

October 27, 2016



Fortive Reports Third Quarter 2016 Results

EVERETT, Wash., Oct. 27, 2016 /PRNewswire/ -- Fortive Corporation ("Fortive") (NYSE: FTV) today announced results for the third quarter 2016. Prior to July 2, 2016, Fortive operated as part of Danaher Corporation ("Danaher") and the historical financial measures presented in this announcement for periods prior to July 2, 2016 were derived from Danaher's accounting records and are presented on a carved-out basis.



For the third quarter ended September 30, 2016, net earnings were \$226.9 million, which represents a 15.4% increase over the comparable 2015 amount. For the same period, non-GAAP adjusted net earnings were \$233.1 million, which represents a 22.2% increase over the comparable 2015 amount. Diluted net earnings per share for the third quarter ended September 30, 2016 were \$0.65. For the same period, non-GAAP adjusted diluted net earnings per share were \$0.67.

For the third quarter of 2016, GAAP revenues increased 2.8% year-over-year to \$1.6 billion, with core revenue growth of 2.7%.

James A. Lico, President and Chief Executive Officer, stated, "The strength of our portfolio was clearly demonstrated with earnings results above the high end of our guidance range. Our team executed well using the Fortive Business System to drive core revenue growth, outstanding operating margin expansion and strong free cash flow performance. Furthermore, we deployed approximately \$200 million towards acquisitions in the quarter as important first steps to accelerate growth and earnings performance through M&A."

Lico added, "As we plan for 2017 amidst an uncertain macroeconomic outlook, we expect to use our earnings outperformance to invest in the fourth quarter for long-term growth areas across the company. We believe our continued focus on innovation, market and geographic diversification, and cost effectiveness will position us for a strong finish to 2016 and drive long-term growth and shareholder returns."

For the fourth quarter of 2016, the Company anticipates diluted net earnings per share to be in the range of \$0.59 to \$0.63 and the non-GAAP adjusted diluted net earnings per share to be in the range of \$0.63 to \$0.67. The fourth quarter guidance includes expectations of low-single digit core revenue growth. The Company expects its 2016 second half diluted net earnings per share to be in the range of \$1.24 to \$1.28 and non-GAAP adjusted diluted net earnings per share to be in the range of \$1.30 to \$1.34.

Fortive will discuss its results during its quarterly investor conference call today starting at 5:30 p.m. ET. The call and an accompanying slide presentation will be webcast on the "Investors" section of Fortive's website, www.fortive.com, under "Events & Presentations." A replay of the webcast will be available at the same location shortly after the conclusion of the presentation and will remain available until the next quarterly earnings call.

The conference call can be accessed by dialing 800-533-7619 within the U.S. or by dialing 785-830-1923 outside the U.S. a few minutes before 5:30 p.m. ET and notifying the operator that you are dialing in for Fortive's earnings conference call (access code 3303693). A replay of the conference call will be available shortly after the conclusion of the call until Thursday, November 3, 2016. Once available, click [here](#) to access the conference call replay or visit the "Investors" section of Fortive's website under "Events & Presentations."

ABOUT FORTIVE

Fortive is a diversified industrial growth company comprised of Professional Instrumentation and Industrial Technologies businesses that are recognized leaders in attractive markets. With 2015 revenues of \$6.2 billion, Fortive's well-known brands hold leading positions in field instrumentation, transportation, sensing, product realization, automation and specialty, and franchise distribution. Fortive is headquartered in Everett, Washington and employs a team of more than 24,000 research and development, manufacturing, sales, distribution, service and administrative employees in more than 40 countries around the world. With a culture rooted in continuous improvement, the core of our company's operating model is the Fortive Business System. For more information please visit: www.fortive.com.

NON-GAAP FINANCIAL MEASURES

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), this earnings release also references "adjusted net earnings", "adjusted diluted net earnings per share", "core revenue", and "free cash flow", which are non-GAAP financial measures. The reasons why we believe these measures, when used in conjunction with the GAAP financial measures, provide useful information to investors, how management uses such non-GAAP financial measures, a reconciliation of these measures to the most directly comparable GAAP measures and other information relating to these measures are included in the supplemental reconciliation schedule attached. The 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 GAAP financial measures. The non-GAAP financial measures used by Fortive in this release may be different from similarly-titled non-GAAP measures used by other companies.

