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PRESENTATION

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good morning, everybody. I'm Chris Schott at JPMorgan, and it's my pleasure to be hosting this fireside discussion today with Joaquin Duato, Chairman and CEO of J&J. So Joaquin, Happy New Year. Great speaking with you today.

QUESTIONS AND ANSWERS

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I thought it might be a good way to start the conversation just with some of your reflections on 2023. It was obviously a very busy, very productive year for the company. So why don't we kick off there, and we can jump on some topics from there?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Thank you, Chris, and good morning, everybody. Yes, 2023 was a very productive year for Johnson & Johnson. We had our Enterprise Business Review Day back in December. And it was a very symbolic moment for us because for the first time, we presented what is the new Johnson & Johnson, exclusively focused on innovation and R&D through medical technology and medicines. So we have the opportunity to do that at the New York Stock Exchange. We rang the bell, and it was a symbolic moment for us.

This new company, the new Johnson & Johnson, has the opportunity to play across the entire patient continuum. I always give the example of lung cancer. We can diagnose lung cancer with our robotic-assisted bronchoscopy system, Monarch. We can perform surgery with our smart instruments, and then we can treat lung cancer with our medicines.

So I cannot think about any other company that can play across the entire patient continuum as Johnson & Johnson can do, and that is unique. At the same time, by being focused only on medical technology and medicines, we are going to be a company with a higher growth profile, with better margins and more focused and more specialized. So it's the beginning of a new phase for Johnson & Johnson in which while we are more focused or more specialized, we remain the largest and most diversified health care company in the world.

Our sales are about $85 billion and we have 25 platforms of more than $1 billion in annual sales. So we maintain our size, our scale, but yet we are more focused and simpler than we were before now that we are a 2-sector company.

So 2023, it's the beginning of that new phase and we have had a strong 2023. During the first 9 months of 2023, our growth as a company was close to 7% and 8% operational and you count also Abiomed there. So for a company our size, this is a very significant growth.

In Pharmaceuticals, in the first 9 months of the year, our adjusted operational growth, excluding the COVID vaccine was 6.5%. And in MedTech was 7.5% adjusted operational, and more than 12% when it comes to the operational growth count in Abiomed. So strong growth, top-tier growth in both of our franchises and some strategic progress.

If I go to Pharmaceuticals, we have the approval of TALVEY, our GPRC5D bispecific antibody in multiple myeloma. We had important filings like CARTITUDE-4, also in multiple myeloma in 1 to 3 prior lines or our MARIPOSA studies in our chemo-free EGFR-mutated nonsmall cell lung cancer combination.

So important progress there in our filings in the pharmaceutical group. We also presented important data that most likely we'll comment later, data connected with CARTITUDE-4. We also presented data in our new targeted oral peptide, anti-IL-23. We presented data on our new targeted release system, TARIS, in localized bladder cancer. So a rich year in our ability to present data to sustain our pipeline.

On the MedTech side, we also provided insight in our soft tissue robotic system, Ottava, and we announced that we would be filing for an IDE in the U.S. in the second half of this year. We made significant progress in our PFA suite of catheters, and we have already completed our INSPIRE study with our VARIPULSE catheter.

So we continue with the integration of Abiomed, which as we can discuss later, is running ahead of our models. And it's giving us a gateway into cardiology and especially into interventional cardiology. And we completed the acquisition of Laminar, which is an earlier stage deal, but it's going to give us the opportunity to get into the left atrial appendage device. So a good year from a growth perspective and also from a strategic perspective.

And when it comes to overall 2023, while we will provide the final data in the fourth quarter earnings call, at this point, I feel very confident that we are going to be able to deliver on the guidance that we provided. And as a reminder, we increased our guidance twice during the year. So we feel very confident that we'll be able to deliver on the guidance that we provided.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Excellent. I know we're fresh off of the new J&J's kind of first Enterprise Business Review Day. As part of that, you gave company-wide growth targets for 5% to 7% annually. Maybe just elaborate a little bit on the drivers of that growth profile. And what parts of the story you see as underappreciated by investors right now?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Yes. So it's been 2 years that I'm in the role of Chairman and CEO of Johnson & Johnson. And I have commented with you guys many times what are my key priorities. One was to create the new Johnson & Johnson. We already completed the separation of our consumer business. So that's ongoing. The second one was to make sure that our MedTech business is a best-in-class medical technology business. And the third one was to provide visibility and clarify our growth outlook for our pharmaceutical group post biosimilars entry to STELARA, which was a common question.

