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

FORM 10-Q

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

For the Quarterly Period Ended October 2, 2020

OR

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

For the transition period from to

Commission file number - 001-34045

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

Delaware	**54-1887631**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

420 National Business Parkway, 5th Floor Annapolis Junction, Maryland	**20701**
(Address of principal executive offices)	**(Zip Code)**

(301) 323-9000
(Registrant's telephone number, including area code)

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, par value $0.001 per share	CFX	New York Stock Exchange
5.75% Tangible Equity Units	CFXA	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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 ☑

As of October 2, 2020, there were 118,457,179 shares of the registrant's common stock, par value $.001 per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Dollars in thousands, except per share amounts
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 2, 2020	**September 27, 2019**	**October 2, 2020**	**September 27, 2019**
Net sales	$ 805,931	$ 846,519	$ 2,242,647	$ 2,439,085
Cost of sales	461,811	478,377	1,309,227	1,433,872
Gross profit	344,120	368,142	933,420	1,005,213
Selling, general and administrative expense	278,060	290,500	805,984	846,288
Restructuring and other related charges	4,129	9,781	23,589	47,197
Operating income	61,931	67,861	103,847	111,728
Pension settlement loss	—	33,616	—	33,616
Interest expense, net	25,567	31,828	78,647	86,820
Income (loss) from continuing operations before income taxes	36,364	2,417	25,200	(8,708)
Income tax expense (benefit)	19,528	(1,353)	2,638	6,840
Net income (loss) from continuing operations	16,836	3,770	22,562	(15,548)
Income (loss) from discontinued operations, net of taxes	(2,641)	9,024	(10,906)	(486,265)
Net income (loss)	14,195	12,794	11,656	(501,813)
Less: income attributable to noncontrolling interest, net of taxes	789	2,320	2,243	8,970
Net income (loss) attributable to Colfax Corporation	$ 13,406	$ 10,474	$ 9,413	$ (510,783)
Net income (loss) per share - basic & diluted				
Continuing operations	$ 0.12	$ 0.02	$ 0.15	$ (0.14)
Discontinued operations	$ (0.02)	$ 0.06	$ (0.08)	$ (3.63)
Consolidated operations	$ 0.10	$ 0.08	$ 0.07	$ (3.77)

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Dollars in thousands
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
Net income (loss)	$ 14,195	$ 12,794	$ 11,656	$ (501,813)
Other comprehensive income (loss):				
Foreign currency translation, net of tax expense of $258, $1,787, $652 and $1,375	51,610	(135,157)	(49,316)	(128,620)
Unrealized gain (loss) on hedging activities, net of tax expense (benefit) of $(4,344), $4,411, $(4,448) and $4,102	(12,076)	11,757	(12,700)	13,413
Amounts reclassified from Accumulated other comprehensive loss:				
Amortization of pension and other post-retirement net actuarial gain (loss), net of tax expense (benefit) of $330, $(5,960), $767 and $(7,679)	1,152	(12,206)	2,814	(21,166)
Amortization of pension and other post-retirement prior service cost	—	—	—	32
Other comprehensive income (loss)	40,686	(135,606)	(59,202)	(136,341)
Comprehensive income (loss)	54,881	(122,812)	(47,546)	(638,154)
Less: comprehensive income (loss) attributable to noncontrolling interest	1,987	(3,384)	1,192	5,272
Comprehensive income (loss) attributable to Colfax Corporation	$ 52,894	$ (119,428)	$ (48,738)	$ (643,426)

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
Dollars in thousands, except share amounts
(Unaudited)

	October 2, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 66,423	$ 109,632
Trade receivables, less allowance for credit losses of $34,975 and $32,634	498,357	561,865
Inventories, net	536,052	571,558
Other current assets	186,680	161,190
Total current assets	1,287,512	1,404,245
Property, plant and equipment, net	463,775	491,241
Goodwill	3,245,042	3,202,517
Intangible assets, net	1,635,706	1,719,019
Lease asset - right of use	170,580	173,320
Other assets	351,619	396,490
Total assets	$ 7,154,234	$ 7,386,832
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 26,954	$ 27,642
Accounts payable	306,314	359,782
Accrued liabilities	451,265	469,890
Total current liabilities	784,533	857,314
Long-term debt, less current portion	2,191,725	2,284,184
Non-current lease liability	130,947	136,399
Other liabilities	589,560	619,307
Total liabilities	3,696,765	3,897,204
Equity:		
Common stock, $0.001 par value; 400,000,000 shares authorized; 118,457,179 and 118,059,082 issued and outstanding as of October 2, 2020 and December 31, 2019, respectively	118	118
Additional paid-in capital	3,470,169	3,445,597
Retained earnings	484,155	479,560
Accumulated other comprehensive loss	(541,996)	(483,845)
Total Colfax Corporation equity	3,412,446	3,441,430
Noncontrolling interest	45,023	48,198
Total equity	3,457,469	3,489,628
Total liabilities and equity	$ 7,154,234	$ 7,386,832

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
Dollars in thousands, except share amounts and as noted
(Unaudited)

	Common Stock						
	Shares	**Amount**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Noncontrolling Interest**	**Total**
Balance at December 31, 2019	118,059,082	$ 118	$ 3,445,597	$ 479,560	$ (483,845)	$ 48,198	$ 3,489,628
Cumulative effect of accounting change	—	—	—	(4,818)	—	—	(4,818)
Net income	—	—	—	4,481	—	1,027	5,508
Distributions to noncontrolling owners	—	—	—	—	—	(8)	(8)
Other comprehensive loss, net of tax of $4,644	—	—	—	—	(158,297)	(2,593)	(160,890)
Common stock-based award activity	268,323	—	8,344	—	—	—	8,344
Balance at April 3, 2020	118,327,405	$ 118	$ 3,453,941	$ 479,223	$ (642,142)	$ 46,624	$ 3,337,764
Net income (loss)	—	—	—	(8,474)	—	427	(8,047)
Distributions to noncontrolling owners	—	—	—	—	—	(3,734)	(3,734)
Other comprehensive income, net of tax of $(3,917)	—	—	—	—	60,658	344	61,002
Common stock-based award activity	61,608	—	8,591	—	—	—	8,591
Balance at July 3, 2020	118,389,013	$ 118	$ 3,462,532	$ 470,749	$ (581,484)	$ 43,661	$ 3,395,576
Net income	—	—	—	13,406	—	789	14,195
Distributions to noncontrolling owners	—	—	—	—	—	(625)	(625)
Other comprehensive income, net of tax of $(3,756)	—	—	—	—	39,488	1,198	40,686
Common stock-based award activity	68,166	—	7,637	—	—	—	7,637
Balance at October 2, 2020	118,457,179	$ 118	$ 3,470,169	$ 484,155	$ (541,996)	$ 45,023	$ 3,457,469

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (CONTINUED)
Dollars in thousands, except share amounts and as noted
(Unaudited)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance at December 31, 2018	117,275,217	$ 117	$ 3,057,982	$ 991,838	$ (780,177)	$ 207,186	$ 3,476,946
Cumulative effect of accounting change	—	—	—	15,368	(15,368)	—	—
Net income (loss)	—	—	—	(52,023)	—	4,021	(48,002)
Distributions to noncontrolling owners	—	—	—	—	—	(2,170)	(2,170)
Noncontrolling interest share repurchase	—	—	(22,409)	—	(21,372)	(48,940)	(92,721)
Other comprehensive income, net of tax of (413)	—	—	—	—	18,053	4,119	22,172
Issuance of Tangible Equity Units	—	—	377,814	—	—	—	377,814
Common stock-based award activity	283,197	1	7,676	—	—	—	7,677
Balance at March 29, 2019	117,558,414	$ 118	$ 3,421,063	$ 955,183	$ (798,864)	$ 164,216	$ 3,741,716
Net income (loss)	—	—	—	(469,234)	—	2,629	(466,605)
Distributions to noncontrolling owners	—	—	—	—	—	(2,970)	(2,970)
Noncontrolling interest share repurchase	—	—	(565)	—	410	(211)	(366)
Other comprehensive loss, net of tax of (1,981)	—	—	—	—	(20,794)	(2,113)	(22,907)
Common stock-based award activity	108,945	—	7,481	—	—	—	7,481
Balance at June 28, 2019	117,667,359	$ 118	$ 3,427,979	$ 485,949	$ (819,248)	$ 161,551	$ 3,256,349
Net income	—	—	—	10,474	—	2,320	12,794
Distributions to noncontrolling owners	—	—	—	—	—	(7,237)	(7,237)
Other comprehensive loss, net of tax of 193	—	—	—	—	(129,902)	(5,704)	(135,606)
Common stock-based award activity	89,371	—	6,638	—	—	—	6,638
Balance at September 27, 2019	117,756,730	$ 118	$ 3,434,617	$ 496,423	$ (949,150)	$ 150,930	$ 3,132,938

See Notes to Condensed Consolidated Financial Statements.

COLFAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands
(Unaudited)

	Nine Months Ended	
	October 2, 2020	**September 27, 2019**
Cash flows from operating activities:		
Net income (loss)	$ 11,656	$ (501,813)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Divestiture impairment loss	—	481,000
Depreciation, amortization and other impairment charges	181,114	190,577
Stock-based compensation expense	21,642	17,005
Non-cash interest expense	4,253	5,674
Deferred income tax benefit	(30,946)	(18,673)
(Gain) loss on sale of property, plant and equipment	523	(140)
Pension settlement loss	—	77,390
Changes in operating assets and liabilities:		
Trade receivables, net	44,592	29,071
Inventories, net	28,556	(54,256)
Accounts payable	(42,869)	(98,920)
Income taxes	(9,722)	(39,909)
Other operating assets and liabilities	(35,666)	(21,257)
Net cash provided by operating activities	173,133	65,749
Cash flows from investing activities:		
Purchases of property, plant and equipment	(81,583)	(100,383)
Proceeds from sale of property, plant and equipment	4,929	7,474
Acquisitions, net of cash received	(7,477)	(3,136,777)
Net cash used in investing activities	(84,131)	(3,229,686)
Cash flows from financing activities:		
Proceeds from borrowings on term credit facility	—	2,725,000
Payments under term credit facility	(40,000)	(533,437)
Proceeds from borrowings on revolving credit facilities and other	794,678	1,780,085
Repayments of borrowings on revolving credit facilities and other	(866,215)	(1,136,186)
Payment of debt issuance costs	(4,560)	(24,402)
Proceeds from prepaid stock purchase contracts	—	377,814
Proceeds from issuance of common stock, net	2,930	4,787
Payment for noncontrolling interest share repurchase	—	(93,087)
Deferred consideration payments and other	(12,411)	(9,680)
Net cash provided by (used in) financing activities	(125,578)	3,090,894
Effect of foreign exchange rates on Cash and cash equivalents	(6,633)	(5,216)
Decrease in Cash and cash equivalents	(43,209)	(78,259)
Cash and cash equivalents, beginning of period	109,632	245,019
Cash and cash equivalents, end of period	$ 66,423	$ 166,760

See Notes to Condensed Consolidated Financial Statements.

1. General

Colfax Corporation (the “Company” or “Colfax”) is a leading diversified technology company that provides fabrication technology and medical device products and services to customers around the world, principally under the ESAB and DJO brands. The Company conducts its operations through two operating segments, “Fabrication Technology”, which incorporates the operations of ESAB and its related brands, and “Medical Technology”, which incorporates the operations of DJO and its related brands.

On September 30, 2019, Colfax completed the sale of its Air and Gas Handling business for an aggregate purchase price of $1.8 billion, including $1.67 billion of cash paid at closing, subject to certain adjustments pursuant to the purchase agreement, and the assumption of certain liabilities and minority interests. Accordingly, the accompanying Condensed Consolidated Financial Statements for all periods presented reflect the Air and Gas Handling business as discontinued operations. See Note 3, “Discontinued Operations”, for further information.

On February 22, 2019, Colfax completed the purchase of DJO Global, Inc. (“DJO”) for $3.15 billion. DJO is a global leader in orthopedic solutions, providing orthopedic devices, reconstructive implants, software and services spanning the full continuum of patient care, from injury prevention to rehabilitation.

The Condensed Consolidated Financial Statements included in this quarterly report have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements. The Condensed Consolidated Balance Sheet as of December 31, 2019 is derived from the Company’s audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the SEC’s rules and regulations for interim financial statements. The Condensed Consolidated Financial Statements included herein should be read in conjunction with the audited financial statements and related footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 (the “2019 Form 10-K”), filed with the SEC on February 24, 2020.

The Condensed Consolidated Financial Statements reflect, in the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly the Company’s financial position and results of operations as of and for the periods indicated. Intercompany transactions and accounts are eliminated in consolidation.

The Company makes certain estimates and assumptions in preparing its Condensed Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates.

In the normal course of business, the Company incurs research and development costs related to new product development which are expensed as incurred. Research and development costs were $16.8 million and $49.4 million during the three and nine months ended October 2, 2020, and $16.3 million and $44.8 million during the three and nine months ended September 27, 2019, respectively, which are included in Selling, general and administrative expenses on the Company’s Condensed Consolidated Statements of Operations.

The results of operations for the three and nine months ended October 2, 2020 are not necessarily indicative of the results of operations that may be achieved for the full year. Quarterly results are affected by seasonal variations in the Company’s businesses, and European operations typically experience a slowdown during the July, August and December holiday seasons. Medical Technology sales typically peak in the fourth quarter. General economic conditions may, however, impact future seasonal variations.

In December 2019, a novel coronavirus disease (“COVID-19”) was first reported in China. On March 11, 2020, due to worldwide spread of the virus, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 global pandemic has resulted in a widespread health crisis, and the resulting impact on governments, businesses and individuals and actions taken by them in response to the situation have resulted in widespread economic disruptions, significantly affecting broader economies, financial markets, and overall demand for the Company’s products. The COVID-19 outbreak has caused increased uncertainty in estimates and assumptions affecting the reported amounts of assets and liabilities in the Condensed

Consolidated Financial Statements as the extent and period of recovery from the COVID-19 outbreak and related economic disruption is difficult to forecast.

The extent to which COVID-19 impacts the Company’s business and financial results will depend on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19, the extent to which it will impact worldwide macroeconomic conditions, the speed of the anticipated recovery, and governmental and business reactions to the pandemic. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 as of October 2, 2020 and through the date of this report. The accounting matters assessed included, but were not limited to, the Company’s allowance for credit losses, the carrying value of the goodwill, intangibles, and other long-lived assets and the realizability of deferred tax assets. While there was not an impact from these valuation items to the Company’s consolidated financial statements as of and for the three and nine months ended October 2, 2020, the Company’s future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the Company’s consolidated financial statements in future reporting periods.

2. Recently Issued Accounting Pronouncements

Accounting Guidance Implemented in 2020

Standard	Description	Effective Date
ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The ASU eliminates the probable initial recognition threshold under current GAAP and broadens the information an entity must consider when developing its expected credit loss estimates to include forward-looking information. The standard applies to most financial assets held at amortized costs, as well as certain other instruments. Under the current expected credit loss ("CECL") model, entities must estimate losses over the entire contractual term of the asset from the date of initial recognition. In determining expected losses, consideration must be given to historical loss experience, current conditions, and reasonable and supportable forecasts incorporating forward looking information. The Company adopted Topic 326 on January 1, 2020 using a modified retrospective transition method, which requires a cumulative-effect adjustment to the opening balance sheet of retained earnings to be recognized on the date of adoption without restating prior periods. The cumulative-effect adjustment, net of tax, on January 1, 2020 was $4.8 million.	January 1, 2020
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement	The ASU modifies the disclosure requirements for fair value measurements. The adoption of this standard did not result in any changes to the current disclosures, as the requirements modified by the ASU are not applicable or are immaterial for disclosure.	January 1, 2020

New Accounting Guidance to be Implemented

Standard	Description	Anticipated Impact	Effective Date
ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans	The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	This accounting standard update impacts disclosures only. The Company is currently evaluating the impact of this ASU on its consolidated financial statement disclosures and the timing of adoption.	January 1, 2021
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	The ASU eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of accounting for income taxes.	The Company is currently evaluating the impact of this ASU on its consolidated financial statements and the timing of adoption.	January 1, 2021

3. Discontinued Operations

The Company has retained certain asbestos-related contingencies and insurance coverages from divested businesses for which it did not retain an interest in the ongoing operations subject to the contingencies. The Company has classified asbestos-related selling, general and administrative activity in its Condensed Consolidated Statements of Operations as part of Loss from discontinued operations. See Note 13, "Commitments and Contingencies" for further information.

