

# Second Quarter 2022 Earnings Release

JULY 28, 2022



# FORWARD LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

Statements in this presentation that are not strictly historical, including statements regarding anticipated financial results, economic conditions, future prospects, impact of supply chain constraints, duration and impact of COVID-19 pandemic and the corresponding government mandated mitigation efforts, anticipated market opportunities, anticipated impact of geopolitical events and conflicts, business and acquisition opportunities, timing of acquisitions and other transactions, scope and timing of any share repurchases, 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 because any corresponding GAAP measures and the reconciliations thereto would require us to make estimates or assumptions about unidentified and unknown acquisitions, stock price, capital and other expenditures and similar adjustments during the relevant period. Information required by Regulation G with respect to historical non-GAAP financial measures are set forth in the appendix to this presentation.

All financial metrics relate only to the continuing operations, and all growth or period changes refer to year-over-year comparisons unless otherwise stated. Please refer to the corresponding Form 10-Q for the quarter ended July 1, 2022 for additional details relating to the financial results and performances discussed in this presentation.

# Q2 2022 FINANCIALS AND HIGHLIGHTS

A STRONG BEAT ACROSS PORTFOLIO, MITIGATING NUMEROUS HEADWINDS

## Q2 2022 FINANCIALS

**\$1,463M**

Revenue

**8.9%**

Core Growth

**57.0%**

Adj. Gross  
Margin

**24.1%**

Adj. Operating  
Profit Margin

**\$0.78**

Adj. Earnings  
Per Share

**\$276M**

Free Cash Flow

## 1H 2022 HIGHLIGHTS



**7% core revenue growth and 15% adj EPS growth in 1H**

- FBS mitigating numerous external headwinds



**Demand remained robust**

- 1H HW<sup>1</sup> orders increased 12%; SW ARR revenue up 10%



**FBS driving differentiated performance**

- 10 bps adj GMX and 110 bps adj OMX in 1H



**Resilience of business model driving FCF growth**

- 11% increase in 1H FCF

**STRONG PERFORMANCE REINFORCES EFFECTIVE PORTFOLIO REPOSITIONING AND POWER OF FBS**

# BALANCED 2022 OUTLOOK

## SUSTAINED STRONG CORE GROWTH AND MARGIN EXPANSION

### WHAT WE ARE SEEING



#### STRONG DEMAND AND RECORD BACKLOG

Driven by accelerated innovation, share gains, and leverage to secular drivers. **Hardware<sup>1</sup> backlog up 21%** since year-end; DD software growth continues



#### SUPPLY CHAIN MEASURES GAIN TRACTION

Component constraints remain throughout 2022. Application of FBS and countermeasures enable **more customer deliveries** while continuing to mitigate inflation headwinds



#### COVID LOCKDOWNS MITIGATED

Substantially mitigated Shanghai lockdown in 1H, shifting **~\$55M of revenue from 2H to Q2**

### WHAT WE EXPECT



#### RAISED CORE GROWTH

Well positioned to navigate the evolving macro with more resilient portfolio, continued customer demand and **record backlog to benefit 2023**



#### MARGIN EXPANSION

Capitalizing on strong demand as volume, price and performance drive higher segment operating margins, and **double-digit adjusted earnings and free cash flow growth**



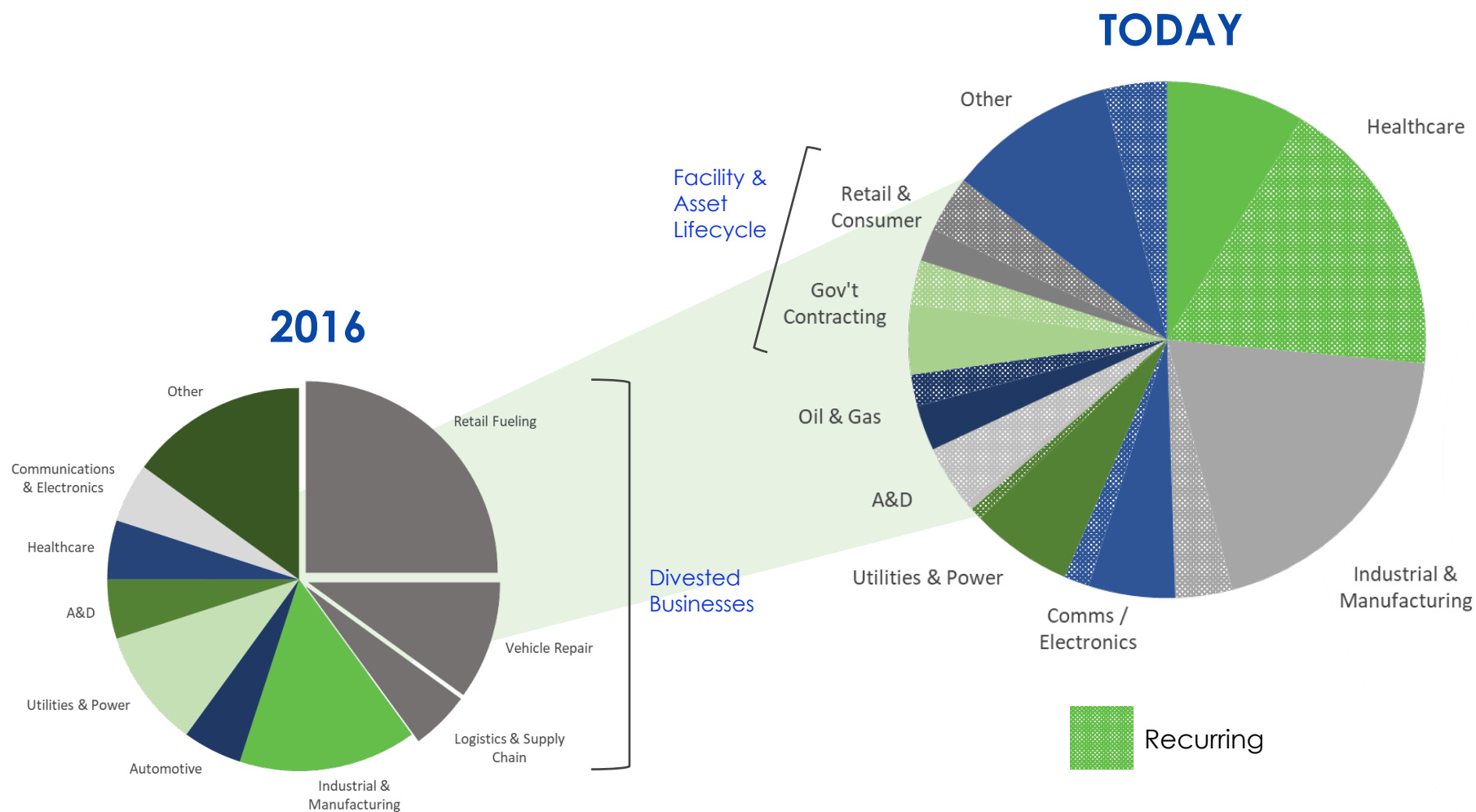
#### CONSISTENT VALUE CREATION

**Disciplined and accretive** capital deployment drive sustainable, long-term value creation; M&A **returns nearly double next 5-years**

