



- Speaker 2**
0s
- Morning, and welcome to Johnson & Johnson's second quarter 2025 earnings conference call. All participants will be in listen-only mode until the question-and-answer session of the conference. This call is being recorded. If anyone has any objections, you may disconnect at this time. If you experience technical difficulties during the conference, you may press star zero to reach the operator. I will now turn the conference call over to Johnson & Johnson. You may begin.
- Speaker 3**
26s
- Hello everyone. This is Darren Snellgrove, Vice President of Investor Relations for Johnson & Johnson. I am excited to be here today and to lead the investor relations team moving forward. Welcome to our 2025 second quarter review of business results and updated financial outlook. First, a few logistics. As a reminder, today's presentation and associated schedules are available on the investor relations section of the Johnson & Johnson website at investor.jnj.com. Please note that this presentation contains forward-looking statements regarding, among other things, the company's future operating and financial performance, market position, and business strategy. You are cautioned not to rely on these forward-looking statements, which are based on the current expectations of future events using the information available as of the date of this recording and are subject to certain risks and uncertainties that may cause the company's actual results to differ materially from those projected. A description of these risks, uncertainties, and other factors can be found in our SEC filings, including our 2024 Form 10-K, which is available at investor.jnj.com and on the SEC's website. Additionally, several of the products and compounds discussed today are being developed in collaboration with strategic partners or licensed from other companies.
- Speaker 3**
1m 56s
- This slide acknowledges those relationships. Moving to today's agenda, Joaquin Duato, our Chairman and CEO, will discuss our business performance and key catalysts. I will then review the second quarter sales and P&L results. Joe Wolk, our CFO, will then close by sharing an overview of our cash position and guidance update for 2025. Jennifer Taubert, Executive Vice President, Worldwide Chairman, Innovative Medicine; John Reed, Executive Vice President, Innovative Medicine Research and Development; and Tim Schmid, Executive Vice President, Worldwide Chairman, MedTech, will be joining us for Q&A. To ensure we provide enough time to address your questions, we anticipate the webcast will last approximately 60 minutes. With that, I will now turn the call over to Joaquin.
- Speaker 1**
2m 50s
- Thank you, Darren and hello everyone. I'm excited to talk about our very strong second quarter. Today's results showcase the strength of our uniquely diversified business as the only major healthcare company operating in both the MedTech and innovative medicine sectors. In the second quarter, we delivered operational sales growth of 4.6% across our business. In innovative medicine, we reported 3.8% operational sales growth, delivering more than \$15 billion in quarterly sales for the first time. No other healthcare company has grown through the loss of exclusivity of a multi-billion dollar product in the first year. In our case, Stelara, and yet that is exactly what we are doing and for the second quarter in a row. Our performance was driven by double-digit growth across 13 brands, including Darzalex, Carvykti, Tecvayli, and Talvey, as well as Rybrevant, Pluvicto, Crews, Tremfya, Caplyta, and Spravato. In MedTech, we delivered 6.1% operational sales growth with particularly strong momentum in cardiovascular surgery and vision. Based on our strong performance in the quarter, we are pleased to raise our full-year sales guidance by \$2 billion and EPS guidance by \$0.25 from \$10.60 to \$10.85. Results like these are a direct result of our deep and resilient portfolio.

Speaker 1

4m 47s

It's what makes Johnson & Johnson unique. Today, we'll focus on the remarkable ways we are driving innovation and creating value for patients and shareholders. We'll highlight the depth of our portfolio and pipeline, focusing on six areas of unmet need and where we are delivering significant growth: oncology, immunology, neuroscience, cardiovascular, surgery, and vision. These are spaces where we are moving the conversation from treatment to cure and where we are extending and improving lives in meaningful ways. Let's start with innovative medicine and oncology, where we have a bold vision to eliminate cancer. Our leading products for the treatment of blood cancers and solid tumors are built on cutting-edge scientific platforms that are transforming outcomes for patients. With more than 10 products in market across 26 approved indications and over 25 treatments in late-stage development, we expect to become the number one oncology company by 2030 with sales of more than \$50 billion. When you look at our quarterly results in oncology, with operational sales growth of 22.3%, you can see that we are well on our way to achieving that. I'll draw your attention to three key areas of Q2 progress. First is multiple myeloma, where we have treatments in every line of therapy.

Speaker 1

6m 38s

Approximately 80% of myeloma patients today receive a Johnson & Johnson medicine at some point in their treatment journey. In Q2, we presented several important sets of data. They include new five-year data showing a single treatment of our CAR-T therapy, Carvykti, has the potential to deliver long-term remission. We also presented the first data from our investigational tri-specific antibody, which showed an unprecedented 100% overall response rate in heavily pretreated patients. With results like these, we are closer than ever to our ambition of curing multiple myeloma. Second is lung cancer, where our chemotherapy-free combination of Rybrevant plus lazertinib has a projected overall survival of at least a year over the current standard of care in frontline non-small cell lung cancer with EGFR gene mutations. Intent to prescribe continues to grow among healthcare professionals, which you can see in our strong quarterly sales. This is a life-changing advancement for patients and one we are building on with a pipeline of novel therapies. Third is bladder cancer, where we are excited to share that we have received FDA priority review for TAR-200, a first-of-its-kind drug releasing system. We anticipate launching TAR-200 for high-risk non-muscle invasive bladder cancer later this year, a transformational product that harnesses our unique expertise in both innovative medicine and MedTech.

Speaker 1

8m 37s

We expect TAR-200 to generate at least \$5 billion in annual peak year sales. In immunology, we have a 25-year legacy of redefining the standard of care, and we are just getting started. With six products in market across 14 approved indications and many treatments in late-stage development, we are expanding treatment options for patients and restoring health for millions of people around the world. From Remicade and Simponi to Stelara and Tremfya, and now exploring targeted oral peptides and future combinations, the growth potential of our immunology portfolio and pipeline continues to be significant. For immunology, I will draw your attention to two key areas of Q2 progress. First is Tremfya, which has recently expanded into inflammatory bowel disease. Tremfya grew 30% in the quarter. With strong uptake in Crohn's disease and ulcerative colitis, we expect it to generate at least \$10 billion annually in peak year sales. We also made important progress in our pipeline in Q2 and expect to file Icotroquinra with the FDA in the third quarter as the first targeted oral peptide to selectively block the IL-23 receptor with similar efficacy to a biologic. As a once-a-day pill, this molecule has the potential to set a new standard in the treatment of plaque psoriasis, and we look forward to sharing more in the coming months.

