

# Johnson & Johnson Updated Financials & 2023 Guidance

August 30, 2023

*Johnson & Johnson*

# Cautionary Note on Forward-looking Statements

This presentation contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 regarding, among other things: future operating and financial performance, product development, and market position and business strategy. The reader is cautioned not to rely on these forward-looking statements. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from the expectations and projections of Johnson & Johnson. Risks and uncertainties include, but are not limited to: economic factors, such as interest rate and currency exchange rate fluctuations; competition, including technological advances, new products and patents attained by competitors; challenges inherent in new product research and development, including uncertainty of clinical success and obtaining regulatory approvals; uncertainty of commercial success for new and existing products; challenges to patents; the impact of patent expirations; the ability of the Company to successfully execute strategic plans, including restructuring plans; the impact of business combinations and divestitures; manufacturing difficulties or delays, internally or within the supply chain; product efficacy or safety concerns resulting in product recalls or regulatory action; significant adverse litigation or government action, including related to product liability claims; changes to applicable laws and regulations, including tax laws and global health care reforms; trends toward health care cost containment; changes in behavior and spending patterns of purchasers of health care products and services; financial instability of international economies and legal systems and sovereign risk; increased scrutiny of the health care industry by government agencies; the Company’s ability to realize the anticipated benefits from the separation of the Company’s Consumer Health business; and the New Consumer Health Company’s ability to succeed as a standalone publicly traded company. A further list and descriptions of these risks, uncertainties and other factors can be found in Johnson & Johnson’s Annual Report on Form 10-K for the fiscal year ended January 1, 2023, including in the sections captioned “Cautionary Note Regarding Forward-Looking Statements” and “Item 1A. Risk Factors,” and in Johnson & Johnson’s subsequent Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission. Copies of these filings are available online at [www.sec.gov](http://www.sec.gov), [www.jnj.com](http://www.jnj.com) or on request from Johnson & Johnson. Any forward-looking statement made in this presentation speaks only as of the date of this presentation. Johnson & Johnson does not undertake to update any forward-looking statement as a result of new information or future events or developments.

# Cautionary Note on Non-GAAP Financial Measures

This presentation refers to certain non-GAAP financial measures. These non-GAAP financial measures should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures.

A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the accompanying financial schedules of the earnings release and the Investor Relations section of the Company’s website.

# Agenda

- ① Recast Consolidated Statement of Earnings
- ② Consumer Health Separation Milestones
- ③ Updated 2023 J&J Guidance and Capital Allocation



**Joseph J. Wolk**  
Executive Vice President,  
Chief Financial Officer



**Jessica Moore**  
Vice President,  
Investor Relations

# Condensed Consolidated Statement of Earnings

(Unaudited; Dollar and Shares in Millions Except Per Share Figures)	SIX MONTHS 2023 (RECAST)		SIX MONTH 2022 (RECAST)		% Increase (Decrease)
	Amount	% to Sales	Amount	% to Sales	
Sales to customers	\$42,413	100.0	\$40,055	100.0	5.9
Cost of products sold	13,149	31.0	12,340	30.8	6.6
<b>Gross Profit</b>	<b>29,264</b>	<b>69.0</b>	<b>27,715</b>	<b>69.2</b>	<b>5.6</b>
Selling, marketing and administrative expenses	10,302	24.3	9,932	24.8	3.7
Research and development expense	7,158	16.9	6,940	17.3	3.1
In-process research and development impairments	49	0.1	610	1.5	
Interest income	(524)	(1.2)	(86)	(0.2)	
Interest expense, net of portion capitalized	429	1.0	48	0.1	
Other (income) expense, net	6,556	15.5	(211)	(0.5)	
Restructuring	275	0.6	135	0.4	
Earnings before provision for taxes on income	5,019	11.8	10,347	25.8	(51.5)
Provision for taxes on income	134	0.3	1,514	3.7	(91.1)
<b>Net earnings from Continuing Operations</b>	<b>\$4,885</b>	<b>11.5</b>	<b>\$8,833</b>	<b>22.1</b>	<b>(44.7)</b>
Net Earnings from Discontinued Operations, net of tax	191		1,130		(83.1)
<b>Net Earnings</b>	<b>\$5,076</b>		<b>\$9,963</b>		<b>(49.1)</b>
Net Earnings per Share (Diluted) from Continuing Operations	\$1.86		\$3.31		(43.8)
Net Earnings per Share (Diluted) from Discontinued Operations	\$0.07		\$0.42		
Average shares outstanding (Diluted)	2,630.7		2,669.2		
Effective tax rate from Continuing Operations	2.7%		14.6%		
<b>Adjusted earnings from continuing operations before provision for taxes and net earnings<sup>1</sup></b>					
Earnings before provision for taxes on income from continuing operations	\$15,541	36.6	\$14,431	36.0	7.7
Net earnings from continuing operations	\$13,070	30.8	\$12,426	31.0	5.2
Net earnings per share (Diluted) from continuing operations	\$4.97		\$4.66		6.7
Average shares outstanding (Diluted)	2,630.7		2,669.2		
Effective tax rate from continuing operations	15.9%		13.9%		



