

COMPANY PROFILE

Danaher Corporation

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COMPANY OVERVIEW

Danaher Corporation (Danaher or 'the company') is engaged in the designing, manufacturing and marketing of professional, medical, industrial and commercial products and services. The company operates globally with major presence in the US, China, Germany, and Japan. It is headquartered in Washington, DC.

The company reported revenues of (US Dollars) US\$16,882.4 million for the fiscal year ended December 2016 (FY2016), an increase of 17% over FY2015. In FY2016, the company's operating margin was 15.2%, compared to an operating margin of 15% in FY2015. In FY2016, the company recorded a net margin of 15.1%, compared to a net margin of 23.3% in FY2015.

KEY FACTS

Head Office	Danaher Corporation 2200 Pennsylvania Ave NW Ste 800w WASHINGTON WashingtonD.C. WASHINGTON WashingtonD.C. USA
Phone	1 202 8280850
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Web Address	www.danaher.com
Revenue / turnover (USD Mn)	16,882.4
Financial Year End	December
Employees	62,000
New York Stock Exchange Ticker	DHR

SWOT ANALYSIS

Danaher Corporation (Danaher or 'the company') is engaged in the designing, manufacturing and marketing of professional, medical, industrial, and commercial products and services. The industry and geographic diversity helps Danaher limit the impact of any one industry or the economy of any single country on its consolidated financial performance. However, intense competition from global and regional manufacturers along with industry consolidation could lead to decline in sales volume which in turn may affect the company's business performance.

<p>Strength</p> <p>Significant presence in diverse industries and geographic markets Robust market performance boosting Danaher's top- and bottom-line growth</p>	<p>Weakness</p> <p>High level of indebtedness may affect financial flexibility</p>
<p>Opportunity</p> <p>Acquisitions could help strengthen dental and communication businesses Favorable trends in global life sciences tools and reagents market Positive growth forecasted for global pharmaceutical industry</p>	<p>Threat</p> <p>Healthcare reform in the US may affect Danaher's sales growth Foreign currency exchange rate fluctuations may impact operating results Intense competition may lead to pricing pressure</p>

Strength

Significant presence in diverse industries and geographic markets

Danaher has a wide product portfolio that caters to the needs of its diverse customer base spread across the globe. The company operates research and development, manufacturing, sales, distribution, service, and administrative facilities located in more than 50 countries.

The company's typical customers in the life sciences segment include pharmaceutical and biotechnology companies, universities, medical schools and research institutions. Danaher's lab diagnostics products are used by customers in the hospitals, physician's offices, veterinary laboratories, reference laboratories and pharmaceutical clinical trial laboratories. Further, Danaher's environmental equipment and solutions are used by professionals in municipal drinking water and waste water treatment plants and industrial process water and waste water treatment facilities, third-party testing laboratories and environmental field operations.

Customers of Danaher's industrial technologies products include those engaged in manufacturing consumer and industrial products; and defense systems integrators and prime contractors. The

company's industrial technologies product are also used by automotive manufacturers. The company's test and measurement segment provides essential products, software, and services used to create actionable intelligence by measuring and monitoring a wide range of physical parameters in industrial applications, including electrical current, radio frequency signals, distance, pressure, and temperature. The test and measurement segment also includes mobile tool and wheel service businesses. Danaher's dental products' customers include general dentists, dental specialists, dental hygienists, dental laboratories and other oral health professionals, as well as educational, medical and governmental entities.

Furthermore, Danaher has a geographically diversified revenue stream. The company has operations in the US, China, Germany, Japan, Australia, and other countries in Europe and Asia. In FY2015, the company generated 44.1% of its total revenues from the US market, followed by China (9.7%), Germany (5.5%), and all other regions (40.7%).

Thus, industry and geographic diversity helps Danaher limit the impact of any one industry or the economy of any single country on its consolidated financial performance.

Robust market performance boosting Danaher's top- and bottom-line growth

Strong performance in the markets has driven Danaher's revenue and profit growth over the recent years. The company's revenues have grown at a compound annual growth rate (CAGR) of 7% during 2011–15, from \$15,418.8 million to \$20,563.1 million. This was due to increased service offerings to customers as a result of the Danaher Business System (DBS) research and development tools, which are designed to continuously improve in the critical areas of quality, delivery, cost and innovation. The operating profit of the company has increased at an impressive CAGR of 9% during the historical period, from \$2,479.4 million to \$3,469.1 million; meanwhile its net profit registered growth at a double-digit CAGR of 11% from \$2,172.3 million to \$3,357.4 million during the same period. Thus, the robust market performance of the company boosts its top and bottom line growth in long run.

Weakness

High level of indebtedness may affect financial flexibility

Danaher has a significant level of indebtedness. As of FY2015, the company had approximately \$12.9 billion in outstanding indebtedness. In addition, the company has the ability to incur an additional \$2 billion of indebtedness in direct borrowings or under its outstanding commercial paper facilities.

Danaher's debt level and related debt service obligations could negatively impact its operations. Furthermore, the company has to dedicate significant cash flow from operations for the payment of principal and interest on the debt, which would reduce the funds available for other purposes such as acquisitions, capital investment and stock repurchases. It also exposes the company to interest rate risk since a portion of its debt obligations are at variable rates. Hence, the company's high level of indebtedness may have a negative impact on its financial flexibility.