Speaker 1

10m 35s

In neuroscience, we are building on a 70-year legacy and expect to be the number one company by the end of the decade. We are pushing boundaries in diseases like schizophrenia, depression, and Alzheimer's, which together affect one in eight people worldwide. In Q2, Spravato grew 53%, delivering sustained double-digit growth and demonstrating the power of this medicine for patients living with difficult-to-treat depression. We also completed the acquisition of Intra-Cellular Therapies this quarter. Intra-Cellular Caplyta is approved to treat adults with schizophrenia and bipolar depression, and we are excited about the anticipated major depressive disorder approval later this year. With the addition of Caplyta, we now have five neuroscience products in market across six approved indications and eight treatments in late-stage development. Caplyta adds to Johnson & Johnson's robust lineup of therapies with \$5 billion-plus potential in peak year sales and further solidifies sales growth above analyst expectations through the rest of the decade. Turning to MedTech and in cardiovascular specifically, we are leaders in heart recovery, circulatory restoration, and electrophysiology. Cardiovascular has some of the largest unmet needs in healthcare and is one of the fastest-growing spaces in MedTech. In Q2, we delivered over 22% operational sales growth over the quarter, driven by new product performance in Abiomed, ShockWave, and strength in mapping in electrophysiology.

Speaker 1

12m 39s

Today, we're a leader in four of the largest and highest-growth MedTech segments within cardiovascular intervention, impacting more than 1 million patients each year. Now, let me highlight three areas of important progress from Q2. First is electrophysiology, which delivered close to 10% operational sales growth over the quarter, driven by new product performance and strength in mapping. We have now completed more than 10,000 Varipulse cases globally, with a reported neurovascular event rate of less than 0.5%, consistent with published rates across other PFA platforms. Second, we continue to advance a suite of cardiovascular solutions to expand our market leadership, including our dual-energy thermocouple SmartTouch SF catheter, where we performed our first cases in Europe this quarter. It also includes OmniPulse, where we presented strong early data that will expand our portfolio of tools for safe and streamlined ablation procedures. Third is ShockWave's unique intravascular lithotripsy technology, or IVL, which has transformed the treatment of atherosclerotic cardiovascular disease and is driving significant growth. ShockWave is expected to be our \$13 billion MedTech platform by the end of the year, a position that is further strengthened by a compelling body of evidence on the benefits of this technology. This includes data showing an IVL-first approach can achieve excellent outcomes in female patients with complex calcified coronary artery disease.

Speaker 1
14m 41s

In surgery, we have spent 140 years advancing the standard of care, and today, our surgical technologies are used in most operating rooms around the world. Q2 highlights include the introduction of the Ethicon 4000 surgical stapler, the newest advancement in our surgical portfolio. Future advanced stapling technology and reloads, the Ethicon 4000 minimizes surgical leaks and bleeding, which are common and costly surgical complications for patients and hospitals. This advanced stapling technology will be harnessed for future use exclusively on the Ottava robotic surgery system. As mentioned on our earnings call in April, Ottava completed its first clinical cases, gastric bypass surgeries performed in Houston. In our conversations with surgeons who have spent time on Ottava, they tell us that they are eager for the system's sophisticated architecture, design features like twin motion, the surgeon-entrusted Ethicon advanced instrumentation only available in Ottava, and the future connection to our open digital ecosystem, Polyphonic. We plan to submit for an FDA DeNovo approval next year. Finally, vision, where we have a deep legacy in developing transformational innovation. With quarterly growth of 4.6% across the business and 8.9% in surgical vision, the portfolio has a robust growth trajectory driven by our Acuvue Oasys Max One Day family of contact lenses and our Tecnis Odyssey and Tecnis PureC intraocular lenses.

Speaker 1
16m 39s

With the Q2 release of the first disposable multifocal lenses for people with astigmatism, we have high expectations. You know, few other healthcare companies can talk about their impact across as many high-growth areas as Johnson & Johnson, and none spanning both innovative medicine and MedTech. These six examples are only a cross-section of our cutting-edge portfolio. This depth and breadth is who we are at Johnson & Johnson. It's how we grow through a major loss of exclusivity, how we have reinvented ourselves time and time again, and how we will deliver strong financial performance through the end of the decade and beyond. The bottom line is this: Johnson & Johnson's relentless focus on innovation yields results, quarter after quarter, year after year. I will now turn the call back over to Darren. Thank you, Joaquin. Moving to our financial results. Unless otherwise stated, the percentages quoted represent operational results and therefore exclude the impact of currency translation. Starting with Q2 2025 sales results. Worldwide sales were \$23.7 billion for the quarter. Sales increased 4.6% despite an approximate 710 basis point headwind from Stelara. Growth in the U.S. was 7.8% and 0.6% outside of the U.S. Worldwide growth was positively impacted by 160 basis points, primarily due to the Intra-Cellular and ShockWave acquisitions.

Speaker 1
18m 33s

Turning now to earnings. For the quarter, net earnings were \$5.5 billion, with diluted earnings per share of \$2.29 versus diluted earnings per share of \$1.93 a year ago. Adjusted net earnings for the quarter were \$6.7 billion, with adjusted diluted earnings per share of \$2.77, representing a decrease of 2.1% and 1.8%, respectively, compared to the second quarter of 2024. The decrease is driven by interest associated with incremental debt from the Intra-Cellular acquisition and GP erosion from Stelara. I will now comment on business sales performance in the quarter, with a focus on the six areas Joaquin discussed that will drive significant growth for the enterprise. Beginning with innovative medicine, where our results demonstrate the depth of our expertise in oncology, immunology, and neuroscience. Worldwide sales of \$15.2 billion increased 3.8%, despite an approximate 1,170 basis point headwind from Stelara, demonstrating the strength of our key brands and new launches. Growth in the U.S. was 7.6% and minus 1.6% outside the U.S. Growth outside of the U.S. was negatively impacted by Stelara biosimilars and the COVID-19 vaccine. Acquisitions and divestitures had a net positive impact of 140 basis points on worldwide growth due to the Intra-Cellular Therapies acquisition. In oncology, starting with myeloma, Darzalex growth was 21.5%, primarily driven by continued strong share gains of approximately 4.1 percentage points across all lines of therapy, with close to 8 percentage points in the frontline setting, as well as market growth.

