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JNJ.N - Q1 2025 Johnson & Johnson Earnings Call

EVENT DATE/TIME: APRIL 15, 2025 / 12:30PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning and welcome to Johnson & Johnson's first quarter 2025 earnings conference call. (Operator Instructions) I now turn the conference call over to Johnson & Johnson. You may begin.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Hello, everyone. This is Jessica Moore, Vice President of Investor Relations for Johnson & Johnson. Welcome to our company's review of business results for the first quarter of 2025, and our updated financial outlook.

A few logistics before we get into the details. As a reminder, you can find additional materials, including today's presentation and associated schedules on the Investor Relations section of the Johnson & Johnson website at investor.jnj.com.

Please note that this presentation contains forward-looking statements regarding among other things the company's future operating and financial performance, market position, and business strategy. You are cautioned not to rely on these forward-looking statements, which are based on the current expectations of future events using the information available as of the date of this recording and are subject to certain risks and uncertainties that may cause the company's actual results to differ materially from those projected.

A description of these risks, uncertainties, and other factors can be found in our SEC filings, including our 2024 Form 10-K, which is available at investor.jnj.com and on the SEC's website. Additionally, several of the products and compounds discussed today are being developed in collaboration with strategic partners or licensed from other companies. This slide acknowledges those relationships.

Moving to today's agenda. Joaquin Duato, our Chairman and CEO, will open with a few comments on our performance and key catalysts for the company. John Reed, our Executive Vice President, Innovative Medicine, R&D, will highlight recent data from select assets.

I will then review the first quarter sales and P&L results. Joe Wolk, our CFO, will then close by sharing an overview of our cash position, capital allocation priorities, and guidance for 2025. Jennifer Taubert, Executive Vice President, Worldwide Chairman, Innovative Medicine; and Tim Schmid, Executive Vice President, Worldwide Chairman, MedTech, will be joining us for Q&A.

To ensure we provide enough time to address your questions, we anticipate the webcast will last slightly over 60 minutes. With that, I will now turn the call over to Joaquin.

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

Thank you, Jess and hello everyone. In the first quarter, we delivered strong operational sales growth of 4.2% across our business. Our Q1 performance reinforces my confidence in our 2025 guidance and reflects the strength of Johnson & Johnson's uniquely diversified business, with year-over-year sales increases in both our Innovative Medicine and MedTech sectors.

No other healthcare company has delivered growth through the first year of losing exclusivity for a multi-billion dollar product, in our case, STELARA, and yet that is exactly what we are doing. Our resiliency is a testament to what makes us unique. We are not just a pharmaceutical company or a MedTech company, we are a healthcare company, innovating across the full spectrum of disease.

Our consistent strong performance is a testament to our capabilities across commercial, R&D, and supply chain. It is also a reflection of our strength in execution, which you can see in our quarterly results. We have described 2025 as a catalyst year. It is a year that will set us up for accelerated growth through the second half of the decade and beyond.

In Q1, the power of our portfolio and pipeline was on full display. In Innovative Medicine, we delivered 4.2% operational sales growth despite an approximate 810 basis points headwind from STELARA, with 11 key brands growing double digits.

With our third consecutive quarter of sales above $3 billion, DARZALEX continues to set the standard in multiple myeloma with another quarter of over 20% growth. In fact, just last week, we expanded our DARZALEX indication in Europe with the approval of DARZALEX based quadruplet regimen for patients with newly diagnosed multiple myeloma, regardless of transplant eligibility.

It is further proof of the impact of this medicine, which together with CARVYKTI, TALVEY and TECVAYLI is changing the conversation from treating to progression to treating to cure. Other significant oncology portfolio advancements in Q1 included Phase 3 data presented at ELCC last month, showing RYBREVANT plus LAZCLUZE extended overall survival by more than one year versus the current standard of care in first-line EGFR mutated lung cancer.

And last week, the European Commission approved subcutaneous RYBREVANT in combination with LAZCLUZE for the treatment of EGFR mutated non-small cell lung cancer. This was an important milestone for patients as subcutaneous RYBREVANT reduces administration time from hours to minutes.

Our aspiration is for RYBREVANT to LAZCLUZE to become the new standard of care for these patients, and you can see our progress in Q1. In immunology, we are seeing the impact of TREMFYA's entry into inflammatory bowel disease, with our launch in ulcerative colitis, helping accelerate operational sales growth to 20%. And with our recent FDA approval in colon disease, I'm more confident than ever that this blockbuster drug will become the gold standard for IBD patients and a $10 billion plus product.

Turning to MedTech. In Q1, we delivered 4.1% operational sales growth with strong performance in our recently acquired cardiovascular businesses Abiomed and Shockwave as well as in surgical vision and wound closure.

In addition to their contribution to MedTech growth, Abiomed and Shockwave continue to meet deal model expectations and both announced important portfolio milestones this quarter. This included updates to the American College of Cardiology and American Heart Association guidelines for our Impella heart pump, which based on evidence from the DanGer Shock trial was upgraded from Class 2b to Class 2a.

And in Shockwave, the team launched the first of its kind, Javelin Peripheral IVL catheter for the treatment of difficult to cross lesions in peripheral artery disease. In electrophysiology, we resumed US VARIPULSE cases. And to date, we have completed more than 5,500 cases globally.

Turning to surgery. We recently announced we have started OTTAVA clinical trials with a procedure that supports submission for US FDA de novo in general surgery with an indication for multiple upper abdomen procedures.

This is an important milestone as we continue to strengthen our presence in robotic surgery. Beyond our existing portfolio and pipeline, we also fortified our leadership as an innovation powerhouse with two major announcements.

In March, we announced our commitment to invest more than $55 billion in the US over the next four years in manufacturing, R&D, and technology. This represents a 25% increase in investment compared to the previous four years.

It builds upon the company's already elevated commitment to the US economy while expanding our capacity to manufacture next generation medicine and devices for patients in America and around the world.

The investment includes four planned new manufacturing facilities, the first of which broke ground last month in North Carolina. And at the beginning of April, we announced the completion of our acquisition of Intra-Cellular Therapies, which extends Johnson & Johnson's industry leading portfolio in central nervous system disorders.

