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# EDITED TRANSCRIPT

JNJ.N - Johnson & Johnson at UBS Global Healthcare Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Peter Menzioso** *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

## CONFERENCE CALL PARTICIPANTS

**Danielle Antalffy** *UBS AG - Analyst*

## PRESENTATION

**Danielle Antalffy** - *UBS AG - Analyst*

All right, good morning, everyone. Thank you so much for joining us. I am Danielle Antalffy, the US Med Tech Analyst here at UBS, very honored to have with us Johnson & Johnson. We have Peter Menzioso, the Company Group Chair for the Vision Business. So Peter, thanks so much for joining.

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Danielle, first of all, thank you for the opportunity, and you said my last name correctly.

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## QUESTIONS AND ANSWERS

**Danielle Antalffy** - *UBS AG - Analyst*

I practiced. Okay, why don't we get started, actually I'd love to hear, so, you've been in the vision business, you said, for in vision for eight years. What do you see as the biggest opportunities in this market, and where do you see the most opportunities for improvement in the J&J business, where you can have the most impact, and then we can launch into it?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Sure. No. Again, thank you for the opportunity today. So I've really had the great pleasure of leading our Vision Business for Johnson & Johnson. And when you ask about what is the opportunity that we see in front of us, it starts with a few things. One, sense -- sight is the sense that people fear losing the most, more than anything.

And you think about the 2 billion people around the world that are in need of vision correction. It just tells you there's fundamental need in the space of eye health. And we're sitting inside categories that really are growing very nicely, mid-single-digit growth, where we as a Johnson & Johnson organization have the opportunity to, and are, delivering above-market performance.

What is it that we see in front of us? As a market-leading contact lens brand of ACUVUE, very pleased. We've been in the space for 40-plus years, globally recognized, sitting in a number one position. We're continuing to lean in and grow market share.

And then, in our intraocular lens business that's focused on cataract disease, where we're continuing to drive our leadership in this space, in an area where cataract surgery is the number one surgery performed around the world, it tells you that there's tremendous opportunity.

We today are serving more than 40 million people, but we say in the organization we're just scratching the surface. That's where leading with science, leading with technology that's differentiated, truly helping healthcare professionals meet the needs of their patients.

For us as Johnson & Johnson Vision and Johnson & Johnson, we see the category of vision tremendously important and an area of growth for us as we look moving forward.

**Danielle Antalffy - UBS AG - Analyst**

And I am one of those 40 million people. I'm wearing my ACUVUE OASYS contacts right now, so.

**Peter Menzuso - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision**

Excellent.

**Danielle Antalffy - UBS AG - Analyst**

So vision grew 6% operationally in Q3. J&J's MedTech business did announce separation of orthopaedics. So the focus is going to be cardiovascular surgery and vision. How do you think about vision's long-term growth algorithm post-orthopaedic separation? And what are the two to three biggest unlocks to sustain this mid-to-high single-digit growth?

**Peter Menzuso - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision**

We're incredibly proud of being one of the six strategic areas for Johnson & Johnson. And again, it gets back to some of the points that I made, the need of being in a category that is a category that is growing with the ability to drive differentiated innovation that's going to grow above market. That is the role of what we will play and are playing for Johnson & Johnson in this space.

What's really important as you talk about unlocks, what is it that we're going to do to continue to drive above-market performance that is quite value-creating? It's launching disruptive innovation. So if you think about, as you're saying, you're wearing our solutions, what we have just launched in the space of advanced optics in our contact lens platform with ACUVUE OASYS 1-Day MAX, which is addressing comfort as well as visual disturbances.

Or what we're doing with TECNIS Odyssey and TECNIS PureSee in our intraocular lenses that is really helping continuous range of vision, enabling people to have the freedom of sight that they're looking for. What's really important for us is that we bring innovations like that to market. We continue to.

We continue to globalize around the world. We are in need of -- we are in service of servicing patients around the world. So global expansion will be a core component of what we do. But then it's also leaning into data as an enabler. How is it that data is going to help us more precisely design studies and innovation? How are we going to more efficiently drive our supply chain?

