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*Mentoring at Scale*

# Danaher — The Compounding Machine

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## THE BARATELLI INSTITUTE

A Baratelli Institute Case Memo

Danaher Corporation

The Operating-System Compounder

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An informational primer — not a valuation call — on the structure, operating system (DBS), leadership arc, and place in the compounder taxonomy of the American practitioner's canonical operating-system compounder. Danaher and its three DBS-lineage spinoffs (Fortive 2016, Envista 2019, Veralto 2023) represent approximately \$236 billion of aggregate market capitalization today — a roughly 10,000x return on the Rales brothers' \$22M starting basis in 1984.

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## Three segments, ~\$185B market cap, ~\$24B FY25 revenue — the operating-system compounder as it stands in 2026

Danaher Corporation (NYSE:DHR) today is a focused life-sciences platform generating approximately \$24 billion of FY2025 revenue across three segments: Biotechnology (~27% of revenue), Life Sciences (~29%), and Diagnostics (~44%). Aggregate FY2025 adjusted EBIT margin runs at approximately 25%, adjusted EBITDA margin approximately 28-30%, and reported ROIC in the low-to-mid teens. Market capitalization stands at approximately \$185B; net debt is approximately \$14B, taking enterprise value to approximately \$200B. The company employs approximately 63,000 people across roughly 150 sites in 60 countries. This is the post-Veralto Danaher — a refocused life-sciences platform after the 2023 spinoff of water-quality and product-identification businesses.

The distinguishing framing this memo places on Danaher is that it is the exemplar of one specific compounder archetype: the *operating-system compounder*. That archetype is distinct from the Berkshire model of owner-discretion capital allocation with a light operating touch, distinct from the Constellation Software model of permanent-capital VMS aggregation with a strict hurdle-rate discipline, and distinct from the LVMH model of brand-portfolio compounding through maison assembly. Danaher's specific mechanism is a codified operating system — the Danaher Business System (DBS) — installed at every acquired target within a 100-day standard. The compounding shows up in the tape because the operating discipline is durable across CEOs, business cycles, and portfolio reshapings. Section 11 develops the four-archetype taxonomy in detail.

Every practitioner reader needs the four-decade shape of the Danaher record before the operating detail makes sense. Tables 1a, 1b, and 1c below anchor the record: the current segment structure, the four-decade compounding trajectory from the 1984 DMG acquisition to today, and the current standing of the four Danaher-lineage entities (parent Danaher plus the three spinoffs). The claim is not that the Rales brothers invented anything. The claim is that they installed a specific operating technology (DBS) inside a specific capital-allocation discipline (patient serial acquisition), held it in place for forty consecutive years, and reproduced the mechanism across enough targets that the compounding shows up in the tape.

**Table 1a — DanaHER today (post-Veralto structure, FY2025)**

Segment	FY25 Rev (\$B)	FY25 EBIT (\$B)	EBIT margin	Key franchises
Biotechnology	6.4	1.5	23%	Cytiva (bioprocessing consumables & hardware); Aldevron (plasmid DNA, mRNA raw materials); Pall Biotech.
Life Sciences	6.9	1.6	23%	Beckman Coulter Life Sciences, Leica Microsystems, SCIEX, IDT, Phenomenex, Molecular Devices, Abcam.
Diagnostics	10.4	2.9	28%	Cepheid (molecular dx), Beckman Coulter Diagnostics, Leica Biosystems, Radiometer, Mammotome.
Total continuing operations	23.7	6.0	25%	Consolidated post-Veralto FY25 figures.

**Source:** DanaHER FY2025 Form 10-K (filed February 2026). Figures rounded to the nearest ~\$0.1B for clarity.

**Table 1b — The four-decade Danaher-lineage compounding record (illustrative, USD)**

Year	Event / phase	Enterprise / market cap	Institute note
1984	Rales brothers acquire DMI shell; rename Danaher	\$22M	Purchase price approximately \$22 million. Starting point for the entire compounding record.
1988-90	DBS formalized through Koenigsaecker/Jacobs + Shingijutsu engagement	\$0.5B	The pivot moment: from industrial holding to operating-system compounder.
1995	Industrial holding; 30 material acquisitions completed	\$2B	Compounded roughly 100x in 11 years. DBS becoming operational cadence.
2005	Diversified industrial + medical technology platform emerging	\$18B	Beckman Coulter, Sybron Dental, Radiometer, Leica Microsystems in the pipeline or recently closed.
2015	Post-Pall acquisition; peak diversified conglomerate scale	\$65B	Pall closes for \$13.8B. Beckman, Sybron, Radiometer, Videojet inside.
2016	Fortive spinoff (industrial technology carve-out)	\$47B DHR + \$18B FTV	Test 1 of DBS portability. Fortive continues to acquire under FBS.
2019	Envista spinoff (dental carve-out)	\$100B DHR + peers = \$126B	Test 2 of DBS portability. Life sciences platform dominant at parent.
2020-21	Cytiva (\$21.4B) + Aldevron (\$9.6B) close	\$220B DHR + peers = \$260B	Biotech platform assembled. Peak COVID/biotech-cycle valuation.
2023	Veralto spinoff (water quality + product ID carve-out)	\$180B DHR + peers = \$232B	Test 3 of DBS portability. Parent refocused on life sciences + diagnostics + biotech.
2026	Current standing; bioprocessing recovery in progress	\$236B aggregate 4-entity	DHR \$180B + FTV \$30B + NVST \$4B + VLTO \$22B. Cumulative return on 1984 basis 10,000x.

Year	Event / phase	Enterprise / market cap	Institute note
Cumulative 42-year return on \$22M base	—	10,000x	Comparable to LVMH's 40-year record; well below Berkshire's 30,000x since 1965 on a longer measurement window.

**Source and reconciliation.** Institute reconstruction from Danaher Corporation historical annual reports (1984-2025); Fortive, Envista, and Veralto post-spin filings; press releases documenting major acquisitions and spin transactions; Bloomberg market-cap history for the four Danaher-lineage entities. All figures are illustrative directional; the specific magnitude should be read as practitioner shorthand for one of the four or five most impressive multi-decade acquisition-compounding records in public equity.

**Table 1c — Danaher-lineage universe (4-entity aggregate)**

Entity	Ticker	Spin year	Mkt cap (\$B)	FY25 rev (\$B)	Focus
Danaher Corporation	NYSE:DH HR	Parent (1984)	185	24	Life sciences + diagnostics + biotechnology
Fortive	NYSE:FT V	2016	30	6.3	Industrial tech + instrumentation (Fluke, Tektronix)
Envista Holdings	NYSE:N VST	2019	4	2.5	Dental (Nobel Biocare, Ormco, KaVo Kerr)
Veralto	NYSE:V LTO	2023	22	5.2	Water quality + product ID (Hach, Videojet)
Aggregate 4-entity	—	—	241	38	Four independent operators, one DBS lineage

**Source:** Company FY2025 10-Ks; market caps approximate at July 2026.

**The frame for this memo.** Danaher today is one entity among four in a DBS-descendant lineage that has been executing acquisition-driven compounding continuously since 1984. The mechanism is a codified operating system installed at every acquisition. The proof that the operating system is the value-add rather than portfolio construction is the three-spinoff experiment: three independent operators each carrying DBS with them, each running the mechanism under their own re-branded

name (Fortive Business System, Envista Business System, Veralto Enterprise System), and each producing a creditable post-spin compounding record. Section 9 walks the three-spinoff evidence in detail. Every practitioner reader should hold both facts — 1984 to 2026, ~\$22M to ~\$236B — before the operating detail begins.

## **Steve and Mitchell Rales, DMG, and the 1984 reverse merger that created Danaher**

Steven M. Rales (born 1951) and Mitchell P. Rales (born 1956) are the second-generation entrepreneurs who founded Danaher. They are the sons of Norman Rales, a Washington, DC-area real-estate developer of Russian-Jewish descent, and Ruth Rales. Both brothers attended Miami University in Ohio; Mitchell also did graduate work at Harvard Business School. In their twenties and early thirties the brothers began a series of real-estate and small-business acquisitions in the Washington-Baltimore corridor, building an early set of holdings that included the Master Shield vinyl siding business, a stake in what would eventually become part of the DMG MORI machine-tool operator, and Chicago Pneumatic (industrial tools). These early acquisitions established the operating rhythm that would become the Danaher method: buy the ugly business at a defensible price, install operational rigor, hold forever, redeploy the cash flow into the next acquisition.

The founding transaction that created Danaher was executed in 1984 through a reverse merger with a small NYSE-listed real-estate investment vehicle called Diversified Mortgage Investors (DMI), which the brothers renamed after the Danaher River in Montana — a river the brothers had fished as boys during family trips west. Public accounts note the Rales brothers were unusually deliberate about the name selection: they wanted something evocative of the American West, something that had nothing to do with the specific business they intended to build, and something that would let them position the company as an operating platform rather than a specific industrial identity. Danaher River is a tributary of the North Fork of the Flathead River in northwestern Montana. The name has stuck for forty-two years.

The early operating philosophy through the mid-1980s was described in interviews and in the earliest annual reports as: *invest in what's ugly, apply operational rigor, hold forever*. The Rales brothers acquired what would today be called industrial small-caps at prices that reflected under-managed operating discipline — Matco Tools, Delta Consolidated Industries, Chicago Pneumatic, Jacobs Vehicle Systems, and a series of specialty industrial businesses. The record from 1984 through approximately 1989 is opportunistic and cash-flow-driven; the compounding-machine identity develops later, when DBS is formalized. But even the earliest Rales acquisitions demonstrated three enduring features: patient sourcing, non-consensus deployment (the brothers repeatedly bought at moments when others were selling), and long-hold discipline.

**Table 2a — The 1984-1990 founding era**

Year	Event	Note
1979	Rales brothers begin small-business acquisitions	Master Shield vinyl siding; specialty industrial holdings. Early Washington-Baltimore corridor activity.
Early 1980s	Chicago Pneumatic acquired	Industrial tool platform. Establishes the operating discipline of buy-improve-hold.
1984	Reverse merger with DMI (Diversified Mortgage Investors); renamed Danaher	The founding transaction. NYSE-listed shell renamed after the Montana river. Approximate transaction basis \$22M.
1985-1988	First wave of Danaher acquisitions	Jacobs Vehicle Systems, Delta Consolidated, Matco Tools, others. The industrial-holding phase.
1988	George Koenigsaecker brings TPS to Jacobs Vehicle Systems	The catalytic moment. Koenigsaecker team installs Toyota Production System principles at a Danaher subsidiary. The DBS methodology begins here.
1989-1991	DBS formalized as a Danaher-wide operating system	The kaizen consultancy Shingijutsu becomes a formal partner. Kaizen, Standard Work, VSM installed as the operating rhythm across every Danaher business.

**Source:** Danaher Corporation historical annual reports 1984-1991; George Koenigsaecker, "Leading the Lean Enterprise Transformation" (2009); Institute reconstruction of the DBS-founding timeline.

**Table 2b — Rales brothers biographical milestones**

Year	Milestone	Institute note
1951	Steven M. Rales born	Elder brother. Bethesda, Maryland. Son of Norman Rales, real-estate developer.
1956	Mitchell P. Rales born	Younger brother. Washington, DC area.
Late 1970s	Brothers begin operating careers in real estate + small-business acquisitions	Formative period. The acquisition-oriented operating style is set here.
1984	Acquire DMI shell for \$22M; rename DanaHER	The founding transaction. Diversified industrial holding company on NYSE.
1988-1990	Study Toyota Production System via Shingijutsu; DBS formalized	The pivot from industrial holding to operating-system compounder.
1990-2000	Serial acquisitions build industrial + medtech breadth	Chicago Pneumatic, Matco Tools, Fluke, Delta Consolidated, Sybron Dental, Hach.
2001	Larry Culp becomes DanaHER CEO	Third operating CEO under Rales; runs company 2001-2014. Later CEO of GE from 2018.
2011-2015	Beckman Coulter (\$6.8B, 2011) and Pall (\$13.8B, 2015) — life sciences pivot	The two acquisitions that established DanaHER's life-sciences identity at scale.
2016	Fortive spinoff. Steven Rales steps down as DanaHER chairman	End of Steve 32-year chairman tenure. Mitch Rales serves as Fortive board chair.
2019	Envista spinoff	Dental platform separated. Rales brothers remain shareholders.
2020-21	Cytiva (\$21.4B) + Aldevron (\$9.6B) close	Biotech platform assembled. Rainer Blair CEO era.
2023	Veralto spinoff	Water quality + product ID separated. Parent refocused on life sciences + diagnostics + biotech.

Year	Milestone	Institute note
2026	Both brothers active board influences; both remain significant shareholders across the four entities	Steven Rales chairman emeritus at Danaher. Mitch Rales on Fortive board.

**Source and reconciliation.** Danaher Corporation proxy statements 2000-2025, Fortive proxy statements, publicly available biographical references, Forbes and Bloomberg profiles of the Rales brothers.

**Why the origin matters.** The Rales brothers did not invent kaizen, they did not invent the Toyota Production System, and they did not invent industrial roll-up compounding. Their specific contribution is (i) picking the right operating technology at exactly the moment industrial America needed it, (ii) installing it as a formal system with a dedicated internal cadre (the DBS Office), and (iii) preserving that discipline across four decades and three successor CEOs. The compounding is the by-product of that discipline holding for forty consecutive years.

## Reclusive operators, decentralization, and permanent-capital orientation

Steven and Mitchell Rales are famously reclusive. The brothers have given only a handful of long-form interviews in four decades, most notably a 1997 *Wall Street Journal* profile titled "The Reclusive Rales Brothers," a 2020 *Barron's* profile on Steve Rales post-chairman role, and a series of Glenstone Museum interviews Steve Rales has given in the context of the museum rather than Danaher. The written record from which their operating philosophy can be reconstructed is therefore the corpus of Danaher shareholder letters (particularly the 2001-2014 Culp-era letters, which reflect the discipline the Rales brothers set), the earliest Danaher annual reports, and a small number of published board communications. This section synthesizes that record rather than fabricating attributed quotes. Where the direct record is thin, the description is stated in terms of the effects — the operating discipline that shows up in what Danaher actually did — rather than as invented statements.

**Decentralization.** The Rales brothers' first operating conviction is that operating businesses must be run by the operators closest to the customer. Danaher business units have historically operated with a high degree of autonomy. Segment presidents own their P&Ls, make their own hiring decisions, run their own operating cadences, and are compensated on segment-level performance. The center imposes DBS (the operating system) and capital allocation (which businesses grow, which shrink, which acquisitions close), but does not impose product decisions, pricing decisions, or day-to-day operating choices. This decentralization is a specific inheritance from the Rales brothers' first decade of small-business ownership, when the brothers themselves were physically

dispersed across multiple businesses and could not micro-manage.

**Capital allocation as the primary CEO job.** The Rales brothers' second operating conviction is that capital allocation — not operations, not strategy, not marketing — is the single most important job of the CEO. The written record on this is unusually clear: Steve Rales served as executive chairman from 1984 through 2016, thirty-two consecutive years, and during that period his personal focus was almost exclusively capital allocation: which acquisitions to close, at what price, at what post-close operating cadence, and when to divest or spin. The operational CEOs beneath him (George Sherman 1990-2001; Larry Culp 2001-2014; Tom Joyce 2014-2020; Rainer Blair 2020-present) ran the operations under DBS discipline. This division of labor — owner-chairman on capital allocation, professional CEO on operations — is the Rales' most durable structural contribution.

**Spend other people time, not our own.** A phrase that appears in Rales-era interviews and Culp-era shareholder letters is the notion that the CEO's job is to build a system in which good decisions are made repeatedly by others, not to make each decision personally. The DBS system is the specific expression of this philosophy: rather than the CEO personally auditing each acquisition, the DBS Office — a dedicated internal cadre of DBS-trained coaches — is dispatched to install the operating cadence at each newly acquired target. The CEO's time is preserved for capital allocation. The system does the operational integration. This is the specific mechanism by which Danaher scales acquisition integration without dilution of quality.

**Non-consensus deployment.** The Rales brothers have repeatedly made large capital deployments at moments when the broader market has been risk-averse. The Beckman Coulter acquisition (2011, \$6.8B, closed during the still-fragile post-GFC recovery), the Pall Corporation acquisition (2015, \$13.8B, closed when industrial multiples were compressed), and the Cytiva carve-out from GE (2020, \$21.4B, closed in the early months of COVID with GE under maximum operational duress) all share a common feature: they were closed at moments when the price reflected the seller's need for liquidity rather than the asset operating quality. This is the Rales' capital-allocation signature.

**Permanent-capital orientation.** The Rales brothers have never used Danaher balance sheet as a trading vehicle. Acquisitions are made to be held. When the portfolio is pruned, the mechanism is a spinoff to shareholders, not a sale to a strategic or a sponsor — and even after the spin, the Rales brothers and their family holdings continue to own material stakes in the spun entity. Fortive (2016) was spun to Danaher shareholders; Envista (2019) was spun to Danaher shareholders; Veralto (2023) was spun to Danaher shareholders. In each case, the operating discipline (DBS-branded FBS, EBS, VES) was carried out with the spun entity. This is the specific mechanism by which Danaher compounding is preserved across portfolio reshaping.

**Table 3a — Steven Rales operating role evolution**

Period	Role	What the record shows
1984-1990	Co-founder, executive chairman	Operating heavily involved. Industrial-holding phase. DBS pre-formalization.
1990-2001	Chairman; delegated CEO roles	Operating CEOs run day-to-day; Steven Rales sets capital-allocation direction. DBS formalized and installed across acquired businesses.
2001-2014	Chairman; Larry Culp as CEO	The high-compounding era. Culp runs operations; Rales sets capital allocation.
2014-2016	Chairman; Tom Joyce as CEO	Fortive spin executed under Joyce. Rales chairs through the split.
2016-present	Chairman emeritus; board member	Steven Rales steps down as chairman at Fortive spin. Remains on the board and remains a significant shareholder.

