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EDITED TRANSCRIPT

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OVERVIEW:

Company Summary

LSEG DATA & ANALYTICS

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Lee Hambright *Sanford C Bernstein & Co LLC - Analyst*

PRESENTATION

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

All right. Thanks, everyone. I'm Lee Hambright, US MedTech analyst at Bernstein. Thanks, everyone, for being here. We are delighted to host Johnson & Johnson Chairman and CEO, Joaquin Duato. Thank you so much for being here.

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

Thank you.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

We are scheduled for a 50-minute fireside chat here. Just a reminder that investors in the room can submit questions at any time through Pigeonhole and we'll try to work in as many as we can here.

Joaquin, you've described 2025 as a catapult year, and J&J is now entering what you call a powerful new era of growth. Maybe you could kick us off with some opening remarks on the state of the business, particularly as you look toward crossing the $100 billion revenue milestone this year.

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

Thank you and glad to be here with you. Why was 2025 important? Because that was the year in which we were getting the biosimilars of STELARA into the US market. So all investors were thinking, is Johnson & Johnson going to be able to grow through the STELARA biosimilars?

And we did. We grew mid-single digit. We exceeded expectations. And I believe we are the only company ever that has been able to grow the year in which the biosimilars to our largest product came.

So why were we able to do that? We were able to do that because we have a strong portfolio of existing products that we can discuss both in MedTech and Innovative Medicine, and because we have a very strong pipeline, too.

So that's the reason behind. And in 2025, we said we are going to be able to grow faster in 2026 than in 2025, in 2027 than in 2026, and we have line of sight to double-digit growth by the end of the decade. So from the point of view of today into the second quarter of 2026, I can tell you that that's still the position we are in.

Coming from the first quarter, we upped our guidance, both in top and bottom line. And our guidance for total year 2026 is 6.1% adjusted operational growth, and we are going to surpass $100 billion as a company.

So why -- what are the drivers of those growth? On the Innovative Medicine side, our strong portfolio of existing medicines with DARZALEX, ERLEADA, CARVYKTI, SPRAVATO and the new product launches that we are now in the middle of like CAPLYTA, ICOTYDE, INLEXZO, and RYBREVANT, all of these having a significant impact this decade.

In MedTech, the drivers are the growth in our Cardiovascular franchise, which is one of the largest in the industry in three of the fastest growing markets like electrophysiology, calcified arterial disease, or heart failure, and the upcoming launch of our OTTAVA robotical surgical system that we hope to have an approval by the end of this year, beginning of next year that will drive growth in our surgical franchise.

So when I look at our position today, we have a strong portfolio. We have a strong pipeline. All of this underpinned by strong cash generation and a strong balance sheet. We are still a AAA-rated company and that gives me confidence of our performance in the second half of the decade.

QUESTIONS AND ANSWERS

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Excellent. Excellent. Thank you for that. Okay, let's talk a little bit about the macro environment. Lots of moving pieces over the past 18 months, including shifting trade policies, geopolitical tensions, regulatory changes. Can you put all of that into perspective for us in terms of key risks for J&J?

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

Yeah, so our size and scope makes us very well equipped to navigate all type of scenarios. I would say that Johnson & Johnson is built for times like this. So in these situations is when we thrive and hence, my confidence on the second half of the decade.

We have multiple options. We have a strong track record of being able to navigate multiple geopolitical situations. And while -- I mean, there's always puts and takes that we have to navigate that I'm still very confident that we're going to be able to deliver in our growth objectives.

When I look into the elements that are out there for an innovation-based company like Johnson & Johnson, which is what we are, we have tried to focus our portfolio in areas of unmet medical need where there's breakthrough innovations such as Oncology, Immunology, and Neuroscience in Innovative Medicine, and Cardiovascular, Vision, and Surgery in MedTech. For us, there's always going to be some tension between breakthrough innovation and issues of pricing, access, and affordability.

And that's always a constant. That's not going to change. So at the end of the day, the companies that are going to make the difference are going to be the ones that are able to bring breakthrough innovation. If you are able to bring breakthrough innovation, then everything will come together, and you will be able to have a good business.

