

JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE 100.63 **P/E RATIO 16.6** (Trailing: 17.3 Median: 15.0) **RELATIVE P/E RATIO 0.93** **DIV'D YLD 2.8%** **VALUE LINE**

TIMELINESS 4 Lowered 10/25/13 SAFETY 1 New 7/27/90 TECHNICAL 3 Lowered 7/25/14 BETA .70 (1.00 = Market)	High: 59.1 64.3 70.0 Low: 48.1 49.3 59.8	69.4 68.8 72.8 65.4 66.2 68.1 59.8 59.7 52.1 46.3 56.9 57.5	72.7 96.0 106.7 61.7 70.3 86.1	Target Price Range 2017 2018 2019	160 120 100 80 60 50 40 30 20 15
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LEGENDS
 - - - - - 12.0 x "Cash Flow" p sh
 Relative Price Strength
 2-for-1 split 6/01
 Options: Yes
 Shaded area indicates recession

2017-19 PROJECTIONS

Price	Gain	Ann'l Total	Return
High 125	(+25%)	8%	
Low 105	(+5%)	4%	

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	1	0	0	1	1	1
to Sell	0	0	0	0	0	0	1	0	1

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	745	835	841
to Sell	890	944	925
Hld's(000)	18511781	1851861	1867400

% TOT. RETURN 7/14
 THIS STOCK VS. ARITH. INDEX
 1 yr. 10.1 12.9
 3 yr. 70.4 52.3
 5 yr. 94.1 131.3

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
8.80	9.88	10.47	10.83	12.23	14.10	15.94	16.98	18.43	21.51	23.02	22.47	22.49	23.87	24.19	25.28	27.10	28.35	Sales per sh ^A	32.90
1.83	2.03	2.27	2.46	2.85	3.36	3.84	4.25	4.60	5.23	5.70	5.69	5.92	6.25	6.48	7.08	7.60	8.05	"Cash Flow" per sh	9.65
1.34	1.49	1.70	1.91	2.23	2.70	3.10	3.50	3.76	4.15	4.57	4.63	4.76	5.00	5.10	5.52	6.00	6.35	Earnings per sh ^B	7.70
.49	.55	.62	.70	.80	.92	1.10	1.28	1.46	1.62	1.80	1.93	2.11	2.25	2.40	2.59	2.76	2.92	Div'ds Decl'd per sh ^C	3.40
.54	.62	.59	.71	.71	.76	.73	.88	.92	1.04	1.11	.86	.87	1.06	1.06	1.27	1.10	1.10	Cap'l Spending per sh	1.15
5.06	5.83	6.76	7.95	7.65	9.05	10.71	12.73	13.59	15.25	15.35	18.37	20.66	20.95	23.33	26.25	28.65	31.30	Book Value per sh ^D	40.05
2688.1	2779.4	2781.9	3047.2	2968.3	2968.0	2971.0	2974.5	2893.2	2840.2	2769.2	2754.3	2738.1	2724.4	2778.5	2820.6	2780.0	2750.0	Common Shs Outst'g ^E	2700.0
28.1	31.6	26.4	27.2	25.9	19.4	18.1	18.5	16.6	15.4	14.3	12.5	13.1	12.7	13.1	15.6	15.6	15.6	Avg Ann'l P/E Ratio	15.0
1.46	1.80	1.72	1.39	1.41	1.11	.96	.99	.90	.82	.86	.83	.83	.80	.83	.83	.83	.83	Relative P/E Ratio	.95
1.3%	1.2%	1.4%	1.3%	1.4%	1.8%	2.0%	2.0%	2.3%	2.5%	2.8%	3.3%	3.4%	3.5%	3.6%	3.0%	3.0%	3.0%	Avg Ann'l Div'd Yield	3.0%

