



# **Third Quarter 2021 Earnings Release**

**October 28, 2021**

# FORWARD LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES



Statements in this presentation that are not strictly historical, including statements regarding the future impact of supply chain constraints, the COVID-19 pandemic, the Company's anticipated financial results, business, investment and acquisition opportunities, timing of acquisitions, dispositions and other transactions, anticipated revenue, anticipated operating margin, anticipated cash flow, economic conditions, future prospects, anticipated impact of geopolitical events, pending tax and fiscal policies, and any other statements identified by their use of words like "anticipate," "expect," "believe," "outlook," "guidance," 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 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 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, 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 "adjusted revenue," "adjusted gross profit," "adjusted gross profit margin (adjusted gross margin)," "adjusted operating profit," "adjusted operating profit margin (adjusted operating margins)," "incremental adjusted operating profit margin (adjusted incremental margin)," "adjusted net earnings from continuing operations," "adjusted diluted net earnings per share (adjusted diluted net EPS)," "core revenue growth (core growth)," "core operating margin expansion (core OMX)," "free cash flow," "free cash flow conversion," "adjusted free cash flow conversion," "adjusted diluted shares outstanding," "adjusted income tax expense," and "adjusted effective tax rate," which are, in each case, not presented in accordance with generally accepted accounting principles ("GAAP"). We have not reconciled forward-looking outlook regarding core revenue growth, adjusted operating profit margin, and adjusted free cash flow conversion because any corresponding projected GAAP measures and the reconciliations thereto would require us to make estimates or assumption about unidentified and unknown acquisitions, currency exchange rate, capital expenditures and similar adjustments during the relevant period.

Information required by Regulation G with respect to such non-GAAP financial measures are provided herewith. We have not reconciled forward-looking outlook regarding adjusted incremental margins, adjusted tax rate, adjusted free cash flow conversion, and adjusted diluted shares outstanding because any corresponding GAAP measures and the reconciliations thereto would require us to make estimates or assumptions about unidentified and unknown acquisitions, stock price, "cash expenditures" and similar adjustments during the relevant period. The historical non-GAAP financial measures should not be considered in isolation or as a substitute for the GAAP financial measures but should instead be read in conjunction with the corresponding GAAP financial measures.

On October 9, 2020 (the "Distribution Date"), Fortive completed the separation of its Industrial Technologies segment by distributing 80.1% of the outstanding shares of Vontier Corporation ("Vontier"), the entity incorporated to hold such businesses, to Fortive stockholders (the "Separation") on a pro rata basis. As the separation occurred during the fourth fiscal quarter of 2020, we have classified Vontier as discontinued operations in our financial statements for all periods. Unless otherwise indicated, all of the financial results in this presentation are presented on a continuing operations basis.

- **9.1% core revenue growth; 12.0% total revenue growth**
- **32% adjusted net EPS growth**
- **Excellent adjusted operating margin and FCF performance: +325bps of Core OMX and +23% Y/Y increase in FCF**
- **Strong end market demand and order growth resulted in +40% Y/Y increase in backlog**
- **Closed ServiceChannel: Accelerates strategy within IOS to address our customers' facilities management needs**
- **Building talent base across the segments with recent leadership appointments**

## Accruent EMS Mobile Application



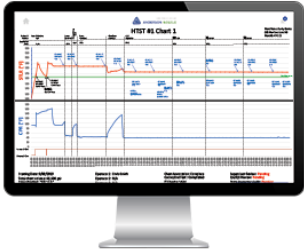
Enabling an enhanced mobile experience for customers executing "return to work" initiatives

## FHS OneQA Test Automation Software



Eliminating bottlenecks in the biomedical workflow, to improve customer safety and compliance

## Anderson-Negele Paperless Process Recorder



Accelerating IoT enablement across a variety of sanitary manufacturing applications

## TeamSense Workforce Management Tools

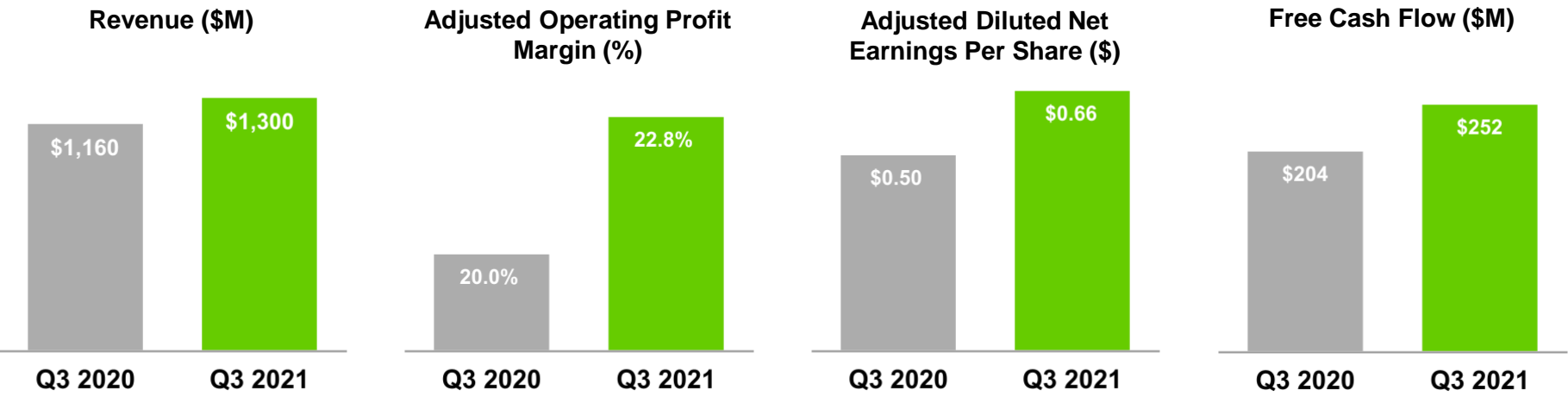


Transforming the way organizations communicate and connect with their hourly employees

