COMPANY PROFILE

Becton, Dickinson

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COMPANY OVERVIEW

Becton, Dickinson and Company (BD) is a global medical technology company. It is engaged in the development, manufacturing and sale of medical devices, laboratory equipment and diagnostic products. The company's major products include syringes and pen needles; intravenous catheters; infusion pumps and disposables; automated medication dispensing systems; respiratory ventilation and diagnostics equipment; diagnostics specimens; instruments to detect a broad range of infectious diseases, healthcare-associated infections and cancers and various clinical research tools. BD offers its products to life science researchers, healthcare institutions, clinical laboratories, pharmaceutical industry and general public. The company operates across the Americas, Europe, Middle East, Africa and Asia-Pacific. BD is headquartered in New Jersey, the US.

The company reported revenues of (US Dollars) US$12,093 million for the fiscal year ended September 2017 (FY2017), a decrease of 3.1% over FY2016. In FY2017, the company's operating margin was 11.6%, compared to an operating margin of 11.5% in FY2016. In FY2017, the company recorded a net margin of 9.1%, compared to a net margin of 7.8% in FY2016.

The company reported revenues of US$3,080 million for the first quarter ended December 2017, a decrease of 2.7% over the previous quarter.

KEY FACTS

Head Office	Becton, Dickinson 1 Becton Drive Franklin Lakes New Jersey Franklin Lakes New Jersey USA
Phone	1 201 8476800
Fax	
Web Address	www.bd.com
Revenue / turnover (USD Mn)	12,093.0
Financial Year End	September
Employees	41,933
New York Stock Exchange Ticker	BDX

SWOT ANALYSIS

Becton, Dickinson and Company (BD) is a global medical technology company engaged in the development, manufacture and sale of medical supplies, devices, laboratory equipment and diagnostic products. The company's expertise in manufacturing injection- and infusion-based drug delivery systems provides it with a competitive edge. However, healthcare reform in the US may have a negative impact on the company's business.

Strength	**Weakness**
Focused Research and Development Efforts Expertise in Injection and Infusion Systems Global footprint	Substantial debt Product Recalls may Dent the Company's Brand Image
Opportunity	**Threat**
Strategic partnerships Strategic acquisitions Product launches and regulatory clearances of new products	Intense Competition Stringent Regulations Healthcare Reform in the US

Strength

Focused Research and Development Efforts

BD’s research and development (R&D) activities are focused on enhancing the reliability and performance of its existing products, along with developing new ones. It is essential to develop new products, systems and services based on advanced innovative technologies to compete effectively in the marketplace. BD harnesses its strong R&D capabilities to retain its leading position in medical devices industry with strong focus on product development. Its R&D activities are conducted at its operating units and at BD Technologies in Research Triangle Park, North Carolina. BD Technologies is the company’s innovation center, which aims to become a technology leader in specialized fields of research. BD also collaborates with several universities and medical centers to augment its R&D efforts. BD invested US$774 million in its R&D activities in FY2017 which stood at 6.4% of the total company’s revenue. In FY2017, the company launched 17 products in its medical and life sciences segment and a strong pipeline of products in various stages of development.

Expertise in Injection and Infusion Systems

Pioneering innovation in injection and infusion-based drug delivery technology is the core strength of BD. The company has evolved from manufacturing glass syringes to the world's smallest pen needle. It built the first-ever facility in East Rutherford, the US to manufacture needles and syringes way back in 1906. Since then, BD has been one of the leading providers of the injection and infusion-based drug delivery

products and technology. In 1924, BD manufactured its first syringe made specifically for insulin injection. The innovation that led to the creation of the LUER-LOK tip enabled the company to securely attach the hypodermic needle to the syringe. Joseph Kleiner's Evacutainer, a device to draw blood by vacuum through a needle into a test tube, helped BD develop the Vacutainer brand blood collection apparatus, the company's first medical laboratory aid. BD continued to build upon its strength in the needles segment. BD launched one of the world's smallest pen needles, BD Ultra-Fine Nano and introduced BD Ultra-Fine Nano 4 mm Pen Needles, an advanced needle technology designed to enhance patient comfort and improve patient adherence in diabetes care. BD improvised the BD Ultra-Fine Nano 4 mm Pen Needles by using EasyFlow technology and launched BD PentaPoint Comfort, a patented 5-bevel needle tip. Further, the company introduced BD AutoShield Duo 5 mm Pen Needles; and BD Ultra-Fine Nano, a pen needle with EasyFlow technology designed to make injections easier for people with diabetes. BD's core competency in injection and infusion-based drug delivery provides it with a competitive edge.

