We see 2015 operating EPS of $6.16.

➤ In May, JNJ entered into a deal with Achillion Pharmaceuticals (ACHN NR), where JNJ will invest $225 million in ACHN and will pay up to $1.1 billion in milestone payments for the rights to develop ACHN's Hepatitis C drugs. ACHN will receive tiered royalties if a compound reaches phase III clinical trials. Achillion is also developing therapies for viral diseases, including Hepatitis B and Hepatitis D.

➤ Jeffrey Loo, CFA

Past performance is not an indication of future performance and should not be relied upon as such.

Summary: This company is a leader in the pharmaceutical, medical device and consumer products industries.

Key Stock Statistics: SOURCES: S&P Capital IQ, Vickers, company reports

52-Wk Range $109.49–81.79 S&P Oper. EPS 2015E 6.16 Market Capitalization(B) $264.311 Beta 0.58
Trailing 12-Month EPS $5.68 S&P Oper. EPS 2016E 6.42 Yield (%) 3.14 S&P 3-Yr. Proj. EPS CAGR(%) 7
Trailing 12-Month P/E 16.8 P/E on S&P Oper. EPS 2015E 15.5 Dividend Rate/Share $3.00 S&P Quality Ranking A+
$10K Invested 5 Yrs Ago $17,696 Common Shares Outstg. (M) 2,769.1 Institutional Ownership (%) 66

Price Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Share Price</th>
<th>Volume (Mil.)</th>
<th>12-Mo. Target Price</th>
<th>Relative Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>122.36</td>
<td>213</td>
<td>$120.00</td>
<td>F</td>
</tr>
<tr>
<td>2012</td>
<td>122.17</td>
<td>218</td>
<td>$120.00</td>
<td>M</td>
</tr>
<tr>
<td>2013</td>
<td>122.00</td>
<td>220</td>
<td>$120.00</td>
<td>M</td>
</tr>
<tr>
<td>2014</td>
<td>121.96</td>
<td>220</td>
<td>$120.00</td>
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<tr>
<td>2015</td>
<td>109.49</td>
<td>208</td>
<td>$120.00</td>
<td>F</td>
</tr>
</tbody>
</table>

Investment Rationale/Risk

➤ We view JNJ as uniquely situated with unmatched breadth and depth in growing global health care markets, and with solid positions in drugs, medical devices and consumer products. New drugs such as Xarelto, Zytiga and Invokana should lead pharmaceuticals growth. We also see long-term growth potential from the DePuy/Synthes orthopedics business, driven by expansion in emerging geographic regions, JNJ says it plans to file for US and EU approval for daratumumab, which has breakthrough therapy designation, in double refractory multiple myeloma by year-end, based on Phase II data. JNJ also believes it will file 10 new drug filings by 2018, each with the potential to achieve $1 billion in annual sales.

➤ Our risk assessment for JNJ reflects that its products are largely immune from economic cycles, that it does not rely on any single product category or customer for sustained growth and that it enjoys competitive advantages owing to its substantial financial resources, business scale and global sales capabilities.

Our 12-month target price of $120 applies an 19.0X multiple to our forward 12-months EPS estimate of $6.16, in line with peers, as we see solid pharmaceutical sales partially offset by modest, but improving, growth in its consumer and medical device units. JNJ approved a $10 billion stock buyback in October 2015.

Dividend Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($)</th>
<th>Date Decl.</th>
<th>Ex-Div. Date</th>
<th>Stk. of Record</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.70</td>
<td>Oct 16</td>
<td>Nov 21</td>
<td>Nov 25</td>
<td>Dec 9</td>
</tr>
<tr>
<td>2016</td>
<td>0.70</td>
<td>Jan 5</td>
<td>Feb 20</td>
<td>Mar 10</td>
<td>Feb 24</td>
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<tr>
<td>2017</td>
<td>0.75</td>
<td>Apr 23</td>
<td>May 21</td>
<td>Jun 9</td>
<td>May 26</td>
</tr>
<tr>
<td>2018</td>
<td>0.75</td>
<td>Jul 20</td>
<td>Aug 21</td>
<td>Sep 8</td>
<td>Aug 25</td>
</tr>
</tbody>
</table>

