

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

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: 001-39054



ENVISTA HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

83-2206728  
(I.R.S. Employer Identification Number)

200 S. Kraemer Blvd., Building E  
Brea, California  
(Address of Principal Executive Offices)

92821-6208  
(Zip Code)

Registrant's telephone number, including area code: 714-817-7000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class  
Common stock, \$0.01 par value

Trading Symbol(s)  
NVST

Name of each exchange on which registered  
New York Stock Exchange

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 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   
Non-accelerated filer   
Emerging growth company

Accelerated filer   
Smaller reporting 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of February 12, 2021, the number of shares of the Registrant's common stock outstanding was 160,082,355. The aggregate market value of the common stock of the Registrant held by non-affiliates on July 2, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, was \$2.7 billion (based upon the closing price of \$21.40 of the Registrant's common stock as reported on the New York Stock Exchange on such date).

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#### DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's proxy statement for its 2021 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year-end. With the exception of the sections of the 2021 Proxy Statement specifically incorporated herein by reference, the 2021 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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#### **INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Annual Report are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; future regulatory approvals and the timing thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Envista intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth under “Item 1A. Risk Factors” in this Annual Report.

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 contained herein speak only as of the date of this Annual Report. Except to the extent required by applicable law, 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.

In this Annual Report, the terms “Envista” or the “Company” refer to Envista Holdings Corporation, Envista Holdings Corporation and its consolidated subsidiaries or the consolidated subsidiaries of Envista Holdings Corporation, as the context requires.

## PART I

### ITEM 1. BUSINESS

#### Overview

Envista is one of the largest global dental products companies with significant market positions in some of the most attractive segments of the dental products industry, including implants, orthodontics and digital imaging technologies. We develop, manufacture and market one of the most comprehensive portfolios of dental consumables, equipment and services to dental professionals covering an estimated 90% of dentists' clinical needs for diagnosing, treating and preventing dental conditions as well as improving the aesthetics of the human smile. Our operating companies, Nobel Biocare Systems, Ormco and KaVo Kerr, serve more than 1 million dentists in over 150 countries through one of the largest commercial organizations in the dental products industry and through our dealer partners. In 2020, we generated total sales of \$2.3 billion, of which approximately 74% were derived from sales of consumables, services and spare parts.

We were formed in 2018, as a wholly-owned subsidiary of Danaher Corporation ("Danaher"), to serve as the ultimate parent company of the dental platform of Danaher. On September 20, 2019, we completed an initial public offering ("IPO") resulting in the issuance of 30,783,200 shares of our common stock, which represented 19.4% of our outstanding shares. In connection with the IPO, Danaher transferred to us substantially all of its dental business in exchange for (i) 127,867,900 shares of our common stock issued by us to Danaher, (ii) all of the net proceeds from the IPO (approximately \$643.4 million), and (iii) all of the net proceeds (approximately \$1.3 billion) we received from issuance of the term loans in September 2019. Additionally, on September 19, 2019, Danaher and Envista entered into certain agreements that provide a framework for our ongoing relationship with Danaher. The transactions to separate the dental business from Danaher, as described here and elsewhere in this Annual Report, are referred to, collectively, as the "Separation." For additional information regarding the Separation transactions, see Note 1 and Note 23 to our audited consolidated and combined financial statements included elsewhere in this Annual Report.

On November 15, 2019, Danaher announced an exchange offer whereby Danaher stockholders could exchange all or a portion of Danaher common stock for shares of our common stock owned by Danaher. The disposition of our shares (the "Split-Off") was completed on December 18, 2019 and resulted in the full separation of us and disposal of Danaher's entire ownership and voting interest in us. We are now a fully independent public company.

We were built through the acquisition and integration of over 25 leading dental businesses and brands over the course of more than 15 years. Our core leadership team has been in place since 2016 and has over 200 collective years of dental market experience and we have over 12,000 employees to execute on our purpose to partner with professionals to improve lives. Since 2016, we have leveraged the Envista Business System ("EBS") to consolidate over ten operating companies into three operating companies, reduced our number of sites from over 230 to under 100, and significantly transformed our business. EBS is a set of lean, innovation, growth and leadership-focused tools and processes that differentiates us and underpins our competitive advantage. The application of EBS has reduced costs and business complexity, freeing up resources that we have invested in research and development for new product development focusing on implants, digital imaging and workflow solutions, aligners, and infection prevention as well as growing our direct sales infrastructure, especially in emerging markets (which we have historically defined as developing markets of the world, which prior to the COVID-19 pandemic, have experienced extended periods of accelerated growth in gross domestic product and infrastructure, which includes Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia)).

The Dental market has attractive secular drivers which we believe will drive growth for several years to come. These include the digitization of dental practices globally, which is transforming the way dentists diagnose and treat patients, leading to better clinical outcomes. In addition, we believe future growth in the dental industry will be driven by an aging population, the current under penetration of dental procedures, especially in emerging markets, improving access to complex procedures due to increasing technological innovation, an increasing demand for cosmetic dentistry and the growth of Dental Service Organizations ("DSOs"), which are expected to drive increasing penetration and access to care globally. Orthodontics and implants both have less than 10% market penetration globally and are areas where we have a significant market presence. Infection prevention is also a significant growth driver in the healthcare marketplace due to new disinfection protocols in response to COVID-19 and a focus on reducing hospital acquired infections.

We are a leading dental provider in emerging markets. In 2020, we generated \$513 million, or 22%, of our sales from emerging markets. Our growing scale in these markets has been driven by strategic investments in underpenetrated markets, such as the Greater China region, where we had sales of \$235 million in 2020. We are also replicating key elements of our Greater China region strategy in other emerging markets to benefit from the future growth potential associated with expanding access to dental care in these regions.

Our commercial organization includes over 3,500 employees with deep clinical, product and workflow expertise who interact with customers on a daily basis. We are also a leading global provider of clinical training to enhance patient access to high-quality dental care, reaching over 400,000 dental professionals annually through more than 4,000 training and education events we directly organize. The majority of our training and education events were conducted online in 2020 and we reached a larger audience than in prior years. Through our trusted brands, innovative product offerings and comprehensive customer service, we have established strong relationships globally with key constituencies, including DSOs, dental specialists, general dentists, and dental laboratories. We believe the continuing expansion of our global commercial organization will provide us with significant opportunities for future growth as we increase our penetration in various geographic markets.

Innovation is a core part of our strategy and we believe that our research and development expenditure of approximately \$600 million since 2017 was one of the highest R&D spends in the dental products industry. We target our R&D efforts to address customers' unmet needs and our commercial scale gives us deep insight into all fields of dentistry. Through our investments in R&D, we have accelerated multiple new product development initiatives, such as the DTX software suite, the N1™ implant system, and Spark™ clear aligners, each of which is discussed in more detail below.

Our business is operated through two segments: *Specialty Products & Technologies*, which is comprised of our Nobel Biocare Systems and Ormco operating companies, and *Equipment & Consumables*, which is comprised of our KaVo Kerr operating company.

The following table presents the Company's revenues disaggregated by geographical region for the years ended December 31, 2020 and 2019 (\$ in millions).

	Specialty Products & Technologies	Equipment & Consumables	Total
<b>Year ended December 31, 2020</b>			
<b>Geographical region:</b>			
North America	\$ 503.3	\$ 594.3	\$ 1,097.6
Western Europe	259.2	253.1	512.3
Other developed markets	85.4	74.2	159.6
Emerging markets	269.4	243.1	512.5
Total	<u>\$ 1,117.3</u>	<u>\$ 1,164.7</u>	<u>\$ 2,282.0</u>
<b>Year ended December 31, 2019</b>			
<b>Geographical region:</b>			
North America	\$ 602.7	\$ 714.9	\$ 1,317.6
Western Europe	315.6	288.1	603.7
Other developed markets	92.8	81.5	174.3
Emerging markets	331.6	324.4	656.0
Total	<u>\$ 1,342.7</u>	<u>\$ 1,408.9</u>	<u>\$ 2,751.6</u>

### ***Specialty Products & Technologies***

Our Specialty Products & Technologies segment develops, manufactures and markets dental implant systems, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products. We typically market these products directly to end-users through our commercial organization, and 86% of our 2020 sales for this segment were direct sales. In 2020, our Specialty Products & Technologies segment generated \$1,117 million of sales, representing year-over-year sales and core sales decline of (16.8)% and (16.6)%, respectively. In 2020, 45% of segment sales were derived from North America, 23% from Western Europe, 8% from other developed markets, and 24% from emerging markets. Sales of consumables, services and spare parts comprised 94% of segment sales in 2020. This segment is comprised of two operating companies, Nobel Biocare Systems and Ormco.

### ***Equipment & Consumables***

Our Equipment & Consumables segment develops, manufactures and markets dental equipment and supplies used in dental offices, including digital imaging systems and sensors, software and other visualization/magnification systems; handpieces and associated consumables; treatment units and other dental practice equipment; endodontic systems and related consumables; restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products. In 2020, our Equipment & Consumables segment generated \$1,165 million of sales. In 2020, 51% of segment sales were derived from North America, 22% from Western Europe, 6% from other developed markets, and 21% from emerging markets. We distribute our Equipment & Consumables segment products primarily through our channel partners, representing approximately 87% of sales in this segment in 2020. This segment is comprised of our KaVo Kerr operating company.

### ***COVID-19 Impact***

The continuing global spread of COVID-19 has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, our dental customers, other businesses, our communities and governments are taking to mitigate the spread of the virus. In response to COVID-19, many dental associations globally recommended that dental practices delay elective procedures and only perform emergency procedures. As a result, there were widespread temporary closures of dental practices around the world due to the pandemic, except to perform emergency procedures. The majority of dental practices have reopened, however, overall patient volume remains below pre-COVID-19 levels. As dental practices reopened, dental associations have recommended enhanced safety, disinfection and social distancing protocols. These measures may remain in place for a significant period of time in certain regions and may continue to adversely affect our business, results of operations and financial condition. Furthermore, a worsening of the pandemic or impacts of new variants of the virus may lead to further temporary closures of dental practices in the future. Please refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed discussion of the potential impact of the COVID-19 pandemic and associated economic disruptions, and the actual operational and financial impacts that we have experienced to date.

### ***Restructuring Activities***

We implemented significant restructuring activities across our businesses to execute our strategy, streamline operations, take advantage of available capacity and resources and to adjust our cost structure. For additional information regarding our restructuring activities, please refer to Note 19 to our audited consolidated and combined financial statements included elsewhere in this Annual Report.

### ***History***

We were built through the acquisition and integration of over 25 leading dental businesses and brands over the course of more than 15 years. We believe our business today has one of the most comprehensive offerings in the dental products industry. We organize our operating companies in a way that leverages long histories of brand leadership across their respective product categories. We initiated business realignment efforts starting in 2016, which has helped improve alignment of our product and commercial strategies, allowing us to better meet the needs of a broad set of customers, and facilitates an efficient and effective innovation pipeline.

## **Our Strategy**

Our strategic focus is comprised of three key elements, which are based on the EBS strategic areas of Lean, Innovation, Growth and Leadership.

- “*Establish a Strong Foundation*”: We have been successful in the past in driving continuous improvements and margin expansion through the application of EBS. Beginning in 2016, we consolidated our operating companies, substantially reduced our manufacturing sites, consolidated sales offices, streamlined our R&D organization, and centralized our direct and indirect procurement organizations. We simplified our portfolio by reducing our imaging and treatment unit brands from 11 to 5 and exiting lower growth-margin businesses. In 2020, we also executed a \$100 million permanent cost reduction initiative. We continue to pursue a number of ongoing strategic initiatives across our operating companies relating to efficient sourcing and improvements in manufacturing and back-office support, all with a focus on continually improving quality, delivery, cost, growth and innovation.
- “*Reinvest for Growth*”: Streamlining our business operations and reducing costs has allowed us to reposition ourselves to create a consumable and equipment workflow-oriented portfolio. We have invested in our Specialty Products & Technology segment, as well as in Infection Prevention, adding manufacturing capacity and personnel to these businesses, with plans for further investment in 2021. We intend to drive shareholder value by deploying capital to acquire or invest in other businesses that strategically fit into or extend our product offering into new or attractive adjacent markets. We are planning to expand our clinical training and education infrastructure to further increase brand loyalty, deepen our relationships with dental practitioners and further enhance patient access to high quality dental care. We believe these investments better position us to effectively meet the needs of our customers, particularly the growing DSO segment, which values a comprehensive, end-to-end product offering with the ability to roll out new technologies and procedure-focused trainings at scale.
- “*Maintain and Pursue Long-Term Market Leadership*”: As we seek to continue to improve our business and drive increased cash flow, we expect to strategically invest in innovation in order to better serve our customers. We have invested significant resources in the following areas which we believe will help drive long-term market leadership:
  - *Digital Workflow*: We have developed our Diagnostic and Treatment Planning Software, DTX, to meet the growing demands for digital connectivity of dental practices.
  - *Specialty Products and Technologies*: We have launched several new products in our Orthodontics business and over 20% of our sales in this area are from products launched in the past 3 years. In 2020, we expanded capacity for our Spark clear aligners and added over 1,000 new employees to our Orthodontics business. Our R&D expenditures in Nobel Biocare Systems accelerated the development of new implant systems. These innovations target increased adoption of implants that we believe can grow market share. We will continue to invest in our global commercial footprint and product innovation to grow our strong position in the Implant and Orthodontics markets, both of which are underpenetrated.
  - *Infection Prevention*: We saw this market grow in 2020 due to increased infection prevention compliance as a result of the COVID-19 pandemic. We have over 40% of the dental market share in this area. We have added capacity to this business and have extended outside the U.S. We are expanding our presence in the medical market, with products designed specifically for this field.
  - *Emerging Markets*: We are one of the largest dental product providers in the Greater China region with R&D, product management, operations, regulatory affairs, sales and marketing, and customer service resources. We have built a business that generated less than \$30 million in sales in 2011 to one that generated \$235 million in sales in 2020. We expect to continue to invest in the Greater China region as we believe it will be a strong growth driver for our business in the future. We have succeeded in the Greater China region by harnessing our existing go-to-market infrastructure, building familiarity with local customer needs and regulations, and establishing dedicated locally-based management resources. We are replicating key elements of this strategy in other emerging regions, such as Latin America, Asia Pacific, Eastern Europe and Russia.

## **Our Industry**

Within the global dental products industry, we believe segments such as Imaging, Implants and Orthodontics will grow at a more rapid pace than the overall market. We believe future growth of the dental products industry will be driven by an aging population, the current underpenetration of dental procedures, especially in emerging markets, improving access to complex procedures due to increasing technological innovation, an increasing demand for cosmetic dentistry, and growth of DSOs, which are expected to drive increasing penetration and access to care globally.

While both equipment and consumables represent significant expenditures for dental service providers, the sales dynamics for each differ. The sale of equipment depends on technological advancements, dentists' willingness to invest in new technologies, opening of new offices and replacement demand. On the other hand, consumables are more dependent on patient volume. We believe large multi-category manufacturers that provide a broad portfolio of equipment and consumables have more recession-resilient product portfolios and can gain meaningful competitive advantage over their peers as larger customers increasingly seek package deals and consolidate suppliers, and digital dentistry adoption creates links between different products in the dental practitioners' offices.

While the U.S. represents a significant portion of the global dental products industry, we have also been focused on building significant scale in emerging markets. Prevalence and penetration of treatments is largely tied to socio-economic factors such as availability and affordability of care. We expect improving economic conditions and increased consumer disposable income in emerging markets, as well as advancements in technological innovation that reduces complexity, cost and increases efficiency, will help drive penetration of dental care in these under-served markets.

### **Key Segments Within the Dental Products Industry**

- *Imaging:* Imaging (both x-ray and other visualization solutions) is considered the entry-point for many dental diagnostic exams and subsequent treatments. The rapid adoption of digital technologies in the imaging segment has transformed dental practices and has increased access to care as well as the quality of care delivered to patients. We believe enhanced connectivity amongst different types of dental imaging/diagnostic equipment and integration with downstream treatment planning and treatment delivery solutions will further improve dental workflows and lead to better treatment outcomes. We believe digitalization and connectivity will continue to drive high growth in this segment.
- *Implants:* The implant industry is significant and enjoys higher margins and growth than the overall dental products market. The U.S. and the Greater China region, represent key growth drivers for this industry. In the U.S., implant penetration far lags other developed markets such as Germany, Spain and Italy. In China, the prevalence of severe tooth loss is higher than in the U.S., while implant penetration is far below the U.S. We expect product innovation and increased affordability to help drive future growth in emerging markets.
- *Orthodontics:* Traditional wires and brackets systems continue to be the preferred choice in complex and young adult cases, due to their better clinical outcomes. In recent years, clear aligners have become an increasingly popular treatment option and are expected to grow at a significantly faster pace than traditional metal wires and brackets. Clear aligners are aesthetically pleasing and clinically proven to be effective in less severe cases, which combined with technological advancements that have significantly increased the number of providers offering orthodontic treatments, have expanded the addressable market for orthodontic procedures. Going forward, we believe this product segment will continue to grow at a high pace as aesthetics become increasingly important to patients.

### **Growth Drivers**

We believe that many product offerings in our core business are underpenetrated globally and present a significant opportunity for growth through the continued penetration of our differentiated products. Beyond our core business, there are also a number of adjacent dental products, which we believe provide an opportunity to further grow and expand our product offerings in the future.

We believe continued growth in both the global dental industry and global dental products market will be driven by a variety of factors, including:

- An aging population. According to the United Nations, in 2017 there were nearly 1 billion people aged 60 or over in the world, comprising 13% of the global population. By 2050, that number is expected to double to approximately 2 billion people and comprise 22% of the world's population, largely driven by aging in low and middle-income countries. With the aging of the population, prevalence of dental conditions, including edentulism (full tooth loss), dry mouth, root and coronal caries, and periodontitis, increases. According to the World Health Organization - World Health Survey, generally between 20-30% of people over 60 years are suffering from edentulism. As the global population continues to age, we believe older patients will help drive increased demand for dental products and services.
- The current underpenetration of dental procedures, especially in emerging markets. According to the Global Economy and Development Working Paper 100 of the Brookings Institution, it is estimated that between 2015 and 2030, the middle class population in emerging markets will grow by approximately 1.5 billion people, from 2.0 billion to 3.5 billion. This major demographic shift is generating a large, new customer base with increased access to dental products and services along with the resources to pay for them. According to the World Health Organization, the number of dentists in China is less than 10 per 100,000 people compared to 60 in the U.S. and 85 in Germany. The expansion of training opportunities for dental professionals in emerging markets is also leading to increased patient awareness and access to premium dental products and procedures, further facilitating the market's growth.
- Improving access to complex procedures due to increasing technological innovation. The market for digital dental solutions has grown substantially in recent years due to increased demand from dentists and dental professionals for increased efficiency and better product workflows, with rapid adoption of these technologies not only in the U.S. and Europe, but also in emerging markets. Digital dental solutions enhance the workflow of dentists from diagnostics to treatment. Providing better diagnostics allows dentists to more effectively treat patient needs, often at lower cost. Beyond diagnostics, digital dental solutions are also increasingly being utilized in implant, orthodontic and restorative treatment planning. This simplifies case planning and execution, which is especially relevant for newer dentists as technology helps to de-skill complex procedures and increase outcome predictability.
- An increasing demand for cosmetic dentistry. Increased awareness of the importance of oral health maintenance and increasing consumer focus on cosmetic dentistry continues to act as a meaningful growth driver for the global dental industry. Orthodontic procedures are increasingly aesthetically driven as evidenced by the rapid adoption of clear aligners. We believe aesthetically-driven patients seeking an increasing number of tooth replacement procedures and teeth straightening procedures will continue to drive the demand for dental implants and aligners.
- Growth of DSOs, which are expected to drive increasing penetration and access to care globally. In the U.S. and globally, increasing demand for dental services has driven the growth of alternative care delivery networks. DSOs in the U.S. are focused on underserved markets where access to general as well as complex dental care is relatively underpenetrated. Globally, growth of private insurance as well as private provider networks provide access to more complex procedures that are not covered under social insurance. We believe the continued growth of these care delivery networks will increase demand for dental products and more complex procedures which require more advanced technologies.

## Our Competitive Strengths

We believe we have significant competitive strengths, including:

- Brand leadership with a long track record and strong brand recognition. We built our business around brands with long histories of innovation and strong brand recognition in the dental products market. The founder of Nobel Biocare Systems introduced the world's first dental implant and Nobel Biocare Systems has since become a world leader in the field of innovative implant-based dental restorations. Ormco has over 60 years of distinguished history providing orthodontists with high quality, innovative products. Multiple brands within KaVo Kerr have more than 100 years of history in dental products. We believe the long history and leadership of our well-known brands in the dental products industry enhances our connections with both patients and providers and supports our strong market position.

- **Comprehensive portfolio with leadership in key attractive segments.** We believe we have one of the most comprehensive offerings in the industry, enabling us to be a vendor of choice for many dental practitioners, dental laboratories, distributors and DSOs. The breadth and depth of our product offerings address an estimated 90% of dentists' clinical needs from consumables to digital equipment solutions. Our catalog of products covers the spectrum from value-focused products to premium brands, allowing providers to fully address patient needs in different market segments. Within our product portfolio, we believe we are one of the largest manufacturers in implants and orthodontics and have one of the largest installed bases of imaging devices. Our broad product offering positions us particularly well to serve the needs of DSOs, which have been one of the fastest growing segments of our customer base.
- **Global commercial reach.** Our operating companies serve more than 1 million dentists in over 150 countries through one of the largest customer-facing sales teams in the dental products industry and through our dealer partners. In 2020, we generated 56% of our sales from markets outside of the U.S. We reach dentists via a network of over 1,000 global distribution partners. We believe our diverse sales channels, global manufacturing and distribution, and local market knowledge help us to better address customers' needs. We are also a leading global provider of clinical training to enhance patient access to high-quality dental care.
- **Strong position in emerging markets, particularly in the Greater China region.** Emerging markets represented 22% of our total sales in 2020. We have built one of the largest dental products businesses in the Greater China region, with three manufacturing operations and a fully localized infrastructure with dedicated R&D, product management, operations, regulatory affairs, sales and marketing, and customer service resources. With this structure, we believe that we are well positioned to capture additional share in the growing Chinese dental products industry. Given our success in the Greater China region, we are replicating key elements of this strategy in other high growth regions such as Latin America, Asia Pacific, Eastern Europe and Russia.
- **Track record of innovation.** Our operating companies have a long track record of successful innovation, having pioneered many new dental product categories since their inception. Our strong commercial infrastructure allows us to obtain insights into unmet needs at the practitioner level and translate them into differentiated products. Our focus on innovation has yielded many differentiated products over the years, such as NobelActive dental implants, Damon bracket and wire system and i-CAT 3D imaging system. We are continuing this legacy of innovation with our N1 implant system, Spark clear aligners and DTX clinical software ecosystem. Our new product development activities are complemented by externally sourcing technologies through a broad network of partnerships, collaborations, and investments involving third-party research institutions, universities and innovative start-up companies.
- **Envista Business System.** We believe our deep-rooted commitment to EBS helps drive our success and market leadership and differentiates us in the dental products industry. EBS encompasses not only lean tools and processes, but also methods for driving innovation, growth and leadership. Within the EBS framework, we pursue a number of ongoing strategic initiatives relating to streamlining business operations, portfolio simplification, reduction of costs, redeployment of resources, customer insight generation, product development and commercialization, efficient sourcing, and improvement in manufacturing and back-office support, all with a focus on continually improving quality, delivery, cost, growth and innovation.
- **Experienced management team with extensive dental industry experience.** Our executive officer team has over 200 collective years of dental industry experience and a proven track record of applying EBS to execute on our strategic and operational goals. Under their leadership, we have undertaken a significant transformation to better position our business for organic and inorganic growth and diversify our sales globally. We believe our management team will continue to drive growth and profitability in our business in the future.

#### **Our Business Segments**

The table below describes the percentage of our total annual sales attributable to each of our segments over each of the three years ended December 31, 2020. For additional information regarding sales, operating profit and identifiable assets by segment, please refer to Note 22 in our audited consolidated and combined financial statements included elsewhere in this Annual Report.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Specialty Products & Technologies	49%	49%	48%
Equipment & Consumables	51%	51%	52%

### **Specialty Products & Technologies**

Our Specialty Products & Technologies segment, consisting of Nobel Biocare Systems and Ormco operating companies, develops, manufactures and markets dental implant systems, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products. We have a strong direct relationship with our customers through a sales force of more than 1,800 employees. In 2020, direct sales to end-users represented 86% of segment sales and sales from consumables, services and spare parts comprised 94% of segment sales. We believe strong industry fundamentals and new product introductions in this segment will continue to drive substantial growth for us.

#### *Nobel Biocare Systems*

**Nobel Biocare Systems (“Nobel”)** is a world leader in the field of innovative implant-based dental restorations offering over 3,000 products and enabling dentists to deliver single-tooth to full-mouth restorations. Nobel’s well-known brands include Nobel Biocare™, Alpha-Bio Tec™, Implant Direct™, Logon, Nobel Procera™ and Orascopic™. As the pioneer of implant science grounded in clinical research, Nobel has introduced a number of solutions that have become widely adopted in the premium implant industry. Nobel’s comprehensive product offering includes dental implant systems, guided surgery systems, biomaterials, prefabricated and custom-built prosthetics and dental eye loupes, marketed under a variety of brands, including Nobel Biocare, Alpha-Bio Tec, Implant Direct, Nobel Procera and Orascopic. Nobel also offers a comprehensive education program to fully train its broad range of clinical customers, from clinicians performing basic implant procedures to the most advanced practitioners, with the goal of enhancing patient access to high-quality dental care. Customers of Nobel include oral surgeons, prosthodontists and periodontists.

The table below provides a summary description of key products and brands offered by Nobel Biocare Systems products:

Product	Image	Description
NobelActive		<ul style="list-style-type: none"> <li>■ Bone level tapered dental implant system with high primary stability for immediate placement</li> </ul>
Nobel Procera customized prosthetics		<ul style="list-style-type: none"> <li>■ Customized crowns, bridges and other dental prosthetics produced using CAD/CAM technology</li> </ul>
Regenerative solutions		<ul style="list-style-type: none"> <li>■ Safe and reliable solutions for guided bone and tissue regeneration procedures (membranes, bone grafts, wound dressings)</li> </ul>
X-Guide		<ul style="list-style-type: none"> <li>■ Guided surgery system with dynamic 3D navigation</li> <li>■ Designed to improve the precision and accuracy of implant position, angle, and depth</li> </ul>
DTX Studio Implant		<ul style="list-style-type: none"> <li>■ Software enabling precise implant planning according to the desired prosthetic outcome</li> </ul>
DTX Studio Lab		<ul style="list-style-type: none"> <li>■ Software enabling tooth or implant based prosthetic restoration planning</li> </ul>

Nobel has a long history of innovation, which includes both the first documented case of a titanium implant placement in a human and introduction of the concept of living bone adhering to an artificial implant (known as osseointegration). Today, Nobel offers several implant systems and is integrating them with the DTX suite of software applications described below. Currently, NobelActive is our top implant system in terms of sales and number of placements. NobelActive offers high primary stability allowing patients to receive and use prosthetics the same day as the implant is placed. The most recent example of Nobel's innovation leadership is the N1 implant system, which was recently launched in Europe, with authorization for sale in further regions pending, and which we believe will be a significant product for Nobel and will simplify the implant procedure. N1's unique implant and site preparation method was created with the goal to reduce complexity and streamline workflows during implant and restorative procedures. Through our Implant Direct, Alpha-Bio Tec and Logon value implant businesses, we also offer a variety of implant systems that cover a broad range of price points in the market.

Since being acquired in 2014, Nobel has focused on reinvigorating its product offerings and has released over 30 new products. Among these are, the comprehensive software packages 'DTX Studio Implant,' which is used for treatment planning of dental implants, and 'DTX Studio Lab,' which is used for prosthetics treatment planning. These software packages are now integrated in our broader DTX software suite, which also includes the new 'DTX Studio Clinic' software package offered with our imaging devices. With DTX, clinicians can use one software ecosystem from image acquisition and diagnosis to treatment planning, implant surgery, and restoration planning and placement, as well as collaborate with treatment partners such as other dentists or laboratories on one digital platform. We believe this will enable significant clinical workflow efficiencies and more predictable clinical outcomes.

## Ormco

For over 60 years, Ormco has provided orthodontic professionals with high quality, innovative products backed by educational support to enhance the lives of their patients. Ormco is a leading manufacturer and provider of advanced orthodontic technology and services designed to move malpositioned teeth and jaws. Ormco products include brackets and wires, tubes and bands, archwires, clear aligners, digital orthodontic treatments, retainers, and other orthodontic laboratory products, and are marketed under the Damon™, Insignia™, AOA™ and Spark brands. Ormco also offers a comprehensive education system to fully train its clinical customers from basic to the most advanced, with the goal of enhancing patient access to high-quality dental care. Customers of Ormco are primarily orthodontists.

The table below provides a summary description of key products and brands offered by Ormco:

Product	Image	Description
Damon Bracket System		<ul style="list-style-type: none"><li>■ Leading passive self-ligating bracket and wire system using low force levels and enabling fast treatments</li></ul>
Wires		<ul style="list-style-type: none"><li>■ Variety of wires for consistent delivery of forces all throughout orthodontic treatments</li></ul>
Spark Clear Aligner System		<ul style="list-style-type: none"><li>■ Clear plastic aligners designed as a highly aesthetic option to move teeth</li></ul>

Ormco is a leader in passive self-ligating metal brackets, marketed as the Damon System. Passive self-ligation is a method of moving teeth using a fraction of the force levels required by brackets that utilize ligatures. In 2018, Ormco launched its next generation product, DQ2™, which offers twice the rotational control as the predecessor bracket, allowing for optimal precision, predictability and efficiency. In 2018, Ormco launched Symetri™ Clear, an advanced aesthetic ceramic bracket designed for refined strength, patient comfort and easy debonding without fracturing. In 2019, Ormco launched SmartArch™, a patented laser-engineered archwire designed to enable clinicians to move into a finish wire after just two archwires, reducing treatment time. Ormco also offers the Insignia digital orthodontic system as well as a variety of other orthodontic products, including twin brackets, clear brackets, wires and auxiliary components.

Having historically focused on brackets and wires, Ormco now has commercially launched its clear aligner system in several markets including North America, Europe, and China. Spark is a clear aligner system designed for mild to complex malocclusion that is made with TruGEN™ and TruGEN XR™, the latest generation of aligner material. It is designed to deliver higher sustained force retention for efficiency and a high level of transparency for aesthetics. Spark aligners are also designed with polished, scalloped edges to enhance patient comfort and minimize aligner stains. In 2020, Ormco announced a suite of upgrades to its Spark clear aligner Approver™ software designed to improve the customer experience with flexibility and customization features. Ormco has partnered with industry leading intra oral scanner companies as part of its commitment to making imaging integrations seamless. We believe that Spark will provide growth opportunities for our orthodontic business over the next several years.

## Equipment & Consumables

Our Equipment & Consumables segment develops, manufactures and markets dental equipment and supplies used in dental offices, including digital imaging systems and sensors, software and other visualization/magnification systems; handpieces and associated consumables; treatment units and other dental practice equipment; endodontic systems and related consumables; restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products. Products in this segment are sold primarily through dental distributors, with 87% of segment sales for the year ended December 31, 2020 made through our channel partners. Sales from consumables, services and spare parts comprised approximately 55% of segment sales in 2020.

The segment is organized as one operating company, KaVo Kerr, with products broadly categorized as dental equipment under the KaVo umbrella brand and dental consumables under the Kerr umbrella brand. KaVo Kerr's well-known brands include KaVo™, Dexis™, i-CAT, Gendex™, Nomad™, Kerr™, Pentron™, Optibond™, Harmonize™, Sonicfill™, Sybron Endo™ and CaviWipes™.

## KaVo

KaVo's broad offering of dental equipment is used in dental offices, clinics and hospitals. The business was primarily established through acquisitions of KaVo and Gendex in 2004 and PaloDEx™ Group Oy in 2009, but also includes products from numerous other acquisitions. Our equipment products are marketed under a variety of brands, including Dexis, Gendex, i-CAT, and KaVo.

The table below provides a summary description of key products and brands offered by KaVo:

Product	Image	Description
i-CAT FLX		<ul style="list-style-type: none"> <li>■ 3D / CBCT (Cone-Bean Computed Tomography) imaging system with a wide range of field of views and low dose scanning</li> </ul>
OP3D		<ul style="list-style-type: none"> <li>■ Modular 2D/3D imaging system providing a range of fields of view at a low radiation dose</li> </ul>
Dexis Titanium Sensors		<ul style="list-style-type: none"> <li>■ Intraoral X-Ray Sensors with high image quality, durable housing, and efficient workflow software</li> </ul>
KaVo Handpieces		<ul style="list-style-type: none"> <li>■ High quality air-driven, electric, and surgical handpieces used in variety of dental procedures</li> </ul>
Dental Treatment Units		<ul style="list-style-type: none"> <li>■ Reliable practice equipment including dental chairs, dental units and dentist stools designed for patient comfort, dentist ergonomics, and simple operation</li> </ul>
DTX Studio Clinic		<ul style="list-style-type: none"> <li>■ Software enabling efficiencies in dental practice workflow; allows access to broad variety of clinical patient images and treatment planning in one system</li> </ul>

KaVo was the pioneer in 2D/panoramic and 3D imaging and has one of the largest installed bases of dental imaging devices in the industry with over 150,000 imaging devices currently utilized in dental practices. KaVo holds a leading position in 3D imaging through the i-CAT and KaVo brands. The i-CAT FLX V17 is the business' latest 3D CBCT offering and features a wide range of field of views, enabling a clinician to capture high quality images of the full oral-facial complex at high resolution with low radiation. This helps clinicians to more effectively treat orthodontics, complex oral surgery, implantology and airway cases. Beginning in 2017, KaVo launched the OP3D™ family, a scalable modular imaging system, providing clinicians with the flexibility to upgrade to the latest 3D imaging technology as they expand their capabilities and grow their practices. Our Dexis brand is an industry leader in intraoral X-Ray digital sensors, which provide two-dimensional images of the mouth. The newly-launched Dexis Titanium™ is our flagship sensor and captures high quality images with low radiation and has advanced durable materials that make it highly reliable.

The 'DTX Studio Clinic' software package is offered on many of our imaging products, allowing dental professionals to store and access a broad variety of clinical patient images (e.g., 2D/3D/IOS/pictures) in one place. In combination with the Nobel Biocare Systems 'DTX Studio Implant' and 'DTX Studio Lab' software packages, clinicians can use one software ecosystem from image acquisition and diagnosis to treatment planning, implant surgery and restoration planning and placement, as well as collaborate with treatment partners such as other dentists or laboratories on one digital platform. We believe this will enable significant clinical workflow efficiencies and more predictable clinical outcomes.

KaVo is also a leader in the production of dental handpieces, which are used in nearly all disciplines of dentistry. We believe KaVo handpieces are known for high quality and high performance and are available with air-driven or electrical power. Additionally, KaVo has a substantial service and warranty business for instruments and imaging products. Finally, through the KaVo brand, we offer equipment units which consist of dental treatment units and other dental office equipment.

## Kerr

Kerr markets a broad offering of general dental consumables that are used in dental offices, clinics and hospitals. The business was primarily established through the acquisition of Sybron Dental Specialties in 2006, as well as numerous other acquisitions. Kerr products are marketed under a variety of brands, including Kerr, Metrex™, Sybron Endo, Total Care and Pentron.

The table below provides a summary description of key products and brands offered by Kerr:

Product	Image	Description
SonicFill3		■ Sonic-activated, Single Fill composite system that enables efficient, high quality restorations
Harmonize		■ Universal composite with properties that adapt to closely resemble enamel
OptiBond eXTRA Universal		■ One step universal bonding agent for effective and reliable adhesion
CaviCide & CaviWipes		■ Ready-to-use surface disinfectants which is effective against a wide variety of viruses, bacteria and fungi

Kerr's products have strong brand and product recognition across most consumables categories, including restorative, endodontics, and infection control. Kerr offers several products designed to repair and restore fractured or otherwise damaged teeth. The SonicFill composite bulk fill system replaces conventional time-consuming, multi-stage layering techniques with a single fill system that eliminates a liner or final capping layer. Kerr also offers cements and bonding agents, including the leading OptiBond™ line of products. Kerr Endodontics offers a variety of products used in the endodontic workflow which help clinicians to locate, shape, clean and fill root canals. Kerr also produces curing lights and other consumables including impression materials, burs, amalgams and waxes under several brands. During 2020, Kerr launched SimpliShade™, a universal composite featuring three shades resulting in quicker shade-matching, leading to faster chair times and helps streamline restoration workflows and inventory management.

Through our Metrex brand, we have a significant position within infection prevention products, which include the CaviWipes and CaviCide™ product lines. We added capacity to help increase output of our disinfectants in response to the COVID-19 pandemic. In October 2020, Caviwipes 2.0 was launched, the next generation in surface disinfectant wipes that qualifies for the EPA's Emerging Viral Pathogen claim. CaviWipes 2.0 has a shorter contact time than the original CaviWipe and is optimized to handle daily infection prevention needs and future public health crises.

## International Operations

We are a global dental company. Our products and services are available worldwide, and our principal markets outside the U.S. are in Europe, Asia, the Middle East and Latin America. In 2020, we generated 48% of our sales in North America, 23% of our sales in Western Europe, 22% of our sales in emerging markets and 7% of our sales in other developed markets.

We also have operations around the world, and this geographic diversity allows us to draw on the skills of a worldwide workforce, provides greater stability to our operations, allows us to drive economies of scale, provides sales streams that may help offset economic trends that are specific to individual economies and offers us an opportunity to access new markets for products. In addition, we believe that our future growth depends in part on our ability to continue developing products and sales models that successfully target emerging markets.

The manner in which our products and services are sold outside the U.S. differs by business and by region. Most of our sales in non-U.S. markets are made by our subsidiaries located outside the U.S., though we also sell directly from the U.S. into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, we generally sell through representatives and distributors.

Information about the effects of foreign currency fluctuations on our business is set forth in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” For a discussion of risks related to our non-U.S. operations and foreign currency exchange, please refer to “Item 1A. Risk Factors—General Risks.”

#### **Sales and Distribution**

Typical customers and end-users of our products include general dentists, dental specialists, orthodontists, dental hygienists, dental laboratories and other oral health professionals, including DSOs, as well as educational, medical and governmental entities and third-party distributors. These customers choose dental products based on the factors described under the section entitled “Business—Competition.”

