

Medical Technology

JNJ print confirmatory for medtech

Industry Overview

JNJ Q4 medtech solid but no better than expected

JNJ Q4 medtech revenue grew 9.1% y/y, which was ahead of the Street's 6.7%. In total, the growth suggests the rest of medtech should have decent quarters with small beats but JNJ's print was more confirmatory of expectations and does not materially change expectations (other than US knees may be stronger). JNJ continues to call out Cardio M&A but we heard nothing new. JNJ expects procedures in 2024 to remain above pre-COVID levels (patients coming into market faster than historical averages in 2023, especially in ortho, and trend to continue into at least 1H2024). For medtech to really rerate, some investors may want to wait and see where growth normalizes.

Medtech Q4s in line with expects; guides matter more

JNJ's 9.1% medtech rev growth represents -60bps comp adjusted deceleration q/q, vs the Street is on avg modeling 10bps of acceleration in Q4'23 for large cap medtech. This suggests small/normal beats. JNJ medtech was up 3% q/q, which is in line with historical avg Q4/Q3 growth of +3%. We'd note though, for ABT devices ex-diabetes, the Street is modeling +0.7% q/q growth for Q4 vs historical avg of +2.6%. For BSX, Street is modeling +2% q/q growth for Q4 vs historical avg of +5%. JNJ's EP was particularly strong (+7% q/q, +25% y/y) as this market remains robust even ahead of PFA.

US Knees well above normal seasonality

JNJ US knees were well above normal q/q seasonality and OUS hips were notably below. However, JNJ's OUS hips were impacted by destocking/Russian sanctions. Both ZBH and SYK look to have room for US knee beats (especially SYK, where Street is modeling below normal seasonality). But US hips look like they'll be more in line given the Street already models normal seasonality and JNJ put up normal seasonality in US hips. JNJ's OUS hip/knee growth is a tougher readthrough.

Hip/Knee numbers – see tables inside

JNJ WW knees were +14.5% q/q, slightly above the historical avg of +13% q/q growth. JNJ WW hips were +6% q/q, below the historical avg of +10%. JNJ US knees were +17% q/q, well above the historical avg of +12.5%. JNJ US Hips were +11% q/q, in line with historical avg of +10%.

The Street models ZBH WW knees +14% q/q in Q4 (historical avg +15%). The Street models ZBH WW hips +9% q/q in Q4 (historical avg +10%). The Street models ZBH US knees +15% q/q in Q4 (historical avg +13%). The Street models ZBH US hips up 9% q/q in Q4 (historical avg of 8%).

The Street models SYK WW knees up +16% q/q in Q4 (historical avg +18%). The Street models SYK WW hips up 10.5% q/q in Q4 (historical avg +10%). The Street models SYK US knees +15% q/q in Q4 (historical avg +19%). The Street models SYK US hips up 10% q/q in Q4 (historical avg +11%).

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Tickers mentioned

ABT = Abbott
BSX = Boston Scientific
JNJ = Johnson & Johnson
SYK = Stryker
ZBH = Zimmer Biomet

Acronym glossary

avg = average
comp = comparable(s)
EP = electrophysiology
PFA = pulsed field ablation
WW = worldwide
M&A = mergers and acquisitions
OUS = outside the US
Rev = revenue

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JNJ laterals to medtech

JNJ medtech grew 9.1% y/y, a -60bps comp adj decel q/q

Exhibit 1: Large cap Medtech organic growth (green is consensus)

JNJ medtech came in at 9.1% y/y, which was ahead of the Street's 6.7%. The 9.1% represents -60bps comp adjusted deceleration q/q, Vs Street on average modeling 10bps acceleration in 4Q23 for large cap medtech.

WW Device Businesses	Organic Growth vs 2019				Organic Growth				2022A	Consensus Organic Growth				2023E	Consensus Organic Growth				2024E
	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A		1Q23A	2Q23A	3Q23A	4Q23E		1Q24E	2Q24E	3Q24E	4Q24E	
ABT devices (ex-Diabetes)	-1.6%	2.9%	2.9%	1.8%	7.8%	2.7%	3.5%	2.9%	4.2%	8.5%	10.9%	10.1%	10.9%	10.1%	7.9%	6.9%	6.6%	6.3%	7.0%
2 yr avg	1.0%	4.3%	4.2%	4.1%	3.1%	2.8%	3.2%	2.4%	2.9%	8.2%	6.8%	6.8%	6.9%	7.2%	8.2%	8.9%	8.3%	8.6%	8.5%
3 yr avg					3.3%	3.8%	4.0%	3.7%	3.7%	4.9%	5.5%	5.5%	5.2%	5.3%	8.1%	6.8%	6.7%	6.7%	7.1%
MDT (adj for calendar basis)	-1.1%	4.5%	0.7%	0.6%	1.4%	-3.6%	2.2%	4.1%	1.0%	5.6%	6.0%	5.0%	4.4%	5.2%	4.2%	4.9%	4.7%	4.6%	4.6%
2 yr avg	1.3%	4.0%	2.4%	1.6%	0.2%	0.4%	1.4%	2.4%	1.1%	3.5%	1.2%	3.6%	4.2%	3.1%	4.9%	5.5%	4.8%	4.5%	4.9%
3 yr avg					1.3%	1.5%	2.3%	2.4%	1.9%	2.0%	2.3%	2.6%	3.0%	2.5%	3.7%	2.4%	4.0%	4.3%	3.6%
BSX	3.0%	8.9%	4.1%	6.7%	9.7%	6.6%	11.5%	7.1%	8.7%	14.0%	11.6%	10.2%	9.6%	11.3%	7.8%	8.3%	8.7%	9.2%	8.5%
2 yr avg	4.7%	7.6%	6.7%	7.0%	6.4%	7.8%	7.8%	6.9%	7.2%	11.9%	9.1%	10.9%	8.3%	10.0%	10.9%	9.9%	9.5%	9.4%	9.9%
3 yr avg					6.3%	7.3%	8.3%	7.0%	7.2%	8.9%	9.0%	8.6%	7.8%	8.6%	10.5%	8.8%	10.1%	8.6%	9.5%
EW	19.2%	24.5%	18.1%	12.4%	12.7%	4.5%	6.7%	7.3%	7.8%	12.6%	12.1%	10.9%	11.4%	11.7%	6.7%	8.3%	9.2%	12.2%	9.1%
2 yr avg	14.1%	19.1%	18.5%	15.9%	15.9%	14.5%	12.4%	9.9%	13.2%	12.7%	8.3%	8.8%	9.3%	9.8%	9.7%	10.2%	10.1%	11.8%	10.4%
3 yr avg					13.6%	14.2%	14.6%	13.0%	13.9%	14.8%	13.7%	11.9%	10.4%	12.7%	10.7%	8.3%	8.9%	10.3%	9.6%
EW WW TAVR	30.4%	30.7%	20.9%	13.4%	13.7%	4.9%	6.1%	4.8%	7.2%	10.8%	9.8%	9.9%	11.0%	10.4%	7.1%	8.0%	8.4%	10.7%	8.6%
2 yr avg	20.1%	24.4%	23.8%	21.5%	22.0%	17.8%	13.5%	9.1%	15.3%	12.3%	7.4%	8.0%	7.9%	8.8%	9.0%	8.9%	9.2%	10.9%	9.5%
3 yr avg					18.0%	17.9%	17.9%	15.9%	17.2%	18.3%	15.1%	12.3%	9.7%	13.6%	10.5%	7.6%	8.1%	8.9%	8.7%
ISRG Procedures	27.5%	35.7%	28.8%	27.7%	19.0%	14.0%	20.0%	18.0%	17.8%	26.0%	22.0%	19.0%	21.0%	22.0%	14.2%	14.9%	16.2%	15.8%	15.3%
2 yr avg	22.8%	26.4%	24.2%	23.4%	23.3%	24.9%	24.4%	22.8%	23.8%	22.5%	18.0%	19.5%	19.5%	19.9%	20.1%	18.5%	17.6%	18.4%	18.6%
3 yr avg					21.6%	22.3%	22.8%	21.6%	22.1%	24.2%	23.9%	22.6%	22.2%	23.2%	19.7%	17.0%	18.4%	18.3%	18.3%
JNJ MedTech	3.0%	7.0%	4.0%	4.5%	8.6%	3.4%	8.1%	3.8%	6.0%	6.6%	10.0%	6.0%	9.1%	7.9%	5.7%	5.0%	6.5%	5.7%	5.7%
2 yr avg	3.7%	5.2%	4.6%	3.6%	5.8%	5.2%	6.1%	4.2%	5.3%	7.6%	6.7%	7.1%	6.5%	7.0%	6.1%	7.5%	6.2%	7.4%	6.8%
3 yr avg					5.3%	4.6%	5.7%	3.7%	4.8%	6.1%	6.8%	6.0%	5.8%	6.2%	7.0%	6.1%	6.9%	6.2%	6.5%
SYK	4.7%	9.3%	8.4%	6.2%	9.2%	6.1%	9.9%	13.2%	9.6%	12.6%	11.9%	10.2%	7.5%	10.5%	7.5%	7.9%	7.8%	8.2%	7.8%
2 yr avg	6.0%	8.9%	8.0%	7.1%	7.0%	7.7%	9.2%	9.7%	8.4%	10.9%	9.0%	10.1%	10.3%	10.1%	10.1%	9.9%	9.0%	7.8%	9.2%
3 yr avg					7.1%	8.0%	8.6%	9.1%	8.2%	8.8%	9.1%	9.5%	9.0%	9.1%	9.8%	8.6%	9.3%	9.6%	9.3%
ZBH adj for spin	-8.7%	-0.7%	0.6%	-4.6%	5.5%	6.0%	5.0%	10.1%	6.6%	12.2%	6.4%	6.2%	4.6%	7.4%	3.9%	4.8%	4.8%	5.0%	4.6%
2 yr avg	-3.6%	0.6%	1.4%	-0.6%	-1.6%	2.7%	2.8%	2.7%	1.6%	8.9%	6.2%	5.6%	7.3%	7.0%	8.1%	5.6%	5.5%	4.8%	6.0%
3 yr avg					-0.6%	2.4%	2.6%	3.0%	1.9%	3.0%	3.9%	3.9%	3.4%	3.5%	7.2%	5.7%	5.3%	6.6%	6.2%
2 Yr Stacked Seq Accel/Decel		2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E
ABT devices (ex-Diabetes)		3.3%	0.0%	-0.2%	-1.0%	-0.3%	0.4%	-0.9%	-0.5%	5.8%	-1.4%	0.0%	0.1%	4.3%	1.3%	0.7%	-0.6%	0.3%	1.4%
MDT (adj for calendar basis)		2.7%	-1.6%	-0.8%	-1.4%	0.3%	1.0%	0.9%	-1.2%	1.1%	-2.3%	2.4%	0.6%	2.0%	0.6%	0.6%	-0.6%	-0.4%	1.8%
BSX		3.0%	-0.9%	0.3%	-0.7%	1.4%	0.1%	-0.9%	0.7%	5.0%	-2.8%	1.8%	-2.5%	2.8%	2.6%	-1.0%	-0.5%	-0.1%	-0.1%
EW		5.0%	-0.5%	-2.6%	0.1%	-1.4%	-2.1%	-2.5%	-3.7%	2.8%	-4.4%	0.5%	0.5%	-3.4%	0.3%	0.5%	-0.1%	1.7%	0.7%
EW WW TAVR		4.3%	-0.7%	-2.3%	0.5%	-4.3%	-4.3%	-4.4%	-6.9%	3.2%	-4.9%	0.6%	-0.1%	-6.5%	1.1%	-0.1%	0.3%	1.7%	0.7%
ISRG Procedures		3.6%	-2.2%	-0.8%	-0.1%	1.6%	-0.5%	-1.6%	-0.4%	-0.3%	-4.5%	1.5%	0.0%	-4.0%	0.6%	-1.7%	-0.8%	0.8%	-1.2%
JNJ MedTech		1.6%	-0.7%	-1.0%	2.2%	-0.6%	0.8%	-1.9%	1.1%	3.5%	-0.9%	0.4%	-0.6%	1.7%	-0.3%	1.4%	-1.3%	1.2%	-0.1%
SYK		2.9%	-0.9%	-0.9%	-0.2%	0.7%	1.5%	0.6%	0.9%	1.2%	-1.9%	1.1%	0.3%	1.7%	-0.3%	-0.2%	-0.9%	-1.2%	-0.9%
ZBH adj for spin		4.2%	0.8%	-2.0%	-1.1%	4.3%	0.2%	-0.1%	2.2%	6.1%	-2.7%	-0.6%	1.7%	5.4%	0.7%	-2.5%	-0.1%	-0.7%	-1.0%
Avg (excl EW WW TAVR)		3.3%	-0.8%	-1.0%	-0.3%	0.7%	0.2%	-0.8%	-0.1%	3.1%	-2.6%	0.9%	0.1%	1.3%	0.7%	-0.3%	-0.6%	0.2%	0.1%
3 Yr Stacked Seq Accel/Decel										1Q23A	2Q23A	3Q23A	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E
ABT devices (ex-Diabetes)										1.2%	0.6%	0.0%	-0.3%	1.6%	2.9%	-1.2%	-0.1%	0.0%	1.8%
MDT (adj for calendar basis)										-0.5%	0.3%	0.3%	0.4%	0.6%	0.7%	-1.3%	1.5%	0.4%	1.1%
BSX										1.9%	0.1%	-0.4%	-0.8%	1.3%	2.7%	-1.7%	1.3%	-1.5%	0.9%
EW										1.8%	-1.1%	-1.8%	-1.5%	-1.2%	0.3%	-2.4%	0.6%	1.4%	-3.1%
EW WW TAVR										2.4%	-3.2%	-2.8%	-2.6%	-3.6%	0.8%	-3.0%	0.6%	0.7%	-4.9%
ISRG Procedures										2.6%	-0.3%	-1.3%	-0.4%	1.2%	-2.5%	-2.8%	1.4%	-0.1%	-4.9%
JNJ MedTech										2.4%	0.7%	-0.8%	-0.2%	1.4%	1.2%	-0.8%	0.7%	-0.6%	0.4%
SYK										-0.3%	0.3%	0.4%	-0.5%	0.9%	0.8%	-1.2%	0.7%	0.3%	0.2%
ZBH adj for spin										0.0%	0.9%	0.0%	-0.6%	1.7%	3.9%	-1.5%	-0.4%	1.2%	2.7%
Avg (excl EW WW TAVR)										1.1%	0.2%	-0.4%	-0.6%	0.9%	1.2%	-1.6%	0.7%	0.1%	-0.1%

