

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

JNJ.N - Johnson & Johnson Investor Call

EVENT DATE/TIME: APRIL 01, 2025 / 12:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Jessica Moore *Johnson & Johnson - Vice President - Investor Relations*

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

Erik Haas *Johnson & Johnson - Worldwide Vice President of Litigation*

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

CONFERENCE CALL PARTICIPANTS

Christopher Schott *JPMorgan - Analyst*

Shagun Singh Chadha *RBC Capital Markets - Analyst*

Larry Biegelsen *Wells Fargo - Analyst*

Matthew Miksic *Barclays Investment Bank - Analyst*

David Risinger *Leerink Partners LLC - Analyst*

PRESENTATION

Operator

Greetings, and welcome to today's Johnson & Johnson investor call. (Operator Instructions)

As a reminder, this conference is being recorded. It's now my pleasure to turn the call over to Jessica Moore. Please go ahead.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Thanks, Kevin. Hello, everyone. This is Jessica Moore, Vice President of Investor Relations for Johnson & Johnson. We appreciate everyone joining us on such short notice to review yesterday's announcement following the ruling from the US Bankruptcy Court for the Southern District of Texas.

Joining me on today's call are Joaquin Duato, Chairman and Chief Executive Officer; Joe Wolk, Executive Vice President and Chief Financial Officer; and Erik Haas, Worldwide Vice President of Litigation.

Before we get started, please note that today's presentation contains forward-looking statements. You are cautioned not to rely on these forward-looking statements, which are based on current expectations of future events using the information available as of the date of this recording and are subject to certain risks and uncertainties that may cause the company's actual results to differ materially from those projected.

A description of these risks, uncertainties and other factors can be found in our SEC filings, including our 2024 Form 10-K, which is available at investor.jnj.com and on the SEC's website. I'll now turn the call over to Joaquin.

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

Thanks, Jess, and thank you, everyone, for joining. Let me start by saying that we are disappointed in yesterday's ruling. That said, we expect continued success in litigating ovarian cases in the tort system. We have been successful in 16 out of 17 ovarian cases tried in the last 11 years.

The company will reverse approximately \$7 billion of the previous reserve as we have no intent to settle or pay plaintiff lawyers on such meritless claims. I want to be clear, this announcement by no means changes the company's focus, financial strength and continued work to delivering life-changing innovation, medicines and technologies to patients. We remain confident in our 2025 guidance as well as our 2025 to 2030 projections.

And with that, I will now hand the call over to Erik Haas.

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

Thank you, Joaquin. I would like to start by echoing my disappointment in the ruling from the US Bankruptcy Court for the Southern District of Texas, dismissing the case in which over 85% of claimants voted in favor of the proposed plan that clearly was in their best interest. This litigation has been going on for 11 years, during which Beasley Allen, the firm leading the objections to the plan admittedly lost every single case it brought to trial and has not provided or recovered a dime to its claimants in that time frame.

Yesterday in his decision Judge Lopez found that Beasley Allen engaged in outright misconduct, most significantly by voting 8,000 claims with informed consent that it actually never obtained and voting to reject the plan on behalf of 5,000 gynecological claimants to provide them of any recovery inside bankruptcy or outside of bankruptcy.

Yet the court inexplicably failed to exclude Beasley Allen's votes in assessing whether the requisite 75% voting threshold had been met. Instead, the judge criticized the methodology of firms who followed standard well-worn practices in voting to support the plan.

So if you disregard all the disputed votes and simply count those were claimants affirmatively responded, the percentage of votes in favor of the plan was approximately 88% well in excess of the statutory threshold. Unfortunately, the court in its decision ignores the voices of those claimants.

Our attempts to resolve this litigation through bankruptcy was not based on the belief that the talc claims had any merit whatsoever, but rather, were aimed at securing a final resolution to put this matter behind us. With the bankruptcy option now foreclosed, we will return to the tort system to defeat the meritless claims and deny plaintiffs' counsel of any recovery.

Contrary to the assertions repeatedly made by Beasley Allen during the bankruptcy proceeding, returning to the tort system will not force us to accept a mass tort settlement. The plaintiffs bar had their opportunity to accept an unprecedented resolution. Instead, they squandered the moment, believing that we could be coerced into settling for egregiously large amounts outside of the bankruptcy system. They were and are sorely mistaken.

