

JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE **100.47** P/E RATIO **16.5** (Trailing: 16.8 Median: 15.0) RELATIVE P/E RATIO **0.87** DIV'D YLD **3.0%** VALUE LINE

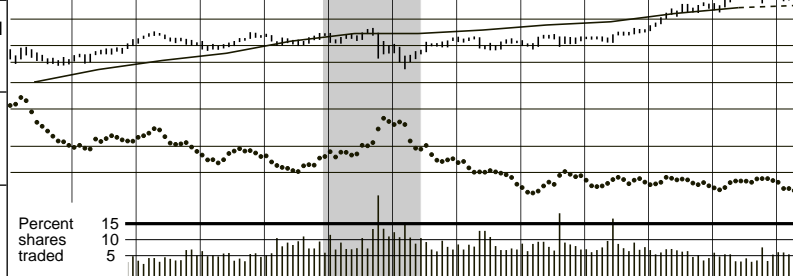
TIMELINESS 3 Raised 2/27/15
SAFETY 1 New 7/27/90
TECHNICAL 3 Raised 2/20/15
BETA .75 (1.00 = Market)

High:	64.3	70.0	69.4	68.8	72.8	65.4	66.2	68.1	72.7	96.0	109.5	106.5
Low:	49.3	59.8	56.7	59.7	52.1	46.3	56.9	57.5	61.7	70.3	86.1	97.1

Target Price Range	2018	2019	2020

2018-20 PROJECTIONS

Price	130	Gain	(+30%)	Ann'l Total Return	10%
High	130	Low	110	Gain	(+10%)
Low	110	Gain	(+30%)	Ann'l Total Return	10%



Insider Decisions

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

Institutional Decisions

	2Q2014	3Q2014	4Q2014
to Buy	755	821	938
to Sell	997	932	945
Hlds(000)	1866987	1856100	1841902

Percent shares traded

15	10	5
----	----	---

% TOT. RETURN 4/15

	THIS STOCK	VL ARITH. INDEX
1 yr.	0.6	9.1
3 yr.	67.0	58.8
5 yr.	81.6	84.6

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
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	26.71	26.10	27.45	Sales per sh ^A	33.15
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	7.55	7.65	7.65	"Cash Flow" per sh	9.35
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	5.97	6.10	6.50	Earnings per sh ^B	8.00
.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	2.95	3.11	Div'ds Decl'd per sh ^C	3.60
.62	.59	.57	.71	.76	.73	.88	.92	1.04	1.11	.86	.87	1.06	1.06	1.27	1.33	1.10	1.10	Cap'l Spending per sh	1.15
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	25.06	30.45	32.80	Book Value per sh ^D	40.95
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	2783.2	2750.0	2730.0	Common Shs Outst'g ^E	2700.0
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	16.9	16.0	16.0	Avg Ann'l P/E Ratio	15.0
1.80	1.72	1.39	1.41	1.11	.96	.99	.90	.82	.86	.83	.83	.80	.83	.88	.88	.88	.88	Relative P/E Ratio	.95
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%	2.7%	2.7%	2.7%	Avg Ann'l Div'd Yield	3.0%

CAPITAL STRUCTURE as of 3/29/15
 Total Debt \$18,983 mill. Due in 5 Yrs \$7,090 mill.
 LT Debt \$14,938 mill. LT Interest \$609.4 mill.
 (18% of Capital)

Leases, Uncapitalized Annual rentals \$200 mill.

Pension Assets-12/14 \$22.6 bill. **Oblig.** \$26.9 bill.

Preferred Stock None

Common Stock 2,773,045,351 shares as of 4/24/15
MARKET CAP: \$279 billion (Large Cap)

50514	53324	61095	63747	61897	61587	65030	67224	71312	74331	71800	74900	Sales (\$mill) ^A	89500
30.6%	28.7%	29.4%	29.5%	31.6%	31.4%	32.3%	35.7%	33.3%	33.5%	35.0%	35.5%	Operating Margin	36.5%
2093	2177	2777	2832	2774	2939	3158	3666	4104	3895	3100	3100	Depreciation (\$mill)	3200
10545	11133	12085	12949	12906	13279	13867	14345	15876	17105	16775	17810	Net Profit (\$mill)	22100
24.8%	23.3%	22.1%	23.5%	22.0%	21.1%	20.1%	23.1%	17.2%	19.3%	20.0%	21.0%	Income Tax Rate	24.0%
20.9%	20.9%	19.8%	20.3%	20.9%	21.6%	21.3%	21.3%	22.3%	23.0%	23.4%	23.8%	Net Profit Margin	24.7%
18759	3814	10108	13525	17810	24235	31505	21854	30732	34226	29100	30100	Working Cap'l (\$mill)	37600
2017	2014	7074	8120	8223	9156	12969	11489	13328	15122	13000	13000	Long-Term Debt (\$mill)	12000
37871	39318	43319	42511	50588	56579	57080	64826	74053	69752	83700	89600	Share Equity (\$mill)	110500
26.5%	27.1%	24.1%	26.0%	22.3%	20.6%	20.2%	19.1%	18.4%	20.2%	19.0%	18.5%	Return on Total Cap'l	18.0%
27.8%	28.3%	27.9%	30.5%	25.5%	23.5%	24.3%	22.1%	21.4%	24.5%	21.0%	20.5%	Return on Shr. Equity	20.0%
17.8%	17.5%	17.1%	18.6%	15.0%	13.2%	13.5%	11.9%	11.6%	13.2%	11.5%	11.5%	Retained to Com Eq	11.0%
36%	38%	39%	39%	41%	44%	44%	46%	46%	46%	48%	48%	All Div'ds to Net Prof	44%