Source: Company filings, BofA Global Research, Visible Alpha. *Note: Seq = sequential, accel = acceleration, decel = deceleration. MDT on CY basis. JNJ and ISRG actuals for 4Q23. 4Q23 average excludes JNJ and ISRG.

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Exhibit 2: Sequential growth – Q4 vs Q3

On average, Street modeling* a 410bps sequential step up in 4Q'23 vs 3Q'23 for large cap medtech relative to an average 510bps sequential step up last year.

Large Cap Sequential Growth - Q4 vs Q3

	Q418	Q419	Q420	Q421	Q422	Q423E
ABT devices (ex-Diabetes)	3.8%	4.7%	0.6%	2.7%	1.2%	0.7%
BAX (ex-HRC and ex-BPS)	3.2%	7.8%	8.3%	4.5%	4.8%	2.6%
BDX (adj for calendar basis and ex-EMBC)	--	--	--	3.0%	-3.7%	-7.0%
BSX	6.9%	7.3%	1.8%	6.7%	2.3%	1.9%
COO (adj for calendar basis)	-3.6%	-6.6%	-0.2%	3.7%	1.2%	-1.1%
EW	6.7%	7.3%	4.5%	1.5%	2.2%	0.8%
GEHC	--	--	--	6.6%	7.9%	5.4%
ISRG	13.6%	13.3%	23.3%	10.5%	6.3%	10.6%
JNJ MedTech	1.2%	3.9%	7.1%	3.2%	-0.1%	2.9%
MDT (adj for calendar basis)	0.9%	0.1%	1.7%	-1.1%	1.9%	-0.4%
SYK	17.1%	15.2%	14.0%	13.0%	16.1%	14.1%
TFX	5.2%	5.0%	13.2%	8.8%	10.4%	3.0%
ZBH	12.8%	12.3%	8.1%	5.4%	9.3%	9.9%
Average (ex BDX & GEHC)	6.2%	6.4%	7.5%	5.4%	5.1%	4.1%

Source: Company filings, Bloomberg. *BDX, COO and MDT on CY basis. ABT is Medical Devices ex Diabetes. BAX is ex-HRC (acquired 12/13/21) and ex-BPS (divested 9/30/23). BDX is restated for EMBC spin 4/1/22. JNJ is JNJ MedTech. ISRG and JNJ reflect 4Q23 actuals.

BofA GLOBAL RESEARCH

JNJ: JNJ WW knees were above normal Q4/Q3 seasonality, but WW hips were notably below. JNJ called out destocking/Russian sanctions in OUS hips. In knees, JNJ called out strength in ATTUNE cementless and pull through from its VELYS robot, two areas where JNJ is underweight relative to peers. JNJ US hips/knees were above normal Q4/Q3 seasonality. JNJ's WW knees were up 14.5% q/q, slightly above the historical avg ex-2020 of 13% Q4/Q3 growth. JNJ WW hips were up 6% q/q, below the historical avg ex-2020 of 10%. JNJ's US knees were up 17% q/q, more seasonality than the historical avg ex-2020 of 12.5%. JNJ US Hips were up 11% q/q, slightly better than the historical avg ex-2020 of 10%.

ZBH: Assuming JNJ seasonality holds, ZBH WW knees likely beat but WW hips could miss. ZBH US knees likely beat, and ZBH US hips likely come in in line to a slight beat. The Street models ZBH WW knees up 14% q/q in Q4, slightly below the Q4/Q3 historical avg ex-2020 of 15%. The Street models ZBH WW hips up 9% q/q in Q4, slightly below the Q4/Q3 historical avg ex-2020 of 10%. The Street models ZBH US knees up 15% q/q in Q4, slightly above the Q4/Q3 historical avg ex-2020 of 13%. The Street models ZBH US hips up 9% q/q in Q4, slightly above the historical avg ex-2020 was 8%.

SYK: Assuming JNJ seasonality holds, SYK WW knees likely beat but WW hips could miss. SYK US knees/hips likely beat. The Street models SYK WW knees up 16% q/q in Q4, slightly below the Q4/Q3 historical avg ex-2020 of 18%. The Street models SYK WW hips up 10.5% q/q in Q4, slightly above the Q4/Q3 historical avg ex-2020 of 10%. The Street models SYK US knees up 15% q/q, below the Q4/Q3 historical avg ex-2020 of 19%. The Street models SYK US hips up 10% q/q in Q4, below the Q4/Q3 historical avg ex-2020 of 11%.

Exhibit 3: WW and US knee Q4/Q3 sequential growth trends relative to historical averages

JNJ WW knees grew 14.5% q/q Vs the historical avg ex-2020 was 13% growth in Q4/Q3 and the pre-covid avg was 14%. JNJ US knees grew 16.9% q/q Vs the historical avg ex-2020 was 12.5% growth in Q4/Q3 and the pre-covid avg was 12%.

