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OVERVIEW:

Company Summary

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CONFERENCE CALL PARTICIPANTS

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PRESENTATION

Andrew Callaway - *Deutsche Bank - Analyst*

Good afternoon, everybody. My name is Andrew Callaway. I'm responsible for healthcare investment banking here at Deutsche Bank. I'm joined by my partner, Jonathan Guskind, who's responsible for our MedTech effort. And we are so pleased to have our good friend, Joe Wolk here today.

For those who don't know Joe, he's the Executive Vice President and CFO at Johnson & Johnson. So really excited to have this fireside with him. Today, we're going to start with some high-level questions. Then we're going to jump into MedTech. Then we'll do a bit of a deep dive on pharma, and then we'll close with some capital allocation questions. So let's jump in, Joe.

QUESTIONS AND ANSWERS

Andrew Callaway - *Deutsche Bank - Analyst*

You guys had a great Q2. You've been able to indicate that you're going to generate sales worth \$100 billion this year, which is exciting. Innovative Medicine represents about two-thirds of that and MedTech, the remaining one-third. How do you see the balance potentially changing overtime time? Do you feel like you got the right balance between the two businesses or do you think as you look forward that could change?

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

Yeah, first off, thank you. Cal and John for your interest, as well as all of you for your interest in Johnson & Johnson. Certainly, it's a pleasure to be here today. And I think a really good story that we have to talk about at these conferences nowadays. I got to say the Board, the executive committee, we don't really wake up to a formula that says it's got to be two-thirds pharmaceuticals and one-third MedTech.

We want to make sure, and I think Joaquin has done an excellent job in this regard, in making sure we're playing in higher growth markets where we have a right to win. I think our business has got a better level of clarity now to investors like all of you with respect to where we think those areas that we can win are. In pharmaceuticals, oncology, immunology, neuroscience. In MedTech, its surgery, where we've had a long-standing presence, vision.

And then finally, it's cardiovascular, where we beefed up our presence there. So I would say it does provide some advantages to think about our business where you have some overlap when regulatory policy is being made and they think about a cancer patient, it's good to know that Johnson & Johnson can be there if that cancer patient needs a surgical procedure or a therapeutic because Johnson & Johnson has expert voices in the room.

And often an oncology patient does need that overlap. Cardiovascular, we've got a partnership with Bristol-Myers for Milvexian, a promising drug potentially to treat AFib that complements our cardiovascular business very nicely. So those are just some examples. But I wouldn't

want anyone to leave here under the premise that Johnson & Johnson is about those convergences. If those convergences happen, it's nice.

But each business we hold accountable to competing against its peer set. It has to stand on its own and making sure we've got a right to win, either number one or number two in that respective marketplace. So from a CFO perspective, I like the diversification it offers, right? So as we approached a few years ago, the STELARA loss of exclusivity.

Even with an okay MedTech business back then, we were still able to invest in our R&D pipeline on pharmaceuticals because we had that balance, right? And so I think it provides a lot of flexibility, not just for the company, but for how investors can look at us.

Andrew Callaway - Deutsche Bank - Analyst

Thank you. Let's talk for a minute about growth. You guys announced a great Q2. Revenue was up 6.6%, you raised your outlook for 2026. You've talked about the ability to maintain a 5% to 7% growth rate over the long-term. What gives you confidence that you're able to generate that durable growth as we look into the future?

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

Yeah, so it's been a good year so far. I would say that 5% to 7% range is something that we committed to back in our Investor Day in 2023. We have, and hopefully many of you will be able to attend, another Investor Day coming up in December 8. You're going to see growth rates that are better than that. Okay. You've heard Joaquin, you've heard myself say publicly, we see double-digits, clear line of sight to double-digits for the enterprise over the next few years by the end of the decade.

Let's get into that a little bit. So '27, you've got a weird dynamic in 2026 where we have an extra week of sales. So think about [approximately 1 point] (corrected by company after the call) worth of growth. When you normalize for that, [we'll be roughly in line] (corrected by company after the call) next year if you adjust for each period. And then after that, it's really unencumbered. What's amazing about next year is -- let's say you're going to have equivalent reported growth, but actually operational growth a little bit better when you account for that 53 week.

