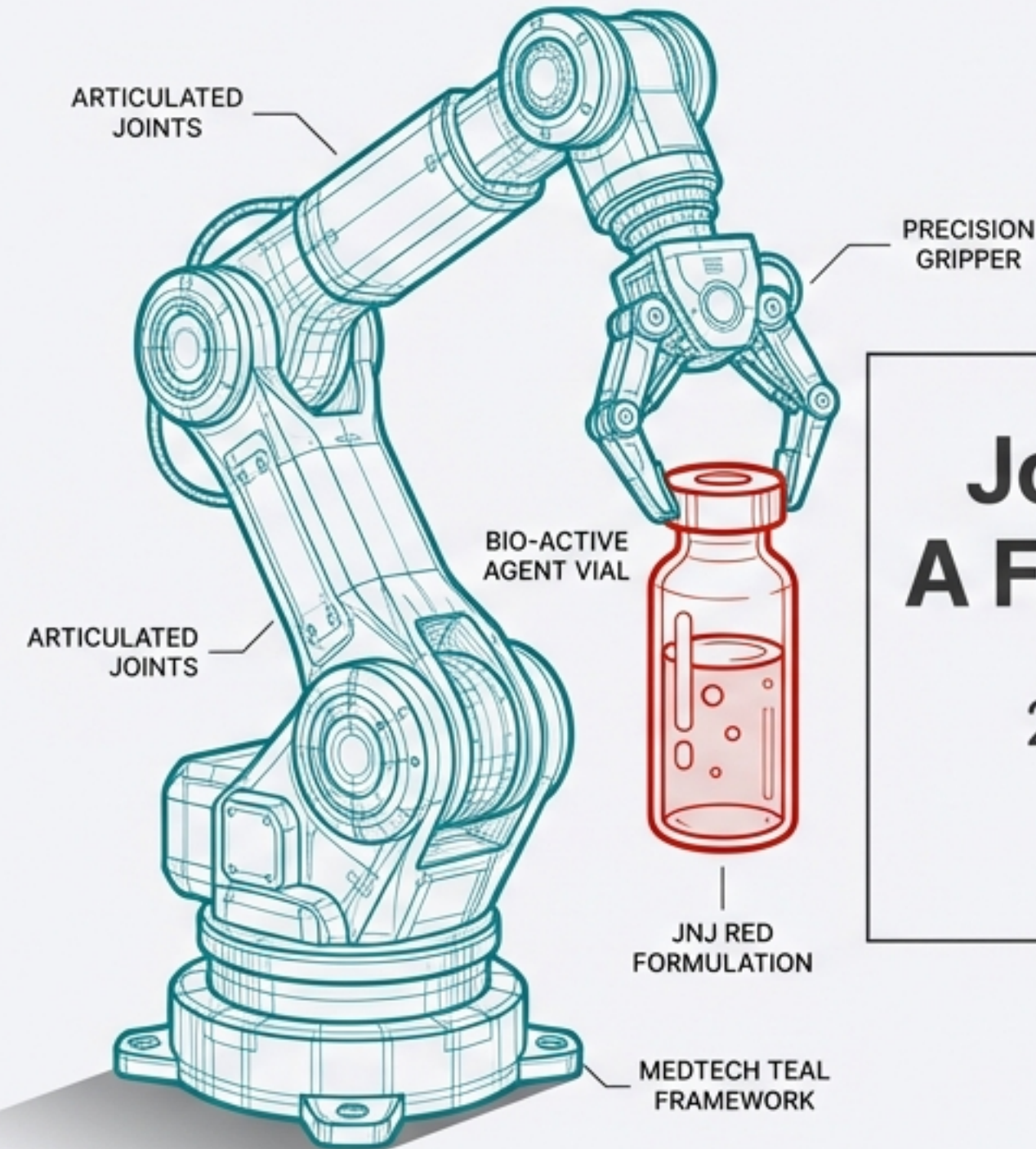




Johnson & Johnson: A Fortress **Under Siege**

2026 Investment Analysis:
Competitive Moats vs.
Structural Headwinds

Investment Verdict: High Quality Business, Unquantifiable Risk