RAISED OUTLOOK REFLECTS HIGHER CORE GROWTH AND INCREMENTAL F/X HEADWIND

# RESILIENCY OF REVENUE PROFILE

POSITIONED IN HIGHER GROWTH AND LESS CYCLICAL END MARKETS

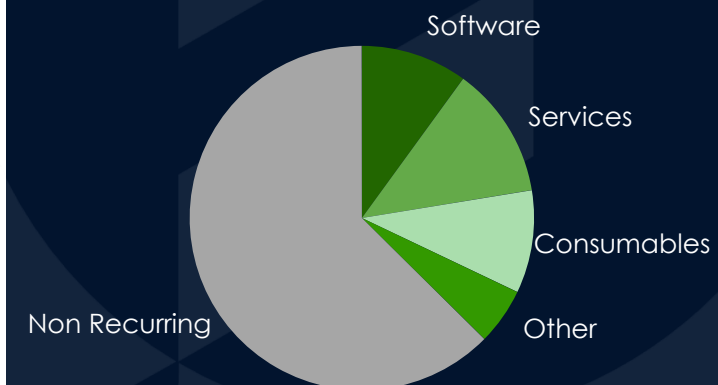


## RECURRING REVENUE PROFILE

**2016 ~18%**



**TODAY ~40%**



**ATTRACTIVE END MARKET AND RECURRING REVENUE PROFILE**

# Q2 2022: INTELLIGENT OPERATING SOLUTIONS

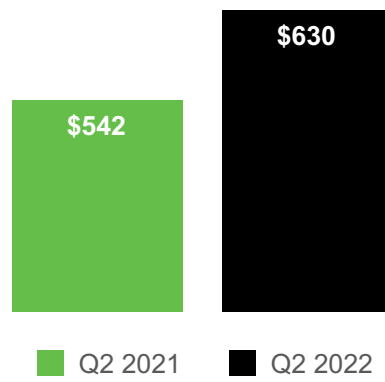
PERFORMANCE MORE THAN OFFSETS F/X & SUPPLY CHAIN HEADWINDS

\$ in millions

## REVENUE

**+16.3%**

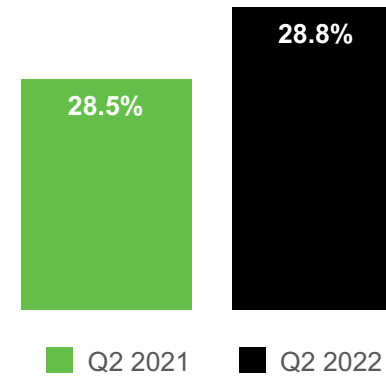
Core +12.3%  
M&A +7.0%  
FX -3.0%



## ADJUSTED OPERATING PROFIT MARGIN

**+30 BPS**

Core OMX +205 bps



## INTELLIGENT OPERATING SOLUTIONS

### Q2 2022 Highlights

- Strong supply / countermeasures driving favorable sequential HW growth
- LSD orders growth after record Q1, +HSD ARR
- Solid bookings at ISC for iNet; benefiting from diversified strategic focus areas
- Robust Facilities & Asset Lifecycle growth
- Adjusted OMX driven by favorable price and volume, more than offsetting inflation and F/X

### Core Growth Drivers

	Q2 2022
FLUKE	Mid-Teens
EHS: ISC, INTELEX	MSD
GORDIAN, ACCRUENT	LDD

ANOTHER QUARTER OF BROAD BASED GROWTH AND EXECUTION

# Q2 2022: PRECISION TECHNOLOGIES

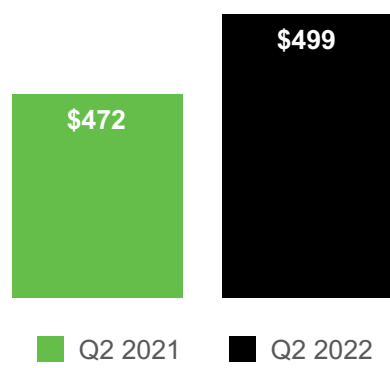
NAVIGATED SHANGHAI SHUTDOWNS, DELIVERED ON ROBUST DEMAND

\$ in millions

## REVENUE

**+5.8%**

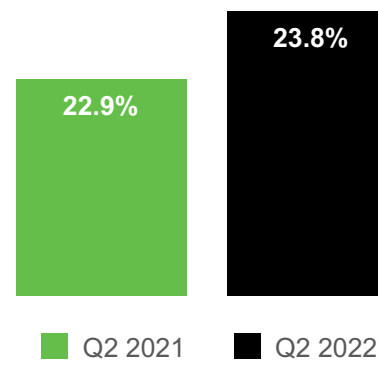
Core +8.6%  
FX -2.8%



## ADJUSTED OPERATING PROFIT MARGIN

**+90 BPS**

Core OMX +90 bps



**Tektronix®**

**Gems™**  
Sensors & Controls

**QUALITROL®**  
Defining Reliability

**setra®**

**HENGSTLER DYNAPAR**

**ANDERSON-NEGELE**  
SANITARY BY DESIGN

**PACIFIC SCIENTIFIC**  
ENERGETIC MATERIALS COMPANY

## PRECISION TECHNOLOGIES

### Q2 2022 Highlights

- Substantially mitigated Shanghai lockdowns with FBS countermeasures
- Strong demand continues across major geographies and end markets: Industrial, Semi, Medical, Power & Energy
- DD orders growth; 1.29 BTB at Tektronix
- Supply chain constraints remain
- Adjusted OMX driven by favorable price and volume, more than offsetting inflation and F/X

### Core Growth Drivers

	Q2 2022
TEKTRONIX	MSD
SENSING	Mid-Teens
PACSI EMC	LSD

FBS TOOLS MITIGATING CHALLENGES, DELIVERING GROWTH AND IMPROVING RESILIENCY

# Q2 2022: ADVANCED HEALTHCARE SOLUTIONS

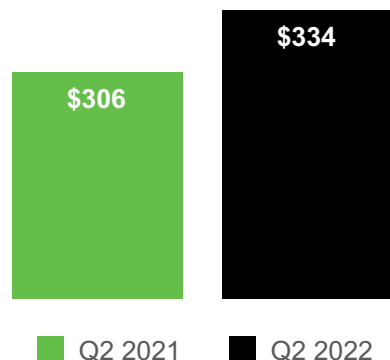
CORE GROWTH RAMPING AS EXPECTED

\$ in millions

## REVENUE

**+9.2%**

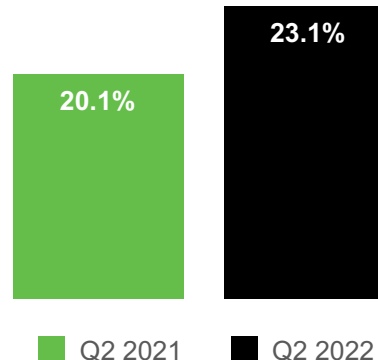
Core +3.3%  
M&A +9.3%  
FX -3.4%



## ADJUSTED OPERATING PROFIT MARGIN

**+300 BPS**

Core OMX +150 bps



ASP

Censis

FLUKE  
Biomedical

LANDAUER®

Invetech

provation®

## ADVANCED HEALTHCARE SOLUTIONS

### Q2 2022 Highlights

- ASP consumables growth was partially offset by lower capital sales due to supply chain constraints
- NA electives improving to low-90%
- COVID and staffing challenges remain
- Provation GI up DD, more than offsetting resource constraints in perioperative workflow
- Adjusted OMX driven by volume combined with solid M&A contribution

### Core Growth Drivers

	Q2 2022
ASP	LSD
FHS	LSD
CENSIS	(MSD)
INVETECH	HDD

STRONG HEALTHCARE FRANCHISE IN EARLY STAGES OF POST-COVID RECOVERY



# FBS IN ACTION

ENABLING BROAD-BASED EXECUTION ACROSS PORTFOLIO...

## FBS APPLICATION

## FBS IMPACT

**FLUKE®**

- Lean Portfolio Management

- **80% of new products** aligned to strategic growth areas - doubled 3-year revenue potential from new products

**Tektronix®**

- Transaction Process Improvement

- **25% improvement** in Service Depot on-time delivery

**ASP**

- Kaizen

- **5% Y/Y improvement** in consumable production efficiencies

**FORTIVE China**

- Kaizen

- Closed loop production during Shanghai COVID lockdown to **accelerate production in Shanghai**

