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Danaher Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from John Inch - Merrill Lynch.

John Inch – Merrill Lynch

Hey, so margins under a little bit of pressure. I mean the top-line was great, margins under a little bit of pressure in terms of the sequential year-over-year trend, could you guys talk about how much of that kind of overall was raw material pressures and how much restructuring actually incurred in the quarter and what the results would have been after that?

Larry Culp

At headline level clearly we were up 35 basis points year-on-year absent basically 50 basis points of negative impact from restructuring and legal settlement that we mentioned. Clearly third quarter in a row, we're taking these restructuring actions. I think they are the right things to do right now particularly, we could do it, so we did it despite the context where obviously we've got earnings at mid-teens; we had very strong cash.

I think the inflation that we reference is very much what you're reading about in the papers. Metals inflation clearly at tools particularly is pitching margins there, you see that. I think we're seeing the energy cost really top-up in a lot of places from freight to travel, so that's going across the board challenge. With that's said we still have PPV, Positive Purchase Price Variance from our corporate procurement low cost region initiatives. It's just not as much as it would be in a more normal environment.

The other thing I would just highlight is in Med Tech again the OP in dollars is up 16% year-on-year, very pleased with that, but we obviously have a situation where we've got a euro denominator cost base by-and-large at Radiometer with KaVo at Lika and that strong euro depresses the ratio, but when you look at Med Tech FC acquisition restructuring noise, we were up 50 bps in the quarter and that euro pressure that I referenced probably is suppressing about 50 basis points of that margin expansion elsewhere, during the good work in the business.

So, it's clearly a tougher environment and probably a stage challenging in that regard, but I think we know what we need to do here as we look forward to the third quarter and the second half.

Dan Comas

So John, I mean in total absent restructuring in the one-time items we referenced that hit us by roughly 50 basis points, our operating margins would have been up 35 basis points across the company.

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