

# Becton, Dickinson and Company

US Satellite\*

Recommended since 21.11.2019

10.06.2022



Country	US	Market capitalization (bn)	USD	71.9	Perf. since reco. (%)	
Sector	Health Care	Free float	99.7%	Becton, Dickinson and Company	2.3	
Factset	BDX-US	Closing price	USD	248.37	Sector	31.1
ISIN	US0758871091	ESG Risk score*	26.7	Medium risk		



## Profile

Founded in 1897, Becton, Dickinson & Co (BD) specializes in medical technologies for hospitals and laboratories. The business is divided into three segments: 1/ Medical (52% of sales), including equipment for administering drugs (catheters, syringes, needles, intravenous, infusion devices...); 2/ Life Sciences (25% of sales), dedicated to diagnostic instruments and reagents; 3/ Interventional (23% of sales), covering surgical, intensive care, peripheral vascular interventional devices.

## Strengths/opportunities

- Leader in most of its offer (50-80% market share).
- A key supplier for the hospital sector.
- Opportunities towards more dynamic segments (peripheral vascular diseases, chronic kidney diseases...).

## Weaknesses/threats

- Low pricing power and risk of increased competitive pressures.
- Sensitivity to government spending in the diagnostics segment.
- Risk of recall in case of defective products.

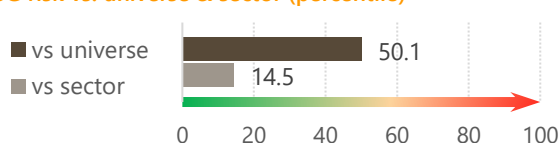
## Investment case

- BD enjoys a leading position in most of its segments with underlying growth of between 3% and 6% on average per year. Recent acquisitions (CareFusion in 2015 and C. R. Bard in 2017) have allowed the company to extend its product offering to more dynamic segments (notably peripheral vascular diseases, chronic kidney diseases, surgery) and strengthen its positioning as a key supplier for the hospital sector. Its wide range of products, constant innovation and unrivalled critical mass are major assets in a competitive environment.
- The 2025 outlook has just been updated and is well oriented with an increase in sales of 5.5% and earnings per share of over 10%. Penalized since the end of 2019 by a disappointing evolution of margins and especially the commercial discontinuation of the Alaris infusion pump, management's execution in the medium term will be key to allow a revaluation of the share. The first important step will be the FDA's decision on the commercial resumption of Alaris, expected in the coming quarters.
- For 2022, BD is taking a cautious approach, with sales and EPS down 8% and 12%. These targets reflect the spin-off of embecta (diabetes care), no additional sales for Alaris and only \$450mio of COVID-related sales (vs \$2bn in 2021 and \$400mio already achieved in H1). COVID testing and FDA clearance of Alaris will provide upside potential.

## Valuation

The stock's resilience since the beginning of the year has erased the discount to its peers. The valuation is now in line but remains reasonable.

## ESG risk vs. universe & sector (percentile)\*



USD	09/2021	09/2022e	09/2023e
Sales revenue (mio)	20'248	18'711	19'395
Sales growth	18.3%	-7.6%	3.7%
EBIT adjusted (mio)	4'837	4'243	4'502
% of sales	23.9%	22.7%	23.2%
Net income (mio)	3'832	3'281	3'540
Net income growth	33.0%	-14.4%	7.9%
FCF/Sales	16.9%	17.3%	17.9%
Net debt/Ebitda	2.9x	2.7x	2.2x
Dividend yield	1.4%	1.5%	1.6%
PE	19.5x	21.9x	20.2x
P/BV	3.2x	2.8x	2.8x

Factset estimates

## ESG - risks and key points

- BD's ESG risk level is high. Its exposure is in line with the industry but its management of product governance issues (safety, quality) is considered lower (litigation and product recalls).
- Risk of sanctions in case of unethical practices in the conduct of clinical trials or commercial activities. But controversies are minor within BD.
- Strong corporate governance performance.

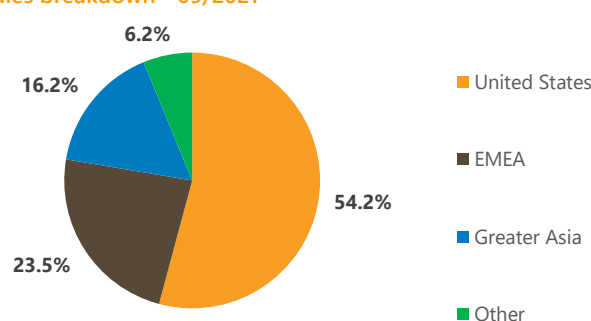
## 5-year performance vs sector



— S&amp;P 500 / Health Care -SEC — Becton, Dickinson and Company

Source: FactSet

## Sales breakdown - 09/2021



\*: see overleaf

Source: Factset, Sustainabilitycs

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

## Offices & Branches

### Bordier & Cie Genève

Rue de Hollande 16  
CH-1204 Genève  
Case postale  
CH-1211 Genève 3  
T + 41 58 258 00 00  
F + 41 58 258 00 40

### Bordier & Cie Berne

Spitalgasse 40  
Case postale  
CH-3001 Berne  
T + 41 58 258 07 00  
F + 41 58 258 07 10

### Bordier & Cie Nyon

Rue de la Porcelaine 13  
CH-1260 Nyon  
Case postale 1045  
CH-1260 Nyon 1  
T + 41 58 258 07 50  
F + 41 58 258 07 70

### Bordier & Cie Zurich

Talstrasse 83  
CH-8001 Zürich  
T + 41 58 258 05 00  
F + 41 58 258 05 50

### Bordier & Cie (France) S.A.

1, rue François 1er  
75008 Paris – France  
T + 33 1 55 04 78 78  
F + 33 1 49 26 92 48

### Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102  
Zonamerica  
91600 Montevideo  
Uruguay  
T + 598 2 518 2700  
F + 598 2 518 2703

### Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00  
138 Market Street  
Singapore 048946  
T + 65 6239 9999  
F + 65 6239 9998

### Bordier Bank (TCI) Ltd

Leeward Highway  
Caribbean Place  
Providenciales  
Turks and Caicos  
T + 1 649 946 45 35  
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.