So we wanted to provide more visibility during our EBR to these last 2 priorities, best-in-class in MedTech and growth post-STELARA biosimilar entry. So let me start with the Pharmaceutical group that now we call innovative medicines. We gave guidance overall for the enterprise in this meeting that in 2024, our revenue growth was going to be 5% to 6%. In 2025, we provide guidance for the total enterprise of 3%.

And then specifically for the Pharmaceutical group, we said that in the second half of the decade from '25 to 2030, our growth was going to be as compounded average growth, 5% to 7%. That is including the impact of the biosimilar entry of STELARA, the impact of IRA and also the impact of the potential other patent expirations that we may have at the end of the decade. And I will try to go into that for a second now.

We also provided guidance for our MedTech group, and we commented that we plan to be able to grow at the upper end of the markets that we compete. So what are the drivers in the Pharmaceutical group? Three main drivers. One is continue to gain share and expand into new patient populations with our existing portfolio. That's a key one that sometimes gets underestimated. That's gaining share with DARZALEX in first line. While we think we still have 50% of the market to be able to expand. That is about TREMFYA in inflammatory bowel disease, which we plan to file in 2024.

So those are important areas for us to continue to grow as well as progressing with CARVYKTI. As you have seen, every quarter, we continue to progress with CARVYKTI. So that's a very important component for our growth.

The second is to deliver in our pipeline of innovative medicines. So pretty soon, we're going to be in a position to have our lazertinib plus RYBREVANT in the market, and it's going to be the first chemo free first-line EGFR-mutated nonsmall cell lung cancer. So that's an important opportunity that is in front of us. But we have others like our TARIS platform or our new oral IL-23 targeted peptide. So those are elements of our pipeline that we continue to deliver.

And then the third one, it's about creating the next wave of innovation not only for this decade, but for the next decade. We are a company that operates in multiple modalities in pharmaceuticals, in gene therapy, in cell therapy, bispecific antibodies. So we have a significant breadth, and we have a number of assets that we think are going to be important not only in this decade, but in the next decade.

For example, our anti-tau monoclonal antibody for Alzheimer's disease, which is one of these assets that we think it's going to be and we projected that more than $5 billion in peak year sales. So those are the 3 drivers. When you think about our projections, 70% of the pipeline sales that we are considering are sales that are products that are already in Phase III. So in that sense, is significantly derisked.

We also commented that we plan to have by 2030, 10 assets with peak year sales potential of more than $5 billion. So the drivers of our confidence in the growth of our Pharmaceutical group, it's driven by the strength of our existing portfolio plus the pipeline what we described there. So moving into MedTech. What are the drivers? I'm also going to use 3 again.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Perfect.

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

So the first one is that we continue to improve our pipeline and our ability to move into higher growth markets. When you think about our existing sales, in 2018, 20% of our sales were in markets that were growing more than 5%. Today in 2023, we have 50% of our sales in markets that are growing more than 5%. So it's important for us to continue to move our portfolio to faster growth markets and to continue to deliver in our pipeline.

The value of our pipeline compared to 2018 has more than doubled. And we estimate that by 2027, 1/3 of our sales will come from new products. So that's the #1 driver, how we are moving our portfolio to faster growth markets driven by innovation. The second one, it's our global scale. 50% of our sales of our MedTech business are outside of the U.S. We are the largest medtech company in China. We have unparalleled brand equity and hospital penetration everywhere.

We have a very large professional education and clinical group that can support surgeons and clinicians, and that helped us leverage that position. For example, with the acquisition of Abiomed, then we can use the scale of Johnson & Johnson outside of the U.S. to be able to amplify the therapy.

And then finally in MedTech, we continue to work in gaining operational resiliency in our supply chain, improving our margins and focusing on the areas that we have more room for improvement. For example, in orthopedics in which we have announced a restructuring program, in order to be able to improve our margins. So those are the 3 drivers of our growth in MedTech moving into the second half of the decade.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Lots of drivers around that. It's good to see. Maybe just digging into the Innovative Medicines business a little bit. I thought it was interesting at the analyst meeting that you did highlight several assets where you saw major disconnects between J&J's expectations and where the Street is. Can you just elaborate on those products? And kind of what gave you confidence to -- what do you think are results in that and the disconnects we're seeing?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

So the numbers of them that were presented there at the Enterprise Business Review -- and for those of you, you can go back to our Investor Relations site and you have the full presentations of the Enterprise Business Review. So there were a number of products there. The first one are our bispecific antibodies in the treatment of multiple myeloma. So TECVAYLI, BCMA, CD3 and TALVEY GPRC5D CD3. In the case of these antibodies, we plan to continue to develop them in combination, in sequencing, in combination also with DARZALEX. And we plan to move them as we are doing with CARVYKTI into first-line treatment. So I think that is underestimated.

