



J&J Profit Rises on Consumer Sales, Exchange Rates (Update6)

By Lisa Rapaport



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April 15 (Bloomberg) -- **Johnson & Johnson**, the maker of everything from Listerine mouthwash to Tylenol pain medicine, said profit rose 40 percent on sales of the Zyrtec allergy pill, foreign exchange gains and the absence of year-earlier costs.

First-quarter **net income** jumped to \$3.6 billion, or \$1.26 a share, the New Brunswick, New Jersey, company said today in a statement. Johnson & Johnson fell the most in more than a month in New York trading after analysts said profit was affected more by \$807 million in acquisition-related charges recorded a year ago and currency rates than by sales of pharmaceuticals.

Revenue from Zyrtec, Sudafed cold pills, Nicorette smoking-cessation gum and Listerine, all gained in the December 2006 purchase of **Pfizer Inc.**'s consumer unit, helped J&J weather a 23 percent drop for the anemia drug Procrit and a 24 percent decline for the Cypher stent, both tied to higher heart risks.

"They beat the street with stronger than expected sales, but if you take out the foreign exchange effect, prescription sales were actually down," said **Jeffrey Kraws**, a Crystal Research Associates analyst in New York, in an interview. "The company is being heavily impacted by generic sales exposure and concerns over side effects."

Johnson & Johnson fell 37 cents to \$65.37 at 2:33 p.m. in New York Stock Exchange composite **trading**, after gaining 5.4 percent in the 12 months before today.

Currency Gains

While worldwide revenue rose 7.7 percent to \$16.2 billion, 5.1 percent of the gain was due to favorable foreign currency exchange rates, J&J said. A year earlier, the company wrote off \$807 million, or 28 cents a share, because of research costs related to the acquisition of stent maker Conor MedSystems.

"Diversification is a big part of the J&J story," said **Dominic Caruso**, J&J's chief financial officer, in an interview. "When you lose patent protection of very profitable pharmaceutical products, you don't make that up if you don't have other products to rely upon. We have a very robust consumer business that continues to grow."

Excluding costs, earnings beat the \$1.20 **estimate** of 17 analysts surveyed by Bloomberg. J&J raised its 2008 earnings forecast to \$4.40 to \$4.45 a share, from a January projection of \$4.39 to \$4.44, excluding research and development charges or other special items.

J&J announced a \$10 billion share buyback in July to bolster the stock price, and later that month said it would cut as many as 4,820 jobs, or as much as 4 percent of its workforce.

Consumer Unit Sales

Overall revenue growth was helped by a 16 percent jump to \$4.1 billion in **consumer** unit sales. Those products include the Aveeno and Neutrogena lines of skin and beauty products, and the **Tylenol** and Motrin painkillers.

Sales of over-the-counter medical products grew 27 percent in the quarter as Johnson & Johnson benefited from its first full quarter of U.S. sales for Zyrtec. Without Zyrtec revenue, that growth would have been less than 10 percent, the company said today in a call with analysts.

Medical device revenue rose 7.2 percent to \$5.7 billion, aided by Vistakon disposable contact lenses and DePuy artificial hips and knees.

Revenue for Cordis, the J&J unit that makes Cypher heart stents, fell 10 percent to \$835 million. Doctors shied away from the Cypher drug-coated stent, a tiny mesh tube used to prop open arteries, after studies linked it to heart attacks.

Cypher Stent

Sales of Cypher fell worldwide to \$400 million, while U.S. sales declined 28 percent to \$169 million. The decline was due to fewer operations to implant stents, a drop in the proportion of those surgeries using drug-coated versions, and price decreases, the company said.

Cypher's U.S. market share declined to 43 percent, from 45 percent a year earlier, because of the introduction of Medtronic Inc.'s competing Endeavor stent during the quarter, J&J said.

Pharmaceutical revenue rose 3.3 percent to \$6.4 billion, helped by the anti-inflammatory drug Remicade, which had a sales increase of 37 percent to \$998 million.

Revenue for one version of Risperdal declined 6.7 percent to \$809 million because of competition from cheaper generics outside the U.S. A longer-acting version of the drug, called Risperdal Consta, rose 18 percent to \$309 million.

Use of the anemia drug Procrit slowed after studies showed it may raise the risk of heart attacks, strokes and deaths when given in high doses. Procrit, known as Eprex outside the U.S., dropped to \$629 million.

-- With reporting by Betty Liu and Sarah Kelly in New York Editors: Reg Gale, Angela Zimm

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