

“I would buy **JOHNSON & JOHNSON common stock (ticker symbol JNJ on the NYSE) at a price of \$133 or less per share because understand the company; it’s good; and at \$133 per share, it’s inexpensive.”**

- **What does **JOHNSON & JOHNSON** do?**
- **Has **JOHNSON & JOHNSON** been historically good?**
- **Does it appear likely that **JOHNSON & JOHNSON** will be good in the future?**
- **Is **JOHNSON & JOHNSON** shareholder-friendly?**
- **At \$133 per share and an enterprise value of \$ 392965000000 is **JOHNSON & JOHNSON** inexpensive?**

What does **JOHNSON & JOHNSON do?**

Products:

- **Consumer** - Baby care, oral care, beauty (previously referred to as skin care) brand LISTERIN , AVEENO®; CLEAN & CLEAR®; DABAO™; JOHNSON’S® , LE PETITE MARSEILLAIS®; NEUTROGENA®; RoC® and OGX® , TYLENO, STAYFREE® and CAREFREE, BAND-AID®, NEOSPORIN®,
- **Pharmaceutical**- Immunology, infectious diseases and vaccines, neuroscience, oncology, cardiovascular and metabolic diseases.Brands - REMICADE® SIMPONI®, PREZISTA®
- **Medical Devices** - Orthopaedic products; general surgery, biosurgical, endomechanical and energy products; electrophysiology products to treat cardiovascular disease; sterilization and disinfection products to reduce surgical infection; diabetes care products,such as blood glucose monitoring and insulin delivery products; and disposable contact lenses.

Customers:

Distributed to wholesalers, hospitals and retailers, and used principally in the professional fields by physicians, nurses, hospitals, eye care professionals and clinics

Industry: Health Care/Life Sciences

Form: Legal: JOHNSON & JOHNSON -New Jersey State of incorporation

Geography: 230 operating companies located in 60 countries

Status:

Johnson & Johnson is a holding company, which has more than 230 operating companies conducting business in virtually all countries of the world. The Company’s primary focus is products related to human health and well-being. Johnson & Johnson was incorporated in the State of New Jersey in 1887, The Company is broadly based in human health care, and is committed to creating value by developing accessible, high quality, innovative products and services. New products introduced within the past five years accounted for approximately, Our diverse businesses with more than 230 operating companies located in 60 countries are the key drivers of the Company’s success. 22% of 2016 sales., Businesses are managed for the longterm in order to sustain market leadership positions and enable growth, which provides an enduring source of value to our shareholders.

Is **JOHNSON & JOHNSON good?**

Income Total Revenues - \$ 71890000000

Operating Cash Flow - \$ 20699000000

Equity -\$ 70418000000

- **Capital Employed: \$ 101604000000**
- **Return on Capital Employed: 21%**
- **Free Cash Flow Return on Capital Employed: 17.3%**
- **Growth in Operating Income per Fully Diluted Share 8.4%**
- **Growth in Free Cash Flow Per fully Diluted Share: 6%**
- **Growth in Book Value Per Diluted Share: 2.5%**
- **Growth in Tangible Book Value Per Diluted Share: 15.3%**
- **Liabilities to Equity Ratio:101 %**

Breadth analysis, forces analysis, moat identification, and market growth assessment

Breadth analysis

Customer: Distributed to wholesalers, hospitals and retailers, and used principally in the professional fields by physicians, nurses, hospitals, eye care professionals and clinics

Supplier:

These subsidiaries operate 119 manufacturing facilities as well as sourcing from hundreds of suppliers around the world. The Company has in the past, and may in the future, face unanticipated interruptions and delays in manufacturing through its internal or external supply chain.

Forces analysis

Bargaining power of customers: LOW

Strong Brand well positioned to meet the changing needs of patients and customers .

Bargaining power of suppliers: LOW

Hundreds of suppliers around the world

Threat of substitutes: LOW

Competition to reach agreement with third parties for collaboration, licensing, development and marketing agreements for products and technologies.

Threat of new entrants: Low

The Company faces substantial competition in all three operating segments and in all geographic markets. The Company's businesses compete with companies of all sizes on the basis of cost-effectiveness, technological innovations, intellectual property rights, product performance, real or perceived product advantages, pricing and availability and rate of reimbursement.

Moat identification: GOOD

Strong branding, the ability to keep costs low, protected by patents

Market Growth: Good

The Company's continued growth and success depends on its ability to innovate and develop new and differentiated products and services that address the evolving health care needs of patients, providers and consumers

Shareholder Friendliness

Compensation & Ownership:

Profile - ALEX GORSKY , - **Chairman and Chief Executive Officer**

- Compensation = \$26,871,720
- Ownership = 1,800,741

Insiders:

- **The Vanguard Group -Shares 191,188,744 , 7.02% %**
- **BlackRock Inc. – Shares 170,679,367 , 6.3%**
- **State Street Corporation -. – Shares 153,587,120, 5.65%**

Related Party transactions:

Transactions with Related Persons for 2016-

A sister-in-law of Dr. Paulus Stoffels, Executive Vice President, Chief Scientific Officer, is a Senior Manager at Janssen Pharmaceutica NV, a wholly-owned subsidiary of the company, and earned \$144,382 in total compensation in 2016.

The daughter of Dr. A. Eugene Washington, one of our Directors, is a Senior Analyst at Johnson & Johnson Innovation LLC, a wholly-owned subsidiary of the company, and earned \$145,453 in total compensation in 2016

Share repurchases:

(1) During the fiscal fourth quarter of 2016, the Company repurchased an aggregate of 17,548,780 shares of Johnson & Johnson Common Stock in open-market transactions, of which 12,175,707 shares were purchased pursuant to the repurchase program that was publicly announced on October 13, 2015, and of which 5,373,073 shares were purchased in open-market transactions as part of a systematic plan to meet the needs of the Company's compensation programs.

(2) As of January 1, 2017, an aggregate of 65,362,675 shares were purchased for a total of \$7.3 billion since the inception of the repurchase program announced on October 13, 2015.

(3) As of January 1, 2017, the maximum number of shares that may yet be purchased under the plan is 23,543,007 based on the closing price of Johnson & Johnson Common Stock on the New York Stock Exchange on December 30, 2016 of \$115.21 per share.

Dividends:

The Company increased its dividend in 2016 for the 54th consecutive year. Cash dividends paid were \$3.15 per share in 2016 compared with dividends of \$2.95 per share in 2015, and \$2.76 per share in 2014

- **At \$133 per share and an enterprise value of \$ 392965000000 is JOHNSON & JOHNSON inexpensive?**

		Benchmark
MCap/FCF	2.2	<8
EV/OI	6.23	<7
MCap/BV	5.0	<3
MCap/TBV	3.8	<3