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CORPORATE PARTICIPANTS

Joaquin Duato *Johnson & Johnson - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Christopher Thomas Schott *JPMorgan Chase & Co, Research Division - Senior Analyst*

PRESENTATION

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Good morning, everybody. I'm Chris Schott at JPMorgan, and it's my pleasure to be hosting a fireside chat with Joaquin Duato, Chairman and CEO of J&J today.

So Joaquin, happy new year.

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

Thank you.

QUESTIONS AND ANSWERS

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

And thanks for joining us. I thought I might just kick off the conversation. You're about a year into the CEO role, and I'd love to just hear some of your top priorities for the company as we think about 2023 and beyond and kind of what you're most focused on in the role right now.

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

Thank you, Chris, and thank you for inviting us, Johnson & Johnson, to participate once again in the conference.

So the overarching goal for Johnson & Johnson, it's to be able to deliver sustained growth for patients and shareholders. And that's something that we do while being squarely focused on the patient in everything we do and also working with the values of our credo as we have done during a long period of time. So when I think about that, and I think about Johnson & Johnson, being 1 year in the role of CEO, I always wonder how can we sustain the success and the reputation of Johnson & Johnson during a long period of time, not only in 2022 or 2023, but in this decade and beyond. And I always think Johnson & Johnson has to evolve.

So when you think about our decision to separate our Consumer business and create 2 new companies, the new Consumer Health company and the new Johnson & Johnson around Pharmaceuticals and Medical Technology, you have to think about that in the context of the evolution of Johnson & Johnson to be able to deliver more value and to be more competitive. So that's what we are trying to do, deliver more value and be more competitive.

So my 2 priorities that I stated back in '22 were how are we going to drive more competitiveness in the new Johnson & Johnson, in MedTech and Pharmaceuticals, and how we are going to be progressing towards the separation, the successful separation of our Consumer Health business. And I believe, as I'm going to describe, that we are well on our way for both.

When it comes to the new Johnson & Johnson and our intent to be market leaders and to deliver above-market growth, we are doing it both from a commercial perspective and also from an innovation perspective. When I look at MedTech, year-to-date September, our MedTech business is growing about 6%. That is above its competitive composite. And I think it's particularly remarkable for a franchise the size of our MedTech business with \$27 billion. Most of the companies that are growing in that ZIP code of 6%, they are half or 1/3 of the size of Johnson & Johnson. So I think it's remarkable the evolution of our MedTech business and the type of our market growth that our MedTech business is delivering.

When it comes to Pharmaceuticals, the year-to-date growth in September was 8%. Clearly, above market growth and the 11th consecutive year that our Pharmaceutical group is delivering above market growth, and it's a remarkable performance that has driven consistency around time. So from that perspective, competitively, we are doing it in 2022.

So if I move to how we are executing in our pipeline to continue to sustain this growth into the future, 2 comments there. One, we have had some interesting approvals lately in Pharmaceuticals with TECVAYLI, our BCMA CD3 bispecific which is already approved. And also the filing of talquetamab, which is our GPRC5D CD3 bispecific, also in relapse/refractory multiple myeloma, which is going to create -- which I believe is the best multiple myeloma portfolio that we -- I'm sure we'll have an opportunity to discuss later. So we are executing well in our pipeline in Pharmaceuticals in 2022.

And then when I go to MedTech, we've been able to continue to advance our pipeline. As a matter of fact, it's not only the number of new product launches in MedTech that we have, but also how we have increased our pipeline value in MedTech. When it comes to the number of projects in our pipeline that have more than \$100 million of net present value, we have more than doubled during this period. And obviously, in 2022, we also completed the acquisition of Abiomed, which is going to create a new leg of growth for Johnson & Johnson, a new platform. So we are proud of what we accomplished or we are accomplishing in 2022, both competitively and in our pipeline, so being true to the priorities that I stated.

And the second priority, which is the separation of our consumer health company, which we have announced that we're going to call Kenvue, by the way, we've made a lot of progress in 2022. We have appointed CEO and CFO designees; a Chairman for the company, Larry Merlo, that used to be the CEO and Chairman of CVS. And since January, we're starting to operate our Consumer business as a company within a company at Johnson & Johnson. And also, we have filed with the SEC our S-1 form in which we indicate that our preferred form of separation, it's an IPO.