In 2020, we distributed approximately 52% of our products through third-party distributors. Certain highly technical products, such as dental implant systems, orthodontic appliances, dental laboratory equipment and consumables, and endodontic instruments and materials are typically sold directly to dental professionals and dental laboratories.

One customer, Henry Schein, Inc. (“Henry Schein”), accounted for approximately 11%, 12%, and 14% of our sales in 2020, 2019 and 2018, respectively. Other than Henry Schein, no single customer accounted for more than 10% of combined sales in 2020, 2019 or 2018.

While a sizable portion of our sales are derived from distributors, most of our marketing and advertising activities are directed towards the end-users of our products (e.g., dentists, hygienists and other oral health professionals, DSOs, laboratories and universities). In addition to our marketing efforts, as noted above, we conduct significant training and education programs globally for these end-users to enhance patient access to high-quality dental care. In these programs, our employees and/or experts in the respective clinical fields demonstrate the proper use of our products. We maintain educational and consulting relationships with key experts who assist us in developing new products, new indicated uses for our products and educational programs for health care providers and consumers. We also maintain educational and consulting relationships with dental associations around the world.

#### **Research and Development**

We invest substantially in the development of new products. We conduct research and development activities for the purpose of designing and developing new products and applications that address customer needs and emerging trends, as well as enhancing the functionality, effectiveness, ease of use and reliability of our existing products. Our research and development efforts include internal initiatives as well as collaborations with external parties such as research institutions, dental and medical schools and initiatives that use licensed or acquired technology. We expect to continue investing in research and development at a rate consistent with our past practice, with the goal of maintaining or improving our competitive position, and entering new markets.

We generally conduct research and development activities on a business-by-business basis, primarily in North America, the Middle East, Asia and Europe. We anticipate that we will continue to make significant expenditures for research and development as we seek to provide a continuing flow of innovative products to maintain and improve our competitive position. For a discussion of the risks related to the need to develop and commercialize new products and product enhancements, please refer to “Item 1A. Risk Factors—Risks Related to Our Business.” Customer-sponsored research and development was not significant in 2020, 2019 or 2018.

#### **Intellectual Property**

We own numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in the aggregate our intellectual property is important to our operations, we do not consider any single patent, trademark, copyright, trade secret or license to be of material importance to any segment or to the business as a whole. Our products and technologies are protected by over 2,000 granted patents. From time to time, we engage in litigation to protect our intellectual property rights. For a discussion of risks related to our intellectual property, please refer to “Item 1A. Risk Factors—Risks Related to Our Business.” All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, us.

#### **Human Capital Resources**

As of December 31, 2020, we employed approximately 12,400 persons, of whom approximately 3,100 were employed in the U.S. and approximately 9,300 were employed outside of the U.S. We have collective bargaining arrangements and union contracts in certain countries, particularly in Europe where certain of our employees are represented by unions and/or works councils. For a discussion of risks related to employee relations, please refer to “Item 1A. Risk Factors—General Risks.”

Our success depends on our ability to attract, develop and retain a talented employee base. We aspire to help our employees thrive both personally and professionally. As part of these efforts, we strive to embody our core values, offer a competitive compensation and benefits program, foster a community where everyone feels included and respected, and provide ample professional development opportunities.

#### *Core Values*

We endeavor to embody our values in everything we do and in our various programs and initiatives:

- Customer Centricity
- Innovation
- Respect
- Continuous Improvement
- Leadership

#### *Compensation and Benefits Program*

Our compensation programs and practices are designed to attract employees, motivate and reward performance, drive growth and support retention. We offer competitive compensation packages based on market data, which include base salary and may also include annual cash performance incentives, commissions, overtime opportunities, allowances and, in some countries where these are customary, additional monthly payments. In addition, employees in select senior management roles may receive long-term compensation in the form of equity awards. We regularly review our compensation structure to ensure that we remain competitive, reward top performance, as well as to ensure internal equity. We offer robust benefits in each of our locations. In the U.S., our benefits package includes health (medical, dental & vision) insurance, paid time off, paid parental leave, a retirement plan and life and disability coverage.

#### *Diversity and Inclusion*

Diversity, inclusion and equality are at the core of what make our culture and our teams so successful and are embodied by our value of Respect. We know that when our employees show up every day as their authentic selves, there is greater teamwork, more thoughtful debate and more reasons to celebrate. We are committed to a culture where diversity, respect, belonging and authenticity are valued. We will drive diversity and inclusion by way of diverse candidate slates for executive and professional level roles and sales roles and we ensure succession plan talent is diverse in representation and receives promotional advocacy. We have a Diversity and Inclusion Council, consisting of leaders within the Company to drive accountability and results for our diversity and inclusion strategic efforts and initiatives. We have four standing Diversity and Inclusion Committees in the areas of talent acquisition and engagement, education and learning, events and celebrations, and global communication. We have two Employee Resource Groups: a women's and multicultural employee resource group, as well as learning events during each historical heritage month throughout the year to celebrate our workforce. Additionally, we have strategically partnered with the Consortium for early career diverse talent and with historically Black colleges and universities (HBCUs) and Hispanic Serving Institutions (HSIs) to further advance our workforce diversity efforts.

#### *Learning and Development Opportunities*

We empower our employees to thrive in their current roles as well as support employees' aspiration to move into different roles. We have a promote-from-within culture with opportunities across our operating companies. We support our employees through a multitude of training and development programs, including training on our EBS tools through our Envista Business System University, individual development plans (which encourages our employees to take charge of their learning and growth opportunities and provides access to hundreds of online courses), and various management trainings. We also have several programs focused on early career development, including internship programs and our six-year General Management Development Program. This commitment to our employees' professional development reflects both our Continuous Improvement and Leadership core values.

## *Safe Work Environment*

We value the safety of our employees and have leveraged our technological resources to institute work-from-home arrangements for most of our employees in response to the COVID-19 pandemic. At our manufacturing sites and office locations where employees are required to work on-site, we have implemented significant procedures to help ensure the health and safety of our workforce, including daily health and temperature screenings, mandatory face masks, social distancing guidelines, staggered shifts and frequent disinfection processes.

## **Materials**

Our manufacturing operations employ a wide variety of raw materials, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products, and prices of oil and gas also affect our costs for freight and utilities. We purchase raw materials from a large number of independent sources around the world. No single supplier is material, although for some components that require particular specifications or qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. We utilize a number of techniques to address potential disruption in and other risks relating to our supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources. During 2020, we had no raw material shortages that had a material effect on our business. For a further discussion of risks related to the materials and components required for our operations, please refer to “Item 1A. Risk Factors—Risks Related to Our Business.”

## **Competition**

We believe we are a leader in many of our served markets. Although our businesses generally operate in highly competitive markets, our competitive position cannot be determined accurately in the aggregate or by segment, since none of our competitors offer all of the same product and service lines and serve all of the same markets as we do. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than we are in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. We face increased competition in a number of our served markets as a result of the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. Key competitive factors vary among our businesses and product and service lines, but include the specific factors noted above with respect to each segment and typically also include price, quality, performance, delivery speed, applications expertise, distribution channel access, service and support, technology and innovation, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, please refer to “Item 1A. Risk Factors—Risks Related to Our Industry.”

## **Seasonal Nature of Business**

Based on historical experience, we generally have more sales in the second half of the calendar year than in the first half of the calendar year, with the first quarter typically having the lowest sales of the year. Based on historical customer buying patterns, we generally have more sales in the fourth quarter than in any other quarter of the year, driven in particular by capital spending in our Equipment & Consumables segment. As a result of this seasonality in sales, profitability in our Equipment & Consumables segment also tends to be higher in the second half of the year. There are no assurances that these historical trends will continue in the future.

## **Regulatory Matters**

We face extensive government regulation both within and outside the U.S. relating to the development, manufacture, marketing, sale and distribution of our products, software and services. The following sections describe certain significant regulations that we are subject to. These are not the only regulations that our businesses must comply with. For a description of risks related to the regulations that our businesses are subject to, please refer to “Item 1A. Risk Factors—Risks Related to Laws and Regulations.”

### **Medical Device Regulations**

Most of our products are classified as medical devices and are subject to restrictions under domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders, including, but not limited to, the U.S. Food, Drug, and Cosmetic Act (the “FDCA”). The FDCA requires these products, when sold in the U.S., to be safe and effective for their intended uses and to comply with the regulations administered by the U.S. Food and Drug Administration (the “FDA”). The FDA regulates the design, development, research, preclinical and clinical testing, introduction, manufacture, advertising, labeling, packaging, marketing, distribution, import and export and record keeping for such products. Certain medical device products are also regulated by comparable agencies in non-U.S. countries in which they are produced or sold.

Unless an exemption applies, the FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval (“PMA”) before introducing it into the U.S. market. The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device’s safety and effectiveness.

Our products are either classified as Class I or Class II devices in the U.S. Most of our Class II and certain of our Class I devices are marketed pursuant to 510(k) pre-marketing clearances. The FDA also enforces additional regulations regarding the safety of X-ray emitting devices that we currently market. The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and clinical data, which in some cases can be extensive, to demonstrate that the device is “substantially equivalent” to a device that was on the market before 1976 or to a device that has been found by the FDA to be “substantially equivalent” to such a pre-1976 device. A predecessor device is referred to as “predicate device.” As a result, FDA clearance requirements may extend the development process for a considerable length of time.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device has received 510(k) clearance for a specific intended use, any change or modification that significantly affects its safety or effectiveness, such as a significant change in the design, materials, method of manufacture or intended use, may require a new 510(k) clearance or PMA approval and payment of an FDA user fee. The determination as to whether or not a modification could significantly affect the device’s safety or effectiveness is initially left to the manufacturer using available FDA guidance; however, the FDA may review this determination to evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained.

In addition, all dental amalgam filling materials, including those manufactured and sold by us, contain mercury. Various groups have alleged that dental amalgam containing mercury is harmful to human health and have actively lobbied state, federal and foreign lawmakers and regulators to pass laws or adopt regulatory changes restricting the use, or requiring a warning against alleged potential risks, of dental amalgams. The FDA, the National Institutes of Health and the U.S. Public Health Service have each indicated that there are no demonstrated direct adverse health effects due to exposure to dental amalgam. In response to concerns raised by certain consumer groups regarding dental amalgam, the FDA formed an advisory committee in 2006 to review peer-reviewed scientific literature on the safety of dental amalgam. In July 2009, the FDA concluded its review of dental amalgam, confirming its use as a safe and effective restorative material for adults and children ages six and above. Also, as a result of this review, the FDA classified amalgam and its component parts, elemental mercury and powder alloy, as a Class II medical device. Previously there was no classification for encapsulated amalgam, and dental mercury (Class I) and alloy (Class II) were classified separately. This regulation placed encapsulated amalgam in the same class of devices as most other restorative materials, including composite and gold fillings, and made amalgam subject to special controls by the FDA. In that respect, the FDA recommended that certain information about dental amalgam be provided, which includes information indicating that dental amalgam releases low levels of mercury vapor, and that studies on people ages six and over as well as FDA estimated exposures of children under six, have not indicated any adverse health risk associated with the use of dental amalgam. After the FDA issued this regulation, several petitions were filed asking the FDA to reconsider its position. Another advisory panel was established by the FDA to consider these petitions. Hearings of the advisory panel were held in December 2010. The FDA has taken no action indicating a change in its position as of the date of this Annual Report.

Additionally, some groups have asserted that the use of dental amalgam should be prohibited because of concerns about environmental impact from the disposition of mercury within dental amalgam, which has resulted in the sale of mercury containing products being banned in Sweden and severely curtailed in Norway. In the U.S., the Environmental Protection Agency proposed in September 2014 certain effluent limitation guidelines and standards under the Clean Water Act to help cut discharges of mercury-containing dental amalgam to the environment. The rule would require affected dentists to use best available technology (amalgam separators) and other best management practices to control mercury discharges to publicly-owned treatment works. Similar regulations exist in Europe and in February 2016, the European Union adopted a ratification package regarding the United Nations Minamata Convention on Mercury, proposing rules restricting the use of dental amalgam to the encapsulated form and requiring the use of separators by dentists. We recommend adherence to the American Dental Association's Best Management Practices for Amalgam Waste and include this recommendation in our dental amalgam packaging. We also manufacture and sell non-amalgam dental filling materials that do not contain mercury.

Any devices we manufacture and distribute are subject to pervasive and continuing regulation by the FDA and certain state agencies. These include product listing and establishment registration requirements, which help facilitate FDA inspections and other regulatory actions. As a medical device manufacturer, all of our manufacturing facilities are subject to inspection on a routine basis by the FDA. We are required to adhere to the Current Good Manufacturing Practices ("cGMP") requirements, as set forth in the Quality Systems Regulation ("QSR"), which require, manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process.

We must also comply with post-market surveillance regulations, including medical device reporting, or MDR, requirements which require that we review and report to the FDA any incident in which our products may have caused or contributed to a death or serious injury. We must also report any incident in which our product has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur.

Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as "off-label" promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses.

In the European Union, our products are subject to the medical device laws of the various member states, which are currently based on a Directive of the European Commission. However, the EU has adopted the EU Medical Device Regulation (the "EU MDR") which imposes stricter requirements for the marketing and sale of medical devices, including in the area of clinical evaluation requirements, quality systems and post-market surveillance. Manufacturers of currently approved medical devices will have until May 2021 to meet the requirements of the EU MDR. Complying with the EU MDR will require modifications to our quality management systems, additional resources in certain functions and updates to technical files, among other changes. Our Nobel Biocare business has obtained the EU MDR Quality Management System certification and is one of the first in the dental industry to do so. This is an important milestone for Nobel Biocare, and we believe that we are on track in our efforts to achieve EU MDR certification for our full portfolio of products.

#### **Other Healthcare Laws**

In addition to the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar anti-bribery laws, we are also subject to various health care related laws regulating fraud and abuse, research and development, pricing and sales and marketing practices and the privacy and security of health information, including the U.S. federal regulations described below. Many states, foreign countries and supranational bodies have also adopted laws and regulations similar to, and in some cases more stringent than, the U.S. federal regulations discussed above and below.

- The Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made in whole or in part under a federal health care program, such as Medicare or Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

- The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) prohibits knowingly and willfully (1) executing, or attempting to execute, a scheme to defraud any health care benefit program, including private payors, or (2) falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. Similar to the Federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the healthcare fraud statute implemented under HIPAA or specific intent to violate it in order to have committed a violation.
- The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program, knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim, or knowingly makes a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. Federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act.
- The federal Civil Monetary Penalties Law prohibits, among other things, the offering or transferring of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know is likely to influence the beneficiary’s selection of a particular supplier of Medicare or Medicaid payable items or services.
- The Open Payments Act requires manufacturers of medical devices covered under Medicare, Medicaid or the Children’s Health Insurance Program with specific exceptions to record payments and other transfers of value to a broad range of healthcare providers (including dentists) and teaching hospitals and to report this data as well as ownership and investments interests held by the physicians described above and their immediate family members to the Department of Health and Human Services (“HHS”) for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level, and an increasing number of countries worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

Federal consumer protection and unfair competition laws broadly regulate marketplace activities and activities that potentially harm consumers. Analogous U.S. state laws and regulations, such as state anti-kickback and false claims laws, also may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers. Further, there are state laws that require medical device manufacturers to comply with the voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

For a discussion of risks related to regulation by the FDA and comparable agencies of other countries, and the other regulatory regimes referenced above, please refer to “Item 1A. Risk Factors—Risks Related to Laws and Regulations.”

#### ***Healthcare Reform***

In the U.S. and certain foreign jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. For example, in the U.S., in March 2010, the U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the “PPACA”) was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers and significantly affected the healthcare industry. Since its enactment, there have been judicial, Congressional and executive challenges to certain aspects of the PPACA, and we expect there will be additional challenges and amendments to the PPACA in the future.

Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for medical products. Individual states in the U.S. have also become increasingly active in implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing.

#### ***Coverage and Reimbursement***

Dental procedures and products are often paid for out-of-pocket. For products where third-party coverage and reimbursement is available, sales will depend, in part, on the extent to which such product will be covered by third-party payors, such as federal, state and foreign government healthcare programs, commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payors. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. These third-party payors are increasingly reducing reimbursements for medical products and services and, in international markets, many countries have instituted price ceilings on specific products and therapies. Price ceilings, decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce dentist usage and patient demand for the product.

#### ***Data Privacy and Security Laws***

As a global manufacturer of medical devices we are subject to U.S. (federal and state) and international data privacy, security and data breach notification laws, which may govern the collection, use, disclosure and protection of health-related and other personal information.

For example, in the U.S., HIPAA privacy, security, and breach notification rules require certain of our operations to maintain controls to protect the confidentiality, availability, and integrity of patient health information. In addition, individual states regulate data breach notification requirements as well as more general privacy and security requirements. Entities that are found to be in violation of HIPAA, for example as the result of a breach of unsecured protected health information, a complaint about privacy practices, or an audit by HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

The Health Information Technology for Economic and Clinical Health (“HITECH”) Act was enacted as an update to HIPAA and makes business associates of covered entities directly liable for compliance with certain HIPAA requirements, strengthens the limitations on the use and disclosure of protected health information without individual authorizations, and contemplates enforcement of noncompliance with HIPAA due to willful neglect. These changes have stimulated increased enforcement activity and enhanced the potential that health care providers will be subject to financial penalties for violations of HIPAA. In addition, the Secretary of HHS is required to perform periodic audits to ensure covered entities (and their business associates, as that term is defined under HIPAA) comply with the applicable HIPAA requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action.

In addition to the federal HIPAA regulations, most states also have laws that protect the confidentiality of health information and other personal data, and these laws may be broader in scope or offer greater individual rights with respect to protected health information than HIPAA. Further, all 50 states and the District of Columbia have adopted data breach notification laws that impose, in varying degrees, an obligation to notify affected persons and/or state regulators in the event of a data breach or compromise, including when their personal information has or may have been accessed by an unauthorized person.

Some state breach notification laws may also impose physical and electronic security requirements regarding the safeguarding of personal information, such as social security numbers and bank and credit card account numbers. Violation of state privacy, security, and breach notification laws can trigger significant monetary penalties. In addition, certain states' privacy, security, and data breach laws, including, for example, the California Consumer Privacy Act (“CCPA”), and include a private right of action that may expose us to private litigation regarding our privacy and security practices and significant damages awards or settlements in civil litigation. Acts such as the CCPA also provide covered employees a right of action if their personal data is accessed or disclosed without their authorization or if their data is stolen because of our failure to implement and maintain reasonable security procedures/practices. Lastly, the CCPA will be amended and strengthened further by the California Privacy Rights Act giving Californian residents more control over the use of their personal information.

In certain instances, we are also subject to the General Data Protection Regulation (“GDPR”), the main law in the European Union and European Economic Area (collectively, the EU), as well as associated EU member state laws. These laws impose significant requirements for covered businesses (controllers and processors) of personal data, including, for example, higher standards for obtaining consent from individuals to process their personal data, more robust disclosures to individuals, a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention and secondary uses of information, increased requirements pertaining to health data and pseudonymised (i.e., key-coded) data, restrictions on data transfers outside of the EU, and additional obligations when we contract third-party processors in connection with the processing of personal data. The GDPR allows EU member states certain flexibility to make additional laws and regulations concerning the same issues, including, for example, further limiting the processing of genetic, biometric or health data. Failure to comply with the requirements of GDPR may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. Other administrative penalties may be imposed under the applicable national data protection laws of the EU member states.

Other countries throughout the world have or are in the process of passing laws that contain similar requirements to GDPR. Data localization laws have also been passed or are under consideration in several countries (such as China and Russia), which require personal information relating to their citizens to be maintained on local servers and impose additional data transfer restrictions.

For a discussion of risks related to compliance with data privacy and security laws, please refer to “Item 1A. Risk Factors--Risks Related to Our Business.”

#### ***Environmental Laws and Regulations***

Our operations and properties are subject to laws and regulations relating to environmental protection, including those governing air emissions, water discharges and waste management, and workplace health and safety. In addition, certain of our products are regulated by the U.S. Environmental Protection Agency and comparable state regulatory agencies. For a discussion of the environmental laws and regulations that our operations, products and services are subject to and other environmental contingencies, please refer to Note 14 to our audited consolidated and combined financial statements included in this Annual Report as well as the discussion above relating to dental amalgam. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, please refer to “Item 1A. Risk Factors—Risks Related to Laws and Regulations.”

#### ***Export/Import Compliance***

We are required to comply with various U.S. export/import control and economic sanctions laws, including the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on U.S. foreign policy and national security considerations, and the import regulatory activities of the U.S. Customs and Border Protection. Other nations’ governments have implemented similar export and import control regulations, which may affect our operations or transactions subject to their jurisdictions. For a discussion of risks related to export/import control and economic sanctions laws, please refer to “Item 1A. Risk Factors—Risks Related to Laws and Regulations.”

#### **Legal Proceedings**

We are, from time to time, subject to a variety of litigation and other legal and regulatory proceedings and claims incidental to our business. Please refer to Note 14 to our audited consolidated and combined financial statements in this Annual Report for more information.

#### **Available Information**

We maintain an internet website at [www.envistaco.com](http://www.envistaco.com). We make available on the Investors subpage of our website (under the link “Financial Reports”), free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, ownership reports on Forms 3, 4 and 5 and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such reports with the SEC. Our internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

## **ITEM 1A. RISK FACTORS**

*You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition.*

### **Risk Factors Summary**

The following is a summary of the principal risks that could adversely affect our business, operations and financial results:

- The COVID-19 pandemic has had and could continue to have a material adverse effect on our business and results of operations.
- Conditions in the global economy, the particular markets we serve and the financial markets may adversely affect our business and financial statements.
- Significant developments or uncertainties stemming from trade policies could adversely affect our business.
- Our growth could suffer if the markets into which we sell our products and services decline.
- Inventories maintained by our distributors and customers may fluctuate from time to time.
- We are dependent upon a limited number of distributors for a significant portion of our sales.
- 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.
- Any inability to consummate acquisitions at our historical rate 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.
- 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.
- Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have sold could adversely affect our financial statements.
- We may be affected by significant restrictions, including on our ability to engage in certain corporate transactions for a two-year period after the Split-Off in order to avoid triggering significant tax-related liabilities.
- Data privacy and security laws relating to the handling of personal information are evolving across the world.
- A significant disruption in, or breach in security of, our information technology systems or data or violation of data privacy laws could adversely affect our business, reputation and financial statements.
- If we do not or cannot adequately protect our intellectual property, or if third parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.
- Third parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.
- Defects and unanticipated use or inadequate disclosure with respect to our products or services (including software), or allegations thereof, could adversely affect our business, reputation and financial statements.
- The manufacture of many of our products is a highly exacting and complex process.
- Our financial results are subject to fluctuations in the cost and availability of commodities.
- 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.
- Our restructuring actions could have long-term adverse effects on our business.
- We have outstanding indebtedness of approximately \$1.4 billion as of February 10, 2021, and in the future we may incur additional indebtedness.
- We may not be able to generate sufficient cash to service all of our indebtedness.
- We may be unable to raise the funds necessary to repurchase the convertible notes for cash following a fundamental change, or to pay any cash amounts due upon conversion.
- The conditional conversion feature of the convertible notes, if triggered, may adversely affect our financial condition and operating results.
- The accounting method for the convertible notes could adversely affect our reported financial condition and results.
- The capped call transactions may affect the value of the convertible notes and our common stock.

- We are subject to counterparty risk with respect to the capped calls transactions.
- We may be adversely affected by recent proposals to reform LIBOR.
- The industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs.
- We face intense competition.
- Changes in governmental regulations may reduce demand for our products or services or increase our expenses.
- Certain of our businesses are subject to extensive regulation by the FDA and comparable agencies of other countries.
- Off-label marketing of our products could result in substantial penalties.
- Certain modifications to our products may require new 510(k) clearances or other marketing authorizations and may require us to recall or cease marketing our products.
- Our operations, products and services expose us to the risk of environmental, health and safety liabilities.
- Our businesses are subject to extensive regulation.
- Potential indemnification liabilities to Danaher pursuant to the Separation Agreement could materially and adversely affect our businesses, financial condition, results of operations and cash flows.
- Danaher has indemnified us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities.
- Certain of our executive officers and directors may have actual or potential conflicts of interest because of their position at Danaher or their equity interest in Danaher.
- We or Danaher may fail to perform under various transaction agreements.
- The price of our common stock may continue to be volatile.
- Certain provisions in our governing documents and of Delaware law may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.
- Our governing documents contain exclusive forum provisions for certain types of actions and proceedings.
- Conversion of the convertible notes may dilute the ownership interest of our stockholders.
- The issuance or sale of shares of our common stock, or rights to acquire shares of our common stock, could depress the trading price of our common stock and the convertible notes.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- Foreign currency exchange rates may adversely affect our financial statements.
- Changes in tax law relating to multinational corporations could adversely affect our tax position.
- We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business.
- Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.
- International economic, political, legal, compliance and business factors could negatively affect our financial statements.
- If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.
- Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.
- If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.

#### **Risks Related to COVID-19**

*The COVID-19 pandemic has had and could continue to have a material adverse effect on our business and results of operations.*

Our global operations expose us to risks associated with public health crises and outbreaks of epidemic, pandemic, or contagious diseases, such as the current outbreak of COVID-19. To date, COVID-19 has had, and may continue to have, an adverse impact on our operations, our supply chains and distribution systems, and our revenues and expenses, including as a result of preventive and precautionary measures that we, our dental customers, other businesses, and governments are taking. The majority of dental practices have reopened, however, overall patient volume remains below pre-COVID-19 levels. As dental practices reopened, dental associations have recommended enhanced safety, disinfection and social distancing protocols. These measures may remain in place for a significant period of time in certain regions and may continue to adversely affect our business, results of operations and financial condition. Due to these impacts and measures, we have experienced and may continue to experience significant and unpredictable reductions in the demand for our products.

As a result of the COVID-19 outbreak, we have experienced significant business disruptions, including restrictions on our ability to travel and distribute our products, temporary closures of most of our facilities, temporary reduced production capacity at certain sites when there are local outbreaks causing higher than usual employee absences due to illness or quarantine requirements, as well as reduction in access to our customers due to prolonged shelter-in-place and/or self-quarantine mandates. As more business and activities have shifted online and most of our employees are working remotely due to these restrictions, we may also be more vulnerable to cyber security threats and attempts to breach our security networks. These unprecedented measures to slow the spread of the virus taken by local governments and health care authorities globally have had, and will continue to have, a significant negative impact on our operations and financial results.

Moreover, efforts to slow or prevent a recurrence of the spread of the virus are likely to continue to curtail the operations of our customers and their patients for an indeterminate period of time, impacting our operations as purchasing decisions are delayed or lost, increasing logistical complexities as a result of closed customer offices, sales and marketing efforts are postponed, and certain of our manufacturing operations are curtailed to adjust to declining sales. Our businesses could also be impacted should the disruptions from COVID-19 lead to changes in consumer behavior and spending, and our business may be particularly susceptible to these changes as a material portion of our products may be viewed as discretionary purchases and therefore more susceptible to any global or regional recession that may result from efforts to prevent or delay the spread of the virus. Any such global or regional recessions or economic slowdowns could also increase the risk of customer defaults or delays in payments. Additionally, the COVID-19 impact on the capital markets could affect our cost of borrowing and our ability to raise additional capital. There are certain limitations on our ability to mitigate the adverse financial impact of these items, including the fixed costs of our manufacturing facilities. COVID-19 also makes it more challenging for management to estimate future performance of our businesses, particularly over the near to medium term.

Our future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that we may undertake to address financial and operations challenges faced by our customers. Furthermore, pursuant to the Defense Production Act, the federal government may, among other things, require us to provide essential goods and services needed for the national defense as part of the federal government's response to the pandemic. The invocation of the Defense Production Act may impact our ability to effectively conduct our business operations as planned, either as a result of becoming directly subject to the requirements of the Defense Production Act, our suppliers becoming so subject and diverting deliveries of raw materials elsewhere, or otherwise, and any resulting disruption on our ability to conduct business could have a material adverse effect on our financial condition and results of operations.

In response to the negative impact of COVID-19 on the Company's business, we implemented various cost reduction initiatives. These actions, as they relate to the Company's manufacturing operations, could reduce the efficiency of our manufacturing operations and could further adversely affect our results of operations. Future cost savings initiatives and other measures related to stopping the spread of COVID-19 could also adversely affect our research and development activities, which could negatively impact our growth strategies. As a result of the COVID-19 pandemic, we may experience delays in obtaining regulatory clearances and approvals to market our products.

As part of our efforts to reduce costs to mitigate the impact of COVID-19 on the Company, we took several actions related to our employees, including implementing temporary furloughs and reduced work schedules for a substantial number of our employees, implementing pay reductions, and reducing our overall workforce. Such steps, and further changes we may make in the future to reduce costs, may negatively impact our ability to attract and retain employees. In addition, we have experienced COVID-19 cases among our workforce, and we could experience a wider-spread outbreak of COVID-19 in our manufacturing facilities, which could require us to temporarily shut down manufacturing operations and/or cause a disruption to, or shortage in, our workforce. If a widespread outbreak were to occur, we may experience delays in our responses to our customers and possible delays in shipments of our products, which could adversely impact our competitive positioning, sales and relationships with our customers. We may also face demands or requests from labor unions that represent our employees, whether in the course of our periodic renegotiation of our collective bargaining agreements, through bargaining relating to the shut down and/or reopening of our operations, or otherwise. We could also be materially adversely affected if we are unable to effectively address employment-related matters, including any employment-related litigation, or maintain satisfactory relations with our employees.

Our credit agreement, dated as of September 20, 2019, by and among us and a syndicate of banks (as amended, the “Credit Agreement”) contains covenants that restrict our ability to engage in certain transactions and, if not met, may impair our ability to respond to changing business and economic conditions. Moreover, the terms of the Credit Agreement require us to satisfy certain financial covenants. Should our future business and operations be significantly impaired by the continuing COVID-19 pandemic and associated economic disruptions over an extended period of time or otherwise, we may be unable to remain in compliance with our current financial covenants. In such event, the factors that adversely affect our business may also similarly adversely affect the capital markets, and we cannot assure that we would be able to negotiate alternative covenants or alternative financing on favorable terms if at all. Our failure to comply with the covenants contained in the Credit Agreement, including financial covenants, could result in an event of default, which could materially and adversely affect our results of operations and financial condition.

Due to the uncertain scope and duration of the pandemic, including uncertainty regarding the vaccine distribution and timing and the various mutations of the virus, and the continuing or additional measures that governmental authorities may take to mitigate it, as well as the uncertain timing of global recovery and economic normalization, we are unable to estimate the extent of the impacts on our operations and financial results.

Moreover, many risk factors set forth herein should be interpreted as heightened risks as a result of the impact of the COVID-19 pandemic.

#### **Risks Related to Our Business**

##### ***Conditions in the global economy, the particular markets we serve and the financial markets may adversely affect our business and financial statements.***

Our business is sensitive to general economic conditions. Slower global economic growth, actual or anticipated default on sovereign debt, volatility in the currency and credit markets, high levels of unemployment or underemployment, reduced levels of capital expenditures, changes or anticipation of potential changes in government trade, fiscal, tax and monetary policies, changes in capital requirements for financial institutions, government deficit reduction and budget negotiation dynamics, sequestration, austerity measures, the impact of the COVID-19 pandemic and other challenges that affect the global economy may adversely affect us and our distributors, customers and suppliers. Our success also depends upon the continued strength of the markets we serve. In many markets, dental reimbursement is largely out of pocket for the consumer and thus utilization rates can vary significantly depending on economic growth. While many of our products are considered necessary by patients regardless of the economic environment, certain products and services that support discretionary dental procedures may be susceptible to changes in economic conditions. The above factors can have the effect of:

- reducing demand for our products and services (in this Annual Report, references to products and services also includes software), limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions, which could disrupt our ability to produce our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets;
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us; and
- adversely impacting market sizes.

There can be no assurance that the capital markets will be available to us or that the lenders participating in our credit facilities will be able to provide financing in accordance with their contractual obligations. If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

***Significant developments or uncertainties stemming from trade policies and regulations could have an adverse effect on our business.***

Trade policies and disputes at times result in increased tariffs, trade barriers, and other protectionist measures, which can increase our manufacturing costs, make our products less competitive, reduce demand for our products, limit our ability to sell to certain customers, limit our ability to procure components or raw materials, or impede or slow the movement of our goods across borders. Increasing protectionism and economic nationalism may lead to further changes in trade policies and regulations, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in, or restrict our access to, some markets.

In particular, trade tensions between the U.S. and China have led to increased tariffs and trade restrictions. It is difficult to predict what further trade-related actions governments may take, which may include trade restrictions and additional or increased tariffs and export controls imposed on short notice, and we may be unable to quickly and effectively react to or mitigate such actions.

Trade disputes and protectionist measures, or continued uncertainty about such matters, could result in declining consumer confidence and slowing economic growth or recession, and could cause our customers to reduce, cancel, or alter the timing of their purchases with us. Sustained geopolitical tensions could lead to long-term changes in global trade and supply chains, and decoupling of global trade networks, which could have a material adverse effect on our business and growth prospects.

***Our growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicity.***

Our growth depends in part on the growth of the markets which we serve, and visibility into these markets is limited (particularly for markets into which we sell through distribution). Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which would adversely affect our financial statements. Our quarterly sales and profits depend substantially on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Certain of our businesses operate in industries that may also experience periodic, cyclical downturns.

In addition, in certain of our businesses, demand depends on customers' capital spending budgets as well as government funding policies, and matters of public policy and government budget dynamics as well as product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, marketing or promotional programs, new product introductions, the timing of industry trade shows and changes in distributor or customer inventory levels due to distributor or customer management thereof or other factors. Any of these factors could adversely affect our growth and results of operations in any given period.

***Inventories maintained by our distributors and customers may fluctuate from time to time.***

We rely in part on our distributor and customer relationships and predictions of distributor and customer inventory levels in projecting future demand levels and financial results. These inventory levels may fluctuate, and may differ from our predictions, resulting in our projections of future results being different than expected. These changes may be influenced by changing relationships with the distributor and customers, economic conditions and end-user preference for particular products. There can be no assurance that our distributors and customers will maintain levels of inventory in accordance with our predictions or past history, or that the timing of distributors' or customers' inventory build or liquidation will be in accordance with our predictions or past history.

***We are dependent upon a limited number of distributors for a significant portion of our sales, and loss of a key distributor could result in a loss of a significant amount of our sales. In addition, 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.***

Historically, a substantial portion of our sales had come from a limited number of distributors, particularly Henry Schein, which accounted for approximately 11% of our sales in 2020 and 12% of our sales in 2019. It is anticipated that Henry Schein will continue to be the largest contributor to our sales for the foreseeable future. We do not currently have a master distribution agreement in place with Henry Schein for the distribution of our products in the U.S. and Canada. There can be no assurance that Henry Schein or any particular distributor will purchase any particular quantity of products from us or continue to purchase any products at all. If Henry Schein or any other key distributor or channel partner significantly reduces the volume of products purchased from us, it would have an adverse effect on our consolidated financial statements.

Our key distributors and other channel partners typically have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors' products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, reduction or discontinuation of their purchases from us or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our business and financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, can also significantly impact our results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries could adversely impact our business and consolidated financial statements.

***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.***

We generally sell our products and services in an industry that is characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our competitive position and financial statements will suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our research and development funding to products and services with higher growth prospects;
- anticipate and respond to our competitors' development of new products and services and technological innovations;
- differentiate our offerings from our competitors' offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;
- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time;
- obtain necessary regulatory approvals of appropriate scope (including by demonstrating satisfactory clinical results where required); and
- stimulate customer demand for and convince customers to adopt new technologies.

If we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in research and development of products and services that do not lead to significant sales, which would adversely affect our profitability.

Even if we successfully innovate and develop new and enhanced products and services, we may incur substantial costs in doing so, and our profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns, failure to achieve positive clinical outcomes, uncertainty over third-party reimbursement or entrenched patterns of clinical practice. For additional information on third-party reimbursement of dental products, please refer to "Item 1. Business—Regulatory Matters."

***Any inability to consummate acquisitions at our historical rate 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 ability to grow sales, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies, and to make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our growth rate and our stock price. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions and investments may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments.

***Our acquisition of businesses, investments, joint ventures and other strategic relationships could negatively impact our financial statements.***

As part of our business strategy we acquire businesses, make investments and enter into joint ventures and other strategic relationships in the ordinary course; please refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional details. Acquisitions, investments, joint ventures and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our business and financial statements:

- Any business, technology, service or product that we acquire or invest in could under-perform relative to our expectations and the price that we paid or not perform in accordance with our anticipated timetable, or we could fail to operate any such business profitably.
- We may incur or assume significant debt in connection with our acquisitions, investments, joint ventures or strategic relationships, which could also cause a deterioration of our credit ratings, result in increased borrowing costs and interest expense and diminish our future access to the capital markets.
- Acquisitions, investments, joint ventures or strategic relationships could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term.
- Pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period.
- Acquisitions, investments, joint ventures or strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- We could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers.
- We may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, investment, joint venture or strategic relationship.
- We may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's or investee's activities and the realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations.
- In connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results.
- As a result of our acquisitions and investments, we have recorded significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, or if the fair value of our investments declines, we may be required to incur impairment charges.
- We may have interests that diverge from those of our joint venture partners or other strategic partners and we may not be able to direct the management and operations of the joint venture or other strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.

- Investing in or making loans to early-stage companies often entails a high degree of risk, and we may not achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

Our ability to acquire other businesses or technologies, make strategic investments or integrate acquired businesses effectively may also be impaired by the effects of the COVID-19 pandemic, government actions in light of the pandemic, trade tensions and increased global scrutiny of foreign investments. For example, a number of countries, including the U.S. and countries in Europe and the Asia-Pacific region, are considering or have adopted restrictions on foreign investments. Governments may continue to adopt or tighten restrictions of this nature, and such restrictions could negatively impact our business and financial results.

***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.***

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the acquired company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements.

***Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have sold could adversely affect our financial statements.***

We continually assess the strategic fit of our existing businesses and may divest, spin-off, split-off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. These transactions pose risks and challenges that could negatively impact our business and financial statements. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions may dilute our earnings per share, have other adverse tax, financial and accounting impacts and distract management, and disputes may arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to certain businesses or assets we or our predecessors have sold or disposed. The resolution of these contingencies has not had a material effect on our financial statements, but we cannot be certain that this favorable pattern will continue.