With the addition of CAPLYTA, we have expanded our lineup of therapies with at least $5 billion plus potential in peak year sales, further solidifying sales growth above analyst expectations now through the rest of the decade.

Turning to the Talc bankruptcy ruling. As we shared a few weeks ago, we will return to the tort system where we expect continual success in litigating these meritless claims. In terms of next steps, we will immediately pursue our motions pending in the multi-district litigation to exclude plaintiffs experts known as the Daubert challenge.

And finally, as announced this morning, we increased our dividend for the 63rd consecutive year, which we know is important to our shareholders. We had a strong start to 2025, and I'm looking forward to sharing many more successes throughout the year.

Recognizing that there have been many important milestones and data readouts in the quarter, I will now pass the call to John Reed for an Innovative Medicine R&D update.

John Reed - *Johnson & Johnson - Executive Vice President - Innovative Medicine, Research and Development*

Thank you, Joaquin. I'm excited to share a few highlights from our industry leading Innovative Medicine pipeline that occurred throughout the quarter. With the successful acquisition of Intra-Cellular, I want to focus on CAPLYTA, a remarkable medicine with balanced pharmacology that delivers robust efficacy, combined with a favorable tolerability profile for neuropsychiatric disorders.

CAPLYTA is already approved for the treatment of schizophrenia and is the only medicine approved for the treatment of depression in both bipolar 1 and 2 as either monotherapy or adjunctive therapy.

On this slide, we're sharing data for major depressive disorder, showing very impressive and consistent improvements in the standard depression scoring metric MADRS in both Phase 3 studies that served as the basis for submission of the supplemental new drug application to the FDA. We anticipate approval of CAPLYTA later this year as an adjunctive treatment for major depressive disorder, representing the largest of the indications for novel antidepressant drugs today.

Turning to oncology. We are so excited about our recent overall survival data for RYBREVANT plus LAZCLUZE in first-line non-small cell lung cancer, harboring EGF receptor gene mutations. Non-small cell lung cancer is the most prevalent type of lung cancer, making up about 85% of lung cancer diagnosis.

Sadly, less than 20% of people diagnosed with this form of the disease are alive after five years and only a fraction live long enough to try a second treatment. That's why it is so important to use the best treatment first.

In a head-to-head study against today's standard of care, our RYBREVANT plus LAZCLUZE regimen improved overall survival by more than a year with the Kaplan-Meier survival curves continuing to separate at 37.8 months median follow-up.

With RYBREVANT's triple mechanism of action, we're looking to reset the standard five year survival expectations in a never before seen way. In simplest terms, we are giving patients more hope that they may live to celebrate another birthday, anniversary, or other important family event, a truly practice-changing achievement.

Now moving on to immunology. I draw your attention to the recent FDA approval of TREMFYA in Crohn's disease, our fourth indication for TREMFYA. TREMFYA is currently the only IL-23 inhibitor, with the flexibility of subcutaneous administration for both induction and maintenance dosing for the treatment of Crohn's disease, which means patients can start their treatment by self-administering with results as rapid and robust as receiving the IV in a clinic or doctor's office.

Additionally, in a recent head-to-head study in adult patients with moderately to severely active Crohn's disease, TREMFYA demonstrated superiority versus STELARA in all pooled endoscopic endpoints. As the only dual-acting IL-23 inhibitor, TREMFYA neutralizes IL-23, while also binding to CD64 and immune cells that produce IL-23, thus localizing TREMFYA right at the source of inflammation. TREMFYA continues to offer an exceptional solution for patients struggling with inflammatory bowel disease.

Lastly, highlighting some of our latest data for our investigational oral IL-23 pathway inhibitor, icotrokinra, we are aiming to redefine the standard of care for people living with plaque psoriasis. Icotrokinra is the first and only targeted oral peptide that selectively blocks the IL-23 receptor.

In two placebo-controlled Phase 3 studies, icotrokinra demonstrated impressive complete skin clearance and a favorable safety profile in a once daily pill. Our Phase 3 data demonstrated that nearly half of adult patients and three quarters of adolescents with moderate to severe plaque psoriasis treated with icotrokinra achieved completely clear skin by week 24.

We also reported that icotrokinra achieved the prespecified endpoints in additional Phase 3 psoriasis studies, comparing our molecule head-to-head with the most commonly prescribed TYK2 inhibitor. Those data will be shared in an upcoming medical Congress.

Looking forward, we are initiating the first ever head-to-head study seeking to demonstrate the superiority of a pill, icotrokinra, compared to an injectable biologic, STELARA, in moderate to severe plaque psoriasis, representing an important step forward in psoriasis research. As a reminder, we intend to file icotrokinra for approval later this year.

Finally, beyond psoriasis, we recently announced positive top line results from ANTHEM-UC, our Phase 2b study of icotrokinra in adults with moderate to severe ulcerative colitis. That study showed that icotrokinra achieved impressive clinical remission rates, combined with a favorable safety profile, again, dosed as a once-daily pill.

With all this progress, you can understand why we continue to be excited about the potential of icotrokinra to transform the treatment paradigm for patients battling with autoimmune diseases. Overall, across all our therapeutic areas, we are absolutely thrilled with the progress that our pipeline has made in the first quarter of this year, and we are eager to report on other significant milestones scheduled for the remainder of 2025.

And now I will turn the call over to Jess.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Thank you, John. Moving to our financial results. Unless otherwise stated, the percentages quoted represent operational results, and therefore exclude the impact of currency translation. Starting with Q1 2025 sales results. Worldwide sales were $21.9 billion for the quarter.

Sales increased 4.2% despite an approximate 470 basis point headwind from STELARA. Growth in the US was 5.9% and 2.1% outside of the US. Worldwide growth was positively impacted by 90 basis points due to acquisitions and divestitures.

Turning now to earnings. For the quarter, net earnings were $11 billion, and diluted earnings per share was $4.54, versus diluted earnings per share of $1.34 a year ago, primarily driven by the reversal of $7 billion related to the Talc settlement proposal.

Excluding after tax intangible asset amortization expense and special items for both periods, adjusted net earnings for the quarter were $6.7 billion, and adjusted diluted earnings per share was $2.77, representing increases of 1.9% and 2.2%, respectively, compared to the first quarter of 2024.

