

Date: 3/3/2015

Analyst Name: Connor Black and Ali Al-Lawati

## CIF Stock Recommendation Report (Spring 2015)

Company Name and Ticker: Danaher (DHR)

### Section (A) Investment Summary

<b>Recommendation Buy: Yes</b>		<b>Target Price: \$97</b>	<b>Stop-Loss Price: \$77</b>
<b>Sector: Industrials</b>	<b>Industry: Industrial Machinery and Equipment</b>	<b>Market Cap (in Billions): 61.557</b>	<b># of Shrs. O/S (in Millions): 705.78</b>
<b>Current Price: 87.47</b>	<b>52 WK Hi: \$88.1</b>	<b>52 WK Low: 70.16</b>	<b>EBO Valuation: 75.09</b>
<b>Morningstar (MS) Fair Value Est.: \$70.00</b>	<b>MS FV Uncertainty: High</b>	<b>MS Consider Buying: \$42.00</b>	<b>MS Consider Selling: \$108.50</b>
<b>EPS (TTM): 3.63</b>	<b>EPS (FY1): 4.34</b>	<b>EPS (FY2): 4.74</b>	<b>MS Star Rating: 2 stars</b>
<b>Next Fiscal Yr. End "Year": 2015 "Month": Dec 31</b>	<b>Last Fiscal Qtr. End: Less Than 8 WK:</b>	<b>If Less Than 8 WK, next Earnings Ann. Date: 4/15/2015</b>	<b>Analyst Consensus Recommendation: Buy</b>
<b>Forward P/E: 18.59</b>	<b>Mean LT Growth: 9.40%</b>	<b>PEG: 2.14</b>	<b>Beta: 1.16</b>
<b>% Inst. Ownership: 79.13</b>	<b>Inst. Ownership- Net Buy: Y N</b>	<b>Short Interest Ratio: 1.90%</b>	<b>Short as % of Float: 1.00%</b>
<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
<b>P/E (TTM)</b>	24.04	22.44	25.15
<b>P/S (TTM)</b>	3.09	22.44	25.15
<b>P/B (MRQ)</b>	2.63	2.59	2.36
<b>P/CF (TTM)</b>	17.40	20.16	13.80
<b>Dividend Yield</b>	0.62	1.20	1.60
<b>Total Debt/Equity (MRQ)</b>	14.86	16.07	67.23
<b>Net Profit Margin (TTM)</b>	13.05	17.32	9.73
<b>ROA (TTM)</b>	7.25	8.58	5.50
<b>ROE (TTM)</b>	11.36	11.48	11.97

<p><b><u>Investment Thesis</u></b></p> <ul style="list-style-type: none"> <li>• Current stock movements show that Danaher is experiencing an upwards bullish movement.</li> <li>• Analysts' views are strongly bullish. Every source we analyzed strongly suggested to buy with no analysts suggesting to sell. There were a couple that suggested to hold the stock and few suggested that it would over perform however the vast majority suggested to buy.</li> <li>• The macroeconomic outlook especially the strong dollar may cause problems for Danaher due to its high international operations</li> <li>• P/E ratio is a little higher than we would like which is a slight area of concern looking forward.</li> <li>• The fundamental and relative valuations suggest that the stock is currently a bit overvalued.</li> <li>• Danaher has outperformed the S&amp;P 500 over the past 5 years, 3 years, and over the last year</li> <li>• Danaher is a diversified corporation and has been very successful purchasing companies and making a profit off of them. This is how they have seen a great deal of growth.</li> <li>• Danaher has operations in industries that are not usually cyclical which offers diversification benefits.</li> <li>• After weighing the pros and cons, due to the extremely bullish recommendations of the majority of analysts, continued growth of the company, and the strong performance over the past few quarters, we recommend to buy Danaher Corporation.</li> </ul>	<p><b><u>Summary</u></b></p> <p><b><u>Company Profile:</u></b> Danaher designs, manufactures, and markets industrial and consumer products. They are well known for acquiring businesses which has been a source of great growth for the company. The macroeconomic outlook and the strong dollar may be a challenge for them moving forward.</p> <p><b><u>Fundamental Valuation:</u></b> Using the EBO valuation model, we get an implied fundamental value of \$75.09/share</p> <p><b><u>Relative Valuation:</u></b> We used GE, MMM, CMI, and DOV to compare. We got mixed numbers. While looks overvalued in few measures, the stock appears to be a bit overvalued in most of the measures</p> <p><b><u>Revenue and Earnings Estimates:</u></b> Danaher revenue and earnings per share stayed pretty close to the consensus estimate without any large percentage surprises</p> <p><b><u>Analyst Recommendations:</u></b> Almost all analysts' are bullish of Danaher with a vast majority recommending to buy.</p> <p><b><u>Institutional Ownership:</u></b> Two institutions only hold more than 5% of the shares, together holding a total of 16.59% of the shares. There is no notable change in the institutional ownership over the last three months</p> <p><b><u>Short Interest:</u></b> The short interest has been declining and the short ratio is only 1.90%</p> <p><b><u>Stock Price Chart:</u></b> The charts indicate that the stock is currently experiencing an upwards bullish momentum</p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## **Section (B) Company Profile**