<sup>1</sup> Non-GAAP measure; excludes intangible amortization expense and special items; see reconciliation schedules in the Investors section of the [company's website](#)

# Joseph J. Wolk

Executive Vice President,  
Chief Financial Officer



# Separation Milestones & Accomplishments

## Executed Kenvue Initial Public Offering

- Executed one of the largest and most complex initial public offerings (IPO) in history

## Completed Separation Within Targeted Timeframe

- Separation completed within 21 months of announcement despite heightened market volatility

## Generated Significant Cash and Value Through Separation

- Generated \$13.2B in cash proceeds through Kenvue debt offering and IPO
- Reduced J&J outstanding share count by ~191MM (~7%) without use of cash and in a tax-free manner
- Retained 9.5% in Kenvue common stock, valued at ~\$4.2B as of August 28<sup>th</sup>

## Implemented Disciplined and Strategic Cost Initiatives

- After-tax separation costs are expected to be lower than initial estimations
- Expedited the reduction of stranded costs; anticipate very little deleveraging in 2024

# 2023 P&L Guidance

*August guidance has been recast to reflect the continuing operations of Johnson & Johnson*

	<b>August (excl. Consumer Health)</b>	<b>July (incl. Consumer Health)<sup>7</sup></b>	<b>Comments</b>
<b>Adjusted Operational Sales<sup>1,2,6</sup></b>	6.2% - 7.2%	6.0% - 7.0%	Increase by +0.2% due to the removal of Consumer Health sales
<b>Operational Sales<sup>2,6</sup></b>	\$83.6B - \$84.4B 7.5% - 8.5%	\$99.3B - \$100.3B 7.0% - 8.0%	Midpoint of 8.0%
<b>Reported Sales<sup>3,6</sup></b>	\$83.2B - \$84.0B 7.0% - 8.0%	\$98.8B - \$99.8B 6.5% - 7.5%	Midpoint of 7.5%
<b>Adjusted Pre-Tax Operating Margin<sup>4,5</sup></b>	Improvement of ~50 bps	Slight Improvement	Increase due to stronger margin profile and mix
<b>Net Other Income<sup>4</sup></b>	\$1.7 - \$1.9 billion	\$1.6 - \$1.8 billion	Increase due to de-consolidation of Kenvue / Removal of Non-Controlling Interest
<b>Net Interest Expense / (Income)</b>	(\$100) – (\$200) million	\$150 - \$250 million	Favorability driven by removal of Kenvue Net Debt (~\$7.2B)
<b>Effective Tax Rate<sup>4</sup></b>	15.0% - 16.0%	15.5% - 16.5%	Decrease driven by favorable segment mix
<b>Adjusted EPS (Operational)<sup>2,4</sup></b>	\$9.90 - \$10.00 11.0% - 12.0%	\$10.60 - \$10.70 4.5% - 5.5%	Midpoint of \$9.95 or 11.5%
<b>Adjusted EPS (Reported)<sup>3,4</sup></b>	\$10.00 - \$10.10 12.0% - 13.0%	\$10.70 - \$10.80 5.5% - 6.5%	Midpoint of \$10.05 or 12.5%
<b>Average Shares Outstanding (Diluted)</b>	~2,557.2 million <sup>9</sup>	2,630.7 million <sup>8</sup>	2023 Guidance Impact: ~(73.5MM) shares / +\$0.28 EPS Annualized Proforma Impact: ~(191MM) shares / +\$0.76 EPS