Speaker 1
20m 35s

Carvykti achieved sales of \$439 million, with growth of over 100%, driven by share gains and capacity expansion. This reflects continued strong sequential growth of 17.9% as we expand outside of the US. Tecvayli and Talvey growth was 22.4% and 54.3%, respectively, bolstered by continued expansion into the community setting. Patient demand remains strong despite continued adoption of longer dosing intervals. In prostate cancer, Erleada delivered strong growth of 21%, with continued share gains and market growth. In lung cancer, Rybrevant plus Lazertinib delivered sales of \$179 million and growth over 100%, with sequential growth of 26.5%, driven by continued strong launch uptake. We continue to see share gains in both first and second lines of therapy. Within immunology, Tremfya delivered growth of 30.1%, primarily driven by share gains, with continued strong uptake across recently launched IBD indications and overall market growth. Stelara declined by 43.2%, driven by the impact of biosimilar competition and Part D redesign, which is in line with our expectations. In neuroscience, Spravato growth of 53% was driven by continued strong demand from physicians and patients. Long-acting injectables declined by 6.3% due to the impact of Part D redesign and unfavorable patient mix. I'll now turn your attention to MedTech.

Speaker 1
22m 24s

Worldwide sales of \$8.5 billion increased 6.1%, with growth of 8% in the US and 4.1% outside the US, driven by strong performance in three focus areas: cardiovascular, surgery, and vision. Acquisitions and divestitures had a net positive impact of 200 basis points on worldwide growth, primarily due to ShockWave. In cardiovascular, electrophysiology delivered growth of 9.8% versus prior year, driven by strength in competitive mapping, new product performance, and procedure growth. Abiomed delivered growth of 16.9%, with continued strong adoption of Impella technology, and ShockWave delivered strong double-digit growth with the recent introduction of the Javelin and E8 catheters. As a reminder, the acquisition benefit of ShockWave was lapsed at the end of May. Surgery grew 1.8%, despite divestitures negatively impacting results by approximately 60 basis points. Performance was primarily driven by technology penetration and wound closure, and the strength of the portfolio and biosurgery. Growth was partially offset by competitive pressures in energy and the negative impact of China VBP across the portfolio. In vision, contact lenses and other ocular products grew 2.9%, driven by strategic price actions and strong performance in the Acuvue Oasys One Day family of contact lenses, including the recent launch of Oasys Max One Day multifocal for astigmatism.

Speaker 1
24m 7s

Surgical vision growth of 8.9% continues to be driven by strong performance in Tecnis Odyssey, PureC, and EyeHance. The orthopedics business declined by 1.6%, driven by competitive pressures, the transformation program, and China VBP. Now turning to our consolidated statement of earnings for the second quarter of 2025, I'd like to highlight a few noteworthy items that have changed compared to the same quarter a year ago. Cost of product sold deleveraged by 150 basis points, driven by product mix and amortization related to the Intra-Cellular Therapies acquisition in innovative medicine, as well as MedTech macroeconomic factors and VBP in China. Selling, marketing, and administrative expenses improved 50 basis points, driven by corporate expense rationalization, partially offset by increased investment in recent acquisitions. Research and development expenses leveraged by 50 basis points, primarily driven by portfolio rationalization and expense phasing in MedTech. We continued our strong investment in research and development, with \$3.5 billion, or approximately 15% of sales, in Q2. Interest income and expense was a net expense of \$48 million, as compared to \$125 million of income in the second quarter of 2024, primarily driven by lower rates of interest earned on cash balances and a higher average debt balance associated with the Intra-Cellular Therapies acquisition.

Speaker 1
25m 47s

Other income and expense was a net expense of \$0.1 billion, compared to an expense of \$0.7 billion in the prior year, primarily driven by lower talc litigation expense in 2025 and the \$0.4 billion loss on the sale of the retained stake in Kenvue shares recorded in 2024. Regarding taxes in the quarter, our effective tax rate was 14.7%, compared to 18.5% in the same period last year. I encourage you to review our upcoming 10-Q for details on the changes in taxes. Lastly, I'll direct your attention to the box section of the slide, where we have also provided the company's income before tax, net earnings, and earnings per share, adjusted to exclude the impact of intangible amortization expense and special items. Now let's look at adjusted income before tax by segment for the quarter. In support of our efforts to increase financial transparency, you will again find GAAP to non-GAAP reconciliations by segment in the supplemental schedules of our press release. Innovative medicine margin declined from 44.6% to 42.7%, primarily driven by negative mix in cost of product sold related to Stelara. MedTech margin declined from 25.7% to 22.2%, driven by macroeconomic factors in cost of product sold, as well as other income.

Speaker 1
27m 22s

This concludes the sales and earnings portion of the call, and I will now turn the call over to Joe. Thank you, Darren, and glad to see your first earnings call is off to a good start. I look forward to you leveraging your recent experience leading the innovative medicine finance team to benefit Johnson & Johnson's investor relations function. Hello, everyone. Thank you for joining us today. As already highlighted, we delivered a very strong second quarter, exceeding expectations on both the top and bottom line. While our currently marketed products and platforms drove this quarter's performance, the progress across our pipeline in the first half of the year heightens our conviction to achieve, and I'd be willing to bet likely beat the upper end of the growth targets we conveyed at our 2023 enterprise business review. As previously mentioned by Joaquin and Darren, the innovative medicine business continues to grow through Stelara's loss of exclusivity, driven by our in-market portfolio. We continue to advance our pipeline, attaining significant clinical and regulatory milestones that will help drive sustained and accelerating growth through the back half of the decade. In MedTech, while we still have work to do, we saw improvement over first quarter results, driven by strong performance in the cardiovascular portfolio, surgical vision, and wound closure in surgery.

