



Veralto™

---

# Third Quarter 2024 Results

October 23, 2024

## Forward Looking Statements

Certain statements in this presentation, including statements regarding the Company's fourth quarter and full year 2024 guidance, the Company's differentiation and positioning to continue delivering sustainable, long-term shareholder value and any other statements regarding events or developments that we believe or anticipate will or may occur in the future are "forward-looking" statements within the meaning of the 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, Veralto's liquidity position or other financial measures; Veralto's 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 and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; the effects of the separation or the distribution on Veralto's business; growth, declines and other trends in markets Veralto sells into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Veralto intends or believes will or may occur in the future.

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 2023 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q for 2024. These forward-looking statements speak only as of the date of this release and except to the extent required by applicable law, the Company 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.



# Opening Remarks

Jennifer L. Honeycutt

President and Chief Executive Officer

Q3 2024 Results | October 23, 2024



# Veralto / TraceGains acquisition



## TraceGains' company profile

- Leading cloud-based software provider with networked ecosystem for the food and beverage industry that connects consumer brands with ingredient manufacturers
- Enables efficient development of new products while also meeting increasingly stringent compliance and reporting regulations

## Financial detail

Purchase Price: \$350m

- >20% Sales CAGR since 2022
- >95% Recurring Revenue
- FY 2024E Sales: >\$30m
- ~80% Gross Margins

Note: The financial information of TraceGains is unaudited and derived from information provided by TraceGains' management in due diligence procedures, with various Veralto management adjustments also reflected.

## Compelling value creation opportunity

- Fast growing, durable market with strong secular tailwinds
- Expands PQI's digital workflow solutions – “source-to-shelf”
  - ❑ Delivers greater value to customers through connected data and higher data integrity across new product development and packaging stakeholders
  - ❑ Accelerates time-to-market for consumer brands
- Synergies with Esko's global customer base, direct sales channel and the application of VES
- Aligned to our commitment of delivering clean water, safe foods and trusted essential goods

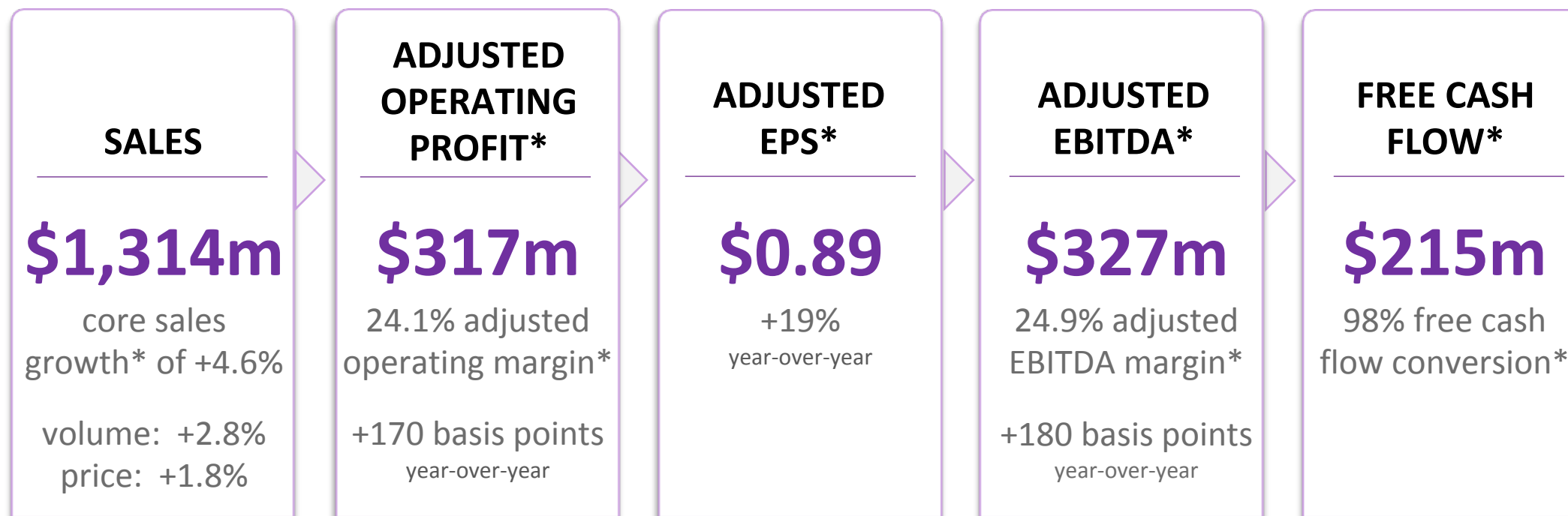
**TraceGains is a High Quality Business with a Compelling Value Creation Opportunity**

# TraceGains Acquisition / Expands digital workflow offering – “Source-to-Shelf”



Synergistic Offering Provides Enhanced Value Proposition for Food & Beverage Customers

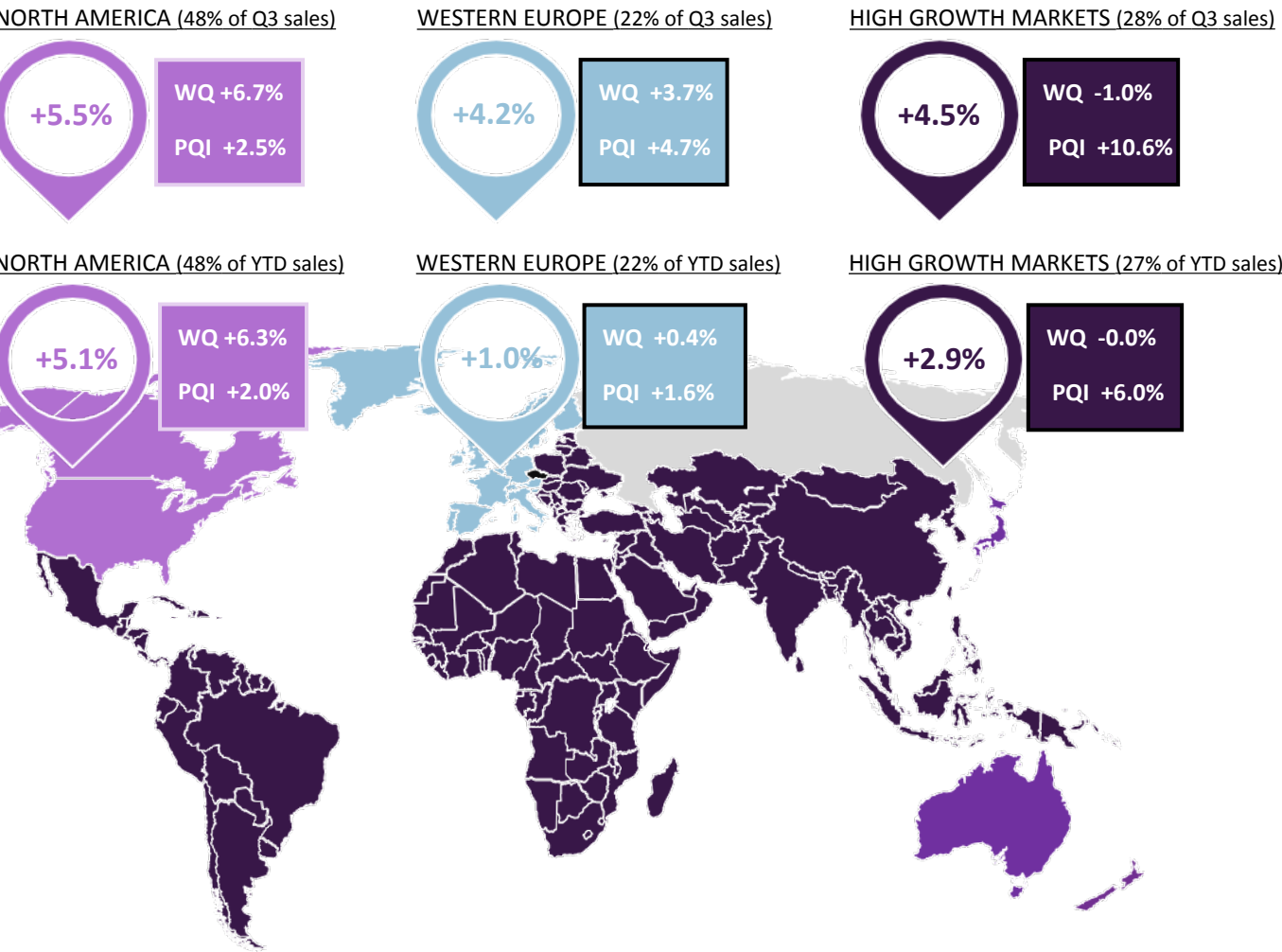
# Veralto / Q3 2024 key consolidated financial results



