



Johnson & Johnson (JNJ)

Updated January 22nd, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$144	5 Year CAGR Estimate:	13.9%	Market Cap:	\$345 B
Fair Value Price:	\$184	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	02/18/25
% Fair Value:	78%	5 Year Valuation Multiple Estimate:	5.1%	Dividend Payment Date:	03/04/25
Dividend Yield:	3.4%	5 Year Price Target	\$247	Years Of Dividend Growth:	62
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

Johnson & Johnson is a diversified health care company and a leader in the area of innovative medicines and medical devices Johnson & Johnson was founded in 1886 and employs nearly 132,000 people around the world. The company is projected to generate more than \$90 billion in revenue this year.

On April 16th, 2024, Johnson & Johnson announced that it was increasing its quarterly dividend 4.2% to \$1.24, extending the company's dividend growth streak to 62 consecutive years.

On May 31st, 2024, Johnson & Johnson completed its \$13.1 billion purchase of cardiovascular medical device company Shockwave Medical.

On January 13th, 2025, the company announced that it had agreed to acquire Intra-Cellular Therapies (ITCI) for \$14.6 billion. ITCI specializes in therapeutics for central nervous system disorders.

On January 22nd, 2025, Johnson & Johnson announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 5.1% to \$22.5 billion, which beat estimates by \$50 million. Adjusted earnings-per-share of \$2.04 compared to \$2.29 in the prior year, but this was \$0.02 above expectations. For the year, revenue grew 4.3% to \$88.8 billion while adjusted earnings-per-share of \$9.98 was up slightly from the prior year. Results included adjustments related to the costs of acquisitions.

Excluding Covid-19 vaccine sales, the company's revenue grew 5.5% in the fourth quarter. Revenue for Innovative Medicines improved 4.4% on a reported basis, but increased 6.5% when excluding currency translation. Infectious Disease decreased 9.2% on a reported basis, mostly due to reduced Covid-19 vaccine revenue. Oncology grew 19% due to market share gains for *Darzalex*, which treats multiple myeloma, and strong showings in several other products. Immunology declined%. *Stelara*, which treats immune-mediated inflammatory diseases, was weaker for the period due to inventory issues and biosimilars competition in the EU. Revenue for MedTech increased 6.7% on a reported basis and 7.6% when excluding the impact of currency exchange. Cardiovascular continues to post strong results, as sales were higher by 23.6% due to gains in electrophysiology and new products.

Johnson & Johnson offered guidance for 2025 as well. The company expects revenue in a range of \$90.9 billion to \$91.7 billion. Adjusted earnings-per-share are projected to be in a range of \$10.75 to \$10.95. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.48	\$5.93	\$7.30	\$8.18	\$8.68	\$8.03	\$9.80	\$10.15	\$9.92	\$9.98	\$10.85	\$14.52
DPS	\$2.95	\$3.15	\$3.32	\$3.54	\$3.80	\$4.04	\$4.19	\$4.45	\$4.70	\$4.91	\$4.96	\$6.64
Shares¹	2755	2707	2683	2650	2684	2669	2670	2661	2431	2427	2427	2415

Johnson & Johnson has grown earnings over the past 10 years at a rate of 6.9%. The company managed to grow earnings before, during and after the last recession, showing that the company's products are in demand regardless of market

¹ In millions of shares.

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conditions. We expect earnings-per-share to grow at a rate of 6% per year through 2030 due to gains in revenue, acquisitions, and share repurchases. This is consistent with Johnson & Johnson's earnings growth composition in the past, however, most growth will come from revenue expansion as the buyback is good for a low-single-digit share reduction annually.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.2	19.1	23.9	23.7	15.6	18.2	17.5	17.4	15.8	14.5	13.3	17.0
Avg. Yld.	3.0%	2.8%	2.6%	2.7%	2.6%	2.5%	2.5%	3.0%	3.1%	3.4%	3.4%	2.7%

Shares of Johnson & Johnson have decreased \$20, 12.2%, since our October 15th, 2024 update. Using guidance for earnings-per-share for the year, Johnson & Johnson trades with a price-to-earnings ratio of 13.3, which is below our target price-to-earnings ratio of 17.0. Multiple expansion could add 5.1% to annual returns through 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

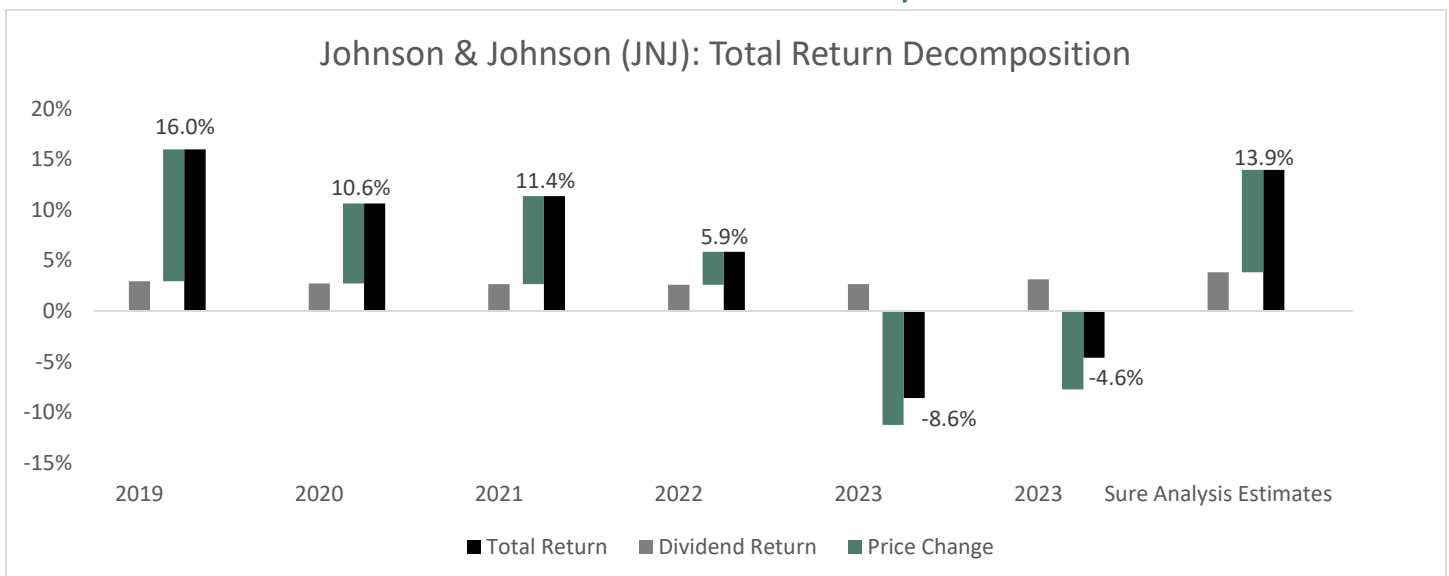
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	54%	53%	46%	43%	44%	50%	43%	44%	47%	49%	46%	46%

