



Becton, Dickinson & Co. (BDX)

Updated November 20th, 2024 by Nathan Parsh

Key Metrics

Current Price:	\$223	5 Year CAGR Estimate:	13.9%	Market Cap:	\$64 B
Fair Value Price:	\$274	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	12/09/24
% Fair Value:	81%	5 Year Valuation Multiple Estimate:	4.2%	Dividend Payment Date:	12/31/24
Dividend Yield:	1.9%	5 Year Price Target:	\$403	Years Of Dividend Growth:	53
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 September 3rd, 2024, BD announced that it had completed its \$4.2 billion purchase of Edward Lifesciences' (EW) Critical Care division.

On November 7th, 2024, BD increased its quarterly dividend 9.5% to \$1.04, extending the company's dividend growth streak to 53 consecutive years.

That same day, BD reported results for the fourth quarter and fiscal year 2024, which ended September 30th, 2024. For the quarter, revenue grew 6.9% to \$5.44 billion, which was \$57 million more than expected. On a currency neutral basis, revenue improved 7.4%. Adjusted earnings-per-share of \$3.81 compared favorably to \$3.42 in the prior year and was \$0.04 ahead of estimates. For the fiscal year, revenue grew 4.2% to \$20.2 billion while adjusted earnings-per-share of \$13.14 compared to \$12.21 in the prior year.

For the quarter, U.S. grew 8.3% while international was 5.1% on a reported basis. Excluding currency, international was higher by 6.3%. Organic growth was up 6.2% for the period. The Medical segment grew 8.6% organically to \$2.84 billion, primarily due to strength in Medication Management Solutions and Medication Delivery Solutions. Life Science was up 1.4% to \$1.34 billion. Once again, gains in Integrated Diagnostic Solutions were only partially offset by a slight decline in Biosciences. Interventional increased 6.6% to \$1.26 billion, led by double-digit growth in Urology and Critical Care. Surgery returned to growth despite previously concluded divestitures.

BD provided an outlook for fiscal year 2025 as well. Revenue is projected to be in a range of \$21.9 billion to \$22.1 billion for the fiscal year, which represents ~9% growth year-over-year. Adjusted earnings-per-share is expected to be in a range of \$14.25 to \$14.60, representing growth of 9.8% from last fiscal year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$7.16	\$8.59	\$9.48	\$11.01	\$11.68	\$10.19	\$13.08	\$11.35	\$12.21	\$13.14	\$14.43	\$21.20
DPS	\$2.40	\$2.64	\$2.92	\$3.02	\$3.08	\$3.16	\$3.32	\$3.48	\$3.64	\$3.80	\$4.16	\$5.31
Shares¹	211	213	228	265	265	293	289	287	293	291	291	285

BD has increased earnings-per-share 7.0% per year over the past decade, and has grown earnings in 7 out of the last 10 years. We continue to believe that BD can grow earnings at a rate of 8% per year through fiscal 2030, down from 10% previously.

¹ In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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BD has now increased its dividend for 53 consecutive years. This makes the company a member of the Dividend Kings. The dividend has a compound annual growth rate of 5.2% over the last 10 years and 5.7% over the past five years, though the latest increase is well ahead of its medium- and long-term averages. 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.5	18.4	19.4	20.8	20.8	24.7	18.8	19.6	21.2	18.3	15.5	19.0
Avg. Yld.	1.7%	1.7%	1.7%	1.3%	1.3%	1.3%	1.4%	1.6%	1.4%	1.6%	1.9%	1.3%

BD's stock has declined \$19, or 7.9%, since our August 4th, 2024 report. Based off estimates for fiscal year 2025, BD's stock currently has a price-to-earnings ratio of 15.5. Our target price-to-earnings ratio for fiscal year 2030 of 19 is near the long-term average. Valuation could add 4.2% to annual returns over the next five years. BD's current yield of 1.9% is slightly ahead of the stock's 10-year average yield of 1.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

