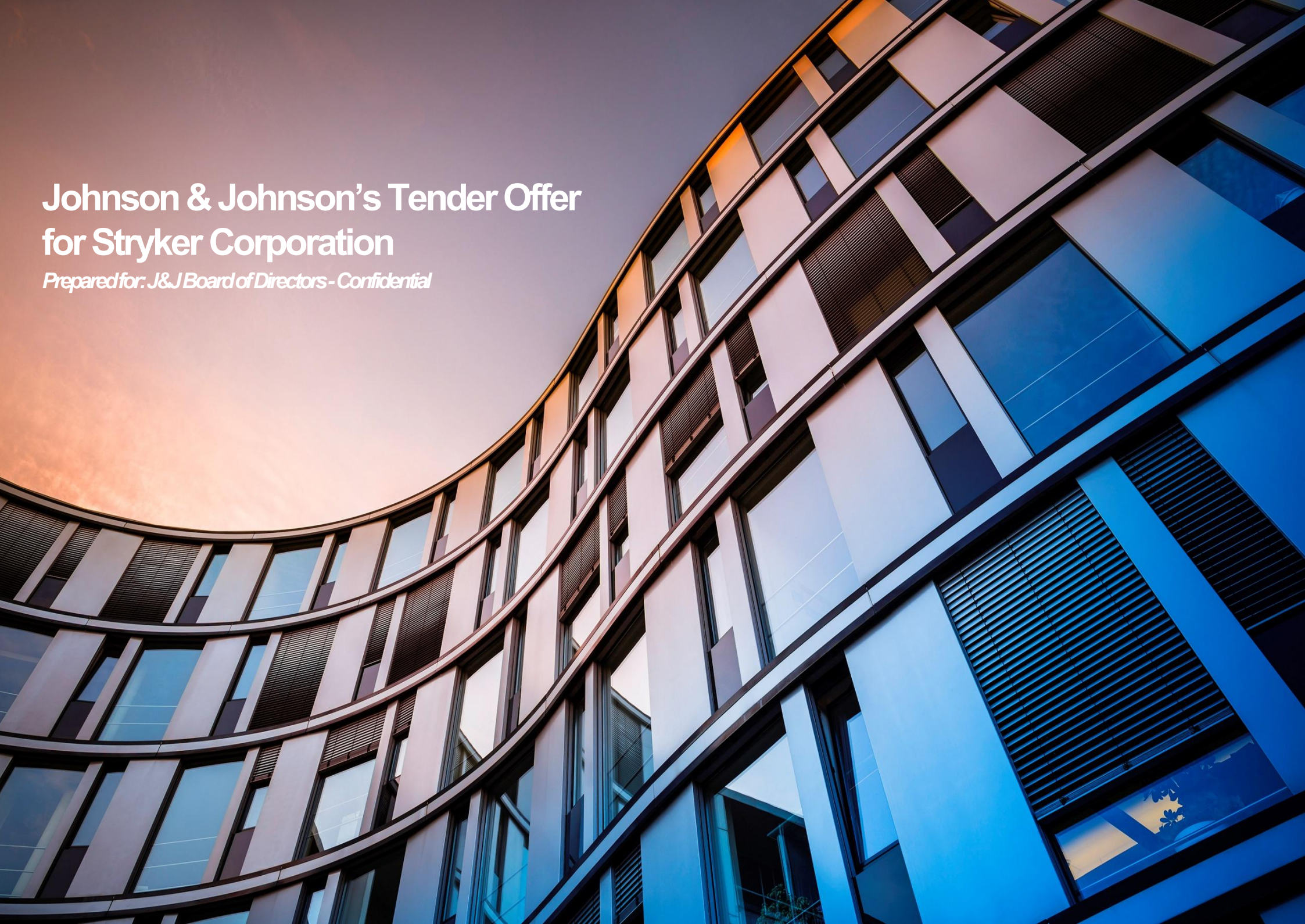




Johnson & Johnson's Tender Offer for Stryker Corporation

Prepared for: J&J Board of Directors - Confidential

Johnson & Johnson's Tender Offer for Stryker Corporation

Strategic Rationale & Investment Analysis

STRICTLY PRIVATE AND CONFIDENTIAL

Stryker Overview

Business - Overview

Stryker is a leading innovator in medical technologies, providing advanced products and services that improve patient outcomes. The company operates through two key segments:

- **MedSurg & Neurotechnology** – Offers surgical equipment, endoscopic systems, patient handling solutions, neurosurgical and neurovascular devices, and AI-assisted virtual care technologies. Customers include hospitals, surgery centers, and healthcare providers
- **Orthopaedics** – Designs, manufactures, and sells joint replacement implants, trauma fixation devices, spinal implants, and Mako Robotic-Arm Assisted surgical solutions. Clients include orthopedic surgeons, hospitals, and specialty medical centers

Stryker drives growth through a strong global presence, direct sales model, and continuous investment in R&D. With a focus on innovation, robotics, and AI-driven healthcare solutions, the company remains a leader in improving surgical precision and patient care worldwide.

