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: April 1, 2022

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 symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	FTV	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 April 25, 2022 was 358,447,899.

FORTIVE CORPORATION

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ITEM 1. FINANCIAL STATEMENTS

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

	As of	
	April 1, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and equivalents	$ 684.3	$ 819.3
Accounts receivable, net	929.0	930.2
Inventories:		
Finished goods	232.0	215.4
Work in process	103.0	94.0
Raw materials	218.3	203.3
Inventories	553.3	512.7
Prepaid expenses and other current assets	281.1	252.7
Total current assets	2,447.7	2,514.9
Property, plant and equipment, net of accumulated depreciation of $723.2 and $679.0 at April 1, 2022 and December 31, 2021, respectively	412.6	395.5
Other assets	484.3	512.9
Goodwill	9,132.9	9,152.0
Other intangible assets, net	3,788.9	3,890.2
Total assets	$ 16,266.4	$ 16,465.5
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	999.8	2,151.7
Trade accounts payable	576.1	557.9
Accrued expenses and other current liabilities	985.7	1,005.3
Total current liabilities	2,561.6	3,714.9
Other long-term liabilities	1,399.2	1,426.3
Long-term debt	2,738.9	1,807.3
Commitments and Contingencies		
Equity:		
Preferred stock: $0.01 par value, 15.0 million shares authorized and no shares issued or outstanding at April 1, 2022 and December 31, 2021	—	—
Common stock: $0.01 par value, 2.0 billion shares authorized; 360.9 and 360.4 million issued; 358.4 and 359.1 million outstanding at April 1, 2022 and December 31, 2021, respectively	3.6	3.6
Additional paid-in capital	3,619.1	3,670.0
Treasury shares, at cost:	(63.8)	—
Retained earnings	6,226.4	6,023.6
Accumulated other comprehensive loss	(223.9)	(185.0)
Total Fortive stockholders’ equity	9,561.4	9,512.2
Noncontrolling interests	5.3	4.8
Total stockholders’ equity	9,566.7	9,517.0
Total liabilities and equity	$ 16,266.4	$ 16,465.5

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	
	April 1, 2022	April 2, 2021
Sales of products and software	$ 1,152.7	$ 1,077.2
Sales of services	223.8	182.0
Total sales	1,376.5	1,259.2
Cost of product and software sales	(465.1)	(444.3)
Cost of service sales	(119.4)	(103.0)
Total cost of sales	(584.5)	(547.3)
Gross profit	792.0	711.9
Operating costs:		
Selling, general and administrative expenses	(480.6)	(428.1)
Research and development expenses	(99.1)	(86.2)
Operating profit	212.3	197.6
Non-operating income (expense), net:		
Interest expense, net	(18.8)	(27.7)
Loss on extinguishment of debt	—	(104.9)
Gain on investment in Vontier Corporation	—	57.0
Other non-operating expense, net	(2.7)	(3.3)
Earnings from continuing operations before income taxes	190.8	118.7
Income taxes	(25.7)	(7.0)
Net earnings from continuing operations	165.1	111.7
Earnings (loss) from discontinued operations, net of income taxes	—	(1.5)
Net earnings	165.1	110.2
Mandatory convertible preferred dividends	—	(17.3)
Net earnings attributable to common stockholders	$ 165.1	$ 92.9
Net earnings per common share from continuing operations:		
Basic	$ 0.46	$ 0.28
Diluted	$ 0.45	$ 0.28
Net earnings (loss) per share from discontinued operations:		
Basic	$ —	$ —
Diluted	$ —	$ —
Net earnings per share:		
Basic	$ 0.46	$ 0.27
Diluted	$ 0.45	$ 0.27
Average common stock and common equivalent shares outstanding:		
Basic	359.3	338.6
Diluted	368.4	341.7

The sum of net earnings per share amounts 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	
	April 1, 2022	April 2, 2021
Net earnings	$ 165.1	$ 110.2
Other comprehensive income, net of income taxes:		
Foreign currency translation adjustments	(39.4)	(34.7)
Pension adjustments	0.5	1.0
Total other comprehensive income (loss), net of income taxes	(38.9)	(33.7)
Comprehensive income	$ 126.2	$ 76.5

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 Outstanding	**Amount**	**Shares**	**Amount**	**Treasury Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interests**
Balance, December 31, 2021	359.1	$ 3.6	—	$ —	$ —	$ 3,670.0	$ 6,023.6	$ (185.0)	$ 4.8
Adoption of ASU 2020-06	—	—	—	—	—	(65.7)	62.8	—	—
Balance, January 1, 2022	359.1	3.6	—	—	—	3,604.3	6,086.4	(185.0)	4.8
Net earnings for the period	—	—	—	—	—	—	165.1	—	—
Dividends to common shareholders	—	—	—	—	—	—	(25.1)	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	(38.9)	—
Common stock-based award activity	0.5	—	—	—	—	23.8	—	—	—
Common stock repurchases	(1.0)	—	—	—	(63.8)	—	—	—	—
Shares withheld for taxes	(0.2)	—	—	—	—	(9.0)	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	—	0.5
Balance, April 1, 2022	358.4	$ 3.6	—	$ —	$ (63.8)	$ 3,619.1	$ 6,226.4	$ (223.9)	$ 5.3

	Common Stock		Preferred Stock						
	Shares Outstanding	**Amount**	**Shares**	**Amount**	**Treasury Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interests**
Balance, December 31, 2020	339.0	$ 3.4	1.4	$ —	$ —	$ 3,554.5	$ 5,547.4	$ (141.1)	$ 8.5
Net earnings for the period	—	—	—	—	—	—	110.2		
Dividends to common shareholders	—	—	—	—	—	—	(23.7)	—	—
Mandatory convertible preferred stock cumulative dividends	—	—	—	—	—	—	(17.3)	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	(33.7)	—
Common stock-based award activity	(0.4)	—	—	—	—	34.1	—	—	—
Shares withheld for tax	(0.1)	—	—	—	—	(13.2)	—	—	—
Early extinguishment of 0.875% convertible senior notes due 2022	—	—	—	—	—	(11.6)	—	—	—
Change in noncontrolling interest	—	—	—	—	—	—	—	—	(0.8)
Balance, April 2, 2021	338.5	$ 3.4	1.4	$ —	$ —	$ 3,563.8	$ 5,616.6	$ (174.8)	$ 7.7

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended	
	April 1, 2022	April 2, 2021
Cash flows from operating activities:		
Net earnings from continuing operations	$ 165.1	$ 111.7
Noncash items:		
Amortization	96.3	77.5
Depreciation	21.5	19.5
Stock-based compensation expense	19.9	16.6
Loss on extinguishment of debt	—	104.2
Gain on investment in Vontier Corporation	—	(57.0)
Change in trade accounts receivable, net	(1.4)	(26.9)
Change in inventories	(43.2)	(3.8)
Change in trade accounts payable	19.2	(13.0)
Change in prepaid expenses and other assets	(31.4)	3.8
Change in accrued expenses and other liabilities	(31.2)	(80.6)
Total operating cash provided by continuing operations	214.8	152.0
Total operating cash used in discontinued operations	—	(7.2)
Net cash provided by operating activities	214.8	144.8
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash received	0.9	(0.2)
Payments for additions to property, plant and equipment	(18.8)	(8.4)
Net cash used in investing activities	(17.9)	(8.6)
Cash flows from financing activities:		
Payment of 0.875% convertible senior notes due 2022	(1,156.5)	—
Net proceeds from commercial paper borrowings	930.7	—
Repayment of borrowings (maturities greater than 90 days)	—	(611.1)
Payment of common stock cash dividend to shareholders	(25.1)	(23.7)
Payment of mandatory convertible preferred stock cash dividend to shareholders	—	(17.3)
Repurchase of common shares	(63.8)	—
All other financing activities	(17.9)	(2.8)
Net cash used in financing activities	(332.6)	(654.9)
Effect of exchange rate changes on cash and equivalents	0.7	(6.5)
Net change in cash and equivalents	(135.0)	(525.2)
Beginning balance of cash and equivalents	819.3	1,824.8
Ending balance of cash and equivalents	$ 684.3	$ 1,299.6

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 provider of essential technologies for connected workflow solutions across a range of attractive end-markets. Our strategic segments - Intelligent Operating Solutions, Precision Technologies, and Advanced Healthcare Solutions - include well-known brands with leading positions in their markets. Our businesses design, develop, manufacture, and service professional and engineered products, software, and services, building upon leading brand names, innovative technologies, and significant market positions. Our research and development, manufacturing, sales, distribution, service, and administrative facilities are located in more than 50 countries around the world.

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 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, 2021 and the footnotes ("Notes") thereto included within our 2021 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 April 1, 2022 and December 31, 2021, our results of operations and cash flows for the three month periods ended April 1, 2022 and April 2, 2021. Reclassification of certain prior year amounts have been made to conform to current year presentation.

Vontier Separation and Discontinued Operations

On October 9, 2020, we completed the separation of Vontier Corporation ("Vontier"), the entity we created to hold our former Industrial Technologies segment (the "Separation"). The accounting requirements for reporting the Vontier business as a discontinued operation were met when the Separation was completed. Accordingly, the consolidated condensed financial statements reflect the results of separation activities associated with the prior Vontier business as a discontinued operation, which was immaterial for all periods presented.

On January 19, 2021, we completed an exchange (the "Debt-for-Equity Exchange") of 33.5 million shares of common stock of Vontier, representing all of the Retained Vontier Shares, for $1.1 billion in aggregate principal amount of indebtedness of the Company held by Goldman Sachs & Co. Interest expense and extinguishment costs related to the Debt-for-Equity Exchange during the first quarter of 2021 are included in continuing operations.

Segment Presentation

We operate and report our results in three segments, Intelligent Operating Solutions, Precision Technologies, and Advanced Healthcare Solutions, each of which is further described below.

Our Intelligent Operating Solutions segment provides leading workflow solutions to accelerate industrial and facility reliability and performance, as well as compliance and safety across a range of vertical end markets, including manufacturing, process industries, healthcare, utilities and power, communications and electronics, among others. We provide differentiated instrumentation and sensors, software and services to address our customers' toughest workflow challenges.

Our Precision Technologies segment supplies instrumentation and sensing technologies to a broad set of vertical end markets, enabling our customers to accelerate the development, manufacture and launch of innovative products and solutions. We provide our customers with electrical test and measurement instruments and services, energetic material devices, and a broad portfolio of sensor and control system solutions.

Our Advanced Healthcare Solutions segment supplies critical workflow solutions to hospitals and other healthcare customers, enabling safer, more efficient, and higher quality healthcare. We provide hardware, consumables, software and services that optimize our customers' most critical workflows, including instrument sterilization and device reprocessing, instrument tracking, cell therapy equipment design and manufacturing, biomedical test tools, radiation safety monitoring, end-to-end clinical productivity solutions and asset management.

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.

The changes in Accumulated Other Comprehensive Income ("AOCI") by component are summarized below ($ in millions):

	Foreign currency translation adjustments	Pension adjustments [a]	Total
For the Three Months Ended April 1, 2022:			
Balance, December 31, 2021	$ (122.7)	$ (62.3)	$ (185.0)
Other comprehensive income (loss) before reclassifications, net of income taxes	(39.4)	—	(39.4)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	0.6 [b]	0.6
Income tax impact	—	(0.1)	(0.1)
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	(39.4)	0.5	(38.9)
Balance, April 1, 2022	$ (162.1)	$ (61.8)	$ (223.9)
For the Three Months Ended April 2, 2021:			
Balance, December 31, 2020	$ (54.0)	$ (87.1)	$ (141.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	(34.7)	—	(34.7)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	1.3 [b]	1.3
Income tax impact	—	(0.3)	(0.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	1.0	1.0
Net current period other comprehensive income (loss), net of income taxes	(34.7)	1.0	(33.7)
Balance, April 2, 2021	$ (88.7)	$ (86.1)	$ (174.8)

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

[b] This component of AOCI is included in the computation of net periodic pension cost (refer to Note 12 in our most recently filed Form 10-K for additional details).

Allowances for Doubtful Accounts

All trade accounts and unbilled receivables are reported in the Consolidated Condensed Balance Sheet adjusted for any write-offs and net of allowances for credit losses. The allowances for credit losses represent management's best estimate of the credit losses expected from our unbilled and trade accounts receivable portfolios over the life of the underlying assets. Additions to the allowances are charged to current period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances.

The following is a rollforward of the aggregated allowance for credit losses related to our trade accounts receivables as of April 1, 2022 ($ in millions):

Balance, December 31, 2021	$	39.7
Provision		3.4
Write-offs		(3.6)
Foreign currency exchange and other		(0.1)
Balance, April 1, 2022	$	39.4

The allowance for unbilled receivables was immaterial for all periods presented.