***We may be affected by significant restrictions, including on our ability to engage in certain corporate transactions for a two-year period after the Split-Off in order to avoid triggering significant tax-related liabilities.***

To preserve tax-free treatment for U.S. federal income tax purposes to Danaher of the Separation and Split-Off, under the Tax Matters Agreement, dated as of September 19, 2019, by and between us and Danaher (the “Tax Matters Agreement”), we are restricted from taking any action that prevents the Separation and Split-Off from being tax-free for U.S. federal income tax purposes. Under the Tax Matters Agreement, for the two-year period following the Split-Off, we will be subject to certain restrictions on our ability to enter into acquisition, merger, liquidation, sale and stock redemption transactions with respect to our stock. These restrictions may limit our ability to pursue certain strategic transactions or other transactions that we may believe to be in the best interests of our stockholders or that might increase the value of our business. These restrictions generally will not limit the acquisition of other businesses by us for cash consideration. In addition, under the Tax Matters Agreement, we may be required to indemnify Danaher against any such tax liabilities as a result of the acquisition of our stock or assets, even if we do not participate in or otherwise facilitate the acquisition. Furthermore, we will be subject to certain restrictions on discontinuing the active conduct of our trade or business, the issuance or sale of stock or other securities (including securities convertible into our stock but excluding certain compensatory arrangements), and sales of assets outside the ordinary course of business. Such restrictions may reduce our strategic and operating flexibility.

*Data privacy and security laws relating to the handling of personal information (including personal health information) are evolving across the world and may be drafted, interpreted or applied in a manner that results in increased costs, legal claims, fines against us, reputational damage or impedes delivery.*

As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. For example, in the United States, the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) privacy, security, and breach notification rules require certain of our operations to maintain controls to protect the confidentiality, availability, and integrity of patient health information. In addition, individual states regulate data breach notification requirements as well as more general privacy and security requirements. Entities that are found to be in violation of HIPAA, for example as the result of a breach of unsecured protected health information, a complaint about privacy practices, or an audit by HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance.

Based on the annual revisions for 2020, penalties for HIPAA violations can range from \$119 to \$1.785 million dollars per violation, with a maximum fine of \$1.785 million for identical violations during a calendar year. In 2018, a nation-wide health benefit company paid \$16 million to HHS following a data breach. Prior to this record payment, the largest HIPAA fine was \$5.55 million. Under the law, state attorneys general have authority to bring civil enforcement actions under HIPAA, and attorneys general are actively engaged in enforcement. In addition, any penalties assessed under HIPAA could be in addition to other penalties assessed by a state for a data breach in violation of state laws.

The Health Information Technology for Economic and Clinical Health (“HITECH”) Act was enacted as an update to HIPAA and makes business associates of covered entities directly liable for compliance with certain HIPAA requirements, strengthens the limitations on the use and disclosure of protected health information without individual authorizations, and contemplates enforcement of noncompliance with HIPAA due to willful neglect. These changes have stimulated increased enforcement activity and enhanced the potential that health care providers will be subject to financial penalties for violations of HIPAA. In addition, the Secretary of HHS is required to perform periodic audits to ensure covered entities (and their business associates, as that term is defined under HIPAA) comply with the applicable HIPAA requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action.

In addition to the federal HIPAA regulations, most states also have laws that protect the confidentiality of health information and other personal data, and these laws may be broader in scope or offer greater individual rights with respect to protected health information than HIPAA. Certain of these laws grant individuals various rights with respect to their information, and we may be required to expend significant resources to comply with these laws. Further, all 50 states and the District of Columbia have adopted data breach notification laws that impose, in varying degrees, an obligation to notify affected persons and/or state regulators in the event of a data breach or compromise, including when their personal information has or may have been accessed by an unauthorized person.

Some state breach notification laws may also impose physical and electronic security requirements regarding the safeguarding of personal information, such as social security numbers and bank and credit card account numbers. Violation of state privacy, security, and breach notification laws can trigger significant monetary penalties. In addition, certain states’ privacy, security, and data breach laws, including, for example, the California Consumer Privacy Act (“CCPA”), and include a private right of action that may expose us to private litigation regarding our privacy and security practices and significant damages awards or settlements in civil litigation. Acts such as the CCPA also provide covered employees a right of action if their personal data is accessed or disclosed without their authorization or if their data is stolen because of our failure to implement and maintain reasonable security procedures/practices. Lastly, the CCPA will be amended and strengthened further by the California Privacy Rights Act giving Californian residents more control over the use of their personal information.

In addition, as federal, state and local governments consider adopting new privacy and security legislation, our operations may be subject to different standards in different geographical regions. This may require significantly more resources for compliance and increase the risk of regulatory enforcement and private litigation with respect to our privacy and security practices.

We are also subject to the General Data Protection Regulation (“GDPR”), the main law in the European Union and European Economic Area (collectively, the EU), as well as associated EU member state laws. These laws impose significant requirements for covered businesses (controllers and processors) of personal data, including, for example, higher standards for obtaining consent from individuals to process their personal data, more robust disclosures to individuals, a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention and secondary uses of information, increased requirements pertaining to health data and pseudonymised (i.e., key-coded) data, restrictions on data transfers outside of the EU, and additional obligations when we contract third-party processors in connection with the processing of personal data. The GDPR allows EU member states certain flexibility to make additional laws and regulations concerning the same issues, including, for example, further limiting the processing of genetic, biometric or health data. Failure to comply with the requirements of GDPR may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. Other administrative penalties may be imposed under the applicable national data protection laws of the EU member states.

We rely on legal mechanisms for transferring certain personal data outside of the EU. These mechanisms include the EU Standard Contractual Clauses, or SCCs, and until July 2020, the U.S. Privacy Shield Framework. In July 2020, the Court of Justice of the European Union issued the “Shrems II” decision, invalidating the Privacy Shield Framework and requiring additional due diligence and assessments to be carried out when using Standard Contractual Clauses as transfer mechanisms. This decision has created uncertainty in how business may transfer data out of the EU may result in increased costs and complexity and hinder our transfer of data out of the EU and corresponding business operations.

Other countries (for example Brazil and China) have or are in the process of passing laws that contain similar requirements to GDPR. Data localization laws have also been passed or are under consideration in several countries (such as China and Russia), which require personal information relating to their citizens to be maintained on local servers and impose additional data transfer restrictions.

Compliance with the varying data privacy regulations across the United States and around the world have required significant expenditures and may require additional expenditures and changes in our products or business models that increase complexity and competition. We may also experience less demand for our product if we are unable to engineer these to enable our customers to comply with their obligations under data privacy laws.

In addition, government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements.

***A significant disruption in, or breach in security of, our information technology systems or data or violation of data privacy laws could adversely affect our business, reputation and financial statements.***

We rely on information technology systems, some of which are provided and/or managed by third parties, to process, transmit and store electronic information (including sensitive data, confidential business information, health information, intellectual property, and personal data relating to employees, customers, other business partners and patients), and to manage or support a variety of critical business processes and activities (such as receiving and fulfilling orders, billing, collecting and making payments, shipping products, providing services and support to customers and fulfilling contractual obligations). In addition, some of our software products and services incorporate information technology that may house personal data and some products or software we sell to customers may connect to our systems for maintenance or other purposes.

These systems, products and services (including those we acquire through business acquisitions) may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, ransomware, human error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. This existing risk is potentially compounded given the COVID-19 pandemic and the resulting shift to work-from-home arrangements for a majority of our employees and the related increase in remote access to our systems. Attacks may also target hardware, software and information installed, stored or transmitted in our products after such products have been purchased and incorporated into third-party products, facilities or infrastructure. Security breaches of our systems, regardless of whether the breach is attributable to a vulnerability in our products or services, or security breaches of third parties' systems on which we rely to process, store, or transmit electronic information, could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or our employees, partners, customers, patients or suppliers. Like most multinational corporations, our information technology systems have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks, and we expect the sophistication and frequency of such attacks to continue to increase. Unauthorized tampering, adulteration or interference with our products may also adversely affect product functionality and result in loss of data, risk to patient safety and product recalls or field actions. Additionally, if our business relationship with a third-party provider of information technology systems or services is negatively affected, or if one of our providers were to terminate its agreement with us without adequate notice, we would suffer a significant business disruption.

Any of the attacks, breaches or other disruptions or damage described above could interrupt our operations or the operations of our customers and partners; delay production and shipments; result in theft of our and our customers' intellectual property and trade secrets; damage customer, patient, business partner and employee relationships; harm our reputation; result in defective products or services; or lead to legal claims, proceedings, liability and penalties. These events may also result in increased costs for security and remediation. All of the foregoing could adversely affect our business, reputation and financial statements.

If we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer adverse regulatory consequences, fines, business consequences and litigation.

As cyber threats continue to evolve, we may be required to expend significant capital and other resources to protect against the threat of security breaches or to mitigate and alleviate problems caused by breaches, including unauthorized access to protected health information and personally identifiable information stored in our information systems, and the introduction of computer viruses or other malicious software programs to our systems. Our security measures may be inadequate to prevent security breaches, and our business operations could be materially adversely affected by these events and any resulting federal and state fines and penalties, legal claims or proceedings, and cancellation of contracts if security breaches are not prevented. The healthcare industry is currently experiencing increased attention on compliance with regulations that require us to safeguard protected health information and mitigate cyber-attacks. There are also significant costs associated with a data breach, including investigation costs, remediation and mitigation costs, notification costs, attorney fees, and the potential for reputational harm and lost revenues due to a loss in confidence. We cannot predict the costs to comply with these laws or the costs associated with a potential data breach, which could have a material adverse effect on our business, results of operations, financial position and cash flows, and our business reputation.

We have installed privacy/security protection systems and devices on our network in an attempt to prevent cyber-threats and other unauthorized access to information. However, there can be no assurance that any such threats or unauthorized access will not occur or, if they do occur, that they will be adequately addressed. In addition, our technology may fail to adequately secure the confidential and personal information we maintain. In such circumstances, we may be held liable to individuals and regulators, which could result in fines, litigation or adverse publicity that could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows. Even if we are not held liable, any resulting negative publicity could harm our business and distract the attention of management. Our risk and exposure to these matters remain heightened because of the evolving nature of these threats, increased regulatory enforcement and the expansion of consumer rights under data privacy and security laws.

We believe that our subcontractors and vendors take precautionary measures to prevent problems that could affect our business operations as a result of failure or disruption to their information systems. However, there is no guarantee such efforts will be successful in preventing a disruption, and it is possible that we may be impacted by information system failures. The occurrence of any information system failures with our vendors could result in interruptions, delays, loss or corruption of data and cessations or interruptions in the availability of these systems. All of these events or circumstances, among others, could have an adverse effect on our business, results of operations, financial position and cash flows, and they could harm our business reputation.

***If we do not or cannot adequately protect our intellectual property, or if third parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.***

Many of the markets we serve are technology-driven, and as a result intellectual property rights play a significant role in product development and differentiation. We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, may not be sufficiently broad or otherwise may not provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and protect our intellectual property may not prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing, particularly in countries where intellectual property rights are not highly developed or protected. The laws of foreign countries in which we do business or contemplate doing business in the future may not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. In some circumstances, enforcement may not be available to us because an infringer has a dominant intellectual property position or for other business reasons, or countries may require compulsory licensing of our intellectual property. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements will adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights could adversely impact our business, including our competitive position, and financial statements.

***Third parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.***

From time to time, we receive notices from third parties alleging intellectual property infringement or misappropriation of third parties' intellectual property and cannot be certain that the conduct of our business does not and will not infringe or misappropriate the intellectual property rights of others. Any dispute or litigation regarding intellectual property could be costly and time-consuming to defend due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights, be required to license technology or other intellectual property rights from others, be required to cease marketing, manufacturing or using certain products or be required to redesign, re-engineer or re-brand our products at substantial cost, any of which could adversely impact our business, including our competitive position, and financial statements. Third-party intellectual property rights may also make it more difficult or expensive for us to meet market demand for particular product or design innovations. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our business and financial statements.

***Defects and unanticipated use or inadequate disclosure with respect to our products or services (including software), or allegations thereof, could adversely affect our business, reputation and financial statements.***

Manufacturing or design defects or “bugs” in, unanticipated use of, safety or quality issues (or the perception of such issues) with respect to, “off label” use of, or inadequate disclosure of risks relating to the use of products and services that we make or sell (including items that we source from third parties) can lead to personal injury, death, property damage, loss of profits or other liability. These events could lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, removals and product liability and similar claims (regardless of their validity or ultimate outcome) can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services. Our business can also be affected by studies of the utilization, safety and efficacy of medical device products and components that are conducted by industry participants, government agencies and others. Any of the above can result in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of product issues, including claims by individuals or groups seeking to represent a class.

For a discussion of risks pertaining to the dental amalgam sold by us, see “Item 1. Business—Regulatory Matters—Medical Device Regulations.”

***The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.***

The manufacture of many of our products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors, and if not discovered before the product is released to market could result in recalls and product liability exposure. Because of the time required to approve and license certain regulated manufacturing facilities and other stringent regulations of the FDA and similar agencies regarding the manufacture of certain of our products, an alternative manufacturer may not be available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in significant costs, liability and lost sales, loss of market share as well as negative publicity and damage to our reputation that could reduce demand for our products.

***Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.***

As further discussed in the section entitled “Item 1. Business—Materials,” our manufacturing and other operations employ a wide variety of components, raw materials and other commodities, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Prices for and availability of these components, raw materials and other commodities have fluctuated significantly in the past. Any sustained interruption in the supply of these items could adversely affect our business. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, if commodity prices rise we may be unable to pass along cost increases through higher prices. If we are unable to fully recover higher commodity costs through price increases or offset these increases through cost reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, our margins and profitability could decline and our financial statements could be adversely affected.

*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.*

We purchase materials, components and equipment from third parties for use in our manufacturing operations, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Our profitability could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclical. During a market upturn, suppliers may extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Conversely, in order to secure supplies for the production of products, we sometimes enter into non-cancelable purchase commitments with vendors, which could impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer.

In addition, some of our businesses purchase certain materials, components and services from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses could also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemic health issues, including Covid-19, war, terrorist actions, widespread protests and civil unrest, governmental actions and legislative or regulatory changes. Any of these factors could result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, our manufacturing capacity may at times exceed or fall short of our production requirements. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our financial statements.

***Our restructuring actions could have long-term adverse effects on our business.***

We are currently implementing significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and could slow improvements in our products and services, adversely affect our ability to respond to customers, limit our ability to increase production quickly if demand for our products increases and trigger adverse public attention. Further, these activities may cause employees or third parties to raise claims against us, potentially resulting in additional costs and/or causing delays in implementation. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements may diminish the operational or financial benefits we expect to realize from such actions. Moreover, we may not succeed in implementing present or future restructuring activities or cost reduction activities. Realizing the anticipated benefits from these initiatives, if any benefits are achieved at all, may take several years, and we may be unable to achieve our targeted cost efficiencies and gross margin improvements. Additionally, we may have insufficient access to capital to fund investments in these strategic initiatives, or our business strategy may change from time to time, which could delay our ability to implement initiatives that we believe are important to our business. Any of the circumstances described above could adversely impact our business and financial statements.

**Risks Related to Our Indebtedness**

*We have outstanding indebtedness of approximately \$1.4 billion, and in the future we may incur additional indebtedness. This indebtedness could adversely affect our businesses and our ability to meet our obligations.*

As of February 10, 2021, we had outstanding indebtedness of approximately \$1.4 billion, including approximately \$0.9 billion under our Credit Agreement, \$518 million under our Convertible Senior Notes due June 1, 2025 (the "Notes"), and had an additional \$250 million of borrowing capacity under the revolving credit facility pursuant to the Credit Agreement.

Please refer to Note 15 to our audited consolidated and combined financial statements included in this Annual Report. This debt could have important, adverse consequences to us and our security holders, including:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our businesses and industries;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, and our cash needs may increase in the future. The Credit Agreement contains restrictive covenants that limit our ability to engage in activities that may be in our long-term interest, including for example EBITDA-based leverage and interest coverage ratios. If we breach any of these restrictions and cannot obtain a waiver from the lenders on favorable terms, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our liquidity and financial statements.

The risks described above will increase with the amount of indebtedness we incur, and in the future we may incur significant indebtedness in addition to the indebtedness described above.

***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 and may adversely affect our ability to pay dividends.***

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, or to dispose of material assets or operations, alter our dividend policy (if we pay dividends), seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The instruments that may govern our indebtedness in the future may restrict our ability to dispose of assets and may restrict the use of proceeds from those dispositions. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations when due.

In addition, we conduct our operations through our subsidiaries. Accordingly, repayment of our indebtedness will depend on the generation of cash flow by our subsidiaries, including certain international subsidiaries, and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not have any obligation to pay amounts due on our indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make adequate distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal, tax and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, may materially adversely affect our business, financial condition and results of operations and our ability to satisfy our obligations under our indebtedness or pay dividends on our common stock.

***We may be unable to raise the funds necessary to repurchase the Notes for cash following a fundamental change, or to pay any cash amounts due upon conversion, and our other indebtedness may limit our ability to repurchase the Notes or pay cash upon their conversion.***

Holders of the Notes may require us to repurchase their Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our common stock. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Notes or pay the cash amounts due upon conversion. Our failure to repurchase Notes or to pay the cash amounts due upon conversion when required will constitute a default under the indenture governing the Notes between us and Wilmington Trust, National Association, as trustee, dated as of May 21, 2020 (the “Indenture”). A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the Notes.

***The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. Unless we elect to satisfy our conversion obligation by delivering only shares of our common stock (other than paying cash in lieu of delivering any fractional share) and one or more holders elect to convert their Notes, we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. As of December 31, 2020, one of the conditions allowing the Note holders to convert the Notes was satisfied. As a result, as of December 31, 2020, the Notes are classified as a current liability. The conversion conditions are tested quarterly.

***The accounting method for the Notes could adversely affect our reported financial condition and results.***

The accounting method for reflecting the Notes on our balance sheet, accruing interest expense for the Notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition.

Under applicable accounting principles, the initial liability carrying amount of the Notes will be the fair value of a similar debt instrument that does not have a conversion feature, valued using our cost of capital for straight, unconvertible debt. The difference between the par value from the offering of the Notes and the initial carrying amount of the Notes is reflected as a debt discount for accounting purposes, which is amortized into interest expense over the term of the Notes. As a result of this amortization, the interest expense that we recognize for the Notes for accounting purposes will be greater than the cash interest payments we will pay on the Notes, which will result in lower reported net income or a higher reported net loss. The lower reported net income or higher reported net loss resulting from this accounting treatment could depress the trading price of our common stock and the Notes.

In addition, because we intend to settle conversions by paying the conversion value in cash up to the principal amount being converted and any excess in shares, we expect to be eligible to use the treasury stock method to reflect the shares underlying the Notes in our diluted earnings per share. Under this method, if the conversion value of the Notes exceeds their principal amount for a reporting period, then we will calculate our diluted earnings per share assuming that all the Notes were converted and that we issued shares of our common stock to settle the excess. However, if reflecting the Notes in diluted earnings per share in this manner is anti-dilutive, or if the conversion value of the Notes does not exceed their principal amount for a reporting period, then the shares underlying the Notes will not be reflected in our diluted earnings per share. In addition, if accounting standards change in the future and we are not permitted to use the treasury stock method, then our diluted earnings per share may decline. For example, in August 2020, the Financial Accounting Standards Board published Accounting Standards Update (“ASU”) 2020-06, which simplifies the accounting for certain financial instruments, including convertible instruments, such as our Notes. We have not yet completed our assessment of ASU 2020-06, however, if we can not continue to use the treasury stock method, our reported diluted earnings per share may be negatively impacted.

Furthermore, if any of the conditions to the convertibility of the Notes is satisfied, then we may be required under applicable accounting standards to reclassify the liability carrying value of the Notes as a current, rather than a long-term, liability. This reclassification could be required even if no holders convert their Notes and could materially reduce our reported working capital. As of December 31, 2020, one of the conditions allowing the Note holders to convert the Notes was satisfied. As a result, as of December 31, 2020, the Notes are classified as a current liability.

***The capped call transactions we entered into in connection with the Notes may affect the value of the Notes and our common stock.***

In connection with the sale of the Notes, we entered into capped call transactions (the “Capped Calls”) with the initial purchasers of the Notes, their respective affiliates and other financial institutions (the “option counterparties”). The Capped Calls are expected generally to reduce the potential dilution upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their hedges of the Capped Calls, the option counterparties or their affiliates entered into various derivative transactions with respect to our common stock. These parties may modify their hedge positions in the future by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of the Notes). This activity could cause or avoid an increase or a decrease in the market price of our common stock or the Notes.

***We are subject to counterparty risk with respect to the Capped Calls.***

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the Capped Calls with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

***We may be adversely affected by recent proposals to reform LIBOR.***

Certain of our financial arrangements, including our Credit Agreement, are made at variable interest rates that use the London Interbank Offered Rate (“LIBOR”) (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate. On July 27, 2017, the United Kingdom’s Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established, or alternative reference rates to be established. The potential consequences cannot be fully predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows.

**Risks Related to Our Industry**

***The industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, which could adversely affect our financial statements.***

The industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, including the following:

- Governmental and private health care providers and payors around the world are increasingly utilizing managed care for the delivery of health care services, centralizing purchasing, limiting the number of vendors that may participate in purchasing programs, forming group purchasing organizations and integrated health delivery networks and pursuing consolidation to improve their purchasing leverage and using competitive bid processes to procure health care products and services.
- Certain of our customers, and the end-users to whom our customers supply products, rely on government funding of and reimbursement for health care products and services and research activities. The PPACA health care austerity measures in other countries and other potential health care reform changes and government austerity measures have reduced and may further reduce the amount of government funding or reimbursement available to customers or end-users of our products and services and/or the volume of medical procedures using our products and services. Other countries, as well as some private payors, also control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations, tying reimbursement to outcomes or (in the case of governmental entities) compulsory licensing. Global economic uncertainty or deterioration can also adversely impact government funding and reimbursement.

These changes as well as other impacts from market demand, government regulations, third-party coverage and reimbursement policies and societal pressures have started changing the way health care is delivered, reimbursed and funded and may cause participants in the health care industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products or services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, heighten clinical data requirements, reduce the volume of medical procedures that use our products and services, affect the acceptance rate of new technologies and products and increase our compliance and other costs. In addition, we may be excluded from important market segments or unable to enter into contracts with group purchasing organizations and integrated health networks on terms acceptable to us, and even if we do enter into such contracts they may be on terms that negatively affect our current or future profitability. All of the factors described above could adversely affect our business and financial statements.

**We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.**

Our businesses operate in industries that are intensely competitive and have been subject to increasing consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors. See “Item 1. Business—Competition.” In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including emerging markets. In addition, significant shifts in industry market share have occurred and may in the future occur in connection with product problems, safety alerts and publications about products, reflecting the competitive significance of product quality, product efficacy and quality systems in our industry. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses. In addition, we are exposed to the risk that our competitors or our customers may introduce private label, generic, or low-cost products that compete with our products at lower price points. If these competitors’ products capture significant market share or decrease market prices overall, this could have an adverse effect on our financial statements.

#### **Risks Related to Laws and Regulations**

***Changes in governmental regulations may reduce demand for our products or services or increase our expenses.***

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment, food and drugs and privacy. We develop, configure and market our products and services to meet customer needs created by these regulations. These regulations are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change in any of these regulations (or in the interpretation or application thereof) could reduce demand for, increase our costs of producing or delay the introduction of new or modified products and services, or could restrict our existing activities, products and services. In response to the COVID-19 pandemic, federal, state, local and foreign governmental authorities have imposed, and may continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the size of gatherings, closures of work facilities, schools, public buildings and businesses, quarantines, lockdowns and travel restrictions. Such restrictions have disrupted and may continue to disrupt our business operations and reduce demand for our products or services.

***Certain of our businesses are subject to extensive regulation by the FDA and comparable agencies of other countries, as well as laws regulating fraud and abuse in the health care industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our reputation, ability to do business and financial statements.***

Most of our products are medical devices subject to regulation by the U.S. Food and Drug Administration (the “FDA”), by other federal and state governmental agencies, by comparable agencies of other countries and regions, by certain accrediting bodies and by regulations governing hazardous materials (or the manufacture and sale of products containing any such materials). The FDA and these other regulatory authorities enforce additional regulations regarding the safety of X-ray emitting devices. The global regulatory environment has become increasingly stringent and unpredictable. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. For example, the EU MDR which imposes stricter requirements for the marketing and sale of medical devices, including in the area of clinical evaluation requirements, quality systems and post-market surveillance. Manufacturers of currently approved medical devices will have until May 2021 to meet the requirements of the EU MDR. Failure to meet these requirements could adversely impact our business in the EU and other regions that tie their product registrations to the EU requirements.

To varying degrees, these regulators require us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing, distribution and post-marketing surveillance of our products. We cannot guarantee that we will be able to obtain regulatory clearance (such as 510(k) clearance) or approvals for our new products or modifications to (or additional indications or uses of) existing products within our anticipated timeframe or at all, and if we do obtain such clearance or approval it may be time-consuming, costly and subject to restrictions. Our ability to obtain such regulatory clearances or approvals will depend on many factors and the process for obtaining such clearances or approvals could change over time. Even after initial regulatory clearance or approval, we are subject to periodic inspection by these regulatory authorities, and if safety issues arise, we may be required to amend conditions for use of a product, such as providing additional warnings on the product's label or narrowing its approved intended use, which could reduce the product's market acceptance. Failure to obtain required regulatory clearances or approvals before marketing our products (or before implementing modifications to or promoting additional indications or uses of our products), other violations of these regulations, failure to remediate inspectional observations to the satisfaction of these regulatory authorities and real or perceived efficacy or safety concerns or trends of adverse events with respect to our products (even after obtaining clearance for distribution) have led to FDA Form 483 Inspectional Observations, and can lead to warning letters, notices to customers, declining sales, loss of customers, loss of market share, remediation and increased compliance costs, mandatory recalls, seizures of adulterated or misbranded products, injunctions, administrative detentions, refusals to permit importations, partial or total shutdown of production facilities or the implementation of operating restrictions, narrowing of permitted uses for a product, suspension or withdrawal of approvals and pre-market notification rescissions. We are also subject to various laws regulating fraud and abuse, pricing and sales and marketing practices in the health care industry and the privacy and security of health information as well as manufacturing and quality standards, including the federal regulations described in "Item 1. Business —Regulatory Matters." Ensuring that our internal operations and business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that government authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations.

Noncompliance with these standards can result in, among other things, fines, expenses, injunctions, civil penalties, recalls or seizures of products, total or partial suspension of production, refusal of the government to grant 510(k) clearance of devices, withdrawal of marketing approvals, criminal prosecutions and other adverse effects referenced below under "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." Further, defending against any such actions can be costly and time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

***Off-label marketing of our products could result in substantial penalties.***

The FDA, and in some cases the EPA, strictly regulate the promotional claims that may be made about approved or cleared products. In particular, any clearances we may receive only permit us to market our products for the uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional expensive performance or clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA determines that we have marketed our products for off-label use, we could be subject to fines, injunctions or other penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and administrative penalties, substantial monetary penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, and/or the curtailment of our operations. Any of these events could significantly harm our business and results of operations and cause our stock price to decline.

***Certain modifications to our products may require new 510(k) clearances or other marketing authorizations and may require us to recall or cease marketing our products.***

Once a medical device is permitted to be legally marketed in the U.S. pursuant to a 510(k) clearance, a manufacturer may be required to notify the FDA of certain modifications to the device. Manufacturers determine in the first instance whether a change to a product requires a new premarket submission, but the FDA may review any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances are necessary. We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or other premarket submissions were not required. We may make similar modifications or add additional features in the future that we believe do not require a new 510(k) clearance. If the FDA disagrees with our determinations and requires us to submit new 510(k) notifications, we may be required to cease marketing or to recall the modified product until we obtain clearance, and we may be subject to significant regulatory fines or penalties.

***Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business, reputation and financial statements.***

Our operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and non-hazardous wastes and impose end-of-life disposal and take-back programs. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. We cannot assure you that our environmental, health and safety compliance program (or the compliance programs of businesses we acquire) have been or will at all times be effective. Failure to comply with any of these laws could result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our financial statements.

In addition, we may incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. We may also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, please refer to Note 14 to our audited consolidated and combined financial statements included in this Annual Report. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities.

***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.***

In addition to the environmental, health, safety, health care, medical device, anticorruption, data privacy and other regulations noted elsewhere in this Annual Report, our businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels.

We are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and between our subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory.

Our products and operations are also often subject to differing national industrial standards, and failure to comply with these rules could result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our business and financial statements. Non-compliance with applicable requirements (or any alleged or perceived failure to comply) could result in import detentions, fines, damages, civil and administrative penalties, injunctions, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, disbarment from selling to certain governmental agencies or exclusion from government funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disruption of our business, limitation on our ability to manufacture, import, export and sell products and services, loss of customers, significant legal and investigatory fees, disgorgement, individual imprisonment, reputational harm, contractual damages, diminished profits, curtailment or restricting of business operations, criminal prosecution and other monetary and non-monetary penalties. For additional information regarding these risks, please refer to the section entitled “Business—Regulatory Matters.”

#### **Risks Related to Our Relationship with Danaher**

*Potential indemnification liabilities to Danaher pursuant to the Separation Agreement could materially and adversely affect our businesses, financial condition, results of operations and cash flows.*

The Separation Agreement, dated as of September 19, 2019, by and between us and Danaher (the “Separation Agreement”), among other things, provides for indemnification obligations (for uncapped amounts) designed to make us financially responsible for substantially all liabilities that may exist relating to our business activities, whether incurred prior to or after the Separation. If we are required to indemnify Danaher under the circumstances set forth in the Separation Agreement, we may be subject to substantial liabilities.

*In connection with the Separation, Danaher has indemnified us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that Danaher’s ability to satisfy its indemnification obligation will not be impaired in the future.*

Pursuant to the Separation Agreement and certain other agreements with Danaher, Danaher has agreed to indemnify us for certain liabilities. However, third parties could also seek to hold us responsible for any of the liabilities that Danaher has agreed to retain, and there can be no assurance that the indemnity from Danaher will be sufficient to protect us against the full amount of such liabilities, or that Danaher will be able to fully satisfy its indemnification obligations. In addition, Danaher’s insurance will not necessarily be available to us for liabilities associated with occurrences of indemnified liabilities prior to the Separation, and in any event Danaher’s insurers may deny coverage to us for liabilities associated with certain occurrences of indemnified liabilities prior to the Separation. Moreover, even if we ultimately succeed in recovering from Danaher or such insurance providers any amounts for which we are held liable, we may be temporarily required to bear these losses. Each of these risks could negatively affect our businesses, financial position, results of operations and cash flows.

*Certain of our executive officers and directors may have actual or potential conflicts of interest because of their position at Danaher or their equity interest in Danaher.*

One of our directors is an employee of Danaher and owns Danaher common stock or equity awards. Additionally, certain of our executive officers own Danaher common stock. For certain of these individuals, their holdings of Danaher common stock or equity awards may be significant compared to their total assets. The position of such individuals and their ownership of any Danaher equity or equity awards create, or may create the appearance of, conflicts of interest when these individuals are faced with decisions that could have different implications for Danaher than for us.

***We or Danaher may fail to perform under various transaction agreements that were executed as part of the Separation or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.***

The Separation Agreement and other agreements entered into in connection with the Separation determine the allocation of assets and liabilities between the companies following the Separation for those respective areas and include any necessary indemnifications related to liabilities and obligations. The Transition Services Agreement, dated as of September 19, 2019, by and between us and Danaher (the “Transition Services Agreement”) provides for the performance of certain services by each company for the benefit of the other for a period of time after the Separation. We rely on Danaher to satisfy its performance and payment obligations under these agreements. If Danaher is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses. If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services once certain transaction agreements expire, we may not be able to operate our businesses effectively and our profitability may decline. We are in the process of creating our own, or engaging third parties to provide, systems and services to replace many of the systems and services that Danaher currently provides to us. However, we may not be successful in implementing these systems and services or in transitioning data from Danaher’s systems.

#### **Risks Related to Ownership of Our Stock**

##### ***The price of our common stock may continue to be volatile.***

We have a limited trading history and there may be wide fluctuations in the market value of our common stock as a result of many factors. From our IPO through February 12, 2021, the sales price of our common stock as reported by the NYSE has ranged from a low sales price of \$10.08 on March 19, 2020 to a high sales price of \$41.40 on February 11, 2021. Factors that may cause the market price of our common stock to fluctuate, some of which may be beyond our control, include:

- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- changes to the regulatory and legal environment in which we operate;
- market and business conditions related to COVID-19;
- overall market fluctuations and domestic and worldwide economic conditions; and
- other factors described in these “Risk Factors” and elsewhere in this Annual Report.

Stock markets in general have experienced volatility recently that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock. In the past, periods of volatility in the overall market and the market price of a company’s securities have often been followed by securities litigation brought against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management’s attention and resources.

##### ***Certain provisions in our amended and restated certificate of incorporation, our amended and restated bylaws, the Indenture governing the Notes, and of Delaware law, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt an unsolicited takeover not approved by our board of directors. These provisions include, among others:

- the inability of our stockholders to call a special meeting;
- the inability of our stockholders to act by written consent;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our board of directors to issue preferred stock without stockholder approval;

- the division of our board of directors into three classes of directors, with each class serving a staggered three-year term, and this classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult;
- a provision that stockholders may only remove directors with cause;
- the ability of our directors, and not stockholders, to fill vacancies (including those resulting from an enlargement of our board of directors) on our board of directors; and
- the requirement that the affirmative vote of stockholders holding at least two-thirds of our voting stock is required to amend our amended and restated bylaws and certain provisions in our amended and restated certificate of incorporation.

Additionally, certain provisions in the Notes and the Indenture governing the Notes could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then holders of the Notes will have the right to require us to repurchase their Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Notes and the Indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that holders of our securities may view as favorable.

In addition, because we have not chosen to be exempt from Section 203 of the Delaware General Corporation Law (the “DGCL”), this provision could also delay or prevent a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation (an “interested stockholder”) shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which the person became an interested stockholder, unless (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

We believe these provisions will protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is in the best interests of us and our stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

***Our amended and restated certificate of incorporation designates the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us and our directors, officers, employees and stockholders.***

Our amended and restated certificate of incorporation provides that unless our board of directors otherwise determines, the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of us, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or stockholders to us or our stockholders, any action asserting a claim arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or bylaws, or any action asserting a claim governed by the internal affairs doctrine. This provision would not apply to claims brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or any other claim for which the federal courts have exclusive jurisdiction.

In addition, our amended and restated bylaws, as amended, provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, unless we consent in writing to the selection of an alternative forum.

These exclusive forum provisions may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors, officers, employees and stockholders.

***Conversion of the Notes may dilute the ownership interest of our stockholders or may otherwise depress the prices of our common stock.***

The conversion of some or all of the Notes may dilute the ownership interests of our stockholders. Upon conversion of the Notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to settle our conversion obligation in shares of our common stock or a combination of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

***The issuance or sale of shares of our common stock, or rights to acquire shares of our common stock, could depress the trading price of our common stock and the Notes.***

We may conduct future offerings of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations or fund acquisitions, or for other purposes. In addition, we have reserved 20,656,197 shares of common stock for the exercise of stock options or vesting of restricted stock units. The Indenture for the Notes does not restrict our ability to issue additional equity securities in the future. If we issue additional shares of our common stock or rights to acquire shares of our common stock, if any of our existing stockholders sells a substantial amount of our common stock, or if the market perceives that such issuances or sales may occur, then the trading price of our common stock, and, accordingly, the Notes may significantly decline. In addition, our issuance of additional shares of common stock will dilute the ownership interests of our existing common stockholders, including holders of Notes who have received shares of our common stock upon conversion of their Notes.

**General Risks**

***We may be required to recognize impairment charges for our goodwill and other intangible assets.***

As of December 31, 2020, the net carrying value of our goodwill and other intangible assets totaled approximately \$4.7 billion. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates may impair our goodwill and other intangible assets. Any charges relating to such impairments would adversely affect our results of operations in the periods recognized.

***Foreign currency exchange rates may adversely affect our financial statements.***

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and, given our global operations, may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which may require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar could adversely affect the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects. In addition, certain of our businesses may invoice customers in a currency other than the business' functional currency, and movements in the invoiced currency relative to the functional currency could also result in unfavorable translation effects. We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries.

***Changes in tax law relating to multinational corporations could adversely affect our tax position.***

The U.S. Congress, government agencies in non-U.S. jurisdictions where we and our affiliates do business, and the Organisation for Economic Co-operation and Development (“OECD”) have recently focused on issues related to the taxation of multinational corporations. One example is in the area of “base erosion and profit shifting,” where profits are claimed to be earned for tax purposes in low-tax jurisdictions, or payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. The OECD has released several components of its comprehensive plan to create an agreed set of international rules for addressing base erosion and profit shifting. As a result, the tax laws in the United States and other countries in which we do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial statements.

***We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our business and financial statements.***

We are or could be subject to a variety of litigation and other legal and regulatory proceedings incidental to our business (or the business operations of previously-owned or subsequently-purchased entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition-related matters, as well as regulatory or judicial subpoenas, requests for information, investigations and enforcement. We may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, businesses divested by us or our predecessors. The types of claims made in lawsuits may include claims for compensatory damages, incidental damages, consequential damages, and punitive damages (and in some types of cases, treble damages) and/or injunctive relief. The defense of these lawsuits may divert our management’s attention, we may incur significant expenses in defending these lawsuits, and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our operations and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. In addition, developments in proceedings in any given period may require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. Any of these developments could adversely affect our financial statements in any particular period. We cannot assure you that our liabilities in connection with litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and business. However, based on our experience, current information and applicable law, we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of our reserves as of the date of this Annual Report will have a material effect on our financial statements.

***Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.***

Certain of our U.S. and non-U.S. employees are subject to collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our financial statements and business, including our productivity and reputation.

