BECTON DICKINSON & CO
Form 10-K
November 22, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017
COMMISSION FILE NUMBER 1-4802
BECTON, DICKINSON AND COMPANY
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code (201) 847-6800
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $1.00	New York Stock Exchange
Depositary Shares, each representing a 1/20th interest in a share of 6.125% Cumulative Preferred Stock Series A	New York Stock Exchange
0.368% Notes due June 9, 2019	New York Stock Exchange
1.000% Notes due December 15, 2022	New York Stock Exchange
1.900% Notes due December 15, 2026	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
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	ý	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 check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

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As of March 31, 2017, the aggregate market value of the registrant's outstanding common stock held by non-affiliates of the registrant was approximately $39,070,060,303.

As of October 31, 2017, 227,978,328 shares of the registrant's common stock were outstanding.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held January 23, 2018 are incorporated by reference into Part III hereof.

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PART I

Item 1. Business.

General

Becton, Dickinson and Company (also known as "BD") was incorporated under the laws of the State of New Jersey in November 1906, as successor to a New York business started in 1897. BD's executive offices are located at 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, and its telephone number is (201) 847-6800. All references in this Form 10-K to "BD" refer to Becton, Dickinson and Company and its domestic and foreign subsidiaries, unless otherwise indicated by the context.

BD is a global medical technology company engaged in the development, manufacture and sale of a broad range of medical supplies, devices, laboratory equipment and diagnostic products used by healthcare institutions, life science researchers, clinical laboratories, the pharmaceutical industry and the general public. We provide customer solutions that are focused on improving medication management and patient safety; supporting infection prevention practices; equipping surgical and interventional procedures; improving drug delivery; aiding anesthesiology care; enhancing the diagnosis of infectious diseases and cancers; advancing cellular research and applications; and supporting the management of diabetes.

Business Segments

BD's operations consist of two worldwide business segments: BD Medical and BD Life Sciences. Information with respect to BD's business segments is included in Note 6 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

BD Medical

BD Medical produces a broad array of medical technologies and devices that are used to help improve healthcare delivery in a wide range of settings. The primary customers served by BD Medical are hospitals and clinics; physicians' office practices; consumers and retail pharmacies; governmental and nonprofit public health agencies; pharmaceutical companies; and healthcare workers. BD Medical consists of the following organizational units:

Organizational Unit	Principal Product Lines
Diabetes Care	Syringes, pen needles and other products related to the injection or infusion of insulin and other drugs used in the treatment of diabetes.
Medication and Procedural Solutions	Needles, syringes and intravenous catheters for medication delivery (including safety-engineered and auto-disable devices); prefilled IV flush syringes; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; skin antiseptic products; and surgical and laproscopic instrumentation.
Medication Management Solutions	Intravenous medication safety and infusion therapy delivery systems, including infusion pumps and dedicated disposables; medication compounding workflow systems; automated medication dispensing; automated supply management systems; medication inventory optimization and tracking systems; and analytics related to all the above products.
Pharmaceutical Systems	Prefillable drug delivery systems provided to pharmaceutical companies for use as containers for injectable pharmaceutical products, which are then placed on the market as drug/device combinations.

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BD Life Sciences

BD Life Sciences provides products for the safe collection and transport of diagnostics specimens, and instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections ("HAIs") and cancers. In addition, BD Life Sciences produces research and clinical tools that facilitate the study of cells, and the components of cells, to gain a better understanding of normal and disease processes. That information is used to aid the discovery and development of new drugs and vaccines, and to improve the diagnosis and management of diseases. The primary customers served by BD Life Sciences are hospitals, laboratories and clinics; blood banks; healthcare workers; public health agencies; physicians' office practices; academic and government institutions; and pharmaceutical and biotechnology companies. BD Life Sciences consists of the following organizational units:

Organizational Unit	Principal Product Lines
Preanalytical Systems	Integrated systems for specimen collection; and safety-engineered blood collection products and systems.
Diagnostic Systems	Automated blood culturing and tuberculosis culturing systems; molecular testing systems for infectious diseases and women's health; microorganism identification and drug susceptibility systems; liquid-based cytology systems for cervical cancer screening; rapid diagnostic assays; microbiology laboratory automation; and plated media.
Biosciences	Fluorescence-activated cell sorters and analyzers; monoclonal antibodies and kits for performing cell analysis; reagent systems for life science research; molecular indexing and next-generation sequencing sample preparation for genomics research; clinical oncology, immunological (HIV) and transplantation diagnostic/monitoring reagents and analyzers; and cell culture media supplements for biopharmaceutical manufacturing.

Acquisitions

Definitive Agreement to Acquire C. R. Bard, Inc.

On April 23, 2017, BD entered into a definitive agreement (the "Merger Agreement") under which BD will acquire C.R. Bard, Inc. ("Bard") to create a highly differentiated medical technology company uniquely positioned to improve both the process of care and the treatment of disease for patients and healthcare providers.

Under the terms of the Merger Agreement, each outstanding share of Bard common stock will be converted into the right to receive $222.93 in cash, without interest, and 0.5077 of a share of BD's common stock. The transaction is subject to regulatory approvals, as well as customary closing conditions, and is expected to close in the fourth calendar quarter of 2017. BD plans to finance the transaction with the issuance of BD's common stock to Bard's shareholders and available cash on hand, which will include net proceeds raised in the third quarter through equity and debt transactions.

The foregoing description of the Merger Agreement and the transactions contemplated thereby is not complete and is subject to and qualified in its entirety by reference to the Merger Agreement, a copy of which is included as an exhibit to the Current Report on Form 8-K filed by BD on April 24, 2017.

Acquisition of CareFusion Corporation

On March 17, 2015, BD completed the acquisition of CareFusion Corporation ("CareFusion"), a global medical technology company with a comprehensive portfolio of products in the areas of medication management, infection prevention, operating room and procedural effectiveness, and respiratory care. The CareFusion acquisition positioned BD as a global leader in medication management.

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Acquisition of remaining interest in Caesarea Medical Electronics

Upon its acquisition of CareFusion, BD acquired a 40% ownership interest in Caesarea Medical Electronics ("CME"), an Israeli-based global infusion pump systems manufacturer. On April 3, 2017, BD acquired the remaining 60% ownership interest in CME.

Additional information regarding these acquisitions is contained in Note 9 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, which is incorporated herein by reference.

Divestiture

In March 2016, BD signed a definitive agreement to sell 50.1% of its Respiratory Solutions business and form a joint venture with respect to this business. The Respiratory Solutions business was acquired in the CareFusion acquisition in 2015 and was a component of the Medical segment. Upon closing of the transaction, which occurred on October 3, 2016, the Company transferred the Respiratory Solutions business to a new standalone entity, retaining a 49.9% non-controlling interest in the new entity. The buyer controls the operations and governance of the new entity.

Additional information regarding this transaction is contained in Note 10 to the consolidated financial statements contained in Item 8, Financial Statements and Supplementary Data, which is incorporated herein by reference.

