UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 27, 2019

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-37654

Fortive Corporation
(Exact name of registrant as specified in its charter)

Delaware	**47-5654583**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
6920 Seaway Blvd **Everett, WA**	**98203**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (425) 446-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common stock, par value $0.01 per share	FTV	New York Stock Exchange
5% Mandatory convertible preferred stock, Series A, par value $0.01 per share	FTV. PRA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding at October 17, 2019 was 335,804,183.

FORTIVE CORPORATION

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FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
($ in millions, except per share amounts)

	As of	
	September 27, 2019	December 31, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash and equivalents	$ 1,060.5	$ 1,178.4
Accounts receivable, net	1,332.0	1,195.1
Inventories:		
Finished goods	311.7	219.5
Work in process	102.3	103.1
Raw materials	266.7	251.9
Total inventories	680.7	574.5
Prepaid expenses and other current assets	374.9	193.2
Current assets, discontinued operations	17.8	30.0
Total current assets	3,465.9	3,171.2
Property, plant and equipment, net of accumulated depreciation of $825.7 and $889.8 at September 27, 2019 and December 31, 2018, respectively	519.8	576.1
Operating lease right-of-use assets	210.2	—
Other assets	808.4	548.9
Goodwill	7,995.5	6,133.1
Other intangible assets, net	3,660.6	2,476.3
Total assets	$ 16,660.4	$ 12,905.6
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,000.0	$ 455.6
Trade accounts payable	693.8	706.5
Current operating lease liabilities	52.2	—
Accrued expenses and other current liabilities	1,154.6	999.3
Current liabilities, discontinued operations	15.7	30.7
Total current liabilities	2,916.3	2,192.1
Operating lease liabilities	165.3	—
Other long-term liabilities	1,399.6	1,125.9
Long-term debt	5,015.6	2,974.7
Equity:		
Preferred stock: $0.01 par value, 15.0 million shares authorized; 5.0% Mandatory convertible preferred stock, series A, 1.4 million shares designated, issued and outstanding at September 27, 2019 and December 31, 2018	—	—
Common stock: $0.01 par value, 2.0 billion shares authorized; 336.6 and 335.1 million issued; 335.7 and 334.5 million outstanding at September 27, 2019 and December 31, 2018, respectively	3.4	3.4
Additional paid-in capital	3,291.2	3,126.0
Retained earnings	3,976.7	3,552.7
Accumulated other comprehensive income (loss)	(119.6)	(86.6)
Total Fortive stockholders' equity	7,151.7	6,595.5
Noncontrolling interests	11.9	17.4
Total stockholders' equity	7,163.6	6,612.9
Total liabilities and equity	$ 16,660.4	$ 12,905.6

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Sales of products	$ 1,624.6	$ 1,430.1	$ 4,652.7	$ 4,202.0
Sales of services	235.4	171.1	664.9	493.2
Total sales	1,860.0	1,601.2	5,317.6	4,695.2
Cost of product sales	(781.2)	(659.4)	(2,237.1)	(1,930.9)
Cost of service sales	(151.1)	(115.9)	(436.1)	(341.3)
Total cost of sales	(932.3)	(775.3)	(2,673.2)	(2,272.2)
Gross profit	927.7	825.9	2,644.4	2,423.0
Operating costs:				
Selling, general and administrative expenses	(566.5)	(440.6)	(1,590.0)	(1,233.6)
Research and development expenses	(119.1)	(103.7)	(345.5)	(305.5)
Operating profit	242.1	281.6	708.9	883.9
Non-operating expenses, net:				
Gain from combination of business	41.2	—	41.2	—
Interest expense, net	(47.0)	(23.1)	(116.7)	(70.3)
Other non-operating expenses, net	(1.2)	(0.8)	(1.6)	(2.6)
Earnings from continuing operations before income taxes	235.1	257.7	631.8	811.0
Income taxes	(27.8)	(43.7)	(85.2)	(132.8)
Net earnings from continuing operations	207.3	214.0	546.6	678.2
Earnings from discontinued operations, net of income taxes	(0.2)	31.3	(0.5)	123.3
Net earnings	207.1	245.3	546.1	801.5
Mandatory convertible preferred dividends	(17.3)	(17.4)	(51.8)	(17.6)
Net earnings attributable to common stockholders	$ 189.8	$ 227.9	$ 494.3	$ 783.9
Net earnings per common share from continuing operations:				
Basic	$ 0.57	$ 0.56	$ 1.47	$ 1.89
Diluted	$ 0.56	$ 0.55	$ 1.46	$ 1.86
Net earnings per share from discontinued operations:				
Basic	$ —	$ 0.09	$ —	$ 0.35
Diluted	$ —	$ 0.09	$ —	$ 0.35
Net earnings per share:				
Basic	$ 0.56	$ 0.65	$ 1.47	$ 2.24
Diluted	$ 0.56	$ 0.64	$ 1.46	$ 2.21
Average common stock and common equivalent shares outstanding:				
Basic	336.1	349.9	335.6	349.2
Diluted	339.9	355.3	339.7	354.8

The sum of net earnings per share may not add due to rounding

See the accompanying Notes to Consolidated Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
($ in millions)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Net earnings	$ 207.1	$ 245.3	$ 546.1	$ 801.5
Other comprehensive income, net of income taxes:				
Foreign currency translation adjustments	(52.5)	(23.9)	(34.5)	(87.3)
Pension adjustments	0.5	0.7	1.5	2.1
Total other comprehensive income (loss), net of income taxes	(52.0)	(23.2)	(33.0)	(85.2)
Comprehensive income	$ 155.1	$ 222.1	$ 513.1	$ 716.3

See the accompanying Notes to Consolidated Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN EQUITY
($ and shares in millions)
(unaudited)

	Common Stock		Preferred Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance, December 31, 2018	334.5	$ 3.4	1.4	$ —	$ 3,126.0	$ 3,552.7	$ (86.6)	$ 17.4
Net earnings for the period	—	—	—	—	—	164.4	—	—
Dividends to common shareholders	—	—	—	—	—	(23.4)	—	—
Mandatory convertible preferred stock cumulative dividends	—	—	—	—	—	(17.3)	—	—
Other comprehensive income	—	—	—	—	—	—	17.2	—
Common stock-based award activity	0.5	—	—	—	13.9	—	—	—
Issuance of 0.875% senior convertible notes due 2022	—	—	—	—	100.4	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	(5.4)
Balance, March 29, 2019	335.0	3.4	1.4	—	3,240.3	3,676.4	(69.4)	12.0
Net earnings for the period	—	—	—	—	—	174.6	—	—
Dividends to common shareholders	—	—	—	—	—	(23.4)	—	—
Mandatory convertible preferred stock cumulative dividends	—	—	—	—	—	(17.2)	—	—
Other comprehensive income	—	—	—	—	—	—	1.8	—
Common stock-based award activity	0.4	—	—	—	25.1	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	(0.7)
Balance, June 28, 2019	335.4	3.4	1.4	—	3,265.4	3,810.4	(67.6)	11.3
Net earnings for the period	—	—	—	—	—	207.1	—	—
Dividends to common shareholders	—	—	—	—	—	(23.5)	—	—
Mandatory convertible preferred stock cumulative dividends	—	—	—	—	—	(17.3)	—	—
Other comprehensive income	—	—	—	—	—	—	(52.0)	—
Common stock-based award activity	0.3	—	—	—	25.8	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	0.6
Balance, September 27, 2019	335.7	$ 3.4	1.4	$ —	$ 3,291.2	$ 3,976.7	$ (119.6)	$ 11.9

See the accompanying Notes to Consolidated Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN EQUITY
($ and shares in millions)
(unaudited)

	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	347.8	$ 3.5	—	$ —	$ 2,444.1	$ 1,350.3	$ (7.6)	$ 17.9
Adoption of accounting standards	—	—	—	—	—	(3.9)	—	—
Balance, January 1, 2018	347.8	3.5	—	$ —	2,444.1	1,346.4	(7.6)	17.9
Net earnings for the period	—	—	—	—	—	261.2	—	—
Dividends to common shareholders	—	—	—	—	—	(24.3)	—	—
Separation related adjustments	—	—	—	—	13.3	—	—	—
Other comprehensive income	—	—	—	—	—	—	37.1	—
Common stock-based award activity	0.7	—	—	—	18.7	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	(0.6)
Balance, March 30, 2018	348.5	3.5	—	$ —	2,476.1	1,583.3	29.5	17.3
Net earnings for the period	—	—	—	—	—	295.0	—	—
Dividends to common shareholders	—	—	—	—	—	(24.4)	—	—
Separation related adjustments	—	—	—	—	(2.4)	—	—	—
Other comprehensive income	—	—	—	—	—	—	(99.1)	—
Common stock-based award activity	0.5	—	—	—	26.1	—	—	—
Issuance of mandatory convertible preferred stock	—	—	1.4	—	1,337.0	—	—	—
Changes in noncontrolling interests	—	—	—	—	—	—	—	—
Balance, June 29, 2018	349.0	3.5	1.4	—	3,836.8	1,853.9	(69.6)	17.3
Net earnings for the period	—	—	—	—	—	245.3	—	—
Dividends to common shareholders	—	—	—	—	—	(24.5)	—	—
Mandatory convertible cumulative stock dividends	—	—	—	—	—	(17.6)	—	—
Separation related adjustments	—	—	—	—	(1.8)	—	—	—
Other comprehensive income	—	—	—	—	—	—	(23.2)	
Common stock-based award activity	0.8	—	—	—	27.5	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	1.5
Balance, September 28, 2018	349.8	$ 3.5	1.4	$ —	$ 3,862.5	$ 2,057.1	$ (92.8)	$ 18.8

See the accompanying Notes to Consolidated Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
($ in millions)
(unaudited)

	Nine Months Ended	
	September 27, 2019	September 28, 2018
Cash flows from operating activities:		
Net earnings from continuing operations	$ 546.6	$ 678.2
Noncash items:		
Depreciation	97.7	91.2
Amortization	211.4	81.3
Stock-based compensation expense	45.5	37.4
Gain from combination of business	(41.2)	—
Change in trade accounts receivable, net	(133.5)	(71.8)
Change in inventories	69.4	(73.4)
Change in trade accounts payable	(7.9)	27.6
Change in prepaid expenses and other assets	(115.1)	(29.2)
Change in accrued expenses and other liabilities	127.5	37.6
Total operating cash provided by continuing operations	800.4	778.9
Total operating cash provided by (used in) discontinued operations	(4.4)	120.7
Net cash provided by operating activities	796.0	899.6
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash received	(3,387.7)	(2,825.2)
Payments for additions to property, plant and equipment	(79.6)	(76.8)
All other investing activities	—	4.0
Total investing cash used in continuing operations	(3,467.3)	(2,898.0)
Total investing cash used in discontinued operations	—	(16.8)
Net cash used in investing activities	(3,467.3)	(2,914.8)
Cash flows from financing activities:		
Net proceeds from (repayments of) commercial paper borrowings	695.5	(64.3)
Proceeds from borrowings (maturities longer than 90 days), net of issuance costs of $24.3 million for the nine months ended September 27, 2019	2,413.2	1,750.0
Proceeds from issuance of mandatory convertible preferred stock net of $43.0 million of issuance costs	—	1,337.4
Repayment of borrowings (maturities greater than 90 days)	(455.3)	(725.0)
Payment of common stock cash dividend to shareholders	(70.3)	(73.2)
Payment of mandatory convertible preferred stock cash dividend to shareholders	(34.5)	(17.6)
All other financing activities	16.4	27.2
Total financing cash provided by continuing operations	2,565.0	2,234.5
Net cash provided by financing activities	2,565.0	2,234.5
Effect of exchange rate changes on cash and equivalents	(11.6)	(36.3)
Net change in cash and equivalents	(117.9)	183.0
Beginning balance of cash and equivalents	1,178.4	962.1
Ending balance of cash and equivalents	$ 1,060.5	$ 1,145.1

See the accompanying Notes to Consolidated Condensed Financial Statements.

FORTIVE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

NOTE 1. BUSINESS OVERVIEW

Fortive Corporation ("Fortive," the "Company," "we," "us," or "our") is a diversified industrial technology growth company encompassing businesses that are recognized leaders in attractive markets. Our well-known brands hold leading positions in advanced instrumentation and solutions, sensing, transportation technology, and franchise distribution markets. Our businesses design, develop, service, manufacture and market professional and engineered products, software and services for a variety of end markets, building upon leading brand names, innovative technology and significant market positions.

We prepared the unaudited consolidated condensed financial statements included herein in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") applicable for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, we believe the disclosures are adequate to make the information presented not misleading. The consolidated condensed financial statements included herein should be read in conjunction with the audited annual consolidated financial statements as of and for the year ended December 31, 2018 and the footnotes ("Notes") thereto included within our 2018 Annual Report on Form 10-K.

In our opinion, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to fairly present our financial position as of September 27, 2019 and December 31, 2018, our results of operations for the three and nine months ended September 27, 2019 and September 28, 2018, and cash flows for the nine months ended September 27, 2019 and September 28, 2018. Reclassification of certain prior year amounts have been made to conform to current year presentation.

