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PRESENTATION

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. Good morning. I'm Josh Jennings, Cowen Medical Devices team. We're moving right through the medical devices track, but we are incorporating some medical device part of a consumer hybrid into this track. And thankfully, with the executive team from Johnson & Johnson, we have Executive Vice President and Chief Financial Officer, Joe Wolk; and Vice President of Investor Relations, Jessica Moore. Joe, Jessica. Josh, we got 3 Js up here. Can't lose. Can't lose.

Thank you guys for participating in Cowen Healthcare -- TD Cowen Healthcare Conference, and great to see you in person.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Same here. Thanks, Josh, for having us.

QUESTIONS AND ANSWERS

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Maybe to start, I just wanted to talk about some of the headwinds. I know Johnson & Johnson reports first, at least in our space and in the health care space and kind of puts a stake in the ground, provides a lot of great data points for investors and the industry. But maybe we can talk about some of the headwinds that we're carrying in late fourth quarter into first quarter, particularly some of the surges from coronavirus in Asia Pac, China, Japan and how the recovery is faring both on volume side for medical devices, but as well as on the supply chain. Anything you can share in the range or quarter?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Sure. So again, Josh, it's such a pleasure to be here, and thank you all for your interest in Johnson & Johnson.

I would say, we do note that we do go first with earnings, so we pick our language pretty carefully and try to be as specific as we can to give you insight as to what we're seeing through our lens and through our businesses.

With respect to headwinds, I would say, luckily, I think, thankfully, I think from a global perspective, Covid surges are pretty much in the rearview mirror, if not completely gone. I think society knows how to handle them much better. And so it's much less of a disruptive force than it was even in 2021, let alone 2020.

I would say, specific to your question in the Asia Pacific region and China, we have seen, I would say, the surges of December and early January subside tremendously. I think we are seeing a return to procedures. It's still not at the, I would say, pre-COVID levels at 100%, but there has been a nice cadence of acceleration in terms of where we were towards the fourth quarter of last year.

From a supply chain perspective, we were never a company that was at tremendous risk. Given the importance of the products much like many of the participants here at the conference, the importance of the products to patients as well as health care providers, we always had multiple avenues by which to provide supply, I would say, in terms of constraints and not getting some of the commodities or excipients, that is well behind us at this point. I would say what is a headwind that continues to be a headwind, which is experienced to a great degree in 2022 was the inflationary impact.

So as we said in our guidance, back in January, we expect the second half of the year to be better than the first half of the year as some of the product that we built towards the end of 2022 will go through the P&L in the first half of 2023. We are not assuming at this point in our numbers any deflationary impact. So it's not as if there's going to be incremental inflation, but there's not tremendous -- so there's not a tremendous opportunity for improvement this year. Our margins were projected to be and guided to be flat year-on-year.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. And then just on the inflation side, thinking that first half -- or, sorry, first half of the year is going to be similar to the back half of 2022. So then the manufacturing product flow through in the back half. You'll just have a kind of a steady state there.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

That's what we anticipate. If you look at -- what we probably -- what you have on the Street consensus is roughly an erosion of gross profit. I think that's a pretty fair assumption at this point year-on-year.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Okay. Great. And maybe talk about something that could boost gross profit, which is pricing. But just wanted to see another -- get a barometer of the pricing environment in 2023, both on medical devices and pharma business is primarily — I know pharma, you guys have a big transparency initiative and there may not be much to talk about on that side but...

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

I actually think there is a lot to talk about because the conversation is quite frankly decided from the Inflation Reduction Act. I'm not sure that the -- we're very concerned about how that could limit incentives for innovation, right? And if you look at our 11 consecutive years of above-market growth in pharmaceuticals, it's all been based on volume. Over the last 6 years, as you noted, Josh, we do have a transparency report. And on average, it's been 4% to 5% price erosion.

Discounts in the industry overall have gone from roughly 25% of list price to north of 50% of list price over that same period of time. So we think the conversation was misplaced by there's some co-pay caps in place. We think it could have gone farther in terms of addressing quite frankly, what the middlemen are getting out of this equation as co-pays continue to go up and insurance premiums continue to rise.

