



# **2019 Bank of America Merrill Lynch Global Technology Conference**

**Jim Lico** | President & Chief Executive Officer

# Forward-Looking Statements & Non-GAAP Financial Measures

Statements in this presentation that are not strictly historical, statements regarding the Company's anticipated earnings, secular growth trends, business and acquisition opportunities, business strategies, timing of acquisitions and dispositions, anticipated revenue growth, anticipated operating margin expansion, anticipated cash flow, economic conditions, future prospects, and any other statements identified by their use of words like "anticipate," "expect," "believe," "outlook," "guidance," or "will" or other words of similar meaning are "forward-looking" statements within the meaning of the federal securities laws. There are a number of important factors that could cause actual results, developments and business decisions to differ materially from those suggested or indicated by such forward-looking statements and you should not place undue reliance on any such forward-looking statements. These factors include, among other things: deterioration of or instability in the economy, the markets we serve, international trade policies and the financial markets, trade relations with China, contractions or lower growth rates and cyclicity of markets we serve, competition, changes in industry standards and governmental regulations, our ability to successfully identify, consummate, integrate and realize the anticipated value of appropriate acquisitions and successfully complete divestitures and other dispositions, our ability to develop and successfully market new products, software, and services and expand into new markets, the potential for improper conduct by our employees, agents or business partners, contingent liabilities relating to acquisitions and divestitures, impact of changes to tax laws, our compliance with applicable laws and regulations and changes in applicable laws and regulations, risks relating to international economic, political, legal, compliance and business factors, risks relating to potential impairment of goodwill and other intangible assets, currency exchange rates, tax audits and changes in our tax rate and income tax liabilities, the impact of our debt obligations on our operations, litigation and other contingent liabilities including intellectual property and environmental, health and safety matters, our ability to adequately protect our intellectual property rights, risks relating to product, service or software defects, product liability and recalls, risks relating to product manufacturing, our relationships with and the performance of our channel partners, commodity costs and surcharges, our ability to adjust purchases and manufacturing capacity to reflect market conditions, reliance on sole sources of supply, security breaches or other disruptions of our information technology systems, adverse effects of restructuring activities, impact of changes to U.S. GAAP, labor matters, and disruptions relating to man-made and natural disasters. Additional information regarding the factors that may cause actual results to differ materially from these forward-looking statements is available in our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2018. These forward-looking statements speak only as of the date of this presentation and Fortive does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

This presentation contains references to "adjusted diluted net earnings per share (EPS)," "core revenue growth," "core operating margin expansion (core OMX)," "adjusted operating margin," "free cash flow," "free cash flow conversion" and "net earnings excluding the estimated provisional tax reform adjustments", which are, in each case, not presented in accordance with generally accepted accounting principles ("GAAP").

Information required by Regulation G with respect to such non-GAAP financial measures can be found in the "Investors" section our web site, [www.fortive.com](http://www.fortive.com), under the heading "Financial Information" and subheading "Quarterly Earnings" and "Supplemental Adjusted Financial Data."

The historical non-GAAP financial measures should not be considered in isolation or as a substitute for the GAAP financial measures but should instead be read in conjunction with the corresponding GAAP financial measures.

## Transforming the Portfolio

- Greater exposure to higher growth end markets / secular drivers
- Reduced cyclicality / greater resilience
- Increasing software offering and capabilities
- Increasing recurring revenue