\*See appendix for reconciliations to non-GAAP measures

**Q3 2024 Performance Reflects the Durability of our Businesses Fortified by Strong Execution**

# Veralto / Core sales growth by region for Q3 and YTD 2024



Notes: All sales variances are on a core sales basis as compared to the prior year period; Japan, Australia and New Zealand represent 2% of total sales



## Q3 2024 Commentary

### North America:

- **WQ:** growth in water treatment led by broad-based industrial demand and municipal waste-water; steady water analytics growth
- **PQI:** MSD growth in packaging and color; LSD growth in marking and coding

### Western Europe:

- **WQ:** growth led by water analytics with steady demand across municipalities and industrials
- **PQI:** MSD growth in marking and coding; LSD growth in packaging and color

### High Growth Markets:

- Strong growth in LATAM led by water analytics, water treatment and marking and coding
- Growth in LATAM offset a modest decline in China

Notes: WQ = Water Quality; PQI = Product Quality & Innovation



# Financial Review

Sameer Ralhan

SVP and Chief Financial Officer

Q3 2024 Results | October 23, 2024



# Veralto / Q3 2024 consolidated performance

	Q3 2023	Q3 2024	YOY Variance
<i>\$ millions, except per share data</i>			
Sales	\$1,255	\$1,314	+4.7%
Core Sales Growth*	1.0%	4.6%	
Gross Profit	\$723	\$783	+8%
Gross Profit Margin	57.6%	59.6%	200 bps
Adjusted Operating Profit*	\$281	\$317	+13%
Adjusted Operating Profit Margin*	22.4%	24.1%	+170 bps
Adjusted Net Diluted Earnings Per Share*	\$0.75	\$0.89	+19%
Free Cash Flow*	\$232	\$215	-7%

\*See appendix for reconciliations to non-GAAP measures

- **Sales grew +4.7% year-over-year:**

- Core sales\* +4.6%
- Currency: -0.1%
- Acquisitions & divestitures: -0.0%

- **Gross profit margin up 200 bps:**

- +1.8% increase in price
- Improved productivity, reduced manufacturing costs

- **Adjusted operating profit margin\* up 170 bps:**

- Strong operating leverage
- Cost optimization
- Increased growth investments

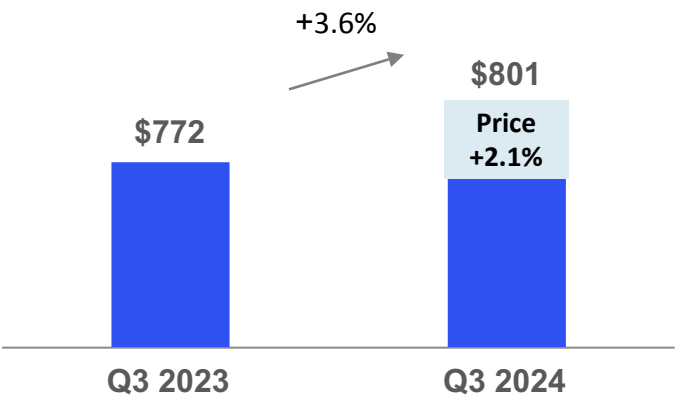
- **Free cash flow\* of \$215m:**

- 98% free cash flow conversion\*

# Water Quality / Q3 and YTD 2024 performance

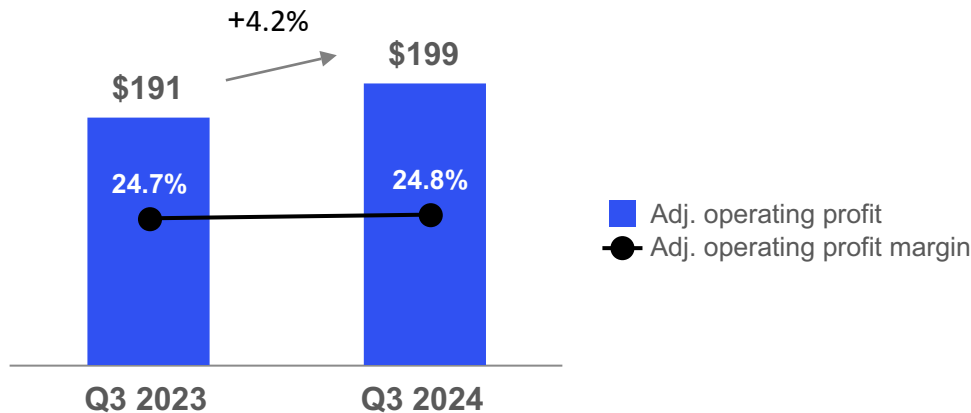
(\$ millions, variances versus prior year period)

## Q3 SALES

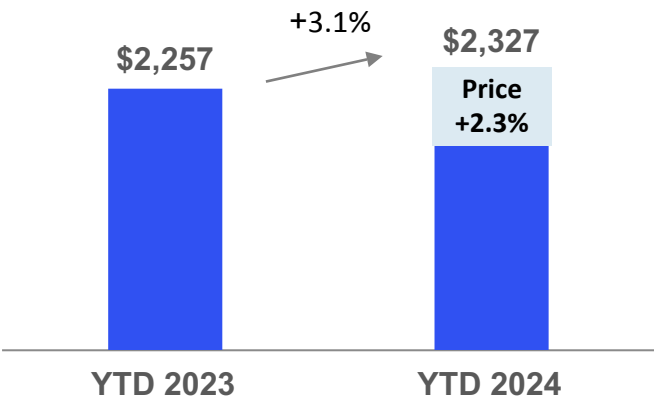


Three months ended		
YOY Change in Sales	Q3 2023	Q3 2024
Core Growth*	+3.0%	+4.0%
Currency	+1.0%	-0.2%
M&A	+—%	-0.2%
Total Growth	+4.0%	+3.6%

## Q3 ADJUSTED OPERATING PROFIT \*

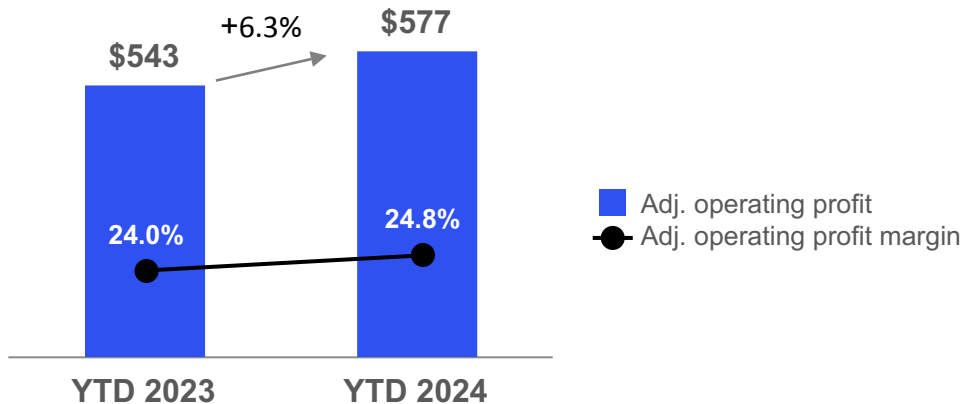


## YTD SALES



Nine months ended		
YOY Change in Sales	Q3 2023	Q3 2024
Core Growth*	+6.0%	+3.6%
Currency	+—%	-0.3%
M&A	+—%	-0.2%
Total Growth	+6.0%	+3.1%