There's about \$4 billion to \$4.5 billion of products that are losing exclusivity, right? That's more than what we experienced STELARA's loss of exclusivity impact in year one of that biosimilar coming out. So it truly is amazing. You think about XARELTO, loss of exclusivity, I don't think it's really appreciated. About \$2 billion. The PAH franchise, about \$1.5 billion.

SIMPONI and STELARA combined, another billion dollars. Yet nobody's focusing on that, right? And that's the amazing part of our portfolio. So what gives me confidence? One, you've got largely a de-risked portfolio, things that are on the market today or close to approval. Don't have a lot of risk left in them. We maybe have indication risk or things like that. But these are things that are pretty well-known markets that are continuing to grow that are underpenetrated. You think about ICOTYDE, which we just launched for psoriasis.

Fantastic start. Maybe we'll talk about it a little bit later. But that's going to get likely indications in IBD somewhere down the road. You think about we're moving beyond multiple myeloma where we've had a presence for probably the last decade, and prostate cancer into different types of cancer like bladder cancer, lung cancer, head and neck colorectal cancer, and more therapies for multiple myeloma on the horizon. In MedTech, we continue to have strong presence in wound closure and biosurgery, vision care.

Contact lens is a good steady business that's highly profitable within our portfolio, and now surgical vision is starting to emerge with some of their TECNIS platforms. OTTAVA was just recently approved. We will go slow there to go fast later on, but that's an exciting new development that won't really have any material financial contribution for the balance of this decade relative to the scope of Johnson & Johnson but really promises to be something big to support the next decade.

So we're thinking 2031 and beyond at this point, placing those bets to make sure it's solidified. But we feel very comfortable with not just 5% to 7% growth, but as you've heard us say publicly, we've got line of sight to double-digit growth over the next few years. The one thing I think we've always thought about how do we replenish the portfolio when you have these loss of exclusivity events, right? A number of our peers are facing that now in the pharmaceutical industry.

It's nothing new to have that skill set. Matter of fact, there's been one other company that's been able to grow through a period where they've had a significant biosimilar enter the market or a significant loss of exclusivity. That other company was Johnson & Johnson back in 2018 with REMICADE. We've done it now with STELARA. We're going to do it again whenever the next big LOE hits.

And we think about it that way. We probably need to get a little bit more forthcoming with how we're positioned for that so investors can appreciate that. But there's a really good stable that John Reed and his team are working on that promised well for a good long time, but we feel really good about the balance of this decade.

Jonathan Guskind - Deutsche Bank - Analyst

How do you think about the relative growth between the pharma and the MedTech businesses? And if you want to drill down a little bit further into that, thinking about pricing, market share gains, potential acquisitions going forward?

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

Yeah, so that's a great question, John. I think the markets, if I look at it, a top tier pharmaceutical market growing in its heyday is going to have a higher growth profile than what you'll see for a top tier MedTech company. But what I can say really with a lot of confidence is both our MedTech segment and our innovative medicine segment are positioned to have higher growth rates than where they are today.

That growth rate is not going to come from price. We just simply don't play in markets that allow for price. Matter of fact, the growth in pharmaceuticals for us has probably overcome to 3% to 4% price erosion on an annual basis for at least the last seven to eight years, okay? MedTech has never really had a lot of price flexibility. Maybe you see a little bit of that in contact lenses, more of a consumer-facing product, but that's even few and far between in terms of the years that occurs.

Our estimates are not really bolstered by or assuming any acquisitions. We'll continue to do acquisitions to fortify the portfolio, but we're making these comments based on the portfolio or the pipeline that's in place today. So it would be additive. The good news is that should something go wrong, we've got the firepower to be able to do a smart acquisition. But it's got to make strategic sense. It's got to make financial sense.

Jonathan Guskind - Deutsche Bank - Analyst

Great. And then in terms of just the geographic split of the business today, do you see any chips. Possibly more US focused, OUS focused.

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

Sure, as long as I've been with the company, I think it's always kind of been a 50-50 split, 48-52. It's a little ambiguous now with some of the MFN deals in pharmaceuticals and how that may play out. We certainly do need to see, particularly Europe, I think, step into reimbursing for, quite frankly, innovations that are highly valued that extend and improve lives significantly. So it's hard to say that, but I wouldn't see a dramatic shift from the roughly 50-50 split that exists today.

