



Johnson & Johnson (JNJ)

Updated April 24th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$154	5 Year CAGR Estimate:	12.1%	Market Cap:	\$372 B
Fair Value Price:	\$180	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	05/27/25
% Fair Value:	75%	5 Year Valuation Multiple Estimate:	3.2%	Dividend Payment Date:	06/10/25
Dividend Yield:	3.4%	5 Year Price Target	\$241	Years Of Dividend Growth:	63
Dividend Risk Score:	A	Sector:	Health Care	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 138,000 people around the world. The company is projected to generate more than \$90 billion in revenue this year.

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 April 15th, 2025, Johnson & Johnson announced that it was increasing its quarterly dividend 4.8% to \$1.30, extending the company's dividend growth streak to 63 consecutive years.

That same day, Johnson & Johnson reported first quarter results for the period ending March 31st, 2025. For the quarter, revenue grew 2.3% to \$21.9 billion, which beat estimates by \$330 million. Adjusted earnings-per-share of \$2.77 compared to \$2.71 in the prior year and was \$0.19 more than expected. Results included adjustments related to the costs of acquisitions.

Revenue for Innovative Medicines improved 2.3% on a reported basis, but increased 4.2% when excluding currency translation. Infectious Disease decreased 2.2% on a reported basis, mostly due to reduced Covid-19 vaccine revenue. Oncology grew 17.9% due to ongoing high demand for *Darzalex*, which treats multiple myeloma, and strong showings in several other products. Immunology declined 12.7%. *Stelara*, which treats immune-mediated inflammatory diseases, was weaker for the period due once again to biosimilar competition. Revenue for MedTech increased 2.5% on a reported basis and 4.1% when excluding the impact of currency exchange. Cardiovascular continues to post strong results, as sales were higher by 16.4%. Orthopaedics fell 4.2% due to the lapping of one-time revenue recognition of certain products in the prior year. Surgery was down 0.8% as gains in biosurgery and endcutters was offset by competitive pressure elsewhere in the business.

Johnson & Johnson offered revised guidance for 2025 as well. The company now expects revenue in a range of \$91.6 billion to \$92.4 billion for the year, up from \$90.9 billion to \$91.7 billion previously. Adjusted earnings-per-share are now projected to be in a range of \$10.50 to \$10.70 compared to \$10.75 to \$10.95 previously. We have updated 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	\$10.60	\$14.19
DPS	\$2.95	\$3.15	\$3.32	\$3.54	\$3.80	\$4.04	\$4.19	\$4.45	\$4.70	\$4.91	\$5.20	\$6.96
Shares¹	2755	2707	2683	2650	2684	2669	2670	2661	2431	2427	2424	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 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

¹ In millions of shares.

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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	14.5	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%	2.9%

Shares of Johnson & Johnson have increased \$10, or 6.9%, since our January 22nd, 2025 update. Using guidance for earnings-per-share for the year, Johnson & Johnson trades with a price-to-earnings ratio of 14.5, which is below our target price-to-earnings ratio of 17.0. Multiple expansion could add 3.2% to annual returns through 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

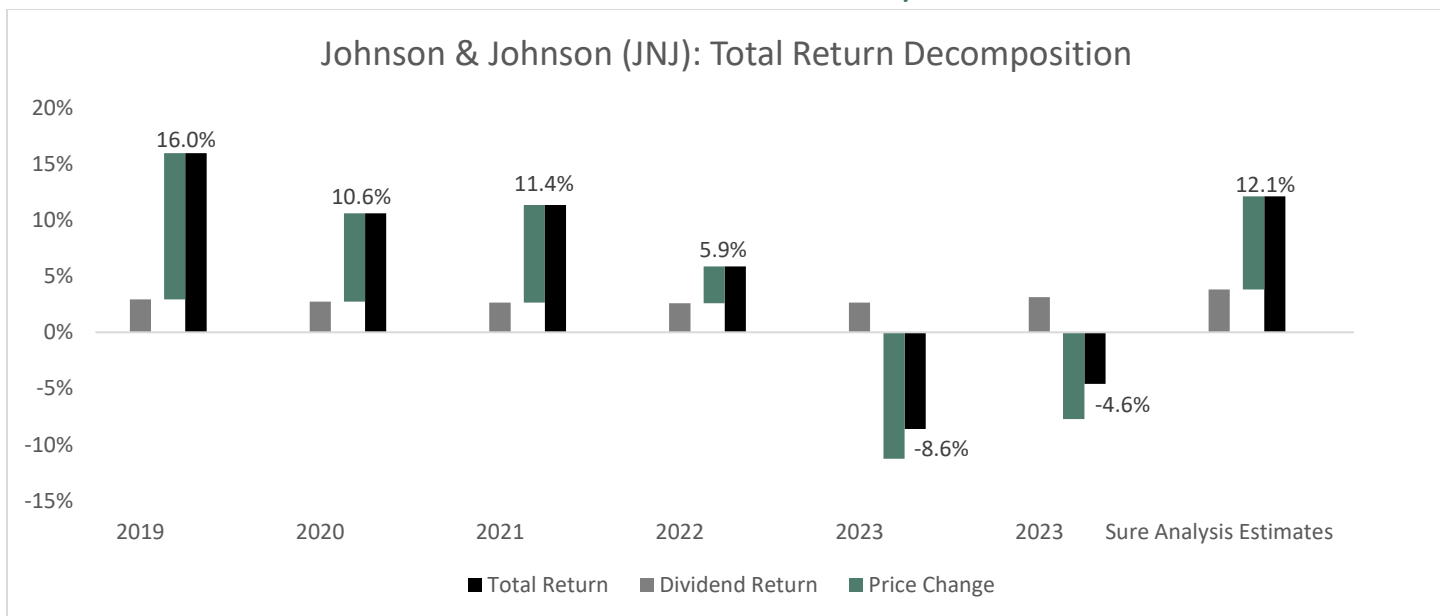
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	54%	53%	46%	43%	44%	50%	43%	44%	47%	49%	49%	49%