On September 4, 2019, we announced our intention to separate into two independent, publicly traded companies, subject to the satisfaction of certain conditions, including obtaining final approval from our Board of Directors. The separation will create (i) an industrial technology company, retaining the Fortive name, with a differentiated portfolio of growth-oriented businesses and (ii) a global industrial company ("NewCo") focused on the growth opportunities in the rapidly evolving transportation and mobility markets. The separation is expected to be structured in a tax-efficient manner and completed in the second half of 2020. All assets, liabilities, revenues and expenses of NewCo are included in continuing operations of the Company in the accompanying consolidated condensed financial statements.

On July 20, 2019, we completed the combination of the Tektronix Video test and monitoring equipment business ("Tektronix Video Business") with Telestream, LLC (the "Combined Business"), a portfolio company of Genstar Capital LLC. We recognized a pre-tax gain of $41.2 million upon the combination, and hold a 33% equity stake in the Combined Business. This transaction did not meet the criteria for discontinued operations reporting, and therefore the operating results of the Tektronix Video Business prior to the combination with Telestream are included in continuing operations for all periods presented. Additionally, the equity earnings from our stake in the Combined Business are included in other non-operating expenses, net in the accompanying Consolidated Condensed Statement of Earnings.

On October 1, 2018, we completed the split-off of businesses in our automation and specialty platform (excluding our Hengstler and Dynapar businesses) (the "A&S Business") and have reported the A&S Business as discontinued operations in our Consolidated Condensed Statements of Earnings, Consolidated Condensed Balance Sheets, and Consolidated Condensed Statements of Cash Flows for all periods presented. Unless otherwise noted, discussion within these notes to the consolidated condensed financial statements relates to continuing operations. Refer to Note 3 for additional information on discontinued operations.

Accumulated Other Comprehensive Income (Loss)—Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. We have designated our Euro-denominated commercial paper and ¥13.8 billion senior unsecured term facility loan as net investment hedges of our investment in certain foreign operations. Accordingly, foreign currency transaction gains or losses on the debt are deferred in the foreign currency translation component of accumulated other comprehensive income (loss) ("accumulated OCI") as an offset to the foreign currency translation adjustments on our investments in foreign subsidiaries. We recognized gains of $10.3 million and $10.4 million for the three and nine months ended September 27, 2019, respectively, in other comprehensive income related to the net investment hedge. We recognized gains of $5.1 million and $10.6 million for the three and nine months ended September 28, 2018, respectively, in other comprehensive income related to the net investment hedge. Any amounts deferred in accumulated OCI will remain until the hedged investment is sold or substantially liquidated. We recorded no ineffectiveness from our net investment hedges during the three and nine month periods ended September 27, 2019 and September 28, 2018.

The changes in accumulated other comprehensive income (loss) by component are summarized below ($ in millions):

	Foreign currency translation adjustments	Pension adjustments [b]	Total
For the Three Months Ended September 27, 2019:			
Balance, June 28, 2019	$ (11.3)	$ (56.3)	$ (67.6)
Other comprehensive income (loss) before reclassifications, net of income taxes	(52.5)	—	(52.5)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase	—	0.7 [a]	0.7
Income tax impact	—	(0.2) [c]	(0.2)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	0.5	0.5
Net current period other comprehensive income (loss), net of income taxes	(52.5)	0.5	(52.0)
Balance, September 27, 2019	$ (63.8)	$ (55.8)	$ (119.6)
For the Three Months Ended September 28, 2018:			
Balance, June 29, 2018	$ 0.6	$ (70.2)	$ (69.6)
Other comprehensive income (loss) before reclassifications, net of income taxes	(23.9)	—	(23.9)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase	—	0.9 [a]	0.9
Income tax impact	—	(0.2) [c]	(0.2)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	0.7	0.7
Net current period other comprehensive income (loss), net of income taxes	(23.9)	0.7	(23.2)
Balance, September 28, 2018	$ (23.3)	$ (69.5)	$ (92.8)

[a] This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 9 for additional details).

[b] Includes balances relating to defined benefit plans, supplemental executive retirement plans and other postretirement employee benefit plans.

[c] We did not elect to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings.

	Foreign currency translation adjustments	Pension adjustments [b]	Total
For the Nine Months Ended September 27, 2019:			
Balance, December 31, 2018	$ (29.3)	$ (57.3)	$ (86.6)
Other comprehensive income (loss) before reclassifications, net of income taxes	(34.5)	—	(34.5)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase	—	2.1 [a]	2.1
Income tax impact	—	(0.6) [c]	(0.6)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	1.5	1.5
Net current period other comprehensive income (loss), net of income taxes	(34.5)	1.5	(33.0)
Balance, September 27, 2019	$ (63.8)	$ (55.8)	$ (119.6)
For the Nine Months Ended September 28, 2018:			
Balance, December 31, 2017	$ 64.0	$ (71.6)	$ (7.6)
Other comprehensive income (loss) before reclassifications, net of income taxes	(87.3)	—	(87.3)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase	—	2.7 [a]	2.7
Income tax impact	—	(0.6) [c]	(0.6)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	2.1	2.1
Net current period other comprehensive income (loss)	(87.3)	2.1	(85.2)
Balance, September 28, 2018	$ (23.3)	$ (69.5)	$ (92.8)

[a] This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 9 for additional details).

[b] Includes balances relating to defined benefit plans, supplemental executive retirement plans and other postretirement employee benefit plans.

[c] We did not elect to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings.

Recently Issued Accounting Standards—In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. This standard is effective for us beginning January 1, 2020. We are currently evaluating the impact of this standard on our financial statements.

NOTE 2. ACQUISITIONS

For a description of our material acquisition activity refer to Note 3 of our 2018 Annual Report on Form 10-K.

We continually evaluate potential mergers, acquisitions and divestitures that align with our strategy and expedite the evolution of our portfolio of businesses into new and attractive areas. We have completed a number of acquisitions that have been accounted for as purchases and resulted in the recognition of goodwill in our financial statements. This goodwill arises because the purchase price for each acquired business reflects a number of factors including the complimentary fit, acceleration of our strategy and synergies the business brings with respect to our existing operations, the future earnings and cash flow potential of the business, the potential to add other strategically complimentary acquisitions to the acquired business, the scarce or unique nature of the business in its markets, competition to acquire the business, the valuation of similar businesses in the marketplace (as reflected in a multiple of revenues, earnings or cash flows) and the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance our existing offerings to key target markets and develop new and profitable businesses.

We make an initial allocation of the purchase price at the date of acquisition based on our understanding of the fair value of the acquired assets and assumed liabilities. We obtain this information during due diligence and through other sources. In the months after closing, as we obtain additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learn more about the newly acquired business, we are able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. We are in the process of obtaining valuations of certain acquired assets and evaluating the tax impact of certain acquisitions. We make appropriate adjustments to purchase price allocations prior to completion of the applicable measurement period, as required.

During the nine months ended September 27, 2019, we recorded adjustments to the preliminary purchase price allocation of acquisitions that closed during 2018 that resulted in a net increase to goodwill of $72 million. These adjustments were attributable to the finalization of certain asset and liability fair values.

Completed Acquisitions in 2019

Advanced Sterilization Products

On April 1, 2019 (the “Principal Closing Date”), we acquired the advanced sterilization products business (“ASP”) of Johnson & Johnson, a New Jersey corporation (“Johnson & Johnson”) for an aggregate purchase price of $2.7 billion (the “Transaction”), subject to certain post-closing adjustments set forth in a Stock and Asset Purchase Agreement, dated effective as of June 6, 2018 (the “Purchase Agreement”), between the Company and Ethicon, Inc., a New Jersey corporation (“Ethicon”) and a wholly owned subsidiary of Johnson & Johnson. ASP engages in the research, development, manufacture, marketing, distribution and sale of low-temperature terminal sterilization and high-level disinfection products. ASP generated annual revenues of approximately $800 million in 2018.

On the Principal Closing Date, we paid $2.7 billion in cash and obtained the transferred assets and assumed liabilities in 20 countries (“Principal Countries”), general patent and trademark assignments, and all transferred equity interests in ASP. ASP has operations in an additional 39 countries (“Non-Principal Countries”). The transferred assets and liabilities associated with these operations will close when requirements of country-specific agreements or regulatory approvals are satisfied.

The $2.7 billion purchase price was paid in exchange for ASP’s businesses in both Principal and Non-Principal Countries. As of September 27, 2019, we have closed 20 Principal Countries and three Non-Principal Countries that, in aggregate, accounted for approximately 98% of the preliminary valuation of ASP. The remaining Non-Principal Countries represent approximately 2% of the preliminary valuation of ASP, or $64.6 million, which is included as a prepaid asset in Other assets in the Condensed Consolidated Balance Sheet. As each Non-Principal Country closes, we will reduce the prepaid asset and record the fair value of the assets acquired and liabilities assumed. All of the provisional goodwill associated with the Transaction is included in goodwill at September 27, 2019; the majority of the provisional goodwill is tax deductible.

In addition, the Company entered into a transition services agreement with Johnson & Johnson for certain administrative and operational services, and distribution agreements in the Non-Principal Countries. Under the distribution agreements, ASP will sell finished goods to Ethicon at prices agreed by the parties. ASP will recognize these sales as revenue when the conditions for revenue recognition are met. Following the sale of finished goods by ASP, Ethicon obtains title of the finished goods, has full authority to sell and market the finished goods to end customers as it sees fit, and retains any revenue and profit from sale.

The following table summarizes the provisional fair value estimates of the assets acquired and liabilities assumed of Principal and Non-Principal Countries that have been transferred to ASP as of September 27, 2019; we did not acquire accounts receivable or accounts payable from Johnson & Johnson:

	Advanced Sterilization Products
Inventories	$ 168.8
Property, plant and equipment	45.2
Goodwill	1,385.2
Other intangible assets, primarily customer relationships, trade names and technology	1,126.5
Other assets and liabilities, net	(90.3)
Total consideration allocated to Principal Countries	2,635.4
Prepaid acquisition asset related to Non-Principal Countries	64.6
Net cash consideration	$ 2,700.0

Revenue attributable to ASP for the three and nine months ended September 27, 2019 were $169.5 million and $334.4 million, respectively, and are included in our Professional Instrumentation segment beginning April 1, 2019. Operating losses attributable to ASP for the three and nine months ended September 27, 2019 were $26.6 million and $90.5 million, respectively, and include amortization of intangible assets, acquisition-related fair value adjustments, and post-close transaction and integration costs associated with the Transaction of $64.8 million and $166.6 million, for the three and nine months ended September 27, 2019, respectively. We incurred approximately $20 million and $71 million of pretax transaction and integration related costs recorded in selling, general, and administrative expenses for the three and nine months ended September 27, 2019, respectively, which were primarily for banking fees, legal fees and amounts paid to other third-party advisers.

Other Acquisitions and Investments

In addition to the ASP acquisition, we acquired three businesses for $683.6 million in cash, net of cash acquired and made additional equity investments of $4.1 million during the nine months ended September 27, 2019.

The businesses acquired complement existing units of our Professional Instrumentation segment. The aggregate annual sales of these business in 2018 were approximately $149 million. We incurred approximately $1 million and $4 million of pretax transaction-related costs recorded in selling, general, and administrative expenses for the three and nine months ended September 27, 2019, respectively, which were primarily for banking fees, legal fees, and amounts paid to other third-party advisers. Approximately $17 million of goodwill associated with these acquisitions is tax deductible. The revenue and operating profit from these acquisitions included in our results during the three and nine months ended September 27, 2019 was immaterial for both periods, respectively.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Accounts receivable	$ 39.8
Inventories	16.2
Property, plant and equipment	9.5
Goodwill	454.6
Other intangible assets	252.2
Other assets and liabilities, net	(88.7)
Net cash consideration	$ 683.6

Pro Forma Financial Information

The pro forma information for the periods set forth below gives effect to the acquisitions made in 2019 and 2018 as if they had occurred on January 1, 2018. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time ($ in millions except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Sales	$ 1,877.6	$ 1,856.8	$ 5,614.7	$ 5,558.9
Net earnings	$ 240.3	$ 141.9	$ 626.1	$ 447.0
Diluted net earnings per share	$ 0.71	$ 0.40	$ 1.84	$ 1.26

NOTE 3. DISCONTINUED OPERATIONS

Divestiture of A&S Business

On October 1, 2018, we completed the split-off of four of our operating companies (the “A&S Business”) in a tax efficient Reverse Morris Trust transaction with Altra Industrial Motion Corp. (“Altra”). The total consideration received was $2.7 billion and consisted of (i) $1.3 billion through a fully-subscribed exchange offer, in which we accepted and subsequently retired 15,824,931 shares of our own common stock from our stockholders in exchange for the 35,000,000 shares of common stock of Stevens Holding Company, Inc., an entity created to hold the A&S Business; (ii) $1.0 billion in cash paid to us for the direct sales of certain assets and liabilities of the A&S Business; (iii) $250 million as part of a debt-for-debt exchange that reduced outstanding indebtedness of Fortive; and (iv) $150 million in cash paid to us by Stevens Holding Company, Inc. as a dividend. We recognized an after-tax gain on the transaction of $1.9 billion.

The accounting requirements for reporting the disposition of the A&S Business as a discontinued operation were met when the separation and merger were completed in the fourth quarter of 2018. Accordingly, the accompanying consolidated condensed financial statements reflect the A&S Business as discontinued operations for all periods presented.

