

Serial Acquirer Case Study: Danaher Corporation



August 2010

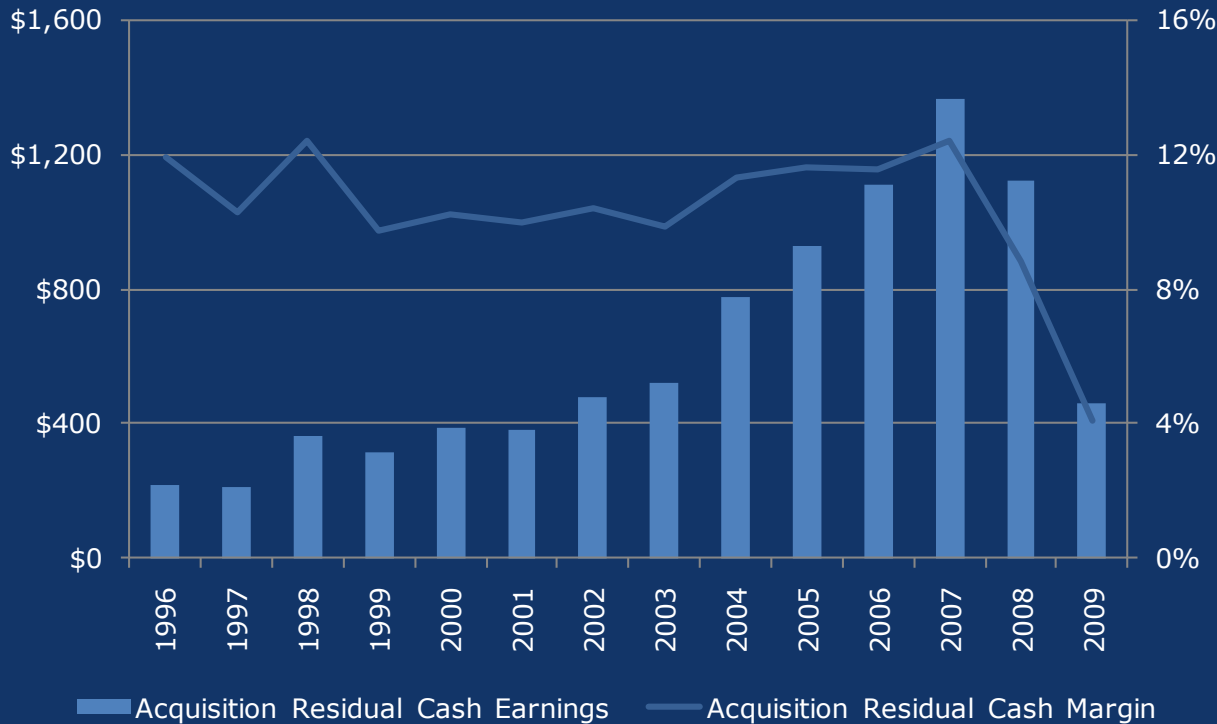
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Overview

- Despite the claim that acquisitions destroy value certain companies excel as acquirers and deliver outstanding value for shareholders.
- We studied the relationship between long term total shareholder returns (TSR) and different acquisition strategies and a variety of deal characteristics.
 - The only trait that consistently has a strong positive relationship with long term TSR across each industry is acquisition frequency.
- We call them Serial Acquirers and many generate outstanding results by being better at planning, executing and integrating acquisitions than their peers.
- Danaher Corporation is one of the world's best serial acquirers

Danaher's M&A Strategy Emphasizes Returns

Danaher's Fundamental Performance



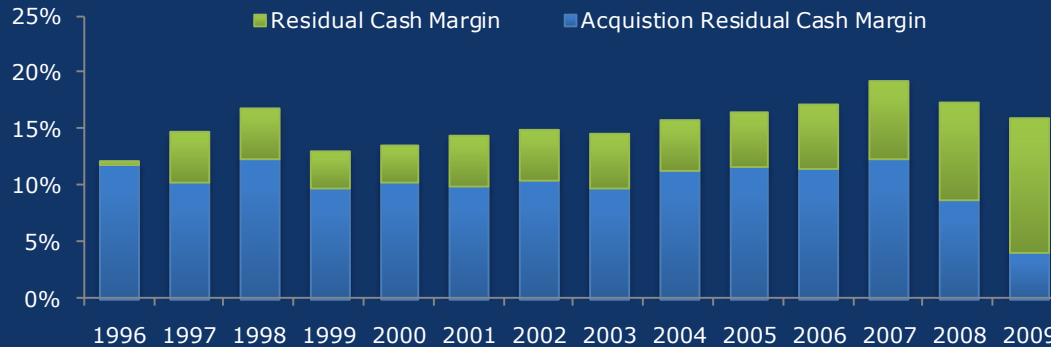
- Even during the downturn in 2008 and 2009 Danaher delivered Cash Flow in excess of the required return on all capital
- This strategy creates value for shareholders and demonstrates the benefits of continuously redeploying capital into positive returns