Recently Issued Accounting Standard

In August 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which amends the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. On January 1, 2022, we adopted ASU 2020-06 using a modified retrospective approach and recognized in our balance sheet, as of January 1, 2022, a net of tax adjustment to reduce Additional Paid-in Capital by $65.7 million and increase debt by $3.7 million, with a corresponding net of tax adjustment to beginning retained earnings of $62.8 million. These adjustments are related to our 0.875% Convertible Senior Notes (the "Convertible Notes"), which were the only outstanding instruments impacted by the new standard at the time of adoption.

Results for reporting periods beginning January 1, 2022 reflect the adoption of ASU 2020-06, while prior period amounts were not adjusted and continue to be reported in accordance with our historical accounting practices.

Prior to our adoption of ASU 2020-06 on January 1, 2022, we recognized the fair value of the nonconvertible debt component of our Convertible Notes subject to the cash conversion guidance as debt and attributed the residual value to the conversion feature which was recognized in APIC. Subsequent to the issuance of our Convertible Notes in February 2019, we accreted the debt discount as non-cash interest expense in our Statements of Earnings. Further, we applied the treasury stock method to our Convertible Notes when calculating earnings per share ("EPS") in all periods prior to our adoption of ASU 2020-06. After our adoption of ASU 2020-06, we account for convertible debt instruments wholly as debt, unless a convertible instrument contains features that require bifurcation as a derivative under ASC 815 or a convertible debt instrument is issued at a substantial premium.

On January 1, 2022, we reclassified the unamortized cost basis of our outstanding Convertible Notes wholly as debt, which subsequently matured and was settled on February 15, 2022. We applied the if-converted method to all convertible instruments when calculating EPS for the three months ended April 1, 2022. As of April 1, 2022, we had no convertible instruments outstanding subject to the guidance in ASU 2020-06.

NOTE 2. ACQUISITIONS

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 of businesses 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 complementary 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 complementary 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.

During the three month period ended April 1, 2022, adjustments were made to the preliminary purchase price allocation of prior year acquisitions as described below.

Provation

On December 27, 2021, we acquired Provation Software, Inc. ("Provation"), a leading provider of clinical workflow software solutions used in hospitals and ambulatory surgery centers. The acquisition of Provation extends our digital offering and software capabilities in the healthcare space. The total consideration paid was approximately $1.4 billion, net of acquired cash and was primarily financed with proceeds from our financing activities and available cash. We preliminarily recorded $978 million of goodwill related to the acquisition, which is not tax deductible. During the three month period ended April 1, 2022, provisional goodwill increased by $8.1 million for measurement period adjustments. Provation had revenue in 2020 of approximately $90 million and is an operating company within our Advanced Healthcare Solutions segment.

ServiceChannel

On August 24, 2021, we acquired ServiceChannel Holdings, Inc. ("ServiceChannel"), a privately held, global provider of Software as a Service ("SaaS") based multi-site facilities maintenance service solutions with an integrated service-provider network. The acquisition of ServiceChannel broadens our offering of software-enabled solutions for the facility and asset lifecycle workflow. The total consideration paid was approximately $1.2 billion, net of acquired cash, and included approximately $28 million of deferred compensation consideration that is being recognized ratably over a twelve month service period. The ServiceChannel acquisition was primarily financed with available cash and proceeds from our financing activities. We preliminarily recorded approximately $873 million of goodwill related to the acquisition, which is not tax deductible. ServiceChannel had revenue in 2020 of approximately $70 million and is an operating company within our Intelligent Operating Solutions segment.

Revenue and operating loss attributable to the Provation and ServiceChannel acquisitions were $67.3 million and $23.4 million for the three months ended April 1, 2022. The operating loss includes $19.5 million of intangible asset amortization and $20.4 million of transaction and integration costs, primary comprised of compensation cost for employee retention and amounts paid to third party advisors, which are recorded in Selling, general and administration expenses.

The following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed from ServiceChannel and Provation as of April 1, 2022 ($ in millions):

	Provation	ServiceChannel	Total
Accounts receivable	$ 41.6	$ 10.1	$ 51.7
Goodwill	977.6	872.9	1,850.5
Other intangible assets, primarily customer relationships, technology, database, and trade names	586.5	342.9	929.4
Deferred revenue, current	(50.2)	(1.7)	(51.9)
Deferred tax liabilities	(119.4)	(50.8)	(170.2)
Other assets and liabilities, net	(30.5)	(7.5)	(38.0)
Net cash consideration	$ 1,405.6	$ 1,165.9	$ 2,571.5

NOTE 3. GOODWILL

The following is a rollforward of our carrying value of goodwill by segment ($ in millions):

	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions	Total Goodwill
Balance, December 31, 2021	**$ 4,126.0**	**$ 1,840.0**	**$ 3,186.0**	**$ 9,152.0**
Measurement period adjustments for 2021 acquisitions	(0.6)	—	9.3	8.7
Foreign currency translation and other	(10.9)	(13.4)	(3.5)	(27.8)
Balance, April 1, 2022	**$ 4,114.5**	**$ 1,826.6**	**$ 3,191.8**	**$ 9,132.9**

During the three month period ended April 1, 2022, we identified no triggering events indicating a potential impairment of goodwill.

NOTE 4. 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) for identical assets or liabilities in active markets.
- 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
April 1, 2022				
Deferred compensation liabilities	$ —	$ 35.8	$ —	$ 35.8
December 31, 2021				
Deferred compensation liabilities	—	36.0	—	36.0

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 Consolidated Condensed Balance Sheets. Participants may choose among alternative earnings 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.

Nonrecurring Fair Value Measurements

Certain non-financial assets, primarily property, plant, and equipment, goodwill, and intangible assets, are not required to be measured at fair value on a recurring basis and are reported at their carrying value. However, these assets are required to be assessed for impairment whenever events or circumstances indicate that their carrying value may not be fully recoverable, and at least annually for goodwill and indefinite-lived intangible assets.

We evaluated events or circumstances that may indicate the carrying value of our non-financial assets may not be fully recoverable during the three month period ended April 1, 2022, and recorded no impairments.

Fair Value of Financial Instruments

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

	April 1, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current portion of long-term debt	$ 999.8	$ 1,000.0	$ 2,151.7	$ 2,158.3
Long-term debt, net of current maturities	$ 2,738.9	$ 2,767.9	$ 1,807.3	$ 1,978.9

As of April 1, 2022 and December 31, 2021, 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, and commercial paper approximates their carrying amount due to the short-term maturities of these instruments.

NOTE 5. FINANCING AND CAPITAL

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

	April 1, 2022	December 31, 2021
U.S. dollar-denominated commercial paper	$ 1,296.2	$ 364.9
Delayed-Draw Term Loan due 2022	999.8	999.7
3.15% senior unsecured notes due 2026	895.4	895.1
4.30% senior unsecured notes due 2046	547.3	547.3
0.875% senior convertible notes due 2022	—	1,152.0
Long-term debt	3,738.7	3,959.0
Less: current portion of long-term debt	999.8	2,151.7
Long-term debt, net of current maturities	$ 2,738.9	$ 1,807.3

Aggregate unamortized debt discounts, premiums, and issuance costs of $8 million and $13 million as of April 1, 2022 and December 31, 2021, respectively, are netted against the principal amounts of the components of debt in the table above. Refer to Note 11 of our 2021 Annual Report on Form 10-K for further details of our debt financing.

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, including $187.5 million in aggregate principal amount resulting from an exercise in full of an over-allotment option. The Convertible Notes were issued in a private placement to certain initial purchasers for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

Of the $1.4 billion in principal amount 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.

On February 9, 2021, we repurchased $281 million of the Convertible Notes at fair value using the remaining cash proceeds received from Vontier in the Vontier Separation and other cash on hand. In connection with the repurchase, we recorded a loss on debt extinguishment during the three month period ended April 2, 2021 of $10.5 million. In addition, upon repurchase we recorded $11.6 million as a reduction to additional paid-in capital related to the equity component of the repurchased Convertible Notes.

On January 1, 2022, we adopted ASU 2020-06, as further detailed in Note 1. We reclassified the carrying value of the instrument wholly to debt, eliminating the value formerly attributable to the conversion feature and the associated debt issuance costs that were previously classified as equity.

On February 15, 2022, the maturity date of the Convertible Notes, Fortive repaid, in cash, $1.2 billion in outstanding principal and accrued interest thereon.

We recognized $2.1 million in interest expense during the three month period ended April 1, 2022, of which $1.3 million was related to the contractual coupon rate of 0.875% and $0.8 million was attributable to the amortization of debt issuance costs. We recognized $12.2 million in interest expense during the three month period ended April 2, 2021, of which $2.8 million related to the contractual coupon rate of 0.875%, $1.7 million was attributable to the amortization of debt issuance costs, and $7.7 million was attributable to the amortization of the discount.

Other Liquidity Sources

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"). Under these programs, we may issue unsecured promissory notes with maturities not exceeding 397 and 183 days, respectively.

Interest expense on commercial paper is paid at maturity and is generally based on our credit ratings at the time of issuance and prevailing short-term interest rates.

The details of our outstanding Commercial Paper Programs as of April 1, 2022 were as follows ($ in millions):

	Carrying value	Annual effective rate	Weighted average remaining maturity (in days)
U.S. dollar-denominated commercial paper	$ 1,296.2	0.91 %	39

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, to the extent not otherwise providing credit support for our commercial paper programs, can also be used for working capital and other general corporate purposes. As of April 1, 2022, no borrowings were outstanding under the Revolving Credit Facility.

Debt-for-Equity Exchange

On January 19, 2021, we completed the Debt-for-Equity Exchange of 33.5 million shares of common stock of Vontier, representing all of the Retained Vontier Shares, for $1.1 billion in aggregate principal amount of indebtedness of the Company. During the first quarter of 2021 we recognized a gain of $57.0 million related to the subsequent change in the fair value of the Retained Vontier Shares. We recorded a loss on extinguishment of the debt included in the Debt-for-Equity Exchange of $94.4 million in the three month period ended April 2, 2021.

NOTE 6. SALES

We derive revenue primarily from the sale of products and software, 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, software, or services.

Product sales include revenue from the sale of products and equipment, which includes our software and SaaS product offerings and equipment rentals.

Service sales include 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 $72 million as of April 1, 2022 and $71 million as of December 31, 2021.

Contract Costs — We incur and capitalize direct incremental costs to obtain certain contracts, typically sales-related commissions and costs associated with assets used by our customers in certain software arrangements. Deferred sales-related commissions are not capitalized when the amortization period is one year or less, as we elected to use the practical expedient to expense these sales commissions as incurred. As of April 1, 2022 and December 31, 2021, we had $30 million and $27 million, respectively, in net revenue-related contract assets primarily related to certain software contracts. Revenue-related contract assets are recorded in the Prepaid expenses and other current assets and Other assets line items in our Consolidated Condensed Balance Sheets. These assets have estimated useful lives between 3 and 8 years.

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. The noncurrent portion of deferred revenue is included in Other long-term liabilities in the Consolidated Condensed Balance Sheets.

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

	April 1, 2022	December 31, 2021
Deferred revenue - current	$ 491.4	$ 457.6
Deferred revenue - noncurrent	35.8	33.8
Total contract liabilities	$ 527.2	$ 491.4

During the three month period ended April 1, 2022, we recognized revenue related to our contract liabilities at December 31, 2021 of $154 million. The change in our contract liabilities from December 31, 2021 to April 1, 2022 was primarily due to the timing of billings and recognition as revenue of PCS and extended warranty services.

