

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: **September 29, 2023**

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
(State or other jurisdiction of
incorporation or organization)

47-5654583
(I.R.S. employer
identification number)

6920 Seaway Blvd
Everett, WA
(Address of principal executive offices)

98203
(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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

The number of shares of common stock outstanding at October 20, 2023 was 351,433,569.

FORTIVE CORPORATION

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	As of	
	September 29, 2023 (unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and equivalents	\$ 714.1	\$ 709.2
Trade accounts receivable less allowance for doubtful accounts of \$39.6 at September 29, 2023 and \$43.9 at December 31, 2022	925.4	958.5
Inventories:		
Finished goods	222.7	215.3
Work in process	110.7	96.4
Raw materials	219.1	225.0
Inventories	552.5	536.7
Prepaid expenses and other current assets	277.3	272.6
Total current assets	2,469.3	2,477.0
Property, plant and equipment, net of accumulated depreciation of \$803.0 at September 29, 2023 and \$754.5 at December 31, 2022	430.8	421.9
Other assets	479.3	455.8
Goodwill	9,058.7	9,048.5
Other intangible assets, net	3,226.3	3,487.4
Total assets	\$ 15,664.4	\$ 15,890.6
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 749.9	\$ 999.7
Trade accounts payable	574.8	623.0
Accrued expenses and other current liabilities	1,095.3	1,104.4
Total current liabilities	2,420.0	2,727.1
Other long-term liabilities	1,178.7	1,223.3
Long-term debt	1,982.1	2,251.6
Commitments and Contingencies (Note 9)		
Equity:		
Common stock: \$0.01 par value, 2.0 billion shares authorized; 363.4 million issued and 351.4 million outstanding at September 29, 2023; 361.5 million issued and 352.9 million outstanding at December 31, 2022	3.6	3.6
Additional paid-in capital	3,822.0	3,706.3
Treasury shares, at cost	(650.8)	(442.9)
Retained earnings	7,268.8	6,742.1
Accumulated other comprehensive loss	(365.8)	(325.7)
Total Fortive stockholders' equity	10,077.8	9,683.4
Noncontrolling interests	5.8	5.2
Total stockholders' equity	10,083.6	9,688.6
Total liabilities and equity	\$ 15,664.4	\$ 15,890.6

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales of products and software	\$ 1,258.9	\$ 1,227.7	\$ 3,786.3	\$ 3,609.8
Sales of services	235.6	228.3	695.3	686.0
Total sales	<u>1,494.5</u>	<u>1,456.0</u>	<u>4,481.6</u>	<u>4,295.8</u>
Cost of product and software sales	(479.0)	(494.4)	(1,464.2)	(1,467.8)
Cost of service sales	(122.5)	(116.2)	(370.8)	(357.1)
Total cost of sales	<u>(601.5)</u>	<u>(610.6)</u>	<u>(1,835.0)</u>	<u>(1,824.9)</u>
Gross profit	893.0	845.4	2,646.6	2,470.9
Operating costs:				
Selling, general and administrative expenses	(503.5)	(491.3)	(1,525.2)	(1,456.8)
Research and development expenses	(98.4)	(101.1)	(298.6)	(300.3)
Russia exit and wind down costs	—	(1.1)	—	(17.3)
Operating profit	291.1	251.9	822.8	696.5
Non-operating income (expense), net:				
Interest expense, net	(29.8)	(26.4)	(95.0)	(66.2)
Other non-operating expense, net	(4.2)	(8.0)	(14.5)	(13.8)
Earnings before income taxes	257.1	217.5	713.3	616.5
Income taxes	(39.1)	(27.6)	(112.7)	(88.5)
Net earnings	<u>\$ 218.0</u>	<u>\$ 189.9</u>	<u>\$ 600.6</u>	<u>\$ 528.0</u>
Net earnings per share:				
Basic	\$ 0.62	\$ 0.53	\$ 1.70	\$ 1.48
Diluted	\$ 0.61	\$ 0.53	\$ 1.69	\$ 1.46
Average common stock and common equivalent shares outstanding:				
Basic	352.1	355.2	352.9	357.3
Diluted	356.1	357.9	356.0	362.0

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		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Net earnings	\$ 218.0	\$ 189.9	\$ 600.6	\$ 528.0
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	(46.0)	(112.4)	(40.0)	(270.4)
Pension adjustments	0.1	0.8	(0.1)	1.7
Total other comprehensive income (loss), net of income taxes	(45.9)	(111.6)	(40.1)	(268.7)
Comprehensive income	\$ 172.1	\$ 78.3	\$ 560.5	\$ 259.3

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Common Stock		Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests
	Shares Outstanding	Amount					
Balance, December 31, 2022	352.9	\$ 3.6	\$ 3,706.3	\$ (442.9)	\$ 6,742.1	\$ (325.7)	\$ 5.2
Net earnings for the period	—	—	—	—	173.6	—	—
Dividends to common shareholders	—	—	—	—	(24.7)	—	—
Other comprehensive income	—	—	—	—	—	13.4	—
Common stock-based award activity	0.8	—	36.3	—	—	—	—
Shares withheld for taxes	(0.2)	—	(12.1)	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	0.6
Balance, March 31, 2023	353.5	\$ 3.6	\$ 3,730.5	\$ (442.9)	\$ 6,891.0	\$ (312.3)	\$ 5.8
Net earnings for the period	—	—	—	—	209.0	—	—
Dividends to common shareholders	—	—	—	—	(24.6)	—	—
Other comprehensive income (loss)	—	—	—	—	—	(7.6)	—
Common stock-based award activity	0.5	—	52.3	—	—	—	—
Common stock repurchases	(2.0)	—	—	(129.1)	—	—	—
Shares withheld for taxes	(0.1)	—	(4.1)	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	0.2
Balance, June 30, 2023	351.9	\$ 3.6	\$ 3,778.7	\$ (572.0)	\$ 7,075.4	\$ (319.9)	\$ 6.0
Net earnings for the period	—	—	—	—	218.0	—	—
Dividends to common shareholders	—	—	—	—	(24.6)	—	—
Other comprehensive income (loss)	—	—	—	—	—	(45.9)	—
Common stock-based award activity	0.7	—	54.8	—	—	—	—
Common stock repurchases	(1.0)	—	—	(78.8)	—	—	—
Shares withheld for taxes	(0.2)	—	(11.5)	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	(0.2)
Balance, September 29, 2023	351.4	\$ 3.6	\$ 3,822.0	\$ (650.8)	\$ 7,268.8	\$ (365.8)	\$ 5.8

	Common Stock		Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests
	Shares Outstanding	Amount					
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 interest	—	—	—	—	—	—	0.5
Balance, April 1, 2022	<u>358.4</u>	<u>\$ 3.6</u>	<u>\$ 3,619.1</u>	<u>\$ (63.8)</u>	<u>\$ 6,226.4</u>	<u>\$ (223.9)</u>	<u>\$ 5.3</u>
Net earnings for the period	—	—	—	—	173.0	—	—
Dividends to common shareholders	—	—	—	—	(24.9)	—	—
Other comprehensive income	—	—	—	—	—	(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	<u>355.6</u>	<u>\$ 3.6</u>	<u>\$ 3,651.2</u>	<u>\$ (242.9)</u>	<u>\$ 6,374.5</u>	<u>\$ (342.1)</u>	<u>\$ 5.1</u>
Net earnings for the period	—	—	—	—	189.9	—	—
Dividends to common shareholders	—	—	—	—	(24.8)	—	—
Other comprehensive income (loss)	—	—	—	—	—	(111.6)	—
Common stock-based award activity	0.2	—	28.3	—	—	—	—
Common stock repurchases	(2.0)	—	—	(133.2)	—	—	—
Shares withheld for taxes	—	—	(2.1)	—	—	—	—
Change in noncontrolling interests	—	—	—	—	—	—	(0.2)
Balance, September 30, 2022	<u>353.8</u>	<u>\$ 3.6</u>	<u>\$ 3,677.4</u>	<u>\$ (376.1)</u>	<u>\$ 6,539.6</u>	<u>\$ (453.7)</u>	<u>\$ 4.9</u>

See the accompanying Notes to Consolidated Condensed Financial Statements.

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

	Nine Months Ended	
	September 29, 2023	September 30, 2022
Cash flows from operating activities:		
Net earnings	\$ 600.6	\$ 528.0
Noncash items:		
Amortization	277.2	287.4
Depreciation	63.9	61.6
Stock-based compensation expense	85.2	67.9
Russia exit and wind down costs	—	9.2
Change in trade accounts receivable, net	25.0	(21.4)
Change in inventories	(21.7)	(73.2)
Change in trade accounts payable	(45.7)	46.6
Change in prepaid expenses and other assets	(32.9)	(55.4)
Change in accrued expenses and other liabilities	(44.8)	(11.7)
Net cash provided by operating activities	906.8	839.0
Cash flows from investing activities:		
Payments for additions to property, plant and equipment	(73.7)	(59.7)
Cash paid for acquisitions, net of cash received	(57.7)	(15.2)
Proceeds from sale of property	7.2	—
Proceeds from sale of business	—	6.6
Net cash used in investing activities	(124.2)	(68.3)
Cash flows from financing activities:		
Net proceeds from (repayments of) commercial paper borrowings	(252.6)	381.3
Proceeds from borrowings (maturities greater than 90 days), net of issuance costs	—	396.9
Repayment of borrowings (maturities greater than 90 days)	(250.0)	—
Payment of 0.875% convertible senior notes due 2022	—	(1,156.5)
Repurchase of common shares	(207.9)	(376.1)
Payment of dividends	(73.9)	(74.8)
All other financing activities	18.1	(9.2)
Net cash used in financing activities	(766.3)	(838.4)
Effect of exchange rate changes on cash and equivalents	(11.4)	(46.3)
Net change in cash and equivalents	4.9	(114.0)
Beginning balance of cash and equivalents	709.2	819.3
Ending balance of cash and equivalents	\$ 714.1	\$ 705.3

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 unaudited 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, 2022 and the footnotes (“Notes”) thereto included within our 2022 Annual Report on Form 10-K.

