

# Henderson State University

**Analysis Report- Danaher Corp.**

**Prepared By: Teddi Fretz**

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Email: [teddi04@hotmail.com](mailto:teddi04@hotmail.com)

<b>Market Profile</b>	
<b>Danaher Corp.</b>	
<b>Ticker Symbol</b>	<b>DHR</b>
<b>Exchange</b>	<b>NYSE</b>
<b>Industry</b>	<b>Diversified Co</b>
<b>Sector</b>	<b>Industrials</b>
<b>Peer</b>	<b>Emerson Electric</b>
<b>Shares Owned</b>	<b>300</b>
<b>Purchase Date</b>	<b>-</b>
<b>Purchase Price</b>	<b>60.90</b>
<b>Current Price</b>	<b>55.93</b>
<b>52-wk Low</b>	<b>57.20</b>
<b>52-wk High</b>	<b>85.00</b>
<b>52-wk Change</b>	<b>-26.33%</b>
<b>52-wk Relative</b>	
<b>1 Year Target Price</b>	<b>57.73</b>
<b>Market/Book</b>	<b>1.84</b>
<b>Market Cap.</b>	<b>17.81B</b>
<b>Beta</b>	<b>.88</b>
<b>EPS (ttm)</b>	<b>3.92</b>
<b>Price/Earnings</b>	<b>14.27</b>
<b>PEG</b>	<b>1.32</b>
<b>Dividend &amp; (Yield)</b>	<b>0.12 (0.2%)</b>
<b>Dividend Payout</b>	<b>2%</b>
<b>Interest Coverage</b>	<b>16.80</b>
<b>ROE</b>	<b>14.52</b>
<b><u>Recommendation:</u></b>	
<b>Hold current shares</b>	

### **Company History:**

Danaher Corporation designs, manufactures, and markets professional, medical, industrial, and consumer products. It operates through four segments: Professional Instrumentation, Medical Technologies, Industrial Technologies, and Tools and Components. Danaher sells its products primarily in North America, Europe, and Asia. The company, formerly known as DMG, Inc., was founded in 1969. It changed its name to Diversified Mortgage Investors, Inc. in 1978 and to Danaher Corporation in 1984. Danaher is headquartered in Washington, District of Columbia

### **Product Mix**

- The Professional Instrumentation segment produces and sells professional electronic test tools and calibration equipment; water quality instrumentation and consumables, and ultraviolet disinfection systems; industrial water treatment solutions; and retail/commercial petroleum products and services, including dispensers, payment systems, underground storage tank leak detection, and vapor recovery systems.
- The Medical Technologies segment offers acute care diagnostic instruments; high-precision optical systems for the analysis of microstructures; automated specimen preparation instruments; and pathology diagnostic tests, including cancer diagnostics and a range of products used by dental professionals.
- The Industrial Technologies segment manufactures products and sub-systems incorporated by customers and systems integrators into production and packaging lines, and by original equipment manufacturers into various end-products and systems. It offers product identification equipment and consumables; motion, position, speed, temperature, level instruments, and sensing devices; liquid flow and quality

measuring devices; aerospace safety devices and defense articles; and electronic and mechanical counting and controlling devices.

- The Tools and Components segment produces general purpose and specialty mechanics hand tools, as well as toolboxes and storage devices, diesel engine retarders, wheel service equipment, and drill chucks.

## Stock Chart- Six Months



## Recent Headlines

- [Danaher Earnings Decline, Beat Consensus](#) at TheStreet.com(Tue, Jan 27)
- [\[\\$\\$\] Danaher Exposes a Cavity in the Dental Market](#) at RealMoney by TheStreet.com(Tue, Jan 27)
- [Auto Biz Stalls For Eaton; Diversity Helps Danaher](#) at Forbes.com(Tue, Jan 27)
- [\[\\$\\$\] Caterpillar, AmEx Fall While Barclays Surges](#) at The Wall Street Journal Online(Mon, Jan 26)
- [Recession Wracks Eaton But Danaher Delivers](#) at Forbes.com(Mon, Jan 26)
- [Pops & Drops: Chesapeake Energy, U.S. Bancorp...](#) at CNBC(Mon, Jan 26)
- [Danaher profit not as bad as expected; stock rallies](#) at MarketWatch(Mon, Jan 26)

## Industry Overview

**Current Rank:** 42

**Portfolio Percentage Rank:** 123

**Monetary Policy Indicator:** expansive top 6

**Industry Opinion:**

From a sector rotation standpoint, these shares are poised to do well in the future.