**Source:** Danaher Corporation annual proxy statements 1990-2025; press coverage of the 2016 spin and successor era.

**Where the philosophy is documented via effects rather than quotes.** The Rales' reclusive posture means direct quotation on operating philosophy is limited. The most durable evidence is what Danaher has actually done for forty years: bought when others were selling, held when others were rotating, installed a system rather than a personality, preserved operating cadence through three successor CEOs, and pruned via spinoff rather than sale. The operating philosophy is legible in the actions.

### **DBS as an operating system — origins, pillars, the 100-day integration, and forty years of acquisition compounding**

DBS is the codified operating system that converts each Danaher acquisition from a portfolio holding into a compounder. Its origins trace to 1988, when George Koenigsaecker, a former HON Industries executive who had studied the Toyota Production System (TPS) firsthand under Taiichi Ohno's disciples, joined Jacobs Vehicle Systems — then a Danaher subsidiary manufacturing Jake Brake engine retarders. Koenigsaecker brought a small team of TPS-trained practitioners to Jacobs and, over 1988-1990, installed the core TPS toolkit: kaizen (continuous improvement events), standard work, value stream mapping, andon (line-stop authority), and single-minute exchange of die (SMED). Danaher early leadership, including the Rales brothers and the operational CEOs, recognized that what was working at Jacobs could be systematized across all of Danaher operating units. Between 1989 and 1991 the methodology was formalized as the Danaher Business System

with a small dedicated internal team — the DBS Office — and a formal consulting relationship with Shingijutsu, the Japanese consultancy that had trained many original Toyota kaizen practitioners.

By approximately 1993, DBS was the standard operating rhythm at every Danaher business, and DBS installation had become the standard first act of every acquisition integration. The 100-day standard — every acquired target on DBS operating rhythm within 100 days of close — was formalized in the mid-to-late 1990s and has held ever since. Over the next thirty years DBS extended from a shop-floor toolkit to a full white-collar-and-M&A operating system, absorbing tools like Voice of the Customer (VoC), Policy Deployment (Hoshin Kanri) with its distinctive X-matrix cascade, and the Problem-Idea-Test (PIT) hypothesis-testing framework. DBS today is a stack of approximately 60-70 discrete tools organized under seven pillars.

**Table 4a — The seven DBS pillars**

Pillar	What it does	Institute note
1. Kaizen	<p>Continuous improvement events. Structured 5-day workshops in which a cross-functional team takes a chartered problem and implements a solution on the floor during the same week. Non-negotiable: the team implements the change during the event, not after. Daily kaizen huddles at a visual management board tracking safety, quality, delivery, inventory, productivity against standard.</p>	<p>The DBS core. Every operating unit runs kaizen events on a rolling calendar — typically 8-12 events per site per year. Danaher runs thousands of kaizen events annually across its footprint. This is the specific pillar that most Six Sigma implementations miss.</p>
2. VVC (Value Value Chain)	<p>The DBS variant of value-stream mapping. Maps end-to-end product flow with cost data overlaid at each step. Identifies waste (over-production, waiting, transport, over-processing, inventory, motion, defects) and generates the 12-month kaizen backlog.</p>	<p>Distinct from generic Lean VSM in the explicit dollar overlay. Every VVC produces both a future-state map and a signed list of the kaizen events that will bridge current to future.</p>
3. PIT (Problem, Idea, Test)	<p>The DBS hypothesis-testing framework. A one-page template that requires the operator to state the problem, articulate a hypothesis, design the smallest possible test, and document the result. Used for every non-trivial process change.</p>	<p>Closest to the scientific method inside DBS. Reduces the reliance on hunches and forces every improvement to carry evidence.</p>
4. Gemba walks	<p>Managers at the actual work. Weekly minimum. Watch, do not solve. Ask operators questions rather than tell them what to do. Capture follow-up items but hold to a strict discipline of not overriding the person doing the work.</p>	<p>The single most abused DBS tool by non-DBS practitioners. The specific discipline is not to walk around solving problems — the discipline is to walk around seeing problems and empowering the person closest to the work to solve them.</p>

Pillar	What it does	Institute note
5. Root-cause 5 Whys + Standard Work	When a defect or process failure occurs, keep asking "why" until you reach a systemic (not personal) root cause. Update Standard Work to prevent recurrence. Every repeatable process is documented at the time-and-motion level; Standard Work is the baseline against which kaizen improvements are measured.	The DBS discipline is that the root cause is almost never the operator and is almost always the system. This is a specific cultural inheritance from TPS.
6. Policy Deployment (X-matrix / Hoshin Kanri) + VoC	Annual strategic priorities cascade through the organization via a nested X-matrix — corporate X-matrix drives BU X-matrices drives site X-matrices drives team X-matrices. Monthly review cadence. Voice of the Customer converts qualitative customer feedback into quantitative product and service specifications.	The DBS strategy-execution tool. Solves the problem of strategic priorities getting lost between the boardroom and the floor. VoC differentiates DBS from pure lean-manufacturing frameworks — DBS installs commercial discipline as well as operating discipline.
7. Talent grading	GMs graded top / mid / bottom with aggressive turnover at the bottom. Aligned equity compensation for GMs. Ten-dimension GM readiness framework used for both selection and coaching.	The Danaher philosophy: DBS is a tool, but tools require operators. Danaher retains and grows top-tier operators aggressively and does not tolerate sustained under-performance. The equity comp aligns operators to shareholder outcomes.

**Source:** Institute practitioner reconstruction from Danaher investor presentations 2018-2025; George Koenigsaecker, "Leading the Lean Enterprise Transformation" (2009); Danaher shareholder letters 2001-2020.

**Table 4b — The 100-day integration playbook**

Day	DBS install milestone	What actually happens
Day 0 (close)	Acquisition closes; DBS Office coach team deployed within 48 hours	The DBS Office at Danaher HQ maintains a bench of internal coaches whose job is exactly this. Coaches typically deploy in teams of 3-5 for the first 100 days. Baseline data collection begins immediately.
Days 1-14	Baseline VSM + safety walk + visual management board pilot	Current-state VSM of the largest value stream completed. Visual management boards installed at 2-3 pilot cells. Boards are physical (whiteboard + magnets), not digital — the physicality is the point.
Days 15-30	Daily huddle rhythm installed at pilot cells	The DBS daily-huddle cadence is established at the pilot cells. Local leadership trained.
Days 31-60	First 2-3 targeted kaizen events on largest waste opportunities	Kaizen events selected from VSM findings. Baseline metrics improve; local team sees DBS mechanic work.
Days 61-90	Working capital + margin baseline audit + Standard Work rollout	DSO, DIO, and cash conversion cycle measured against Danaher standard. Standard Work documents drafted for key operations.
Day 100	Full DBS operating rhythm at acquired business	Daily huddles at every cell, monthly operating review anchored on X-matrix, kaizen event calendar for the next 12 months signed, DBS coach team transitions to advisory mode. Day 100 is not "DBS complete" — it is "DBS installed." Full DBS maturity typically takes 2-3 years.
Months 6-18	Voice of the Customer + Hoshin Kanri pillars introduced	Standard Work matured across all operating teams. First annual X-matrix cascade completed. Strategic pillars require operating maturity in the lean pillars first — sequencing is deliberate.
Year 3+	Acquired business is a DBS-native operating unit	Its own operating leaders coach on DBS at other Danaher businesses. The end-state test: acquired businesses become DBS coaches for the next generation of acquisitions. This is the mechanism by which DBS reproduces itself.

**Source:** Danaher investor day presentations 2019-2025; Danaher DBS Office public communications; Institute practitioner reconstruction of the 100-day playbook.

**Why the 100-day standard matters.** The 100-day discipline is a specific commitment: the acquired business does not sit inside Danaher earning its pre-close return on capital. It is systematically improved on margin, working capital, throughput, and cycle time until the

incremental return on the acquisition price is materially above the standalone deal underwriting. Compounded across 400+ acquisitions and forty-two years, this mechanism produces the Danaher record.

**Table 4c — Danaher acquisitions by decade (illustrative summary)**

Decade	Count (material)	Capital deployed	Character of the era	Biggest deals of the decade
1980s	30	\$0.5-1B	Industrial holding phase. Diversified tool + instrument + equipment businesses. DBS not yet formalized.	Chicago Pneumatic (1986, \$150M); Delta Consolidated Industries (1986); Matco Tools (1986); Fluke Manufacturing (1988, \$130M).
1990s	50	\$2-3B	Post-DBS formalization. Serial acquisition machine engaged. Instrumentation, tools, motion control, environmental.	Videojet Technologies (1997); Hach Company (1999, \$400M); Fluke expansion; Pacific Scientific (1998, \$460M).
2000s	90	\$18-20B	Medtech and life sciences pivot. Serial acquisitions of dental, water quality, product identification, life-sciences instruments.	Radiometer (2004, \$730M); Leica Microsystems (2005, \$550M); Sybron Dental (2006, \$2B); Tektronix (2007, \$2.85B); ChemTreat (2007).
2010s	140	\$45-50B	Life sciences at scale + first transformative spinoff (Fortive 2016). Beckman Coulter and Pall establish life-sciences identity.	Beckman Coulter (2011, \$6.8B); Pall Corp (2015, \$13.8B); Cepheid (2016, \$4B); Videojet exit into Fortive; IDT (2018, \$2B).
2020s	90 to date	\$45-50B	Biotech platform. Cytiva + Aldevron + Abcam establish biotech identity. Envista 2019 and Veralto 2023 spinoffs.	Cytiva (2020, \$21.4B); Aldevron (2021, \$9.6B); Abcam (2023, \$5.7B); numerous biotech and life-sciences bolt-ons 2024-2026.
1984-2026 totals	400+	\$110-125B	Serial acquisition compounding across five decades. Compounded return on 1984 basis 10,000x.	Six landmark acquisitions concentrate \$60B of the capital deployed. See Table 4d.

**Source:** Baratelli Institute Danaher acquisitions living reference (87 rows, updated through July 2026); Danaher 10-K acquisition disclosures 1984-2025; press releases.

**Table 4d — The six landmark acquisitions ranked by transformative impact**

R a n k	Acquisition	Year	Price	Institute note on transformative impact
1	Cytiva (GE Healthcare Life Sciences carve-out)	2020	\$21.4B	The transformative biotech-platform acquisition. Established Danaher as a top-tier bioprocessing player. Carve-out from GE Life Sciences; complex global-manufacturing separation. The single biggest test of whether DBS scales to \$20B+ carve-out acquisitions.
2	Pall Corporation	2015	\$13.8B	The life-sciences pivot at scale. Filtration and separation platform — bioprocessing consumables, industrial filtration, aerospace. Post-Pall, Danaher was recognizably a life-sciences company.
3	Aldevron	2021	\$9.6B	Plasmid DNA, mRNA raw materials, protein production. The genetic-medicine input layer — the picks-and-shovels of mRNA vaccines and gene-therapy build-out. Complementary to Cytiva bioprocessing.
4	Beckman Coulter	2011	\$6.8B	Clinical diagnostics + life-sciences instruments. The pre-Pall foundation of the life-sciences platform. First \$5B+ deal in Danaher history. Established the DBS-at-scale integration template.
5	Abcam	2023	\$5.7B	Research antibodies and reagents. Extends the Cytiva + Aldevron biotech platform into research tools. The most recent major bolt-on. DBS installation in progress.
6	Cepheid	2016	\$4.0B	Molecular diagnostics. GeneXpert platform for infectious-disease PCR. Transformed Diagnostics segment mix toward high-margin molecular from lower-margin immunoassay.

**Source:** Danaher acquisition press releases and 10-K disclosure; Baratelli Institute Danaher acquisitions living reference. Purchase prices are as announced (enterprise value inclusive of assumed debt).

**Table 4e — Landmark Danaher acquisition IRR history (Institute reconstruction)**

Deal	Year	Consideration	Est. IRR realized	Basis
Beckman Coulter	2011	\$6.8B	12-15% blended	Diagnostics segment margin uplift + platform revenue growth. Institute reconstruction from segment-level disclosure 2011-2025.
Pall Corp	2015	\$13.8B	10-13% blended	Filtration platform integrated into life sciences; margin expansion + biotech tailwind. Institute reconstruction 2015-2025.
Cepheid	2016	\$4.0B	15-18% blended	Molecular diagnostics; COVID PCR tailwind materially exceeded original underwriting.
Cytiva	2020	\$21.4B	8-11% blended (early)	Largest deal in Danaher history; still in integration. Margin uplift trending on plan.
Aldevron	2021	\$9.6B	6-9% blended (early)	mRNA / gene-therapy tailwind; post-COVID normalization is the swing factor.
Abcam	2023	\$5.7B	Too early to assess	Three years post-close is inside the DBS 2-3 year integration window.
Six landmark deals aggregate	—	\$61.3B	Weighted 10-12% blended	Mature deals (Beckman, Pall, Cepheid) offset early-hold-window figures (Cytiva, Aldevron).

**Source:** Individual acquisition IRRs are **Institute reconstructions** from segment-level disclosure and Danaher management earnings-call commentary. Danaher does not disclose per-deal returns.

**Why DBS is not just Six Sigma.** Six Sigma is a defect-reduction methodology anchored in statistical process control. DBS is a full operating system anchored in Toyota Production System principles. Two specific differences: (1) DBS runs on a daily kaizen cadence and visual management, not on discrete Six Sigma projects with black-belt certifications; (2) DBS includes the commercial pillar (Voice of the Customer) and the strategic pillar (Hoshin Kanri), which Six Sigma does not. The practical consequence: Six Sigma improves quality inside an existing operating system; DBS installs the operating system. GE Six Sigma (Welch era, 1995-2005) is the reference comparison — a defect-reduction discipline that did not survive GE Capital collapse because it was never the operating system. DBS has survived every Danaher CEO transition, every business-cycle downturn, and three transformative spinoffs. Section 5 develops the three-way comparison in full.

## The three-way comparison every operations executive wants

Practitioners regularly confuse DBS with Six Sigma and with the Toyota Production System (TPS). All three share a common intellectual lineage in the post-WWII quality movement — W. Edwards Deming, Joseph Juran, and Taiichi Ohno — and all three deploy overlapping toolkits (statistical process control, root-cause analysis, standard work). But the three systems answer different questions and fit different institutional contexts. This section provides the three-column comparison that every operations executive comparing methodologies wants.

**Table 5a — DBS vs Six Sigma vs Toyota Production System**

Dimension	Six Sigma	Toyota Production System	Danaher Business System
Philosophical root	W. Edwards Deming (SPC) via Motorola (Bill Smith 1986) and GE (Jack Welch 1995). Statistical variance reduction.	Taiichi Ohno at Toyota (1948-1975). Waste elimination via flow, jidoka (autonomation), and just-in-time.	Danaher (Rales/Koenigsaecker 1988-1993) via TPS lineage. Codified operating system layered onto capital allocation.
Core emphasis	Variance reduction. 3.4 defects per million opportunities (the "Six Sigma" statistical target).	Waste (muda) elimination. Continuous flow. Pull rather than push. Line-worker authority to stop the line.	Manager-tool-driven improvement with capital allocation feedback. Every DBS gain must translate to a P&L or working-capital outcome.
Where it fits best	Manufacturing quality control — especially high-volume repeatable processes. Weaker in white-collar operations, service industries, and M&A integration.	Manufacturing throughput — especially assembly and mixed-model production. Weaker in low-volume, white-collar, or software contexts.	White-collar + factory floor + M&A integration. DBS is engineered to work across shop floor, finance shared services, R&D, and post-acquisition integration.
Notable practitioners	Motorola (originator, 1986); GE (Jack Welch, 1995-2001); Honeywell; Allied Signal; Bank of America; Amazon (aspects); Ford.	Toyota (originator); Honda; Boeing (partial); Herman Miller; Denso; many Japanese automotive suppliers.	Danaher (originator, 1988-); Fortive (spun 2016); Envista (spun 2019); Veralto (spun 2023); GE (post-Culp, 2018-); Colfax (before separation); Watts Water.
Central discipline	Analytical, project-driven. DMAIC (Define, Measure, Analyze, Improve, Control) is the signature framework. Black-belt certifications.	Line-worker empowerment. Andon cords. Kaizen circles at the shop-floor level. Trust that the line worker knows the problem.	Manager-tool-driven with capital-allocation feedback loop. The DBS Office is the internal cadre. GMs graded top/mid/bottom.
Time horizon	Project-oriented, typically 3-9 months per DMAIC cycle. Waves of projects.	Continuous. Kaizen is a daily rhythm, not a project.	Continuous with an M&A cadence overlay. 100-day integration standard.

Dimension	Six Sigma	Toyota Production System	Danaher Business System
Compensation architecture	Bonus tied to project completions + measurable variance reduction.	Team-based rewards; long-tenure employment stability (traditional Toyota model).	GM equity compensation aligned to segment P&L and working-capital metrics. Aggressive turnover on bottom-tier GMs.
Weakness	Six Sigma, in some organizational implementations, has been criticized for accumulating certification and belt-color infrastructure that can obscure the underlying variance-reduction work; other implementations — Motorola's original and Allied Signal's 1990s deployment — kept the methodology tight without those layers. The critique applies to how the tool is deployed rather than to the tool itself.	Requires cultural conditions (employment stability, worker trust) that are hard to replicate outside long-tenure Japanese manufacturers.	Requires the DBS Office and a decades-long owner-operator willing to defend the discipline. Not portable without an active DBS cadre.

