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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Tim Schmid *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

CONFERENCE CALL PARTICIPANTS

Lawrence Biegelsen *Wells Fargo Securities LLC - Analyst*

PRESENTATION

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Welcome back, and good morning. I'm Larry Biegelsen, the MedTech analyst at Wells Fargo. It's my pleasure to host the next fireside chat with the management team from Johnson & Johnson. With us, we have Tim Schmid, Executive Vice President and Worldwide Chairman, MedTech. It's, as I said, fireside chat.

Tim, thanks for being here again.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

My pleasure, Larry, and thank you for the opportunity to represent J&J.

QUESTIONS AND ANSWERS

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

So let's start with a couple of big-picture questions. At your last Investor Day, I think it was December 2023. You had a goal to grow at the high end of MedTech, which you pegged at 5% to 7%. How has the market performed relative to your expectations? And how are you doing?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Sure, Larry. And firstly, thank you again for the opportunity. We're proud of the progress we've made. And just to remind everyone, in December 2023, we forecasted that our markets would grow at roughly 5% to 7% on an operational basis over the entire period of 2022 to 2027, not within quarters or individual years. And when we actually now track our progress from 2022 to the midpoint of 2026, we are confident that we're delivering at that high end of the 5% to 7% range. I think more importantly, beyond the results, it's the progress we've made against our business and the confidence we have in building a stronger and more durable MedTech for Johnson & Johnson.

And what gives us confidence is a couple moves. Number one, our shift into higher growth markets, which we have talked a lot about, especially in CV , but also doubling down on truly differentiated innovation in the three areas that we have prioritized, in CV, in Surgery, and in Vision.

Number two, we have made a significant change in our operating model. We have roughly 75,000 people across MedTech. We used to operate as a highly centralized organization, which does bring some benefits, economies of scale. One of the downsides is speed of execution, and you lose some of the specialization that we believe is just so important to MedTech. So we have actually shifted our operating model in MedTech to move towards a business unit structure, which creates greater specialization, much faster decision making closer to customers, and it makes accountability clearer, and we are already seeing the benefits of that.

Then finally, it is the continued shift in our portfolio, not only to add assets, specifically in areas like cardiovascular, but also to make some difficult but really necessary decisions to shift our portfolio and make sure that we are focused on the areas where we can make the biggest difference for patients and for investors. You will know that we announced separation of orthopedics last year, which we believe will set that business up for better success, but also, most importantly, allows us to focus in Johnson & Johnson, our capital, and our resources, on the three areas that I mentioned earlier, which we believe will offer the greatest return.

Now, when we look at projections over that period of time, you are always going to see some form of headwinds. It could be procedure related, could be competitive, it could be VBP, to use an example today. But long-term durability of performance, we believe trumps everything, and we are very confident that we are building and have built a MedTech business that is more durable in terms of long-term growth.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

That is helpful. You are approaching your next Investor Day in December. I would love to get a sneak preview. Any changes to how you are thinking about the next five years for the MedTech market and Johnson & Johnson?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Larry, we're excited. December 8th of this year will be our next Investor Day, and I don't want to steal too much thunder. What you are going to hear is an increasing conviction in the role that MedTech will play in Johnson & Johnson's growth profile going forward.

We're going to spend some time talking about the underlying health of the businesses in which we operate. Certainly, there are increasing aging populations, a greater demand for healthcare, increasing access to healthcare. And what we find so exciting is with some of the new technologies that we're bringing to market, it's making procedures and treatment options less invasive, more personalized, and more connected, which allows us to touch more patients than we have in the past.

The underlying fundamentals of MedTech are solid, and then it's the big moves that we've made, specifically to build out a strong position within cardiovascular. Cardiovascular today is the largest and fastest-growing market within MedTech. Five years ago, of the four businesses we operate today in MedTech, it was our smallest. By the first quarter of next year, it [should] (corrected by company after the call) be our largest and fastest-growing business, and that's come with the acquisitions of Abiomed and Shockwave and of course, the increasingly exciting aspects around the EP market.

The second one is really about our decision to separate Ortho, which really changes the makeup of our business. Immediately, we're going to get a bump in top-line growth as well as margin expansion on the back of that move. But once again, it also focuses us on those areas where we can make the biggest impact.

