

DANAHER CORP /DE/
Form 10-Q
April 21, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2016
OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 1-8089

DANAHER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 59-1995548
(State of Incorporation) (I.R.S. Employer Identification number)

2200 Pennsylvania Avenue, N.W., Suite 800W 20037-1701
Washington, D.C.
(Address of Principal Executive Offices) (Zip Code)
Registrant's telephone number, including area code: 202-828-0850

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The number of shares of common stock outstanding at April 15, 2016 was 688,695,451.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(\$ and shares in millions, except per share amount)
(unaudited)

	April 1, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and equivalents	\$664.3	\$ 790.8
Trade accounts receivable, net	3,871.2	3,964.1
Inventories:		
Finished goods	1,115.2	1,038.5
Work in process	346.4	319.8
Raw materials	776.1	737.1
Total inventories	2,237.7	2,095.4
Prepaid expenses and other current assets	974.0	986.4
Total current assets	7,747.2	7,836.7
Property, plant and equipment, net of accumulated depreciation of \$2,861.8 and \$2,672.1, respectively	2,872.5	2,825.6
Other assets	1,016.7	1,219.3
Goodwill	25,485.4	25,070.3
Other intangible assets, net	11,263.8	11,270.3
Total assets	\$48,385.6	\$ 48,222.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$197.0	\$ 845.2
Trade accounts payable	1,918.8	2,049.0
Accrued expenses and other liabilities	3,205.5	3,276.2
Total current liabilities	5,321.3	6,170.4
Other long-term liabilities	6,292.5	6,262.6
Long-term debt	12,194.7	12,025.2
Stockholders' equity:		
Common stock - \$0.01 par value, 2.0 billion shares authorized; 803.8 and 801.6 issued; 688.6 and 686.8 outstanding, respectively	8.0	8.0
Additional paid-in capital	5,072.6	4,981.2
Retained earnings	21,660.6	21,012.3
Accumulated other comprehensive income (loss)	(2,236.5)	(2,311.2)
Total Danaher stockholders' equity	24,504.7	23,690.3
Noncontrolling interests	72.4	73.7
Total stockholders' equity	24,577.1	23,764.0
Total liabilities and stockholders' equity	\$48,385.6	\$ 48,222.2
See the accompanying Notes to the Consolidated Condensed Financial Statements.		

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)
(unaudited)

	Three Month Period Ended	
	April 1, 2016	April 3, 2015
Sales	\$5,387.2	\$4,694.7
Cost of sales	(2,524.6)	(2,226.5)
Gross profit	2,862.6	2,468.2
Operating costs:		
Selling, general and administrative expenses	(1,660.7)	(1,413.7)
Research and development expenses	(319.8)	(299.4)
Operating profit	882.1	755.1
Nonoperating income (expense):		
Other income	223.4	—
Interest expense	(61.7)	(29.3)
Interest income	—	2.3
Earnings from continuing operations before income taxes	1,043.8	728.1
Income taxes	(285.4)	(170.1)
Net earnings from continuing operations	758.4	558.0
Earnings from discontinued operations, net of income taxes	—	11.8
Net earnings	\$758.4	\$569.8
Net earnings per share from continuing operations:		
Basic	\$1.10	\$0.79
Diluted	\$1.09	\$0.78
Net earnings per share from discontinued operations:		
Basic	\$—	\$0.02
Diluted	\$—	\$0.02
Net earnings per share:		
Basic	\$1.10	\$0.81
Diluted	\$1.09	\$0.79
Average common stock and common equivalent shares outstanding:		
Basic	688.6	707.2
Diluted	697.1	718.7

* Net earnings per share amount does not add due to rounding.

