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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to Johnson & Johnson's third quarter 2026 earnings conference call. (Operator Instructions) This call is being recorded. If anyone has any objections, you may disconnect at this time. (Operator Instructions)

I will now turn the conference call over to Johnson & Johnson. You may begin.

Ryan Koors - *Johnson & Johnson - Vice President - Investor Relations*

Hello, everyone. This is Ryan Koors, Vice President of Investor Relations for Johnson & Johnson. Welcome to our company's review of business results for the third quarter of 2026 and our financial outlook for the full year.

First, a few logistics. As a reminder, today's presentation and associated schedules are available on the Investor Relations section of the Johnson & Johnson website at investor.jnj.com. Please note that this presentation contains forward-looking statements regarding, among other things, the company's future operating and financial performance, market position and business strategy. You are cautioned not to rely on these forward-looking statements, which are based on the current expectations of future events using the information available as of the date of this recording. They are subject to certain risks and uncertainties that may cause the company's actual results to differ materially from those projected.

The description of these risks, uncertainties, and other factors can be found in our SEC filings, including our 2025 Form 10-K, which is available at investor.jnj.com and on the SEC's website. Additionally, several of the products and compounds discussed today are being developed in collaboration with strategic partners or licensed from other companies. This slide acknowledges those relationships.

Moving to today's agenda. Joaquin Duato, our Chairman and CEO, will discuss our business performance and growth drivers. I will then review the third quarter sales and P&L results. Joe Wolk, our CFO, will then close by sharing an overview of our capital allocation priorities and updated guidance for 2026. Tom Cavanaugh, Executive Vice President, Worldwide Chairman, Innovative Medicine; John Reed, Executive Vice President, Innovative Medicine Research and Development; and Tim Schmid, Executive Vice President, Worldwide Chairman, MedTech, will be joining us for Q&A.

To ensure we provide enough time to address your questions, we anticipate the webcast will last approximately 60 minutes.

With that, I will now turn the call over to Joaquin.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Thank you, Ryan, and good morning, everyone. Our strong performance in the third quarter reinforces our confidence in 2026 as a year of accelerated growth and impact for Johnson & Johnson. In Q3, we reported operational sales growth of 6% ahead of analyst consensus and increased sequential growth compared to the second quarter. With six strategic focus areas: Oncology, Immunology, Neuroscience, Cardiovascular, Surgery and Vision, we are leading in areas of high unmet need where innovation can make the greatest difference for patients.

Our powerful combination of innovative medicine and MedTech expertise strengthens our competitiveness. 29 of our products and platforms now generate at least \$1 billion in annual sales. Our marketed portfolio continues to perform. Our launches are gaining significant traction, and we are advancing our new product pipeline that will sustain our growth into the next decade. With sales in the quarter of more than \$25 billion, we are on track to meet our guidance and exceed \$100 billion in annual revenue for the first time in our company's 140-year history.

As we advance our differentiated portfolio and pipeline, we have a clear path to double-digit growth by the end of the decade. In Innovative Medicine, we delivered operational sales growth of 7.9% with eight brands growing double-digits.

Let's start with Oncology. We are making progress to redefine cancer care from treatment to cure. In the third quarter, our Oncology business grew approximately 17%. Our multiple myeloma portfolio and pipeline are unmatched, with 80% of patients receiving a Johnson & Johnson therapy as part of their treatment journey. And we continue to strengthen the body of evidence supporting our recently launched multiple myeloma therapies and combination regimens.

New Phase 3 results announced in July demonstrated that the combination of TECVAYLI plus TALVEY reduced the risk of disease progression or death by 89% as early as the second line of treatment. In solid tumors, sales of RYBREVENT increased by 64%, reflecting its strength in lung cancer. And by the end of the year, we expect to receive US FDA approval for RYBREVENT FASPRO in advanced head and neck cancer, a disease with significant unmet needs.

In bladder cancer, INLEXZO has rapidly emerged as a market leader for new patient share, just one year after its launch. Nearly one in three eligible patients started on an INLEXZO regimen in the third quarter, demonstrating its growing role in transforming care in high-risk non-muscle invasive disease.

During the quarter, we also invested to bolster our Oncology pipeline. We completed our acquisition of Firefly Bio, adding a promising new degrader antibody conjugate platform that targets drivers of difficult to treat cancers, including KRAS. Our ambition is to become the number one oncology company by 2030, with sales projected to exceed \$50 billion.

Turning to Immunology. We are building on our 25-year legacy to drive industry-leading innovation for patients. TREMFYA delivered exceptional sales growth of 68% in the quarter, reflecting strong momentum across its indications. In the US, it is now the number one IL-23 inhibitor in new-to-brand share in Crohn's disease, ulcerative colitis, and psoriatic arthritis. And we continue to generate evidence that reinforces TREMFYA'S clinical differentiation.

Based on the landmark STAR study, TREMFYA is the first and only IL-23 inhibitor to demonstrate positive outcomes in axial disease clinical trials, including significant improvement in spinal pain, stiffness, and inflammation in patients with psoriatic arthritis. This momentum reinforces our conviction in TREMFYA as a foundational medicine in inflammatory bowel and psoriatic diseases and our belief that it can grow into a \$10 billion-plus franchise.

ICOTYDE, our first in class targeted oral peptide for plaque psoriasis, continues to outpace the recent competitors launches. More than 20,000 patients have initiated therapy through nearly 9,000 prescribers since ICOTYDE's launch in the US. We continue to make strong progress on commercial access, with ICOTYDE now broadly covered across all national plans.

Also this quarter, IMAAVY was approved as the first advanced treatment specifically for warm autoimmune hemolytic anemia, a rare life-threatening disease that causes severe anemia and fatigue. This new indication builds on IMAAVY's momentum in generalized myasthenia gravis and reflects its broad potential across autoantibody diseases.

And we continue to pursue next generation therapies. In July, we announced a collaboration with Sail Biomedicines to advance in vivo CAR-T approaches for immune mediated diseases.