STRYKER-Key Highlights



25% International Sales

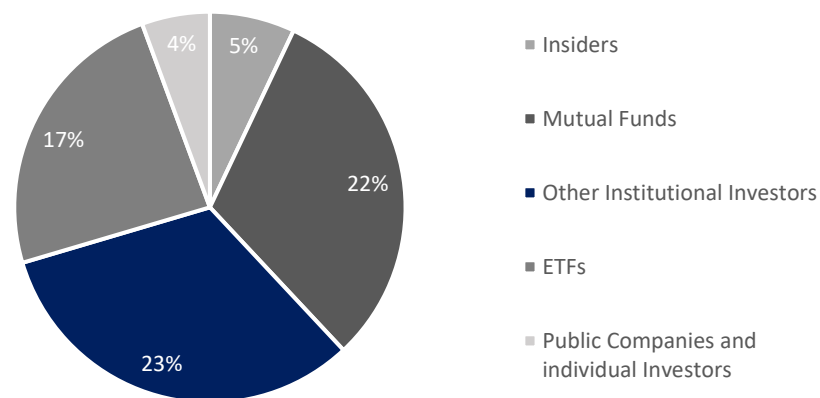
20.9% EBITDA Margin

15.26% ROE

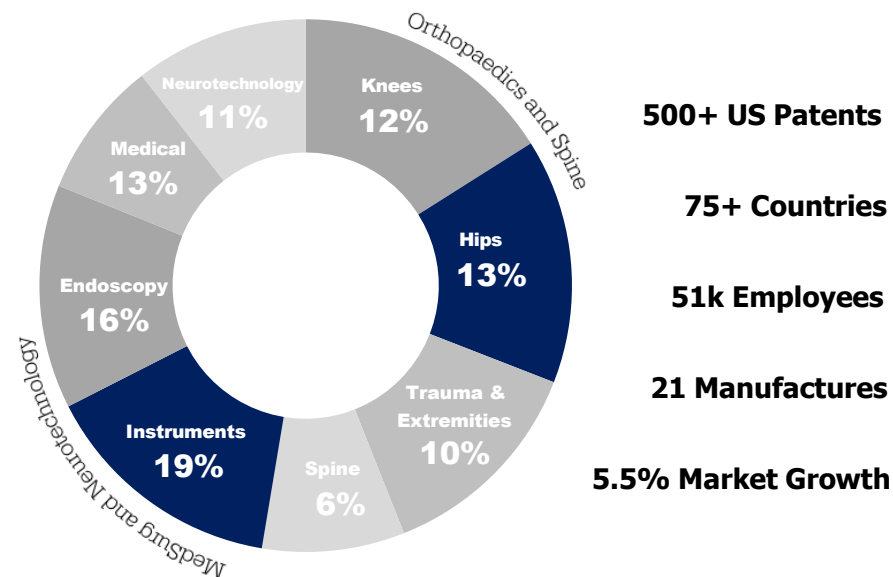
7.47% ROA

\$7.76 EPS

Ownership - Overview



The ownership structure is a mix of institutional, retail, and individual investors. Approximately 62.30% of the company's stock is owned by Institutional Investors, 4.80% is owned by Insiders, and 32.89% is owned by Public Companies and Individual Investors.



