



Danaher Corporation (DHR)

Updated October 22nd, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	\$245	5 Year CAGR Estimate:	9.6%	Market Cap:	\$174 B
Fair Value Price:	\$270	5 Year Growth Estimate:	7.0%	Ex-Dividend Date¹:	12/29/22
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.0%	Dividend Payment Date:	01/28/23
Dividend Yield:	0.4%	5 Year Price Target	\$379	Years Of Dividend Growth:	8
Dividend Risk Score:	A	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Danaher Corporation (DHR) is active in the healthcare industry and designs, manufactures and markets professional, medical, industrial, and commercial products and services. The company operates through three main segments: Life Sciences (52% of annual revenue - end of 2021), Diagnostics (32% of annual revenue), and Environmental & Applied Solutions (16% of annual revenue). In late 2019, Danaher separated from its dental business (Envista) through an IPO process. The company made 14 acquisitions in 2021 for a total of \$11.0 billion, including the Aldevron acquisition of \$9.6 billion. Danaher Corporation is a \$174 billion company and has approximately 80,000 employees.

On October 20th, 2022, Danaher Corporation released its Q3 fiscal 2022 results for the period ending September 30th, 2022. For the quarter the company reported revenue of \$7.66 billion which represents a 6.0% increase compared with revenue of \$7.22 billion in the same quarter of 2021.

Revenue from the Life Sciences segment totaled \$3.776 billion, rising 4.0% year-over-year. Revenue from the Diagnostics segment grossed \$2.679 billion, increasing 9.5% year-over-year. Revenue from the Environmental & Applied Solutions segment totaled \$1.208 billion, up 5.0% year-over-year. Reported earnings per diluted share equaled \$2.56 compared to \$2.39 in the prior year, an increase of 7.0%.

For the full year of 2022, the company expects that core revenue growth will be in the high-single-digit percent range, which is up from our prior expectation of mid-single digits as a result of strong COVID-19 testing performance in the third quarter.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$3.23	\$3.42	\$3.63	\$4.30	\$3.34	\$3.50	\$3.74	\$3.26	\$4.89	\$8.61	\$10.40	\$14.59
DPS	\$0.13	\$0.08	\$0.33	\$0.54	\$0.58	\$0.55	\$0.62	\$0.67	\$0.71	\$0.81	\$1.00	\$1.69
Shares²	688	698	704	687	692	697	702	696	711	715	712	710

The company has grown earnings by 11.5% per year over the past nine years and 24.3% over the past five years. After the exceptional earnings-per-share growth in 2021, we still expect earnings-per-share to continue to expand but at a slower pace. We expect earnings to increase by 7% per year for the next five years. The company has been able to increase its yearly dividend payout for 8 consecutive years. Over the last five years, the average annual dividend growth rate is 13%. In February 2022, the company increased its quarterly dividend by 19% from \$0.21 to \$0.25 per share.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	16.4	19.3	21.3	20.4	25.8	24.5	27.0	41.0	37.9	31.9	23.5	26.0
Avg. Yld.	1.9%	0.1%	0.4%	0.6%	0.7%	0.6%	0.6%	0.5%	0.4%	0.3%	0.4%	0.4%

During the past decade shares of Danaher Corporation have traded with an average price-to-earnings ratio of about 27 times earnings and today, it stands at 23.5. We are using 26 times earnings as a fair value baseline, implying a small

¹ Estimated date

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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tailwind from the valuation. The company's dividend yield is currently 0.4% which is similar to the average yield over the past decade of 0.4% and the past 5 years average of 0.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	4%	2%	9%	13%	17%	16%	17%	21%	15%	9%	10%	12%