Dividends have been paid since 1944. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

Stock Report | October 13, 2015 | NYS Symbol: JNJ | JNJ is in the S&P 500

Johnson & Johnson

S&P Capital IQ
Recommendation BUY ★ ★ ★ ★ ★
S&P Capital IQ Equity Analyst Jeffrey Loo, CFA

GICS Sector Health Care
Sub-Industry Pharmaceuticals

Price $95.45 (as of Oct 13, 2015 4:08 PM ET)
12-Mo. Target Price $120.00
Report Currency USD
Investment Style Large-Cap Growth

Revenue/Earnings Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (Million U.S.$)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
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<td>17,787</td>
<td>--</td>
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<td>2014</td>
<td>18,115</td>
<td>19,495</td>
<td>18,467</td>
<td>18,254</td>
<td>74,331</td>
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<td>2013</td>
<td>17,505</td>
<td>17,877</td>
<td>17,575</td>
<td>18,355</td>
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<td>16,475</td>
<td>17,052</td>
<td>17,558</td>
<td>67,224</td>
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<td>2011</td>
<td>16,173</td>
<td>16,597</td>
<td>16,005</td>
<td>16,255</td>
<td>65,030</td>
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</table>

Earnings Per Share (U.S.$)

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.53</td>
<td>1.51</td>
<td>1.66</td>
<td>0.89</td>
<td>5.70</td>
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<tr>
<td>2014</td>
<td>1.64</td>
<td>1.51</td>
<td>1.66</td>
<td>1.23</td>
<td>4.81</td>
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<td>2013</td>
<td>1.22</td>
<td>1.33</td>
<td>1.04</td>
<td>0.91</td>
<td>3.86</td>
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<td>2012</td>
<td>1.41</td>
<td>1.05</td>
<td>1.00</td>
<td>1.05</td>
<td>3.49</td>
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<tr>
<td>2011</td>
<td>1.25</td>
<td>1.00</td>
<td>1.05</td>
<td>1.05</td>
<td>4.78</td>
</tr>
</tbody>
</table>

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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Unless otherwise indicated, there is no intention to update this document.
Business Summary October 13, 2015

CORPORATE OVERVIEW. Johnson & Johnson ranks as one of the largest and most diversified health care firms, with products spanning across the pharmaceutical and medical device industries. The company is also a major participant in the global consumer products business, and, in December 2006, purchased the consumer products unit of Pfizer for $16.6 billion. International sales accounted for about 53.2% of 2014 sales.

The pharmaceutical segment (43.5% of 2014 sales) includes products in therapeutic areas including anti-infective, anti-psychotic, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, pain management, urology and virology.

The medical devices and diagnostics segment (37.0%) sells a wide range of products, including Ethicon’s wound care, surgical sports medicine and women’s health care products; Cordis’s circulatory disease management products; Lifescan’s blood glucose monitoring products; Depuy/Synthes orthopaedic joint reconstruction and spinal products; and Vistakon’s disposable contact lenses. JNJ sold its Ortho Clinical Diagnostics’ professional diagnostic products to the Carlyle Group for $4 billion in 2014.

The consumer segment (19.5%) primarily sells personal care products, including nonprescription drugs, adult skin and hair care products, baby care products, oral care products, first aid products, women’s health products, and nutritional products. Major brands include Band-Aid Brand Adhesive Bandages, Imodium A-D antidiarrheal, Johnson’s Baby line of products, Neutrogena skin and hair care products, and Tylenol pain reliever.

