Johnson & Johnson
2026 Case Competition
University of Florida

Meet the Team

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Table of Contents

Context information

Market Landscape

The Shift to Barbed Sutures

Structural transition from non-barbed to barbed, driven by robotic surgery. Enables knotless closure, shorter operating times, reduced infection, robotic compatibility.

Key Milestones

2000
Talos Surgical System FDA approval

2005
Athena Kronos enters market

2010
Crius Poseidon FDA; robotic surgery widespread

Competitive Landscape

Company	Product	Status
Crius	Poseidon	FDA 2010; $11.9B rev
Athena	Kronos	FDA 2005; EU 2007
Sutura	—	Active competitor
A&A	Entering	**Non-barbed leader**

Key Takeaways

- A&A dominates non-barbed, transferable connections and expertise to barbed market
- Symmetrical sutures are table-stakes. Spiral sutures are the premium frontier
- No notable competitor has entered the spiral category

OUR STRATEGY:

ACQUIRE PROVEN IP,
PIONEER NEW TECHNOLOGY,
BUILD MANUFACTING EXCELLENCE,
DOMINATE THE MARKET.

Our Strategy

Decision	Recommendation	Rationale
R&D	Buy Symmetrical IP + Build Spiral	Immediate parity + first-mover premium
Pricing	Medium	80% hospital access; Credo-aligned
Marketing	Silver Budget, Gold Allocation	70/30 split: standard + surgeon training
Supply Chain	Plant Expansion (Cornelia)	Existing FDA standing; ~3 yr timeline; commitment to quality
Human Capital	Full-Time Employees	Quality + Credo; learning curve offsets cost

Executive Summary

Why this strategy excels

01

Early Revenue + Differentiation

- Symmetrical IP delivers year 1 revenue
- Positions A&A as sole premium competitor

02

Market Access + Credo Alignment

- Medium pricing reaches 80% of hospitals
- Honors "reasonable prices" mandate

03

Execution Feasibility + Robustness

- Plant expansion leverages existing FDA standing
- No single lever failure breaks the strategy

