



# **Fortive Announces Intention to Separate into Two Independent, Publicly Traded Companies**

September 4, 2019

# FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

Statements in this presentation that are not strictly historical, including statements regarding the proposed transaction, including the anticipated timing and terms thereof, the future financial impact or anticipated benefits of the transaction, the anticipated prospects of Fortive, Newco or the industries in which they will operate following the transaction, future opportunities for Fortive or Newco following the transaction, and any other statements regarding events or developments that Fortive expects or anticipates will or may occur in the future, including 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 risks and uncertainties 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 risks and uncertainties include, among other things: the ability of Fortive and Newco to satisfy the conditions to the transaction and complete the transaction on a timely basis or at all, including the ability to obtain regulatory or other approvals, the ability of Fortive and Newco to realize the benefits of the transaction, a 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 cyclicalities of markets Fortive or Newco serve, competition, changes in industry standards and governmental regulations, Fortive’s and Newco’s ability to successfully identify, consummate, integrate and realize the anticipated value of appropriate acquisitions and successfully complete divestitures and other dispositions, Fortive’s and Newco’s ability to develop and successfully market new products, software, and services and expand into new markets, the potential for improper conduct by Fortive’s or Newco’s 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 tax rates and income tax liabilities, the impact of debt obligations on Fortive’s and Newco’s operations, litigation and other contingent liabilities including intellectual property and environmental, health and safety matters, Fortive’s and Newco’s ability to adequately protect their 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 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 and our Quarterly Report on Form 10-Q for the quarter ended June 28, 2019. 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.

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# SEPARATION OVERVIEW

- **Separation continues Fortive's portfolio transformation, creating two independent companies with clearer strategic focus to create additional opportunities and enhanced value for our employees, customers and other stakeholders**
  - Enables increased strategic focus for each company on its unique growth opportunities, as well as greater flexibility with respect to capital deployment
  - Better alignment between the financial profiles of these companies and their business strategies
- **Fortive: An industrial technology company with increased exposure to higher-growth end markets and reduced portfolio volatility**
  - ~\$5.0B pro forma revenue company with strong financials: MSD core revenue growth, 30%+ recurring revenue, ~58% gross margins, and mid-20% Adjusted EBITDA margins<sup>1</sup>
  - Portfolio aligned with key long-term trends across software-enabled workflows, connected devices / IoT, productivity, safety & security requirements, and demand for safe, high-quality healthcare
- **NewCo: A global industrial company with a portfolio of leading brands focused on transportation and mobility trends**
  - ~\$2.8B revenue, MSD core revenue growth, mid-40% gross margins, 20%+ EBITDA margins, and consistent FCF generation<sup>2</sup>
  - Significant global scale across retail & commercial fueling, fleet management, and automotive service & repair solutions
- **Transaction expected to be structured in a tax-efficient manner and to be completed in the second half of 2020**

1) Based on forecasted 2019 financial results for the Professional Instrumentation segment assuming 2019 acquisitions had been completed at the beginning of 2019

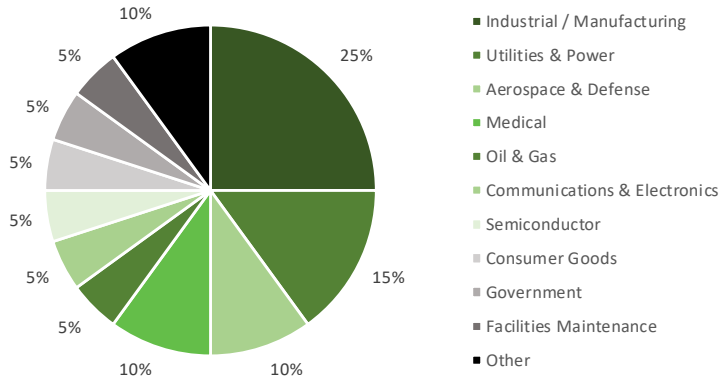
2) Based on 2018 financial results for Industrial Technologies segment on a continuing operations basis.

