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JNJ

Analyze

JNJ

Johnson & Johnson



Business Overview

Johnson & Johnson (JNJ) is one of the world's largest and most diverse healthcare companies. Following the 2023 spin-off of its consumer health business (**Kenvue**), the company has pivoted its core focus toward two high-growth segments: **Innovative Medicine** (formerly Janssen) and **MedTech**.

Innovative Medicine: This segment focuses on high-margin areas like oncology, immunology, and neuroscience. Key drugs include **Darzalex** and **Stelara**, though the latter faces upcoming patent expirations.

MedTech: JNJ is a global leader in surgery, orthopaedics, and vision. Recent acquisitions, such as **Shockwave Medical** and **Abiomed**, underscore a strategy to dominate the cardiovascular intervention market.

Market Position: JNJ is one of only two U.S. companies to maintain a **AAA credit rating**, reflecting a balance sheet that is arguably stronger than the U.S. sovereign debt rating.

Equity & Buyback Strategy

Shareholder Equity & Capital Return

Balance Sheet Strength: As of the latest SEC filings, JNJ maintains a robust equity position with total shareholders' equity exceeding **\$70 billion**.

Stock Buybacks: The company aggressively utilizes share repurchases to return value. A major 2023 development was the **Kenvue exchange offer**, which allowed JNJ to retire approximately **191 million shares** of its own common stock, representing a significant reduction in share count without a direct cash outlay.

Treasury Stock: The balance sheet shows a massive **Treasury Stock** balance (historically over \$30 billion), indicating years of consistent buyback activity aimed at offsetting dilution from stock-based compensation and boosting Earnings Per Share (EPS).

Dividend Commitment: Management views the dividend as a 'sacred' obligation. Having increased its dividend for **62 consecutive years**, JNJ is a premier **Dividend King**, allocating a significant portion of Free Cash Flow (FCF) to shareholder payouts.

 Income & Options Strategy Analysis

Income & Options Strategy Evaluation

Dividend Reliability: JNJ's dividend is exceptionally secure. With a payout ratio typically in the **45-55% range**, there is ample room for continued growth. However, the current yield of ~3.1% is relatively modest compared to high-yield peers like AbbVie or Pfizer.

Skeptical Outlook (Risks): The 'elephant in the room' is the **Talcum Powder litigation**. Despite attempts to settle through 'Texas Two-Step' bankruptcy maneuvers, legal liabilities remain a multi-billion dollar uncertainty. A sudden adverse court ruling could cause a sharp, unpredictable drop in share price.

Options Suitability:

Volatility: JNJ has very low **Implied Volatility (IV)**. While this indicates price stability, it results in **low option premiums**.

Strategy Performance: Selling put spreads or covered calls on JNJ is a 'low-yield, high-probability' play. It is suitable for capital preservation, but investors seeking high monthly income will find the premiums disappointing.

Liquidity: Options liquidity is excellent, with tight bid-ask spreads, making entry and exit easy. However, the risk of a 'black swan' legal settlement makes the strategy of accepting assignment (the 'put spread to covered call' path) riskier than the low beta suggests.

INCOME SUITABILITY SCORE

Based on dividend reliability, options liquidity, and historical market perception.

 **4/5**

 Investment Thesis

 Strengths & Opportunities

- Dividend King with 62 years of consecutive increases.
- AAA credit rating ensures access to cheap capital even in downturns.
- Strategic shift to high-margin Innovative Medicine and MedTech improves growth profile.
- Strong track record of value-accretive M&A (e.g., Shockwave, Abiomed).

 Risks & Weaknesses

- Massive legal overhang from talcum powder and opioid-related litigation.
- Patent cliff for blockbuster drug Stelara starting in 2025.
- Exposure to U.S. drug price negotiations under the Inflation Reduction Act (IRA).
- Low volatility leads to subpar premiums for options-based income strategies.

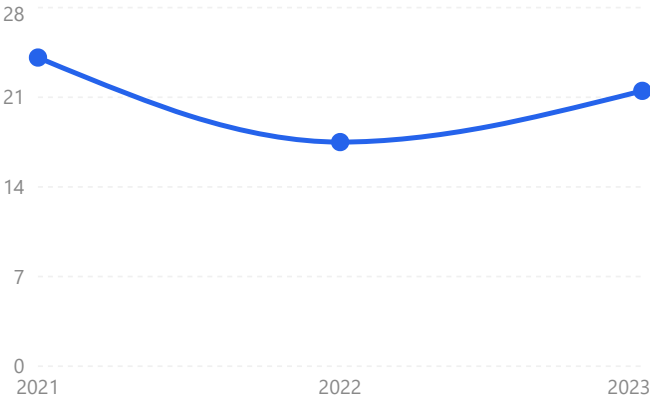
 Competitor Comparison

COMPANY	TICKER	MARKET CAP	P/E RATIO	REVENUE
Johnson & Johnson	JNJ	\$360.5B	21.6	N/A
Merck & Co.	MRK	\$325B	105.0 (GAAP)	\$60.1B
Pfizer Inc.	PFE	\$160B	72.4	\$58.5B
AbbVie Inc.	ABBV	\$310B	51.2	\$54.3B