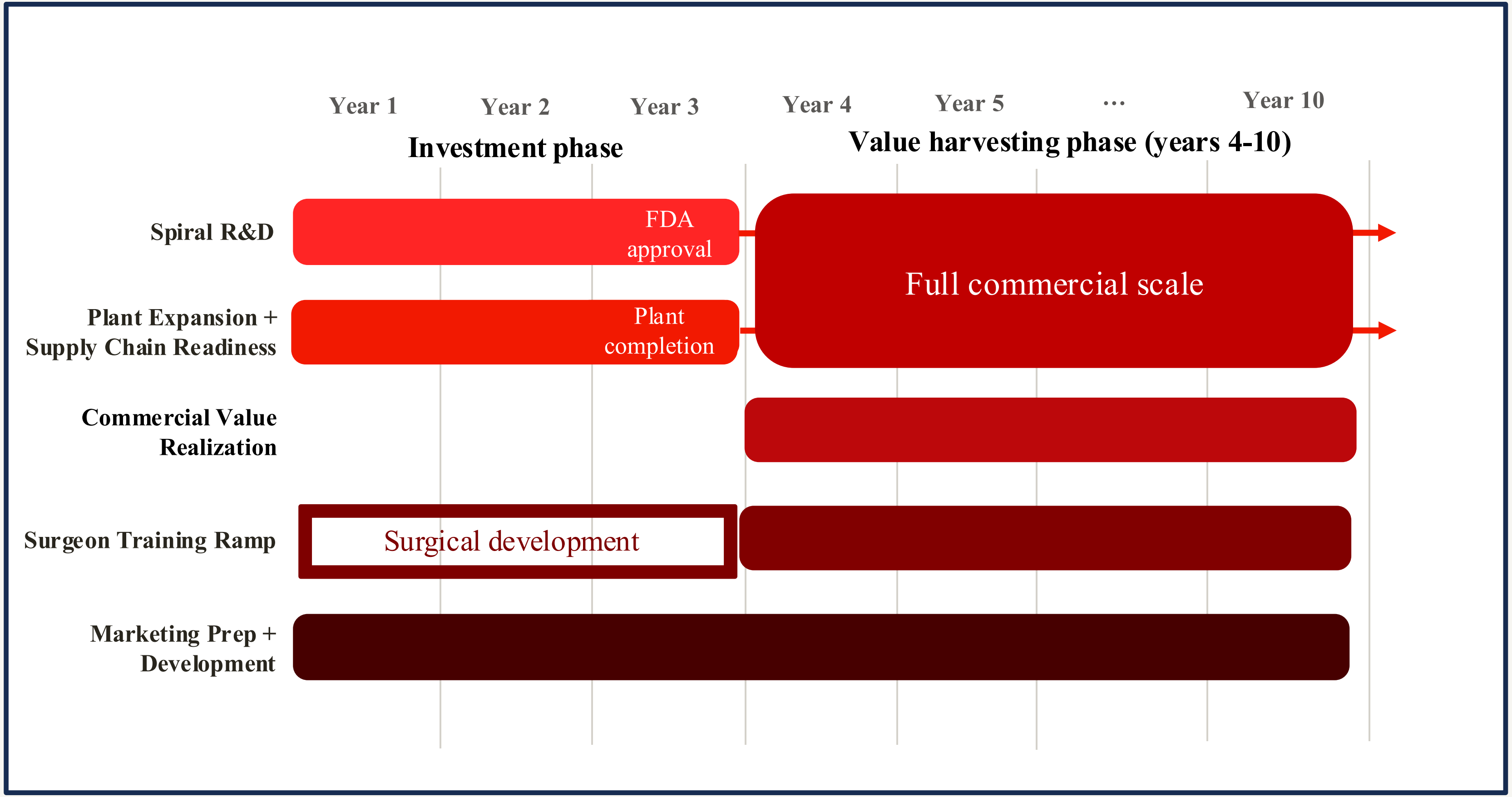
04

Strategic Coherence

- All five decisions reinforce each other
- Built-in protections against key execution risks

NPV Range: **$16B – $22B** | Baseline: **$18.5B**

Execution Timeline



R&D Strategy

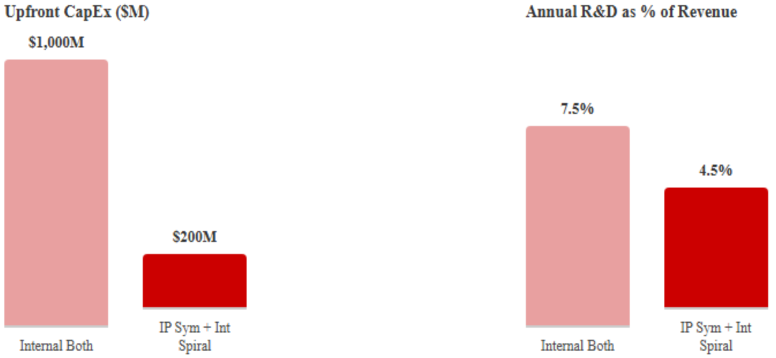
Dual Track: Buy what is Proven - Symmetrical, Develop what is New - Spiral

Comparison

Symmetrical - IP Spiral - Internal VS. **Develop both Internally**

Capital Efficiency: CapEx and R&D Cost Comparison

IP Sym + Int Spiral requires 80% less upfront capital and 40% lower R&D spend [1]