Sale of Air and Gas Handling Business

The Company sold its Air and Gas Handling business on September 30, 2019. Accordingly, the accompanying Condensed Consolidated Financial Statements for all periods presented reflect the Air and Gas Handling business as a discontinued operation. The total consideration for the sale was $1.8 billion, including $1.67 billion in cash paid at closing, subject to certain adjustments pursuant to the purchase agreement, and the assumption of certain liabilities and minority interests. Based on the purchase price and the carrying value of the net assets being sold, the Company recorded an impairment loss of $481 million in the second quarter of 2019. The impairment loss included a $449 million goodwill impairment charge and a $32 million valuation allowance charge on assets held for sale relating to the initial estimated cost to sell the business. An accumulated other comprehensive loss of approximately $350 million associated with the Air and Gas Handling business was included in the determination of the goodwill impairment charge, which is mostly attributable to the recognition of cumulative foreign currency translation effects from the long-term strengthening of the U.S. Dollar.

The Company recorded a pre-tax gain on disposal of $14.2 million in the fourth quarter of 2019. The total divestiture-related expenses incurred for the Air and Gas Handling sale were $48.6 million in the year ended December 31, 2019.

In connection with the purchase agreement, the Company and the purchaser entered into various agreements to provide a framework for their relationship after the disposition, including a transition services agreement. The transition services under the above agreements are not material to the Company's results of operations.

The key components of Loss from discontinued operations, net of taxes related to the Air and Gas Handling business for the three and nine months ended October 2, 2020 and September 27, 2019 were as follows:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(In thousands)			
Net sales	$ —	$ 338,885	$ —	$ 998,793
Cost of sales	—	230,692	—	689,004
Selling, general and administrative expense	—	65,117	—	194,562
Restructuring and other related charges	—	4,987	—	13,354
Goodwill impairment charge	—	—	—	481,000
Divestiture-related expense[1]	846	4,481	7,419	11,692
Operating loss	(846)	33,608	(7,419)	(390,819)
Interest expense[2]	—	12,779	—	38,899
Pension settlement loss	—	—	—	43,774
Loss from discontinued operations before income taxes	(846)	20,829	(7,419)	(473,492)
Income tax expense (benefit)	(198)	9,809	(1,267)	5,387
Loss from discontinued operations, net of taxes	$ (648)	$ 11,020	$ (6,152)	$ (478,879)

(1) Primarily related to professional and consulting fees associated with the divestiture including seller due diligence and preparation of regulatory filings, as well as other disposition-related activities.
(2) The Company reclassified a portion of interest expense from its Term Loan Facilities associated with the mandatory repayment using net proceeds from the sale of the business.

Total income attributable to noncontrolling interest related to the Air and Gas Handling business, net of taxes was $1.5 million and $5.9 million for the three and nine months ended September 27, 2019, respectively.

Cash used in operating activities related to the discontinued operations of the divested Air and Gas Handling business for the nine months ended October 2, 2020 was $7.2 million. Cash provided by operating activities related to the discontinued operations of the divested Air and Gas Handling business for the nine months ended September 27, 2019 was $18.0 million. Cash used in investing activities related to the discontinued operations of the divested Air and Gas Handling business for the nine months ended September 27, 2019 was $27.5 million.

4. Acquisition

On February 22, 2019, Colfax completed the purchase of DJO for $3.15 billion, subject to certain adjustments set forth in the purchase agreement.

During the three and nine months ended October 2, 2020 and September 27, 2019, the Company incurred $0.6 million, $0.7 million, $3.2 million and $56.7 million, respectively, of advisory, legal, audit, valuation and other professional service fees in connection with the DJO acquisition. Such fees are included in Selling, general and administrative expense in the Condensed Consolidated Statement of Operations.

The DJO acquisition was accounted for using the acquisition method of accounting and accordingly, the Condensed Consolidated Financial Statements include the results of operations from the date of acquisition. The following unaudited proforma financial information presents Colfax's consolidated financial information assuming the acquisition had taken place on January 1, 2019. These amounts are presented in accordance with GAAP, consistent with the Company's accounting policies.

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(Unaudited, in thousands)			
Net sales	$ 805,931	$ 846,519	$ 2,242,647	$ 2,608,251
Net income from continuing operations attributable to Colfax Corporation	17,927	7,676	27,575	72,857

5. Revenue

The Company's Fabrication Technology segment formulates, develops, manufactures and supplies consumable products and equipment. Substantially all revenue from the Fabrication Technology business is recognized at a point in time. The Company disaggregates its Fabrication Technology revenue into the following product groups:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(In thousands)			
Equipment	$ 157,730	$ 162,531	$ 443,563	$ 525,148
Consumables	333,767	376,697	987,838	1,167,199
Total	$ 491,497	$ 539,228	$ 1,431,401	$ 1,692,347

Contracts with customers in the consumables product grouping generally have a shorter fulfillment period than equipment contracts.

The Company's Medical Technology segment provides products and services spanning the full continuum of patient care, from injury prevention to rehabilitation. While the Company's Medical Technology sales are primarily derived from three sales channels including dealers and distributors, insurance, and direct to consumers and hospitals, substantially all its revenue is recognized at a point in time.

The Company disaggregates its Medical Technology revenue into the following product groups:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019[1]
	(In thousands)			
Prevention & Rehabilitation	$ 220,461	$ 221,314	$ 566,983	$ 533,986
Reconstructive	93,973	85,977	244,263	212,752
Total	$ 314,434	$ 307,291	$ 811,246	$ 746,738

[1] For the nine months ended September 27, 2019, the Medical Technology segment includes results from the acquisition date of February 22, 2019.

Given the nature of the Fabrication Technology and Medical Technology businesses, the total amount of unsatisfied performance obligations with an original contract duration of greater than one year as of October 2, 2020 is immaterial.

The nature of the Company's contracts gives rise to certain types of variable consideration, including rebates, implicit price concessions, and other discounts. The Company includes estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue.

In some circumstances, customers are billed in advance of revenue recognition, resulting in contract liabilities. As of December 31, 2019 and 2018, total contract liabilities were $14.8 million and $13.0 million, respectively, which related to the Fabrication Technology business. During the three and nine months ended October 2, 2020, revenue recognized that was included in the contract liability balance at the beginning of the year was $4.5 million and $13.2 million, respectively. During the three and nine months ended September 27, 2019, revenue recognized that was included in the contract liability balance at the beginning of the year was $4.8 million and $13.0 million, respectively. As of October 2, 2020 and September 27, 2019, total contract liabilities were $30.4 million and $15.6 million, respectively, and were included in Accrued liabilities on the Company's Condensed Consolidated Balance Sheets. The contract liabilities as of October 2, 2020 include $11.8 million of certain one-time advance payments in the Medical Technology business.

Allowance for Credit Losses

The Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as of January 1, 2020. The estimate of current expected credit losses on trade receivables considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management elected to disaggregate trade receivables into business segments due to risk characteristics unique to each segment given the individual lines of business and market. Pooling was further disaggregated based on either geography or product type.

The Company evaluated multiple approaches before concluding that a loss rate methodology best matched data capabilities. The Company leveraged historical write-offs over a defined lookback period in deriving a historical loss rate. The expected credit loss model further considers current conditions and reasonable and supportable forecasts using an adjustment for current and projected macroeconomic factors. Management identified appropriate macroeconomic indicators based on tangible correlation to historical losses considering the location and risks associated with the Company.

A summary of the activity in the Company's allowance for credit losses included within Trade receivables in the Condensed Consolidated Balance Sheets is as follows:

	Nine Months Ended October 2, 2020				
	Balance at Beginning of Period	Charged to Expense, net	Write-Offs and Deductions	Foreign Currency Translation	Balance at End of Period
	(In thousands)				
Allowance for credit losses	$ 36,009	$ 5,099	$ (4,251)	$ (1,882)	$ 34,975

6. Net Income (Loss) Per Share from Continuing Operations

Net income (loss) per share from continuing operations was computed as follows:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(In thousands, except share and per share data)			
Computation of Net income (loss) per share from continuing operations - basic:				
Net income (loss) from continuing operations attributable to Colfax Corporation [(1)]	$ 16,047	$ 2,901	$ 20,319	$ (18,636)
Weighted-average shares of Common stock outstanding – basic	136,832,909	136,121,017	136,730,112	135,440,566
Net income (loss) per share from continuing operations – basic	$ 0.12	$ 0.02	$ 0.15	$ (0.14)
Computation of Net income (loss) per share from continuing operations - diluted:				
Net income (loss) from continuing operations attributable to Colfax Corporation [(1)]	$ 16,047	$ 2,901	$ 20,319	$ (18,636)
Weighted-average shares of Common stock outstanding – basic	136,832,909	136,121,017	136,730,112	135,440,566
Net effect of potentially dilutive securities - stock options, restricted stock units and tangible equity units	1,257,701	929,143	2,339,794	—
Weighted-average shares of Common stock outstanding – diluted	138,090,610	137,050,160	139,069,906	135,440,566
Net income (loss) per share from continuing operations – diluted	$ 0.12	$ 0.02	$ 0.15	$ (0.14)

(1) Net income (loss) from continuing operations attributable to Colfax Corporation for the respective periods is calculated using Net income (loss) from continuing operations less the continuing operations component of the income attributable to noncontrolling interest, net of taxes, of $0.8 million and $2.2 million for the three and nine months ended October 2, 2020, and $0.9 million and $3.1 million for the three and nine months ended September 27, 2019, respectively.

For all periods presented, the weighted-average shares of Common stock outstanding - basic includes the impact of 18.4 million shares related to the issuance of Colfax's tangible equity units. For the nine months ended October 2, 2020, the weighted-average shares of Common stock outstanding - diluted includes the impact of an additional 1.2 million potentially issuable dilutive shares related to Colfax's tangible equity units as a result of the Company's share price in March 2020. See Note 8, "Equity" for details.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the three and nine months ended October 2, 2020 excludes 2.8 million and 4.2 million, respectively, of outstanding stock-based compensation awards as their inclusion would be anti-dilutive.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method for the three and nine months ended September 27, 2019 excludes 4.4 million and 4.6 million, respectively, of outstanding stock-based compensation awards as their inclusion would be anti-dilutive.

7. Income Taxes

During the three and nine months ended October 2, 2020, Income from continuing operations before income taxes was $36.4 million and $25.2 million, respectively, while the income tax expense was $19.5 million and $2.6 million, respectively. The effective tax rates were 53.7% and 10.5% for the three and nine months ended October 2, 2020, respectively. The effective tax rate for the three months ended October 2, 2020 differed from the 2020 U.S. federal statutory rate of 21% mainly due to the net impact of additional U.S. tax on international operations, withholding taxes, and certain non-deductible expenses. These unfavorable impacts were partially offset by the impact of U.S. tax credits, benefit from U.S. state tax losses, and the realization of tax benefits associated with effective settlements on uncertain tax positions. The effective tax rate for the nine months ended October 2, 2020 differed from the 2020 U.S. federal statutory rate of 21% mainly due to the net impact of U.S. tax credits and benefit from U.S. state tax losses, a discrete tax benefit associated with the filing of timely elected changes to U.S. Federal tax returns to credit rather than to deduct foreign taxes, the impact of an enacted law change in India, and the realization of tax benefits associated with effective settlements on uncertain tax positions. These favorable impacts were partially offset by the impact of additional U.S. tax on international operations, withholding taxes, and certain non-deductible expenses. In conjunction with the filing of the timely elected changes to credit rather than to deduct foreign taxes, the Company obtained additional foreign tax credit carryforwards. The Company evaluated all positive and negative evidence in determining the realizability of these deferred tax assets and based on such evidence, concluded a full valuation allowance was needed.

During the three and nine months ended September 27, 2019, Income (loss) from continuing operations before income taxes was $2.4 million and $(8.7) million, respectively, while the income tax expense (benefit) was $(1.4) million and $6.8 million, respectively. The effective tax rates were (56.0)% and (78.5)% for the three and nine months ended September 27, 2019, respectively. The effective tax rate for the three months ended September 27, 2019 differed from the 2019 U.S. federal statutory rate of 21% mainly due to a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction offset in part by losses in certain jurisdictions where a tax benefit was not expected to be recognized in 2019, and non-deductible deal costs. The effective tax rate for the nine months ended September 27, 2019 differed from the 2019 U.S. federal statutory rate of 21% mainly due to losses in certain jurisdictions where a tax benefit was not expected to be recognized in 2019, $16.7 million of non-deductible deal costs, and an aggregate $9.2 million unfavorable discrete U.S. income tax expense due to a change in valuation allowance and state tax expense as a result of the DJO acquisition, offset in part by a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction.

8. Equity

Share Repurchase Program

In 2018, the Company's Board of Directors authorized the repurchase of shares of the Company's Common stock from time-to-time on the open market or in privately negotiated transactions. No repurchases of the Company's Common stock have been made under this plan since the third quarter of 2018. As of October 2, 2020, the remaining stock repurchase authorization provided by the Board of Directors was $100 million. The timing, amount and method of shares repurchased is determined by management based on its evaluation of market conditions and other factors. There is no term associated with the remaining repurchase authorization.

Accumulated Other Comprehensive Loss

The following tables present the changes in the balances of each component of Accumulated other comprehensive loss including reclassifications out of Accumulated other comprehensive loss for the nine months ended October 2, 2020 and September 27, 2019. All amounts are net of tax and noncontrolling interest, if any.

	Accumulated Other Comprehensive Loss Components			
	Net Unrecognized Pension and Other Post-Retirement Benefit Cost	Foreign Currency Translation Adjustment	Unrealized Gain on Hedging Activities	Total
	(In thousands)			
Balance at January 1, 2020	$ (106,500)	$ (421,889)	$ 44,544	$ (483,845)
Other comprehensive income (loss) before reclassifications:				
Foreign currency translation adjustment	(389)	(31,747)	1,894	(30,242)
Loss on long-term intra-entity foreign currency transactions	—	(18,023)	—	(18,023)
Loss on net investment hedges	—	—	(12,700)	(12,700)
Other comprehensive income (loss) before reclassifications	(389)	(49,770)	(10,806)	(60,965)
Amounts reclassified from Accumulated other comprehensive loss	2,814	—	—	2,814
Net Other comprehensive income (loss)	2,425	(49,770)	(10,806)	(58,151)
Balance at October 2, 2020	$ (104,075)	$ (471,659)	$ 33,738	$ (541,996)

	Accumulated Other Comprehensive Loss Components			
	Net Unrecognized Pension and Other Post-Retirement Benefit Cost	Foreign Currency Translation Adjustment	Unrealized Gain on Hedging Activities	Total
	(In thousands)			
Balance at January 1, 2019	$ (80,794)	$ (752,989)	$ 38,238	$ (795,545)
Other comprehensive income (loss) before reclassifications:				
Foreign currency translation adjustment	859	(120,722)	(304)	(120,167)
Loss on long-term intra-entity foreign currency transactions	—	(4,197)	—	(4,197)
Gain on net investment hedges	—	—	14,258	14,258
Unrealized gain on cash flow hedges	—	—	167	167
Other comprehensive income (loss) before reclassifications	859	(124,919)	14,121	(109,939)
Amounts reclassified from Accumulated other comprehensive loss	(22,704)	—	—	(22,704)
Noncontrolling interest share repurchase	—	(20,962)	—	(20,962)
Net Other comprehensive income (loss)	(21,845)	(145,881)	14,121	(153,605)
Balance at September 27, 2019	$ (102,639)	$ (898,870)	$ 52,359	$ (949,150)

Tangible equity unit (“TEU”) offering

On January 11, 2019, the Company issued $460 million in tangible equity units. The Company offered 4 million of its 5.75% tangible equity units at the stated amount of $100 per unit. An option to purchase up to an additional 600,000 tangible equity units at the stated amount of $100 per unit was exercised in full at settlement. Total cash of $447.7 million was received upon closing.

The proceeds from the issuance of the TEUs were allocated initially to equity and debt based on the relative fair value of the respective components of each TEU as follows:

	TEU prepaid stock purchase contracts	TEU amortizing notes	Total
	(In millions, except per unit amounts)		
Fair value per unit	$ 84.39	$ 15.61	$ 100.00
Gross proceeds	$ 388.2	$ 71.8	$ 460.0
Less: Issuance costs	10.4	1.9	12.3
Net proceeds	$ 377.8	$ 69.9	$ 447.7

The $377.8 million fair value of the prepaid stock purchase contracts was recorded in Additional paid-in capital in the Condensed Consolidated Balance Sheets. The fair value of the $69.9 million of TEU amortizing notes due January 2022 has both a short-term and a long-term component. Upon the issuance of the TEUs, $47.3 million was initially recorded in Long-term debt, less current portion, and $22.6 million was initially recorded in Current portion of long-term debt in the Condensed Consolidated Balance Sheets. The Company deferred certain debt issuance costs associated with the debt component of the TEUs. These amounts offset the debt liability balance in the Condensed Consolidated Balance Sheets and are being amortized over its term.