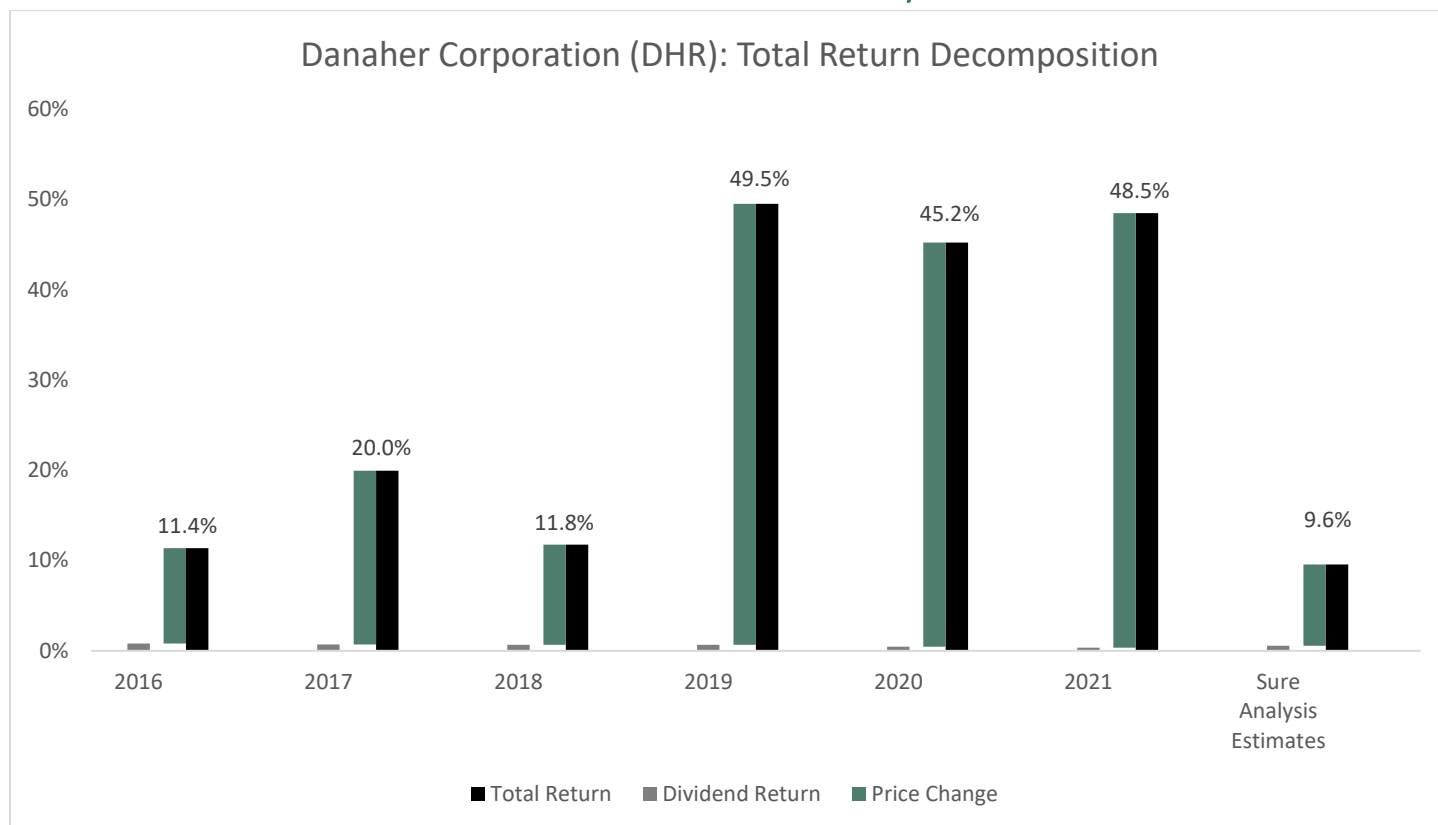
During the past five years, the company's dividend payout ratio has averaged around 15%. Danaher's dividend is comfortably covered by earnings. This is reflected in the low dividend returned to its shareholders and is providing sufficient funding capabilities for M&A activities and the research budget which are both essential in this industry.

