

Seeking Alpha 

PRO OPEN HOUSE ends in 12d 11h 18m 34s

**Try PRO now for Free >>**

## Johnson & Johnson (JNJ) Q3 2015 Results - Earnings Call Transcript

Oct. 13, 2015 3:45 PM ET

by: SA Transcripts

Q3: 10-11-15 Earnings Summary



8-K



Analysis



News

EPS of \$1.49 beats by \$0.04 | Revenue of \$17.1B (- 7.4% Y/Y) misses by \$-350M

Johnson & Johnson (NYSE:JNJ)

Q3 2015 Results Earnings Conference Call

October 13, 2015, 08:30 AM ET

### Executives

Louise Mehrotra - VP, IR

Dominic Caruso – VP, Finance and CFO

Gary Pruden - Worldwide Chairman, Medical Devices

### Analysts

Larry Biegelsen - Wells Fargo

David Lewis - Morgan Stanley

Kristen Stewart - Deutsche Bank

Mike Weinstein - JPMorgan

Vamil Divan - Credit Suisse

Glenn Novarro - RBC Capital Markets

Danielle Antalffy - Leerink Partners

Jami Rubin - Goldman Sachs

Damien Conover - Morningstar

Jayson Bedford - Raymond James

Jeff Holford - Jefferies

Bob Hopkins - Bank of America

Tony Butler - Guggenheim Partners

### **Operator**

Good morning and welcome to Johnson & Johnson's Third Quarter 2015 Earnings Conference Call. All participants will be in listen-only mode until the question-and-answer session of the conference. This call is being recorded. If anyone has any objections, you may disconnect at this time. [Operator Instructions]

I would now like to turn the conference call over to Johnson & Johnson. You may begin.

### **Louise Mehrotra**

Good morning and welcome. I am Louise Mehrotra, Vice President of Investor Relations for Johnson & Johnson and it is my pleasure this morning to review our business results for the third quarter of 2015.

Joining me on the call today are Dominic Caruso, Vice President of Finance and Chief Financial Officer and Gary Pruden, Worldwide Chairman Medical Devices.

A few logistics before we get into the details. This review is being made available via webcast accessible through the Investor Relations section of the Johnson & Johnson website at [investor.jnj.com](http://investor.jnj.com). I will begin by briefly reviewing the third quarter for the corporation and our three business segments.

Next Gary will discuss our Medical Device business and the strategy for growth. Lastly, Dominic will provide some additional commentary on the results, review the income statement and discuss guidance for 2015. We will then open the call to your questions. We expect the call to last approximately 90 minutes.

Included with the press release that was issued earlier this morning is the schedule of sales for key products and/or businesses to facilitate updating your models. These schedules are available on the Johnson & Johnson website as is the press release. Please note we will be using a presentation to complement today's commentary. The presentation is also available on our website.

Before we begin, let me remind you that some of the statements made during this review are or may be considered forward-looking statements. The 10-K for the fiscal year 2014 and the company's subsequent filings identify certain factors that could cause the company's actual results to differ materially from those projected in any forward-looking statement made today. The company does not undertake to update any forward-looking statements as a result of new information or future events or developments. Our SEC filings, including the 10-K, are available through the company and on our website.

During the review, non-GAAP financial measures are used to provide information pertinent to ongoing business performance. These non-GAAP financial measures should not be considered replacements for and should be read together with GAAP results. Tables reconciling these measures to the most comparable GAAP measures are available in the schedules accompanying the press release and on the Investor Relations section of the Johnson & Johnson website.

Now, I would like to review our results for the third quarter of 2015. Worldwide sales to customers were \$17.1 billion for the third quarter of 2015, down 7.4% versus third quarter 2014. On an operational basis, sales were up 0.8% and currency had a negative impact of 8.2%. In the U.S., sales were down 0.6%. In regions outside the U.S., our operational growth was 2.1%, while the effective currency exchange rates negatively impacted our reported results by 15.8%.

On an operational basis, both Europe and Western Hemisphere excluding the U.S., grew 2.7%, while the Asia Pacific Africa region grew by 1.2%. Growth in all regions was negatively impacted by hepatitis C competition. Excluding the net impact of acquisitions and divestitures, and hepatitis C sales underlying operational growth was 5.6% worldwide, 7.7% in the U.S., and 3.8% outside the U.S.