So we've made a lot of progress. There's not much I can talk about the Consumer separation, as you know, because of the moment we are, but we remain on track for completing the separation and a public market exit in 2023. And we have really met all the milestones that we told The Street that we were going to accomplish in 2022.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

Right. Great. One question I get with J&J creating a more focused portfolio with the spin, does that help or can we expect an acceleration in some of your strategic priorities as I think about either Pharma or the MedTech business?

Joaquin Duato - Johnson & Johnson - Chairman & CEO

Thank you. That's a great question, and I normally say that the biggest opportunity for Johnson & Johnson is taking advantage of creating a more focused company around MedTech and Pharmaceuticals. Moving from a 3-sector company to a 2-sector company has advantages. It makes Johnson & Johnson a simpler company. It helps us simplify the company. And when you simplify the company, you make it nimbler, you make it faster, you make it more competitive.

And for us, it's only an acceleration of the strategic priorities that we have in Pharmaceuticals and in MedTech that we have outlined. In Pharmaceuticals, we have clearly outlined our goal to be able to continue to grow above market. And we have stated that we plan to grow every single year until 2025 with positive growth even in the face of the loss of exclusivity of STELARA and that we plan to land \$60 billion by 2025 in Pharmaceuticals.

This is going to be accomplished mainly through the strength of our existing portfolio, and I'm sure we'll have opportunities to discuss about that later, but also through the new product launches that I described, like SPRAVATO, CARVYKTI, TECVAYLI and then the pipeline that we announced that we have 5 products that will be launched in this period, which all of them have a peak year sales potential of more than \$5 billion. And to enumerate those products, CARVYKTI, our BCMA CAR-T is one of them, followed by the combination of RYBREVANT and lazertinib in EGFR mutant non-small cell lung cancer. RYBREVANT is a bispecific EGFR cMET antibody, and lazertinib is an oral EGFR inhibitor.

Then the next product it's our Factor XI milvexian that I will have the opportunity to talk to about that later. Then nivalocalimab, our FcRn antagonist in autoantibody-mediated diseases. And finally, our bladder cancer platform TARIS. TARIS is a drug-eluting device, which is implanted in the bladder by cystoscopy, that we believe it's going to be able to create a new option for treatment in bladder cancer, which is a very frequent cancer. More than half a million people have bladder cancer, unfortunately, and it's one that is clearly an underserved area. So those are areas of excitement for us in our portfolio in Pharmaceuticals.

When it comes to MedTech, we'll continue with our stated goal of being able to go into higher-growth segments, and that applies to higher-growth segments within our existing markets of surgery, orthopedics, vision and cardiology and also higher adjacencies as we have done with Abiomed entering in the heart-recovery area.

Our focus now in R&D organically is in those areas. We are trying to identify those areas within our existing markets that are faster-growing. For example, if we are talking about orthopedics, we are going into cementless knees, into extremities, into robotics, into areas of the orthopedics market that are faster-growing. If we are talking about vision, we're going to presbyopia. We have a new line of TECNIS intraocular lenses for cataracts that provide better quality of vision. When we are talking about cardiac ablation, we are launching new treatment and diagnostic catheters. And when we are talking about our surgery portfolio, we're trying to digitally enable our stapling and our energy group.

So that is the type of focus that we are putting in our MedTech business. And as I said, I'm very pleased of the cadence of innovation that we have in our MedTech business and also on how much we have increased the value of our pipeline in our MedTech business. It's really changing the profile of our MedTech business. We continue to have our strength in surgery and in orthopedics and our global leadership position there, but we are moving into faster growth areas in cardiology and in vision, too.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes, absolutely. Maybe digging into the Pharmaceutical business first. I guess a little over a year ago, you put out this \$60 billion target by 2025. Can you maybe -- just sitting here today, how confident are you in J&J's ability to kind of hit that target? So think about what's been derisked, so think about what the commercial profile programs have been doing.

Joaquin Duato - Johnson & Johnson - Chairman & CEO

Thank you and thank you for the question because it's one that I get frequently asked. We continue to drive towards our \$60 billion goal in Pharmaceuticals by 2025. And we are confident that we're going to be able to exceed current Street expectations when it comes to our 2025 sales. I mean we'll have an opportunity now if you want to talk about the disconnect.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

Yes, I'd love to hear it. Yes, yes.

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

But let me start with the excitement of the growth areas that I see, right? Let me start with the positives first. So I mean where is that growth going to come from? I have said many times that the growth is going to come from -- mainly through our existing portfolio, through the one that is already derisked, as you mentioned, and that's the key area of growth for us.