**ACCRUENT**

- Daily Visual Management

- **Doubled negative working capital** levels Y/Y

**proVation®**

- Obeya Room

- **Significant acceleration** of SaaS migration bookings

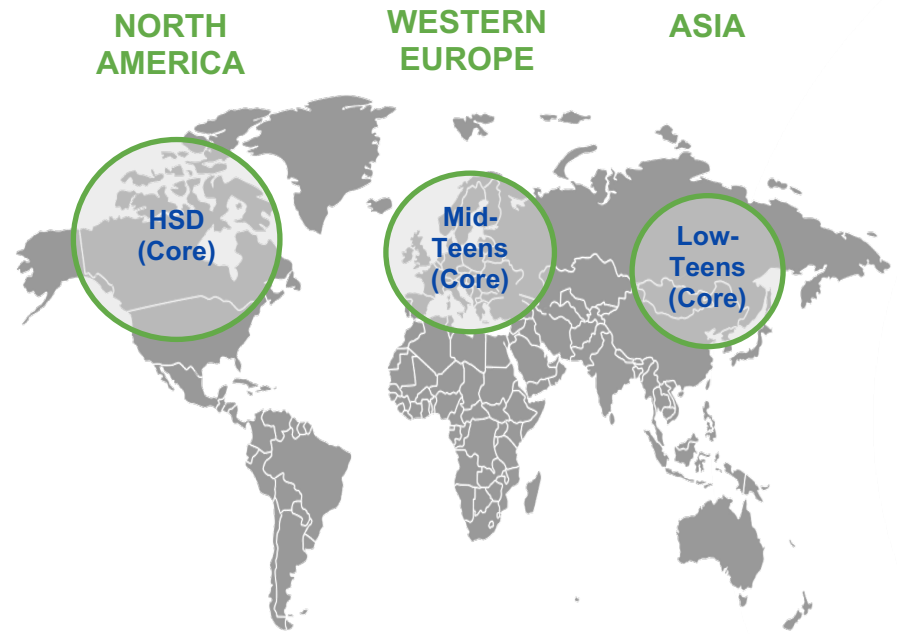
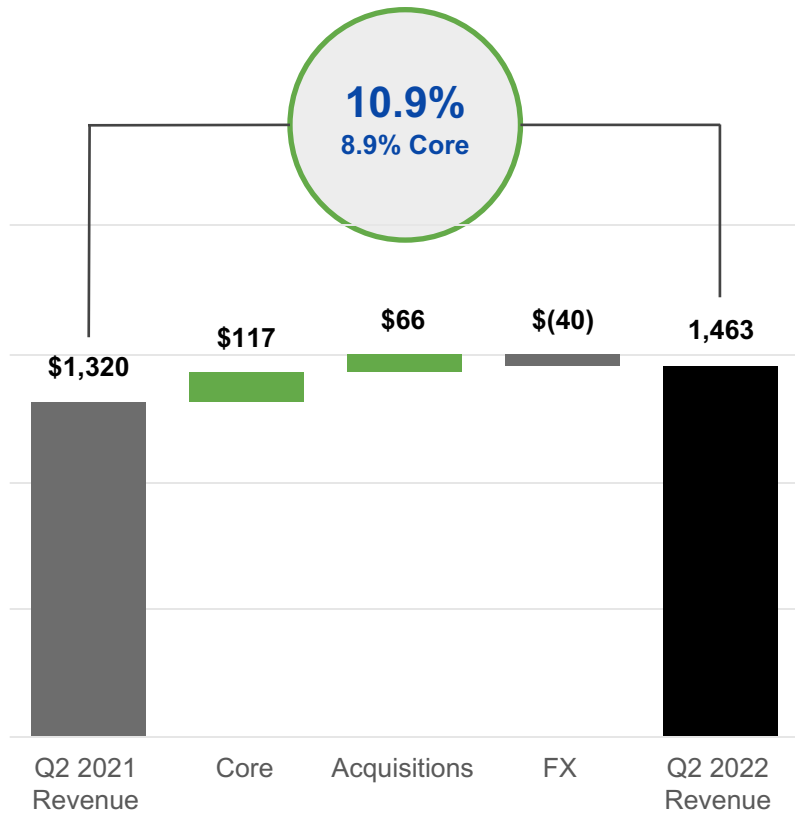
## THE FORTIVE BUSINESS SYSTEM



...AND DRIVES DIFFERENTIATED PERFORMANCE IN CHALLENGING ENVIRONMENT

# Q2 2022 REVENUE

STRONG GROWTH ACROSS ALL MAJOR REGIONS



## REGIONAL HIGHLIGHTS

- Broad strength in North America and Western Europe
- Strong growth across all High Growth Markets, up LDD despite Russia exit
- China +Mid-Teens mitigating COVID lockdown headwinds
- LDD Software revenue growth in NA<sup>1</sup>
- Continuing to build backlog in every region as orders growth remains strong

STRONG CORE GROWTH IN EVERY REGION

1. Software revenue includes SaaS, perpetual licenses, maintenance, and other related fees and services

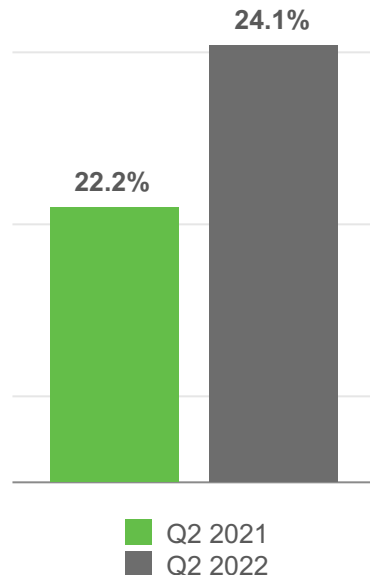
# Q2 2022 PERFORMANCE SUMMARY

STRONG FINANCIAL PERFORMANCE

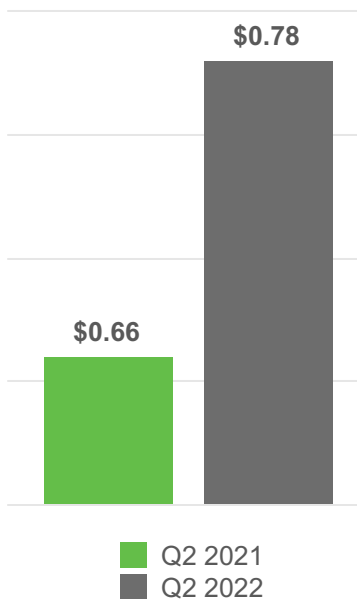
**ADJ. GROSS  
MARGIN**  
**-30 BPS**



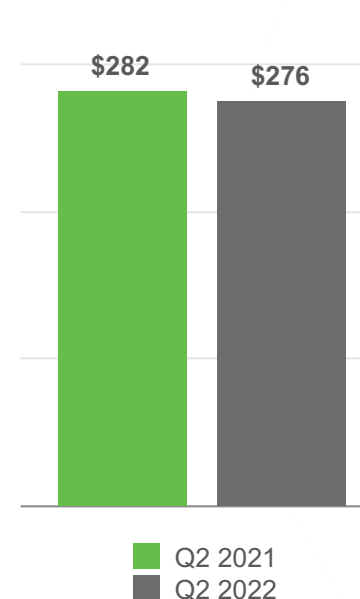
**ADJ. OPERATING  
PROFIT MARGIN**  
**+190 BPS**



**ADJ. EARNINGS  
PER SHARE**  
**+18%**



**FREE CASH  
FLOW (\$M)**  
**-2%**



## PERFORMANCE HIGHLIGHTS

- GMX impacted by F/X headwinds partially offset by favorable price and volume
- 190 bps of adjusted OMX; 420 bps on 2-yr stack basis
- 18% adjusted EPS growth despite higher interest and taxes YOY
- Q2 FCF conversion 98%
- 1H FCF up 11%

**ADJUSTED OPERATING PROFIT BEAT DROVE 18% GROWTH IN ADJUSTED EPS AND 98% FREE CASH FLOW CONVERSION**

# Q3, Q4 AND FY 2022 OUTLOOK

ON TRACK FOR ANOTHER YEAR OF DOUBLE-DIGIT EARNINGS AND FCF GROWTH

	Q3 2022	Q4 2022	FY 2022
<b>REVENUE</b> <i>Core / Total Growth</i>	<b>\$1,430 – 1,455M</b> 9% to 11.5% / 10% to 12%	<b>\$1,505 – 1,530M</b> 9% to 12% / 9.5% to 11.5%	<b>\$5,775 – 5,825M</b> 8% to 9.5% / 10% to 11%
<b>ADJ. OP. PROFIT MARGIN<sup>2</sup></b> <i>Adjusted OMX</i>	<b>&gt;23.8%</b> ~100 bps OMX	<b>&gt;25.4%</b> ~100 bps OMX	<b>&gt;24.1%</b> ~100 bps OMX
<b>ADJ. EPS</b> <i>Growth</i>	<b>\$0.74 – 0.77</b> 12% to 16%	<b>\$0.85 – 0.88</b> 8% to 11% 14% to 17% normalized for tax <sup>1</sup>	<b>\$3.07 – 3.13</b> 12% to 14%
<b>FREE CASH FLOW</b> <i>FCF Conversion<sup>2</sup></i>	<b>~\$300M</b> ~110%	<b>~\$400M</b> ~130%	<b>~\$1,170M</b> ~105%

