

## Johnson &amp; Johnson (JNJ)

Price:	\$86.73	Net Tang. Bk Value Incl. Cash, Excl.	\$46,182,000,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$93,966,291,706.89
Market Cap:	\$244,578,600,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$13,566,296,468.55
Cash:	\$25,129,000,000	NTBVIC/Market Downside Recovery:	18.88%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$16,828,000,000	Op. Cash Flow:	\$12,720,661,460	Year 5 Disposition Price:	\$134,665,181,112.53
Net Cash:	\$8,301,000,000	Implied Years to Fill Gap:	15.60		
Enterprise Value:	\$236,277,600,000	Today's Equity if 5x Op. CF:	\$84,343,984,380		
		Net Tang. Book+ Gain Disposition:			\$134,665,181,112.53
Shares Outstanding:	2,820,000,000	IRR:			-11.25%
				Price:	\$47.75
				Target Market Cap:	\$134,665,181,113
				Target Enterprise Value:	\$126,364,181,113

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

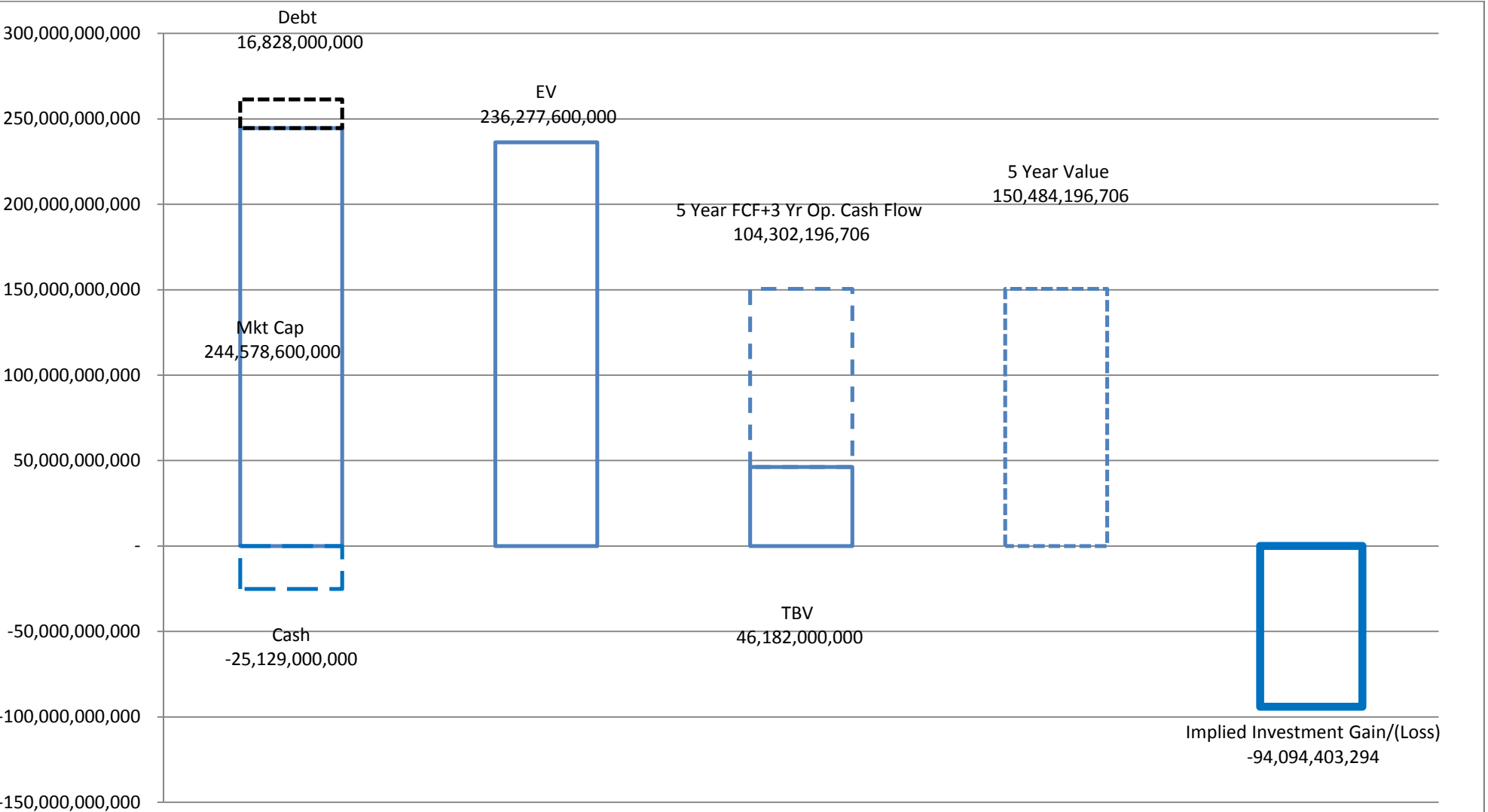
We normally don't cover large cap businesses since it is much more difficult to conduct a sum of parts, with operations all over the globe, versus a small cap firm, located primarily in the US. However, our Fall Associate wrote a comprehensive overview of the Co. and we looked into the Co.