International Operations

BD’s products are manufactured and sold worldwide. For reporting purposes, we organize our operations outside the United States as follows: Europe, EMA (which includes the Commonwealth of Independent States, the Middle East and Africa); Greater Asia (which includes Japan and Asia Pacific); Latin America (which includes Mexico, Central America, the Caribbean and South America); and Canada. The principal products sold by BD outside the United States 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; flow cytometry instruments and reagents. BD has manufacturing operations outside the United States in Bosnia and Herzegovina, Brazil, Canada, China, Dominican Republic, France, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Mexico, the Netherlands, Singapore, Spain, and the United Kingdom. Geographic information with respect to BD’s operations is included under the heading “Geographic Information” in Note 6 to the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference.

Foreign economic conditions and exchange rate fluctuations have caused the profitability related to foreign revenues to fluctuate more than the profitability related to domestic revenues. BD believes its activities in some countries outside the United States involve greater risk than its domestic business due to the factors cited herein, as well as the economic environment, local commercial and economic policies and political uncertainties. See further discussion of this risk in Item 1A. Risk Factors.

Distribution

BD’s products are marketed and distributed in the United States and internationally through independent distribution channels, and directly to end-users by BD and independent sales representatives. Order backlog is not material to BD’s business inasmuch as orders for BD products generally are received and filled on a current basis, except for items temporarily out of stock. BD’s worldwide sales are not generally seasonal, with the exception of certain medical devices in the Medication and Procedural Solutions organizational unit, and diagnostic products in the Diagnostic Systems organizational unit, which relate to seasonal diseases such as influenza.

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Raw Materials and Components

BD purchases many different types of raw materials and components, including plastics, glass, metals, textiles, paper products, agricultural products, electronic and mechanical sub-assemblies and various biological, chemical and petrochemical products. BD seeks to ensure continuity of supply by securing multiple options for sourcing. However, there are situations where raw materials and components are only available from one supplier, which are referred to as sole sourced. The use of sole sourced materials and components may be due to sourcing of proprietary and/or patented technology and processes that are intended to provide a unique market differentiation to our product. In other cases, while a raw material or component can be sourced from multiple manufacturers, only one supplier is qualified due to quality assurance, cost or other considerations. In order to provide alternate sources, BD must complete a rigorous qualification process, which most often includes completion of regulatory registration and approval. If clinical trials are not required, this qualification process can take 3-18 months depending on the criticality of the change. When clinical trials are required, this process may lengthen the qualification phase from one to three years. BD continuously assesses its sole sourced raw materials and components, and maintains business continuity plans with our suppliers. BD's continuity plans may include securing secondary supply with alternate suppliers, qualification of alternate manufacturing facilities, maintaining contingency stock, internal development of supply and establishment of technology escrow accounts. While BD works closely with its suppliers, no assurance can be given that these efforts will be successful, and there may be events that cause supply interruption, reduction or termination that adversely impacts BD's ability to manufacture and sell certain products.

Research and Development

BD conducts its research and development ("R&D") activities at its operating units and at BD Technologies in Research Triangle Park, North Carolina. The majority of BD's R&D activities are conducted in North America. Outside North America, BD primarily conducts R&D activities in China, France, India, Ireland and Singapore. BD also collaborates with certain universities, medical centers and other entities on R&D programs and retains individual consultants and partners to support its efforts in specialized fields. BD spent approximately $774 million, $828 million and $632 million on research and development during the fiscal years ended September 30, 2017, 2016, and 2015, respectively.

Intellectual Property and Licenses

BD owns significant intellectual property, including patents, patent applications, technology, trade secrets, know-how, copyrights and trademarks in the United States and other countries. BD is also licensed under domestic and foreign patents, patent applications, technology, trade secrets, know-how, copyrights and trademarks owned by others. In the aggregate, these intellectual property assets and licenses are of material importance to BD's business. BD believes, however, that no single patent, technology, trademark, intellectual property asset or license is material in relation to BD's business as a whole, or to any business segment.

Competition

BD operates in the increasingly complex and challenging medical technology marketplace. Technological advances and scientific discoveries have accelerated the pace of change in medical technology, the regulatory environment of medical products is becoming more complex and vigorous, and economic conditions have resulted in a challenging market. Companies of varying sizes compete in the global medical technology field. Some are more specialized than BD with respect to particular markets, and some have greater financial resources than BD. New companies have entered the field, particularly in the areas of molecular diagnostics, safety-engineered devices and in the life sciences, and established companies have diversified their business activities into the medical technology area. Other firms engaged in the distribution of medical technology products have become manufacturers of medical devices and instruments as well. Acquisitions and collaborations by and among companies seeking a competitive advantage also affect the competitive environment. In addition, the entry into the market of low-cost manufacturers are creating increased pricing pressures. Some competitors have also established manufacturing sites or have contracted with suppliers located in these countries as a means to lower their costs.

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BD competes in this evolving marketplace on the basis of many factors, including price, quality, innovation, service, reputation, distribution and promotion. The impact of these factors on BD's competitive position varies among BD's various product offerings. In order to remain competitive in the industries in which it operates, BD continues to make investments in research and development, quality management, quality improvement, product innovation and productivity improvement in support of its core strategies.

Third-Party Reimbursement

A majority of BD's customers rely on third-party payers, including government programs and private health insurance plans, to reimburse some or all of the cost of the procedures, products and services they provide. Our technologies are subject to worldwide regulations regarding reimbursement developed by government agencies, including the Centers for Medicare and Medicaid Services (CMS) in the United States; the National Health Service in the United Kingdom; the Joint Federal Committee in Germany; the Commission d'Evaluation des Produits et prestations in France; the Ministry for Health, Labor and Welfare in Japan; the Ministry of Health and the National Development and Reform Commission in China; among many others. In addition, our technologies are also subject to reimbursement policies issued by private insurance companies and managed care organizations.

BD is actively engaged in identifying and communicating value propositions of its products for payer, provider, and patient stakeholders, and it employs various efforts and resources to attempt to positively impact coverage, coding and payment pathways. However, BD has no direct control over payer decision-making with respect to coverage and payment levels for BD products. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) and/or drug(s) utilized, the available budget, or a combination of these factors, and coverage and payment levels are determined at each payer's discretion. As BD's product offerings are diverse across a variety of healthcare settings, they are affected to varying degrees by the many payment pathways that impact the decisions of healthcare providers regarding which medical products they purchase and the prices they are willing to pay for those products. Therefore, changes in reimbursement levels or methods may either positively or negatively impact sales of BD products in any given country for any given product.

As government programs seek to expand healthcare coverage for their citizens, they have at the same time sought to control costs by limiting the amount of reimbursement they will pay for particular procedures, products or services. Many third-party payers have developed specific payment and delivery mechanisms to support these cost control efforts and to focus on paying for value. These mechanisms include payment reductions, pay for performance measures, quality-based performance payments, restrictive coverage policies, bidding and tender mechanics, studies to compare the effectiveness of therapies and use of technology assessments. These changes have created an increased emphasis on the delivery of more cost-effective and quality-driven healthcare.

In addition, as a result of the Patient Protection and Affordable Care Act ("PPACA"), the U.S. is implementing value based payment methodologies and seeking to create alternative payment models such as bundled payments to continue to drive improved value. We see other governments around the world considering similar bundling reform measures, including the development of the Diagnosis Related Group ("DRG") as a payment mechanism to drive toward quality and resource based reimbursement.