In the case of TECVAYLI, what we said at that meeting is that we think our sales and every number here that I'm going to say is anchoring 2027, that our sales -- internal sales in 2027 are about 25% higher than the Street numbers. And in the case of TALVEY, and I think that's normal, our internal estimates are about double the Street estimates. I think that's normal because TALVEY just got introduced.

So one time you told me that in Johnson & Johnson, you believe things when you see them. So I think you are waiting to see that. But we see that TALVEY, it's about double the estimates that we have.

Then continuing in our multiple myeloma franchise, CARVYKTI, in which we expect the approval of CARTITUDE-4, which is 1 to 3 prior lines in multiple myeloma in 2024. CARVYKTI is also underestimated. It's about 25% compared to our own estimates, 25% lower as we see CARVYKTI moving into earlier lines, and we see CARVYKTI ultimately getting into first line and eventually even replacing or being an alternative to transplant. So that's another factor there.

Continuing there in our chemo-free regimen for EGFR-mutated lung cancer, lazertinib plus RYBREVANT, we filed 3 indications in 2024 with MARIPOSA, MARIPOSA 2 and PAPILLON. They are -- our estimates diverged even more significantly. We believe that in 2027, our estimates are about double than the Street's are.

And keeping with oncology in our targeted release system TARIS that we, by the way, received breakthrough designation in December for one of the indications with TARIS 200. We continue to develop 2 platforms there, TARIS 200 and TARIS 210 with erdafitinib and gemcitabine. We see that these estimates are about 50% lower than our estimates.

And then closing. The other one is in neuroscience with SPRAVATO, which continues to do well and progress every quarter. We presented this year data in comparison to quetiapine study called Escape-TRD that was published in the New England Journal of Medicine. There again, we see about 50% lower than estimates. So that can give you an idea of the difference between our estimates and the Street estimates.

I have to say, do you give credibility to Johnson & Johnson estimates? We have always delivered in our estimates. In 2019, we said that we were going to be $50 billion in '21, and we exceeded that. And in '21, we said that we were going to get into $57 billion by '25. And we plan and we are very confident of being able to exceed that. So for what it's worth.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, absolutely. Fair enough. One of the areas I think you may touch on a little bit here, multiple myeloma. The company seems incredibly well positioned. I guess one of the questions we get is how large of a franchise can this become for J&J, when we kind of look at CARVYKTI plus what you've got with DARZALEX plus the bispecifics. So can you just elaborate a little bit more on just the -- how important of a franchise is that for the company?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

It's the core of our Pharmaceutical business. And the big change here in our multi-myeloma franchise is that we have the possibility with the 4 medicines that we have in multiple myeloma, DARZALEX, CARVYKTI, TECVAYLI and TALVEY to change the treatment paradigm, so to move from treating to progression to treating to cure as we move these new medicines into first line.

So in the Enterprise Business Review, we said that we see our multiple myeloma franchise by 2030, $25 billion plus and that we see that 50% of the patients will be treated with one of the Johnson & Johnson regimens. And it's a relatively simple calculation.

If you look at where we are today, DARZALEX is almost already a $10 billion product today, and we see continuous expansion of DARZALEX in first line, as I explained before. I think some of you may be familiar with the per sales data in our quad that we presented in first line, which is very substantive under a significant opportunity to continue to grow with DARZALEX. And then each of the other 3, CARVYKTI, TECVAYLI and TALVEY, we have discussed already that we see them at peak year as a $5 billion-plus asset. So that's the size that we see for our multiple myeloma franchise, and that's a trajectory that we are into today.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes. So nice growth driver for you. The other product where you increased peak sales was on JNJ-2113, your oral IL-23. Just describe what you're seeing with that asset. I know you've got a very strong presence in immunology. But just thinking about the competitive landscape, the data you're seeing, how do you see that product differentiating?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Yes. So we presented data in 2023 on our new targeted oral peptide in psoriasis. And the data show efficacy comparable to injectable biologics and also very good tolerability, which is based on the mechanism of action, which is focused on IL-23. So we believe that this has the potential to expand the market, differentiate significantly from the existing oral therapies and compete directly with the injectable biologics with a patient preference that is going to go more towards an oral. So that's why we move it from $1 billion to $5 billion asset to a $5 billion asset.

