



# Becton, Dickinson & Co. (BDX)

Updated November 14<sup>th</sup>, 2023 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$236	<b>5 Year CAGR Estimate:</b>	12.0%	<b>Market Cap:</b>	\$68 B
<b>Fair Value Price:</b>	\$244	<b>5 Year Growth Estimate:</b>	10.0%	<b>Ex-Dividend Date:</b>	12/07/23
<b>% Fair Value:</b>	97%	<b>5 Year Valuation Multiple Estimate:</b>	0.7%	<b>Dividend Payment Date:</b>	12/29/23
<b>Dividend Yield:</b>	1.6%	<b>5 Year Price Target:</b>	\$393	<b>Years Of Dividend Growth:</b>	52
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## 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 9<sup>th</sup>, 2023, BD increased its quarterly dividend 4.4% to \$0.95, extending the company's dividend growth streak to 52 consecutive years.

On November 9<sup>th</sup>, 2023, BD released earnings results for the fourth quarter and fiscal year 2023, which ended on September 30<sup>th</sup>, 2023. For the quarter, revenue grew 6.8% to \$5.1 billion, which beat estimates by \$67 million. On a currency neutral basis, revenue grew 5.9%. Excluding currency exchange and COVID-19 related sales, base revenue increased 6.3%. Adjusted earnings-per-share of \$3.42 compared favorably to \$2.75 in the prior year, but was \$0.01 below estimates. For the fiscal year, revenue grew 5.1% to \$19.4 billion while adjusted earnings-per-share of \$12.21 compared to \$11.35 in the prior period.

All results are listed on a currency neutral basis unless otherwise noted. Base organic growth was 7.0% for the period. For the quarter, U.S. grew 6.3% while international was up 5.3% (up 7.6% on a reported basis). COVID-19 diagnostic revenue totaled \$17 million for the quarter, down from \$37 million in the prior year. The Medical segment grew 6.2% to \$2.55 billion as medication management solutions and pharmaceutical systems both grew double-digits. Life Science revenue increased 2.2% to \$1.33 billion. Lower COVID-19 volumes weighed on the integrated diagnostic solutions business, but this was once again offset by the bioscience division. Interventional improved 9.6% to \$1.20 billion, led by results in peripheral intervention and urology and critical care.

BD provided an outlook for fiscal year 2024 as well. The company expects organic growth in a range of 5.25% to 6.25%. Adjusted earnings-per-share is projected to be in a range of \$12.70 to \$13.00. We have initiated our forecast accordingly.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$6.25	\$7.16	\$8.59	\$9.48	\$11.01	\$11.68	\$10.19	\$13.08	\$11.35	\$12.21	<b>\$12.85</b>	<b>\$20.70</b>
<b>DPS</b>	\$2.18	\$2.40	\$2.64	\$2.92	\$3.02	\$3.08	\$3.16	\$3.32	\$3.48	\$3.64	<b>\$3.80</b>	<b>\$4.85</b>
<b>Shares<sup>1</sup></b>	192	211	213	228	265	265	293	289	287	293	<b>293</b>	<b>280</b>

BD has increased earnings-per-share 7.7% per year over the past decade, and has grown earnings in 9 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 organic growth and acquisitions.

<sup>1</sup> In millions of shares

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BD has now increased its dividend for 52 consecutive years. This makes the company a member of the Dividend Kings. The dividend has a compound annual growth rate of 5.9% over the last 10 years and 4.3% over the past five years. We expect that the dividend will grow by 5% annually over the next five years. The dividend growth streak is very likely to continue as BD has a low payout ratio leaving for plenty of room for additional increases.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	18.1	19.5	18.4	19.4	20.8	20.8	24.7	18.8	19.6	21.2	<b>18.4</b>	<b>19.0</b>
Avg. Yld.	1.9%	1.7%	1.7%	1.7%	1.3%	1.3%	1.3%	1.4%	1.6%	1.4%	<b>1.6%</b>	<b>1.2%</b>

BD's stock has declined \$39, or 14.2%, since our August 8<sup>th</sup>, 2023 report. Based off estimates for fiscal year 2024, BD's stock currently has a price-to-earnings ratio of 18.4. Our target price-to-earnings ratio for fiscal year 2029 of 19 is near the long-term average. Valuation could add 0.7% to annual returns over the next five years. BD's current yield of 1.6% is slightly ahead of the stock's 10-year average yield.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