# Q3 2021 FINANCIAL PERFORMANCE



## Summary of Key Financial Items



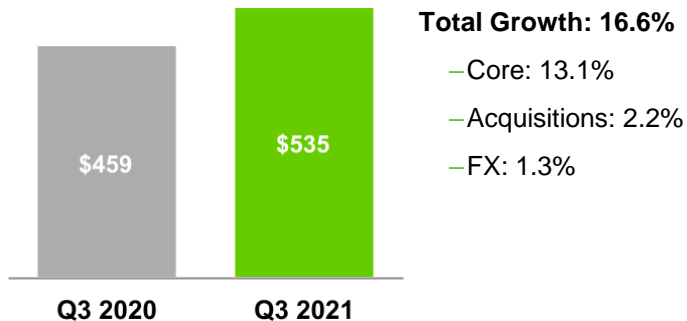
- **Core growth: 9.1%**
  - Price: 2.2%
- **Acquisitions: 1.7%**
- **FX: 1.2%**
- **Total Growth: 12.0%**
- **Software grew +LDD**

- **Adjusted Margins +280bps Y/Y**
  - Core OMX: 325bps
  - Acquisitions: (45)bps
- **IOS Adjusted Margin: 27.2%**
- **PT Adjusted Margin: 23.1%**
- **AHS Adjusted Margin: 23.0%**

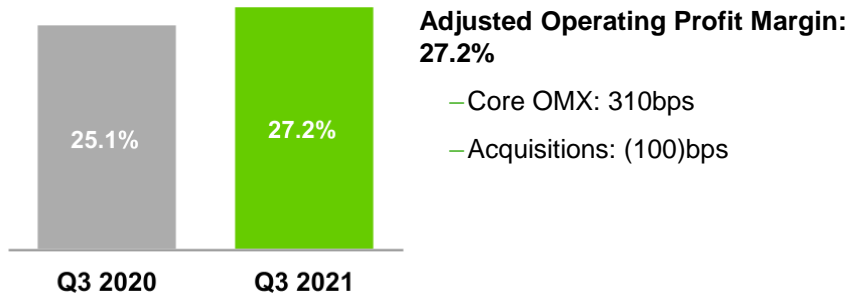
- **Adjusted EPS +32.0% Y/Y**
- **Reflected strong top line and margin performance**

- **FCF: 23% Y/Y**
- **105% Conversion of Adjusted Net Earnings**

## Revenue (\$M)



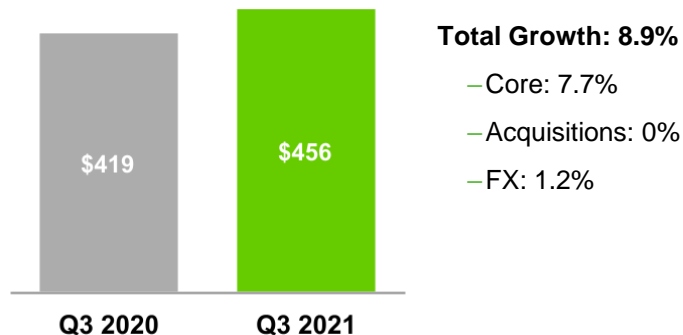
## Adjusted Operating Profit Margin (%)



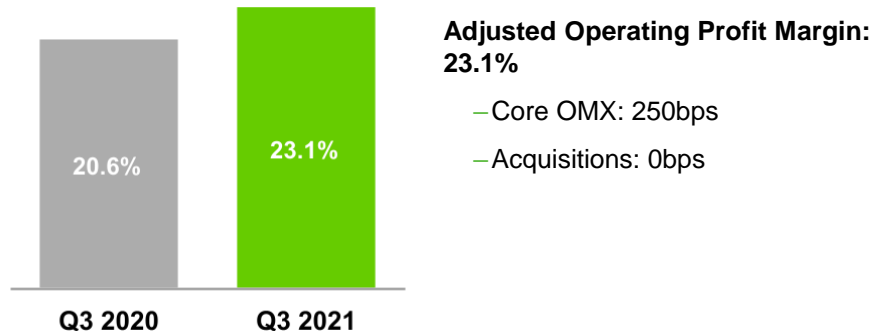
## Commentary

- **Fluke: +Mid-Teens** - Strong demand across key markets/geographies; generating share gains, but component availability challenges driving backlog build
- **ISC: +Mid-Teens** - Instruments and Rental businesses continued strong recovery; Intelix +Mid-Teens with another record revenue quarter
- **Accruent: +LSD** - Strong bookings (+Mid-20%) led by Meridian, EMS, and Maintenance Connection SaaS offerings
- **Gordian: +Mid-Teens** - Strong increase in customer project volume / higher average dollars per project
- **ServiceChannel:** Closed in August and off to strong start; continued momentum in large enterprise retail business with notable customer wins

## Revenue (\$M)



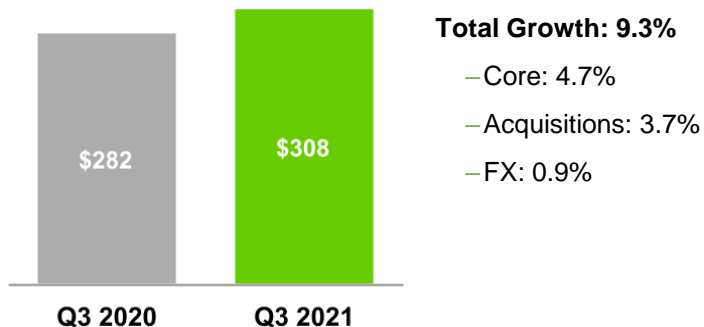
## Adjusted Operating Profit Margin (%)



