

## Fundamental Valuation Report

03/08/2023

**Close Price**      **Weighted Valuation**  
**\$152.96 USD**      **\$164.59 USD**

### Overall Rating

**Undervalued by 7.6%**

This stock is fundamentally **Undervalued** and categorized as a stock to **buy** or **wait** on technical indicators for direction.

### Valuation Models

Discounted Cash Flow: **\$163.66 USD**

Adjusted Book Value: **\$165.29 USD**

Multiples: **\$166.02 USD**

### Valuation Methods

Cash Flow: **Undervalued** on a Cash Flow Valuation

Comparable Company: **Undervalued** on a Comparable Company Valuation

Asset: **Undervalued** on an Asset Valuation

Analyst Consensus: At **\$177.75 USD** the stock is **Undervalued** according to Analyst Consensus

### Price vs. Valuation JNJ:NYS



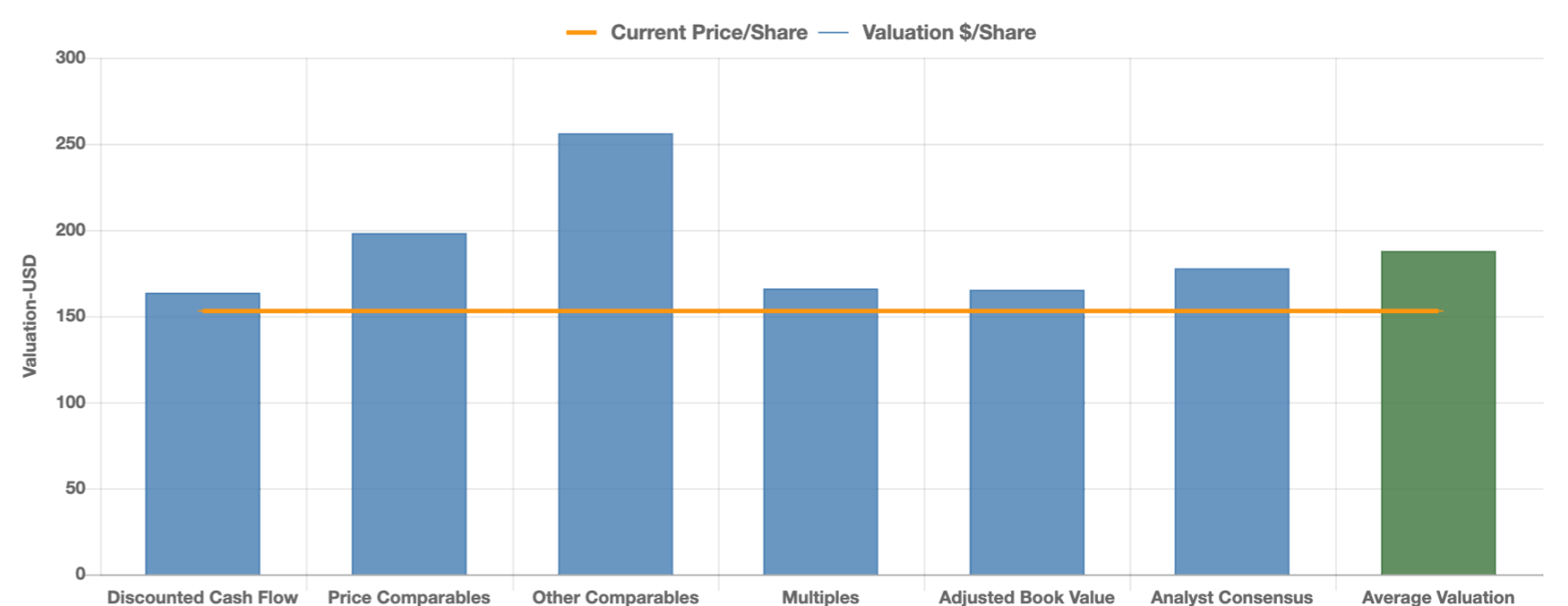
## Company Overview (JNJ:NYS)

Price	152.96
Range	152.48 - 154.2
52 Week	152.45 - 186.01
Open	153.98
Vol / Average	6,222,224 / 8,864,528
Market Cap	398,351,632,906
P/E	22.73
Dividend / Yield	4.45/0.03
EPS	6.73
Shares	2,604,286,303
Beta	0.54

## Company Description

Johnson & Johnson is the world's largest and most diverse healthcare firm. 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 consumer segment focuses on baby care, beauty, oral care, over-the-counter drugs, and women's health. Geographically, just over half of total revenue is generated in the United States.

