UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: July 2, 2021

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-39483

Vontier Corporation
(Exact name of registrant as specified in its charter)

Delaware	**84-2783455**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

5438 Wade Park Boulevard, Suite 600
Raleigh, NC 27607
(Address of principal executive offices)
Registrant's telephone number, including area code: (984) 275-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value $0.0001 per share	VNT	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding at July 30, 2021 was 168,925,097.

VONTIER CORPORATION

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FORM 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VONTIER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(in millions, except share and per share amounts)

	July 2, 2021 (unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 703.4	$ 380.5
Accounts receivable, less allowance for credit losses of $40.3 million and $40.5 million as of July 2, 2021 and December 31, 2020, respectively	397.9	447.1
Inventories:		
Finished goods	92.1	90.3
Work in process	27.0	19.9
Raw materials	131.2	123.5
Total inventories	250.3	233.7
Prepaid expenses and other current assets	118.1	120.8
Total current assets	1,469.7	1,182.1
Property, plant and equipment, net of accumulated depreciation of $248.7 million and $240.4 million as of July 2, 2021 and December 31, 2020, respectively	96.6	96.8
Operating lease right-of-use assets	37.0	40.1
Long-term financing receivables, less allowance for credit losses of $43.2 million and $44.4 million as of July 2, 2021 and December 31, 2020, respectively	238.9	233.5
Other intangible assets, net	234.8	250.5
Goodwill	1,079.2	1,092.1
Other assets	183.5	177.9
Total assets	$ 3,339.7	$ 3,073.0
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	$ 5.5	$ 10.9
Trade accounts payable	363.8	367.4
Current operating lease liabilities	12.1	11.9
Accrued expenses and other current liabilities	397.3	448.1
Total current liabilities	778.7	838.3
Long-term operating lease liabilities	27.7	30.5
Long-term debt	1,982.5	1,795.3
Other long-term liabilities	201.5	217.2
Commitments and Contingencies		
Equity:		
Preferred stock, no par value -- 15,000,000 authorized shares; and none issued and outstanding	—	—
Common stock, $0.0001 par value -- 1,985,000,000 shares authorized at July 2, 2021 and December 31, 2020; 168,906,097 and 168,497,098 shares issued and outstanding at July 2, 2021 and December 31, 2020, respectively	—	—
Additional paid-in capital	13.8	7.6
Retained earnings (Accumulated deficit)	155.5	(13.6)
Accumulated other comprehensive income	176.2	193.8
Total Vontier stockholders’ equity	345.5	187.8
Noncontrolling interests	3.8	3.9
Total stockholders’ equity	349.3	191.7
Total liabilities and equity	$ 3,339.7	$ 3,073.0

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

VONTIER CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(in millions, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2021	**June 26, 2020**	**July 2, 2021**	**June 26, 2020**
Sales of products	$ 660.8	$ 480.4	$ 1,305.4	$ 1,027.9
Sales of services	63.8	53.3	126.6	115.0
Total sales	724.6	533.7	1,432.0	1,142.9
Cost of product sales	(350.0)	(261.9)	(695.5)	(559.0)
Cost of service sales	(56.1)	(40.8)	(106.2)	(89.8)
Total cost of sales	(406.1)	(302.7)	(801.7)	(648.8)
Gross profit	318.5	231.0	630.3	494.1
Operating costs:				
Selling, general and administrative expenses	(164.6)	(111.8)	(310.3)	(234.9)
Research and development expenses	(32.9)	(29.2)	(66.1)	(62.1)
Impairment of goodwill	—	—	—	(85.3)
Operating profit	121.0	90.0	253.9	111.8
Non-operating expense, net:				
Interest expense, net	(12.0)	(0.2)	(22.4)	(0.6)
Write-off of deferred financing costs	(0.2)	—	(3.4)	—
Other non-operating income (expense), net	0.1	(0.2)	(0.1)	(0.3)
Earnings before income taxes	108.9	89.6	228.0	110.9
Provision for income taxes	(26.6)	(21.2)	(54.7)	(46.7)
Net earnings	$ 82.3	$ 68.4	$ 173.3	$ 64.2
Net earnings per share:				
Basic	$ 0.49	$ 0.41	$ 1.03	$ 0.38
Diluted	$ 0.48	$ 0.41	$ 1.02	$ 0.38
Average common stock and common equivalent shares outstanding:				
Basic	169.0	168.4	168.8	168.4
Diluted	170.1	168.4	169.8	168.4
Other comprehensive income (loss), net of income taxes:				
Net earnings	$ 82.3	$ 68.4	$ 173.3	$ 64.2
Foreign currency translation adjustments	(2.0)	18.6	(17.7)	(27.6)
Other adjustments	—	0.1	0.1	1.8
Total other comprehensive income (loss), net of income taxes	(2.0)	18.7	(17.6)	(25.8)
Comprehensive income	$ 80.3	$ 87.1	$ 155.7	$ 38.4

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

VONTIER CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
($ and shares in millions)
(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
	Shares	Amount					
Balance, December 31, 2020	168.5	$ —	$ 7.6	$ (13.6)	$ 193.8	$ 3.9	$ 191.7
Net earnings	—	—	—	91.0	—	—	91.0
Other comprehensive loss, net of income taxes	—	—	—	—	(15.6)	—	(15.6)
Stock-based compensation expense	—	—	6.6	—	—	—	6.6
Exercise of common stock options and stock award distributions, net of shares for tax withholding	0.3	—	(1.4)	—	—	—	(1.4)
Acquisition of noncontrolling interest	—	—	(2.0)	—	—	0.1	(1.9)
Non-cash separation-related adjustments and other	—	—	(2.1)	—	—	—	(2.1)
Change in noncontrolling interests	—	—	—	—	—	(0.3)	(0.3)
Balance, April 2, 2021	168.8	$ —	$ 8.7	$ 77.4	$ 178.2	$ 3.7	$ 268.0
Net earnings	—	—	—	82.3	—	—	82.3
Dividends on common stock ($0.025 per share)	—	—	—	(4.2)	—	—	(4.2)
Other comprehensive loss, net of income taxes	—	—	—	—	(2.0)	—	(2.0)
Stock-based compensation expense	—	—	6.4	—	—	—	6.4
Exercise of common stock options and stock award distributions, net of shares for tax withholding	0.1	—	2.5	—	—	—	2.5
Non-cash separation-related adjustments and other	—	—	(3.8)	—	—	—	(3.8)
Change in noncontrolling interests	—	—	—	—	—	0.1	0.1
Balance, July 2, 2021	168.9	$ —	$ 13.8	$ 155.5	$ 176.2	$ 3.8	$ 349.3

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

VONTIER CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
($ and shares in millions)
(unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Former Parent's Investment	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
	Shares	Amount						
Balance, December 31, 2019	—	$ —	$ —	$ —	$ 1,662.5	$ 148.7	$ 4.9	$ 1,816.1
Adoption of accounting standard	—	—	—	—	(16.9)	—	—	(16.9)
Balance, January 1, 2020	—	$ —	$ —	$ —	$ 1,645.6	$ 148.7	$ 4.9	$ 1,799.2
Net loss	—	—	—	—	(4.2)	—	—	(4.2)
Other comprehensive loss, net of income taxes	—	—	—	—	—	(44.5)	—	(44.5)
Stock-based compensation expense	—	—	—	—	3.6	—	—	3.6
Net transfers to Former Parent	—	—	—	—	(13.1)	—	—	(13.1)
Non-cash settlement of net related-party borrowings	—	—	—	—	(1.0)	—	—	(1.0)
Change in noncontrolling interests	—	—	—	—	—	—	(1.1)	(1.1)
Balance, March 27, 2020	—	$ —	$ —	$ —	$ 1,630.9	$ 104.2	$ 3.8	$ 1,738.9
Net earnings	—	—	—	—	68.4	—	—	68.4
Other comprehensive income, net of income taxes	—	—	—	—	—	18.7	—	18.7
Stock-based compensation expense	—	—	—	—	6.0	—	—	6.0
Net transfers to Former Parent	—	—	—	—	(170.1)	—	—	(170.1)
Non-cash settlement of net related-party borrowings	—	—	—	—	0.2	—	—	0.2
Change in noncontrolling interests	—	—	—	—	—	—	0.5	0.5
Balance, June 26, 2020	—	$ —	$ —	$ —	$ 1,535.4	$ 122.9	$ 4.3	$ 1,662.6

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

VONTIER CORPORATION AND SUBSIDIARIES
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF CASH FLOWS
($ in millions)
(unaudited)

	Six Months Ended	
	July 2, 2021	**June 26, 2020**
Cash flows from operating activities:		
Net earnings	$ 173.3	$ 64.2
Non-cash items:		
Depreciation and amortization expense	39.0	38.9
Stock-based compensation expense	13.0	9.6
Impairment of goodwill	—	85.3
Write-off of deferred financing costs	3.4	—
Amortization of debt issuance costs	1.7	—
Change in deferred income taxes	(12.4)	(8.1)
Change in accounts receivable and long-term financing receivables, net	47.3	91.3
Change in other operating assets and liabilities	(48.8)	(46.5)
Net cash provided by operating activities	216.5	234.7
Cash flows from investing activities:		
Payments for additions to property, plant and equipment	(21.7)	(14.0)
Proceeds from sale of property	—	0.3
Cash paid for equity investments	(7.6)	(9.5)
Net cash used in investing activities	(29.3)	(23.2)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,586.5	—
Repayment of long-term debt	(1,400.0)	—
Payment for debt issuance costs	(5.0)	—
Payment of common stock cash dividend	(4.2)	—
Net repayments of related-party borrowings	—	(22.9)
Net repayments of short-term borrowings	(5.5)	(2.9)
Net transfers to Former Parent	(31.8)	(183.2)
Proceeds from stock option exercises	4.2	—
Acquisition of noncontrolling interest	(1.9)	—
Other financing activities	(4.1)	(0.9)
Net cash provided by (used in) financing activities	138.2	(209.9)
Effect of exchange rate changes on cash and equivalents	(2.5)	(1.6)
Net change in cash and equivalents	322.9	—
Beginning balance of cash and equivalents	380.5	—
Ending balance of cash and equivalents	$ 703.4	$ —

See the accompanying Notes to the Consolidated and Combined Condensed Financial Statements.

VONTIER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND COMBINED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. BUSINESS OVERVIEW AND BASIS OF PRESENTATION

Nature of Business

Vontier Corporation ("Vontier," the "Company," "we," "us," or "our") is a global industrial technology company that focuses on critical technical equipment, components, software and services for manufacturing, repair, and servicing in the mobility infrastructure industry worldwide. The Company supplies a wide range of mobility technologies and diagnostics and repair technologies solutions spanning advanced environmental sensors, fueling equipment, field payment hardware, remote management and workflow software, vehicle tracking and fleet management software-as-service solutions, professional vehicle mechanics' and technicians' equipment and traffic priority control systems. The Company markets its products and services to retail and commercial fueling operators, commercial vehicle repair businesses, municipal governments and public safety entities and fleet owners/operators on a global basis.

