

## **J&J 2Q Profits Down 20 Percent**

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Health care giant Johnson & Johnson said Tuesday that its second-quarter profit fell nearly 20 percent due to restructuring, recall and litigation costs and higher spending on overhead and research. The results still topped Wall Street expectations.

The maker of Band-Aids, biologic medicines and birth control pills said its net income was \$2.78 billion, or \$1 per share. That's down from \$3.45 billion, or \$1.23 per share, in the 2010 second quarter.

Revenue rose 8.3 percent, to \$16.6 billion from \$15.33 billion a year ago.

Excluding one-time items, income would have been \$3.55 billion, or \$1.28 per share.

Analysts polled by FactSet, on average, were expecting earnings per share of \$1.24 and sales of \$16.21 billion.

The company, which recently got three new prescription drugs approved, noted recent product launches have gone well.

J&J has been under pressure over a string of more than 25 product recalls that have especially cut into consumer product sales. But the New Brunswick, N.J., company maintained its profit forecast for 2011, at \$4.90 to \$5 per share. That excludes the impact of one-time items. Analyst expect \$4.95 per share, on average.

Sales were up in all three of its businesses, led by prescription drugs, which saw sales jump 12 percent to \$6.23 billion. That was mainly due to higher drug sales overseas and a big benefit from favorable currency exchange rates.

U.S. revenue was flat at \$7.45 billion, but international sales jumped 16 percent to \$9.15 billion, mainly on an 11 percent benefit from exchange rates.

Sales of medical devices, J&J's biggest division, rose 7 percent to \$6.57 billion. Consumer health products, which includes nonprescription medicines and skin, dental and hair care products, increased 4 percent to \$3.79 billion.

"Our recently launched pharmaceutical products continued to achieve strong growth and contributed to our solid second-quarter results," William C. Weldon, chairman and chief executive, said in a statement. "We continue to invest in building leadership positions and capabilities, and our pending acquisition of Synthes demonstrates our ongoing commitment to serve patients while enhancing shareholder value."

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In April, J&J agreed to buy U.S.-Swiss medical device maker Synthes Inc. for \$21.3 billion. The deal could give J&J a dominant position in the growing market for orthopedic surgery products.

One-time items in the second quarter totaled \$991 million, including a \$676 million charge for restructuring its ailing Cordis heart device business, \$363 million for litigation costs and \$54 million for recalling defective DePuy hip implants. That was partially offset by a \$102 million gain from a currency option on the planned Synthes purchase.

For the first six months, net income dropped 21.6 percent, to \$6.25 billion, or \$2.25 per share, from \$7.98 billion, or \$2.85 per share. Revenue rose 5.8 percent, to \$32.77 billion, from \$30.96 billion.

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