JNJ is a large consumer care, pharmaceutical Co., which is primarily known for Tylenol, Listerine, and other globally branded products. The Co. generates \$15BB in operating cash flow, with low single digit top-line growth. With 65% gross margins, the Co. can invest 15% of revenue, or \$7BB in R&D. Not only that, the Co. requires relatively minimal capex investments at \$3BB on an annual basis. The remaining \$10BB goes to investors, either through dividends (\$6BB, or 3.0% dividend yield), or stock buy backs, and the remainder is stored in the cash balance, which is at \$25BB, including short term investments. The Co. has ample funds to payoff its current \$17BB debt balance.

The Co. has a strong moat in the form of long history, household name products, global presence and strong capital structure, to maintain and grow their business. The Co. did see some difficulties over the past couple years, when they recalled their flagship product, Tylenol.

On a value basis, we believe the stock is trading above our valuation range. We believe the Co. should trade around \$130BB, but is trading at \$245BB. The current equity valuation is Net Tangible Book Value + 13 years of operating cash flow. This is too long of a holding period for us, whereas we prefer 5 years.

Surely, JNJ will remain in business for the next 13 years, but we don't want to pay a premium price.



Johnson & Johnson was incorporated in the State of New Jersey in 1887. The Company is engaged in the research and development, manufacture and sale of a range of products in the health care field. It is a holding company, which has more than 250 operating companies conducting business in virtually all countries of the world. The Company's operating companies are organized into three business segments: Consumer, Pharmaceutical and Medical Devices and Diagnostics. The Consumer segment includes a range of products used in the baby care, skin care, oral care, wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. The Baby Care franchise includes the JOHNSON'S; Baby line of products. Major brands in the Skin Care franchise include the AVEENO; CLEAN & CLEAR; JOHNSON'S; Adult; NEUTROGENA; RoC; LUBRIDERM; Beijing Dabao Cosmetics Co., Ltd.; and Vendome product lines. The Oral Care franchise includes the LISTERINE; and REACH; oral care lines of products. Major brands in the Women's Health franchise are the CAREFREE; Pantliners and STAYFREE; sanitary protection products. The nutritional and over-the-counter lines include SPLENDA; No Calorie Sweetener; the family of TYLENOL; acetaminophen products; SUDAFED; cold, flu and allergy products; ZYRTEC; allergy products; MOTRIN; IBU ibuprofen products; and PEPCID; AC Acid Controller from Johnson & Johnson Merck Consumer Pharmaceuticals Co. The Pharmaceutical segment includes products in the following therapeutic areas: anti-infective, antipsychotic, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, urology and virology. Key products in the Pharmaceutical segment include: REMICADE; a biologic approved for the treatment of Crohn's disease, ankylosing spondylitis, psoriasis, psoriatic arthritis, ulcerative colitis, and use in the treatment of rheumatoid arthritis; TOPAMAX; approved for adjunctive and monotherapy use in epilepsy, as well as for the prophylactic treatment of migraines; PROCIT; biotechnology-derived product that stimulates red blood cell production; RISPERDAL; oral a medication that treats the symptoms of schizophrenia, bipolar mania and irritability associated with autistic behavior in indicated patients. RISPERDAL; CONSTA; a long-acting injectable, and INVEGATM Extended-Release tablets, for the treatment of schizophrenia; LEVAQUIN; and FLOXIN, both in the anti-infective field; CONCERTA; a product for the treatment of attention deficit hyperactivity disorder; ACIPHEX; PARIET; a proton pump inhibitor co-marketed with Eisai Inc.; and DURAGESIC; Fentanyl Transdermal a treatment for chronic pain that offers a novel delivery system. The Medical Devices and Diagnostics segment includes a range of products distributed to wholesalers, hospitals and retailers, used mainly in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. In all of their product lines, Johnson & Johnson's operating companies compete with companies large and small, located throughout the world. Most of Johnson & Johnson's businesses are subject to varying degrees of governmental regulation in the countries in which operations are conducted, and the general trend is toward increasingly stringent regulation.

