

DANAHER CORP /DE/
Form 10-Q
April 16, 2014

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 March 28, 2014
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 11, 2014 was 699,532,283.

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

	March 28, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and equivalents	\$3,346.5	\$3,115.2
Trade accounts receivable, net	3,467.6	3,451.6
Inventories:		
Finished goods	924.6	885.9
Work in process	302.0	287.0
Raw materials	644.7	610.6
Total inventories	1,871.3	1,783.5
Prepaid expenses and other current assets	718.9	763.4
Total current assets	9,404.3	9,113.7
Property, plant and equipment, net of accumulated depreciation of \$2,411.1 and \$2,299.5, respectively	2,182.6	2,211.3
Other assets	1,094.8	1,061.3
Goodwill	16,148.3	16,038.2
Other intangible assets, net	6,212.6	6,247.7
Total assets	\$35,042.6	\$34,672.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	\$64.1	\$62.3
Trade accounts payable	1,685.4	1,778.2
Accrued expenses and other liabilities	2,554.9	2,686.9
Total current liabilities	4,304.4	4,527.4
Other long-term liabilities	4,286.5	4,256.7
Long-term debt	3,422.9	3,436.7
Stockholders' Equity:		
Common stock - \$0.01 par value	7.9	7.9
Additional paid-in capital	4,220.1	4,157.6
Retained earnings	18,515.1	18,005.3
Accumulated other comprehensive income	218.6	214.5
Total Danaher stockholders' equity	22,961.7	22,385.3
Non-controlling interests	67.1	66.1
Total stockholders' equity	23,028.8	22,451.4
Total liabilities and stockholders' equity	\$35,042.6	\$34,672.2

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 Months Ended	
	March 28, 2014	March 29, 2013
Sales	\$4,662.7	\$4,444.7
Cost of sales	(2,209.8	) (2,119.0
Gross profit	2,452.9	2,325.7
Operating costs:		
Selling, general and administrative expenses	(1,350.6	) (1,298.4
Research and development expenses	(313.4	) (296.4
Operating profit	788.9	730.9
Non-operating income (expense):		
Gain on sale of unconsolidated joint venture	—	229.8
Interest expense	(32.5	) (39.2
Interest income	4.9	0.9
Earnings before income taxes	761.3	922.4
Income taxes	(181.6	) (230.5
Net earnings	\$579.7	\$691.9
Net earnings per share:		
Basic	\$0.83	\$1.00
Diluted	\$0.81	\$0.98
Average common stock and common equivalent shares outstanding:		
Basic	700.1	692.0
Diluted	714.8	708.4

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)

(unaudited)

	Three Months Ended	
	March 28, 2014	March 29, 2013
Net earnings	\$579.7	\$691.9
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation adjustments	(7.2	) (256.5
Pension and post-retirement plan benefit adjustments	(1.0	) 5.5
Unrealized gain on available-for-sale securities	12.3	42.2
Total other comprehensive income (loss), net of income taxes	4.1	(208.8
Comprehensive income	\$583.8	\$483.1

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		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- Controlling Interests
	Shares	Amount				
Balance, December 31, 2013	785.7	\$7.9	\$4,157.6	\$18,005.3	\$214.5	\$66.1
Net earnings for the period	—	—	—	579.7	—	—
Other comprehensive income	—	—	—	—	4.1	—
Dividends declared	—	—	—	(69.9)	—	—
Common stock-based award activity 1.6	—	—	59.0	—	—	—
Common stock issued in connection with LYONs' conversions including 0.1 tax benefit of \$1.0	—	—	3.5	—	—	—
Change in non-controlling interests	—	—	—	—	—	1.0
Balance, March 28, 2014	787.4	\$7.9	\$4,220.1	\$18,515.1	\$218.6	\$67.1

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(\$ in millions)

(unaudited)

	Three Months Ended	
	March 28, 2014	March 29, 2013
Cash flows from operating activities:		
Net earnings	\$579.7	\$691.9
Non-cash items:		
Depreciation	132.2	127.5
Amortization	92.5	89.3
Stock-based compensation expense	29.0	27.8
Dividends received related to earnings of unconsolidated joint venture	—	66.6
Pre-tax gain on sale of unconsolidated joint venture	—	(229.8)
Change in trade accounts receivable, net	(5.9)	) 105.9
Change in inventories	(67.0)	) (89.4)
Change in trade accounts payable	(96.8)	) 10.1
Change in prepaid expenses and other assets	36.2	43.6
Change in accrued expenses and other liabilities	(188.7)	) (207.0)
Net cash provided by operating activities	511.2	636.5
Cash flows from investing activities:		
Cash paid for acquisitions	(162.8)	) (12.1)
Payments for additions to property, plant and equipment	(130.9)	) (116.3)
Proceeds from sale of unconsolidated joint venture	—	692.0
All other investing activities	9.0	(8.9)
Net cash (used in) provided by investing activities	(284.7)	) 554.7
Cash flows from financing activities:		
Proceeds from the issuance of common stock	30.0	54.3
Payment of dividends	(17.4)) —
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	3.1	(764.3)
Repayments of borrowings (maturities longer than 90 days)	(1.0)	) (0.5)
Net cash provided by (used in) financing activities	14.7	(710.5)
Effect of exchange rate changes on cash and equivalents	(9.9)	) (8.7)
Net change in cash and equivalents	231.3	472.0
Beginning balance of cash and equivalents	3,115.2	1,678.7
Ending balance of cash and equivalents	\$3,346.5	\$2,150.7
Supplemental disclosures:		
Cash interest payments	\$37.2	\$37.7
Cash income tax payments	\$68.2	\$57.1

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 (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, 2013 and the Notes thereto included in the Company’s 2013 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 March 28, 2014 and December 31, 2013, and its results of operations and cash flows for the three months ended March 28, 2014 and March 29, 2013.

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.

	Foreign Currency Translation Adjustments	Pension and Post-Retirement Plan Benefit Adjustments	Unrealized Gain on Available-For- Sale Securities	Total
For the Three Months Ended March 28, 2014:				
Balance, December 31, 2013	\$413.2	\$ (366.7)	\$ 168.0	\$214.5
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	(7.2)	(5.5)	19.6	6.9
Income tax benefit (expense)	—	1.1	(7.3)	(6.2)
Other comprehensive income (loss) before reclassifications, net of income taxes	(7.2)	(4.4)	12.3	0.7
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	5.3	(1) —	5.3
Income tax expense	—	(1.9)	—	(1.9)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	3.4	—	3.4
Net current period other comprehensive income, net of income taxes				