

# Baird 2020 Global Industrial Conference

**Jim Lico** | President & CEO

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# FORWARD LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

Statements in this presentation that are not strictly historical, including statements regarding the future impact of the COVID-19 pandemic on our financial condition and our operations on a consolidated basis and by operating company and product group, the Company's ability to execute on cost reduction measures effectively, the Company's anticipated earnings, business and acquisition opportunities, ability to realize the benefits of the separation of Vontier, timing of acquisitions, dispositions and other transactions, anticipated revenue, anticipated operating margin, anticipated cash flow, economic conditions, future prospects, anticipated impact of geopolitical events, and any other statements identified by their use of words like "anticipate," "expect," "believe," "outlook," "guidance," "forecast," or "will" or other words of similar meaning are "forward-looking" statements within the meaning of the federal securities laws. There are a number of important factors that could cause actual results, developments and business decisions to differ materially from those suggested or indicated by such forward-looking statements and you should not place undue reliance on any such forward-looking statements. These factors include, among other things: the duration and impact of the COVID-19 pandemic, deterioration of or instability in the economy, the markets we serve, international trade policies and the financial markets, changes in trade relations with China, contractions or lower growth rates and cyclicity of markets we serve, competition, changes in industry standards and governmental regulations, our ability to successfully identify, consummate, integrate and realize the anticipated value of appropriate acquisitions and successfully complete divestitures and other dispositions, our ability to realize the intended benefits of our separation of Vontier, our ability to develop and successfully market new products, software, and services and expand into new markets, the potential for improper conduct by our employees, agents or business partners, contingent liabilities relating to acquisitions and divestitures, impact of the phase out of LIBOR, impact of changes to tax laws, our compliance with applicable laws and regulations and changes in applicable laws and regulations, risks relating to international economic, political, legal, compliance and business factors, risks relating to potential impairment of goodwill and other intangible assets, currency exchange rates, tax audits and changes in our tax rate and income tax liabilities, the impact of our debt obligations on our operations, litigation and other contingent liabilities including intellectual property and environmental, health and safety matters, our ability to adequately protect our intellectual property rights, risks relating to product, service or software defects, product liability and recalls, risks relating to product manufacturing, our relationships with and the performance of our channel partners, commodity costs and surcharges, our ability to adjust purchases and manufacturing capacity to reflect market conditions, reliance on sole sources of supply, security breaches or other disruptions of our information technology systems, adverse effects of restructuring activities, risk related to tax treatment of our separation of Vontier, impact of our indemnification obligation to Vontier, impact of changes to U.S. GAAP, labor matters, and disruptions relating to man-made and natural disasters. Additional information regarding the factors that may cause actual results to differ materially from these forward-looking statements is available in our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarters ended March 27, 2020, June 26, 2020 and September 25, 2020. These forward-looking statements speak only as of the date of this presentation and Fortive does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

This presentation contains references to forward-looking financial measures including, "adjusted gross profit margin (adjusted gross margin)," "adjusted operating profit margin (adjusted operating margins)," "adjusted free cash flow conversion," "adjusted diluted shares outstanding," "adjusted effective tax rate," and "adjusted incremental margin," which are, in each case, not presented in accordance with generally accepted accounting principles ("GAAP"). We have not reconciled such forward-looking outlook because any corresponding GAAP measures and the reconciliations thereto would require us to make estimates or assumptions about unidentified and unknown acquisitions, and similar adjustments during the relevant period.

We completed the divestiture of our Automation and Specialty Business ("A&S Business") on October 1, 2018, and of our Industrial Technologies segment on October 9, 2020, and accordingly we have treated the results of those businesses as discontinued operations for historical periods. The forward-looking outlook presented in this presentation are based on continuing operations.