Now, we also have another advantage that we have more options than other companies. So we have a number of platforms that helps us navigate all the different scenarios. And it's good for us not to have impending big loss of exclusivity in front of us. We are not dependent of a single platform either. So that gives us much more flexibility to navigate multiple scenarios. And while we'll have to work through that, I'm very confident that this is the space where Johnson & Johnson thrives.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. Okay, you talked about that tension between breakthrough innovation and price. You've had a productive dialogue with the US administration, including recent agreement to improve access to medicines. How did Trump Rx and new price parity models impact your long-term pricing strategy and thoughts about R&D return on investment?

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

Yeah, overall, we have said before that while we think it's important to be able to improve access for patients in the US and make it easier for patients to get the therapy they need based on medical decisions, we don't think that the way of achieving that is importing foreign price controls through the so-called MFN. So, on one hand, we think it's good to be able to make it so that all patients in this country are able to access the best therapies -- and that's something that is not only something that we can achieve alone. We have to work with insurance companies, with the hospital industry in order to be able to achieve that. But I don't think the way to do that is to hamper investment in innovation by importing foreign price controls.

So what type of things can we do in order to be able to maintain an environment where innovation can thrive in this country, which I think it's important in multiple fronts, and I'm sure we can discuss before. I think there are things that we can do in order to improve affordability. I mean, two ones that are -- the ones that are top of mind are: one is, work on the middleman side on the intermediaries that, as you know, capture more than 50% of the value and also try to maintain the 340B hospital pricing system for its original intent without the excesses that are today.

So I think that by working on the middleman and by working also on the 340B pricing system, we can create savings that can be then plowed into the patient to improve affordability and to diminish their out-of-pocket expense. That's the way for us to go, and that will continue to enable us to invest in innovation, especially at the moment in which we have two factors converging. One is more opportunities than ever to be able to address difficult, complex diseases as we are seeing in cancer, for example, and then on the other hand, more competition by other countries that are trying to take or participate in the leadership position that the US have. So I don't think this is the moment for us to shortcut in innovation, is to double down on that because we have this opportunity to bring more breakthroughs and at the same time, we're having competition that is challenging our status.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. Okay, FDA is part of the equation here. We've seen significant changes in leadership turnover at FDA. You're obviously engaged very closely with the agency. What are you seeing on the front lines? Any changes or risks to approval timelines?

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

Having a strong regulatory agency is a key component of the innovation ecosystem. I mean, you need to have the basic research, you need the capital, you need the companies like us. But a central piece of that is have a strong regulatory agency, because the regulatory agency is a needed linchpin of being able to develop medical technologies and medicines in a safe and effective way. And innovation in regulatory processes also drives medical innovation.

So the FDA has and still is the best regulatory agency in the world. If I leave aside the churn over in leadership and in personnel, our relationship with the industry during this period has been functional. So I cannot really point to any area in which we have had a delay or a situation in which the professionals of the FDA have not acted according to the standards that we were used to. So our working relationship with the agency, it's been positive, and it's to the credit of the people working at the FDA that have maintained a high standard of performance.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. As you mentioned, you now see a path to double-digit growth by the end of the decade, which is striking for a company of J&J's scale. You continue to grow through STELARA LOE. As you look toward 2030, what are the key levers required to bridge from your current 5% to 7% CAGR target to that double-digit profile?

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

Yeah, great question. So the ambition of being able to grow double-digit growth by the end of the decade is based on the portfolio and pipeline, late-stage pipeline, that we have today. So just to be clear, this is not an ambition based on predicated on anything else, not on M&A. It is based on our existing portfolio and our late-stage pipeline. So our existing portfolio and our late-stage pipeline are largely derisked, so just to put that aside.

So what are the areas in which we believe there's still a disconnect between our own internal expectations and the Street expectations? That would be the -- to focus your question, no? So there's three products in our Innovative Medicine side where the expectations of the Street are still lower than our own internal expectations, and I will go into them in a second.

And then in the Medical Technology side, our expectation in our cardiology group is higher than the Street. And I still think that the Street is not taking enough consideration to our launch in robotic surgery, which is going to accelerate our surgical franchise growth.