IP Sym + Int Spiral saves **$800M** in upfront capital — a 5x difference

~**$195M/year** in R&D savings on $6.5B baseline

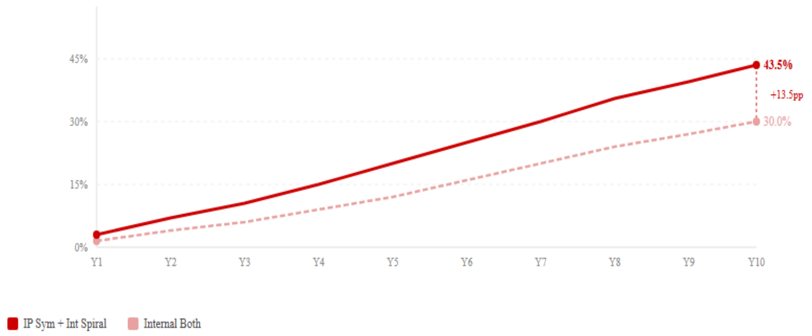
Credo alignment – Must Experiment

"We must experiment with new ideas. Research must be carried on, innovative programs developed,…"

=> Have to Internally develop at least one product

Cumulative Revenue Growth Uplift: Internal Both vs. IP Sym + Int Spiral

IP Sym + Int Spiral front-loads growth, compounding NPV advantage from Year 1



IP Sym + Int Spiral generates **+3.0% from Year 1** vs. Internal Both's +1.5%. The front-loading effect means every dollar of extra growth is worth more in NPV terms due to discounting.

Higher growth + Earlier growth + Lower cost

R&D Strategy

R&D: Symmetrical IP Purchase + Spiral Internal Development

EXISTING
Symmetrical – Buy IP

Instant competition with **existing** products
=> Avoid Market delay

Speed Game

- Recurring R&D costs **erode** value yearly
- CapEx is a **one-time purchase**
=> Early FCF

Low R&D

NEW
Spiral – Build Internally

Premium segment capture

First-mover in untapped market

Full Ownership

Long-term margin expansion + defensibility

High Long-term Growth

+2.5% annual growth
Highest option

Self – Mitigation Strategy: Immediate Competition + Premium Differentiation

Pricing Strategy

Medium

1. Early Adoption

Stickiness

Surgeon and hospital standardizations

Long-term market share

Overpricing reduces trial and slows conversion

2. Support Two products Simultaneously

Symmetrical (IP)

Match existing benchmarks

Spiral (Internal)

Slow adoption curve of the new product

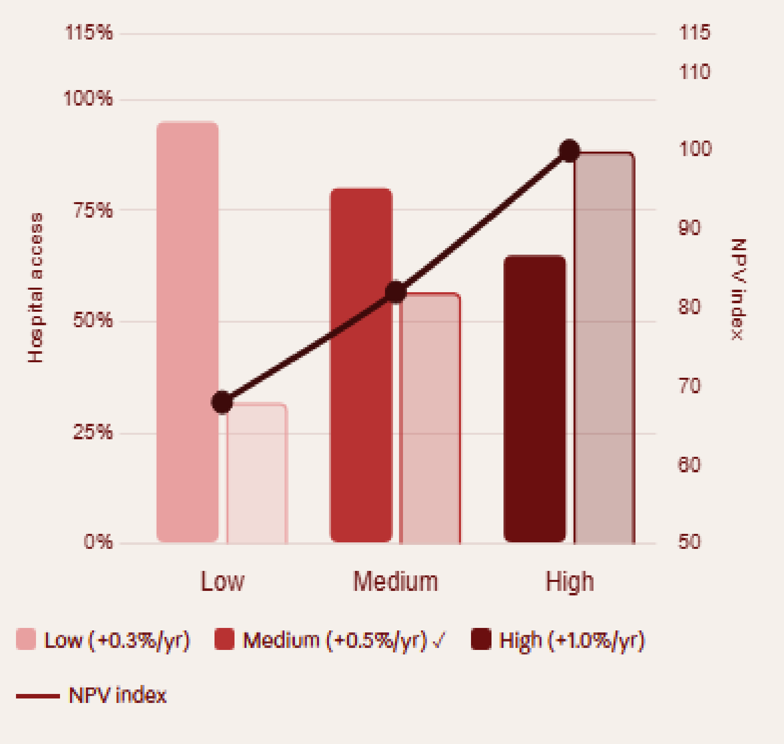
3. Price Positioning

Market Pricing

- Competitors have already set price expectations
- Medium pricing removes price as barrier

