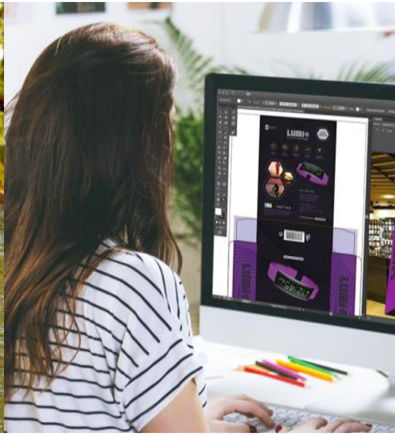
DANAHER

# J.P. MORGAN HEALTHCARE CONFERENCE

***January 10, 2017***

# Forward Looking Statements

**Statements in this presentation that are not strictly historical, including any statements regarding events or developments that we believe or anticipate will or may occur in the future are "forward-looking" statements within the meaning of the federal securities laws. There are a number of important factors that could cause actual results, developments and business decisions to differ materially from those suggested or indicated by such forward-looking statements and you should not place undue reliance on any such forward-looking statements. These factors include, among other things, deterioration of or instability in the economy, the markets we serve and the financial markets, the impact of our restructuring activities on our ability to grow, contractions or growth rates and cyclicality of markets we serve, competition, our ability to develop and successfully market new products and technologies and expand into new markets, the potential for improper conduct by our employees, agents or business partners, our ability to successfully identify, consummate and integrate appropriate acquisitions and successfully complete divestitures and other dispositions, our ability to integrate the recent acquisitions of Pall Corporation and Cepheid and achieve the anticipated benefits of those transactions, contingent liabilities relating to acquisitions and divestitures (including tax-related and other contingent liabilities relating to the distributions of each of Fortive Corporation and our communications business), our compliance with applicable laws and regulations (including regulations relating to medical devices and the healthcare industry) and changes in applicable laws and regulations, our ability to effectively address cost reductions and other changes in the healthcare industry, risks relating to potential impairment of goodwill and other intangible assets, currency exchange rates, tax audits and changes in our tax rate and income tax liabilities, litigation and other contingent liabilities including intellectual property and environmental, health and safety matters, risks relating to product, service or software defects, product liability and recalls, risks relating to product manufacturing, the impact of our debt obligations on our operations and liquidity, our relationships with and the performance of our channel partners, commodity costs and surcharges, our ability to adjust purchases and manufacturing capacity to reflect market conditions, reliance on sole sources of supply, labor matters, international economic, political, legal, compliance and business factors (including the impact of the UK referendum to leave the EU), disruptions relating to man-made and natural disasters, security breaches or other disruptions of our information technology systems and pension plan costs. Additional information regarding the factors that may cause actual results to differ materially from these forward-looking statements is available in our SEC filings, including our 2015 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the third quarter of 2016. These forward-looking statements speak only as of the date of this presentation and the Company does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.**

**With respect to any non-GAAP financial measures included in the following presentation, the accompanying information required by SEC Regulation G can be found on the following slides. All references in this presentation to earnings, revenues and other company-specific financial metrics relate only to the continuing operations of Danaher's business, unless otherwise noted. All references in this presentation to "growth" or other period-to-period changes refer to year-over-year comparisons unless otherwise indicated. We may also describe certain products and devices which have applications submitted and pending for certain regulatory approvals.**

# What You'll Hear Today

- **Outstanding portfolio with significant growth and margin opportunities**
- **Superior FCF generation and disciplined M&A help drive compounding long-term results**
- **Danaher Business System is our culture and our <u>competitive advantage</u>**

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# Danaher Today

## Life Sciences

~$5.3B revenue

Beckman Coulter Life Sciences
SCIEX
Molecular Devices
Leica Microsystems
Pall
phenomenex

## Diagnostics

~$5.0B revenue

Beckman Coulter
Leica Biosystems
Radiometer
Cepheid. A better way.

## Dental

~$2.8B revenue

KaVo Kerr
Nobel Biocare
Ormco

## Environmental & Applied Solutions

~$3.7B revenue

### Water Quality

Hach
Trojan technologies
ChemTreat

### Product ID

Videojet
Esko
x-rite
Pantone

*All financial metrics shown reflect 2016 estimated ("2016E") revenues from continuing operations.*

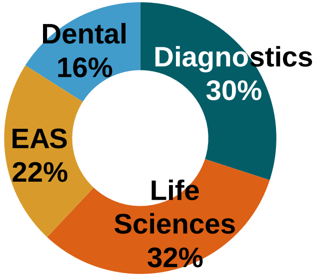
**Building a multi-industry, science & technology company**