So let me go one by one and we can dig later more into everyone. The three products that are still underestimated by the Street in the Innovative Medicine side are RYBREVANT, which is our EGFR c-Met bispecific , which is now approved for lung cancer. We have breakthrough designation in head and neck, and we are going to be presenting data at this ASCO, which is this weekend. And also, we are developing it in colorectal cancer where EGFR and c-Met are important oncogenic drivers. So that one is underestimated.

The second one is INLEXZO, which is our intravesical drug releasing system for non-muscle invasive bladder cancer. Non-muscle invasive bladder cancer is a highly prevalent condition, more than 1 million patients, 600 patients diagnosed every year, 400,000 patients relapse, so it's a large patient population, and we have shown durable and sustained results superior to any other therapy that I have seen.

And we are in the middle of the launch of INLEXZO. The initial indication was in patients that do not -- that have failed BCG. We are working now in two other indications, BCG exposed and BCG-naive, and that's going to expand the patient population.

And then the third product there is ICOTYDE, which is our oral peptide blocking IL-23. That is the first oral medication once a day, one pill that has similar efficacy and safety to a biologic. And that's going to change the market because the arrival of an oral therapy that is comparable to an injectable biologic is going to change the market. It's going to expand the market, and it's going to actually compete with the injectable biologics, as some patients may prefer an oral therapy to an injectable one. So ICOTYDE is the other one that we believe is underestimated.

On the MedTech side, we are in three very fast-growing markets. Electrophysiology is a fast-growing market with the advent of PFA, and we can discuss that later. Calcified arterial disease with our acquisition of Shockwave, we're in the middle of the launch of a new catheter, C2 Aero for coronary calcified arterial disease, which is doing really well. And then heart failure with Abiomed, both in high-risk PCI, in cardiogenic shock. We are seeing significant improvements there, too. So that is still underestimated versus -- what the Street has underestimated versus our own projections.

And then finally, I think that nobody is really factoring in a serious way our efforts in robotic surgery with the upcoming launch of Ottava, and that would be another element that would help us fortify this double-digit growth in MedTech, and in total Johnson & Johnson.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Excellent. Okay, you've given us a meaty agenda there, things to dig into. Excellent.

So let's start with Oncology. You've set a goal to be the number-one oncology company by 2030 with over $50 billion in sales. As you mentioned, consensus is still a couple of billion short of that $50 billion target. You talked about RYBREVANT, and INLEXZO, maybe can you just talk a little bit more about maybe those two ,and particularly, what to look out for on those two, particularly maybe the data at ASCO on RYBREVANT? And then just what are the key drivers more broadly that gets you to that oncology objective?

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

So oncology includes oncology and hematology, altogether, right? We've said that we plan to be the number-one oncology company by 2030, and we have even put a number out there of $50 billion by 2030.

So let me break it down. An important part of that is our hematology franchise, in particular, our multiple myeloma franchise. We aim to have a therapy for every line of therapy for every patient. We have the backbone therapy, which is DARZALEX, which is growing double digit today. It is our largest product and is the backbone of therapy in any multiple myeloma therapy. And today, in most of the clinical trials in multiple myeloma, they are using DARZALEX as part of the standard of care. So that's a backbone of the standard of care that is going to remain and we see that in a continual growth.

Together with DARZALEX, we have two bispecifics, one targeting BCMA; another one, GPRC5D. We have already presented data with our BCMA bispecific in second line, in combination with DARZALEX that received an unsolicited commissioner national priority review voucher, it is already approved that in patients in second line, we have external responses. Like, they have never been seen, so I am assuming that you are going to see an uptake of bispecifics, TECVAYLI, our BCMA bispecific; and down the road, TALVEY, our talquetamab; our GPRC5D bispecific in second line. Today, only 5% of the patients in second line are using a bispecific.

And then we have CARVYKTI, our cell therapy, in which we have had external results in later lines and in second line, and we are developing in first line that has about 10,000 patients already treated that continues to gain adoption. We're seeing very strong growth on CARVYKTI. And at this point, we don't have any constraints from a manufacturing perspective. So the combination of our cell therapy, DARZALEX, and our bispecific portfolio makes it a very strong multiple myeloma franchise, which is going to be a very important part of our growth moving forward.

We are also into later-stage development of a trispecific, which would combine in a single drug, both GPRC5D and also BCMA, and you are going to see data really soon about our trispecific. It will most likely launch in this decade and will be another contributor to our multiple myeloma franchise.