TEU prepaid stock purchase contracts

Unless previously settled at the holder's option, for each purchase contract the Company will deliver to holders on January 15, 2022 (subject to postponement in certain limited circumstances, the "mandatory settlement date") a number of shares of common stock. The number of shares of common stock issuable upon settlement of each purchase contract (the "settlement rate") will be determined using the arithmetic average of the volume average weighted price for the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding January 15, 2022 ("the Applicable Market Value") with reference to the following settlement rates:

- if the Applicable Market Value of the common stock is greater than the threshold appreciation price of $25.00, the holder will receive 4.0000 shares of common stock for each purchase contract (the "minimum settlement rate");
- if the Applicable Market Value of the common stock is greater than or equal to the reference price of $20.81, but less than or equal to the threshold appreciation price of $25.00, the holder will receive a number of shares of common stock for each purchase contract having a value, based on the Applicable Market Value, equal to $100; and
- if the Applicable Market Value of the common stock is less than the reference price of $20.81, the holder will receive 4.8054 shares of common stock for each purchase contract (the "maximum settlement rate").

TEU amortizing notes

Each TEU amortizing note has an initial principal amount of $15.6099, bears interest at a rate of 6.50% per annum and has a final installment payment date of January 15, 2022. On each January 15, April 15, July 15 and October 15, the Company pays equal quarterly cash installments of $1.4375 per TEU amortizing note, which will constitute a payment of interest and a partial repayment of principal, and which cash payment in the aggregate per year will be equivalent to 5.75% per year with respect to the $100 stated amount per unit. During the three and nine months ended October 2, 2020, the Company paid $6.6 million and $19.8 million, respectively, representing a partial payment of principal and interest on the TEU amortizing notes. The TEU amortizing notes are the direct, unsecured and unsubordinated obligations of the Company and rank equally with all of the existing and future other unsecured and unsubordinated indebtedness of the Company.

Earnings per share

Unless the 4.6 million stock purchase contracts are redeemed by the Company or settled earlier at the unit holder's option, they are mandatorily convertible into shares of Colfax common stock at not less than 4.0 shares per purchase contract or more than 4.8054 shares per purchase contract on January 15, 2022. This corresponds to not less than 18.4 million shares and not more than 22.1 million shares at the maximum. The 18.4 million minimum shares are included in the calculation of weighted-average shares of Common stock outstanding - basic. The difference between the minimum and maximum shares represents potentially dilutive securities. The Company includes them in its calculation of weighted-average shares of Common stock outstanding - diluted on a pro rata basis to the extent the effect is not anti-dilutive and the average Applicable Market Value is higher than the reference price but is less than the threshold appreciation price.

Repurchase of noncontrolling interest shares

During 2019, the Company repurchased all of the noncontrolling interest shares of its South Africa consolidated subsidiary from existing shareholders under a general offer. As a part of the Air and Gas Handling business, the subsidiary was subsequently sold on September 30, 2019, and its results of operations are included in discontinued operations for all periods presented.

9. Inventories, Net

Inventories, net consisted of the following:

	October 2, 2020	December 31, 2019
	(In thousands)	
Raw materials	$ 103,070	$ 115,587
Work in process	42,980	37,019
Finished goods	459,386	475,933
	605,436	628,539
Less: allowance for excess, slow-moving and obsolete inventory	(69,384)	(56,981)
Inventories, net	$ 536,052	$ 571,558

10. Debt

Long-term debt consisted of the following:

	October 2, 2020	December 31, 2019
	(In thousands)	
Term loan	$ 781,341	$ 822,945
Euro senior notes	406,622	388,925
2024 and 2026 notes	990,799	989,236
TEU amortizing notes	37,127	54,044
Revolving credit facilities and other	2,790	56,676
Total debt	2,218,679	2,311,826
Less: current portion	(26,954)	(27,642)
Long-term debt	$ 2,191,725	$ 2,284,184

Term Loan and Revolving Credit Facility

The Company's credit agreement (the "Credit Facility") by and among the Company, as the borrower, certain U.S. subsidiaries of the Company, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A., as syndication agent, and the co-documentation agents named therein consists of a $975 million revolving credit facility (the "Revolver") and a Term A-1 loan in an aggregate principal amount of $825 million (the "Term Loan"), each with a maturity date of December 6, 2024. The Revolver contains a $50 million swing line loan sub-facility. Certain U.S. subsidiaries of the Company guarantee the obligations under the Credit Facility. The Credit Facility contains customary covenants limiting the ability of Colfax and its subsidiaries to, among other things, incur debt or liens, merge or consolidate with others, dispose of assets, make investments or pay dividends. In addition, the Credit Facility contains financial covenants requiring Colfax to maintain (subject to certain exceptions) (i) a maximum total leverage ratio, calculated as the ratio of Consolidated Net Debt (as defined in the Credit Facility) to EBITDA (as defined in the Credit Facility) and (ii) a minimum interest coverage. During the third quarter of 2020, the Company made a voluntary $40 million principal payment on the Term A-1 loan.

On May 1, 2020, the Company entered into an amendment to its Credit Facility (the "Amendment"). The Amendment, among other changes, modified the total leverage ratio by permitting the Company to deduct (subject to certain exceptions) up to $125 million of unrestricted cash and cash equivalents from the debt component of the ratio and by increasing the maximum total leverage ratio to 5.75:1.00 as of June 30, 2020, 6.50:1.00 as of each fiscal quarter thereafter until March 31, 2021, 5.25:1.00 for the quarter ending June 30, 2021, 4.50:1.00 for the quarter ending September 30, 2021, 4.25:1.00 for the quarters ending December 31, 2021 and March 31, 2022, 4.00:1.00 for the quarters ending June 30, 2022 and September 30, 2022, and 3.50:1.00 as of December 31, 2022 and for each fiscal quarter ending thereafter. Under the terms of the Amendment the interest coverage ratio remained at 3.00:1.00 for the quarter ending June 30, 2020, decreased to 2.75:1.00 for each of the fiscal quarters ending September 30, 2020 until June 30, 2021, and then will increase back to 3.00:1.00 for the quarters ending September 30, 2021 and thereafter. The Amendment added a "springing" collateral provision (based upon the Gross Leverage Ratio as defined in the Amendment to the Credit Facility) which requires the obligations under the Amendment to the Credit Facility to be secured by substantially all personal property of Colfax and its U.S. subsidiaries and the equity of its first tier foreign subsidiaries, subject to customary exceptions, in the event Colfax's gross leverage ratio under the Credit Facility is greater than 5.00:1.00 as of the last day of any fiscal quarter. Lastly, the Amendment added a fifth pricing tier in the event the total leverage ratio is greater than 4.50:1.00 (regardless of the corporate family rating), with pricing at 2.50%, in the case of the Eurocurrency margin, 1.50%, in the case of the base rate margin, and 0.50% when undrawn. The total commitment and maturity of the Credit Facility remained unchanged. The Credit Facility contains various events of default (including failure to comply with the covenants under the Credit Facility and related agreements) and upon an event of default the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term Loan Facilities and the Revolver. As of October 2, 2020, the Company was in compliance with the covenants under the Credit Facility.

As of October 2, 2020, the weighted-average interest rate of borrowings under the Credit Facility was 1.91%, excluding accretion of original issue discount and deferred financing fees, and there was $975 million available on the Revolver.

The Company has $11.1 million in deferred financing fees recorded in conjunction with the Credit Facility as of October 2, 2020, which is being accreted to Interest expense, net primarily using the effective interest method over the life of the facility.

Euro Senior Notes

On April 19, 2017, the Company issued senior unsecured notes with an aggregate principal amount of €350 million (the “Euro Notes”). The Euro Notes are due in April 2025, have an interest rate of 3.25% and are guaranteed by certain of our domestic subsidiaries (the “Guarantees”). The proceeds from the Euro Notes offering were used to repay borrowings under our previous credit facilities totaling €283.5 million, as well as for general corporate purposes. In conjunction with the issuance of the Euro notes, the Company recorded $6.0 million of deferred financing fees. The Euro Notes and the Guarantees have not been, and will not be, registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction.

TEU Amortizing Notes

On January 11, 2019, the Company issued $460 million in tangible equity units. The Company offered 4 million of its 5.75% tangible equity units at the stated amount of $100 per unit and an option to purchase up to an additional 600,000 tangible equity units at the stated amount of $100 per unit, which was exercised in full at settlement. Total cash of $447.7 million was received upon closing, comprised of $377.8 million TEU prepaid stock purchase contracts and $69.9 million of TEU amortizing notes due January 2022. The proceeds were used to finance a portion of the purchase price for the DJO acquisition and for general corporate purposes. For more information, refer to Note 8, “Equity.”

2024 Notes and 2026 Notes

On February 5, 2019, two tranches of senior notes with aggregate principal amounts of $600 million (the “2024 Notes”) and $400 million (the “2026 Notes”) were issued to finance a portion of the purchase price for the DJO acquisition. The 2024 Notes are due on February 15, 2024 and have an interest rate of 6.0%. The 2026 Notes are due on February 15, 2026 and have an interest rate of 6.375%. Each tranche of notes is guaranteed by certain domestic subsidiaries of the Company.

Other Indebtedness

In addition to the debt agreements discussed above, the Company is party to various bilateral credit facilities with a borrowing capacity of $189.5 million. As of October 2, 2020, there were no outstanding borrowings under these facilities.

The Company is party to letter of credit facilities with an aggregate capacity of $390.2 million. Total letters of credit of $84.3 million were outstanding as of October 2, 2020.

In total, the Company had deferred financing fees of $24.1 million included in its Condensed Consolidated Balance Sheet as of October 2, 2020, which will be charged to Interest expense, net, primarily using the effective interest method, over the life of the applicable debt agreements.

11. Accrued Liabilities

Accrued liabilities in the Condensed Consolidated Balance Sheets consisted of the following:

	October 2, 2020	December 31, 2019
	(In thousands)	
Accrued compensation and related benefits	$ 87,337	$ 100,290
Accrued taxes	65,995	55,258
Accrued asbestos-related liability	62,310	64,394
Warranty liability - current portion	14,991	15,513
Accrued restructuring liability - current portion	2,448	6,961
Accrued third-party commissions	25,719	30,768
Customer advances and billings in excess of costs incurred	30,436	16,009
Lease liability - current portion	39,633	40,021
Accrued interest	16,986	27,333
Other	105,410	113,343
Accrued liabilities	$ 451,265	$ 469,890

Warranty Liability

The activity in the Company's warranty liability consisted of the following:

	Nine Months Ended	
	October 2, 2020	September 27, 2019
	(In thousands)	
Warranty liability, beginning of period	$ 15,528	$ 12,312
Accrued warranty expense	5,613	5,456
Changes in estimates related to pre-existing warranties	1,108	1,256
Cost of warranty service work performed	(7,003)	(7,783)
Acquisition-related liability	—	5,356
Foreign exchange translation effect	(255)	(427)
Warranty liability, end of period	$ 14,991	$ 16,170

Accrued Restructuring Liability

The Company's restructuring programs include a series of actions to reduce the structural costs of the Company. A summary of the activity in the Company's restructuring liability included in Accrued liabilities and Other liabilities in the Condensed Consolidated Balance Sheets is as follows:

	Nine Months Ended October 2, 2020				
	Balance at Beginning of Period	Provisions	Payments	Foreign Currency Translation	Balance at End of Period[3]
			(In thousands)		
Restructuring and other related charges:					
Fabrication Technology:					
Termination benefits[1]	$ 1,638	$ 5,207	$ (6,105)	$ (23)	$ 717
Facility closure costs[2]	1,284	4,474	(5,484)	—	274
	2,922	9,681	(11,589)	(23)	991
Non-cash charges		1,745			
		11,426			
Medical Technology:					
Termination benefits[1]	3,919	2,026	(4,756)	12	1,201
Facility closure costs[2]	257	15,062	(15,021)	—	298
	4,176	17,088	(19,777)	12	1,499
Non-cash charges		—			
		17,088			
Total Colfax Corporation:					
Total restructuring liability activity	$ 7,098	$ 26,769	$ (31,366)	$ (11)	$ 2,490
Total Non-cash charges		1,745			
		$ 28,514			

(1) Includes severance and other termination benefits, including outplacement services.

(2) Includes the cost of relocating associates, relocating equipment and lease termination expense in connection with the closure of facilities. Restructuring charges in the Medical Technology segment during the nine months ended October 2, 2020 include costs related to product and distribution channel transformations, facilities optimization, and integration charges. Restructuring charges in the Medical Technology segment also include $4.9 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the nine months ended October 2, 2020.

(3) As of October 2, 2020, $2.4 million of the Company's restructuring liability was included in Accrued liabilities, whereas less than $0.1 million of the Company's restructuring liability was included in Other liabilities.

12. Financial Instruments and Fair Value Measurements

The carrying values of financial instruments, including Trade receivables and Accounts payable, approximate their fair values due to their short-term maturities. The $2.2 billion and $2.3 billion estimated fair value of the Company’s debt as of October 2, 2020 and December 31, 2019, respectively, was based on current interest rates for similar types of borrowings and is in Level Two of the fair value hierarchy. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

A summary of the Company’s assets and liabilities that are measured at fair value for each fair value hierarchy level for the periods presented is as follows:

	October 2, 2020			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 3,632	$ —	$ —	$ 3,632
Foreign currency contracts related to sales - not designated as hedges	—	2,403	—	2,403
Foreign currency contracts related to purchases - not designated as hedges	—	580	—	580
Deferred compensation plans	—	10,045	—	10,045
	$ 3,632	$ 13,028	$ —	$ 16,660
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	$ —	$ 1,176	$ —	$ 1,176
Foreign currency contracts related to purchases - not designated as hedges	—	918	—	918
Deferred compensation plans	—	10,045	—	10,045
	$ —	$ 12,139	$ —	$ 12,139

	December 31, 2019			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 13,125	$ —	$ —	$ 13,125
Foreign currency contracts related to sales - not designated as hedges	—	74	—	74
Foreign currency contracts related to purchases - not designated as hedges	—	408	—	408
Deferred compensation plans	—	8,870	—	8,870
	$ 13,125	$ 9,352	$ —	$ 22,477
Liabilities:				
Foreign currency contracts related to sales - not designated as hedges	$ —	$ 328	$ —	$ 328
Foreign currency contracts related to purchases - not designated as hedges	—	853	—	853
Deferred compensation plans	—	8,870	—	8,870
	$ —	$ 10,051	$ —	$ 10,051

There were no transfers in or out of Level One, Two or Three during the nine months ended October 2, 2020.

Foreign Currency Contracts

As of October 2, 2020 and December 31, 2019, the Company had foreign currency contracts with the following notional values:

	October 2, 2020	December 31, 2019
	(In thousands)	
Foreign currency contracts sold - not designated as hedges	$ 149,376	$ 28,718
Foreign currency contracts purchased - not designated as hedges	103,531	107,090
Total foreign currency derivatives	$ 252,907	$ 135,808

The Company recognized the following in its Condensed Consolidated Financial Statements related to its derivative instruments:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(In thousands)			
Contracts Designated as Hedges:				
Unrealized gain (loss) on net investment hedges[1]	$ (14,456)	$ 12,807	$ (12,700)	$ 14,258
Contracts Not Designated in a Hedge Relationship:				
Foreign Currency Contracts - related to customer sales contracts:				
Unrealized gain	106	423	638	215
Realized gain (loss)	701	(165)	(204)	(1,232)
Foreign Currency Contracts - related to supplier purchases contracts:				
Unrealized gain (loss)	(1,000)	(732)	841	(81)
Realized gain (loss)	(569)	1	(818)	455

[1] The unrealized gain on net investment hedges is attributable to the change in valuation of Euro denominated debt.

13. Commitments and Contingencies

For further description of the Company's litigation and contingencies, reference is made to Note 18, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in the Company's 2019 Form 10-K. Since the Company did not retain an interest in the ongoing operations of the divested Fluid Handling and Air and Gas businesses, the retained asbestos-related activity has been classified in its Condensed Consolidated Statements of Operations as a component of Loss from discontinued operations, net of taxes.

Asbestos Contingencies

Asbestos-related claims activity since December 31 is as follows:

	Nine Months Ended	
	October 2, 2020	September 27, 2019
	(Number of claims)	
Claims unresolved, beginning of period	16,299	16,417
Claims filed[1]	2,898	3,360
Claims resolved[2]	(3,712)	(3,604)
Claims unresolved, end of period	15,485	16,173

[1] Claims filed include all asbestos claims for which notification has been received or a file has been opened.
[2] Claims resolved include all asbestos claims that have been settled, dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.