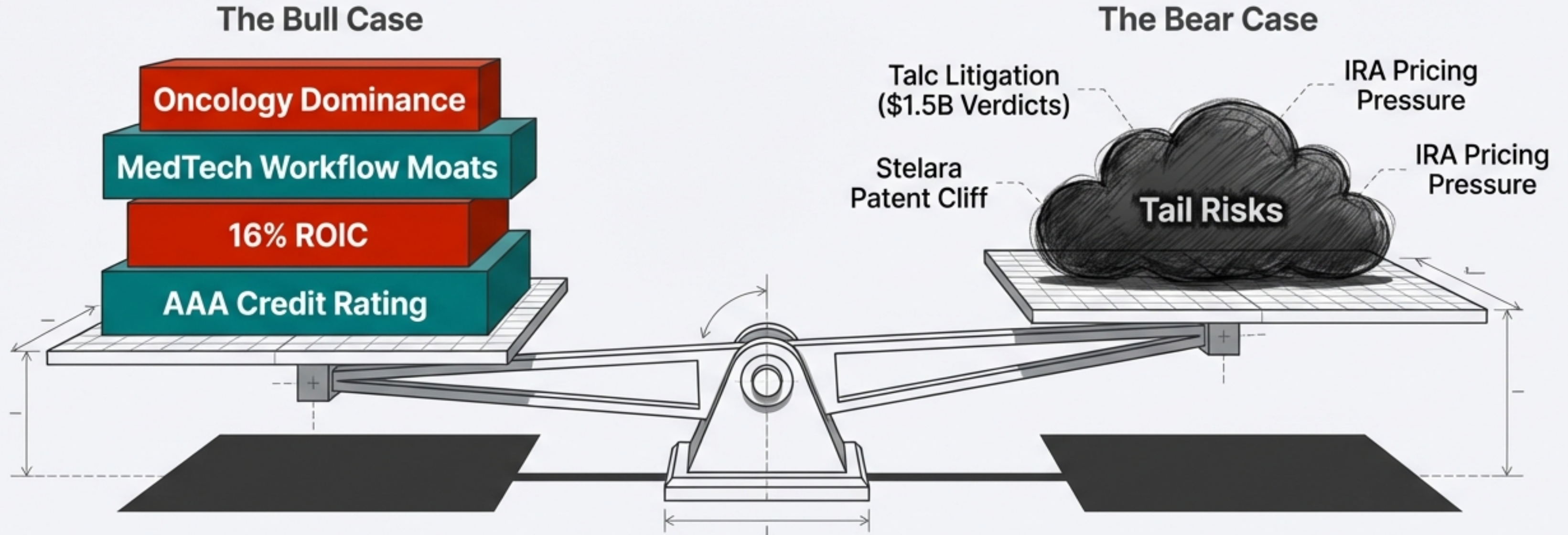


STRUCTURAL
HEADWINDS

LITIGATION
EXPOSURE

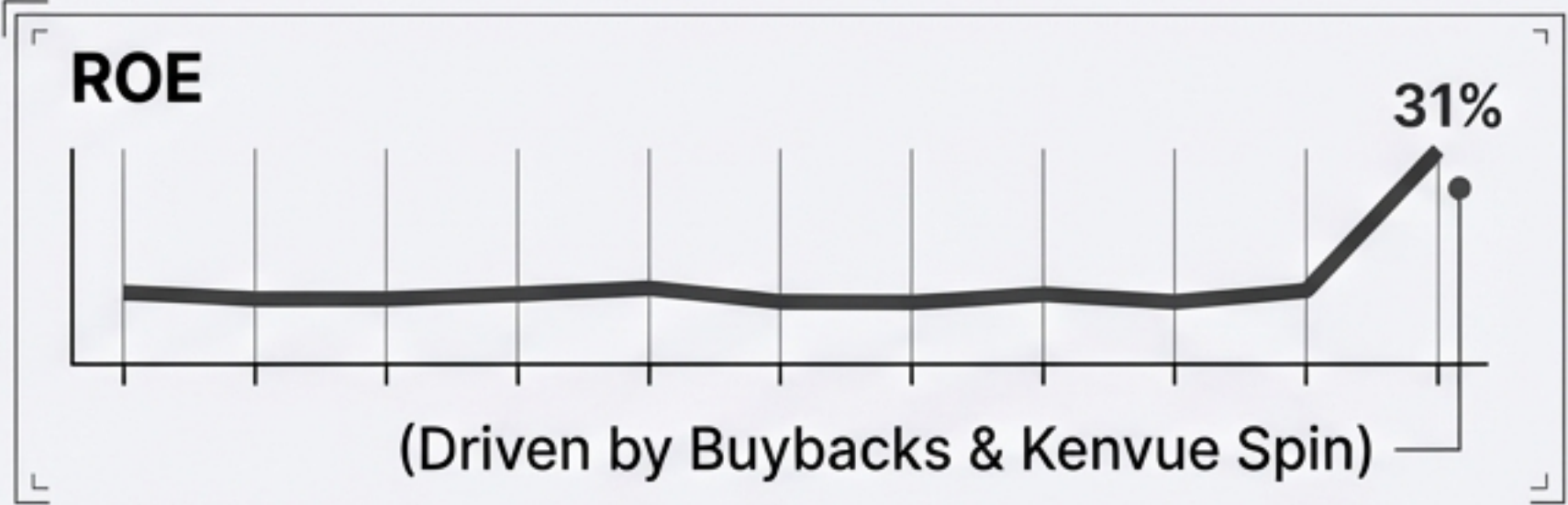
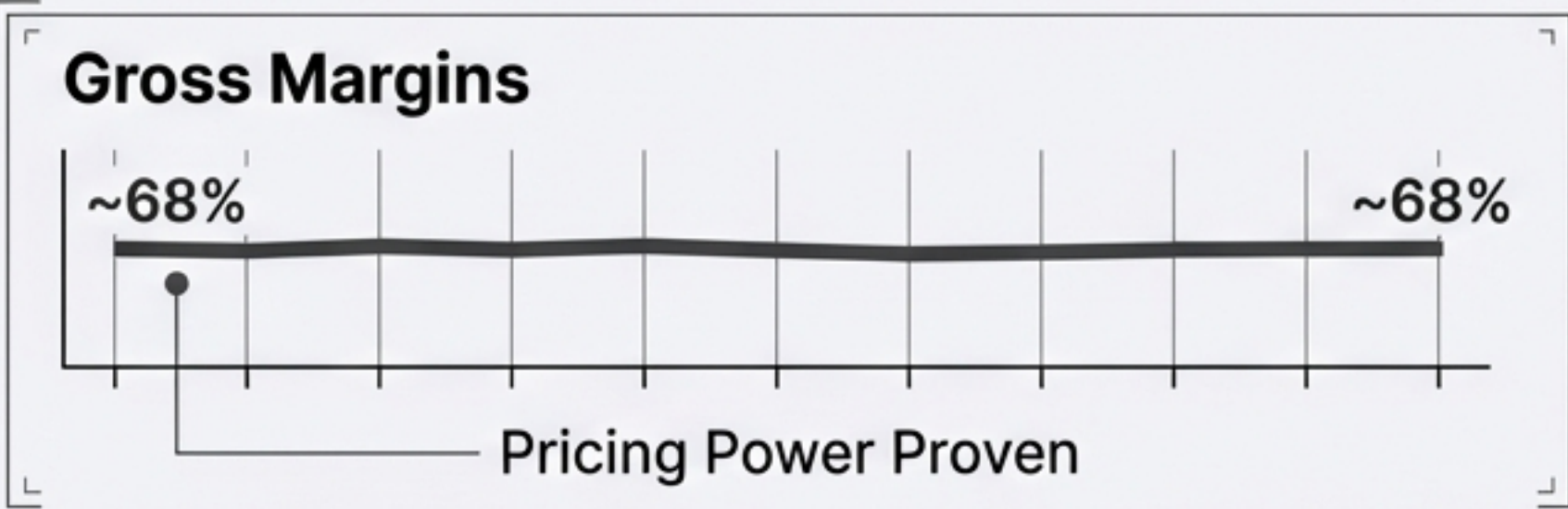
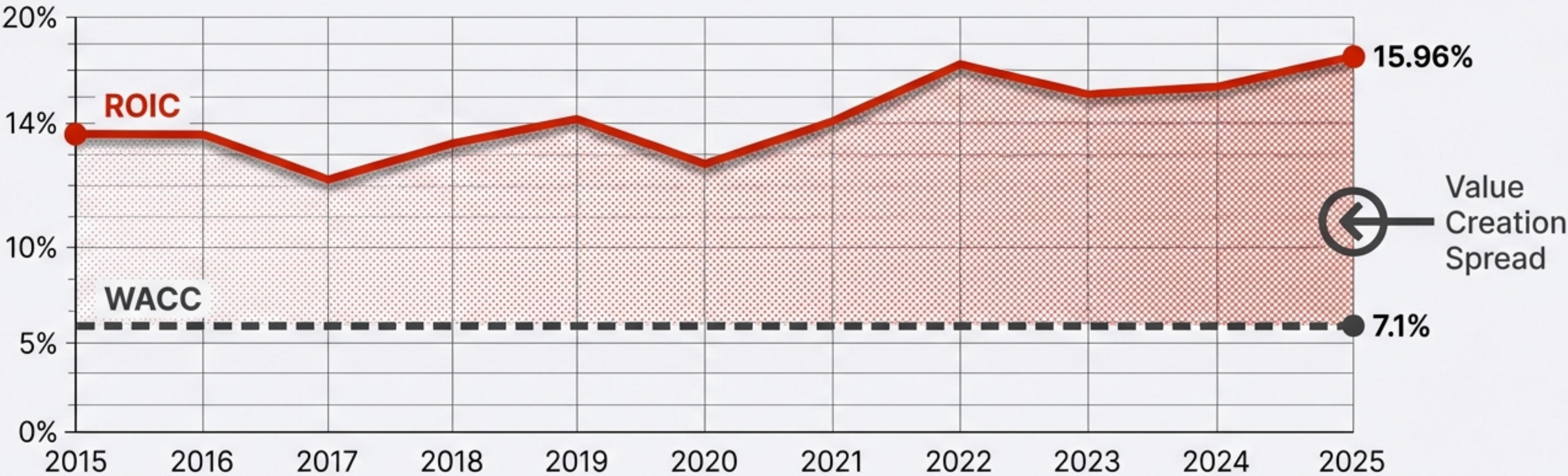
REGULATORY
CHALLENGES