Source: Fortuna Advisors Analytics, using CapitalIQ Data

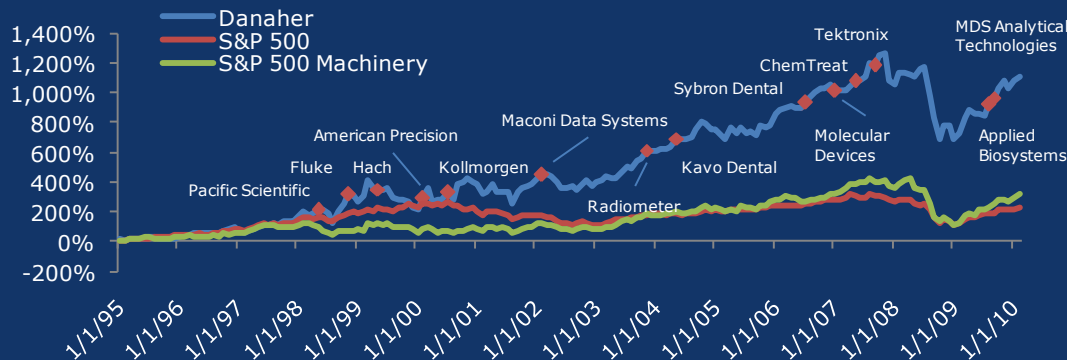
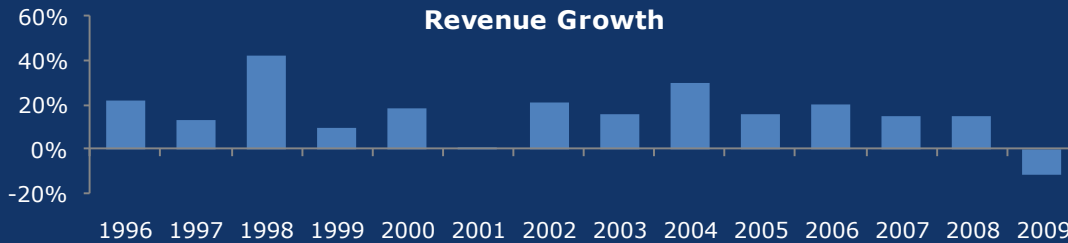
Note: Acquisition Residual Cash Earnings (ARCE) is EBITDA + Rent + R&D Less Taxes Less Capital Charge Including Goodwill & Intangibles
 Acquisitions Residual Cash Margin (ARCM) is ARCE as a % of Revenue

Danaher Creates Value Through Superior Returns and Growth

Residual Cash Margin



Revenue Growth



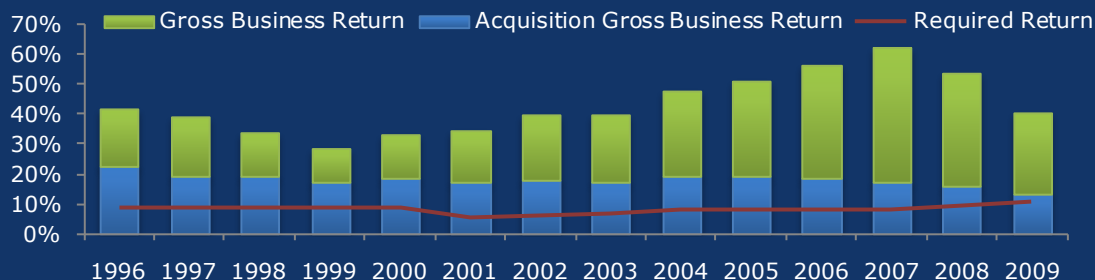
- Danaher’s M&A strategy relies on being able to operate the target company in a more efficient way
- The Company’s Residual Cash Margin (with and without intangibles) has been consistently positive and relatively stable
- When a business is run this efficiently, growth is tremendously valuable