Credo

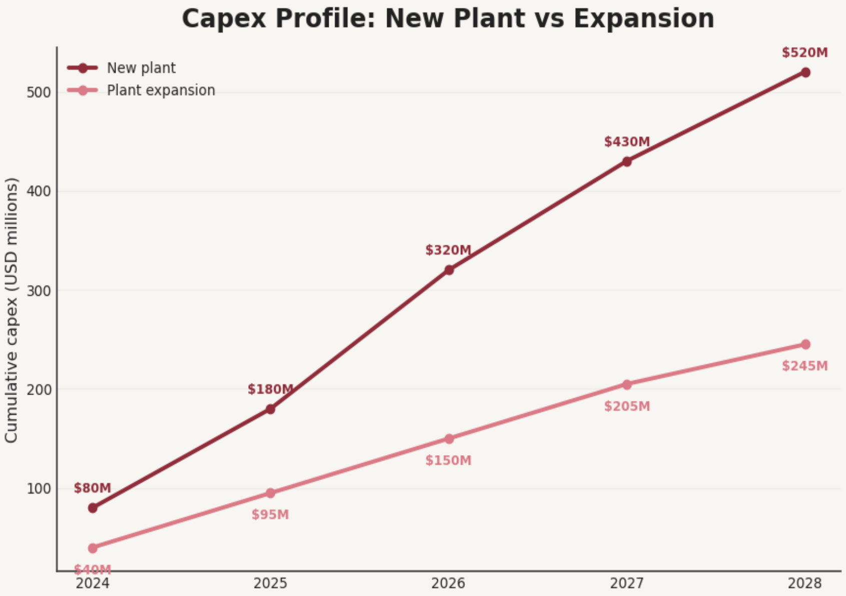
"Maintain reasonable price"
=> Align to maintain Trust

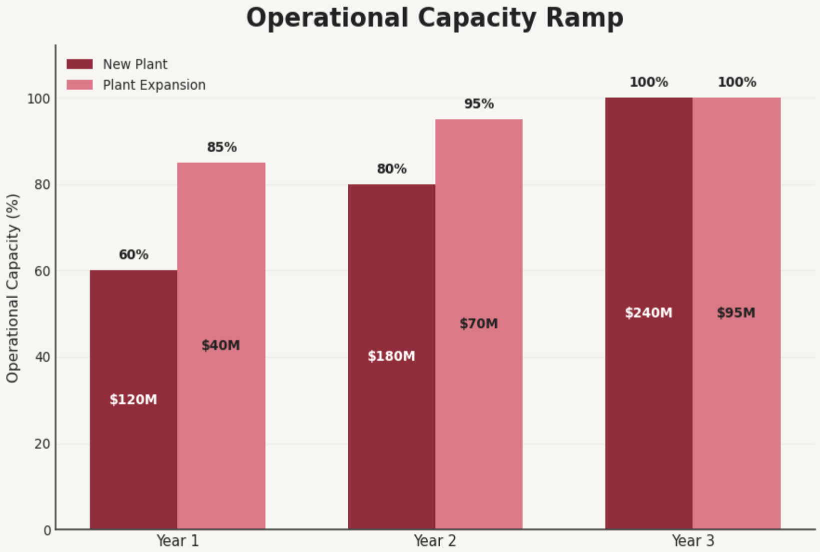


The model did not take into the 35% lower target market

Maximize adoption + preserve market access + correct model bias

Plant Expansion





~50% Lower CapEx

Higher NPV – lower upfront investment

Faster Ramp

Immediate demand capture + supports adoption

Plant expansion is both **Cheaper** + **Faster** = maximizing FCF + immediate scale

Pricing: Benefits of Gold & Cost of Silver

70%

Standard: Print, Digital, Conference Presence

30%

High-Impact: Surgeon Training, KOL Partnerships

Strategic Value-Add: Financial analysis validates Silver's cost discipline. Strategic analysis transforms what Silver means in practice, redirecting budget toward the single most impactful adoption activity.