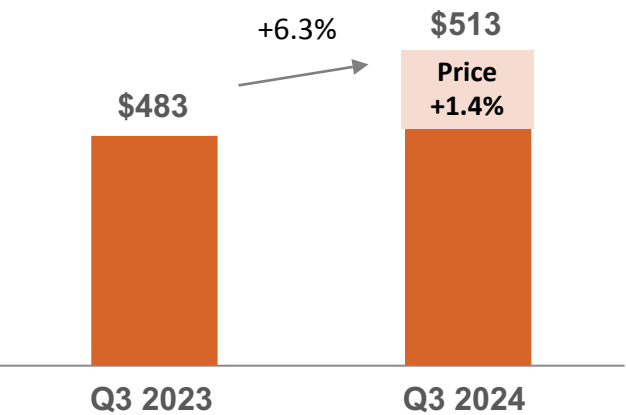
## YTD ADJUSTED OPERATING PROFIT \*



# Product Quality & Innovation / Q3 and YTD 2024 performance

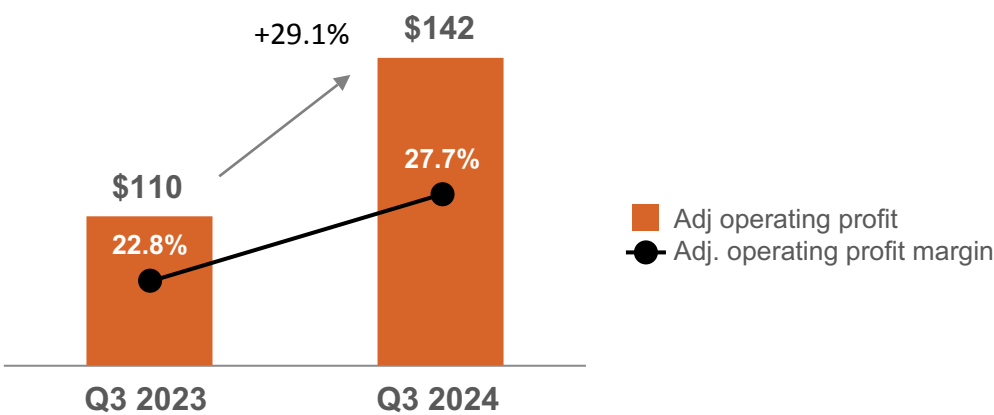
(\$ millions, variances versus prior year period)

## Q3 SALES

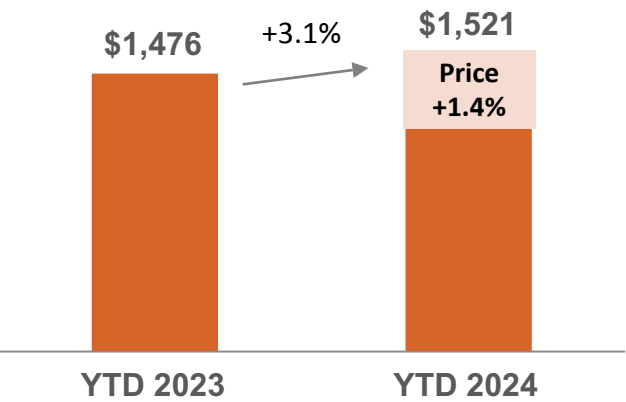


Three months ended		
YOY Change in Sales	Q3 2023	Q3 2024
Core Growth*	-2.5%	+5.7%
Currency	+2.5%	+0.4%
M&A	+1.0%	+0.2%
Total Growth	+1.0%	+6.3%

## Q3 ADJUSTED OPERATING PROFIT \*

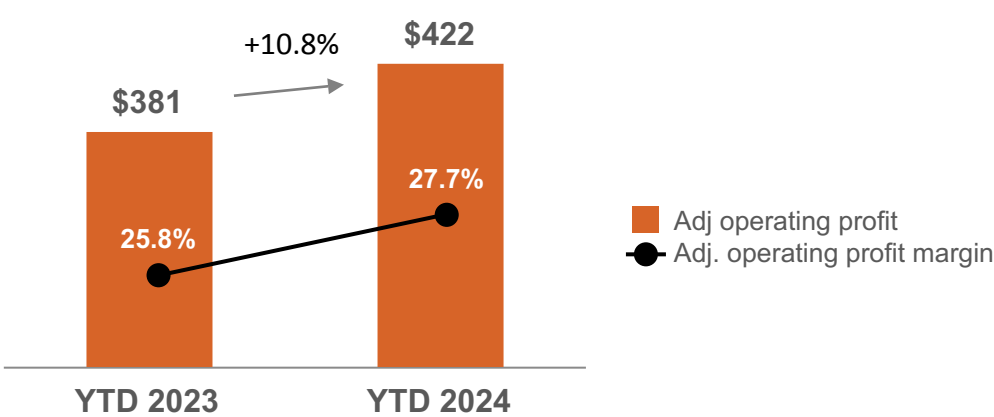


## YTD SALES



Nine months ended		
YOY Change in Sales	Q3 2023	Q3 2024
Core Growth*	-1.5%	+3.1%
Currency	-0.5%	+—%
M&A	+1.0%	+—%
Total Growth	-1.0%	+3.1%

## YTD ADJUSTED OPERATING PROFIT \*



# Veralto / Q3 2024 cash flow and balance sheet

(\$ millions)

## Q3 2024

Cash from operations	\$224
----------------------	-------

Capital expenditures	\$(9)
----------------------	-------

<b>Free cash flow*</b>	<b>\$215</b>
------------------------	--------------

<b>Free cash flow conversion*</b>	<b>98%</b>
-----------------------------------	------------

## Q3 2024

Cash and cash equivalents	\$1,267
---------------------------	---------

Gross debt	\$2,639
------------	---------

Net debt*	\$1,372
-----------	---------

## Financial position summary:

- Strong annual cash generation
- Resilient and capital-light business model
- Gross leverage\* at 2.1x
- Net leverage\* at 1.1x

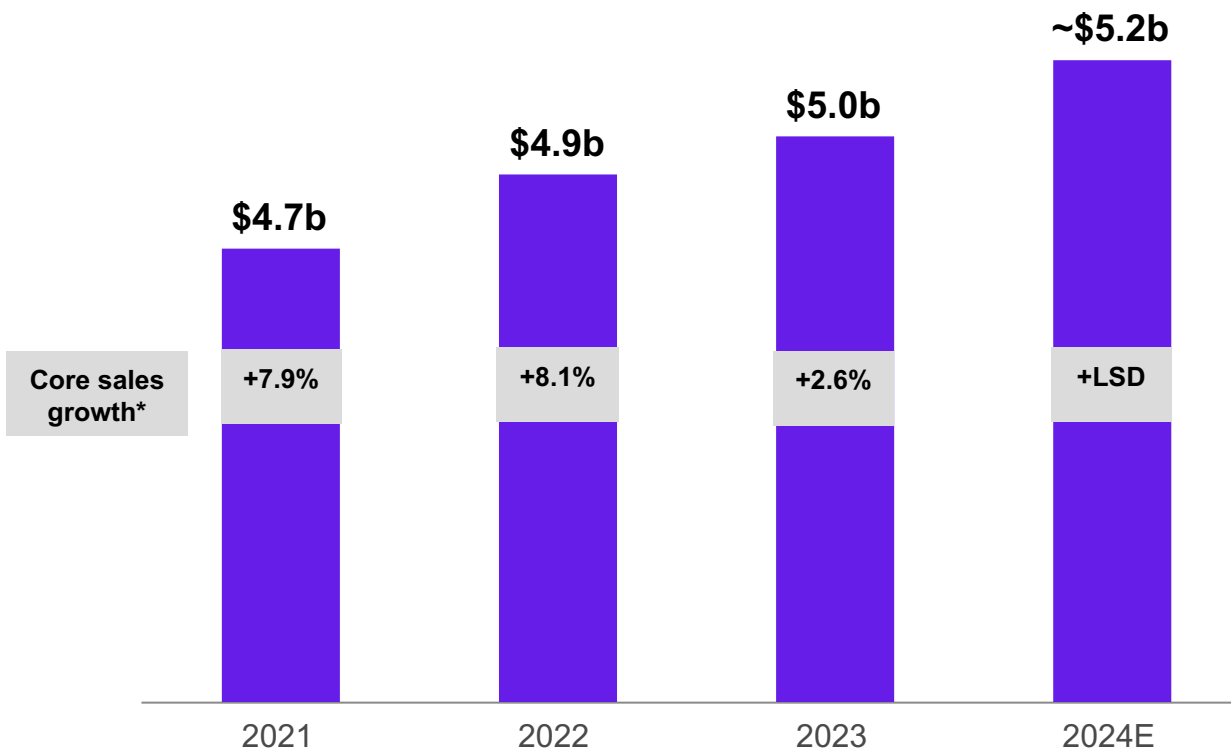
\* See appendix for reconciliations to non-GAAP measures



## Veralto / Q4 and FY 2024 guidance

	Q4 2024E	FY2024E	
		Current	Prior
Core Sales Growth*	+LSD to +MSD	+LSD	+LSD
Adjusted Operating Profit Margin*	~24.0%	~75 basis points	~75 basis points
Adjusted EPS*	\$0.86 to \$0.90	\$3.44 to \$3.48	\$3.37 to \$3.45
Free Cash Flow Conversion*	--	100% to 110%	100% to 110%

