Company Overview:
Johnson & Johnson, based in New Brunswick, New Jersey, is a medical products company with 2021 revenue of $93.7 billion. The business is split into three segments: Pharmaceuticals (55% of 2021 sales), Medical Devices& Diagnostics (MD&D, 29% of 2021 sales), Consumer (16% of 2021 sales).

Name	Ticker	Growth	Dividend	D + G
Johnson & Johnson	JNJ	7.50%	2.57%	10.07%

Highlights:
The business continues to execute, and JNJ was able to maintain fiscal year EPS guidance despite the challenging macroenvironment. JNJ is emerging from the pandemic with a robust balance sheet and strong FCF generation. Moreover, the core business demonstrated strong fundamentals, and growth was particularly robust in most markets. Recovery momentum remains strong, and management was confident that inflation and margin pressures are "very manageable," even in the short-term.

Bull Case:

- ***Potential Appreciation Before Spin-off*** – We expect the company to continue to garner interest as investors recognize the value add of spinning of the Consumer side of the business into a standalone company, Kenvue**.** The Med Tech and Pharma side of the business, which will be the "RemainCo", has seen revenues consistently increase by 8% - 9%, which should attract more growth investors once the spinoff is complete in the second half of 2023.
- ***Healthy Inorganic Growth Allows for an Alternative Lever for Growth*** – JNJ recently acquired Abiomed (ABMD), who is a consistent double-digit top-line grower, with mid-to-upper 20% EBITDA margins. We believe that this company will pair nicely with the company's high-growth Interventional Solutions business, which has also consistently grown in the high-teens and low-twenties. ABMD has carved out a leadership position in percutaneous heart pumps, creating a pipeline of expanding indications, driving annualized sales of just over $1B, and we believe the deal represents a bold and decisive step towards reinforcing JNJ's commitment to Med Tech. We expect more of these acquisitions to occur.

Bear Case:

- ***Higher-than-Expected Pricing Pressure and Impact from Health Care Reforms -*** Sales of JNJ's pharmaceutical and medical device products are significantly affected by reimbursements by third-party payers. As part of various efforts to contain healthcare costs, these payers are putting downward pressure on prices at which products will be reimbursed.
- ***Competition and Product Delays Could Create Earnings Volatility*** - Pipeline delays or failures, and/or higher-than-forecast competition from generic or branded drug manufacturers as well as Medical Device & Consumer Health competitors may affect JNJ's future earnings cash flows. JNJ faces substantial competition in all three operating segments and in all geographic markets.

Overview:
We believe that our bull thesis is supported by JNJ's defensive positioning, attractive valuation, stable growth profile (4% - 5% revenue, 6% - 9% EPS), and attractive balance sheet. The company's expected spin-off piques our interest, as we like both sides of the business and believe that this corporate action should engineer value, given the discounted conglomerate valuation associated with the holistic stock.

Past performance is not indicative of future results. Investing involves risk including the potential loss of principal. This material is not financial advice or an offer to sell any product. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Aptus Capital Advisors, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Forward looking statements cannot be guaranteed. This is not a recommendation to buy or sell a particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. Information was obtained from third party sources which we believe to be reliable but are not guaranteed as to their accuracy or completeness.

This commentary offers generalized research, not personalized investment advice. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Nothing in this commentary should be interpreted to state or imply that past results are an indication of future investment returns. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy. Investing involves risk. Principal loss is possible.

This content or when a page is marked "Advisor Use Only" or "For Institutional Use", the content is only intended for financial advisors, consultants, or existing and prospective institutional investors of Aptus. These materials have not been written or approved for a retail audience or use in mind and should not be distributed to retail investors. Any distribution to retail investors by a registered investment adviser may violate the new Marketing Rule under the Investment Advisers Act. If you choose to utilize or cite material we recommend the citation, be presented in context, with similar footnotes in the material and appropriate sourcing to Aptus and/or any other author or source references. This is notwithstanding any considerations or customizations with regards to your operations, based on your own compliance process, and compliance review with the marketing rule effective November 4, 2022.

Advisory services are offered through Aptus Capital Advisors, LLC, a Registered Investment Adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level or skill or training. More information about the advisor, its investment strategies and objectives, is included in the firm's Form ADV Part 2, which can be obtained, at no charge, by calling (251) 517-7198. Aptus Capital Advisors, LLC is headquartered in Fairhope, Alabama. ACA-2212-17.