Speaker 1
28m 42s

We remain focused on higher growth markets, enhancing competitiveness to gain market share, and executing against our transformation initiatives to improve margins. Let's get into some of the financial commentary, starting with our cash position. Free cash flow through the first half of 2025 exceeded \$6 billion, which accounts for elevated tax payments related to the final annual TCJA toll tax payment when compared to the first half of 2024. We ended the second quarter with \$19 billion of cash and marketable securities and \$51 billion of debt for a net debt position of \$32 billion. These figures include the debt raised for the \$14.5 billion Intra-Cellular Therapies acquisition, which closed on April 2nd. Regarding talc litigation, we expect the Daubert hearing to commence this fall and look forward to the court re-examining the junk science the Mass Tort Plaintiffs Bar has funded to promote baseless talc claims against Johnson & Johnson. Turning to our full-year guidance for 2025, driven by the strength of our first-half performance, we are increasing our operational sales guidance for the full year by approximately \$900 million. We are now expecting operational sales growth for the full year to be in the range of 4.5%-5%, with a midpoint of \$92.9 billion, or 4.8%, representing a full percentage point better when compared to prior guidance.

Speaker 1
30m 13s

Excluding the impact from acquisitions and divestitures, our adjusted operational sales growth is now expected to be in the range of 3.2%-3.7% compared to 2024. As you know, we don't speculate on future currency movements, and last quarter, we utilized the Euro spot rate relative to the US dollar of 1.11. The US dollar has weakened across all major currencies since April. Last week, the Euro spot rate relative to the US dollar was 1.17. We estimate an incremental positive foreign currency impact of \$1.1 billion versus previous guidance. As such, we now expect reported sales growth between 5.1%-5.6%, with a midpoint of \$93.4 billion, or 5.4%. Currently, our guidance does not include the impact of the most favored nation concepts. With respect to MFN, we share the administration's goal that American patients should pay less by addressing the real drivers of higher US costs, including middlemen driving up prices and foreign markets not paying their fair share. Turning to other notable items on the P&L. At the beginning of the year, we guided to an approximate 300 basis points improvement in operating margin. Despite what you may have calculated on a year-to-date basis, we remain confident and reiterate our operating margin guide for the full year.

Speaker 1
31m 43s

This is due to efficiency programs designed for margin improvement, as well as non-recurring one-time IP R&D charges that occurred in the second half of 2024. This expected improvement also takes into consideration the dilution from the Intra-Cellular Therapies transaction, as well as what we know today about the impact of tariffs on our business. During our first quarter conference call, we anticipated an impact from tariffs in 2025 to be approximately \$400 million. Based on the current tariff landscape, we now anticipate the impact to be approximately \$200 million, exclusively related to our MedTech business. We will look to reinvest the differential to continue to accelerate our pipeline and further power the launch of our new products, those on the market with new indications and those with near-term anticipated approvals. We continue to monitor what the future year's impact could be from tariffs on our business. For net interest expense, we now project between \$0 and \$100 million, an improvement from the previous guidance, primarily driven by higher interest earned on cash balances. Our effective tax rate is now expected to be in the range of 17%-17.5% for the full year, with the increase largely due to an adjustment to the company's global tax reserves.

Speaker 1
33m 5s

We are pleased that the One Big Beautiful Bill Act provides certainty for our previously announced \$55 billion commitment to invest here in the United States. This includes provisions such as permanent expensing for domestic R&D spend, permanent bonus depreciation, and 100% expensing of qualified production property, including our newly planned facility in North Carolina. We also welcome the improvements that were made to the international tax system. For your modeling, it is worth noting that the tax rate on foreign earnings, known as GILTI, is increasing by approximately 2% from a statutory rate of 10.5% to 12.6%. This will result in an approximate 1% increase to our global effective tax rate in 2026. Returning to earnings per share, we are pleased to increase our reported adjusted earnings per share estimate by \$0.25 to \$10.85, or 8.7% at the midpoint, for a range of \$10.80-\$10.90, which is a combination of operational improvement and the favorable foreign currency dynamics I referenced earlier. Embedded in that is 8 cents of adjusted operational earnings per share, increasing our guidance to \$10.68, or 7% at the midpoint. I'll now provide some qualitative considerations on phasing for your models. We continue to expect both innovative medicine and MedTech operational sales growth to be higher in the second half of the year versus the first half.

Speaker 1

34m 42s

Regarding innovative medicine, we maintain the assumption that Stelara's biosimilar competition will accelerate throughout the year, with erosion similar to Humira's in year two, which is still our proxy, with the additive unfavorable impact of Part D redesign. Turning to MedTech, we anticipate an acceleration in growth to be driven by the increased adoption of newly launched products in cardiovascular surgery and vision. We continue to expect normalized procedure volumes and typical seasonality patterns throughout the remainder of the year. Beyond our financial commitments and what Joaquin has already referenced, we are excited for the expected pipeline progress in the remainder of 2025. In innovative medicine, this includes expected approvals in TAR-200 in non-muscle invasive bladder cancer, subcutaneous Rybrevant for non-small cell lung cancer in the US, Tremfya subcutaneous induction for ulcerative colitis, and Caplyta for adjunctive major depressive disorder. Anticipated filings for approval include Icotroquinra in psoriasis and Tremfya in psoriatic arthritis. As far as data readouts, we are planning for Rybrevant in head and neck cancer and Icotroquinra in ulcerative colitis, as well as head-to-head data versus Stelara in psoriasis. In MedTech, we continue to make progress with our clinical trials for our Ottawa robotic surgical system. In our cardiovascular portfolio, we are planning regulatory submission for dual-energy ThermoCool SmartTouch SF catheter for cardiac arrhythmia in the U.S., an Impella ECP submission in heart recovery, as well as Javelin and ShockWave E8 launches in circulatory restoration outside of the U.S. In orthopedics, we will be launching a Toon Revision hinge and a new plating system called Volt in the U.S. We will also be launching the Ethicon 4000 stapler with 3D reloads in surgery and the Acuvue Oasys Max in vision for astigmatism.

