

Johnson & Johnson JNJ update Jan. 24th ,2024

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This is not a recommendation or proposal to do anything. The data written in this article is not guaranteed. It is my private personal opinion. I`m not independent as I own a position of JnJ shares.

Johnson & Johnson is a US based company of the health sector with sales of about 100 bn\$/yr. Half of it from domestic and 1/2 from international business. Its main business segments were Pharmaceutical, Medical Devices and Consumer Health.

JnJ spun-off its consumer business as Kenvue Inc. in Q3/2023. The JnJ shareholders were offered 8.0549 shares of Kenvue common stock per share of Johnson & Johnson common stock shares.

The covid panic faded away. Vaccine mandates were rescinded in many countries. JnJ covid revenues will hopefully become negligible in 2023. JnJ strength is not its covid vaccine but for its widespread portfolio of medical and pharmaceutical products that benefit from the aging global population.

Opportunities and Risks

The sales growth in the pharmaceutical business (without covid 19) of 9.5% and that of the MedTech of 9.1% is above the USA inflation rate of 4.3% in 2023.

The 2023 Q4/Q3/23 numbers are not comparable to the data before due to the spin-off.

The 2022 numbers were disappointing. The inflation in US\$ was about 8%. That means revenues and profits need to raise 8% nominal to be the same as the year before.

JnJ is a stagnating (on a stable price base) but usually very profitable business.

The general challenges for drug makers are...

- Many countries like the Europeans regulate the prices of drugs and thus limit the profits of the drug makers.
- Other countries as India often break the patents if the drugs seem too expensive.
- The duration of patents is limited

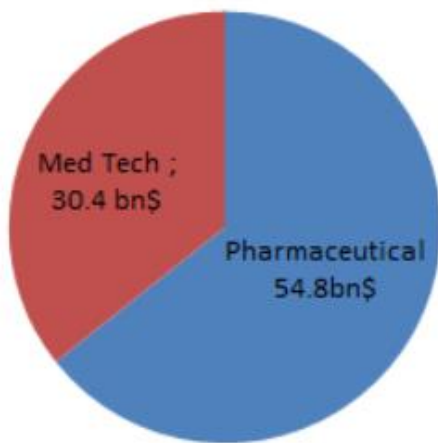
- It is to fear that the USA will regulate drug prices following the European example

JnJ is still one of the most stable companies of the world. The dividend was increased to 1.19 USD/share in Q1/2023. On the other hand there is no significant growth perspective. The PE of 24 (168\$, 7\$ profit) is expensive.

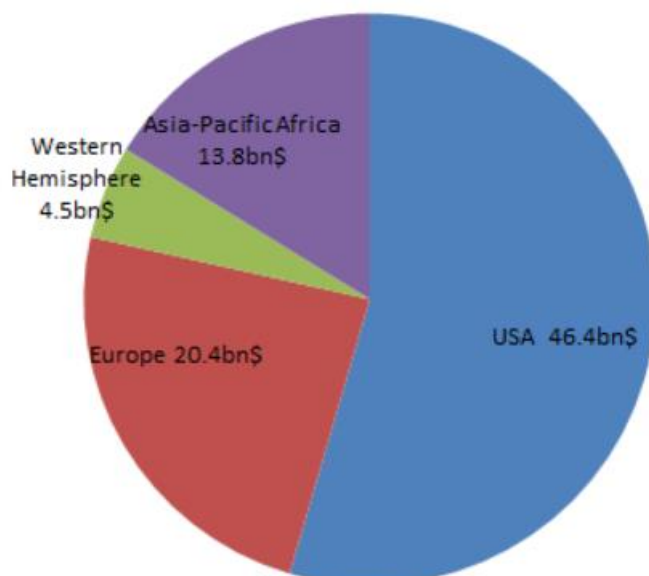
Observations

The biggest and most profitable segment of JnJ is the pharmaceutical business. It can be seen as pharmaceutical company.

Divisional Sales Split 2023



Regional Sales Split



JnJ business is very well distributed over the world with a focus on the USA. Its business – pharmaceutical - is even in a "crazy economy" environment in its key markets less affected than other businesses. This provides stability.