***International economic, political, legal, compliance and business factors could negatively affect our financial statements.***

In 2020, 56% of our sales were derived from customers outside the U.S. In addition, many of our manufacturing operations, suppliers and employees are located outside the U.S. Since our growth strategy depends in part on our ability to further penetrate markets outside the U.S. and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the U.S., particularly in the emerging markets. Our international business (and particularly our business in emerging markets) is subject to risks that are customarily encountered in non-U.S. operations, including:

- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including payment terms;
- local product preferences and product requirements;
- changes in a country’s or region’s political or economic conditions, such as the devaluation of particular currencies;
- trade protection measures, embargoes and import or export restrictions and requirements;

- unexpected changes in laws or regulatory requirements, including changes in tax laws;
- capital controls and limitations on ownership and on repatriation of earnings and cash;
- the potential for nationalization of enterprises;
- changes in medical reimbursement policies and programs;
- limitations on legal rights and our ability to enforce such rights;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis;
- differing protection of intellectual property;
- greater uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, including with respect to product and other regulatory approvals; and
- other factors beyond our control, such as terrorism, war, natural disasters and pandemics, including fluctuations in the severity and duration of the COVID-19 pandemic and resulting restrictions on business activity which may vary significantly by region.

Any of these risks could negatively affect our financial statements, business, growth rate, competitive position, results of operations and financial condition.

For example, we generate approximately 10% of our annual sales from Greater China. Accordingly, our business, financial condition and results of operations may be adversely influenced by evolving political, economic and social conditions in China generally. Additionally, China's government continues to play a significant role in regulating industry development by imposing industrial policies, and it maintains control over China's economic growth through setting monetary policy and determining treatment of particular industries or companies. Further, considerable uncertainty exists regarding the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Any uncertainty or adverse changes to economic conditions in China or the policies of China's government or its laws and regulations could have a material adverse effect on the overall economic growth of China and could impact our business and operating results, leading to a reduction in demand for our products and adversely affecting our financial statements, business, growth rate, competitive position, results of operations and financial condition.

***If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.***

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, earthquake, hurricane, public health crisis (including the COVID-19 pandemic), war, terrorism, widespread protests and civil unrest, or other natural or man-made disasters. For example, our corporate headquarters and many of our operations, including certain of our manufacturing facilities, are located in California, which is prone to earthquakes and wildfires, in addition to the other risks discussed above. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal exposure and large repair or replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against such losses.

***Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.***

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents or business partners (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, economic and trade sanctions, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the U.S. and in other jurisdictions and related stockholder lawsuits, could lead to substantial civil and criminal, monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier standards of conduct, and material violations of such standards of conduct could occur that could have a material effect on our business, reputation and financial statements.

***If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Additionally, we are required to furnish a report by management on the effectiveness of our internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and our independent registered public accounting firm is also required to express an opinion as to the effectiveness of our internal control over financial reporting. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the NYSE, the SEC, or other regulatory authorities, which could require additional financial and management resources.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located in Brea, California in a facility that we lease. As of December 31, 2020, our facilities included approximately 44 significant office, research and development, manufacturing and distribution facilities. 15 of these facilities are located in the U.S. in seven states and 29 are located outside the U.S. in 15 other countries, primarily in Europe and to a lesser extent in Asia, the rest of North America, Latin America and the Middle East. These facilities cover approximately 3.5 million square feet, of which approximately 1.6 million square feet are owned and approximately 1.9 million square feet are leased. Particularly outside the U.S., facilities often serve more than one business segment and may be used for multiple purposes, such as administration, sales, manufacturing, warehousing and/or distribution.

We consider our facilities suitable and adequate for the purposes for which they are used and do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities. We believe our properties and equipment have been well-maintained. Please refer to Note 7 to our audited consolidated and combined financial statements for additional information with respect to our lease commitments.

**ITEM 3. LEGAL PROCEEDINGS**

We are, from time to time, subject to a variety of litigation and other legal and regulatory proceedings and claims incidental to our business. Based upon our experience, current information and applicable law, we do not believe that these proceedings and claims will have a material effect on our financial position, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to our financial position, results of operations or cash flows. For additional information, please see Note 14 to our audited consolidated and combined financial statements.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Information with Respect to our Common Stock

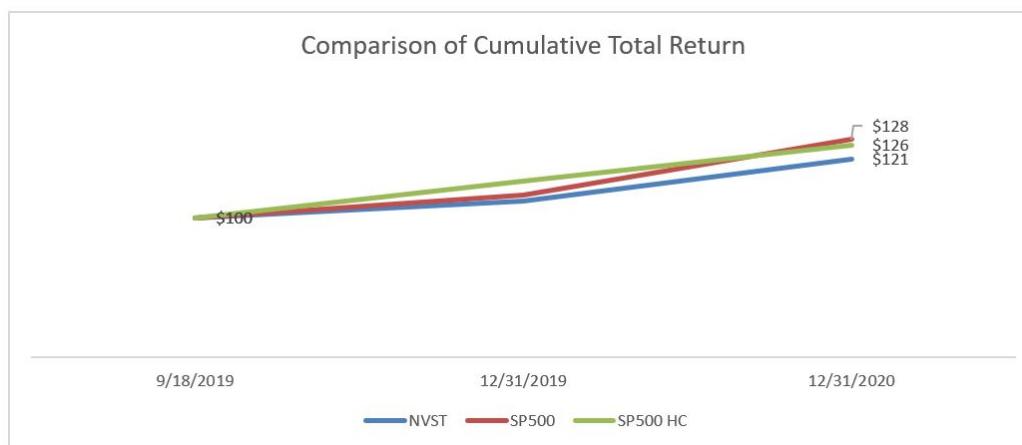
Our common stock is listed on the New York Stock Exchange, or NYSE, and trades under the symbol "NVST."

The number of holders of record of our common stock as of February 12, 2021 was 19. This number of holders of record does not represent the actual number of beneficial owners of our common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

#### Performance Graph

*The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Exchange Act, each as amended, except to the extent that we specifically incorporate it by reference into such filing.*

The following graph shows a comparison of cumulative total stockholder return, calculated on a dividend-reinvested basis, for the Company, the S&P 500 Index and the S&P Health Care Index from September 18, 2019, the first day our stock traded on the NYSE, through December 31, 2020. The graph assumes \$100 was invested in each of our common stock, the S&P 500 Index, and the S&P Health Care Index as of the market close on September 18, 2019. The S&P 500 Stock Index and the S&P Health Care Index are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of the stock involved, and they are not intended to forecast or be indicative of possible future performance of our common stock. Note that historic stock price performance is not necessarily indicative of future stock price performance.



Performance Graph Table

	September 18, 2019	December 31, 2019	December 31, 2020
Envista Holdings Corporation	\$ 100	\$ 106	\$ 121
S&P 500 Index	\$ 100	\$ 108	\$ 128
S&P 500 Health Care Index	\$ 100	\$ 113	\$ 126

## **Dividend Policy**

We have no present intention to pay cash dividends on our common stock. Any determination to pay dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, results of operations, projections, liquidity, earnings, legal requirements, restrictions in the agreements governing our existing indebtedness and any other indebtedness we may enter into and other factors that our board of directors deems relevant.

## **ITEM 6. SELECTED FINANCIAL DATA**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Sales	\$ 2,282.0	\$ 2,751.6	\$ 2,844.5	\$ 2,810.9	\$ 2,785.4
Net income	\$ 33.3	\$ 217.6	\$ 230.7	\$ 301.1	\$ 272.0
Net earnings per share:					
Basic	\$ 0.21	\$ 1.60	\$ 1.80	\$ 2.35	\$ 2.13
Diluted	\$ 0.20	\$ 1.60	\$ 1.80	\$ 2.35	\$ 2.13
Total assets	\$ 6,876.0	\$ 6,158.3	\$ 5,841.6	\$ 5,992.8	\$ 5,727.3
Operating lease liabilities	\$ 153.8	\$ 186.0	\$ —	\$ —	\$ —
Other long-term liabilities	\$ 408.8	\$ 399.3	\$ 374.2	\$ 370.0	\$ 462.9
Long-term debt	\$ 907.7	\$ 1,321.0	\$ —	\$ —	\$ —

Financial data for periods prior to the Separation are derived from Danaher's consolidated financial statements and accounting records. See Note 1 to our audited consolidated and combined financial statements included elsewhere in this Annual Report.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **INTRODUCTION**

Management's Discussion and Analysis of Financial Condition and Results of Operations of our business is designed to provide a reader of our financial statements with a narrative from the perspective of management. You should read the following discussion in conjunction with the sections entitled "Envista Holdings Corporation Audited Consolidated and Combined Financial Statements" included in this Annual Report on Form 10-K. Management's Discussion and Analysis of Financial Condition and Results of Operations is divided into seven sections:

- Basis of Presentation
- Overview
- Results of Operations
- Liquidity and Capital Resources
- Qualitative and Quantitative Disclosures About Market Risk
- Critical Accounting Estimates
- New Accounting Standards

### **BASIS OF PRESENTATION**

The accompanying consolidated and combined financial statements present our historical financial position, results of operations, changes in equity and cash flows in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated and combined financial statements for periods prior to the Separation were derived from Danaher'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 our business have been included in the consolidated and combined financial statements. Prior to the Separation, our consolidated and combined financial statements also included allocations of certain general, administrative, sales and marketing expenses and cost of sales from Danaher's corporate office and from other Danaher businesses to us and allocations of related assets, liabilities, and Danaher'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 we been an entity that operated independently of Danaher during the applicable periods. Related party allocations prior to the Separation, including the method for such allocation, are discussed further in Note 23 to our audited consolidated and combined financial statements.

Following the Separation, our consolidated financial statements include our accounts and our wholly owned subsidiaries and no longer include any allocations of expenses from Danaher to us.

Our consolidated and combined 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.

We have incurred and will incur additional costs as a separate public company. As a separate public company, our total costs related to such support functions may differ from the costs that were historically allocated to us from Danaher. These additional costs are primarily for the following:

- additional personnel costs, including salaries, benefits and potential bonuses and/or stock-based compensation awards for staff additions to replace support provided by Danaher that is not covered by the Transition Services Agreement; and
- corporate governance costs, including board of director compensation and expenses, audit and other professional services fees, annual report and proxy statement costs, SEC filing fees, transfer agent fees, consulting and legal fees and stock exchange listing fees.

Certain factors could impact the nature and amount of these separate public company costs, including the finalization of our staffing and infrastructure needs. Moreover, we are incurring and expect to incur certain nonrecurring internal costs to implement certain new systems, although we believe such costs going forward will not have a material impact on our financial statements.

Our business consists of two segments: Specialty Products & Technologies and Equipment & Consumables. For additional details regarding these businesses, refer to "Item 1. Business" included in this Annual Report on Form 10-K.

## OVERVIEW

### General

We provide products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. With leading brand names, innovative technology and significant market positions, we are a leading worldwide provider of a broad range of dental implants, orthodontic appliances, general dental consumables, equipment and services, and are dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity. Our research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 30 countries across North America, Asia, Europe, the Middle East and Latin America.

During 2020, 56% of our sales were derived from customers outside the United States. As a global provider of dental consumables, equipment and services, our operations are affected by worldwide, regional and industry-specific economic and political factors. Given the broad range of dental products, software and services provided and geographies served, we do not use any indices other than general economic trends to predict our overall outlook. Our individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of our geographic and product line diversity, we face a variety of opportunities and challenges, including rapid technological development in most of our served markets, the expansion and evolution of opportunities in emerging markets, trends and costs associated with a global labor force, consolidation of our competitors and increasing regulation. We operate in a highly competitive business environment in most markets, and our long-term growth and profitability will depend in particular on our ability to expand our business in emerging geographies and emerging market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products and services, expand and improve the effectiveness of our sales force, continue to reduce costs and improve operating efficiency and quality and effectively address the demands of an increasingly regulated global environment. We are making significant investments to address the rapid pace of technological change in our served markets and to globalize our manufacturing, research and development and customer-facing resources (particularly in emerging markets and our dental implant business) in order to be responsive to our customers throughout the world and improve the efficiency of our operations.

### Key Trends and Conditions Affecting Our Results of Operations

#### **COVID-19**

The continuing global spread of COVID-19 has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, our dental customers, other businesses, our communities and governments are taking to mitigate the spread of the virus. The impact of COVID-19 and measures to prevent its spread are affecting our businesses in several ways as follows:

#### Employees and Customers

We value the safety of our employees and customers and have leveraged our technological resources to institute work-from-home arrangements for most of our employees and to continue interacting with our customers on a remote basis where possible. We have implemented social distancing guidelines, staggered shifts and more frequent disinfection processes for employees that need to be in manufacturing locations, offices or interact with customers to help ensure their safety. We have expanded the availability of our virtual training and education for our customers. Our employees have donated thousands of masks and other personal protective equipment to their local communities worldwide. In China, we were one of the first to donate infection prevention products to the Wuhan government and our Orascopic business has donated eye protection to hundreds of healthcare professionals in the United States. Metrex, our infection control and prevention business, has been providing products to help our customers maintain proper disinfection protocols.

### Prioritization of Business Activities

In response to the COVID-19 pandemic, we have increased our investment in our infection control and prevention business by expanding manufacturing capacity.

We continue transforming our portfolio by investing in our implant and orthodontic businesses and also making investments in emerging markets. The cost reduction initiatives we have taken and will continue to undertake in the future allow us to further invest in this growth strategy, which in turn we believe should improve our margins.

Our continued investment in Spark, our clear aligner system, has led to increased manufacturing capacity and continues to gain market adoption as orthodontists and their patients see the benefits of the clear, stain resistant and comfortable design.

We obtained regulatory approval of our N1 implant system and made our first sales in June of 2020 and continue to grow our customer base. Our Nobel Biocare business has obtained the EU Medical Device Regulation (“MDR”) Quality Management System certification and is one of the first in the dental industry to do so. This is an important milestone for Nobel Biocare, and we believe that we are on track in our efforts to achieve MDR certification for our full portfolio of products.

### Results of Operations

In response to COVID-19, many dental associations globally recommended that dental practices delay elective procedures and only perform emergency procedures. As a result, there were widespread temporary closures of dental practices around the world due to the pandemic, except to perform emergency procedures. During the quarter ended July 3, 2020, dental practices in the markets in which we operate started to reopen and as of October 2, 2020, the majority of dental practices were open, however, overall patient volume was below pre-COVID-19 levels. Despite the increased prevalence of COVID-19 and related U.S. and foreign government actions to mitigate the spread of COVID-19 during the quarter ended December 31, 2020, the majority of dental practices continued to remain open, however, patient volumes continued to be below pre-COVID-19 levels. As dental practices reopened, dental associations have recommended enhanced safety, disinfection and social distancing protocols. These measures may remain in place for a significant period of time in certain regions and may continue to adversely affect our business, results of operations and financial condition. As a result, our sales have been significantly negatively impacted for the year ended December 31, 2020, which led to a temporary reduction in our manufacturing capacity as we idled certain manufacturing facilities and furloughed the employees that work at the idled facilities in response, primarily in the second quarter. In addition, we have implemented various temporary cost reduction initiatives, which have included employee furloughs throughout the Company, implementing pay reductions, reducing discretionary spending, delaying capital expenditures and eliminating all non-essential business travel. We also accelerated and increased our planned structural spending reduction programs that we completed by the end of 2020.

We expect the ultimate significance of the impact of these disruptions, including the extent of their adverse impact on our financial and operational results, to be dependent on the length of time that such disruptions continue which will, in turn, depend on the currently unknowable duration of the COVID-19 pandemic, including uncertainty regarding vaccine distribution timing and efficacy in slowing the spread of the virus, and the impact of governmental regulations that are imposed in response to the pandemic. Moreover, efforts to slow or prevent a recurrence of the spread of the virus and its various mutations are likely to continue to curtail the operations of our customers and their patients for an indeterminate period of time, impacting our operations as purchasing decisions are delayed or lost, increasing logistical complexities as a result of closed customer offices, sales and marketing efforts are postponed, and manufacturing operations are curtailed to adjust to declining sales.

Our businesses could also be impacted should the disruptions from COVID-19 lead to changes in consumer behavior and spending, and our business may be particularly susceptible to these changes as a material portion of our products may be viewed as discretionary purchases and therefore more susceptible to any global or regional recession that may result from efforts to prevent or delay the spread of the virus. Additionally, the COVID-19 impact on the capital markets could affect our cost of borrowing and our ability to raise additional capital. There are certain limitations on our ability to mitigate the adverse financial impact of these items, including the fixed costs of our manufacturing facilities. COVID-19 also makes it more challenging for management to estimate future performance of our businesses, particularly over the near to medium term.

Our future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that we may undertake to address financial and operational challenges faced by our customers. The extent to which the COVID-19 pandemic may materially impact our financial condition, liquidity, or results of operations is uncertain. Because of the dynamic nature of the crisis, we cannot accurately predict the extent or duration of the impacts of the COVID-19 pandemic.

#### **Liquidity**

In May of 2020, we entered into an amendment (the “Amendment”) that, among other changes as further described in Note 15 to our Audited Consolidated and Combined Financial Statements, waived the quarterly-tested leverage covenant and reduced the interest coverage ratio through and including the first quarter of 2021. On February 9, 2021, we entered into an additional amendment to our Credit Agreement that substantially reinstated the original terms of our Credit Agreement effective February 9, 2021. In connection with this new amendment we repaid \$472.0 million of our Euro Term Loan on February 9, 2021. In May of 2020, we issued the Notes with gross and net proceeds of \$517.5 million and \$502.6 million, respectively. We believe the full borrowing capacity of \$250.0 million available under the Revolving Credit Facility and the proceeds from the Notes, currently provide us with the appropriate level of flexibility to manage our operations. In future periods, the COVID-19 pandemic and its impact on the capital markets could impact our ability to obtain future financing.

As noted above, we are aligning our cost structure to the realities of the current operating environment. We continue to focus on actions to preserve liquidity by actively managing all discretionary spending. We are also taking additional actions to improve the long-term financial structure of the business.

#### ***Industry Trends***

We operate in the large and growing global dental products industry. We believe growth in the global dental industry will be driven by:

- an aging population;
- the current underpenetration of dental procedures, especially in emerging markets;
- improving access to complex procedures due to increasing technological innovation;
- an increasing demand for cosmetic dentistry; and
- growth of DSOs, which are expected to drive increasing penetration of, and access to, dental care globally.

#### ***Product Development, New Product Launches and Commercial Investment***

A key element of our targeted value creation strategy is to drive growth through portfolio development and product innovation. Our future growth and success depend on both our pipeline of new products and technologies, including new products and technologies that we may obtain through license or acquisition, and the expansion of the use of our existing products and technologies. We believe we are a leader in dental research and development (“R&D”), with approximately \$600 million of R&D expenditures since 2017 and a track record of product innovation, business development and commercialization.

Additionally, investment in our commercial sales organization, particularly within our implant business and in emerging markets, is critical to our growth strategy. Our sales in China grew at a high-single digit compounded annual growth rate from 2018 through 2020.

#### ***Foreign Exchange Rates***

Significant portions of our sales and costs are exposed to changes in foreign exchange rates. During the year ended December 31, 2020, our products were sold in more than 100 countries and 56% of our sales were denominated in foreign currencies. We seek to manage our foreign exchange risk, in part, through our operations, including managing same-currency sales in relation to same-currency costs and same-currency assets in relation to same-currency liabilities. As our operations use multiple foreign currencies, including the euro, British pound, Brazilian real, Australian dollar, Japanese yen, Canadian dollar and Chinese yuan, changes in those currencies relative to the U.S. dollar will impact our sales, cost of sales and expenses, and consequently, net income. Exchange rate fluctuations in emerging markets may also directly affect our customers’ ability to buy our products in these geographic markets.

On a year-over-year basis, currency exchange rates negatively impacted reported sales by 0.3% for the year ended December 31, 2020 compared to the comparable period of 2019, primarily due to the strength of the U.S. dollar against most major currencies. Any future strengthening of the U.S. dollar against major currencies would adversely impact our sales and results of operations for the remainder of the year, and any weakening of the U.S. dollar against major currencies would positively impact our sales and results of operations for the remainder of the year.

#### **General Economic Conditions**

In addition to industry-specific factors, we, like other businesses, face challenges related to global economic conditions. Dental costs are largely out-of-pocket for the consumer and thus utilization rates can vary significantly depending on economic growth. While many of our products are considered necessary by patients regardless of the economic environment, certain products and services that support discretionary dental procedures may be more susceptible to changes in economic conditions.

#### **Manufacturing and Supply**

In order to sell our products, we must be able to reliably produce and ship our products in sufficient quantities. Many of our products involve complex manufacturing processes and are produced at one or a limited number of manufacturing sites.

Minor deviations in our manufacturing or logistical processes, unpredictability of a product's regulatory or commercial success or failure, the lead time necessary to construct highly technical and complex manufacturing sites and shifting customer demand increase the potential for capacity imbalances. For a discussion of risks relating to our manufacturing process, refer to "Item 1A. Risk Factors—Risks Related to Our Business."

#### **Components of Sales and Costs and Expenses**

##### **Sales**

Our sales are primarily derived from the sale of dental consumables, equipment and services to third-party distributors and end-users. For additional information regarding our products, including descriptions of our products, refer to "Item 1. Business—Business Segments."

##### **Costs and Expenses and Other**

*Cost of sales* consists primarily of cost of materials, facilities and other infrastructure used to manufacture our products and shipping and handling costs attributable to delivering our products to our customers. Also included in cost of sales are productivity improvement and restructuring expenses related to our manufacturing operations.

*Selling, general and administrative ("SG&A")* expenses consist of, among other things, the costs of selling, marketing, promotion, advertising and administration (including business technology, facilities, legal, finance, human resources, business development and procurement) and amortization expense for intangible assets that have been acquired through business combinations. Also included in SG&A are productivity improvement and restructuring expenses related to our administrative operations.

*R&D* expenses consist of project costs specific to new product R&D and product lifecycle management, overhead costs associated with R&D operations, regulatory costs, product registrations and investments that support local market clinical trials for approved indications. We manage overall R&D based on our strategic opportunities and do not disaggregate our R&D expenses by the nature of the expense or by product as we do not use or maintain such information in managing our business.

*Nonoperating income (expense)* consists of the non-service cost components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) and interest expense, net.

#### **Business Performance**

During the year ended December 31, 2020, our sales decreased 17.1%, while core sales decreased 14.8% as compared to the comparable period of 2019. In order to establish period-to-period comparability, beginning with the third quarter of 2019 (the first quarter during which we reported our results as a separate, public company), we modified the definition of core sales to exclude the impact from sales of discontinued products (for the definition of "core sales" or "core revenue" refer to "Results of Operations" below). The impact of foreign currency exchange rates reduced sales in the year ended December 31, 2020 by 0.3% compared to the comparable period of 2019. The impact of discontinued products decreased revenues in the year ended December 31, 2020 by 2.2%.

## **Acquisitions**

Our growth strategy contemplates future acquisitions. Our operations and results can be affected by the rate and extent to which appropriate acquisition opportunities are available, acquired businesses are effectively integrated and anticipated synergies or cost savings are achieved.

On January 21, 2020, we acquired all of the shares of Matricel GmbH (“Matricel”) for cash consideration of approximately \$43.6 million. Matricel, a German company, is a provider of biomaterials used in dental applications and is part of our Specialty Products and Technologies segment. For the year ended December 31, 2020, Matricel’s revenue and earnings were not material to our Consolidated and Combined Statements of Income.

## **UK's Referendum Decision to Exit the EU**

In a referendum on June 23, 2016, voters approved for the United Kingdom (“UK”) to exit the European Union (“EU”). A withdrawal agreement negotiated by and between the UK prime minister and the EU was ratified by the UK parliament in December 2019. The UK exited the EU on January 31, 2020. A transition period began and business remained as usual until December 31, 2020. The new Trade and Cooperation Agreement signed by the EU and UK on December 24, 2020 brings little benefits for our dental business, since almost all of our products are already 0% duty rated under the WTO tariffs, and the agreement neither includes any customs or tax simplification regime nor any mutual recognition of medical device regulations of the EU and UK. To mitigate the potential impact of Brexit on the supply of our European goods to the UK, we have adapted our supply chain and financial processes accordingly, and temporarily increased our level of inventory within the UK to ensure that our customers receive our products timely. Our operating companies have begun to work through the new UK regulations to register products with the MHRA (UK’s Medicines and Healthcare products Regulatory Agency) and meet the future requirements of MHRA for foreign manufacturers of medical devices which become effective on July 1, 2023. The ultimate impact of UK exiting the EU on our financial results is uncertain.

## **Public Company Expenses**

As a result of the Separation, we are subject to the Sarbanes-Oxley Act and reporting requirements of the Exchange Act. We are now required to have additional procedures and practices as a separate public company. As a result, we have incurred and will continue to incur additional personnel and corporate governance costs, including internal audit, investor relations, stock administration and regulatory compliance costs.

## **Non-GAAP Measures**

In order to establish period-to-period comparability, beginning with the third quarter of 2019 (the first quarter during which we reported our results as a separate, public company), we modified the definition of core sales to exclude the impact from sales of discontinued products. We exclude sales from discontinued products because discontinued products do not have a continuing contribution to operations and management believes that excluding such items provides investors with a means of evaluating our on-going operations and facilitates comparisons to our peers. Core growth for the years ended December 31, 2020 and 2019, set forth in this Management’s Discussion and Analysis of Financial Condition and Results of Operations excludes the impact from sales of discontinued products. References to the non-GAAP measure of core sales (also referred to as core revenues or sales/revenues from existing businesses) refer to sales calculated according to GAAP, but excluding:

- sales from acquired businesses;
- sales from discontinued products; and
- the impact of currency translation.

Sales from discontinued products includes major brands or major products that we have made the decision to discontinue as part of a portfolio restructuring. Discontinued brands or products consist of those which we (1) are no longer manufacturing, (2) are no longer investing in the research or development of, and (3) expect to discontinue all significant sales of within one year from the decision date to discontinue. The portion of sales attributable to discontinued brands or products is calculated as the net decline of the applicable discontinued brand or product from period-to-period.

The portion of sales attributable to currency translation is calculated as the difference between:

- the period-to-period change in sales; and
- the period-to-period change in sales after applying current period foreign exchange rates to the prior year period.

Core sales growth should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. We believe that reporting the non-GAAP financial measure of core sales growth provides useful information to investors by helping identify underlying growth trends in our on-going business and facilitating comparisons of our sales performance with our performance in prior and future periods and to our peers. We also use core sales growth to measure our operating and financial performance. We exclude the effect of currency translation from core sales because currency translation is not under our control, is subject to volatility and can obscure underlying business trends.

Throughout this discussion, references to sales volume refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost-efficiencies resulting from the ongoing application of EBS. We believe our deep-rooted commitment to EBS helps drive our market leadership and differentiates us in the dental products industry. EBS encompasses not only lean tools and processes, but also methods for driving growth, innovation and leadership. Within the EBS framework, we pursue a number of ongoing strategic initiatives relating to streamlining business operations, portfolio simplification, reduction of costs, redeployment of resources, customer insight generation, product development and commercialization, efficient sourcing, and improvement in manufacturing and back-office support, all with a focus on continually improving quality, delivery, cost, growth and innovation.

## RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated and combined statements of earnings should be read along with our audited consolidated and combined financial statements included elsewhere in this Annual Report on Form 10-K. For more information on the consolidated and combined basis of preparation, see Note 1 to our audited consolidated and combined financial statements elsewhere in this Annual Report on Form 10-K.

(\$ in millions)	Year Ended December 31,						% Change 2020/2019	% Change 2019/2018
	2020	2019	2018					
Sales	\$ 2,282.0	100.0%	\$ 2,751.6	100.0%	\$ 2,844.5	100.0%	(17.1)%	(3.3)%
Cost of sales	1,123.9	49.3%	1,238.5	45.0%	1,242.7	43.7%	(9.3)%	(0.3)%
Gross profit	1,158.1	50.7%	1,513.1	55.0%	1,601.8	56.3%	(23.5)%	(5.5)%
Operating costs:								
SG&A expenses	1,024.0	44.9%	1,080.9	39.3%	1,131.4	39.8%	(5.3)%	(4.5)%
R&D expenses	100.8	4.4%	154.7	5.6%	172.0	6.0%	(34.8)%	(10.1)%
Operating profit	33.3	1.5%	277.5	10.1%	298.4	10.5%	(88.0)%	(7.0)%
Nonoperating (expense) income:								
Other (expense) income	(0.9)	—%	1.5	0.1%	2.7	0.1%	NM	NM
Interest expense, net	(62.5)	(2.7)%	(3.5)	(0.1)%	—	—%	NM	NM
(Loss) earnings before income taxes	(30.1)	(1.3)%	275.5	10.0%	301.1	10.6%	(110.9)%	(8.5)%
Income tax (benefit) expense	(63.4)	(2.8)%	57.9	2.1%	70.4	2.5%	(209.5)%	(17.8)%
Net income	33.3	1.5%	217.6	7.9%	230.7	8.1%	(84.7)%	(5.7)%
Effective tax rate	210.6 %		21.0 %		23.4 %			

## Business Segments

Sales by business segment were as follows (\$ in millions):

	For the Year Ended December 31,		
	2020	2019	2018
Specialty Products & Technologies	\$ 1,117.3	\$ 1,342.7	\$ 1,369.8
Equipment & Consumables	1,164.7	1,408.9	1,474.7
Total	\$ 2,282.0	\$ 2,751.6	\$ 2,844.5

## **GAAP Reconciliation**

### **Sales and Core Sales Growth**

	<b>2020 vs. 2019</b>	<b>2019 vs. 2018</b>
Total sales growth (GAAP)	(17.1)%	(3.5)%
Less the impact of:		
Acquisitions	(0.2)%	— %
Discontinued products	2.2 %	1.0 %
Currency exchange rates	0.3 %	2.5 %
Core sales growth (non-GAAP)	<u><u>(14.8)%</u></u>	<u><u>— %</u></u>

### **2020 Compared to 2019**

In response to COVID-19, many dental associations globally recommended that dental practices delay elective procedures and only perform emergency procedures. As a result, there were widespread temporary closures of dental practices around the world due to the pandemic, except to perform emergency procedures. The majority of dental practices have reopened however, overall patient volume remains below pre-COVID-19 levels.

Sales decreased 17.1% for the year ended December 31, 2020 compared to the comparable period in 2019. Price negatively impacted sales growth by 0.1% on a year-over-year basis in the year ended December 31, 2020. During 2020, sales decreased by 16.7% due to lower volume, including the impact of discontinued products and product mix primarily due to the impact of COVID-19, partially offset by revenue from the acquisition of Matricel. Sales in developed markets decreased during 2020, as compared to the comparable period of 2019, primarily due to a decrease in North America and Western Europe. Sales in emerging markets decreased during 2020, as compared to the comparable period of 2019, with sales decreasing in most major regions.

Core sales growth for the year ended December 31, 2020, decreased 14.8%, compared to the comparable period of 2019. Core sales decreased during 2020 in most markets we serve primarily due to the impact of COVID-19. Core sales in developed markets decreased during 2020, as compared to the comparable period of 2019, primarily due to a decrease in North America and Western Europe. Core sales in emerging markets decreased during 2020, as compared to the comparable period of 2019, with core sales decreasing in most major regions. Despite the impacts of COVID-19, China's core sales increased in the low-single digits during 2020.

### **2019 Compared to 2018**

Sales decreased 3.5% for the year ended December 31, 2019 compared to the comparable period in 2018. Price and the impact of currency exchange rates negatively impacted sales growth by 1.0% and 2.5%, respectively, on a year-over-year basis in the year ended December 31, 2019. During 2019, sales volume, including the impact of discontinued products and product mix remained consistent with 2018. Geographically, sales decreased in developed markets, partially offset by an increase in sales in emerging markets during the year ended December 31, 2019.

During the year ended December 31, 2019, core sales were flat as compared to the comparable period of 2018. In order to establish period-to-period comparability, beginning with the third quarter of 2019 (the first quarter during which we reported our results as a separate, public company), we modified the definition of core sales to exclude the impact from sales of discontinued products. Geographically, core sales growth in emerging markets was partially offset by decreasing core sales in developed markets during the year ended December 31, 2019. Core sales in emerging markets increased at a mid-single digit rate during the year ended December 31, 2019 as compared to 2018, led primarily by continued strength in China. Core sales in developed markets decreased at a low-single digit rate during the year ended December 31, 2019 as compared to 2018, primarily due to declines in Western Europe and North America.

## COST OF SALES AND GROSS PROFIT

(\$ in millions)	For the Year Ended December 31,		
	2020	2019	2018
Sales	\$ 2,282.0	\$ 2,751.6	\$ 2,844.5
Cost of sales	1,123.9	1,238.5	1,242.7
Gross profit	\$ 1,158.1	\$ 1,513.1	\$ 1,601.8
Gross profit margin	50.7 %	55.0 %	56.3 %

### 2020 Compared to 2019

The decrease in cost of sales during the year ended December 31, 2020, as compared to the comparable period in 2019, was primarily due to lower sales as a result of the COVID-19 pandemic, partially offset by an unfavorable sales mix, restructuring costs, excess capacity costs and the impact of foreign currency exchange rates.

The decrease in gross profit margin during the year ended December 31, 2020, as compared to the comparable period in 2019, was due primarily to lower sales as a result of the COVID-19 pandemic, an unfavorable sales mix, restructuring costs, excess capacity costs and the impact of foreign currency exchange rates.

### 2019 Compared to 2018

The decrease in cost of sales during the year ended December 31, 2019 as compared to 2018 was primarily due to lower sales with an unfavorable sales mix and the impact of foreign currency exchange rates.

The year-over-year decrease in gross profit margin during the year ended December 31, 2019 as compared to 2018 was due primarily to lower overall pricing and unfavorable sales mix, partially offset by incremental year-over-year cost savings associated with restructuring activities and continued productivity improvement actions taken in 2018 and the impact of foreign currency exchange rates in 2019.

## OPERATING EXPENSES

(\$ in millions)	For the Year Ended December 31,		
	2020	2019	2018
Sales	\$ 2,282.0	\$ 2,751.6	\$ 2,844.5
Selling, general and administrative expenses	1,024.0	1,080.9	1,131.4
Research and development expenses	100.8	154.7	172.0
SG&A as a % of sales	44.9 %	39.3 %	39.8 %
R&D as a % of sales	4.4 %	5.6 %	6.0 %

### 2020 Compared to 2019

The increase in SG&A expenses as a percentage of sales for the year ended December 31, 2020, as compared to the comparable period of 2019, was primarily due to lower sales, restructuring and productivity improvement expenses and incremental public company costs, partially offset by cost reduction initiatives including employee furloughs, pay cuts, reduced discretionary spend (including sales, marketing and travel) and incremental period-over-period savings associated with restructuring and productivity improvement actions taken in prior periods.

The decrease in R&D expenses as a percentage of sales for the year ended December 31, 2020, as compared to the comparable period of 2019, was primarily due to a decrease in spending on product development initiatives in the Equipment & Consumables segment.

### **2019 Compared to 2018**

The year-over-year decrease in SG&A expenses as a percentage of sales for the year ended December 31, 2019 as compared to 2018 was primarily due to lower discretionary spend, lower expenses for legal matters, incremental year-over-year savings associated with the restructuring and continued productivity improvement actions taken in 2018, partially offset by continued investments in sales and marketing growth initiatives and incremental corporate costs.

Year-over-year, R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales decreased during the year ended December 31, 2019 as compared to 2018 primarily due to a decrease in spending on product development initiatives, partially offset by lower sales in 2019.

### **OPERATING PROFIT**

#### **2020 Compared to 2019**

Operating profit margin was 1.5% for the year ended December 31, 2020, as compared to an operating profit margin of 10.1% for the comparable period of 2019. The decrease in operating profit margin was due to lower sales primarily due to the impact of the COVID-19 pandemic, an unfavorable sales mix, higher restructuring and productivity improvement expenses, incremental public company costs and the impact of foreign currency exchange rates, partially offset by cost reduction initiatives including employee furloughs, pay cuts, reduced discretionary spend (including sales, marketing and travel research and development) and incremental period-over-period savings associated with restructuring and productivity improvement actions taken in prior periods.

#### **2019 Compared to 2018**

Operating profit margins were 10.1% for the year ended December 31, 2019 as compared to 10.5% to 2018. The following factors unfavorably impacted year-over-year operating profit margin comparisons: lower sales and incremental corporate costs, partially offset by lower spending on productivity initiatives and discretionary expenses, lower R&D spend and cost savings associated with productivity initiatives - 40 basis points

### **OTHER (EXPENSE) INCOME, NET**

The other components of net periodic benefit costs included in other (expense) income for the years ended December 31, 2020, 2019 and 2018 were \$(0.9) million, \$1.5 million, and \$2.7 million, respectively.

### **INTEREST COSTS AND FINANCING**

The increase in interest expense for the year ended December 31, 2020, as compared to the comparable period in 2019, is due to our outstanding debt balance of \$1.9 billion at December 31, 2020 compared to \$1.3 billion at December 31, 2019, which was incurred in September 2019 in connection with the Separation. In addition, since May 2020, we have incurred higher interest rates on our Term Loans and Revolving Credit Facility as a result of the amended Credit Agreement. In conjunction with the Separation, we entered into the Credit Agreement, the proceeds of which were used to pay Danaher consideration for the transfer of the Dental business to us. In March of 2020, we drew down \$250.0 million from our revolving line of credit and repaid it in September of 2020. In May of 2020, we issued the Notes with a principal value of \$517.5 million to provide additional liquidity in response to the COVID-19 pandemic. For a discussion of our outstanding indebtedness, refer to Note 15 to our audited consolidated and combined financial statements elsewhere in this Annual Report on Form 10-K.

### **INCOME TAXES**

	For the Year Ended December 31,		
	2020	2019	2018
Effective tax rate	210.6 %	21.0 %	23.4

Our effective tax rate for the year ended December 31, 2020 was 210.6% compared to 21.0% in 2019. The increase in the effective tax rate was primarily due to the recognition of an amortizable deferred tax asset associated with the estimated value of a tax basis step-up of certain of the Company's Swiss assets and the impact of the loss before income taxes in 2020 relative to the higher income before taxes in 2019.

Our effective tax rate for the year ended December 31, 2019 was 21.0% compared to 23.4% in 2018. The decrease in the effective tax rate was primarily due to increased permanent tax benefits related to stock-based compensation and a change in our geographical mix of earnings.

#### **COMPREHENSIVE INCOME**

##### **2020 Compared to 2019**

For the year ended December 31, 2020, comprehensive income decreased \$65.9 million as compared to 2019. The decrease was primarily due to lower net income, partially offset by higher foreign currency translation gains and pension plan gains.

##### **2019 Compared to 2018**

For the year ended December 31, 2019, comprehensive income decreased \$0.5 million as compared to 2018. The decrease was primarily due to lower net income and higher pension plan losses, partially offset by lower foreign currency translation losses.