Jonathan Guskind - *Deutsche Bank - Analyst*

That's great, thank you. So we've got an ever shifting US healthcare policy landscape right now, whether that's Medicare drug price negotiations, shifting insurance coverage, payer mix, evolving tariffs, an ever-evolving FDA environment. What do you see as the net impact of more of the macro situation you see here in the US?

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

Yeah, I mean, that's a good question. I think the way I think I'd like to answer that question, there's a lot of topics in there, is that Johnson & Johnson, as well as the industry, has been at the forefront of having constructive dialogue with the administration for better business here in the US.

What does that mean? Well, with respect to pricing, we did step into MFN, certainly participated in IRA. Matter of fact, one of the things that commentators on news broadcasts often comment too is the only thing that hasn't been inflationary is drug pricing. And I think we need to refocus the discussion. If you think about healthcare costs overall, right, in the US, it's about 19% of GDP, \$5 trillion pharmaceutical spending is only about 9% of that.

So the savings that we're talking about are already where there's been cost containment, the savings are to be had in other parts of the healthcare system. And I think we need to focus on that. Matter of fact, on prescription drugs, 90% of them, not in terms of dollar value, but in terms of quantity, are actually generic prescriptions.

So the system kind of works. And if you think what therapeutics do, they keep people out of the more highly costly hospital stays. You think about, boy, I'm old enough to remember when Magic Johnson declared he had HIV and we thought, boy, that's a death sentence, right? Here he is 40 years later thriving, right? The same is happening in cancer. When we started our journey with multiple myeloma about seven or eight years ago.

It was one to two year life expectancy. Now we have people who started on that original therapy of DARZALEX still living today and not just living and getting by, but living healthy, high-quality living. So I think there needs to be that focus. The other thing is from a US perspective is -- it provides really good jobs to the economy, right? China is closing the gap pretty quickly.

Where probably 15 years ago, they had maybe 9% of investments in the R&D pipeline globally. It's up to 30% now, right? US is number one. We've got a sizable lead. We want to maintain that lead, one for the economic benefits, some for national security, but because that's where cutting edge innovation occurs. That's why we were so pleased to advocate for and then see the passage of the tax bill, right? Because it provides some permanency where we were able to make a declaration that.

Beginning about a year and a half ago, we were going to invest \$55 billion in US capabilities over the next four years. And we're well on our way to doing that because we now have a tax system we can rely on, tap into the venture capital nature of the US, the ecosystem, whether that be just innovation, workforce, or the university system, which we think really leads to some of the things that we're seeing today in terms of not just treating people, but potentially curing them.

Andrew Callaway - *Deutsche Bank - Analyst*

It was exciting to hear you say earlier that you think you can do better than the 5% to 7% over the course of the near to medium term. If you think about it from an investor perspective, what two or three KPIs should they be focused on that would indicate you're able to deliver that growth and continue to generate phenomenal shareholder returns?

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

Yeah, I don't think it's anything that's going to be groundbreaking here. So I would point investors to make sure that we're meeting the success of these new product launches. So whether it's ICOTYDE, whether it's TREMFYA, an inflammatory bowel disease that received indications early last year, it's just getting started. But here's a product that's been on the market for about five years, maybe six, and we had 71% growth in the second quarter, right? These are big markets.

OTTAVA, while the early days, are we placing -- are we getting good feedback from physicians? We've seen some of our peers that, if you have a failed launch, those are hard to recover from. We're going to do this, like I said, we're going to go slow to go fast. That means white glove service, getting feedback from the operating rooms to make sure we've got a high-quality product that people can rely upon.

I would say if we have that growth, and again, I am confident we will have that growth. Investors should expect some margin improvement along the way, right? We're going through a pretty deep exercise right now with the separation of our orthopaedics unit to really look at our company and making sure the infrastructure is appropriate. We've got the benefit maybe of technology and AI. We'll see how all that plays out. But we did the same thing when we separated our consumer health business.

Let's take not just stranded costs not being part of the conversation, but something that improves margin, which could help EPS growth, but then also be redeployed in R&D. Really fund the future because when a \$100 billion company becomes a \$125 billion company, you're going to need to place more bets along the way. We're well positioned to do that.

