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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2024

OR

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

For the transition period from to

Commission File Number: 001-41770

VERALTO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**92-1941413**
(State of Incorporation)	**(I.R.S. Employer Identification Number)**
225 Wyman Street, Suite 250 **Waltham, Massachusetts**	**02451**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: 781-755-3655

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	VLTO	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☒	Smaller Reporting Company	☐
Emerging Growth Company	☐		

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

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

The number of shares of common stock outstanding at July 17, 2024 was 247,106,400.

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VERALTO CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
($ in millions, except per share amount)
(unaudited)

	June 28, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,043	$ 762
Trade accounts receivable, less allowance for credit losses of $34 and $36, respectively	803	826
Inventories:		
Finished goods	132	126
Work in process	43	42
Raw materials	137	129
Total inventories	312	297
Prepaid expenses and other current assets	175	188
Total current assets	2,333	2,073
Property, plant and equipment, net of accumulated depreciation of $481 and $472, respectively	263	262
Other long-term assets	416	398
Goodwill	2,490	2,533
Other intangible assets, net	401	427
Total assets	$ 5,903	$ 5,693
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	$ 397	$ 431
Accrued expenses and other liabilities	793	834
Total current liabilities	1,190	1,265
Other long-term liabilities	426	410
Long-term debt	2,615	2,629
Equity:		
Preferred stock - $0.01 par value, as of June 28, 2024 and December 31, 2023, 15 million shares authorized as of both dates; and 0 shares issued and outstanding as of both dates	—	—
Common stock - $0.01 par value, as of June 28, 2024 and December 31, 2023, 1.0 billion shares authorized as of both dates; and 247.1 million and 246.3 million shares issued and outstanding, respectively	2	2
Additional paid-in capital	2,150	2,157
Retained earnings	521	178
Accumulated other comprehensive loss	(1,007)	(954)
Total Veralto equity	1,666	1,383
Noncontrolling interests	6	6
Total equity	1,672	1,389
Total liabilities and equity	$ 5,903	$ 5,693

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

VERALTO CORPORATION
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF EARNINGS
($ and shares in millions, except per share amounts)
(unaudited)

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Sales	$ 1,288	$ 1,253	$ 2,534	$ 2,478
Cost of sales	(514)	(529)	(1,013)	(1,046)
Gross profit	774	724	1,521	1,432
Operating costs:				
Selling, general and administrative expenses	(414)	(378)	(808)	(738)
Research and development expenses	(61)	(57)	(121)	(113)
Operating profit	299	289	592	581
Nonoperating income (expense):				
Other income (expense), net	1	(14)	(14)	(14)
Interest expense, net	(30)	—	(58)	—
Earnings before income taxes	270	275	520	567
Income taxes	(67)	(66)	(133)	(133)
Net earnings	$ 203	$ 209	$ 387	$ 434
Net earnings per common share:				
Basic	$ 0.82	$ 0.85	$ 1.57	$ 1.76
Diluted	$ 0.81	$ 0.85	$ 1.55	$ 1.76
Average common stock and common equivalent shares outstanding:				
Basic	247.2	246.3	247.1	246.3
Diluted	249.3	246.3	249.1	246.3

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

VERALTO CORPORATION
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
($ in millions)
(unaudited)

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net earnings	$ 203	$ 209	$ 387	$ 434
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	(29)	7	(65)	28
Unrealized gain on net investment hedge	3	—	12	—
Total other comprehensive income (loss), net of income taxes	(26)	7	(53)	28
Comprehensive income	$ 177	$ 216	$ 334	$ 462

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

VERALTO CORPORATION
CONSOLIDATED AND COMBINED CONDENSED STATEMENTS OF EQUITY
($ and shares in millions)
(unaudited)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Net Former Parent Investment	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest
Balance, December 31, 2023	246.3	$ 2	$ 2,157	$ 178	$ —	$ (954)	$ 6
Net earnings for the period	—	—	—	184	—	—	—
Dividends declared	—	—	—	(22)	—	—	—
Separation related adjustments	—	—	(54)	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	(27)	—
Common stock-based award activity	0.5	—	18	—	—	—	—
Balance, March 29, 2024	246.8	$ 2	$ 2,121	$ 340	$ —	$ (981)	$ 6
Net earnings for the period	—	—	—	203	—	—	—
Dividends declared	—	—	—	(22)	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	(26)	—
Common stock-based award activity	0.3	—	29	—	—	—	—
Balance, June 28, 2024	247.1	$ 2	$ 2,150	$ 521	$ —	$ (1,007)	$ 6

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Net Former Parent Investment	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance, December 31, 2022	—	$ —	$ —	$ —	$ 4,189	$ (954)	$ 5
Net earnings for the period	—	—	—	—	225	—	—
Net transfers to Former Parent	—	—	—	—	(147)	—	—
Other comprehensive income (loss)	—	—	—	—	—	21	—
Former Parent common stock-based award activity	—	—	—	—	9	—	—
Balance, March 31, 2023	—	$ —	$ —	$ —	$ 4,276	$ (933)	$ 5
Net earnings for the period	—	—	—	—	209	—	—
Net transfers to Former Parent	—	—	—	—	(291)	—	—
Other comprehensive income (loss)	—	—	—	—	—	7	—
Former Parent common stock-based award activity	—	—	—	—	13	—	—
Balance, June 30, 2023	—	$ —	$ —	$ —	$ 4,207	$ (926)	$ 5

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

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

	Six-Month Period Ended	
	June 28, 2024	June 30, 2023
Cash flows from operating activities:		
Net earnings	$ 387	$ 434
Noncash items:		
Depreciation	20	20
Amortization of intangible assets	21	24
Stock-based compensation expense	35	22
Loss on product line disposition	15	—
Impairment of equity method investment	—	15
Change in trade accounts receivable, net	15	16
Change in inventories	(18)	16
Change in trade accounts payable	(30)	(53)
Change in prepaid expenses and other assets	(3)	8
Change in accrued expenses and other liabilities	(76)	(45)
Net cash provided by operating activities	366	457
Cash flows from investing activities:		
Payments for additions to property, plant and equipment	(24)	(21)
All other investing activities	(10)	2
Net cash used in investing activities	(34)	(19)
Cash flows from financing activities:		
Payment of dividends	(44)	—
Proceeds from the issuance of common stock	11	—
Net transfers to Former Parent	—	(438)
Net cash used in financing activities	(33)	(438)
Effect of exchange rate changes on cash and cash equivalents	(18)	—
Net change in cash and cash equivalents	281	—
Beginning balance of cash and cash equivalents	762	—
Ending balance of cash and cash equivalents	$ 1,043	$ —
Supplemental disclosures:		
Cash interest payments	$ 57	$ —
Cash income tax payments	$ 142	$ —

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

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

NOTE 1. GENERAL

Veralto Corporation's ("Veralto" or the "Company") unifying purpose is *Safeguarding the World's Most Vital Resources*™. Its diverse group of associates and leading operating companies provide essential technology solutions that monitor, enhance and protect key resources around the globe. The Company is committed to the advancement of public health and safety and believes it is positioned to support its customers as they address large global challenges including environmental resource sustainability, water scarcity, management of severe weather events and food and pharmaceutical security. Through its core offerings in water analytics, water treatment, marking and coding and packaging and color, customers look to the Company's solutions to help ensure the safety, quality, efficiency and reliability of their products and processes. The Company operates through two segments – Water Quality and Product Quality & Innovation. Through the Water Quality segment, the Company improves the quality and reliability of water through leading brands including Hach, Trojan Technologies and ChemTreat. Through the Product Quality & Innovation segment, the Company promotes consumer trust in products and helps enable product innovation through leading brands including Videojet, Linx, Esko, X-Rite and Pantone.

Separation from Danaher Corporation—Veralto completed its separation from Danaher Corporation ("Danaher" or "Former Parent") on September 30, 2023 (the "Separation"), the first day of its fiscal fourth quarter. The Separation was completed on such date in the form of a pro rata distribution to Danaher stockholders of record on September 13, 2023 of all of the issued and outstanding shares of Veralto common stock held by Danaher. Each Danaher stockholder of record as of the close of business on September 13, 2023 received one share of Veralto common stock for every three shares of Danaher common stock held on the record date. Because September 30, 2023 was a Saturday, not a business day, the shares were credited to "street name" stockholders through the Depository Trust Company on the first trading day thereafter, October 2, 2023. Veralto's common stock began "regular way" trading on the New York Stock Exchange under the ticker symbol "VLTO" on October 2, 2023. For further discussion of the Separation refer to Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Annual Report on Form 10-K").

Basis of Presentation—Veralto prepared the unaudited Consolidated and Combined Condensed Financial Statements included herein in accordance with accounting principles generally accepted in the United States ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") applicable for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, the Company believes the disclosures are adequate to make the information presented not misleading. The Consolidated and Combined Condensed Financial Statements included herein should be read in conjunction with the audited annual Consolidated and Combined Financial Statements as of and for the year ended December 31, 2023 and the Notes thereto included within the 2023 Annual Report on Form 10-K.

In the opinion of the Company, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to fairly present the financial position of the Company as of June 28, 2024 and December 31, 2023, and its results of operations for the three and six-month periods ended June 28, 2024 and June 30, 2023 and its cash flows for each of the six-month periods then ended.