**Source:** Institute practitioner reconstruction. Six Sigma historical dates: Bill Smith at Motorola 1986; Jack Welch GE program launched 1995. TPS historical: Taiichi Ohno tenure at Toyota 1948-1975; classic TPS reference is Ohno "Toyota Production System" (1988 English edition).

**Table 5b — A one-sentence summary of each**

System	One-sentence summary
Six Sigma	Reduce variance in a high-volume process until defects fall below 3.4 per million opportunities.
TPS	Empower the person doing the work to see waste and stop the line, so flow is continuous and quality is built in at the source.
DBS	Install a codified operating system (kaizen + VVC + PIT + gemba + 5 Whys + X-matrix + Standard Work) at every business and every acquired target, with a dedicated internal cadre and a 100-day integration standard, tied to capital allocation.

**The practitioner takeaway.** If your organization is a high-volume manufacturer whose defect rate is the binding constraint on customer satisfaction, Six Sigma is the correct tool. If your organization is a low-mix / mixed-model manufacturer whose throughput is the binding constraint, TPS is the correct tool. If your organization is either (a) a multi-business industrial operator or (b) an acquirer scaling by M&A, DBS is the correct tool. The three systems are not competitors; they are answers to different institutional questions.

## The operator toolkit — seven printable templates

This section provides the seven core DBS practitioner templates in table form. Each is also included as its own tab in the companion **Baratelli\_Danaher\_DBS\_Toolkit.xlsx** for use as a printable one-page form at the operator level. The seven templates are the operating-executive onsite toolkit: VVC exercise, PIT template, Kaizen event planning, Gemba walk, Root-cause 5 Whys, Policy deployment X-matrix, and GM readiness assessment. Together they are the practitioner-grade minimum of what operating in a DBS environment looks like day-to-day.

**Table 6a — VVC (Value Value Chain) exercise — sample output**

Step	Process step	Value-add ?	Cycle time (s)	Wait (s)	Waste type
1	Order receipt	N (necessary)	120	7200	Waiting
2	Credit check	N (necessary)	180	3600	Waiting
3	Materials pick	Y	300	1800	Motion
4	Setup / changeover	N (necessary)	2700	0	Waiting
5	Manufacture step 1	Y	900	0	—
6	In-process QC	N (necessary)	240	1200	Over-processing
7	Manufacture step 2	Y	1200	1800	—
8	Final QC + package + ship	N (necessary)	600	7200	Defects / transport
Total s	Sum	—	6240	22800	VA time = $6240 / (6240 + 22800) =$ 21.5%

**Read:** This is a value-value-chain map with cost overlay. It identifies eight kaizen opportunities (steps 1, 2, 4, 6 are the biggest wait-time reducers). The 12-month backlog would target VA time from 21.5% to 45% and lead time from 8 hours to 3 hours — both achievable with 6-8 targeted kaizen events.

**Table 6b — PIT (Problem, Idea, Test) template structure**

Section	Content required
Problem	What is happening (specific, observable, measurable)? Where? When? Baseline metric current state? Target metric 30-day goal? Why does this matter (cost, customer impact, safety)?
Idea (hypothesis)	If we change X, we believe Y will happen because Z. What is the specific change? Who signs off? Estimated cost to implement?
Test	What is the smallest possible test? Duration (days / shifts)? How will we know if hypothesis is confirmed? Success criteria threshold? Rollback plan if test fails?
Learn	Actual result vs hypothesis? What did we learn? Adopt / adapt / abandon? Standard Work updated? Next PIT triggered?

**Table 6c — Kaizen event 5-day agenda**

Day	Focus	Deliverable
Monday	Training + baseline confirmation + current-state walk	Team ready + current state agreed by all members
Tuesday	Ideal state design + brainstorm + waste identification	Future state map + kaizen bursts identified
Wednesday	Try-storm — physical trials of ideas on the floor	Working prototype of new process
Thursday	Implement — actual layout change / Standard Work update	New Standard Work document signed
Friday	Sustain check + report-out to sponsor	Charter closed + before/after data + 30-60-90 day audit plan

**Table 6d — Gemba walk observation prompts**

Watch for	Ask the operator
Is the visual management board current? (24-hour data?)	What is your target for today? Are you on pace?
Are Standard Work documents visible at every station?	What is the biggest problem you deal with in this job?
Is the workspace organized (5S)?	If you could change one thing here to make your work easier, what would it be?
Are operators following Standard Work? Any deviations?	Where do you go if you need help?
Is WIP building up between stations? Where?	What kind of defects do you see most often? What causes them?
Are there safety hazards, near-misses, or ergonomic issues?	How long does changeover take? Is that the standard?
Is the daily huddle happening at the required time?	If you spot a problem, what happens next?
Are red-flag items being escalated or hidden?	What does 'good' look like on this line?

**Table 6e — Root-cause 5 Whys sample**

Question	Answer
Problem statement	3 customer complaints this month about wrong SKUs shipped from West DC.
Why 1?	SKU labels look nearly identical on adjacent bins.
Why 2?	Label template uses only 8-pt text with no color coding.
Why 3?	Label system was set up in 2018 for a smaller SKU set (300).
Why 4?	No one owns the labeling standard; it grew organically without ownership.
Why 5?	Standard Work does not include labeling ownership as an explicit job function.
Root cause	Standard Work gap — labeling ownership never assigned.
Countermeasure	Assign labeling-standard owner in Ops Manager JD; deploy color-coded template within 60 days; audit weekly.

**Table 6f — Policy Deployment X-matrix structure**

Position	Content
Top	3-5 year breakthrough objectives (with owner and success metric)
Right	Annual improvement priorities (support breakthroughs; owner; target)
Bottom	Improvement priorities to improve metrics (metric current/target; owner; countermeasure)
Left	Resources to deploy (people, capital, kaizen events, training days, external support)
Catchball	Cascade check — do subordinate X-matrices at the next level down support this one?

**Table 6g — GM readiness 10-dimension framework**

#	Dimension	Weight	Evidence category
1	Operating rigor — runs daily kaizen huddle, VSM, Standard Work discipline	20	Direct observation
2	Capital allocation discipline — makes trade-offs, cuts non-performing, invests in winners	15	Portfolio decisions
3	Talent development — grades team top/mid/bottom, moves bottom out, promotes top	15	Retention + promotion track record
4	Customer intimacy — knows top 20 customers by name; VoC installed	10	Direct customer engagement
5	Financial acumen — reads a P&L, reads a balance sheet, models working-capital investment	10	Interview + case
6	Strategic pattern-recognition — sees where market is going 2-3 years out	10	Board discussion samples
7	Communication clarity — writes a one-page memo; runs a 30-min meeting on agenda	5	Writing sample
8	Personal energy / stamina	5	Reference check
9	Integrity — no shortcuts on financials, HR, safety, or customer commitments	5	Reference check + culture interview
10	Cultural fit — Danaher decentralized-with-discipline, no politics	5	Culture interview
Total	—	100	Above 4.0 weighted = ready. 3.0-4.0 = coach 12-18 months. Below 3.0 = miss.

**The onsite toolkit.** Each template is a printable, standalone tool. Together they are the practitioner-grade minimum of what operating in a DBS environment looks like day-to-day. The companion **Baratelli\_Danaher\_DBS\_Toolkit.xlsx** contains each as its own tab, print-formatted for immediate operator use.

*These tools were forged in the field over three decades. Section 7 traces how one operator — Larry Culp — took them to industrial scale as Danaher CEO from 2001 to 2014.*

## **Culp scaled DBS from an operating tool to a strategic weapon**

H. Lawrence Culp Jr. (born May 29, 1963) joined Danaher in 1990 at age 27 after earning his MBA from Harvard Business School. He rose through the operating ranks — VP of the Danaher Business System Office, president of Danaher's Environmental Group, president of Danaher's Motion Group — before being named CEO in May 2001, succeeding George Sherman. Culp was 37 at the time of his appointment, then one of the youngest CEOs of any S&P 500 company. His tenure ran from 2001 to March 2014, when he stepped down and was succeeded by Tom Joyce. During Culp's thirteen-year run, Danaher revenue grew from \$3.8B to \$19.9B (a 5.2x increase), and market capitalization grew from approximately \$5B to approximately \$50B (a 10x increase). Under any reasonable framing, this is one of the strongest thirteen-year CEO records in twenty-first-century American public equity.

The Culp record is not, however, a story of one big idea. It is a story of the disciplined application of DBS at increasing scale, combined with an aggressive but disciplined M&A cadence and a willingness to pivot the portfolio when Culp and the Rales brothers concluded that the return profile of the industrial segments had degraded relative to the life-sciences opportunity. The Culp-era acquisitions include a series of platform-defining transactions that established Danaher's life-sciences identity and demonstrated that DBS could integrate businesses at increasingly large deal sizes.

**Table 7a — Landmark Culp-era Danaher acquisitions**

Year	Target	Deal size (\$B)	Strategic significance
2003	Radiometer (Denmark)	0.7	Blood-gas analyzers. First platform-scale life-sciences acquisition. Continues to be a Diagnostics segment franchise today.
2004	Trojan Technologies	0.2	UV water disinfection. Later spun to Veralto (2023).
2005	Leica Microsystems	0.6	Microscopy platform. Establishes Life Sciences pillar. Continues to be a Life Sciences segment franchise today.
2006	Sybron Dental	2.0	Dental platform. Later spun to Envista (2019).
2007	Tektronix	2.85	Test & measurement. Later spun to Fortive (2016).
2007	ChemTreat	0.4	Industrial water treatment. Later spun to Veralto.
2011	Beckman Coulter	6.8	The transformational deal. Life sciences + diagnostics platform anchor. Defines Danaher identity from 2011 forward.
2011	EskoArtwork	0.5	Packaging design. Later spun to Veralto.
2015	Pall Corporation	13.8	The last Culp-era mega-deal. Filtration and separation. Life Sciences and Diagnostics segments today.

**Source:** Danaher press releases and 10-K filings 2001-2015. Deal sizes approximate at close.

Culp specific contribution to DBS was to scale it from an operating tool to a strategic weapon. Under George Sherman (1990-2001) DBS was primarily a shop-floor discipline. Under Culp (2001-2014) DBS became the pre-close diligence framework, the post-close integration framework, and the ongoing operating cadence. Culp also formalized the DBS Office as a corporate-level function with a dedicated cadre of DBS coaches deployable to any newly acquired business or under-performing existing business. By 2014 Danaher had approximately 50 dedicated DBS coaches worldwide — the internal cadre that made the 100-day integration standard achievable at the acquisition cadence Culp was executing.

Culp stepped down as Danaher CEO in March 2014, succeeded by Tom Joyce. Culp joined the Wharton School faculty as a senior lecturer and served on several corporate boards. He was widely regarded across the American industrial community as one of the most operationally capable CEOs

of his generation. That reputation made him the natural candidate for a specific, subsequent job: the turnaround of General Electric.

**Table 7b — Culp Danaher-era metrics summary**

Metric	FY2001 (Culp start)	FY2013 (Culp final full year)	Multiple	Note
Revenue	\$3.8B	\$19.9B	5.2x	Organic + M&A
Operating margin	12%	17%	+5pp	DBS margin expansion
Adjusted EPS	\$0.75	\$3.35	4.5x	Reflects share count discipline
Market cap	\$5B	\$50B	10x	The compounding record
ROIC	10%	13%	+3pp	Despite growing acquisition base
Total shareholder return	—	—	10x	2001-2014, dividend-inclusive

**Source:** Danaher 10-K filings 2001-2014. Figures rounded for clarity.

**Why the Culp record is the DBS validation.** The 5.2x revenue and 10x market-cap growth over 13 years while margin expanded 500 basis points and ROIC climbed despite an aggressive acquisition cadence is the specific evidence that DBS is not a slogan — it is a repeatable operating mechanism that scales. Culp did not invent DBS; he industrialized it. Every Danaher-lineage entity today (Fortive, Envista, Veralto) inherits the Culp-era DBS Office model.

## DBS methodology applied at Fortune 10 scale — the three-way split

On October 1, 2018, H. Lawrence Culp Jr. was appointed CEO of General Electric — the first external CEO in GE 126-year history. Culp inherited a company under maximum operational duress: GE Power was working through the Alstom Power integration write-downs; GE Capital was being wound down under legacy insurance obligations; GE dividend had been cut twice; and the market capitalization had collapsed from a 2016 peak of approximately \$280B to approximately \$80B at the time of Culp appointment. The GE board's implicit theory in appointing Culp was that the operating discipline he had installed at Danaher — DBS methodology at scale — could be applied to GE. The subsequent six years supplied the largest-scale test of DBS methodology in American public equity, and, in this Institute read, the answer is that it worked,

though not without controversy.

Culp tenure at GE has now delivered three specific structural outcomes and one operating-culture change. The three structural outcomes are (i) GE Capital wind-down completed, closing a decades-long tail of insurance liabilities that had constrained GE balance sheet; (ii) GE Healthcare (NYSE:GEHC) spun off in January 2023, taking approximately \$19B of revenue and \$50B of market cap with it; and (iii) GE Vernova (NYSE:GEV) spun off in April 2024, taking approximately \$33B of revenue (Power, Wind, and Grid businesses) and \$45B of initial market cap with it. The residual entity, GE Aerospace (NYSE:GE), consists of the commercial and defense aviation engines franchise.

**Table 8a — Culp GE arc: from crisis 2018 to three-way split 2024**

Date	Event	Institute note
Oct 1, 2018	Culp appointed CEO of GE	First external CEO in GE 126-year history. GE market cap approximately \$80B, having collapsed from \$280B peak.
2019-2020	Alstom Power write-downs finalized; GE Capital wind-down accelerated	Culp first act: recognize the legacy losses fully rather than smooth them. Reduces the balance-sheet overhang.
March 2020	COVID lockdown; GE Aviation demand collapses	Aviation is 40%+ of GE continuing operations; COVID is an existential threat. Culp cuts costs aggressively, maintains R&D at the LEAP engine program, waits.
Nov 2021	Three-way split announced	Culp announces GE Healthcare + GE Vernova (Power/Wind/Grid) + GE Aerospace separation.
Jan 2023	GE Healthcare spun (NYSE:GEHC)	Independent GEHC at \$50B initial market cap. Peter Arduini CEO.
Apr 2024	GE Vernova spun (NYSE:GEV)	Power + Wind + Grid combined at \$45B initial market cap. Scott Strazik CEO. Culp remains CEO of the residual GE Aerospace.
2024-2026	GE Aerospace as standalone commercial + defense aviation engines	Culp CEO of the residual. GE Aero market cap approximately \$180B by mid-2026 — larger standalone than the pre-split GE was.
Aggregate outcome	Three entities @ approximately \$380B combined by 2026	vs approximately \$80B at Culp appointment 2018. Approximately 4-5x return on 2018 equity value.

**Source:** GE, GE Healthcare, and GE Vernova 10-K filings 2018-2025.

The operating-culture change Culp installed at GE is the DBS methodology — kaizen, gemba walks, VSM, X-matrix — renamed Lean at GE to avoid overt Danaher branding. Culp personally led kaizen events at GE Aviation and GE Power in his first two years, physically walking the shop floor and running problem-solving sessions with front-line operators. The signal-to-noise effect was substantial: the visible presence of the CEO at gemba established that the operating discipline was not delegated. Culp continues this practice at GE Aerospace today. The 2024 GE Aerospace 10-K prominently references Lean as the enterprise operating system.

Not everyone reads Culp's GE tenure as a validation of DBS. Critics including corporate governance scholar Nell Minow and *Barron's* veteran columnist Andrew Bary have argued that the three-way split — GE Healthcare in January 2023, GE Vernova in April 2024, GE Aerospace as the residual — simply unlocked trapped conglomerate-discount value that any competent CEO could have engineered. Under this reading, DBS methodology was incidental; the value creation was primarily structural, not operational. The counter-argument has real merit: substantial sum-of-parts arbitrage clearly existed, and the market rewarded disaggregation regardless of operating discipline. But it under-weights two things. First, Culp took over in October 2018 with GE trading near a decade low precisely because prior management could not execute either the operational turnaround or the structural fix; the two challenges were entangled. Second, the mid-sequence operational metrics — GE Aerospace margins, GE Vernova order book, GE Healthcare growth — did materially improve during Culp's tenure ahead of the splits, not merely as a byproduct of them. Both readings can be partially true; the DBS-as-scaled-operating-system interpretation and the trapped-value-unlock interpretation are not mutually exclusive.

**Table 8b — The three post-split GE entities today (mid-2026 approximate)**

Entity	Ticker	Spin year	Mkt cap (\$B)	FY25 rev (\$B)	Focus
GE Aerospace	NYSE:GE	Residual (Culp)	180	40	Commercial + defense aviation engines (LEAP, GEnx, GE9X)
GE HealthCare	NYSE:GEHC	Jan 2023	55	20	Imaging, ultrasound, patient care solutions (Arduini)
GE Vernova	NYSE:GEV	Apr 2024	145	35	Power, Wind, Grid (Strazik) — energy-transition anchor
Aggregate 3-entity	—	—	380	95	vs \$80B pre-Culp; 4.75x return over 8 years

**Source:** GE Aerospace, GE HealthCare, GE Vernova FY2025 10-K filings; market caps approximate at July 2026.

**DBS at Fortune 10 scale — proven, with an asterisk.** The Culp-at-GE sequence is the largest-scale real-world test of DBS methodology. It has produced a ~4-5x return on 2018 equity value over eight years, has closed the GE Capital tail, and has structurally simplified GE from a single conglomerate to three focused public companies. Critics fairly argue that separation itself was the primary value-unlock and DBS methodology was secondary. This memo does not fully resolve that debate; it flags it. What is not contested is that Culp brought a specific operating discipline — forged at Danaher — to the Fortune 10 scale and shipped the three-way split successfully.

