# Analyst upgrades J&J, sees all segments improving

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Healthcare giant Johnson & Johnson has put many of its troubles behind it, and its three business segments should each perform better in 2013, according to an analyst who upgraded the stock Friday.

Deutsche Bank Securities analyst Kristen Stewart on Friday upgraded J&J shares from "Buy" to "Hold," and raised her 12-month price target from $75 to $82.

"We believe all three of J&J's divisions should see steady-to-improving trends," Stewart wrote to investors.

The company, based in New Brunswick, N.J., has weathered patent expirations bringing new generic competition to big-selling drugs including antibiotic Levaquin and Concerta for attention deficit disorder. Stewart noted that newer drugs now are driving prescription medicine sales, including Simponi and Remicade for immune disorders, Stelara for psoriasis and cancer drug Zytiga.

J&J's biggest division, medical devices and diagnostics, should benefit from some new products and a slight increase in patients getting medical care, Stewart wrote. J&J is to hold a review of that business on Jan. 22, when it releases fourth-quarter results.

She added that the consumer health business should continue to bring products back to store shelves. The business is operating under a consent decree with federal regulators — requiring it to upgrade factories and make other improvements — following dozens of product recalls since 2009 due to quality lapses.

"We believe the worst is likely behind for the McNeil" consumer health business "and it should move from a headwind to a contributor in 2013," Stewart wrote.

Meanwhile Johnson & Johnson is awaiting a Food and Drug Administration ruling, expected in March, on its experimental Type 2 diabetes drug, canagliflozin. FDA advisers plan to meet to review data on the drug on Jan. 10.

According to UBS Securities analyst Rajeev Jashnani, data so far on the drug's effectiveness in controlling blood sugar and helping patients lose weight "have been very good, but we maintain a conservative stance" because patients in late-stage trials had elevated levels of LDL, or bad cholesterol.

Unlike a recently rejected rival drug also in the new class called SGLT-2 inhibitors, he noted, canagliflozin hasn't shown links to cancer and liver toxicity, but it may increase risk of genital and urinary tract infections. Jashnani is forecasting sales of

less than $250 million worldwide in 2016, even though the drug could be the first in the class to reach the market.

He's keeping his "Buy" rating on J&J shares with a price target of $76.

Johnson & Johnson shares rose 73 cents to $71.47 in afternoon trading.

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