# Outstanding Portfolio – Overview

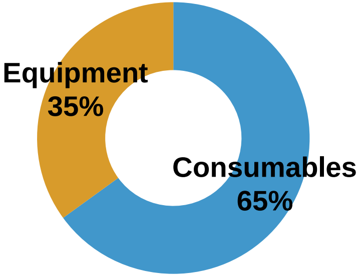
## *Danaher Today*

**~$17B**
***REVENUE***

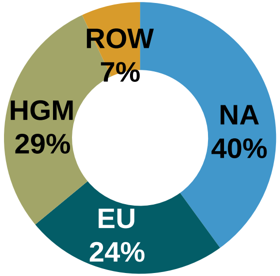
### By Business




### By Mix




### By Geography




***~55%***
***GROSS MARGIN***

***Mid-teens***
***OPERATING MARGIN***

***>100%***
***FREE CASH FLOW* TO NET INCOME***

## *Business Characteristics*

- Market leading positions
- Resilient business models
- Outstanding brands
- Large installed base

## *Strong Secular Growth Drivers*

- Increasing environmental, healthcare and food safety regulatory requirements and changes
- Improving standards of care in high growth markets (HGM)
- Proliferation of digital trends

*All financial metrics based on 2016E unless otherwise indicated.*
** 2016E Free Cash Flow expected to be ~$2.5B.*

**Strong growth, free cash flow and earnings profile**

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# Portfolio – Key Initiatives

## *Building Scale at the Platform Level*

1999

HACH®

“Beachhead” Asset + Adjacencies, Bolt-ons

2002

VIDEOJET

## *Recent Key Strategic Acquisitions*

2014

Nobel Biocare™

Premium Implants
Digital Dentistry

2015

PALL

Biopharmaceuticals

2016

Cepheid. A better way.

Molecular Diagnostics

## *Spin-off of Fortive*

FORTIVE

2016

Portfolio Optimization

**Recent strategic initiatives helping to optimize Danaher’s portfolio for the long-term**

# Portfolio – Core Revenue Growth Opportunity

1999 → 2005 → 2011 → 2016

***Approximately ½ of our total revenue has been part of Danaher for 5 years or less***

### *Improving Core Revenue Growth Since Acquisition*

**Radiometer**
*LSD* → **MSD/HSD**

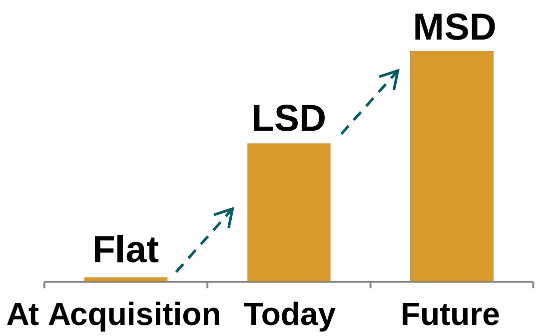
**Water Quality**
*LSD* → **MSD**

**Product ID**
*LSD* → **MSD**

### *Anticipated Core Revenue Growth of Recent Acquisitions*

| | |
|---|---|
| PALL | **MSD** |
| Nobel Biocare | **MSD** |
| Cepheid | **DD** |
| phenomenex | **MSD** |