Remaining Performance Obligations — Our remaining performance obligations represent the transaction price of firm, noncancelable orders and the average contract value for software contracts, 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):

	April 1, 2022
Intelligent Operating Solutions	$ 595.3
Precision Technologies	52.1
Advanced Healthcare Solutions	80.2
Total remaining performance obligations	$ 727.6

The majority of remaining performance obligations are related to service and support contracts, which we expect to fulfill approximately 80 percent within the next two years, approximately 90 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 software and services, geographic location, 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 month period ended April 1, 2022 is presented as follows ($ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	$ 1,152.7	$ 500.5	$ 410.6	$ 241.6
Sales of services	223.8	87.1	51.8	84.9
Total	$ 1,376.5	$ 587.6	$ 462.4	$ 326.5
Geographic:				
United States	$ 739.9	$ 321.9	$ 234.0	$ 184.0
China	145.4	47.9	69.3	28.2
All other (each country individually less than 5% of total sales)	491.2	217.8	159.1	114.3
Total	$ 1,376.5	$ 587.6	$ 462.4	$ 326.5
End markets:[(a)]				
Direct sales:				
Medical	$ 353.3	$ 10.3	$ 37.1	$ 305.9
Industrial & Manufacturing	321.9	211.1	103.7	7.1
Utilities & Power	86.3	43.0	43.3	—
Government	105.7	51.6	44.7	9.4
Communication, Electronics & Semiconductor	87.8	23.8	63.4	0.6
Aerospace & Defense	55.4	0.1	55.3	—
Oil & Gas	64.8	62.3	2.5	—
Retail & Consumer	81.2	63.7	17.5	—
Other	153.9	87.5	66.3	0.1
Total direct sales	1,310.3	553.4	433.8	323.1
Distributors	66.2	34.2	28.6	3.4
Total	$ 1,376.5	$ 587.6	$ 462.4	$ 326.5

[(a)] Direct sales by end market include sales made through third-party distributors where we have visibility into the end customer.

Disaggregation of revenue for the three month period ended April 2, 2021 is presented as follows ($ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	$ 1,077.2	$ 453.0	$ 393.1	$ 231.1
Sales of services	182	57.9	54.3	69.8
Total	$ 1,259.2	$ 510.9	$ 447.4	$ 300.9
Geographic:				
United States	$ 620.8	$ 248.2	$ 219.1	$ 153.5
China	164.3	59.5	76.8	28.0
All other (each country individually less than 5% of total sales)	474.1	203.2	151.5	119.4
Total	$ 1,259.2	$ 510.9	$ 447.4	$ 300.9
End markets:[(a)]				
Direct sales:				
Medical	$ 326.8	$ 9.4	$ 35.0	$ 282.4
Industrial & Manufacturing	302.3	196.5	100.0	5.8
Utilities & Power	94.9	54.3	40.6	—
Government	87.9	44.8	34.4	8.7
Communications, Electronics & Semiconductor	87.8	27.5	59.6	0.7
Aerospace & Defense	55.4	—	55.4	—
Oil & Gas	63.3	60.5	2.8	—
Retail & Consumer	45.5	23.5	22.0	—
Other	124.9	56.1	68.8	—
Total direct sales	1,188.8	472.6	418.6	297.6
Distributors	70.4	38.3	28.8	3.3
Total	$ 1,259.2	$ 510.9	$ 447.4	$ 300.9

[(a)] Direct sales by end market include sales made through third-party distributors where we have visibility into the end customer.

NOTE 7. INCOME TAXES

Our effective tax rate for the three month period ended April 1, 2022 was 13.5% as compared to 5.9% for the three month period ended April 2, 2021. The year-over-year increase in the effective tax rate for the three month period ended April 1, 2022 as compared to the three month period ended April 2, 2021 was primarily due to a non-recurring permanent difference on the Q1 2021 gain on our Retained Vontier Shares due to the tax-free treatment of our disposition of the shares through the Debt-for-Equity Exchange and increases in certain federal tax benefits during the three months ended April 1, 2022.

Our effective tax rates for the three month periods ended April 1, 2022 and April 2, 2021, differ from the U.S. federal statutory rate of 21% due primarily to the positive net effects of the Tax Cuts and Jobs Act, U.S. federal permanent differences, the impact of credits and deductions provided by law, and a reduction in our uncertain tax positions. Specific to the three month period ended April 1, 2021, our effective tax rate also differs from the U.S. federal statutory rate of 21% due to a permanent difference on the gain on our Retained Vontier Shares as a result of the tax-free treatment of our disposition of the shares through the Debt-for-Equity Exchange.

NOTE 8. 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 April 1, 2022, approximately 17 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 2021 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 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	
	April 1, 2022	April 2, 2021
Stock Awards:		
Pretax compensation expense	$ 12.7	$ 10.5
Income tax benefit	(1.7)	(1.9)
Stock Award expense, net of income taxes	11.0	8.6
Stock options:		
Pretax compensation expense	7.2	6.1
Income tax benefit	(1.0)	(1.2)
Stock option expense, net of income taxes	6.2	4.9
Total stock-based compensation:		
Pretax compensation expense	19.9	16.6
Income tax benefit	(2.7)	(3.1)
Total stock-based compensation expense, net of income taxes	$ 17.2	$ 13.5

The following summarizes the unrecognized compensation cost for the Stock Plan awards as of April 1, 2022. 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	$ 125.1
Stock options	72.1
Total unrecognized compensation cost	$ 197.2

NOTE 9. COMMITMENTS AND CONTINGENCIES

For a description of our litigation and contingencies and additional information about our leases, refer to Note 16 and Note 10, respectively, in our 2021 Annual Report on Form 10-K.

Warranty

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, 2021	$	25.2
Accruals for warranties issued during the period		2.3
Settlements made		(4.3)
Balance, April 1, 2022	$	23.2

Leases

Operating lease cost for both three month periods ended April 1, 2022 and April 2, 2021 was $15 million. During the three month periods ended April 1, 2022 and April 2, 2021, cash paid for operating leases included in operating cash flows was $14 million and $16 million, respectively. Right-of-use assets obtained in exchange for operating lease obligations were $2 million and $9 million during the three month periods ended April 1, 2022 and April 2, 2021, respectively. Operating lease right-of-use assets and operating lease liabilities are reported on the Consolidated Condensed Balance Sheets within Other assets, Accrued expenses and other current liabilities and Other long-term liabilities, respectively.

NOTE 10. NET EARNINGS PER SHARE

Basic net 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 conversion of Convertible Notes and associated issuance of shares under the if-converted method and 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. Anti-dilutive options excluded from the diluted EPS calculation for the three month periods ended April 1, 2022 and April 2, 2021 were 3.1 million and 0.1 million, respectively.

As described in Note 5, upon conversion of the Convertible Notes, holders were entitled to receive cash, shares of our common stock, or a combination thereof, at our election. As described in Note 1, prior to our adoption of ASU 2020-06 on January 1, 2022, we accounted for the conversion feature under the treasury stock method in our calculation of EPS since we intended and had the ability 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. Because the fair value of our common stock was below the conversion price, the Convertible Notes had no impact on our earnings per share for the three month period ended April 2, 2021. Upon adopting ASU 2020-06 on January 1, 2022, we accounted for the Convertible Notes under the if-converted method in our calculation of diluted EPS, as required under the new guidance.

On July 1, 2021, all outstanding shares of our 5.0% Mandatory Convertible Preferred Stock ("MCPS") converted at a rate of 14.0978 common shares per share of preferred stock into an aggregate of approximately 19.4 million shares (net of fractional shares) of the Company's common stock, pursuant to the terms of the Certificate of Designation governing the Series A Preferred Stock. Fortive issued cash in lieu of fractional shares of common stock in the conversion. These payments were recorded as a reduction to additional paid-in capital. The impact of the MCPS calculated under the if-converted method was anti-dilutive for the three months ended April 2, 2021.

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	
	April 1, 2022	April 2, 2021
Numerator		
Net earnings from continuing operations	$ 165.1	$ 111.7
Mandatory convertible preferred stock cumulative dividends	—	(17.3)
Convertible note interest add-back (if converted method)	1.8	$ —
Diluted Net Earnings from Continuing Operations	$ 166.9	$ 94.4
Denominator		
Weighted average common shares outstanding used in basic earnings per share	359.3	338.6
Incremental common shares from:		
Assumed exercise of dilutive options and vesting of dilutive Stock Awards	2.7	3.1
Conversion of convertible notes (if converted method)	6.4	—
Weighted average common shares outstanding used in diluted earnings per share	368.4	341.7
Net earnings from continuing operations per common share - Basic	$ 0.46	$ 0.28
Net earnings from continuing operations per common share - Diluted	$ 0.45	$ 0.28

We declared and paid cash dividends per common share for the periods as presented below. We declared and paid the MCPS dividend in the first quarter of 2021.

	Dividend Per Common Share	Amount ($ in millions)	Dividend per MCPS	Amount ($ in millions)
2022:				
First quarter	$ 0.07	$ 25.1	$ —	$ —
Total	$ 0.07	$ 25.1	$ —	$ —
2021:				
First quarter	$ 0.07	$ 23.7	$ 12.5	$ 17.3
Total	$ 0.07	$ 23.7	$ 12.5	$ 17.3

* The sum of the components of total dividends paid may not equal the total amount due to rounding.

On April 7, 2022, we declared a regular quarterly cash dividend of $0.07 per share payable on June 24, 2022 to common stockholders of record on May 27, 2022.

Share Repurchase Program

On February 17, 2022, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 20 million shares of the Company's outstanding common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the repurchase program, and the timing and amount of repurchases under the program are determined by the Company's management based on market conditions and other factors. The repurchase program may be suspended or discontinued at any time by the Board of Directors. As of April 1, 2022, there were 19.0 million shares remaining for repurchase under the program.

NOTE 11. SEGMENT INFORMATION

We report our results in three separate business segments consisting of Intelligent Operating Solutions, Precision Technologies, and Advanced Healthcare Solutions. Our chief operating decision maker assesses performance and allocates resources based on our operating segments, which are also our reportable segments. 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	
	April 1, 2022	April 2, 2021
Sales:		
Intelligent Operating Solutions	$ 587.6	$ 510.9
Precision Technologies	462.4	447.4
Advanced Healthcare Solutions	326.5	300.9
Total	$ 1,376.5	$ 1,259.2
Operating Profit:		
Intelligent Operating Solutions	$ 107.0	$ 108.1
Precision Technologies	101.4	95.9
Advanced Healthcare Solutions	28.0	18.9
Other	(24.1)	(25.3)
Total Operating Profit	212.3	197.6
Interest expense, net	(18.8)	(27.7)
Loss on extinguishment of debt	—	(104.9)
Gain on investment in Vontier Corporation	—	57.0
Other non-operating expense, net	(2.7)	(3.3)
Earnings from continuing operations before income taxes	$ 190.8	$ 118.7

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 provider of essential technologies for connected workflow solutions across a range of attractive end-markets. Our strategic segments - Intelligent Operating Solutions, Precision Technologies, and Advanced Healthcare Solutions - include well-known brands with leading positions in their markets. Our businesses design, develop, manufacture, and service professional and engineered products, software, and services, building upon leading brand names, innovative technologies, and significant market positions. We are headquartered in Everett, Washington and employ a team of more than 18,000 research and development, manufacturing, sales, distribution, service, and administrative employees in more than 50 countries around the world.

On October 9, 2020, we completed the separation of Vontier Corporation ("Vontier"), the entity we created to hold our former Industrial Technologies segment (the "Separation"). The accounting requirements for reporting the Vontier business as a discontinued operation were met when the Separation was completed. Accordingly, the consolidated condensed financial statements reflect the results of separation activities associated with the prior Vontier business as a discontinued operation, which was immaterial for all periods presented.

On January 19, 2021, we completed an exchange (the "Debt-for-Equity Exchange") of 33.5 million shares of common stock of Vontier, representing all of the Retained Vontier Shares, for $1.1 billion in aggregate principal amount of indebtedness of the Company held by Goldman Sachs & Co. Interest expense and extinguishment costs related to the Debt-for-Equity Exchange during the first quarter of 2021 are included in continuing operations.

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 financial statements included in our 2021 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, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into, including the expected impact of trade and tariff policies; 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 of 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 they believe to be appropriate. 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, among others, the following:

Risk Related to Our Business Operations

- The effect of the COVID-19 pandemic, including the corresponding government-mandated mitigation efforts, on our global operations and the operations of our customers, suppliers, and vendors is continuing to have a material, adverse impact on our business and results of operations.
- If we cannot adjust our manufacturing capacity, supply chain management or the purchases required for our manufacturing activities to reflect changes in market conditions, customer demand and supply chain or transportation disruptions, 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 financial results are subject to fluctuations in the cost and availability of commodities or components that we use in our operations.
- 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 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.
- 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.
- If we are unable to recruit and retain key employees, our business may be harmed.
- 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 restructuring activities could have long-term adverse effects on our business.
- Work stoppages, 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.
- 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.
- 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.

Risk Related to our International Operations

- International economic, political, legal, compliance, and business factors including, but not limited to, the impact of the invasion of Ukraine by Russia and the corresponding sanctions and supply chain disruptions, could negatively affect our financial statements.

- Trade relations between China and the United States could have a material adverse effect on our business and financial statements.
- Foreign currency exchange rates may adversely affect our financial statements.

Risk Related to Our Acquisitions, Investments, and Dispositions

- Any inability to consummate acquisitions at our anticipated rate and at appropriate prices could negatively impact our growth rate and stock price.
- Our acquisition of businesses, joint ventures, and strategic relationships could negatively impact our financial statements.
- 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.
- Potential indemnification liabilities to Vontier pursuant to the separation agreement could materially and adversely affect our businesses, financial condition, results of operations, and cash flows.