In our opinion, the accompanying financial statements contain all adjustments, which consist of only normal, recurring accruals necessary to fairly present our financial position, results of operations, comprehensive income, stockholders’ equity, and cash flows for the periods presented. The results of operations for the three and nine months ended September 29, 2023, are not necessarily indicative of the results for the full year.

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.

In the three and nine-month periods ended September 30, 2022, the Company recorded pre-tax charges of \$1.1 million and \$17.3 million, respectively, primarily relating to the write-off of net assets, 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 exit activities were completed in 2022.

Accumulated Other Comprehensive Loss

Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. We have designated our outstanding ¥14.4 billion Yen-denominated term loan and our €275 million Euro-denominated term loan as net investment hedges of our investment in applicable foreign operations.

We recognized after-tax foreign currency transaction gains of \$9.6 million and \$14.6 million during the three-month periods ended September 29, 2023 and September 30, 2022, respectively, and gains of \$13.0 million and \$18.3 million during the nine-month periods ended September 29, 2023 and September 30, 2022, respectively, on the debt that was 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 nine-month periods ended September 29, 2023 and September 30, 2022.

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

	Foreign currency translation adjustments	Pension & post- retirement plan benefit adjustments ^(a)	Total
For the Three Months Ended September 29, 2023:			
Balance, June 30, 2023	\$ (295.4)	\$ (24.5)	\$ (319.9)
Other comprehensive income (loss) before reclassifications, net of income taxes	(46.0)	(0.4)	(46.4)
Amounts reclassified from AOCI into income:			
Increase (decrease)	—	0.6 ^(b)	0.6
Income tax impact	—	(0.1)	(0.1)
Amounts reclassified from AOCI into income, net of income taxes	—	0.5	0.5
Net current period other comprehensive income (loss), net of income taxes	(46.0)	0.1	(45.9)
Balance, September 29, 2023	<u>\$ (341.4)</u>	<u>\$ (24.4)</u>	<u>\$ (365.8)</u>
For the Three Months Ended September 30, 2022:			
Balance, July 1, 2022	\$ (280.7)	\$ (61.4)	\$ (342.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	(112.4)	—	(112.4)
Amounts reclassified from AOCI into income:			
Increase (decrease)	—	1.2 ^(b)	1.2
Income tax impact	—	(0.4)	(0.4)
Amounts reclassified from AOCI into income, net of income taxes	—	0.8	0.8
Net current period other comprehensive income (loss), net of income taxes	(112.4)	0.8	(111.6)
Balance, September 30, 2022	<u>\$ (393.1)</u>	<u>\$ (60.6)</u>	<u>\$ (453.7)</u>

	Foreign currency translation adjustments	Pension & post- retirement plan benefit adjustments ^(a)	Total
For the Nine Months Ended September 29, 2023:			
Balance, December 31, 2022	\$ (301.4)	\$ (24.3)	\$ (325.7)
Other comprehensive income (loss) before reclassifications, net of income taxes	(40.0)	(0.4)	(40.4)
Amounts reclassified from AOCI into income:			
Increase (decrease)	—	0.2 ^(b)	0.2
Income tax impact	—	0.1	0.1
Amounts reclassified from AOCI into income, net of income taxes	—	0.3	0.3
Net current period other comprehensive income (loss)	(40.0)	(0.1)	(40.1)
Balance, September 29, 2023	<u>\$ (341.4)</u>	<u>\$ (24.4)</u>	<u>\$ (365.8)</u>
For the Nine Months Ended September 30, 2022:			
Balance, December 31, 2021	\$ (122.7)	\$ (62.3)	\$ (185.0)
Other comprehensive income (loss) before reclassifications, net of income taxes	(273.1)	—	(273.1)
Amounts reclassified from AOCI into income:			
Increase (decrease)	2.7	2.3 ^(b)	5.0
Income tax impact	—	(0.6)	(0.6)
Amounts reclassified from AOCI into income, net of income taxes	2.7	1.7	4.4
Net current period other comprehensive income (loss)	(270.4)	1.7	(268.7)
Balance, September 30, 2022	<u>\$ (393.1)</u>	<u>\$ (60.6)</u>	<u>\$ (453.7)</u>

^(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 recorded in the Consolidated Condensed Balance Sheets 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. During the three and nine-month periods ending September 29, 2023 and September 30, 2022, the activity was immaterial.

Restructuring

We initiated a discrete plan in the first quarter of 2023 that is expected to be completed by December 31, 2023. The nature of these activities were broadly consistent throughout our segments and consist primarily of targeted workforce reductions in response to overall macroeconomic and other external conditions. We incurred these costs to position ourselves to provide superior products and services to customers in a cost-efficient manner, while taking into consideration the impact of broad economic uncertainties. During the three and nine-month periods ended September 29, 2023, we incurred charges of \$0.9 million and \$29.2 million, respectively. These charges are recorded within Cost of sales and Selling, general, and administrative expenses in the Consolidated Condensed Statements of Earnings. Accrued restructuring costs were \$10 million as of September 29, 2023 and are recorded within Accrued expenses and other current liabilities in the Consolidated Condensed Balance Sheets. During the third quarter, the plan was amended due to on-going macroeconomic and external conditions. As a result, we now expect to recognize approximately \$60 to \$65 million under this discrete plan during the year ending December 31, 2023.

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 (“Convertible Notes”), including \$187.5 million in aggregate principal amount resulting from an exercise in full of an over-allotment option. The Convertible Notes were issued in a private placement to certain initial purchasers for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act. Upon conversion of the Convertible Notes, holders were entitled to receive cash, shares of our common stock, or a combination thereof, at our election. Upon adopting 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* (“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 February 15, 2022, the maturity date of the Convertible Notes, Fortive repaid, in cash, \$1.2 billion in outstanding principal and accrued interest thereon.

Recently Issued Accounting Standard

The Financial Accounting Standards Board (“FASB”) establishes changes to accounting principles under GAAP in the form of accounting standards updates (“ASUs”) to the Accounting Standards Codification (“ASC”). We consider the applicability and impact of all ASUs. Any recently issued ASUs were assessed and determined to be either not applicable or are expected to have an immaterial impact on the Company’s result of operations, financial position or cash flows.

NOTE 2. ACQUISITIONS AND DIVESTITURES

Acquisitions

We continually evaluate potential mergers and acquisitions that align with our business portfolio strategy. 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 when the purchase price for an acquired business exceeds its identifiable assets, net of liabilities. The purchase price for acquired businesses reflect a number of factors, including the future earnings and cash flow potential of the business, the strategic fit and resulting synergies from the complementary portfolio of the acquired business to our existing operations, industry expertise, and market access.

During the three and nine month periods ended September 29, 2023, we made three acquisitions (“the Q3 2023 acquisitions”) in our Intelligent Operating Solutions segment for an aggregate cash consideration of \$59.0 million, which includes an immaterial deferred payment, net of acquired cash. The Q3 2023 acquisitions accelerate our strategy and strengthen our product portfolio, providing world-class solutions to our customers. We recorded approximately \$36.2 million of goodwill related to the acquisitions, which is not tax deductible, as well as \$19.9 million of intangible assets, primarily consisting of customer relationships, technology, and trade names. All other acquired assets and assumed liabilities are immaterial.

The purchase price allocation is provisional and is subject to further adjustments as additional information becomes available concerning the fair value of the assets acquired and liabilities assumed. We make appropriate adjustments to purchase price allocations prior to completion of the applicable measurement period, as required and as soon as practicable.

Divestitures

On September 30, 2022, we completed the sale of our Therapy Physics product line, which was reported in our Advanced Healthcare Solutions segment, to an unrelated third party for total consideration of \$9.6 million. As a result of the sale, in the three and nine month periods ended September 30, 2022, we recorded a net realized pre-tax gain totaling \$2.3 million, net of transaction costs, which is recorded within Other non-operating expense, net in the Consolidated Condensed Statements of Earnings. The divestiture of this product line did not represent a strategic shift with a major effect on the Company’s operations and financial results and therefore the divested product line is not reported as a discontinued operation.

Subsequent Event

On October 22, 2023, we entered into a definitive agreement to acquire EA Elektro-Automatik Holding GmbH, a leading supplier of high-power electronic test solutions for energy storage, mobility, hydrogen, and renewable energy applications, for a total purchase price of approximately \$1.665 billion in cash. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to close early in the first quarter of 2024.