How are we going to lean into more direct commercialization to get the right innovation to the right patient through the right healthcare professional and build a relationship for a lifetime?

**Danielle Antalffy - UBS AG - Analyst**

Okay. And if you look at the portfolio mix, so I think right now you're about 75% contacts, 25% surgical, or thereabouts. Is that the right way to think about the long-term mix of this business? Or what would you say about that?

**Peter Menzuso - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision**

So a little bit of an adjustment of those data points. We're 70% contact lenses, 30% cataract business. And what I will say is, again, our contact lens business is a very important segment of our business that we're driving leadership, market share growth, above-market performance. But we're really pleased with the work that we're doing inside our surgical vision business.

And as we talk, 30% of proportionality inside that business, we're driving the mix between premium lenses and monofocal lenses. And we're expanding the benefit of advanced optics through more premium offerings, which is really important to, one, market growth, but also value creation.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. Okay. And I guess especially post the orthospin, and maybe it's too early to tell, but how have your capital deployment initiatives changed, or how will they change? And what is your focus right now? If we're thinking R&D, clinical, commercial, manufacturing, potential M&A, are there white spaces that you see in the J&J vision business?

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**Peter Menzuso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

We as vision have always had a strategic plan that is guiding above-market performance that is driving the right level of contribution back to the corporation. From a profit point of view, we're sitting in a number one position versus our composite, a very important position. So to your question of capital allocation, one, we've got to lean into our R&D agenda.

So the innovation that is guiding our performance to date, making sure we've got an agenda in innovation that is continuously meeting unmet needs, both of patients as well as healthcare professionals. So driving a capital allocation focus there.

Manufacturing, we need to make sure that we have consistent supply that's efficient and it's helping to expand margins. It's exactly where we're focused today. We will continue to be focused in those areas. And then from a place of commercialization, really leaning into very precise marketing.

How is it that we're talking to a consumer, getting them prepared in their preparation for an exam, getting them fit with the right solutions, and then staying in an annuity? How we invest commercially is also going to be quite important.

We package that in a strategic plan, which we've been presenting to J&J, and we will continue to present to J&J. And I appreciate, again, being one of the six important platforms because J&J sees the power of the growth that's in front of us.

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**Danielle Antalffy** - UBS AG - Analyst

Is there any part of the broader vision market, where J&J doesn't participate that you see opportunity to?

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**Peter Menzuso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

So we are in vision correction and enhancement. We do it both surgically and non-surgically. And why is that? Because we're experts in material and optical science. What I will say is, getting back to what I was just looking at, is we're studying unmet needs, and we're looking at patient journeys, and we're sorting out where is it that J&J should be playing based on who we are and also where we have permission to lead.

And in so, we will continuously look at needs that could be a value-creating benefit for our portfolio, ones that are differentiated, ones that can get us with above-market growth and drive back value propositions that are with the expectations you would expect of a J&J company.

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**Danielle Antalffy** - UBS AG - Analyst

Okay. Let's dig into surgical vision. So one of the big questions amongst Investors is just general cataract surgery demand. The market, especially the premium side of things, has taken a little bit of a step back here. What are you seeing as far as end-user demand for cataract surgery?

And what about people's choice? What's it been over the last two months regarding the choice between monofocal and premium? So it's like the volumes, but also the mix.

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**Peter Menzieso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

We're really pleased with our performance inside surgical vision. Third quarter, we just posted 13% growth. We are really ensuring that TECNIS Odyssey and PureSee -- TECNIS Odyssey, we launched in the US. It's the fastest-growing PCIOL in the US market. TECNIS PureSee, which we've launched outside the US is the fastest-growing PCIOL.

We're going to scale those offerings globally early part of next year. What we're making sure is that surgeons are versed on our products. They understand the clinical benefits of our products. We're preparing patients for those surgeries.

I will tell you, we're really pleased with our growth in premium surgeries, and we're using that as a continued motivation as we look moving forward.

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**Danielle Antalffy** - *UBS AG - Analyst*

Has the mix of the overall market, as far as you can tell, premium versus monofocal changed? And more specifically for J&J, it sounds like for you guys, it's actually increasing.

