Johnson & Johnson's 4Q profit rises 19 percent

January 21 2014, by Linda A. Johnson

In this Tuesday, July 30, 2013, photo, large banners hang in an atrium at the headquarters of Johnson & Johnson in New Brunswick, N.J. Johnson & Johnson reports quarterly financial results before the market opens on Tuesday, Jan. 21, 2014. (AP Photo/Mel Evans)

Surging sales of Johnson & Johnson's prescription medicines and the rebound of its recall-plagued consumer health business lifted fourth-quarter profit 19 percent.

The health care giant also enjoyed a $707 million tax benefit from writing off money-losing subsidiary Scios.

However, shares fell on J&J's less-stellar 2014 profit forecast due to factors including continued pressures for lower prices.

The maker of baby shampoo and biological drugs said Tuesday that fourth-quarter net income was $3.52 billion, or $1.23 per share, up from $2.57 billion, or 91 cents per share, a year earlier.

Excluding one-time items, income was $1.24 per share. Analysts expected 4 cents less.

Revenue totaled $18.36 billion, up 4.5 percent. Analysts expected $17.94 billion, according to FactSet.

"Each of Johnson & Johnson's three main business units reported better sales than investors were expecting ... despite a negative impact due to currency (rates) of over 3 percent," noted Edward Jones analyst Judson Clark.

CEO Alex Gorsky noted J&J got three new medicines approved last year—Invokana for Type 2 diabetes, Olysio for hepatitis C and Imbruvica for lymphoma. It expects to apply for approval of 10 more by 2017.

Prescription drug sales rose 12 percent to $7.3 billion, led by higher sales of immune disorder drugs, plus Zytiga for prostate cancer and HIV drug Prezista.

Consumer product sales rose 2.8 percent to $3.75 billion. About 75 percent of J&J's consumer medicines, including pain relievers Tylenol and Motrin, are now back in stores.

They'd been off store shelves for a few years amid dozens of product recalls since 2009. J&J is under increased scrutiny from regulators over quality deficiencies and had to rebuild a key factory that hasn't reopened yet.

Sales of medical devices and diagnostics dipped 1 percent to $7.31 billion. J&J expects to close the sale of its Ortho-Clinical Diagnostics business to private equity firm Carlyle Group for $4.15 billion by June.

For 2013, J&J reported net income of $13.83 billion, up 27 percent, and earnings per share of $4.81. Sales totaled $71.31 billion, up 6.1 percent.

Analyst Steve Brozak of WBB Securities warned J&J can't sustain the growth of its high-profit prescription drug business—because insurers and patients can't afford ever-higher prices for newer drugs, which often cost over $20,000 a year.

In afternoon trading, J&J shares were down 1.81 at $93.25.

The New Brunswick, New Jersey, company forecast 2014 earnings per share of $5.75 to $5.85. Analysts expected $5.86.