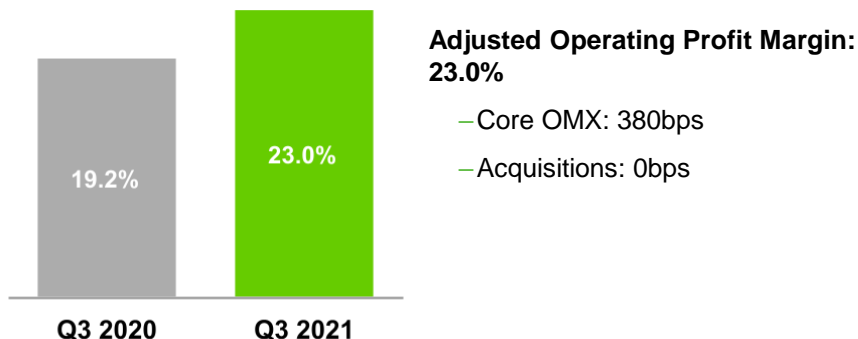
## Commentary

- **Tektronix: +HSD** - +DD order growth across major geographies; recent new product introductions performing well; backlog continued to increase in Q3
- **Sensing Tech: +LDD** - Growth and robust orders driven by strong market expansion and share gains through FBS
- **PacSci EMC: +MSD** - Gaining momentum in Commercial end-markets; continued strong demand from core mil/gov and space customers

## Revenue (\$M)



## Adjusted Operating Profit Margin (%)



## Commentary

- **ASP: +LSD** - Capital equipment strength drove continued expansion in installed base; consumables growth impacted by headwinds in elective procedures; service continuing to improve
- **Censis: +Low-40%** - Broad growth with core Censitrac SaaS revenue +Mid-Teens; significant improvement from service-related revenue
- **Fluke Health Solutions (FHS): +HSD** - Prior growth investments continuing to drive momentum; strong OEM demand
- **Invetech: Down -MSD** - Outperformed against a challenging comp (prior-year COVID demand)



# Q3 2021 FINANCIAL PERFORMANCE



## Free Cash Flow Detail

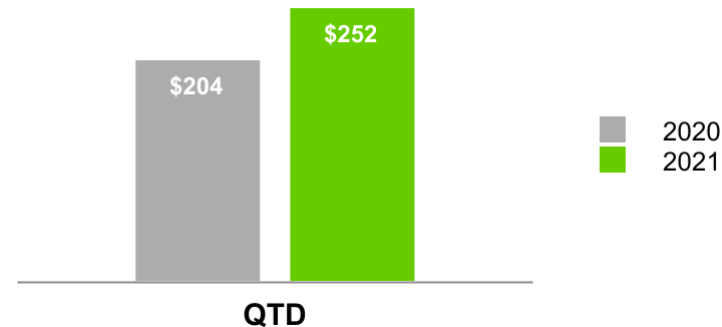
- **Q3 2021:**

- **Free Cash Flow:** \$252 million (+23% versus Prior Year)
- **Adjusted FCF Conversion:** 105% of Adjusted Net Earnings

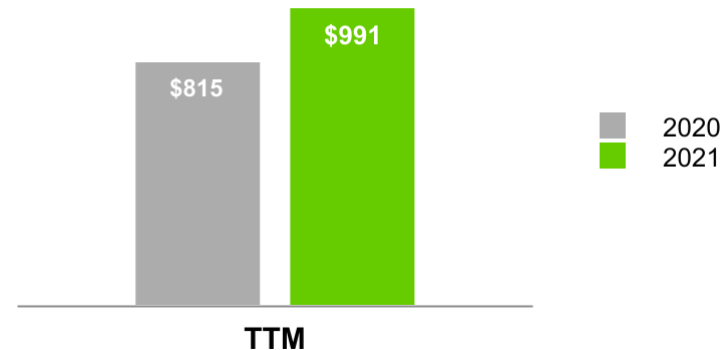
- **Trailing 12-Months:**

- **Free Cash Flow:** \$991 million
- **Adjusted FCF Conversion:** 103% of Adjusted Net Earnings
- Trailing 12-Month FCF +22% versus Prior Year (FCF conversion of 115%)

Free Cash Flow (\$M) - Q3 2021



Free Cash Flow (\$M) - 2021 Sept TTM



Continued Strong FCF Growth; ~\$1B in Trailing 12-Month FCF

	New Guidance	Prior Guidance	What We Are Seeing / Expectations
Core Growth	+10.5% - +11.0%	+10.5% - +12.0%	<ul style="list-style-type: none"> <li>Broad-based demand momentum across core end markets</li> </ul>
Total Growth	+14.0% - +14.5%	+13.5% - +15.0%	<ul style="list-style-type: none"> <li>Continued strong core growth despite persisting supply chain challenges</li> </ul>
Adjusted Operating Profit Margin	~23.0% - ~23.5%	~22.5% - ~23.5%	<ul style="list-style-type: none"> <li>Guidance now includes ServiceChannel - closed in late August</li> </ul>
Adjusted EPS	\$2.70 - \$2.75 (+29% - +32% Y/Y)	\$2.65 - \$2.75	<ul style="list-style-type: none"> <li>Carrying strong adjusted margin and core OMX performance through to year-end</li> </ul>
FCF Conversion (of Adjusted Net Income)	~105%	~105%	<ul style="list-style-type: none"> <li>Finishing off another year of strong +DD growth in adjusted EPS and FCF</li> </ul>