The Central Tension: Durable Cash Flows vs. Unquantifiable Tail Risks



JNJ has transformed into a pure-play Innovative Medicine & MedTech giant. Yet, a critical question remains: **Can the operational moat withstand the onslaught of the largest mass tort in history?**

The Moat is Mathematics, Not Marketing

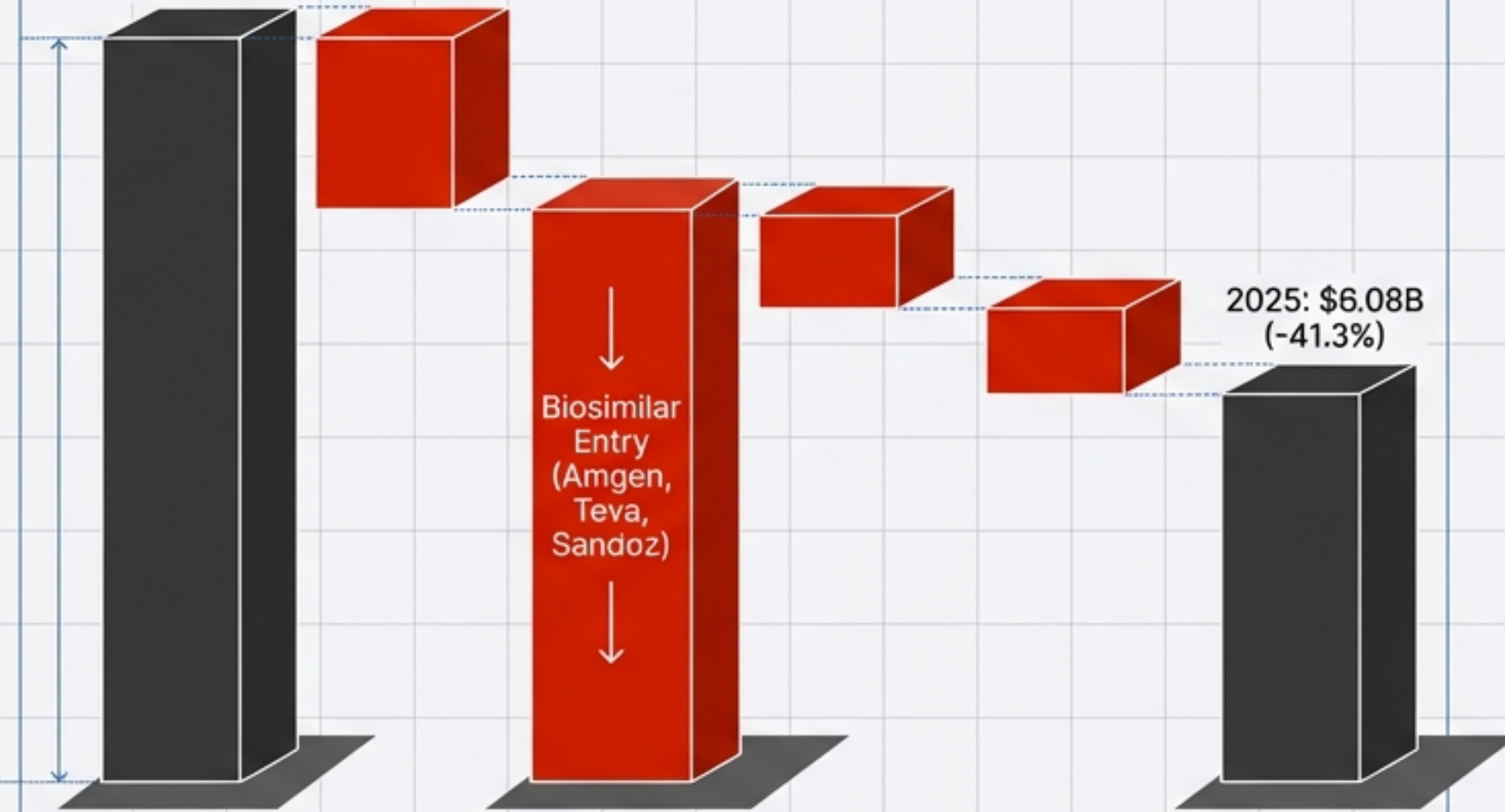


The \$300 Billion Vacuum: Inside the Patent Cliff

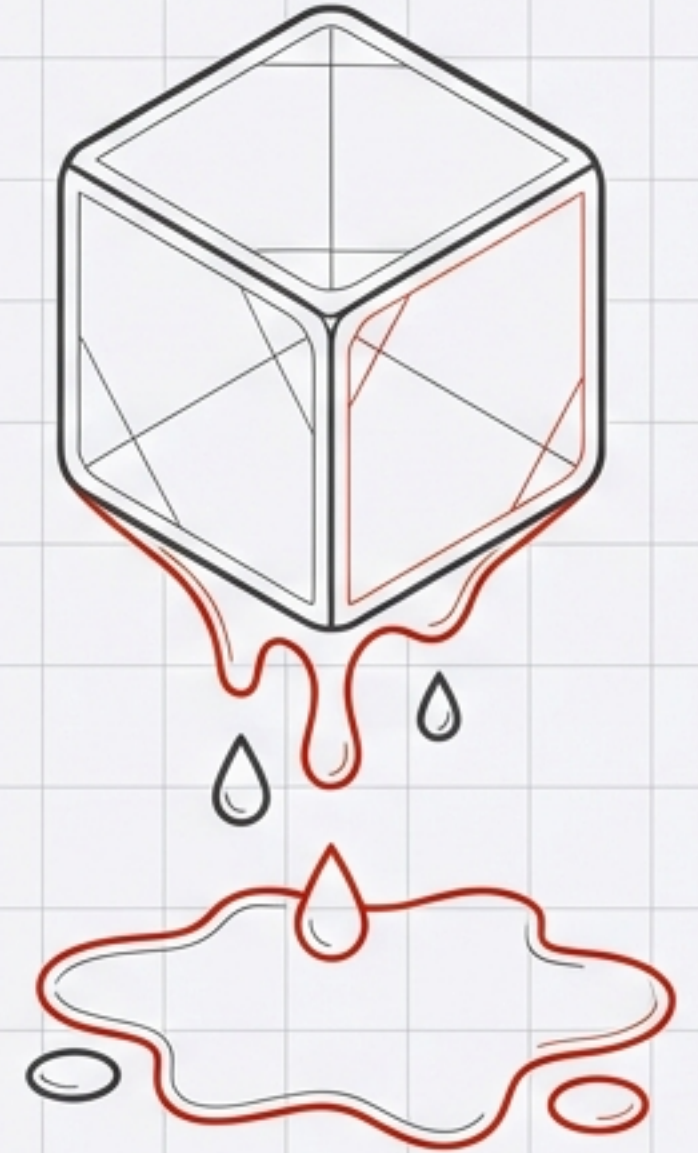
Stelara Revenue Erosion (2023-2025)

2023 Peak:
\$10.9B

- JNJ Red
- Graphite
- Risk Black



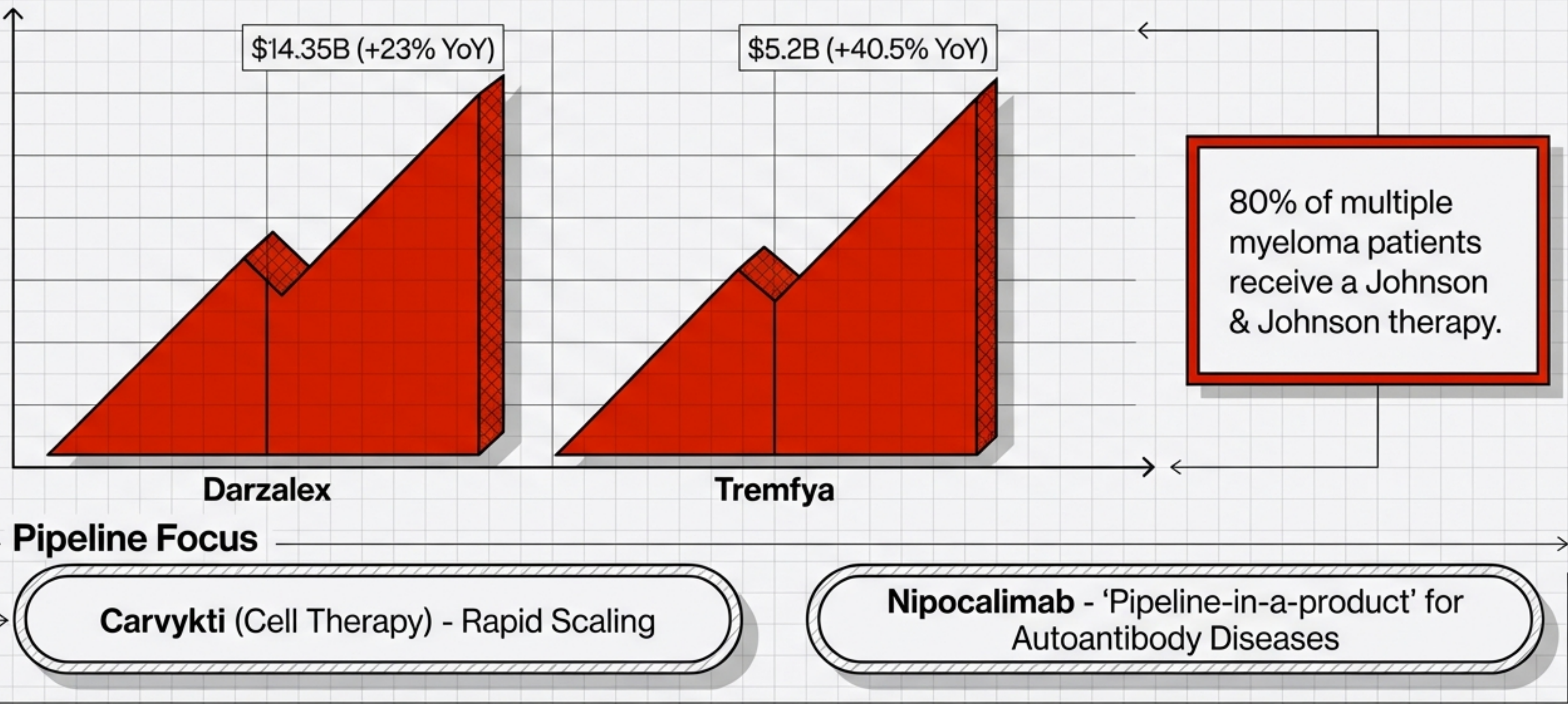
2025: \$6.08B
(-41.3%)



