

Johnson & Johnson

Initial Thoughts on 4Q23 Earnings

Maintain Rating: NEUTRAL | PO: 180.00 USD | Price: 162.47 USD

4Q beat in Pharma/MedTech; '24 guidance maintained

As expected, J&J reported solid 4Q results on top (+\$323M; +7.2 % y/y op) and bottom lines (+\$0.01; +11.2% y/y op) and maintained 2024 guidance (+\$24M, -\$0.03 midpt vs. consensus) driven by both Innovative Medicine (+\$178M; +4.0% y/y op) and MedTech (+\$186M; +13.4% y/y op). Pharma outperformance was driven primarily by Immunology franchise (+\$196M, including +\$173M from Stelara) while Oncology franchise was in line with expectations (+\$19M). While Carvykti was slightly below expectations (-\$13M) with flat q/q growth, it is not a major surprise given management already noted a higher rate of out-of-spec Carvykti lately due to treatment in sicker patients. On Medtech, growth was driven by procedure growth in Interventional Solutions and Orthopedics. Turning to 2024 guidance, J&J reaffirmed revenue/ EPS guidance while expecting ~50 bps operating margin improvement (vs. flat to 2023). Maintain Neutral rating, \$180 PO.

Pipeline progression in focus

We anticipate the focus will be on the competitive dynamics and outlook for key growth franchises (Oncology & Immunology), expectations for nipocalimab and TARIS, and an update on talc litigation. J&J is hosting a public call at 8:30am ET. Dial-in: 877-869-3847.

Exhibit 1: J&J 4Q23 variance

BofA vs. Cons

\$ in millions	4Q23 Performance		4Q23 Variance				4Q23 Growth	
	4Q23		BofA	Cons	BofA	Cons	Q/Q	Y/Y
Stelara	2,753	BEAT	2,754	2,580	(1)	173	-3.8%	15.4%
Tremfya	910	IN-LINE	916	899	(6)	11	2.0%	21.0%
Immunology	4,595	BEAT	4,574	4,399	21	196	-5.2%	11.7%
Prezista	439	IN-LINE	444	438	(5)	1	-1.8%	-11.0%
Infectious Diseases	852	IN-LINE	838	838	14	14	-0.7%	-44.6%
Spravato	206	IN-LINE	202	204	4	2	12.6%	73.1%
Neuroscience	1,801	IN-LINE	1,783	1,797	18	4	3.4%	3.7%
Imbruvica	788	BEAT	773	762	15	26	-2.6%	-8.9%
Darzalex	2,550	IN-LINE	2,574	2,540	(24)	10	2.0%	22.4%
Erleada	647	MISS	661	695	(14)	(48)	2.7%	19.6%
Carvykti	159	MISS	169	172	(10)	(13)	4.6%	N/A
Oncology	4,618	IN-LINE	4,758	4,599	(140)	19	1.9%	17.6%
Xarelto	525	MISS	627	658	(102)	(133)	-16.0%	-21.3%
Innovative Medicine	13,722	BEAT	13,840	13,544	(118)	178	-1.2%	4.3%
Medical Devices	7,673	BEAT	7,451	7,487	222	186	2.9%	13.3%
Total Revenue	\$21,395	BEAT	21,291	21,072	104	323	0.2%	7.3%
COGS	5,530	MISS	5,470	5,244	60	286	6.2%	-14.6%
SG&A	5,802	MISS	5,706	5,642	96	160	7.6%	-10.2%
R&D	4,425	MISS	4,279	3,946	146	479	31.0%	20.2%
Net Earnings	5,562	MISS	5,591	5,684	(29)	(122)	-17.9%	-10.6%
Non-GAAP EPS	\$2.29	BEAT	\$2.31	\$2.28	(0.02)	0.01	-13.8%	-2.4%
2024 Guidance	Low	High	BofA	Cons	Y/Y	BofA	Cons	
Total Revenue (\$M)	87,800	88,600	Maintained	88,232	88,176	4%	(32)	24
Non-GAAP EPS	\$10.55	\$10.75	Maintained	10.75	10.68	7%	(\$0.10)	(\$0.03)

Source: BofA Global Research, VisibleAlpha, Bloomberg; *Y/Y comp vs. prior year J&J w/ Kenvue BofA GLOBAL RESEARCH

23 January 2024

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Stock Data

Price	162.47 USD
Price Objective	180.00 USD
Date Established	18-Apr-2023
Investment Opinion	A-2-7
52-Week Range	144.95 USD - 175.97 USD
Mrkt Val (mn) / Shares Out	434,055 USD / 2,671.6 (mn)
Free Float	99.9%
Average Daily Value (mn)	1093.91 USD
BofA Ticker / Exchange	JNJ / NYS
Bloomberg / Reuters	JNJ US / JNJ.N
ROE (2023E)	33.4%
Net Dbt to Eqty (Dec-2022A)	33.2%
ESGMeter™	High

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Abbreviation:

ESMO: European Society for Medical

Oncology

LT: Long-term

EGFR: Epidermal growth factor receptor

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Timestamp: 23 January 2024 07:31AM EST

Price objective basis & risk

Johnson & Johnson (JNJ)

Our price objective of \$180/share is based on a sum of the parts (SOTP) of roughly 18x MedTech multiple, and 14x pharma '24 multiple, slightly below peers given looming loss of exclusivity (LOE) and talc uncertainty, yielding \$57/share, and \$123/share, respectively.

The downside risks to our PO are slower growth in MedTech due to competitive pressure and faster-than-expected erosion from biosimilars to the pharma business.

Upside risks to our PO are better-than-expected launch of new products, better-than-expected clinical data for the pharma pipeline, quick resolution of talc litigation, and constructive M&A.

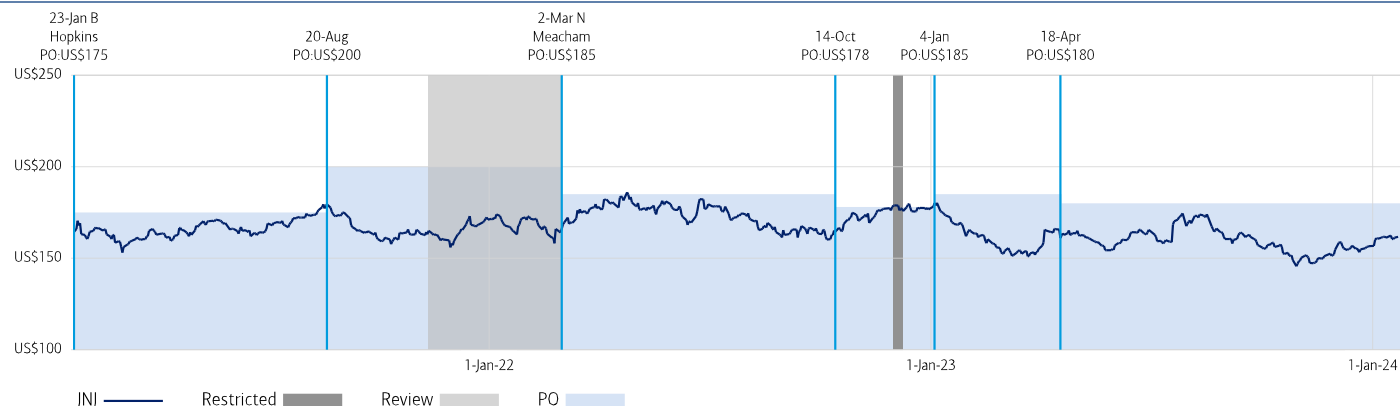
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Johnson & Johnson (JNJ) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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