Other Modeling Considerations: Adjusted Tax Rate: ~14.0%; Adjusted Shares: ~362M

**Continuing to Expect +LDD Core Growth and ~30% Increase in Adjusted EPS**

	Guidance	What We Are Seeing / Expectations
Core Growth	+4.0% - +6.0%	<ul style="list-style-type: none"> <li>Broad-based demand and order strength across end markets to continue</li> </ul>
Total Growth	+6.5% - +8.5%	<ul style="list-style-type: none"> <li>Supply chain challenges to remain a headwind for revenue conversion at instrumentation businesses</li> </ul>
Adjusted Operating Profit Margin	~23.5% - ~24.5%	<ul style="list-style-type: none"> <li>Continued momentum in software on SaaS growth and Services recovery</li> </ul>
Adjusted EPS	\$0.74 - \$0.79 (+6% - +13% Y/Y)	<ul style="list-style-type: none"> <li>Nominal improvement in elective procedure volumes through year-end</li> </ul>
FCF Conversion (of Adjusted Net Income)	~125%	<ul style="list-style-type: none"> <li>Expecting higher adjusted tax rate versus prior year (Q4 2020 adjusted tax rate ~9%)</li> <li>Strong FCF conversion in-line with normal seasonal pattern</li> </ul>

Other Modeling Considerations: Adjusted Tax Rate: ~15.0%; Adjusted Shares: ~363M

- **Very strong demand backdrop and continued top line momentum, through accelerated innovation and share gains**
- **Supply chain challenges driving increased backlog which we will carry into 2022**
- **Building scale and differentiation with software offerings: Almost \$750M annualized revenue growing +DD with high recurring revenue / operating margins**
- **Strong Core OMX at AHS with significant additional margin opportunity going forward**
- **New senior leadership appointments highlight continued development of talent base**
- **Significant M&A capacity; well positioned to continue capital allocation strategy**

# Appendix & Supplemental Reconciliation Data

## North America

### Q3 Core Growth (Y/Y): +HSD

- Strong revenue and order growth across Fluke and Tektronix
- Gordian and Sensing Technologies also performed well
- AHS growth driven by strong quarters at FHS and Censis
- ASP consumables impacted by COVID-related headwinds on elective procedures

## Western Europe

### +LDD

- Continued strength at Fluke led by Fluke Industrial
- Strong growth at Tektronix included momentum from semiconductor customer investment activity
- Growth at ASP driven by strong capital equipment sales
- Accruent SaaS +Mid-20% with very strong bookings

## Asia Pacific

### +MSD

- Growth highlighted by ISC, Sensing, FHS and ASP
- China +LSD
  - Fluke and ASP +MSD
  - Sensing +DD growth driven by share gains with OEM automation customers
  - Good momentum across all major product lines at ISC
- Japan down -LSD

# Q4 & FY 2021 GUIDANCE SUMMARY



## Q4 2021

- Adjusted diluted net EPS of \$0.74 to \$0.79 (+6% to +13% Y/Y)
- Assumptions:
  - Core revenue growth of +4.0% to +6.0%
    - IOS ~4.0% to ~6.0%
    - PT ~6.0% to ~8.0%
    - AHS ~2.0% to ~4.0%
  - Total revenue growth of +6.5% to +8.5%
    - IOS ~9.5% to ~11.5%
    - PT ~6.0% to ~8.0%
    - AHS ~4.0% to ~6.0%
  - Adjusted operating profit margin of ~23.5% to ~24.5%
    - IOS ~28.0% to ~29.0%
    - PT ~23.0% to ~24.0%
    - AHS ~24.0% to ~25.0%
  - Effective tax rate ~15.0%
  - Share Count ~363M
  - FCF as a percentage of adjusted net income ~125%

## FY 2021

- Adjusted diluted net EPS of \$2.70 to \$2.75 (+29% to +32% Y/Y)
- Assumptions:
  - Core revenue growth of +10.5% to +11.0%
    - IOS ~11.0% to ~12.0%
    - PT ~11.0% to ~12.0%
    - AHS ~6.5% to ~7.5%
  - Total revenue growth of +14.0% to +14.5%
    - IOS ~15.0% to ~16.0%
    - PT ~13.0% to ~14.0%
    - AHS ~12.0% to ~13.0%
  - Adjusted operating profit margin of ~23.0% to ~23.5%
    - IOS ~28.0% to ~29.0%
    - PT ~22.0% to ~23.0%
    - AHS ~22.0% to ~23.0%
  - Effective tax rate ~14.0%
  - Share Count ~362M
  - FCF as a percentage of adjusted net income ~105%

# ADJUSTED GROSS PROFIT AND ADJUSTED GROSS PROFIT MARGIN



\$ in millions	Three Months Ended		Nine Months Ended	
	October 1, 2021	September 25, 2020	October 1, 2021	September 25, 2020
<b>Revenue (GAAP)</b>	\$ 1,299.5	\$ 1,159.8	\$ 3,878.4	\$ 3,309.5
Acquisition-Related Fair Value Adjustments to Deferred Revenue	1.5	0.7	1.5	12.3
<b>Adjusted Revenue (Non-GAAP)</b>	\$ 1,301.0	\$ 1,160.5	\$ 3,879.9	\$ 3,321.8
<b>Adjusted Gross Profit</b>				
<b>Gross Profit (GAAP)</b>	\$ 744.2	\$ 651.6	\$ 2,211.6	\$ 1,846.4
Acquisition-Related Fair Value Adjustments to Deferred Revenue and Inventory	1.5	3.1	8.2	22.8
<b>Adjusted Gross Profit (Non-GAAP)</b>	\$ 745.7	\$ 654.7	\$ 2,219.8	\$ 1,869.2
<b>Adjusted Gross Profit Margin</b>				
<b>Gross Profit (GAAP) Margin</b>	57.3 %	56.2 %	57.0 %	55.8 %
Acquisition-Related Fair Value Adjustments to Deferred Revenue and Inventory	— %	0.2 %	0.2 %	0.5 %
<b>Adjusted Gross Profit Margin (Non-GAAP)</b>	57.3 %	56.4 %	57.2 %	56.3 %