Company Name:		Johnson & Johnson		Market Capitalization:		\$244,578,600,000.00		Revenue:		\$69,990,000,000.00		100.0%	
Ticker Symbol:	JNJ	Total Debt:	\$16,828,000,000.00	Revenue:	\$69,990,000,000.00	Cost of Goods Sold:	\$24,424,000,000.00		\$24,424,000,000.00		34.9%		
Last Price:	\$86.73	RCH Total Cash:	\$25,129,000,000.00	Gross Profit:	\$45,566,000,000.00	EBITDA:	\$22,740,000,000.00		\$22,740,000,000.00		32.5%		
Net Cash/Share:	\$2.94	Net Cash/(Debt):	\$8,301,000,000.00	Enterprise Value:	\$236,277,600,000.00	Net Income:	\$12,860,000,000.00		\$12,860,000,000.00		18.4%		
Net Cash to Last Price:	3.39%	Current EV/Share:	\$83.79	EBITDA:	\$17,909,000,000.00	<b>Balance Sheet</b>							
Shares Outstanding:	2,820,000,000	EBITDA:	\$17,909,000,000.00	EV/EBITDA Multiple:	13.19	Cash:	\$17,307,000,000.00		\$17,307,000,000.00				
Industry:	Drug Manufacturers - Major	EV/EBITDA Multiple Average Year 1-5:	11.71	EV/FCF Multiple (excluding acquisition):	18.96	Short Term Investment:	\$7,822,000,000.00		\$7,822,000,000.00				
Sector:	Healthcare	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	22.36	PP&E:	\$15,500,000,000.00	A/R:	\$11,310,000,000.00		\$11,310,000,000.00				
Institutional Ownership:	70.14%	<b>Upper Range</b>											
Mutual Fund Ownership:	30.67%	<b>DCF: EV/EBITDA Terminal Value</b>											
Insider Ownership:	0.08%	Implied TV from 3 X EV/EBITDA Multiple	\$51,434,486,644.69	A/P:	\$5,800,000,000.00	Deferred Tax:	\$3,685,000,000.00		\$3,685,000,000.00				
Float:	100.00%	Enterprise Value	\$51,434,486,644.69	Other Liabilities:	\$28,347,000,000.00	Short term Debt:	\$5,339,000,000.00		\$5,339,000,000.00				
<b>Technicals</b>		Cash at Year 5:	\$76,460,482,342.74	Long Term Debt:	\$11,489,000,000.00	Liabilities:	\$54,660,000,000.00		\$54,660,000,000.00				
52 week low:	\$67.80	Debt at Year 5:	\$16,828,000,000.00	Equity Value Year 5:	\$111,066,968,987.43	Retained Earnings:	\$90,000,000,000.00		\$90,000,000,000.00				
Today from 52 week low:	27.92%	Equity/Share at Year 5:	\$39.39	Annualized Return:	-14.60%	Paid-In Capital:	\$3,120,000,000.00		\$3,120,000,000.00				
52 week high:	\$94.42	<b>Lower Range</b>											
Today from 52 week high:	8.87%	<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>											
<b>Analyst/Consensus</b>		Year 5 Net Tangible Assets excluding cash and debt	\$8,423,000,000.00	Net Income:	10,514,000,000.00	Depreciation/Amortization:	3,666,000,000.00		3,666,000,000.00				
Analyst Sales Growth FY1:	5.30%	Enterprise Value	\$8,423,000,000.00	Change in Working capital:	-1,969,000,000.00	Cash from Operating Activities:	15,396,000,000.00		15,396,000,000.00				
Analyst Sales Growth FY2:	4.30%	Cash at Year 5:	\$76,460,482,342.74	Capital Expenditures:	-2,934,000,000.00	Cash from Investing Activities:	-2,934,000,000.00		-2,934,000,000.00				
SN Valuation Estimate FY1:	3.00%	Debt at Year 5:	\$16,828,000,000.00	Cash from Financing Activities:	-6,614,000,000.00	Issuance (Retirement) of Stock:	-10,199,000,000.00		-10,199,000,000.00				
SN Valuation Estimate FY2:	3.00%	Equity Value Year 5:	\$68,055,482,342.74	Issuance (Retirement) of Debt:	-3,666,000,000.00	Cash from Financing Activities:	-20,562,000,000.00		-20,562,000,000.00				
<b>Multiples</b>		Equity/Share at Year 5:	\$24.13	<b>Cash Flow</b>									
Market Value to Book:	3.56	Annualized Return:	-22.57%	Net Income:	10,514,000,000.00	Depreciation/Amortization:	3,666,000,000.00		3,666,000,000.00				
EV to Book:	3.44	<b>EVA</b>											
Market Value to Tangible Net Assets:	-31.59	EVA today:	\$70,440,528,236.43	Change in Working capital:	-1,969,000,000.00	Cash from Operating Activities:	15,396,000,000.00		15,396,000,000.00				
P/E Ratio:	19.02	EVA in 5 Years:	\$92,738,278,307.57	Cash from Investing Activities:	-2,934,000,000.00	Cash from Financing Activities:	-20,562,000,000.00		-20,562,000,000.00				
Trailing P/E Ratio:	19.24	EVA/Share:	\$32.89	Total Cash Dividends Paid:	-6,614,000,000.00	Issuance (Retirement) of Stock:	-10,199,000,000.00		-10,199,000,000.00				
Forward P/E Ratio:	14.90	Cash at Year 5:	\$76,460,482,342.74	Issuance (Retirement) of Debt:	-3,666,000,000.00	Cash from Financing Activities:	-20,562,000,000.00		-20,562,000,000.00				
Beta:	0.6	Debt at Year 5:	\$16,828,000,000.00	<b>Profitability Margins</b>									
Dividend:	2.64	Equity Value Year 5:	\$152,370,760,650.30	Debt to Equity:	24.53%	Return on Assets:	8.69%		8.69%				
Dividend Yield:	3.05%	Equity/Share at Year 5:	\$54.03	Return on Capital:	12.70%	Return on Equity:	15.82%		15.82%				
Dividend Date:	Sep 9, 2013	Annualized return:	5.65%	<b>Current Net Tangible Asset</b>									
Ex-Dividend Date:	Aug 23, 2013	Net Tangible Asset/Share:	\$6.75	<b>Net Tangible Asset/Share in Year 5:</b>									
<b>Competitors</b>		Annualized return:	27.98%	<b>Annualized return</b>									
Average EV to EBITDA:	N/A	Current Equity Price:	\$86.73	<b>Current Equity Price:</b>									
Company EV to EBITDA:	13.19	Selling at Discount?	Premium	<b>Selling at Discount?</b>									
Average EV to EBIT:	N/A	Appreciation Potential:	-92.22%	<b>Appreciation Potential:</b>									
Company EV to EBITA:	17.15	Copyright SN Valuation All Rights Reserved www.snvaluation.com											