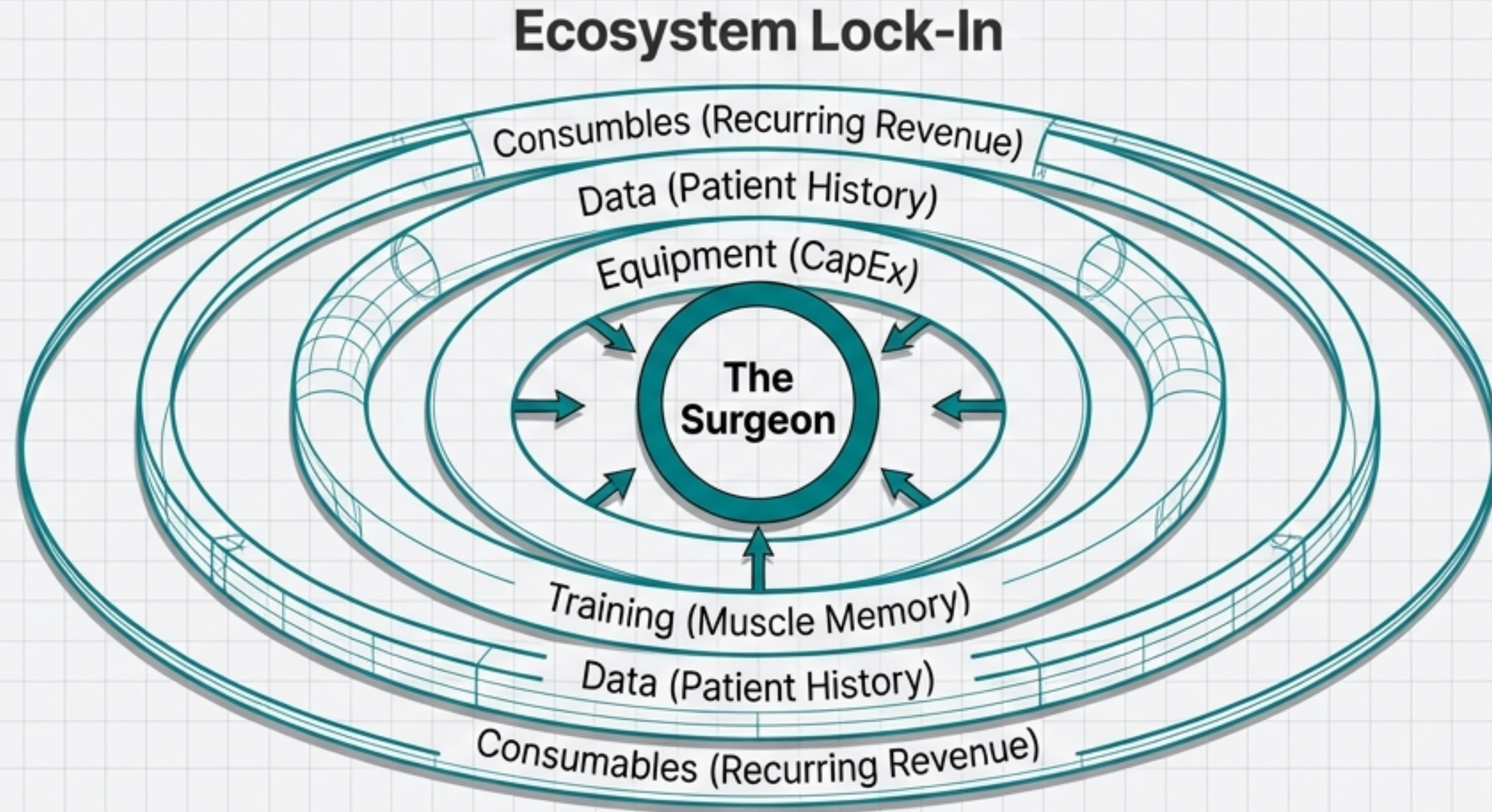
- JNJ Red
- Graphite
- Risk Black

“The Moat Evaporates Instantly: Unlike MedTech, Pharma moats are temporal, defined strictly by IP lifespan.”

The Counter-Attack: Oncology & Immunology



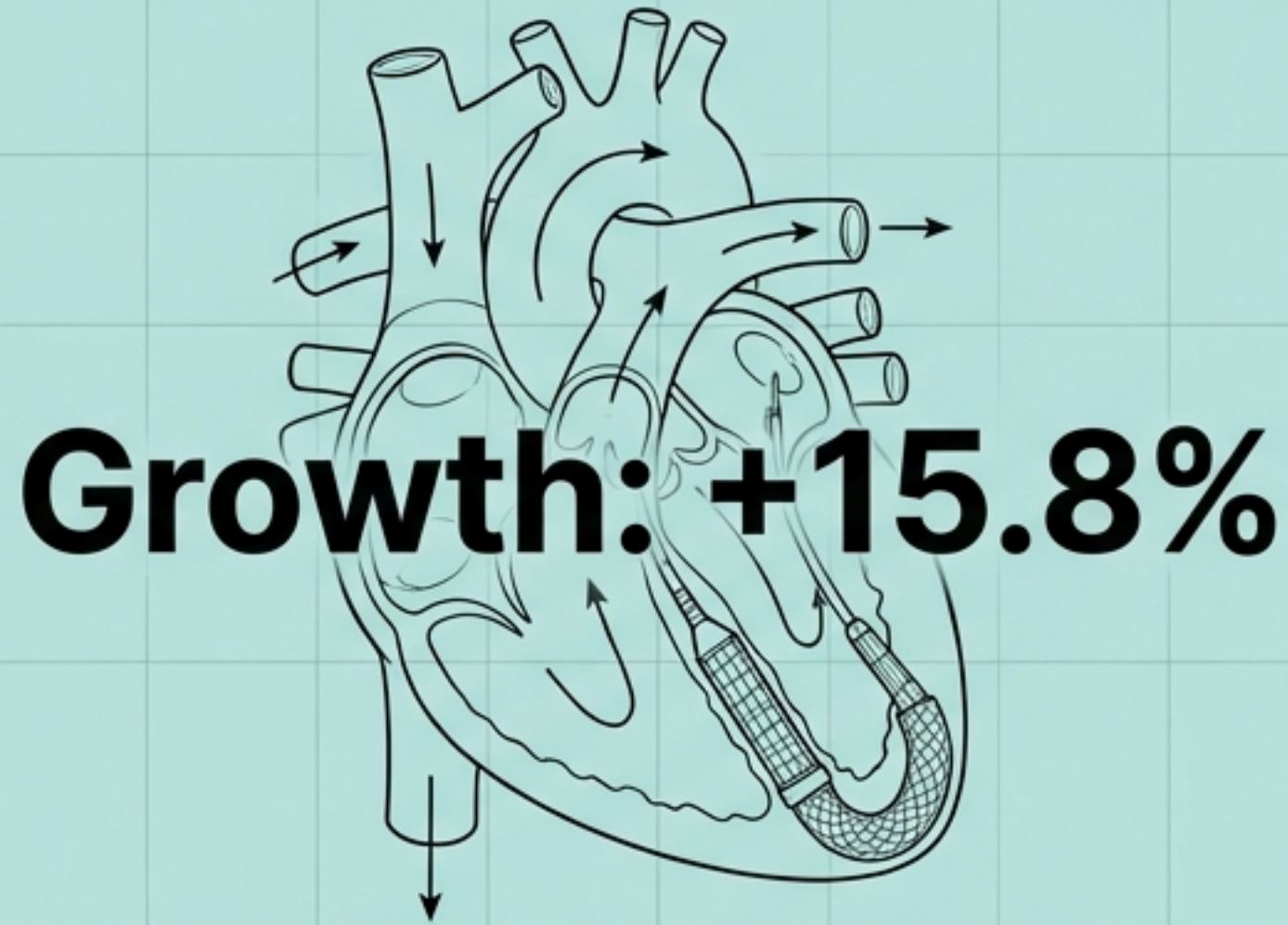
The MedTech Moat: Workflow Friction & Muscle Memory



Why Hospitals Don't Switch: It's not just the device; it's the retraining cost. In Electrophysiology and Heart Recovery, JNJ leverages high switching costs to secure long-term recurring revenue.