CORPORATE STRATEGY. Johnson & Johnson has over 250 operating companies selling products across the globe. Despite its size, JNJ is highly innovative, in our view, and seeks to maintain leadership positions by aggressively funding new product development. R&D spending in 2014 totaled $8.5 billion, representing 11.4% of sales. As of January 2015, JNJ had some 20 drugs in late-stage development, with seven in Phase III trials or under FDA review. Key new recent launches included Prezista for HIV, Xaralto for acute coronary syndrome, Invega for schizophrenia, Zytiga for prostate cancer, Invokana for type 2 diabetes, and Imbruvica for leukemia. In November 2013, the FDA approved Olysio, a treatment for chronic hepatitis C.

In January 2014, JNJ said it planned to launch over 10 new molecular entity (new innovative therapies) filings, and over 25 line extensions, between 2013 and 2017. Some of the more exciting new therapies, in our opinion, include new treatments for diabetes, cancer, immune disorders, infectious diseases, and neurologic disorders.

Although internal growth is a key objective, the company has also been pursuing strategic acquisitions. In January 2010, JNJ acquired Acclarent, an R&D firm working on new devices to treat ear, nose and throat conditions. The December 2008 acquisition of Pfizer’s consumer health care business added leading brands such as Listerine, Nicorette, Lubriderm, Visine, Neosporin, Sudafed, Zantac and Benadryl.

In mid-June 2012, JNJ acquired Synthes for $19.7 billion in cash and stock. A Swiss maker of skeletal fixation implants and other orthopedic products, Synthes earned $967 million on sales of about $4.0 billion in 2011. Although regulators required JNJ to divest its trauma business to complete the deal, we still think the deal should significantly enhance JNJ’s global reach in innovative orthopedics and provide important operating synergies. We believe JNJ has effectively funded the entire acquisition via overseas domiciled cash, with the stock portion financed indirectly with overseas cash.

Other important acquisitions in recent years include Crucell, a Dutch maker of vaccines; Micrus Endovascular, a maker of devices to treat strokes; Cougar Biotechnology, a firm engaged in R&D on anticancer drugs; Mentor Corp., a supplier of aesthetic products; Omrix Biopharmaceuticals, a maker of biosurgical and immunotherapy products; and Conor Medsystems, a producer of a cobalt chromium coronary stent that incorporates innovative drug delivery technology.

FINANCIAL TRENDS. During 2014, the company generated $14.7 billion in free cash flow. Sales have grown from $65.0 billion in 2011 to $74.3 billion in 2014, for a compound annual growth rate of 4.6%. Adjusted EPS has grown from $5.00 in 2011 to $5.97 in 2014, for a compound annual growth rate of 6.1%.
**Quantitative Evaluations**

**S&P Capital IQ**

- **Fair Value Rank** 3+
- **Fair Value Calculation** $98.90

Based on S&P Capital IQ’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5). Analysis of the stock’s current worth, based on S&P Capital IQ’s proprietary quantitative model suggests that JNJ is slightly undervalued by $3.45 or 3.6%.

**Investability Quotient**

JNJ scored higher than 100% of all companies for which an S&P Capital IQ Report is available.

**Technical Evaluation**

Since October, 2015, the technical indicators for JNJ have been NEUTRAL.

**Insider Activity**

Since October, 2015, the technical indicators for JNJ have been NEUTRAL.

**Key Growth Rates and Averages**

- **Past Growth Rate (%)**
  - 1 Year: 4.23
  - 3 Years: 4.71
  - 5 Years: 4.05
  - 9 Years: 3.73

**Balance Sheet & Other Financial Data (Million U.S. $)**

- **Cash** 33,089
- **Current Assets** 59,311
- **Total Assets** 131,119
- **Current Liabilities** 25,085
- **Long Term Debt** 15,122
- **Common Equity** 69,752
- **Total Capital** 84,881
- **Capital Expenditures** 3,714
- **Cash Flow** 20,218

**Company Financials** Fiscal Year Ended Dec. 31

- **Per Share Data (U.S. $)**
  - Tangible Book Value 7.44
  - Cash Flow 7.06
  - Earnings 5.70
  - S&P Capital IQ Core Earnings 5.58
  - Dividends 2.76
  - Payout Ratio 48%
  - Prices:High 109.49
  - Prices:Low 86.09
  - P/E Ratio:High 19
  - P/E Ratio:Low 15