## Q3, Q4 AND FY DETAILS

- Q3: M&A ~4%, FX ~(3)%
- Q4: M&A ~2%, FX ~(3)%
- FY: M&A ~4%, FX ~(3)%
- Q3: Corporate ~\$33M
- Q4: Corporate ~\$32M
- FY: Corporate ~\$114M
- Q3: Interest ~\$27M, ETR ~14.5%
- Q4: Interest ~\$28M, ETR ~13.5%
- FY: Interest ~\$95M, ETR ~14.5%
- Reflects WC-lite business models
- Capex ~1.5% of Sales (\$80M to \$100M)

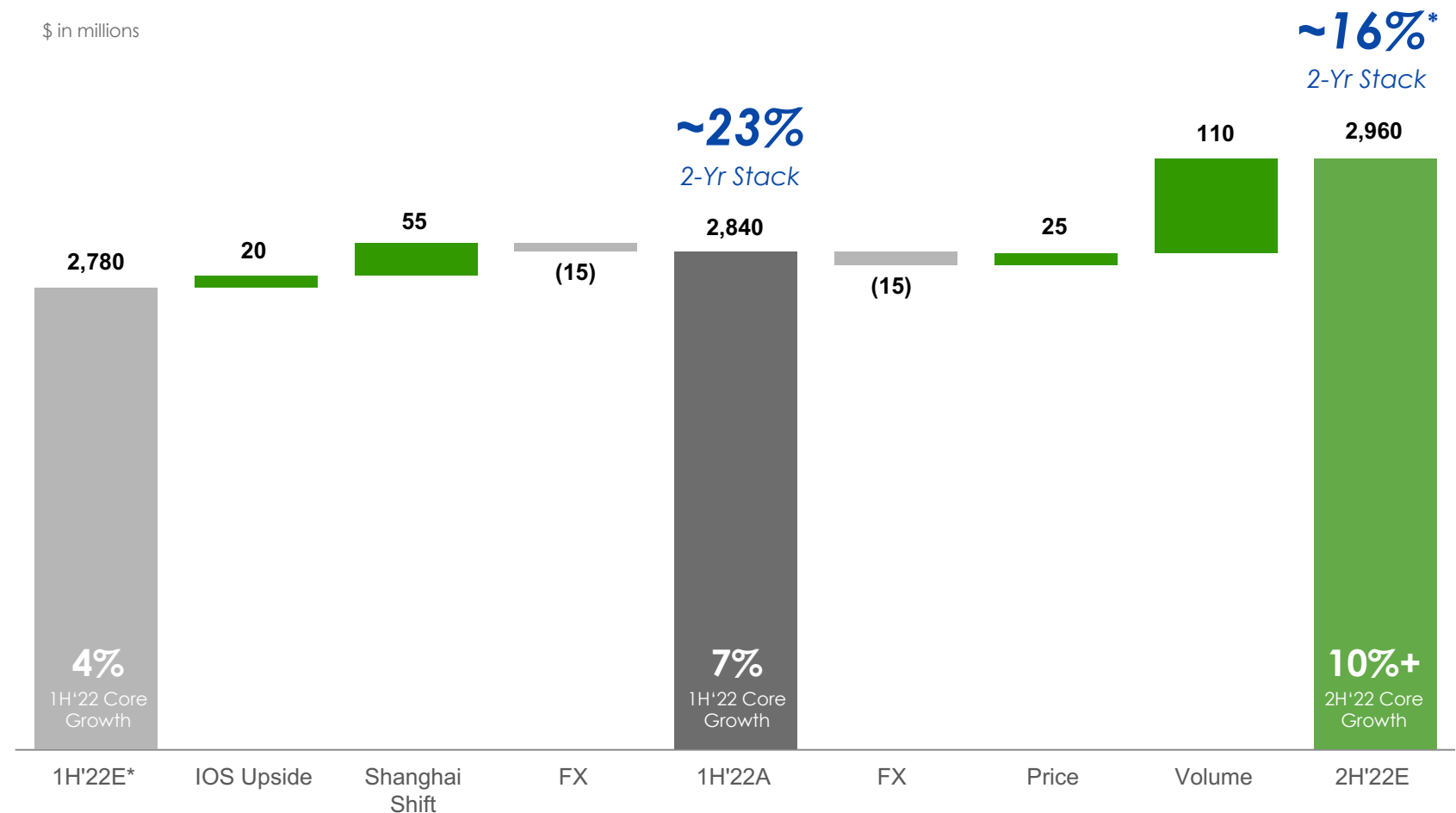
## RAISED FY 2022 OUTLOOK

1. The normalized EPS variance percentage was calculated by holding the ETR for both year's constant at 9%, which was the prior year's actual ETR

2. Values calculated based on the mid-point of the guide

# 2022 REVENUE WALK

1H OUTPERFORMANCE DRIVEN BY IOS AND SHANGHAI MITIGATION ACTIONS



\*Midpoint of 2022 outlook

## KEY DRIVERS

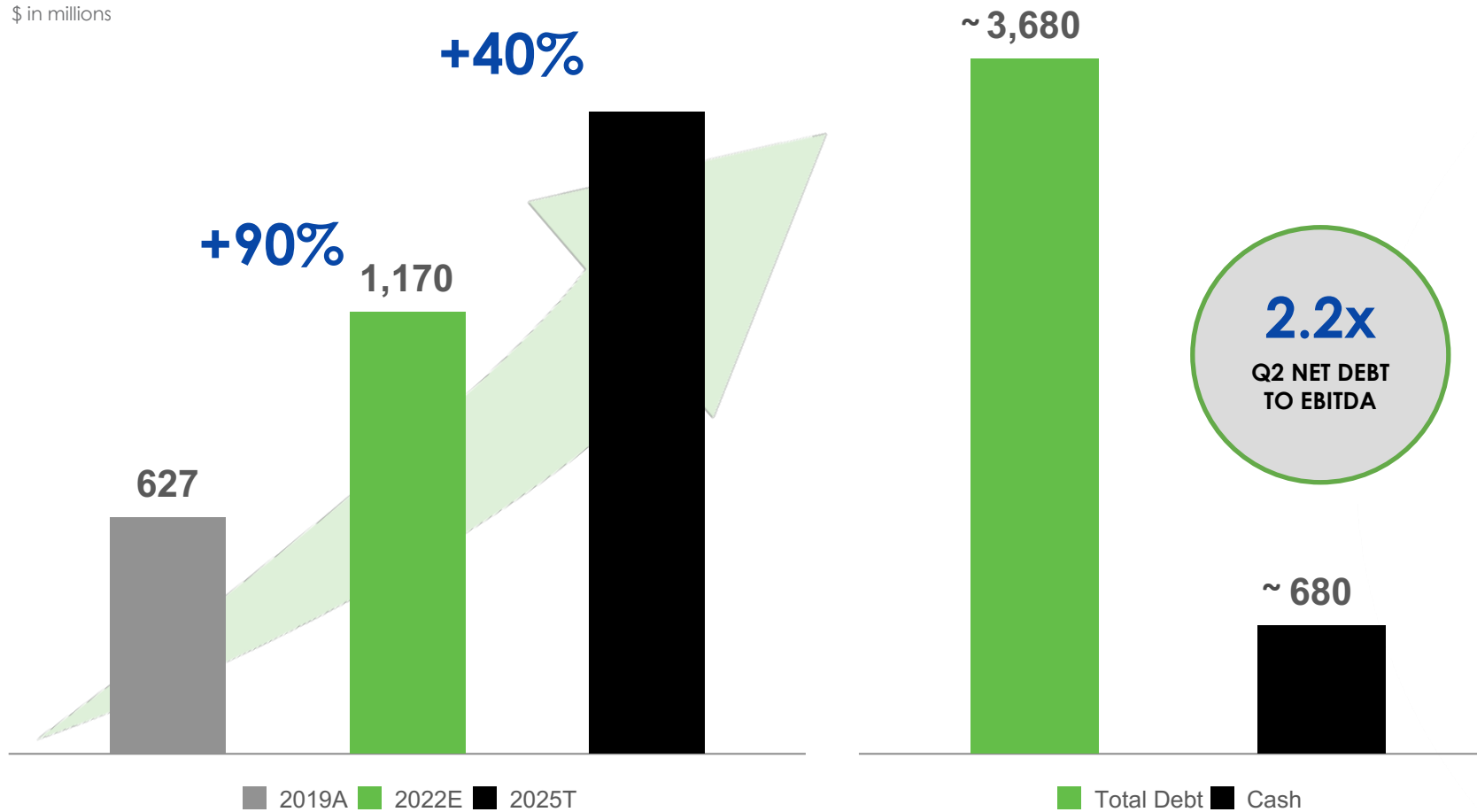
- 1H includes ~\$55M of volume that shifted from 2H:1H as a result of mitigating Shanghai lockdowns
- Continued orders growth drives record backlog entering 2H
- Availability of supply, countermeasures reinforce 2H volume step-up
- Strong incremental volume flow-through on additional revenue
- Higher recurring revenue and software growth further mitigate risk of slowing demand