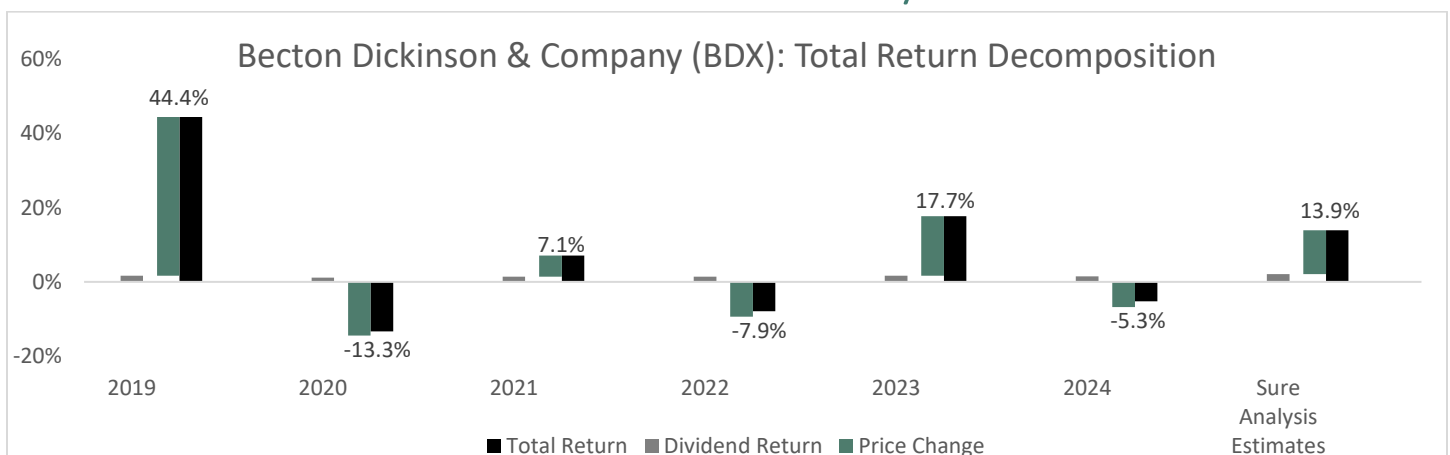
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	34%	31%	31%	27%	26%	31%	25%	31%	30%	29%	29%	25%

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 company has also been aggressive about making acquisitions to add on to the core businesses. The acquisition of Bard is but one example of such a move.

Final Thoughts & Recommendation

Becton, Dickinson & Co. is expected to offer a total return of 13.9% annually over the next five years, up from 9.9% previously. This is due to an 8% expected earnings growth rate, the 1.9% starting dividend yield, and a mid-single-digit contribution from multiple expansion. As with the prior quarter, results were strong in nearly every aspect of the company's business. Management issued aggressive guidance for the new fiscal year as well. We have raised our five-year price target \$37 to \$403 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	10,282	12,483	12,093	15,983	17,290	16,074	19,131	18,870	19,372	20,178
Gross Profit	4,695	5,991	5,965	7,269	8,288	6,798	8,631	8,477	8,170	9,153
Gross Margin	45.7%	48.0%	49.3%	45.5%	47.9%	42.3%	45.1%	44.9%	42.2%	45.4%
SG&A Exp.	2,563	3,005	2,909	4,016	4,332	4,185	4,719	4,709	4,719	4,857
D&A Exp.	891	1,114	1,088	1,978	2,253	2,115	2,230	2,229	2,288	2,286
Operating Profit	1,500	2,158	1,876	2,249	2,240	1,211	2,430	2,475	2,424	2,884
Operating Margin	14.6%	17.3%	15.5%	14.1%	13.0%	7.5%	12.7%	13.1%	12.5%	14.3%
Net Profit	695	976	1,100	311	1,233	874	2,092	1,779	1,484	1,726
Net Margin	6.8%	7.8%	9.1%	1.9%	7.1%	5.4%	10.9%	9.4%	7.7%	8.6%
Free Cash Flow	1,133	1,866	1,823	1,970	2,373	2,770	3,454	1,661	2,115	3,073
Income Tax	44	97	(124)	862	(57)	62	88	148	132	307

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	26,478	25,586	37,734	53,904	51,765	54,012	53,880	52,934	52,780	57,286
Cash & Equivalents	1,424	1,541	14,179	1,140	536	2,825	2,283	1,006	1,416	1,717
Accounts Receivable	1,618	1,618	1,744	2,319	2,345	2,398	2,350	2,191	2,534	3,033
Inventories	1,959	1,719	1,818	2,451	2,579	2,743	2,743	3,224	3,273	3,843
Goodwill & Int. Ass.	14,924	13,700	13,456	40,041	38,353	37,433	36,670	36,930	35,469	37,383
Total Liabilities	19,313	17,952	24,786	32,910	30,683	30,247	30,203	27,652	26,983	31,375
Accounts Payable	631	665	797	1,106	1,092	1,355	1,739	1,699	1,641	
Long-Term Debt	12,822	11,551	18,870	21,495	19,390	17,930	17,610	16,065	15,879	20,110
Shareholder's Equity	7,165	7,634	12,946	20,992	21,080	23,763	23,675	25,280	25,797	25,911
LTD/E Ratio	1.79	1.51	1.46	1.02	0.92	0.75	0.74	0.64	0.62	0.78

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.6%	3.7%	3.5%	0.7%	2.3%	1.7%	3.9%	3.3%	2.8%	3.1%
Return on Equity	11.4%	13.2%	10.7%	1.8%	5.9%	3.9%	8.8%	7.3%	5.8%	6.7%
ROIC	4.8%	5.0%	4.3%	0.8%	3.0%	2.1%	5.0%	4.3%	3.6%	3.9%
Shares Out.	211	213	228	265	265	293	289	287	293	291
Revenue/Share	49.55	57.38	54.09	60.40	62.92	56.92	65.50	65.67	67.17	69.34
FCF/Share	5.46	8.58	8.15	7.44	8.64	9.81	11.83	5.78	7.33	10.56

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

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