Next, in Neuroscience, we aim to transform the future of brain health by addressing complex nervous system disorders. Today, we are the definitive leader in neuropsychiatry.

CAPLYTA reached \$1 billion in year-to-date sales, making it our 29th billion-dollar platform. Driven by strong uptake as an adjunctive treatment for major depressive disorder, CAPLYTA is now the fastest growing oral branded therapy in this space.

And last month, we presented pivotal Phase 3 data that show CAPLYTA significantly and rapidly improved symptoms of bipolar mania. SPRAVATO also delivered impressive growth of 36% this quarter, reflecting strong demand in treatment-resistant depression.

Now let's turn to MedTech, where we delivered Q3 operational sales growth of 2.5%. While we fell short of our expectations for the segment, our conviction in our future direction has not changed. Starting with Cardiovascular, we continue to invest in heart recovery, circulatory restoration, and heart rhythm disorders to address the leading global cause of death.

This was another strong quarter for Shockwave, our circulatory restoration business, which grew 17%. The ongoing global launch of Shockwave C2 AERO continues to broaden the reach of our intravascular lithotripsy platforms.

VARIPULSE, our pulsed field ablation platform, reached a major milestone this quarter with more than 100,000 AFib patients treated worldwide. VARIPULSE Pro, which delivers five times faster ablation speed, has been very well received in Europe, where it is driving double-digit growth. And just last week, we received approval for VARIPULSE Pro in Japan.

With the increasing clinical experience, we are seeing differentiated benefits from VARIPULSE. In a recent retrospective analysis, VARIPULSE demonstrated a 68% lower risk of adverse cardiac events compared to a competing pulsed field ablation platform. And in heart recovery, while physician selectivity continued to affect Abiomed performance, we remain confident in the technology and focused on supporting appropriate patient selection.

In Surgery, we're poised to shape the next era of care through robotics, digital innovation, and advanced instrumentation. In July, the US FDA granted the de Novo authorization for OTTAVA, the world's first table integrated soft tissue robotic system. This is one of the most significant MedTech innovations we will bring to market this decade.

OTTAVA's unique architecture, automated features, and next generation robotic instruments help address surgeons' needs for operating room space and better surgical workflows. Its connection to our open digital ecosystem, POLYPHONIC, turns procedure data into actionable insights for clinicians. We already signed our first commercial customer for OTTAVA, and we are progressing our development program. Our investigational device exemption trial is already underway in inguinal hernia repair with future plans for indication expansion into urology and gynecology.

Finally, in Vision, we are advancing lifelong eye health to bring better sight to more than 40 million people each year. The recent US launch of TECNIS PureSee further strengthen our portfolio of intraocular lenses. During the quarter, TECNIS PureSee and TECNIS Odyssey surpassed 1 million implants worldwide, reflecting continued surgeon adoption and our leadership in personalized vision solutions.

We also received CE marking for ACUVUE OASYS MAX 2-week reusable lenses, expanding our ACUVUE portfolio in Europe.

Overall, this quarters strong results demonstrate the impact of the choices we have made to build a foundation for durable growth. We sharpened our portfolio to focus on innovation with the greatest potential to change lives. We proved our ability to grow through a significant loss of exclusivity. Our strategic investments in high growth areas are delivering results. And our innovation engine continues to drive breakthroughs for patients. That is why we have the confidence to say that we will finish 2026 strong and that 2027 will be an even better year for Johnson & Johnson.

I will now turn the call back over to Ryan.

Ryan Koors - Johnson & Johnson - Vice President - Investor Relations

Thank you, Joaquin. Moving to our financial results. Unless otherwise stated, the percentages quoted represent operational results and therefore exclude the impact of currency translation.

Starting with Q3 2026 sales results. Worldwide sales were \$25.4 billion for the quarter, increasing 6%. Growth in the US was 9.1% and 1.8% outside the US. Acquisitions and divestitures had a net negative impact on worldwide growth of 10 basis points.

Now turning to earnings. For the quarter, net earnings were \$210 million, and diluted earnings per share were \$0.09 versus \$2.12 a year ago. Results in the quarter were impacted by the proposed talc litigation resolution as well as expenses associated with the Firefly Bio transaction and Sail Biomedicines' collaboration amounting to approximately \$7 billion.

Adjusted net earnings for the quarter were \$6.3 billion. And adjusted diluted earnings per share were \$2.59, representing a decrease of 6.8% and 7.5%, respectively, compared to the third quarter of 2025. Adjusted earnings in the quarter were also impacted by expenses associated with the Firefly Bio transaction and Sail Biomedicines collaboration.

I will now comment on business sales results in the quarter, focusing on the six key areas where meaningful innovation and strong commercial execution are driving our performance and fueling long-term growth. Beginning with innovative medicine, where our financial results reflect the depth of our expertise and innovation in areas of high unmet need across Oncology, Immunology, and Neuroscience.

Worldwide sales of \$16.8 billion increased 7.9%, which underscores the continued strength of our key brands and new launches. Growth in the US was 11.1% and 3.0% outside the US. Divestitures had a negative impact of 10 basis points on worldwide growth.

In Oncology, starting with multiple myeloma, DARZALEX growth was 15.6%, primarily driven by strong share gains of five points across all lines of therapy with 10 points in the frontline setting as well as continued market growth partially offset by OUS pricing headwinds.

CARVYKTI achieved growth of 35.2%, driven by share gains across earlier lines of therapy and continued site expansion. TECVAYLI growth was 77.3%, driven by launch uptake and share gains across earlier lines of therapy following last quarter's approval in the US for TECVAYLI

plus DARZALEX FASPRO with US growth greater than 100%. TALVEY growth was 42.1%, driven by share gains due to increased depth of prescribing in the community setting.

In lung cancer, RYBREVENT plus LAZCLUZE delivered growth of 63.5% with strong share gains in the first and second lines, driven by continued launch uptake in all regions along with rapid uptake in RYBREVENT FASPRO.

