

# Baird Global Industrial Conference

NOVEMBER 9<sup>TH</sup>, 2022

Jim Lico, President & CEO, Fortive

# FORWARD LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

Statements in this presentation that are not strictly historical, including statements regarding anticipated financial results, market opportunities, secular trends, macroeconomic conditions 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, our ability to manage supply chain constraints and transportation disruptions, deterioration of or instability in the economy, geopolitical relations and conflicts, the markets we serve, international trade policies and the financial markets, changes in trade relations with China and Russia, contractions or lower growth rates and cyclicalities of markets we serve, competition, changes in industry standards and governmental regulations, our ability to recruit and retain key employees, 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 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 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 prior separations, 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, 2021. 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 may contain references to financial measures not presented in accordance with generally accepted accounting principles (“GAAP”). We have not reconciled forward-looking outlook regarding non-GAAP measures, other than adjusted EPS, because any corresponding GAAP measures and the reconciliations thereto would require us to make estimates or assumptions with precision about acquisitions, capital and other expenditures and similar adjustments during the relevant period. Information required by Regulation G with respect to historical non-GAAP financial measures and for forward-looking adjusted EPS can be found in the “Investors” section on our website, [www.fortive.com](http://www.fortive.com), under the heading “Quarterly Results.”

All financial metrics relate only to the continuing operations, and all growth or period changes refer to year-over-year comparisons unless otherwise stated.

# FORTIVE TODAY

FOCUSED SEGMENTS WITH DURABLE GROWTH DRIVERS

## INTELLIGENT OPERATING SOLUTIONS



*Delivering leading workflow solutions that facilitate field and facility safety, reliability, and productivity*

## PRECISION TECHNOLOGIES



*Enabling IoT expansion and accelerating the development of new technologies and innovations*

## ADVANCED HEALTHCARE SOLUTIONS



*Essential products and workflow solutions that ensure safe, efficient and timely delivery of healthcare*

REGULATION,  
SAFETY, ESG



AUTOMATION &  
DIGITIZATION



INTERNET OF  
THINGS



ELECTRIFICATION  
OF EVERYTHING



RESHORING /  
MANUFACTURING



DEMOGRAPHICS AND  
LABOR MARKETS



***Essential technologies for the people who accelerate progress...***

*Connected solutions for all types of facilities: factories, buildings and hospitals*

## KEY HIGHLIGHTS

- A more **durable, higher cash generative** business
- 5 critical customer workflows aligned to **favorable secular trends**:
  - Connected Reliability (IOS)
  - EHS (IOS)
  - FAL (IOS)
  - Product Realization (PT)
  - Perioperative Loop (AHS)
- **~40% recurring revenue** profile positions FTV for evolving macros
- **~16% software** portfolio growing mid-teens

LEADING POSITIONS SERVING CRITICAL CUSTOMER WORKFLOWS

# DELIVERING EXCEPTIONAL PERFORMANCE

## STRATEGY DELIVERING RESULTS

|                               | <u>FY 2021</u> | <u>FY 2022E<sup>1</sup></u> |
|-------------------------------|----------------|-----------------------------|
| <b>REVENUE</b>                | <b>\$5.3B</b>  | <b>~\$5.8B</b>              |
| Core Growth                   | 10%            | >9%                         |
| Total Growth                  | 13%            | >10%                        |
| <b>ADJ. OP. PROFIT MARGIN</b> | <b>23.1%</b>   | <b>24.1%</b>                |
| Adjusted OMX                  | +210 bps       | +100 bps                    |
| <b>ADJ. EPS</b>               | <b>\$2.75</b>  | <b>\$3.10 – 3.13</b>        |
| Growth                        | 32%            | 13% to 14%                  |
| <b>FREE CASH FLOW</b>         | <b>\$943M</b>  | <b>\$1,170M</b>             |
| Growth                        | 4.5%           | 24%                         |
| FCF Margin                    | 18%            | 20%                         |