Prior to the Separation, Veralto's businesses were comprised of certain Danaher operating units (the "Veralto Businesses"). The Combined Condensed 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. Prior to the Separation, all revenues and costs as well as assets and liabilities directly associated with Veralto have been included in the Combined Condensed Financial Statements. Additionally, the Combined Condensed Financial Statements for periods prior to the Separation included allocations of certain general, administrative, sales and marketing expenses and cost of sales from Danaher's corporate office and other Danaher businesses to Veralto, and allocations of related assets, and liabilities, 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 Veralto been operating independently of Danaher during the applicable periods. Accordingly, the Combined Condensed Financial Statements may not be indicative of Veralto's results had the Company been a separate stand-alone entity throughout the periods presented. For further discussion of related party allocations prior to the Separation, including the method for such allocation, refer to Note 18 of the 2023 Annual Report on Form 10-K.

Following the Separation, the Consolidated Financial Statements include the accounts of Veralto and those of its subsidiaries and no longer include any allocations from Danaher. Accordingly:

- The Consolidated Condensed Balance Sheets at June 28, 2024 and December 31, 2023 consist of the Company's consolidated balances.

- The Consolidated Condensed Statement of Earnings, Statement of Comprehensive Income and Statement of Equity for the three and six-month periods ended June 28, 2024 consist of the Company's consolidated results. The Combined Condensed Statement of Earnings, Statement of Comprehensive Income and Statement of Equity for the three and six-month periods ended June 30, 2023 consist of the combined results of the Veralto Businesses.

- The Consolidated Condensed Statement of Cash Flows for the six-month period ended June 28, 2024 consist of the Company's consolidated results and the Combined Condensed Statement of Cash Flows for the six-month period ended June 30, 2023 consist of the combined results of the Veralto Businesses.

There have been no changes to the Company's significant accounting policies described within the 2023 Annual Report on Form 10-K that have a material impact on the Company's Consolidated and Combined Condensed Financial Statements and the related Notes.

Recent Accounting Pronouncements—On March 6, 2024, the SEC adopted the final rule under SEC Release No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, which requires registrants to disclose material climate-related risks, activities to mitigate or adapt to such risks, information about board oversight of climate-related risks, and climate-related targets or goals that are material to the registrant's business, results of operations, or financial condition. Annual disclosure requirements, including disclosure of a registrant's greenhouse gas emissions, could be effective for the Company as early as the fiscal year beginning January 1, 2025. However, in April 2024, the SEC voluntarily stayed the final rules pending the resolution of certain legal challenges. The Company is currently assessing the impact of these final rules on its Consolidated Financial Statements and disclosures.

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Improvements to Income Tax Disclosures*, which enhances the transparency of income tax disclosures in ASC 740, *Income Taxes*, primarily related to rate reconciliation and income taxes paid information. The ASU is effective for fiscal years beginning after December 15, 2024 and early adoption is permitted. On January 1, 2024, the Company adopted the ASU and it will first apply to the Company's Consolidated Financial Statements and related disclosures for the year ending December 31, 2024, which the Company is in the process of drafting.

In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures*, which improves the reportable segment disclosure requirements in ASC 280, *Segment Reporting*, primarily through enhanced disclosures about significant expenses. The ASU is effective for fiscal years beginning after December 15, 2023 and early adoption is permitted. The Company is currently assessing the impact on its Consolidated Financial Statements and related segment disclosures.

Cash and Cash 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.

Operating Leases—As of June 28, 2024 and December 31, 2023, operating lease right-of-use assets where the Company was the lessee were $154 million and $144 million, respectively, and are included within other long-term assets in the accompanying Consolidated Condensed Balance Sheets. The associated operating lease liabilities were $162 million and $148 million as of June 28, 2024 and December 31, 2023, respectively, and are included in accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets.

Prepaid Expenses and Other Current Assets—Prepaid expenses and other current assets primarily result from advance payments to vendors for goods and services and are capitalized until the related goods are received or services are performed. Included in the Company's prepaid expenses and other current assets as of June 28, 2024 and December 31, 2023 are prepaid expenses of $140 million and $143 million, respectively.

NOTE 2. NET EARNINGS PER COMMON SHARE

Earnings per Common Share

Basic net earnings per share ("EPS") is calculated by dividing net earnings 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 shares of common stock outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive shares of common stock been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares.

We were incorporated on October 26, 2022; accordingly, we had no shares or common equivalent shares outstanding prior to that date. The total number of shares outstanding at Separation was 246.3 million and is utilized for the calculation of both basic and diluted EPS for all periods prior to the Separation.

Information related to the calculation of net earnings per common share for the three and six-month periods ended June 28, 2024 and June 30, 2023 is summarized as follows ($ and shares in millions, except per share amounts):

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Numerator:				
Net earnings	$ 203	$ 209	$ 387	$ 434
Denominator:				
Weighted average common shares outstanding used in Basic EPS	247.2	246.3	247.1	246.3
Incremental shares from assumed exercise of dilutive options and vesting of dilutive restricted stock units ("RSUs") and performance stock units ("PSUs")	2.1	—	2.0	—
Weighted average common shares outstanding used in Diluted EPS	249.3	246.3	249.1	246.3
Basic EPS	$ 0.82	$ 0.85	$ 1.57	$ 1.76
Diluted EPS	$ 0.81	$ 0.85	$ 1.55	$ 1.76

NOTE 3. REVENUE

The following tables present the Company's revenues disaggregated by geographical region and revenue type for the three and six-month periods ended June 28, 2024 and June 30, 2023 ($ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenue.

	Water Quality	Product Quality & Innovation	Total
For the Three-Month Period Ended June 28, 2024:			
Geographical region:			
North America[a]	$ 446	$ 170	$ 616
Western Europe	132	152	284
Other developed markets	17	12	29
High-growth markets[b]	182	177	359
Total	$ 777	$ 511	$ 1,288
Revenue type:			
Recurring	$ 473	$ 321	$ 794
Nonrecurring	304	190	494
Total	$ 777	$ 511	$ 1,288
For the Three-Month Period Ended June 30, 2023:			
Geographical region:			
North America[a]	$ 418	$ 164	$ 582
Western Europe	134	151	285
Other developed markets	17	14	31
High-growth markets[b]	187	168	355
Total	$ 756	$ 497	$ 1,253
Revenue type:			
Recurring	$ 437	$ 305	$ 742
Nonrecurring	319	192	511
Total	$ 756	$ 497	$ 1,253

	Water Quality	Product Quality & Innovation	Total
For the Six-Month Period Ended June 28, 2024:			
Geographical region:			
North America[(a)]	$ 881	$ 338	$ 1,219
Western Europe	263	302	565
Other developed markets	32	24	56
High-growth markets[(b)]	350	344	694
Total	$ 1,526	$ 1,008	$ 2,534
Revenue type:			
Recurring	$ 915	$ 637	$ 1,552
Nonrecurring	611	371	982
Total	$ 1,526	$ 1,008	$ 2,534
For the Six-Month Period Ended June 30, 2023:			
Geographical region:			
North America[(a)]	$ 827	$ 331	$ 1,158
Western Europe	265	298	563
Other developed markets	33	27	60
High-growth markets[(b)]	360	337	697
Total	$ 1,485	$ 993	$ 2,478
Revenue type:			
Recurring	$ 859	$ 607	$ 1,466
Nonrecurring	626	386	1,012
Total	$ 1,485	$ 993	$ 2,478

[(a)] The Company defines North America as the United States and Canada.

[(b)] The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America (including Mexico) and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

The Company sells equipment to customers as well as consumables and services, some of which customers purchase on a recurring basis. Consumables sold for use with the equipment sold by the Company are typically critical to the use of the equipment and are typically used on a one-time or limited basis, requiring frequent replacement in the customer's operating cycle. Examples of these consumables include chemistries for water testing instruments and cartridges for marking and coding equipment. Additionally, some of the Company's consumables are used on a stand-alone basis, such as water treatment solutions. The Company separates its goods and services between those typically sold to a customer on a recurring basis and those typically sold to a customer on a nonrecurring basis. Recurring revenue includes revenue from consumables, services, spare parts and operating-type leases ("OTLs"). Nonrecurring revenue includes sales of equipment and sales-type leases ("STLs"). OTLs and STLs are included in the above revenue amounts. For the three-month periods ended June 28, 2024 and June 30, 2023, lease revenue was $20 million for each period. For the six-month periods ended June 28, 2024 and June 30, 2023, lease revenue was $39 million for each period. Service and software revenue was immaterial for all periods presented. Software revenues for point-in-time licenses are nonrecurring while revenues for Software as a Service and over time licenses are recurring.

Remaining performance obligations related to Topic 606, Revenue from Contracts with Customers, 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. As of June 28, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was $277 million. The Company expects to recognize revenue on approximately 43% of the remaining performance obligations over the next 12 months, 34% over the subsequent 12 months, and the remainder recognized thereafter.

The Company often receives cash payments from customers in advance of the Company's performance, resulting in contract liabilities that are classified as either current or long-term in the Consolidated Condensed Balance Sheets based on the timing of when the Company expects to recognize revenue. As of June 28, 2024 and December 31, 2023, contract liabilities were $228 million and $223 million, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets. Revenue recognized during the six-month periods ended June 28, 2024 and June 30, 2023 that was included in the opening contract liability balance was $139 million and $126 million, respectively.