Source: Fortuna Advisors Analytics, using CapitalIQ Data

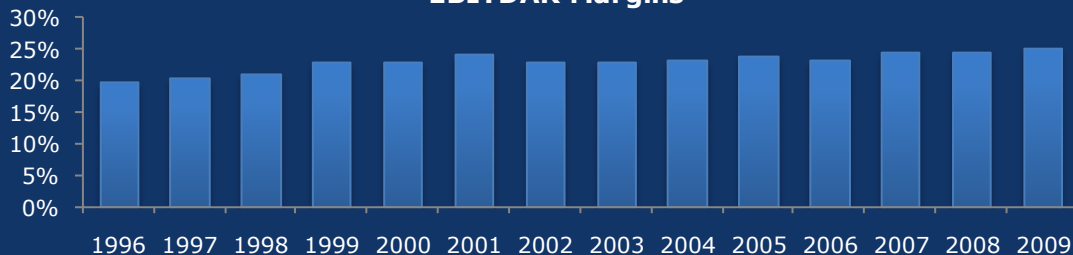
Note: Residual Cash Margin (RCM) is EBITDA + Rent + R&D Less Taxes Less Capital Charge (Acquisition RCM includes Goodwill and Intangibles in the Capital Charge)

The Danaher Business System (DBS) Focuses Management on the Relentless Pursuit of Efficiency

Gross Business Return



EBITDAR Margins



Asset Intensity



- DBS is a culture where every employee from CEO to the shop floor is responsible for finding ways to improve the way work gets done
- Danaher has held margins stable despite the recent downturn
- More remarkable is the Company's ability to maintain low levels of Asset Intensity

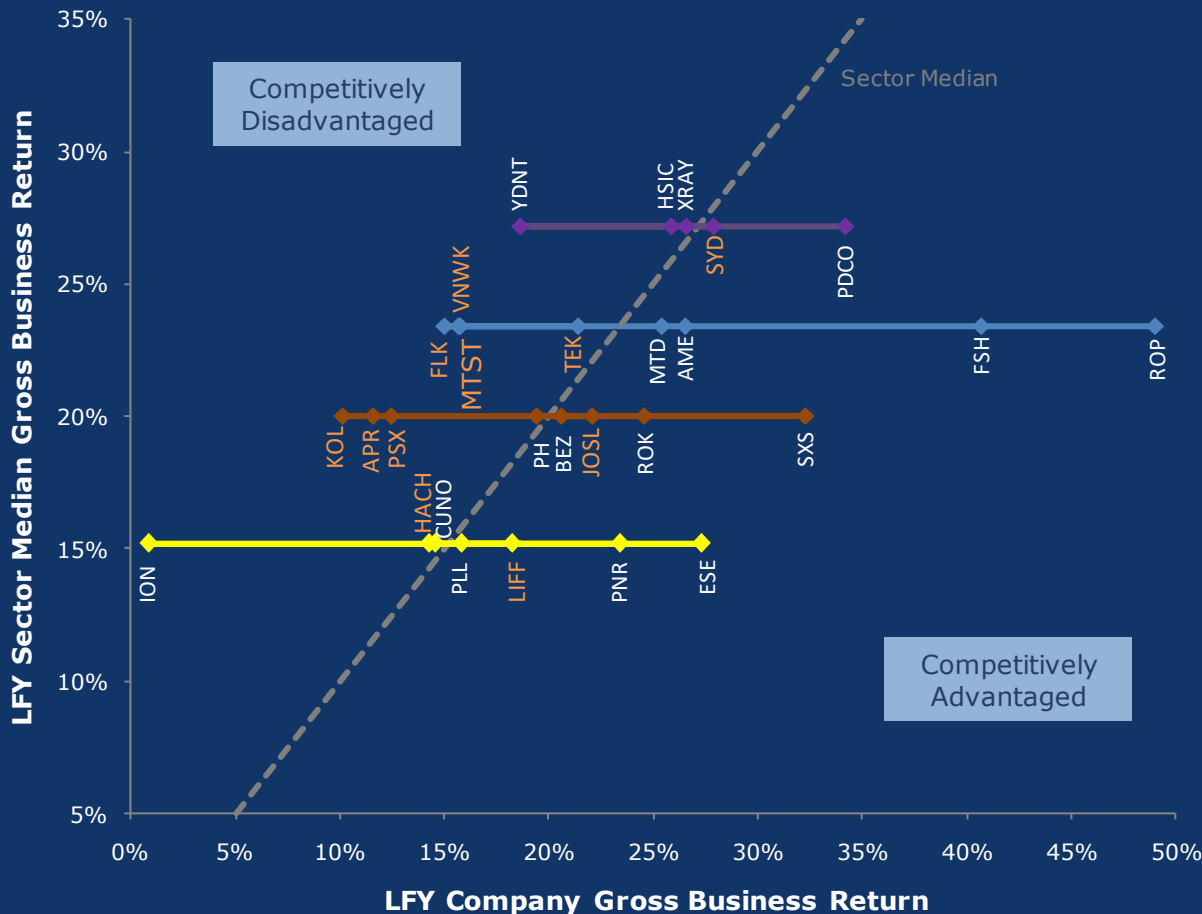
Source: Fortuna Advisors Analytics, using CapitalIQ Data