So our existing portfolio, what products are we talking about? We're talking about DARZALEX, continue to grow in first-line multiple myeloma. We are talking about TREMFYA, which continues to grow share in psoriatic arthritis and in psoriasis. And we are well in our way in our clinical development of TREMFYA in Crohn's disease and in ulcerative colitis with completion dates of our studies in 2023 and '24, respectively. We are talking about our pulmonary arterial hypertension portfolio with UPTRAVI and OPSUMIT that have been affected by the pandemic, but they are going to continue to come back. And we are talking about ERLEADA, which is our androgen receptor antagonist for prostate cancer. So those products are going to be carrying the bulk of our growth into 2025, mainly through indication expansions that we can discuss later and also through -- continue to gain share.

We're also talking about our new product launches, SPRAVATO, our medicine, our NMDA agonist for treatment-resistant depression; CARVYKTI, our BCMA CAR-T; and TECVAYLI, which it's been already approved, our BCMA CD3 bispecific; and most likely the addition of talquetamab, our other BCMA bispecific. And then more in the later part of this period, we'll have the launches of our -- some of our \$5 billion portfolio products like nipocalimab, the combination of lazertinib and RYBREVANT and the TARIS platform.

So those are the reasons to believe on the fact that we will be able to get into this stated goal of \$60 billion. Now if you want, I can go more in detail into the -- into every area.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

I guess I just -- really, one quick one follow up on that. When I think about the disconnect you see versus '25, it sounds like from the comments, it's maybe more about the expansion of indications for already approved drugs as compared to -- the pipeline seems like it's maybe beyond '25 is where that becomes...

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

Yes, I mean, let me start with the growth areas. I mean the biggest area of growth, clearly, is our multiple myeloma portfolio. I think we have a best-in-class multiple myeloma portfolio. What we're trying to do with our multiple myeloma portfolio is to change the paradigm from treating to progression to treating to cure. And that is going to encompass being able to create combinations and treatment sequences that are going to drive into cure. That's exactly what we are doing now with CARVYKTI, with our CARTITUDE studies. And one of these studies, CARTITUDE-4, which is treating patients with 1 to 3 prior lines of therapy, it's going to read soon. So that's going to give you an idea of how a medicine like CARVYKTI could move into earlier lines of therapy and could become a mainstay of treatment of multiple myeloma.

So that's a clear area of growth that I think The Street needs to think about, how our entire portfolio in multiple myeloma or DARZALEX in first line, CARVYKTI, TECVAYLI and talquetamab cannot be something that is cannibalizing each other, but creating the treatment paradigms, which are different by combining and sequencing different medicines there. So that's a growth factor that we have to take into consideration.

If I continue on the growth side that I think is exciting for me, RYBREVANT plus lazertinib, that's an exciting area for us. It's a large area, a first-line EGFR mutant non-small cell lung cancer. We have a Phase III study, which is called MARIPOSA, which is comparing lazertinib plus RYBREVANT versus TAGRISSO in first-line EGFR mutant non-small cell lung cancer patients. The study will read in 2024. We -- since it's an event in study, there's a potential for an interim analysis in 2023. And that is a very large market, as you can imagine, and we believe that could be a very significant opportunity for us from a growth perspective.

If I continue with nipocalimab, our FcRn antagonist in autoantibody-mediated diseases, again, a large area of opportunity. There's more than 200 million people globally affected by autoantibody-mediated diseases. We are now in Phase III in warm autoimmune hemolytic anemia. It may read

in 2023, too. We may see results of our rheumatoid arthritis study Phase II in 2023, too. And we'll see results of our myasthenia gravis study of Phase III in 2024. So that's another area of excitement that I believe it's going to be important for us.

If I continue in this area, TARIS, the TARIS platform, that's an area that The Street doesn't even have in consideration, right? Bladder cancer is a big problem, more than half a million people with bladder cancer. We are already in Phase III with TARIS with gemcitabine. And also, we have a study that will read in 2023, a Phase II in patients that are undergoing radical cystectomy. So you're going to see more about TARIS, and that's going to help you profile our TARIS platform in bladder cancer, which is a clear area of underserved patients.

And then finally, milvexian. We believe that milvexian is going to be a big opportunity. We are developing milvexian in partnership with BMS. We are going to be moving into Phase III in 3 indications: atrial fibrillation, acute coronary syndrome and at the same time, stroke.