Turning now to earnings, net earnings were \$3.4 billion and earnings per share were \$1.20 versus \$1.66 a year ago. As referenced in the table reconciling non-GAAP measures, 2015 third quarter net earnings were adjusted to exclude after-tax amortization

expense of \$437 million and a charge of \$377 million for after-tax special items. 2014 third quarter net earnings were adjusted to exclude a net gain of \$144 million. Dominic will discuss special items in his remarks.

Excluding amortization expense and special items for both periods, adjusted net earnings for the current quarter were \$4.2 billion and adjusted diluted earnings per share were \$1.49, representing decreases of 9.4% and 7.5% respectively as compared to the same period in 2014.

Currency translation significantly impacted net earnings. On an operational basis, adjusted diluted earnings per share grew 1.2%.

Turning now to business segment highlights, please note percentages quoted represent operational sales change in comparison to the third quarter of 2014 unless otherwise stated and therefore exclude the impact of currency translation. I will begin with the consumer segment.

Worldwide consumer segment sales of \$3.3 billion increased 3.1%, with the U.S. sales up 8.9%, while outside the U.S. sales grew 0.4%. Excluding the net impact of acquisitions and divestitures, underlying growth was 4% worldwide, 8.9% in the U.S., and 1.5% outside the U.S. Growth was driven by U.S. OTC and Skin Care, Women's Health outside the U.S. and Oral Care worldwide.

OTC sales results were driven by strong U.S. growth of 22.4% with analgesics in the U.S. up nearly 29% due to increased share complemented by the reintroduction of Tylenol Arthritis including initial launch inventory.

In the U.S., adult analgesic market share was approximately 12.5%, up from approximately 11% a year ago, while U.S. pediatric share was 44.5%, up from 41% a year ago. Additional contributors to growth in the U.S. were seasonal inventory build for ZYRTEC and in the initial stocking for re-launched digestive health products.

Results outside the U.S. were negatively impacted by the timing of the seasonal inventory build for upper respiratory products. As we noted last quarter, the build occurred in the second quarter this year versus the third quarter last year.

In U.S. Skin Care market share increases and a seasonal inventory build drove strong growth for AVEENO and NEUTROGENA. New product launches and successful marketing campaigns drove the results for LISTERINE in Oral Care and Women's Health products outside the U.S.

Moving now to our Pharmaceutical segment, worldwide sales of \$7.7 billion decreased 0.3% with U.S. sales down 4.5% and sales outside the U.S. up 5.5%. New competitors in Hepatitis C significantly impacted sales results.

Excluding sales of Hepatitis C products OLYSIO and INCIVO, as well as the impact of acquisitions and divestitures, underlying growth worldwide U.S. and outside the U.S. was approximately 10.1%, 11.5% and 8.5% respectively.

Important contributors to growth were INVOKANA/INVOKAMET, IMBRUVICA, SIMPONI, STELARA, INVEGA SUSTENNA or XEPLION, PREZISTA and PREZCOBIX, CONCERTA, XARELTO, and ZYTIGA partially offset by lower export sales of REMICADE.

Strong momentum in market share increases drove results for INVOKANA/INVOKAMET. In the U.S., INVOKANA/INVOKAMET achieved 6.3% total prescription share or TRx within the defined market of type-2 diabetes, excluding insulin and metformin, up from 6% in the second quarter of 2015.

TRx with endocrinologists was over 13% for the quarter and over 5.5% in primary care. INVOKANA has greater than 80% preferred access across commercial and greater than 90% for Part D plans.

Strong patient uptake with new indications, approvals and demonstrated efficacy drove results for IMBRUVICA in the U.S. IMBRUVICA is the leader in both new and total patient regimen share in second line CLL and MCL. Outside the U.S., results were driven primarily by Europe with strong patient uptake, particularly in Germany, France, and the U.K.

IMBRUVICA is now approved in 60 countries. STELARA and combine SIMPONI, SIMPONI ARIA achieved strong growth across all the major regions due to robust market growth combined with increased penetration of SIMPONI ARIA.

INVEGA SUSTENNA or XEPLION achieved strong results due primarily to increased market share where CONCERTA growth was primarily due to a therapeutic equivalence reclassification of generics by the FDA last November.

As expected during the quarter we saw generic entries for INVEGA tablets in the U.S. We have launched an authorized generic of INVEGA.

Strong results for PREZISTA were driven by the launch earlier this year of PREZCOBIX. Continued share growth drove results for XARELTO sales with TRx for the quarter in the

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.