So we don't have a big opportunity in terms of price as a tailwind within pharmaceuticals. And we're just going to continue to innovate and disrupt the current standard of care and rely on that for success.

In MedTech, very similarly, limited opportunities for price. You all know being familiar with med device, MedTech that historically, it's been 1% to 2% price erosion on an annual basis. Last year was a little bit different in terms of a lot of the business is contracted, but there was inflation clauses within those contracts that we were able to pursue and exercise. And so in limited instances, we had some price appreciation.

The one different part of our portfolio that does allow for some price, which acts a little bit more as a consumer product is contact lenses. So -- and we've been taking price there consistent with kind of what the competitive set does. And then separately, for those who are interested in Kenvue, we did take historic price increases, but again, aligned very much to the competitive set in consumer goods to help offset some of the inflation that we were experiencing throughout the balance of the P&L.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. Thanks for that. Before we move into some discussion focused on some of the business units, wanted to just ask about talc litigation from a high level. I know there is an update. J&J responded. I think with the legal strategy out there, but is there anything to add or any high-level commentary you want to share just in terms of the path forward here in the talc litigation, any milestone events in this process?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Yes. We were certainly disappointed by the Third Circuit ruling. We think that they missed the question presented in front of them. So we are going to appeal to the full bench. So 12 judges in that case. We should know within the next month as to whether they'll hear that case or not.

Jess, maybe you want to take a moment to explain why we were disappointed in what they ruled on versus what we thought they should have ruled on?

Jessica Moore - *Johnson & Johnson - VP of IR*

Sure. So as Joe said, disappointed in the outcome of the appeal process with the talc litigation. What -- the question that was put in front was whether bankruptcy was an appropriate means to settle the talc liability. That was not questioned by the short bench, the 3 judges of the third circuit. What the ruling came back is that, LTL, this limited liability company that was created didn't actually qualify for bankruptcy given the fact that it was backed by the parent of Johnson & Johnson. So they made a bankruptcy ruling rather than the means of utilizing bankruptcy. So that will be an approach that we will discuss hopefully in front of the full panel.

As Joe was saying, we have put in an appeal. We hope to hear back whether the full third circuit, so 12 judges would be willing to hear the case. If that is not the case, than we would request a stay so that the current litigation is still stayed and we would go to the Supreme Court. If that is not favorable or they choose not to hear that case, it would go back to the tort system of which Johnson & Johnson will defend the position. We always stand with the stance that our talc is safe. We stand behind our product, the quality and safety of our product, and we will defend that. And just a reminder, prior to the bankruptcy proceedings, Johnson & Johnson had favorable outcomes in the majority -- the vast majority of the cases that we tried prior to the bankruptcy proceedings.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Thanks for that, download as well. Appreciate it. Maybe to move on to the pharma business. We're getting closer and closer to the spinout and Kenvue being an independent company. But is there anything you can share just in terms of how the spin could impact the pharma business positively or negatively? And we can't really come up with any negatives, maybe the R&D investment spend comes down because you have the profitability of Kenvue comes out. But anything you want to share just in terms of potential impacts, positive or negative to the pharma franchises?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Yes. So I think it's a positive from a focus standpoint for all the business units involved, right? I think if you -- specifically from a Kenvue perspective, I do think it unleashes the potential that they have with that iconic portfolio of brands. From a strategic perspective, you think about how MedTech and pharmaceuticals are a professional sell, heavy R&D investment, regulatory environment that they have to contend with. Contrast that with consumer where certainly, science is going to matter to Johnson & Johnson products, but you have to be much more agile to the consumer sell now, right?

So a professional endorsement of 9 out of 10 dentists or 9 out of 10 dermatologists is probably less persuasive than it was 7 years ago and certainly less persuasive today than a celebrity endorsement. And so we thought, from a strategic perspective, it made sense to separate the businesses. From a financial perspective, we think we are going to unlock value with Kenvue from the perspective of we made improvements in our consumer business really since Joaquin took over in 2018, improving predictability of the top line, improving the margin profile. We were kind of at the bottom of the peer set. Now we're in the upper quartile. We think we weren't getting the benefit of the multiple that comes with consumer companies into the Johnson & Johnson stock price. So we think there's a tremendous opportunity there.

