Colfax CORP
Form 424B5
January 07, 2019
Table of Contents

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are part of an effective registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Prospectus supplement

(To prospectus dated February 16, 2018)

Subject to completion, dated January 7, 2019

4,000,000 Units

Colfax Corporation

% TANGIBLE EQUITY UNITS

We are offering $400 million of % tangible equity units, or Units. Each Unit has a stated amount of $100. Each Unit is comprised of (i) a prepaid stock purchase contract issued by us and (ii) a senior amortizing note due January 15, 2022 issued by us. Each amortizing note will have an initial principal amount of $ and a final installment payment date of January 15, 2022.

Unless earlier redeemed by us or settled earlier at your option as described herein, on the mandatory settlement date (as defined herein, subject to postponement in certain limited circumstances), each purchase contract will automatically settle, and we will deliver a number of shares of our common stock, par value $0.001 per share, per purchase contract based on the applicable market value (as defined herein) of our common stock as set forth below:

if the applicable market value is greater than the threshold appreciation price, which is approximately $, you will receive shares per purchase contract;

if the applicable market value is greater than or equal to the reference price, which is approximately $, but less than or equal to the threshold appreciation price, you will receive a number of shares per purchase contract having a value, based on the applicable market value, equal to $100; and

if the applicable market value is less than the reference price, you will receive shares per purchase contract.

At any time prior to the second scheduled trading day immediately preceding January 15, 2022, you may settle your purchase contracts early, and we will deliver shares of our common stock per purchase contract (or, if the early settlement date (as defined herein) for such early settlement occurs on or prior to January 15, 2020 (other than, for the avoidance of doubt, any such early settlement in connection with a fundamental change), we will deliver shares of our common stock per purchase contract (subject to adjustment), which is equal to 90% of the minimum settlement rate, or, if the early settlement for such early settlement occurs after January 15, 2020 but on or prior to January 15, 2021 (other than, for the avoidance of doubt, any such early settlement in connection with a fundamental change), we will deliver shares of our common stock per purchase contract (subject to adjustment), which is equal to 95% of the minimum settlement rate (subject to adjustment)). In addition, if a fundamental change (as defined herein) occurs and you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of our common stock per purchase contract equal to the fundamental change early settlement rate, as described herein. If the closing of the Acquisition (as defined herein) has not occurred on or prior to May 19, 2019, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described herein, by delivering notice during the five business day period immediately following May 19, 2019. If the Merger Agreement (as defined herein) is terminated prior to May 19, 2019, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described herein by delivering notice on or prior to the 40th scheduled trading day immediately preceding May 19, 2019 or during the five business day period immediately following May 19, 2019.

The amortizing notes will pay you equal quarterly cash installments of $ per amortizing note, which cash payment in the aggregate will be equivalent to % per year with respect to each $100 stated amount of Units. The amortizing notes are our direct, unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.

If we elect to redeem the purchase contracts, you will have the right to require us to repurchase any or all of your amortizing notes.

We intend to apply for listing of the Units on the New York Stock Exchange (**NYSE**) under the symbol CFXA, subject to satisfaction of its minimum listing standards with respect to the Units. If the Units are approved for listing, we expect trading on the NYSE to begin within 30 calendar days after the Units are first issued.

Our common stock is listed on the NYSE under the symbol CFX. On January 4, 2019, the last reported sale price of our common stock on the NYSE was $21.15 per share.

On November 19, 2018, Colfax Corporation (**Colfax** , **we** or **us**) entered into the Merger Agreement with DJO Global, Inc. (**DJO**). Pursuant to the Merger Agreement, Colfax agreed to purchase DJO for approximately $3.15 billion in cash (the **Acquisition**). See Summary Recent Developments Acquisition of DJO.

Subsequent to this offering of Units, we expect to offer approximately $1.0 billion aggregate principal amount of debt securities as additional financing for the Acquisition. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any debt securities being offered in the debt securities offering, which will be made by a separate offering document and is not part of the offering to which this prospectus supplement relates. This offering is not contingent on the completion of the Acquisition or any of the Other Financing Transactions (as defined below). If the Acquisition is not consummated, we intend to use the net proceeds from this offering, after payment of any cash redemption amount and repurchase price, for general corporate purposes, as described under Use of Proceeds.

One or more entities affiliated with Mitchell Rales, the Chairman of our Board, or Steven Rales, one of our current stockholders (collectively, the Affiliated Entities), have indicated an interest in purchasing up to 500,000 Units (representing an aggregate stated amount of up to $50 million) in this offering at the public offering price for investment purposes. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no Units in this offering to any of these Affiliated Entities and any of these Affiliated Entities may determine to purchase more, fewer or no Units in this offering.

Investing in our Units involves significant risks. See Risk Factors in this prospectus supplement and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2017.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

PRICE $ PER UNIT

	Per Unit	Total
Public offering price	$	$
Underwriting discounts[(1)]	$	$
Proceeds, before expenses, to Colfax Corporation	$	$

(1) The underwriters will not receive any underwriting discounts or commissions on any Units sold to the Affiliated Entities. For additional information regarding underwriting compensation, see Underwriting.

We have granted the underwriters an option to purchase, exercisable within a 13-day period, up to an additional 600,000 Units. The underwriters expect to deliver the Units to purchasers on or about , 2019.

Joint book-running managers

J.P. Morgan **Credit Suisse**

Barclays **BNP PARIBAS** **Citigroup** **Citizens** **Goldman Sachs & Co. LLC** **HSBC**

The date of this prospectus supplement is , 2019.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the SEC using a shelf registration process.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters relating to Colfax, and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, the Units and other information you should know before investing. You should read both this prospectus supplement and the accompanying prospectus, as well as additional information incorporated herein and therein, as set forth under Incorporation by Reference, before investing in the Units.

Neither we nor the underwriters have authorized anyone to provide you with any information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless we specifically state otherwise, the information in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, assumes the underwriters for this offering of Units do not exercise their option to purchase additional Units. In addition, unless we specifically state otherwise, the information in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, does not give effect to the Transactions.

Unless we have indicated otherwise, references in this prospectus supplement to Colfax are only to Colfax Corporation, a Delaware corporation, and references to the Company, we, us and our or similar terms are to Colfax Corporation and its consolidated subsidiaries.

PRESENTATION OF FINANCIAL INFORMATION

The historical financial information included in this prospectus is derived from the historical financial statements as follows:

- the historical statement of income data and cash flow data for Colfax for the years ended December 31, 2015, 2016 and 2017 and the historical balance sheet data as of December 31, 2016 and 2017 have been derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated by reference into this prospectus supplement and accompanying prospectus;

the historical statement of income data and cash flow data for Colfax for the nine months ended September 29, 2017 and September 28, 2018 and the historical balance sheet data as of September 28, 2018 have been derived from Colfax s unaudited interim consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 28, 2018, which is incorporated by reference into this prospectus supplement and accompanying prospectus;

Table of Contents

the historical balance sheet data as of September 29, 2017 has been derived from Colfax s unaudited consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 29, 2017, which is incorporated by reference into this prospectus supplement or accompanying prospectus;

the statement of income data and cash flow data for DJO for the years ended December 31, 2015, 2016 and 2017 and the balance sheet data as of December 31, 2016 and 2017 and have been derived from DJO s audited annual consolidated financial statements included in our Current Report on Form 8-K filed on January 7, 2019 and incorporated by reference into this prospectus supplement; and

the financial data for DJO as of and for the nine months ended September 30, 2017 and September 29, 2018 have been derived from DJO s unaudited, interim consolidated financial statements included in our Current Report on Form 8-K filed on January 7, 2019 and incorporated by reference into this prospectus supplement.

Our results of operations for the nine month period ended September 28, 2018 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2018, and you should not assume the results of operations for any past periods indicate results for any future period. The information set forth below should be read together with the other information contained in DJO s audited annual consolidated financial statements and unaudited interim consolidated financial statements incorporated by reference into this prospectus supplement.

PRO FORMA FINANCIAL INFORMATION

This prospectus supplement presents unaudited pro forma consolidated condensed balance sheet as of September 28, 2018, and the unaudited pro forma consolidated condensed statements of operations for the nine months ended September 28, 2018 and the year ended December 31, 2017.

The unaudited pro forma consolidated condensed balance sheet considers: (i) the unaudited consolidated balance sheets of Colfax as of September 28, 2018 and DJO as of September 29, 2018, and gives effect to the Acquisition and the Financing Transactions as if each occurred on September 29, 2018, and (ii) the audited consolidated balance sheets of Colfax and of DJO as of December 31, 2017, and gives effect to the Acquisition and the Financing Transactions as if each occurred on December 31, 2017.

The unaudited pro forma consolidated condensed statements of operations consider (i) the unaudited historical statements of operations of Colfax for the nine months ended September 28, 2018 and the unaudited statement of income data for DJO for the nine months ended September 29, 2018, and give effect to the Acquisition and the Financing Transactions as if each occurred on January 1, 2018, and (ii) the audited statements of operations of Colfax and the audited statement of income date, in each case, for the year ended December 31, 2017, and gives effect to the Acquisition and the Financing Transactions as if each occurred on January 1, 2017.

The historical financial information has been adjusted to give effect to pro forma adjustments that are (i) directly attributable to the Acquisition, (ii) factually supportable, and (iii) with respect to the unaudited consolidated condensed statements of operations, expected to have a continuing impact on the consolidated entity s condensed results. The unaudited pro forma consolidated financial data are based upon the historical consolidated financial data of Colfax and DJO, after giving effect to the Acquisition and the Financing Transactions as of the dates and for the periods indicated. The unaudited pro forma consolidated financial data should be read in conjunction with the financial statements presented, or incorporated by reference, in this prospectus supplement and the related notes thereto.

Table of Contents

NON-GAAP FINANCIAL MEASURES

This prospectus supplement includes Adjusted EBITDA and free cash flow for each of Colfax and DJO, which are non-GAAP financial measures. See footnote 1 included in Summary Consolidated Historical Financial Data of Colfax and footnote 1 included in Summary Historical Consolidated Financial Data of DJO in this prospectus supplement for the definitions of such non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures. Each of, Adjusted EBITDA and free cash flow has limitations as an analytical tool, and you should not consider it in isolation from, or as substitutes for analysis of, results as reported under GAAP. We use Adjusted EBITDA to manage our operating results. Adjusted EBITDA is presented exclusively as a supplemental disclosure because management believes that Adjusted EBITDA is widely used to measure the performance, and as a basis for valuation, and is therefore useful in measuring performance at a consolidated or segment level as well. We reconcile Adjusted EBITDA for Colfax to operating income because it is the most directly comparable GAAP measure. Our and DJO s measurements of these metrics, as applicable, may not be comparable to similarly titled measures of other companies.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus supplement 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 prospectus supplement is filed with the Securities and Exchange Commission (the SEC). All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding: 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, est positioned, strategy, targets, aims, seeks, sees, and similar expressions. These statements are based on assump and assessments made by our management 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, including but not limited to the following:

- changes in the general economy, as well as the cyclical nature of the markets we serve;
- a significant or sustained decline in commodity prices, including oil;
- 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;

Table of Contents

impairment in the value of intangible assets;

the funding requirements or obligations of our defined benefit pension plans and other post-retirement 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 industry;

changes in our tax rates or exposure to additional income tax liabilities, including the effects of the U.S. Tax Cuts and Jobs 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;

the possibility that regulatory and other approvals and conditions to the Acquisition are not received or satisfied on a timely basis or at all;

changes in the anticipated timing for closing of the Acquisition;

difficulties and delays in integrating the Acquisition or fully realizing projected cost savings and benefits of the Acquisition;

risks about the strategic options undertaken for our Air and Gas Handling segment and risks as to the timing and considerations for such strategic options; and

other risks and factors, listed in the Risk Factors section of this prospectus supplement and under Item 1A. Risk Factors in Part I of our 2017 Form 10-K.

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 prospectus supplement 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 Risk Factors in this prospectus supplement for a further discussion regarding some of the reasons that actual results may be materially different from those that we anticipate.

Table of Contents

SUMMARY

The following summary should be read together with the information contained in other parts of this prospectus supplement and the accompanying prospectus. This summary highlights selected information from this prospectus supplement and the accompanying prospectus to help you understand the offering of our Units. You should read this prospectus supplement and the accompanying prospectus, including the documents we incorporate by reference, carefully to understand fully our Units as well as other considerations that are important to you in making a decision to invest in our Units. You should read the entire prospectus supplement and accompanying prospectus carefully, including the section entitled Risk Factors, as well as the documents incorporated by reference, before making an investment decision.

Overview

We are a leading diversified technology company that provides fabrication technology and air and gas handling products and services to customers around the world under the ESAB and Howden brands. We built our company through a series of acquisitions, as well as organic growth, since our founding in 1995. We seek to build an enduring premier global enterprise by applying the Colfax Business System (CBS) to pursue growth in revenues and improvements in profit and cash flow.

CBS is our business management system including a comprehensive set of performance tools. It includes 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 that our management team s access to, and experience in, the application of the CBS methodology is one of our primary competitive strengths.

We currently report our operations through the Fabrication Technology and Air and Gas Handling segments.

Fabrication Technology

We formulate, develop, manufacture and supply equipment and consumable products for use in the cutting, joining and automated welding of steels, aluminum and other metals and metal alloys. For the year ended December 31, 2017, welding consumables represented approximately 42% of our total Net sales. For the nine month period ended September 28, 2018, welding consumables represented approximately 44% of our total Net sales. Our fabrication technology products are marketed under several brand names, most notably ESAB, which we believe is well known in the international welding 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 includes 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. Our sales channels include both independent distributors and direct salespeople, depending on geography and end market.

Air and Gas Handling

Our Air and Gas Handling segment is a global supplier of a broad range of products, including heavy-duty centrifugal and axial fans, rotary heat exchangers, and gas compressors, as well as certain related products, systems, and services, which serves customers in the power generation, oil, gas and petrochemical, mining, wastewater, and general industrial and other end markets. For the year ended December 31, 2017 and the nine-month period ended September 28, 2018, the Air and Gas Handling segment represented approximately 41% and 40% of our total Net sales, respectively. Our Air and Gas Handling products are principally marketed under the

Table of Contents

Howden brand name, and are manufactured and engineered in facilities located in Asia, Europe, North and South America, Australia and Africa. The products and services are generally sold directly as well as through independent representatives and distributors.

In December 2017, we completed the divestiture of our fluid handling business. This transaction strengthened our balance sheet, and provided us with more flexibility to execute our strategic growth program. As discussed further below, on November 19, 2018, we entered into an agreement to acquire DJO Global, Inc. (DJO), a leading developer, manufacturer and distributer of high-quality medical devices with a broad range of products used for rehabilitation, pain management and physical therapy. Further details of the acquisition are discussed below under Recent Developments. At the same time, and as also discussed further below under Recent Developments, we announced that we are evaluating strategic options for our Air and Gas Handling business.

About DJO

DJO is a global developer, manufacturer and distributor of high-quality medical devices with a broad range of products used for rehabilitation, pain management and physical therapy. DJO s products address the continuum of patient care from injury prevention to rehabilitation after surgery, injury or from degenerative disease, enabling people to regain or maintain their natural motion.

DJO currently develops, manufactures and distributes its products through the following two markets where it maintains leading positions in most of its product categories: Prevention & Rehabilitation and Reconstructive. DJO s products are used by orthopedic specialists, spine surgeons, primary care physicians, pain management specialists, physical therapists, podiatrists, chiropractors, athletic trainers and other healthcare professionals to treat patients with musculoskeletal conditions resulting from degenerative diseases, deformities, traumatic events and sports related injuries. In addition, many of DJO s non-surgical medical devices and related accessories are used by athletes and patients for injury prevention and at-home physical therapy treatment. DJO s product lines include rigid and soft orthopedic bracing, hot and cold therapy, bone growth stimulators, vascular therapy systems and compression garments, therapeutic shoes and inserts, electrical stimulators used for pain management and physical therapy products. DJO s surgical implant business offers a comprehensive suite of reconstructive joint products for the hip, knee, shoulder and elbow.

DJO s access to the Prevention & Rehabilitation and Reconstructive markets enables it to reach a diverse customer base through multiple distribution channels and gives it the opportunity to provide a wide range of medical devices and related products to orthopedic specialists and other healthcare professionals operating in a variety of patient treatment settings and to the retail consumer.

DJO generated sales of $1,113.6 million, $1,155.3 million and $1,186.2 million for the years ended December 31, 2015, 2016 and 2017, respectively. Sales for the nine months ended September 30, 2017 and September 29, 2018 were $874.0 million and $891.5 million, respectively. During the years ended December 31, 2015, 2016 and 2016, DJO s net loss was ($340.1 million), ($285.7 million), and ($35.1 million), respectively. Net loss for the nine months ended September 30, 2017 and September 29, 2018 was ($96.4 million) and ($59.9 million), respectively.

Historical Evolution of Colfax

Our company began in 1995 with a series of acquisitions in fluid handling and mechanical power transmission, including IMO Industries (IMO) and Allweiler. In 2004, the mechanical power transmission business was fully divested, leading to a focus on fluid handling, and we completed our initial public equity

Table of Contents

offering in 2008. On January 13, 2012, we closed the $2.6 billion acquisition of Charter International plc (the Charter Acquisition), which transformed Colfax into a multi-platform enterprise with a broad global footprint with over $3 billion of sales. This acquisition provided additional growth opportunities in the fragmented fabrication technology and air- and gas-handling industries. Following the Charter Acquisition, we completed 24 strategic acquisitions between 2012 and September 30, 2018 to grow and strengthen our businesses, including the $949 million acquisition of Victor Technologies, Inc. in April 2014. These acquisitions were funded with a combination of cash flow from operations, equity offerings and borrowings from banks and other investors. In December 2017, we divested our fluid handling business for an attractive valuation as part of a longer-term plan to strengthen the quality of our portfolio of businesses, while reducing our exposure to cyclicality. We plan to continue to acquire businesses with leading market positions and brands in attractive markets which have opportunities to apply CBS to improve growth, margins and cash flow. Over time, this approach is expected to strengthen our businesses and broaden and diversify our portfolio.

In 2016, we launched a process to identify potential new platforms. After evaluating over 20 end markets with a focus on long-term secular drivers, innovation and investment potential, including conducting extensive primary market research and engaging with numerous potential targets, we identified orthopedic care as an attractive platform. DJO clearly meets our criteria with non-cyclical growth drivers, high gross margins, leading market positions and brands and opportunities for further investment in a fragmented industry.

Corporate Strategy

We believe that we are well positioned to grow our businesses organically over the long term by enhancing our product offerings, expanding our customer base and broadening our geographic reach as well as via complementary acquisitions, all of which would help us realize further benefits from the DJO Acquisition. We intend to do so using the following strategies:

Apply CBS to Drive Growth and Profitability, and Make Good Businesses Great. The core element of our management philosophy is CBS, which we implement in each of our existing businesses and apply to our acquisition and integration strategies. CBS is a strategic planning and execution methodology designed to achieve world-class excellence in all aspects of our business. CBS focuses our organization on continuous improvement and performance goals by empowering our associates to develop innovative strategies to meet customer needs. Rather than a static process, CBS continues to evolve as our portfolio grows both organically

Table of Contents

and through acquisitions. We relentlessly apply CBS to drive improvements in business performance. Revenues for our Fabrication Technology business grew 7.6% in 2017, and its adjusted operating margins expanded 73 basis points. Restructuring actions across all of Colfax delivered $26.8 million of structural cost savings in 2017 as compared to costs in 2016. These structural savings were driven by productivity improvements coupled with reductions in SG&A expense and manufacturing overhead. Over the past five years, DJO grew at a 4% CAGR, with 2017 gross margin above 55%. We believe that the DJO acquisition will improve Colfax s margins, growth and cyclicality. We intend to apply CBS to leverage DJO s already strong performance and drive further operating improvements, expand margins and generate sustainable long-term growth.

Disciplined Pursuit of High Quality, Complementary Acquisitions, Including Bolt-on Acquisitions for DJO. We plan to reduce our debt levels following the acquisition of DJO. Once our leverage targets are achieved, we expect to increase our focus on strategic acquisitions. Our acquisition strategy, which we intend to apply to DJO to help drive growth, largely targets companies: (i) with leading brands or strong market positions, (ii) that serve customers with high-quality products to improved customer productivity, and (iii) that complement and/or enhance our global sales and distribution network. We believe that the fragmented nature of our markets presents substantial consolidation and growth opportunities for companies with access to capital and management expertise required to execute a disciplined acquisition and integration program. We have a strong record of integrating acquired companies, and we believe we can continue to identify attractive acquisition candidates in the future. Our CBS system, which we intend to apply to DJO following its acquisition, has a strong track record of improving the integration process for new acquisitions. We expect strategic acquisition growth will give us a competitive advantage over small competitors through greater purchasing power, larger global sales and distribution networks and a broader portfolio of products and services. Our acquisition strategy has, over time, helped to reshape our portfolio to faster-growing industrial applications.

1 Revenue is trailing twelve months ended September 2018; revenue mix is nine months ended September 2018.

We believe that the extensive experience of our leadership team in acquiring and effectively integrating acquisitions enable us to capitalize on these opportunities as they arise. Pursuing an active pipeline, we have completed 24 acquisitions targeting technology and growth markets since 2012. The acquisition of DJO complements this strategy by providing significant bolt-on and adjacent acquisition runway over time that will contribute to its competitive position, growth and strategic development while also providing significant innovation opportunities.