Bispecifics on cell therapy could -- can coexist together. It depends on the site of care, and it depends also on patient preference. It depends also on what therapies that patient has received before. But clearly, bispecific and cell therapy can coexist and are coexisting as we speak now. That's in the hematology side.

On the solid tumor side, the first one is RYBREVANT. I discussed that before. Today, with RYBREVANT, in combination with LAZCLUZE in EGFR-mutated non-small cell lung cancer, in all lines of therapy, already, one out of four patients is treated with RYBREVANT. We see a continuous expansion of RYBREVANT in non-small cell lung cancer because it's the only regimen that has demonstrated overall survival with a chemo-free regimen in first line, the only one. We think it addresses the mechanism of resistance of the tumor and that going slow to go fast, you're going to see a constant progression of RYBREVANT, and we see every quarter of RYBREVANT plus LAZCLUZE in non-small cell lung cancer.

We'll add to that our head and neck indication, the data that you're going to see at ASCO. It is going to be in second line, but we plan to go into Phase 3 in first line, and that would create another leg of growth for RYBREVANT. And then later, but also in this decade, we'll continue our development in colorectal cancer, in which EGFR and SME are also oncogenic drivers, and that's going to create a larger product for RYBREVANT, which I think it's still underestimated.

Of note, in January this year, we had the approval of RYBREVANT FASPRO, which gives a subcu formulation of RYBREVANT, which makes administration easier and also an approval for a once-a-month dosing regimen, which makes it more consistent with what the oncologists are expecting. So the combination of the additional indications the subcu formulation, the once-a-month regimen is going to create continual growth of RYBREVANT.

INLEXZO, now at this point, we have the indication only in patients that have failed, not respond to BCG, and that have carcinoma in situ. We just got the J-code for INLEXZO in April which is going to open the path for less complex reimbursement. And we have seen a very significant uptick of INLEXZO since April in getting the J-code. And in the period of '26, '27, you are going to see data of 2 additional studies of INLEXZO: SunRISe-3 and SunRISe-5. SunRISe-5 is in patients that have been exposed to BCG and SunRISe-3 in patients that are BCG-naive.

So the combination of these three indications plus the J-code, it's going to make INLEXZO a standard of care in the treatment of non-muscle invasive bladder cancer is a therapy, which combines a device and a drug. It's perfectly fit in the urologist practice. It's an easy implantation and we see that being a platform that is going to expand beyond INLEXZO. We have already presented data of a next-generation platform, which we call TAR-210 that has erdafitinib, an FGFR inhibitor in the platform, and that has shown very significant response rates with less frequent dosing schedule. So for us, this platform of intravesical drug release system, it's going to have multiple iterations that are going to drive growth particularly in this area.

And then finally, ICOTYDE, it's an area we know really well. We are leaders in immunology and we are developing ICOTYDE not only in psoriasis, which is the first launch, but also in psoriatic arthritis, and you're going to see Phase 3 data this year. And in IBD, both in Crohn's and in ulcerative colitis. So the combination of that and the fact that physicians now are going to have an oral once-a-day pill with efficacy, which is comparable to an injectable biologic and safety comparable than the biologic, is going to expand the market in a significant way. And there is patients that may prefer to have an oral product than an injectable.

So that's going to be -- and I have said that, and it's been many times quoted -- one of our biggest products ever and is still being been estimated by the Street. I have to tell you that we have bookends. We have people that have gone really, really very far and people that are very, very, very much on the low end, right? So truth may be in the middle, but it's going to be a very large product there.

On our cardiovascular franchise, on EP, we are the leaders in electrophysiology today. We are not the leaders in PFA but we are the leaders overall because electrophysiology is not only about the therapeutic catheter. It's about an entire ecosystem of mapping, diagnosing, having the best clinical mapper as a service for the electrophysiologist, and then therapeutic catheters too. So we have the best combination on ecosystem, and we can discuss that later. We plan to continually launch new therapeutic catheters every year to make fix simple for the electrophysiologist and safer.