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, 2022	\$ 4,074.4	\$ 1,810.2	\$ 3,163.9	\$ 9,048.5
Attributable to acquisitions	36.2	—	—	36.2
Foreign currency translation and other	0.9	(15.4)	(11.5)	(26.0)
Balance, September 29, 2023	<u>\$ 4,111.5</u>	<u>\$ 1,794.8</u>	<u>\$ 3,152.4</u>	<u>\$ 9,058.7</u>

NOTE 4. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where certain 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
September 29, 2023				
Deferred compensation liabilities	\$ —	\$ 36.3	\$ —	\$ 36.3
December 31, 2022				
Deferred compensation liabilities	—	31.5	—	31.5

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 recorded within Other long-term liabilities in the accompanying 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 and are recorded within Selling, general and administrative in the Consolidated Condensed Statements of Earnings.

Non-recurring Fair Value Measurements

Certain non-financial assets, primarily property, plant, and equipment, goodwill, and intangible assets, are not required to be measured at fair value on a recurring basis and are reported at their carrying value. However, these assets are required to be assessed for impairment whenever events or circumstances indicate that their carrying value may not be fully recoverable, and at least annually for goodwill and indefinite-lived intangible assets. We evaluated events or circumstances that may indicate the carrying value of our non-financial assets may not be fully recoverable during the three and nine-month periods ended September 29, 2023, and recorded no material impairments.

We evaluated events and circumstances that, during the three and nine month periods ended September 30, 2022, indicated the carrying value of the equity investment in a third-party entity held by our Intelligent Operating Solutions segment was no

longer recoverable. As a result, in the three and nine month periods ended September 30, 2022, we recorded a pre-tax impairment loss of \$8.1 million to write down an investment to fair value. The loss was recorded within Other non-operating expense, net in our Consolidated Condensed Statement of Earnings.

Fair Value of Financial Instruments

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

	September 29, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current portion of long-term debt	\$ 749.9	\$ 750.0	\$ 999.7	\$ 1,000.0
Long-term debt, net of current maturities	1,982.1	1,795.6	2,251.6	2,078.1

As of September 29, 2023 and December 31, 2022, 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

The components of our debt were as follows (\$ in millions):

	September 29, 2023	December 31, 2022
U.S. dollar-denominated commercial paper	\$ 151.1	\$ 405.0
Delayed-Draw Term Loan due 2023	750.0	1,000.0
Euro Term Loan due 2025	290.8	294.4
Yen Term Loan due 2025	96.4	109.8
3.15% senior unsecured notes due 2026	900.0	900.0
4.30% senior unsecured notes due 2046	550.0	550.0
Long-term debt, principal amounts	2,738.3	3,259.2
Less: aggregate unamortized debt discounts, premiums, and issuance costs	6.3	7.9
Long-term debt, carrying value	2,732.0	3,251.3
Less: current portion of long-term debt, carrying value	749.9	999.7
Long-term debt, net of current maturities	\$ 1,982.1	\$ 2,251.6

Refer to Note 11 of our 2022 Annual Report on Form 10-K for further details of our debt financing.

Delayed-Draw Term Loan due 2023

On August 24, 2023, we repaid \$250 million of the Delayed-Draw Term Loan Due 2023, which is prepayable at our option without premium or penalty. The amount repaid may not be reborrowed. The remaining principal is due on December 14, 2023.

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 September 29, 2023 were as follows (\$ in millions):

	Carrying value ^(a)	Annual effective rate	Weighted average maturity (in days)
U.S. dollar-denominated commercial paper	\$ 150.9	5.54 %	18

(a) Net of unamortized debt discount.

Credit support for the Commercial Paper Programs is provided by a five-year \$2.0 billion senior unsecured revolving credit facility that expires on October 18, 2027 (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 September 29, 2023, 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.

NOTE 6. SALES

We derive revenue primarily from the sale of products, including 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, services related to previously sold products, and software implementation services.

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 \$108 million as of September 29, 2023 and \$82 million as of December 31, 2022. Contract assets are recorded within Prepaid expenses and other current assets in our Consolidated Condensed Balance Sheets.

Contract Costs — We incur and capitalize incremental costs to obtain certain contracts, typically sales-related commissions where the amortization period is greater than one year and costs associated with assets used by our customers in certain service arrangements. As of September 29, 2023 and December 31, 2022, we had \$48 million and \$42 million, respectively, in net revenue-related contract costs primarily related to certain software contracts. Revenue-related contract costs are recorded within Prepaid expenses and other current assets and Other assets in our Consolidated Condensed Balance Sheets. These assets have estimated useful lives between three and five years.

Contract Liabilities — Our contract liabilities consist of deferred revenue generally related to subscription-based software contracts, PCS and extended warranty sales, where we generally receive up-front payment and recognize revenue over the service or support term. We classify deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue. The current portion of deferred revenue is recorded within Accrued expenses and other current liabilities and the noncurrent portion of deferred revenue is recorded within Other long-term liabilities in our Consolidated Condensed Balance Sheets.

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

	September 29, 2023	December 31, 2022
Deferred revenue - current	\$ 513.5	\$ 509.6
Deferred revenue - noncurrent	41.1	38.0
Total contract liabilities	<u>\$ 554.6</u>	<u>\$ 547.6</u>

During the three and nine-month periods ended September 29, 2023, we recognized revenue related to our contract liabilities at December 31, 2022 of \$80 million and \$368 million, respectively. The change in our contract liabilities from December 31, 2022 to September 29, 2023 was primarily due to the timing of billings and revenue recognized for 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 remaining performance obligations attributable to each of our segments is as follows (\$ in millions):

	<u>September 29, 2023</u>	
Intelligent Operating Solutions	\$	564.3
Precision Technologies		57.5
Advanced Healthcare Solutions		77.8
Total remaining performance obligations	\$	<u>699.6</u>

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 September 29, 2023 is presented as follows (\$ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	\$ 1,258.9	\$ 538.4	\$ 471.6	\$ 248.9
Sales of services	235.6	105.9	59.0	70.7
Total	<u>\$ 1,494.5</u>	<u>\$ 644.3</u>	<u>\$ 530.6</u>	<u>\$ 319.6</u>
Geographic:				
United States	\$ 833.7	\$ 366.1	\$ 289.0	\$ 178.6
China	162.1	52.5	82.2	27.4
All other (each country individually less than 5% of total sales)	498.7	225.7	159.4	113.6
Total	<u>\$ 1,494.5</u>	<u>\$ 644.3</u>	<u>\$ 530.6</u>	<u>\$ 319.6</u>
End markets:^(a)				
Direct sales:				
Healthcare	\$ 353.3	\$ 10.9	\$ 35.1	\$ 307.3
Industrial & Manufacturing	340.1	226.3	109.8	4.0
Utilities & Power	105.3	46.5	58.8	—
Government	145.5	73.2	64.0	8.3
Communications, Electronics & Semiconductor	101.1	24.7	76.4	—
Aerospace & Defense	74.9	0.1	74.8	—
Oil & Gas	70.6	68.3	2.3	—
Retail & Consumer	82.4	64.8	17.6	—
Other	167.3	96.9	70.4	—
Total direct sales	<u>1,440.5</u>	<u>611.7</u>	<u>509.2</u>	<u>319.6</u>
Distributors	54.0	32.6	21.4	—
Total	<u>\$ 1,494.5</u>	<u>\$ 644.3</u>	<u>\$ 530.6</u>	<u>\$ 319.6</u>

^(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 September 30, 2022 is presented as follows (\$ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	\$ 1,227.7	\$ 519.2	\$ 467.3	\$ 241.2
Sales of services	228.3	94.5	56.4	77.4
Total	\$ 1,456.0	\$ 613.7	\$ 523.7	\$ 318.6
Geographic:				
United States	\$ 799.0	\$ 342.0	\$ 267.8	\$ 189.2
China	186.0	56.6	102.6	26.8
All other (each country individually less than 5% of total sales)	471.0	215.1	153.3	102.6
Total	\$ 1,456.0	\$ 613.7	\$ 523.7	\$ 318.6
End markets:^(a)				
Direct sales:				
Healthcare	\$ 354.1	\$ 11.1	\$ 42.1	\$ 300.9
Industrial & Manufacturing	334.5	217.6	111.3	5.6
Utilities & Power	93.1	45.5	47.6	—
Government	122.7	65.5	48.7	8.5
Communications, Electronics & Semiconductor	111.3	24.5	86.4	0.4
Aerospace & Defense	66.9	0.1	66.8	—
Oil & Gas	66.4	65.3	1.1	—
Retail & Consumer	83.9	61.7	22.2	—
Other	166.3	91.2	75.1	—
Total direct sales	1,399.2	582.5	501.3	315.4
Distributors	56.8	31.2	22.4	3.2
Total	\$ 1,456.0	\$ 613.7	\$ 523.7	\$ 318.6

