

BRIEFING JOHNSON & JOHNSON

THE ISSUE ASBESTOS ALLEGATIONS

Healthcare group Johnson & Johnson (J&J) had a troubled end to 2018, with \$40bn (€35bn) wiped off its value following a Reuters report that the firm knew for decades that asbestos was sometimes present in its talcum powder products. Its shares traded as low as \$122 in New York — down from almost \$148 before the report.

Using thousands of pages of internal company documents that became available following 11,700 lawsuits over its baby powder, the report said J&J has known since 1971 that small amounts of asbestos are present in some powders. J&J has denied this and taken out full-page newspaper advertisements defending its products.

Shortly after the Reuters report, a judge in Missouri refused to set aside a verdict against J&J that awarded \$4.69bn to 22 women who alleged they suffered ovarian cancer as a result of asbestos in its talc products.

THE BOSS ALEX GORSKY

Alex Gorsky began his J&J career in 1988 as a sales rep at Janssen Pharmaceutica, a J&J company. He advanced through the sales, marketing and management hierarchy but left J&J in 2004 to run the North American pharma unit at Novartis.

Gorsky rejoined J&J in 2008 and was named chief executive in 2012. He also serves as its chairman.

He has tackled the asbestos claims head on, defending his company in an

interview with CNBC after the Reuters report. Gorsky said: “We unequivocally believe that our talc, our baby powder, does not contain asbestos.”

THE ANALYST DAVID FAHY, CANTOR

Before the Reuters report, J&J was having a reasonable 2018, with a positive performance in what has been a turbulent time for equity markets. While research is continuing on the asbestos issue, these reports and legal actions will continue to weigh on public and investor sentiment for the foreseeable future. J&J faces some significant questions: is there asbestos in its talcs; is there a link between the product and cancer; and, if there is, were J&J executives aware of it? The stock trades at 15.65 times estimated financial-year 2018 earnings, with a FY2018 dividend yield of 2.81%.

◆ Johnson & Johnson



Source: Yahoo

Market cap: \$342.8bn (€301bn); **Share price:** \$127.83; **DPS:** \$3.59; **EPS:** \$8.16; **Top shareholders:** Vanguard Group, 7.96%; BlackRock, 6.69%; State Street, 5.68%; State Farm Mutual Automobile Insurance, 2.42%; Capital Group, 1.52%