JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE **62.17** | P/E RATIO **13.3** (Trailing: 13.6 Median: 20.0) | RELATIVE P/E RATIO **0.79** | DIV'D YLD **3.2%** | **VALUE LINE**

TIMELINESS 3 Lowered 8/14/09
SAFETY 1 New 7/27/90
TECHNICAL 3 Raised 10/9/09
BETA .60 (1.00 = Market)

2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+75%)	*18%*
Low	90	(+45%)	*12%*

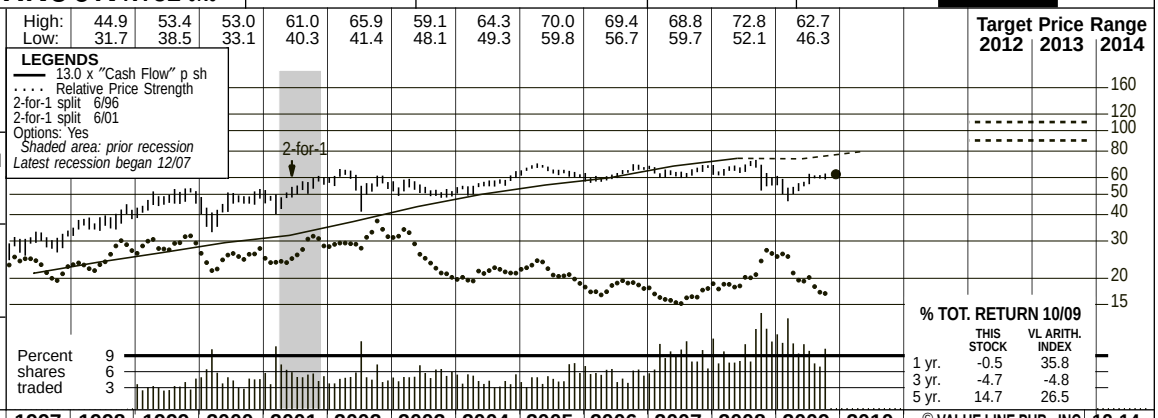
Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	1	0	0	0	0	0	1	0
Options	0	1	0	0	1	0	1	1	2
to Sell	0	2	0	0	1	0	1	1	3

Institutional Decisions

	4Q2008	1Q2009	2Q2009
to Buy	718	680	784
to Sell	897	906	770
Hld's(000)	1771618	1744790	1729648

	High:	44.9	53.4	53.0	61.0	65.9	59.1	64.3	70.0	69.4	68.8	72.8	62.7
	Low:	31.7	38.5	33.1	40.3	41.4	48.1	49.3	59.8	56.7	59.7	52.1	46.3



% TOT. RETURN 10/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-0.5	35.8
3 yr.	-4.7	-4.8
5 yr.	14.7	26.5

