

## COMPANY PROFILE & ANALYSIS

# Johnson & Johnson

NASDAQ: JNJ

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**Prepared By :**

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## Abstract

This report is not a comparable firm analysis, because many firms are in multiple industries, making it complicated to identify representative benchmarks. I strive to gain insightful information of the firm by collecting the most relevant data and information, analysing it, comparing different price multiples within ten years against factors laid out in this report, and explaining why they might be correlated. It is crucial to understand that different businesses require varying approaches to strategy and execution, depending on their characteristics and unique needs. For a company to successfully implement the right strategic approaches; management must balance long-term vision with short-term execution in their organisational strategies. This report will focus on exploring Johnson & Johnson's overall profile, including the factors and strategies that can potentially have either positive or negative effects on business performance and reputation.

The following factors will be discussed:

- Business Perspective
- Internal Factors
- External Factors
- Risks
- The Conception of Rationality

As a result, all data and information presented in this report support the claims that the internal and external business environments are strongly correlated with the above factors. For example, effective management communication fosters positive relationships between stakeholders and management. Business performance can be seen as the organisation's operational ability to satisfy the requirements of the organisation's top management, stakeholders, as well as shareholders (Smith & Reece, 1999). An organisation needs to regularly assess its performance to determine recent and current accomplishment. Return on investment, turnover of customer and profit have always been used as indicators to measure business performance (Wood, 2006). The analysis is only as good as the information being collected. I endeavour to obtain as much publicly available information as I can on Johnson & Johnson. An information-driven approach will help me identify business opportunities, assess demand for goods and services in a particular market or region, understand management functions and organisational behaviour. This will subsequently assist me to form unbiased opinions, enable me to explore fresh approaches and evaluate the business in a different perspective

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## **Chapter 1: Introduction**

### **1. Report Purposes & Disclaimer**

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## Chapter Two: Business Perspective

### 2.1 Background and Key Dates:

Johnson & Johnson was established in 1959 after two large acquisitions in the pharmaceutical industry. However, it was founded in 1886 by Edward, James and Robert Johnson in New Brunswick, New Jersey, United State. Johnson & Johnson was initially formed to supply surgical dressings, baby products and gradually improved the company's sanitation processes and expanded its products and services in the US (CNN Business, 2020). The management at Johnson & Johnson believes that promoting and caring for the well-being of its employees is a major investment and the leadership puts strong emphasis on workplace health promotion (Johns Hopkins University, 2015). Johnson & Johnson is now one of the world's largest providers of health care products. It also engages in manufacture of healthcare products including medical devices and healthcare research and development. The company supplies pharmaceuticals in various areas such as infectious, cancer, cardiovascular and neuroscience. (Global Data, 2022). Johnson & Johnson is currently headquartered in New Jersey with estimated 130,00 employees, the company has notable market share in approximately 15 manufacturing industries such as pharmaceutical, medical device, medical supply, and instrument, contact lens and glasses, medical adhesives and sealants, orthopaedic products, surgical instrument, cough and cold medicine, acne treatment, hair loss treatment, sunscreen, cotton personal care product, ophthalmic instrument, mouthwash products. The company's market share in the acne treatment manufacturing accounts for an estimated 49.1% of total industry revenue (IBIS World, 2024). Johnson & Johnson's brands and subsidiaries include, Acuvue, Aveeno, Band-Aid, Benadryl, Carefree, Clean & Clear, Ethicon, Johnson's, Listerine, Motrin, Neosporin, Neutrogena, Nicorette, OGX, Pepcid, Stayfree, Sudafed, Tylenol, Zarbee's Naturals, Zyrtec (IBIS World, 2024). In 2023, Johnson & Johnson spun off its consumer health business Kenvue and later sold its remaining

9.5% stake in the company. Johnson & Johnson is now focusing on pharmaceutical and medical devices businesses (Reuters, 2024).

**1873–1930:** In the 1860s, surgeons did not have the habit of washing their hands before operating or sterilising their equipment (BBC, 2024). But this began to change in 1867, when Joseph Lister found that carbolic spray was extremely effective in treating gangrene. He later developed antiseptic surgery by spraying surgical instruments and bandages. After discovering Joseph Lister's antiseptic spray and procedures three brothers, Robert W. Johnson, James W. Johnson, and Edward M. Johnson, started selling ready-to-use surgical dressings and subsequently founded Johnson & Johnson in 1887 with 14 employees in a former wallpaper factory, throughout the 19<sup>th</sup> century, they worked to improve medical sanitation practices (Black, 2013). In 1888, Johnson & Johnson published *Modern Methods of Antiseptic Wound Treatment* for mainly physician and pharmacists. In the same year, the first commercial first aid kit was designed which included antiseptic emergency supplies and directions for use. The following year a pharmacist Fred Kilmer was hired as its first scientific director, who led its development of industrial sterilisation process. The company published a *Handbook of First Aid Guide* in 1901 (Pickersgill, 1921). By 1910, the company employed more 1,200 people (Daily Home News, 1911). Johnson & Johnson dramatically increased its production of surgical products during the first World War, the company invented and distributed epidemic masks during the flu pandemic broke out (Funding Universe, 2001). Its first overseas factory opened in Montreal in 1919 and manufactured surgical products for international customer. Johnson & Johnson expanded operations to Brazil, Argentina, Mexico, and South Africa in the 1930s (Sengupta & Nilanjan, 2013). Johnson's Baby Oil was added to its portfolio in 1935, Robert Johnson was appointed head of the Smaller War Plants Corporation in Washington, D.C. his company was awarded government contracts (Lukas, 2003).

