

Johnson & Johnson tops 4Q earnings expectations

January 20 2015, by Linda A. Johnson



In this Tuesday, July 30, 2013, file photo, people walk along a corridor at the headquarters of Johnson & Johnson in New Brunswick, N.J. Johnson & Johnson on Tuesday, Jan. 20, 2015 said its fourth-quarter profit dropped 28 percent as lower sales overseas, mainly because of unfavorable currency exchange rates, dragged down revenue for its consumer and medical device businesses. (AP Photo/Mel Evans, File)

The strong dollar and stiff competition for some products squeezed

Johnson & Johnson in the fourth quarter and it missed Wall Street expectations for revenue, triggering a rare sell-off of its shares.

The world's biggest maker of health care products did edge past profit forecasts and there were other bright spots, including a 10 percent jump in prescription drug sales and increasing use of medical care in the U.S.

"Health care reform efforts and improving economies are helping more people access high-quality care," CEO Alex Gorsky told analysts on a conference call Tuesday.

Spending on health care slowed when the recession began in 2008 and workers started losing their jobs and, in the U.S., their health insurance as well.

Gorsky said utilization has now risen for two quarters—a good sign for prescription drug and medical device makers. Hospital admissions and surgeries are increasing, the company said. That boosts sales of Johnson & Johnson's surgical devices, wound care products and medicines.

Net income fell to \$2.52 billion, or 89 cents per share, from \$3.52 billion, or \$1.23 per share, a year earlier, when the results were buoyed by a \$769 million tax benefit.

Excluding charges for litigation and other one-time costs, net income was \$3.61 billion, or \$1.27 per share. Analysts surveyed by FactSet expected \$1.25 per share.

Some industry analysts cited a tax credit for research spending in 2014 for the 2-cent beat.

In mid-afternoon trading, shares of the New Brunswick, New Jersey, company fell 2.9 percent, or \$3.02, to \$101.02. Volume was nearly

normal for a full day.

Fourth-quarter revenue totaled \$18.25 billion, down 0.6 percent and below analyst expectations of \$18.56 billion.

Revenue for the full year hit a record \$74.33 billion.

Sales of prescription medicines, the company's biggest segment, jumped to \$7.99 billion from \$7.3 billion. That was driven by growth from stroke-preventing drug Xarelto, immune disorder treatments Simponi and Stelara, Zytiga for prostate cancer and a temporary spike for its new hepatitis C drug, Olysio. It hit \$321 million in the fourth quarter, but that's expected to drop sharply on competition from hotter rivals, Gilead Sciences Inc.'s Sovaldi and Harvoni and AbbVie Inc.'s Viekira.

The maker of Tylenol said unfavorable currency exchange rates decreased total revenue by 7.9 percent. Hardest hit were its other two divisions, with sales of medical devices down 9 percent to \$6.65 billion and sales of consumer products such as baby shampoo and Band-Aids down 3.9 percent to \$3.61 billion.

Analyst Steve Brozak said the weak global economy and competition in some areas will keep pushing down prices. He believes J&J needs to acquire more promising drugs and devices before deals become even more costly.

The company forecast full-year 2015 adjusted earnings ranging from \$6.12 to \$6.27 per share. For the first time, J&J will exclude the cost of asset write-downs, effectively boosting that number by 32 cents and putting the \$6.20 midrange below analyst expectations.

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