# ADJUSTED OPERATING PROFIT & ADJUSTED OPERATING PROFIT MARGIN



\$ in millions	Three Months Ended October 1, 2021					Three Months Ended September 25, 2020				
	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive
<b>Revenue (GAAP)</b>	\$ 535.4	\$ 455.7	\$ 308.4	\$ —	\$ 1,299.5	\$ 459.1	\$ 418.5	\$ 282.2	\$ —	\$ 1,159.8
Acquisition-Related Fair Value Adjustments to Deferred Revenue	1.5	—	—	—	1.5	—	—	0.7	—	0.7
<b>Adjusted Revenue (Non-GAAP)</b>	\$ 536.9	\$ 455.7	\$ 308.4	\$ —	\$ 1,301.0	\$ 459.1	\$ 418.5	\$ 282.9	\$ —	\$ 1,160.5
<b>Operating Profit (GAAP)</b>	\$ 90.0	\$ 101.1	\$ 34.4	\$ (24.7)	\$ 200.8	\$ 77.5	\$ 82.1	\$ 1.8	\$ (23.8)	\$ 137.6
Acquisition and Other Transaction Costs	13.3	—	1.2	—	14.5	0.2	0.1	14.0	—	14.3
Acquisition-Related Fair Value Adjustments to Deferred Revenue and Inventory	1.5	—	—	—	1.5	—	—	3.1	—	3.1
Amortization of Acquisition-Related Intangible Assets	41.0	4.2	35.2	—	80.4	37.6	4.2	35.3	—	77.1
<b>Adjusted Operating Profit (Non-GAAP)</b>	\$ 145.8	\$ 105.3	\$ 70.8	\$ (24.7)	\$ 297.2	\$ 115.3	\$ 86.4	\$ 54.2	\$ (23.8)	\$ 232.1
<b>Operating Profit Margin (GAAP)</b>	16.8 %	22.2 %	11.2 %		15.5 %	16.9 %	19.6 %	0.6 %		11.9 %
<b>Adjusted Operating Profit Margin (Non-GAAP)</b>	27.2 %	23.1 %	23.0 %		22.8 %	25.1 %	20.6 %	19.2 %		20.0 %

## Incremental Adjusted Operating Profit Margin<sup>(a)</sup>

Year-over-year change in Adjusted Revenue (Non-GAAP)	\$ 140.5
Year-over-year change in Adjusted Operating Profit (Non-GAAP)	\$ 65.1
<b>Q3 2021 Incremental Adjusted Operating Profit Margin (Non-GAAP)<sup>(a)</sup></b>	<b>46.3 %</b>

(a) Incremental adjusted operating profit margin is calculated as the increase in adjusted operating profit between two periods, divided by the increase in adjusted revenue between the same two periods.

# ADJUSTED OPERATING PROFIT & ADJUSTED OPERATING PROFIT MARGIN



\$ in millions	Nine Months Ended October 1, 2021					Nine Months Ended September 25, 2020				
	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive
<b>Revenue (GAAP)</b>	\$ 1,588.1	\$ 1,375.0	\$ 915.3	\$ —	\$ 3,878.4	\$ 1,338.8	\$ 1,187.1	\$ 783.6	\$ —	\$ 3,309.5
Acquisition-Related Fair Value Adjustments to Deferred Revenue	1.5	—	—	—	1.5	7.6	—	4.7	—	12.3
<b>Adjusted Revenue (Non-GAAP)</b>	\$ 1,589.6	\$ 1,375.0	\$ 915.3	\$ —	\$ 3,879.9	\$ 1,346.4	\$ 1,187.1	\$ 788.3	\$ —	\$ 3,321.8
<b>Operating Profit (GAAP)</b>	\$ 313.4	\$ 301.1	\$ 75.8	\$ (80.6)	\$ 609.7	\$ 213.0	\$ 232.7	\$ (15.9)	\$ (74.2)	\$ 355.6
Acquisition and Other Transaction Costs	14.4	—	9.5	—	23.9	0.8	0.1	56.4	—	57.3
Acquisition-Related Fair Value Adjustments to Deferred Revenue and Inventory	1.5	—	6.7	—	8.2	7.9	—	14.9	—	22.8
Amortization of Acquisition-Related Intangible Assets	116.8	12.7	105.9	—	235.4	113.4	13.0	106.3	—	232.7
<b>Adjusted Operating Profit (Non-GAAP)</b>	\$ 446.1	\$ 313.8	\$ 197.9	\$ (80.6)	\$ 877.2	\$ 335.1	\$ 245.8	\$ 161.7	\$ (74.2)	\$ 668.4
<b>Operating Profit Margin (GAAP)</b>	19.7 %	21.9 %	8.3 %		15.7 %	15.9 %	19.6 %	(2.0)%		10.7 %
<b>Adjusted Operating Profit Margin (Non-GAAP)</b>	28.1 %	22.8 %	21.6 %		22.6 %	24.9 %	20.7 %	20.5 %		20.1 %

