

TOP 20 PHARMA

Johnson & Johnson

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| | | |
|-------------------------|----------|------|
| HEADCOUNT | 119,200 | |
| YEAR ESTABLISHED | 1887 | |
| PHARMA REVENUES | \$24,866 | +7% |
| TOTAL REVENUES | \$61,096 | +15% |
| NET INCOME | \$10,576 | -4% |
| R&D BUDGET | \$7,680 | +8% |

DRUGS APPROVED/LAUNCHED

| Drug | Indication |
|------------|--|
| remicade | pediatric Crohn's disease (EU) |
| intencele | HIV |
| doribax | complicated urinary tract infections, intra-abdominal infections |
| ionsys | pain (EU) |
| tapentadol | pain |
| concerta | attention deficit hyperactivity disorder |

DRUGS PENDING APPROVAL

| Drug | Indication |
|-------------------|--|
| ceftobiprole | antibacterial, complicated skin and skin structure infections |
| risperdal IM | long-acting injectable, schizophrenia |
| ustekinumab | psoriasis |
| dapoxetine | premature ejaculation |
| doribax | nosocomial pneumonia |
| velcade | multiple myeloma first line (EU) |
| prezista (tmc114) | treatment-naïve patients, early experienced patients, HIV |
| tapentadol | moderate to severe acute pain (IR formulation) |
| dapoxetine | premature ejaculation (EU) |
| golimumab | rheumatoid arthritis (SC), ankylosing spondylitis (SC), psoriatic arthritis (SC) |

DRUGS IN PHASE IIB AND BEYOND

| Drug | Indication |
|--|---|
| invega (paliperidone ER OROS) | bipolar mania |
| risperdal consta | bipolar maintenance, long acting injectable |
| carisbamate | epilepsy |
| topamax | pediatric exclusivity |
| remicade | pediatric ulcerative colitis |
| procrit | chronic renal function, extended dosing |
| ceftobiprole | nosocomial pneumonia and hospitalized COPD |
| doxil (doxorubicin HCl liposome injection) | breast cancer |
| velcade | non-Hodgkin's lymphoma |
| yondelis | relapsed ovarian cancer |
| telaprevir | chronic hepatitis C virus (HCV) infection |
| tapentadol ER | moderate to severe chronic pain |
| rivaroxaban | VTE (prevention in hip and knee replacement surgery), stroke prevention in atrial fibrillation, VTE treatment |

dacogen
for injection

myelodysplastic syndromes,
acute myeloid leukemia

EARLY RESEARCH PROJECTS

| Drug | Indication |
|--------------------------|---|
| pancrelipase microtablet | exocrine pancreatic insufficiency; pancreatitis, chronic; steatorrhea |
| jnj-26481585 | lymphoma |
| jnj-26854165 | solid tumors |
| jnj-26481585 | advanced or refractory leukemia; myelodysplastic syndrome |
| gefitinib | non-small cell lung cancer |
| jnj-26483327 | advanced and solid malignancies |
| doxil | small cell lung cancer; pancreatic, head and neck, gastric and esophageal cancers |
| r115777 | leukemia, myeloid, chronic |
| bortezomib | multiple myeloma or non-Hodgkin's lymphoma |
| rifampicin | multiple myeloma or non-Hodgkin's lymphoma |
| levofloxacin | HIV infections |
| jvrs-100 adjuvant | influenza |
| imo-2055 | non-small cell lung cancer |
| naproxinod, naproxen | hypertension |
| imatinib mesylate | leukemia |
| vax102 | influenza infection |

DRUGS COMING OFF PATENT

| Drug | Indication |
|-----------|----------------------|
| topamax | epilepsy (2008) |
| risperdal | antipsychotic (2008) |

TOP SELLING DRUGS

| Drug | Indication | \$ | (+/- %) |
|------------------|----------------------|---------|---------|
| Risperdal family | antipsychotic | \$4,697 | 12% |
| Procrit/Eporex | anemia | \$2,885 | -9% |
| Remicade | rheumatoid arthritis | \$3,327 | 10% |
| Topamax | epilepsy | \$2,453 | 21% |
| Levaquin | infection | \$1,646 | 8% |
| Duragesic | chronic pain | \$1,164 | -10% |
| Aciphex/Pariet | acid reflux | \$1,357 | 10% |
| Concerta | ADHD | \$1,028 | 11% |

Account for 75% of total pharma sales, same as in 2006.

TOP 20 PHARMA: Johnson & Johnson

FOR A COMPANY THAT'S SUPPOSED to be well-balanced, J&J looks to me like it's teetering. In 2006, Procrit sales dropped 4% as FDA restricted its use. The ESA drug's sales fell another 9% in 2007 as FDA and Medicare scrutiny increased. J&J's #2 drug in 2006 fell behind Remicade to the #3 spot in 2007 and got passed by Topamax in 1Q08.