<sup>1</sup> Non-GAAP measure; excludes acquisitions and divestitures

<sup>2</sup> Non-GAAP measure; excludes the impact of translational currency

<sup>3</sup> Euro Average Rate: July 2023 = \$1.09; Euro Spot Rate: July 2023 = \$1.10

<sup>4</sup> Non-GAAP measure; excludes intangible amortization expense and special items

<sup>5</sup> Sales less: COGS, SM&A and R&D expenses

<sup>6</sup> Excludes COVID-19 Vaccine

<sup>7</sup> The July 2023 financial measures that were previously communicated reflect amounts before the separation of Kenvue and therefore include the Consumer Health results

<sup>8</sup> Average shares outstanding (Diluted) as reported on Q2 2023 Form 10-Q

<sup>9</sup> Full Year 2023 Projected Average Shares Outstanding (Diluted) only reflects impact from the Kenvue exchange offer

Note: Percentages may be rounded

# Johnson & Johnson + Kenvue Guidance

*What is the combined separate companies' Adjusted Earnings Per Share<sup>1,2,3</sup> Guidance Midpoint compared to Johnson & Johnson's July Guidance including Consumer Health results?*

Estimated Johnson & Johnson Adjusted Earnings Guidance Midpoint <sup>1,3</sup>	Estimated Kenvue Adjusted Earnings Guidance Midpoint <sup>1,2</sup>	Combined Separate Companies' Adjusted Earnings Guidance Midpoint <sup>1,2,3</sup>
<i>(\$10.05 x Projected weighted average diluted shares for FY 2023)</i>	<i>(\$1.29 x Projected weighted average diluted shares for FY 2023)</i>	<i>J&amp;J Adjusted Earnings Guidance Midpoint + Kenvue Adjusted Guidance Earnings Midpoint</i>
<b>~\$25.7B</b>	<b>+</b>	<b>~\$2.4B = ~\$28.1B</b>

**Johnson & Johnson Average Shares Outstanding (Diluted) as of Q2 2023**

**÷ 2,630.7<sup>4</sup>**

<b>J&amp;J + Kenvue Estimated Adjusted Earnings Per Share for Full Year 2023<sup>1,2</sup></b> <i>(Combined Separate Company Adjusted Earnings Guidance Midpoint / J&amp;J Avg. Shares Outstanding (Diluted) as of Q2 2023)</i>	<b>\$10.68</b>
<b>J&amp;J July 2023 Full Year Adjusted Earnings Per Share Guidance Midpoint<sup>1</sup></b> <i>(Includes net reduction in earnings per share for Kenvue Non-Controlling Interest)</i>	<b>– \$10.75</b>
<b>Variance</b>	<b>(\$0.07)</b>

**Variance primarily driven by:** Higher Kenvue tax rate, as well as incremental costs incurred by Kenvue associated with standing up a public company

**Other Important Considerations:** \$13.2B in cash proceeds through Kenvue debt offering and IPO; 9.5% retained stake in Kenvue common stock



<sup>1</sup> Non-GAAP measure; excludes intangible amortization expense and special items

<sup>2</sup> Kenvue Inc. FY 2023 guidance issued with Q2 2023 Earnings Results

<sup>3</sup> Johnson & Johnson's FY 2023 August Guidance has been recast to reflect only the continuing operations of the Company

