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# Danaher Execs Face Investor Suit Over Post-Pandemic Slump

By **Katryna Perera**

Law360 (January 25, 2024, 9:30 PM EST) -- Shareholders of global science and technology company Danaher claim its top brass misled them about increased revenue growth during the onset of the COVID-19 pandemic and failed to inform them that it was not sustainable as the virus entered an "endemic" state.

Nathan Silva filed a complaint Wednesday against Danaher Corp. CEO Rainer Blair; co-founders Mitchell Rales and Steven Rales; CFO Matthew McGrew; vice president and group executive of biotechnology Emmanuel Ligner; and several board members.

Danaher is a conglomerate organized under four segments: biotechnology, life sciences, diagnostics, and environmental and applied solutions, the complaint notes.

Following the onset of the COVID-19 pandemic, Danaher's diagnostic tests and life sciences equipment were used in efforts to combat the virus, the complaint states, and as a result, the company experienced "explosive" revenue growth: its stock price nearly tripled, and reached an all-time high of \$332.43 per share on Sept. 3, 2021.

However, Silva says that by the beginning of 2022, it became clear that the virus was entering an endemic phase — meaning the number of infections was no longer growing at a high rate — and the demand for Danaher's products began to slow down.

"Despite publicly and repeatedly declaring that there would be enduring demand for products supporting the development of treatments for COVID-19, and that the bioprocessing business' far larger non-COVID product offerings provided a robust runway for long-term growth, Danaher's bioprocessing business was in jeopardy of falling short of its pandemic-era success," the complaint states.

Silva says Danaher's pharmaceutical customers "found a reduced need" to place new orders because they were working through the stockpiles of inventory that had built up during the pandemic. Additionally, smaller startups were no longer receiving the same level of funding they did during the pandemic, so they began to cut spending, according to the complaint.

Despite this slow-down in business, the individual defendants continued to tout optimistic business projections for Danaher, Silva says, until October 2023, when the company finally revealed it had cut its full-year outlook, "increasing the core sales decline to a firm low double-digit range and inverting modest growth in the base business to a low single digit decline."

Silva says Danaher's stock price dropped 5.6% over the following two days, closing at \$192.65 on Oct. 25, 2023.

The defendants made several false and misleading statements between January 2022 and October 2023, which led to the stock decline, according to the complaint, omitting that revenue for products used during the pandemic would decline as the virus entered an endemic state, that customers had stockpiled products, and that revenues from products and services unrelated to pandemic business would be insufficient to compensate for slowing business in 2022 and 2023.

Silva says the individual defendants caused the company to maintain inadequate internal controls,

and due to their alleged misconduct, Danaher is now the subject of a **securities class action**, which will require the company to expend millions of dollars.

The class action suit, filed in July 2023, alleges that when the company announced its results for the first quarter of 2023, it credited "the impact of lower COVID-19 revenue" for a year-over-year revenue decrease of 7%.

Silva's derivative suit seeks damages, attorney fees, a jury trial and reforms, as well as improvements to Danaher's corporate governance and internal procedures.

Representatives for the defendants declined to comment Thursday. Counsel for Silva did not immediately respond to a request for comment.

Silva is represented by Seth D. Rigrotsky, Gina M. Serra and Herbert W. Mondros of Rigrotsky Law PA and by Joshua H. Grabar of Grabar Law Office.

Counsel information for the defendants was not immediately available.

The case is Silva v. Blair et al., case number 1:24-cv-00091, in the U.S. District Court for the District of Delaware.

--Editing by Caitlin Wolper.

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