Calcified arterial disease still is a market that has potential for continual penetration as it is high-risk PCI and cardiogenic, so we see more opportunities there to continually penetrate. And I think we have an opinion, which is higher than what the Street has as far as the potential of our cardiovascular franchise.

And finally, again, robotics that I'm sure we can discuss later, for us, everything in robotic is additive to what we have. It's additive to what we have because we are not there. And it's not a space where we are new. We have been in surgery in these operating rooms for decades and the same people that are using the robots right now are using our sutures, are using our hemostats, and oftentimes are using our staplers, too, are using our instruments overall. So for us, surgical robotics is our territory. It is a place where we have all the right to become a leading company, and we plan to be a leading company.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Excellent, excellent. Okay, before we get into some of those MedTech platforms, just a question from the audience on AI in research: can you give us some examples of how you're thinking about using AI in research for the Innovative Medicine business and will that be material to the company?

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

So I mean, there's -- every company including us is using AI in two areas, one in molecular design in discovery, another one in optimizing clinical operations. So in molecular design in discovery, it's shortening the time from hit to lead. So we can do things faster. And at the same

time, if you have the right models, you can better predict some of the preclinical aspects in toxicology and efficacy that would be predictors of success when it goes to humans.

So we have a number of examples of oral medicines that we are getting into humans much faster than we were able to do pre utilizing AI. So I think it's safe to say that the use of AI, it's going to enable us to get things from hit to lead to humans faster than before and the probability of success when it goes to humans is going to increase. Look, we have a number of examples. I mean, I don't want to disclose which ones because some of these targets are confidential, but we are clearly using it, and it's already ongoing.

The other area in which companies, including us, are using AI and we were using that even before generative AI, it's in the area of clinical operations. Why? In protocol design, patient selection, and also in selecting the centers that are more likely to recruit and to have quality in the way they conduct the clinical trials. So those are two areas in which you are going to see AI having a positive impact in drug development.

And I think that for companies like us, AI is a force for good because it's going to help us be able to develop medicines, which are better and get faster to patients, and it's going to help medical devices being smarter and improve the outcomes of surgery and any procedure. So when I think about AI, when it comes to the healthcare industry to Johnson & Johnson and to other companies, I see that as a force for good and as a positive thing. I don't see that as with fear. I think it's something that companies like us need to fully embrace because it's going to make us better in doing what we do best, which is bringing medicines and medical technologies to patients.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Very good, excellent. So let's touch on drug device synergies. INLEXZO, as you mentioned, is off to a great start, projected to reach $5 billion in peak sales. Are you looking to apply that kind of targeted release platform to other therapeutic areas?

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

Yeah. I mean, I already commented that we are already using the concept for another drug device combination, which incorporates erdafitinib on it, and we are thinking about all the areas of the kidney in the upper kidney in cancer that we can use that drug device combination. So we see multiple opportunities of utilizing the technology behind INLEXZO in different instances in contained spaces like the kidney or the bladder. So you will see more of that, and that's an area that we are investing and we plan to expand.

Another exciting area for us in which we are using our drug device expertise is a relatively unknown one, which is our radio enhancer. So we are already in Phase 3 and in Phase 2 with a radio enhancer is an element that, let's say, amplifies the effects of radiotherapy. We have already presented some data in this recent ESTRO that occurred recently and the community in radiology, in radiotherapy is very excited about having the opportunity to have an inert substance that is going to amplify the effects of radiotherapy.

In this case, in order to do the procedure, you need the support of our medical device clinical specialists because this is injected directly into the tumor, and you need to have the right way of injecting and delivering the drug and delivering the right amount. So that's another idea given that radiotherapy is the most frequent modality in cancer that if we are able to find a radio enhancer that could amplify the effects of radiotherapy or help using less radiotherapy to optimize the effect of radiotherapy and minimize the side effects could be quite transformational.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Yeah, Nanobiotix.

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

And our Nanobiotix collaboration.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Yeah, excellent. Okay, let's talk about MedTech. Valuations for MedTech have been slashed by 40% over the past 6 months. Have you seen any material changes in the underlying fundamental outlook for MedTech markets?