FORWARD-LOOKING STATEMENTS

Statements in this release that are not strictly historical, including the statements regarding Fortive's anticipated diluted net earnings per share, adjusted diluted net earnings per share, core revenue growth, capital allocation, acquisitions, economic conditions, Fortive future prospects, 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, deterioration of or instability in the economy, the markets we serve and the financial markets, contractions or lower growth rates and cyclicalities of markets we serve, competition, 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, our ability to successfully identify, consummate, integrate and realize the anticipated value of appropriate acquisitions and successfully complete divestitures and other dispositions, contingent liabilities relating to acquisitions and divestitures, our compliance with applicable laws and regulations and changes in applicable laws and regulations, 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, risks relating to product, service or software defects, product liability and recalls, risks relating to product manufacturing, the impact of our debt obligations on our operations and liquidity, 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, labor matters, international economic, political, legal, compliance and business factors, adverse effects of restructuring activities, disruptions relating to man-made and natural disasters, security breaches or other disruptions of our information technology systems, impact of our separation from Danaher on our operations, impact of our indemnification obligation to Danaher, any work stoppage, and pension plan costs. 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 the Information Statement furnished with the Current Report on Form 8-K filed by us on June 15, 2016. These forward-looking statements speak only as of the date of this release, 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.

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	October 2, 2015	September 30, 2016	October 2, 2015
Sales	\$ 1,567.4	\$ 1,524.6	\$ 4,597.2	\$ 4,603.0
Cost of sales	(794.5)	(777.4)	(2,361.0)	(2,360.3)
Gross profit	772.9	747.2	2,236.2	2,242.7
Operating costs:				
Selling, general and administrative expenses	(354.5)	(349.7)	(1,042.3)	(1,024.4)
Research and development expenses	(95.2)	(95.7)	(285.6)	(286.7)
Operating profit	323.2	301.8	908.3	931.6
Nonoperating expense				
Interest expense	(23.4)	—	(26.1)	—

Earnings before income taxes	299.8	301.8	882.2	931.6
Income taxes	(72.9)	(105.2)	(234.4)	(303.9)
Net earnings	<u>\$ 226.9</u>	<u>\$ 196.6</u>	<u>\$ 647.8</u>	<u>\$ 627.7</u>
Net earnings per share:				
Basic	\$ 0.66	\$ 0.57	\$ 1.87	\$ 1.82
Diluted	\$ 0.65	\$ 0.57	\$ 1.87	\$ 1.82
Average common stock and common equivalent shares outstanding:				
Basic	346.0	345.2	345.5	345.2
Diluted	349.2	345.2	346.6	345.2

This information is presented for reference only. A complete copy of Fortive's Form 10-Q financial statements is available on the Company's website (www.fortive.com).

FORTIVE CORPORATION AND SUBSIDIARIES

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share

We disclose the non-GAAP measures of historical adjusted net earnings and historical and forecasted adjusted diluted net earnings per share, which make the following adjustments to GAAP net earnings and GAAP diluted net earnings per share, respectively:

- Excluding on a pretax basis amortization of acquisition-related intangible assets;
- Excluding the tax effect of the adjustment noted above as well as for the Separation Adjustments (described below); provided, however, that the tax effect of such adjustments was calculated: (a) with respect to the historical adjusted net earnings and adjusted diluted net earnings per share for the three-month period ended September 30, 2016 and the forecasted adjusted diluted net earnings per share, by applying the Company's overall estimated effective tax rate to the pretax amount of each adjustment (unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment); and (b) with respect to the adjusted net earnings for the three month period ended October 2, 2015, by applying the Company's statutory tax rate. We are applying the statutory tax rate for the period ended October 2, 2015 because such tax rate was applied in our prior adjusted net earnings disclosed and in a manner consistent with Article 11 of Regulation S-X. As a separate, standalone company, we expect to apply the Company's overall estimated effective tax rate to the pretax amount of each adjustment going forward, and, as such, we are applying the estimated effective tax rate to each adjustment for the period ended September 30, 2016 and for the forecasted periods to facilitate comparisons in future periods. The tax effect of the adjustments to the net earnings for the three-month period ended September 30, 2016 would have been \$8.4 million instead of \$6.3 million had the Company applied the statutory tax rate instead of the Company's overall estimated

effective tax rate; and

- With respect to the three months ended September 30, 2016 and the six months ending December 31, 2016, increasing income taxes to exclude the portion of the tax benefit that was recorded in the three months ended September 30, 2016 related to the rate differential between the period before the separation of the Company from Danaher (the "Separation") and the post-Separation period ("Additional Income Taxes Adjustment").