### *Anticipated Core Revenue Growth at BEC Dx*




**Average age of the portfolio today is ~8 years**

# Growth Opportunity – Strategic Investment

## Investments in R&D

### *Outperformance*

*Accelerated Product Development*
*Speed Design Review*

**R&D + >50bps**
*AS A % OF REVENUE*
*LAST 4 YEARS*

*Case Study*

**X500R/B**

## Commercial Initiatives

### *Market Penetration*

*Funnel Management*
*Transformative Marketing*

**S&M + >100bps**
*AS A % OF REVENUE*
*LAST 4 YEARS*

*Case Study*

**+MSD Core Revenue Growth**
*each of the last 7 years*

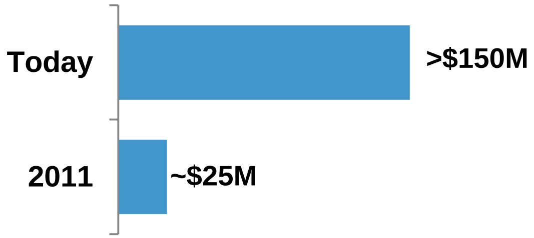
## Building Scale

### *High Growth Markets*

**LDD CAGR**
*HGM REVENUE*
*LAST 4 YEARS*

*Case Study*

**DHR China Dental Revenue**




**Outperformance by investing in the highest impact organic opportunities**

# Portfolio – Margin Opportunity

1999 → 2005 → 2011 → 2016

***Approximately ½ of our total revenue has been part of Danaher for 5 years or less***

### *Improving Operating Margins Since Acquisition*

**Radiometer**

***High-teens*** → **>25%**

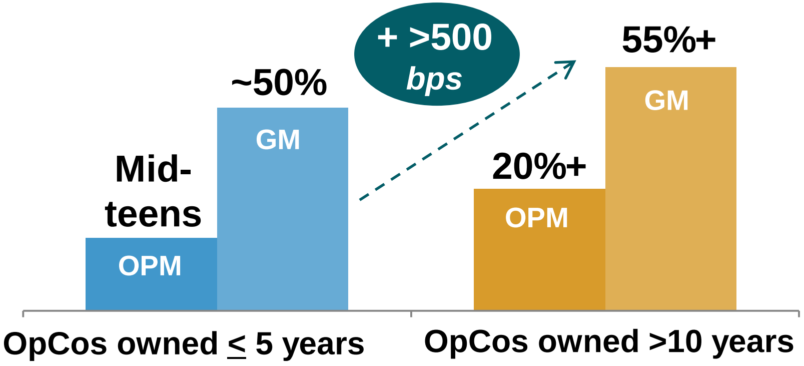
**Water Quality**

***Low-teens*** → **~25%**

**Product ID**

***Low-teens*** → **~25%**

### *Margins: "New vs Tenured"*




*All figures referenced are based on 2015 weighted averages.*

**Significant room to expand gross and operating margins**

# Margin Opportunity – Meaningful Runway

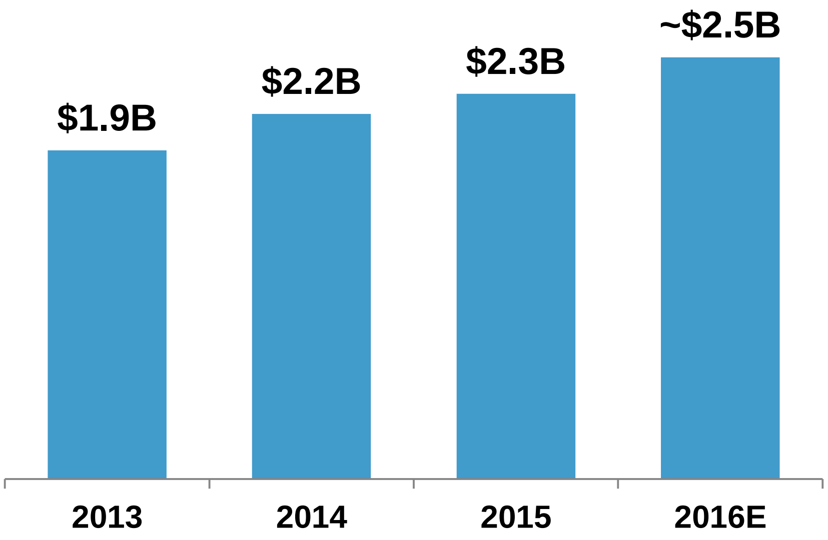
**Represents >$10B (~60%) of $17B revenue DHR portfolio**

- **Early innings at Pall, Nobel, Cepheid**
  - Significant runway at recent acquisitions
  - Lean tools, direct/indirect spend, pricing
- **2nd wave at Beckman Coulter**
  - Expanded installed base
  - Bolt-ons enhance higher margin opportunities
- **Dental platform being treated as a "new acquisition"**

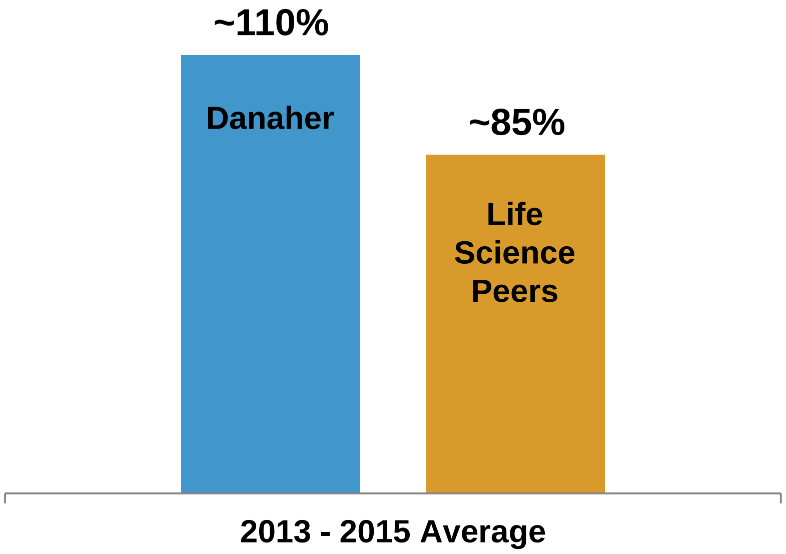
**Expect 50-75+ bps of core OMX annually for Danaher, driven by DBS**

