

COMPANY PROFILE

Johnson & Johnson

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COMPANY OVERVIEW

Johnson & Johnson (J&J or 'the company') is a health care company that develops, manufactures and markets consumer health care products, pharmaceuticals and medical devices. It offers pharmaceuticals in the therapeutic areas of immunology, oncology, neuroscience, infectious diseases and vaccines, pulmonary hypertension, cardiovascular and metabolism. The company markets its products under Simponi, Remicade, Stelara, Aveeno, Clean & Clear, Dabao, Johnson's Adult, Le Petite Marseillais, Neutrogena and Ogx brand names. Its medical devices include general surgery, biosurgical, endomechanical and energy products; electrophysiology products, vision products and phthalmic products. The company buy raw material from multiple sources. J&J distributes its pharmaceutical products, medical devices and consumer products to retailers, wholesalers, health care professionals and hospitals and through a network of retail outlets and distributors. It has business presence across the Americas, Europe, Asia-Pacific and Africa. The company is headquartered in New Brunswick, New Jersey, the US.

The company reported revenues of (US Dollars) US\$81,581 million for the fiscal year ended December 2018 (FY2018), an increase of 6.7% over FY2017. In FY2018, the company's operating margin was 22.1%, compared to an operating margin of 23.1% in FY2017. In FY2018, the company recorded a net margin of 18.8%, compared to a net margin of 1.7% in FY2017.

The company reported revenues of US\$20,562 million for the second quarter ended June 2019, an increase of 2.7% over the previous quarter.

KEY FACTS

Head Office	Johnson & Johnson One Johnson & Johnson Plaza New Brunswick New Jersey New Brunswick New Jersey USA
Phone	1 732 5242455
Fax	
Web Address	www.jnj.com
Revenue / turnover (USD Mn)	82,059.0
Financial Year End	December
Employees	132,200
New York Stock Exchange Ticker	JNJ

SWOT ANALYSIS

Johnson & Johnson (J&J) is a provider of diverse healthcare products. Leadership position in diverse healthcare segments, growth in revenue, and focus on R&D are the company's major strengths, whereas overdependence on US remains the cause for concern. Product approvals, positive outlook for global pharmaceuticals market strategic acquisitions and divestitures are likely to offer growth opportunities to the company. However, influx of generics, medical device regulations in different countries and competitive pressures could affect its business operations.

<p>Strength</p> <p>Leadership position in diverse healthcare segments Focus on R&D enabling innovative product launches Growth in revenue driven by acquisitions and divestitures</p>	<p>Weakness</p> <p>Overdependence on US</p>
<p>Opportunity</p> <p>Positive outlook for global pharmaceuticals market Strategic acquisitions and divestitures Product approvals likely to help the company in catering to unmet medical needs</p>	<p>Threat</p> <p>Competitive pressures Influx of generics Medical device regulations in different countries</p>

Strength

Leadership position in diverse healthcare segments

The company is one of the largest and diversified healthcare companies in the world. It has strong presence in the medical devices, pharmaceutical and consumer products markets worldwide. J&J conducts its business through over 260 operating companies in more than 60 countries worldwide. The company manufactures and markets pharmaceutical products in six therapeutic areas, including immunology, infectious diseases and vaccines, neuroscience, oncology, pulmonary hypertension, and cardiovascular and metabolism. It offers medical devices, which are used by physicians, nurses, hospitals, eye care professionals and clinics worldwide. The company also develops, manufactures and markets products for baby care, oral care, beauty, women's health care and wound care. Strong market position enhances J&J's brand image and enables it to penetrate new markets as new product launches become easier.

Focus on R&D enabling innovative product launches

J&J's research and development (R&D) activities focus on developing new products in the areas of immunology, infectious, cardiovascular, metabolism, neuroscience and cancer therapy. The company operates R&D facilities in the US, Brazil, Belgium, China, Germany, Switzerland Singapore, the UK,

France, Israel, Poland, Sweden, India, Japan, and the Netherlands with additional R&D support in more than 30 other countries worldwide. In FY2018, the company spent US\$10,775 million on R&D, which accounted for 13.2% of the company's revenue. The company's continued investments in R&D yielded many new pharmaceutical products in the past. Hence, the company's commitment to technological innovation as reflected in its R&D investments and a focus on new product development not only strengthens its market position but also helps it to maintain a robust product pipeline.

Growth in revenue driven by acquisitions and divestitures

J&J reported revenue of US\$81,581 million in FY2018 as compared to US\$76,450 million in FY2017, an annual growth of 6.7%. The growth in revenue was primarily due to the acquisitions and divestitures made during the year. It is also attributable to 12.4% increase in revenue of Pharmaceutical segment, 1.5% growth in revenue of Medical Devices segment and 1.8% growth in revenue of Consumer segment. Strong growth in revenue increases the company's ability to provide higher returns to its shareholders and also increases its ability to allocate adequate funds for future growth initiatives.

Weakness

Overdependence on US

Overdependence on US could be the major area of concern for the company. Though the company has business presence across the Americas, Europe, Asia-Pacific and Africa, it depends on the US for majority of its revenue. In FY2018, the company generated 51.3% of its revenue from the US. Overdependence on one single geographic region makes the company susceptible to changes associated with the economic and political situation of the country. It also exposes the company to business risks associated with that particular region and negatively impact the revenue.