### **(B-1) Profile**

Danaher Corporation (DHR) is a large American science and technology innovator headquartered in Washington, D.C. organized in 1969. They are a large global active company who acquired 12 companies just two years after being founded in 1984. They have experienced a great deal of growth due to the companies that they have acquired over the years. They produce products primarily in the fields of design, manufacturing, and marketing of industrial and consumer products.

Danaher operates in five major business segments. The percent breakdown of each segment based off of revenue is as follows: Environmental (18.77%), Industrial Technologies (17.77%), Test & Measurement (16.86%), Dental (10.85%), and Life Sciences & Diagnostics (35.75%). Danaher sales by region are as follows: United States (42.42%), China (8.54%), Germany (6.19%), Japan (4.07%), and Other Countries (38.79%).

Danaher calls their business model the Danaher Business System. Their core values are the fuel of the company. They strive to have exceptional people to develop outstanding plans, executing them by using world-class tools to construct sustainable processes, resulting in superior performance. Guiding these efforts is the philosophy rooted in quality, delivery, cost, and innovation.

The main competitors to Danaher are General Electric and 3M. Danaher has a relatively low market cap compared to these two companies who have a reasonable size advantage. Close to 75% of the sales growth has come from acquiring other companies. If these acquisitions are to slow down, they could see a halt in growth. Another large problem facing Danaher is the loss of some of their high level managers. Danaher has seen some its management leaving for high level positions with competitors in the industry.

Looking forward Danaher is expecting to focus on the challenging macroeconomic outlook especially the strong dollar. With over 50% of their revenue coming from outside the United States, Danaher will be heavily impacted by currency exchange rate risk. Danaher has continued to show growth but it will be interesting to see how they deal with these problems in the future. Danaher has just recently increased its dividends to stockholders by 35% which is an added incentive for some investors.

**(B-2) Revenue and Earnings History (Refer to the guidelines document for revenue and earnings data to be included)**

**REVENUE & EARNINGS PER SHARE**

		Revenue*	Earnings Per Share**
FY 2014	Dec '14	5,417.20	0.922
	Sep '14	4,870.30	0.950
	Jun '14	4,963.60	0.945
	Mar '14	4,662.70	0.811
FY 2013	Dec '13	5,266.70	1.106
	Sep '13	4,669.10	0.839
	Jun '13	4,737.50	0.870
	Mar '13	4,444.70	0.978

2014 Total Revenue: 19,913.8      Earnings Per Share: 3.628

2013 Total Revenue: 19,118      Earnings Per Share: 3.793

**1) What are your observations on revenue? Was there a notable up- or down-trend, year-over-year? Was there seasonable pattern?**

Revenues were fairly consistent for each quarter when compared to the same quarter last year, however each quarter did slightly better in 2014 than the same quarter in 2013. There was an increase in revenue of \$795.8 million in 2014 compared to 2013.

**2) Likewise, what are your observations on earnings?**

Earnings per share for 2014 and 2013 were fairly similar when compared to the same quarter of each year however there is more fluctuation then revenue. Earnings per share is lower in the first quarter of 2014, higher in the second and third, and then more noticeably lower in the fourth quarter. There is a decline of earnings per share of .165 from 2013 to 2014.

### **(B-3) Most Recent Quarterly Earnings Release**

**1) When was the company's most recent earning release?**

January 27, 2015

**2) In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate?**

Miss

**3) Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate?**

Match

**4) What did the management attribute the beat/miss to?**

Danaher missed the revenue consensus estimate by very little which was attributed to unfavorable currency translation.

**5) Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?**

Danaher anticipates that GAAP will be a reason for diluted net earnings per share reports. Looking forward their focus will be on the challenging macroeconomic outlook especially the strong dollar. They discuss that they will focus on high-impact growth investments and margin expansion.

**6) How did the stock react to that earnings release?**

On January 27, 2014 Danaher reported the earnings. Initially the stock went down from around \$84 to close \$82 on January 30. The stock then went up to \$85 by February 3 and has been continuing to rise since then currently at just above \$87.