In terms of next steps, we will immediately pursue our motions pending in the multi-district litigation to exclude plaintiffs' experts, and that's what was known as the Daubert challenge, which has been fully briefed prior to our bankruptcy filing.

The presiding multi-district litigation judge has ruled that we are entitled to redo the Daubert challenge because new revised federal rules clarify that the burden is on the plaintiff to prove the scientific validity of their proffered opinions. We are confident plaintiffs cannot and will not meet this burden which would effectively end the cases brought in Federal Court where the majority of the viable claims are filed.

We also will continue to seek the disqualification of Beasley Allen pursuant to another motion that is presently pending in the MDL, and we will continue to pursue our actions to expose the fraud committed by the so-called plaintiff experts in their made for litigation publications.

With respect to the timing of these motions, we would expect rulings on each within the next six months. In the event any claims survive judicial review, we will take those cases to trial where we expect to prevail as we have done consistently to this litigation as what Joaquin mentioned, we have won every case tried since 2019, including the last two trials tried in the year before we went into the bankruptcy case. And we expect the same success in future cases.

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

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

Great. Thank you, Erik, and hello, everyone.

Yesterday's ruling does not change the conviction of our company's financial position, whether it be for the guidance we issued for 2025 or the long term. As noted in the press release, given our success in the tort system trying these cases over the last decade, and considering this was our best and final offer, we are reversing \$7 billion of the reserve previously held for the bankruptcy plan.

It is important to remember that last year alone, Johnson & Johnson generated approximately \$20 billion in free cash flow, all while prioritizing significant organic and inorganic R&D investment. We continued our cadence of annual dividend increases and deployed over \$30 billion in strategic acquisitions and partnerships since the beginning of 2024.

With recent pipeline advancements such as Tremfya for inflammatory bowel disease, Rybrevant plus Lazcluze, Icotrokinra, and Taris in Innovative Medicine, and our pulsed field ablation portfolio and OTTAVA robotic surgical system in MedTech, we remain confident in the growth trajectory for our business going forward. With that, we are happy to take your questions by turning the call over to Kevin, who will provide instructions for those seeking to participate in the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Chris Schott, JPMorgan.

Christopher Schott - JPMorgan - Analyst

Just two here. Can you just review the timelines we should be thinking about as you, I guess, restart the litigation here and maybe specifically the next steps on that Daubert challenge. And then maybe just a bigger picture question. You did have a large percent of plaintiffs on board with the terms of the prior settlement. Is there any interest in going back to some of those groups of plaintiffs to look for some sort of settlement or deal? Or is there no longer an interest going down that path and this will purely be going through the courts from here?

Erik Haas - Johnson & Johnson - Worldwide Vice President of Litigation

Chris, thanks, a great question. This is Erik Haas. With respect to the timeline and in particular with respect to the Daubert motion, we are starting that timeline today. We are providing notice to the court of the pending motions in the multi-district litigation including the Daubert motion, but also the motion to disqualify Beasley Allen and other motions, including our motion to seek litigation financing disclosures from the court.

In terms of how long before there will be decisions on those motions, we do expect that to be in the relative near term in so far as briefing and adjudication goes, these motions already are fully briefed. They're pending. They were stayed by the bankruptcy case, and we would expect the court to be able to issue a ruling within six months. Once we have those rulings, clearly, they will provide us further guidance with respect to how the case will proceed thereafter.

As I noted, we are very confident on our position on the Daubert challenge, particularly under the new rule 702. The court allowed us to redo the Daubert challenge for the very reason that, that appropriate standard under the new rule was not applied in the prior Daubert motion practice and decisions. Therefore, we have the opportunity to redo it, and we do believe that plaintiffs cannot meet the burden that they're required to show in order to prevail and move forward with the case.

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

I'm wondering if it's helpful for the audience if you explain the difference in the new standard.

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

Yes. Very succinctly, the rule of evidence, rule 702 was clarified. It wasn't changed in terms of what its intended import was. However, certain courts had been interpreting to the rule to allow a more lenient standard for plaintiffs in determining whether or not they have met their burden of moving forward with expert opinions. And what the new rule does is say, hey, this is a very important phase of the case because the judge, not the jury, should determine whether or not the expert opinions have scientific validity and the plaintiffs of the burden approving that they do.