If I was to give you, maybe characterize what you can hear, what you're going to hear is certainly that move into higher growth markets, doubling down on truly differentiated innovation, and we'll bring that to life for you, especially as we think about OTTAVA, which we believe will be a material contributor to our performance through the back half of the decade. We remain very, very confident in the future.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Good to hear. Let's bring it closer to near term, 2026. Excluding the extra week, I think you expect MedTech for Johnson & Johnson in the second half to grow faster than the first half. The comps are a little bit tougher in the second half of the year. What's giving you the confidence, and what are the drivers?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, Larry, it's a great question. Just to acknowledge, yes, you're absolutely right. The comps were a little easier in the first half of the year, and they will get tougher to lap as we look to the third and fourth quarter.

As we've thought about the back half of this year, what we've really taken into consideration in thinking about our models are procedure, underlying procedural performance, competitive dynamics, and then of course, larger macroeconomic and geopolitical considerations. In all transparency, as we look at our business today, we are seeing lingering challenges around competitive intensity, and you will note that the larger geopolitical environment is more uncertain. Certainly, we're seeing the impact of the ongoing conflict in the Middle East, which is one that is truly hard to predict. That said, and that's just for MedTech.

When I look at Johnson & Johnson's performance overall, inclusive of MedTech and our Innovative Medicine business, I can confidently share today that we remain very confident that we will deliver against the advanced guidance that we provided in July, which, as you know, we took up our forecast. And I think it really talks to the strength and breadth of our portfolio across Innovative Medicine and MedTech that we can do exactly that.

So let me reiterate that point again. We are very confident for Johnson & Johnson that we will deliver against the advanced commitments we highlighted in the second quarter earnings. I'll double down even further. You've heard our CEO and our CFO talk about '27 being stronger than '26. We're confident that '27 will be a stronger year for Johnson & Johnson than '26.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

That's helpful. So a couple follow-ups. I think we probably have a lot of people on the line and a lot of people in this room who want to hear your view just on the procedure environment. You said on the Q2 call that it was stable, but you're watching the impact of the ACA subsidies expiring. Anything new you can share with regard to procedure volumes?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Sure, Larry, and obviously this is the topic of the month right now, and we certainly were following the commentary of many of our competitors on this stage yesterday. Right now, I'm not able to share anything new and different from what I shared at our last earnings call. We still see robustness in our markets when we look at the totality of the businesses that we operate in. Underlying unmet needs remain. Healthcare systems are well positioned to address the disease burden.

Then specific to Johnson & Johnson, as I compare ourselves against some of our competitors, we offer treatments in areas that are not always elective. In fact, our surgery business and our cardiovascular business is less exposed to the elective nature of some other parts of our portfolio and our competitors. We feel that we operate in robust markets and have no evidence to suggest any slowdown.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

I think the concern probably more around orthopedics. Obviously, you still have a large orthopedic business.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

We do.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Does your commentary on the stable procedure environment apply to orthopedics as well?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Thank you for the follow-up. I had a conversation with the Head of Orthopedics as recently as yesterday. Once again, even there, while we know other competitors have signaled, in fact, we've had a bit of a yin and yang. Some have signaled; some have remained consistent. We do not have any evidence to suggest a slowdown in that business. And as you've seen, we've actually seen an improvement in our performance even since we announced the divestiture of that business, which I think really is a testament to the leadership and the team that we have in place.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Just a couple follow-ups on your earlier comments on the lingering competitive intensity, and the geopolitical headwinds that you mentioned. The geopolitical headwinds are primarily Middle East, is that what you're talking about? And what kind of exposure do you have?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

I'm not going to provide guidance on specifics there, but we do have a fairly sizable business in that part of the world, which has periodically been impacted over the last couple of months. It's just hard to predict, Larry, to what extent that is going to continue.

It's not just the impact of the war on the provision of healthcare, but also the investment in healthcare. As investment in that part of the world goes to defense and other areas, it's likely to cause pressures in that part of the world over at least the foreseeable future. That's the specific example I was citing and mentioning earlier.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

And the lingering competitive intensity, I guess, A. Which areas? Is it EP? Is it Vision?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

It is EP. No surprise to you.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. And I just want to clarify that the lingering competitive intensity, what you're trying to communicate today is lingering longer than you might have expected. Is that --

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Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Correct.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. Just to be clear. Okay. Fair enough. So maybe just turning back to EP, how are you thinking about, what is the outlook for your EP business and the market? Biosense Webster, it is like the crown jewel of the Johnson & Johnson MedTech franchise, but you have been growing under market. So what is the plan to turn that around?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, Larry, I think I can bring a little more context to my earlier comment on competitive intensity. When we look at our EP business, rest assured that we are not going away. We are absolutely committed to remaining relevant and to continuing to lead in this particular area. It is very personal.

