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

EVENT DATE/TIME: MARCH 10, 2026 / 3:30PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Matt Miksic - *Barclays Services Corp - Analyst*

All right. It's still morning, so good morning, everybody. Very happy to have with us this year from J&J, Hani Abouhalka, Group Chairman of Surgery, otherwise known as the man behind the robot, and my name is Matt Miksic. I cover MedTech here at Barclays, so exciting times at Johnson & Johnson in Surgery.

QUESTIONS AND ANSWERS

Matt Miksic - *Barclays Services Corp - Analyst*

After a bunch of years, we won't go backwards, we'll go forwards, but a long path with lots of twists and turns, but now kind of a final stretch of potentially getting this robot to market. So maybe with that kind of perspective, we get a lot of questions sometimes on why does J&J want to have a robot, why do they need to have a robot, what can the robot add?

I know that not everything you put together was in response to the marketplace, but at a high level, maybe frame the objectives of the project and the strategy behind the project as you're currently executing it.

Hani Abouhalka - *Johnson & Johnson - Company Group Chair, Surgery, MedTech*

Well, good morning, everyone. Thank you, Matt, for the invite. I'm incredibly honored to be here representing J&J and the many thousands of people working on Surgery. It's an incredible conference and we're glad to be a part of it, so thank you.

For people that don't know, maybe I'll spend a few minutes talking about J&J MedTech Surgery. Our company was founded actually in Surgery more than 140 years ago. It's an anecdote that actually will resonate here. Our founder, Robert Wood Johnson, was attending a Centennial Expo to celebrate the 100th anniversary of the independence of the US, which this year is 250 years. He walked in, and Sir Joseph Lister was talking about antiseptic techniques for surgery, and our founder found an incredible opportunity to go back to New Jersey and years later found J&J with incredible technologies that changed surgeries since then.

Our first catalog had antiseptic gauze, had antiseptic-style sutures, which back then if you walked into the OR, it was 50-50 if you survived. And that was the first moment where actually surgery changed. And we've been at the forefront of surgeries changing ever since. Whether it's open laparoscopic, whether open safe surgery across the world, whether it's laparoscopic surgery in the 80s and 90s. And today, we're super excited to be working on bringing robotic surgery to the market.

Why the excitement? It starts off by taking a step back and looking at the last 25-plus years. Incredible progress has happened in robotic surgery. But when we talk to surgeons, surgical teams, hospital CEOs, they tell us a lot still needs to happen. There's still a lot of unmet needs, and it starts off really a basic premise from a design perspective.

The world of robotics globally across all companies is stuck in two worlds, either booms or carts, and we think there is a different approach to this. We believe there's a unique approach to this, and that's why one of our big bets and choices have been around design. And that's

why when we look at OTTAVA, we're bringing in a robot that is actually the table. The arms are integrated. We believe that design, other than -- and remember, Matt, you saw it, it's beautiful, but other than it being beautiful, it also has incredible implications on workflow, on reducing the tension and friction between the surgical team and the robot. And we believe we've addressed that with our design philosophy and principles.

Other than that, we're also excited to be the leaders to really take this forward from here across all surgery, and that's why this means instruments. It means our digital ecosystem with Polyphonic. We were the company that disrupted and changed surgery over the last 140 years. We believe at the moment we will take this forward from here also.

Matt Miksic - *Barclays Services Corp - Analyst*

Okay, so a couple of follow-ups. There's been kind of an evolution of thought in the last 10 years about what the next robot should look like with Intuitive in the marketplace. It's big. Maybe there was a time and maybe there still is a time when folks will say, well, robots should be smaller, maybe smaller for an ASC.

There's a number of those filtering through different levels of commercial strategy now from other competitors like separate arms and single arms or more limited footprint. You took the strategy of retractable arms and essentially a bed that can be used for laparoscopy or for robotics. So maybe talk a little bit about why that was important.

