



Becton, Dickinson & Co. (BDX)

Updated May 10th, 2021 by Nathan Parsh

Key Metrics

Current Price:	\$239	5 Year CAGR Estimate:	11.2%	Market Cap:	\$69.6 billion
Fair Value Price:	\$238	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	6/8/2021
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	-0.1%	Dividend Payment Date:	6/30/2021
Dividend Yield:	1.4%	5 Year Price Target:	\$383	Years Of Dividend Growth:	49
Dividend Risk Score:	A	Retirement Suitability Score:	B	Last Dividend Increase:	5.1%

Overview & Current Events

Becton, Dickinson & Co., or BD, is a global leader in the medical supply industry. The company was founded in 1897 and has 72,000 employees across 190 countries. The company generates more than \$19 billion in annual revenue, with approximately 45% of revenues coming from outside of the U.S. BD has been very active on the acquisition front in recent years. BD is composed of three segments. Products sold by the Medical Division include needles for drug delivery systems, and surgical blades. The Life Sciences division provides products for the collection and transportation of diagnostic specimens. The Intervention segment includes several of the products produced by what used to be Bard.

On 5/8/2021, BD released earnings results for the second quarter of fiscal year 2021. Revenue improved 15.4% to \$4.9 billion, beating estimates by \$26.5 million. Adjusted earnings-per-share of \$3.19 was a 25.1% increase from the previous year and \$0.15 better than expected.

All results are listed on a currency neutral basis. COVID-19 diagnostic revenues totaled \$480 million and contributed 11% of the year-over-year growth. The Medical segment grew 4.7% to \$2.3 billion, which continues to be driven by the Medication Delivery Solutions business. COVID-19 acuity care was a tailwind to results. Life Science was higher by 37.7% to \$1.6 billion, though results were lower by 2.4% excluding COVID-19 testing. Biosciences grew double-digits due to a recovery in lab activity, which was offset by weaker demand for routine diagnostic testing. Interventional was flat at just over \$1 billion. Strength in peripheral artery disease and acute urology products were offset by COVID-19 resurgence in the U.S. and Europe. Each region once again showed growth. The U.S. grew 1.9%, international markets were up 25.7%, with developed nations improving 10.4%, emerging markets higher by 24% and China up 62%. BD also announced that it was spinning off its Diabetes business (\$1.1 billion in revenue in FY 2021).

BD reaffirmed its guidance for fiscal 2021 and expects adjusted EPS in the range of \$12.75 to \$12.85. Revenue is projected to grow 12% to 4%.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$5.62	\$5.36	\$5.81	\$6.25	\$7.16	\$8.59	\$9.48	\$11.01	\$11.68	\$10.19	\$12.80	\$20.61
DPS	\$1.64	\$1.80	\$1.98	\$2.18	\$2.40	\$2.64	\$2.92	\$3.02	\$3.08	\$3.16	\$3.32	\$5.35
Shares¹	215	197	194	192	211	213	228	265	265	293	293	265

BD has increased earnings-per-share 6.8% per year over the past 10 years, and has grown earnings in 7 out of the last 10 years. We feel that BD can grow earnings at a rate of 10% per year through fiscal 2026 due to a combination of mid-single-digit organic sales growth, revenue gains due to Bard, and a lower projected tax rate.

BD has increased dividends for 49 years, putting it one year shy of achieving Dividend King status. The company raised its dividend by 5.1% for the 12/31/2020 payment, which was considerably higher than the last three annual increases. While this is well below the long-term average, investors should know that the Bard acquisition is the largest in BD's history and that 70% of the purchase price was paid for in cash. We believe that the company's dividend growth rate will

¹ In millions of shares

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eventually be more in line with its historical average once BD's cash position improves. BD has a low payout ratio allowing for plenty of room for additional increases in the future.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	14.5	14.1	15.6	18.1	19.5	18.4	19.4	20.8	20.8	24.7	18.7	18.6
Avg. Yld.	2.0%	2.4%	2.2%	1.9%	1.7%	1.7%	1.7%	1.3%	1.3%	1.3%	1.4%	1.4%

BD's stock has declined \$16, or 6.3%, since our 2/7/2021 report. Based on estimates for fiscal 2021, BD's stock currently has a price-to-earnings ratio of 18.7. Our target price-to-earnings ratio for fiscal year 2026 is 18.6, which matches the stock's 10-year average earnings multiple. We estimate that valuation changes will have a negligible impact on annual returns going forward. BD's current yield of 1.4% is below the stock's five-year average of 1.8%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

