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: July 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 July 25, 2022 was 355,697,032.

FORTIVE CORPORATION

INDEX

FORM 10-Q

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	As of	
	July 1, 2022 (unaudited)	**December 31, 2021**
ASSETS		
Current assets:		
Cash and equivalents	$ 682.9	$ 819.3
Trade accounts receivable, net	940.9	930.2
Inventories:		
Finished goods	224.8	215.4
Work in process	104.0	94.0
Raw materials	218.9	203.3
Inventories	547.7	512.7
Prepaid expenses and other current assets	273.8	252.7
Total current assets	2,445.3	2,514.9
Property, plant and equipment, net of accumulated depreciation of $733.1 and $679.0 at July 1, 2022 and December 31, 2021, respectively	407.6	395.5
Other assets	481.3	512.9
Goodwill	9,058.2	9,152.0
Other intangible assets, net	3,678.5	3,890.2
Total assets	$ 16,070.9	$ 16,465.5
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	999.9	2,151.7
Trade accounts payable	581.7	557.9
Accrued expenses and other current liabilities	1,029.7	1,005.3
Total current liabilities	2,611.3	3,714.9
Other long-term liabilities	1,328.0	1,426.3
Long-term debt	2,682.2	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 July 1, 2022 and December 31, 2021	—	—
Common stock: $0.01 par value, 2.0 billion shares authorized; 361.2 and 360.4 million issued; 355.6 and 359.1 million outstanding at July 1, 2022 and December 31, 2021, respectively	3.6	3.6
Additional paid-in capital	3,651.2	3,670.0
Treasury shares, at cost	(242.9)	—
Retained earnings	6,374.5	6,023.6
Accumulated other comprehensive loss	(342.1)	(185.0)
Total Fortive stockholders' equity	9,444.3	9,512.2
Noncontrolling interests	5.1	4.8
Total stockholders' equity	9,449.4	9,517.0
Total liabilities and equity	$ 16,070.9	$ 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		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales of products and software	$ 1,229.4	$ 1,136.0	$ 2,382.1	$ 2,213.2
Sales of services	233.9	183.7	457.7	365.7
Total sales	1,463.3	1,319.7	2,839.8	2,578.9
Cost of product and software sales	(508.3)	(464.0)	(973.4)	(908.3)
Cost of service sales	(121.5)	(100.2)	(240.9)	(203.2)
Total cost of sales	(629.8)	(564.2)	(1,214.3)	(1,111.5)
Gross profit	833.5	755.5	1,625.5	1,467.4
Operating costs:				
Selling, general and administrative expenses	(484.9)	(456.4)	(965.5)	(884.5)
Research and development expenses	(100.1)	(87.8)	(199.2)	(174.0)
Russia exit and wind down costs	(16.2)	—	(16.2)	—
Operating profit	232.3	211.3	444.6	408.9
Non-operating income (expense), net:				
Interest expense, net	(21.0)	(25.2)	(39.8)	(52.9)
Loss on extinguishment of debt	—	—	—	(104.9)
Gain on investment in Vontier Corporation	—	—	—	57.0
Gain on litigation resolution	—	26.0	—	26.0
Other non-operating expense, net	(3.1)	(4.6)	(5.8)	(7.9)
Earnings from continuing operations before income taxes	208.2	207.5	399.0	326.2
Income taxes	(35.2)	(25.5)	(60.9)	(32.5)
Net earnings from continuing operations	173.0	182.0	338.1	293.7
Earnings (loss) from discontinued operations, net of income taxes	—	(1.1)	—	(2.6)
Net earnings	173.0	180.9	338.1	291.1
Mandatory convertible preferred dividends	—	(17.2)	—	(34.5)
Net earnings attributable to common stockholders	$ 173.0	$ 163.7	$ 338.1	$ 256.6
Net earnings per common share from continuing operations:				
Basic	$ 0.48	$ 0.49	$ 0.94	$ 0.76
Diluted	$ 0.48	$ 0.48	$ 0.93	$ 0.76
Net earnings (loss) per share from discontinued operations:				
Basic	$ —	$ —	$ —	$ (0.01)
Diluted	$ —	$ —	$ —	$ (0.01)
Net earnings per share:				
Basic	$ 0.48	$ 0.48	$ 0.94	$ 0.76
Diluted	$ 0.48	$ 0.48	$ 0.93	$ 0.75
Average common stock and common equivalent shares outstanding:				
Basic	357.4	339.4	358.3	339.0
Diluted	359.8	342.4	364.2	342.1

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 (LOSS)
($ in millions)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Net earnings	$ 173.0	$ 180.9	$ 338.1	$ 291.1
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	(118.6)	16.6	(158.0)	(18.1)
Pension adjustments	0.4	0.9	0.9	1.9
Total other comprehensive income (loss), net of income taxes	(118.2)	17.5	(157.1)	(16.2)
Comprehensive income	$ 54.8	$ 198.4	$ 181.0	$ 274.9

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Common Stock		Preferred Stock						
	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
Net earnings for the period	—	—	—	—	—	—	173.0	$ —	$ —
Dividends to common shareholders	—	—	—	—	—	—	(24.9)	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	—	(118.2)	—
Common stock-based award activity	0.2	—	—	—	—	32.7	—	—	—
Common stock repurchases	(3.0)	—	—	—	(179.1)	—	—	—	—
Shares withheld for taxes	—	—	—	—	—	(0.6)	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	—	—	(0.2)
Balance, July 1, 2022	355.6	$ 3.6	$ —	$ —	$ (242.9)	$ 3,651.2	$ 6,374.5	$ (342.1)	$ 5.1

	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
Net earnings for the period	—	—	—	—	—	—	180.9		
Dividends to common shareholders	—	—	—	—	—	—	(23.7)	—	—
Mandatory convertible preferred stock cumulative dividends	—	—	—	—	—	—	(17.2)	—	—
Other comprehensive income	—	—	—	—	—	—	—	17.5	—
Common stock-based award activity	0.6	—	—	—	—	35.9	—	—	—
Shares withheld for tax	(0.1)	—	—	—	—	(0.6)	—	—	—
Conversion of Mandatory convertible preferred stock to common stock	19.4	0.2	(1.4)	—	—	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	3.0	—	—	(3.0)
Balance, July 2, 2021	358.4	$ 3.6	$ —	$ —	$ —	$ 3,602.1	$ 5,756.6	$ (157.3)	$ 4.7

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Six Months Ended	
	July 1, 2022	July 2, 2021
Cash flows from operating activities:		
Net earnings from continuing operations	$ 338.1	$ 293.7
Noncash items:		
Amortization	192.1	155.0
Depreciation	41.9	37.7
Stock-based compensation expense	45.0	36.8
Loss on extinguishment of debt	—	104.2
Gain on investment in Vontier Corporation	—	(57.0)
Gain on litigation resolution	—	(26.0)
Russia exit and wind down costs	9.2	—
Change in trade accounts receivable, net	(37.7)	(11.8)
Change in inventories	(50.7)	(24.0)
Change in trade accounts payable	40.1	9.1
Change in prepaid expenses and other assets	(39.2)	(21.4)
Change in accrued expenses and other liabilities	(29.6)	(53.3)
Total operating cash provided by continuing operations	509.2	443.0
Total operating cash used in discontinued operations	—	(18.7)
Net cash provided by operating activities	509.2	424.3
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash received	(1.6)	0.9
Payments for additions to property, plant and equipment	(37.1)	(17.1)
All other investing activities	—	1.1
Net cash used in investing activities	(38.7)	(15.1)
Cash flows from financing activities:		
Payment of 0.875% convertible senior notes due 2022	(1,156.5)	—
Net proceeds from commercial paper borrowings	481.3	—
Proceeds from borrowings (maturities greater than 90 days), net of issuance costs of $0.6 million in 2022	397.0	—
Repayment of borrowings (maturities greater than 90 days)	—	(611.1)
Payment of common stock cash dividend to shareholders	(50.0)	(47.4)
Payment of mandatory convertible preferred stock cash dividend to shareholders	—	(34.5)
Repurchase of common shares	(242.9)	—
All other financing activities	(11.8)	25.2
Net cash used in financing activities	(582.9)	(667.8)
Effect of exchange rate changes on cash and equivalents	(24.0)	(0.4)
Net change in cash and equivalents	(136.4)	(259.0)
Beginning balance of cash and equivalents	819.3	1,824.8
Ending balance of cash and equivalents	$ 682.9	$ 1,565.8

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 July 1, 2022 and December 31, 2021, our results of operations for the three and six month periods ended July 1, 2022 and July 2, 2021, and cash flows for the six month periods ended July 1, 2022 and July 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.