In addition to strategic acquisitions, we also may pursue divestitures of assets or businesses or other similar strategic initiatives in an effort to streamline operations, enhance our focus on our core businesses and improve our portfolio. Our announcement that we are exploring strategic options for the Air and Gas Handling business

Table of Contents

including a divestiture is an example of this strategy. See Acquisition of DJO for a discussion of the expected benefits of the DJO Acquisition and Recent Developments for further information regarding strategic options for the Air and Gas Handling business. We expect proceeds from the strategic initiatives to generate meaningful cash to reduce debt incurred in connection with the DJO acquisition.

Focus, empower and retain top talent. At the core of our company are the people developing, implementing and executing our strategy, which begins with our CBS philosophy. Our leadership principles are rooted in the belief that *The Best Team Wins.* Accordingly, we seek to hire, empower and retain top managers and operational leaders to execute our strategy and foster a culture of continuous improvement. We believe this philosophy minimizes turnover and ensures personal development which will continue to fuel our future growth and success. In addition, through the DJO Acquisition, we will expand our talent pool by bringing DJO s experienced and accomplished management team into our platform following the acquisition, which will allow us to capitalize on their industry experience and leadership to further achieve our target growth.

Demonstrate Market Leadership Where Brand, Technology and Engineered Solutions Matter. We intend to grow our revenues at a rate that exceeds the underlying market growth rate by 1% to 2% by expanding the applications and geographic availability for our products, increasing the technology content and rate of new product introductions and achieving higher levels of service for customers. We have demonstrated the ability to rapidly increase the rate of new product introductions to the market, which strengthen our competitive position and often yield higher margins. We continue to invest in R&D to create innovative offerings, resulting in a broad range of fabrication technology equipment, automation and smart device solutions for our customers. We also use CBS to create competitive on-time-delivery and other important service levels to more effectively compete for market share gains. DJO s industry leading positions, iconic brands and category-defining products in the U.S. orthopedic clinic workflow (as demonstrated by its being in more than 20% of U.S. orthopedic clinics) has the potential to be make Colfax a market leader in the orthopedic care segment.

Remain Well-Positioned in Emerging Markets and Leverage Our Global Manufacturing, Sales and Distribution Network. We believe that our key served markets are attractive due to their long-term growth rates and global nature. As our customers have become increasingly global in scope, we have increased our global reach to serve them by maintaining a local presence in numerous markets and investing in sales and marketing capabilities worldwide, as we believe that local presence can deliver the best solutions for our customers. We intend to continue to utilize our strong global presence and worldwide network of salespeople and distributors to capitalize on growth opportunities by selling regionally-developed and/or marketed products and solutions throughout the world. At the same time, our geographic diversity, coupled with our strong installed base, helps mitigate the effects from cyclical downturns in any one market.

Focus on evolving to higher margins and free cash flow generation, faster growth, and lower cyclicality, supported via the acquisition of DJO. We plan to continue to drive growth and margin improvement in Fabrication Technology and Air and Gas Handling, both leaders in attractive markets, further supported through the DJO acquisition. DJO recently enhanced its operations to improve service levels and reduce costs, which contributed to sales and margin growth. The completion of existing operational projects, and the future initiation of additional projects and deployment of CBS, coupled with revenue growth, should create further margin expansion. DJO has historically generated significant unlevered free cash flow, and we contemplate this growing

along with revenue and margins. In addition, in connection with the DJO acquisition, we will acquire over $800 million of net operating losses that are expected to be immediately available to the company to reduce its U.S. and state cash tax burdens. Further, DJO s orthopedic business enjoys sustainable secular drivers such as aging populations that require increasing levels of medical care that should contribute to reduced cyclicality of our company. In addition, the shift to greater outpatient surgeries is expected to benefit DJO s rehabilitation and recovery business as patients require proper bracing and other support during unattended recoveries.

Table of Contents

Focus on cash flow generation to support deleveraging. We have set a goal to reduce our leverage to a target debt to Adjusted EBITDA ratio in 2019, while also continuing to invest in our businesses. We plan to utilize short dated loans to facilitate rapid deleveraging and will not pursue any material acquisitions or execute share repurchases until the leverage target is met. Each of our businesses is positioned to generate excess cash flow to support near-term deleveraging plans and our longer-term growth strategy. Our long-term goal is to achieve investment grade ratings.

Recent Developments

Acquisition of DJO

On November 19, 2018, Colfax entered into an Agreement and Plan of Merger (the **Merger Agreement**) with DJO, pursuant to which Colfax agreed to purchase DJO (the **Acquisition**) from private equity funds managed by The Blackstone Group L.P. for approximately $3.15 billion in cash, including the redemption and repayment of a portion of DJO debt, subject to certain price adjustments set forth in the Merger Agreement. DJO develops, manufactures and distributes high-quality medical devices with a broad range of products used for rehabilitation, pain management and physical therapy.

Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, an indirect, wholly-owned subsidiary of Colfax will merge with and into DJO, with DJO continuing as the surviving company and an indirect, wholly-owned subsidiary of Colfax. The Acquisition is expected to close in the first quarter of 2019, subject to the satisfaction of customary closing conditions.

The shareholders of DJO approved the Acquisition on November 19, 2018. The completion of the Acquisition is not subject to the approval of Colfax shareholders or the receipt of financing by Colfax. As of the date of this prospectus supplement, the completion of the Acquisition remains subject to the following closing conditions: (i) the receipt of certain regulatory approvals (or the termination or expiration of applicable waiting periods); (ii) the absence of any order, or the enactment of any law, prohibiting the Acquisition; (iii) subject to certain exceptions, the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the Merger Agreement; and (iv) the absence of any material adverse effect on DJO or Colfax since the date of the Merger Agreement. The Merger Agreement also contains certain termination rights for DJO and Colfax and provides that Colfax will pay DJO a termination fee of $220.5 million if DJO terminates the Merger Agreement under certain specific conditions.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the full text of such agreement. The Merger Agreement was filed by Colfax as an exhibit to its Current Report on Form 8-K filed with the SEC on November 19, 2018 and is incorporated by reference into the registration statement to which this prospectus supplement relates.

This offering is not contingent upon the completion of the Acquisition or any Other Financing Transactions (as defined below).

Acquisition Financing

Colfax anticipates that approximately $3.2 billion will be required to pay the Acquisition consideration to the DJO shareholders, to pay fees and expenses relating to the Acquisition and to repay certain indebtedness of DJO. Colfax intends to finance the Acquisition with the net proceeds from this offering of Units, the Other Financing Transactions described below and $100.0 million of cash on hand.

Table of Contents

In connection with entering into the Merger Agreement, we entered into a debt commitment letter (the Commitment Letter), dated as of November 18, 2018, with JPMorgan Chase Bank, N.A., Credit Suisse AG and Credit Suisse Loan Funding LLC, pursuant to which such financial institutions have committed to provide $3.29 billion of bridge financing for the Acquisition (the Bridge Facility). The Bridge Facility and corresponding commitment will be reduced on a dollar-for-dollar basis by proceeds from (i) offering of the Units, (ii) the anticipated offering of debt securities described below and (iii) borrowings under the New Credit Facility (as defined below), together with cash on hand, are at least $3.29 billion, the Bridge Facility commitment will be cancelled and terminated in full. However, there is no guarantee that we will be able to raise gross proceeds in the amounts contemplated or at all. The funding of the Bridge Facility is also contingent on the satisfaction of customary conditions, including (i) the execution and delivery of definitive documentation with respect to the bridge financing in accordance with the terms set forth in the related commitment letter and (ii) the consummation of the Acquisition in accordance with the Merger Agreement. The Commitment Letter also provides for $1.8 billion of commitments to replace our existing Credit Agreement, dated as of June 5, 2015, which commitments are contingent on the failure to obtain certain amendments to such credit agreement, including an amendment to allow us to draw on commitments available under the credit agreement to fund the Acquisition.

Other Financing Transactions

We intend to obtain or otherwise incur indebtedness, which we refer to in this prospectus supplement as the Other Financing Transactions. We currently expect that the Other Financing Transactions will include:

Debt securities Offering. Subsequent to this offering of Units, we expect to offer approximately $1.0 billion aggregate principal amount of debt securities as additional financing for the Acquisition. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any notes being offered in the notes offering, which will be made by a separate offering document and is not part of the offering to which this prospectus supplement relates. There can be no assurance as to when or if or on what terms this offering will take place. The completion of this Units offering is not contingent on the completion of the notes offering, and the completion of the notes offering is not contingent on the completion of this Units offering. Neither this offering nor the notes offering is contingent on the completion of the Acquisition or any debt financing. The debt securities could also be issued in a smaller or larger dollar amount or with terms differing materially from those indicated in this prospectus supplement. In addition, if we are not able to raise gross proceeds in the amounts contemplated or at all, we may draw funds under the Bridge Facility. See The Transactions The Financing Transactions. The timing, amounts and terms of any such issuance will depend on market conditions and other factors, and our financing plans may change.

Term/Revolving Credit Facilities. On December 17, 2018, we entered into a new term loan and revolving credit facility with a syndicate of 23 banks to refinance our Term Loan Facility and the Revolver, each as described in Description of Certain Indebtedness , to finance the Acquisition and to consummate the Transactions (the New Credit Facility). The New Credit Facility consists of a $1.3 billion five-year revolving credit facility (the New Revolver), a $500.0 million two-year term loan facility (the Two Year Term Loan), and a $1.225 billion five-year term loan facility (the Five Year Term Loan and, together, the New Term Loan Facilities). The New Revolver contains a $50.0 million swing line loan sub-facility. $525 million of the Five Year Term Loan will be used to refinance the Term Loan Facility under the DB Credit Agreement and thus is ineligible to reduce the Bridge Facility commitment. Pursuant to the terms of the Commitment Letter, draws under the New Revolver will only reduce the Bridge Facility commitment to the extent drawn on or

after the closing of the Acquisition and to the extent the proceeds thereof are used to pay for the amounts required to be paid under the Merger Agreement and to pay fees and expenses incurred in connection with the Acquisition and the offerings described under the heading The Transactions The Financing Transactions. Neither this offering nor the entry into, or amendment of, the credit facilities is contingent on the completion of the Acquisition or any debt financing.

Table of Contents

The completion of this Units offering is not contingent on the completion of the Other Financing Transactions or the Acquisition. However, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described under Description of the Purchase Contracts Merger Termination Redemption . If we elect to exercise our merger termination redemption option, then holders of the amortizing notes will have the right to require us to repurchase some or all of their amortizing notes on the terms described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder .

We cannot assure you that we will complete the Acquisition or any of the Financing Transactions on the terms contemplated in this prospectus supplement or at all.

Air and Gas Handling Business

Concurrent with the company s announcement of the Acquisition, it also announced that it is exploring strategic options for the Air and Gas Handling business including a potential divestiture. The company has hired an advisor to assist in the process but cannot predict the outcome of the review.

General

We were organized as a Delaware corporation in 1998. Our principal executive offices are located at 420 National Business Parkway, 5th Floor, Annapolis Junction, MD 20701, and our main telephone number at that address is (301) 323-9000. Our corporate website address is www.colfaxcorp.com. Except for the documents incorporated by reference in this prospectus supplement and the accompanying prospectus as described under Incorporation by Reference , the information and other content contained on our website are not incorporated by reference in this prospectus supplement or the accompanying prospectus, and you should not consider them to be a part of this prospectus supplement or the accompanying prospectus.

Table of Contents

THE OFFERING

The summary below describes the principal terms of the Units, the purchase contracts and the amortizing notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Units, Description of the Purchase Contracts and Description of the Amortizing Notes sections of this prospectus supplement, together with the Description of Securities section of the accompanying prospectus, contain a more detailed description of the terms and conditions of the Units, the purchase contracts and the amortizing notes. As used in this section, the terms we, us and our mean Colfax Corporation and do not include any subsidiary of Colfax Corporation.

The Units

Issuer	Colfax Corporation, a Delaware corporation
Number of Units Offered	4,000,000 Units
Underwriters Option	We have granted the underwriters an option, exercisable within a 13-day period, to purchase up to an additional 600,000 Units at the public offering price less the underwriting discount. This option may be exercised by the underwriters solely to cover over-allotments, if any.
Stated Amount of Each Unit	$100 for each Unit
Components of Each Unit	Each Unit is comprised of two parts: a prepaid stock purchase contract issued by us (a purchase contract); and a senior amortizing note issued by us (an amortizing note). Unless earlier redeemed by us in connection with a merger termination redemption or settled earlier at the holder s option, each purchase contract will, subject to postponement in certain limited circumstances, automatically settle on January 15, 2022 (such date, as so postponed (if applicable), the mandatory settlement date, provided that, if such date is not a scheduled trading day, the next succeeding scheduled trading day shall be the mandatory settlement date). Upon any settlement on the mandatory settlement date, we will deliver not more than shares and not less than shares of our common stock

per purchase contract, subject to adjustment, based upon the applicable settlement rate and applicable market value of our common stock, as described below under Description of the Purchase Contracts Delivery of Common Stock.

Each amortizing note will have an initial principal amount of $, will bear interest at the rate of % per annum and will have a final installment payment date of January 15, 2022. On each January 15, April 15, July 15 and October 15, commencing on April 15, 2019, we will pay equal quarterly cash installments of

Table of Contents

	$ per amortizing note (except for the April 15, 2019 installment payment, which will be $ per amortizing note), which cash payment in the aggregate per year will be equivalent to % per year with respect to each $100 stated amount of Units.
	The return to an investor on a Unit will depend upon the return provided by each component. The overall return will consist of the value of the shares of our common stock delivered upon settlement of the purchase contracts and the cash installments paid on the amortizing notes.
Each Unit May Be Separated Into Its Components	Each Unit may be separated by a holder into its constituent purchase contract and amortizing note on any business day during the period beginning on, and including, the business day immediately following the date of initial issuance of the Units to, but excluding, the second scheduled trading day immediately preceding January 15, 2022 or, if earlier, the second scheduled trading day immediately preceding any merger termination redemption settlement date and also excluding the business day immediately preceding any installment payment date. Prior to separation, the purchase contracts and amortizing notes may only be purchased and transferred together as Units. See Description of the Units Separating and Recreating Units.
A Unit May Be Recreated From Its Components	If you hold a separate purchase contract and a separate amortizing note, you may combine the two components to recreate a Unit. See Description of the Units Separating and Recreating Units.
Listing	We intend to apply to list the Units on the NYSE under the symbol CFXA, subject to satisfaction of its minimum listing standards with respect to the Units. However, we cannot assure you that the Units will be approved for listing. If approved for listing, we expect trading on the NYSE to begin within 30 calendar days after the Units are first issued. We will not initially apply to list the separate purchase contracts or the separate amortizing notes on any securities exchange or automated inter-dealer quotation system, but we may apply to list such separate purchase contracts and separate amortizing notes in the future as described under Description of the Units Listing of Securities. Prior to this offering, there has been no public market for the Units.
	Our common stock is listed on the NYSE under the symbol CFX.
Use of Proceeds	We estimate that the net proceeds to us from this Units offering, after deducting underwriting discounts and estimated offering expenses

payable by us, will be approximately $ million (or up to approximately $ million if the underwriters exercise their option to purchase additional Units). We intend to use the net

Table of Contents

	proceeds from this offering to fund a portion of the purchase price payable under the Merger Agreement, as well as for general corporate purposes. If for any reason the Merger is not consummated, we intend to use the net proceeds from this offering, after payment of any cash redemption amount and repurchase price, for general corporate purposes. See Use of Proceeds .
Risk Factors	Investing in our Units involves significant risks. See Risk Factors in this prospectus supplement, as well as other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2017, for a discussion of the factors you should carefully consider before deciding to invest in the Units.
Insider Participation	One or more entities affiliated with Mitchell Rales, the Chairman of our Board, or Steven Rales, one of our current stockholders, have indicated an interest in purchasing up to 500,000 Units (representing an aggregate stated amount of up to $50 million) in this offering at the public offering price for investment purposes. However, because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, fewer or no Units in this offering to any of these entities and any of these entities may determine to purchase more, fewer or no Units in this offering.
Material U.S. Federal Income Tax Considerations	There is no authority directly on point regarding the characterization of the Units for U.S. federal income tax purposes and therefore the characterization of the Units for these purposes is not entirely free from doubt. We intend to take the position for U.S. federal income tax purposes that each Unit will be treated as an investment unit comprised of two separate instruments consisting of (i) a purchase contract to acquire our common stock and (ii) an amortizing note that is our indebtedness. Under this treatment, a holder of Units will be treated as if it held each component of the Units for U.S. federal income tax purposes. By acquiring a Unit, you will agree to treat (i) a Unit as an investment unit composed of two separate instruments in accordance with its form and (ii) the amortizing notes as indebtedness for U.S. federal income tax purposes. If, however, the components of a Unit were treated as a single instrument, the U.S. federal income tax consequences could differ from the consequences described herein. Prospective investors should consult their tax advisors regarding the tax treatment of an investment in Units and whether a purchase of a Unit is advisable in light of the investor s particular tax situation and the tax treatment described under Material U.S. Federal Income Tax

Considerations.

Table of Contents

Governing Law	The Units, the purchase contract agreement, the purchase contracts, the indenture and the amortizing notes will all be governed by, and construed in accordance with, the laws of the State of New York.

The Purchase Contracts

Mandatory Settlement Date	January 15, 2022, subject to postponement in limited circumstances, provided that, if such date is not a scheduled trading day, the next succeeding scheduled trading day shall be the mandatory settlement date .
Mandatory Settlement	On the mandatory settlement date, unless such purchase contract has been earlier redeemed by us in connection with a merger termination redemption or earlier settled at the holder s option, each purchase contract will automatically settle, and we will deliver a number of shares of our common stock, based on the applicable settlement rate.
Settlement Rate for the Mandatory Settlement Date	The settlement rate for each purchase contract will be not more than shares and not less than shares of our common stock (each subject to adjustment as described herein) depending on the applicable market value of our common stock, calculated as follows: if the applicable market value is greater than the threshold appreciation price (as defined below), you will receive shares of common stock per purchase contract (the minimum settlement rate); if the applicable market value is greater than or equal to the reference price but less or equal to than the threshold appreciation price, you will receive a number of shares per purchase contract equal to $100, divided by the applicable market value; and if the applicable market value is less than the reference price, you will receive shares of common stock per purchase contract (the maximum settlement rate). Each of the maximum settlement rate and the minimum settlement rate is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates. The applicable market value means the arithmetic average of the daily VWAPs (as defined below under Description of the Purchase

Contracts Delivery of Common Stock) of our common stock on each of the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding January 15, 2022.

The reference price is equal to $100 divided by the maximum settlement rate and is approximately equal to $, which is equal to the last reported sale price of our common stock on the NYSE on , 2019.

Table of Contents

The threshold appreciation price is equal to $100 divided by the minimum settlement rate. The threshold appreciation price, which is initially approximately $, represents an approximately % appreciation over the reference price.

No fractional shares of our common stock will be issued to holders upon settlement or redemption of purchase contracts. In lieu of fractional shares, holders will be entitled to receive a cash payment of equivalent value calculated as described herein. Other than cash payments in lieu of fractional shares or, under certain circumstances, in the event of a merger termination redemption, holders of purchase contracts will not receive any cash distributions.

The following table illustrates the settlement rate per purchase contract and the value of our common stock issuable upon settlement on the mandatory settlement date, determined using the applicable market value shown, subject to adjustment.

Applicable Market Value of Our Common Stock	Settlement Rate	Value of Common Stock Delivered (Based on the Applicable Market Value Thereof)
Less than the reference price	shares of our common stock	Less than $100
Greater than or equal to the reference price but less than or equal to the threshold appreciation price	A number of shares of our common stock equal to $100 *divided by* the applicable market value	$100
Greater than the threshold appreciation price	shares of our common stock	Greater than $100

Early Settlement at Your Election

At any time prior to 5:00 p.m., New York City time, on the second scheduled trading day immediately preceding January 15, 2022, you may settle any or all of your purchase contracts early, in which case we will deliver a number of shares of our common stock per purchase contract equal to the minimum settlement rate, which is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates, unless (i) such early settlement occurs in connection with a fundamental change, in which case the provisions described under Early Settlement at Your Election Upon a Fundamental Change below will apply, (ii) the early settlement date (as defined herein) for such early settlement occurs on or prior to January 15, 2020 (other than, for the avoidance of doubt, any such early settlement in connection with a fundamental change), in which case we

will deliver a number of shares of our common stock per purchase contract equal to 90% of the minimum settlement rate, or (iii) the early settlement date (as defined herein) for such early settlement occurs after January 15, 2020 but on or prior to January 15, 2021 (other than, for the avoidance of doubt, any such early settlement in connection with a fundamental change), in which case we will deliver a number of

Table of Contents

	shares of our common stock per purchase contract equal to 95% of the minimum settlement rate, which is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates. That is, the market value of our common stock on the early settlement date will not affect the early settlement rate. Your right to settle your purchase contracts prior to the second scheduled trading day immediately preceding January 15, 2022 is subject to the delivery of your purchase contracts.
	Upon early settlement at the holder s election of a purchase contract that is a component of a Unit, the corresponding amortizing note will remain outstanding and beneficially owned by or registered in the name of, as the case may be, the holder who elected to settle the related purchase contract early.
Early Settlement at Your Election Upon a Fundamental Change	At any time prior to the second scheduled trading day immediately preceding January 15, 2022, if a fundamental change (as defined herein) occurs, you may settle any or all of your purchase contracts early. If you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of our common stock per purchase contract equal to the fundamental change early settlement rate as described under Description of the Purchase Contracts Early Settlement Upon a Fundamental Change.
	Upon early settlement at the holder s election in connection with a fundamental change of a purchase contract that is a component of a Unit, the corresponding amortizing note will remain outstanding and beneficially owned by or registered in the name of, as the case may be, the holder who elected to settle the related purchase contract early upon such fundamental change.
Merger Termination Redemption	If the closing of the Merger has not occurred on or prior to May 19, 2019, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described below, by delivering notice during the five business day period immediately following May 19, 2019. If the Merger Agreement is terminated prior to May 19, 2019, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described below by delivering notice on or prior to the 40th scheduled trading day immediately preceding May 19, 2019 or during the five business day period immediately following May 19, 2019 (in each case, a merger termination redemption).