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**Peter Menzieso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Premium inside Johnson & Johnson absolutely has increased, and we're going to continually lean in, and that is through the innovation that we're bringing to market. From a from a category point of view, monofocal lenses are about 80% of procedures that occur today.

So of 100 patients, 80 patients are getting monofocal surgery. The other 20 are getting premium. We are sitting in, we've done through our TECNIS Eyhance monofocal solutions, we have 5 million implants to date.

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**Danielle Antalffy** - *UBS AG - Analyst*

Okay. And where do you see that 20% going in five years or so and how important is innovation to that? So you mentioned Odyssey, you mentioned PureSee. Feels like you guys are really leading the charge from an innovation perspective.

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**Peter Menzieso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

So if you look at what is trying to be solved in the space of intraocular lenses, again, cataract surgery is not about an [if]. It's about a when. Everyone is going to develop cataracts. What we're looking to do is to continue to drive how do we get full range of vision without any visual compromise.

And this is where the benefits of the technologies that we've just launched are really paying off. You also want to do it in a way where it's simple for the surgeon. So right now, biometry has moved in such a way that measurements of the eyes can be done very, very accurately. And then through the technologies like TECNIS Odyssey and TECNIS PureSee, getting into that visual optical zone, it is done.

And, what I will tell you is what's very exciting is surgeons' confidence in using TECNIS Odyssey and PureSee, enabling that outcome for patients and having patient -- post-surgical reviews. This is what's going to continue to drive premiumization in the market.

And this is where we're focused. We want to get the right solutions that are addressing unmet needs and make it simple for surgeons and repeatable.

**Danielle Antalffy** - *UBS AG - Analyst*

I think one of your competitors has talked about getting premiums getting to 40% of the market. Do you think that's reasonable, or do you think that's aggressive?

**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

I'm not going to comment on the proportionality of what premium is, but what I will tell you opportunistically, when you think of cataract surgery performed globally today, 10% to 15% of people are getting premium lenses. We're obsessed with getting more of those advanced optics to more and more people.

**Danielle Antalffy** - *UBS AG - Analyst*

Yeah. Okay. All right. And you did present great data at ASCRS for TECNIS Odyssey. Where are we with Odyssey on the global launch curve, and what are the key barriers to surgeon adoption today?

**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

So specifically, TECNIS Odyssey, fastest-growing PCIOL in the US. Very, very proud of that. TECNIS Odyssey is a technology that is driving near, mid, to distance vision with very minimal visual disturbances. So sometimes halos and glare, that we talk about. With TECNIS Odyssey, 93% of people are spectacle independent, and that's one of the goals that they're looking for. So very strong performance there.

Some barriers to adoption. I wouldn't say barriers to adoption. It's more of just onboarding surgeons with the right clinical information, getting them trial experience that they can feel confident. And that is the feedback we're getting from surgeons.

Their confidence that they're hitting the optical zone consistently. So really pleased with our adoption. It's giving us confidence now to bring Odyssey into Europe early next year, and we're going to bring PureSee into the US. And this is part of our global expansion strategy as well.

**Danielle Antalffy** - *UBS AG - Analyst*

Okay. In terms of cataract phacoemulsification devices, how are you thinking of your competitive positioning in the US and [OUS], particularly given you've got a competitor launching a device?

**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

So while we believe we have superior intraocular lenses in the marketplace, and that's what surgeons will say about us, we know we can't just be an intraocular lens company only. We have to have enabling technologies and solutions that are going to be part of that suite of offerings in fundamentally cataract surgery.

So VERITAS, VERITAS is our phacoemulsification solution and performing very, very well. We call it our workhorse. We're going to continue to innovate on our VERITAS. We also have advanced laser optics with our CATALYS system. We're going to continue to advance what we're doing in CATALYS.

But we recognize we do need to be comprehensive in the surgical procedure, but knowing the surgeon in the end is giving the patient, our belief, the very best intraocular lens at the end.

**Danielle Antalffy** - *UBS AG - Analyst*

Yeah. Okay. And I'm curious about site of care here. So we actually recently hosted a CEO of an ASC, and he mentioned cataract surgery is now shifting to the office setting from the ASC. Can you talk about what you're seeing out there with -- maybe it's what percent of your cataract capital equipment are placed in ASC versus office and how that can impact adoption of innovation, but also access for patients?