We continue to provide certain support services to Altra under transition services agreements. The impact of these services on our consolidated condensed financial statements was immaterial during the three and nine month periods ended September 27, 2019.

The key components of income from discontinued operations for the three and nine month periods ended September 27, 2019 and September 28, 2018 were as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Sales	$ —	$ 238.9	$ 6.1	$ 741.6
Cost of sales	(0.1)	(140.5)	(6.2)	(430.6)
Selling, general and administrative expenses	—	(49.8)	(0.5)	(125.9)
Research and development expenses	—	(8.7)	—	(27.0)
Gain (loss) on disposition of discontinued operations before income taxes	(0.6)	—	(0.4)	—
Interest expense and other income, net	0.5	(1.3)	0.5	(4.0)
Earnings before income taxes	(0.2)	38.6	(0.5)	154.1
Income taxes	—	(7.3)	—	(30.8)
Net earnings from discontinued operations	$ (0.2)	$ 31.3	$ (0.5)	$ 123.3

Interest expense related to the debt retired as part of the debt-for-debt exchange was reclassified to discontinued operations for all periods prior to the disposition.

The following table summarizes the major classes of assets and liabilities of discontinued operations that were included in our accompanying Consolidated Condensed Balance Sheets as of September 27, 2019 and December 31, 2018 ($ in millions):

	September 27, 2019	December 31, 2018
ASSETS		
Accounts receivable, net	$ 0.1	$ 4.2
Inventories	—	4.4
Prepaid expenses and other current assets	17.7	21.4
Total current assets, discontinued operations	$ 17.8	$ 30.0
LIABILITIES		
Current liabilities:		
Trade accounts payable	$ 5.3	$ 9.2
Accrued expenses and other current liabilities	10.4	21.5
Total current liabilities, discontinued operations	$ 15.7	$ 30.7

NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a rollforward of our goodwill ($ in millions):

Balance, December 31, 2018	$ 6,133.1
Adjustments to preliminary purchase price allocations for acquisitions completed in 2018	72.0
Attributable to 2019 acquisitions	1,839.8
Attributable to the Tektronix Video Business Combination	(40.2)
Foreign currency translation and other	(9.2)
Balance, September 27, 2019	$ 7,995.5

The carrying value of goodwill by segment is summarized as follows ($ in millions):

	September 27, 2019	December 31, 2018
Professional Instrumentation	$ 6,759.2	$ 4,894.6
Industrial Technologies	1,236.3	1,238.5
Total goodwill	$ 7,995.5	$ 6,133.1

We have not identified any triggering events which would have indicated a potential impairment of goodwill during the nine months ended September 27, 2019.

Finite-lived intangible assets are amortized over the shorter of their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible asset as of September 27, 2019 and December 31, 2018 ($ in millions):

	September 27, 2019		December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	$ 935.7	$ (333.6)	$ 614.0	$ (280.8)
Customer relationships and other intangibles	3,067.2	(729.8)	2,204.2	(589.9)
Total finite-lived intangibles	4,002.9	(1,063.4)	2,818.2	(870.7)
Indefinite-lived intangibles:				
Trademarks and trade names	721.1	—	528.8	—
Total intangibles	$ 4,724.0	$ (1,063.4)	$ 3,347.0	$ (870.7)

During the nine months ended September 27, 2019, we acquired finite lived intangible assets, consisting primarily of customer relationships and developed technology, with a weighted average life of 10 years. Refer to Note 2 for additional information on the intangible assets acquired.

NOTE 5. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where our assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation.
- Level 3 inputs are unobservable inputs based on our assumptions. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Below is a summary of financial liabilities that are measured at fair value on a recurring basis ($ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 27, 2019				
Deferred compensation liabilities	$ —	$ 26.7	$ —	$ 26.7
December 31, 2018				
Deferred compensation liabilities	$ —	$ 20.8	$ —	$ 20.8

Certain management employees participate in our nonqualified deferred compensation programs that permit such employees to defer a portion of their compensation, on a pretax basis, until after their termination of employment. All amounts deferred under such plans are unfunded, unsecured obligations and are presented as a component of our compensation and benefits accrual included in Other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets. Participants may choose among alternative earning rates for the amounts they defer, which are primarily based on investment options within our defined contribution plans for the benefit of U.S. employees (except that the earnings rates for amounts contributed unilaterally by the Company are entirely based on changes in the value of Fortive common stock). Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates.

Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments are as follows ($ in millions):

	September 27, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current portion of long-term debt	$ 1,000.0	$ 1,000.0	$ 455.6	$ 454.9
Long-term debt, net of current maturities	$ 5,015.6	$ 5,168.8	$ 2,974.7	$ 2,867.5

As of September 27, 2019 and December 31, 2018, the current portion of long-term debt and long-term debt, net of current maturities were categorized as Level 1.

The fair values of the current portion of long-term debt and long-term debt were based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings may be attributable to changes in market interest rates and/or our credit ratings subsequent to the incurrence of the borrowing. The fair value of cash and cash equivalents, accounts receivable, net and trade accounts payable approximates their carrying amount due to the short-term maturities of these instruments.

NOTE 6. FINANCING AND CAPITAL

The carrying value of the components of our long-term debt were as follows ($ in millions):

	September 27, 2019	December 31, 2018
U.S. dollar-denominated commercial paper	$ 1,086.0	$ 390.1
Euro-denominated commercial paper	257.7	270.1
Delayed-draw term loan due 2019	—	400.0
Delayed-draw term loan due 2020	1,000.0	—
Yen variable interest rate term loan due 2022	127.9	125.7
1.80% senior unsecured notes due 2019	—	55.6
2.35% senior unsecured notes due 2021	747.9	747.0
3.15% senior unsecured notes due 2026	892.8	891.9
4.30% senior unsecured notes due 2046	547.0	546.9
0.875% senior convertible notes due 2022	1,337.1	—
Other	19.2	3.0
Long-term debt	6,015.6	3,430.3
Less: current portion of long-term debt	1,000.0	455.6
Long-term debt, net of current maturities	$ 5,015.6	$ 2,974.7

Aggregate unamortized debt discounts, premiums and issuance costs of $113.7 million and $17.0 million as of September 27, 2019 and December 31, 2018, respectively, are netted against the principal amounts of the components of debt in the table above. Refer to Note 10 of our 2018 Annual Report on Form 10-K for further details of our debt financing.

We generally satisfy any short-term liquidity needs that are not met through operating cash flows and available cash primarily through issuances of commercial paper under our U.S. dollar and Euro-denominated commercial paper programs ("Commercial Paper Programs"). Credit support for the Commercial Paper Programs is provided by a five-year $2.0 billion senior unsecured revolving credit facility that expires on November 30, 2023 (the "Revolving Credit Facility") which can also be used for working capital and other general corporate purposes. As of September 27, 2019, no borrowings were outstanding under the Revolving Credit Facility.

Convertible Senior Notes

On February 22, 2019, we issued $1.4 billion in aggregate principal amount of our 0.875% Convertible Senior Notes due 2022 (the "Convertible Notes"), including $187.5 million in aggregate principal amount resulting from an exercise in full of an over-allotment option. The Convertible Notes were sold in a private placement to certain initial purchasers for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The Convertible Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by four of our wholly-owned domestic subsidiaries (the "Guarantees"). Under the Indenture, the Convertible Notes are our senior unsecured obligations, and the Convertible Notes and the Guarantees rank equally in right of payment with all of our and the guarantors' existing and future liabilities that are not subordinated, but effectively rank junior to any of our and the guarantors secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the Convertible Notes are structurally subordinated to all of the existing and future obligations, including trade payables, of our subsidiaries that do not guarantee the Convertible Notes.

The Convertible Notes bear interest at a rate of 0.875% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2019. The Convertible Notes mature on February 15, 2022, unless earlier repurchased or converted in accordance with their terms prior to such date.

The Convertible Notes are convertible into shares of our common stock at an initial conversion rate of 9.3777 shares per $1,000 principal amount of Convertible Notes (which is equivalent to an initial conversion price of $106.64 per share), subject to adjustment upon the occurrence of certain events. The initial conversion price represents a premium of approximately 32.5% to the $80.48 per share closing price of our common stock on February 19, 2019. Upon conversion of the Convertible Notes, holders will receive cash, shares of our common stock, or a combination thereof, at Fortive's election. Our current intention is to settle such conversions through cash up to the principal amount of the converted Convertible Notes and, if applicable, through shares of our common stock for conversion value, if any, in excess of the principal amount of the converted Convertible Notes.

Of the $1.4 billion in proceeds received from the issuance of the Convertible Notes, $1.3 billion was classified as debt and $102.2 million was classified as equity, using an assumed effective interest rate of 3.38%. Debt issuance costs of $24.3 million were proportionately allocated to debt and equity. We recognized $13.3 million in interest expense during the three months ended September 27, 2019, of which $3.1 million related to the contractual coupon rate of 0.875% and $1.9 million was attributable to the amortization of debt issuance costs. We recognized $32.0 million in interest expense during the nine months ended September 27, 2019, of which $7.6 million related to the contractual coupon rate and $4.7 million was attributable to the amortization of debt issuance costs. The discount at issuance was $102.2 million and is being amortized over a three-year period. The unamortized discount at September 27, 2019 was $82.5 million.

Prior to November 15, 2021, the Convertible Notes will be convertible only upon the occurrence of certain events and will be convertible thereafter at any time until the close of business on the business day immediately preceding the maturity date of the Convertible Notes.

The conversion rate is subject to customary anti-dilution adjustments. If certain corporate events described in the Indenture occur prior to the maturity date, the conversion rate will be increased for a holder that elects to convert its Convertible Notes in connection with such corporate event in certain circumstances.

The Convertible Notes are not redeemable prior to maturity, and no sinking fund is provided for the Convertible Notes. If we undergo a "fundamental change," as defined in the Indenture, subject to certain conditions, holders may require us to repurchase for cash all or any portion of their Convertible Notes. The fundamental change purchase price will be 100% of the principal amount of the Convertible Notes to be repurchased plus any accrued and unpaid additional interest up to but excluding the fundamental change repurchase date.

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Convertible Notes may declare 100% of the principal of, and accrued and unpaid interest, if any, on all the Convertible Notes to be due and payable.

We used the net proceeds from the offering to fund a portion of the cash consideration payable for, and certain costs associated with, our acquisition of ASP.

In connection with this offering of the Convertible Notes, on February 21, 2019, we entered into an amendment to the credit facility agreement associated with our Credit Agreement, dated as of November 30, 2018, to exclude the Guarantee from the limitations on subsidiary indebtedness under the Agreement.

Delayed-Draw Term Loan Due 2020

On March 1, 2019, we entered into a credit facility agreement that provides for a 364-day delayed-draw term loan facility ("2020 Delayed-Draw Term Loan") in an aggregate principal amount of $1.0 billion. On March 20, 2019, we drew down the full $1.0 billion available under the 2020 Delayed-Draw Term Loan in order to fund, in part, the ASP acquisition. The 2020

Delayed-Draw Term Loan bears interest at a variable rate equal to the London inter-bank offered rate plus a ratings based margin currently at 75 basis points. As of September 27, 2019, borrowings under this facility bore an interest rate of 2.78% per annum. The 2020 Delayed-Draw Term Loan is prepayable at our option, and we are not permitted to re-borrow once the term loan is repaid. The terms and conditions, including covenants, applicable to the 2020 Delayed-Draw Term Loan are substantially similar to those applicable to the Revolving Credit Facility.

Commercial Paper

The details of our Commercial Paper Programs as of September 27, 2019 are as follows ($ in millions):

	Carrying value	Annual effective rate	Weighted average remaining maturity (in days)
U.S. dollar-denominated commercial paper	$ 1,086.0	2.34 %	15
Euro-denominated commercial paper	$ 257.7	(0.10)%	39

We classified our borrowings outstanding under the Commercial Paper Programs as long-term debt in the accompanying Consolidated Condensed Balance Sheets as we had the intent and ability, as supported by availability under the Revolving Credit Facility referenced above, to refinance these borrowings for at least one year from the balance sheet date.

As of September 27, 2019, we were in compliance with all of our covenants.

Repayments

On February 28, 2019, we prepaid the remaining $400.0 million outstanding principal and accrued interest under the delayed-draw term loan due 2019. The prepayment penalties associated with this payment were immaterial. Additionally, on June 15, 2019 we repaid the remaining outstanding principal of $55.3 million of our 1.80% senior unsecured notes.

NOTE 7. LEASES

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use (“ROU”) asset and a lease liability for all leases with terms greater than 12 months and also requires disclosures by lessees and lessors about the amount, timing and uncertainty of cash flows arising from leases. Subsequent to the issuance of Topic 842, the FASB clarified the guidance through several ASUs; hereinafter the collection of lease guidance is referred to as “ASC 842”.

On January 1, 2019, we adopted ASC 842 using the modified retrospective transition method for all lease arrangements at the beginning of the period of adoption. Results for reporting periods beginning January 1, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 840, *Leases*. The standard had a material impact on our Consolidated Condensed Balance Sheet but had no impact on our consolidated net earnings and cash flows. The most significant impact of adopting ASC 842 was the recognition of the ROU asset and lease liabilities for operating leases, which are presented in the following three line items on the Consolidated Condensed Balance Sheet: (i) operating lease right-of-use assets; (ii) current operating lease liabilities; and (iii) operating lease liabilities.

