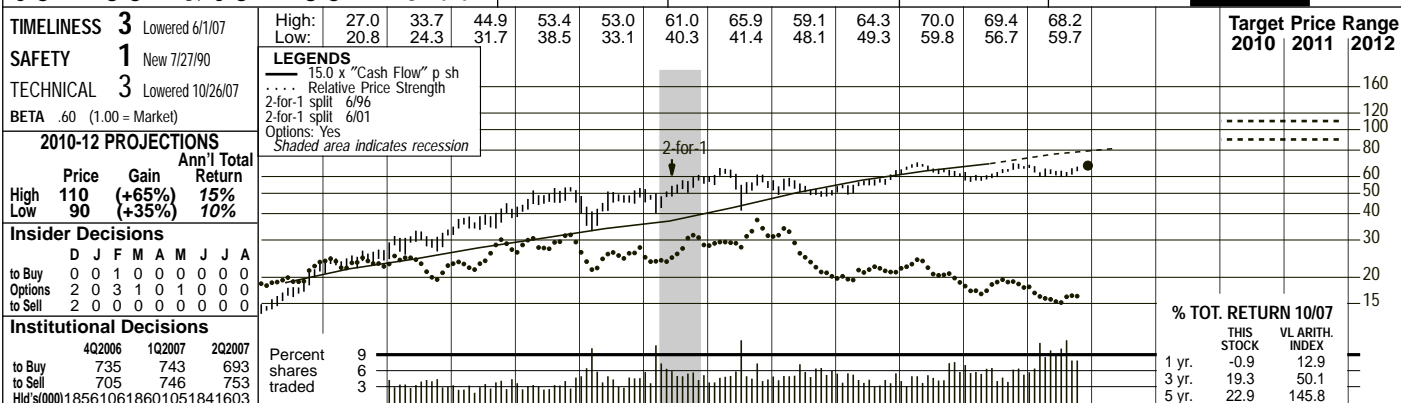


# JOHNSON & JOHNSON NYSE:JNJ

RECENT PRICE **67.59** P/E RATIO **15.9** (Trailing: 16.6; Median: 24.0) RELATIVE P/E RATIO **0.95** DIV'D YLD **2.5%** **VALUE LINE**



1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	© VALUE LINE PUB., INC.	10-12
4.67	5.25	5.50	6.12	7.27	8.11	8.41	8.80	9.88	10.47	10.83	12.23	14.10	15.94	16.98	18.43	21.30	22.25	Sales per sh <sup>A</sup>	27.00
.73	.85	.93	1.06	1.26	1.46	1.62	1.83	2.03	2.27	2.46	2.85	3.36	3.84	4.25	4.60	5.15	5.45	"Cash Flow" per sh	6.70
.55	.62	.69	.78	.93	1.09	1.21	1.34	1.49	1.70	1.91	2.23	2.70	3.10	3.50	3.76	4.12	4.45	Earnings per sh <sup>B</sup>	5.50
.19	.22	.25	.28	.32	.37	.43	.49	.55	.62	.70	.80	.92	1.10	1.28	1.46	1.62	1.76	Div's Decl'd per sh <sup>C</sup>	2.04
.37	.42	.38	.36	.48	.52	.52	.54	.62	.59	.57	.71	.76	.73	.88	.92	.95	.95	Cap'l Spending per sh	1.10
2.11	1.97	2.17	2.77	3.49	4.07	4.59	5.06	5.83	6.76	7.95	7.65	9.05	10.71	12.73	13.59	15.65	17.80	Book Value per sh <sup>D</sup>	25.95
2665.3	2621.6	2571.9	2572.0	2590.7	2665.0	2690.3	2688.1	2779.4	2781.9	3047.2	2968.3	2968.0	2971.0	2974.5	2893.2	2850.0	2830.0	Common Shs Outst'g <sup>E</sup>	2700.0
20.5	20.0	15.4	14.8	18.5	22.4	24.9	28.1	31.6	26.4	27.2	25.9	19.4	18.1	18.5	16.6	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	18.0
1.31	1.21	.91	.97	1.24	1.40	1.44	1.46	1.80	1.72	1.39	1.41	1.11	.96	.99	.90			Relative P/E Ratio	1.20
1.7%	1.8%	2.4%	2.4%	1.9%	1.5%	1.4%	1.3%	1.2%	1.4%	1.3%	1.4%	1.8%	2.0%	2.0%	2.3%			Avg Ann'l Div'd Yield	2.2%

