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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to Johnson & Johnson's second-quarter 2026 earnings conference call. (Operator Instructions) This call is being recorded. (Operator Instructions)

I will now turn the conference call over to Johnson & Johnson. You may begin.

Ryan Koors - *Johnson & Johnson - Vice President - Investor Relations*

Hello, everyone. This is Ryan Koors, Vice President of Investor Relations for Johnson & Johnson. I'm excited to be here today and to lead the Investor Relations team moving forward. Welcome to our company's review of business results for the second quarter of 2026 and our financial outlook for the full year.

First, a few logistics. As a reminder, today's presentation and associated schedules are available 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. They are subject to certain risks and uncertainties that may cause the company's actual results to differ materially from those projected.

The description of these risks, uncertainties and other factors can be found in our SEC filings, including our 2025 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 discuss our business performance and growth drivers. I will then review the second quarter sales and P&L results. Joe Wolk, our CFO, will then close by sharing an overview of our capital allocation priorities and updated guidance for 2026.

Jennifer Taubert, Executive Vice President, Worldwide Chairman, Innovative Medicine; John Reed, Executive Vice President, Innovative Medicine Research and Development; 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 approximately 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, Ryan, and welcome to your new role. I'm pleased to share the topline results from our strong second quarter. We said 2026 would be a year of accelerated growth and impact for Johnson & Johnson and with our Q2 beat on the top and bottom line and raised guidance we are delivering. Across Oncology, Immunology, Neuroscience, Cardiovascular, Surgery and Vision, the strength of our business is built on our unique combination of scientific expertise, scale and disciplined execution.

We have the strongest portfolio and pipeline in our 140-year history with 28 products and platforms that each deliver more than $1 billion in annual sales. In Q2, we reported operational sales growth of 5.6%. Excluding STELARA, we grew double digits in the quarter. With sales in the quarter of more than $25 billion, we are on track to meet our 2026 target of more than $100 billion in annual revenue for the first time in our company's 140-year history.

We are pleased with the progress of our new launches including ICOTYDE, INLEXZO and RYBREVANT instilling confidence that momentum will accelerate into 2027 and beyond with line of sight to double-digit growth by the end of the decade. ICOTYDE, in particular, has significant early launch momentum with uptake accelerating and performance outpacing competitors at comparable points in their launches.

Since launch, more than 10,000 patients have initiated therapy on ICOTYDE, underscoring the unmet need for patients seeking first-line systemic treatment with a unique combination of efficacy, safety and the simplicity of a once-daily pill. In Innovative Medicine, we delivered operational sales growth of 6.8% in the quarter, with 8 brands growing double digits. In Oncology, our commitment to transform patient outcomes has never been stronger. We are on track to be the number one Oncology company by 2030, with sales projected to exceed $50 billion. Leading the way in Q2 is DARZALEX, the foundational treatment for multiple myeloma, which continues to be our largest product. Once again, DARZALEX delivered sales of more than $4 billion, growing close to 18%.

When we talk about the depth of our portfolio, nowhere is that more evident than in multiple myeloma. We have treatments in every line of therapy with 80% of patients receiving one or more of our medicines during the treatment journey. CARVYKTI, TECVAYLI and TALVEY continue to deliver high double-digit growth. And we are not standing still with the new data this quarter showing the combination of TALVEY and DARZALEX delivered deep and durable responses with more than 80% of patients progression-free at 2 years, and overall survival up to 89%.

In solid tumors, we continue to see strong performance from ERLEADA and RYBREVANT, and we shared important new data for both at ASCO that could change clinical practice. For ERLEADA, we opened the ASCO plenary with our Phase III PROTEUS study

showing that treatment before and after surgery significantly reduces the risk of metastasis or death in high-risk localized prostate cancer.

And with RYBREVANT, we demonstrated durable responses in head and neck cancer, an area with limited options and have submitted a filing to the FDA to build on existing lung cancer indications. While we are not yet reporting quarterly sales for INLEXZO in bladder cancer, we are encouraged by the early momentum. During the second quarter, nearly one in three eligible patients started on an INLEXZO regimen, and new patient insertions grew approximately 75% versus prior quarter.

And building on our recent acquisition of Halda Therapeutics, we also announced plans to acquire Firefly Bio, adding a novel antibody platform that strengthens our leadership in next-generation oncology innovation. We expect the transaction to close during the third quarter.

In Immunology, we have built one of the deepest and most differentiated portfolios in the industry. TREMFYA remains the fastest-growing advanced therapy in both Crohn's disease and ulcerative colitis, delivering exceptional overall sales growth of 71% in the quarter.

With the dual powerhouse of TREMFYA and ICOTYDE in psoriasis, we now have a complementary portfolio of both first-line biologic and first-line systemic treatments. We continue to see strong uptake of IMAAVY in generalized myasthenia gravis and recently received FDA Priority Review status in warm autoimmune hemolytic anemia.

In Neuroscience, we are developing treatments to transform care for complex brain and nervous system disorders. SPRAVATO and CAPLYTA both performed strongly in the quarter. CAPLYTA new patient starts were up 122% versus prior year, significantly outpacing the market leader and with FDA approval for the prevention of relapse in schizophrenia, we anticipate continued momentum.

Now let's turn to MedTech, where we delivered Q2 operational sales growth of 3.6%. In Cardiovascular, we are the global leaders in electrophysiology, circulatory restoration and heart recovery. VARIPULSE, our pulsed field ablation platform for atrial fibrillation continues to build momentum with more than 85,000 AFib patients now treated worldwide. In Q2, our position was further strengthened with the debut of CARTOSOUND SONATA bringing new AI-powered imaging and mapping capabilities to electrophysiology.