## Valuation Details



## Discounted Cash Flow and Sensitivity Analysis

### Discounted Cash Flow

Using a discounted cash flow model we generated an intrinsic value of **\$163.66 USD** for **JNJ:NYS**.

### Sensitivity Analysis

The sensitivity analysis shows how changes in the input variables impact the DCF calculation.

JNJ:NYS	Current Values	Valuation if Dropped*		Valuation if Raised*	
		1%	5%	1%	5%
<b>Calculated Value</b>	<b>163.66</b>				
WACC (or Ke)	8.6	202.82		136.38	
Terminal Growth Rate	3	139.03			
Tax Rate	17.4		175.04		152.28
Cash Flow	38,929,725,500		153.6		173.72
Capital Expenditures	-3,635,200,000		162.65		164.67
Long Term Debt	39,659,000,000		162.9		164.42

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

### Comparables Model

Using similar companies and price based ratios we generated a valuation of **\$198.17 USD** for **JNJ:NYS**. We also generated a valuation of **\$256.16 USD** using other metrics and comparables. The comparable companies were Amgen (AMGN:NAS), Gilead Sciences (GILD:NAS), Eli Lilly (LLY:NYS), Merck & Co (MRK:NYS) and AbbVie (ABBV:NYS).

JNJ:NYS	End Date Value (\$)	Price based on Comps (\$)	Adjustment Factor (%)
Earnings / Share	6.73	172.53	27.6
Book Value / Share	29.49	519.02	-50.2
Sales / Share	35.64	196.88	5.9
Cash Flow / Share	7.96	126.65	2
EBITDA / Share	10.88	193.35	-10.8

JNJ:NYS	Ratios Used	Average Values	AMGN: NAS	GILD: NAS	LLY: NYS	MRK: NYS	ABBV: NYS
22.77	PE Ratio	25.64	19.13	22.12	45.10	18.61	23.21
5.20	PB Ratio	17.60	33.79	4.73	27.83	5.86	15.78
4.30	PS Ratio	5.52	4.76	3.73	9.86	4.56	4.71
19.26	PCF Ratio	17.79	12.89	11.20	39.74	14.14	10.97
14.33	EV to EBITDA	17.78	12.60	13.47	35.84	13.47	13.50

## Multiples

Using a multiples approach we generated a valuation of **\$166.02 USD** for **JNJ:NYS**

JNJ:NYS	End Date Value	Price based on Comps (\$)	Adjustment Factor (%)
Earnings / Share	6.73	167.39	0
Book Value / Share	29.49	180.30	0
Sales / Share	35.64	170.17	0
Cash Flow / Share	7.96	139.64	0
EBITDA / Share	10.88	172.59	0

Ratios	Ratio Average
PE Ratio	24.87
PB Ratio	6.11
PS Ratio	4.77
PCF Ratio	17.55
EV to EBITDA	15.87

## Adjusted Book Value vs. Historical Price to Book

The average the Price to Book ratio for **JNJ:NYS** for the last 10 years was **5.62**. We ran the Adjusted Book Value for **JNJ:NYS** and generated a book value of **\$29.39 USD**. By multiplying these we get an adjusted valuation of **\$165.29 USD**.

## Analyst Data

In the stockcalc database there are 4 analysts that provide a valuation for **JNJ:NYS**. The 4 analysts have a consensus valuation for **JNJ:NYS** for 2023 of **\$177.75 USD**.

### Analyst Recommendation

Buy	Hold	Sell	Rating (of 5)	Guidance
2	4	0	3.4286	<b>Hold</b>
Recommendation as of 2023-03-07				
Current Price: \$152.96 USD				

### Analyst Consensus

JNJ:NYS	2023	2024	2025
Mean EPS	10.54	10.96	11.54
# EPS Analysts	7	7	3
Mean Revenue	97,373.06	99,680.18	103,027.6
# Revenue Analysts	5	5	3
Mean Target Price	177.75	-	-
Mean Cash Flow	11.28	11.74	12.14
Mean EBITDA	34,502.77	35,984.32	37,795.85
Mean Net Income	26,288.72	27,162.85	27,477.31
Mean Debt Outstanding	922.53	-5,720.24	903.76
Mean Tax Rate	-	-	-
Mean Growth Rate	4.86	-	-
Mean Capital Expenditure	3,941.29	4,079.58	4,231.34

In USD Millions or per share data

## Valuation Models

We have up to 6 valuation points for each company.

### Discounted Cash Flow (DCF)

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, such as junior exploration companies, junior pharmaceutical companies or technology firms.

### Price Comparables

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.

### Other Comparables

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

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.

### Adjusted Book Value

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.

### Analyst Consensus

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