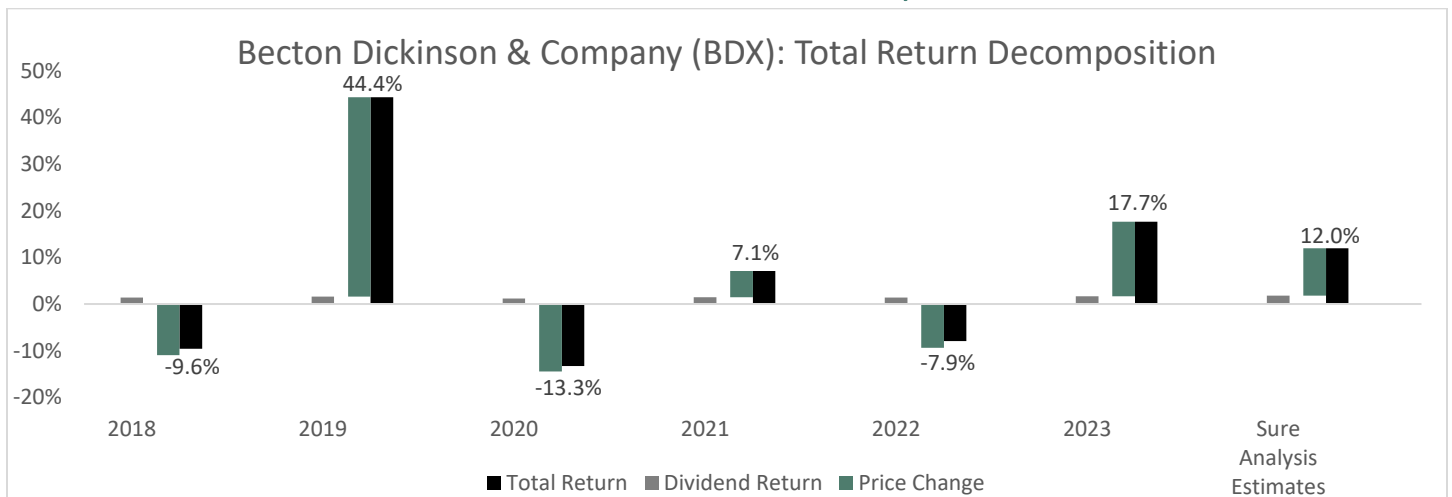
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	35%	34%	31%	31%	27%	26%	31%	25%	31%	30%	<b>30%</b>	<b>23%</b>

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 12.0% annually over the next five years, up from 7.7% previously. This is due to a 10% expected earnings growth rate, a 1.6% starting dividend yield, and a small contribution from multiple expansion. COVID-19 continues to be a less important part BD's business, but the other areas of the company continue to thrive. The company provided solid guidance for the new fiscal year as well. We have raised our five-year price target \$19 to \$393 due to estimates for the year and now rate shares of BD as a buy due to projected returns.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	8446	10282	12483	12093	15983	17290	16074	19131	18870	19372
<b>Gross Profit</b>	4301	4695	5991	5965	7269	8288	6798	8631	8477	8170
<b>Gross Margin</b>	50.9%	45.7%	48.0%	49.3%	45.5%	47.9%	42.3%	45.1%	44.9%	42.2%
<b>SG&amp;A Exp.</b>	2145	2563	3005	2909	4016	4332	4185	4719	4709	4719
<b>D&amp;A Exp.</b>	562	891	1114	1088	1978	2253	2115	2230	2229	2288
<b>Operating Profit</b>	1606	1500	2158	1876	2249	2240	1211	2430	2475	2424
<b>Operating Margin</b>	19.0%	14.6%	17.3%	15.5%	14.1%	13.0%	7.5%	12.7%	13.1%	12.5%
<b>Net Profit</b>	1185	695	976	1100	311	1233	874	2092	1779	1484
<b>Net Margin</b>	14.0%	6.8%	7.8%	9.1%	1.9%	7.1%	5.4%	10.9%	9.4%	7.7%
<b>Free Cash Flow</b>	1091	1133	1866	1823	1970	2373	2770	3454	1661	2115
<b>Income Tax</b>	337	44	97	(124)	862	(57)	62	88	148	132

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	12447	26478	25586	37734	53904	51765	54012	53880	52934	52780
<b>Cash &amp; Equivalents</b>	1861	1424	1541	14179	1140	536	2825	2283	1006	1416
<b>Accounts Receivable</b>	1187	1618	1618	1744	2319	2345	2398	2350	2191	2534
<b>Inventories</b>	1495	1959	1719	1818	2451	2579	2743	2743	3224	3273
<b>Goodwill &amp; Int. Ass.</b>	2217	14924	13700	13456	40041	38353	37433	36670	36932	35469
<b>Total Liabilities</b>	7394	19313	17952	24786	32910	30683	30247	30203	27652	26984
<b>Accounts Payable</b>	401	631	665	797	1106	1092	1355	1739	1699	
<b>Long-Term Debt</b>	3971	12822	11551	18870	21495	19390	17930	17610	16065	15879
<b>Shareholder's Equity</b>	5053	7165	7634	12946	20992	21080	23763	23675	25280	25796
<b>LTD/E Ratio</b>	0.79	1.79	1.51	1.46	1.02	0.92	0.75	0.74	0.64	0.62

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	9.6%	3.6%	3.7%	3.5%	0.7%	2.3%	1.7%	3.9%	3.3%	2.8%
<b>Return on Equity</b>	23.5%	11.4%	13.2%	10.7%	1.8%	5.9%	3.9%	8.8%	7.3%	5.8%
<b>ROIC</b>	13.1%	4.8%	5.0%	4.3%	0.8%	3.0%	2.1%	5.0%	4.3%	3.6%
<b>Shares Out.</b>	192	211	213	228	265	265	293	289	287	293
<b>Revenue/Share</b>	42.72	49.55	57.38	54.09	60.40	62.92	56.92	65.50	65.67	67.17
<b>FCF/Share</b>	5.52	5.46	8.58	8.15	7.44	8.64	9.81	11.83	5.78	7.33

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

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