**Key Issues Affecting the Industry:**

The stocks in the Diversified Company industry turned in an uneven performance in the waning months of 2008. Many companies in the group enjoy a balanced mix of businesses, but they are not immune to the apparently deepening recession.

## Porter's Five Forces

### 1. Rivalry

Danaher has differentiation in product mix. This allows them to compete in different segments where they will have many small competitors as opposed to one large competitor.

### 2. Threats of Substitutes

There are other substitutes for Danaher's products, but many prefer the brand names, such as Craftsman, that Danaher offers.

### 3. Buying Power

Customers have quite a bit of buying power since Danaher's products are generally redistributed. There are other makers of the same equipment from whom customers could buy from.

### 4. Supplier Power

There is not a high supplier power.

### 5. Barriers to Enter

Barriers to entry include government regulation, patents and proprietary knowledge, and asset specificity.

## Financial Ratios

### Valuation Ratios

	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	14.16	1.17	2.29	14.16
P/E High - Last 5 Yrs.	29.08	0.42	0.67	28.84
P/E Low - Last 5 Yrs.	13.92	0.13	0.15	6.97
Beta	0.91	1.08	0.98	0.90
Price to Sales (TTM)	1.40	0.09	0.19	1.58
Price to Book (MRQ)	1.82	1.14	1.12	2.58
Price to Tangible Book (MRQ)	--	1.40	1.42	5.15
Price to Cash Flow (TTM)	10.75	0.54	0.81	7.06
Price to Free Cash Flow (TTM)	10.94	15.18	9.84	14.36

% Owned Institutions	--	--	--	--
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## Dividends

	Company	Industry	Sector	S&P 500
Dividend Yield	0.22	0.05	0.10	3.55
Dividend Yield - 5 Year Avg.	--	1.26	1.19	1.95
Dividend 5 Year Growth Rate	--	27.17	18.94	11.51
Payout Ratio(TTM)	--	4.64	8.47	50.16

## Growth Rates

	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	1.12	-5.67	-1.83	2.52
Sales (TTM) vs TTM 1 Yr. Ago	15.16	0.73	3.14	10.05
Sales - 5 Yr. Growth Rate	19.12	11.47	5.42	14.16
EPS (MRQ) vs Qtr. 1 Yr. Ago	-5.01	-33.14	-66.67	-73.65
EPS (TTM) vs TTM 1 Yr. Ago	6.31	--	--	--
EPS - 5 Yr. Growth Rate	18.54	35.49	26.22	16.69
Capital Spending - 5 Yr. Growth Rate	19.25	21.67	13.90	10.32

## Financial Strength

	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	1.12	3.26	1.41	0.90
Current Ratio (MRQ)	1.55	4.08	1.78	1.10
LT Debt to Equity (MRQ)	26.03	14.11	82.74	89.72
Total Debt to Equity (MRQ)	26.70	27.06	122.23	114.53
Interest Coverage (TTM)	16.80	0.27	1.27	51.97