We also received FDA authorization for our dual energy THERMOCOOL SMARTTOUCH SF platform which integrates pulsed field and radio frequency energy in a single system to give physicians greater flexibility in tailoring ablation treatments for patients. In circulatory restoration, the Q2 global launch of Shockwave C2 AERO expanded our ability to treat more complex coronary disease and broadens the reach of our intravascular lithotripsy platform.

And in heart recovery, while Abiomed growth slowed in Q2 as a result of increased decision selectivity weighing on procedural volumes, we are working to strengthen the confidence in our extensive clinical evidence and real-world experience.

In Surgery, we are unlocking a new era powered by robotics and digital innovation. We are progressing towards potential FDA authorization of OTTAVA, the world's first table integrated robotic surgical system. This is one of the most significant MedTech innovations we will bring to market this decade. OTTAVA's unique architecture, automated features and next-generation robotic instruments help address surgeons' unmet needs, while integration with our POLYPHONIC open digital ecosystem provides data-driven insights and analytics to better support surgical teams.

This quarter, we also received CE Mark approval for the ETHICON 4000 STAPLER, the latest advancement in our line of surgical technologies. In Vision, we have a bold ambition to make vision possible for more than 40 million people each year.

In Q2, we announced the expanded US availability of TECNIS PureSee as we accelerate the rollout of this extended depth of focus intraocular lens. Our ACUVUE portfolio delivered strong quarterly growth across all regions.

And as a part of our $55 billion US commitment, we recently announced an investment of more than $1 billion to scale our US vision manufacturing, packaging, and distribution capabilities as we expand capacity to meet growing demand for these products.

Our progress in Q2 reflects what makes Johnson & Johnson unique, a company innovating across the full spectrum of health care delivering strong performance today while building a pipeline that will transform care for patients tomorrow.

As we look ahead, our confidence is rooted in the breadth of our innovation from transformational medicines to next-generation medical technologies. That combination of science, scale and disciplined execution is what uniquely positions Johnson & Johnson to lead the next wave of health care innovation.

I will now turn the call back over to Ryan.

Ryan Koors - *Johnson & Johnson - Vice President - Investor Relations*

Thank you, Joaquin. Moving to our financial results. Unless otherwise stated, the percentages quoted represent operational results and therefore, exclude the impact of currency translation.

Starting with Q2 2026 sales results. Worldwide sales were $25.3 billion for the quarter. Sales increased 5.6% despite an approximate 460 basis point headwind from STELARA. Excluding STELARA, Johnson & Johnson grew double digits for the quarter. Growth in the US was 7.3% and 3.4% outside of the US. Acquisitions and divestitures had a net negative impact on worldwide growth of 10 basis points.

Now turning to earnings. For the quarter, net earnings were $5.5 billion and diluted earnings per share were $2.27 versus $2.29 a year ago. Adjusted net earnings for the quarter were $7.1 billion, adjusted diluted earnings per share were $2.90, representing an increase of 5.7% and 4.7%, respectively, compared to the second quarter of 2025.

I will now comment on business sales results in the quarter, focusing on the six key areas where meaningful innovation and strong commercial execution are driving our performance and fueling long-term growth. Beginning with Innovative Medicine, where our financial results reflect the depth of our expertise and innovation in areas of high unmet need across Oncology, Immunology and Neuroscience.

Worldwide sales of $16.4 billion increased 6.8% despite an approximate 760 basis point headwind from STELARA, which underscores the continued strength of our key brands and new launches. Growth in the US was 8.9% and 3.6% outside of the US. Divestitures had a negative impact of 10 basis points on worldwide growth.

In Oncology, starting with multiple myeloma. DARZALEX growth was 17.6%, primarily driven by strong share gains of 5 points across all lines of therapy with nearly 11 points in the front-line setting as well as continued market growth. CARVYKTI achieved growth of 47.7% driven by share gains and continued site expansion.

TECVAYLI growth was 56.1% with worldwide sequential growth of 29.2% and an impressive US sequential growth of 46.2% driven by launch uptake and share gains across earlier lines of therapy following last quarter's approval in the US for TECVAYLI plus DARZALEX FASPRO and from expansion in the community setting.

TALVEY growth was 62.6%, driven by share gains due to increased depth of prescribing in the community setting. In lung cancer, RYBREVANT plus LAZCLUZE delivered growth of 61.6%, driven by continued launch uptake in all regions, share gains in the first and second lines with rapid uptake in RYBREVANT FASPRO.

In prostate cancer, ERLEADA delivered growth of 7.6%, with continued share gains and market growth, partially offset by unfavorable patient mix and inventory dynamics. Within immunology, TREMFYA delivered impressive growth of 71% as the IBD launch is driving significant momentum and we continue to see share gains across all indications as well as continued market growth.

STELARA declined 55.7%, driven by share loss due to biosimilar competition, increasing adoption of novel classes and unfavorable patient mix. Growth in other immunology is driven by US new product launches, IMAAVY and ICOTYDE.

In Neuroscience, SPRAVATO grew 40%, driven by continued strong demand from physicians and patients and strong sequential growth of 24.8%. CAPLYTA showed significant growth of 70.9%, driven by strong continued launch momentum in adjunctive major depressive disorder.

Now moving to MedTech, where we delivered growth across each of our key focus areas, Cardiovascular, Surgery, and Vision. Worldwide sales of $8.9 billion increased 3.6% with growth of 3.9% in the US and 3.2% outside the US.

Acquisitions and divestitures had a net negative impact of 10 basis points on worldwide growth. Overall, Cardiovascular grew 3.1%, which is lower than our recent trend primarily due to headwinds in Electrophysiology and Abiomed.