The Company's Condensed Consolidated Balance Sheets included the following amounts related to asbestos-related litigation:

	October 2, 2020	December 31, 2019
	(In thousands)	
Current asbestos insurance receivable(1)	$ 34,674	$ 4,474
Long-term asbestos insurance asset(2)	234,400	281,793
Long-term asbestos insurance receivable(2)	36,681	41,629
Accrued asbestos liability(3)	62,310	64,394
Long-term asbestos liability(4)	259,426	286,105

(1) Included in Other current assets in the Condensed Consolidated Balance Sheets. Over the next year, the Company expects to be reimbursed for certain asbestos-related costs that were mainly incurred prior to certain court rulings.
(2) Included in Other assets in the Condensed Consolidated Balance Sheets.
(3) Represents current accruals for probable and reasonably estimable asbestos-related liability costs that the Company believes the subsidiaries will pay, and unpaid legal costs related to defending themselves against asbestos-related liability claims and legal action against the Company's insurers, which is included in Accrued liabilities in the Condensed Consolidated Balance Sheets.
(4) Included in Other liabilities in the Condensed Consolidated Balance Sheets.

Management's analyses are based on currently known facts and assumptions. Projecting future events, such as new claims to be filed each year, the average cost of resolving each claim, coverage issues among layers of insurers, the method in which losses will be allocated to the various insurance policies, interpretation of the effect on coverage of various policy terms and limits and their interrelationships, the continuing solvency of various insurance companies, the amount of remaining insurance available, as well as the numerous uncertainties inherent in asbestos litigation could cause the actual liabilities and insurance recoveries to be higher or lower than those projected or recorded which could materially affect the Company's financial condition, results of operations or cash flow.

General Litigation

The Company is involved in other pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings are expected to have a material adverse effect on the financial condition, results of operations or cash flow of the Company. With respect to these proceedings and the litigation and claims described in the preceding paragraphs, management of the Company believes that it will either prevail, has adequate insurance coverage or has established appropriate accruals to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adverse to the Company, there could be a material adverse effect on the financial condition, results of operations or cash flow of the Company.

14. Segment Information

The Company conducts its continuing operations through the Fabrication Technology and Medical Technology operating segments, which also represent the Company's reportable segments.

- ***Fabrication Technology*** - a global supplier of consumable products and equipment for cutting, joining, and automated welding, as well as gas control equipment, providing a wide range of products with innovative technologies to solve challenges in virtually any industry.

- ***Medical Technology*** - a global leader in orthopedic solutions, providing orthopedic devices, reconstructive implants, software and services spanning the full continuum of patient care, from injury prevention to rehabilitation.

Certain amounts not allocated to the two reportable segments and intersegment eliminations are reported under the heading "Corporate and other." The Company's management evaluates the operating results of each of its reportable segments based upon Net sales and segment operating income (loss), which represents Operating income (loss) before Restructuring and other related charges and European Union Medical Devices Regulation ("MDR") and other costs.

The Company's segment results were as follows:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019[1]
	(In thousands)			
Net sales:				
Fabrication Technology	$ 491,497	$ 539,228	$ 1,431,401	$ 1,692,347
Medical Technology	314,434	307,291	811,246	746,738
	$ 805,931	$ 846,519	$ 2,242,647	$ 2,439,085
Segment operating income (loss)[2]:				
Fabrication Technology	$ 63,058	$ 72,999	$ 175,703	$ 224,574
Medical Technology	22,869	22,456	5,877	37,743
Corporate and other	(15,079)	(14,285)	(44,730)	(99,864)
	$ 70,848	$ 81,170	$ 136,850	$ 162,453

(1) For the nine months ended September 27, 2019, the Medical Technology segment includes results from the acquisition date of February 22, 2019.
(2) Following is a reconciliation of Income (loss) from continuing operations before income taxes to segment operating income:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(In thousands)			
Income (loss) from continuing operations before income taxes	$ 36,364	$ 2,417	$ 25,200	$ (8,708)
Pension settlement loss	—	33,616	—	33,616
Interest expense, net	25,567	31,828	78,647	86,820
Restructuring and other related charges[1]	6,328	13,309	28,514	50,725
MDR and other[2]	2,589	—	4,489	—
Segment operating income	$ 70,848	$ 81,170	$ 136,850	$ 162,453

(1) Restructuring and other related charges includes $2.2 million and $4.9 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended October 2, 2020, respectively, and $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.
(2) Primarily related to costs specific to compliance with medical device reporting regulations and other requirements of the European Union Medical Device Regulation of 2017.

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

The following discussion of the financial condition and results of operations of Colfax Corporation ("Colfax," "the Company," "we," "our," and "us") should be read in conjunction with the Condensed Consolidated Financial Statements and related footnotes included in Part I. Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for the quarterly period ended October 2, 2020 (this "Form 10-Q") and the Consolidated Financial Statements and related footnotes included in Part II. Item 8. "Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K") filed with the Securities and Exchange Commission (the "SEC") on February 24, 2020.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-Q is filed with the SEC. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding: the impact of the COVID-19 global pandemic, including the actions by governments, businesses and individuals in response to the situation, on the global and regional economies, financial markets, and overall demand for our products; projections of revenue, profit margins, expenses, tax provisions and tax rates, earnings or losses from operations, impact of foreign exchange rates, cash flows, pension and benefit obligations and funding requirements, synergies or other financial items; plans, strategies and objectives of management for future operations including statements relating to potential acquisitions, compensation plans or purchase commitments; developments, performance or industry or market rankings relating to products or services; future economic conditions or performance; the outcome of outstanding claims or legal proceedings including asbestos-related liabilities and insurance coverage litigation; potential gains and recoveries of costs; assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe," "anticipate," "should," "would," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," "targets," "aims," "seeks," "sees," and similar expressions. These statements are based on assumptions and assessments made by our management as of the filing date of this Form 10-Q in light of their experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties and actual results could differ materially due to numerous factors, including but not limited to the following:

- risks related to the impact of the COVID-19 global pandemic, including actions by governments, businesses and individuals in response to the situation, such as the scope and duration of the outbreak, the nature and effectiveness of government actions and restrictive measures implemented in response, delays and cancellations of medical procedures, supply chain disruptions, the impact on creditworthiness and financial viability of customers, and other impacts on the Company's business and ability to execute business continuity plans;

- changes in the general economy, as well as the cyclical nature of the markets we serve;

- the turmoil in the commodity markets and decline in certain commodity prices, including oil, due to economic disruptions from the COVID-19 pandemic and various geopolitical events;

- our ability to identify, finance, acquire and successfully integrate attractive acquisition targets;

- our exposure to unanticipated liabilities resulting from acquisitions;

- our ability and the ability of our customers to access required capital at a reasonable cost;

- our ability to accurately estimate the cost of or realize savings from our restructuring programs;

- the amount of and our ability to estimate our asbestos-related liabilities;
- the solvency of our insurers and the likelihood of their payment for asbestos-related costs;
- material disruptions at any of our manufacturing facilities;
- noncompliance with various laws and regulations associated with our international operations, including anti-bribery laws, export control regulations and sanctions and embargoes;
- risks associated with our international operations, including risks from trade protection measures and other changes in trade relations;
- risks associated with the representation of our employees by trade unions and work councils;
- our exposure to product liability claims;
- potential costs and liabilities associated with environmental, health and safety laws and regulations;
- failure to maintain, protect and defend our intellectual property rights;
- the loss of key members of our leadership team;
- restrictions in our principal credit facility that may limit our flexibility in operating our business;
- impairment in the value of intangible assets;
- the funding requirements or obligations of our defined benefit pension plans and other postretirement benefit plans;
- significant movements in foreign currency exchange rates;
- availability and cost of raw materials, parts and components used in our products;
- new regulations and customer preferences reflecting an increased focus on environmental, social and governance issues, including new regulations related to the use of conflict minerals;
- service interruptions, data corruption, cyber-based attacks or network security breaches affecting our information technology infrastructure;
- risks arising from changes in technology;
- the competitive environment in our industries;
- changes in our tax rates, realizability of deferred tax assets, or exposure to additional income tax liabilities, including the effects of the COVID-19 global pandemic and the U.S. Tax Cuts and Jobs Act and the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”);
- our ability to manage and grow our business and execution of our business and growth strategies;
- the level of capital investment and expenditures by our customers in our strategic markets;
- our financial performance;
- difficulties and delays in integrating the DJO acquisition or fully realizing projected cost savings and benefits of the DJO acquisition; and
- other risks and factors, listed in Item 1A. “Risk Factors” in Part I of our 2019 Form 10-K and this Form 10-Q.

The effects of the COVID-19 pandemic, including actions by governments, businesses and individuals in response to it, may give rise or contribute to or amplify the risks associated with many of these factors.

Any such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ materially from those envisaged by such forward-looking statements. These forward-looking statements speak only as of the date this Form 10-Q is filed with the SEC. We do not assume any obligation and do not intend to update any forward-looking statement except as required by law. See Part I. Item 1A. “Risk Factors” in our 2019 Form 10-K and Part II. Item 1A. “Risk Factors” in this Form 10-Q for a further discussion regarding some of the reasons that actual results may be materially different from those that we anticipate.

Overview

In February 2019, we completed our acquisition of DJO Global Inc. (“DJO”) for $3.15 billion in cash. The acquisition of DJO has transformed Colfax by creating a new growth platform: Medical Technology.

On September 30, 2019, we completed the sale of our Air and Gas Handling business for an aggregate purchase price of $1.8 billion, including $1.67 billion cash paid at closing, subject to certain adjustments pursuant to the purchase agreement, and the assumption of certain liabilities and minority interests. Accordingly, the results of operations for the Air and Gas Handling segment have been excluded from the discussion of our results of operations for all periods presented. Refer to Note 3, “Discontinued Operations” in the accompanying Notes to Condensed Consolidated Financial Statements for more information.

Based on the above, we now conduct our continuing operations through two segments: Fabrication Technology and Medical Technology, which also represent our reportable segments.

- ***Fabrication Technology*** - a global supplier of consumable products and equipment for cutting, joining, and automated welding, as well as gas control equipment, providing a wide range of products with innovative technologies to solve challenges in a wide range of industries.

- ***Medical Technology*** - a leading provider of orthopedic solutions, providing orthopedic devices, software and services spanning the full continuum of patient care, from injury prevention to joint replacement to rehabilitation.

Certain amounts not allocated to the two reportable segments and intersegment eliminations are reported under the heading “Corporate and other.”

We have sales, engineering, administrative and production facilities throughout the world. Through our reportable segments, we serve a global customer base across multiple markets through a combination of direct sales and third-party distribution channels. Our customer base is highly diversified in the medical and industrial end markets.

Integral to our operations is the Colfax Business System (CBS). CBS is our business management system, combining a comprehensive set of tools and repeatable, teachable processes that we use to create superior value for our customers, shareholders and associates. Rooted in our core values, it is our culture. We believe our management team’s access to, and experience in, the application of CBS is one of our primary competitive strengths.

Results of Operations

The following discussion of Results of Operations addresses the comparison of the periods presented. Our management evaluates the operating results of each of its reportable segments based upon Net sales, Segment operating income, which represents Operating income before Restructuring and other related charges and European Union Medical Devices Regulation ("MDR") costs, and Adjusted EBITA as defined in the "Non-GAAP Measures" section.

Items Affecting Comparability of Reported Results

The comparability of our operating results for the three and nine months ended October 2, 2020 to the comparable 2019 periods is affected by the following additional significant items:

Recent Events

In December 2019, a novel coronavirus disease ("COVID-19") was first reported in China. On March 11, 2020, due to worldwide spread of the virus, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 global pandemic has resulted in a widespread health crisis, and the resulting impact on governments, businesses and individuals and actions taken by them in response to the situation have resulted in widespread economic disruptions, significantly affecting broader economies, financial markets, and overall demand for our products.

In an effort to protect the health and safety of our employees, we have taken actions to adopt social distancing policies at our locations around the world, including working from home, reducing the number of people in our sites at any one time, and suspending or restricting employee travel. In an effort to contain COVID-19 or slow its spread, governments around the world have enacted measures in 2020, including periodically closing businesses not deemed "essential," isolating residents to their homes, limiting access to healthcare, curtailing activities including sporting events, and practicing social distancing.

We implemented a broad range of temporary actions to mitigate the effects of lower sales levels including temporarily reducing salaries, furloughing and laying-off employees, significantly curtailing discretionary expenses, re-phasing of capital expenditures, reducing supplier purchase levels and / or prices, adjusting working capital practices and other measures.

As reflected in the discussions that follow, the pandemic and actions taken in response to it have had a variety of impacts on our results of operations during 2020. The most severe financial impact occurred in the second quarter, resulting in 31.8% lower sales than the second quarter of 2019. We began observing a recovery in the latter part of the second quarter, and it continued through the third quarter with sales improving to a 4.8% decrease from the third quarter of 2019.

We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities, including national and local public health authorities, and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control that require us to further adjust our operations. As such, given the dynamic nature of this situation, we cannot reasonably estimate the full impacts of COVID-19 on our financial condition, results of operations or cash flows in the future.

Please see Part II. Items 1A. "Risk Factors" in this Form 10-Q for further discussion of the Company's risks relating to the COVID-19 pandemic.

Strategic Acquisitions

We complement our organic growth plans with strategic acquisitions. Acquisitions can significantly affect our reported results, and we report the change in our Net sales between periods both from existing and acquired businesses. The change in Net sales due to acquisitions for the periods presented in this filing represents the incremental sales as a result of acquisitions. On February 22, 2019, we completed the acquisition of DJO, creating a new growth platform in the higher-margin orthopedic solutions market.

Foreign Currency Fluctuations

A significant portion of our Net sales, approximately 57% and 58% for the three and nine months ended October 2, 2020 respectively, were derived from operations outside the U.S., with the majority of those sales denominated in currencies other than the U.S. dollar. Because much of our manufacturing and employee costs are outside the U.S., a significant portion of our costs are also denominated in currencies other than the U.S. dollar. Changes in foreign exchange rates can impact our results of operations and are quantified when significant. For the nine months ended October 2, 2020 compared to the nine months ended September 27, 2019, fluctuations in foreign currencies had an unfavorable impact on the change in Net sales from continuing operations of approximately 3% and affected Gross profit and Selling, general and administrative expenses by less than 2%. For the third quarter of 2020 compared to the third quarter of 2019, fluctuations in foreign currencies had an unfavorable impact on the change in Net sales of approximately 2% and affected Gross profit and Selling, general and administrative expenses by less than 1%. The changes in foreign exchange rates since December 31, 2019 also decreased net assets by less than 1% as of October 2, 2020.

Seasonality

Our European operations typically experience a slowdown during the July, August and December vacation seasons. Sales in our Medical Technology segment typically peak in the fourth quarter. However, the business impact caused by the COVID-19 pandemic may distort the effects of historical seasonality patterns.

Non-GAAP Measures

Adjusted EBITA

Adjusted EBITA, a non-GAAP performance measure, is included in this report because it is a key metric used by our management to assess our operating performance. Adjusted EBITA excludes from Net income (loss) from continuing operations the effect of restructuring and other related charges, MDR costs, acquisition-related intangible asset amortization and other non-cash charges, and strategic transaction costs, as well as income tax expense (benefit), interest expense, net and pension settlement loss. We also present Adjusted EBITA margin, which is subject to the same adjustments as Adjusted EBITA. Further, we present Adjusted EBITA (and Adjusted EBITA margin) on a segment basis, where we exclude the impact of restructuring and other related charges, MDR costs, acquisition-related intangible asset amortization and other non-cash charges, and strategic transaction costs from segment operating income. Adjusted EBITA assists Colfax management in comparing its operating performance over time because certain items may obscure underlying business trends and make comparisons of long-term performance difficult, as they are of a nature and/or size that occur with inconsistent frequency or relate to discrete restructuring plans and other initiatives that are fundamentally different from our ongoing productivity improvements. Colfax management also believes that presenting these measures allows investors to view its performance using the same measure that we use in evaluating our financial and business performance and trends.

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 these non-GAAP measures to their most directly comparable GAAP financial measures. The following tables set forth a reconciliation of Net income (loss) from continuing operations, the most directly comparable GAAP financial measure, to Adjusted EBITA.