WW Knees	3Q16A	4Q16A	3Q17A	4Q17A	3Q18A	4Q18A	3Q19A	4Q19A	3Q20A	4Q20A	3Q21A	4Q21A	3Q22A	4Q22A	3Q23A	4Q23E	2016-2019 avg.	Historical avg ex-2020
ZBH	631.5	721.0	622.9	731.0	627.9	729.0	651.9	761.0	648.7	726.1	647.9	720.1	657.0	753.6	706.3	803.6	16.1%	15.0%
q/q growth	(9.4%)	14.2%	(8.4%)	17.4%	(10.7%)	16.1%	(7.3%)	16.7%	73.4%	11.9%	(2.7%)	11.1%	(6.8%)	14.7%	(8.4%)	13.8%		
JNJ	355.0	395.0	343.0	397.0	341.0	392.0	344.0	395.0	308.0	345.0	316.0	342.0	317.0	354.0	338.0	387.0	14.2%	12.8%
q/q growth	(7.8%)	11.3%	(10.9%)	15.7%	(10.7%)	15.0%	(7.5%)	14.8%	77.0%	12.0%	(9.7%)	8.2%	(9.2%)	11.7%	(6.9%)	14.5%		
SYK	354.0	405.0	369.0	446.0	395.0	465.0	426.0	510.0	435.0	459.0	439.0	523.0	481.0	552.0	515.0	598.5	18.2%	17.8%
q/q growth	(4.3%)	14.4%	(5.1%)	20.9%	(6.4%)	17.7%	(3.2%)	19.7%	80.5%	5.5%	(7.4%)	19.1%	(3.8%)	14.8%	(8.4%)	16.2%		
SNN	213.0	247.0	228.0	266.0	232.0	269.0	240.0	279.0	219.0	237.0	207.0	232.0	210.0	234.0	223.0	248.5		

Exhibit 3: WW and US knee Q4/Q3 sequential growth trends relative to historical averages

JNJ WW knees grew 14.5% q/q Vs the historical avg ex-2020 was 13% growth in Q4/Q3 and the pre-covid avg was 14%. JNJ US knees grew 16.9% q/q Vs the historical avg ex-2020 was 12.5% growth in Q4/Q3 and the pre-covid avg was 12%.

WW Knees	3Q16A	4Q16A	3Q17A	4Q17A	3Q18A	4Q18A	3Q19A	4Q19A	3Q20A	4Q20A	3Q21A	4Q21A	3Q22A	4Q22A	3Q23A	4Q23E	2016-2019 avg.	Historical avg ex-2020
q/q growth	(10.5%)	16.0%	(7.3%)	16.7%	(10.1%)	15.9%	(8.4%)	16.3%	59.9%	8.2%	(8.4%)	12.1%	(5.8%)	11.4%	(6.3%)	11.4%	16.2%	14.7%
US Knees	3Q16A	4Q16A	3Q17A	4Q17A	3Q18A	4Q18A	3Q19A	4Q19A	3Q20A	4Q20A	3Q21A	4Q21A	3Q22A	4Q22A	3Q23A	4Q23E	2016-2019 avg.	Historical avg ex-2020
ZBH	397.5	444.0	381.5	443.0	384.6	433.0	399.2	454.0	383.4	425.8	363.1	403.7	389.7	447.4	413.3	474.1	13.5%	13.4%
q/q growth	(4.7%)	11.7%	(5.9%)	16.1%	(5.8%)	12.6%	(3.7%)	13.7%	77.9%	11.1%	(4.7%)	11.2%	(2.2%)	14.8%	(5.6%)	14.7%		
JNJ	223.0	247.0	220.0	246.0	215.0	239.0	209.0	239.0	205.0	216.0	184.0	208.0	203.0	231.0	207.0	242.0	12.0%	12.5%
q/q growth	(2.6%)	10.8%	(6.8%)	11.8%	(6.1%)	11.2%	(4.1%)	14.4%	89.8%	5.4%	(12.4%)	13.0%	(6.0%)	13.8%	(6.3%)	16.9%		
SYK	258.9	299.5	270.0	331.0	291.0	348.0	318.0	385.0	332.0	337.0	321.0	387.0	365.0	416.0	385.0	444.0	19.7%	18.9%
q/q growth	(1.8%)	15.7%	(4.3%)	22.6%	(4.3%)	19.6%	(1.9%)	21.1%	85.5%	1.5%	(8.0%)	20.5%	(0.7%)	14.0%	(5.2%)	15.3%		
SNN	111.1	133.6	115.5	139.0	117.8	140.4	119.8	148.1	110.7	124.8	97.9	119.9	108.7	128.0	107.3		20.9%	20.6%
q/q growth	(12.7%)	20.3%	(13.5%)	20.3%	(12.7%)	19.2%	(10.7%)	23.6%	62.7%	12.8%	(18.1%)	22.5%	(10.7%)	17.7%	(14.3%)			

Source: Company filings, Bloomberg. *Note: JNJ actuals for 4Q23.

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Exhibit 4: WW and US hip Q4/Q3 sequential growth trends relative to historical averages

JNJ WW hips grew 6.1% q/q Vs the historical avg ex-2020 was 10% growth in Q4/Q3 and the pre-covid avg was 11%. JNJ US hips grew 11.3% q/q Vs the historical avg ex-2020 was 10% growth in Q4/Q3 and the pre-covid avg was 10.5%.

WW Hips	3Q16A	4Q16A	3Q17A	4Q17A	3Q18A	4Q18A	3Q19A	4Q19A	3Q20A	4Q20A	3Q21A	4Q21A	3Q22A	4Q22A	3Q23A	4Q23E	2016-2019 avg.	Historical avg ex-2020
ZBH	440.6	482.0	432.8	499.0	444.8	498.0	459.2	511.0	484.1	504.1	453.8	480.7	468.0	488.7	465.3	506.1	12.0%	9.7%
q/q growth	(7.7%)	9.4%	(7.5%)	15.3%	(8.6%)	12.0%	(4.0%)	11.3%	46.8%	4.1%	(4.4%)	5.9%	(3.9%)	4.4%	(7.7%)	8.8%		
JNJ	320.0	350.0	328.0	364.0	330.0	365.0	336.0	377.0	345.0	372.0	356.0	378.0	352.0	385.0	375.0	398.0	10.8%	9.8%
q/q growth	(8.3%)	9.4%	(6.3%)	11.0%	(8.3%)	10.6%	(7.7%)	12.2%	52.7%	7.8%	(9.2%)	6.2%	(9.3%)	9.4%	(5.5%)	6.1%		
SYK	310.0	334.0	313.0	348.0	316.0	353.0	332.0	372.0	334.0	340.0	328.0	352.0	347.0	375.0	362.0	399.9	10.7%	9.7%
q/q growth	(4.0%)	7.7%	(2.8%)	11.2%	(6.0%)	11.7%	(3.2%)	12.0%	54.6%	1.8%	(7.1%)	7.3%	(4.7%)	8.1%	(7.9%)	10.5%		
SNN	138.0	153.0	140.0	157.0	142.0	160.0	145.0	160.0	156.0	162.0	145.0	151.0	136.0	150.0	141.0	156.1	11.5%	10.1%
q/q growth	(9.8%)	10.9%	(6.7%)	12.1%	(9.0%)	12.7%	(7.1%)	10.3%	39.3%	3.8%	(9.9%)	4.1%	(8.7%)	10.3%	(7.2%)	10.7%		
US Hips	3Q16A	4Q16A	3Q17A	4Q17A	3Q18A	4Q18A	3Q19A	4Q19A	3Q20A	4Q20A	3Q21A	4Q21A	3Q22A	4Q22A	3Q23A	4Q23E	2016-2019 avg.	Historical avg ex-2020
ZBH	239.0	254.0	226.6	256.0	240.0	259.0	249.0	267.0	252.2	250.1	223.6	239.2	235.6	253.2	242.5	264.0	8.6%	8.1%
q/q growth	(3.8%)	6.3%	(6.9%)	13.0%	(4.0%)	7.9%	(1.7%)	7.2%	53.2%	(0.8%)	(7.3%)	7.0%	(4.8%)	7.5%	(4.6%)	8.9%		
JNJ	190.0	208.0	195.0	215.0	201.0	220.0	204.0	230.0	221.0	229.0	210.0	227.0	228.0	250.0	239.0	266.0	10.5%	9.9%
q/q growth	(3.6%)	9.5%	(6.3%)	10.3%	(4.7%)	9.5%	(5.6%)	12.7%	61.3%	3.6%	(10.3%)	8.1%	(5.0%)	9.6%	(4.4%)	11.3%		
SYK	193.6	211.6	194.0	219.0	198.0	228.0	211.0	239.0	223.0	213.0	199.0	216.0	225.0	239.0	231.0	254.0	12.6%	10.9%
q/q growth	(2.6%)	9.3%	(4.4%)	12.9%	(4.3%)	15.2%	(3.7%)	13.3%	59.3%	(4.5%)	(10.0%)	8.5%	(2.2%)	6.2%	(7.2%)	10.0%		
SNN	64.1	61.4	64.1	62.0	68.0	63.8	69.5	66.3	76.3	69.2	72.5	66.6	75.1	70.3	77.8		(4.6%)	(5.5%)
q/q growth	(7.6%)	(4.3%)	(6.7%)	(3.4%)	(4.9%)	(6.1%)	(1.5%)	(4.6%)	52.1%	(9.3%)	(10.4%)	(8.1%)	(4.3%)	(6.4%)	(5.0%)			

Source: Company filings, Bloomberg. *Note: JNJ actuals for 4Q23.