And I would say, as the CFO, cash conversion is pretty important. This year, I think we've targeted and are on track to hit \$21 billion, which would be a high watermark. I expect that to grow substantially, and we'll have some more information at our Investor Day on December 8 in the coming years. It will be meaningful, which will provide us even more flexibility to deploy capital in a number of areas.

Andrew Callaway - Deutsche Bank - Analyst

Maybe one more question before we bounce to MedTech. You mentioned the consumer separation in 2023. You mentioned the orthopaedics separation that's ongoing. In both cases, you elected, as you've said publicly, to get out of those businesses to move into higher growth, higher margin areas. Do you think the work is done now or do you expect to continue to monitor the portfolio and clean those types of assets on the go forward?

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

Yeah, that's a good question, Cal. I'll say this right up front that we love our portfolio. We love the six areas that we are in today. Make no mistake about that. And I may even repeat that in this answer just so there's no ambiguity. But part of our remit. As an executive committee is to continue to look at our portfolio. Are we in those areas that are making a difference for patients elevating the standard of care? Is there innovation to be had? And are we the right stewards to make sure that that innovation gets done? If you think about oncology, immunology, neuroscience, surgery, vision.

And cardiovascular, we believe we've got the right portfolio now to make that work. So you never say never, but I think part of the remit of any management team is to continue to look at those areas where you're going to be really good at, and it's important to know what you're good in, right? So we did an acquisition back in 2017, Actelion. It was a good business. It was a value-creating acquisition, put us in Pulmonary Hypertension, but here we are, the products are losing exclusivity and there's really no carry through, right? So that.

It was good to do at the time. REMICADE was an unknown in terms of how that was going to react to a biosimilar competitor, so it made a ton of sense. But it wasn't an area we knew particularly well. We'll often get asked, hey, are you going to get into GLPs? Well, you got really good companies that know that space pretty well and they're ahead of us. Let's go make a difference where we can actually make a difference for patients, and that usually translates into a pretty good business model. So again, we love our portfolios where it stands today.

Jonathan Guskind - *Deutsche Bank - Analyst*

Great. Why don't we spend some time on MedTech before we switch back to the pharma side of things? I really want to start around the acquisition strategy. If you look back a few years ago, you did some really sizable transactions with Abiomed and Shockwave. It's been relatively quiet over the last 18 months on that front. Any commentary around new areas you want to go into in MedTech? Or areas you want to beef up.

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

We're always looking for, again, those areas that we think we know well, that we've got some expertise, that will include adjacencies. I don't have a list to pull out of my pocket and say these are the companies we're interested in, even though that's probably the list everybody wants. But what I would say is it doesn't matter that valuations are depressed or when we did those deals. The M&A markets were kind of quiet, yet J&J moved ahead and did things. So it's going to be situational.

Again, when we talk to our Board, 75% to 80% of the discussion is what is that strategic fit? What's the scientific expertise? What's the commercial capability? Maybe sometimes it's global reach that Johnson & Johnson brings to the table that's going to make that asset more valuable in our hands.

Than where it currently resides. And then the other 20% of the conversation is about, okay, how does it compare to other investment alternatives? Does it make financial sense for Johnson & Johnson? And that's really the discussion. It's not overly sophisticated. And if you can answer that first 80%, you're well on your way to doing something that's going to be instrumental in the portfolio, not just for the near term. It is a luxury that.

I believe I have as a CFO in that because of our broad-based portfolio, I never feel like I've got to plug a one or two-year gap, right? I never have to go out and do a bad deal just to plug a gap. And so it truly is a luxury that I have in my position that we don't have that pressure.

Jonathan Guskind - *Deutsche Bank - Analyst*

Great. I want to spend some time on some specific products and end markets that are in the portfolio, starting first with pulsed field ablation. There's been a lot of commentary from some of the competitors in the market, whether that's Boston Scientific or Medtronic with their products. And the growth rates that they're seeing in those end markets. Any commentary you could provide around VARIPULSE both here in the US and then VARIPULSE Pro in Europe and plans to ultimately bring that to the US?

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

Yeah. So listen, EP is certainly a market we know well. We helped build with the RF technology. PFA has come out and it's really translated into EP becoming one of the most, I'd say fastest growing markets within MedTech, but also one of the most competitive, right? In terms of we've got a nice installed base with our CARTO mapping system. I think there's 6,300 systems that we're in because of that. It is advantaged versus the competitors.