Russia Ukraine Conflict

In February 2022, Russian forces invaded Ukraine ("Russia Ukraine Conflict") resulting in broad economic sanctions being imposed on Russia. In the second quarter of 2022, the Company exited business operations in Russia, other than for ASP's sterilization products, which are exempt from international sanctions as humanitarian products. Our business in Russia and Ukraine accounted for less than 1% of total revenue and less than 0.2% of total assets for the fiscal year ended December 31, 2021.

In the three and six month periods ended July 1, 2022, the Company recorded a pre-tax charge totaling $16.2 million primarily relating to the write-off of net assets, the write-off of the cumulative translation adjustment in earnings for legal entities deemed substantially liquidated, and to record provisions for employee severance and legal contingencies. These costs are identified as the "Russia exit and wind down costs" in the Condensed Consolidated Statements of Earnings. The total costs expected to be incurred in connection with the Russia exit are $18.4 million.

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. During the three and six month periods ended July 1, 2022, we designated our ¥14.4 billion Yen-denominated variable interest rate term loan and our €275 million Euro-denominated variable interest rate term loan outstanding as net investment hedges of our investment in certain foreign operations.

During the three and six month periods ended July 1, 2022, we recognized after-tax foreign currency transaction gains of $3.6 million on the debt that were deferred in the foreign currency translation component of Accumulated other comprehensive income (loss) ("AOCI") as an offset to the foreign currency translation adjustments on our investments in foreign subsidiaries. Any amounts deferred in AOCI will remain until the hedged investment is sold or substantially liquidated. We recorded no ineffectiveness from our net investment hedges during the three and six month periods ended July 1, 2022.

The changes in AOCI by component are summarized below ($ in millions):

	Foreign currency translation adjustments	Pension adjustments [(a)]	Total
For the Three Months Ended July 1, 2022:			
Balance, April 1, 2022	$ (162.1)	$ (61.8)	$ (223.9)
Other comprehensive income (loss) before reclassifications, net of income taxes	(121.3)	—	(121.3)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	2.7	0.5 [(b)]	3.2
Income tax impact	—	(0.1)	(0.1)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	2.7	0.4	3.1
Net current period other comprehensive income (loss), net of income taxes	(118.6)	0.4	(118.2)
Balance, July 1, 2022	$ (280.7)	$ (61.4)	$ (342.1)
For the Three Months Ended July 2, 2021:			
Balance, April 2, 2021	$ (88.7)	$ (86.1)	$ (174.8)
Other comprehensive income (loss) before reclassifications, net of income taxes	16.6	—	16.6
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	1.2 [(b)]	1.2
Income tax impact	—	(0.3)	(0.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	0.9	0.9
Net current period other comprehensive income (loss), net of income taxes	16.6	0.9	17.5
Balance, July 2, 2021	$ (72.1)	$ (85.2)	$ (157.3)

	Foreign currency translation adjustments	Pension adjustments [a]	Total
For the Six Months Ended July 1, 2022:			
Balance, December 31, 2021	$ (122.7)	$ (62.3)	$ (185.0)
Other comprehensive income (loss) before reclassifications, net of income taxes	(160.7)	—	(160.7)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	2.7	1.1 [b]	3.8
Income tax impact	—	(0.2)	(0.2)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	2.7	0.9	3.6
Net current period other comprehensive income (loss)	(158.0)	0.9	(157.1)
Balance, July 1, 2022	$ (280.7)	$ (61.4)	$ (342.1)
For the Six Months Ended July 2, 2021:			
Balance, December 31, 2020	$ (54.0)	$ (87.1)	$ (141.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	(18.1)	—	(18.1)
Amounts reclassified from accumulated other comprehensive income (loss):			
Increase (decrease)	—	2.5 [b]	2.5
Income tax impact	—	(0.6)	(0.6)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	1.9	1.9
Net current period other comprehensive income (loss)	(18.1)	1.9	(16.2)
Balance, July 2, 2021	$ (72.1)	$ (85.2)	$ (157.3)

[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 roll forward of the aggregated allowance for credit losses related to our trade accounts receivables as of July 1, 2022 ($ in millions):

Balance, December 31, 2021	$ 39.7
Provision	4.2
Write-offs	(5.4)
Foreign currency exchange and other	(0.6)
Balance, July 1, 2022	$ 37.9

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 six months ended July 1, 2022. As of July 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 and six month periods ended July 1, 2022, insignificant adjustments were made to the purchase price allocation of prior year acquisitions, which are shown in Note 3.

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 recorded $978 million of goodwill related to the acquisition, which is not tax deductible. 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 recorded approximately $874 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.

For the six months ended July 1, 2022, revenue and operating losses attributable to the Provation and ServiceChannel acquisitions were $132.8 million and $21.7 million, respectively. The operating losses include $38.7 million of intangible asset amortization and $12.9 million of transaction and integration costs, which were primarily comprised of employee compensation and retention costs and amounts paid to third party advisors, and are recorded in Selling, general and administration expenses.

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

	Provation	ServiceChannel	Total
Accounts receivable	$ 41.3	$ 10.1	$ 51.4
Goodwill	978.0	874.2	1,852.2
Other intangible assets, primarily customer relationships, technology, database, and trade names	586.5	342.9	929.4
Deferred revenue, current	(50.3)	(1.7)	(52.0)
Deferred tax liabilities	(119.4)	(50.8)	(170.2)
Other assets and liabilities, net	(30.5)	(8.4)	(38.9)
Net cash consideration	$ 1,405.6	$ 1,166.3	$ 2,571.9

NOTE 3. GOODWILL

The following is a roll forward 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	0.8	—	9.6	10.4
Foreign currency translation and other	(44.3)	(37.3)	(22.6)	(104.2)
Balance, July 1, 2022	**$ 4,082.5**	**$ 1,802.7**	**$ 3,173.0**	**$ 9,058.2**

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
July 1, 2022				
Deferred compensation liabilities	$ —	$ 31.4	$ —	$ 31.4
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 six month period ended July 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):

	July 1, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current portion of long-term debt	$ 999.9	$ 1,000.0	$ 2,151.7	$ 2,158.3
Long-term debt, net of current maturities	$ 2,682.2	$ 2,584.8	$ 1,807.3	$ 1,978.9

As of July 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 long-term borrowings 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 borrowing. The fair value of cash and cash equivalents, trade accounts receivable, net, trade accounts payable, and commercial paper approximates their carrying value 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):

	July 1, 2022	December 31, 2021
U.S. dollar-denominated commercial paper	$ 847.0	$ 364.9
Delayed-Draw Term Loan due 2022	999.9	999.7
Yen Term Loan due 2025	106.4	—
Euro Term Loan due 2025	285.8	—
3.15% senior unsecured notes due 2026	895.7	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	3,682.1	3,959.0
Less: current portion of long-term debt	999.9	2,151.7
Long-term debt, net of current maturities	$ 2,682.2	$ 1,807.3

Aggregate unamortized debt discounts, premiums, and issuance costs of $8 million and $13 million as of July 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.

Yen Term Loan

On June 17, 2022, we entered into a three-year, ¥14.4 billion senior unsecured term facility (“Yen Term Loan”). On the same day, we drew down the entire available balance under the facility, which yielded net proceeds of $107 million. The Yen Term Loan is due on June 17, 2025 and is pre-payable at our option. The Yen Term Loan bears interest at a rate of Tokyo Term Risk Free Rate (“TORF”), plus 65 basis points; provided, however, that the TOFR may not be less than zero for the Yen Term Loan.

Euro Term Loan

On June 21, 2022, we entered into a three-year €275 million senior unsecured term facility (“Euro Term Loan”). On June 28, 2022, we drew down the entire available balance under the facility, which yielded net proceeds of $290 million. The Euro Term Loan is due on June 23, 2025 and is pre-payable at our option. The Euro Term Loan bears interest at a rate of Euro Interbank Offered Rate (“Euribor”), plus 55 basis points; provided, however that the Euribor may not be less than zero for the Euro Term Loan.