500+ US Patents

75+ Countries

51k Employees

21 Manufactures

5.5% Market Growth

Financial Forecast & Key Metrics

Income Statement (\$mm)	FYA 22	FYA 23	FYA 24	FYE 25	FYE 26	FYE 27	FYE 28	FYE 29
MedSurg and Neurotechnology:	10.893	12.163	13.518	14.937	16.506	18.239	20.154	22.270
Orthopaedics:	7.556	8.335	9.077	9.676	10.315	10.995	11.721	12.495
Total Revenue:	\$ 18.449	\$ 20.498	\$ 22.595	\$ 24.613	\$ 26.821	\$ 29.234	\$ 31.875	\$ 34.765
Cost of Sales:	(6.871)	(7.440)	(8.155)	(8.995)	(9.801)	(10.683)	(11.648)	(12.704)
Research & Development:	(1.454)	(1.388)	(1.466)	(1.734)	(1.890)	(2.060)	(2.246)	(2.450)
Operating Expenses:	(6.285)	(6.754)	(8.235)	(7.252)	(7.902)	(8.614)	(9.392)	(10.243)
Adjustments:	545	39	976	520	520	520	520	520
Adjusted EBITDA:	\$ 4.384	\$ 4.955	\$ 5.715	\$ 7.152	\$ 7.747	\$ 8.397	\$ 9.109	\$ 9.888
(-) D&A:	(998)	(1.028)	(1.050)	(1.237)	(1.347)	(1.469)	(1.601)	(1.747)
EBIT:	\$ 3.386	\$ 3.927	\$ 4.665	\$ 5.916	\$ 6.400	\$ 6.929	\$ 7.508	\$ 8.141
Other income / (Expense):	(158)	(215)	(197)	(190)	(190)	(190)	(190)	(190)
Pre-Tax Income:	\$ 3.228	\$ 3.712	\$ 4.468	\$ 5.726	\$ 6.210	\$ 6.739	\$ 7.318	\$ 7.951
Income Taxes :	(325)	(508)	(499)	(667)	(723)	(784)	(852)	(926)
Net Income:	\$ 2.903	\$ 3.204	\$ 3.969	\$ 5.059	\$ 5.487	\$ 5.954	\$ 6.466	\$ 7.026
EPS of common stock:	\$ 6,17	\$ 8,25	\$ 7,76	\$ 13,26	\$ 14,38	\$ 15,60	\$ 16,94	\$ 18,41

All data has been derived from the STRYKER 10-K 2024 SEC filing.

- MedSurg & Neurotechnology +10.5%, Orthopaedics & Spine +6.6%, aligned with historical trends and management outlook
- Cost of Sales: 35.5%, Operating Expenses: 34.5%, total 71%, in line with industry benchmarks
- Tax rate 13.4%, reflecting historical trends and revenue mix

- In 2024 a Non-cash impairment (\$818M) occurred in the Spine business due to lower expected demand and higher cost of capital
- Increased M&A integration costs, regulatory compliance, and legal expenses
- Operating margin declined from 19.0% (2023) to 16.3% (2024) due to cost pressures

Core office Selected Comparable Companies Benchmarking

Financial Ratio Benchmarking Analysis

Company	Gross Margin (%)	EBITDA Margin (%)	Debt/EBITDA	Revenue Growth (YoY %)
Stryker (SYK)	65%	21%	2,5x	8%
Medtronic (MDT)	68%	30%	2,8x	6%
Zimmer Biomet (ZBH)	70%	27%	3,0x	5%
Smith & Nephew (SNN)	64%	26%	2,7x	4%
Edwards Lifesciences (EW)	75%	35%	1,8x	10%
Becton Dickinson (BDX)	63%	25%	3,2x	7%
Abbott Laboratories (ABT)	60%	24%	1,5x	6%