#### **SPECIALTY PRODUCTS & TECHNOLOGIES**

Our Specialty Products & Technologies segment develops, manufactures and markets dental implant systems, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products.

##### **Specialty Products & Technologies Selected Financial Data**

(\$ in millions)	For the Year Ended December 31,		
	2020	2019	2018
Sales	\$ 1,117.3	\$ 1,342.7	\$ 1,369.8
Operating profit	72.7	227.7	241.3
Depreciation	20.6	17.7	17.9
Amortization	60.0	57.7	59.0
Operating profit as a % of sales	6.5 %	17.0 %	17.6 %
Depreciation as a % of sales	1.8 %	1.3 %	1.3 %
Amortization as a % of sales	5.4 %	4.3 %	4.3 %

##### **Sales and Core Sales Growth**

	2020 vs. 2019	2019 vs. 2018
Total sales growth (GAAP)	(16.8)%	(2.0)%
Less the impact of:		
Acquisitions	(0.3)%	— %
Discontinued products	0.6 %	1.5 %
Currency exchange rates	(0.1)%	2.0 %
Core sales growth (non-GAAP)	<u>(16.6)%</u>	<u>1.5 %</u>

##### **2020 Compared to 2019**

###### *Sales*

Sales decreased 16.8% for the year ended December 31, 2020 compared to the comparable period in 2019. Price negatively impacted sales growth by 0.6% on a year-over-year basis in the year ended December 31, 2020. During 2020, sales decreased in most of the markets we serve by 16.1% due to lower volume and product mix primarily due to the impact of COVID-19, partially offset by revenue from the acquisition of Matricel.

Core sales growth for the year ended December 31, 2020 decreased 16.6%, compared to the comparable period of 2019. Geographically, the decrease in core sales growth was primarily due to lower core sales in North America, Western Europe and Asia, excluding China. Core sales decreased for implant systems and orthodontic products in most of the markets we serve primarily as a result of the COVID-19 pandemic, partially offset by increased demand for both implant systems and orthodontic products in China.

#### *Operating Profit*

Operating profit margin was 6.5% for the year ended December 31, 2020, as compared to an operating profit margin of 17.0% for the comparable period of 2019. The decrease in operating profit margin was primarily due to lower sales primarily due to the impact of the COVID-19 pandemic, an unfavorable sales mix, higher restructuring and productivity improvement expenses, excess capacity costs and the impact of foreign currency exchange rates, partially offset by cost reduction initiatives including employee furloughs, pay cuts, reduced discretionary spend (including sales, marketing and travel) and incremental period-over-period savings associated with restructuring and productivity improvement actions taken in prior periods.

#### **2019 Compared to 2018**

##### *Sales*

Sales decreased 2.0% for the year ended December 31, 2019 compared to the comparable period in 2018. Price and the impact of currency exchange rates negatively impacted sales growth by 1.0% and 2.0%, respectively, offset by an increase in volume and mix of 1.0% on a year-over-year basis in the year ended December 31, 2019. Geographically, the sales decrease was primarily due to sales declines in Western Europe, partially offset by emerging markets.

Core sales growth for the segment was led by emerging markets, primarily China, partially offset by declines in Western Europe and North America, for the year ended December 31, 2019. Core sales for premium implant systems increased, partially offset by a decrease in core sales for value implant systems due to lower demand. Increased demand for orthodontic products was partially due to recent product launches.

##### *Operating Profit*

Operating profit margins decreased 60 basis points during the year ended December 31, 2019 as compared to 2018. The following factors unfavorably impacted year-over-year operating profit margin comparisons:

- Lower overall sales price and incremental year-over-year costs associated with various new product development and growth investments, partially offset by higher core sales volumes, and incremental year-over-year cost savings associated with continuing productivity improvement initiatives taken in 2018 - 60 basis points

#### **EQUIPMENT & CONSUMABLES**

Our Equipment & Consumables segment develops, manufactures and markets dental equipment and supplies used in dental offices, including digital imaging systems, software and other visualization/magnification systems; handpieces and associated consumables; treatment units and other dental practice equipment; endodontic systems and related consumables; restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products.

#### **Equipment & Consumables Selected Financial Data**

(\$ in millions)	For the Year Ended December 31,		
	2020	2019	2018
Sales	\$ 1,164.7	\$ 1,408.9	\$ 1,474.7
Operating profit	38.2	105.8	120.5
Depreciation	19.4	19.6	20.3
Amortization	30.2	31.8	31.6
Operating profit as a % of sales	3.3 %	7.5 %	8.2 %
Depreciation as a % of sales	1.7 %	1.4 %	1.4 %
Amortization as a % of sales	2.6 %	2.3 %	2.1 %

## Sales and Core Sales Growth

	2020 vs. 2019	2019 vs. 2018
Total sales growth (GAAP)	(17.3)%	(4.5)%
Less the impact of:		
Discontinued products	3.8 %	1.0 %
Currency exchange rates	0.3 %	2.5 %
Core sales growth (non-GAAP)	<u>(13.2)%</u>	<u>(1.0)%</u>

## 2020 Compared to 2019

### Sales

Sales decreased 17.3% for the year ended December 31, 2020 compared to the comparable period in 2019. Price positively impacted sales growth by 0.4% on a year-over-year basis in the year ended December 31, 2020. During 2020, sales decreased in most of the markets we serve by 17.4% due to lower volume and product mix primarily due to the impact of COVID-19.

Core sales growth for the year ended December 31, 2020 decreased 13.2%, compared to the comparable period of 2019. Geographically, the decrease in core sales growth was primarily due to lower core sales in North America, Western Europe and Asia. Core sales of equipment and traditional consumables decreased in most of the markets we serve primarily as a result of the COVID-19 pandemic, partially offset by increased demand for our infection prevention products.

### Operating Profit

Operating profit margin was 3.3% for the year ended December 31, 2020, as compared to an operating profit margin of 7.5% for the comparable period of 2019. The decrease in operating profit margin was primarily due to lower sales due to the impact of the COVID-19 pandemic, an unfavorable sales mix, higher restructuring and productivity improvement expenses, excess capacity costs and the impact of foreign currency exchange rates, partially offset by cost reduction initiatives including employee furloughs, pay cuts, reduced discretionary spend (including sales, marketing and travel, research and development) and incremental period-over-period savings associated with restructuring and productivity improvement actions taken in prior periods.

## 2019 Compared to 2018

### Sales

Sales decreased 4.5% for the year ended December 31, 2019 compared to the comparable period in 2018. Price and the impact of currency exchange rates negatively impacted sales growth by 0.5% and 2.5%, respectively, on a year-over-year basis in the year ended December 31, 2019. Volume and mix also negatively impacted sales by 1.5% on a year-over-year basis in the year ended December 31, 2019. Geographically, sales decreased primarily due to sales decreases in North America and Western Europe, partially offset by increased demand in China.

Core sales for the segment decreased in the year ended December 31, 2019 as demand in China was offset by lower sales in North America and Western Europe. Equipment core sales decreased in North America due to lower demand. Core sales of traditional consumables decreased due to lower demand in North America and Western Europe, partially offset by growth in China.

### Operating Profit

Operating profit margins decreased 70 basis points during the year ended December 31, 2019 as compared to 2018. The following factors impacted year-over-year operating profit margin comparisons:

- Lower core sales volumes and overall sales price, incremental year-over-year costs associated with sales and marketing growth investments and new product development initiatives in 2019, partially offset by decreases in productivity improvement and restructuring related charges in 2019 compared to 2018 and cost savings associated with productivity initiatives taken in 2018 - 70 basis points

## **INFLATION**

The effect of inflation on our sales and net income was not significant in any of the years ended December 31, 2020, 2019 or 2018.

## **LIQUIDITY AND CAPITAL RESOURCES**

Before the Separation, we were dependent upon Danaher for all of our working capital and financing requirements under Danaher's centralized approach to cash management and financing of its operations. Our financial transactions were accounted for through our former parent investment, net account. Accordingly, none of Danaher's cash, cash equivalents or debt has been assigned to us for the periods prior to the Separation.

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

Following is an overview of our cash flows and liquidity:

### **Overview of Cash Flows and Liquidity**

(\$ in millions)	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net cash provided by operating activities	\$ 283.9	\$ 397.5	\$ 400.1
Acquisitions, net of cash acquired	\$ (40.7)	\$ —	\$ —
Payments for additions to property, plant and equipment	(47.7)	(77.8)	(72.2)
Proceeds from sales of property, plant and equipment	5.3	1.6	—
All other investing activities	14.0	(2.2)	(3.3)
Net cash used in investing activities	\$ (69.1)	\$ (78.4)	\$ (75.5)
Proceeds from issuance of convertible senior notes	\$ 517.5	\$ —	\$ —
Payment of debt issuance and other deferred financing costs	(17.2)	(2.4)	—
Proceeds from revolving line of credit	249.8	—	—
Repayment of revolving line of credit	(250.0)	—	—
Proceeds from borrowings	—	1,318.3	—
Repayment of borrowings	—	(0.3)	—
Purchase of capped calls related to issuance of convertible senior notes	(20.7)	—	—
Proceeds from stock option exercises	13.8	—	—
Proceeds from the public offering of common stock, net of issuance costs	—	643.4	—
Consideration to Former Parent in connection with the Separation	—	(1,950.0)	—
Net transfers to Former Parent	—	(116.5)	(324.6)
All other financing activities	(0.7)	(0.2)	—
Net cash provided by (used in) financing activities	\$ 492.5	\$ (107.7)	\$ (324.6)

#### Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period for working capital needs and the timing of payments for income taxes, restructuring activities, pension funding and other items impacting reported cash flows.

Net cash provided by operating activities was \$283.9 million during the year ended December 31, 2020 and \$397.5 million in 2019. The decrease was primarily due to lower net income, changes in deferred taxes and accrued liabilities partially offset by improvements in working capital and higher non-cash expenses, including restructuring and impairment charges, on a year-over-year basis.

#### Investing Activities

Cash flows relating to investing activities consist primarily of cash used for capital expenditures and acquisitions. Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development and improving information technology systems.

Net cash used in investing activities decreased by \$9.3 million during the year ended December 31, 2020, as compared to the comparable period in 2019. The decrease was primarily due to lower purchases of property, plant and equipment and net proceeds from our cross-currency swaps, partially offset by the acquisition of Matricel in January 2020.

#### Financing Activities and Indebtedness

Cash flows relating to financing activities consist primarily of cash flows associated with debt borrowings, the issuance of common stock and transfers to Danaher prior to the Separation.

Net cash provided by financing activities was \$492.5 million during the year ended December 31, 2020, compared to \$107.7 million used in financing activities for the comparable period of 2019. During 2020, cash provided by financing activities was primarily due to the net proceeds received in connection with the issuance of the Notes in May 2020, partially offset by the purchase of the Capped Calls of \$21 million. During 2019, we borrowed approximately \$1.3 billion under senior credit facilities and received net proceeds of \$643 million from the IPO. These proceeds were paid to Danaher as partial consideration for Danaher's transfer of the assets and liabilities of its Dental business to us.

For a description of our outstanding debt as of December 31, 2020 and the senior credit facilities, refer to Note 15 to our audited consolidated and combined financial statements in this Annual Report on Form 10-K.

We intend to satisfy any short-term liquidity needs that are not met through operating cash flow and available cash primarily through our revolving credit facility.

As of December 31, 2020, we had no borrowings outstanding under the revolving credit facility and we had the ability to incur an additional \$250 million of indebtedness in direct borrowings under the revolving credit facility. As of December 31, 2020, we were in compliance with all of our debt covenants.

#### **2019 Compared to 2018**

Net cash provided by operating activities was \$397.5 million during the year ended December 31, 2019 and \$400.1 million in 2018. The decrease was primarily due to lower net income and higher levels of prepaid expenses and other assets, accrued liabilities and payments of operating lease liabilities, partially offset by higher levels of working capital and higher non-cash expenses on a year-over-year basis.

Net cash used in investing activities increased by \$3 million during the year ended December 31, 2019 as compared to 2018. The increase was primarily driven by expenditures to increase production capacity in the Specialty Products & Technologies segment and expenditures related to becoming a separate company.

Net cash used in financing activities was \$108 million during the year ended December 31, 2019 compared to \$325 million of cash used in 2018. The year-over-year decrease in cash used in financing activities was primarily due to lower transfers to Danaher prior to the Separation.

We borrowed approximately \$1.3 billion under senior credit facilities and received net proceeds of \$643 million from the IPO. These proceeds were paid to Danaher as partial consideration for Danaher's transfer of the assets and liabilities of its Dental business to us.

### Cash and Cash Requirements

Until the Separation, we were dependent upon Danaher for all of our working capital and financing requirements under Danaher's centralized approach to cash management and financing of operations of its subsidiaries. Because we were part of Danaher for the periods prior to Separation, no cash, cash equivalents and borrowings were included in our audited combined financial statements as of December 31, 2018. For all periods prior to the Separation, other financial transactions relating to our business operations were accounted for through our former parent investment, net account.

As of December 31, 2020, we held \$888.9 million of cash and equivalents that were held on deposit with financial institutions. Of this amount, \$478.3 million was held within the United States and \$410.6 million was held outside of the United States. To preserve cash during these uncertain economic times, we have implemented various temporary cost reduction initiatives and have also accelerated and increased a planned spending reduction program that was completed by the end of 2020. We will continue to have cash requirements to support working capital needs, capital expenditures and acquisitions, pay interest and service debt, pay taxes and any related interest or penalties, fund our restructuring activities and pension plans as required and support other business needs. We generally intend to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, we may need to enter into new credit facilities or access the capital markets. We may also access the capital markets from time to time to take advantage of favorable interest rate environments or other market conditions. However, there is no guarantee that we will be able to obtain alternative sources of financing on commercially reasonable terms or at all. See "Item 1A. Risk Factors—Risks Related to Our Business."

While repatriation of some cash held outside the United States may be restricted by local laws, most of our foreign cash could be repatriated to the United States. Following enactment of the Tax Cut and Jobs Act of 2017 ("TCJA") and the associated transition tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject us to non-U.S. jurisdictional taxes on distributions. The cash that our non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes, if any, applicable to such earnings including basis differences in our foreign subsidiaries are not readily determinable.

On February 9, 2021, we entered into an additional amendment to our Credit Agreement that substantially reinstated the original terms of our Credit Agreement effective February 9, 2021. In connection with this new amendment we paid down \$472.0 million of our Euro Term Loan on February 9, 2021.

As of February 10, 2021, we believe that we have sufficient sources of liquidity to satisfy our cash needs, including our cash needs in the United States.

### Contractual Obligations

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of our contractual obligations as of December 31, 2020 under (1) operating lease obligations, (2) purchase obligations and (3) debt reflected on our consolidated balance sheet under GAAP. Refer to "Off-Balance Sheet Arrangements" for a discussion of other contractual obligations that are not reflected in the table below.

(\$ in millions)	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Operating lease obligations <sup>(a)</sup>	\$ 223.1	\$ 37.2	\$ 51.5	\$ 35.6	\$ 98.8
Purchase obligations <sup>(b)</sup>	92.5	92.5	—	—	—
Debt <sup>(c)</sup>	1,904.1	3.7	1,382.9	517.5	—
<b>Total</b>	<b>\$ 2,219.7</b>	<b>\$ 133.4</b>	<b>\$ 1,434.4</b>	<b>\$ 553.1</b>	<b>\$ 98.8</b>

<sup>(a)</sup> As described in Note 7 to our audited consolidated and combined financial statements, certain leases require us to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These future costs are not included in the table above. As discussed in Note 2 to our audited consolidated and combined financial statements, we adopted Accounting Standards Codification ("ASC") 842 related to lease accounting on January 1, 2019. Future minimum lease payments in the table above differ from the future lease liability recognized under ASC 842, as the lease liability recognized under ASC 842 discounts the lease payments while the minimum lease payments are not discounted. Additionally, ASC

- 842 allows a lessee to elect to combine or separate any non-lease components in an arrangement with the lease components for the calculation of the lease liability while the minimum lease payments exclude any non-lease components.
- (b) Consist of agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction.
- (c) These amounts represent the contractual maturities of our debt. See Note 15 to our audited consolidated and combined financial statements.

## Off-Balance Sheet Arrangements

### *Guarantees and Related Instruments*

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of our off-balance sheet commitments as of December 31, 2020.

(\$ in millions)	Amount of Commitment Expiration per Period				
	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Guarantees and related instruments	\$68.1	\$65.7	\$1.4	\$—	\$1.0

Guarantees consist primarily of outstanding standby letters of credit and bank guarantees. 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.

### *Other Off-Balance Sheet Arrangements*

In the normal course of business, we periodically enter into agreements that require us to indemnify customers, suppliers or other business partners for specific risks, such as claims for injury or property damage arising out of our products or services or claims alleging that our products or services infringe third-party intellectual property. We have not included any such indemnification provisions in the contractual obligations table above. Historically, we have not experienced significant losses on these types of indemnification obligations.

## Debt Financing Transactions

On September 20, 2019, we entered into the Credit Agreement with a syndicate of banks, pursuant to which we borrowed approximately \$1.3 billion as of the date hereof, consisting of a three-year, \$650 million senior unsecured term loan facility and a three-year, €600 million senior unsecured term loan facility, which are referred to as the “Term Loans.” The Credit Agreement also includes a five-year, \$250 million senior unsecured multi-currency revolving credit facility, which is referred to as the “Revolving Credit Facility.” Pursuant to the Separation Agreement, all of the net proceeds of the Term Loans were paid to Danaher as partial consideration for the Dental business that Danaher transferred to us.

The Credit Agreement requires us to maintain a Consolidated Leverage Ratio (as defined in the Credit Agreement) of 3.75 to 1.00 or less; provided that the maximum Consolidated Leverage Ratio will be increased to 4.25 to 1.00 for the four consecutive full fiscal quarters immediately following the consummation of any acquisition by us or any subsidiary of ours in which the purchase price exceeds \$100 million. The Credit Agreement also requires us to maintain a Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) of at least 3.00 to 1.00. Borrowings under the Credit Agreement are prepayable at our option at any time in whole or in part without premium or penalty. Term Loans may not be reborrowed once repaid. Amounts borrowed under the Revolving Credit Facility may be repaid and reborrowed from time to time prior to the maturity date. We have unconditionally and irrevocably guaranteed the obligations of each of our subsidiaries in the event a subsidiary is named a borrower under the Revolving Credit Facility. The Credit Agreement contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants, including covenants that, among other things, limit or restrict our and/or our subsidiaries’ ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, merge, consolidate or sell or otherwise transfer assets, make dividends or distributions, enter into transactions with our affiliates, and use proceeds of the debt financing for other than permitted uses. The Credit Agreement also contains customary events of default. Upon the occurrence and during the continuance of an event of default, the lenders may declare the outstanding advances and all other obligations under the Credit Agreement immediately due and payable.

### **Amendments to Credit Agreement**

On May 6, 2020, we entered into the Amendment to our Credit Agreement that, among other changes, waives the quarterly-tested leverage covenant and reduces the interest coverage ratio to 2.00 to 1.00 through and including the first quarter of 2021. In connection with this Amendment, the lenders obtained a first priority security interest in substantially all of our assets. The Amendment also imposes limitations on liens, indebtedness, asset sales, investments and acquisitions. In addition, we are required to maintain a monthly-tested minimum liquidity covenant of \$125.0 million during the waiver period. The Amendment increases the interest and fees payable under the Credit Agreement for the duration of the period during which the waiver of the debt covenants remains in effect. Substantially all terms of the Credit Agreement revert back to the original terms as soon as we submit a quarterly compliance certificate with debt covenants at pre-Amendment levels.

On February 9, 2021, we entered into an additional amendment to our Credit Agreement that substantially reinstated the original terms of our Credit Agreement effective February 9, 2021. In conjunction with this amendment, we repaid \$472.0 million of our Euro Term Loan Facility, which was classified as short-term debt as of December 31, 2020 and submitted a quarterly compliance certificate as of December 31, 2020, which took into consideration the repayment of \$472.0 million related to the Euro Term Loan. As a result, we are in compliance with the debt covenants as outlined under the original terms of the Credit Agreement as of February 9, 2021.

### **Notes**

On May 21, 2020, we issued the Notes due on June 1, 2025, unless earlier repurchased, redeemed or converted. The aggregate principal amount, which includes the initial purchasers' exercise in full of their option to purchase an additional \$68 million principal amount of the Notes, was \$517.5 million. The net proceeds from the issuance, after deducting purchasers' discounts and estimated offering expenses, were \$502.6 million. The Notes accrue interest at a rate of 2.375% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. The Notes have an initial conversion rate of 47.5862 shares of our common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$21.01 per share of our common stock and is subject to adjustment upon the occurrence of specified events. The Notes have customary provisions relating to the occurrence of "Events of Default" (as defined in the Indenture governing the Notes).

### **Capped Call Transactions**

In connection with the offering of the Notes, we entered into the Capped Calls with certain counterparties. The Capped Calls each have an initial strike price of approximately \$21.01 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$23.79 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, 2.9 million shares of the Company's common stock. The Capped Calls are generally intended to reduce or offset the potential dilution from shares of common stock issued upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The cost of \$20.7 million incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital.

### **Legal Proceedings**

Please refer to Note 14 to our audited consolidated and combined financial statements included in this Annual Report for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, please refer to "Item 1A. Risk Factors—General Risks."

### **QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk from changes in foreign currency exchange rates and commodity prices as well as credit risk, each of which could impact our consolidated financial statements. We generally address our exposure to these risks through our normal operating activities.

### **Interest Rate Risk**

Our borrowings are at variable rates of interest, which may expose us to interest rate risk. We have a three-year \$650 million senior unsecured term loan facility (“USD Term Loan”) and a three-year, €600 million senior unsecured term loan facility (“Euro Term Loan”). To manage our interest rate risk we have entered into interest rate swap agreements, which effectively convert the USD Term Loan variable rate borrowings into fixed rate euro borrowings. Therefore, a change in interest rates would not have had an impact on our interest expense for 2020 related to our USD Term Loan. A 100 basis point increase in the interest rate related to our Euro Term Loan would have increased our interest expense by \$7.3 million for 2020.

### **Currency Exchange Rate Risk**

We face transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of our applicable subsidiary. We also face translational exchange rate risk related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, we have more sales in European currencies than we have expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on our net investment in international subsidiaries is reflected in the accumulated other comprehensive loss component of equity.

We have generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will therefore continue to affect the reported amount of sales and net earnings in our consolidated and combined financial statements. In addition, we have assets and liabilities held in foreign currencies. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31, 2020 would have reduced equity by approximately \$222 million.

In September 2019, we entered into approximately \$650 million of cross-currency swap derivative contracts on our USD Term Loan and designated the Euro Term Loan as a non-derivative instrument to hedge our net investment in foreign operations against adverse changes in the exchange rates between the U.S. dollar and the euro. These cross-currency contracts effectively convert our USD Term Loan to an obligation denominated in euro and will partially offset the impact of changes in currency rates on foreign currency-denominated net assets in future periods. For additional information on hedging transactions and derivative financial instruments, please refer to Note 10 to our audited consolidated and combined financial statements included in this Annual Report.

### **Credit Risk**

We are exposed to potential credit losses in the event of nonperformance by counterparties to our financial instruments. Financial instruments that potentially subject us to credit risk primarily consist of receivables from customers. For additional information on our credit risk from customers, please refer to “Item 1. Business.”

Our businesses perform credit evaluations of our customers’ financial conditions as appropriate and also obtain collateral or other security when appropriate.

### **Commodity Price Risk**

For a discussion of risks relating to commodity prices, refer to “Item 1A. Risk Factors—Risks Related to Our Business.”

### **CRITICAL ACCOUNTING ESTIMATES**

Management’s discussion and analysis of our financial condition and results of operations is based upon our consolidated and combined financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. We base these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

We believe the following accounting estimates are most critical to an understanding of our financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period-to-period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 2 to our audited consolidated and combined financial statements.

**Acquired Intangibles**—Our business acquisitions typically result in the recognition of goodwill, patents, technology, customer relationships and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that we may incur. Refer to Notes 2, 3 and 8 to our audited consolidated and combined financial statements for a description of our policies relating to acquisitions, goodwill and acquired intangibles.

In performing our goodwill impairment testing in 2020, we estimate the fair value of our reporting units using an income approach and market-based approach with a weighting of 75.0% and 25.0%, respectively. The discounted cash flow model (i.e., an income approach) requires judgmental assumptions about projected sales growth, future operating margins, discount rates and terminal values. In evaluating the estimates derived by the market-based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to our reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. There are inherent uncertainties related to these assumptions and our judgment in applying them to the analysis of goodwill impairment.

Our annual impairment test includes an evaluation of our reporting units. Concurrently with our annual impairment test on the first day of the fourth quarter of 2020, we created an additional three components, which are one level below our operating segments. The additional three components were deemed to be reporting units, which resulted in the number of our reporting units increasing from three at December 31, 2019 to six reporting units for goodwill impairment testing in 2020. Due to the new reporting units, we reallocated the existing goodwill within each of our operating segments to the new reporting units within the applicable operating segments on a relative fair value basis. The reporting units were tested for impairment before and after the reallocation and no impairment was identified. Goodwill was not reallocated between operating segments.

Our annual goodwill impairment analysis in 2020 indicated that in all instances, the fair values of our reporting units exceeded their carrying values (before and after the creation of the three new reporting units discussed above) and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of our six reporting units as of the annual testing date ranged from approximately 13% to approximately 79%. In order to evaluate the sensitivity of the fair value calculations used in the goodwill impairment test, we applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of our reporting units ranged from approximately 2% to approximately 61%.

We review identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We also test intangible assets with indefinite lives at least annually for impairment. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of discounted cash flows expected to be generated by the asset. These analyses require us to make judgments and estimates about future sales, expenses, market conditions and discount rates related to these assets.

If actual results are not consistent with our estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net income which would adversely affect our consolidated and combined financial statements.

**Contingent Liabilities**—As discussed in Note 14 to our audited consolidated and combined financial statements, we are, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to our business (or the business operations of previously owned entities). We recognize a liability for any contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 14 to our audited consolidated and combined financial statements. If the reserves we established with respect to these contingent liabilities 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 financial statements.

**Corporate Allocations**— Prior to the IPO we operated as part of Danaher and not as a separate, publicly traded company. Accordingly, certain shared costs have been allocated to us and are reflected as expenses in the accompanying consolidated and combined financial statements. We consider the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to us for purposes of the carve-out financial statements; however, the expenses reflected in these consolidated and combined financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if we had operated as a separate, publicly traded entity. In addition, the expenses reflected in the financial statements may not be indicative of expenses that we will incur in the future. Refer to Note 23 to our audited consolidated and combined financial statements for a description of our corporate allocations and related-party transactions.

**Pension Plans**—For a description of our pension accounting practices, refer to Note 12 to our audited consolidated and combined financial statements. Calculations of the amount of pension costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, health care cost trend rates, mortality rates and other factors. If the assumptions used in calculating pension costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors) our financial statements could be materially affected. A 50 basis point reduction in the discount rates used for the plans for 2020 would have increased the net obligation by \$19.7 million (\$15.4 million on an after-tax basis) from the amounts recorded in the financial statements as of December 31, 2020. A 50 basis point increase in the discount rates used for the plans for 2020 would have decreased the net obligation by \$17.1 million (\$13.3 million on an after-tax basis) from the amounts recorded in the financial statements as of December 31, 2020.

The plan assets consist of various insurance contracts, equity and debt securities as determined by the administrator of each plan. The estimated long-term rate of return ranged from 1.75% to 5.25%. A 50 basis points decrease in the expected long-term rate of return on plan assets for 2021 would result in an increase of \$0.5 million in pension expense for the plans for 2021.

**Income Taxes**—For a description of our income tax accounting policies, refer to Note 20 to our audited consolidated and combined financial statements. We establish valuation allowances for our deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. This requires us to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on our financial statements.

We provide for unrecognized tax benefits when, based upon the technical merits, it is “more likely than not” that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. We re-evaluate the technical merits of our tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires.

In addition, certain of Danaher’s tax returns are currently under review by tax authorities (refer to “Results of Operations—Income Taxes” and Note 20 to our audited consolidated and combined financial statements).

An increase of 1.0% in our 2020 nominal tax rate would have resulted in an additional income tax benefit for the year ended December 31, 2020 of \$0.3 million.

#### **NEW ACCOUNTING STANDARDS**

For a discussion of the new accounting standards impacting us, refer to Note 2 to our audited consolidated and combined financial statements in this Annual Report on Form 10-K.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information required by this item is included under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****INDEX TO FINANCIAL STATEMENTS AND SCHEDULE**

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**Report of Management on Envista Holdings Corporation's Internal Control Over Financial Reporting**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2020, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 18, 2021 appears on page 78 of this Form 10-K.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Envista Holdings Corporation

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Envista Holdings Corporation (the Company) as of December 31, 2020 and 2019, the related consolidated and combined statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, the related notes, and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated and combined financial statements”). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 18, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated and combined financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Goodwill Impairment******Description of the Matter***

As discussed in Note 8 to the consolidated and combined financial statements, the Company's annual test date for goodwill impairment is the first day of its fiscal fourth quarter. On that date, the Company revised its reporting structure to include a total of six reporting units. Prior to that date, the Company's reporting structure included three reporting units. The increase in the number of reporting units required a reallocation of the goodwill from the existing reporting units to the six reporting units. Prior to the reallocation of goodwill, the Company was required to perform an impairment test of the goodwill held at the three previously existing reporting units. Total goodwill as of December 31, 2020 was \$3,431 million and represented 50% of total assets. As discussed in Note 2 of the consolidated and combined financial statements, goodwill is not amortized but rather is tested for impairment at least annually at the reporting unit level. The Company did not record any impairment of the carrying value of goodwill during the year ended December 31, 2020.

Auditing management's goodwill impairment test for one of the Company's previously existing reporting units was complex and judgmental due to the estimation required to determine the fair value of the reporting unit. In particular, the significant judgments underlying the fair value estimate of this reporting unit relate to (i) assumptions of future cash flows based on estimates of financial forecasts, (ii) terminal period growth rate, (iii) selection of the discount rate used in the income approach method (iv) market multiple assumptions used in the market approach method and (v) the weighting applied to the income approach method and market approach method, which are affected by the comparability of the selected market proxies. These significant assumptions are affected by estimated future market and economic conditions.

***How We Addressed the Matter in Our Audit***

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment evaluation process. For example, we tested controls over management's review of the estimated fair value of the reporting unit, significant assumptions utilized in the estimation of the fair value of the reporting unit, discussed above, and the data inputs utilized in the fair value estimate.

To test the estimated fair value of the Company's reporting unit, our principal audit procedures included (i) assessing the suitability and application of the valuation methodologies selected, (ii) assessing the suitability of the weighting applied to the income and market approaches, (iii) evaluating the significant assumptions, discussed above, and (iv) testing the underlying data used by the Company in its analysis. For example, we compared the significant assumptions used by management, specifically projected financial information, to current industry and economic trends, the Company's business model and other relevant factors. We evaluated the consistency and the appropriateness of the market multiple proxies against guideline public companies. We also evaluated the consistency and appropriateness of the discount rate, revenue growth rate, and terminal value selected for use in the discounted cash flow method against forecasts, historical actual results, and guideline public companies. We performed sensitivity analyses of significant assumptions to evaluate the changes in fair value of the reporting unit resulting from changes in these assumptions to corroborate management's assumptions in light of contrary evidence presented. We also tested the reconciliation of market capitalization to the estimated fair value of reporting units. In addition, we involved our valuation specialists to assist us in analyzing the discount rate, market multiple proxies, and other relevant information that are most significant to the fair value estimate. We also assessed the historical accuracy of management's forecasts of financial results used in developing fair value estimates to assist in evaluating the reliability of current period forecasts.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Irvine, California

February 18, 2021

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Envista Holdings Corporation

### **Opinion on Internal Control Over Financial Reporting**

We have audited Envista Holdings Corporation's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Envista Holdings Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated and combined statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, the related notes, and financial statement schedule listed in the Index at Item 15(a) and our report dated February 18, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Envista Holdings Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Irvine, California

February 18, 2021

**ENVISTA HOLDINGS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(\$ in millions, except share amounts)

	As of December 31,	
	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 888.9	\$ 211.2
Trade accounts receivable, less allowance for credit losses of \$37.1 and \$22.8, respectively	361.0	443.6
Inventories, net	266.9	277.9
Prepaid expenses and other current assets	73.7	69.2
Total current assets	<u>1,590.5</u>	<u>1,001.9</u>
Property, plant and equipment, net	303.0	290.3
Operating lease right-of-use assets	165.3	200.1
Other long-term assets	127.3	74.4
Goodwill	3,430.7	3,306.0
Other intangible assets, net	1,259.2	1,285.6
Total assets	<u>\$ 6,876.0</u>	<u>\$ 6,158.3</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 886.8	3.9
Trade accounts payable	235.1	208.0
Accrued expenses and other liabilities	530.3	470.6
Operating lease liabilities	32.5	26.7
Total current liabilities	<u>1,684.7</u>	<u>709.2</u>
Operating lease liabilities	153.8	186.0
Other long-term liabilities	408.8	399.3
Long-term debt	907.7	1,321.0
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value, 15.0 million shares authorized; no shares issued or outstanding at December 31, 2020 and December 31, 2019	—	—
Common stock - \$0.01 par value, 500.0 million shares authorized; 160.2 million shares issued and 160.0 million shares outstanding at December 31, 2020; 158.7 million shares issued and outstanding at December 31, 2019	1.6	1.6
Additional paid-in capital	3,684.4	3,589.7
Retained earnings	126.4	93.1
Accumulated other comprehensive loss	(91.8)	(144.2)
Total Envista stockholders' equity	<u>3,720.6</u>	<u>3,540.2</u>
Noncontrolling interests	0.4	2.6
Total stockholders' equity	<u>3,721.0</u>	<u>3,542.8</u>
Total liabilities and stockholders' equity	<u>\$ 6,876.0</u>	<u>\$ 6,158.3</u>

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

**ENVISTA HOLDINGS CORPORATION**  
**CONSOLIDATED AND COMBINED STATEMENTS OF INCOME**  
(\$ and shares in millions, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
Sales	\$ 2,282.0	\$ 2,751.6	\$ 2,844.5
Cost of sales	1,123.9	1,238.5	1,242.7
Gross profit	1,158.1	1,513.1	1,601.8
Operating expenses:			
Selling, general and administrative	1,024.0	1,080.9	1,131.4
Research and development	100.8	154.7	172.0
Operating profit	33.3	277.5	298.4
Nonoperating (expense) income:			
Other (expense) income	(0.9)	1.5	2.7
Interest expense, net	(62.5)	(3.5)	—
(Loss) income before income taxes	(30.1)	275.5	301.1
Income tax (benefit) expense	(63.4)	57.9	70.4
Net income	<u>\$ 33.3</u>	<u>\$ 217.6</u>	<u>\$ 230.7</u>
Earnings per share:			
Basic	\$ 0.21	\$ 1.60	\$ 1.80
Diluted	\$ 0.20	\$ 1.60	\$ 1.80
Average common stock and common equivalent shares outstanding:			
Basic	159.6	136.2	127.9
Diluted	164.1	136.4	127.9

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

**ENVISTA HOLDINGS CORPORATION**  
**CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME**  
(\$ in millions)

	Year Ended December 31,		
	2020	2019	2018
Net income	\$ 33.3	\$ 217.6	\$ 230.7
Other comprehensive (loss) income, net of income taxes:			
Foreign currency translation adjustments	53.9	(42.1)	(85.2)
Cash flow hedge adjustments	(6.4)	0.1	—
Pension plan adjustments	4.9	(24.0)	6.6
Total other comprehensive income (loss), net of income taxes	52.4	(66.0)	(78.6)
Comprehensive income	<u>\$ 85.7</u>	<u>\$ 151.6</u>	<u>\$ 152.1</u>

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

**ENVISTA HOLDINGS CORPORATION**  
**CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY**  
(\$ in millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Former Parent Investment, Net	Accumulated Other Comprehensive Loss	Total Envista Equity	Noncontrolling Interests
Balance, December 31, 2017	\$ —	\$ —	\$ —	\$ 4,989.9	\$ 0.6	\$ 4,990.5	\$ 4.1
Adoption of accounting standards	—	—	—	(8.0)	(0.2)	(8.2)	—
Balance, January 1, 2018	—	—	—	4,981.9	0.4	4,982.3	4.1
Net income	—	—	—	230.7	—	230.7	—
Net transfers to Former Parent	—	—	—	(324.6)	—	(324.6)	—
Other comprehensive loss	—	—	—	—	(78.6)	(78.6)	—
Former Parent common stock-based award activity	—	—	—	13.3	—	13.3	—
Changes in noncontrolling interests	—	—	—	—	—	—	(0.8)
Balance, December 31, 2018	—	—	—	4,901.3	(78.2)	4,823.1	3.3
Issuance of common stock, net	1.6	643.1	—	—	—	644.7	—
Common stock-based award activity	—	6.0	—	—	—	6.0	—
Former Parent common stock-based award activity	—	—	—	12.0	—	12.0	—
Consideration to Former Parent in connection with the Separation	—	(1,950.0)	—	—	—	(1,950.0)	—
Reclassification of Former Parent investment, net	—	4,920.0	—	(4,921.3)	—	(1.3)	—
Separation related adjustments	—	(29.4)	—	—	—	(29.4)	—
Net income	—	—	93.1	124.5	—	217.6	—
Net transfers to Former Parent	—	—	—	(116.5)	—	(116.5)	—
Other comprehensive loss	—	—	—	—	(66.0)	(66.0)	—
Changes in noncontrolling interests	—	—	—	—	—	—	(0.7)
Balance, December 31, 2019	1.6	3,589.7	93.1	—	(144.2)	3,540.2	2.6

Common stock-based award activity	—	32.2	—	—	—	32.2	—
Equity component of convertible senior notes, net of financing costs and taxes	—	77.9	—	—	—	77.9	—
Purchase of capped calls related to issuance of convertible senior notes, net of taxes	—	(15.7)	—	—	—	(15.7)	—
Separation related adjustments	—	0.3	—	—	—	0.3	—
Net income	—	—	33.3	—	—	33.3	—
Other comprehensive income	—	—	—	—	52.4	52.4	—
Changes in noncontrolling interests	—	—	—	—	—	—	(2.2)
Balance, December 31, 2020	<u>\$ 1.6</u>	<u>\$ 3,684.4</u>	<u>\$ 126.4</u>	<u>\$ —</u>	<u>\$ (91.8)</u>	<u>\$ 3,720.6</u>	<u>\$ 0.4</u>

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

**ENVISTA HOLDINGS CORPORATION**  
**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**  
(\$ in millions)

	Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities:</b>			
Net income	\$ 33.3	\$ 217.6	\$ 230.7
Noncash items:			
Depreciation	42.4	39.0	39.4
Amortization	90.2	89.5	90.6
Allowance for credit losses	23.0	9.5	4.7
Stock-based compensation expense	22.6	18.4	13.3
Restructuring charges	11.1	—	—
Impairment charges	32.6	—	0.4
Amortization of right-of-use assets	30.5	39.6	—
Amortization of debt discount and issuance costs	13.4	—	—
Change in deferred income taxes	(91.4)	(8.9)	1.7
Change in trade accounts receivable	71.9	3.3	(8.5)
Change in inventories	11.9	(1.5)	(8.9)
Change in trade accounts payable	21.6	(7.9)	(3.8)
Change in prepaid expenses and other assets	(2.5)	(8.6)	13.8
Change in accrued expenses and other liabilities	10.0	44.5	26.7
Change in operating lease liabilities	(36.7)	(37.0)	—
Net cash provided by operating activities	283.9	397.5	400.1
<b>Cash flows from investing activities:</b>			
Acquisitions, net of cash acquired	(40.7)	—	—
Payments for additions to property, plant and equipment	(47.7)	(77.8)	(72.2)
Proceeds from sales of property, plant and equipment	5.3	1.6	—
All other investing activities	14.0	(2.2)	(3.3)
Net cash used in investing activities	(69.1)	(78.4)	(75.5)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of convertible senior notes	517.5	—	—
Payment of debt issuance and other deferred financing costs	(17.2)	(2.4)	—
Proceeds from revolving line of credit	249.8	—	—
Repayment of revolving line of credit	(250.0)	—	—
Proceeds from borrowings	—	1,318.3	—
Repayment of borrowings	—	(0.3)	—
Purchase of capped calls related to issuance of convertible senior notes	(20.7)	—	—
Proceeds from stock option exercises	13.8	—	—
Proceeds from the public offering of common stock, net of issuance costs	—	643.4	—
Consideration to Former Parent in connection with the Separation	—	(1,950.0)	—
Net transfers to Former Parent	—	(116.5)	(324.6)
All other financing activities	(0.7)	(0.2)	—
Net cash provided by (used in) financing activities	492.5	(107.7)	(324.6)

Effect of exchange rate changes on cash and equivalents	(29.6)	(0.2)	—
Net change in cash and equivalents	677.7	211.2	—
Beginning balance of cash and equivalents	211.2	—	—
Ending balance of cash and equivalents	\$ 888.9	\$ 211.2	\$ —

Supplemental data:

Cash paid for interest	\$ 56.7	\$ 7.7	\$ —
Cash paid for taxes	\$ 28.6	\$ 30.7	\$ 26.3
ROU assets obtained in exchange for operating lease obligations	\$ 28.1	\$ 59.5	\$ —

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

**ENVISTA HOLDINGS CORPORATION**  
**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

**NOTE 1. BUSINESS AND BASIS OF PRESENTATION**

*Separation and Initial Public Offering*

Envista Holdings Corporation (together with its subsidiaries, “Envista” or the “Company”) was formed as a wholly-owned subsidiary of Danaher Corporation (“Danaher” or “Former Parent”). Danaher formed Envista to ultimately acquire, own and operate the Dental business of Danaher. On September 20, 2019, the Company completed an initial public offering (“IPO”) resulting in the issuance of 30.8 million shares of its common stock (including shares issued pursuant to the underwriters’ option to purchase additional shares) to the public, which represented 19.4% of the Company’s outstanding common stock, at \$22.00 per share, the initial public offering price, for total net proceeds, after deducting underwriting discounts and commissions, of \$643.4 million. In connection with the completion of the IPO, through a series of equity and other transactions, Danaher transferred substantially all of its Dental business to the Company. As consideration for the transfer of the Dental business to the Company, the Company paid Danaher approximately \$2.0 billion, which included the net proceeds from the IPO and the net proceeds from term debt financing, as further discussed in Note 15, and issued to Danaher 127.9 million shares of the Company’s common stock. The transactions described above related to the transfer of the Dental business are collectively referred to herein as the “Separation.”