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 six month period ended July 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 six month period ended July 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 $11.1 million and $23.3 million in interest expense during the three and six month period ended July 2, 2021, of which $2.5 million and $5.3 million was related to the contractual coupon rate of 0.875%, $1.5 million and $3.2 million was attributable to the amortization of debt issuance costs, and $7.1 million and $14.8 million was attributable to the amortization of the discount for each respective period.

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 July 1, 2022 were as follows ($ in millions):

	Carrying value	Annual effective rate	Weighted average remaining maturity (in days)
U.S. dollar-denominated commercial paper	$ 847.0	1.84 %	32

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 July 1, 2022, no borrowings were outstanding under the Revolving Credit Facility.

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

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 six month period ended July 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 $83 million as of July 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 July 1, 2022 and December 31, 2021, we had $33 million and $27 million, respectively, in net revenue-related contract costs primarily related to certain software contracts. Revenue-related contract costs 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 three and eight.

Contract Liabilities — Our contract liabilities consist of deferred revenue generally related to subscription-based software contracts, PCS and extended warranty sales, where in most cases we receive up-front payment and recognize revenue over the service or 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):

	July 1, 2022	December 31, 2021
Deferred revenue - current	$ 479.8	$ 457.6
Deferred revenue - noncurrent	35.1	33.8
Total contract liabilities	$ 514.9	$ 491.4

During the three and six month period ended July 1, 2022, we recognized revenue related to our contract liabilities at December 31, 2021 of $102 million and $256 million, respectively. The change in our contract liabilities from December 31, 2021 to July 1, 2022 was primarily due to the timing of billings and recognition as revenue of subscription-based software contracts, PCS and extended warranty services.

Remaining Performance Obligations — Our remaining performance obligations represent the transaction price of firm, non-cancelable 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):

	July 1, 2022
Intelligent Operating Solutions	$ 585.9
Precision Technologies	47.2
Advanced Healthcare Solutions	76.1
Total remaining performance obligations	$ 709.2

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 July 1, 2022 is presented as follows ($ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	$ 1,229.4	$ 534.2	$ 444.7	$ 250.5
Sales of services	233.9	95.9	54.4	83.6
Total	$ 1,463.3	$ 630.1	$ 499.1	$ 334.1
Geographic:				
United States	$ 779.0	$ 341.1	$ 249.6	$ 188.3
China	182.7	56.1	101.6	25.0
All other (each country individually less than 5% of total sales)	501.6	232.9	147.9	120.8
Total	$ 1,463.3	$ 630.1	$ 499.1	$ 334.1
End markets:[a]				
Direct sales:				
Healthcare	$ 369.8	$ 13.2	$ 41.3	$ 315.3
Industrial & Manufacturing	341.9	227.4	107.7	6.8
Utilities & Power	94.0	47.9	46.1	—
Government	110.1	60.5	41.4	8.2
Communications, Electronics & Semiconductor	102.1	26.3	75.4	0.4
Aerospace & Defense	64.7	0.2	64.5	—
Oil & Gas	68.6	65.8	2.8	—
Retail & Consumer	84.4	60.6	23.8	—
Other	158.5	90.1	68.4	—
Total direct sales	1,394.1	592.0	471.4	330.7
Distributors	69.2	38.1	27.7	3.4
Total	$ 1,463.3	$ 630.1	$ 499.1	$ 334.1

[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 July 2, 2021 is presented as follows ($ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	$ 1,136.0	$ 478.4	$ 417.5	$ 240.1
Sales of services	183.7	63.4	54.4	65.9
Total	$ 1,319.7	$ 541.8	$ 471.9	$ 306.0
Geographic:				
United States	$ 671.6	$ 276.7	$ 236.3	$ 158.6
China	163.5	53.7	81.7	28.1
All other (each country individually less than 5% of total sales)	484.6	211.4	153.9	119.3
Total	$ 1,319.7	$ 541.8	$ 471.9	$ 306.0
End markets:[(a)]				
Direct sales:				
Healthcare	$ 328.6	$ 8.4	$ 33.9	$ 286.3
Industrial & Manufacturing	312.1	200.7	105.4	6.0
Utilities & Power	97.8	57.2	40.6	—
Government	99.0	51.3	37.9	9.8
Communications, Electronics & Semiconductor	97.6	32.8	64.3	0.5
Aerospace & Defense	65.7	—	65.7	—
Oil & Gas	66.7	64.0	2.7	—
Retail & Consumer	44.6	18.7	25.9	—
Other	137.3	71.7	65.6	—
Total direct sales	1,249.4	504.8	442.0	302.6
Distributors	70.3	37.0	29.9	3.4
Total	$ 1,319.7	$ 541.8	$ 471.9	$ 306.0

[(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 six month period ended July 1, 2022 is presented as follows ($ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	$ 2,382.1	$ 1,034.7	$ 855.3	$ 492.1
Sales of services	457.7	183.0	106.2	168.5
Total	$ 2,839.8	$ 1,217.7	$ 961.5	$ 660.6
Geographic:				
United States	$ 1,518.9	$ 663.0	$ 483.6	$ 372.3
China	328.1	104.0	170.9	53.2
All other (each country individually less than 5% of total sales)	992.8	450.7	307.0	235.1
Total	$ 2,839.8	$ 1,217.7	$ 961.5	$ 660.6
End markets:[(a)]				
Direct sales:				
Healthcare	$ 723.1	$ 23.5	$ 78.4	$ 621.2
Industrial & Manufacturing	663.8	438.5	211.4	13.9
Utilities & Power	180.3	90.9	89.4	—
Government	215.8	112.1	86.1	17.6
Communications, Electronics & Semiconductor	189.9	50.1	138.8	1.0
Aerospace & Defense	120.1	0.3	119.8	—
Oil & Gas	133.4	128.1	5.3	—
Retail & Consumer	165.6	124.3	41.3	—
Other	312.4	177.6	134.7	0.1
Total direct sales	2,704.4	1,145.4	905.2	653.8
Distributors	135.4	72.3	56.3	6.8
Total	$ 2,839.8	$ 1,217.7	$ 961.5	$ 660.6

[(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 six month period ended July 2, 2021 is presented as follows ($ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	$ 2,213.2	$ 931.4	$ 810.6	$ 471.2
Sales of services	365.7	121.3	108.7	135.7
Total	$ 2,578.9	$ 1,052.7	$ 919.3	$ 606.9
Geographic:				
United States	$ 1,292.4	$ 524.9	$ 455.4	$ 312.1
China	327.8	113.2	158.5	56.1
All other (each country individually less than 5% of total sales)	958.7	414.6	305.4	238.7
Total	$ 2,578.9	$ 1,052.7	$ 919.3	$ 606.9
End markets:[(a)]				
Direct sales:				
Healthcare	$ 655.4	$ 17.8	$ 68.9	$ 568.7
Industrial & Manufacturing	614.4	397.2	205.4	11.8
Utilities & Power	192.7	111.5	81.2	—
Government	186.9	96.1	72.3	18.5
Communications, Electronics & Semiconductor	185.4	60.3	123.9	1.2
Aerospace & Defense	121.1	—	121.1	—
Oil & Gas	130.0	124.5	5.5	—
Retail & Consumer	90.1	42.2	47.9	—
Other	262.2	127.8	134.4	—
Total direct sales	2,438.2	977.4	860.6	600.2
Distributors	140.7	75.3	58.7	6.7
Total	$ 2,578.9	$ 1,052.7	$ 919.3	$ 606.9

(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 rates for the three and six month periods ended July 1, 2022 were 16.9% and 15.3%, respectively, as compared to 12.3% and 10.0%, respectively, for the three and six month periods ended July 2, 2021. The year-over-year increase in the effective tax rate for the three month period ended July 1, 2022 as compared to the three month period ended July 2, 2021 was due primarily to a reduction in our uncertain tax positions during the three month period ended July 2, 2021 and the effect of Russia exit and wind down costs for which no tax benefit was recognized in the three month period ended July 2, 2021 . The year-over-year increase in the effective tax rate for the six month period ended July 1, 2022 as compared to the six month period ended July 2, 2021 was primarily due to a non-recurring permanent difference on the Q1 2021 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 and increases in certain federal tax benefits for the six month period ended July 2, 2021.