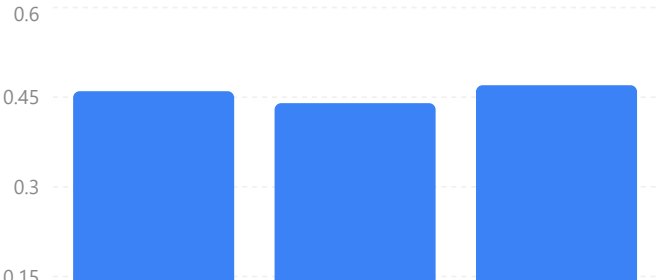
 Key Financial Metrics

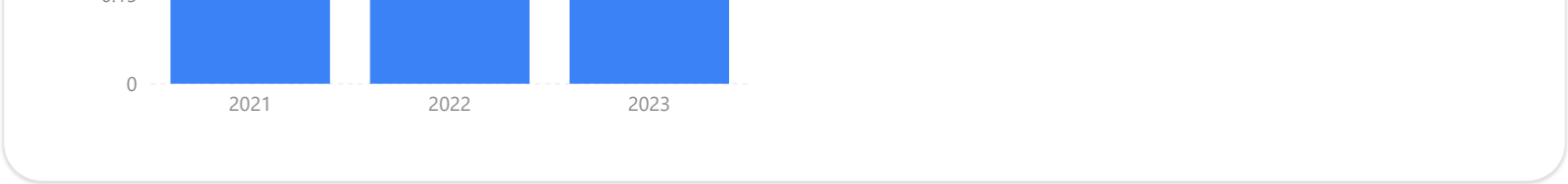
\$ MARKET CAP \$360.5B	 EMPLOYEES 131,900	 P/E RATIO 21.6
 DIV. YIELD 3.12%	 CURRENT RATIO 1.20	 QUICK RATIO 0.95
 DEBT/EQUITY 0.45	 BETA 0.54	 52-WEEK RANGE \$143.13 - \$175.97

 P/E RATIO TREND

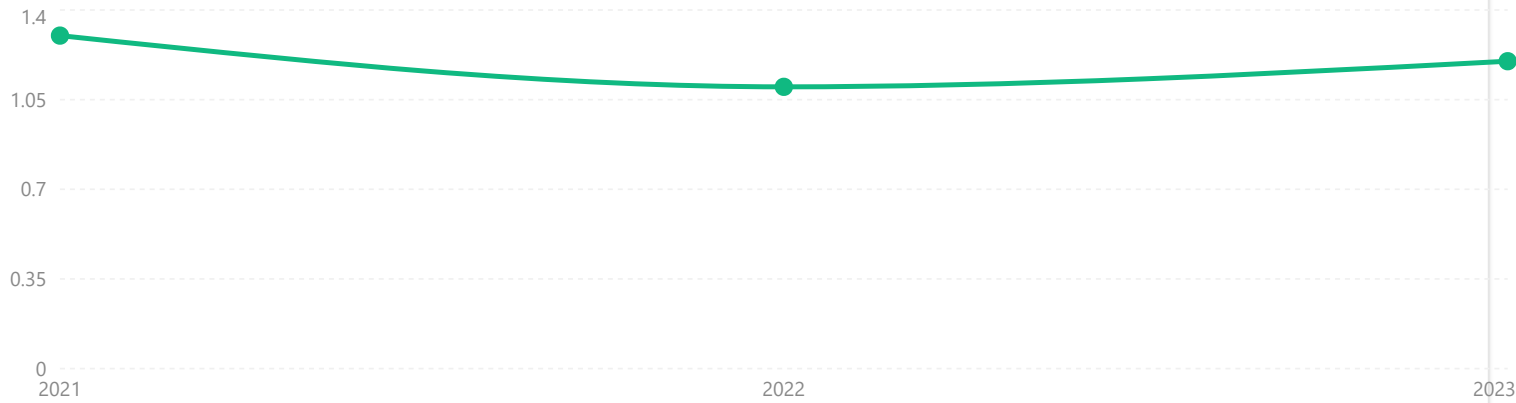


 DEBT TO EQUITY TREND





CURRENT RATIO TREND



Latest News & AI Summaries

J&J Proposes \$6.48 Billion Settlement for Talc Claims

The company has proposed a multi-billion dollar settlement to resolve the majority of pending talc-related lawsuits through a third bankruptcy filing of its subsidiary.

[Read Article](#)  [JNJ.COM](#)

Johnson & Johnson Completes Acquisition of Shockwave Medical

This \$13.1 billion acquisition strengthens JNJ's MedTech portfolio by adding innovative intravascular lithotripsy technology for cardiovascular disease.

[Read Article](#)  [JNJ.COM](#)

J&J Reports Strong Q1 2024 Earnings Results

Driven by growth in its Innovative Medicine oncology drugs and MedTech sales, the company raised its full-year guidance and increased its quarterly dividend.

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Ask a Follow-up Question

Ask anything about Johnson & Johnson...



 Recommended S&P 500 Tickers (Income & Options)

TICKER	COMPANY	SECTOR	REASONING
ABBV	AbbVie Inc.	Healthcare	Higher dividend yield than JNJ and strong options liquidity for premium selling.
PEP	PepsiCo, Inc.	Consumer Staples	Extreme price stability and consistent dividend growth make it ideal for covered calls.
CVX	Chevron Corporation	Energy	Strong balance sheet and high yield, providing sector diversification for income.
KO	The Coca-Cola Company	Consumer Staples	A classic Dividend King with very low volatility, perfect for conservative put spreads.
MCD	McDonald's Corporation	Consumer Discretionary	Excellent cash flow and a reliable dividend history with high options volume.
MSFT	Microsoft Corporation	Information Technology	Though yield is lower, the massive liquidity and price growth make it superior for a covered call strategy.

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