If the merger termination redemption stock price is equal to or less than the reference price, the redemption amount will be an amount of cash as described under Description of the Purchase Contracts Merger Termination Redemption. Otherwise, the redemption amount will be a number of shares of our common stock equal to the merger termination redemption rate, calculated in the manner described under

Table of Contents

	Description of the Purchase Contracts Merger Termination Redemption; *provided*, *however*, that we may elect to pay cash in lieu of delivering any or all of such shares in an amount equal to such number of shares *multiplied by* the merger termination redemption market value thereof.
	The merger termination redemption market value means the arithmetic average of the daily VWAPs of our common stock for 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding the scheduled merger termination redemption settlement date.
	In the event of a merger termination redemption, you will have the right to require us to repurchase any or all of your amortizing notes, as described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.
Purchase Contract Agent:	U.S. Bank, National Association
The Amortizing Notes	
Issuer	Colfax Corporation, a Delaware corporation
Initial Principal Amount of Each Amortizing Note	$
Installment Payments	Each installment payment of $ per amortizing note (except for the April 15, 2019 installment payment, which will be $ per amortizing note) will be paid in cash and will constitute a partial repayment of principal and a payment of interest, computed at an annual rate of %. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Payments will be applied first to the interest due and payable and then to the reduction of the unpaid principal amount, allocated as set forth on the amortization schedule set forth under Description of the Amortizing Notes Amortization Schedule.
Installment Payment Dates	Each January 15, April 15, July 15 and October 15, commencing on April 15, 2019, with a final installment payment date of January 15, 2022.
Ranking	

The amortizing notes are our direct, unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. See Description of the Amortizing Notes Ranking in this prospectus supplement.

As of September 28, 2018, we had $1.1 billion of debt outstanding. As of September 28, 2018, our subsidiaries had approximately $2.5 billion of outstanding liabilities, in each case including trade payables, but excluding intercompany liabilities.

Table of Contents

Repurchase of Amortizing Notes at the Option of the Holder	In the event of a merger termination redemption, holders will have the right to require us to repurchase any or all of their amortizing notes for cash at the repurchase price as described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.
Sinking Fund	None.
Trustee	U.S. Bank, National Association

Table of Contents

SUMMARY CONSOLIDATED HISTORICAL FINANCIAL DATA OF COLFAX

The following table presents summary historical consolidated financial data for Colfax as of the dates and for the periods indicated. The historical statement of income data and cash flow data for Colfax for the years ended December 31, 2015, 2016 and 2017 and the historical balance sheet data as of December 31, 2016 and 2017 have been obtained from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated by reference into this prospectus supplement and accompanying prospectus. The historical statement of income data and cash flow data for Colfax for the nine months ended September 29, 2017 and September 28, 2018 and the historical balance sheet data as of September 28, 2018 have been obtained from Colfax s unaudited interim consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 28, 2018, which is incorporated by reference into this prospectus supplement and accompanying prospectus. The historical balance sheet data as of September 29, 2017 has been derived from Colfax s unaudited consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 29, 2017, which is incorporated by reference into this prospectus supplement or accompanying prospectus.

The results of operations for the nine months ended September 28, 2018 were prepared on a basis consistent with our audited consolidated financial statements and, in the opinion of management, include all adjustments consisting only of normal and recurring adjustments, necessary for a fair statement of the results for those periods. Such results of operations are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2018, and you should not assume the results of operations for any past periods indicate results for any future period. The information set forth below should be read together with the other information contained in our Annual Report on Form 10-K for the year ended December 31, 2017 and our Quarterly Report on Form 10-Q for the quarter ended September 28, 2018, including the sections entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes therein. See the section entitled Incorporation by Reference.

	Year Ended December 31,			Nine Month Period Ended	
	2015	2016	2017	September 29, 2017	September 28, 2018
		(audited)		(unaudited)	
Dollars in thousands					
Statement of Income Data:					
Net sales	$ 3,434,352	$ 3,185,753	$ 3,300,184	$ 2,426,101	$ 2,681,586
Operating income	265,620	236,800	29,151	205,111	188,056
Specific costs included in Operating income:					
Restructuring and other related charges	56,822	58,496	68,351	23,131	40,791
Goodwill and intangible asset impairment	1,486	238	152,700		
Pension settlement loss (gain)	(582)	48	46,933		
Net (loss) income from continuing operations	176,950	154,752	(54,540)	129,877	137,285
Net (loss) income per share from continuing operations diluted	1.26	1.12	(0.59)	0.94	1.03
	0.08	(0.08)	1.81	0.17	(0.26)

Net income (loss) per share from discontinued operations diluted					
Balance Sheet and Other Data at period end:					
Cash and cash equivalents	178,993	208,814	262,019	260,414	285,900
Total assets	6,732,919	6,338,440	6,709,697	6,838,316	6,446,229
Total debt, including current portion	1,417,547	1,292,144	1,061,071	1,340,488	1,142,009
Other Financial Data:					
Adjusted EBITDA[(1)]	$ 454,659	$ 421,643	$ 422,131	$ 317,657	$ 337,079

Table of Contents

(1) We define Adjusted EBITDA as operating income, depreciation and amortization charges, further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. We reconcile to Adjusted EBITDA to operating income because it is the most directly comparable GAAP measure. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The table below reconciles Adjusted EBITDA and Adjusted EBITDA margin to operating income for the periods presented.

	Year Ended December 31,			Nine Month Period Ended	
	2015	2016	2017	September 29, 2017	September 28, 2018
Dollars in thousands					
Operating income	$ 265,620	$ 236,800	$ 29,151	$ 205,111	$ 188,056
Restructuring and other related charges	56,822	58,496	68,351	23,131	40,791
Goodwill and intangible asset impairment charge	1,486	238	152,700		
Pension Settlement loss (benefit)	(582)	48	46,933		
Loss on deconsolidation of Venezuelan subsidiary		495			
Adjusted operating income:	323,346	296,077	297,135	228,242	228,847
Depreciation & amortization	129,022	124,073	123,692	89,063	105,172
Inventory Step-up	2,291	1,493	1,304	352	3,060
Adjusted EBITDA	$ 454,659	$ 421,643	$ 422,131	$ 317,657	$ 337,079
Adjusted EBITDA margin[1]	13.2%	13.2%	12.8%	13.1%	12.6%

(1) We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of operating income for the period.

Table of Contents

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF DJO

The following table presents summary historical consolidated financial data for DJO as of the dates and for the periods indicated. The balance sheet data as of December 31, 2015, 2016 and 2017 and the statement of income data for the years ended December 31, 2015, 2016 and 2017 have been obtained from DJO s audited annual consolidated financial statements, which are included in this prospectus supplement. The financial data as of and for the nine-months ended September 30, 2017 and September 29, 2018 have been obtained from DJO s unaudited, interim condensed consolidated financial statements, which are included in this prospectus supplement.

The results of operations for the nine month period ended September 29, 2018 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2018, and you should not assume the results of operations for any past periods indicate results for any future period. The information set forth below should be read together with the other information contained in DJO s audited annual consolidated financial statements and unaudited interim condensed consolidated financial statements, which are included in this prospectus supplement.

	Year Ended December 31,			Nine Month Period Ended	
Dollars in thousands	**2015**	**2016**	**2017**	**September 30, 2017**	**September 29, 2018**
		(audited)		**(unaudited)**	
Statement of Income Data:					
Net Sales	$ 1,113,627	$ 1,155,288	$ 1,186,206	$ 874,011	$ 891,517
Costs and operating expenses:					
Cost of sales	466,019	511,414	498,107	366,779	375,780
Selling, general and administrative	454,724	490,693	510,523	391,967	351,459
Research and development	35,105	37,710	35,429	27,066	30,687
Amortization of intangible assets	79,964	76,526	66,146	50,713	44,445
Impairment of goodwill		160,000			
	1,035,812	1,276,343	1,110,205	836,525	802,371
Operating income (loss)	77,815	(121,055)	76,001	37,486	89,146
Other expense:					
Interest expense, net	(172,290)	(170,082)	(174,238)	(129,446)	(136,299)
Loss on modification and extinguishment of debt	(68,473)				
Other income (expense), net	(7,303)	(2,534)	2,113	2,008	(1,040)
	(248,066)	(172,616)	(172,125)	(127,438)	(137,339)
Loss before income taxes	(170,251)	(293,671)	(96,124)	(89,952)	(48,193)
Income tax (benefit) provision	12,256	(6,853)	(60,720)	(6,677)	(12,201)
Net loss from continuing operations	(182,507)	(286,818)	(35,404)	(96,629)	(60,394)
Net income (loss) from discontinued operations	(157,580)	1,138	309	228	486

Net loss	(340,087)	(285,680)	(35,095)	(96,401)	(59,908)
Net income attributable to noncontrolling interests	(840)	(623)	(799)	(644)	(846)
Net loss attributable to DJO Global, Inc.	(340,927)	(286,303)	(35,894)	(97,045)	(60,754)
Balance Sheet Data at period end:					
Total Assets	$ 2,309,558	$ 2,050,438	$ 2,022,025	$ 2,023,824	$ 2,012,255
Other Financial Data:					
Adjusted EBITDA[(1)]	$ 220,837	$ 221,205	$ 256,929	$ 181,980	$ 193,693

Table of Contents

(1) We define DJO s Adjusted EBITDA as net income (loss) plus (i) interest expense, (ii) provision for income taxes and (iii) depreciation and amortization charges, further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. We reconcile Adjusted EBITDA to operating income because it is the most directly comparable GAAP measure. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The table below reconciles Adjusted EBITDA, Adjusted EBITDA margin and free cash flow to net income for the periods presented.

	Year Ended December 31,			Nine Month Period Ended	
				September 29,	September 28,
Dollars in thousands	**2015**	**2016**	**2017**	**2017**	**2018**
Adjusted EBITDA					
Net Sales	$ 1,113,627	$ 1,155,288	$ 1,186,206	$ 874,011	$ 891,517
Net income attributable to DJO Global	(340,927)	(286,303)	(35,894)	(97,045)	(60,754)
Discontinued operations	157,580	(1,138)	(309)	(228)	(486)
Interest expense, net	172,290	170,082	174,238	129,446	136,299
Income tax provision (benefit)	12,256	(6,853)	(60,720)	6,677	12,201
Depreciation and amortization	117,455	117,893	111,261	83,001	79,386
Impairment of goodwill		160,000			
Inventory adjustments		18,013			
Loss on disposal of assets, net	777	949	1,403	983	(125)
Restructuring and reorganization(1)	12,843	16,838	58,775	50,441	35,222
Acquisition integration(2)	8,635	10,350	2,106	1,457	1,447
Blackstone monitoring fee	7,000	7,000	6,225	5,250	
Loss on modification and extinguishment of debt	68,473				
Other add-backs, diligence and reporting adjustments(3)	4,455	14,374	(156)	1,998	(9,497)
Adjusted EBITDA(4)	**$ 220,837**	**$ 221,205**	**$ 256,929**	**$ 181,980**	**$ 193,693**
% margin	19.8%	19.1%	21.7%	20.9%	21.9%
Capital expenditures	(44,665)	(51,428)	(47,361)	(33,597)	(40,758)
Free cash flow(5)	**$ 176,172**	**$ 169,777**	**$ 209,568**	**$ 148,383**	**$ 152,935**

(1) Consists of costs related to the company s business transformation projects to improve the company s operational profitability and liquidity.

(2) Reflects costs related to the integration of new businesses acquired.

(3) Reflects additional adjustments we believe are appropriate in assessing DJO s historical performance.
(4) We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of Net Sales.
(5) We define free cash flow as adjusted EBITDA before capital expenditures.

Table of Contents

SELECTED UNAUDITED PRO FORMA CONSOLIDATED CONDENSED FINANCIAL INFORMATION OF THE COMPANY AND DJO GLOBAL, INC.

The following unaudited pro forma consolidated condensed financial information of Colfax Corporation (Colfax) is presented to illustrate the estimated income statement effects of the acquisition of DJO Global, Inc. (DJO) as such data may have appeared if the Acquisition had been completed on January 1, 2017. The unaudited pro forma consolidated condensed balance sheet information is presented as if the Acquisition had been completed on September 28, 2018. The unaudited pro forma consolidated condensed financial information has been derived from and should be read in conjunction with:

- Colfax Corporation s audited consolidated financial statements and related notes as of, and for the year ended, December 31, 2017, included in Colfax s Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated by reference herein;

- Colfax Corporation s unaudited consolidated financial statements and related notes contained in Colfax s Quarterly Report on Form 10-Q, as of and for the nine months ended September 28, 2018 and incorporated by reference herein;

- DJO Global, Inc s audited consolidated financial statements and related notes as of, and for the year ended, December 31, 2017 contained in Colfax s Current Report on Form 8-K filed on January 7, 2019; and

- DJO Global, Inc s unaudited consolidated financial statements and related notes as of and for the nine months ended September 29, 2018 contained in Colfax s Current Report on Form 8-K filed on January 7, 2019.

To prepare the unaudited pro forma consolidated condensed financial information, the historical financial statements of DJO have been adjusted to reflect certain reclassifications to conform to Colfax s financial statement presentation as described in Unaudited Pro Forma Condensed Combined Financial Information. Pro forma adjustments were made to Colfax s historical consolidated financial information to reflect items that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the consolidated operating results of Colfax.

The pro forma financial statements do not reflect the costs of any integration activities, possible or pending asset dispositions, the benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies that may result from the Acquisition.

The pro forma financial statements are presented for informational purposes only and do not purport to represent what the results of operations or financial condition would have been had the Acquisition actually occurred on the dates indicated, nor do they purport to project the results of operations or financial condition of the consolidated company for any future period or as of any future date. The pro forma financial statements have been prepared in advance of the close of the Acquisition; the final amounts recorded upon the closing of the Acquisitions may differ materially from the information presented.

The unaudited pro forma consolidated condensed financial data has have prepared using the acquisition method of accounting under U.S. generally accepted accounting principles, which are subject to change and interpretation. The

acquisition accounting is dependent upon certain valuations and other studies that have yet to be completed. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma consolidated condensed financial data. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma consolidated condensed financial data and the consolidated company s future results of operations and financial position.

See Unaudited Pro Forma Condensed Combined Financial Information.

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF INCOME

COLFAX CORPORATION

(in thousands, except per share amounts)	Pro Forma for the year ended 12/31/2017	Pro Forma for the nine months ended 9/28/2018
Net sales	$ 4,486,390	$ 3,573,103
Cost of sales	2,763,825	2,214,359
Gross profit	1,722,565	1,358,744
Selling, general and administrative expense	1,356,648	1,057,320
Restructuring and other related charges	127,126	76,013
Goodwill and intangible asset impairment charge	152,700	
Pension settlement loss (gain)	46,933	
Operating income	39,158	225,411
Interest expense, net	188,982	145,375
Loss on short term investments		10,128
Income (loss) from continued operations before income taxes	(149,824)	69,908
Provision for income taxes	(90,555)	7,232
Net income (loss) from continuing operations	(59,269)	62,676
Income from discontinued operations, net of taxes	224,356	(30,776)
Net income (loss)	165,087	31,900
Less: income attributable to noncontrolling interest, net of taxes	19,216	12,567
Net income (loss) attributable to Colfax Corp.	$ 145,871	$ 19,333
Pro Forma Adjusted EBITDA[(1)]		
	$ 679,060	$ 530,772
Net income (loss) per share basic		
Continuing operations	$ (0.43)	$ 0.47
Discontinued operations	$ 1.61	$ (0.23)
Consolidated operations	$ 1.18	$ 0.24
Net income (loss) per share diluted		
Continuing operations	$ (0.43)	$ 0.45

Discontinued operations	$ 1.61	$ (0.22)
Consolidated operations	$ 1.18	$ 0.23

	Pro Forma As of 9/28/2018
Total Assets	$ 9,982,031
Total Liabilities	$ 6,186,144
Total Equity	$ 3,795,887
Total Liabilities and Equity	$ 9,982,031

(1) The table below reconciles Pro forma Operating income to Pro forma Adjusted EBITDA for the periods presented.

Dollars in thousands	Pro Forma for the year ended 12/31/17	Pro Forma for the nine months ended 9/28/18
Pro forma Adjusted EBITDA		
Pro forma Operating income	$ 39,158	$ 225,411
Goodwill impairment	152,700	
Restructuring	127,126	76,013
Depreciation and amortization	300,947	239,218
Inventory step up	1,304	3,060
Other income (expense)	2,113	(1,040)
Pension settlement	46,933	
Acquisition integration	2,106	1,447
Other add-backs and reporting adjustments	(156)	(12,366)
Loss (gain) on asset disposals, net	1,403	(125)
Blackstone monitoring fee	6,225	
Net income attributable to noncontrolling interests	(799)	(846)
Pro forma Adjusted EBITDA	$ 679,060	$ 530,772

Table of Contents

RISK FACTORS

Investing in the Units involves risks, including the risks described below that are specific to the Units and those that could affect us and our business. You should not purchase any Units unless you understand these investment risks. Please be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Before purchasing any Units, you should consider carefully the risks and other information in this prospectus supplement and the accompanying prospectus and carefully read the risks described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including those set forth in the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2017.

Risks Related to Our Business

You should review and consider the risks set forth under the heading Risks Related to Our Business in the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2017.

Risks Related to the Acquisition

Our acquisition of DJO may not be consummated, and if consummated, may not perform as expected.

We have entered into an agreement to acquire DJO. Completion of the transaction is subject to a number of risks and uncertainties, and we can provide no assurance that the various closing conditions to the acquisition agreement will be satisfied, including that the required governmental and other necessary approvals will be obtained. To fund the acquisition, we have obtained a commitment to fund a Bridge Facility, which is subject to certain conditions; however, we intend to raise the necessary funds to provide permanent financing through a combination of the issuance of equity and debt securities and new debt financing, which is subject to market conditions and other risks and uncertainties. The debt securities could also be issued in a smaller or larger dollar amount or with terms differing materially from those indicated in this prospectus supplement. In addition, if we are not able to raise gross proceeds in the amounts contemplated or at all, we may draw funds under the Bridge Facility. See The Transactions The Financing Transactions. The timing, amounts and terms of any such issuance will depend on market conditions and other factors, and our financing plans may change. There can be no assurance that we will be able to raise the necessary funds on terms we consider favorable, or at all. The inability to complete the transaction, or to obtain permanent financing on terms that are favorable, or at all, could have a material adverse effect on our results of operations, financial condition and prospects. The acquired businesses have significant operating histories, however, we will have no history of owning and operating businesses in DJO s industry. In addition, the Acquisition is subject to risks and uncertainties, including: (1) the risk that the Acquisition may not be completed, or completed within the expected timeframe; (2) costs relating to the Acquisition (including in respect of the Financing Transactions) may be greater than expected; (3) the possibility that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval in connection with the Acquisition; and (4) the closing conditions in the Merger Agreement will not be satisfied in a timely manner or at all. If the acquisition does not close, we may be required to pay a $220.5 million termination fee to DJO. We cannot assure you that the acquired businesses will perform as expected, that integration or other one-time costs will not be greater than expected, that we will not incur unforeseen obligations or liabilities or that the rate of return from such businesses will justify our decision to invest capital to acquire them.

We may experience difficulties in integrating the operations of DJO into our business and in realizing the expected benefits of the proposed acquisition.

The success of the proposed acquisition of DJO, if completed, will depend in part on our ability to realize the anticipated business opportunities from combining the operations of DJO with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company s ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or

Table of Contents

our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of DJO with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the proposed transaction, and our business, results of operations and financial condition could be materially and adversely affected.

Our acquisition of DJO involves risks associated with acquisitions and integrated acquired assets, including the potential exposure to significant liabilities, and the intended benefits of the acquisition of DJO may not be realized.

The acquisition of DJO involves risks associated with acquisitions and integrating acquired assets into existing operations which could have a material adverse effect on our business, financial condition, results of operations and cash flows, including, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating equipment, logistics, information, communications and other systems;
- possible inconsistencies in standards, controls, contracts, procedures and policies;
- impacts of change in control provisions in contracts and agreements;
- failure to retain key customers and suppliers;
- unanticipated changes in applicable laws and regulations;
- failure to recruit and retain key employees to operate the combined business;
- increased competition within the industries in which DJO operates;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- inherent operating risks in the business;
- unanticipated issues, expenses and liabilities;

additional reporting requirements pursuant to applicable rules and regulations;

additional requirements relating to internal control over financial reporting;

diversion of our senior management s attention from the management of daily operations to the integration of the assets acquired in the acquisition of DJO;

significant unknown and contingent liabilities we incur for which we have limited or no contractual remedies or insurance coverage;

the assets to be acquired failing to perform as well as we anticipate; and

unexpected costs, delays and challenges arising from integrating the assets acquired in the Acquisition into our existing operations.