^(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 nine-month period ended September 29, 2023 is presented as follows (\$ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	\$ 3,786.3	\$ 1,622.2	\$ 1,412.9	\$ 751.2
Sales of services	695.3	307.3	170.6	217.4
Total	\$ 4,481.6	\$ 1,929.5	\$ 1,583.5	\$ 968.6
Geographic:				
United States	\$ 2,433.0	\$ 1,068.2	\$ 813.5	\$ 551.3
China	522.4	176.0	268.5	77.9
All other (each country individually less than 5% of total sales)	1,526.2	685.3	501.5	339.4
Total	\$ 4,481.6	\$ 1,929.5	\$ 1,583.5	\$ 968.6
End markets:^(a)				
Direct sales:				
Healthcare	\$ 1,052.3	\$ 33.4	\$ 104.9	\$ 914.0
Industrial & Manufacturing	1,051.1	687.2	345.8	18.1
Utilities & Power	308.8	140.1	168.7	—
Government	389.5	212.2	151.9	25.4
Communications, Electronics & Semiconductor	304.4	73.6	229.4	1.4
Aerospace & Defense	218.8	0.4	218.4	—
Oil & Gas	212.5	201.8	10.7	—
Retail & Consumer	249.7	189.2	60.5	—
Other	519.0	292.0	227.0	—
Total direct sales	4,306.1	1,829.9	1,517.3	958.9
Distributors	175.5	99.6	66.2	9.7
Total	\$ 4,481.6	\$ 1,929.5	\$ 1,583.5	\$ 968.6

^(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 nine-month period ended September 30, 2022 is presented as follows (\$ in millions):

	Total	Intelligent Operating Solutions	Precision Technologies	Advanced Healthcare Solutions
Sales:				
Sales of products and software	\$ 3,609.8	\$ 1,553.9	\$ 1,322.6	\$ 733.3
Sales of services	686	277.5	162.6	245.9
Total	\$ 4,295.8	\$ 1,831.4	\$ 1,485.2	\$ 979.2
Geographic:				
United States	\$ 2,317.9	\$ 1,005.0	\$ 751.4	\$ 561.5
China	514.1	160.6	273.5	80.0
All other (each country individually less than 5% of total sales)	1,463.8	665.8	460.3	337.7
Total	\$ 4,295.8	\$ 1,831.4	\$ 1,485.2	\$ 979.2
End markets:^(a)				
Direct sales:				
Healthcare	\$ 1,077.2	\$ 34.6	\$ 120.5	\$ 922.1
Industrial & Manufacturing	998.3	656.1	322.7	19.5
Utilities & Power	273.4	136.4	137.0	—
Government	338.5	177.6	134.8	26.1
Communications, Electronics & Semiconductor	301.2	74.6	225.2	1.4
Aerospace & Defense	187.0	0.4	186.6	—
Oil & Gas	199.8	193.4	6.4	—
Retail & Consumer	249.5	186.0	63.5	—
Other	478.7	268.8	209.8	0.1
Total direct sales	4,103.6	1,727.9	1,406.5	969.2
Distributors	192.2	103.5	78.7	10.0
Total	\$ 4,295.8	\$ 1,831.4	\$ 1,485.2	\$ 979.2

^(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 nine-month period ended September 29, 2023 were 15.2% and 15.8%, respectively, as compared to 12.7% and 14.4%, respectively, for the three and nine-month period ended September 30, 2022. The increase in the effective tax rate for the three-month period ended September 29, 2023 as compared to the three-month period ended September 30, 2022 was primarily due to a change in non-recurring permanent differences recognized. The increase in the effective tax rate for the nine-month period ended September 29, 2023 as compared to the nine-month period ended September 30, 2022 was primarily due to uncertain tax position reserves recorded.

Our effective tax rates for the three and nine-month periods ended September 29, 2023, differ from the U.S. federal statutory rate of 21% due primarily to the impact of credits and deductions provided by law and changes in our uncertain tax position reserves.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which among other provisions, implements a 15% corporate alternative minimum tax. Based upon our current analysis of the Inflation Reduction Act of 2022 and subsequently released guidance, we believe the 15% corporate minimum tax will not have a material impact on our financial statements during 2023.

NOTE 8. STOCK-BASED COMPENSATION

The 2016 Stock Incentive Plan (the “Stock Plan”), provides for the grant of stock appreciation rights, restricted stock units, and performance stock units (collectively, “Stock Awards”), stock options, or any other stock-based award. As of September 29, 2023, approximately 14 million shares of our common stock were available for subsequent issuance under the Stock Plan. For a full description of our Stock Plan, refer to Note 17 of our 2022 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		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Stock Awards:				
Pretax compensation expense	\$ 20.6	\$ 14.3	\$ 58.6	\$ 43.0
Income tax benefit	(3.1)	(2.6)	(8.4)	(7.3)
Stock Award expense, net of income taxes	17.5	11.7	50.2	35.7
Stock options:				
Pretax compensation expense	8.9	8.6	26.6	24.9
Income tax benefit	(1.3)	(1.4)	(3.8)	(3.8)
Stock option expense, net of income taxes	7.6	7.2	22.8	21.1
Total stock-based compensation:				
Pretax compensation expense	29.5	22.9	85.2	67.9
Income tax benefit	(4.4)	(4.0)	(12.2)	(11.1)
Total stock-based compensation expense, net of income taxes	\$ 25.1	\$ 18.9	\$ 73.0	\$ 56.8

The following summarizes the unrecognized compensation cost for the Stock Plan awards as of September 29, 2023. 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	\$ 43.8
Stock options	100.9
Total unrecognized compensation cost	\$ 144.7

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 2022 Annual Report on Form 10-K.

Warranty

We generally accrue estimated warranty costs at the time of sale. In general, manufactured products are warrantied 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. During the nine-month periods ending September 29, 2023 and September 30, 2022, warranty related activity was immaterial.

Leases

Operating lease cost for both the three-month periods ended September 29, 2023 and September 30, 2022 was \$13 million. Operating lease costs for the nine-month periods ended September 29, 2023 and September 30, 2022 was \$37 million and \$42 million, respectively. During the nine-month periods ended September 29, 2023 and September 30, 2022, cash paid for operating leases included in operating cash flows was \$36 million and \$38 million, respectively. Right-of-use (“ROU”) assets obtained in exchange for operating lease obligations were \$29 million and \$18 million during the nine-month periods ended September 29, 2023 and September 30, 2022, respectively. Operating lease ROU assets were \$157 million and \$162 million as of September 29, 2023 and December 31, 2022, respectively. Operating lease liabilities were \$165 million and \$169 million as of September 29, 2023 and December 31, 2022, respectively. Operating lease ROU assets and operating lease liabilities are recorded in 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 0.875% Convertible Notes and associated issuance of shares under the if-converted method, while outstanding in 2022, 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 nine-month periods ended September 29, 2023 were 0.1 million and 0.5 million, respectively, and were 7.3 million for both the three and nine-month periods ended September 30, 2022.

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

	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Numerator				
Net earnings	\$ 218.0	\$ 189.9	\$ 600.6	\$ 528.0
Convertible note interest add-back (if converted method)	—	—	—	1.8
Diluted Net Earnings	\$ 218.0	\$ 189.9	\$ 600.6	\$ 529.8
Denominator				
Weighted average common shares outstanding used in basic earnings per share	352.1	355.2	352.9	357.3
Incremental common shares from:				
Assumed exercise of dilutive options and vesting of dilutive Stock Awards	4.0	2.7	3.1	2.6
Conversion of convertible notes (if converted method)	—	—	—	2.1
Weighted average common shares outstanding used in diluted earnings per share	356.1	357.9	356.0	362.0
Net earnings per common share - Basic	\$ 0.62	\$ 0.53	\$ 1.70	\$ 1.48
Net earnings per common share - Diluted	\$ 0.61	\$ 0.53	\$ 1.69	\$ 1.46

We declared and paid cash dividends per common share for the periods as presented below:

	Dividend Per Common Share	Amount (\$ in millions)
2023:		
First quarter	\$ 0.07	\$ 24.7
Second quarter	0.07	24.6
Third quarter	0.07	24.6
Total	\$ 0.21	\$ 73.9
2022:		
First quarter	\$ 0.07	\$ 25.1
Second quarter	0.07	24.9
Third quarter	0.07	24.8
Total	\$ 0.21	\$ 74.8

* 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. During the three and nine-month periods ended September 29, 2023, the Company purchased 1 million and 3 million shares of its common stock at an average price of \$78.74 and \$69.27, respectively. During the three and nine-month periods ended September 30, 2022, the Company purchased 2 million and 6 million shares of its common stock at an average share price of \$66.57 and \$62.67, respectively. As of September 29, 2023, there were 10 million shares remaining for repurchase under the program.

NOTE 11. SEGMENT INFORMATION

We report our results in three separate business segments consisting of Intelligent Operating Solutions, Precision Technologies, and Advanced Healthcare Solutions. Our chief operating decision maker (“CODM”) assesses performance and allocates resources based on our operating segments, which are also our reportable segments.

Our Intelligent Operating Solutions segment provides advanced instrumentation, software and services to tens of thousands of customers enabling their mission-critical workflows. These offerings include electrical test & measurement, facility and asset lifecycle software applications, connected worker safety and compliance solutions across a range of vertical end markets, including manufacturing, process industries, healthcare, utilities and power, communications and electronics, among others.

Our Precision Technologies segment helps solve tough technical challenges to speed breakthroughs in a wide range of applications, from food and beverage production and manufacturing to next-generation electric vehicles and clean energy, as our customers seek new test solutions to enable the electrification and connectivity of everything. Our expertise in materials, methods and measurements are reflected in our electrical test & measurement, sensing and material technologies offered to a broad set of customers and vertical end markets, including industrial, power and energy, automotive, medical equipment, food and beverage, aerospace and defense, semiconductor, and other general industries.