Opportunity

Acquisitions could help strengthen dental and communication businesses

Acquisitions are a key part of Danaher's growth strategy. For instance, in November 2016, the company acquired Cepheid, a global molecular diagnostics company that develops, manufactures, and markets molecular systems and tests. This acquisition is expected to be a complement to the company's existing diagnostics businesses and to expand their runway for growth across the platform. In August 2015, Danaher acquired Pall Corporation. In the same month, Danaher completed the merger of Pentagon Merger Sub, a New York corporation and an indirect wholly owned subsidiary of Danaher, into Pall. Further in 2014, Danaher acquired Nobel Biocare Holding (Nobel Biocare), a Swiss-based global provider of innovative solutions for dental professionals. Nobel Biocare is one of the global leaders in the field of innovative implant-based dental restorations and has a portfolio of solutions including; dental implant systems, high-precision individualized prosthetics, biomaterials and digital diagnostics, treatment planning and guided surgery. Hence, the acquisition of Nobel Biocare would further strengthen Danaher's dental business.

In the same year, Danaher made a merger agreement with NetScout Systems (NetScout), a provider of integrated computer network performance management products. Danaher expects that the merger will create a premier global provider of network management tools and security solutions for carrier and enterprise customers thereby strengthening Danaher's communication business. Thus, the company's various acquisitions could strengthen its dental and communications businesses.

Favorable trends in global life sciences tools and reagents market

The growing life sciences and diagnostics equipment market is expected to further enhance Danaher's business scale. According to industry reports, the global market for life sciences tools and reagents market reached \$48.2 billion in 2015. Further, the market is estimated to reach \$58 billion by 2020, and register a five-year CAGR of 3.8% from 2015 to 2020.

Danaher's life sciences and diagnostics segment offers a range of research and clinical tools used by scientists to study cells and cell components. Thus, growing global life sciences tools and reagents market could further enhance the company's sales volume as well help build business scale.

Positive growth forecasted for global pharmaceutical industry

The global pharmaceutical market is forecasted to grow at an accelerated pace in the coming years. According to MarketLine, the global pharmaceuticals market had total revenues of \$917.2 billion in 2015, representing a compound annual growth rate (CAGR) of 5% between 2010 and 2015. Moreover, the performance of the market is forecast to accelerate, with an anticipated CAGR of 6% for the 2015–19 period, which is expected to drive the market to a value of \$1,147.1 billion by the end of 2019. Demographic changes are expected to have an impact on the Asia-Pacific pharmaceuticals market. Ageing populations in Singapore, Taiwan and New Zealand provide opportunity for growth. India's large population and current lack of widespread medical care has allowed for substantial growth, which is expected to continue. In addition, legislative changes in the Russian health care system has resulted in increased expenditure on pharmaceutical products and helped Russia to strengthen the European trend,

posting strong growth.

Danaher offers a broad portfolio of solutions for the pharmaceutical sector. Thus, the growing global pharmaceutical market will help drive sales of the company's products and aid in expanding its revenues and profits.

Threat

Healthcare reform in the US may affect Danaher's sales growth

The healthcare and related industries that Danaher serves have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs. Under the Patient Protection and Affordable Care Act (the PPACA) 2010, which began in 2013, medical device manufacturers, such as Danaher, have to pay a 2.3% excise tax on US sales of certain medical devices.

Further, governmental and private healthcare providers and payer's around the world are increasingly utilizing managed care for the delivery of healthcare services, forming group purchasing organizations to improve their purchasing leverage and using competitive bid processes to procure healthcare products and services. These factors, in turn, could result in reduced demand for Danaher's products and increased downward pricing pressure. It is also possible that the PPACA would result in lower reimbursements for the company's products. Other provisions in the law may significantly change the practice of health care and could affect Danaher's business.

Foreign currency exchange rate fluctuations may impact operating results

The functional currency for most of Emerson's non-US subsidiaries is the local currency. The company's foreign currency exposures primarily relate to transactions denominated in Euros, Australian dollar Renminbi, etc. Danaher manufactures, sells, and purchases products in overseas markets. A significant portion of its sales is outside the US, and the company expects sales from non-US markets to continue to represent a significant portion of its total sales. Changes in the relative values of currencies occur from time to time and have impacted Danaher's operating results. While the company monitors its exchange rate exposures and attempts to reduce this exposure through hedging activities, nevertheless the fluctuations of foreign currency exchange rates could adversely affect its operating results.

Intense competition may lead to pricing pressure

Danaher operates in a highly competitive industry. Due to diversified product portfolio and markets, the company faces competition from well-established regional competitors, as well as large companies or divisions of large companies that have greater sales, marketing, research and financial resources than Danaher. The number of competitors varies by product line. The company faces competition in a number of markets that it serves, mainly as a result of the entry of new or large companies entering into those markets; and as a result of increasing consolidation in particular markets. Danaher competes worldwide with a number of other manufacturers and distributors that produce and sell similar products. These competitors include Agilent Technologies, Emerson Electric, General Electric, PerkinElmer, Roper Technologies, Snap-on, Thermo Fisher Scientific, Waters Corporation, and Young Innovations. Thus,

intense competition from global and regional manufacturers along with industry consolidation could lead to decline in sales volume which in turn may affect the company's business performance.

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