Regulation

BD's medical technology products and operations are subject to regulation by the U.S. Food and Drug Administration ("FDA") and various other federal and state agencies, as well as by foreign governmental agencies. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of BD's medical products. The scope of the activities of these agencies, particularly in the Europe, Japan, and Asia Pacific regions in which BD operates, has been increasing.

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BD actively maintains FDA/ISO Quality Systems that establish standards for its product design, manufacturing, and distribution processes. Prior to marketing or selling most of its products, BD must secure approval from the FDA and counterpart non-U.S. regulatory agencies. Following the introduction of a product, these agencies engage in periodic reviews and inspections of BD's quality systems, as well as product performance and advertising and promotional materials. These regulatory controls, as well as any changes in FDA policies, can affect the time and cost associated with the development, introduction and continued availability of new products. Where possible, BD anticipates these factors in its product development and planning processes. These agencies possess the authority to take various administrative and legal actions against BD, such as product recalls, product seizures and other civil and criminal sanctions. BD also undertakes voluntary compliance actions, such as voluntary recalls.

BD also is subject to various federal and state laws, and laws outside the United States, concerning healthcare fraud and abuse (including false claims laws and anti-kickback laws), global anti-corruption, transportation, safety and health, and customs and exports. Many of the agencies enforcing these laws have increased their enforcement activities with respect to medical device manufacturers in recent years. This appears to be part of a general trend toward increased regulation and enforcement activity within and outside the United States.

In addition, as part of PPACA, the federal government has enacted the Sunshine Act provisions requiring BD to publicly report gifts and payments made to physicians and teaching hospitals. Failure to comply with these provisions could result in a range of fines, penalties and/or other sanctions.

Our infusion pump organizational unit is operating under an amended consent decree entered into by CareFusion with the FDA in 2007. CareFusion's consent decree with the FDA related to its Alaris™ SE infusion pumps. In February 2009, CareFusion and the FDA amended the consent decree to include all infusion pumps manufactured by or for CareFusion 303, Inc., the organizational unit that manufactures and sells infusion pumps in the United States. The amended consent decree does not apply to intravenous administration sets and accessories.

While this BD organizational unit remains subject to the amended consent decree, which includes the requirements of the original consent decree, it has made substantial progress in its compliance efforts. However, we cannot predict the outcome of this matter, and the amended consent decree authorizes the FDA, in the event of any violations in the future, to order us to cease manufacturing and distributing infusion pumps, recall products and take other actions. We may be required to pay damages of $15,000 per day per violation if we fail to comply with any provision of the amended consent decree, up to $15 million per year.

We also cannot currently predict whether additional monetary investment will be incurred to resolve this matter or the matter's ultimate impact on our business. We may be obligated to pay more costs in the future because, among other things, the FDA may determine that we are not fully compliant with the amended consent decree and therefore impose penalties under the amended consent decree, and/or we may be subject to future proceedings and litigation relating to the matters addressed in the amended consent decree. As of September 30, 2017, we do not believe that a loss is probable in connection with the amended consent decree, and accordingly, we have no accruals associated with compliance with the amended consent decree.

For further discussion of risks relating to the regulations to which we are subject, see Item 1A. Risk Factors.

Employees

As of September 30, 2017, BD had 41,933 employees, of which 17,497 were employed in the U.S. (including Puerto Rico). BD believes that its employee relations are satisfactory.

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Available Information

BD maintains a website at www.bd.com. BD also makes available its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K (and amendments to those reports) as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). These filings may be obtained and printed free of charge at www.bd.com/investors. In addition, the written charters of the Audit Committee, the Compensation and Management Development Committee, the Corporate Governance and Nominating Committee, the Executive Committee and the Science, Marketing, Innovation and Technology Committee of the Board of Directors, BD's Corporate Governance Principles and its Code of Conduct, are available and may be printed free of charge at BD's website at www.bd.com/investors/corporate_governance/. Printed copies of these materials, this 2017 Annual Report on Form 10-K, and BD's reports and statements filed with, or furnished to, the SEC, may also be obtained, without charge, by contacting the Corporate Secretary, BD, 1 Becton Drive, Franklin Lakes, New Jersey 07417-1880, telephone 201-847-6800. In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

BD also routinely posts important information for investors on its website at www.bd.com/investors. BD may use this website as a means of disclosing material, non-public information and for complying with its disclosure obligations under Regulation FD adopted by the SEC. Accordingly, investors should monitor the Investor Relations portion of BD's website noted above, in addition to following BD's press releases, SEC filings, and public conference calls and webcasts. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this Annual Report.

Forward-Looking Statements

BD and its representatives may from time-to-time make certain forward-looking statements in publicly-released materials, both written and oral, including statements contained in filings with the SEC and in its reports to shareholders. Additional information regarding BD's forward-looking statements is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 1A. Risk Factors.

An investment in BD involves a variety of risks and uncertainties. The following describes some of the significant risks that could adversely affect BD's business, financial condition, operating results or cash flows.

Risks Relating to BD

A downturn in global economic conditions could adversely affect our operations.

Deterioration in the global economic environment, particularly in emerging markets and countries with government-sponsored healthcare systems, may cause decreased demand for our products and services and increased competition, which could result in lower sales volume and downward pressure on the prices for our products, longer sales cycles, and slower adoption of new technologies. A weakening of macroeconomic conditions may also adversely affect our suppliers, which could result in interruptions in supply. We have also previously experienced delays in collecting government receivables in certain countries in Western Europe due to economic conditions, and we may experience similar delays in the future in these and other countries or regions experiencing financial problems.

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The medical technology industry is very competitive.

We are a global company that faces significant competition from a wide range of companies. These include large medical device companies with multiple product lines, some of which may have greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets or product lines. We face competition across all our product lines and in each market in which our products are sold on the basis of product features, clinical or economic outcomes, product quality, price, services and other factors. In addition, we face changing customer preferences and requirements, including increased customer demand for more environmentally-friendly products.

The medical technology industry is also subject to rapid technological change and discovery. The development of new or improved products, processes or technologies by other companies (such as needle-free injection technology) may render our products or proposed products obsolete or less competitive. 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. The entry into the market of manufacturers located in China and other low-cost manufacturing locations has also created pricing pressure, particularly in developing markets.

We are subject to foreign currency exchange risk.

A substantial amount of our revenues are derived from international operations, and we anticipate that a significant portion of our sales will continue to come from outside the U.S. in the future. The revenues we report with respect to our operations outside the United States may be adversely affected by fluctuations in foreign currency exchange rates. A discussion of the financial impact of exchange rate fluctuations and the ways and extent to which we may attempt to address any impact is contained in Item 7., Management’s Discussion of Financial Condition and Results of Operations. Any hedging activities we engage in may only offset a portion of the adverse financial impact resulting from unfavorable changes in foreign currency exchange rates. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can mitigate these risks.

Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.

Our sales depend, in part, on the extent to which healthcare providers and facilities are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products. The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products customers purchase and the prices they are willing to pay for those products in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies and products. Legislative or administrative reforms to reimbursement systems in the United States or abroad, changes in reimbursement rates by private payers, or adverse decisions relating to our products by administrators of these systems could significantly reduce reimbursement for procedures using our products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers are willing to pay for such products. See “Third-Party Reimbursement” under Item 1., Business.