And look, coronary disease is one of the major causes of death and hospitalization. I do not need to explain to you what the potential of an oral anticoagulant is. And we see there in milvexian, in our Factor XI, the potential of how a medicine that is going to have same or better efficacy than Factor Xa is with a better bleeding profile, which will enable us to expand into multiple indications. So clearly, a very important product for us, milvexian. So those are exciting areas for growth that I think we need to consider.

Now let me tell you what I think The Street is missing, too, because some of these things were known. So what do I think The Street is missing? Number one, it's missing the potential of our multiple myeloma portfolio. And I think it's because The Street is thinking cannibalization, and we are seeing treat into cure and combinations of different products there, and that's the type of clinical data you're going to see. You were at ASH this year. You saw the type of clinical studies we have with CARVYKTI, with TECVAYLI, with talquetamab. They are creating new lines of therapy in this area, and I think that will be recognized as time goes by.

What is The Street missing, too? The Street is missing the potential of ERLEADA, our androgen receptor antagonist. ERLEADA is approved in metastatic castrate-sensitive prostate cancer and in nonmetastatic castrate-resistant prostate cancer. But the next level of growth of ERLEADA it's going to be in high-risk, localized or locally advanced prostate cancer. And we have 2 Phase III studies there, one of them is going to be reading in 2023, the next one in 2024 in patients that are undergoing radiation or prostatectomy. And this is going to create a new leg of growth for ERLEADA that is not yet recognized by The Street.

The Street is also missing SPRAVATO. SPRAVATO is the -- one of the only medications approved for treatment-resistant depression. It has shown significant efficacy very quickly in the first 24 hours and long term. So far, we have not disclosed the sales of SPRAVATO. And you could expect us disclosing sales of SPRAVATO this year, which is going to increase the confidence on SPRAVATO. So SPRAVATO is another product that The Street is missing.

I think The Street is missing the strength of our pulmonary arterial hypertension portfolio, specifically both UPTRAVI and OPSUMIT, they were clearly affected by the pandemic because there were less new patients because pulmonologists were occupied diagnosing and treating COVID. But now you're going to see that changing, and you're going to see a new leg of growth in our pulmonary arterial hypertension portfolio.

And then finally, there's another disconnect, an easy one, which is with XARELTO, our Factor Xa. I mean The Street is modeling a loss of exclusivity in the short term, and we see the loss of exclusivity of XARELTO more like second half of the decade event.

So there's a number of things that The Street is missing that we hope we'll see more in 2023 as we will start to disclose sales of SPRAVATO, most likely sales of CARVYKTI, too, that are going to increase the conviction of The Street on the potential opportunities that we have to be able to drive towards this \$60 billion stated goal in 2025.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

It seems like a lot of healthy drivers to offset that.

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

I hope so, yes.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

It's a lot of exposure. Just a couple more in Pharma before going to MedTech. I guess one of the questions I have is on business development priorities. It seems like J&J has had a tremendous amount of success, I think, kind of identifying either partnerships or acquisitions of -- kind of like right after proof of concept and really developing them. Is that still the focus of the organization? Or I guess as we get closer to STELARA, is there maybe more of a focus on looking at things that are closer to market or even in market assets to acquire?

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

External innovation and business development, it's been always a key source of growth for Johnson & Johnson of strength for the company. About 50% of our growth comes from external innovation, and we see that continuing into the future, just to be clear. We are well equipped in order to be able to identify, onboard and develop external innovation opportunities. We have a tremendous infrastructure in order to be able to do that.

On one hand, we have our innovation centers that are scouting scientific opportunities in the key hubs in the world, in San Francisco, in Boston, in Oxford, Cambridge, in Shanghai. On the other hand, we have our incubator network that we call JLABS. We have more than 500 companies in residence. It's really another source of insights for us. I mean when I was driving yesterday, I saw many companies that started in our JLABS incubator network. Then we have our development corporation, which is one of the oldest and most successful development corporations. And then our business development group.

So when it comes to being able to have the capabilities to identify and onboard opportunities, we are well equipped. And all these teams work in close collaboration with our therapeutic area, R&D leaders and also with our global commercial strategy lead. So we are well prepared in order to be able to do that.

As you mentioned, our success, and we have many examples of this success, has been in opportunities that we identified earlier on, immediately post proof of concept or before proof of concept. And that -- we've been able to drive significant growth, thanks to that.

