



Becton, Dickinson & Co. (BDX)

Updated May 7th, 2024 by Nathan Parsh

Key Metrics

Current Price:	\$238	5 Year CAGR Estimate:	10.2%	Market Cap:	\$69 B
Fair Value Price:	\$248	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	06/10/24
% Fair Value:	96%	5 Year Valuation Multiple Estimate:	0.8%	Dividend Payment Date:	06/28/24
Dividend Yield:	1.3%	5 Year Price Target:	\$364	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	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 \$20 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 9th, 2023, BD increased its quarterly dividend 4.4% to \$0.95, extending the company's dividend growth streak to 52 consecutive years.

On May 2nd, 2024, BD released earnings results for the second quarter of fiscal year 2024, which ended on March 31st, 2024. For the quarter, revenue grew 4.6% to \$5.0 billion, which was slightly ahead of estimates. On a currency neutral basis, revenue grew 4.7%. Adjusted earnings-per-share of \$3.17 compared favorably to \$2.86 in the prior year and was \$0.20 more than anticipated.

All results are listed on a currency neutral basis unless otherwise noted. Organic growth was 5.7% for the period. For the quarter, U.S. grew 6.3% while international was up 2.6% (up 2.4% on a reported basis). COVID-19 diagnostic revenue was not material during the period. The Medical segment grew 3.7% to \$2.45 billion as all businesses were up year-over-year. Mediation Management Solutions was the top performer, thanks to strong growth in infusion systems. Life Science revenue was up 2.3% to \$1.30 billion as gains in Integrated Diagnostic Solutions was only partially offset by weaker results in Biosciences. Interventional grew 9.5% to \$1.29 billion, driven once again by strength in Urology and Critical Care.

BD provided an updated outlook for fiscal year 2024 as well. The company still expects organic growth in a range of 5.5% to 6.25%, compared to 5.25% to 6.25% previously. Adjusted earnings-per-share is now projected to be in a range of \$12.95 to \$13.15, up from \$12.82 to \$13.06 and \$12.70 to \$13.00 previously. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$6.25	\$7.16	\$8.59	\$9.48	\$11.01	\$11.68	\$10.19	\$13.08	\$11.35	\$12.21	\$13.05	\$19.17
DPS	\$2.18	\$2.40	\$2.64	\$2.92	\$3.02	\$3.08	\$3.16	\$3.32	\$3.48	\$3.64	\$3.80	\$4.85
Shares¹	192	211	213	228	265	265	293	289	287	293	290	280

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 8% per year through fiscal 2029, down from 10% previously.

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 3.4% over the past five years. We

¹ In millions of shares

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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	18.2	19.0
Avg. Yld.	1.9%	1.7%	1.7%	1.7%	1.3%	1.3%	1.3%	1.4%	1.6%	1.4%	1.3%	1.3%

BD's stock has declined \$2, or 0.8%, since our February 2nd, 2024 report. Based off estimates for fiscal year 2024, BD's stock currently has a price-to-earnings ratio of 18.2. Our target price-to-earnings ratio for fiscal year 2029 of 19 is near the long-term average. Valuation could add 0.8% 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