And we've also have the benefit, I'd say, of integration with our CAS, or our clinical account specialists, who are often there during the procedure guiding positions and the relationship that's been built there, there's stickiness to that. VARIPULSE has treated now more than 100,000 patients worldwide. The feedback in terms of usability, workflow, safety is getting stronger and stronger VARIPULSE Pro, which was launched in Europe.

We hope to launch soon here in the United States. Has received really good feedback. We got faster ablation times. They are complementary of the workflow. So we think that bodes well when we bring that to the US market. The team is focused on innovation. If you're going to

compete here, you're going to have to continually innovate, making the systems, the catheters better. The team's committed to, I believe it's a new therapeutic invention per year over the next three years being introduced to the market.

So OMNYPULSE, Isopulse, we'll continue to make upgrades to our CARTO mapping system, which is already, I think, the premier mapping system out there. So we should be well positioned. And we'll continue to look into how do we support that business with maybe inventions that aren't part of Johnson & Johnson's portfolio right now. We'll have the capability to do that.

Jonathan Guskind - *Deutsche Bank - Analyst*

Great. And then moving to the IVL market, you've got Boston launching their SEISMIQ products here in 2027. Any notes that you could say around potential market share changes or impacts on a broader market because of that launch?

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

Yeah, listen, I think competition is a sign of a good market, right? And we always expect it when we acquired Shockwave that there would be competition. Here too, you've got physician familiarity, we've got physician relationships, we've got a generator that's distinguished. That team is on their fifth generation. It's probably in all my visits across the company, one of the management teams that is.

That's mostly what they talk about. How are they going to continue to innovate, go into new areas? So in terms of circulatory restoration, it's been a great acquisition. We feel really good despite competition coming in that we will have the preeminent leadership position in that space going forward.

Jonathan Guskind - *Deutsche Bank - Analyst*

Great. And something I think everyone's been really focused on and you spoke at length about and mentioned earlier in this chat is around the robotics and OTTAVA. Obviously, everyone's really excited to see what that looks like in the years to come. Any commentary around the acceleration in the commercial launch as that's been obviously brought to market and how you view that relative to the rest of the MedTech portfolio in terms of is that where the growth for the broader group of products you have is going to come from?

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

Yeah, it's not primarily the growth. When you have, again, a company that has 28 platforms that generally. More than \$1 billion in revenue, a lot of those growing double-digits, it's hard to the good news is we don't have to hang our hat on just one, but we are extremely excited about what this could mean for hospital systems and for patients overall. There's about 300 million surgical procedures today, 50 million here in the US depending on what source you use, anywhere from 15% to 25% are subject to some post-op complication.

There's room for improvement. There's room to elevate the standard of care. Now, we're not misguided in terms of we know there's a very strong competitor out there. But we think our offering is differentiated. It's got integrated architecture. So that helps with workflow. There's no booms. It allows for a better workflow amongst the participants in the operating room. We've got twin motion, so the patient doesn't need to be redocked. You don't have to delay procedures.

You've got Ethicon instruments. Right, even today without our robotic system, a high percentage of procedures are using our sealing and stapling capabilities. And then you've got what we're calling an open network or polyphonic, which allows the operating room to almost have a suite of surgeons. In the presence of that surgical procedure, as well as building a database to make that surgery inform the next for a better outcome. So we think these are all different -- again, we're going to go slow.

We're not reliant. This is the luxury of maybe the position of where our portfolio is today. We're not relying on this being successful for success in '28 or '29. This is really about a next decade play. But getting these first couple launches, first 10, 20, 30 launches exactly right, that means a white glove service around those. Is really what we're focused on. We were pleased to announce the first account sign on.

We think there's going to be a number of other announcements in the coming months. And so we feel really good about where that position is and we think it is differentiated. But by no means do we don't think the competition is just going to lay down for us. We've got to prove our value case and we think we're in a position to do that.

Jonathan Guskind - *Deutsche Bank - Analyst*

We're all really excited to see how that evolves over time. Just going back to the big picture for MedTech, historically, the margin profile for that part of the business has been lower than what you've seen from pharma. How do you see those margins evolving over time? And do you think there's an opportunity to get that up to the level where the rest of the business has historically performed?