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

I think you have to separate valuations from underlying trends. So I don't see anything other than healthy trends when it comes to demand for medical devices because the number of procedures expanding, the capacity of the hospitals is expanding, and the quality of those procedures is improving, too. So the underlying trends that I see in the areas that we participate that is very broad: Orthopaedics, Cardiovascular, Vision, Surgery. I don't see anything but continuous progressive growth there, I think, which is helped by the normal aging of the population and the fact that the procedures get better, get faster, and you have better outcomes and results out of this.

Now, the valuation is a different story. And look, I think there's, I would call it, a recalibration, let's say, rather than a reset. I think that there's a recalibration and as you know, you've been here for a long time, that is a normal event flow that, of course, with the valuations. There's always recalibrations. But clearly, the underlying fundamentals of the MedTech business, I see them as healthy as ever.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. Okay, let's talk about surgery. You mentioned OTTAVA a couple of times, of course, you submitted to the FDA earlier this year. What unmet need will OTTAVA address and how are you measuring success in the surgery business over the next couple years?

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

Yeah, so, I mean, first of all, as I said before, we have been in surgery for a long time. So we are not entering a new space. The same customers that our customers of the robotic systems now are customers that are using our sutures, our hemostats, and oftentimes even our own instruments.

We are leaders in open laparoscopic surgery, so it's a space that we know globally. And as a consequence, I think we have all the right to be an important player in robotic surgery, which is where surgery is going, right? So there's no question about that. And it's still largely a space which is underpenetrated. Most of the procedures are still open and laparoscopic, I still see that down the road, every procedure will incorporate some robotic components. So we are in the first inning, in the first cycle of robotic penetration, and that's going to continue to grow.

So why do we think that our system could carve out a space? A number of things. First, we have what we believe is a differentiated system. The architecture is different. It does fit in standard operating rooms. The arms are tacked below the bed and the bed is like a normal hospital bed. So that makes it more efficient to be able to be used in normal standard operating rooms.

As an anecdote, I was talking to a surgeon, and he was telling me one of our nurses came into the operating room and the nurse asked him where is the robot because she was not seeing the robot because the arms are tucked below, and it's just a normal operating room. So you can do open surgery or laparoscopic surgery in that bed. So that makes it more efficient and makes the hospital being able to utilize the space and turn around the operating room faster.

The other element that I have heard from surgeons that they really appreciate is what we call twin motion because of the arms being attached to the bed when you move at the same time, the bed and the arms. So that avoids that you have to constantly reposition the patient. And depending on the BMI of the patient, that could be a difficult task. So they like this feature that we call twin-motion in which the arms are the beds are moving at the same time.

The third element is that it's going to mount our instruments. It's going to mount our staplers. It's going to mount our energy devices, and they like our instruments. You can ask now which ones do you like the most. In some countries, they even stop the robot and they use our instrument for certain tasks. So they are going to have the superior Johnson & Johnson instruments mounted in the robot, and that's going to be ultimately making a big difference because ultimately, those instruments as the ones touching the patients, right?

And then finally, look, I mean, surgeons, CEOs of hospitals, they want to have more options, and we are going to be there to provide those options. So I think that's why we are going to have a space in the robotic surgery space. And we are a company that has the muscle and the resilience in order to be able to take the time to build a leadership position there.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Amazing, great. Just a question from the crowd about just how much of your double-digit growth by the end of the decade expectation is predicated on OTTAVA's success or is there any kind of metrics you can give us related to that?

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

No, I mean, I appreciate the question. What I can tell you is that the double-digit growth is the totality. I gave you, I think, seven different elements why I think we are underestimated. I talk about RYBREVANT, INLEXZO, ICOTYDE, Electrophysiology, calcified arterial disease, heart failure; OTTAVA is one of the elements there. I mean, the good thing about Johnson & Johnson is that we don't depend on one element. We are not a one-trick-pony company.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Yeah.

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

I know investors sometimes like one-trick-pony companies because they are easy to understand, but they have an expiration date, right? So I mean, it's good to have the number of options that we have. And in every single area that we are in, we are number one in most of them or number two, with the ambition to become number one.

