



# **Fourth Quarter 2017 Earnings Release**

February 8, 2018

# FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES



Statements in this presentation that are not strictly historical, statements regarding the Company's anticipated earnings, business and acquisition opportunities, 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 and the financial markets, 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, labor matters, disruptions relating to man-made and natural disasters, impact on changes to tax laws, impact of our separation from Danaher on our operations or financial results, and impact of our indemnification obligation to Danaher. 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, 2016. 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," "core revenue growth," "core operating margin expansion (core OMX)," "free cash flow," and "free cash flow conversion" 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."

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.

Based on guidance provided by the SEC, the Company has made a reasonable estimate of the effects of the recent tax reform. These estimated amounts are provisional and are subject to adjustment.

# STRATEGIC PRIORITIES FY 2017

## Financial Outperformance

**4.5% Core Revenue Growth**  
**15% Adj Diluted Net EPS Growth**  
**Lowered ETR by over 500bps<sup>(1)</sup>**  
**107% FCF Conversion<sup>(1)</sup>**

*(1) Excludes estimated provisional tax reform adjustments*



## Accelerate Growth

**Innovation / NPIs**  
**Market Share Gains**



## Enhance Portfolio / Digital IOT

**\$1.6B<sup>(2)</sup>**

*(2) Capital deployment towards strategic acquisitions*



## High Growth Markets

**+150bps<sup>(3)</sup>**  
**+Double Digit Revenue Growth**

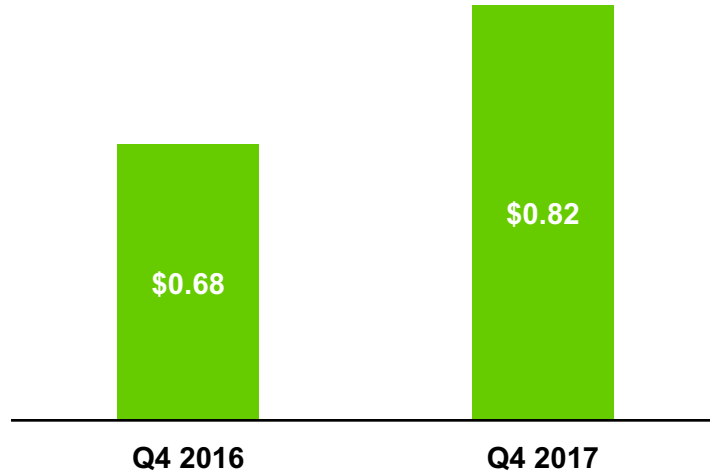
*(3) Increase in HGM mix as a percentage of total sales*



# PERFORMANCE SUMMARY

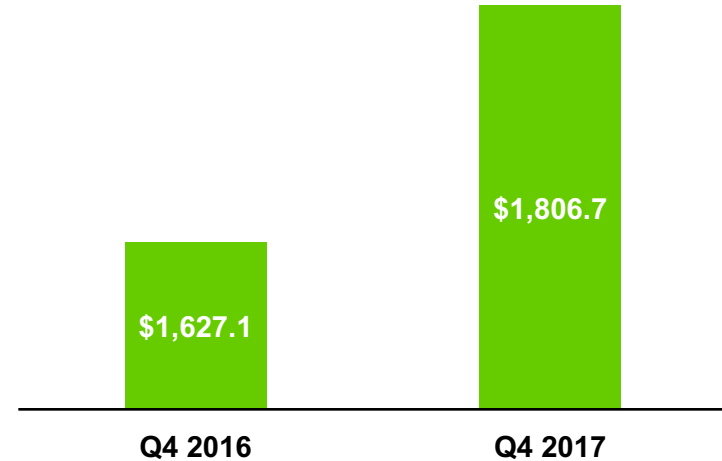
## NON-GAAP ADJUSTED DILUTED NET EARNINGS PER SHARE\*

+20.6%



## REVENUE

+11.0%  
Core +3.0%  
Acquisitions +5.9%  
FX +2.1%

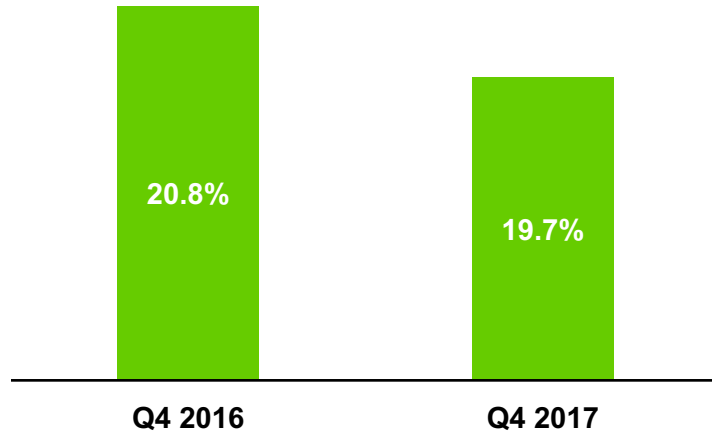


\*Excludes, among other items, the estimated provisional adjustments for the tax reform