While we have a history of acquisition activity, we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and related amortization term are unique to each acquisition and can vary significantly from acquisition to acquisition. We believe however that it is important for investors to understand that such intangible assets contribute to revenue generation and that intangible assets related to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the forecasted adjusted diluted net earnings per share does not reflect certain adjustments that are inherently difficult to predict or estimate due to their unknown timing, effect and/or significance.

In addition, because the Company was part of Danaher for the three month period ended October 2, 2015, the Company is also making the following adjustments to the corresponding historical GAAP net earnings as if the Separation had been effectuated at the beginning of the relevant period (the "Separation Adjustments"):

- Because the carved-out financial measures for the three-month period ended October 2, 2015 do not reflect the level of selling, general and administrative expenses including stock-based compensation that the Company assumed would be the expected level of costs to be incurred by the Company as a stand-alone, publicly traded company ("Estimated SG&A Level"), adding on a pretax basis additional expenses necessary for such costs to equal the Estimated SG&A Level; and
- Adding interest expenses on a pretax basis (based on the assumed borrowing cost of approximately 2.8% per annum) as if the outstanding indebtedness incurred in connection with the Separation had been incurred at the beginning of such period ("Additional Interest Expense").

Management believes that the Separation Adjustments, when considered together with the corresponding carved-out GAAP financial measures, provide useful information to investors by helping to identify certain types or levels of additional expenses that the Company expects to incur as a stand-alone, publicly traded company after the Separation that may not have been allocated or reflected in the historical carved-out GAAP financial measures for periods in which the Company was part of Danaher. We believe that such adjustments, when presented with the corresponding carved-out GAAP measures, may assist in assessing the business trends and making comparisons of long-term performance before and after the Separation. The Company will not make the Separation Adjustments for any periods in which the Separation had been effectuated prior to the beginning of such period.

Management believes that these non-GAAP financial measures provide useful information to investors by reflecting additional ways of viewing aspects of Fortive's operations that, when reconciled to the corresponding GAAP measure, help our investors to understand the long-term profitability trends of our business, and facilitate comparisons of our profitability to prior and future periods and to our peers. The items described above have been excluded from,

or added to, these measures because items of this nature and/or size occur with inconsistent frequency or occur for reasons that may be unrelated to Fortive's commercial performance during the period and/or because we believe the corresponding adjustments are useful in assessing Fortive's potential ongoing operating costs or gains in a given period.

The Company deems acquisition-related transaction costs incurred in a given period to be significant (generally relating to the Company's larger acquisitions) if it determines that such costs exceed the range of acquisition-related transaction costs typical for the Company in a given period.

These non-GAAP measures should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measures, and may not be comparable to similarly titled measures reported by other companies.

Core Revenue

We use the term "core revenue" when referring to a corresponding GAAP revenue measure, excluding (1) sales impact from acquired businesses, (2) the impact of currency translation and (3) sales impact from the Separation. References to sales or operating profit attributable to acquisitions or acquired businesses refer to GAAP sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales or operating profit, as applicable, attributable to certain divested businesses or product lines not considered discontinued operations prior to the first anniversary of the divestiture. Sales impact from the Separation refer to sales to Danaher made under agreements entered into, or terminated, in connection with the Separation. The portion of sales attributable to the impact of currency translation is calculated as the difference between (a) the period-to-period change in sales (excluding sales from acquired businesses or Separation) and (b) the period-to-period change in sales (excluding sales from acquired businesses or Separation) after applying current period foreign exchange rates to the prior year period. These non-GAAP measures should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measures, and may not be comparable to similarly titled measures reported by other companies.