<b>CAPITAL STRUCTURE as of 9/30/07</b>										22629	23657	27471	29139	33004	36298	41862	47348	50514	53324	60200	63000	Sales (\$mill) <sup>A</sup>	72850
Total Debt \$7,897 mill. Due in 5 Yrs \$4,843 mill.										25.1%	26.6%	27.0%	27.4%	28.8%	31.2%	31.3%	31.6%	30.6%	30.8%	30.0%	30.6%	Operating Margin	31.2%
LT Debt \$4,633 mill. LT Interest \$105.2 mill. (5% of Cap'l)										1067.0	1246.0	1444.0	1515.0	1605.0	1662.0	1869.0	2124.0	2093.0	2177.0	2275	2395	Depreciation (\$mill)	2785
Leases, Uncapitalized Annual rentals \$187.0 mill.										3303.0	3677.6	4209.0	4800.0	5885.0	6810.8	8096.6	9298.0	10545	11133	11950	12715	Net Profit (\$mill)	15015
Pension Assets-12/06 \$9,538 mill. Oblig. \$11,660 mill.										27.8%	27.1%	27.5%	27.5%	28.2%	29.0%	30.2%	27.6%	24.8%	23.3%	25.0%	25.0%	Income Tax Rate	25.0%
Pfd Stock None										14.6%	15.5%	15.3%	16.5%	17.8%	18.8%	19.3%	19.6%	20.9%	20.9%	19.8%	20.2%	Net Profit Margin	20.6%
Common Stock 2,861,749,911 shs. as of 10/28/07										5280.0	2970.0	5746.0	8310.0	10429	7817.0	9547.0	13393	18759	3814.0	10430	14265	Working Cap'l (\$mill)	28400
MARKET CAP: \$193 billion (Large Cap)										1126.0	1269.0	2450.0	2037.0	2217.0	2022.0	2955.0	2565.0	2017.0	2014.0	4650	4410	Long-Term Debt (\$mill)	4385
CURRENT POSITION										12359	13590	16213	18808	24233	22697	26869	31813	37871	39318	44600	50350	Shr. Equity (\$mill)	70000
2005										24.9%	25.2%	22.9%	23.3%	22.5%	27.8%	27.4%	27.3%	26.5%	27.1%	24.0%	23.0%	Return on Total Cap'l	20.0%
2006										26.7%	27.1%	26.0%	25.5%	24.3%	30.0%	30.1%	29.2%	27.8%	28.3%	27.0%	25.5%	Return on Shr. Equity	21.5%
9/30/07										17.5%	17.5%	16.8%	16.4%	15.8%	19.5%	19.9%	19.0%	17.8%	17.5%	16.5%	15.5%	Retained to Com Eq	13.5%
(SMILL.)										34%	35%	35%	36%	35%	35%	34%	35%	36%	38%	39%	39%	All Div'ds to Net Prof	37%
Cash Assets										16138	4084	8320											
Receivables										7010	8712	9384											
Inventory (FIFO)										3959	4889	5414											
Other										4287	5290	5823											
Current Assets										31394	22975	28941											
Accts Payable										4315	5691	5963											
Debt Due										668	4579	3264											
Other										7652	8891	10101											
Current Liab.										12635	19161	19328											

<b>ANNUAL RATES</b>										Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '10-'12
of change (per sh)										9.0%	10.5%	8.0%
Sales										13.0%	13.5%	8.0%
"Cash Flow"										14.0%	15.5%	8.0%
Earnings										14.5%	15.5%	8.0%
Dividends										13.5%	12.5%	13.0%
Book Value												

Fiscal Year Ends	QUARTERLY SALES (\$ mill.) <sup>A</sup>				Full Fiscal Year
	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2004	11559	11484	11553	12752	47348
2005	12832	12762	12310	12610	50514
2006	12992	13363	13287	13682	53324
2007	15037	15131	14970	15062	60200
2008	15800	15700	15600	15900	63000

Fiscal Year Ends	EARNINGS PER SHARE <sup>AB</sup>				Full Fiscal Year
	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2004	.83	.82	.78	.67	3.10
2005	.97	.93	.87	.73	3.50
2006	.99	.98	.98	.81	3.76
2007	1.16	1.05	1.06	.85	4.12
2008	1.20	1.14	1.14	.97	4.45

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2003	.20	.24	.24	.24	.92
2004	.24	.285	.285	.285	1.10
2005	.285	.33	.33	.33	1.28
2006	.33	.375	.375	.375	1.46
2007	.375	.415	.415		

look for sales to rise about 10% in the December period, on a year-to-year basis. However, our bottom-line call of \$0.85 a share is only 5% higher than last year's result. For the full year, our bottom-line estimate is \$4.12.

**Cost cutting should give a boost to earnings next year.** About 3%-4% of the total workforce will be laid off, mostly from the Medical Devices & Diagnostics segment. Other streamlining initiatives are being put into place as well. This plan should reduce expenses by \$1.3 billion to \$1.6 billion annually, beginning in 2008. One area of concern is in the Pharmaceuticals segment. The patent on RISPERDAL, the company's top-selling drug, expires at the end of 2007. Thus, we expect only modest top-line growth (4%-5%), but earnings per share should advance about 8%.

**The organizational structure is**

Strategy and Growth, whose mission will be to identify growth opportunities outside of existing operations. All of these changes will be implemented at the start of 2008. Our estimates for next year were only modestly affected by the announcements.

**Johnson & Johnson is a solid option for long-term total return potential.** The Consumer and Medical Devices & Diagnostics segments are consistent contributors to growth. The Pharmaceutical division is more of an unknown, but this business seems to have a decent pipeline. As a result, JNJ's 3- to 5-year capital appreciation potential is about average. After factoring in the decent dividend yield, Highest (1) Safety rank, and top-notch ratings for Financial Strength, Earnings Predictability, and Price Stability, we see a very strong risk-reward scenario here.

*Tom Nikic* *November 30, 2007*

(A) Year ends on last Sunday of December.  
 (B) Primary earnings through '96, diluted thereafter. Excludes nonrecurring gains/(losses): '92, 23¢; '98, 22¢; '99, 2¢; '01, (7¢); '02, (7¢); '03 (30¢); '04, (26¢); '05, (4¢); '06, (3¢); '07, Q1, (28¢). Next earnings report due mid-January.  
 (C) Dividends historically paid mid-March, June, Sept., and Dec. ■Div'd reinvestment plan available.  
 (D) Incl. intang.: In '06, \$28.7 billion; \$9.92/sh.  
 (E) In mill., adj. for stock splits.

**Company's Financial Strength** A++  
**Stock's Price Stability** 100  
**Price Growth Persistence** 45  
**Earnings Predictability** 100

**To subscribe call 1-800-833-0046.**