We are proud to deliver bottom line growth despite the loss of exclusivity of STELARA and the impact of Part D redesign. I will now comment on business sales performance in the quarter. Beginning with Innovative Medicine. Worldwide sales of $13.9 billion increased 4.2%, despite an approximate 810 basis point headwind from STELARA. Growth in the US was 6.3% and 1.5% outside of the US.

Starting with oncology. DARZALEX growth was 22.5%, primarily driven by continued share gains of approximately 3 points across all lines of therapy and approximately 5 points in the frontline setting as well as market growth.

CARVYKTI achieved sales of $369 million and growth of over 100%, driven by share gains and capacity expansion. This reflects sequential growth of 10.5% as we continue to expand outside of the US. TECVAYLI and TALVEY growth was 15% and 50.2%, respectively, reflecting strong launches in the relapsed refractory setting.

Patient demand remained strong despite continued adoption of longer dosing intervals. ERLEADA continued to deliver strong growth of 14.6% despite the impact of Part D redesign, primarily driven by share gains and market growth. RYBREVANT plus LAZCLUZE continued its strong launch trajectory with sales of $141 million and growth over 100%.

Within immunology, TREMFYA delivered growth of 20.1% despite the impact of Part D redesign, driven by share gains and market growth across all indications, including our newly launched indication in ulcerative colitis.

STELARA declined 32.3% driven by the impact of biosimilar competition and Part D redesign. As a reminder, REMICADE and SIMPONI distribution rights in Europe were returned in Q4. This positively impacted results in the quarter and is anticipated to continue for the remainder of the year. REMICADE sales also include a one-time patient mix benefit in the US.

In neuroscience, SPRAVATO growth of 42.9% was driven by increased physician and patient demand. Finally, other assets that were impacted by Part D redesign include INVEGA long-acting injectables, which declined 13.5%. Pulmonary hypertension, which declined 1.2% and was partially offset by market growth and share gains. And XARELTO, which increased by 33% and also included a one-time patient mix benefit.

I'll now turn your attention to Medtech. Worldwide sales of $8 billion increased 4.1%, with growth of 5.1% in the US and 3% outside of the US. Acquisitions and divestitures had a net positive impact of 280 basis points on worldwide growth, 420 basis points in the US and 120 basis points outside of the US.

Underlying Medtech performance was driven by commercial execution and strength of new products, partially offset by several one-time events, disproportionately impacting orthopedics, in addition to continued competitive PFA pressures in electrophysiology and headwinds in China. Results were negatively impacted by approximately 210 basis points worldwide, 240 in the US and 180 outside of the US due to these one-time events.

In cardiovascular, electrophysiology growth was roughly flat versus prior year, driven by lapping of prior year inventory dynamics in Asia, impacting worldwide results by roughly 310 basis points and competitive PFA ablation catheter pressure.

This was mostly offset by global procedure growth, new product uptake, and commercial execution. Abiomed delivered growth of 14%, driven by strong growth in all regions and continued adoption of Impella 5.5 and Impella CP technology.

Cardiovascular results also included $258 million associated with the acquisition of Shockwave. As a reminder, we will lap the acquisition benefit at the end of May. Envision, contact lenses and other grew 2.7%, driven by continued strategic price actions and strong performance in the ACUVUE OASYS 1-Day family of products.

Surgical vision growth of 6.2% was driven by our recent innovations, TECNIS Odyssey, PureSee, and Eyhance, as well as commercial execution, partially offset by competitive pressures in the US. Surgery grew 1.1%, with divestitures negatively impacting results by approximately 180 basis points.

Performance was driven primarily by commercial execution and the continued strength and adoption of new products across wound closure and biosurgery. Growth was partially offset by competitive pressures in energy and endocutters as well as the negative impact of China VBP.

Given the disproportionate impact of the one-time events to orthopedics, I'd like to draw your attention to this additional slide. Orthopedics declined 3.1%, primarily driven by the lapping of a one-time revenue recognition timing change related to certain products across all platforms in the US, fewer selling days and revenue disruption from the previously announced orthopedics transformation.

These one-time events negatively impacted worldwide orthopedics growth by approximately 480 basis points, 650 basis points in the US and 210 basis points outside of the US. This was partially offset by success of new product launches and commercial execution.

Now turning to our consolidated statement of earnings for the first quarter of 2025. I'd like to highlight a few noteworthy items that have changed compared to the same quarter of last year. Cost of products sold deleveraged by 320 basis points, driven by unfavorable transactional currency and product mix, primarily due to the decline of STELARA in Innovative Medicine as well as the fair value step-up and amortization associated with the Shockwave acquisition in MedTech.

Selling, marketing and administrative expenses improved 130 basis points, driven by operating spend management and phasing of investments, primarily in Innovative Medicine. Research and development expenses leveraged by 190 basis points, primarily driven by portfolio progression towards commercialization and phasing of investments in Innovative Medicine, partially offset by investments associated with the recent acquisitions of Shockwave and V-Wave in MedTech.

Interest income and expense was a net income of $128 million as compared to $209 million in the first quarter of 2024, primarily driven by higher interest rates paid on higher average debt balances. Other income and expense was a net income of $7.3 billion compared to an expense of $2.4 billion in the prior year, driven by the $7 billion Talc reserve reversal in the first quarter of 2025 and the $2.7 billion Talc settlement proposal recorded during the first quarter of 2024.

Regarding taxes in the quarter, our effective tax rate was 19.3% versus 12.4% in the same period last year, primarily driven by the tax effect of the reversal of the Talc settlement accrual. Excluding special items, the effective tax rate was 16.3% versus 16.5% in the same period last year.

I encourage you to review our upcoming first quarter 10-Q filing for additional details on specific tax related matters. Lastly, I'll direct your attention to the box section of the slide where we have also provided the company's income before tax, net earnings, and earnings per share adjusted to exclude the impact of intangible amortization expense and special items.

Now let's look at adjusted income before tax by segment for the quarter. New this quarter and to continue our efforts of increased financial transparency, you will find GAAP to non-GAAP reconciliations by segment in the supplemental schedules of our press release.