On November 15, 2019, Danaher announced an exchange offer whereby Danaher stockholders could exchange all or a portion of Danaher common stock for shares of the Company’s common stock owned by Danaher. The disposition of the Company’s shares (the “Split-Off”) was completed on December 18, 2019 and resulted in the full separation of the Company and disposal of Danaher’s entire ownership and voting interest in the Company.

*Business Overview*

The Company provides products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. The Company is a worldwide provider of a broad range of dental implants, orthodontic appliances, general dental consumables, equipment and services and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

The Company operates in two business segments: Specialty Products & Technologies and Equipment & Consumables.

The Company’s Specialty Products & Technologies segment develops, manufactures and markets dental implant systems, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products. The Company’s Equipment & Consumables segment develops, manufactures and markets dental equipment and supplies used in dental offices, including digital imaging systems, software and other visualization/magnification systems; handpieces and associated consumables; treatment units and other dental practice equipment; endodontic systems and related consumables; and restorative materials and instruments, rotary burs, impression materials, bonding agents and cements and infection prevention products.

*Basis of Presentation*

For periods after the Separation, the financial statements are prepared on a consolidated basis. Prior to the Separation, the Company operated as part of Danaher and not as a separate, publicly-traded company and the Company’s financial statements are combined, have been prepared on a stand-alone basis and are derived from Danaher’s consolidated financial statements and accounting records. The Consolidated and Combined Financial Statements reflect the financial position, results of operations and cash flows related to the Dental business that was transferred to the Company. All revenues and costs as well as assets and liabilities directly associated with the business activity of the Company are included as a component in the financial statements. Prior to the Separation, the financial statements also included allocations of certain general, administrative, sales and marketing expenses and cost of sales from Danaher’s corporate office and from other Danaher businesses to the Company and allocations of related assets, liabilities and Danaher’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 Danaher. Related-party allocations are discussed further in Note 23.

Prior to the Separation, the Company was dependent upon Danaher for all of its working capital and financing requirements under Danaher's centralized approach to cash management and financing of its operations. Financial transactions relating to the Company were accounted for through the Former Parent investment, net account of the Company. Accordingly, none of Danaher's cash, cash equivalents or debt was assigned to the Company in these financial statements for the periods prior to the Separation.

Former Parent investment, net, which included retained earnings, represented Danaher's interest in the recorded net assets of the Company. Prior to the Separation, all significant transactions between the Company and Danaher have been included in the accompanying Consolidated and Combined Financial Statements. Transactions with Danaher are reflected in the accompanying Consolidated and Combined Statements of Changes in Equity as "Net transfers to Former Parent."

In connection with the Separation, the Former Parent investment, net balance was redesignated within equity and allocated between common stock and additional paid-in capital based on the number of the Company's common shares outstanding at the Separation. In periods subsequent to the Separation, the Company may make adjustments to balances transferred at the Separation date and may record additional adjustments in the future. Any such adjustments are recorded through additional paid-in capital in equity.

All significant intercompany accounts and transactions between the businesses comprising the Company have been eliminated in the accompanying Consolidated and Combined Financial Statements.

#### *Risks and Uncertainties*

The Company is subject to risks and uncertainties as a result of the novel coronavirus ("COVID-19") pandemic. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict because of the dynamic and evolving nature of the crisis. In response to COVID-19 many dental associations recommended that dental practices delay elective procedures and only perform emergency procedures. As a result, there were widespread temporary closures of dental practices around the world due to the pandemic, except to perform emergency procedures, thereby preventing the Company's end customers from conducting most or all business activities and significantly adversely impacting the Company's sales. During the quarter ended July 3, 2020, dental practices in the markets in which the Company operates started to reopen and as of October 2, 2020, the majority of dental practices were open. Despite the increased prevalence of COVID-19 and related U.S. and foreign government actions to mitigate the spread of COVID-19 during the quarter ended December 31, 2020, the majority of dental practices continued to remain open, however, patient volumes continued to be below pre-COVID-19 levels. A worsening of the pandemic or impacts of new variants of the virus may lead to further temporary closures of dental practices in the future. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic, and it is possible that it could cause a material local and/or global economic slowdown or global recession. Such economic disruption could have a material adverse effect on the Company as the Company's customers curtail and reduce capital and overall spending. Policymakers around the globe have responded with fiscal policy actions to support the healthcare industry and economy as a whole. The magnitude and overall effectiveness of these actions remains uncertain.

The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, the scope and duration of the pandemic, the extent and severity of the impact on the Company's customers, the measures that have been and may be taken to contain the virus (including its various mutations) and mitigate its impact, U.S. and foreign government actions to respond to the reduction in global economic activity, the ability of the Company to continue to manufacture and source its products, the impact of the pandemic and associated economic downturn on the Company's ability to access capital if and when needed and how quickly and to what extent normal economic and operating conditions can resume, all of which are uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse impacts on the Company's financial condition and results of operations.

The Company's future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that the Company may undertake to address financial and operational challenges faced by its customers. As of the date of issuance of these Consolidated and Combined Financial Statements, the extent to which the COVID-19 pandemic may materially impact the Company's financial condition, liquidity, or results of operations is uncertain.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Principles**—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The Consolidated and Combined Financial Statements include the accounts of the Company and its subsidiaries. The Consolidated and Combined Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on the Company’s consolidated results of operations, therefore income attributable to noncontrolling interests are not presented separately in the Company’s Consolidated and Combined Statements of Income. Income attributable to noncontrolling interests have been reflected in selling, general and administrative expenses and were insignificant in all periods presented. Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

**Use of Estimates**—The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ materially from these estimates.

**Cash and Equivalents**—The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

**Accounts Receivable and Allowances for Credit Losses**—All trade accounts receivable are reported on the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for credit losses. The allowances for credit losses represent management’s best estimate of the credit losses expected from the Company’s trade accounts receivable portfolio. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net income. The Company regularly performs detailed reviews of its portfolios to determine if an impairment has occurred and evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect customers’ ability to pay, including customers’ financial condition, debt-servicing ability, past payment experience and credit bureau information and forecasts. In circumstances where the Company is aware of a specific customer’s inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected.

**Inventory Valuation**—Inventories include the costs of material, labor and overhead. Inventories are stated at the lower of cost or net realizable value primarily using the first-in, first-out method. Market value for raw materials is based on replacement costs and for other inventory classifications is based on net realizable value. The Company periodically evaluates the quantities on hand relative to current and historical selling prices and historical and projected sales volume. Based on this evaluation, provisions are made to write inventory down to its net realizable value.

**Property, Plant and Equipment**—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery, equipment and other assets	3 – 10 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively.

**Leases**—The Company determines if an arrangement is a lease at inception and evaluates each lease agreement to determine whether the lease is an operating or finance lease. For leases where the Company is the lessee, ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The ROU asset also consists of any prepaid lease payments, lease incentives received, costs which will be incurred in exiting a lease and the amount of any asset or liability recognized on business combinations relating to favorable or unfavorable lease terms. The lease terms used to calculate the ROU asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while the expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for common area maintenance, utilities, inflation and/or changes in other indexes.

**Investments**—Investments over which the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting which requires the Company to record its initial investment at cost and adjust the balance each period for the Company's share of the investee's income or loss and dividends paid. No significant realized or unrealized gains or losses were recorded during the three years ended December 31, 2020 with respect to these investments.

**Fair Value of Financial Instruments**—The Company's financial instruments consist primarily of cash and equivalents, trade accounts receivable, nonqualified deferred compensation plans, derivatives, trade accounts payable and long-term debt. Due to their short-term nature, the carrying values for cash and equivalents, trade accounts receivable and trade accounts payable approximate fair value. Refer to Note 11 for the fair values of the Company's other financial instruments.

**Goodwill and Other Intangible Assets**—Goodwill and other intangible assets result from the Company's acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized; however, certain finite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Goodwill and indefinite-lived intangible assets are reviewed for impairment annually in the fourth quarter of each fiscal year or whenever an event occurs or circumstances change that would indicate that the carrying amount may be impaired. The Company elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for each of the Company's reporting units. The Company's reporting units are the financial components of operating segments which constitute businesses for which discrete financial information is available and is regularly reviewed by segment management. The Company did not record any impairment loss for goodwill or indefinite-lived intangible assets in 2020, 2019 and 2018.

Management reviews the carrying amounts of other finite-lived intangible assets whenever events or circumstances indicate that the carrying amounts of an asset may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit, and adverse legal or regulatory developments. If it is determined that such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair market value. Estimated fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. For the purposes of identifying and measuring impairment, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Refer to Note 8 for additional information about the Company's goodwill and other intangible assets.

**Revenue Recognition**—The Company derives revenues primarily from the sale of Specialty Products & Technologies and Equipment & Consumables products and services. Revenue is recognized when control of the promised products or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of account under ASC 606. For equipment, consumables and spare parts sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company's principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. Returns for products sold are estimated and recorded as a reduction of revenue at the time of sale. Customer allowances and rebates, consisting primarily of volume discounts and other short-term incentive programs, are recorded as a reduction of revenue at the time of sale because these allowances reflect a reduction in the transaction price. Product returns, customer allowances and rebates are estimated based on historical experience and known trends. For extended warranty and service, control transfers to the customer over the term of the arrangement. Revenue for extended warranty and service is recognized based upon the period of time elapsed under the arrangement.

For a contract with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis using the Company's best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third-party pricing for similar products or services or estimate the standalone selling price. Allocation of the transaction price is determined at the contracts' inception. The Company does not adjust transaction price for the effects of a significant financing component when the period between the transfer of the promised good or service to the customer and payment for that good or service by the customer is expected to be one year or less.

**Shipping and Handling**—Shipping and handling costs are considered a fulfillment cost and are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

**Advertising**—Advertising costs are expensed as incurred.

**Research and Development**—The Company conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of the Company's existing products and expanding the applications for which uses of the Company's products are appropriate. Research and development costs are expensed as incurred.

**Income Taxes**—As discussed in Note 20, for periods prior to the Separation, current income tax liabilities were assumed to be immediately settled with Danaher and were relieved through Former Parent investment, net. Income tax expense and other income tax related information contained in the Consolidated and Combined Financial Statements are presented as if the Company filed a separate tax return. The separate tax return method applies the accounting guidance for income taxes to the standalone financial statements as if the Company had been a standalone taxpayer for the periods prior to the Separation. The calculation of the Company's income taxes on a separate income tax return basis requires considerable judgment, estimates, and allocations.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been reflected on the Company's Consolidated and Combined Statements of Income. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated and Combined Statements of Income. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. The Company recognizes potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 20 for additional information and discussion of the impact of the enactment of the Tax Cuts and Jobs Act ("TCJA") in the United States.

**Restructuring**—The Company periodically initiates restructuring activities to appropriately position the Company's cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with productivity improvement and restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. The Company records the cost of the restructuring activities when impairment is identified or when the associated liability is incurred. Refer to Note 19 for additional information.

**Foreign Currency Translation**—Exchange rate adjustments resulting from foreign currency transactions are recognized in net income, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive loss within equity. Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates and income statement accounts are translated at weighted average rates. Net foreign currency transaction gains or losses were not material in any of the years presented. In September 2019, the Company entered into cross-currency swap arrangements whereby existing U.S. dollar-denominated borrowings were effectively converted to foreign currency borrowings to partially hedge additional amounts of its net investments in foreign operations against adverse movements in exchange rates. Refer to Note 10 for additional information.

**Derivative Financial Instruments**—The Company is neither a dealer nor a trader in derivative instruments. The Company has generally accepted the exposure to transactional exchange rate movements without using derivative instruments to manage this risk, although the Company from time to time partially hedges its net investments in foreign operations against adverse movements in exchange rates through foreign currency-denominated debt and cross-currency swaps. The Company has entered into interest rate swaps to mitigate a portion of its interest rate risk related to the Company's debt as further discussed in Note 10. The derivative instruments are recorded on the Consolidated Balance Sheets as either an asset or liability measured at fair value. To the extent the interest rate swap qualifies as an effective hedge, changes in fair value are recognized in accumulated other comprehensive loss within equity. Changes in the value of the foreign currency denominated debt and cross-currency swaps designated as hedges of the Company's net investment in foreign operations based on spot rates are recognized in accumulated other comprehensive loss within equity and offset changes in the value of the Company's foreign currency denominated operations. Refer to Note 10 for additional information.

**Loss Contingencies**—The Company records a reserve for loss contingencies when it is both probable that a loss will be incurred and the amount of the loss is reasonably estimable. The Company evaluates pending litigation and other contingencies at least quarterly and adjusts the reserve for such contingencies for changes in probable and reasonably estimable losses.

**Accumulated Other Comprehensive Loss**—Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. Foreign currency translation adjustments related to the Company’s cross-currency swap arrangements and foreign currency denominated debt that are designated as net investment hedges are adjusted for income taxes as those arrangements are not indefinite.

**Accounting for Stock-Based Compensation**—The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 16 for additional information on the stock-based compensation plan in which certain employees of the Company participate.

**Pension Plans**—The Company measures its pension assets and obligations that determine the funded status as of the end of the Company’s fiscal year, and recognizes an asset for an overfunded status or a liability for an underfunded status in its Consolidated Balance Sheets. Changes in the funded status of the pension plans are recognized in the year in which the changes occur and reported in other comprehensive income (loss). Refer to Note 12 for additional information on the Company’s pension plans including a discussion of the actuarial assumptions, the Company’s policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

**Accounting Standards Recently Adopted**—In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The ASU is effective for public entities for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted this guidance on January 1, 2021, and is in the process of completing its assessment. However, the Company does not expect it to have a material impact on its Consolidated and Combined Financial Statements.

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement (Topic 820)*, which modified the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income (loss). The Company adopted this guidance on January 1, 2020, which did not have a significant impact on the Company’s Consolidated and Combined Financial Statements.

In August 2018, the FASB issued ASU No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends Accounting Standards Codification (“ASC”) 715 to add, remove, and clarify disclosure requirements related to defined benefit pension plans. The ASU is effective for public entities for fiscal years ending after December 15, 2020, with early adoption permitted. The Company adopted this guidance for the year ended December 31, 2020, which did not have a significant impact on the Company’s Consolidated and Combined Financial Statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU simplified the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Companies will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company adopted this guidance on January 1, 2020, which did not have a significant impact on the Company’s Consolidated and Combined Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that uses a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. The Company adopted this guidance on January 1, 2020, which did not have a significant impact on the Company’s Consolidated and Combined Financial Statements. Refer to Note 4 for additional disclosures required by Topic 326.

**Accounting Standards Not Yet Adopted**—In August 2020, the FASB issued ASU 2020-06, “*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40)*,” which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. This guidance is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU is effective for public entities for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company has not yet completed its assessment of the impact of the new standard on the Company’s Consolidated and Combined Financial Statements.

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*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The ASU is effective for public entities as of March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. If an entity elects to apply any of the amendments for an eligible hedging relationship existing as of the beginning of the interim period that includes March 12, 2020, any adjustments as a result of those elections must be reflected as of the beginning of that interim period and recognized in accordance with the guidance in Reference Rate Reform Subtopics 848-30, 848-40, and 848-50 (as applicable). If an entity elects to apply any of the amendments for a new hedging relationship entered into between the beginning of the interim period that includes March 12, 2020 and March 12, 2020, any adjustments as a result of those elections must be reflected as of the beginning of the hedging relationship and recognized in accordance with the guidance in Reference Rate Reform Subtopics 848-30, 848-40, and 848-50 (as applicable).

The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company has not yet completed its assessment of the impact of the new standard on the Company’s Consolidated and Combined Financial Statements.

### **NOTE 3. ACQUISITION**

The Company continually evaluates potential acquisitions that either strategically fit with the Company’s existing portfolio or expand the Company’s portfolio into new and attractive business areas. Among other things, goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company’s existing product offerings to key target markets and enter into new and profitable businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its estimation of the fair value of the acquired assets and assumed liabilities. The Company obtains the information used to estimate the fair values during due diligence and through other sources. In the months after closing, up to 12 months, as the Company obtains additional information that existed at the acquisition date about these assets and liabilities, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items that existed as of the acquisition date are considered for subsequent adjustment. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

On January 21, 2020, the Company acquired all of the shares of Matricel GmbH (“Matricel”) for cash consideration of approximately \$43.6 million. Matricel, a German company, is a provider of biomaterials used in dental applications and complements the Company’s Specialty Products & Technologies segment. For the year ended December 31, 2020, Matricel’s revenue and earnings were not material to the Consolidated and Combined Statement of Operations. Goodwill will not be deductible for income tax purposes.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date (\$ in millions):

	January 21, 2020
Assets acquired:	
Cash	\$ 2.9
Trade accounts receivable	1.0
Inventories	1.9
Prepaid expenses and other current assets	0.2
Property, plant and equipment	0.5
Goodwill	25.1
Other intangible assets	22.3
Total assets acquired	53.9
Liabilities assumed:	
Trade accounts payable	(0.1)
Accrued expenses and other liabilities	(10.2)
Total liabilities assumed	(10.3)
Total net assets acquired	\$ 43.6

The excess of the purchase price over the fair value assigned to the assets acquired and liabilities assumed represents the goodwill resulting from the acquisition. Goodwill attributable to the acquisition has been recorded as a non-current asset and is not amortized, but is subject to review at least on an annual basis for impairment. Goodwill recognized was primarily attributable to expected operating efficiencies and expansion opportunities in the business acquired. The pro forma impact of this acquisition is not presented as it was not considered material to the Company's Consolidated and Combined Financial Statements.

The intangible assets acquired consist of technology and customer relationships. The weighted average amortization period of the acquired intangible assets in the aggregate is 10 years.

#### **NOTE 4. CREDIT LOSSES**

The allowance for credits losses is a valuation account deducted from accounts receivable to present the net amount expected to be collected. Accounts receivable are charged off against the allowance when management believes the uncollectibility of an accounts receivable balance is confirmed.

Management estimates the adequacy of the allowance by using relevant available information, from internal and external sources, relating to past events, current conditions and forecasts. Historical credit loss experience provides the basis for estimation of expected credit losses and is adjusted as necessary using the relevant information available. The allowance for credit losses is measured on a collective basis when similar risk characteristics exist. The Company has identified one portfolio segment based on the following risk characteristics: geographic regions, product lines, default rates and customer specific factors.

The factors used by management in its credit loss analysis are inherently subject to uncertainty. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic, including the impact of delays in payments of outstanding receivable amounts beyond normal payment terms. If actual results are not consistent with management's estimates and assumptions, the allowance for credit losses may be overstated or understated and a charge or credit to net income (loss) may be required.

The rollforward of the allowance for credit losses is summarized as follows (\$ in millions):

Balance at December 31, 2019	\$ 22.8	
Foreign currency translation	0.4	
Provision for credit losses	23.0	
Write-offs charged against the allowance	(9.1)	
<b>Balance at December 31, 2020</b>	<b>\$ 37.1</b>	

#### **NOTE 5. INVENTORIES**

The classes of inventory as of December 31 are summarized as follows (\$ in millions):

	2020	2019
Finished goods	\$ 219.0	\$ 223.5
Work in process	39.8	36.5
Raw materials	93.7	89.9
Reserve for inventory obsolescence	(85.6)	(72.0)
<b>Total</b>	<b>\$ 266.9</b>	<b>\$ 277.9</b>

#### **NOTE 6. PROPERTY, PLANT AND EQUIPMENT**

The classes of property, plant and equipment as of December 31 are summarized as follows (\$ in millions):

	2020	2019
Land and improvements	\$ 24.8	\$ 23.7
Buildings and improvements	182.6	166.9
Machinery, equipment and other assets	438.8	410.1
Construction in progress	84.8	92.2
Gross property, plant and equipment	731.0	692.9
Less: accumulated depreciation	(428.0)	(402.6)
<b>Property, plant and equipment, net</b>	<b>\$ 303.0</b>	<b>\$ 290.3</b>

## NOTE 7. LEASES

The Company has operating leases for office space, warehouses, distribution centers, research and development and manufacturing facilities, equipment and vehicles. Many leases include one or more options to renew, some of which include options to extend the lease for up to 20 years and some leases include options to terminate the lease within 30 days. The Company regularly evaluates the renewal options and, when the options are reasonably certain of being exercised, they are included in the lease term. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for common area maintenance, utilities, inflation and/or changes in other indexes. The Company has elected to combine lease and non-lease components for leases of all asset classes where the Company is the lessee. At inception, the Company determines whether an agreement represents a lease and, at commencement, evaluates each lease agreement to determine whether the lease is an operating or finance lease.

Variable lease costs consist primarily of taxes, insurance, and common area or other maintenance costs for leased facilities and vehicles, which are paid based on actual costs incurred.

The components of operating lease expense were as follows (\$ in millions):

	Year Ended December 31,	
	2020	2019
Fixed operating lease expense <sup>(a)</sup>	\$ 37.0	\$ 39.6
Variable operating lease expense	6.9	6.0
<b>Total operating lease expense</b>	<b>\$ 43.9</b>	<b>\$ 45.6</b>

<sup>(a)</sup> Includes short-term leases and sublease income, both of which were not significant.

The following table presents the weighted average remaining lease term and weighted average discount rates related to the Company's operating leases as of December 31:

	2020	2019
Weighted average remaining lease term	10 years	11 years
Weighted average discount rate	3.5 %	3.0 %

The following table presents the maturity of the Company's operating lease liabilities as of December 31, 2020 (\$ in millions):

2021	\$ 37.2
2022	28.9
2023	22.6
2024	19.0
2025	16.6
Thereafter	98.8
<b>Total operating lease payments</b>	<b>223.1</b>
Less: imputed interest	(36.8)
<b>Total operating lease liabilities</b>	<b>\$ 186.3</b>

As of December 31, 2020, the Company had no additional significant operating or finance leases that had not yet commenced.

#### NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company estimates the fair value of its reporting units using an income approach and market-based approach with a weighting of 75.0% and 25.0%, respectively, for 2020. The income approach estimates fair value utilizing a discounted cash flow analysis and requires judgmental assumptions about projected sales growth, future operating margins, discount rates and terminal values. The market-based approach considers current trading multiples of earnings before interest, taxes, depreciation and amortization for companies operating in businesses similar to each of the Company's reporting units, in addition to recent available market sale transactions of comparable businesses. If the estimated fair value of the reporting unit is less than its carrying value, the Company would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit.

The Company's annual impairment test includes an evaluation of its reporting units. Concurrently with its annual impairment test on the first day of the fourth quarter of 2020, the Company created an additional three components, which are one level below the Company's operating segments. The additional three components were deemed to be reporting units, which resulted in the number of the Company's reporting units increasing from three at December 31, 2019 to six reporting units for goodwill impairment testing in 2020. Due to the new reporting units, the Company reallocated the existing goodwill within each of its operating segments to the new reporting units within the applicable operating segments on a relative fair value basis. The reporting units were tested for impairment before and after the reallocation and no impairment was identified. Goodwill was not reallocated between operating segments.

No goodwill impairment charges were recorded for the years ended December 31, 2020, 2019 and 2018 and no "triggering" events have occurred subsequent to the performance of the 2020 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge to net income may be required.

The following is a rollforward of the Company's goodwill by segment (\$ in millions):

	Specialty Products & Technologies	Equipment & Consumables	Total
<b>Balance, December 31, 2018</b>	\$ 2,013.8	\$ 1,311.7	\$ 3,325.5
Foreign currency translation and other	(5.7)	(13.8)	(19.5)
<b>Balance, December 31, 2019</b>	<u>2,008.1</u>	<u>1,297.9</u>	<u>3,306.0</u>
Acquisitions	25.1	—	25.1
Foreign currency translation and other	65.8	33.8	99.6
<b>Balance, December 31, 2020</b>	<u>\$ 2,099.0</u>	<u>\$ 1,331.7</u>	<u>\$ 3,430.7</u>

Finite-lived intangible assets are amortized over the shorter of their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible asset as of December 31 (\$ in millions):

	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Finite-lived intangibles:</b>				
Patents and technology	\$ 337.2	\$ (215.7)	\$ 324.5	\$ (206.6)
Customer relationships and other intangibles	967.2	(599.4)	949.1	(540.6)
Trademarks and trade names	199.1	(65.9)	203.4	(43.2)
Total finite-lived intangibles	<u>1,503.5</u>	<u>(881.0)</u>	<u>1,477.0</u>	<u>(790.4)</u>
<b>Indefinite-lived intangibles:</b>				
Trademarks and trade names	636.7	—	599.0	—
Total intangibles	<u>\$ 2,140.2</u>	<u>\$ (881.0)</u>	<u>\$ 2,076.0</u>	<u>\$ (790.4)</u>

Total intangible amortization expense in 2020, 2019 and 2018 was \$90.2 million, \$89.5 million and \$90.6 million, respectively. Based on the intangible assets recorded as of December 31, 2020, amortization expense is estimated to be \$81.5 million during 2021, \$80.9 million during 2022, \$76.0 million during 2023, \$68.8 million during 2024 and \$68.6 million during 2025.

#### **NOTE 9. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities as of December 31 were as follows (\$ in millions):

	2020		2019	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 161.0	\$ 14.2	\$ 151.2	\$ 8.9
Employee severance and other benefits	30.5	—	5.6	—
Pension benefits	8.5	91.5	8.5	89.4
Taxes, income and other	48.8	227.5	39.3	254.0
Contract liabilities	48.6	4.8	52.6	4.4
Sales and product allowances	73.8	0.9	68.8	0.7
Loss contingencies	7.4	33.2	57.5	29.1
Other	151.7	36.7	87.1	12.8
<b>Total</b>	<b>\$ 530.3</b>	<b>\$ 408.8</b>	<b>\$ 470.6</b>	<b>\$ 399.3</b>

#### **NOTE 10. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS**

The Company uses cross-currency swap derivative contracts to partially hedge its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro. The cross-currency swap derivative contracts are agreements to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. On September 20, 2019, the Company entered into cross-currency swap derivative contracts with respect to its \$650.0 million senior unsecured term loan facility. These contracts effectively convert the \$650.0 million senior unsecured term loan facility to an obligation denominated in euros and partially offsets the impact of changes in currency rates on foreign currency denominated net investments. The changes in the fair value of these instruments are recorded in accumulated other comprehensive loss in equity, partially offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive loss as reflected in Note 17. Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive loss into income during the period of change. The interest income or expense from these swaps is recorded in interest expense in the Company's Consolidated and Combined Statements of Income consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from June 2021 to September 2022.

The Company also has foreign currency denominated long-term debt in the amount of €600.0 million. This senior unsecured term loan facility represents a partial hedge of the Company's net investment in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro. The euro senior unsecured term loan facility is designated and qualifies as a non-derivative hedging instrument. Accordingly, the foreign currency translation of the euro senior unsecured term loan facility is recorded in accumulated other comprehensive loss in equity in the accompanying Consolidated Balance Sheets, offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive loss (see Note 17). Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive loss into income during the period of change. The euro senior unsecured term loan facility matures in September 2022. Refer to Note 15 for a further discussion of the above loan facilities.

The Company uses interest rate swap derivative contracts to reduce its variability of cash flows related to interest payments with respect to its senior unsecured term loans. The interest rate swap contracts exchange interest payments based on variable rates for interest payments based on fixed rates. The changes in the fair value of these instruments are recorded in accumulated other comprehensive loss in equity (see Note 17). Any ineffective portions of the cash flow hedges are reclassified from accumulated other comprehensive loss into income during the period of change. The interest income or expense from these swaps is recorded in interest expense in the Company's Consolidated and Combined Statements of

Income consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from September 2021 to September 2022.

The following table summarizes the notional values as of December 31, 2020 and 2019 and pretax impact of changes in the fair values of instruments designated as net investment hedges and cash flow hedges in accumulated other comprehensive loss ("OCI") for the years ended December 31, 2020 and 2019 (\$ in millions):

	Notional Amount	Loss Recognized in OCI
<b>Year Ended December 31, 2020</b>		
Interest rate contracts	\$ 450.0	\$ (8.4)
Foreign currency contracts	650.0	(52.9)
Foreign currency denominated debt	732.9	(60.0)
<b>Total</b>	<b>\$ 1,832.9</b>	<b>\$ (121.3)</b>
	Notional Amount	Gain (Loss) Recognized in OCI
<b>Year Ended December 31, 2019</b>		
Interest rate contracts	\$ 650.0	\$ 0.1
Foreign currency contracts	650.0	(8.9)
Foreign currency denominated debt	672.9	(9.2)
<b>Total</b>	<b>\$ 1,972.9</b>	<b>\$ (18.0)</b>

Gains or losses related to the foreign currency contracts and foreign currency denominated debt are classified as foreign currency translation adjustments in the schedule of changes in OCI in Note 17, as these items are attributable to the Company's hedges of its net investment in foreign operations. Gains or losses related to the interest rate contracts are classified as cash flow hedge adjustments in the schedule of changes in OCI in Note 17. The Company did not reclassify any deferred gains or losses related to net investment and cash flow hedges from accumulated other comprehensive loss to income during the years ended December 31, 2020 and 2019. In addition, the Company did not have any ineffectiveness related to net investment and cash flow hedges during the years ended December 31, 2020 and 2019. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in investing activities in the accompanying Consolidated and Combined Statements of Cash Flows.

The Company's derivative instruments, as well as its non-derivative debt instruments designated and qualifying as net investment hedges, were classified as of December 31, 2020 and 2019, in the Company's Consolidated Balance Sheets as follows (\$ in millions):

	2020	2019
<b>Derivative assets:</b>		
Prepaid expenses and other current assets	\$ —	\$ 0.1
<b>Derivative liabilities:</b>		
Accrued expense and other liabilities	\$ 70.2	\$ 8.9
<b>Nonderivative hedging instruments:</b>		
Short-term debt	\$ 472.0	\$ —
Long-term debt	\$ 260.9	\$ 672.9

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive loss to net income during the next 12 months are not significant.

## NOTE 11. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's 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; and Level 3 inputs are unobservable inputs based on the Company's 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.

A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>December 31, 2020:</b>				
Liabilities:				
Interest rate swap derivative contracts	\$ —	\$ 8.3	\$ —	\$ 8.3
Cross-currency swap derivative contracts	\$ —	\$ 61.8	\$ —	\$ 61.8
Deferred compensation plans	\$ —	\$ 11.8	\$ —	\$ 11.8
<b>December 31, 2019:</b>				
Assets:				
Interest rate swap derivative contracts	\$ —	\$ 0.1	\$ —	\$ 0.1
Liabilities:				
Cross-currency swap derivative contracts	\$ —	\$ 8.9	\$ —	\$ 8.9
Deferred compensation plans	\$ —	\$ 7.2	\$ —	\$ 7.2

### Derivative Instruments

The cross-currency swap derivative contracts are classified as Level 2 in the fair value hierarchy as they are measured using the income approach with the relevant interest rates and foreign currency current exchange rates and forward curves as inputs. The interest rate swap derivative contracts are classified as Level 2 in the fair value hierarchy as they are measured using the income approach with the relevant interest rates and forward curves as inputs. Refer to Note 10 for additional information.

### Deferred Compensation Plans

Certain management employees of the Company participate in nonqualified deferred compensation programs that permit such employees to defer a portion of their compensation, on a pretax basis. All amounts deferred under this plan are unfunded, unsecured obligations and are presented as a component of the Company's compensation and benefits accrual included in accrued expenses in the accompanying Consolidated Balance Sheets (refer to Note 9). Participants may choose among alternative earnings rates for the amounts they defer, which are primarily based on investment options within the Company's 401(k) program. 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 on investment options within the Company's 401(k) program. Amounts voluntarily deferred by employees into the Company stock fund and amounts contributed to participant accounts by the Company are deemed invested in the Company's common stock and future distributions of such contributions will be made solely in shares of Company common stock, and therefore are not reflected in the above amounts.

## Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of December 31, were as follows (\$ in millions):

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Interest rate swap derivative contracts	\$ —	\$ —	\$ 0.1	\$ 0.1
<b>Liabilities:</b>				
Interest rate swap derivative contracts	\$ 8.3	\$ 8.3	\$ —	\$ —
Cross-currency swap derivative contracts	\$ 61.8	\$ 61.8	\$ 8.9	\$ 8.9
Convertible senior notes due 2025	\$ 411.1	\$ 902.7	\$ —	\$ —
Long-term debt	\$ 907.7	\$ 907.7	\$ 1,321.0	\$ 1,321.0

The fair value of long-term debt approximates the carrying value as these borrowings are based on variable market rates. The fair value of the convertible senior notes due 2025 was determined based on the quoted bid price of the Notes in an over-the-counter market on December 31, 2020. The fair values of cash and cash equivalents, which consist primarily of money market funds, time and demand deposits, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 12 for information related to the fair value of the Company sponsored defined benefit pension plan assets.

## NOTE 12. PENSION AND OTHER BENEFIT PLANS

Certain of the Company's employees participate in defined benefit pension plans and under certain of these plans, benefit accruals continue. In general, the Company's policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated deductibility of the contribution, local practices, market conditions, interest rates and other factors.

In connection with the Company's restructuring activities (see Note 19), the Company had a reduction in participants in certain plans, which contributed to the change in the funded status through plan settlements and curtailments.