That doesn't discount, I think, the benefit for MedTech and pharma. We will be more focused. We have an opportunity, quite frankly, since we've embarked on in the middle of last year to look at our business, our infrastructure from a 3 segment company down to a 2-segment company, getting specific, again, for that professional, regulatory, heavy science environment that we'll operate in. So I don't really see any change.

As you know, Josh, covering us for a while now, we want to make sure that all of our units are either #1 or #2 in their category. And if we don't see a path to that, we've got to make adjustments accordingly. I think that allows for better focus. And I think the hidden gem in all of this, and we've got some, I'd say, teasers out there right now is just the opportunity, the unique opportunity that's prevalent for Johnson & Johnson, if we can combine where we see medicine going a much more personalized end combination of therapeutics and devices.

Right now, we've got the TARIS device for bladder cancer, which sits on the bladder and limits the therapeutic output to the specific cancer region. We are looking at potentially in robotics in our Monarch platform, applying some of the lung cancer therapies where a patient can go in, be diagnosed, biopsied and treated in the same visit, the same initial visit. Potentially down the road, we've got some eye health solutions with very early stages of gene therapy on the therapeutic side with some of our vision surgery capabilities.

So there's tremendous possibility, but I don't want people to walk away thinking that is the promise of the new J&J. We want to make sure it's a #1 Pharmaceutical company and a #1 MedTech company when you look at us. And then maybe those hidden gems really provide the unique opportunity that only J&J can capitalize on.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Well, that's helpful. That's helpful. We have got questions on...

Jessica Moore - *Johnson & Johnson - VP of IR*

I mean, just one additional thing that I'd add is, it's not to underestimate the value of maintaining pharm and MedTech together and being -- and remaining the largest, most diversified health care products company. So we will -- we have today around 30 $1 billion brands. In the future post the Kenvue separation, we'll still have 26 $1 billion brands. And as Joe said, we manage pharm and MedTech as separate P&Ls that must be competitive within their competitive composite, but having them combined gives us a lot of optionality on our balance sheet, our strong AAA rated balance sheet from a cash flow perspective gives both Pharm and MedTech a lot of optionality.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

But implicit in your question was, are we going to reduce pharm R&D spending? That would not be the case. We're going to be opportunity dependent and continue to look for areas to prioritize organic R&D on our P&L as we've done for the last decade.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Excellent. Maybe there has been a focus on STELARA LOE in 2024 and it's the ability for the Janssen unit to grow revenues in 2024 and offset it. Maybe you can guys can always give me a great demo at your Pharma Investor Days and recap this. But just how do you answer that question today in terms of the kind of backfills. Is the message you're sending Janssen will grow revenue in 2024 over the -- within the LRP, Janssen will outperform the market on a CAGR basis. You may see some underperformance to the market in 2024 because this LOE, but still see revenue growth to some degree.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

I think that's a fair assessment. I think you're kind of getting at the question of $60 billion by 2025, which is on a lot of investors' minds. I would say -- the first thing I would say, and I want to underscore and make sure I'm very careful with my words here as I am with our earnings calls, is if you just look at currency alone, when we stood on the stage in 2021, the dollar has strengthened tremendously, right? Our $60 billion in constant currency is about $57 billion apples-to-apples. I'm not making a qualitative assessment -- that's simply math from FX, right?

Last year alone, FX across the enterprise was worth about $4.5 billion of topline sales in a negative way, right, $3 billion roughly in pharmaceuticals. If I look at where the Street is today, they're at $54 billion, maybe a little bit higher for 2025. So there's about a $3 billion gap. And actually, I'm impressed that there at $54 billion because it was only the middle of last year that the Street was at $52.5 billion. So we're starting to get our story. We've got to do a better job.