# ADJUSTED OPERATING PROFIT MARGIN



	Three Months Ended October 1, 2021				Nine Months Ended October 1, 2021			
	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Total Fortive	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Total Fortive
<b>2020 Adjusted Operating Profit Margin (Non-GAAP)</b>	<b>25.1 %</b>	<b>20.6 %</b>	<b>19.2 %</b>	<b>20.0 %</b>	<b>24.9 %</b>	<b>20.7 %</b>	<b>20.5 %</b>	<b>20.1 %</b>
Core (Non-GAAP)	3.1 %	2.5 %	3.8 %	3.25 %	3.7 %	2.1 %	1.05 %	2.7 %
Acquisitions (Non-GAAP)	(1.0)%	— %	— %	(0.45)%	(0.5)%	— %	0.05 %	(0.2)%
<b>2021 Adjusted Operating Profit Margin (Non-GAAP)</b>	<b>27.2 %</b>	<b>23.1 %</b>	<b>23.0 %</b>	<b>22.8 %</b>	<b>28.1 %</b>	<b>22.8 %</b>	<b>21.6 %</b>	<b>22.6 %</b>

# ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS



\$ in millions	Three Months Ended		Nine Months Ended	
	October 1, 2021	September 25, 2020	October 1, 2021	September 25, 2020
<b>Net Earnings Attributable to Common Stockholders from Continuing Operations (GAAP) <sup>(a)</sup></b>	<b>\$ 151.1</b>	<b>\$ 68.7</b>	<b>\$ 410.3</b>	<b>\$ 148.8</b>
Dividends on the mandatory convertible preferred stock to apply if-converted method <sup>(a)</sup>	—	17.3	34.5	51.8
<b>Net Earnings from Continuing Operations (GAAP)</b>	<b>\$ 151.1</b>	<b>\$ 86.0</b>	<b>\$ 444.8</b>	<b>\$ 200.6</b>
Pretax amortization of acquisition-related intangible assets	80.4	77.1	235.4	232.7
Pretax acquisition and other transaction costs	14.5	14.3	23.9	57.3
Pretax acquisition-related fair value adjustments to deferred revenue and inventory related to significant acquisitions	1.5	3.1	8.2	22.8
Pretax losses from equity method investments	1.1	0.6	7.7	3.4
Pretax loss on debt extinguishment, net of gain on Vontier common stock	—	—	47.9	—
Pretax non-cash interest expense associated with our 0.875% convertible notes	7.1	8.6	21.9	25.5
Pretax gain on the disposition of assets	—	—	—	(5.3)
Pretax gain on litigation dismissal	—	—	(26.0)	—
Tax effect of the adjustments reflected above <sup>(b)</sup>	(15.2)	(15.6)	(55.4)	(50.7)
Non-cash discrete tax expense adjustment resulting from the Separation of Vontier	—	5.2	—	12.7
<b>Adjusted Net Earnings from Continuing Operations (Non-GAAP)</b>	<b>\$ 240.5</b>	<b>\$ 179.3</b>	<b>\$ 708.4</b>	<b>\$ 499.0</b>

(a) On July 1, 2021, all outstanding shares of our MCPS converted at a rate of 14.0978 common shares per share of preferred stock into an aggregate of approximately 19.4 million shares (net of fractional shares) of the Company's common stock. Prior to their conversion, the MCPS were anti-dilutive for the nine month period ended October 1, 2021 and the three and nine month periods ended September 25, 2020, and as such, GAAP net earnings per share was calculated using net earnings from continuing operations attributable to common stockholders.

(b) The dividend on the MCPS is not tax deductible and therefore the tax effect of the adjustments includes only the amortization of acquisition-related intangible assets, acquisition and other transaction costs, acquisition-related fair value adjustments to deferred revenue and inventory, losses from equity method investments, the gain on disposition of assets, the loss on extinguishment of debt, the gain on litigation dismissal, and the non-cash interest expense associated with the 0.875% convertible notes. The gain on the fair value change in Vontier common stock had no tax effect.

# ADJUSTED DILUTED NET EPS



	Three Months Ended <sup>(a)</sup>		Nine Months Ended <sup>(a)</sup>	
	October 1, 2021	September 25, 2020	October 1, 2021	September 25, 2020
<b>Diluted Net Earnings Per Share from Continuing Operations (GAAP) <sup>(b)</sup></b>	<b>\$ 0.42</b>	<b>\$ 0.20</b>	<b>\$ 1.18</b>	<b>\$ 0.44</b>
Dividends on the mandatory convertible preferred stock to apply if-converted method	—	0.05	0.10	0.15
Assumed dilutive impact on the Diluted Net Earnings Per Share Attributable to Common Stockholders if the MCPS Converted Shares had been outstanding	—	(0.01)	(0.05)	(0.03)
Pretax amortization of acquisition-related intangible assets	0.22	0.21	0.65	0.65
Pretax acquisition and other transaction costs	0.04	0.04	0.07	0.16
Pretax acquisition-related fair value adjustments to deferred revenue and inventory related to significant acquisitions	—	0.01	0.02	0.06
Pretax (gains) losses from equity method investments	—	—	0.02	0.01
Pretax loss on debt extinguishment, net of gain on Vontier common stock	—	—	0.13	—
Pretax non-cash interest expense associated with our 0.875% convertible notes	0.02	0.02	0.06	0.07
Pretax gain on the disposition of assets	—	—	—	(0.01)
Pretax gain on litigation dismissal	—	—	(0.07)	—
Tax effect of the adjustments reflected above <sup>(c)</sup>	(0.04)	(0.04)	(0.15)	(0.14)
Non-cash discrete tax expense adjustment resulting from the Separation of Vontier	—	0.01	—	0.04
<b>Adjusted Diluted Net Earnings Per Share from Continuing Operations (Non-GAAP)</b>	<b>\$ 0.66</b>	<b>\$ 0.50</b>	<b>\$ 1.96</b>	<b>\$ 1.39</b>
(shares in millions)				
Average common diluted stock outstanding	362.2	340.8	348.8	340.2
MCPS Converted Shares <sup>(b)</sup>	—	18.4	12.9	18.4
<b>Adjusted average common stock and common equivalent shares outstanding</b>	<b>362.2</b>	<b>359.2</b>	<b>361.7</b>	<b>358.6</b>

(a) Each of the per share adjustments below was calculated assuming the MCPS Converted Shares had converted at the beginning of the period prior to their conversion on July 1, 2021. The 0.875% convertible notes did not have an impact on the adjusted diluted shares outstanding.

