Danaher Corporation (DHR)

Updated January 31st, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$223	**5 Year CAGR Estimate:**	6.3%	**Market Cap:**	$158 B
Fair Value Price:	$243	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	03/27/25
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.7%	**Dividend Payment Date:**	04/24/25
Dividend Yield:	0.5%	**5 Year Price Target**	$296	**Years Of Dividend Growth:**	0
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**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: Biotechnology (28% of annual revenue), Life Sciences (31% of annual revenue), and Diagnostics (41% 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. In 2023, Danaher completed the spin-off of its Environmental & Applied Solutions business, now known as Veralto Corporation, further streamlining its focus on life sciences and diagnostics. Danaher Corporation is a $158 billion company and has approximately 63,000 employees.

On January 29th, 2025, Danaher Corporation released its fourth-quarter results for the period ending December 31st, 2024. The company reported revenue of $6.5 billion, representing a 2.0% increase compared with revenue of $6.4 billion in the same quarter of 2023. Reported quarterly earnings per diluted share equaled $1.49, a decrease from $1.50 for the same period last year. The increase in revenue was driven by better-than-anticipated performance across all three segments, though earnings per share remained relatively stable due to margin pressures and restructuring costs. Notably, strong execution in core operations and sustained growth in Life Sciences and Biotechnology were key contributors to the company's performance. In terms of segment performance, Biotechnology revenue was $1.87 billion, reflecting a 6.5% increase year-over-year, with core sales growth of 8.0%. The Life Sciences segment reported revenue of $2.03 billion, marking a 5.5% year-over-year increase, driven by strong acquisitions impact and 1.0% core sales growth. Diagnostics revenue declined by 3.0% to $2.64 billion, impacted by a core sales decline of 2.0%.

Operating profit for the quarter was $1.43 billion, compared to $1.34 billion in Q4 2023. The adjusted operating margin was 29.6%, up from 28.7% last year. Danaher's cost of sales increased to $2.65 billion, while the gross profit margin was 59.5%, compared to 59.0% in the prior year. For full-year 2024, Danaher reported earnings per diluted share of $5.29 (GAAP) and $7.48 (Non-GAAP Adjusted EPS), compared to $6.38 and $7.58 in FY 2023, respectively.

For Q4 2024, Danaher had anticipated a low-single-digit decline in core revenue, and the actual results showed a 1.0% core revenue increase, exceeding expectations. Danaher now expects non-GAAP core revenue to decline in the low single digits year-over-year for the first quarter of 2025, while forecasting approximately 3.0% growth in core revenue for the full year. The company anticipates the adjusted operating margin to be approximately 26.5% for Q1 2025 and 28.5% for the full year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.30	$3.34	$3.50	$3.74	$3.26	$4.89	$8.61	$9.66	$6.38	$5.29	***$7.60***	***$9.25***
DPS	$0.54	$0.58	$0.55	$0.62	$0.67	$0.68	$0.72	$0.84	$1.06	$1.05	***$1.08***	***$1.31***
Shares[2]	687	692	697	702	696	711	715	712	712	712	***712***	***712***

[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.

Danaher Corporation (DHR)

Updated January 31st, 2025, by Patrick Neuwirth

The company has grown earnings by 2.3% per year since 2015 and 9.2% 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 4% per year for the next five years. Over the last five years, the average annual dividend growth rate is 9.7%. Danaher Corporation has completed the Veralto Corporation's spin-off in the fourth quarter, by declaring a pro rata dividend, allowing stockholders to receive one share of Veralto for every three shares of Danaher held, effectively distributing Veralto common stock to its shareholders. In December 2023, the company's quarterly dividend was reduced by 11.1%, from $0.27 to $0.24 per share, due to this spin-off. The combined dividends of the two companies exceeded the previous amount. In February 2024, the quarterly dividend increased by 12.5% from $0.24 to $0.27.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.3	20.4	25.8	24.5	27.0	41.0	37.9	31.9	27.9	31.5	***29.3***	***32.0***
Avg. Yld.	1.9%	0.6%	0.7%	0.6%	0.6%	0.5%	0.4%	0.3%	0.4%	0.4%	***0.5%***	***0.4%***

During the past decade shares of Danaher Corporation have traded with an average price-to-earnings ratio of about 29 times earnings and today, it stands at 29.3. We are using 32 times earnings as a fair value baseline, implying a tailwind valuation. The company’s dividend yield is currently 0.5%, in line with the average yield over the past decade of 0.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	13%	17%	16%	17%	21%	14%	8%	9%	16%	20%	***14%***	***14%***

