

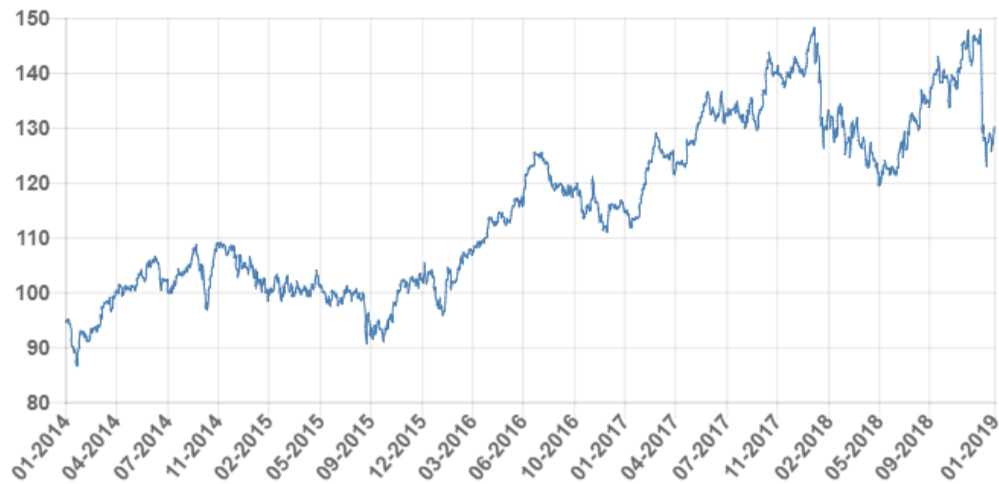
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-Close Price/Date  
**\$128.93 (USD)** 09/01/2019

Weighted Valuation  
**\$139.25 (USD)**

Overall Rating  
**Undervalued** by 8.0%



Valuation Models (in order of importance)	Analyst Consensus: \$149.00 (USD) Discounted Cash Flow: \$145.27 (USD) Comparables: \$98.00 (USD)
Valuation Methods	This company is:
Cash Flow:	<b>Undervalued</b> on a Cash Flow Valuation
Comparable Company:	<b>Overvalued</b> on a Comparable Valuation
Asset:	<b>Overvalued</b> on an Asset Valuation

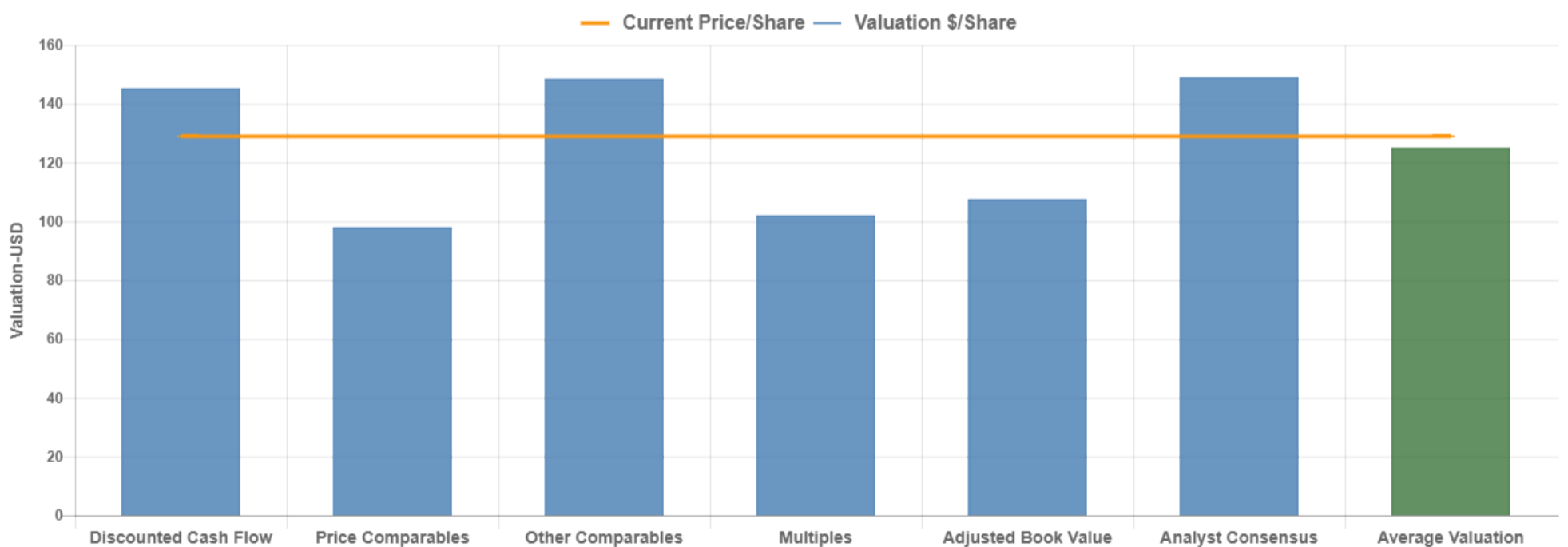
### Company Overview (JNJ:NYS USD)