Unfavourable Public Events:

**In the late 1950s:** Johnson & Johnson consulting lab mentioned about tainted talc for the first time when the lab tested samples of talc from their Italian supplier in the late 1950s. The samples were described a needle-like tremolite. Despite the findings the company moved forward with mass production of talc items. For readers information, tremolite is a form of asbestos. The Occupational Safety and Health Administration states that any type of exposure to asbestos is unsafe (Keeble, 2022).

**In the 1970s:** more tests conducted by various labs and found traces of asbestos in Johnson & Johnson's talcum powder. The company guaranteed having no asbestos in their talc products while withholding the findings of asbestos by the labs between 1972 and 1975. A Johnston & Johnston dermatologist Albert Kligman was notorious for unethical research during his time with the company, he injected 10 black male prisoners of Philadelphia's Holmesburg Prison with tremolite asbestos and chrysotile to experiment the side-effects etc. US Environmental Protection Agency finally banned the uses of chrysotile asbestos to protect people from mesothelioma, lung cancer, ovarian cancer, laryngeal cancer caused by asbestos exposure (EAP, 2024).

**In 1973:** Johnson & Johnson applied for patents on a process to remove asbestos, indicating the company was aware of contamination in its talc-based products (Girion,2018).

**In 1976:** Johnson & Johnson replied to the US regulator that they had not detected any trace of asbestos in their tac samples between 1972 and 1973.

**In 1999:** A mesothelioma cancer patient Darlene Coker dropped her lawsuit against the company for lack of evidence, despite the belief that Johnson & Johnson's talcum powder was the cause of her cancer.

**In 2009:** The first lawsuit against Johnson & Johnson was filed by Dean Berg alleging the company's talcum products cause her ovarian cancer. Berg won the case in 2013 without award for damages.

**In 2016:** Johnson & Johnson paid US\$ 72 million in damages in a civil case. It's the company's first major courtroom loss in relation to the talc cases.

**July 2018:** In Missouri, Johnson & Johnson was ordered to pay US\$ 4.7 billion to 22 women alleging its talc-based products contain asbestos and caused them to develop ovarian cancer. The verdict consisted of US\$ 550 million in compensatory damages and US\$ 4.14 billion in punitive damages (Keeble, 2022). After paying a US\$ 4.69 billion to cancer victims, it stoked up a surge of lawsuits in US.

**May 2020:** Johnson & Johnson stopped selling talc baby power in North America due to on-going legal costs and safety concerns.

**March 2019:** A mesothelioma patient was awarded US\$ 29.4 million in California, who claimed the company's Baby Powder caused her cancer. Johnson & Johnson appealed the decision, the appeals court defended the original verdict and ordered the company to pay up.

**May 2019:** A Brooklyn woman was awarded US\$ 325 million in Manhattan after being diagnosed with mesothelioma. US\$ 25 million in compensatory damages and US\$ 300 million in punitive damages.



**August 2020:** A California woman was awarded over US\$ 26.5 million after being diagnosed with mesothelioma using Johnson & Johnson talc-based products. US\$ 20 million for her pain and US\$ 6.5 million in economic damages.

**October 2021:** Johnson & Johnson shifted the company's talc lawsuits to its subsidiary, LTL Management which refiled for Chapter 11 bankruptcy protection and sought approval to reorganise the company's plan to resolve all claims from talc litigation against the company in North America. Its plan includes a commitment of US\$ 8.9 billion payable over 25 years for complete resolution (J&J, 2023).

**July 2023:** Johnson & Johnson attempted to file bankruptcy and try to avoid never-ending lawsuits from patients and victims but rebuffed by an appeals court and ruling the company improperly offloaded lawsuits. The cancer caused by the company's talc products are rather unique and much rare than Pleural Mesothelioma. The victim was awarded US\$ 18.8 million, and Johnson & Johnson lost another mesothelioma lawsuit.

**November 2023:** Johnson & Johnson settled two more lawsuits after its second attempt to file for bankruptcy. The two lawsuits involving men diagnosed with mesothelioma. The terms of the settlements were not made public. In one of the cases, the victim died, and his family continued the personal injury lawsuit.

**March 2024:** The company settled a consumer protection lawsuit with the state of Mississippi for US\$ 75 million. It was sued for failing to warn consumers about the company's talc-based Baby Powder potentially causing cancer. Mississippi was the first state to sue a company over the harm it caused to consumers.

**June 2024:** A woman suffered from mesothelioma awarded US\$ 260 million in Oregon. Her lawsuit against the company claimed her cancer was from using its talc cosmetics throughout her life. This verdict is one of the largest ever against Johnson & Johnson.

**July 2024:** Johnson & Johnson proposed a US\$ 6.5 billion settlement to resolve talcum-based baby powder ovarian cancer lawsuits.

For many years medical experts and doctors around the world continue supporting and advocating the safety of cosmetic talc. Resolving the ordeal of having to pay billions of dollars to settle lawsuits as quickly as possible should be in the best interests of Johnson & Johnson and its shareholders. However, there are still many uncertainties and risks that lie ahead for Johnson & Johnson such as unpredictable government action, financially unpropitious time, adverse effects of litigations, product liability claims, new products attained by competitors, uncertainty of clinical success or difficult obtaining regulatory approvals for its products, which can subsequently influence the company's new and existing products. The company seems to be losing its ability to execute strategic plans and hedge against the impact of the negative community sentiment toward some of its products. The management might need to take a swift action to protect itself from changes in spending patterns and behaviour of consumers of health care products. After all, Johnson & Johnson is not the only company feeling the heat in the ever-increasing scrutiny of the health care industry by the public and government.