In Electrophysiology, growth of 3.1% was driven by procedure growth, commercial execution, and new product performance, partially offset by competitive PFA pressures. There was also a negative impact from China inventory, which we estimate to be 400 basis points. Abiomed saw a decline of 2% due to pressures on US procedures driven by usage patterns. The downturn came as physicians evaluated the results of a recent external clinical trial, which increased selectivity within the quarter, particularly in the US.

The decline was partially offset by continued OUS growth, including sustained adoption of Impella 5.5. Shockwave grew double digits at 14.7%, driven by continued adoption of coronary and peripheral products as well as new product launches.

Surgery grew 2.3%, including a negative impact of approximately 40 basis points from divestitures. Growth was driven by strength of the portfolio and commercial execution in biosurgery and wound closure, partially offset by VBP in China and surgery transformation across the portfolio as well as competitive pressures in energy and endocutters. In Vision, growth was 5.6%, driven by premium innovation, strong execution and global reach.

Contact Lenses and Other products had a strong quarter with 6% growth, driven by strong performance in the ACUVUE OASYS 1-Day family of products, further solidifying our leadership position. Surgical Vision grew 4.7%, driven by new product innovations, robust demand for premium IOLs, and strong commercial execution, partially offset by competitive pressures in the US.

Orthopaedics growth for the quarter was 4.2%, primarily driven by new product launches such as VOLT in Trauma and strong commercial execution across the portfolio.

Now turning to our consolidated statement of earnings for the second quarter of 2026. I'd like to highlight a few noteworthy items that have changed compared to the same quarter of last year. Cost of goods sold leveraged by 30 basis points, driven by favorable operational drivers and currency, partially offset by unfavorable product mix in the Innovative Medicine business as well as the impact of tariffs in the MedTech business.

Selling, marketing and administrative expenses deleveraged by 60 basis points, driven by increased investments in our new product launches. Research and development leveraged by 40 basis points, primarily driven by expense phasing in the Innovative Medicine business, partially offset by increased investment in MedTech.

Interest income and expense was a net expense of $62 million as compared to $48 million of expense in the second quarter of 2025. Other income and expense was a net expense of $331 million as compared to $107 million of expense in the second quarter of 2025

with the change primarily driven by higher litigation expense, restructuring related asset impairments and Orthopaedic separation-related costs partially offset by higher gains on securities.

For taxes, on a GAAP basis, the effective rate in the second quarter of 2026 was 18% compared to 14.7% in the second quarter of 2025. More information can be found in our upcoming 10-Q for changes in taxes.

Lastly, I'll direct your attention to the box section of the slide where we also have provided our 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. Innovative Medicine margin declined from 42.7% to 42.5%, primarily driven by unfavorable mix and heavier investments in new product launches, partially offset by expense phasing in research and development.

MedTech margin declined from 22.2% to 22.0%, primarily driven by commercial investments, increased research and development and the increased impact of tariffs, partially offset by favorable operational drivers and currency in cost of products sold. As a result, adjusted income before tax for the enterprise as a percentage of sales decreased from 34.5% to 34.2%.

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*

Thank you, Ryan, and congratulations on your first earnings call. Your experience across all parts of Johnson & Johnson's business will be a real asset to our company as well as the investment community. We're glad you're in the role. Hello, everyone, and thank you for joining us today.

As Joaquin highlighted earlier, we delivered a solid quarter, supported by the depth of our in-market portfolio and strong execution across our new product launches with particularly good growth in Innovative Medicine.

In MedTech, results were not to our standards in Cardiovascular, primarily heart recovery. However, we remain confident in our long-term projections for the MedTech business. A quarter like this, I believe, underscores the strength of Johnson & Johnson. Even with a notable headwind, we still delivered performance that exceeded your expectations and enabled us to confidently raise our full year 2026 financial outlook. We are not dependent on one or two products.

We have a broad durable portfolio that has 28 platforms, each generating more than $1 billion in annual revenue that we are intent on adding to in the coming years. It is that foundation that gives us clear line of sight to double-digit growth by the end of the decade.

Turning to results with our cash position. We ended the second quarter with approximately $21 billion of cash and marketable securities and approximately $49 billion of debt for a net debt position of approximately $28 billion. You may recall in Q1 that free cash flow is light, but as expected, we had significant improvement in the second quarter with year-to-date totaling approximately $8.7 billion and are on track for our full year free cash flow outlook approaching $21 billion.

Our capital allocation priorities remain unchanged. We continue to prioritize investments with a focus on supporting our commercial launches and advancing future innovation. As stated previously, acquisitions are an enabler of growth, but they are not a requirement to deliver on our near- and long-term objectives.

Our financial strength allows us to continue investing in R&D while pursuing opportunities where our scientific and commercial capabilities can accelerate innovation and create differentiated value. A good example of that is the recently announced agreement to acquire Firefly Bio. The planned acquisition expected to close in the third quarter of 2026 will add a proprietary platform designed

to target KRAS-driven solid tumors, which are typically more difficult to treat and further diversifies our Oncology pipeline. We also remain committed to returning capital directly to shareholders primarily through our dividend.

Turning to full year guidance for 2026. As always, our outlook reflects what we know today regarding foreign exchange rates, tariffs, the broader macroeconomic environment and other external factors. Driven by second quarter performance and uptake of new product launches we are increasing operational sales growth by $400 million, now expecting operational sales growth for the full year to be in the range of 6.5% to 7.1%, with a midpoint of $100.6 billion. As a reminder, our financial calendar in 2026 includes a 53rd week, which provides a benefit of approximately 100 basis points in 2026. We do not speculate on future currency movements.

Last quarter, we utilized a Euro spot rate to the US dollar of $1.17. As of last week, the Euro spot rate to the US dollar was $1.14. Based on all major currency movements, we estimate a negative total foreign currency impact of $100 million versus prior guidance.