NOTE 4. SEGMENT INFORMATION

The Company operates and reports its results in two separate business segments consisting of the Water Quality and Product Quality & Innovation segments. When determining the reportable segments, the Company aggregated operating segments based upon similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income and expense, interest 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 the applicable segment's operations. Intersegment amounts are not significant and are eliminated to arrive at combined totals.

Segment results are shown below ($ in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Sales:				
Water Quality	$ 777	$ 756	$ 1,526	$ 1,485
Product Quality & Innovation	511	497	1,008	993
Total	$ 1,288	$ 1,253	$ 2,534	$ 2,478
Operating profit:				
Water Quality	$ 188	$ 180	$ 369	$ 348
Product Quality & Innovation	135	122	268	257
Other	(24)	(13)	(45)	(24)
Total	$ 299	$ 289	$ 592	$ 581

NOTE 5. INCOME TAXES

The following table summarizes the Company's effective tax rate:

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Effective tax rate	24.8 %	24.0 %	25.6 %	23.5 %

The Company operates globally, including in certain jurisdictions with higher statutory tax rates than the United States ("U.S."). Therefore, based on earnings mix, the impact of operating in such jurisdictions contributes to a higher effective tax rate compared to the U.S. federal statutory tax rate.

The effective tax rate for the three-month period ended June 28, 2024 differs from the U.S. federal statutory rate of 21% principally due to the geographic mix of earnings described above, net discrete expense of $3 million related primarily to the tax impact of uncertain tax positions, partially offset by excess tax benefits from stock-based compensation. The net discrete expense increased the effective tax rate by 1.1% for the three-month period ended June 28, 2024.

The effective tax rate for the six-month period ended June 28, 2024 differs from the U.S. federal statutory rate of 21% principally due to the geographic mix of earnings described above, the unfavorable impact of a non-deductible loss on the sale of a product line of $3 million, net discrete expense of $4 million related primarily to the tax impact of uncertain tax positions, partially offset by excess tax benefits from stock-based compensation. The net discrete expense increased the effective tax rate by 1.3% for the six-month period ended June 28, 2024.

The effective tax rate for the three-month period ended June 30, 2023 differs from the U.S. federal statutory rate of 21% principally due to the geographic mix of earnings described above, partially offset by net discrete benefits of $1 million related primarily to excess tax benefits from stock-based compensation and changes in estimates associated with prior period uncertain tax positions. The net discrete benefits reduced the effective tax rate by 0.4% for the three-month period ended June 30, 2023.

The effective tax rate for the six-month period ended June 30, 2023 differs from the U.S. federal statutory rate of 21% principally due to the geographic mix of earnings described above, partially offset by net discrete benefits of $6 million related primarily to excess tax benefits from stock-based compensation and changes in estimates associated with prior period uncertain tax positions. The net discrete benefits reduced the effective tax rate by 1.1% for the six-month period ended June 30, 2023.

For a description of the Company's significant tax matters, reference is made to the financial statements as of and for the year ended December 31, 2023 and Note 6 to the financial statements included within the 2023 Annual Report on Form 10-K.

NOTE 6. NONOPERATING INCOME (EXPENSE)

Other Components of Net Periodic Benefit Costs

The Company disaggregates the service cost component of net periodic benefit costs of noncontributory defined benefit pension plans and other postretirement employee benefit plans and presents the other components of net periodic benefit costs in other income (expense), net. These other components of net periodic benefit costs include the assumed rate of return on plan assets, partially offset by amortization of actuarial losses and interest and resulted in nonoperating income of $1 million for the three and six-month periods ended June 28, 2024, and nonoperating income of less than $1 million for the three and six-month periods ended June 30, 2023.

Loss on Sale of Product Line

During the six-month period ended June 28, 2024, the Company divested a product line, which was reported in the Water Quality segment, and recorded a $15 million loss associated with the sale that is presented in other income (expense), net. The divestiture of this product line did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

Impairment of Equity Method Investment

During the three and six-month periods ended June 30, 2023, the Company recorded an impairment of $15 million related to an equity method investment, which is reflected in nonoperating income (expense).

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Balance, December 31, 2023	$ 2,533
Attributable to 2024 acquisitions	3
Foreign currency translation and other	(46)
Balance, June 28, 2024	$ 2,490

The carrying value of goodwill by segment is summarized as follows ($ in millions):

	June 28, 2024	December 31, 2023
Water Quality	$ 1,280	$ 1,305
Product Quality & Innovation	1,210	1,228
Total	$ 2,490	$ 2,533

The Company has not identified any "triggering" events which indicate an impairment of goodwill in the three and six-month periods ended June 28, 2024 and June 30, 2023.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company identified impairment triggers during the second quarter of 2023 which resulted in the impairment of customer relationships totaling $6 million within the Product Quality & Innovation segment.

NOTE 8. FAIR VALUE MEASUREMENTS

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation.
- Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset's 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 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
June 28, 2024				
Deferred compensation liabilities	$ 28	$ —	$ —	$ 28
December 31, 2023				
Deferred compensation liabilities	$ 23	$ —	$ —	$ 23

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

Fair Value of Financial Instruments

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

	June 28, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 2,615	$ 2,622	$ 2,629	$ 2,710

As of June 28, 2024, long-term borrowings were categorized as Level 1. The fair value of long-term borrowings was based on quoted market prices. The fair values of borrowings with original maturities of one year or less, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable, generally approximate their carrying amounts due to the short-term maturities of these instruments.

NOTE 9. FINANCING

As of June 28, 2024, the Company was in compliance with all of its debt covenants. The components of the Company's debt were as follows ($ in millions):

	Outstanding Amount	
Description and Aggregate Principal Amount	June 28, 2024	December 31, 2023
5.50% senior unsecured notes due 9/18/2026 ($700 million) (the "2026 Notes")	$ 697	$ 696
5.35% senior unsecured notes due 9/18/2028 ($700 million) (the "2028 Notes")	695	695
4.15% senior unsecured notes due 9/19/2031 (€500 million) (the "2031 Notes")	530	546
5.45% senior unsecured notes due 9/18/2033 ($700 million) (the "2033 Notes")	693	692
Long-term debt	$ 2,615	$ 2,629

Unamortized debt discounts and debt issuance costs totaled $21 million and $24 million as of June 28, 2024 and December 31, 2023, respectively. Debt discounts and issuance costs are presented as a reduction of debt in the Consolidated Condensed Balance Sheets and are amortized as a component of interest expense over the term of the related debt. Refer to Note 12 of the 2023 Annual Report on Form 10-K for a description of the Company's debt financing.

There were no amounts outstanding under the credit facility or commercial paper program as of June 28, 2024.

NOTE 10. HEDGING TRANSACTIONS

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. The Company has €500 million of foreign currency denominated long-term debt that is designated as a partial hedge of its net investment in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro. This foreign currency denominated long-term debt issuance is designated and qualifies as a nonderivative hedging instrument. Accordingly, the foreign currency translation of this debt instrument is recorded in accumulated other comprehensive income (loss), offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive income (loss). This instrument matures in September 2031.

The following table summarizes the notional values as of June 28, 2024 and pretax impact of changes in the fair values of instruments designated as net investment hedges in accumulated other comprehensive income ("OCI") for the three and six-month periods ended June 28, 2024 ($ in millions):

	Notional Amount Outstanding	Gain (Loss) Recognized in OCI	Amounts Reclassified from OCI
For the Three-Month Period Ended June 28, 2024:			
Net investment hedges:			
Foreign currency denominated debt	$ 530	$ 4	$ —
For the Six-Month Period Ended June 28, 2024:			
Net investment hedges:			
Foreign currency denominated debt	$ 530	$ 16	$ —

There was no foreign currency denominated debt as of June 30, 2023.

The Company did not reclassify any other deferred gains or losses related to the net investment hedge from accumulated other comprehensive income (loss) to earnings during the three and six-month periods ended June 28, 2024. In addition, the Company did not have any ineffectiveness related to the net investment hedge during the three and six-month periods ended June 28, 2024, and should they arise, any ineffective portions of the hedge would be reclassified from accumulated other comprehensive income (loss) into earnings during the period of change.

The Company's nonderivative debt instrument designated and qualifying as a net investment hedge, was classified in the Company's Consolidated Condensed Balance Sheets within Long-term debt as of June 28, 2024.

NOTE 11. DEFINED BENEFIT PLANS

For a description of the noncontributory defined benefit pension plans refer to Note 14 of the 2023 Annual Report on Form 10-K.

The following sets forth the components of the Company's net periodic benefit cost of the non-U.S. noncontributory defined benefit pension plans ($ in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Service cost	$ (1)	$ (1)	$ (2)	$ (2)
Interest cost	(1)	(1)	(2)	(2)
Expected return on plan assets	2	1	3	2
Amortization of net loss	—	—	—	—
Net periodic cost	$ —	$ (1)	$ (1)	$ (2)

The service cost component of net periodic benefit costs is presented in cost of goods sold and selling, general and administrative expenses, while the other cost components are presented in other income (expense), net.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Company reviews the adequacy of its legal reserves on a quarterly basis and establishes reserves for loss contingencies that are both probable and reasonably estimable. For a further description of the Company's litigation and contingencies, refer to Note 16 of the Company's financial statements as of and for the year ended December 31, 2023 included within the 2023 Annual Report on Form 10-K.