Our effective tax rate for the three and six month periods ended July 1, 2022 differs from the U.S. federal statutory rate of 21% due primarily to the positive and negative effects of the Tax Cuts and Jobs Act (“TCJA”), U.S. federal permanent differences, the impacts of credits and deductions provided by law, and a reduction in our uncertain tax positions, and the effect of Russia exit and wind down costs for which no tax benefit was recognized.

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 July 1, 2022, approximately 16 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		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Stock Awards:				
Pretax compensation expense	$ 16.0	$ 12.2	$ 28.7	$ 22.7
Income tax benefit	(3.0)	(1.9)	(4.7)	(3.8)
Stock Award expense, net of income taxes	13.0	10.3	24.0	18.9
Stock options:				
Pretax compensation expense	9.1	8.0	16.3	14.1
Income tax benefit	(1.4)	(1.3)	(2.4)	(2.5)
Stock option expense, net of income taxes	7.7	6.7	13.9	11.6
Total stock-based compensation:				
Pretax compensation expense	25.1	20.2	45.0	36.8
Income tax benefit	(4.4)	(3.2)	(7.1)	(6.3)
Total stock-based compensation expense, net of income taxes	$ 20.7	$ 17.0	$ 37.9	$ 30.5

The following summarizes the unrecognized compensation cost for the Stock Plan awards as of July 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	$ 109.8
Stock options	61.9
Total unrecognized compensation cost	$ 171.7

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 roll forward of our accrued warranty liability ($ in millions):

Balance, December 31, 2021	$	25.2
Accruals for warranties issued during the period		6.8
Settlements made		(9.2)
Effect of foreign currency translation and other		(0.2)
Balance, July 1, 2022	$	22.6

Leases

Operating lease cost for the three month periods ended July 1, 2022 and July 2, 2021 was $14 million and $15 million, respectively. Operating lease cost for the six month periods ended July 1, 2022 and July 2, 2021 was $29 million and $30 million, respectively. During the six month periods ended July 1, 2022 and July 2, 2021, cash paid for operating leases included in operating cash flows was $26 million and $28 million, respectively. Right-of-use assets obtained in exchange for operating lease obligations were $6 million and $13 million during the six month periods ended July 1, 2022 and July 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 and six month periods ended July 1, 2022 were 7.7 million and 7.5 million, and were immaterial and 0.2 million for the three and six month periods ended July 2, 2021, 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 six month period ended July 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 periods in 2021 prior to conversion.

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		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Numerator				
Net earnings from continuing operations	$ 173.0	$ 182.0	$ 338.1	$ 293.7
Mandatory convertible preferred stock cumulative dividends	—	(17.2)	—	(34.5)
Convertible note interest add-back (if converted method)	—	—	1.8	—
Diluted Net Earnings from Continuing Operations	$ 173.0	$ 164.8	$ 339.9	$ 259.2
Denominator				
Weighted average common shares outstanding used in basic earnings per share	357.4	339.4	358.3	339.0
Incremental common shares from:				
Assumed exercise of dilutive options and vesting of dilutive Stock Awards	2.4	3.0	2.7	3.1
Conversion of convertible notes (if converted method)	—	—	3.2	—
Weighted average common shares outstanding used in diluted earnings per share	359.8	342.4	364.2	342.1
Net earnings from continuing operations per common share - Basic	$ 0.48	$ 0.49	$ 0.94	$ 0.76
Net earnings from continuing operations per common share - Diluted	$ 0.48	$ 0.48	$ 0.93	$ 0.76

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, and declared and paid the final dividend in the second quarter of 2021.

	Dividend Per Common Share	Amount ($ in millions)	Dividend per MCPS	Amount ($ in millions)
2022:				
First quarter	$ 0.07	$ 25.1	$ —	$ —
Second quarter	0.07	24.9	—	—
Total	$ 0.14	$ 50.0	$ —	$ —
2021:				
First quarter	$ 0.07	$ 23.7	$ 12.5	$ 17.3
Second quarter	0.07	23.7	12.5	$ 17.2
Total	$ 0.14	$ 47.4	$ 25.0	$ 34.5

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

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 July 1, 2022, there were 16.0 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 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.

Our chief operating decision maker ("CODM") assesses performance and allocates resources based on our operating segments, which are also our reportable segments. Operating profit amounts in the Other category and Russia exit and wind down costs consist of unallocated corporate costs and other costs not utilized or reviewed by our CODM at a segment level in evaluating segment operating performance. Our segment results are as follows ($ in millions):

	Three Months Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales:				
Intelligent Operating Solutions	$ 630.1	$ 541.8	$ 1,217.7	$ 1,052.7
Precision Technologies	499.1	471.9	961.5	919.3
Advanced Healthcare Solutions	334.1	306.0	660.6	606.9
Total	$ 1,463.3	$ 1,319.7	$ 2,839.8	$ 2,578.9
Operating Profit:				
Intelligent Operating Solutions	$ 129.9	$ 115.3	$ 236.9	$ 223.4
Precision Technologies	115.3	104.1	216.7	200.0
Advanced Healthcare Solutions	28.1	22.5	56.1	41.4
Other	(24.8)	(30.6)	(48.9)	(55.9)
Russia exit and wind down costs	(16.2)	—	(16.2)	—
Total Operating Profit	232.3	211.3	444.6	408.9
Interest expense, net	(21.0)	(25.2)	(39.8)	(52.9)
Loss on extinguishment of debt	—	—	—	(104.9)
Gain on investment in Vontier Corporation	—	—	—	57.0
Gain on litigation resolution	—	26.0	—	26.0
Other non-operating expense, net	(3.1)	(4.6)	(5.8)	(7.9)
Earnings from continuing operations before income taxes	$ 208.2	$ 207.5	$ 399.0	$ 326.2

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 privately held, 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. 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 $874 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.

Russia Ukraine Conflict

In February 2022, Russian forces invaded Ukraine (“Russia Ukraine Conflict”) resulting in broad economic sanctions being imposed on Russia. In the second quarter of 2022, the Company exited business operations in Russia, other than for ASP’s sterilization products, which are exempt from international sanctions as humanitarian products. Our business in Russia and Ukraine accounted for less than 1% of total revenue and less than 0.2% of total assets for the fiscal year ended December 31, 2021.

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 July 1, 2022

We experienced robust demand for our products and services during the three and six month periods ended July 1, 2022 (“the quarter” or the “second quarter” and “year-to-date period”, respectively). During the second quarter and year-to-date period, and despite ongoing COVID-19 and supply chain challenges, year-over-year sales increased 10.9% and 10.1%, respectively, with contributions from both existing and newly acquired businesses, all partially offset by unfavorable changes in foreign exchange rates. Sales from existing businesses increased 8.9% and 7.1% during the second quarter and year-to-date periods, respectively, as compared to the comparable periods in 2021, reflecting strong end-market demand across the product portfolio and focused execution on product and service delivery.

Geographically, in the second quarter, year-over-year sales from existing businesses increased high single-digits, with growth driven by high single-digit growth in North America, mid-teens growth in Western Europe and mid-teens growth in China, which includes shipments that were delayed from the first quarter of 2022 as a result of COVID-19 containment measures adopted in China. In the year-to-date period, year-over-year sales from existing businesses also increased high single digits with high single digit growth in both North America and Western Europe, as well as a slight increase in China.

Year-over-year price increases contributed 5.0% and 4.1% to sales growth during the second quarter and year-to-date period, as compared to the comparable periods in 2021 and is reflected as a component of the change in sales from existing businesses. In both the second quarter and year-to-date period, price increases exceeded inflationary increases that we experienced on purchased materials.

The strengthening of the US dollar relative to other currencies reduced our sales by 3.0% and 2.3% in the second quarter and year-to-date periods, respectively when compared to the comparable periods of 2021 and may continue to impact our results in future periods.

Widespread supply chain and logistics challenges persisted in the second 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 continued to outpace our shipments in the second quarter and our backlog increased sequentially from the first quarter of 2022.

COVID-19 continues to impact our results and creates operating challenges with logistics, material availability and absenteeism. In the first and second quarters of 2022, government mandated COVID-19 containment measures in China directly impacted production, shipments and cash flow. Operating conditions began to normalize late in the second quarter with the resumption of shipments to customers, including for orders that were delayed in the first quarter due to the lockdowns. We anticipate that the uncertainty and disruption caused by the pandemic will continue to impact future periods.