## KEY HIGHLIGHTS

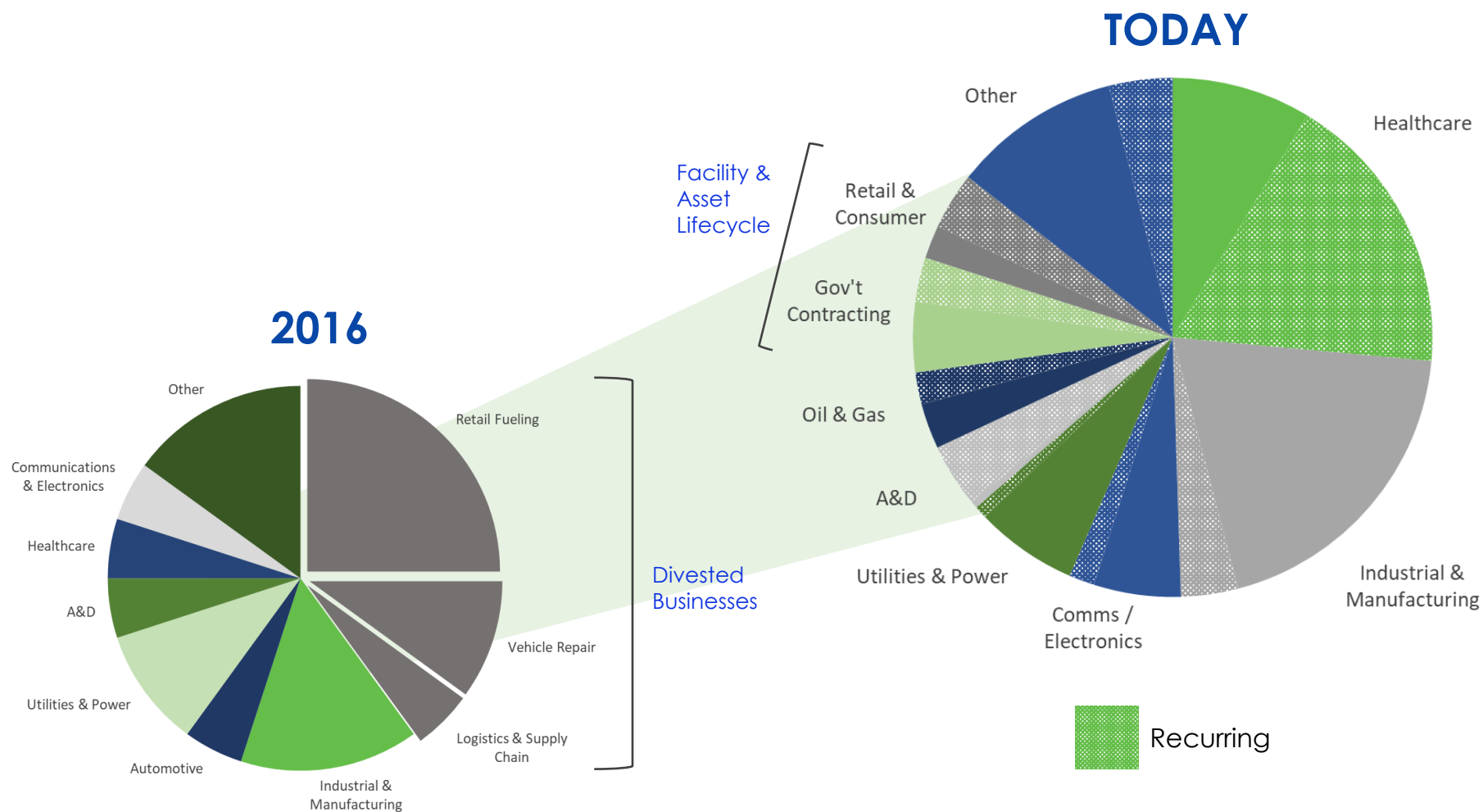
- Execution proving the **benefits of transformation**, yielding **higher and more profitable** growth
- Performance reinforces Fortive **formula for value creation** with **strong earnings and cash flow compounding** despite unprecedented headwinds
- **Power of the Fortive Business System** and **culture of continuous improvement** is positioning Fortive for continued **outperformance**

## DELIVERING ON HIGH EXPECTATIONS

1. Values calculated based on the mid-point of the guide as of October 26, 2022

# RESILIENCY OF REVENUE PROFILE

POSITIONED IN HIGHER GROWTH AND LESS CYCLICAL END MARKETS

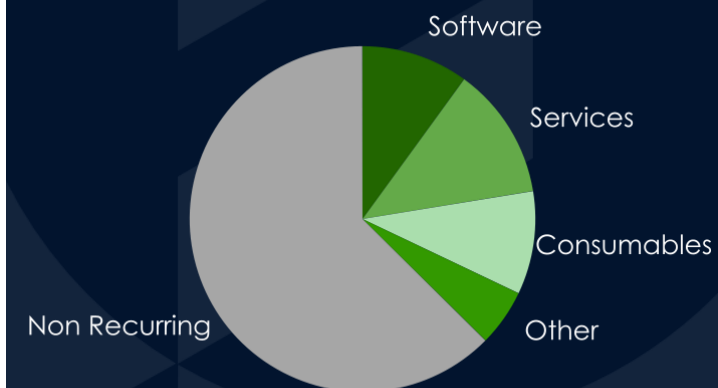


## RECURRING REVENUE PROFILE

**2016 ~18%**



**TODAY ~40%**



**ATTRACTIVE END MARKET AND RECURRING REVENUE PROFILE**

# FRAMING 2023

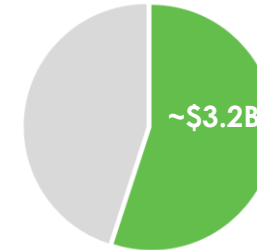
## EARLY INDICATIONS REINFORCE PORTFOLIO QUALITY

