



Danaher Corporation (DHR)

Updated November 1st, 2023, by Patrick Neuwirth

Key Metrics

Current Price:	\$191	5 Year CAGR Estimate:	8.9%	Market Cap:	\$136 B
Fair Value Price:	\$224	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	12/29/23
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.2%	Dividend Payment Date:	01/26/24
Dividend Yield:	0.6%	5 Year Price Target	\$286	Years Of Dividend Growth:	9
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 & Bio Sciences (38% of annual revenue), Diagnostics (35% of annual revenue), and Environmental & Applied Solutions (15% 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 \$136 billion company and has approximately 80,000 employees.

On October 24th, 2023, Danaher Corporation released its third quarter fiscal 2023 results for the period ending September 30th, 2023. For the quarter, the company reported revenue of \$6.9 billion, which represents a 10.5% decrease compared with revenue of \$7.66 billion in the same quarter of 2022. This decline is mainly due to a decrease in the sale of COVID-related products in the Diagnostics segment and weak demand in the Life Sciences segment.

Revenues from the Life Sciences segment totaled \$1,706 million, down 1% year-over-year. Revenues from the Diagnostics segment grossed \$2,254 million, down 15.9% year-over-year. Revenues from the Environmental & Applied Solutions segment totaled \$1,249 million, up 3.5% year-over-year. Revenues from the Biotechnology segment totaled \$1,664 million, down 19% year-over-year. In the third quarter, Danaher's cost of sales decreased 6.7% to \$2.87 billion. Gross profit of \$4 billion fell 12.7%. The margin in the quarter was 58.2%, compared with 59.8% in the year-ago quarter. Reported quarterly earnings per diluted share equaled \$2.02 which represents a 21% decrease compared to \$2.56 for the same period last year.

For the fourth quarter of 2023, Danaher expects adjusted base business core revenues to decline in mid-single digit. The company expects mid-single-digit decline in the metric for FY2023, compared with mid-single-digit growth expected earlier. Management is cautious about providing specific guidance for 2024 until they see how Q4 plays out, and they indicated that inventory dynamics and the situation in China will likely impact the outlook for 2024.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$3.42	\$3.63	\$4.30	\$3.34	\$3.50	\$3.74	\$3.26	\$4.89	\$8.61	\$9.66	\$8.00	\$10.21
DPS	\$0.08	\$0.33	\$0.54	\$0.58	\$0.55	\$0.62	\$0.67	\$0.71	\$0.81	\$0.96	\$1.08	\$1.59
Shares²	698	704	687	692	697	702	696	711	715	712	712	710

The company has grown earnings by 12.2% per year over the past nine years and 16.4% over the past five years. After the exceptional earnings-per-share growth in 2021 and 2022, we still expect earnings-per-share to continue to expand but at a slower pace. We expect earnings to increase by 5% per year for the next five years. The company has been able to increase its yearly dividend payout for 9 consecutive years. Over the last five years, the average annual dividend growth rate is 12%. In February 2023, the company increased its quarterly dividend by 8% from \$0.25 to \$0.27 per share.

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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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	19.3	21.3	20.4	25.8	24.5	27.0	41.0	37.9	31.9	27.9	23.9	28.0
Avg. Yld.	1.9%	0.4%	0.6%	0.7%	0.6%	0.6%	0.5%	0.4%	0.3%	0.4%	0.6%	0.6%

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 23.9. We are using 28 times earnings as a fair value baseline, implying a tailwind valuation. The company's dividend yield is currently 0.6% which close to the average yield over the past decade of 0.4% and the past five years average of 0.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	2%	9%	13%	17%	16%	17%	21%	15%	9%	10%	14%	16%