Risk Related to Regulatory and Compliance Matters

- Changes in industry standards and governmental regulations may reduce demand for our products or services or increase our expenses.
- 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 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.

Risk Related to Our Tax and Accounting Matters

- 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 could incur significant liability if any of our separation from Danaher, our separation of our Automation and Specialty business or our separation of Vontier (collectively, the “Separation Transactions”) is determined to be a taxable transaction**.**
- Changes in U.S. GAAP could adversely affect our reported financial results and may require significant changes to our internal accounting systems and processes.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.

Risk Related to Our Financing Activities

- 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.

Risk Related to Shareholder Rights

- 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.
- 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.

See “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for 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 (or such earlier date as may be specified in such statement). 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 multinational business with global operations with approximately 49% of our sales derived from customers outside of the United States in 2021. As a company with global operations, 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 products, software, and services we offer, 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 their sales, to the extent possible, 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, continue to reduce costs and improve operating efficiency and quality, attract relevant talent and retain, grow, and empower our talented workforce, 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.

Provation Acquisition

On December 27, 2021, we acquired Provation Software, Inc. (“Provation”), a leading provider of clinical workflow software solutions used in hospitals and ambulatory surgery centers. The acquisition of Provation extends our digital offering and software capabilities in the healthcare space. The total consideration paid was approximately $1.4 billion, net of acquired cash and was primarily financed with proceeds from our financing activities and available cash. We preliminarily recorded $978 million of goodwill related to the acquisition, which is not tax deductible. During the three month period ended April 1, 2022, provisional goodwill increased by $8.1 million for measurement period adjustments. Provation had revenue in 2020 of approximately $90 million and is an operating company within our Advanced Healthcare Solutions segment.

ServiceChannel Acquisition

On August 24, 2021, we acquired ServiceChannel Holdings, Inc. (“ServiceChannel”), a privately held, global provider of Software as a Service (“SaaS”) based multi-site facilities maintenance service solutions with an integrated service-provider network. The acquisition of ServiceChannel broadens our offering of software-enabled solutions for the facility and asset lifecycle workflow. The total consideration paid was approximately $1.2 billion, net of acquired cash, and included approximately $28 million of deferred compensation consideration that is being recognized ratably over a twelve month service period. The ServiceChannel acquisition was primarily financed with available cash and proceeds from our financing activities. We preliminarily recorded approximately $873 million of goodwill related to the acquisition, which is not tax deductible. ServiceChannel had revenue in 2020 of approximately $70 million and is an operating company within our Intelligent Operating Solutions segment.

Vontier Separation

On October 9, 2020, we completed the Separation. The accounting requirements for reporting the Vontier business as a discontinued operation were met when the Separation was completed. Accordingly, the consolidated condensed financial statements reflect the results of separation activities associated with the prior Vontier business as a discontinued operation, which was immaterial for all periods presented.

On January 19, 2021, we completed the Debt-for-Equity Exchange of 33.5 million shares of common stock of Vontier, representing all of the Vontier common stock retained by the Company immediately following the Separation (the “Retained Vontier Shares”), for $1.1 billion in aggregate principal amount of indebtedness of the Company held by Goldman Sachs & Co. Interest expense and extinguishment costs related to the Debt-for-Equity Exchange during the first quarter of 2021 are included in continuing operations.

Segment Presentation

We operate and report our results in three segments, Intelligent Operating Solutions, Precision Technologies, and Advanced Healthcare Solutions, each of which is further described below.

Our Intelligent Operating Solutions segment provides leading workflow solutions to accelerate industrial and facility reliability and performance, as well as compliance and safety across a range of vertical end markets, including manufacturing, process industries, healthcare, utilities and power, communications and electronics, among others. We provide differentiated instrumentation and sensors, software and services to address our customers’ toughest workflow challenges.

Our Precision Technologies segment supplies instrumentation and sensing technologies to a broad set of vertical end markets, enabling our customers to accelerate the development, manufacture and launch of innovative products and solutions. We provide our customers with electrical test and measurement instruments and services, energetic material devices, and a broad portfolio of sensor and control system solutions.

Our Advanced Healthcare Solutions segment supplies critical workflow solutions to hospitals and other healthcare customers, enabling safer, more efficient, and higher quality healthcare. We provide hardware, consumables, software and services that optimize our customers’ most critical workflows, including instrument sterilization and device reprocessing, instrument tracking, cell therapy equipment design and manufacturing, biomedical test tools, radiation safety monitoring, end-to-end clinical productivity solutions and asset management.

Non-GAAP Measures

In this report, references to sales from existing businesses refer 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 and the effect of purchase accounting adjustments, 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 acquisition 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.

Business Performance and Outlook

Business Performance For the Period Ended April 1, 2022

We experienced robust demand for our products and services during the three month period ended April 1, 2022 (“the quarter” or the “first quarter”). Despite ongoing COVID-19 and supply chain challenges, year-over-year sales increased 9.3% with contributions from both existing and newly acquired businesses. Sales from existing businesses increased 5.3% during the quarter, as compared to the comparable period in 2021 reflecting broad-based momentum and focused execution across our portfolio, most notably within our short-cycle industrial and SaaS businesses.

Geographically, in the first quarter, year-over-year sales from existing businesses increased in developed markets at a high single-digit rate, driven by high single-digit growth in North America and low single-digit growth in Europe. In our high growth markets, year-over-year sales from existing businesses decreased at a low single-digit rate, driven by a low double-digit decline in China where business activity was constrained by government mandated COVID-19 containment measures, partially offset by high-teens growth in Latin America.

Year-over-year price increases contributed 3.2% to sales growth during the quarter, as compared to the comparable period in 2021 and is reflected as a component of the change in sales from existing businesses. In the first quarter, the price increases that we deployed exceeded inflationary increases that we experienced on purchased materials.

Widespread supply chain and logistics challenges persisted in the quarter, impacting the availability of key materials, including electronic components, and resulting in higher production and logistics costs. We continue to apply the Fortive Business System (“FBS”) to help mitigate the impact of these challenges but demand for our products outpaced our shipments in the quarter and our backlog increased from December 31, 2021.

COVID-19 continues to impact our results, creating operating challenges with logistics, material availability and absenteeism. The government mandated COVID-19 containment measures in China directly reduced our production levels and shipments in the quarter and creates ongoing risk and uncertainty. We anticipate that the uncertainty and disruption of the pandemic on global commerce will continue into future periods.

In February 2022, Russian forces invaded Ukraine (“Russia Ukraine Conflict”) resulting in broad economic sanctions being imposed on Russia that has further increased existing global supply chain, logistic, and inflationary challenges. As of the filing date of this report, we have temporarily suspended commercial operations in Russia, other than for sales of ASP’s sterilization products, which are exempted from international sanctions and deemed to be humanitarian products. Our business in Russia and Ukraine were not material to our results and accounted for less than 1% of total revenue for the fiscal year ended December 31, 2021. As of April 1, 2022, our net assets in Russia totaled approximately $15 million, including those net assets associated with ASP.

Outlook

We anticipate that the strong demand for our offerings experienced in the first quarter will persist throughout 2022 driven by innovation, share gains and robust end markets. Revenue growth is projected to be between 5.0% and 8.0% for the second quarter of 2022, and 9.5% and 12.0% for the full year. We anticipate growth from existing businesses will be between 2.0% and 5.0% for the second quarter of 2022 and 6.0% and 8.5% for the full year. This outlook is subject to various assumptions and risks, including but not limited to, the global supply chain and logistic challenges, magnitude of the impact of the COVID-19 pandemic on macroeconomic conditions, the Russia Ukraine Conflict, continued strength of key end markets, elective surgery rates, the availability of electronic components, our ability to convert backlog and maintain manufacturing capacity.

We anticipate that supply chain and inflationary pressures will persist throughout 2022 and that although our backlog may decline compared to 2021, it may remain elevated compared to historical levels. We will continue to deploy FBS to actively manage production challenges, collaborate with customers and suppliers to minimize disruptions and utilize price increases and other countermeasures to offset inflationary pressures.

We are monitoring the ongoing impact of COVID-19 on the global economy and our business, including government mandated containment measures, such as the lockdown implemented recently in Shanghai, China. Continued implementation or expansion of government mandated containment measures, including shutdowns in countries such as China, could have a material adverse impact on our future results.

We are also monitoring developments in international trade, monetary and fiscal policies and relations between the U.S. and China, as well as evaluating proposed investment and taxation policy initiatives being debated in the United States and by the Organization for Economic Co-operation and Development (“OECD”). We continue to monitor the Russia Ukraine Conflict and the impact on our business and operations. As of the filing date of this report, we are unable to quantify the impact of these matters on our financial results.

RESULTS OF OPERATIONS

Sales Growth

The following table summarizes total aggregate year-over-year sales growth and the components of aggregate year-over-year sales growth during the three month periods ended April 1, 2022 as compared to the comparable periods of 2021:

Components of Sales Growth

	% Change Three Months Ended April 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**9.3 %**
Existing businesses (Non-GAAP)	5.3 %
Acquisitions (Non-GAAP)	5.5 %
Currency exchange rates (Non-GAAP)	(1.5) %

Operating Profit Margins

Operating profit margin was 15.4% for the first quarter, a decrease of 30 basis points as compared to 15.7% in the comparable period of 2021. Year-over-year operating profit margin comparisons were impacted by:

- Year-over-year price increases and sales volumes from existing businesses, which were partially offset by higher year-over-year freight, logistics and material costs, employee compensation, and investments in R&D, sales and marketing. — favorable 30 basis points
- The year-over-year effect of amortization from existing businesses — favorable 50 basis points
- The year-over-year net effect of acquisition-related transaction costs which were higher during the first quarter than those recognized during the comparable period in 2021 — unfavorable 10 basis points
- The year-over-year net effect of acquired businesses, including amortization, and acquisition-related fair value adjustments — unfavorable 100 basis points

Business Segments

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

	Three Months Ended	
	April 1, 2022	April 2, 2021
Intelligent Operating Solutions	$ 587.6	$ 510.9
Precision Technologies	462.4	447.4
Advanced Healthcare Solutions	326.5	300.9
Total	$ 1,376.5	$ 1,259.2

INTELLIGENT OPERATING SOLUTIONS

Our Intelligent Operating Solutions segment provides leading solutions to accelerate industrial and facility reliability and performance, as well as compliance and safety across a range of vertical end markets, including manufacturing, process industries, healthcare, utilities and power, communications and electronics, among others. We provide a broad and differentiated offering of instrumentation, sensors, software, and services to address these critical workflows for our customers.

Intelligent Operating Solutions Selected Financial Data

($ in millions)	Three Months Ended April 1, 2022	Three Months Ended April 2, 2021
Sales	$ 587.6	$ 510.9
Operating profit	107.0	108.1
Depreciation	9.5	6.6
Amortization	46.2	37.9
Operating profit as a % of sales	18.2 %	21.2 %
Depreciation as a % of sales	1.6 %	1.3 %
Amortization as a % of sales	7.9 %	7.4 %

Components of Sales Growth

	% Change Three Months Ended April 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**15.0 %**
Existing businesses (Non-GAAP)	8.7 %
Acquisitions (Non-GAAP)	7.7 %
Currency exchange rates (Non-GAAP)	(1.4) %

Year-over-year sales of products and services from existing businesses of Intelligent Operating Solutions increased 8.7% during the first quarter, as compared to the comparable period of 2021. The year-over-year results were driven by higher pricing, continued strong demand for SaaS products and related services, gas detection instruments, and test & measurement products, as well as improved factory throughput on gains from supply chain and logistics countermeasures.

Geographically, during the first quarter, sales from existing businesses in Intelligent Operating Solutions increased in developed markets by low double digits on North America and Western Europe. Sales in high growth markets declined by low single digits on declines in China which were impacted by government mandated COVID-19 containment measures, partially offset by growth in Latin America and the Middle East.

Year-over-year price increases in our Intelligent Operating Solutions segment contributed 3.0% to sales growth during the first quarter, as compared to the comparable period of 2021, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin decreased 300 basis points during the first quarter as compared to the comparable period of 2021. Year-over-year operating profit margin comparisons were impacted by:

- The year-over-year effect of amortization from existing businesses — favorable 90 basis points
- The year-over-year net effect of acquisition-related transaction costs, which were higher during first quarter than those recognized during the comparable period in 2021 — unfavorable 110 basis points
- Year-over-year increase in price and volumes from existing businesses were offset by higher year- over-year freight, logistics and material costs and employee compensation costs — flat
- The year-over-year effect of acquired businesses, including amortization — unfavorable 280 basis points

PRECISION TECHNOLOGIES

Our Precision Technologies segment supplies technologies to a broad set of vertical end markets, enabling our customers to accelerate the development of innovative products and solutions. We provide our customers with electrical test and measurement instruments and services, energetic material devices, and a broad portfolio of sensor and control system solutions.

