

Desautels Capital Management

Honours in Investment Management

Danaher Corporation

NYSE: DHR

Healthcare

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We do not find any companies that we would consider purchasing in Canadian HC public markets

The Screening Process



Geography:
Canada



Industry:
Healthcare



Business:
Unique offering



Trading Below Cash:
Is there an opportunity?



Companies in sectors that we don't want exposure or don't have the expertise

Source: Capital IQ

Strong historical performance with diversified exposure to the healthcare and life sciences industries

The Screening Process



Geography:
U.S



Industry:
Healthcare



Business:
Diversified Offering



Performance:
Strong historical performance



DANAHER

NYSE: DHR

1

Market leader with diversified portfolio

2

Strategic shift towards secular trends

3

Recurring revenue

Danaher provides broad exposure to HC And life sciences without requiring DCM to take a singular bet on one company

Executive Summary

XXXXX

Company Description



Global family of 20+ operating companies across 60 countries, focused on the design, manufacturing, and marketing of professional, medical, industrial and commercial products and services within the Life Sciences, Diagnostics, & Environmental & Applied Solutions segments

\$189B
Market Cap

\$29.6B
LTM Total Revenue

20.0x
EV/LTM EBITDA

1

Misinterpreted Cash Flow growth potential due to Covid-related revenue

No 'COVID Cliff' – pandemic becoming endemic shows minimal decline which should be offset by strong base-business revenues

2

Underappreciated M&A Strategy will drive up long-term value and present potential clear catalysts

Strategic portfolio transformation positioning DHR to benefit from secular trends outside of COVID

\$264.80
Current Price

\$347.50
Target Price

+32%
Upside

Source: Bloomberg , Company filings

I. Business Overview

- a. Corporate History
- b. Company Overview
- c. Business Model Overview
- d. Annotated Price Chart

II. Investment Theses

- a. Thesis 1 – Misinterpreted Cash Flow growth potential due to Covid-related revenue
- b. Thesis 2 – Underappreciated M&A Strategy will drive up long-term value and present potential clear catalysts

III. Valuation

- a. Comparable Company Analysis
- b. Discounted Cash Flow Analysis

IV. Risks and Catalysts

Desautels Capital Management

Honours in Investment Management

Business Overview

Section I



United States' largest life science giant

- Danaher Corporation (Danaher) designs, manufactures and markets professional, medical, industrial and commercial products and services.

Key Executives:

- 1 Rales, Steven M.: Chairman
- 2 Blair, Rainer M.: CEO
- 3 McGrew, Matthew R.: CFO

Financial Summary

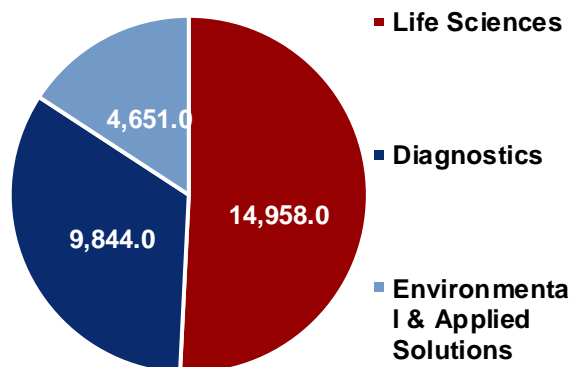
	2016	2017	2018	2019	2020	2021	2022E
Total Revenue		15,518.8	17,049.0	17,911.0	22,284.0	29,453.0	30,991.62
YoY Growth %		(8.1%)	9.9%	5.1%	24.4%	32.2%	5.22%
Gross Profit		8,571.3	9,505.0	9,984.0	13,043.0	18,056.0	-
Margin %		55.2%	55.8%	55.7%	58.5%	61.3%	60.85%
EBITDA⁽²⁾		3,719.9	4,268.0	4,470.0	6,612.0	10,336.0	10,833.27
Margin %		24.0%	25.0%	25.0%	29.7%	35.1%	34.96%
EBIT		2,603.0	3,090.0	3,281.0	4,837.0	8,168.0	8,445.72
Margin %		16.8%	18.1%	18.3%	21.7%	27.7%	27.25%
Net Income		2,492.1	2,651.0	3,008.0	3,646.0	6,433.0	7,771.97
Margin %		16.1%	15.5%	16.8%	16.4%	21.8%	25.08%

Summary Valuation⁽¹⁾

\$M M, except per share data	
Share Price	\$262.52
Shares Out.	715.4
Market Capitalization	187,794.4
- Cash & CE	2,586.0
+ Total Debt	23,272.0
+ Pref. Equity	3,268.0
+ Minority Interest	10.0
Total Enterprise Value	211,758.4
Book Value of Equity	41,899.0
+ Pref. Equity	3,268.0
+ Minority Interest	10.0
+ Total Debt	23,272.0
= Total Capital	68,449.0

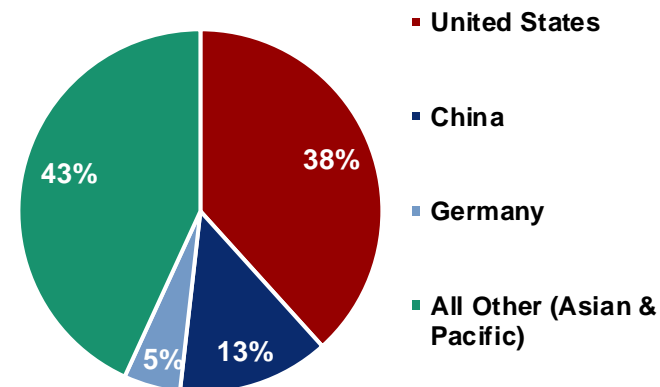
Revenue Breakdown

FY 2021 (ended December 31st, 2021)



International Footprint

FY 2021 (ended December 31st, 2021)



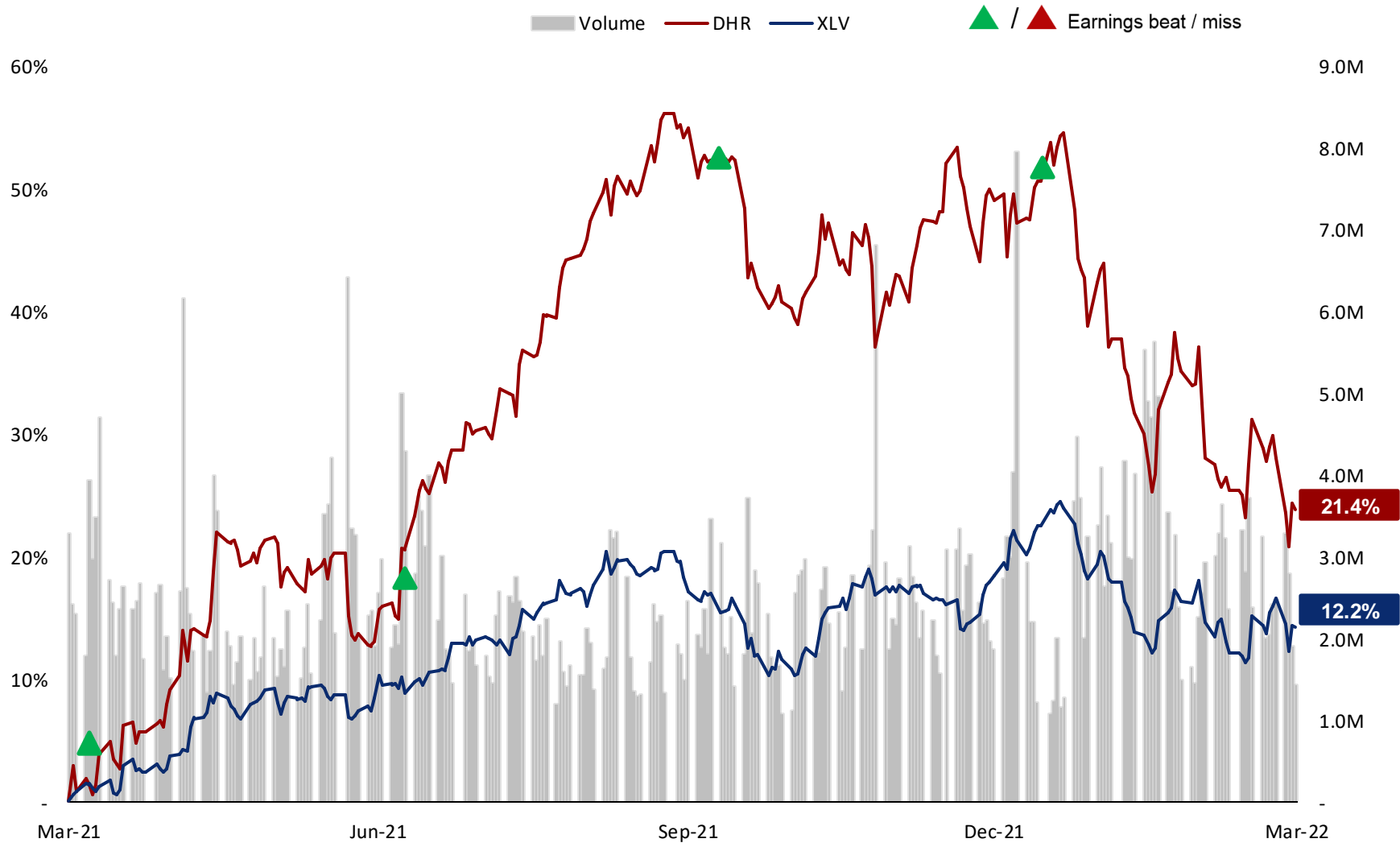
Notes:

1. Market data as of October 15, 2021
2. EBITDA and EPS adjustments include the impact of GAAP income tax, goodwill, intangible and other long-lived asset impairment charges, non-cash share-based compensation expense, sponsor fees, loss on extinguishment of debt, interest rate derivatives, and certain items on a pre-tax basis

Source: Capital IQ, Company Filings

Annotated Stock Chart

Outperforming benchmark given superior CF return



high correlation, but superior return with the S&P healthcare-select, a benchmark composed of best quality US healthcare large cap companies