# FORTIVE OVERVIEW\*

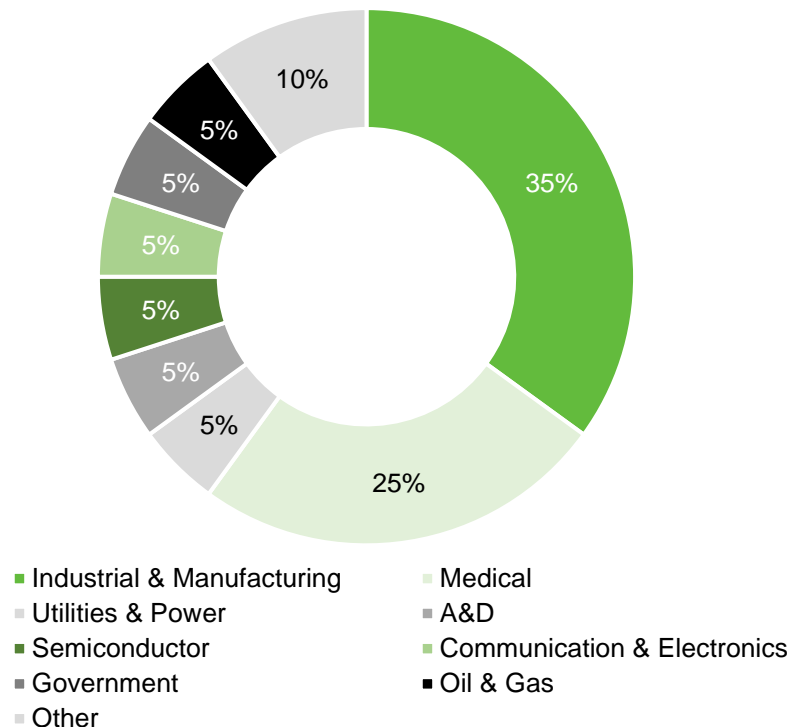
Revenue	Recurring Revenue	Software Revenue
~\$4.6B	~39%	~12 - 13%
Adjusted Gross Margin	Adjusted Operating Profit Margin	FCF Conversion
~57%	~21%	>105%

## Business Characteristics

- Addressing large, attractive market opportunities with clear path to drive organic growth and accelerate profitability
- Increasing portfolio resilience, with a shift to more recurring revenue business streams
- Balance sheet capacity and robust cash flow to fund inorganic growth (~\$4-5B over next 3 years); proven disciplined and strategic approach to capital allocation
- Strong culture of continuous improvement, rooted in the Fortive Business System, provides long-term competitive advantage

\* Represents fiscal year 2020 forecasted financial measures with historical results re-casted to reflect the separation of Vontier

Revenue by End Market\*



# SEGMENTS OVERVIEW

## Segment Description

## Segment Leader

Revenue (% of Total)

Adj. Gross Margin (%)

Adj. Operating Margin (%)

Recurring Revenue (% of Total)

Mission-Critical Workflows

Key Brands

## Intelligent Operating Solutions

Provides solutions to accelerate field and facility safety, reliability, and productivity, as well as operating intelligence, across a range of vertical end markets

Wes Pringle



~40%

Mid-60s

High 20s

~30%

EHSQ & Risk

Connected Reliability

Facility & Asset Lifecycle

**FLUKE**

**GORDIAN**

**INTELEX**  
**INDUSTRIAL SCIENTIFIC**

**ACCRUENT**

## Precision Technologies

Supplies mission-critical technologies to a broad set of vertical markets and enables customers to accelerate the development of innovative products and solutions

Pat Murphy



~35%

Low 50s

Low 20s

High 20s

Product Development

**Tektronix**

**setra**

**QUALITROL**  
Defining Reliability

**Gems**  
Sensors & Controls

## Advanced Healthcare Solutions

Serves hospital customers with enabling products for essential activities that ensure safe, efficient and timely healthcare

Barb Hult



~25%

Mid-50s

Mid-20s

Low 70s

Perioperative

**ASP**  
Advanced Sterilization Products

**LANDAUER**

**Censis**

**FLUKE**  
Biomedical

Segments Address Core Workflows in Attractive End Markets with Strong Growth Drivers