## 2.2 Organisational Strategy

Johnson & Johnson has a diverse portfolio including areas such as oncology, immunology, cardiovascular, neuroscience, pulmonary hypertension, and retina. The company is working on developing various treatments by using AI technologies and expert insight to address health problems and unlock the potential medicines. Johnson & Johnson is planning on pursuing new pathways, abandoning some of its problematic products, collaborating closely with healthcare professionals. The company is even changing its 130 years old logo, it has decided to forgo its famous cursive script insignia. In the UK, Janssen has adopted Johnson & Johnson's name as part of global rebranding effort. Janssen will be known as Johnson & Johnson Innovative Medicine (Barrie, 2024). I presume that Johnson & Johnson is desperate to rebrand its products strategically and bury its negative organisational stigma and bad publicity in talcum-based products. The company is also focusing highly on engineered and intelligent treatments by using advanced robotic assisted navigation to reach parts within the human body. It received FDA clearance in 2021 for the expansion of surgical robot (Reuter, 2024).

Johnson & Johnson acquired Shockwave for approximately US\$ 13.1 billion. The acquisition will help the company extend its MedTech's position in cardiovascular intervention and move in to higher-growth markets. It will enhance opportunity to serve patients around the world with Shockwave's IVL and Abiomed's Impella technology, provide robust pipeline for company's future growth in untapped markets. Most importantly, the transaction will deliver almost immediate operational accretion. Since 2019, Johnson & Johnson has been trying to maximize potential of its leading brands by filing extensions for regulatory approval and focus on diseases and biological pathways (J&J, 2019).

Other key strategies are as follow:

- Deliver personalisation by improving technology-driven processes.
- Test new innovations in pilot projects and ensure supply chain is ready.
- Utilise AI to launch new diagnostic techniques, new medicines, and novel surgical techniques.
- Use AI algorithms to accelerate the process of medicine discovery.
- Prioritise authenticity and focus on branding and trust building.
- Use multiple communication platforms and engage more diverse audiences.
- Collaborate more with academic institutions, research organisations to develop innovative solutions.

### 2.3 Strategic Approaches

Johnson & Johnson is committed to prioritize rigorous investment, innovate internal and external sources in the hope to be well positioned for long-term growth (J&J, 2011). The company has recently revitalized launch capabilities and portfolio to lead market leadership in key categories. Its pharmaceuticals business has increased in productivity, R&D expenses, and taken a disciplined management approach to improving its operational efficient in order to invest in new product launches. Johnson & Johnson's management is aiming to grow geographic footprint and boost investments in emerging markets. Japan is the company's second largest pharmaceuticals market, management wants to incorporate an outcomes-based approach to embed customer, physician and patient insights while delivering competitive products. Johnson & Johnson seems to take entrepreneurial drive to heart for growth and proximity to customers, it is currently operating in the decentralized way combining the best qualities of smaller companies. This strategic approach gives the company a strong sense of accountability and ownership. Johnson & Johnson's goal is to form more active partnerships, identify collaborative opportunities and bring full strength to create transformative value for its partners worldwide. The company is trying to balance its long-term vision

with short term execution involving launching new medicines and leveraging pharmaceutical technologies and innovation. However, I would encourage the management to implement a systematic approach to problem-solving and become more adaptable in today's market and capable of developing effective solutions.

## 2.4 Operating Performance

### Financial metrics

(Millions of US \$)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Stock Price</b>	81.2	82.1	94.7	117.84	111.8	129	143	159.3	168.8	154.3
<b>Annual Δ%</b>	17.34	1.16	15.32	24.40	-5.14	15.35	10.85	11.45	5.97	-8.60
<b>Ave. PE</b>	14.24	14.17	16.6	89.25	255.13	18.44	20.22	26.32	23.37	21.54
<b>Revenue</b>	74,331	70,074	71,890	76,450	81,581	82,059	82,584	78,740	79,990	85,159
<b>Ave. Gross Margin</b>	69.2	69.33	69.51	68.38	66.23	66.59	65.76	67.75	69.78	69.37
<b>Ave. ROE</b>	21.5	21.81	21.9	17.5	7.71	24.97	26.12	26.76	25.42	32.6

## 2.5 Current Technology

In 2022, Johnson & Johnson completed a decade-long effort to embed Unique Device Identifiers (UDI) into the barcodes on their medical devices and became one of the first healthcare companies in the world to do so. In the same year, the company developed the DETECT Screening App for healthcare professionals to use to detect abnormalities of their patients' hearts. Johnson & Johnson states that the algorithm-powered app simplifies the process for clinicians and helps to identify high-risk connective tissue disorder patients. Clinicians only input eight different criteria into the App on their devices, the App will provide a propensity score for the patient's risk for Pulmonary Arterial Hypertension (PAH). The Johnson & Johnson Medical Devices Companies partnered up with Microsoft to expand its secure and compliant digital surgery ecosystem. The Microsoft Cloud will help the company to drive innovation and improve workflow, customer experience and economic outcomes.

In 2023, Johnson & Johnson started implementing Intelligent Automation (IA) to change management approach for reaching its employees of all levels and inspire them to welcome IA. The management believes IA will have greater impact on business solutions for stakeholders, it will also incorporate intelligence into operational processes, win a higher percentage contract and enhance the company's top line (Devenport, 2023).

Johnson & Johnson is part of the Global Lighthouse Network (GLN), it shows that Fourth Industrial Revolution technologies are being adopted in the company at scale. According GLN, companies like Johnson & Johnson are setting clear standards for continuing revolutionary transformation of manufacturing and providing the foundation for the next chapter.