Source: Company Filings, Equity Research

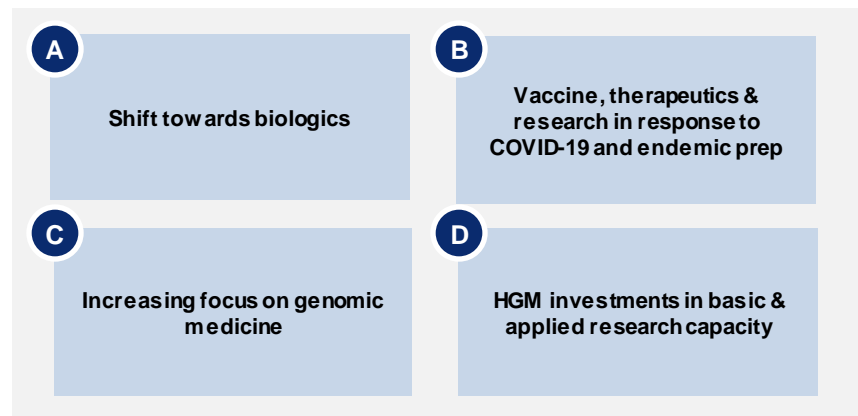
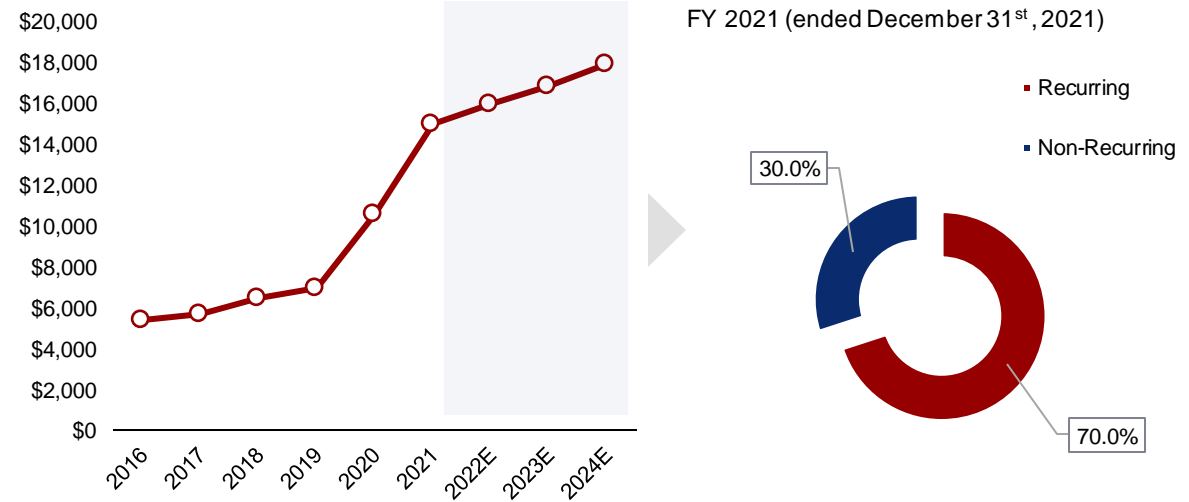
How do this company make money?

- Danaher's Life Sciences companies make this leading-edge scientific research possible at clinical research facilities, academic institutions and government agencies.
- Its capabilities extend beyond research with the world's most advanced filtration, separation and purification technologies, which power the creation of biopharma, microelectronics.

Operations

- Producing plasmid DNA, mRNA, proteins
- Equipment for therapeutics development
- Bio-processing
- Bio-pharmaceuticals

Life Science Historical Segment Revenue & Revenue Mix



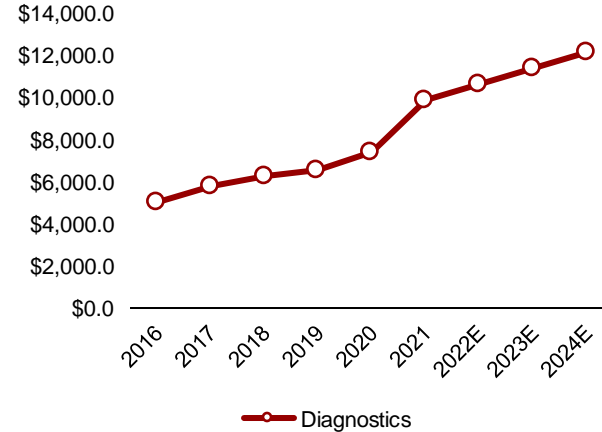
Positioned for superior growth – genomic medical, bio-similar, bio-pharma

Source: Company Filings, Equity Research

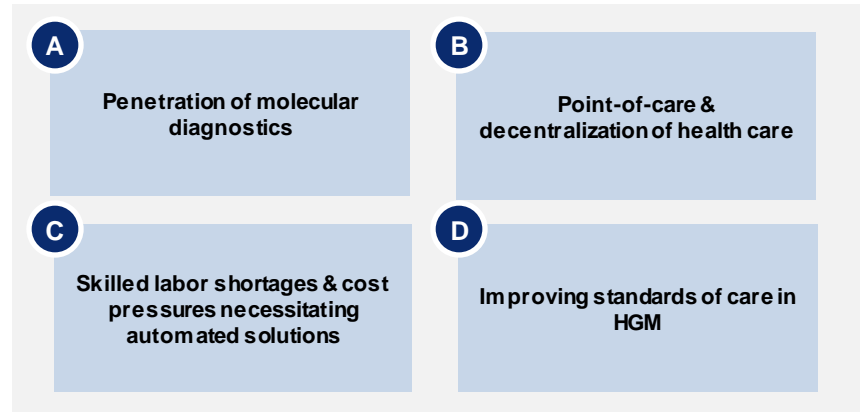
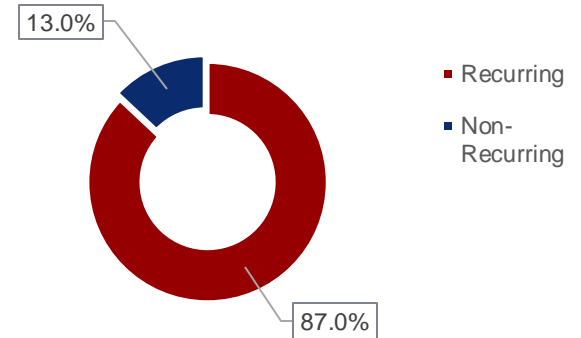
How do this company make money?

- Danaher's Diagnostics businesses safeguard patient health and improve diagnostic confidence with the most advanced tools and software available
- Its innovative companies help the medical field keep pace through powerful preventative and predictive care, automated processes and mobile equipment

Life Science Historical Segment Revenue & Revenue Mix



FY 2021 (ended December 31st, 2021)



Steady recurring revenue as sign of superior product moat

Source: Company Filings, Equity Research

How do this company make money?

- Product Identification businesses touch consumer, industrial and pharmaceutical products throughout the supply chain.
- Water Quality businesses deliver precision instrumentation and advanced purification technology to help analyze, treat and manage the world's water, from municipal and wastewater treatment facilities to lakes, streams and oceans.

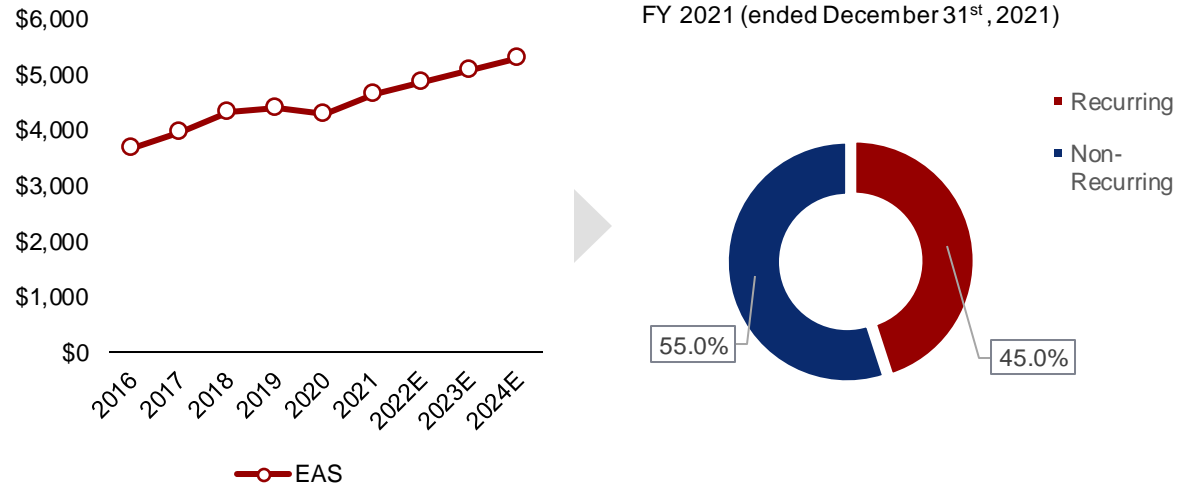
PRODUCT IDENTIFICATION

- Workflow solutions
- Industrials

WATER QUALITY

- Water filtration
- Water testing
- Wastewater treatment

Life Science Historical Segment Revenue & Revenue Mix



GLOBAL GROWTH DRIVERS

- A** Demand for full workflow solutions and process efficiencies
- B** Packaging proliferation & brand consistency
- C** Quality & sustainability of water resources
Increasing regulatory requirement