Speaker 1

36m 52s

In summary, I trust you agree the results delivered in the first half are evidence that our portfolio has the breadth and depth that enables us to attain growth, even in the face of a major LOE where very few, if any, other company could. The clinical advancements provide a robust base for accelerated top-line growth, not just for the remainder of this year, but for the back half of the decade. We're confident that the strength of our business model enables Johnson & Johnson to navigate a dynamic external environment while delivering on our financial commitments. This is directly attributable to the hard work and dedication of our 138,000 colleagues who focus daily on advancing our pipeline, increasing market share, and progressing breakthrough treatments to patients that create long-term value for our shareholders. Thank you. With that, we are happy to take your questions. Kevin, will you please provide instructions for those seeking to participate in the Q&A? Certainly. We'll now begin the opening question and answer session. If you'd like to be placed in the question queue, please press Star 1 on your telephone keypad. If you'd like to withdraw your question, please press Star then the number 2.

Speaker 1

38m 4s

Please limit your questions to one question only. Once again, that's Star 1 to be placed in the question queue, and please ask one question and then return to the queue. Our first question is coming from Chris Shopp from J.P. Morgan. Your line is now live. Great. Thanks so much for the question. J&J obviously reported a very strong top-line beat despite the Stelara LOE. And I'd just be interested, Joe, in any color you might higher up in terms of the drivers of upside to the guidance for the year as we think about how much of this is the innovative business versus MedTech, and then any particular franchises in those businesses that's driving the guidance raise. Thank you. Yeah. Good morning, Chris, and thank you very much for the question. I would say both are contributing in terms of the strong performance. In fact, I would say this is a great opportunity for Jennifer and Tim to address some of the strength that we saw in our second quarter results, as you saw, and credit to Jennifer and her team achieving the first \$15 billion quarter despite \$1.2 billion of year-on-year erosion in the quarter from Stelara.

Speaker 1

39m 11s

I do not think any other company can do that. Tim, notable improvement from what we reported in Q1 that gives us a lot of enthusiasm for the balance of this year. As you heard in my earlier comments, we expect both businesses to actually continue that momentum and grow better in the second half than the first half. Why do I not turn it over to Jennifer and Tim to give you some insights from their perspective? Thanks so much, Joe. Good morning, everybody. Joe, you stole my thunder on the over \$15 billion in our first \$15 billion quarter. Importantly, if you take a look at the 90% of our business that is not Stelara, we actually had extraordinarily robust growth, 15.5% growth, really demonstrating the strength across our portfolio. We had 13 brands that were growing double digits. As we take a look at those, the vast majority of those are not only our growth drivers for today and tomorrow, but are also key growth drivers out through the end of the decade. A few of the notable drivers there. First, in oncology, Darzalex continues to perform very well. Carvykti performed well. Erleada. We are really pleased with the launch uptakes thus far on Rybrevant plus Lazertinib in non-small cell lung cancer.

Speaker 1

40m 32s

In immunology, Tremfya is off to a great start in ulcerative colitis and also Crohn's disease. Across neuroscience, both Spravato and Caplyta both had really, really strong performance for the quarter. As I mentioned, 13 brands with double-digit growth. I won't go into all of those, but really, really strong across the base of our business. We are really excited throughout the rest of this year because we've got a number of additional catalysts that are coming through with additional approvals and such. Tim? Thank you, Jennifer. Chris, to your question, I mean, for MedTech, we were happy with our Q2 operational growth of 6.1%. This is a 4.4% sequential improvement over the first quarter. I think you know the primary contributors, certainly cardiovascular, 22% growth. We are by far and away now one of the largest and certainly the fastest-growing MedTech company in cardiovascular, not only on the back of the success of the Abiomed and ShockWave acquisitions, but also the tremendous improvements you saw in our electrophysiology business, which, by the way, has a \$5 billion base. Tremendous performances there. We also saw great results in vision, primarily driven both by contact lenses as well as almost double-digit growth in surgical vision, and then continued solid growth in surgery, especially on the back of our performance in wound closure and biosurgery.

Speaker 1

41m 53s

Both of those businesses, multi-billion dollar businesses, by the way, growing close to 7%. As we look to the back half, what gives us confidence in continued acceleration is a couple of things. Firstly, it's important to remember that Q1 and Q2 had difficult prior-year comparators. More importantly, what gives us confidence is the further acceleration as we continue to shift our portfolio into higher growth markets and really bring truly differentiated innovation to market. In cardiovascular, that will continue with Abiomed, which continues to add to our portfolio. More importantly, the evidence base around the benefits of Impella continues to impress, both with the Danger Shock study and the recent ACC and guidelines supporting Impella use in patients with cardiogenic shock. ShockWave Medical, two new products this launch, E8 as well as Javelin, which will further drive our performance, specifically in the peripheral space. With EP, you're going to see continued performance of Varipulse. We'll add to that with the addition of the dual-energy SmartTouch SF catheter in the European Union. In vision, this is a true turnaround story. We're seeing tremendous results, especially with our Tecnis and Tecnis PureC IOLs. Just to put that in context, in the U.S., we had our second consecutive quarter of double-digit growth, growing 13%.