(b) Prior to their conversion on July 1, 2021, the MCPS were anti-dilutive during the nine month period ended October 2, 2021 and were anti-dilutive during the three and nine month periods ended September 25, 2020. As such, GAAP net earnings per share for the nine month period ended October 1, 2021 and the three and nine month periods ended September 25, 2020 were calculated using net earnings from continuing operations attributable to common stockholders.

(c) The dividend on the MCPS is not tax deductible and therefore the tax effect of the adjustments includes only the amortization of acquisition-related intangible assets, acquisition and other transaction costs, acquisition-related fair value adjustments to deferred revenue and inventory, losses from equity method investments, the gain on the disposition of assets, the loss on extinguishment of debt, the gain on litigation dismissal, and the non-cash interest expense associated with the 0.875% convertible notes. The gain on the fair value change in Vontier common stock had no tax effect.

The sum of the components of adjusted diluted net earnings per share from continuing operations may not equal due to rounding.

# FORECASTED ADJUSTED DILUTED NET EPS FROM CONTINUING OPERATIONS



	Three Months Ending December 31, 2021 <sup>(a)</sup>		Year Ending December 31, 2021 <sup>(a)</sup>	
	Low	High	Low	High
<b>Forecasted Diluted Net Earnings Per Share from Continuing Operations Attributable to Common Stockholders</b>	<b>\$ 0.45</b>	<b>\$ 0.50</b>	<b>\$ 1.62</b>	<b>\$ 1.67</b>
Anticipated dividends on mandatory convertible preferred stock	—	—	0.10	0.10
Anticipated dilutive impact on Forecasted Diluted Net Earnings Per Share from Continuing Operations of the MCPS Converted Shares	—	—	(0.05)	(0.05)
Anticipated pretax amortization of acquisition-related intangible assets	0.24	0.24	0.89	0.89
Anticipated pretax significant acquisition and other transaction costs	0.06	0.06	0.13	0.13
Anticipated pretax fair value adjustments to deferred revenue and inventory related to significant acquisitions	—	—	0.02	0.02
Anticipated pretax losses from equity method investments	0.01	0.01	0.03	0.03
Anticipated pretax non-cash interest from 0.875% convertible notes	0.02	0.02	0.08	0.08
Anticipated pretax loss on debt extinguishment, net of gain on Vontier common stock	—	—	0.13	0.13
Restructuring charges	0.03	0.03	0.03	0.03
Anticipated pretax gain on litigation dismissal	—	—	(0.07)	(0.07)
Tax effect of the adjustments reflected above <sup>(b)</sup>	(0.07)	(0.07)	(0.21)	(0.21)
<b>Forecasted Adjusted Diluted Net Earnings Per Share from Continuing Operations</b>	<b>\$ 0.74</b>	<b>\$ 0.79</b>	<b>\$ 2.70</b>	<b>\$ 2.75</b>

(a) Each of the per share adjustments for the three month period ending December 31, 2021 reflect the conversion of the MCPS on July 1, 2021. Each of the per share adjustments for the year ending December 31, 2021 assume the conversion of all 1.38 million MCPS shares at the conversion rate of 14.0978 at the beginning of the period.

(b) The MCPS are not tax deductible and therefore the tax effect of the adjustments includes only the amortization of acquisition-related intangible assets, acquisition and other transaction costs, acquisition-related fair value adjustments to deferred revenue and inventory, losses from equity method investments, non-cash interest from 0.875% convertible notes, the loss on debt extinguishment, the gain on litigation dismissal, and restructuring charges. The gain on the fair value change in Vontier common stock had no tax effect.

The sum of the components of forecasted adjusted diluted net earnings per share from continuing operations may not equal due to rounding.

# FREE CASH FLOW CONVERSION RATIO - TWELVE MONTHS ENDED OCTOBER 1, 2021 AND SEPTEMBER 25, 2020



*\$ in millions*

	Three Months Ended				Twelve Months Ended
	October 1, 2021	July 2, 2021	April 2, 2021	December 31, 2020	October 1, 2021
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 262.9	\$ 291.0	\$ 152.0	\$ 329.4	\$ 1,035.3
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(10.9)	(8.7)	(8.4)	(16.8)	(44.8)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 252.0	\$ 282.3	\$ 143.6	\$ 312.6	\$ 990.5
<b>Net Earnings from Continuing Operations (GAAP)</b>	\$ 151.1	\$ 182.0	\$ 111.7	\$ 1,251.6	\$ 1,696.4
<b>Free Cash Flow Conversion Ratio (Non-GAAP)</b>	167 %	155 %	129 %	25 %	58 %

*\$ in millions*

	Three Months Ended				Twelve Months Ended
	September 25, 2020	June 26, 2020	March 27, 2020	December 31, 2019	September 25, 2020
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 217.5	\$ 309.1	\$ 121.7	\$ 247.1	\$ 895.4
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(13.4)	(19.3)	(26.2)	(21.9)	(80.8)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 204.1	\$ 289.8	\$ 95.5	\$ 225.2	\$ 814.6
<b>Net Earnings from Continuing Operations (GAAP)</b>	\$ 86.0	\$ 59.8	\$ 54.8	\$ 74.7	\$ 275.3
<b>Free Cash Flow Conversion Ratio (Non-GAAP)</b>	237 %	485 %	174 %	301 %	296 %