The reinstatement of the PPACA's medical device tax may adversely affect our results of operations.

The PPACA imposes on medical device manufacturers, such as BD, a 2.3% excise tax on U.S. sales of certain medical devices. While the excise tax has been suspended until the end of 2017, absent further legislative action, it will be reinstated in 2018.

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Consolidation in the healthcare industry could adversely affect our future revenues and operating income.

The medical technology industry has experienced a significant amount of consolidation, resulting in companies with greater market presence. Health care systems and other health care companies are also consolidating, resulting in greater purchasing power for these companies. As a result, competition among medical device suppliers to provide goods and services has increased. Group purchasing organizations and integrated health delivery networks have also served to concentrate purchasing decisions for some customers, which has led to downward pricing pressure for medical device suppliers. Further consolidation in the industry could intensify competition among medical device suppliers and exert additional pressure on the prices of our products.

Cost volatility could adversely affect our operations.

Our results of operations could be negatively impacted by volatility in the cost of raw materials, components, freight and energy that increases the costs of producing and distributing our products. New laws or regulations adopted in response to climate change could also increase energy costs as well as the costs of certain raw materials and components. In particular, we purchase supplies of resins, which are oil-based components used in the manufacture of certain products, and any significant increases in resin costs could adversely impact future operating results. Increases in oil prices can also increase our packaging and transportation costs. We may not be able to offset any increases in these operational costs.

Breaches of our information technology systems could have a material adverse effect on our operations.

We rely on information technology systems to process, transmit, and store electronic information in our day-to-day operations, including sensitive personal information and proprietary or confidential information. In addition, some of our products include information technology that collects data regarding patients and patient therapy on behalf of our customers and some connect to our systems for maintenance purposes. Our information technology systems have been subjected to attack via malicious code execution, cyber- or phishing- attacks, and we have experienced instances of unauthorized access to our systems in the past and expect to be subject to similar attacks in the future. In addition to our own information, in the course of doing business, we sometimes store information with third parties that could be subject to these types of attacks. Cyber-attacks could result in our intellectual property and other confidential information being accessed or stolen. Likewise, we could suffer disruption of our operations and other significant negative consequences including increased costs for security measures or remediation, diversion of management attention, and adverse impact on our relationships with vendors, business partners and customers. Unauthorized tampering, adulteration or interference with our products may also create issues with product functionality that could result in a loss of data, risk to patient safety, and product recalls or field actions. Cyber-attacks could result in unauthorized access to our systems and products which could also result in actions by regulatory bodies or civil litigation. While we will continue to dedicate significant resources to protect the company against unauthorized access to our systems and work with government authorities to detect and reduce the risk of future cyber incidents, cyber-attacks are becoming more sophisticated frequent, and adaptive. There can be no assurances that our protective measures will prevent future attacks that could have a material adverse impact on our business.

Our future growth is dependent in part upon the development of new products, and there can be no assurance that such products will be developed.

A significant element of our strategy is to increase revenue growth by focusing on innovation and new product development. New product development requires significant investment in research and development, clinical trials and regulatory approvals. The results of our product development efforts may be affected by a number of factors, including our ability to anticipate customer needs, innovate and develop new products and technologies, successfully complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, manufacture products in a cost-effective manner, obtain appropriate intellectual property protection for our products, and gain and maintain market acceptance of our products. In addition, patents attained by others can preclude or delay our commercialization of a product. There can be no assurance that any products now in development or that we may seek to develop in the future will achieve technological feasibility, obtain regulatory approval or gain market acceptance.

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We cannot guarantee that any of our strategic acquisitions, investments or alliances will be successful.

We may seek to supplement our internal growth through strategic acquisitions, investments and alliances. Such transactions are inherently risky, and the integration of any newly-acquired business requires significant effort and management attention. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any business we may acquire into our existing business. There can be no assurance that any past or future transaction will be successful.

The international operations of our business may subject us to certain business risks.

A substantial amount of our sales come from our operations outside the United States, and we intend to continue to pursue growth opportunities in foreign markets, especially in emerging markets. Our foreign operations subject us to certain risks, including the effects of fluctuations in foreign currency exchange (discussed above), the effects of local economic and political conditions, U.S. relations with the governments of the foreign countries in which we operate, foreign regulatory requirements or changes in such requirements, local product preferences and product requirements, longer payment terms for account receivables than we experience in the U.S., difficulty in establishing, staffing and managing foreign operations, differing labor regulations, potential changes to international trade agreements and treaties, changes in tax laws, weakening or loss of the protection of intellectual property rights in some countries, import or export licensing requirements, trade protection measures and restrictions on the transfer of capital across borders. The success of our operations outside the United States depends, in part, on our ability to acquire or form and maintain alliances with local companies and make necessary infrastructure enhancements to, among other things, our production facilities and sales and distribution networks.

In addition, our international operations are governed by the U.S. Foreign Corrupt Practices Act and similar anti-corruption laws outside the U.S. Global enforcement of anti-corruption laws has increased substantially in recent years, with more enforcement proceedings by U.S. and foreign governmental agencies and the imposition of significant fines and penalties. While we have implemented policies and procedures to enhance compliance with these laws, our international operations, which often involve customer relationships with foreign governments, create the risk that there may be unauthorized payments or offers of payments made by employees, consultants, sales agents or distributors. Any alleged or actual violations of these laws may subject us to government investigations, significant criminal or civil sanctions and other liabilities, and negatively affect our reputation.

Under the U.S. tax code, we may also be subject to additional taxation to the extent we repatriate earnings from our foreign operations to the U.S. In the event we require more capital in the United States than is generated by our U.S. operations to fund acquisitions or other activities and elect to repatriate earnings from foreign jurisdictions, our effective tax rate may be higher as a result. Recently in the United States, there have been legislative proposals to tax profits that are earned abroad. These, and other proposals for fundamental U.S. corporate tax reform, if enacted, could have a material impact on our financial results.

The June 2016 referendum result in the United Kingdom (“UK”) to exit the European Union (“EU”) (commonly known as “Brexit”) and the subsequent triggering by the UK government in March 2017 of Article 50 of the Lisbon Treaty, which commenced the UK’s official withdrawal process from the EU, has created uncertainties affecting business operations in the UK and the EU. Following the referendum, there was a significant decline in the value of the British pound compared to the U.S. dollar, and continued volatility in exchange rates and economic conditions is expected as the UK negotiates its exit from the EU. Until the terms of the UK’s exit from the EU are determined, it is difficult to predict its impact but it is possible that the withdrawal could, among other things, affect the legal and regulatory schemes to which our businesses are subject, impact trade between the UK and the EU and other parties and create economic and political uncertainty in the region.

There have also been recent proposals for the U.S. to significantly modify or withdraw from certain existing international trade agreements, including the North American Free Trade Agreement. While we cannot predict whether any such changes will be implemented, it is possible that changes to international trade agreements could materially impact our business.

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Reductions in customers' research budgets or government funding may adversely affect our business.