## Exposure to Key Global Trends



Software-Enabled Workflows



Connected Devices & IoT



Productivity, Safety & Security Requirements



Regulatory Requirements

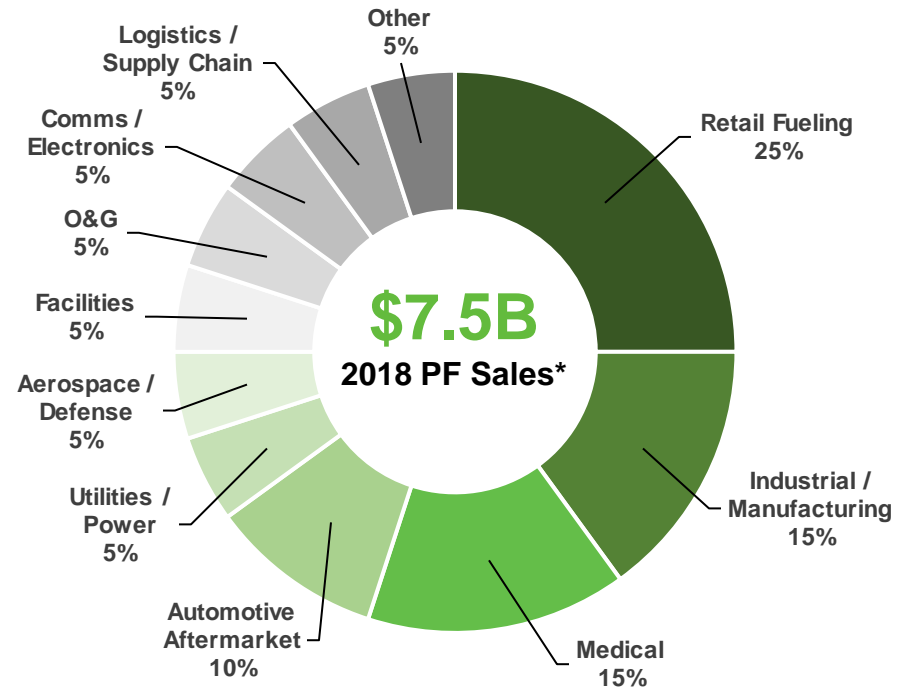


Digitalization / Increasing Vehicle Complexity

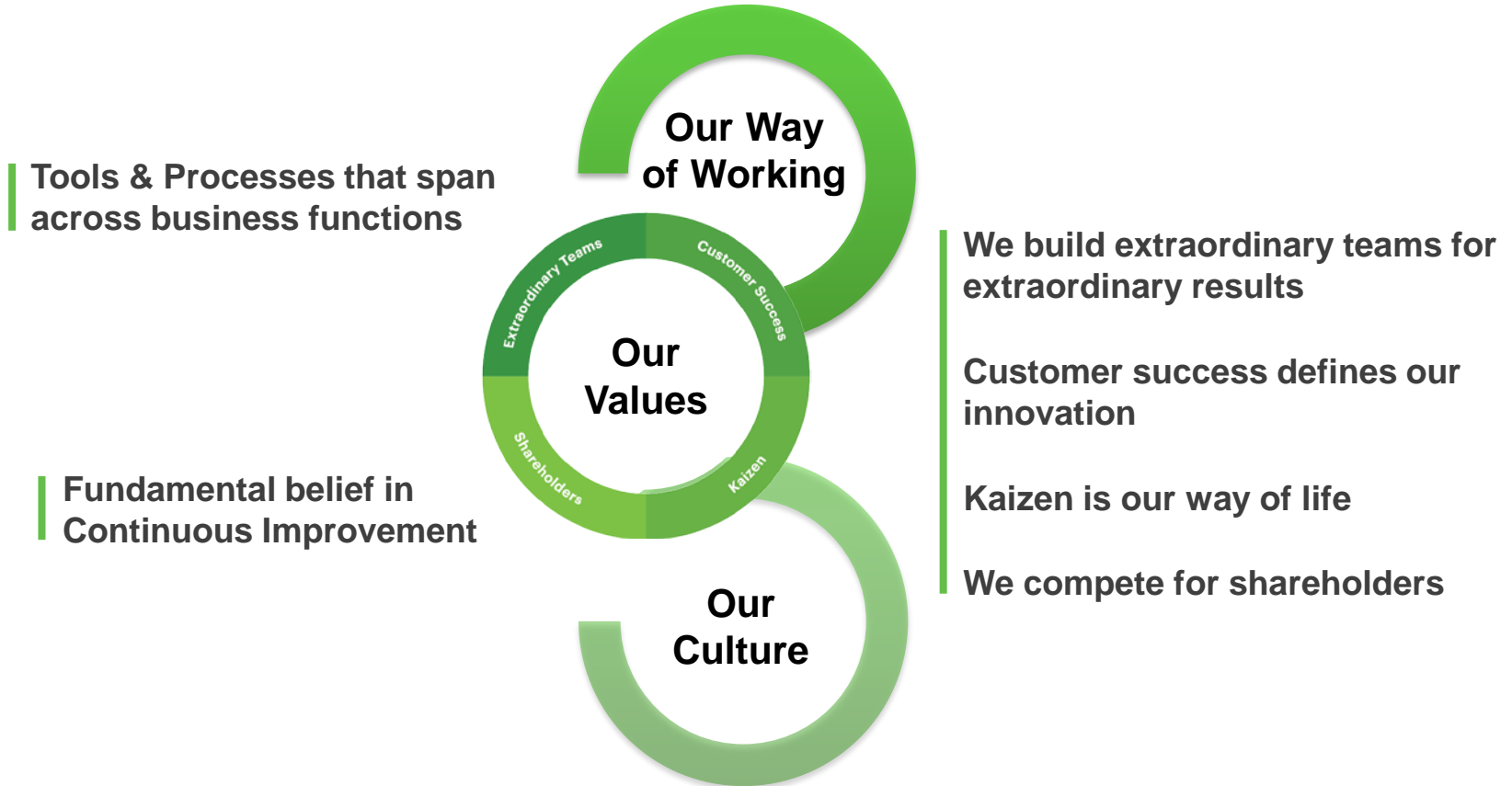


Aging Population

## Sales by End Market\*



\* Assumes full-year contribution of Accruent, ASP and Gordian



## Inorganic / Strategic M&A

- Use M&A to accelerate organic growth strategy
- Grounded in market work
- Targeting attractive / higher growth market segments
- Consistent, proactive cultivation of targets
- Discipline around process and returns

## Organic / Innovation

- Driven by FBS and continuous improvement mindset