**7) Other observations worth noting?**

## Section (C) Fundamental Valuation (EBO)

Include the following here:

Copy/paste completed Fundamental Valuation (EBO) Spreadsheet

DHR	PARAMETERS	FY1	FY2	Ltg	Long-te rm Gowth Period ( Years)									
	EPS Forecasts	4.34	4.74	9.40%	7									
	Total Equity	23378.10												
	Preferred Stock	0.00												
	Book Value (end of last fye)	23378.10				Fundamental Valuation (EBO) Model 1: 9, 10, or 12-year forecasting horizon (T=9, 10 or 12). with a 4, 5 or 7-year growth period.								
	Common Equity Shr. O/S	704.30												
	Book value/share (last fye)	33.193												
	30- Year T-Bond Rate	2.68%												
	E(r <sub>m</sub> )	7.00%												
	Beta	1.16												
	Discount Rate	7.69%												
	Dividend Payout Ratio (POR)	8.09%				Please download and save this template to your own storage device You only need to input values to cells highlighted in "yellow" The rest of the spreadsheet is calculated automatically Please read "Guidelines for FundamentalValuation_ProfLee_Spreadsheet" file carefully								
	Next Fisc Year end	2015												
	Current Fisc Mth (1 to 12)	3												
	Target ROE (industry avg.)	11.50%												
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
Long-term EPS Growth Rate (Ltg)			0.0940	0.0940	0.0940	0.0940	0.0940							
Forecasted EPS	4.34	4.74	5.19	5.67	6.21	6.79	7.43							
Beg. of year BV/Shr	33.193	37.182	41.539	46.305	51.519	57.223	63.463							
Implied ROE		0.127	0.125	0.123	0.120	0.119	0.117							
ROE	(Beg. ROE, from EPS forecasts)	0.131	0.127	0.125	0.123	0.120	0.119	0.117	0.117	0.116	0.115	0.115		
Abnormal ROE	(ROE-k)	0.054	0.051	0.048	0.046	0.044	0.042	0.040	0.040	0.039	0.039	0.038		
growth rate for B	(1-POR)*(ROE-1)	0.000	0.120	0.117	0.115	0.113	0.111	0.109	0.108	0.107	0.107	0.106		
Compounded growth		1.000	1.120	1.251	1.395	1.552	1.724	1.912	2.118	2.345	2.595	2.871		
growth*AROE		0.054	0.057	0.060	0.064	0.068	0.072	0.077	0.084	0.092	0.101	0.111		
required rate (k)	0.077	0.077	0.077	0.077	0.077	0.077	0.077	0.077	0.077	0.077	0.077	0.077		
Compound discount rate		1.077	1.160	1.249	1.345	1.448	1.560	1.680	1.809	1.948	2.098	2.259		
div. payout rate (k)	0.081													
Add to P/B	PV(growth*AROE)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05		
Cum P/B		1.05	1.10	1.15	1.19	1.24	1.29	1.33	1.38	1.43	1.47	1.52		
Add: Perpetuity														
beyond current yr	(Assume this yr's AROE forever)	0.65	0.64	0.62	0.61	0.61	0.60	0.59	0.60	0.62	0.63	0.64		
Total P/B	(P/B if we stop est. this period)	1.70	1.73	1.77	1.81	1.85	1.89	1.93	1.98	2.04	2.10	2.16		
Implied price		57.51	58.66	59.92	61.21	62.51	63.83	65.18	67.11	69.07	71.05	73.06		
Check:														
Beg. BV/Shr		33.193	37.182	41.539	46.305	51.519	57.223	63.463	70.290	77.825	86.139	95.308		
Implied EPS		4.340	4.740	5.186	5.673	6.206	6.790	7.428	8.198	9.045	9.976	10.999		
Implied EPS growth			0.092	0.094	0.094	0.094	0.094	0.094	0.104	0.103	0.103	0.103		

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): 4.34 and 4.74

Long-term growth rate: 9.40%

\*\*\* Indicate next to the number if you made an adjustment to the consensus LTG estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any \*\*\*

Book value /share (along with book value and number of shares outstanding):

Book value:	23,378.1 M
# of shares outstanding:	704.30 M
Book value / share:	33.19
Dividend payout ratio:	8.09%
Next fiscal year end:	2015
Current fiscal month:	3
Target ROE:	11.50%** (the industry average was very low compared to sector average, 3.91% vs 11.97, so we choose a number closer to sector average).