Now does it mean that we are averse to other types of M&A opportunities? No, we are not. And we did it in the past with Actelion, and we are open to consider this other type of M&A opportunities.

Now we have a disciplined capital allocation strategy and disciplined metrics in order to evaluate those opportunities. And normally, these companies that you are referring are already well-run, do have a fair valuation from The Street, and it's more challenging and they require a higher bar. But we are open for all -- different kinds of opportunities, while we recognize that we have been most successful when we have been able to identify opportunities that were earlier on, that were in a space of high unmet medical need, that were clearly differentiated in which we have internal capabilities and expertise for evaluating and developing these medicines, and that they were in the spaces that were not overly crowded. So that's our sweet spot, and that's where we will continue to look for opportunities, not averse to larger ones.

Now I want to make a comment on that because it was reported in the press -- in a press release that Johnson & Johnson was one of the companies that was in preliminary discussions for the acquisition of Horizon Therapeutics, right? And I wanted to comment on that. This disclosure was due to the rules of the Irish Takeover board that requires those disclosures.

Now I wanted to explain to you what we did there. We attended a market presentation. And due to these rules, we were in the press release. Now after attending the market presentation, we subsequently decided that this acquisition didn't meet our strategic criteria. And as a consequence, we never entered into diligence, never put a bid for Horizon Therapeutic. So I think it's important for investors to understand that. Horizon Therapeutics was not a company that was in the sweet spot of our strategic criteria.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. Okay. Appreciate that. Switching over to the MedTech business. I know your background is more on the Pharma side, but again, from the time you became CEO, you highlighted this is kind of one of your focus areas. So I guess share your broader thoughts on the franchise today. And do you feel like you have a business that's positioned to kind of hit that kind of above-market growth that you've been targeting at this point?

Joaquin Duato - Johnson & Johnson - Chairman & CEO

Yes. So first, I want to eventually be considered also a MedTech person, too. And I have stated that a very important part of my tenure would be to make sure that our MedTech business is a best-in-class franchise. Now the thing is, when I say that, I tell you, they are already doing that. And I think that's important. I mean when you look at our growth year-to-date in September, MedTech is growing more than 6%, which as I said, it's more than the competitive composite.

And I think that they have had a tremendous evolution from being -- growing low single digits 5 years ago, to be now in a ZIP code that only smaller companies are able to achieve. This has been a combination of things that I'm proud that I see in MedTech. On one hand, they have been able to do very well commercially executing. I mean when I look at the 12 platforms, now our -- now we have 12. Before, we had 11. Now with Abiomed, we have 12 platforms of more than \$1 billion. And the majority of them, we're holding or gaining share.

When I look at our share evolution, and the latest data I have is still 2021, we have our best share evolution in the last 5 years. So they are commercially executing really well, and I think that has to be appreciated. That's why they are growing more than the competitive composite.

But I also -- I think that we are executing very well in the -- in our pipeline and how we are moving our business from markets that are, let's say, more stable to markets that are faster-growing. As I said before, look, I mean we're moving our orthopedic business into faster-growth areas. And we are continuing to move our Surgery business into robotics and to digitally enabled surgeon staples.

We are continuing to move our Vision business into areas like presbyopia, which is faster growing. And we are moving into other markets, like with Abiomed, that are faster-growing. So the profile of our MedTech business is also changing, moving into faster-growth markets. And we plan to continue to enhance that, right?

So I'm proud of the evolution of our MedTech business, how we have been able to improve our commercial execution and how we have been able to improve our cadence of innovation and the new products that we have introduced. And I'm confident that moving into 2023, our MedTech business will continue to deliver competitive growth rates.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

And as -- on that topic of competitive growth rates, it seems like it's been a few years since we've had a normalized year for MedTech. What do you consider kind of a market growth rate as we think about the kind of overall industry going forward?

Joaquin Duato - Johnson & Johnson - Chairman & CEO

So that's a good question. And when we think about the evolution of the MedTech market, the normalized growth rates would be somewhere between 4% to 6%, that I would consider the normalized growth rates. The headline for me on the MedTech market -- I'm very optimistic about the MedTech market. I believe that MedTech is a very healthy area of growth for the market and for Johnson & Johnson.