- Grounded in VoC / customer intimacy
- New business models to better serve customer needs
- Enhance ability to generate breakthrough innovations
- Supported by R&D investments of ~6% of sales

## A Better, Stronger Fortive



- **Enhanced topline growth**
  - **Lower cyclicality**
- **Greater FCF / conversion**
- **Higher returns to shareholders**

## Professional Instrumentation



### Growth Drivers

- Software-enabled workflows
- Mobile worker
- Safety and compliance
- IoT / Data analytics
- Aging population / Health



## Industrial Technologies



### Growth Drivers

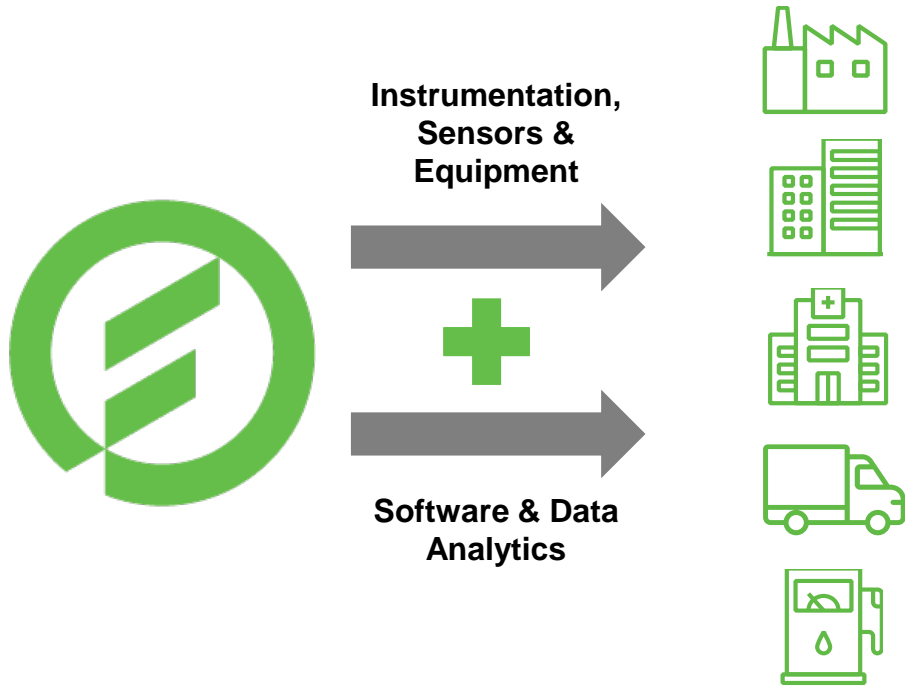
- HGM expansion – automation & services
- Urbanization / Smart Cities
- Autonomous / Electric vehicles



