BCV Bulletin – Recent Trading Activity – May 2023

SELL: Becton, Dickenson and Company (NYSE: BDX)

We have made the decision to exit our position in Becton, Dickinson and Company (BDX). As a healthcare company, BDX provides critical products and services for the diagnosis and treatment of various illnesses, including diabetes, cancer, and infectious diseases. The company has outlined a plan to strengthen its growth profile through greater spending on research and development, investment in transformative healthcare solutions, and mergers and acquisitions. While organic revenue growth has been strong as the macroeconomic environment has improved post-covid19, there could be execution challenges for BDX to deliver on its operating margin and profitability targets. Additionally, while we like the investment strategy, we believe the current share price reflects these growth expectations, with the stock trading at 16 times next twelve months enterprise value-to- EBITDA ratio, a large premium to its historical average. After evaluating BDX's last quarter's results, we are taking the current opportunity to deploy capital into a discounted and equally compelling company, CVS Health Corporation.

BUY: CVS Health Corporation (NYSE: CVS)

CVS Health Corporation (CVS) is a health care solutions company providing health care benefits through health insurance programs, pharmacy benefits management, and retail services. The company is undergoing a strategic transformation to grow in value-based care through new reimbursement models, while delivering sustainable profitable double-digit EPS growth. To grow in primary care, CVS has completed two capability-focused acquisitions, Signify Health, Inc. and Oak Street Health, Inc. Signify Health adds home-healthcare delivery solutions to CVS, which will provide the company with scale and new pharmacy collaboration opportunities. Oak Street Health is a leading Medicare value-based primary care provider, which will allow the combined company to become one of the top multi-payer Medicare platforms in the United States. Other initiatives include the optimization of CVS's retail footprint, investment in digitalization, and improvement in CVS's star ratings at Medicare Advantage. In 2023, the stock has retracted due to regulatory pressures from Medicaid redeterminations and potential pharmacy benefit legislation changes. These factors are now reflected in CVS's share price with the stock trading at 8.2 times next twelve months price-to-earnings ratio, compared to 11.8 times historically, which we believe does not reflect the value of the future growth of the business.