We are starting our Phase III program in psoriasis with 2 studies, and we plan to do 2 head-to-head studies also that will start in 2024. And the dose that we're going to be using is 200 milligrams once a day. We are also starting a Phase II study in ulcerative colitis, and we see our oral IL-23 being also an important mainstay of treatment in inflammatory bowel disease overall. So clearly, this is going to be one of the assets that is going to transform the treatment in IBD and in psoriasis that, in our view, is going to gradually move into oral therapies.

And we have the strength of our company and the critical mass in order to be able to execute that in the marketplace. Keep in mind that we combine the sales of REMICADE, STELARA, SIMPONI, TREMFYA and in this case, the oral IL-23. So we'll have the critical mass in order to be able to execute this in the marketplace.

This is not our only asset in IBD and in psoriasis. As you know, in the Enterprise Business Review, we also presented the fact that we have an oral IL-17 already in the clinic. And we also show data of the combination of TREMFYA and SIMPONI in IBD with the VEGA study that show breakthrough efficacy. So the evolution is going to be into all our therapies and also into combination of biologics, and that's what is going to drive the market into the second half of the decade.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. Maybe just shifting over to MedTech. I know improving the growth prospects of this part of the business was a key priority for your tenure as CEO. You're 2 years into the seat now, just to get a sense of where we are in that process, so what inning of the transformation of MedTech would you say?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

So I would say we are doing it already. I mean we went from 2017, with growth of 1.5% to 2023, the first 9 months, in which we grew 7.5% adjusted operationally. So we are doing that already. And our goal as I commented, is to grow in the upper end of our markets. How we are doing it? First,

we are improving our commercial execution. And we have as I commented before, 12 platforms that are more than $1 billion. And in most of those platforms, we are gaining or maintaining share. So we have a strong position in the areas that we compete. And in all of them, we are #1 or #2.

Second, we are improving the value of our pipeline. And as I commented earlier, the value of our pipeline has doubled since 2018. We have a large number of new product introductions, and we plan to have, at least, 1/3 of our sales by 2027 in products that are new. And then finally, we continue to progress and move into faster growth markets. The Abiomed acquisition is an example of that. It's a gateway into cardiology, into heart failure. We are making progress in robotics and in digital.

We are the only company progressing 3 different robots, one in soft-tissue robotics with Ottava, endoluminal with MONARCH, and also VELYS in orthopaedics. And that innovation, combined with our global scale, it's going to continue to drive our success in MedTech. So we remain confident that we are going to be able to grow in the top end of our markets in MedTech.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I know you had a leadership change with Tim Schmid taking over. Should we think about any major strategic shifts with that leadership change?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

No. What we had is exactly what you call it. It's a leadership change, not a strategy change. Tim is a tried and true leader in our MedTech group. He's been in the company for close to 30 years. He's worked in Europe, in the U.S., in Asia Pacific, in multiple franchises. He's going to be an exceptional leader of our medical technology franchise. And I want to reemphasize, this is a leadership change, not a strategy change.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. I think the team commented, and you mentioned earlier on Abiomed, that the deal -- the business is exceeding your deal model so far. Just elaborate a little bit more on the dynamics that you're seeing with that business and what's enabled the better performance?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Yes. First of all, Abiomed is a high-quality company. So that's one thing that we found when we started to work with them and when we decided to move on with an acquisition. It's a high-quality company, very competent, mission-driven with a culture, which is very similar to Johnson & Johnson. So there's a very nice intersection between Johnson & Johnson and Abiomed, and they have come right in. We have maintained Abiomed as a standalone company, and they continue to be based in Danvers, Massachusetts. For us, Abiomed is a gateway back into the interventional cardiology space. We were there and we left, and we have come back with Abiomed.

And most importantly, it's a gateway into heart failure, which is the end stage of all cardiovascular disease. So it is strategically a perfect fit for us. Now they are in a space of heart failure with high-risk PCI and cardiogenic shock with Impella pump in which they are the market leaders. They have a significant advantage versus any other competitor. They have a great integration into the workflow of the cardiologists, and they have a number of innovations that I believe are going to help us continue to deliver in that promise of growing Abiomed.