## Fortive Portfolio

- **Businesses acquired since 2016 represent revenue of ~\$1.7B**
  - +HSD growth
  - ~70% recurring revenue
- **Well positioned in large, attractive markets**
- **More embedded in customers' critical workflows**
- **Provide significant exposure to long-term growth trends**
- **Expected to drive core revenue growth & free cash flow growth higher in coming years**
- **Expanded runway for future M&A**

**Provide integrated hardware and software offerings that enable connected workflow solutions and address the essential safety, quality, and productivity requirements of our customers**



- Advantaged positions and brand loyalty in verticals we know well
- Leverage large installed base
- Address applications where value of connected workflow solutions is high
- Leverage customer intimacy to identify high priority pain points
- Differentiated solutions and business models
- Strategic opportunities with clear runway for both M&A and continued innovation

# EXECUTION OF DIGITAL STRATEGY GAINING MOMENTUM

Software-Related Revenue Now Accounts for ~10% of Total Fortive Revenue, and Increasing

## 2018 Acquisitions



- Industry standard cost data
- Benchmarking
- Leading data architecture and analytics



- Facilities management
- Asset Lifecycle management
- Optimal resource usage
- Workflow tools
- Related analytics

**Gordian + Accruent + Fluke Digital Systems enables complete coverage of Facilities and Asset Management Lifecycle**

## Continued Organic Software Growth

Digital Systems



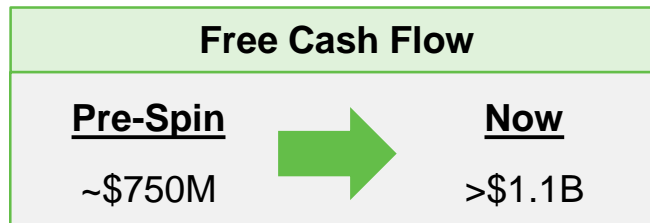
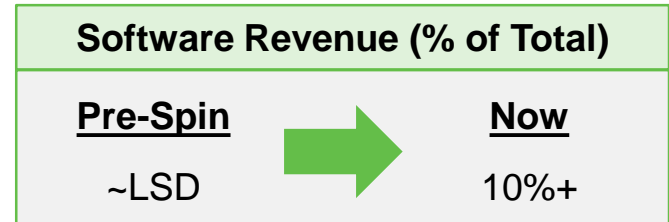
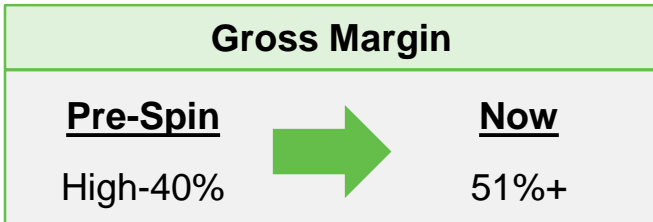
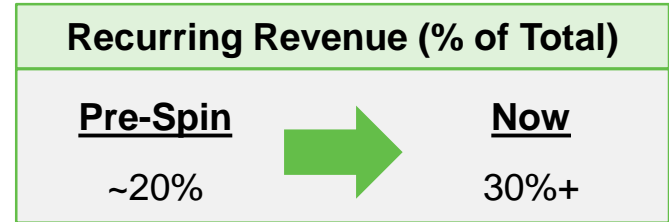
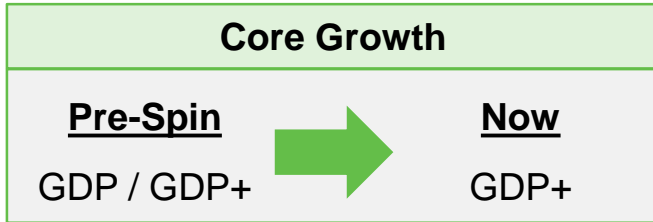
A Fluke Company





