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INVESTMENT ADVISORS

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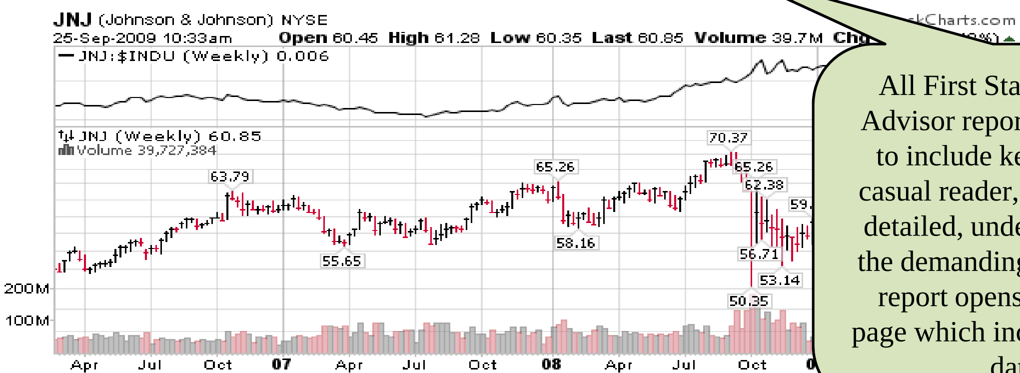
Johnson & Johnson
(JNJ)

Research Report
September 25, 2009

THE GOLD CHIP STANDARD
HIGH QUALITY LARGE CAP STOCKS

Current Price	$60.86	**2010 Weighted Average**			**Dividend Discount Value**	
Dividend	$1.96	**Low Price**	**High Price**		$67.38	
Yield	3.22%	$55.77	$73.46		**Discounted Cash Flow Value**	
DJIA Price Ratio	0.627%	**Risk**	**Reward**		$74.03	
Market Cap	165,565	-8.36%	20.70%			



All First State Investment Advisor reports are designed to include key data for the casual reader, as well as very detailed, underlying data for the demanding analyst. Each report opens with a single page which includes summary data…

Key Points

Company Description

Johnson & Johnson manufactures health care products and provides related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. The Company sells products such as skin and hair care products, acetaminophen products, pharmaceuticals, diagnostic equipment, and surgical equipment in countries located around the world.

Company Outlook

Johnson & Johnson is spending billions of dollars, buying companies in biotechnology, oncology, Alzheimer's and biologic- based hemostats. Generic competition is hurting Risperdal … x (epilepsy and migraine).The firm announced on September 18, that it … n, whereby it acquired all the assets and rights related to the Athlone- … heimer's immunotherapy program. Elan will receive $885 million in … hares. A further payment of $500 million as agreed to develop most of … s portfolio. Their drug sales were down 12% year-to-year. In 2010, this comparison sh… prove. The recent acquisitions will cost a few cents this year, and the strong dollar may also re… profits.

…as well as an overview of the company and First State Investment Advisor's proprietary stock price risk/reward projections.

First State Analysis

The weighted average price range for 2010 is $73.46 to $55.77. This unique company is by far the largest and most diversified leader in the health care industry. We believe that the discounted market price is primarily because of the uncertainty surrounding the political climate in Washington. The **average theoretical price is $70.71**.

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Current Ratios (2009 estimates)

For those yearning for more, the typical FSIA report includes a further 15-20 pages of in-depth data analysis, arming readers with unique information from which to draw their own conclusions….

Price	60.78
tanding	2,753.24
r Share	22.15

Earnings Per Share	4.55
Dividend Rate	1.96
Earnings Yield	7.49%

r Share	13.36
Yield	3.22%
Payout	43.08%

Total Sales	60,971
Book Value Per Share	15.59
Price to Cash Flow Per Share	11.13

ngs (P/E)

Dividend Payout %	0.431
	÷
Yield %	0.032
	=
Price to Earnings Per Share	**13.47**

Price / Dividend

Dividend Rate Per Share	1.96
	÷
Yield %	0.032
	=
Dividend Rate / Yield	61.250
	÷
Dividend	1.96
	=
Current Price to Dividends Per Share	**31.25**

Price / Book Value

Return on Equity %	0.292
	x
Dividend Payout %	0.431
	=
Payout on Equity %	0.126
	÷
Yield %	0.032
	=
Price to Book Value Per Share	**3.94**