# Free Cash Flow – A Key Differentiator

## *Danaher Free Cash Flow*




## *FCF/Adjusted NI Conversion*




*All Danaher figures referenced reflect results from continuing operations.*

**Expect FCF to exceed Net Income for the 25th consecutive year in 2016**

# M&A – Our Strategic Approach

## M&A Considerations – What We Look For

### MARKET

- Secular and structural **growth drivers**
- **Fragmented** (consolidation opportunities)

### COMPANY

- Competitive **market position**
- **Strong brand** and/or channel
- Consistent **revenue visibility**
- **Higher margin** businesses

### VALUATION

- Focus on **ROIC**
- **DBS opportunities**
- **Sustainability**
- **Synergies** with Danaher OpCos
- Combination of **value** and **growth** deals

**Pursuing value creation opportunities with a tailored integration for each deal**

# M&A – Compounding ROIC Performance

| Average ROIC of OpCos owned | Start | TODAY | Anticipated in 5 years |
|---|---|---|---|
| **>10 years** | MSD | High-teens | |
| **5-10 years** | MSD | DD | |
| **< 2 years** | | MSD | DD |

*All figures referenced are the weighted average ROIC for each group of OpCos shown.*

**Consistent upward ROIC trajectory over the long-term**

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# DBS is Our Culture


OUR SHARED PURPOSE

**HELPING REALIZE LIFE'S POTENTIAL**

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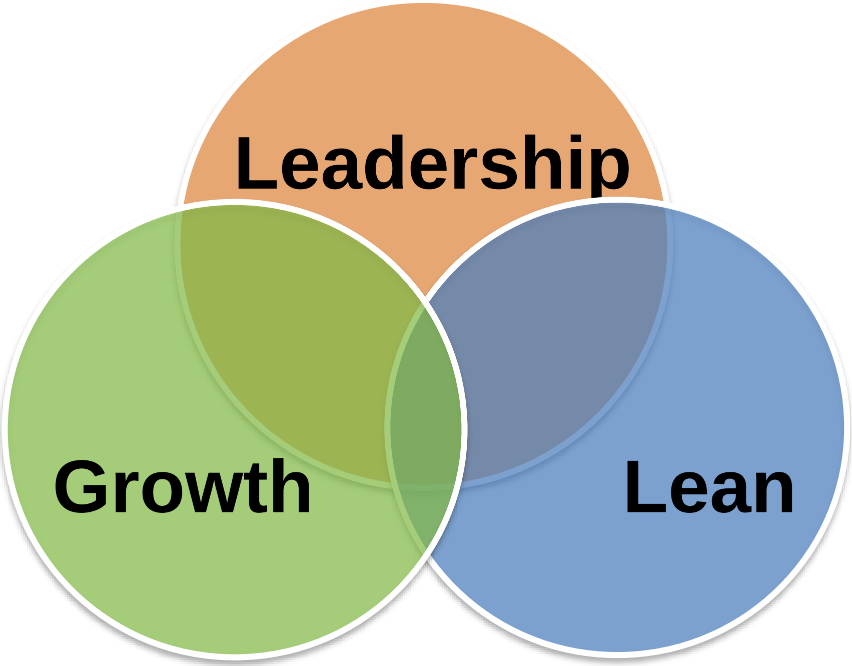
# DBS Principles and 8 Core Value Drivers




**Associate**
- Internal Fill Rate
- Retention

**Customer**
- Quality (External PPM)
- On-Time Delivery

**Shareholder**
- Core Growth
- OMX
- Cash Flow / WC Turns
- ROIC

*"OMX" is Operating Margin Expansion; "WC" is Working Capital*

**Expand capabilities, drive consistent execution, sustain results**

# Summary

- **Outstanding portfolio with significant growth and margin opportunities**
- **Superior FCF generation and disciplined M&A help drive compounding long-term results**
- **Danaher Business System is our <u>competitive advantage</u>**