Hani Abouhalka - *Johnson & Johnson - Company Group Chair, Surgery, MedTech*

Yeah, and first, I have to tell you, the physics and engineering behind it is incredible. Our people worked really hard to solve for something that we felt is important. Other than the design principles that I do believe are important, we felt that having an ability to create space and give back to hospitals and to surgical teams is incredibly powerful.

Think about it this way. Right now, if you go to a hospital, robotic ORs have to be dedicated robotic ORs. We believe that ORs should be ORs to serve all surgery, whether it's open lap and robotics. Our solution, OTTAVA, the arms are integrated on the table. When you don't need them, they're stowed invisibly. You don't see them.

When you need them, you can deploy one or multiple arms based on the need of the surgery. We think that's a very powerful choice, and that's incredibly powerful for surgeons to be able to do that. But we didn't stop there. We believe that the ability to have the arms integrated also allows surgeons to use gravity to do manipulation of organs. That's something that's native with our design.

You don't need to unlock or relock. You don't need software. The architecture of it allows using gravity, which is something surgeons use comfortably in a laparoscopic setting. But the other things also we're excited about from OTTAVA, and that's why we're excited about going forward, is also we're bringing our instruments, our technologies that are trusted across open lap exclusively on OTTAVA.

Recently, we launched in the US last year and this year across the world our ETHICON 4000. It's our most secure staple line ever. That is important from surgeons and their teams because think about it. There are surgeons today, 25 years into robotic surgery, that they choose to go to the table and do a manual firing using one of our instruments because they trust that staple line.

We believe having that consistency of experience across open lap and robotics is very powerful from a surgeon, surgical team perspective. But also from a hospital perspective, when complications happen in surgery, and unfortunately still 25% of surgeries come with post-surgery complications. Having a trusted, secure staple line is something that will be different and important not clinically but also economically. We believe that's something that OTTAVA will also bring.

Last but not least, we also believe that an area of where we looked at where it is today and what needs to go is digital surgery, and we believe that by creating Polyphonic from the ground up, it's something that allows us to connect surgery across agnostic from the technologies, our technologies. It's what hospitals and surgeons need and expect, and we can talk about that a bit later also.

Matt Miksic - Barclays Services Corp - Analyst

Sure. And then maybe you mentioned the ability to keep the OR flexible. From a hospital's perspective, they're performing a certain number of laparoscopy procedures and a certain number of robotic procedures. They're already using your instruments in laparoscopy and elsewhere. What does the introduction of the robot into that platform, let's say a typical platform that has a mixture of those technologies, what's value add for a hospital?

Hani Abouhalka - Johnson & Johnson - Company Group Chair, Surgery, MedTech

Yeah, so if you look at the instrument side, I think having that consistency and experience across all modalities, we believe and we know it'll be differentiated for surgical teams and hospital administrators from outcomes and procurement, all of that. So that's one lens.

The second lens, if you think about how important a minute in an OR is, having your ORs work efficiently across all modalities is important. So there is the lens of we believe that the table being the robot gives flexibility to ORs across the world where a robot can work natively if you want. But the second piece in many hospitals, what we hear is that robotic ORs don't work as efficiently as open or lap ORs. So we believe instead of, quote-unquote, having ORs that are dedicated to robotics and if a case is canceled or postponed, that OR is idle, we believe having that OR being an OR for all surgery is quite powerful.

Then the third pillar of this is also this also gives the surgeons flexibility to deploy different arms at different times based on the needs they need. So not only we're bringing robotic arms, robotic ORs to be in ORs, which is something we believe will work to improve workflow, will improve efficiencies, and that's something surgeons and their teams tell us is important, but most definitely hospital administrators and CEOs, this is an incredibly important asset for them. And have it be working efficiently with less friction, with less special cases is quite powerful.

Matt Miksic - Barclays Services Corp - Analyst

Okay, that makes sense. And then the natural question anytime someone comes out with a less obstructive, a smaller footprint robot, everyone looks at that and says, well, that's got to be great for the ASC because it's smaller. So I'm assuming there's some amount of ASC benefit that you're thinking about and maybe clinicians are thinking about with OTTAVA.

