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PRESENTATION

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Thanks for joining us. We're so pleased to have today Peter Menziuso. With a name like Miksic, you think I'd be better at pronouncing complicated names, but company Group Chairman, Johnson & Johnson Vision, I appreciate you joining us again this year. It's a real pleasure to have J&J in general and Vision in particular.

QUESTIONS AND ANSWERS

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

I thought maybe it would be a good place to start just on market trends exiting the pandemic, been very strong elsewhere. I know that proximity throughput, on the one hand, much of Vision happens in the outpatient clinic or in the doctor's office, but even that was a little constrained. If you could talk a little bit about what the sort of bounce back like that has been. And how trends compared to the strength we've seen in utilization and volumes across other medical devices and health care areas.

Peter Menziuso

Excellent. Matt, again, thank you for the invite back. We very much appreciate the opportunity to talk about Johnson & Johnson Vision, part of our MedTech segment of Johnson & Johnson.

What I would start with is sight is our most dominant sense. And it's a sense that one fears losing more than anything. And 80% of what we perceive around the world is -- or in your life is through sight. We're very, very proud as the Johnson & Johnson Vision organization to touch more than 40 million lives around the world. And as we think about that, it's interventions that are starting as early as the pediatric eye, to the developed eye, to the aging eye.

And to your question of, where do we see post-pandemic the market evolving? We see a \$15 billion category that we're playing in today, growing at 5% to 7% between now and [2027], and a market to which, through our leading platform of ACUVUE and our leading platform of TECNIS, our ability to grow faster than that market growth, so lots of potential.

You think about the aging population. You think about -- for those that are wearing contact lenses today, about 120 million people. That's about 10% of the addressable population. So we say we're just scratching the surface there. If you think about cataract disease, cataract is not about if, it's about when. And cataracts being the #1 surgery performed around the world, only 10% to 15% of people are getting into premium lenses.

So post-pandemic, a lot of opportunity, a lot of people to serve. We're well positioned with our innovation to continue to grow above market. And so we're very encouraged, what's in front of us.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. One of the things you called out at your enterprise business review day in December was that along the lines of these penetration levels and sort of, particularly in contacts, that's -- I was a little bit surprised to see 5% was sort of -- I guess, that's a global penetration level. What kind of opportunity do you see to move that higher? Or is this a matter of extending your leadership in contact lenses, and geographically to increase penetration? But is there an opportunity in, say, developed markets with new lenses and greater comfort to actually drive increased adoption?

Peter Menziuso

So the contact lens segment of the category that we're in is about a \$10 billion market, growing on a range of 5% to 7%. Again, we see ourselves advancing beyond that. What's really important about contact lens penetration is really thinking about some of the barriers that are preventing folks to get into the space of contact lenses.

One, it starts with comfort. For anyone who has worn contact lenses, you'll clearly understand what I mean about that. The second is thinking about just the anatomy of the eye. 40% of people have an eye that is shaped like a football, an astigmatic eye. It's incredibly important from a design point of view.

And then you think about people that are aging out of contact lenses. This is when presbyopia kicks in. And the way we describe that is, you're in a restaurant, low light, and that restaurant menu starts to get further and further away. People don't recognize that contact lenses through multifocal solutions can be an offering so that you don't have to age out of contact lenses.

We, as ACUVUE, are able to address all of those entry points or barrier points to get more into the space of the contact lens category. I'm very, very proud of our most recent innovation that we've just launched ACUVUE OASYS 1-day MAX, which is really addressing, one, comfort with its tear film-stable design. It's working with the natural tear film of our eye, really focused on end-of-day comfort. And then also from a light filtering. In the world that we live in, with all of the digital constraints that are around us, our MAX technology is filtering out blue violet light 2x greater than our competition.

And then I will tell you, I'm an incredibly proud wearer as a consumer and a patient of the multifocal lenses. And for me, it's unbelievable, the freedom that I gained back versus being bound to my spectacles. And I will tell you, I have to be very thoughtful about remembering to take my contact lenses out at night because I've got terrific comfort by the end of the day.

So we feel really good about the ability to continue to penetrate based on our innovation that we are designing, specifically really to think about anatomy, physiology and lifestyle of patients.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

So if we take maybe just at a high level, sort of like dailies, maybe roll toric into wherever they go, and say, putting aside sort of like longer-term monthly lenses or something like that. But just staying with dailies and multifocals and sort of market growth that you described. Are both of those still growing above market? And so like 7% to 8%, 7% to 9% in sort of those 2 specialty categories? Above mid-single digit?