- **Revenue** 74,331
- **Operating Income** 25,032
- **Depreciation** 3,895
- **Pretax Income** 20,563
- **Effective Tax Rate** 20.6%
- **Net Income** 16,323
- **S&P Capital IQ Core Earnings** 15,965

**Income Statement Analysis (Million U.S. $)**

- **Net Income** 16,323
- **S&P Capital IQ Core Earnings** 15,965

**Income Statement Analysis (Million U.S. $)**

- **Revenue** 74,331
- **Operating Income** 25,032
- **Depreciation** 3,895
- **Pretax Income** 20,563
- **Effective Tax Rate** 20.6%
- **Net Income** 16,323
- **S&P Capital IQ Core Earnings** 15,965

**Expanded Ratio Analysis**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/Sales</td>
<td>4.03</td>
<td>3.70</td>
<td>2.93</td>
<td>2.80</td>
<td>2.67</td>
<td>2.62</td>
<td>2.70</td>
<td>2.87</td>
<td>2.93</td>
<td>2.97</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>18.35</td>
<td>19.05</td>
<td>18.17</td>
<td>18.82</td>
<td>18.60</td>
<td>18.35</td>
<td>18.05</td>
<td>17.79</td>
<td>17.53</td>
<td>17.70</td>
</tr>
<tr>
<td>Avg. Diluted Shares Outstg (M)</td>
<td>2,963.9</td>
<td>2,977.0</td>
<td>2,812.6</td>
<td>2,775.3</td>
<td>2,749</td>
<td>2,713</td>
<td>2,692</td>
<td>2,666</td>
<td>2,640</td>
<td>2,615</td>
</tr>
</tbody>
</table>

Figures based on calendar year-end price

For further clarification on the terms used in this report, please visit www.spcapitaliq.com/stockreportguide
Sub-Industry Outlook

Our fundamental outlook for the pharmaceuticals sub-industry for the next 12 months is positive. We believe top-line pressure from patent expirations on many top-selling drugs will bottom in 2015 and we anticipate sale increases in 2016. But we note foreign exchange fluctuations will likely adversely impact results in 2015. We also see expanding sales of new innovative drug therapies and margin improvements accruing from cost restructurings and merger synergies. EPS comparisons should also benefit from common share repurchases.

While we see recently implemented health care reform legislation continuing to negatively affect industry profitability, we see benefits accruing from significant expansion of the market stemming from new coverage provided to about 26-28 million currently uninsured Americans from 2014-2019.

Despite adverse effects from patent expirations and regulatory pressures on drug pricing, we still think long-term prospects for the industry remain favorable. Pharmaceuticals remains one of the widest-margin U.S. industries, with prospects enhanced by demographic growth in the elderly (which account for about 33% of industry sales) and new drugs stemming from discoveries in genomics and biotechnology. FDA approvals of new molecular entities in 2014 rose to a robust 41 approvals, up from 27 in 2013 and 39 in 2012.

We expect prospects for the generic/specialty drug group to remain favorable as a large number of major drugs lost patent protection over the past few years, providing significant opportunities for this group. We favor companies with rich generic pipelines, especially those with first-to-file generics with the potential for 180 days of marketing exclusivity, and competence in litigating complex patent issues.

In 2014, the S&P Pharmaceuticals Index rose 19.3%, versus a 10.9% gain in the S&P 1500 Composite Index. Year-to-date through October 9, 2015 the S&P Pharmaceutical Index fell 1.4% vs. a 2.0% decline in the S&P 1500 Composite Index.