SN VALUATION

LBO Pro Forma Income Statement

Name:

Johnson & Johnson

Ticker:

JNJ

	Historical				Forecasted				
	12 months ending 2010-01-03	12 months ending 2011-01-02	12 months ending 2012-01-01	12 months ending 2012-12-30	2013	2014	2015	2016	2017
Revenue	61,897.00	61,587.00	65,030.00	67,224.00	69,240.72	71,317.94	73,457.48	75,661.20	77,931.04
COGS	18,447.00	18,792.00	20,360.00	21,658.00	22,849.44	23,534.92	24,240.97	24,968.20	25,717.24
Gross margin	43,450.00	42,795.00	44,670.00	45,566.00	46,391.28	47,783.02	49,216.51	50,693.01	52,213.80
SG&A	19,801.00	19,424.00	20,969.00	20,869.00	22,849.44	23,534.92	24,240.97	24,968.20	25,717.24
R&D	6,986.00	6,844.00	7,548.00	7,665.00	8,308.89	8,558.15	8,814.90	9,079.94	9,351.72
Unusual expense	1,073.00	-117.00	569.00	2,902.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	-526.00	-651.00	2,743.00	-113.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	16,116.00	17,295.00	12,841.00	14,243.00	15,232.96	15,689.95	16,160.65	16,645.46	17,144.83
Interest income/(expense)	0.00	0.00	0.00	0.00	-1,471.91	-1,471.91	-1,471.91	-1,471.91	-1,471.91
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	15,755.00	16,947.00	12,361.00	13,775.00	13,761.05	14,218.04	14,688.74	15,173.55	15,672.92
Tax	3,489.00	3,613.00	2,898.00	3,261.00	4,816.37	4,976.31	5,141.06	5,310.74	5,485.52
Income after tax	12,266.00	13,334.00	9,672.00	10,514.00	8,944.68	9,241.72	9,547.68	9,862.81	10,187.40
Minority Interest	0.00	0.00	0.00	339.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	12,266.00	13,334.00	9,672.00	10,853.00	8,944.68	9,241.72	9,547.68	9,862.81	10,187.40
* Figures are in millions (\$)									
EPS (based off today's share count)	\$4.35	\$4.73	\$3.43	\$3.85	\$3.17	\$3.28	\$3.39	\$3.50	\$3.61
P/E (historical today's price; forecasted intrinsic price)	19.94	18.34	25.29	22.54	24.27	20.84	17.91	15.38	13.22
Revenue Growth	N/A	-0.50%	5.59%	3.37%	3.00%	3.00%	3.00%	3.00%	3.00%
Tax Rate	22.15%	21.32%	21.75%	23.67%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	-12.81%	-12.81%	-12.81%	-12.81%	-12.81%
Margins									
COGS	29.80%	30.51%	31.31%	32.22%	33.00%	33.00%	33.00%	33.00%	33.00%
Gross margin	70.20%	69.49%	68.69%	67.78%	67.00%	67.00%	67.00%	67.00%	67.00%
SG&A	31.99%	31.54%	32.25%	31.04%	33.00%	33.00%	33.00%	33.00%	33.00%
R&D	11.29%	11.11%	11.40%	11.40%	12.00%	12.00%	12.00%	12.00%	12.00%
Unusual expense	1.73%	-0.19%	0.87%	4.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	-0.85%	-1.06%	4.22%	-0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	26.04%	28.06%	19.75%	21.19%	22.00%	22.00%	22.00%	22.00%	22.00%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	-2.13%	-2.06%	-2.00%	-1.95%	-1.89%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	25.45%	27.52%	19.01%	20.49%	19.87%	19.94%	20.00%	20.05%	20.11%
Tax	5.64%	5.87%	4.14%	4.85%	6.96%	6.98%	7.00%	7.02%	7.04%
Income after tax	19.82%	21.65%	14.87%	15.64%	12.92%	13.35%	13.79%	14.24%	14.71%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	19.82%	21.65%	14.87%	16.14%	12.92%	12.96%	13.00%	13.04%	13.07%