Note: Gross Business Returns is Gross Cash Earnings (EBITDA + Rent + R&D Less Taxes) Divided by Gross Operating Assets (NWC, Gross PP&E, Capitalized Rent and R&D)

Asset Intensity is Gross Operating Assets Divided by Revenue

Danaher Tends to Acquire Lagging Companies in Attractive Sectors

Sector Profitability and Competitive Landscape



Note: Danaher acquired Gendex from XRAY, not the entire company
 Source: Fortuna Advisors Analytics, using CapitalIQ data

Medical Technology: 27%
 Young Innovations (YDNT), Schein Henry (HSIC), Sybron Dental (SYD), Patterson (PDCO), Dentsply (XRAY).

Electronic Test: 23%
 Visual Networks (VNWK), Microtest (MTST), Fluke (FLK), Mettler Toledo (MTD), Ametek (AME), Fisher Scientific (FSH), Roper Industries (ROP), Tektronix (TEK).

Motion: 20%
 Kollmorgen (KOL), Pacific Scientific (PSX), American Precision (APR), Joslyn (JOSL), Baldor Elect. (BEZ), Spectris (SXS), Parker-Hannifin (PH), Rockwell Automation (ROK).

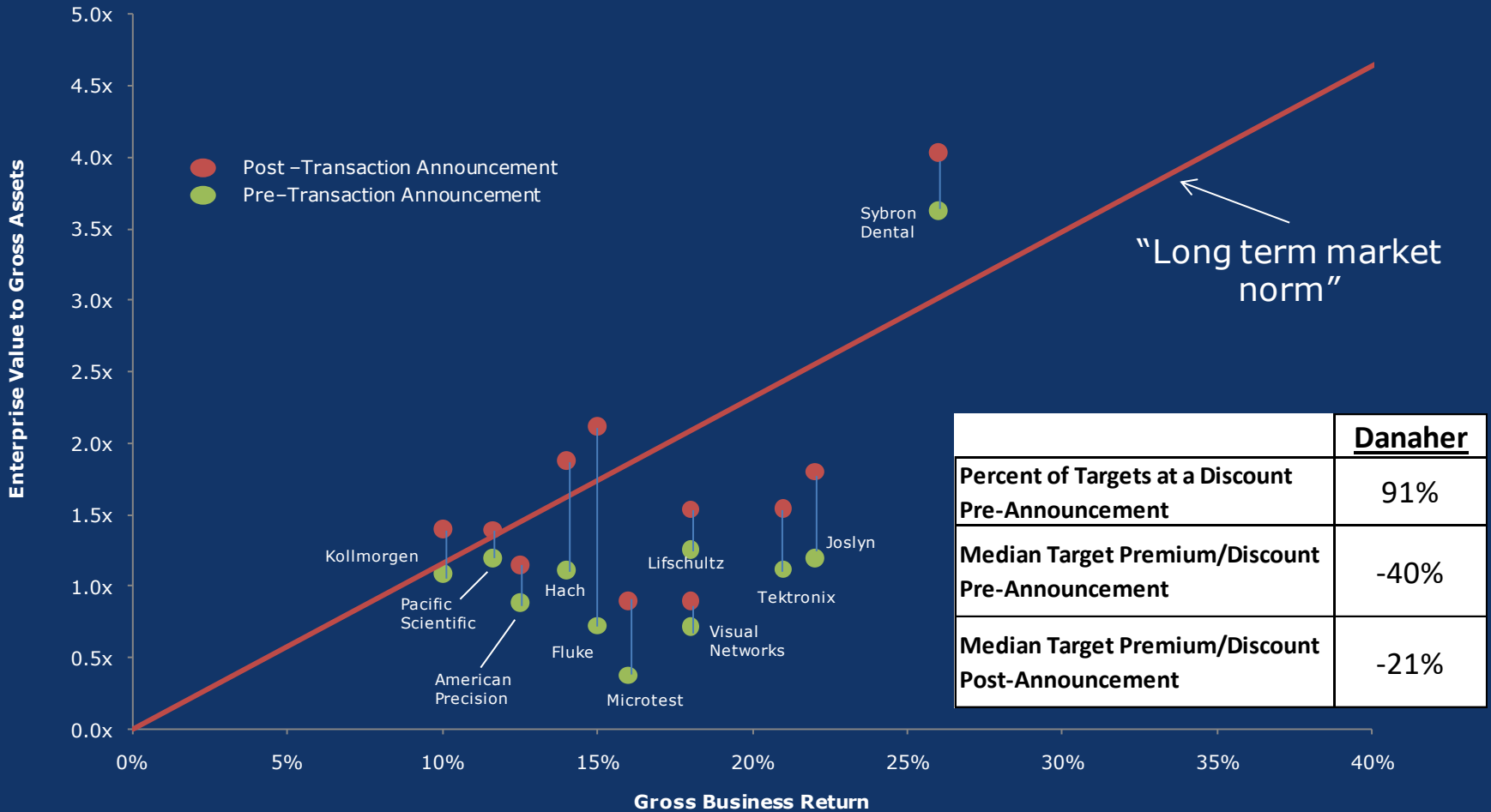
Environmental: 15%
 Ionics (ION), Pall Corp (PLL), Hach (HACH), Lifschultz (LIFF), Esco Tech (ESE), Cuno (CUNO), Pentair (PNR).