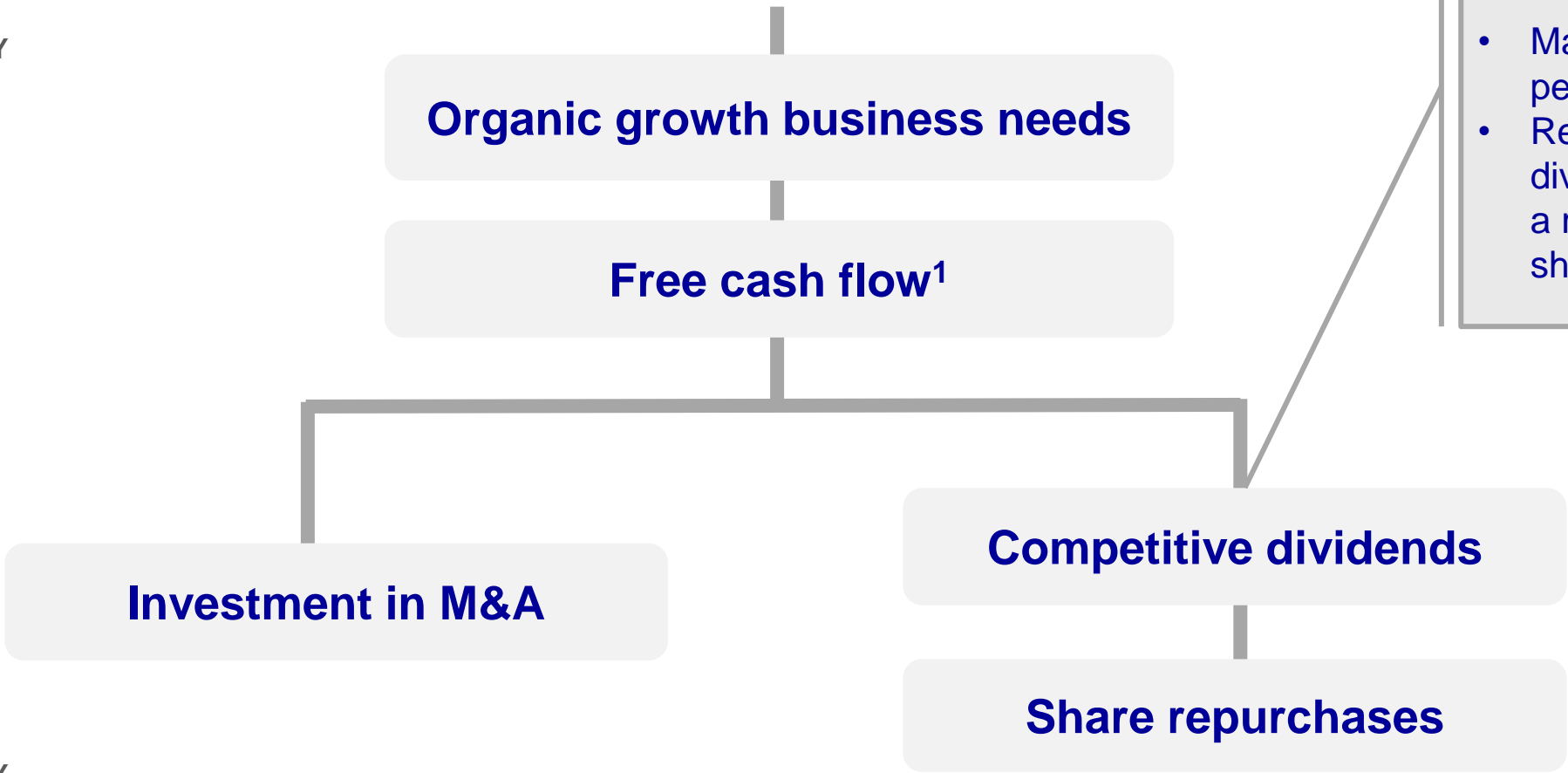
<sup>4</sup> Average shares outstanding (Diluted) as reported on Q2 2023 Form 10-Q



# Capital Allocation Strategy

## Capital Allocation

HIGHER PRIORITY  
↑  
↓  
LOWER PRIORITY



- Maintaining 2023 quarterly dividend per share
- Reducing absolute, annualized, future dividend payments by >\$900 million as a result of the reduced outstanding share count through the exchange offer