Innovative Medicine margin declined from 42.9% to 42.5%, primarily driven by unfavorable transactional currency and product mix and cost of products sold and Part D redesign, partially offset by operating leverage.

MedTech margin declined from 26.4% to 25.9%, primarily driven by R&D and selling, marketing and administrative investments associated with the recent acquisition of Shockwave and V-Wave. As a result, adjusted income before tax for the enterprise as a percentage of sales decreased from 36.8% to 36.6%. This concludes the sales and earnings portion of the call, and I will now turn the call over to Joe.

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

Hello, everyone, and thank you for joining us today. Thanks, Jessica. Not just for the transition now but also for how well you have led the Investor Relations function in the past few years. The investment community will miss you, but we look forward to seeing you in the lead finance role for Innovative Medicine. Our first quarter results demonstrate the strength and reliability of Johnson & Johnson's diversified business model.

Innovative Medicine achieved robust growth in the face of STELARA biosimilar entrants and we advanced our pipeline, attaining significant clinical and regulatory milestones. In MedTech, as indicated in January, we anticipate pockets of challenge early on and are planning for higher second half growth in those areas of our business.

The team is focused on commercial execution and accelerating the recently launched products to deliver MedTech's commitments that are included in the company's full year guidance. The recent acquisitions of Abiomed and Shockwave continue to expand our presence in higher growth markets.

In addition, we continue to take steps to improve MedTech's future margin profile, implementing a restructuring program designed to simplify and focus the operations of our surgery business, similar to what we launched in orthopedics in 2023.

Focusing on portfolio renewal, we plan to exit certain non-strategic product lines globally and optimize select sites across the network. We anticipate some modest short term revenue disruption in surgery of approximately $250 million in total over the next two years, but these actions will improve our ability to accelerate growth and enhance profitability. The program is expected to be completed in 2027, with cost estimated at approximately $900 million.

Let's now turn to cash and capital allocation. We are pleased with free cash flow generation in the quarter of approximately $3.4 billion. We ended the first quarter with $38.8 billion of cash in marketable securities and $52.3 billion of debt for a net debt position of $13.5 billion.

It is important to note that cash and net debt were favorably impacted by approximately $14 billion of cash held in anticipation of the Intra-Cellular acquisition, which closed on April 2. Taking this into consideration, net debt would have been approximately $27.5 billion.

Investment in innovation remains the highest priority in our capital deployment. And during the first quarter, we invested more than $3 billion in research and development, approximately 15% of sales. We also remain committed to returning capital directly to shareholders.

We recognize the value investors place on our dividend, and we were pleased to announce today that our Board of Directors authorized a 4.8% increase, marking our 63rd consecutive year of dividend increases. The Intra-Cellular Therapies acquisition bolsters our neuroscience portfolio and we maintain a disciplined approach to inorganic growth, focusing on acquisitions and partnerships that align strategically and offer value creation.

As noted in our Talc investor call and following up on some of Joaquin's earlier comments, we reversed $7 billion of the reserve previously held for the bankruptcy plan. This litigation has not, and we foresee will not impact our ability to execute upon our capital allocation priorities to appropriately manage our business.

Let's now discuss our full year guidance for 2025. We are increasing our operational sales guidance for the full year by $700 million to reflect the addition of CAPLYTA following the completion of the Intra-Cellular acquisition. Therefore, we now expect operational sales growth for the full year to be in the range of 3.3% to 4.3%, with a midpoint of $92 billion or 3.8%.

Excluding the impact from acquisitions and divestitures, we are maintaining our adjusted operational sales growth to the range of 2% to 3% compared to 2024. As you know, we don't speculate on future currency movements. And last quarter, we utilized the euro spot rate relative to the US dollar of $1.04. Last week, the euro spot rate relative to the US dollar was $1.11.

We estimate an incremental positive foreign currency impact of $1.1 billion versus previous guidance, resulting in a full year headwind of $600 million. As such, we now expect reported sales growth between 2.6% to 3.6%, with a midpoint of $91.4 billion or 3.1%.

Turning to other notable items on the P&L. We are maintaining our guide of operating margin improvement by 300 basis points versus 2024. This improvement takes into consideration the dilution from the Intra-Cellular transaction as well as what we know today about the impact of tariffs on our business.

We now project net interest expense between $100 million and $200 million, primarily driven by financing costs associated with the Intra-Cellular acquisition. Other income is anticipated to be in the range of $1 billion to $1.2 billion, a slight increase versus previous guidance.

Despite $0.25 dilution from the Intra-Cellular acquisition and including the impact of tariffs based on what is in place today, we are pleased to be able to maintain our adjusted reported earnings per share guidance of 6.2% at the midpoint for a range of $10.50 to $10.70, partially aided by the reduced FX impact.

I'll now provide some qualitative considerations on phasing for your models. We continue to expect both Innovative Medicine and MedTech operational sales growth to be higher in the second half of the year versus the first half.

Regarding Innovative Medicine, we maintain the assumption that the impact of STELARA biosimilar competition will accelerate throughout the year, similar to HUMIRA's erosion curve, which is still our proxy with the additive impact of Part D redesign.

The impact of Part D redesign on affected products as a percent of sales will be consistently applied throughout the year, aligned with how we traditionally account for similar discount and rebate programs. Naturally, we expect a greater benefit from our newly launched products as the year progresses.

Regarding MedTech, we expect normalized procedure volume and seasonality. And of course, we anniversary the Shockwave acquisition at the end of May. We anticipate our newly launched products to build throughout the year with the relaunch of VARIPULSE in the US, the introductions of dual energy STSF in the EU, VELYS Uni-Knee, VELYS Spine and TECHNIS Odyssey.

Lastly, this slide highlights the one-time prior year P&L items that should be taken into quarterly consideration for your models. Beyond our financial commitments and what Joaquin and John mentioned, we are excited for the pipeline progress planned for the remainder of 2025.

In Innovative Medicine, this includes expected approvals in nipocalimab for generalized myasthenia gravis, subcutaneous RYBREVANT for non-small cell lung cancer in the US, TREMFYA subcutaneous induction for ulcerative colitis, and CAPLYTA for adjunctive major depressive disorder.