Our Advanced Healthcare Solutions segment supplies critical workflow solutions enabling healthcare providers to deliver exceptional patient care more efficiently. Our offerings include instrument sterilization solutions, instrument tracking, cell therapy equipment design and manufacturing, biomedical test tools, radiation detection and safety monitoring, and end-to-end clinical productivity software and solutions. Our healthcare offerings help ensure critical safety standards are met, instruments and operating rooms are working at peak performance, and complex procedures are followed accurately in these mission-critical healthcare environments.

Our segment results are as follows (\$ in millions):

	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales:				
Intelligent Operating Solutions	\$ 644.3	\$ 613.7	\$ 1,929.5	\$ 1,831.4
Precision Technologies	530.6	523.7	1,583.5	1,485.2
Advanced Healthcare Solutions	319.6	318.6	968.6	979.2
Total	\$ 1,494.5	\$ 1,456.0	\$ 4,481.6	\$ 4,295.8
Operating Profit:				
Intelligent Operating Solutions	\$ 156.8	\$ 132.1	\$ 452.0	\$ 369.0
Precision Technologies	139.3	131.8	398.3	348.5
Advanced Healthcare Solutions	26.6	17.3	68.8	73.4
Other	(31.6)	(28.2)	(96.3)	(77.1)
Russia exit and wind down costs	—	(1.1)	—	(17.3)
Total Operating Profit	291.1	251.9	822.8	696.5
Interest expense, net	(29.8)	(26.4)	(95.0)	(66.2)
Other non-operating expense, net	(4.2)	(8.0)	(14.5)	(13.8)
Earnings before income taxes	\$ 257.1	\$ 217.5	\$ 713.3	\$ 616.5

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.

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 2022 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; impact of climate-related events or transition activities; 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, including impact of inflation or interest rate changes; impact of geopolitical events, including the impact of Ukraine/Russia conflict and other hostilities; 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

- Conditions in the global economy, the markets we serve, and the financial markets and banking systems may adversely affect our business and financial statements.

- 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.
- Any resurgence in the spread of COVID-19 and the corresponding constraints on supply chain, labor force, and the operations of our customers, suppliers, and vendors could have an adverse impact on our business and results of operations.
- 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, economic conditions, 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.
- Climate change, or legal or regulatory measures to address climate change, may negatively affect us.

Risk Related to our International Operations

- International economic, political, legal, compliance, and business factors 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, including the volatility thereof, 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 Corporation (“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, including healthcare regulations; 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 our separation from Danaher, our separation of our Automation and Specialty business or our separation of Vontier (collectively, the “Separation Transactions”) are 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 obligations, including the cost of such debt, will increase further if we incur additional debt and do not retire existing debt, our credit rating declines, or if the applicable interest rates rise.

See “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 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 46% of our sales derived from customers outside the United States in 2022. 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.

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 advanced instrumentation, software and services to tens of thousands of customers enabling their mission-critical workflows. These offerings include electrical test & measurement, facility and asset lifecycle software applications, connected worker safety and compliance solutions across a range of vertical end markets, including manufacturing, process industries, healthcare, utilities and power, communications and electronics, among others. Typical users of these safety, productivity and sustainability solutions include electrical engineers, electricians, electronic technicians, EHS professionals, network technicians, facility managers, first-responders, and maintenance professionals.

Our Precision Technologies segment helps solve tough technical challenges to speed breakthroughs in a wide range of applications, from food and beverage production and manufacturing to next-generation electric vehicles and clean energy, as our customers seek new test solutions to enable the electrification and connectivity of everything. Our expertise in materials, methods and measurements are reflected in our electrical test & measurement, sensing and material technologies offered to a broad set of customers and vertical end markets, including industrial, power and energy, automotive, medical equipment, food and beverage, aerospace and defense, semiconductor, and other general industries. Customers for these products and services include design engineers for advanced electronic devices and equipment, process and quality engineers focused on improved process capability and productivity, facility maintenance managers driving increased uptime, and other customers for whom precise measurement, reliability, and compliance are critical in their applications.

Our Advanced Healthcare Solutions segment supplies critical workflow solutions enabling healthcare providers to deliver exceptional patient care more efficiently. Our offerings include instrument sterilization solutions, instrument tracking, cell therapy equipment design and manufacturing, biomedical test tools, radiation detection and safety monitoring, and end-to-end clinical productivity software and solutions. Our healthcare offerings help ensure critical safety standards are met, instruments and operating rooms are working at peak performance, and complex procedures are followed accurately in these mission-critical healthcare environments.

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 and divested businesses and (2) the impact of currency translation. References to sales attributable to acquisitions or acquired businesses

refer to GAAP sales from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales attributable to certain divested businesses or product lines not considered discontinued operations prior to the first anniversary of the divestiture. The portion of sales attributable to the impact of currency translation is calculated as the difference between (a) the period-to-period change in sales (excluding sales impact from acquired businesses) and (b) the period-to-period change in sales (excluding sales impact from acquired businesses) after applying the current period foreign exchange rates to the prior year period. Sales from existing businesses should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies.

Management believes that reporting the non-GAAP financial measure of sales from existing businesses provides useful information to investors by helping identify underlying growth trends in our business and facilitating comparisons of our sales performance with our performance in prior and future periods and to our peers. We exclude the effect of 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. References to sales volume from existing businesses refer to the impact of both price and unit sales.

Restructuring

We initiated a discrete plan in the first quarter of 2023 that is expected to be completed by December 31, 2023. The nature of these activities were broadly consistent throughout our segments and consist primarily of targeted workforce reductions in response to overall macroeconomic and other external conditions. We incurred these costs to position ourselves to provide superior products and services to customers in a cost-efficient manner, while taking into consideration the impact of broad economic uncertainties. During the three and nine-month periods ended September 29, 2023, we incurred charges of \$0.9 million and \$29.2 million, respectively. These charges are recorded within Cost of sales and Selling, general, and administrative expenses in the Consolidated Condensed Statements of Earnings. Accrued restructuring costs were \$10 million as of September 29, 2023 and are recorded within Accrued expenses and other current liabilities in the Consolidated Condensed Balance Sheets. During the third quarter, the plan was amended due to on-going macroeconomic and external conditions. As a result, we now expect to recognize approximately \$60 to \$65 million under this discrete plan during the year ending December 31, 2023.

Acquisitions and Divestiture

Acquisitions

During the three and nine month periods ended September 29, 2023, we made three acquisitions (“the Q3 2023 acquisitions”) in our Intelligent Operating Solutions segment for an aggregate cash consideration of \$59 million, which includes an immaterial deferred payment, net of acquired cash. The Q3 2023 acquisitions accelerate our strategy and strengthen our product portfolio, providing world-class solutions to our customers. We recorded approximately \$36 million of goodwill related to the acquisitions, which is not tax deductible.

Pending Acquisition

On October 22, 2023, we entered into a definitive agreement to acquire EA Elektro-Automatik Holding GmbH, a leading supplier of high-power electronic test solutions for energy storage, mobility, hydrogen, and renewable energy applications, for a total purchase price of approximately \$1.665 billion in cash. The acquisition is subject to customary closing conditions and regulatory approvals and is expected to close early in the first quarter of 2024.

Divestiture

On September 30, 2022, we completed the sale of our Therapy Physics product line, which was reported in our Advanced Healthcare Solutions segment, to an unrelated third party for total consideration of \$9.6 million. As a result of the sale, in the three and nine month periods ended September 30, 2022, we recorded a net realized pre-tax gain totaling \$2.3 million, net of transaction costs, which is recorded within Other non-operating expense, net in the Consolidated Condensed Statements of

Earnings. The divestiture of this product line did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore the divested product line is not reported as a discontinued operation.

Business Performance and Outlook

Business Performance For the Period Ended September 29, 2023

During the three and nine-month periods ended September 29, 2023 ("the quarter" or the "third quarter" and "year-to-date period", respectively), our sales increased by 2.6% and 4.3%, respectively. Year-over-year sales from existing businesses increased 2.5% and 5.5% during the third quarter and year-to-date period, respectively. Favorable pricing contributed to sales growth in both the third quarter and year-to-date period. In the third quarter, volume contracted relative to the prior year period, principally in Precision Technologies, but also in Advanced Healthcare Solutions. In the year-to-date period, volume increased across many of our end markets driven by focused execution and customer demand.

Geographically, in the third quarter, year-over-year sales from existing businesses in developed markets increased mid-single-digits, driven by mid-single-digit growth in North America and slight growth in Western Europe. Sales from existing businesses in high growth markets decreased low single-digit year-over-year in the third quarter, with low double-digit growth in Latin America and mid-teens growth in India more than offset by a low double-digit decline in China. In the year-to-date period, year-over-year sales from existing businesses in developed markets increased mid-single-digits, driven by mid-single-digit growth in North America, low single-digit growth in Western Europe, and low double-digit growth in Japan. Sales from existing businesses in high growth markets increased year-over-year in the year-to-date period at a mid-single-digit rate, driven by mid-single-digit growth in China, mid-twenties growth in India and high single-digit growth in Latin America.