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(Dollars in millions)			
Net income (loss) from continuing operations (GAAP)	$ 16.8	$ 3.8	$ 22.6	$ (15.5)
Income tax expense (benefit)	19.5	(1.4)	2.6	6.8
Interest expense, net[(1)]	25.6	31.8	78.6	86.8
Pension settlement loss	—	33.6	—	33.6
Restructuring and other related charges[(2)]	6.3	13.3	28.5	50.7
MDR and other[(3)]	2.6	—	4.5	—
Strategic transaction costs[(4)]	0.6	0.9	3.2	56.7
Acquisition-related amortization and other non-cash charges[(5)]	36.2	43.7	108.1	124.1
Adjusted EBITA (non-GAAP)	$ 107.7	$ 125.8	$ 248.2	$ 343.2
Net income (loss) margin from continuing operations (GAAP)	2.1 %	0.4 %	1.0 %	(0.6)%
Adjusted EBITA margin (non-GAAP)	13.4 %	14.9 %	11.1 %	14.1 %

(1) The nine months ended September 27, 2019 includes $0.8 million of debt extinguishment charges in the first quarter of 2019.

(2) Restructuring and other related charges includes $2.2 million and $4.9 million of expense classified as Cost of sales on our Condensed Consolidated Statements of Operations for the three and nine months ended October 2, 2020, respectively, and $3.5 million of expense classified as Cost of sales on our Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

(3) Primarily related to costs specific to compliance with medical device reporting regulations and other requirements of the European Union Medical Device Regulation of 2017.

(4) Includes costs incurred for the acquisition of DJO.

(5) Includes amortization of acquired intangibles and fair value charges on acquired inventory.

The following tables set forth a reconciliation of operating income (loss), the most directly comparable financial statement measure, to Adjusted EBITA by segment for the three and nine months ended October 2, 2020 and September 27, 2019.

	Three Months Ended October 2, 2020				Nine Months Ended October 2, 2020			
	Fabrication Technology	Medical Technology	Corporate and other	Total	Fabrication Technology	Medical Technology	Corporate and other	Total
	(Dollars in millions)							
Operating income (loss) (GAAP)	$ 60.5	$ 16.5	$ (15.1)	$ 61.9	$ 164.3	$ (15.7)	$ (44.7)	$ 103.8
Restructuring and other related charges[1]	2.5	3.8	—	6.3	11.4	17.1	—	28.5
MDR and other	—	2.6	—	2.6	—	4.5	—	4.5
Segment operating income (loss) (non-GAAP)	63.1	22.9	(15.1)	70.8	175.7	5.9	(44.7)	136.9
Strategic transaction costs	—	—	0.6	0.6	—	—	3.2	3.2
Acquisition-related amortization and other non-cash charges	9.1	27.1	—	36.2	26.8	81.3	—	108.1
Adjusted EBITA (non-GAAP)	$ 72.2	$ 50.0	$ (14.5)	$ 107.7	$ 202.5	$ 87.2	$ (41.5)	$ 248.2
Segment operating income margin (non-GAAP)	12.8 %	7.3 %	— %	8.8 %	12.3 %	0.7 %	— %	6.1 %
Adjusted EBITA margin (non-GAAP)	14.7 %	15.9 %	— %	13.4 %	14.1 %	10.7 %	— %	11.1 %

(1) For the three and nine months ended October 2, 2020, Restructuring and other related charges in our Medical Technology segment includes $2.2 million and $4.9 million, respectively, of expense classified as Cost of sales on our Condensed Consolidated Statements of Operations.

	Three Months Ended September 27, 2019				Nine Months Ended September 27, 2019			
	Fabrication Technology	Medical Technology	Corporate and other	Total	Fabrication Technology	Medical Technology[1]	Corporate and other	Total
	(Dollars in millions)							
Operating income (loss) (GAAP)	$ 68.4	$ 13.7	$ (14.3)	$ 67.9	$ 211.6	$ —	$ (99.9)	$ 111.7
Restructuring and other related charges[2]	4.6	8.7	—	13.3	13.0	37.8	—	50.7
Segment operating income (loss) (non-GAAP)	73.0	22.5	(14.3)	81.2	224.6	37.8	(99.9)	162.5
Strategic transaction costs	—	—	0.9	0.9	—	—	56.7	56.7
Acquisition-related amortization and other non-cash charges	9.2	34.5	—	43.7	26.9	97.2	—	124.1
Adjusted EBITA (non-GAAP)	$ 82.2	$ 56.9	$ (13.4)	$ 125.8	$ 251.4	$ 135.0	$ (43.2)	$ 343.2
Segment operating income margin (non-GAAP)	13.5 %	7.3 %	— %	9.6 %	13.3 %	5.1 %	— %	6.7 %
Adjusted EBITA margin (non-GAAP)	15.2 %	18.5 %	— %	14.9 %	14.9 %	18.1 %	— %	14.1 %

(1) Our Medical Technology segment includes results from the acquisition date of February 22, 2019.

(2) Restructuring and other related charges includes $3.5 million of expense classified as Cost of sales on our Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

Total Company

Sales

Net sales decreased for the three and nine months ended October 2, 2020 as compared with the three and nine months ended September 27, 2019. The following table presents the components of changes in our consolidated Net sales.

	Three Months Ended		Nine Months Ended	
	Net Sales	**%**	**Net Sales[1]**	**%**
	(Dollars in millions)			
For the three and nine months ended September 27, 2019	$ 846.5		$ 2,439.1	
Components of Change:				
Existing Businesses[2]	(27.4)	(3.2)%	(323.9)	(13.3)%
Acquisitions[3]	—	— %	199.5	8.2 %
Foreign Currency Translation[4]	(13.2)	(1.6)%	(72.1)	(3.0)%
	(40.6)	(4.8)%	(196.5)	(8.1)%
For the three and nine months ended October 2, 2020	$ 805.9		$ 2,242.6	

(1) The nine months ended September 27, 2019 reflects 217 days of sales from our Medical Technology segment, as the DJO acquisition was completed on February 22, 2019. The increase in Net Sales for the year-to-date period through February 22, 2020 is reflected in the Acquisitions line.
(2) Excludes the impact of foreign exchange rate fluctuations and acquisitions, thus providing a measure of change due to factors such as price, product mix and volume.
(3) Represents the incremental sales as a result of our acquisitions discussed previously.
(4) Represents the difference between prior year sales valued at the actual prior year foreign exchange rates and prior year sales valued at current year foreign exchange rates.

Net sales decreased in the third quarter of 2020 compared with the prior year period, primarily due to the COVID-19 pandemic. Our Fabrication Technology segment decreased $31.6 million, slightly offset by a $4.2 million increase in our Medical Technology segment, primarily due to the growth in our Reconstructive product group from the resumption of elective surgical procedures, as well as nonrecurring sales of personal protective equipment (“PPE”) in our Prevention and Rehabilitation product group. The strengthening of the U.S. dollar relative to other currencies caused a $13.2 million currency translation negative impact.

Net sales decreased in the nine months ended October 2, 2020 compared to the prior year period, primarily due to the COVID-19 pandemic. Our Fabrication Technology segment decreased $189.4 million and our Medical Technology segment decreased $134.5 million for existing businesses, partially offset by the $199.5 million increase from two additional months of acquisition sales in our Medical Technology segment, which represents the incremental reported sales compared to the corresponding prior year period as a result of the acquisition of DJO being completed on February 22, 2019. The strengthening of the U.S. dollar relative to other currencies caused a $72.1 million currency translation negative impact.

Operating Results

The following table summarizes our results of continuing operations for the comparable periods.

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(Dollars in millions)			
Gross profit	$ 344.1	$ 368.1	$ 933.4	$ 1,005.2
Gross profit margin	42.7 %	43.5 %	41.6 %	41.2 %
Selling, general and administrative expense	$ 278.1	$ 290.5	$ 806.0	$ 846.3
Operating income (loss)	$ 61.9	$ 67.9	$ 103.8	$ 111.7
Operating income (loss) margin	7.7 %	8.0 %	4.6 %	4.6 %
Net income (loss) from continuing operations	$ 16.8	$ 3.8	$ 22.6	$ (15.5)
Net income (loss) margin from continuing operations	2.1 %	0.4 %	1.0 %	(0.6)%
Adjusted EBITA (non-GAAP)	$ 107.7	$ 125.8	$ 248.2	$ 343.2
Adjusted EBITA Margin (non-GAAP)	13.4 %	14.9 %	11.1 %	14.1 %
Items excluded from Adjusted EBITA:				
Restructuring and other related charges[(1)]	$ 6.3	$ 13.3	$ 28.5	$ 50.7
MDR and other	$ 2.6	$ —	$ 4.5	$ —
Strategic transaction costs	$ 0.6	$ 0.9	$ 3.2	$ 56.7
Acquisition-related amortization and other non-cash charges	$ 36.2	$ 43.7	$ 108.1	$ 124.1
Pension settlement loss	$ —	$ 33.6	$ —	$ 33.6
Interest expense, net	$ 25.6	$ 31.8	$ 78.6	$ 86.8
Income tax expense (benefit)	$ 19.5	$ (1.4)	$ 2.6	$ 6.8

(1) Restructuring and other related charges includes $2.2 million and $4.9 million of expense classified as Cost of sales on our Condensed Consolidated Statements of Operations for the three and nine months ended October 2, 2020, respectively, and $3.5 million of expense classified as Cost of sales on our Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

Third Quarter of 2020 Compared to Third Quarter of 2019

Gross profit decreased $24.0 million in the third quarter of 2020 compared with the prior year period due to a $20.1 million decrease in our Fabrication Technology segment and a $3.8 million decrease in our Medical Technology segment. The Gross profit decrease was attributable to lower sales volume, higher freight costs, and production inefficiencies related to the COVID-19 pandemic and unfavorable foreign currency translation, partially offset by new product initiatives and temporary cost reductions. Gross profit margin declined as a result of the lower sales and COVID-19 inefficiencies.

Selling, general and administrative expense decreased $12.4 million due to a $7.5 million decrease in acquisition-related amortization and other non-cash charges due to finalization of the valuation of DJO definite-lived intangible assets in the fourth quarter of 2019, as well as temporary expense reductions. Restructuring and other related charges decreased due to completing certain Medical Technology segment restructuring programs.

Interest expense, net decreased $6.2 million, primarily attributable to lower interest rates, as well as an overall reduction of the size of the credit facility from the December 2019 amendment.

The effective tax rate for Net income (loss) from continuing operations during the third quarter of 2020 was 53.7%, which was higher than the 2020 U.S. federal statutory tax rate of 21%, mainly due to the net impact of additional U.S. tax on international operations, withholding taxes, and certain non-deductible expenses. These unfavorable impacts were partially offset by the impact of U.S. tax credits, a benefit from U.S. state tax losses, and the realization of tax benefits associated with effective settlements on uncertain tax positions. The effective tax rate for the third quarter of 2019 was (56.0)%, which was lower than the 2019 U.S. federal statutory tax rate of 21% mainly due to a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction offset in part by losses in certain jurisdictions where a tax benefit was not expected to be recognized in 2019, and non-deductible deal costs.

Net income (loss) from continuing operations increased in the third quarter of 2020 compared with the prior year period due to the pension settlement loss incurred in the third quarter of 2019 and a reduction of interest expense, offset by the impact of the COVID-19 pandemic. Net income (loss) margin from continuing operations increased by 170 basis points due to the aforementioned factors. Adjusted EBITA and related margins decreased primarily due to the impact of the COVID-19 pandemic, partially offset by structural and temporary reductions in Selling, general and administrative expense.

Nine Months Ended October 2, 2020 Compared to Nine Months Ended September 27, 2019

Gross profit decreased $71.8 million in the nine months ended October 2, 2020 compared to the prior year period, due to a $91.6 million decrease in our Fabrication Technology segment, partially offset by a $19.8 million increase in our Medical Technology segment. Gross profit in our Fabrication Technology segment decreased due to lower sales volume and unfavorable foreign currency translation, partially offset by new product initiatives and temporary cost reductions. Gross profit in our Medical Technology segment increased primarily due to the inclusion of two additional months of activity, partially offset by decreased sales volume, higher freight costs, and production inefficiencies related to COVID-19. Gross profit margin improved slightly over the same period, primarily attributable to including two additional months of results of our Medical Technology segment in 2020 and temporary cost reductions, partially offset by the lower sales volume.

Selling, general and administrative expense decreased $40.3 million mainly due to a $53.4 million decrease in strategic transaction costs and temporary cost reductions that peaked in the second quarter, all partially offset by two additional months of results of our Medical Technology segment. Restructuring and other related charges decreased by $22.2 million due to completing certain Medical Technology segment restructuring programs.

Interest expense, net decreased by $8.2 million, primarily attributable to lower interest rates and the December 2019 credit facility capacity reduction. Additionally, interest expense decreased due to a lower average debt balance in 2020, as proceeds from the sale of the Air and Gas Handling business were used to pay down debt during the fourth quarter of 2019.

The effective tax rate for Net income (loss) from continuing operations during the nine months ended October 2, 2020 was 10.5%, which was lower than the 2020 U.S. federal statutory tax rate of 21% mainly due to the net impact of U.S. tax credits, a benefit from U.S. state tax losses, a discrete tax benefit associated with the filing of timely elected changes to U.S. Federal tax returns to credit rather than to deduct foreign taxes, the impact of an enacted law change in India, and the realization of tax benefits associated with effective settlements on uncertain tax positions. These favorable impacts were partially offset by the impact of additional U.S. tax on international operations, withholding taxes, and certain non-deductible expenses. The effective tax rate for the nine months ended September 27, 2019 was (78.5)%, which was lower than the 2019 U.S. federal statutory tax rate of 21% mainly due to losses in certain jurisdictions where a tax benefit was not expected to be recognized in 2019, $16.7 million of non-deductible deal costs, and an aggregate $9.2 million unfavorable discrete U.S. income tax expense due to a change in valuation allowance and state tax expense as a result of the DJO acquisition, offset in part by a discrete tax benefit associated with the enactment of tax law changes in a European jurisdiction.

Net income (loss) from continuing operations increased in the nine months ended October 2, 2020 compared to the prior year period, largely due to the inclusion of two additional months of results of our Medical Technology segment in 2020, a decrease in strategic transaction costs, and the pension settlement loss incurred during the nine months ended September 27, 2019. These were offset by a decrease in Gross profit from COVID-19 impacts, mitigated by the reductions in Selling, general and administrative expense from our temporary cost reduction programs. Net income (loss) margin from continuing operations increased by 160 basis points for the same reasons that Net income from continuing operations increased.

The lower Adjusted EBITA was driven by COVID-19 impacts, partially offset by the inclusion of two additional months of results of our Medical Technology segment in 2020 and the reductions in Selling, general and administrative expense from our temporary cost reduction programs. Adjusted EBITA margin decreased by 300 basis points due primarily to decreases in our Medical Technology segment Adjusted EBITA margin.

Business Segments

As discussed further above, we report results in two reportable segments: Fabrication Technology and Medical Technology.

Fabrication Technology

We formulate, develop, manufacture and supply consumable products and equipment, including cutting, joining, and automated welding products, as well as gas control equipment. Our fabrication technology products are marketed under several brand names, most notably ESAB, providing a wide range of products with innovative technologies to solve challenges in virtually any industry. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires and fluxes using a wide range of specialty and other materials, and cutting consumables including electrodes, nozzles, shields and tips. ESAB's fabrication technology equipment ranges from portable welding machines to large customized automated cutting and welding systems. Products are sold into a wide range of end markets, including infrastructure, wind power, marine, pipelines, mobile/off-highway equipment, oil, gas, and mining.

The following table summarizes selected financial data for our Fabrication Technology segment:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	September 27, 2019
	(Dollars in millions)			
Net sales	$ 491.5	$ 539.2	$ 1,431.4	$ 1,692.3
Gross profit	$ 174.0	$ 194.1	502.7	$ 594.3
Gross profit margin	35.4 %	36.0 %	35.1 %	35.1 %
Selling, general and administrative expense	$ 110.9	$ 121.1	$ 327.0	$ 369.7
Segment operating income	$ 63.1	$ 73.0	$ 175.7	$ 224.6
Segment operating income margin	12.8 %	13.5 %	12.3 %	13.3 %
Adjusted EBITA (non-GAAP)	$ 72.2	$ 82.2	$ 202.5	$ 251.4
Adjusted EBITA margin (non-GAAP)	14.7 %	15.2 %	14.1 %	14.9 %
Items excluded from Adjusted EBITA:				
Restructuring and other related charges	$ 2.5	$ 4.6	$ 11.4	$ 13.0
Acquisition-related amortization and other non-cash charges	$ 9.1	$ 9.2	$ 26.8	$ 26.9
Pension settlement loss	$ —	$ 33.6	$ —	$ 33.6

Third Quarter of 2020 Compared to Third Quarter of 2019

Net sales in our Fabrication technology segment decreased $47.7 million in the third quarter of 2020 compared with the prior year period due to a $16.1 million unfavorable foreign currency translation impact, as well as a 5.9% decrease due to a decline in customer demand driven by COVID-19, partially offset by new product initiative sales. The COVID-19 impact was most severe early in the second quarter, and we realized an approximate 19% sequential improvement in the third quarter. Sales improved across our regions, most strongly in the developing regions. Gross profit decreased, and Gross margin decreased 60 basis points, in the third quarter of 2020 due to lower sales volume caused by COVID-19, partially offset by new product initiatives and COVID-19-related cost reduction measures. Selling, general and administrative expense decreased due to lower discretionary spending and benefits from restructuring initiatives to reduce costs. In summary, Segment operating income, Adjusted EBITA, and related margins all declined due to lower sales levels related to COVID-19.