						Adjustment		Adjusted Proforma					
	As of 2010-01-03	As of 2011-01-02	As of 2012-01-01	As of 2012-12-30	As of 2013-06-30	+	-	2011	2012	2013	2014	2015	
Cash	15,810.00	19,355.00	24,542.00	14,911.00	17,307.00			17,307.00	25527.66146	35,658.65	46,212.26	57,201.19	68,638.48
Short term investment	3,615.00	8,303.00	7,719.00	6,178.00	7,822.00			7,822.00	7,822.00	7,822.00	7,822.00	7,822.00	7,822.00
<b>Cash and Short term</b>	<b>19,425.00</b>	<b>27,658.00</b>	<b>32,261.00</b>	<b>21,089.00</b>	<b>25,129.00</b>			<b>25,129.00</b>	<b>33,349.66</b>	<b>43,480.65</b>	<b>54,034.26</b>	<b>65,023.19</b>	<b>76,460.48</b>
Accounts Receivable	9,646.00	9,774.00	10,581.00	11,309.00	11,310.00			11,310.00	11,310.00	11,310.00	11,310.00	11,310.00	11,310.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>9,646.00</b>	<b>9,774.00</b>	<b>10,581.00</b>	<b>11,309.00</b>	<b>11,310.00</b>			<b>11,310.00</b>	<b>11,310.00</b>	<b>11,310.00</b>	<b>11,310.00</b>	<b>11,310.00</b>	<b>11,310.00</b>
Total Inventory	5,180.00	5,378.00	6,285.00	7,495.00	7,822.00			7,822.00	7,822.00	7,822.00	7,822.00	7,822.00	7,822.00
Prepaid Expenses	2,497.00	2,273.00	2,633.00	3,084.00	3,425.00			3,425.00	3,425.00	3,425.00	3,425.00	3,425.00	3,425.00
Other Current Assets	2,793.00	2,224.00	2,556.00	3,139.00	3,283.00			3,283.00	3,283.00	3,283.00	3,283.00	3,283.00	3,283.00
<b>Current Assets</b>	<b>39,541.00</b>	<b>47,307.00</b>	<b>54,316.00</b>	<b>46,116.00</b>	<b>50,969.00</b>	<b>0.00</b>	<b>0.00</b>	<b>50,969.00</b>	<b>59189.66146</b>	<b>69,320.65</b>	<b>79,874.26</b>	<b>90,863.19</b>	<b>102,300.48</b>
PP&E, Gross	29,251.00	30,426.00	31,829.00	35,401.00	35,500.00			35,500.00	38,500.00	41,500.00	44,500.00	47,500.00	50,500.00
Change in Depreciation	2,774.00	2,939.00	3,158.00	3,666.00	3,666.00			3,666.00	3,775.98	3,899.26	4,005.94	4,126.12	4,249.90
Accumulated Depreciation	14,492.00	15,873.00	17,090.00	19,607.00	20,000.00			20,000.00	23,775.98	27,665.24	31,671.18	35,797.29	40,047.19
<b>PP&amp;E, Net</b>	<b>14,759.00</b>	<b>14,553.00</b>	<b>14,739.00</b>	<b>15,794.00</b>	<b>15,500.00</b>			<b>15,500.00</b>	<b>14,724.02</b>	<b>13,834.76</b>	<b>12,828.82</b>	<b>11,702.71</b>	<b>10,452.81</b>
Goodwill	14,862.00	15,294.00	16,138.00	22,424.00	22,425.00	0.00		22,425.00	22,425.00	22,425.00	22,425.00	22,425.00	22,425.00
Intangibles	16,323.00	16,716.00	18,138.00	28,752.00	28,800.00			28,800.00	30,300.00	30,300.00	30,300.00	30,300.00	30,300.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	9,197.00	9,038.00	10,313.00	7,958.00	7,217.00			7,217.00	7,217.00	7,217.00	7,217.00	7,217.00	7,217.00
<b>Long Term Assets</b>	<b>55,141.00</b>	<b>55,601.00</b>	<b>59,328.00</b>	<b>74,928.00</b>	<b>73,942.00</b>	<b>0.00</b>	<b>0.00</b>	<b>73,942.00</b>	<b>74,666.02</b>	<b>73,776.76</b>	<b>72,770.82</b>	<b>71,644.71</b>	<b>70,394.81</b>
<b>Total Assets</b>	<b>94,682.00</b>	<b>102,908.00</b>	<b>113,644.00</b>	<b>121,044.00</b>	<b>124,911.00</b>	<b>0.00</b>	<b>0.00</b>	<b>124,911.00</b>	<b>133,855.68</b>	<b>143,097.41</b>	<b>152,645.08</b>	<b>162,507.89</b>	<b>172,695.29</b>
Accounts Payable	5,541.00	5,623.00	5,725.00	5,831.00	5,800.00			5,800.00	5,800.00	5,800.00	5,800.00	5,800.00	5,800.00
Accrued Expense	9,430.00	9,254.00	9,574.00	12,691.00	12,700.00			12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00
Other current Liabilities	442.00	578.00	854.00	1,064.00	956.00			956.00	956.00	956.00	956.00	956.00	956.00
<b>Total Current Liabilities</b>	<b>15,413.00</b>	<b>15,455.00</b>	<b>16,153.00</b>	<b>19,586.00</b>	<b>19,456.00</b>	<b>0.00</b>	<b>0.00</b>	<b>19,456.00</b>	<b>19,456.00</b>	<b>19,456.00</b>	<b>19,456.00</b>	<b>19,456.00</b>	<b>19,456.00</b>
Notes Payables/Short Term Debt	6,318.00	7,617.00	6,658.00	4,676.00	5,339.00			5,339.00	5,339.00	5,339.00	5,339.00	5,339.00	5,339.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	8,223.00	9,156.00	12,969.00	11,489.00	11,489.00	0.00	0.00	11,489.00	11,489.00	11,489.00	11,489.00	11,489.00	11,489.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>14,541.00</b>	<b>16,773.00</b>	<b>19,627.00</b>	<b>16,165.00</b>	<b>16,828.00</b>	<b>0.00</b>	<b>0.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>
Deferred Income tax	1,424.00	1,447.00	1,800.00	3,136.00	3,685.00			3,685.00	3,685.00	3,685.00	3,685.00	3,685.00	3,685.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	12,716.00	12,654.00	18,984.00	17,634.00	14,691.00			14,691.00	14,691.00	14,691.00	14,691.00	14,691.00	14,691.00
<b>Total Liabilities</b>	<b>44,094.00</b>	<b>46,329.00</b>	<b>56,564.00</b>	<b>56,521.00</b>	<b>54,660.00</b>	<b>0.00</b>	<b>0.00</b>	<b>54,660.00</b>	<b>54,660.00</b>	<b>54,660.00</b>	<b>54,660.00</b>	<b>54,660.00</b>	<b>54,660.00</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	3,120.00	3,120.00	3,120.00	3,120.00	3,120.00		0.00	3,120.00	3,120.00	3,120.00	3,120.00	3,120.00	3,120.00
Additional Paid-in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	70,306.00	77,773.00	81,251.00	85,992.00	90,000.00			90,000.00	98,944.68	108,186.41	117,734.08	127,596.89	137,784.29
Treasury Stock	-19,780.00	-20,783.00	-21,659.00	-18,476.00	-18,500.00		0.00	-18,500.00	-18,500.00	-18,500.00	-18,500.00	-18,500.00	-18,500.00
Other Equity	-3,173.00	-3,655.00	-5,912.00	-6,013.00	-6,013.00		0.00	-6,013.00	-6,013.00	-6,013.00	-6,013.00	-6,013.00	-6,013.00
<b>Total Equity</b>	<b>50,473.00</b>	<b>56,455.00</b>	<b>56,800.00</b>	<b>64,623.00</b>	<b>68,607.00</b>	<b>0.00</b>	<b>0.00</b>	<b>68,607.00</b>	<b>77,551.68</b>	<b>86,793.41</b>	<b>96,341.08</b>	<b>106,203.89</b>	<b>116,391.29</b>
<b>Liability + Equity</b>	<b>94,567.00</b>	<b>102,784.00</b>	<b>113,364.00</b>	<b>121,144.00</b>	<b>123,267.00</b>	<b>0.00</b>	<b>0.00</b>	<b>123,267.00</b>	<b>132,211.68</b>	<b>141,453.41</b>	<b>151,001.08</b>	<b>160,863.89</b>	<b>171,051.29</b>
<b>Variance</b>	115.00	124.00	280.00	-100.00	1,644.00			1,644.00	1,644.00	1,644.00	1,644.00	1,644.00	1,644.00
<b>Debt/Equity</b>	0.29	0.30	0.35	0.25	0.25			0.25	0.22	0.19	0.17	0.16	0.14
Inventory Turnover	11.95	11.45	10.35	8.97	8.85			8.59	8.85	9.12	9.39	9.67	9.96
Inventory Turnover Days	30.55	31.87	35.28	40.69	41.23			42.47	41.23	40.03	38.87	37.73	36.64
Days Inventory Outstanding	102.49	104.46	112.67	126.31	124.95			131.82	124.95	121.31	117.78	114.35	111.02
Accounts Receivable Turnover	6.42	6.30	6.15	5.94	6.12			5.94	6.12	6.31	6.49	6.69	6.89
Accounts Receivable Turnover Days	56.88	57.93	59.39	61.40	59.62			61.41	59.62	57.88	56.20	54.56	52.97
Days Payable Outstanding	109.64	109.22	102.63	98.27	92.65			97.75	92.65	89.95	87.33	84.79	82.32
Days Sales Outstanding	56.88	57.93	59.39	61.40	59.62			61.40	61.41	59.62	57.88	56.20	54.56
Cash Conversion Cycle	49.74	53.17	69.43	89.45	91.92			95.48	93.71	90.98	88.33	85.76	83.26
Net tangible assets/share	\$6.84	\$8.67	\$7.99	\$4.77	\$6.16			\$8.80	\$12.08	\$15.47	\$18.96	\$22.58	