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 the date of such sale up to twenty years. 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. As of June 28, 2024 and December 31, 2023, the Company had accrued warranty liabilities of $32 million and $34 million, respectively.

NOTE 13. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

For a description of the stock-based compensation programs in which certain employees of the Company participate, reference is made to Note 17 of the Company's financial statements as of and for the year ended December 31, 2023 included within the 2023 Annual Report on Form 10-K.

The Company's stock-based compensation expense for the three-month periods ended June 28, 2024 and June 30, 2023 was $20 million and $13 million, respectively. The Company's stock-based compensation expense for the six-month periods ended June 28, 2024 and June 30, 2023 was $35 million and $22 million, respectively.

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated and Combined Condensed Statements of Earnings. As of June 28, 2024, $48 million of total unrecognized compensation cost related to restricted stock units ("RSUs") and performance stock units ("PSUs") is expected to be recognized over a weighted average period of approximately two years. As of June 28, 2024, $47 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately two years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) refers to certain gains and losses that under GAAP are included in comprehensive income (loss) but are excluded from net earnings as these amounts are initially recorded as an adjustment to equity. Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. Net investment hedge adjustments reflect the gains or losses on the foreign currency denominated long-term debt issuance designated as a nonderivative hedging instrument. Pension and postretirement plan benefit adjustments relate to unrecognized prior service credits and actuarial losses.

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

	Foreign Currency Translation Adjustments		Net Investment Hedges		Pension and Postretirement Plan Benefit Adjustments		Accumulated Comprehensive Income (Loss)	
For the Three-Month Period Ended June 28, 2024:								
Balance, March 29, 2024	$	(975)	$	(5)	$	(1)	$	(981)
Other comprehensive income (loss):								
Increase (decrease)		(29)		4		—		(25)
Income tax impact		—		(1)		—		(1)
Net other comprehensive income (loss), net of income taxes		(29)		3		—		(26)
Balance, June 28, 2024	$	(1,004)	$	(2)	$	(1)	$	(1,007)
For the Three-Month Period Ended June 30, 2023:								
Balance, March 31, 2023	$	(947)	$	—	$	14	$	(933)
Other comprehensive income (loss):								
Increase		7		—		—		7
Income tax impact		—		—		—		—
Net other comprehensive income (loss), net of income taxes		7		—		—		7
Balance, June 30, 2023	$	(940)	$	—	$	14	$	(926)

	Foreign Currency Translation Adjustments		Net Investment Hedges		Pension and Postretirement Plan Benefit Adjustments		Accumulated Comprehensive Income (Loss)	
For the Six-Month Period Ended June 28, 2024:								
Balance, December 31, 2023	$	(939)	$	(14)	$	(1)	$	(954)
Other comprehensive income (loss):								
Increase (decrease)		(65)		16		—		(49)
Income tax impact		—		(4)		—		(4)
Net other comprehensive income (loss), net of income taxes		(65)		12		—		(53)
Balance, June 28, 2024	$	(1,004)	$	(2)	$	(1)	$	(1,007)
For the Six-Month Period Ended June 30, 2023:								
Balance, December 31, 2022	$	(968)	$	—	$	14	$	(954)
Other comprehensive income (loss):								
Increase		28		—		—		28
Income tax impact		—		—		—		—
Net other comprehensive income (loss), net of income taxes		28		—		—		28
Balance, June 30, 2023	$	(940)	$	—	$	14	$	(926)

NOTE 14. RELATED PARTY TRANSACTIONS

Related Party Agreements

In connection with the Separation, on September 29, 2023, Veralto entered into the agreements that govern the Separation and the relationships between the parties following the Separation, including an employee matters agreement, a tax matters agreement, an intellectual property matters agreement, a Veralto Enterprise System license agreement and a transition services agreement. Such agreements are described in Note 18 of the 2023 Annual Report on Form 10-K.

Allocated Expenses

Prior to the Separation, Veralto operated as part of Danaher and not as a stand-alone company. Accordingly, certain shared costs for management and support functions which were provided on a centralized basis within Danaher were allocated to Veralto and are reflected as expenses in these financial statements prior to the Separation date. The Company considers the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to Veralto for purposes of the carved-out financial statements; however, the expenses reflected in these financial statements for periods prior to the Separation date may not be indicative of the actual expenses that would have been incurred during the periods presented if the Company had operated as a separate stand-alone entity. In addition, the expenses reflected in the financial statements may not be indicative of expenses that the Company will incur in the future.

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 Condensed Statements of Earnings. These amounts include, but are not limited to, items such as general management and executive oversight, costs to support Danaher's information technology infrastructure, facilities, compliance, human resources, marketing 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 are allocated using methodologies that management believes are reasonable for the item being allocated. Allocation methodologies include the Company's relative share of revenues, headcount, or functional spend as a percentage of the total.

Corporate Expenses allocated to Veralto from Danaher and its subsidiaries for the three and six-month periods ended June 30, 2023 were $14 million and $27 million, respectively. Following the Separation, the Company independently incurs expenses as a stand-alone company and no expenses are allocated by Danaher.

Insurance Programs Administered by Danaher

In addition to the corporate allocations discussed above, the Company was allocated expenses related to certain insurance programs Danaher administers on behalf of the Company, including workers compensation, property, cargo, automobile, crime, fiduciary, product, general and directors' and officers' liability insurance. These amounts were allocated using various methodologies, as described below.

Included within the insurance cost allocation are allocations related to programs for which Danaher is self-insured up to a certain amount. For the self-insured component, costs were allocated to the Company based on its incurred claims. Danaher has premium based policies which cover amounts in excess of the self-insured retentions. The Company was allocated a portion of the total insurance cost incurred by Danaher based on its pro-rata portion of Danaher's total underlying exposure base. An estimated liability relating to the Company's known and incurred but not reported claims has been allocated to the Company and reflected on the accompanying Consolidated Condensed Balance Sheets.

Insurance programs expenses allocated to Veralto from Danaher and its subsidiaries for three and six-month periods ended June 30, 2023 were $2 million and $4 million, respectively.

Medical Insurance Programs Administered by Danaher

In addition to the corporate allocations discussed above, the Company was allocated expenses related to the medical insurance programs Danaher administers 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.

Medical insurance programs expenses allocated to Veralto from Danaher and its subsidiaries for three and six-month periods ended June 30, 2023 were $20 million and $41 million, respectively.

Deferred Compensation Program Administered by Danaher

Refer to Note 8 for information regarding the deferred compensation program. In connection with the Separation, the Company established a similar independent, nonqualified deferred compensation program.

Deferred compensation program expenses incurred for three and six-month periods ended June 30, 2023 were $1 million and $2 million, respectively.

Revenue and other transactions entered into in the ordinary course of business

Prior to the Separation, the Company operated as part of Danaher and not as a stand-alone company and certain of its revenue arrangements related to contracts entered into in the ordinary course of business with Danaher and its affiliates.

During the three-month periods ended June 28, 2024 and June 30, 2023, Veralto recorded revenues from sales to Danaher and its subsidiaries of $5 million and $7 million, respectively. During the six-month periods ended June 28, 2024 and June 30, 2023, Veralto recorded revenues from sales to Danaher and its subsidiaries of $10 million and $14 million, respectively. Following the Separation, Veralto continues to enter into revenue arrangements in the ordinary course of business with Danaher and its subsidiaries, although certain agreements were entered into or terminated as a result of the Separation.

In addition to transactions entered into in the ordinary course of business, the Company made net payments of approximately $2 million and approximately $16 million during the three and six-month periods ended June 28, 2024, respectively, in accordance with the transition services agreement for various services provided to the Company by Danaher.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide material information relevant to an assessment of the Company's financial condition and results of operations, including an evaluation of the amounts and certainty of cash flows from operations and from outside sources. The MD&A is designed to focus specifically on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This includes descriptions and amounts of matters that have had a material impact on reported operations, as well as matters that are reasonably likely based on management's assessment to have a material impact on future operations. The Company's MD&A is divided into six sections:

- Information Relating to Forward-Looking Statements;
- Basis of Presentation;
- Overview;
- Results of Operations;
- Liquidity and Capital Resources; and
- Critical Accounting Estimates.

You should read this discussion along with the Company's MD&A and audited financial statements and Notes thereto as of and for the year ended December 31, 2023, included within the 2023 Annual Report on Form 10-K, and the unaudited financial statements and related Notes as of and for the three and six-month periods ended June 28, 2024 included in this Quarterly Report on Form 10-Q (this "Report").

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Report, in other documents we file with or furnish to the Securities and Exchange Commission, in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, 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, pricing, 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, initial public offerings, other securities offerings, or other distributions, strategic opportunities, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing and conditionality thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Veralto intends or believes will or may occur in the future. 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. 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. Important factors that in some cases have affected us in the past and that in the future could cause actual results to differ materially from those envisaged in the forward-looking statements include the following:

- Conditions in the global economy, including military conflicts, the particular markets we serve and the financial markets can 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 the prices we charge.