### Annual Sales and Core Sales Growth\*



Note: 2024 adjusted EPS guidance assumes an effective tax rate of ~24% and diluted shares outstanding of ~250m

\*See appendix for reconciliations to non-GAAP measures



# Closing Remarks

Jennifer L. Honeycutt

Q3 2024 Results | October 23, 2024

# Veralto / Well-positioned to drive compounding earnings and free cash flow growth

**ATTRACTIVE SECULAR GROWTH DRIVERS**

**PREMIER FINANCIAL PROFILE  
and DURABLE BUSINESS MODEL**

**PROVEN VALUE CREATION PLAYBOOK**



**SAFEGUARDING THE WORLD'S MOST VITAL RESOURCES™**



Veralto™

---

# Appendix

Q3 2024 Results | October 23, 2024





VERALTO CORPORATION  
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES  
AND SUPPLEMENTAL FORWARD-LOOKING INFORMATION  
THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 27, 2024 AND SEPTEMBER 29, 2023

## **TABLE OF CONTENTS**

### **Page**

<u>1</u>	<u>Sales Growth by Segment, Core Sales Growth by Segment</u>
<u>2</u>	<u>Sales Growth (Decline) by Segment, Core Sales Growth (Decline) by Segment</u>
<u>3</u>	<u>Forecasted Core Sales Growth, Adjusted Operating Profit Margin, and Adjusted Diluted Net Earnings per Share</u>
<u>4</u>	<u>Segment Sales, Operating Profit, Adjusted Operating Profit, Operating Profit Margin, and Adjusted Operating Profit Margin</u>
<u>6</u>	<u>Net Earnings, Operating Profit, Adjusted EBITDA, Net Earnings Margin, Operating Profit Margin and Adjusted EBITDA Margin</u>
<u>10</u>	<u>Trailing Twelve Month Adjusted EBITDA, Gross Leverage, and Net Leverage</u>
<u>11</u>	<u>Other Non-GAAP Adjusted P&amp;L Measures</u>
<u>16</u>	<u>Operating Profit Margin and Year-Over-Year Core Operating Margin Changes</u>
<u>17</u>	<u>Cash Flow, Free Cash Flow, Operating Cash Flow to Net Earnings Ratio and Free Cash Flow to Net Earnings Conversion Ratio</u>

## **FORWARD-LOOKING STATEMENTS DISCLOSURE**

Certain statements in this document, including the statement regarding the Company's anticipated fourth quarter and full year 2024 financial performance, the Company's differentiation and positioning to continue delivering sustainable, long-term shareholder value and any other statements regarding events or developments that we believe or anticipate will or may occur in the future are "forward-looking" statements within the meaning of the 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, Veralto's liquidity position or other financial measures; Veralto's 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 and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; the effects of the separation or the distribution on Veralto's business; growth, declines and other trends in markets Veralto sells into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Veralto intends or believes will or may occur in the future. 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 2023 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. These forward-looking statements speak only as of the date of this document and except to the extent required by applicable law, the Company 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.

# VERALTO CORPORATION

## **Sales Growth by Segment, Core Sales Growth by Segment**

% Change Three-Month Period Ended September 27, 2024 vs. Comparable 2023 Period			
	Total Company	Segments	
		Water Quality	Product Quality and Innovation
Total sales growth (GAAP)	4.7 %	3.6 %	6.3 %
Impact of:			
Acquisitions/divestitures	— %	0.2 %	(0.2)%
Currency exchange rates	(0.1)%	0.2 %	(0.4)%
Core sales growth (non-GAAP)	4.6 %	4.0 %	5.7 %

% Change Nine-Month Period Ended September 27, 2024 vs. Comparable 2023 Period			
	Total Company	Segments	
		Water Quality	Product Quality and Innovation
Total sales growth (GAAP)	3.1 %	3.1 %	3.1 %
Impact of:			
Acquisitions/divestitures	0.1 %	0.2 %	— %
Currency exchange rates	0.2 %	0.3 %	— %
Core sales growth (non-GAAP)	3.4 %	3.6 %	3.1 %

**VERALTO CORPORATION**

**Sales Growth (Decline) by Segment, Core Sales Growth (Decline) by Segment**

% Change Three-Month Period Ended September 29, 2023 vs. Comparable 2022 Period			
	Segments		
	Total Company	Water Quality	Product Quality and Innovation
Total sales growth (GAAP)	3.0 %	4.0 %	1.0 %
Impact of:			
Acquisitions/divestitures	(0.5)%	— %	(1.0)%
Currency exchange rates	(1.5)%	(1.0)%	(2.5)%
Core sales growth (decline) (non-GAAP)	1.0 %	3.0 %	(2.5)%

% Change Nine-Month Period Ended September 29, 2023 vs. Comparable 2022 Period			
	Segments		
	Total Company	Water Quality	Product Quality and Innovation
Total sales growth (decline) (GAAP)	3.0 %	6.0 %	(1.0)%
Impact of:			
Acquisitions/divestitures	(0.5)%	— %	(1.0)%
Currency exchange rates	0.5 %	— %	0.5 %
Core sales growth (decline) (non-GAAP)	3.0 %	6.0 %	(1.5)%



**Forecasted Core Sales Growth, Adjusted Operating Profit Margin, and Adjusted Diluted Net Earnings per Share**

The Company provides forecasted sales only on a non-GAAP basis because of the difficulty in estimating the other components of GAAP revenue, such as currency translation, acquisitions and divested product lines. Additionally, we do not reconcile adjusted operating profit margin (or components thereof), adjusted diluted earnings per share or free cash flow to net earnings conversion ratio to the comparable GAAP measures because of the difficulty in estimating the other unknown components such as investment gains and losses, impairments and separation costs, which would be reflected in any forecasted GAAP operating profit, forecasted diluted earnings per share or forecasted net earnings ratio.

	<b>% Change Three-Month Period Ending December 31, 2024 vs. Comparable 2023 Period</b>	<b>% Change Year Ending December 31, 2024 vs. Comparable 2023 Period</b>
Core sales growth (non-GAAP)	+Low-single digit to +Mid-single digit	+Low-single digits

	<b>Three-Month Period Ending December 31, 2024</b>	<b>Year Ending December 31, 2024</b>
Adjusted Operating Profit Margin (non-GAAP)	~24.0%	~75 basis points
Adjusted Diluted Net Earnings per Share (non-GAAP)	\$0.86 to \$0.90	\$3.44 to \$3.48
Free cash flow to net earnings conversion ratio (non-GAAP)	--	100% to 110%

**VERALTO CORPORATION**

**Segment Sales, Operating Profit, Adjusted Operating Profit, Operating Profit Margin, and Adjusted Operating Profit Margin**  
(\$ in millions)

	Three-Month Period Ended		Nine-Month Period Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Sales (GAAP)</b>				
Water Quality	\$ 801	\$ 772	\$ 2,327	\$ 2,257
Product Quality & Innovation	513	483	1,521	1,476
Total	<u>\$ 1,314</u>	<u>\$ 1,255</u>	<u>\$ 3,848</u>	<u>\$ 3,733</u>
<b>Sales Adjustments<sup>1</sup></b>				
Water Quality	\$ —	\$ 2	\$ —	\$ 6
Product Quality & Innovation	—	—	—	—
Total	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 6</u>
<b>Adjusted Sales (Non-GAAP)</b>				
Water Quality	\$ 801	\$ 774	\$ 2,327	\$ 2,263
Product Quality & Innovation	513	483	1,521	1,476
Total	<u>\$ 1,314</u>	<u>\$ 1,257</u>	<u>\$ 3,848</u>	<u>\$ 3,739</u>
<b>Operating Profit (GAAP)</b>				
Water Quality	\$ 195	\$ 188	\$ 564	\$ 536
Product Quality & Innovation	137	99	405	356
Other	(24)	(14)	(69)	(38)
Total	<u>\$ 308</u>	<u>\$ 273</u>	<u>\$ 900</u>	<u>\$ 854</u>
<b>Amortization of Intangible Assets (GAAP)</b>				
Water Quality	\$ 4	\$ 5	\$ 13	\$ 15
Product Quality & Innovation	3	7	15	21
Total	<u>\$ 7</u>	<u>\$ 12</u>	<u>\$ 28</u>	<u>\$ 36</u>

**VERALTO CORPORATION**

**Segment Sales, Operating Profit, Adjusted Operating Profit, Operating Profit Margin, and Adjusted Operating Profit Margin**  
**(\$ in millions)**