The following sets forth the funded status of the Company's plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	Pension Benefits	
	2020	2019
<b>Change in pension benefit obligation:</b>		
Benefit obligation at beginning of year	\$ (195.8)	\$ (140.0)
Service cost	(10.3)	(9.1)
Interest cost	(1.8)	(2.4)
Employee contributions	(4.0)	(4.2)
Benefits and other expenses paid	5.1	6.2
Actuarial loss	(7.9)	(37.7)
Amendments, settlements and curtailments	28.5	(5.6)
Foreign exchange rate impact	(13.6)	(3.0)
Benefit obligation at end of year	<u>(199.8)</u>	<u>(195.8)</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	107.3	90.2
Actual return on plan assets	5.9	7.7
Employer contributions	8.3	8.2
Employee contributions	4.0	4.2
Amendments and settlements	(22.3)	0.8
Benefits and other expenses paid	(5.1)	(6.2)
Foreign exchange rate impact	7.6	2.4
Fair value of plan assets at end of year	<u>105.7</u>	<u>107.3</u>
Funded status	<u>\$ (94.1)</u>	<u>\$ (88.5)</u>

**Weighted average assumptions used to determine benefit obligations at date of measurement:**

	December 31,	
	2020	2019
Discount rate	0.7 %	1.0 %
Rate of compensation increase	1.3 %	1.3 %

**Components of net periodic pension cost:**

(\$ in millions)	December 31,		
	2020	2019	2018
Service cost	\$ (10.3)	\$ (9.1)	\$ (10.0)
Interest cost	(1.8)	(2.4)	(2.0)
Expected return on plan assets	3.8	3.2	3.8
Amortization of prior service credit and initial net obligation	0.2	(0.2)	(0.1)
Amortization of actuarial loss	(1.7)	(0.4)	(0.8)
Net settlement and curtailment (losses) gains	(1.4)	1.3	1.8
Net periodic pension cost	<u>\$ (11.2)</u>	<u>\$ (7.6)</u>	<u>\$ (7.3)</u>

The net periodic benefit cost of the defined benefit pension plans incurred during the years ended December 31, 2020, 2019 and 2018 are reflected in the following captions in the accompanying Consolidated and Combined Statements of Income (\$ in millions):

	Year Ended December 31,		
	2020	2019	2018
<b>Service cost:</b>			
Selling, general and administrative expenses	\$ (10.3)	\$ (9.1)	\$ (10.0)
<b>Other net periodic pension costs:</b>			
Other (expense) income	(0.9)	1.5	2.7
<b>Total</b>	<b>\$ (11.2)</b>	<b>\$ (7.6)</b>	<b>\$ (7.3)</b>

**Weighted average assumptions used to determine net periodic pension cost at date of measurement:**

	December 31,	
	2020	2019
Discount rate	1.0 %	1.8 %
Expected long-term return on plan assets	3.5 %	3.5 %
Rate of compensation increase	1.3 %	1.3 %

The discount rate reflects the market rate on December 31 of the prior year for high-quality fixed-income investments with maturities corresponding to the Company's benefit obligations and is subject to change each year. The rates appropriate for each plan are determined based on investment grade instruments with maturities approximately equal to the average expected benefit payout under the plan. The Company periodically updates the mortality assumptions used to estimate the projected benefit obligation.

Included in accumulated other comprehensive loss as of December 31, 2020 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credits of \$3.1 million (\$2.4 million, net of tax) and unrecognized actuarial losses of \$32.5 million (\$25.4 million, net of tax). The unrecognized actuarial losses and prior service credits, net, are calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued pension costs as of December 31, 2020. The amounts included in accumulated comprehensive loss and expected to be recognized in net periodic pension costs during the year ending December 31, 2021 is a prior service credit of \$0.3 million (\$0.2 million, net of tax) and an actuarial loss of \$1.1 million (\$0.9 million, net of tax), respectively. No plan assets are expected to be returned to the Company during the year ending December 31, 2021.

**Selection of Expected Rate of Return on Assets**

The expected rate of return reflects the asset allocation of the plans and is based primarily on contractual earnings rates included in existing insurance contracts as well as on broad, publicly-traded equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. Long-term rate of return on asset assumptions for the plans were determined on a plan-by-plan basis based on the composition of assets and ranged from 2.8% and 5.8% in 2020 and 2019, with a weighted average rate of return assumption of 3.5% in 2020 and 2019.

**Plan Assets**

Plan assets are invested in various insurance contracts, equity and debt securities as determined by the administrator of each plan.

The Company has some investments that are valued using Net Asset Value ("NAV") as a practical expedient. In addition, some of the investments valued using NAV as a practical expedient may only allow redemption monthly, quarterly, semiannually or annually and require up to 90 days prior written notice. These investments valued using NAV primarily consist of mutual funds which allow the Company to diversify the portfolio.

The fair values of the Company's pension plan assets as of December 31, 2020, by asset category, were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 0.3	\$ —	\$ —	\$ 0.3
Insurance contracts	—	—	78.8	78.8
Total	<u>\$ 0.3</u>	<u>\$ —</u>	<u>\$ 78.8</u>	<u>\$ 79.1</u>
Investments measured at NAV <sup>(a)</sup> :				
Mutual funds				26.6
Total assets at fair value				<u>\$ 105.7</u>

<sup>(a)</sup> The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

The following table summarizes the changes in Level 3 pension plan assets measured at fair value on a recurring basis for the year ended December 31, 2020 (in millions):

	Fair Value at January 1	Return on Plan Assets	Net Purchases/(Settlements)	Transfers Into/(Out of) Level 3	Fair Value at December 31
Insurance contracts	\$ 82.7	\$ 10.1	\$ (14.0)	\$ —	\$ 78.8

The fair values of the Company's pension plan assets as of December 31, 2019, by asset category, were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 0.3	\$ —	\$ —	\$ 0.3
Insurance contracts	—	—	82.7	82.7
Total	<u>\$ 0.3</u>	<u>\$ —</u>	<u>\$ 82.7</u>	<u>\$ 83.0</u>
Investments measured at NAV <sup>(a)</sup> :				
Mutual funds				24.3
Total assets at fair value				<u>\$ 107.3</u>

<sup>(a)</sup> The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

The following table summarizes the changes in Level 3 pension plan assets measured at fair value on a recurring basis for the year ended December 31, 2019 (in millions):

	Fair Value at January 1	Return on Plan Assets	Net Purchases/(Settlements)	Transfers Into/(Out of) Level 3	Fair Value at December 31
Insurance contracts	\$ 69.2	\$ 5.4	\$ 8.1	\$ —	\$ 82.7

Insurance contracts are valued based upon the quoted prices of the underlying investments of the insurance company. Mutual funds are valued using the NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### **Expected Contributions**

During 2020, the Company contributed \$8.3 million to its defined benefit pension plans. During 2021, the Company's cash contribution requirements for its defined benefit pension plans are expected to be approximately \$7.9 million.

The following sets forth benefit payments, which reflect expected future service, as appropriate, at December 31, 2020, are expected to be paid by the plans in the periods indicated (\$ in millions):

2021	\$	8.5
2022	\$	7.8
2023	\$	7.2
2024	\$	6.9
2025	\$	6.9
2026 - 2030	\$	32.3

### **Other Matters**

Employees not covered by defined benefit plans are generally covered by defined contribution plans, which provide for Company funding based on a percentage of compensation. The Company provides eligible employees the opportunity to participate in defined contribution savings plans (commonly known as 401(k) plans), which permit contributions on a before-tax basis. Employees may contribute to various investment alternatives. In most of these plans, the Company matches a portion of the employees' contributions. The Company's contributions to these plans amounted to \$11.1 million, \$19.5 million and \$19.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

A limited number of the Company's subsidiaries, primarily outside of the United States, participate in multiemployer defined benefit plans that require the Company to periodically contribute funds to the plan. Multi-employer pension plans are designed to cover employees from multiple employers. These plans allow multiple employers to pool their pension resources and realize efficiencies associated with the daily administration of the plan. The risks of participating in a multiemployer plan differ from the risks of participating in a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers and (3) if the Company elects to stop participating in the plan, the Company may be required to pay the plan an amount based on the unfunded status of the plan.

The Company's expense for multiemployer pension plans totaled \$8.2 million, \$6.1 million and \$5.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

### **NOTE 13. COMMITMENTS**

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly and appropriately maintained. Warranty periods depend on the nature of the product and range from 90 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):

	2020	2019
<b>Balance, January 1</b>	\$ 9.6	\$ 9.7
Accruals for warranties issued during the year	22.5	18.1
Settlements made	(18.3)	(18.1)
Effect of foreign currency translation	0.3	(0.1)
<b>Balance, December 31</b>	<u><u>\$ 14.1</u></u>	<u><u>\$ 9.6</u></u>

#### **NOTE 14. LITIGATION AND CONTINGENCIES**

The Company records accruals for loss contingencies associated with legal matters when it is probable that a liability will be incurred, and the amount of the loss 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 it is disclosed if deemed material and if such loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. The Company's 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 professionals where appropriate. In addition, outside risk professionals assist in the determination of reserves for certain incurred but not yet reported claims through evaluation of the Company's specific loss history, actual claims reported and industry trends among statistical and other factors. The Company has determined that the liabilities associated with certain legal contingencies are probable and can be reasonably estimated and has accrued \$40.6 million and \$86.6 million as of December 31, 2020 and 2019, respectively, which are included in accrued liabilities in the Consolidated Balance Sheets. The Company has accrued for these matters and will continue to monitor each related legal matter and adjust accruals as might be warranted based on new information and further developments in accordance with ASC 450-20-25. Amounts accrued for legal contingencies often result from a complex series of judgments about future events and uncertainties that rely heavily on estimates and assumptions including timing of related payments. The ability to make such estimates and judgments can be affected by various factors including, among other things, whether damages sought in the proceedings are unsubstantiated or indeterminate; legal discovery has not commenced or is not complete; proceedings are in early stages; matters present legal uncertainties; there are significant facts in dispute; procedural or jurisdictional issues; the uncertainty and unpredictability of the number of potential claims; or there are numerous parties involved. To the extent adverse verdicts have been rendered against the Company, the Company does not record an accrual until a loss is determined to be probable and can be reasonably estimated. In the Company's opinion, based on its examination of these matters, its experience to date and discussions with counsel, the ultimate outcome of legal proceedings, net of liabilities accrued in the Company's balance sheet, is not expected to have a material adverse effect on the Company's financial position. However, the resolution of, or increase in accruals for, one or more of these matters in any reporting period may have a material adverse effect on the Company's results of operations and cash flows for that period.

On October 6, 2015, Professor Nitzan Bichacho, Dr. Ophir Fromovich, Dr. Ben-Zion Karmon and Dr. Yuval Yaacoby (collectively, "Claimants") initiated arbitration against Nobel Biocare Services AG ("Nobel") in the International Court of Arbitration of the International Chamber of Commerce in Zurich, Switzerland, seeking damages for alleged breaches by Nobel of a 2005 patent transfer and consultancy agreement between the parties and Nobel's alleged underpayment of royalties related thereto. Claimants' Request for Arbitration alleged damages of \$30 million and Claimants presented arguments that suggested that they were seeking damages in excess of that amount. The Company previously recognized a loss reserve for its best estimate in the range of probable damages related to this matter. The arbitral tribunal bifurcated proceedings into a liability phase and a damages phase. Following a hearing, in February 2019 the tribunal issued a partial award with respect to the liability claims, finding for Claimants in part and for Nobel in part, while reserving a decision on certain key issues until the damages phase of the proceedings. From late June to early July 2020, the arbitral tribunal conducted another hearing related to certain open liability issues. In the fourth quarter of 2020, the parties to the arbitration resolved all claims for an amount within the previously-accrued loss reserve.

In addition, the Company is or may be a party to, or may otherwise be responsible for, pending or threatened lawsuits related primarily to products and services currently or formerly manufactured or performed, as applicable, by the Company (the "Other Lawsuits"). The Other Lawsuits raise difficult and complex factual and legal issues and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. Management does not believe that any charge relating to the Other Lawsuits would have a material adverse effect on the Company's overall financial position, results of operations, or liquidity. However, the resolution of one or more of the Other Lawsuits in any reporting period, could have a material adverse impact on the Company's net income or cash flows for that period.

The Company is subject to various environmental laws and regulations both within and outside of the United States. The operations of the Company involve the use of substances regulated under environmental laws, primarily in manufacturing processes. While it is difficult to quantify the potential impact of continuing compliance with environmental protection laws or potential enforcement actions by regulatory agencies, management believes that such compliance or potential enforcement actions will not have a material impact on the Company's financial position, results of operations, or liquidity.

As of December 31, 2020, the Company, had \$68.1 million of guarantees consisting primarily of outstanding standby letters of credit and bank guarantees. These guarantees have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions.

#### **NOTE 15. DEBT AND CREDIT FACILITIES**

The components of the Company's debt were as follows (\$ in millions):

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Senior term loan facility due 2022 (\$650.0 aggregate principal amount) (the "Term Loan Facility"), net of deferred debt issuance costs of \$1.9 and \$1.3, respectively	\$ 648.1	\$ 648.7
Senior euro term loan facility due 2022 (€600.0 million aggregate principal amount) (the "Euro Term Loan Facility"), net of deferred debt issuance costs of \$1.3 and \$0.9, respectively	731.6	672.0
Convertible senior notes due 2025 (\$517.5 aggregate principal amount), net of deferred debt issuance costs of \$10.8 and unamortized discount of \$95.6	411.1	—
Other	3.7	4.2
<b>Total debt</b>	<b>1,794.5</b>	<b>1,324.9</b>
Less: current portion	(886.8)	(3.9)
<b>Long-term debt</b>	<b>\$ 907.7</b>	<b>\$ 1,321.0</b>

Unamortized debt issuance costs and discount totaled \$109.6 million and \$2.2 million as of December 31, 2020 and 2019, respectively, which have been netted against their respective aggregate principal amounts of the related debt in the table above, and are being amortized to interest expense over the term of the respective debt.

#### **Long-Term Indebtedness**

##### *2019 Credit Agreement*

On September 20, 2019, the Company entered into a credit agreement (the "Credit Agreement") with a syndicate of banks under which Envista borrowed approximately \$1.3 billion, consisting of the three-year \$650.0 million Term Loan Facility and the three-year €600.0 million Euro Term Loan Facility (together with the Term Loan Facility, the "Term Loans"). The Credit Agreement also includes the five-year, \$250.0 million revolving credit facility (the "Revolving Credit Facility" and together with the Term Loans, the "Senior Credit Facilities"). Pursuant to the Separation Agreement, all of the net proceeds of the Term Loans were paid to Danaher as partial consideration for the Dental business Danaher transferred to Envista, as further discussed in Note 1.

The Revolving Credit Facility includes an initial aggregate principal amount of \$250.0 million with a \$20.0 million sublimit for the issuance of standby letters of credit. The Company has the option to increase the amount available under the Revolving Credit Facility, subject to agreement by the lenders, by up to an additional \$200.0 million in the aggregate. The Revolving Credit Facility can be used for working capital and other general corporate purposes. As of December 31, 2020 and 2019, there were no borrowings outstanding under the Revolving Credit Facility.

Under the Senior Credit Facilities, borrowings bear interest as follows: (1) Eurocurrency Rate Loans (as defined in the Credit Agreement) bear interest at a variable rate equal to the London inter-bank offered (“LIBOR”) rate plus a margin of between 0.785% and 1.625%, depending on the Company’s Consolidated Leverage Ratio (as defined in the Credit Agreement) as of the last day of the immediately preceding fiscal quarter; and (2) Base Rate Loans (as defined in the Credit Agreement) bear interest at a variable rate equal to (a) the highest of (i) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 0.50%, (ii) Bank of America’s “prime rate” as publicly announced from time to time and (iii) the Eurocurrency Rate (as defined in the Credit Agreement) plus 1.0%, plus (b) a margin of between 0.00% and 0.625%, depending on the Company’s Consolidated Leverage Ratio as of the last day of the immediately preceding fiscal quarter. In no event will Eurocurrency Rate Loans or Base Rate Loans bear interest at a rate lower than 0.0%. In addition, the Company is required to pay a per annum facility fee of between 0.09% and 0.225% depending on the Company’s Consolidated Leverage Ratio as of the last day of the immediately preceding fiscal quarter and based on the aggregate commitments under the Revolving Credit Facility, whether drawn or not.

The interest rates for borrowings under the Term Loan Facility were 4.25% and 3.53% as of December 31, 2020 and 2019, respectively. The interest rates for borrowings under the Euro Term Loan Facility were 3.33% and 1.20% as of December 31, 2020 and 2019, respectively. Interest is payable quarterly for the Term Loans. The Company has entered into interest rate swap derivative contracts for the Term Loan Facility, as further discussed in Note 10. The Credit Agreement requires the Company to maintain a Consolidated Leverage Ratio of 3.75 to 1.00 or less and includes a provision that the maximum Consolidated Leverage Ratio will be increased to 4.25 to 1.00 for the four consecutive full fiscal quarters immediately following the consummation of any acquisition by the Company or any subsidiary of the Company in which the purchase price exceeds \$100.0 million. The Credit Agreement also requires the Company to maintain a Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) of at least 3.00 to 1.00. The Credit Agreement contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants, including covenants that, among other things, limit or restrict the Company’s and/or the Company’s subsidiaries ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, merge, consolidate or sell or otherwise transfer assets, make dividends or distributions, enter into transactions with the Company’s affiliates and use proceeds of the debt financing for other than permitted uses. The Credit Agreement also contains customary events of default. Upon the occurrence and during the continuance of an event of default, the lenders may declare the outstanding advances and all other obligations under the Credit Agreement immediately due and payable. The Company was in compliance with all of its debt covenants as of December 31, 2020.

On May 6, 2020, the Company entered into an amendment to its Credit Agreement (the “Amendment”) that, among other changes, waives the quarterly-tested leverage covenant and reduces the interest coverage ratio through and including the first quarter of 2021. In connection with this Amendment, the lenders obtained a first priority security interest in substantially all of the Company’s assets. The Amendment also imposes limitations on liens, indebtedness, asset sales, investments and acquisitions. In addition, the Company will be required to maintain a monthly-tested minimum liquidity covenant during the waiver period. The Amendment increases the interest and fees payable under the Credit Agreement for the duration of the period during which the waiver of the debt covenants remains in effect. Substantially all terms of the Credit Agreement revert back to the original terms as soon as the Company submits a quarterly compliance certificate with debt covenants at pre-Amendment levels. The Company incurred fees aggregating \$2.8 million in connection with this Amendment, of which \$2.3 million were deferred and are being amortized to interest expense over the term of the debt and the remaining amount was expensed.

On February 9, 2021, the Company entered into an additional amendment to its Credit Agreement that substantially reinstated the original terms of its Credit Agreement effective February 9, 2021. In conjunction with this amendment, the Company repaid \$472.0 million of its Euro Term Loan Facility, which was classified as short-term debt as of December 31, 2020 and submitted a quarterly compliance certificate as of December 31, 2020, which took into consideration the repayment of \$472.0 million related to the Euro Term Loan. As a result, the Company was in compliance with the debt covenants as outlined under the original terms of the Credit Agreement as of February 9, 2021.

#### **Convertible Senior Notes (the “Notes”)**

On May 21, 2020, the Company issued the Notes due on June 1, 2025, unless earlier repurchased, redeemed or converted. The aggregate principal amount, which includes the initial purchasers’ exercise in full of their option to purchase an additional \$67.5 million principal amount of the Notes, was \$517.5 million. The net proceeds from the issuance, after deducting purchasers’ discounts and estimated offering expenses, were \$502.6 million. The Company used part of the net proceeds to pay for the capped call transactions (“Capped Calls”) as further described below. The Notes accrue interest at a rate of 2.375% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. The Notes have an initial conversion rate of 47.5862 shares of the Company’s common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$21.01 per share of the Company’s common stock and is subject to adjustment upon the occurrence of specified events. The Notes are governed by an indenture dated as of May 21, 2020 (the “Indenture”) between the Company and Wilmington Trust, National Association, as trustee. The Indenture does not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness or the issuance or repurchase of the Company’s securities by the Company.

The Notes are the Company’s senior, unsecured obligations and are (i) equal in right of payment with the Company’s existing and future senior, unsecured indebtedness; (ii) senior in right of payment to the Company’s existing and future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to the Company’s existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company’s subsidiaries.

Holders of the Notes may convert their Notes at any time on or after December 2, 2024 until the close of business on the second scheduled trading day preceding the maturity date. Holders of the Notes will also have the right to convert the Notes prior to December 2, 2024, but only upon the occurrence of specified events. Upon conversion, the Notes will be settled in cash, shares of the Company’s common stock or a combination thereof, at the Company’s election. The Company’s current intent and policy is to settle all Notes conversions through combination settlement, satisfying the principal amount outstanding with cash and any Notes conversion value in excess of the principal amount in shares of the Company’s common stock. If a fundamental change occurs prior to the maturity date, holders of the Notes may require the Company to repurchase all or a portion of their Notes for cash at a repurchase price equal to 100.0% of the principal amount plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date, the Company would increase the conversion rate for a holder who elects to convert its Notes in connection with such an event in certain circumstances. As of December 31, 2020, the stock price exceeded 130% of the conversion price of \$21.01 in 20 days of the final 30 trading days ended December 31, 2020, which satisfies one of the conditions permitting early conversion by holders of the Notes, therefore, the Notes are classified as short-term debt.

The Notes will be redeemable, in whole or in part, at the Company’s option at any time, and from time to time, on or after June 1, 2023 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding the redemption date, but only if the last reported sale price per share of the Company’s common stock exceeds 130.0% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any Note for redemption will constitute a “Make-Whole Fundamental Change” (as defined in the Indenture) with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted after it is called for redemption.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components of \$410.9 million and \$106.6 million, respectively. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Notes. The equity component is not re-measured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount (“debt discount”) will be amortized to interest expense over the term of the Notes.

The Company allocated the total issuance costs incurred to the liability and equity components of the Notes based on their relative values. Issuance costs attributable to the liability component of \$11.9 million were recorded as a reduction to the liability portion of the Notes and will be amortized as interest expense over the term of the Notes. The issuance costs of \$3.1 million attributable to the equity component were netted with the equity component in stockholders' equity.

The Company recorded a net deferred tax liability of \$20.5 million in connection with the issuance of the Notes, which was recorded to stockholders' equity.

The following table sets forth total interest expense recognized related to the Notes (\$ in millions):

	Year Ended December 31, 2020
Contractual interest expense	\$ 7.5
Amortization of debt issuance costs	1.0
Amortization of debt discount	11.0
Total interest expense	<u><u>\$ 19.5</u></u>

For the year ended December 31, 2020, the debt discount and debt issuance costs were amortized using an annual effective interest rate of 7.3% to interest expense over the term of the Notes.

As of December 31, 2020, the fair value of the Notes was \$902.7 million. The fair value was determined based on the quoted bid price of the Notes in an over-the-counter market on December 31, 2020. The Notes are considered as Level 2 of the fair value hierarchy.

As of December 31, 2020, the if-converted value of the Notes exceeded the outstanding principal amount by \$313.1 million.

#### **Capped Call Transactions**

In connection with the offering of the Notes, the Company entered into Capped Calls with certain counterparties. The Capped Calls each have an initial strike price of approximately \$21.01 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$23.79 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, 2.9 million shares of the Company's common stock. The Capped Calls are generally intended to reduce or offset the potential dilution from shares of common stock issued upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. As the Capped Call transactions are considered indexed to the Company's own stock and are considered equity classified, they are recorded in equity and are not accounted for as derivatives. The cost of \$20.7 million incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital.

The Company's contractual minimum principal payments for the next five years are as follows (\$ in millions):

2021	\$ 3.7
2022	1,382.9
2023	—
2024	—
2025	517.5
Total	<u><u>\$ 1,904.1</u></u>

The maturities in the table above represent the contractual minimum principal payments as of December 31, 2020. However, the Company classified \$472.0 million of its Euro Term Loan Facility as short-term debt as noted above due to the payment in connection with the amendment to its Credit Agreement effective February 9, 2021. As of December 31, 2020, the stock price exceeded 130% of the conversion price of \$21.01 in 20 days of the final 30 trading days ended December 31, 2020, which satisfies one of the conditions permitting early conversion by holders of the Notes, therefore, the Notes are classified as short-term debt.

## NOTE 16. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

### Capital Stock

Under the Company's amended and restated certificate of incorporation, as of September 20, 2019, the Company's authorized capital stock consists of 500.0 million shares of common stock with a par value of \$0.01 per share and 15.0 million shares of preferred stock with no par value per share. On September 17, 2019, the Company issued shares of the Company's common stock to Danaher as partial consideration for the transfer of the Dental business by Danaher to the Company, which, together with the 100 shares of the Company's common stock previously held by Danaher resulted in Danaher owning 127.9 million shares of the Company's common stock. On September 20, 2019, the Company completed its IPO resulting in the issuance of an additional 30.8 million shares of its common stock. No preferred shares were issued or outstanding as of December 31, 2020 and 2019.

Each share of the Company's common stock entitles the holder to one vote on all matters to be voted upon by common stockholders. The Company's Board of Directors (the "Board") is authorized to issue shares of preferred stock in one or more series and has discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The Board's authority to issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of common stock, could potentially discourage attempts by third parties to obtain control of the Company through certain types of takeover practices.

The following table summarizes the Company's stock activity (shares in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
<b>Common stock - shares issued:</b>		
Balance, beginning of period	158.7	—
Shares issued to Danaher	—	127.9
Issuance of common stock	1.5	30.8
Balance, end of period	<b>160.2</b>	<b>158.7</b>

### Stock-Based Compensation

The Company had no stock-based compensation plans prior to the Separation; however certain employees of the Company participated in Danaher's stock-based compensation plans, which provided for the grants of stock options, performance stock units ("PSUs") and restricted stock units ("RSUs") among other types of awards. The expense associated with the Company's employees who participated in the plans has been allocated to the Company in the accompanying Consolidated and Combined Statements of Income. After the Separation, these employees continued to participate in Danaher's stock-based compensation plans with respect to pre-Separation awards.

On November 15, 2019, Danaher announced an exchange offer whereby Danaher stockholders could exchange all or a portion of Danaher common stock for shares of the Company's common stock owned by Danaher. The Split-Off was completed on December 18, 2019 and resulted in the full separation of the Company and disposal of Danaher's entire ownership and voting interest in the Company. As a result of the Split-Off, outstanding Danaher equity awards held by the Company's employees were converted entirely into equivalent awards of the Company's common stock. The equity awards were converted and adjusted to maintain the economic value before and after the Split-Off date using the respective, relative fair market value of each of Danaher's common stock and the Company's common stock using the "concentration method." The equity awards the Company issued in replacement of Danaher's performance-based RSUs and PSUs retained the same terms (e.g., vesting date, expiration date and post-vesting holding period) as of the date of the conversion, except that the performance-based vesting conditions no longer applied. The conversion of the Danaher equity awards into the Company's equity awards was deemed a modification for accounting purposes, which resulted in an incremental fair value of \$5 million. The Company expensed \$1 million related to the vested awards as of the Split-Off date and the remaining \$4 million will be expensed over the applicable vesting periods.

The Company adopted the 2019 Omnibus Incentive Plan (the “Stock Plan”) that became effective upon the Separation. The Stock Plan provides for the grant of stock appreciation rights, RSUs, PSUs, restricted stock awards and performance stock awards (collectively, “Stock Awards”) and stock options. A total of 21.0 million shares of the Company’s common stock have been authorized for issuance under the Stock Plan. Under the Stock Plan, stock-based grants are awarded at a price equal to the fair market value at the date of grant based upon the closing price on that date. Options and Stock Awards generally vest over a period of five years and expire ten years after the date of grant.

RSUs issued under the Stock Plan provide for the issuance of a share of Company’s common stock at no cost to the holder. The RSUs that have been granted to employees under the Stock Plan provide for time-based vesting, generally over a five-year period. Prior to vesting, RSUs granted under the Stock Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, RSUs and PSUs, based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards is calculated using the closing price of the Company’s common stock on the date of grant. The fair value of the options granted is calculated using a Black-Scholes option pricing model (“Black-Scholes”).

The following summarizes the assumptions used in the Black-Scholes model to value options granted during the years ended December 31:

	2020	2019	2018
Risk-free interest rate	0.4 – 1.2%	1.7 – 2.6%	2.6 – 3.1%
Weighted average volatility	25.3 %	21.1 %	21.4 %
Dividend yield	— %	0.5 %	0.6 %
Expected years until exercise	6.0	5.0 – 8.0	5.0 – 8.0

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument with a maturity period that approximates the option’s expected term. Post-Separation, weighted average volatility was estimated based on an average historical stock price volatility of a peer group of companies given the Company’s limited trading history. Prior to the Separation, weighted average volatility was based on implied volatility from traded options on Danaher’s stock and historical volatility of Danaher’s stock. Post-Separation the dividend yield was 0.0% as the Company does not offer a dividend. Prior to the Separation, the dividend yield was calculated by dividing Danaher’s annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. To estimate the option exercise timing used in the valuation model, in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise experience for previously granted options.

The amount of stock-based compensation expense recognized during a period is also based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company has estimated an annual forfeiture rate of 6.0% for the years ended December 31, 2020, 2019 and 2018.

The following summarizes the components of the Company’s stock-based compensation expense under the Stock Plan and Danaher’s stock plans for the years ended December 31 (\$ in millions):

	2020	2019	2018
RSUs/PSUs	\$ 13.5	\$ 11.2	\$ 8.2
Stock options	9.1	7.2	5.1
Total stock-based compensation expense	<u>\$ 22.6</u>	<u>\$ 18.4</u>	<u>\$ 13.3</u>

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated and Combined Statements of Income. As of December 31, 2020, \$43.2 million of total unrecognized compensation cost related to stock options and RSUs/PSUs is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

The following summarizes the Company's option activity under the Company's and Danaher's stock plans (in millions; except price per share and numbers of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2017	1.7	\$ 63.95		
Granted	0.5	\$ 99.41		
Exercised	(0.3)	\$ 48.25		
Cancelled/forfeited	(0.2)	\$ 78.61		
Outstanding as of December 31, 2018	1.7	\$ 75.43		
Granted	0.8			
Exercised	(0.5)			
Cancelled/forfeited	(0.1)			
Conversion impact <sup>(1)</sup>	6.1			
Outstanding as of December 31, 2019	8.0	\$ 17.81		
Granted	2.2	\$ 26.14		
Exercised	(1.0)	\$ 14.01		
Cancelled/forfeited	(1.1)	\$ 21.17		
Outstanding as of December 31, 2020	<u>8.1</u>	<u>\$ 20.08</u>	7.3	\$ 109.9
Vested and expected to vest as of December 31, 2020	7.6	\$ 19.85	7.2	\$ 105.4
Vested as of December 31, 2020	2.4	\$ 15.33	5.4	\$ 44.0

<sup>(1)</sup> The "Conversion impact" represents the additional stock options issued by Envista as a result of the Separation by applying the "concentration method" to convert employee options based on the ratio of the fair value of Danaher and Envista common stock calculated using the closing prices on December 17, 2019.

The weighted average exercise price of stock options granted, exercised and cancelled/forfeited is not included in the table above for the full year ended December 31, 2019 as activity during this period included the conversion impact. The weighted average exercise price of Envista stock options granted from the IPO through December 31, 2019 was \$22.34. There were no Envista options exercised or cancelled/forfeited from the IPO through December 31, 2019.

Options outstanding as of December 31, 2020 are summarized below (in millions; except price per share and numbers of years):

Exercise Price	Outstanding			Exercisable		
	Shares	Average Exercise Price	Average Remaining Life (in years)	Shares	Average Exercise Price	
\$7.07 to 12.54	0.4	\$ 9.66	2.4	0.4	\$ 9.66	
\$12.55 to 16.51	2.1	\$ 14.63	5.5	1.3	\$ 14.24	
\$16.52 to 21.76	3.1	\$ 20.34	7.7	0.6	\$ 20.20	
\$21.77 to \$26.50	2.3	\$ 25.69	9.1	—	\$ —	
\$26.51 to 29.12	0.2	\$ 27.23	8.6	—	\$ —	

The intrinsic value of stock options is calculated as the amount by which the market price of the Company's stock exceeds the exercise price of the option. The aggregate intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was \$12 million, \$39 million and \$19 million, respectively. The exercise of options during the year ended December 31, 2020, resulted in cash receipts of \$14 million. The exercise of stock options during the years ended December 31, 2019 and 2018 resulted in cash receipts of \$30 million and \$14 million, respectively, which were related to Danaher equity awards and therefore the proceeds were retained by Danaher.

The following summarizes information on unvested RSUs and PSUs activity (in millions; except weighted average grant-date fair value):

	Number of RSUs/PSUs	Weighted Average Grant-Date Fair Value
<b>Unvested at December 31, 2017</b>	<u>0.4</u>	\$ 65.88
Granted	0.2	\$ 98.26
Vested	(0.1)	\$ 65.81
Forfeited	(0.1)	\$ 77.38
<b>Unvested at December 31, 2018</b>	<u>0.4</u>	\$ 79.21
Granted	0.4	
Vested	(0.1)	
Forfeited	(0.1)	
Conversion impact <sup>(1)</sup>	1.5	
<b>Unvested at December 31, 2019</b>	<u>2.1</u>	\$ 19.60
Granted	0.7	\$ 25.76
Vested	(0.5)	\$ 17.87
Forfeited	(0.4)	\$ 20.98
<b>Unvested at December 31, 2020</b>	<u>1.9</u>	\$ 22.01

<sup>(1)</sup> The “Conversion impact” represents the additional RSUs issued by Envista as a result of the Separation by applying the “concentration method” to convert RSUs and PSUs based on the ratio of the fair value of Danaher and Envista common stock calculated using the closing prices on December 17, 2019.

The weighted average grant-date fair value of Stock Awards granted, vested and cancelled/forfeited is not included in the table above for the full year ended December 31, 2019 as activity during this period included the conversion impact. The weighted average grant date fair value of Stock Awards granted from the IPO through December 31, 2019 was \$24.91. There were no Envista Stock Awards that vested or were cancelled/forfeited from the IPO through December 31, 2019.

The Company recognizes tax benefits for stock compensation in certain jurisdictions, primarily the United States, where tax deductions are based on market value at exercise or release and may exceed the grant-date value. The Company realized such tax benefits of \$1 million, \$5 million and \$3 million in 2020, 2019 and 2018, respectively, related to the exercise of stock options and \$1 million in each of the years ended December 31, 2020, 2019 and 2018, respectively, related to the vesting and release of RSUs and PSUs. For all periods presented, the tax benefits were included as a component of income tax expense and as an operating cash inflow in the accompanying Consolidated and Combined Financial Statements. For periods prior to the Separation, the cash savings generated from the tax benefits were recorded as an increase to Former Parent investment, net.

In connection with the exercise of certain stock options and the vesting of RSUs, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the year ended December 31, 2020, 171.6 thousand shares with an aggregate value of \$5 million were withheld to satisfy the requirement. During the year ended December 31, 2019, 31 thousand shares with an aggregate value of \$4 million were withheld to satisfy the requirement.

#### **NOTE 17. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The changes in accumulated other comprehensive loss by component are summarized below (\$ in millions).

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Cash Flow Hedges	Unrealized Pension Costs	Total Accumulated Other Comprehensive Loss
<b>Balance, December 31, 2017</b>	10.9	—	(10.3)	0.6
Adoption of accounting standards	—	—	(0.2)	(0.2)
<b>Balance, January 1, 2018</b>	10.9	—	(10.5)	0.4
Other comprehensive (loss) income before reclassifications:				
(Decrease) increase	(85.2)	—	10.2	(75.0)
Income tax impact	—	—	(3.0)	(3.0)
Other comprehensive (loss) income before reclassifications, net of income taxes	(85.2)	—	7.2	(78.0)
Amounts reclassified from accumulated other comprehensive (loss) income:				
Decrease	—	—	(0.9)	(0.9)
Income tax impact	—	—	0.3	0.3
Amounts reclassified from accumulated other comprehensive (loss) income, net of income taxes	—	—	(0.6)	(0.6)
Net current period other comprehensive (loss) income, net of income taxes	(85.2)	—	6.6	(78.6)
<b>Balance, December 31, 2018</b>	(74.3)	—	(3.9)	(78.2)
Other comprehensive (loss) income before reclassifications:				
(Decrease) increase	(46.6)	0.1	(31.9)	(78.4)
Income tax impact	4.5	—	7.4	11.9
Other comprehensive (loss) income before reclassifications, net of income taxes	(42.1)	0.1	(24.5)	(66.5)
Amounts reclassified from accumulated other comprehensive loss:				
Increase	—	—	0.6	0.6
Income tax impact	—	—	(0.1)	(0.1)
Amounts reclassified from accumulated other comprehensive loss, net of income taxes	—	—	0.5	0.5
Net current period other comprehensive (loss) income, net of income taxes	(42.1)	0.1	(24.0)	(66.0)
<b>Balance, December 31, 2019</b>	\$ (116.4)	\$ 0.1	\$ (27.9)	\$ (144.2)
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	26.0	(8.4)	3.9	21.5
Income tax impact	27.9	2.0	(1.1)	28.8
Other comprehensive income (loss) before reclassifications, net of income taxes	53.9	(6.4)	2.8	50.3
Amounts reclassified from accumulated other comprehensive (loss) income:				
Increase	—	—	2.9	2.9
Income tax impact	—	—	(0.8)	(0.8)
Amounts reclassified from accumulated other comprehensive (loss) income, net of income taxes	—	—	2.1	2.1
Net current period other comprehensive income (loss), net of income taxes	53.9	(6.4)	4.9	52.4
<b>Balance, December 31, 2020</b>	\$ (62.5)	\$ (6.3)	\$ (23.0)	\$ (91.8)

#### **NOTE 18. REVENUE**

The following table presents the Company's revenues disaggregated by geographical region for the years ended December 31, 2020 and 2019 (\$ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenues. The Company defines emerging markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which includes Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia). The Company defines developed markets as all markets of the world that are not emerging markets.

	<b>Specialty Products &amp; Technologies</b>	<b>Equipment &amp; Consumables</b>	<b>Total</b>
<b>Year ended December 31, 2020</b>			
<b>Geographical region:</b>			
North America	\$ 503.3	\$ 594.3	\$ 1,097.6
Western Europe	259.2	253.1	512.3
Other developed markets	85.4	74.2	159.6
Emerging markets	269.4	243.1	512.5
<b>Total</b>	<b>\$ 1,117.3</b>	<b>\$ 1,164.7</b>	<b>\$ 2,282.0</b>

	<b>Specialty Products &amp; Technologies</b>	<b>Equipment &amp; Consumables</b>	<b>Total</b>
<b>Year ended December 31, 2019</b>			
<b>Geographical region:</b>			
North America	\$ 602.7	\$ 714.9	\$ 1,317.6
Western Europe	315.6	288.1	603.7
Other developed markets	92.8	81.5	174.3
Emerging markets	331.6	324.4	656.0
<b>Total</b>	<b>\$ 1,342.7</b>	<b>\$ 1,408.9</b>	<b>\$ 2,751.6</b>

#### **Sales by Major Product Group:**

(\$ in millions)	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Consumables	\$ 1,594.1	\$ 1,869.9	\$ 1,914.8
Equipment	687.9	881.7	929.7
<b>Total</b>	<b>\$ 2,282.0</b>	<b>\$ 2,751.6</b>	<b>\$ 2,844.5</b>

#### **Remaining Performance Obligations**

ASC 606 requires disclosure of remaining performance obligations that represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include noncancelable purchase orders, extended warranty and service agreements and do not include revenue from contracts with an original term of one year or less.