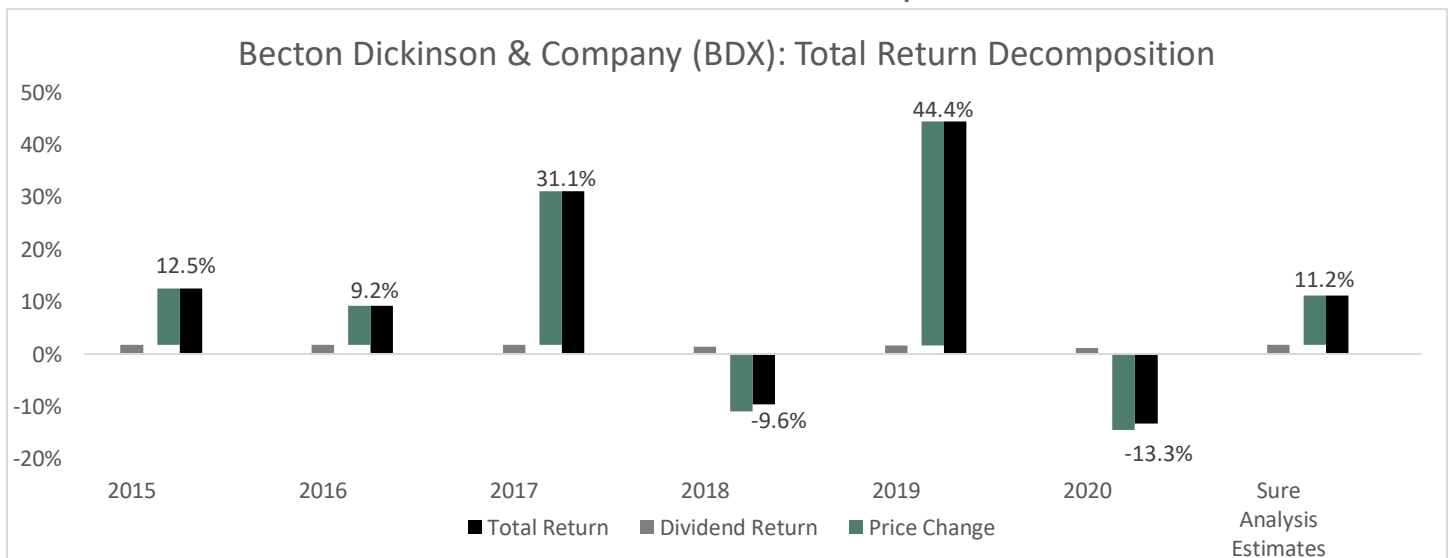
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	29%	34%	34%	35%	34%	31%	31%	27%	26%	31%	26%	26%

BD showed that it can perform well in less than ideal economic conditions during the last recession. The company's key competitive advantage is that its products are in high demand as medical devices and other healthcare products are still sought out during a recession. People will seek medical care regardless of how the economy is performing. This ability to grow or maintain earnings in any economic climate makes BD a quality company and a safe stock. The acquisition of Bard has added to both the top and bottom lines going and increases the company's exposure to China.

Final Thoughts & Recommendation

Becton, Dickinson & Co. is expected to offer a total return of 11.2% annually over the next five years, up from 9.5% previously. This is due to a 10% expected earnings growth rate and a 1.4% dividend yield offset by a mild valuation reversion. COVID-19 continues to positively impact results, though BD saw growth in most other areas as well. The stock's yield is on the low side, but the nearly five decades of dividend growth and extremely low payout ratio are a testament to BD's business and prudent management. We have raised our five-year price target \$4 to \$383 due to a higher valuation target. Shares receive a buy recommendation from Sure Dividend due to expected total returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	7584	7708	8054	8446	10282	12483	12093	15983	17290	17117
Gross Profit	3959	3953	4171	4301	4695	5991	5965	7269	8288	7577
Gross Margin	52.2%	51.3%	51.8%	50.9%	45.7%	48.0%	49.3%	45.5%	47.9%	44.3%
SG&A Exp.	1824	1923	2422	2145	2563	3005	2953	4029	4334	4318
D&A Exp.	494	511	546	562	891	1114	1088	1978	2253	2154
Operating Profit	1665	1558	1255	1606	1500	2158	1832	2236	2238	1800
Operating Margin	22.0%	20.2%	15.6%	19.0%	14.6%	17.3%	15.1%	14.0%	12.9%	10.5%
Net Profit	1271	1170	1293	1185	695	976	1100	311	1233	874
Net Margin	16.8%	15.2%	16.1%	14.0%	6.8%	7.8%	9.1%	1.9%	7.1%	5.1%
Free Cash Flow	1117	1209	1131	1091	1133	1866	1823	1970	2373	2729
Income Tax	417	363	236	337	44	97	(124)	862	(57)	111

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	10430	11361	12149	12447	26478	25586	37734	53904	51765	54012
Cash & Equivalents	1175	1671	1890	1861	1424	1541	14179	1140	536	2825
Accounts Receivable	1229	1250	1240	1187	1618	1618	1744	2319	2345	2398
Inventories	1245	1241	1402	1495	1959	1719	1818	2451	2579	2743
Goodwill & Int. Ass.	2106	2235	2315	2217	14924	13700	13456	40041	38353	37433
Total Liabilities	5602	7225	7107	7394	19313	17952	24786	32910	30683	30247
Accounts Payable	305	350	333	401	631	665	797	1106	1092	1355
Long-Term Debt	2720	4166	3970	3971	12822	11551	18870	21495	19390	17930
Shareholder's Equity	4828	4136	5042	5053	7165	7634	12946	20992	21080	23763
D/E Ratio	0.56	1.01	0.79	0.79	1.79	1.51	1.46	1.02	0.92	0.75

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	12.7%	10.7%	11.0%	9.6%	3.6%	3.7%	3.5%	0.7%	2.3%	1.7%
Return on Equity	24.8%	26.1%	28.2%	23.5%	11.4%	13.2%	10.7%	1.8%	5.9%	3.9%
ROIC	17.3%	14.8%	14.9%	13.1%	4.8%	5.0%	4.3%	0.8%	3.0%	2.1%
Shares Out.	215	197	194	192	211	213	228	265	265	293
Revenue/Share	33.52	36.85	40.43	42.72	49.55	57.38	54.09	60.40	62.92	60.61
FCF/Share	4.94	5.78	5.68	5.52	5.46	8.58	8.15	7.44	8.64	9.66

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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