## The members of the GLN in pharmaceutical industry:



### Pharmaceuticals and medical products

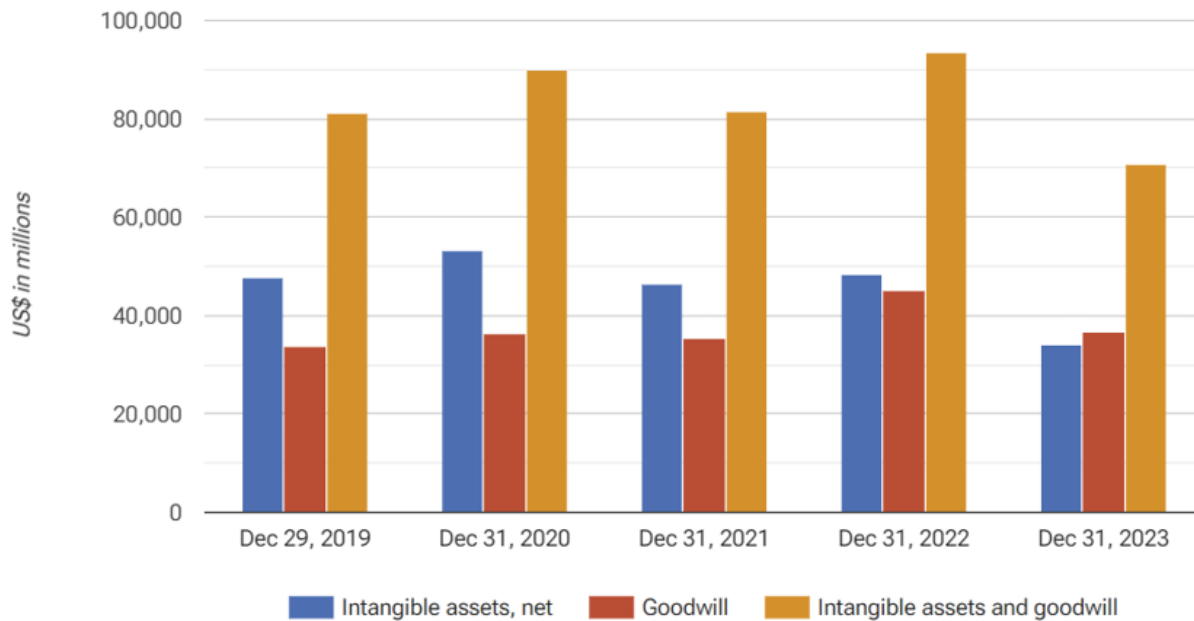
<b>Agilent Technologies</b> Medical equipment, Singapore, SG	<b>GSK</b> Pharmaceuticals, Ware, UK	<b>Johnson &amp; Johnson DePuy Synthes</b> Medical devices, Cork, IR	<b>Johnson &amp; Johnson Vision Care</b> Medical devices, London, UK
<b>Bayer</b> Pharmaceutical, Garbagnate, IT	<b>Johnson &amp; Johnson Consumer Health</b> Self-care products, Bangkok, TH	<b>Johnson &amp; Johnson DePuy Synthes</b> Medical devices, Suzhou, CN	<b>Novo Nordisk</b> Pharmaceuticals, Hillerod, DK
<b>Cipla</b> Pharmaceuticals, Indore, IN	<b>Johnson &amp; Johnson Consumer Health</b> Self-care products, Helsingborg, SE	<b>Johnson &amp; Johnson Janssen</b> Pharmaceuticals, Cork, IR	<b>Sanofi</b> Pharmaceuticals, Paris, FR
<b>Dr. Reddy's Laboratories</b> Pharmaceuticals, Hyderabad, IN	<b>Johnson &amp; Johnson Consumer Health</b> Self-care products, Mulund, IN	<b>Johnson &amp; Johnson Janssen</b> Pharmaceuticals, Latina, IT	<b>Teva</b> Pharmaceuticals, Amsterdam, NL
<b>GE Healthcare</b> Medical equipment, Hino, JP	<b>Johnson &amp; Johnson DePuy Synthes</b> Medical devices, Bridgewater, NJ, US	<b>Johnson &amp; Johnson Vision Care</b> Medical devices, Jacksonville, FL, US	<b>Zymergen</b> Biotechnology, Emeryville, CA, US

(Global Lighthouse Network, 2023)

## 2.6 Non-tradable & Non-divisible Assets

	2023	2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Notes 1 and 2)	\$21,859	12,889
Marketable securities (Notes 1 and 2)	1,068	9,392
Accounts receivable trade, less allowances \$166 (2022, \$169)	14,873	14,039
Inventories (Notes 1 and 3)	11,181	10,268
Prepaid expenses and other receivables	4,514	2,876
Current assets of discontinued operations (Note 21)	—	5,830
<b>Total current assets</b>	<b>53,495</b>	<b>55,294</b>
Property, plant and equipment, net (Notes 1 and 4)	19,898	17,982
Intangible assets, net (Notes 1 and 5)	34,175	38,489
Goodwill (Notes 1 and 5)	36,558	36,047
Deferred taxes on income (Note 8)	9,279	8,947
Other assets	14,153	9,212
Noncurrent assets of discontinued operations (Note 21)	—	21,407
<b>Total assets</b>	<b>\$167,558</b>	<b>187,378</b>
<b>(Dollars in Millions)</b>	<b>2023</b>	<b>2022</b>
<b>Intangible assets with definite lives:</b>		
Patents and trademarks – gross	\$40,417	39,388
Less accumulated amortization	(24,808)	(20,616)
Patents and trademarks – net	<b>\$15,609</b>	<b>18,772</b>
Customer relationships and other intangibles – gross	\$20,322	19,764
Less accumulated amortization	(12,685)	(11,363)
Customer relationships and other intangibles – net <sup>(1)</sup>	<b>\$7,637</b>	<b>8,401</b>
<b>Intangible assets with indefinite lives:</b>		
Trademarks	\$1,714	1,630
Purchased in-process research and development	9,215	9,686
<b>Total intangible assets with indefinite lives</b>	<b>\$10,929</b>	<b>11,316</b>
<b>Total intangible assets – net</b>	<b>\$34,175</b>	<b>38,489</b>

(J&J, 2023)



(Stock Analysis, 2023)

The intangible asset amortization expense included in cost of products sold was \$4.5 billion and \$3.9 billion for the fiscal years 2023 and 2022.