So it's not -- we are deep in every single area. We're deep in Oncology. We're deep in Immunology, we're deep in Surgery, we are deep in Cardiovascular, deep in Neuroscience, so that gives us the opportunity and the optionality to be able to be a company that will be more than $100 billion and still is telling you credibly that we have line of sight to double-digit growth. I cannot think about any other company of our size that can talk about that.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Incredible, good. Okay, in Electrophysiology, you've lost share, of course, as the market has shifted rapidly to PFA. Is it realistic to think that you can catch up with surging PFA competitors and hold on to that number-one position in the EP market?

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

We are number-one today. As I said before, Electrophysiology is not about the therapeutic catheter only. It's about the entire ecosystem, even in the value of the procedure. It's not about the therapeutic catheter only. It's about being able to have a system like CARTO to map. It's about having the diagnostic catheters. It is about having the service level that our unmatched clinical mapper network provides. It's about having ultrasound, too, which improves the quality of the procedure and enables you to do it without fluoroscopy.

So it's about an entire ecosystem. And that's what we are providing today to the electrophysiologist because, as you know, oftentimes, when they are using competitive therapeutic PFA catheters, they're still using our mapping system.

So why we believe we are going to remain leaders and gain back a position of leadership in PFA? A, because we are going to continue to upgrade constantly our mapping system, which is foundational for us; B, because we plan to constantly improve our therapeutic catheter portfolio.

Now, we are launching in Europe VARIPULSE Pro. VARIPULSE Pro has a shorter sequence than VARIPULSE. And VARIPULSE Pro is five times shorter than VARIPULSE. We plan to have VARIPULSE Pro also in the US that's going to make the procedure shorter and easier for the electrophysiologists. And we have already presented significant data in HRS with rates of stroke that are 0.2%, the lowest in the category. So clearly, VARIPULSE is a safe catheter as compared to the competitive catheters.

So from there on, we are going to be launching a dual energy catheter that would be the STSF catheter that will combine electrophysiology and PFA, we are working on a large deep focal catheter, and we'll continue to innovate our therapeutic catheters in order to remain leaders in total electrophysiology and also in PFA. So our aspiration is to get to be leaders in PFA. It may take us some time, but we're going to continue to invest to be there.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. Okay, you mentioned the other two big assets in Cardiovascular, Abiomed and Shockwave. Business is performing well ahead of deal models, but competition is coming in both markets. How do you plan to maintain your lead in both of those places?

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

Two avenues: one is continue to improve our catheters when it comes to Shockwave and we are launching a catheter every year. Last year, we launched Javelin for difficult to cross classified lesions. And this year, we're launching C2 Aero, which improves the leverability and maneuverability of the catheter in coronary, which is the largest market.

And we continue to innovate in our pump. I mean, part of the growth in Abiomed is the 5.5 pump, which is implanted through the axillary by the surgeons, so we are always a step ahead of the competition, and we will be in having new catheters or improvement in the existing pump.

So that's one avenue. We plan always to be a step ahead of the competition. And on the other hand, we plan to continue to generate data to substantiate why the use of our catheters or pumps is beneficial for the patients. So both on the new product side and in the data generation will push forward to be always a step ahead of the competition.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. Volume-based procurement in China continues to be a headwind. It's a headwind in surgery, likely is going to hit EP in the second half of this year. When do you expect China to return to becoming kind of a more meaningful growth driver for MedTech?

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

Yeah, volume-based procurement is a pricing mechanism, no? And I was referring before to this tension between innovation and affordability that goes always through cycles. I think we are now in the cycle of constrained prices in China, but the market will continue to come back. And what matters is that the underlying demand in China is significant, and it's an important driver of growth longer term for us.

So I'm optimistic about the China market. While we will have to navigate the short-term pricing pressures, the underlying demand for our medical devices and medicines is still strong, and it's an area where Johnson & Johnson will continue to be.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Great. I hate to ask it but a question from the audience on talc, just a quick update on how to think about where we are on that one.

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

On talc?

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

On talc.

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

Yeah. So look, I mean, we are working now through the Daubert proceedings. And we are focused on litigating every single case. We have a strong track record of litigating every single case of 17 cases that have been going into appeal; we have won 16. So we plan to continue to fight every single case because the evidence and the regulatory agencies are on our side. So we plan to continue to fight for what we think is fair. And our approach is we're going to litigate every single one.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Yeah, great, okay. All right, maybe zooming out to talk about portfolio, from the start of your tenure, you've talked about getting more acquisitive, particularly in MedTech. With the ortho separation in process and valuation is looking pretty attractive across the healthcare space, how do you think about opportunities to continue to reshape J&J's portfolio?