- Our growth depends on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.
- Global economic, political, legal, compliance, social and business factors can negatively affect our business and financial statements.
- Our growth can also suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicality.
- Any inability to consummate acquisitions at our historical rate and appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our business.
- Our acquisition or divestiture of businesses, investments, joint ventures and other strategic relationships can negatively impact our business and financial statements.
- Significant disruptions in, or breaches in security of, our information technology ("IT") systems or data or violations of data privacy laws can adversely affect our business and financial statements.
- Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business and financial statements.
- If we suffer loss to our facilities, supply chains, distributions systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.
- Climate change, legal or regulatory measures to address climate change and any inability on our part to address stakeholder expectations related to climate change may negatively affect us.
- Our financial results are subject to fluctuations in the cost and availability of the supplies that we use in, and the labor we need for, our operations.
- Our success depends on our ability to recruit, retain and motivate talented employees representing diverse backgrounds, experiences and skill sets.
- Our restructuring actions can have long-term adverse effects on our business and financial statements.
- If we are unable to 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. These risks are particularly pronounced in countries in which we do business that do not have levels of protection of intellectual property comparable to the United States.
- Third parties from time to time claim that we are infringing or misappropriating their intellectual property rights and we could suffer from significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.
- Our outstanding debt has increased significantly as a result of our separation from Danaher, and we may incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our business and financial statements.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- Foreign currency exchange rates can adversely affect our financial statements.
- Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our earnings. In addition, audits by tax authorities could result in additional tax payments for prior periods.
- Changes in tax law relating to multinational corporations could adversely affect our tax position.
- Our businesses are subject to extensive regulation, failure to comply with those regulations could adversely affect our business and financial statements.
- We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.

- 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 and financial statements.
- Certain provisions in Veralto's amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of Veralto, which could decrease the trading price of Veralto's common stock.
- The forum selection provisions under Veralto's amended and restated certificate of incorporation could discourage lawsuits against Veralto and Veralto's directors, officers, employees and stockholders.
- If we are unable to implement and maintain effective internal control over financial reporting in the future, 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 an independent, public traded company, Veralto may not enjoy the same benefits that Veralto did as a part of Danaher.
- Potential indemnification liabilities to Danaher pursuant to the separation agreement could materially and adversely affect Veralto's business and financial statements.
- In connection with the Separation, Danaher has agreed to indemnify Veralto for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure Veralto against the full amount of such liabilities, or that Danaher's ability to satisfy its indemnification obligation will not be impaired in the future.
- If there is a determination that the separation and/or the distribution, together with certain related transactions, is taxable for U.S. federal income tax purposes, Danaher and its stockholders could incur significant U.S. federal income tax liabilities, and we could also incur significant liabilities.
- Veralto may be affected by significant restrictions, including on its ability to engage in certain corporate transactions for a two-year period after the distribution in order to avoid triggering significant tax-related liabilities.
- Certain of Veralto's executive officers and directors may have actual or potential conflicts of interest because of their equity interest in Danaher. Also, certain of Danaher's current directors and a current Danaher officer and a current Danaher employee have joined Veralto's Board, which may create conflicts of interest or the appearance of conflicts of interest.
- Danaher may compete with Veralto.
- Veralto or Danaher may fail to perform under various transaction agreements that were executed as part of the Separation or Veralto may fail to have necessary systems and services in place when certain of the transaction agreements expire.

See "Item 1A. Risk Factors" in the 2023 Annual Report on Form 10-K for further discussion regarding reasons that actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. 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.

BASIS OF PRESENTATION

The accompanying Consolidated and Combined Condensed Financial Statements present the historical financial position of the Company, results of operations, changes in equity and cash flows in accordance with generally accepted accounting principles in the United States ("GAAP"). Prior to the Separation from Danaher on September 30, 2023, Veralto businesses were comprised of certain Danaher operating units. Veralto Corporation and the Veralto Businesses (including the periods prior to the Separation) are collectively referred to as "Veralto" or the "Company" herein.

The Combined Condensed Financial Statements for periods prior to the Separation were derived from Danaher's Consolidated Condensed Financial Statements and accounting records and prepared in accordance with GAAP for the preparation of carved-out combined financial statements. Prior to the Separation, all revenues and costs as well as assets and liabilities directly associated with Veralto have been included in the Combined Condensed Financial Statements. Additionally, the Combined Condensed Financial Statements for periods prior to the Separation 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 Veralto, and allocations of related assets, liabilities, and the Former Parent's investment, as applicable. The allocations were determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had Veralto been operating independently of Danaher during the applicable periods. Accordingly, the Combined Condensed Financial Statements may not be indicative of Veralto's results had the Company been a separate stand-alone entity throughout the periods presented. For further discussion of related party allocations prior to the Separation, including the method for such allocation, refer to Note 18 of the 2023 Annual Report on Form 10-K.

Following the Separation, the Consolidated Condensed Financial Statements include the accounts of Veralto and those of its wholly-owned subsidiaries and no longer include any allocations from Danaher.

OVERVIEW

Business Overview

The Company's unifying purpose is *Safeguarding the World's Most Vital Resources*™. Our diverse group of leading operating companies provide essential technology solutions that monitor, enhance and protect key resources around the globe. The Company is committed to the advancement of public health and safety and believes it is positioned to support its customers as they address large global challenges including environmental resource sustainability, water scarcity, management of severe weather events and food and pharmaceutical security. For decades, the Company has used its scientific expertise and innovative technologies to address complex challenges our customers face across regulated industries - including municipal utilities, food and beverage, pharmaceutical and industrials - where the consequence of failure is high. Through its core offerings in water analytics, water treatment, marking and coding and packaging and color, customers look to the Company's solutions to help ensure the safety, quality, efficiency and reliability of their products and processes. The Company is headquartered in Waltham, Massachusetts with a workforce of approximately 16,000 associates strategically located in more than 45 countries.

The Company operates through two segments – Water Quality ("WQ") and Product Quality & Innovation ("PQI"). The Company's businesses within these segments have strong globally recognized brands as a result of its leadership in served markets over several decades. Through WQ, the Company provides innovative products and services that improve the quality and reliability of water through leading brands including Hach, Trojan Technologies and ChemTreat. Through PQI, the Company enables customers to promote consumer trust in products and help enable product innovation through leading brands including Videojet, Linx, Esko, X-Rite and Pantone. The Company believes its leading positions result from the strength of our commercial organizations, our legacy of innovation, and our close and long-term connectivity to its customers and knowledge of their workflows, underpinned by our culture of continuous improvement. This has resulted in a large installed base of instruments that drive ongoing consumables and software sales to support the Company's customers. As a result, the Company's business generates recurring sales which represented approximately 61% of total sales during the six-month period ended June 28, 2024. The Company's business model also supports a strong margin profile with limited capital expenditure requirements and has generated attractive cash flows. The Company believes these attributes allow it to deliver financial performance that is resilient across economic cycles.

As a result of the Company's geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development in most of the Company's served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company's competitors and increasing regulation. The Company operates in a highly competitive business environment in most markets, and the Company's long-term growth and profitability will depend in particular on its ability to identify, consummate and integrate appropriate acquisitions and identify and consummate appropriate investments and strategic partnerships, develop innovative and differentiated new products and services with higher gross profit margins, expand and improve the effectiveness of the Company's sales force, continue to reduce costs and improve operating efficiency and quality, effectively address the demands of an increasingly regulated global environment and expand its business in high-growth geographies and high-growth market segments. The Company is making significant investments, organically and through acquisitions and investments, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) to be responsive to the Company's customers throughout the world and improve the efficiency of the Company's operations. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America (including Mexico) and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

We also believe that the Veralto Enterprise System ("VES") provides the Company with a strong foundation for competitive differentiation. VES is a business management system that consists of a philosophy, processes and tools that guide what

Veralto does and measure how well Veralto executes, grounded in a culture of continuous improvement. The VES processes and tools are organized around the areas of Operational Excellence, Growth and Leadership, and are rooted in foundational tools known as the VES Fundamentals, which are relevant to every associate and business function. The VES Fundamentals are focused on core competencies such as using visual representations of processes to identify inefficiencies, defining and solving problems in a structured way, and continuously improving processes to drive consistent execution.

Veralto uses VES tools to improve our profitability and cash flows, which support our ability to expand our addressable market and improve our market position through investments in areas such as our commercial organization and research and development ("R&D"), including software and digital solutions. Our cash flows also support acquisitions to enhance our product capabilities and expansion into new and attractive markets, which we have successfully done through the acquisition of approximately 80 businesses over more than two decades.

Business Performance

During the three-month period ended June 28, 2024, the Company's overall revenues increased 2.8% and core sales increased 3.8% compared to the comparable period in 2023 with growth in both segments. Currency exchange rates and acquisitions, net of divestitures, decreased reported sales by 0.8% and 0.2%, respectively. For the six-month period ended June 28, 2024, overall revenues increased 2.3% and core sales increased 2.8% compared to the comparable period in 2023. Currency exchange rates and acquisitions, net of divestitures, decreased reported sales by 0.3% and 0.2%, respectively. For the definition of "core sales" refer to "—Results of Operations" below.

Geographically, the Company's sales in the three-month period ended June 28, 2024 in developed markets increased year-over-year by 3.5% driven by increased sales of 5.8% in North America, partially offset by decreased sales of 0.4% in Western Europe. Sales in high-growth markets increased 1.1% year-over-year. For the same period, core sales in developed markets increased 3.5% driven by an increase in core sales of 5.4% in North America. Core sales were flat in the three-month period ended June 28, 2024 in Western Europe. Core sales in high-growth markets increased 4.4% driven by high single-digit increases in Latin America.