## 2.7 Operating Management (Score: 6/10)

Johnson & Johnson is facing the impact of patent expirations followed by the introduction of generic and biosimilar products in the market, there is some degree of certainty that the company will be losing revenue and market share in the coming year. The sales of its largest product Stelara accounted for about 10.2% of total revenues for fiscal 2022, however the patents related to Stelara expired on 2023 in the US. The second largest product is Darzalex, accounted for about 8.4% of total revenues for the same fiscal year. Johnson & Johnson will have to continue developing more successful products, services, and technologies to offset upcoming revenue losses when its existing market share disappears, and patents expire.



Let's not ignore the elephant in the room, the company is suffering from significant legal proceedings at the moment, which can result in major expenses and fines along with reputational damages. Thousands of plaintiffs are seeking huge amounts of compensation in lawsuits arising out of the use of its talcum-based baby powder. The multi-district litigation will continue to cause material adverse effect on the company's operations and cash flows. To add insult to injury, Johnson & Johnson does not have third-party

product liability insurance; and only utilizes a captive insurance company subject to certain limits. Accrued legal expenses of about US\$ 1.6 billion for talcum, US\$ 0.8 billion for Risperdal Gynecomastia settlements. Hopefully, the company will achieve some strategic and financial benefits from the expected separation of its Consumer Health business. Then again, great expenses will come with the separation and the company may not be able to achieve the full financial benefits. Administrative and marketing expenses steadily decrease as brand marketing expenses reduce in the Consumer Health and Pharmaceutical businesses. Advertising expenses worldwide include social media, television, and radio, were US\$ 2.1 billion in fiscal 2022.

## 2.8 Investment Management *(Score: 8/10)*

Johnson & Johnson was undergoing a restructuring in 2018, it implemented numerous plans across Global Supply Chain to enable the company to increase investments in pharmaceutical technologies, critical capabilities, and solutions in order to supply its product portfolio, simultaneously enhance drive growth and agility. As part of the plan, Johnson & Johnson will expand its strategic collaborations and strengthen its initiatives to further reduce complexity and improve cost-competitiveness and optimize the company's supply chain network. It claims that the restructuring had saved the company approximately US\$ 0.8 billion, the restructuring related charge was US\$ 0.1 billion.

In the fiscal year 2022, Johnson & Johnson spent US\$ 17.7 billion in cash and US\$ 1.1 billion of liabilities to acquire certain businesses in various industries, the over estimated fair value of its acquisitions was assigned to the company's identifiable intangible assets with residual recorded to goodwill. One of the notable acquisitions in the MedTech segment was Abiomed Inc., a provider of cardiovascular medical technology for the treatment of coronary artery disease and heart failure. The management believed that the purchase would broaden Johnson & Johnson's position as a cardiovascular innovator. The deal was completed via a tender offer for all outstanding shares with upfront payment of US\$17.1 billion along with non-tradeable Contingent Value Right for holder to receive up to US\$ 35 per share in cash. The remaining acquisitions by the company were not material.

### *2.9 Financing Decisions (Score: 5/10)*

Johnson & Johnson has been dealing with significant legal proceedings that can result in large expenses and fines involving issues like product liability patent disputes, marketing and pricing practices violating antitrust and unfair trade practices. Changes in tax laws will also expose the company to additional tax liabilities with inevitable negative impact on operating results. The company is prepared to reevaluate its deferred tax liabilities in response to potential changes of tax laws in both the US and overseas. Expense or benefit will be recorded to the company's consolidated statement of earnings. However, I need to mention again that the planned separation of the company's Consumer Health Business in 2023 could result in substantial tax liability; if Johnson & Johnson do not qualify for tax-free treatment for US federal income tax purposes. In terms of overseas operations, the separation may not qualify for tax-free treatment in other countries, which may result substantial tax liability to the company. The management hopes that the company's operating cash flows, funds from external sources, borrowing capacity and access to the commercial

paper markets will provide sufficient funds to settle opioid litigation and talcum related liabilities. But nothing was certain.

### 2.3.0 Dividend Policy *(Score: 8/10)*

Johnson & Johnson increased its dividend in 2022 for the 60<sup>th</sup> consecutive year, they were US\$ 4.45 per share and US\$ 4.19 per share in 2021. In 2023, the company declared a regular cash dividend of \$1.13 per share payable to shareholders in 2023. The fair value of equity instrument is estimated using either the Black-Scholes-Merton (BSM) option valuation model or combination of both BSM and Monte-Carlo (MC) valuation models.

## Chapter Three: Internal Factors

### 3.1 Key People & Leadership

#### Executive Committee



**Joaquin Duato**

Chairman and Chief Executive Officer



**Vanessa Broadhurst**

Executive Vice President, Global  
Corporate Affairs



**Peter Fasolo, Ph.D.**

Executive Vice President, Chief Human  
Resources Officer



**Liz Forminard**

Executive Vice President, Chief Legal  
Officer



**William N. Hait, M.D., Ph.D.**

Executive Vice President, Chief  
External Innovation and Medical Officer



**John C. Reed, M.D., Ph.D.**

Executive Vice President, Innovative  
Medicine, R&D, Johnson & Johnson



**Tim Schmid**

Executive Vice President, Worldwide  
Chairman, MedTech



**James Swanson**

Executive Vice President, Chief  
Information Officer



**Jennifer L. Taubert**

Executive Vice President, Worldwide  
Chairman, Innovative Medicine



**Kathryn E. Wengel**

Executive Vice President, Chief  
Technical Operations & Risk Officer



**Joseph J. Wolk**

Executive Vice President, Chief  
Financial Officer

## Board of Directors



**Joaquin Duato**

Chairman and Chief Executive Officer



**Darius Adamczyk**

Executive Chairman, Honeywell International Inc.