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Exhibit 5: WW and US Sequential Knee Growth (black is actuals, green is consensus)

JNJ US knees were up 16.9% q/q versus Street modeling 14.7% q/q for ZBH US knees and 15.3% q/q for SYK US knees. JNJ WW knees were up 14.5% q/q versus Street modeling 13.8% q/q for ZBH WW knees and 16.2% q/q for SYK WW knees (SYK less OUS/China exposure; US growth likely a better read-through).

WW Knees	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	662.8	704.9	657.0	753.6	762.5	771.4	706.3	803.6
q/q growth	(8.0%)	6.4%	(6.8%)	14.7%	1.2%	1.2%	(8.4%)	13.8%
JNJ	339.0	349.0	317.0	354.0	368.0	363.0	338.0	387.0
q/q growth	(0.9%)	2.9%	(9.2%)	11.7%	4.0%	(1.4%)	(6.9%)	14.5%
SYK	464.0	500.0	481.0	552.0	566.0	562.0	515.0	598.5
q/q growth	(11.3%)	7.8%	(3.8%)	14.8%	2.5%	(0.7%)	(8.4%)	16.2%
SNN	231.0	223.0	210.0	234.0	237.0	238.0	223.0	248.5
q/q growth	(0.4%)	(3.5%)	(5.8%)	11.4%	1.3%	0.4%	(6.3%)	11.4%
US Knees	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	379.5	398.4	389.7	447.4	448.2	437.7	413.3	474.1
q/q growth	(6.0%)	5.0%	(2.2%)	14.8%	0.2%	(2.3%)	(5.6%)	14.7%
JNJ	201.0	216.0	203.0	231.0	226.0	221.0	207.0	242.0

Exhibit 5: WW and US Sequential Knee Growth (black is actuals, green is consensus)

JNJ US knees were up 16.9% q/q versus Street modeling 14.7% q/q for ZBH US knees and 15.3% q/q for SYK US knees. JNJ WW knees were up 14.5% q/q versus Street modeling 13.8% q/q for ZBH WW knees and 16.2% q/q for SYK WW knees (SYK less OUS/China exposure; US growth likely a better read-through).

WW Knees	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
q/q growth	(3.4%)	7.5%	(6.0%)	13.8%	(2.2%)	(2.2%)	(6.3%)	16.9%
SYK	345.0	367.5	365.0	416.0	416.0	406.0	385.0	444.0
q/q growth	(10.8%)	6.5%	(0.7%)	14.0%	0.0%	(2.4%)	(5.2%)	15.3%

Source: Company filings, Bloomberg. *Note: JNJ actuals for 4Q23.

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Exhibit 6: WW and US Sequential Hip Growth (black is actuals, green is consensus)

JNJ US hips were up 11.3% q/q versus Street modeling 8.9% q/q for ZBH US hips and 10.0% q/q for SYK US hips. JNJ WW hips were up 6.1% q/q versus Street modeling 8.8% q/q for ZBH WW hips and 10.5% q/q for SYK WW hips.

WW Hips	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	451.0	487.2	468.0	488.7	492.8	504.3	465.3	506.1
q/q growth	(6.2%)	8.0%	(3.9%)	4.4%	0.8%	2.3%	(7.7%)	8.8%
JNJ	389.0	388.0	352.0	385.0	390.0	397.0	375.0	398.0
q/q growth	2.9%	(0.3%)	(9.3%)	9.4%	1.3%	1.8%	(5.5%)	6.1%
SYK	327.0	364.0	347.0	375.0	375.0	393.0	362.0	399.9
q/q growth	(7.1%)	11.3%	(4.7%)	8.1%	0.0%	4.8%	(7.9%)	10.5%
SNN	149.0	149.0	136.0	150.0	152.0	152.0	141.0	156.1
q/q growth	(1.3%)	0.0%	(8.7%)	10.3%	1.3%	0.0%	(7.2%)	10.7%
US Hips	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	224.6	247.5	235.6	253.2	252.3	254.3	242.5	264.0
q/q growth	(6.1%)	10.2%	(4.8%)	7.5%	(0.4%)	0.8%	(4.6%)	8.9%
JNJ	225.0	240.0	228.0	250.0	241.0	250.0	239.0	266.0
q/q growth	(0.9%)	6.7%	(5.0%)	9.6%	(3.6%)	3.7%	(4.4%)	11.3%
SYK	202.0	230.0	225.0	239.0	236.0	249.0	231.0	254.0
q/q growth	(6.5%)	13.9%	(2.2%)	6.2%	(1.3%)	5.5%	(7.2%)	10.0%

Source: Company filings, Bloomberg. *Note: JNJ actuals for 4Q23.

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Exhibit 7: Knees Y/Y and 2-year average stacked growth (green is consensus)

JNJ US knee growth accelerated 170bps on stacked 2-year average (Street models 170bps acceleration for ZBH and -310bps deceleration for SYK on stacked 2yr avg).

WW Knees	1Q21A				Y/Y Growth				1Q23A			
	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	-3.7%	72.2%	-0.7%	0.4%	9.7%	11.2%	7.2%	12.3%	17.2%	11.0%	8.8%	6.6%
2 yr avg	-5.8%	15.4%	-0.3%	-2.0%	3.0%	41.7%	3.3%	6.4%	13.5%	11.1%	8.0%	9.5%
JNJ	-11.8%	94.2%	2.1%	3.8%	8.8%	3.3%	4.9%	7.0%	11.5%	4.6%	5.7%	8.4%
2 yr avg	-7.3%	24.0%	-4.1%	-6.7%	-1.5%	48.8%	3.5%	5.4%	10.2%	4.0%	5.3%	7.7%
SYK	-5.0%	92.2%	0.3%	14.9%	14.6%	8.7%	13.4%	9.0%	23.2%	13.2%	8.4%	8.4%
2 yr avg	-3.1%	25.6%	1.5%	2.0%	4.8%	50.5%	6.9%	12.0%	18.9%	11.0%	10.9%	8.7%
SNN	-13.3%	57.8%	-6.5%	4.9%	12.2%	4.2%	7.4%	5.5%	5.0%	7.8%	5.7%	6.2%
2 yr avg	-9.9%	8.9%	-7.3%	-8.6%	-0.6%	31.0%	0.5%	5.2%	8.6%	6.0%	6.6%	5.9%
Total	-7.1%	79.4%	-0.7%	5.4%	11.2%	8.0%	8.5%	9.5%	16.0%	10.0%	7.7%	7.6%
2-Yr Stacked Sequential Accel/Decel:												
	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	
ZBH	21.2%	-15.7%	-1.7%	5.0%	38.7%	-38.5%	3.1%	7.1%	-2.4%	-3.1%	1.5%	
JNJ	31.3%	-28.0%	-2.7%	5.2%	50.3%	-45.3%	1.9%	4.8%	-6.2%	1.4%	2.4%	
SYK	28.7%	-24.1%	0.5%	2.8%	45.7%	-43.6%	5.1%	7.0%	-8.0%	0.0%	-2.2%	
SNN	18.8%	-16.2%	-1.3%	8.0%	31.6%	-30.6%	4.8%	3.4%	-2.6%	0.6%	-0.7%	
Average	25.0%	-21.0%	-1.3%	5.2%	41.5%	-39.5%	3.7%	5.6%	-4.8%	-0.3%	0.2%	
US Knees	1Q21A				Y/Y Growth				1Q23A			
	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	-3.6%	77.0%	-5.3%	-5.2%	10.4%	4.5%	7.3%	12.3%	17.1%	10.3%	7.6%	6.0%
2 yr avg	-5.9%	16.8%	-0.3%	-1.9%	3.4%	40.8%	1.0%	3.6%	13.8%	7.4%	7.5%	9.1%
JNJ	-15.4%	93.9%	-9.8%	-0.2%	8.6%	2.9%	9.8%	11.0%	12.8%	2.4%	2.3%	4.5%
2 yr avg	-9.5%	21.5%	-5.9%	-6.9%	-3.4%	48.4%	0.0%	5.4%	10.7%	2.7%	6.1%	7.8%
SYK	-7.3%	95.2%	-3.3%	14.6%	17.5%	5.3%	13.7%	7.5%	19.6%	10.4%	6.8%	6.7%

Exhibit 7: Knees Y/Y and 2-year average stacked growth (green is consensus)

JNJ US knee growth accelerated 170bps on stacked 2-year average (Street models 170bps acceleration for ZBH and -310bps deceleration for SYK on stacked 2yr avg).

Y/Y Growth												
2 yr avg	-4.1%	25.2%	0.7%	1.1%	5.1%	50.3%	5.2%	11.1%	18.6%	7.9%	10.3%	7.1%
SNN	-17.9%	74.6%	-11.6%	2.0%	11.7%	3.4%	11.1%	6.8%	10.1%	2.8%	-1.3%	
2 yr avg	-12.2%	12.7%	-9.6%	-7.9%	-3.1%	39.0%	-0.3%	4.4%	10.9%	3.1%	4.9%	
2-Yr Stacked Sequential Accel/Decel:												
	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	
ZBH	22.7%	-17.0%	-1.7%	5.3%	37.4%	-39.8%	2.6%	10.2%	-6.4%	0.0%	1.7%	
JNJ	30.9%	-27.3%	-1.0%	3.5%	51.8%	-48.4%	5.4%	5.3%	-8.1%	3.4%	1.7%	
SYK	29.3%	-24.6%	0.4%	4.1%	45.2%	-45.1%	5.9%	7.5%	-10.7%	2.4%	-3.1%	
SNN	24.9%	-22.3%	1.8%	4.8%	42.1%	-39.3%	4.7%	6.5%	-7.8%	1.8%		
Average	26.9%	-22.8%	-0.1%	4.4%	44.1%	-43.1%	4.6%	7.4%	-8.2%	1.9%	0.1%	

Source: Company filings, Bloomberg. *Note: JNJ actuals for 4Q23.