RAISING FY 2022 CORE REVENUE OUTLOOK

# STRONG CASH GENERATION AND BALANCE SHEET

ACCELERATED CASH FLOW GROWTH DRIVES SUSTAINABLE VALUE CREATION

\$ in millions



\*Midpoint of 2022 outlook

## HIGHLIGHTS

- Enhanced portfolio and asset-lite operating model accelerates FCF growth and improves FCF conversion
- Accelerated FCF growth provides significant capacity for disciplined and accretive capital deployment
  - ~\$5B M&A capacity next 3 years
  - Opportunistic share repurchases
- Increasing return on invested capital drives sustainable, long-term value creation
- Expect Net Debt to EBITDA to be ~1.5x at year-end

STRONG FCF GROWTH AND BALANCE SHEET UNDERPIN COMPOUNDING INVESTMENT THESIS



# FORTIVE A FORCE FOR GOOD

ACCELERATING PROGRESS AND IMPROVING ESG REPORTING

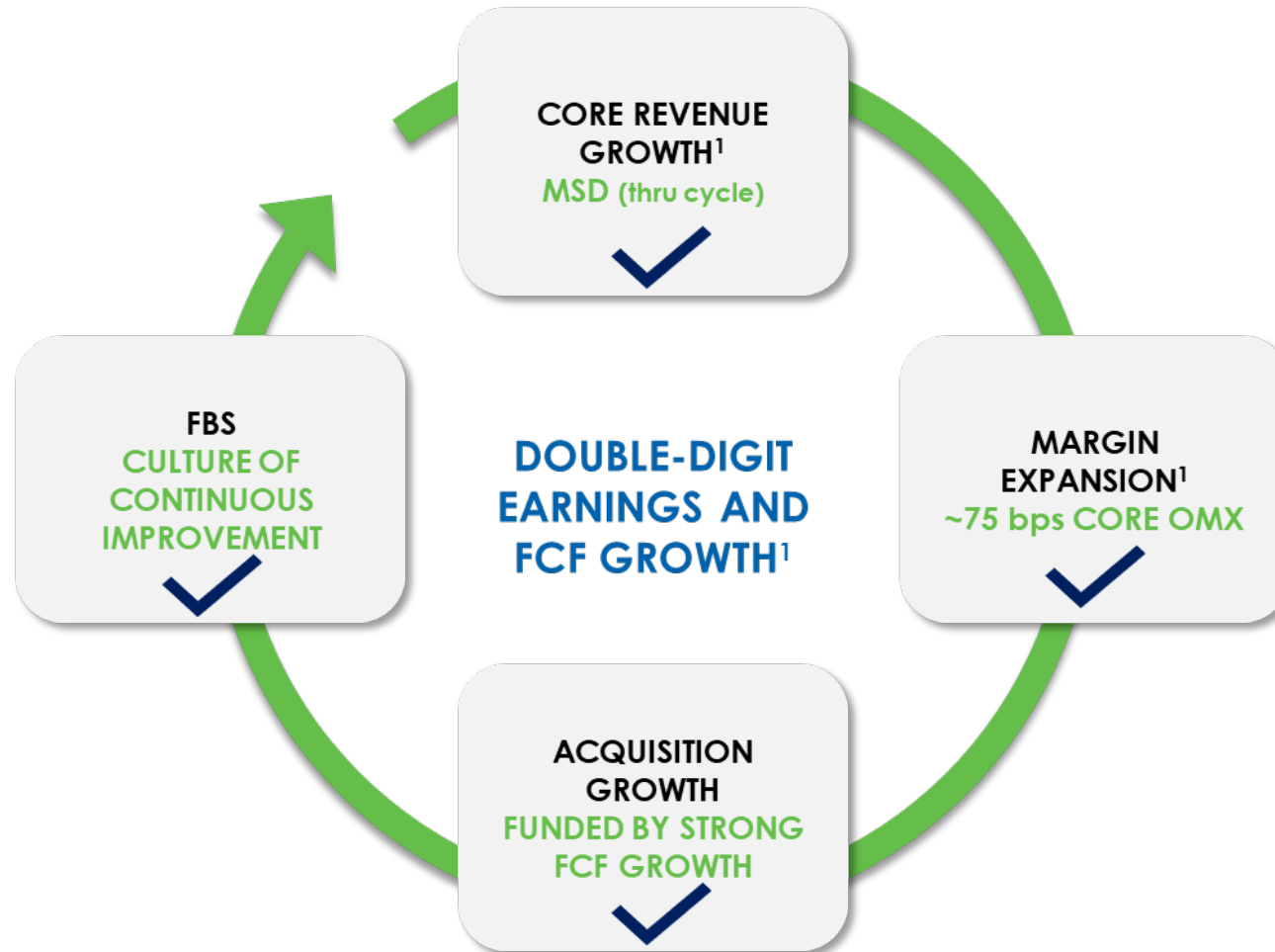


## RECENT HIGHLIGHTS

- Realization of 2025 GHG intensity goal announced in 2021: achieved >50% GHG intensity reduction early
- Commitment to an absolute GHG emissions reduction goal, aligned with the SBTi guidance to reduce Scope 1 & 2 by 2029
- Advancement of Inclusion & Diversity Goals: continued progress as leader in gender, BIPOC and Senior Leader diversity
- Achieved diverse supplier spend target and 100% completion of supplier audits
- Alignment with key ESG frameworks: GRI, SASB, TCFD, and UN Global Compact

# ATTRACTIVE LONG-TERM FINANCIAL PROFILE

EXECUTING OUR STRATEGY AND DELIVERING RESULTS



## SUMMARY

- Strong Q2/1H performance reinforces confidence in FY 2022 outlook
- Enhanced portfolio providing accelerated and more resilient revenue and earnings growth
- 3-year stack reflects execution on through-cycle targets, with MSD+ growth, +300 bps OMX, +50% earnings growth and +90% FCF growth
- Consistently improving FBS to drive innovation and sustainable results across evolving portfolio
- Further cash flow compounding drives compelling value-creation opportunity

**STRONG EXECUTION PROVING BENEFITS OF STRATEGY WITH HIGHER EARNINGS AND FCF POWER**



# Appendix & Supplemental Reconciliation Data

## Q3 AND FY 2022 SEGMENT OUTLOOKS

	Q3 2022			FY 2022		
	IOS	PT	AHS	IOS	PT	AHS
REVENUE GROWTH						
	Core Total					
	11.5% to 14% 12.5% to 14.5%	11.5% to 14% 9% to 11%	1% to 3.5% 7% to 8.5%	10% to 11.5% 12.5% to 13.5%	9% to 10.5% 6.5% to 7.5%	3.5% to 4.5% 10.5% to 11%
ADJ. OP. PROFIT MARGIN <sup>1</sup>	>29% +200 bps	>24% +100 bps	>23% ~Flat bps	>28% +50 bps	>24% +100 bps	>24% +100 bps
OPCO EXPECTATIONS <sup>2</sup>	Fluke: Mid-Teens EHS (ISC/Intelelex): LDD/HSD Accruent/Gordian: LDD	Tektronix: High-Teens+ Sensing: LDD PacSci EMC: MSD+	ASP: MSD FHS: LSD+ Censis: (Mid-Teens) Invetech: LSD+	Fluke: LDD EHS (ISC/Intelelex): LDD Accruent/Gordian: LDD	Tektronix: LDD Sensing: LDD PacSci EMC: MSD	ASP: LSD+ FHS: MSD Censis: ~Flat Invetech: HSD

