JOHNSON & JOHNSON NYSE-JNJ

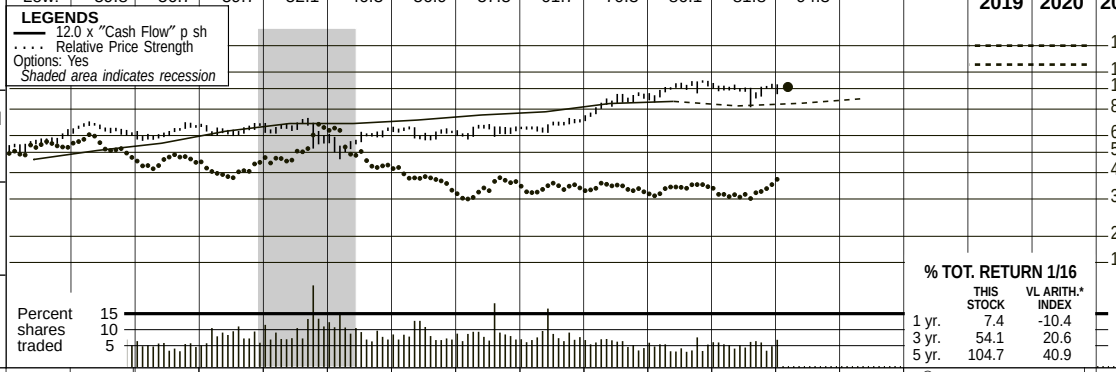
RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
101.97	17.7	(Trailing: 16.8 Median: 15.0)	1.10	3.1%	VALUE LINE

TIMELINESS 2 Raised 2/5/16
SAFETY 1 New 7/27/90
TECHNICAL 3 Lowered 2/12/16
BETA .75 (1.00 = Market)

High:	70.0	69.4	68.8	72.8	65.4	66.2	68.1	72.7	96.0	109.5	106.5	104.8
Low:	59.8	56.7	59.7	52.1	46.3	56.9	57.5	61.7	70.3	86.1	81.8	94.3

Target Price Range
2019 | 2020 | 2021

LEGENDS
— 12.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2019-21 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	160	(+55%)	*16%*
Low	130	(+25%)	*11%*

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	0	1	0	0	0	0
Options	1	0	0	0	0	0	1	2	1
to Sell	1	0	0	0	0	0	1	2	0

Institutional Decisions

	1Q2015	2Q2015	3Q2015
to Buy	976	913	998
to Sell	950	962	861
Hld's(000)	1834642	1829433	1832827

% TOT. RETURN 1/16

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.4	-10.4
3 yr.	54.1	20.6
5 yr.	104.7	40.9

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
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	*25.50*	*26.10*	*27.80*	Sales per sh A	*35.65*
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	7.26	*6.90*	*7.10*	*7.50*	"Cash Flow" per sh	*10.70*
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	5.70	5.50	*5.85*	*6.25*	Earnings per sh A B	*8.90*
.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	*3.15*	*3.35*	Div'ds Decl'd per sh C■	*4.00*
.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*	*1.25*	Cap'l Spending per sh	*1.15*
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*	*34.30*	Book Value per sh D	*45.55*
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	2783.3	*2750.0*	*2730.0*	*2700.0*	Common Shs Outst'g E	*2700.0*
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	17.7	18.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.5*
1.72	1.39	1.41	1.11	.96	.99	.90	.82	.86	.83	.83	.80	.83	.88	.93	.92	*Value Line*		Relative P/E Ratio	*1.05*
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%	3.0%	*estimates*		Avg Ann'l Div'd Yield	*2.7%*

CAPITAL STRUCTURE as of 9/27/15
Total Debt $19,750 mill. **Due in 5 Yrs** $7,090 mill.
LT Debt $14,073 mill. **LT Interest** $609.4 mill.
(16% of Capital)

Leases, Uncapitalized Annual rentals $200 mill.

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

Preferred Stock None

Common Stock 2,766,943,629 shares
as of 10/23/15
MARKET CAP: $282 billion (Large Cap)