Vontier operates through one reportable segment comprised of two operating segments: (i) mobility technologies, which is a leading worldwide provider of solutions and services focused on fuel dispensing, remote fuel management, point-of-sale and payment systems, environmental compliance, vehicle tracking and fleet management ("telematics") and traffic management ("smart city solutions"), and (ii) diagnostics and repair technologies, which manufactures and distributes vehicle repair tools, toolboxes and automotive diagnostic equipment and software and a full line of wheel-service equipment. Given the interrelationships of the products, technologies and customers and the resulting similar long-term economic characteristics, we meet the aggregation criteria and have combined our two operating segments into a single reportable segment. Historically, these businesses had operated as part of Fortive Corporation's Industrial Technologies reportable segment (the "Vontier Businesses").

Separation from Fortive Corporation

On October 9, 2020, Fortive Corporation ("Fortive" or "Former Parent") completed the separation of Fortive's Industrial Technologies businesses through a pro rata distribution of 80.1% of the outstanding common stock of Vontier to Fortive's stockholders (the "Separation"). In January 2021, Fortive sold a total of 33.5 million shares of the Company's common stock as part of a secondary offering. After the secondary offering, Fortive no longer owned any of the Company's outstanding common stock.

Basis of Presentation

The accompanying Consolidated and Combined Condensed Financial Statements present our historical financial position, results of operations, changes in equity and cash flows in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The combined financial statements for periods prior to the Separation were derived from Fortive's consolidated financial statements and accounting records and prepared in accordance with GAAP for the preparation of carved-out combined financial statements. Through the date of the Separation, all revenues and costs as well as assets and liabilities directly associated with Vontier have been included in the combined condensed financial statements. Prior to the Separation, the combined condensed financial statements also included allocations of certain general, administrative, sales and marketing expenses from Fortive's corporate office and from other Fortive businesses to the Company and allocations of related assets, liabilities, and the Former Parent's investment, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company been an entity that operated independently of Fortive during the applicable periods. Related-party allocations prior to the Separation, including the method for such allocation, are discussed further in Note 11. Related-Party Transactions.

Following the Separation, the consolidated condensed financial statements include the accounts of Vontier and those of our wholly-owned subsidiaries and no longer include any allocations from Fortive. Accordingly:

- The Consolidated Condensed Balance Sheets as of July 2, 2021 and December 31, 2020 consist of our balances.
- The Consolidated Condensed Statement of Earnings and Comprehensive Income and Consolidated Condensed Statement of Changes in Equity for the three and six months ended July 2, 2021 as well as the Consolidated Condensed Statement of Cash flows for the six months ended July 2, 2021 consist of our consolidated results. The Combined Condensed Statement of Earnings and Comprehensive Income and Combined Condensed Statement of Changes in Equity for the three and six months ended June 26, 2020 as well as the Combined Condensed Statement of Cash Flows for the six months ended June 26, 2020 consist of the combined results of the Vontier Businesses.

Our Consolidated and Combined Condensed Financial Statements may not be indicative of our results had we been a separate stand-alone entity throughout the periods presented, nor are the results stated herein indicative of what our financial position, results of operations and cash flows may be in the future.

All significant transactions between the Company and Fortive have been included in the accompanying Consolidated and Combined Condensed Financial Statements for all periods presented. Cash transactions with Fortive prior to the Separation are reflected in the accompanying Consolidated and Combined Condensed Statements of Changes in Stockholders' Equity as "Net transfers to Former Parent." Former Parent's investment, which included Retained earnings (Accumulated deficit) prior to the Separation, represents Fortive's interest in our recorded net assets prior to the Separation. In addition, the accumulated net effect of intercompany transactions between us and Fortive or Fortive affiliates for periods prior to the Separation are included in Former Parent's investment.

The Consolidated and Combined Condensed Financial Statements include our accounts and the accounts of our subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Consolidated and Combined Condensed Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on our consolidated and combined results of operations, therefore net earnings and net earnings per share attributable to noncontrolling interests are not presented separately in our Consolidated and Combined Condensed Statements of Earnings and Comprehensive Income. Net earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses ("SG&A") and were insignificant in all periods presented.

Unaudited Interim Financial Information

The interim Consolidated and Combined Condensed Financial Statements include the accounts of the Company. These Consolidated and Combined Condensed Financial Statements are prepared in conformity with GAAP, and are unaudited. In the opinion of the Company's management, all adjustments of a normal recurring nature necessary for a fair presentation have been reflected. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. The accompanying interim Consolidated and Combined Condensed Financial Statements and the related notes should be read in conjunction with the Company's Consolidated and Combined Financial Statements and related notes included in the Company's 2020 Annual Report on Form 10-K.

Recently Issued Accounting Standards

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and in January 2021 issued ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope. These ASUs provide temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as LIBOR which is being phased out beginning at the end of 2021, to alternate reference rates, such as the Secured Overnight Financing Rate ("SOFR"). These standards were effective upon issuance and allowed application to contract changes as early as January 1, 2020. These provisions may impact the Company as contract modifications and other changes occur during the LIBOR transition period. The Company continues to evaluate the optional relief guidance provided within these ASUs, has reviewed its debt securities and continues to evaluate commercial contracts that may utilize LIBOR as the reference rate. We will continue the assessment and monitor regulatory developments during the LIBOR transition period.

NOTE 2. FINANCING RECEIVABLES

The Company's financing receivables are comprised of commercial purchase security agreements with the Company's end customers ("PSAs") and commercial loans to the Company's franchisees ("Franchisee Notes"). Financing receivables are generally secured by the underlying tools and equipment financed.

PSAs are installment sales contracts originated between the franchisee and technicians or independent shop owners which enable these customers to purchase tools and equipment on an extended-term payment plan. PSA payment terms are generally up to five years. Upon origination, the Company assumes the PSA by crediting the franchisee's trade accounts receivable. As a result, originations of PSAs are non-cash transactions. The Company records PSAs at amortized cost.

Franchisee Notes have payment terms of up to 10 years and include financing to fund business startup costs including: (i) installment loans to franchisees used generally to finance inventory, equipment, and franchise fees; and (ii) lines of credit to finance working capital, including additional purchases of inventory.

Revenues associated with the Company's interest income related to financing receivables are recognized to approximate a constant effective yield over the contract term. Accrued interest is included in Accounts receivable less allowance for credit losses and is insignificant as of July 2, 2021 and December 31, 2020.

Product sales to franchisees and the related financing income is included in Cash flows from operating activities in the accompanying Consolidated and Combined Condensed Statements of Cash Flows.

The components of financing receivables with payments due in less than twelve months that are recorded in Accounts receivable less allowance for credit losses on the Consolidated Condensed Balance Sheets were as follows:

($ in millions)	July 2, 2021	December 31, 2020
Gross current financing receivables:		
PSAs	$ 97.1	$ 98.9
Franchisee Notes	16.0	15.5
Current financing receivables, gross	$ 113.1	$ 114.4
Allowance for credit losses:		
PSAs	$ 17.6	$ 15.8
Franchisee Notes	5.9	6.6
Total allowance for credit losses	23.5	22.4
Total current financing receivables, net	$ 89.6	$ 92.0
Net current financing receivables:		
PSAs, net	$ 79.5	$ 83.1
Franchisee Notes, net	10.1	8.9
Total current financing receivables, net	$ 89.6	$ 92.0

The components of financing receivables with payments due beyond one year were as follows:

($ in millions)	July 2, 2021	December 31, 2020
Gross long-term financing receivables:		
PSAs	$ 220.2	$ 219.3
Franchisee Notes	61.9	58.6
Long-term financing receivables, gross	$ 282.1	$ 277.9
Allowance for credit losses:		
PSAs	$ 37.7	$ 38.5
Franchisee Notes	5.5	5.9
Total allowance for credit losses	43.2	44.4
Total long-term financing receivables, net	$ 238.9	$ 233.5
Net long-term financing receivables:		
PSAs, net	$ 182.5	$ 180.8
Franchisee Notes, net	56.4	52.7
Total long-term financing receivables, net	$ 238.9	$ 233.5

Net deferred origination costs were insignificant as of July 2, 2021 and December 31, 2020. As of July 2, 2021 and December 31, 2020, we had a net unamortized discount on our financing receivables of $17.2 million and $18.4 million, respectively.

It is the Company's general practice to not engage in contract or loan modifications of existing arrangements for troubled debt restructurings. In limited instances, the Company may modify certain impaired receivables with customers in bankruptcy or other legal proceedings, or in the event of significant natural disasters. Restructured financing receivables as of July 2, 2021 and December 31, 2020 were insignificant.

Credit score and distributor tenure are the primary indicators of credit quality for the Company's financing receivables. Depending on the contract, payments for financing receivables are due on a monthly or weekly basis. Weekly payments are converted into a monthly equivalent for purposes of calculating delinquency. Delinquencies are assessed at the end of each month following the monthly equivalent due date and are considered delinquent once past due.

The amortized cost basis of PSAs and Franchisee Notes by origination year as of July 2, 2021, is as follows:

($ in millions)	2021	2020	2019	2018	2017	Prior	Total
PSAs							
Credit Score:							
Less than 400	$ 11.1	$ 11.9	$ 6.8	$ 3.1	$ 1.3	$ 0.4	$ 34.6
400-599	14.2	18.1	9.8	5.1	1.8	0.8	49.8
600-799	30.2	34.8	18.9	9.6	3.6	1.2	98.3
800+	45.7	47.8	24.5	12.0	3.7	0.9	134.6
Total PSAs	$ 101.2	$ 112.6	$ 60.0	$ 29.8	$ 10.4	$ 3.3	$ 317.3
Franchisee Notes							
Active distributors	$ 16.8	$ 18.8	$ 14.5	$ 7.6	$ 4.2	$ 4.9	$ 66.8
Separated distributors	0.1	0.6	1.5	1.8	2.3	4.8	11.1
Total Franchisee Notes	$ 16.9	$ 19.4	$ 16.0	$ 9.4	$ 6.5	$ 9.7	$ 77.9

Past Due

PSAs are considered past due when a contractual payment has not been made. If a customer is making payments on its account, interest will continue to accrue. The table below sets forth the aging of the Company's PSA balances as of:

($ in millions)	30-59 days past due	60-90 days past due	Greater than 90 days past due	Total past due	Total not considered past due	Total	Greater than 90 days past due and accruing interest
July 2, 2021	$ 2.9	$ 1.5	$ 6.0	$ 10.4	$ 306.9	$ 317.3	$ 6.0
December 31, 2020	3.5	1.8	7.2	12.5	305.7	318.2	7.2

Franchisee Notes are considered past due when payments have not been made for 21 days after the due date. Past due Franchisee Notes (where the franchisee had not yet separated) were insignificant as of July 2, 2021 and December 31, 2020.