Even if we successfully integrate the assets acquired in the Acquisition into our operations, it may not be possible to realize the full benefits we anticipate or we may not realize these benefits within the expected time frame. If we fail to realize the benefits we anticipate from the Acquisition, our business, results of operations and financial condition may be adversely affected. Furthermore, because we have not previously operated in the healthcare industry, the Acquisition may subject us to new types of risk to which we were not previously exposed.

DJO may have liabilities that are not known, probable or estimable at this time.

As a result of the Acquisition, DJO will become our subsidiary and it will remain subject to all of its liabilities. There could be unasserted claims or assessments that we failed or were unable to discover or identify

Table of Contents

in the course of performing due diligence investigations of DJO. In addition, there may be liabilities that are neither probable nor estimable at this time that may become probable or estimable in the future. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our financial results. We may learn additional information about DJO that adversely affects us, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws.

Without limitation to the generality of the foregoing, DJO is subject to various rules, regulations, laws and other legal requirements, enforced by governments or other public authorities. Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by any of DJO s directors, officers, employees or agents could have a significant impact on DJO s business and reputation and could subject DJO to fines and penalties, criminal, civil and administrative legal sanctions and suspension from contracting (including with public bodies), resulting in reduced revenues and profits. Such misconduct could include the failure to comply with regulations prohibiting bribery, regulations on lobbying or similar activities, control over financial reporting, environmental laws and any other applicable laws or regulations.

We will incur significant transaction costs and merger-related integration costs in connection with the Acquisition.

We will incur significant costs in connection with the Acquisition. The substantial majority of these costs will be non-recurring expenses related to the Acquisition. These non-recurring costs and expenses are not reflected in the unaudited pro forma condensed consolidated statements of income included in this prospectus supplement. We may incur additional costs in the integration of DJO s business, and may not achieve cost synergies and other benefits sufficient to offset the incremental costs of the Acquisition.

We expect to issue securities pursuant to this offering and may issue debt securities to provide permanent financing for the Acquisition and, as a result, we are subject to market risks including market demand for our equity and debt securities. We are also seeking to consummate certain asset sales.

In connection with the Merger Agreement, we have obtained commitment from affiliates of certain of the underwriters for the Bridge Facility, which may be used to fund a portion of the cash consideration payable in connection with the Acquisition and pay related fees and expenses in the event that permanent financing is not completed at the time of the closing of the Acquisition. See The Transactions for additional information. If we are unable to raise permanent financing on acceptable terms, we may need to rely on the Bridge Facility, which may result in higher borrowing costs and a shorter maturity than those from other anticipated financing alternatives. We cannot assure you as to the ultimate cost or availability of funds to complete the permanent financing. Among other risks, the planned increase in our indebtedness may:

- make it more difficult for us to repay or refinance our debts as they become due during adverse economic and industry conditions;

- limit our flexibility to pursue other strategic opportunities or react to changes in our business and the industry in which we operate and, consequently, place us at a competitive disadvantage to competitors with less debt;

require an increased portion of our cash flows from operations to be used for debt service payments, thereby reducing the availability of cash flows to fund working capital, capital expenditures, dividend payments and other general corporate purposes;

result in a downgrade in the credit rating of our indebtedness, which could limit our ability to borrow additional funds or increase the interest rates applicable to our indebtedness;

result in higher interest expense in the event of increases in market interest rates for both long-term debt as well as short-term commercial paper, bank loans or borrowings under our line of credit at variable rates;

Table of Contents

reduce the amount of credit available to support hedging activities; and

require that additional terms, conditions or covenants be placed on us.

Among other risks, the issuance of additional equity by Colfax pursuant to the offering hereby may:

be dilutive to our existing shareholders and earnings per share;

negatively affect our capital structure and cost of the capital;

negatively affect the offering price of our new equity or necessitate the use of other equity or equity-like instruments such as preferred stock, convertible preferred shares, or convertible debt; and

negatively affect our ability to make our current and future dividend payments.

In addition to securities offerings, we also may seek to sell certain assets of the Company. While we have publicly stated that we seek to deleverage our business, we cannot assure you that we will be able to do so. In addition, we have said that we do not plan to pursue other material acquisitions or engage in share repurchases until we can further deleverage. This may result in our being unable to pursue opportunities that might otherwise be beneficial to our equity holders. As part of our deleveraging plans, we are evaluating strategic options for our Air and Gas Handling business, however we cannot assure you that any transaction, whether a sale or other disposition involving our Air and Gas Handling business or otherwise, will occur at all or on terms that are favorable to us, nor that any such transaction will have the desired deleveraging or other benefits, or will otherwise not adversely affect our business. We are not party to definitive documentation with respect to any asset sales and cannot assure you that we will be able to consummate such sales or achieve the prices we are anticipating.

We intend to use the net proceeds from this offering to fund a portion of the Acquisition, but this offering is not conditioned upon the closing of the Acquisition and we will have broad discretion to determine alternative uses of proceeds.

As described under Use of Proceeds, we intend to use the net proceeds from this offering to fund a portion of the purchase price of the Acquisition. However, this offering is not conditioned upon the closing of the Acquisition. If the Acquisition is not consummated, we will have broad discretion in the application of the net proceeds from this offering such as using the proceeds from this offering toward general corporate purposes, and holders of the Units will not have the opportunity as part of their investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use.

We intend to finance the Acquisition with a combination of equity and new debt financing. In the event that the financing contemplated by either is not available, is available in less than the full amount or is available in a manner that requires us to utilize the Bridge Facility (as defined elsewhere in this prospectus supplement), necessary financing for the Acquisition may not be available on acceptable terms, in a timely manner or at all. The closing of the Acquisition is not conditioned on our ability to obtain financing. However, if alternative financing becomes necessary and we are unable to secure such alternative financing, we may not be able to complete the Acquisition and may be

required to pay the applicable termination fee set forth in the Merger Agreement.

If we fail to consummate the Acquisition, we may redeem the purchase contracts for an amount of cash or a number of shares of our common stock (depending on the price of our common stock at the time of redemption), which could adversely affect you.

If the Acquisition is not consummated for any reason prior to May 19, 2019, we may redeem all, but not less than all, of the outstanding purchase contracts included in the Units, by delivering notice on or after May 19,

Table of Contents

2019, and on or prior to the fifth business day thereafter. We will pay a redemption price to be determined based on the our common stock price at that time in cash or in shares of our common stock in accordance with the terms of the purchase contracts. This redemption is solely at our option, and if the Acquisition is not completed, there is no assurance that we will exercise this right. If we elect to redeem the purchase contracts, we may be required by the holders thereof to repurchase the amortizing notes at the repurchase price set forth in the amortizing notes.

Upon redemption of the purchase contracts included in the Units or separate purchase contracts in connection upon an acquisition termination redemption, our common stock may incur immediate net tangible book value dilution on a per share basis.

The summary unaudited pro forma financial information contained elsewhere in this prospectus supplement may not be representative of the combined results of Colfax and DJO after the consummation of the Acquisition, and accordingly, you have limited financial information on which to evaluate the integrated companies.

The summary unaudited pro forma financial information is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the acquisition of DJO been completed at or as of the dates indicated, nor is it indicative of our future operating results or financial position. The summary unaudited pro forma financial information does not reflect future events that may occur after the closing of the Acquisition, including the potential realization of operating cost savings or costs related to the planned integration of DJO, and does not consider potential impacts of current market conditions on revenues or expenses. The summary unaudited pro forma financial information presented in this prospectus supplement is based in part on certain assumptions regarding the acquisition of DJO that we believe are reasonable under the circumstances. We cannot assure you that our assumptions will prove to be accurate over time. In addition, the assumptions used in preparing the unaudited pro forma financial information, including assumptions as to the successful completion of the Acquisition, this offering and the Other Financing Transactions may not prove to be accurate, and other factors may adversely affect our financial condition or results of operations following the closing of the Acquisition and negatively impact the price of shares of our common stock.

We will be subject to business uncertainties while the Acquisition is pending and any downgrade in credit rating could adversely affect our business.

The preparation required to complete the Acquisition may place a significant burden on management and internal resources. The additional demands on management and any difficulties encountered in completing the Acquisition, including the transition and integration process, could adversely affect our financial results. Additionally, our debt ratings have been placed on negative outlook. Any downgrade to our credit ratings could adversely affect our business, including as a result of increasing financing costs or as a result of possible negative impact on the price per share of our common stock.

The Acquisition may significantly increase our goodwill and other intangible assets.

We have a significant amount, and following the Acquisition we expect to have an additional amount, of goodwill and other intangible assets on our consolidated financial statements that are subject to impairment based upon future adverse changes in our business or prospects. The impairment of any goodwill and other intangible assets may have a negative impact on our consolidated results of operations.

Table of Contents

Failure to complete the Acquisition could negatively affect our stock price as well as our future business and financial results.

If the Acquisition is not completed, we will be subject to a number of risks, including:

- we must pay costs related to the Acquisition, including legal, accounting, financial advisory, filing and printing costs, whether the Acquisition is completed or not;
- if DJO terminates the Merger Agreement under certain specific conditions set forth in the Merger Agreement, we must pay a termination fee of $220.5 million; and
- we could be subject to litigation related to the failure to complete the Acquisition or other factors, which litigation may adversely affect our business, financial results and stock price.

The Acquisition may not achieve its intended results, including anticipated investment opportunities and earnings growth.

Although we expect the Acquisition to result in various benefits, we cannot assure you regarding when or the extent to which we will be able to realize these or other benefits. Achieving the anticipated benefits, is subject to a number of uncertainties, including whether the businesses acquired can be operated in the manner we intend and whether our costs to finance the Acquisition will be consistent with our expectations. Events outside of our control, including but not limited to regulatory changes or developments, could also adversely affect our ability to realize the anticipated benefits from the Acquisition. Thus the integration of DJO may be unpredictable, subject to delays or changed circumstances, and we cannot assure you that the acquired business will perform in accordance with our expectations or that our expectations with respect to the Acquisition will be achieved. While we expect the Acquisition to be accretive in the first year following the Acquisition, excluding transaction-related amortization and one-time costs, we cannot assure you that the Acquisition will be accretive to the extent we anticipate or at all. In addition, we cannot assure you that the Acquisition will result in higher operating or EBITDA margins, less cyclicality in our business, greater cash flow predictability or that the Acquisition will lead to the return on invested capital currently anticipated. We cannot assure you that we will be able to drive further operating improvements to DJO s business, improve or expand DJO s operating or EBITDA margins or be able to grow DJO s business, revenues or profitability. Our anticipated costs to achieve the integration of the acquired business may differ significantly from our current estimates. The integration may place an additional burden on our management and internal resources, and the diversion of management s attention during the integration process could have an adverse effect on our business, financial condition and expected operating results.

Integrating DJO s business into our business may divert management s attention away from operations, and we may also encounter significant difficulties in integrating the two businesses.

The Acquisition involve, among other things, the integration into our business platform of DJO. The success of the Acquisition and its anticipated financial and operational benefits, including increased revenues, synergies and cost savings, will depend in part on our ability to successfully combine and integrate DJO s business into ours, and there can be no assurance regarding when or the extent to which we will be able to realize these increased revenues, synergies, cost savings or other benefits. These benefits may not be achieved within the anticipated time frame, or at all.

Successful integration of DJO s operations, products and personnel may place a significant burden on management and other internal resources. The diversion of management s attention, and any difficulties encountered in the transition and integration process, could harm our business, financial condition and results of operations.

Table of Contents

Risks Related to DJO

You should read and consider the risk factors below, which relate to DJO s business and will affect the combined company if the Acquisition is completed.

If coverage and adequate levels of reimbursement from third-party payors for DJO s products are not obtained, healthcare providers and patients may be reluctant to use DJO s products; DJO s margins may suffer and its revenue and profits may decline.

DJO s sales depend largely on whether there is coverage and adequate reimbursement by government healthcare programs, such as Medicare and Medicaid, and by private payors. DJO believes that surgeons, hospitals, physical therapists and other healthcare providers may not use, purchase or prescribe its products and patients may not purchase its products if these third-party payors do not provide satisfactory coverage of and reimbursement for the costs of DJO s products or the procedures involving the use of its products. Reduced reimbursement rates will also lower DJO s margins on product sales and could adversely impact the profitability and viability of the affected products.

Third-party payors continue to review their coverage policies carefully and can, without notice, reduce or eliminate reimbursement for DJO s products or treatments that use its products. For instance, they may attempt to control costs by (i) authorizing fewer elective surgical procedures, including joint reconstructive surgeries, (ii) requiring the use of the least expensive product available, (iii) reducing the reimbursement for or limiting the number of authorized visits for rehabilitation procedures, (iv) bundling reimbursement for all services related to an episode of care, or (v) otherwise restricting coverage or reimbursement of DJO s products or procedures using DJO s products.

Medicare payment for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) also can be impacted by the DMEPOS competitive bidding program, under which Medicare rates are based on bid amounts for certain products in designated geographic areas, rather than the Medicare fee schedule amount. Only those suppliers selected through the competitive bidding process within each designated competitive bidding area (CBA) are eligible to have their products reimbursed by Medicare. The Centers for Medicare & Medicaid Services (CMS) also has adopted regulations to adjust national DMEPOS fee schedules to take into account competitive bidding pricing. If any of DJO s products are included in competitive bidding and it is not selected as a contract supplier (or subcontractor) in a particular region, or if contract or fee schedule prices are significantly below current Medicare fee schedule reimbursement levels, it could have an adverse impact on DJO s sales and profitability.

Because many private payors model their coverage and reimbursement policies on Medicare, other third party payors coverage of, and reimbursement for, DJO s products also could be negatively impacted by legislative, regulatory or other measures that restrict Medicare coverage or reduce Medicare reimbursement.

DJO s international sales also depend in part upon the coverage and eligibility for reimbursement of its products through government-sponsored healthcare payment systems and third party payors, the amount of reimbursement, and the cost allocation of payments between the patient and government-sponsored healthcare payment systems and third party payors. Coverage and reimbursement practices vary significantly by country, with certain countries requiring products to undergo a lengthy regulatory review in order to be eligible for third party coverage and reimbursement. In addition, healthcare cost containment efforts similar to those DJO faces in the United States are prevalent in many of the foreign countries in which its products are sold, and these efforts are expected to continue in the future, possibly resulting in the adoption of more stringent reimbursement standards relating to DJO s international operations.

Table of Contents

Federal and state health reform and cost control efforts include provisions that could adversely impact DJO s business and results of operations, and federal and state legislatures continue to consider further reforms and cost control efforts that could adversely impact DJO s business and results of operations.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. In March 2010, the Affordable Care Act (ACA) was enacted in the United States. The ACA is a sweeping measure designed to expand access to affordable health insurance, control health care spending, and improve health care quality. Several provisions of the ACA specifically affect the medical equipment industry. In addition to changes in Medicare DMEPOS reimbursement and an expansion of the DMEPOS competitive bidding program, the ACA provides that for sales on or after January 1, 2013, manufacturers, producers, and importers of specified taxable medical devices must pay an annual excise tax of 2.3% of a deemed price for these products. A limited number of DJO s products are subject to the new tax. A two-year suspension of the medical device tax was passed in late 2015, resulting in no medical device tax obligations for 2016 and 2017. The Continuing Appropriations Act, signed into law on January 22, 2018 extends the moratorium for an additional two years; as a result, the device tax will not apply to sales during calendar years 2018 and 2019. Absent further legislative action, the device excise tax will be reinstated on medical device sales starting January 1, 2020. The ACA implemented payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models. The ACA also established enhanced Medicare and Medicaid program integrity provisions, including expanded documentation requirements for Medicare DMEPOS orders, more stringent procedures for screening Medicare and Medicaid DMEPOS suppliers, and new disclosure requirements regarding manufacturer payments to physicians and teaching hospitals, along with broader expansion of federal fraud and abuse authorities. The ACA also established a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in comparative clinical effectiveness research in an effort to coordinate and develop such research.

A sweeping tax bill signed into law on December 22, 2017 repealed the ACA s penalty for failure to maintain health insurance coverage that provides at least minimum essential coverage. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas, ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. While the Trump Administration and CMS have both stated that the ruling will have no immediate effect, it is unclear how this decision, subsequent appeals, if any, and other efforts to repeal and replace the ACA will impact the ACA and our business. Congress has also been considering subsequent legislation, and President Trump has been considering executive orders, to repeal additional provisions of the ACA and potentially impose alternative health coverage policies. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. There can be no assurances that any future healthcare legislation will not have a material adverse impact on DJO s business.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011 was signed into law, which, among other things, reduced Medicare payments to providers by 2% per fiscal year, effective on April 1, 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2027 unless additional Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, reduced Medicare payments to several providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. The Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, enacted on April 16, 2015, repealed the formula by which Medicare made annual payment adjustments to physicians and replaced the former formula with fixed annual updates and a new system of incentive

payments scheduled to begin in 2019 that are based on various performance measures and physicians participation in alternative payment models such as accountable

Table of Contents

care organizations. It is unclear what effect new quality and payment programs, such as MACRA, may have on our business, financial condition, results of operations or cash flows.

Likewise, most states have adopted or are considering policies to reduce Medicaid spending as a result of state budgetary shortfalls, which in some cases include reduced reimbursement for DMEPOS items and/or other Medicaid coverage restrictions. Federal policy may also impact state Medicaid policy. For instance, effective January 1, 2018, the 21st Century Cures Act prohibits federal financial participation (FFP) payments to states for certain Medicaid DME spending that exceeds what Medicare would have paid for such items. Congress has also been considering legislation to replace or revise elements of the ACA, which in turn may require states to modify their own laws and regulations. As states continue to face significant financial pressures, it is possible that state health policy changes will adversely affect DJO s profitability.

If DJO fails to meet Medicare accreditation and surety bond requirements or DMEPOS supplier standards or we fail to notify CMS, the appropriate accreditation organization, and the National Supplier Clearinghouse of this acquisition, it could negatively affect DJO s business operations.

Medicare DMEPOS suppliers (other than certain exempted professionals) must be accredited by an approved accreditation organization as meeting DMEPOS quality standards adopted by CMS including specific requirements for suppliers of custom-fabricated and custom-fitted orthoses and certain prosthetics. Medicare suppliers also are required to meet surety bond requirements. In addition, Medicare DMEPOS suppliers must comply with Medicare supplier standards in order to obtain and retain billing privileges, including meeting all applicable federal and state licensure and regulatory requirements. CMS periodically expands or otherwise clarifies the Medicare DMEPOS supplier standards and states periodically change licensure requirements, including licensure rules imposing more stringent requirements on out-of-state DMEPOS suppliers. DJO believes it currently is in compliance with these requirements. If DJO fails to maintain its Medicare accreditation status and/or does not comply with Medicare surety bond or supplier standard requirements or state licensure requirements in the future, or if these requirements are changed or expanded, it could adversely affect DJO s profits and results of operations. Because DJO s accreditation will not transfer automatically with the sale of DJO, if we fail to notify CMS, the appropriate accreditation organization, and the National Supplier Clearinghouse of the acquisition, it could adversely affect DJO s profits and results of operations.

DJO s Business Transformation Initiative may cause a disruption in its operations and may not be successful.

In March 2017, DJO announced that it had embarked on a series of business transformation projects focused on delivering productivity improvements and reducing costs. This initiative involves costs relating to hiring outside experts and implementing these projects, may result in restructuring and asset impairments charges, and could have other unanticipated costs and consequences. While DJO expects to realize efficiencies from this initiative, there is no guarantee that it will recognize the full efficiency, cost reduction and other benefits of these activities that it expects. In connection with such activities, DJO may experience a disruption in its ability to perform functions critical to its strategy. If DJO s business transformation initiative is not successful, or if it is not executed effectively, it could adversely affect DJO s business, financial condition and results of operations.

As part of DJO s Business Transformation Initiative, DJO has transitioned certain business processes to third-party vendors. Reliance on such third-party vendors subjects DJO to risks arising from the loss of control of such business processes, changes in pricing that may affect DJO s results of operations, and, potentially, disruption from the termination of provision of these services by such third-party vendors. In addition, the role of outsource providers has required DJO to implement changes to its existing operations and to adopt new procedures to deal with and manage the performance of these outsource providers. Any delay or failure in the implementation of DJO s operational changes

and new procedures could adversely affect its customer relationships. A failure of these third-party vendors to provide services in a satisfactory manner could have an adverse effect on DJO s business, financial condition and results of operations, or DJO s ability to accomplish its

Table of Contents

financial and management reporting. DJO may outsource additional functions in the future, which would increase its reliance on third parties.

DJO is subject to extensive government regulation by the FDA and comparable government authorities relating to the safety, efficacy, testing, manufacturing, labeling, and marketing of its products. If DJO, its contract manufacturers, or its component suppliers fail to comply with the Food and Drug Administration s (the FDA) Quality System Regulation, the manufacturing and distribution of its products could be delayed or halted, and DJO, the contract manufacturers, or the component suppliers could be subject to enforcement actions or penalties, and its product sales and profitability could suffer..

