



Becton, Dickinson & Co. (BDX)

Updated August 8th, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$275	5 Year CAGR Estimate:	7.7%	Market Cap:	\$80 B
Fair Value Price:	\$232	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	09/07/23
% Fair Value:	119%	5 Year Valuation Multiple Estimate:	-3.3%	Dividend Payment Date:	09/29/23
Dividend Yield:	1.3%	5 Year Price Target:	\$374	Years Of Dividend Growth:	51
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Hold

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 75,000 employees across 190 countries. The company generates about \$19 billion in annual revenue, with approximately 43% of revenues coming from outside of the U.S. 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 November 10th, 2022, BD increased its quarterly dividend 4.6% to \$0.91, extending the company's dividend growth streak to 51 consecutive years.

On August 3rd, 2023, BD released earnings results for the third quarter of fiscal year 2023, which ended on June 30th, 2023. For the quarter, revenue grew 5.1% to \$4.87 billion, which beat estimates by \$30 million. On a currency neutral basis, revenue grew 6.3%. Excluding currency exchange and COVID-19 related sales, base revenue increased 7.9%. Adjusted earnings-per-share of \$2.96 compared favorably to \$2.66 in the prior year and was \$0.05 above estimates.

All results are listed on a currency neutral basis unless otherwise noted. Base organic growth was 6.3% for the period. For the quarter, U.S. grew 5.9% while international was up 8.2% (up 5.4% on a reported basis). COVID-19 diagnostic revenue totaled \$8 million for the quarter, down from \$76 million in the prior year. The Medical segment grew 12.2% to \$2.43 billion due to strength in all businesses, with medication management solutions being the best performer. Life Science inched higher by 0.2% to \$1.23 billion. Lower COVID-19 volumes weighed on the integrated diagnostic solutions business, but this was offset by the bioscience division. Interventional increased 8.1% to \$1.22 billion, led by results in surgery and urology and critical care.

BD reaffirmed most of its outlook for fiscal year 2023, with the company now expecting adjusted earnings-per-share in a range of \$12.10 to \$12.32, up from \$12.07 to \$12.32 and \$11.85 to \$12.10, previously. This would represent a 7.6% increase year-over-year at the midpoint. Organic growth is now projected to be 5.5% to 5.8%, up from 5.25 to 5.75% previously.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$5.81	\$6.25	\$7.16	\$8.59	\$9.48	\$11.01	\$11.68	\$10.19	\$13.08	\$11.35	\$12.21	\$19.66
DPS	\$1.98	\$2.18	\$2.40	\$2.64	\$2.92	\$3.02	\$3.08	\$3.16	\$3.32	\$3.48	\$3.64	\$5.86
Shares¹	194	192	211	213	228	265	265	293	289	287	288	265

BD has increased earnings-per-share 7.7% per year over the past 10 years, and has grown earnings in 8 out of the last 10 years. We feel that BD can grow earnings at a rate of 10% per year through fiscal 2028 due to a combination of mid-single-digit organic sales growth, revenue gains due to Bard, and a lower projected tax rate.

BD has now increased its dividend for more than 50 consecutive years. This makes the company a member of the Dividend Kings. While recent increases have been below the long-term average, investors should know that the Bard

¹ In millions of shares

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

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	15.6	18.1	19.5	18.4	19.4	20.8	20.8	24.7	18.8	19.6	22.5	19.0
Avg. Yld.	2.2%	1.9%	1.7%	1.7%	1.7%	1.3%	1.3%	1.3%	1.4%	1.6%	1.3%	1.6%

BD's stock has gained \$23, or 9.1%, since our May 22nd, 2023 report. Based off estimates for fiscal year 2023, BD's stock currently has a price-to-earnings ratio of 22.5. Our target price-to-earnings ratio for fiscal year 2028 of 19 is near the long-term average. Valuation could be a 3.3% headwind to annual results over the next five years. BD's current yield of 1.3% nearly matches the stock's 10-year average yield.