# FORTIVE SUMMARY PROFILE

## Pro Forma 2019 Financials\*

- Revenue: ~\$5.0B
- Gross Margin: ~58%
- Adjusted EBITDA Margin: Mid-20%
- Recurring Revenue %: 30%+
- Software %: LDD

## Revenue Breakdown



## Leadership

- Jim Lico, President & CEO
- Chuck McLaughlin, SVP & CFO

## Company Characteristics

- Differentiated portfolio of growth-oriented assets aligned with significant long-term growth trends
- MSD core revenue growth
- High gross margins
- Strong earnings growth
- Substantial free cash flow generation
- Fortive Business System – cornerstone of culture and competitive advantage

## Anticipated Capital Structure

- Investment grade credit rating
- M&A the primary focus of capital deployment

\* Based on forecasted 2019 financial results for the Professional Instrumentation segment assuming 2019 acquisitions had been completed at the beginning of 2019

# FORTIVE OVERVIEW

New Fortive will Include Fortive's Current Field Solutions, Product Realization, Health, and Sensing Technologies Businesses

## Field Solutions\*



### Test, Measurement and Calibration Tools & Solutions



### Condition-based Monitoring



### Physical Resource Management Software



### Workflow Management Software



### Portable Gas Detection Equipment



## Product Realization\*



### MSO/MDO Oscilloscopes



### Analyzers



### Power Sources & Supplies



### Signal Generators



### Energetic Materials Components



\* Part of Advanced Instrumentation and Solutions

# FORTIVE OVERVIEW

New Fortive will Include Fortive's Current Field Solutions, Product Realization, Health, and Sensing Technologies Businesses

## Health



### Sterilization Equipment



### Biological Indicators



### Healthcare Product Realization



## Sensing Technologies



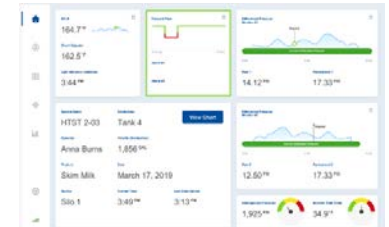
### Packaged Sensors



### Sensor-Enabled Instruments



### Control & Analytical Software



# EVOLVING FORTIVE FINANCIAL PROFILE

Continued Portfolio Transformation is Accelerating Fortive's Financial Evolution

	Consolidated Fortive <sup>1</sup>		Pro Forma for Separation <sup>2</sup>	
	2015	2017	2019 <sup>3</sup>	Fwd Target <sup>4</sup>
<b>Core Growth</b>	LSD	MSD	LSD	MSD
<b>Recurring %</b>	~20%	Mid-20%	30%+	40%+
<b>Gross Margin</b>	High-40%	50%	~58%	60%+
<b>Adj. EBITDA Margin</b>	Low-20%	Low-20%	Mid-20%	30%+
<b>Software %</b>	LSD	<10%	LDD	20%

**On the way toward achieving longer term targets outlined at Investor Day**

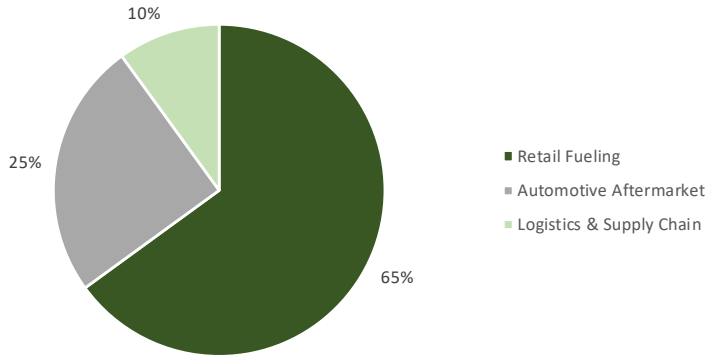
- (1) On a continuing operations basis
- (2) Based on Professional Instrumentation segment results
- (3) Based on forecasted 2019 financial results for the Professional Instrumentation segment assuming 2019 acquisitions had been completed at the beginning of 2019
- (4) Targeted future metrics

# NEWCO SUMMARY PROFILE

## 2018 Financials\*

- Revenue: ~\$2.8B
- Gross Margin: ~43%
- EBITDA Margin: ~22%
- Recurring Revenue %: ~32%
- Software %: ~HSD

## Revenue Breakdown



## Company Characteristics

- MSD core revenue growth\*
- Leading, well-known brands with reputation for high quality and service level
- Global presence with well-established competitive positions across major Developed Markets and HGMs
- Long history of product innovation and technology leadership
- Proven operating system
- Strong free cash flow generation to support future growth

## Anticipated Capital Structure

- Targeting investment grade credit rating
- Flexible approach to capital deployment

\* Based on 2018 financial results for Industrial Technologies segment on a continuing operations basis



# NEWCO OVERVIEW

NewCo will Include Fortive's Current Transportation Technologies and Franchise Distribution Businesses