We continue our rolling submission of TAR-200 in non-muscle invasive bladder cancer and anticipate filing icotrokinra in psoriasis, and planned data readouts for RYBREVANT in head and neck cancer and icotrokinra in ulcerative colitis as well as head to head data versus Sotyktu in psoriasis.

In MedTech, we continue to make progress with clinical trials for our OTTAVA robotic surgical system and across our cardiovascular portfolio, including heart recovery with Impella ECP submission and circulatory restoration with Javelin and Shockwave E8 launches.

This progress will bode well for financial performance for the balance of this decade. In fact, building on John's earlier discussion on our Innovative Medicine pipeline and what I just outlined I'd like to revisit and update a slide that we shared at our enterprise business review in late 2023.

In that slide, you may recall we highlighted key assets in our portfolio that we expected to drive long term growth and projected higher revenue than Street estimates. We've been pleased to see that some estimates have been raised since the 2023 enterprise business review. And now I'd like to walk you through some of our current thinking on our pipeline potential to show where we see even more upside.

Based on current 2027 Street estimates, our projections are at least 2 times higher for RYBREVANT plus LAZCLUZE, and at least 50% higher for SPRAVATO. One asset that we didn't highlight in this look back in 2023 was TREMFYA.

However, given recent regulatory approvals for inflammatory bowel disease, we now see sales for TREMFYA at least 25% higher than current Street estimates. When looking ahead to 2028, we anticipate sales for our intravesical drug releasing system previously referred to as TARIS to be at least 3 times higher than current Street estimates, and new to the chart, icotrokinra, our targeted oral peptide to be at least 2 times higher.

To be balanced, analyst estimates are still a bit more optimistic than our own estimates on nipocalimab in 2027. However, we do anticipate closing that gap after launch. We have even stronger conviction today in our growth opportunities than at the enterprise business review as we've reached new milestones with each of these medicines.

And importantly, we expect all of these assets to achieve peak year sales beyond 2028 with further potential upside to Street estimates in the outer years. Even after considering risk adjustments for unapproved products that you may apply, hopefully, you'll also conclude there is additional value to your outlooks.

In summary, it was a solid start to the year. Johnson & Johnson's diversified business model uniquely positions us to tackle the headwinds in 2025, deliver on our financial commitments, and advance our pipeline to create long term sustainable value for shareholders.

Thank you. And with that, we are happy to take your questions. Kevin, will you please provide instructions for those seeking to participate in the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Larry Biegelsen, Wells Fargo.

Larry Biegelsen - *Wells Fargo Securities, LLC - Analyst*

Good morning. Thanks for taking the question, and congrats on a nice quarter. Joe, you talked about $400 million in tariffs in the 2025 guidance or about $0.14 by our math. What is that on an annualized basis? And how are you thinking about being able to mitigate that over time? Can you pass along pass it along to customers? Or can you offset it by moving production? Thanks for taking the question.

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

Yeah, thanks, Larry. Good to hear from you. So what's included in the $400 million, and again, that is primarily MedTech tariffs at this point. It's based on the programs that have been announced and the timing that correlates those programs.

So that would be inclusive of Mexico and Canadian import tariffs that are not excluded out of USMCA. It will include to a very small degree, some of the steel and aluminum tariffs that impact some more products. It includes the China tariffs as well as the China retaliatory tariff. And that is probably the most substantial out of all the tariffs in terms of that $400 million.

And so just maybe clarify for everybody that, that is products of US origin being shipped into China, and that's probably the most penalizing factor. That $400 million, I don't want to be cavalier about that. It's obviously -- the program has been phased in as a partial year. And then you have mostly this being captured as cost of goods.

So it's going to sit on the balance sheet in inventory and be relieved through the P&L in future periods. So that's how we're thinking of it. In terms of mitigation strategies. I think you know across our entire business, we're very limited in terms of price leverage, whether it be on the MedTech side.

There's contractual agreements already in place and certainly very much completed on the pharmaceutical side on current products that exist in terms of taking price increase. And I know Joaquin has a few thoughts regarding tariffs and maybe other mitigation factors and the supply nature of healthcare.

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

Thank you, Joe, and thank you, Larry, for the question. Thinking about tariffs, I'm thinking specifically about pharmaceutical tariffs, there's a reason Larry why pharmaceutical tariffs are zero. It's because tariffs can create disruptions in the supply chain, leading to shortages.

If what you want is to build manufacturing capacity in the US, both in MedTech and in pharmaceuticals, the most effective answer is not tariffs but tax policy. As a matter of fact, since President Trump 2017 tax reform, the investment in manufacturing, both in MedTech and in pharmaceuticals has significantly increased.

And when you think about our recent announcement of investing $55 billion over the next four years at the completion of this investment plan, essentially all our advanced medicines that are used in the US will be manufactured in the US. So tax policy is a very effective tool to be able to build manufacturing capacity here in the US, both for MedTech and pharmaceuticals.

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

Larry, I just want to follow up too. You did ask about a full year impact. And I would say like purposely ignored the question only because it would be way too speculative at this point. As we know, these tariffs are very fluid, and the responsible action for us now is to quantify what we see as the impact in [2025] (corrected by company after the call), and then see what happens with respect to does it lend itself to negotiations with other countries and what's actually in place as we get into the later part of 2025.

Operator

Chris Schott, JPMorgan Chase & Company.

Chris Schott - *JPMorgan Chase & Co. - Analyst*

Great, thanks so much. Just had a question on gross margins in the quarter. It seems like these came in well below recent trends. I'm just trying to get a better understanding of the drivers there. And just the outlook going forward as we consider mix, tariffs, et cetera, on the gross margin line? Thank you.

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

Hey Chris, this is Joe. Thanks for the question. So I'd say it's -- there's a two part answer to this one. So specifically in the quarter, when looking at first quarter of 2024, we obviously had the impact of STELARA which was a much higher gross margin product than our average product in our portfolio. You had Part D, which is exclusively price, which is eroding margin.

