johnson & Johnson reported better-

than-anticipated financial results for

the second quarter. Sales came in at

\$20.562 billion, down a percentage point from the year-earlier mark, but well ahead

of the 2% decline we had been modeling.

That said, the real outperformance came

at the bottom line, with the healthcare

conglomerate reporting earnings of \$2.08 a

share, 43% above the prior-year tally and even further ahead of the 18% we were

helped, the main reason for the beat was

greater-than-anticipated margin improve-

ment. Management did a good job controll-

ing costs in the interim, especially on the sales, marketing, and administrative side

Our full-year 2019 share-net estimate remains intact at \$6.80, nonetheless.

While management upped its sales guidance, it still looks for a 1% decline to flat

result. It also maintained its earnings-pershare forecast, prompting us to do the same after reining in our second-half ex-

pectations. Further margin expansion un-

share

repurchases

While

1.0% of common stock; Vanguard Group, 8.25%; BlackRock, 6.9% State Street, 5.7%. (3/19 Proxy). Chairman & CEO: Alex Gorsky. Inc.: NJ. Address: One Johnson & Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jnj.com.

mid-double-digit EPS gain next year.

While we see sales growth ramping to 4%

territory, margin improvement remains a

key driver of our bottom-line optimism. Adding it all up, our assumption is for

Legal concerns continue to swirl.

Johnson & Johnson is feeling significant

pressure on the litigation front, with talc-

related litigation being exacerbated by questions about the company's knowledge

of the addictiveness of opiods. While these

issues remain up in the air, they very well

may result in significant costs. Meantime,

the lawsuits will continue to hang over the stock. For perspective, JNJ shares are

down in value since posting strong Juneperiod financials.

The stock offers above-average 3- to 5-

year price recovery potential. While the otherwise solid risk profile has been muddied by legal uncertainties, we think

that JNJ's finances and leading market position in multiple arenas will help it

weather the storm and deliver solid total returns over the long haul. These shares are an Average selection for Timeliness.

share earnings to total \$7.80 in 2020.

31353 **ANNUAL RATES** Past Est'd '16-'18 Past 5 Yrs. 3.0% 3.5% 1.5% of change (per sh) 10 Yrs. to '22-'24 3.0% 4.0% 3.0% 7.5% 5.0% Sales "Cash Flow" 10.0% 12.0% 7.0% 10.0% Earnings Dividends Book Value 6.5%

43088

7310

3906 19321

30537

46033

7537 2796

20897

31230

41799

6912

Current Assets

Accts Payable Debt Due

Current Liab.

Cal- endar			ALES (\$ m Sep.Per	ill.) ^A Dec.Per	Full Year
2016	17482	18482	17820	18106	71890
2017	17766	18839	19650	20195	76450
2018	20009	20831	20348	20393	81581
2019	20021	20562	20142	20775	81500
2020	20750	21500	21000	21750	85000
Cal-	EARNINGS PER SHARE AB				Full
endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2016	1.54	1.48	1.53	1.38	5.93
2017	1.61	1.40	1.37	1.03	5.41
2018	1.60	1.45	1.44	1.12	5.61
2019	1.39	2.08	1.50	1.83	6.80
2020	1.85	2.20	1.70	2.05	7.80
Cal-	QUARTERLY DIVIDENDS PAID C■				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2015	.70	.75	.75	.75	2.95
2016	.75	.80	.80	.80	3.15
2017	.80	.84	.84	.84	3.32
2018	.84	.90	.90	.90	3.54
2019	90	95			

(A) Years end on the last Sunday in December. (B) Diluted earnings. Excludes nonrecurring: '03, d30¢; '04, d26¢; '05, d4¢; '06, d3¢; '07, d52¢; '09, d23¢; '10, 2¢; '11, d\$1.51; '12,

derpins our 21% share-earnings increase. We remain steadfast in our call for a d\$1.24; '13, d71¢; 4th qtr.'17, d\$5.73 (due to tax reform.). GAAP as of 2015. Next earnings report due mid-Oct. (C) Dividends historically

forecasting.

of things.

■ Dividend reinvestment plan available.

(D) Includes intangibles. On 3/31/19: \$ 78.3 billion, \$29.49 a share. (E) In millions

Andre J. Costanza

Company's Financial Strength Stock's Price Stability A++ 100 Price Growth Persistence 95

August 16, 2019

paid: March, June, September, and December. © 2019 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

Earnings Predictability