In prostate cancer, ERLEADA delivered growth of 9.4%, with continued share gains and market growth partially offset by unfavorable patient mix.

Within Immunology, TREMFYA delivered impressive growth of 68.2% driven by a continued momentum from the IBD launch with four points of share growth in both ulcerative colitis and Crohn's disease alongside continued market growth. STELARA declined 54%, which reflects continued competitive pressures from biosimilars and the ongoing shift towards novel classes. Growth in other immunology is driven by IMAAVY and ICOTYDE launch uptake in the US.

In Neuroscience, SPRAVATO grew 36%, driven by continued share gains reflecting strong physician adoption and increased patient demand. CAPLYTA showed significant growth of 66.1% driven by strong continued launch momentum in adjunctive major depressive disorder and continued demand increases across bipolar disorder and schizophrenia.

Now moving to MedTech. Worldwide sales of \$8.6 billion increased 2.5%, with growth of 4.8% in the US and 0.1% outside the US. Overall, Cardiovascular grew 4.1%, including 20 basis points related to acquisitions.

Electrophysiology delivered growth of 4.4% driven by procedure expansion, commercial execution, and new product performance, partially offset by competitive PFA pressures, which were more pronounced in ASPAC this quarter, as well as the lapping of prior year OUS inventory dynamics.

Abiomed saw a decline of 1.5% due to lower patient volume. There are encouraging signals in the US performance with improvement in the quarter supported by acute myocardial infarction, cardiogenic shock, and Impella 5.5 continuing to gain adoption.

Shockwave grew double-digits at 17.2% driven by continued adoption of coronary and peripheral products as well as new product launches and the reimbursement in the office based lab setting within the US. Surgery saw a decline of 1%, including a negative impact of approximately 30 basis points from divestitures. The decline is more notably driven by ongoing expansion of VBP in China, surgery transformation program outcomes across the portfolio, and Middle East disruption, which impacted tender timing and ordering patterns.

The decline was partially offset by portfolio strength driven by recent innovations such as ETHICON 4000 and DUALTO, as well as commercial execution in biosurgery.

In Vision, growth was 5.1%, driven by premium innovation, strong execution, and global reach. Contact lenses and other products grew 4.3%, driven by strong performance in the ACUVUE OASYS 1-Day family of products, further solidifying our leadership position, partially offset by US inventory dynamics.

Surgical Vision delivered growth of 7.1%, driven by new product innovations, robust demand for premium IOLs and strong commercial execution, partially offset by market-specific factors such as disruptions in the Middle East.

Orthopaedics growth for the quarter was 3.4%, primarily driven by new product launches such as VOLT in Trauma and EMPHASYS in Hips, including strong commercial execution and VELYS pull-through in Knees.

Now turning to our consolidated statement of earnings for the third quarter of 2026. I'd like to highlight a few noteworthy items that have changed compared to the same quarter of last year. Cost of goods sold deleveraged by 150 basis points, driven by unfavorable product

sales mix and increased intangible asset amortization expense in the Innovative Medicine segment for Intra-Cellular, partially offset by the impact of tariff recoveries in the MedTech business.

Selling, marketing, and administrative expenses were flat as a percent of sales, reflecting consistent commercial investments in the Innovative Medicine business. We continue to invest strategically in research and development, deploying approximately \$4.7 billion or 18.3% of sales, which includes \$1 billion related to the acquisition of Firefly Bio.

In-process research and development impairment costs of \$339 million in the quarter is related to the write off of preCARDIA, a non-core asset acquired as part of the broader Abiomed transaction. Other income and expense was a net expense of \$5.8 billion as compared to \$478 million of income in the third quarter of 2025, with the change primarily driven by the proposed talc litigation resolution and Orthopaedics separation-related costs.

The tax rate was a small net benefit in the quarter, primarily related to the positive tax effect associated with the accrual for the proposed talc litigation resolution. More information can be found in our upcoming 10-Q for changes in taxes.

Lastly, I'll direct your attention to the boxed section of the slide, where we have also provided our income before tax, net earnings, and earnings per share adjusted to exclude the impact of intangible amortization expense and special items.

Now let's look at the adjusted income before tax by segment for the quarter. Innovative Medicine margin declined from 44.3% to 35.4%, primarily due to acquired in-process research and development expense of approximately \$1 billion related to the acquisition of Firefly Bio, transaction costs for Sail Biomedicines, and unfavorable product sales mix in cost of products sold. MedTech margin increased from 21% to 22.9%, driven by the impact of tariff recoveries, partially offset by increased strategic investments in commercial capabilities. As a result, adjusted income before tax for the enterprise as a percentage of sales decreased from 35.2% to 30.2%.

This concludes the sales and earnings portion of the call. And I will now turn the call over to Joe.

Joseph Wolk - Johnson & Johnson - Chief Financial Officer, Executive Vice President

Thanks, Ryan. Hello, everyone, and thank you for joining us today. As you heard from Joaquin and Ryan, our third quarter results were driven by the strength of our Innovative Medicine business. This performance more than offset headwinds in certain areas of MedTech, enabling us to exceed expectations on both the top and bottom line while continuing to invest in our pipeline and future growth.

We are clear on where MedTech performance needs to improve, specifically Cardiovascular and Surgery outside the US and are taking action to strengthen results. While disappointing, the underlying fundamentals of the MedTech business remain strong, supporting our confidence in the long-term for that business.

Across Johnson & Johnson, the drivers underpinning our outlook remain firmly in place. As a result, we are raising our guidance for 2026 versus our most recent update in July. The depth of our portfolio, momentum from new product launches, and upcoming pipeline catalysts further reinforce our conviction in achieving double-digit growth by the end of this decade with sustainable growth beyond.

Turning to financial metrics and our cash position. We ended the third quarter with approximately \$17 billion of cash and marketable securities and approximately \$45 billion of debt for a net debt position of approximately \$28 billion, generating more than \$6 billion in free cash flow in the third quarter. We remain confident in our full year free cash flow guidance of approximately \$21 billion.