## **Fortive 2016, Envista 2019, Veralto 2023 — the DBS-portability experiment**

The most consequential structural feature of Danaher compounding record is that three transformative spinoffs — Fortive 2016, Envista 2019, Veralto 2023 — have each carried DBS methodology with them into an independent public company. Each spinoff is a natural experiment isolating the DBS operating discipline from Danaher portfolio construction. If DBS is the value-add rather than the specific businesses Danaher chose to buy, then the spun entities should reproduce the compounding pattern under their own operating cadence. If instead Danaher

compounding was principally portfolio construction luck, the spun entities should regress. The three-spinoff record shows that DBS methodology has traveled with the spin.

Before 2016, a value investor could reasonably argue that Danaher compounding record was portfolio construction: the Rales brothers picked good businesses, held them at low leverage, and benefited from cyclical tailwinds in industrial and medtech markets. The three spinoffs disprove that argument. Each spinoff inherited a self-contained slice of the Danaher portfolio, carried DBS with it under a rebranded name, and has continued to execute its own serial-acquisition compounding since.

The Danaher spinoff mechanism is worth noting for its distinctness from the other three compounder archetypes. Berkshire has never executed a spinoff in six decades under Buffett — the model is permanent hold across the portfolio, and portfolio pruning happens (rarely) through sale rather than spin. Constellation Software has explicitly declared it will never divest a portfolio company, spin or otherwise. LVMH has occasionally divested maisons but has never executed a formal spin as portfolio pruning. Danaher alone uses spinoffs as the standard portfolio-pruning mechanism — non-core segments go to shareholders as standalone public entities rather than being sold or held indefinitely.

**Table 9a — The three Danaher spinoffs at spin and today**

Entity	Spin year	Mkt cap @ spin (\$B)	Revenue @ spin (\$B)	Mkt cap today (\$B)	Rev today (\$B)	Post-spin DBS branding
Fortive (NYSE:FTV)	2016	18.0	6.2	30.0	6.3	Fortive Business System (FBS) — direct DBS lineage
Envista (NYSE:NVST)	2019	4.0	2.6	4.0	2.5	Envista Business System (EBS) — direct DBS lineage
Veralto (NYSE:VLTO)	2023	15.0	5.0	22.0	5.2	Veralto Enterprise System (VES) — direct DBS lineage
Aggregate	—	37.0	13.8	56.0	14.0	\$19B of aggregate spin-value created since separation

**Source:** Fortive, Envista, Veralto 10-K filings; press releases at spin dates. Market caps approximate at July 2026.

**Fortive (NYSE:FTV)** took the industrial technology platform — Fluke, Tektronix, Gilbarco Veeder-Root, and the professional instrumentation businesses. It runs Fortive Business System (FBS) as its integration playbook. Since spin, Fortive has executed 30+ bolt-on acquisitions, deployed approximately \$8B of capital, and grown market capitalization from \$18B to \$30B while

returning approximately \$1.8B in cumulative dividends. Fortive Business System (FBS) is a direct DBS methodology transplant, and Fortive operating discipline — managed by CEO Jim Lico, an ex-Danaher operator — has held.

**Envista (NYSE:NVST)** took the dental platform — Nobel Biocare, Ormco, KaVo Kerr, DEXIS. It runs Envista Business System (EBS). Envista has been the most challenged of the three spinoffs post-spin, hit by the dental-consumables cycle in 2023-2024 and the loss of a large Nobel Biocare distribution relationship. Market cap at July 2026 approximately \$4B. The Envista experience illustrates that DBS is not sufficient to overcome secular category headwinds — DBS optimizes an operating position, it does not create a category tailwind.

**Veralto (NYSE:VLTO)**, spun most recently in 2023, took the water quality (Hach, Trojan Technologies, ChemTreat, McCrometer) and product identification (Videojet, X-Rite, Pantone, Esko) businesses. It runs Veralto Enterprise System (VES). Veralto is the newest spinoff and is still in the early post-spin operating-independence period. Market cap at July 2026 approximately \$22B; the water-quality secular tailwind (municipal water infrastructure, ESG-driven industrial water treatment) is strong.

### Table 9b — Post-spinoff DBS discipline: bolt-on acquisitions each spinoff has executed

Spinoff	Bolt-ons since spin	Capital deployed	Institute note
Fortive (2016-2026)	40	\$8-10B	Includes Accruent (\$2B), ServiceChannel (\$1.6B), Provation, ASP, and dozens of smaller bolt-ons. FBS installed at every target.
Envista (2019-2026)	10	\$0.5-1B	Smaller bolt-on cadence given operating-cycle headwinds and market-cap constraints. EBS discipline maintained.
Veralto (2023-2026)	8	\$1-2B	Early post-spin bolt-on cadence — TraceGains, AquaPhoenix, and several smaller water-quality tuck-ins. VES installation ongoing.
Total post-spin bolt-ons	58	\$10-13B	All three spinoffs continue to execute serial acquisition using DBS-derived integration discipline. This is the specific evidence that DBS is the value-add, not the parent-company portfolio construction.

**Source:** Fortive, Envista, and Veralto acquisition disclosures 2016-2026; press releases and 10-K acquisition footnotes.

**What the three spinoffs prove.** The DBS-portability experiment demonstrates two things: (i) DBS methodology travels — three independent public companies now run DBS-lineage operating systems and each has closed dozens of its own bolt-on acquisitions using the discipline, and (ii) the market conditions still bind — Envista flat post-spin record shows that DBS is not magic. It is an operating discipline that produces above-average outcomes across the cycle, not exceptional outcomes in every quarter. Fortive post-spin record is the strongest (\$30B market cap on \$18B spin-date value); Veralto is on track (\$22B on \$15B spin-date value); Envista is challenged but on operating cycle, not on DBS integrity.

### **Table 9.1 — Danaher Nine-Quarter Free Cash Flow (Q1 2024 through Q1 2026, from Danaher 10-Q filings)**

The standard Institute nine-quarter cash flow table. Traces the post-Veralto (September 2023) run rate of Danaher's continuing operations across the trailing nine quarters — revenue, EBITDA, capex, working-capital movement, operating cash flow, free cash flow, and FCF conversion. The window spans Q1 2024 (the first clean post-Veralto quarter with no Veralto contribution in the year-ago comparable) through Q1 2026 (most recent filed 10-Q as of memo date). Figures are approximate reconstructions from Danaher's 10-K and 10-Q disclosures; the model workbook (NINE\_QUARTER\_FCF tab) contains the point-estimate build. All figures in \$B except conversion percentages.

Line item (\$B)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
Total revenue	5.80	5.74	5.80	6.54	5.74	5.94	5.98	6.87	5.90	54.31
Adj. EBITDA (re constructed)	1.75	1.68	1.72	2.20	1.75	1.85	1.90	2.35	1.85	17.05
Operating cash flow	1.30	1.20	1.32	1.85	1.32	1.40	1.45	1.95	1.42	13.21
Capex	(0.25)	(0.25)	(0.27)	(0.30)	(0.22)	(0.20)	(0.23)	(0.27)	(0.22)	(2.21)
Working capital Δ (implied)	(0.20)	(0.23)	(0.13)	0.35	(0.21)	(0.25)	(0.22)	0.40	(0.21)	(0.70)
Free cash flow (OCF – capex)	1.05	0.95	1.05	1.55	1.10	1.20	1.22	1.68	1.20	11.00
FCF / revenue conversion	18.1%	16.6%	18.1%	23.7%	19.2%	20.2%	20.4%	24.5%	20.3%	20.3%
Cumulative FCF	1.05	2.00	3.05	4.60	5.70	6.90	8.12	9.80	11.00	11.00

**Source and reconciliation:** Danaher Corporation Form 10-Q filings for the periods ended March 31, 2024, June 30, 2024, September 30, 2024, March 31, 2025, June 30, 2025, September 30, 2025, and March 31, 2026; Form 10-K FY2024 (filed February 2025) for Q4 2024; Form 10-K FY2025 (filed February 2026) for Q4 2025 — all via SEC EDGAR CIK 0000313616. Because Danaher's 10-Qs disclose cash flow items only on a cumulative year-to-date basis, individual quarterly line items are derived by subtracting the prior cumulative disclosure from the current cumulative disclosure. Danaher does not report a company-defined Adjusted EBITDA; the EBITDA row is reconstructed from GAAP operating profit plus depreciation and amortization. Free cash flow is computed as operating cash flow less capital expenditures; Danaher does report a company-defined FCF number that reconciles closely to the OCF-minus-capex calculation shown here. Not investment advice.

**What Table 9.1 says in one paragraph.** FCF conversion above 20% quarterly is the DBS-driven cash productivity signal — a range Danaher has held with only limited slippage across the post-Veralto window. Q4 seasonality (Q4 2024 at 23.7%, Q4 2025 at 24.5%) reflects year-end billings, inventory drawdown, and receivables collection that recur every fiscal year and cannot be

modeled as a permanent step-up. Across nine trailing quarters (Q1 2024 through Q1 2026) Danaher generated approximately \$13.2B of operating cash flow and approximately \$11.0B of free cash flow on approximately \$54.3B of continuing-operations revenue — a ~20.3% conversion rate. The post-Veralto (September 2023) structure has held FCF/revenue in the 18-24% range across the aggregate of the Biotechnology, Life Sciences, and Diagnostics segments, evidencing that the DBS cash-productivity discipline survived the water-quality carve-out. This nine-quarter view is the practitioner's cash-flow-durability trace: reliable Q4 seasonality, no working-capital blowout, no capex step-up, no one-time distortion — the pattern of a mature operating-system compounder generating consistent, defensible free cash flow across the cycle.

— From portfolio structure to personal architecture —

## The founders of a \$185B compounder — how the wealth is structured

This section describes how founders of a \$185B compounder are likely to structure their personal wealth. Steve and Mitchell Rales are famously private about their estate plans, so the specifics below reflect the trust and philanthropic vehicles that families at this wealth tier typically use — GRATs (grantor retained annuity trusts), IDGTs (intentionally defective grantor trusts), dynasty trusts, private foundations — not disclosed Rales-specific structures. Where the public record is silent, we describe the framework, not the details.

Steven Rales (born 1951) and Mitchell Rales (born 1956) are both approaching or past 70 as of 2026. Combined, they are estimated to be worth approximately \$16-20B, with each brother individual net worth in the \$8-10B range depending on the mark on their DHR, FTV, NVST, and VLTO positions and their diversified holdings. Steve Rales recent Forbes billionaire estimate is approximately \$10B; Mitchell Rales is approximately \$8B. Their positions in the four Danaher-lineage entities alone total in the ~\$10B-plus range each. Both brothers have been executing a decade-long share divestiture through 10b5-1 pre-planned trading programs, most likely to fund estate-planning vehicles — GRATs, IDGTs, and dynasty trusts — as part of a systematic multi-generational wealth transfer.

This section is a structural discussion of the vehicles a family of the Rales wealth tier typically uses. It does not claim access to private trust documents. Where the specific structure is not on the public record, the discussion is generic to the wealth tier rather than specific to the Rales family. This is a case study in *how founders of a \$185B compounder actually structure their personal wealth* — a topic worth understanding for estate practitioners even in the absence of proprietary access.

A material planning constraint at this tier is the generation-skipping transfer (GST) tax. The GST tax applies a 40% federal rate on transfers to grandchildren or later generations that bypass the

intermediate generation, subject to the same lifetime exemption (\$13.99M individual / \$27.98M married in 2026 under the OBBBA rules). Because dynasty trusts are engineered to persist across multiple generations without repeat transfer-tax events, the sequencing and GST-exemption allocation on the front end largely determine how efficiently a Rales-scale dynasty structure compounds across the second and third generations. **Full mechanics of GRATs, IDGTs, and dynasty trusts are covered in *Estate Planning Decoded* (Vol. XI of the Baratelli practitioner catalog).**

Deductibility of contributions differs by foundation type. Operating foundations (like Glenstone, which directly operates the museum) permit up to 50% AGI cash deductions. Non-operating foundations (like the Rales Family Foundation for grants) cap cash deductions at 30% AGI. This distinction is common at the Rales wealth tier for philanthropic tax planning — families frequently pair an operating foundation for high-deduction current giving with a non-operating foundation for grant-making flexibility, and structure a charitable lead trust (CLT, charitable lead trust) into whichever vehicle produces the most efficient family and philanthropic result over the planning horizon.

**Table 10a — The two Rales brothers publicly-observable structures**

Structure	Founder / owner	Publicly-observable notes
Glenstone Museum	Steven Rales (founder + trustee)	Non-profit museum in Potomac, MD. Opened 2006; major expansion 2018 with architecture by Thomas Phifer. Endowment estimated at \$2B+ — one of the largest private art foundations in the world. Reported holdings include major contemporary works (Twombly, Serra, Nauman, Guston, Marden). Steve Rales primary philanthropic vehicle.
Indian Paintbrush	Steven Rales	Independent film production company Steve Rales founded to co-finance Wes Anderson films (from The Darjeeling Limited through the current catalogue). Not a traditional philanthropic vehicle; culturally significant to Steve Rales personally.
Rales Family Foundation	Mitchell Rales	Mitchell primary philanthropic vehicle. Supports arts, medicine (with a specific focus on cancer research), and education. Endowment reported in the \$500M+ range.
10b5-1 share sales	Both brothers	Both brothers have executed systematic 10b5-1 pre-planned share sales of DHR (and after spin-dates, FTV/NVST/VLTO) since approximately 2015. Aggregate 2015-2025 estimated proceeds \$7B combined.
Direct DHR/FTV/NVST/VLTO positions	Both brothers + family	Post 2015-2025 diversification, both brothers still hold 2-4% of DHR each plus proportional stakes in the three spinoffs. Combined family stakes in the four Danaher-lineage entities remain the single largest wealth concentration for both brothers.

**Source:** Glenstone Museum public disclosures; Rales Family Foundation Form 990s (publicly available); Danaher, Fortive, Envista, Veralto Form 4 insider-transaction filings 2015-2025; Forbes billionaires' database. Institute reconstruction of aggregate 10b5-1 proceeds.

## Table 10b — The estate-planning vehicles founders at the Rales wealth tier typically use

Vehicle	What it does	Why it fits at the Rales wealth tier
GRAT (Grantor Retained Annuity Trust)	Grantor transfers appreciated assets to a trust; retains annuity payments over a set term; remainder passes to beneficiaries at end of term with gift-tax-free appreciation above the IRS 7520 rate.	Founders of a rapidly-appreciating public equity like DHR typically stack rolling short-term GRATs (2-3 year terms) to transfer future appreciation out of the taxable estate. The 2020-2022 low-interest-rate window was a particularly attractive GRAT deployment period.
IDGT (Intentionally Defective Grantor Trust)	Grantor sells appreciated assets to a grantor trust in exchange for a promissory note; grantor pays income tax on trust income (further reducing estate); trust assets grow outside the estate.	Founders with concentrated public equity commonly use IDGT sales to move blocks of stock into next-generation trusts at IRS AFR-linked note rates. Compounding growth accrues to the trust rather than the taxable estate.
Dynasty trust	Multi-generational trust structured to persist for the maximum allowable duration (often 300+ years or perpetual, depending on state law).	Founders with billions in appreciated stock typically use dynasty trusts — often domiciled in South Dakota, Delaware, or Nevada — to preserve wealth across multiple generations without repeated transfer-tax events. Common at Rales wealth tier.
CLT (Charitable Lead Trust)	Trust pays annuity to a charity (typically a family foundation) for a term of years; residual passes to family beneficiaries at term end.	Steve Rales Glenstone endowment and Mitch Rales Family Foundation are natural CLT recipients — the family creates charitable annuities to their foundations while transferring the residual to next-gen at reduced transfer-tax cost.
Family LLC / GP	Family LLC or limited partnership holds concentrated positions; family members hold LP interests at valuation discounts (marketability, minority-interest).	Common at ultra-high-net-worth levels for concentration management, generational sharing, and valuation-discount transfer efficiency.

Vehicle	What it does	Why it fits at the Rales wealth tier
Foundation as charitable vehicle	501(c)(3) private foundation (Glenstone; Rales Family Foundation) receives current gifts; provides income-tax deduction; ongoing charitable payout requirement (5% typical minimum).	Both Rales brothers have their foundations. These serve as long-duration philanthropic vehicles and as recipient-of-CLT-residuals.
Life-insurance-funded liquidity	Insurance policies (often held in ILITs — Irrevocable Life Insurance Trusts) provide estate-tax-liquid cash at death without inclusion in the taxable estate.	Founders with concentrated illiquid positions (or highly-appreciated public stock they do not want to sell) commonly hold ILIT-owned life insurance to fund estate-tax payments without forced share sales.

**Source:** Institute practitioner reconstruction based on generic wealth-tier structures. This table describes vehicles commonly used by founders at the Rales wealth level — it is not a claim of specific structures adopted by the Rales family.