Uncollectable Status

PSAs are deemed uncollectable and written off when they are both contractually delinquent and no payment has been received for 180 days.

Franchisee Notes are deemed uncollectable and written off after a distributor separates and no payments have been received for one year.

The Company stops accruing interest and other fees associated with financing receivables when (i) a customer is placed in uncollectable status and repossession efforts have begun; (ii) upon receipt of notification of bankruptcy; (iii) upon notification of the death of a customer; or (iv) other instances in which management concludes collectability is not reasonably assured.

Allowance for Credit Losses Related to Financing Receivables

The Company calculates the allowance for credit losses considering several factors, including the aging of its financing receivables, historical credit loss and portfolio delinquency experience and current economic conditions. The Company also evaluates financing receivables with identified exposures, such as customer defaults, bankruptcy or other events that make it unlikely it will recover the amounts owed to it. In calculating such reserves, the Company evaluates expected cash flows, including estimated proceeds from disposition of collateral, and calculates an estimate of the potential loss and the probability of loss. When a loss is considered probable on an individual financing receivable, a specific reserve is recorded.

The following is a rollforward of the PSAs and Franchisee Notes components of the Company's allowance for credit losses related to financing receivables as of:

	July 2, 2021			December 31, 2020		
($ in millions)	PSAs	Franchisee Notes	Total	PSAs	Franchisee Notes	Total
Allowance for credit losses, beginning of year	$ 54.3	$ 12.5	$ 66.8	$ 29.4	$ 11.9	$ 41.3
Transition adjustment	—	—	—	17.5	1.0	18.5
Provision for credit losses	15.1	1.1	16.2	29.3	5.9	35.2
Write-offs	(15.5)	(2.6)	(18.1)	(32.5)	(6.5)	(39.0)
Recoveries of amounts previously charged off	1.4	0.4	1.8	2.7	0.2	2.9
Other adjustment	—	—	—	7.9	—	7.9
Allowance for credit losses, end of period	$ 55.3	$ 11.4	$ 66.7	$ 54.3	$ 12.5	$ 66.8

The ending balance as of July 2, 2021 of $66.7 million is included in the Consolidated Condensed Balance Sheets in Accounts receivable less allowance for credit losses and Long-term financing receivables less allowance for credit losses in the amounts of $23.5 million and $43.2 million, respectively. The ending balance as of December 31, 2020 of $66.8 million is included in the Consolidated Condensed Balance Sheets in Accounts receivable less allowance for credit losses and Long-term financing receivables less allowance for credit losses in the amounts of $22.4 million and $44.4 million, respectively.

Allowance for Credit Losses Related to Trade Accounts Receivables

The following is a rollforward of the allowance for credit losses related to the Company's trade accounts receivables (excluding financing receivables) and the Company's trade accounts receivable cost basis as of July 2, 2021:

($ in millions)	
Cost basis of trade accounts receivable as of July 2, 2021	$ 325.1
Allowance for credit losses balance as of December 31, 2020	18.1
Provision for credit losses	3.2
Write-offs	(4.2)
Foreign currency and other	(0.3)
Allowance for credit losses balance as of July 2, 2021	16.8
Net trade accounts receivable balance as of July 2, 2021	$ 308.3

The following is a rollforward of the allowance for credit losses related to the Company's trade accounts receivables (excluding financing receivables) and the Company's trade accounts receivable cost basis as of December 31, 2020:

($ in millions)		
Cost basis of trade accounts receivable as of December 31, 2020	$	373.2
Allowance for credit losses balance as of December 31, 2019		15.0
Adoption of new accounting standard		3.6
Provision for credit losses		7.7
Write-offs		(9.1)
Foreign currency and other		0.9
Allowance for credit losses balance as of December 31, 2020		18.1
Net trade accounts receivable balance as of December 31, 2020	$	355.1

NOTE 3. GOODWILL

The following is a rollforward of our carrying value of goodwill:

($ in millions)		
Balance, December 31, 2020	$	1,092.1
FX translation		(12.9)
Balance, July 2, 2021	$	1,079.2

Accumulated impairment charges were $85.3 million as of July 2, 2021 and December 31, 2020. No impairment charges were recorded during the six months ended July 2, 2021.

NOTE 4. FINANCING

The Company had the following debt outstanding as of:

($ in millions)	July 2, 2021	December 31, 2020
Short-term borrowings:		
India Credit Facility	$ 4.3	$ 10.9
Other short-term borrowings and bank overdrafts	1.2	—
Total short-term borrowings	$ 5.5	$ 10.9
Long-term debt:		
Two-Year Term Loans	$ —	$ 1,000.0
Three-Year Term Loans	400.0	800.0
1.800% senior unsecured notes due 2026	500.0	—
2.400% senior unsecured notes due 2028	500.0	—
2.950% senior unsecured notes due 2031	600.0	—
Total long-term debt	2,000.0	1,800.0
Less: discounts and debt issuance costs	(17.5)	(4.7)
Total long-term debt, net	$ 1,982.5	$ 1,795.3

Credit Facilities

On September 29, 2020, we entered into a credit agreement (the "Credit Agreement") with a syndicate of banks, consisting of a three-year, $800.0 million senior unsecured delayed draw term loan facility (the "Three-Year Term Loans"), a two-year, $1.0 billion senior unsecured delayed draw term loan facility (the "Two-Year Term Loans" and together with the Three-Year Term Loans, the "Term Loans") and a three-year, $750.0 million senior unsecured multi-currency revolving credit facility, including a $25.0 million sublimit for swingline loans and a $75.0 million sublimit for the issuance of letters of credit (the "Revolving Credit Facility" and, together with the Term Loans, the "Credit Facilities"). We incurred $7.7 million in debt issuance costs which were paid by Fortive. Due to the repayment of the Term Loans in connection with the issuance of the Notes, as discussed below, $3.2 million of these debt issuance costs were expensed and reported in the accompanying Consolidated and Combined Condensed Statement of Earnings (Loss) and Comprehensive Income (Loss) within non-operating expenses as a Write-off of deferred financing costs. Additionally, as part of the A&R Credit Agreement, as defined below, the Company wrote off $0.2 million of the unamortized debt issuance costs.

On April 28, 2021 (the "Closing Date"), the Company refinanced the Credit Agreement. The amended and restated credit agreement (the "A&R Credit Agreement") extended the term of the remaining $400.0 million Three-Year Term Loans from October 6, 2023 to October 28, 2024. The A&R Credit Agreement also lowered the Three-Year Term Loans variable interest rate, determined based upon a ratings-based pricing grid, by 50 basis points, from LIBOR plus 162.5 basis points under the prior agreement to LIBOR plus 112.5 basis points as of the Closing Date.

The A&R Credit Agreement also extended the term of the undrawn $750.0 million Revolving Credit Facility from September 29, 2023 to April 28, 2026. The A&R Credit Agreement lowered the Revolving Credit Facility variable interest rate, determined based upon a ratings-based pricing grid, by 25 basis points, from LIBOR plus 142.5 basis points under the prior agreement to LIBOR plus 117.5 basis points as of the Closing Date.

The A&R Credit Agreement made certain other changes to the Credit Agreement to address the discontinuation of LIBOR and its impact on U.S. dollar and multicurrency loans, as well as other immaterial changes. The Company's two wholly-owned subsidiaries which were Guarantors under the Credit Agreement continue to be Guarantors under the A&R Credit Agreement. In entering into the A&R Credit Agreement, the Company incurred $1.4 million of debt issuance costs of which $1.2 million was capitalized and $0.2 million was expensed.

Two-Year Term Loans

On March 10, 2021, in connection with the issuance of the Notes, as discussed below, we repaid, in full, the Two-Year Term Loans.

Three-Year Term Loans

On March 10, 2021, in connection with the issuance of the Notes, we repaid $400.0 million of our Three-Year Term Loans.

The Three-Year Term Loans bear interest at a variable rate equal to LIBOR plus a ratings-based margin which was 112.5 basis points as of July 2, 2021. The interest rate on the Three-Year Term Loans outstanding as of July 2, 2021, was 1.23% per annum. The Three-Year Term Loans mature on October 28, 2024 and we are not obligated to make repayments prior to the maturity date. We are not permitted to re-borrow once the Three-Year Term Loans are repaid and there is no further ability to draw on the facility. There was no material difference between the carrying value and the estimated fair value of the debt outstanding.

The A&R Credit Agreement requires, among others, that we maintain certain financial covenants, and we were in compliance with all of these covenants as of July 2, 2021.

Revolving Credit Facility

The $750.0 million Revolving Credit Facility requires the Company to pay lenders a commitment fee of 0.125% to 0.325% based on a ratings grid. As of July 2, 2021, there were no amounts outstanding under the Revolving Credit Facility.

The Revolving Credit Facility bears interest at a variable rate equal to LIBOR plus a ratings-based margin which was 117.5 basis points as of July 2, 2021.

Senior Unsecured Notes

On March 10, 2021, we completed the private placement of each of the following series of senior unsecured notes (collectively, the “Notes”) to qualified institutional buyers under rule 144A of the Securities Act of 1933, as amended (the “Securities Act”) and outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act:

- $500.0 million aggregate principal amount of senior notes due April 1, 2026 (the “2026 Notes”) issued at 99.855% of their principal amount and bearing interest at the rate of 1.800% per year;
- $500.0 million aggregate principal amount of senior notes due April 1, 2028 (the “2028 Notes”) issued at 99.703% of their principal amount and bearing interest at the rate of 2.400% per year; and
- $600.0 million aggregate principal amount of senior notes due April 1, 2031 the (the “2031 Notes”) issued at 99.791% of their principal amount and bearing interest at the rate of 2.950% per year.

The Notes are fully and unconditionally guaranteed (the “Guarantees”), on a joint and several basis, by Gilbarco Inc. and Matco Tools Corporation, two of our wholly-owned subsidiaries (the “Guarantors”). Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2021. The Notes and the Guarantees are the Company’s and the Guarantors’ general senior unsecured obligations.

The Company received approximately $1.6 billion in net proceeds from the issuance of the Notes, which was partially offset by discounts of $3.5 million and debt issuance costs of $13.9 million. The Company used the net proceeds to repay the Two-Year Term Loans in full and $400.0 million of our Three-Year Term Loans with the remainder used for working capital and other general corporate purposes.

In connection with the issuance of the Notes, we entered into a registration rights agreement, pursuant to which we are obligated to use commercially reasonable efforts to file with the U.S. Securities and Exchange Commission, and cause to be declared effective within 365 days, a registration statement with respect to an offer to exchange each series of Notes for registered notes with terms that are substantially identical to the Notes of each series. Alternatively, if the exchange offers are not available or cannot be completed, we would be required to use commercially reasonable efforts to file, and cause to become effective, a shelf registration statement to cover resales of the Notes under the Securities Act. If we do not comply with these obligations, we will be required to pay additional interest on the Notes.