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

Yeah, I would say that investors are right to acknowledge there's a different profile in the margins on those businesses. And again, when I look at it and when the management team and Joaquin look at it, how do we compare to our peers within the MedTech space. We've got work to do. There's some businesses that are very good. Surgery is a very good business in terms of margin performance. Vision, another one that's very good, if you're on the contact lens side. We've made improvements on the surgical side in recent years.

And even though surgery is good, we continue to make improvements there, rationalizing the portfolio, making sure the footprint is right for manufacturing. Cardiovascular, both Abiomed and Shockwave acquisitions have been pretty good margins to begin with. So living into Joaquin's stated goal when he assumed the role back in '22 is higher growth, higher margins. But I don't think people should expect us to be at pharmaceutical-level margins. But to improve where we are today, absolutely, particularly when the growth on the topline is a little bit more healthy.

Jonathan Guskind - *Deutsche Bank - Analyst*

Yeah. Thank you. You mentioned Abiomed there. And we've seen some headwinds in that market and in that business of late. We've seen some field actions as well as some recent studies on position utilization patterns. Any commentary on resolving some of those issues and seeing the business. Continue to outperform and take market share.

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

Yeah. So thank you for the question, John. I think there has been some headwinds in that particular business. I think we've had some field actions. We're working actively with the FDA to make sure that those are resolved and patient safety remains a priority. This is a highly underpenetrated market. There's no competition currently that exists.

So we feel good about the long-term prospects of this business. We're relying on it going forward. In terms of utilization, you had a study that was done in the UK based on about 300 patients. That is kind of getting a little bit more press than what we think over a decade of data sets suggests. We are thrilled that we'll be able to come out with what's known as the PROTECT 4 study, which will have 4 times the number of patients sometime next year, which we think will fortify the use case.

But it is about patient selection. I think when we look at the UK study, was the right patient selected are some of the questions we have. But we're going to let the data speak and making sure that patient safety remains a priority. But we think this is still a good acquisition

despite this little pause period here. But we think that this. Next year, we're in a much better position back to those double-digit growth rates that we were experiencing prior to that report.

Jonathan Guskind - *Deutsche Bank - Analyst*

Great. I want to make sure we save some time for pharma. So Cal, do you want to jump in?

Andrew Callaway - *Deutsche Bank - Analyst*

Sure. Let's start with oncology. You've been very clear that J&J's goal is to be number one overall in oncology, which translates to about \$50 billion of sales as a target. Pretty lofty goal given that you're just shy of \$30 billion today. What gives you confidence that you can deliver on this goal, and is M&A going to be a part of that solution?

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

Yeah. So let me answer the last question. M&A is not part of that \$50 billion target that we have. So if we happen to do something there, great, but that would be additive to what you can expect from us. Let's start with multiple myeloma, where I think it's over 80% of the patients who are suffering from multiple myeloma are on a Johnson & Johnson drug. We are now DARZALEX.

The CAR T therapy, we've got TALVEY, these are now starting to be combined for even better efficacy. These are early in their life cycle, I would say. The FASPRO designation made it very easy to administer for patients. So you went from a three to four-hour infusion time, sometimes as long as 5 to about 15 minutes, and that includes making your next appointment, right? So these are the kind of innovations that Johnson & Johnson was focused on. And again, you go back to when we got into the market with DARZALEX, there wasn't a very healthy outlook for patients who were diagnosed with it. Here they are living longer, healthier lives.

But we've got other things that are in the place. So Ramantamig is a trispecific that could actually turn this conversation from treating multiple myeloma to curing multiple myeloma. Very exciting stuff. Prostate cancer, it's really where we kind of had our entry into oncology back with the acquisition of, I believe it was called Cougar pharmaceuticals back then, ZYTIGA. But we continue to build on that. We're currently enjoying ERLEADA, but there's other new modalities coming up. There's studies in ERLEADA to go earlier with localized prostate cancer, but you have some acquisitions we recently did that are going after the KLK2 antigen.

There's the Halda platform, which not only attacks the protein causing the cancer, but addresses the protein that helps cell preservation, which could really negate what we see in terms of drug resistance or therapeutic resistance. So we continue to innovate there. But what's really exciting is we're moving out of those areas that we've been pretty good at for better than a decade and now moving into new areas. So we've got RYBREVANT, LAZCLUZE combination, which is out there for lung cancer right now.