Even after 60+ years of dividend growth, Johnson & Johnson has a reasonably low dividend payout ratio. This gives the company ample room to raise its dividend, even in a prolonged recession. One of Johnson & Johnson's key competitive advantages is the size and scale of its business. The company is a worldwide leader in a number of healthcare categories. Johnson & Johnson's diversification allows it to continue to grow even if one of the segments is underperforming. The recent separation of the consumer businesses should allow the company to unlock value for shareholders as the faster growing segments, Innovative Medicines and MedTech, could receive a higher multiple from the market.

Final Thoughts & Recommendation

After fourth quarter earnings results, Johnson & Johnson is expected to offer a total annual return of 13.9% through 2030, up from our prior forecast of 9.3%. Our projected return stems from a 6% earnings growth rate, a starting yield of 3.4%, and a mid-single-digit contribution from multiple expansion. Johnson & Johnson continues to see solid results in both of its business segments. Shares trade at a discounted valuation as well. We have raised our five-year price target \$21 to \$247 due to guidance for 2025. We now rate shares of Johnson & Johnson as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	74,331	70,074	71,890	76,450	81,581	82,059	82,584	93,775	94,943	85,159
Gross Profit	51,585	48,538	50,101	51,011	54,490	54,503	54,157	63,920	63,854	58,606
Gross Margin	69.4%	69.3%	69.7%	66.7%	66.8%	66.4%	65.6%	68.2%	67.3%	68.8%
D&A Exp.	3,895	3,746	3,754	5,642	6,929	7,009	7,231	7,390	6,970	7,486
Operating Profit	21,137	18,289	20,891	18,897	21,175	20,970	19,733	23,647	23,703	22,009
Operating Margin	28.4%	26.1%	29.1%	24.7%	26.0%	25.6%	23.9%	25.2%	25.0%	25.8%
Net Profit	16,323	15,409	16,540	1,300	15,297	15,119	14,714	20,878	17,941	35,153
Net Margin	22.0%	22.0%	23.0%	1.7%	18.8%	18.4%	17.8%	22.3%	18.9%	41.3%
Free Cash Flow	14,996	16,106	15,541	17,777	18,531	19,918	20,189	19,758	17,185	17,778
Income Tax	4,240	3,787	3,263	16,373	2,702	2,209	1,783	1,898	3,784	1,736

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	130.4	133.4	141.2	157.3	153.0	157.7	174.9	182.0	187.4	167.6
Cash & Equivalents	14,523	13,732	18,972	17,824	18,107	17,305	13,985	14,487	14,127	21,859
Acc. Receivable	10,985	10,734	11,699	13,490	14,098	14,481	13,576	15,283	16,160	14,873
Inventories	8,184	8,053	8,144	8,765	8,599	9,020	9,344	10,387	12,483	11,181
Goodwill & Int.	49,054	47,393	49,681	85,134	78,064	81,282	89,795	81,638	93,556	70,733
Total Liabilities	60,606	62,261	70,790	97,143	93,202	98,257	111,616	107,995	110,574	98,784
Accounts Payable	7,633	6,668	6,918	7,310	7,537	8,544	9,505	11,055	11,703	9,632
Long-Term Debt	18,760	19,861	27,126	34,581	30,480	27,696	35,266	33,751	39,659	29,332
Total Equity	69,752	71,150	70,418	60,160	59,752	59,471	63,278	74,023	76,804	68,774
LTD/E Ratio	0.27	0.28	0.39	0.57	0.51	0.47	0.56	0.46	0.52	0.43

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	12.4%	11.7%	12.0%	0.9%	9.9%	9.7%	8.8%	11.7%	9.7%	19.8%
Return on Equity	22.7%	21.9%	23.4%	2.0%	25.5%	25.4%	24.0%	30.4%	23.8%	48.3%
ROIC	18.1%	17.2%	17.5%	1.4%	16.5%	17.0%	15.8%	20.2%	16.0%	32.8%
Shares Out.	2783	2755	2707	2683	2650	2684	2669	2667	2661	2560
Revenue/Share	25.95	24.91	25.78	27.85	29.90	30.57	30.92	35.07	35.64	33.26
FCF/Share	5.24	5.73	5.57	6.48	6.79	7.42	7.56	7.39	6.45	6.94

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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