We elected the package of practical expedients for leases that commenced before the effective date of ASC 842 whereby we elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. In addition, we have lease agreements with lease and non-lease components, and we have elected the practical expedient for all underlying asset classes and account for them as a single lease component. Our finance lease and lessor arrangements are immaterial.

We determine if an arrangement is a lease at inception. We have operating leases for office space, warehouses, distribution centers, research and development facilities, manufacturing locations, and certain equipment, primarily automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for up to 15 years, and some of which include options to terminate the leases in less than one year. We considered options to renew in our lease terms and measurement of right-of-use assets and lease liabilities if we determined they were reasonably certain to be exercised.

For the three and nine months ended September 27, 2019, operating lease cost was $23.2 million and $61.2 million, respectively.

Short-term and variable lease cost, and cost for finance leases were immaterial for the three and nine months ended September 27, 2019. During the nine-month period ended September 27, 2019, cash paid for operating leases was $53.4 million and included in operating cash flows. ROU assets obtained in exchange for operating lease obligations were $13.5 million and $57.4 million for the three and nine months ended September 27, 2019, respectively. Of those ROU assets exchanged for operating lease obligations during the nine months ended September 27, 2019, $29.8 million were related to operating leases acquired with ASP.

The following table presents the maturity of our operating lease liabilities as of September 27, 2019 ($ in millions):

Remainder of 2019	$	20.7
2020		51.9
2021		39.7
2022		29.9
2023		20.4
Thereafter		85.2
Total lease payments		247.8
Less: imputed interest		(30.3)
Total lease liabilities	$	217.5

As previously disclosed in our 2018 Annual Report on Form 10-K and under Topic 840, future minimum lease payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year were as follows ($ in millions):

2019	$	54.2
2020		41.2
2021		32.4
2022		24.0
2023		13.5
Thereafter		16.1
Total lease payments	$	181.4

As of September 27, 2019, the weighted average lease term of our operating leases was 8.4 years and the weighted average discount rate of our operating leases was 3.2%. We primarily use our incremental borrowing rate as the discount rate for our operating leases, as we are generally unable to determine the interest rate implicit in the lease.

NOTE 8. SALES

We derive revenues primarily from the sale of Professional Instrumentation and Industrial Technologies products and services. Revenue is recognized when control of promised products or services is transferred to customers in an amount that reflects the consideration we expect to be entitled to in exchange for those products or services.

Product Sales include revenues from the sale of products and equipment, which includes our software as a service product offerings and equipment rentals.

Service Sales includes revenues from extended warranties, post-contract customer support ("PCS"), maintenance contracts or services, contract labor to perform ongoing service at a customer location, and services related to previously sold products.

Contract Assets — In certain circumstances, we record contract assets which include unbilled amounts typically resulting from sales under contracts when revenue recognized exceeds the amount billed to the customer, and right to payment is not only subject to the passage of time. Contract assets were $81.9 million as of September 27, 2019 and immaterial as of December 31, 2018.

Contract Costs — We incur direct incremental costs to obtain certain contracts, typically sales-related commissions and costs associated with assets used by our customers in certain service arrangements. Deferred sales-related commissions are generally not capitalized as the amortization period is one year or less, and we elected to use the practical expedient to expense these sales commissions as incurred. As of September 27, 2019, we had $151.6 million in net revenue-related contract assets primarily related to certain software contracts recorded in the prepaid expenses and other current assets and other assets line items in our Condensed Consolidated Balance Sheet. Our revenue-related contract assets at December 31, 2018 were $144.4 million, the majority of which were recorded in property, plant and equipment on the Consolidated Condensed Balance Sheet. These assets have estimated useful lives between 3 and 8 years.

Impairment losses recognized on our revenue-related contract assets were immaterial in the three and nine months ended September 27, 2019.

Contract Liabilities — Our contract liabilities consist of deferred revenue generally related to PCS and extended warranty sales, where in most cases we receive up-front payment and recognize revenue over the support term. We classify deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue. The noncurrent portion of deferred revenue is included in other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets.

Our contract liabilities consisted of the following ($ in millions):

	September 27, 2019	December 31, 2018
Deferred revenue - current	$ 384.7	$ 288.1
Deferred revenue - noncurrent	97.0	92.6
Total contract liabilities	$ 481.7	$ 380.7

In the three and nine months ended September 27, 2019, we recognized $41.0 million and $219.1 million of revenue related to our contract liabilities at December 31, 2018. The change in our contract liabilities from December 31, 2018 to September 27, 2019 was primarily due to the addition of contract liabilities from our recently acquired businesses and the timing of cash receipts and sales of PCS and extended warranty services.

Remaining Performance Obligations — Our remaining performance obligations represent the transaction price of firm, noncancelable orders, with expected delivery dates to customers greater than one year from September 27, 2019, for which work has not been performed. We have excluded performance obligations with an original expected duration of one year or less from the amounts below.

The aggregate performance obligations attributable to each of our segments is as follows ($ in millions):

	September 27, 2019
Professional Instrumentation	$ 144.4
Industrial Technologies	395.9
Total remaining performance obligations	$ 540.3

The majority of remaining performance obligations are related to service and support contracts, which we expect to fulfill approximately 40 percent within the next two years, approximately 75 percent within the next three years and substantially all within four years.

Disaggregation of Revenue

We disaggregate revenue from contracts with customers by sales of products and services, geographic location, major product group and end market for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Disaggregation of revenue for the three months ended September 27, 2019 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 1,624.6	$ 955.4	$ 669.2
Sales of services	235.4	160.8	74.6
Total	$ 1,860.0	$ 1,116.2	$ 743.8
Geographic:			
United States	$ 1,088.6	$ 601.7	$ 486.9
China	142.0	115.9	26.1
All other (each country individually less than 5% of total sales)	629.4	398.6	230.8
Total	$ 1,860.0	$ 1,116.2	$ 743.8
Major Products Group:			
Professional tools and equipment	$ 1,240.1	$ 688.5	$ 551.6
Industrial automation, controls and sensors	116.3	87.9	28.4
Franchise distribution	162.8	—	162.8
Medical technologies	274.1	273.1	1.0
All other	66.7	66.7	—
Total	$ 1,860.0	$ 1,116.2	$ 743.8
End markets:			
Direct sales:			
Retail fueling [(a)]	$ 495.7	$ —	$ 495.7
Industrial & Manufacturing	108.2	93.5	14.7
Vehicle repair [(a)]	147.5	—	147.5
Utilities & Power	48.3	48.3	—
Medical [(a)]	274.1	273.1	1.0
Other	406.7	341.0	65.7
Total direct sales	1,480.5	755.9	724.6
Distributors[(a)]	379.5	360.3	19.2
Total	$ 1,860.0	$ 1,116.2	$ 743.8

(a) Retail fueling, vehicle repair and medical include sales to these end markets made through third-party distributors. Total distributor sales for the three months ended September 27, 2019 was $778.6 million.

Disaggregation of revenue for the three months ended September 28, 2018 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 1,430.1	$ 785.2	$ 644.9
Sales of services	171.1	108.9	62.2
Total	$ 1,601.2	$ 894.1	$ 707.1
Geographic:			
United States	$ 909.4	$ 473.1	$ 436.3
China	133.1	105.1	28.0
All other (each country individually less than 5% of total sales)	558.7	315.9	242.8
Total	$ 1,601.2	$ 894.1	$ 707.1
Major Products Group:			
Professional tools and equipment	$ 1,162.6	$ 648.5	$ 514.1
Industrial automation, controls and sensors	122.4	92.2	30.2
Franchise distribution	161.0	—	161.0
Medical technologies [c]	96.1	94.3	1.8
All other	59.1	59.1	—
Total	$ 1,601.2	$ 894.1	$ 707.1
End markets:			
Direct sales:			
Retail fueling [a]	$ 447.0	$ —	$ 447.0
Industrial & Manufacturing	111.5	91.6	19.9
Vehicle repair [a]	146.4	—	146.4
Utilities & Power	31.2	31.2	—
Medical [a] [b]	96.1	94.3	1.8
Other	349.6	273.5	76.1
Total direct sales	1,181.8	490.6	691.2
Distributors[a]	419.4	403.5	15.9
Total	$ 1,601.2	$ 894.1	$ 707.1

(a) Retail fueling, vehicle repair and medical include sales to these end markets made through third-party distributors. Total distributor sales for the three months ended September 28, 2018 was $779.3 million.

(b) Sales were previously disclosed in Other.

(c) Sales were previously disclosed in Professional tools and equipment, Industrial automation, controls and sensors and All other.

Disaggregation of revenue for the nine months ended September 27, 2019 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 4,652.7	$ 2,747.7	$ 1,905.0
Sales of services	664.9	449.1	215.8
Total	$ 5,317.6	$ 3,196.8	$ 2,120.8
Geographic:			
United States	$ 3,053.9	$ 1,703.3	$ 1,350.6
China	446.3	370.7	75.6
All other (each country individually less than 5% of total sales)	1,817.4	1,122.8	694.6
Total	$ 5,317.6	$ 3,196.8	$ 2,120.8
Major Products Group:			
Professional tools and equipment	$ 3,648.0	$ 2,105.3	$ 1,542.7
Industrial automation, controls and sensors	363.6	276.8	86.8
Franchise distribution	486.0	—	486.0
Medical technologies [c]	638.4	633.1	5.3
All other	181.6	181.6	—
Total	$ 5,317.6	$ 3,196.8	$ 2,120.8
End markets:			
Direct sales:			
Retail fueling [a]	$ 1,370.2	$ —	$ 1,370.2
Industrial & Manufacturing	331.9	287.7	44.2
Vehicle repair [a]	440.8	—	440.8
Utilities & Power	147.0	147.0	—
Medical [a] [b]	638.4	633.1	5.3
Other	1,175.9	971.8	204.1
Total direct sales	4,104.2	2,039.6	2,064.6
Distributors[a]	1,213.4	1,157.2	56.2
Total	$ 5,317.6	$ 3,196.8	$ 2,120.8

(a) Retail fueling, vehicle repair and medical include sales to these end markets made through third-party distributors. Total distributor sales for the nine months ended September 27, 2019 was $2,296.9 million.

(b) Certain sales were previously disclosed in Other.

(c) Certain sales were previously disclosed in Professional tools and equipment, Industrial automation, controls and sensors and All other.

Disaggregation of revenue for the nine months ended September 28, 2018 is presented as follows ($ in millions):

	Total	Professional Instrumentation	Industrial Technologies
Sales:			
Sales of products	$ 4,202.0	$ 2,352.8	$ 1,849.2
Sales of services	493.2	302.0	191.2
Total	$ 4,695.2	$ 2,654.8	$ 2,040.4
Geographic:			
United States	$ 2,559.1	$ 1,313.5	$ 1,245.6
China	423.3	346.8	76.5
All other (each country individually less than 5% of total sales)	1,712.8	994.5	718.3
Total	$ 4,695.2	$ 2,654.8	$ 2,040.4
Major Products Group:			
Professional tools and equipment	$ 3,377.5	$ 1,922.8	$ 1,454.7
Industrial automation, controls and sensors	383.7	289.3	94.4
Franchise distribution	486.2	—	486.2
Medical technologies [c]	290.9	285.8	5.1
All other	156.9	156.9	—
Total	$ 4,695.2	$ 2,654.8	$ 2,040.4
End markets:			
Direct sales:			
Retail fueling [a]	$ 1,256.2	$ —	$ 1,256.2
Industrial & Manufacturing	332.7	279.2	53.5
Vehicle repair [a]	442.9	—	442.9
Utilities & Power	132.6	132.6	—
Medical [b]	290.9	285.8	5.1
Other	973.0	740.6	232.4
Total direct sales	3,428.3	1,438.2	1,990.1
Distributors[a]	1,266.9	1,216.6	50.3
Total	$ 4,695.2	$ 2,654.8	$ 2,040.4

(a) Retail fueling, vehicle repair and medical include sales to these end markets made through third-party distributors. Total distributor sales for the nine months ended September 28, 2018 was $2,304.1 million.

(b) Sales were previously disclosed in Other.

(c) Sales were previously disclosed in Professional tools and equipment, Industrial automation, controls and sensors and All other.

NOTE 9. PENSION PLANS

For a full description of our noncontributory defined benefit pension plans refer to Note 11 of our 2018 Annual Report on Form 10-K.

The following sets forth the components of our net periodic pension costs associated with our noncontributory defined benefit pension plans ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
U.S. Pension Benefits:				
Interest cost	$ 0.4	$ 0.3	$ 1.2	$ 0.9
Expected return on plan assets	(0.3)	(0.4)	(1.0)	(1.1)
Net periodic pension cost	$ 0.1	$ (0.1)	$ 0.2	$ (0.2)
Non-U.S. Pension Benefits:				
Service cost	$ 0.7	$ 0.3	$ 1.7	$ 0.9
Interest cost	1.4	1.4	4.3	4.2
Expected return on plan assets	(1.5)	(1.5)	(4.4)	(4.5)
Amortization of net loss	0.7	0.7	2.1	2.1
Net curtailment and settlement loss recognized	—	0.2	—	0.6
Net periodic pension cost	$ 1.3	$ 1.1	$ 3.7	$ 3.3

We report all components of net periodic pension costs, with the exception of service costs, in other non-operating expenses as a component of non-operating income in the accompanying Consolidated Condensed Statements of Earnings. Service costs are reported in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Condensed Statements of Earnings according to the classification of the participant's compensation.