Outlook

Despite uncertainty in the macro environment, we anticipate increasing demand for our offerings will continue and are projecting sales to grow on a year-over-year basis between 10.0% and 12.0% for the third quarter of 2022, and 10.0% and 11.0% for the full year. We anticipate sales growth on a year-over-year basis from existing businesses will be between 9.0% and 11.5% for the third quarter of 2022 and 8.0% and 9.5% for the full year. We expect that foreign exchanges rates will remain unfavorable to us when compared with the rates in effect in the comparable periods of 2021 and relative to assumptions at the start of 2022. Additionally, this outlook is subject to various assumptions and risks, including but not limited to the resilience and durability of the economies of the United States and other critical regions, ongoing challenges with global logistics and supply chain including the availability of electronic components, the impact of the COVID-19 pandemic, the impact of the Russia Ukraine Conflict, market conditions in key end product segments and elective surgery rates.

We anticipate that supply chain and inflationary pressures will persist throughout 2022 and that our backlog 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, which may occur with little notice and could have a material adverse impact on our future results.

We are 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 considered in the United States and by the Organization for Economic Co-operation and Development (“OECD”).

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 second quarter and year-to-date periods ended July 1, 2022 as compared to the comparable periods of 2021:

Components of Sales Growth

	% Change Three Months Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six Months Ended July 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**10.9 %**	**10.1 %**
Existing businesses (Non-GAAP)	8.9 %	7.1 %
Acquisitions (Non-GAAP)	5.0 %	5.3 %
Currency exchange rates (Non-GAAP)	(3.0) %	(2.3) %

Operating Profit Margins

Operating profit margin was 15.9% for the second quarter ended July 1, 2022 , a decrease of 10 basis points as compared to 16.0% in the comparable period of 2021. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increase in price and sales volumes from existing businesses, which were partially offset by higher year-over-year employee compensation, freight, logistics and material costs, unfavorable foreign exchange rates and growth investments in R&D, sales and marketing — favorable 220 basis points
- The year-over-year effect of amortization from existing businesses — favorable 60 basis points
- The year-over-year net effect of acquisition-related transaction costs which were higher in the second quarter than those recognized during the comparable period in 2021 — unfavorable 30 basis points
- Russia exit and wind down costs which were incurred during the second quarter — unfavorable 110 basis points
- The year-over-year net effect of acquired businesses, including amortization, and acquisition-related fair value adjustments — unfavorable 150 basis points

Operating profit margin was 15.7% for the year-to-date period ended July 1, 2022, a decrease of 20 basis points as compared to 15.9% in the comparable period of 2021. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increase in price and sales volumes from existing businesses, which were partially offset by higher year-over-year employee compensation, freight, logistics and material costs, unfavorable foreign exchange rates and growth investments in R&D, sales and marketing — favorable 130 basis points
- The year-over-year effect of amortization from existing businesses — favorable 60 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 20 basis points
- Russia exit and wind down costs which were incurred during the year-to-date period — unfavorable 60 basis points
- The year-over-year net effect of acquired businesses, including amortization, and acquisition-related fair value adjustments — unfavorable 130 basis point

Business Segments

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

	Three Months Ended		Six Months Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Intelligent Operating Solutions	$ 630.1	$ 541.8	$ 1,217.7	$ 1,052.7
Precision Technologies	499.1	471.9	961.5	919.3
Advanced Healthcare Solutions	334.1	306.0	660.6	606.9
Total	$ 1,463.3	$ 1,319.7	$ 2,839.8	$ 2,578.9

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

	Three Months Ended		Six Months Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 630.1	$ 541.8	$ 1,217.7	$ 1,052.7
Operating profit	129.9	115.3	236.9	223.4
Depreciation	9.1	5.6	18.6	12.2
Amortization	46.1	38.0	92.3	75.9
Operating profit as a % of sales	20.6 %	21.3 %	19.5 %	21.2 %
Depreciation as a % of sales	1.4 %	1.0 %	1.5 %	1.2 %
Amortization as a % of sales	7.3 %	7.0 %	7.6 %	7.2 %

Components of Sales Growth

	% Change Three Months Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six Months Ended July 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**16.3 %**	**15.7 %**
Existing businesses (Non-GAAP)	12.3 %	10.6 %
Acquisitions (Non-GAAP)	7.0 %	7.3 %
Currency exchange rates (Non-GAAP)	(3.0) %	(2.2) %

Year-over-year sales from existing businesses of increased 12.3% and 10.6% during the second quarter and year-to-date period, respectively, as compared to the comparable periods of 2021. The year-over-year results for both respective periods were driven by higher pricing, continued strong demand for test and measurement instrumentation products, software and related services and gas detection offerings as well as improved factory throughput on gains from supply chain and logistics countermeasures.

Geographically, sales from existing businesses in developed markets increased in the second quarter by low double-digits, driven by low double-digits growth in North America, high teens growth in Western Europe. Sales in high growth markets increased by mid-teens, driven by high single-digits growth in China, as well as high-teens growth in other regions, which included Latin America, Other Asia and Middle East. On a year-to-date basis, sales from existing businesses in developed markets increased by low double-digits and high growth markets increased by mid-single digits.

Year-over-year price increases in our Intelligent Operating Solutions segment contributed 6.0% and 4.6% to sales growth during the second quarter and year-to-date period, as compared to the comparable periods of 2021, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin decreased 70 basis points during the quarter as compared to the comparable period of 2021. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increase in price and sales volume from existing businesses were partially offset by higher year-over-year freight, logistics and material costs and employee compensation costs, unfavorable foreign exchange rates and growth investments in R&D, sales and marketing— favorable 205 basis points
- The year-over-year effect of amortization from existing businesses — favorable 100 basis
- The year-over-year net effect of acquisition-related transaction costs, which were higher than those recognized during the comparable period in 2021 — unfavorable 65 basis points
- The year-over-year effect of acquired businesses, including amortization — unfavorable 310 basis points

Operating profit margin decreased 170 basis points during the year-to-date period, as compared to the comparable period of 2021. Year-over-year operating profit margin comparisons were impacted by:

- Year-over-year increase in price and sales volume from existing businesses, partially offset by higher year- over-year freight, logistics and material costs and employee compensation costs — favorable 105 basis points
- The year-over-year effect of amortization from existing businesses — favorable 100 basis points
- The year-over-year net effect of acquisition-related transaction costs, which were higher than those recognized during the comparable period in 2021 — unfavorable 85 basis points
- The year-over-year effect of acquired businesses, including amortization — unfavorable 290 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

	Three Months Ended		Six Months Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 499.1	$ 471.9	$ 961.5	$ 919.3
Operating profit	115.3	104.1	216.7	200.0
Depreciation	6.2	6.3	12.2	12.6
Amortization	3.6	4.2	7.2	8.5
Operating profit as a % of sales	23.1 %	22.1 %	22.5 %	21.8 %
Depreciation as a % of sales	1.2 %	1.3 %	1.3 %	1.4 %
Amortization as a % of sales	0.7 %	0.9 %	0.7 %	0.9 %

Components of Sales Growth

	% Change Three Months Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six Months Ended July 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**5.8 %**	**4.6 %**
Existing businesses (Non-GAAP)	8.6 %	6.7 %
Acquisitions (Non-GAAP)	— %	— %
Currency exchange rates (Non-GAAP)	(2.8) %	(2.1) %

Year-over-year sales from existing businesses increased 8.6% and 6.7% during the second quarter and the year-to-date period compared to the comparable periods of 2021. The year-over-year results for both respective periods were driven by price increases, market growth and share gains in key verticals.

Geographically, sales from existing businesses in developed markets increased by mid-single digits in the second quarter driven by mid-single digit growth in North America and high single digit growth in Western Europe. Sales in high growth markets increased by mid-teens in the second quarter on mid-twenties growth in China, which included recovery of shipments expected in the first quarter that were delayed until the second quarter as a result of government mandated COVID-10 containment measures. On a year-to-date basis, sales from existing businesses in developed markets increased by mid-single digits and high growth markets increased by high-single digits, respectively.

