

BECTON DICKINSON & CO
Form 10-Q
May 05, 2014
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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 March 31, 2014

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)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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.

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Class of Common Stock	Shares Outstanding as of March 31, 2014
Common stock, par value \$1.00	193,204,013

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BECTON, DICKINSON AND COMPANY

FORM 10-Q

For the quarterly period ended March 31, 2014

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ITEM 1. FINANCIAL STATEMENTS

BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Millions of dollars

	March 31, 2014 (Unaudited)	September 30, 2013
Assets		
Current Assets:		
Cash and equivalents	\$ 1,731	\$ 1,890
Short-term investments	895	718
Trade receivables, net	1,130	1,240
Inventories:		
Materials	221	226
Work in process	294	258
Finished products	997	918
	1,512	1,402
Prepaid expenses, deferred taxes and other	678	623
Total Current Assets	5,946	5,873
Property, plant and equipment	7,632	7,437
Less allowances for depreciation and amortization	4,120	3,961
Property, plant and equipment, net	3,512	3,476
Goodwill	1,124	1,109
Core and Developed Technology, Net	540	541
Other Intangibles, Net	281	293
Capitalized Software, Net	364	371
Other	483	487
Total Assets	\$ 12,250	\$ 12,149
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term debt	\$ 202	\$ 207
Payables and accrued expenses	1,814	1,923
Total Current Liabilities	2,016	2,130
Long-Term Debt	3,764	3,763
Long-Term Employee Benefit Obligations	728	805
Deferred Income Taxes and Other	427	408

Commitments and Contingencies

Shareholders' Equity:		
Common stock	333	333
Capital in excess of par value	2,147	2,068
Retained earnings	11,689	11,342
Deferred compensation	17	19
Common shares in treasury at cost	(8,416)	(8,204)
Accumulated other comprehensive loss	(455)	(516)
 Total Shareholders' Equity	 5,315	 5,043
 Total Liabilities and Shareholders' Equity	 \$ 12,250	 \$ 12,149

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Millions of dollars, except per share data

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Revenues	\$ 2,072	\$ 2,000	\$ 4,086	\$ 3,901
Cost of products sold	1,019	982	1,999	1,876
Selling and administrative	525	515	1,056	1,010
Research and development	147	122	273	241
Total Operating Costs and Expenses	1,690	1,619	3,327	3,127
Operating Income	381	381	759	773
Interest income	10	12	24	20
Interest expense	(33)	(35)	(67)	(70)
Other income, net	5	2	6	3
Income From Continuing Operations Before Income Taxes	363	360	722	726
Income tax provision	76	84	164	180
Income From Continuing Operations	287	276	558	546
Income (Loss) from Discontinued Operations, net				355
Net Income	\$ 287	\$ 276	\$ 558	\$ 901
Basic Earnings per Share:				
Income from Continuing Operations	\$ 1.48	\$ 1.42	\$ 2.88	\$ 2.79
Income (Loss) from Discontinued Operations				1.81
Basic Earnings per Share	\$ 1.48	\$ 1.42	\$ 2.88	\$ 4.61
Diluted Earnings per Share:				
Income from Continuing Operations	\$ 1.45	\$ 1.39	\$ 2.82	\$ 2.74
Income (Loss) from Discontinued Operations				1.78
Diluted Earnings per Share	\$ 1.45	\$ 1.39	\$ 2.82	\$ 4.53
Dividends per Common Share	\$ 0.545	\$ 0.495	\$ 1.090	\$ 0.990

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions of dollars

(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Net Income	\$ 287	\$ 276	\$ 558	\$ 901
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustments	9	(72)	15	(34)
Defined benefit pension and postretirement plans	35	14	43	27
Unrealized gains on cash flow hedges, net of amounts realized	1	1	2	5
Other Comprehensive Income (Loss), Net of Tax	45	(57)	60	(1)
Comprehensive Income	\$ 332	\$ 219	\$ 619	\$ 900

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of dollars

(Unaudited)

	Six Months Ended March 31,	
	2014	2013
<u>Operating Activities</u>		
Net income	\$ 558	\$ 901
Less: Income from discontinued operations, net		355
Income from continuing operations	558	546
Adjustments to income from continuing operations to derive net cash provided by continuing operating activities, net of amounts acquired:		
Depreciation and amortization	272	265
Share-based compensation	67	58
Deferred income taxes	(24)	(1)
Change in operating assets and liabilities	(113)	(264)
Pension obligation	(19)	(88)
Other, net	25	25
Net Cash Provided by Continuing Operating Activities	768	543
<u>Investing Activities</u>		
Capital expenditures	(214)	(197)
Capitalized software	(31)	(32)
(Purchases of) proceeds from investments, net	(173)	116
Acquisitions of businesses, net of cash acquired	(40)	(138)
Divestitures of businesses		720
Other, net	(41)	(53)
Net Cash (Used for) Provided by Continuing Investing Activities	(498)	415
<u>Financing Activities</u>		
Change in short-term debt	(6)	
Repurchase of common stock	(213)	(356)
Excess tax benefits from payments under share-based compensation plans	19	14
Dividends paid	(211)	(193)
Issuance of common stock and other, net	(10)	36
Net Cash Used for Financing Activities	(422)	(500)

Discontinued Operations

Net cash used for operating activities		(100)
Net Cash Used for Discontinued Operations		(100)
Effect of exchange rate changes on cash and equivalents	(7)	(5)
Net (decrease) increase in cash and equivalents	(159)	353
Opening Cash and Equivalents	1,890	1,671
Closing Cash and Equivalents	\$ 1,731	\$ 2,024

Amounts may not add due to rounding.

See notes to condensed consolidated financial statements

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BECTON, DICKINSON AND COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014

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 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. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's 2013 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 Accumulated Other Comprehensive Income

The components and changes in accumulated other comprehensive income (loss) for the six-month period ended March 31, 2014 were as follows:

(millions of dollars)	Total	Foreign Currency Translation Adjustments
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