# PERFORMANCE SUMMARY

## OPERATING MARGIN

**-110 bps**  
Core +50 bps  
Acquisitions -100 bps  
Transaction Costs -60 bps



## GROSS MARGINS

Q4 2016 – 49.0%

Q4 2017 – 50.4%

**+140 bps**

## SG&A

(as a % of Revenue)

Q4 2016 – 22.1%

Q4 2017 – 24.7%

**+260 bps**

## R&D

(as a % of Revenue)

Q4 2016 – 6.1%

Q4 2017 – 6.0%

**-10 bps**

# PERFORMANCE SUMMARY

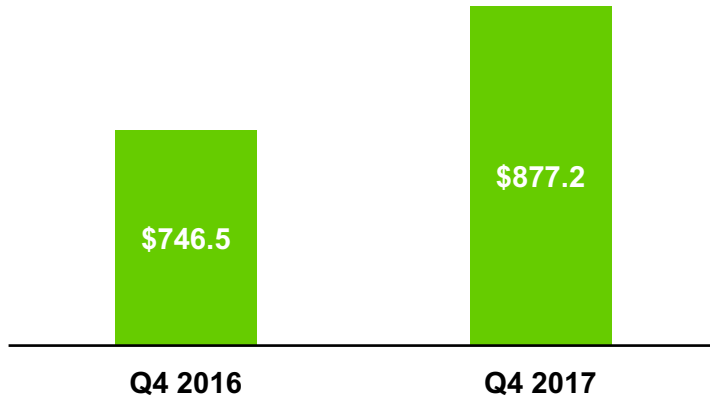


(\$M)	Three Months Ended		Year Ended	
	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017
Operating Cash Flow	\$318	\$463	\$1,137	\$1,176
Cap Ex	40	48	130	136
<b>FREE CASH FLOW</b>	<b>\$278</b>	<b>\$415</b>	<b>\$1,007</b>	<b>\$1,040</b>
Net Earnings (GAAP)	\$225	\$337	\$872	\$1,045
Estimated Provisional Tax Reform Adjustments (GAAP)	—	70	—	70
<b>Net Earnings Excluding the Estimated Provisional Tax Reform Adjustments (Non-GAAP)</b>	<b>\$225</b>	<b>\$267</b>	<b>\$872</b>	<b>\$974</b>

The sum of the components of Free Cash Flow may not equal the total amount due to rounding