A Tale of Two Cities: Cardiovascular vs. Orthopedics

The Haves: Cardiovascular



- Abiomed (Heart Recovery)
- Shockwave (IVL)

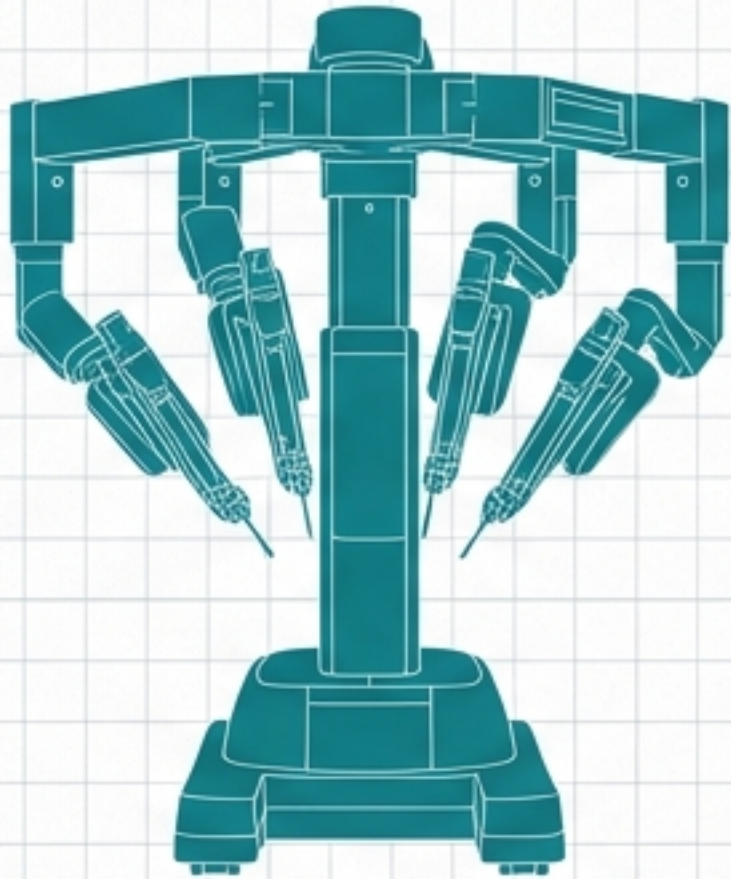
The Have-Nots: Orthopedics



- DePuy Synthes (Losing Share to Stryker)

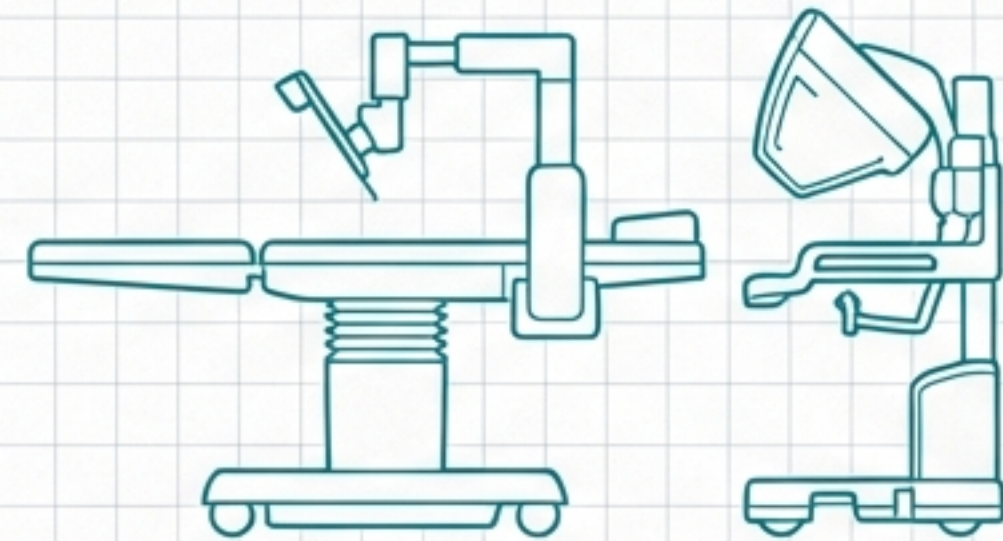
Strategic Shift: The decision to spin off DePuy Synthes is a tacit admission of defeat in the innovation battle against Stryker.

The Robotics Gamble: OTTAVA vs. The Incumbent



Intuitive Surgical (The Incumbent)

9,200 Installed Systems
15 Million Procedures Data



JNJ OTTAVA (The Challenger)

Status: Just Submitted to FDA
Install Base: Zero

Critical Question: Can JNJ's contracting leverage overcome the massive switching costs protecting the incumbent?

Capital Allocation: Buying Growth at What Price?



2017 Actelion (\$30B)

Mixed Result. High Premium (30x Earnings). Opsumit now facing patent cliffs.



2022 Abiomed (\$16.6B)

Win. Successful integration, double-digit growth engine.