Uncorrelated business but strong growth profile with great DBS discipline

Source: Company Filings, Equity Research

Desautels Capital Management

Honours in Investment Management

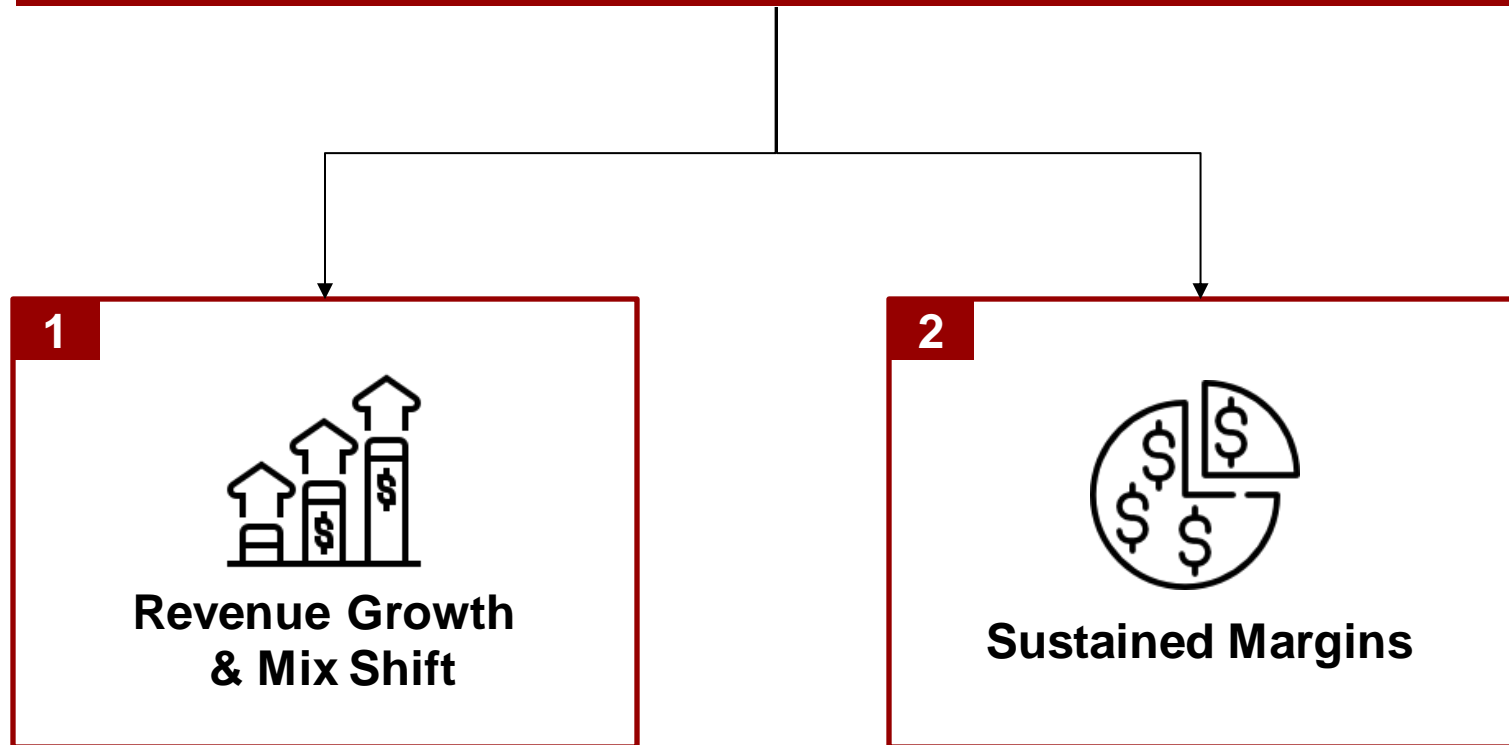
Investment Thesis I

Section II



DCM sees overreaction to anticipate pullback in COVID related topline growth

Thesis 1: Market overblowing potential COVID-Cliff and underestimating Cash Flow

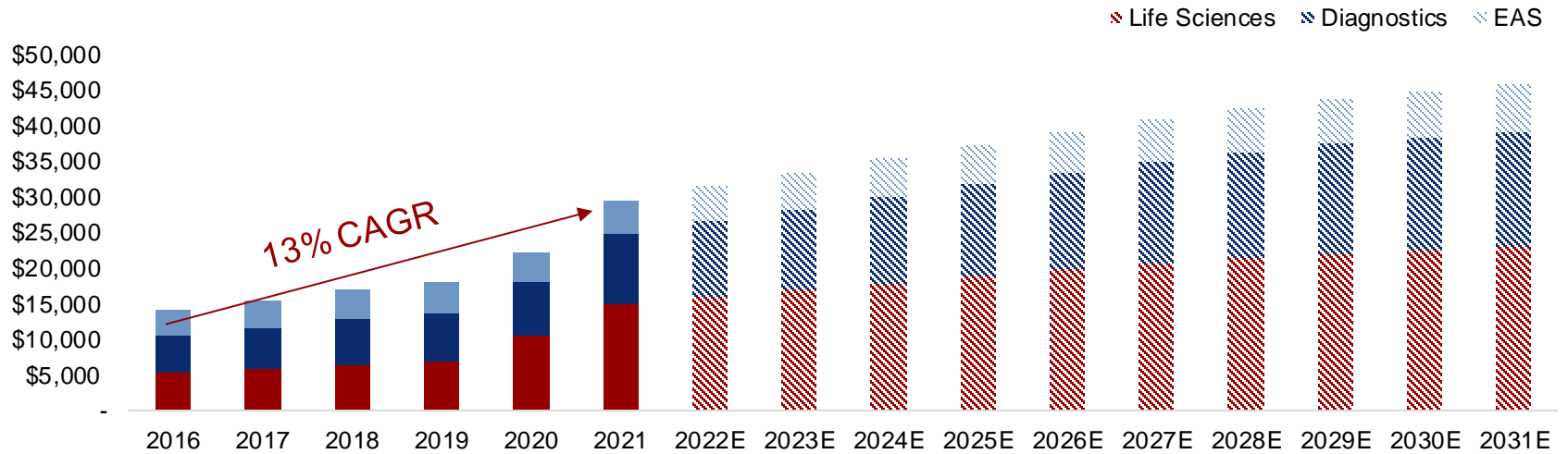


Source: Company Filings

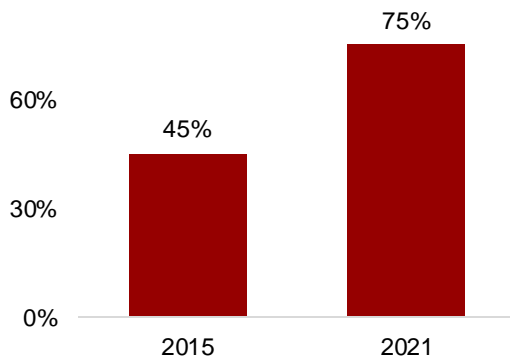
Pandemic likely to become endemic while historical core businesses continue to grow steadily

DHR Total Revenue

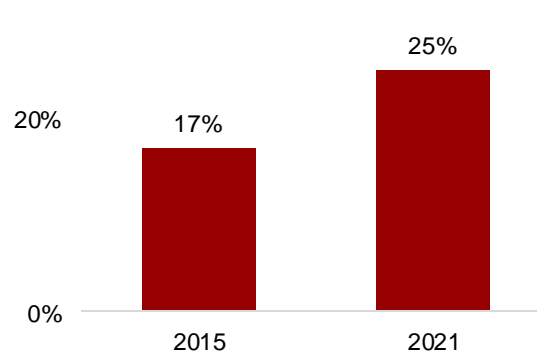
In USD \$M



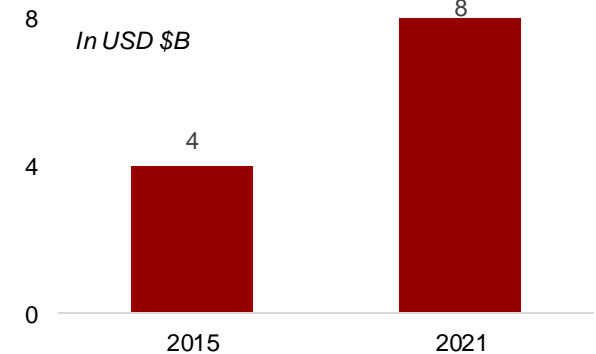
Recurring Revenue



Operating Profit Margin



Operating Cash Flow



Source: Company Filings, DCM Estimates

COVID-Cliff not as great a risk compared to other pandemic benefitting pharma players

Core Sales Growth YoY

Core Sales Growth and Core Sales Growth Including Cytiva	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018
Total Sales growth (GAAP)	32.0%	24.5%	5.0%
Impact of:			
Acquisitions/ Divestitures	(7.5%)	(18.0%)	(1.0%)
Currency exchange rates	(1.5%)	-	2.0%
Core Sales growth (non-GAAP)	23.0%	6.5%	6.0%
Impact of Cytiva sales growth (net of divested lines)	2.0%	3.0%	-
Core Sales growth including Cytiva (non-GAAP)	25.0%	9.5%	6.0%
COVID Impact	(13.5%)	-	-
Base Business Core Sales Growth (non-GAAP)	11.5%	9.5%	6.0%

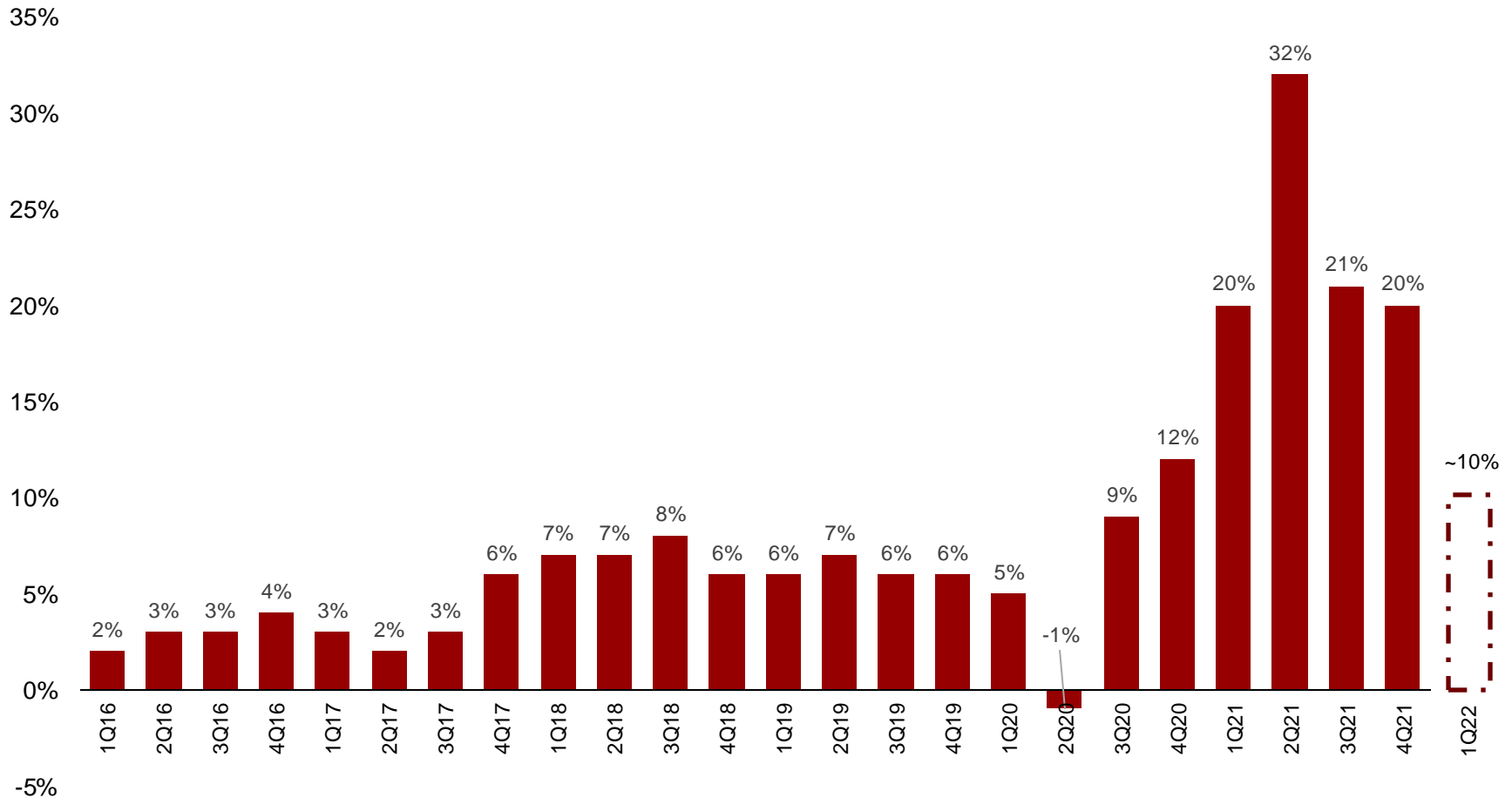
- COVID-related revenue contributed ~13.5% of YoY total sales growth in 2021 v. 2022
- Pandemic becoming endemic will continue to fuel COVID-vaccine related revenue
 - DHR will report non-testing COVID-revenue as part of base business core sales starting Q122
- Strong core sales growth leaves DHR more protected against “COVID-Cliff”

DHR benefited from the pandemic, however, the street is forgetting its stable growth pre-pandemic

Source: Company Filings

COVID-Cliff not as great a risk compared to other pandemic benefitting pharma players

Danaher Organic Growth



Note: this does not adjust for Fortive divesture in 2016 nor does it include impact from Cytiva acquisition in 2020

Slight pull-back in COVID topline is expected, however, revenue is expected to remain above pre-pandemic levels due to endemic & acquisitions