During the quarter, we completed the \$1 billion acquisition of Firefly Bio, deepening capabilities in oncology with next-generation antibody engineering to address complex tumor biology. As Joaquin referenced earlier, we also entered into a collaboration with Sail Biomedicines to advance in vivo CAR-T therapies for immune-mediated diseases.

Our disciplined approach to capital allocation is principled on prioritizing investments that support key commercial launches, accelerating future innovation, increasing our annual dividend, and strengthening our pipeline through strategic value creating inorganic opportunities.

In July, we announced an agreement for a resolution of the ovarian talc litigation for \$5.5 billion, which is reflected in our third quarter GAAP results. The agreement is conditioned upon the express participation of at least 95% of the remaining ovarian claims. We are trending to meet the 95% threshold.

Let me now turn to full year 2026 guidance. As always, our outlook reflects what we know today regarding foreign exchange rates, the broader macroeconomic environment, and other external factors. Based on our year-to-date performance and expectations for the fourth quarter, we are raising the midpoint and tightening the range of our operational sales guidance.

We now expect full year operational sales growth in the range of 6.7% to 7.1%, which represents operational sales of \$100.7 billion at the midpoint or growth of 6.9%. We do not speculate on future currency movements. As of last week, the euro spot rate to the US dollar was \$1.12. However, the average rate for the fiscal year stands at \$1.15.

Based on that average rate, we estimate reported sales growth of 7.2% to 7.6% with a midpoint of \$101.2 billion or 7.4%. Assuming the current spot rate holds into next year, you could expect currency to be a headwind.

Turning now to other items of the P&L. Regarding operating margin, we now expect a decline of approximately 60 basis points. This is an improvement from the 75 basis points decline reflected in our updated July guidance that included the impact of the Firefly Bio and Sail Biomedicines' transactions, which had an unfavorable impact of 150 basis points. Absent those deals, we continue to deliver base margin improvement.

As a reminder, our pretax adjusted operating margin outlook also reflects the costs associated with the 53rd week of operations and our previously announced agreement with the US government to improve access to medicines.

For net interest expense, we are lowering our guidance to \$150 million to \$200 million. We are also tightening the range of our effective tax rate guidance. Based on our year-to-date results, we now expect a full year effective tax rate of 17.0% to 17.5%. Given those updates, we now expect adjusted operational earnings per share in the range of \$10.95 to \$11.05 or 2% at the midpoint. We expect reported adjusted earnings per share of \$11.05 to \$11.15 with a midpoint of \$11.10 or growth of 2.9%.

Excluding the impact of Firefly Bio and Sail Biomedicines' transactions of \$0.64, reported EPS growth would approach 9%. As a reminder for your 2027 modeling, we expect Firefly Bio and Sail Biomedicines to have a combined dilutive impact of \$1.36 per share on a full year adjusted earnings per share next year. We will provide more details on our 2027 outlook later this year at our Enterprise Business Review.

Let me now highlight several upcoming developments that reinforce our growth outlook and performance for the remainder of the year. In Oncology, we expect several important data readouts in the fourth quarter. These include data for pasritamig, a first-in-class bispecific antibody in patients with advanced prostate cancer who have progressed after multiple lines of therapy.

We also expect data for JNJ-6143, an investigational first-in-class once-daily oral therapy for metastatic castration-resistant prostate cancer. We continue to see strong adoption for INLEXZO, with year-to-date sales of approximately \$200 million and expect to build on that momentum with a data readout in high-risk non-muscle invasive bladder cancer later this year. We also expect US approval of RYBREVANT FASPRO in advanced head and neck cancer.

In Immunology, as Joaquin referenced earlier, ICOTYDE is off to a strong start and we look forward to presenting data in psoriatic arthritis later this year. In MedTech, we expect US approval of VARIPULSE Pro in the fourth quarter, further complementing last week's approval in Japan.

In heart recovery, we are taking corrective action to improve Abiomed's performance. We continue to invest in clinical evidence and expect results from the HRPPI PROTECT IV trial in 2027. The trial will have 1,252 patients, four times more than the CHIP-BCIS3 study. This large-scale study will evaluate the safety and efficacy of Abiomed's Impella CP pump during high-risk percutaneous coronary intervention.

In Surgery, we are focused on commercializing OTTAVA following its recent FDA De Novo authorization. We expect adoption and revenue contribution to build over time, with the goal of establishing OTTAVA as a significant pillar of our surgery portfolio by the end of the decade.

Regarding Orthopaedics, we remain on track for the planned separation of the DePuy Synthes by mid-2027. I'm really proud of the team working to evaluate all separation vehicles and all options are better positioned today than when we announced our intentions with this business. Given the way DePuy Synthes is performing and the momentum Namal Nawana and his team are generally generating, we are leaning towards a spin as being the best option to create long-term value for Johnson & Johnson shareholders.

That has always been our base plan, and we are confident that it can be successfully executed. We will provide additional updates as appropriate and when there is more information to share.

Finally, I am really looking forward to and hope you join us for the Enterprise Business Review on December 8. At that event, we will provide additional perspective on our 2027 outlook and the key drivers that reinforce our conviction in achieving double-digit growth by the end of the decade. Perhaps more importantly, we will highlight our earlier stage pipeline and how it represents the next wave of growth into the next decade.

Attendees will also have the opportunity to experience first hand some of our latest innovations such as OTTAVA. 2026 is on track for another successful year, exceeding expectations set at the beginning of the year. We look forward to closing out 2026 strong and setting up 2027 for continued success. Thank you to our colleagues whose dedication and commitment continue to advance innovation, improve patient outcomes and create long-term value for shareholders.

With that, we are ready to answer your questions. Kevin, can you please open the call for Q&A?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Asad Haider, Goldman Sachs.