Price increases contributed 4.2% and 4.6% to sales growth during the third quarter and year-to-date period, respectively, as compared to the comparable periods in 2022 and is reflected as a component of the change in sales from existing businesses.

Supply chain challenges persisted and impacted product shipments in the third quarter and the year-to-date periods. We continue to apply the Fortive Business System ("FBS") to help mitigate the impact of these challenges and to serve our customers.

Outlook

We anticipate revenue growth to be between 1.5% and 3.0% for the fourth quarter of 2023, and approximately 4.0% for the full year. We anticipate growth from existing businesses to be between 1.5% and 3.0% for the fourth quarter and approximately 5.0% for the full year.

We experienced network infrastructure disruptions in early October 2023 as a result of a cybersecurity incident. We implemented robust containment and remedial measures as well as contingency plans to address these disruptions with the assistance from leading cybersecurity experts. As of October 24, 2023, we believe that our operations remain substantially unaffected. However, we are in the process of completing our investigation and, consistent with our business continuity plans, implementing the final remediation measures.

We expect foreign exchange rates to remain volatile throughout the year which could adversely impact our financial results. Additionally, our financial outlook is subject to various assumptions and risks, including but not limited to, macroeconomic conditions in the United States and other critical regions, ongoing challenges with global logistics and supply chains including the availability of electronic components, disruption in supply or transportation resulting from severe weather or other events, impact of inflationary dynamics on our expenses or our ability to realize price increases in our sales, interest rates, market conditions in key product segments, and elective surgery rates. We will continue to deploy FBS to actively manage production challenges, collaborate with customers and suppliers to minimize disruptions and utilize pricing and other countermeasures to offset inflationary dynamics. We continue to monitor these conditions which may continue to impact our business, as well as potential adverse global economic trends and sentiments, monetary and fiscal policies, international trade and relations between the U.S., China and other nations, and investment and taxation policy initiatives being considered in the United States and by the Organization for Economic Co-operation and Development ("OECD"), including the potential impact of the Pillar Two initiative.

RESULTS OF OPERATIONS**Sales Growth**

The following table summarizes total aggregate year-over-year sales growth and the components thereof for the third quarter and year-to-date periods ended September 29, 2023 as compared to the comparable periods of 2022:

Components of Sales Growth

	% Change Three Months Ended September 29, 2023 vs. Comparable 2022 Period	% Change Nine Months Ended September 29, 2023 vs. Comparable 2022 Period
Total revenue growth (GAAP)	2.6 %	4.3 %
Existing businesses (Non-GAAP)	2.5 %	5.5 %
Acquisitions and divestitures (Non-GAAP)	(0.2) %	(0.3) %
Currency exchange rates (Non-GAAP)	0.3 %	(0.9) %

Operating Profit Margins

Operating profit margin was 19.5% for the third quarter, yielding an increase of 220 basis points as compared to 17.3% in the comparable period of 2022. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increase in price from existing businesses and gains from productivity measures, which were partially offset by higher employee compensation and volume reductions — favorable 150 basis points
- The year-over-year effect of amortization from existing businesses offset by impairment of intangible assets — favorable 30 basis points
- The year-over-year net effect of acquisition-related transaction costs incurred in the third quarter of 2022 — favorable 35 basis points
- The year-over-year net effect of acquired and divested businesses, including amortization and acquisition-related fair value adjustments — flat
- The year-over-year effect of costs relating to the discrete restructuring plan incurred in 2023 — unfavorable 5 basis points
- Russia exit and wind down costs which were incurred during the third quarter of 2022 — favorable 10 basis points

Operating profit margin was 18.4% for the year-to-date period ended September 29, 2023, an increase of 220 basis points as compared to 16.2% in the comparable period of 2022. 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 and gains from productivity measures, which were partially offset by higher employee compensation, as well as unfavorable product mix and foreign exchange rates — favorable 140 basis points
- The year-over-year effect of amortization from existing businesses offset by impairment of intangible assets — favorable 45 basis points
- The year-over-year net effect of acquisition-related transaction costs which were lower during the year-to-date period than those recognized during the comparable period in 2022 — favorable 50 basis points
- The year-over-year net effect of acquired and divested businesses, including amortization and acquisition-related fair value adjustments — favorable 5 basis points
- The year-over-year effect of costs relating to the discrete restructuring plan in 2023 — unfavorable 60 basis points
- Russia exit and wind down costs which were incurred during the year-to-date period of 2022 — favorable 40 basis points

Business Segments

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

	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Intelligent Operating Solutions	\$ 644.3	\$ 613.7	\$ 1,929.5	\$ 1,831.4
Precision Technologies	530.6	523.7	1,583.5	1,485.2
Advanced Healthcare Solutions	319.6	318.6	968.6	979.2
Total	\$ 1,494.5	\$ 1,456.0	\$ 4,481.6	\$ 4,295.8

INTELLIGENT OPERATING SOLUTIONS

Our Intelligent Operating Solutions segment provides advanced instrumentation, software and services to tens of thousands of customers enabling their mission-critical workflows. These offerings include electrical test & measurement, facility and asset lifecycle software applications, connected worker safety and compliance solutions across a range of vertical end markets, including manufacturing, process industries, healthcare, utilities and power, communications and electronics, among others.

Intelligent Operating Solutions Selected Financial Data

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales	\$ 644.3	\$ 613.7	\$ 1,929.5	\$ 1,831.4
Operating profit	156.8	132.1	452.0	369.0
Depreciation	8.6	7.8	25.5	26.4
Amortization	46.5	45.6	138.6	137.9
Operating profit as a % of sales	24.3 %	21.5 %	23.4 %	20.1 %
Depreciation as a % of sales	1.3 %	1.3 %	1.3 %	1.4 %
Amortization as a % of sales	7.2 %	7.4 %	7.2 %	7.5 %

Components of Sales Growth

	% Change Three Months Ended September 29, 2023 vs. Comparable 2022 Period	% Change Nine Months Ended September 29, 2023 vs. Comparable 2022 Period
Total revenue growth (GAAP)	5.0 %	5.4 %
Existing businesses (Non-GAAP)	4.0 %	5.9 %
Acquisitions and divestiture (Non-GAAP)	0.3 %	0.1 %
Currency exchange rates (Non-GAAP)	0.7 %	(0.6) %

The sales results for both the third quarter and year-to-date period were driven by price increases and demand in software and service offerings in EHS and facility and asset lifecycle applications, and our gas detection offerings, partially offset by volume reduction in test and measurement instrumentation.

Geographically, sales from existing businesses in developed markets increased in the third quarter by mid-single-digits, driven by mid-single-digit growth in North America, partially offset by a slight decline in Western Europe. Sales from existing businesses in high growth markets increased by mid-single-digits, driven by low single-digit growth in Latin America, high twenties growth in India, partially offset by low single-digit decline in China. On a year-to-date basis, sales from existing businesses in developed markets increased by mid-single-digits, driven by mid-single-digit growth in North America, partially offset by a slight decline in Western Europe. Sales from existing businesses in high growth markets increased year-over-year in the year-to-date period by low double-digits, driven by mid-teens growth in Asia, principally in China where sales were up mid-teens.

Price increases contributed 3.1% and 4.6% to sales growth during the third quarter and year-to-date period, as compared to the comparable periods of 2022, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 280 basis points during the third quarter as compared to the comparable period of 2022. 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 and gains from productivity measures, partially offset by higher employee compensation — favorable 230 basis points
- The year-over-year effect of amortization from existing businesses — favorable 25 basis points
- The year-over-year net effect of acquisition-related transaction costs, which were incurred in the third quarter of 2022 — favorable 50 basis points
- The year-over-year net effect of acquired business, including amortization, and acquisition-related fair value adjustments — unfavorable 10 basis points
- The year-over-year effect of costs relating to the discrete restructuring plan in 2023 — unfavorable 15 basis points

Operating profit margin increased 330 basis points during the year-to-date period, as compared to the comparable period of 2022. Year-over-year operating profit margin comparisons were comprised of the following:

- Year-over-year increases in price and sales volume from existing businesses, gains from productivity measures, partially offset by higher employee compensation — favorable 320 basis points
- The year-over-year effect of amortization from existing businesses offset by impairment of intangible assets — favorable 20 basis points
- The year-over-year net effect of acquisition-related transaction costs, which were incurred during the year-to-date period in 2022 — favorable 80 basis points
- The year-over-year net effect of acquired business, including amortization, and acquisition-related fair value adjustments — unfavorable 5 basis points
- The year-over-year effect of costs relating to the discrete restructuring plan in 2023 — unfavorable 85 basis points

PRECISION TECHNOLOGIES

Our Precision Technologies segment helps solve tough technical challenges to speed breakthroughs in a wide range of applications, from food and beverage production and manufacturing to next-generation electric vehicles and clean energy, as our customers seek new test solutions to enable the electrification and connectivity of everything. Our expertise in materials, methods and measurements are reflected in our electrical test & measurement, sensing and material technologies offered to a broad set of customers and vertical end markets, including industrial, power and energy, automotive, medical equipment, food and beverage, aerospace and defense, semiconductor, and other general industries.