Source: Company Reports, RBC Capital Markets

Desautels Capital Management

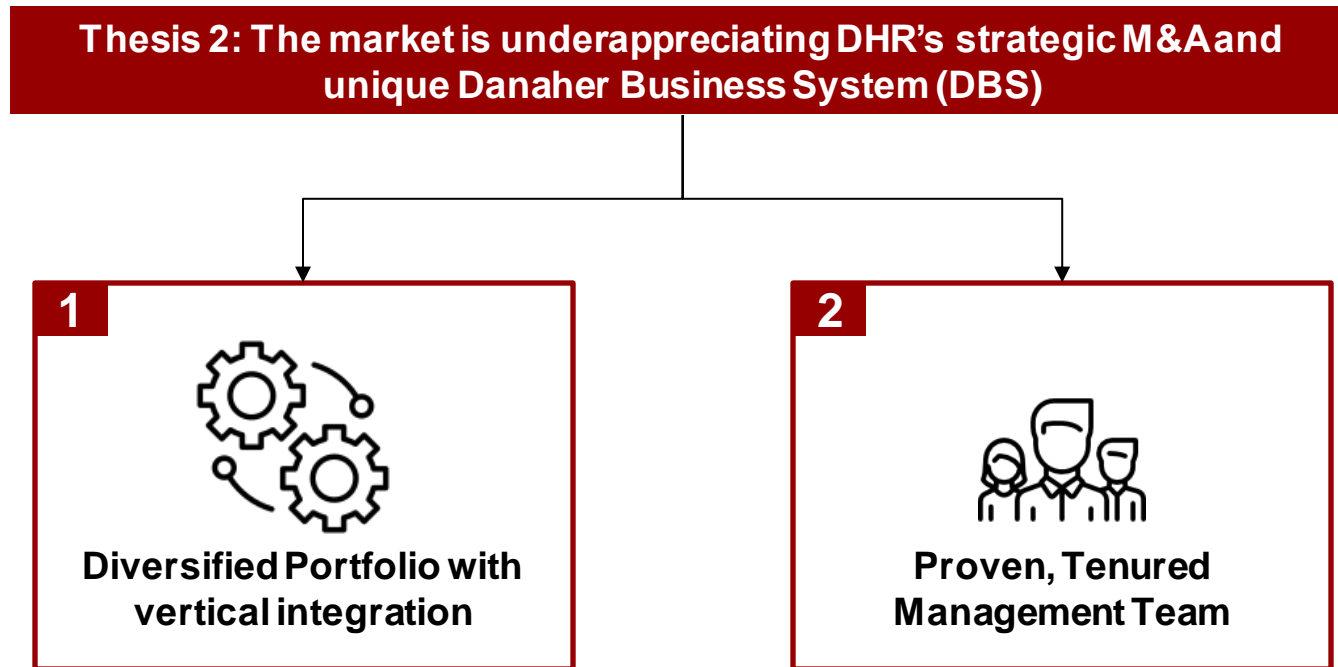
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Investment Thesis II

Section III



DCM believes DHR's strategic portfolio construction allows for diversified exposure with limited downside risk



Tenure Management Team with Strategic Vision

Senior Leadership



President & CEO – Rainer Blair

- With Danaher since 2010
- 30 years of experience in Life Science sector and operating roles
- Life Sciences platform has increased 5-fold since his assumption of leadership in 2014
- Well-proven, but underappreciated M&A strategy
 - Razor-Blade sales strategy
 - High value, ‘mission-critical’ applications
 - Long-term, strong secular growth driver
 - Regulatory requirements

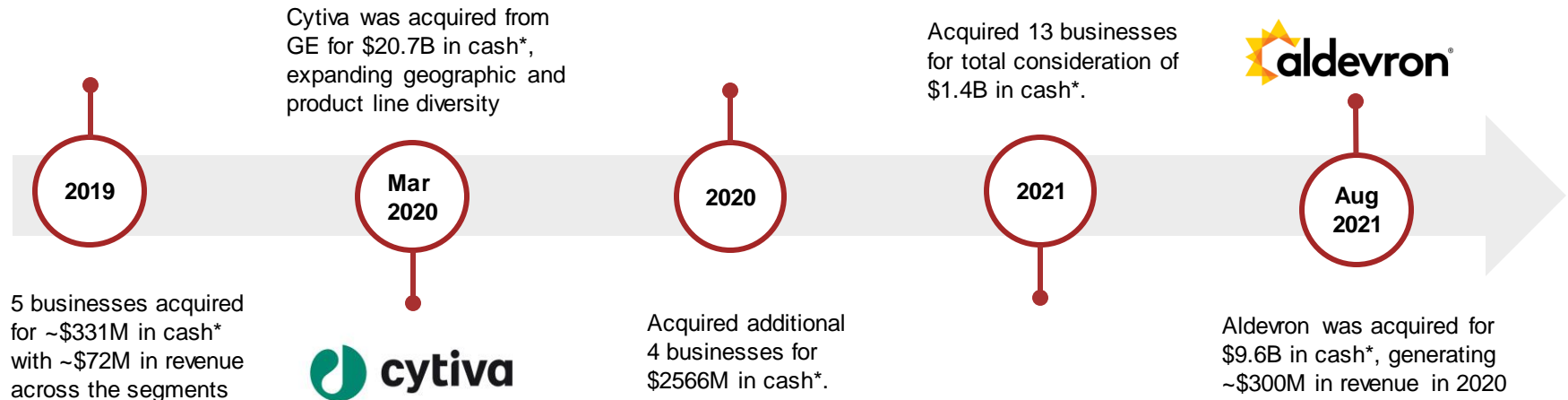


Portfolio Transformation

	Life Sciences	Diagnostics	Water Quality	Product ID
Strategic Growth Drivers	<ul style="list-style-type: none"> ▪ Shift towards biologics ▪ Increasing focus on genomic medicine 	<ul style="list-style-type: none"> ▪ Molecular Dx penetration ▪ Decentralization of health care to POC 	<ul style="list-style-type: none"> ▪ Water Scarcity ▪ Sustainability of water resources 	<ul style="list-style-type: none"> ▪ Food & Beverage safety ▪ Packaging proliferation
	+10x increase in cell & gene therapies	>70% of treatment decisions informed by clinical DX	33% of global population without access to clean drinking water	+2x Global packaging & Trace regulations

DHR focuses on strategic, complementary acquisitions to grow product line and geography – not just topline

Recent M&A History



Acquisition Snapshots



- Previously the Biopharma business from GE's Life Sciences division, that provides a range of products for genomic and gene therapy research including filtration, fermentation, protein analysis and more.
- It received significant demand for instruments and consumables used in research and development of COVID-19 treatments



- Aldevron manufactures high-quality plasmid DNA, mRNA, and proteins, serving biotechnology and pharmaceutical customers across research, clinical and commercial applications.
- The acquisition will expand DHR product line, including new product offerings in genomic medicine

*net of cash acquired

Recent acquisitions position DHR to benefit from COVID-19 as well as genomic medicine trends

Source: Company Filings

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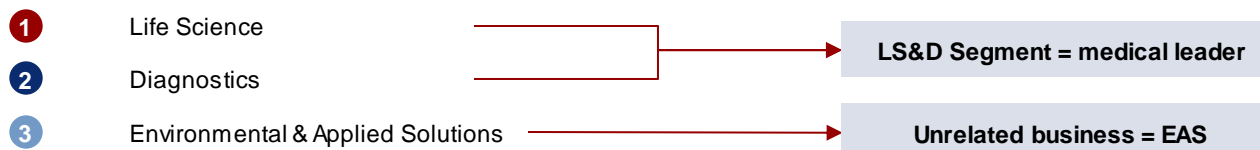
Valuation

Section IV



Comparable Company Analysis

Peer Group (in US\$ M, except ratios)	Ticker	Share Price	Market Cap.	Enterprise Value	EV / Sales				EV / EBITDA				EBITDA CAGR	Revenue CAGR	Net Debt / EBITDA
					LTM	2022E	2023E	2024E	LTM	2022E	2023E	2024E	19A - '22E	19A - '22E	LTM
Diversified solutions															
The Container Store Group, Inc.	TCS	7.93	393	939	0.9x	0.9x	0.9x	0.8x	5.5x	6.4x	6.8x	6.5x	(4.2%)	0.6%	3.2x
Infosys Limited	INFY	24.33	101,988	100,106	6.4x	6.3x	5.4x	4.8x	24.5x	23.8x	20.5x	18.0x	8.0%	7.4%	(0.5x)
Cognizant Solutions	CTSH	88.04	46,180	45,116	2.4x	2.2x	2.0x	1.9x	13.5x	11.9x	10.8x	9.9x	8.1%	6.6%	(0.3x)
Median			46,180	45,116	2.4x	2.2x	2.0x	1.9x	13.5x	11.9x	10.8x	9.9x	8.0%	6.6%	-0.3x
Mean			49,521	48,721	3.2x	3.1x	2.8x	2.5x	14.5x	14.0x	12.7x	11.5x	4.0%	4.8%	0.8x
Water Quality															
American Water Works Company, Inc.	AWK	152.08	27,637	38,581	9.8x	9.9x	9.3x	8.7x	20.2x	18.7x	17.1x	15.9x	6.1%	3.1%	5.7x
Essential Utilities, Inc.	WTRG	46.74	11,819	17,923	9.5x	9.1x	8.4x	7.8x	19.6x	17.5x	15.9x	14.9x	7.2%	5.0%	6.7x
California Water Service Group	CWT	56.68	3,044	4,083	5.2x	4.9x	4.7x	4.5x	16.3x	15.5x	13.9x	13.0x	5.8%	3.7%	4.1x
Median			11,819	17,923	9.5x	9.1x	8.4x	7.8x	19.6x	17.5x	15.9x	14.9x	6.1%	3.7%	5.7x
Mean			14,167	20,196	8.2x	8.0x	7.5x	7.0x	18.7x	17.2x	15.7x	14.6x	6.4%	3.9%	5.5x
LS&D															
Thermo Fisher Scientific Inc.	TMO	529.81	207,257	239,303	6.1x	5.7x	5.4x	5.0x	18.7x	20.4x	19.2x	17.2x	2.0%	5.2%	2.5x
Lonza Group AG	LONN	652.33	48,457	47,699	8.0x	7.3x	6.5x	5.8x	26.0x	23.0x	19.8x	17.4x	10.5%	8.5%	(0.5x)
Mettler-Toledo International Inc.	MTD	1311.22	29,903	31,606	8.5x	8.0x	7.6x	7.2x	29.4x	26.2x	24.0x	22.0x	7.6%	4.1%	1.6x
Agilent Technologies, Inc.	A	130.31	39,108	40,854	6.3x	6.1x	5.7x	5.3x	22.9x	21.5x	19.6x	17.9x	6.3%	4.7%	1.0x
Mettler-Toledo International Inc.	MTD	1311.22	29,903	31,606	8.5x	8.0x	7.6x	7.2x	29.4x	26.2x	24.0x	22.0x	7.6%	4.1%	1.6x
Median			39,108	40,854	8.0x	7.3x	6.5x	5.8x	26.0x	23.0x	19.8x	17.9x	7.6%	4.7%	1.6x
Mean			70,926	78,214	7.5x	7.0x	6.5x	6.1x	25.3x	23.4x	21.3x	19.3x	6.8%	5.3%	1.2x
Danaher Corporation	DHR	262.52	187,794	211,758	7.2x	6.8x	6.5x	6.0x	20.5x	19.5x	18.6x	16.7x	7.1%	4.6%	2.0x



LS&D Segment trading at discount compared to peers despite superior business model as a result of uncorrelated business in the EAS

Source: Capital IQ

Exceptional Valuation methodology



Step 1 – project UFCF of each segment

- | | | |
|--|---|---|
| <p>1 Revenue</p> <p>Base case = ER, management guidance
Bull = build on assumption of recurring revenue</p> | <p>2 Margin</p> <p>Base case = management guidance
Bull case = slight OMX supported by strong product moat</p> | <p>3 CapEx Projections</p> <p>Aggressively increasing at perpetual to reflect needs and manufacturing expansion on biopharma and genomic</p> |
|--|---|---|