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Exhibit 8: Hips Y/Y and 2-year average stacked growth (green is consensus)

JNJ US hip growth accelerated 60bps on stacked 2-year average (Street models 90bps acceleration for ZBH and 30bps acceleration for SYK on stacked 2yr avg).

Y/Y Growth												
WW Hips	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	1.8%	39.9%	-6.6%	-2.8%	3.2%	8.6%	10.5%	9.9%	11.9%	5.4%	0.9%	3.6%
2 yr avg	5.0%	4.6%	-1.1%	-3.1%	2.5%	24.3%	2.0%	3.6%	7.6%	7.0%	5.7%	6.7%
JNJ	1.3%	67.7%	2.3%	6.7%	11.3%	2.7%	3.5%	5.4%	2.9%	3.1%	5.8%	2.7%
2 yr avg	-1.8%	15.2%	2.1%	0.0%	6.3%	35.2%	2.9%	6.1%	7.1%	2.9%	4.7%	4.1%
SYK	-3.2%	58.7%	-2.3%	4.0%	8.6%	7.6%	11.3%	12.5%	17.1%	9.3%	5.9%	6.6%
2 yr avg	-4.8%	11.2%	-1.2%	-2.6%	2.7%	33.2%	4.5%	8.3%	12.9%	8.5%	8.6%	9.6%
SNN	6.1%	36.2%	-7.9%	-0.1%	-0.7%	-2.2%	-1.0%	4.9%	4.6%	3.4%	3.5%	4.1%
2 yr avg	-0.8%	4.7%	-0.4%	-1.3%	2.7%	17.0%	-4.5%	2.4%	2.0%	0.6%	1.3%	4.5%
Total	0.9%	51.1%	-3.3%	1.8%	6.3%	5.4%	7.5%	8.8%	9.7%	5.6%	3.8%	4.4%
2-Yr Stacked Sequential Accel/Decel:												
	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	
ZBH	-0.4%	-5.7%	-2.0%	5.6%	21.8%	-22.3%	1.6%	4.0%	-0.6%	-1.3%	1.0%	
JNJ	17.0%	-13.1%	-2.1%	6.3%	28.9%	-32.3%	3.2%	1.1%	-4.2%	1.8%	-0.6%	
SYK	16.0%	-12.4%	-1.4%	5.3%	30.5%	-28.7%	3.8%	4.6%	-4.4%	0.2%	1.0%	
SNN	5.4%	-5.1%	-0.9%	4.0%	14.3%	-21.5%	6.9%	-0.5%	-1.4%	0.7%	3.2%	
Average	9.5%	-9.1%	-1.6%	5.3%	23.9%	-26.2%	3.8%	2.3%	-2.6%	0.3%	1.2%	
Y/Y Growth												
US Hips	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E
ZBH	3.0%	46.6%	-11.3%	-4.4%	2.0%	2.6%	5.3%	7.4%	11.3%	3.2%	4.5%	4.3%
2 yr avg	-2.2%	8.5%	-0.6%	-1.5%	2.5%	24.6%	-3.0%	1.5%	6.7%	2.9%	4.9%	5.8%
JNJ	0.5%	70.1%	-5.3%	4.4%	7.3%	3.4%	9.1%	8.9%	7.7%	4.1%	4.9%	6.3%
2 yr avg	-1.2%	16.6%	1.7%	-0.2%	3.9%	36.8%	1.9%	6.7%	7.5%	3.8%	7.0%	7.6%
SYK	-5.8%	57.0%	-10.6%	1.6%	8.5%	4.5%	12.4%	11.3%	15.2%	8.8%	4.5%	6.3%
2 yr avg	-6.5%	10.6%	-2.7%	-4.8%	1.4%	30.8%	0.9%	6.5%	11.9%	6.7%	8.5%	8.8%
SNN	8.5%	60.3%	-5.0%	2.2%	1.7%	-1.5%	3.6%	5.5%	8.5%	4.3%	3.6%	
2 yr avg	2.1%	15.7%	2.4%	2.3%	5.1%	29.4%	-0.7%	3.9%	5.1%	1.4%	3.6%	
2-Yr Stacked Sequential Accel/Decel:												
	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	
ZBH	10.7%	-9.1%	-0.9%	4.0%	22.1%	-27.6%	4.5%	5.2%	-3.8%	2.0%	0.9%	
JNJ	17.8%	-14.9%	-1.9%	4.1%	32.9%	-34.9%	4.8%	0.8%	-3.8%	3.3%	0.6%	
SYK	17.1%	-13.2%	-2.1%	6.1%	29.4%	-29.9%	5.6%	5.4%	-5.2%	1.8%	0.3%	
SNN	13.7%	-13.3%	-0.1%	2.8%	24.3%	-30.1%	4.6%	1.3%	-3.7%	2.2%		
Average	14.8%	-12.6%	-1.2%	4.2%	27.2%	-30.6%	4.8%	3.2%	-4.1%	2.3%	0.6%	

Source: Company filings, Bloomberg. *Note: JNJ actuals for 4Q23.

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JNJ medtech growth by segment

JNJ medtech grew 9.1% y/y, incl 7.2% US and 11.0% OUS

Exhibit 9: JNJ WW Adjusted Operational Growth, Adjusted for Selling Days

In 4Q23, JNJ WW Medtech grew 9.1% operationally, including 7.2% in the US and 11.0% OUS.

JNJ Medtech Organic Growth	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23 vs 3Q23
Medical Devices	\$5,932	\$4,288	\$6,150	\$6,589	\$6,579	\$6,978	\$6,644	\$6,859	\$6,971	\$6,898	\$6,782	\$6,776	\$7,481	\$7,788	\$7,458	\$7,673	2.9%
WW	(33.0%)																
2-yr Stacked WW	(4.1%)	(14.8%)	0.9%	(1.4%)	6.9%	58.3%	7.6%	5.6%	8.6%	3.4%	8.1%	3.8%	6.6%	10.0%	6.0%	9.1%	
US	(3.6%)	(40.0%)	1.3%	(2.3%)	1.4%	12.7%	2.2%	0.1%	7.8%	30.9%	7.9%	4.7%	7.6%	6.7%	7.1%	6.5%	
International	(4.6%)	(26.6%)	(7.6%)	(8.4%)	3.7%	77.5%	1.1%	1.2%	5.7%	1.4%	7.5%	5.1%	8.8%	6.5%	4.3%	7.2%	
Interventional Solutions	\$727	\$590	\$836	\$893	\$949	\$1,046	\$957	\$1,019	\$1,092	\$1,049	\$1,060	\$1,098	\$1,503	\$1,620	\$1,558	\$1,669	7.1%
WW	(21.0%)																
US	1.1%		12.4%	8.8%	24.5%	70.9%	13.2%	15.3%	17.4%	5.3%	17.7%	11.5%	12.4%	25.4%	18.8%	21.3%	
International	7.3%	(31.0%)	11.8%	10.8%	17.1%	86.1%	11.1%	11.6%	13.8%	10.5%	23.2%	17.7%	21.5%	21.3%	16.6%	15.2%	
Electrophysiology													\$1,092	\$1,196		\$1,239	
WW													13.5%	26.0%	20.3%	25.2%	
US													21.8%	22.0%	17.6%	22.0%	
International													6.1%	30.2%	23.4%	29.0%	
Abiomed												\$31	\$324	\$331	\$311	\$340	
Abiomed - contribution % to IS												3.0%	29.9%	31.7%	29.3%	31.0%	
US - contribution % to IS												6.4%	53.8%	51.8%	46.4%	45.8%	
International - contribution % to IS												0.0%	10.1%	11.4%	11.1%	12.9%	
Other IS													\$87	\$93	\$87	\$89	
WW													1.3%	18.9%	1.6%	20.7%	
US													17.8%	4.5%	(3.2%)	8.8%	
International													(5.0%)	25.5%	3.7%	27.1%	
Hips	\$337	\$226	\$345	\$372	\$357	\$392	\$356	\$380	\$389	\$388	\$352	\$385	\$390	\$397	\$375	\$398	6.1%
WW	(37.3%)																
2-yr Stacked WW	(4.9%)	(16.9%)	2.3%	(1.3%)	1.3%	67.7%	2.3%	2.0%	11.3%	2.7%	3.5%	5.4%	2.9%	3.1%	5.8%	2.7%	
US	(1.1%)	(37.0%)	8.7%	(4.7%)	(1.8%)	15.2%	2.1%	(2.4%)	6.3%	35.2%	2.9%	3.7%	7.1%	2.9%	4.7%	4.1%	
International	(2.9%)	(37.8%)	(8.4%)	(9.8%)	0.5%	70.1%	(5.3%)	0.4%	7.3%	3.4%	9.1%	8.9%	7.7%	4.1%	4.9%	6.3%	
Knees	\$343	\$174	\$308	\$345	\$317	\$350	\$316	\$342	\$339	\$349	\$317	\$354	\$368	\$363	\$338	\$387	14.5%
WW	(53.0%)	(11.6%)	(17.9%)	(11.8%)													
2-yr Stacked WW	(5.4%)	(26.8%)	(4.8%)	(8.3%)	(8.6%)	20.6%	(4.8%)	(9.1%)	8.8%	3.3%	4.9%	7.0%	11.5%	4.6%	5.7%	8.4%	
US	(3.7%)	(51.0%)	(1.9%)	(13.5%)	(15.4%)	93.9%	(9.8%)	(4.2%)	(1.5%)	48.8%	3.5%	3.4%	10.2%	4.0%	5.3%	7.7%	
International	(3.5%)	(55.8%)	(26.4%)	(24.6%)	(6.0%)	94.7%	25.9%	6.5%	8.6%	2.9%	9.8%	11.0%	12.8%	2.4%	2.3%	4.5%	
Trauma	\$654	\$553	\$685	\$722	\$733	\$710	\$715	\$728	\$748	\$696	\$717	\$710	\$757	\$739	\$742	\$741	(0.1%)
WW	(17.2%)																
2-yr Stacked WW	(2.8%)	(7.7%)	2.6%	1.1%	7.6%	24.4%	3.7%	2.0%	4.2%	1.8%	4.8%	1.1%	3.6%	6.6%	2.4%	3.8%	
US	(0.8%)	(13.4%)	4.2%	6.0%	2.4%	3.6%	2.2%	0.8%	5.9%	13.1%	4.3%	1.6%	3.9%	4.2%	3.6%	2.5%	
International	(1.6%)	(23.1%)	(4.7%)	(10.2%)	8.8%	25.6%	5.3%	2.8%	5.5%	3.9%	3.8%	(0.1%)	3.6%	4.3%	3.2%	3.6%	
WW Spine	(10.3%)	(36.5%)	(11.0%)	(11.0%)	(2.9%)	51.6%	(9.0%)	(9.0%)	(3.0%)	(8.0%)	3.0%	(6.6%)	2.2%	2.1%	(10.0%)	2.0%	(1.4%)
2-yr Stacked WW	(5.7%)	(19.2%)	(1.6%)	(8.5%)	(6.6%)	7.6%	(5.5%)	(10.0%)	(3.0%)	21.8%	(4.0%)	(7.8%)	(0.4%)	(3.0%)	(3.5%)	(2.3%)	
US	(7.3%)	(43.5%)	1.0%	(2.0%)	(2.9%)	69.6%	(14.0%)	(15.0%)	(11.0%)	(9.0%)	(3.0%)	1.2%	4.4%	(1.0%)	(3.0%)	(6.0%)	
International	(13.3%)	(27.5%)	(3.0%)	(24.0%)	(1.9%)	32.6%	(7.0%)	0.0%	9.0%	(7.0%)	9.0%	(17.4%)	(1.0%)	5.2%	(19.0%)	20.0%	
Advanced Surgery	\$948	\$775	\$1,000	\$1,116	\$1,118	\$1,168	\$1,144	\$1,192	\$1,146	\$1,156	\$1,158	\$1,109	\$1,118	\$1,222	\$1,164	\$1,167	0.3%
WW	(23.4%)																
2-yr Stacked WW	(0.7%)	(8.6%)	1.9%	0.6%	12.4%	43.9%	12.6%	7.6%	4.5%	3.6%	7.5%	(0.9%)	1.8%	8.5%	1.5%	5.2%	
US	(5.0%)	(30.5%)	3.0%	2.5%	5.9%	10.3%	5.7%	2.8%	8.5%	23.8%	10.1%	3.4%	3.2%	6.1%	4.5%	2.2%	
International	(2.3%)	(18.9%)	(4.1%)	(4.9%)	4.6%	65.0%	4.6%	0.5%	3.0%	(1.1%)	3.8%	(1.0%)	6.9%	2.7%	(0.4%)	2.5%	
WW Endcutters	(5%)	(28%)	(3%)	(2%)	14%	40%	12%	2%	3%	4%	8%	(2%)	(5%)	5%	(1%)	1%	
WW Biosurgery	1%	(14%)	5%	2%	12%	48%	13%	10%	10%	2%	7%	1%	7%	18%	10%	14%	
WW Energy	1%	(28%)	(7%)	(7%)	12%	40%	13%	10%	0%	4%	9%	(1%)	3%	3%	(5%)	(1%)	
General Surgery	\$1,153	\$775	\$1,152	\$1,312	\$1,254	\$1,354	\$1,261	\$1,321	\$1,288	\$1,294	\$1,264	\$1,275	\$1,316	\$1,372	\$1,314	\$1,364	3.8%