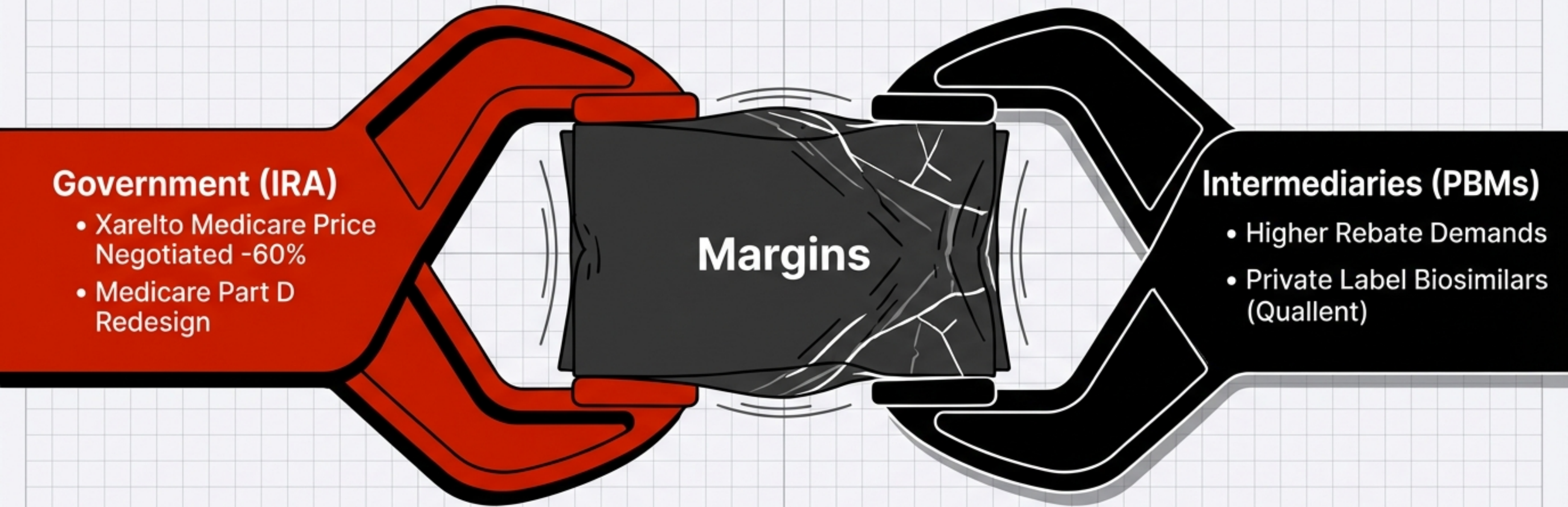


2024 Shockwave (\$13.1B)

Risk. Paid 18.7x Sales multiple. Dilutive to near-term EPS.

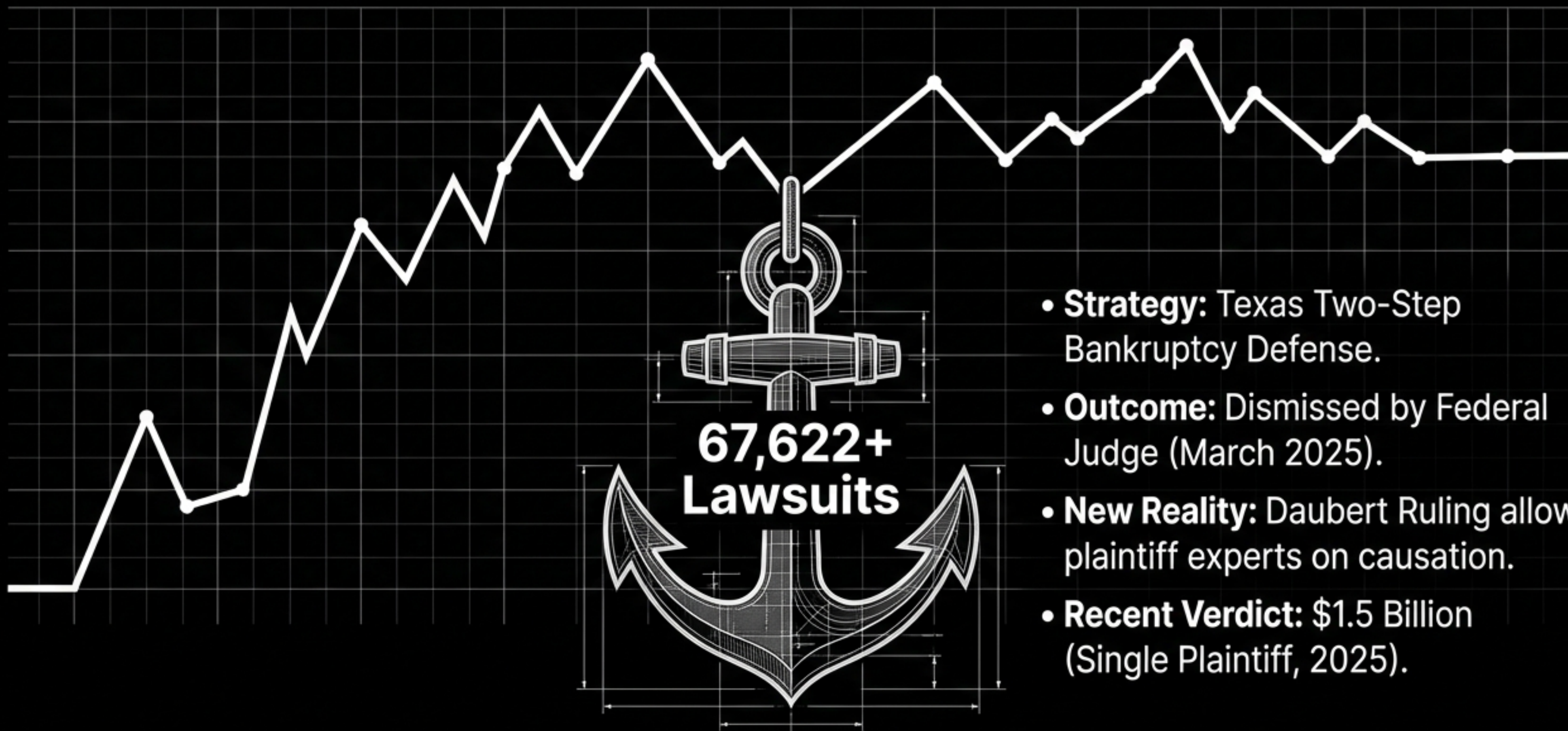
JNJ uses its balance sheet to plug revenue gaps, but the cost of defense is rising. 50% of the pipeline is now sourced externally.

The Regulatory Pincer: IRA and PBMs



Margin compression is structural, not cyclical.
The era of annual list price hikes is over.