**Priorities are clear and remain unchanged**

<sup>1</sup> Non-GAAP measure; cash flow from operations less CAPEX

**Reminder:  
Save the Date**

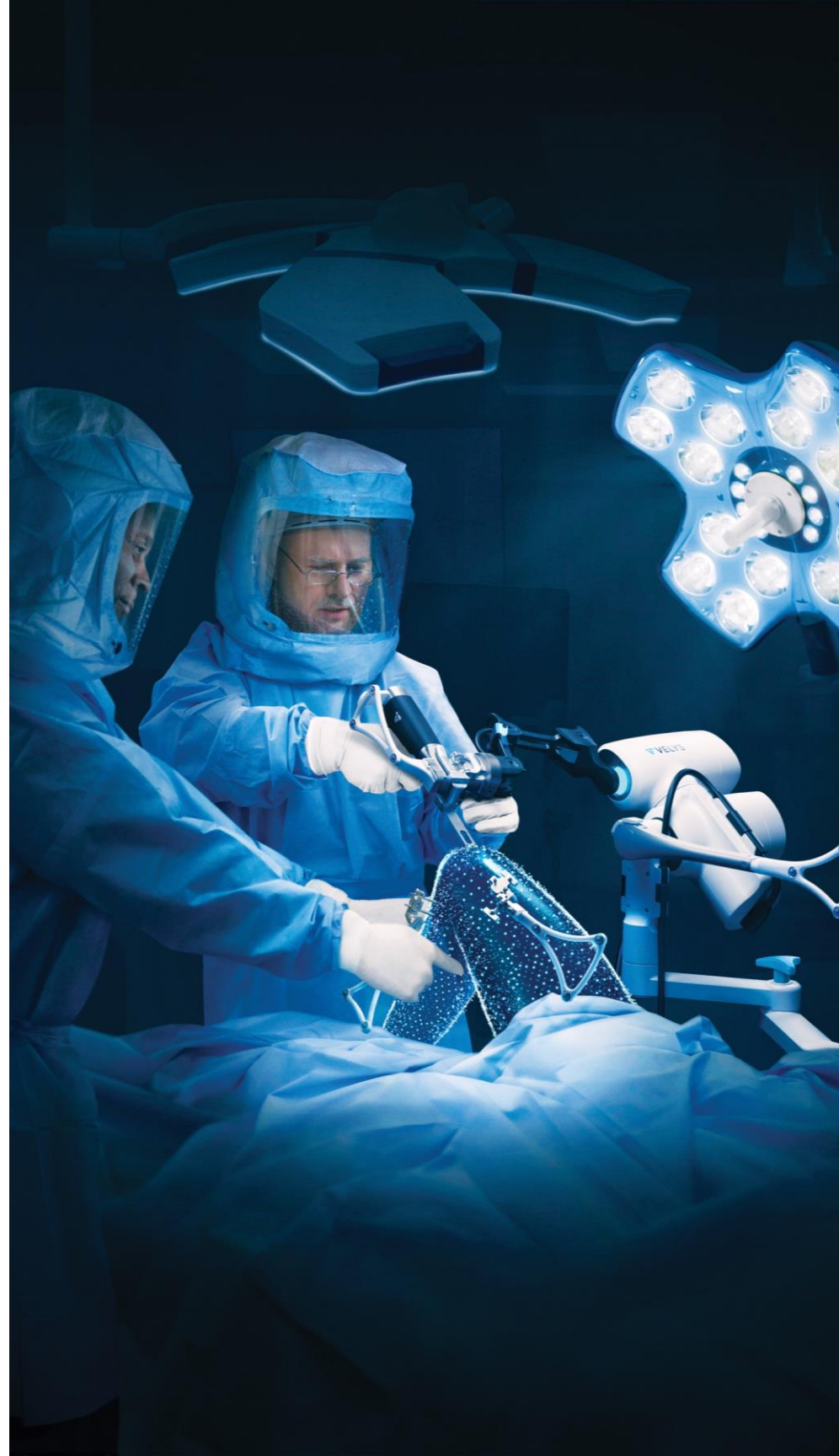
Introducing Our  
First Ever...

# Enterprise Business Review

Focused on the New Johnson  
& Johnson

Tuesday, December 5, 2023  
New York Stock Exchange

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