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
5.50	6.12	7.27	8.11	8.41	8.80	9.88	10.47	10.83	12.23	14.10	15.94	16.98	18.43	21.51	23.02	***22.30***	***23.75***	Sales per sh [A]	***29.75***
.93	1.06	1.26	1.46	1.62	1.83	2.03	2.27	2.46	2.85	3.36	3.84	4.25	4.60	5.23	5.70	***5.65***	***6.15***	"Cash Flow" per sh	***7.85***
.69	.78	.93	1.09	1.21	1.34	1.49	1.70	1.91	2.23	2.70	3.10	3.50	3.76	4.15	4.57	***4.58***	***4.95***	Earnings per sh [B]	***6.50***
.25	.28	.32	.37	.43	.49	.55	.62	.70	.80	.92	1.10	1.28	1.46	1.62	1.80	***1.93***	***2.05***	Div'ds Decl'd per sh ■[C]	***2.50***
.38	.36	.48	.52	.52	.54	.62	.59	.57	.71	.76	.73	.88	.92	1.04	1.11	***.95***	***1.05***	Cap'l Spending per sh	***1.25***
2.17	2.77	3.49	4.07	4.59	5.06	5.83	6.76	7.95	7.65	9.05	10.71	12.73	13.59	15.25	15.35	***18.15***	***19.95***	Book Value per sh [D]	***25.85***
2571.9	2572.0	2590.7	2665.0	2690.3	2688.1	2779.4	2781.9	3047.2	2968.3	2968.0	2971.0	2974.5	2893.2	2840.2	2769.2	***2740.0***	***2680.0***	Common Shs Outst'g [E]	***2520.0***
15.4	14.8	18.5	22.4	24.9	28.1	31.6	26.4	27.2	25.9	19.4	18.1	18.5	16.6	15.4	14.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***15.5***
.91	.97	1.24	1.40	1.44	1.46	1.80	1.72	1.39	1.41	1.11	.96	.99	.90	.82	.86			Relative P/E Ratio	***1.05***
2.4%	2.4%	1.9%	1.5%	1.4%	1.3%	1.2%	1.4%	1.3%	1.4%	1.8%	2.0%	2.0%	2.3%	2.5%	2.8%			Avg Ann'l Div'd Yield	***2.5%***
27471	29139	33004	36298	41862	47348	50514	53324	61095	63747	***61100***	***63700***	Sales ($mill) [A]	***75000***
27.0%	27.4%	28.8%	31.2%	31.3%	31.6%	30.6%	28.7%	29.4%	29.5%	***29.8%***	***30.0%***	Operating Margin	***30.7%***
1444.0	1515.0	1605.0	1662.0	1869.0	2124.0	2093.0	2177.0	2777	2832	***2720***	***2750***	Depreciation ($mill)	***2900***
4209.0	4800.0	5885.0	6810.8	8096.6	9298.0	10545	11133	12085	12949	***12770***	***13600***	Net Profit ($mill)	***16900***
27.5%	27.5%	28.2%	29.0%	30.2%	27.6%	24.8%	23.3%	22.1%	23.5%	***23.5%***	***24.0%***	Income Tax Rate	***24.5%***
15.3%	16.5%	17.8%	18.8%	19.3%	19.6%	20.9%	20.9%	19.8%	20.3%	***20.9%***	***21.3%***	Net Profit Margin	***22.5%***
5746.0	8310.0	10429	7817.0	9547.0	13393	18759	3814.0	10108	13525	***15000***	***17000***	Working Cap'l ($mill)	***22000***
2450.0	2037.0	2217.0	2022.0	2955.0	2565.0	2017.0	2014.0	7074	8120	***8200***	***8100***	Long-Term Debt ($mill)	***7800***
16213	18808	24233	22697	26869	31813	37871	39318	43319	42511	***49775***	***53500***	Shr. Equity ($mill)	***65200***
22.9%	23.3%	22.5%	27.8%	27.4%	27.3%	26.5%	27.1%	24.1%	26.4%	***22.0%***	***22.0%***	Return on Total Cap'l	***22.0%***
26.0%	25.5%	24.3%	30.0%	30.1%	29.2%	27.8%	28.3%	27.9%	30.5%	***25.0%***	***25.0%***	Return on Shr. Equity	***25.0%***
16.8%	16.4%	15.8%	19.5%	19.9%	19.0%	17.8%	17.5%	17.1%	18.6%	***14.5%***	***15.0%***	Retained to Com Eq	***15.0%***
35%	36%	35%	35%	34%	35%	36%	38%	39%	39%	***42%***	***41%***	All Div'ds to Net Prof	***40%***

CAPITAL STRUCTURE as of 9/27/09
Total Debt $11,600 mill. **Due in 5 Yrs** $2,450 mill.
LT Debt $8,259 mill. **LT Interest** $450 mill.
(14% of Cap'l)
Leases, Uncapitalized Annual rentals $183.0 mill.

Pension Assets-12/08 $7,677 mill.
Oblig. $11,923 mill.
Pfd Stock None

Common Stock 2,759,100,000 shs.
as of 10/25/09

MARKET CAP: $172 billion (Large Cap)

CURRENT POSITION ($MILL.)	2007	2008	9/27/09
Cash Assets	9315	12809	14067
Receivables	9444	9719	10279
Inventory (FIFO)	5110	5052	5568
Other	6076	6797	5688
Current Assets	29945	34377	35602
Accts Payable	6909	7503	6419
Debt Due	2463	3732	3341
Other	10465	9617	9485
Current Liab.	19837	20852	19245

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Sales	9.5%	11.0%	*6.0%*
"Cash Flow"	12.0%	12.5%	*7.0%*
Earnings	13.0%	13.0%	*7.5%*
Dividends	14.5%	15.0%	*7.5%*
Book Value	12.5%	12.5%	*10.0%*

