

DANAHER CORP /DE/
Form 10-Q
October 20, 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 September 30, 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 October 14, 2016 was 691,702,118.

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CONSOLIDATED CONDENSED BALANCE SHEETS

(\$ and shares in millions, except per share amount)

(unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and equivalents	\$ 971.4	\$ 790.8
Trade accounts receivable, net	3,081.8	2,985.1
Inventories:		
Finished goods	950.8	854.6
Work in process	261.9	242.8
Raw materials	499.5	475.7
Total inventories	1,712.2	1,573.1
Prepaid expenses and other current assets	727.8	889.5
Assets of discontinued operations, current	—	1,598.2
Total current assets	6,493.2	7,836.7
Property, plant and equipment, net of accumulated depreciation of \$1,987.5 and \$1,687.0, respectively	2,255.1	2,302.7
Other long-term assets	660.4	845.3
Goodwill	21,580.9	21,014.9
Other intangible assets, net	10,307.9	10,545.3
Assets of discontinued operations, noncurrent	—	5,677.3
Total assets	\$ 41,297.5	\$ 48,222.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 809.1	\$ 845.2
Trade accounts payable	1,354.5	1,391.9
Accrued expenses and other liabilities	2,599.8	2,609.4
Liabilities of discontinued operations, current	—	1,323.9
Total current liabilities	4,763.4	6,170.4
Other long-term liabilities	5,766.6	5,750.0
Long-term debt	7,503.1	12,025.2
Liabilities of discontinued operations, noncurrent	—	512.6
Stockholders' equity:		
Common stock - \$0.01 par value, 2.0 billion shares authorized; 807.1 and 801.6 issued; 691.6 and 686.8 outstanding, respectively	8.1	8.0
Additional paid-in capital	5,262.7	4,981.2
Retained earnings	20,043.1	21,012.3
Accumulated other comprehensive income (loss)	(2,122.3) (2,311.2)
Total Danaher stockholders' equity	23,191.6	23,690.3
Noncontrolling interests	72.8	73.7
Total stockholders' equity	23,264.4	23,764.0
Total liabilities and stockholders' equity	\$ 41,297.5	\$ 48,222.2

See the accompanying Notes to the Consolidated Condensed Financial Statements.

Table of ContentsDANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS

(\$ and shares in millions, except per share amounts)

(unaudited)

	Three Month Period Ended		Nine Month Period Ended	
	September 30, 2016	October 2, 2015	September 30, 2016	October 2, 2015
Sales	\$4,132.1	\$3,512.2	\$12,298.1	\$10,110.7
Cost of sales	(1,846.1)	(1,618.8)	(5,463.5)	(4,596.8)
Gross profit	2,286.0	1,893.4	6,834.6	5,513.9
Operating costs:				
Selling, general and administrative expenses	(1,345.8)	(1,201.2)	(4,105.2)	(3,378.0)
Research and development expenses	(241.1)	(212.2)	(707.1)	(625.3)
Operating profit	699.1	480.0	2,022.3	1,510.6
Nonoperating income (expense):				
Other income	—	12.4	223.4	12.4
Loss on early extinguishment of borrowings	(178.8)	—	(178.8)	—
Interest expense	(43.7)	(39.1)	(152.1)	(89.1)
Interest income	0.1	0.6	0.1	4.6
Earnings from continuing operations before income taxes	476.7	453.9	1,914.9	1,438.5
Income taxes	(74.1)	(74.0)	(508.5)	(212.8)
Net earnings from continuing operations	402.6	379.9	1,406.4	1,225.7
Earnings (loss) from discontinued operations, net of income taxes	(11.0)	1,023.4	400.3	1,443.1
Net earnings	\$391.6	\$1,403.3	\$1,806.7	\$2,668.8
Net earnings per share from continuing operations:				
Basic	\$0.58	\$0.55	\$2.04	\$1.75
Diluted	\$0.57	\$0.54	\$2.01	\$1.72
Net earnings per share from discontinued operations:				
Basic	\$(0.02)	\$1.49	\$0.58	\$2.06
Diluted	\$(0.02)	\$1.46	\$0.57	\$2.03
Net earnings per share:				
Basic	\$0.57	*\$2.04	\$2.62	\$3.80
Diluted	\$0.56	*\$2.01	*\$2.59	*\$3.75
Average common stock and common equivalent shares outstanding:				
Basic	692.2	688.5	690.6	701.7
Diluted	701.3	698.7	699.1	712.3

* 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		Nine Month Period Ended	
	September 30, 2016	October 2, 2015	September 30, 2016	October 2, 2015
Net earnings	\$391.6	\$1,403.3	\$1,806.7	\$2,668.8
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	275.6	(158.7)	314.8	(793.7)
Pension and postretirement plan benefit adjustments	4.7	18.7	15.8	32.8
Unrealized gain (loss) on available-for-sale securities adjustments	8.8	(26.9)	(121.5)	(4.4)
Total other comprehensive income (loss), net of income taxes	289.1	(166.9)	209.1	(765.3)
Comprehensive income (loss)	\$680.7	\$1,236.4	\$2,015.8	\$1,903.5

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	—	—	—	1,806.7	—	—
Other comprehensive income (loss)	—	—	—	—	209.1	—
Dividends declared	—	—	—	(307.0)	—	—
Common stock-based award activity	5.3	0.1	273.2	—	—	—
Common stock issued in connection with LYONs' conversions, including tax benefit of \$2.7	0.2	—	8.3	—	—	—
Distribution of Fortive Corporation	—	—	—	(2,468.9)	(20.2)	—
Change in noncontrolling interests	—	—	—	—	—	(0.9)
Balance, September 30, 2016	807.1	\$ 8.1	\$ 5,262.7	\$ 20,043.1	\$ (2,122.3)	\$ 72.8

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(\$ in millions)