### Hardware Products<sup>1</sup>

#### Potential slowdown in 2023

- Orders outpaced sales last 3 years; >\$300M "excess" backlog at YE
- Potential orders decline as supply chains normalize
- Innovation targeting attractive, high growth markets

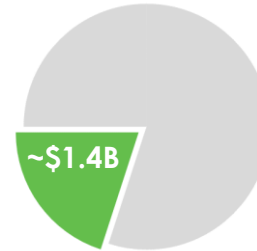
#### 2022 Revenue<sup>3</sup>



### Software<sup>2</sup> & Other

#### Path to enduring strong revenue growth ahead

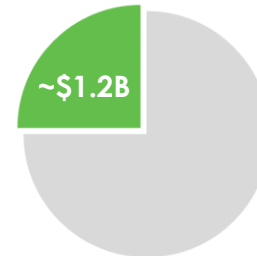
- Strong secular trends create durable growth runway
- Enhanced market positions yield DD SaaS growth
- FBS tools driving more lead generation, new logos and higher NDR



### Healthcare ex-SW

#### Anticipate continued modest pace of recovery in 2023

- ~70% recurring revenue ex-SW with consumables and services
- Labor and productivity challenges expected to continue in hospitals
- Accelerating new product launches and market expansions



## INITIAL EXPECTATIONS

- Preparing scenarios for potential slowdown
- Core growth and margin expansion expected
- F/X headwinds continue
- Lower debt balances offset higher interest rates
- Offsetting share count

WELL-POSITIONED TO NAVIGATE THE EVOLVING MACRO ENVIRONMENT

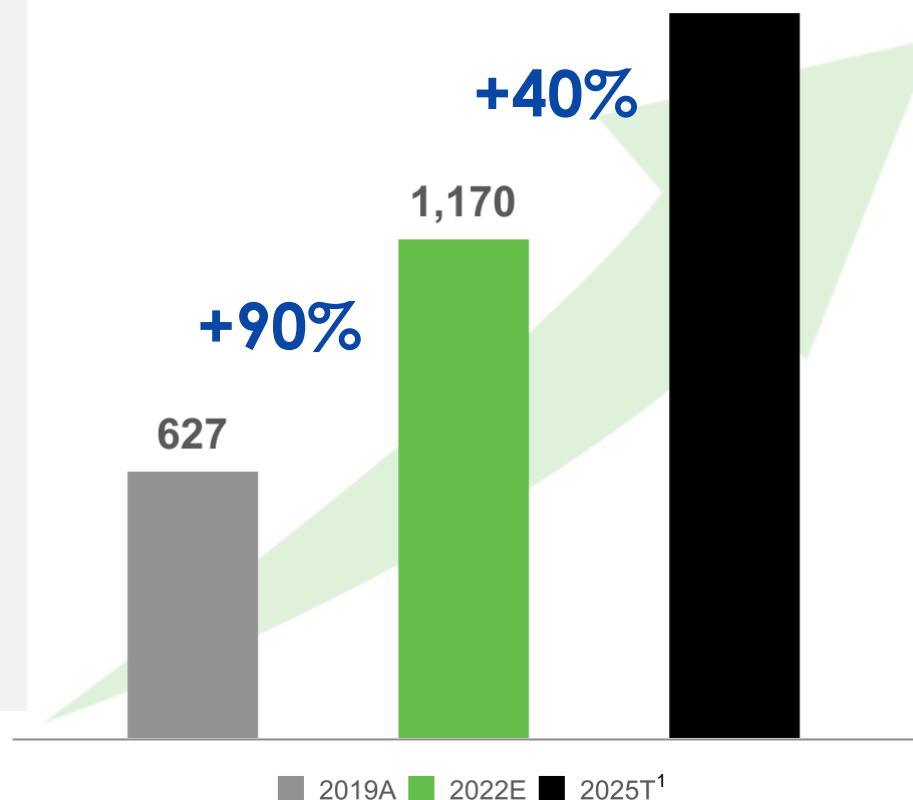
# VALUE CREATION COMPOUNDING

MORE RESILIENT FINANCIAL PROFILE AND HIGHER FCF POWER

## SUSTAINABLE COMPETITIVE ADVANTAGES

- ✓ Leadership positions in attractive growth markets
- ✓ Resilient financial profile with leading margins and free cash flow growth
- ✓ FBS enabling and empowering differentiated and sustainable results
- ✓ Strong balance sheet positioned for capital deployment upside

## ANNUAL FREE CASH FLOW (\$ million)



## SUMMARY

- Strong year-to-date performance reinforces confidence in FY 2022 outlook
- Portfolio strategy yielding results with differentiated performance and more resilient revenue and earnings profile
- 3-year stack reflects execution on through-cycle targets, with MSD+ growth, +300 bps OMX, +50% earnings growth and +90% FCF growth<sup>2</sup>
- Consistently improving FBS to drive innovation and sustainable results across evolving portfolio
- Free cash flow profile supports accelerated compounding and value creation upside

ON TRACK TO ACHIEVE LONG-TERM COMMITMENTS



**FORTIVE**