Danaher's Public Targets Tend to have Higher Gross Margins, SG&A and most Notably Asset Intensity

Danaher Acquired Companies	Time Period	EBITDARR Margin	Gross Margin	SG&A % of Sales	Asset Intensity	Gross Business Return	Enterprise Value to Gross Asset	Residual Cash Margin
Tektronix	2007	36%	60%	31%	1.56x	21%	1.12x	18%
Sybron Dental Specialties	2005	25%	56%	37%	0.81x	26%	3.63x	13%
Visual Networks	2004	28%	70%	48%	1.58x	18%	0.72x	12%
Lifschultz Industries	2000	18%	49%	34%	0.88x	22%	1.25x	11%
Kollmorgen Corporation	1999	12%	29%	22%	0.89x	14%	1.09x	3%
American Precision Industries	1998	14%	31%	22%	0.96x	12%	0.89x	3%
Hach Company	1998	26%	49%	28%	1.43x	14%	1.11x	7%
Fluke Corporation	1997	25%	54%	35%	1.39x	15%	0.72x	7%
Pacific Scientific Company	1996	13%	31%	22%	1.07x	12%	1.19x	2%
Acquired Target Median		25%	49%	31%	1.07x	15%	1.11x	7%
Danaher Peer Median	2009	18%	27%	20%	0.95x	19%	1.69x	8%
Danaher	2009	25%	48%	27%	0.54x	41%	3.68x	16%

Source: Fortuna Advisors Analytics, using CapitalIQ data
 Danaher Peers includes Textron, Tyco, 3M, Ingersoll-Rand, Illinois Tool Works, Honeywell, and United Technologies

Like an Astute Value Investor Danaher has Demonstrated the Ability to Buy Companies Trading at a Discount



Source: Fortuna Advisors Analytics, using CapitalIQ data.

Note: "Long-Term Market Norm" based on the historical relationship between Gross Business Returns and Market Multiples for the 1,000 largest non-financial US Companies

Appendix

Fortuna Advisors Partners

Experts in Strategy, Finance and Value Management



Gregory V. Milano

Managing Partner, Founder & CEO

- 25 years of experience including 17 years in value based management as Partner and President of Stern Stewart & Co., and Managing Director and Co-Head of the Strategic Finance Group at Credit Suisse
- Industry thought leader and advisor to senior executives on business and financial strategies designed to increase share prices, financial management processes to support value based strategies and a strong focus on behavioral economics to align the interests of managers with those of shareholders.



John R. Cryan

Partner & Co-Founder

- 10 years of experience including value management at Credit Suisse and Accenture
- Extensive experience in Enterprise Performance Management, developing and implementing value-based strategies into financial management and decision making processes



Steven C. Treadwell

Partner

- 15 years of experience including 9+ years of value management experience at HOLT and Credit Suisse
- Extensive work with some of the largest companies in the retail, consumer products and industrial sectors incorporating shareholder insights into the client's strategic decision process

Focus and Discipline of Postmodern Corporate Finance



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