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

So from -- I mean, I think we have gone through a significant reshaping of our portfolio. I mean, on one hand, we separated our consumer business, and now we are separating our orthopedics business. So we are clearly focused, as we say, in three areas in Innovative Medicine and in three areas in MedTech. And all the six areas are areas where we have a strong position and depth and there's medical need and also science is advancing to bring medical innovation. I think from that perspective, we are what I would call using pharmacological terms at a steady state.

Look, as far as M&A has to be clear, when I'm talking about double-digit growth, it's not because of M&A. It's based on the existing largely derisked portfolio and pipeline that we have today that I have just described. When I think about M&A, look, we have the cash generation, we have the balance sheet to be able to have optionality in M&A. If there are opportunities that fit our areas of expertise that do have a significant improved membership standard of care and that are financially attractive, we'll think about it.

Our sweet spot, however, is earlier-stage acquisitions in which we can use the scale of Johnson & Johnson in order to expand their clinical development under commercialization. One good example of that is the acquisition of Halda Therapeutics that we did at the beginning of the year. It's a new platform called RIPTAC. They have an asset in Phase 2 in prostate cancer. We can use the RIPTAC platform in other solid tumors, and our goal is to expand it into multiple areas and to create significant value of there.

The Halda Therapeutics acquisition doesn't make the headlines because it's relatively a small one, but we have demonstrated over and over again that we have a good ability to identify small acquisitions that become big products. ICOTYDE is one, and INLEXZO is another one. So Halda, our prediction is that it's going to become a big platform for us. So M&A, it's an important component of our overall portfolio growth but our bias is clearly for earlier-stage acquisitions.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Got it, great. I think of your six big focus areas, maybe the ones we didn't touch on as much were Neuroscience in the Innovative Medicine business, and then Vision, in the MedTech business. Maybe just 30 seconds on what's interesting in those two?

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

30 seconds. Vision, look, this is a good market for us. Overall market in vision grows 4% to 6%, but we have a very strong position in contact lenses, where we are the market leader, and we continue to innovate there with multiple generations of contact lenses. We are in the middle of launching next-generation intraocular lenses, and we are gaining share overall in intraocular lenses, which are our two areas of focus. We see vision as a good space for Johnson & Johnson and one in which you are seeing improvements both in medical devices and in therapeutics, so it's a good space for Johnson & Johnson.

Then when it comes to neuroscience, it's an area that we have clearly signaled as a priority where we have a strong track record there. Our two growing assets are SPRAVATO in treatment-resistant depression, which is growing very healthily, close to 50%. It's a multibillion-dollar product, and we are now in the middle of the launch of adjunctive treatment in major depressive disorder for CAPLYTA, which is doing really well. And we are seeing a very significant increase in the prescriptions for CAPLYTA since we have the major depressive disorder indication. Plus, we continue to grow in the other two indications of CAPLYTA, which are schizophrenia and bipolar, so we think that CAPLYTA is going to be a leading antipsychotic in these three areas, and we feel very confident that as we communicated when we acquired Intracellular, this is going to be another $5 billion asset.

We are continuing our investments in our pipeline in depression, and we have an orexin-2 antagonist, seltorexant, which is going to have a readout in Phase 3 pretty soon that we are developing also in depressive disorder with a prevalence of insomnia and that could be another addition to our depression portfolio. So we feel confident in the continual growth of our Neuroscience franchise, and we keep on trying in the area of neurodegeneration, which is a bet for the next decade, but we think that a company like Johnson & Johnson has to be in these major decisions like neurodegeneration. That, in my view, is the next frontier for Innovative Medicine companies in order to be able to conquer. There is still a lot of room for improvement in neurodegeneration and it's an area where as population ages will become more and more prevalent. It will become more of a social problem overall.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

Amazing. All right, we covered a lot of territory there in 50 minutes. Thank you so much for being here.

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

Thank you. Thank you very much.

Lee Hambright - *Sanford C Bernstein & Co LLC - Analyst*

All right, thanks, everybody. That was great.