	Three-Month Period Ended		Nine-Month Period Ended	
	September 27, 2024	September 29, 2023	September 27, 2024	September 29, 2023
<b>Other Operating Profit Adjustments<sup>2</sup></b>				
Water Quality	\$ —	\$ (2)	\$ —	\$ (8)
Product Quality & Innovation	2	4	2	4
Other	—	(6)	1	(22)
Total	<u>\$ 2</u>	<u>\$ (4)</u>	<u>\$ 3</u>	<u>\$ (26)</u>
<b>Adjusted Operating Profit (non-GAAP)<sup>3</sup></b>				
Water Quality	\$ 199	\$ 191	\$ 577	\$ 543
Product Quality & Innovation	142	110	422	381
Other	(24)	(20)	(68)	(60)
Total	<u>\$ 317</u>	<u>\$ 281</u>	<u>\$ 931</u>	<u>\$ 864</u>
<b>Operating Profit Margin (GAAP)</b>				
Water Quality	24.3 %	24.4 %	24.2 %	23.7 %
Product Quality & Innovation	26.7 %	20.5 %	26.6 %	24.1 %
Total	<u>23.4 %</u>	<u>21.8 %</u>	<u>23.4 %</u>	<u>22.9 %</u>
<b>Adjusted Operating Profit Margin (Non-GAAP)<sup>4</sup></b>				
Water Quality	24.8 %	24.7 %	24.8 %	24.0 %
Product Quality & Innovation	27.7 %	22.8 %	27.7 %	25.8 %
Total	<u>24.1 %</u>	<u>22.4 %</u>	<u>24.2 %</u>	<u>23.1 %</u>

<sup>1</sup> Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Sales Adjustments.

<sup>2</sup> Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Other Operating Profit Adjustments.

<sup>3</sup> Adjusted Operating Profit (non-GAAP) is defined as operating profit (GAAP) plus amortization of intangible assets (GAAP) plus (minus) Other Operating Profit Adjustments and Sales Adjustment (as defined).

<sup>4</sup> Adjusted Operating Profit Margin (Non-GAAP) is defined as Adjusted Operating Profit (Non-GAAP) divided by Adjusted Sales (Non-GAAP).

**VERALTO CORPORATION**

**Net Earnings, Operating Profit, Adjusted EBITDA, Net Earnings Margin, Operating Profit Margin and Adjusted EBITDA Margin**  
(\$ in millions)

	Three-Month Period Ended September 27, 2024			
	Water Quality	Product Quality & Innovation	Other	Total Company
<b>Net Earnings (GAAP)</b>				\$ 219
Interest Expense				27
Other Nonoperating (Income) Expense				(5)
Income Taxes				67
<b>Operating Profit (GAAP)</b>	\$ 195	\$ 137	\$ (24)	\$ 308
Other Operating Profit Adjustments <sup>2</sup>	—	2	—	2
Depreciation	7	3	—	10
Amortization of Intangible Assets	4	3	—	7
<b>Adjusted EBITDA (Non-GAAP)</b>	<u>\$ 206</u>	<u>\$ 145</u>	<u>\$ (24)</u>	<u>\$ 327</u>
Interest Expense				(27)
Other Nonoperating Income (Expense)				5
Income Taxes				(67)
Other Operating Profit Adjustments <sup>2</sup>				(2)
Depreciation				(10)
Amortization of Intangible Assets				(7)
<b>Net Earnings (GAAP)</b>				<u>\$ 219</u>
<b>Sales (GAAP)</b>	<u>\$ 801</u>	<u>\$ 513</u>		<u>\$ 1,314</u>
<b>Net Earnings Margin (GAAP)</b>				<u>16.7 %</u>
<b>Operating Profit Margin (GAAP)</b>	<u>24.3 %</u>	<u>26.7 %</u>		<u>23.4 %</u>
<b>Adjusted EBITDA Margin (Non-GAAP) <sup>5</sup></b>	<u>25.7 %</u>	<u>28.3 %</u>		<u>24.9 %</u>

<sup>2</sup> Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Other Operating Profit Adjustments.

<sup>5</sup> Adjusted EBITDA Margin (Non-GAAP) is defined as Adjusted EBITDA (Non-GAAP) divided by sales.

**VERALTO CORPORATION**

**Net Earnings, Operating Profit, Adjusted EBITDA, Net Earnings Margin, Operating Profit Margin and Adjusted EBITDA Margin**  
(\$ in millions)

	Three-Month Period Ended September 29, 2023			
	Water Quality	Product Quality & Innovation	Other	Total Company
<b>Net Earnings (GAAP)</b>				\$ 205
Interest Expense				5
Other Nonoperating (Income) Expense				—
Income Taxes				63
<b>Operating Profit (GAAP)</b>	\$ 188	\$ 99	\$ (14)	\$ 273
Other Operating Profit Adjustments <sup>2</sup>	(2)	4	(6)	(4)
Depreciation	6	3	—	9
Amortization of Intangible Assets	5	7	—	12
<b>Adjusted EBITDA (Non-GAAP)</b>	<u>\$ 197</u>	<u>\$ 113</u>	<u>\$ (20)</u>	<u>\$ 290</u>
Interest Expense				(5)
Other Nonoperating Income (Expense)				—
Income Taxes				(63)
Other Operating Profit Adjustments <sup>2</sup>				4
Depreciation				(9)
Amortization of Intangible Assets				(12)
<b>Net Earnings (GAAP)</b>				<u>\$ 205</u>
<b>Sales (GAAP)</b>	<u>\$ 772</u>	<u>\$ 483</u>		<u>\$ 1,255</u>
<b>Net Earnings Margin (GAAP)</b>				<u>16.3 %</u>
<b>Operating Profit Margin (GAAP)</b>	<u>24.4 %</u>	<u>20.5 %</u>		<u>21.8 %</u>
<b>Adjusted EBITDA Margin (Non-GAAP) <sup>5</sup></b>	<u>25.5 %</u>	<u>23.4 %</u>		<u>23.1 %</u>

<sup>2</sup> Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Other Operating Profit Adjustments.

<sup>5</sup> Adjusted EBITDA Margin (Non-GAAP) is defined as Adjusted EBITDA (Non-GAAP) divided by sales.

**VERALTO CORPORATION**

**Net Earnings, Operating Profit, Adjusted EBITDA, Net Earnings Margin, Operating Profit Margin and Adjusted EBITDA Margin**  
(\$ in millions)

	Nine-Month Period Ended September 27, 2024			
	Water Quality	Product Quality & Innovation	Other	Total Company
<b>Net Earnings (GAAP)</b>				\$ 606
Interest Expense				85
Other Nonoperating (Income) Expense				9
Income Taxes				200
<b>Operating Profit (GAAP)</b>	\$ 564	\$ 405	\$ (69)	\$ 900
Other Operating Profit Adjustments <sup>2</sup>	—	2	1	3
Depreciation	19	11	—	30
Amortization of Intangible Assets	13	15	—	28
<b>Adjusted EBITDA (Non-GAAP)</b>	\$ 596	\$ 433	\$ (68)	\$ 961
Interest Expense				(85)
Other Nonoperating Income (Expense)				(9)
Income Taxes				(200)
Other Operating Profit Adjustments <sup>2</sup>				(3)
Depreciation				(30)
Amortization of Intangible Assets				(28)
<b>Net Earnings (GAAP)</b>				\$ 606
<b>Sales (GAAP)</b>	\$ 2,327	\$ 1,521		\$ 3,848
<b>Net Earnings Margin (GAAP)</b>				15.7 %
<b>Operating Profit Margin (GAAP)</b>	24.2 %	26.6 %		23.4 %
<b>Adjusted EBITDA Margin (Non-GAAP) <sup>5</sup></b>	25.6 %	28.5 %		25.0 %

<sup>2</sup> Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Other Operating Profit Adjustments.

<sup>5</sup> Adjusted EBITDA Margin (Non-GAAP) is defined as Adjusted EBITDA (Non-GAAP) divided by sales.