## Profitability Ratios

	Company	Industry	Sector	S&P 500
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Gross Margin (TTM)	46.78	5.20	7.41	39.08
Gross Margin - 5 Yr. Avg.	44.79	35.22	23.46	40.23
EBITD Margin (TTM)	17.40	--	--	--
EBITD - 5 Yr. Avg.	17.92	19.28	12.56	18.89
Operating Margin (TTM)	14.72	1.80	2.19	--
Operating Margin - 5 Yr. Avg.	15.56	15.92	8.05	17.66
Pre-Tax Margin (TTM)	13.78	1.63	-0.02	14.53
Pre-Tax Margin - 5 Yr. Avg.	14.79	17.07	8.20	17.35
Net Profit Margin (TTM)	10.38	1.17	-0.96	10.40
Net Profit Margin - 5 Yr. Avg.	11.00	10.77	5.06	12.18
Effective Tax Rate (TTM)	24.68	3.98	7.49	1.17
Effective Tax Rate - 5 Yr. Avg.	25.64	37.81	40.26	30.66

## Management Effectiveness

	Company	Industry	Sector	S&P 500
Return on Assets (TTM)	7.54	1.19	1.24	6.08
Return on Assets - 5 Yr. Avg.	8.76	6.78	3.42	6.22
Return on Investment (TTM)	8.99	1.64	2.03	8.43
Return on Investment - 5 Yr. Avg.	10.92	9.11	5.21	8.47
Return on Equity (TTM)	13.95	2.54	4.69	17.26
Return on Equity - 5 Yr. Avg.	16.40	11.04	10.20	17.15

## Efficiency

	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	--	2,159,345	18,808,012	413,410

Net Income/Employee (TTM)	--	184,107	989,562	50,567
Receivable Turnover (TTM)	6.55	0.76	1.38	10.12
Inventory Turnover (TTM)	5.79	0.46	2.14	6.15
Asset Turnover (TTM)	0.73	0.14	0.24	0.66

### DCF Model

Beta	0.88
Valueline Safety Rating	2
Expected Growth (EPS)	8.5%
Projected Growth & Dividend Yield	25%
Required Rate Return	10.5%
Projected Future P/E	22
Annualized HPR	38.33%
PV of Future Price	\$78.74
Recommendation	Undervalued

### P/E Sensitivity

Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
57.26	102.40	16.0	6.40	4.83	31.07%
64.42	115.20	18.0	6.40	5.42	33.70%
71.58	128.00	20.0	6.40	6.02	36.11%
<b>78.74</b>	<b>140.80</b>	<b>22.0</b>	<b>6.40</b>	<b>6.61</b>	<b>38.33%</b>
85.89	153.60	24.0	6.40	7.20	40.39%
93.05	166.40	26.0	6.40	7.80	42.32%
100.21	179.20	28.0	6.40	8.39	44.12%
57.26	102.40	16.0	6.40	4.83	31.07%

<b>Earnings Sensitivity</b>					
<b>Present Value</b>	<b>Price 2014</b>	<b>P/E 20014</b>	<b>EPS 2014</b>	<b>HPR 2014</b>	<b>Annual Return</b>
71.35	127.60	22.0	<b>5.80</b>	6.00	36.04%
73.82	132.00	22.0	<b>6.00</b>	6.20	36.83%
76.28	136.40	22.0	<b>6.20</b>	6.40	37.59%
<b>78.74</b>	<b>140.80</b>	<b>22.0</b>	<b>6.40</b>	<b>6.61</b>	<b>38.33%</b>
81.20	145.20	22.0	<b>6.60</b>	6.81	39.06%
83.66	149.60	22.0	<b>6.80</b>	7.02	39.76%
86.12	154.00	22.0	<b>7.00</b>	7.22	40.45%
71.35	127.60	22.0	<b>5.80</b>	6.00	36.04%

**Momentum**



**Momentum Indicator:** +0.1

### Analyst's Opinion

#### **Why Buy DHR?**

It has a strong future in the Medical and Industrial Technology sectors, as well as the Tools and Components sector. Earnings for DHR are well above others in the industry and the company is less volatile.

#### **Why not buy DHR?**

The dental industry is not predicted to be strong in the near future and it encompasses a large part of Danaher's Medical Technology sector. The returns on DHR will be less than the industry average due to a lower beta.

#### **Final Discussion:**

I would not buy.