Silver ROI

0.33

Gold ROI

0.28

Gold Year 1 Net Impact

-$49M in Cost

$60M more in costs for $10M more in revenue

Higher and Earlier growth + Lower cost

Full-Time: Quality and Values Over Cost

Cost Comparison

+$240M/yr

Full-time cost premium over contractors

- Learning curve: COGS 10% --> **8%**
- GP efficiency offsets **~$80M/yr**
- Net premium narrows to **~$160M** by Year 10

Quality & Values

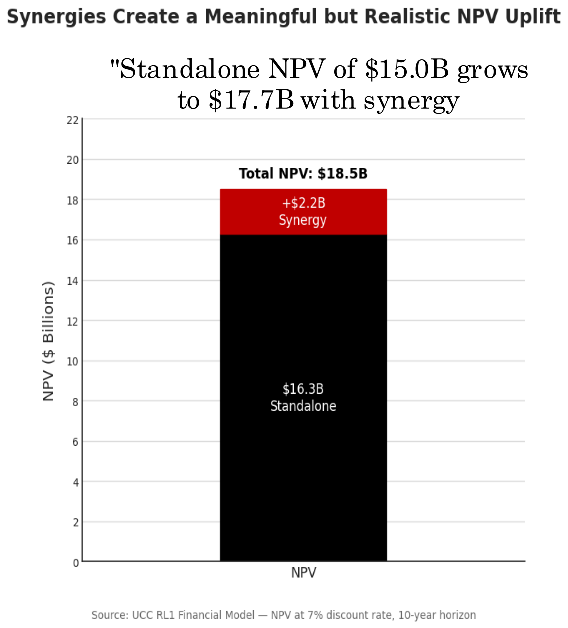
- Microscopic tolerances cascade to patient outcomes
- Contractor rotation = quality variation + knowledge loss
- Credo: "Security, fulfillment, and purpose",
- --> harder to fulfill for contractors
- Consistent quality --> surgeon trust --> long-term product loyalty + customer relationships

Both analyses converge on full-time. This is not an expense to minimize; **it is a competitive edge**.

Strategic Synergies

Maximizing Synergies

Medium Pricing	+	Silver Marketing	→	**Maximize Conversion Efficiency**
Plant Expansion	+	Full-Time employees	→	**Increased Product Consistency**
Buy Symmetrical IP + Build Spiral	+	Plant Expansion	→	**Reduced Bottleneck Risk**