One of the other elements, of course, is what it's going to take to get this in the door? And so maybe that's changed. The market leader has changed the way they bring their products to their additional systems to hospitals, more leasing, more contracting. Maybe talk a little bit about what you're anticipating that way.

Hani Abouhalka - Johnson & Johnson - Company Group Chair, Surgery, MedTech

Matt. We're not -- as you would expect, we're not going to share specifics around our commercial launch. There'll be more to share as we come, but I'll say a few things. If you look at our history, when we bring innovation and technology, we bring it with the sole purpose, it's in our Credo to serve patients and nurses and surgeons, and we do it across the world. We do it everywhere we are. We're present in more ORs than any other surgery company out there. So that's something that's deeply rooted in who we are and what we do.

So our intention, like we've done in our past, is to be there to serve surgeons and patients where they are across surgery, across the globe. We intend to win in surgical robotics, which means we need to be everywhere. Now the design choices we've made give us some benefits,

but not only in site of care, but even I can tell you I've worked with J&J MedTech surgery across the world, the certain OR designs across different geographies and different regions are different. So even in hospitals that are entrenched in tertiary centers, ORs don't look the same everywhere. We believe the flexibility of our design and how it fits will be a benefit regardless, but our intention is to serve and be where surgeons are everywhere and be leaders in that space everywhere.

Matt Miksic - *Barclays Services Corp - Analyst*

Okay. So to drive utilization and benefit to the clinical team and the patient and so on. That makes sense.

So other folks have -- we'll come back to the ecosystem in a second, but other folks have looked at this market and said, well, we don't want to go head to head against this market leader and maybe their power alleys or ways in which we think it's hard for us to make an argument that you should be using our technology. You mentioned a couple in terms of usability, flexibility, OR commitment.

What in terms of the types of procedures -- again, different companies are coming at this differently, let's go where most procedures are done in robotics or maybe let's go to a place in robotic surgery where our design is particularly well suited to perform this procedure, maybe as well or better than the leader. Talk about your procedure strategy.

Hani Abouhalka - *Johnson & Johnson - Company Group Chair, Surgery, MedTech*

Yeah, and I would love to talk about that because we're very confident and excited about our strategy from an expansion and geographic indications. I'll talk about that. But also I think it's important just to take a step back and understand what a defining moment this is because we believe this is the right time based on where we are to bring something that's unique, differentiated, and innovative in the US and globally going forward. And I say that because a lot has changed and improved and good progress over the last 25 years, and we're thankful for that and any progress in healthcare is something we cheer on.

But also we believe that listening and talking to surgeons, surgical teams, and hospital administrators, there's still unmet needs we need to solve for, and we believe bringing this forward will do that. I've been in MedTech for 26 years. It's incredibly inspiring to see the market cheering for more competition, cheering for new to come in. I think that's something we cherish and it's a responsibility and accountability we take seriously, and doing it right will be something of the utmost importance.

It takes me to our choices around expansion geographically and procedures. I'll start in geography. We chose to come to the US first. That was by design. As you know, the US is the largest market. It's a very sophisticated market, and that's a sign of confidence in our program, but also a sign of excitement to bring an incredibly innovative technology to the US market.

But also, our approach there is to follow it as a close second in key robotic markets like Japan, like countries in Europe, Middle East and Africa. So that's our lens from a geographic perspective. And what excites me there is being the leader in surgery across the world. We have incredible teams in commercial and education across the world today, and that's something that will help us do that with precision with incredible partnerships with our partners across the world.

From a procedure expansion, we also -- what we did share is, first, we're going in first for an umbrella indication, and that's what our submission was for upper GI. And that's an umbrella procedure that covers key procedures in the upper abdomen. That's exciting and different.