# REAFFIRMING Q4 GUIDANCE

TOTAL REVENUE GROWTH	0% - 3% Y/Y
IOS	(LSD)
PT	(LSD)
AHS	+LDD
ADJ. GROSS MARGIN	~58%
ADJ. INCREMENTAL MARGIN	~35%
ADJ. OP. MARGIN	~23%
ADJ. EFFECTIVE TAX RATE	~16%
ADJ. SHARES OUTSTANDING <sup>1</sup>	~362M
FCF CONVERSION	~105%

→ **Aiming to drive continued top line improvement and strong FCF through the end of the year**

- COVID-19 related risks and challenges remain
- Top line progression will be subject to pandemic trends and any lockdown-related disruption going forward

→ **Planning to execute ~\$30M of strategic productivity initiatives**

- Certain temporary actions executed previously are being made permanent, in-line with expectations

\* Includes approximately ~3M shares anti-dilution adjustment to the Mandatory Convertible Preferred Stock

# OUR FORMULA FOR SUCCESS

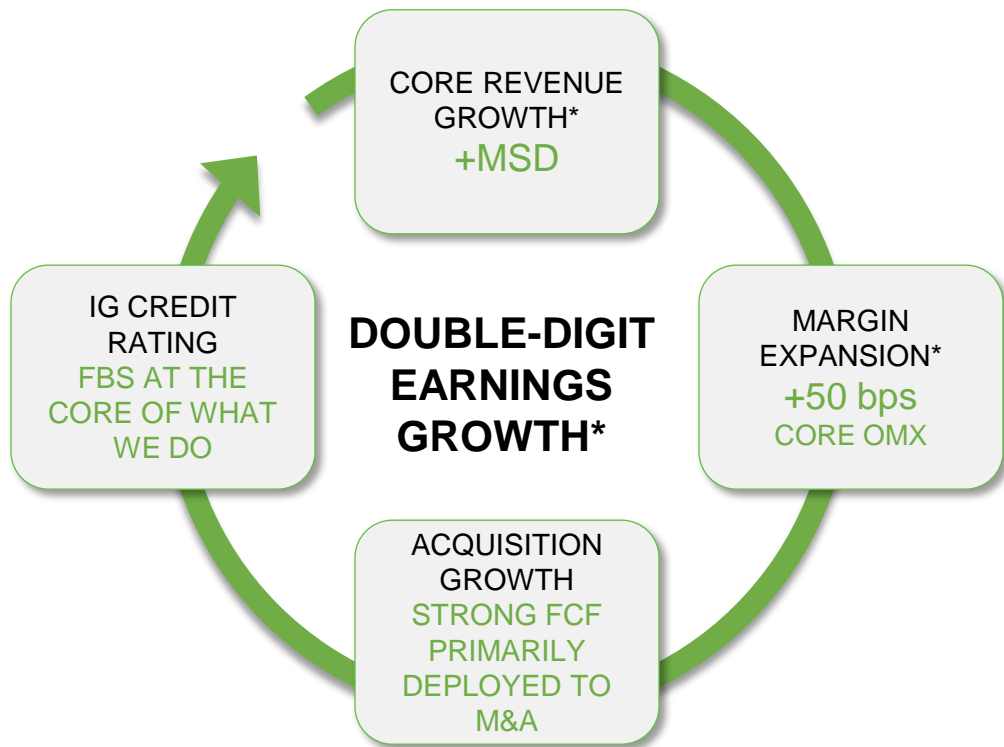
→ **Strong, established positions with leading brands** that benefit from long-term secular growth drivers and have opportunities to increase recurring revenue

→ **Long track record of disciplined capital allocation** and substantial opportunities for both organic investment and strategic M&A across the portfolio

→ **Significant balance sheet capacity and free cash flow** to fund organic investment and capital allocation to M&A (~\$4-5B over next 3 years)

→ **Supported by the Fortive Business System, the cornerstone of our culture** and an enduring source of competitive advantage that underpins our commitment to continuous improvement

\* Represents strategic targets and not forecasted results for any futures periods





**FORTIVE**