--Jeffrey Loo, CFA

Industry Performance

GICS Sector: Health Care
Sub-Industry: Pharmaceuticals

Based on S&P 1500 Indexes
Five-Year market price performance through Oct 13, 2015

Sub-Industry : Pharmaceuticals Peer Group*: Health Care Diversified

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Stk. Mkt. Cap. (Mil. $)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.($)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson &amp; Johnson</td>
<td>JNJ</td>
<td>264,311</td>
<td>95.45</td>
<td>109.49/81.79</td>
<td>0.58</td>
<td>3.1</td>
<td>17</td>
<td>98.90</td>
<td>A+</td>
<td>100</td>
<td>22.0</td>
</tr>
<tr>
<td>Allergan plc</td>
<td>AGN</td>
<td>103,152</td>
<td>262.95</td>
<td>340.34/208.64</td>
<td>0.31</td>
<td>Nil</td>
<td>NM</td>
<td>252.30</td>
<td>NR</td>
<td>60</td>
<td>NA</td>
</tr>
<tr>
<td>AstraZeneca ADS</td>
<td>AZN</td>
<td>79,331</td>
<td>31.30</td>
<td>37.97/29.50</td>
<td>0.56</td>
<td>4.4</td>
<td>67</td>
<td>28.80</td>
<td>NR</td>
<td>35</td>
<td>4.7</td>
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<tr>
<td>Bayer AG ADR</td>
<td>BAYRY</td>
<td>102,958</td>
<td>124.12</td>
<td>150.77/123.80</td>
<td>1.27</td>
<td>1.4</td>
<td>24</td>
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<td>NR</td>
<td>26</td>
<td>9.2</td>
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<td>Bristol-Myers Squibb</td>
<td>BMY</td>
<td>103,952</td>
<td>62.34</td>
<td>70.54/47.55</td>
<td>0.25</td>
<td>2.4</td>
<td>58</td>
<td>49.70</td>
<td>B+</td>
<td>98</td>
<td>12.6</td>
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<td>GlaxoSmithKline plc ADS</td>
<td>GSK</td>
<td>96,906</td>
<td>40.11</td>
<td>49.08/37.24</td>
<td>0.64</td>
<td>6.1</td>
<td>6</td>
<td>38.50</td>
<td>NR</td>
<td>34</td>
<td>12.3</td>
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<tr>
<td>Lilly (Eli)</td>
<td>LLY</td>
<td>84,533</td>
<td>79.62</td>
<td>92.85/60.58</td>
<td>0.38</td>
<td>2.5</td>
<td>41</td>
<td>75.00</td>
<td>B+</td>
<td>99</td>
<td>12.2</td>
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<tr>
<td>Merck &amp; Co</td>
<td>MRK</td>
<td>139,339</td>
<td>49.47</td>
<td>63.62/45.69</td>
<td>0.34</td>
<td>3.6</td>
<td>14</td>
<td>54.20</td>
<td>NR</td>
<td>99</td>
<td>82.2</td>
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<td>Novartis AG ADS</td>
<td>NVS</td>
<td>219,829</td>
<td>91.02</td>
<td>106.84/84.17</td>
<td>0.52</td>
<td>1.9</td>
<td>11</td>
<td>91.30</td>
<td>NR</td>
<td>93</td>
<td>20.0</td>
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<tr>
<td>Novo-Nordisk A/S ADS</td>
<td>NVO</td>
<td>138,289</td>
<td>53.64</td>
<td>60.34/41.72</td>
<td>0.92</td>
<td>1.0</td>
<td>28</td>
<td>54.80</td>
<td>NR</td>
<td>94</td>
<td>28.8</td>
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<td>Pfizer, Inc</td>
<td>PFE</td>
<td>203,399</td>
<td>32.98</td>
<td>36.46/27.51</td>
<td>0.79</td>
<td>3.4</td>
<td>23</td>
<td>30.40</td>
<td>B+</td>
<td>99</td>
<td>18.3</td>
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<td>Roche Holdings ADS</td>
<td>RHHBY</td>
<td>190,830</td>
<td>31.18</td>
<td>38.54/31.50</td>
<td>0.60</td>
<td>2.5</td>
<td>25</td>
<td>56.70</td>
<td>NR</td>
<td>89</td>
<td>19.1</td>
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<td>Sanofi ADS</td>
<td>SNY</td>
<td>126,772</td>
<td>48.53</td>
<td>54.98/43.57</td>
<td>1.02</td>
<td>2.7</td>
<td>22</td>
<td>56.70</td>
<td>NR</td>
<td>89</td>
<td>13.2</td>
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<td>TEVA</td>
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<td>57.79</td>
<td>72.31/47.36</td>
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<td>2.0</td>
<td>20</td>
<td>63.40</td>
<td>NR</td>
<td>41</td>
<td>15.0</td>
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<td>Valeant Pharmaceuticals Intl</td>
<td>VRX</td>
<td>57,074</td>
<td>166.50</td>
<td>263.81/111.41</td>
<td>0.91</td>
<td>Nil</td>
<td>69</td>
<td>189.30</td>
<td>C</td>
<td>25</td>
<td>11.0</td>
</tr>
</tbody>
</table>