Step 2 – Finding trading comparables for each segment

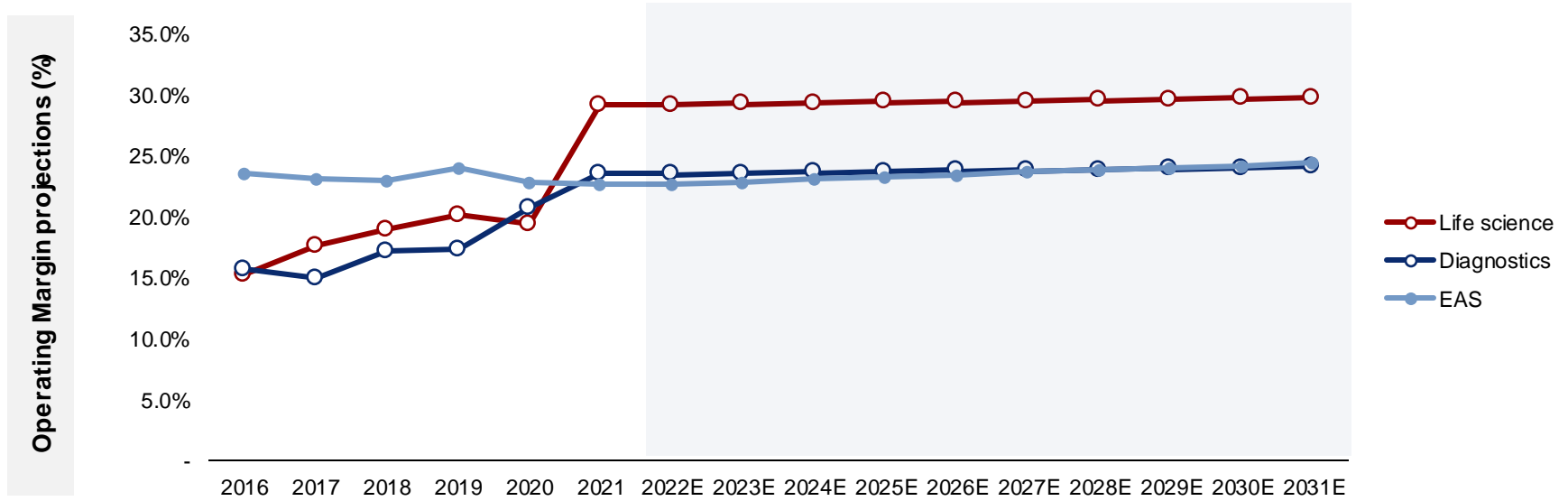
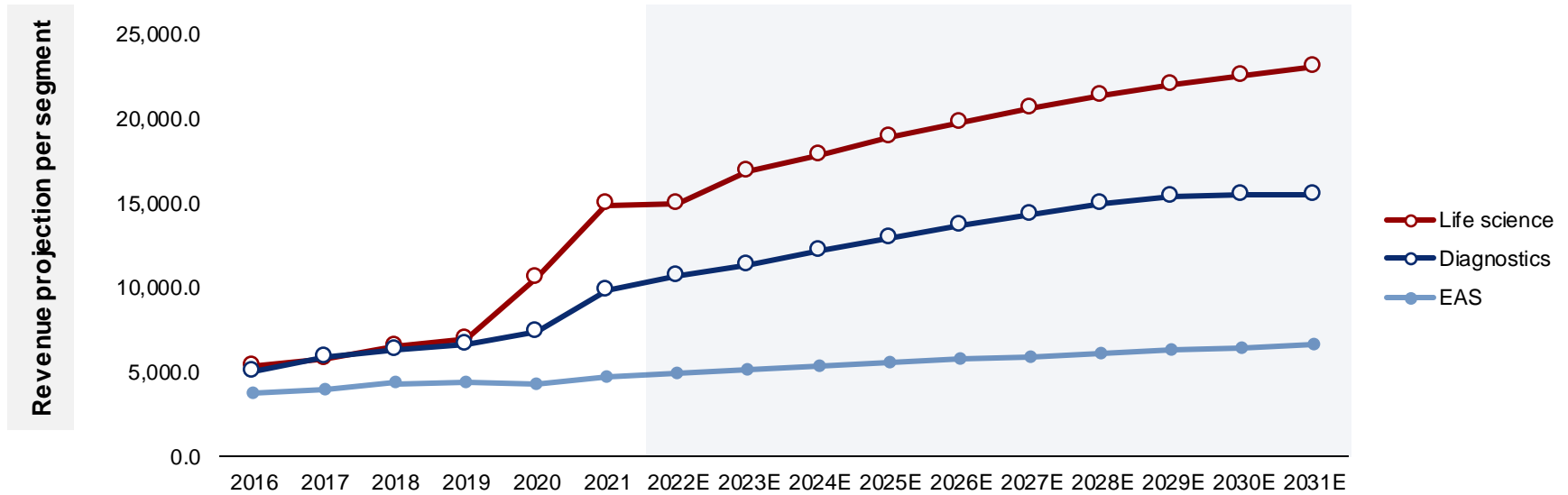
- | | | |
|-------------------------------------|------------------------------------|---|
| <p>1</p> <p>Life Science</p> | <p>2</p> <p>Diagnostics</p> | <p>3</p> <p>Water treatment + packaging design and solutions</p> |
|-------------------------------------|------------------------------------|---|

Cushion 3 – Sum of parts via exit multiple

- | | |
|---|--|
| <p>1 Base case – assuming current EBITDA multiple</p> <p> 2022E = 20.3x</p> | <p>2 Bull case – assuming EBITDA multiple premium</p> <p> 2022E at 10, 20 % premium + sensitivity analysis</p> |
|---|--|

Source: Medicare.gov, Medicaid.gov, U.S. Census Bureau

Process behind revenue modeling



Source: Company Filings, DCM

Reasonable upside, even when sensitizing for adverse events



\$325 (+26%)

Bear Case Price Target



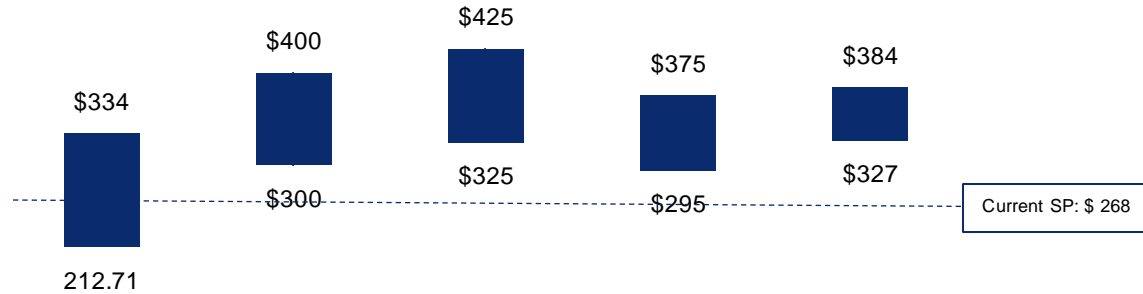
\$347.5 (+32%)

Base Case Price Target



\$375 (+44%)

Bull Case Price Target



6.01%
WACC
X

1.75%
Perpetual Growth Rate
X

20.5x
Exit Multiple (2022E EV/EBITDA)

52-Week High/Low Consensus Estimate Public Comparables DCF - Gordon Growth Method DCF - Exit Multiple Method

Sensitivity Output (Upside/Downside)

WACC	Exit Multiple						Terminal growth rate				
	8.5x	9.0x	9.5x	10.0x	10.5x		1.55%	1.65%	1.75%	1.85%	1.95%
7.6%	23.92%	30.45%	36.98%	43.51%	50.04%	7.6%	37.57%	39.79%	42.09%	44.47%	46.93%
7.8%	22.91%	29.43%	35.95%	42.47%	48.99%	7.8%	30.56%	32.60%	34.72%	36.90%	39.16%
8.0%	21.91%	28.42%	34.93%	41.43%	47.94%	8.0%	23.99%	25.87%	27.82%	29.83%	31.91%
8.2%	20.93%	27.42%	33.92%	40.41%	46.91%	8.2%	17.81%	19.56%	21.36%	23.21%	25.13%
8.4%	19.96%	26.44%	32.92%	39.40%	45.89%	8.4%	12.01%	13.62%	15.29%	17.01%	18.78%

Source: DCM

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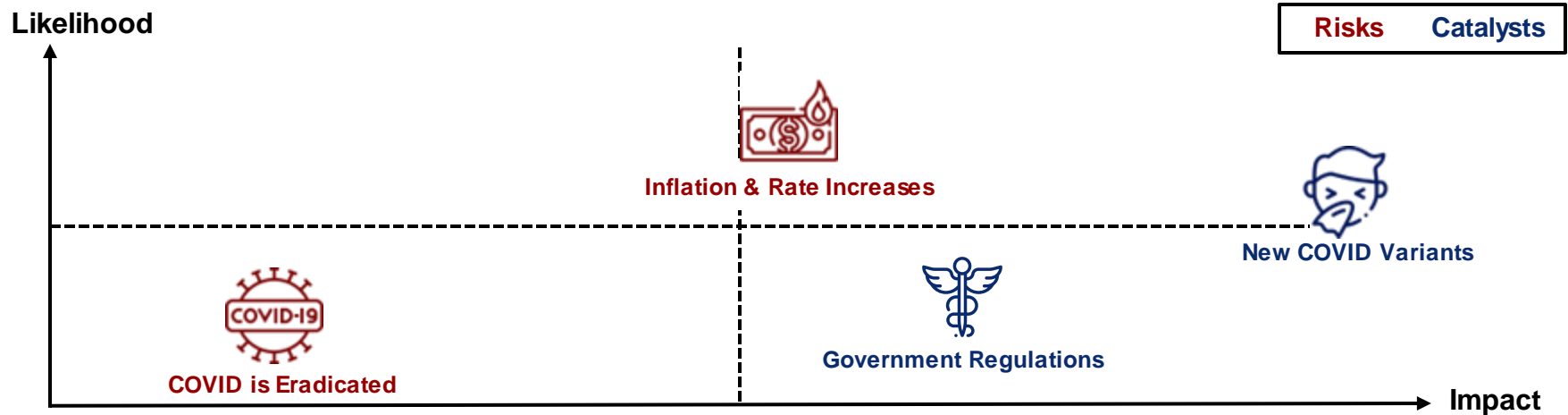
Risks & Catalysts

Section V



Danaher is poised to benefit from multiple secular trends with industry know-how creating a strong moat

Likelihood vs Impact Matrix



New COVID Variants Emerge

We believe COVID will become endemic, however, if new variants emerge, demand for testing will increase



Government Regulations

ESG, GRC, and HC are all highly regulated spaces; DHR's expertise will provide as a moat with changing regulations



