

BECTON DICKINSON & CO  
Form 10-Q  
February 05, 2019  
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-4802

Becton, Dickinson and Company  
(Exact name of registrant as specified in its charter)

New Jersey 22-0760120  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
1 Becton Drive, Franklin Lakes, New Jersey 07417-1880  
(Address of principal executive offices) (Zip Code)

(201) 847-6800  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

There were 269,063,379 shares of Common Stock, \$1.00 par value, outstanding at December 31, 2018.

---

BECTON, DICKINSON AND COMPANY  
 FORM 10-Q  
 For the quarterly period ended December 31, 2018  
 TABLE OF CONTENTS

	Page Number
Part I. FINANCIAL INFORMATION	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income (Loss)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
Item 4. <u>Controls and Procedures</u>	<u>32</u>
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>33</u>
Item 1A. <u>Risk Factors</u>	<u>34</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>35</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>35</u>
Item 5. <u>Other Information</u>	<u>35</u>
Item 6. <u>Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</u>
<u>Exhibits</u>	<u>37</u>

ITEM 1. FINANCIAL STATEMENTS  
 BECTON, DICKINSON AND COMPANY  
 CONDENSED CONSOLIDATED BALANCE SHEETS

Millions of dollars

	December 31, 2018	September 30, 2018
Assets	(Unaudited)	
Current Assets:		
Cash and equivalents	\$ 943	\$ 1,140
Restricted cash	98	96
Short-term investments	5	17
Trade receivables, net	2,216	2,319
Inventories:		
Materials	552	510
Work in process	296	297
Finished products	1,674	1,644
	2,522	2,451
Assets held for sale	—	137
Prepaid expenses and other	1,157	1,251
Total Current Assets	6,941	7,411
Property, Plant and Equipment	10,585	10,485
Less allowances for depreciation and amortization	5,223	5,111
Property, Plant and Equipment, Net	5,362	5,375
Goodwill	23,505	23,600
Developed Technology, Net	11,893	12,184
Customer Relationships, Net	3,644	3,723
Other Intangibles, Net	525	534
Other Assets	1,062	1,078
Total Assets	\$ 52,932	\$ 53,904
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term debt	\$ 3,254	\$ 2,601
Payables and accrued expenses	3,891	4,615
Total Current Liabilities	7,145	7,216
Long-Term Debt	17,817	18,894
Long-Term Employee Benefit Obligations	805	1,056
Deferred Income Taxes and Other	5,762	5,743
Commitments and Contingencies (See Note 5)		
Shareholders' Equity		
Preferred stock	2	2
Common stock	347	347
Capital in excess of par value	16,174	16,179
Retained earnings	13,018	12,596
Deferred compensation	24	22
Common stock in treasury - at cost	(6,235)	(6,243)
Accumulated other comprehensive loss	(1,927)	(1,909)
Total Shareholders' Equity	21,404	20,994
Total Liabilities and Shareholders' Equity	\$ 52,932	\$ 53,904
Amounts may not add due to rounding.		

See notes to condensed consolidated financial statements

3

---

BECTON, DICKINSON AND COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Millions of dollars, except per share data

(Unaudited)

	Three Months Ended December 31,	
	2018	2017
Revenues	\$4,160	\$3,080
Cost of products sold	2,187	1,527
Selling and administrative expense	1,073	773
Research and development expense	258	191
Acquisitions and other restructurings	91	354
Other operating income, net	(335 )	—
Total Operating Costs and Expenses	3,273	2,845
Operating Income	888	235
Interest expense	(171 )	(158 )
Interest income, net	(12 )	44
Other income (expense), net	10	(16 )
Income Before Income Taxes	714	105
Income tax provision	115	241
Net Income (Loss)	599	(136 )
Preferred stock dividends	(38 )	(38 )
Net income (loss) applicable to common shareholders	\$562	\$(174 )
Basic Earnings (Loss) per Share	\$2.09	\$(0.76 )
Diluted Earnings (Loss) per Share	\$2.05	\$(0.76 )
Dividends per Common Share	\$0.77	\$0.75

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 Millions of dollars  
 (Unaudited)

	Three Months Ended December 31,	
	2018	2017
Net Income (Loss)	\$599	\$(136)
Other Comprehensive (Loss) Income, Net of Tax		
Foreign currency translation adjustments	(35 )	(36 )
Defined benefit pension and postretirement plans	15	17
Cash flow hedges	1	1
Other Comprehensive Loss, Net of Tax	(18 )	(17 )
Comprehensive Income (Loss)	\$581	\$(154)

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars

(Unaudited)

	Three Months Ended December 31,	
	2018	2017
Operating Activities		
Net income (loss)	\$599	\$(136 )
Adjustments to net income (loss) to derive net cash provided by operating activities:		
Depreciation and amortization	563	291
Share-based compensation	93	141
Deferred income taxes	(28 )	(324 )
Change in operating assets and liabilities	(473 )	409
Pension obligation	(225 )	(101 )
Excess tax benefits from payments under share-based compensation plans	23	38
Gain on sale of business	(335 )	—
Other, net	29	3
Net Cash Provided by Operating Activities	245	320
Investing Activities		
Capital expenditures	(167 )	(178 )
Proceeds from (purchases of) sale of investments, net	11	(63 )
Acquisitions of businesses, net of cash acquired	—	(14,900)
Proceeds from divestitures, net	476	—
Other, net	(20 )	(62 )
Net Cash Provided by (Used for) Investing Activities	299	(15,203)
Financing Activities		
Change in credit facility borrowings	50	—
Proceeds from long-term debt and term loans	—	2,250
Payments of debt and term loans	(453 )	—
Dividends paid	(245 )	(210 )
Other, net	(86 )	(101 )
Net Cash (Used for) Provided by Financing Activities	(734 )	1,938
Effect of exchange rate changes on cash and equivalents and restricted cash	(5 )	2
Net decrease in cash and equivalents and restricted cash	(195 )	(12,943)
Opening Cash and Equivalents and Restricted Cash	1,236	14,179
Closing Cash and Equivalents and Restricted Cash	\$1,042	\$1,236
Non-Cash Investing Activities		
Fair value of shares issued as acquisition consideration	\$—	\$8,004
Fair value of equity awards issued as acquisition consideration	\$—	\$613

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

BECTON, DICKINSON AND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

Note 1 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of the management of Becton, Dickinson and Company (the "Company"), include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position and the results of operations and cash flows for the periods presented. However, the financial statements do not include all information and accompanying notes required for a presentation in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2018 Annual Report on Form 10-K. Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages and earnings per share amounts presented are calculated from the underlying amounts. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Note 2 – Accounting Changes

New Accounting Principles Adopted

On October 1, 2018, the Company adopted Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("ASC 606") using the modified retrospective method. Under ASC 606, revenue is recognized upon the transfer of control of goods or services to customers and reflects the amount of consideration to which a reporting entity expects to be entitled in exchange for those goods or services. The Company assessed the impact of this new standard on its consolidated financial statements based upon a review of contracts that were not completed as of October 1, 2018. Amounts presented in the Company's financial statements for the prior-year periods have not been revised and are reflective of the revenue recognition requirements which were in effect for those periods. This accounting standard adoption, which is further discussed in Note 6, did not materially impact any line items of the Company's consolidated income statement and balance sheet.

On October 1, 2018, the Company retrospectively adopted an accounting standard update which requires all components of net periodic pension and postretirement benefit costs to be disaggregated from the service cost component and to be presented on the income statement outside a subtotal of income from operations, if one is presented. Upon the Company's adoption of the accounting standard update, which did not have a material impact on its consolidated financial statements, all components of the Company's net periodic pension and postretirement benefit costs, aside from service cost, are recorded to Other income (expense), net on its consolidated income statements, for all periods presented. Revisions of prior-year period amounts were estimated based upon previously disclosed amounts.

On October 1, 2018, the Company adopted an accounting standard update which requires that the income tax effects of intercompany sales or transfers of assets, except those involving inventory, be recognized in the income statement as income tax expense (or benefit) in the period that the sale or transfer occurs. The Company adopted this accounting standard update, which did not have a material impact on its consolidated financial statements, using the modified retrospective method.

New Accounting Principle Not Yet Adopted

In February 2016, the FASB issued a new lease accounting standard which requires lessees to recognize lease assets and lease liabilities on the balance sheet. The new standard also requires expanded disclosures regarding leasing arrangements. The Company will adopt the standard on October 1, 2019 and has commenced its initial assessment of the impact on its consolidated financial statements.

## Note 3 – Shareholders' Equity

Changes in certain components of shareholders' equity for the three months ended December 31 were as follows:

(Millions of dollars)	Common Stock Issued at Par Value	Capital in Excess of Par Value	Retained Earnings	Deferred Compensation	Treasury Stock Shares (in thousands)	Amount
Balance at September 30, 2018	\$ 347	\$ 16,179	\$ 12,596	\$ 22	(78,463)	\$(6,243)
Net income	—	—	599	—	—	—
Common dividends (\$0.77 per share)	—	—	(207 )	—	—	—
Preferred dividends	—	—	(38 )	—	—	—
Common stock issued for share-based compensation and other plans, net	—	(97 )	—	2	851	9
Share-based compensation	—	92	—	—	—	—
Common stock held in trusts, net (a)	—	—	—	—	(12 )	—
Effect of changes in accounting principles (see Note 2)	—	—	68	—	—	—
Balance at December 31, 2018	\$ 347	\$ 16,174	\$ 13,018	\$ 24	(77,624)	—