Some Numbers

| | | Q4/23 | Q3/23 | Q2/23 | Q1/23 | Q4/22 | Q3/22 | Q2/22 | Q1/22 |
|--------------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenues | bn\$ | 21.40 | 32.30 | 25.53 | 24.75 | 23.70 | 23.80 | 24.02 | 23.40 |
| Net Debt | bn\$ | 6 | 6 | 17 | 20 | 16 | -2 | 0 | 3 |
| R&D Expenses | bn\$ | 4.48 | 3.44 | 3.83 | 3.56 | 3.84 | 3.60 | 3.70 | 3.46 |
| Free Cash Flow | bn\$ | | 12.00 | 5.40 | 2.50 | 17.00 | 13.00 | 8.00 | 3.40 |
| Net Earnings | bn\$ | 4.10 | 4.30 | 5.14 | -0.07 | 3.50 | 4.46 | 4.81 | 5.10 |
| EPS/Share | \$ | 1.70 | 1.69 | 1.96 | -0.03 | 1.33 | 1.68 | 1.80 | 1.93 |
| Dividend/share | c/share | 119 | 119 | 119 | 119 | 113 | 113 | 113 | 113 |
| Shares Outstanding | M | 2431 | 2549 | 2626 | 2634 | 2650 | 2661 | 2668 | 2667 |

| | | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------|---------|------|-------|-------|-------|--------|------|------|
| Revenues | bn\$ | 88 | 85.20 | 94.90 | 93.80 | 82.6 | 82 | 82 |
| R&D Expenses | bn\$ | | 15.10 | 14.60 | 14.70 | 12.2 | 11.4 | 10.8 |
| Free Cash Flow | bn\$ | | | 41.40 | | | 23.4 | 22.2 |
| Net Earnings | bn\$ | | 13.30 | 17.90 | 20.90 | 14.7 | 15.1 | 15.3 |
| EPS/Share | \$ | | 5.20 | 6.73 | 7.81 | 5.51 | 5.63 | 5.61 |
| Dividend/share | c/share | | 476 | 452 | 424 | 404 | 375 | 354 |
| Shares Outstanding | M | 2435 | 2431 | 2663 | 2674 | 2669.2 | 2684 | 2729 |

Major Shareholders (marketscreener (4) Jan 2024)

| Name | % |
|--|---------|
| Vanguard Group, Inc. (Subfiler) | 9,113 % |
| The Vanguard Group, Inc. | 9,108 % |
| STATE STREET CORPORATION | 5,440 % |
| BlackRock Institutional Trust Co. NA | 2,231 % |
| Geode Capital Management LLC | 1,789 % |
| State Farm Investment Management Corp. | 1,316 % |

The big institutional investors.

Holdings

Some News

2021/03/02 J&J to record \$610M impairment charge from terminating development of therapy in Q4/2021 (4)

2021/04/13 The CDC in the USA recommended to pause the use of JnJ's COVID-19 shot. The decision was taken after six vaccine recipients in the U.S. developed a rare disorder involving blood clots within two weeks of the inoculation (3). The corona vaccine is in the worst case only a small part of the JnJ business. As the covid-19 virus and its mutations will accompany us for decades or centuries and will most probably require annual modifications of vaccines similar to influenza vaccine. There is still plenty of potential for the future if people and politicians stay with their panic.

From a more logical point of view vaccination always bear risks. Thus it make sense for dangerous diseases only. In case of covid-19 the risk of vaccination outpaces the benefit for most people under 70years. The better question is when poeple and politicians calm down from their covid-19 hype. Then other products from JnJ will prosper.

2021/02/10 South Africa to discontinue AstraZeneca vaccine, will give J&J shots. The one-shot J&J vaccine is still being tested internationally and has not been approved in any country. But Mkhize declared that the vaccine is safe, relying on tests of 44,000 people done in South Africa, the U.S. and Latin America (2)

2020/03/16

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Some References

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(3) 2021 April 13th https://seekingalpha.com/news/3681245-jnj-is-down-after-cdc-halts-the-use-of-its-covid-19-vaccine?mail_subject=jnj-jnj-is-down-after-cdc-halts-the-use-of-its-covid-19-vaccine&utm_campaign=rta-stock-news&utm_content=link-1&utm_medium=email&utm_source=seeking_alpha

(2) 2021 Feb. 10th https://seekingalpha.com/news/3660358-south-africa-to-discontinue-astrazeneca-vaccine-will-give-jj-shots?mail_subject=jnj-south-africa-to-discontinue-astrazeneca-vaccine-will-give-j-j-shots&utm_campaign=rta-stock-news&utm_content=link-1&utm_medium=email&utm_source=seeking_alpha

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