What are some things that could happen to bridge that gap of roughly $3 billion as we sit here today? I think you've got to get some clarity on STELARA, what will that impact be, right? Erosion is somewhat speculative. We had great success, and I think we held on to REMICADE better than most people thought. It's a different marketplace now with biosimilars. They're a little bit better understood. So we've got a little bit more aggressive assumption. But it's also important to remind folks that there is not yet an FDA-approved biosimilar that's ready to be marketed out there against STELARA.

So let's see how that unfolds. I think compared to when we were on stage in 2021, reasons for optimism -- our multiple myeloma portfolio right now, right? So we probably emphasized DARZALEX, which the subcutaneous formulation is -- has about an 85% adoption rate with long patent life. CARVYKTI, we had strong data in 2021 that has only gotten stronger, right? And then we're working through some of the lentivirus challenges that maybe lowered the base a little bit, but we're working through that, getting centers up ready for supply that can meet the great demand that's out there.

And then if you look at TECVAYLI, and talquetamab, they're both ahead of schedule from when we stood up there in 2021. I think also on the positive side would be TREMFYA with respect to UC and Crohn's. Having that data readout later this year for Phase III is probably going to provide a catalyst for renewed growth there. SPRAVATO, I think, is an opportunity now that COVID is behind us where we can get those centers up and running that could provide some tailwind.

Where we've missed, quite frankly, Josh, is IMBRUVICA. So we've underperformed based on competitive pressures. And that's one that I would say is probably in the minus column with respect to where we stood in 2021. And then you have probably just a lower base, some lingering effects from the pandemic itself, health care worker shortages, setting up some of these specialized medicines, these personalized medicines in a way that was maybe a little bit slower.

But on balance, I would say, boy, if I had to place a bet on whether it's going to be better than $54 billion, I'm optimistic based on what I know today, that it will be better than the $54 billion. That's currently out on the street.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

That's very helpful. Thank you for that breakdown. And maybe to ask some question on medical device franchise as well. I think Joaquin is -- and you and your whole team, Jessica, Joe, committed to reaccelerating revenue growth in Medical Device unit, you guys have had success the last couple of years. But I guess my question is, just on the organizational structure over the years, there's been some restructuring, started a couple of a number of years ago. But where does the operational model sit today? And are there any further changes that are ongoing? Or is it really about executing the structure of the foundations in place, the operating models in place because they're ready to roll?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Yes. So thanks for noting that there has been acceleration of growth in MedTech. I think if you look -- in 2017, we grew about 1.5%, well below the peer set. Last year was 6.1%, in line with the peer set. 2021 was actually above the peer set. And that's come through not through really organizational changes, but again, the focus that I talked about earlier when we talked about the Kenvue separation. So Ashley and her team have done a nice job in terms of increasing the competitiveness.

Back in 2017, 4 of the 11 platforms that we consider major were gaining or maintaining share. Today, that's 8, sometimes 9, depending on the quarter that we look at. So just from a commercial execution standpoint, focusing on those accounts that matter that can make a difference and also execution with respect to R&D productivity. We had not a great cadence back in 2017 of new product introductions, and we're trying to catch up in most cases.

Over the last 2 years, over 30 new product introductions of material nature have actually been introduced to the marketplace. So from both aspects, I think we're executing much, much better.

And then we're looking to invest disproportionately in high-growth areas. What does that mean? So you saw the Abiomed acquisition. We're very excited about that. We do think we bring skills and capabilities in terms of rounding out and being comprehensive with the data package that that team will generate for hopefully further indications and improvement in terms of usage of the world's smallest heart pump.

But then you look at vision, where we continue to develop new lenses, almost, I would say, an Apple-like spirit where we're developing lenses that people don't even know they need. I just upped my OASYS prescription for the annual. And I'm talking to colleagues who have the OASYS MAX, which has multifocal, right? And so at this age, I'm now needing readers, and it would be nice to have both of those and the comfort level is beyond anything they can describe.