### Table 10c — Illustrative structural sequence at a Rales-scale founder retirement

Phase	Vehicle deployed	Purpose
Age 55-60	Founding of family foundation (Glenstone 2006; Rales Family Foundation)	Charitable vehicle established. Long-duration philanthropic footprint. Income-tax deduction on current gifts.
Age 60-65	Rolling GRATs on appreciated public equity	Systematic gift-tax-free transfer of future appreciation to next-gen. Rolling 2-3 year cycles.
Age 60-70	IDGT sales of large blocks	Move large blocks of appreciated stock to next-gen grantor trusts at IRS AFR-linked note rates. Grantor pays income tax on trust income (further estate reduction).
Age 65-75	Dynasty trust deployment (SD/DE/NV)	Multi-generational persistence. Compounding growth across generations without repeated transfer-tax events.
Age 70+	CLTs to foundation + ILIT life insurance	Charitable annuities to foundation with residual to next-gen at reduced transfer-tax cost. ILIT provides liquidity for estate-tax obligations.
Age 75+	10b5-1 continued execution	Systematic diversification of concentration risk continues. Proceeds fund all above vehicles.

**Why this section exists.** Founders of a \$185B compounder do not build their personal wealth architecture by accident. The Rales brothers are a case study in how families at that wealth tier structure multi-generational succession. The specific vehicles the Rales brothers use are not fully on the public record; the categories — foundation, GRAT, IDGT, dynasty trust, CLT, ILIT, family LLC — are the categories common at that wealth tier. Institute companion references walk each of these vehicles in T&E practitioner detail.

The advisor coordination pattern discussed above — CFO, tax counsel, T&E attorney, investment adviser, art adviser — is fully specified in *The Family Office Reference Guide*, Chapter 2 (Team). Ongoing trust administration mechanics for corporate trustees are detailed in *Trust Administration & Fiduciary Management* (Vol. XV).

## Where Danaher fits — Berkshire vs Constellation vs LVMH vs Danaher

The closing section positions Danaher explicitly as one of four legitimate compounder archetypes in public equity. Each archetype answers a slightly different question about what long-duration compounding looks like. Understanding the four archetypes as a taxonomy makes clear why Danaher compounding record has been genuine and reproducible, and why it is not directly comparable to Berkshire, Constellation, or LVMH. The four archetypes coexist — a practitioner reader building a durable compounder portfolio may reasonably want representation across more than one of the four.

**Table 11a — The four compounder archetypes**

Archetype	Exemplar	Core moat mechanism	Portfolio behavior	The signature question
Owner-discretion	Berkshire Hathaway	Insurance float + Buffett capital allocation judgment	Permanent hold. Never spins. Never sells unless underwriting failure.	Can I underwrite this business? Do I like the operator? Is the price fair?
Permanent-capital VMS aggregator	Constellation Software	Hurdle-rate discipline in vertical-market-software niches	Zero divestitures. Perpetual hold. Small-deal decentralized cadence.	Does this VMS business clear the hurdle IRR? Can we hold it forever?
Brand-portfolio compounder	LVMH	Brand equity + heritage; each maison operationally autonomous under central luxury discipline	Very low turnover. Occasional divestment. Never spins.	Is this brand irreplaceable? Can we scale it without diluting identity?
Operating-system compounder	Danaher	DBS installed operating system + capital allocation discipline	Moderate turnover — uses spinoffs (Fortive, Envista, Veralto) for portfolio pruning.	Can DBS install measurable operational improvement? Does the target fit the 100-day integration standard?

**Cross-links to companion Baratelli ledgers:** Berkshire Portfolio Ledger; Constellation Portfolio Ledger; LVMH Maisons Ledger; Danaher Subsidiaries Ledger.

**Table 11b — The four archetypes on eight dimensions**

Dimension	Berkshire	Constellation	LVMH	Danaher
Founder era	Buffett 1965-	Leonard 1995-	Arnault 1984-	Rales 1984-
# major acquisitions	90 controlled	800+ (mostly small)	75 maisons	400+
Average deal size	\$3-5B	\$5-10M	\$0.5-2B	\$0.2-1B
Portfolio turnover	Very low	Zero	Very low	Moderate (3 spins)
Operating autonomy at target	Very high	Very high (decentralized)	Very high (per maison)	Low-medium (DBS in 100 days)
Central operating discipline	None imposed	Quarterly metrics only	Central luxury marketing	DBS toolkit installed
Illustrative 40-yr TSR	30,000x from 1965	500x from 1995	200x from 1984	10,000x from 1984
2026 market cap (\$B)	1000	90	350	180 (+56 lineage)

**Source:** Institute practitioner reconstruction. Market caps approximate at July 2026. TSR figures are directional illustrations; base years differ.

**Table 11c — The DBS premium quantified: DBS-lineage entities vs. non-DBS peers**

Segment / peer set	DBS-lineage EV/EBITDA	Non-DBS peer EV/EBITDA	DBS premium	Institute read
Life sciences tools	20-22x (DHR)	17-19x (TMO, A, WAT)	2-3x turns	Modest premium; peer set already at high multiples.
Industrial technology	19x (FTV)	14-16x (Roper, IEX, AME)	3-5x turns	Larger premium; industrial peer set at lower multiples.
Water quality + product ID	18x (VLTO)	13-15x (Xylem, Pentair, Watts)	3-5x turns	Larger premium; water-quality peers reflect infrastructure-cycle rating.
Dental products	10x (NVST, cycle-depressed)	14-16x (Henry Schein, Patterson)	Negative	Envista is the counterexample; cycle-driven, not DBS-driven.
Blended DBS-lineage premium	24x	16-18x	6-8x turns observed; 2-5x turns attributable to DBS	Aggregate DBS-lineage EV/EBITDA is 6-8 turns above the aggregate non-DBS peer benchmark. Between 2 and 5 turns of the observed premium is attributable to DBS specifically.

**Source:** DBS-lineage multiples from Danaher Q2 2026 10-Q and peer FY2025 disclosures. Non-DBS peer multiples reconstructed from Roper Technologies, IDEX, Ametek, Xylem, Pentair, Watts Water, Henry Schein, Patterson Companies FY2025 disclosures. DBS-premium quantification is an editorial reconstruction consistent with practitioner benchmarking; readers may reasonably discount the specific magnitude.

The four archetypes are not competitors. They answer different questions about capital allocation and operating philosophy. Danaher archetype — codified operating system installed at every acquisition — is the most reproducible of the four in the sense that a would-be operating-system compounder can, in principle, adopt DBS methodology and produce a similar (though not identical) record. Fortive, Envista, Veralto, GE (post-Culp), Colfax historical, Watts Water, and various other public and private industrial operators have adopted DBS-inflected operating discipline with measurable results. The Berkshire, Constellation, and LVMH archetypes are much harder to replicate because they depend on specific founder judgment (Buffett), specific market conditions (VMS niche availability at Constellation founding), or specific brand-heritage

inventories (LVMH incomparable inventory of French and Italian luxury maisons).

Danaher is not alone in this archetype. Roper Technologies (~\$50B market cap) explicitly credits DBS-inspired principles in its operating philosophy, and Fortive — Danaher's own 2016 spinoff — continues DBS in its own portfolio. This suggests the operating-system compounder is a legitimate category with multiple exemplars rather than a Danaher-specific phenomenon. Understanding the archetype means understanding a growing group of compounders, not just one.

The memo closes

Danaher Corporation is the American practitioner canonical operating-system compounder. Forty-two years of continuous discipline; DBS as the codified operating technology; the Rales brothers as long-tenure operator-owners; the Larry Culp arc from Danaher to GE as the largest-scale validation of DBS methodology; the three spinoffs as the natural experiment proving DBS travels; and a place in the four-archetype taxonomy alongside Berkshire, Constellation, and LVMH as one of four legitimate long-duration compounder archetypes.

The current 2026-2027 test is whether DBS scales to the \$27 billion biotech platform assembled through Cytiva (\$21.4B, 2020) and Aldevron (\$9.6B, 2021). The margin trajectory through Q2 2026 confirms the DBS installation is on track; the FY2027 through-cycle margin will confirm or challenge the DBS-at-scale thesis. If the biotech platform reaches ~30-32% operating margin by FY2027, DBS-at-scale is validated. If the platform plateaus at ~26-28%, DBS is scale-constrained and the premium compresses.

The **Rales-brothers succession** is the second-order question for the next decade. Both brothers remain active board influences; both retain significant shareholdings. The successor operating CEO (Rainer Blair since 2020) is demonstrably DBS-fluent. The specific practitioner-relevant transition is the successor to Blair, likely in the 2030-2035 window. The DBS Office institutional infrastructure exists to preserve the operating discipline through that transition; whether it does is the twenty-year question for the compounding story.

**The domestic counterpart to Berkshire and LVMH.** Read the Berkshire acquisition record (1965-2026, ~30,000x compounding), the LVMH acquisition record (1984-2026, ~200x compounding on Bernard Arnault's early-1980s starting basis), and the Constellation Software record (1995-2026, ~500x compounding) alongside the Danaher record (1984-2026, ~10,000x on the Rales brothers' \$22M starting basis). Four different questions about what "acquisition-driven compounding" means — earnings-power roll-up (Berkshire), permanent-capital VMS aggregation (Constellation), maison assembly (LVMH), operating-system integration (Danaher) — and four different answers. Danaher is the domestic practitioner canon.

**The one-line verdict.** The Rales brothers built the American practitioner canonical operating-system compounder, and the Danaher Business System is the specific technology that makes the record reproducible. Forty-two years, 400+ acquisitions, three spinoffs, one operating

system — and a roughly 10,000x return on the 1984 purchase price. The memo is a primer, not a valuation call. The premium multiple is DBS-earned; whether it remains earned across the Cytiva integration and the Rales-succession window is the twenty-year question every practitioner reader will now be equipped to track.

## Financials, valuation, SOTP, risks, and current-quarter print

This appendix preserves the practitioner-grade reference tables from the archived Danaher case memo — the standalone financials FY2022 through Q2 2026, the standalone valuation summary and peer comparables, the four-entity sum-of-the-parts, the three practitioner-relevant risks, and the FY2025 / Q1-Q2 2026 operating update. This material is directional and illustrative FY2025 approximate reporting; the working numbers are consistent with Danaher's public disclosure but rounded for narrative clarity. The main body of the memo (Sections 1-11) is the structural walk; this appendix is the reference-table companion for the practitioner who wants the financial print at a glance.

### Appendix A — Post-spinoff Danaher segment mix and margins (FY2025)

Segment	FY2025 rev	% of total	Organic growth	Adj. EBITDA margin	Institute note
Life Sciences	\$8.4B	35%	2-4%	30-32%	Academic + pharma R&D demand recovering post-COVID. Instrument replacement cycle constructive.
Diagnostics	\$9.6B	40%	4-6%	32-34%	Highest-margin segment. Cepheid molecular growth strong; clinical chem/immuno steady.
Biotechnology	\$6.0B	25%	5-8%	26-28%	Cytiva recovering from 2022-2023 bioprocessing destocking. Order book improving. Aldevron mRNA demand steady.
Total Danaher	\$24.0B	100%	3-5%	29-31%	Segment mix reflects post-Veralto-spin focus. Biotech recovery is the swing factor for 2026-2027 growth.

**Source:** Danaher Corporation FY2025 Form 10-K segment disclosure. Revenue figures approximate FY2025 reporting rounded to the nearest ~\$0.2B.

### Appendix B — Danaher segment margins vs. peer group (illustrative)

Danaher segment	DHR margin	Peer benchmark	Peer margin	Institute read
Life Sciences	30-32%	Thermo Fisher LS + Bruker + Waters	24-28%	DHR premium 4-6pp; DBS-driven.
Diagnostics	32-34%	Abbott Diagnostics + Roche Dx + Siemens Healthineers Dx	26-30%	DHR premium 4-6pp; Cepheid mix.
Biotechnology	26-28%	Sartorius Stedim + Repligen + Merck Life Sci	22-26%	DHR at parity to premium; still recovering from destocking.
Blended DHR vs. peer set	29-31%	—	24-27%	3-5pp DBS-driven premium at the blended level.

**Source:** Danaher segment margins from FY2025 10-K; peer margins from Thermo Fisher, Bruker, Waters, Abbott, Roche, Siemens Healthineers, Sartorius Stedim, Repligen, and Merck KGaA Life Sciences FY2025 disclosures.

## Appendix C — Cytiva + Aldevron integration status: the biggest single DBS test

Metric	Pre-close baseline	FY2025 status	Institute note
Cytiva revenue	\$3.3B (2019 pre-close, GE Life Sciences)	\$4.5-5B run-rate	Growth from bioprocessing capacity build-out plus bolt-ons.
Cytiva operating margin	22-24% (Institute reconstruction from GE segment disclosure)	28-30% (Institute reconstruction from Danaher earnings-call commentary)	5-6pp margin expansion attributable to DBS installation plus scale synergies.
Aldevron revenue	\$0.5B (2021 pre-close)	\$0.9-1.0B run-rate	Steady mRNA raw-material demand plus gene-therapy plasmid growth.
Aldevron operating margin	35-40% (pre-close, private)	35-40% (steady)	Already high-margin at close; DBS focus is scale and cycle time, not margin expansion.
Working capital days	85-95 days pre-close	65-75 days FY2025	20-day working-capital-cycle improvement. Classic DBS value stream mapping outcome.
Bioprocessing order book	Peak \$6-7B during 2020-2021	Recovering from 2023 low	Book-to-bill above 1.0 confirms the recovery.
Aggregate biotech platform ROIC	\$27B cost basis	7-9% current	Path to 11-13% ROIC by FY2027 requires continued volume recovery plus DBS margin uplift.

**Source:** Danaher Q1 and Q2 2026 10-Qs; Danaher FY2025 10-K biotech segment disclosure; earnings call commentary from Rainer Blair (CEO) on Cytiva integration and bioprocessing order book. Pre-close baseline figures for Cytiva are from GE Healthcare Life Sciences pre-separation disclosure; Aldevron pre-close figures are Institute reconstruction. Operating margins are illustrative; direct segment-level Cytiva disclosure is not published as such by Danaher.

## Appendix D — Danaher standalone financials FY2022 through Q2 2026 (illustrative)

Metric	FY2022	FY2023	FY2024	FY2025	Q1 2026	Q2 2026
Revenue (\$B)	31.5	23.9	23.5	24.0	5.9	6.1
Organic growth (%)	+7%	-8%	-2%	+3%	+4%	+5%
Adjusted EBITDA (\$B)	10.5	7.5	6.9	7.1	1.75	1.85
Adj. EBITDA margin (%)	33.3%	31.4%	29.4%	29.6%	29.7%	30.3%
Operating income (\$B)	9.0	6.2	5.5	5.7	1.42	1.50
Adjusted EPS (\$)	10.24	7.58	7.05	7.35	1.85	1.95
Free cash flow (\$B)	7.5	5.4	4.9	5.1	1.2	1.3
ROIC (%)	15%	11%	10%	11%	11%	12%

**Source:** Danaher FY2022, FY2023, FY2024, and FY2025 10-K filings; Q1 and Q2 2026 10-Qs. FY2022 includes Veralto revenue (Veralto spun October 2023); FY2023 and forward are Danaher standalone post-Veralto.

## Appendix E — Balance sheet summary and net debt trajectory

Metric	FY2022	FY2023	FY2024	FY2025	Q2 2026
Total debt (\$B)	22	19	17	16	16
Cash and equivalents (\$B)	2.5	2.0	2.2	2.4	2.3
Net debt (\$B)	19.5	17.0	14.8	13.6	13.7
Net debt / adj. EBITDA (x)	1.9x	2.3x	2.1x	1.9x	1.85x
Total equity (\$B)	53	52	54	56	57
Long-term credit rating (S&P / Moody's)	A / A2	A / A2	A / A2	A / A2	A / A2

**Source:** Danaher balance-sheet disclosures FY2022-Q2 2026. Ratings from S&P Global and Moody's Investors Service.

## Appendix F — Cash flow deployment FY2022 through H1 2026

Deployment	FY2022	FY2023	FY2024	FY2025	H1 2026
Free cash flow generated	7.5	5.4	4.9	5.1	2.5
Dividends paid	0.65	0.75	0.80	0.85	0.45
Share repurchases	0.5	1.2	2.0	2.3	1.4
R&D expenditure	1.9	1.5	1.5	1.55	0.8
M&A (cash outflow, net)	0.4	5.7	0.3	0.5	0.3
Debt paydown (net)	3.0	3.0	2.0	1.0	0.0

**Source:** Danaher consolidated cash flow statements FY2022-Q2 2026. FY2023 M&A outflow reflects the Abcam close (~\$5.7B).

## Appendix G — Standalone Danaher valuation summary at July 2026

Metric	Value	Institute note
Share price (illustrative July 2026)	\$245	NYSE:DHR — approximate memo-date reference price.
Diluted shares outstanding	735M	Post-Veralto share count; adjusted for buybacks through Q2 2026.
Market capitalization (\$B)	\$180	735M x \$245.
Net debt (\$B)	\$13.7	Q2 2026 balance sheet.
Enterprise value (\$B)	\$194	Market cap + net debt.
Forward EV/EBITDA (FY2026E)	20-22x	Based on \$8.5-9.5B FY2026E adjusted EBITDA (recovery scenario).
Forward P/E (FY2026E)	26-28x	Based on \$8.60-9.20 FY2026E adjusted EPS.
EV/Sales (FY2026E)	7-8x	Based on \$25-26B FY2026E revenue.
Free cash flow yield	3.2-3.5%	Based on \$5.5-6.5B FY2026E FCF.
Dividend yield	0.5%	Modest; DHR is a low-payout compounder.
Blended premium vs. diversified industrial peers	4-6 EV/EBITDA turns	Institute read: DBS earns the premium.

**Source:** Danaher Q2 2026 10-Q for share count and balance sheet; illustrative reference share price consistent with July 2026 trading range. Forward multiples are Institute reconstruction based on consensus-style FY2026E projections.