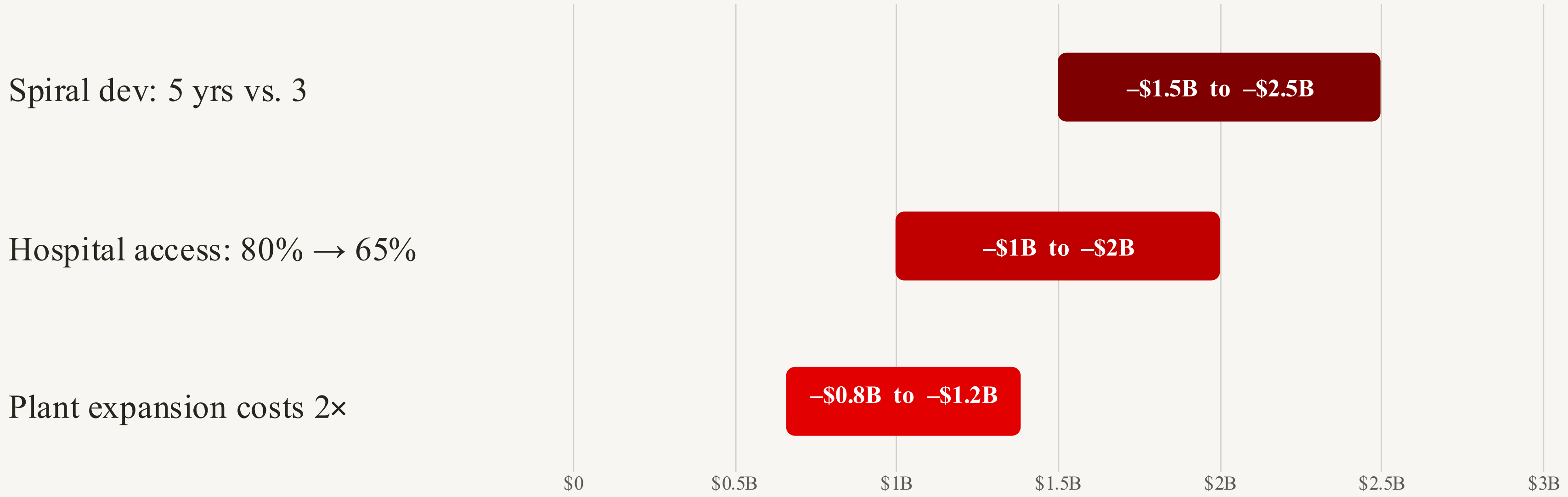


Key takeaway: Internal synergies between levers increase value beyond book value

Sensitivity Analysis

Stress-Testing Key Assumptions

NPV Impact (–$B)



Strategy remains strongly positive NPV under all scenarios. No single assumption failure breaks the thesis.

