Johnson & Johnson tops 2Q forecasts despite profit drop

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In this July 30, 2013, file photo, large banners hang in an atrium at the headquarters of Johnson & Johnson in New Brunswick, N.J. Johnson & Johnson reports financial results on Tuesday, July 19, 2016. (AP Photo/Mel Evans, File)

Surging second-quarter sales of Johnson & Johnson's prescription drugs, its healthiest business, were more than offset by a one-time gain a year ago, driving profit down 11.5 percent.

But the health care giant easily beat Wall Street's expectations and raised its full-year financial forecasts. Its shares rose to an all-time high Tuesday.

Sales of several key new medicines buoyed revenue, and medical device sales edged up. But sales dipped for consumer products such as Band-Aids and Johnson's Baby Powder. More importantly, J&J's top-selling prescription drug is facing cheaper competition, possibly as soon as this year, depending on the outcome of litigation.

Remicade, an injected biologic drug for immune disorders including rheumatoid arthritis, already has competition in some other countries from "biosimilar" versions, near-copies of complex biologic drugs manufactured in living cells. Higher U.S. sales offset an overseas decline and boosted total Remicade sales to nearly $1.8 billion in the second quarter. As biosimilars reach the market in the U.S. and additional countries, total sales are expected to fall.

The world's biggest maker of health care products reported net income of $4 billion, or $1.43 per share. That was down from $4.52 billion, or $1.61 per share, a year ago when the company had a $931 million gain from the sale of rights to pain drug Nucynta. J&J also took a $557 million charge for litigation costs in the latest quarter.

Adjusted for one-time items, earnings came to $1.74 per share, 7 cents more than analysts expected.

The New Brunswick, New Jersey-based company posted revenue of $18.48 billion in the period, up 3.9 percent and well above Street forecasts for $17.89 billion.

Shares were up $2.14, or 1.7 percent, at $125.38 in afternoon trading after peaking earlier at an all-time high of $125.47.

Analyst Jeffrey Loo at S&P Capital Global Market Intelligence kept his"Buy" recommendation on J&J and raised his 12-month target price for its shares by $10, to $143. He wrote that he expects growth in consumer sales in the second half and is "encouraged by the improvement" in medical devices.

Credit Suisse analyst Vamil K. Divan wrote to investors that the "strong quarter" was driven by better-than-expected revenue in the prescription drug business, "with almost all of the key growth drivers delivering," and in the medical devices business, which is being reorganized due to slumping profits.

The company said the strong dollar, which reduces the value of products bought overseas in local currencies, lowered sales by 2.7 percent. Such unfavorable exchange rates have been hurting U.S.-based multinational companies for the last few years, but by much more until recently.

Johnson & Johnson raised its full-year earnings forecast to a range of $6.63 to $6.73 per share, up from its April forecast for $6.53 to $6.68 per share. It now expects revenue of $71.5 billion to $72.2 billion, up from $71.2 billion to $71.9 billion.

"Our second-quarter results have continued the momentum that began with our first quarter," CEO Alex Gorsky told analysts during a conference call.

Sales of prescription drugs, J&J's largest business, climbed 8.9 percent to $8.65 billion in the quarter, mostly due to a 13.2 percent jump in U.S. sales. Those increases were mainly driven by surging sales of newer medicines, including Imbruvica for blood cancer, type 2 diabetes pill Invokana, Darzalex for the bone marrow cancer multiple myeloma and heavily advertised Xarelto, for preventing heart attacks and strokes.

Combo diabetes pill Invokamet won U.S. approval during the quarter and three medicines were approved for sale in the European Union.

Sales of medical devices and diagnostics dipped nearly a percent to $6.41 billion, partly due to last year's sale of the Cordis heart devices unit. Gorsky noted J&J saw increases around 3 percent in the latest quarter in hospital admissions and procedures, which boosts sales for that business and some of its medicines.

Sales of consumer health products dipped 1.8 percent to $3.42 billion, despite strong sales from pain relievers Tylenol and Motrin and skin care lines Aveeno and Neutrogena. On Monday, J&J closed a $3.3 billion acquisition of hair and personal products maker Vogue International LLC, and during the second quarter, it bought "dermocosmetics" maker NeoStrata Co. Inc.