**Mary C. Beckerle, Ph.D.**

Chief Executive Officer, Huntsman Cancer Institute at the University of Utah; Distinguished Professor of Biology and Oncological Sciences, University of Utah



**D. Scott Davis**

Former Chairman and Chief Executive Officer, United Parcel Service, Inc.



**Jennifer A. Doudna, Ph.D.**

Professor of Chemistry; Professor of Biochemistry & Molecular Biology; Li Ka Shing Chancellor's Professorship in Biomedical and Health, University of California, Berkeley



**Marilyn A. Hewson**

Lead Director since 2024  
Former Chairman, President and Chief Executive Officer, Lockheed Martin Corporation



**Paula A. Johnson, M.D.**

President, Wellesley College



**Hubert Joly**

Former Chairman and Chief Executive Officer, Best Buy Co., Inc.



**Mark B. McClellan**

Director, Duke-Margolis Institute for Health Policy; the Margolis Professor of Business, Medicine and Policy, Duke University



**Anne M. Mulcahy**

Former Chairman, Chief Executive Officer, President and Chief Operating Officer, Xerox Corporation



**Mark A. Weinberger**

Former Global Chairman and Chief Executive Officer, EY (Ernst & Young)



**Nadja Y. West, M.D.**

Retired United States Army Lieutenant General and Former United States Army Surgeon General



**Eugene A. Woods**

Chief Executive Officer of Advocate Health

(J&J, 2024)

### 3.2 Human Resources (Score: 7/10)

#### Employee reviews:

##### Johnson & Johnson Ratings

4.1 ★ ★ ★ ★ ☆

Average rating of 4,157 reviews on Indeed

4.0 ★ Work-Life Balance

4.0 ★ Pay & Benefits

3.5 ★ Job Security & Advancement

3.6 ★ Management

3.8 ★ Culture

(Simply Hired, 2024)

##### Overall rating

4.2 ★ ★ ★ ★ ☆

Based on 8,071 reviews

5 ★ 3.8K

4 ★ 2.6K

3 ★ 1K

2 ★ 330

1 ★ 270

##### Ratings by category

4.0 ★ Work/Life Balance

4.1 ★ Compensation/Benefits

3.6 ★ Job Security/Advancement

3.7 ★ Management

4.0 ★ Culture

(Indeed, 2024)



##### Johnson & Johnson

★ 3.7 stars [Get matched](#)

(Inhersight, 2024)

1.0

☆☆☆☆

##### IB Hours in Pharma

[Intern \(Current Employee\) - Fort Washington, PA - July 10, 2024](#)

Minimal pay and long hours. Working at JNJ has been a disappointing experience marked by poor management decisions and a lack of clear communication. The workplace culture is stifling, with minimal opportunities for growth or recognition of employee contributions. Team dynamics are strained due to frequent micromanagement and a pervasive sense of favoritism among supervisors. Moreover, the company's infrastructure is outdated, hindering productivity and making even simple tasks unnecessarily complicated. Employee welfare seems to be an afterthought, with inadequate support systems for professional development or work-life balance. Overall, JNJ fails to foster a positive and motivating work environment, making it challenging for employees to feel valued or motivated in their roles.

(Indeed, 2024)

Accrued compensation and employee related obligations in 2022:

<b>Current liabilities</b>		
Loans and notes payable (Note 7)	12,771	3,766
Accounts payable	11,703	11,055
Accrued liabilities	11,456	13,612
Accrued rebates, returns and promotions	14,417	12,095
Accrued compensation and employee related obligations	3,328	3,586
Accrued taxes on income (Note 8)	2,127	1,112
<b>Total current liabilities</b>	<b>55,802</b>	<b>45,226</b>

(J&J, 2022)

Johnson & Johnson currently has approximately 130,000 employees (J&J, 2024). Most of its employees work in the Consumer Health, Pharmaceutical and MedTech segments. The company sponsors various pension and retirement plans which cover most employees worldwide. These plans are based on discount rate, expected return on plan assets, mortality rates, salary increases and attrition rates.

### 3.3 Management Reputation (Score: 4/10)

Johnson & Johnson has a long company history dating back to 1880s, it began as a small company that manufactured surgical dressings. The company has many inspiring stories of humble beginnings. Consumers should be thankful that the company is committed to bringing its full potential to ensure health for people and future generations. Johnson & Johnson seems to be trying its best to fulfill the company's purpose and meet the demands of the rapidly evolving pharmaceutical markets. Today, Johnson & Johnson is mainly based in human healthcare industry, providing accessible innovative products and services. The management is committed to create life enhancing innovations, remain focused on addressing needs of society and delivering value to patients, consumers, and healthcare professionals through partnerships. Having mentioned the management's current objectives, I want to touch on the uncertainties, changes, and risks that Johnson & Johnson's management is subject

to. We should realize and understand that the importance of looking at the company objectively and examining the management in different perspectives. I am somewhat concerned with the courses of action the company has taken to handle its legal proceedings and product liabilities. The company has accrued numerous litigations for many years, and it has been monitoring each related legal issue accordingly. But it somehow fails to fully grasp the significance of embracing corporate social responsibilities, or how to make a good impression on public. Although the company is making sure sufficient funds are available to settle its liabilities and litigations, the management is unable to estimate the range of loss beyond the numbers. Companies and organisations should never dumb down their mistakes or what is happening in the community, management has the responsibility to empower its employees through transparency, maintain public trust by being open.