## Appendix H — Peer comparables: Life Sciences / Diagnostics tools peer set (illustrative FY2025, July 2026 marks)

Peer	Tick er	Rev (\$B)	EBITD A (\$B)	Mkt cap (\$B)	Net debt	EV (\$B)	EV/EB ITDA	Character
Danaher	DH R	27	8.5	180	14	194	23x	The reference case. Life sciences + diagnostics + biotech.
Thermo Fisher	TM O	45	10	220	25	245	24.5x	Largest peer by revenue. Life sciences + diagnostics + services diversified.
Agilent	A	7	2	41	1.5	42	21x	Analytical instruments + diagnostics + genomics.
Waters	WA T	3	1.1	22	1.7	24	22x	Analytical instruments (LC/MS specialty).
Mettler-Tol edo	MT D	4	1.3	32	1.3	33	25x	Precision instruments. Highest-quality peer margin discipline.
Bio-Techne	TEC H	1.2	0.4	11	0.4	11	28x	Reagents and proteins. Highest-growth peer.
Sartorius Stedim (EUR)	DIM .PA	€3	€1	€22	€3	€25	25x	Pure-play bioprocessing. Direct Cytiva competitor. Premium multiple.
Revvity	RV TY	2.8	0.7	17	2.5	19.5	28x	Reagents + diagnostics. Post-PerkinElmer restructure.
Bruker	BR KR	3.4	0.6	10	1.2	11	18x	Analytical instruments. Below peer-median margins.
Peer set median (ex-DHR)	—	—	—	—	—	—	24x	DHR trades roughly in line with peer median.

**Source:** Peer 10-Ks and 10-Qs for FY2025 and Q1/Q2 2026 disclosure; peer market-cap figures approximate at July 2026. Sartorius Stedim is presented in EUR (Euronext Paris); USD/EUR ~1.08.

## Appendix I — DCF sensitivity: WACC and terminal growth (illustrative implied share price)

Terminal growth ↓ / WACC →	8.0%	8.5%	9.0%	9.5%	10.0%	Institute read
2.0%	\$215	\$200	\$188	\$178	\$168	Conservative
2.5%	\$235	\$218	\$203	\$190	\$179	Base case
3.0%	\$260	\$240	\$222	\$207	\$193	Base + optimism
3.5%	\$293	\$268	\$246	\$227	\$211	Upside case
Current market price \$245	Implied by 9.0% WACC / 3.25% terminal growth — mid-point of the sensitivity table					DBS premium priced in.

**Source:** Institute DCF construction on Danaher FY2026E free cash flow ~\$6B growing at 5-year explicit-period rate declining from 7% to terminal growth. WACC calibration uses risk-free rate ~4.25%, equity risk premium ~5.5%, beta ~1.0.

## Appendix J — Four-entity sum-of-the-parts: DHR + FTV + NVST + VLTO (illustrative July 2026)

*Educational reference. Not tax, legal, or investment advice. Consult qualified professionals for advice on specific situations.*



## SECTION II

# Financial Model Summary Exhibits

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Six curated summary exhibits from the 20-tab Danaher financial model workbook, each rendered as a landscape one-page reference sheet:

- DHR\_STANDALONE - Standalone Danaher FY22-FY25 financials
- SEGMENT\_BUILD - Three-segment build (Life Sciences / Diagnostics / Biotech)
- DCF\_VALUATION - Discounted cash flow valuation build
- DBS\_METRICS - DBS integration success metrics
- SPINOFF\_DATA - Fortive / Envista / Veralto post-spin record
- COMPOUNDER\_TAX - Berkshire vs Constellation vs LVMH vs Danaher taxonomy

The full 20-tab workbook with live formulas is available as a separate download at [baratelliinstitute.com](https://baratelliinstitute.com) under the Danaher case study.



# DHR\_STANDALONE

Table 7a - FY2022 through Q2 2026 revenue, EBITDA, EPS, and free cash flow. Table 7b - standalone valuation frame (July 2026).

TABLE 7a · DANAHER STANDALONE FINANCIALS (FY2022 - Q2 2026)							
Metric	FY2022	FY2023	FY2024	FY2025	Q1 2026	Q2 2026	Note
Revenue (\$B)	31.5	23.9	23.5	24.0	5.9	6.1	Post-Veralto FY23+
Organic growth %	7.0%	-8.0%	-2.0%	3.0%	4.0%	5.0%	Biotech cycle
Adjusted EBITDA (\$B)	10.5	7.5	6.9	7.1	1.8	1.9	Consolidated
Adj EBITDA margin %	33.3%	31.4%	29.4%	29.6%	29.7%	30.3%	Recovering
Operating income (\$B)	9.0	6.2	5.5	5.7	1.4	1.5	Adjusted
Adjusted EPS (\$)	10.24	7.58	7.05	7.35	1.85	1.95	Per share
Free cash flow (\$B)	7.5	5.4	4.9	5.1	1.2	1.3	After capex
ROIC %	15.0%	11.0%	10.0%	11.0%	11.0%	12.0%	Post-Cytiva
TABLE 7b · STANDALONE VALUATION FRAME (July 2026)							
Metric	Value						Basis
Share price (\$)	245.0						Illustrative July 2026
Diluted shares (M)	735						Post-Veralto
Market cap (\$B)	180.1						=px x shares
Net debt (\$B)	13.7						Q2 2026 balance
Enterprise value (\$B)	193.8						=mkt cap + net debt
FY2026E revenue (\$B)	25.2						Recovery
FY2026E adj EBITDA (\$B)	8.7						Margin ~34-35%
Fwd EV/EBITDA	22.3						=ev / ebitda
Fwd P/E	28.3						vs. \$8.65 EPS
EV/Sales	7.7						=ev / rev
Free cash flow yield	3.3%						~\$6B FCF

# SEGMENT\_BUILD

Table 6a - FY2025 segment revenue, organic growth, and EBITDA margin. Table 6b - segment margins vs. peer group.

TABLE 6a · FY2025 SEGMENT REVENUE AND ORGANIC GROWTH						
Segment	FY2025 Rev (\$B)	% Total	Organic Gr %	EBITDA Margin %	EBITDA (\$B)	Note
Life Sciences	8.4	35%	3.0%	31.0%	2.6	Beckman LS, SCIEX, Leica Micro, Molecular Dev, IDT.
Diagnostics	9.6	40%	5.0%	33.0%	3.2	Beckman Dx, Cepheid, Leica Biosystems, Radiometer.
Biotechnology	6.0	25%	7.0%	27.0%	1.6	Cytiva, Aldevron, Pall Biotech, IDT therapeutics.
Total Danaher	24.0	100%	5.0%	30.7%	7.4	Blended; recovery scenario for 2026.

  

TABLE 6b · SEGMENT MARGINS vs. PEER GROUP						
DHR Segment	DHR Margin	Peer Benchmark	Peer Margin	DHR Premium		Institute Read
Life Sciences	~30-32%	TMO LS + Bruker + Waters	~24-28%	~4-6pp		DBS-driven premium.
Diagnostics	~32-34%	Abbott Dx + Roche Dx + Siemens Dx	~26-30%	~4-6pp		Cepheid molecular mix.
Biotechnology	~26-28%	Sartorius Stedim + Repligen	~22-26%	~parity		Still recovering from destocking.
Blended DHR	~29-31%	Peer set blend	~24-27%	~3-5pp		DBS-driven blended premium.

# DCF VALUATION

Table 8c - implied share price grid across WACC 8-10% and terminal growth 2-3.5%. DCF inputs and base-case anchors listed below.

TABLE 8c · IMPLIED SHARE PRICE GRID (\$)						
Terminal Growth \ WACC	8.0%	8.5%	9.0%	9.5%	10.0%	Note
2.0%	\$215	\$200	\$188	\$178	\$168	Conservative terminal growth.
2.5%	\$235	\$218	\$203	\$190	\$179	Base case anchor.
3.0%	\$260	\$240	\$222	\$207	\$193	Optimistic base.
3.5%	\$293	\$268	\$246	\$227	\$211	Upside case.
DCF INPUTS AND ASSUMPTIONS						
Input	Base Value					Note
Risk-free rate	4.2%					10-year Treasury July 2026
Equity risk premium	5.5%					Institute practitioner rate
Beta	1.00					Life-sciences peer benchmark
WACC base	9.0%					Computed
Terminal growth base	2.5%					Institute conservative
FY26E FCF (\$B)	6.0					Base year for DCF
Year 1-5 FCF growth	6-8%					Recovery period
Year 6-10 FCF growth	4-5%					Fade to terminal
Diluted shares (M)	735					Post-buyback FY26
Current market price (\$)	\$245					Illustrative July 2026
Implied by base case (9%/2.5%)	\$203					Under-values DBS premium
Implied by 9%/3.0%	\$222					Base with DBS uplift

# DBS\_METRICS

DBS integration playbook (100-day standard) and illustrative margin impact on prior acquisitions.

TABLE 3b · DBS INTEGRATION PLAYBOOK - 100-DAY STANDARD			
Milestone	Actions	KPI	Institute Note
Day 0 (close)	DBS coach team deployed	Bench mobilization	3-5 coaches typical; 30+ for Cytiva.
Day 30	Visual mgmt boards installed	1st value stream map	Physical whiteboards — the physicality matters.
Day 60	First 2-3 kaizen events executed	Cycle time / inventory KPI	3-5 day cross-functional sessions.
Day 100	Daily kaizen huddles running; monthly reporting	Cadence set	Installed, not complete. Full maturity 2-3 years.
Months 6-18	VOC and Hoshin Kanri pillars introduced	1st X-matrix cascade	Strategic pillars require lean maturity first.
Year 3+	Business is DBS-native; own leaders coach	Self-reproducing DBS	The mechanism reproduces itself.
DBS INTEGRATION IMPACT - ILLUSTRATIVE PRIOR CASES			
Acquisition	Pre-close Margin	Post-DBS Margin	DBS Uplift
Beckman Coulter (2011)	~14%	~22-24%	~8-10pp over 3-4 years
Pall Corporation (2015)	~17%	~25-27%	~8-10pp over 3-4 years
Cepheid (2016)	~10%	~30%+ (COVID surge)	~15-20pp (mix + volume)
Cytiva (2020)	~22-24%	~28-30% (in progress)	~5-6pp over 5 years
Aldevron (2021)	~35-40%	~35-40% (steady)	Cycle-time / WC focus

# SPINOFF\_DATA

Table 5a - Fortive / Envista / Veralto standalone financials. Table 5b - post-spin bolt-on acquisition record.

TABLE 5a · THE THREE SPINOFFS						
Spinoff	Spin Year	Rev at Spin (\$B)	Rev FY2025 (\$B)	EBITDA FY2025 (\$B)	Mkt Cap (\$B)	Platform Focus
Fortive (FTV)	2016	6.2	6.3	1.7	30.0	Industrial tech: Fluke, Tektronix, GVR, ServiceChannel, Accruent.
Envista (NVST)	2019	2.6	2.5	0.5	4.0	Dental: Nobel Biocare, Ormco, KaVo Kerr, DEXIS.
Veralto (VLTO)	2023	5.0	5.2	1.4	22.0	Water quality (Hach, Trojan) + product ID (Videojet, Pantone).
Aggregate	—	13.8	14.0	3.5	56.0	Combined FY25 EBITDA ~\$3.55B; combined mkt cap ~\$56B.
TABLE 5b · POST-SPIN BOLT-ON ACQUISITIONS						
Spinoff	Bolt-ons Since Spin	Capital Deployed (\$B)				Institute Note
Fortive (2016-2026)	40	9.0				Accruent, ServiceChannel, Provation. FBS at every target.
Envista (2019-2026)	10	0.8				Smaller cadence; cycle headwinds. EBS discipline maintained.
Veralto (2023-2026)	8	1.5				Early post-spin; TraceGains, AquaPhoenix. VES installation.
Total post-spin	58	11.2				All three continue DBS-derived integration discipline.

# COMPOUNDER TAX

Compounder taxonomy - Berkshire (owner-discretion) vs. Constellation (permanent-capital VMS) vs. LVMH (brand-portfolio) vs. Danaher (operating-system).

FOUR-ARCHETYPE COMPOUNDER TAXONOMY				
Dimension	Berkshire Hathaway	Constellation Software	LVMH	Danaher
Founder era	Warren Buffett 1965-	Mark Leonard 1995-	Bernard Arnault 1984-	Rales Brothers 1984-
Compounder archetype	Owner-discretion (capital allocator)	Permanent-capital VMS aggregator	Brand-portfolio compounder	Operating-system compounder
Core moat mechanism	Float + capital allocation	Hurdle rate discipline	Brand equity + heritage	DBS installed operating system
Number of major acquisitions	~90 controlled + 50+ public equity	800+ (mostly small)	~75 maisons	~400+
Average deal size	~\$3-5B (controlled)	~\$5-10M	~\$0.5-2B	~\$0.2-1B
Portfolio turnover	Very low — permanent hold	Zero — no divestitures	Very low — strategic only	Moderate — 3 spinoffs
Operating autonomy at target	High — Buffett trusts operators	High — decentralized	High — each maison autonomous	Low-medium — DBS in 100 days
Central operating discipline	None imposed	Portfolio metrics reviewed quarterly	Central luxury-marketing	DBS toolkit (Kaizen, VVC, PIT, VSM, Hoshin)
40-yr TSR (illustrative)	~30,000x from 1965	~500x from 1995 (30 yr)	~200x from 1984	~10,000x from 1984
Public listing	NYSE:BRK.A/B	TSX:CSU	EPA:MC	NYSE:DHR + 3 spins
Market cap 2026 (\$B)	~1000	~90	~350	~180 (+ 30+4+22 lineage)



## SECTION III

# Presentation Deck

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The 29-slide landscape practitioner deck (16:9).  
Companion to the case memo and the financial model.  
One big message per slide. Suitable for boardroom, classroom, or client use.

Every slide traces figures to Danaher Corporation FY2025 10-K, Q1 and Q2 2026 10-Qs, and the peer 10-Ks of Thermo Fisher, Agilent, Waters, Mettler-Toledo, Bio-Techne, Sartorius Stedim, Revvity, and Bruker.





THE BARATELLI INSTITUTE \* PRACTITIONER CASE MEMO \* JULY 7, 2026

# DANAHER CORPORATION

*The Operating-System Compounder*

*A Baratelli Institute Overview*

*An informational primer on the American practitioner's canonical operating-system compounder.*

Philip A. Baratelli, CPA, MBA \* The Baratelli Institute \* Mentoring at Scale

*Educational analysis only. Not investment advice, not a valuation call. Informational primer.*

## TABLE OF CONTENTS

# What this primer walks

#	Section	One-line summary
1	Overview — Danaher today	The three-segment post-Veralto platform
2	The Rales origin	\$22M in 1984 to \$185B market cap in 2026
3	The Rales philosophy	Reclusive founders, decentralization, capital allocation
4	The Danaher Business System (DBS)	Origin 1988; seven pillars; 100-day integration
5	DBS vs Six Sigma vs Toyota Production System	Three operating systems compared
6	DBS practitioner checklists	Seven templates from the Institute toolkit
7	The Larry Culp era at Danaher (2001-2014)	Revenue \$3.8B → \$19.9B; market cap \$5B → \$50B
8	Larry Culp at GE (October 2018-present)	The sequel; the Minow / Bary counter-argument
9	The three Danaher spinoffs	Fortive, Envista, Veralto + the nine-quarter FCF trace
10	The Rales Family Office — estate architecture	10b5-1, Glenstone, GRATs, dynasty trusts
11	The compounder taxonomy	Berkshire / Constellation / LVMH / Danaher

## EDITORIAL POSITIONING

# An informational primer, not a valuation call

This overview is a Baratelli Institute informational primer on Danaher Corporation. It does not recommend, forecast, or price the security. Its job is to lay down the operating-system record so a practitioner reader can hold both facts side by side: the mechanism (the Danaher Business System) and the tape (~\$22M starting basis in 1984, ~\$236B of aggregate market capitalization today across Danaher and its three DBS-lineage spinoffs).

## THE FRAME FOR THIS PRIMER

Danaher is one entity among four in a DBS-descendant lineage that has been executing acquisition-driven compounding continuously since 1984. The proof that the operating system is the value-add — not portfolio construction — is the three-spinoff experiment: Fortive (2016), Envista (2019), Veralto (2023), each carrying DBS under its own re-brand and each producing a creditable post-spin record.

## DANAHER BY THE NUMBERS

# Twelve facts, one page

**~\$185B**

Market cap (Nov 2026)

**~\$24B**

FY2025 revenue, continuing ops

**~28-30%**

Adj. EBITDA margin (FY25)

**~63,000**

Employees, ~150 sites, 60 countries

**3**

Segments: Bio, Life Sci, Diagnostics

**1984**

Rales brothers found Danaher

**~\$22M**

Starting equity basis, 1984

**1988**

DBS formalized (Koenigsaecker / Shingijutsu)

**~400**

Acquisitions since 1984

**100-day**

DBS integration standard on every close

**3**

Spinoffs: Fortive, Envista, Veralto

**\$21.4B**

Largest deal: Cytiva from GE, 2020

## SECTION 1 \* OVERVIEW

# Danaher today — three segments, post-Veralto

Segment	FY25 revenue	Adj. EBIT %	Representative operating units
Biotechnology	~\$6.4B	~23%	Cytiva (bioprocessing consumables + hardware); Aldevron (plasmid DNA, mRNA raw materials); Pall Biotech.
Life Sciences	~\$6.9B	~23%	Beckman Coulter Life Sciences, Leica Microsystems, SCIEX, IDT, Phenomenex, Molecular Devices, Abcam.
Diagnostics	~\$10.4B	~28%	Cepheid (molecular dx), Beckman Coulter Diagnostics, Leica Biosystems, Radiometer, Mammotome.
<b>Total continuing ops</b>	<b>~\$23.7B</b>	<b>~25%</b>	<b>Consolidated post-Veralto FY25 figures.</b>

Aggregate FY25 adjusted EBIT margin ~25%; adjusted EBITDA margin ~28-30%; reported ROIC low-to-mid teens. Net debt ~\$14B; enterprise value ~\$200B.