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S&P Capital IQ Analyst Research Notes and other Company News

October 13, 2015
11:08 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 95.22****): We keep our 12-month target at $120 on an in-line to peers 19.0X our forward 12-months EPS estimate of $6.31. 03 EPS of $1.49 vs. $1.61 is $0.04 below our forecast, but $0.04 above Capital IQ consensus. Sales, with 8.2% adverse forex, fell 7.4% as pharma sales fell 7.4% on the expected decline in hepatitis C drug sales. Medical device sales fell 7.3% and consumer sales fell 7.7%. Excluding divestitures, consumer sales rose 4.0%. We are encouraged by the steady improvement in consumer products and view its drug pipeline favorably. JNJ also announced a $10B stock buyback. /Jeffrey Loo, CFA

July 14, 2015
10:53 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 98.75****): We keep our 12-month target at $120 on in-line with peers 19.4X our 12-months EPS estimate of $6.10. Q2 EPS of $1.71 vs. $1.78 is $0.01 ahead of our estimate. Sales, with adverse 7.9% forex, fell 8.8%, in-line with our forecast. On an operational basis, consumer sales rose 2.3%, pharmaceuticals rose 1.0%, and medical devices fell 4.7%, mainly on divestitures. Although we see impact of lower Olysio sales, its hepatitis C drug, and forex adversely impacting results into H2, we believe JNJ is well-positioned for sales growth in each of its units driven by product development. /Jeffrey Loo, CFA

May 20, 2015
11:29 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 104.17****): JNJ says it plans to launch new drug filings through 2015, each with a potential to reach $1B in annual sales. Interestingly, JNJ says it plans to file for US and EU approval for daratumumab, which has breakthrough therapy designation, in double refractory multiple myeloma, by year-end, based on Phase II data it plans to present at ASCO in a few weeks. With these new products, along with recently approved drugs, JNJ believes its drug sales will grow above industry average, at least through 2019. We are encouraged by JNJ’s positive outlook but view its goal of 10 filings as optimistic. /Jeffrey Loo, CFA

April 14, 2015
09:58 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 100.95****): We keep our target price at $120, on 19.1X our forward 12-months EPS estimate of $6.27, in-line with peers. Q1 adjusted EPS was $1.56 vs. $1.63. Sales, including a 7.2% adverse forex impact, fell 4.1%. Consumer sales, excluding forex and impact of acquisitions and divestitures, rose 4.7%, pharma sales, excluding forex, rose 10.2% in spite of the 34% decline of Olysio, which was expected. Device sales, excluding forex and divestitures impact, rose 1.3%. But we think forex will adversely affect results into H2. JNJ’s pending $2.0B sale of Cordis to Cardinal Health remains on track. /Jeffrey Loo, CFA