\*\*\* Indicate next to the number if you made an adjustment to the target ROE estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any \*\*\*

Discount rate	7.69%
---------------	-------

Input for discount rate:

Risk-free rate:	2.68%
-----------------	-------

Beta:	1.16
-------	------

Market risk premium:	7%
----------------------	----

## Output

Above normal growth period chosen: 7

\*\*\* Justify at the bottom of this panel your choice of abnormal growth period \*\*\*

EBO valuation (Implied price from the spreadsheet): \$ 75.09

1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.

The 52-week price range is 70.12 - 88.10. So the implied fundamental value is within the this range.

2) What might be "soft spots" of the inputs? And why?

- Long term growth rate. As there is just one analyst estimate for this number

- ROE 5 year average. Because we used sector average instead of industry

## Sensitivity Analysis

1) Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case

2) Other observations worth noting

EBO valuation would be (you can include more than one scenario in each of the following):

70.72 if changing above normal growth period to 5 years

\_\_\_\_\_ if changing growth rate from mean (consensus) to the highest estimate

\_\_\_\_\_ if changing growth rate from mean (consensus) to the lowest estimate

There is just one growth rate estimate

66.28 if changing discount rate to 8.27%

57.17 if changing target ROE to 9%

## Section (D) Relative Valuation

Copy/paste your completed relative valuation spreadsheet here

				Mean FY2									
				Earnings Estimate		Forward	Mean LT	PEG	P/B	ROE	Value	P/S	P/CF
	Ticker	Name	Mkt Cap	Current Price	(next fiscal year)	P/E	Growth Rate		(MRQ)	5 yr ave	Ratio	TTM	TTM
1	GE	General Electric	\$ 262,410.00	\$ 26.11	\$ 1.82	14.35	5.36%	2.68	2.03	11.52%	0.18	1.75	14.23
2	MMM	3M Co	\$ 108,220.00	\$ 170.50	\$ 9.00	18.94	9.48%	2.00	8.18	28.35%	0.29	3.37	16.73
3	CMI	Cummins	\$ 25,980.00	\$ 143.43	\$ 11.27	12.73	13.67%	0.93	3.34	25.53%	0.13	1.35	11.81
4	DOV	Dover	\$ 11,810.00	\$ 72.41	\$ 5.12	14.14	9.33%	1.52	3.23	15.30%	0.21	1.54	10.64
	DHR	Danaher	\$ 61,730.00	\$ 87.47	\$ 4.74	18.45	9.40%	1.96	2.63	12.56%	0.21	3.09	17.4
		Implied Price based on:				P/E (forward)		PEG	P/B		Value	P/S	P/CF
1	GE	General Electric				\$68.00		\$119.26	\$67.51		\$73.61	\$49.54	\$71.53
2	MMM	3M Co				\$89.80		\$89.04	\$272.05		\$120.53	\$95.40	\$84.10
3	CMI	Cummins				\$60.32		\$41.48	\$111.08		\$54.65	\$38.22	\$59.37
4	DOV	Dover				\$67.04		\$67.54	\$107.43		\$88.19	\$43.59	\$53.49
		High				\$89.80		\$119.26	\$272.05		\$120.53	\$95.40	\$84.10
		Low				\$60.32		\$41.48	\$67.51		\$54.65	\$38.22	\$53.49
		Mean				\$71.29		\$79.33	\$95.34		\$84.24	\$56.69	\$67.12

**Note:** Your discussions in this section should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM). If you made a decision excluding a competitor from calculation of median of a particular valuation multiple, you must justify your decision (i.e., reasons why you feel strongly that particular valuation multiple from a particular competitor is not a good indicator).

We choose General Electric, 3M, Cummins, and Dover to be our comparables. While GE and 3M are considered as big compared to Danaher, Cummins and Dover however are considered to be small when compared to Danaher.

- 1) Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.



We find that Danaher has a larger Forward P/E ratio compared to the comparables with an exception of 3M Co which is marginally higher. For the PEG ratio, Danaher sits in the middle among the companies with a value of 1.96. For P/B ratio, Danaher's is 2.63, while all of the stocks lie between 2.03 to 3.34 except 3M which has a ratio of 8.18, as this number is way higher, we consider it to be an outlier and exclude it in the Mean implied value calculation. Our company's 3.09 P/S ratio is higher than all the other comparables except 3M which has a ratio of 3.37. Danaher's P/CF ratio is 17.4 the highest among the companies in our analysis.

- 2) Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain whether it makes sense.**

It looks that most of the implied prices lie within our 52-week range. It looks expensive when using P/S and P/CF ratios, a bit overvalued with respect to Forward P/E and PEG ratios, and undervalued when P/B ratio is considered even though we exclude 3M from our mean calculation which we deem it as an outlier here. We find that Danaher is relatively cheaper than 3M, a bit more expensive than GE, and significantly expensive when compared to Cummins and Dover.