Safety, Quality, Competitive Advantage, & Recession Resiliency

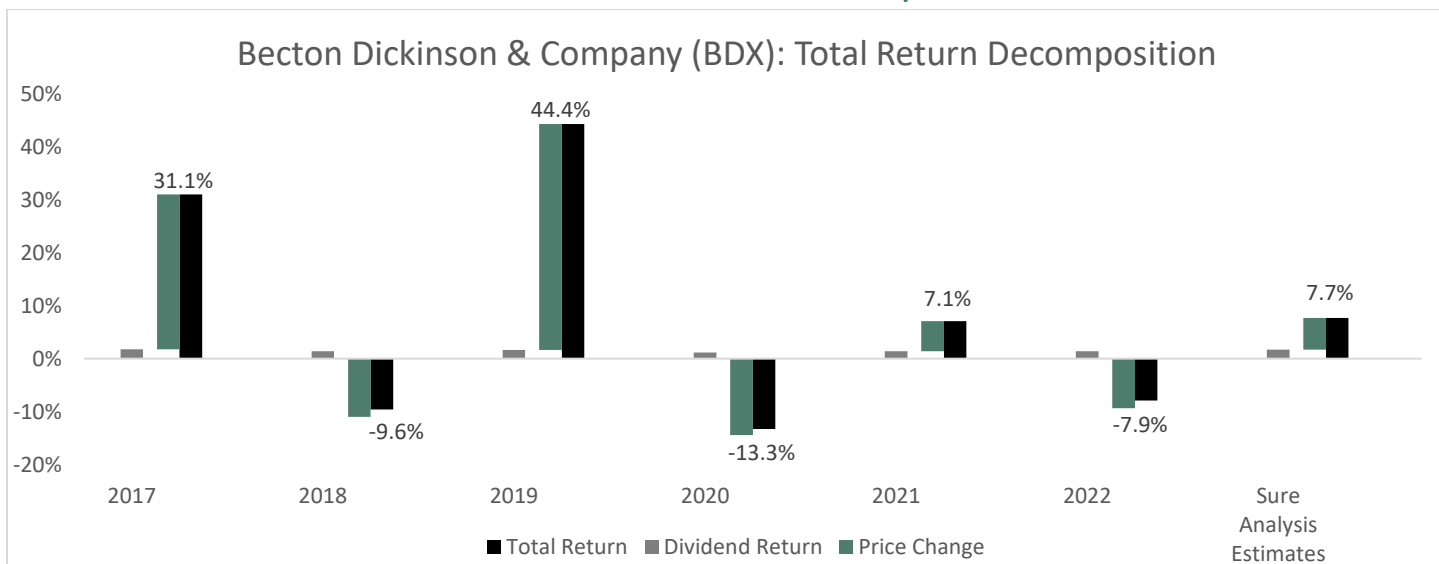
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	2027
Payout	34%	35%	34%	31%	31%	27%	26%	31%	25%	31%	30%	30%

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 and increases the company's exposure to China.

Final Thoughts & Recommendation

Becton, Dickinson & Co. is expected to offer a total return of 7.7% annually over the next five years, down from 9.6% previously. This is due to a 10% expected earnings growth rate and a 1.3% starting dividend yield, offset by multiple contraction. COVID-19 continues to be a less important part BD's business, but the other areas of the company continue to thrive. The company raised its EPS and organic growth guidance for the year as a result. We reaffirm our five-year price target of \$374 due to estimates for the year, but continue to rate shares of BD as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	7708	8054	8446	10282	12483	12093	15983	17290	17117	18870
Gross Profit	3953	4171	4301	4695	5991	5965	7269	8288	7577	8477
Gross Margin	51.3%	51.8%	50.9%	45.7%	48.0%	49.3%	45.5%	47.9%	44.3%	44.9%
SG&A Exp.	1923	2422	2145	2563	3005	2953	4029	4334	4318	4709
D&A Exp.	511	546	562	891	1114	1088	1978	2253	2154	2229
Operating Profit	1558	1255	1606	1500	2158	1832	2236	2238	1800	2475
Operating Margin	20.2%	15.6%	19.0%	14.6%	17.3%	15.1%	14.0%	12.9%	10.5%	13.1%
Net Profit	1170	1293	1185	695	976	1100	311	1233	874	1779
Net Margin	15.2%	16.1%	14.0%	6.8%	7.8%	9.1%	1.9%	7.1%	5.1%	9.4%
Free Cash Flow	1209	1131	1091	1133	1866	1823	1970	2373	2729	1661
Income Tax	363	236	337	44	97	(124)	862	(57)	111	148

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	11361	12149	12447	26478	25586	37734	53904	51765	54012	52934
Cash & Equivalents	1671	1890	1861	1424	1541	14179	1140	536	2825	1006
Accounts Receivable	1250	1240	1187	1618	1618	1744	2319	2345	2398	2191
Inventories	1241	1402	1495	1959	1719	1818	2451	2579	2743	3224
Goodwill & Int. Ass.	2235	2315	2217	14924	13700	13456	40041	38353	37433	36932
Total Liabilities	7225	7107	7394	19313	17952	24786	32910	30683	30247	27652
Accounts Payable	350	333	401	631	665	797	1106	1092	1355	1699
Long-Term Debt	4166	3970	3971	12822	11551	18870	21495	19390	17930	16065
Shareholder's Equity	4136	5042	5053	7165	7634	12946	20992	21080	23763	25280
LTD/E Ratio	1.01	0.79	0.79	1.79	1.51	1.46	1.02	0.92	0.75	0.64

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	10.7%	11.0%	9.6%	3.6%	3.7%	3.5%	0.7%	2.3%	1.7%	3.3%
Return on Equity	26.1%	28.2%	23.5%	11.4%	13.2%	10.7%	1.8%	5.9%	3.9%	7.3%
ROIC	14.8%	14.9%	13.1%	4.8%	5.0%	4.3%	0.8%	3.0%	2.1%	4.3%
Shares Out.	194	192	211	213	228	265	265	293	289	287
Revenue/Share	36.85	40.43	42.72	49.55	57.38	54.09	60.40	62.92	60.61	65.67
FCF/Share	5.78	5.68	5.52	5.46	8.58	8.15	7.44	8.64	9.66	5.78

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

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