We sell products to researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Research and development spending of our customers can fluctuate based on spending priorities and general economic conditions. A number of these customers are also dependent for their funding upon grants from U.S. government agencies, such as the U.S. National Institutes of Health ("NIH") and agencies in other countries. The level of government funding of research and development is unpredictable. For instance, there have been instances where NIH grants have been frozen or otherwise unavailable for extended periods. The availability of governmental research funding may be adversely affected by economic conditions and governmental spending reductions. Any reduction or delay in governmental funding could cause our customers to delay or forego purchases of our products.

A reduction or interruption in the supply of certain raw materials and components would adversely affect our manufacturing operations and related product sales.

We purchase many different types of raw materials and components used in our products. Certain raw materials and components are not available from multiple sources. In addition, for quality assurance, cost-effectiveness and other reasons, we elect to purchase certain raw materials and components from sole suppliers. The supply of these materials can be disrupted for a number of reasons, including economic conditions as described above. While we work with suppliers to ensure continuity of supply, no assurance can be given that these efforts will be successful. In addition, due to regulatory requirements relating to the qualification of suppliers, we may not be able to establish additional or replacement sources on a timely basis or without excessive cost. The termination, reduction or interruption in supply of these sole-sourced raw materials and components could adversely impact our ability to manufacture and sell certain of our products.

Interruption of our manufacturing operations could adversely affect our future revenues and operating income.

We have manufacturing sites all over the world. In some instances, however, the manufacturing of certain of our product lines is concentrated in one or more of our plants. Damage to one or more of these facilities from weather or natural disasters, or issues in our manufacturing process, equipment failure or other factors, could adversely affect our ability to manufacture these products, resulting in lost revenues and damage to our relationships with customers. In particular, damage to our manufacturing facilities in Puerto Rico resulting from Hurricane Maria in September 2017 could adversely impact our revenue and earnings results for fiscal year 2018.

We are subject to lawsuits.

We are or have been a defendant in a number of lawsuits, including purported class action lawsuits for alleged antitrust violations and suits alleging patent infringement, and could be subject to additional lawsuits in the future. A more detailed description of these lawsuits is contained in note 5 to the consolidated financial statements included in Item 8., Financial Statements and Supplementary Data. Given the uncertain nature of litigation generally, we are not able in all cases to estimate the amount or range of loss that could result from an unfavorable outcome of the litigation to which we are a party. In view of these uncertainties, we could incur charges in excess of any currently established accruals and, to the extent available, excess liability insurance. Any such future charges, individually or in the aggregate, could have a material adverse effect on our results of operations and cash flows.

We are subject to extensive regulation.

Our operations are global and are affected by complex state, federal and international laws relating to healthcare, environmental protection, antitrust, anti-corruption, marketing, fraud and abuse (including anti-kickback and false claims laws), export control, employment and other areas. Violations of these laws can result in criminal or civil sanctions, including substantial fines and, in some cases, exclusion from participation in health care programs such as Medicare and Medicaid. Environmental laws, particularly with respect to the emission of greenhouse gases, are also becoming more stringent throughout the world, which may increase our costs of operations or necessitate changes in our manufacturing plants or processes or those of our suppliers, or result in liability to BD. The enactment of additional laws in the future may increase our compliance costs or otherwise adversely impact our operations.

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We are also subject to extensive regulation by the FDA pursuant to the Federal Food, Drug and Cosmetic Act, by comparable agencies in foreign countries, and by other regulatory agencies and governing bodies. Most of our products must receive clearance or approval from the FDA or counterpart regulatory agencies in other countries before they can be marketed or sold. The process for obtaining marketing approval or clearance may take a significant period of time and require the expenditure of substantial resources, and these have been increasing due to increased requirements from the FDA for supporting data for submissions. The process may also require changes to our products or result in limitations on the indicated uses of the products. Governmental agencies may also impose new requirements regarding registration, labeling or prohibited materials that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. Once clearance or approval has been obtained for a product, there is an obligation to ensure that all applicable FDA and other regulatory requirements continue to be met. Following the introduction of a product, these agencies also periodically review our manufacturing processes and product performance. Our failure to comply with the applicable good manufacturing practices, adverse event reporting, clinical trial and other requirements of these agencies could delay or prevent the production, marketing or sale of our products and result in fines, delays or suspensions of regulatory clearances, closure of manufacturing sites, seizures or recalls of products and damage to our reputation. More stringent oversight by the FDA and other agencies in recent years has resulted in increased enforcement activity, which increases the compliance risk for us and other companies in our industry.

As a result of the CareFusion acquisition, we are operating under a consent decree with the FDA that was entered into by CareFusion in 2009, that affects our infusion pump business in the United States. For more information regarding the consent decree, see “Regulation” under Item 1, “Business”.

Defects or quality issues associated with our products could adversely affect the results of our operations.

The design, manufacture and marketing of medical devices involve certain inherent risks. Manufacturing or design defects, unapproved use of our products, or inadequate disclosure of risks or other information relating to the use of our products can lead to injury or other adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or required by the FDA or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs and lost sales and customers, enforcement actions and/or investigations by state and federal governments or other enforcement bodies, as well as negative publicity and damage to our reputation that could reduce future demand for our products. Personal injuries relating to the use of our products can also result in significant product liability claims being brought against us. In some circumstances, such adverse events could also cause delays in regulatory approval of new products.

Our operations are dependent in part on patents and other intellectual property assets.

Many of our businesses rely on patent, trademark and other intellectual property assets. These intellectual property assets, in the aggregate, are of material importance to our business. We can lose the protection afforded by these intellectual property assets through patent expirations, legal challenges or governmental action. Patents attained by competitors, particularly as patents on our products expire, may also adversely affect our competitive position. In addition, competitors may seek to invalidate patents on our products or claim that our products infringe upon their intellectual property, which could result in a loss of competitive advantage or the payment of significant legal fees, damage awards and past or future royalties, as well as injunctions against future sales of our products. We also operate in countries that do not protect intellectual property rights to the same extent as in the U.S., which could make it easier for competitors to compete with us in those countries. The loss of a significant portion of our portfolio of intellectual property assets may have an adverse effect on our earnings, financial condition or cash flows.

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Natural disasters, war and other events could adversely affect our future revenues and operating income.

Natural disasters (including pandemics), war, terrorism, labor disruptions and international conflicts, and actions taken by the United States and other governments or by our customers or suppliers in response to such events, could cause significant economic disruption and political and social instability in the United States and areas outside of the United States in which we operate. These events could result in decreased demand for our products, adversely affect our manufacturing and distribution capabilities, or increase the costs for or cause interruptions in the supply of materials from our suppliers.

We need to attract and retain key employees to be competitive.

Our ability to compete effectively depends upon our ability to attract and retain executives and other key employees, including people in technical, marketing, sales and research positions. Competition for experienced employees, particularly for persons with specialized skills, can be intense. Our ability to recruit such talent will depend on a number of factors, including compensation and benefits, work location and work environment. If we cannot effectively recruit and retain qualified executives and employees, our business could be adversely affected.

We may not realize all of the anticipated benefits and cost savings resulting from our acquisition of CareFusion.

While we have realized significant cost savings to date in connection with our acquisition of CareFusion in 2015, achieving additional cost synergies may prove more difficult than expected, and it is possible that the anticipated cost synergies of the merger may not be realized fully, or may take longer to realize than expected.