Inflation and Rate Exposure

Interest and exchange rates exposed

Hedging with Financial Instruments

such as cross currency swaps and foreign denominated debt



COVID is Eradicated

Pandemic does not become endemic

Unlikely in Short Term & Cushioned by Diverse Product Lines

low vaccination rates increasing likelihood of pandemic dragging on

Source: Bloomberg, Company Filings, Healthline, S&P Capital IQ

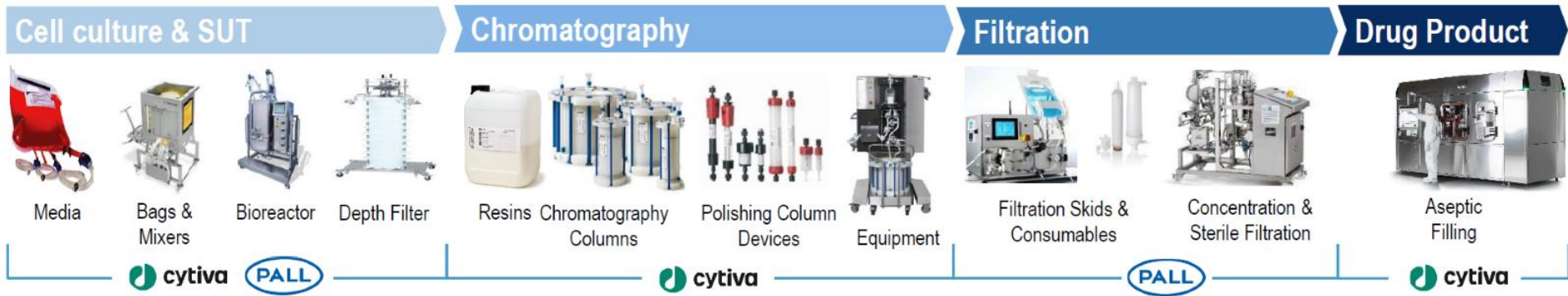
Desautels Capital Management

Honours in Investment Management



Appendix

Section VI

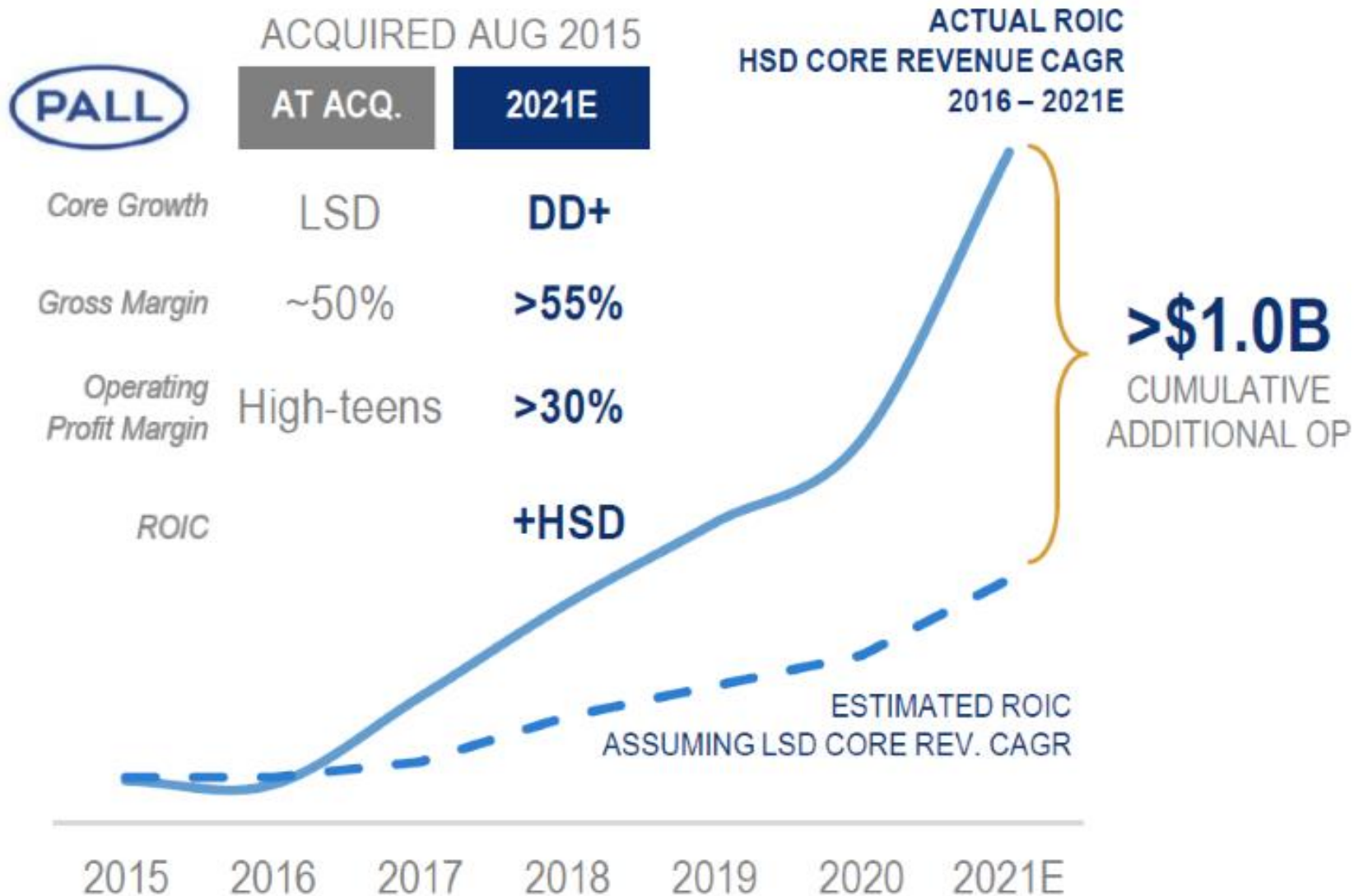




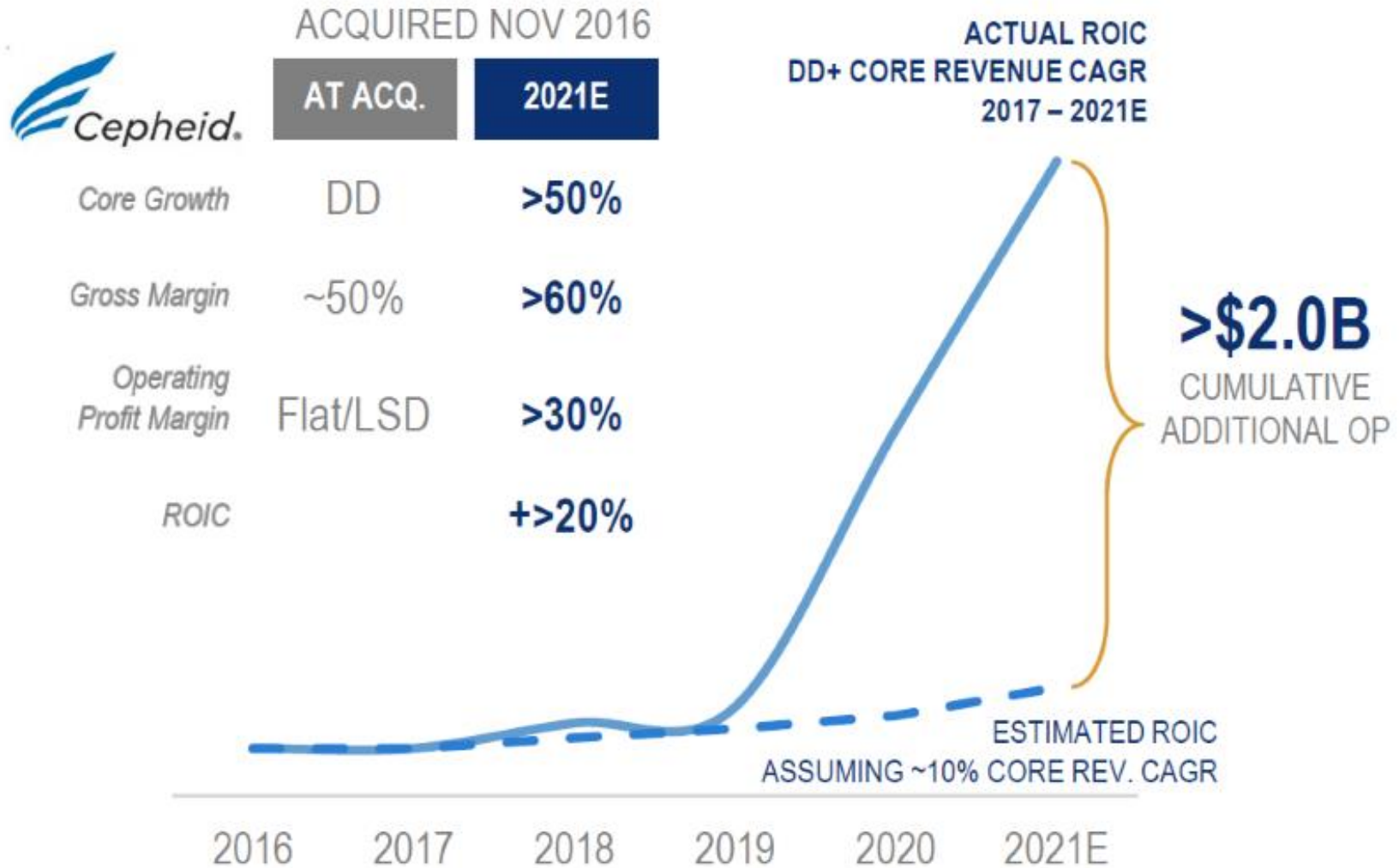
Impact of acquisitions

	PRE-2019 ANTICIPATED CORE REVENUE GROWTH		FUTURE ANTICIPATED CORE GROWTH RATE	
DANAHER	5-6%	<i>Owned Dental (Envista)</i>	MSD+	
 cytiva	6-7% expected	<i>DHR did not own</i>	HSD	<i>Now part of DHR Life Sciences Uniquely positioned across bioprocessing</i>
 Cepheid.	LDD	<i>~\$1B 2019 revenue (5% of DHR)</i>	LDD	<i>~\$3B 2021E revenue (>10% of DHR) >40% installed base growth last 18mos Durable testing tailwinds</i>
REST OF DANAHER	MSD		MSD+	<i>Benefit from continued investment spend</i>

Cepheid and Pall are exemplary of what Cytiva and future acquisitions will be under current management



Cepheid and Pall are exemplary of what Cytiva and future acquisitions will be under current management



DCF – Revenue Schedule (Base Case)