- 3) Compare your findings with comments from analysts from *Morningstar Direct* and other online resources.**

- 4) Other observations worth noting?**

## Section (E) Revenue and Earnings Estimates

(E-1)

### HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-14	5,389.96	5,417.20	27.24	0.51

Quarter Ending Sep-14	4,895.68	4,870.30	25.38	-0.52
Quarter Ending Jun-14	4,969.65	4,963.60	6.05	-0.12
Quarter Ending Mar-14	4,674.69	4,662.70	11.99	-0.26
Quarter Ending Dec-13	5,199.78	5,266.70	66.92	1.29

#### Earnings (per share)

Quarter Ending Dec-14	1.03	1.04	0.01	1.34
Quarter Ending Sep-14	0.89	0.90	0.01	0.85
Quarter Ending Jun-14	0.94	0.93	0.01	-1.06
Quarter Ending Mar-14	0.80	0.81	0.01	1.31
Quarter Ending Dec-13	0.95	0.96	0.01	0.63

Danaher stays actual revenue and earnings per share stays consistent with the analysts' estimates for the most part. The percentage surprise is rarely much higher than a percent. The earnings per share experienced slightly higher surprises with most of them being positive for the quarter. Although the revenue surprise was negative for 3 out of the 5 quarters shown, the percentage of surprise was very low for each quarter with the highest being a positive 1.

## (E-2)

### CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Mar-15	17	4,846.52	5,059.90	4,734.60	4,907.18

Quarter Ending Jun-15	16	5,166.65	5,410.10	5,046.30	5,260.35
Year Ending Dec-15	20	20,810.10	21,578.90	20,262.90	21,247.60
Year Ending Dec-16	17	21,883.80	23,164.00	20,956.50	22,410.80
<b>Earnings (per share)</b>					
Quarter Ending Mar-15	18	0.94	0.98	0.92	0.91
Quarter Ending Jun-15	16	1.09	1.13	1.05	1.05
Year Ending Dec-15	19	4.34	4.44	3.88	4.18
Year Ending Dec-16	17	4.74	4.93	4.43	4.50
LT Growth Rate (%)	1	9.40	9.40	9.40	12.50

#### Percentage Difference in Revenue of High Estimate from the Mean

Q1: 4.4% Q2: 4.71% FY1: 3.69% FY2: 5.85%

#### Percentage Difference in Revenue of Low Estimate from the Mean

Q1: 2.31% Q2: 2.33% FY1: 2.63% FY2: 4.24%

#### Percentage Difference in Earnings Per Share of High Estimate from the Mean

Q1: 4.25 Q2: 3.67% FY1: 2.3% FY2: 4%

#### Percentage Difference in Earnings Per Share of Low Estimate from the Mean

Q1: 2.13% Q2: 3.67% FY1: 10.6% FY2: 6.54%

The percentage difference are not much higher or lower for revenues or earnings per share.

The same goes for the two quarters and the two future years. The only real outlier is FY1 in earnings per share of low estimate from the mean at 10.6%. The High Estimate from the mean have a greater difference than the low estimate from the mean for both revenue and earnings per share. There is only one analyst providing an estimate for the long term growth rate compared to 16-20 analysts that provide estimates on the revenue and earnings per share.

**(E-3)****CONSENSUS ESTIMATES TREND**

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Mar-15	4,846.52	4,846.52	4,879.39	4,955.39	4,907.18
Quarter Ending Jun-15	5,166.65	5,166.65	5,201.02	5,274.62	5,260.35
Year Ending Dec-15	20,810.10	20,810.10	20,929.80	21,122.20	21,247.60
Year Ending Dec-16	21,883.80	21,883.80	21,988.20	22,283.80	22,410.80
<b>Earnings (per share)</b>					
Quarter Ending Mar-15	0.94	0.94	0.97	0.98	0.91
Quarter Ending Jun-15	1.09	1.09	1.11	1.12	1.05
Year Ending Dec-15	4.34	4.34	4.40	4.32	4.18
Year Ending Dec-16	4.74	4.74	4.80	4.62	4.50

Revenue is trending slightly down for Q1, Q2, FY1, and FY2, however earnings per share is trending up for Q1, Q2, FY1, and FY2. The declining trend is quite minimal and is not much greater whether comparing quarters, future years, revenue, or earnings.