So EP, we have a number of innovations there, most notably pulse field ablation as well as OCTARAY and HELIOSTAR and then biosurgery. So we're continuing to invest disproportionately in those areas that have potential for higher growth. And hopefully, that will bode well to keep us -- not just at but above market performance relative to the peers.

And I didn't even mention some of the robotics platforms, right? So if you think about -- we've had tremendous success and feedback with Monarch for bronchoscopy. And now we've been approved for urology and specifically kidney stones as well as the VELYS knee system, which will -- as being, I guess, modified to have some hip application. We have to get better with the soft tissue robot, Ottava. We're very excited. Our board is actually going out to visit that platform later this year. Ashley has committed, and we will live into the update for the investor audience as to where we stand.

It's important to remember that while we're behind and why we certainly want to do better, we have a sense of urgency, we realize it's very early in this game. So about 5% of surgeries globally are done with robotic platform. And we want to make sure it's a digital ecosystem where we're getting information about the patient in advance of the procedure, as well as after the procedure to lead to better outcomes to build upon a learning with each and every procedure. And that's really what the team is trying to innovate and come up with a differentiated product.

We think there's opportunity there. And so we're excited to report out on that. And maybe to break a little bit of news, we will have an Analyst Day for the new J&J. So MedTech and Pharm same day, very late this year, most likely in December. We think the Kenvue separation will -- if markets cooperate, will be beyond us at that point, and we'll be in a good position to build upon hopefully seeds we plant in upcoming events throughout the year to really coalesce that message at the end of this year as to what the value of a J&J MedTech, Pharmaceutical business could be.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. Maybe a couple of follow-ups. That was a very thorough download, I appreciate it. And just on the Abiomed acquisition, your Biosense Webster has thrived being a stand-alone cardiovascular business under J&J's roof. I mean is this a branch out? I mean are there more opportunities in the cardiovascular world to higher growth opportunities? Is that a priority area for Johnson & Johnson? You already took one step, should we be thinking that that step...

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Yes. I think it's natural to kind of think that way. I don't know that I'd go that far. If you think about some of the players there, they're larger acquisitions. Josh, folks, you and your colleagues do a great job of assessing those companies. So you have to really look at where can we create the value there. But we look at all opportunities for great growth. Again, we want to have it really borne out of having a skill or an expertise that's going to create more value out of that asset than where it resides today. If we can't do that, we're not going to waste shareholders' time or money on any other endeavors. So it really comes back to making sure that we're knowledgeable, we can add, whether it be through clinical development or reach and geography, some kind of value.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

How about -- I understand you're going to be investing in some of these higher growth segments? What about some of the anchor units and the pruning strategy? Thinking particularly about Depuy Synthes spine and maybe Mentor. Are there opportunities to lighten those anchor units and help the overall growth trajectory? Or is that an area of opportunity? Or should we be thinking more lower-performing lower growth units could be kind of divested...?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

I think not every business is going to be a high growth contributor when you're a company as big as Johnson & Johnson. So our responsibility is to make sure that those are performing well and contributing to our overall profitability. And so we manage those businesses that way. If you think about orthopedics, it is Johnson & Johnson's largest MedTech franchise, right? And we think there's tremendous unmet medical need still out there, right? We're #1 or #2 in a lot of categories.

Spine specifically, which you mentioned, about 25% or more of patients who had some kind of spinal procedure are still unsatisfied. So we think that provides us with an opportunity to look at minimally invasive and complex spine issues where we're developing some products and have some products out in the market.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. Any thoughts that you can share or experience on the capital spending environment in the United States, particularly do you have capital component to your Medical Devices business. But our understanding is it's pretty stable or our check suggests, but could we see an improvement? Or how are you forecasting capital?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

I think I'm probably not the best person to ask in that regard. I think our capital business is somewhat small, limited to really Biosense Webster and Vision Surgical. And we're seeing the same thing that you're hearing more broadly is that it's pretty stable. Hospital administrators have done a great job during this period of time as well as physician practices ensuring that patients' needs are met, despite many, many challenges of health care worker shortages and budget constraints. But we're not seeing a big impact in terms of those platforms being requested.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. Maybe just ask a little bit about the Kenvue, consumer spin, and maybe post spin, I guess, maybe leapfrogging for a little bit here initially only a couple of minutes left. But just thinking about the margin expansion opportunities in pharma and medical devices once there is this standalone Remain Co? Or I guess Kenvue, is a stand-alone, and you have Remain Co.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