Precision Technologies Selected Financial Data

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales	\$ 530.6	\$ 523.7	\$ 1,583.5	\$ 1,485.2
Operating profit	139.3	131.8	398.3	348.5
Depreciation	6.6	5.9	19.2	18.1
Amortization	1.2	3.6	2.7	10.8
Operating profit as a % of sales	26.3 %	25.2 %	25.2 %	23.5 %
Depreciation as a % of sales	1.2 %	1.1 %	1.2 %	1.2 %
Amortization as a % of sales	0.2 %	0.7 %	0.2 %	0.7 %

Components of Sales Growth

	% Change Three Months Ended September 29, 2023 vs. Comparable 2022 Period	% Change Nine Months Ended September 29, 2023 vs. Comparable 2022 period
Total revenue growth (GAAP)	1.3 %	6.6 %
Existing businesses (Non-GAAP)	0.9 %	7.4 %
Currency exchange rates (Non-GAAP)	0.4 %	(0.8) %

The sales results for the third quarter were driven by price increases across the segment and volume increases with energetic materials, partially offset by a volume reduction in test and measurement products and sensing technologies. The sales results for the year-to-date period were driven by price increases across the segment and volume increases with test and measurement products and energetic materials, partially offset by a volume reduction in sensing technologies.

Geographically, sales from existing businesses in developed markets increased by high single-digits in the third quarter, driven by high single-digit growth in North America and low single-digit growth in Western Europe. Sales from existing businesses in high growth markets decreased by low double-digits in the third quarter driven by a mid-teens decline in Asia, attributable to a high-teens decline in China. On a year-to-date basis, sales from existing businesses in developed markets increased by high single-digits, driven by high single-digit growth in North America, high single-digit growth in Western Europe, and high-teens growth in Japan. Sales from existing businesses in high growth markets increased year-over-year in the year-to-date period by mid-single-digits, driven by low single-digit growth in Asia, where China contributed low single-digit growth.

Price increases in our Precision Technologies segment contributed 6.4% and 5.7% to sales growth for the third quarter and year-to-date period, respectively, as compared to the comparable periods of 2022, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 110 basis points for the third quarter as compared to the comparable period of 2022. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increase in price from existing businesses and gains from productivity measures, partially offset by volume reductions and higher employee compensation — favorable 60 basis points
- The year-over-year effect of amortization from existing businesses — favorable 50 basis points

Operating profit margin increased 170 basis points during the year-to-date period as compared to the comparable period of 2022. Year-over-year operating profit margins were comprised of the following:

- Year-over-year increase in price and sales volume from existing businesses, gains from productivity measures and spending reductions, all partially offset by higher employee compensation costs and unfavorable product mix — favorable 145 basis points
- The year-over-year effect of amortization from existing businesses — favorable 55 basis points
- The year-over-year effect of costs relating to the discrete restructuring plan in 2023 — unfavorable 30 basis points

ADVANCED HEALTHCARE SOLUTIONS

Our Advanced Healthcare Solutions segment supplies critical workflow solutions enabling healthcare providers to deliver exceptional patient care more efficiently. Our offerings include instrument sterilization solutions, instrument tracking, cell therapy equipment design and manufacturing, biomedical test tools, radiation detection and safety monitoring, and end-to-end clinical productivity software and solutions. Our healthcare offerings help ensure critical safety standards are met, instruments and operating rooms are working at peak performance, and complex procedures are followed accurately in these mission-critical healthcare environments.

Advanced Healthcare Solutions Financial Data

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales	\$ 319.6	\$ 318.6	\$ 968.6	\$ 979.2
Operating profit	26.6	17.3	68.8	73.4
Depreciation	5.5	4.9	16.0	14.3
Amortization	45.3	46.1	135.9	138.7
Operating profit as a % of sales	8.3 %	5.4 %	7.1 %	7.5 %
Depreciation as a % of sales	1.7 %	1.5 %	1.7 %	1.5 %
Amortization as a % of sales	14.2 %	14.5 %	14.0 %	14.2 %

Components of Sales Growth

	% Change Three Months Ended September 29, 2023 vs. Comparable 2022 period	% Change Nine Months Ended September 29, 2023 vs. Comparable 2022 Period
Total revenue growth (GAAP)	0.3 %	(1.1)%
Existing businesses (Non-GAAP)	2.2 %	2.0 %
Acquisitions and divestitures (Non-GAAP)	(1.4) %	(1.5) %
Currency exchange rates (Non-GAAP)	(0.5) %	(1.6) %

The sales results for the third quarter and year-to-date period were driven by price increases across the segment and demand increases for software and related services, dosimetry services, all partially offset by volume declines in quality assurance products and system design services.

Geographically, sales from existing businesses in developed markets were essentially flat in the third quarter with low single-digit growth in Western Europe and mid-teens growth in Japan, offset by a low single-digit decline in North America. In high growth markets, sales from existing businesses increased by high single-digits in the third quarter, driven by low-twenties growth in Latin America and high single-digit growth in Asia with high single-digit growth in China. On a year-to-date basis, sales from existing businesses in developed markets increased by low single-digits, driven by low single-digit growth in North America and high single-digit growth in Japan, while Western Europe was essentially flat. Sales from existing businesses in high growth markets increased by low single-digits, driven by high-teens growth in Latin America and a low single-digit growth in China, offset by a high single-digit decline in the rest of Asia and a high-teens decline in Eastern Europe driven by the exit from Russia in 2022.

Price increases in our Advanced Healthcare Solutions segment contributed 2.9% and 2.8% to sales growth during the third quarter and year-to-date period, respectively, as compared to the comparable periods of 2022, and is reflected as a component of the change in sales from existing businesses.

Operating profit margin increased 290 basis points during the third quarter, as compared to the comparable period of 2022. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increases in price from existing businesses and gains from productivity measures, partially offset by volume reductions, unfavorable product mix, higher employee compensation, and other operating expenses — favorable 185 basis points
- The year-over-year effect of amortization from existing businesses — favorable 25 basis points
- The year-over-year net effect of acquisition-related transaction costs which were incurred in the third quarter of 2022 — favorable 70 basis points
- The year-over-year effect of divested businesses, including amortization, and acquisition-related fair value adjustments to inventory — favorable 10 basis points

Operating profit margin decreased 40 basis points during the year-to-date period as compared to the comparable period of 2022. Year-over-year changes in operating profit margin were comprised of the following:

- Year-over-year increases in price from existing businesses and gains from productivity measures were more than offset by unfavorable product mix, reductions in volume, higher employee compensation, and other operating expenses— unfavorable 60 basis points
- The year-over-year effect of amortization from existing businesses — favorable 10 basis points
- The year-over-year net effect of acquisition-related transaction costs which were incurred in the year-to-date period of 2022 — favorable 65 basis points
- The year-over-year effect of divested businesses, including amortization, and acquisition-related fair value adjustments to inventory — favorable 25 basis points
- The year-over-year effect of costs relating to the discrete restructuring plan in 2023 — unfavorable 80 basis points

COST OF SALES AND GROSS PROFIT

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales	\$ 1,494.5	\$ 1,456.0	\$ 4,481.6	\$ 4,295.8
Cost of sales	(601.5)	(610.6)	(1,835.0)	(1,824.9)
Gross profit	\$ 893.0	\$ 845.4	\$ 2,646.6	\$ 2,470.9
Gross profit margin	59.8 %	58.1 %	59.1 %	57.5 %

The year-over-year increase in gross profit during the third quarter and year-to-date period, as compared to the comparable periods of 2022, is due to year-over-year increases in price, productivity measures and FBS initiatives, partially offset by higher employee compensation costs and restructuring charges. Additionally, the third quarter was also impacted by a decrease in volume, while the year-to-date period experienced an increase in volume, partially offset by unfavorable product mix, and unfavorable changes in foreign currency exchange rates.

OPERATING EXPENSES

(\$ in millions)	Three Months Ended		Nine Months Ended	
	September 29, 2023	September 30, 2022	September 29, 2023	September 30, 2022
Sales	\$ 1,494.5	\$ 1,456.0	\$ 4,481.6	\$ 4,295.8
Selling, general and administrative (“SG&A”)	503.5	491.3	1,525.2	1,456.8
Research and development (“R&D”)	98.4	101.1	298.6	300.3
Russia exit and wind down costs	—	1.1	—	17.3
SG&A as a % of sales	33.7 %	33.7 %	34.0 %	33.9 %
R&D as a % of sales	6.6 %	6.9 %	6.7 %	7.0 %

SG&A increased during the third quarter and year-to-date period, as compared to the comparable periods of 2022 due to increased employee compensation expenses, customer acquisition and marketing costs, and restructuring costs, partially offset by savings from productivity measures.

R&D, consisting principally of internal and contract engineering personnel costs, decreased slightly during both the third quarter and year-to-date period, as compared to the comparable periods of 2022 due to favorable timing of project expenditures, partially offset by higher compensation costs.

RUSSIA EXIT AND WIND DOWN COSTS

In the three and nine-month periods ended September 30, 2022, we incurred pre-tax costs totaling \$1.1 million and \$17.3 million, respectively, for the write-off of net assets, the cumulative translation adjustment in earnings for legal entities deemed substantially liquidated, and to record provisions for employee severance and legal contingencies. Of the \$17.3 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 \$13.8 million, Precision Technologies \$2.2 million and Advanced Healthcare Solutions \$1.3 million. The exit activities were completed in 2022 and we have not incurred additional charges in 2023.