## Transportation Technologies



### Fuel Dispensers



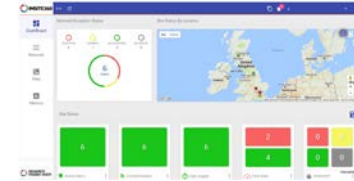
### POS & Payments



### Fleet Management



### Forecourt Automation



### Traffic/Transit Solutions



### EV Charging



## Franchise Distribution



### Automotive Repair Tools & Tool Storage



### Vehicle Diagnostics



### Tire Changers & Wheel Balancers



# NEWCO – A LEADING, GLOBAL INDUSTRIAL BUSINESS

- **Portfolio of leading brands across a range of global end-markets**
  - Leadership positions built on widely recognized brands and well-established global presence
  - Reputation for product quality and innovation, supported by broad service capabilities
  - Built upon the foundation of the Fortive Business System
- **Well positioned to capitalize on long-term market trends**
  - Continued HGM fueling infrastructure build-out
  - Evolving “mobility infrastructure” to meet demand for EV-charging solutions
  - Increasing need for connected vehicle / fleet management solutions
  - Rising urbanization challenges requires sophisticated “smart city” technology solutions
  - Need for innovative repair diagnostics / workflow solutions to address rising vehicle complexity
- **Financial profile to support future growth\***
  - ~Mid-40% gross margins and 20%+ EBITDA margins
  - Recurring revenue base: ~30% of revenue
  - Geographic diversification: ~20% of revenue from HGMs
  - Free cash flow generation can be deployed to drive continued future growth and innovation

\* Based on 2018 financial results for Industrial Technologies segment on a continuing operations basis

## NEXT STEPS

Finalize separation plan to prepare infrastructure needed to support two separate, publicly traded companies

Identify and name NewCo key leadership positions

Determine transaction structure and capitalization for NewCo

Proceed with requisite SEC and other regulatory actions

Expecting the transaction to complete in the second half of 2020

# Q&A

# CORE GROWTH NON-GAAP RECONCILIATION

<b>Core Growth</b>		
(\$ in millions)	<i>Fortive Consolidated 2015 Continuing Operations</i>	<i>Fortive Consolidated 2017 Continuing Operations</i>
<b>Total Revenue Growth (GAAP)</b>	<b>-1.3%</b>	<b>7.0%</b>
Existing Businesses (Non-GAAP)	2.8%	4.2%
Acquisitions (Non-GAAP)	0.9%	2.5%
Currency Exchange Rates (Non-GAAP)	-5.0%	0.3%
<b>Industrial Technologies Segment</b>		
<b>2018 Continuing Operations</b>		
<b>Total Revenue Growth (GAAP)</b>	<b>6.9%</b>	
Existing Businesses (Non-GAAP)	4.4%	
Acquisitions (Non-GAAP)	2.6%	
Currency Exchange Rates (Non-GAAP)	-0.1%	

# EBITDA MARGIN & ADJUSTED EBITDA MARGIN NON-GAAP RECONCILIATION

## Adjusted EBITDA Margin

(\$ in millions)

	<i>Fortive Consolidated 2015 Continuing Operations</i>		<i>Fortive Consolidated 2017 Continuing Operations</i>	
<b>Net Earnings from Continuing Operations (GAAP)</b>	<b>\$</b>	<b>737.6</b>	<b>\$</b>	<b>884.3</b>
Add: Interest		-		88.7
Add: Taxes		343.9		189.3
Add: Depreciation		73.6		93.3
Add: Amortization		88.2		65.0
EBITDA (Non-GAAP)	\$	1,243.3	\$	1,320.6
Add: Transaction Costs		-		21.8
Adjusted EBITDA (Non-GAAP)	\$	1,243.3	\$	1,342.4
<b>Sales (GAAP)</b>	<b>\$</b>	<b>5,311.8</b>	<b>\$</b>	<b>5,756.1</b>
Adjusted EBITDA Margin (Non-GAAP)		23%		23%

## EBITDA Margin

(\$ in millions)

	<i>Industrial Technologies Segment 2018 Continuing Operations</i>	
<b>Operating Profit (GAAP)</b>	<b>\$</b>	<b>525.6</b>
Add: Depreciation		57.9
Add: Amortization		30.8
EBITDA (Non-GAAP)	\$	614.3
<b>Sales (GAAP)</b>	<b>\$</b>	<b>2,797.6</b>
EBITDA Margin (Non-GAAP)		22%



**FORTIVE**