Asad Haider - Goldman Sachs International - Analyst

Great. Thanks for taking the question, and congrats on all the progress. Just one point of clarification, on the double-digit growth by the end of the decade, the vocabulary in the press release references the progress in the underlying business quote together with strategic investments. Just want to be clear that that refers to internal investments and not M&A. That's a question we're getting this morning.

And then Joe, on your comments that you aren't satisfied with the with MedTech performance and are taking action to strengthen that growth, is the implication there that you now feel more urgency to add to higher growth areas via M&A in MedTech? Or do you think that you have the product portfolio today to drive the improved performance you're looking for? Thank you.

Joseph Wolk - Johnson & Johnson - Chief Financial Officer, Executive Vice President

Yeah, Asad, thank you for your questions. On the first aspect, that is correct, your interpretation of that being internal strategic investments is what will propel us to double-digit growth by the end of this decade in the coming years with increasing performance. So that is the correct

interpretation. It does not assume any inorganic additions at this moment in time, where we always are on the lookout for strategic drivers that could complement our business that makes sense to be in our hands versus where the asset would currently reside, but also creates value for the risk we're bearing on behalf of shareholders.

With respect to the urgency, it's an urgency to fix what we currently have. We like the portfolio and the construct that currently exists with the three focus areas of Vision Care, of Surgery, as well as Cardiovascular. I think you're very familiar, and maybe I'll even hand it over to Tim to talk about some of the things we're doing in heart recovery specifically.

To address that, I would say is now a stable business, but we want to catalyze back to double-digit growth. We're very excited at what's on the horizon for surgery with the addition of OTTAVA over time that will be a significant contributor to growth by the end of the decade. And then as I mentioned earlier, Vision seems to be functioning well both on the surgery side as well as the contact lens side where we are the market leader.

But Tim, maybe you want to offer a comment or two around Abiomed.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Sure, Joe. So Asad, ultimately, Abiomed remained a temporary headwind as you saw in Q3. But our conviction in the long-term opportunity has not changed at all. The slowdown we're seeing continues to be the same issue we highlighted in the quarter before, which is this study outside of the US focused on high-risk PCI.

And importantly, we do not view these challenges as structural in nature and ones that will drive a long-term impact on the business. We're not seeing any changes in the patient need nor to reimbursement, access or any meaningful competitive pressures.

We also have highlighted some questions we have around the study as to whether best practices were used in the study. And so our focus today is really on education and advancing the clinical evidence based to show the incredible impact that Impella has in both saving and improving lives.

And so we believe it's a short-term headwind. It's important to recognize that in any emerging area of science always going to be debate and discussion, and our responsibility is to continue to advance the evidence base to support what's in the best interest of patients.

And in the case of Abiomed, we're doing exactly that. And so a short-term headwind, but we are very confident this is going to be a strong platform for growth for Johnson & Johnson for the for the future. Thank you.

Operator

Larry Biegelsen, Wells Fargo.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Good morning. Thanks for taking the question. Joe, I wanted to ask about the 2027 comments you made at Deutsche Bank. On the top line, you said you expect reported sales growth to be similar to 2026 after adjusting 100 basis points for the extra week in both years, which I think would mean about 5.4% reported growth next year.

And on EPS, how should we think about your ability to grow earnings excluding IPR&D? And just remind us of how much the Firefly and Sail dilution is IPR&D this year and next year. Thank you.

Joseph Wolk - *Johnson & Johnson - Chief Financial Officer, Executive Vice President*

So for this year, the IPR&D dilution is \$0.64. And for next year, the combination of those deals is \$1.36. And the way I would think about that, Larry, and you've covered us long enough where you know that typically our income growth or EPS growth will be a little bit better than our sales growth. That's how you can think about that next year after adjusting for the \$1.36 adjustment.

So we'll continue to look at margin improvement as part of the Orthopaedics separation, looking more holistically at our business, some of the advances we're getting with technology and getting us more efficient across all parts of our business. But that's probably a good way to kind of frame in your thinking now for 2027. But we'll be a little bit more explicit on December 8 at our Investor Day, where we'll outline specifically kind of the components to that and then even probably provide a pro forma with respect to the Orthopaedics separation should that occur at some point next year as well as a longer term outlook.

Operator

Chris Schott, JPMorgan Chase.

Christopher Schott - *JPMorgan Chase & Co. - Analyst*

Great. Thanks so much. Just wanted to touch base on ICOTYDE. So just two-part question here. First, can you just give us an update in terms of what you're seeing in terms of patient uptake as we think about new to biologic versus oral switches versus injectable switches?

And then bigger picture for the drug, are you talking about this as a \$10 billion plus asset, but when you think about this very strong launch we've seen so far in psoriasis, we've got a number of additional indications pending. I guess how do you think about could this be a much larger asset than \$10 billion as you think about the peak sales opportunity for ICOTYDE? Thanks so much.

Tom Cavanaugh - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Great. Chris, it's Tom. Good to hear from you. First, I do want to start by recognizing Jennifer Taubert and thanking her for her tremendous leadership and partnership. Jennifer leaves Innovative Medicine incredibly well positioned as you see from our quarterly earnings with strong momentum, outstanding portfolio and pipeline, and most importantly, a great team. We're fortunate to build on that foundation she established, and I'm excited about what's ahead.

And really what I'm excited about is what you're touching on right now is ICOTYDE. We do foresee ICOTYDE to be one of our biggest assets in Innovative Medicine, and it is off to an incredibly great start as you highlighted, as Joaquin highlighted on the call this morning.

I think getting into some of the launch performance, you heard it from Joaquin already to date, we've seen over 20,000 patients initiated on therapy with over 8,000 prescribers or nearly 9,000 prescribers, I would say. So absolutely tracking better than some of most all launches in psoriatic diseases.

I think early prescribing trends is what you wanted to get that kind of as we think about, and we are expanding the systemic marketplace, approximately 60% of the patients are systemic naive, so they haven't received any systemic therapy. And roughly the 40% remaining: 20% are source from orals, and 20% are source from other treatments, most likely biologics as we dig into the data.