# ACCELERATING FORTIVE'S FINANCIAL EVOLUTION

Combination of M&A, Organic Strategy, and FBS has Driven the Evolution of Fortive's Financial Profile Since the Spin in Mid-2016



# A FORWARD LOOK – FORTIVE IN THE FUTURE

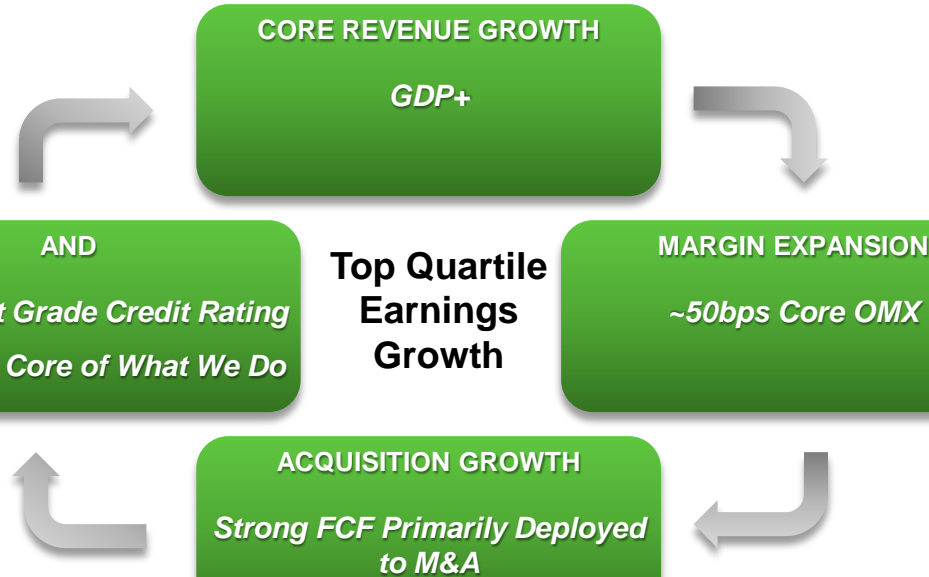
Progress with Portfolio Transformation in Past Three Years Provides Blueprint for Where we are Going

- Differentiated hardware, software and service offerings
- Enhanced core growth through the cycle
- Reduced portfolio cyclicality from greater recurring revenue
- Growing share of revenue from software / software-enabled workflow solutions
- Consistent margin expansion and FCF growth through FBS

Targeted Future Performance	
Core Growth	MSD
Recurring Revenue	40%+
Gross Margin	60%+
Adjusted EPS Growth	Consistent DD
FCF Growth	Consistent DD

**Higher Growth & Margins → Higher Free Cash Flow → Accelerated Compounding**

## The Fortive Formula



## The Compounding Effect

- Steering the portfolio to higher growth end markets through M&A
- Investing in our innovation engine to enhance organic growth
- Using the power of FBS to deliver consistent OMX
- To drive higher EPS and FCF growth....
- ...and fuel additional organic innovation and strategic M&A so the compounding can continue



**FORTIVE**