

Company: Johnson & Johnson	Ticker: JNJ Current Price: \$173.46	Industry: Pharmaceuticals						
Target Price: \$186.99 Stop Loss: \$160.47 52 Week High/Low: \$186.69/\$155.72	TTM P/E: 17.17 Forward P/E: 16.39 EPS: \$7.18	Beta: 0.56 Credit Rating: A-(S&P) Rating Outlook: Stable	Market Cap: \$421.7B Avg Vol: 7.21M(10m) Dividend Yield: 2.67%					
Company Background:								
Johnson & Johnson is one of the largest health care companies in the world. It engages in research and development, as well as manufacture and sale of products in the health care field. It has business segments in consumer health, pharmaceuticals, and medical devices.								
Industry Outlook:								
We expected a positive outlook for the healthcare sector, more specifically the pharmaceuticals with improved medical utilization accompanied by on-going demand for Covid-related vaccines and treatments which will shift to a seasonal phenomenon, in our view. Key therapeutic areas are viewed as essential, such as oncology and immunology are likely to see ongoing demand and could be relatively less susceptible to recession-driven slowdowns.								
Investment Thesis:								
We believe this company is undervalued and worth investing in because of its high margins and EPS growth. It has maintained stable dividend growth for 60 consecutive years supported by strong cash flows.								
Investment Risks:								
<ul style="list-style-type: none"> Newly discovered Covid variants may create uncertainty and negatively affect earnings and pipeline; Lowering drug prices aimed by both parties; Lower-cost emerging market competition; Double current tax rate of foreign profit of U.S. firms, pharmaceuticals generate more than 50% of sales abroad. 								
3-5 Takeaways from last quarter investor call transcripts								
<ul style="list-style-type: none"> Further action on spinning off Consumer Health unit from Pharmaceutical increased margins; Net debt to equity stood at a mere 3% as of year-end 2021 creating more flexibility for M&A; Sales growth of 1.9% to \$23.8 Billion, EPS of \$1.68 increasing 22.6%. 								
Financial Performance					Discounted Cash Flow			
	2018	2019	2020	2021	2022(LTM)			
Revenue	81581	82059	82584	93775	96041	2018-2021		
Operating Profit	21175	21263	20314	25247	24974	2022-2031		
NI	1529	15119	14714	20878	19157	Avg Revenue Growth		
Revenue Growth %	6.7%	0.6%	0.6%	13.6%	5.0%	Avg Gross Margin		
EBITDA Margin%	34.4	34.5%	33.4%	34.8%	33.4%	Avg EBITDA Margin		
Operating Profit %	25.9	25.91%	24.59%	26.92%	27.59%	Avg NOPLAT Margin		
NI Margin	18.8	18.4%	17.8%	22.3%	19.9%	Avg FCF / Margin		
D/E	51%	48.3%	57.5%	46.9%	42.9%	Tax Rate		
EPS	5.7	5.72	5.59	7.93	7.21	WACC		
P/E	18.2x	17x	19.6x	18.4x	17.17x	Perpetuity Growth Rate		
Current Ratio	1.5x	1.3x	1.2x	1.3x	1.4x	Analyst Opinion		
ROE	25.5	25.4%	24.0%	30.4%	26.4%	Buy:	Hold:	Sell:
ROA	8.5%	8.6%	7.6%	8.8%	8.8%		Rating	Target
Dividend Per Share	3.54	3.75%	3.98%	4.19%	4.38%	S&P Net Advantage	HOLD	\$173
FCF	1787	25001.4	21928.3	18931.4	18017.8	Bloomberg	HOLD	\$175.43
						Yahoo Finance	BUY	\$186
Relative Valuation					Total Return %			

	JNJ	PFE	MRK	LLY	BMJ	Peer Avg
P/E	17.4	7.8	13.67	42.28	10.08	18.246
P/B	6.13	2.99	5.88	39.49	4.99	11.896
Dividend Yield	2.64%	3.39%	2.78%	1.10%	2.74%	2.53%
PEG ratio	3.82	0.58	1.22	2.13	1.8	1.91
EPS	7.18	5.22	6.03	6.65	3.08	4.94
Rev Growth	5.02%	44.89%	27.84%	5.34%	2.79%	16.84%
NI Growth	21.57%	53.21%	112.06%	25.54%	3.88%	27.64%
Operating Margin	27.59%	34.47%	32.89%	25.93%	35.80%	27.33%
D/E	30.04%	31.64%	42.23%	61.21%	55.06%	34.036%
Market Cap(M)	446344.6	261367.2	250161.4	343660.3	174197.7	214063.4
Revenue TTM(M)	96041	99878	58974	29239	46738	52408.7
NI TTM(M)	19160	29310	11520	6033	6677	14540
FCF TTM(M)	13744	28443	14462	5856	14740	11449

	JNJ	Healthcare	SP500
YTD	4.23%	-8.8%	-20.98%
LTM	6.8%	20.6%	-15.47%
Last 3Years	11.76%	14.66%	20.45%
Last 5 Years	6.32%	11.69%	42.32%

CSR Characteristics

	JNJ	peers
Government Disclosure		
ESG Disclosure		
Social Disclosure Score		
Environment Disclosure Score		