**(E-4)**

**ESTIMATES REVISIONS SUMMARY**

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Mar-15	0	0	3	8
Quarter Ending Jun-15	0	0	3	6
Year Ending Dec-15	0	0	7	13
Year Ending Dec-16	0	0	7	7
<b>Earnings</b>				
Quarter Ending Mar-15	0	0	0	8
Quarter Ending Jun-15	0	0	2	6
Year Ending Dec-15	0	0	1	12
Year Ending Dec-16	0	0	2	8

There have been no revisions made in the last week. Within the last four weeks there have been noticeable more revisions going down for every quarter and future year except for in the year ending in 2016 which has an equal number of 7 revisions going up and down.

**(E-5) “Consensus Earnings Revisions” from CNBC**

**There were no consensus earnings revisions found on CNBC for DanaHER**

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.**

The last earnings report date was January 27, 2015 and the next earnings report date is expected to be April 15, 2015

- 2) Review revisions day by day, and comment on (1) whether they tend to be clustered, and (2) if clustered, were they near earnings reporting date?**

There were no consensus earnings revisions for on CNBC for Danaher

- 3) Were there any greater than 10% consensus revisions? What is the maximum % consensus revision?**

N/A

- 4) Observe stock price chart, how did the stock trade around dates of greater than 10% consensus revisions?**

N/A

- 5) Other observations worth noting?**

N/A

## Section (F) Analysts' Recommendations

### (F-1) Reuters Most Recent Three Months Analysts Recommendations

Copy/paste the "Analyst Recommendations and Revisions" Table from

<http://www.reuters.com/>, "Analysts" tab. NOTE: Make sure you copy the entire table including "Mean Rating" at the bottom of the table.

#### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	11	11	10	10
(2) OUTPERFORM	6	6	7	7
(3) HOLD	3	3	2	2
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.60	1.60	1.58	1.58

#### 1) Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish?

The vast majority of analysts are bullish on the stock. The trend of analysts' suggestions shows that they think buying the stock is the best option. With no analysts suggesting to sell or even that it will underperform it is clear that they are bullish on Danaher.

#### 2) How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago?

Analysts' suggestions of the stock started with 10 recommending to buy 2 and 3 months ago and 11 recommending to buy last month and currently. A decent amount suggest it will outperform while very few suggest just holding the stock over the past three months. No analysts suggest selling or that the stock will underperform showing that the consensus from analysts' is bullish.

**3) Is there a notable trend of opinion convergence or divergence?**

Analysts have kept their rating for the most part so there is neither a notable trend of opinion convergence or divergence.

**4) Cross check (1) *Morningstar* analyst's research report; and (2) media or other analysts' comments from online financial sites. Is what you see here consistent to comments elsewhere?**

The analysts' consensus from Morningstar and Yahoo Finance are all essentially the same as Reuters. They all strongly suggest a buy with a few suggesting an over performance with only couple suggesting a hold. No analyst from any of these sources suggested selling the stock over the past three months.

**5) Other observations worth noting?**

**NOTE: On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. Some other online sites have opposite scale, with their "1" being the most bearish and "5" being the most bullish recommendations.**

For Yahoo Finance the mean recommendation among analysts is a 1.7 for this week and last week showing that they feel very bullish on the stock. Reuters analysts' mean recommendation is very similar at 1.6 being slightly more bullish than Yahoo Finance. The general consensus from various analysts is that it is a good idea to buy stock in Danaher. Analysts' predictions are not always correct so it will be good to look at other information to decide whether or not it is a good investment for the Cougar Investment Fund to make.



**(F-2)**

**There were no upgrades or downgrades found on CNBC for Danaher**

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.**

The last earnings report date was January 27, 2015 and the next earnings report date is expected to be April 15, 2015

- 2) Add up the number of upgrades on weekly basis. Do the same for downgrades. Were there more up- or down-grades? Were there any consistent trend you observe in the recent month? Were there any up- or down-grades of more than "one grade"?**

There were no upgrades or downgrades found on CNBC for Danaher

- 3) Were there clustering of up- or down-grades? If so, were they clustered around earnings report date?**

N/A

- 4) Observe stock price chart, how did the stock trade around dates of up- or down-grades?**

N/A

- 5) Other observations worth noting?**

N/A

## Section (G) Institutional Ownership (Guidelines Have Been Updated)

Copy/paste the completed "CIF Institutional Ownership" spreadsheet here.