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		19-21
53324	61095	63747	61897	61587	65030	67224	71312	74331	70074	*71250*	*75000*	Sales ($mill) A	*96300*
28.7%	29.4%	29.5%	31.6%	31.4%	32.3%	35.7%	33.3%	33.7%	*33.5%*	*34.5%*	*35.0%*	Operating Margin	*36.5%*
2177.0	2777.0	2832.0	2774.0	2939.0	3158.0	3666.0	4104.0	3895.0	*3500*	*3300*	*3350*	Depreciation ($mill)	*4800*
11133	12085	12949	12906	13279	13867	14345	15876	16323	15409	*16030*	*16875*	Net Profit ($mill)	*24090*
23.3%	22.1%	23.5%	22.0%	21.1%	20.1%	23.1%	17.2%	20.6%	19.7%	*22.0%*	*21.0%*	Income Tax Rate	*23.0%*
20.9%	19.8%	20.3%	20.9%	21.6%	21.3%	21.3%	22.3%	22.0%	22.0%	*22.5%*	*22.5%*	Net Profit Margin	*25.0%*
3814.0	10108	13525	17810	24235	31505	21854	30732	34226	*29100*	*30100*	*32000*	Working Cap'l ($mill)	*38500*
2014.0	7074.0	8120.0	8223.0	9156.0	12969	11489	13328	15122	*13000*	*13000*	*13000*	Long-Term Debt ($mill)	*12000*
39318	43319	42511	50588	56579	57080	64826	74053	69752	*82600*	*87825*	*92655*	Shr. Equity ($mill)	*123000*
27.1%	24.1%	26.0%	22.3%	20.6%	20.2%	19.1%	18.4%	19.5%	*16.5%*	*16.0%*	*16.5%*	Return on Total Cap'l	*18.0%*
28.3%	27.9%	30.5%	25.5%	23.5%	24.3%	22.1%	21.4%	23.4%	*18.5%*	*18.5%*	*18.0%*	Return on Shr. Equity	*19.5%*
17.5%	17.1%	18.6%	15.0%	13.2%	13.5%	11.9%	11.6%	12.3%	*8.5%*	*9.0%*	*8.5%*	Retained to Com Eq	*11.0%*
38%	39%	39%	41%	44%	44%	46%	46%	48%	*54%*	*54%*	*54%*	All Div'ds to Net Prof	*45%*

CURRENT POSITION ($MILL.)	2013	2014	9/27/15
Cash Assets	29206	33098	37306
Receivables	11713	10985	11366
Inventory (FIFO)	7878	8184	8206
Other	7610	7044	6616
Current Assets	56407	59311	63494
Accts Payable	6266	7633	5928
Debt Due	4852	3638	5677
Other	14557	13814	13655
Current Liab.	25675	25085	25260

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '19-'21
Sales	6.0%	2.5%	*4.0%*
"Cash Flow"	7.5%	4.5%	*4.5%*
Earnings	7.5%	4.0%	*5.5%*
Dividends	10.5%	7.5%	*5.5%*
Book Value	10.5%	9.0%	*7.5%*

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2013	17505	17877	17575	18355	71312
2014	18115	19495	18467	18254	74331
2015	17374	17787	17102	17811	70074
2016	*17550*	*18000*	*17450*	*18250*	*71250*
2017	*18300*	*18900*	*18500*	*19300*	*75000*

Cal-endar	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2013	1.44	1.48	1.36	1.24	5.52
2014	1.64	1.51	1.66	.89	5.70
2015	1.53	1.61	1.21	1.15	5.50
2016	*1.55*	*1.65*	*1.40*	*1.25*	*5.85*
2017	*1.65*	*1.75*	*1.50*	*1.35*	*6.25*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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
2016					

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 (antiinfective, 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.

Shares of Johnson & Johnson have done relatively well of late. Since our November report, the value of the equity has increased modestly compared to the 11% decline in the S&P 500 Index.

This stock is timely. Our proprietary ranking system suggests that JNJ will outperform the broader market averages in the year ahead. Moreover, investors made nervous by the recent volatility in the market would be hard-pressed to find a more attractive stock to own while waiting for the market turmoil to subside.

Conservative, long-term investors may find this equity of interest, too. JNJ is geared for accounts willing to accept less in the form of potential returns in exchange for a well-defined earnings stream and a high degree of safety. This stock is rare in that it carries our highest marks for Financial Strength, Stock Price Stability, and Earnings Predictability.

The strong U.S. dollar continues to take a toll on the company. In the fourth quarter, the top line fell 2.4%, compared to the similar period in 2014. Operational sales were up a decent 4.4%, but this was more than offset by the 6.8% negative impact of currency.

The key Pharmaceutical segment was a mixed bag. Responsible for about 45% of total sales, results for this business varied widely based on geography. In the domestic market, the top line rose a healthy 13%, while international sales fell slightly, even before the 12.5% negative currency impact. The drugs REMICADE, STELARA, and ZYTIGA all performed well. The Hepatitis C products have been major disappointments, however. These once-popular medications have seen demand dry up since Gilead introduced *Harvoni*. Indeed, the performance was so bad that the company broke them out of operating results. This is unusual in that these items haven't been discontinued.

Guidance for 2016 was better than expected. The stock rallied when management stated that operational sales growth would be in the 4.5%-6.0% range. Adjusted share earnings are expected to be $6.50. (We look for $5.85 (+6%) on a GAAP basis.) Next year, we think that operating conditions may improve, and thus forecast that JNJ's share net will rise 7%, to $6.25.

James A. Flood *February 19, 2016*

(A) Years end on the last Sunday in December. (B) Diluted earnings. Excludes nonrecurring: '01, d7¢; '02, d7¢; '03, d30¢; '04, d26¢; '05, d4¢; '06, d3¢; '07, d52¢; '09, d23¢; '10, 2¢; '11, d$1.51; '12, d$1.24; '13, d71¢; '15, d29¢. GAAP used in 2014. Next earnings report due mid-April. (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.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	100

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