Risks Relating To Our Acquisition of Bard

Completion of the Bard acquisition is subject to conditions and if these conditions are not satisfied or waived, the Bard acquisition will not be completed.

The obligations of us and Bard to complete the Bard acquisition are subject to satisfaction or waiver of a number of conditions, the expiration or termination of the applicable waiting period in connection with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), the receipt of any authorization or consent from certain other governmental authorities required to be obtained with respect to the merger under applicable foreign antitrust laws, approval of the listing on the NYSE of shares of our common stock to be issued in the Bard acquisition, and the absence of an injunction prohibiting the Bard acquisition. Each party’s obligation to complete the Bard acquisition is subject to the satisfaction or waiver (to the extent permitted under applicable law) of certain other customary conditions, the accuracy of the representations and warranties of the other party under the Merger Agreement (subject to the materiality standards set forth in the Merger Agreement), the performance by the other party of its respective obligations under the Merger Agreement in all material respects and delivery of officer certificates by the other party certifying satisfaction of the two preceding conditions. Either we or Bard may, subject to certain exceptions, terminate the Merger Agreement upon mutual consent or if the Bard acquisition has not been consummated on or before January 23, 2018 (or before April 23, 2018 if all closing conditions have been satisfied other than the receipt of required competition approvals).

The failure to satisfy all of the required conditions could delay the completion of the Bard acquisition for a significant period of time or prevent it from occurring. If the Bard acquisition is not completed, our ongoing business may be materially adversely affected and, without realizing any of the benefits of having completed the Bard acquisition, we will be subject to a number of risks, including the following:

- the market price of our common stock could decline;
- if the Merger Agreement is terminated and our board of directors seeks another business combination, our stockholders cannot be certain that we will be able to find a party willing to enter into a transaction on terms equivalent to or more attractive than the terms that Bard has agreed to in the Merger Agreement;
- time and resources, financial and other, committed by our management to matters relating to the Bard acquisition could otherwise have been devoted to pursuing other beneficial opportunities for our company;

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- we may experience negative reactions from the financial markets or from our customers or employees; and
- we will be required to pay our respective costs relating to the Bard acquisition, including legal, accounting, financial advisory, financing and printing fees, whether or not the Bard acquisition is completed.

In addition, if the Bard acquisition is not completed, we could be subject to litigation related to any failure to complete the Bard acquisition or related to any enforcement proceeding commenced against us to perform our obligations under the Merger Agreement. The materialization of any of these risks could materially and adversely impact our ongoing business.

Similarly, any delay in completing the Bard acquisition could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about completion of the Bard acquisition and cause us not to realize some or all of the benefits that we expect to achieve if the Bard acquisition is successfully completed within its expected timeframe. There can be no assurance that the conditions to the closing of the Bard acquisition will be satisfied or waived or that the Bard acquisition will be consummated.

In order to complete the Bard acquisition, we and Bard must make certain governmental filings and obtain certain governmental authorizations, and if such filings and authorizations are not made or granted or are granted with conditions, completion of the Bard acquisition may be jeopardized or the anticipated benefits of the Bard acquisition could be reduced.

Although we and Bard have agreed in the Merger Agreement to use reasonable best efforts, subject to certain limitations, to make certain governmental filings, to obtain the required expiration or termination of the waiting period under the HSR Act and to obtain any authorization or consent from certain other governmental authorities required to be obtained with respect to the merger under applicable foreign antitrust laws, there can be no assurance that such approvals will be obtained. As a condition to granting termination of the waiting period under the HSR Act and to adoption of approvals of the Bard acquisition, governmental authorities may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of our business after completion of the Bard acquisition. Under the terms of the Merger Agreement, subject to certain exceptions, we and our subsidiaries are required to accept certain conditions and take certain actions imposed by certain governmental authorities that would apply to, or affect, the businesses, assets or properties of us, our subsidiaries or Bard and its subsidiaries. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of (i) delaying completion of the Bard acquisition, (ii) imposing additional material costs on or materially limiting the revenues of the combined company following the Bard acquisition, or (iii) otherwise adversely affecting our businesses and results of operations after completion of the Bard acquisition. In addition, we can provide no assurance that these conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Bard acquisition.

Each party is subject to business uncertainties and contractual restrictions while the proposed merger is pending, which could adversely affect each party’s or the combined company’s business and operations.

In connection with the pendency of the Bard acquisition, it is possible that some customers, suppliers and other persons with whom we or Bard have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us or Bard, as the case may be, as a result of the Bard acquisition, which could negatively affect our or Bard’s respective revenues, earnings and cash flows, regardless of whether the Bard acquisition is completed. If the Bard acquisition is completed, such terminations, changes or renegotiations could negatively affect the revenues, earnings and cash flows of the combined company. These risks may be exacerbated by delays or other adverse developments with respect to the completion of the Bard acquisition.

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Combining the two companies may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the Bard acquisition may not be realized.

We and Bard have operated and, until the completion of the Bard acquisition, will continue to operate, independently. The success of the Bard acquisition, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate our business with the business of Bard.

The Bard acquisition will involve the integration of Bard's business with our existing business, which is a complex, costly and time-consuming process. It is possible that the pendency of the Bard acquisition and/or the integration process could result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management's attention to the Bard acquisition;
- managing a larger combined company;
- maintaining employee morale and retaining key management and other employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations and inconsistencies in standards, controls, procedures and policies;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems; and
- unforeseen expenses or delays associated with the Bard acquisition.

Many of these factors will be outside of the combined company's control and any one of them could result in delays, increased costs, decreases in revenues and diversion of management's time and energy, which could materially affect the combined company's financial position, results of operations and cash flows.

If we experience difficulties with the integration process, the anticipated benefits of the Bard acquisition may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have an adverse effect on (i) each of us and Bard during this transition period and (ii) the combined company for an undetermined period after completion of the Bard acquisition. In addition, the actual cost savings of the Bard acquisition could be less than anticipated.

In addition, certain risks associated with our industry and business described herein and in our public filings may become more significant following consummation of the Bard acquisition, including, but not limited to, risks relating to: the continued focus by third-party payors on cost containment and government scrutiny of the healthcare industry's sales and marketing practices, various healthcare reform proposals that have emerged on the federal and state levels and in other jurisdictions where the combined company sells its products, collective bargaining and labor activity, and the integrity of our information systems that are run by third party vendors and such vendors' ability to maintain their systems and reduce any vulnerability to natural and system disruptions and prevent cyber-attacks and other unauthorized access.

The future results of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following the completion of the Bard acquisition.

Following the completion of the Bard acquisition, the size of the combined company's business will be significantly larger than the current size of either our or Bard's respective businesses. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two discrete companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the Bard acquisition.

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The combined company is expected to incur substantial expenses related to the completion of the Bard acquisition and the integration of BD and Bard.

We and Bard have incurred, and expect to continue to incur, a number of non-recurring costs associated with the Bard acquisition and combining the operations of the two companies. The substantial majority of non-recurring expenses will be comprised of transaction and regulatory costs related to the Bard acquisition.

We also will incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the Bard acquisition and the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

In connection with the Bard acquisition, we have incurred significant additional indebtedness, and certain of Bard's indebtedness will remain outstanding, which could adversely affect us, including by decreasing our business flexibility, and will increase our interest expense.