Peter Menziuso

Yes. So -- and I'll talk about the 2 points on the modalities of reusable and daily disposable. Multifocal, especially with our launch of OASYS 1-Day MAX multifocal, we have seen unprecedented share growth since we've launched. So incredibly pleased with the performance of that product and how we're going to -- and that is giving us a continuous encouragement to scale around the world, both our spherical platform as well as multifocal.

What's very important is, when you think about patients coming into the category, 50% of people coming in are coming into our reusable segment, 50% are also coming into daily disposable. We see expedited growth on the daily disposable side that we are driving through our ACUVUE OASYS family, and now with the inclusion of MAX. So very important modalities that we continue to grow into.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. And those are new patients who are just splitting into that two groups.

Peter Menziuso

So new patients are crucially important for penetration as well as keeping engaged patients in contact lenses, getting them back to their eye doctor for comprehensive eye exams as well.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. And those growth rates that you were talking about, are those are volume growth rates? Is it revenue growth rates?

Peter Menziuso

The 5% to 7% is volume growth rates -- I'm sorry, are value growth rates.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Value. So revenue. And then so in there similar is also, I guess, is mix.

Peter Menziuso

From a volume point of view, 50% of patients are coming in to reusable, 50% are coming in daily disposal. Value is about 60% daily disposable.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Got it. That's helpful. Okay. All right. And then I guess competitively, you are the market leader in a lot of these areas. I mean, are you able to still pull out sort of growth rates in line with markets in developed markets? Are you sort of relying on geographic expansion to kind of maintain your sort of market or above-market growth rates? Maybe talk a little bit about that.

Peter Menziuso

Yes. So the space of bringing innovation that's going to be rewarded based on science, and differentiation is crucial to how we grow. Above-market performance is a focus across all of our markets. We are sitting, as you know with ACUVUE, in a #1 position in our contact lenses. A very important position. As I spoke about with our launch of MAX, we continue to see the ability to acquire more wearers, protect our base and continue to secure that leadership position that we have in contact lenses.

In the space of intraocular lenses, 80% of procedures are in the monofocal form. We are sitting in a #1 position in that space. TECNIS Eyhance is an incredibly important platform there. But we're working -- it's our third consecutive year of growing market share in intraocular lenses with this year being another one that we're going to be proud to declare as our fourth consecutive year. And that is through the work that we're doing with our premium intraocular lenses.

So very important launches, our TECNIS Odyssey, our TECNIS PureSee platforms, which are next-generation intraocular lenses in the premium segment, it's going to be really important for our growth moving forward.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. So yes, IOLs is something that I did want to get to and maybe talk about -- I mean, just for background, you did have a pretty significant market leadership, call it, in the -- I don't want to say the absence, but sort of a diminished performance period from one of your leading competitors, who then kind of came back with the new products and has kind of pulled back some of that share. So now it's a bit more of an active engagement for share in the monofocal and in the sort of AT-IOL segment of the market, higher-value segment.

Odyssey and PureSee, maybe talk a little bit about Odyssey seems like a next-gen synergy sort of EDOF and multifocal hybrid or something like that. Maybe talk about how you're -- how you expect that to sell against, so the trifocals and the other products that have launched up in the U.S. and taken some share.

Peter Menziuso

Yes. And what I would say is we of course welcome competition. It makes us make sure that we're really thinking about the biggest unmet needs in the marketplace, and we're taking differentiated science to make impact. Very proud of the position that we're sitting in monofocal with the #1 market position. And then, of course, in the premium side, the PCIOLs, the launch of PureSee and Odyssey are incredibly important to how we're helping patients see better.

And what I would say about Odyssey - is Odyssey is an extended depth of vision next-generation PCIOL. So going from near, mid- to distance vision. We will be launching in the second half of the year in the U.S. And feedback coming out of our limited market releases

from surgeons has been incredibly positive. And so we're really, really encouraged with the launch of Odyssey.

PureSee is moving into a new segment, a purely refractive presbyopia-correcting IOL, and we're very excited for someone who is potentially with some visual disturbances wanting very clear mid- and distance vision. And we're bringing that out.

Both platforms will be launched across the globe. And again, Odyssey is going to be for spectacle independence, and then PureSee is going to be more for mid and distance vision. But really driving premiumization in the marketplace as global platforms.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. And so a couple of things on that. So Odyssey, maybe if you could talk about what -- if there were sort of like competitive gaps or opportunities for competitive differentiation, how does ODYSSEY kind of take that synergy symphony versus the competition battle a notch higher?