So I can say as you're seeing with regards to the launch performance, earlier bit of expansion of the marketplace and absolutely an opportunity to continue to drive that. Highlighted as well as Joaquin highlighted earlier, I think it's important to point out we do have broad commercial access now and preferred access in place on all national commercial plans are actively engaged to expand that to the Medicaid, Medicare population. So I would say we're very excited about the launch to date as equally as excited about the future, and we do foresee this to be one of our largest assets.

As I pointed out, we're excited about the upcoming data readouts both with PsA Phase 3 data as well as the head-to-head STELARA data for ASCEND that we should be releasing in the coming months. And as we look to expand beyond that and we'll get into more of this at the EBR on IBD and expansions into UC and CD, expecting similar results with regards to launch performance as we go into those other indications.

Operator

Joanne Wuensch, Citi.

Joanne Wuensch - *Citi Infrastructure Investments LLC - Analyst*

Good morning, and thank you for taking the question. I want to focus a little bit on MedTech here. When you use the phrase underlying fundamentals in MedTech are solid, I want to confirm that you are thinking about all the good stuff, the patient volumes, the CapEx spending from the hospitals, and then what you are seeing in terms of just general flows.

As a sister question to that, how do you or what do you think needs to be done to improve the J&J franchise? Thank you.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Joanne, it's Tim. Thank you very much for the question. Let me start by really putting the overall MedTech Q3 results in context for you and all on the call. And to be clear, our performance is below the standard we have set internally and below the expectations we previously communicated to investors.

Simply put, we can do better, and we absolutely will. And right now we are focused solely on the actions needed to deliver stronger results in the fourth quarter and beyond. And that said, when -- to your question here, when we break down our results, you will see that the pressure was primarily concentrated, but actually in two very distinct areas: firstly, our performance outside of the US; and secondly, Abiomed globally, which we already touched on.

And to put it in perspective, growth in the US, which as you know is the most important market, was in fact robust in the quarter and accelerated to almost 5%. Our performance outside of the US was a challenge, and it reflected a combination of mostly known headwinds which we have discussed previously. For example, in Surgery, the expected impact of the transformation program and the ongoing expansion of volume-based procurement in China. In electrophysiology, competitive intensity, especially in Asia Pacific, which is a region that you know is still relatively early in the adoption of PFA.

We did introduce a new headwind, which is really the incremental pressure that we're seeing on the business due to the conflict in the Middle East. But when you actually step back and you look deeper into these results, we're seeing several encouraging indicators which give us confidence in a stronger Q4 and outlook beyond that.

For example, in electrophysiology, in markets like Europe where we've already launched VARIPULSE Pro, which by the way is a faster and easier to use catheter, we're back to double-digit growth, and we will launch VARIPULSE Pro in Japan shortly after receiving regulatory approval last week. You can also anticipate a US launch by the end of this year.

I think in Abiomed, we've already touched on the study in high-risk PCI study where we actually believe that the methodology employed did not follow well established practices, an issue which we're addressing through education. We think we're going to get through that because the evidence base is so solid, especially in areas like AMI cardiogenic shock and we're still seeing tremendous performance of Impella 5.5. We did, by the way, already see some improvement sequentially throughout the quarter and we do believe that that business will be back to growth in short order.

And now, while Q3 for MedTech was not a strong quarter, this should not distort the whole picture. As mentioned, the issues are primarily concentrated in the two areas I mentioned. It's also worth reinforcing, to your question, that the underlying procedure environment remains stable across our key markets. I know there's been a lot of debate about that. Our job now is to make sure that we convert that demand into more consistent performance.

And so we remain confident in the combination of the momentum we're seeing in the US and the moderation of these near term headwinds, which will support improved performance in Q4 while positioning us for stronger performances in 2027 and beyond. And as you've already heard from Joaquin and Joe will share more detail around what that looks like for '27 and beyond, specifically with the focus on new innovations like OTTAVA when we come together on December 8. Thank you.

Operator

Jason Gerberry, Bank of America.

Richard Wagner - Bank of America - Analyst

Hello. This is Richard Wagner for Jason. I had a question regarding the ICOTYDE psoriasis launch. Are there lessons that can be learned that would be useful when ICOTYDE launches in IBD? Specifically, in IBD, competitors are developing high efficacy of combination programs and wondering how that could affect the efficacy perception by physicians of ICOTYDE. Thank you.

Tom Cavanaugh - Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine

Hi, Richard. It's Tom addressing your question. A couple things I'd point out and I'd obviously turn it over to John if he has any further remarks. So I'll say a couple things.

We absolutely know the space very well, whether to be in psoriasis or IBD. And you could tell by the launch that we had with TREMFYA in IBD, it's off to an incredibly great start as you can see with close to 70% growth year over year and heavily penetrated in becoming the actually the fastest growing biologic across all indications, in particular, in IBD new patient starts. So we know the space very well.

With that said, I will say there's still significant unmet need in a large amount of patients that are untreated or not treated earlier in the course of their diseases. And we do see that to be a great opportunity for not only market expansion as we're seeing in psoriatic disease or psoriasis with ICOTYDE, but the profile of the product fits beautifully in that spot, I would say.

Obviously, the data will depend on how we look at it in the positioning once it becomes on the marketplace, but I will tell you we'll early access is one of the other keys and we'll see rapid uptake once we get the data results, John.

John Reed - Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D

Yeah, maybe just to build on that a little bit. I think the reason that we have had such a great start in psoriasis is because of that trifecta biologics-like efficacy, coupled with placebo-like safety, combined with the convenience of a once-a-day pill. And we think that will play very well across all indications, including IBD, whereas Tom referenced still a large percentage of patients are not on an advanced therapy.