As a result, we now expect reported sales growth of 7.0% to 7.6%, with a midpoint of $101.1 billion or 7.3%. As we look at the remainder of the year, based on year-to-date performance and updated guidance, we anticipate operational sales growth to improve in the second half of the year. As a reminder, fourth quarter growth should be higher due to the benefit from the 53rd week.

Turning to other notable items on the P&L. At the beginning of the year, we guided to more than a 50 basis point improvement in adjusted pretax operating margin. We now expect approximately a 75 basis point improvement supported by continuing operating efficiencies and anticipated reduction and recoupment of certain tariff rated costs based on the latest rulings.

This pretax operating margin improvement also considers the expected cost from the 53rd week of operations and the previously announced agreement with the US government to improve access to medicines and lower costs to the US patients.

For net interest expense, we now project $250 million to $350 million, slightly lower than previous guidance. Our effective tax rate is now expected to be lower in a range of 17.0% to 18.0% for the full year based on year-to-date results.

Turning to earnings per share. We are pleased to increase our adjusted operational earnings per share range to $11.50 to $11.65, which equates to an increase of $0.18 at the midpoint. This represents a year-on-year adjusted operational EPS growth of 7.3%. Reported earnings per share is projected to be $11.60 to $11.75 or $11.68 at the midpoint, which represents an 8.2% increase over the prior year. The updated earnings per share guidance range includes a $0.05 reduction of favorable currency when compared to prior guidance.

Our current outlook does not include the impact of any pending acquisitions such as Firefly Bio. We have several meaningful pipeline catalysts in the second half of the year. We anticipate FDA regulatory approval for IMAAVY as the first-ever treatment for patients with warm autoimmune hemolytic anemia, a rare and serious auto antibody disease.

We also have important data readouts across our innovative medicine pipeline, including TECVAYLI in combination with TALVEY for patients with relapsed/refractory multiple myeloma who have received one to four prior lines of therapy. Pasritamig, a first-in-class bispecific antibody in patients with advanced prostate cancer who have progressed after multiple lines of therapy and JNJ-6143, an investigational first-in-class once-daily oral therapy for metastatic castration-resistant prostate cancer.

This will be the first clinical readout from an ongoing study from our recent Halda acquisition. We are also expecting data readouts for INLEXZO in high-risk non-muscle invasive bladder cancer, ICOTYDE in psoriatic arthritis and CAPLYTA in bipolar mania.

Turning to MedTech. There are several important catalysts that we expect to generate momentum. In Cardiovascular, we expect launches for the dual energy THERMOCOOL SMARTTOUCH SF platform as well as the Shockwave C2 AERO and Aero Fly IVL catheters. In Electrophysiology, we expect continued adoption of CARTOSOUND SONATA cardio mapping in the US and VARIPULSE Pro in EMEA with anticipated approval of VARIPULSE Pro in the US later this year.

In Surgery, we anticipate FDA approval for the OTTAVA robotic surgical system and the EMEA launch of ETHICON 4000 and in Vision, we continue to expand availability of TECNIS PureSee intraocular lens for cataract and presbyopia while driving adoption of ACUVUE OASYS MAX lenses.

Finally, the Orthopaedics business under Namal Nawana's leadership had another quarter of improvement. We continue to evaluate all separation options that create shareholder value and set the DePuy Synthes business up for success long term. We are pleased with the progress made are on track for a mid-2027 separation and look forward to sharing updates later this year.

So to wrap up before we take your questions, our first half performance illustrates the strength and resilience of our portfolio. The momentum we are building behind our new products and the steady progress we are making across our pipeline.

Strategic focus, scale and financial flexibility to invest in opportunities we believe will create the greatest value for patients should translate into meaningful value for shareholders. We look forward to sharing more on strategy, growth catalysts and a longer-term outlook at our Enterprise business review on December 8.

To our colleagues around the world, thank you. Your dedication and disciplined execution are what make our performance possible, and you continue to deliver meaningful innovation to more patients, improve outcomes and raise the standard of care.

With that, we are pleased to take your questions. Kevin, can you please open the call for Q&A?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Chris Schott, JPMorgan.

Christopher Schott - *JPMorgan Chase & Co - Analyst*

Great. Thanks so much for the question and congrats on all the progress. Maybe just, Joe, if you could dive a little bit more into the $400 million increase in operational sales guidance. I was just interested for a little bit more color of the balance of pharma versus the MedTech components to this. I guess just bigger picture, is it fair to think about pharma moving higher here, maybe partially offset by a bit lower MedTech growth assumptions? Or just any directional color there would be helpful. Thank you.

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

Yes, good morning, Chris and thank you for the question. I would say that's probably a fair characterization. As you know, we always had a little bit better revenue growth projected in the second half of the year, irrespective of the extra week of sales that will occur in the fourth quarter when you think about products that are really in their infancy with respect to ICOTYDE, INLEXZO and just the emergence of TREMFYA continuing to do well with the IBD indications that were received over the last 18 months. It was always that projection.

I think really maybe to the heart of your question is we do expect MedTech to grow better in the second half than the first half as well. We have tempered expectations around the Abiomed business with respect to that. So we see that recovery happening, but probably as we leave this year into next year. So not declines, but more modest growth until our PROTECT IV data comes out, which I'm sure Tim will have an answer to in a future question to expand upon.

Hopefully, that helps, Chris.

Operator

Asad Haider, Goldman Sachs.