<b>Section 1</b>				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			705,801,429	100.00%
# of Holders; Total Shares Held/% Shares	1,206	104.60%	558,500,671	79.13%
# New Positions	104	9.02%		
# Closed Positions	51	4.42%		
# Increased Positions	444	38.51%		
# Decreased Positions	493	42.76%		
Beg. Total Inst. Positions	1,153	100.00%	557,398,976	78.97%
# Net Buyers; 3 Mo. Net Chg	-49	47.39%	1,101,695	0.16%
<b>Section 2</b>				
Ownership Information	% Outstanding			
% Institutional Ownership	82.50			
Top 10 Institutions % Ownership	37.16%			
Mutual Fund % Ownership	43.08%			
<b>Section 3</b>				
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
T. Rowe Price Associates, Inc.	10.80%	12/31/2014		
Fidelity Management and Research	5.79%	12/31/2014		
Vanguard Group, Inc.	4.56%	12/31/2014		

**Combine information provided in all three sections to discuss:**

- 1) Whether institutions, on net basis, have been increasing or decreasing ownership and whether the change can be considered as substantial**

It has decreasing ownership of 49 but this is insignificant as it is just 0.16% of total shares outstanding.

- 2) Whether the stock has sizable institution interests/support**

No as the largest interest is 10.8% which is held by T.Rowe Price

- 3) The extent of the (> 5%) owners by adding up all >5% ownership, and make an effort to identify those that are mutual funds**

There is just two who own more than 5% which are T. Rowe Price (10.80%) and Fidelity (5.79%) which bring it to a total of 16.59%. To break T. Rowe Price ownership up, more than 3 of its different mutual funds hold positions of the stock such as T. Rowe Price Capital Appreciation Fund (1.74%), T. Rowe Price Growth Stock Fund (1.47%), and T. Rowe Price Blue Chip Growth Fund (1.13%).

**Note:**

**Select “mutual fund ownership” in the view box, it will bring up large mutual fund ownership. Cross check the two lists. You need to know that the “institution ownership” list is reported at the fund family level, while the “mutual fund ownership” list is reported at the fund level.**

**Alternatively, you can google funds included in the “institution ownership” list to learn if they are mutual fund family or hedged funds, etc.**

- 4) Other observations worth noting?**

## Section (H) Short Interest (**Guidelines for H-2 Have Been Updated**)

(H-1) Short Interest Data from <http://www.nasdaq.com/> (NASDAQ's website)

Copy/paste or type the information from "short interest" table for (1) your stock and (2) two competitors (in separate tables). You will start from the most recent release date, and go back for a year (some stocks may not have data going back 1 year)

Copy/paste the chart to the right of the "short interest" table, immediately follow the table below

Settlement Date	Short Interest	Avg. Daily Shr. Vol.	# of Days to Cover
2/13/2015	5,849,644	2,460,034	2.377871
1/30/2015	4,728,523	3,463,822	1.365117
1/15/2015	6,626,295	3,220,240	2.057702
12/31/2014	6,155,201	2,699,089	2.280474
12/15/2014	6,264,766	2,568,105	2.439451
11/28/2014	6,281,458	1,830,185	3.432144
11/14/2014	6,090,183	2,451,192	2.484580
10/31/2014	6,490,586	3,389,366	1.914985
10/15/2014	5,343,483	4,375,161	1.221323
9/30/2014	5,828,384	3,411,374	1.708515
9/15/2014	5,986,937	2,252,406	2.658019
8/29/2014	7,715,538	1,794,884	4.298628
8/15/2014	7,762,596	3,281,041	2.365894
7/31/2014	7,677,171	4,502,743	1.704999
7/15/2014	6,401,503	2,447,301	2.615740
6/30/2014	7,030,902	2,569,051	2.736770
6/13/2014	7,122,879	2,294,971	3.103690
5/30/2014	7,167,232	3,060,099	2.342157
5/15/2014	6,039,625	2,929,882	2.061388
4/30/2014	5,666,744	4,258,288	1.330756
4/15/2014	5,644,996	2,775,459	2.033896
3/31/2014	5,439,336	2,316,103	2.348486
3/14/2014	5,499,878	2,537,032	2.167839

<http://www.nasdaq.com/symbol/dhr/short-interest#ixzz3THUpQApk>

(H-2) Short Interest Data From <http://finance.yahoo.com/>

Copy/paste required data from the “*share statistics*” table to the following table for (1) your stock, and (2) two competitors (in separate tables).

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,795,420	2,469,640	705.78 Million	612.94 Million
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
5.85 Million (as of Feb 13, 2015)	1.90% (as of Feb 13, 2015)	1.00% (as of Feb 13, 2015)	4.73 Million

- 1) Make note of the company’s (1) last earnings reporting date, and (2) next earnings reporting date.

The last earnings reporting date for 2014 4th quarter was on 1/27/2015. While the next earnings reporting date is expected to be sometime between 15-20 of April

- 2) Discuss market sentiment on the stock based on the short interest statistics, recent trend reported in in (H-1) and (H-2)? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?