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)

(unaudited)

	Three Month Period Ended	
	April 1, 2016	April 3, 2015
Net earnings	\$758.4	\$569.8
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation adjustments	201.1	(679.8)
Pension and postretirement plan benefit adjustments	5.3	7.0
Unrealized gain (loss) on available-for-sale securities adjustments	(131.7)	(1.4)
Total other comprehensive income (loss), net of income taxes	74.7	(674.2)
Comprehensive income (loss)	\$833.1	\$(104.4)

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
 CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
 (\$ and shares in millions)
 (unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance, December 31, 2015	801.6	\$ 8.0	\$ 4,981.2	\$ 21,012.3	\$ (2,311.2)	\$ 73.7
Net earnings for the period	—	—	—	758.4	—	—
Other comprehensive income (loss)	—	—	—	—	74.7	—
Dividends declared	—	—	—	(110.1)	—	—
Common stock-based award activity	2.2	—	90.8	—	—	—
Common stock issued in connection with LYONs' conversions, including tax benefit of \$0.2	—	—	0.6	—	—	—
Change in noncontrolling interests	—	—	—	—	—	(1.3)
Balance, April 1, 2016	803.8	\$ 8.0	\$ 5,072.6	\$ 21,660.6	\$ (2,236.5)	\$ 72.4

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(\$ in millions)

(unaudited)

	Three Month Period Ended	
	April 1, 2016	April 3, 2015
Cash flows from operating activities:		
Net earnings	\$758.4	\$569.8
Less: earnings from discontinued operations, net of income taxes	—	11.8
Net earnings from continuing operations	758.4	558.0
Noncash items:		
Depreciation	150.5	135.0
Amortization	159.6	100.5
Stock-based compensation expense	41.1	30.3
Pretax gain on sale of investments	(223.4)	—
Change in trade accounts receivable, net	144.2	104.2
Change in inventories	(110.6)	(111.1)
Change in trade accounts payable	(155.0)	(84.8)
Change in prepaid expenses and other assets	47.3	26.8
Change in accrued expenses and other liabilities	(39.3)	(229.3)
Total operating cash provided by continuing operations	772.8	529.6
Total operating cash used in discontinued operations	—	(6.0)
Net cash provided by operating activities	772.8	523.6
Cash flows from investing activities:		
Cash paid for acquisitions	(107.5)	(482.6)
Payments for additions to property, plant and equipment	(151.0)	(117.0)
Payments for purchases of investments	—	(87.1)
Proceeds from sale of investments	264.8	—
All other investing activities	2.0	3.2
Total investing cash provided by (used in) continuing operations	8.3	(683.5)
Total investing cash used in discontinued operations	—	(7.2)
Net cash provided by (used in) investing activities	8.3	(690.7)
Cash flows from financing activities:		
Proceeds from the issuance of common stock	43.9	61.6
Payment of dividends	(92.7)	(70.4)
Net repayments of borrowings (maturities of 90 days or less)	(1,077.1)	(247.5)
Proceeds from borrowings (maturities longer than 90 days)	262.3	—
Repayments of borrowings (maturities longer than 90 days)	(0.3)	(1.2)
All other financing activities	(26.7)	(3.3)
Net cash used in financing activities	(890.6)	(260.8)
Effect of exchange rate changes on cash and equivalents	(17.0)	(66.7)
Net change in cash and equivalents	(126.5)	(494.6)
Beginning balance of cash and equivalents	790.8	3,005.6
Ending balance of cash and equivalents	\$664.3	\$2,511.0
Supplemental disclosures:		
Cash interest payments	\$68.7	\$37.3
Cash income tax payments	86.9	101.0

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. GENERAL

The consolidated condensed financial statements included herein have been prepared by Danaher Corporation (“Danaher” or the “Company”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The condensed financial statements included herein should be read in conjunction with the financial statements as of and for the year ended December 31, 2015 and the Notes thereto included in the Company’s 2015 Annual Report on Form 10-K.

In the opinion of the Company, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of April 1, 2016 and December 31, 2015, and its results of operations and its cash flows for the three month periods ended April 1, 2016 and April 3, 2015.

Accumulated Other Comprehensive Income (Loss)—The changes in accumulated other comprehensive income (loss) by component are summarized below (\$ in millions). Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.