Price	128.93
Range	128.33 - 130.24
52 week	119.40 - 148.14
Open	129.83
Vol / Avg.	7.34M/14.9M
Mkt cap	345.79B
P/E	257.38
Div/yield	3.48/0.03
EPS	0.59
Shares	2.68B
Beta	0.73

### Company Description

Johnson & Johnson is the world's largest and most diverse healthcare company. Three divisions make up the firm: pharmaceutical, medical devices and diagnostics, and consumer. The drug and device groups represent close to 80% of sales and drive the majority of cash flows for the firm. The drug division focuses on the following therapeutic areas: immunology, oncology, neurology, pulmonary, cardiology, and metabolic diseases. The device segment focuses on orthopedics, surgery tools, vision care, and a few smaller areas. The last segment of consumer focuses on baby care, beauty, oral care, over-the-counter drugs, and women's health. Geographically, close to half of total revenue is generated within the United States.

### Valuation Details



We have up to 6 valuation points for each company. Details are at the bottom of the report.

### Discounted Cash Flow and Sensitivity Analysis for JNJ:NYS

Using a discounted cash flow model we generated an intrinsic value of **\$145.27 (USD)** for **JNJ:NYS**

#### Sensitivity Analysis

(showing how changes in the input variables impact the DCF calculation)

JNJ:NYS	Current Values	Valuation If Dropped *		Valuation If Raised *	
Calculated Value:	\$145.27	1%	5%	1%	5%
WACC (or Ke)	7.68	\$184.74		\$119.01	
Terminal Growth Rate	2.70	\$121.49		\$181.00	
Tax Rate	0.33		\$156.51		\$134.02
Cash Flow	35,183,890,300		\$137.20		\$153.33
Capital Expenditures	-3,455,400,000		\$144.48		\$146.05
Long Term Debt	26,989,000,000		\$145.77		\$144.76

\* Changes are absolute: ex WACC from 8% to 7%

## Comparables Model

Using similar companies and price based ratios we generated a valuation of **\$98.00 (USD)** for **JNJ:NYS**. We also generated a valuation of **\$148.49 (USD)** using other metrics and comparables. The comparable companies were AbbVie (ABBV:NYS), Eli Lilly (LLY:NYS), Merck & Co (MRK:NYS) and Pfizer (PFE:NYS).

Company JNJ:NYS	End Date Value
Earnings/Share	\$0.59 (USD)
Book Value/Share	\$24.10 (USD)
Sales/Share	\$29.78 (USD)
Cash Flow/Share	\$8.07 (USD)
EBITDA/Share	\$0.00 (USD)

Price Based on Comps	Adjustment Factor (%)
\$49.99 (USD)	-26.5
\$153.07 (USD)	-64.1
\$141.96 (USD)	15.6
\$130.00 (USD)	4.7
\$0.00 (USD)	0.0