Opportunity

Positive outlook for global pharmaceuticals market

The global pharmaceuticals market has experienced healthy growth in recent years and also expected to grow in the next few years. According to in-house-research the global pharmaceuticals market is forecast to reach a value of US\$1,423.6 billion by 2022 from US\$1,066.5 billion in 2017, growing at a CAGR of 5.9% during 2017-2022. The US accounted for 37.6% of the global pharmaceuticals market value in 2017, followed by Asia-Pacific (27.3%), Europe (24.9%), Middle East (1.6%) and rest of the world (8.6%). J&J offers pharmaceutical products in various therapeutic areas, including immunology, infectious diseases and vaccines, neuroscience, oncology, and cardiovascular and metabolic diseases. The company stands to benefit from the growing pharmaceutical industry, which in turn will help drive the company's financial and operational growth.

Strategic acquisitions and divestitures

J&J made various strategic acquisitions and divestitures in the recent year. In April 2019, the company's

subsidiary Ethicon, Inc acquired Auris Health, Inc, a developer of robotics technology for medical applications. The acquisition would expand the company's digital surgery portfolio across multiple surgical specialties and enable it to address unmet clinical needs. In January 2019, the company acquired Ci:z Holdings Co., Ltd., a provider of dermocosmetic, cosmetic and skincare products. The acquisition is expected to expand the company's offering in science-based, efficacious dermocosmetic brands and strengthen its market presence in Japan with key customers. Also in April 2019, J&J sold its Advanced Sterilization Products (ASP) business, a division of Ethicon, Inc., to Fortive Corporation for US\$2.8 billion. In October 2018, the company sold its LifeScan business to Platinum Equity for US\$2.1 billion. These divestures would allow the company to focus on core and profitable business. J&J can also use the sale proceeds of this transaction for the growth of the company.

Product approvals likely to help the company in catering to unmet medical needs

The company advanced its pipeline with several regulatory submissions and approvals for new drugs and additional indications for existing drugs in the recent year. In April 2019, the company's BALVERSA (erdafitinib) was approved by the US FDA for the treatment of patients with locally advanced or metastatic urothelial carcinoma (mUC) with certain FGFR (fibroblast growth factor receptor) genetic alterations. In March 2019, the company's SPRAVATO (esketamine) CIII nasal spray was approved by FDA for adults with treatment-resistant depression (TRD). In February 2019, J&J's TREMFYA One-Press patient-controlled injector was approved by FDA for the treatment of adults with moderate-to-severe plaque psoriasis. In January 2019, the company's IMBRUVICA (ibrutinib) plus obinutuzumab was approved by FDA as first non-chemotherapy combination regimen for the treatment-naive patients with chronic lymphocytic leukemia. In October 2018, J&J's INVOKANA was approved by FDA to reduce the risk of major adverse cardiovascular (CV) events due to a cardiovascular cause in adults with type 2 diabetes (T2D) and established cardiovascular disease. These product approvals are expected to help J&J in addressing the unmet medical needs and thereby generate huge revenue.

Threat

Competitive pressures

J&J operates in a highly competitive pharmaceutical, medical devices and healthcare industries. The competitive environment in pharmaceutical and consumer healthcare industries could affect the company's business operations. The company faces competition from biotechnology firms, major drug discovery and development firms, apart from medical devices manufacturers. J&J competes with Abbott Laboratories, Beiersdorf AG, Boston Scientific Corporation, Bristol-Myers Squibb Company, Eli Lilly and Company, Merck & Co., Inc., Novartis AG, Pfizer Inc, The Procter & Gamble Co, and Unilever in the areas of central nervous system, cardiovascular, gastrointestinal and metabolic disorders, immunology, oncology, hematological disorders, infectious diseases, medical devices and consumer products. Major factors influencing competition include changing incentive programs and new product launches in the market. Such intense competition could affect the company's business operations.

Influx of generics

The pharmaceutical industry across the world is expected to report patent expiries of a large number of

innovative drugs in the next few years. Over the last couple of years, the looming arrival of the "patent cliff" has been haunting the pharmaceutical industry. As the demand for medicines grows, governments are exerting increasing pressure on doctors to prescribe cheaper generic medicines. As a result, pharmaceutical manufacturers will be under pressure to develop generic medicines. This makes companies undertake changes in their operations such as deploying the scale and international sourcing capabilities to secure lower prices and better margins on generics in a way in which legislation typically does not permit branded products. An increase in generic medicines will have a direct effect on the prescription medicines. The influx of generics into the market could affect the company's revenue.

Medical device regulations in different countries

The company's medical device and pharmaceutical products are subject to various local transnational and foreign laws and regulations. In the US, the FDA regulates the launch of new medical devices and pharmaceutical drugs. It also regulates the manufacturing and labeling and record keeping procedures for healthcare products. Receiving marketing approval for new healthcare products and drugs from the US FDA is expensive and time consuming. In Europe, CE marking indicates that a product meets the essential requirements of all relevant European Medical Device Directives and is a legal requirement to market a device in the European Union. In India, the Department of Health under India's Ministry of Health and Family Welfare is responsible for the regulation of medical devices. In China, the State Food and Drug Administration (SFDA) regulates the introduction of new medical products in the Chinese market. The company has to comply with regulations governing product standards, import restrictions, packaging and labeling requirements, tariff regulations and tax requirements. Non-compliance with the regulations and laws or failure to maintain, obtain or renew necessary licenses and permits could affect the company's operations and financial performance.

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