DJO s manufacturing processes, and the manufacturing processes of its contract manufacturers and component suppliers are required to comply with the FDA s Quality System Regulation, which covers current Good Manufacturing Practice requirements including procedures concerning (and documentation of) the design, testing, production processes, controls, quality assurance, labeling, packaging, storage and shipping of DJO s devices. DJO also is subject to state requirements and licenses applicable to manufacturers of medical devices. In addition, DJO must engage in extensive recordkeeping and reporting and must make available DJO s manufacturing facilities and records for periodic unscheduled inspections by governmental agencies, including the FDA, state authorities and comparable agencies in other countries. Moreover, if DJO fails to pass a Quality System Regulation inspection or to comply with these and other applicable regulatory requirements, DJO may receive a notice of a violation in the form of inspectional observations on Form FDA-483 or a warning letter, or DJO could otherwise be required to take corrective action and, in severe cases, it could suffer a disruption of its operations and manufacturing delays. If DJO fails to take adequate corrective actions, it could be subject to certain enforcement actions, including, among other things, significant fines, warning letters, untitled letters, suspension of approvals, seizures or recalls of products, operating restrictions and criminal prosecutions. DJO cannot assure you that the FDA or other governmental authorities would agree with its interpretation of applicable regulatory requirements or that it has in all instances fully complied with all applicable requirements. Any notice or communication from the FDA regarding a failure to comply with applicable requirements could adversely affect its product sales and profitability. DJO has received FDA warnings letters in the past, and we cannot assure you that the FDA will not take further action in the future.

DJO s contract manufacturers and its component suppliers are also required to comply with the FDA s Quality System Regulations. DJO cannot assure anyone that its contract manufacturers or component suppliers facilities would pass any future quality system inspection. If DJO s or any of its contract manufacturers or component suppliers facilities fail a quality system inspection, its product sales and profitability could be adversely affected.

The loss of the services of DJO s key management and personnel could adversely affect its ability to operate its business.

DJO s executive officers have substantial experience and expertise in its industry. DJO s future success depends, to a significant extent, on the abilities and efforts of its and our executive officers and management team. We will compete for such personnel with other companies, academic institutions, government entities and other organizations, and our failure to hire and retain qualified individuals for senior executive positions could have a material adverse impact on its business.

DJO may experience substantial fluctuations in its quarterly operating results and you should not rely on them as an indication of DJO s future results.

DJO s quarterly operating results may vary significantly due to a combination of factors, many of which are beyond DJO s control. These factors include

demand for many of DJO s products, which historically has been higher in the fourth quarter when scholastic sports and ski injuries are more frequent;

Table of Contents

DJO s ability to meet the demand for its products;

the direct distribution of DJO s products in foreign countries that have seasonal variations;

the number, timing and significance of new products and product introductions and enhancements by DJO and its competitors, including delays in obtaining government review and clearance of medical devices;

DJO s ability to develop, introduce and market new and enhanced versions of its products on a timely basis;

the impact of any acquisitions that occur in a quarter;

the impact of any changes in generally accepted accounting principles;

changes in pricing policies by DJO and its competitors and reimbursement rates by third party payors, including government healthcare agencies and private insurers;

the loss of any of DJO s significant distributors;

changes in the treatment practices of orthopedic and spine surgeons, primary care physicians, and pain-management specialists, and their allied healthcare professionals; and

the timing of significant orders and shipments.

Accordingly, DJO s quarterly sales and operating results may vary significantly in the future and period-to-period comparisons of its results of operations may not be meaningful and should not be relied upon as indications of future performance. We cannot assure you that DJO s sales will increase or be sustained in future periods or that it will be profitable in any future period.

DJO s reported results may be adversely affected by increases in reserves for contractual allowances, rebates, product returns, uncollectible accounts receivable and inventory.

DJO has established reserves to account for contractual allowances, rebates, product returns and reserves for rental credits. Significant management judgment must be used and estimates must be made in connection with establishing the reserves for contractual allowances, rebates, product returns, uncollectible accounts receivable and inventory and other allowances in any accounting period. If such judgments and estimates are inaccurate, reserves for such items may have to be increased which could adversely affect its reported financial results by reducing its net revenues and/or profitability for the reporting period.

DJO operates in a highly competitive business environment, and its inability to compete effectively could adversely affect its business prospects and results of operations.

DJO operates in highly competitive and fragmented markets. Its Bracing and Vascular, Recovery Sciences and International segments compete with both large and small companies, including several large, diversified companies with significant market share and numerous smaller niche companies, particularly in the physical therapy products market. Its Surgical Implant segment competes with a small number of very large companies that dominate the market, as well as other companies similar to its size. We may not be able to offer products similar to, or more desirable than, those of DJO s competitors or at a price comparable to that of its competitors. Compared to DJO, many of its competitors have

greater financial, marketing and other resources;

more widely accepted products;

a larger number of endorsements from healthcare professionals;

a larger product portfolio;

Table of Contents

superior ability to maintain new product flow;

greater research and development and technical capabilities;

patent portfolios that may present an obstacle to the conduct of DJO s business;

stronger name recognition;

larger sales and distribution networks; and/or

international manufacturing facilities that enable them to avoid the transportation costs and foreign import duties associated with shipping DJO s products manufactured in the United States to international customers.

Accordingly, DJO may be at a disadvantage with respect to its competitors. These factors may materially impair DJO s ability to develop and sell its products.

The success of all of DJO s products depends heavily on acceptance by healthcare professionals who prescribe and recommend DJO s products, and DJO s failure to maintain a high level of confidence by key healthcare professionals in its products could adversely affect its business.

DJO has maintained customer relationships with numerous orthopedic surgeons, primary care physicians, other specialist physicians, physical therapists, athletic trainers, chiropractors and other healthcare professionals. DJO believes that sales of its products depend significantly on their confidence in, and recommendations of, its products. Acceptance of DJO s products depends on educating the healthcare community as to the distinctive characteristics, perceived benefits, clinical efficacy and cost-effectiveness of DJO s products compared to the products offered by its competitors and on training healthcare professionals in the proper use and application of its products. Failure to maintain these customer relationships and develop similar relationships with other leading healthcare professionals could result in fewer recommendations of DJO s products, which may adversely affect DJO s sales and profitability.

In addition, from time to time, CMS or its contractors have considered imposing restrictions on the ability of DMEPOS suppliers to maintain consigned inventory in physicians offices and then for bill for such inventory once a physician prescribes the item for a patient. In December 2015, the National Supplier Clearinghouse (NSC), a CMS contractor, suggested limits on the ability of a DMEPOS supplier to perform functions at the provider s facility and then bill for the consigned inventory. The NSC policy was subsequently rescinded. We cannot assure you that CMS or its contractors will not adopt more restrictive policies regarding consignment arrangements in the future.

The success of DJO s surgical implant products depends on DJO s relationships with leading surgeons who assist with the development and testing of DJO s products, and DJO s ability to comply with enhanced disclosure requirements regarding payments to physicians.

A key aspect of the development and sale of DJO s surgical implant products is the use of designing and consulting arrangements with orthopedic surgeons who are well recognized in the healthcare community. These surgeons assist in the development and clinical testing of new surgical implant products. They also participate in symposia and seminars introducing new surgical implant products and assist in the training of healthcare professionals in using

DJO s new products. DJO may not be successful in maintaining or renewing its current designing and consulting arrangements with these surgeons or in developing similar arrangements with new surgeons. In that event, DJO s ability to develop, test and market new surgical implant products could be adversely affected.

In addition, the Physician Payment Sunshine Act and related state marketing and payment disclosure requirements and industry guidelines could have an adverse impact on DJO s relationships with surgeons, and we cannot assure you that such requirements and guidelines would not impose additional costs on DJO or adversely impact its consulting and other arrangements with surgeons.

Table of Contents

Proposed laws or regulations that would limit the types of orthopedic professionals who can fit, sell or seek reimbursement for DJO s products could, if adopted, adversely affect DJO s business.

Federal and state legislatures and regulators have periodically considered proposals to limit the types of orthopedic professionals who can fit or sell DJO s orthotic products or who can seek reimbursement for them. Several states have adopted legislation imposing certification or licensing requirements on the measuring, fitting and adjusting of certain orthotic devices, and additional states may do so in the future. Although some of these state laws exempt manufacturers representatives, others do not. Such laws could reduce the number of potential customers by restricting DJO s sales representatives activities in those jurisdictions or reduce demand for DJO s products by reducing the number of professionals who fit and sell them. The adoption of such policies could have a material adverse impact on DJO s business.

In addition, legislation has been adopted, but not implemented to date, requiring that certain certification or licensing requirements be met for individuals and suppliers furnishing certain custom-fabricated orthotic devices as a condition of Medicare payment. On January 12, 2017, CMS published a proposed rule that would implement these requirements, but CMS subsequently withdrew the rule. Medicare currently follows state policies in those states that require the use of an orthotist or prosthetist for furnishing of orthotics or prosthetics.

In 2014, CMS proposed, but ultimately did not adopt, a regulatory change that would have narrowly defined the specialized training that is needed to provide custom fitting of orthotics under the Medicare program if the fitter is not a certified orthotist. We cannot predict whether additional restrictions will be implemented at the state or federal level or the impact of such policies on its business.

DJO relies on its own direct sales force for certain of its products, which may result in higher fixed costs than its competitors and may slow its ability to reduce costs in the face of a sudden decline in demand for its products.

DJO relies on its own direct sales force of representatives in the United States and in Europe to market and sell certain of the orthopedic rehabilitation products which are intended for use in the home and in rehabilitation clinics. Some of DJO s competitors rely predominantly on independent sales agents and third party distributors. A direct sales force may subject DJO to higher fixed costs than those of companies that market competing products through independent third parties, due to the costs that it will bear associated with employee benefits, training, and managing sales personnel. As a result, DJO could be at a competitive disadvantage. Additionally, these fixed costs may slow DJO s ability to reduce costs in the face of a sudden decline in demand for its products, which could have a material adverse impact on its results of operations.

If DJO fails to establish new sales and distribution relationships or maintain its existing relationships, or if its third party distributors and independent sales representatives fail to commit sufficient time and effort or are otherwise ineffective in selling its products, DJO s results of operations and future growth could be adversely impacted.

The sale and distribution of certain of DJO s orthopedic products, CMF products and its surgical implant products depend, in part, on DJO s relationships with a network of third party distributors and independent commissioned sales representatives. These third party distributors and independent sales representatives maintain the customer relationships with the hospitals, orthopedic surgeons, physical therapists and other healthcare professionals that purchase, use and recommend the use of DJO s products. Although DJO s internal sales staff trains and manages these third party distributors and independent sales representatives, DJO does not directly monitor the efforts that they make to sell its products. In addition, some of the independent sales representatives that DJO uses to sell its surgical implant products also sell products that directly compete with DJO s core product offerings. These sales representatives may not dedicate the necessary effort to market and sell DJO s products. If DJO fails to attract and maintain relationships

with third party distributors and skilled independent sales representatives or fail to adequately train and monitor the efforts of the third party distributors and sales

Table of Contents

representatives that market and sell its products, or if DJO s existing third party distributors and independent sales representatives choose not to carry DJO s products, DJO s results of operations and future growth could be adversely affected.

DJO s international operations expose it to risks related to conducting business in multiple jurisdictions outside the United States.

The international scope of DJO s operations exposes it to economic, regulatory and other risks in the countries in which it operates. DJO generated 27.0% of its net revenues from customers outside the United States for the year ended December 31, 2017. Doing business in foreign countries exposes DJO to a number of risks, including the following:

- fluctuations in currency exchange rates;
- imposition of investment, currency repatriation and other restrictions by foreign governments;
- potential adverse tax consequences, including the imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries, which, among other things, may preclude payments or dividends from foreign subsidiaries from being used for DJO s debt service, and exposure to adverse tax regimes;
- difficulty in collecting accounts receivable and longer collection periods;
- the imposition of additional foreign governmental controls or regulations on the sale of DJO s products;
- intellectual property protection difficulties;
- changes in political and economic conditions, including the recent political changes in Tunisia in which DJO maintains a small manufacturing facility and security issues in Mexico in which DJO maintains a significant manufacturing facility;
- difficulties in attracting high-quality management, sales and marketing personnel to staff DJO s foreign operations;
- labor disputes;
- import and export restrictions and controls, tariffs and other trade barriers;

increased costs of transportation or shipping;

exposure to different approaches to treating injuries;

exposure to different legal, regulatory and political standards; and

difficulties of local governments in responding to severe weather emergencies, natural disasters or other such similar events.

In addition, as DJO grows its operations internationally, it will become increasingly dependent on foreign distributors and sales agents for its compliance and adherence to foreign laws and regulations that it may not be familiar with, and DJO cannot assure you that these distributors and sales agents will adhere to such laws and regulations or adhere to its own business practices and policies. Any violation of laws and regulations by foreign distributors or sales agents or a failure of foreign distributors or sales agents to comply with applicable business practices and policies could result in legal or regulatory sanctions or potentially damage its reputation in that respective international market. If DJO fails to manage these risks effectively, it may not be able to grow its international operations, and its business and results of operations may be materially adversely affected.

DJO may fail to comply with customs and import/export laws and regulations.

DJO s business is conducted world-wide, with raw material and finished goods imported from and exported to a substantial number of countries. In particular, a significant portion of DJO s products are manufactured in its

Table of Contents

plant in Tijuana, Mexico and imported to the United States before shipment to domestic customers or export to other countries. DJO is subject to customs and import/export rules in the U.S., including FDA regulatory requirements applicable to medical devices, detailed below, and in other countries, and to requirements for payment of appropriate duties and other taxes as goods move between countries. Customs authorities monitor DJO s shipments and payments of duties, fees and other taxes and can perform audits to confirm compliance with applicable laws and regulations. DJO s failure to comply with import/export rules and restrictions or to properly classify its products under tariff regulations and pay the appropriate duty could expose it to fines and penalties and adversely affect its financial condition and business operations.

DJO is subject to various export controls and trade and economic sanctions laws and regulations that could impair DJO s ability to compete in international markets and subject DJO to liability if DJO is not in full compliance with applicable laws.

DJO s business activities are subject to various export controls and trade and economic sanctions laws and regulations, including, without limitation, the U.S. Commerce Department s Export Administration Regulations and the U.S. Treasury Department s Office of Foreign Assets Control s (OFAC) trade and economic sanctions programs (collectively, Trade Controls). Such Trade Controls may prohibit or restrict DJO s ability to, directly or indirectly, conduct activities or dealings in or with certain countries or territories that are the subject of comprehensive embargoes, as well as with individuals or entities that are the subject of Trade Controls-related prohibitions and restrictions. DJO s failure to successfully comply with applicable Trade Controls may expose DJO to negative legal and business consequences, including civil or criminal penalties, government investigations, and reputational harm.

Fluctuations in foreign exchange rates may adversely affect DJO s financial condition and results of operations and may affect the comparability of DJO s results between financial periods.

DJO s foreign operations expose it to currency fluctuations and exchange rate risks. DJO is exposed to the risk of currency fluctuations between the U.S. Dollar and the Euro, Pound Sterling, Canadian Dollar, Mexican Peso, Swiss Franc, Australian Dollar, Japanese Yen, Norwegian Krone, Danish Krone, Swedish Krona, South African Rand, Tunisian Dinar, Chinese Yuan Renminbi and Indian Rupee. Sales denominated in foreign currencies accounted for 24.4% of DJO s consolidated net sales for the year ended December 31, 2017, of which 16.7% were denominated in the Euro. DJO s exposure to fluctuations in foreign currencies arises because certain of its subsidiaries results are recorded in these currencies and then translated into U.S. Dollars for financial reporting purposes, and certain of its subsidiaries enter into purchase or sale transactions using a currency other than the functional currency for financial reporting purposes. As DJO continues to distribute and manufacture its products in selected foreign countries, it expects that future sales and costs associated with its activities in these markets will continue to be denominated in the applicable foreign currencies, which could cause currency fluctuations to materially impact operating results. Changes in currency exchange rates may adversely affect DJO s financial condition and results of operations and may affect the comparability of results between reporting periods.

We may not be able to effectively manage DJO s currency translation risks, and volatility in currency exchange rates may adversely affect our financial condition and results of operations.

DJO s success depends on receiving regulatory approval for its products, and failure to do so could adversely affect its growth and operating results.

DJO s products are subject to extensive regulation in the United States by the FDA and by similar governmental authorities in the foreign countries where it does business. The FDA regulates virtually all aspects of a medical device s development, design, pre-clinical testing, clinical trials, manufacturing, packaging, storage, premarket

approval, recordkeeping, reporting, labeling, promotion, distribution, sale and marketing, as well as modifications to existing products and the marketing of existing products for new indications. In the

Table of Contents

United States, before DJO can market a new medical device, or label and market a previously cleared or approved device for a new intended use or new indication for use, or make a significant modification to a previously cleared or approved device, DJO must first receive either FDA clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act or approval of a premarket approval, or PMA, application from the FDA, unless an exemption applies. The process of obtaining PMA approval is much more rigorous, costly, and lengthy than the 510(k) clearance process. In the 510(k) clearance process, the FDA must determine that a proposed device is substantially equivalent to a device legally on the market, known as a predicate device, in order to clear the proposed device for marketing. To be substantially equivalent, the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data is sometimes required to support substantial equivalence. In the PMA approval process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including, but not limited to, technical, pre-clinical, clinical trial, manufacturing and labeling data. The PMA process is typically required for devices for which the 510(k) process cannot be used and that are deemed to pose the greatest risk. Modifications to products that are approved through a PMA application generally need FDA approval of a PMA supplement. Similarly, some modifications made to products cleared through a 510(k) may require a new 510(k). The FDA s 510(k) clearance process usually takes from three to 12 months, but may last longer. The process of obtaining a PMA generally takes from one to three years, or even longer, from the time the PMA is submitted to the FDA until an approval is obtained. Any delay or failure to obtain necessary regulatory approvals could have a material adverse effect on our business, financial condition and prospects.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- DJO s inability to demonstrate to the satisfaction of the FDA or the applicable regulatory entity or notified body that DJO s products are safe or effective for their intended uses or that DJO s products are substantially equivalent to predicate devices;
- the disagreement of the FDA or the applicable foreign regulatory body with the design, conduct or implementation of DJO s clinical trials or the analyses or interpretation of data from pre-clinical studies or clinical trials;
- serious and unexpected adverse device effects experienced by participants in DJO s clinical trials;
- the data from DJO s pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required;
- DJO s inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- an advisory committee, if convened by the applicable regulatory authority, may recommend against approval of DJO s application or may recommend that the applicable regulatory authority require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and

use restrictions, or even if an advisory committee, if convened, makes a favorable recommendation, the respective regulatory authority may still not approve the product;

the applicable regulatory authority may identify deficiencies in DJO s application, DJO s manufacturing processes or facilities, or those of DJO s third party contract manufacturers;

the potential for approval or clearance requirements of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering DJO s clinical data or regulatory filings insufficient for approval or clearance; and

the FDA or foreign regulatory authorities may audit DJO s clinical trial data and conclude that the data is not sufficiently reliable to support a PMA or 510(k) application.

While in the past DJO has received such approvals and clearances, it may not be successful in the future in receiving such approvals and clearances in a timely manner or at all. If DJO begins to have significant difficulty

Table of Contents

obtaining such FDA approvals or clearances in a timely manner or at all, it could have a material adverse effect on its revenues and growth.

Clinical research on medical devices is subject to extensive regulation by FDA and comparable authorities, and DJO may encounter delays in the conduct of clinical trials or fail to receive positive clinical results for its products in development that require clinical trials. Even if DJO receives positive clinical results, it may still fail to receive the necessary clearance or approvals to market its products.

In the development of new products or new indications for, or modifications to, existing products, DJO may conduct or sponsor clinical trials. Clinical trials are expensive and require significant investment of time and resources and may not generate the data DJO needs to support a submission to the FDA. Clinical trials are subject to regulation by the FDA and, if federal funds are involved or if an investigator or site has signed a federal assurance, are subject to further regulation by the Office for Human Research Protections and the National Institutes of Health. Failure to comply with such regulation, including, but not limited to, failure to obtain adequate consent of subjects, failure to adequately disclose financial conflicts or failure to report data or adverse events accurately, could result in fines, penalties, suspension of trials, and the inability to use the data to support an FDA submission. In addition, delays in the conduct of trials or delays in review and approval by the FDA may adversely affect DJO s business, results of operations or cash flows.

Certain modifications to DJO s products may require new 510(k) clearance or other marketing authorizations and may require DJO to recall or cease marketing its products.

Once a medical device is permitted to be legally marketed in the U.S. pursuant to a 510(k) clearance, *de novo* classification, or a PMA, a manufacturer may be required to notify the FDA of certain modifications to the device. Manufacturers determine in the first instance whether a change to a product requires a new premarket submission, but the FDA may review any manufacturer s decision. The FDA may not agree with DJO s decisions regarding whether new clearances or approvals are necessary. DJO has historically made modifications to its products in the past and have determined based on its review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or other premarket submissions were not required. DJO may make similar modifications or add additional features in the future that DJO believes do not require a new 510(k) clearance, *de novo* classification, or approval of a PMA or PMA amendments or supplements. If the FDA disagrees with DJO s determinations and requires DJO to submit new 510(k) notifications, requests for *de novo* classification, or PMAs (or PMA supplements or amendments) for modifications to DJO s previously cleared or reclassified products for which DJO has concluded that new clearances or approvals are unnecessary, DJO may be required to cease marketing or to recall the modified product until DJO obtains clearance or approval, and DJO may be subject to significant regulatory fines or penalties.

DJO s products may cause or contribute to adverse medical events that DJO is required to report to the FDA and other governmental authorities, and if DJO fails to do so, it would be subject to sanctions that could harm DJO s reputation, business, financial condition and results of operations. The discovery of serious safety issues with DJO s products, or a recall of its products either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on us.