Precision Technologies Selected Financial Data

($ in millions)	Three Months Ended April 1, 2022	Three Months Ended April 2, 2021
Sales	$ 462.4	$ 447.4
Operating profit	101.4	95.9
Depreciation	6.0	6.3
Amortization	3.6	4.3
Operating profit as a % of sales	21.9 %	21.4 %
Depreciation as a % of sales	1.3 %	1.4 %
Amortization as a % of sales	0.8 %	1.0 %

Components of Sales Growth

	% Change Three Months Ended April 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**3.4 %**
Existing businesses (Non-GAAP)	4.6 %
Acquisitions (Non-GAAP)	— %
Currency exchange rates (Non-GAAP)	(1.2) %

Year-over-year sales of products and services from existing businesses in Precision Technologies increased 4.6% during the first quarter as compared to the comparable period of 2021. The year-over-year results were driven by price increases, market growth and share gains in key verticals and increased shipments of energetic materials, all partially offset by reductions in sales in China as a result of the government mandated COVID-19 containment measures.

Geographically, sales from existing businesses in our Precision Technologies segment increased during the first quarter in developed markets, driven by growth in North America and Europe, and slightly declined in high growth markets where, despite growth in Latin America, the Middle East and Africa, we experienced a large decrease in China, which was a result of government mandated COVID-10 containment measures.

Year-over-year price increases in our Precision Technologies segment contributed 4.6% to sales growth for the first quarter, as compared to the comparable period of 2021, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 50 basis points for the first quarter as compared to the comparable period of 2021. Year-over-year operating profit margin comparisons were impacted by:

- Higher year-over-year price increases which were partially offset by higher material, freight and employee compensation costs — favorable 30 basis points
- The year-over-year effect of amortization from existing businesses — favorable 20 basis points

ADVANCED HEALTHCARE SOLUTIONS

Our Advanced Healthcare Solutions segment serves healthcare customers with enabling products and services for critical activities that help ensure safe, efficient, and timely healthcare. We provide broad hardware and software portfolio offerings optimized around our end-users' most critical workflows, including instrument and device reprocessing, instrument tracking, cell therapy equipment design and manufacturing, biomedical test tools, radiation safety monitoring, and asset management.

Advanced Healthcare Solutions Financial Data

	Three Months Ended	
($ in millions)	April 1, 2022	April 2, 2021
Sales	$ 326.5	$ 300.9
Operating profit	28.0	18.9
Depreciation	4.7	5.5
Amortization	46.5	35.3
Operating profit as a % of sales	8.6 %	6.3 %
Depreciation as a % of sales	1.4 %	1.8 %
Amortization as a % of sales	14.2 %	11.7 %

Components of Sales Growth

	% Change Three Months Ended April 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**8.5 %**
Existing businesses (Non-GAAP)	0.6 %
Acquisitions (Non-GAAP)	10.0 %
Currency exchange rates (Non-GAAP)	(2.1) %

Year-over-year sales of products and services from existing businesses of Advanced Healthcare Solutions increased 0.6% during the first quarter, as compared to the comparable period of 2021. The year-over-year results were driven by higher pricing and increased demand for radiation management and surgical instrument tracking offerings partially offset by reductions in cell therapy equipment design and sterilization products, primarily in China and impacted by the government mandated COVID-19 containment measures.

Sales from existing businesses in our Advanced Healthcare Solutions segment increased low single digits during the first quarter in developed markets, driven by a mid single digit increase in North America, which was partially offset by a low single digit decrease in Europe. High growth markets declined by low single digits on government mandated COVID-19 containment measures in China and declines in the Middle East and Africa.

Year-over-year price increases in our Advanced Healthcare Solutions segment contributed 1.3% to sales growth during the first quarter, as compared to the comparable period of 2021, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 230 basis points during the three month period ended April 1, 2022 as compared to the comparable period of 2021. Year-over-year operating profit margin comparisons were impacted by:

- The year-over-year net effect of acquisition-related transaction costs which were less in the first quarter than those recognized in the comparable period in 2021 — favorable 150 basis points
- The year-over-year effect of amortization from existing businesses — favorable 90 basis points
- The year-over-year effect of acquired businesses, including amortization, and acquisition-related fair value adjustments to inventory — favorable 30 basis points
- Lower year-over-year sales volumes from existing businesses and higher employee compensation costs, which were partially offset by higher year-over-year price increases — unfavorable 40 basis points

COST OF SALES AND GROSS PROFIT

($ in millions)	Three Months Ended April 1, 2022	Three Months Ended April 2, 2021
Sales	$ 1,376.5	$ 1,259.2
Cost of sales	(584.5)	(547.3)
Gross profit	$ 792.0	$ 711.9
Gross profit margin	57.5 %	56.5 %

The year-over-year increase in cost of sales during the first quarter, as compared to the comparable period in 2021, is due primarily to year-over-year increases in sales volumes from existing and newly acquired businesses, and higher material, freight and employee compensation costs. Year-over-year changes in currency exchange rates decreased cost of sales during the first quarter.

The year-over-year increase in gross profit and gross profit margin for the first quarter, as compared to the comparable period in 2021, is due primarily to higher year-over-year sales volumes and price increases, which were partially offset by higher material, freight and employee compensation costs.

OPERATING EXPENSES

($ in millions)	Three Months Ended April 1, 2022	Three Months Ended April 2, 2021
Sales	$ 1,376.5	$ 1,259.2
Selling, general and administrative (“SG&A”) expenses	480.6	428.1
Research and development (“R&D”) expenses	99.1	86.2
SG&A as a % of sales	34.9 %	34.0 %
R&D as a % of sales	7.2 %	6.8 %

SG&A expenses increased during the first quarter as compared to the comparable period of 2021 due to higher intangible amortization and incremental expenses from our recent acquisitions, increased employee compensation expenses and customer acquisition and marketing costs.

On a year-over-year basis, SG&A expenses as a percentage of sales increased 90 basis points in the first quarter as a result of higher amortization expenses from our recent acquisitions, partially offset by leverage on SG&A costs, which grew at a slower rate than our sales growth.

R&D expenses (consisting principally of internal and contract engineering personnel costs) increased during the first quarter as compared to the comparable period of 2021 due to incremental costs from our recent acquisitions, investments in innovation and key initiatives and higher employee compensation costs. On a year-over-year basis, R&D expenses increased as a percentage of sales by 40 basis points in the first quarter mainly driven by our recent acquisitions, where R&D spending is higher as a percentage of sales than in existing businesses.

INTEREST COSTS

For a discussion of our outstanding indebtedness, refer to Note 5 to the consolidated condensed financial statements.

Net interest expense for the three month period ended April 1, 2022 was $19 million compared to $28 million for the three month period ended April 2, 2021. The year-over-year decrease in interest expense was due to lower year-over-year effective interest rates on debt instruments.

INCOME TAXES

Our effective tax rate for the quarter was 13.5% as compared to 5.9% in the comparable period in 2021 and the year-over year increase was primarily due to a non-recurring permanent difference on the Q1 2021 gain on our Retained Vontier Shares due to the tax-free treatment of our disposition of the shares through the Debt-for-Equity Exchange and increases in certain federal tax benefits during the first quarter.

Our effective tax rate for the first quarter and the comparable period in 2021, differ from the U.S. federal statutory rate of 21% due primarily to the positive and negative effects of the Tax Cuts and Jobs Act, U.S. federal permanent differences, the impact of credits and deductions provided by law, and a reduction in our uncertain tax positions. Specific to the three month period ended April 1, 2021, our effective tax rate also differs from the U.S. federal statutory rate of 21% due to a permanent difference on the gain on our Retained Vontier Shares due to the tax-free treatment of our disposition of the shares through the Debt-for-Equity Exchange.

COMPREHENSIVE INCOME

Comprehensive income increased by $50 million during the first quarter as compared to the comparable period in 2021 due primarily to net earnings that were higher by $55 million, partially offset by unfavorable changes in foreign currency translation adjustments of $4 million.

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 believe that our operating cash flow and other sources of liquidity, which consist of access to bank loans, commercial paper, capital markets, and our revolving credit facility will be sufficient to allow us to continue funding and investing in our existing businesses, consummate strategic acquisitions, make interest and principal payments on our outstanding indebtedness, fulfill our contractual obligations, and manage our capital structure on a short and long-term basis.

We have generally satisfied any short-term liquidity needs that are not met through operating cash flows and available cash 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, to the extent not otherwise providing credit support for the commercial paper programs, can also be used for working capital and other general corporate purposes. As of April 1, 2022, no borrowings were outstanding under the Revolving Credit Facility.

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 when we have outstanding borrowings. We expect to limit any future borrowings under the Revolving Credit Facility to amounts that would leave sufficient credit available under the facility to allow us to borrow, if needed, and repay any outstanding commercial paper as it matures.

We continue to monitor the financial markets and general global economic conditions. If changes in financial markets or other areas of the economy adversely affect our access to the capital markets, we would expect to rely on a combination of available cash and existing available capacity under our credit facilities to provide short-term funding.

Overview of Cash Flows and Liquidity

Following is an overview of our cash flows and liquidity for the three month period ended April 1, 2022:

	Three Months Ended	
($ in millions)	April 1, 2022	April 2, 2021
Total operating cash provided by continuing operations	$ 214.8	$ 152.0
Cash paid for acquisitions, net of cash received	$ 0.9	$ (0.2)
Payments for additions to property, plant and equipment	(18.8)	(8.4)
All other investing activities	—	—
Total investing cash used in continuing operations	$ (17.9)	$ (8.6)
Payment of 0.875% convertible senior notes due 2022	$ (1,156.5)	$ —
Net proceeds from commercial paper borrowings	930.7	—
Repayment of borrowings (maturities greater than 90 days)	—	(611.1)
Payment of common stock cash dividend to shareholders	(25.1)	—
Payment of mandatory convertible preferred stock cash dividend to shareholders	—	(23.7)
Repurchase of common shares	(63.8)	(17.3)
All other financing activities	(17.9)	(2.8)
Total financing cash used in continuing operations	$ (332.6)	$ (654.9)

Operating Activities

Operating cash flows from continuing operations can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, pension funding, and other items impact reported cash flows.

Operating cash flows from continuing operations were $215 million during the first quarter, an increase of $63 million, or 41%, as compared to the comparable period of 2021. The year-over-year change in operating cash flows from continuing operations was primarily attributable to the following factors:

- Year-over-year increases of $31.9 million in Operating cash flows from net earnings from continuing operations, net of non-cash expenses (Depreciation, Amortization, Stock-based compensation, Loss on extinguishment of debt and Gain on investment in Vontier Corporation)

- The aggregate of accounts receivable, inventories, and trade accounts payable used $25 million of cash during the first quarter of 2022 as compared to using $44 million in the comparable period of 2021. 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 generally 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 aggregate of prepaid expenses and other assets and accrued expenses and other liabilities used $63 million of cash during the first quarter of 2022 as compared to using $77 million of cash in the comparable period of 2021. The year-over-year changes were driven by reduced tax cash payments, timing on deferred revenue, partially offset by higher payments for employee compensation and benefits.

Investing Activities

Investing cash flows from continuing operations consist primarily of cash paid for acquisitions and capital expenditures, and increased $9.3 million during the first quarter as compared to the comparable period of 2021. The increase in investing cash flows was primarily due to a year-over-year increase in capital expenditures of approximately $10 million.

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 year ending December 31, 2022, we expect capital spending to be approximately $80-100 million, although actual expenditures will ultimately depend on business conditions.

Financing Activities and Indebtedness

Financing cash flows from continuing operations 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 from continuing operations used cash of $333 million during the three month period ended April 1, 2022, reflecting the following transactions:

- On February 15, 2022, the maturity date of the Convertible Notes, Fortive repaid, in cash, $1.2 billion in outstanding principal and accrued interest thereon.
- During the first quarter, we incurred $931 million in net commercial paper borrowings under the U.S. dollar-denominated commercial paper program, which had a weighted annual effective rate of 0.91% and a weighted average remaining maturity of approximately 39 days.
- During the first quarter we repurchased 1,000,000 shares for approximately $64 million under our share repurchase program.