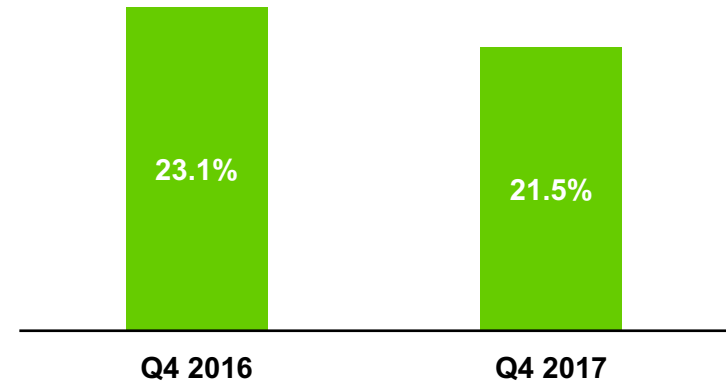
## REVENUE

**+17.5%**  
 Core +5.6%  
 Acquisitions +9.6%  
 FX +2.3%



## OPERATING MARGIN

**-160 bps**  
 Core +120 bps  
 Acquisitions -160 bps  
 Transaction Costs -120 bps



### Field Solutions\*



### Product Realization\*



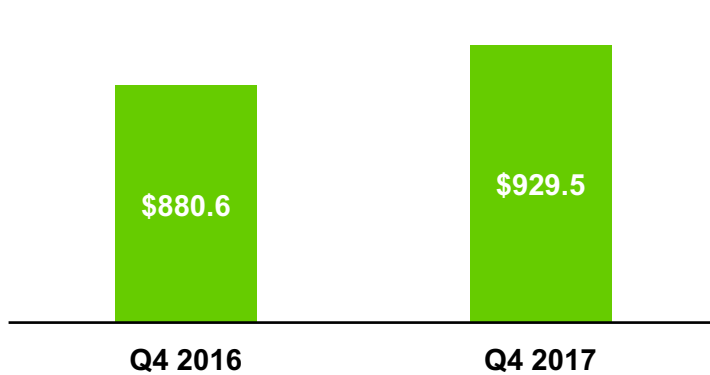
### Sensing Technologies



\* Part of Advanced Instrumentation and Solutions

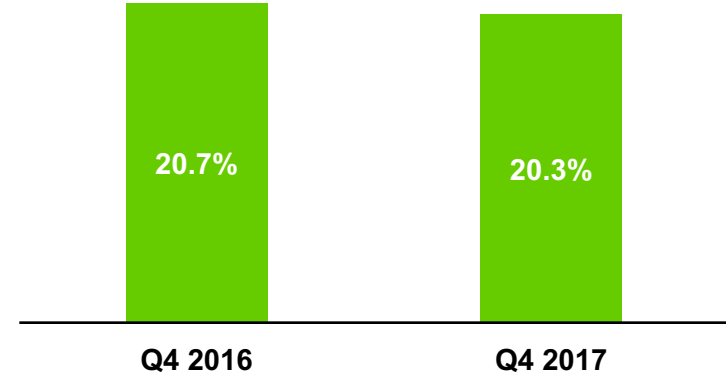
## REVENUE

**+5.6%**  
 Core +0.9%  
 Acquisitions +2.7%  
 FX +2.0%



## OPERATING MARGIN

**-40 bps**  
 Core +10 bps  
 Acquisitions -50 bps



### Transportation Technologies



### Automation & Specialty Components



### Franchise Distribution





# 2018 OUTLOOK

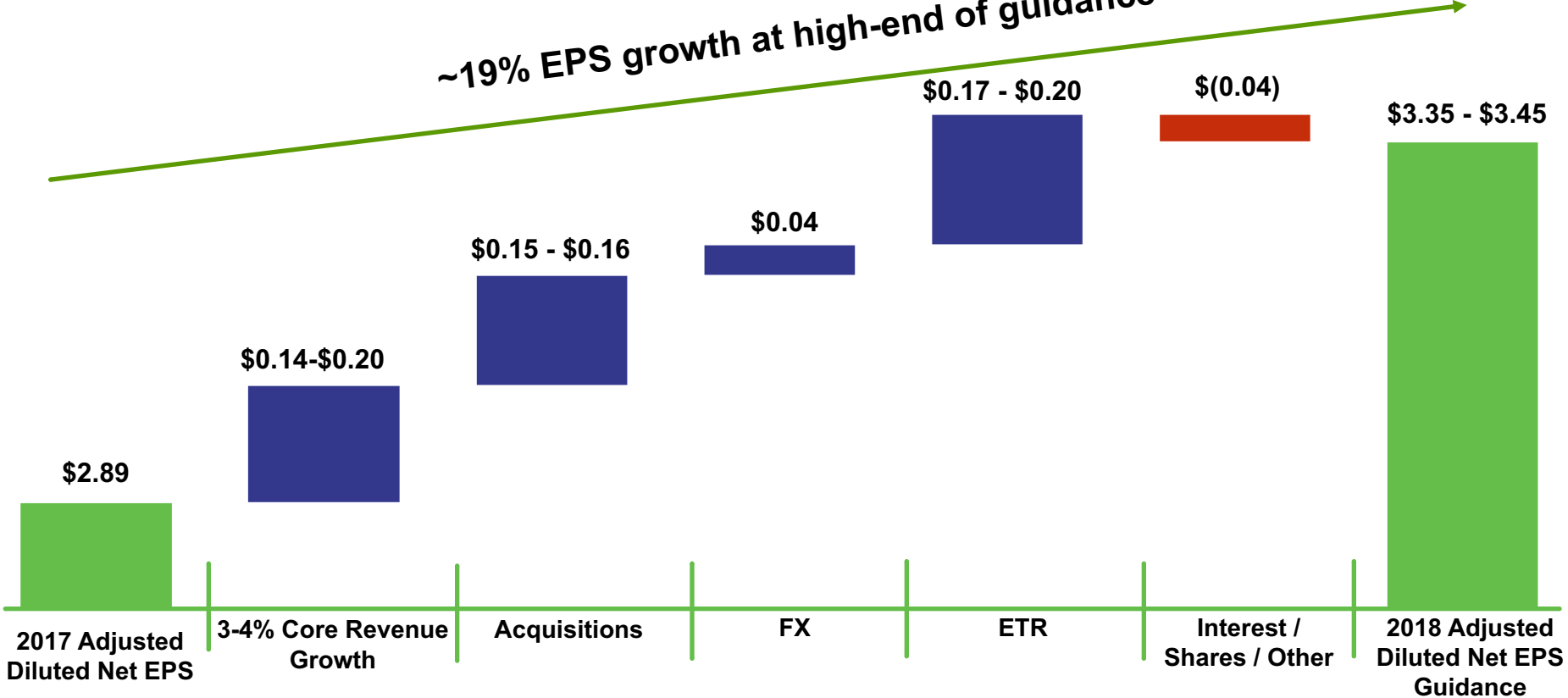
- **Core revenue growth of 3.0% – 4.0% with ~30-35% fall-through**
- **50 basis points of core operating margin expansion**
- **FX\* tailwind of 150 basis points of revenue and ~\$0.04 in EPS**
- **Estimated effective tax rate of 20%**

\*based on 12/31/2017 exchange rates

# 2018 OUTLOOK



*~19% EPS growth at high-end of guidance*



## Q & A



**FORTIVE**