Employer Contributions

During 2019, our cash contribution requirements for our non-U.S. defined benefit pension plans are expected to be approximately $11.0 million. We do not expect to make contributions to the U.S. plan during 2019. The actual amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

NOTE 10. INCOME TAXES

Our effective tax rates for the three and nine months ended September 27, 2019 were 11.8% and 13.5%, respectively, as compared to 17.0% and 16.4% for the three and nine months ended September 28, 2018, respectively. The year-over-year decrease was due primarily to increases in favorable impacts of certain federal and international tax benefits and favorable impacts of a higher mix of income in jurisdictions with lower tax rates than the U.S. federal statutory rate of 21%.

Our effective tax rate for 2019 and 2018 differs from the U.S. federal statutory rate of 21% due primarily to the positive and negative effects of the Tax Cuts and Jobs Act ("TCJA"), U.S. federal permanent differences, the impact of credits and deductions provided by law, and earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate.

NOTE 11. STOCK-BASED COMPENSATION

Our stock-based compensation program (the "Stock Plan") provides for the grant of stock appreciation rights, performance stock units, restricted stock units, restricted stock awards and performance stock awards (collectively, "Stock Awards"), stock options or any other stock-based award. As of September 27, 2019, approximately 20 million shares of our common stock were available for subsequent issuance under the Stock Plan. For a full description of our stock-based compensation program refer to Note 17 of our 2018 Annual Report on Form 10-K.

Stock-based Compensation Expense

Stock-based compensation has been recognized as a component of Selling, general and administrative expenses in the accompanying Consolidated Condensed Statements of Earnings based on the portion of the awards that are ultimately expected to vest.

The following summarizes the components of our stock-based compensation expense under the Stock Plan ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Stock Awards:				
Pretax compensation expense	$ 11.1	$ 7.9	$ 29.0	$ 22.3
Income tax benefit	(2.3)	(1.7)	(6.1)	(4.7)
Stock Award expense, net of income taxes	8.8	6.2	22.9	17.6
Stock options:				
Pretax compensation expense	5.6	5.0	16.5	15.0
Income tax benefit	(1.2)	(1.1)	(3.5)	(3.2)
Stock option expense, net of income taxes	4.4	3.9	13.0	11.8
Total stock-based compensation:				
Pretax compensation expense	16.7	12.9	45.5	37.3
Income tax benefit	(3.5)	(2.8)	(9.6)	(7.9)
Total stock-based compensation expense, net of income taxes	$ 13.2	$ 10.1	$ 35.9	$ 29.4

The following summarizes the unrecognized compensation cost for the Stock Plan awards as of September 27, 2019. This compensation cost is expected to be recognized over a weighted average period of approximately two years, representing the remaining service period related to the awards. Future compensation amounts will be adjusted for any changes in estimated forfeitures ($ in millions):

Stock Awards	$ 68.5
Stock options	60.5
Total unrecognized compensation cost	$ 129.0

NOTE 12. COMMITMENTS AND CONTINGENCIES

For a description of our litigation and contingencies, refer to Notes 15 and 16 of our 2018 Annual Report on Form 10-K.

We generally accrue estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly, and appropriately maintained. Warranty period terms depend on the nature of the product and range from 90 days up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor, and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of our accrued warranty liability ($ in millions):

Balance, December 31, 2018	$ 72.1
Accruals for warranties issued during the period	46.1
Settlements made	(49.5)
Additions due to acquisitions	4.7
Balance, September 27, 2019	$ 73.4

NOTE 13. NET EARNINGS PER SHARE

Basic net earnings per share (“EPS”) is calculated by dividing net earnings attributable to common stockholders by the weighted average number of shares of common stock outstanding for the applicable period. Diluted EPS is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of shares under stock-based compensation plans under the treasury stock method, except where the inclusion of such shares would have an anti-dilutive impact. There were 3.3 million anti-dilutive options excluded from the diluted EPS calculation for the three months ended September 27, 2019 and no anti-dilutive options excluded from the diluted EPS calculation for the three months ended September 28, 2018. There were 1.7 million anti-dilutive options excluded for the nine months ended September 27, 2019. There were an insignificant amount of anti-dilutive options excluded for the nine months ended September 28, 2018.

As described in Note 6, upon conversion of the Convertible Notes, holders will receive cash, shares of our common stock, or a combination thereof, at our election. Our intention is to settle such conversions through cash up to the principal amount of the Convertible Notes and, if applicable, through shares of our common stock for conversion value, if any, in excess of the principal amount of the Convertible Notes. We believe we have the ability to settle these obligations as intended, and therefore we have accounted for the conversion features under the treasury stock method in our calculation of EPS. Because the fair value of our common stock is below the conversion price, the Convertible Notes had no impact on our earnings per share for the three and nine months ended September 27, 2019.

The impact of our Mandatory Convertible Preferred Stock (“MCPS”) calculated under the if-converted method was anti-dilutive, and as such 18.4 million shares were excluded from the diluted EPS calculation for the three and nine months ended September 27, 2019.

Information related to the calculation of net earnings per share of common stock is summarized as follows ($ and shares in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Numerator				
Net earnings from continuing operations	$ 207.3	$ 214.0	$ 546.6	$ 678.2
Mandatory convertible preferred stock cumulative dividends	(17.3)	(17.4)	(51.8)	(17.6)
Net earnings attributable to common stockholders from continuing operations	$ 190.0	$ 196.6	$ 494.8	$ 660.6
Denominator				
Weighted average common shares outstanding used in basic earnings per share	336.1	349.9	335.6	349.2
Incremental common shares from:				
Assumed exercise of dilutive options and vesting of dilutive Stock Awards	3.8	5.4	4.1	5.6
Weighted average common shares outstanding used in diluted earnings per share	339.9	355.3	339.7	354.8
Net earnings from continuing operations per common share - Basic	$ 0.57	$ 0.56	$ 1.47	$ 1.89
Net earnings from continuing operations per common share - Diluted	$ 0.56	$ 0.55	$ 1.46	$ 1.86

As of September 27, 2019, we accrued $17.3 million of dividends on our MCPS relating to the third quarter dividend payment that was made on September 30, 2019. We declared and paid cash dividends per common share and per MCPS during the periods presented as follows:

	Dividend Per Common Share	Amount ($ in millions)	Dividend per MCPS	Amount ($ in millions)
2019:				
First quarter	$ 0.07	$ 23.4	$ 12.50	$ 17.3
Second quarter	0.07	23.4	12.50	17.2
Third quarter	0.07	23.5	12.50	17.3
Total	$ 0.21	$ 70.3	$ 37.50	$ 51.8
2018:				
First quarter	$ 0.07	$ 24.3	$ —	$ —
Second quarter	0.07	24.4	—	—
Third quarter	0.07	24.5	12.78	17.6
Total	$ 0.21	$ 73.2	$ 12.78	$ 17.6

NOTE 14. SEGMENT INFORMATION

We report our results in two separate business segments consisting of Professional Instrumentation and Industrial Technologies. When determining the reportable segments, we aggregated operating segments based on their similar economic and operating characteristics. Operating profit amounts in the Other category consist of unallocated corporate costs and other costs not considered part of our evaluation of reportable segment operating performance. Our segment results are as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Sales:				
Professional Instrumentation	$ 1,116.2	$ 894.1	$ 3,196.8	$ 2,654.8
Industrial Technologies	743.8	707.1	2,120.8	2,040.4
Total	$ 1,860.0	$ 1,601.2	$ 5,317.6	$ 4,695.2
Operating Profit:				
Professional Instrumentation	$ 118.7	$ 160.2	$ 376.9	$ 583.3
Industrial Technologies	146.0	141.7	404.2	370.5
Other	(22.6)	(20.3)	(72.2)	(69.9)
Total Operating Profit	242.1	281.6	708.9	883.9
Gain from combination of business	41.2	—	41.2	—
Interest expense, net	(47.0)	(23.1)	(116.7)	(70.3)
Other non-operating expenses, net	(1.2)	(0.8)	(1.6)	(2.6)
Earnings from continuing operations before income taxes	$ 235.1	$ 257.7	$ 631.8	$ 811.0

As of September 27, 2019, the material changes in total assets by segment since December 31, 2018 were due primarily to the acquisitions discussed in Note 2. Our identifiable assets by segment are as follows ($ in millions):

	September 27, 2019	December 31, 2018
Professional Instrumentation	$ 12,397.0	$ 8,592.6
Industrial Technologies	3,022.7	3,011.2
Other	1,222.9	1,271.8
Assets of Discontinued Operations	17.8	30.0
Total	$ 16,660.4	$ 12,905.6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fortive Corporation ("Fortive," the "Company," "we," "us," or "our") is a diversified industrial technology growth company comprised of Professional Instrumentation and Industrial Technologies segments and encompassing businesses that are recognized leaders in attractive markets. Our well-known brands hold leading positions in advanced instrumentation and solutions, sensing, transportation technology, and franchise distribution markets. Our businesses design, develop, service, manufacture and market professional and engineered products, software and services for a variety of end markets, building upon leading brand names, innovative technology and significant market positions.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management. The following discussion should be read in conjunction with the MD&A and consolidated and combined financial statements included in our 2018 Annual Report on Form 10-K. Our MD&A is divided into five sections:

- Information Relating to Forward-Looking Statements
- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this quarterly report, in other documents we file with or furnish to the Securities and Exchange Commission ("SEC"), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are "forward-looking statements" within the meaning of the United States federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other financial measures; management's plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions, divestitures, separation into two independent, publicly traded companies, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; impact on changes to tax laws; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that we intend or believe will or may occur in the future. Terminology such as "believe," "anticipate," "should," "could," "intend," "will," "plan," "expect," "estimate," "project," "target," "may," "possible," "potential," "forecast" and "positioned" and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words.

Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors. Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Important factors that could cause actual results to differ materially from those envisaged in the forward-looking statements include the following:

- Conditions in the global economy, the markets we serve and the financial markets may adversely affect our business and financial statements.
- Our growth could suffer if the markets into which we sell our products, software and services decline, do not grow as anticipated or experience cyclicality.

- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.
- Changes in industry standards and governmental regulations may reduce demand for our products or services or increase our expenses.
- Trade relations between China and the United States could have a material adverse effect on our business and financial statements.
- Any inability to consummate acquisitions at our anticipated rate and at appropriate prices could negatively impact our growth rate and stock price.
- Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.
- Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.
- Our acquisition of businesses, joint ventures and strategic relationships could negatively impact our financial statements.
- Our plans to separate into two independent, publicly traded companies may encounter unexpected delays and may not be completed on the currently contemplated timeline or at all and may not achieve the intended benefits.
- The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.
- Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.
- Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our reputation and financial statements.
- Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and reputation.
- International economic, political, legal, compliance and business factors could negatively affect our business and financial statements.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- Foreign currency exchange rates may adversely affect our financial statements.
- Changes in our effective tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.
- We have incurred a significant amount of debt, and our debt will increase further if we incur additional debt and do not retire existing debt.
- We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our financial statements.
- If we do not or cannot adequately protect our intellectual property, or if third parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.
- Third parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.
- A significant disruption in, or breach in security of, our information technology systems could adversely affect our business.
- Defects and unanticipated use or inadequate disclosure with respect to our products (including software) or services could adversely affect our business, reputation and financial statements.

- Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.
- Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.
- If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.
- Our restructuring actions could have long-term adverse effects on our business.
- Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.
- If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.
- Certain provisions in our amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.
- Changes in U.S. GAAP could adversely affect our reported financial results and may require significant changes to our internal accounting systems and processes.
- Our amended and restated certificate of incorporation designates the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could discourage lawsuits against us and our directors and officers.
- Certain of our executive officers and directors may have actual or potential conflicts of interest because of their equity interest in Danaher.
- Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and our results of operations.
- International economic, political, legal, compliance and business factors could negatively affect our financial statements.
- The interest rates on our credit facilities may be impacted by the phase out of the London Interbank Offered Rate ("LIBOR").

See "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and Form 10-Q for the fiscal quarter ended June 28, 2019 and "Part II - Item 1A. Risk Factors" in this Form 10-Q for a further discussion regarding reasons that actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. We do 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.

OVERVIEW

General

Fortive is a diversified, multinational industrial technology growth company with global operations and our businesses are affected by worldwide, regional and industry-specific economic and political factors. Our geographic and industry diversity, as well as the range of our products, software and services, typically help limit the impact of any one industry or the economy of any single country (except for the United States) on our operating results. Given the broad range of products manufactured, software and services provided and geographies served, we do not use any indices other than general economic trends to predict the overall outlook for the Company. Our individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of our geographic and industry diversity, we face a variety of opportunities and challenges, including technological development in most of the markets we serve, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force and consolidation of our competitors. We define high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia with the exception of Japan and Australia. We operate in a highly competitive business environment in most markets, and our long-term growth and profitability will depend in particular on our ability to expand our business across geographies and market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products, services and software, expand and improve the effectiveness of our sales force and continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated environment. We are making significant investments, organically and through acquisitions, to address technological change in the markets we serve and to improve our manufacturing, research and development and customer-facing resources in order to be responsive to our customers throughout the world.

