

Analyst's Notes ...Continued

operational. Sales in MedTech was \$8.020 billion, increasing 3.3%.

As for tariffs, JNJ said the primary impact will be on MedTech products of U.S. origin being shipped to China. There are also Canadian and Mexico import tariffs on steel and aluminum components for medical devices.

EARNINGS & GROWTH ANALYSIS

J&J continues to expect 2025 adjusted EPS on a reported basis of \$10.50-\$10.70. The \$0.25 dilution from the Intra-Cellular acquisition and \$400 million impact of tariffs (based on what is known today) are offset by the benefits of lessened impact from foreign exchange and tariff mitigation efforts.

The strength of the underlying business enabled J&J to offset the impact of tariffs while keeping the adjusted EPS guidance unchanged.

J&J expects operational sales growth of 3.3%-4.3% with a midpoint of 3.1%. This guidance now includes \$700 million of sales from the Intra-Cellular acquisition. It continues to expect 300 basis points of operating margin expansion.

Our estimate for 2025 adjusted EPS is unchanged at \$10.59. We are reducing our 2026 estimate to \$11.10 from \$11.15.

Our five-year EPS growth forecast is 9%.

FINANCIAL STRENGTH & DIVIDEND

J&J recently raised its dividend 4.8% to an annualized rate of \$5.20 for a yield of 3.4%. J&J has increased its dividend for 63

consecutive years. Our dividend estimates are \$5.20 for 2025 and \$5.44 for 2026.

Our financial strength rating on JNJ is High, the top rank on our five-point scale. JNJ's debt has an AAA credit rating.

RISKS

J&J faces a range of competitive, regulatory, and legal risks. On the pharmaceutical side, its competitors include both established manufacturers of branded drugs and biologics as well as suppliers of generics. The pharmaceutical business also faces patent expirations and loss of exclusivity for its drugs. In addition, the company faces significant costs in developing prescription drugs, which typically have lengthy development cycles. JNJ also faces pricing pressures from insurance companies and regulatory agencies in overseas markets, as government regulators in China and other countries set pricing for medical devices sold in their jurisdictions.

COMPANY DESCRIPTION

Johnson & Johnson is a diversified global healthcare company that develops, manufactures, and markets products in two business segments: Innovative Medicine (formerly Pharmaceuticals) and MedTech.

VALUATION

JNJ shares trade at 13.8-times our 2026 EPS estimate, compared to an average multiple of 22.3 for our coverage universe

Growth & Valuation Analysis**GROWTH ANALYSIS**

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	82,584	78,740	79,990	85,159	88,821
COGS	28,427	23,402	24,596	26,553	27,471
Gross Profit	54,157	55,338	55,394	58,606	61,350
SG&A	22,084	20,118	20,246	20,112	21,969
R&D	12,340	14,277	14,135	15,085	17,232
Operating Income	19,733	20,943	21,013	23,409	22,149
Interest Expense	90	130	-214	-489	-577
Pretax Income	16,497	19,178	19,359	15,062	16,687
Income Taxes	1,783	1,377	2,989	1,736	2,621
Tax Rate (%)	11	7	15	12	16
Net Income	14,714	20,878	17,941	35,153	14,066
Diluted Shares Outstanding	2,671	2,674	2,664	2,560	2,429
EPS	5.51	7.81	6.73	13.72	5.79
Dividend	3.98	4.19	4.45	4.70	4.91

GROWTH RATES (%)

Revenue	0.6	-4.7	1.6	6.5	4.3
Operating Income	-5.9	6.1	0.3	11.4	-5.4
Net Income	-2.7	41.9	-14.1	95.9	-60.0
EPS	-2.1	20.9	-7.8	-15.3	11.3
Dividend	6.1	5.3	6.2	5.6	4.5
Sustainable Growth Rate	10.6	10.1	10.3	6.2	4.1

VALUATION ANALYSIS

Price: High	\$157.66	\$179.92	\$186.69	\$180.93	\$168.85
Price: Low	\$109.16	\$151.47	\$155.72	\$144.95	\$142.75
Price/Sales: High-Low	5.1 - 3.5	6.1 - 5.1	6.2 - 5.2	5.4 - 4.4	4.6 - 3.9
P/E: High-Low	28.6 - 19.8	23.0 - 19.4	27.7 - 23.1	13.2 - 10.6	29.2 - 24.7
Price/Cash Flow: High-Low	19.5 - 13.5	18.5 - 15.6	23.1 - 19.3	23.3 - 18.7	16.3 - 13.8