Revenue Model																
Life Sciences																
Total Sales	\$5,365.9	\$5,710.1	\$6,471.0	\$6,951.0	\$10,576.0	\$14,958.0	15,971.8	16,873.6	17,875.7	18,875.6	19,780.7	20,602.7	21,346.0	22,001.1	22,564.1	23,056.8
Inter-period Growth %		6.41%	13.33%	7.42%	52.15%	41.43%	6.78%	5.65%	5.94%	5.59%	4.80%	4.16%	3.61%	3.07%	2.56%	2.18%
Probability Adjustment %							98.00%	85.00%	95.00%	97.00%	92.00%	90.00%	90.00%	90.00%	90.00%	94.00%
Recurring Percentage %							70.00%	70.56%	71.11%	71.67%	72.22%	72.78%	73.33%	73.89%	74.44%	75.00%
Implied Growth							6.78%	5.65%	5.94%	5.59%	4.80%	4.16%	3.61%	3.07%	2.56%	2.18%
Bull Case							9.92%	9.66%	9.29%	8.81%	8.26%	7.63%	6.96%	6.27%	5.58%	4.89%
Base Case							6.92%	6.64%	6.25%	5.77%	5.21%	4.62%	4.01%	3.41%	2.84%	2.32%
Bear Case							4.92%	4.69%	4.38%	3.99%	3.55%	3.09%	2.62%	2.18%	1.77%	1.40%
Diagnosis																
Total Sales	\$5,038.3	\$5,839.9	\$6,258.0	\$6,561.0	\$7,403.0	\$9,844.0	10,642.6	11,356.0	12,155.2	12,939.6	13,679.0	14,354.8	14,940.6	15,416.3	15,801.9	16,112.0
Inter-period Growth %		15.91%	7.16%	4.84%	12.83%	32.97%	8.11%	6.70%	7.04%	6.45%	5.71%	4.94%	4.08%	3.18%	2.50%	1.96%
Probability Adjustment %							98.00%	85.00%	96.00%	97.00%	97.00%	97.00%	95.00%	90.00%	88.00%	88.00%
							87.00%	87.33%	87.67%	88.00%	88.33%	88.67%	89.00%	89.33%	89.67%	90.00%
Implied Growth							8.11%	6.70%	7.04%	6.45%	5.71%	4.94%	4.08%	3.18%	2.50%	1.96%
Bull Case							10.28%	9.87%	9.29%	8.57%	7.75%	6.86%	5.96%	5.07%	4.23%	3.45%
Base Case							8.28%	7.89%	7.33%	6.65%	5.89%	5.09%	4.30%	3.54%	2.84%	2.23%
Market View							6.28%	5.97%	5.53%	5.00%	4.40%	3.78%	3.17%	2.59%	2.06%	1.60%
Revenue Aggregate (Health Science)																
Total Sales	\$10,404.20	\$11,550.00	\$12,729.00	\$13,512.00	\$17,979.00	\$24,802.00	\$26,614.43	\$28,229.54	\$30,030.92	\$31,815.13	\$33,459.75	\$34,957.45	\$36,286.57	\$37,417.37	\$38,366.00	\$39,168.78
YoY growth %		11.01%	10.21%	6.15%	33.06%	37.95%	7.31%	6.07%	6.38%	5.94%	5.17%	4.48%	3.80%	3.12%	2.54%	2.09%

Revenue Model																
Environment & Applied Solutions																
Total Sales	\$3,692.8	\$3,968.8	\$4,320.0	\$4,399.0	\$4,305.0	\$4,651.0	4,870.3	5,064.6	5,282.5	5,503.6	5,709.3	5,903.5	6,088.0	6,260.7	6,420.1	6,571.3
Inter-period Growth %		7.47%	8.85%	1.83%	-2.14%	8.04%	4.71%	3.99%	4.30%	4.19%	3.74%	3.40%	3.13%	2.84%	2.55%	2.36%
Probability Adjustment %							98.00%	85.00%	95.00%	97.00%	92.00%	90.00%	90.00%	90.00%	90.00%	94.00%
Recurring Percentage %							70.00%	70.56%	71.11%	71.67%	72.22%	72.78%	73.33%	73.89%	74.44%	75.00%
Implied Growth							4.71%	3.99%	4.30%	4.19%	3.74%	3.40%	3.13%	2.84%	2.55%	2.36%
Bull Case							8.31%	8.15%	7.90%	7.59%	7.22%	6.80%	6.34%	5.85%	5.34%	4.83%
Base Case							4.81%	4.70%	4.53%	4.32%	4.06%	3.78%	3.47%	3.15%	2.83%	2.51%
Bear Case							2.81%	2.73%	2.62%	2.48%	2.31%	2.12%	1.92%	1.72%	1.51%	1.31%
Revenue Aggregate (Environment)																
Total Sales	\$3,692.80	\$3,968.80	\$4,320.00	\$4,399.00	\$4,305.00	\$4,651.00	\$4,870.26	\$5,064.64	\$5,282.54	\$5,503.65	\$5,709.34	\$5,903.49	\$6,087.98	\$6,260.72	\$6,420.07	\$6,571.33
YoY growth %		7.47%	8.85%	1.83%	-2.14%	8.04%	4.71%	3.99%	4.30%	4.19%	3.74%	3.40%	3.13%	2.84%	2.55%	2.36%

Sources: DCM

DCF – Cost Schedule (Base Case)

Expense Model																
Environment & Applied Solutions																
Operating Profit Before Tax	\$870.0	\$914.6	\$988.0	\$1,052.0	\$979.0	\$1,054.0	\$1,103.7	\$1,157.2	\$1,216.9	\$1,278.2	\$1,336.7	\$1,393.2	\$1,448.1	\$1,501.0	\$1,551.2	\$1,600.1
% of revenue	23.56%	23.04%	22.87%	23.91%	22.74%	22.66%	22.66%	22.85%	23.04%	23.22%	23.41%	23.60%	23.79%	23.97%	24.16%	24.35%
Operating Expenses	\$2,822.8	\$3,054.2	\$3,332.0	\$3,347.0	\$3,326.0	\$3,597.0	\$3,766.6	\$3,907.4	\$4,065.6	\$4,225.5	\$4,372.7	\$4,510.3	\$4,639.8	\$4,759.8	\$4,868.9	\$4,971.3
% of revenue	76.44%	76.96%	77.13%	76.09%	77.26%	77.34%	77.34%	77.15%	76.96%	76.78%	76.59%	76.40%	76.21%	76.03%	75.84%	75.65%
Bull case							22.66%	22.97%	23.29%	23.60%	23.91%	24.22%	24.54%	24.85%	25.16%	25.47%
Base case							22.66%	22.85%	23.04%	23.22%	23.41%	23.60%	23.79%	23.97%	24.16%	24.35%
Bear case							22.66%	22.72%	22.79%	22.85%	22.91%	22.97%	23.04%	23.10%	23.16%	23.22%
Depreciation & Amort.																
D&A - Diagnostics	\$86.7	\$99.9	\$109.0	\$111.0	\$110.0	\$106.0	\$119.7	\$124.5	\$129.8	\$135.3	\$140.3	\$145.1	\$149.6	\$153.9	\$157.8	\$161.5
as a % of total revenue	2.35%	2.52%	2.52%	2.52%	2.56%	2.28%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%
CapEx																
D&A - LS&D total	\$51.0	\$60.9	\$57.0	\$54.0	\$36.0	\$54.0	\$60.6	\$61.8	\$61.7	\$62.9	\$64.4	\$69.5	\$71.8	\$73.2	\$74.5	\$76.2
as a % of total revenue	1.38%	1.53%	1.32%	1.23%	0.84%	1.16%	1.24%	1.22%	1.17%	1.14%	1.13%	1.18%	1.18%	1.17%	1.16%	1.16%
Total CapEx- EAS	\$51.00	\$60.90	\$57.00	\$54.00	\$36.00	\$54.00	\$60.55	\$61.81	\$61.70	\$62.89	\$64.44	\$69.50	\$71.84	\$73.22	\$74.54	\$76.22
Total D&A - EAS	\$86.70	\$99.90	\$109.00	\$111.00	\$110.00	\$106.00	\$119.69	\$124.47	\$129.82	\$135.26	\$140.31	\$145.08	\$149.62	\$153.86	\$157.78	\$161.50
Total Operating Profit	\$870.00	\$914.60	\$988.00	\$1,052.00	\$979.00	\$1,054.00	\$1,103.69	\$1,157.24	\$1,216.93	\$1,278.18	\$1,336.66	\$1,393.18	\$1,448.14	\$1,500.96	\$1,551.20	\$1,600.07
as a % of total revenue	23.6%	23.0%	22.9%	23.9%	22.7%	22.7%	22.7%	22.8%	23.0%	23.2%	23.4%	23.6%	23.8%	24.0%	24.2%	24.3%
YoY growth %		5.13%	8.03%	6.48%	-6.94%	7.66%	4.71%	4.85%	5.16%	5.03%	4.57%	4.23%	3.94%	3.65%	3.35%	3.15%
Expense Model																
Life Science																
Operating Profit Before Tax	\$818.9	\$1,004.3	\$1,229.0	\$1,401.0	\$2,054.0	\$4,367.0	\$4,663.0	\$4,936.8	\$5,241.2	\$5,546.1	\$5,824.4	\$6,079.4	\$6,312.0	\$6,519.5	\$6,700.4	\$6,861.2
% of revenue	15.26%	17.59%	18.99%	20.16%	19.42%	29.20%	29.20%	29.26%	29.32%	29.38%	29.45%	29.51%	29.57%	29.63%	29.70%	29.76%
Operating Expenses	\$4,547.0	\$4,705.8	\$5,242.0	\$5,550.0	\$8,522.0	\$10,591.0	\$11,308.8	\$11,936.8	\$12,634.5	\$13,329.4	\$13,956.3	\$14,523.3	\$15,039.9	\$15,481.6	\$15,863.7	\$16,195.7
% of revenue	84.74%	82.41%	81.01%	79.84%	80.58%	70.80%	70.80%	70.74%	70.68%	70.62%	70.55%	70.49%	70.43%	70.37%	70.30%	70.24%
Bull case							29.20%	29.29%	29.38%	29.48%	29.57%	29.66%	29.76%	29.85%	29.95%	30.04%
Base case							29.20%	29.26%	29.32%	29.38%	29.45%	29.51%	29.57%	29.63%	29.70%	29.76%
Bear case							29.20%	29.21%	29.22%	29.23%	29.25%	29.26%	29.27%	29.28%	29.30%	29.31%
Diagnostics																
Operating Profit Before Tax	\$786.4	\$871.6	\$1,074.0	\$1,134.0	\$1,538.0	\$2,313.0	\$2,500.6	\$2,675.4	\$2,871.2	\$3,064.6	\$3,248.3	\$3,417.7	\$3,566.6	\$3,689.7	\$3,791.9	\$3,876.4
% of revenue	15.61%	14.92%	17.16%	17.28%	20.78%	23.50%	23.50%	23.56%	23.62%	23.68%	23.75%	23.81%	23.87%	23.93%	24.00%	24.06%
Operating Expenses	\$4,251.9	\$4,968.3	\$5,184.0	\$5,427.0	\$5,865.0	\$7,531.0	\$8,142.0	\$8,680.6	\$9,284.0	\$9,875.0	\$10,430.7	\$10,937.0	\$11,374.1	\$11,726.5	\$12,010.0	\$12,235.6
% of revenue	79.24%	87.01%	80.11%	78.08%	55.46%	50.35%	76.50%	76.44%	76.38%	76.32%	76.25%	76.19%	76.13%	76.07%	76.00%	75.94%
Bull case							23.50%	23.59%	23.68%	23.78%	23.87%	23.96%	24.06%	24.15%	24.25%	24.34%
Base case							23.50%	23.56%	23.62%	23.68%	23.75%	23.81%	23.87%	23.93%	24.00%	24.06%
Bear case							23.50%	23.51%	23.52%	23.53%	23.55%	23.56%	23.57%	23.58%	23.60%	23.61%
Depreciation & Amort.																
D&A - Life Science	\$426.2	\$427.9	\$471.0	\$487.0	\$1,053.0	\$1,441.0	\$1,312.7	\$1,386.8	\$1,469.1	\$1,551.3	\$1,625.7	\$1,693.2	\$1,754.3	\$1,808.2	\$1,854.4	\$1,894.9
as a % of total revenue	7.94%	7.49%	7.28%	7.01%	9.96%	9.63%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%	8.22%
D&A - Diagnostics	\$481.5	\$581.5	\$589.0	\$582.0	\$602.0	\$614.0	\$925.3	\$987.3	\$1,056.8	\$1,125.0	\$1,189.3	\$1,248.0	\$1,299.0	\$1,340.3	\$1,373.9	\$1,400.8
as a % of total revenue	9.56%	9.96%	9.41%	8.87%	8.13%	6.24%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%
CapEx																
D&A - LS&D total	\$484.0	\$503.2	\$520.0	\$578.0	\$753.0	\$1,239.0	\$1,177.9	\$1,238.8	\$1,319.4	\$1,414.1	\$1,496.6	\$1,580.1	\$1,611.4	\$1,662.6	\$1,708.3	\$1,747.9
as a % of total revenue	4.65%	4.36%	4.09%	4.28%	4.19%	5.00%	4.43%	4.39%	4.39%	4.44%	4.47%	4.52%	4.44%	4.44%	4.45%	4.46%
Total D&A - LS&D	\$907.70	\$1,009.40	\$1,060.00	\$1,069.00	\$1,655.00	\$2,055.00	\$2,237.96	\$2,374.09	\$2,525.94	\$2,676.31	\$2,814.99	\$2,941.29	\$3,053.32	\$3,148.51	\$3,228.31	\$3,295.77
Total CapEx - LS&D	\$484.00	\$503.20	\$520.00	\$578.00	\$753.00	\$1,239.00	\$1,177.92	\$1,238.77	\$1,319.39	\$1,414.13	\$1,496.55	\$1,580.11	\$1,611.44	\$1,662.59	\$1,708.27	\$1,747.87
Total Operating Profit	\$1,605.30	\$1,875.90	\$2,303.00	\$2,535.00	\$3,592.00	\$6,680.00	\$7,163.63	\$7,612.16	\$8,112.42	\$8,610.74	\$9,072.75	\$9,497.09	\$9,878.57	\$10,209.23	\$10,492.34	\$10,737.54
as a % of total revenue	15.4%	16.2%	18.1%	18.8%	20.0%	26.9%	26.9%	27.0%	27.0%	27.1%	27.1%	27.2%	27.2%	27.3%	27.3%	27.4%
YoY growth %		16.86%	22.77%	10.07%	41.70%	85.97%	7.24%	6.26%	6.57%	6.14%	5.37%	4.68%	4.02%	3.35%	2.77%	2.34%