P/E / Net Profit Margin

P/E	13.36
	÷
Net Profit Margin %	20.550
	=
P/E ÷ Net Margin	**0.65**

P/E / 5 Year EPS Growth Rate

P/E	13.36
	÷
5 Year EPS Growth Rate %	4.89%
	=
PEG Ratio	**273.21**

Price / Sales

Net Profit Margin %	20.550
	x
Dividend Payout %	0.431
	=
Net Profit Margin *Payout	8.857
	÷
Yield %	0.032
	=
Price to Sales Per Share	**2.77**

P/E / Total Return

Yield %	0.032
	+
Reward %	0.114
	=
Total Return %	0.146
	÷
P/E	13.36
	=
(P/E ÷ Total Return)	**91.51**

Price / Cash Flow

Dividend Rate Per Share	1.96
	÷
Cash Flow Per Share	5.51
	=
Dividend ÷ Cash Flow Per Share (Payout)	0.356
	÷
Yield %	0.032
	=
Price to Cash Flow Per Share	**11.13**

Retained to Equity

Return on Equity %	0.292
	x
Retention Rate %	0.569
	=
Retained to Equity %	**0.166**

Price / EBITDA

Price	60.78
	÷
EBITDA Per Share	7.15
	=
Price to EBITDA	**8.50**

Percent Return from Buybacks

2008 Shares Out Standing	2835.60
	-
Shares Out Standing	2753.24
	=
Shares Bought Back	82.36
	=
Buybacks %	**2.991**

* All Shares are Fully Diluted Average Shares

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THE GOLD CHIP STANDARD HIGH QUALITY LARGE CAP STOCKS

Predictable Methods Summary (at 2010 estimates)

Values	
Current Price	$60.86
Current DJIA	9,709.33

Percentage Change From Current Price	
DCFF	DDM
21.64%	10.71%

Weighted Average	
Weighted High Price	$73.46
Weighted Low Price	$55.77

Ratios Per Share

	2009 Estimates				
Ratios 2009	High	Low	Average	2009	10 Change
Price to Earnings	13.73	10.16	11.95	$4.55	7.47%
Price to Book Value	4.01	2.97	3.49	$15.59	5.07%
Price to Sales	2.82	2.09	2.46	$22.15	5.01%
Price to Cash Flow	11.34	8.39	9.87	$5.51	6.90%
Price to EBITDA	8.74	6.47	7.61	$7.15	6.01%
Price to Dividend	31.87	23.60	27.74	$1.96	4.59%

2009	
Highest	Low
$62.47	$46.25
2009 Yield Range	
2.88%	3.89%

Estimates	Current	High	Low	Average	Estimates	High	Low	Average
Price to Earnings	13.47	15.00	11.50	13.25	$4.89	$73.35	$56.24	$64.79
Price to Book Value	3.94	4.50	3.40	3.95	$16.38	$73.71	$55.69	$64.70
Price to Sales	2.77	3.10	2.45	2.78	$23.26	$72.11	$56.99	$64.66
Price to Cash Flow	11.13	12.00	9.25	10.63	$5.89	$70.68	$54.48	$62.61
Price to EBITDA	8.50	10.00	7.50	8.75	$7.58	$75.80	$56.85	$66.33
Price to Dividend	31.25	36.00	28.00	32.00	$2.05	$73.80	$57.40	$65.60

Dividends Per Share Yield

Estimates	Dividend	Yield	Price Projection
2010 Dividend	$2.05	3.37%	$60.83
High	$2.05	3.70%	$55.41
Low	$2.05	2.75%	$74.55

Data Applied

2009 Estimates In Millions		2010 Estimates In Millions	
Net Income	$12,528	Net Income	$13,427
Common Equity	$43,307	Common Equity	$46,665
Sales	$60,971	Sales	$63,863
Cash Flow	$15,170	Cash Flow	$16,173
EBITDA	$19,673	EBITDA	$20,823

Enterprise Value

2010 Estimates	
Shares Outstanding	2,746
Average Price	$64.62
+ Market Capitalization	177,447
+ Pref Equity & Minority Int	0
+ ST & LT Debt	13,011
- Cash & Equivalents	11,820
Enterprise Value	178,638
EV / Est. EBITDA	8.58

…and the full analysis analysis to understand how we drew ours.

