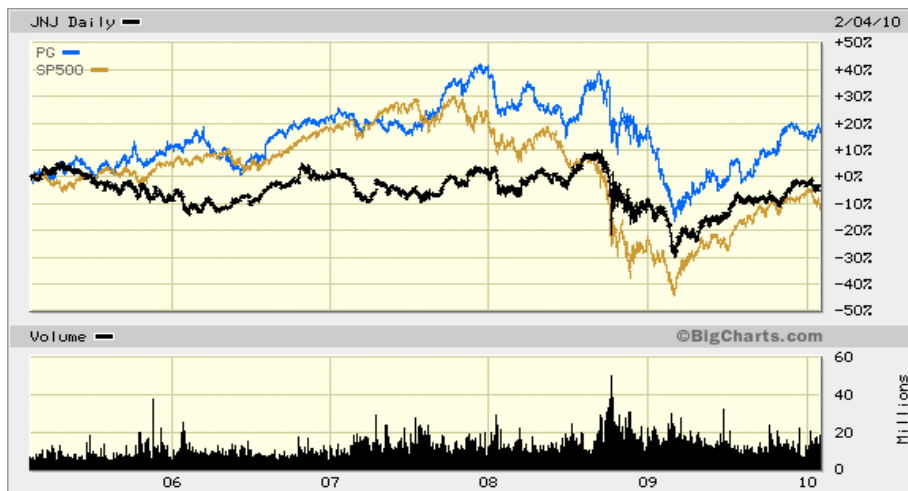


Johnson & Johnson (JNJ) 2/4/10

JNJ operates in the design, production, and marketing of health care and personal consumer products worldwide. The company operates in the following segments with accompanying percentages of 2008 revenue; Pharmaceuticals 36%, Medical Devices 38%, and Consumer Health Care 26%. JNJ was founded in 1886 and is headquartered in New Brunswick, New Jersey.

Current Price	\$62.64
52 Week High	\$65.95
52 Week Low	\$46.25
One Yr Target	\$70.50
Market Cap (in billions)	\$172.83
P/E (Trailing)	14.24
P/E(1 Yr Forward)	11.69
P/E/G	1.85
ROA	14.45%
ROE	28.85%
EPS	\$4.40
Beta	0.44
Annualized Dividend	\$1.96
Dividend Yield	3.13%
Analyst Consensus	2.10
Debt to Equity	0.82



Annual EPS

2006	\$3.72	
2007	\$3.66	-1.63%
2008	\$4.56	24.72%
2009	\$4.43	-2.84%
ttm	\$4.40	-0.69%

Annual Revenue (in millions)

2006	\$53,324.00	
2007	\$61,095.00	14.57%
2008	\$63,747.00	4.34%
2009	\$61,897.00	-2.90%

Annual Net Income (in millions)

2006	\$11,053.00	
2007	\$10,576.00	-4.32%
2008	\$12,949.00	22.44%
2009	\$12,266.00	-5.27%

Free Cash Flows (in millions)

2006	\$9,167.00	
2007	\$11,582.00	26.34%
2008	\$12,080.00	4.30%
2009	\$11,906.00	-1.44%

Required Rate of Return

7.09%

Dividend Growth Model

Present Value of 2015 Price	\$28.04
Holding Period Return (5 years)	-2.50%

Expected Annualized Return Model

Present Value of 2015 Price	\$61.67
Holding Period Return (5 years)	-0.26%

Residual Income Model

Intrinsic Stock Price	\$3,612.27
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Analysis

Positives

Low Beta and high Dividend Yield make JNJ a good defensive stock

RI valuation model says that the current stock price is vastly undervalued

Negatives

Financial Statements

Income Statement has little growth but good operating ratios and margins

Balance Sheet is great, Debt is not a problem and great Retained Earnings and Treasury Stock

Cash Flows are good, nice Operating Cash growth but also a lot of Debt issues lately

Industry Analysis

Health Care and Consumer products should see stable but low growth for the coming years

JNJ is a huge player in its industry and has average financial ratios

Summary

JNJ is a great company and a good stock. It has very solid financial ratios and financial statements. JNJ is known somewhat as a safe-harbor stock when the market dips, in part because of its low Beta and nice dividend yield. JNJ is committed to increasing its dividend and keeping its financial statements strong. JNJ is seeking to expand its global presence and believe health care spending will increase 5% annually for the next 5 years. JNJ is not a growth company which is partly why it fails to meet its Required Rate of Return for the DG and EAR valuation models, but the RI model is significantly higher than the current share price. This is due to JNJ's fantastic Retained Earnings and Treasury Stock numbers, which if they continue to grow could push the stock price higher. Overall JNJ is a great company and a known stock for what one can expect, thus taking away much of the risk but also reward. It should continue to see slow but steady stock price appreciation but probably not enough to outpace the market by much, and thus earns a **hold** rating.