

J&J Profits Slip 23 Percent On String Of Recalls

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TRENTON, New Jersey (AP) — Health care giant Johnson & Johnson said Tuesday its sales rebounded but its profit dropped 23 percent in the first quarter, due to higher expenses, costs of recalls and litigation and a tax gain that boosted results a year ago.

Adjusted earnings topped analysts' expectations. J&J also raised its full-year earnings outlook.

The maker of Band-Aids, baby shampoo and birth-control pills posted net income of \$3.48 billion, or \$1.25 per share, down from \$4.53 billion, or \$1.62 per share, in 2010's first quarter.

But after an unprecedented two years of declining sales, revenue rose in the quarter by 3.5 percent, to \$16.17 billion from \$15.63 billion.

Adjusted income was \$4.86 billion, or \$1.35 per share. Analysts polled by FactSet, on average, expected earnings per share of \$1.03 and revenue of \$15.6 billion.

Johnson & Johnson, based in New Brunswick, New Jersey, raised its profit forecast for the year to \$4.90 to \$5 per share, from \$4.80 to \$4.90 per share. Those figures exclude any one-time charges or gains. Analysts previously expected \$4.84 per share.

Overseas revenue jumped 7.3 percent, to \$8.57 billion, offsetting a 0.6 percent decline in U.S. revenue to \$7.61 billion. Domestic sales have been hurt by an embarrassing string of 22 product recalls over the last 19 months and the year-long closure of a consumer health products factory where many of the recalled medicines were made.

Consumer product sales decreased 2.2 percent to \$3.68 billion as a 5.9 percent rise in overseas sales was wiped out by a 13.8 percent plunge in the U.S., mainly due to the recalls.

Drug revenue rose 7.5 percent worldwide, to \$6.1 billion, and sales of medical devices and diagnostic products edged up 3.3 percent, to \$6.43 billion.

"Our pharmaceuticals business demonstrated strong growth this quarter led by the performance of newly launched products," CEO William Weldon said in a statement. "We delivered solid earnings while making investments necessary to advance the robust pipelines across our business."

J&J took after-tax charges totalling \$271 million for litigation and costs of additional recalls of DePuy artificial hips.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

It also reported higher costs for production, sales and administration, and research and development. A year earlier, the quarter's results were buoyed by a \$910 million after-tax gain related to litigation.

Source URL (retrieved on 01/30/2015 - 10:13am):

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