**VERALTO CORPORATION**

**Net Earnings, Operating Profit, Adjusted EBITDA, Net Earnings Margin, Operating Profit Margin and Adjusted EBITDA Margin**  
(\$ in millions)

	Nine-Month Period Ended September 29, 2023			
	Water Quality	Product Quality & Innovation	Other	Total Company
<b>Net Earnings (GAAP)</b>				\$ 639
Interest Expense				5
Other Nonoperating (Income) Expense				14
Income Taxes				196
<b>Operating Profit (GAAP)</b>	\$ 536	\$ 356	\$ (38)	\$ 854
Other Operating Profit Adjustments <sup>2</sup>	(8)	4	(22)	(26)
Depreciation	18	11	—	29
Amortization of Intangible Assets	15	21	—	36
<b>Adjusted EBITDA (Non-GAAP)</b>	\$ 561	\$ 392	\$ (60)	\$ 893
Interest Expense				(5)
Other Nonoperating Income (Expense)				(14)
Income Taxes				(196)
Other Operating Profit Adjustments <sup>2</sup>				26
Depreciation				(29)
Amortization of Intangible Assets				(36)
<b>Net Earnings (GAAP)</b>				\$ 639
<b>Sales (GAAP)</b>	\$ 2,257	\$ 1,476		\$ 3,733
<b>Net Earnings Margin (GAAP)</b>				17.1 %
<b>Operating Profit Margin (GAAP)</b>	23.7 %	24.1 %		22.9 %
<b>Adjusted EBITDA Margin (Non-GAAP) <sup>5</sup></b>	24.9 %	26.6 %		23.9 %

<sup>2</sup> Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Other Operating Profit Adjustments.

<sup>5</sup> Adjusted EBITDA Margin (Non-GAAP) is defined as Adjusted EBITDA (Non-GAAP) divided by sales.

**VERALTO CORPORATION**

**Trailing Twelve Month Adjusted EBITDA, Gross Leverage, and Net Leverage**  
(\$ in millions)

	Three-Month Period Ended			
	September 27, 2024	June 28, 2024	March 29, 2024	December 31, 2023
<b>Net Earnings (GAAP)</b>	\$ 219	\$ 203	\$ 184	\$ 200
Interest Expense	27	30	28	25
Other Nonoperating (Income) Expense	(5)	(1)	15	—
Income Taxes	67	67	66	61
<b>Operating Profit (GAAP)</b>	\$ 308	\$ 299	\$ 293	\$ 286
Other Operating Profit Adjustments <sup>2</sup>	2	—	1	8
Depreciation	10	10	10	10
Amortization of Intangible Assets	7	10	11	12
<b>Adjusted EBITDA (Non-GAAP)</b>	\$ 327	\$ 319	\$ 315	\$ 316
<b>Trailing Twelve Month Operating Profit (GAAP)<sup>6</sup></b>	\$ 1,186			
<b>Trailing Twelve Month Adjusted EBITDA (Non-GAAP)<sup>7</sup></b>	\$ 1,277			
Long Term Debt <sup>8</sup>	\$ 2,639			
Less: Cash <sup>8</sup>	(1,267)			
<b>Net Debt (Non-GAAP)</b>	\$ 1,372			
<b>Gross Debt to Operating Profit<sup>9</sup></b>	2.23			
<b>Net Debt to Operating Profit<sup>10</sup></b>	1.16			
<b>Gross Leverage (Non-GAAP)<sup>11</sup></b>	2.07			
<b>Net Leverage (Non-GAAP)<sup>12</sup></b>	1.07			

2 Refer to the Reconciliation of GAAP to Other Non-GAAP Adjusted P&L Measures for a description of the components of Other Operating Profit Adjustments.

6 Trailing Twelve Month Operating Profit is defined as the sum of Operating Profit for the previous four quarters.

7 Trailing Twelve Month Adjusted EBITDA (Non-GAAP) is defined as the sum of Adjusted EBITDA (Non-GAAP) for the previous four quarters.

8 Long Term Debt and Cash balances as of September 27, 2024.

9 Calculated as Long Term Debt divided by Trailing Twelve Month Operating Profit.

10 Calculated as Net Debt divided by Trailing Twelve Month Operating Profit.

11 Calculated as Long Term Debt divided by Trailing Twelve Month Adjusted EBITDA (Non-GAAP).

12 Calculated as Net Debt divided by Trailing Twelve Month Adjusted EBITDA (Non-GAAP).

**VERALTO CORPORATION**

**Other Non-GAAP Adjusted P&L Measures**

(\$ in millions, except per share data)

**Three-Month Period Ended September 27, 2024**

	Sales	Cost of sales	Gross profit margin	Operating profit	Operating profit margin	Earnings before income taxes	Income taxes	Net earnings for calculation of diluted earnings per common share	Diluted net earnings per common share
<b>Reported (GAAP)</b>	\$ 1,314	\$ (531)	59.6 %	\$ 308	23.4 %	\$ 286	\$ (67)	\$ 219	\$ 0.88
Amortization of acquisition-related intangible assets <sup>A</sup>	—	—	—	7	0.5	7		7	0.03
Net loss on disposition of certain product lines <sup>C</sup>	—	—	—	—	—	(5)		(5)	(0.02)
Other items <sup>D</sup>	—	—	—	2	0.2	2		2	0.01
Tax effect of the above adjustments <sup>H</sup>							(1)	(1)	—
Discrete tax adjustments <sup>I</sup>							1	1	—
Rounding	—	—	—	—	—	—	—	—	(0.01)
<b>Adjusted (Non-GAAP)</b>	<u>\$ 1,314</u>	<u>\$ (531)</u>	<u>59.6 %</u>	<u>\$ 317</u>	<u>24.1 %</u>	<u>\$ 290</u>	<u>\$ (67)</u>	<u>\$ 223</u>	<u>\$ 0.89</u>

**Three-Month Period Ended September 27, 2024**

	Sales	Selling, general and administrative expenses	Selling, general and administrative expenses as a % of sales	Research and development expenses	Research and development expenses as a % of sales	Nonoperating income (expense), net (excluding interest)	Interest income (expense), net
<b>Reported (GAAP)</b>	\$ 1,314	\$ (412)	(31.4)%	\$ (63)	(4.8)%	\$ 5	\$ (27)
Amortization of acquisition-related intangible assets <sup>A</sup>	—	7	0.5	—	—	—	—
Net loss on disposition of certain product lines <sup>C</sup>	—	—	—	—	—	(5)	—
Other items <sup>D</sup>	—	2	0.2	—	—	—	—
<b>Adjusted (Non-GAAP)</b>	<u>\$ 1,314</u>	<u>\$ (403)</u>	<u>(30.7)%</u>	<u>\$ (63)</u>	<u>(4.8)%</u>	<u>\$ —</u>	<u>\$ (27)</u>

**VERALTO CORPORATION**

**Other Non-GAAP Adjusted P&L Measures**

(\$ in millions, except per share data)

**Three-Month Period Ended September 29, 2023**

	Sales	Cost of sales	Gross profit margin	Operating profit	Operating profit margin	Earnings before income taxes	Income taxes	Net earnings for calculation of diluted earnings per common share	Diluted net earnings per common share
<b>Reported (GAAP)</b>	\$ 1,255	\$ (532)	57.6 %	\$ 273	21.8 %	\$ 268	\$ (63)	\$ 205	\$ 0.83
Amortization of acquisition-related intangible assets <sup>A</sup>	—	—	—	12	1.0	12		12	0.05
Impairments and other charges <sup>F</sup>	—	—	—	6	0.5	6		6	0.02
Standalone Adjustment <sup>G</sup>	2	—	0.2	(10)	(0.8)	(40)		(40)	(0.16)
Tax effect of the above adjustments <sup>H</sup>							7	7	0.03
Discrete tax adjustments <sup>I</sup>							(6)	(6)	(0.02)
Rounding	—	—	(0.1)	—	(0.1)	—	—	—	—
<b>Adjusted (Non-GAAP)</b>	<u>\$ 1,257</u>	<u>\$ (532)</u>	<u>57.7 %</u>	<u>\$ 281</u>	<u>22.4 %</u>	<u>\$ 246</u>	<u>\$ (62)</u>	<u>\$ 184</u>	<u>\$ 0.75</u>

**Three-Month Period Ended September 29, 2023**

	Sales	Selling, general and administrative expenses	Selling, general and administrative expenses as a % of sales	Research and development expenses	Research and development expenses as a % of sales	Nonoperating income (expense), net (excluding interest)	Interest income (expense), net
<b>Reported (GAAP)</b>	\$ 1,255	\$ (395)	(31.5)%	\$ (55)	(4.4)%	\$ —	\$ (5)
Amortization of acquisition-related intangible assets <sup>A</sup>	—	12	1.0	—	—	—	—
Impairments and other charges <sup>E</sup>	—	6	0.5	—	—	—	—
Standalone Adjustment <sup>G</sup>	2	(12)	(1.0)	—	—	—	(30)
<b>Adjusted (Non-GAAP)</b>	<u>\$ 1,257</u>	<u>\$ (389)</u>	<u>(31.0)%</u>	<u>\$ (55)</u>	<u>(4.4)%</u>	<u>\$ —</u>	<u>\$ (35)</u>