Asad Haider - *Goldman Sachs Group Inc - Analyst*

Great. Thanks for taking the question. Maybe for Jennifer, John on ICOTYDE, just the launch seems to be progressing well. You noted 10,000 patients have now initiated therapy. Just wondering if you can provide any update on prescriber counts relative to the last update of 4,500 prescribers that you called out in June. What can you tell us about sampling and free drug that you're providing and where you are with formulary negotiations? And when can we expect to see you break out sales?

And then maybe just a second part on that. How are you positioning TREMFYA and ICOTYDE together to the dermatologist community and psoriasis? Are there any synergies or advantages that you're seeing emerge from having both options? Thank you.

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

Great. Well, thanks, Asad. This is Jennifer, and good morning, everybody. And I really want to start with a big thank you to all of our Innovative Medicine colleagues around the world for an outstanding quarter of delivering for patients. So over $16 billion in sales, our first $16 billion quarter, 6.8% operational growth, and it's also worth noting STELARA was only 4% of our Innovative Medicine business in the second quarter.

And if you exclude that, the 96% of our business, 96% actually grew over 14%. And this is really based on the strong growth across our main key brands as well as our must-win launches, and the team has really done an outstanding job around the world on that. So glad to have the opportunity to talk about ICOTYDE because we are really thrilled with the launch and how it's progressing.

I think as we noted last time, we feel really good about the differentiated label that we got. ICOTYDE is the first and only targeted oral peptide that precisely blocks the IL-23 inhibitor. If we talk about the US launch and get into some details that you asked, it's really off to a strong start. As a reminder, we were ready day one. And in fact, the first patient prescribed received ICOTYDE on that launch day and early physician and patient enthusiasm has been really great.

If we get into numbers on it, to date, over 18,000 prescriptions have been written for a total of now 11,000 patients. So that's an update from the 10 just shortly. There are 6,000 unique prescribers. And if you take a look at those, over 50% are actually derm advanced practice providers, about 40% are dermatologists and the rest are primary care physicians and others. And so that tells us that there's really good confidence in the product in both the efficacy and safety profile as well as the simplicity of the simple once daily pill.

We're already seeing a number of writers who are repeat. We're seeing patients getting repeat prescriptions. As we take a look at the payer coverage, within 90 days, we already have over 50% of commercial coverage. And we think that's great.

That's actually a little bit ahead of our projections. So team is making really great progress on the payer coverage there. And so in total, we think the launch is going very well. You asked about ICOTYDE and TREMFYA. And I think really, really important to note, we've got this great uptick in ICOTYDE.

This has not slowed down TREMFYA in psoriatic disease at all. So TREMFYA in psoriatic disease, psoriasis and PsA, that growth and market share gains has actually continued well above the market. And notable in the second quarter that we got approval for inhibition of structural damage for TREMFYA in PsA.

And then in terms of really co-positioning, ICOTYDE is the first choice systemic treatment. All of those patients who've been cycling on topicals who really need to have advanced therapy, we think ICOTYDE sits right in that sweet spot as that first choice systemic. For TREMFYA, we think it's the first choice biologic, particularly for patients that have potential for or have any psoriatic arthritis involvement and many, many patients, a significant percentage with psoriasis actually progress to psoriatic arthritis as well.

So we think really distinct and unique positions for both and well reflected in the results that we saw in the quarter with both products doing really well. Additionally, we are investing to win on ICOTYDE. This is one of our must-win launches and so in addition to what you've seen, we actually also started our direct-to-consumer advertising yesterday. Those of you who are watching the World Cup or baseball had a chance to see that. And so we think this is even going to further bring more patients in to talk to their providers about new options for psoriasis.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Maybe one quick addition, John Reed here. We do expect to have pivotal data later this year for ICOTYDE in psoriatic arthritis. And as Jennifer pointed out, there's overlap in the psoriasis and psoriatic arthritis populations psoriasis, the skin manifestations are often a co-morbidity for patients with psoriatic arthritis. And our Phase III studies in ulcerative colitis and Crohn's are in full steam now. So we're moving ICOTYDE forward as a possible frontline therapy there as well.

Operator

Larry Biegelsen, Wells Fargo.

Lawrence Biegelsen - *Wells Fargo Securities LLC - Analyst*

Good morning. Thanks for taking the question. Tim, I'm sure you know there continue to be concerns about procedure growth in the US. What did you see in Q2? And how are you thinking about procedure growth the rest of the year? And regarding J&J, I heard Joe say the second half, J&J MedTech growth would be better than the first half, which was 4.2%, I believe. Do you still expect MedTech to grow faster in '26, excluding the extra week? Thank you.

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

Larry, thank you so much for the question, and let me before I get into procedure volume. And certainly, given the news that we've heard from hospital providers this week. I know it's a hot topic, but I'd like to put really our second quarter performance in context for you and for others. When we step back and we look across the full portfolio, the underlying picture remains solid. Procedure volumes continue to be stable, and we're not seeing evidence of a broad-based slowdown in demand.

And to be clear, Larry, three of our four businesses, Surgery, Vision and Orthopaedics all accelerated in the quarter and performed above expectations. Surgery growth was driven by continued strong performance in wound closure and almost double-digit growth in Biosurgery. Vision you would have noticed delivered meaningful acceleration in contact lens and continued momentum in IOLs.

And in Orthopaedics, as you've heard already from Joe, we continue to see that business go from strength to strength reflecting stronger execution and the impact of multiple new products. I would like to turn quickly to CV.

And let me first acknowledge that our Q2 growth is not where you wanted it. And frankly, it's not where we wanted it. That said, we know what happened and we know exactly what we're doing about it. In full transparency, CV growth was more muted this quarter in both EP and heart recovery partially offset by continued double-digit growth in Shockwave.