On September 4, 2019, we announced our intention to separate into two independent, publicly traded companies subject to the satisfaction of certain conditions, including obtaining final approval from our Board of Directors. The separation will create (i) an industrial technology company, retaining the Fortive name, with a differentiated portfolio of growth-oriented businesses and (ii) a global industrial company ("NewCo") focused on the growth opportunities in the rapidly evolving transportation and mobility markets. The separation is expected to be structured in a tax-efficient manner and completed in the second half of 2020. All assets, liabilities, revenues and expenses of NewCo are included in continuing operations of the Company in the accompanying consolidated condensed financial statements.

On July 20, 2019, we completed the combination of the Tektronix Video test and monitoring equipment business ("Tektronix Video Business") with Telestream, LLC (the "Combined Business"), a portfolio company of Genstar Capital LLC. We recognized a pre-tax gain of $41.2 million upon the combination, and hold a 33% equity stake in the Combined Business. This transaction did not meet the criteria for discontinued operations reporting, and therefore the operating results of the Tektronix Video Business prior to the combination with Telestream are included in continuing operations for all periods presented. Additionally, the equity earnings from our stake in the Combined Business are included in other non-operating expenses, net in the accompanying Consolidated Condensed Statement of Earnings.

On April 1, 2019, we acquired the advanced sterilization products business ("ASP") of Johnson & Johnson, a New Jersey corporation ("Johnson & Johnson") for an aggregate purchase price of $2.7 billion (the "Transaction"), subject to certain post-closing adjustments set forth in a Stock and Asset Purchase Agreement, dated effective as of June 6, 2018 (the "Purchase Agreement"), between the Company and Ethicon, Inc., a New Jersey corporation ("Ethicon") and a wholly owned subsidiary of Johnson & Johnson. ASP engages in the research, development, manufacture, marketing, distribution and sale of low-temperature terminal sterilization and high-level disinfection products. ASP generated annual revenues of approximately $800 million in 2018. Refer to Note 2 to the accompanying consolidated condensed financial statements for additional information regarding the Transaction.

On October 1, 2018, we completed the split-off of four of our operating companies (the "A&S Business"), and have reported the A&S Business as discontinued operations in our Consolidated Condensed Statements of Earnings, Consolidated Condensed Balance Sheets, and Consolidated Condensed Statements of Cash Flows for all periods presented. Unless otherwise noted discussion within this MD&A relates to continuing operations.

In this report, references to sales from existing businesses refers to sales from operations calculated according to generally accepted accounting principles in the United States ("GAAP") but excluding (1) the impact from acquired businesses and (2) the impact of currency translation. References to sales attributable to acquisitions or acquired businesses refer to GAAP sales from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales attributable to certain divested businesses or product lines not considered discontinued operations prior to the first anniversary of the divestiture. 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 impact from acquired businesses) and (b) the period-to-period change in sales (excluding sales impact from acquired businesses) after applying the current period foreign exchange rates to the prior year period. Sales from existing businesses should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies.

Management believes that reporting the non-GAAP financial measure of sales from existing businesses provides useful information to investors by helping identify underlying growth trends in our business and facilitating comparisons of our sales performance with our performance in prior and future periods and to our peers. We exclude the effect of acquisitions and divestiture related items because the nature, size and number of such transactions can vary dramatically from period to period and between us and our peers. We exclude the effect of currency translation from sales from existing businesses because the impact of currency translation is not under management's control and is subject to volatility. Management believes the exclusion of the effect of acquisitions and divestitures and currency translation may facilitate the assessment of underlying business trends and may assist in comparisons of long-term performance. References to sales volume refer to the impact of both price and unit sales.

Business Performance and Outlook

While differences exist among our businesses, on an overall basis, demand for our products, software and services increased during the three months ended September 27, 2019 as compared to the comparable period of 2018 resulting in aggregate year-over-year total sales growth of 16.2% and sales growth from existing businesses of 2.1%. Our continued application and deployment of the Fortive Business System including investments in sales growth initiatives and new product introductions, as well as increased demand in developed markets and other business-specific factors discussed below, contributed to overall sales growth from existing businesses across the majority of our businesses in the period.

On a year-over-year basis for the three months ended September 27, 2019, our Industrial Technologies segment reported sales growth from existing businesses of 6.5%, while our Professional Instrumentation segment reported a decline in sales from existing businesses of 1.3%. In our Industrial Technologies segment, the liability shift related to enhanced credit card security requirements for outdoor payment systems that is expected to occur in October 2020 in the United States based on the Europay, Mastercard and Visa (“EMV”) global standards is continuing to drive demand within our transportation technologies platform. The decline in our Professional Instrumentation segment reflects slowing macroeconomic conditions across most major markets.

Geographically, sales from existing businesses grew at a low-single digit rate in developed markets and declined at a low-single digit rate in high-growth markets during the three months ended September 27, 2019 as compared to the comparable 2018 period. Year-over-year sales from existing businesses grew at a low-double digit rate in Latin America and at a low-single digit rate in North America, while sales in Asia declined at a low-single digit rate during the three months ended September 27, 2019.

While we expect overall sales to continue to grow on a year-over-year basis during the remainder of 2019, we expect sales from existing businesses to be relatively flat as we continue to monitor macro-economic developments and the corresponding impact on our businesses. In addition, we continue to monitor geopolitical uncertainties, including Brexit and global uncertainties related to governmental policies toward international trade, monetary and fiscal policies; and the current uncertainty surrounding the relationship between the United States and China with respect to trade policies, treaties, government regulations, and tariffs. We will also continue to monitor other factors identified above in “—Information Relating to Forward-Looking Statements.”

RESULTS OF OPERATIONS

Sales Growth

The following tables summarize total aggregate year-over-year sales growth and the components of aggregate year-over-year sales growth during the three and nine months ended September 27, 2019 as compared to the comparable periods of 2018:

Components of Sales Growth

	% Change Three Months Ended September 27, 2019 vs. Comparable 2018 Period	% Change Nine Months Ended September 27, 2019 vs. Comparable 2018 Period
Total revenue growth (GAAP)	**16.2 %**	**13.3 %**
Existing businesses (Non-GAAP)	2.1 %	2.6 %
Acquisitions (Non-GAAP)	15.3 %	12.7 %
Currency exchange rates (Non-GAAP)	(1.2)%	(2.0)%

Operating Profit Margins

Operating profit margin was 13.0% for the three months ended September 27, 2019, a decrease of 460 basis points as compared to 17.6% in the comparable period of 2018. Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Higher 2019 sales volumes from existing businesses, price increases, and incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives which were more than offset by unfavorable sales mix, increased material costs associated primarily with inflationary pressures and recently enacted tariffs, and changes in foreign currency exchange rates — unfavorable 25 basis points

- The incremental year-over-year net dilutive effect of acquired businesses — unfavorable 415 basis points
- The incremental year-over-year net dilutive effect of acquisition-related transaction costs and transaction costs related to the planned separation of Fortive into two independent, publicly traded companies — unfavorable 20 basis points

Operating profit margin was 13.3% for the nine months ended September 27, 2019, a decrease of 550 basis points as compared to 18.8% in the comparable period of 2018. Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Higher 2019 sales volumes from existing businesses, price increases, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives which were more than offset by unfavorable sales mix, increased material costs associated primarily with inflationary pressures and recently enacted tariffs, and changes in foreign currency exchange rates — unfavorable 20 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — unfavorable 400 basis points
- The incremental year-over-year net dilutive effect of acquisition-related transaction costs and transaction costs related to the planned separation of Fortive into two independent, publicly traded companies —unfavorable 130 basis points

Business Segments

Sales by business segment for each of the periods indicated were as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Professional Instrumentation	$ 1,116.2	$ 894.1	$ 3,196.8	$ 2,654.8
Industrial Technologies	743.8	707.1	2,120.8	2,040.4
Total	$ 1,860.0	$ 1,601.2	$ 5,317.6	$ 4,695.2

PROFESSIONAL INSTRUMENTATION

Our Professional Instrumentation segment consists of our Advanced Instrumentation & Solutions and Sensing Technologies businesses. Our Advanced Instrumentation & Solutions businesses provide product realization and field solutions services and products. Field solutions products include a variety of compact professional test tools, thermal imaging and calibration equipment for electrical, industrial, electronic and calibration applications, online condition-based monitoring equipment; portable gas detection equipment, consumables, and software as a service (SaaS) offerings including safety/user behavior, asset management, and compliance monitoring; subscription-based technical, analytical, and compliance services to determine occupational and environmental radiation exposure; and software data analytics and services for critical infrastructure in utility, industrial, energy, construction, facilities management, public safety, mining, and healthcare applications. Product realization services and products help developers and engineers across the end-to-end product creation cycle from concepts to finished products and also include highly-engineered energetic materials components in specialized vertical applications. Our Sensing Technologies business offers devices that sense, monitor and control operational or manufacturing variables, such as temperature, pressure, level, flow, turbidity and conductivity. On April 1, 2019, we acquired the ASP business from Johnson & Johnson. ASP provides sterilization solutions to health care facilities used in the fields of low-temperature terminal sterilization and high-level disinfection.

Professional Instrumentation Selected Financial Data

($ in millions)	Three Months Ended September 27, 2019	Three Months Ended September 28, 2018	Nine Months Ended September 27, 2019	Nine Months Ended September 28, 2018
Sales	$ 1,116.2	$ 894.1	$ 3,196.8	$ 2,654.8
Operating profit	118.7	160.2	376.9	583.3
Depreciation	20.7	16.0	56.6	48.5
Amortization	73.9	24.8	187.3	58.4
Operating profit as a % of sales	10.6%	17.9%	11.8%	22.0%
Depreciation as a % of sales	1.9%	1.8%	1.8%	1.8%
Amortization as a % of sales	6.6%	2.8%	5.9%	2.2%

Components of Sales Growth

	% Change Three Months Ended September 27, 2019 vs. Comparable 2018 Period	% Change Nine Months Ended September 27, 2019 vs. Comparable 2018 Period
Total revenue growth (GAAP)	**24.8 %**	**20.4 %**
Existing businesses (Non-GAAP)	(1.3)%	0.2 %
Acquisitions (Non-GAAP)	27.2 %	22.1 %
Currency exchange rates (Non-GAAP)	(1.1)%	(1.9)%

Sales from existing businesses in our Professional Instrumentation segment’s Advanced Instrumentation & Solutions businesses decreased at a low-single digit rate during the three months ended September 27, 2019 and were relatively flat during the nine months ended September 27, 2019 as compared to the comparable periods of 2018.

Year-over-year sales from existing businesses of field solutions products and services declined at a low-single digit rate during the three months ended September 27, 2019 and were relatively flat during the nine months ended September 27, 2019, as growth in demand for portable gas detection and facilities maintenance and asset management offerings was more than offset by declines in demand for electrical grid condition-based monitoring equipment and slowing demand from our industrial channel partners in North America.

Year-over-year sales from existing businesses of product realization products and services decreased slightly during the three months ended September 27, 2019, as compared to the comparable period of 2018. For the three month period, increased demand in our energetic materials business was more than offset by slowing demand from our channel partners and decreased demand for our Keithley products and oscilloscopes. During the nine months ended September 27, 2019, year-over-year sales from existing businesses of product realization products and services increased slightly, driven by strong growth in our energetic materials business that was largely offset by declines in demand for our Keithley products.

Geographically, demand from existing businesses in Advanced Instrumentation & Solutions increased in Latin America, Japan, and China on a year-over-year basis during the three months ended September 27, 2019, which was more than offset by declines in North America. Demand from existing businesses increased on a year-over-year basis during the nine months ended September 27, 2019 in North America, China, and Japan, which was mostly offset by declines in Western Europe.

Sales from existing businesses in our segment’s Sensing Technologies businesses declined at a low-single digit rate during the three and nine months ended September 27, 2019 as compared to the comparable periods of 2018, as increased demand in the medical market was more than offset by declines in industrial end markets for both respective periods. Geographically, during the three months ended September 27, 2019, increased demand from existing businesses in North America and China was more than offset by declines in Western Europe, Korea, and Japan. For the year-to-date period, increased demand from existing businesses in China was more than offset by declines in North America, Japan, and Western Europe.

Sales from recently acquired businesses in our Professional Instrumentation segment, including ASP, Gordian and Accruent, contributed 27.2% and 22.1% to overall sales growth for the three and nine months ended September 27, 2019, respectively. ASP sales for the three months and nine months ended September 27, 2019, as compared to the comparable period prior to Fortive ownership, increased low-single digits which was attributable to growth in China and Japan for both periods. Gordian and Accruent sales for the three and nine months ended September 27, 2019, as compared to the comparable period prior to

Fortive ownership, increased mid-single digits in both periods attributable to growth in facilities maintenance and asset management offerings.

Year-over-year price increases in our Professional Instrumentation segment contributed 1.8% and 1.3% to sales growth during the three and nine months ended September 27, 2019, respectively, as compared to the comparable periods of 2018, and are reflected as a component of the change in sales from existing businesses.