Sources: DCM

DCF – Price Target (Base Case)

Sum of parts (Exit Multiple)				Sector Allocation (based on 2021 metrics)			
		total	Implied U/D				
Exit Multiple Value - LS&D:	\$244,076.17	\$272,657.34		+ Cash	2,586.0	Revenue LS&D:	\$24,802.00
Exit Multiple Value - EAS:	\$28,581.16			- Debt	(23,272.0)	Revenue EAS:	\$4,651.00
				- Preferred Equity	(3,268.0)	Total 2021 Revenue	\$29,453.00
				Implied Equity Value	248,703.3	Portion LS&D:	84.21%
GG Value - LS&D:	\$203,349.61	\$231,763.04		Shares Outstanding	715.4		
GG value - EAS:	\$28,413.43			Implied Share Price	\$347.67	Portion EAS:	15.79%
				Implied Upside/Downside	-32%		

LS&D UFCF	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<i>(In USD millions, except per share data)</i>															
Total revenue	\$11,550.00	\$12,729.00	\$13,512.00	\$17,979.00	\$24,802.00	\$26,614.43	\$28,229.54	\$30,030.92	\$31,815.13	\$33,459.75	\$34,957.45	\$36,286.57	\$37,417.37	\$38,366.00	\$39,168.78
YOY Growth		10.2%	6.2%	33.1%	37.9%	7.3%	6.1%	6.4%	5.9%	5.2%	4.5%	3.8%	3.1%	2.5%	2.1%
EBITDA	\$2,885.30	\$3,363.00	\$3,604.00	\$5,247.00	\$8,735.00	\$9,401.59	\$9,986.25	\$10,638.36	\$11,287.05	\$11,887.74	\$12,438.38	\$12,931.89	\$13,357.74	\$13,720.65	\$14,033.30
D&A	\$1,009.40	\$1,060.00	\$1,069.00	\$1,655.00	\$2,055.00	\$2,237.96	\$2,374.09	\$2,525.94	\$2,676.31	\$2,814.99	\$2,941.29	\$3,053.32	\$3,148.51	\$3,228.31	\$3,295.77
EBIT	\$1,875.90	\$2,303.00	\$2,535.00	\$3,592.00	\$6,680.00	\$7,163.63	\$7,612.16	\$8,112.42	\$8,610.74	\$9,072.75	\$9,497.09	\$9,878.57	\$10,209.23	\$10,492.34	\$10,737.54
Interest Expenses (-)	\$140.10	\$137.00	\$108.00	\$275.00	\$238.00	\$296.90	\$309.41	\$330.34	\$369.10	\$363.46	\$388.59	\$403.08	\$416.74	\$428.37	\$433.91
Sector Weighting	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%	84.21%
As percentage of total revenue	1.21%	1.08%	0.80%	1.53%	0.96%	1.12%	1.10%	1.10%	1.16%	1.09%	1.11%	1.11%	1.11%	1.12%	1.11%
Pretax Income (EBT)	\$2,016.00	\$2,440.00	\$2,643.00	\$3,867.00	\$6,918.00	\$7,460.53	\$7,921.57	\$8,442.76	\$8,979.85	\$9,436.21	\$9,885.68	\$10,281.65	\$10,625.97	\$10,920.70	\$11,171.45
Effective tax rate	14.6%	18.8%	26.4%	18.9%	16.5%	19.0%	19.9%	20.1%	18.9%	18.9%	19.4%	19.4%	19.3%	19.2%	19.2%
Tax-effected EBIT (NOPAT)	\$1,602.25	\$1,870.70	\$1,865.39	\$2,913.56	\$5,580.15	\$5,800.74	\$6,096.38	\$6,478.50	\$6,984.50	\$7,359.27	\$7,657.48	\$7,958.26	\$8,234.30	\$8,479.36	\$8,671.10
Plus: depreciation & amortization	\$1,009.40	\$1,060.00	\$1,069.00	\$1,655.00	\$2,055.00	\$2,237.96	\$2,374.09	\$2,525.94	\$2,676.31	\$2,814.99	\$2,941.29	\$3,053.32	\$3,148.51	\$3,228.31	\$3,295.77
Less: capital expenditures															
(-) Segment-adjusted CapEx	503.2	520.0	578.0	753.0	1,239.0	1,177.9	1,238.8	1,319.4	1,414.1	1,496.6	1,580.1	1,611.4	1,662.6	1,708.3	1,747.9
Less: Acquisition Outlooks															
+ / - Changes in working capital															
(-) Segment-adjusted changes in WC															
Unlevered free cash flow	2,108.4	2,410.7	2,356.4	3,815.6	6,396.2	6,860.8	7,231.7	7,685.0	8,246.7	8,677.7	9,018.7	9,400.1	9,720.2	9,999.4	10,219.0
YOY Growth		14.3%	-2.3%	61.9%	67.6%	7.3%	5.4%	6.3%	7.3%	5.2%	3.9%	4.2%	3.4%	2.9%	2.2%
Present Value of Free Cash Flow															

DCF – Price Target (Base Case) – cont'd

EAS UFCF <i>(in USD millions, except per share data)</i>	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Total revenue	\$3,968.80	\$4,320.00	\$4,399.00	\$4,305.00	\$4,651.00	\$4,870.26	\$5,064.64	\$5,282.54	\$5,503.65	\$5,709.34	\$5,903.49	\$6,087.98	\$6,260.72	\$6,420.07	\$6,571.33
<i>YOY Growth</i>		8.8%	1.8%	-2.1%	8.0%	4.7%	4.0%	4.3%	4.2%	3.7%	3.4%	3.1%	2.8%	2.5%	2.4%
EBITDA	\$1,014.50	\$1,097.00	\$1,163.00	\$1,089.00	\$1,160.00	\$1,223.38	\$1,281.70	\$1,346.75	\$1,413.44	\$1,476.97	\$1,538.27	\$1,597.75	\$1,654.83	\$1,708.98	\$1,761.57
D&A	\$99.90	\$109.00	\$111.00	\$110.00	\$106.00	\$119.69	\$124.47	\$129.82	\$135.26	\$140.31	\$145.08	\$149.62	\$153.86	\$157.78	\$161.50
EBIT	\$914.60	\$988.00	\$1,052.00	\$979.00	\$1,054.00	\$1,103.69	\$1,157.24	\$1,216.93	\$1,278.18	\$1,336.66	\$1,393.18	\$1,448.14	\$1,500.96	\$1,551.20	\$1,600.07
Interest Expenses (-)	\$140.10	\$137.00	\$108.00	\$275.00	\$238.00	\$296.90	\$309.41	\$330.34	\$369.10	\$363.46	\$388.59	\$403.08	\$416.74	\$428.37	\$433.91
<i>Sector Weighting</i>	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%	15.79%
<i>As percentage of total revenue</i>	3.53%	3.17%	2.46%	6.39%	5.12%	4.13%	4.25%	4.47%	4.87%	4.57%	4.46%	4.52%	4.58%	4.60%	4.55%
Pretax Income (EBT)	\$936.72	\$1,009.63	\$1,069.05	\$1,022.43	\$1,091.58	\$1,150.57	\$1,206.10	\$1,269.09	\$1,336.47	\$1,394.05	\$1,454.55	\$1,511.79	\$1,566.77	\$1,618.85	\$1,668.59
Effective tax rate	14.6%	18.8%	26.4%	18.9%	16.5%	19.0%	19.9%	20.1%	18.9%	18.9%	19.4%	19.4%	19.3%	19.2%	19.2%
Tax-effected EBIT (NOPAT)	\$781.18	\$802.54	\$774.12	\$794.09	\$880.46	\$893.71	\$926.80	\$971.83	\$1,036.78	\$1,084.22	\$1,123.32	\$1,166.63	\$1,210.61	\$1,253.60	\$1,292.14
Plus: depreciation & amortization	\$99.90	\$109.00	\$111.00	\$110.00	\$106.00	\$119.69	\$124.47	\$129.82	\$135.26	\$140.31	\$145.08	\$149.62	\$153.86	\$157.78	\$161.50
Less: capital expenditures															
(-) Segment-adjusted CapEx	\$60.90	\$57.00	\$54.00	\$36.00	\$54.00	\$60.55	\$61.81	\$61.70	\$62.89	\$64.44	\$69.50	\$71.84	\$73.22	\$74.54	\$76.22
Less: Acquisition Outlooks															
+ / - Changes in working capital															
(-) Segment-adjusted changes in WC															
Unlevered free cash flow	820.2	854.5	831.1	868.1	932.5	952.8	989.5	1,040.0	1,109.1	1,160.1	1,198.9	1,244.4	1,291.3	1,336.8	1,377.4
<i>YOY Growth</i>		4.2%	-2.7%	4.4%	7.4%	2.2%	3.8%	5.1%	6.7%	4.6%	3.3%	3.8%	3.8%	3.5%	3.0%
Present Value of Free Cash Flow															

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