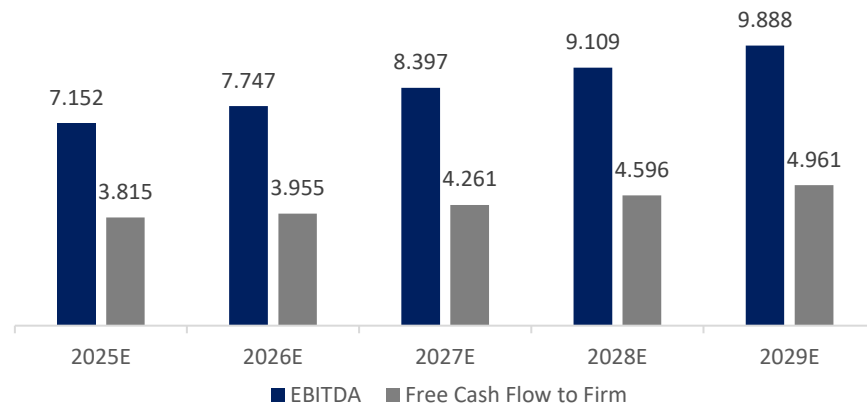
Stryker Comparable Companies Analysis

Trading Multiple	Current Price	Market Cap	Enterprise Value	FYA 23	FYA 24	FYA 23	FYA 24	FYA 23	FYA 24
				EV / Revenue	EV / Revenue	EV / EBITDA	EV / EBITDA	P / E	P / E
Stryker (SYK)	373,9	144.730	153.840	7,5x	6,8x	31,3x	32,5x	45,7x	48,4x
Medtronic (MDT)	95,2	121.120	139.890	4,5x	4,3x	16,3x	17,1x	32,2x	32,9x
Zimmer Biomet (ZBH)	110,4	215.000	271.800	3,7x	3,5x	12,2x	12,1x	21,0x	23,8x
Smith & Nephew (SNN)	29,8	15.660	12.960	2,3x	2,3x	13,1x	13,6x	7,6x	51,3x
Edwards Lifesciences (EW)	68,7	41.350	38.070	7,6x	7,0x	24,8x	22,1x	33,8x	29,5x
Becton Dickinson (BDX)	234,2	65.910	83.940	4,3x	4,2x	19,1x	17,4x	43,1x	38,7x
Abbott Laboratories (ABT)	138,0	237.850	244.900	6,1x	5,8x	23,2x	22,7x	41,6x	17,7x
25th Percentile				3,8x	3,7x	13,9x	14,4x	23,8x	25,2x
Median				4,3x	4,2x	16,3x	17,1x	32,2x	32,9x
Mean				4,8x	4,5x	18,1x	17,5x	29,9x	32,3x
75th Percentile				5,7x	5,5x	22,2x	20,9x	39,6x	37,2x

All data has been derived from the Bloomberg Terminal.

Discounted Cash Flow

EBITDA & FCFF Outlook: Forecasted Growth and Trends



- **Revenue Growth:** 10.5% in MedSurg & Neurotechnology, driven by market expansion and increased adoption of AI-driven healthcare solutions; 6.6% in Orthopaedics, supported by strong demand for robotic-assisted surgery and joint replacement innovations
- **Cost Structure:** Assumed at 78.1% of revenue, reflecting operational efficiencies and sustained margin stability in Stryker's core businesses
- **CapEx & Working Capital:** Stable capital expenditure intensity, supporting R&D investments, robotics expansion, and digital healthcare advancements to strengthen Stryker's competitive position
- **Tax Rate:** Maintained at 13.4%, in line with Stryker's historical effective tax rates and geographic revenue mix

Perpetuity growth method

Present value	(\$m)	(%)
PV of FCF	17.748	10,9%
PV of Terminal Value	145.061	89,1%
Enterprise value	162.808	100,0%
Net debt & adjustments	(10.468)	
Equity value	152.340	
Share price	399	
% premium to current	5,3%	

		Perpetuity Growth Rate (%)				
		3,50%	3,75%	4,00%	4,25%	4,50%
WACC (%)	5,6%	205866 / 512\$	231931 / 580\$	266214 / 670\$	313331 / 794\$	382146 / 974\$
	6,1%	165798 / 407\$	182012 / 450\$	202114 / 502\$	227691 / 569\$	261332 / 657\$
	6,6%	138719 / 336\$	149701 / 365\$	162808 / 399\$	178721 / 441\$	198448 / 493\$
	7,1%	119195 / 285\$	127081 / 306\$	136244 / 330\$	147024 / 358\$	159887 / 392\$
	7,6%	104453 / 246\$	110361 / 262\$	117092 / 279\$	124832 / 300\$	133826 / 323\$