We have substantially increased our indebtedness in connection with the pending Bard acquisition through the incurrence of new indebtedness to finance the Bard acquisition and, following the Bard acquisition, through the assumption of Bard's existing indebtedness, in comparison to our indebtedness on a recent historical basis, which could have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions and increasing our interest expense.

The amount of cash required to pay interest on our increased indebtedness levels following completion of the Bard acquisition, and thus the demands on our cash resources, will be greater than the amount of cash flows required to service our indebtedness prior to the Bard acquisition. The increased levels of indebtedness following completion of the Bard acquisition could also reduce funds available for working capital, capital expenditures, acquisitions, the repayment or refinancing of our indebtedness as it becomes due and other general corporate purposes and may create competitive disadvantages for us relative to other companies with lower debt levels. In addition, certain of the indebtedness incurred in connection with the Bard acquisition bears interest at variable interest rates. If interest rates increase, variable rate debt will create higher debt service requirements, which could further adversely affect our cash flows. If we do not achieve the expected benefits and cost savings from the Bard acquisition, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted.

In addition, our credit ratings affect the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations. There can be no assurance that we will achieve a particular rating or maintain a particular rating in the future or that we will be able to maintain our current rating. Furthermore, we expect that our combined company's credit ratings will be lower following the Bard acquisition, including below "investment grade" by Moody's Investors Service, Inc., which may further increase the combined company's future borrowing costs and reduce the combined company's access to capital.

Moreover, in the future we may be required to raise substantial additional financing to fund working capital, capital expenditures, the repayment or refinancing of our indebtedness, acquisitions or other general corporate requirements. Our ability to arrange additional financing or refinancing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that it will be able to obtain additional financing or refinancing on terms acceptable to us or at all.

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We may not be able to service all of the combined company's indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our failure to meet our debt service obligations could have a material adverse effect on our business, financial condition and results of operations.

We depend on cash on hand and cash flows from operations to make scheduled debt payments. We expect to be able to meet the estimated cash interest payments on the combined company's debt following the Bard acquisition through a combination of the expected cash flows from operations of the combined company. However, our ability to generate sufficient cash flow from operations of the combined company and to utilize other methods to make scheduled payments will depend on a range of economic, competitive and business factors, many of which are outside of our control. There can be no assurance that these sources will be adequate. If we are unable to service our indebtedness and fund our operations, we will be forced to reduce or delay capital expenditures, seek additional capital, sell assets or refinance our indebtedness. Any such action may not be successful and we may be unable to service our indebtedness and fund our operations, which could have a material adverse effect on our business, financial condition or results of operations.

The agreements that will govern the indebtedness incurred in connection with the Bard acquisition contain various covenants that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our businesses.

The agreements that govern the indebtedness incurred in connection with the Bard acquisition contain various affirmative and negative covenants that may, subject to certain significant exceptions, restrict the ability of certain of our subsidiaries to incur debt and the ability of us and certain of our subsidiaries to, among other things, have liens on our property, and/or merge or consolidate with any other person or sell or convey certain of our assets to any one person, engage in certain transactions with affiliates and change the nature of our business. In addition, the agreements also require us to comply with certain financial covenants, including financial ratios. Our ability and the ability of our subsidiaries to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations and could result in a default and acceleration under other agreements containing cross-default provisions. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations.

Uncertainties associated with the Bard acquisition may cause a loss of management personnel and other key employees of Bard or us, which could adversely affect the future business and operations of the combined company following the Bard acquisition.

We and Bard are dependent on the experience and industry knowledge of our respective officers and other key employees to execute our respective business plans. The combined company's success after the Bard acquisition will depend in part upon its ability to retain key management personnel and other key employees of us and Bard. Current and prospective employees of us and Bard may experience uncertainty about their future roles with the combined company following the Bard acquisition, which may materially adversely affect the ability of each of us and Bard to attract and retain key personnel during the pendency of and after the Bard acquisition. Accordingly, no assurance can be given that the combined company will be able to retain key management personnel and other key employees of us and Bard.

Completion of the Bard acquisition will trigger change in control or other provisions in certain agreements to which Bard is a party, which may have an adverse impact on the combined company's business and results of operations.

The completion of the Bard acquisition will trigger change in control and other provisions in certain agreements to which Bard is a party. If we and Bard are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if we and Bard are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to Bard or the combined company. Any of the foregoing or similar developments may have an adverse impact on the combined company's business and results of operations.

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For example, if the ratings of certain of Bard's outstanding senior notes are reduced beyond certain thresholds within certain time periods prior to or following the consummation of the Bard acquisition, Bard could be required to offer to repurchase such notes at 101% of the aggregate principal amount of such notes plus any accrued and unpaid interest to the repurchase date.

Following the consummation of the Bard acquisition, the combined company will assume certain potential liabilities relating to Bard, including certain products liability and mass torts claims.

Following the consummation of the Bard acquisition, the combined company will have assumed certain potential liabilities relating to Bard, including certain products liability and mass tort claims with respect to the design, manufacture and marketing of medical devices and related settlement agreements and judgments. As of September 30, 2017, Bard has reported that there are: (i) approximately 25 federal and 185 state lawsuits involving individual claims by approximately 205 plaintiffs, as well as one putative class action in the United States, are currently pending against Bard's hernia repair implant products, (ii) product liability lawsuits involving individual claims by approximately 3,285 plaintiffs are currently pending against Bard in various federal and state jurisdictions with respect to Bard's surgical continence products for women and (iii) product liability lawsuits involving individual claims by approximately 1,755 plaintiffs are currently pending against Bard in various federal and state jurisdictions with respect to Bard's vena cava filter products.

Bard does not maintain or has limited remaining insurance coverage for certain of these claims and the combined company may not be able to obtain additional insurance on acceptable terms or at all that will provide adequate protection against potential liabilities. Moreover, in some circumstances adverse events arising from or associated with the design, manufacture, quality or marketing of our combined company's products could result in the FDA suspending or delaying its review of our applications for new product approvals, or imposing post market approval requirements. In addition, reserves established by Bard or the combined company for estimated losses, including with respect to these claims, do not represent an exact calculation of actual liability but instead represent estimates of the probable loss at the time the reserve is established. Due to the inherent uncertainty underlying loss reserve estimates, additional reserves may be established from time-to-time, and actual losses relating to the assumed Bard liabilities may be materially higher or lower than the related reserve. Any of the foregoing could have a material adverse effect on our business, financial condition or results of operations.

Sales of shares of BD common stock after the completion of the transaction may cause the market price of BD equity securities to fall.

We will issue a significant number of shares of our common stock in connection with the Bard acquisition. Many Bard stockholders may decide not to hold the shares of our common stock they will receive in the Bard acquisition. Other Bard stockholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of our common stock that they receive in the Bard acquisition. Such sales of our common stock could have the effect of depressing the market price for our equity securities and may take place promptly following the Bard acquisition.

The mandatory convertible preferred stock underlying the depositary shares issued in connection with the financing of the Bard transaction may adversely affect the market price of BD common stock.