DJO s products are subject to extensive regulation by the FDA in the United States and by regulatory agencies in other countries where we do business. DJO is required to timely file various reports with the FDA, including reports required by the medical device reporting regulations, or MDRs, which require DJO to report to the FDA when DJO receives or becomes aware of information that reasonably suggests that one or more of its products may have caused or contributed to a death or serious injury or malfunctioned in a way that, if the malfunction were to recur to the

device or a similar device that we market, could cause or contribute to a death or serious injury. The timing of DJO s obligation to report is triggered by the date it becomes aware of the adverse event as well as the nature of the event. DJO may fail to report adverse events of which it becomes aware within the prescribed timeframe. DJO may also fail to recognize that it has become aware of a reportable adverse event,

Table of Contents

especially if it is not reported to DJO as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of the product. If DJO fails to comply with its reporting obligations, the FDA or other governmental authorities could take action, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, revocation of its marketing authorizations, seizure of its products or delay in clearance of future products.

Most medical device recalls are voluntarily initiated by manufacturers. FDA and certain foreign regulatory bodies also have the authority to require the recall of commercialized products under certain circumstances. The FDA s authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. Correcting product deficiencies and defects may require the submission of additional marketing authorizations before DJO may continue marketing the corrected device. If DJO does not adequately address problems associated with its devices, DJO may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties or civil or criminal proceedings.

If DJO fails to comply with the various regulatory regimes for the foreign markets in which it operates, its operational results could be adversely affected.

In many of the foreign countries in which DJO markets its products, it is subject to extensive regulations, including those in Europe. The regulation of DJO s products in the European Economic Area (which consists of the twenty-seven member states of the European Union, as well as Iceland, Liechtenstein and Norway) is governed by various directives and regulations promulgated by the European Commission and national governments. Only medical devices that comply with certain conformity requirements are allowed to be marketed within the European Economic Area. In addition, the national health or social security organizations of certain foreign countries, including certain countries outside Europe, require DJO s products to be qualified before they can be marketed in those countries. Failure to receive or delays in the receipt of, relevant foreign qualifications in the European Economic Area or other foreign countries could have a material adverse impact on DJO s business.

The FDA regulates the export of medical devices from the United States to foreign countries and certain foreign countries may require FDA certification that DJO s products are in compliance with U.S. law. If DJO fails to obtain or maintain export certificates required for the export of its products, it could suffer a material adverse impact on its revenues and growth.

DJO is subject to laws concerning its marketing activities in foreign countries where it conducts business. For example, within the EU, the control of unlawful marketing activities is a matter of national law in each of the member states of the EU. The member states of the EU closely monitor perceived unlawful marketing activity by companies. DJO could face civil, criminal and administrative sanctions if any member state determines that DJO has breached its obligations under its national laws. In particular, as a result of conducting business in the U.K. through DJO s subsidiary in that country, DJO is, in certain circumstances, subject to the anti-corruption provisions of the U.K. Bribery Act in its activities conducted in any country in the world. Industry associations also closely monitor the activities of member companies. If these organizations or authorities name DJO as having breached its obligations under their regulations, rules or standards, DJO s reputation would suffer and its business and financial condition could be adversely affected. DJO is also subject to the U.S. Foreign Corrupt Practices Act (the FCPA), antitrust and anti-competition laws, and similar laws in foreign countries, any violation of which could result in civil or criminal enforcement actions and penalties, create a substantial liability for DJO and also cause a loss of reputation in the market. The EU and various of its constituent states have promulgated extensive rules regulating the process and means by which personal data can be exported out of the EU or its constituent states to the US and elsewhere, including for human resources purposes by multinational companies. From time to time, DJO may face audits or investigations by one or more domestic or foreign government agencies, compliance with which could be costly and

time-consuming, and could divert DJO s management and key personnel from DJO s business operations. An adverse outcome under any such

investigation or audit could subject DJO to fines or other penalties, which could adversely affect its business and financial results.

If the Department of Health and Human Services (HHS), the Office of Inspector General (OIG), the FDA or another regulatory agency determines that DJO has promoted off-label use of its products, DJO may be subject to various penalties, including civil or criminal penalties, and the off-label use of its products may result in injuries that lead to product liability suits, which could be costly to DJO s business.

The OIG, the FDA and other regulatory agencies actively enforce regulations prohibiting the promotion of a medical device for a use that has not been cleared or approved by the FDA. Use of a device outside its cleared or approved indications is known as off-label use. Physicians may prescribe DJO s products for off-label uses, as the FDA does not restrict or regulate a physician s choice of treatment within the practice of medicine. However, if the OIG or the FDA, or another regulatory agency determines that DJO s promotional materials, training, or activities constitute improper promotion of an off-label use, the regulatory agency could request that DJO modify its promotional materials, training, or activities, or subject DJO to regulatory enforcement actions, including the issuance of a warning letter, injunction, seizure, civil fine and criminal penalties. Although DJO s policy is to refrain from statements and activities that could be considered off-label promotion of its products, the FDA, another regulatory agency, or the U.S. Department of Justice could disagree and conclude that DJO has engaged in off-label promotion and, potentially, caused the submission of false claims in violation of federal and state false claims acts, which provide for civil penalties as well as treble damages. In addition, the off-label use of DJO s products may increase the risk of injury to patients, and, in turn, the risk of product liability claims. Product liability claims are expensive to defend and could divert DJO s management s attention and result in substantial damage awards against DJO.

DJO s compensation, marketing and sales practices may contain certain risks with respect to the manner in which these practices were historically conducted that could have a material adverse impact on DJO.

Although DJO believes its agreements and arrangements with healthcare providers are in compliance with applicable laws, under applicable federal and state healthcare fraud and abuse, anti-kickback, false claims and self-referral laws, it could be determined that DJO s royalty, marketing, product design and consulting arrangements with surgeons and physicians, its marketing and sales practices, and consignment closet arrangements such as its OfficeCare program fall outside permitted arrangements, thereby subjecting it to possible civil and/or criminal sanctions (including exclusion from the Medicare and Medicaid programs), which could have a material adverse impact on DJO s business. These arrangements are now subject to increased visibility under the provisions of the Physician Payments Sunshine Act/Open Payments provisions. Although DJO believes it maintains a satisfactory compliance program, it may not be adequate in the detection or prevention of violations. The form and effectiveness of DJO s compliance program may be taken into account by the government in assessing sanctions, if any, should it be determined that violations of laws have occurred.

Audits or denials of DJO s claims by government agencies could reduce its revenues or profits.

As part of DJO s business operations, DJO submits claims on behalf of patients directly to, and receives payments directly from, the Medicare and Medicaid programs and private payors. Therefore, DJO is subject to extensive government regulation, including detailed requirements for submitting reimbursement claims under appropriate codes and maintaining certain documentation to support its claims. Medicare contractors and Medicaid agencies periodically conduct pre- and post-payment reviews and other audits of claims and are under increasing pressure to more closely scrutinize healthcare claims and supporting documentation. DJO has historically been subject to pre-payment and post-payment reviews as well as audits of claims and may experience such reviews and audits of claims in the future. Such reviews or similar audits of DJO s claims including by RACs (private companies operating on a contingent fee

basis to identify and recoup Medicare overpayments) and ZPICs (contractors charged with investigating potential fraud and abuse) could result in

Table of Contents

material delays in payment, as well as material recoupment or denials, which would reduce DJO s net sales and profitability, investigations, potential liability under fraud or abuse laws or in exclusion from participation in the Medicare or Medicaid programs. Private payors may from time to time conduct similar reviews and audits.

Additionally, DJO participates in the government s Federal Supply Schedule program for medical equipment, whereby it contracts with the government to supply certain of its products. Participation in this program requires DJO to follow certain pricing practices and other contract requirements. Failure to comply with such pricing practices and/or other contract requirements could result in delays in payment or fines or penalties, which could reduce DJO s revenues or profits.

If DJO fails to comply with broad based healthcare and other governmental regulations, we could face substantial fines and penalties and DJO s business, results of operations and financial condition could be adversely affected.

The products DJO offers are highly regulated, and there can be no assurance that the regulatory environment in which DJO operates will not change significantly and adversely in the future. DJO s arrangements with physicians, other healthcare professionals, hospitals and clinics will expose DJO to broadly applicable fraud and abuse and other laws and regulations that may restrict the financial arrangements and relationships through which DJO markets, sells and distributes its products. DJO s employees, consultants, and commercial partners may engage in misconduct or other improper activities, including failures to comply with regulatory standards and requirements. Federal and state healthcare laws and regulations that directly or indirectly may affect DJO s ability to conduct business, include:

- the federal Anti-Kickback Statute, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs, such as Medicare. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. The U.S. government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers. Moreover, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. Violations of the federal Anti-Kickback Statute may result in civil monetary penalties up to $100,000 for each violation, plus up to three times the remuneration involved. Civil damages and penalties for such conduct can further be assessed under the federal False Claims Act. Violations also can result in criminal penalties, including criminal fines of up to $100,000 and imprisonment of up to 10 years. Similarly, violations can result in exclusion from participation in government healthcare programs, including Medicare and Medicaid;

- the Stark Law, which prohibits a physician from making a referral for certain designated health services covered by the Medicare or Medicaid program (including durable medical equipment and supplies, prosthetics, orthotics, prosthetic devices and supplies, and physical and occupational therapy services), if the physician or an immediate family member of the physician has a financial relationship with the entity providing the designated health services and prohibits that entity from billing, presenting or causing to be presented a claim for the designated health services furnished pursuant to the prohibited referral, unless an exception applies. Sanctions for violating the Stark Law include denial of payment, civil monetary penalties and exclusion from the federal health care programs. Failure to refund amounts received as a result of a prohibited referral on a timely basis may constitute a false or fraudulent claim and may result in civil

penalties and additional penalties under the federal False Claims Act (FCA);

the FCA, which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the

Table of Contents

federal government. These laws can apply to DMEPOS suppliers who submit bills to Medicare and Medicaid, as well as manufacturers who provide information on coverage, coding, and reimbursement of their products to persons who bill third-party payers. Private individuals can bring False Claims Act qui tam actions, on behalf of the government and such individuals, commonly known as whistleblowers, may share in amounts paid by the entity to the government in fines or settlement. When an entity is determined to have violated the federal civil False Claims Act, the government may impose civil fines and penalties ranging from $11,181 to $22,363 for each false claim, plus treble damages, and exclude the entity from participation in Medicare, Medicaid, and other federal healthcare programs;

the federal Civil Monetary Penalties Law, which prohibits, among other things, offering or transferring remuneration to a federal healthcare beneficiary that a person knows or should know is likely to influence the beneficiary s decision to order or receive items or services reimbursable by the government from a particular provider or supplier;

the federal Physician Payment Sunshine Act, or Open Payments, created under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or Affordable Care Act, and its implementing regulations, which requires manufacturers of drugs, medical devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid, or the Children s Health Insurance Program to report annually to the U.S. Department of Health and Human Services, or HHS, information related to payments or other transfers of value made to licensed physicians, certain other healthcare providers, and teaching hospitals, and applicable manufacturers and group purchasing organizations, to report annually ownership and investment interests held by physicians and their immediate family members. Applicable manufacturers are required to submit annual reports to CMS. Failure to submit required information may result in civil monetary penalties of $11,278 per failure up to an aggregate of $169,170 per year (or up to an aggregate of $1.127 million per year for knowing failures), for all payments, transfers of value or ownership or investment interests that are not timely, accurately, and completely reported in an annual submission, and may result in liability under other federal laws or regulations;

the Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit, among other things, executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and its implementing regulations, which impose certain requirements relating to the privacy, security and transmission of individually identifiable health information; HIPAA also created criminal liability for knowingly and willfully falsifying or concealing a material fact or making a materially false statement in connection with the delivery of or payment for healthcare benefits, items or services. Failure to comply with the HIPAA privacy and security standards can result in civil monetary penalties and/or imprisonment. State attorneys general can also bring a civil action to enjoin a HIPAA violation or to obtain statutory damages on behalf of residents of his or her state; and

analogous state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers or patients and may apply to sales and marketing arrangements, including those that have percentage-based fees for patients that are not federal healthcare program beneficiaries; state laws that require device companies to comply with the industry s voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures;

Table of Contents

consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm customers, foreign and state laws, including the E.U. General Data Protection Regulation, or GDPR, governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts; and state laws related to insurance fraud in the case of claims involving private insurers.

These laws and regulations, among other things, constrain DJO s business, marketing and other promotional activities by limiting the kinds of financial arrangements, including royalty, marketing and consulting arrangements, and sales programs DJO may have with hospitals, physicians or other potential purchasers of its products or individuals or entities who recommend its products, and consignment closet arrangements, such as our OfficeCare program. Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions or safe harbors, it is possible that some of DJO s activities could be subject to challenge under one or more of such laws. Any action brought against DJO for violations of these laws or regulations, even successfully defended, could cause DJO to incur significant legal expenses and divert DJO s management s attention from the operation of its business.

Federal and state agencies have become increasingly vigilant in recent years in their investigation of various business practices under the various healthcare fraud and abuse laws with respect to DJO s business arrangements with prescribing physicians, other healthcare professionals and other third-party entities, as well as DJO s filing of DMEPOS claims for reimbursement.

For example, the OIG announced in January 2018 that it is investigating questionable Medicare billing for off-the-shelf orthotic devices industry wide, and an OIG report is expected in 2019. In particular, the OIG is reviewing potential lack of documentation of medical necessity in patients medical records for three types of off-the-shelf orthotic devices (L0648, L0650, and L1833). The OIG will evaluate the extent to which Medicare beneficiaries are being supplied these orthotic devices without an encounter with the referring physician within 12 months prior to their orthotic claim and will analyze billing trends on a nation-wide scale. The results of this investigation could potentially lead to more restrictive Medicare policies or increased claims denials.

The federal government has significantly increased investigations of and enforcement activity involving medical device manufacturers with regard to alleged kickbacks and other forms of remuneration to physicians and other healthcare professionals who use and prescribe their products, as well as financial relationships with other third-party entities in a position to increase utilization of the products. Such investigations can arise based on allegations by the government or private whistleblowers of violations of the federal Anti-Kickback Statute and/or the civil False Claims Act, in connection with or separate from alleged off-label marketing of products to physicians. In addition, significant state and federal investigative and enforcement activity addresses alleged improprieties in interactions with DMEPOS customers and in the filings of claims for payment or reimbursement by Medicare, Medicaid, and other payors.

The fraud and abuse laws and regulations are complex, and even minor, inadvertent irregularities in submissions can potentially give rise to investigations and claims that the law has been violated. Any violations of these laws or regulations could result in a material adverse impact on DJO s business, financial condition and results of operations. If there is a change in law, regulation or administrative or judicial interpretations, DJO may have to change one or more of its business practices to be in compliance with these laws. Required changes could be costly and time consuming. Any failure to make required changes could result in DJO losing business or its existing business practices being challenged as unlawful. The growth of DJO s business and sales organization and DJO s expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. The risk of DJO being found in violation of these or other laws and regulations is further increased by the fact that many have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against DJO for violation of these or other laws or regulations, even if DJO

successfully defends against it, could cause DJO to incur

significant legal expenses and divert DJO s management s attention from the operation of its business. If DJO s operations are found to be in violation of any of the federal, state and foreign laws described above or any other current or future fraud and abuse or other healthcare laws and regulations that apply to DJO, DJO may be subject to penalties, including significant criminal, civil, and administrative penalties, damages, fines, imprisonment, for individuals, exclusion from participation in government programs, such as Medicare and Medicaid, and DJO could be required to curtail or cease DJO s operations. Any of the foregoing consequences could seriously harm DJO s business and its financial results.

DJO s activities are subject to Federal Privacy and Transaction Law and Regulations, which could have an impact on its operations.

HIPAA and the HIPAA Rules impact the transmission, maintenance, use and disclosure of PHI. As such, HIPAA and the HIPAA Rules apply to certain aspects of DJO s business. To the extent applicable to its operations, DJO believes it is currently in compliance with HIPAA and the applicable HIPAA Rules. There are costs and administrative burdens associated with ongoing compliance with the HIPAA Rules and similar state law requirements. Any failure to comply with current and applicable future requirements could adversely affect DJO s profitability.

HIPAA establishes a set of national privacy and security standards for the protection of individually identifiable health information, including PHI by health plans, certain healthcare clearinghouses and healthcare providers that submit certain covered transactions electronically, or covered entities, and their business associates, which are persons or entities that perform certain services for, or on behalf of, a covered entity that involve creating, receiving, maintaining or transmitting PHI.

Penalties for violations of these laws vary. For instance, penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly, and include civil monetary penalties of up to $57,051 per violation, not to exceed $1.71 million per calendar year for each provision of HIPAA that is violated and, in certain circumstances, criminal penalties with fines up to $250,000 per violation and/or imprisonment. However, a single breach incident can result in findings of violations of multiple provisions, leading to possible penalties in excess of $1.71 million for violations in a single year. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to $50,000 and up to one-year imprisonment. The criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer, or use identifiable health information for commercial advantage, personal gain, or malicious harm. In addition, responding to government investigations regarding alleged violations of these and other laws and regulations, even if ultimately concluded with no findings of violations or no penalties imposed, can consume company resources and impact DJO s business and, if public, harm DJO s reputation.

Further, various states, such as California and Massachusetts, have implemented similar privacy laws and regulations, such as the California Confidentiality of Medical Information Act, that impose restrictive requirements regulating the use and disclosure of health information and other personally identifiable information. These laws and regulations are not necessarily preempted by HIPAA, particularly if a state affords greater protection to individuals than HIPAA. Where state laws are more protective, DJO may have to comply with the stricter provisions. In addition to fines and penalties imposed upon violators, some of these state laws also afford private rights of action to individuals who believe their personal information has been misused. California s patient privacy laws, for example, provide for penalties of up to $250,000 and permit injured parties to sue for damages. The interplay of federal and state laws may be subject to varying interpretations by courts and government agencies, creating complex compliance issues for DJO and its clients and potentially exposing DJO to additional expense, adverse publicity and liability. Further, as regulatory focus on privacy issues continues to increase and laws and regulations concerning the protection of personal information expand and become more complex, these potential risks to DJO s business could intensify.

Changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as PHI, or personally identifiable information along with increased customer demands for enhanced data security infrastructure, could greatly

increase DJO s cost of providing its services, decrease demand for its services, reduce its revenue and/or subject it to additional liabilities.

The privacy and security of personally identifiable information stored, maintained, received or transmitted, including electronically, is a major issue in the United States and abroad. While DJO strives to comply with all applicable privacy and security laws and regulations, as well as DJO s own posted privacy policies, legal standards for privacy, including but not limited to unfairness and deception, as enforced by the FTC and state attorneys general, continue evolve and any failure or perceived failure to comply may result in proceedings or actions against DJO by government entities or others, or could cause DJO to lose audience and customers, which could have a material adverse effect on DJO s business. Recently, there has been an increase in public awareness of privacy issues in the wake of revelations about the activities of various government agencies and in the number of private privacy-related lawsuits filed against companies. Concerns about DJO s practices with regard to the collection, use, retention, disclosure or security of personally identifiable information or other privacy-related matters, even if unfounded and even if DJO is in compliance with applicable laws, could damage DJO s reputation and harm its business.

In addition, the interpretation and application of consumer, health-related, and data protection laws, especially with respect to genetic samples and data, in the United States, the European Union, or the EU, and elsewhere are often uncertain, contradictory, and in flux. DJO operates or may operate in a number of countries outside of the United States whose laws may in some cases be more stringent than the requirements in the United States.

DJO s compliance with the HIPAA Rules is currently under investigation by the Office for Civil Rights. If OCR does not agree that DJO is in compliance with the HIPAA Rules, DJO may be subject to civil money penalties or other actions. DJO is unable to predict at this time whether or to what extent OCR will impose any civil monetary penalties or take other action as a result of the incidents.

Security breaches, loss of data and other disruptions could compromise sensitive information related to our business or prevent DJO from accessing critical information and expose DJO to liability, which could adversely affect DJO s business and its reputation.

In the ordinary course of our business, DJO collects and stores sensitive data, including PHI, personally identifiable information, credit card and other financial information, intellectual property and proprietary business information owned or controlled by itself or its customers, payers and other parties. DJO manages and maintains its applications and data utilizing a combination of on-site systems and cloud-based data centers. DJO utilizes external security and infrastructure vendors to manage parts of its data centers. DJO also communicates sensitive data, including patient data, telephonically, through its website, through facsimile, through integrations with third-party electronic medical records and through relationships with multiple third-party vendors and their subcontractors. These applications and data encompass a wide variety of business-critical information, including research and development information, patient data, commercial information and business and financial information. DJO faces a number of risks relative to protecting this critical information, including loss of access risk, inappropriate use or disclosure, inappropriate modification and the risk of DJO being unable to adequately monitor and audit and modify its controls over its critical information. This risk extends to the third-party vendors and subcontractors DJO uses to manage this sensitive data or otherwise process it on its behalf.

The secure processing, storage, maintenance and transmission of this critical information are vital to DJO s operations and business strategy, and DJO devotes significant resources to protecting such information. Although DJO takes reasonable measures to protect sensitive data from unauthorized access, use or disclosure, no security measures can be perfect and DJO s information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or

interruption could compromise DJO s networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such access, breach, or other loss of

Table of Contents

information could result in legal claims or proceedings, and liability under federal or state laws that protect the privacy of personal information, such as HIPAA or HITECH, and regulatory penalties. Notice of breaches may be required to affected individuals, the Secretary of the Department of Health and Human Services or other state, federal or foreign regulators, and for extensive breaches, notice may need to be made to the media or State Attorneys General. Such a notice could harm DJO s reputation and its ability to compete. Although DJO has implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to patient data, such data is currently accessible through multiple channels, and there is no guarantee DJO can protect its data from breach. Unauthorized access, loss or dissemination could also disrupt DJO s operations (including its ability to conduct its analysis, provide test results, bill payers or patients, process claims and appeals, provide customer assistance, conduct research and development activities, collect, process and prepare company financial information, provide information about its tests and other patient and physician education and outreach efforts through its website, and manage the administrative aspects of its business) and damage DJO s reputation, any of which could adversely affect its business.