And second, we also announced earlier this year that we got our IDE to go for inguinal hernia, which is one of the largest procedures in the US and globally. We're not going to stop there, clearly. We have an incredibly strong regulatory team with our clinical team that's working on a rapid expansion from a procedure perspective. After that, our intent is to be surgical leader of robotics, which means we need a platform that works across different specialties, and that's what we believe we have with OTTAVA.

And I don't want to miss also the fact that this is a double exciting year because we talk robotics, specialty expansion, and this is with the lens of soft tissue robotics. But I don't want to miss also something really exciting happening for us in the luminal, percutaneous robotics, which is MONARCH. It was the first robot on the market for robotic endoscopy. And this year, we shared that we're also in and plan to launch it in urology for kidney stones, talking about a new specialty, a new indication. This will be the first and only robotic endoluminal and percutaneous access for treating something that all of us know someone, friends or family, who've dealt with kidney stones.

We think we're bringing meaningful innovation from a specialty procedure. So we're in it for the long term. We're in it to be leaders in a very exciting space for the future.

Matt Miksic - *Barclays Services Corp - Analyst*

Okay, so maybe back to the ecosystem. So Intuitive has been building case history, put out case insights a couple of years ago. I think we're still, as much as we hear about AI, I think we're still in the kind of loading up Google Earth with data to figure out how we're going to use those, which I think for Google Maps is a bit more obvious, right?

But where are you in terms of aggregating your data, which is considerable on the laparoscopy side, and then thinking about where the combination of that, as you described, and robotic will help start building a -- I don't know if it's the best route for the patient or other kinds of features and data-driven value that you can give to clinicians and hospitals?

Hani Abouhalka - *Johnson & Johnson - Company Group Chair, Surgery, MedTech*

And this is an area that excites us, inspires us, because, first, we're building it from scratch. Two, we have access and reach, and we know surgery across the world better than anyone, and that's incredibly powerful. We have the trust of our partners and our surgeons to work with them on solving for this. And third, and not least by margin, we also have the humility to understand that this is not a problem for one company to solve for. This is going to require a coalition of the willing, if you like, to come in and do something that's incredibly meaningful for surgeons, for patients, for outcomes. And we're building it from the ground up, and we made some choices that are very different than what's available today.

Most solutions today are either siloed or directly linked to certain technologies or certain robots. I'll give you an example. In ORs on average, there's seven-plus software solutions. There's five-plus data streams. There's 97% of surgeons that tell you they don't have, and their teams don't have, the right data at the right time to make meaningful difference, whether it's for workflows or for clinical decision support. And they say something needs to be better and has to be better, and we believe that.

So we made a bet on building Polyphonic. We created it with this approach of being open, secure, agnostic to whatever the data stream is from. Yes, clearly it works seamlessly more with our products and technologies, but it's open to data from wherever it comes. And we're working with incredible tech partners, we work with academia, we're working with hospitals to create the foundations, whether on building the datasets that need to be identified, structured in a manner that allows companies, academia, hospitals, surgeons to build AI algorithms and automation to bring value that we have not seen yet in this industry.

I can tell you, everyone we talk to, they tell us that's what is needed, and we believe what's available right now does not solve for this. We believe this is the right approach, and everyone I talk to, whether it's CEOs of hospitals, nurses or surgeons, whether it's our tech partners, whether it's academic hospitals, whether it's two or three company setups -- startups, this is what is needed, and I urge and ask everybody to come work with us on this journey. It's incredibly rewarding.

Matt Miksic - *Barclays Services Corp - Analyst*

Okay, well, that's exciting, and I mean, the first -- I know it's hard to pin down exactly where and when the benefit is going to come from, sort of this seemingly obvious collection of all this historical wisdom and data and doing something with it, but what do you think will be some of the first?

Hani Abouhalka - *Johnson & Johnson - Company Group Chair, Surgery, MedTech*

Yeah, I mean, I'll give you a couple of examples. There are very, quote-unquote, basic chapters that are unfolding as we speak that are big unmet needs today. Whether it's in education, whether it's using some of the capabilities to dynamically collaborate across centers, across hospitals, it's around integrating what's hours and hours of surgical video to use them in ways that they can train, whether it's performance analytics. These are very powerful use cases today that makes a difference.