**VERALTO CORPORATION**

**Other Non-GAAP Adjusted P&L Measures**

(\$ in millions, except per share data)

**Nine-Month Period Ended September 27, 2024**

	Sales	Cost of sales	Gross profit margin	Operating profit	Operating profit margin	Earnings before income taxes	Income taxes	Net earnings for calculation of diluted earnings per common share	Diluted net earnings per common share
<b>Reported (GAAP)</b>	\$ 3,848	\$ (1,544)	59.9 %	\$ 900	23.4 %	\$ 806	\$ (200)	\$ 606	\$ 2.43
Amortization of acquisition-related intangible assets <sup>A</sup>	—	—	—	28	0.7	28		28	0.11
Separation costs <sup>B</sup>	—	—	—	1	—	1		1	—
Net loss on disposition of certain product lines <sup>C</sup>	—	—	—	—	—	10		10	0.04
Other items <sup>D</sup>	—	—	—	2	0.1 %	2		2	0.01
Tax effect of the above adjustments <sup>H</sup>							(7)	(7)	(0.03)
Discrete tax adjustments <sup>I</sup>							5	5	0.02
Rounding	—	—	—	—	—	—	—	—	0.01
<b>Adjusted (Non-GAAP)</b>	<u>\$ 3,848</u>	<u>\$ (1,544)</u>	<u>59.9 %</u>	<u>\$ 931</u>	<u>24.2 %</u>	<u>\$ 847</u>	<u>\$ (202)</u>	<u>\$ 645</u>	<u>\$ 2.59</u>

**Nine-Month Period Ended September 27, 2024**

	Sales	Selling, general and administrative expenses	Selling, general and administrative expenses as a % of sales	Research and development expenses	Research and development expenses as a % of sales	Nonoperating income (expense), net (excluding interest)	Interest income (expense), net
<b>Reported (GAAP)</b>	\$ 3,848	\$ (1,220)	(31.7)%	\$ (184)	(4.8)%	\$ (9)	\$ (85)
Amortization of acquisition-related intangible assets <sup>A</sup>	—	28	0.7	—	—	—	—
Separation costs <sup>B</sup>	—	1	—	—	—	—	—
Net loss on disposition of certain product lines <sup>C</sup>	—	—	—	—	—	10	—
Other items <sup>D</sup>	—	2	0.1	—	—	—	—
<b>Adjusted (Non-GAAP)</b>	<u>\$ 3,848</u>	<u>\$ (1,189)</u>	<u>(30.9)%</u>	<u>\$ (184)</u>	<u>(4.8)%</u>	<u>\$ 1</u>	<u>\$ (85)</u>

**VERALTO CORPORATION**

**Other Non-GAAP Adjusted P&L Measures**

(\$ in millions, except per share data)

**Nine-Month Period Ended September 29, 2023**

	Sales	Cost of sales	Gross profit margin	Operating profit	Operating profit margin	Earnings before income taxes	Income taxes	Net earnings for calculation of diluted earnings per common share	Diluted net earnings per common share
<b>Reported (GAAP)</b>	\$ 3,733	\$ (1,578)	57.7 %	\$ 854	22.9 %	\$ 835	\$ (196)	\$ 639	\$ 2.59
Amortization of acquisition-related intangible assets <sup>A</sup>	—	—	—	36	1.0	36		36	0.15
Fair value net losses on investments <sup>E</sup>	—	—	—	—	—	15		15	0.06
Impairments and other charges <sup>F</sup>	—	—	—	12	0.3	12		12	0.05
Standalone Adjustment <sup>G</sup>	6	—	0.2	(38)	(1.0)	(138)		(138)	(0.56)
Tax effect of the above adjustments <sup>H</sup>							20	20	0.08
Discrete tax adjustments <sup>I</sup>							(12)	(12)	(0.05)
Rounding	—	—	(0.1)	—	—	—	—	—	—
<b>Adjusted (Non-GAAP)</b>	<u>\$ 3,739</u>	<u>\$ (1,578)</u>	<u>57.8 %</u>	<u>\$ 864</u>	<u>23.1 %</u>	<u>\$ 760</u>	<u>\$ (188)</u>	<u>\$ 572</u>	<u>\$ 2.32</u>

**Nine-Month Period Ended September 29, 2023**

	Sales	Selling, general and administrative expenses	Selling, general and administrative expenses as a % of sales	Research and development expenses	Research and development expenses as a % of sales	Nonoperating income (expense), net (excluding interest)	Interest income (expense), net
<b>Reported (GAAP)</b>	\$ 3,733	\$ (1,133)	(30.4)%	\$ (168)	(4.5)%	\$ (14)	\$ (5)
Amortization of acquisition-related intangible assets <sup>A</sup>	—	36	1.0	—	—	—	—
Fair value net losses on investments <sup>E</sup>	—	—	—	—	—	15	—
Impairments and other charges <sup>F</sup>	—	12	0.3	—	—	—	—
Standalone Adjustment <sup>G</sup>	6	(44)	(1.2)	—	—	—	(100)
Rounding	—	—	0.1	—	—	—	—
<b>Adjusted (Non-GAAP)</b>	<u>\$ 3,739</u>	<u>\$ (1,129)</u>	<u>(30.2)%</u>	<u>\$ (168)</u>	<u>(4.5)%</u>	<u>\$ 1</u>	<u>\$ (105)</u>



# VERALTO CORPORATION

## **Other Non-GAAP Adjusted P&L Measures**

**(\$ in millions, except per share data)**

<sup>A</sup> Amortization of acquisition-related intangible assets in the following historical periods (only the pretax amounts set forth below are reflected in the amortization line item above):

	<b>Three-Month Period Ended</b>		<b>Nine-Month Period Ended</b>	
	<b>September 27, 2024</b>	<b>September 29, 2023</b>	<b>September 27, 2024</b>	<b>September 29, 2023</b>
Pretax	\$ 7	\$ 12	\$ 28	\$ 36
After-tax	5	9	21	27

<sup>B</sup> Costs incurred in the nine-month period ended September 27, 2024 related to the separation of the Company from Danaher primarily related to IT costs and certain regulatory fees (\$1 million pretax as reported in this line item).

<sup>C</sup> Gain on the disposition of a certain product line in the three-month period ended September 29, 2023 (\$5 million pretax gain as reported in this line item, \$4 million gain after-tax). Net loss on the disposition of certain product lines in the nine-month period ended September 27, 2024 (\$10 million pretax net loss as reported in this line item, \$11 million after-tax).

<sup>D</sup> Costs incurred in the three and nine-month periods ended September 27, 2024 related to certain strategic initiatives (\$2 million pretax and after-tax as reported in this line item).

<sup>E</sup> Fair value loss related to an impairment of an equity method investment for the nine-month period ended September 29, 2023 (\$15 million pretax as reported in this line item, \$11 million after-tax).

<sup>F</sup> Impairment charge related to tradenames in the Product Quality & Innovation segment for the three-month period ended September 29, 2023 (\$6 million pretax as reported in this line item, \$5 million after-tax). Impairment charge related to customer relationships and tradenames in the Product Quality & Innovation segment for the nine-month period ended September 29, 2023 (\$12 million pretax as reported in this line item, \$10 million after-tax).

<sup>G</sup> This amount encompasses management estimates of operating as a standalone entity. The management estimate includes recurring and ongoing costs required to operate new functions required for a public company such as certain corporate functions including finance, tax, legal, human resources and other general and administrative related functions. The pretax and after-tax effect of these estimates are summarized below:

	<b>Three-Month Period Ended</b>	<b>Nine-Month Period Ended</b>
	<b>September 29, 2023</b>	<b>September 29, 2023</b>
Impact to Operating Profit	\$ (10)	\$ (38)
Pretax	(40)	(138)
After-tax	(29)	(103)

<sup>H</sup> This line item reflects the aggregate tax effect of all nontax adjustments reflected in the preceding line items of the table. In addition, the footnotes above indicate the after-tax amount of each individual adjustment item. Veralto estimates the tax effect of each adjustment item by applying Veralto's overall estimated effective tax rate to the pretax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.

<sup>I</sup> Discrete tax matters relate to changes in estimates associated with prior period uncertain tax positions, audit settlements and excess tax benefits from stock-based compensation.