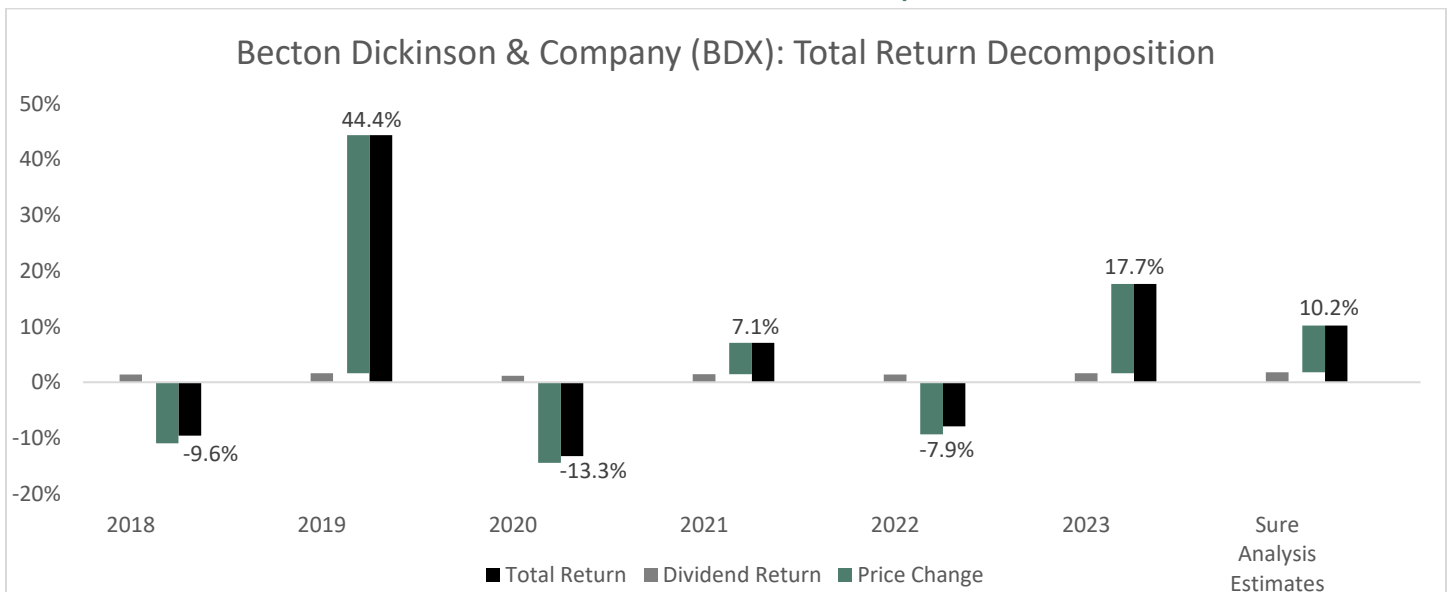
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	35%	34%	31%	31%	27%	26%	31%	25%	31%	30%	24%	25%

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 10.2% annually over the next five years, up from 9.8% previously. This is due to an 8% expected earnings growth rate, the 1.6% starting dividend yield, and a small contribution from multiple expansion. Results were strong in nearly every aspect of the company's business and management raised its EPS guidance again for the year. We have raised our five-year price target \$3 to \$364 due to EPS estimates for the fiscal year. We continue to 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
Revenue	8446	10282	12483	12093	15983	17290	16074	19131	18870	19372
Gross Profit	4301	4695	5991	5965	7269	8288	6798	8631	8477	8170
Gross Margin	50.9%	45.7%	48.0%	49.3%	45.5%	47.9%	42.3%	45.1%	44.9%	42.2%
SG&A Exp.	2145	2563	3005	2909	4016	4332	4185	4719	4709	4719
D&A Exp.	562	891	1114	1088	1978	2253	2115	2230	2229	2288
Operating Profit	1606	1500	2158	1876	2249	2240	1211	2430	2475	2424
Operating Margin	19.0%	14.6%	17.3%	15.5%	14.1%	13.0%	7.5%	12.7%	13.1%	12.5%
Net Profit	1185	695	976	1100	311	1233	874	2092	1779	1484
Net Margin	14.0%	6.8%	7.8%	9.1%	1.9%	7.1%	5.4%	10.9%	9.4%	7.7%
Free Cash Flow	1091	1133	1866	1823	1970	2373	2770	3454	1661	2115
Income Tax	337	44	97	(124)	862	(57)	62	88	148	132

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	12447	26478	25586	37734	53904	51765	54012	53880	52934	52780
Cash & Equivalents	1861	1424	1541	14179	1140	536	2825	2283	1006	1416
Accounts Receivable	1187	1618	1618	1744	2319	2345	2398	2350	2191	2534
Inventories	1495	1959	1719	1818	2451	2579	2743	2743	3224	3273
Goodwill & Int. Ass.	2217	14924	13700	13456	40041	38353	37433	36670	36932	35469
Total Liabilities	7394	19313	17952	24786	32910	30683	30247	30203	27652	26984
Accounts Payable	401	631	665	797	1106	1092	1355	1739	1699	1641
Long-Term Debt	3971	12822	11551	18870	21495	19390	17930	17610	16065	15879
Shareholder's Equity	5053	7165	7634	12946	20992	21080	23763	23675	25280	25796
LTD/E Ratio	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
Return on Assets	9.6%	3.6%	3.7%	3.5%	0.7%	2.3%	1.7%	3.9%	3.3%	2.8%
Return on Equity	23.5%	11.4%	13.2%	10.7%	1.8%	5.9%	3.9%	8.8%	7.3%	5.8%
ROIC	13.1%	4.8%	5.0%	4.3%	0.8%	3.0%	2.1%	5.0%	4.3%	3.6%
Shares Out.	192	211	213	228	265	265	293	289	287	293
Revenue/Share	42.72	49.55	57.38	54.09	60.40	62.92	56.92	65.50	65.67	67.17
FCF/Share	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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