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**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

So crucially important is that we have our technology in all the outlets to where surgery is going to be performed, and we can help surgeons with how they're determining how they want to deliver care. To what you've just described, yes, surgical procedures of cataracts are done in many different settings.

We're present in all of those settings. That's our goal. We have to be exactly where the surgery is being delivered, designed for fit in those settings. We're very confident where we are, and where we're going to be that we'll be able to continuously grow at a disproportionate level wherever surgical procedures are being done.

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**Danielle Antalffy** - *UBS AG - Analyst*

Okay. So it doesn't sound like there's much issue with that for you guys.

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**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

No.

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**Danielle Antalffy** - *UBS AG - Analyst*

Okay. One area internationally. So the surgical vision business has been navigating China's VBP. What are you doing there to mitigate pricing pressure while also protecting market share? How is that market evolving?

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**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Yeah. So as we were talking a bit earlier, we have a strategic plan that's guiding us. And as I talk to our commitment to J&J to be above market with a competitive profitability set, what's happening in China with VBP is built into that.

That is, I'm pleased with how the team has responded. We've expanded our volume presence inside of China, while accommodating a contraction in price. But all of that is built into our guides that are suggesting above-market performance.

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**Danielle Antalffy** - *UBS AG - Analyst*

Okay. Got you. And I guess just to round out the surgical piece of this, what do you think is the next frontier for growth for the surgical vision business? And I already touched on this a little bit, but for example, glaucoma is another piece of this market. You guys don't play there yet. So just curious about other areas that you think you could have an impact.

**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

So again, it's not about if, it's when. In the space of cataract surgery, there's tremendous opportunity to drive more premiumization. What I will tell you moving forward is our innovation agenda is absolutely focused on driving advanced optics, that is going to really accomplish what patients want and what surgeons want.

Our portfolio agenda is very rich organically, and we're going to be looking at inorganic. That is also part of the formula that we're moving forward with. To your question about will we go outside of where we're focused right now, vision correction and enhancement, both surgically and non-surgically, the answer is yes.

We're always looking. But again, it's going to be technology that has to be differentiated, has to live into our mission of above-market growth, and drive value back that you would expect as an Investor and a Shareholder in Johnson & Johnson.

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**Danielle Antalffy** - *UBS AG - Analyst*

And I want to shift to the contact lens business, but I'm actually curious how you think these businesses can leverage each other, coexist together, and do they make sense together?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Yeah. So it's one person that's living with a lifetime of needs in vision. And you think about kind of the paediatric eye, somebody that is potentially navigating myopia or early coming into vision correction needs, that the developed eye is absolutely connecting where we can pay off in the space of contact lenses.

Your eye begins to age a bit, and now Presbyopia kicks in, and you can move into contact lenses, or you can have laser surgery, laser vision correction. And then inevitably, that presbyopic eye is going to become more mature, and that's where cataract comes, and that's where the intraocular lens plays. For us, it's one patient over a lifetime.

Where we've been able to take the contact lens business that we've been in for 40 years, and then the add-on that we've done in surgical vision when we acquired Abbott Medical Optics seven, eight years ago, both organizations were experts in material and optical science.

What's been really fun is leveraging those expertise across our breadth of those portfolios while staying in our place of focus. An example I'd give you is we have advanced light filtering, blue-violet filtering that existed initially in our intraocular lenses. We've now pulled that through into our contact lens. So this is where leaning into expertise, but staying in our -- my words, swim lanes of focus, it makes sense because, one, there's a single patient who is leading a lifetime that's of eye health needs.

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**Danielle Antalffy** - *UBS AG - Analyst*

Okay. Got you. So let's shift to contact lenses. So congratulations on the ACUVUE OASYS MAX 1-Day. It's the first and only daily disposable lens for presbyopia and astigmatism. What is early adoption and repurchase trends that you're seeing for this, and how large is the presbyopic toric addressable market?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

So maybe let's start on a category for a moment or need. So again, 2 billion people are in need of vision correction. Half of those people are living with presbyopia. So again, presbyopia, the way I describe it very simply is your arm starts to get longer and longer. You're in that restaurant with a little bit of dim light, and you're like, that's presbyopia.