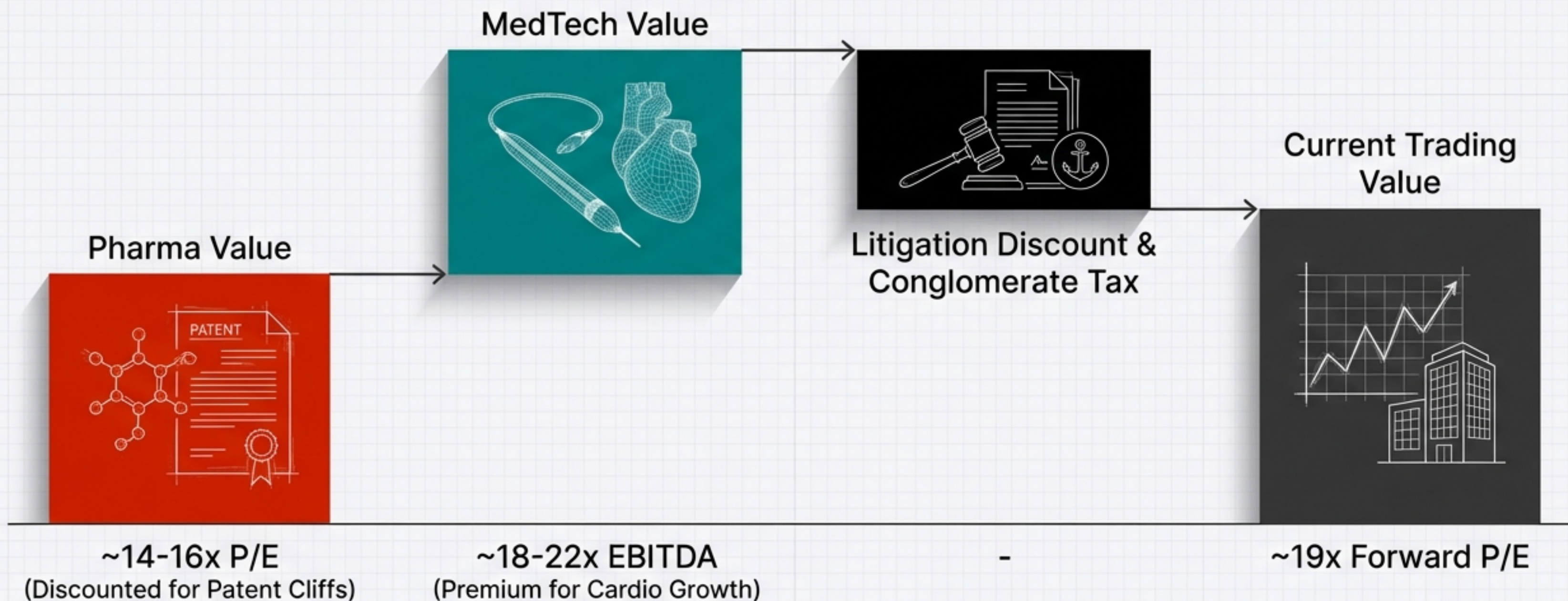
The Talc Anchor: An Unquantifiable Liability



- **Strategy:** Texas Two-Step Bankruptcy Defense.
- **Outcome:** Dismissed by Federal Judge (March 2025).
- **New Reality:** Daubert Ruling allows plaintiff experts on causation.
- **Recent Verdict:** \$1.5 Billion (Single Plaintiff, 2025).

JNJ Red: This is not just a fine. It is an open-ended drain on cash flow and reputation with extreme 'left-tail' risk.

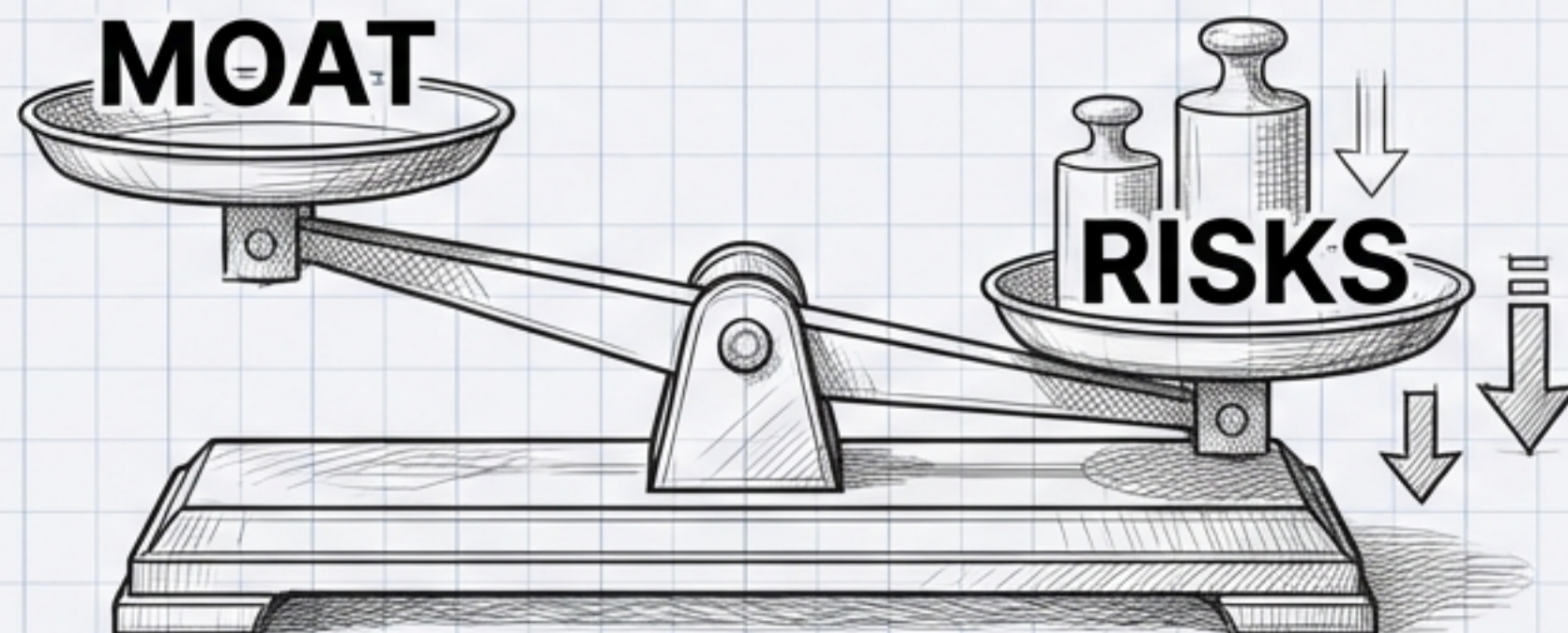
Valuation: The Sum-of-the-Parts (SOTP) Discount



MedTech deserves a growth premium, but it is shackled to a Pharma business facing a patent cliff and a corporate entity facing mass torts.

The Verdict: No Margin of Safety

Quality	Growth	Risk
HIGH. Elite Margins, AAA Rating.	MODERATE. Low organic growth, M&A dependent.	EXTREME. Litigation + Patent Cliff.



Investors are being asked to pay a premium multiple (~19x) for a company facing the largest mass tort in history. The risk-adjusted return does not compute.