But where the future is headed and what's needed, there's a lot of similarities that happen in other industries. Take for example the automotive industry. We understand that to get on a journey where whether it's decision support, whether it's intelligence-guided support, whether it's orchestration, you need to create datasets that are structured, that are identified, that are built on very secure privacy standard, regulatory enterprise level, where you can make them available to bring the best of the minds of whether it's AI engineers, whether it's software engineers across the world to build something that not only will help that hospital, that OR, but that can actually, because it's built with scale in mind, be shared globally.

And the first use cases are exciting. What's possible from surgical video and data science and data engineering and data surgery of this Horizon 2 and 3, I can tell you in the next 5, 10 years, we'll see stuff we've never seen possible.

We've seen it happen in our industry. I go back. This is the right time to do it in surgery again, and I don't know any better company to do it than us with the help and support of our partners.

Matt Miksic - *Barclays Services Corp - Analyst*

Okay, so maybe if we roll forward a year or two, what do you think investors will see from the surgical business? What will be the signs of success for OTTAVA as you get to the market and start rolling it out?

Hani Abouhalka - *Johnson & Johnson - Company Group Chair, Surgery, MedTech*

Yeah. I mean, I start by our Credo saying when we serve our patients and our surgeons and our surgical teams, we take it very personal. We're very proud and inspired by that. We never lose sight of that.

Two, we talk about J&J being an innovation powerhouse. Some of the most exciting innovation is in surgery, is in J&J, and I think that's something to be really proud of. And we have the responsibility to bring it forward. But also I start where it matters most, which is, if you think about it, we have incredible businesses today that are making a difference in bleeding, in leaks, in solving big issues. 25% of surgeries have complications today. We have a long way to solve for this.

What I want to make everyone know is when we bring all our technologies across all of surgery, we will partner with surgeons, hospitals, and CEOs to make sure that we're the company that will take it from here and solve for what's next. And the biggest intent starts in robotics, specifically when you have some of that, is to lead in that space. And the best measure of success, other than serving patients, bringing incredible innovation, how competitive we are in our placements going forward. And when we do all of this, we feel incredibly proud and the people are working on something that once again, like we've done in our past, will change surgery once again.

Matt Miksic - Barclays Services Corp - Analyst

Okay. So we're down to just about at the bottom here, but I'd say automation. I'll leave it on this. This is a future topic.

It's been, it feels like a future topic, but I think we've been talking to surgeons about it for 10 years. Like when does surgery start to take some element of automation? And so you're just about to begin to launch your robotic platform. Is that three years away? Is it five years away? And what do you think the demand is for that kind of --

Hani Abouhalka - Johnson & Johnson - Company Group Chair, Surgery, MedTech

Yeah, and I'll end where I started. It's super important to realize when you're in a moment of history where you really believe it's a defining moment. We've seen it in other industries. I think the acceleration and the intersection of science and technology. Healthcare will always be driven by incredible science, will always be driven with incredible surgeons, and nurses who are dedicated to make a difference for patients.

I think we're entering this moment, we're bringing the best of both worlds. We're going to see innovation in the next five years like we've never seen in the last 50 years, and someone with the resources we have, the talent that we have, the engineers that we have, the scientists we have, the educators that we have, the commercial folks that we have, we just want to partner with our surgeons and whoever's interested in this journey to create what's next, and that's why the future is super exciting.

And I can't wait to share with you more and with everyone here what's coming in the coming weeks and months.

Matt Miksic - Barclays Services Corp - Analyst

All right, well, I look forward to hearing about it.

Hani Abouhalka - Johnson & Johnson - Company Group Chair, Surgery, MedTech

Matt. Thank you so much for the time. Thank you, everyone, for your time.

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