That is being studied in both head and neck and colorectal cancer. We are in bladder cancer now with INLEXZO, a very small population, maybe about 10% of the population is what's currently indicated, but we look to expand that out further. And right now, the treatments that are available for people who suffer from bladder cancer, trying to save their bladder, are pretty egregious on the patient.

It's not a very comfortable process. This is a very easy -- in partnership with our surgery team, insertion of a catheter into the bladder, releasing of a drug really limits, I would say, side effect profile. Where else are we going? So that has potential to go in other parts and other cancers too. So we continue to make really good strides on the oncology portfolio. Here to, I would say \$50 billion, that should be the floor for us. We think bigger than that, and we'll see what we have to say on our Investor Day later this year.

Andrew Callaway - Deutsche Bank - Analyst

Amazing. Let's switch to I&I for a second. It looks like you have a mega blockbuster in ICOTYDE, which you mentioned earlier, approved so far in psoriasis, but you're going after a bunch of IBD indications as well. Given the impressive launch to date. It looks to us like perhaps, this could be far bigger than perhaps the analysts project today. Is that the right read from our seats?

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

Yeah, I mean, I'll say that with some certainty on December 8, but I would say that's a really good take. That's my take, if that helps you at all. It's been on the market for five months. There's 17,000 patients we've got coverage by all the big three providers now. What's interesting about this is a couple of things. I just had a review yesterday with the team.

So we're seeing a lot of naive systemic. So what does that mean? That means we're actually expanding the market. So the psoriasis market is still, I would probably say 50% penetrated. We're able to expand the market because folks had, for one reason or another, an aversion to getting stuck with a needle, right?

The once daily pill option is something that appeals to folks. The other thing that's pretty neat of a dynamic here is who's prescribing this? So clearly, you would expect dermatologists. But we're also seeing prescriptions from general practitioners as well as advanced practitioners. So nurse practitioners, physician assistants.

This has broad appeal. And the fact that we now have coverage out there, CVS, I believe, started two days ago. That was the last one to bring in. So we're in a good position. And I would think that where the analysts are, we should see a number more to that. We'll give you more details on December 8. I'll let the team comment.

Andrew Callaway - Deutsche Bank - Analyst

Sounds like we should all be there on December 8.

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

I think that is a good idea.

Andrew Callaway - Deutsche Bank - Analyst

Investors are really focused on some of your large high-growth commercial assets, whether it's DARZALEX or TREMFYA or CARVYKTI. What should investors be thinking about, what are you thinking about as we look forward to 2030, give us a sense as to some of the pipeline assets that are coming down the pike that could really continue to be that next Gen.

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

So I would say, one that doesn't get a lot of play, but it has the potential to be big is IMAAVY, nipocalimab. So it's currently has approval for myasthenia gravis. As well as it just recently received approval for a warm autoimmune hemolytic anemia. I had to pause with it. I'm an accountant, not a scientist, right? But it has even larger potential in Sjogren's disease as well as lupus, right? So that's an exciting one.

I would say the ramantamig, one that I spoke about earlier, trispecific, that would be off the shelf, easier to use for multiple myeloma. Has a lot of promise. I would say pasritamig in prostate cancer, as well as the RIPTAC technology that we acquired with Halda. Those all provide platforms within areas we know well and other areas. So those are some of the things that I think would be pretty interesting. There's a

combination, I think it's JNJ-4804, which is looking at refractory IBD. That holds a lot of promise. So there's a lot of Colts in the stable to take over in 2030 and beyond.

Andrew Callaway - Deutsche Bank - Analyst

Exciting. You mentioned obesity earlier. It's an area that you guys have been very public about not intending to enter despite being an enormous TAM that certainly is playing out as many had projected. Do you see this potentially changing? If so what could alter your decision to sit still in this market?

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

It comes back to what I said earlier, Cal. It's really about the scientific expertise. We do what we don't have, right? And when you go up against competition, you want to make sure that you're in a position to win. The companies that are out there right now, to their credit, are very respectable. They're steep, they're studying things, and to be fourth or fifth to market probably isn't very good for our business, but it also really doesn't advance anything for patients.