Since 1984, Danaher has been transformed from a real estate organization into a healthcare-focused manufacturing company. The company has a great track record of integrating M&A into its strategy in the last decade. Danaher's strategy is focused on a continuous improvement of its scientific technology portfolio by seeking out attractive markets and then making the required acquisitions to enter or expand within those niches. As a result, the company has leading positions in attractive fast-growing end markets with long-term, strong secular growth drivers.

Final Thoughts & Recommendation

Danaher Corporation is a \$174 billion healthcare giant with a great track record of integrating M&A into its strategy. The company has a solid earnings track record and a modest dividend yield of 0.4%. We estimate total return potential of 9.6% per year for the next five years based on a 7% earnings-per-share growth, along with modest contributions from the dividend yield and valuation. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	18,260	18,283	12,867	14,434	16,882	15,519	17,049	17,911	22,284	29,453
Gross Profit	9,414	9,342	6,850	7,771	9,335	8,571	9,505	9,984	12,475	17,952
Gross Margin	51.6%	51.1%	53.2%	53.8%	55.3%	55.2%	55.8%	55.7%	56.0%	61.0%
SG&A Exp.	5,181	5,117	4,035	4,748	5,624	5,043	5,391	5,589	6,896	8,198
D&A Exp.	840	851	718	881	1,128	1,117	1,178	1,189	1,775	2,168
Operating Profit	3,095	3,121	2,045	2,162	2,735	2,572	3,055	3,269	4,231	7,465
Op. Margin	17.0%	17.1%	15.9%	15.0%	16.2%	16.6%	17.9%	18.3%	19.0%	25.3%
Net Profit	2,392	2,695	2,598	3,357	2,554	2,492	2,651	3,008	3,646	6,433
Net Margin	13.1%	14.7%	20.2%	23.3%	15.1%	16.1%	15.5%	16.8%	16.4%	21.8%
Free Cash Flow	2,957	3,047	3,293	3,289	2,932	2,907	3,438	3,316	5,417	7,064
Income Tax	712	826	448	293	458	371	556	873	849	1,251

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	32,941	34,672	36,992	48,222	45,295	46,649	47,833	62,082	76,161	83,184
Cash & Equivalents	1,679	3,115	3,006	791	964	630	788	19,912	6,035	2,586
Acc. Receivable	3,267	3,452	3,446	2,985	3,186	3,522	3,030	3,191	4,045	4,631
Inventories	1,813	1,784	1,783	1,573	1,709	1,841	1,631	1,628	2,292	2,767
Goodwill & Int.	21,806	22,286	22,733	31,560	35,645	36,806	32,863	32,463	56,702	64,027
Total Liabilities	13,857	12,221	13,542	24,458	22,219	20,281	19,606	31,800	36,384	38,007
Accounts Payable	1,546	1,778	1,825	1,392	1,485	1,510	1,495	1,515	2,049	2,569
Long-Term Debt	5,343	3,499	3,473	12,870	12,269	10,522	9,740	21,729	21,204	22,176
Total Equity	19,017	22,385	23,378	23,690	23,003	26,358	28,214	28,671	36,498	41,899
LTD/E Ratio	0.28	0.16	0.15	0.54	0.53	0.40	0.35	0.72	0.53	0.49

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	7.6%	8.0%	7.3%	7.9%	5.5%	5.4%	5.6%	5.5%	5.3%	8.1%
Return on Equity	13.3%	13.0%	11.4%	14.3%	10.9%	10.1%	9.7%	10.6%	11.2%	16.4%
ROIC	10.2%	10.7%	9.8%	10.6%	7.1%	6.9%	7.1%	6.7%	6.5%	10.0%
Shares Out.	688	698	704	687	692	697	702	696	711	715
Revenue/Share	25.61	25.71	17.97	20.37	24.12	21.98	24.01	24.69	31.01	39.97
FCF/Share	4.15	4.29	4.60	4.64	4.19	4.12	4.84	4.57	7.54	9.59

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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