Management believes that these non-GAAP measures provide useful information to investors by helping identify underlying growth trends in our business and facilitating comparisons of our revenue performance with prior and future periods and to our peers. We exclude the effect of currency translation from these measures because currency translation is not under management's control and is subject to volatility, and we believe that such exclusion, when presented with the corresponding GAAP measures, can be useful to investors in assessing our underlying business trends. We exclude the effect of acquisitions and divestiture related items (including the impact of agreements with Danaher that were entered into or terminated in connection with the Separation) because the nature, size and number of such transactions can vary dramatically from period to period and between us and our peers. In addition, until the first anniversary of the Separation, the Company will exclude the impact of agreements that were terminated, or entered into, in connection with the Separation because management believes that excluding such impact may be useful to investors in assessing the operational performance of the Company independent of the impact of sales to Danaher resulting primarily from the Separation. We believe that such exclusion, when presented with the corresponding GAAP measures, may assist in assessing the business trends and making comparisons of long-term performance.

Free Cash Flow

We use the term "free cash flow" when referring to cash provided by operating activities calculated according to GAAP less payments for additions to property, plant and equipment. Management believes that such non-GAAP measure provides useful information to investors in assessing the Company's ability to generate cash without external financing, fund acquisitions and other investments and, in the absence of refinancing, repay its debt obligations. However, it should be noted that free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that the Company has committed to, such as debt service requirements and other non-discretionary expenditures. Such non-GAAP measure should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies.

Adjusted Net Earnings

	Three Months Ended	
	September 30, 2016	October 2, 2015
(\$ in millions)		
Net Earnings (GAAP)	\$ 226.9	\$ 196.6
Pretax amortization of acquisition-related intangible assets (\$23 million pretax as reported in this line item, \$17 million after tax) in the three months ended September 30, 2016 and (\$22 million pretax as reported in this line item, \$14 million after tax) in the three months ended October 2, 2015	22.5	21.9
Pretax Additional Interest expense in the three months ended October 2, 2015 (\$23 million pretax as reported in this line item, \$14 million after tax) related to the borrowings incurred in connection with the Separation	—	(22.5)
Pretax adjustments in the three months ended October 2, 2015 (\$9 million pretax as reported in this line item, \$6 million after tax) to increase selling, general and administrative expenses up to the Estimated SG&A Level	—	(8.8)
Tax effect of all adjustments reflected above	(6.3)	3.5
Additional Income Tax Adjustment in the three months ended September 30, 2016 (\$10 million after tax)	(10.0)	—
Adjusted Net Earnings (Non-GAAP)	\$ 233.1	\$ 190.7

Diluted Net Earnings Per Share

	Three Months Ended	
	September 30, 2016	
Diluted Net Earnings Per Share (GAAP)	\$	0.65
Pretax amortization of acquisition-related intangible assets (\$23 million pretax as reported in this line item, \$17 million after tax)		0.07
Tax effect of the adjustment reflected above		(0.02)
Additional Income Taxes Adjustment (\$10 million after tax)		(0.03)
Adjusted Diluted Net Earnings Per Share (Non-GAAP)	\$	0.67

Core Revenue Growth

	% Change Three Months Ended September 30, 2016 vs. Comparable 2015 Period	
Core (Non-GAAP)	2.7	%
Acquisitions * (Non-GAAP)	0.6	%
Impact of currency translation (Non-GAAP)	(0.5)	%
Total Revenue Growth (GAAP)	2.8	%

* Includes the impact from both acquisitions and the Separation

Forecasted Adjusted Diluted Net Earnings Per Share

	Three Months Ending December 31, 2016		Six Months Ending December 31, 2016	
	Low End	High End	Low End	High End
Forecasted Diluted Net Earnings Per Share	\$ 0.59	\$ 0.63	\$ 1.24	\$ 1.28
Pretax amortization of acquisition-related intangible assets in the three months (\$18 million pretax as reported in this line item, \$13 million after tax) and six months (\$41 million pretax as reported in this line item, \$30 million after tax) ending December 31, 2016	0.05	0.05	0.12	0.12
Tax effect of the adjustment reflected above	(0.01)	(0.01)	(0.03)	(0.03)
Additional Income Tax Adjustment in the three months ended September 30, 2016 (\$10 million after tax)	—	—	(0.03)	(0.03)
Forecasted Adjusted Diluted Net Earnings Per Share	\$ 0.63	\$ 0.67	\$ 1.30	\$ 1.34

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