Global footprint

Worldwide operations insulate BD from risks of overdependence on a particular geographic market. Not only does BD sell products in international markets but also conducts operations in different countries. BD's principal products sold outside of the US are hypodermic needles and syringes; insulin syringes and pen needles; BD Hypak brand prefillable syringe systems; infusion therapy products including Alaris infusion pumps; pharmacy automation equipment including Pyxis systems; BD Vacutainer brand blood collection products; diagnostic systems and laboratory equipment and products; and flow cytometry instruments and reagents. Outside the US, the company has its manufacturing facilities in Bosnia and Herzegovina, Brazil, Canada, China, Dominican Republic, France, Germany, Hungary, India, Ireland, Italy, Japan, Mexico, the Netherlands, Singapore, Spain, and the UK. The company's global footprint helps it in generating revenues from different geographies. In FY2017, the company generated 53.8% of its total revenues from the US, followed by Europe with 21.4%, Greater Asia with 14.4% and Other regions with 10.4%. Hence, the company's wide geographic presence offers it with more avenues for revenues and growth. It also protects BD's business from demand fluctuations in certain markets and regions.

Weakness

Substantial debt

BD has a significant level of indebtedness, primarily due to a rapid increase in its long-term debt from the The acquisitions of C. R. Bard Inc and CareFusion Corporation. This could be of concern to the investors as such debt could make it difficult for the company to raise funds on favorable terms from the market. If it fails to comply with debt service requirements, the debt could become due and payable before to its scheduled maturity. The company's long-term debt more than burgeoned from US$3,761 million in FY2012 to US$18,870 million in FY2017. The total debt of the company stood at US$18,870 million in FY2017, as compared to US$11,551 million in FY2016, indicating an increase of 63.4%. Given the debt situation, the company's leverage could limit its ability to finance future acquisitions, funding its ongoing working capital, or operate successfully under adverse conditions, including those brought on by unfavorable financial markets. It could also impair its credit quality resulting in a downgrade in debt ratings by credit rating agencies thereby affecting BD's financial flexibility.

Product Recalls may Dent the Company's Brand Image

BD has recalled some of its products in the recent past for safety issues or product defects that could affect the consumer. For instance, in December 2017, BD initiated a Class 2 device recall of 2,598,000 units of BD Precision glide needles due to damaged hub, which may cause a breakage and/or leakage during use. BD recalled 250,300 Trypticase soy agar plates with 5 sheep blood (TSA IITM) due to the listeria monocytogenes contamination of non-sterile plated media. In November 2017, BD initiated a recall of 7,839,340 units of BD UltraFine and UltraFine II needles due to product mislabelling. In the same month, the company recalled 7,750 units of Phoenix PMIC107 systems due to quality control failures related to a manufacturing issue. In September 2017, the company recalled 1,249,200 units of BD needle 22GA 11/2in SafetyGlide due to the presence of loose polypropylene foreign matter above release specification. In July 2017, BD initiated a Class 2 device recall of 3,143,600 units of single use, hypodermic syringes due to the lack of specified dose of irradiation necessary to meet the Sterility Assurance Level (SAL).

Opportunity

Strategic partnerships

BD entered into several partnerships and agreements enhancing its operational ability. In May 2017, the company entered into an agreement with UniteOR, Inc. to integrate BD's Impress instrument management system and UniteOR's cloud-based surgical tray tracking and vendor management solution that would enables greater visibility of surgical tray management to health care workers in the operating room and sterile processing department. In September 2017, BD and Euroclone Diagnostica Srl entered into a development and global distribution agreement for molecular tests to detect emerging sexually-transmitted pathogens to expand its presence in the sexually transmitted infections (STIs) test market. Some of the other major agreements of BD include, a research collaboration with JDRF, the leading global organization funding type 1 diabetes (T1D) research, to explore new advancements in therapy options for people with T1D; a new joint venture with Apax Partners under the name Vyaire Medical, a standalone, global respiratory solutions company; a development and global distribution agreement with Check-Points, a diagnostics company in the Netherlands, for BD MAX assays that detect carbapenem-resistant organisms (CRO); and a collaborative relationship with Singularity University (SU) to harness SU’s expertise, innovation space, tools and inspiration to create new growth opportunities for BD.