- Speaker 1**
43m 12s
- In the back half of the year, you'll also see the launch of the Acuvue Oasys Max one-day multifocal for astigmatism. I know there's a lot there. This is the world's first and only daily disposable lens for people with both astigmatism and presbyopia. Surgery, we continue to see performance. We expect continued performance on the back of Surgiflo, Evarrest, and Stratafix. I will call out that while our OUS performance was softer than we would like, we have strong reasons to believe in continued acceleration through the remainder of the year with roughly 18 510(k) approvals last year, close to 40 outside of the U.S. Big launches are coming our way, especially in the areas where we face the most competition. Hips and knees, we had the VELYS Robotic-Assisted Solution for Unicompartmental Knee Arthroplasty, a Tuna revision hinge, as well as KINCISE 2.0. In spine, we are seeing the rollout of our spine VELYS robot, as well as TriAltis, which we are confident will continue to bolster our growth and competitiveness. I think in summary, due to easier comps as well as significant new products, we are confident in continued acceleration in the back half. Chris, as you can see, it is hard to pick one particular product that gives us reason for our enthusiasm in the back half.
- Speaker 1**
44m 23s
- If I had to point and maybe pick a couple of favorite children, I would say Tremfya. We are just getting started with our inflammatory bowel disease, and we grew 30% in the quarter. Those indications will provide further growth. As a reminder, Stelara's had 70% of their prescriptions within IBD. Looking forward to getting the subcutaneous administration approval for lung cancer with Rybrevant and Lazertinib. On the MedTech side, I think the really shining star, while maybe not the highest number, is the EP energy that we have going forward, either maintaining or recapturing that market leadership position, as well as expected improvement in our contact lens business. You saw about 3% growth this quarter with the launch of one-day Acuvue Oasys Max that treats presbyopia and astigmatism. We think there's even higher growth ahead on the horizon. Great. Thanks, Chris, for the question. Kevin, next question, please. Certainly. Our next question is coming from Terrence Lin from Morgan Stanley. Your line is now live. Great. Thanks so much for taking the question. You mentioned oncology target of \$50 billion by end of the decade. Looks like that's well above consensus. Just wondering if you could point us to the largest deltas that you see there.
- Speaker 1**
45m 47s
- I know you've talked about TAR-200 in the past, but maybe any other areas. On Rybrevant sub Q, can you just confirm that you've responded to the CRL and what the target review date would be for that approval? Thank you. Thanks, hi. It's Jennifer again. We feel really confident in that \$50 billion target for our oncology business. It's really based on the strength across the base of our business. You can take a look at multiple myeloma with Darzalex and a lot of continued growth opportunity. Carvykti, also a \$5 billion plus brand. We've got Tecvayli and Talvey. We might come to it later, Trispecific, that we've started outlining and presenting data on. Multiple myeloma, we anticipate to continue to be a stronghold. We've got a really nice franchise in prostate cancer right now with Erleada that is growing very well. You mentioned TAR-200. That is probably the asset that has the biggest disconnect between our internal forecasts and what the street expects. We're really excited for this product and to be launching it in the second half of the year with the ability to truly transform the treatment for non-muscle invasive bladder cancer. There has not been much innovation there in a very, very, very long time.

Speaker 1

47m 16s

We think we're going to bring new hope. The data that we've presented there looks fabulous. We've really designed this product by urologists, for urologists to seamlessly fit into routine clinical practice. We really think that we've got a winner there. If you just take a look, I think, boy, we see if you take a look at 2028 consensus, we actually see our numbers at least three times higher. That is a big disconnect. This is oncology. There is a lot to talk about last on Rybrevant plus Lazertinib. Quick update, the launch is going very well. As a reminder, Rybrevant plus Lazertinib is the first and only regimen that provides really clinically meaningful overall survival to patients greater than probably 12 months versus osimertinib. If you think about new patients, newly diagnosed patients, they want to live longer, and they do not want to be using chemo in a first-line setting. We think we've really got the winning combination and are poised to become the new standard of care in that front-line lung cancer, EGFR mutated lung cancer. This is another one of our \$5 billion plus assets. In terms of the launch, while we're still early in it, as Joaquin had noted, the intent to prescribe has grown consistently.

Speaker 1

48m 37s

We're now the number one regimen that providers are claiming that they intend to prescribe for those front-line patients. We've done a great job of penetrating. We're already in nearly 100% of our high-priority accounts. If we take a look really across the lines of therapy, one out of every four patients across those lines of therapy is now being initiated on a Rybrevant plus Lazertinib combination. Making really nice progress here. Key to that continued growth is the sub Q dosage. We have responded to the agency. This was not anything where the agency required any further clinical studies or clinical data. This was a manufacturing-related question or two. We have responded, and we are looking forward to the second half and hopefully getting approval on that. Terrence, John Reed here. If I could build just a little bit on Jennifer, we have had really great momentum in the oncology pipeline. In the last 18 months, last year and a half, I think we have had eight what we would call proof of concept readouts that then gave us the confidence to now move into late-stage pivotal studies across the portfolio. Since you asked about Rybrevant, I would also remind you that we are in advanced studies now for colorectal cancer, which will be a huge opportunity for patients and for our portfolio.

Speaker 1

50m 0s

We're now moving into head and neck squamous cell carcinoma with really exciting data there in our early development program. On the bladder cancer side, of course, TAR-200 is the star of the portfolio now, but right on its heels is TAR-210 with a targeted therapy where we've seen complete responses north of 90%. That is an entire platform for us, and we'll be putting other payloads in those devices in the future. In myeloma, we've got a trispecific now coming, Romantomig. We're never satisfied with the status quo, building on tech and TAL. In that, if the recommended phase two dose for patients who had never seen a BCMA or a GPRC5D, 100% overall response rate. We really see a great opportunity there to continue to elevate the standard care of myeloma. Finally, in prostate cancer, we have great momentum across our pipeline. Most recently reporting, for example, an exciting bispecific T-cell engager, Pasritomag, that we think has enormous potential to really transform the practice of medicine in prostate. The momentum across oncology is very robust. Great. Thanks. Next question, please. Our next question is coming from Larry Biegelsen from Wells Fargo. Your line is now live. Good morning.

Speaker 1

51m 24s

Thanks for taking the question. Joe, the guidance implies an acceleration in the top-line growth in the second half of this year. Do you see the 3.5% adjusted operational growth this year as something you could accelerate from next year? Do you see room to improve the operating margin next year beyond the implied, I think, 32.8% in the 2025 guidance? Thanks for taking the question. Yeah. Good morning, Larry. Thanks for the question. In terms of overall sales guidance, we're obviously not going to provide that today. I think when you look at these quarterly results and the momentum that we have with our inline brands receiving new indications, that certainly—and then you complement that with what Jennifer, John, and Tim have outlined in terms of new product introductions—we certainly see 2026 being better than 2025 in terms of the growth rate based on what we know today. In terms of margin accretion, I'll reserve and keep the powder dry until we get a little bit further into this year. We still have some of the effects of Part D redesign that is impacting margins this year. We'll have to see how tariffs play out. The raise of \$0.25 per share in the outlook incorporates \$200 million of costs for this year.