In EP, as you already heard, we continue to see strong underlying demand. However, we did have an inventory dynamic in China, which impacted our growth by about 400 basis points that would have taken global growth up to north of 7%. And then heart recovery due to a recent neutral clinical trial in the UK, Impella usage has slowed.

We see this as a near-term dynamic, and we're actively engaging physicians and their teams to reinforce appropriate patient selection, leveraging significant depth of our clinical evidence base. So again, to put it all in context, three out of our four businesses performed well, and we're confidently addressing the fourth and nothing we see changes our conviction in the long-term growth thesis for both our CV business as well as J&J MedTech at large.

To your question about procedure volumes. From our perspective, when we look across the breadth of our portfolio, we see that volumes are generally in line with market trends, and we're not currently seeing any evidence of a broad-based slowdown in activity. Demand remains consistent with what we would expect given the fundamentals of these markets, which, as you know, continue to be driven by themes such as aging populations increasing disease prevalence and ongoing innovation that is expanding our access more patients.

We are acutely aware of the recent data that has been provided by a number of large US hospital operators highlighting pressure on certain procedure volumes, particularly in more elective areas of care. And while we're monitoring these trends very closely, they are not reflected in what we're seeing across our portfolio today.

As you know, our business is diversified across a broad range of categories, many of which are less dependent on discretionary elective procedures and from our perspective, overall procedure trends remain consistent in the quarter with our expectations. I will also point to, there has been a bunch of chatter about the potential impact of the ACA subsidy removals based on what we're seeing.

We're not -- we haven't observed any meaningful impact on procedure volumes across our portfolio related to the ACA. And while we expect that the expiration of the Affordable Care Act subsidies may create some affordability pressures for a small cohort of patients, we do not expect this to translate into a material impact on demand for MedTech and procedures.

And so to be clear, we would not attribute our MedTech performance in Q2 to a systemic slowdown in procedures. As already mentioned, we do expect an acceleration of our performance in the second half driven by continued performance of our businesses in Vision, in Orthopaedics and in Surgery and certainly improvement on the back of our efforts to drive greater performance within Cardiovascular.

Thank you, Larry and looking forward to see you next week at SRS.

Operator

Terence Flynn, Morgan Stanley.

Terence Flynn - *Morgan Stanley - Analyst*

Great. Thanks so much for taking the question. Congrats on the quarter. I was just wondering, Jennifer, if you could expand on what you're seeing with TECVAYLI. Obviously, important new data that's been added to the label recently. So just wondering how that's impacting the growth dynamics. And then maybe you could expand on what you're seeing in terms of academic versus community use. Thank you.

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

Good morning, Terence. We had a great quarter for TECVAYLI with sales of $260 million, 56% versus prior year. And really, that was driven by significant launch uptake and share gains across the earlier lines of therapy based on the approval that we got in the US for TECVAYLI plus DARZALEX and also continued expansion in the community setting.

So we're real excited about the approval of the combination regimen there. It's the first and only steroid-free, readily available immediate immunotherapy option that really has that best-in-class efficacy and the potential for cure for patients in that second-line setting.

As a reminder on that data because we think it's truly extraordinary. It's three years, 83% of patients remained alive and progression free. And so this is really resonating with physicians. In terms of US uptake, we're seeing really strong early US demand following the rapid approval that we have for TECVAYLI plus DARZALEX.

And so if you take a look quarter-to-quarter like first quarter to second quarter, we saw a 29% increase in sequential growth there. And that's in terms of patients that were initiated in TECVAYLI, and this is really due to new account adoption and increasing depth of prescribing.

So, furthermore, the vast majority of patients now with TEC-DARA are starting in the second to third line setting. And we continue to see increases in community site really set up an expansion in the US, they had a 25% quarter-over-quarter increase in community sites expansion there. And so we're feeling really good about what we're seeing in terms of TECVAYLI and TECVAYLI growth along with DARZALEX in that second and third line setting.

Operator

Joanne Wuensch, Citibank.

Joanne Wuensch - *Citi Infrastructure Investments LLC - Analyst*

Good morning and thank you for taking the question. You have a fairly robust robotics portfolio that should be rolling out over the next couple of quarters and you did mention SRS. Could you please sort of give us an update on the lay of the land and what we might expect next week? Thank you.

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

Joanne, thank you for the question and certainly your interest in robotics program. As you know, we have been worldwide leaders in open and laparoscopic surgery. And certainly, we are excited and very much committed to being a major player in the area of surgical robotics. I think you know that we are eagerly awaiting approval of OTTAVA which we submitted late last year.

We are actively working on our second clinical trial, specifically focused on inguinal hernia, and we will provide much more detail around our exciting launch plans once approvals have been secured. That said, we are committed to the launch of two, assuming, approvals come our way, which we're very confident about.

We are committed to two large robotic launches this year, both the launch of OTTAVA we believe is truly differentiated against the existing incumbent and of course, the launch of MONARCH for urology, which will be a first-of-kind opportunity in that particular area. And so we will provide more information about those two launches at some more information next week.

We'll also provide some update certainly on the FORTE trial which was our clinical trial, which was actually presented at the ASMBS conference about 1.5 months ago, and I actually had the opportunity to attend a meeting out in California with about 70 world -- actually world renowned robotic surgeons and got to see firsthand our surgeons not only listen to the specialists about the trial, but also to actually drive the robot and frankly, just seeing the looks on their faces, the feedback we received gives me even more confidence that we have a device that will absolutely compete against the current incumbent and so more to come on that. Thank you again, Joanne.

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

To be clear, Joanne, this is Joaquin. We see our robotics platform both OTTAVA and MONARCH being a meaningful contributor to MedTech growth by the end of the decade.

Operator

Vamil Divan, Guggenheim Securities.