There are innovations in multiple areas in Abiomed pipeline. One is in improvements to our existing Impella pump with Impella ECP, which is 35% smaller than Impella CP, and it's going to help in ease of use. And we finished the clinical studies already, and we plan to file Impella ECP in 2024. The other one is in expanding the using of Impella into broader patient populations or fortifying the clinical benefits. There's 3 PMA studies ongoing in Abiomed. One is STEMI-DTU in patients with high-risk heart attacks measuring the size of the impact that can give us a broader patient population there. And then 2 on label studies that will potentially give us Class I designation for the existing indications. They are PROTECT IV and RECOVER IV.

So through that, we believe we're going to be able to continue to fortify the position of Abiomed in heart failure. But Abiomed is also working in expanding into 2 other areas. One is chronic heart failure with a new device called Bridge to Recovery, which had the potential to replace LVADs. And the other one is with another device called preCARDIA, which is going to operate in the area of acute decompensated congestive heart failure that has already received breakthrough designation by the U.S. FDA.

So we see significant potential of Abiomed, of reaching new patient populations and continue to provide data to substantiate the use. That, together with the ability that Johnson & Johnson has to move Abiomed globally, portends very well for us to be able to continue to grow this business and to give us a base camp in interventional cardiology from which we can continue to expand.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great, great. Maybe just turning to 2024 for a second. You provided guidance last month. But just maybe talk a little bit about the pushes and pulls that investors should think about for J&J's business as we go through this year?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Thank you. So we provided guidance last month on 2024. And our guidance, as a refresher, was 5% to 6% adjusted operational revenue growth and also 7.3% in terms of EPS growth. So what are the push and pulls? As a reminder, we don't expect the STELARA biosimilars entry in the U.S. until 2025, although we may see them in Europe in the second half of 2024 so just as a reminder.

So what do we see there on the positives that we see on the Pharmaceutical side, continued expansion of DARZALEX, TREMFYA, ERLEADA, our core brands plus the filing of the RYBREVANT plus lazertinib, the potential foreseen results of nipocalimab in myasthenia gravis. So a number of data reads that are going to be significant in 2024.

On the MedTech side, we see the filing of our IDE for Ottava, the introduction of our VARIPULSE catheter potentially in Europe and the completion of our studies in PFA, and the start of our restructuring program in orthopedics that we have already talked about that. So those are the push and pulls. Based on the way that we are ending 2023, we feel confident on how things will look for Johnson & Johnson to be able to deliver on that guidance in 2024.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

As part of the Analyst Day, you also provided, I think, some longer-term comments on margins. I think that's been a debate for folks of how to manage through these few years with STELARA LOE. So can you just talk a little bit about how investors should think about J&J's margin progression maybe in the next couple of years through STELARA and then as we look beyond STELARA, what that could start to look like?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

So first, let me take you back to 2023 and the first 9 months. We've been able to operationally improve despite of the fact that we had the headwind of the deleveraging created by the consumer company separation. And we expect very little deleveraging through the consumer company separation in 2024. So that shows that we can execute quickly in eliminating these stranded costs.

During 2024, we already -- I already commented, I mean, we expect EPS growth higher than sales growth. And then for the rest of that, what Joe commented there, our CFO, at the EBR is that we expect overall margin growth and EPS growth commensurate with our sales growth. It's difficult for us to project our EPS growth that long, but we see despite of the push and pulls and the STELARA biosimilar entry, we see margin and operational growth commensurate with our sales growth.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

As I think about that, is it reasonable to think about when we look out to, let's say, '26 and beyond where you're getting back to 5% or 7% top line, that there could be a component of margin expansion coming back into J&J?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

It's reasonable that you're going to see periods in which margins are going to be more temper, and then it's reasonable to think that you're going to see margin expansion once we have a better overall situation. Overall, we see as I told you, commensurate with our sales growth. But it's reasonable to believe that you're going to have some variations as we move through the second half of the decade.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

That makes sense. So could you -- on talc. Just help us a little bit about how you think about kind of balancing the desire to maybe get some finality to this process versus making sure whatever resolution is kind of fair to all parties. Just how do you think about that kind of -- I know it's not as core to the business, but just that element of the story.

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

So first on talc. Look, we've been a long time -- I mean, we have 138 years of history of our company of doing the right thing. And look, when the facts, the law and the science is with us, we defend our products. And that's what we are doing with talc.

Nevertheless, as we have commented many times, we are clearly determined to look for a resolution and put talc behind us in order to be able to focus on what we do best, which is developing medical technologies and pharmaceuticals. And I can assure everybody here that 99.9% of the people at Johnson & Johnson is doing that. I mean only our litigation department is working on the talc side.