## ADJUSTED GROSS PROFIT AND ADJUSTED GROSS PROFIT MARGIN

\$ in millions	Three Months Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Revenue (GAAP)	\$ 1,463.3	\$ 1,319.7	\$ 2,839.8	\$ 2,578.9
<b>Adjusted Gross Profit</b>				
Gross Profit (GAAP)	\$ 833.5	\$ 755.5	\$ 1,625.5	\$ 1,467.4
Acquisition-Related Fair Value Adjustments to Inventory	0.3	1.2	0.7	6.7
Adjusted Gross Profit (Non-GAAP)	\$ 833.8	\$ 756.7	\$ 1,626.2	\$ 1,474.1
<b>Adjusted Gross Profit Margin</b>				
Gross Profit (GAAP) Margin	57.0 %	57.2 %	57.2 %	56.9 %
Acquisition-Related Fair Value Adjustments to Inventory	— %	0.1 %	0.1 %	0.3 %
Adjusted Gross Profit Margin (Non-GAAP)	57.0 %	57.3 %	57.3 %	57.2 %

# ADJUSTED OPERATING PROFIT & ADJUSTED OPERATING PROFIT MARGIN



\$ in millions	Three Months Ended July 1, 2022					Three Months Ended July 2, 2021				
	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive
Revenue (GAAP)	\$ 630.1	\$ 499.1	\$ 334.1	\$ —	\$ 1,463.3	\$ 541.8	\$ 471.9	\$ 306.0	\$ —	\$ 1,319.7
Operating Profit (GAAP)	\$ 129.9	\$ 115.3	\$ 28.1	\$ (41.0)	\$ 232.3	\$ 115.3	\$ 104.1	\$ 22.5	\$ (30.6)	\$ 211.3
Acquisition and Other Transaction Costs	5.3	—	2.8	—	8.1	1.1	—	2.5	—	3.6
Russia Exit and Wind Down Costs	—	—	—	16.2	16.2	—	—	—	—	—
Acquisition-Related Fair Value Adjustments to Inventory	—	—	0.3	—	0.3	—	—	1.2	—	1.2
Amortization of Acquisition-Related Intangible Assets	46.1	3.6	46.0	—	95.7	38.0	4.2	35.3	—	77.5
Adjusted Operating Profit (Non-GAAP)	\$ 181.3	\$ 118.9	\$ 77.2	\$ (24.8)	\$ 352.6	\$ 154.4	\$ 108.3	\$ 61.5	\$ (30.6)	\$ 293.6
Operating Profit Margin (GAAP)	20.6 %	23.1 %	8.4 %		15.9 %	21.3 %	22.1 %	7.4 %		16.0 %
Adjusted Operating Profit Margin (Non-GAAP)	28.8 %	23.8 %	23.1 %		24.1 %	28.5 %	22.9 %	20.1 %		22.2 %

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

Year-over-year change in Revenue (GAAP)	\$ 143.6
Year-over-year change in Adjusted Operating Profit (Non-GAAP)	\$ 59.0
Incremental Adjusted Operating Profit Margin (Non-GAAP) <sup>(a)</sup>	41.1 %

(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.

The sum of the components of adjusted operating profit may not equal due to rounding.

# ADJUSTED OPERATING PROFIT & ADJUSTED OPERATING PROFIT MARGIN



\$ in millions	Six Months Ended July 1, 2022					Six Months Ended July 2, 2021				
	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Corporate	Total Fortive
Revenue (GAAP)	\$ 1,217.7	\$ 961.5	\$ 660.6	\$ —	\$ 2,839.8	\$ 1,052.7	\$ 919.3	\$ 606.9	\$ —	\$ 2,578.9
Operating Profit (GAAP)	\$ 236.9	\$ 216.7	\$ 56.1	\$ (65.1)	\$ 444.6	\$ 223.4	\$ 200.0	\$ 41.4	\$ (55.9)	\$ 408.9
Acquisition and Other Transaction Costs	11.6	—	4.0	—	15.6	1.1	—	8.3	—	9.4
Russia Exit and Wind Down Costs	—	—	—	16.2	16.2	—	—	—	—	—
Acquisition-Related Fair Value Adjustments to Inventory	—	—	0.7	—	0.7	—	—	6.7	—	6.7
Amortization of Acquisition-Related Intangible Assets	92.3	7.2	92.6	—	192.1	75.9	8.5	70.6	—	155.0
Adjusted Operating Profit (Non-GAAP)	\$ 340.8	\$ 223.9	\$ 153.4	\$ (48.9)	\$ 669.2	\$ 300.4	\$ 208.5	\$ 127.0	\$ (55.9)	\$ 580.0
Operating Profit Margin (GAAP)	19.5 %	22.5 %	8.5 %		15.7 %	21.2 %	21.8 %	6.8 %		15.9 %
Adjusted Operating Profit Margin (Non-GAAP)	28.0 %	23.3 %	23.2 %		23.6 %	28.5 %	22.7 %	20.9 %		22.5 %

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

Year-over-year change in Revenue (GAAP)	\$ 260.9
Year-over-year change in Adjusted Operating Profit (Non-GAAP)	\$ 89.2
Incremental Adjusted Operating Profit Margin (Non-GAAP) <sup>(a)</sup>	34.2 %

(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.

The sum of the components of adjusted operating profit may not equal due to rounding.

## TWO YEAR STACK - ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN

\$ in millions	Three Months Ended July 1, 2022					Three Months Ended June 26, 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>	\$ 630.1	\$ 499.1	\$ 334.1	\$ —	\$ 1,463.3	\$ 413.0	\$ 377.3	\$ 251.3	\$ —	\$ 1,041.6
Acquisition-Related Fair Value Adjustments to Deferred Revenue	—	—	—	—	—	3.0	—	1.6	—	4.6
<b>Adjusted Revenue (Non-GAAP)</b>	\$ 630.1	\$ 499.1	\$ 334.1	\$ —	\$ 1,463.3	\$ 416.0	\$ 377.3	\$ 252.9	\$ —	\$ 1,046.2
<b>Operating Profit (GAAP)</b>	\$ 129.9	\$ 115.3	\$ 28.1	\$ (41.0)	\$ 232.3	\$ 54.4	\$ 77.1	\$ (1.9)	\$ (27.0)	\$ 102.6
Acquisition and Other Transaction Costs	5.3	—	2.8	—	8.1	0.3	—	22.0	—	22.3
Russia Exit and Wind Down Costs	—	—	—	16.2	16.2	—	—	—	—	—
Acquisition-Related Fair Value Adjustments to Deferred Revenue and Inventory	—	—	0.3	—	0.3	3.0	—	2.7	—	5.7
Amortization of Acquisition-Related Intangible Assets	46.1	3.6	46.0	—	95.7	37.7	4.3	35.4	—	77.4
<b>Adjusted Operating Profit (Non-GAAP)</b>	\$ 181.3	\$ 118.9	\$ 77.2	\$ (24.8)	\$ 352.6	\$ 95.4	\$ 81.4	\$ 58.2	\$ (27.0)	\$ 208.0
<b>Operating Profit Margin (GAAP)</b>	20.6 %	23.1 %	8.4 %		15.9 %	13.2 %	20.4 %	(0.8)%		9.9 %
<b>Adjusted Operating Profit Margin (Non-GAAP)</b>	28.8 %	23.8 %	23.1 %		24.1 %	22.9 %	21.6 %	23.0 %		19.9 %

The sum of the components of adjusted operating profit may not equal due to rounding.