Geographically, the Company's sales in the six-month period ended June 28, 2024 in developed markets increased year-over-year by 3.3% driven by increased sales of 5.3% in North America and 0.4% in Western Europe while sales in high-growth markets decreased 0.4%. For the same period, core sales in developed markets increased 2.9% driven by an increase in core sales of 4.8% in North America, partially offset by decreased core sales of 0.5% in Western Europe, while core sales in high-growth markets increased 2.1% driven by mid-single digit increases in Latin America.

The Company's net earnings for the three and six-month periods ended June 28, 2024 totaled $203 million and $387 million, respectively, compared to $209 million and $434 million, respectively, for the three and six-month periods ended June 30, 2023. The decrease in net earnings during the three-month period ended June 28, 2024 as compared to the three-month period ended June 30, 2023 was driven by standalone public company costs, interest expense post Separation from Danaher, and select investments in sales and marketing growth initiatives. The decrease in net earnings during the six-month period ended June 28, 2024 as compared to the six-month period ended June 30, 2023 was driven by standalone public company costs, interest expense post Separation from Danaher, select investments in sales and marketing growth initiatives and a loss on a sale of a product line. Refer to "—Results of Operations" for further discussion of the year-over-year changes in net earnings for the three and six-month periods ended June 28, 2024.

Outlook

Looking out over the balance of 2024, in the Water Quality Segment, the Company continues to expect positive secular growth drivers across industrial markets particularly in North America, along with steady demand at municipalities. In the Product Quality and Innovation segment, the Company expects to see steady, modest recovery in the consumer packaged goods markets as the year progresses. In any end market environment, the Company leverages VES to drive growth and continuous improvement.

The Company's outlook for 2024 reflects its current visibility and expectations based on the current market environment and other factors. The Company's ability to meet its expectations are subject to numerous risks, including, but not limited to, those described in "Item 1A. Risk Factors" within the Company's 2023 Annual Report on Form 10-K and any subsequent updates in Item "1A. Risk Factors" within Quarterly Reports on Form 10-Q.

RESULTS OF OPERATIONS

Non-GAAP Measures

In this Report, references to the non-GAAP measures of core sales (also referred to as core revenues or sales/revenues from existing businesses) refer to sales from continuing operations calculated according to GAAP but excluding sales from acquired businesses (as defined below) and the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less any sales and operating profit, during the applicable period, attributable to divested product lines not considered discontinued operations. The portion of revenue attributable to currency translation is calculated as the difference between the period-to-period change in revenue (excluding sales from acquired businesses (as defined above, as applicable)) and the period-to-period change in revenue (excluding sales from acquired businesses (as defined above, as applicable)) 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 growth, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting the non-GAAP financial measure of core sales growth provides useful information to investors by helping identify underlying growth trends in the Company's business and facilitating comparisons of the Company's revenue performance with its performance in prior and future periods and to the Company's peers. Management also uses core sales growth to measure the Company's operating and financial performance and as one of the performance measures in the Company's short-term incentive compensation program. The Company excludes the effect of currency translation from core sales because currency translation is not under management's control, is subject to volatility and can obscure underlying business trends, and excludes the effect of acquisitions and divestiture-related items because the nature, size, timing and number of acquisitions and divestitures can vary dramatically from period-to-period and between the Company and its peers, and can also obscure underlying business trends and make comparisons of long-term performance difficult.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with GAAP. Investors are encouraged to review the reconciliation of each non-GAAP financial measure to its most directly comparable GAAP financial measure.

Sales Growth and Core Sales Growth

	% Change Three-Month Period Ended June 28, 2024 vs. Comparable 2023 Period	% Change Six-Month Period Ended June 28, 2024 vs. Comparable 2023 Period
Total sales growth (GAAP)	2.8 %	2.3 %
Impact of:		
Acquisitions/divestitures	0.2 %	0.2 %
Currency exchange rates	0.8 %	0.3 %
Core sales growth (non-GAAP)	3.8 %	2.8 %

2024 Sales Compared to 2023

Total sales increased 2.8% and 2.3% during the three and six-month periods ended June 28, 2024, respectively, compared to the comparable periods in 2023, primarily as a result of core sales growth driven by the factors discussed below by segment.

Currency exchange rates and acquisitions, net of divestitures, decreased reported sales by 0.8% and 0.2%, respectively, during the three-month period ended June 28, 2024 compared to the comparable period in 2023. Currency exchange rates and acquisitions, net of divestitures, decreased reported sales by 0.3% and 0.2%, respectively, during the six-month period ended June 28, 2024 compared to the comparable period in 2023. Price increases contributed 2.0% and 2.1% to sales growth on a year-over-year basis during the three and six-month periods ended June 28, 2024, respectively, and are reflected as a component of core sales growth above.

Business Segments

Sales by business segment for each of the periods indicated were as follows ($ in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Water Quality	$ 777	$ 756	$ 1,526	$ 1,485
Product Quality & Innovation	511	497	1,008	993
Total	$ 1,288	$ 1,253	$ 2,534	$ 2,478

For information regarding the Company's sales by geographical region, refer to Note 3 to the accompanying Consolidated and Combined Condensed Financial Statements.

Cost of Sales and Gross Profit

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Sales	$ 1,288	$ 1,253	$ 2,534	$ 2,478
Cost of sales	(514)	(529)	(1,013)	(1,046)
Gross profit	$ 774	$ 724	$ 1,521	$ 1,432
Gross profit margin	60.1 %	57.8 %	60.0 %	57.8 %

Cost of sales decreased by $15 million or 2.8% during the three-month period ended June 28, 2024, as compared to the comparable period in 2023. Cost of sales decreased by $33 million or 3.2% during the six-month period ended June 28, 2024, as compared to the comparable period in 2023. For the three and six-month periods ended June 28, 2024, the decreases in cost of sales were driven primarily by the impact of lower year-over-year material costs and improved productivity.

Gross profit margins increased 230 basis points on a year-over-year basis for the three-month period ended June 28, 2024, as compared to the comparable period in 2023. Gross profit margins increased 220 basis points on a year-over-year basis for the six-month period ended June 28, 2024, as compared to the comparable period in 2023. For the three and six-month periods ended June 28, 2024 the increase in gross profit margins were driven by positive pricing actions and to a lesser extent lower material and improved productivity.

Operating Expenses

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Sales	$ 1,288	$ 1,253	$ 2,534	$ 2,478
Selling, general and administrative ("SG&A") expenses	(414)	(378)	(808)	(738)
Research and development ("R&D") expenses	(61)	(57)	(121)	(113)
SG&A as a % of sales	32.1 %	30.2 %	31.9 %	29.8 %
R&D as a % of sales	4.7 %	4.5 %	4.8 %	4.6 %

SG&A expenses as a percentage of sales increased 190 basis points for the three-month period ended June 28, 2024, as compared to the comparable period in 2023. SG&A expenses as a percentage of sales increased 210 basis points for the six-month period ended June 28, 2024, as compared to the comparable period in 2023. For the three and six-month periods ended June 28, 2024, the increase in SG&A expenses as a percentage of sales was driven primarily by the increase in the Company's SG&A expenses exceeding the increase in the Company's sales, due to continued investments in sales and marketing growth initiatives, as well as the costs to operate as a stand-alone company.

R&D expenses as a percentage of sales increased by 20 basis points and by 20 basis points, respectively, during the three and six-month periods ended June 28, 2024 as compared to the comparable period in 2023, driven by growth related R&D initiatives.

Operating Profit Performance

Operating profit margins increased 10 basis points from 23.1% during the three-month period ended June 30, 2023 to 23.2% for the three-month period ended June 28, 2024.

Second quarter 2024 vs. second quarter 2023 operating profit margin comparisons were favorably impacted by:

- Second quarter 2023 impairment charges related to customer relationships - 40 basis points

Second quarter 2024 vs. second quarter 2023 operating profit margin comparisons were unfavorably impacted by:

- The impact of incremental costs associated with operating as a stand-alone company, incremental labor and sales and marketing growth initiatives offset by higher 2024 core sales - 30 basis points

Operating profit margins during the six-month period ended June 30, 2023 were flat compared to the six-month period ended June 28, 2024, at 23.4%.

Year-to-date 2024 vs. year-to-date 2023 operating profit margin comparisons were favorably impacted by:

- Second quarter year-to-date 2023 impairment charge related to customer relationships in the Product Quality and Innovation segment - 20 basis points

Year-to-date 2024 vs. year-to-date 2023 operating profit margin comparisons were unfavorably impacted by:

- Costs incurred as a result of the Separation from Danaher - 10 basis points
- The impact of incremental costs associated with operating as a stand-alone company, incremental labor and sales and marketing growth initiatives offset by higher 2024 core sales and incremental year-over-year cost savings associated with material costs, restructuring and continuing productivity improvement initiatives - 10 basis points

WATER QUALITY

The Company's Water Quality segment provides proprietary precision instrumentation, consumables, software, services and advanced water treatment technologies to help measure, analyze and treat the world's water in municipal, industrial, commercial, residential, research and natural resource applications.