The data in our Phase 2 study were quite encouraging and look like ICOTYDE can deliver on par with the current monotherapies. Of course, we are very aware that some patients need something more, that they need a combination therapy, and that's why we are developing 4804, which pairs our guselkumab, our IL-23 inhibitor, with golimumab, our TNF inhibitor. And that is in Phase 3 studies now after really compelling Phase 2 data that show that in that refractory population that have failed two or more prior advanced therapies, this really delivers superior efficacy to the monotherapy.

So we're actively pursuing that for those patients where a monotherapy is not enough and could see then that opportunity to migrate patients if needed beyond the monotherapies to the dual therapies with our co-antibody therapeutic 4804.

Operator

Vamil Divan, Guggenheim Securities.

Vamil Divan - *Guggenheim Securities LLC - Equity Analyst*

Great. Thanks for taking the question. Maybe one just follow-up and then one actual question following up on the ICOTYDE. Appreciate the comments you've made so far.

Just curious if you would be willing to provide any commentary around the actual net sales in the quarter or on how compares to where consensus was? We're just getting some questions from investors on that specifically.

And then my other question is just around INLEXZO. So appreciate the comments there you made around the sales so far. I'm wondering if you can just quantify. I know you have the data coming up later this year as well, how you see the market opportunity for that expanding based on the current indication, and then what the SunRISe-5 data, what the size of that opportunity is relative to what you have currently? Thank you.

Tom Cavanaugh - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Yeah. Obviously, we haven't disclosed any sales for ICOTYDE, but I'm confident we're going to be doing that next year just based on the momentum and the progress that we're seeing with the launch of ICOTYDE.

Turning over to INLEXZO, also another exciting product that we have or even a platform as we think about TAR-210 as well and the opportunity that exists for us, we're off to an incredibly great start. Joe disclosed that we're nearly \$200 million in net trade sales year to date.

And quite honestly, we haven't reported quarterly sales, but I could say that Q3 was north of \$90 million. So we're seeing great sequential growth this quarter. We saw new patient inserts grow 45% versus the previous quarter.

And I wanted to point out that this isn't a population in non-muscle invasive bladder cancer, high risk with carcinoma in situ. It represents roughly 4,000 patients in totality, so relatively small in nature, and we're still seeing one in three patients being put on INLEXZO in this patient population.

You touched on SunRISe-5, which is a broader patient population, roughly 15,000 patients, and what we call SunRISe-3, which is the BCG naive population, roughly 50,000. This is where we absolutely see a greater opportunity for us to live into the number of \$5 billion-plus for the platform. And I do believe we will do just that and above that given the unmet medical need, the simplicity of INLEXZO delivers and the high durable complete remission rates that we are delivering with INLEXZO as we look to expand in the population.

Maybe I will turn it to John to touch on a little bit of the clinical development program.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Indeed. As you know, the approval currently is for the CIS type of non-muscle invasive bladder cancer, which spreads laterally. The more common is the papillary, and in our so-called SunRISe-1 study, we had a cohort devoted to patients with papillary cancers where those lesions which project outward from the bladder wall are excised by the urologist and then INLEXZO is applied, and one tries to prevent

recurrence. We showed nearly 75% of patients had no recurrence after one year and that over 95% had no progression of their disease. In other words, they did not progress to more invasive types of disease.

So based on that, the use of INLEXZO in that papillary form of the disease, which is by far the more common, is already in the NCCN guidelines, and the FDA has invited us to submit for expansion of our label into that population.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Both ICOTYDE and INLEXZO are going to be, together with RYBREVANT, key drivers of our growth acceleration driving to double-digit growth. So they will become one of our largest products both of them.

Operator

Michael Yee, UBS Securities.

Michael Yee - *UBS AG - Analyst*

Great. Thank you for the questions. Maybe two pipeline science questions. On ICOTYDE, obviously, you have great data in psoriasis, a little bit lower than biologics, but great data. In IBD, the UC data was quite strong, and just wondering if you think that would be replicated to biologic-like efficacy as an oral, and that differentiation there due to the release in the gut is a reason for the potentially stronger data in IBD, which could be a bigger driver.

Second part question is on milvexian. I know you share in that partnership, but SSP data is coming up, and I just wanted to check in on your confidence that that should be similar to asundexian, and that should be a fairly de-risked indication as a Factor XI. Thank you.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

John Reed here. Thanks for your questions. I'll start off, and then maybe Tom will want to supplement. But on ICOTYDE in IBD, we get that question all the time, asking might we see even greater efficacy with an oral because of the gut absorption. All I can say is to be determined. We were quite pleased with the Phase 2 data in ulcerative colitis.

I would also say the Phase 3 studies, as we saw with our psoriasis and psoriatic arthritis studies, are enrolling briskly. In the prior studies, they enrolled in about a third the time that it normally takes us to enroll in those indications, reflecting, I think, the real enthusiasm that both physicians and patients have for this oral option. So that theory about oral absorption and improved efficacy is to be determined by the data.

Moving to milvexian, we remain confident in the studies underway, particularly with the secondary stroke, because of the asundexian data. As we know, in vitro, milvexian is a more potent inhibitor of Factor XI. We also have been able to have a safety margin that allows us to push that dose to ranges that we are confident are quite effective.

So we remain confident in the results and expect that perhaps the secondary stroke data will be available even this year. It's event-driven, the study. The atrial fibrillation, the larger population, will be next year. It will be exciting for us if we can prevail in both those indications because about 25% of patients who are candidates for secondary stroke have atrial fibrillation. That's probably why they had the stroke in the first place. And so if we can benefit both of those populations, that will be exciting.

We are confident in the atrial fibrillation study as well. There, we were able to push the dose four times higher, given our safety margin in the drug, and feel from monitoring of the anticoagulation status of the blood with laboratories, that we are in the right range to benefit patients and prevent thrombosis. So thank you for the question.

Tom Cavanaugh - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Yeah, I just reinforced with John, I said there's an absolute need for highly effective oral anticoagulation therapy with the reduced bleeding risk. In AFib alone, approximately 40% of the patients eligible for oral anticoagulants are not receiving oral anticoagulants, typically due to the concerns on potential safety and the bleeding risk associated with the current ODACs.