INTEREST COSTS

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

Net interest expense for the third quarter and year-to-date period was \$30 million and \$95 million as compared to \$26 million and \$66 million in the comparable periods in 2022. The year-over-year increase in interest expense was due to higher interest rates incurred on floating rate debt instruments, despite overall lower debt balances.

INCOME TAXES

Our effective tax rates for the three and nine-month period ended September 29, 2023 were 15.2% and 15.8%, respectively, as compared to 12.7% and 14.4%, respectively, for the three and nine-month period ended September 30, 2022. The increase in the effective tax rate for the three-month period ended September 29, 2023 as compared to the three-month period ended September 30, 2022 was primarily due to a change in non-recurring permanent differences recognized. The increase in the effective tax rate for the nine-month period ended September 29, 2023 as compared to the nine-month period ended September 30, 2022 was primarily due to uncertain tax position reserves recorded.

Our effective tax rates for the three and nine-month periods ended September 29, 2023, differ from the U.S. federal statutory rate of 21% due primarily to the impact of credits and deductions provided by law and changes in our uncertain tax position reserves.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which among other provisions, implements a 15% corporate alternative minimum tax. Based upon our current analysis of the Inflation Reduction Act of 2022 and subsequently released guidance, we believe the 15% corporate minimum tax will not have a material impact on our financial statements during 2023.

During 2021, the Organisation for Economic Co-operation and Development (the “OECD”) announced an agreed framework for “Pillar Two” and released detailed model rules for a global minimum corporate tax rate of fifteen percent (15%) which requires multilateral agreement(s) and/or country-specific legislative action to be effective. A few jurisdictions have implemented legislation with effective dates spanning from 2024 through 2026. We will continue to monitor further legislation by individual countries and are currently evaluating the potential impact of Pillar Two to our business in future periods.

COMPREHENSIVE INCOME

Comprehensive income increased by \$94 million during the third quarter as compared to the comparable period in 2022 due primarily to favorable changes in foreign currency translation adjustments of \$66 million, and an increase in net income.

Comprehensive income increased by \$301 million during the year-to-date period as compared to the comparable period in 2022 due primarily to favorable changes in foreign currency translation adjustments of \$230 million, and 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 available cash, our revolving credit facility, and access to commercial paper, bank loans, and capital markets, 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 October 18, 2027 (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 September 29, 2023, 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.

On June 7, 2023, we filed with the SEC an “automatic shelf” registration statement (the “Shelf Registration Statement”). Under the Shelf Registration Statement, we may from time to time sell shares of common stock, preferred stock, debt securities, depositary shares, purchase contracts, purchase units, warrants and subscription rights in one or more offerings.

We continue to monitor the financial markets, the stability of U.S and international banks and general global economic conditions. If changes in financial markets or other areas of the economy adversely affect our access to the capital markets and other financing sources, 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 (\$ in millions):

(\$ in millions)	Nine Months Ended	
	September 29, 2023	September 30, 2022
Net cash provided by operating activities	\$ 906.8	\$ 839.0
Payments for additions to property, plant and equipment	\$ (73.7)	\$ (59.7)
Cash paid for acquisitions, net of cash received	(57.7)	(15.2)
Proceeds from sale of property	7.2	—
Proceeds from sale of business	—	6.6
Net cash used in investing activities	\$ (124.2)	\$ (68.3)
Net proceeds from (repayments of) commercial paper borrowings	\$ (252.6)	\$ 381.3
Proceeds from borrowings (maturities greater than 90 days), net of issuance costs	—	396.9
Repayment of borrowings (maturities greater than 90 days)	(250.0)	—
Payment of 0.875% convertible senior notes due 2022	—	(1,156.5)
Repurchase of common shares	(207.9)	(376.1)
Payment of dividends	(73.9)	(74.8)
All other financing activities	18.1	(9.2)
Net cash used in financing activities	\$ (766.3)	\$ (838.4)

Operating Activities

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

Operating cash flows were \$907 million during the year-to-date period, representing an increase of \$68 million, or 8.1%, as compared to the comparable period of 2022. The year-over-year change in operating cash flows was primarily attributable to the following factors:

- Year-over-year increases of \$73 million in Operating cash flows from net earnings, net of non-cash items (Amortization, Depreciation, Stock-based compensation, and Russia exit and wind down costs incurred in 2022).
- The aggregate changes in trade accounts receivable, inventories, and trade accounts payable used \$42 million of cash during the year-to-date period as compared to using \$48 million in the comparable period of 2022. 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 \$78 million of cash in the year-to-date period as compared to using \$67 million of cash in the comparable period of 2022. The year-over-year changes were driven by timing differences related to tax payments and contract liabilities.

Investing Activities

Cash outflows from investing activities increased by \$56 million during the year-to-date period, as compared to the comparable period of 2022 with the increase primarily due to cash used for acquisitions, net of cash acquired totaling \$58 million and a year-over-year increase in capital expenditures of approximately \$14 million, partially offset by proceeds from sale of property.

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 \$90-110 million, although actual expenditures will ultimately depend on business conditions.

Financing Activities and Indebtedness

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayment of debt and commercial paper, payments of cash dividends to shareholders and share repurchases.

In the year-to-date period, financing activities used cash of \$766 million, reflecting the following transactions:

- Incurred \$253 million in net commercial paper repayments under the U.S. dollar-denominated commercial paper program.
- During the third quarter, Fortive repaid \$250 million in outstanding principal of the Delayed-Draw Term Loan due 2023.
- As of September 29, 2023, we repurchased 3 million shares of our common stock for approximately \$208 million under our share repurchase program.
- Dividend payments to common shareholders totaling \$74 million.

In the comparable 2022 period, financing activities used cash of \$838 million, reflecting the following transaction:

- Incurred \$381 million in net commercial paper borrowings under the U.S. dollar-denominated commercial paper program, which had a weighted annual effective rate of 3.19% and a weighted average remaining maturity of approximately 29 days.
- 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.
- Repurchased 6 million shares for approximately \$376 million under our share repurchase program.
- Made dividend payments to common shareholders totaling \$75 million.

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 September 29, 2023, we held approximately \$714 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 87% of the \$714 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 September 29, 2023, 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 nine-month periods ended September 29, 2023 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 2022 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 2022 Annual Report on Form 10-K. There were no material changes during the three and nine-month periods ended September 29, 2023 to the information reported in our 2022 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 third 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 2022 Annual Report on Form 10-K. There were no material changes during the quarter and year-to-date period ended September 29, 2023 to the risk factors reported in the “Risk Factors” section of our 2022 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, with 10 million shares remaining authorized under the share repurchase program as of September 29, 2023. 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 September 29, 2023, the Company purchased 1 million shares of its common stock at an average price of \$78.74.

The following table provides details about our share repurchases during the fiscal quarter ended September 29, 2023.

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	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
Jul 1 - Jul 31	—	\$ —	N/A	N/A
Aug 1 - Aug 31	1,000,000	78.74	1,000,000	10,000,000
Sep 1 - Sep 29	—	—	N/A	N/A
Total	1,000,000	\$ 78.74	1,000,000	10,000,000

ITEM 5. OTHER INFORMATION**(c) Trading Plans**

On July 31, 2023, Tamara Newcombe, President & CEO of Precision Technologies, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 10,000 shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until October 30, 2024, or earlier if all transactions under the trading arrangement are completed.

During the third quarter ended September 29, 2023, no other directors or Section 16 officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation of Fortive Corporation (incorporated by reference to Exhibit 3.1 to Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2022, File No. 1-37654).
3.2	Amended and Restated Bylaws of Fortive Corporation (incorporated by reference from Exhibit 3.1 to Fortive Corporation's Current Report on Form 8-K, filed on November 8, 2022 (Commission 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 September 29, 2023, 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 September 29, 2023 and December 31, 2022, (ii) Consolidated Condensed Statements of Earnings for the three and nine-month periods ended September 29, 2023 and September 30, 2022, (iii) Consolidated Condensed Statements of Comprehensive Income for the three and nine-month periods ended September 29, 2023 and September 30, 2022, (iv) Consolidated Condensed Statement of Changes in Equity for the three and nine-month periods ended September 29, 2023 and September 30, 2022, (v) Consolidated Condensed Statements of Cash Flows for the nine-month periods ended September 29, 2023 and September 30, 2022, and (vi) Notes to Consolidated Condensed Financial Statements.

SIGNATURES

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

FORTIVE CORPORATION:

Date: October 25, 2023

By: /s/ Charles E. McLaughlin
Charles E. McLaughlin
Senior Vice President and Chief Financial Officer

Date: October 25, 2023

By: /s/ Christopher M. Mulhall
Christopher M. Mulhall
Chief Accounting Officer

Certification

I, James A. Lico, certify that:

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

Date: October 25, 2023

By: /s/ James A. Lico
James A. Lico
President and Chief Executive Officer

Certification

I, Charles E. McLaughlin, certify that:

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

Date: October 25, 2023

By: /s/ Charles E. McLaughlin
Charles E. McLaughlin
Senior Vice President and Chief Financial Officer

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

I, James A. Lico, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date: October 25, 2023

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.

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

I, Charles E. McLaughlin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Fortive Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Fortive Corporation.

Date: October 25, 2023

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.