

# Fortive Corporation (FTV)

FQ3 2026 Earnings Review  
Period ended 2026-09-30  
Reported 2026-10-28

A genuine operating beat; sustained net-income and cash-flow growth remain to be demonstrated

| 1   KEY RESULTS VS. CONSENSUS   |                   |                 |           |
|---------------------------------|-------------------|-----------------|-----------|
| Metric                          | Reported          | Consensus       | vs. Cons. |
| Revenue                         | \$1,107.5 million | \$1.07 billion  | +3.5%     |
| Adjusted EBITDA                 | \$338.8 million   | \$312.8 million | +8.3%     |
| Net Income (adjusted)           | \$235.4 million   | \$228.3 million | +3.1%     |
| Diluted EPS (adjusted)          | 77c               | 70c             | +10.0%    |
| SEGMENT REVENUE                 |                   |                 |           |
| Intelligent Operating Solutions | \$767.1 million   | \$725.7 million | +5.7%     |
| Advanced Healthcare Solutions   | \$340.4 million   | \$338.2 million | +0.7%     |

**2 | GUIDANCE AND OUTLOOK**

Fortive raised 2026 adjusted EPS guidance to \$3.10-\$3.14 from \$2.95-\$3.05, core growth to just above 5% from approximately 4%, and revenue to just above \$4.4 billion from approximately \$4.35 billion. Net interest expense guidance increased to \$145 million from approximately \$140 million. Q4 has 4 fewer selling days, reducing revenue by approximately \$15 million-\$20 million and core growth by 150 basis points. Full-year EBITDA-margin expansion is expected around 75 basis points, the midpoint of the 50-100-basis-point framework.

**3 | EARNINGS ANALYSIS**

**IOS DRIVES THE OPERATING BEAT.** IOS delivered 9.1% core growth, including 7.0% volume growth, and 13.6% adjusted EBITDA growth. It contributed approximately 85% of the consolidated revenue increase and more than the entire EBITDA increase before weaker AHS profitability. AHS core growth slowed to 3.1%, with only 0.3 percentage point from volume, while EBITDA declined 4.8%. Consolidated core growth accelerated to 7.2%, but EBITDA and EPS growth slowed. The beat was genuinely operational, not merely an EPS result generated by capital allocation.

**REPURCHASES AND REFUNDS QUALIFY GROWTH.** Adjusted net earnings increased only 3.1% to \$235.4 million, while diluted shares declined 8.8%; repurchases dominated EPS growth above underlying net-income growth. Higher interest expense, depreciation and taxes absorbed operating gains. Free cash flow rose 6.7% to \$283.8 million, including an \$18 million tariff refund. The summary’s refund-excluded proxy was approximately \$265.8 million, essentially unchanged year over year. Cash conversion remained strong, but repurchases and refunds limit evidence of recurring business acceleration.

**MARGIN PROGRESS NEEDS DIFFERENTIATION.** Adjusted EBITDA margin reached 30.6%, versus prior expectations for slightly below Q2’s 29.5%, despite adjusted gross margin falling to 62.5% from 63.3%. Operating leverage and structural savings were essential. ServiceChannel merchant-of-record arrangements gross up revenue and cost of sales without proportionate economic value added. Management expects no increasing dilution, not a reversal. Adjusted results exclude a \$6.2 million capitalized-software impairment within IOS. AHS investment spending is described as time-bounded, but no payback period or quantified margin recovery was supplied.

**CAPITAL RETURNS HAVE CONSTRAINTS.** Operating cash flow was \$313.3 million and capital expenditure \$29.5 million. Year-to-date buybacks of approximately \$1.0 billion exceeded \$748.2 million of free cash flow before dividends and acquisitions. Gross leverage improved to 2.6x, with \$377 million of cash and approximately \$3.15 billion of net debt. There is no immediate financial stress, but funding EPS growth through repurchases has costs and limits.

**Q4 RECONCILIATION REMAINS UNANSWERED.** Full-year guidance still implies materially slower Q4 core growth than Q3, even after fewer selling days. Management supplied no normalized quarterly growth forecast; the calendar explanation alone does not establish uninterrupted underlying acceleration.

**OPTIONALITY IS NOT PROOF.** AI monetization remains unquantified, nonrecurring revenue grew faster, and data centers remain a low-single-digit percentage of revenue. Q3 improves confidence in the strategy without establishing structurally faster software or data-center growth.

**4 | KEY READ-THROUGHS**

**CONNECTED GAS DETECTION SHOWS INDUSTRY ADOPTION BEYOND A SINGLE VENDOR**  
*MSA Safety (MSA) | Positive | Moderate for portable gas detection and connected-worker offerings*  
Fortive’s gas-detection acceleration and hardware-as-a-service demand support connected systems combining detectors, fleet management, compliance and recurring services. MSA independently disclosed a 5-year ALTAIR io 6 utility agreement with approximately \$6.7 million of initial value and potential value up to \$10.6 million. This strengthens the adoption signal beyond one vendor, but competition remains and full potential contract value is not immediate revenue.

**HEALTHCARE CAPITAL RECOVERY IS LESS ADVANCED THAN THE PROCEDURE BACKDROP SUGGESTS**  
*STERIS (STE), Getinge (GETI B) | Modestly negative | Substantially less negative for diversified group earnings*  
AHS core growth of 3.1% contained only approximately 0.3 percentage point of volume growth. Healthy procedures support consumables and maintenance before hospital budgets fund broad equipment replacement. That favors STERIS and Getinge’s recurring installed-base economics over rapid equipment-recovery assumptions. U.S. capital spending is improving but still constrained: a negative signal on recovery pace, not a new downturn.

**OUTSOURCING DEMAND IS RESILIENT, BUT CONTRACT ECONOMICS MATTER MORE THAN GROSS BILLINGS**  
*CBRE Group (CBRE) | Positive for demand; negative for revenue-led upgrades | Moderate for the relevant business*  
ServiceChannel’s merchant-of-record arrangements can gross up maintenance revenue without equivalent retained fees or profit. Essential maintenance outsourcing remains resilient, but contract terms, procurement, service costs and working capital determine value captured. CBRE’s facilities-management revenue rose 13% and segment operating profit 21%, yet it reduced segment profit-growth expectations because of enterprise facilities management. Strong customer activity therefore does not automatically justify earnings upgrades.

**TARIFF REFUNDS CREATE MATERIAL COMPARABILITY RISK IN INDUSTRIAL AND MEDICAL-TECHNOLOGY EARNINGS**  
*MSA Safety (MSA), Getinge (GETI B) | Negative for extrapolation | Measurable for Getinge and potentially relevant for MSA*  
Getinge’s adjusted EBITA included SEK 45 million of tariff refunds, approximately 3.5% of SEK 1,278 million reported adjusted EBITA. MSA also said refunds supported adjusted margin expansion, whereas Fortive excluded its \$18 million benefit from adjusted earnings. Different adjustments complicate comparisons: capitalizing finite refunds as recurring margin risks overstating sustainable growth, although the cash has genuine capital-allocation value.