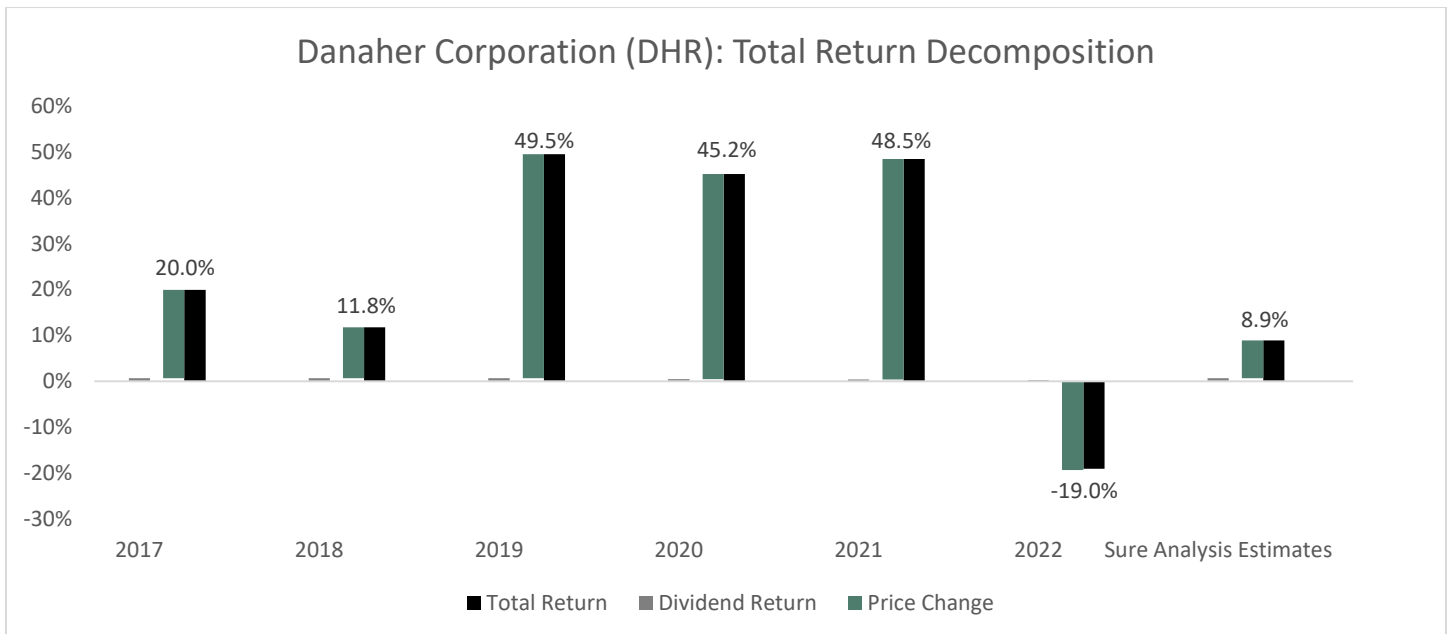
During the past five years, the company's dividend payout ratio has averaged around 14%. Danaher's dividend is comfortably covered by earnings. This is reflected in the low dividend returned to its shareholders and is providing sufficient funding capabilities for M&A activities and the research budget 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 \$136 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 0.6%. We estimate total return potential of 8.9% per year for the next five years based on a 5% earnings-per-share growth, along with modest impacts from the dividend yield and a valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	18,283	12,867	14,434	16,882	15,519	17,049	17,911	22,284	29,453	31,470
Gross Profit	9,342	6,850	7,771	9,335	8,571	9,505	9,984	12,475	17,952	18,950
Gross Margin	51.1%	53.2%	53.8%	55.3%	55.2%	55.8%	55.7%	56.0%	61.0%	60.2%
SG&A Exp.	5,117	4,035	4,748	5,624	5,043	5,391	5,589	6,896	8,198	8,516
D&A Exp.	851	718	881	1,128	1,117	1,178	1,189	1,775	2,168	2,222
Operating Profit	3,121	2,045	2,162	2,735	2,572	3,055	3,269	4,231	7,465	8,688
Op. Margin	17.1%	15.9%	15.0%	16.2%	16.6%	17.9%	18.3%	19.0%	25.3%	27.6%
Net Profit	2,695	2,598	3,357	2,554	2,492	2,651	3,008	3,646	6,433	7,209
Net Margin	14.7%	20.2%	23.3%	15.1%	16.1%	15.5%	16.8%	16.4%	21.8%	22.9%
Free Cash Flow	3,047	3,293	3,289	2,932	2,907	3,438	3,316	5,417	7,064	7,367
Income Tax	826	448	293	458	371	556	873	849	1,251	1,083

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	34,672	36,992	48,222	45,295	46,649	47,833	62,082	76,161	83,184	84,350
Cash & Equivalents	3,115	3,006	791	964	630	788	19,912	6,035	2,586	5,995
Acc. Receivable	3,452	3,446	2,985	3,186	3,522	3,030	3,191	4,045	4,631	4,918
Inventories	1,784	1,783	1,573	1,709	1,841	1,631	1,628	2,292	2,767	3,110
Goodwill & Int.	22,286	22,733	31,560	35,645	36,806	32,863	32,463	56,702	64,027	60,050
Total Liabilities	12,221	13,542	24,458	22,219	20,281	19,606	31,800	36,384	38,007	34,260
Accounts Payable	1,778	1,825	1,392	1,485	1,510	1,495	1,515	2,049	2,569	2,296
Long-Term Debt	3,499	3,473	12,870	12,269	10,522	9,740	21,729	21,204	22,176	19,680
Total Equity	22,385	23,378	23,690	23,003	26,358	28,214	28,671	36,498	41,899	48,410
LTD/E Ratio	0.16	0.15	0.54	0.53	0.40	0.35	0.72	0.53	0.49	0.39

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	8.0%	7.3%	7.9%	5.5%	5.4%	5.6%	5.5%	5.3%	8.1%	8.6%
Return on Equity	13.0%	11.4%	14.3%	10.9%	10.1%	9.7%	10.6%	11.2%	16.4%	16.0%
ROIC	10.7%	9.8%	10.6%	7.1%	6.9%	7.1%	6.7%	6.5%	10.0%	10.5%
Shares Out.	698	704	687	692	697	702	696	711	715	737
Revenue/Share	25.71	17.97	20.37	24.12	21.98	24.01	24.69	31.01	39.97	42.70
FCF/Share	4.29	4.60	4.64	4.19	4.12	4.84	4.57	7.54	9.59	9.99

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

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