And that rule was revised because previously, as in this case, judges were allowing expert opinions to go to the jury when they did not have the proper gating threshold screening by the court. So the rule that is now in place requires that threshold analysis. And I think a good analogy or a good reference point in terms of how that plays out in litigation is the recent Tylenol litigation before Judge Cote in the Southern District of New York.

And as you saw in that case, Judge Cote required that the parties come forward with their evidence in support of their allegations of causation and then she applied the appropriate scrutiny, putting the burden on plaintiffs and she determined that those cases should not proceed. So many of the same players that participated in that multi-district litigation before Judge Cote are players in this litigation before us, and we would expect the same outcome.

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

Erik, could you comment also on the second part of the question from Chris?

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

Yes. So the second question goes to whether or not we have an interest in settling because, Chris, to your point, virtually every of the plaintiff law firms that had asserted claims in this matter, supported our proposed resolution in bankruptcy.

The one exception mainly being Beasley Allen and the Beasley Allen Law firm. The difference now is that when we go back to the MDL, we are not inclined to, at this point in time, enter into settlement agreements with any of the counsel or enter into any attempt to have a mass tort resolution because it really doesn't achieve the objectives that we sought to obtain by going into bankruptcy. We went into bankruptcy to resolve both the current and the future claims.

And that only can be done in the bankruptcy proceeding. So now that we're back into the tort system, we believe that it is more effective, more efficient in the end, and more productive for us to proceed with the process afforded by the MDL, and to allow that adjudication to play out. If any of the cases survive the MDL, we will try those cases. We won all but one of the cases we've tried, and we would expect to continue to have that same track record.

Operator

Shagun Singh, RBC.

Shagun Singh Chadha - *RBC Capital Markets - Analyst*

I was just wondering if you can talk about how many cases are outstanding. And I think previously, you had indicated that in the tort system, it would be more expensive over time and it could take many years. So any latest expectations on cost and time line there? And then I have a follow-up.

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

That's an excellent question because what it really does is implicates what we learned from the bankruptcy process. So when we went into bankruptcy, you may recall in 2021, there were 40,000 outstanding -- well, 40,000 claims that have been filed as of that point in time.

Since then, as you've probably seen through a number of the filings and reported in the press, the claims that were at issue in the bankruptcy were upward to 90,000 claims asserted, but what we learned in that process because the plaintiff law firms in the bankruptcy, effectively, were fighting with each other over what were valid claims.

We learned the vast majority of those claims that had not been filed were time barred or otherwise non-compensable. Indeed, Beasley Allen has taken the position that any claim that is asserted for a cancer other than ovarian cancer is non-compensable in the tort system.

They took that position very strongly in the bankruptcy. So what that means is that we are going back into the bankrupt -- into the mass tort system with an expectation that the claims are going to be the same number as when we left. Because the claims that came out of the woodwork, while we were in bankruptcy, largely will be those time barred non-compensable claims.

Shagun Singh Chadha - *RBC Capital Markets - Analyst*

All right. And just as a follow-up, it just seems like the landscape has gotten very litigious, not just for J&J, but other companies out there. There's a nutrition-related case for Abbott as well. And I think in your press release, you talked about junk science fueled by third-party litigation financing, including from foreign sovereign wealth funds. I'm just wondering if there's a broader theme to consider here. I don't know if there's anything -- any thoughts you can share on the landscape that would be appreciated at a high level.

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

That is another excellent question. And it goes again to the learnings that came out of the bankruptcy. The quick answer is yes, there is another theme to really focus on and that we will be pursuing both through litigation and through our efforts in interacting with the administration and Congress. What was revealed during the bankruptcy was the worst of the mass tort litigation model. What the record showed was this case was a lawyer-driven tort.

It was conceived by a sole practitioner without any science to support the claims and then the sole practitioner went out and marketed the claims to the large mass tort firms, including Beasley Allen in particular, who joined with the sole practitioner to foment fake science, which was then used to deceive the public and juries.

Those firms then secured hundreds of millions of dollars, hundreds of millions of dollars in third-party litigation financing including, as we noted, from the structured finance company fortress that is owned by the sovereign wealth fund in Abu Dhabi. And that raises serious, serious public policy concerns and raises real questions with respect to the influence of foreign entities on our judicial process.