# ADJUSTED FREE CASH FLOW CONVERSION RATIO - TWELVE MONTHS ENDED OCTOBER 1, 2021 AND SEPTEMBER 25, 2020



\$ in millions

	Three Months Ended				Twelve Months Ended
	October 1, 2021	July 2, 2021	April 2, 2021	December 31, 2020	October 1, 2021
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 262.9	\$ 291.0	\$ 152.0	\$ 329.4	\$ 1,035.3
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(10.9)	(8.7)	(8.4)	(16.8)	(44.8)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 252.0	\$ 282.3	\$ 143.6	\$ 312.6	\$ 990.5
<b>Adjusted Net Earnings from Continuing Operations (Non-GAAP)</b>	\$ 240.5	\$ 238.8	\$ 229.1	\$ 252.9	\$ 961.3
<b>Adjusted Free Cash Flow Conversion Ratio (Non-GAAP)</b>	105 %	118 %	63 %	124 %	103 %

\$ in millions

	Three Months Ended				Twelve Months Ended
	September 25, 2020	June 26, 2020	March 27, 2020	December 31, 2019	September 25, 2020
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 217.5	\$ 309.1	\$ 121.7	\$ 247.1	\$ 895.4
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(13.4)	(19.3)	(26.2)	(21.9)	(80.8)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 204.1	\$ 289.8	\$ 95.5	\$ 225.2	\$ 814.6
<b>Adjusted Net Earnings from Continuing Operations (Non-GAAP)</b>	\$ 179.3	\$ 154.9	\$ 164.8	\$ 211.9	\$ 710.9
<b>Adjusted Free Cash Flow Conversion Ratio (Non-GAAP)</b>	114 %	187 %	58 %	106 %	115 %



# CORE REVENUE GROWTH



Components of Revenue Growth	Three Months Ended October 1, 2021	Nine Months Ended October 1, 2021
<u>Total Fortive</u>		
<b>Total Revenue Growth (GAAP)</b>	<b>12.0 %</b>	<b>17.2 %</b>
Core (Non-GAAP)	9.1 %	12.9 %
Acquisitions (Non-GAAP)	1.7 %	2.0 %
Impact of currency translation (Non-GAAP)	1.2 %	2.3 %
<u>Intelligent Operating Solutions</u>		
<b>Total Revenue Growth (GAAP)</b>	<b>16.6 %</b>	<b>18.6 %</b>
Core (Non-GAAP)	13.1 %	14.7 %
Acquisitions (Non-GAAP)	2.2 %	1.3 %
Impact of currency translation (Non-GAAP)	1.3 %	2.6 %
<u>Precision Technologies</u>		
<b>Total Revenue Growth (GAAP)</b>	<b>8.9 %</b>	<b>15.8 %</b>
Core (Non-GAAP)	7.7 %	13.7 %
Acquisitions (Non-GAAP)	— %	— %
Impact of currency translation (Non-GAAP)	1.2 %	2.1 %
<u>Advanced Healthcare Solutions</u>		
<b>Total Revenue Growth (GAAP)</b>	<b>9.3 %</b>	<b>16.8 %</b>
Core (Non-GAAP)	4.7 %	8.7 %
Acquisitions (Non-GAAP)	3.7 %	6.0 %
Impact of currency translation (Non-GAAP)	0.9 %	2.1 %

# ADJUSTED EFFECTIVE TAX RATE



\$ in millions	Three Months Ended		Nine Months Ended	
	October 1, 2021	September 25, 2020	October 1, 2021	September 25, 2020
Earnings before income taxes from continuing operations	\$ 174.1	\$ 99.3	\$ 500.3	\$ 243.6
Income tax expense	(23.0)	(13.3)	(55.5)	(43.0)
<b>Effective tax rate (GAAP)</b>	<b>13.2 %</b>	<b>13.4 %</b>	<b>11.1 %</b>	<b>17.7 %</b>
<b>Earnings before income taxes from continuing operations (GAAP)</b>	<b>\$ 174.1</b>	<b>\$ 99.3</b>	<b>\$ 500.3</b>	<b>\$ 243.6</b>
Pretax amortization of acquisition-related intangible assets	80.4	77.1	235.4	232.7
Pretax acquisition and other transaction costs	14.5	14.3	23.9	57.3
Pretax acquisition-related fair value adjustments to deferred revenue and inventory related to significant acquisitions	1.5	3.1	8.2	22.8
Pretax losses from equity method investments	1.1	0.6	7.7	3.4
Pretax loss on debt extinguishment, net of gain on Vontier common stock	—	—	47.9	—
Pretax non-cash interest expense associated with our 0.875% convertible notes	7.1	8.6	21.9	25.5
Pretax gain from disposition of assets	—	—	—	(5.3)
Pretax gain on litigation dismissal	—	—	(26.0)	—
<b>Pretax Adjusted Net Earnings (Non-GAAP)</b>	<b>\$ 278.7</b>	<b>\$ 203.0</b>	<b>\$ 819.3</b>	<b>\$ 580.0</b>
Tax effect of the adjustments reflected above	(15.2)	(15.6)	(55.4)	(50.7)
Non-cash discrete tax expense adjustment resulting from the Separation of Vontier	—	5.2	—	12.7
<b>Adjusted income tax expense (Non-GAAP)</b>	<b>\$ (38.2)</b>	<b>\$ (23.7)</b>	<b>\$ (110.9)</b>	<b>\$ (81.0)</b>
<b>Adjusted effective tax rate (Non-GAAP)</b>	<b>13.7 %</b>	<b>11.7 %</b>	<b>13.5 %</b>	<b>14.0 %</b>



**FORTIVE**