Meanwhile, the oral version of #1-seller Risperdal will see generic competition in the U.S. in June 2008. J&J posted Risperdal's numbers as part of the "Antipsychotics" franchise (\$4.7 billion in 2007), but did break out sales of Risperdal oral at \$2.2 billion in the U.S. in 2007.

Interestingly, in 1Q08, J&J did choose to split Risperdal's numbers (-7% to \$809 million) from Risperdal Consta's (+18% to \$309 million) in its list of pharma revenues. I'm guessing this is to prepare for the disastrous numbers that Risperdal oral will post later this year, but as I like to point out, I don't have an MBA. To keep itself covered, J&J announced in June 2008 that it would market its own generic version of Risperdal through its Janssen division.

Fortunately, new antipsychotic Invega was approved in 2007. J&J hopes of to transition schizophrenia patients to it from Risperdal, but psychiatrists have been slow to make the switch.

Oh, and Topamax, which posted \$2.4 billion in 2007 sales, will go generic in the U.S. in 2009 and is also likely carry suicide warning labels (as will other members of its class of drugs).

That covers three of the top four products at J&J pharma. The other one, TNF-blocker Remicade, is going gangbusters, posting \$3.3 billion in 2007 sales and a 37% bump to \$1.0 billion in 1Q08. (Sure, the entire class of TNF-blockers is under safety review at the FDA, but hey.)

THE LOWE DOWN

J&J HAS ALWAYS SPREAD ITSELF all over the place. They have their medical products business, of course, and they are a player in biologics, even if some of that is the troubled and volatile EPO market. But recently, the company seems to have decided that its own research doesn't have as much potential as everyone else's. That's the obvious way to interpret the cutbacks all over their discovery organization and their simultaneous deal-signing with everyone in sight. RNAi? Sold. Fragment-based drug design? Deal! Do you have a Phase II or III compound that needs some marketing muscle? Hey, the door is always open.

Is all this going to work, though? After all, they're not the only company trying this sort of thing, and that makes all those potential deals that much more expensive to do. I think this is one of those strategies that only works if your competitors don't decide to try it as well: when everyone tries to go out that door at once, they all get stuck.

—Derek Lowe

Safe?

As I mentioned at the outset, J&J tends to be portrayed as a very balanced company. The three divisions — pharma, medical device, and consumer health — help the company weather volatility in specific parts of the healthcare market. But if you look over the "Top Selling Drugs" section on the first page of this profile, you'll notice that J&J's eight top sellers account for 75% of its total pharma revenues. As it turns out, that's not very balanced. Of the companies that rank above it in this list, only AstraZeneca relies more on its blockbusters for its revenues. And no one's going around saying they want to emulate AZ's market position.

(Pfizer shows a higher percentage, but that's misleading; Pfizer lists revenues for more of its drugs and I cut off Top Sellers at the \$500 million mark. If you take Pfizer's top eight products, in comparison with J&J, they only account for 58% of the company's pharma revenues.)

J&J's pharma business showed 6.9% revenue growth in 2007, but even that modest bump doesn't look so good when we peek at the numbers. Of the 6.9%, currency fluctuations accounted for 2.6%; more than a third of the business's growth resulted from a weak dollar. U.S. sales for the year, which are unaffected by exchange rates, were up only 3.4%. In 2006, exchange rates only accounted for 0.3% of 4.2% growth.

It got worse in the beginning of this year: 1Q08 pharma growth was 3.3%, but 3.9% of that came from currency rates. Which means J&J would've posted a loss of 0.3% for the quarter without the weak dollar. U.S. sales were up 0.9%, but international numbers were down 3.1%, and that was buttressed by an 11.0% boost from exchange rates.

Same Story

If you've read the *Top Companies* report this far, you know what the next step for J&J is: restructuring! In July 2007 (too late for last year's edition), J&J offered up its cost-reduction strategy, which will involve consolidating operations, boosting R&D and market support, and firing around 4,400 people. The plan is intended to save \$1.3 to \$1.6 billion annually — starting this year! — and cost the company \$745 million in 2007.

The company already reorganized its pharma business in 2006, focusing its efforts on three areas: CNS & internal medicine; biotech, immunology and oncology; and virology. Now, in contrast with Novartis' goal of reducing management layers, J&J announced plans to *add* some structure to its fabled decentralized collection of companies. In November 2007, the company added an Office of Strategy and Growth (OSG), a Surgical Care Group, and a Comprehensive Care Group as part of this initiative.

The OSG, according to a company statement, "will explore business opportunities in markets where we currently do not compete but in which we see new opportunities. It will also explore opportunities in markets that do not yet exist but where we see the potential for transformational products and technologies." The OSG will also look for new businesses that will stand outside the existing consumer health, pharma and device/diagnostic divisions. Good luck with that. ■