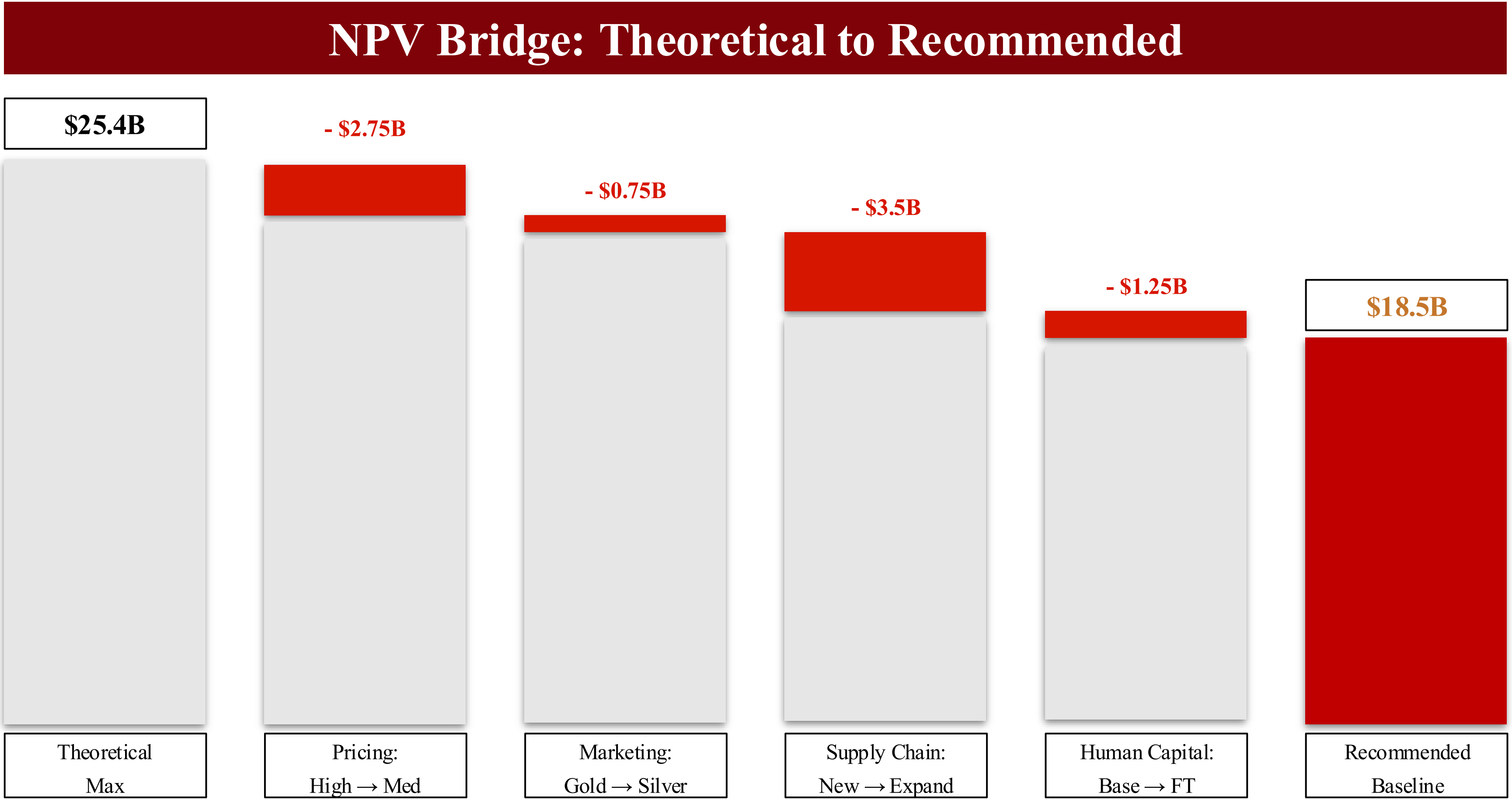
Risk Assessment

Risk and Mitigant Matrix

Risk	L	S	Consequence	Mitigant
Spiral R&D faces delays	Med	Mod	Competitor window narrows	Purchasing symmetrical suture IP for early revenue
Competitor develops spiral	Med	Mod	Margin compression	Utilize strong hospital relationships and branding
Competitors undercut price	Med	Mod	Potential price war with Crius	Already at market average; differentiation/branding
Slowing of surgeon adoption	Med	Low	Lower than expected market opportunity	KOL networks + clinical data
Plant expansion delays	Low	Mod	6–12-month delays on expansion opening	Known site; existing infrastructure
Labor costs escalate	Med	Low	Wage inflation causing decreased margins	Automation of tasks and reorganizing labor
FDA spiral approval delay	Med	Mod	Time for competition to gain market share	Pre-Submission process; dual-track
Market shift decelerates	Low	High	Decreased market opportunity	Maintaining non-barbed suture product offerings

L = Likelihood | S = Severity

Financial Summary



Financial Summary

NPV Range and Baseline

$16.3B	$18.5B	$22B
Financial Floor	Baseline	Strategic Ceiling

73% of stated model maximum | ~85–90% of corrected achievable maximum

Competitive Defense

How Does This Hold Under Competitive Response?

01

Aggressive Price Cuts

THREAT

Competitor undercuts on price

DEFENSE

- Already at market average, competitors sacrifice margins.
- Quality and utility differentiate.

02

Fast-Follower R&D on Spiral

THREAT

Competitor copies spiral design

DEFENSE

- Patent filings + speed to market + surgeon training create switching costs.
- Installed base provides durable moat.

03

Marketing Blitz

THREAT

Competitor outspends on marketing

DEFENSE

- Training-focused approach builds stronger relationships.
- Guided workshops convert surgeons into advocates.

In conclusion, our thesis is superior because of:

01 **Early Revenue + Differentiation**

02 **Strategic Cohesion**

03 **Execution Feasibility + Robustness**

04 **Market Access + Credo Alignment**