**Committed to creating long-term shareholder value**

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# Non-GAAP Reconciliations

**Danaher Corporation**
**Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures**

| | Years Ended December 31 | | | |
|---|---|---|---|---|
| **Free Cash Flow from Continuing Operations ($ in billions):** | **2013** | **2014** | **2015** | **2016E** |
| **Operating Cash Flows from Continuing Operations (GAAP)** | $ 2.4 | $ 2.7 | $ 2.8 | $ 3.1 |
| Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP) | (0.5) | (0.5) | (0.5) | (0.6) |
| **Free Cash Flow from Continuing Operations (Non-GAAP)** | $ 1.9 | $ 2.2 | $ 2.3 | $ 2.5 |

| **Adjusted Net Earnings (Non-GAAP) ($ in billions):** | **2013** | | **2014** | | **2015** | |
|---|---|---|---|---|---|---|
| **Net Earnings from Continuing Operations (GAAP)** | $ 1.7 | | $ 1.6 | | $ 1.7 | |
| Pretax amortization of acquired intangible assets | 0.3 | A | 0.3 | A | 0.4 | A |
| Pretax acquisition-related transaction costs deemed significant and fair-value adjustments | - | | - | | 0.2 | B |
| Pretax gain on sales of marketable equity securities | (0.2) | C | (0.1) | C | - | |
| Pretax gain on the sale of investment in Apex Tool Group LLC | (0.2) | D | - | | | |
| Tax effect of all adjustments reflected above | 0.1 | E | - | E | (0.1) | E |
| Discrete tax adjustments and other tax-related adjustments | - | | 0.1 | F | (0.1) | F |
| **Adjusted Net Earnings from Continuing Operations (Non-GAAP)** | $ 1.7 | | $ 1.9 | | $ 2.1 | |

| **Ratio of Free Cash Flow to Adjusted Net Earnings ($ in billions):** | **2013** | **2014** | **2015** | **2013 to 2015 Average (rounded to nearest 5%)** |
|---|---|---|---|---|
| Free Cash Flow from Continuing Operations (Non-GAAP) | $ 1.9 | $ 2.2 | $ 2.3 | |
| Adjusted Net Earnings from Continuing Operations (Non-GAAP) | 1.7 | 1.9 | 2.1 | |
| Free Cash Flow from Continuing Operations to Adjusted Net Earnings from Continuing Operations Conversion Ratio (Non-GAAP) | ˜110% | ˜115% | ˜110% | ˜110% |

**Danaher Corporation**
**Reconciliation of GAAP Financial Measures to Non-GAAP Measures**
**Adjusted Net Earnings from Continuing Operations Notes**

A Amortization of acquisition-related intangible assets in the following historical periods ($ in billions) (only the pretax amounts set forth below are reflected in the amortization line item above):

| | Years Ended December 31 | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 |
| Pretax | $ 0.3 | $ 0.3 | $ 0.4 |
| After-tax | 0.2 | 0.2 | 0.3 |

B Fair value adjustments to inventory ($0.02 billion pretax as presented in this line item and, $0.02 billion after-tax) incurred in the year ended December 31, 2015, in connection with the acquisition of Nobel Biocare. Acquisition-related transaction costs deemed significant ($0.02 billion pretax as presented in this line item and, $0.02 billion after-tax), change in control payments and fair value adjustments to inventory and deferred revenue, net of the impact of freezing pension benefits, ($0.1 billion pretax as presented in this line item, $0.08 billion after-tax) in each case related to the acquisition of Pall Corporation and incurred in the year ended December 31, 2015. Danaher deems acquisition-related transaction costs incurred in a given period to be significant (generally relating to Danaher's larger acquisitions) if it determines that such costs exceed the range of acquisition-related transaction costs typical for Danaher in a given period.

C Gain on sales of marketable equity securities in the year ended December 31, 2013 ($0.2 billion pretax as presented in this line item, $0.1 billion after-tax). Gain on sales of marketable equity securities in the year ended December 31, 2014 ($0.1 billion pretax is presented in this line item, $0.08 billion after-tax).

D Gain on the sale of investment in Apex Tool Group LLC ($0.2 billion as presented in this line item, $0.1 billion after tax) in the year ended December 2013.

E This line item reflects the aggregate tax effect of all nontax adjustments reflected in the table above. In addition, the footnotes above indicate the after-tax amount of each individual adjustment item. Danaher estimates the tax effect of the adjustment items identified in the reconciliation schedule above by applying Danaher's overall estimated effective tax rate to the pretax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.

F Discrete income tax charges net of discrete income tax gains and benefits from a lower than expected effective tax rate number (compared to the anticipated 2014 effective tax rate publicly communicated in December 2013), due primarily to year-end tax law changes for the year ended December 31, 2014. Discrete income tax gains net of discrete income tax charges ($0.1 billion) incurred in the year ended December 31, 2015.

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