Exhibit 9: JNJ WW Adjusted Operational Growth, Adjusted for Selling Days

In 4Q23, JNJ WW Medtech grew 9.1% operationally, including 7.2% in the US and 11.0% OUS.

JNJ Medtech Organic Growth	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23 vs 3Q23
WW	(16.1%)	(40.0%)	(11.3%)														
	)	)	)	(9.0%)	3.9%	67.4%	8.1%	1.7%	5.5%	0.3%	6.7%	2.4%	6.6%	8.5%	4.8%	7.5%	
2-yr Stacked WW	(7.5%)	(20.4%)	(4.0%)	(4.3%)	(6.1%)	13.7%	(1.6%)	(3.7%)	4.7%	33.9%	7.4%	2.1%	6.1%	4.4%	5.8%	5.0%	
US	(21.8%)	(60.3%)	(7.6%)	(1.5%)	4.6%	NA	3.3%	(3.4%)	2.1%	(6.4%)	3.6%	2.3%	5.8%	1.9%	2.4%	6.4%	
International	(11.9%)	(26.5%)	(13.8%)	(13.8%)	3.4%	28.5%	17.4%	5.3%	7.7%	5.3%	8.8%	2.6%	7.0%	13.3%	6.5%	8.3%	
Contact Lenses	\$814	\$554	\$830	\$796	\$857	\$868	\$882	\$833	\$910	\$894	\$908	\$831	\$953	\$939	\$928	\$882	(5.0%)
	(33.8%)																
WW	0.4%	)	(7.2%)	(4.8%)	(0.4%)	51.0%	10.9%	7.1%	10.6%	9.2%	10.8%	7.1%	9.5%	6.7%	4.0%	7.9%	
2-yr Stacked WW	3.3%	(15.6%)	(1.4%)	(1.4%)	0.0%	8.6%	1.9%	1.2%	5.1%	30.1%	10.9%	7.1%	10.1%	8.0%	7.4%	7.5%	
US	8.4%	(39.5%)	(0.1%)	0.6%	1.3%	67.9%	5.7%	9.4%	7.7%	6.6%	12.6%	7.8%	11.5%	9.1%	(1.2%)	8.9%	
International	(4.7%)	(30.1%)	(13.2%)	(8.1%)	(1.0%)	41.5%	15.2%	5.8%	12.9%	11.0%	9.5%	6.8%	7.9%	5.0%	8.2%	7.2%	
Surgical Vision	\$253	\$141	\$251	\$280	\$288	\$314	\$308	\$338	\$347	\$347	\$298	\$314	\$347	\$369	\$328	\$326	(0.6%)
	(15.2%)	(55.7%)	(16.4%)	(14.1%)													
WW	)	)	)	)	9.3%	NA	22.1%	22.1%	23.8%	15.5%	2.3%	(2.8%)	3.3%	7.7%	9.5%	3.1%	
2-yr Stacked WW	(6.6%)	(28.2%)	(7.5%)	(8.2%)	(3.0%)	NA	2.9%	4.0%	16.6%	15.5%	12.2%	9.7%	13.6%	11.6%	5.9%	0.2%	
US	(24.8%)	(65.1%)	(18.9%)	(11.1%)	6.3%	155.2%	19.6%	16.8%	20.2%	5.1%	(3.2%)	(11.5%)	(5.6%)	(1.1%)	(0.1%)	0.4%	
International	(8.5%)	(49.3%)	(14.8%)	(16.0%)	11.0%	96.7%	23.7%	25.4%	25.7%	21.5%	5.6%	2.5%	8.0%	12.5%	15.4%	4.7%	

Source: Company filings, BofA Global Research

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Exhibit 10: JNJ US Medtech Sequential Growth

JNJ US Medtech was up 4.9% q/q including Knees +16.9%, Hips +11.3%, and Interventional Solutions +9.0%.

JNJ US Medtech	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Medical Devices	\$3,054	\$3,299	\$3,117	\$3,643	\$3,225	\$3,351	\$3,356	\$3,445	\$3,759	\$3,839	\$3,747	\$3,930
q/q growth	(4.1%)	8.0%	(5.5%)	16.9%	(11.5%)	3.9%	0.1%	2.7%	9.1%	2.1%	(2.4%)	4.9%
Interventional Solutions	\$434	\$475	\$444	\$483	\$494	\$525	\$547	\$603	\$863	\$908	\$891	\$971
q/q growth	0.2%	9.4%	(6.5%)	8.8%	2.3%	6.3%	4.2%	10.2%	43.1%	5.2%	(1.9%)	9.0%
Hips	\$209	\$233	\$210	\$229	\$225	\$240	\$228	\$250	\$241	\$250	\$239	\$266
q/q growth	(8.7%)	11.5%	(9.9%)	9.0%	(1.7%)	6.7%	(5.0%)	9.6%	(3.6%)	3.7%	(4.4%)	11.3%
Knees	\$185	\$210	\$184	\$208	\$201	\$216	\$203	\$231	\$226	\$221	\$207	\$242
q/q growth	(14.4%)	13.5%	(12.4%)	13.0%	(3.4%)	7.5%	(6.0%)	13.8%	(2.2%)	(2.2%)	(6.3%)	16.9%
Trauma	\$450	\$447	\$455	\$467	\$475	\$464	\$473	\$470	\$491	\$483	\$488	\$487
q/q growth	(0.9%)	(0.7%)	1.8%	2.6%	1.7%	(2.3%)	1.9%	(0.6%)	4.5%	(1.6%)	1.0%	(0.2%)
Advanced Surgery	\$405	\$459	\$440	\$457	\$417	\$454	\$457	\$456	\$444	\$466	\$455	\$468
q/q growth	(11.2%)	13.3%	(4.1%)	3.9%	(8.8%)	8.9%	0.7%	(0.2%)	(2.6%)	5.0%	(2.4%)	2.9%
General Surgery	\$493	\$576	\$508	\$528	\$504	\$538	\$527	\$544	\$531	\$548	\$540	\$579
q/q growth	(9.7%)	16.8%	(11.8%)	3.9%	(4.5%)	6.7%	(2.0%)	3.2%	(2.4%)	3.2%	(1.5%)	7.2%
Contact Lenses	\$371	\$352	\$359	\$316	\$400	\$374	\$405	\$343	\$444	\$409	\$399	\$374
q/q growth	28.4%	(5.1%)	2.0%	(12.0%)	26.6%	(6.5%)	8.3%	(15.3%)	29.4%	(7.9%)	(2.4%)	(6.3%)
Surgical Vision	\$101	\$115	\$117	\$126	\$121	\$122	\$112	\$113	\$114	\$120	\$112	\$114
q/q growth	(6.5%)	13.9%	1.7%	7.7%	(4.0%)	0.8%	(8.2%)	0.9%	0.9%	5.3%	(6.7%)	1.8%