Peter Menziuso

Yes. So Odyssey and PureSee, our next-generation intraocular lenses are building on our TECNIS platform. And Odyssey, as I was saying is, again, for that person that wants to be spectacle-free and have full range of vision, it is a phenomenal solution. And so again, terrific feedback that we're getting in studies now and very encouraged as we launch in the second half.

PureSee, again, is going to be for someone that is going to want a very crisp mid-and distance vision, potentially some light sensitivity. But again, these are next-generation intraocular lenses that we'll be building on our premium portfolio.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. Yes. And I guess -- and just to be -- I know I always emphasize this too much. But sometimes, as analysts, it's hard for us to slot in like where -- how do these line up exactly? But to be clear, PureSee is described as purely refractive, which means non-multifocal. And then so with some benefit as have a branded InteliLight feature...

Peter Menziuso

That's right. Full vision without any kind of disruption.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Yes. And better on things like halos. So that would be kind of the drawback from some of these multi-focal lenses. Does this take from Eyhance? I mean, obviously, you don't line up a product to take from your existing product. But how does it complement Eyhance?

Peter Menziuso

What's most important is that we have a full range of solutions for patients. And in that conversation, that critical conversation of a surgeon and a patient, where lifestyle, outcomes, expectations, anatomy, physiology are discussed, having a breadth of solutions is incredibly important.

So that role of monofocal lens is that we are right now with TECNIS Eyhance and have dominant share we have, that's going to be a crucial platform as we continue to have a breadth of offerings across surgical choices of patients and doctors.

But again, the growth that we're really laying into is that premium side. So how do we drive premiumization that we've seen very nicely in Asia and in Europe into places like the U.S.? That is going to be a geographic focus that we have as we launch both brands across the world.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. Helpful. Maybe changing gears just a touch into an area where the company had invested for a while, I think, and kind of built up a business around Meibomian gland dysfunction. And maybe talk a little bit about LipiFlow a moment. How big is that business now? How important is it to your commercial strategy dealing with clinics and doctors?

Peter Menziuso

So as Johnson & Johnson Vision, as a business of Johnson & Johnson focused on Vision, we're really thinking about three strongholds as our primary areas of focus: The pediatric eye, the developed eye and the mature eye. An area in pediatric eye that's incredibly important is myopia. As we think about developed eye, we're working again in Advanced Optics, the platform we're doing inside contact lenses. When we think about the mature eye, this is where presbyopia and cataract disease comes in.

When you ask about the space of dry eye. Dry eye is a very important segment, and the work that we're doing in gland dysfunction, that's a very small segment of the dry eye space. And LipiFlow is an in-office leading solution in that segment. But I will tell you, we're really keeping our priority focus on how are we building a standard of care in myopia? How are we continuing to advance comfort and that visual acuity inside contact lenses with MAX? And then how are we transforming intraocular lenses, especially on the premium side, with TECNIS, PureSee and Odyssey? That's where our focus is really leaning.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. So taking those in order, I think over the last couple of years, you've touched on myopia and your sort of plan to tackle that as an opportunity. One of your competitors has been a little more out in front and launched a product overseas and in the U.S. When will we see sort of a major launch year announcement from you?

Peter Menziuso

So as a company that's backed and really focused on insight and need. When you think about myopia, statistics that really motivate us in the space is 50% of the world's population living with myopia by 2050. This will say to you, as a healthcare company backed by J&J with a focus on eye health, we must play a role there.

I was recently in China doing some immersions in the space of myopia at the end of last year. 95% of teenagers in China are living with myopia. And this, for us is -- we need to create a standard of care. And yes, we have our Abiliti platform. This is both soft and hard lenses that are focused on the progression of myopia.

But we're also looking at working with healthcare professionals. How is it that we can help them better identify patients that are either predisposed, or through lifestyle screening for myopia, how do we work with healthcare professionals? That's an arm of focus that we have.

We're also thinking about the portfolio. So yes, we've got soft and hard lenses. But what's the comprehensive portfolio that's really going to be necessary to slow the progression, of myopia management?

And then last is what is the business model that needs to be developed because it's not a singular moment where you're buying an annual supply of contact lenses or you're having acute surgery for cataract disease. This is a disease that will -- you manage for 18 years until the eye really matures. And we're also working through business models.

So what I would say is we're entering into myopia through our Abiliti platform. We're very much grounded in the statistics of the need, the epidemic that myopia is around the world. And then we're thinking about how we can create a standard of care where you would expect J&J to be really advancing, with the healthcare community, the management of myopia. So a very important area for us.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. So still important. No big announcements to speak through this year. But should we expect you to...