In 2023, Johnson & Johnson's derivatives and hedges were US\$ 74 million and US\$ 5 million. It uses cross current interest rate swaps and forward foreign exchange contracts to manage risks mainly related to borrowings, both derivatives were designated as cash flow hedges. Forward Foreign Exchange (FFE) contracts are used to offset the company's exposure to foreign currency assets and liabilities. But FFE are not designated as hedges, changes in values of derivatives are therefore recognised in earnings, which offset the current earnings effect of the related foreign currency assets and liabilities.

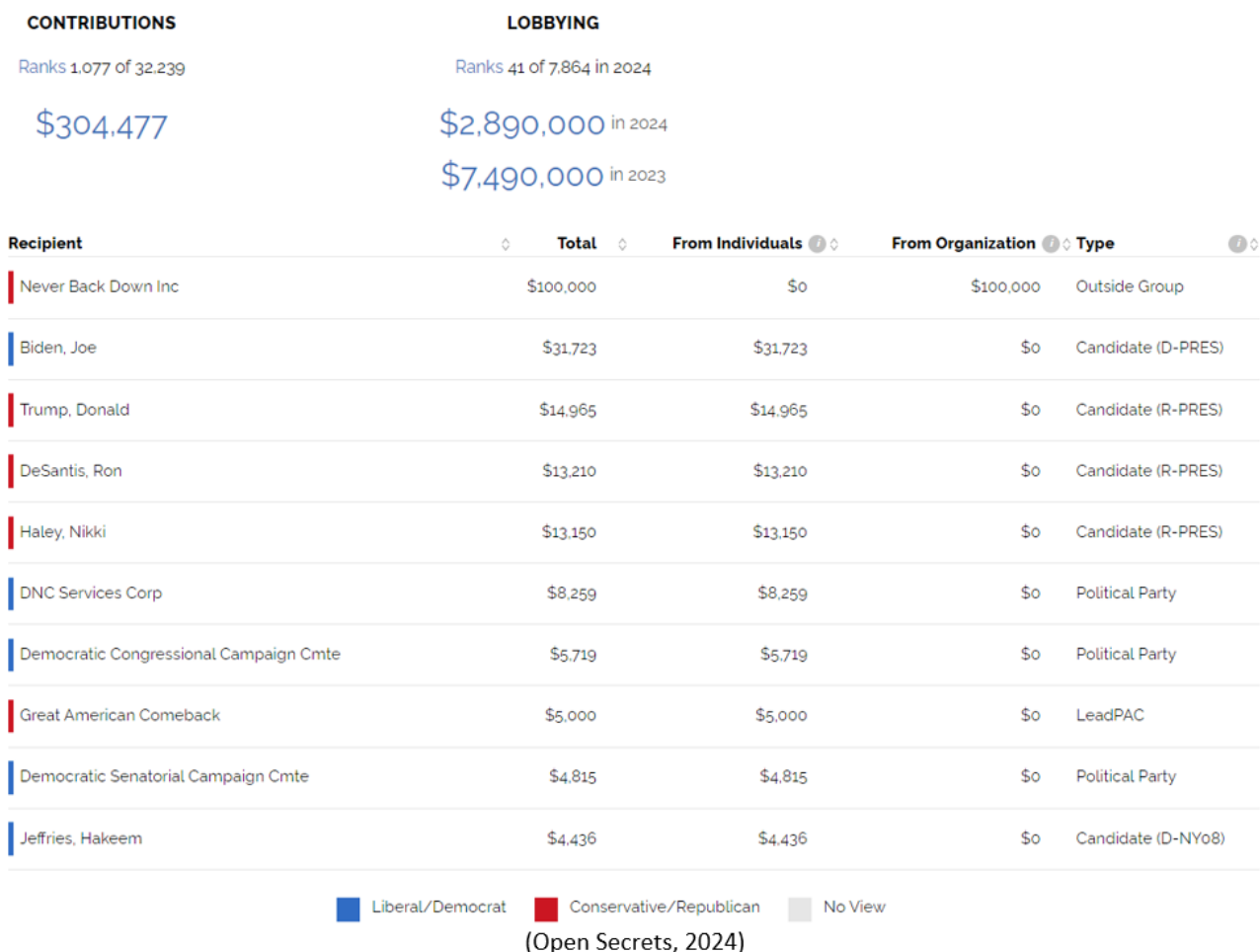


## Chapter Four: External Factors

### 4.1 Public Opinion & Political Activities

In 2021, Johnson & Johnson Covid-19 vaccine had to be put on hold in the US, after six cases of blood clotting linked to women who had the vaccine (Segal, 2021). Public trust in the company's vaccine plummeted dramatically according to The Economist/YouGov, 52% of those polled believed the vaccine was safe, after the announcement of the cases, only 37% still believed it was safe.

Johnson & Johnson's contributions to political candidates and party committees in 2024:



According to a report from Popular Information, Johnson & Johnson had also donated US\$ 10,000 to Mitch McConnell's re-election campaign and the same amount to the Bluegrass Committee, McConnell's leadership PAC (Legum, 2019).