We may redeem some or all of each series of the Notes at any time prior to the dates specified in the Notes indenture (the “Call Dates”) at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes of such series to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such series of Notes to be redeemed discounted to the date of redemption on a semi-annual basis at the applicable Treasury Rate plus 20 basis points in the case of the 2026 Notes and 2028 Notes and plus 25 basis points in the case of the 2031 Notes, plus the accrued and unpaid interest. Call dates for the 2026 Notes, 2028 Notes and 2031 Notes are March 1, 2026, February 1, 2028 and January 1, 2031, respectively.

If a change of control triggering event occurs, we will, in certain circumstances, be required to make an offer to repurchase the Notes at a purchase price equal to 101% of the aggregate principal amount plus accrued and unpaid interest. A change of control triggering event is defined as the occurrence of both a change of control and a rating event, each as defined in the Notes indenture. Except in connection with a change of control triggering event, the Notes do not have any credit rating downgrade triggers that would accelerate the maturity of the Notes.

The Notes contain customary covenants, including limits on the incurrence of certain secured debt and sale-leaseback transactions. None of these covenants are considered restrictive to our operations and as of July 2, 2021, we were in compliance with all of the covenants under the Notes.

The estimated fair value of the Notes was $1.6 billion as of July 2, 2021. The fair value of the Notes was determined based upon Level 2 inputs including indicative prices based upon observable market data. The difference between the fair value and the carrying amounts of the Notes may be attributable to changes in market interest rates and/or our credit ratings subsequent to the incurrence of the borrowing.

Short-term Borrowings

India Credit Facility

The Company has a credit facility with Citibank, N.A. with borrowing capacity of up to 850.0 million Indian Rupees (or $11.4 million as of July 2, 2021) to facilitate working capital needs for certain businesses in India. As of July 2, 2021, the Company had $7.1 million borrowing capacity remaining. The effective interest rate associated with outstanding borrowings was 5.00% as of July 2, 2021.

Other

As of July 2, 2021, certain of our businesses were in a cash overdraft position, and such overdrafts are included in Short-term borrowings on the Consolidated Condensed Balance Sheet.

Interest payments associated with the above short-term borrowings were immaterial for the six months ended July 2, 2021 and June 26, 2020.

NOTE 5. ACCUMULATED OTHER COMPREHENSIVE INCOME

Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

The changes in Accumulated other comprehensive income by component are summarized below:

($ in millions)	Foreign Currency Translation Adjustments	Other Adjustments [a]	Total
For the Three Months Ended July 2, 2021:			
Balance, April 2, 2021	$ 182.6	$ (4.4)	$ 178.2
Other comprehensive income (loss) before reclassifications, net of income taxes	(2.0)	—	(2.0)
Amounts reclassified from accumulated other comprehensive income:			
Increase	—	0.1	0.1
Income tax impact	—	(0.1)	(0.1)
Amounts reclassified from accumulated other comprehensive income, net of income taxes	—	— [b]	—
Net current period other comprehensive income (loss), net of income taxes	(2.0)	—	(2.0)
Balance, July 2, 2021	$ 180.6	$ (4.4)	$ 176.2
For the Three Months Ended June 26, 2020:			
Balance, March 27, 2020	$ 107.5	$ (3.3)	$ 104.2
Other comprehensive income (loss) before reclassifications, net of income taxes	18.6	—	18.6
Amounts reclassified from accumulated other comprehensive income:			
Increase	—	0.1	0.1
Income tax impact	—	—	—
Amounts reclassified from accumulated other comprehensive income, net of income taxes	—	0.1 [b]	0.1
Net current period other comprehensive income (loss), net of income taxes	18.6	0.1	18.7
Balance, June 26, 2020	$ 126.1	$ (3.2)	$ 122.9

[a] Includes balances relating to defined benefit plans and supplemental executive retirement plans.
[b] This accumulated other comprehensive income component is included in the computation of net periodic pension cost.

($ in millions)	Foreign Currency Translation Adjustments		Other Adjustments [a]		Total	
For the Six Months Ended July 2, 2021:						
Balance, December 31, 2020	$	198.3	$	(4.5)	$	193.8
Other comprehensive income (loss) before reclassifications, net of income taxes		(17.7)		—		(17.7)
Amounts reclassified from accumulated other comprehensive income:						
Increase		—		0.2		0.2
Income tax impact		—		(0.1)		(0.1)
Amounts reclassified from accumulated other comprehensive income, net of income taxes		—		0.1 [b]		0.1
Net current period other comprehensive income (loss), net of income taxes		(17.7)		0.1		(17.6)
Balance, July 2, 2021	$	180.6	$	(4.4)	$	176.2
For the Six Months Ended June 26, 2020:						
Balance, December 31, 2019	$	153.7	$	(5.0)	$	148.7
Other comprehensive income (loss) before reclassifications, net of income taxes		(27.6)		—		(27.6)
Amounts reclassified from accumulated other comprehensive income:						
Increase		—		1.9		1.9
Income tax impact		—		(0.1)		(0.1)
Amounts reclassified from accumulated other comprehensive income, net of income taxes		—		1.8 [b]		1.8
Net current period other comprehensive income (loss), net of income taxes		(27.6)		1.8		(25.8)
Balance, June 26, 2020	$	126.1	$	(3.2)	$	122.9

[a] Includes balances relating to defined benefit plans and supplemental executive retirement plans.

[b] This accumulated other comprehensive income component is included in the computation of net periodic pension cost.

NOTE 6. SALES

Revenue is recognized when control of promised products or services is transferred to customers in an amount that reflects the consideration we expect to be entitled to in exchange for those products or services.

Contract Assets

In certain circumstances, we record contract assets which include unbilled amounts typically resulting from sales under contracts when revenue recognized exceeds the amount billed to the customer, and right to payment is subject to contractual performance obligations and not only subject to the passage of time. Contract assets were $9.1 million and $9.0 million as of July 2, 2021 and December 31, 2020, respectively, and are included in Prepaid expenses and other current assets.

Contract Costs

We incur direct incremental costs to obtain certain contracts, typically sales-related commissions and costs associated with assets used by our customers in certain service arrangements. As of July 2, 2021 and December 31, 2020, we had $76.9 million and $81.2 million, respectively, in net revenue-related capitalized contract costs primarily related to assets used by our customers in certain software contracts, which are recorded in Prepaid expenses and other current assets, for the current portion, and Other assets, for the noncurrent portion, in the accompanying Consolidated Condensed Balance Sheets. These assets have estimated useful lives between 3 and 5 years and are amortized on a straight-line basis.

Impairment losses recognized on our revenue-related contract assets were insignificant during the three and six months ended July 2, 2021 and June 26, 2020.

Contract Liabilities

The Company's contract liabilities consist of deferred revenue generally related to post contract support ("PCS") and extended warranty sales. In these arrangements, the Company generally receives up-front payment and recognizes revenue over the support term of the contracts. Deferred revenue is classified as current or noncurrent based on the timing of when revenue is expected to be recognized and is included in Accrued expenses and other current liabilities and Other long-term liabilities, respectively, in the accompanying Consolidated Condensed Balance Sheets.

The Company's contract liabilities consisted of the following:

($ in millions)	July 2, 2021	December 31, 2020
Deferred revenue - current	$ 97.7	$ 87.6
Deferred revenue - noncurrent	56.6	58.3
Total contract liabilities	$ 154.3	$ 145.9

During the three and six months ended July 2, 2021, we recognized $16.0 million and $39.2 million of revenue related to the Company's contract liabilities at December 31, 2020. The change in contract liabilities from December 31, 2020 to July 2, 2021 was primarily due to the timing of cash receipts and sales of PCS and extended warranty services.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of firm, noncancelable orders and the annual contract value for software-as-a-service contracts with expected customer delivery dates beyond one year from July 2, 2021 for which work has not been performed. The Company has excluded performance obligations with an original expected duration of one year or less. Performance obligations as of July 2, 2021 are $397.1 million, the majority of which are related to the annual contract value for software-as-a-service contracts. The Company expects approximately 35 percent of the remaining performance obligations will be fulfilled within the next two years, 65 percent within the next three years, and substantially all within four years.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by sales of products and services, geographic location, solution and major product group, as it best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Disaggregation of revenue was as follows:

	Three Months Ended		Six Months Ended	
($ in millions)	July 2, 2021	June 26, 2020	July 2, 2021	June 26, 2020
Sales:				
Sales of products	$ 660.8	$ 480.4	$ 1,305.4	$ 1,027.9
Sales of services	63.8	53.3	126.6	115.0
Total	$ 724.6	$ 533.7	$ 1,432.0	$ 1,142.9
Geographic:				
North America [(a)]	$ 512.7	$ 370.0	$ 1,021.2	$ 808.4
Western Europe	67.6	55.0	122.6	112.9
High growth markets	109.5	81.6	221.3	167.8
Rest of world	34.8	27.1	66.9	53.8
Total	$ 724.6	$ 533.7	$ 1,432.0	$ 1,142.9
Solution:				
Retail fueling hardware	$ 208.8	$ 157.7	$ 405.3	$ 336.9
Auto repair	164.4	99.7	329.1	237.4
Service and other recurring revenue	119.5	95.5	243.4	198.8
Environmental	63.5	47.7	125.1	100.9
Retail solutions	97.3	66.0	188.7	134.5
Software-as-a-service	46.5	43.8	93.5	89.4
Smart cities	8.8	6.9	17.1	14.5
E-mobility	2.6	4.2	3.4	6.5
Other	13.2	12.2	26.4	24.0
Total	$ 724.6	$ 533.7	$ 1,432.0	$ 1,142.9
Major Product Group:				
Mobility technologies	$ 536.1	$ 414.1	$ 1,053.0	$ 863.0
Diagnostics and repair technologies	188.5	119.6	379.0	279.9
Total	$ 724.6	$ 533.7	$ 1,432.0	$ 1,142.9

[(a)] Includes sales in the United States of $492.4 million and $358.6 million for the three months ended July 2, 2021 and June 26, 2020, respectively, and sales in the United States of $986.6 million and $783.5 million for the six months ended July 2, 2021 and June 26, 2020, respectively.

NOTE 7. INCOME TAXES

Our effective tax rate for the three and six months ended July 2, 2021 was 24.4% and 24.0%, respectively, as compared to 23.7% and 42.1% for the three and six months ended June 26, 2020, respectively. The year-over-year increase in the effective tax rate for the three months ended July 2, 2021 as compared to the comparable period in the prior year was primarily due to an increase in U.S. state tax expense. The year-over-year decrease in the effective tax rate for the six months ended July 2, 2021 as compared to the comparable period in the prior year was primarily due to a non-deductible book goodwill impairment recognized in the six months ended June 26, 2020.