So one of the things that I'm particularly proud of and what the team was able to do is set the company up for separation. So 2022 was untangling the many entanglements that was part of Johnson & Johnson and Kenvue being part of that company. As of really the beginning of January, that business has been running on its own. It's just not publicly traded on its own. So when I look at margin expansion down the road, I think there's -- the question that really this comes up is how much stranded cost are you going to deal with?

We publicly said about $750 million is what we envision. We're kind of living into that. That estimate is holding up pretty well. And in the middle of last year, we started to address that. We realized we were becoming a 2-segment company versus a 3-segment company. And that gave us not only an opportunity to cut cost but also to look at the processes, the technology and make sure it's not only efficient but also as effective as it can be. So we've taken that opportunity.

The benchmark to get rid of stranded costs based on some independent analysis from 2 different firms suggests that those costs usually bleed out over 3 to 3.5 years. We project by the middle of '24 that those stranded costs will be out, and we're looking to actually go a little bit further as we get into 2024.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great, great. And just thinking about -- I asked the question about any impacts to the Pharma business with the consumer spin. I don't really see any impacts from medical devices business, maybe there are -- maybe on the contact lens side to a degree, but maybe not. But I wanted to understand the other question I asked too on pharma, could we see R&D level step up for medical devices post spin when it's just pharma and medical device?

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

So we've actually have accelerated as a percent of sales from 8% a couple of years ago to 9%, again, focusing on more disproportionately towards higher growth areas. If you look at it, and it's very much in line with the competitive peer set. I would say from an absolute dollar basis, given the size of J&J, we're either #1 or #2 in terms of overall investment. So we're going to continue around that road map, if you will. We saw it be tremendously successful during the last decade when we really prioritized R&D dollars over commercial dollars, right? It doesn't mean commercial is not important. It's just we realized the best commercial unit you can have is a really, really good product that's different and better than the current standard of care.

We think that's the same approach in MedTech. So we'll continue to look, as we stated in our capital allocation policy, to really prioritize organic investment in R&D.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Great. Maybe with the last minute here, talk a little bit about capital allocation. You've put your strategy out regularly and nothing has really changed. But just to think through, is there a general strategy at Johnson & Johnson, where you feel like investments in pharma can deliver a better return than medical devices? I think your investments have been relatively balanced based on percentage of revenue for each of those units. But -- or is there any type of cadence? I mean just because you've now taken a big swing in medical devices with the Abiomed acquisition, is there any way ...

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

No, no, we don't think about it that way, we're looking for the best opportunity that's going to differentiate us and get to be a #1 MedTech company and a #1 Pharm company simultaneously. And then -- so we don't think about what we just did with Abiomed. So now it's pharmaceuticals turn. We don't think about it that way. We like to see balance in the portfolio. We think the consumer separation will help do that a little bit, but that was not a motivating factor whatsoever with respect to our separation decision.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

And so your business development teams head on a swivel and will look for best opportunities, best returns and...

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

You got it right. And our capital allocation is going to remain the same, so that organic priority investment followed by dividends that not only just paid but increasing on an annual basis. Then we'll look for M&A that fits really nicely strategically as well as financially. And then when it's warranted, share repurchases.

Joshua Thomas Jennings - *TD Cowen, Research Division - MD & Senior Research Analyst*

Wonderful. Well, Joe, Jessica, thank you guys so much. I appreciate all the answers. Really appreciate you participating once again at the TD Cowen Health Care Conference.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Thanks for having us, Josh.

Jessica Moore - *Johnson & Johnson - VP of IR*

Thank you.

Joseph J. Wolk - *Johnson & Johnson - Executive VP & CFO*

Thanks, everyone.