Operating profit margin decreased 730 basis points during the three months ended September 27, 2019 as compared to the comparable period of 2018. Year-over-year operating profit margin comparisons were favorably impacted by:

- Acquisition-related transaction costs, as the costs related to our acquisition of ASP and acquisition-related restructuring in 2019, were less than the costs associated with the ASP, Gordian, and Accruent acquisitions in 2018 — favorable 150 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Price increases and incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives that were more than offset by a decline in sales volumes, unfavorable sales mix, incremental year-over-year costs associated with sales and marketing growth initiatives, increased material costs associated primarily with inflationary pressures and recently enacted tariffs, and changes in currency exchange rates — unfavorable 180 basis points
- The incremental year-over-year net dilutive effect of acquired businesses, including amortization and acquisition-related fair value adjustments to deferred revenue and inventory — unfavorable 700 basis points

Operating profit margin decreased 1,020 basis points during the nine months ended September 27, 2019 as compared to the comparable period of 2018. Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Higher 2019 sales volumes from existing businesses, price increases and incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives that were more than offset by an unfavorable sales mix, increased material costs associated primarily with inflationary pressures and recently enacted tariffs, and changes in currency exchange rates — unfavorable 170 basis points
- The incremental year-over-year net dilutive effect of acquired businesses, including amortization and acquisition-related fair value adjustments to deferred revenue and inventory — unfavorable 680 basis points
- Acquisition-related transaction costs, as the costs related to our acquisition of ASP and acquisition-related restructuring in 2019, were less than the costs associated with the ASP, Gordian and Accruent acquisitions in 2018 — unfavorable 170 basis points

INDUSTRIAL TECHNOLOGIES

Our Industrial Technologies segment consists of our Transportation Technologies and Franchise Distribution businesses. Our Transportation Technologies business is a leading worldwide provider of solutions and services focused on fuel dispensing, remote fuel management, point-of-sale and payment systems, environmental compliance, vehicle tracking and fleet management, and traffic management. Our Franchise Distribution business manufactures and distributes professional tools and a full-line of wheel service equipment.

Industrial Technologies Selected Financial Data

	Three Months Ended		Nine Months Ended	
($ in millions)	September 27, 2019	September 28, 2018	September 27, 2019	September 28, 2018
Sales	$ 743.8	$ 707.1	$ 2,120.8	$ 2,040.4
Operating profit	146.0	141.7	404.2	370.5
Depreciation	13.9	13.7	40.0	40.5
Amortization	7.9	7.5	24.1	22.9
Operating profit as a % of sales	19.6%	20.0%	19.1%	18.2%
Depreciation as a % of sales	1.9%	1.9%	1.9%	2.0%
Amortization as a % of sales	1.1%	1.1%	1.1%	1.1%

Components of Sales Growth

	% Change Three Months Ended September 27, 2019 vs. Comparable 2018 Period	% Change Nine Months Ended September 27, 2019 vs. Comparable 2018 Period
Total revenue growth (GAAP)	**5.2 %**	**3.9 %**
Existing businesses (Non-GAAP)	6.5 %	5.7 %
Acquisitions (Non-GAAP)	0.1 %	0.5 %
Currency exchange rates (Non-GAAP)	(1.4)%	(2.3)%

Sales from existing businesses in our Transportation Technologies businesses grew high-single digits during both the three and nine months ended September 27, 2019 as compared to the comparable periods of 2018. Geographically, demand from existing businesses increased in North America and Western Europe and was partially offset by declines in Asia during both the three and nine months ended September 27, 2019. The results in both periods were largely attributable to broad based demand for fuel management systems, specifically in North America and Europe, as well as demand for payment solutions. In addition, demand for fuel management systems in China contributed to growth during the nine months ended September 27, 2019. Sales from existing businesses in North America were favorably impacted in both periods by the approaching deadline of the liability shift related to the outdoor EMV global standards.

Sales from existing businesses in our Franchise Distribution businesses increased at a low-single digit rate during the three months ended September 27, 2019 and were relatively flat during the nine months ended September 27, 2019, as compared to the comparable periods of 2018. The results in both periods were due to increased demand for hardline tools and shop equipment that was largely offset by declines in wheel service equipment.

Year-over-year price increases in our Industrial Technologies segment contributed 1.1% and 1.9% to sales growth during the three and nine months ended September 27, 2019, respectively, as compared to the comparable periods of 2018, and are reflected as a component of the change in sales from existing businesses.

Operating profit margin decreased 40 basis points during the three months ended September 27, 2019 as compared to the comparable period of 2018. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2019 sales volumes from existing businesses, price increases, favorable sales mix, and incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives that were partially offset by increased material costs associated primarily with inflationary pressures and recently enacted tariffs and changes in foreign currency exchange rates — favorable 190 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Transaction costs related to the planned separation of Fortive into two independent, publicly traded companies — unfavorable 230 basis points

Operating profit margin increased 90 basis points during the nine months ended September 27, 2019 as compared to the comparable period of 2018. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2019 sales volumes from existing businesses, price increases, and incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives that were partially offset by increased material costs associated primarily with inflationary pressures and recently enacted tariffs and changes in foreign currency exchange rates — favorable 190 basis points

Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Transaction costs related to the planned separation of Fortive into two independent, publicly traded companies — unfavorable 90 basis points
- The incremental year-over-year net dilutive effect of acquired businesses — unfavorable 10 basis points

COST OF SALES AND GROSS PROFIT

($ in millions)	Three Months Ended September 27, 2019	Three Months Ended September 28, 2018	Nine Months Ended September 27, 2019	Nine Months Ended September 28, 2018
Sales	$ 1,860.0	$ 1,601.2	$ 5,317.6	$ 4,695.2
Cost of sales	(932.3)	(775.3)	(2,673.2)	(2,272.2)
Gross profit	$ 927.7	$ 825.9	$ 2,644.4	$ 2,423.0
Gross profit margin	49.9%	51.6%	49.7%	51.6%

The year-over-year increase in cost of sales during the three and nine months ended September 27, 2019, as compared to the comparable periods in 2018, is due primarily to the impact of incremental cost of sales from our recently acquired businesses, higher year-over-year sales volumes from existing businesses, and increased material costs associated primarily with inflationary pressures and recently enacted tariffs that were partly offset by cost savings associated with restructuring and productivity improvement initiatives, material cost and supply chain improvement actions, and changes in currency exchange rates.

The year-over-year increase in gross profit for the three and nine months ended September 27, 2019, as compared to the comparable periods in 2018, is due primarily to the favorable impact of pricing improvements from existing businesses, higher year-over-year sales volumes, including sales volumes from our recently acquired businesses, incremental year-over-year cost savings associated with restructuring and productivity improvement initiatives, and material cost and supply chain improvement actions. These factors were partially offset by increased material costs associated primarily with inflationary pressures and recently enacted tariffs and changes in currency exchange rates.

The respective 170 basis point and 190 basis point decrease in gross profit margins for the three and nine months ended September 27, 2019, as compared to the comparable periods in 2018, is due primarily to unfavorable sales mix, acquisition-related fair value adjustments to deferred revenue and inventory, and increased material costs associated primarily with inflationary pressures and recently enacted tariffs. We expect the acquisition-related fair value adjustments to deferred revenue to continue to impact margins during the remainder of 2019.

OPERATING EXPENSES

($ in millions)	Three Months Ended September 27, 2019	Three Months Ended September 28, 2018	Nine Months Ended September 27, 2019	Nine Months Ended September 28, 2018
Sales	$ 1,860.0	$ 1,601.2	$ 5,317.6	$ 4,695.2
Selling, general and administrative (“SG&A”) expenses	566.5	440.6	1,590.0	1,233.6
Research and development (“R&D”) expenses	119.1	103.7	345.5	305.5
SG&A as a % of sales	30.5%	27.5%	29.9%	26.3%
R&D as a % of sales	6.4%	6.5%	6.5%	6.5%

SG&A expenses increased during the three and nine months ended September 27, 2019, as compared to the comparable periods of 2018, due to higher amortization and incremental expenses from our recently acquired businesses, costs associated with the ASP acquisition and the planned separation of Fortive into two independent, publicly traded companies, and sales and marketing growth initiatives, partially offset by year-over-year cost savings associated with restructuring and productivity improvement initiatives and changes in currency exchange rates for both respective periods.

On a year-over-year basis, SG&A expenses as a percentage of sales increased 300 basis points and 360 basis points in the three and nine months ended September 27, 2019, respectively, due to higher amortization and relative spending levels at our recently acquired businesses, costs associated with the ASP acquisition and the planned separation of Fortive into two independent, publicly traded companies, and sales and marketing growth initiatives for both periods.

R&D expenses (consisting principally of internal and contract engineering personnel costs) increased during the three and nine months ended September 27, 2019, as compared to the comparable periods of 2018, due to incremental year-over-year investments in product development initiatives and incremental expenses from our recently acquired businesses. On a year-over-year basis, R&D expenses as a percentage of sales were relatively flat during the three and nine months ended September 27, 2019.

INTEREST COSTS

For a discussion of our outstanding indebtedness, refer to Note 6 to the accompanying consolidated condensed financial statements.

Net interest expense for the three and nine months ended September 27, 2019 was $47 million and $117 million, respectively. Net interest expense for the three and nine months ended September 28, 2018 was $23 million and $70 million, respectively. The increase in interest expense for both periods was due to higher year-over-year average debt balances used to fund acquisitions.

INCOME TAXES

Our effective tax rates for the three and nine months ended September 27, 2019 were 11.8% and 13.5%, respectively, as compared to 17.0% and 16.4% for the three and nine months ended September 28, 2018, respectively. The year-over-year decrease was due primarily to increases in favorable impacts of certain federal and international tax benefits and favorable impacts of a higher mix of income in jurisdictions with lower tax rates than the U.S. federal statutory rate of 21%.

Our effective tax rate for 2019 and 2018 differs from the U.S. federal statutory rate of 21% due primarily to the positive and negative effects of the Tax Cuts and Jobs Act ("TCJA"), U.S. federal permanent differences, the impact of credits and deductions provided by law, and earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate.

COMPREHENSIVE INCOME

Comprehensive income decreased by $67 million during the three months ended September 27, 2019 as compared to the comparable period in 2018 due primarily to net earnings that were lower by $38 million and unfavorable changes in foreign currency translation adjustments of $29 million.

Comprehensive income decreased by $203 million during the nine months ended September 27, 2019 as compared to the comparable period in 2018 due primarily to net earnings that were lower by $255 million, partially offset by favorable changes in foreign currency translation adjustments of $53 million.

INFLATION

The effect of inflation on our sales and net earnings was not significant in the three and nine month periods ended September 27, 2019.

LIQUIDITY AND CAPITAL RESOURCES

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. We generate substantial cash from operating activities and expect that our operating cash flow and other sources of liquidity will be sufficient to allow us to continue to invest in existing businesses, consummate strategic acquisitions, make interest payments on our outstanding indebtedness, and manage our capital structure on a short and long-term basis.

Overview of Cash Flows and Liquidity

Following is an overview of our cash flows and liquidity for the nine months ended September 27, 2019:

	Nine Months Ended	
($ in millions)	September 27, 2019	September 28, 2018
Total operating cash provided by continuing operations	$ 800.4	$ 778.9
Cash paid for acquisitions, net of cash received	$ (3,387.7)	$ (2,825.2)
Payments for additions to property, plant and equipment	(79.6)	(76.8)
All other investing activities	—	4.0
Total investing cash used in continuing operations	$ (3,467.3)	$ (2,898.0)
Net proceeds from (repayments of) commercial paper borrowings	$ 695.5	$ (64.3)
Proceeds from borrowings (maturities longer than 90 days), net of issuance costs of $24.3 million for the nine months ended September 27, 2019	2,413.2	1,750.0
Repayment of borrowings (maturities greater than 90 days)	(455.3)	(725.0)
Proceeds from issuance of mandatory convertible preferred stock net of $43.0 million of issuance costs	—	1,337.4
Payment of common stock cash dividend to shareholders	(70.3)	(73.2)
Payment of mandatory convertible preferred stock cash dividend to shareholders	(34.5)	(17.6)
All other financing activities	16.4	27.2
Total financing cash provided by continuing operations	$ 2,565.0	$ 2,234.5

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, various employee liabilities, restructuring activities and other items impact reported cash flows.

Cash flows from operating activities were approximately $800 million during the first nine months of 2019, an increase of $22 million, as compared to the comparable period of 2018. The year-over-year change in operating cash flows was primarily attributable to the following factors:

- 2019 operating cash flows were impacted by lower net earnings for the first nine months of 2019 as compared to the comparable period in 2018. Net earnings for the nine months ended September 27, 2019 were impacted by a year-over-year decrease in operating profits of $175 million and an increase in net interest expense of $46 million associated with our financing activities related to recent acquisitions that were partially offset by the non-cash $41 million gain on the combination of our Tektronix Video Business with Telestream, LLC. The year-over-year decrease in operating profit was also impacted by costs associated with both the planned separation of Fortive into two independent, publicly traded companies and the transaction and integration costs associated with the ASP acquisition, and a net year-over-year increase in depreciation and amortization expenses of $137 million largely attributable to recently acquired businesses. Depreciation and amortization are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.