In the comparable 2021 period, financing activities from continuing operations used $655 million of cash, reflecting payment of the remaining $317 million outstanding of the Delayed-Draw Term loan due April 2020, and repurchase of $281 million of the Convertible Notes.

On January 19, 2021, we completed the non-cash Debt-for-Equity Exchange of 33.5 million shares of common stock of Vontier, representing all of the Retained Vontier Shares, for $1.1 billion in aggregate principal amount of indebtedness of the Company held by Goldman Sachs & Co. We recorded a loss on extinguishment of the debt included in the Debt-for-Equity Exchange of $94.4 million in the three month period ended April 1, 2021.

Refer to Note 5 to the consolidated condensed financial statements for information regarding our financing activities and indebtedness.

Aggregate cash payments for common stock dividends paid to shareholders during the first quarter were $25 million and are recorded as dividends to shareholders in the Consolidated Condensed Statement of Changes in Equity and the Consolidated Condensed Statement of Cash Flows.

On April 7, 2022, we declared a regular quarterly cash dividend of $0.07 per share payable on June 24, 2022 to common stockholders of record on May 27, 2022.

Cash and Cash Requirements

As of April 1, 2022, we held approximately $684 million of cash and equivalents that were invested in highly liquid investment-grade instruments with a maturity of 90 days or less that yielded insignificant interest income during the three period ended April 1, 2022. Approximately 90% of the $684 million of cash and equivalents we held as of April 1, 2022 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 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 and repayment of maturing debt, we may also borrow under our commercial paper programs or credit facilities or 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. We also may from time to time access the capital markets, including to take advantage of favorable interest rate environments or other market conditions.

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 April 1, 2022, we expect to have sufficient liquidity to satisfy our cash needs for the foreseeable future.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes during the three month period ended April 1, 2022 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 2021 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our concentrations of credit risk arising from receivables from customers are limited due to the diversity of our customers. Our businesses perform credit evaluations of their customers’ financial conditions as appropriate and also obtain collateral or other security when appropriate.

Additional 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 2021 Annual Report on Form 10-K. There were no material changes during the three month periods ended April 1, 2022 to the information reported in our 2021 Annual Report on Form 10-K relating to our evaluation of interest rate, foreign currency exchange, and commodity price risk.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of the President and Chief Executive Officer, and the 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 the 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 2021 Annual Report on Form 10-K. There were no material changes during the quarter ended April 1, 2022 to the risk factors reported in the “Risk Factors” section of our 2021 Annual Report on Form 10-K.

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

On February 17, 2022, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 20 million shares of the Company's outstanding common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the repurchase program, and the timing and amount of repurchases under the program are determined by the Company's management based on market conditions and other factors. The repurchase program may be suspended or discontinued at any time by the Board of Directors. During the quarter ended April 1, 2022, the Company purchased 1,000,000 shares of its common stock at an average price of $63.74 per share, with 19 million shares remaining authorized under the share repurchase program at the end of the quarter ended April 1, 2022.

In addition, in connection with the vesting of Restricted Stock Awards ("RSAs") of the Company granted to certain employees and in accordance with the terms of the Company's 2016 Stock Incentive Plan, the Company withheld 14,033 shares of its common stock under the RSAs based on the closing price of $62.56 per share to offset tax withholding that arose upon vesting of such RSAs. There were no RSAs that remained outstanding at the end of the quarter ended April 1, 2022.

The following table provides details about our share repurchases during the fiscal quarter ended April 1, 2022.

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
Jan 1 - Jan 31	—	$ —	N/A	N/A
Feb 1 - Feb 28	1,014,033	63.62	1,000,000	19,000,000
Mar 1 - Apr 1	—	—	N/A	N/A
Total	1,014,033	$ 63.62	1,000,000	19,000,000

(1) The total number of shares of common stock purchased during the quarter ended April 1, 2022 includes (i) 1,000,000 shares purchased at an average price of $63.74 per share in February 2022 and (iii) 14,033 shares of common stock under the RSAs based on the closing price of $62.56 per share in February 2022 to offset tax withholding obligations that arose upon vesting of the RSAs.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Fortive Corporation (incorporated by reference to Exhibit 3.1 to Fortive Corporation's Quarterly Report on Form 10-Q for the quarter ended July 2, 2021, File No 1-37654).
3.2	Amended and Restated Bylaws of Fortive Corporation (incorporated by reference to Exhibit 3.2 to Fortive Corporation's Report on Form 10-K for the fiscal year ended December 31, 2021, File No 1-37654).
10.1	Form of Fortive Corporation Performance Stock Unit Agreement*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer 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 April 1, 2022, formatted in Inline XBRL and contained in Exhibit 101

*Indicates management contract or compensatory plan, contract or arrangement

(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 April 1, 2022 and December 31, 2021, (ii) Consolidated Condensed Statements of Earnings for the three month periods ended April 1, 2022 and April 2, 2021, (iii) Consolidated Condensed Statements of Comprehensive Income for the three month periods ended April 1, 2022 and April 2, 2021, (iv) Consolidated Condensed Statement of Changes in Equity for the three month periods ended April 1, 2022 and April 2, 2021, (v) Consolidated Condensed Statements of Cash Flows for the three month periods ended April 1, 2022 and April 2, 2021, 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: April 28, 2022	By:	/s/ Charles E. McLaughlin Charles E. McLaughlin Senior Vice President and Chief Financial Officer
Date: April 28, 2022	By:	/s/ Christopher M. Mulhall Christopher M. Mulhall Chief Accounting Officer

FORTIVE CORPORATION

2016 STOCK INCENTIVE PLAN

PERFORMANCE STOCK UNIT AGREEMENT

Unless otherwise defined herein, the terms defined in the Fortive Corporation 2016 Stock Incentive Plan (the "Plan") will have the same defined meanings in this Performance Stock Unit Agreement (the "Agreement").

I. <u>NOTICE OF GRANT</u>

Name: Participant Name

The undersigned Participant has been granted an Award of Performance Stock Units, subject to the terms and conditions of the Plan and this Agreement, as follows (each of the following capitalized terms are defined terms having the meaning indicated below):

Date of Grant: Grant Date__
Target PSUs: Number of awards granted
_______ Target Shares Based on Vesting Conditions set forth in Addendum A-1 ("rTSR PSUs")

Target Shares Based on Vesting Conditions set forth in Addendum A-2 ("Financial PSUs")

Performance Period: Grant Date through _______ for rTSR PSUs and January 1, _____ through December 31, ____ for Financial PSUs

Vesting Conditions: Per this Agreement (including Addendum A-1 for rTSR PSUs and Addendum A-2 for Financial PSUs)

II. <u>AGREEMENT</u>

1. <u>Grant of PSUs</u>. Fortive Corporation (the "Company") hereby grants to the Participant named in this Notice of Grant (the "Participant"), an Award of Performance Stock Units (or "PSUs") subject to the terms and conditions of this Agreement and the Plan, which are incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of the Plan shall prevail.

2. <u>Vesting</u>.

(a) <u>Vesting Schedule</u>. Except as may otherwise be set forth in this Agreement or in the Plan, the Award shall vest with respect to the number of PSUs, if any, as determined pursuant to the terms of Addendum A (such terms are referred to herein as the "Vesting Conditions"); provided that (except as set forth in Sections 4(b) and 4(c) below) the Award shall not vest with respect to any PSUs under the terms of this Agreement unless the Participant continues to be actively employed with the Company or an Eligible Subsidiary from the Date of Grant through the date on which the Compensation Committee (the "Committee") of the Company's Board of Directors determines the number of PSUs that vest pursuant to the Vesting Conditions (the "Certification Date"). The Committee shall determine how many PSUs vest pursuant to the Vesting Conditions and such determination shall be final and conclusive. Until the Committee has made such a determination, none of the Vesting Conditions will be considered to have been satisfied. Such certification shall occur, if at all, no later than four (4) calendar months following the last day of the Performance Period (the "Certification End Date").

(b) Fractional PSU Vesting. In the event the Participant is vested in a fractional portion of a PSU (a "Fractional Portion"), such Fractional Portion will be rounded up and converted into a whole Share of Company Common Stock ("Share") and issued to the Participant.

(c) Addenda. The provisions of Addendum A-1 and Addendum A-2 are incorporated by reference herein and made a part of the Agreement, and to the extent any provision in Addendum A-1 or Addendum A-2 conflicts with any provision set forth elsewhere in the Agreement (including without limitation any provisions relating to Retirement), the provision set forth in Addendum A-1 or Addendum A-2 shall control.

3. Form and Timing of Payment; Conditions to Issuance of Shares.

(a) Form and Timing of Payment. The Award of PSUs represents the right to receive a number of Shares equal to the number of PSUs that vest pursuant to the Vesting Conditions. Prior to actual issuance of any Shares underlying the PSUs, such PSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Subject to the other terms of the Plan and this Agreement, with respect to any PSUs that vest in accordance with this Agreement (other than in cases where the Participant dies during employment, which is addressed in Section 4(b) below), the underlying Shares will be paid to the Participant in whole Shares as soon as practicable (but in any event within 90 days) following the fourth anniversary of the commencement date of the Performance Period (the "Commencement Date"), and such payment shall not be conditioned on continuation of the Participant's active employment with the Company or an Eligible Subsidiary following the Certification Date. Shares shall not be issued under the Plan unless the issuance and delivery of such Shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Committee may require the Participant to take any reasonable action in order to comply with any such rules or regulations.

(b) Acknowledgment of Potential Securities Law Restrictions. Unless a registration statement under the Securities Act covers the Shares issued upon vesting of a PSU, the Committee may require that the Participant agree in writing to acquire such Shares for investment and not for public resale or distribution, unless and until the Shares subject to the Award are registered under the Securities Act. The Committee may also require the Participant to acknowledge that he or she shall not sell or transfer such Shares except in compliance with all applicable laws, and may apply such other restrictions as it deems appropriate. The Participant acknowledges that the U.S. federal securities laws prohibit trading in the stock of the Company by persons who are in possession of material, non-public information, and also acknowledges and understands the other restrictions set forth in the Company's Insider Trading Policy.

4. Termination of Employment.

(a) General. In the event the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates for any reason (other than death, Early Retirement, Enhanced Retirement or Full Retirement) whether or not in breach of applicable labor laws, all PSUs that are unvested as of termination shall automatically terminate as of the date of termination and the Participant's right to receive further PSUs under the Plan shall also terminate as of the date of termination.

For purposes of the PSUs, the Participant's employment will be considered terminated as of the date the Participant is no longer actively providing services to the Company or an Eligible Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any). The Committee shall have discretion to determine whether the Participant has ceased to be actively employed by (or, if the Participant is a consultant or director, has ceased actively providing services to) the Company or Eligible Subsidiary, and the effective date on which such active employment (or active service-providing relationship) terminated. The Participant's active employer-employee or other active service-providing relationship will not be extended by any notice period mandated under applicable law (*e.g.,* active employment shall not include any contractual notice period, a period of "garden leave", paid administrative leave or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any). Unless the Committee provides otherwise (1) termination of the Participant's employment will include instances in which the Participant is terminated and immediately rehired as an independent contractor, and (2) the spin-off, sale, or disposition of the Participant's employer from the Company or an Eligible Subsidiary (whether by transfer of shares, assets or otherwise) such that the Participant's employer no longer constitutes an Eligible Subsidiary will constitute a termination of employment or service.

(b) Death.

(i) In the event the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates (the date of any such termination (whether or not as a result of death) is referred to as the "Termination Date") as a result of death prior to the conclusion of the Performance Period, the Participant's estate will become vested in the portion of the Award determined by multiplying (1) the amount of Target PSUs (and related Dividend Equivalent Rights) subject to such Award, times (2) the quotient of the number of complete twelve-month periods between and including the Commencement Date and the Termination Date (provided that any partial twelve-month period between and including the Commencement Date and the Termination Date shall also be considered a complete twelve-month period for purposes of this pro-ration methodology), divided by the total number of twelve-month periods in the Performance Period. With respect to any PSUs that vest pursuant to this Section 4(b), the underlying Shares (and related Dividend Equivalent Rights) will be paid to the Participant's estate as soon as reasonably practicable (but in any event within 90 days) following the Participant's death.

(ii) In the event the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates as a result of death following the conclusion of the Performance Period but prior to the date the Shares (and related Dividend Equivalent Rights) underlying vested PSUs are issued and paid, the underlying Shares (and related Dividend Equivalent Rights) will be paid to the Participant's estate as soon as reasonably practicable (but in any event within 90 days) following the later of (i) the Participant's death, and (ii) the Certification End Date.