50% of people in need of vision correction are living with presbyopia. The other thing I would say to you from an anatomy point of view, this is where astigmatism comes in. 50% of people are living with a football-shaped eye, an astigmatic lens, an astigmatic eye.

What we've been able to do for the first time in daily disposable SiHy, we've now been able to launch through ACUVUE MAX Family, a solution is for that astigmatic presbyopia patient. This is incredibly exciting when you start to go into the place of unmet needs of what's possible.

And to the point of how is our adoption going? Very, very well. We're pleased with how doctors, ODs, are trialing and fitting, and also how patients are responding. When you ask about how is kind of the purchase cycle there, if I think about your question, especially in the astigmatic multifocal side, knowing how innovative it is, we are seeing patients come in.

They're buying a maybe three-month supply. And now in the cycle, we're seeing the annual supply repurchase. So we're really pleased with the initial launch, but we're incredibly excited, as we lean in and continue to expand that not only in the US, but globally.

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**Danielle Antalffy** - UBS AG - Analyst

And how do you ensure you're converting the trailing into durable market share?

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**Peter Menzioso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

Yeah. So again, it gets back to even how we're using data. And I was talking to you about that patient journey and really being at those moments of matter where patients are making decisions and there's intersections with a healthcare professional.

It's getting patients educated on what's possible, getting prepared for their exams, getting them over also even just the initial fitting of the lens, and then moving it into a habit, which then becomes a lifetime of a relationship or an annuity.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. Okay. And what is the state of the US channel inventory and supply across toric and multifocal SKUs today versus last year? And what safeguards prevent a repeat of past distributor dynamics that you've had to live through?

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**Peter Menzioso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

The headline I would share with you is we are meeting consistently the supply and demand requirements of our customers and doctors. Now, the question really is how are we doing that? It's a process we call integrated business planning.

Integrated business planning is taking demand plans at the lowest level, a market level or a country level, aggregating them up, and then translating them into manufacturing plans. And it's a process that very rigorously we have launched ourselves into, and we're looking at not only near-term forecasts, but we're also extending that out into a 24-month window. That's enabling us to really have confidence on meeting the demand that we see growing in a very consistent, repeatable way.

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**Danielle Antalffy** - UBS AG - Analyst

Okay. And curious how competitive dynamics have changed in this market. I think one of your competitors has an activist now and some noise out there about maybe some combination of two of your competitors. So maybe talk about how that has evolved.

**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

I'm not going to comment at all on the competitive activity. I'm not going to comment on it, but I will comment back on, again, we're sitting in a market-leading position as ACUVUE. We're growing market share in a growing category.

We're bringing disruptive innovations like our MAX Family, as we'll expand around the world, and we'll continue to use data in a way to really be very precise in how we go to market with what we were just talking about with consistent supply.

That has been our priority. That will be our priority. And we're excited to take what right now is we say in the category 110 million people are living are in contact lenses. That's about 10% of the addressable population. Our focus is to drive continued [premiumization] penetration with differentiated outcomes.

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**Danielle Antalffy** - *UBS AG - Analyst*

Yeah. When you think about the pipeline in the contact lens business, what's the next MAX daily innovation that you're most excited about that's going to be game-changing for patients?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Yeah. So now, right now, we're taking, as you talk about MAX Family, we're going to be globalizing that. That is our near-term focus. We're also going to continue to be looking at what are needs, what are needs that we as Johnson & Johnson and our expertise, material and optical science that we can pay off.

And here's what I would say more to come, but do have confidence that we've got a very strong internal agenda around our organic innovation. And we'll also always be looking at inorganic ways. But this is where also data and technology come in, where how we can, how is it that we can bring more people into the category, bring them more precisely to the modality and the brands that are appropriate for them, and then keep them engaged.

And this is where I will tell you data and technology outside of even just contact lens is also going to be quite important.