But further, that financing was then used to buy attorney advertising, which flooded the media with the false narratives that we are now facing. And indeed, at their peak, we were facing 113 attorney ads per hour. So fueled by those ads, the mass tort bar then was able to aggregate tens of thousands of claims, which, as I just noted, the majority of which we now have learned are time barred and non-compensable, but what happens in cases like ours is that all these claims are thrown into the litigation and from a pure cost perspective of litigating those claims when they're backed by litigation financing, it becomes a very challenging prospect for any company in the United States.

And that is an issue that is not specific to Johnson & Johnson, it is issue that is across industry and is facing every single company in the United States. And it's an issue that needs to be addressed at both the federal and the state level and we will be seeking to do what we can to further that effort in both forms.

Jessica Moore - Johnson & Johnson - Vice President - Investor Relations

Back to Shagun's question, you answered a number of cases. She had asked specifically the expense to try as well as the timing of how long it could take.

Erik Haas - Johnson & Johnson - Worldwide Vice President of Litigation

Yes. Again, I go back to my -- the earlier answer. The expectation is that we will be able to address the vast majority of the claims in the MDL through the Daubert proceeding. And if so, the expenses of this case should be rather confined and for the relative short time frame. To the extent that we are forced to litigate cases that are otherwise not resolved at, for example, the state court level, we will adjudicate those on a case-by-case basis.

And those are the litigation expenses that we would expect to occur in the regular course of business. So right now, we are accruing a reserve for those amounts, but we anticipate there will be nowhere in the range of what we were otherwise proffering to settle this case in order to obtain finality in the near term through the bankruptcy.

Operator

Larry Biegelsen, Wells Fargo.

Larry Biegelsen - Wells Fargo - Analyst

Erik, you mentioned earlier that the benefit of bankruptcy was to eliminate the tail risk of future cases. So how do you address that through the tort system? And why can't you address the voting issue and go through bankruptcy again?

Erik Haas - Johnson & Johnson - Worldwide Vice President of Litigation

Good questions, Larry. We can address the tail risk through the tort system to the extent that we get the rulings that we anticipate getting through the MDL on the Daubert challenges, because that would put an end to the claims from a substantive perspective. So there is a way to end this litigation. Just by going back to the tort system does not mean that we will be here forever. Quite to the contrary, we anticipate that we will be able to, in the relative near term, make significant inroads or if not completely resolve the matter.

It is only to the extent that certain cases survive those types of substantive challenge that we will then be adjudicating those remaining cases on a case-by-case basis into future. And at that juncture, we would, again, look at those cases as we look at any other case that we litigate in the regular course of business. We have litigation all the time, and we make the appropriate reserves.

But the other thing to keep in mind is this historical track record here. Having won 16 out of 17, we fully anticipate to continue to win at the same rate. And in doing so, there will come a point in time when plaintiffs realize this is not where they want to invest their money.

Larry Biegelsen - Wells Fargo - Analyst

And then the second part about addressing the voting issue and going through bankruptcy again?

Erik Haas - Johnson & Johnson - Worldwide Vice President of Litigation

Bankruptcy would remain, Larry, a viable potential option. But practically speaking, this is our -- this was our third effort at a resolution. And there comes a point in time when we have to make a decision what is in the best interest of the company whether to try yet another bankruptcy and secure a full and final resolution in the relative near term or proceed in the tort system.

Based upon our experience, we now believe that proceeding in the tort system is actually the better alternative than attempting to again go to the bankruptcy system and in an effort to reach a vote and secure finality to that process. I mean, what this has shown -- what the process has shown, Larry, is that winning mass tort such as this there are so many constituents involved and there's such a challenge in bringing all those constituents to a table to get a consensus view.

Many courts like Judge Lopez, appear to be of the view that you need 100% complete unanimity with respect to the proposed plan. and by the very nature of what we've seen, that's a very challenging thing to achieve.

So based upon our analysis, so our reason view that we will have at this juncture more success in the tort system.

Operator

Matt Miksic, Barclays.

Matthew Miksic - *Barclays Investment Bank - Analyst*

So maybe a follow-up on this line of questions I think everyone is trying to reconcile where you were with settlements and subsequently putting the current claims behind you and how that can progress?

And then to your comment about the ongoing litigation expense starting to accruing at a level nowhere near the current reserve amount for the settlement, some sense of do you expect this to run for another three years, five years, seven years to get to reach the objective that you described, which is at some point, the percentage of wins and the sort of cases that are presenting themselves will start to just dissipate because it will become apparent that they're really at the core were not any basis for many of these claims? Appreciate it.

