

Johnson & Johnson JNJ update July 20th ,2023

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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 are Pharmaceutical, Medical Devices and Consumer Health.

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 Vaccine mandates were rescinded in many countries.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

In Q2/23 the sales increased 7.5% and the earnings 6.9% vs. previous year which is a bit above the inflation rate.

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.

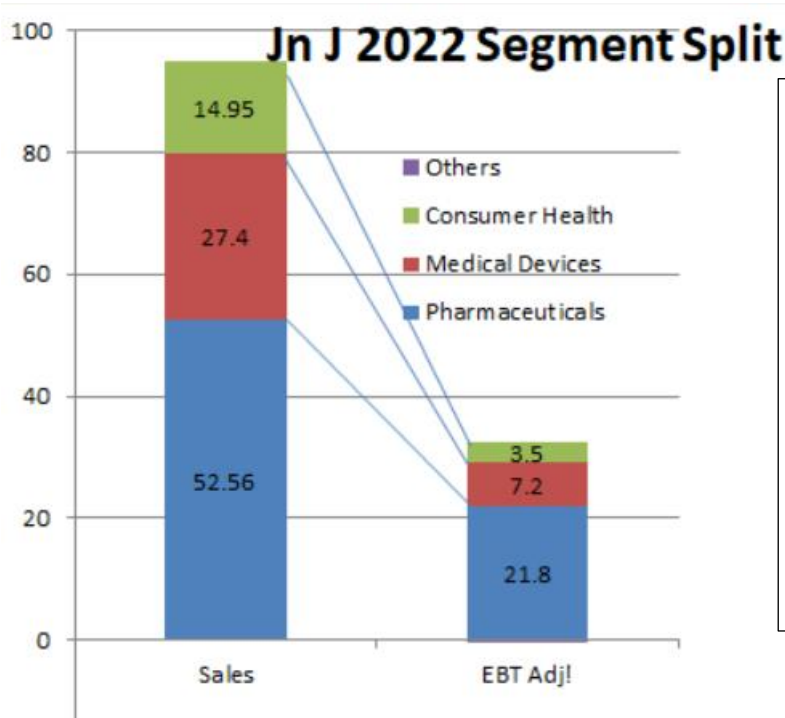
The general challenges for drug makers are...

- 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.

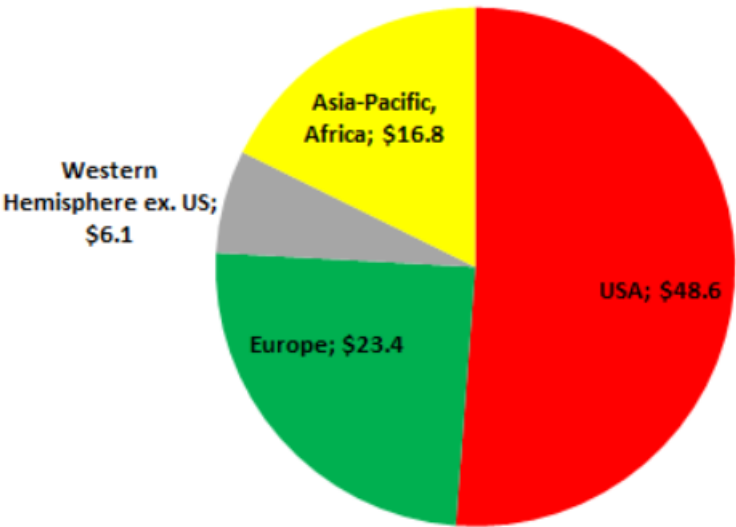
Observations

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



JnJ dominant segment – pharmaceuticals – is as well the most profitable segment.
It can be seen as a pharmaceutical company.

JnJ Regional Sales 2022 bn\$



JnJ dominant market is the USA.
It can be seen as an international company.

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

		Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21
Revenues	bn\$	25.53	24.75	23.70	23.80	24.02	23.40	24.80	23.30	23.30
Net Debt	bn\$	17	20	16	-2	0	3	2	3	8
R&D Expenses	bn\$	3.83	3.56	3.84	3.60	3.70	3.46	4.72	3.40	3.40
Free Cash Flow	bn\$	5.40	2.50	17.00	13.00	8.00	3.40		15.00	8.00
Net Earnings	bn\$	5.14	-0.07	3.50	4.46	4.81	5.10	4.74	3.76	6.30
EPS/Share	\$	1.96	-0.03	1.33	1.68	1.80	1.93	1.77	1.37	2.35
Dividend/share	c/share	119	119	113	113	113	113	106	106	106
Shares Outstanding	M	2626	2634	2650	2661	2668	2667	2670	2675	2671

		2023	2022	2021	2020	2019	2018	2017
Revenues	bn\$	97	94.90	93.80	82.6	82	82	76
R&D Expenses	bn\$		14.60	14.70	12.2	11.4	10.8	10.6
Free Cash Flow	bn\$		41.40			23.4	22.2	21.1
Net Earnings	bn\$		17.90	20.90	14.7	15.1	15.3	1.3
EPS/Share	\$		6.73	7.81	5.51	5.63	5.61	0.47
Dividend/share	c/share		452	424	404	375	354	332
Shares Outstanding	M		2663	2674	2669.2	2684	2729	2692

Shareholders (marketscreener (4) oct.2018)

Name Equities %

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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