March 5, 2015
11:23 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF ABBVIE (ABBV $8.68****): ABBV will acquire Pharmacysc (PCYC 255, NR) for $261.25/sh or $21B. PCYC’s Imbruvica is approved for 3 blood cancers and had sales of $848M in ’14. We see sales of $1B in 2015 and up to $4B in 2020, but we note Imbruvica is co-promoted with Johnson & Johnson (JNJ 103 ****). ABBV sees peak sales for Imbruvica at over $7B, but Imbruvica needs approval for more indications to reach that level. This deal gives ABBV a presence in blood cancers, and provides an experienced sales force as ABBV has its own blood cancer drug, ABT 199 that we think it can file an NDA later this year. /Jeffrey Loo, CFA

March 2, 2015
02:28 pm ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF CARDINAL HEALTH (CAH 89.58****): We raise our 12-month target $9 to $102 applying a P/E of 22X, above peers average of 20X, to our calendar 2015 EPS estimate of $4.62. CAH made an offer to buy Cordis, a cardiology and endovascular device manufacturer, for $1.9 billion in cash from Johnson & Johnson (JNJ 103 ****). While likely slightly dilutive to FY 16 EPS, we see scale opportunities contributing to CAH’s estimated accretion of $0.20 per share in FY 17. We expect the deal to close by mid FY 16 (Jun.) pending international employee consultations and customary closing conditions, including regulatory approvals. /U. Agnese

January 20, 2015
11:11 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 100.80****): We keep our 12-mo. target at $120, on 18.2X our revised 15 EPS estimate of $8.58, up from $6.34, in-line with peers. Q4 sales, with 4.5% adverse forex, fell 0.6%, offsetting 13.9% pharma sales growth, with consumer up 0.9% and Med devices down 4.7%. JNJ guides ’15 sales growth of 1%-2% (5.5%-6.5% ex. acquisitions/divestitures and lower hepatitis C sales) and EPS of $6.54-$6.69 ex. $0.32 amortization. We see slower pharma sales and forex headwinds but think med devices sales should improve on new products driving sales. JNJ sees 30 major filings in med devices from 2014-2016. /Jeffrey Loo, CFA

October 14, 2014
10:19 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 98.38****): We keep our 12-month target at $120, on 19.5X our forward 12-months EPS estimate of $6.14, at the mid-point of its historical range and slightly above peers. JNJ posts Q3 adjusted EPS of $1.50 vs. $1.36, $0.04 above our estimate. Sales grew 5.1% on pharma sales that rose 16%, partially offset by 0.6% and 5.2% declines in consumer and medical devices, respectively. But we expect pharma growth to moderate, given our view that sales of hepatitis C drug Olysio will drop sharply after recent approval of Gilead’s (GILD 99 *****) Harvoni, which we see quickly taking a leading position. /Jeffrey Loo, CFA

September 30, 2014
09:46 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 106.54****): JNJ agrees to acquire privately-held Alios Biopharmaceuticals for $1.75B. The deal, subject to necessary approvals, is expected to close in Q4 2014. Alios is a development stage drug firm focused on developing therapies for viral diseases. Its lead compound, AL-8176, currently in Phase II trials is an orally administered antiviral therapy for the treatment of symptoms but is a leading cause of pneumonia in infants. We keep our target price at $120. /Jeffrey Loo, CFA

July 15, 2014
10:59 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 103.9999****): We raise our 12-month target by $10 to $120 on 20X our forward 12-month EPS estimate of $6.03, at the mid-point of JNJ’s historical range and slightly above peers. JNJ posted Q2 adjusted EPS of $1.66 vs. $1.48, $0.18 above our estimate. Sales grew 9.1% on robust 21.1% pharmaceutical growth, aided by Hepatitis C drug Olysio, while consumer product sales rose 2.4% and medical devices rose 0.7%. We see continuing strong pharma sales, consumer product sales improving as products are re-introduced, and better medical device sales on new products and improved healthcare utilization. /Jeffrey Loo, CFA