Operator

Jayson Bedford, Raymond James.

Jayson Bedford - *Raymond James - Analyst*

Good morning. Thanks for taking the question. Just I wanted to go back to the international MedTech business. Is there any way to quantify the impact of the dynamics in the Middle East and VBP?

And then Tim, I want to ask about international surgery. First, just to confirm your view is that there's been no change to the underlying demand profile internationally? And then second, I think Joe mentioned taking actions internationally for surgery. What are those actions? Thanks.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Thank you, Jason. Let me try to get to all of those. Let me start with the Middle East, and clearly, we've highlighted that as a new risk that has broadened over time. And really the effect is no longer limited to a handful of markets as we initially thought.

We've seen increased disruption to ordering patterns, tender timing, and hospital spending decisions across a wider group of countries unfortunately. And we've also seen governments and healthcare systems become more cautious in their spending priorities with some funding and procurement decisions taking longer than what we normally would expect. That has created a more meaningful impact on purchasing behavior than we saw earlier in the year.

That said, I think it's important, that we see this really as a short-term factor. I mean, the underlying issues have not changed. The clinical need remains intact, and we would have -- we would expect many of these opportunities to be deferred rather than permanently lost. I think that's an important factor as it relates to any form of conflict and certainly what we're seeing in the Middle East.

On Surgery, as I mentioned, we were actually really excited about the performance of the business in the US. Our issue really was outside of the US, and as you know, primarily driven by factors we've discussed before such as the transformation program and volume based procurement and then of course the incremental pressure that we've just mentioned around the Middle East.

I will say that despite those headwinds, we'll focus on where we can have an impact and we have a lot of opportunities, you know wound closure growth continued to benefit. This is a category where we absolutely dominate, and that growth has been driven by innovation such as STRATAFIX and PLUS sutures Biosurgery and north of billion-dollar platform delivered solid growth driven by key brands like SURGIFLO, SURGICEL, and VISTASEAL. And we continue to see good traction with our endomechanical innovations such as Ethicon 4000 and DUALTO.

And so we are confident that we will see continued growth in the US, and to your question, we will see acceleration in EMEA and return to growth overall in the fourth quarter.

I do think it is also worth mentioning our confidence in this business going forward. This was the core to how we started Johnson & Johnson MedTech, and we are absolutely committed to it for the long term. I would say the biggest reason for confidence is the fact that we will be entering the surgical robotic space. And combined with our leadership positions across wound closure, biosurgery, and advanced instrumentation, we believe that OTTAVA gives us an opportunity to participate more fully in one of the most attractive and under-penetrated areas of surgery.

And so as we continue to execute our portfolio transformation, advance innovation across the existing business, and prepare for the launch of OTTAVA, we remain confident in the long-term trajectory of the surgery franchise. We do get a lot of questions on OTTAVA, and rest assured that when you come together for the meeting on December 8, we will provide perspective on the outlook for that innovation and further build your confidence in what we believe will be a material contributor to Johnson & Johnson's growth over the long term. Thank you.

Operator

Alexandria Hammond, Wolfe Research.

Alexandria Hammond - *Wolfe Research LLC - Equity Analyst*

Thanks for squeezing me in. So I guess as the CARTITUDE-5 and 6 trials have advanced in newly diagnosed multiple myeloma, how is J&J preparing to educate physicians and treatment centers for the potential shift to use it earlier into the treatment journey? And I guess how should investors think about potential to capture share from these existing frontline regimens? Thank you.

Tom Cavanaugh - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Hi, Alex. It's Tom. Thanks for the question. I think first and foremost, yes, we're anxiously awaiting for those trials to read out. I would say we're already doing that right now with CARTITUDE-4 across the globe. CARVYKTI is available in 20 markets, and we're seeing substantial share growth in the earlier line settings. And I would say roughly in the US, 50% of the utilization of CARVYKTI lies in lines two and three.

So there's becoming more familiarity with the product and access to the product and excitement about it, predominantly due to the unmatched overall survival as early as line two of therapy that we see in versus standard of care. So we're already educating healthcare providers on the product and how they can utilize it earlier.

Some of the education that is centered around is appropriate patient selection, and the earlier the better, as well as proper bridging, getting the patients to the highest level MRD negativity to be effectively treated with CARVYKTI.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Great. Maybe just to remind on top of that, at the recent International Myeloma Society meeting, we showed five year follow-up data from the CARTITUDE-2 study that's in second line, showing that about half of those patients enjoyed complete remission out to five years with no further treatment. So one and done in five years of continued disease-free survival.. So very exciting data.

Ryan Koors - *Johnson & Johnson - Vice President - Investor Relations*

Great. Thank you, John, and thank you, Alex for the question, and thanks to everyone for your questions and continued interest in our company. I will now turn the call over to Joaquin for some brief closing remarks.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Thank you for your questions and your engagements in today's call. As you can see, we continue to build momentum. Growth improves sequentially in the third quarter, and we expect further acceleration in 2027 with a clear path to double-digit growth by the end of the decade.

In Innovative Medicine, growth will come from both our existing portfolio, including DARZALEX and TREMFYA, and newer products such as ICOTYDE, RYBREVANT, and INLEXZO, as they begin to contribute more meaningfully. We see similar opportunities in MedTech, the potential from our Cardiovascular launches, including next-generation PFA and IVL catheters. Additional data supporting Impella. And OTTAVA in robotic surgery are not yet fully reflected in our growth.

Taken together, these drivers position Johnson & Johnson as one of the cleanest growth stories in healthcare. We will provide more details about our portfolio and later-stage pipeline at our Enterprise Business Review later in December.

Thank you very much, and enjoy the rest of your day.

Operator

Thank you. This concludes today's Johnson & Johnson's third quarter 2026 earnings conference call. You may now disconnect.

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