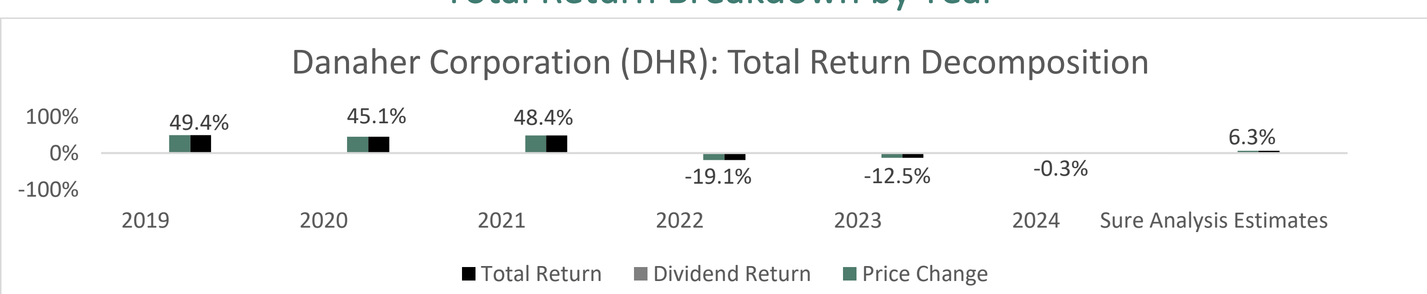
During the past five years, the company’s dividend payout ratio has averaged around 15%. Danaher‘s dividend is comfortably covered by earnings. This is reflected in the low dividend returned to its shareholders and is providing sufficient funding capabilities for M&A activities and the research budget 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. 2024 will be a challenging year for Danaher, largely due to the transition of the pandemic to an endemic state. This shift has reduced the demand for COVID-related products, significantly impacting sales within the Biotechnology and Diagnostics segments, sectors that were previously buoyed by pandemic-driven demand.

Final Thoughts & Recommendation

Danaher Corporation is a healthcare giant with a great track record of integrating M&A into its strategy. The company has a sound earnings track record and a modest dividend yield of 0.5%. We estimate total return potential of 6.3% per year for the next five years based on a 4% 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



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.

Danaher Corporation (DHR)

Updated January 31st, 2025, by Patrick Neuwirth

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	12,867	14,434	16,882	15,519	17,049	17,911	22,284	29,453	31,470	23,890
Gross Profit	6,850	7,771	9,335	8,571	9,505	9,984	12,475	17,952	18,950	14,030
Gross Margin	53.2%	53.8%	55.3%	55.2%	55.8%	55.7%	56.0%	61.0%	60.2%	58.7%
SG&A Exp.	4,035	4,748	5,624	5,043	5,391	5,589	6,896	8,198	8,516	7,252
D&A Exp.	718	881	1,128	1,117	1,178	1,189	1,775	2,168	2,222	2,166
Operating Profit	2,045	2,162	2,735	2,572	3,055	3,269	4,231	7,465	8,688	5279
Op. Margin	15.9%	15.0%	16.2%	16.6%	17.9%	18.3%	19.0%	25.3%	27.6%	22.1%
Net Profit	2,598	3,357	2,554	2,492	2,651	3,008	3,646	6,433	7,209	4,764
Net Margin	20.2%	23.3%	15.1%	16.1%	15.5%	16.8%	16.4%	21.8%	22.9%	19.9%
Free Cash Flow	3,293	3,289	2,932	2,907	3,438	3,316	5,417	7,064	7,367	5,781
Income Tax	448	293	458	371	556	873	849	1,251	1,083	823

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	36,992	48,222	45,295	46,649	47,833	62,082	76,161	83,184	84,350	84,490
Cash & Equivalents	3,006	791	964	630	788	19,912	6,035	2,586	5,995	5,864
Acc. Receivable	3,446	2,985	3,186	3,522	3,030	3,191	4,045	4,631	4,918	3,922
Inventories	1,783	1,573	1,709	1,841	1,631	1,628	2,292	2,767	3,110	2,594
Goodwill & Int.	22,733	31,560	35,645	36,806	32,863	32,463	56,702	64,027	60,050	62,350
Total Liabilities	13,542	24,458	22,219	20,281	19,606	31,800	36,384	38,007	34,260	31,000
Accounts Payable	1,825	1,392	1,485	1,510	1,495	1,515	2,049	2,569	2,296	1,766
Long-Term Debt	3,473	12,870	12,269	10,522	9,740	21,729	21,204	22,176	19,680	18,400
Total Equity	23,378	23,690	23,003	26,358	28,214	28,671	36,498	41,899	48,410	53,490
LTD/E Ratio	0.15	0.54	0.53	0.40	0.35	0.72	0.53	0.49	0.39	0.34

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	7.3%	7.9%	5.5%	5.4%	5.6%	5.5%	5.3%	8.1%	8.6%	5.6%
Return on Equity	11.4%	14.3%	10.9%	10.1%	9.7%	10.6%	11.2%	16.4%	16.0%	9.2%
ROIC	9.8%	10.6%	7.1%	6.9%	7.1%	6.7%	6.5%	10.0%	10.5%	6.7%
Shares Out.	704	687	692	697	702	696	711	715	737	743
Revenue/Share	17.97	20.37	24.12	21.98	24.01	24.69	31.01	39.97	42.70	32.15
FCF/Share	4.60	4.64	4.19	4.12	4.84	4.57	7.54	9.59	9.99	7.78

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