Our effective tax rate for both periods in 2021 and 2020 differs from the U.S. federal statutory rate of 21% due primarily to the effect of state taxes and foreign taxable earnings at a rate different from the U.S. federal statutory rate. Specific to the six months ended June 26, 2020, there was an unfavorable impact related to a non-deductible book goodwill impairment.

NOTE 8. LEASES

Operating lease cost was $4.6 million and $5.1 million for the three months ended July 2, 2021 and June 26, 2020, respectively. For the six months ended July 2, 2021 and June 26, 2020, operating lease cost was $10.5 million and $10.3 million, respectively. During the six months ended July 2, 2021 and June 26, 2020, cash paid for operating leases included in operating cash flows was $10.1 million and $9.4 million, respectively. Right-of-use assets obtained in exchange for operating lease obligations were $4.0 million and $3.5 million for the six months ended July 2, 2021 and June 26, 2020, respectively.

NOTE 9. LITIGATION AND CONTINGENCIES

Warranty

We generally accrue estimated warranty costs at the time of sale. In general, manufactured products are warrantied against defects in material and workmanship when properly used for their intended purpose, installed correctly, and appropriately maintained. Warranty period terms depend on the nature of the product and range from ninety days up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor, and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company’s accrued warranty liability:

($ in millions)		
Balance, December 31, 2020	$	54.6
Accruals for warranties issued during the period		19.0
Settlements made		(17.4)
Balance, July 2, 2021	$	56.2

Litigation and Other Contingencies

The Company is involved in legal proceedings from time to time in the ordinary course of its business. Although the outcome of such matters is uncertain, management believes that these legal proceedings will not have a material adverse effect on the financial condition or results of future operations of the Company.

In accordance with accounting guidance, the Company records a liability in the Consolidated and Combined Condensed Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible and a loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed.

Our reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk insurance professionals where appropriate. In addition, outside risk insurance professionals may assist in the determination of reserves for incurred but not yet reported claims through evaluation of our specific loss history, actual claims reported, and industry trends among statistical and other factors. Reserve estimates are adjusted as additional information regarding a claim becomes known. While we actively pursue financial recoveries from insurance providers, the Company does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the risk insurance reserves the Company has established are inadequate, we would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect our net earnings.

In connection with the recognition of liabilities for asbestos related matters, the Company records insurance recoveries that are deemed probable and estimable. In assessing the probability of insurance recovery, we make judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings, our knowledge of any pertinent solvency issues surrounding insurers, and litigation and court rulings potentially impacting coverage. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in the analysis of probable recoveries. Projecting future events is subject to various uncertainties, including litigation and court rulings potentially impacting coverage, that could cause insurance recoveries on asbestos related liabilities to be higher or lower than those projected and recorded. Given the inherent uncertainty in making future projections, the Company reevaluates projections concerning the Company's probable insurance recoveries considering any changes to the projected liabilities, the Company's recovery experience or other relevant factors that may impact future insurance recoveries.

We recorded gross liabilities associated with known and future expected asbestos claims of $68.6 million and $68.0 million as of July 2, 2021 and December 31, 2020, respectively. Known and future expected asbestos claims of $17.0 million and $17.5 million are included in Accrued expenses and other current liabilities on the Consolidated Condensed Balance Sheets as of July 2, 2021 and December 31, 2020, respectively. Known and future expected asbestos claims of $51.6 million and $50.5 million are included in Other long-term liabilities on the Consolidated Condensed Balance Sheets as of July 2, 2021 and December 31, 2020, respectively.

We recorded the related projected insurance recoveries of $35.1 million and $36.0 million as of July 2, 2021 and December 31, 2020, respectively. Projected insurance recoveries in the accompanying Consolidated Condensed Balance Sheets as of July 2, 2021 include $9.9 million in Prepaid expenses and other current assets and $25.2 million in Other assets. Projected insurance recoveries in the accompanying Consolidated Condensed Balance Sheets as of December 31, 2020 include $10.8 million in Prepaid expenses and other current assets and $25.2 million in Other assets.

Guarantees

As of July 2, 2021 and December 31, 2020, we had guarantees consisting primarily of outstanding standby letters of credit, bank guarantees, and performance and bid bonds of approximately $94.2 million and $84.5 million, respectively. These guarantees have been provided in connection with certain arrangements with vendors, customers, financing counterparties, and governmental entities to secure our obligations and/or performance requirements related to specific transactions. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations.

Refer to Note 4. Financing for information regarding guarantees of the Notes by certain of our wholly-owned subsidiaries.

NOTE 10. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where our assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation.
- Level 3 inputs are unobservable inputs based on our assumptions.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Below is a summary of financial liabilities that are measured at fair value on a recurring basis as of:

($ in millions)	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
July 2, 2021				
Deferred compensation liabilities	$ —	$ 4.5	$ —	$ 4.5
December 31, 2020				
Deferred compensation liabilities	$ —	$ 3.7	$ —	$ 3.7

Certain management employees participate in our nonqualified deferred compensation programs that permit such employees to defer a portion of their compensation, on a pretax basis, until after their termination of employment. All amounts deferred under such plans are unfunded, unsecured obligations and are presented as a component of our compensation and benefits accrual included in Other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets. Participants may choose among alternative earning rates for the amounts they defer, which are primarily based on investment options within our defined contribution plans for the benefit of U.S. employees ("401(k) Programs") (except that the earnings rates for amounts contributed unilaterally by the Company are entirely based on changes in the value of our common stock). Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates.

Other Investments

The Company holds a minority interest in Tritium Holdings Pty, Ltd ("Tritium") of $55.8 million, which is recorded in Other assets on the Consolidated Condensed Balance Sheets at cost. The Company has elected to use the measurement alternative for equity investments without readily determinable fair values and evaluate this investment for indicators of impairment quarterly. The Company did not identify events or changes in circumstances that may have a significant effect on the fair value of the investment during the three and six months ended July 2, 2021. During the three and six months ended July 2, 2021, we made additional investments in Tritium of $3.0 million and $6.8 million, respectively.

Nonrecurring Fair Value Measurements

Certain assets and liabilities are carried on the accompanying Consolidated Condensed Balance Sheets at cost and are not remeasured to fair value on a recurring basis. These assets include finite-lived intangible assets, which are tested when a triggering event occurs, and goodwill and identifiable indefinite-lived intangible assets, which are tested for impairment at least annually as of the first day of the fourth quarter or more frequently if events and circumstances indicate that the asset may not be recoverable.

As of July 2, 2021, assets carried on the balance sheet and not remeasured to fair value on a recurring basis were $1.1 billion of goodwill and $234.8 million of identifiable intangible assets, net.

Refer to Note 4. Financing for information related to the fair value of the Company's borrowings.

NOTE 11. RELATED-PARTY TRANSACTIONS

In connection with the Separation, we entered into the Agreements with Fortive which govern the Separation and provide a framework for the relationship between the parties going forward, including an employee matters agreement, a tax matters agreement, an intellectual property matters agreement, an FBS license agreement and a transition services agreement.

Employee Matters Agreement

The employee matters agreement sets forth, among other things, the allocation of assets, liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the Separation, including the treatment of outstanding equity and other incentive awards and certain retirement and welfare benefit obligations.

Tax Matters Agreement

The tax matters agreement governs the respective rights, responsibilities and obligations of both Fortive and Vontier after the Separation with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes.

Intellectual Property Matters Agreement

The intellectual property matters agreement sets forth the terms and conditions pursuant to which Fortive and Vontier have mutually granted certain personal, generally irrevocable, non-exclusive, worldwide, and royalty-free rights to use certain intellectual property. Both parties are able to sublicense their rights in connection with activities relating to their businesses, but not for independent use by third parties.

FBS License Agreement

The FBS license agreement sets forth the terms and conditions pursuant to which Fortive has granted a non-exclusive, worldwide, non-transferable, perpetual license to us to use FBS solely in support of our businesses. We are able to sublicense such license solely to direct and indirect wholly-owned subsidiaries.

Transition Services Agreement ("TSA")

The TSA sets forth the terms and conditions pursuant to which Vontier and our subsidiaries and Fortive and its subsidiaries will provide to each other various services after the Separation. The services to be provided include information technology, facilities, certain accounting and other financial functions, and administrative services. The charges for the transition services generally are expected to allow the providing company to fully recover all out-of-pocket costs and expenses it actually incurs in connection with providing the service, plus, in some cases, the allocated indirect costs of providing the services, generally without profit.

TSA Payments

In accordance with the TSA, receipts from Fortive were immaterial during the three and six months ended July 2, 2021. During the six months ended July 2, 2021, we made net payments to Fortive of $48.5 million. Net payments during the six months ended July 2, 2021 included approximately $30 million of our share of the transaction taxes related to the Separation. There were no payments made during the three months ended July 2, 2021.

Allocations of Expenses Prior to the Separation

The Company has historically operated as part of Fortive and not as a stand-alone company. Accordingly, certain shared costs have been allocated to the Company by Fortive, and are reflected as expenses in these financial statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to the Company for purposes of the carve-out financial statements; however, the expenses reflected in the accompanying Combined Condensed Financial Statements may not be indicative of the actual expenses that would have been incurred during the periods presented if the Company had operated as a separate stand-alone entity and the expenses that will be incurred in the future by the Company.

The amount of related party expenses allocated to the Company from Fortive and its subsidiaries for the three and six months ended June 26, 2020, were as follows:

($ in millions)	Three Months Ended June 26, 2020	Six Months Ended June 26, 2020
Allocated corporate expenses	$ 10.7	$ 21.3
Directly attributable expenses:		
Insurance programs expenses	0.7	1.3
Medical insurance programs expenses	11.0	22.3
Deferred compensation program expenses	0.3	0.6
Total related-party expenses	$ 22.7	$ 45.5

Corporate Expenses

Certain corporate overhead and other shared expenses incurred by Fortive and its subsidiaries have been allocated to the Company and are reflected in the accompanying Combined Condensed Statements of Earnings and Comprehensive Income for the three and six months ended June 26, 2020. These amounts include, but are not limited to, items such as general management and executive oversight, costs to support Vontier information technology infrastructure, facilities, compliance, human resources, and marketing, as well as legal functions and financial management and transaction processing, including public company reporting, consolidated tax filings, and tax planning, Fortive benefit plan administration, risk management and consolidated treasury services, certain employee benefits and incentives, and stock-based compensation administration. These costs have been allocated using a methodology that management believes is reasonable for the item being allocated. Allocation methodologies include the Company's relative share of revenues, headcount, or functional spend as a percentage of the total. Following the Separation, we independently incur corporate overhead costs and no corporate overhead costs were allocated by Fortive.