Vamil Divan - *Guggenheim Securities LLC - Equity Analyst*

Great. Thanks for taking my question. Maybe following up on similar to the question on ICOTYDE. I was hoping to get a little more color on INLEXZO and the progress you're making there? I know you said sort of one in three eligible patients now receiving it in insertions up. I think said 75%.

Maybe you can give a little more color on sort of where you're seeing utilization to differentiate between the communities setting academics and what sorts of patients are getting the product in the we can share anything around patient numbers or prescriber numbers? And then the other part was just around you gave the SunRISe-5 data coming out, you said a little later this year, maybe you can just sort of set an expectation on what you're hoping to see from that data. Thank you.

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

Great. Good morning. Thanks for the question on INLEXZO. As a reminder, bladder cancer is the sixth most common type of cancer. There's over 600,000 new patients that are diagnosed globally each year and another 400,000 that are recurrent, so for a total of 1 million patients. And so this really helps us have great confidence, this is an extraordinary opportunity for us with INLEXZO, and then ultimately with our erdafitinib device as well.

So the launch of INLEXZO is going really well in the US. We have got the J code now. And so I think that's probably what you're interested in hearing how it's going post J code. In the US, INLEXZO is outperforming all of the recent competitive launches. And as you noted, one in three eligible patients are now starting on an INLEXZO regimen. And this is an uptick versus first quarter where it was one in four last quarter. It's now one in three, and it's leading all of the novel agents in terms of new patient share.

In terms of new patients and new patient insertions, those grew 75% quarter-over-quarter, and this was post the permanent J-code, so giving a lot of confidence to providers in terms of that reimbursement. Importantly, INLEXZO is included in the NCCN guidelines, with a category 2A designation and they've been updated to expand the opportunity to include the papillary population, which represents about 80% of the BCG unresponsive patients.

While we don't report sales on this yet, please know that we confidently beat consensus for the quarter, and we more than doubled sales in second quarter versus first quarter. So we believe that we're really on a very, very good track.

With this, you mentioned, I'll turn it to John in a second. We do have our SunRISe program right now and INLEXZO is based on the SunRISe-1 population and BCG unresponsive patients that's about 3,000 patients in the US. SunRISe-5 is the BCG experienced patients, largely high-risk papillary, that's about 10,000 to 15,000 patients. And then the big opportunity is the SunRISe-3 population, that's the BCG naive. That's about 40,000 to 50,000 patients in the US. So that's our program, and that's before we even get to the erdafitinib piece. So John?

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yes. And I think Jennifer covered the SunRISe program well recognized that the approval in this so-called CIS or Carcinoma in situ population that's only about 5% of the eligible population. So we really see a lot of growth potential ahead as we round out to the papillary cancers and then move from the second line BCG experienced into the front line with our ambitious head-to-head program.

I would just remind again that INLEXZO delivered the highest complete response rates that had ever been seen in this population, the second line BCG nonresponsive population with high-risk non-muscle invasive bladder cancer. So really a lot of excitement around it.

And right on the heels of that is coming our erdafitinib targeted therapy in a novel device that offers not three weeks like INLEXZO but three months of sustained delivery of the medicine that's being positioned for the intermediate risk non-muscle invasive bladder cancer, which is a very large population and is targeted at the FGF receptor mutant cancers, which is the most common genetic lesion in bladder cancer.

So really excited about where the portfolio is going in the near term. And then beyond that, we expect to have other payloads and other devices that we'll continue to elevate the standard care for patients struggling with bladder cancer to keep their bladder. So very excited for that 1 million patients a year that are diagnosed with non-muscle invasive bladder cancer.

Operator

Alex Hammond, Wolfe Research.

Alexandria Hammond - *Wolfe Research LLC - Equity Analyst*

Thanks for taking my question. A few on Milvexian. So can you remind us of your confidence level in AFib. I guess given the size and breadth of the LIBREXIA program, it seems like there's potentially a wide set of outcomes between a clean win and miss. And is the trial still on track for later this year? I do not see it on the slide deck. Thank you.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yes. Okay. Sorry, I misunderstood part of the question, but on Milvexian, this is -- these are event-driven studies. They're fully recruited. So we really can't give you very much insight into when they might read out. It could be towards the end of this year, beginning of next year, but because they're event-driven, we'll just have to wait for the events we remain confident that for the atrial fibrillation indication which is the largest of those opportunities that we have the right dosing schedule based on the careful work done in Phase II based on the biomarker we're following, the TPP that gives us confidence that we've achieved a healthy level of anticoagulation.

Our data monitoring committee continues to look at the data, they keep saying, go full steam ahead. So we're cautiously optimistic, but are waiting for the endpoints to the events to occur so that we can read out the full study results.

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

Alex, we're really excited about the Milvexian opportunity. We think there is significant opportunity in the market for a product that's got the better bleeding profile than the current anticoagulants that are out there today. So maybe as a reminder, about 40% of AFib patients who are eligible are currently not receiving oral anticoagulants as they should or at the right level because there's concerns about potential bleeding.

And so we think that a product that represents the potential of the Milvexian profile, what we're hoping to demonstrate really could be a game changer for patients and significant opportunity in the market. So we're really excited to see the results of the study when they come. And as John noted, it's event-driven study. So we're going to have to wait and see what they are. But once we know, you guys will know too, right, the right time, you'll know.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yes, maybe feeling quickly on that. It's estimated that there are 8 million people in this country alone who are taking an oral anticoagulant, but it's thought that there may be as many as 18 who should be taking -- 18 million who should be taking one but because of the bleeding risk of the current agents are enabled. So we're really excited about the possibility to offer this, both the efficacy, along with the safety profile that Milvexian promises.

Operator

Jayson Bedford, Raymond James.