July 2, 2014
09:17 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 100.28****): We keep our 12-month target at $120, on 19.8X our forward 12-months EPS estimate of $6.17, in-line with peers. Q2 EPS of $1.56 vs. $1.57 is $0.01 ahead of our estimate. Sales, with adverse 2.4% forex, fell 8.2%, in-line with our forecast. On an operational basis, consumer sales rose 2.1%, pharmaceuticals rose 1.3%, and medical devices fell 10.9%, mainly driven by divestitures. Although we see impact of lower Olysio sales, its hepatitis C drug, and forex adversely impacting results into H2, we believe JNJ is well-positioned for sales growth in each of its units driven by product development. /Jeffrey Loo, CFA
Johnson & Johnson

Analysts' Recommendations

- Monthly Average Trend
  - Buy
  - Buy/Hold
  - Hold
  - Weak Hold
  - Sell
  - No Opinion
  - JNJ Trend

Wall Street Average

Number of Analysts Following Stock

Stock Price ($)

Of the total 21 companies following JNJ, 21 analysts currently publish recommendations.

<table>
<thead>
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<th>Recommendations</th>
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Wall Street Consensus Estimates

- Fiscal Years
  - 2016: Avg Est. 6.43, High Est. 6.80, Low Est. 6.23, # of Est. 21, Est. P/E 14.8
  - 2015: Avg Est. 6.18, High Est. 6.40, Low Est. 6.14, # of Est. 21, Est. P/E 15.4
  - 2016 vs. 2015: ▲4%, ▲6%, ▲1%, 0%, ▼-4%

- Q3'16
  - 2014 Actual $5.7
  - 2014: 1.61, 2015: 1.51, 2016: 1.59, # of Est. 8, Est. P/E 59.3
  - Q3'16 vs. Q3'15: ▲11%, ▲9%, ▲15%, ▼-53%, ▼-10%

Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that JNJ will earn US$ 6.18. For the 2nd quarter of fiscal year 2015, JNJ announced earnings per share of US$ 1.61, representing 26% of the total annual estimate. For fiscal year 2016, analysts estimate that JNJ's earnings per share will grow by 4% to US$ 6.43.

A company’s earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
S&P Capital IQ Quality Ranking
(Also known as S&P Capital IQ Earnings & Dividend Rankings) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ’s earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- **A** Highest
- **B** Below Average
- **A-** Above Average
- **B+** Average
- **NR** Not Ranked

S&P Capital IQ EPS Estimates
S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect both forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings
S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill gains, losses or gains from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price
The S&P Capital IQ equity analyst’s projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

Abbreviations Used in S&P Capital IQ Equity Research Reports
- CAGR - Compound Annual Growth Rate
- CAPEX - Capital Expenditures
- CV - Calendar Year
- DCF - Discounted Cash Flow
- DDM - Dividend Discount Model

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment
Reflects an S&P Capital IQ equity analyst’s view of a given company’s operational risk, or the risk of a firm’s ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company’s operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned of holdings of the fund.

STARS Ranking system and definition:

- ★★★★★ 5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
- ★★★★ 4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
- ★★★ 3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
- ★★ 2-STARS (Sell): Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
- ★ 1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

Earnings Per Share
- EBIT - Earnings Before Interest and Taxes
- EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
- EPS - Earnings Per Share
- EV - Enterprise Value
- FCF - Free Cash Flow
- FFO - Funds From Operations
- FY - Fiscal Year
- P/E - Price/Earnings
- P/NAV - Price to Net Asset Value
- PEG Ratio - P/E-to-Growth Ratio
- PV - Present Value
- R&D - Research & Development
- ROCE - Return on Capital Employed
- ROE - Return on Equity
- ROI - Return on Investment
- ROIC - Return on Invested Capital
- ROA - Return on Assets
- SG&A - Selling, General & Administrative Expenses
- SOP - Sum-of-The-Parts
- WACC - Weighted Average Cost of Capital

PV - Present Value
- ROIC - Return on Invested Capital
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**STARS Stock Reports:**
S&P Capital IQ Global STARS Distribution as of June 30, 2015

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**Quantitative Stock Reports:**
The rankings for Quantitative reports have a fixed distribution based on relative weightings as described in the Glossary section of the report.

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