We built the electrophysiology market with Biosense Webster and still believe that we have a strong right to win. Where we are seeing competitive intensity a little broader than we initially expected, Larry, is actually outside of the US. It should not come as a surprise to you that outside of the US, the shift from RF to PFA has not been as rapid as the US, especially in markets like Asia-Pacific, so we are seeing some headwinds there.

That is exacerbated by the fact that you have competition from multinationals as well as local competitors, especially in a market like China. We do also expect that VBP, so volume-based procurement, which is really a cost containment effort within China, is going to come to the EP space. While we cannot predict the exact timing, we expect that that will hit that market at some point later on this year and bleed into 2027. So those are some of the headwinds.

The reasons to believe are profound. Number one, they really start with our belief in our portfolio, and that starts with the importance of CARTO and mapping. We have an established position with CARTO, with CARTO units established in 6,300 cath labs across the world, manned by highly trained mappers, and we are the only company that brings a fully integrated offering of mapping, navigation, and ablation catheters. That is actually what has kept us in the room, even though we have had some other gaps in the portfolio. That is number one.

Number two, VARIPULSE. VARIPULSE continues to go from strength to strength. We have done more than 100,000 cases. We have just launched VARIPULSE Pro, which is an easier to use and faster catheter in Europe, and that is driving significant growth, and we are expecting approval and launch of VARIPULSE Pro in the US later on this year.

We are not then stopping there. We are building out a full portfolio of PFA catheters, moving from VARIPULSE Pro to a large tip focal catheter called OMNYPULSE, and then followed by ISOPULSE, which is a single-shot catheter. Our commitment is that you will see one meaningful catheter addition to our portfolio every year for the next three to five years.

Thirdly, I would mention the importance of evidence, and this really matters in all spaces, but especially in the cardiovascular space, given the nature of the patients that we are serving. We have growing evidence in that VARIPULSE is one of the best-performing catheters and one of the safest on the market.

In fact, we shared real-world evidence at the KC Heart Rhythm society, which is one of the biggest regional societies in the space. And we were able to demonstrate a [68%] (corrected by company after the call) less likelihood of an adverse cardiac event with the use of VARIPULSE versus FARAWAVE, which further reinforces the fact that we have got a product that is safe and performs well.

For those reasons alone, Larry, we are absolutely committed to the space. We believe that we will remain relevant and that we will maintain our overarching long-term leadership position over time.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

That is helpful. OMNYPULSE, any update on when we could see approval in Europe and the United States?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Thank you for the question, Larry. Obviously, that is the next big addition to our catheter portfolio, which is a large tip focal catheter. We have communicated that we have completed the clinical study. We have not provided guidance yet on regulatory filings, and I would not want to pontificate too much on timings at this point in time. We will provide that in due course.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

When you say completed the pivotal trial, that Europe and US?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

I will double check that, I believe --

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Europe, I think. But that's okay. We can follow up.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

[It is in both; Europe and the US that are complete.] (corrected by company after the call)

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

I guess one more question on the PFA catheter portfolio. You mentioned ISOPULSE. That's the single shot. Are you satisfied with your internal PFA catheter program? There are a lot of public and private companies developing PFA technology. Do you feel like you could augment the PFA catheter portfolio?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Larry, if I'm perfectly honest with you, I think that's one of the key learnings for us in this entire experience. We perhaps were maybe a little too internally focused with the proliferation of PFA.

What I can tell you is that we are absolutely agnostic to where innovation comes from, and this is where I think the strength of the balance sheet of J&J really puts us in a good position. We will clearly invest in the internal programs that I mentioned, but we will also be very aggressive when we think it's appropriate to look at some of those next-generation PFA technologies that you and I know are out there and certainly going to play a big role in the future.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. That is helpful. Just switching gears, Abiomed slowed in the second quarter. I think you attributed that to a clinical trial called BCIS-3.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

We call it BCIS.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

BCIS. Okay. That was in the first quarter. I think that was American College of Cardiology if I am not mistaken. But you expect that business to improve. So my question is, what are you doing to turn that business around?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, it's a really good question, Larry. Firstly, we believe strongly in the future of heart recovery and hemodynamic support as a major opportunity for patients who in many cases don't have many options. We believe it's going to be a significant growth driver for J&J MedTech and Johnson & Johnson.