And so from that perspective, it doesn't make a ton of sense, given that we don't have maybe an acute insight that would. Prevent some of the things that maybe GLPs are trying to correct for now. So I can't -- you never say never, you never know what's going to come across our desk, but right now. Again, the areas that we're in, there's a lot of disease that still needs to be tackled in those spaces. You just asked me about what to look forward to.

Atopic dermatitis, we've purchased some assets, we've got some early-stage assets. That is -- I think, 4 times the market than psoriasis is. So we're playing in there. It's a nice adjacency. We don't have anything there yet on the market. But we're positioned to do there. And we think we can do something there because of our expertise in immunology.

Andrew Callaway - Deutsche Bank - Analyst

Maybe one last question and then we'll go to capital allocation. It strikes us that valuations in biotech have gotten a little frothy at the moment. Do you agree? And if so does that change your appetite for M&A?

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

I think we do ourselves a disservice when we characterize something as frothy or not frothy. It has to be, at least in my experience, the right opportunity at the right time at the right value. And so we don't get overly hung up. I mean, John stated earlier, we did some acquisitions in a time where the M&A market was dead, but we had the flexibility, the power, and the strategic purpose to do it.

I do think maybe valuations are a tad high simply because you do have some of our competitors in the pharmaceutical space that are facing significant LOEs, and they don't quite have the stockpile of assets in their pipeline to make up for that in short order. So there's maybe a twin to that, but it doesn't mean we can't find value out there.

Jonathan Guskind - Deutsche Bank - Analyst

Great. Why don't we spend a few minutes, our last few minutes on capital allocation. J&J will generate roughly \$20 billion of free cash flow in 2026. How do you think about the trade-off between the capital allocation with that kind of cash flow between the existing business, investing, M&A, buybacks, dividends? What's some general commentary you can provide in terms of how you think about those pursuits?

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

Yeah, hopefully what all of you see is that we're disciplined in our capital allocation and you kind of know who we are at this point. So the dividend with that dividend king status, I don't think Joaquin nor I want to be the one to break that street, to be quite frank. But we've got investors who invest in Johnson & Johnson for that reason. But that won't prevent us from doing smart acquisitions that go into our portfolio that provide value for the long-term.

One of the areas maybe we get a little bit knocked around for is we want more share repurchase. But I would point shareholders back to 2023 when we did not only the largest share repurchase in our history, but by 3 times fold with the consumer health separation and how we separated that business. It was a \$33 billion share repurchase, right?

So again, we're not averse to share repurchases, but if we can put our capital to work that fortifies 2030 through 2040, that seems like a smarter play for us and it seems to be working. The good news is though, as I said earlier, I like the fact that we're going to potentially hit a high watermark and we're on track to hit that high watermark this year with \$21 billion of free cash flow. And I see that number going up substantially over the next few years. That's great.

Jonathan Guskind - Deutsche Bank - Analyst

And then a final question as it relates to the talc settlements. Any further financial uncertainty around that situation going forward once the settlement is finalized?

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

No, I think it kind of ties into your earlier question about capital allocation. We've been dealing with this for better than a decade now, this matter. And it hasn't stopped us from doing what we think are important for the long-term health of this business, right, continuing to pay dividends, continuing to add to our portfolio where it makes sense. The \$5.5 billion settlement is far below what the bankruptcy settlement was. So we thought that was smart.

But we did, in a very profound way, I think, and this is good for American businesses, kind of uncover some of the tactics that are used by plaintiffs attorneys in these class action lawsuits. We've had witnesses discredited because they lied on the stand. We saw Photoshopped evidence that was brought in and accepted. So once you get the jury trials, it gets a little bit squirrely. It's maybe a blemish on an otherwise really solid legal system. But I do think it's a threat to American business and the fact that the lead plaintiff attorney was actually disqualified for actions of misconduct and being unethical, I think, is also noteworthy.

So other businesses are starting to figure this out and join us in this fight. People on Capitol Hill are starting to recognize this with some legislation. So I think that's a win. It's a shame we had to go through it, but we think this is behind us now, and that just depends, again, for us to use cash where it matters most for not only our business results, but for society.

Andrew Callaway - Deutsche Bank - Analyst

Well, Joe, on behalf of everybody here at DB, thank you so much for coming. Congrats on all the success. We're certainly looking forward to December 8, and what you're going to unveil there. But thanks again.

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

Thank you, Cal. Thanks, everyone.

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