Speaker 1

52m 42s

There is an accounting function, and I do not want to get too wonky here, in that some of that gets hung up on the balance sheet. I would like to see a little bit more things come into view before we really comment on margins. We certainly appreciate and live by the principle that you have come to know us for, and that is growing our bottom line consistent, if not better than, our top line. Thanks, Larry, for the question. Kevin, next question, please. Certainly. Next question is coming from Ahsaad Haider from Goldman Sachs. Your line is now live. Great. Thanks for taking the questions and congrats on very solid performance in the quarter. Maybe just going back to the external environment, double-click a little bit more on your comments on pharma tariffs specifically, given this announcement last night from the president that we're going to see something by the end of the month that's going to start off with a low tariff rate and give companies a year to build. What do you make of this announcement? Do you have sufficient capacity today to manufacture for the US market in the US? How flexible is your manufacturing supply chain in the US as it relates to adjusting for any tariff impact in 2026?

Speaker 1

53m 53s

Thank you. Thank you for the question. This is Joaquin. It's hard to know what is going to happen ultimately with tariffs. What we do know for sure is that the tax policies that just passed are already creating American jobs and driving innovation. These very policies that just passed are the ones that have enabled our commitment to invest \$55 billion in the US in the next four years. Our goal is to be able to manufacture in the US all the medicines that are consumed in the US at the completion of that plan. We are on our way of being able to do that. Great. Thanks. Next question, please. Thank you. Next question is coming from Sugun Singh from RBC Capital Markets. Your line is now live. Great. Thank you so much. Just two product questions on the MedTech side. On Ottawa, it looks like you pushed out the submission timeline to 2026. Can you just elaborate on what's going on there? Then on your EP strategy, you did talk about low neuro rates. I was just wondering if you could share some feedback that you're getting from doctors around appetite for adoption of Varipulse. Just what are you hearing?

Speaker 1

55m 14s

Thank you. Thank you, Sugun. Just to clarify, we haven't pushed out our timelines at all. In fact, we've met all of the milestones that we've communicated to the market, both in terms of submission late last year, approval late last year, starting the clinical trials and patients in the first quarter of this year, and our expectation that we will file for de novo submission in the first quarter of next year. I feel very confident about the progress that we're making on Ottawa. I think you know clearly why we feel that we have strong differentiation in that program, both on the robot itself as well as our digital environment. We will continue to provide updates as that comes to fruition. I would like to touch a little on EP, and I appreciate you asking that question because when we look at our performance in the second quarter, clearly that was a major contributor. It was not just the EP. It was the 22% that we enjoyed across the cardiovascular portfolio, which is a combination of the performance, by the way, double-digit growth in both Abiomed and ShockWave ahead of our deal model expectations and improved performance in electrophysiology.

Speaker 1

56m 23s

I have to say, Sugun, that given that we created the EP category, for us, this one is very personal. While I know that several analysts were quick to write us off earlier this year, we continue to remain very confident in our ability to retain our global market leadership position over the long term. That growth you saw in the second quarter, 10%, keep in mind that's of a \$5 billion base. That represented a sequential growth of over 9% versus Q1 and acceleration within the quarter. To your question, what drove this? It really was the continued adoption of Varipulse as we expanded in all commercial regions. We also started first cases in new markets like China, which is a major market for us, and Australia. The feedback from physicians has been phenomenal. We've now surpassed 10,000 cases globally with a reported neurovascular event rate of below 0.5%. This is well below what we observed in the Admire IDE trial and consistent with published rates across other competitive PFA platforms. We're also further optimizing the catheter based on real-world evidence and partnership with clinicians. In fact, we recently received FDA approval for an IFU update to incorporate an optimized flow rate, which further advances the product's performance.

Speaker 1

57m 38s

We're also evaluating new ways for Varipulse to maximize ablation efficiencies and potentially widen its therapeutic window. I will say, and I'll say it very bluntly, we are confident that we have a highly competitive catheter in Varipulse. It provides excellent safety and precision. It's efficient with only four ablations per vein and a smooth learning curve, even for first-time users. It's also important to mention that Varipulse accommodates competitive advantages like the only approved zero-fluoro solution and deep sedation workflows, which we know are a major benefit to hospitals and patients. As we look beyond Varipulse, we are bringing to market a comprehensive portfolio of next-generation PFA catheters to address a broad range of workflows and patient needs. I think you know already that we received EU approval for our dual-energy STSF catheter, the first catheter to offer both PFA and RF technology. We are also working on an Omnipulse large-tip focal catheter and announced positive trials in the month of April. I do think it is also worth reinforcing that our strength, as we said from the very beginning, is not just down to ablation catheters, but rather the breadth of our portfolio and the end-to-end solutions we provide to our electrophysiology customers. It is our entrenched footprint and installed base of 5,000 Carto systems, which is widely recognized as the benchmark in mapping software. It is our broad network of highly trained mappers, which we continue to expand.

Speaker 1

59m 10s

Just to highlight this point, the strategic differentiation of Cardo and our mappers has, even in light of the competition we face here in the US, enabled us to retain our leadership in mapping US PFA cases. Finally, it is our market-leading navigation and ultrasound catheters, further strengthened with the recent launch of the SoundStar Crystal ultrasound catheter earlier this year. EP is currently, I think it is fair to say, probably the most exciting category in MedTech. Let me be clear, we are not rolling over. We are, in fact, increasingly confident that our 30 years of experience and our full portfolio of offerings positions us well to continue to retain our global leadership position over the long term. Thank you, Sugun. Thanks, Sugun and Tim. Next question, please. Thank you. Next question today is coming from Alex Hammond from Wolfe Research. Your line is now live. Thanks for taking the question. For TAR-200, can you walk us through J&J's launch strategy? Are there salesforce training, supply chain, patient access, and neurologist education programs in place? As a follow-up, how are you thinking about the ultimate patient penetration here? Hi. Thanks so much for that question. First of all, we think that there is an extraordinary opportunity here. There are 600,000 new patients that are diagnosed each year and another 400,000 that are recurrent.