Water Quality Selected Financial Data

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Sales	$ 777	$ 756	$ 1,526	$ 1,485
Operating profit	188	180	369	348
Depreciation	6	6	12	12
Amortization of intangible assets	4	5	9	10
Operating profit as a % of sales	24.2 %	23.8 %	24.2 %	23.4 %
Depreciation as a % of sales	0.8 %	0.8 %	0.8 %	0.8 %
Amortization as a % of sales	0.5 %	0.7 %	0.6 %	0.7 %

Sales Growth and Core Sales Growth

	% Change Three-Month Period Ended June 28, 2024 vs. Comparable 2023 Period	% Change Six-Month Period Ended June 28, 2024 vs. Comparable 2023 Period
Total sales growth (GAAP)	2.8 %	2.8 %
Impact of:		
Acquisitions/divestitures	0.4 %	0.3 %
Currency exchange rates	0.8 %	0.3 %
Core sales growth (non-GAAP)	4.0 %	3.4 %

Total segment sales increased 2.8% during the three and six-month periods ended June 28, 2024 compared to the comparable periods in 2023, primarily as a result of core sales growth driven by the factors discussed below. Geographically, sales growth was driven by North America, which saw increases of 6.7% and 6.5% for the three and six-month periods ended June 28, 2024, respectively, compared to the comparable periods in 2023.

Price increases in the segment contributed 2.4% and 2.5% to sales growth on a year-over-year basis during the three and six-month periods ended June 28, 2024, respectively, and are reflected as a component of the change in core sales growth.

Core sales in the Water Quality segment increased 4.0% and 3.4% year-over-year during the three and six-month periods ended June 28, 2024, respectively. Geographically, core sales growth during the three-month period ended June 28, 2024, was driven by increases of 6.1% in North America and 2.0% in high-growth markets, driven by mid-single digit percentage core sales increase in China and low single digits core sales increase in Latin America, offset by decreases of 0.6% in Western Europe. Geographically, core sales growth during the six-month period ended June 28, 2024, was driven by increases of 6.1% in North America offset by decreases of 1.2% in Western Europe. Core sales were flat during the six-month period ended June 28, 2024 in high growth markets.

The increase in core sales in the three and six-month periods ended June 28, 2024 was driven by the chemical treatment solutions product line and, to a lesser extent, the analytical instrumentation and ultraviolet water disinfection product lines. Core sales in the chemical treatment solutions product line increased 7.8% and 6.4% year-over-year in the three and six-month periods, respectively, as a result of increased core sales across most major end-markets. Year-over-year core sales in the analytical instrumentation product line increased 2.7% and 2.3% for the three and six-month periods ended June 28, 2024, respectively, driven by all regions except Latin America. Core sales in the ultraviolet water disinfection product line increased by 2.2% and 2.7%, respectively, for the three and six-month periods, driven by demand in the municipal and residential end-markets.

Operating Profit Performance

Operating profit margins increased 40 basis points during the three-month period ended June 28, 2024 as compared to the comparable period in 2023.

Second quarter 2024 vs. second quarter 2023 operating profit margin comparisons were favorably impacted by:

- Higher second quarter 2024 core sales volumes, product mix and incremental year-over-year cost savings associated with material costs, net of the impact of incremental year-over-year costs associated with labor and sales and marketing growth initiatives - 40 basis points

Operating profit margins increased 80 basis points during the six-month period ended June 28, 2024 as compared to the comparable period in 2023.

Year-to-date 2024 vs. year-to-date 2023 operating profit margin comparisons were favorably impacted by:

- Higher year-to-date 2024 core sales and incremental year-over-year cost savings associated with material costs, net of the impact of incremental year-over-year costs associated with labor and sales and marketing growth initiatives - 80 basis points

PRODUCT QUALITY & INNOVATION

The Company’s Product Quality & Innovation segment provides instruments, consumables, software and services for various marking and coding, traceability, printing, packaging design and quality management, packaging converting and color and appearance management applications for consumer packaged goods and industrial products.

Product Quality & Innovation Selected Financial Data

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Sales	$ 511	$ 497	$ 1,008	$ 993
Operating profit	135	122	268	257
Depreciation	4	4	8	8
Amortization of intangible assets	6	7	12	14
Operating profit as a % of sales	26.4 %	24.5 %	26.6 %	25.9 %
Depreciation as a % of sales	0.8 %	0.8 %	0.8 %	0.8 %
Amortization as a % of sales	1.2 %	1.4 %	1.2 %	1.4 %

Sales Growth and Core Sales Growth

	% Change Three-Month Period Ended June 28, 2024 vs. Comparable 2023 Period	% Change Six-Month Period Ended June 28, 2024 vs. Comparable 2023 Period
Total sales growth (GAAP)	2.7 %	1.5 %
Impact of:		
Acquisitions/divestitures	— %	0.1 %
Currency exchange rates	0.7 %	0.2 %
Core sales growth (non-GAAP)	3.4 %	1.8 %

Total segment sales increased 2.7% and 1.5% year-over-year during the three and six-month periods ended June 28, 2024, respectively, primarily as a result of changes in core sales driven by the factors discussed below. Geographically, sales growth was driven by North America which saw increases of 3.7% and 2.1% for the three and six-month periods ended June 28, 2024, respectively, compared to the comparable periods in 2023. High-growth markets also experienced increased sales of 5.4% and 2.1% during the three and six-month periods ended June 28, 2024, respectively, compared to the comparable periods in 2023. Sales growth in Western Europe was flat and 1.3% during the three and six-month periods ended June 28, 2024, respectively, compared to the comparable periods in 2023.

Price increases in the segment contributed 1.4% and 1.5% to sales growth on a year-over-year basis during both the three and six-month periods ended June 28, 2024, respectively, and are reflected as a component of the change in core sales growth.

Core sales in the Product Quality & Innovation segment increased 3.4% and 1.8% year-over-year during the three and six-month periods ended June 28, 2024, respectively. Geographically, core sales growth during the three and six-month periods ended June 28, 2024 was driven by increases of 3.5% and 1.7% in North America and increases of 6.9% and 3.7% in high-growth markets, respectively. The core sales growth in the high-growth markets during the three and six-month periods ended June 28, 2024 was driven by low double digits and low teen core sales increases in Latin America partially offset by flat core sales in China. Core sales were flat in Western Europe during the three and six-month periods ended June 28, 2024, respectively.

From a product line perspective, core sales in the marking and coding business increased 3.6% and 1.2% year-over-year during the three and six-month periods ended June 28, 2024, respectively, driven by higher consumable demand in the industrial and consumer packaged goods end-markets. Core sales in the packaging and color solutions business increased 3.0% and 3.2% year-over-year during the three and six-month periods ended June 28, 2024, respectively, driven by improving capital spending across the consumer packaged goods and industrial end-markets.

Operating Profit Performance

Operating profit margins increased 190 basis points during the three-month period ended June 28, 2024 as compared to the comparable period in 2023.

<u>Second quarter 2024 vs. second quarter 2023 operating profit margin comparisons were favorably impacted by:</u>

- Impact of second quarter 2023 impairment charges of customer relationships - 110 basis points
- The impact of higher 2024 core sales and cost savings associated with restructuring and continuing productivity improvement initiatives, partially offset by incremental labor and sales and marketing growth initiatives - 80 basis points

Operating profit margins increased 70 basis points during the six-month period ended June 28, 2024 as compared to the comparable period in 2023.

<u>Year-to-date 2024 vs. year-to-date 2023 operating profit margin comparisons were favorably impacted by:</u>

- The impact of second quarter year-to-date 2023 impairment charge related to customer relationships - 50 basis points
- The impact of higher 2024 core sales and cost savings associated with restructuring and continuing productivity improvement initiatives, partially offset by incremental labor and sales and marketing growth initiatives - 20 basis points

OTHER INCOME (EXPENSE)

For a description of the Company's other income (expense), net during the three and six-month periods ended June 28, 2024 and June 30, 2023, refer to Note 6 to the accompanying Consolidated and Combined Condensed Financial Statements.

INTEREST COSTS AND FINANCING

For a discussion of the Company's outstanding indebtedness, refer to Note 9 to the accompanying Consolidated and Combined Condensed Financial Statements.

Net interest expense of $30 million and $58 million was recorded for the three and six-month periods ended June 28, 2024, arising from our outstanding indebtedness, which was incurred in September 2023. Before the Separation, Veralto depended on Danaher for all of its working capital and financing requirements under Danaher's centralized approach to cash management and financing of operations of its subsidiaries. As a result, with the exception of cash, cash equivalents and borrowings clearly associated with Veralto and related to the Separation, the Company recorded no interest expense in the Combined Condensed Financial Statements for periods prior to the Separation.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the Company's Consolidated and Combined Condensed Financial Statements. The Company records the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

The Company's effective tax rate can be impacted by changes in the mix of earnings in countries with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, changes in tax laws and regulations, and legislative policy changes. For a description of the tax treatment of earnings that are planned to be reinvested indefinitely outside the United States, refer to "Liquidity and Capital Resources" below.

The following table summarizes the Company's effective tax rate:

	Three-Month Period Ended		Six-Month Period Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Effective tax rate	24.8 %	24.0 %	25.6 %	23.5 %

Year-Over-Year Changes in the Tax Provision and Effective Tax Rate

The Company operates globally, including in certain jurisdictions with higher statutory tax rates than the U.S. Therefore, based on earnings mix, the impact of operating in such jurisdictions contributes to a higher effective tax rate compared to the U.S. federal statutory tax rate.