Nine Months Ended October 2, 2020 Compared to Nine Months Ended September 27, 2019

Net sales decreased $260.9 million in the nine months ended October 2, 2020 compared with the prior year period, due to lower sales volumes related to COVID-19 and a $71.5 million unfavorable foreign currency translation impact. Despite the $91.6 million reduction in Gross profit due to lower sales resulting from COVID-19, Gross profit margin was maintained versus the prior year level due to temporary cost reductions and restructuring benefits. Selling, general and administrative expense decreased in the period due to benefits from restructuring initiatives and temporary cost reduction programs. Lower sales levels related to COVID-19 resulted in a decline in Segment operating income, Adjusted EBITA, and related margins over the same period.

Medical Technology

We develop, manufacture and distribute high-quality medical devices and services across the continuum of patient care from injury prevention to joint replacement to rehabilitation after surgery, injury or from degenerative disease, enabling people to regain or maintain their natural motion. Our products are used by orthopedic specialists, spine surgeons, primary care physicians, pain management specialists, physical therapists, podiatrists, chiropractors, athletic trainers and other healthcare professionals. Our products primarily include orthopedic braces, rehabilitation devices, footwear, surgical implants, and bone growth stimulators.

The following table summarizes the selected financial data for our Medical Technology segment:

	Three Months Ended		Nine Months Ended	
	October 2, 2020	September 27, 2019	October 2, 2020	From February 22, 2019 to September 27, 2019
	(Dollars in millions)			
Net sales	$ 314.4	$ 307.3	$ 811.2	$ 746.7
Gross profit	$ 170.2	$ 174.0	$ 430.7	$ 410.9
Gross profit margin	54.1 %	56.6 %	53.1 %	55.0 %
Selling, general and administrative expense	$ 152.1	$ 155.1	$ 434.3	$ 376.7
Segment operating income	$ 22.9	$ 22.5	$ 5.9	$ 37.8
Segment operating income margin	7.3 %	7.3 %	0.7 %	5.1 %
Adjusted EBITA (non-GAAP)	$ 50.0	$ 56.9	$ 87.2	$ 135.0
Adjusted EBITA margin (non-GAAP)	15.9 %	18.5 %	10.7 %	18.1 %
Items excluded from Adjusted EBITA:				
Restructuring and other related charges[(1)]	$ 3.8	$ 8.7	$ 17.1	$ 37.8
MDR and other	$ 2.6	$ —	$ 4.5	$ —
Acquisition-related amortization and other non-cash charges	$ 27.1	$ 34.5	$ 81.3	$ 97.2

(1) Restructuring and other related charges includes $2.2 million and $4.9 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended October 2, 2020, and $3.5 million of expense classified as Cost of sales on the Company's Condensed Consolidated Statements of Operations for the three and nine months ended September 27, 2019.

Third Quarter of 2020 Compared to Third Quarter of 2019

Net sales increased for our Medical Technology segment in the third quarter of 2020 compared with the prior year period due to greater organic growth including approximately $7 million for personal protective equipment that is not expected to recur. Our Medical Technology segment experienced a severe reduction in sales in April 2020 due to a significant decline of elective surgical procedures, cancellations of organized sports, and an overall decrease in general population activity levels caused by certain government-ordered restrictions in response to COVID-19. Sales improved throughout the remainder of the second quarter and in the third quarter as elective surgical procedures resumed and the degree of sporting and general activity increased. Third quarter Reconstructive product line sales grew 9.3%, and Prevention & Rehabilitation sales declined 0.4%. Gross profit and Gross profit margin declined in the third quarter of 2020 compared to third quarter of 2019 due to freight and production inefficiencies related to COVID-19. Selling, general and administrative expense decreased due to lower acquisition-related amortization of intangible assets. Segment operating income increased primarily due to the growth in organic sales and reduction of acquisition-related amortization of intangible assets, partially offset by freight and production inefficiencies caused by COVID-19. Adjusted EBITA and related margins all declined for the reasons noted above. Restructuring and other related charges decreased by $4.9 million due to completing certain projects in earlier periods.

Nine Months Ended October 2, 2020 Compared to Nine Months Ended September 27, 2019

Net sales increased for our Medical Technology segment in the nine months ended October 2, 2020 compared with the prior year period due to an additional two months of acquisition sales, partially offset by a decrease in sales volume related to COVID-19. Gross profit increased as a result of the aforementioned factors and a $17.0 million decrease of inventory fair value charges. Gross profit margin declined as a result of lower sales volume, higher freight, and production inefficiencies related to COVID-19. Selling, general and administrative expense also increased due to including two additional months of sales, partially offset by temporary expense reductions. Segment operating income, Adjusted EBITA, and related margins all declined as a result of the aforementioned factors. Restructuring and other related charges decreased by $20.7 million due to completing certain projects.

Liquidity and Capital Resources

Overview

We finance our capital and working capital requirements through a combination of cash flows from operating activities, various borrowings and occasional issuances of equity. We expect that our primary ongoing requirements for cash will be for working capital, acquisitions, capital expenditures, restructuring programs, asbestos-related cash outflows, and debt service and required amortization of principal. We believe we could raise additional funds in the form of debt or equity if it were determined to be appropriate for strategic acquisitions or other corporate purposes. Based on our expected cash flows from operations, current cash positions, and contractually available borrowings under our credit facility, we expect to have sufficient liquidity to fund working capital needs and future growth over the next twelve months. At quarter-end, the Company has a $66.4 million cash balance and $1.2 billion of capacity under its credit agreement and other facilities.

Term Loan and Revolving Credit Facility

Our credit agreement (the “Credit Facility”) by and among the Company, as the borrower, certain U.S. subsidiaries of the Company, as guarantors, each of the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A., as syndication agent, and the co-documentation agents named therein consists of a $975 million revolving credit facility (the “Revolver”) and a Term A-1 loan in an aggregate principal amount of $825 million (the “Term Loan”), each with a maturity date of December 6, 2024. The Revolver contains a $50 million swing line loan sub-facility. On May 1, 2020, the Company entered into an amendment to its Credit Facility (the “Amendment”). Refer to Note 10, “Debt” in the accompanying Notes to Condensed Consolidated Financial Statements for more information regarding the Amendment.

As of October 2, 2020, we were in compliance with the covenants under the Credit Facility. As of October 2, 2020, the weighted-average interest rate of borrowings under the Credit Facility was 1.91%, excluding accretion of original issue discount and deferred financing fees, and there was $975 million of credit available on the Revolver. During the third quarter of 2020, the Company made a voluntary $40 million principal payment on the Term A-1 loan.

Other Indebtedness

In addition, we are party to various bilateral credit facilities with a borrowing capacity of $189.5 million. As of October 2, 2020, there were no outstanding borrowings under these facilities.

We are also party to letter of credit facilities with an aggregate capacity of $390.2 million. Total letters of credit of $84.3 million were outstanding as of October 2, 2020.

Equity Capital

In 2018, our Board of Directors authorized the repurchase of shares of our Common stock from time-to-time on the open market or in privately negotiated transactions. No repurchases of our Common stock have been made under this plan since the third quarter of 2018. As of October 2, 2020, the remaining stock repurchase authorization provided by our Board of Directors was $100.0 million. The timing, amount, and method of shares repurchased is determined by management based on its evaluation of market conditions and other factors. There is no term associated with the remaining repurchase authorization.

Cash Flows

As of October 2, 2020, we had $66.4 million of Cash and cash equivalents, a decrease of $43.2 million from $109.6 million as of December 31, 2019. The following table summarizes the change in Cash and cash equivalents during the periods indicated:

	Nine Months Ended	
	October 2, 2020	September 27, 2019
	(Dollars in millions)	
Net cash provided by operating activities	$ 173.1	$ 65.7
Purchases of property, plant and equipment	(81.6)	(100.4)
Proceeds from sale of property, plant and equipment	4.9	7.5
Acquisitions, net of cash received	(7.5)	(3,136.8)
Net cash used in investing activities	(84.1)	(3,229.7)
Proceeds (repayments) from borrowings, net	(116.1)	2,811.1
Payment for noncontrolling interest share repurchase	—	(93.1)
Proceeds from prepaid stock purchase contracts	—	377.8
Other	(9.5)	(4.9)
Net cash provided by (used in) financing activities	(125.6)	3,090.9
Effect of foreign exchange rates on Cash and cash equivalents	(6.6)	(5.2)
Decrease in Cash and cash equivalents	$ (43.2)	$ (78.3)

Cash used in operating activities related to the discontinued operations of our divested Air and Gas Handling business for the nine months ended October 2, 2020 was $7.2 million. Cash provided by operating activities related to the discontinued operations of our divested Air and Gas Handling business for the nine months ended September 27, 2019 was $18.0 million. Cash used in investing activities related to the discontinued operations of the divested Air and Gas Handling business for the nine months ended September 27, 2019 was $27.5 million.

Cash flows from operating activities increased in the nine months ended October 2, 2020 versus the comparable 2019 period due to changes in working capital, lower restructuring outlays in 2020, and non-recurring strategic transaction costs in 2019. Cash flows from operating activities can fluctuate significantly from period-to-period due to changes in working capital and the timing of payments for items such as restructuring and asbestos-related costs. Changes in significant operating cash flow items inclusive of activities for our discontinued operations, comparing the nine months ended October 2, 2020 with the comparable prior year period, are discussed below.

- Year-to-date 2020 results include net asbestos outflows of $11.2 million versus outflows of $18.5 million in 2019, all of which related to our discontinued operations. These outflows represent disposition of claims, defense costs and legal expenses related to litigation against our insurers, net of insurance proceeds.

- Year-to-date payments for restructuring activities reduced from $65.5 million in 2019 to $31.4 million in 2020 as certain projects were completed.

- Year-to-date 2020 results include $44.6 million of inflows from working capital due to lower sales and operational improvements. Results in the comparable prior year period included a $91.0 million outflow, due to an increase in Net Sales, an estimated $40 million one-time effort to bring DJO suppliers into payment terms consistent with our normal practices, and the elimination of a DJO accounts receivable factoring program. We define working capital as Trade receivables, net and Inventories, net, both reduced by Accounts payable and customer advances and billings in excess of costs incurred.

Cash flows used in investing activities during the nine months ended October 2, 2020 primarily consists of purchases of property, plant and equipment. During the nine months ended September 27, 2019, cash flows used in investing activities included the DJO acquisition.

Cash flows used in financing activities for the nine months ended October 2, 2020 included a net increase in repayments on our Revolver and Term Loan. Cash flows provided by financing activities for nine months ended September 27, 2019 were impacted by proceeds from borrowings on newly acquired debt and issuance of common stock in conjunction with the DJO acquisition, partially offset by the repurchases of a vast majority of the noncontrolling interest shares of a former Air and Gas Handling subsidiary in South Africa.

Our Cash and cash equivalents as of October 2, 2020 include $50.7 million held in jurisdictions outside the U.S. We reduced these levels by $12.1 million in the third quarter of 2020. Cash repatriation of non-U.S. cash into the U.S. may be subject to taxes, other local statutory restrictions and minority owner distributions.

Critical Accounting Policies

The methods, estimates and judgments that we use in applying our critical accounting policies have a significant impact on our results of operations and financial position. We evaluate our estimates and judgments on an ongoing basis. Our estimates are based upon our historical experience, our evaluation of business and macroeconomic trends and information from other outside sources, as appropriate. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates, and different assumptions or estimates about the future could have a material impact on our results of operations and financial position.

There have been no other significant additions to the methods, estimates and judgments included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies” in our 2019 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in short-term interest rates, foreign currency exchange rates and commodity prices that could impact our results of operations and financial condition. We address our exposure to these risks through our normal operating and financing activities. We do not enter into derivative contracts for trading purposes.

Interest Rate Risk

We are subject to exposure from changes in short-term interest rates related to interest payments on our borrowing arrangements. A significant amount of our borrowings as of October 2, 2020 are variable-rate facilities based on LIBOR or EURIBOR. In order to mitigate our interest rate risk, we may enter into interest rate swap or collar agreements. A hypothetical increase in interest rates of 1% during the three and nine months ended October 2, 2020 would have increased Interest expense for our variable-rate based debt by approximately $2.1 million and $6.9 million, respectively.

Exchange Rate Risk

We have manufacturing sites throughout the world and sell our products globally. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar and against the currencies of other countries in which we manufacture and sell products and services. During the three and nine months ended October 2, 2020, approximately 57% and 58%, respectively, of our sales were derived from operations outside the U.S. We have significant manufacturing operations in European countries that are not part of the Eurozone. Sales are more highly weighted toward the Euro and U.S. dollar. We also have significant contractual obligations in U.S. dollars that are met with cash flows in other currencies as well as U.S. dollars. To better match revenue and expense as well as cash needs from contractual liabilities, we regularly enter into currency swaps and forward contracts.

We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries. Euro denominated borrowings under the Euro Senior Notes provide a natural hedge to a portion of our European net asset position. The effect of a change in currency exchange rates on our net investment in international subsidiaries, net of the translation effect of our Euro denominated borrowings, is reflected in the Accumulated other comprehensive loss component of Equity. A 10% depreciation in major currencies relative to the U.S. dollar as of October 2, 2020 (net of the translation effect of our Euro denominated borrowings) would result in a reduction in Equity of approximately $159 million.

We also face exchange rate risk from intercompany transactions between affiliates. Although we use the U.S. dollar as our functional currency for reporting purposes, we have manufacturing sites throughout the world, and a substantial portion of our costs are incurred and sales are generated in foreign currencies. Costs incurred and sales recorded by subsidiaries operating outside of the U.S. are translated into U.S. dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. Similarly, tax costs may increase or decrease as local currencies strengthen or weaken against the U.S. dollar.

Commodity Price Risk

We are exposed to changes in the prices of raw materials used in our production processes. In order to manage commodity price risk, we periodically enter into fixed price contracts directly with suppliers.

See Note 12, “Financial Instruments and Fair Value Measurements” in our Notes to Condensed Consolidated Financial Statements included in this Form 10-Q for additional information regarding our derivative instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of October 2, 2020. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report on Form 10-Q has been recorded, processed, summarized and reported as of the end of the period covered by this report on Form 10-Q.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Discussion of legal proceedings is incorporated by reference to Note 13, "Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements included in Part I. Item 1. "Financial Statements" of this Form 10-Q.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. In addition to risk factors included in "Part I. Item 1A. Risk Factors" in our 2019 Form 10-K, we face the following risks:

The effects of the COVID-19 global pandemic have materially affected how we and our customers and suppliers operate, and the duration and extent to which this will impact our future results of operations, financial condition, and overall financial performance remains uncertain.

In December 2019, a novel coronavirus disease ("COVID-19") was first reported in China. On March 11, 2020, due to worldwide spread of the virus, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 global pandemic has resulted in a widespread health crisis, and the resulting impact on governments, businesses and individuals and actions taken by them in response to the situation have resulted in widespread economic disruptions, significantly affecting broader economies, financial markets, and overall demand for our products. It is uncertain when and to what extent these conditions will subside and whether and how quickly businesses will return to levels that existed before the outbreak of the pandemic. As a result of the COVID-19 outbreak, we have experienced and expect to continue to experience disruptions that severely impact and may continue to severely impact our businesses including, but not limited to:

- material delays and cancellations of elective medical procedures; orthopedic clinics and physical therapy centers operating at reduced capacity and only serving critical patients; and cancellation of professional, college, high school and youth sports programs impacting our Medical Technology business; and
- reductions in levels of new capital investment and maintenance expenditures or a sustained industrial downturn impacting our Fabrication Technology business.

As a result of such impacts, we have experienced significant decreases in sales at each of our Medical Technology and Fabrication Technology businesses and expect sales to be impacted through 2020 and possibly beyond as residual caution in 2021 could impact the pace of recovery. Although we have experienced increases in sales in the third quarter of 2020 as restrictions have been lifted or eased in certain jurisdictions, other jurisdictions have seen increases in new COVID-19 cases, resulting in restrictions being reinstated, or new restrictions imposed in these jurisdictions. To the extent there is a resurgence of COVID-19 or restrictions are reinstated, our businesses could be negatively impacted. Ultimately, we expect that the longer the period of economic disruption continues, the more material the adverse impact will be on our businesses, results of operations and financial condition. Moreover, a prolonged period of generating lower cash from operations could adversely affect our financial condition and the achievement of our strategic objectives. Conditions in the financial and credit markets may also limit the availability of funding or increase the cost of funding, which could adversely affect our businesses, financial condition and results of operations.