Financial & Risk Analysis**FINANCIAL STRENGTH**

	2022	2023	2024
Cash (\$ in Millions)	12,889	21,859	24,105
Working Capital (\$ in Millions)	-508	7,213	5,572
Current Ratio	0.99	1.16	1.11
LT Debt/Equity Ratio (%)	35.0	37.6	42.9
Total Debt/Equity Ratio (%)	51.6	42.6	51.2

RATIOS (%)

Gross Profit Margin	69.3	68.8	69.1
Operating Margin	26.3	27.5	24.9
Net Margin	22.4	41.3	15.8
Return On Assets	9.7	19.8	8.1
Return On Equity	23.8	48.3	20.1

RISK ANALYSIS

Cash Cycle (days)	64.8	75.2	85.5
Cash Flow/Cap Ex	5.3	4.5	3.9
Oper. Income/Int. Exp. (ratio)	71.1	20.5	23.1
Payout Ratio	61.9	61.0	87.1

The data contained on this page of this report has been provided by Morningstar, Inc. (© 2025 Morningstar, Inc. All Rights Reserved). This data (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. This data is set forth herein for historical reference only and is not necessarily used in Argus' analysis of the stock set forth on this page of this report or any other stock or other security. All earnings figures are in GAAP.

Analyst's Notes ...Continued

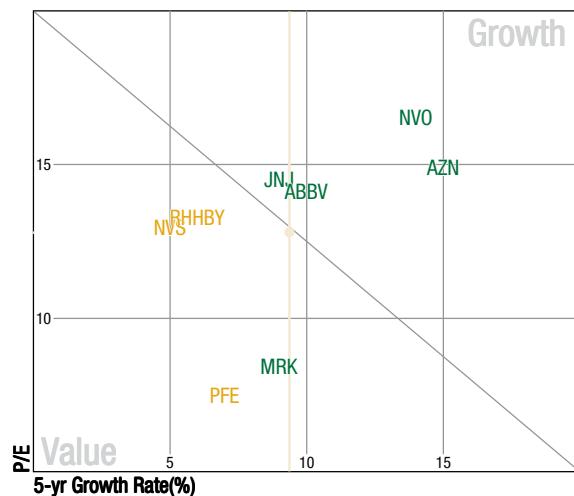
of large-cap MedTech stocks. We think this is an attractive valuation. We believe that JNJ's growth opportunities and success in integrating acquisitions support this valuation. In addition, we expect the company's pharmaceutical pipeline and recently approved products to be solid growth drivers and to more than offset headwinds in other markets.

On April 16, BUY-rated JNJ closed at \$153.91, up \$0.29.

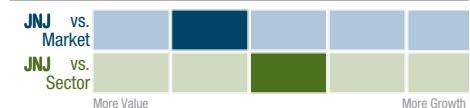
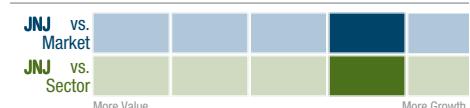
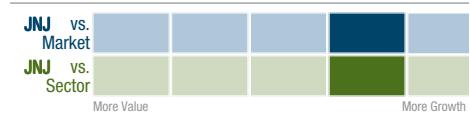
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare JNJ versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how JNJ stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how JNJ might fit into or modify a diversified portfolio.



Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
JNJ	Johnson & Johnson	370,900	9.0	14.5	24.4	4.8	BUY
ABBV	AbbVie Inc	303,698	10.0	14.1	7.6	10.7	BUY
NVS	Novartis AG	231,479	5.0	13.0	23.1	5.3	HOLD
RHHBY	Roche Holding AG	216,839	6.0	13.3	13.7	5.2	HOLD
NVO	Novo Nordisk	213,171	14.0	16.5	34.8	18.4	BUY
AZN	AstraZeneca PLC	207,940	15.0	14.9	13.0	13.3	BUY
MRK	Merck & Co Inc	192,403	9.0	8.4	26.7	9.4	BUY
PFE	Pfizer Inc.	124,999	7.0	7.5	12.6	3.7	HOLD
Peer Average		232,679	9.4	12.8	19.5	8.9	

P/E

Price/Sales

Price/Book

PEG

5 Year Growth

Debt/Capital


About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. In addition, this content is not prepared subject to Canadian disclosure requirements. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products.

Morningstar Disclaimer

© 2025 Morningstar, Inc. All Rights Reserved. Certain financial information included in this report: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

For Residents of Singapore

Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives.