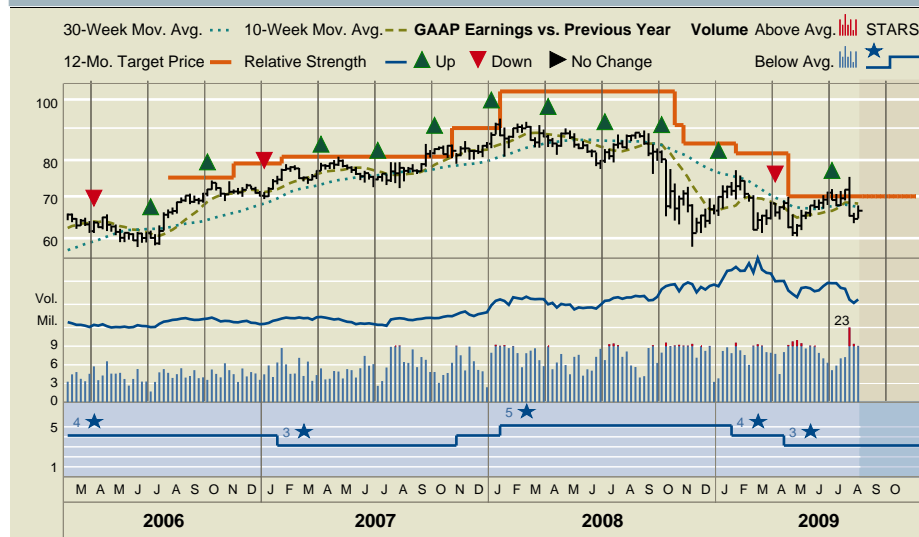


**Becton, Dickinson and Co****S&P Recommendation** **HOLD** ★ ★ ★ ★ ★**Price**  
\$66.39 (as of Aug 14, 2009)**12-Mo. Target Price**  
\$70.00**Investment Style**  
Large-Cap Growth**GICS Sector** Health Care  
**Sub-Industry** Health Care Equipment**Summary** BDX provides a wide range of medical devices and diagnostic products used in hospitals, doctors' offices, research labs, and other settings.**Key Stock Statistics** (Source S&P, Vickers, company reports)

52-Wk Range	<b>\$89.24–58.14</b>	S&P Oper. EPS 2009E	<b>4.94</b>	Market Capitalization(B)	<b>\$15.903</b>	Beta	<b>0.68</b>
Trailing 12-Month EPS	<b>\$4.82</b>	S&P Oper. EPS 2010E	<b>5.00</b>	Yield (%)	<b>1.99</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>10</b>
Trailing 12-Month P/E	<b>13.8</b>	P/E on S&P Oper. EPS 2009E	<b>13.4</b>	Dividend Rate/Share	<b>\$1.32</b>	S&P Credit Rating	<b>AA-</b>
\$10K Invested 5 Yrs Ago	<b>\$14,952</b>	Common Shares Outstg. (M)	<b>239.5</b>	Institutional Ownership (%)	<b>82</b>		

**Price Performance**

Options: CBOE, P, Ph

Analysis prepared by **Phillip M. Seligman** on August 13, 2009, when the stock traded at **\$67.27**.**Highlights**

- We forecast that revenues will rise 6% in FY 10 (Sep.) to \$7.5 billion, following a less than 1% decline we estimate for FY 09, to about \$7.1 billion. We assume FY 10's growth will mainly be aided by the lapping of the U.S. dollar's relative strength, and H1N1-flu related sales. In our view, BDX has significant growth opportunities in the detection of bacterial (including drug-resistant) infections and cervical cancer, but we see revenue growth limited by hospital spending cutbacks and funding constraints within the life sciences industry.
- We see gross margins expanding modestly in FY 09 as the benefits of foreign currency translation and the hedging of certain foreign currencies outweigh manufacturing start-up costs and a less favorable sales mix. We see a decline in FY 10 assuming the absence of hedge gains. We think R&D will continue to rise as a percentage of sales, while the SG&A cost ratio should decline on cost controls.
- Our FY 09 EPS estimate is \$4.94 before one-time items, and we see FY 10 EPS rising only to \$5.00, assuming slightly more than 7% EPS growth before BDX's expected \$0.28 hedge gain in FY 09.

**Investment Rationale/Risk**

- In our view, the stock will likely continue to face investor concerns regarding reduced spending from hospital and life science customers, along with mounting evidence pointing to lower overall spending by patients on diagnostic tests. Looking ahead, we think BDX's medical business could benefit from H1N1 flu-related sales in FY 09's fourth quarter and in FY10's first quarter, and that its biosciences segment could benefit from sales related to the U.S. government's \$10 billion in stimulus spending for life sciences research, with the bulk of that realized in the second half.
- Risks to our opinion and target price include a slower than expected recovery in key life science markets, significant cutbacks in spending by the company's hospital customers, adverse patent litigation, and greater-than-anticipated unfavorable foreign currency fluctuations.
- Amid signs that revenues in coming quarters could remain challenged by budget constraints at the company's customer base, and lower testing volumes, we set forward P/E and PEG valuations in line with peers and derive our 12-month target price of \$70.

**Qualitative Risk Assessment**

LOW	MEDIUM	HIGH
-----	--------	------

BDX's markets are competitive, and new product introductions by current and future competitors have the potential to significantly affect market dynamics. In addition, changes in domestic and foreign health care industry practices and regulations may result in increased pricing pressures and lower reimbursements for some of its products. However, we believe Becton's product line has more favorable demand and pricing characteristics than those in the medical equipment industry in general.

**Quantitative Evaluations**

**S&P Quality Ranking** **A**

D	C	B-	B	B+	A-	<b>A</b>	A+
---	---	----	---	----	----	----------	----

**Relative Strength Rank** **WEAK**

17
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LOWEST = 1 HIGHEST = 99

**Revenue/Earnings Data**

Revenue (Million \$)					
	1Q	2Q	3Q	4Q	Year
2009	1,734	1,741	1,820	--	--
2008	1,706	1,747	1,868	1,836	7,156
2007	1,502	1,576	1,631	1,651	6,360
2006	1,414	1,449	1,484	1,488	5,835
2005	1,288	1,366	1,381	1,379	5,415
2004	1,185	1,254	1,243	1,253	4,935

Earnings Per Share (\$)					
	1Q	2Q	3Q	4Q	Year
2009	1.26	1.06	1.38	E1.24	E4.94
2008	1.07	1.09	1.18	1.13	4.46
2007	0.51	0.92	0.95	0.98	3.36
2006	0.85	0.61	0.81	0.69	2.95
2005	0.74	0.71	0.73	0.47	2.66
2004	0.48	0.62	0.41	0.70	2.21

Fiscal year ended Sep. 30. Next earnings report expected: Early November. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.330	11/25	12/10	12/12	01/02/09
0.330	02/03	03/06	03/10	03/31/09
0.330	05/20	06/05	06/09	06/30/09
0.330	07/28	09/04	09/09	09/30/09

Dividends have been paid since 1926. Source: Company reports.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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**The McGraw-Hill Companies**

# Becton, Dickinson and Co

**STANDARD  
& POOR'S**

## Business Summary August 13, 2009

Becton, Dickinson traces its roots to a concern started by Maxwell Becton and Fairleigh Dickinson in 1897. One of the first companies to sell U.S.-made glass syringes, BDX was also a pioneer in the production of hypodermic needles. The company now manufactures and sells medical supplies, devices, lab equipment and diagnostic products used by health care institutions, life science researchers, clinical laboratories, industry and the general public. In FY 08 (Sep.), more than half of the company's sales were generated from non-U.S. markets.

Major products in the core medical systems division (53% of FY 08 revenues) include hypodermic syringes and needles for injection, insulin syringes and pen needles for diabetes care, infusion therapy devices, prefilled drug delivery systems, and surgical blades and scalpels. The segment also markets specialty blades and cannulas for ophthalmic surgery procedures, anesthesia needles, critical care systems, elastic support products, and thermometers. The blood glucose monitoring and test strip business was sold in December 2006.

The diagnostics segment (30%) provides a range of products designed for the safe collection and transport of diagnostic specimens and instrumentation for analysis across a wide range of infectious disease testing, including healthcare-associated infections (HAIs). Its principal products and services include integrated systems for specimen collection; an extensive line of safety-engineered blood collection products and systems; plated media; automated blood culturing systems; molecular testing systems for sexually-transmitted diseases and HAIs; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; and rapid diagnostic assays. The segment also includes consulting services and customized, automated bar-code systems for patient identification and point-of-care data capture.

The biosciences unit (17%) provides research tools and reagents to clinicians and medical researchers studying genes, proteins and cells in order to better understand disease, improve diagnosis and disease management, and facilitate the discovery and development of novel therapeutics. Products include instrument systems for cell sorting and analysis, monoclonal antibody reagents and kits for diagnostic and research use, tools to aid in drug discovery and vaccine development, molecular biology products, fluid handling, cell growth and screening products.

Research and development spending in FY 08 was \$396 million, or 5.5% of revenues, compared with \$360 million (5.7%) in FY 06, before acquired in-process R&D costs of \$122 million and \$53 million, respectively. In February 2006, the company acquired privately held GeneOhm Sciences Inc. for \$230 million plus up to \$25 million of additional contingent payments. GeneOhm develops molecular diagnostic testing for the rapid detection of bacterial organisms, including those known to cause HAIs, such as the deadly strains of MRSA (methicillin-resistant *Staphylococcus aureus*).

In December 2006, the company acquired the remaining 93.5% stake in TriPath Imaging Inc. that it did not already own, for \$9.25 per share in cash, or \$350 million. TriPath sells products used to diagnose cancers and has an emerging molecular oncology business. BD also took an in-process R&D charge of \$114.7 million, associated with three projects: molecular pap test which uses proprietary molecular biomarkers and reagents that are intended to allow for the primary screening of cervical cancer; breast staging, which uses proprietary molecular biomarkers and reagents that are intended to predict the risk of disease recurrence and to aid in treatment selection in patients with early stage breast cancer; and ovarian cancer detection, intended to allow for serum-based screening and monitoring assays for ovarian cancer based upon the detection of multiple biomarkers using a proprietary panel of biomarkers and assay algorithms.

In April 2008, the company opened its second manufacturing facility located in Suzhou, China. The new BD Diagnostics facility will produce rapid diagnostic products for flu and viral infections, with an initial focus on influenza and Respiratory Syncytial Virus. Over time, Becton expects to expand the range of diseases these products can diagnose to include additional bacterial, parasitic and viral diseases. Products made at the plant will be sold in global markets including Asia, Europe, Latin America and North America.

## Corporate Information

### Investor Contact

P.A. Spinella (201-847-5453)

### Office

One Becton Drive, Franklin Lakes, NJ 07417-1880.

### Telephone

201-847-6800.

### Fax

201-847-6475.

### Email

investor\_relations@bdhq.bd.com

### Website

<http://www.bd.com>

## Officers

### Chrmn & CEO

E.J. Ludwig

### SVP & CTO

S.P. Bruder

### Pres

V.A. Forlenza

### SVP & General Counsel

J.S. Sherman

### EVP & CFO

D.V. Elkins

## Board Members

B. L. Anderson  
H. P. Becton, Jr.  
E. F. DeGraan  
C. M. Fraser-Liggett  
M. O. Larsen  
E. J. Ludwig  
A. Mahmoud  
G. A. Mecklenburg  
C. E. Minehan  
J. F. Orr  
W. J. Overlock, Jr.  
B. L. Scott  
A. Sommer

### Domicile

New Jersey

### Founded

1897

### Employees

28,277

### Stockholders

8,787

**Becton, Dickinson and Co****Quantitative Evaluations**

<b>S&amp;P Fair Value Rank</b>	<b>4+</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<div>LOWEST</div> <div>HIGHEST</div>						
Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).						

<b>Fair Value Calculation</b>	<b>\$66.90</b>	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that BDX is fairly valued
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<b>Investability Quotient Percentile</b>	<b>99</b>
<div>LOWEST = 1</div> <div>HIGHEST = 100</div>	
BDX scored higher than 99% of all companies for which an S&P Report is available.	

<b>Volatility</b>	<b>LOW</b>	<b>AVERAGE</b>	<b>HIGH</b>
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<b>Technical Evaluation</b>	<b>BEARISH</b>	Since August, 2009, the technical indicators for BDX have been BEARISH.
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<b>Insider Activity</b>	<b>NA</b>	<b>UNFAVORABLE</b>	<b>NEUTRAL</b>	<b>FAVORABLE</b>
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**Expanded Ratio Analysis**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Price/Sales	2.41	3.35	3.08	2.89
Price/EBITDA	9.04	12.95	12.36	11.04
Price/Pretax Income	11.12	17.69	17.39	15.59
P/E Ratio	15.32	24.88	23.82	22.63
Avg. Diluted Shares Outstg (M)	252.7	254.8	256.6	260.7

Figures based on calendar year-end price

**Key Growth Rates and Averages**

<b>Past Growth Rate (%)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>9 Years</b>
Sales	12.51	9.67	9.34	8.70
Net Income	31.77	17.22	14.90	14.27

<b>Ratio Analysis (Annual Avg.)</b>				
Net Margin (%)	15.76	14.06	13.35	12.59
% LT Debt to Capitalization	16.09	18.01	21.10	25.44
Return on Equity (%)	24.30	22.11	21.60	21.21

**Company Financials** Fiscal Year Ended Sep. 30

<b>Per Share Data (\$)</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Tangible Book Value	15.38	13.41	11.96	10.28	9.28	8.82	6.06	5.35	3.80	2.74
Cash Flow	5.89	5.09	4.52	4.36	3.57	3.54	2.92	2.76	2.58	2.01
Earnings	4.46	3.36	2.95	2.66	2.21	2.07	1.79	1.63	1.49	1.04
S&P Core Earnings	4.22	3.38	2.99	2.75	2.39	2.01	1.57	1.38	NA	NA
Dividends	1.14	0.98	0.86	0.72	0.60	0.40	0.39	0.38	0.37	0.34
Payout Ratio	26%	29%	29%	27%	27%	19%	22%	23%	25%	33%
Prices:High	93.24	85.89	74.25	61.17	58.18	41.82	38.60	39.25	35.31	44.19
Prices:Low	58.14	69.30	58.08	49.71	40.90	28.82	24.70	29.96	23.75	22.38
P/E Ratio:High	21	26	25	23	26	20	22	24	24	42
P/E Ratio:Low	13	21	20	19	19	14	14	18	16	21

<b>Income Statement Analysis (Million \$)</b>										
Revenue	7,156	6,360	5,835	5,415	4,935	4,528	4,033	3,754	3,618	3,418
Operating Income	1,912	1,644	1,456	1,419	1,244	1,094	1,002	952	861	780
Depreciation	360	441	405	387	357	344	305	306	288	259
Interest Expense	66.2	46.0	66.0	55.7	29.6	73.1	33.3	47.1	78.3	72.1
Pretax Income	1,554	1,204	1,035	1,005	753	710	629	577	520	373
Effective Tax Rate	27.4%	28.8%	27.0%	31.1%	22.6%	22.9%	23.6%	24.0%	24.4%	26.0%
Net Income	1,128	856	756	692	583	547	480	438	393	276
S&P Core Earnings	1,068	863	766	714	628	523	417	364	NA	NA

<b>Balance Sheet &amp; Other Financial Data (Million \$)</b>										
Cash	1,030	511	1,000	1,043	719	520	243	82.1	49.2	59.9
Current Assets	3,615	3,131	3,185	2,975	2,641	2,339	1,929	1,763	1,661	1,684
Total Assets	7,913	7,329	6,825	6,072	5,753	5,572	5,040	4,802	4,505	4,437
Current Liabilities	1,417	1,479	1,576	1,299	1,050	1,043	1,252	1,265	1,354	1,329
Long Term Debt	953	956	957	1,061	1,172	1,184	803	1,902	780	954
Common Equity	4,936	4,362	3,836	3,284	3,037	2,863	2,450	2,288	1,912	1,722
Total Capital	5,924	5,318	4,793	4,345	4,328	4,200	3,396	4,321	2,823	2,764
Capital Expenditures	602	556	459	318	266	261	260	371	376	312
Cash Flow	1,488	1,297	1,161	1,080	940	889	783	742	679	532
Current Ratio	2.6	2.1	2.0	2.3	2.5	2.2	1.5	1.4	1.2	1.3
% Long Term Debt of Capitalization	16.1	17.9	20.0	24.4	27.1	28.2	23.6	44.0	27.6	34.5
% Net Income of Revenue	15.8	13.4	12.9	12.8	11.8	12.1	11.9	11.7	10.9	8.1
% Return on Assets	14.8	12.0	11.7	11.7	10.3	10.3	9.8	9.4	8.8	6.7
% Return on Equity	24.3	20.8	21.2	21.9	19.7	20.5	20.2	20.8	21.5	16.6

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Becton, Dickinson and Co

## Sub-Industry Outlook

Our fundamental outlook for the health care equipment sub-industry for the next 12 months is neutral. In our view, many of the core product categories are historically recession-resistant and will continue to grow in 2009 regardless of more restrictive credit market conditions that may ultimately affect spending decisions at the hospital customer base. However, we are concerned about hospital capital equipment spending amid tight credit market conditions and stressed municipal and state budgets, and we are seeing mounting evidence that slowing demand for elective medical procedures is now joining with reduced procedure rates in areas we would not normally view as elective, such as interventional cardiology, orthopedics, spinal surgery and diagnostics.

We estimate that 2009 revenues will rise in the mid-single digits, versus an approximate 12% gain in 2008, reflecting foreign currency headwinds, extended equipment replacement cycles at the hospital and outpatient clinic customer base, more restrictive pricing in the U.S. and abroad, and lower demand across several important product categories. We continue to be extremely cautious on categories that are more directly tied to consumer confidence. In our view, elective procedure demand in 2009 will be hurt by falling consumer confidence, increased levels of unemployment and inflationary pressures currently affecting consumer spending patterns in the U.S. We are particularly concerned about spending in areas such as cosmetic surgery, orthodontics and laser vision correction.

In orthopedics, we think mid-single digit growth will be seen in the knee joint replacement market, as the adverse impact of rising unemployment is offset by the largely non-elective nature of these procedures. We see spinal repair, including artificial discs, as

another strong industry area. In our opinion, the settlement of an investigation by the Department of Justice into orthopedic device pricing has removed some risk from these stocks, and we do not see any material impact on either pricing or market share trends.

We see positive longer-term fundamentals, including increasing global demand for quality health care, an aging population and rising R&D outlays, leading to a steady flow of new diagnostic and therapeutic products in areas such as cardiology, orthopedics, oncology and minimally invasive surgery.

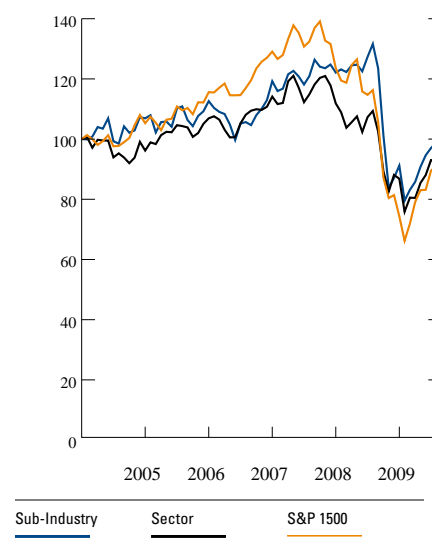
Year to date through July 24, the Health Care Equipment Index was up 10.9%, versus an 8.9% increase in the S&P 1500 Composite Index and well ahead of the 5.3% increase seen in the consolidated S&P Health Care Index.

--Jeffrey Englander, CFA

## Stock Performance

**GICS Sector: Health Care**  
**Sub-Industry: Health Care Equipment**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 07/31/09



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## Sub-Industry : Health Care Equipment Peer Group\*: Large Multi-Line Medical Device Manufacturers

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Becton, Dickinson</b>	<b>BDX</b>	<b>15,903</b>	<b>66.39</b>	<b>89.24/58.14</b>	<b>0.68</b>	<b>2.0</b>	<b>14</b>	<b>66.90</b>	<b>A</b>	<b>99</b>	<b>15.8</b>	<b>16.1</b>
Bard (C.R.)	BCR	7,187	73.62	101.61/68.94	0.23	0.9	15	78.70	A	99	17.0	7.0
Baxter Intl	BAX	33,288	55.23	70.91/45.46	0.45	1.9	16	61.90	A-	99	16.3	35.1
Boston Scientific	BSX	16,794	11.14	13.83/5.41	1.13	Nil	NM	13.90	C	66	NM	30.4
Medtronic, Inc	MDT	41,168	37.01	56.97/24.06	0.66	2.2	19	50.60	A-	98	15.7	34.3
St. Jude Medical	STJ	13,193	38.09	47.25/24.98	0.66	Nil	30	40.70	B+	100	8.8	25.2

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

## **Becton, Dickinson and Co**

### **S&P Analyst Research Notes and other Company News**

#### **July 30, 2009**

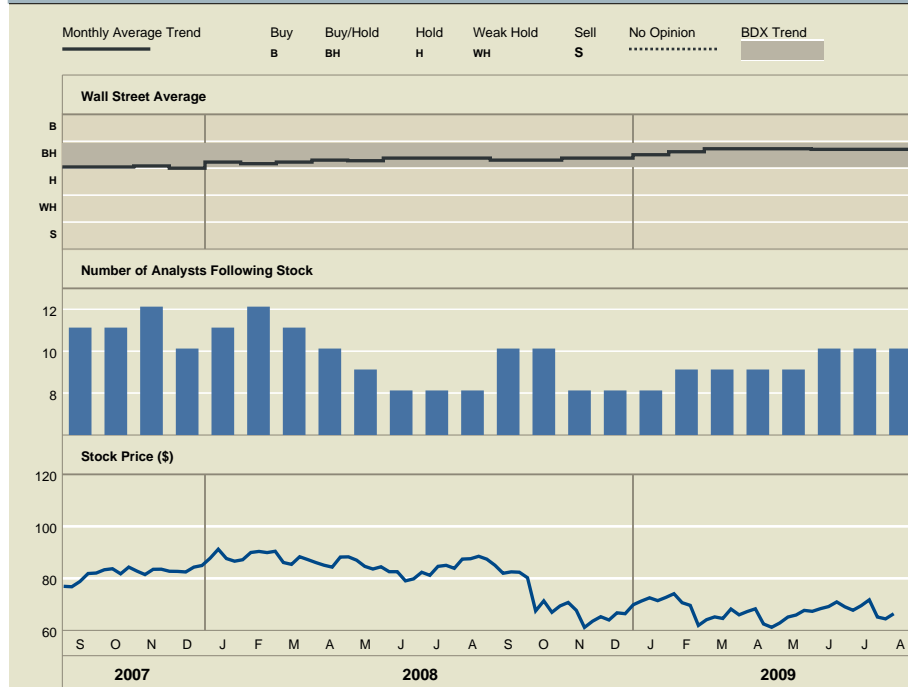
02:05 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF BECTON, DICKINSON (BDX 68.05\*\*\*): Jun-Q non-GAAP EPS of \$1.30 vs. \$1.18 beats our estimate by \$0.07, on higher revenues and margins than we forecast. Demand for medical and diagnostics products, while still soft, has improved, but we see biosciences business remaining weak amid capex pullback in biotech and pharma industries. We like BDX's cost control focus, which we view as key to EPS growth. We raise our FY 09 (Sep.) EPS estimate \$0.03 to \$4.94, but cut FY 10's \$0.35 to \$5.00 assuming absence of hedge BDX sees adding \$0.28 in FY 09 and its view of 7% EPS growth in FY 10. We keep our \$70 target price. /P.Seligman