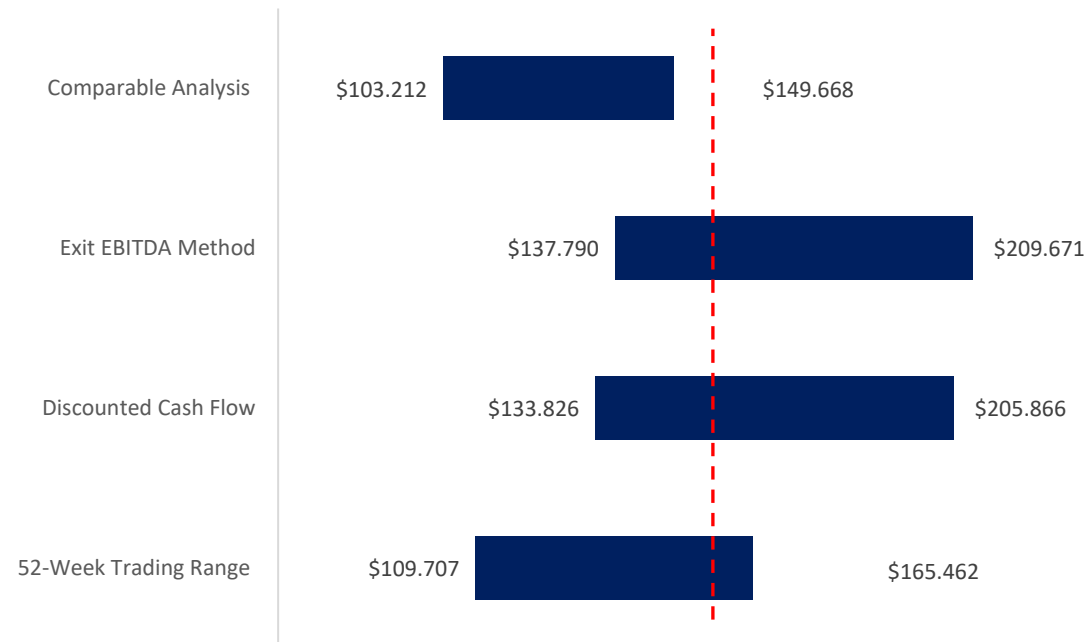
LTM Exit EBITDA Multiple Method

Present value	(\$m)	(%)
PV of FCF	17.748	10,2%
PV of Terminal Value	155.983	89,8%
Enterprise value	173.730	100,0%
Net debt & adjustments	(10.468)	
Equity value	163.262	
Share price	427,9	
% premium to current	12,8%	

		Exit EBITDA multiple (x)				
		16,7 x	19,2 x	21,7 x	24,2 x	26,7 x
WACC (%)	5,6%	137790 / 350\$	155760 / 400\$	173730 / 449\$	191701 / 498\$	209671 / 548\$
	6,1%	137790 / 342\$	155760 / 390\$	173730 / 438\$	191701 / 486\$	209671 / 535\$
	6,6%	137790 / 334\$	155760 / 381\$	173730 / 428\$	191701 / 475\$	209671 / 522\$
	7,1%	137790 / 326\$	155760 / 372\$	173730 / 418\$	191701 / 464\$	209671 / 510\$
	7,6%	137790 / 318\$	155760 / 363\$	173730 / 408\$	191701 / 453\$	209671 / 498\$

Valuation Analysis

Stryker Corporation - Valuation Range



- The summary valuation suggests an intrinsic value of \$411 per share, implying a significant upside from the current market price and a premium of 7.6%
- A perpetuity growth rate of 4% was applied, in line with the medical device industry, reflecting sustained long-term market expansion
- A WACC of 6.59% was used, incorporating a cost of debt of 3.72%, consistent with Stryker's recently issued notes
- Comparable company analysis based on peer EV/EBITDA multiples provides further validation, with the 25th percentile at 14.4x and the 75th percentile at 20.9x, reinforcing the valuation range
- The 52-week price range of \$314.94 to \$409.09 highlights the stock's recent volatility, with the valuation suggesting a potential undervaluation at current levels

Transaction Implications and Considerations

Stryker trades at the higher end of its valuation range. Given its strong cash flow generation, stable business model, and industry leadership, it presents a compelling strategic opportunity. Any acquisition consideration should account for its premium valuation and potential synergies in the industry.