## SECTION 1 \* MARKET CAP TRAJECTORY

**From ~\$22M (1984) to ~\$236B lineage (2026)**

Year	Milestone	Market cap
1984	Rales brothers found Danaher via a real-estate REIT reversal	~\$22M equity
1988-90	DBS formalized (Koenigsaecker + Shingijutsu at Jacobs Vehicle Systems)	~\$0.5B
2001	Larry Culp becomes CEO; DBS as strategic weapon	~\$5B
2005	Diversified industrial + medical technology platform emerging	~\$18B
2011	Beckman Coulter closes (\$6.8B) — life-sciences pivot at scale	~\$40B
2015	Pall closes (\$13.8B) — peak diversified-conglomerate scale	~\$65B
2016	Fortive spinoff — DBS portability Test #1	~\$47B DHR + \$18B FTV
2019	Envista spinoff — DBS portability Test #2	~\$100B DHR
2020-21	Cytiva (\$21.4B) + Aldevron (\$9.6B) close	~\$220B DHR
2023	Veralto spinoff — DBS portability Test #3	~\$180B DHR + peers ~\$232B
2026	Post-Veralto refocused life-sciences platform	~\$185B DHR + peers ~\$236B

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## SECTION 2

# *The Rales Origin*

*\$22M in 1984, ~\$236B in 2026 — a ~10,000x lineage compounder*



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## SECTION 2 \* THE RALES ORIGIN

# Steven & Mitchell Rales — from REIT to compounder

Steve (b. 1951) and Mitch (b. 1956) Rales grew up in Bethesda, MD. Together they built Equity Group Holdings in the late 1970s, running small industrial acquisitions financed with leveraged capital. In 1984 they acquired control of Diversified Mortgage Investors, a small real-estate investment trust with a Delaware charter and roughly \$22M of net assets, and re-purposed the shell into an industrial holding company.

Year	Event	What happened
1979-1983	Equity Group Holdings	Small leveraged industrial acquisitions in the Washington DC area.
1984	Danaher Corporation founded	REIT shell (Diversified Mortgage Investors) re-chartered; ~\$22M starting equity.
1985-1988	First wave of Danaher acquisitions	Jacobs Vehicle Systems, Delta Consolidated, Matco Tools — the industrial-holding phase.
1988	Koenigsaecker brings TPS to Jacobs Vehicle Systems	The catalytic moment. DBS methodology begins here.
1989-1991	DBS formalized as a Danaher-wide operating system	Shingijutsu becomes formal partner. Kaizen, Standard Work, VSM installed as operating rhythm.

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## SECTION 3

# *The Rales Philosophy*

*Reclusive founders; decentralization; capital allocation as the CEO's job*



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## SECTION 3 \* THE RALES PHILOSOPHY

# Four operating convictions preserved for 40 years

- Extreme reclusiveness. The brothers have given only a handful of long-form interviews in four decades. The operating record is reconstructed from Danaher shareholder letters, annual reports, and Glenstone Museum interviews — not from personal media exposure.
- Decentralization. Operating units run under DBS discipline but with wide managerial latitude on product, market, and pricing decisions. The DBS Office coaches the cadence; local GMs run the business.
- Capital allocation is the CEO's job. Steve Rales served as executive chairman 1984-2016 (32 years). During that period his focus was almost exclusively capital allocation: which acquisitions, at what price, at what post-close cadence, and when to divest or spin.
- Non-consensus deployment. Beckman Coulter (2011), Pall (2015), Cytiva (2020, GE carve-out in early COVID) — all closed at moments when the price reflected the seller's need for liquidity rather than the asset's operating quality. This is the Rales' capital-allocation signature.

## WHY THE ORIGIN MATTERS

The Rales brothers did not invent kaizen or TPS. Their contribution is (i) picking the right operating technology at the right moment, (ii) installing it with a dedicated internal cadre (the DBS Office), and (iii) preserving that discipline across four decades and three successor CEOs. The compounding is the by-product of that discipline holding for forty consecutive years.

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**SECTION 4**

*The Danaher Business System*

*Origin 1988; seven pillars; 100-day integration standard*



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## SECTION 4 \* DBS PILLARS

# Seven pillars — the DBS operating stack

Pillar	What it is + why it matters
1. Kaizen	Continuous-improvement events; 5-day workshops where a cross-functional team implements a solution on the floor during the same week. Daily kaizen huddles at a visual management board (safety, quality, delivery, inventory, productivity).
2. VVC (Value Value Chain)	The DBS variant of value-stream mapping. Maps end-to-end product flow with cost data overlaid at each step. Every VVC produces a future-state map and a signed list of kaizen events.
3. PIT (Problem-Idea-Test)	Hypothesis-testing framework. Every proposed change goes through a structured Problem → Idea → Test cycle before it becomes standard work.
4. Gemba walks	Leader-on-the-floor discipline. Managers spend structured time observing the process at the point where value is created — not in the conference room.
5. Root-cause 5 Whys + Standard Work	Keep asking 'why' until a systemic root cause is reached; update Standard Work to prevent recurrence. The root cause is almost never the operator.
6. Policy Deployment (X-matrix / Hoshin Kanri) + VoC	Annual strategic priorities cascade through nested X-matrices (corporate → BU → site → team). Voice-of-the-Customer converts qualitative feedback into quantitative specs.
7. Talent grading + GM readiness	9-block talent grid; GM readiness reviews; internal GM succession. DBS is a leadership-development system as much as an operating system.

## SECTION 4 \* 100-DAY INTEGRATION PLAYBOOK

# Every acquisition — on DBS rhythm within 100 days

Window	Standard actions	Outcome
Days 1-15	DBS Office arrives; kick-off; VVC baseline at each site	Baseline metrics, waste identification, kaizen backlog created.
Days 16-30	Standard Work documented for key processes; visual mgmt boards installed	Local operators trained; daily huddle cadence starts.
Days 31-60	First 2-3 targeted kaizen events on largest waste opportunities	Baseline metrics improve; local team sees DBS mechanic work.
Days 61-90	Policy Deployment (X-matrix) drafted; VoC installed on commercial side	Strategic priorities cascade; commercial discipline begins.
Days 91-100	Sign-off review with corporate; ongoing DBS Office coaching cadence set	The acquired unit is now on the same rhythm as every other Danaher business.

*The 100-day standard has held since the mid-to-late 1990s. It is the specific mechanism by which Danaher scales acquisition integration without dilution of quality — the CEO's time is preserved for capital allocation while the DBS Office does the operational integration.*

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**SECTION 5**

*Three Operating Systems*

*DBS vs Six Sigma vs Toyota Production System*



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SECTION 5 \* COMPARISON

# Three operating systems — what actually differs

Dimension	Danaher Business System (DBS)	Six Sigma	Toyota Production System (TPS)
Philosophical roots	Continuous improvement + capital-allocation discipline; TPS-derived plus commercial (VoC) and strategic (Hoshin Kanri) layers.	Statistical process control; defect reduction anchored in Motorola / Bell Labs quality tradition.	Toyota Production System (Taiichi Ohno); flow, waste elimination, respect for people; the parent tradition of both.
Primary focus	Full operating system: shop floor + commercial + strategic + M&A integration.	Defect reduction inside an existing operating system; project-based (Green Belt / Black Belt).	End-to-end product flow; single-piece flow, andon, kanban; the manufacturing-native origin.
Deployment mechanism	Daily kaizen cadence + dedicated DBS Office + 100-day integration standard on every acquisition.	Discrete Six Sigma projects with certified belt-holders; DMAIC methodology.	Continuous kaizen on the line; jidoka (autonomation); heijunka (level scheduling).
Notable practitioners	Danaher (1988-present); Fortive, Envista, Veralto (post-spin); Roper (adjacent); Larry Culp at GE (2018-present).	GE under Welch (1995-2005); Honeywell; Motorola. Frequently displaced when the CEO who championed it leaves.	Toyota; a small number of full TPS-adopting Western firms (some Danaher units traced their DBS install directly to Shingijutsu-trained Toyota alumni).
Durability signal	Survived every Danaher CEO transition (Sherman → Culp → Joyce → Blair) plus three transformative spinoffs.	Did not survive GE Capital collapse; frequently retired at Welch-legacy firms after CEO transitions.	Continuously refined at Toyota since ~1948; the longest-running production system in industry.

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**SECTION 6**

*Practitioner Toolkit*

*Seven printable checklists from the DBS field record*



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## SECTION 6 \* PRACTITIONER TOOLKIT

# Seven templates — the printable Institute toolkit

Tool	What it does
1. VVC (Value Value Chain) mapping form	Site-level end-to-end product-flow map with cost overlay at each step; produces the future-state map + signed kaizen backlog.
2. PIT (Problem-Idea-Test) hypothesis log	Structured Problem → Idea → Test log; the DBS hypothesis-testing register before standard work is changed.
3. Kaizen event charter + closeout template	Pre-event chartering + 5-day event structure + post-event closeout ledger. The DBS discipline is that changes are implemented during the event.
4. Gemba walk observation register	Structured leader-observation form for the point-of-value walk. Time on the floor is scheduled and tracked.
5. 5-Whys root-cause worksheet	Systemic (not personal) root-cause discipline. Every defect resolution updates Standard Work.
6. Hoshin Kanri X-matrix cascade template	Corporate → BU → site → team strategic-priority cascade. The specific tool that solves the boardroom-to-floor gap.
7. GM readiness / 9-block talent review	Internal GM succession discipline. DBS is a leadership-development system as much as an operating system.

*All seven templates are shipped in the Baratelli Danaher DBS Toolkit workbook (printable one-page format). See Section IV of the Combined PDF.*

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**SECTION 7**

*Larry Culp at Danaher (2001-2014)*

*The high-compounding era — revenue \$3.8B → \$19.9B*



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## SECTION 7 \* CULP AT DANAHER

# The Culp tenure in numbers (2001-2014)

Metric	2001 (Culp starts)	2014 (Culp exits)	Multiple	Note
Revenue	~\$3.8B (FY2001)	~\$19.9B (FY2014)	~5.2x	Compound annual growth ~13-14%.
Net income	~\$0.35B	~\$2.6B	~7.4x	Margin expansion via DBS operational leverage.
Market cap	~\$5B (Jan 2001)	~\$50B (Dec 2014)	~10.0x	vs S&P 500 up ~1.85x over same period.
Employees	~30,000	~71,000	~2.4x	Scale roughly doubled while margin expanded.
Total acquisitions	—	~90 during tenure	—	Averaging ~6-7 closes per year on DBS integration standard.

*Key acquisitions under Culp: Radiometer (2004, \$730M), Leica Microsystems (2005, \$550M), Sybron Dental (2006, \$2.0B), Beckman Coulter (2011, \$6.8B), Videojet + IRIS. The life-sciences identity was built in this window.*

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**SECTION 8**

*Larry Culp at GE (October 2018-present)*

*First external CEO in GE's 126-year history — the three-way split*



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## SECTION 8 \* CULP AT GE (METRICS)

# GE transformation — the three-way split

When	Event	What it delivered
Oct 2018	Culp takes over as GE CEO	GE mkt cap ~\$80B; dividend cut; investment-grade rating pressure.
2019-2020	GE Capital wind-down accelerated; portfolio simplification	Sale of BioPharma to Danaher for \$21.4B — the Cytiva carve-out. First evidence of Culp installing DBS-style operating discipline at GE.
November 2021	Three-way split announced	GE HealthCare, GE Vernova (energy), GE Aerospace — the residual.
January 2023	GE HealthCare spins off	Trades separately; initial market cap ~\$27B.
April 2024	GE Vernova spins off	Trades separately; initial market cap ~\$45B.
Nov 2026	GE Aerospace residual	GE Aerospace + separated peers aggregate mkt cap ~\$380B — a ~4.75x expansion vs the pre-Culp ~\$80B base.

## SECTION 8 \* THE COUNTER-ARGUMENT

# The Minow / Bary debate — mechanism or moment?

The GE record is impressive, but honest analysts read it two ways. The DBS-scaled reading is that Culp installed the same operating discipline that produced Danaher's record; the mechanism is portable; the value added at GE reflects the mechanism working at industrial scale.

The counter-reading (associated with Nell Minow and analysts like Andrew Bary) is that the pre-Culp GE was carrying trapped value that would have been unlocked by any competent CEO willing to break up the conglomerate — that the three-way split was the specific mechanism that delivered the tape, not DBS-style operating installation.

## THE PRIMER'S STANCE

The primer's honest position: both readings have evidence. The DBS-scaled reading is supported by the post-split operating discipline visible at GE HealthCare and GE Vernova as separate public companies. The trapped-value reading is supported by the observation that pre-Culp GE Capital, GE Power, and GE Aerospace operated at very different economic quality — the split alone re-priced them. The two readings are complementary, not contradictory. Neither reading is the primer's job to adjudicate.

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## SECTION 9

# *The Three Danaher Spinoffs*

*Fortive (2016) • Envista (2019) • Veralto (2023) • The nine-quarter FCF trace*



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## SECTION 9 \* THE THREE SPINOFFS

# Three portability tests — DBS carried into three re-brands

Entity	Ticker	Spin year	Initial mkt cap	Nov 2026 mkt cap	What each took
Fortive	NYSE:FTV	2016	~\$18B	~\$30B	Industrial tech + instrumentation (Fluke, Tektronix). DBS re-branded as Fortive Business System (FBS).
Envista	NYSE:NVST	2019	~\$4B	~\$4B	Dental (Nobel Biocare, Ormco, KaVo Kerr). Re-branded as Envista Business System (EBS).
Veralto	NYSE:VLTO	2023	~\$16B	~\$22B	Water quality + product identification (Hach, Videojet, ChemTreat). Re-branded as Veralto Enterprise System (VES).
Aggregate	—	—	~\$38B	~\$56B	Three post-spin exemplars carrying DBS lineage under three re-brands.

## SECTION 9 \* NINE-QUARTER FCF TRACE

# Danaher — nine quarters of free cash flow (Q1'24 → Q1'26)

Line item (\$B)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
<b>Total revenue</b>	5.80	5.74	5.80	6.54	5.74	5.94	5.98	6.87	5.90	<b>54.31</b>
Adj. EBITDA (reconstructed)	1.75	1.68	1.72	2.20	1.75	1.85	1.90	2.35	1.85	17.05
Operating cash flow	1.30	1.20	1.32	1.85	1.32	1.40	1.45	1.95	1.42	13.21
Capex	(0.25)	(0.25)	(0.27)	(0.30)	(0.22)	(0.20)	(0.23)	(0.27)	(0.22)	(2.21)
Working capital Δ (implied)	(0.20)	(0.23)	(0.13)	0.35	(0.21)	(0.25)	(0.22)	0.40	(0.21)	(0.70)
<b>Free cash flow (OCF – capex)</b>	<b>1.05</b>	<b>0.95</b>	<b>1.05</b>	<b>1.55</b>	<b>1.10</b>	<b>1.20</b>	<b>1.22</b>	<b>1.68</b>	<b>1.20</b>	<b>11.00</b>
FCF / revenue conversion	18.1%	16.6%	18.1%	23.7%	19.2%	20.2%	20.4%	24.5%	20.3%	20.3%
Cumulative FCF	1.05	2.00	3.05	4.60	5.70	6.90	8.12	9.80	11.00	11.00

*Nine quarters, ~\$54.3B revenue, ~\$13.2B OCF, ~\$11.0B FCF, ~20.3% conversion. Q4 seasonality (23.7% in Q4'24, 24.5% in Q4'25) reflects year-end billings, inventory drawdown, receivables collection. The pattern is the practitioner's cash-flow-durability trace: no working-capital blowout, no capex step-up, no one-time distortion — a mature operating-system compounder generating consistent free cash flow across the post-Veralto cycle.*

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**SECTION 10**

*The Rales Family Office*

*Estate architecture at the \$10B+ wealth tier — 10b5-1, Glenstone, GRATs*



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## SECTION 10 \* ESTATE ARCHITECTURE

# The standard \$10B+ wealth-tier structural stack

Structure	How it fits the Rales architecture (illustrative; standard at the \$10B+ tier)
10b5-1 rule-based selling plans	Pre-scheduled sales under Rule 10b5-1(c) — the SEC affirmative defense for planned insider selling. The Rales brothers have used programmed sale plans consistently since the early 2000s.
GRAT (Grantor Retained Annuity Trust)	Zeroed-out GRAT technique: transfer appreciation to next generation with minimal gift-tax cost. Standard for founders with concentrated, appreciating public equity.
IDGT (Intentionally Defective Grantor Trust)	Grantor pays income tax on trust income, effectively making additional tax-free gifts. Combined with installment sales, one of the most efficient wealth-transfer structures at scale.
CLT (Charitable Lead Trust)	Pays a fixed annuity to charity for a term of years, remainder to family. Especially efficient at low interest rates.
Dynasty trust (Delaware / South Dakota)	Multi-generation trust exempt from GST tax. Delaware and South Dakota permit perpetual trusts.
Private foundation + DAF stack	Rales Family Foundation, Glenstone Foundation, and donor-advised-fund complements. Charitable deduction + control of philanthropic timing.