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

Following first quarter earnings results, Johnson & Johnson is expected to offer a total annual return of 12.1% through 2030, down from our prior forecast of 13.9%. Our projected return stems from a 6% earnings growth rate, a starting yield of 3.4%, and a low single-digit contribution from multiple expansion. Johnson & Johnson continues to see solid results in both of its business segments. Shares remain below our fair value price as well. We have lowered our five-year price target \$6 to \$241 due to updated guidance for 2025, but we continue to 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	70,074	71,890	76,450	81,581	82,059	82,584	93,775	94,943	85,159	88,821
Gross Profit	48,538	50,101	51,011	54,490	54,503	54,157	63,920	63,854	58,606	61,350
Gross Margin	69.3%	69.7%	66.7%	66.8%	66.4%	65.6%	68.2%	67.3%	68.8%	69.1%
D&A Exp.	3,746	3,754	5,642	6,929	7,009	7,231	7,390	6,970	7,486	7,339
Operating Profit	18,289	20,891	18,897	21,175	20,970	19,733	23,647	23,703	22,009	22,149
Operating Margin	26.1%	29.1%	24.7%	26.0%	25.6%	23.9%	25.2%	25.0%	25.8%	24.9%
Net Profit	15,409	16,540	1,300	15,297	15,119	14,714	20,878	17,941	35,153	14,066
Net Margin	22.0%	23.0%	1.7%	18.8%	18.4%	17.8%	22.3%	18.9%	41.3%	15.8%
Free Cash Flow	16,106	15,541	17,777	18,531	19,918	20,189	19,758	17,185	17,778	18,059
Income Tax	3,787	3,263	16,373	2,702	2,209	1,783	1,898	3,784	1,736	2,621

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	133.4	141.2	157.3	153.0	157.7	174.9	182.0	187.4	167.6	180.1
Cash & Equivalents	13,732	18,972	17,824	18,107	17,305	13,985	14,487	14,127	21,859	24,105
Acc. Receivable	10,734	11,699	13,490	14,098	14,481	13,576	15,283	16,160	14,873	14,842
Inventories	8,053	8,144	8,765	8,599	9,020	9,344	10,387	12,483	11,181	12,444
Goodwill & Int.	47,393	49,681	85,134	78,064	81,282	89,795	81,638	93,556	70,733	81,818
Total Liabilities (\$B)	62.26	70.79	97.14	93.20	98.26	111.62	107.99	110.57	98.78	108.6
Accounts Payable	6,668	6,918	7,310	7,537	8,544	9,505	11,055	11,703	9,632	10,311
Long-Term Debt	19,861	27,126	34,581	30,480	27,696	35,266	33,751	39,659	29,332	36,634
Total Equity	71,150	70,418	60,160	59,752	59,471	63,278	74,023	76,804	68,774	71,490
LTD/E Ratio	0.28	0.39	0.57	0.51	0.47	0.56	0.46	0.52	0.43	0.51

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	11.7%	12.0%	0.9%	9.9%	9.7%	8.8%	11.7%	9.7%	19.8%	8.1%
Return on Equity	21.9%	23.4%	2.0%	25.5%	25.4%	24.0%	30.4%	23.8%	48.3%	20.1%
ROIC	17.2%	17.5%	1.4%	16.5%	17.0%	15.8%	20.2%	16.0%	32.8%	13.6%
Shares Out.	2,755	2,707	2,683	2,650	2,684	2,669	2,667	2,661	2,560	2,429
Revenue/Share	24.91	25.78	27.85	29.90	30.57	30.92	35.07	35.64	33.26	36.56
FCF/Share	5.73	5.57	6.48	6.79	7.42	7.56	7.39	6.45	6.94	7.43

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

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