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**Danielle Antalffy** - *UBS AG - Analyst*

So it's interesting because you've talked about data a number of times here. I mean, can you talk about that a little bit more? How are you guys using data?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Yeah. So I think we're using data in many ways. One, it's helping us really advance our study design. How is it that we're being very thoughtful on clinically how we're going to market? We're using data in our manufacturing. How is it that data and through really precise ways, we're maximizing efficiencies, we're maximizing throughput.

We're using data on how we commercialize. How is it that we are getting the right message to the right patient? It's inevitable that we're connecting data. And I will also say we talked earlier about this patient on a lifetime of needs. We're looking data in a longitudinal way of also making sure that as a person is progressing with their health needs in eye. Over time, we're present at that time.

**Danielle Antalffy** - *UBS AG - Analyst*

Okay. Do you have data around how many patients you have treated throughout their lifetime?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

We estimate today we're serving 40 million people around the world in the spaces that we're in. And that is for us motivation to do even more, to work even harder.

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**Danielle Antalffy** - *UBS AG - Analyst*

And do you have data around how much you retain those patients for their lifetime? So starting with contact lenses, getting cataract surgery.

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

We clearly are an annuity business, and our goal is to bring people in, again, sight being the most important sense that is helping people connect, learn, engage, self-esteem. We want to capture them as early as possible, stay committed to them through what is in front of them for their lifetime.

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**Danielle Antalffy** - *UBS AG - Analyst*

Okay. And just thinking about because this business is a little bit different than the surgical business, right? Your kind of selling to patients as much as you're selling to physicians. What is the right way to think about the product cycle, innovation cycle here, and just the cadence of product launches? And is it different US versus OUS?

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Innovation and a cycle of innovation is crucial. Doctors want to bring new innovation to their patients on a very consistent way. What I will tell you is we are very much committed to have a cycle of innovation that is really meeting the marketplace and not get complacent. So while we're really pleased with what's in the marketplace today, we're going to continue to build on that.

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**Danielle Antalffy** - *UBS AG - Analyst*

Yeah. Okay.

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**Peter Menzioso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

And I will tell you the build is it is not only just product innovation, it's claims innovation. It's both commercially and clinically. It's go-to-market innovation. How are we thinking of more effective ways to, from a channel dynamic point of view, live into that? It's supply chain innovation.

How can we improve our balance sheet? So innovation is a big word, and the cycle of innovation is multifaceted, but it's all part of our agenda, as we think about what we do inside J&J and specifically in vision.

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**Danielle Antalffy** - *UBS AG - Analyst*

Yeah. That's a good point. Curious about what you think, and I know you're one piece of a very large company, but where are there disconnects versus the perception of J&J Vision and what you think J&J Vision is on Wall Street?

Are we focused on the wrong things? I think there's a lot of noise around competition. There's a lot of noise around patient volumes for cataract surgery, for example.

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**Peter Menzieso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

I love being in a competitive space. It motivates myself, and our team to work harder, differentiate ourselves, drive important growth that you're expecting from us. I will tell you, I'm very pleased with Johnson & Johnson's commitment to vision. And you can tell by the declaration of the six areas of focus vision being one.

That's an acknowledgment of J&J seeing the unmet need, the need being rewarded with technology and having the ability to be in a category that's growing where we can grow above that category. For us, it gets back to the place of the world is aging.

The need for vision correction is inevitable. We're just scratching the surface on what's possible. We see the market responding to technology. With differentiated technology that's rooted in science and value can be created, doctors respond, customers respond, patients respond.

And this is an opportunity that I feel very grateful that I get to come to work every day and be in a space of something that we all can relate to and know that, as I said, 40 million people that we're touching today were just scratching the surface of what we should be touching.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. Yeah. Okay. The other question I often get as an analyst that covers J&J is, do pharma and med tech belong together? And one of the messages that J&J has hammered home is there is a lot of leverage between the two. How in the vision business do you guys leverage what's happening in pharma?

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**Peter Menzieso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

I feel a competitive advantage for us as Johnson & Johnson Vision is that we are backed by the powerhouse of Johnson & Johnson, this large leader in healthcare, the largest leader in healthcare. And what I will tell you is it enables us to really push what is possible in the side of vision, especially in enhancement and vision correction.