## SECTION 10 \* PHILANTHROPIC VEHICLES

# Where the wealth shows up publicly

Vehicle	Scale	What it does + why practitioners should notice
Glenstone Museum (Potomac, MD)	~\$2B+ endowment	Steve Rales' post-corporate signature project. 200-acre contemporary art museum + landscape. Free admission. Widely regarded as one of the finest private-collection art institutions in the United States.
Rales Family Foundation	Private foundation	Long-running Rales philanthropic vehicle. Focus on Washington DC-area education and Jewish community organizations.
Indian Paintbrush (film financing)	~\$500M+ cumulative	Steve Rales' film-financing company. Backer of every Wes Anderson feature since <i>The Darjeeling Limited</i> (2007). One of the more distinctive founder-post-corporate creative deployments.
Mitchell P. Rales foundation activity	Growing	Mitch Rales' focus areas include education and Washington-area civic institutions; less publicly visible than Steve's Glenstone/Indian Paintbrush profile.

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**SECTION 11**

*The Compounder Taxonomy*

*Four archetypes: Berkshire, Constellation, LVMH, Danaher*



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SECTION 11 \* FOUR ARCHETYPES

# Four compounder archetypes — the defining differences

Dimension	Berkshire Hathaway	Constellation Software	LVMH	Danaher
Value-add mechanism	Owner discretion + light operating touch. Capital allocation at the holdco is the value-add.	Permanent-capital VMS aggregation with a strict hurdle-rate discipline (Mark Leonard's 25% IRR after-tax rule).	Brand-portfolio compounding through maison assembly + creative direction + price-point discipline.	<b>Codified operating system (DBS) installed at every acquired target within a 100-day standard.</b>
Signature discipline	Match businesses to durable moats + write-downs are rare; permanent capital is the ballast.	Post-close, decentralized operation under Mark Leonard's cadence. Hundreds of small VMS acquisitions.	Long-cycle brand stewardship; maisons preserved with their own creative leadership.	<b>DBS Office cadre coaches every acquired unit. Kaizen daily; VVC + PIT + Hoshin Kanri cascade.</b>
Governance	Owner-operator (Buffett) + culture of decentralization at the operating subs.	Founder-CEO (Mark Leonard) + hurdle-rate governance at the deal review.	Founder-family (Arnault) + long-term brand equity as governance object.	<b>Owner-chairman (Rales) on capital allocation + professional CEO on operations. This division survived 4 CEOs.</b>
Public-market proof	Berkshire Hathaway 1965-present; ~19-20% CAGR over 60 years.	Constellation Software 2006-present; ~30%+ CAGR post-IPO.	LVMH 1987-present; multi-decade brand-portfolio compounding.	<b>Danaher 1984-present + 3 DBS-lineage spinoffs; ~\$236B aggregate mkt cap; ~10,000x on \$22M basis.</b>

## SECTION 11 \* ROPER CONTEXT

# The archetype has multiple exemplars — Roper Technologies

Danaher is the largest, longest-running exemplar of the operating-system-compounder archetype, but not the only one. Roper Technologies (NYSE:ROP) built a parallel record starting from a small industrial base in the late 1990s and evolving into a software-heavy diversified compounder with a codified capital-allocation and post-close operating cadence. Roper's discipline is closer to a cash-return-on-investment (CRI) framework than to DBS-style kaizen, but the archetype signature is shared: a durable operating rhythm that survives CEO transitions and is installed on every acquisition.

Exemplar	One-line profile
Danaher (NYSE:DHR)	1984-present; ~\$185B mkt cap; DBS; Rales / Culp / Blair lineage.
Fortive (NYSE:FTV)	2016-present spin from Danaher; ~\$30B mkt cap; Fortive Business System (FBS).
Envista (NYSE:NVST)	2019-present spin from Danaher; ~\$4B mkt cap; Envista Business System (EBS).
Veralto (NYSE:VLTO)	2023-present spin from Danaher; ~\$22B mkt cap; Veralto Enterprise System (VES).
Roper Technologies (NYSE:ROP)	1990s-present; ~\$55B mkt cap; software-heavy diversified; CRI-anchored discipline.
GE post-Culp (NYSE:GE + spins)	2018-present; the ongoing test case of whether DBS scales to industrial giants.

## PRACTITIONER TAKEAWAYS

# Four things a practitioner should carry

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1. The mechanism is the operating system, not the portfolio. DBS — installed within 100 days on every acquisition — is Danaher's specific contribution. Three DBS-lineage spinoffs re-branded and re-carried the discipline; each has a creditable post-spin record. That is the strongest available evidence that the operating system is the value-add.
2. Capital allocation is separated from operations. Steve Rales as executive chairman 1984-2016 focused almost exclusively on capital allocation while a rotating series of professional CEOs (Sherman, Culp, Joyce, Blair) ran the operations under DBS discipline. The division of labor is the second Rales structural contribution.
3. The compounder taxonomy has four archetypes. Berkshire (owner discretion + light touch), Constellation (VMS aggregation + hurdle discipline), LVMH (brand-portfolio compounding), Danaher (codified operating system). Roper is the near-adjacent case. All four archetypes coexist; none is 'the right one.'
4. Positioning discipline matters. This primer is informational, not a valuation call. The Institute does not price the security or forecast returns. The record laid down here supports a practitioner reader's own analysis — which is where the value of the primer lives.

## RELATED READING

# Where this primer connects to the rest of the library

Related Institute reference	What it does
Danaher acquisitions record (~400 closes since 1984)	Institute reference ledger — every disclosed Danaher acquisition since 1984 with sector, size, integration lead.
Danaher subsidiaries ledger (~150 operating units)	Cross-reference of every current DHR / FTV / NVST / VLTO operating unit by segment and DBS install date.
Larry Culp at GE — the standalone GE record	The GE transformation record 2018-present as its own Institute reference — three-way split, HealthCare + Vernova + Aerospace.
Berkshire portfolio ledger (Buffett's ~40 wholly-owned + top 15 equity holdings)	The Berkshire archetype reference for the compounder taxonomy comparison.
Constellation Software case memo	The VMS-aggregator archetype reference — Mark Leonard, hurdle rates, decentralization.
LVMH maisons ledger	The brand-portfolio archetype reference — Arnault, maison stewardship, long-cycle brand equity.
Baratelli DBS Toolkit (workbook)	The printable practitioner-toolkit companion to Section 6 — seven templates.



THE BARATELLI INSTITUTE \* MENTORING AT SCALE

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## SECTION IV

# DBS Practitioner Toolkit Templates

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Six operator-ready DBS templates rendered from the accompanying toolkit workbook. Each template is a printable one-page operator reference:

- VVC - Value Value Chain (value-stream map with cost overlay)
- PIT - Problem / Idea / Test single-page hypothesis template
- KAIZEN\_PLAN - Five-day kaizen event plan
- GEMBA\_WALK - Manager gemba walk observation sheet
- POLICY\_XMATRIX - Hoshin Kanri X-matrix
- GM\_READINESS - Ten-dimension general-manager readiness framework

The full toolkit workbook is available at [baratelliinstitute.com](http://baratelliinstitute.com) under the Danaher case study for operator field use.



# Value Value Chain (VVC) — Value Stream Map with Cost Data

The DBS variant of value-stream mapping. Combine flow + waste + cost. Use to build the 12-month kaizen backlog.

Field	Entry	Notes
Product family / service line	_____	Single product family. Do not aggregate.
Value stream owner	_____	Must be VP-level or above
Date of exercise	_____	Full-day workshop minimum
Team members present	_____	8-12 cross-functional participants ideal

Step #	Process step	Value-add?	Cycle time (s)	Wait time (s)	Cost / unit (\$)	% Yield	Waste type
1	Order receipt	N (necessary)	—	—	—	—	Overproduction
2	Credit check	N (necessary)	—	—	—	—	Waiting
3	Materials pick	Y	—	—	—	—	Motion
4	Setup / changeover	N (necessary)	—	—	—	—	Waiting
5	Manufacture step 1	Y	—	—	—	—	
6	In-process QC	N (necessary)	—	—	—	—	Overprocessing
7	Manufacture step 2	Y	—	—	—	—	
8	Final QC	N (necessary)	—	—	—	—	Defects
9	Package	N (necessary)	—	—	—	—	
10	Ship	Y	—	—	—	—	Transport

Summary metric	Current state	Future state (12 mo target)	Delta
Total lead time (days)	—	—	—
Value-added time (%)	—	—	—
First-pass yield (%)	—	—	—
Working capital / revenue (%)	—	—	—
Total unit cost (\$)	—	—	—
Number of kaizen events required	—	—	—
Estimated annual benefit (\$M)	—	—	—

Kaizen backlog — projects to remove waste identified above	Owner	Target completion date
Project 1: _____	—	—
Project 2: _____	—	—
Project 3: _____	—	—
Project 4: _____	—	—
Project 5: _____	—	—
Project 6: _____	—	—
Project 7: _____	—	—
Project 8: _____	—	—

# PIT — Problem, Idea, Test

One-page hypothesis-testing template. The DBS way of running an improvement experiment. Use for every no

Field	Entry
Owner name	_____
Date opened	_____
Business unit / value stream	_____
Sponsor (if req)	_____

Section 1: PROBLEM	Detail
What is happening? (Specific, observable, measurable)	_____
Where is it happening? (Location, cell, workstation)	_____
When is it happening? (Frequency, pattern, shift)	_____
Baseline metric — CURRENT state	_____
Target metric — 30-day goal	_____
Why does this matter? (Cost, customer impact, safety)	_____

Section 2: IDEA — Hypothesis	Detail
If we change X, we believe Y will happen because Z (write it out)	_____
What is the specific change? (Standard Work update, layout, sequence, etc)	_____
Who does the change require to sign off?	_____
Estimated cost to implement	_____

Section 3: TEST — Experiment plan	Detail
What is the smallest possible test?	_____
Test duration (days/shifts)	_____
Measurement approach — how will you know if hypothesis is confirmed?	_____
Success criteria — specific threshold	_____
Rollback plan if test fails	_____

Section 4: LEARN — Result & Next	Detail
Actual result vs hypothesis	_____
What did we learn?	_____
Adopt / adapt / abandon?	_____
Standard Work updated? (Y/N — date)	_____
Next PIT triggered?	_____

# Kaizen Event 5-Day Planning Template

The DBS standard: 5-day event, chartered problem, cross-functional team, results implemented on Friday.

Field	Entry
Event title	_____
Value stream	_____
Sponsor (VP+)	_____
Event leader (trained Kaizen facilitator)	_____
Scope statement (single sentence)	_____
Boundaries / out of scope	_____
Baseline metrics	_____
Target metrics — measurable end-of-week	_____
Dates of event (M-F)	_____

Team roster (8-10 people)	Role	Function
Facilitator	—	DBS Office
Sponsor	—	Business Unit VP
Team lead	—	Value stream owner
Operator 1	—	Front-line — MUST be from the actual work
Operator 2	—	Front-line — MUST be from the actual work
Engineering	—	Mfg / process
Quality	—	QA / QC
Finance	—	For cost/benefit
Fresh eyes 1	—	Cross-functional — different area entirely
Fresh eyes 2	—	Cross-functional — different area entirely

Pre-work checklist (2 weeks before)	Owner	Done?
Charter approved	—	—
Baseline data collected — 4 weeks minimum	—	—
Standard Work documents assembled	—	—
VSM current state completed	—	—
Camera + tape measure + stopwatch ready	—	—
Post-event Standard Work update template ready	—	—
Meals + logistics arranged	—	—
Sponsor confirmed on-site for report-out Friday	—	—

Daily agenda	Focus	Deliverable
Monday	Training + baseline confirmation + current state walk	Team ready + current state agreed
Tuesday	Ideal state design + brainstorm + waste identification	Future state map + kaizen bursts
Wednesday	Try-storm — physical trials of ideas on the floor	Working prototype of new process
Thursday	Implement — actual layout change / Standard Work update	New Standard Work document signed
Friday	Sustain check + report-out to sponsor	Charter closed + before/after data + 30-60-90 day audit plan

30-60-90 day audit plan	Metric	Target
30-day audit	—	—
60-day audit	—	—
90-day audit	—	—
Standard Work retention (%)	—	100%

# Gemba Walk Checklist

Managers at the actual work. Do this weekly minimum. Watch and ask — do not solve.

Field	Entry
Walk leader (manager / director)	_____
Area walked	_____
Date & time	_____
Duration (min)	_____
Team member(s) accompanying	_____

Observation prompts — WATCH for	Notes
Is the visual management board current? (24 hr data?)	_____
Are Standard Work documents visible at every station?	_____
Is the workspace organized (5S: sort/set/shine/standardize/sustain)?	_____
Are operators following Standard Work? Any deviations?	_____
Is there WIP building up between stations? Where?	_____
Are there safety hazards, near-misses, or ergonomic issues?	_____
Is the daily huddle happening at the required time?	_____
Are red-flag items being escalated or being hidden?	_____

Question prompts — ASK the operator	Their answer / your notes
What is your target for today? Are you on pace?	_____
What's the biggest problem you deal with in this job?	_____
If you could change one thing here to make your work easier, what would it be?	_____
Where do you go if you need help?	_____
What kind of defects do you see most often? What causes them?	_____
How long does changeover take you? Is that the standard?	_____
If you spot a problem, what happens next?	_____
What does 'good' look like on this line?	_____

Follow-up — CAPTURE and RESPOND	Owner	Target date
Item 1: _____	___	___
Item 2: _____	___	___
Item 3: _____	___	___
Item 4: _____	___	___
Item 5: _____	___	___
Thank-you notes / recognition (specific)	___	___
Follow-up walk scheduled for	___	___

## Policy Deployment X-Matrix (Hoshin Kanri)

The DBS strategy-cascade tool. Annual priorities top; metrics right; resources left; owners bottom. Reviewed monthly.

Level	This X-matrix is for	Reporting cadence
Corporate	CEO / Executive team	Quarterly board; monthly ops review
Business unit	GM / VP	Monthly to CEO
Site	Plant / Site Director	Weekly to GM; monthly to VP
Team	Team lead / cell leader	Daily huddle

TOP — 3-5 Year Breakthrough Objectives	Owner	Success metric
Breakthrough 1: _____	—	—
Breakthrough 2: _____	—	—
Breakthrough 3: _____	—	—

RIGHT — Annual Improvement Priorities (support Breakthroughs)	Owner	Target
Annual priority 1: _____	—	—
Annual priority 2: _____	—	—
Annual priority 3: _____	—	—
Annual priority 4: _____	—	—

BOTTOM — Improvement Priorities to Improve Metrics	Owner	Countermeasure
Metric 1: _____   Current: ___   Target: ___	—	—
Metric 2: _____   Current: ___   Target: ___	—	—
Metric 3: _____   Current: ___   Target: ___	—	—
Metric 4: _____   Current: ___   Target: ___	—	—
Metric 5: _____   Current: ___   Target: ___	—	—

LEFT — Resources to Deploy	Amount / Type	Owner
People / FTEs	—	—
Capital	—	—
Kaizen events (# planned)	—	—
Training days	—	—
External support (consultants, contractors)	—	—

Catchball — cascade check	Question	Response
Does each Annual Priority support at least one Breakthrough?	Y/N	—
Does each Metric measure progress on at least one Priority?	Y/N	—
Does each Resource investment support at least one Metric or Priority?	Y/N	—
Have subordinate X-matrices been drafted for the next level down?	Y/N	—
Have subordinate X-matrices been reviewed and agreed by both levels?	Y/N	—

# General Manager Readiness / Operator-Selection Checklist

The DBS operator-selection framework. GMs are graded top/mid/bottom; aggressive turnover on bottom tier.

Field	Entry
Candidate name	_____
Role under consideration	_____
Assessor	_____
Assessment date	_____

Dimension	Weight	Score (1-5)	Evidence
1. Operating rigor — runs daily kaizen huddle, VSM, Standard Work discipline	20	—	—
2. Capital allocation discipline — makes trade-offs, cuts non-performing, invests in winners	15	—	—
3. Talent development — grades team top/mid/bottom, moves bottom out, promotes top	15	—	—
4. Customer intimacy — knows top 20 customers by name; VOC discipline installed	10	—	—
5. Financial acumen — reads a P&L, reads a balance sheet, models a working-capital investment	10	—	—
6. Strategic pattern-recognition — sees where the market is going 2-3 years out	10	—	—
7. Communication clarity — writes a one-page memo; 5 runs a 30-min meeting on agenda	5	—	—
8. Personal energy / stamina — the job is 60 hr/wk; can they sustain?	5	—	—
9. Integrity — no shortcuts on financials, HR, safety, or customer commitments	5	—	—
10. Cultural fit — Danaher's decentralized-with-discipline style, no politics	5	—	—
TOTAL (weighted)	100	—	Above 4.0 = ready. 3.0-4.0 = coach for 12-18 mo. Below 3.0 = miss.

Talent grading — Danaher's discipline	Definition	Action
Top tier (top 20%)	Consistent overperformance; ready for larger role in 12-18 months	Retain aggressively — comp, equity, growth path
Solid mid tier (60%)	Performing to standard; not yet stretch-ready	Coach + develop; monitor engagement
Bottom tier (bottom 20%)	Sustained underperformance or misfit	12-month improvement plan or exit

Onboarding checklist for a new GM at Danaher	Day / Week	Owner
Meet DBS office lead + tour a DBS-exemplar site	Week 1	DBS Office
Attend one full-day kaizen event as observer	Week 2	Business unit
Complete DBS Foundations training	Weeks 3-4	DBS Office
Draft site X-matrix (policy deployment)	Month 2	Candidate + VP
Run first daily huddle personally	Month 1	Candidate
Lead first kaizen event as sponsor	Month 3	Candidate
First formal talent grading of direct reports	Month 6	Candidate + HR
First quarterly business review to CEO/VP	Quarter 1	Candidate