Insurance Programs Administered by Fortive

In addition to the corporate allocations noted above, prior to the Separation, the Company was allocated expenses related to certain insurance programs Fortive administered on behalf of the Company, including automobile liability, workers' compensation, general liability, product liability, director's and officer's liability, cargo, and property insurance. These amounts were allocated using various methodologies, as described below.

Included within the insurance cost allocation are amounts related to programs for which Fortive was self-insured up to a certain amount. For the self-insured component, costs were allocated to the Company based on its incurred claims. Fortive has premium-based policies that cover amounts in excess of the self-insured retentions. Prior to the Separation, the Company was allocated a portion of the total insurance cost incurred by Fortive based on its pro-rata portion of Fortive's total underlying exposure base. In connection with the Separation, we established similar independent self-insurance programs to support any outstanding claims going forward and no insurance costs were allocated by Fortive subsequent to the Separation.

Medical Insurance Programs Administered by Fortive

In addition to the corporate allocations noted above, the Company was allocated expenses related to the medical insurance programs administered on behalf of the Company. These amounts were allocated using actual medical claims incurred during the period for the employees attributable to the Company. In connection with the Separation, we established independent medical insurance programs similar to those previously provided by Fortive.

Deferred Compensation Program Administered by Fortive

Certain employees of the Company participated in Fortive's nonqualified deferred compensation programs, which permitted officers, directors and certain management employees to defer a portion of their compensation, on a pretax basis, until after their termination of employment. Participants could have chosen among alternative earnings rates for the amounts they deferred, which were primarily based on investment options within Fortive's 401(k) program (except that the earnings rates for amounts contributed unilaterally by Fortive were entirely based on changes in the value of Fortive's common stock). All amounts deferred under this plan are unfunded, unsecured obligations of the Company. In connection with the Separation, we established a similar independent, nonqualified deferred compensation program.

Revenue and Other Transactions Entered into in the Ordinary Course of Business

Prior to the Separation, we operated as part of Fortive and not as a stand-alone company and certain of our revenue arrangements related to contracts entered into in the ordinary course of business with Fortive and its affiliates. Following the Separation, we continue to enter into arms-length revenue arrangements in the ordinary course of business with Fortive and its affiliates, although certain agreements were entered into or terminated as a result of the Separation.

After the secondary offering in January 2021, Fortive no longer owned any of the Company's outstanding common stock and is not considered a related party. Refer to Note 1. Business Overview And Basis Of Presentation for information related to the secondary offering.

Certain of our revenue arrangements related to contracts entered into in the ordinary course of business with Fortive and its affiliates. Our revenue from sales to Fortive and its subsidiaries was insignificant during the three and six months ended June 26, 2020.

Purchases from Fortive and Fortive's subsidiaries were $4.3 million and $7.9 million during the three and six months ended June 26, 2020, respectively.

NOTE 12. CAPITALIZATION AND EARNINGS PER SHARE

Capital Stock

The Company's authorized capital stock consists of 1,985,000,000 shares of common stock, par value $0.0001 per share, and 15,000,000 shares of preferred stock with no par value, all of which shares of preferred stock are undesignated.

Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of shares of common stock outstanding. Diluted earnings per share is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of shares under stock-based compensation plans except where the inclusion of such shares would have an anti-dilutive impact.

Information related to the calculation of net earnings per share of common stock is summarized as follows:

	Three Months Ended		Six Months Ended	
($ and shares in millions, except per share amounts)	July 2, 2021	June 26, 2020	July 2, 2021	June 26, 2020
Numerator:				
Net earnings	$ 82.3	$ 68.4	$ 173.3	$ 64.2
Denominator:				
Basic weighted average common shares outstanding	169.0	168.4	168.8	168.4
Effect of dilutive stock options and RSUs	1.1	—	1.0	—
Diluted weighted average common shares outstanding	170.1	168.4	169.8	168.4
Earnings per share:				
Basic	$ 0.49	$ 0.41	$ 1.03	$ 0.38
Diluted	$ 0.48	$ 0.41	$ 1.02	$ 0.38
Anti-dilutive shares	2.8	—	2.9	—

Share Repurchase Program

On May 19, 2021, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase up to $500 million of the Company's common stock from time to time on the open market or in privately negotiated transactions. The timing and amount of shares repurchased will be determined by the Company's management based on market conditions, share price, applicable legal requirements and other factors. The Company may enter into Rule 10b5-1 plans to facilitate purchases under the share repurchase program. The share repurchase program may be suspended or discontinued at any time and has no expiration date.

As of July 2, 2021, the Company has remaining authorization to repurchase $500 million of its common stock under the share repurchase program.

NOTE 13. SUBSEQUENT EVENTS

On July 18, 2021, the Company entered into an agreement to acquire DRB Systems, LLC (“DRB”), for approximately $965 million in cash. DRB is a leading provider of point of sale, workflow software, and control solutions to the car wash industry. The transaction is expected to close in the third quarter of 2021 and will be subject to customary closing conditions, including regulatory approval.

On August 5, 2021, the Company entered into a two-year, $600 million senior unsecured delayed-draw term loan with a syndicate of lenders. The Company did not draw at closing on the two-year, $600 million senior unsecured delayed-draw term loan.The Company’s two wholly-owned subsidiaries which are Guarantors under the A&R Credit Agreement are also Guarantors under the two-year, $600 million senior unsecured delayed-draw term loan. The Company plans to use the proceeds from the $600 million term loan to fund the acquisition of DRB.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Vontier Corporation ("Vontier," the "Company," "we," "us," or "our") is a global industrial technology company that focuses on critical technical equipment, components, software and services for manufacturing, repair, and servicing in the mobility infrastructure industry worldwide. The Company supplies a wide range of mobility technologies and diagnostics and repair technologies solutions spanning advanced environmental sensors, fueling equipment, field payment hardware, remote management and workflow software, vehicle tracking and fleet management software-as-service solutions, professional vehicle mechanics' and technicians' equipment and traffic priority control systems. The Company markets its products and services to retail and commercial fueling operators, commercial vehicle repair businesses, municipal governments and public safety entities and fleet owners/operators on a global basis.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management and is intended to help the reader understand the results and operations and financial condition of the Company. Our MD&A should be read in conjunction with the MD&A and Consolidated and Combined Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "2020 Annual Report on Form 10-K").

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this quarterly report, in other documents we file with or furnish to the Securities and Exchange Commission ("SEC"), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are "forward-looking statements" within the meaning of the United States federal securities laws.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the Report, document, press release, webcast, call, materials or other communication in which they are made. Important factors that could cause actual results to differ materially from those envisaged in the forward-looking statements include the following:

- The effect of the COVID-19 pandemic on our global operations and on the operations of our customers, suppliers, and vendors is having, and is expected to continue to have, a significant impact on our business and results of operations.
- Changes in, or status of implementation of, industry standards and governmental regulations, including interpretation or enforcement thereof, may reduce demand for our products or services, increase our expenses or otherwise adversely impact our business model.
- Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.
- The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.
- Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation.
- International economic, political, legal, compliance, epidemic and business factors could negatively affect our financial statements.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- We are party to asbestos-related product litigation that could adversely affect our financial condition, results of operations and cash flows.
- Our restructuring actions could have long-term adverse effects on our business.
- Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

- As of the date of this quarterly report, we have outstanding indebtedness of approximately $2.0 billion and the ability to incur an additional $600.0 million of indebtedness under the two-year senior unsecured delayed-draw term loan and $750.0 million of indebtedness under the Revolving Credit Facility, as defined above, and in the future we may incur additional indebtedness, all of which could adversely affect our businesses and our ability to meet our obligations and pay dividends.
- We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
- Any inability to consummate acquisitions at our historical rates and at appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our growth rate and stock price.
- Our acquisition of businesses, investments, joint ventures and other strategic relationships could negatively impact our financial statements.
- Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.
- Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.
- Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.
- If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.
- Potential indemnification liabilities to Fortive pursuant to the Separation agreement could materially and adversely affect our businesses, financial condition, results of operations and cash flows. In addition, there can be no assurance that Fortive’s performance of its indemnity obligations to us under the separation agreement regarding certain liabilities will be sufficient.
- If there is a determination that the distribution, together with certain related transactions, is taxable for U.S. federal income tax purposes because the facts, assumptions, representations or undertakings underlying Fortive’s private letter ruling from the IRS or tax opinion are incorrect or for any other reason, then Fortive and its stockholders could incur significant U.S. federal income tax liabilities, and we could also incur significant liabilities.
- We may be affected by significant restrictions, including on our ability to engage in certain corporate transactions for a two-year period after the distribution in order to avoid triggering significant tax-related liabilities.
- Fortive may compete with us.
- We may not achieve some or all of the expected benefits of the Separation, and the Separation may adversely affect our businesses.

See “Item 1.A. Risk Factors” in our 2020 Annual Report on Form 10-K and Part II - Item 1A. Risk Factors” in this Form 10-Q for a further discussion regarding reasons that actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. We do 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.

OVERVIEW

General

Vontier is a global industrial technology company that focuses on critical technical equipment, components, software and services for manufacturing, repair, and servicing in the mobility infrastructure industry worldwide. We supply a wide range of mobility technologies and diagnostics and repair technologies solutions spanning advanced environmental sensors, fueling equipment, field payment hardware, remote management and workflow software, vehicle tracking and fleet management software-as-service solutions, professional vehicle mechanics’ and technicians’ equipment and traffic priority control systems. We market our products and services to retail and commercial fueling operators, commercial vehicle repair businesses, municipal governments and public safety entities and fleet owners/operators on a global basis.

Our research and development, manufacturing, sales, distribution, service and administrative operations are located in more than 30 countries across North America, Asia Pacific, Europe and Latin America. In addition, we sell our products in these countries and multiple other markets in these regions. We define high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure, which include Eastern Europe, the Middle East, Africa, Latin America, and Asia, with the exception of Japan and Australia.

BUSINESS PERFORMANCE AND OUTLOOK

Business Performance

While differences exist among our businesses, on an overall basis, demand for our hardware and software products and services increased during the three and six months ended July 2, 2021. As compared to the comparable periods of 2020, aggregate year-over-year total sales increased 35.8% and 25.3% for the three and six months ended July 2, 2021. Sales from existing businesses increased 32.7% and 22.8% during the three and six months ended July 2, 2021, as compared to the comparable periods in 2020. The increase in total sales and sales from existing businesses during the three and six months ended July 2, 2021 was primarily driven by broad growth across the portfolio as well as the direct and indirect impacts of COVID-19 on the prior year comparable periods. Our mobility technologies platform had strong demand for retail and environmental solutions, continued strong demand for and shipments of fuel management systems in North America related to the enhanced credit card security requirements for outdoor payment systems based on the Europay, Mastercard and Visa (“EMV”) global standards, Mexico regulatory demand and dispenser and environmental deliveries in India. Our diagnostics and repair portfolio also experienced strong demand across most product categories, most notably specialty and hardline tools, tool storage and diagnostics. Changes in foreign currency exchange rates positively impacted our sales growth by 3.1% and 2.5% during the three and six months ended July 2, 2021 compared to the comparable periods in 2020.