As you mentioned, a study came out. It was a study out of the UK, and it resulted in a number of significant conversations within the interventionist community about appropriate patient selection, especially as it relates to complex or high-risk patients. And without a doubt, it has had an impact on some of the treatment choices that our customers, both here in the US, but also internationally, have had relative to that patient pool.

Now, we believe strongly that hemodynamic support is an absolutely critical option for those high-risk complex patients. What we're doing about it is, number one, we are looking at the totality of evidence, not just the BCIS-3 trial, but the totality of evidence available across the world focused on that patient pool. We're also investing more than any other company in additional data, and I'm sure we'll talk in a second about PROTECT IV, which is a specific study focused on this particular pool of patients.

We're focusing also a lot on educating people around appropriate patient selection, which we think is at the heart of one of the challenges with that study, and we're also doubling down on education to ensure that our physicians are best positioned to make the appropriate treatment options.

We're already starting to see some green shoots, and what I would say, Larry, is that this should not be a major surprise. There's a reason why we are the only company in the heart recovery space with Impella today. It's because it's hard, and it's also because it is increasingly a growing area of science and medicine. We've seen this in the past. As evidence continues to grow, we've seen this in the past, and we have no doubt that we will demonstrate the benefits of these technologies specifically to those high-risk complex patients.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

PROTECT IV, big study, important study. You talked about it on the Q2 call. I think coming out in 2027. Maybe just at a high level, what are the differences between. It is a similar population, high-risk PCI, but what are the differences in the studies that could lead to a more favorable outcome in PROTECT IV?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Larry, I think there's a couple things, and the first thing I would reiterate is the importance of not drawing a straight line between the BCIS-3 study and PROTECT IV. There are some significant differences that need to be understood.

We don't want to take away from the learnings from BCIS, but when we look at PROTECT IV, to your point, yes, it is focused on a similar cohort of patients, but BCIS-3 was a 300-patient study. PROTECT IV will be just over 1,250. So 4x the sample size, which we think is a more highly powered trial, which should deliver better outcomes given the nature of how it's powered.

The other consideration is really around patient selection, and with the investigators we've spoken to, we believe that there's a different interpretation of patient selection as it relates to the full cohort of complex high-risk PCI patients in PROTECT IV relative to BCIS.

The final one is really around best practices. We've learned, especially in high-usage markets like the US, that best practice really matters. What I mean by that is around pre-call planning, the appropriate time for how much you keep the device in, et cetera. So we have embedded those best practices into our PROTECT IV study and can confidently say that they were not considered in the BCIS study, which we think culls out some of the variability we experienced there. So we're working hard within the community.

We, once again, remain very committed to this business. We've seen these ups and downs before and believe that Impella is an absolutely critical offering for these patients and will continue to be a strong driver of growth for J&J and J&J MedTech.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

That's helpful. Let's switch gears, Tim. Anyone who knows you knows you're excited about OTTAVA. I guess my question is what's been the early feedback? I know you were at Society of Robotic Surgery. What's the early feedback, and when can this start to be a growth accelerator for J&J surgical business?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Larry, I am super excited about OTTAVA. I've spent more than 33 years at Johnson & Johnson, a lot of that time within our surgery business, and I do think that we are on the precipice of an absolute breakthrough.

And you mentioned that we received FDA approval while we were at the SRS conference. For those of you who don't know, SRS is the largest gathering of roboticists and physicians focused on surgical robotics. It was a particular proud moment for us to show our confidence and the confidence with the FDA with the approval at that event.

I think the feedback, firstly, has been resoundingly positive. There is no doubt that it is time for competition, and there's a recognition that we have something that is truly differentiated from the other competitors who have entered this market.

I'd say the two insights that are resonating the most, specifically with surgeons, who by the way, many of those surgeons at SRS participated in helping us design and bring OTTAVA to market. The piece that they're really hitching onto is the benefits of our differentiation, which are the unique architecture, the fact that it drives automation from day one, the advanced instruments, as well as the digital infrastructure. What it really calls upon and does is create a more seamless workflow.