(iii) For avoidance of doubt, in all other situations, if the Participant dies after the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates but prior to the date the Shares (and related Dividend Equivalent Rights) underlying vested PSUs are issued and paid, the underlying Shares (and related Dividend Equivalent Rights) will be paid to the Participant's estate as soon as reasonably practicable (but in any event within 90 days) following the fourth anniversary of the Commencement Date.

(c) Retirement.

(i) *Early Retirement.* In the event the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates prior to the Certification Date as a result of Early Retirement, then the Participant will become vested in a number of PSUs (and related Dividend Equivalent Rights) determined by multiplying (1) the amount of PSUs actually earned pursuant to the Vesting Conditions (which shall be determined following completion of the Performance Period) by (2) the quotient of (A) the number of complete months between and including the Commencement Date and the Termination Date (provided that any partial month between and including the Commencement Date and the Termination Date shall also be considered a complete month for purposes of this pro-ration methodology), divided by (B) the total number of months in the Performance Period (such quotient is referred to as the "Retirement Proration Quotient"), provided that the Retirement Proration Quotient shall never be greater than 1.0. "Early Retirement" shall mean the Participant's voluntary termination of employment on or after attainment of age fifty-five (55) at a time when the Participant's age plus years of service with the Company or an Eligible Subsidiary is greater than or equal to sixty-five (65).

(ii) *Enhanced Retirement*. In the event the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates prior to the

Certification Date as a result of Enhanced Retirement, then the Participant will become vested in a number of PSUs (and related Dividend Equivalent Rights) determined by multiplying (1) the amount of PSUs actually earned pursuant to the Vesting Conditions (which shall be determined following the completion of the Performance Period) by (2) the Retirement Proration Quotient assuming for purposes of such formula that the Termination Date occurred on the one year anniversary of the Participant's actual Termination Date, provided that the Retirement Proration Quotient shall never be greater than 1.0. "Enhanced Retirement" shall mean the Participant's voluntary termination of employment on or after attainment of age sixty (60) at a time when the sum of the Participant's age plus years of service with the Company or an Eligible Subsidiary is greater than or equal to seventy (70).

(iii) *Full Retirement.* In the event the Participant's active employment or other active service-providing relationship with the Company or an Eligible Subsidiary terminates prior to the Certification Date as a result of Full Retirement, then the Participant will become vested in the total number of PSUs actually earned pursuant to the Vesting Conditions (which shall be determined following the completion of the Performance Period) as if the Participant had continued to be actively employed through the Certification Date. "Full Retirement" shall mean the Participant's voluntary termination of employment, either (1) on or after attainment of age sixty-two (62) at a time when the sum of the Participant's age plus years of service with the Company or an Eligible Subsidiary is greater than or equal to eighty (80) or (2) Normal Retirement.

(iv) Notwithstanding the foregoing, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in the Participant's jurisdiction that likely would result in the favorable Retirement treatment (including Early Retirement, Enhanced Retirement or Full Retirement) that otherwise would apply to the PSUs pursuant to this Section 4(c) being deemed unlawful, then the Company will not apply the favorable Retirement treatment at the Termination Date and the PSUs will be treated as they would under the rules that otherwise would have applied if the Participant did not qualify for Retirement pursuant to this Section 4(c).

(d) Gross Misconduct. If the Participant's employment with the Company or an Eligible Subsidiary is terminated for Gross Misconduct, the Participant's unvested PSUs shall automatically terminate as of the time of termination without consideration. The Participant acknowledges and agrees that the Participant's termination of employment shall also be deemed to be a termination of employment by reason of the Participant's Gross Misconduct if, after the Participant's employment has terminated, facts and circumstances are discovered or confirmed by the Company that would have justified a termination for Gross Misconduct.

(e) Violation of Post-Employment Covenant. To the extent that any of the Participant's unvested PSUs remain outstanding under the terms of the Plan or this Agreement after the Termination Date, any unvested PSUs shall expire as of the date the Participant violates any covenant not to compete or other post-employment covenant that exists between the Participant on the one hand and the Company or any subsidiary of the Company, on the other hand.

(f) Substantial Corporate Change. Upon a Substantial Corporate Change, the Participant's unvested PSUs will terminate unless provision is made in writing in connection with such transaction for the assumption or continuation of the PSUs, or the substitution for such PSUs of any options or grants covering the stock or securities of a successor employer corporation, or a parent or subsidiary of such successor, with appropriate adjustments as to the number and kind of shares of stock and prices, in which event the PSUs will continue in the manner and under the terms so provided.

5. Non-Transferability of PSUs. Unless the Committee determines otherwise in advance in writing, PSUs may not be transferred in any manner otherwise than by will or by the applicable laws of descent or distribution. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs and permitted successors and assigns of the Participant.

6. Amendment of PSUs or Plan.

(a) The Plan and this Agreement constitute the entire understanding of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof. The Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. The Company's Board may amend, modify or terminate the Plan or any Award in any respect at any time; provided, however, that modifications to this Agreement or the Plan that materially and adversely affect the Participant's rights hereunder can be made only in an express written contract signed by the Company and the Participant. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement and the Participant's rights under outstanding PSUs as it deems necessary or advisable, in its sole discretion and without the consent of the Participant, (1) upon a Substantial Corporate Change, (2) as required by law, or (3) to comply with Section 409A of the Internal Revenue Code of 1986 ("Section 409A") or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this Award.

(b) The Participant acknowledges and agrees that if the Participant changes classification from a full-time employee to a part-time employee the Committee may in its sole discretion reduce or eliminate the Participant's unvested PSUs.

7. <u>Responsibility for Taxes</u>.

(a) Withholding Taxes. Regardless of any action the Company or any Subsidiary employing the Participant (the "Employer") takes with respect to any or all federal, state, local or foreign income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax related items ("Tax Related Items"), the Participant acknowledges that the ultimate liability for all Tax Related Items associated with the PSUs is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer and that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the PSUs, including, but not limited to, the grant or vesting of the PSUs, the delivery of the Shares, the subsequent sale of Shares acquired at vesting and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate the Participant's liability for Tax Related Items. Further, if the Participant is subject to tax in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax Related Items in more than one jurisdiction.

(b) Prior to the relevant taxable event, the Participant shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations for Tax Related Items of the Company and/or the Employer. In this regard, the Participant authorizes the Company and the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax Related Items legally payable by the Participant (with respect to the PSUs granted hereunder as well as any equity awards previously received by the Participant under any Company stock plan) by one or a combination of the following: (i) requiring the Participant to pay Tax Related Items in cash with a cashier's check or certified check or by wire transfer of immediately available funds; (ii) withholding cash from the Participant's wages or other compensation payable to the Participant by the Company and/or the Employer; (iii) arranging for the sale of Shares otherwise issuable to the Participant upon payment of the PSUs (on the Participant's behalf and at the Participant's direction pursuant to this authorization), including the sale of Shares prior to such scheduled payment date; (iv) withholding from the proceeds of the sale of Shares acquired upon payment on the PSUs; (v) withholding in Shares otherwise issuable to the Participant, provided that the Company withholds only the amount of Shares necessary to satisfy the statutory withholding amount (or such other amount that will not cause adverse accounting consequences for the Company and is permitted under applicable withholding rules promulgated by the Internal Revenue Service or another applicable governmental entity) using the Fair Market Value of the Shares on the date of the relevant taxable event; or (vi) any method determined by the Committee to be in compliance with applicable laws.

Depending on the withholding method, the Company and/or Employer may withhold or account for Tax Related Items by considering statutory withholding rates or other applicable withholding rates, including maximum rates applicable in the Participant's jurisdiction(s). In the event of over-withholding, the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares, or if not refunded, the Participant may seek a refund from the applicable tax authorities. In the event of under-withholding, the Participant may be required to pay additional Tax Related Items directly to the applicable tax authorities or to the Company and/or the Employer. If the obligation for Tax Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested PSUs, notwithstanding that a number of Shares is held back solely for purposes of paying the Tax Related Items.

The Participant agrees to pay to the Company or the Employer any amount of Tax Related Items that the Company and/or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver to the Participant any Shares or proceeds from the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax Related Items.

(b) Code Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and be administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, the Participant shall not be considered to have separated from service with the Company for purposes of this Agreement and no payment shall be due to the Participant under this Agreement on account of a separation from service until the Participant would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. Any payments described in this Agreement that are due within the "short-term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in this Agreement, to the extent that any amounts are payable upon a separation from service and such payment would result in accelerated taxation and/or tax penalties under Section 409A of the Code, such payment, under this Agreement or any other agreement of the Company, shall be made on the first business day after the date that is six (6) months following such separation from service (or death, if earlier). The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment. The Grantee shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A.

For purposes of making a payment under this Agreement, if any amount is payable as a result of a Substantial Corporate Change, such event must also constitute a "change in ownership or effective control" of the Company or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A.

8. Rights as Shareholder; Dividends. The Participant shall have no rights as a shareholder of the Company, no dividend rights (except as expressly provided in this Section 8 with respect to Dividend Equivalent Rights) and no voting rights with respect to the PSUs or any Shares underlying or issuable in respect of such PSUs until such Shares are actually issued to the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate or book entry evidencing such Shares. If on or after the Date of Grant and prior to the date the Shares underlying vested PSUs are issued to the Participant the Board declares a cash dividend on the shares of Company Common Stock, the Participant will be credited with dividend equivalents equal to (i) the per share cash dividend paid by the Company on its Common Stock on the dividend payment date established by the Committee, multiplied by (ii) the total number of PSUs subject to the Award that vest (a "Dividend Equivalent Right"); provided that any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 8 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the PSUs to which they relate and for the avoidance of doubt shall only vest and be paid if and when the PSUs to which such Dividend Equivalent Rights relate vest and the underlying shares are issued; and provided further that Dividend Equivalent Rights that vest and are paid shall be paid in cash.

9. Nature of Grant. In accepting the PSUs, the Participant acknowledges and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the award of PSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of PSUs, benefits in lieu of PSUs or other equity awards, even if PSUs have been awarded repeatedly in the past;

(c) all decisions with respect to future equity awards, if any, shall be at the sole discretion of the Company;

(d) the Participant's participation in the Plan is voluntary;

(e) the award of PSUs and the Shares subject to the PSUs, and the income from and value of same, are an extraordinary item that (i) does not constitute compensation of any kind for services of any kind rendered to the Company or any Subsidiary, and (ii) is outside the scope of the Participant's employment or service contract, if any;

(f) the award of PSUs and the Shares subject to the PSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the award of PSUs and the Shares subject to the PSUs, and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any Subsidiary;

(h) unless otherwise expressly agreed with the Company, the PSUs and Shares subject to the PSUs, and the income from and value of same, are not granted as consideration for, or in connection with, any service the Participant may provide as a director of any Subsidiary;

(i) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(j) the value of the Shares acquired upon vesting/settlement of the PSUs may increase or decrease in value;

(k) in consideration of the award of PSUs, no claim or entitlement to compensation or damages shall arise from termination of the award or from any diminution in value of the PSUs or Shares upon vesting of the PSUs resulting from termination of the Participant's employment or continuous service by the Company or any Subsidiary (for any reason whatsoever and whether or not in breach of applicable labor laws of the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);

(l) neither the Company, the Employer nor any other Subsidiary shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the PSUs or of any amounts due to the Participant pursuant to the settlement of the PSUs or the subsequent sale of Shares acquired upon vesting;

(m) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the underlying Shares; and

(n) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

10. No Employment Contract. Nothing in the Plan or this Agreement constitutes an employment contract between the Company and the Participant and this Agreement shall not confer upon the Participant any right to continuation of employment or service with the Company or any of its Subsidiaries, nor shall this Agreement interfere in any way with the Company's or any of its Subsidiaries right to terminate the Participant's employment or service at any time, with or without cause (subject to any employment agreement the Participant may otherwise have with the Company or a Subsidiary thereof and/or applicable law).

11. Board Authority. The Board and/or the Committee shall have the power to interpret this Agreement and to adopt such rules for the administration, interpretation and application of the Agreement as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether any PSUs have vested). All interpretations and determinations made by the Board and/or the Committee in good faith shall be final and binding upon the Participant, the Company and all other interested persons and such determinations of the Board and/or the Committee do not have to be uniform nor do they have to consider whether Plan participants are similarly situated. No member of the Board and/or the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to this Agreement.

12. Headings. The captions used in this Agreement and the Plan are inserted for convenience and shall not be deemed to be a part of the PSUs for construction and interpretation.

13. Electronic Delivery.

(a) If the Participant executes this Agreement electronically, for the avoidance of doubt the Participant acknowledges and agrees that his or her execution of this Agreement electronically (through an on-line system established and maintained by the Company or a third party designated by the Company, or otherwise) shall have the same binding legal effect as would execution of this Agreement in paper form. The Participant acknowledges that upon request of the Company he or she shall also provide an executed, paper form of this Agreement.