JNJ:NYS	Ratios Used	Average Values	ABBV:NYS	LLY:NYS	MRK:NYS	PFE:NYS
218.53	PE Ratio	84.73	18.22	249.38	60.33	10.97
5.35	PB Ratio	6.35	0.00	9.50	6.05	3.51
4.33	PS Ratio	4.77	4.29	5.01	4.88	4.88
15.97	PCF Ratio	16.10	10.94	20.90	17.97	14.60
14.01	EV to EBITDA	17.03	13.97	25.19	15.76	13.18

## Multiples

Using a multiples approach we generated a valuation of **\$102.06 (USD)** for **JNJ:NYS**

Company JNJ:NYS	End Date Value
Earnings/Share	\$0.59 (USD)
Book Value/Share	\$24.10 (USD)
Sales/Share	\$29.78 (USD)
Cash Flow/Share	\$8.07 (USD)
EBITDA/Share	\$8.87 (USD)

Price Based on Comps	Adjustment Factor
\$11.94 (USD)	0
\$109.27 (USD)	0
\$134.05 (USD)	0
\$137.49 (USD)	0
\$117.57 (USD)	0

Ratios	Ratio Average
PE Ratio	20.25
PB Ratio	4.53
PS Ratio	4.50
PCF Ratio	17.03
EV to EBITDA	13.25

## Adjusted Book Value versus Historical Price to Book

The average the Price to Book ratio for **JNJ:NYS** for the last 10 years was **4.46**. We ran the Adjusted Book Value for **JNJ:NYS** and generated a book value of **\$24.09 (USD)**. By multiplying these we get an adjusted valuation of **\$107.56 (USD)**

## Analyst Data

In the Stockcalc database there are 5 analysts that provide a valuation for **JNJ:NYS**. The 5 analysts have a consensus valuation for **JNJ:NYS** for 2019 of **\$149.00 (USD)**.

Analyst Recommendation					
Buy	Hold	Sell	Rating (of 5)	Guidance	As Of
4	2	0	4.0000	Outperform	2019-1-8

Current Price: 128.93 USD

Analyst Consensus			
USD Millions	2018	2019	2020
Mean EPS	8.14	8.63	9.21
# EPS Analysts	6	6	4
Mean Revenue	81,303.40	82,735.10	85,514.40
# Revenue Analysts	5	5	4
Mean Target Price	149.00		
Mean Cash Flow	9.15	10.06	10.66
Mean EBITDA	30,787.20	32,088.60	34,258.90
Mean Net Income	22,282.10	23,257.60	24,856.00
Mean Debt Outstanding	12,714.70	3,481.30	-6,440.20
Mean Tax Rate	17.80	17.50	17.30
Mean Growth Rate	6.20		
Mean Capital Expenditure	3,473.20	3,711.30	3,839.50

## Explanation of Valuation Models

We have up to 6 valuation points for each company in the database.

The **Discounted Cash Flow (DCF)** valuation is a cash flow model where cash flow projections are discounted back to the present to calculate value per share. DCF is a common valuation technique especially for companies undergoing irregular cash flows such as resource companies (mining, forestry, oil and gas) going through price cycles or smaller companies about to generate cash flow (junior exploration companies, junior pharma, technology firms...).

The **Price Comparables** valuation is the result of valuing the company we are looking at on the basis of ratios from selected comparable companies: Price to Earnings, Price to Book, Price to Sales, Price to Cash Flow, Enterprise Value (EV) to EBITDA. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

We have included the **Other Comparables** as a way to value companies that cannot be valued using Earnings based ratios. This technique is very useful for companies still experiencing negative cash flows such as mining exploration firms. We use Cash/Share, Book Value/Share, MarketCap, 1 Year Return, NetPPE as the ratios here. Each of these ratios for the selected comparable companies are averaged and multiplied by the values for the company we are interested in to calculate a value per share for our selected company.

**Multiples** are similar to Price comparables where we look at current or historic ratios for the company in question to assess what it should be worth today based on those historic ratios. We use the same 5 ratios as in the price comparables and value the company with its historic averages.

With **Adjusted Book Value (ABV)** we calculate the book value per share for the company based on its balance sheet and multiply that book value per share by its historical price to book ratio to calculate a value per share.

If we have **Analyst coverage** for the company we use the consensus target price here.

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