The market price of BD common stock is likely to be influenced by the mandatory convertible preferred stock underlying the depositary shares issued in connection with the financing for the Bard transaction. The market price of BD common stock could become more volatile and could be depressed by:

- investors' anticipation of the potential resale in the market of a substantial number of additional shares of BD common stock received upon conversion of the mandatory convertible preferred stock;
- possible sales of BD common stock by investors who view the mandatory convertible preferred stock as a more attractive means of equity participation in BD than owning shares of BD common stock; and
- hedging or arbitrage trading activity that may develop involving the mandatory convertible preferred stock and BD common stock.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

BD's executive offices are located in Franklin Lakes, New Jersey. As of October 31, 2017, BD owned or leased 289 facilities throughout the world, comprising approximately 20,462,405 square feet of manufacturing, warehousing, administrative and research facilities. The U.S. facilities, including those in Puerto Rico, comprise approximately 7,472,419 square feet of owned and 2,976,267 square feet of leased space. The international facilities comprise approximately 7,478,714 square feet of owned and 2,535,005 square feet of leased space. Sales offices and distribution centers included in the total square footage are also located throughout the world.

Operations in each of BD's business segments are conducted at both U.S. and international locations. Particularly in the international marketplace, facilities often serve more than one business segment and are used for multiple purposes, such as administrative/sales, manufacturing and/or warehousing/distribution. BD generally seeks to own its manufacturing facilities, although some are leased. The following table summarizes property information by business segment.

Sites	Corporate	BD Life Sciences	BD Medical	Mixed(A)	Total
Leased	14	25	96	83	218
Owned	6	26	33	6	71
Total	20	51	129	89	289
Square feet	2,263,694	4,421,732	10,838,632	2,938,347	20,462,405

(A) Facilities used by more than one business segment.

BD believes that its facilities are of good construction and in good physical condition, are suitable and adequate for the operations conducted at those facilities, and are, with minor exceptions, fully utilized and operating at normal capacity.

The U.S. facilities are located in Alabama, Arizona, California, Connecticut, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Utah, Virginia, Washington, D.C., Washington, Wisconsin and Puerto Rico.

The international facilities are as follows:

- Europe, Middle East, Africa, which includes facilities in Austria, Belgium, Bosnia and Herzegovina, the Czech Republic, Denmark, England, Finland, France, Germany, Ghana, Hungary, Ireland, Israel, Italy, Kenya, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Saudi Arabia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates and Zambia.
- Greater Asia, which includes facilities in Australia, Bangladesh, China, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.
- Latin America, which includes facilities in Argentina, Brazil, Chile, Colombia, Mexico, Peru and the Dominican Republic.
- Canada.

Item 3. Legal Proceedings.

Information with respect to certain legal proceedings is included in Note 5 to the consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data, and is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

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Executive Officers of the Registrant

The following is a list of the executive officers of BD, their ages and all positions and offices held by each of them during the past five years. There is no family relationship between any executive officer or director of BD.

Name	Age	Position
Vincent A. Forlenza	64	Chairman since July 2012; Chief Executive Officer since October 2011; President from January 2009 to April 2017; and Chief Operating Officer from July 2010 to October 2011.
Thomas E. Polen	44	President since April 2017; Executive Vice President and President - Medical Segment from October 2014 to April 2017; Group President from October 2013 to October 2014; and Worldwide President - BD Diagnostic Systems from October 2010 to October 2013.
James W. Borzi	55	Executive Vice President, Global Operations and Chief Supply Chain Office since October 2017; Senior Vice President, Global Operations from 2015 to October 2017; Vice President, Global Manufacturing from 2013 to 2015; and Vice President and General Manager, Hydro Aluminum from 2012 to 2013.
Alexandre Conroy	54	Worldwide President, Medication and Procedural Solutions since May 2017; and Executive Vice President and President, Europe, EMA and the Americas from June 2012 to May 2017.
Roland Goette	55	Executive Vice President and President, EMEA since May 2017; President, Europe from October 2014 to May 2017; and prior thereto, Vice President and General Manager - Medical Surgical Systems, Western Europe.
James Lim	53	Executive Vice President and President, Greater Asia since June 2012.
Alberto Mas	56	Executive Vice President and President - Life Sciences Segment since October 2016; Worldwide President - Life Sciences, Diagnostic Systems from October 2013 to October 2016; and Worldwide President - BD Biosciences from October 2011 to October 2013.
Christopher R. Reidy	60	Executive Vice President, Chief Financial Officer and Chief Administrative Officer since July 2013; and prior thereto, Vice President and Chief Financial Officer of ADP Corporation.
Nabil Shabshab	52	Worldwide President, Diabetes Care and Digital Health since August 2017; Executive Vice President and President, Americas and Chief Customer Experience Officer from May 2017 to August 2017; Executive Vice President and Chief Marketing Officer from January 2015 to May 2017; Senior Vice President and Chief Marketing Officer from August 2011 to January 2015.
Ellen R. Strahlman, M.D.	60	Executive Vice President, Research and Development since January 2015, Chief Medical Officer since April 2013; Senior Vice President, Research and Development from April 2013 to January 2015; and prior thereto, Senior Vice President, Office of the CEO and Global Head, Neglected Tropical Diseases of GlaxoSmithKline.
Linda M. Tharby	49	Executive Vice President and Chief Human Resource Officer since October 2016; Executive Vice President and President - Life Sciences Segment from October 2014 to October 2016; Group President from October 2013 to October 2014; and prior thereto, Worldwide President - BD Medical, Diabetes Care.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

BD's common stock is listed on the New York Stock Exchange. As of October 31, 2017, there were approximately 13,134 shareholders of record.

Market and Market Prices of Common Stock (per common share)

	2016		2017	
By Quarter	High	Low	High	Low
First	$156.53	$132.19	$179.17	$162.80
Second	152.54	132.88	185.34	164.80
Third	172.19	152.86	195.15	177.07
Fourth	181.55	169.64	205.63	191.56

Dividends (per common share)

By Quarter	2016	2017
First	$ 0.660	$ 0.730
Second	0.660	0.730
Third	0.660	0.730
Fourth	0.660	0.730

Issuer Purchases of Equity Securities

The table below sets forth certain information regarding BD's purchases of its common stock during the fiscal quarter ended September 30, 2017.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs(2)
July 1-31, 2017	1,809	$197.71	—	7,857,742
August 1-31, 2017	240	$196.39	—	7,857,742
September 1-30, 2017	—	—	—	7,857,742
Total	2,049	$197.55	—	7,857,742

(1) Includes 2,049 shares purchased during the quarter in open market transactions by the trust relating to BD's Deferred Compensation and Retirement Benefit Restoration Plan and 1996 Directors' Deferral Plan.

(2) Represents shares available under the repurchase program authorized by the Board of Directors on September 24, 2013 for 10 million shares, for which there is no expiration date.

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Item 6. Selected Financial Data.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

Becton, Dickinson and Company

	Years Ended September 30				
	2017	2016	2015	2014	2013
	Dollars in millions, except share and per share amounts				
Operations					
Revenues	$12,093	$12,483	$10,282	$8,446	$8,054
Gross Margin	5,942	5,991	4,695	4,301	4,171
Research and Development Expense	774	828	632	550	