And then you had some, I would say, transactional currency headwinds, one, a favorable impact last year or in 2023 funneling into 2024, and then some unfavorability from last year's currency action. I would expect moving forward based on some of the plans that we have, you could expect that 300 basis points to probably improve by a third to 50%, and that would be inclusive of the tariffs that I just mentioned in Larry's question.

The other thing I would say is, I know you guys do a great job, but I think analysts were maybe a little bit optimistic with respect to their outlook for gross profit. Given that we had STELARA and Part D certainly communicated in the past, I believe the consensus was taking gross margins up year-over-year. And that one was probably a little bit of a miss. So we probably could have done a better job explaining it.

Operator

Asad Haider, Goldman Sachs.

Asad Haider - *Goldman Sachs - Analyst*

Thanks for taking the question. Just going back to the STELARA biosimilar version and the acceleration of the trajectory that we're going to see over the course of the year. Are you able to provide any quantitative framing on your views as it relates to the extent to which you think this erosion gets smoothed out by the transition to other brands like TREMFYA and other products? Thank you.

Jennifer Taubert - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Well, good morning. Thanks so much for the question. It's Jennifer. So what we saw with STELARA in the first quarter was definitely in line with our expectations for the product for the year. And we continue to guide to the HUMIRA [year two] (corrected by company after the call) erosion curve once there were multiple biosimilars as really the best model there and make sure you are also including the additional impact of Part D redesign.

If I could one additional point around STELARA, if we take a look at the business overall, it was highlighted that we had 4.2% growth across innovative medicine. That included a negative 810 basis point impact from STELARA.

If you exclude that from our business, the remaining business, the bulk 90% of our business was actually growing over 12%, really demonstrating the strength of our overall business and with 11 key brands that were growing double digits. So yes, got the STELARA LOE, but the strength of the business is really coming through across all of our growth drivers.

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

Yeah, and I would add to that. It is remarkable that in a year in which we are facing the headwind of the STELARA biosimilars, Part D redesign. We are able to grow even in the first quarter. and that we are able to do it like any other company to my knowledge in the healthcare industry has done it. Is a testament to the strength of our business, to the diversification of our growth platforms. And it gives me a strong belief that we are going to continue to deliver throughout the year.

John Reed - *Johnson & Johnson - Executive Vice President - Innovative Medicine, Research and Development*

Joaquin and Jennifer just building on the focus on STELARA, of course, STELARA begins to sunset TREMFYA continues to rise. You've seen the recent approvals in inflammatory bowel disease where TREMFYA now is available as the only IL-23 class medicine for subcu delivery in both induction and maintenance.

We have generated additional strong data going head-to-head against STELARA in a rigorous double-blind study, and showing the superiority across all mucosal endpoints. So that's really disease modifying healing. And then finally, I would say you'll see later this year, data in psoriatic arthritis, where we've done a rigorous study looking at preservation of joint avoiding the joint erosion that leads to long term disability.

And what you'll see in those data when they're presented as a best in disease profile for TREMFYA in psoriatic arthritis. So really excited about the progress with TREMFYA, the world's first selective IL-23 inhibitor.

Operator

Danielle Antalffy, UBS.

Danielle Antalffy - *UBS Equities - Analyst*

Hey, good morning everyone. Thanks so much for taking the question. Thanks so much to for all the color on tariffs and the ortho impact, that was super helpful. And Jess, we're really going to miss you. But congrats and good luck in your next role. Just a quick question on -- and maybe this isn't really a question, I don't know, but I think it's still on the table and that do we or don't we go into a recession?

And I'd love some color as much as you can provide on how you guys think about your business and how recession proof it is reason and what areas might be most at risk of underperforming relative to where we are today in a recession? Thanks so much.

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

Hey Danielle, good to hear from you. Yeah, it's a good question. I think when we think about our business, the one thing we look to is certainly jobs reports in the US. And as of the most recent reports, it seemed to be pretty healthy. The reason we look at that is because it's a precursor as to who may have benefits and coverage prescription medications as well as procedures inclusive of elective procedures.

We have seen in times past when there's been a little bit of a recession at some of those elective procedures maybe get delayed, but they don't get abandoned, and I'm thinking primarily within orthopedics. Healthcare overall has proven to be, while nothing is immune to a recession, it's been a little bit more recession proof than most other industries.

And so we'll continue to monitor that. But right now, we feel good about the standards of care that we're elevating on both the innovative medicine and MedTech side of the house.

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

Overall health care demand remains solid, and we feel good about the rest of the year regarding procedures and use of pharmaceuticals. I don't know any comments on that. Tim?

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

Sure. Further to Joe's point, Danielle, the category such as advanced IOLs is a good precursor to assessing the health of the economy. And so far, we haven't seen any impact on the performance of our IOL portfolio. In fact, we've seen the opposite.

When you look at the performance of our IOL business on the back of the launch of both TECNIS Odyssey here in the US and PureSee globally, we're seeing benchmark performances, and frankly, a turnaround of our performance here in the US with truly differentiated innovation. And so far, no major headwinds.

Operator

Terence Flynn, Morgan Stanley.

Terence Flynn - *Morgan Stanley - Analyst*

Hi, good morning. Congrats on the quarter and thanks for taking the question. Joe, we heard your comments this morning on the Section 232 potential pharma tariffs being focused more towards generics API versus the complex branded biologics. So just wondering if that's based on your impression of the most likely outcome here or that's more just your speculation or hope for the outcome. Thank you.

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

Let me take that question, Terence, myself. So we are analyzing the Section 232. It was already announced previously. So it's something that we consider normal that is going to happen. And overall, adding to my comments on tariffs before, I think it's also important that companies in healthcare partner with the administration to look to mitigate some of the vulnerabilities that exist today in our healthcare supply chain so as to avoid any continuity of supply effect.

So it's important for us to partner with the administration and with the government, and we plan to do it in this process to make sure that we have enough manufacturing capacity here in the US to be able to address multiple scenarios.

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

And Terence, just to be clear, though, we want to be deferential to the administration and their process, that is speculative just looking at the pharmaceutical landscape and where national security interest may reside and what products that those are delivered from. So that was really kind of our take on it, but we are working and engaging with the administration and being deferential to their process.

Operator

Joanne Wuensch, Citibank.