Now in the short term, you also have to accept some variability due to the COVID situation. And when people ask me to predict that, it's very difficult to predict as you know, right? So I mean -- I think we have to be able to live with the variability that we'll have in the short term due to COVID, which is having a lingering impact, not only because of the number of cases and the hospitalization that COVID drives, but also because of the impact in

hospital capacity that it creates. So we'll have to live with that variability that COVID introduces, and that variability is going to vary geographically depending on the moment. But overall, the headline for me is that the MedTech market has significant potential and the MedTech market will continue to grow into the future, and it's a great area for Johnson & Johnson to continue to invest.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

Great. Talking about the Abiomed acquisition, I guess when you were looking at the range of potential companies the company could add to the portfolio, I guess what brought you to that asset? And I guess how does that fit in with your "broader priorities" within the MedTech business?

Joaquin Duato - Johnson & Johnson - Chairman & CEO

Thank you. So I mean Abiomed was a perfect fit into our strategic desire of entering into adjacencies with higher growth and at the same time with platforms that have -- a significant unmet medical need like heart failure, which is one of the major causes of death and hospitalization and has significant durability. Abiomed has a number of pipeline opportunities both in terms of new devices and new indications that are going to create significant durability. I would tell you, decades-long durability. And at the same time, it's an area where Abiomed enjoys a significant competitive advantage. So it's years ahead of potential competition.

So when we think about something to move for the long term, not only to deliver growth today but also to create a new leg of growth for Johnson & Johnson into the future, Abiomed really squarely fit that bill. So clearly, when we were thinking about what was going to be able to be significant in adding to our portfolio in MedTech, that it was going to be a high-quality company with a high-quality team that was going to create a new leg of growth for Johnson & Johnson, we didn't have any questions that Abiomed was the right choice.

And I'm very optimistic about the future of Abiomed within Johnson & Johnson. We just closed the transaction. We have welcomed the Abiomed team into Johnson & Johnson. It's a team that has very similar cultural values to the Johnson & Johnson ones. I think it's going to be a great cultural fit and a very synergistic acquisition for Johnson & Johnson, in which we are going to be able to put all our global footprint in order to expand the therapy, but also all our clinical development engine that we have in Johnson & Johnson to support the development of new indications. In this case, there are PMAs with significant clinical development plans that Abiomed has.

So for us, it's been a reason for optimism to be able to complete a transaction like Abiomed. And I think I tried to telegraph during this year that, that was the type of acquisition we were driving through, and this clearly fits squarely what we wanted.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

And then in terms of, I guess, what's the next on business development within MedTech, I mean, can we think of another larger transaction like Abiomed? Or is it more likely we're going to see Johnson & Johnson do smaller, more tuck-in type of transactions?

Joaquin Duato - Johnson & Johnson - Chairman & CEO

Thank you. So stay in Abiomed, look, Abiomed, now we are starting with the integration. It's going to be accretive to our growth in MedTech year 1, and at the same time, will be accretive from an earnings perspective to Johnson & Johnson in 2024. So that's the picture for Abiomed moving forward.

When it comes to MedTech and M&A or external innovation, I mean, we -- as I commented in Pharmaceuticals, our sweet spot, it's always going to be in identifying companies that we can create value. Many of them would be tuck-ins. Like, for example, we have done in extremities with CrossRoads Extremity, and we will continue to look for opportunities in that area that would complement our current portfolio. But we are also going to be looking for other opportunities that are going to be close to the areas of focus that we have today. We have always believed that being

close to our areas of expertise is a success factor because we are able to identify better what value this company has and also we are able to add value to expand those therapies.

So what are our areas of focus? Eye health remains an important area for us. We have a terrific position in contact lenses. We are the #1. We are also now in surgical vision. So eye health is an area of interest for Johnson & Johnson overall. Orthopedics remains an area of focus for us. Identifying higher growth segments within orthopedics.

Surgery, specifically robotics, is an important area for us. And we are trying to digitally enable all our portfolio in our surgery space. And then finally, cardiovascular, as we have stated, atrial fibrillation is a growth engine for us and now with the addition of heart failure, but we are continuing to look into the cardiovascular space.

So those are the areas of focus for us, and we'll continue to be disciplined in looking for opportunities in which we can create value that serve a significant unmet medical need, like heart failure, and for investors in which we have a disciplined financial approach, consistent with our capital allocation strategy, and that's what we'll continue to apply. You can expect from us that we will continue to look for opportunities, but we're always going to maintain a disciplined capital allocation and financial discipline when we look at these opportunities.