The effective tax rate for the three-month period ended June 28, 2024 differs from the U.S. federal statutory rate of 21% principally due to the geographic mix of earnings described above, net discrete expense of $3 million related primarily to the tax impact of uncertain tax positions, partially offset by excess tax benefits from stock-based compensation. The net discrete expense increased the effective tax rate by 1.1% for the three-month period ended June 28, 2024.

The effective tax rate for the six-month period ended June 28, 2024 differs from the U.S. federal statutory rate of 21.0% principally due to the geographic mix of earnings described above, the unfavorable impact of a non-deductible loss on the sale of a product line of $3 million, net discrete expense of $4 million related primarily to the tax impact of uncertain tax positions, partially offset by excess tax benefits from stock-based compensation. The net discrete expense increased the effective tax rate by 1.3% for the six-month period ended June 28, 2024.

The effective tax rate for the three-month period ended June 30, 2023 differs from the U.S. federal statutory rate of 21% principally due to the geographic mix of earnings described above, partially offset by net discrete benefits of $1 million related primarily to excess tax benefits from stock-based compensation and changes in estimates associated with prior period uncertain tax positions. The net discrete benefits reduced the effective tax rate by 0.4% for the three-month period ended June 30, 2023.

The effective tax rate for the six-month period ended June 30, 2023 differs from the U.S. federal statutory rate of 21.0% principally due to the geographic mix of earnings described above, partially offset by net discrete benefits of $6 million related primarily to excess tax benefits from stock-based compensation and changes in estimates associated with prior period uncertain tax positions. The net discrete benefits reduced the effective tax rate by 1.1% for the six-month period ended June 30, 2023.

The Company conducts business globally, and Danaher filed numerous consolidated and separate income tax returns in the U.S. federal and state and non-U.S. jurisdictions. The non-U.S. countries in which the Company has a significant presence include Belgium, Brazil, Canada, China, Germany, Netherlands and the United Kingdom. Excluding these non-U.S. jurisdictions, the Company believes that a change in the statutory tax rate of any individual non-U.S. country would not have a material effect on the Company's Consolidated and Combined Condensed Financial Statements given the geographic dispersion of the Company's income.

The Company is routinely examined by various domestic and international taxing authorities. In connection with the Separation, the Company entered into certain 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 expects to file its initial U.S. federal income tax return for the 2023 short tax year with the IRS during 2024. 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.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations, reserves for contingent tax liabilities are accrued or adjusted, as necessary. For a discussion of risks related to these and other tax matters, refer to "Item 1A. Risk Factors" in the 2023 Annual Report on Form 10-K.

COMPREHENSIVE INCOME

In 2024, comprehensive income decreased $39 million for the three-month period ended June 28, 2024 as compared to the comparable period in 2023, primarily driven by losses from foreign currency translation adjustments and to a lesser extent higher net earnings in the prior year period. Comprehensive income decreased $128 million for the six-month period ended June 28, 2024 as compared to the comparable period in 2023, primarily driven by losses from foreign currency translation adjustments and to a lesser extent higher net earnings in the prior year period. The Company recorded foreign currency translation losses of $29 million offset by an unrealized gain on their net investment hedge of $3 million for the three-month period ended June 28, 2024. The foreign currency translation losses were driven by the strengthening of the U.S. dollar against most major foreign currencies in the period, compared to gains of $7 million for the three-month period ended June 30, 2023, primarily driven by the weakening of the U.S. dollar against the euro in the period. The Company recorded foreign currency translation losses of $65 million offset by an unrealized gain on their net investment hedge of $12 million for the six-month period ended June 28, 2024. The foreign currency translation losses were driven by the strengthening of the U.S. dollar against most major foreign currencies in the period, compared to gains of $28 million for the six-month period ended June 30, 2023, primarily driven by the weakening of the U.S. dollar against the euro in the period. Foreign currency translation adjustments reflect the gain or loss resulting from the impact of the change in currency exchange rates on the Company's foreign operations as they are translated to the Company's reporting currency, the U.S. dollar.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. The Company continues to generate substantial cash from operating activities and believes that its operating cash flow and other sources of liquidity will be sufficient to allow it to continue to invest in existing businesses, consummate strategic acquisitions, make interest payments on its outstanding indebtedness, and manage its capital structure on a short and long-term basis.

Overview of Cash Flows and Liquidity

Following is an overview of the Company's cash flows and liquidity ($ in millions):

($ in millions)	Six-Month Period Ended June 28, 2024	Six-Month Period Ended June 30, 2023
Net cash provided by operating activities	$ 366	$ 457
Payments for additions to property, plant and equipment	(24)	(21)
All other investing activities	(10)	2
Net cash used in investing activities	$ (34)	$ (19)
Payment of dividends	$ (44)	$ —
Proceeds from the issuance of common stock	11	—
Net transfers to Former Parent	—	(438)
Net cash used in financing activities	$ (33)	$ (438)

- Operating cash flows decreased $91 million, or 20%, during the six-month period ended June 28, 2024 as compared to the comparable period in 2023, primarily driven by cash interest payments of $57 million, cash tax payments of $142 million, and lower net income offset by changes in net working capital.
- Net cash used in investing activities increased $15 million for the six-month period ended June 28, 2024 as compared to the comparable period in 2023 and consisted of a $3 million increase in capital expenditures and a $12 million increase in other investing activities.
- Net cash used in financing activities decreased $405 million for the six-month period ended June 28, 2024 as compared to the comparable period in 2023 as the Company no longer returns cash to the Former Parent.

Dividends

Aggregate cash payments for dividends on Company common stock during the six-month period ended June 28, 2024 were $44 million.

In the second quarter of 2024, the Company declared a regular quarterly dividend of $0.09 per share of Company common stock payable on July 31, 2024 to holders of record as of June 28, 2024.

Cash and Cash Requirements

As of June 28, 2024, the Company held $1,043 million of cash and cash equivalents that were on deposit with financial institutions or invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less. Of the cash and cash equivalents, approximately $378 million was held within the United States and approximately $665 million was held outside of the United States. The Company will continue to have cash requirements to support general corporate purposes, which may include working capital needs, capital expenditures, acquisitions and investments, paying interest and servicing debt, paying taxes and any related interest or penalties, funding its restructuring activities and pension plans as required, paying dividends to shareholders, repurchasing shares of the Company's common stock and supporting other business needs.

The Company generally intends to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, the Company may also borrow under its commercial paper programs (if available) or borrow under the Company's credit facility, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper programs (if available) and/or access the capital markets. The Company also may from time to time seek to access the capital markets to take advantage of favorable interest rate environments or other market conditions.

Repatriation of some cash held outside the United States may be restricted by local laws. Following enactment of the Tax Cuts and Jobs Act and the associated Transition Tax in 2017, in general, repatriation of cash to the United States can be completed with no material incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. withholding taxes and U.S. state income taxes on distributions. The cash that the Company's 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 Veralto's foreign subsidiaries are not readily determinable. As of June 28, 2024, management believes that it has sufficient sources of liquidity to satisfy its cash needs, including its cash needs in the United States.

Contractual Obligations

For a description of the Company's lease obligations, commitments and litigation and contingencies, refer to Notes 8, 15 and 16 to the audited Consolidated and Combined Financial Statements included within the 2023 Annual Report on Form 10-K.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to the Company's critical accounting estimates as described in the 2023 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk appear in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Instruments and Risk Management," within the 2023 Annual Report on Form 10-K. There were no material changes during the quarter ended June 28, 2024 to this information as reported in the 2023 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's 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, the Company's President and Chief Executive Officer, and Senior Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For additional information regarding legal proceedings, refer to the section titled “Legal Proceedings” in the MD&A section of the Company’s 2023 Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

There were no material changes during the quarter ended June 28, 2024 to the risk factors previously disclosed in the “Item 1A. Risk Factors” section of the 2023 Annual Report on Form 10-K.

ITEM 5. OTHER INFORMATION

Director and Officer Trading Arrangements

On April 29, 2024, Jennifer L. Honeycutt, Veralto’s President and Chief Executive Officer, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act to sell up to 39,572 shares of common stock, subject to certain conditions. Unless otherwise terminated pursuant to its terms, the plan will terminate on April 22, 2025, or when all of the shares under the plan are sold.

On April 29, 2024, Surekha Trivedi, Veralto’s Senior Vice President, Strategy and Sustainability, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act to sell up to 10,410 shares of common stock, subject to certain conditions. Unless otherwise terminated pursuant to its terms, the plan will terminate on November 1, 2024, or when all of the shares under the plan are sold.

No other directors or executive officers of the Company adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this Report.

ITEM 6. EXHIBITS

(a) Exhibits:

3.1	Amended and Restated Certificate of Incorporation of Veralto Corporation (incorporated by reference to Exhibit 3.1 to Veralto Corporation's Current Report on Form 8-K filed October 2, 2023)
3.2	Amended and Restated Bylaws of Veralto Corporation (incorporated by reference to Exhibit 3.2 to Veralto Corporation's Current Report on Form 8-K filed October 2, 2023)
31.1	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
31.2	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
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Indicates management contract or compensatory plan, contract or arrangement.

SIGNATURES

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

VERALTO CORPORATION

Date:	July 25, 2024	By:	/s/ Sameer Ralhan
			Sameer Ralhan
			Senior Vice President and Chief Financial Officer
Date:	July 25, 2024	By:	/s/ Bernard M. Skeete
			Bernard M. Skeete
			Vice President and Chief Accounting Officer