**Operating Profit Margin and Year-Over-Year Core Operating Margin Changes**

	Total Company	Segments	
		Water Quality	Product Quality & Innovation
<b>Three-Month Period Ended September 29, 2023 Operating Profit Margins (GAAP)</b>	<b>21.8 %</b>	<b>24.4 %</b>	<b>20.5 %</b>
Third quarter 2023 impairment charges related to a tradename in the Product Quality and Innovation segment	0.5	—	1.2
Transaction costs incurred during the third quarter 2024 related to the Company's recent acquisition described in Note 15 to the Form 10-Q	(0.1)	—	(0.4)
<b>Year-over-year core operating profit margin changes for the third quarter 2024 (defined as all year-over-year operating profit margin changes other than the changes identified in the line items above) (non-GAAP)</b>	<b>1.2</b>	<b>(0.1)</b>	<b>5.4</b>
Three-Month Period Ended September 27, 2024 Operating Profit Margins (GAAP)	23.4 %	24.3 %	26.7 %

	Total Company	Segments	
		Water Quality	Product Quality & Innovation
<b>Nine-Month Period Ended September 29, 2023 Operating Profit Margins (GAAP)</b>	<b>22.9 %</b>	<b>23.7 %</b>	<b>24.1 %</b>
Third quarter year-to-date 2023 impairment charge related to customer relationships and a tradename in the Product Quality and Innovation segment	0.3	—	0.8
Transaction costs incurred during the third quarter 2024 related to the Company's recent acquisition described in Note 15 to the Form 10-Q, and costs incurred as a result of the Separation from Danaher	(0.1)	—	—
<b>Year-over-year core operating profit margin changes for first nine months of 2024 (defined as all year-over-year operating profit margin changes other than the changes identified in the line items above) (non-GAAP)</b>	<b>0.3</b>	<b>0.5</b>	<b>1.7</b>
Nine-Month Period Ended September 27, 2024 Operating Profit Margins (GAAP)	23.4 %	24.2 %	26.6 %

**VERALTO CORPORATION**

**Cash Flow, Free Cash Flow, Operating Cash Flow to Net Earnings Ratio and Free Cash Flow to Net Earnings Conversion Ratio**  
(\$ in millions)

	Three-Month Period Ended		Year-over-Year Change	Nine-Month Period Ended		Year-over-Year Change
	September 27, 2024	September 29, 2023		September 27, 2024	September 29, 2023	
<b>Total Cash Flows:</b>						
Net cash provided by operating activities (GAAP)	\$ 224	\$ 243		\$ 590	\$ 700	
Total cash used in investing activities (GAAP)	\$ (6)	\$ (14)		\$ (40)	\$ (33)	
Total cash provided by (used in) financing activities (GAAP)	\$ (16)	\$ 206		\$ (49)	\$ (232)	
<b>Free Cash Flow:</b>						
Total cash provided by operating activities (GAAP)	\$ 224	\$ 243	~ (8.0)%	\$ 590	\$ 700	~ (15.5)%
Less: payments for additions to property, plant & equipment (capital expenditures) (GAAP)	(9)	(11)		(33)	(32)	
Plus: proceeds from sales of property, plant & equipment (capital disposals) (GAAP)	—	—		—	2	
Free cash flow (non-GAAP)	<u>\$ 215</u>	<u>\$ 232</u>	~ (7.5)%	<u>\$ 557</u>	<u>\$ 670</u>	~ (17.0)%
<b>Operating Cash Flow to Net Earnings Ratio (GAAP)</b>						
Net cash provided by operating activities (GAAP)	\$ 224	\$ 243		\$ 590	\$ 700	
Net earnings (GAAP)	\$ 219	\$ 205		\$ 606	\$ 639	
Operating cash flow to net earnings conversion ratio	<u>1.02</u>	<u>1.19</u>		<u>0.97</u>	<u>1.10</u>	
<b>Free Cash Flow to Net Earnings Conversion Ratio (non-GAAP):</b>						
Free cash flow from above (non-GAAP)	\$ 215	\$ 232		\$ 557	\$ 670	
Net earnings (GAAP)	\$ 219	\$ 205		\$ 606	\$ 639	
Free cash flow to net earnings conversion ratio (non-GAAP)	<u>0.98</u>	<u>1.13</u>		<u>0.92</u>	<u>1.05</u>	

We define free cash flow as operating cash flows, less payments for additions to property, plant and equipment (“capital expenditures”) plus the proceeds from sales of plant, property and equipment (“capital disposals”).

**Statement Regarding Non-GAAP Measures**

Each of the non-GAAP measures set forth above should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies. Management believes that these measures provide useful information to investors by offering additional ways of viewing Veralto Corporation's ("Veralto" or the "Company") results that, when reconciled to the corresponding GAAP measure, help our investors:

- with respect to the profitability-related non-GAAP measures, understand the long-term profitability trends of our business and compare our profitability to prior and future periods and to our peers;
- with respect to core sales and related sales measures, identify underlying growth trends in our business and compare our sales performance with prior and future periods and to our peers; and
- with respect to free cash flow and related cash flow measures (the "FCF Measure"), understand Veralto's ability to generate cash without external financings, strengthen its balance sheet, invest in its business and grow its business through acquisitions and other strategic opportunities (although a limitation of free cash flow is that it does not take into account the Company's non-discretionary expenditures, and as a result the entire free cash flow amount is not necessarily available for discretionary expenditures).

Management uses these non-GAAP measures to measure the Company's operating and financial performance.

- The items excluded from the non-GAAP measures set forth above have been excluded for the following reasons:
  - Amortization of Intangible Assets: We exclude the amortization of acquisition-related intangible assets because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions we consummate. While we have a history of significant acquisition activity, we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and related amortization term are unique to each acquisition and can vary significantly from acquisition to acquisition. Exclusion of this amortization expense facilitates more consistent comparisons of operating results over time between our newly acquired and long-held businesses, and with both acquisitive and non-acquisitive peer companies. We believe however that it is important for investors to understand that such intangible assets contribute to sales generation and that intangible asset amortization related to past acquisitions will recur in future periods until such intangible assets have been fully amortized.
  - Restructuring Charges: We exclude costs incurred pursuant to discrete restructuring plans that are fundamentally different (in terms of the size, strategic nature and planning requirements, as well as the inconsistent frequency, of such plans) from the ongoing productivity improvements that result from application of the Veralto Enterprise System. Because these restructuring plans are incremental to the core activities that arise in the ordinary course of our business and we believe are not indicative of Veralto's ongoing operating costs in a given period, we exclude these costs to facilitate a more consistent comparison of operating results over time.
  - Other Adjustments: With respect to the other items excluded from the profitability-related non-GAAP measures, we exclude these items because they are of a nature and/or size that occur with inconsistent frequency, occur for reasons that may be unrelated to Veralto's commercial performance during the period and/or we believe that such items may obscure underlying business trends and make comparisons of long-term performance difficult.
  - Standalone Adjustments: We believe these adjustments provide additional insight into how our businesses are performing, on a normalized basis. However, these non-GAAP financial measures should not be construed as inferring that our future results will be unaffected by the items for which the measure adjusts.
- With respect to core operating profit margin changes, in addition to the explanation set forth in the bullets above relating to "restructuring charges" and "other adjustments", we exclude the impact of businesses owned for less than one year (or disposed of during such period and not treated as discontinued operations) because the timing, size, number and nature of such transactions can vary significantly from period to period and may obscure underlying business trends and make comparisons of long-term performance difficult.

**Statement Regarding Non-GAAP Measures**

- We calculate adjusted EBITDA by adding to operating profit amounts equal to depreciation and amortization and making the other adjustments reflected in the applicable tables above, which allows us to calculate and disclose such measure by segment. Given Veralto's diversification, we believe this helps our investors compare the profitability of our individual segments to peer companies with like business lines.
- With respect to core sales related measures, (1) we exclude the impact of currency translation because it is not under management's control, is subject to volatility and can obscure underlying business trends, and (2) we exclude the effect of acquisitions and divested product lines because the timing, size, number and nature of such transactions can vary significantly from period-to-period and between us and our peers, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult.
- With respect to the FCF Measure, we exclude payments for additions to property, plant and equipment (net of the proceeds from capital disposals) to demonstrate the amount of operating cash flow for the period that remains after accounting for the Company's capital expenditure requirements.
- We calculate gross leverage and net leverage as the ratio of debt and net debt (defined as total debt less cash and cash equivalents) to trailing twelve month adjusted EBITDA. Trailing Twelve Month EBITDA is an ongoing liquidity measure and is calculated as the sum of adjusted EBITDA for the previous four quarters. We believe these liquidity measures help our investors to assess our liquidity relative to peer companies.

Veralto™