CAPITAL STRUCTURE as of 6/29/14

Total Debt \$17,122 mill. Due in 5 Yrs \$6,500 mill.	47348	50514	53324	61095	63747	61897	61587	65030	67224	71312	75300	77900	Sales (\$mill)	88800
LT Debt \$13,303 mill. LT Interest \$590 mill. (15% of Capital)	31.6%	30.6%	28.7%	29.4%	29.5%	31.6%	31.4%	32.3%	35.7%	33.3%	35.0%	35.5%	Operating Margin	36.5%
Leases, Uncapitalized Annual rentals \$286 mill.	2124	2093	2177	2777	2832	2774	2939	3158	3666	4104	4000	4200	Depreciation (\$mill)	5000
Pension Assets-12/13 \$20.9 bill. Oblig. \$21.5 bill.	9298	10545	11133	12085	12949	12906	13279	13867	14345	15876	17100	17900	Net Profit (\$mill)	21100
Preferred Stock None	27.6%	24.8%	23.3%	22.1%	23.5%	22.0%	21.1%	20.1%	23.1%	17.2%	22.0%	23.0%	Income Tax Rate	25.0%
Common Stock 2,820,287,326 shares as of 7/25/14	19.6%	20.9%	20.9%	19.8%	20.3%	20.9%	21.6%	21.3%	21.3%	22.3%	22.7%	23.0%	Net Profit Margin	23.8%
MARKET CAP: \$284 billion (Large Cap)	13393	18759	3814	10108	13525	17810	24235	31505	21854	30732	28600	29500	Working Cap'l (\$mill)	31500
CURRENT POSITION (\$MILL.)	2565	2017	2014	7074	8120	8223	9156	12969	11489	13328	10800	11400	Long-Term Debt (\$mill)	13000
Cash Assets	31813	37871	39318	43319	42511	50588	56579	57080	64826	74053	79700	86100	Shr. Equity (\$mill)	108200
Receivables	27.3%	26.5%	27.1%	24.1%	26.0%	22.3%	20.6%	20.2%	19.1%	18.4%	18.5%	19.5%	Return on Total Cap'l	17.5%
Inventory (FIFO)	29.2%	27.8%	28.3%	27.9%	30.5%	25.5%	23.5%	24.3%	22.1%	21.4%	21.5%	21.0%	Return on Shr. Equity	19.5%
Other	19.0%	17.8%	17.5%	17.1%	18.6%	15.0%	13.2%	13.5%	11.9%	11.6%	11.5%	11.0%	Retained to Com Eq	11.0%
Current Assets	35%	36%	38%	39%	39%	41%	44%	44%	46%	46%	46%	46%	All Div'ds to Net Prof	44%

BUSINESS: Johnson & Johnson is engaged in the research & development, manufacture, and sale of a broad range of products in the healthcare field. Has three business segments: Consumer (baby care, skin care, oral care, wound care, etc.), Pharmaceutical (anti-infective, antipsychotic, contraceptive, dermatology, gastro-intestinal, etc.), and Medical Devices & Diagnostics (electrophysiology, circulatory disease management, orthopedic joint reconstruction, etc.). Employs about 128,000. Officers & directors own less than 1% of common stock; BlackRock, 5.7%; State Street, 5.7% (3/14 Proxy). Chairman & CEO: Alex Gorsky. Incorporated: NJ. Address: One Johnson & Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jnj.com.

Johnson & Johnson is having a good year. Indeed, the healthcare and consumer packaged goods conglomerate reported better-than-expected results once again in the second quarter. Sales were \$19.5 billion in the period, an increase of 9% compared to the year-ago figure. This easily trumped our target of \$18.7 billion. GAAP share earnings came in at \$1.51, and the adjusted number, which strips out litigation expenses and acquisition-related costs, was \$1.66. The bottom-line number also easily topped the \$1.53 we were expecting.

The lion's share of the growth is being generated by the Pharmaceutical group. In the second quarter, the segment reported a 21% top-line gain, to \$8.5 billion, thanks to new product introductions. The key new drug, *OLYSIO/SOVRIAD*, a combination treatment for hepatitis C in adults, achieved sales of \$831 million worldwide, compared with \$354 in the March period. Other new drugs also aided the group's performance, and other drugs that have been around for awhile now continued to sell well. Finally, management reported that the pipeline remains strong, and there are lots of new drugs and treatment indications in the works.

The company's Consumer and Medical Devices and Diagnostics segments had merely decent quarters, however. Indeed, these divisions posted sales growth of just 2% and 1%, respectively. We expect the slow and steady marches to continue in the back half of 2014.

We have raised our near-term targets for J&J. We now expect the company to earn \$6.00 a share this year, up from our previous estimate of \$5.90. We also added \$700 million to our revenue forecast, which now stands at \$75.3 billion. Looking to 2015, comparisons should remain very favorable, as the conglomerate is striving to lower costs and shed slow-growing product lines and businesses.

This blue chip remains unfavorably ranked for Timeliness. The stock price is little changed from our last review, as JNJ remains range bound for now. We still think it would be a solid addition to almost any portfolio, though, thanks to its excellent Price Stability and above-average dividend yield.

Erik A. Antonson August 22, 2014

(A) Years end on last the Sunday in December. (B) Diluted earnings. Excludes nonrecurring: '98, 22c; '99, 2c; '01, d7c; '02, d7c; '03 d30c; '04, d26c; '05, d4c; '06, d3c; '07, d52c; '09, d23c; '10, 2c; '11, d\$1.51; '12, d\$1.24c; '13, d71c. Next earnings report due late October. (C) Dividends historically paid: March, June, September, and December. ■ Dividend reinvestment plan available. (D) Includes intangibles. In '13: \$51.2 billion, \$18.42 a share. (E) In millions, adjusted for stock split.	Company's Financial Strength A++ Stock's Price Stability 100 Price Growth Persistence 65 Earnings Predictability 100
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