In developed markets, year-over-year total sales and sales from existing businesses for the three months ended July 2, 2021 increased at a rate greater than 30% which was primarily due to growth in North America which also grew more than 30%. High growth markets had a more than 20% increase primarily due to growth in India and Latin America.

In developed markets, year-over-year total sales and sales from existing businesses for the six months ended July 2, 2021 increased more than 20% which was primarily due to more than 20% growth in North America. High growth markets also had a more than 20% increase primarily due to growth in India and Latin America.

Outlook

We expect overall sales and sales from existing businesses to grow on a year-over-year basis in 2021; however, we are continuing to monitor the impact of the COVID-19 pandemic and geopolitical and regulatory uncertainties and the corresponding impact to our businesses in addition to the other factors identified above in “Information Relating to Forward- Looking Statements.”

RESULTS OF OPERATIONS

Comparison of Results of Operations

($ in millions)	Three Months Ended July 2, 2021	Three Months Ended June 26, 2020	Six Months Ended July 2, 2021	Six Months Ended June 26, 2020
Total sales	$ 724.6	$ 533.7	$ 1,432.0	$ 1,142.9
Total cost of sales	(406.1)	(302.7)	(801.7)	(648.8)
Gross profit	318.5	231.0	630.3	494.1
Operating costs:				
Selling, general and administrative expenses ("SG&A")	(164.6)	(111.8)	(310.3)	(234.9)
Research and development expenses ("R&D")	(32.9)	(29.2)	(66.1)	(62.1)
Impairment of goodwill	—	—	—	(85.3)
Operating profit	$ 121.0	$ 90.0	$ 253.9	$ 111.8
Gross profit as a % of sales	44.0 %	43.3 %	44.0 %	43.2 %
SG&A as a % of sales	22.7 %	20.9 %	21.7 %	20.6 %
R&D as a % of sales	4.5 %	5.5 %	4.6 %	5.4 %
Operating profit as a % of sales	16.7 %	16.9 %	17.7 %	9.8 %

Components of Sales Growth

	% Change Three Months Ended July 2, 2021 vs. Comparable 2020 Period	% Change Six Months Ended July 2, 2021 vs. Comparable 2020 Period
Total revenue growth (GAAP)	**35.8 %**	**25.3 %**
Existing businesses (Non-GAAP)	32.7 %	22.8 %
Currency exchange rates (Non-GAAP)	3.1 %	2.5 %

Total sales and sales from existing businesses within our mobility technologies platform increased more than 20% during the three months ended July 2, 2021 as compared to the comparable period of 2020. Total sales and sales from existing businesses within our mobility technologies platform increased more than 20% and at a rate in the high-teens, respectively, during the six months ended July 2, 2021 as compared to the comparable period of 2020. Our mobility technologies platform increases were driven by the direct and indirect impacts of COVID-19 on the prior year comparable periods as well as strong demand for retail and environmental solutions, continued strong demand for and shipments of fuel management systems in North America related to the enhanced credit card security requirements for outdoor payment systems based on the EMV global standards, Mexico regulatory demand and dispenser and environmental deliveries in India.

Total sales and sales from existing businesses within our diagnostics and repair technologies platform increased more than 50% during the three months ended July 2, 2021 as compared to the comparable period in 2020. Total sales and sales from existing businesses within our diagnostics and repair technologies platform increased more than 30% during the six months ended July 2, 2021 as compared to the comparable period in 2020. The year-over-year results during both periods ended July 2, 2021 were driven principally by the direct and indirect impacts of COVID-19 on the prior year comparable periods as well as strong demand across most product categories, most notably specialty and hardline tools, tool storage and diagnostics.

Price increases are reflected as a component of the change in sales from existing businesses, and year-over-year price increases contributed 2.0% and 1.5% to sales growth during the three and six months ended July 2, 2021 versus the comparable periods in 2020.

Cost of Sales

Cost of sales increased $103.4 million and $152.9 million for the three and six months ended July 2, 2021, as compared to the comparable periods in 2020, due primarily to higher year-over-year sales volumes from existing businesses as well as increased costs of materials due to inflationary pressures.

Gross Profit

The year-over-year increase in gross profit during the three and six months ended July 2, 2021, as compared to the comparable periods in 2020, is primarily due to higher sales volumes and a favorable sales mix which was partially offset by increased costs of materials due to inflationary pressures.

The 70 basis point increase in gross profit margin during the three months ended July 2, 2021 as compared to the comparable period in 2020 is primarily due to price increases and a favorable sales mix and partially offset by increased costs of materials due to inflationary pressures.

The 80 basis point increase in gross profit margin during the six months ended July 2, 2021 as compared to the comparable period in 2020 is primarily due to price increases and a favorable sales mix and partially offset by increased costs of materials due to inflationary pressures.

Operating Costs and Other Expenses

SG&A expenses increased during the three and six months ended July 2, 2021, as compared to the comparable periods in 2020, primarily due to the increase of corporate costs associated with operating as a separate public company as well as savings in the three and six months ended June 26, 2020 from broad cost reduction efforts that reduced labor expenses to better align with reductions in demand as well as other reductions in discretionary spending.

On a year-over-year basis, SG&A expenses as a percentage of sales increased 180 and 110 basis points during the three and six months ended July 2, 2021, respectively, as compared to the comparable periods in 2020 primarily due to the increase of corporate costs associated with operating as a separate public company as well as broad cost reduction efforts in the three and six months ended June 26, 2020.

R&D expenses (consisting principally of internal and contract engineering personnel costs) increased $3.7 million and $4.0 million during the three and six months ended July 2, 2021, as compared to the comparable periods in 2020 due to broad cost reduction efforts in the prior year periods. On a year-over-year basis, R&D expenses as a percentage of sales decreased during the three and six months ended July 2, 2021 due to an increase in total sales which was partially offset by an increase in R&D expenses.

Operating Profit

Operating profit margin decreased 20 basis points during the three months ended July 2, 2021 as compared to the comparable period in 2020.

Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher year-over-year sales volumes, price increases and a favorable sales mix — favorable 960 basis points

Year-over-year operating profit margin comparisons were primarily impacted by the following unfavorable factors:

- Corporate costs associated with operating as a separate public company and other one-time costs — unfavorable 540 basis points
- Increased operating costs due to prior year broad cost reduction efforts and other increases in operating costs — unfavorable 340 basis points
- Increased costs of materials due to inflationary pressures — unfavorable 100 basis points

Operating profit margin increased 790 basis points during the six months ended July 2, 2021 as compared to the comparable period in 2020.

Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher year-over-year sales volumes, price increases and a favorable sales mix — favorable 880 basis points
- The impact of the prior year goodwill impairment of our Telematics business — favorable 600 basis points

Year-over-year operating profit margin comparisons were primarily impacted by the following unfavorable factors:

- Corporate costs associated with operating as a separate public company and other one-time costs — unfavorable 440 basis points
- Increased operating costs due to prior year broad cost reduction efforts and other increases in operating costs — unfavorable 180 basis points
- Increased costs of materials due to inflationary pressures — unfavorable 70 basis points

NON-GAAP FINANCIAL MEASURES

Sales from Existing Businesses

We define sales from existing businesses as total sales excluding (i) sales from acquired and divested businesses; (ii) the impact of currency translation; and (iii) certain other items.

- References to sales attributable to acquisitions or acquired businesses refer to GAAP sales from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales attributable to certain divested businesses or product lines not considered discontinued operations.
- The portion of sales attributable to the impact of currency translation is calculated as the difference between (a) the period-to-period change in sales (excluding sales from acquired businesses) and (b) the period-to-period change in sales, including foreign operations, (excluding sales from acquired businesses) after applying the current period foreign exchange rates to the prior year period.
- The portion of sales attributable to other items is calculated as the impact of those items which are not directly correlated to sales from existing businesses which do not have an impact on the current or comparable period.

Sales from existing businesses should be considered in addition to, and not as a replacement for or superior to, total sales, and may not be comparable to similarly titled measures reported by other companies.

Management believes that reporting the non-GAAP financial measure of sales from existing businesses provides useful information to investors by helping identify underlying growth trends in our business and facilitating easier comparisons of our sales performance with our performance in prior and future periods and to our peers. We exclude the effect of acquisitions and divestiture-related items because the nature, size and number of such transactions can vary dramatically from period to period and between us and our peers. We exclude the effect of currency translation and certain other items from sales from existing businesses because these items are either not under management’s control or relate to items not directly correlated to sales from existing businesses. Management believes the exclusion of these items from sales from existing businesses may facilitate assessment of underlying business trends and may assist in comparisons of long-term performance. References to sales volume refer to the impact of both price and unit sales.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in our financial statements. Our effective tax rate can be affected by, among other items, changes in the mix of earnings in countries with differing statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws.

Prior to the Separation, our operating results were included in Fortive's various consolidated U.S. federal and certain state income tax returns, as well as certain non-U.S. returns. For periods prior to the Separation, our combined financial statements reflect income tax expense and deferred tax balances as if we had filed tax returns on a standalone basis separate from Fortive. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if we were a separate taxpayer and a standalone enterprise for the periods prior to the Separation. For periods prior to the Separation, our pretax operating results include any transactions with Fortive as if it were an unrelated party.

In connection with the Separation, we entered into agreements with Fortive, including a Tax Matters Agreement. The Tax Matters Agreement distinguishes between the treatment of tax matters for "joint" filings compared to "separate" filings prior to the Separation. "Joint" filings are returns, such as the United States federal return, that include operations from both Fortive legal entities and the Company. By contrast, "separate" filings are tax returns (primarily U.S. state returns and non-U.S. returns), that exclusively include either Fortive's or the Company's operations, respectively. In accordance with the Tax Matters Agreement, the Company is liable for and has indemnified Fortive against all income tax liabilities involving "separate" filings for periods prior to the Separation.

On March 27, 2020, the U.S. Government passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") as an emergency economic stimulus package in response to the COVID-19 outbreak. The CARES Act contains, among other things, numerous income tax provisions. Some of these tax provisions are expected to be effective retroactively for years ended before the date of enactment. The CARES Act did not have a significant impact on our income tax provision.