Managed care and buying groups have put downward pressure on the prices of DJO s products.

The growth of managed care and the advent of buying groups in the United States have caused a shift toward coverage and payments based on more cost-effective treatment alternatives. Buying groups enter into preferred supplier arrangements with one or more manufacturers of medical products in return for price discounts to members of these buying groups. DJO s failure to obtain new preferred supplier commitments from major group purchasing organizations or its failure to retain its existing preferred supplier commitments could adversely affect its sales and profitability. In international markets where DJO sells its products, DJO has historically experienced downward pressure on product pricing and other effects of healthcare cost control efforts that are similar to that which DJO has experienced in the United States. DJO expects a continued emphasis on healthcare cost controls, alternate payment models such as bundled payments, and managed care in the United States and in these international markets, which could put further downward pressure on product pricing, which, in turn may adversely affect DJO s sales and profitability.

DJO must report to FDA and comparable regulatory authorities adverse events and malfunctions that are associated with its products, and it may be required to conduct product recalls. Adverse events, malfunctions and recalls of DJO s products could harm its reputation and business.

DJO is subject to ongoing medical device reporting regulations that require it to report to the FDA and similar governmental authorities in other countries if it receives a report or otherwise learn that any of its products may have caused, or contributed to death or serious injury, or that any of its products has malfunctioned in a way that would be likely to cause, or contribute to, death or serious injury if the malfunction were to recur. The FDA and similar governmental authorities in other countries have the authority to require DJO to recall its products in the event of actual or potential material deficiencies or defects in design manufacturing, or labeling, and DJO has been subject to product recalls in the past. In addition, in light of an actual or potential material deficiency or defect in design, manufacturing, or labeling, DJO may voluntarily elect to recall its products. A government mandated recall or a voluntary recall initiated by DJO could occur as a result of actual or potential component failures, manufacturing errors, or design defects, including defects in labeling. Any recall would divert managerial and financial resources and could harm DJO s reputation with its customers and with the healthcare professionals that use, prescribe and recommend its products. DJO could have product recalls that result in significant costs in the future, and such recalls could have a material adverse effect on its business.

Product liability claims may harm DJO s business, particularly if the number of claims increases significantly or its product liability insurance proves inadequate.

The manufacture and sale of orthopedic devices and related products exposes DJO to a significant risk of product liability claims. From time to time, DJO has been, and it is currently, subject to a number of product

Table of Contents

liability claims alleging that the use of its products resulted in adverse effects. Even if DJO is successful in defending against any liability claims, such claims could nevertheless distract its management, result in substantial costs, harm its reputation, adversely affect the sales of all its products and otherwise harm its business. If there is a significant increase in the number of product liability claims, DJO s business could be adversely affected. Further, a significant increase in claims or adverse outcomes could result in its product liability insurance being inadequate.

DJO s concentration of manufacturing operations in Mexico increases its business and competitive risks.

DJO s most significant manufacturing facility is its facility in Tijuana, Mexico, and it also has a relatively small manufacturing operation in Tunisia. DJO s current and future foreign operations are subject to risks of political and economic instability inherent in activities conducted in foreign countries. Because there are no readily accessible alternatives to these facilities, any event that disrupts manufacturing at or distribution or transportation from these facilities would materially adversely affect DJO s operations. In addition, as a result of this concentration of manufacturing activities, DJO s sales in foreign markets may be at a competitive disadvantage to products manufactured locally due to freight costs, custom and import duties and favorable tax rates for local businesses.

If DJO loses one of its key suppliers or one of its contract manufacturers stops making the raw materials and components used in its products, it may be unable to meet customer orders for its products within its budget.

DJO relies on certain key foreign and domestic suppliers for the raw materials and components used in its products. One or more of DJO s suppliers may decide to cease supplying DJO with raw materials and components for reasons beyond DJO s control. FDA regulations may require additional testing of any raw materials or components from new suppliers prior to DJO s use of those materials or components. In addition, in the case of a device which is the subject of a pre-market approval, DJO may be required to obtain prior FDA permission (which may or may not be given), which could delay or prevent DJO s access or use of such raw materials or components. If DJO is unable to obtain materials it needs from its suppliers or its agreements with its suppliers are terminated, and it cannot obtain these materials from other sources, DJO may be unable to manufacture its products to meet customer orders in a timely manner or within its manufacturing budget. In that event, DJO s business and results of operations could be adversely affected.

In addition, DJO relies on third parties to manufacture some of its products. For example, DJO uses a single source for many of the home electrotherapy devices its French channel distributes. If DJO s agreements with these manufacturing companies were terminated, DJO may not be able to find suitable replacements within a reasonable amount of time or at all. Any such cessation, interruption or delay may impair DJO s ability to meet scheduled deliveries of its products to its customers and may cause its customers to cancel orders. In that event, DJO s reputation and results of operations may be adversely affected.

Some of DJO s important suppliers are in China and other parts of Asia and provide predominately finished soft goods products. In the year ended December 31, 2017, DJO obtained 20.5% of its total purchased materials from suppliers in China and other parts of Asia. Actions by the U.S. government to withdraw from or materially modify international trade agreements or otherwise influence U.S. trade relations with other countries, could adversely affect DJO s business, financial condition and results of operations. In addition, political and economic instability and changes in government regulations in China and other parts of Asia could affect DJO s ability to continue to receive materials from suppliers there. The loss of suppliers in these areas, any other interruption or delay in the supply of required materials or DJO s inability to obtain these materials at acceptable prices and within a reasonable amount of time could impair DJO s ability to meet scheduled product deliveries to its customers and could hurt its reputation and cause customers to cancel orders.

In addition, DJO purchases the microprocessor used in the OL1000 and SpinaLogic devices from a single manufacturer. Although there are feasible alternate microprocessors that might be used immediately, all are

Table of Contents

produced by a single supplier. In addition, there are single suppliers for other components used in the OL1000 and SpinaLogic devices and only two suppliers for the magnetic field sensor employed in them. Establishment of additional or replacement suppliers for these components cannot be accomplished quickly.

If DJO s patents and other intellectual property rights do not adequately protect its products, DJO may lose market share to its competitors and may not be able to operate its business profitably. DJO may also become involved in litigation regarding its patents and other intellectual property rights which can have a material adverse effect on its operating results and financial condition.

DJO relies on a combination of patents, trade secrets, copyrights, trademarks, license agreements and contractual provisions to establish and protect its intellectual property rights in its products and the processes for the development, manufacture and marketing of its products.

DJO uses non-patented, proprietary know-how, trade secrets, processes and other proprietary information and currently employ various methods to protect this proprietary information, including confidentiality agreements, invention assignment agreements and proprietary information agreements with vendors, employees, independent sales agents, distributors, consultants, and others. However, these agreements may be breached. The FDA or another governmental agency may require the disclosure of such information in order for DJO to have the right to market a product. The FDA may also disclose such information on its own initiative if it should decide that such information is not confidential business or trade secret information. Trade secrets, know-how and other unpatented proprietary technology may also otherwise become known to or independently developed by DJO s competitors.

In addition, DJO also holds U.S. and foreign patents relating to a number of its components and products and has patent applications pending with respect to other components and products. DJO also applies for additional patents in the ordinary course of its business, as it deems appropriate. However, these precautions offer only limited protection, and its proprietary information may become known to, or be independently developed by, competitors, or its proprietary rights in intellectual property may be challenged, any of which could have a material adverse impact on its business, financial condition and results of operations. Additionally, we cannot assure you that DJO s existing or future patents, if any, will afford adequate protection or any competitive advantage, that any future patent applications will result in issued patents or that its patents will not be circumvented, invalidated or declared unenforceable.

DJO may become a party to lawsuits involving patents or other intellectual property. Such litigation is costly and time consuming. If DJO loses any of these proceedings, a court or a similar foreign governing body could invalidate or render unenforceable DJO s owned or licensed patents or other intellectual property, require DJO to pay significant damages, seek licenses and/or pay ongoing royalties to third parties (which may not be available under terms acceptable to DJO, or at all), require DJO to redesign its products, or prevent it from manufacturing, using or selling its products, any of which would have an adverse impact on its results of operations and financial condition.

Any proceedings before the U.S. Patent and Trademark Office could result in adverse decisions as to the priority of DJO s inventions and the narrowing or invalidation of claims in issued or pending patents. DJO could also incur substantial costs in any such proceedings. In addition, the laws of some of the countries in which DJO s products are or may be sold may not protect its products and intellectual property to the same extent as U.S. laws, if at all. DJO may also be unable to protect its rights in trade secrets, trademarks and unpatented proprietary technology in these countries.

In addition, DJO holds patent, trademark and other intellectual property licenses from third parties for some of its products and on technologies that are necessary in the design and manufacture of some of its products. The loss of such licenses could prevent DJO from manufacturing, marketing and selling these products, which in turn could harm

its business.

Table of Contents

DJO s business strategy relies on certain assumptions concerning demographic and other trends that impact the market for its products. If these assumptions prove to be incorrect, demand for its products may be lower than it currently expects.

DJO s ability to achieve its business objectives is subject to a variety of factors, including the relative increase in the aging of the general population and an increase in participation in exercise and sports and more active lifestyles. In addition, DJO s business strategy relies on an increasing awareness and clinical acceptance of non-invasive, non-systemic treatment and rehabilitation products, such as electrotherapy. DJO believes that these trends will increase the need for its orthopedic, physical therapy, regenerative and surgical implant products. The projected demand for DJO s products could materially differ from actual demand if its assumptions regarding these trends and acceptance of its products by healthcare professionals and patients prove to be incorrect or do not materialize. If DJO s assumptions regarding these factors prove to be incorrect, DJO may not be able to successfully implement its business strategy, which could adversely affect its results of operations. In addition, the perceived benefits of these trends may be offset by competitive or business factors, such as the introduction of new products by DJO s competitors or the emergence of other countervailing trends.

DJO relies on information technology in its operations, and any material failure, inadequacy, interruption or security failure of that technology could harm its business, financial condition, results of operations and prospects.

DJO relies on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and manage or support a variety of business processes, including medical records, financial transactions and records, personal identifying information, and payroll data. DJO relies on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential patient and other customer information, such as individually identifiable information, including information relating to health protected by HIPAA. Although DJO has taken steps to protect the security of its information systems and the data maintained in those systems, it is possible that its safety and security measures will not prevent the systems improper functioning or damage or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, theft of mobile equipment, computer viruses, attacks by hackers and similar breaches can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. If personal or otherwise protected information of DJO s patients is improperly accessed, tampered with or distributed, DJO may incur significant costs to remediate possible injury to the affected patients and it may be subject to sanctions and civil or criminal penalties if it is found to be in violation of the privacy or security rules under HIPAA or other similar federal or state laws protecting confidential patient health information. Any failure to maintain proper functionality and security of DJO s information systems could interrupt DJO s operations, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its business, financial condition, results of operations and prospects.

DJO could incur significant costs complying with environmental and health and safety requirements, or as a result of liability for contamination or other harm caused by hazardous materials that DJO uses.

DJO s research and development and manufacturing processes involve the use of hazardous materials. DJO is subject to federal, state, local and foreign environmental requirements, including regulations governing the use, manufacture, handling, storage and disposal of hazardous materials, discharge to air and water, the cleanup of contamination and occupational health and safety matters. DJO cannot eliminate the risk of contamination or injury resulting from hazardous materials, and DJO may incur liability as a result of any contamination or injury. Under some environmental laws and regulations, DJO could also be held responsible for costs relating to any contamination at its past or present facilities and at third party waste disposal sites where it has sent wastes. These could include costs relating to contamination that did not result from any violation of law, and in some circumstances, contamination that

DJO did not cause. DJO may incur significant expenses in the future relating to any failure to comply with environmental laws. Any such future expenses or liability could have a significant

Table of Contents

negative impact on DJO s financial condition. The enactment of stricter laws or regulations, the stricter interpretation of existing laws and regulations or the requirement to undertake the investigation or remediation of currently unknown environmental contamination at DJO s own or third party sites may require DJO to make additional expenditures, which could be material.

If a natural or man-made disaster strikes DJO s manufacturing facilities, it will be unable to manufacture its products for a substantial amount of time and its sales will decline.

A significant portion of DJO s rehabilitation products are manufactured in a facility in Tijuana, Mexico, with a number of products for the European market manufactured in a Tunisian facility. In Vista, California DJO manufactures its custom rigid bracing products, which remain in the United States to facilitate quick turnaround on custom orders, vascular products, and its CMF product line. DJO s clinical electrotherapy devices, patient care products, physical therapy and certain continuous passive motion devices are now manufactured in its facilities located in Tijuana, Mexico. In DJO s Surgical Implant business, DJO manufactures its products in its manufacturing facility at Austin, Texas. These facilities and the manufacturing equipment DJO uses to produce its products would be difficult to repair or replace. DJO s facilities may be affected by natural or man-made disasters. If one of DJO s facilities were affected by a disaster, DJO would be forced to rely on third party manufacturers or shift production to another manufacturing facility. In such an event, DJO would face significant delays in manufacturing which would prevent it from being able to sell its products. In addition, DJO s insurance may not be sufficient to cover all of the potential losses and may not continue to be available to DJO on acceptable terms, or at all.

If DJO does not achieve and maintain effective internal controls over financial reporting, it could fail to accurately report its financial results.

During the course of the preparation of DJO s financial statements, DJO evaluates its internal controls to identify and correct deficiencies in its internal controls over financial reporting. In the event DJO is unable to identify and correct deficiencies in its internal controls in a timely manner, it may not record, process, summarize and report financial information accurately and within the time periods required for its financial reporting under the terms of the agreements governing its indebtedness.

Risks Related to the Units, the Separate Purchase Contracts, the Separate Amortizing Notes and Our Common Stock

If the closing of the Acquisition has not occurred on or prior to May 19, 2019, or if, prior to such date, the Merger Agreement is terminated, we may redeem the purchase contracts for an amount of cash and/or a number of shares of our common stock (depending on the price of our common stock at the time of redemption) with a value that may not adequately compensate you for any lost option value.

Our planned acquisition of DJO may not be consummated. See Risks Related to the Acquisition. If the closing of the Acquisition has not occurred on or prior to May 19, 2019, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described below, by delivering notice during the five business day period immediately following May 19, 2019. If the Merger Agreement is terminated prior to May 19, 2019, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described below by delivering notice on or prior to the 40th scheduled trading day immediately preceding May 19, 2019 or during the five business day period immediately following May 19, 2019. We will pay or deliver, as the case may be, a redemption amount to be determined based on the price of our common stock at that time in cash or in shares of our common stock in accordance with the terms of the purchase contracts (as described under Description of the Purchase Contracts Merger Termination Redemption). If we elect to redeem the purchase contracts, we may be required by the holders thereof to

repurchase any or all of the amortizing notes at the repurchase price set forth under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder. The redemption amount that you receive upon a merger

Table of Contents

termination redemption may not adequately compensate you for any lost option value of the purchase contracts. In addition, if the Acquisition is not consummated, the net proceeds from this offering will not be used to consummate the Acquisition. Instead, we intend to use the net proceeds from this offering, after payment of any cash redemption amount and/or repurchase price, as described above, for general corporate purposes. See You may receive shares of common stock upon settlement of the purchase contracts that are lower in value than the price of the common stock just prior to the mandatory settlement date or merger termination redemption settlement date, as the case may be, The fundamental change early settlement rate or the amount of cash and/or number of shares of our common stock paid or delivered, as the case may be, upon a merger termination redemption, may not adequately compensate you and We may not have the ability to raise the funds necessary to repurchase the amortizing notes in connection with a merger termination redemption, and our debt outstanding at that time may contain limitations on our ability to repurchase the amortizing notes.

You will bear the risk that the market value of our common stock may decline.

The purchase contracts, pursuant to which we will deliver to you shares of our common stock, are components of the Units. The number of shares of common stock that you will receive upon settlement of a purchase contract on the mandatory settlement date, whether as a component of a Unit or a separate purchase contract, will depend upon a calculated market value equal to the arithmetic average of the daily VWAPs of our common stock on each of the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding January 15, 2022. There can be no assurance that the market value of the common stock received by you will be greater than or equal to the reference price. If the applicable market value of our common stock is less than the reference price, then the market value of the common stock issued to you on the mandatory settlement date (assuming that the market value is the same as the applicable market value of the common stock) will be less than the effective price per share paid by you for such common stock on the date of issuance of the Units. Furthermore, because we will in no event deliver more than shares (subject to adjustment as described herein) upon settlement of a purchase contact, the market value of the common stock delivered to you upon any early settlement may be less than the effective price per share paid to you for such common stock on the date of the issuance of the Units. Therefore, you assume the entire risk that the market value of our common stock may decline before the mandatory settlement date, early settlement date, fundamental change early settlement date or merger termination redemption settlement date, as applicable. Any decline in the market value of our common stock may be substantial.

Furthermore, in the event of a merger termination redemption, if the merger termination redemption stock price is greater than the reference price, we may elect to deliver cash instead of shares (subject to certain limitations on our right to elect cash settlement). Such amount of cash will depend on the merger termination redemption market value, which is equal to the arithmetic average of the daily VWAPs of our common stock for the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding the scheduled merger termination redemption settlement date. You assume the entire risk that the market value of our common stock may decline over such 20 trading day period.

The opportunity for equity appreciation provided by an investment in the Units is less than that provided by a direct investment in our common stock.

The aggregate market value of our common stock delivered to you upon settlement of a purchase contract on the mandatory settlement date generally will exceed the $100 stated amount of each Unit only if the applicable market value of our common stock exceeds the threshold appreciation price. Therefore, during the period prior to the mandatory settlement date, an investment in a Unit affords less opportunity for equity appreciation than a direct investment in our common stock. If the applicable market value exceeds the reference price but is less than the threshold appreciation price, you will realize no equity appreciation on our common stock above the reference price.

Furthermore, if the applicable market value exceeds the threshold appreciation price, you would only receive a portion of the appreciation in the market value of the shares of our common stock you would have received had you purchased shares of common stock with $100 on the date of the issuance of the

Table of Contents

Units. See Description of the Purchase Contracts Delivery of Common Stock for a table showing the number of shares of common stock that you would receive at various applicable market values.

We may not be able to settle or redeem your purchase contracts and deliver shares of our common stock, or make payments on the amortizing notes or repurchase the amortizing notes, in the event that we file for bankruptcy.

Pursuant to the terms of the purchase contract agreement, your purchase contracts will automatically accelerate upon the occurrence of specified events of bankruptcy, insolvency or reorganization with respect to us. A bankruptcy court may prevent us from delivering our common stock to you in settlement or redemption of your purchase contracts. In such circumstances or if for any other reason the accelerated purchase contracts are not settled by the delivery of common stock, your resulting claim for damages against us following such acceleration will rank *pari passu* with the claims of holders of our common stock in the relevant bankruptcy proceeding. As such, to the extent we fail to deliver common stock to you upon such an acceleration, you will only be able to recover damages to the extent holders of our common stock receive any recovery. See Description of the Purchase Contracts Consequences of Bankruptcy.

In addition, with respect to the amortizing notes, bankruptcy law and bankruptcy-related court orders generally prohibit the payment of pre-bankruptcy debt by a company that has commenced a bankruptcy case while the case is pending. If we become a debtor in a bankruptcy case, so long as the case was pending, you would likely not receive timely installment payments under, or, if you exercised your right to require repurchase following a merger termination redemption, receive any repurchase price on, the amortizing notes.

The amortizing notes will be subject to the prior claims of any secured creditors, and if a default occurs, we may not have sufficient funds to fulfill our obligations under the amortizing notes.

The amortizing notes are unsecured obligations, ranking equally with our other senior unsecured indebtedness and effectively junior to any secured indebtedness we may incur. If we incur secured debt, our assets securing any such indebtedness will be subject to prior claims by our secured creditors. In the event of the bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up of the Company, our assets that secure debt will be available to pay obligations on the amortizing notes only after all debt secured by those assets has been repaid in full. If there are not sufficient assets remaining to pay all creditors, then all or a portion of the amortizing notes then outstanding would remain unpaid. Additionally, if any portion of the amount payable on the amortizing notes upon acceleration is considered by a court to be unearned interest, the court could disallow recovery of any such portion.

The amortizing notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The amortizing notes are our obligations exclusively and not of any of our subsidiaries. In the year ended December 31, 2017, our subsidiaries generated all of our consolidated net sales and all of our consolidated gross profit. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the amortizing notes or to make any funds available therefor, whether by dividends, loans or other payments. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors, including trade creditors of our subsidiaries, will have priority with respect to the assets of such subsidiaries over our claims (and therefore the claims of our creditors, including holders of the amortizing notes). Consequently, the amortizing notes will be structurally subordinated to all liabilities, including trade payables, of our subsidiaries and any subsidiaries that we may in the future acquire or establish. As of September 28, 2018, our subsidiaries had approximately $2.5 billion of outstanding liabilities, in each case including trade payables, but excluding intercompany liabilities.

In addition, the indenture governing the amortizing notes does not prohibit our subsidiaries from incurring additional indebtedness and does not limit the amount of other liabilities, such as trade payables, that may be incurred by our

subsidiaries.