Christopher Thomas Schott - JPMorgan Chase & Co, Research Division - Senior Analyst

Great. Maybe turning to the P&L. It seems like we're heading into a year with a lot of moving pieces. I think about the spin. We got the Abiomed acquisition. We've got potential biosimilar STELARA. You've talked a lot about the growth drivers. So I guess how should investors be, I guess, thinking about the pushes and pulls in J&J's business as we go into this, this coming year?

Joaquin Duato - Johnson & Johnson - Chairman & CEO

Thank you. Thank you. That's a great question. And as you know, we are now working in completing our Q4 results and also in generating what will be our 2023 guidance. And we'll have our earnings call, Q4 earnings call on January 24 and we'll be able to provide more details about that, right?

So when I think about 2023, when I see -- when I look at the context that we are in macroeconomically that I read in the press every day and that the audience, I'm sure, reads in the press every day with the different pulls and pushes that we have there, inflation, higher costs, then more specifically as you were discussing the situation with COVID-19 that we're seeing the situation in China, but broadly, we see also both in MedTech and Pharmaceutical pressures in price, no VBP in China, austerity measures in Europe, changes in the channel mix in the U.S. When I put all that into consideration, I see uncertainty moving into 2023.

So while I remain very confident of the strength of Johnson & Johnson to address these challenging macroeconomic conditions, I have to look realistically at 2023, and I have to be cautious about 2023. So that's the first thing I will tell you. I have to be cautious about that. Grounded on confidence that Johnson & Johnson normally is able to do better in situations where you have macroeconomic challenges, but I have to be prudent about 2023.

What do I believe? Look, I think that you are going to see the MedTech market continue to recover, as we discussed before, especially as the year progresses, fueled by new procedures. So I'm optimistic about that. And when it comes to Pharmaceutical, what I believe Pharmaceuticals will have a healthy growth, it may be a softer growth from a market perspective than the past years. So that's the macro picture that I see for the MedTech markets and the Pharmaceutical market.

In that context, what do I see for Johnson & Johnson? I see our Pharmaceutical business and our MedTech business continue to be able to deliver competitive growth. That will be true for MedTech, as I described before. We will continue to deliver competitive growth into 2023. And that will be true also for Pharmaceuticals, where we believe we will be able to drive in 2023 above market growth once again, even in the face of the STELARA loss of exclusivity. So that's the picture that I see, and that's how I see the situation.

Now when I think about 2023 and specifically in Pharmaceuticals, I get many questions about how to model 2023 given the -- all the push and pulls, right? So let me give you some ideas there.

Look, on the STELARA loss of exclusivity, look, it's difficult for me to give you a view there. I think there's uncertainty. There's different models that you can use. You're going to see the Humira model. You have the REMICADE model. So it would be something in between there. And the timing is also uncertain because we don't have any biosimilar data approved. So that would be more for you guys to guess.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Yes, a range in outcomes there.

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

For a range in outcomes there. I mean I see some areas of disconnect. For example, I think that you guys need to take a look at the REMICADE erosion curve, which is accelerating globally. I think that The Street has to take into consideration the loss of exclusivity in Europe of ZYTIGA and our injectable antipsychotics there. That has to be taken into consideration. And at the same time, I see overstated COVID-19 vaccine sales into 2023. We don't see nominal sales or material sales of our vaccine in 2023. So that's -- those are some considerations for modeling that I think The Street should look at.

Overall, I am -- as I said, I'm prudent about 2023, but confident that we'll be able to deliver competitive growth. And if I go to my other stated priority, confident that we will be able to complete the separation and the public market exit of our consumer health company. Johnson & Johnson, as I said, it's been always able to do better in terms of macroeconomic uncertainty. I think it was clear in 2022 that we were able to do that.

When it comes to capital allocation, which is another question that we that we get very frequently, in 2022, we hit in all our priorities. We invested in our business. We were able to increase our dividend for the 60th consecutive year, and we plan to continue to increase our dividend for investors to know in the new Johnson & Johnson.

We also invested in M&A with the acquisition of Abiomed, and we did a share repurchase. So very few companies have the strength of the balance sheet and the wherewithal to be able to hit on all these priorities in a single year with the macroeconomic uncertainty that we see. So we did in 2022, and I'm confident that we'll be able to do it in 2023 and beyond.

Christopher Thomas Schott - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Great. I think we're out of time. Really appreciate those comments, and thanks again for joining us.

Joaquin Duato - *Johnson & Johnson - Chairman & CEO*

Thank you.

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