Peter Menziuso

This year is a continued focused year on building out the standard of care.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Got it. Okay. And you mentioned China. You've got sort of like an above-average position in [Mainland] China as well. Maybe talk about some of the trends you've seen there other than what you mentioned, and sort of how you're sort of leveraging that. Because that seems

to be, I don't want to say the epicenter, but when folks talk about young person's myopia, the conversation always seems to lead to China.

Peter Menziuso

Yes. So China is an incredibly important market for us when we're thinking about our one mission, to create a world where people again can thrive through vision. We say we make the dream possible. And the work that we do, the 40 million people that we have touched.

The market of China is incredibly important. Whether it's the work we're doing on contact lenses or the work that we're doing in myopia. We're also sitting in a #1 position with intraocular lenses inside China.

So what I would say is there's a very focused effort by not only Vision, but also our MedTech segment, to really think about how we are advancing healthcare in China.

Matthew Stephan Miksic Barclays Bank PLC, Research Division - Research Analyst

Okay. So leveraging that, nothing more specific than that at the moment. But yes, I think a lot of folks are really...

Peter Menziuso

We're going to continue to bring our MAX and TECNIS PureSee and Odyssey across the world, including China.

Matthew Stephan Miksic Barclays Bank PLC, Research Division - Research Analyst

Okay. So maybe shifting gears a little bit to margins and profitability. I know you don't talk a ton about this division specifically. So I won't ask the obvious question that you don't disclose or talk about. But maybe in terms of dynamics, one of the things we think we know about the daily market, where you're a leader in contact lenses, is that it does require a tremendous amount of capacity to deliver and to grow. And there is sort of a margin difference between reusable, between premium and between dailies. Maybe you can talk about some of the internal efforts or optimization efforts or platform choices that you're making, facility rationalization choices that you're making, as you look to, I'm assuming continuing to drive favorable margins out of a business that great growth, great market positions, but with some I think challenging manufacturing, fixed asset and margin mix across the business.

Peter Menziuso

And as you said, I won't be able to be in a place to really comment specifically on financial health of Vision versus Johnson & Johnson. But what I can say to you is our financial outcome is actually incredibly competitive versus our composite.

We're continuously looking at volume as a growth driver. This is with patient acquisition, but also price. We still see price as an important driver of growth as we move forward.

We're working exceptionally close with our supply chain organization in an end-to-end business unit mindset where supply challenges that we have previously had are behind us. We are now able to meet service levels and trajectories of demand that we've looked forward. But we're also very thoughtful around continuing to optimize our cost structure inside supply chain.

We think about the elements of the P&L, we're making investment. We're very, very thoughtful about where we're investing in dollars to maximize growth and also maximize value back to R&D, to innovate and have the solutions that we've talked about.

And what I'll tell you is I feel very confident about, as we look at that market growing 5% to 7%, ourselves being positioned to grow above market, that we're now translating that into what are the capital needs to make sure that we meet that? And really prepare ourselves from a supply point of view to have all of the volume necessary to meet the underlying demand?

So we're in a very good financial position, very well positioned versus our competition. And then we have -- of course are backed by Johnson & Johnson, which is a great enabler as well.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Sure. Okay. So we've got a little less than a minute. Maybe just to finish on division activity around white space and potential M&A opportunities, strategic investment. You've made some small-ish investments, as we've talked about LipoFlow a number of years ago. But I think the one that keeps coming up is migs and glaucoma, your interest organically, strategically, and maybe the level of activity we could expect.

Peter Menziuso

So as we've talked about this mindset from early need all the way to late-stage needs, even the collaborations that we're partnering with on our pharmaceutical company in the space of rare disease. I'm very encouraged by our internal portfolio, building on our core of contact lenses, building on our core inside our surgical vision business, how we're creating a new standard of care of myopia.

But we're looking at unmet needs. And as we think about unmet needs, we have built a business development strategy that will complement our internal R&D portfolio to continue to advance our leadership in the space of vision. So we are very much open to a collaborative approach where BD comes in, which can be early seed investment, it could be collaborations, it could be acquisitions. And this is kind of the spectrum of focus that we have in this space.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Okay. But you have a call point obviously in surgery. So should we be thinking more along the lines of a combination of tuck-in technology and your internal R&D efforts as opposed to platform acquisitions for something like a new area like glaucoma?

Peter Menziuso

I think it can be, again, where unmet need is required, science is going to be rewarded. And we can bring accretive value quickly to the P&L., these are spaces that we're going to be very, very open to.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Well, thanks...

Peter Menziuso

Thank you again for the time, everyone. Appreciate it. Thank you.

Matthew Stephan Miksic *Barclays Bank PLC, Research Division - Research Analyst*

Thank you.

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