We are routinely examined by various domestic and international taxing authorities. The amount of income taxes we pay is subject to audit by federal, state and foreign tax authorities, which may result in proposed assessments. The Company is subject to examination in the United States, various states and foreign jurisdictions. In accordance with the Tax Matters Agreement with Fortive, the Company is liable for taxes arising from examinations of the following: (i) the Company's initial U.S. federal taxable year October 9, 2020 through December 31, 2020; (ii) separate company state tax returns for all periods; (iii) joint state tax returns for the period October 9, 2020 through December 31, 2020; (iv) international separate company returns for all periods; and (v) joint international tax returns that include only Vontier legal entities for all periods. We review our global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations reserves for contingent tax liabilities are accrued or adjusted as necessary.

Pursuant to U.S. tax law, the Company's initial U.S. federal income tax return is for the short taxable year October 9, 2020 through December 31, 2020. We expect to file our initial U.S. federal income tax return for the 2020 short tax year with the Internal Revenue Service ("IRS") during 2021. Therefore, the IRS has not yet begun examination of the Company. The Company remains subject to tax audit for its separate company tax returns in various U.S. states for the tax years 2011 to 2020. Our operations in certain foreign jurisdictions remain subject to routine examination for the tax years 2007 to 2020.

Comparison of the Three and Six Months Ended July 2, 2021 and June 26, 2020

Our effective tax rate for the three and six months ended July 2, 2021 was 24.4% and 24.0%, respectively, as compared to 23.7% and 42.1% for the three and six months ended June 26, 2020, respectively. The year-over-year increase in the effective tax rate for the three months ended July 2, 2021 as compared to the comparable period in the prior year was primarily due to an increase in U.S. state tax expense. The year-over-year decrease in the effective tax rate for the six months ended July 2, 2021 as compared to the comparable period in the prior year was primarily due to a non-deductible book goodwill impairment recognized in the six months ended June 26, 2020.

Our effective tax rate for both periods in 2021 and 2020 differs from the U.S. federal statutory rate of 21% due primarily to the effect of state taxes and foreign taxable earnings at a rate different from the U.S. federal statutory rate. Specific to the six months ended June 26, 2020, there was an unfavorable impact related to a non-deductible book goodwill impairment.

COMPREHENSIVE INCOME

Comprehensive income decreased by $6.8 million during the three months ended July 2, 2021 as compared to the comparable period in 2020 due primarily to unfavorable changes in foreign currency adjustments of $20.6 million which were partially offset by net earnings that were higher by $13.9 million.

Comprehensive income increased by $117.3 million during the six months ended July 2, 2021 as compared to the comparable period in 2020 due primarily to net earnings that were higher by $109.1 million and favorable changes in foreign currency translation adjustments of $9.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the Separation, we were dependent upon Fortive for all our working capital and financing requirements under Fortive's centralized approach to cash management and financing of operations of its subsidiaries. With the exception of cash, cash equivalents and borrowings clearly associated with Vontier and related to the Separation, including the financial transactions described below, financial transactions relating to our business operations prior to the Separation were accounted for through Former Parent's investment. Accordingly, none of the Former Parent's cash, cash equivalents or debt at the corporate level was assigned to us in the financial statements for periods prior to the Separation.

As a result of the Separation, we no longer participate in Fortive's cash management and financing operations. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. We generate substantial cash from operating activities and believe that our operating cash flow and other sources of liquidity will be sufficient to allow us to continue to invest in existing businesses, consummate strategic acquisitions, make interest payments on our outstanding indebtedness, and manage our capital structure on a short and long-term basis.

2021 Financing and Capital Transactions

During the six months ended July 2, 2021, we completed the following financing and capital transactions:

- On March 10, 2021, we completed the private placement of $1.6 billion of senior unsecured notes in multiple series (collectively, the "Notes"). The Notes are fully and unconditionally guaranteed (the "Guarantees"), on a joint and several basis, by Gilbarco Inc. and Matco Tools Corporation, two of our wholly-owned subsidiaries (the "Guarantors"). Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on October 1, 2021. The Notes and the Guarantees are the Company's and the Guarantors' general senior unsecured obligations.
- With the proceeds received from the issuance of the Notes, we repaid $1.4 billion of our Term Loans with the remainder used for working capital and other general corporate purposes.
- On April 28, 2021, we refinanced our Three-Year Term Loans and Revolving Credit Facility which extended the maturities and lowered the interest rates, among certain other changes.

Our long-term debt requires, among others, that we maintain certain financial covenants, and we were in compliance with all of these covenants as of July 2, 2021.

Refer also to Note 4. Financing to the Consolidated and Combined Condensed Financial Statements for additional information.

Overview of Cash Flows and Liquidity

Following is an overview of our cash flows and liquidity:

	Six Months Ended	
($ in millions)	July 2, 2021	June 26, 2020
Net cash provided by operating activities	$ 216.5	$ 234.7
Payments for additions to property, plant and equipment	$ (21.7)	$ (14.0)
Proceeds from sale of property	—	0.3
Cash paid for equity investments	(7.6)	(9.5)
Net cash used in investing activities	$ (29.3)	$ (23.2)
Proceeds from issuance of long-term debt	$ 1,586.5	$ —
Repayment of long-term debt	(1,400.0)	—
Payment for debt issuance costs	(5.0)	—
Payment of common stock cash dividend	(4.2)	—
Net repayments of related-party borrowings	—	(22.9)
Net repayments of short-term borrowings	(5.5)	(2.9)
Net transfers to Former Parent	(31.8)	(183.2)
Proceeds from stock option exercises	4.2	—
Acquisition of noncontrolling interest	(1.9)	—
Other financing activities	(4.1)	(0.9)
Net cash provided by (used in) financing activities	$ 138.2	$ (209.9)

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, various employee liabilities, restructuring activities, and other items impact reported cash flows.

Cash flows from operating activities were $216.5 million during the six months ended July 2, 2021, a decrease of $18.2 million, as compared to the comparable period in 2020. The year-over-year change in operating cash flows was primarily attributable to the following factors:

- Operating cash flows were impacted by higher net earnings during the six months ended July 2, 2021 as compared to the comparable period in 2020. Net earnings for the six months ended July 2, 2021 were impacted by a year-over-year increase in operating profits of $142.1 million. The year-over-year increase in operating profit was primarily due to an increase in gross profit of $136.2 million as well as a non-cash goodwill impairment charge of $85.3 million recognized during the six months ended June 26, 2020. These factors were partially offset by an increase in Selling, general and administrative expenses of $75.4 million. The goodwill impairment charge was a non-cash expense that decreased earnings without a corresponding impact to the comparable period operating cash flows.

- The aggregate of accounts receivable and long-term financing receivables provided $47.3 million of operating cash flows during the six months ended July 2, 2021 compared to providing $91.3 million in the comparable period of 2020. The amount of cash flow generated from or used by accounts receivable depends upon how effectively we manage the cash conversion cycle and can be significantly impacted by the timing of collections in a period. Additionally, when we originate certain financing receivables, we assume the financing receivable by decreasing the franchisee’s trade accounts receivable. As a result, originations of certain financing receivables are non-cash transactions.

- The aggregate of other operating assets and liabilities used $48.8 million during the six months ended July 2, 2021 compared to using $46.5 million in the comparable period of 2020. This difference is due primarily to working capital needs and the timing of accruals and payments for compensation and benefits and tax-related amounts.

Investing Activities

Net cash used in investing activities increased by $6.1 million during the six months ended July 2, 2021 as compared to the comparable period in 2020 due to an increase in payments for additions to property, plant and equipment which was partially offset by a decrease in cash paid for equity investments.

Financing Activities and Indebtedness

Net cash provided by financing activities increased by $348.1 million during the six months ended July 2, 2021 as compared to the comparable period in 2020 primarily due to the issuance of the $1.6 billion of Notes which was partially offset by the repayment of $1.4 billion of Term Loans.

Contractual Obligations

There have been no material changes to the contractual obligations as disclosed in our 2020 Annual Report on From 10-K except as noted below:

- Purchase obligations increased by approximately $70 million due to the timing of sourcing activities.

CRITICAL ACCOUNTING ESTIMATES

There were no material changes to the Company's critical accounting estimates described in the Company's 2020 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk appear in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Instruments and Risk Management," in the Company's 2020 Annual Report on Form 10-K. There were no material changes to this information during the quarter ended July 2, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer, have concluded that, as of the end of such period, these disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Vontier is party in the ordinary course of business, and may in the future be involved in, legal proceedings, litigation, claims, and government investigations. Although the results of the legal proceedings, claims, and government investigations in which we are involved cannot be predicted with certainty, we do not believe that the final outcome of these matters is reasonably likely to have a material adverse effect on our business, financial condition, or operating results.

Refer to "Note 9. Litigation And Contingencies – Litigation and Other Contingencies" of the Consolidated and Combined Condensed Financial Statements in this Form 10-Q for more information on certain legal proceedings.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Information Related to Forward-Looking Statements," in Part I - Item 2 of this Form 10-Q and in "Risk Factors" in Part I - Item 1A of our 2020 Annual Report on Form 10-K. There were no material changes during the three months ended July 2, 2021 to the risk factors reported in our 2020 Annual Report on Form 10-K.

ITEM 6. EXHIBITS

Incorporated by Reference (Unless Otherwise Indicated)

Exhibit Number	Exhibit Index	Form	File No.	Exhibit	Filing Date
10.1	Amended and Restated Credit Agreement, dated as of April 28, 2021, by and among Vontier Corporation. Bank of America, N.A. as Administrative Agent, L/C Issuer and Swing Line Lender, and other Lenders party thereto	8-K	001-39483	10.1	April 28, 2021
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—		Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—		Filed herewith
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—		Filed herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—		Filed herewith
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	—	—		Filed herewith
101.SCH	Inline XBRL Taxonomy Schema Document	—	—		Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	—	—		Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	—	—		Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	—	—		Filed herewith
101.PRE	Inline Taxonomy Extension Presentation Linkbase Document	—	—		Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	—	—		Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VONTIER CORPORATION:

Date: August 6, 2021	By:	/s/ David H. Naemura
		David H. Naemura
		Senior Vice President and Chief Financial Officer
Date: August 6, 2021	By:	/s/ Lynn Ross
		Lynn Ross
		Chief Accounting Officer

Exhibit 31.1

Certification

I, Mark D. Morelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vontier Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 6, 2021	By:	/s/ Mark D. Morelli
			Mark D. Morelli
			President and Chief Executive Officer

Exhibit 31.2

Certification

I, David H. Naemura, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vontier Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 6, 2021	By:	/s/ David H. Naemura
			David H. Naemura
			Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark D. Morelli, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Vontier Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Vontier Corporation.

Date:	August 6, 2021	By:	/s/ Mark D. Morelli
			Mark D. Morelli
			President and Chief Executive Officer

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that Vontier Corporation specifically incorporates it by reference.

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, David H. Naemura, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Vontier Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Vontier Corporation.

Date:	August 6, 2021	By:	/s/ David H. Naemura
			David H. Naemura
			Senior Vice President and Chief Financial Officer

This certification accompanies the Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that Vontier Corporation specifically incorporates it by reference.