Jayson Bedford - *Raymond James - Analyst*

Good morning and thanks for taking the question. Maybe, just for Tim, on the Abiomed business, sounds like the softness was in reaction to the data presented at ACC, I'm still just a little unclear as to what you're doing to reverse the 2Q softness outside of just waiting for PROTECT IV. And I think prior view was this was a mid-teens grower. What is the new growth expectation for the Abiomed business? Thanks.

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

Jayson, thank you. And you're right, we believe that the slowdown is in relation to specifically a neutral study published out of the UK focused on the area of high-risk PCI. And I think it's important, firstly, to really reinforces that the impact is behavioral. It's really driven by physician caution as they really interpret this new data rather than anything structural. And there's no change in the underlying need, access or reimbursement. These are the sickest patients, many of whom have very few choices.

And so we clearly see this as a near-term dynamic. We've seen this before. And we are actively engaging with physicians and their teams to really reinforces appropriate patient selection, leveraging both our capabilities, but most importantly, the depth of our clinical evidence base.

And I think it's important to put this in context and recognize that area of heart pumps is a category that Abiomed pioneered. And we are the only player today, and it remains a relatively evolving area of medicine. And with any emerging field, you know that scientific perspectives will continue to evolve and that's exactly why we remain committed to really investing in robust clinical research, including the study you just referenced, which is PROTECT IV, which is a highly powered study, almost 1,300 patients focused specifically on high-risk PCI, which we expect to read out in 2027.

I do think it's also worth mentioning that Impella has supported more than 400,000 patients and appears in almost 2,600 peer review publications and also, I think specific to the study in the UK, which covered only 300 patients, we have studied more than 40,000 high-risk PCI patients and that evidence base with our two decades of clinical experience continue to support the role of Impella in appropriately selected patients.

So we remain very confident in the long-term potential role of Impella supported by the significant runway for growth, no current commercialized competitors, which is a key point, opportunities for further geographic expansion and the large and growing global burden of heart disease.

To your question around recovery, as already mentioned by Joe, we do expect this to take some time, but we absolutely expect that our performance in the back half will be stronger than the first. And we see gradual improvements in performance back to double-digit growth over the coming quarters.

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

Thank you, team. It's also important to put this into context, heart recovery is 1 of 28 platforms of more than $1 billion that we have within Johnson & Johnson. And while we see this situation that Tim described as temporary and fully addressable, I have to be clear. It does not affect in any shape or fashion our growth trajectory, as we have described. So as I said at the beginning, we see the second half of the year stronger that momentum carry into 2027, and we see -- we continue to see double-digit growth by the end of the decade.

Ryan Koors - *Johnson & Johnson - Vice President - Investor Relations*

Thank you, Jayson. We have time for one last question.

Operator

Mike Nedelcovych, TD Cowen.

Michael Nedelcovych - *Cowen and Company LLC - Equity Analyst*

Hi, thank you so much for the question. My question is on TREMFYA. In GI, TREMFYA seems to have an edge over SKYRIZI yet SKYRIZI is holding its own. So my question is to what do you attribute SKYRIZI's ability to hold share? Thank you.

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

Good morning. Thanks so much for the question. I'm thrilled to have the opportunity to talk about TREMFYA. So TREMFYA sales for the quarter were $2 billion, our first $2 billion quarter and over 70% growth which we're really proud of. I mentioned before that we continue to see growth and share gains in psoriatic disease. But I've got to tell you, the major driver here is really our performance in ulcerative colitis and in Crohn's disease.

And so if you take a look at new patient starts or induction share in both ulcerative colitis and Crohn's disease, we currently are the share leader in both. So for example, in ulcerative colitis, 58% share of induction share for the IL-23s, that includes the other competitive IL-23s.

For Crohn's disease, we've got over 50% share of those inductions. So again, market leadership. So physicians are really seeing the profile as differentiated for TREMFYA versus the other competitive set. I'll say that is even further scored by the new data that we

just released our FUZION data that was presented at DDW, which is the first positive study in over 20 years in adults with active perianal fistulizing Crohn's. This is one of the most severe and underserved forms of IBD.

And TREMFYA is the only IL-23 to demonstrate efficacy in this setting, and that affects about one-fourth of patients and so really underscores very, very strong effectiveness in this agent as the only dual-acting IL-23 inhibitor.

So we're seeing very, very strong physician receptivity and uptake. We're seeing leadership in new patient starts and believe that we have got an awful lot of growth ahead for TREMFYA in IBD. And as a reminder, back when we had really STELARA here over 75% of STELARA sales were actually in IBD. There is absolutely no reason why TREMFYA can't do that or even more.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

We're also hearing more and more about how the subcu induction that we can offer is really a great traction for the patients and for the health care providers. They don't have to get two different prior authorizations, for example, and our subcu presentation is a simple at-home auto-injector a pen, so very convenient for the patients to get started.

Ryan Koors - *Johnson & Johnson - Vice President - Investor Relations*

Thank you, Mike, and thanks to everyone for your questions and continued interest in our company.

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 for joining us. Johnson & Johnson today is a medical innovation powerhouse uniquely positioned to translate breakthrough science into consistent long-term growth. When I look at our top line growth, the momentum that we are going to carry into the second half of the year into 2027, our ambition to have double-digit growth by the end of the decade, the operating leverage that sustained top line growth is going to create.

I see Johnson & Johnson when I consider those factors as one of the most compelling and transparent growth stories in health care today. You will hear more about that in our enterprise business review later in the year.

Thank you for your continued interest in Johnson & Johnson and enjoy the rest of your day.

Operator

Thank you. This concludes today's Johnson & Johnson second-quarter 2026 earnings conference call. You may now disconnect.