(b) If the Participant executes this Agreement in paper form, for the avoidance of doubt the parties acknowledge and agree that it is their intent that any agreement previously or subsequently entered into between the parties that is executed electronically shall have the same binding legal effect as if such agreement were executed in paper form.

(c) If the Participant executes this Agreement multiple times (for example, if the Participant first executes this Agreement in electronic form and subsequently executes this Agreement in paper form), the Participant acknowledges and agrees that (i) no matter how many versions of this Agreement are executed and in whatever medium, this Agreement only evidences a single Award relating to the number of PSUs set forth in the Notice of Grant and (ii) this Agreement shall be effective as of the earliest execution of this Agreement by the parties, whether in paper form or electronically, and the subsequent execution of this Agreement in the same or a different medium shall in no way impair the binding legal effect of this Agreement as of the time of original execution.

(d) The Company may, in its sole discretion, decide to deliver by electronic means any documents related to the PSUs, to participation in the Plan, or to future awards granted under the Plan, or otherwise required to be delivered to the Participant pursuant to the Plan or under applicable law, including but not limited to, the Plan, the Agreement, the Plan prospectus and any reports of the Company generally provided to shareholders. Such means of electronic delivery may include, but do not necessarily include, the delivery of a link to the Company's intranet or the internet site of a third party involved in administering the Plan, the delivery of documents via electronic mail ("e-mail") or such other means of electronic delivery specified by the Company. By executing this Agreement, the Participant hereby consents to receive such documents by electronic delivery. ***At the Participant's written request to the Secretary of the Company, the Company shall provide a paper copy of any document at no cost to the Participant.***

14. ***Data Privacy Notice and Consent.***

(a) By accepting the PSUs, the Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in the Agreement by and among, as applicable, the Employer, the Company and its other Subsidiaries for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

(b) The Participant understands that the Company, the Employer and other Subsidiaries may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social security number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all PSUs or any other entitlement to shares awarded, canceled, vested, unvested or outstanding in the Participant's favor ("Data"), for the purpose of implementing, administering and managing the Plan.

(c) The Participant understands that Data will be transferred to Fidelity Stock Plan Services LLC, or such other stock plan service provider as may be selected by the Company in the future, which assist in the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g. the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that if he or she resides outside the United States, the Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the Company, Fidelity Stock Plan Services LLC and other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom the Shares received upon vesting of the PSUs may be deposited. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that if the Participant resides outside the United States, he or she may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Participant's local human resources representative. Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her consent, the Participant's employment status with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant PSUs or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect his or her ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

(d) Upon request of the Company or the Employer, the Participant agrees to provide a separate executed data privacy consent form (or any other agreements or consents that may be required by the Company and/or the Employer) that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan if the

Participant fails to provide any such consent or agreement requested by the Company and/or the Employer..

15. Waiver of Right to Jury Trial. Each party, to the fullest extent permitted by law, waives any right or expectation against the other to trial or adjudication by a jury of any claim, cause or action arising with respect to the PSUs or hereunder, or the rights, duties or liabilities created hereby.

16. Agreement Severable. In the event that any provision of this Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of this Agreement.

17. Governing Law and Venue. The laws of the State of Delaware (other than its choice of law provisions) shall govern this Agreement and its interpretation. For purposes of litigating any dispute that arises with respect to the PSUs, this Agreement or the Plan, the parties hereby submit to and consent to the jurisdiction of the State of Delaware, and agree that such litigation shall be conducted in the courts of New Castle County, or the United States Federal court for the District of Delaware, and no other courts; and waive, to the fullest extent permitted by law, any objection that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in any such court is improper or that such proceedings have been brought in an inconvenient forum. Any claim under the Plan, this Agreement or any Award must be commenced by the Participant within twelve (12) months of the earliest date on which the Participant's claim first arises, or the Participant's cause of action accrues, or such claim will be deemed waived by the Participant.

18. Language. The Participant acknowledges and represents that the Participant is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Participant to understand the terms of this Agreement and any other documentation related to the Plan. If the Participant has received the Plan, this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control, unless otherwise prescribed by applicable law.

19. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

20. Waiver. The Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Participant or any other participant.

21. Insider Trading/Market Abuse Laws. The Participant acknowledges that, depending on the Participant's or the Participant's broker's country of residence or where the Company Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect his or her ability to accept, acquire, sell or otherwise dispose of Company Shares, rights to the Shares (e.g., PSUs) or rights linked to the value of the Shares (*e.g.,* phantom awards, futures) during such times as the Participant is considered to have "inside information" regarding the Company as defined by the laws or regulations in the Participant's country. Local insider trading laws and regulations may prohibit the cancellation or amendment or orders the Participant placed before the Participant possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. The Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and the Participant should consult with his or her own personal legal and financial advisors on this matter.

22. Foreign Asset/Account Reporting Requirements and Exchange Controls. The Participant's country may have certain foreign asset and/or foreign account reporting requirements and exchange controls which may affect the Participant's ability to acquire or hold Shares under the Plan or

cash received from participating in the Plan (including any dividends paid on Shares, sale proceeds resulting from the sale of Shares acquired under the Plan) in a brokerage or bank account outside the Participant's country. The Participant may be required to report such accounts, assets, or transactions to the tax or other authorities in the Participant's country. The Participant may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country through a designated bank or broker within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations and the Participant should consult his or her personal legal advisor for any details.

23. [Intentionally Left Blank]

24. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the PSUs and on any Shares subject to the PSUs, to the extent the Company determines it is necessary or advisable for legal or administrative reasons and provided the imposition of the term or condition will not result in any adverse accounting expense to the Company, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

25. Recoupment. The PSUs granted pursuant to this Agreement are subject to the terms of the Fortive Corporation Recoupment Policy as it exists from time to time (a copy of the Recoupment Policy as it exists from time to time is available on the Company's internal website) (the "Policy") if and to the extent such Policy by its terms applies to the PSUs, and to the terms required by applicable law; and the terms of the Policy and such applicable law are incorporated by reference herein and made a part hereof.

26. Notices. The Company may, directly or through its third party stock plan administrator, endeavor to provide certain notices to the Participant regarding certain events relating to awards that the Participant may have received or may in the future receive under the Plan, such as notices reminding the Participant of the vesting or expiration date of certain awards. The Participant acknowledges and agrees that (1) the Company has no obligation (whether pursuant to this Agreement or otherwise) to provide any such notices; (2) to the extent the Company does provide any such notices to the Participant the Company does not thereby assume any obligation to provide any such notices or other notices; and (3) the Company, its affiliates and the third party stock plan administrator have no liability for, and the Participant has no right whatsoever (whether pursuant to this Agreement or otherwise) to make any claim against the Company, any of its affiliates or the third party stock plan administrator based on any allegations of, damages or harm suffered by the Participant as a result of the Company's failure to provide any such notices or the Participant's failure to receive any such notices.

27. **Consent and Agreement With Respect to Plan. The Participant (1) acknowledges that the Plan and the prospectus relating thereto are available to the Participant on the website maintained by the Company's third party stock plan administrator; (2) represents that he or she has read and is familiar with the terms and provisions thereof, has had an opportunity to obtain the advice of counsel of his or her choice prior to executing this Agreement and fully understands all provisions of the Agreement and the Plan; (3) accepts these PSUs subject to all of the terms and provisions thereof; (4) consents and agrees to all amendments that have been made to the Plan since it was adopted in 2016 (and for the avoidance of doubt consents and agrees to each amended term reflected in the Plan as in effect on the date of this Agreement), and consents and agrees that all options, restricted stock units and PSUs, if any, held by the Participant that were previously granted under the Plan as it has existed from time to time are now governed by the Plan as in effect on the date of this Agreement (except to the extent the Committee has expressly provided that a particular Plan amendment does not apply retroactively); and (5) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement.**

[*If the Agreement is signed in paper form, complete and execute the following:*]

PARTICIPANT **FORTIVE CORPORATION**

ADDENDUM A -1

PERFORMANCE VESTING REQUIREMENTS FOR RTSR PSUS

1. Performance Criteria. For the avoidance of doubt, terms defined in the Agreement will have the same definition in this Addendum A-1. The number rTSR PSUs awarded hereunder that vest will be determined based on the Company's relative total shareholder return ("TSR") percentile for the Performance Period. The percentage of the Target rTSR PSUs (and related Dividend Equivalent Rights) that vest will be determined as follows:

TSR Percentile Rank	Percentage of Target rTSR PSUs That Will Vest on Vesting Date
75th percentile and above	200%
55th percentile	100%
35th percentile	50%
Below 35th percentile	0%

For TSR Percentile Rank performance for the Performance Period between the levels indicated above, the portion of the rTSR PSUs that vest will be determined on a straight-line basis (i.e., linearly interpolated) between the two nearest vesting percentages indicated above. The rTSR PSUs that do not vest will terminate. Notwithstanding the foregoing:

(a) if the Company's TSR for the Performance Period is positive, in no event shall less than twenty-five percent (25%) of the Target PSAs vest; and
(b) if the Company's TSR for the Performance Period is negative, in no event shall more than one hundred percent (100%) of the Target PSAs vest.

2. Definitions. For purposes of the Award, the following definitions will apply:

- "Beginning Price" means, with respect to the Company and any other Comparison Group member, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending with the last trading day before the beginning of the Performance Period. For the purpose of determining Beginning Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the ex-dividend date.

- "Comparison Group" means the Company and each other company included in the Standard & Poor's 500 index on the first day of the Performance Period and, except as provided below, the common stock (or similar equity security) of which is continually listed or traded on a national securities exchange from the first day of the Performance Period through the last trading day of the Performance Period. In the event a member of the Comparison Group files for bankruptcy or liquidates due to an insolvency, such company shall continue to be treated as a Comparison Group member, and such company's Ending Price will be treated as $0 if the common stock (or similar equity security) of such company is no longer listed or traded on a national securities exchange on the last trading day of the Performance Period (and if multiple members of the Comparison Group file for bankruptcy or liquidate due to an insolvency, such members shall be ranked in order of when such bankruptcy or liquidation occurs, with earlier bankruptcies/liquidations ranking lower than later bankruptcies/liquidations). In the event of a formation of a new parent company by a Comparison Group member, substantially all of the assets and liabilities of which consist immediately after the transaction of the equity interests in the original

- Comparison Group member or the assets and liabilities of such Comparison Group member immediately prior to the transaction, such new parent company shall be substituted for the Comparison Group member to the extent (and for such period of time) as its common stock (or similar equity securities) are listed or traded on a national securities exchange but the common stock (or similar equity securities) of the original Comparison Group member are not. In the event of a merger or other business combination of two Comparison Group members (including, without limitation, the acquisition of one Comparison Group member, or all or substantially all of its assets, by another Comparison Group member), the surviving, resulting or successor entity, as the case may be, shall continue to be treated as a member of the Comparison Group, provided that the common stock (or similar equity security) of such entity is listed or traded on a national securities exchange through the last trading day of the Performance Period. With respect to the preceding two sentences, the applicable stock prices shall be equitably and proportionately adjusted to the extent (if any) necessary to preserve the intended incentives of the awards and mitigate the impact of the transaction.

- "Ending Price" means, with respect to the Company and any other Comparison Group member, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending on the last trading day of the Performance Period. For the purpose of determining Ending Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the ex-dividend date.

- "Performance Period" means the Performance Period specified in the Notice of Grant.

- "Target PSAs" means the target number of PSAs subject to the Award as specified in the Notice of Grant.

- "TSR" shall be determined with respect to the Company and any other Comparison Group member by dividing: (a) the sum of (i) the difference obtained by subtracting the applicable Beginning Price from the applicable Ending Price plus (ii) all dividends and other distributions on the respective shares with an ex-dividend date that falls during the Performance Period by (a) the applicable Beginning Price. Any non-cash distributions shall be valued at fair market value
- "TSR Percentile Rank" means the percentile ranking of the Company's TSR among the TSRs for the Comparison Group members for the Performance Period. TSR Percentile Rank is determined by ordering the Comparison Group members (plus the Company if the Company is not one of the Comparison Group members) from highest to lowest based on TSR for the relevant Performance Period and counting down from the company with the highest TSR (ranked first) to the Company's position on the list.

ADDENDUM A -2

PERFORMANCE VESTING REQUIREMENTS FOR FINANCIAL PSUS

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:	April 28, 2022	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:	April 28, 2022	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 April 1, 2022 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:	April 28, 2022	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 April 1, 2022 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:	April 28, 2022	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.