Merger Model

Pro Forma Financial Statements – Johnson & Johnson Post-Stryker Acquisition

Income Statement (\$mm)	FYA 22	FYA 23	FYA 24	FYE 25	FYE 26	FYE 27	FYE 28	FYE 29
Total Revenue:	\$ 79.990	\$ 85.159	\$ 88.821	\$ 119.441	\$ 127.800	\$ 136.951	\$ 146.815	\$ 157.452
<i>% growth</i>		6,5%	4,3%	34,5%	7,0%	7,2%	7,2%	7,2%
Operating Expenses:	(53.385)	(61.839)	(64.040)	(85.586)	(91.286)	(97.383)	(103.904)	(110.884)
EBITDA:	\$ 26.605	\$ 23.320	\$ 24.781	\$ 33.854	\$ 36.514	\$ 39.569	\$ 42.910	\$ 46.568
<i>% growth</i>		(12,3%)	6,3%	36,6%	7,9%	8,4%	8,4%	8,5%
(-) D&A:	(6.970)	(7.486)	(7.339)	(9.264)	(9.857)	(10.489)	(11.163)	(11.882)
EBIT:	\$ 19.635	\$ 15.834	\$ 17.442	\$ 24.590	\$ 26.657	\$ 29.080	\$ 31.748	\$ 34.686
<i>% growth</i>		(19,4%)	10,2%	41,0%	8,4%	9,1%	9,2%	9,3%
Other income / (Expense):	(158)	(215)	(197)	(190)	(190)	(190)	(190)	(190)
Pre-Tax Income:	\$ 19.359	\$ 15.062	\$ 16.687	\$ 22.131	\$ 24.247	\$ 26.723	\$ 29.446	\$ 32.444
Income Taxes :	(2.989)	(1.736)	(2.621)	(2.596)	(2.844)	(3.135)	(3.454)	(3.806)
Net Income:	\$ 16.370	\$ 13.326	\$ 14.066	\$ 19.535	\$ 21.403	\$ 23.588	\$ 25.992	\$ 28.639
<i>% growth</i>		(18,6%)	5,6%	38,9%	9,6%	10,2%	10,2%	10,2%
Pro forma EPS of common stock:	\$ 6,17	\$ 8,25	\$ 7,76	\$ 7,12	\$ 7,80	\$ 8,60	\$ 9,48	\$ 10,44

FYE 2029 Sensitivity Analysis: Accretion Impact from Debt Used and Premium Paid

		Premium to current paid				
Debt used		3,6%	5,6%	7,6%	9,6%	11,6%
	40,0%	30%	29%	29%	28%	27%
	50,0%	32%	31%	30%	30%	29%
	60,0%	34%	33%	32%	32%	31%
	70,0%	36%	35%	35%	34%	33%
	80,0%	38%	38%	37%	36%	36%

- Cost synergies (7.7%) driven by SG&A cuts, supply chain efficiencies, and R&D consolidation
- Revenue synergies (3.3%) from cross-selling, geographic expansion, and product bundling
- Synergies realized over 5 stages: 25% in 2025 up to 100% by 2029
- Premium corresponds to the average premium from valuation methods (CCA, DCF, EXIT Multiple)

Pro-Forma Credit Stats:	FYE 25	FYE 26	FYE 27	FYE 28	FYE 29
Net Debt / EBITDA:	3,4 x	3,2 x	2,9 x	2,7 x	2,5 x
EBITDA / Interest:	13,8 x	15,2 x	16,8 x	18,6 x	20,8 x

- The decline in Net Debt/EBITDA from 3.5x in FYE 25 to 2.5x in FYE 29 highlights improved financial flexibility and reduced debt risks
- The rise in EBITDA/Interest from 13.5x to 20.4x reflects stronger cash flow and enhanced ability to cover interest payments post-merger

Transaction Summary & Strategic Rationale

Strategic Rationale

The acquisition of Stryker by Johnson & Johnson presents a compelling strategic rationale, strengthening J&J's position in the medical technology sector and enhancing its innovation pipeline.

The transaction is expected to be EPS accretive by FYE 2029, with sensitivity analysis indicating a positive impact under various debt and premium scenarios.

Revenue Expansion

Synergies from cost efficiencies, operational integration, and cross-selling opportunities are expected to drive meaningful EBITDA expansion post-transaction.

The combined entity will benefit from stronger market positioning, enhanced R&D capabilities, and increased scale, supporting long-term shareholder value creation.

Level of debt

While leverage will temporarily increase, robust free cash flow generation is expected to support rapid deleveraging and maintain financial flexibility.



Final Takeaway :

Overall, the proposed acquisition of Stryker aligns directly with Johnson & Johnson's long-term strategic objectives by creating a market-leading, innovation-driven medical technology platform.

The transaction accelerates J&J's shift toward higher-margin, procedure-centric MedTech, expanding its footprint in orthopaedics, surgical robotics, and AI-powered care coordination.

Stryker's strong EBITDA profile, recurring cash flows, and complementary product suite enhance J&J's ability to scale innovation, while synergies are expected to drive post-close EBITDA margin expansion.

While integration execution and regulatory complexity warrant focused diligence, the deal presents a compelling opportunity to consolidate market leadership and unlock durable shareholder value.

Disclaimer

This document is for academic and illustrative purposes only and is not affiliated with, authorized by, or requested by Stryker Corp. or any entity. It does not constitute a solicitation, offer, or recommendation for any transaction or investment. The analysis is based on publicly available information, including Stryker's 10-K SEC filings and Bloomberg Terminal data. This study case is not intended for commercial use or distribution.