- The aggregate of accounts receivable, inventories and trade accounts payable used $72 million of cash during the first nine months of 2019 as compared to using $118 million in the comparable period of 2018. The amount of cash flow generated from or used by the aggregate of accounts receivable, inventories and trade accounts payable depends upon how effectively we manage the cash conversion cycle, which effectively represents the number of days that elapse from the day we pay for the purchase of raw materials and components to the collection of cash from our customers, and can be significantly impacted by the timing of collections and payments in a period. The use of cash during the first nine months of 2019 was largely due to our working capital management, partially offset by the acquisition of ASP, as we did not acquire accounts receivable and accounts payable from Johnson & Johnson. We expect ASP to continue to invest in working capital throughout 2019.

- The aggregate of prepaid expenses and other assets and accrued expenses and other liabilities provided $12 million of cash during the first nine months of 2019 as compared to providing $8 million of cash in the comparable period of 2018. The year over year change was largely driven by the timing of tax payments and various employee benefit accruals.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures. Net cash used in investing activities increased $569 million during the nine months ended September 27, 2019 as compared to the comparable period of 2018, due primarily to business acquisitions completed in 2019.

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting product development initiatives, improving information technology systems and purchasing equipment that is used in revenue arrangements with customers. For the full year 2019, we expect capital spending to be between approximately $125 million and $135 million, which includes approximately $20 million of one-time capital expenditures related to the integration of the ASP acquisition. Actual expenditures will ultimately depend on business conditions.

Financing Activities and Indebtedness

Cash flows from financing activities consist primarily of cash flows associated with the issuance of equity, the issuance and repayments of debt and commercial paper, and payments of quarterly cash dividends to shareholders. Financing activities generated cash of $2.6 billion during the nine months ended September 27, 2019, of which $1.4 billion was due to the issuance of our 0.875% senior convertible notes and $1.0 billion was related to the issuance of our 364-day delayed-draw term loan facility due in 2020 (“2020 Delayed-Draw Term Loan”), which was partially offset by the repayment of $400 million of our 2019 delayed draw term loan and $55 million of our 1.80% senior unsecured notes. In the comparable 2018 period, financing activities generated cash of approximately $2.2 billion. In the nine months ended September 27, 2019, we made net borrowings of commercial paper under the U.S. and Euro commercial paper programs (“Commercial Paper Programs”) of $696 million and paid $105 million of cash dividends to shareholders of our common stock and MCPS.

Convertible Senior Notes

On February 22, 2019, we issued $1.4 billion in aggregate principal amount of our 0.875% Convertible Senior Notes due 2022 (the “Convertible Notes”), including $187.5 million in aggregate principal amount resulting from an exercise in full of an over-allotment option, to fund, in part, the ASP acquisition. The Convertible Notes bear interest at a rate of 0.875% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2019. The Convertible Notes mature on February 15, 2022, unless earlier repurchased or converted in accordance with their terms prior to such date.

The Convertible Notes are convertible into shares of our common stock at an initial conversion rate of 9.3777 shares per $1,000 principal amount of Convertible Notes (which is equivalent to an initial conversion price of $106.64 per share), subject to adjustment upon the occurrence of certain events. The initial conversion price represents a premium of approximately 32.5% to the $80.48 per share closing price of our common stock on February 19, 2019. Upon conversion of the Convertible Notes, holders will receive cash, shares of our common stock, or a combination thereof, at our election. Our current intention is to settle such conversions through cash up to the principal amount of the converted Convertible Notes and, if applicable, through shares of our common stock for conversion value, if any, in excess of the principal amount of the converted Convertible Notes.

Delayed-Draw Term Loan Due 2020

On March 1, 2019, we entered into the credit facility agreement that provides for a 364-day delayed-draw term loan facility in an aggregate principal amount of $1.0 billion. On March 20, 2019, we drew down the full $1.0 billion available under the 2020 Delayed-Draw Term Loan in order to fund, in part, the ASP Acquisition. The 2020 Delayed-Draw Term Loan bears interest at a variable rate equal to the London inter-bank offered rate plus a ratings based margin currently at 75 basis points. As of September 27, 2019, borrowings under this facility bore an interest rate of 2.78% per annum. The 2020 Delayed-Draw Term Loan is prepayable at our option, and we are not permitted to re-borrow once the term loan is repaid. The terms and conditions, including covenants, applicable to the 2020 Delayed-Draw Term Loan are substantially similar to those applicable to the Revolving Credit Facility.

We generally expect to satisfy any short-term liquidity needs that are not met through operating cash flows and available cash primarily through issuances of commercial paper under the Commercial Paper Programs. Credit support for the Commercial Paper Programs is provided by our five-year, $2.0 billion senior unsecured revolving credit facility that expires on November 30, 2023 (“Revolving Credit Facility”). We classified our borrowings outstanding under the Commercial Paper Programs as long-term debt in the accompanying Consolidated Condensed Balance Sheet as of September 27, 2019, as we have the intent and ability, as supported by availability under the Revolving Credit Facility, to refinance these borrowings for at least one year from the balance sheet date. As commercial paper obligations mature, we may issue additional short-term commercial paper obligations to refinance all or part of these borrowings.

We had $2.0 billion available under the Revolving Credit Facility as of September 27, 2019. Of this amount, approximately $1.3 billion was being used to backstop outstanding U.S. and Euro commercial paper balances. Accordingly, we had the ability to incur an additional $656 million of indebtedness under the Revolving Credit Facility as of September 27, 2019. Refer to Note 6 of the consolidated condensed financial statements for information regarding our financing activities and indebtedness.

The availability of the Revolving Credit Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Commercial Paper Programs. We expect to limit any borrowings under the Revolving Credit Facility to amounts that would leave sufficient credit available under the facility to allow us to borrow, if needed, to repay all of the outstanding commercial paper as it matures.

As of September 27, 2019, commercial paper outstanding under the U.S. dollar-denominated commercial paper program had an annual effective rate of 2.34% and a weighted average remaining maturity of approximately 15 days. As of September 27, 2019, commercial paper outstanding under the Euro-denominated commercial paper program had an annual effective rate of (0.10)% and a weighted average remaining maturity of approximately 39 days.

Pursuant to our term loan agreement, $1.0 billion of our long-term debt is scheduled for maturity and repayment within 12 months. Accordingly, we have classified this as current debt on the accompanying Consolidated Condensed Balance Sheet.

Dividends

Aggregate cash payments for preferred and common stock dividends paid to shareholders during the nine months ended September 27, 2019 were $105 million and were recorded as dividends to shareholders in the Consolidated Condensed Statement of Changes in Equity and the Consolidated Condensed Statement of Cash Flows.

Cash and Cash Requirements

As of September 27, 2019, we held approximately $1.1 billion of cash and cash equivalents that were invested in highly liquid investment-grade instruments with a maturity of 90 days or less with an annual effective interest rate that approximated 0.6% during the three months ended September 27, 2019. Approximately 90% of the $1.1 billion of cash and cash equivalents we held as of September 27, 2019 was held outside of the United States.

We have cash requirements to support working capital needs, capital expenditures and acquisitions, pay interest and service debt, pay taxes and any related interest or penalties, fund our restructuring activities and pension plans as required, pay dividends to shareholders and support other business needs or objectives. With respect to our cash requirements, we generally intend to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, we may also borrow under our commercial paper programs or credit facilities, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under our commercial paper programs and/or access the capital markets. We also may from time to time access the capital markets, including to take advantage of favorable interest rate environments or other market conditions.

The TCJA eliminated the U.S. tax cost for qualified repatriation beginning in 2018. Foreign cumulative earnings remain subject to foreign remittance taxes. We have made an election regarding the amount of earnings that we do not intend to repatriate due to local working capital needs, local law restrictions, high foreign remittance costs, previous investments in physical assets and acquisitions, or future growth needs. For most of our foreign operations, we make an assertion regarding the amount of earnings in excess of intended repatriation that are expected to be held for indefinite reinvestment. No provisions for foreign remittance taxes have been made with respect to earnings that are planned to be reinvested indefinitely. The amount of foreign remittance taxes that may be applicable to such earnings is not readily determinable given local law restrictions that may apply to a portion of such earnings, unknown changes in foreign tax law that may occur during the applicable restriction periods caused by applicable local corporate law for cash repatriation, and the various tax planning alternatives we could employ if we repatriated these earnings.

As of September 27, 2019, we expect to have sufficient liquidity to satisfy our cash needs for the foreseeable future, including our cash needs in the United States.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes during the three and nine month periods ended September 27, 2019 to the items we disclosed as our critical accounting estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk appear in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Instruments and Risk Management," in our 2018 Annual Report on Form 10-K. There were no material changes during the three months ended September 27, 2019 to the information reported in our 2018 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of the President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, have concluded that, as of the end of such period, these disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Information Relating to Forward-Looking Statements," in Part I - Item 2 of this Form 10-Q and in the "Risk Factors" section of our 2018 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended June 28, 2019 (the "Prior 10-Q"). Other than as provided below, there were no material changes during the quarter ended September 27, 2019 to the risk factors reported in the "Risk Factors" section of our 2018 Annual Report on Form 10-K and the Prior 10-Q.

Our plans to separate into two independent, publicly traded companies may not be completed on the currently contemplated timeline or at all and may not achieve the intended benefits.

On September 4, 2019, we announced our intention to separate into two independent, publicly traded companies. The separation, if effectuated, will create, (i) an industrial technology company, retaining the Fortive name, with a differentiated portfolio of growth-oriented businesses and (ii) a global industrial company ("NewCo") focused on the growth opportunities in the rapidly evolving transportation and mobility markets.

Our ability to effectuate the separation, the structure of the separation and the anticipated benefits of the separation may be adversely and materially impacted by adverse market conditions, possible delays in obtaining various tax rulings, regulatory approvals or clearances, uncertainty of the financial markets, our business performance and unanticipated delays in establishing infrastructure or processes for NewCo. In addition, the cost and resources required to effectuate the separation may be significantly higher than what we currently anticipate.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the fiscal quarter ended September 27, 2019, we acquired the following shares in settlement of the withholding obligations pertaining to vesting of our Performance Stock Awards:

Period	Total number of shares (or units) purchased [(1)]	Average price paid per share (or unit) [(1)]	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
June 29 - July 31	5,081	$ 76.05	N/A	N/A
August 1 - August 31	—	—	N/A	N/A
September 1 - September 27	—	—	N/A	N/A
Total	5,081	$ 76.05	N/A	N/A

[(1)] In connection with the vesting on July 31, 2019 of Performance Stock Awards ("PSAs") of the Company granted to James A. Lico on July 4, 2016 and in accordance with the terms of the Company's 2016 Stock Incentive Plan, the Company withheld 5,081 shares of the Company's common stock based on the corresponding closing price to offset tax withholding obligations that arose upon vesting of the PSAs.

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ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Fortive Corporation (incorporated by reference to Exhibit 3.1 to Fortive Corporation's Current Report on Form 8-K filed on June 9, 2017, File No. 1-37654).
3.2	Amended and Restated Bylaws of Fortive Corporation (incorporated by reference to Exhibit 3.2 to Fortive Corporation's Current Report on Form 8-K filed on June 9, 2017, File No 1-37654).
3.3	Certificate of Designations of the 5.00% Mandatory Convertible Preferred Stock, Series A (incorporated by reference to Exhibit 3.1 to Fortive Corporation's Current Report on Form 8-K filed on June 29, 2018, File No 1-37654).
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (1) - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document (1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (1)
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended September 27, 2019, formatted in Inline XBRL and contained in Exhibit 101

(1) Exhibit 101 to this report includes the following documents formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets as of September 27, 2019 and December 31, 2018, (ii) Consolidated Condensed Statements of Earnings for the three and nine months ended September 27, 2019 and September 28, 2018, (iii) Consolidated Condensed Statements of Comprehensive Income for the three and nine months ended September 27, 2019 and September 28, 2018, (iv) Consolidated Condensed Statement of Changes in Equity for the three months ended September 27, 2019 and September 28, 2018, (v) Consolidated Condensed Statements of Cash Flows for the nine months ended September 27, 2019 and September 28, 2018, and (vi) Notes to Consolidated Condensed Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORTIVE CORPORATION:

Date: October 24, 2019	By: /s/ Charles E. McLaughlin Charles E. McLaughlin Senior Vice President and Chief Financial Officer
Date: October 24, 2019	By: /s/ Emily A. Weaver Emily A. Weaver Chief Accounting Officer

Exhibit 31.1

Certification

I, James A. Lico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fortive Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	October 24, 2019	By:	/s/ James A. Lico
			James A. Lico
			President and Chief Executive Officer

Exhibit 31.2

Certification

I, Charles E. McLaughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fortive Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	October 24, 2019	By:	/s/ Charles E. McLaughlin
			Charles E. McLaughlin
			Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James A. Lico, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date:	October 24, 2019	By:	/s/ James A. Lico
			James A. Lico
			President and Chief Executive Officer

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that Fortive Corporation specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles E. McLaughlin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date:	October 24, 2019	By:	/s/ Charles E. McLaughlin
			Charles E. McLaughlin
			Senior Vice President and Chief Financial Officer

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that Fortive Corporation specifically incorporates it by reference.