So I see it as a competitive advantage. And somebody who's grown up in Johnson & Johnson across both our pharmaceutical sector as well as our med tech, it clearly enables us to really drive what is possible for patients.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. And another area of focus has been AI, just broadly speaking. Curious, you talked a lot about data. Where are you with adopting, integrating AI, whether it's from a technology development perspective, some of the efficiencies you've talked about in the supply chain, manufacturing, things like that?

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**Peter Menzieso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

So AI is absolutely core to how we are innovating and how we're creating the performance that you're seeing, whether it's AI that's being built into our supply chain, helping us actually with keeping lines running, being predictive of what's in front of us, using AI in the side of R&D, how it's helping us advance our clinical studies from a design point of view, a throughput point of view.

We're using AI with our sales force. How using AI to really understand the customer, the doctor that we're connecting with, and what is the next best action that is going to be useful to drive a differentiated outcome with them. This is where AI is around us.

And in fact, for us, something that we're embracing as a competitive advantage, we're very much embracing the benefit AI can bring to the mission that we have.

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**Danielle Antalffy** - UBS AG - Analyst

Okay. You've also talked in the past about a product, a contact lens for, I think, was [it allergies] or something like that? Is that still in development?

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**Peter Menzioso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

So, what we're really pleased is we've brought to market a contact lens that was drug-eluting in the space of allergy. And what it taught us as an organization was, we can go beyond just vision correction in the space of a contact lens.

We've been very much focused on what we're doing right now with the expansion of MAX Family, moving into advanced material and light management. But that brought us to know that we can go beyond just vision correction.

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**Danielle Antalffy** - UBS AG - Analyst

I think that's a way to talk about leveraging the pharmaceutical side of things, like putting a pharmaceutical.

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**Peter Menzioso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

Yeah.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. Okay.

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**Peter Menzioso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

This is where I say to you, more to come. This is the exciting part of what is possible inside the work that we do in vision.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. Absolutely. In the last minute and a half here, I guess I would ask you, what do you think are the biggest risks to that above-market growth profile from your perspective? What are you worried about? What keeps you up at night? We talked about a lot of the positives, but nothing's perfect.

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**Peter Menzioso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

You know, what I would say to you is I think like many people in different industries right now, there's a volatile world around us, and navigating the complexities, the ambiguity, the changes, what I worry about is just getting distracted.

We need to be singularly focused on the opportunity and the privilege we have in the space of vision. We need to continuously drive the performance that we're having from a leading point of view with contact lenses with ACUVUE and what we're doing with TECNIS, driving our premiumization and respect what's happening around us in this complex world we're living in, but not losing sight, pardon the pun, for the person we're serving.

I mean, this is, again, 40 million people today. We know we're scratching the surface. We've got to be singularly focused on that right now.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. And I guess there are things that are not in your control. So thinking about the macroeconomic environment, I mean, historically, how much has the vision business been tied to the broader macro?

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**Peter Menzuso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

You know, when you are educating surgeons and ODs on the benefits of innovation and you're picking the right patient for those technologies, we're able to move through those macroeconomic challenges that you're talking about.

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**Danielle Antalffy** - UBS AG - Analyst

Okay. So not as sensitive maybe as one would think.

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**Peter Menzuso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

We -- sight matters.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah.

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**Peter Menzuso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

Sight matters. And I will also tell you, having a portfolio where we didn't talk about it in this conversation, there are multiple types of requirements that patients come into our category. So making sure that we can serve all comers coming in, whether it's reusable lenses and contact lenses or monofocal lenses and intraocular lenses, yes, we're very much leaning on premiumization, but we're serving all comers because sight matters for all people.

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**Danielle Antalffy** - UBS AG - Analyst

Yeah. All right. Well, with that, we're out of time.

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**Peter Menzuso** - Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision

Thank you for the opportunity today. I appreciate it.

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**Danielle Antalffy** - UBS AG - Analyst

Thank you so much.

**Peter Menzuso** - *Johnson & Johnson - Company Group Chairman, Johnson & Johnson Vision*

Thank you so much.

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