Source: Company filings, BofA Global Research

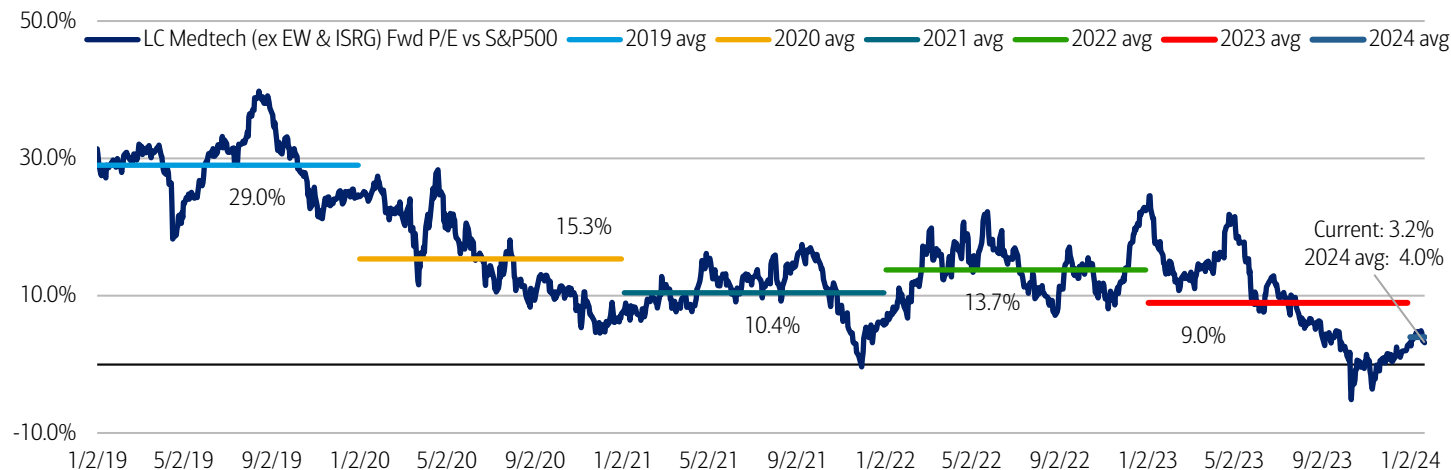
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Medtech relative valuation

Medtech forward P/E Vs S&P 500 (SPX Index)

Exhibit 11: Large cap medtech (excluding EW & ISRG) forward P/E relative to S&P 500 since 2019

Medtech kicked off 2024 at one of the lowest relative valuations in a decade (2.8%). Large cap medtech (ex EW & ISRG) currently trading at 3.2% vs S&P.

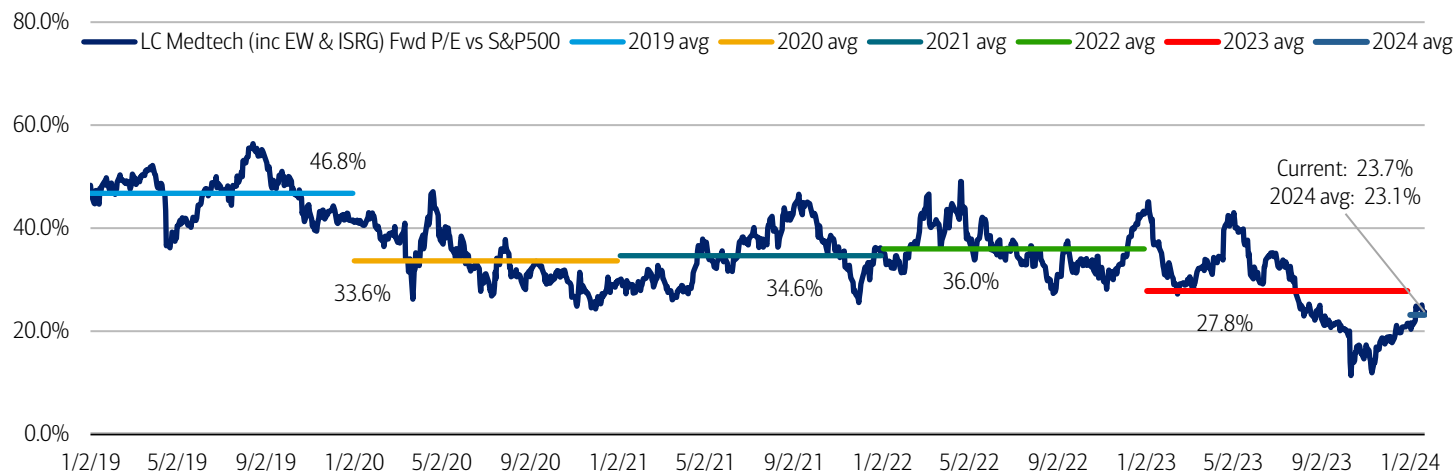


Source: Bloomberg ; Medtech names: ABT, BAX, BDX, BSX, COO, MDT, SYK, TFX, and ZBH. *Updated AMC 1/22/23.

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Exhibit 12: Large cap medtech (including EW & ISRG) forward P/E relative to S&P 500 since 2019

Large cap medtech (including EW & ISRG) currently trading at 23.7% vs S&P.



Source: Bloomberg; Medtech names: ABT, BAX, BDX, BSX, COO, EW, ISRG, MDT, SYK, TFX, ZBH. *Updated AMC 1/22/23.

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Exhibit 13: Stocks mentioned

Prices and ratings for stocks mentioned in this report

Company name	Ticker	Last Price	Rating
Abbott Laboratories	ABT	\$114.00	B-1-7
Boston Scientific	BSX	\$60.62	B-1-9
Stryker	SYK	\$312.18	B-1-7
Zimmer Biomet	ZBH	\$121.08	B-2-7

Source: BofA Global Research

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ABT: We maintain our Buy rating as estimates for 2024 seem de-risked and ABT's gross margin expansion gives room for upside along with its balance sheet.



BSX: We maintain our Buy rating as it has one of the best pipelines in medtech and can drive strong double digit plus EPS growth for several years.

SYK: We maintain our Buy rating as we see both revenue and margin upside as new products come to the market and SYK sprints back to 2019 margins.

ZBH: We maintain our Neutral rating as it will take time for ZBH to prove out a higher WAMGR.

Price objective basis & risk

Abbott Laboratories (ABT)

Our \$120 PO is based on 26x our 2024E EPS. This multiple is a premium for a high single digit organic grower but ABT's forward multiple has averaged 27x over the last three years. ABT likely deserves a premium for its balance sheet, above average durability in recession, and upside optionality with COVID testing.

Downside risks to our PO are: 1) durability of COVID testing revenue, 2) product or pipeline setbacks, 3) lower-than-expected growth in emerging markets, 4) unfavorable FX moves.

Boston Scientific (BSX)

Our PO of \$65 is derived from 29x our 2024E EPS estimate, which is a premium to the large cap medtech comp group. We believe this multiple is justified given our view of BSX's accelerating earnings growth outlook based on opportunities to drive above average top line growth.

Downside risks to our PO are: 1) Watchman slowdown if ABT becomes more competitive than expected, 2) supply chain/inflationary pressures impact margins more than expected, 3) BSX sees a major setback in a clinical trial or product pipeline failure, 4) unexpected COVID related headwinds.

Stryker (SYK)

Our \$325 PO is based on 28x our 2024 EPS which is a premium to medtech but in line with where higher-quality, higher-growth names trade today on 2024 EPS.

Downside risks to our PO are a slowdown in hospital capital spending, supply chain disruption, or more inflation pressure on costs and materials. Upside risks to our PO are new product launches and continued share gains driving upside to revenue growth. Moderating inflation/improving supply chains could also drive upside.

Zimmer Biomet (ZBH)

Our \$135 PO is based on 17x our 2024E EPS. This multiple is in line with large cap medtech peers. We think in line is appropriate given ZBH is growing revenue and eps in line with average large cap medtech peers.

Upside risks to our PO are 1) orthopedic backlog caused by covid comes through faster than expected, 2) pipeline product adoptions happens quicker than we had modeled and 3) an acquisition that accelerates top-line growth.

Downside risks are 1) a slowdown in the hip/knee market, 2) pressure on margins from supply chain/inflation/ increased pricing pressure in hips/knees and 3) slower than expected benefit from robotic utilization and new product mix and 4) strategic activity that is not well received.