Year-over-year price increases in our Precision Technologies segment contributed 6.3% and 5.4% to sales growth for the second quarter and year-to-date period, respectively, as compared to the comparable periods of 2021, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 100 basis points for the second quarter as compared to the comparable period of 2021. Year-over-year changes in operating profit margin were comprised of the following:

- Higher year-over-year increases in price and volume, partially offset by higher material, freight and employee compensation costs and unfavorable exchange rates — favorable 90 basis points
- The year-over-year effect of amortization from existing businesses — favorable 10 basis points

Operating profit margin increased 70 basis points during the year-to-date period as compared to the comparable period of 2021. Year over year operating profit margins were comprised of the following

- Higher year-over-year increases in price and volume, partially offset by higher material, freight and employee compensation costs and unfavorable exchange rates — favorable 60 basis points
- The year-over-year effect of amortization from existing businesses — favorable 10 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		Six Months Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 334.1	$ 306.0	$ 660.6	$ 606.9
Operating profit	28.1	22.5	56.1	41.4
Depreciation	4.7	5.2	9.4	10.7
Amortization	46.1	35.3	92.6	70.6
Operating profit as a % of sales	8.4 %	7.4 %	8.5 %	6.8 %
Depreciation as a % of sales	1.4 %	1.7 %	1.4 %	1.8 %
Amortization as a % of sales	13.8 %	11.5 %	14.0 %	11.6 %

Components of Sales Growth

	% Change Three Months Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six Months Ended July 1, 2022 vs. Comparable 2021 Period
Total revenue growth (GAAP)	**9.2 %**	**8.9 %**
Existing businesses (Non-GAAP)	3.3 %	2.0 %
Acquisitions (Non-GAAP)	9.3 %	9.7 %
Currency exchange rates (Non-GAAP)	(3.4) %	(2.8) %

Year-over-year sales from existing businesses increased 3.3% and 2.0% during the second quarter and year-to-date period, respectively, as compared to the comparable periods of 2021. The year-over-year results in the second quarter and the year-to-date period were driven by higher prices and increased demand for sterilization consumables, radiation management, quality assurance and diagnostic products.

Geographically, sales from existing businesses in developed markets increased by mid-single digits in the second quarter driven by low-single digit growth in North America and low double digit growth in Western Europe. Sales in high growth markets declined by low single digits in the second quarter on high single digit declines in China, partially offset by mid-teens growth in Latin America. On a year-to-date basis, sales from existing businesses in developed markets increased by low-single digits and high growth markets declined by low-single digits.

Year-over-year price increases in our Advanced Healthcare Solutions segment contributed 1.4% to sales growth during both the second quarter and year-to-date periods, as compared to the comparable periods of 2021, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 100 basis points during the second quarter as compared to the comparable period of 2021. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year sales increase in price and volume from existing businesses and gains from productivity measures were partially offset by higher year-over-year employee compensation costs and unfavorable foreign exchange rates — 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 — unfavorable 140 basis points

Operating profit margin increased 170 basis points during the year-to-date period as compared to the comparable period of 2021. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year sales increase in price and volume from existing businesses and gains from productivity measures were partially offset offset by higher year-over-year employee compensation costs and unfavorable foreign exchange rates — favorable 50 basis points
- 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 less in the than those recognized in the comparable period in 2021 — favorable 80 basis points
- The year-over-year effect of acquired businesses, including amortization, and acquisition-related fair value adjustments to inventory — unfavorable 50 basis points

COST OF SALES AND GROSS PROFIT

	Three Months Ended		Six Months Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 1,463.3	$ 1,319.7	$ 2,839.8	$ 2,578.9
Cost of sales	(629.8)	(564.2)	(1,214.3)	(1,111.5)
Gross profit	$ 833.5	$ 755.5	$ 1,625.5	$ 1,467.4
Gross profit margin	57.0 %	57.2 %	57.2 %	56.9 %

The year-over-year increase in gross profit during the second quarter and the year-to-date period as compared to the comparable periods in 2021, is due primarily to year-over-year increases in sales volumes and price increases from existing and newly acquired businesses, which were partially offset by higher material, freight and employee compensation costs and the unfavorable impact of foreign currency exchange rates.

OPERATING EXPENSES

($ in millions)	Three Months Ended July 1, 2022	Three Months Ended July 2, 2021	Six Months Ended July 1, 2022	Six Months Ended July 2, 2021
Sales	$ 1,463.3	$ 1,319.7	$ 2,839.8	$ 2,578.9
Selling, general and administrative (“SG&A”) expenses	484.9	456.4	965.5	884.5
Research and development (“R&D”)	100.1	87.8	199.2	174.0
Russia exit and wind down costs	16.2	—	16.2	—
SG&A as a % of sales	33.1 %	34.6 %	34.0 %	34.3 %
R&D as a % of sales	6.8 %	6.7 %	7.0 %	6.7 %

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

On a year-over-year basis, SG&A represented as a percentage of sales, decreased 150 basis points and 30 basis points during the second quarter and year-to-date period, respectively, with higher amortization expenses from our recent acquisitions more than offset by leverage on SG&A costs, which grew at a slower rate than our sales growth.

R&D, consisting principally of internal and contract engineering personnel costs, increased during the second quarter and year-to-date period compared to the comparable periods 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 represented as a percentage of sales increased by 10 basis points in the second quarter and 30 basis points in the year-to-date period mainly on our recent acquisitions, where R&D spending is higher as a percentage of sales than in existing businesses.

RUSSIA EXIT AND WIND DOWN COSTS

We incurred pre-tax costs totaling $16.2 million in the second quarter primarily relating to the write-off of net assets, the write-off of the cumulative translation adjustment in earnings for legal entities deemed substantially liquidated, and to record provisions for employee severance and legal contingencies. Of the $16.2 million incurred, approximately $9.2 million represents non-cash charges and is reflected as such in the Consolidated Condensed Statement of Cash Flows. The costs were primarily related to our segments, as follows: Intelligent Operating Solutions $13.3 million, Precision Technologies $2.1 million and Advanced Healthcare Solutions $0.8 million.

INTEREST COSTS

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

Net interest expense for the second quarter and year-to-date period was $21 million and $40 million as compared to $25 million and $53 million in the comparable periods in 2021. The year-over-year decrease in interest expense was due to lower year-over-year effective interest rates on debt instruments in both the second quarter and year-to-date period, despite overall higher debt balances.

INCOME TAXES

Our effective tax rates for the three and six month periods ended July 1, 2022 were 16.9% and 15.3%, respectively, as compared to 12.3% and 10.0%, respectively, for the three and six month periods ended July 2, 2021. The year-over-year increase in the effective tax rate for the three month period ended July 1, 2022 as compared to the three month period ended July 2, 2021 was due primarily to a reduction in our uncertain tax positions during the three month period ended July 2, 2021 and the effect of Russia exit and wind down costs for which no tax benefit was recognized in the three month period ended July 2, 2021 . The year-over-year increase in the effective tax rate for the six month period ended July 1, 2022 as compared to the six month period ended July 2, 2021 was primarily due to a non-recurring permanent difference on the Q1 2021 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 and increases in certain federal tax benefits for the six month period ended July 2, 2021.

Our effective tax rate for the three and six month periods ended July 1, 2022 differs from the U.S. federal statutory rate of 21% due primarily to the positive and negative effects of the Tax Cuts and Jobs Act (“TCJA”), U.S. federal permanent differences, the impacts of credits and deductions provided by law, and a reduction in our uncertain tax positions, and the effect of Russia exit and wind down costs for which no tax benefit was recognized.

COMPREHENSIVE INCOME

Comprehensive income decreased by $144 million during the second quarter as compared to the comparable period in 2021 due primarily to unfavorable changes in foreign currency translation adjustments of $135 million.

Comprehensive income decreased by $94 million during the year-to-date period as compared to the comparable period in 2021 due primarily to unfavorable changes in foreign currency translation adjustments of $140 million, partially offset by an increase in net income.