Joanne Wuensch - *Citi - Analyst*

Good morning, and thank you for taking the question and providing all of this information, very helpful. I do want to sort of just pause for a second on the orthopedic sales and try to unpack how much of that is which variable is there a way to quantify it? And how do we think about the recovery in the back half of the year and then into next year. Thank you.

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

Joanne, thank you for the question. And as we mentioned, we've tried to provide as much as possible to the significant impact of one timers in the quarter, which, to your point, have disproportionately impacted the Ortho business to the tune of 480 basis points.

There are three key drivers to that. Number one, the lapping of prior year change in walking implants revenue recognition, fewer selling days, and finally, revenue disruption from the recent ortho transformation, which we announced in 2023.

So when you actually look at our operational growth when accounting for those, it would be closer to 2%. Now at the same time, I will say, Joanne, we're not satisfied. Our underlying performance was impacted by competitive pressures primarily in spine and sports, which is partially offset by strong NPIs and commercial execution in categories like trauma, shoulder and foot and ankle.

What gives us confidence in continued acceleration to the back half of the year is the incredible impact of truly differentiated innovation across ortho portfolio. In fact, in 2024, we had 18 510(k) approvals here in the US and 45 outside of the US across our portfolio.

And what gives us confidence is this combination of having best-in-class implants with truly differentiated enabled technology such as VELYS. In our hips portfolio, we believe we're going to see continued performance on the back of our focus on anterior approach, both with ACTIS, VELYS, KINCISE 2.0.

In knees, we have seen a slowdown in revisions where I think you know we are historically number one, but feel very confident about continued momentum in primary with the combination of ATTUNE and VELYS, which is now available in 30 markets. We have 110,000 procedures.

And as you probably know, we're now launching the VELYS Uni-Knee in the coming quarters. In trauma, this was a standout quarter for us, close to 7.3% operational growth when you account for the one-timers, and this was driven by a tremendous uptake of our VOLT Plating System and the feedback we've got from surgeons, especially for our small frag menu frag, our distal radius has been exceptional. I think you also know that spine has been a bit of a laggard for us in the ortho portfolio.

We are now effectively launching the trial to spine system, which is a thoracolumbar system, coupled with VELYS Spine also launching in the coming quarters. And so not the best start but strong confidence in improved performance for the remainder of the year in ortho.

Operator

Vamil Divan, Guggenheim Partners.

Vamil Divan - *Guggenheim Securities LLC - Analyst*

Great, thanks for taking the questions and for all the information. So I just wanted to maybe focus on that slide 29, Joe, that you touched about on this for you, Joe, or for Jennifer. I appreciate you sharing your perspectives on those products and how they differ your expectations are for consensus.

There's three products that are not on there anymore that were there at the end of 2023, and that's CARVYKTI, TALVEY, and TECVAYLI. And I don't think the consensus expectations have changed for those very much since then.

So maybe you can just talk about what has changed there why those aren't listed? Has there anything changed from your internal perspective or again externally that just had those come off of that list. Thank you.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Hi Vamil, this is Jess. Yes, you're absolutely correct. The multiple myeloma portfolio was on the slide during the EBR in 2023, and they are not on the slide today. Not saying that there is not still a disconnect, but it's just not to the extent of the other products on the list. At that time, we had estimated if you did the math on the slide, it would have been about $4 billion that would have been added to 2027.

Around $2 billion was added. So those estimates did go up at that time. Again, not that there's not still a disconnect. It's just not to the extent of the others on the slide because those estimates were increased.

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

So just to be super clear on that one, Vamil, we are still extremely bullish based on the clinical progression, R&D as well as the performance that we're seeing in the marketplace. I mean, look at CARVYKTI, I think, doubled sales year-on-year. So it's just a matter of that you guys took your numbers up. And so we agree, I guess, is maybe the best way to say that.

Jennifer Taubert - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Maybe just to add in a little bit more on CARVYKTI. So yeah, over 100% operational growth in the first quarter, and we continue to make very strong share gains in that second line plus indication, we continue to add sites. We continue to add countries and capacity expansion globally.

And so we have very firm conviction in CARVYKTI as a $5 billion plus asset and really are rolling that out globally very effectively at this point in time. So we don't see capacity as a constraint going forward based on the strength of the efforts that have taken place. And so we're full speed ahead for CARVYKTI going forward.

John Reed - *Johnson & Johnson - Executive Vice President - Innovative Medicine, Research and Development*

And with the TEC and TAL, John here, we're really just getting started. You've probably seen some of the recent data where we've even combined those two molecules to achieve really unprecedented levels of complete responses.

At the hematology meetings last year, we also showed combining either TEC or TAL with DARZALEX and demonstrating really impressive 100% minimal residual disease negativity in earlier lines of therapy and the opportunity, therefore, to really start bringing these first-in-class bispecific T cell redirecting molecules into earlier lines, even frontline in combination with our DARZALEX. So really enormous opportunity lies ahead of us with TEC and TAL.

Jennifer Taubert - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

And a couple of other things on TEC and TAL. So we continue to expand. We've got very good penetration in the academic settings right now, and we continue to expand out into the community. We've got very strong new patient starts. I know that the products have been plagued a little bit because the product is so effective with less frequent dosing.

As we move forward, we should be lapping that soon. And really, you'll see the strength of those new patient starts and the continued expansion into the community we're starting to show through, combined then with what John talked about in terms of additional combinations and such, we've got very strong convictions, and we remain convinced on the opportunities for TEC and TAL.

Operator

Matt Miksic, Barclays.

Matt Miksic - *Barclays - Analyst*

Great, thanks so much for taking the questions, and I appreciate all the color. I had a clarification and a question if I could. So the question first. Would be great if you could maybe flush out the way that the opportunities in TREMFYA, which is now kind of leaning into IBD and the emerging opportunities for icotrokinra in oral kind of -- and you see them coming together this year, next year, the year after as kind of a portfolio in immuno.

And then clarification, if I could, just for Tim, it sounded like when you were describing the ortho impacts, you've got something like 2%. But if you look at the hip and knee math, I'm right, let's think about 2% US, I just want to make sure I understand.