Average Theoretical Price	
$70.71	
Discounted Cash Flow to the Firm	
Theoretical Price	$74.03
High	$78.84
Low	$68.89
Probability	96.33%
Dividend Discount Method	
Theoretical Price	$67.38
Change from Close	10.86%
Internal Rate of Return	9.60%
Expected Return	23.32%

Weighted Average	
Risk	Reward
-8.36%	20.70%
Risk/Reward	2.48
Weighted High Price	$73.46
Weighted Low Price	$55.77

-14.52%	15.35%
Risk/Reward	1.06
High DJIA	Low DJIA
11,200	8,300
Price Ratio	
JNJ / DJIA	0.6268%
High	Low
0.6581%	0.6393%
$73.71	$53.06

The recovery of the second largest economic decline since the Depression is gaining momentum. The new health care plan should find acceptance. J&J has an enormous portfolio of drugs, medical supplies, and consumer products. Millions of uninsured families will become a large market for the company. **For the next 12 months, the price target is $72.**

52 Week Price	
$69.97	$46.25
52 Week Yield Range	
2.93%	4.43%

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Ratios

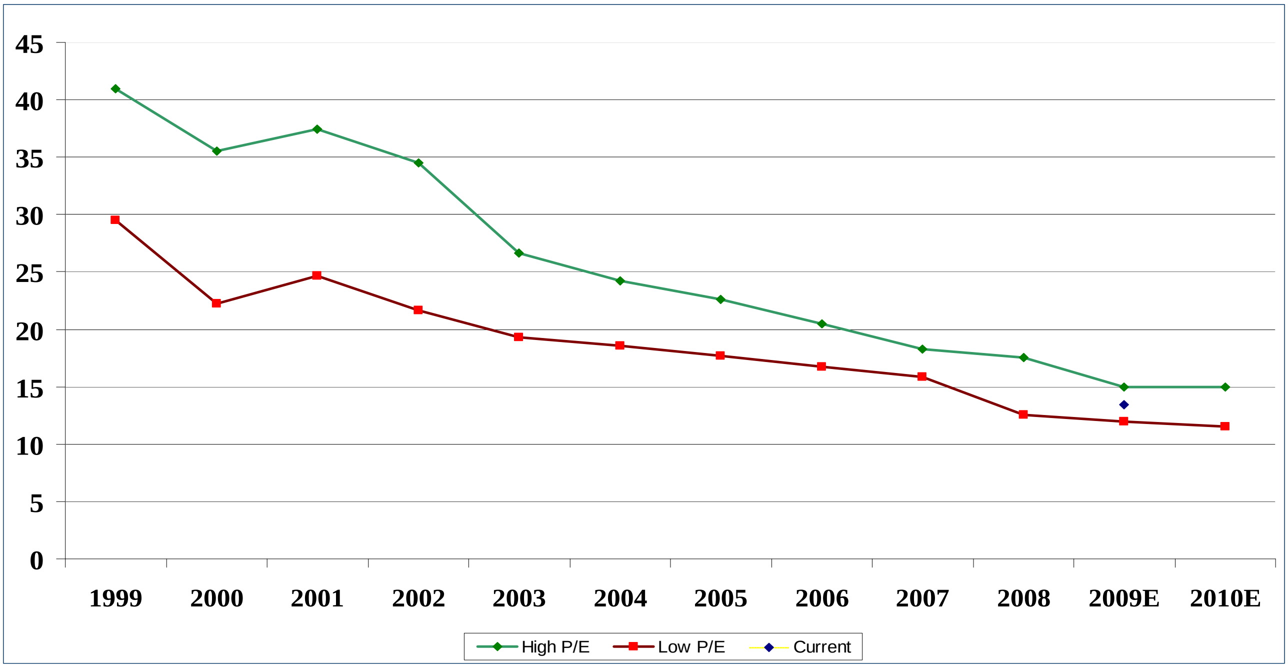
	2004	2005	2006	[illegible]	2008	2009E	2010E
Profitability							
Return on Capital	**26.31**	**26.56**	**25.43**	**21.8[illegible]**	**24.77**	**23.45**	**23.84**
Net Income w/adjustments / Total Avg Com Capital							
Interest Expense	187.00	54.00	63.00	296.00	[illegible]	443.00	369.00
Tax Rate	33.72	23.30	24.23	20.38	23.[illegible]	22.71	22.20
Tax Adjusted Interest Expense	123.94	41.42	47.74	235.68	332.73	[illegible]	287.08
NI + Minority Int and Tax Adj Interest Expense	**8,633**	**10,101**	**11,101**	**10,812**	[illegible]	[illegible]	[illegible]
Return on Capital Before Depreciation	**32.78**	**32.07**	**30.42**	**27.52**	[illegible]	[illegible]	[illegible]
(NI + Adj +Depreciation) / Average Total Capital							
Return on Common Equity	**29.00**	**28.53**	**28.33**	**25.60**	[illegible]	[illegible]	[illegible]
Net Income / Average Total Common Equity							
Return on Assets	**16.75**	**17.94**	**17.08**	**13.96**	[illegible]	[illegible]	[illegible]
Net Income / Average Total Assets							
Capital Turnover	**1.44**	**1.33**	**1.22**	**1.24**	[illegible]	[illegible]	[illegible]
Sales / Average Total Capital							
Accounts Receivable Turnover	**6.93**	**7.21**	**6.12**	**6.47**	**6.56**	**6.16**	**5.99**
Accounts Receivable	6,831	7,010	8,712	9,444	9,719	9,901	10,669
Sales / Accounts Receivable							
Depreciation / Sales	**4.49**	**4.14**	**4.08**	**4.55**	**4.44**	**4.34**	**4.31**
Debt Factors							
Long Term Debt / Total Capital	**7.40**	**4.87**	**4.39**	**13.38**	**14.94**		
Long Term Debt	2,565	2,017	2,014	7,074	8,120		
Total Debt / EBITDA	**0.19**	**0.18**	**0.42**	**0.53**	**0.62**	**0.61**	**0.62**
EBITDA	14,987	14,924	15,886	17,990	19,001	19,673	20,823
Total Debt / Total Capital	**8.21**	**6.49**	**14.36**	**18.04**	**21.80**		