	12 months ending 2010-01-03	12 months ending 2011-01-02	12 months ending 2012-01-01	12 months ending 2012-12-30	2011	2012	2013	2014	2015
Net Income	12,266.00	13,334.00	9,672.00	10,514.00	8,944.68	9,241.72	9,547.68	9,862.81	10,187.40
Depreciation	2,774.00	2,939.00	3,158.00	3,666.00	3,775.98	3,889.26	4,005.94	4,126.12	4,249.90
<b>Net Income + Depreciation</b>	<b>15,040.00</b>	<b>16,273.00</b>	<b>12,830.00</b>	<b>14,180.00</b>	<b>12,720.66</b>	<b>13,130.98</b>	<b>13,553.62</b>	<b>13,988.93</b>	<b>14,437.30</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-436.00	356.00	-836.00	-39.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	686.00	626.00	653.00	3,224.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	1,281.00	-870.00	1,651.00	-1,969.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-128.00	-807.00	-728.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-198.00	-907.00	-1,210.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	224.00	-360.00	-451.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	82.00	102.00	106.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>16,571.00</b>	<b>16,385.00</b>	<b>14,298.00</b>	<b>15,396.00</b>	<b>12,720.66</b>	<b>13,130.98</b>	<b>13,553.62</b>	<b>13,988.93</b>	<b>14,437.30</b>
Capital Expenditures Expenditures	-2,365.00	-2,384.00	-2,893.00	-2,934.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00	-3,000.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-5,233.00	-5,470.00	-1,719.00	-1,576.00	-1,500.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-7,598.00</b>	<b>-7,854.00</b>	<b>-4,612.00</b>	<b>-4,510.00</b>	<b>-4,500.00</b>	<b>-3,000.00</b>	<b>-3,000.00</b>	<b>-3,000.00</b>	<b>-3,000.00</b>
Financing Cash flow items	0.00	0.00	0.00	-83.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-5,327.00	-5,804.00	-6,156.00	-6,614.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-1,248.00	-1,571.00	-1,279.00	-10,199.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	2,483.00	2,395.00	2,983.00	-3,666.00	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-4,092.00</b>	<b>-4,980.00</b>	<b>-4,452.00</b>	<b>-20,562.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	161.00	-6.00	-47.00	45.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	10,768.00	15,810.00	19,355.00	24,542.00	17,307.00	25,527.66	35,658.65	46,212.26	57,201.19
<b>Net Change in Cash</b>	<b>5,042.00</b>	<b>3,545.00</b>	<b>5,187.00</b>	<b>-9,631.00</b>	<b>8,220.66</b>	<b>10,130.98</b>	<b>10,553.62</b>	<b>10,988.93</b>	<b>11,437.30</b>
Ending Cash Balance	15,810.00	19,355.00	24,542.00	14,911.00	25,527.66	35,658.65	46,212.26	57,201.19	68,638.48
Capex to Revenue	3.82%	3.87%	4.45%	4.36%	4.33%	4.21%	4.08%	3.97%	3.85%
Depreciation to Sales	4.48%	4.77%	4.86%	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	15.58%	15.87%	16.27%	16.82%	16.33%	15.86%	15.40%	14.95%	14.51%
Distributable FCF/EV Yield	3.80%	3.61%	4.10%	4.61%	3.48%	4.29%	4.47%	4.65%	4.84%
Dividend Yield	-2.18%	-2.37%	-2.52%	-2.70%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>19,533.00</b>	<b>19,805.00</b>	<b>17,561.00</b>	<b>19,076.00</b>	<b>9,720.66</b>	<b>10,130.98</b>	<b>10,553.62</b>	<b>10,988.93</b>	<b>11,437.30</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