## ADJUSTED OPERATING PROFIT MARGIN

	Three Months Ended July 1, 2022				Six Months Ended July 1, 2022			
	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Total Fortive	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Total Fortive
<b>2021 Adjusted Operating Profit Margin (Non-GAAP)</b>	<b>28.5 %</b>	<b>22.9 %</b>	<b>20.1 %</b>	<b>22.2 %</b>	<b>28.5 %</b>	<b>22.7 %</b>	<b>20.9 %</b>	<b>22.5 %</b>
Core (Non-GAAP)	2.1 %	0.9 %	1.5 %	2.2 %	1.1 %	0.6 %	0.5 %	1.3 %
Acquisitions (Non-GAAP)	(1.8)%	— %	1.5 %	(0.3)%	(1.6)%	— %	1.8 %	(0.2)%
<b>2022 Adjusted Operating Profit Margin (Non-GAAP)</b>	<b>28.8 %</b>	<b>23.8 %</b>	<b>23.1 %</b>	<b>24.1 %</b>	<b>28.0 %</b>	<b>23.3 %</b>	<b>23.2 %</b>	<b>23.6 %</b>

The sum of the components of adjusted operating profit margin may not equal due to rounding.

# ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS



\$ in millions	Three Months Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<b>Net Earnings Attributable to Common Stockholders from Continuing Operations (GAAP) <sup>(a)</sup></b>	<b>\$ 173.0</b>	<b>\$ 164.8</b>	<b>\$ 338.1</b>	<b>\$ 259.2</b>
Dividends on the mandatory convertible preferred stock to apply if-converted method <sup>(a)</sup>	—	17.2	—	34.5
<b>Net Earnings from Continuing Operations (GAAP)</b>	<b>\$ 173.0</b>	<b>\$ 182.0</b>	<b>\$ 338.1</b>	<b>\$ 293.7</b>
Interest on the Convertible Notes to apply if-converted method <sup>(b)</sup>	—	—	2.1	—
Tax effect of the Convertible Notes to apply if-converted method <sup>(c)</sup>	—	—	(0.3)	—
<b>Diluted Net Earnings from Continuing Operations (GAAP)</b>	<b>173.0</b>	<b>182.0</b>	<b>339.9</b>	<b>293.7</b>
Pretax amortization of acquisition-related intangible assets	95.7	77.5	192.1	155.0
Pretax acquisition and other transaction costs	8.1	3.6	15.6	9.4
Pretax Russia exit and wind down costs	16.2	—	16.2	—
Pretax acquisition-related fair value adjustments to inventory related to significant acquisitions	0.3	1.2	0.7	6.7
Pretax losses from equity method investments	3.1	4.0	5.7	6.6
Pretax loss on debt extinguishment, net of gain on Vontier common stock	—	—	—	47.9
Pretax noncash interest expense associated with our 0.875% convertible notes	—	7.1	—	14.8
Pretax gain on litigation resolution	—	(26.0)	—	(26.0)
Pretax interest on convertible notes to reverse the if-converted method <sup>(b)</sup>	—	—	(2.1)	—
Tax effect of the adjustments reflected above <sup>(c)</sup>	(15.3)	(10.6)	(32.0)	(40.2)
<b>Adjusted Net Earnings from Continuing Operations (Non-GAAP)</b>	<b>\$ 281.1</b>	<b>\$ 238.8</b>	<b>\$ 536.1</b>	<b>\$ 467.9</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). The MCPS were anti-dilutive for the three and six months ended July 2, 2021 and as such GAAP net earnings per share was calculated using net earnings from continuing operations attributable to common stockholders.

(b) Beginning with our adoption of ASU 2020-06 on January 1, 2022 we assumed share settlement of our outstanding Convertible Notes under the if-converted method when calculating GAAP diluted net earnings per share. Since we settled the Convertible Notes in cash on February 15, 2022 and no common share conversion occurred, we have reversed the impacts of applying the if-converted method and included the actual cash interest expense in calculating the adjusted net earnings per share.

(c) The dividend on the MCPS is not tax deductible and the convertible note interest is calculated on a net of tax basis 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 inventory, losses from equity method investments, the loss on extinguishment of debt, the non-cash interest expense associated with the 0.875% convertible notes, and the interest expense on the 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>		Six Months Ended <sup>(a)</sup>	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
<b>Net Earnings Attributable to Common Stockholders from Continuing Operations (GAAP) (b)</b>	<b>\$ 0.48</b>	<b>\$ 0.48</b>	<b>\$ 0.93</b>	<b>\$ 0.76</b>
Dividends on the mandatory convertible preferred stock to apply if-converted method <sup>(b)</sup>	—	0.05	—	0.10
Assumed dilutive impact on the Diluted Net Earnings Per Share Attributable to Common Stockholders if the MCPS Converted Shares had been outstanding <sup>(b)</sup>	—	(0.03)	—	(0.05)
<b>Net Earnings from Continuing Operations (GAAP)</b>	<b>0.48</b>	<b>0.50</b>	<b>0.93</b>	<b>0.81</b>
Interest on the Convertible Notes to apply if-converted method <sup>(c)</sup>	—	—	—	—
Tax effect of the Convertible Notes to apply if-converted method <sup>(c)</sup>	—	—	—	—
<b>Diluted Net Earnings Per Share from Continuing Operations (GAAP)</b>	<b>0.48</b>	<b>0.50</b>	<b>0.93</b>	<b>0.81</b>
Pretax amortization of acquisition-related intangible assets	0.27	0.21	0.53	0.43
Pretax acquisition and other transaction costs	0.02	0.01	43,213.30	0.03
Pretax Russia exit and wind down costs	0.05	—	0.04	—
Pretax acquisition-related fair value adjustments to inventory related to significant acquisitions	—	—	—	0.02
Pretax losses from equity method investments	0.01	0.01	0.02	0.02
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	—	0.04
Pretax gain on litigation resolution	—	(0.07)	—	(0.07)
Pretax interest expense on Convertible Notes to reverse if-converted method <sup>(c)</sup>	—	—	—	—
Tax effect of the adjustments reflected above <sup>(d)</sup>	(0.05)	(0.03)	(0.08)	(0.11)
<b>Adjusted Diluted Net Earnings Per Share from Continuing Operations (Non-GAAP)</b>	<b>\$ 0.78</b>	<b>\$ 0.66</b>	<b>\$ 1.49</b>	<b>\$ 1.30</b>
(shares in millions)				
Average common diluted stock outstanding	359.8	342.4	364.2	342.1
MCPS Converted Shares <sup>(a)</sup>	—	19.2	—	19.2
Convertible Notes - if converted shares <sup>(c)</sup>	—	—	(3.2)	—
<b>Adjusted average common stock and common equivalent shares outstanding</b>	<b>359.8</b>	<b>361.6</b>	<b>361.0</b>	<b>361.3</b>

(a) The July 2, 2021 per share adjustments below were calculated assuming the MCPS Converted Shares had converted at the beginning of the period prior to their conversion on July 1, 2021. The six months ended July 1, 2022 per share adjustments were calculated assuming the Convertible Notes converted during the period.

(b) Prior to their conversion on July 1, 2021, the MCPS were anti-dilutive for the three and six months ended July 2, 2021, and as such GAAP net earnings per share was calculated using net earnings from continuing operations attributable to common stockholders.

(c) Beginning with our adoption of ASU 2020-06 on January 1, 2022 we assumed share settlement of our outstanding Convertible Notes under the if-converted method when calculating GAAP diluted net earnings per share. Since we settled the Convertible Notes in cash on February 15, 2022 and no common share conversion occurred, we have reversed the impacts of applying the if-converted method and included the actual cash interest expense in calculating the adjusted net earnings per share. The impact of the after tax adjustment to GAAP diluted net earnings per share for the six months ended July 2, 2022 rounds to zero.

(d) The dividend on the MCPS is not tax deductible and the convertible note interest is calculated on a net of tax basis 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 inventory, losses from equity method investments, the loss on extinguishment of debt, the non-cash interest expense associated with the 0.875% Convertible Notes, and the interest expense on 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 may not equal due to rounding.