Total Debt / Total Assets	**5.34**	**4.56**	**9.34**	**11.78**	**13.96**		
Total Debt / Common Equity	**8.94**	**6.94**	**16.77**	**22.02**	**27.88**		
Inventory & Turnover Analysis							
Asset Turnover	**0.93**	**0.90**	**0.82**	**0.81**	**0.77**	**0.71**	**0.71**
Sales / Average Total Assets							
Inventory Turnover	**3.66**	**3.64**	**3.40**	**3.55**	**3.64**	**3.49**	**3.35**
Cost of Goods Sold	13,422	14,010	15,057	17,751	18,511	17,366	18,207
Average Inventory	3,667	3,849	4,429	5,000	5,085	4,976	5,435
Liquidity Analysis							
Tangible Common Equity Ratio	**48.15**	**56.83**	**25.39**	**27.89**	**25.89**		
Tangible Common Equity	19,971	26,535	10,630	14,556	14,816		
Tangible Assets	41,477	46,692	41,867	52,191	57,227		
Assets / Common Equity (YE)	**1.68**	**1.52**	**1.79**	**1.87**	**2.00**		
Average Assets / Average Common Equity	**1.73**	**1.59**	**1.66**	**1.83**	**1.93**		
Credit Analysis							
Quick Ratio (Liquid Assets / Current Liabilities)	**1.42**	**1.83**	**0.67**	**0.95**	**1.08**		
Current Liabilities	13,927	12,635	19,161	19,837	20,852		
Current Ratio (Liquid Assets / Current Liabilities)	**1.96**	**2.49**	**1.20**	**1.51**	**1.65**		
Current Assets	27,297	31,461	22,993	29,954	34,406		
Equity Ratio (Common Equity / Total Capital)	**0.92**	**0.94**	**0.86**	**0.82**	**0.78**		
Cash Flow / Total Capital		**0.29**	**0.29**	**0.25**	**0.29**		
Payout Ratios							
Payout Ratio	**38.83**	**37.70**	**38.60**	**44.16**	**38.80**	**43.07**	**41.92**
Dividend / Cash Flow	**29.68**	**32.15**	**29.95**	**31.09**	**33.56**	**35.57**	**34.80**
Data Applied							
Sales	**47,348**	**50,514**	**53,324**	**61,095**	**63,747**	**60,971**	**63,863**
Net Income	**8,509**	**10,060**	**11,053**	**10,576**	**12,949**	**12,528**	**13,427**
Dividends Paid	**3,304**	**3,793**	**4,267**	**4,670**	**5,024**	**5,396**	**5,629**
Depreciation	**2,124**	**2,093**	**2,177**	**2,777**	**2,832**	**2,646**	**2,753**
Cash Flow		**12,161**	**13,236**	**13,360**	**15,766**	**15,170**	**16,173**
Total Capital	**34,658**	**41,395**	**45,911**	**52,856**	**54,363**	**55,381**	**59,676**
Total Debt	**2,845**	**2,685**	**6,593**	**9,537**	**11,852**	**12,074**	**13,011**
Common Equity	**31,813**	**38,710**	**39,318**	**43,319**	**42,511**	**43,307**	**46,665**
Total Assets	**53,317**	**58,864**	**70,556**	**80,954**	**84,912**	**86,501**	**93,209**
Current Liabilities	**13,927**	**12,635**	**19,161**	**19,837**	**20,852**	**21,242**	**22,889**
Average Total Assets	**50,790**	**56,091**	**64,710**	**75,755**	**82,933**	**85,707**	**89,855**
Average Total Capital	**32,811**	**38,027**	**43,653**	**49,384**	**53,610**	**54,872**	**57,529**
Average Common Equity		**35,262**	**39,014**	**41,319**	**42,915**	**42,909**	**44,986**