As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$22.4 million and the Company expects to recognize revenue on the majority of this amount over the next 12 months.

### **Contract Liabilities**

The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue. As of December 31, 2020 and 2019, the contract liabilities were \$53.4 million and \$57.0 million, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Balance Sheets. The decrease in the contract liability balance during the year ended December 31, 2020 is primarily as a result of revenue recognized during the period that was included in the contract liability balance at December 31, 2019, partially offset by cash payments received in advance of satisfying performance obligations. The decrease in the contract liability balance during the year ended December 31, 2019 is primarily as a result of revenue recognized during the period that was included in the contract liability balance at the date of adoption, partially offset by cash payments received in advance of satisfying performance obligations. Revenue recognized during the year ended December 31, 2020 that was included in the contract liability balance at December 31, 2019 was \$48.1 million. Revenue recognized during the year ended December 31, 2019 that was included in the contract liability balance at December 31, 2018 was \$52.5 million. Revenue recognized during the year ended December 31, 2018 that was included in the contract liability balance at the date of adoption was \$60.3 million.

### **Significant Customers**

Sales to the Company's largest customer were 11%, 12% and 14% of sales in the years ended December 31, 2020, 2019 and 2018, respectively. No other individual customer accounted for more than 10% of sales in 2020, 2019 or 2018.

### **NOTE 19. RESTRUCTURING ACTIVITIES AND RELATED IMPAIRMENTS**

#### *Restructuring Activities*

The Company's restructuring activities are undertaken as necessary to implement management's strategy, streamline operations, take advantage of available capacity and resources, and ultimately achieve net cost reductions. These activities generally relate to the realignment of existing manufacturing capacity and closure of facilities and other exit or disposal activities, as it relates to executing the Company's strategy, either in the normal course of business or pursuant to significant restructuring programs.

The Company initiated restructuring related activities during the three years ended December 31, 2020. The related liability, which is included in accrued liabilities in the Consolidated Balance Sheets is summarized below (\$ in millions):

	Employee Severance and Related	Facility Exit and Related	Total
<b>Balance, December 31, 2017</b>	<b>\$ 19.9</b>	<b>\$ 0.1</b>	<b>\$ 20.0</b>
Costs incurred	21.7	2.0	23.7
Paid/settled	(31.3)	(1.0)	(32.3)
<b>Balance, December 31, 2018</b>	<b>\$ 10.3</b>	<b>\$ 1.1</b>	<b>\$ 11.4</b>
Costs incurred	12.9	0.1	13.0
Paid/settled	(17.6)	(1.2)	(18.8)
<b>Balance, December 31, 2019</b>	<b>5.6</b>	<b>—</b>	<b>5.6</b>
Costs incurred	78.3	11.0	89.3
Paid/settled	(53.4)	(5.6)	(59.0)
<b>Balance, December 31, 2020</b>	<b>\$ 30.5</b>	<b>\$ 5.4</b>	<b>\$ 35.9</b>

Restructuring related charges recorded for the years ended December 31 by segment were as follows (\$ in millions):

	2020	2019	2018
Specialty Products & Technologies	\$ 43.8	\$ 6.5	\$ 10.2
Equipment & Consumables	85.6	6.5	13.5
Other	6.0	—	—
<b>Total</b>	<b>\$ 135.4</b>	<b>\$ 13.0</b>	<b>\$ 23.7</b>

The restructuring related charges incurred during the years ended December 31 are reflected in the following captions in the accompanying Consolidated and Combined Statements of Income (\$ in millions):

	2020	2019	2018
Cost of sales	\$ 44.9	\$ 3.0	\$ 7.8
Selling, general and administrative expenses	90.5	10.0	15.9
<b>Total</b>	<b>\$ 135.4</b>	<b>\$ 13.0</b>	<b>\$ 23.7</b>

#### *Impairments*

During the year ended December 31, 2020, the Company made the decision to exit a portion of its treatment unit business, which is part of the Equipment & Consumables segment, as part of its strategy to restructure its portfolio and improve its cost structure. In connection with the planned exit, the Company recognized a non-cash loss of \$19.3 million. The majority of this loss included \$9.2 million related to the impairment of certain intangible assets, which is included in selling, general and administrative expenses and \$9.0 million of inventory write-offs, which is included in cost of sales.

The Company also initiated other restructuring related activities to restructure its portfolio and improve its cost structure and recognized a non-cash loss of \$26.8 million related primarily to long-lived assets, including intangible assets, which is substantially included in selling, general and administrative expenses.

#### **NOTE 20. INCOME TAXES**

Prior to the Split-Off, the Company's operating results were included in Danaher'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 Split-Off, the Company's Consolidated and Combined Financial Statements reflect income tax expense and deferred tax balances as if the Company had filed tax returns on a standalone basis separate from Danaher. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if the Company was a separate taxpayer and a standalone enterprise for periods prior to the Split-Off.

Income before income taxes for the years ended December 31 were as follows (\$ in millions):

	2020	2019	2018
United States	\$ (91.3)	\$ 109.9	\$ 201.8
International	61.2	165.6	99.3
<b>Total</b>	<b>\$ (30.1)</b>	<b>\$ 275.5</b>	<b>\$ 301.1</b>

The (benefit) provision for income taxes for the years ended December 31 were as follows (\$ in millions):

	2020	2019	2018
<b>Current:</b>			
Federal U.S.	\$ 8.2	\$ 20.0	\$ 34.9
Non-U.S.	20.1	41.3	26.0
State and local	(0.3)	5.5	7.8
<b>Deferred:</b>			
Federal U.S.	(13.6)	0.2	4.9
Non-U.S.	(73.5)	(9.2)	(4.3)
State and local	(4.3)	0.1	1.1
<b>Income tax provision</b>	<b>\$ (63.4)</b>	<b>\$ 57.9</b>	<b>\$ 70.4</b>

Deferred tax assets and deferred tax liabilities are classified as long-term and are included in other long-term assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets. Significant components of deferred tax assets and liabilities as of December 31 were as follows (\$ in millions):

	2020	2019
<b>Deferred tax assets:</b>		
Inventories	\$ 17.5	\$ 17.9
Pension benefits	13.3	19.2
Other accruals and prepayments	51.0	41.5
Lease liabilities	45.4	51.1
Stock-based compensation expense	6.0	3.0
Unrealized gains and losses	30.9	4.5
Tax credit and loss carryforwards	159.5	152.0
Valuation allowances	(126.0)	(119.1)
Total deferred tax asset	<u>197.6</u>	<u>170.1</u>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	(14.5)	(8.3)
Interest expense	(2.3)	—
Right-of-use assets	(40.6)	(48.2)
Goodwill and other intangible assets	(278.0)	(339.0)
Total deferred tax liability	<u>(335.4)</u>	<u>(395.5)</u>
Net deferred tax liability	<u><u>\$ (137.8)</u></u>	<u><u>\$ (225.4)</u></u>

Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of \$122.5 million and \$147.8 million as of December 31, 2020 and 2019, respectively. Deferred taxes associated with non-U.S. entities consist of net deferred tax liabilities of \$15.3 million and \$77.4 million as of December 31, 2020 and 2019, respectively.

The Company's intent is to permanently reinvest substantially all funds outside of the United States and current plans do not demonstrate a need to repatriate the cash to fund U.S. operations. However, if these funds were repatriated, they would likely not be subject to United States federal income tax under the previously taxed income or the dividend exemption rules. The Company would likely be required to accrue and pay United States state and local taxes and withholding taxes payable to various countries. It is not practicable to estimate the tax impact of the reversal of the outside basis difference, or the repatriation of cash due to the complexity of its hypothetical calculation.

The 2020 decrease in the deferred tax liability for goodwill and other intangible assets included a one-time income tax benefit of approximately \$59.1 million related primarily to the recognition of a deferred tax asset associated with the estimated value of a tax basis step-up of the Company's Switzerland assets. The benefit was offset by a related increase of \$7.4 million in valuation allowance against the Company's Swiss net operating losses that will be displaced by amortization of the step-up deferred tax asset.

The TCJA enacted on December 22, 2017 introduced significant changes to U.S. income tax law. Effective 2018, the TCJA reduced the U.S. statutory tax rate from 35% to 21% and created new taxes on certain foreign-sourced earnings and certain related-party payments.

Due to the timing of the enactment and the complexity involved in applying the provisions of the TCJA, the Company made reasonable estimates of the effects and recorded provisional amounts in its Consolidated and Combined Financial Statements as of December 31, 2017. As the Company collected and prepared necessary data, and interpreted the additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, the Company made adjustments, over the course of 2018, to the provisional amounts including refinements to deferred taxes. The accounting for the tax effects of the TCJA was completed as of December 31, 2018.

#### Transition Tax

The TCJA required the Company to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets and 8% on the remaining earnings. The Company recorded a provisional amount for its transitional tax liability and income tax expense of \$36.0 million as of December 31, 2017. Subsequent adjustments in 2018 and 2019 were not material.

The TCJA imposes tax on U.S. stockholders for global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The Company is required to make an accounting policy election of either: (1) treating taxes due on future amounts included in the U.S. taxable income related to GILTI as a current period tax expense when incurred (“the period cost method”); or (2) factoring such amounts into the Company’s measurement of its deferred tax its deferred tax expense (the “deferred method”). In 2018, the Company elected the period cost method for its accounting for GILTI.

The effective income tax rate for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Income		
	2020	2019	2018
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	11.3	1.4	2.5
Impact of foreign operations	61.1	(0.1)	1.7
Foreign-Derived Intangible Income (“FDII”)	—	(1.1)	(0.9)
Subpart F and GILTI, net of foreign tax credits	(48.3)	2.0	0.1
Change in uncertain tax positions	2.3	0.6	(0.9)
Research and experimentation credits and other	(5.1)	(0.5)	1.0
Excess tax benefit from stock-based compensation	7.7	(2.3)	(1.1)
Impact of step-up of Swiss assets	160.6	—	—
Effective income tax rate	210.6 %	21.0 %	23.4 %

The Company’s effective tax rate for each of 2020 and 2018 differs from the U.S. federal statutory rate of 21.0% primarily due to its earnings outside of the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate. In addition:

- The effective tax rate of 210.6% in 2020 includes 1,606 basis points of net tax benefits primarily related to the Swiss step-up impact on deferred taxes, the excess tax benefit associated with the exercise of employee stock options and vesting of RSUs, as well as the release of reserves upon the expiration of statutes of limitation, partially offset by increases for changes in estimates associated with prior period uncertain tax positions and a valuation allowance on losses attributable to certain foreign jurisdictions.
- The effective tax rate of 21.0% in 2019 includes 240 basis points of net tax benefits primarily related to the excess tax benefit associated with the exercise of employee stock options and vesting of RSUs, as well as the release of reserves upon the expiration of statutes of limitation, partially offset by increases for changes in estimates associated with prior period uncertain tax positions and a valuation allowance on losses attributable to certain foreign jurisdictions.
- The effective tax rate of 23.4% in 2018 includes 60 basis points of net tax benefits primarily related to the excess tax benefit associated with the exercise of employee stock options and vesting of RSUs, as well as the release of reserves upon the expiration of statutes of limitation, partially offset by increases in net reserves from audit settlements.

The Company realized tax benefits of \$4.4 million, \$8.4 million, and \$5.1 million in 2020, 2019 and 2018 respectively, for tax deductions attributable to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes was \$2.3 million, \$6.2 million and \$3.3 million in 2020, 2019 and 2018, respectively. As required by ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”), the excess tax benefits for the years ended December 31, 2020, 2019 and 2018 have been included in the provision for income taxes and increased the effective tax rate for 2020 by 770 basis points and decreased the effective tax rates for 2019 and 2018 by 230 and 110 basis points, respectively.

The Company evaluates the future realizability of tax credits and loss carryforwards considering the anticipated future earnings of the Company’s subsidiaries as well as tax planning strategies in the associated jurisdictions. Included in deferred income taxes as of December 31, 2020 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling \$159.5 million (\$117.5 million of which the Company does not expect to realize and has corresponding valuation allowances). Certain of the losses can be carried forward indefinitely and others can be carried forward to various dates from 2021 through 2040.

As of December 31, 2020, gross unrecognized tax benefits totaled \$7.1 million (\$9.0 million, including \$1.9 million associated with potential interest and penalties). As of December 31, 2019, gross unrecognized tax benefits totaled \$9.1 million (\$10.9 million, including \$1.8 million associated with potential interest and penalties). The Company recognized \$0.0 million, \$0.6 million and \$0.5 million in potential interest and penalties associated with uncertain tax positions during 2020, 2019 and 2018, respectively. To the extent unrecognized tax benefits (including interest and penalties) are recognized with respect to uncertain tax positions, the tax expense in future periods would be reduced by \$9.0 million based upon the tax positions as of December 31, 2020. The Company recognized interest and penalties related to unrecognized tax benefits within income taxes in the accompanying Consolidated and Combined Statements of Income. Unrecognized tax benefits and associated accrued interest and penalties are included in taxes, income and other accrued expenses as detailed in Note 9.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties, is as follows (\$ in millions):

	2020	2019	2018
Unrecognized tax benefits, beginning of year	\$ 9.1	\$ 27.2	\$ 37.4
Additions based on tax positions related to the current year	0.3	0.5	0.7
Additions for tax positions of prior years	0.3	3.1	1.7
Reductions for tax positions of prior years	(1.7)	(1.5)	—
Split-Off related adjustments <sup>a</sup>	—	(18.1)	—
Lapse of statute of limitations	(1.0)	(1.8)	(5.6)
Settlements	—	(0.4)	(5.9)
Effect of foreign currency translation	0.1	0.1	(1.1)
Unrecognized tax benefits, end of year	<u>\$ 7.1</u>	<u>\$ 9.1</u>	<u>\$ 27.2</u>

<sup>a</sup> Unrecognized tax benefits were reduced by \$18.1 million in 2019 related to positions taken prior to the Split-Off for which Danaher, as the Company’s Former Parent, is the primary obligor and is responsible for settlement and payment of any resulting tax obligation.

The Company conducts business globally and files numerous income tax returns in U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a material presence include Canada, China, Finland, Germany and Switzerland. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Consolidated and Combined Financial Statements given the geographic dispersion of the Company’s taxable income.

The Company is routinely examined by various domestic and international taxing authorities. In connection with the Separation, the Company entered into agreements with Danaher, 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 involve legal entities, such as those in the United States, that include operations from both Danaher and the Company. By contrast, “Separate” filings involve certain entities (primarily outside of the United States), that exclusively include either Danaher’s or the Company’s operations, respectively. In accordance with the tax matters agreement, Danaher is liable for and has indemnified the Company against all income tax liabilities involving “Joint” filings for periods prior to the Separation. The Company remains liable for certain pre-Separation income tax liabilities including those related to the Company’s “Separate” filings.

Pursuant to U.S. tax law, the Company filed its initial U.S. federal income tax return for the 2019 short tax year with the IRS during 2020. Therefore, the IRS has not yet begun an examination of the Company's initial U.S. federal income tax return. The Company's operations in certain U.S. states and foreign jurisdictions remain subject to routine examination for tax years beginning with 2009.

The Company estimates that it is reasonably possible that the amount of unrecognized tax benefits may be reduced by approximately \$2.8 million within twelve months as a result of resolution of worldwide tax matters, payments of tax audit settlements and/or statute of limitations expirations.

The Company operates in various non-U.S. tax jurisdictions where "tax holiday" income tax incentives have been granted for a specific period. These tax benefits are not material to the Company's financial statements.

#### **NOTE 21. EARNINGS PER SHARE**

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of shares of common stock outstanding for the applicable period. Diluted EPS is computed based on the weighted average number of common shares outstanding plus the effect of dilutive potential shares outstanding during the period using the treasury stock method. Dilutive potential common shares include employee equity options, non-vested shares and similar instruments granted by the Company and the assumed conversion impact of the Notes. The Company's current intent and policy is to settle all Notes conversions through a combination settlement by satisfying the principal amount outstanding with cash and any Notes conversion value in excess of the principal amount in shares of the Company's common stock. As such, the Company uses the treasury stock method for the assumed conversion of the Notes to compute the weighted average shares of common stock outstanding for diluted earnings per share. As the Company intends and has the ability to settle the principal amount of the Notes in cash upon conversion, the Notes do not have an impact on the Company's diluted earnings per share until the average share price of the Company's common stock exceeds the conversion price of \$21.01 per share in any applicable period. See the computation of basic and diluted EPS below for the dilutive impact of the Notes for the year ended December 31, 2020.

In connection with the offering of the Notes, the Company entered into Capped Calls (see further discussion in Note 15), which are intended to reduce or offset the potential dilution from shares of common stock issued upon conversion of the Notes. However, this impact is not included when calculating potentially dilutive shares since their effect is anti-dilutive. The Capped Calls will mitigate dilution from the conversion of the Notes up to the Company's common stock price of \$23.79. If the Notes are converted at a price higher than \$23.79 per share, the Capped Calls will no longer mitigate dilution from the conversion of the Notes.

The Company's issuance of shares of its common stock to Danaher as partial consideration for the transfer of the Dental business by Danaher to the Company on September 17, 2019, together with the 100 shares of the Company's common stock previously held by Danaher, resulted in 127.9 million shares of the Company's common stock being held by Danaher, which are being utilized for the calculation of both basic and diluted EPS for the year ended December 31, 2018. In connection with the IPO, an additional 30.8 million shares were issued on September 20, 2019.

For periods prior to the Separation, the Company's stock-based compensation expense includes expense for Danaher equity awards granted to certain of the Company's employees. As these equity awards related to Danaher common stock, rather than common stock of the Company, the calculation of diluted EPS does not include the potential dilutive impact of these equity awards for periods prior to the Split-Off. At the time of the Split-Off, the equity awards held by certain employees to purchase Danaher shares were converted into equity awards to purchase the Company's shares and the converted equity awards have been included in the Company's calculation of diluted EPS. Refer to Note 16 for additional information.

The table below presents the computation of basic and diluted EPS:

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
<b>Numerator:</b>			
Net income	\$ 33.3	\$ 217.6	\$ 230.7
<b>Denominator:</b>			
Weighted-average common shares outstanding used in basic EPS	159.6	136.2	127.9
Incremental common shares from:			
Assumed exercise of dilutive options and vesting of dilutive restricted stock units	2.2	0.2	—
Assumed conversion of the Notes	2.3	—	—
Weighted average common shares outstanding used in diluted EPS	<u>164.1</u>	<u>136.4</u>	<u>127.9</u>
<b>Earnings per share:</b>			
Basic	\$ 0.21	\$ 1.60	\$ 1.80
Diluted	\$ 0.20	\$ 1.60	\$ 1.80

The following table presents the number of outstanding securities not included in the computation of diluted income per share, because their effect was anti-dilutive (in millions):

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Stock-based awards	4.1	0.3	—
Total	<u>4.1</u>	<u>0.3</u>	<u>—</u>

## NOTE 22. SEGMENT INFORMATION

The Company operates and reports its results in two separate business segments, the Specialty Products & Technologies and Equipment & Consumables segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income (expense) and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. The identifiable assets by segment are those used in each segment's operations. Inter-segment amounts are not significant and are eliminated to arrive at combined totals.

The Company's Specialty Products & Technologies products include implants, prosthetics, orthodontic brackets, aligners and lab products. The Company's Equipment & Consumables products include traditional consumables such as bonding agents and cements, impression materials, infection prevention products and restorative products, while the Company's equipment products include treatment units, instruments, digital imaging systems, software and other visualization and magnification systems.

Detailed segment data as of and for the years ended December 31 is as follows (\$ in millions):

	2020	2019	2018
<b>Sales:</b>			
Specialty Products & Technologies	\$ 1,117.3	\$ 1,342.7	\$ 1,369.8
Equipment & Consumables	1,164.7	1,408.9	1,474.7
Total	<u><u>\$ 2,282.0</u></u>	<u><u>\$ 2,751.6</u></u>	<u><u>\$ 2,844.5</u></u>
<b>Operating profit and reconciliation to (loss) income before taxes:</b>			
Specialty Products & Technologies	\$ 72.7	\$ 227.7	\$ 241.3
Equipment & Consumables	38.2	105.8	120.5
Other	(77.6)	(56.0)	(63.4)
Operating profit	33.3	277.5	298.4
<b>Nonoperating (expense) income:</b>			
Other (expense) income	(0.9)	1.5	2.7
Interest expense, net	(62.5)	(3.5)	—
(Loss) income before taxes	<u><u>\$ (30.1)</u></u>	<u><u>\$ 275.5</u></u>	<u><u>\$ 301.1</u></u>
<b>Identifiable assets:</b>			
Specialty Products & Technologies	\$ 3,773.3	\$ 3,662.5	\$ 3,539.1
Equipment & Consumables	2,178.2	2,256.6	2,294.1
Other	924.5	239.2	8.4
Total	<u><u>\$ 6,876.0</u></u>	<u><u>\$ 6,158.3</u></u>	<u><u>\$ 5,841.6</u></u>
<b>Depreciation and amortization:</b>			
Specialty Products & Technologies	\$ 80.6	\$ 75.4	\$ 76.9
Equipment & Consumables	49.6	51.4	51.9
Other	2.4	1.7	1.2
Total	<u><u>\$ 132.6</u></u>	<u><u>\$ 128.5</u></u>	<u><u>\$ 130.0</u></u>
<b>Capital expenditures, gross:</b>			
Specialty Products & Technologies	\$ 36.4	\$ 51.5	\$ 42.2
Equipment & Consumables	9.6	19.5	26.9
Other	1.7	6.8	3.1
Total	<u><u>\$ 47.7</u></u>	<u><u>\$ 77.8</u></u>	<u><u>\$ 72.2</u></u>

**Operations in Geographical Areas:**

(\$ in millions)	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Sales:</b>			
United States	\$ 1,012.9	\$ 1,210.6	\$ 1,240.5
China	215.6	212.8	187.9
Germany	144.6	151.3	164.7
All other (each country individually less than 5% of total sales)	908.9	1,176.9	1,251.4
Total	\$ 2,282.0	\$ 2,751.6	\$ 2,844.5
<b>Property, plant and equipment, net:</b>			
United States	\$ 167.2	\$ 160.1	\$ 144.1
Sweden	47.2	36.2	20.0
Germany	24.1	25.4	29.1
Switzerland	13.3	14.2	15.9
All other (each country individually less than 5% of total long-lived assets)	51.2	54.4	52.5
Total	\$ 303.0	\$ 290.3	\$ 261.6

**NOTE 23. RELATED-PARTY TRANSACTIONS**

In connection with the Separation, the Company entered into various agreements with Danaher, including but not limited to, a Separation Agreement, a Transition Services Agreement, a Tax Matters Agreement, an Employee Matters Agreement, an Intellectual Property Matters Agreement and a Danaher Business System (“DBS”) License Agreement, which set forth certain terms and conditions related to transactions which will continue between Danaher and the Company post-Separation.

In accordance with the Transition Services Agreement, the Company made payments of approximately \$17.0 million to Danaher during the year ended December 31, 2019 for various services provided.

The Company has historically operated as part of Danaher and not as a separate, publicly-traded company. Accordingly, Danaher has allocated certain shared costs to the Company that are reflected as expenses in these Consolidated and Combined Financial Statements for the periods prior to Separation. Management considers the allocation methodologies used by Danaher to be reasonable and to appropriately reflect the related expenses attributable to the Company for purposes of the Consolidated and Combined Financial Statements; however, the expenses reflected in these 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 entity. In addition, the expenses reflected in the financial statements may not be indicative of expenses the Company will incur in the future.

Following the Split-Off, Danaher no longer owns any of the Company's outstanding common stock and is no longer a related party and the Company no longer considers transactions with Danaher as related party transactions.

**Corporate Expenses**

Certain corporate overhead and shared expenses incurred by Danaher and its subsidiaries have been allocated to the Company and are reflected in the Consolidated and Combined Statements of Income. These amounts include, but were not limited to, items such as general management and executive oversight, costs to support Danaher information technology infrastructure, facilities, compliance, human resources and legal functions and financial management and transaction processing including public company reporting, consolidated tax filings and tax planning, Danaher benefit plan administration, risk management and consolidated treasury services, certain employee benefits and incentives and stock based compensation administration. These costs were allocated using methodologies that management believes are reasonable for the item being allocated. Allocation methodologies included the Company's relative share of revenues, headcount or functional spend as a percentage of the total.

#### **Insurance Programs Administered by Former Parent**

In addition to the corporate allocations discussed above, the Company was allocated expenses related to certain insurance programs Danaher administered on behalf of the Company, including workers' compensation, property, cargo, automobile, crime, fiduciary, product, general and directors' and officers' liability insurance. The insurance costs of these policies were allocated by Danaher to the Company using various methodologies related to the respective, underlying exposure base.

For the self-insured component of the policies referenced above, Danaher allocated costs to the Company based on the Company's incurred claims.

#### **Medical Insurance Programs Administered by Former Parent**

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

#### **Deferred Compensation Program Administered by Former Parent**

Certain of the Company's management employees participated in Danaher's nonqualified deferred compensation programs that permit participants to defer a portion of their compensation, on a pretax basis prior to the Separation. All amounts deferred under this plan are unfunded, unsecured obligations of Danaher and subject to reimbursement by the Company. In connection with the Separation, the Company established a similar independent, nonqualified deferred compensation program.

After the Separation there were no related-party expenses allocated to the Company. The amounts of related-party expenses allocated to the Company from Danaher for the years ended December 31, 2019 and 2018, were as follows (\$ in millions):

	2019	2018
Allocated corporate expenses	\$ 23.2	\$ 31.5
Directly related charges:		
Insurance programs expenses	2.7	3.9
Medical insurance programs expenses	47.6	52.2
Deferred compensation program expenses	0.7	1.1
Total related-party expenses	<u><u>\$ 74.2</u></u>	<u><u>\$ 88.7</u></u>

#### **Revenue and other transactions entered into in the ordinary course of business**

Certain of the Company's revenue arrangements relate to contracts entered into in the ordinary course of business with Danaher and Danaher affiliates. The amount of related-party revenue was not significant for any of the years ended December 31, 2019 and 2018.

#### **IPO**

In connection with the IPO, Danaher incurred \$6.8 million in fees and expenses on the Company's behalf.

**NOTE 24. SELECTED QUARTERLY INFORMATION (UNAUDITED)**

The Company's fiscal year ends on December 31. Due to the fixed year end date of December 31, the first and fourth quarters each consist of approximately 13 weeks. The second and third quarters each consist of exactly 13 weeks. The first three quarters end on a Friday.

(\$ in millions, except per share data)	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
<b>2020:</b>				
Sales	\$ 547.2	\$ 362.0	\$ 640.5	\$ 732.3
Gross profit	\$ 278.4	\$ 150.5	\$ 340.7	\$ 388.5
Net income	\$ (17.2)	\$ (93.5)	\$ 35.6	\$ 108.4
Net earnings per share:				
Basic	\$ (0.11)	\$ (0.59)	\$ 0.22	\$ 0.68 *
Diluted	\$ (0.11)	\$ (0.59)	\$ 0.22	\$ 0.64 *
<b>2019:</b>				
Sales	\$ 659.7	\$ 712.1	\$ 659.3	\$ 720.5
Gross profit	\$ 363.1	\$ 393.6	\$ 367.0	\$ 389.4
Net income	\$ 37.9	\$ 61.5	\$ 62.1	\$ 56.1
Net earnings per share:				
Basic	\$ 0.30	\$ 0.48	\$ 0.48	\$ 0.35 *
Diluted	\$ 0.30	\$ 0.48	\$ 0.48	\$ 0.35 *

\* Earnings per share is computed independently for each of the periods presented. The sum of the quarterly earnings per share do not equal the total earnings per share computed for the year due to rounding or due to net losses in the first and second quarters of 2020, which exclude the dilutive impact of stock-based awards for those quarters.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

Our management, with the participation of our President and Chief Executive Officer, and 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 Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of the Company's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2020 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Envista Holdings Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

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 our most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Other than the information below, the information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2020.

##### **Code of Ethics**

We have adopted a code of business conduct and ethics for directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Conduct. The Code of Conduct is available in the “Investors—Governance” section of our website at [www.envistaco.com](http://www.envistaco.com).

We intend to disclose any amendment to the Code of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Code of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of our other executive officers, in the “Investors—Governance” section of our website, at [www.envistaco.com](http://www.envistaco.com), within four business days following the date of such amendment or waiver.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2020.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2020.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2020.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2020.

## PART IV

### ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

- a) The following documents are filed as part of this report.
- (1) Financial Statements. The financial statements are set forth under "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.
  - (2) Schedules. An index of Exhibits and Schedules is on page 130 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.
  - (3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

### ITEM 16. FORM 10-K SUMMARY

None.

#### ENVISTA HOLDINGS CORPORATION

##### INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT SCHEDULE:

Schedule:	Page Number in Form 10-K
<a href="#">Valuation and Qualifying Accounts</a>	<a href="#">134</a>

#### EXHIBIT INDEX

Exhibit Number	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Envista Holdings Corporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054)</a>
3.2	<a href="#">Amended and Restated Bylaws of Envista Holdings Corporation (inclusive of all amendments through April 7, 2020) (incorporated by reference to Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 2020, Commission File No. 001-39054)</a>
4.1	<a href="#">Description of Securities of the Registrant</a>
4.2	<a href="#">Specimen common stock certificate (incorporated by reference to Exhibit 4.1 of Registrant's Registration Statement on Form S-1 (Registration No. 333-232758) filed on July 22, 2019)</a>
4.3	<a href="#">Indenture, dated as of May 21, 2020, between Envista Holdings Corporation and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on May 26, 2020, Commission File No. 001-39054)</a>
4.4	<a href="#">Form of certificate representing the 2.375% Convertible Senior Notes due 2025 (included as Exhibit A to Exhibit 4.3)</a>
10.1	<a href="#">Separation Agreement, dated as of September 19, 2019, by and between Envista Holdings Corporation and Danaher Corporation (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054)</a>
10.2	<a href="#">Transition Services Agreement, dated as of September 19, 2019, by and between Envista Holdings Corporation and Danaher Corporation (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054)</a>
10.3	<a href="#">Tax Matters Agreement, dated as of September 19, 2019, by and between Envista Holdings Corporation and Danaher Corporation (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054)</a>

- 10.4 [Employee Matters Agreement, dated as of September 19, 2019, by and between Envista Holdings Corporation and Danaher Corporation \(incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054\)](#)
- 10.5 [Intellectual Property Matters Agreement, dated as of September 19, 2019, by and between Envista Holdings Corporation and Danaher Corporation \(incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054\)](#)
- 10.6 [DBS License Agreement, dated as of September 19, 2019, by and between Envista Holdings Corporation and Danaher Corporation \(incorporated by reference to Exhibit 10.6 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054\)](#)
- 10.7 [Credit Agreement, dated as of September 20, 2019, by and among Envista Holdings Corporation, Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender, and the other Lenders party thereto \(incorporated by reference to Exhibit 10.8 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054\)](#)
- 10.8 [Amendment No. 1 to Credit Agreement, dated as of May 6, 2020, by and among Envista Holdings Corporation, each Guarantor party thereto, Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender, and the other Lenders party thereto \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 11, 2020, Commission File No. 001-39054\)](#)
- 10.9 [Amendment No. 2 to Credit Agreement, dated as of May 19, 2020, by and among Envista Holdings Corporation and Bank of America, N.A., as Administrative Agent](#)
- 10.10 [Amendment No. 3 to Credit Agreement, dated as of February 9, 2021, by and among Envista Holdings Corporation, each Guarantor party thereto, Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender, and the other Lenders party thereto \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on February 10, 2021, Commission File No. 001-39054\)](#)
- 10.11\* [Envista Holdings Corporation Severance and Change in Control Plan \(incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on November 5, 2020, Commission File No. 001-39054\)](#)
- 10.12\* [Envista Holdings Corporation Senior Leader Severance Pay Plan \(incorporated by reference to Exhibit 10.9 to Registrant's Current Report on Form 8-K filed on September 20, 2019, Commission File No. 001-39054\)](#)
- 10.13\* [Envista Holdings Corporation 2019 Omnibus Incentive Plan \(incorporated by reference to Exhibit 10.1 of Registrant's Registration Statement on Form S-8 \(Registration No. 333-233810\) filed on September 17, 2019\)](#)
- 10.14\* [Form of Envista Holdings Corporation Stock Option Agreement](#)
- 10.15\* [Form of Envista Holdings Corporation Restricted Stock Unit Form of Envista Holdings Corporation Restricted Stock Unit Agreement](#)
- 10.16\* [Form of Envista Holdings Corporation Agreement Regarding Competition and Protection of Proprietary Interests \(incorporated by reference to Exhibit 10.15 to Registrant's Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on July 22, 2019\)\(a\)](#)
- 10.17\* [Form of Envista Holdings Corporation Agreement Regarding Solicitation and Protection of Proprietary Interests \(California\) \(incorporated by reference to Exhibit 10.16 to Registrant's Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on July 22, 2019\)\(b\)](#)
- 10.18\* [Form of Envista Holdings Corporation Stock Option Agreement for Independent Directors \(incorporated by reference to Exhibit 10.17 to Registrant's Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on July 22, 2019\)](#)
- 10.19\* [Form of Envista Holdings Corporation Restricted Stock Unit Agreement for Independent Directors \(incorporated by reference to Exhibit 10.18 to Registrant's Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on July 22, 2019\)](#)
- 10.20\* [Form of Envista Holdings Corporation Director and Officer Indemnification Agreement \(incorporated by reference to Exhibit 10.20 to Registrant's Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on July 22, 2019\)](#)
- 10.21\* [Offer Letter Agreement, dated July 29, 2019, between DH Dental Employment Services LLC and Amir Aghdaei \(incorporated by reference to Exhibit 10.22 to Registrant's Amendment No. 1 to Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on August 12, 2019\)](#)
- 10.22\* [Offer Letter Agreement, dated July 29, 2019, between DH Dental Employment Services LLC and Curt Bludworth \(incorporated by reference to Exhibit 10.23 to Registrant's Amendment No. 1 to Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on August 12, 2019\)](#)
- 10.23\* [Offer Letter Agreement, dated July 29, 2019, between DH Dental Employment Services LLC and Patrik Eriksson \(incorporated by reference to Exhibit 10.24 to Registrant's Amendment No. 1 to Registration Statement on Form S-1 \(Registration No. 333-232758\) filed on August 12, 2019\)](#)

10.24*	<a href="#">Offer Letter Agreement, dated July 29, 2019, between DH Dental Employment Services LLC and Howard Yu (incorporated by reference to Exhibit 10.25 to Registrant's Amendment No. 1 to Registration Statement on Form S-1 (Registration No. 333-232758) filed on August 12, 2019)</a>
10.25*	<a href="#">Form of Envista Holdings Corporation Excess Contribution Program, a sub-plan under the Envista Holdings Corporation 2019 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.25 to Registrant's Registration Statement on Form S-4 (Registration No. 333-234714) filed on November 15, 2019)</a>
10.26*	<a href="#">Form of Envista Holdings Corporation Executive Deferred Incentive Program, a sub-plan under the Envista Holdings Corporation 2019 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.26 to Registrant's Registration Statement on Form S-4 (Registration No. 333-234714) filed on November 15, 2019)</a>
10.27*	<a href="#">Form of Envista Holdings Corporation Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.27 to Registrant's Registration Statement on Form S-4 (Registration No. 333-234714) filed on November 15, 2019)</a>
10.28	<a href="#">Form of Capped Call Confirmation (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 26, 2020, Commission File No. 001-39054)</a>
21.1	<a href="#">List of Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 of Registrant's Registration Statement on Form S-1 (Registration No. 333-232758) filed on July 22, 2019)</a>
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
24.1	<a href="#">Power of Attorney (set forth on the signature page to this Annual Report on Form 10-K)</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	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. (c)
101.SCH	XBRL Taxonomy Extension Schema Document (c)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (c)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (c)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (c)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (c)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Indicates management contract or compensatory plan, contract or arrangement.

(a) Applies to Messrs. Aghdaei and Bludworth.

(b) Applies to Messrs. Eriksson and Yu.

(c) Exhibit 101 to this report includes the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated and Combined Statements of Income for the years ended December 31, 2020, 2019 and 2018, (iii) Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018, (iv) Consolidated and Combined Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018, (v) Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018 and (vi) Notes to Consolidated and Combined Financial Statements.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 18, 2021

### ENVISTA HOLDINGS CORPORATION

By: /s/ Amir Aghdaeи  
Amir Aghdaeи  
President and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Amir Aghdaeи and Howard H. Yu, and each or any one of them, his or her lawful attorneys-in-fact and agents, for such person in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact and agent, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Amir Aghdaeи</u> Amir Aghdaeи	President, Chief Executive Officer (Principal Executive Officer) and Director	February 18, 2021
<u>/s/ Howard H. Yu</u> Howard H. Yu	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 18, 2021
<u>/s/ Kari-Lyn Moore</u> Kari-Lyn Moore	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 18, 2021
<u>/s/ Scott Huennekens</u> Scott Huennekens	Chairman of the Board	February 18, 2021
<u>/s/ Wendy Carruthers</u> Wendy Carruthers	Director	February 18, 2021
<u>/s/ Kieran T. Gallahue</u> Kieran T. Gallahue	Director	February 18, 2021
<u>/s/ Vivek Jain</u> Vivek Jain	Director	February 18, 2021
<u>/s/ Daniel A. Raskas</u> Daniel A. Raskas	Director	February 18, 2021
<u>/s/ Gayle Sheppard</u> Gayle Sheppard	Director	February 18, 2021
<u>/s/ Christine Tsingos</u> Christine Tsingos	Director	February 18, 2021

**ENVISTA HOLDINGS CORPORATION**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
(\$ in millions)

Classification	Balance at Beginning of Period <sup>(a)</sup>	Charged to Costs & Expenses	Impact of Currency	Write Offs, Write Downs & Deductions	Balance at End of Period <sup>(a)</sup>
<b>Year ended December 31, 2020:</b>					
Allowances deducted from asset account					
Allowance for credit losses	\$ 22.8	\$ 23.0	\$ 0.4	\$ (9.1)	\$ 37.1
<b>Year ended December 31, 2019:</b>					
Allowances deducted from asset account					
Allowance for credit losses	\$ 17.9	\$ 9.5	\$ (0.4)	\$ (4.2)	\$ 22.8
<b>Year ended December 31, 2018:</b>					
Allowances deducted from asset account					
Allowance for credit losses	\$ 17.9	\$ 4.7	\$ (0.7)	\$ (4.0)	\$ 17.9

<sup>(a)</sup> Amounts include allowance for credit losses classified as current.