The degree to which the COVID-19 situation impacts our businesses, results of operations and financial condition, including the duration and magnitude of such impacts, will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, including any resurgences, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions resume. Even to the extent conditions begin to improve, the duration and sustainability of any such improvements will be uncertain and continuing adverse impacts and/or the degree of improvement may vary dramatically by geography and line of business. Additionally, the effects of the COVID-19 pandemic, including actions by governments, businesses and individuals in response, could give rise or contribute to or amplify many of the risks discussed in our risk factors, included in Part 1, Item A of our 2019 Form 10-K, including, but not limited to risks related to our profitability, laws and regulations affecting our business, fluctuations in foreign currency markets, the availability of future borrowings, the costs of current and future borrowings, valuation of our pension assets and obligations, credit risks of our customers and counterparties, our business transformation and restructuring initiatives, and impairment of intangible assets, including goodwill.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On October 27, 2020, the Company's Board of Directors approved a form of change in control agreement with certain of the Company's executive officers, including Christopher Hix, Shyam Kambeyanda, Brady Shirley and Daniel Pryor, and on October 27, 2020, the Company and each of Mr. Hix, Mr. Kambeyanda, Mr. Shirley and Mr. Pryor entered into a change in control agreement (the "Change in Control Agreements"). The Change in Control Agreements supersede and replace any prior agreement between the Company and such executive officers with respect to a change in control (as such term is defined in the Change in Control Agreements) of the Company, except to the extent such executive officer has an offer letter or other employment agreement with the Company, in which case the agreement with terms more favorable to the executive officer will control.

Pursuant to the Change in Control Agreements, upon a change in control of the Company, each executive officer will be entitled to an annual base salary, cash bonus opportunity and benefits package equal to or greater than the base salary, cash bonus opportunity or benefits package in effect for such executive officer immediately prior to the change in control. If an executive officer's employment is terminated during the two year period following, or the three month period preceding, a change in control of the Company other than (a) by the Company for cause, (b) by reason of death or disability or (c) by the executive officer for good reason (as such terms are defined in the Change in Control Agreements), the Company will pay the executive officer an amount equal to: (i) two times the annual base salary of such executive officer plus (ii) two times the target cash bonus opportunity of such executive officer. Any outstanding long-term equity incentive awards held by the executive officer will continue to be treated in accordance with the terms and conditions of the award agreements and plans pursuant to which such awards were granted.

Each Change in Control Agreement has an initial two-year term, subject to automatic extension for successive one-year periods unless either the Company or the executive officer gives notice of non-renewal to the other or the agreement is otherwise terminated pursuant to its terms.

The foregoing description of the Change in Control Agreements is qualified by the full text of the Change in Control Agreements, the form of which is filed as an exhibit to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.01*	Amended and Restated Certificate of Incorporation.
3.02**	Colfax Corporation Amended and Restated Bylaws.
10.01***	Form of Change in Control Agreement
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	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.
32.02	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 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 - The cover page from this Quarterly Report on Form 10-Q for the quarter ended October 2, 2020 is formatted in Inline XBRL (included as Exhibit 101).
*	Incorporated by reference to Exhibit 3.01 to Colfax Corporation’s Form 8-K (File No. 001-34045) as filed with the SEC on January 30, 2012.
**	Incorporated by reference to Exhibit 3.02 to Colfax Corporation’s Form 10-Q (File No. 001-34045) as filed with the SEC on July 23, 2015.
***	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.

Registrant: Colfax Corporation

By:

/s/ Matthew L. Trerotola Matthew L. Trerotola	President and Chief Executive Officer (Principal Executive Officer)	October 29, 2020
/s/ Christopher M. Hix Christopher M. Hix	Executive Vice President, Finance Chief Financial Officer (Principal Financial Officer)	October 29, 2020
/s/ Douglas J. Pitts Douglas J. Pitts	Vice President Controller and Chief Accounting Officer (Principal Accounting Officer)	October 29, 2020

Form of Change in Control AGREEMENT

This AGREEMENT ("Agreement"), dated as of _____, 20__, by and between COLFAX CORPORATION, a Delaware corporation (the "Company"), and _____ (the "Employee").

WHEREAS, the Company wishes to employ the Employee or, if the Employee is already employed by the Company, the Company wishes to continue to employ the Employee;

WHEREAS, the Company desires to set forth the general terms of the Employee's employment with the Company in connection with a Change in Control (as defined below);

[WHEREAS, the Company and the Employee entered into an offer letter agreement dated _____, 20__ (the "Offer Letter");][1]

WHEREAS, the Employee is a key employee who is expected to make, or continue to make, major contributions to the profitability, growth and financial strength of the Company and its Subsidiaries (as that term is hereafter defined);

WHEREAS, the Company recognizes that, as is the case for most publicly held companies, the possibility of a Change in Control (as that term is hereafter defined) exists;

WHEREAS, the Company desires to assure itself and its Subsidiaries of both present and future continuity of management in the event of a Change in Control and desires to establish certain minimum compensation rights for key employees, including the Employee, applicable in the event of a Change in Control;

WHEREAS, the Company wishes to ensure that key employees are not practically disabled from discharging their duties upon a Change in Control; and

WHEREAS, the Employee is willing to render services on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises, the Company and the Employee agree as follows.

1. Certain Definitions. For the purposes of this Agreement, the following terms shall have the respective meanings set forth below:

(a) "Board" means the Board of Directors of the Company.

(b) "Business" means a company involved in any of the manufacture and/or sale of orthopedic and fabrication technology products and services that are produced by the Company or a Subsidiary or that are competitive with any of the orthopedic and fabrication technology products and services that are produced by the

[1] Provision included as applicable.

Company or a Subsidiary, or any other products actively produced by the Company or a Subsidiary at the time of Employee's termination of employment.

(c) "Cause" means that, prior to any termination pursuant to Section 5(b) hereof for "Cause", the Employee shall have committed:

(i) an intentional act of fraud, embezzlement or theft in connection with his or her duties or in the course of his or her employment with the Company or any Subsidiary;

(ii) intentional wrongful damage to property of the Company or any Subsidiary;

(iii) intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary;

(iv) conviction of a criminal offense (other than minor traffic offenses); or

(v) intentional wrongful engagement in any competitive activity which would constitute a material breach of the duty of loyalty ("Competitive Activity")

and any such act shall have been materially harmful to the Company and its Subsidiaries taken as a whole. For purposes of this Agreement, no act, or failure to act, on the part of the Employee shall be deemed "intentional" if it was due primarily to an error in judgment or negligence, but shall be deemed "intentional" only if done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his or her action or omission was in or not opposed to the best interest of the Company and its Subsidiaries.

Notwithstanding the foregoing, the Employee shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Employee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the Board then in office at a meeting of the Board called and held for such purpose (after reasonable notice to the Employee and an opportunity for the Employee, together with his or her counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Employee had committed an act set forth above in this Section 1(c) and specifying the particulars thereof in detail. Nothing herein shall limit the right of the Employee or his or her beneficiaries to contest the validity or propriety of any such determination.

(d) "Change in Control" means the occurrence of any of the following during the Term:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of either: (A) the then-outstanding shares of common stock of the Company (the "Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors ("Voting Stock"); provided, however, that for purposes of this subsection (1), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (iv) any acquisition by any Person (or more than one Person acting as a group) that owns more than fifty (50) percent of the Company Common Stock or Voting Stock and acquires additional shares, or (v) any acquisition by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (3) below; or

(ii) individuals who, as of the date hereof, constitute the Board (as modified by this subsection (2), the "Incumbent Board"), cease for any reason (other than death or disability) to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Company Common Stock and Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Company Common Stock and Voting Stock of the Company, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than fifty percent (50%) of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

A "Change in Control" will be deemed to occur (i) with respect to a Change in Control pursuant to subsection (1) above, on the date that any Person becomes the beneficial owner of more than fifty percent (50%) of either the Company Common Stock or the Voting Stock, (ii) with respect to a Change in Control pursuant to subsection (2) above, on the date the members of the Incumbent Board first cease for any reason (other than death or disability) to constitute at least a majority of the Board, (iii) with respect to a Change in Control pursuant to subsection (3) above, on the date the applicable transaction closes and (iv) with respect to a Change in Control pursuant to subsection (4) above, on the date of the stockholder approval. Notwithstanding the foregoing provisions, a "Change in Control" shall not be deemed to have occurred for purposes of this Agreement solely because of a change in control of any Subsidiary by which the Employee may be employed.

(e) "Date of Termination" means the date on which the Employee incurs a "separation from service," within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Code"), with the Company and its Subsidiaries.

(f) "Disabled" means the Employee has become permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect immediately prior to the Change in Control for key employees of the Company and its Subsidiaries.

(g) "Good Reason" means:

(i) failure to elect, reelect or otherwise maintain the Employee in the offices or positions in the Company or any Subsidiary which the Employee held immediately prior to a Change in Control, or the removal of the Employee as a director of the Company (or any successor thereto) if the Employee shall have been a director of the Company immediately prior to the Change in Control;

(ii) a material reduction in the nature or scope of the responsibilities or duties attached to the position or positions with the Company and its Subsidiaries which the Employee held immediately prior to the Change in Control, a material reduction in the aggregate of the Employee's Base Pay (as that term is hereafter defined) and Incentive Pay (as that term is hereafter defined) opportunity received from the Company, or the termination of the Employee's rights to any material Employee Benefits (as that term is hereafter defined) to which he or she was entitled immediately prior to the Change in Control or a material reduction in scope or value thereof without the prior written consent of the Employee;

(iii) the liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or a significant portion of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization or otherwise) to which all or a significant portion of its business and/or assets have been transferred (directly or by operation of law) shall have assumed all duties and obligations of the Company under this Agreement pursuant to Section 13 hereof;

(iv) the Company shall relocate its principal executive offices, or the Company or any Subsidiary shall require the Employee to have his or her principal location of work changed, to any location which is in excess of 50 miles from the location thereof immediately prior to the Charge in Control or the Company or any Subsidiary shall require the Employee to travel away from his or her office in the course of discharging his or her responsibilities or duties hereunder significantly more (in terms of either consecutive days or aggregate days in any calendar year) than was required of him or her prior to the Change in Control without, in either case, the Employee's prior written consent; or

(v) without limiting the generality or the effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto.

The Employee is not entitled to assert that his or her termination is for Good Reason unless the Employee gives the Company written notice of the event or events that are the basis for such claim within ninety (90) days after the event or events occur, describing such claim in reasonably sufficient detail to allow the Company to address the event or events and a period of not less than thirty (30) days after to cure the alleged condition.

(h) "Nonsolicitation Period" shall mean the period of Employee's employment or services with the Company or Subsidiary and the twenty-four (24) months following the Date of Termination; except that if a court or arbitrator finds that a twenty-four (24) month Nonsolicitation Period is not reasonably necessary to protect legitimate business interests of the Company or a Subsidiary, the Nonsolicitation Period shall be the period of Employee's employment with the Company or Subsidiary and eighteen (18) months immediately following the Date of Termination; except that if a court or arbitrator finds that a eighteen (18) month Nonsolicitation Period is not reasonably necessary to protect legitimate business interests of the Company or a Subsidiary, the Nonsolicitation Period shall be the period of Employee's employment with the Company or Subsidiary and twelve (12) months immediately following the Date of Termination.[2]

(i) "Restriction Period" shall mean the twelve (12) months immediately following the Date of Termination; except that if a court or arbitrator finds that a twelve (12) month Restriction Period is not reasonably necessary to protect legitimate business interests of the Company or a Subsidiary, the Restriction Period shall be the period of Employee's employment or services with the Company or Subsidiary and nine (9) months immediately following the Date of Termination; except that if a court or arbitrator finds that a nine (9) month Restriction Period is not reasonably necessary to protect legitimate business interests of the Company or a Subsidiary, the Restriction Period shall be the period of Employee's employment or services with the Company and six (6) months immediately following the Date of Termination.[3]

(j) "Subsidiary" means a corporation, company or other entity (i) more than fifty percent (50%) of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but more than fifty percent (50%) of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter owned or controlled, directly or indirectly, by the Company, but such corporation, company or other entity shall be deemed to be a Subsidiary only so long as such ownership or control exists.

(k) "Term" means the period commencing as of the date hereof and expiring as of the close of business two years from the date of the Agreement, provided, however, that (i) commencing on January 1, 20__ and each January 1 thereafter, the Term shall automatically be extended for an additional year unless, not later than September 30 of the year immediately preceding such January 1, the Company or the Employee shall have given notice that it or he/she, as the case may be, does not wish to have the Term extended and (ii) upon a Change in Control, the Term shall be extended to the third anniversary of such Change in Control.

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[2] Or such shorter period as required by applicable law.

[3] Or such shorter period as required by applicable law.

Notwithstanding the foregoing, subject to Section 11 hereof, if, at any time prior to a Change in Control, the Employee for any reason is no longer an employee of the Company or a Subsidiary, thereupon the Term shall be deemed to have expired.

(l) "Territory" means those locations in the United States of America in which the Company or a Subsidiary is operating and those locations abroad in which the Company or a Subsidiary has significant operations; except that if a court or arbitrator finds that the foregoing states are not reasonably necessary to protect legitimate business interests of the Company, the Territory shall be the state(s) or geographic area(s) in which Employee was assigned for management or operational responsibility on behalf of the Company or a Subsidiary as of the date of Employee's separation of employment or a sales territory.

2. Acknowledgment of Consideration. The Employee agrees that this Agreement was entered into for good and valuable consideration, including, but not limited to the Company's employment or continued employment of the Employee, the Company's provision of Protected Information (as that term is hereafter defined) to the Employee, and the compensation and benefits associated with that employment.

3. Employment Prior to a Change in Control. Prior to a Change in Control, the following terms shall govern the Employee's employment.

(a) Employment. [The Employee is employed on an indefinite term contract subject to the terms of the Offer Letter.][4] The Employee understands and agrees that nothing in this Agreement constitutes an express or implied contract, or any promise or commitment, guaranteeing continued employment with the Company.

(b) General Employment Duties. The Employee agrees to diligently perform his or her job duties as may be assigned by the Company to the best of his or her ability. The Employee will keep informed of the Company's policies, procedures, and practices, and will comply with them at all times. The Employee also agrees that, while employed by the Company, the Employee shall not engage in any activity that might impair or otherwise interfere with the proper performance of the Employee's duties or responsibilities.

4. Employment Following a Change in Control. Effective only upon a Change in Control, the following terms shall apply:

(a) The Employee shall devote substantially all of his or her time during normal business hours (subject to vacations, sick leave and other absences in accordance with the policies of the Company and its Subsidiaries as in effect for key employees immediately prior to the Change in Control) to the business and affairs of the Company and its Subsidiaries, but nothing in this Agreement shall preclude

[4] Provision included as applicable.

the Employee from devoting reasonable periods of time during normal business hours to (i) serving as a director, trustee or member of or participant in any organization or business so long as such activity is not directly competitive with the business of the Company as then being carried on, (ii) engaging in charitable and community activities, or (iii) managing his or her personal investments.

(b) For his or her services pursuant to Section 4(a) hereof, the Employee shall (i) be paid an annual base salary at a rate not less than the Employee's annual fixed or base compensation (payable monthly or otherwise as in effect for key employees of the Company immediately prior to the occurrence of a Change in Control) or such higher rate as may be approved from time to time by the Board, the Compensation Committee thereof or management (which base salary at such rate is herein referred to as "Base Pay") and (ii) have a bona fide opportunity to earn an annual amount equal to not less than the annual bonus, incentive or other opportunity for payments of cash compensation in addition to the amounts referred to in clause (i) above made or to be made in regard to services rendered in any calendar year during the year in which the Change in Control occurred pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar policy, plan, program or arrangement of the Company or any Subsidiary or any successor thereto providing an annual cash bonus opportunity at least equal to the cash bonus opportunity payable thereunder (in both value and achievability) prior to a Change in Control ("Incentive Pay"); provided, however, that with the prior written consent of the Employee, nothing herein shall preclude a change in the mix between Base Pay and Incentive Pay so long as the aggregate annual cash compensation opportunity for the Employee in any one calendar year is not reduced in connection therewith or as a result thereof; and provided further, however, that in no event shall any increase in the Employee's aggregate cash compensation or any portion thereof in any way diminish any other obligation of the Company under this Agreement.