Strategic acquisitions

BD completed the acquisition of C. R. Bard Inc., in December 2017. C. R. Bard Inc., is a global medical device company that designs, develops, manufactures, and markets medical, surgical, diagnostic and patient care devices in the fields of vascular, urology, oncology and surgical specialty products. The acquisition would lead to the creation of a global leader in medication management and infection prevention domain. The combined company will have a comprehensive product portfolio, diversified growth profile and broad territorial reach, with 58,000 employees and revenue of approximately US$16 billion. The combination of the two companies will provide opportunities to drive near-term revenue synergies outside of the US. The combined company will have a large and growing presence in emerging

markets, including US$1 billion in annual revenue in China. This merger would also expand BD's presence in peripheral vascular disease, urology, hernia and cancer domains. The merger would enable BD to align its technologies and products to achieve its objectives.

Product launches and regulatory clearances of new products

The successful launch of new products would help BD generate higher revenue. Newly approved products provide enough opportunities for the company to improve its market share in the related territories. BD has launched several new products in the recent past. For instance, in December 2017, the company introduced BD HealthSight platform for enterprise medication management, which offers a combination of connective technologies, analytics and expert services. In September 2017, BD launched Fully-automated Phoenix CPO detect test, which helps detect dangerous pathogens. In the same month, the company also launched BD Ultra-Fine micro pen needle 6mm x 32G for use with leading pen injection devices and BD Rhapsody a platform for single cell analysis with the ability to detect rare molecules. In August 2017, BD obtained 510(k) clearance from the US FDA for the BD BACTEC Standard Aerobic and Standard Anaerobic blood culture bottles in plastic. In July 2017, the company received US FDA 510 (k) clearance for FACSLyric flow cytometer system, an easy-to-use in vitro diagnostic (IVD) system, for use with BD Multitest assays for immunological assessment of individuals and patients having or suspected of having immune deficiency. Launch and clearance of new products would help the company in generating incremental revenues.

Threat

Intense Competition

BD faces significant competition across its product lines in the medical technology industry which is subject to rapid technological changes. The company faces competition from a wide range of companies, including large medical device companies. BD also faces competition from firms that are more specialized than the company is with respect to particular markets. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. In some instances, competitors, including pharmaceutical companies, also offer, or are attempting to develop, alternative therapies for disease states that may be delivered without a medical device. Factors such as changing customer order patterns, changing incentive programs or competitors' new products could impact the company's competitive position. Additionally, the entry of manufacturers based in China and other low-cost manufacturing bases are exerting increased pricing pressure, principally in developing markets. Such an intense competition faced by the company is likely to put pressure on its market share.

Stringent Regulations

BD's operations including the products, research and development activities and manufacturing processes are subject to various local, state, federal, foreign and transnational laws and regulations. The FDA regulates the introduction of new medical products, manufacturing and labeling and record keeping procedures for such products in the US. Receiving marketing approval for new medical devices from the US FDA is time consuming and expensive. Products distributed outside the US are also subject to regulations in countries in which BD operates. The company has to comply with different regulations

governing product standards, packaging and labeling requirements, import restrictions, tariff regulations and tax requirements. Non-compliance by the company with applicable laws and regulations or failure to maintain, renew or obtain necessary permits and licenses could have an adverse effect on its results of operations and financial performance.

Healthcare Reform in the US

Under the Patient Protection and Affordable Care Act (the PPACA) 2010, which began in January 2013, medical device manufacturers, such as BD, have to pay a 2.3% excise tax on US sales of certain medical devices. While the excise tax has been suspended until the end of 2017, it may be reinstated in 2018 or beyond. In addition, the PPACA, among other things, reduces Medicare and Medicaid payments to hospitals, clinical laboratories and pharmaceutical companies, and could otherwise reduce the volume of medical procedures. These factors, in turn, could result in reduced demand for BD's products and increased downward pricing pressure. It is also possible that the PPACA would result in lower reimbursements for the company's products. Other provisions in the law may significantly change the practice of health care and could affect aspects of BD's business.