## FORECASTED ADJUSTED DILUTED NET EPS FROM CONTINUING OPERATIONS



	Three Months Ending September 30, 2022		Twelve Months Ending December 31, 2022	
	Low	High	Low	High
<b>Forecasted Net Earnings Per Share from Continuing Operations (GAAP)</b>	<b>\$ 0.49</b>	<b>\$ 0.53</b>	<b>\$ 2.03</b>	<b>\$ 2.09</b>
Anticipated pretax amortization of acquisition-related intangible assets	0.27	0.27	1.06	1.06
Anticipated pretax significant acquisition and other transaction costs	0.02	0.02	0.07	0.07
Anticipated pretax Russia exit and wind down costs	—	—	0.05	0.05
Anticipated pretax losses from equity method investments	—	—	0.02	0.02
Tax effect of the adjustments reflected above	(0.05)	(0.05)	(0.16)	(0.16)
<b>Forecasted Adjusted Diluted Net Earnings Per Share from Continuing Operations</b>	<b>\$ 0.74</b>	<b>\$ 0.77</b>	<b>\$ 3.07</b>	<b>\$ 3.13</b>

The impact of interest expense on Convertible Notes to reverse the if-converted method rounds to zero for the three months ending September 30, 2022 and twelve months ending December 31, 2022. 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 JULY 1, 2022 AND JULY 2, 2021

*\$ in millions*

	Three Months Ended				Twelve Months Ended
	July 1, 2022	April 1, 2022	December 31, 2021	October 1, 2021	July 1, 2022
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 294.4	\$ 214.8	\$ 287.0	\$ 262.9	\$ 1,059.1
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(18.4)	(18.8)	(22.0)	(10.9)	(70.1)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 276.0	\$ 196.0	\$ 265.0	\$ 252.0	\$ 989.0
<b>Net Earnings from Continuing Operations (GAAP)</b>	\$ 173.0	\$ 165.1	\$ 167.9	\$ 152.6	\$ 658.6
<b>Free Cash Flow Conversion Ratio (Non-GAAP)</b>	160 %	119 %	158 %	165 %	150 %

*\$ in millions*

	Three Months Ended				Twelve Months Ended
	July 2, 2021	April 2, 2021	December 31, 2020	September 25, 2020	July 2, 2021
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 291.0	\$ 152.0	\$ 329.4	\$ 217.5	\$ 989.9
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(8.7)	(8.4)	(16.8)	(13.4)	(47.3)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 282.3	\$ 143.6	\$ 312.6	\$ 204.1	\$ 942.6
<b>Net Earnings from Continuing Operations (GAAP)</b>	\$ 182.0	\$ 111.7	\$ 1,251.6	\$ 86.0	\$ 1,631.3
<b>Free Cash Flow Conversion Ratio (Non-GAAP)</b>	155 %	129 %	25 %	237 %	58 %

# ADJUSTED FREE CASH FLOW CONVERSION RATIO - TWELVE MONTHS ENDED JULY 1, 2022 AND JULY 2, 2021

*\$ in millions*

	Three Months Ended				Twelve Months Ended
	July 1, 2022	April 1, 2022	December 31, 2021	October 1, 2021	July 1, 2022
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 294.4	\$ 214.8	\$ 287.0	\$ 262.9	\$ 1,059.1
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(18.4)	(18.8)	(22.0)	(10.9)	(70.1)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 276.0	\$ 196.0	\$ 265.0	\$ 252.0	\$ 989.0
<b>Adjusted Net Earnings from Continuing Operations (Non-GAAP)</b>	\$ 281.1	\$ 255.1	\$ 288.0	\$ 240.5	\$ 1,064.7
<b>Adjusted Free Cash Flow Conversion Ratio (Non-GAAP)</b>	98 %	77 %	92 %	105 %	93 %

*\$ in millions*

	Three Months Ended				Twelve Months Ended
	July 2, 2021	April 2, 2021	December 31, 2020	September 25, 2020	July 2, 2021
<b>Operating Cash Flows from Continuing Operations (GAAP)</b>	\$ 291.0	\$ 152.0	\$ 329.4	\$ 217.5	\$ 989.9
Less: purchases of property, plant & equipment (capital expenditures) from continuing operations (GAAP)	(8.7)	(8.4)	(16.8)	(13.4)	(47.3)
<b>Free Cash Flow from Continuing Operations (Non-GAAP)</b>	\$ 282.3	\$ 143.6	\$ 312.6	\$ 204.1	\$ 942.6
<b>Adjusted Net Earnings from Continuing Operations (Non-GAAP)</b>	\$ 238.8	\$ 229.1	\$ 252.9	\$ 179.3	\$ 900.1
<b>Adjusted Free Cash Flow Conversion Ratio (Non-GAAP)</b>	118 %	63 %	124 %	114 %	105 %

# CORE REVENUE GROWTH

## Components of Revenue Growth

### Total Fortive

	Three Months Ended July 1, 2022	Six Months Ended July 1, 2022
<b>Total Revenue Growth (GAAP)</b>	<b>10.9 %</b>	<b>10.1 %</b>
Core (Non-GAAP)	8.9 %	7.1 %
Acquisitions (Non-GAAP)	5.0 %	5.3 %
Impact of currency translation (Non-GAAP)	(3.0)%	(2.3)%

### Intelligent Operating Solutions

<b>Total Revenue Growth (GAAP)</b>	<b>16.3 %</b>	<b>15.7 %</b>
Core (Non-GAAP)	12.3 %	10.6 %
Acquisitions (Non-GAAP)	7.0 %	7.3 %
Impact of currency translation (Non-GAAP)	(3.0)%	(2.2)%

### Precision Technologies

<b>Total Revenue Growth (GAAP)</b>	<b>5.8 %</b>	<b>4.6 %</b>
Core (Non-GAAP)	8.6 %	6.7 %
Acquisitions (Non-GAAP)	— %	— %
Impact of currency translation (Non-GAAP)	(2.8)%	(2.1)%

### Advanced Healthcare Solutions

<b>Total Revenue Growth (GAAP)</b>	<b>9.2 %</b>	<b>8.9 %</b>
Core (Non-GAAP)	3.3 %	2.0 %
Acquisitions (Non-GAAP)	9.3 %	9.7 %
Impact of currency translation (Non-GAAP)	(3.4)%	(2.8)%

# ADJUSTED EFFECTIVE TAX RATE

\$ in millions	Three Months Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Earnings before income taxes from continuing operations	\$ 208.2	\$ 207.5	\$ 399.0	\$ 326.2
Income tax expense	(35.2)	(25.5)	(60.9)	(32.5)
<b>Effective tax rate (GAAP)</b>	<b>16.9 %</b>	<b>12.3 %</b>	<b>15.3 %</b>	<b>10.0 %</b>
<b>Earnings before income taxes from continuing operations (GAAP)</b>	<b>\$ 208.2</b>	<b>\$ 207.5</b>	<b>\$ 399.0</b>	<b>\$ 326.2</b>
Pretax amortization of acquisition-related intangible assets	95.7	77.5	192.1	155.0
Pretax acquisition and other transaction costs	8.1	3.6	15.6	9.4
Pretax Russia exit and wind down costs	16.2	—	16.2	—
Pretax acquisition-related fair value adjustments to inventory related to significant acquisitions	0.3	1.2	0.7	6.7
Pretax losses from equity method investments	3.1	4.0	5.7	6.6
Pretax loss on debt extinguishment, net of gain on Vontier common stock	—	—	—	47.9
Pretax noncash interest expense associated with our 0.875% convertible notes	—	7.1	—	14.8
Pretax gain on litigation resolution	—	(26.0)	—	(26.0)
<b>Pretax Adjusted Net Earnings (Non-GAAP)</b>	<b>\$ 331.6</b>	<b>\$ 274.9</b>	<b>\$ 629.3</b>	<b>\$ 540.6</b>
Tax effect of the adjustments reflected above	(15.3)	(10.6)	(32.0)	(40.2)
<b>Adjusted income tax expense (Non-GAAP)</b>	<b>\$ (50.5)</b>	<b>\$ (36.1)</b>	<b>\$ (92.9)</b>	<b>\$ (72.7)</b>
<b>Adjusted effective tax rate (Non-GAAP)</b>	<b>15.2 %</b>	<b>13.1 %</b>	<b>14.8 %</b>	<b>13.4 %</b>



**FORTIVE**