Calendar	QUARTERLY SALES ($ mill.) [A] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2006	12992	13363	13287	13682	53324
2007	15037	15131	14970	15957	61095
2008	16194	16450	15921	15182	63747
2009	15026	15239	15081	***15754***	***61100***
2010	***15700***	***15950***	***15850***	***16200***	***63700***

Calendar	EARNINGS PER SHARE [AB] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2006	.99	.98	.98	.81	3.76
2007	1.16	1.05	1.06	.88	4.15
2008	1.26	1.17	1.17	.97	4.57
2009	1.26	1.15	1.20	***.97***	***4.58***
2010	***1.28***	***1.24***	***1.31***	***1.12***	***4.95***

Calendar	QUARTERLY DIVIDENDS PAID [C]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.285	.33	.33	.33	1.28
2006	.33	.375	.375	.375	1.46
2007	.375	.415	.415	.415	1.62
2008	.415	.46	.46	.46	1.80
2009	.46	.49	.49		

BUSINESS: Johnson & Johnson manufactures and sells health care products. Major lines by segment: Consumer (baby care, non-prescription drugs, sanitary protection, and skin care), Med. Device & Diag. (wound closures, minimally invasive surgical instruments, diagnostics, orthopedics, and contact lenses), and Pharmaceutical (contraceptives, psychiatric, anti-infective, and dermatological drugs). 2008 sales (operating income) by segment: Pharm., 39% (44%); Med. Device & Diag., 36% (41%); Consumer, 25% (15%). Int'l business, 49% of '08 sales; R&D, 11.9%. Has 118,700 employees. Off./dir. own less than 1% of common stock (3/09 Proxy). Chrmn. & CEO: William Weldon. Inc.: NJ. Addr.: One J&J Plaza, New Brunswick, NJ 08933. Tel.: 732-524-0400. Web: www.jnj.com.

Johnson & Johnson initiated a major restructuring program in 2009's fourth quarter . . . Initiatives are centered on a headcount reduction, mainly managerial positions, of about 7,500 (6%–7%). A sizable severance charge in 2009's fourth quarter has been eliminated from our earnings estimate. The cost-reduction goals are about $850 million and $1.5 billion in 2010 and 2011, respectively.

. . . but it expects benefits from the new efficiencies to be largely offset next year by a more difficult operating environment in the U.S. Management's main concerns are proposed healthcare legislation that would entail rebates for pharmaceuticals and a "medical device fee", as well as increased costs related to the development and regulatory approval of new drugs. Given management's earnings guidance for 2010, we are raising our estimate by only $0.05 a share, to $4.95, despite the likelihood of the company reaping much of the expected cost savings. That said, we have lifted our 3- to 5-year projection of average earnings during the 2012–2014 period by about 5%, to $6.50 a share.

The company has made progress lately in replenishing its pharmaceutical pipeline. Since mid-2008, sales of four of its leading drugs have been hurt by new generic competition. On the other hand, J&J has recently received FDA approvals for its treatments of severe psoriasis and adult schizophrenia. Too, following initial positive results, it launched four pharmaceutical studies this year in the U.S. and two in Europe. And in the past quarter, J&J purchased one biotechnology company with a prostate cancer treatment, and it entered into two new joint ventures.

J&J's longer-term earnings growth prospects are broadbased. Three catalysts behind our forecast for an earnings advance of 9%, on average, over the 3 to 5 years are an ongoing acquisition program, expansion opportunities in emerging markets, and the promising late-stage pharmaceutical pipeline. The first factor is supported by free cash flow, currently running at $7.5 billion per annum.

On a risk-adjusted basis, this good-quality stock offers attractive total return potential to 2012–2014.

David R. Cohen *November 27, 2009*

(A) Year ends on last Sunday of December.
(B) Primary earnings through '96, diluted thereafter. Excludes nonrecurring gains/(losses): '98, 22¢; '99, 2¢; '01, (7¢); '02, (7¢); '03 (30¢); '04, (26¢); '05, (4¢); '06, (3¢); '07, (52¢). Next earnings report due late Jan.
(C) Dividends historically paid mid: March, June, Sept., and Dec. ■Div'd reinvestment plan available.
(D) Incl. intang.: In '08, $27.7 billion; $10.00/sh.
(E) In mill., adj. for stock splits.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	100

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