First State Investment Advisor research reports include appropriate income statements and a full range of key ratios, but….

Price Ratios

Price to Earnings (P/E)

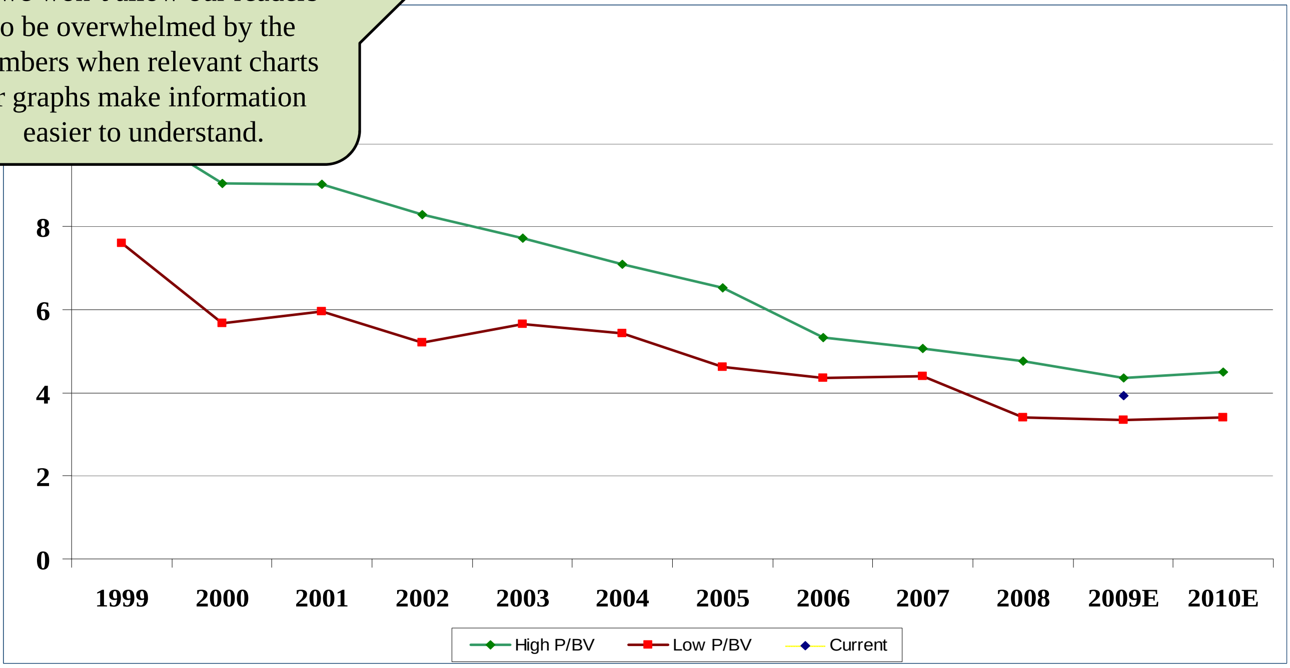
Price: 60.86 **EPS:** 4.55 **P/E:** 13.47



Price to Book Value (P/BV)

0.86 **BVPS:** 15.59 **P/BV:** 3.94

…we won't allow our readers to be overwhelmed by the numbers when relevant charts or graphs make information easier to understand.



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Disclosures

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