JNJ

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-9,631.00</b>	<b>8,220.66</b>	<b>10,130.98</b>	<b>10,553.62</b>	<b>10,988.93</b>	<b>11,437.30</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>	<b>16,828.00</b>
Current Portion Debt Balance	5,339.00	5,339.00	5,339.00	5,339.00	5,339.00	5,339.00
Long Term Debt Balance	11,489.00	11,489.00	11,489.00	11,489.00	11,489.00	11,489.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		7.00%	7.00%	7.00%	7.00%	7.00%
<b>Interest Rate</b>		<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Interest Expense</b>		<b>1682.80</b>	<b>1682.80</b>	<b>1682.80</b>	<b>1682.80</b>	<b>1682.80</b>
Cash Balance		21,089.00				
Interest @ 1.0%		210.89	210.89	210.89	210.89	210.89
<b>Net Interest Expense/(Income)</b>		<b>1471.91</b>	<b>1471.91</b>	<b>1471.91</b>	<b>1471.91</b>	<b>1471.91</b>
<b>Net Interest Rate</b>		<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>
EBITDA		15,232.96	15,689.95	16,160.65	16,645.46	17,144.83
<b>EBITDA/Interest Expense Coverage</b>		<b>9.05</b>	<b>9.32</b>	<b>9.60</b>	<b>9.89</b>	<b>10.19</b>

Interest Rate Coverage Table

Debt Rating					
AAA					
AA			AA	AA	AA
A+	A+	A+			
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Johnson & Johnson

Ticker:

JNJ

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	24,128.00	31,852.00	38,163.00	31,513.00	39,733.66	49,864.65	60,418.26	71,407.19	82,844.48
Total Assets	94,682.00	102,908.00	113,644.00	124,911.00	133,855.68	143,097.41	152,645.08	162,507.89	172,695.29
<b>X1</b>	<b>0.25</b>	<b>0.31</b>	<b>0.34</b>	<b>0.25</b>	<b>0.30</b>	<b>0.35</b>	<b>0.40</b>	<b>0.44</b>	<b>0.48</b>
Retained Earnings	70,306.00	77,773.00	81,251.00	90,000.00	98,944.68	108,186.41	117,734.08	127,596.89	137,784.29
Total Assets	94,682.00	102,908.00	113,644.00	124,911.00	133,855.68	143,097.41	152,645.08	162,507.89	172,695.29
<b>X2</b>	<b>0.74</b>	<b>0.76</b>	<b>0.71</b>	<b>0.72</b>	<b>0.74</b>	<b>0.76</b>	<b>0.77</b>	<b>0.79</b>	<b>0.80</b>
EBITDA	16,116.00	17,295.00	12,841.00	14,243.00	15,232.96	15,689.95	16,160.65	16,645.46	17,144.83
Total Assets	94,682.00	102,908.00	113,644.00	124,911.00	133,855.68	143,097.41	152,645.08	162,507.89	172,695.29
<b>X3</b>	<b>0.17</b>	<b>0.17</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.10</b>	<b>0.10</b>
Market Value of Equity	244,578.60	244,578.60	244,578.60	244,578.60	217,063.01	192,642.99	170,970.26	151,735.76	134,665.18
Total Liabilities	44,094.00	46,329.00	56,564.00	54,660.00	54,660.00	54,660.00	54,660.00	54,660.00	54,660.00
<b>X4</b>	<b>5.55</b>	<b>5.28</b>	<b>4.32</b>	<b>4.47</b>	<b>3.97</b>	<b>3.52</b>	<b>3.13</b>	<b>2.78</b>	<b>2.46</b>
Net Sales	61,897.00	61,587.00	65,030.00	67,224.00	69,240.72	71,317.94	73,457.48	75,661.20	77,931.04
Total Assets	94,682.00	102,908.00	113,644.00	124,911.00	133,855.68	143,097.41	152,645.08	162,507.89	172,695.29
<b>X5</b>	<b>0.65</b>	<b>0.60</b>	<b>0.57</b>	<b>0.54</b>	<b>0.52</b>	<b>0.50</b>	<b>0.48</b>	<b>0.47</b>	<b>0.45</b>
<b>Altman Z Score</b>	<b>5.89</b>	<b>5.75</b>	<b>4.94</b>	<b>4.91</b>	<b>4.67</b>	<b>4.45</b>	<b>4.26</b>	<b>4.10</b>	<b>3.95</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red



Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
<b>Tangible Book Value</b>	<b>46,182.00</b>	<b>55,126.68</b>	<b>64,368.41</b>	<b>73,916.08</b>	<b>83,778.89</b>	<b>93,966.29</b>				<b>93,966.29</b>
Annual Change		8,944.68	9,241.72	9,547.68	9,862.81	10,187.40				
<b>Annual FCF</b>	<b>12,462.00</b>	<b>9,720.66</b>	<b>10,130.98</b>	<b>10,553.62</b>	<b>10,988.93</b>	<b>11,437.30</b>	<b>10,566.30</b>	<b>10,566.30</b>	<b>10,566.30</b>	<b>31,698.89</b>
Annual Op. Cash Flow	15,396.00	12,720.66	13,130.98	13,553.62	13,988.93	14,437.30	13,566.30	13,566.30	13,566.30	
Annual PP&E Investment	(2,934.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	
<b>Today's Tangible Book Value</b>	<b>46,182.00</b>	<b>53,231.98</b>	<b>61,358.18</b>	<b>70,724.90</b>	<b>81,521.51</b>	<b>93,966.29</b>				<b>125,665.18</b>
Intrinsic Value IRR	15.27%									
<b>Market Price</b>	<b>244,578.60</b>	<b>214,080.82</b>	<b>187,385.96</b>	<b>164,019.83</b>	<b>143,567.34</b>	<b>125,665.18</b>				<b>125,665.18</b>
Market Price IRR	-12.47%									

Debt	50.00%	122,289.30
Equity	50.00%	122,289.30
<b>Total</b>	<b>100.00%</b>	<b>244,578.60</b>

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	68607	122,289.30	123,495.13	124,998.01	126,806.84	128,930.80	131,379.35				
Goodwill	22425	198,396.60	198,396.60	198,396.60	198,396.60	198,396.60	198,396.60				
Debt	<b>11489</b>	<b>133,778.30</b>	<b>133,778.30</b>	<b>133,778.30</b>	<b>133,778.30</b>	<b>133,778.30</b>	<b>133,778.30</b>				
Debt Interest Rate		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%				
Additional Interest Expense		11,905.92	11,905.92	11,905.92	11,905.92	11,905.92	11,905.92				
<b>Tangible Book Value</b>	<b>46182</b>	<b>-76,107.30</b>	<b>-74,901.47</b>	<b>-73,398.59</b>	<b>-71,589.76</b>	<b>-69,465.80</b>	<b>-67,017.25</b>				<b>-67,017.25</b>
Annual Change			1,205.83	1,502.88	1,808.83	2,123.96	2,448.55				
<b>Annual FCF</b>	<b>12,462.00</b>	<b>1,981.81</b>	<b>2,392.14</b>	<b>2,814.77</b>	<b>3,250.08</b>	<b>3,698.45</b>	<b>3,698.45</b>	<b>3,698.45</b>	<b>3,698.45</b>	<b>3,698.45</b>	<b>11,095.34</b>
Annual Net Income	10,853.00	1,205.83	1,502.88	1,808.83	2,123.96	2,448.55	2,448.55	2,448.55	2,448.55	2,448.55	
Annual Op. Cash Flow	15,396.00	4,981.81	5,392.14	5,814.77	6,250.08	6,698.45	6,698.45	6,698.45	6,698.45	6,698.45	
Dividend Payments											
Annual PP&E Investment	(2,934.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	(3,000.00)	
Debt Paydown	0.00						0.00	0.00	0.00		

Sale Price in Year 5 **(55,921.90)**

Capital Left for Equity Investor **(55,921.90)**  
 Dividend Payments **0.00**  
 Total Cash In Flow **(55,921.90)**

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

Invested Equity **122,289.30**  
 IRR **-185.51%**

Value Creation  
 TBV Growth (equals sum of NI Year 1-5) 9,090.05  
 Cash Flow (Year 6-8) 11,095.34  
**20,185.40**

Value Dilution  
 Debt 122,289.30  
 Goodwill 175,971.60  
 Additional Interest 59,529.60  
**357,790.50**