It sounded like your view was that's share, that's on else, and we're going to remedy that with the innovations and new products this year. Maybe just put to spine of a point on it, but like that's not market growth, like 2%, like you would say we're below market, and we should be doing better. Or do you think that that's kind of where the market's at is in, that like low single-digit range for US SMEs. Thanks so much. Apology for a long clarification, that will be super helpful. Thanks.

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

Matt, let me start with your question on ortho. And to be perfectly frank, while we have seen an improvement in our performance both in hips and knees through 2024, Q1 clearly wasn't our strongest quarter. And so we have seen competitive pressures. As you know, these are highly attractive categories within ortho, it's where the primarily fight is. And frankly we need to do better.

And so we believe that our performance so far in the quarter was slightly below market. These are attractive markets. We've seen a strong robust procedures across ortho and we expect that to continue, as I mentioned, with the addition of our portfolio of both implants as well as enabling technology across hips and knees, we're confident that we will see an improvement through the remaining quarters. Thank you.

Jennifer Taubert - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Right. So let's switch over to TREMFYA in immunology, and TREMFYA really had a great quarter in the first quarter with sales nearly $1 billion and over 20% operational growth. And this was really driven by market share gains in psoriasis and psoriatic arthritis as well as what we're seeing as it relates to the launch in ulcerative colitis and also in Crohn's disease.

So we are really encouraged by the launch in both of these IBD indications. TREMFYA is now if we start with ulcerative colitis and how we're doing and then I'll go to Crohn's disease. So an ulcerative colitis TREMFYA is the fastest-growing product in the ulcerative colitis market.

IL-23s are the fastest-growing class, and TREMFYA has already achieved nearly a 50% share of the IL-23 new patient starts in UC. So this is really based on the strength of the profile of the product and the strong differentiation that we have as a dual-acting IL-23, both impacting both IL-23 as well as CD64.

The robust data that we have as it relates to efficacy and remission. And then as we get in to Crohn's disease and then later in ulcerative colitis as well, what we see is unrivaled simplicity with the opportunity for subcu induction as well as maintenance dosing.

And when we take a look at market research data and intent to prescribe, the data comes through really strong that gastroenterologists really prefer TREMFYA over the IL-23 competitors based on those aspects that I just discussed. So efficacy, sustained remission, and mucosal healing right now for UC.

On Crohn's, there is very significant enthusiasm around our launch there and it's really quickly getting traction. In the first few weeks since approval in Crohn's disease, patient initiation volumes are outpacing the other IL-23 launches in the market.

And the polling data, our recent market research, 82% of gastroenterologists consider TREMFYA's induction dosing and flexibility to be a very positive differentiation in their treatment decisions, and they're seeing the efficacy profile to be quite compelling compared to the other therapies that are in the market. So we believe that in IBD, both in ulcerative colitis and Crohn's, we're off to a strong start.

And as a reminder, tracking back to STELARA, STELARA 75% of sales were in IBD indications. We see no reason why TREMFYA wouldn't be the same or even better based on what we're seeing with the strength and competitiveness of the profile.

John Reed - *Johnson & Johnson - Executive Vice President - Innovative Medicine, Research and Development*

Maybe just a comment on icotrokinra since you asked about that. The most proximal opportunity there is our psoriasis campaign where we will have altogether five Phase 3 studies, data for that this year, we expect to submit this year for psoriasis.

We're so excited to be able to offer patients more choice with even a market like psoriasis, which should be well penetrated by now because it is a place where some of the biologics first got their start. More than half of patients who are eligible for an advanced therapy are still not on advanced therapy.

And for many of these patients, it's really an aversion to the injections and going the biologics route. So to be able to offer patients a choice of a once-a-day pill to provide a solution for their disease, which has efficacy in the same ballpark as the biologics and with that well proven safety profile of IL-23 class is really exciting for us.

Jennifer Taubert - *Johnson & Johnson - Executive Vice President, Worldwide Chairman, Innovative Medicine*

Yeah, we really believe that icotrokinra is a big market expansion opportunity to get in those earlier lines of therapy and to bring patients into therapies that have that strong biologic like efficacy. We think that there is a lot of room for both icotrokinra and TREMFYA in the market, and based on different patient needs, different physician needs as well. And so we think both of these are very important growth drivers for us going forward.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Thank you, Matt. Kevin, we have time for one last question.

Operator

Tim Anderson, Bank of America.

Tim Anderson - *Bank of America - Analyst*

Thank you so much. Going back to tariffs, a big concern by investors is how that might ultimately wrap in transfer pricing structures? And every company I know is usually hesitant to talk about that. I'm wondering what J&J can offer up on that front that could include things like major products where you have transfer price structures in place as well as which geographies you have those in place as well.

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

Yeah, I appreciate the question, Tim. It's just not something that for competitive reasons we're going to comment on.

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

I would reiterate what I said before. With our $55 billion investment plan and the completion of that plan, which we spoke about four years, most of our advanced medicines that are used in the US will be manufactured here in the US.

So that's our plan, and that's why we believe it's important to provide this continuity. As I said before, after 2017 President Trump's tax reform, the level of investments the US have increased, and we plan to continue to increase it given the current tax regime or improvements that may come into the future.

Jessica Moore - *Johnson & Johnson - Vice President - Investor Relations*

Thank you, Tim, and thanks to everyone for your questions and your continued interest in our company. We apologize to those that we couldn't get to because of time, but don't hesitate to reach out to the Investor Relations team with any remaining questions that you may have.

As many of you have seen, Darren Snellgrove will be transitioning into the Investor Relations role starting May 1, as I transition into the Innovative Medicine CFO role. The last 3.5 years have been an absolute pleasure getting to engage with you all. I will now turn the call over to Joaquin for some brief closing remarks.

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

Thank you, Jess, and thank you, everyone, for joining the call today. As you heard, 2025, it's going to be a catalyst year for Johnson & Johnson. And with our Q1 results, we are off to a great start. This start reflects the power of Johnson & Johnson's uniquely diversified business model and further strengthens our confidence in our 2025 guidance and beyond. Thank you very much.

Operator

Thank you. This concludes today Johnson & Johnson's first quarter 2025 earnings conference call. You may now disconnect.