## 4.2 Macroeconomics

The pharmaceutical industry in the US is imperative because it is the major source of medical innovation, companies invest in a lot of money in R&D, and R&D is the only effective way to drive performance of businesses and overall industry structure. This industry should be carefully regulated along with its pricing strategies. Medicines and medical devices must be regularly evaluated for efficacy, safety and quality. The Food and Drug Administration (FDA) has the power to review safety of all medicines under the 1962 Amendments to the FDA Act. In 2021, FDA advised Johnson & Johnson that more than 60 million doses of its Covid-19 vaccine produced at its Baltimore factory could no longer be used and distributed due to contamination. However, FDA did allow 10 million doses to be distributed in the US and other countries with a warning that the quality and Emergent BioSolutions could not be guaranteed (LaFraniere, Weiland & Stolberg, 2021). The macroeconomic impacts of the COVID-19 were a lesson to be learned by corporates and governments. During the pandemic, Australia quickly closed its borders and started developing its own homegrown vaccine to cut costs on the relatively cheap AstraZeneca vaccine. The vaccine was later withdrawn from the market because of its adverse side effects. Holden and Leigh argued that the failure to take appropriate action quickly had cost the economy at least AUS\$ 31 billion, more than AUS\$ 3,000 for every household in Australia (Holden & Leigh, 2022). The potential policies to legalise medicine importation and control or limit prices could make it costly for pharmaceutical companies like Johnson & Johnson, because US has the largest pharmaceutical market with relatively high prices. Adverse price spillover is highly possible between US and other countries, for example, prices for

both biologics and medicines in Mexico are far out of control with per capita income (Danzon & Furukawa, 2003). Restriction of utilization has become common in Mexico in order to control health spending to target levels.

## **Chapter Five: Risks**

In general, Johnson & Johnson faces intense competition from other brands, the following are the company's risks related to financial markets and economic conditions:

- Potential issues associated with international consumers, suppliers and foreign policies.
- Fluctuations in currency exchange rates and interest rates along with the impact of fluctuations on company's revenues and expenses, these could directly affect profit margins.
- Changes in regulation, trade laws and reimportation legislation.
- Potential imposition of governmental controls in other countries and more restrictive economic policies and unpredictable legal systems.
- Unforeseen health crises and pandemics.
- Global climate change and natural disasters that could affect demand for products and services.
- Overseas counterfeit products.

I would like to outline the following issues in the order of importance:

1. Litigation, product liability and regulatory activity
2. Separation of Consumer Health business
3. Product development, market competition and success
4. Supply chain and operations
5. Economic conditions, overseas operation, and financial markets

## Chapter Six: The Conception of Rationality

### The Emperor's New Clothes

Once upon a time, a pair of swindlers who pretended to be tailors had come to the Emperor and promised him the finest suit imaginable. The suit was so magical and wondrous; only truly worthy people could see them, but it was invisible to anyone who was stupid or incompetent. The emperor utterly interested in such suit and accepted the offer from these two swindlers, they were generously awarded with a great sum of money to “weave” the Emperor’s new clothes. The Emperor was excessively fond of his new suit paraded naked in a public procession, he was showered with kind words. Because everyone was so fearful of losing their life, status or looking stupid and incompetent by confessing that the Emperor was naked. Because of the powerful consensus and unwillingness to risk life or reputation, everyone in the town and every servant of the Emperor cheered: “How beautiful the Emperor’s new clothes are!” The absurdity reached its peak when a young man yelled: “the Emperor is wearing nothing!” Yet, the Emperor kept on walking as his noblemen held his invisible cloak and its train. This well-known literary folktale was written by Hans Christian Andersen and published in 1837, it attacked the greed of pretentious aristocracy and its false pride, while ignoring the reality. The story warns us against seeking simple solutions for complex problems, in the Johnson & Johnson’s case it warns against an impractical framework to respond to complicated consumer complaints and social issues the company has caused (Girion, 2018). For instance, the company has been accused of dumbing down its problems (Segal, 2021), and denying asbestos in its products for many years (Cep, 2022). However, it is heartwarming to see that Johnson & Johnson is now seeking to positively impact human health through innovation and helping entrepreneurs realise their dreams of creating healthcare solutions that improve peoples’ lives, it is certainly an encouraging message. It is also not a bad idea to gauge the extent of the damage in the wall, sand or scrape the edges of

the hole, use spackle to patch the hole, let it dry for a while before priming and painting the patch.

The problems do not belong under the rugs. Ok, let's wrap it up with the following narrative.

“Snake oil travelling salesmen”, a term today used to refer to charlatans selling fraudulent products and services. The terminology originated from labourers working on the First Transcontinental Railroad during the 19<sup>th</sup> century, people used the oils to soothe sore muscles or treat arthritis (BBC, 2019). Unethical salesmen wanted to get rich quick by manufacturing their own knock-off elixirs with ingenuine ingredients and sold them to the workers. Which later led to the 1906 Pure Food and Drug Act and establishment of the Food and Drug Administration in the US. You probably wonder how the snake oil salesmen managed to survive in so many places for so long, how they got away time after time from selling those knock-off snake oils. The answer is simple, because the entrepreneurial charlatans, sycophantic shareholders/retainers, and ignorant population went unpunished and cowed into silence. As Raymond Williams once said, “sensible people rely on experience or have a philosophy, foolish people rely on ideology” (Williams, 1983). Ideology can be manipulated through various stages with abstract and false thoughts, which is often practiced in line with the social politics today (Daghigh & Amini, 2022). Foolish people are easily seduced by misinformation, disinformation and false thoughts (Silbey, 1983).

## **Chapter Seven: Limitation & Assumption**

This research study has certain potential limitations, companies are selected from the Fortune 500 and only well-known organisations are selected for analysis. Therefore, to generalise the outcome or results for better accuracy, the report will need to include additional analyses in more areas in-depth, which can be requested by the readers. A request for additional information analyses can be sent via email or website contact form.

This report is mostly dependent on the availability of public information, there is no interaction between the management of each company or organisation and the researcher. Although this may limit the scope of the analysis, it will not have a significant impact on the research itself. Because publicly available data and information are likely to be more imperative and reliable than individual feedback or comments from management or other stakeholders. The report writer assumes that all data and information from accredited sources are the most sufficient and relevant, the theoretical framework is assumed to be an accurate reflection of the phenomena being analysed in the report.

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