The short interest has been declining over the last few months but increased in the last two weeks. Yet the short ratio is just 1.90%, we think the stock is more bullish.

- 3) From (H-1), observe “short interest” and “# of days to cover” values for two reporting dates immediately before and one reporting date immediately after earnings report. (1) Were there notable increase or decrease in the values, right before or right after earnings report? (2) Observe stock price chart and comment on how stock traded around those dates.

The short interest has significantly declined from 6.6 million shares to 4.7 million shares, likewise, the # days of to cover decreased from 2.10 to 1.36.

- 4) Other observations worth noting?

## Section (I) Stock Charts (Guidelines for I-4 Have Been Updated)

For (I-1) – (I-3), the stock price charts should include (1) your stock, (2) 1 competitor, (3) sector ETF, and (4) SP500



### (I-1) A three months price chart

Copy/paste the “3 Mos.” stock chart here



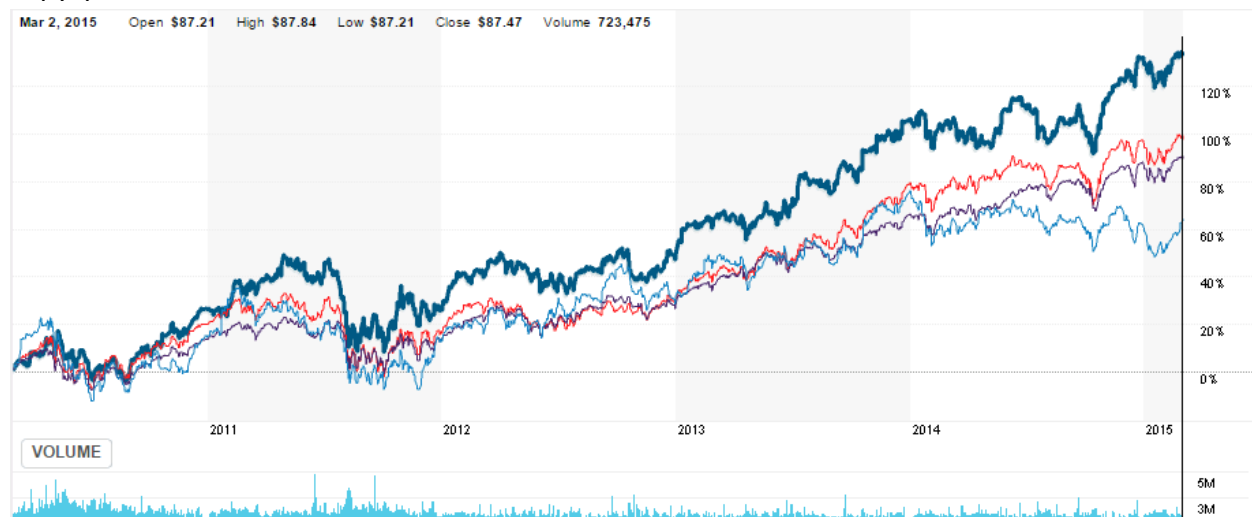
### (I-2) A one year price chart

Copy/paste the “1 Yr” stock chart here



### (I-3) A five year price chart

Copy/paste the “5 Yrs.” stock chart here



- 1) (I-1) – (I-3) Discuss what you observe from the above stock price charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.**

Danaher has gained the most when compared to S&P 500, Industrials sector SPDR, and GE in all of the three time horizons. It appears that its price movement is reasonably correlated with the movements of S&P 500 and Industrials sector while GE has been underperforming especially in the last two years.

- 2) Other observations worth noting?**

**(I-4) Technical Indicators (“Moving Average” and “Relative Strength Index” from <https://www.google.com/finance?tab=we>**

**Short-term moving average and relative strength index indicators**



Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report

### Long-term moving average and relative strength index indicators



Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report

### 1) Discuss your findings from these sets of technical indicators. Compare your findings here to findings from fundamental analysis. Are findings from technical analysis supportive of your other findings?

The short-term moving average graph indicates that the stock has been recently bullish because the price has just went above the moving averages in early February. In addition, The 10-day moving average passed the 50-day moving average in mid-February. These two trends send bullish signals. Regarding RSI, while it was in the 70s range recently, it has declined to 58 in the most recent trading day. The long-term graph shows that the stock has been steadily increasing over the last few years



while experiencing some minor corrections occasionally. The RSI appears to have fluctuating cycles two or three times a year.

While our fundamental analysis shows that the stock is a bit overvalued, the technical indicators suggest that the stock is up taking a bullish momentum.

**2) Other observations worth noting?**