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 July 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 six month period ended July 1, 2022:

	Six Months Ended	
($ in millions)	July 1, 2022	July 2, 2021
Total operating cash provided by continuing operations	$ 509.2	$ 443.0
Cash paid for acquisitions, net of cash received	$ (1.6)	$ 0.9
Payments for additions to property, plant and equipment	(37.1)	(17.1)
All other investing activities	—	1.1
Total investing cash used in continuing operations	$ (38.7)	$ (15.1)
Payment of 0.875% convertible senior notes due 2022	$ (1,156.5)	$ —
Net proceeds from commercial paper borrowings	481.3	—
Proceeds from borrowings (maturities greater than 90 days), net of issuance costs of $0.6 million in 2022	397.0	—
Repayment of borrowings (maturities greater than 90 days)	—	(611.1)
Payment of common stock cash dividend to shareholders	(50.0)	(47.4)
Payment of mandatory convertible preferred stock cash dividend to shareholders	—	(34.5)
Repurchase of common shares	(242.9)	—
All other financing activities	(11.8)	25.2
Total financing cash used in continuing operations	$ (582.9)	$ (667.8)

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 $509 million during the first six months of 2022, an increase of $66 million, or 15%, 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 $82 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, Russia exit and wind down costs and Gain on investment in Vontier Corporation).
- The aggregate changes in trade accounts receivable, inventories, and trade accounts payable used $48 million of cash during the year-to-date period as compared to using $27 million in the comparable period of 2021. The amount of cash flow generated from or used by the aggregate of trade 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 changes in prepaid expenses, other assets, accrued expenses and other liabilities used $69 million of cash in the year-to-date period as compared to using $75 million of cash in the comparable period of 2021. The year-over-year changes were driven by timing differences in tax payments, deferred revenue and employee compensation and benefits.

Investing Activities

Investing cash flows from continuing operations consist primarily of cash paid for acquisitions and capital expenditures, and increased $23.6 million during the year-to-date period as compared to the comparable period of 2021. The change was primarily due to increased capital expenditures which increased by approximately $20 million.

Capital expenditures are made primarily for increasing production capacity, replacing aged equipment, supporting product development initiatives for hardware and software offerings, improving information technology systems, and purchasing equipment that is used in revenue arrangements with customers. For the current year, 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 $583 million during the year-to-date period, reflecting the following transactions:

- On June 17, 2022, we entered into a three-year ¥14.4 billion senior unsecured facility yielding net proceeds of approximately $107 million.
- On June 21, 2022, we entered into a three-year €275 million senior unsecured facility yielding net proceeds of approximately $290 million.
- 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 2022, we incurred $481 million in net commercial paper borrowings under the U.S. dollar-denominated commercial paper program, which had a weighted annual effective rate of 1.84% and a weighted average remaining maturity of approximately 32 days.
- During 2022, we repurchased 4,000,000 shares for approximately $243 million under our publicly-announced share repurchase program.
- Aggregate cash payments for common stock dividends paid to shareholders during were $50 million and were recorded as dividends to shareholders in the Consolidated Condensed Statement of Changes in Equity and the Consolidated Condensed Statement of Cash Flows.

In the comparable 2021 period, financing activities from continuing operations used cash of $668 million, which included payments of $317 million on the Delayed-Draw Term loan due in April 2020 and repurchases of $281 million in 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 six month period ended July 2, 2021.

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

Cash and Cash Requirements

As of July 1, 2022, we held approximately $683 million of cash and equivalents that were invested in highly liquid investment-grade instruments with a maturity of 90 days or less and yielded insignificant interest income during the year-to-date period. Approximately 85% of the $683 million in cash and equivalents 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 July 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 and six month period ended July 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 trade receivables is 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 and six month periods ended July 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. Refer to Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations for discussion around the impact of these items in the second quarter and year-to-date period.

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 and year ended July 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 year-to-date period ended July 1, 2022, the Company purchased 4,000,000 shares of its common stock at an average share price of $60.71, including 3,000,000 shares at an average share price of $59.71 during the second quarter of 2022, leaving 16 million shares authorized for repurchase under the share repurchase program as of July 1, 2022.

The following table provides details about our share repurchases during the fiscal quarter ended July 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
Apr 2 - April 30	—	$ —	N/A	N/A
May 1 - May 31	3,000,000	59.71	3,000,000	16,000,000
June 1- July 1	—	—	N/A	N/A
Total	3,000,000	$ 59.71	3,000,000	16,000,000

ITEM 5. OTHER INFORMATION

Disclosure Pursuant to Section 13(r) of the Securities Exchange Act of 1934

Section 13(r) of the Exchange Act requires an issuer to disclose certain information in its periodic reports if it or any of its affiliates knowingly engaged in certain activities, transactions or dealings with individuals or entities subject to specific U.S. economic sanctions during the reporting period, even when the activities, transactions, or dealings are conducted in compliance with applicable law.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the “FSB”) as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury’s Office of Foreign Assets Control issued General License No. 1B (the “OFAC General License”), which generally authorizes U.S. companies to engage in certain transactions and dealings with the FSB necessary and ordinarily incident to requesting or obtaining licenses, permits, certifications or notifications issued or registered by the FSB for the importation, distribution or use of information technology products in Russia. As a result, Section 13(r) of the Exchange Act now requires disclosure of dealings with FSB, even where the activities were conducted in compliance with applicable laws and regulations.

As permitted and authorized by the OFAC General License with respect to ASP's sterilization products that are exempt from international sanctions as humanitarian products, certain of the Company's subsidiaries for the ASP operations may file notifications with, or apply for import licenses and permits from, the FSB as required pursuant to Russian encryption product import controls for the purpose of enabling such subsidiaries or their channel partners to import and distribute ASP's sterilization products in the Russian Federation. There are no gross revenues or net profits directly associated with these activities with the FSB, and neither the Company nor any of its subsidiaries distribute or sell products or provide services to the FSB.

ITEM 6. EXHIBITS

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

Exhibit 3.1

RESTATED

CERTIFICATE OF INCORPORATION

OF

FORTIVE CORPORATION
(a Delaware corporation)

Fortive Corporation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

1. The present name of the Corporation is Fortive Corporation. The Corporation was originally incorporated under the name TGA Holding Corp. by filing its original Certificate of Incorporation of the Corporation with the Secretary of State of the State of Delaware on November 10, 2015.

2. This Restated Certificate of Incorporation, only restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation as theretofore amended or supplemented and there is no discrepancy between the provisions of the Certificate of Incorporation as theretofore amended and supplemented and the provisions of this Restated Certificate of Incorporation. This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 245 of the DGCL.

3. The Certificate of Incorporation of the Corporation is hereby integrated and restated in its entirety to read as follows:

ARTICLE I

NAME

Section 1.01 Name. The name of the Corporation is Fortive Corporation.

ARTICLE II

REGISTERED OFFICE AND REGISTERED AGENT

Section 2.01 Registered Address. The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the registered agent of the Corporation is The Corporation Trust Company.

ARTICLE III

CORPORATE PURPOSE

Section 3.01 Corporate Purpose. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

CAPITAL STOCK

Section 4.01 Authorized Capital Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is 2,015,000,000, consisting of: (i) 2,000,000,000 shares of common stock, par value $.01 per share (the "Common Stock"); and (ii) 15,000,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock").

Section 4.02 Common Stock. The powers, preferences and relative participating, optional or other special rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

(a) Ranking. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board upon any issuance of the Preferred Stock of any series.

(b) Voting. Each share of Common Stock shall entitle the holder thereof to one vote in person or by proxy for each share on all matters on which such stockholders are entitled to vote. Except as expressly set forth in the applicable Certificate of Designations with respect to any such series of Preferred Stock, the holders of Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any Certificate of Designations) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon.

(c) Dividends. The holders of shares of Common Stock shall be entitled to receive ratably such dividends and other distributions in cash, stock or property of the Corporation when, as and if declared thereon by the Board in its sole discretion from time to time out of assets or funds of the Corporation legally available therefor, subject to any preferential rights of any then outstanding Preferred Stock and any other provisions of this Amended and Restated Certificate of Incorporation, as may be amended from time to time.

(d) Liquidation. Upon the dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, holders of Common Stock shall be entitled to receive all remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them and subject to any preferential rights of any then outstanding Preferred Stock.

(e) No Preemptive or Subscription Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights.

Section 4.03 Preferred Stock. The Board is hereby expressly authorized to provide, out of the unissued shares of Preferred Stock, for the issuance of all or any of the shares of Preferred Stock in one or more series and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers, full or limited, if any, of the shares of such series, and the preferences and relative participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative participating, optional and other special rights of each series of preferred stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, the determination of the following:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board may thereafter increase or decrease, but not below the number of shares thereof then outstanding;

(c) the entitlement to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series of capital stock;

(d) the redemption rights and price or prices, if any, for shares of the series;

(e) the terms and amount of any sinking fund, if any, provided for the purchase or redemption of shares of the series;

(f) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(g) whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;

(h) restrictions on the issuance of shares of the same series or any other class or series;

(i) the voting rights, if any, of the holders of shares of the series generally or upon specified events; and

(j) any other powers, preferences and relative participating, optional or other special rights of each series of Preferred Stock, and any qualifications, limitations or restrictions of such shares,

all as may be determined from time to time by the Board and stated in the resolution or resolutions providing for the issuance of such Preferred Stock.

Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

ARTICLE V

BOARD OF DIRECTORS

Section 5.01 Election of Directors. Election of directors need not be by written ballot unless the Bylaws of the Corporation shall so require.

Section 5.02 Annual Meeting. The annual meeting of the stockholders for the election of directors and for the transaction of such business as may properly come before the meeting shall be held at such date, time and place, if any, as shall be determined solely by the resolution of the Board in its sole and absolute discretion.

Section 5.03 Number of Directors. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. Subject to the rights of holders of Preferred Stock, if any, the Board shall consist of not less than three (3) or greater than fifteen (15), the exact number of which shall be fixed from time to time exclusively pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board, and subject to the rights of the holders of the Preferred Stock, if any, the exact number may be increased or decreased by such a resolution (but not to less than three (3) or greater than fifteen (15)).

Section 5.04 Terms of Office. Other than those directors, if any, elected by the holders of any series of Preferred Stock, the Board shall be and is divided into three classes, as nearly equal in number as possible, designated as: Class I, Class II and Class III. In case of any increase or decrease, from time to time, in the number of directors, the number of directors in each class shall be apportioned as nearly equal as possible.

Notwithstanding the foregoing, except for the terms of such additional directors, if any, as elected by the holders of any series of Preferred Stock, (a) at the 2018 annual meeting of stockholders, the directors whose terms expire at that meeting shall be elected to hold office for a three-year term expiring at the 2021 annual meeting of stockholders (until the 2021 annual meeting of stockholders, the "2021 Class Directors"); (b) at the 2019 annual meeting of stockholders, the directors whose terms expire at that meeting (until the 2019 annual meeting of the stockholders, the "2019 Class Directors") shall be elected to hold office for a one-year term expiring at the 2020 annual meeting of stockholders; (c) at the 2020 annual meeting of stockholders, the directors whose terms expire at that meeting (until the 2020 annual meeting of the stockholders, the "2020 Class Directors" and, together with the 2019 Class Directors and 2021 Class Directors, the "Continuing Classified Directors") shall be elected to hold office for a one-year term expiring at the 2021 annual meeting of stockholders; and (d) at the 2021 annual meeting of stockholders and each annual meeting of stockholders thereafter, all directors shall be elected for a one-year term expiring at the next annual meeting of stockholders. Pursuant to such procedures, effective as of the 2021 annual meeting of stockholders, the Board of Directors will no longer be classified under Section 141(d) of the General Corporation Law of Delaware.

No decrease in the number of directors shall shorten the term of any incumbent director.

Section 5.05 Vacancies; Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any vacancy in the Board of Directors resulting from the death, resignation, retirement, disqualification or removal of any director or other cause, or any newly created directorship resulting from an increase in the authorized number of directors, shall be filled exclusively by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director (a) appointed to fill a vacancy caused by the death, resignation, retirement, disqualification or removal of any Continuing Classified Director shall have a term expiring at the corresponding annual meeting of stockholders at which the term of such Continuing Classified Director would have expired, and (b) appointed to fill a newly created directorship resulting from an increase in the authorized number of directors, shall have a term expiring at the next subsequent annual meeting of stockholders, in each of case (a) or (b) subject to the election and qualification of a successor and to such director's earlier death, resignation or removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding with respect to any directors elected by the holders of such series, any director, or the entire Board of Directors, may be removed with or without cause by the holders of a majority in voting power of the outstanding shares of capital stock of the Corporation entitled to elect such director, except that any Continuing Classified Director and any director appointed to fill a vacancy caused by the death, resignation, retirement, disqualification or removal of any Continuing Classified Director may be removed only for cause.

Section 5.06 Authority. In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Amended and Restated Certificate of Incorporation, and any Bylaws of the Corporation adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such Bylaws had not been adopted.

Section 5.07 Advance Notice. Advance notice of stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

ARTICLE VI

STOCKHOLDERS

Section 6.01 Cumulative Voting. No holder of Common Stock of the Corporation shall be entitled to exercise any right of cumulative voting.

Section 6.02 Stockholder Action. Subject to the terms of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action in lieu of a meeting is hereby specifically denied.

Section 6.03 Special Meetings. Unless otherwise required by law or the terms of any resolution or resolutions adopted by the Board providing for the issuance of a class or series of the Preferred Stock, special meetings of stockholders, for any purpose or purposes, may be called by the Secretary upon a written request delivered to the Secretary by (i) the Board as set forth in the Corporation's Bylaws, (ii) the Chairman of the Board, (iii) the Chief Executive Officer of the Corporation, or (iv) the holders of record who "Own" (as such term is defined in Section 2.12 of Article II of the Bylaws of the Corporation) at least twenty-five percent (25%) of the outstanding shares of Common Stock and who have complied in full with the requirements set forth in the Bylaws of the Corporation. At a special meeting of stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

ARTICLE VII

LIMITATION ON LIABILITY; INDEMNIFICATION

Section 7.01 Limitation on Liability. To the fullest extent permitted by the DGCL, as it now exists and as it may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of a fiduciary duty as a director, except for liability of a director (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, or (d) for any transaction from which the director derived an improper personal benefit; provided that if the DGCL shall be amended or modified to provide for exculpation for any director in any circumstances where exculpation is prohibited pursuant to any of the preceding clauses (a) through (d), then such directors shall be entitled to exculpation to the maximum extent permitted by such amendment or modification. No amendment to, modification of or repeal of this Section 7.01 shall apply to or have any adverse effect on any right or protection of, or any limitation of the liability of, a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions of such director occurring prior to such amendment, modification or repeal.

Section 7.02 Indemnification. The Corporation shall indemnify to the full extent authorized or permitted by law any person made, or threatened to be made, a party to any action or proceeding (whether civil or criminal or otherwise) by reason of the fact that he, his testator or intestate, is or was a director or officer of the Corporation or by reason of the fact that such director or officer, at the request of the Corporation, is or was serving any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity. Nothing contained herein shall affect any rights to indemnification to which employees other than directors and officers may be entitled by law.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was a director, officer, employee or agent of the Corporation serving at the request of the Corporation as a director, manager, officer, employee, trustee or agent of, or in a fiduciary capacity with respect to, another corporation, limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Section 7.02.

The right of indemnification provided in this Section 7.02 shall not be exclusive, and shall be in addition to any other right to which any person may otherwise be entitled by law, statue, under the Bylaws of the Corporation, or under any agreement, vote of stockholders or disinterested directors, or otherwise. Any amendment, repeal or modification of this Section 7.02 shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE VIII

FORUM SELECTION

Section 8.01 Forum Selection. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of the Corporation; (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders; (iii) any action asserting a claim arising pursuant to any provision of the DGCL; or (iv) any action asserting a claim governed by the internal affairs doctrine; provided, however, that, in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware, in each such case, unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 8.01 of Article VIII. Failure to enforce the foregoing provisions would cause the Corporation irreparable harm and the Corporation shall be entitled to equitable relief, including injunction and specific performance, to enforce the forgoing provisions.

ARTICLE IX

AMENDMENT

Section 9.01 Certificate of Incorporation. The Corporation shall have the right, from time to time, to amend, alter, change or repeal any provision of this Amended and Restated Certificate of Incorporation in any manner now or hereafter provided by this Amended and Restated Certificate of Incorporation, the Bylaws of the Corporation or the DGCL, and all rights, preferences, privileges and powers of any kind conferred upon any director or stockholder of the Corporation by this Amended and Restated Certificate of Incorporation or any amendment thereof are conferred subject to such right.

Section 9.02 Bylaws. In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized and empowered, without the assent or vote of the stockholders, to adopt, amend and repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board shall require the approval by the majority of the entire Board. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the voting power of the shares entitled to vote for the election of directors shall be required to amend, repeal or adopt any provision of the Bylaws of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed this Restated Certificate of Incorporation as of this 21st day of July 2022.

FORTIVE CORPORATION

By: /s/ Daniel B. Kim

Name: Daniel B. Kim

Title: Secretary

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:	July 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:	July 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 July 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:	July 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 July 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:	July 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.