Collaboration within the operating room is absolutely critical. It isn't just about the surgeon, it's about the anesthetist, it's about the nursing staff. Those benefits of OTTAVA really allow for a more collaborative workflow in the operating room, both in terms of during clinical practice as well as shift over between procedures. That is really resonating workflow with physicians.

With the health system community, who as I mentioned earlier, cannot wait for the entrance of a new competitor and are especially excited about it being J&J, given that we have presence in almost every single operating room around the world, given our global leadership in both open and laparoscopic procedures.

With that community, what's really resonating is the architecture. Why it's important for a hospital system is that because OTTAVA is a different format and considerably smaller than the incumbent system, it can be placed naturally in any operating room today and doesn't require an entirely new investment in capital to fit out an operating room with the size to accommodate the incumbent's robot. That is really resonating.

We look forward to providing more feedback in short order. Right now, our focus is on a careful selection of our pilot launch sites, making sure that they have a positive experience. What you can expect to see is a constant drumbeat of increased indications, new products as we continue to scale that portfolio.

I know your next question at some point is going to be, well, when exactly will we see that material impact? We will share more details about that at the EBR on December 8, but we remain very confident that OTTAVA will be a significant growth contributor to surgery. In fact, our surgery business is the largest today. It is the most profitable, and we believe with the investments in OTTAVA and our fleet of surgical robots, which is inclusive of Monarch, which will be the first system used in the urology space for the treatment of kidney stones. We believe that those innovations alone will be a significant contributor to J&J's performance, in fact, a material contributor by the end of the decade.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

December 8.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

December 8.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

We'd have to wait.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

You got to wait, Larry, sorry.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. We'll be there. All right, Vision. Let me just ask. Well, I'll ask about contact lenses first. Q2 actually was strong, especially outside the US. There's been concerns that Asia-Pac has been weak. Have you seen kind of a turnaround, and what's the outlook for contact lenses?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, we hope so, and certainly we've seen that continue throughout the quarter. To build on your point, Larry, we've seen a really nice inflection within our contact lens business. We did have some supply issues a couple of years ago, which we've addressed. We're back to actually gaining share. We are by far and away the market leader with our ACUVUE premium portfolio.

To your point, outside of the US, and specifically Asia-Pac, was a bit soft for a number of quarters, and we've seen that turn around nicely. We expect that to continue on the back of an incredible unmet need, aging population, which is going through the roof, greater awareness of healthcare needs, and a demand for some of the premium innovations that we have. Our expectation is that will continue, and we're confident that our contact lens business will be a strong contributor to vision growth for the foreseeable future.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Within Vision, the one area I was actually surprised about was the US surgical business was a little soft, and I was surprised because you're launching PureSee. Feedback's good on PureSee, a new premium IOL. How should we think about the surgical business, vision surgical in the US in particular going forward?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, Larry, just to call it as it is, that was a dark mark on our Vision surgery performance in the last quarter. Tremendous performance outside of the US, but lackluster performance here in the US.

Now, we had just started the launch of PureSee, and to put this in context, this is the only FDA-approved premium IOL with extended depth of focus. What that actually means, it makes this premium IOL more applicable to more patients. The reason why we've enjoyed such success outside of the US is we've implanted that device in half a million eyes over the last couple of years.

We're now complementing our portfolio with Odyssey in the US with PureSee, and I can confidently communicate that we are seeing a tremendous pickup, and so I look forward to providing the results of that acceleration when we come together for Q3 earnings. I can also confidently say that the second quarter performance here in the US and globally for our surgical vision business will be significantly better.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Got it. That's helpful. I guess just one on orthopedics. How are you thinking about the pros and cons of a sale versus spin?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, it's a question we get all of the time. This was a notable decision we took for J&J. It's one of the largest divestitures. Now keep in mind, divestitures are not a new sport for J&J. We believe it's a part of just strong portfolio management. In fact, prior to the decision to separate our Ortho business, we generated about $5 billion of cash over the last seven years through moving businesses, whether it be LifeScan, Cordis more recently, our ENT business, on and we will continue to do it where it makes sense.

To answer your question deliberately, we are not looking to optimize for structure in that decision to separate Ortho. We're optimizing for value creation, and so we are prepared to entertain a multitude of options to separate that business, which we're still considering, and in due course, we'll share the chosen course of action. But once again, it is all about maximizing for value creation.