So yes, I mean, we have multiple strategies, and a multifaceted strategy in order to try to put this behind. And you said it very well. I mean there's a push and pull between being able to find a resolution and making sure that, that resolution is balanced and appropriate. So we are navigating that balance, but our intention, to be clear, is to put an end to this.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. Okay. Great. Shifting to BD, I know we had an announcement this morning. So would love to just hear a little bit more about the transaction you announced kind of what brought you this asset? How does it strategically fit into the portfolio?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

So on the transaction acquiring Ambrx, which is a company that has a proprietary platform in conjugation, in antibody drug conjugates. We believe that ADCs are going to be an important tool, an important modality in solid tumors. And we've been creating a platform in ADCs. It is not new. We did it -- we have an agreement with Mersana in which we are working with them with ADCs, another one with Hangzhou that we're working with them with ADCs. We also announced a deal at the end of the year with LegoChem with a Trop2 ADC.

So we are working in building an ADC platform in Johnson & Johnson, and this is culminated with the agreement with Ambrx. The agreement with Ambrx brings an asset, a PSMA-directed ADC in prostate cancer that we think could be best and first-in-class in that particular setting of metastatic cancer, which is a very big one today. And this is a market that we know well because we have ERLEADA, and we have ZYTIGA. And for patients that fail at the anti-androgen receptor therapy, there's not a good alternative today. There is 185,000 patients in that segment. So it's a big market. It's a big medical need, and we believe that the prostate cancer ADC that Ambrx has, could be first-in-class and best-in-class in that segment.

They have other pipeline of ADCs in development, one is in HER2. And they have a proprietary conjugation technology that we think would be applied to more areas. So it's really a win-win situation for both of us, highlighted by the potential of having a significant product with the PSMA-directed ADC. So we are very happy with the deal.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. On that asset, I guess, could you just talk a little bit about just the financial impact we should think about that as we think about 2024?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Thank you. So we'll provide more clarity there at or before closing. That's the point in time that we will be able to provide more clarity on that.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

And then just kind of bigger picture. I guess as we think about the deal announced today, just talk more broadly about the BD strategy within the Pharmaceutical division. It seems like you've got a really nice portfolio of assets internally. The company has obviously been successful historically bringing in external -- where is the focus at this point?

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Yes. So this reads both for Pharmaceutical and MedTech. I mean we put different lenses in BD. The first one is the strategic one. And we try to go to areas where we have already capabilities and know-how. In our experience, the closer we are to areas in which we have capabilities and know-how, the higher the probability of success. So what are those areas that we have capability and know-how? In the case of Pharmaceuticals, it's oncology, both in hematology and in solid tumors. It is immunology, and it is also neuroscience. So those are the 3 areas in which we put our effort.

People sometimes ask me, would you go into a different area if there were a breakthrough? Potentially, but that's not where we are focused, let's say. In the case of MedTech, it is in cardiovascular. It is in robotics when it comes to surgery. It is in vision, and it's also in segments of orthopaedics that we think are faster growing. So those are the universe of areas that we go in which we think we have internal capabilities.

The second thing we look for the scientific breakthrough potential and how it's addressing a medical need, case in point, Ambrx with metastatic prostate cancer, which we believe is an important medical need. And we think it could be a breakthrough therapy there. And the third one is a financial one. The bigger the ticket, the more financial discipline we have to put. In other instances, we have to put financial discipline, but we are willing to take a higher risk. So that's how we operate.

In Pharmaceuticals, specifically, we have been very successful in going to deals which are around proof- of- concept like we have done now with Ambrx. So what is the benefit of doing deals that are around proof-of-concept? The benefit is that we can use our scale in clinical development, in manufacturing, in commercialization in order to maximize the value of those assets and then create more value for our shareholders than if we were for assets that are already marketed.

So we have tried to stay in that area. Again, the question could be, would you consider a marketed asset? It's not our main area of focus, but potentially if all the considerations were there. But our main area of focus, and we have been very successful there, and I can give you a long list of products in which we have been very successful, is assets that are in this pre or post proof-of-concept stage and is a very capital-efficient way of building our pipeline.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. I think we're just out of time. Really appreciate joining us today.

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Thank you very much.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Thank you so much.

Joaquin Duato - *Johnson & Johnson - CEO & Chairman*

Thank you. Thank you, Chris.