(c) For his or her services pursuant to Section 4(a) hereof, the Employee shall be a full participant in, and shall be entitled to the perquisites, benefits and service credit for benefits as provided under, any and all employee retirement, income and welfare benefit policies, plans, programs or arrangements in which key employees of the Company or its Subsidiaries participate, including without limitation any stock option, stock purchase, stock appreciation, restricted stock grant, savings, pension, supplemental retirement or other retirement, income or welfare benefit, deferred compensation, group and/or executive life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or any Subsidiary), disability, salary continuation, expense reimbursement, financial planning and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs, or arrangements that may be adopted hereafter by the Company or any Subsidiary providing perquisites, benefits and service credit for benefits at least equal to those provided or are payable thereunder prior to a

Change in Control (collectively, "Employee Benefits"). If and to the extent such perquisites, benefits or service credit for benefits are not payable or provided under any such policy, plan, program or arrangement as a result of the amendment or termination thereof, then the Company shall itself pay or provide therefor. Nothing in this Agreement shall preclude improvement or enhancement of any such Employee Benefits, provided that no such improvement shall in any way diminish any other obligation of the Company under this Agreement.

5. Termination of Employment Following a Change in Control.

(a) Death or Disability. The Employee's employment shall terminate automatically if the Employee dies or becomes Disabled following a Change in Control.

(b) Cause. The Company may terminate the Employee's employment for Cause or without Cause following a Change in Control.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason or by the Employee voluntarily without Good Reason following a Change in Control.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b). "Notice of Termination" means a written notice that (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated, and (3) if the termination date is other than the date of receipt of such notice, specifies the termination date (which termination date shall be not more than thirty (30) days after the giving of such notice). The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or the Company, respectively, hereunder or preclude the Employee or the Company, respectively, from asserting such fact or circumstance in enforcing the Employee's or the Company's respective rights hereunder.

6. Exclusive Obligations of the Company upon Certain Terminations Following a Change in Control.

(a) Good Reason; Other Than for Cause. If, during the two (2) year period following a Change in Control, (X) the Company terminates the Employee's employment other than for Cause, death, or Disability or (Y) the Employee resigns for Good Reason, the Company shall pay to the Employee (or the Employee's estate or beneficiary, in the event of the Employee's death after the Date of Termination), at the time specified herein (except as otherwise provided by Section 13(d)), the following amounts: a lump sum payment equal to the sum of (i) [●][5] times the Base Pay of the Employee plus (ii) [●] times the target annual Incentive Pay of the Employee, in lieu of any further payments to the Employee for periods subsequent to the Date of Termination (collectively, the "Severance Payment"), payable within sixty (60) business days following the Date of Termination, provided all conditions to payment have been satisfied. If such sixty (60) day period begins in one calendar year and ends in the following calendar year, the Employee shall not have the right to designate the calendar year of payment of such lump sum amount.

(b) Release. As a condition to receiving payments under this Section 6, no later than forty five (45) days after having been presented such release by the Company, the Employee shall have executed and delivered to the Company a general release of claims in favor of the Company, its current and former Subsidiaries, affiliates and stockholders, and the current and former directors, officers, employees and agents of the Company in a form acceptable to the Company, and the Employee's general release shall have become irrevocable.

(c) Failure to Pay. Without limiting the rights of the Employee at law or in equity, if the Company fails to make any payment required to be made under Sections 4 and 6 of this Agreement on a timely basis, the Company shall pay interest on the amount thereof to the Employee until the date such payment is made at an annualized rate of interest equal to twelve percent (12%).

7. No Set-Off; Company's Obligations; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action that the Company may have against the Employee or others. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Employee obtains other employment.

8. Indemnification of Legal Fees. Effective only upon a Change in Control, it is the intent of the Company that the Employee not be required to incur the expenses associated with the enforcement of his or her rights under this Agreement following such a Change in Control by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits and payments intended to be extended to the Employee hereunder following a Change in Control. Accordingly, following a Change in Control if it should appear to the Employee that the Company has failed to comply with any of its obligations under this Agreement which arose following a Change in Control or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any litigation designed to deny, or to recover from, the Employee the benefits intended to be provided to the Employee hereunder, the Company irrevocably authorizes the Employee from time to time to retain counsel of his or her choice, at the expense of the Company as hereafter provided, to

[5] Provision may be one, one and a half or two, as applicable, for the level of employment.

represent the Employee in connection with the initiation or defense of any litigation or other legal action with respect to this Agreement, whether by or against the Company, or any Subsidiary, director, officer, stockholder or other person affiliated with the Company. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Employee's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Employee agree that a confidential relationship shall exist between the Employee and such counsel. Following a Change in Control, the Company shall pay or cause to be paid and shall be solely responsible for any and all attorneys' and related fees and expenses incurred by the Employee as a result of the Company's failure to perform this Agreement or any provision hereof or as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

9. Section 280G.

(a) Notwithstanding any other provision of this Agreement or other agreement, contract, or understanding heretofore or hereafter entered into by the Employee with the Company or any Subsidiary, except an agreement, contract, or understanding that expressly addresses Section 280G or Section 4999 of the Code (an "Other Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Employee (including groups or classes of Employees or beneficiaries of which the Employee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Employee (a "Benefit Arrangement"), if the Employee is a "disqualified individual," as defined in Section 280G(c) of the Code, any right to receive any payment or other benefit under this Agreement shall not become due (i) to the extent that such right to payment or benefit, taking into account all other rights, payments, or benefits to or for the Employee under this Agreement, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Employee under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment"), and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Employee from the Company under this Agreement, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Employee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to payment or benefit under this Agreement, in conjunction with all other rights, payments, or benefits to or for the Employee under any Other Agreement or any Benefit Arrangement would cause the Employee to be considered to have received a Parachute Payment under this Agreement that would have the effect of decreasing the after-tax amount received by the Employee as described in clause (ii) of the preceding sentence, then the Employee shall have the right, in the Employee's sole discretion, to designate those rights, payments, or benefits under this Agreement, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Employee under this Agreement be deemed to be a Parachute Payment.

(b) At the time that payments are made under this Agreement, the Company will provide the Employee with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations, including any opinions or other advice the Company received from tax counsel, its auditor, or other advisors or consultants (and any such opinions or advice which are in writing will be attached to the statement). All such calculations and opinions shall be binding on the Company and the Employee.

10. Covenants of Employee.

(a) Confidentiality. During the course of Employee's employment with the Company or a Subsidiary, Employee may receive special training and/or may be given access to or may become acquainted with Confidential Information of the Company or a Subsidiary. As used in this section, "Confidential Information" of the Company means all trade practices, business plans, price lists, supplier lists and data, customer lists and data, marketing plans, financial information, product development, employee lists and data, software and all other compilations of information which relate to the business of the Company or a Subsidiary and which have not been disclosed by the Company to the public, or which are not otherwise generally available to the public.

Employee acknowledges that the Confidential Information of the Company, as such may exist from time to time, is a valuable, confidential, special and unique asset of the Company and its Subsidiaries, expensive to produce and maintain and essential for the profitable operation of their respective businesses. Employee agrees that, during the course of Employee's employment with the Company or a Subsidiary, or at any time thereafter, Employee will not, directly or indirectly, communicate, disclose or divulge to any Person, or use for Employee's benefit or the benefit of any Person, in any manner, any Confidential Information of the Company or a Subsidiary, acquired during Employee's employment with the Company or a Subsidiary or any other Confidential Information concerning the conduct and details of the businesses of the Company and its Subsidiaries, except as required in the course of Employee's employment with the Company or a Subsidiary or as otherwise may be required by law. For the purposes of this section, "Person" shall mean any individual, partnership, corporation, trust, unincorporated association, joint venture, limited liability company or other entity or any government, governmental agency or political subdivision.

All documents relating to the businesses of the Company and its Subsidiaries including, without limitation, Confidential Information of the Company, whether prepared by Employee or otherwise coming into Employee's possession, are the exclusive property of the Company and such respective Subsidiaries, and must not be removed from the premises of the Company, except as required in the course of Employee's employment with the Company or its Subsidiary. Employee will immediately return all such documents (including any copies thereof) to the Company or its Subsidiary when Employee ceases to be employed by the Company or its Subsidiary or upon the earlier request of the Company or the Board.

(b) Agreement Not to Compete. While employed by the Company or a Subsidiary and during the Restriction Period, Employee shall not, except with the Company's express prior written consent, for the benefit of any entity or person (including Employee) take any steps preparatory to, be employed by, or be engaged or concerned or interested in or provide technical, commercial or professional advice to any with the Business within the Territory; however, the foregoing shall not prohibit Employee from acquiring, solely as an investment and through market purchases, securities of any entity which are registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934 and which are publicly traded, so long as Employee is not part of any control group of such entity and such securities, if converted, do not constitute more than one percent (1%) of the outstanding voting power of that entity.

(c) Agreement Not to Solicit Clients. During the Nonsolicitation Period, Employee shall not, except with the Company's express prior written consent, for the benefit of any entity or person (including Employee) solicit, induce or encourage any customer or client of the Company or a Subsidiary, which during the preceding twelve (12) months of Employee's employment with the Company or Subsidiary Employee was either involved (directly or indirectly) or about which Employee received Confidential Information, to cease or reduce its business with the Company or a Subsidiary.

(d) Agreement Not to Solicit Employees. During the Nonsolicitation Period, Employee shall not, except with the Company's express prior written consent, for the benefit of any entity or person (including Employee) solicit, induce or encourage any employee of the Company or a Subsidiary, to leave the employment of the Company or a Subsidiary.

(e) Nondisparagement. Employee shall not, at any time while employed by the Company or a Subsidiary or thereafter make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to the Company, a Subsidiary or their respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Plan shall preclude you from making truthful statements that are required by applicable law, regulation or legal process.

(f) Employee Disclosure. Notwithstanding the foregoing, nothing in this Agreement prohibits, limits, or restricts, or shall be construed to prohibit, limit, or restrict, Employee from exercising any legally protected whistleblower rights (including pursuant to Section 21F of the Exchange Act and the rules and regulations thereunder), without notice to or consent from the Company. Moreover, the federal Defend Trade Secrets Act of 2016 immunizes Employee against criminal and civil liability under federal or state trade secret laws - under certain circumstances - if Employee discloses a trade secret for the purpose of reporting a suspected violation of law. Immunity is available if Employee discloses a trade secret in either of these two circumstances: (1) Employee discloses the trade secret (a) in confidence, (b) directly or indirectly to a government official (federal, state or local) or to a lawyer, and (c) solely for the purpose of reporting or investigating a suspected violation of law; or (2) In a legal proceeding, Employee discloses the trade secret in the complaint or other documents filed in the case, so long as the document is filed "under seal" (meaning that it is not accessible to the public).

(g) Reasonableness of Restrictions. The Employee acknowledges that he or she has carefully considered the nature and extent of the restrictions upon him or her, and the rights and remedies conferred upon the Company in this Agreement, and acknowledges and agrees that the same: (i) are reasonable in scope, territory, and duration; (ii) are designed to eliminate competition which otherwise would be unfair to the Company; (iii) do not stifle his or her inherent skill and experience; (iv) would not operate as a bar to his or her sole means of support; (v) are fully required to protect the legitimate interests of the Company; and (vi) do not confer a benefit upon the Company disproportionate to the detriment of the Employee. Notwithstanding the foregoing, to the extent Employee is employed in the State of California upon the execution of this Agreement, Sections 10(b) and (c) are not applicable.

11. Employment Rights. Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Employee to have the Employee remain in the employment of the Company or any Subsidiary prior to or after any Change in Control; provided, however, that any termination of employment of the Employee or the removal of the Employee from such Employee's office or position (other than a termination by the Company for Cause, or termination for death or Disability) in the three (3) month period preceding a Change in Control shall be deemed to be a termination or removal of the Employee after a Change in Control for purposes of this Agreement.

12. Successors.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the

Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Company” for the purposes of this Agreement), but shall not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement shall inure to the benefit of and be enforceable by the Employee’s personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Section 12(a) hereof. Without limiting the generality of the foregoing, the Employee’s right to receive payments hereunder shall not be assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his or her will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 12(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

(d) The Company and the Employee recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and the Employee hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

13. Miscellaneous.

(a) This Agreement and all matters relating to Employee’s employment shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of laws principles thereof. Each party to this Agreement (i) consents to the personal jurisdiction of the state and federal courts having jurisdiction in New Castle County, Delaware, (ii) stipulates that the proper, exclusive, and convenient forum and venue for legal adjudication of any issue arising out of this Agreement or relating to claims between the parties is New Castle County, Delaware for state court proceedings, and the United States District Court District of Delaware, location, for federal district court proceedings, and (iii) waives any defense, whether asserted by a motion or pleading, that New Castle County, Delaware, or the United States District Court District of Delaware, is an improper or inconvenient venue. Notwithstanding the foregoing, to the extent Employee is employed in the State of California upon the execution of this Agreement, then: (i) this Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles thereof; and (ii) each party to this Agreement consents that the proper, exclusive, and convenient forum and venue for legal adjudication of any issue arising out of this Agreement or relating to claims between the parties are the state and/or federal courts for San Diego County, California.

(b) Any notices, requests, demands, or other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail to the Employee at the last address he or she has filed in writing with the Company or, in the case of the Company, at its principal offices.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. Any invalid or unenforceable provision shall be deemed severed from this Agreement to the extent of its invalidity or unenforceability, and this Agreement shall be construed and enforced as if the Agreement did not contain that particular provision to the extent of its invalidity or unenforceability, provided that in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

(d) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding any provisions of this Agreement to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, the Employee shall not be considered to have terminated employment with the Company for purposes of this Agreement and no payments shall be due to the Employee under Section 6 of this Agreement until the Employee would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A of the Code. For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A of the Code, and any payments that are due within the “short term deferral period” as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to the Employee under this Agreement shall be paid to the Employee on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to the Employee) during any one year may not affect amounts reimbursable or provided in any subsequent year; provided, however, that with respect to any reimbursements for any taxes which the Employee would become entitled to under the terms of the Agreement, the payment of such reimbursements shall be made by the Company no later than the end of the calendar year following the calendar year in which the Employee remits the related taxes were incurred. Notwithstanding any provisions of this Agreement to the contrary, if the Employee is a "specified employee" (within the meaning of Section 409A of the Code and determined pursuant to any policies adopted by the Company consistent with Section 409A of the Code (a "Specified Employee")), at the time of the Employee's separation from service and if any portion of the payments or benefits to be received by the Employee upon separation from service would be considered deferred compensation under Section 409A of the Code and cannot be paid or provided to the Employee during the six-month period immediately following the Employee's separation from service without the Executive incurring taxes, interest or penalties under Section 409A of the Code, such amounts that would otherwise be payable pursuant to this Agreement and benefits that would otherwise be provided pursuant to this Agreement, in each case, during the six-month period immediately following the Employee's separation from service will instead be paid or made available on the earlier of (i) first business day after the date that is six (6) months following the Employee's separation from service and (ii) the Executive's death.

(e) The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

(f) Treatment of outstanding long-term equity incentive awards shall be in accordance with the terms and conditions of the award agreements and plan pursuant to which the incentives were granted.

(g) No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Employee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(h) The Employee and the Company acknowledge that, except as provided in any other written agreement between the Employee and the Company, the employment of the Employee by the Company is "at will" and, prior to or after the occurrence of a Change in Control, the Employee's employment may be terminated by either the Employee or the Company at any time. This Agreement represents the entire agreement between the parties relating to the subject matter hereof and replaces any and all prior agreements pertaining thereto between the Employee and the Company, [provided the Offer Letter shall be in full force and effect and to the extent there are inconsistences between this Agreement and the

Offer Letter, the terms that are more favorable to the Employee shall control][6]. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement [or the Offer Letter][7].

[6] Provision to be included as applicable.

[7] Provision to be included as applicable.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

COLFAX CORPORATION:

____
By:
Title:

EMPLOYEE:

____

Exhibit 31.01

CERTIFICATIONS

I, Matthew L. Trerotola, certify that:

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

Dated: October 29, 2020

/s/ Matthew L. Trerotola

Matthew L. Trerotola
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.02

CERTIFICATIONS

I, Christopher M. Hix, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colfax Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 29, 2020

/s/ Christopher M. Hix

Christopher M. Hix
Executive Vice President, Finance,
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.01

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Matthew L. Trerotola, as President and Chief Executive Officer of Colfax Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period ended October 2, 2020 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 29, 2020

/s/ Matthew L. Trerotola

Matthew L. Trerotola
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.02

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Christopher M. Hix, as Executive Vice President, Finance, Chief Financial Officer of Colfax Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period ended October 2, 2020 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 29, 2020

/s/ Christopher M. Hix

Christopher M. Hix
Executive Vice President, Finance,
Chief Financial Officer
(Principal Financial Officer)