The last thing I'll say is, I would not look into this as the beginning of a program of divestitures at J&J. It's a big one. It's one of the market-leading businesses in orthopedics. It just comes down to the fact that we believe both DePuy Synthes, which it will be called, and J&J will perform better once we separate. It is not the beginning of a program to divest of any other significant businesses within Innovative Medicine or within MedTech.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Tim, remind me of the timeline you guys laid out for orthopedics, the spin.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

We expect that to happen sometime in 2027, most likely around the midpoint.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Okay. Of '27. So any milestones between now and then?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

I suspect that we will have line of sight to the mode of separation before the end of the year, and we will share that as soon as we have it.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Got it. I guess you answered my next question, which was, last year at this conference, I asked if we could see more divestitures, and shortly thereafter, you announced a spin of Orthopedics. How are you feeling about the portfolio today? It sounds like no more big divestitures. What about additions?

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Well, we have been very deliberate, and what gives us confidence in what I shared earlier about delivering against our 2026 commitments for J&J, as well as a faster 2027, is we believe that by deliberately focusing on the six areas of focus we have chosen in our Innovative Medicine business, it is the Neuroscience business, it is Immunology and Oncology, and in MedTech, it is CV, so Cardiovascular, Surgery, and Vision.

We believe that focus is really what is setting ourselves up for success. Of course, I think, and we do not mean this arrogantly at all, but what does set us apart is the strength of our balance sheet, and it allows us to be in a position to go after truly meaningful innovation that will deliver returns. We are more able to do that than many of our competitors.

We are right now focusing on how we really build out the portfolios that we have today. When we think about M&A, we take a very disciplined process. We look at number one, is there a scientific reason, a real unmet need that we are looking to address, and a technology that truly addresses it? That is number one.

Number two, it is strategic. Do we have a right to win? Is it adjacent to one of our businesses? Do we have established presence or scale that we can bring to bear to make that business perform better in J&J versus the outside? Then finally, no surprise to all of you, it is going to be financial. Does it meet the commitments of our P&L and our responsibility to all of you as shareholders? That is the philosophy we will continue to focus on, Larry.

Shockwave is a wonderful example of that. Going after a space where there is a significant unmet need for people with cardiovascular disease, IVL technology that makes it so much easier for physicians to treat and better outcomes for patients. It was very strategic because it allowed us to build our initial presence in interventional cardiology with the acquisition of Abiomed, moving deeper into coronary artery disease and peripheral artery disease with Shockwave. And of course, from a financial position, Shockwave was accretive to both our top and bottom-line performance from day one. It is a wonderful example and a great way of how we think about innovation.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Yeah, I heard your earlier comments at the beginning of our conversation about cardiovascular devices, largest, fastest growing. You are a leader in three different areas. Do you see building that portfolio out further? Because there are a lot of other areas that you could be in.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah, you know them as well as we do, Larry. We will certainly keep our eyes open. I think what really stands out, not I think, I know, what really stands out relative to other players in the cardiovascular space is that we are only participating in truly high-growth areas, both in electrophysiology, heart failure, and IVL, with truly differentiated innovation. So that always will be, in our view, a recipe for success.

We are not looking at any of those commodity businesses. We are looking for truly differentiated innovation, which makes a big difference for patients and delivers the returns that we owe you as shareholders.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

All right. That is great. So we have got about a minute left. Tim, if you want to make any closing remarks or touch on any areas we did not, please feel free.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Yeah. I'll just close out with a couple of comments. Firstly, we're confident with the progress we've made. This is a time of significant transformation for Johnson & Johnson, especially on our portfolio, as we shift our business into higher growth markets like cardiovascular, as we move out slower-growing market businesses like orthopedics.

So very confident in the ongoing transformation of the portfolio, and that's a good reason for why we feel so confident in what we're going to share at the EBR later in the year, and what we expect to be the contribution that MedTech makes to Johnson & Johnson more broadly over the next five to seven years. We're happy with the ongoing changes in our operating model, and while I haven't talked a lot about that is foundational to winning in MedTech, being highly specialized, highly focused, able to move with speed and intensity with the market.

Finally, we just feel really confident in the future. I'll end with the point I made earlier. We are very confident in Johnson & Johnson's ability to deliver on our 2026 commitments and the guidance we raised in July, and we believe that '27 will be stronger than '26.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Perfect. Thanks so much for being here.

Tim Schmid - *Johnson & Johnson - Executive Vice President, Worldwide Chairman of MedTech*

Thank you.