#### **July 23, 2009**

02:33 pm ET ... S&P KEEPS HOLD OPINION ON SHARES OF BECTON, DICKINSON (BDX 71.71\*\*\*): Ahead of BDX's 7/30 earnings release, we see Jun-Q EPS of \$1.23 vs. \$1.18. In our view, the stock will likely face investor concerns regarding reduced spending from both hospital and life science customers, along with evidence pointing to lower overall spending by patients on diagnostic tests. Indeed, we look for total revenue to decline by 3% year-over-year to \$1.81B. But we also expect gross margins to rise by 80 bps, assuming an improved mix and lower raw material costs, and for the SG&A cost ratio to also decline. We keep our FY 09 (Sep.) non-GAAP EPS estimate of \$4.91. /P.Seligman

# Becton, Dickinson and Co

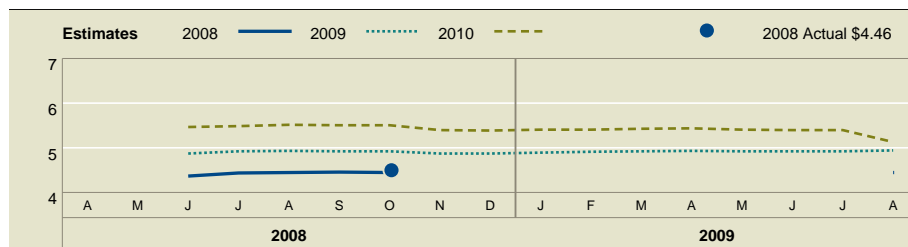
## Analysts' Recommendations



Of the total 11 companies following BDX, 10 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	40	4	4
Buy/Hold	0	0	4	3
Hold	6	60	2	2
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>10</b>	<b>100</b>	<b>10</b>	<b>9</b>

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2010	5.14	5.44	5.00	10	12.9
2009	4.95	4.98	4.91	9	13.4
<b>2010 vs. 2009</b>	<b>▲ 4%</b>	<b>▲ 9%</b>	<b>▲ 2%</b>	<b>▲ 11%</b>	<b>▼ -4%</b>
Q4'10	1.33	1.40	1.27	5	49.9
Q4'09	1.25	1.35	1.23	9	53.1
<b>Q4'10 vs. Q4'09</b>	<b>▲ 6%</b>	<b>▲ 4%</b>	<b>▲ 3%</b>	<b>▼ -44%</b>	<b>▼ -6%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

## Wall Street Consensus Opinion

### BUY/HOLD

## Companies Offering Coverage

Argus Research Corp.  
C. E. Unterberg, Towbin  
Cowen & Co.  
Credit Suisse First Boston  
JP Morgan Securities  
Leerink Swann  
Merrill Lynch Research  
Morgan Stanley & Company  
Thinkequity Partners  
Thomas Weisel Partners  
When2trade Group

## Wall Street Consensus vs. Performance

For fiscal year 2009, analysts estimate that BDX will earn \$4.95. For the 3rd quarter of fiscal year 2009, BDX announced earnings per share of \$1.39, representing 28% of the total annual estimate. For fiscal year 2010, analysts estimate that BDX's earnings per share will grow by 4% to \$5.14.



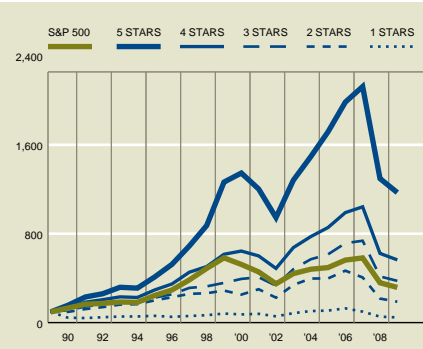
# Becton, Dickinson and Co

## Glossary

### S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

### STARS Average Annual Performance



### S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

### Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

### Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

### S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

### S&P's IQ Rationale:

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	Raw Score	Max Value
Proprietary S&P Measures	74	115
Technical Indicators	35	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	60	75
<b>IQ Total</b>	<b>187</b>	<b>250</b>

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

### S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

### Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

### S&P Equity Research Services

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### Abbreviations Used in S&P Equity Research Reports

**CAGR**- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

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★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

**Relevant benchmarks:** In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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