CURRENT POSITION

	2013	2014	3/29/15
Cash Assets	29206	33098	31319
Receivables	11713	10985	11533
Inventory (FIFO)	7878	8184	8085
Other	7610	7044	7255
Current Assets	56407	59311	58192
Accts Payable	6266	7633	6719
Debt Due	4852	3638	4045
Other	14557	13814	13072
Current Liab.	25675	25085	23836

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, gastrointestinal, etc.), and Medical Devices & Diagnostics (electrophysiology, circulatory disease management, orthopedic joint reconstruction, etc.). Employs about 126,500. Officers & directors own less than 1% of common stock; BlackRock, 6.1%; Vanguard, 5.9%; State Street, 5.7%. (4/15 Proxy). Chairman & CEO: Alex Gorsky. Inc.: NJ. Address: One Johnson & Johnson Plaza, New Brunswick, NJ 08933. Telephone: 732-524-0400. Internet: www.jnj.com.

ANNUAL RATES

Past 10 Yrs. of change (per sh)	Past 5 Yrs.	Est'd '11-'13 to '18-'20
Sales	7.0%	4.5%
"Cash Flow"	8.5%	5.0%
Earnings	8.5%	4.5%
Dividends	11.5%	8.5%
Book Value	11.0%	10.0%

Unfavorable currency translations are having an impact on Johnson & Johnson. As has been the case with other Dow-30 members, the strong U.S. dollar has been taking a toll on the healthcare and consumer packaged goods conglomerate. In the first quarter, J&J's revenues fell 4%, though on a constant currency basis, worldwide sales rose 6%. For the full year, the top line will likely slip around 3%.

prostate cancer called **ZYTIGA**. Even with a very poor showing by the infectious disease component, this group's March period sales rose 3% (10% in constant currency). **The news is mixed in J&J's two other main businesses.** Excluding women's health and wound care, the Consumer division did reasonably well, as demand was strong for many of the company's well known over-the-counter medicines as well as skin care and baby products. The situation wasn't as positive in the Medical Devices & Diagnostics area as sales declined 4.6% (11.4% excluding currency translations). Most of the lost revenue was due to vision care, which may be ceding share in the contact lens market.

QUARTERLY SALES (\$mill.) ^A

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2012	16139	16475	17052	17558	67224
2013	17505	17877	17575	18355	71312
2014	18115	19495	18467	18254	74331
2015	17374	17900	18000	18526	71800
2016	17900	18700	18900	19400	74900

We have lowered our earnings estimates. Management has cut 2015 guidance \$0.08 a share. To reflect this, we've shaved a dime off our previous estimate of \$6.20. For 2016, we are not as pessimistic. By this year's final quarter, currency headwinds ought to moderate and year-over-year comparisons should start to improve. Thus, we are only reducing our share net forecast \$0.05, to \$6.50.

The news is mixed in J&J's two other main businesses. Excluding women's health and wound care, the Consumer division did reasonably well, as demand was strong for many of the company's well known over-the-counter medicines as well as skin care and baby products. The situation wasn't as positive in the Medical Devices & Diagnostics area as sales declined 4.6% (11.4% excluding currency translations). Most of the lost revenue was due to vision care, which may be ceding share in the contact lens market.

EARNINGS PER SHARE ^{AB}

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2012	1.37	1.30	1.25	1.19	5.10
2013	1.44	1.48	1.36	1.24	5.52
2014	1.54	1.66	1.50	1.27	5.97
2015	1.53	1.65	1.54	1.38	6.10
2016	1.60	1.80	1.65	1.45	6.50

The Pharmaceutical operations are really standing out. Accounting for about 44% of total revenue, this sector is being led by new products such as **OLYSIO/SOVRIAD**, a combination treatment for hepatitis C; **XARELTO**, an anticoagulant; and a drug used to treat

The Timeliness rank of this blue chip has moved up one notch to 3 (Average). The stock price has barely budged since our February report, with these shares continuing to trade in a relatively narrow range. Still, long-term, conservative investors willing to sacrifice some potential returns for a high degree of safety and a generous yield, may find this equity of interest.

QUARTERLY DIVIDENDS PAID ^C

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.54	.57	.57	.57	2.25
2012	.57	.61	.61	.61	2.40
2013	.61	.66	.66	.66	2.59
2014	.66	.70	.70	.70	2.76
2015	.70	.75	.75	.75	2.95

(A) Years end on last the Sunday in December. (B) Diluted earnings. Excludes nonrecurring: '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\$1.24; '13, d71c; '14, d27c. Next earnings report due late July. (C) Dividends historically paid: March, June, September, and December. ■ Dividend reinvestment plan available. (D) Includes intangibles. In '14: \$48.4 billion, \$17.45 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

May 22, 2015

James A. Flood