Analyst Certification

I, Travis Steed, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

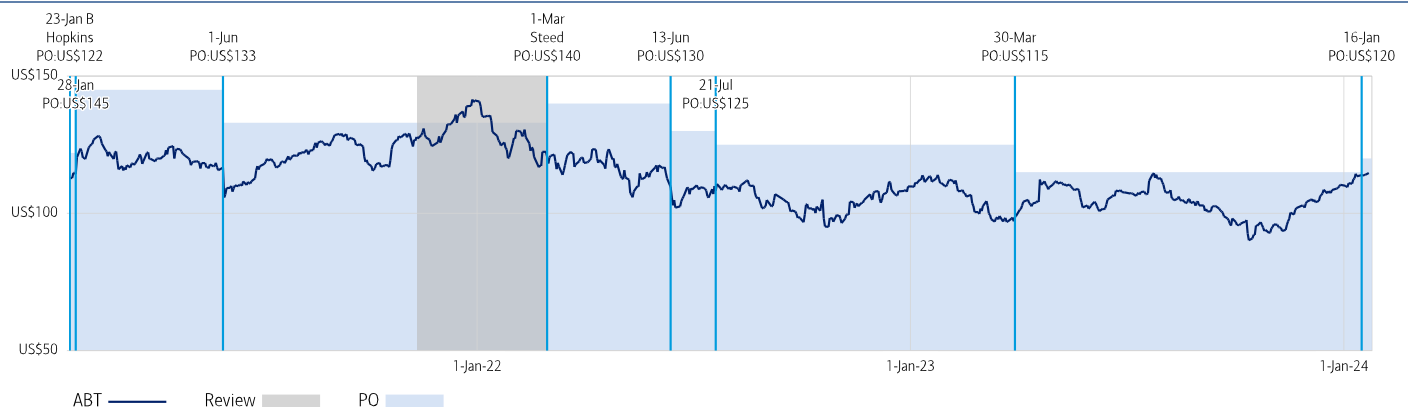
US - Medical Technology & Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Abbott Laboratories	ABT	ABT US	Travis Steed
	Axonics	AXNX	AXNX US	Travis Steed
	Bausch & Lomb	BLCO	BLCO US	Craig Bijou
	Becton Dickinson	BDX	BDX US	Travis Steed
	Boston Scientific	BSX	BSX US	Travis Steed
	Dexcom	DXCM	DXCM US	Travis Steed
	Inari Medical	NARI	NARI US	Travis Steed
	Inspire Medical	INSP	INSP US	Travis Steed
	Insulet	PODD	PODD US	Travis Steed
	Intuitive Surgical	ISRG	ISRG US	Travis Steed
	Medtronic	MDT	MDT US	Travis Steed
	Paragon 28	FNA	FNA US	Craig Bijou
	Procept BioRobotics Corporation	PRCT	PRCT US	Craig Bijou
	RxSight	RXST	RXST US	Craig Bijou
	Shockwave Medical	SWAV	SWAV US	Travis Steed
	Si-Bone	SIBN	SIBN US	Craig Bijou
	Stryker	SYK	SYK US	Travis Steed
	The Cooper Companies	COO	COO US	Craig Bijou
NEUTRAL				
	Baxter International Inc	BAX	BAX US	Travis Steed
	Conmed	CNMD	CNMD US	Travis Steed
	Edwards Lifesciences	EW	EW US	Travis Steed
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Teleflex Incorporated	TFX	TFX US	Craig Bijou
	Zimmer Biomet	ZBH	ZBH US	Travis Steed
UNDERPERFORM				
	Embecta	EMBC	EMBC US	Travis Steed
	Globus Medical	GMED	GMED US	Craig Bijou
	Integra Lifesciences	IART	IART US	Craig Bijou
	Nevro	NVRO	NVRO US	Travis Steed
	Outset Medical	OM	OM US	Travis Steed
	Silk Road Medical	SILK	SILK US	Travis Steed
	Tandem Diabetes Care	TNDM	TNDM US	Travis Steed

Disclosures

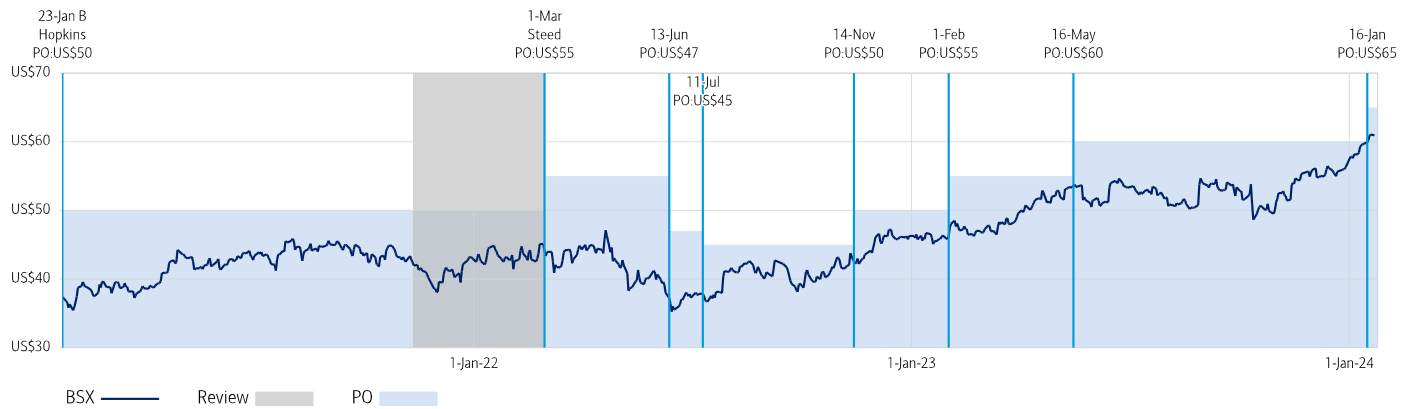
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Abbott Labs (ABT) Price Chart



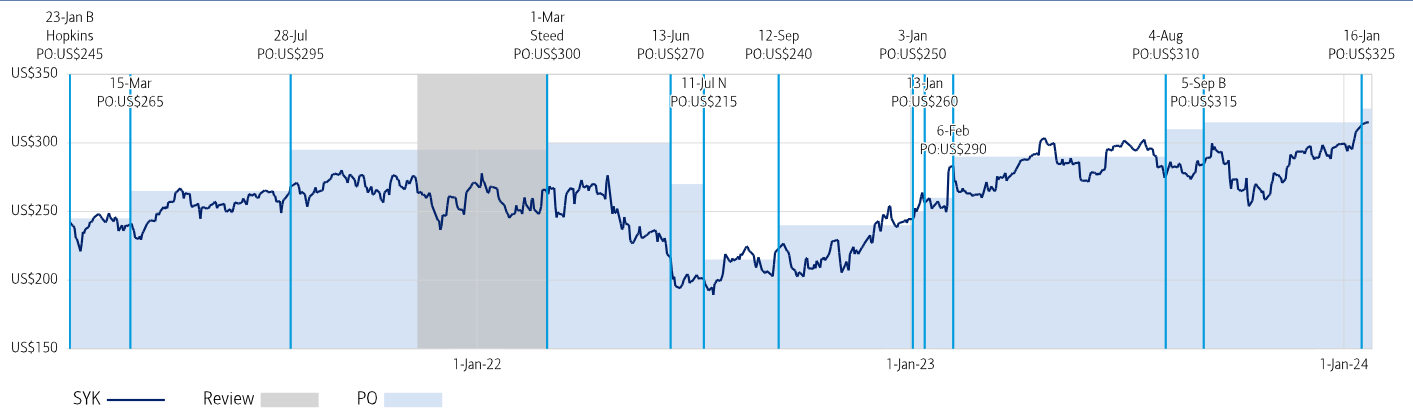
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Boston Scientific (BSX) Price Chart

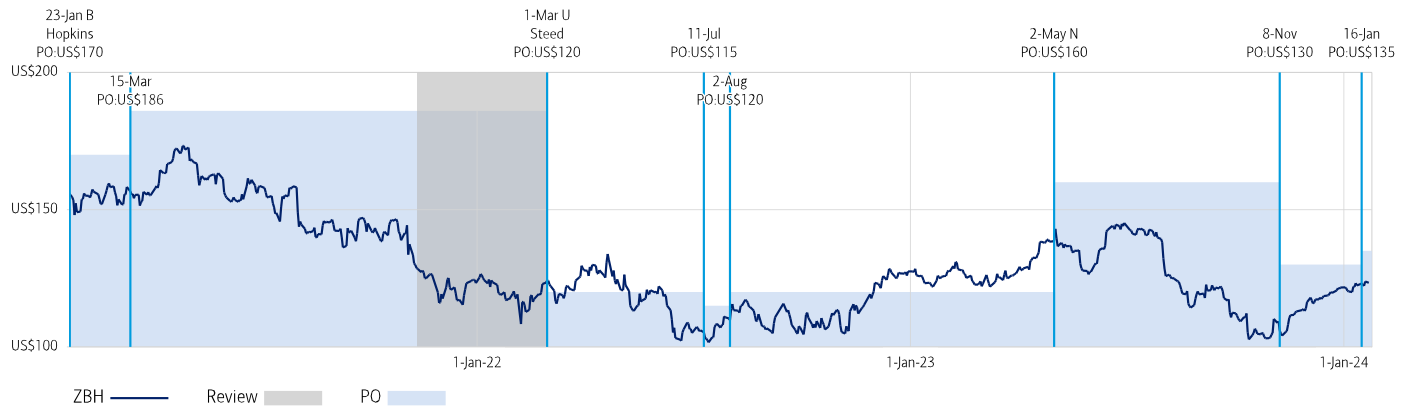
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Stryker (SYK) Price Chart

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

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Zimmer Biomet (ZBH) Price Chart

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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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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