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

That's exactly the calculus that we have gone through in the conclusion that we reached. With respect to current claims, we were willing to settle with the current claimants in order to get a final resolution, which included the future claimants.

So we do not believe these claims have any merit, and we believe we are in a better position based upon the emissions that were secured through the bankruptcy proceeding now than we were before we went into bankruptcy.

And as a consequence, we're feeling more confident with respect to our ability to resolve these claims through the tort system. So it really doesn't make sense for us to be viewing this as an opportunity to resolve the current claimants. I mean, that was part of a package deal designed to get finality.

Now from our perspective, the more efficient, effective way to resolve this is as noted through the Daubert proceeding followed by adjudicating the cases on a one-off basis. And as you note, achieving the same track record that we did before we went into bankruptcy. And at some point, this tort will drop off in our view because it just doesn't make sense for plaintiffs pursuing a losing battle.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Thanks, Matt. Kevin, we have time for one more question.

Operator

David Risinger, Leerink Partners.

David Risinger - *Leerink Partners LLC - Analyst*

Yeah. So first, could you discuss to what degree future individual trials will occur via the federal MDL and their judges versus state courts, which are at risk of occurring and what are known as judicial hellholes is characterized by the American Tort Reform Foundation. I asked the question because local judicial hellhole courts are known for delivering outsized headline awards, which are typically subsequently dramatically reduced on appeal.

And then second, could you comment on taking the leadership stance that you are today on behalf of the pharmaceutical industry and industries beyond pharmaceuticals to stand up to meritless product liability claims. It seems important that J&J is actually taking this stance given the fact that drug companies stock multiples are generally discounted due to the risk of facing such merit list product liability lawsuits permanently going forward.

Erik Haas - *Johnson & Johnson - Worldwide Vice President of Litigation*

I love the question because it's near and dear to my heart. And if I don't answer it fully, just prompt me. But in terms of judicial hellholes, I couldn't agree with you more. It's a significant problem with the US judicial system, but you do make a very point in so far as the use of the appellate process. And this case bears that out because even where we lose at the trial court level, we have one consistently at the appellate court level.

The sad truth here in the United States is that we no longer have a trial court system that works for US businesses. And as a consequence, when courts are allowing junk science to go to juries and juries are not making reason decisions based upon the full and fair valuation of the evidence, what we're left with is effectively litigating in the appellate courts. And I think you may have seen that not only in this case, but as a trend throughout the country. That requires judicial reform.

We need the right judges at the state court level to make the right determinations about what issues should be going to the jury. It requires reform with respect to the process and procedures around the judicial system, absent such reforms, this country is going to be facing a significant threat with the ability of business to continue and to operate in a way that this country needs businesses to operate in order to do all those things that we want to achieve. So I couldn't agree with you more in that respect.

So in terms of industry leadership, we have and we intend to continue to lead not only in the pharmaceutical industry, but on behalf of businesses throughout the country to address the issues that we are facing as a nation with respect to the mass tort plaintiffs for egregious abuse of that process.

And look, what we're facing here are extraordinary outsized verdicts that disregard what the scientific determinations are made by the US agencies, whether it's the FDA or the EPA and those verdicts time and time again are putting extraordinary strain on not just our company, but other businesses, operations and deferring capital, productive capital from those businesses to plaintiff's lawyers pockets, where they generate no return on capital, and it's just wasted expense and this country cannot continue to sustain that level of abuse.

So we are taking a lead. We think it's important. We think it's an important role for a company like us to take, and we are proud to do so.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Thanks, Dave. And thanks to everyone for your questions and your continued interest in our company. We apologize to those that we couldn't get to because of time, but don't hesitate to reach out to the Investor Relations team with any remaining questions that you may have. I'll 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, Jess, and thank you, Erik, and our litigation team for the work in this bankruptcy and also for your leadership in bringing civil justice reform into the US to create an environment that fosters innovation and growth.

As you have heard today, the focus of Johnson & Johnson is unchanged. We are disappointed about these results, but we have strong conviction in our path forward, and we remain confident in our 2025 guidance and our '25 to 2030 projections. And we believe that the science, as it should, will persevere.

Thank you for participating. And now we will end this call.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.