Speaker 1

1h 0m

We really see the opportunity as quite large. We'll be entering in the first indication in patients that are experienced or have failed BCG. Shortly thereafter, we'll be expanding into that broad non-muscle invasive space. We do think that there are a lot of patients that are eligible for treatment. I think this product really represents the best of what J&J can bring forward. We have capitalized not only on the strength of innovative medicine in developing this, but also the strength of MedTech, with everything from the engineers to catheter development to the J&J institutes, the training that they have run really, really best in class, best in industry, so that we can bring forward a product that will very, very quickly be able to work with urologists, with their practices, and to help get this product out to patients. I am not going to go into all the details around the launch planning, but suffice to say that the planning is very, very well underway, and the team is very excited for what we optimistically think is going to be a very successful launch for patients here. Thanks, Alex. Next question, please. Thank you. Next question is coming from Danielle Antelope from UBS.

Speaker 1

1h 1m

Your line is now live. Hey, good morning, everyone. Thanks so much for taking the question. And congrats on a really good quarter. Darren, what a great quarter to start. Just a question on MedTech. I mean, you guys are already growing closer or in line with the broader market. You do have some underperformers still in MedTech and surgery and orthopedics, but you've highlighted a few avenues from a new product launch perspective and improving execution to getting those back to in line with market growth. You're weathering EP headwinds. If we look ahead to 2026, 2027, is it fair to think of the MedTech business as closer to high single-digit growth business? I mean, how do we think about the impact of these new product launches and some of the underperformers, the potential for them to re-accelerate and what that means, given that you're already back to sort of 5+% growth in MedTech, even with them continuing to underperform? I hope that question makes sense. Thanks so much. No, it does, Danielle, and thank you. There's firstly a couple of drivers that we're very confident will continue to perform extremely well and accelerate as we look to the next few years.

- Speaker 1** Certainly, our performance in cardiovascular, as I mentioned, the 22% growth in the second quarter, we believe that's going to be a constant growth driver. Surgery, while you point it out, has been, I'd say, an underperformer relative to some of our new entrants in that space. We are very confident that we're going to build on our leadership position, both in open and laparoscopic surgery with the launch of Ottawa, which you know is on the horizon. I'd say the two biggest growth drivers for MedTech going forward will be cardiovascular and our surgery business, especially as we enter the robotic space. We believe that our vision business will continue to be a mid-single-digit to high-single-digit performer. You know that in late 2024, we mentioned that as part of the EBR, we would grow in that roughly 5-7% range at the upper range through 2022 to 2027 on an operational basis. We are very confident in our ability to deliver that. I wouldn't want to speculate beyond that at this point in time. Thank you, Danielle. Thanks, Danielle. We have time for one last question. Thank you. Our final question today is coming from Paul Multivan from Guggenheim Securities.
- Speaker 1** Your line is now live. Great. Thanks for getting in my question in again, Clint. Congrats on the quarter and the performance. I just had one pipeline question on the innovative medicine side. That's on your co-antibody therapy 4 to 4. I thought we might see some of the psoriatic arthritis data already this year. You are, but we didn't see that, and I thought we were hoping to see the IBD data later this year. I'm just wondering if you could maybe give us an update on when we should expect to see those two readouts. Just your general level of enthusiasm, I assume you have at least some of this data in-house. You've had a chance to see how the competitive dynamics are playing out in the immunology space. I'd love to just kind of get an updated sense of your perspective on 4 to 4's potential. Thank you. Yeah, John Reed here. Maybe I'll start, and then others can supplement. The 4804 studies, these are phase 2Bs, one in Crohn's disease and other colitis. We'll be reading out sometime middle of this year. It's nearing the time when the data may become available. Based on that, we'll make decisions about next steps.
- Speaker 1** As you know, in the earlier phase 2A study, we saw really compelling data there that it looked like this combination of an IL-23 inhibitor together with a TNF inhibitor, two products that have been in our pipeline, but coming together could break through the traditional efficacy ceilings in patients with difficult-to-treat inflammatory bowel disease and give perhaps more than half those patients the chance at sustainable complete remission. We are excited about this co-antibody therapeutic. It will be the first of many such approaches to trying to address these difficult-to-treat patients down the line. We are excited to be in a leadership role there, the first company to really begin this kind of foray of looking at going beyond monotherapies to dual therapies to address these really complex patients. I would say, while I'm on that, though, I'm super excited about our Icotroquinra, the oral targeted peptide inhibitor of the IL-23 receptor, which did achieve a compelling proof of concept in ulcerative colitis. We'll be showing those data later this year at a medical meeting. We have begun gearing up now to do a broad phase 3 campaign in both UC and Crohn's disease based on those compelling data.

Speaker 1

1h 6m

We think we're on the cusp of being able to offer the convenience of a once-a-day pill together with efficacy on par with the best of the biologics and with a pristine safety profile. A lot of momentum in immunology across multiple indications, but IBD in particular. Thanks, Famel, and thanks to everyone for your questions and your interest in J&J. I'll now turn the call over to Joaquin for some closing remarks. Thank you for joining the call today. Our Q2 results reflect the depth and strength of our uniquely diversified business. As you heard, we expect elevated growth in the second half of the year. We have a lot to look forward to over the next six months with game-changing approvals and submissions anticipated in areas like lung and bladder cancer, major depressive disorder, psoriasis, surgery, and cardiovascular. These milestones will extend and improve lives in transformative ways and deliver significant value to patients and shareholders. Thank you for your continued interest in Johnson & Johnson and enjoy the rest of the day. Thank you. This concludes today's Johnson & Johnson Second Quarter 2025 earnings conference call. You may now disconnect.