Table of Contents

The trading prices for the Units, the purchase contracts and the amortizing notes will be directly affected by the trading prices for our common stock, the general level of interest rates and our credit quality, each of which is impossible to predict.

It is impossible to predict whether the prices of our common stock, interest rates or our credit quality will rise or fall. Trading prices of the common stock will be influenced by general stock market conditions and our operating results and business prospects and other factors described elsewhere in this section Risk Factors.

The market for our common stock likely will influence, and be influenced by, any market that develops for the Units or the separate purchase contracts. For example, investors anticipation of the distribution into the market of the additional shares of common stock issuable upon settlement of the purchase contracts could depress the price of our common stock and increase the volatility of the common stock price, which could in turn depress the price of the Units or the separate purchase contracts. The price of our common stock also could be affected by possible sales of such common stock by investors who view the Units as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that is likely to develop involving the Units, separate purchase contracts and the common stock. Such hedging or arbitrage activity could, in turn, affect the trading prices of the Units, the separate purchase contracts and the common stock.

In addition, in general, as market interest rates rise, notes (such as the amortizing notes) bearing interest at a fixed rate generally decline in value because the premium, if any, over market interest rates will decline. Consequently, if you purchase Units and market interest rates increase, the market value of the amortizing notes forming a portion of the Units may decline. We cannot predict the future level of market interest rates.

Regulatory actions and other events may adversely affect the trading price and liquidity of the Units.

We expect that many investors in, and potential purchasers of, the Units will employ, or seek to employ, an equity-linked arbitrage strategy with respect to the Units. Investors would typically implement such a strategy by selling short the common stock underlying the Units and dynamically adjusting their short position while continuing to hold the Units. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock. The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a Limit Up-Limit Down program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the Units to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of the Units.

In addition, if investors and potential purchasers seeking to employ an equity-linked arbitrage strategy are unable to borrow or enter into swaps on our common stock, in each case, on commercially reasonable terms, the trading price and liquidity of the Units may be adversely affected.

You may receive shares of common stock upon settlement of the purchase contracts that are lower in value than the price of the common stock just prior to the mandatory settlement date or merger termination redemption settlement date, as the case may be.

Because the applicable market value of the common stock is determined over (i) the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding January 15, 2022, in the case of settlement on the mandatory settlement date, or (ii) in the event of a merger termination redemption, the

Table of Contents

ten consecutive trading day period ending on, and including, the trading day immediately preceding the date of the related merger termination redemption notice, the number of shares of common stock delivered for each purchase contract may, on the mandatory settlement date or the merger termination redemption settlement date, as the case may be, be greater than or less than the number of shares that would have been delivered based on the last reported sale price (or daily VWAP) of the common stock on the last trading day in the related ten or 20 trading day period. In addition, you will bear the risk of fluctuations in the market price of the shares of common stock deliverable upon settlement of the purchase contracts between the end of such period and the date such shares are delivered.

If you elect to settle your purchase contracts early, you may not receive the same return on your investment as purchasers whose purchase contracts are settled on the mandatory settlement date.

Holders of the Units or separate purchase contracts have the option to settle their purchase contracts early at any time beginning on, and including, the business day immediately following the date of initial issuance of the Units until the second scheduled trading day immediately preceding January 15, 2022. However, if you settle your purchase contracts prior to the second scheduled trading day immediately preceding January 15, 2022, you will receive for each purchase contract a number of shares of common stock equal to (i) if you settle purchase contracts prior to 5:00 p.m., New York City time on January 15, 2020, , which is 90% of the minimum settlement rate, (ii) if you settle purchase contracts commencing on January 16, 2019, and prior to 5:00 p.m., New York City time on January 15, 2021, , which is 95% of the minimum settlement rate, and (iii) if you settle purchase contracts commencing on January 16, 2021, the minimum settlement rate, regardless of the current market value of our common stock, unless you elect to settle your purchase contracts early in connection with a fundamental change, in which case you will be entitled to settle your purchase contracts at the fundamental change early settlement rate, which may be greater than the minimum settlement rate. In either case, you may not receive the same return on your investment as purchasers whose purchase contracts are settled on the mandatory settlement date.

The fundamental change early settlement rate or the amount of cash and/or number of shares of our common stock paid or delivered, as the case may be, upon a merger termination redemption, may not adequately compensate you.

If a fundamental change occurs and you elect to exercise your fundamental change early settlement right, you will be entitled to settle your purchase contracts at the fundamental change early settlement rate. In addition, in connection with any merger termination redemption, upon redemption of the purchase contracts, you will be paid an amount of cash equal to the redemption amount (or, in certain circumstances, a number of shares of our common stock or any combination of cash and shares of our common stock). Although the fundamental change early settlement rate or the redemption amount, as the case may be, is designed to compensate you for the lost option value of your purchase contracts as a result of the early settlement of the purchase contracts, this feature may not adequately compensate you for such loss. In addition, if the stock price in the fundamental change is greater than $ per share (subject to adjustment), this feature of the purchase contracts will not compensate you for any additional loss suffered in connection with a fundamental change. See Description of the Purchase Contracts Early Settlement Upon a Fundamental Change and Description of the Purchase Contracts Merger Termination Redemption.

Our obligation to settle the purchase contracts at the fundamental change early settlement rate or to redeem the purchase contracts pursuant to a merger termination redemption could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Table of Contents

The minimum settlement rate, maximum settlement rate, reference price and threshold appreciation price of the purchase contracts may not be adjusted for all dilutive events and any adjustment may not be adequate compensation for lost value.

The minimum settlement rate, maximum settlement rate, reference price and threshold appreciation price of the purchase contracts are subject to adjustment for certain events, including, but not limited to, certain dividends on our common stock, the issuance of certain rights, options or warrants to holders of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender offers or exchange offers, as described under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates in this prospectus supplement. The minimum settlement rate, maximum settlement rate, reference price and threshold appreciation price will not be adjusted for other events that may adversely affect the trading price of the purchase contracts or the Units and the market price of our common stock, such as employee stock options grants, offerings of our common stock for cash, certain exchanges of our common stock for our other securities or in connection with acquisitions (including the Acquisition) and other transactions. The terms of the Units and the separate purchase contracts do not restrict our ability to engage in these activities, and events may occur that are adverse to the interests of the holders of the purchase contracts or the Units and their value, but that do not result in an adjustment to the minimum settlement rate, maximum settlement rate, reference price and threshold appreciation price, or that result in an adjustment that is not adequate compensation for lost value.

We may incur additional indebtedness.

The indenture governing the amortizing notes does not prohibit us from incurring additional unsecured indebtedness or secured indebtedness that would be effectively senior to the amortizing notes in the future. The indenture governing the amortizing notes also permits unlimited additional borrowings by our subsidiaries that are effectively senior to the amortizing notes. In addition, the indenture does not contain any restrictive covenants limiting our ability to pay dividends or make payments on junior or other indebtedness.

The Units are not protected by restrictive covenants.

Neither the purchase contracts nor the indenture contains any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. Neither the purchase contracts nor the indenture contains any covenants or other provisions to afford protection to holders of the purchase contracts or the amortizing notes in the event of a fundamental change involving Colfax Corporation except, with respect to the purchase contracts, to the extent described under Description of the Units Early Settlement Upon a Fundamental Change and Description of the Units Limitations on Mergers, Consolidations and Sales of Assets.

Until the purchase contracts are settled with, or redeemed for, common stock, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

Until the date on which you are treated as the record holder of common stock on account of a redemption or settlement of the purchase contracts for or with, as the case may be, common stock, you will not be entitled to any rights with respect to our common stock, including voting rights and rights to receive any dividends or other distributions on our common stock, but you will be subject to all changes affecting the common stock. You will be treated as the record holder of any shares of our common stock issuable upon settlement or redemption of the purchase contracts only as follows:

in the case of (x) settlement of purchase contracts on the mandatory settlement date or (y) a merger termination redemption if the merger termination redemption stock price is greater than the reference price and we elect to pay cash in lieu of delivering a portion of any shares of common stock that would otherwise be included in the redemption amount, as of 5:00 p.m., New York City time, on the last

Table of Contents

trading day of the 20 consecutive trading day period during which the applicable market value or merger termination redemption market value, as the case may be, is determined;

in the case of settlement of purchase contracts in connection with any early settlement at the holder s option, as of 5:00 p.m., New York City time, on the early settlement date;

in the case of settlement of purchase contracts following exercise of a holder s fundamental change early settlement right, as of 5:00 p.m., New York City time, on the fundamental change early settlement date;

in the case of a merger termination redemption where we elect (or are deemed to have elected) to settle the redemption amount solely by delivering shares of common stock, as of 5:00 p.m., New York City time, on the date of the merger termination redemption notice.

For example, in the event that an amendment is proposed to our amended and restated certificate of incorporation or amended and restated by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the date specified above on which you are treated as the record holder of the shares of our common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock once you become a stockholder.

Some significant restructuring transactions may not constitute fundamental changes, in which case we would not be obligated to early settle the purchase contracts, and you will not have the right to require repurchase of your amortizing notes upon a fundamental change.

Upon the occurrence of specified fundamental changes, you will have the right to require us to settle the purchase contracts. You will not have the right to require repurchase of your amortizing notes upon a fundamental change, however. Additionally, the definition of fundamental change herein is limited to specified corporate events and may not include other events that might adversely affect our financial condition or the value of the purchase contracts. For example, events such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a fundamental change requiring us to settle the purchase contracts at the applicable fundamental change early settlement rate. In the event of any such events, the holders of the purchase contracts would not have the right to require us to settle the purchase contracts at the applicable fundamental change early settlement rate, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the trading price of the purchase contracts and/or the amortizing notes.

We may not have the ability to raise the funds necessary to repurchase the amortizing notes in connection with a merger termination redemption, and our debt outstanding at that time may contain limitations on our ability to repurchase the amortizing notes.

If we elect to effect a merger termination redemption, holders of the amortizing notes will have the right to require us to repurchase the amortizing notes on the repurchase date at the repurchase price described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of amortizing notes surrendered for repurchase or called for redemption, as the case may be. In addition, our ability to pay the relevant repurchase price or redemption price for the amortizing notes may be limited by agreements governing our current and

future indebtedness. Our failure to repurchase or redeem amortizing notes at a time when the repurchase or redemption is required by the indenture would constitute a default under the indenture. A default under the indenture could also lead to a default under agreements governing our indebtedness outstanding at that time. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and the repurchase price or the redemption price, as applicable, for the amortizing notes.

Table of Contents

The secondary market for the Units, the purchase contracts and the amortizing notes may be illiquid.

We intend to apply for listing of the Units on the NYSE, subject to satisfaction of its minimum listing standards with respect to the Units. However, we cannot assure you that the Units will be approved for listing. If the Units are approved for listing, we expect that the Units will begin trading on the NYSE within 30 calendar days after the Units are first issued. In addition, the underwriters have advised us that they intend to make a market in the Units, but the underwriters are not obligated to do so. However, listing on the NYSE does not guarantee that a trading market will develop, and the underwriters may discontinue market making at any time in their sole discretion without prior notice to Unit holders. Accordingly we cannot assure you that a liquid trading market will develop for the Units (or, if developed, that a liquid trading market will be maintained), that you will be able to sell Units at a particular time or that the prices you receive when you sell will be favorable.

Beginning on the business day immediately succeeding the date of initial issuance of the Units, purchasers of Units will be able to separate each Unit into a purchase contract and an amortizing note. We are unable to predict how the separate purchase contracts or the separate amortizing notes will trade in the secondary market, or whether that market will be liquid or illiquid. We will not initially apply to list the separate purchase contracts or the separate amortizing notes on any securities exchange or automated inter-dealer quotation system, but we may apply to list such separate purchase contracts and separate amortizing notes in the future as described herein. If (i) a sufficient number of Units are separated into separate purchase contracts and separate amortizing notes and traded separately such that applicable listing requirements are met and (ii) a sufficient number of holders of such separate purchase contracts and separate amortizing notes request that we list such separate purchase contracts and separate amortizing notes, we may endeavor to list such separate purchase contracts and separate amortizing notes on an exchange of our choosing (which may or may not be the NYSE) subject to applicable listing requirements. However, even if we do so apply to list such separate purchase contracts or separate amortizing notes, we cannot assure you that such securities will be approved for listing.

The purchase contract agreement will not be qualified under the Trust Indenture Act, and the obligations of the purchase contract agent are limited.

The purchase contract agreement between us and the purchase contract agent will not be qualified as an indenture under the Trust Indenture Act of 1939, and the purchase contract agent will not be required to qualify as a trustee under the Trust Indenture Act. Thus, you will not have the benefit of the protection of the Trust Indenture Act with respect to the purchase contract agreement or the purchase contract agent. The amortizing notes constituting a part of the Units will be issued pursuant to an indenture, which has been qualified under the Trust Indenture Act. Accordingly, if you hold Units, you will have the benefit of the protections of the Trust Indenture Act only to the extent applicable to the amortizing notes. The protections generally afforded the holder of a security issued under an indenture that has been qualified under the Trust Indenture Act include:

- disqualification of the indenture trustee for conflicting interests, as defined under the Trust Indenture Act;
- provisions preventing a trustee that is also a creditor of the issuer from improving its own credit position at the expense of the security holders immediately prior to or after a default under such indenture; and

the requirement that the indenture trustee deliver reports at least annually with respect to certain matters concerning the indenture trustee and the securities.

The U.S. federal income tax consequences relating to the Units are uncertain.

No statutory, judicial or administrative authority directly addresses the characterization of the Units or instruments similar to the Units for U.S. federal income tax purposes. As a result, some aspects of the U.S. federal income tax consequences of an investment in the Units are not certain. By acquiring a Unit, each holder will agree to treat a Unit, for U.S. federal income tax purposes, as an investment unit comprised of two separate

Table of Contents

instruments consisting of (i) a purchase contract to acquire our common stock and (ii) an amortizing note that is our indebtedness It is possible, however, that the amortizing notes and the purchase contracts could be recharacterized as a single instrument for U.S. federal income tax purposes, in which case (i) U.S. holders (as defined below under Material U.S. Federal Income Tax Considerations U.S. Holders) could be required to recognize the entire amount of each installment payment on the amortizing notes, rather than merely the portion of such payment denominated as interest, as income and (ii) payments of principal and interest made to non-U.S. holders (as defined below under Material U.S. Federal Income Tax Considerations Non-U.S. Holders) on the amortizing notes could be subject to U.S. withholding tax. We have not sought any rulings from the Internal Revenue Service (IRS) concerning the treatment of the Units, and no assurance can be given that the IRS or any court will agree with the tax consequences described in Material U.S. Federal Income Tax Considerations. Prospective investors should consult their tax advisors regarding potential alternative tax characterizations of the Units.

You may be subject to tax upon an adjustment to the settlement rate of the purchase contracts even though you do not receive a corresponding cash distribution.

The fixed settlement rates of the purchase contracts are subject to adjustment in certain circumstances, including the payment of certain cash dividends or upon a fundamental change. If the settlement rates are adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you generally will be deemed to have received for U.S. federal income tax purposes a taxable dividend without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the settlement rates after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. You may also be deemed to have received a taxable dividend in the event we make certain other adjustments to the settlement rates of the purchase contracts. For example, if a fundamental change occurs prior to the maturity date, under some circumstances, we will increase the settlement rate for purchase contracts settled in connection with the fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. See Material U.S. Federal Income Tax Considerations. If you are a non-U.S. holder (as defined in Material U.S. Federal Income Tax Considerations Non-U.S. Holders), a deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty), which may be withheld from shares of common stock or sales proceeds subsequently paid or credited to you. It is also possible that U.S. withholding tax on deemed dividends would be withheld from any payments on the notes or other amounts paid to a non-U.S. holder or set off against any other funds or assets held by such non-U.S. holder. See Material U.S. Federal Income Tax Considerations Non-U.S. Holders Purchase Contracts.

Any adverse rating action with respect to the Units may cause their trading price to fall.

We do not intend to seek a rating on the Units. However, if a rating service were to rate the Units and if such rating service were to lower its rating on the Units below the rating initially assigned to the Units or otherwise announces its intention to put the Units on credit watch, the trading price of the Units could decline.

Risks and Other Considerations Related to our Common Stock

The issuances of additional Common and Preferred stock or the resale of previously restricted Common stock may adversely affect the market price of Colfax Common stock.

Pursuant to certain registration rights agreements we have entered with Mitchell P. Rales, Steven M. Rales, BDT CF Acquisition Vehicle, LLC, and Markel Corporation (collectively, the Investors), the Investors and their permitted transferees have registration rights for the resale of certain shares of Colfax Common stock. These registration rights would facilitate the resale of such securities into the public market, and any such resale would increase the number of

shares of Colfax Common stock available for public trading. Sales by the Investors or their permitted transferees of a substantial number of shares of Colfax Common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of Colfax Common stock.

Table of Contents

Additionally, under our Amended and Restated Certificate of Incorporation, there are additional authorized shares of Colfax Common stock. Furthermore, we may issue a significant number of additional shares, in connection with acquisitions or otherwise. We also may issue a significant number of additional shares, either into the marketplace through an existing shelf registration statement or through other mechanisms. Additional shares issued would have a dilutive effect on our earnings per share.

Provisions in our governing documents and Delaware law, and the percentage of Common stock owned by our largest stockholders, may delay or prevent an acquisition of Colfax that may be beneficial to our stockholders.

Our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws, and Delaware law contain provisions that may make it difficult for a third party to acquire us without the consent of our Board of Directors. These include provisions prohibiting stockholders from taking action by written consent, prohibiting special meetings of stockholders called by stockholders, prohibiting stockholder nominations and approvals without complying with specific advance notice requirements, and mandating certain procedural steps for stockholders who wish to introduce business or nominate a director candidate. In addition, our Board of Directors has the right to issue Preferred stock without stockholder approval, which our Board of Directors could use to affect a rights plan or poison pill that could dilute the stock ownership of a potential hostile acquirer and may have the effect of delaying, discouraging or preventing an acquisition of Colfax. Delaware law also imposes some restrictions on mergers and other business combinations between Colfax and any holder of 15% or more of its outstanding voting stock. In addition, the percentage of Colfax Common stock owned Mitchell P. Rales, Steven M. Rales, and BDT Capital Partners, LLC and its affiliates could discourage a third party from proposing a change of control or other strategic transaction concerning Colfax.

Table of Contents

USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately $ million after deducting the estimated discount to the underwriters and the related fees and expenses of this offering. We intend to use the net proceeds from this offering to fund a portion of the purchase price payable under the Merger Agreement, as well as for general corporate purposes. Actual amounts may differ from these estimates.

Completion of this Units offering is not contingent on completion of the consummation of the Acquisition or the Other Financing Transactions. The consummation of the Acquisition and the Other Financing Transactions are not contingent on the completion of this Units offering. However, if the closing of the Acquisition has not occurred on or prior to May 19, 2019, or if, prior to such date, the Merger Agreement is terminated, we may elect to redeem all, but not less than all, of the outstanding purchase contracts on the terms described under Description of the Purchase Contracts Merger Termination Redemption . We cannot assure you that we will elect to redeem the notes in these circumstances and, if we do not redeem the outstanding purchase contracts, we intend to use the proceeds from this offering general corporate purposes. If we elect to exercise our merger termination redemption option, then holders of the amortizing notes will have the right to require us to repurchase some or all of their amortizing notes on the terms described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder .

The following table outlines the sources and uses of funds for the Merger, assuming the underwriters do not exercise their respective options to purchase additional Units in this offering. The table assumes that the Merger, this Units offering and the Other Financing Transactions are completed simultaneously, but this Units offering and the Other Financing Transactions are expected to occur before completion of the Merger. Amounts in the table are in millions of dollars and are estimated, and actual amounts may vary from the estimated amounts.

Sources and Uses

(In millions)

Sources	**Amount**	**Uses**	**Amount**
Cash	$ 100	Consideration for the Acquisition, including repayment and redemption of DJO indebtedness[4]	$ 3,178
Units offered hereby[1]	450	Estimated transaction fees and expenses[5]	86
Other Financing Transactions[2]		Repayment of Colfax historical indebtedness	646
New Credit Facility	2,360		
Debt securities offering[3]	1,000		
Total Sources	**$** 3,910	**Total Uses**	**$** 3,910

(1) Assumes for illustrative purposes only that proceeds from this offering and any exercise of the option to purchase additional Units will aggregate to $450 million. This amount is subject to change. Any increase or decrease in the proceeds from this offering are expected to result in a change to the borrowings under the New Credit Facility.

(2) For a description of the Other Financing Transaction, see The Transactions The Financing Transactions. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any debt securities being offered in the debt securities offering, which will be made by a separate offering document and is not part of the offering

to which this prospectus supplement relates.

(3) The offering of debt securities, if it occurs, will be made by a separate offering document and is not part of the offering to which this prospectus supplement relates. The debt securities could also be issued in a smaller or larger dollar amount or with terms differing materially from those indicated in this prospectus supplement. In addition, if we are not able to raise gross proceeds in the amounts contemplated or at all, we may draw funds under the Bridge Facility. See The Transactions The Financing Transactions. The

Table of Contents

timing, amounts and terms of any such issuance will depend on market conditions and other factors, and our financing plans may change.

(4) The final determination of the purchase price to be paid in the Acquisition will be based on DJO s net assets acquired as of that date and the amount of DJO indebtedness repaid and, as a result, will depend on a number of factors that cannot be predicted with certainty.

(5) Includes estimated legal, accounting and other fees and expenses associated with the issuance of the Units and the Other Financing Transactions concurrently with such issuance, including the underwriters discounts and fees.

Table of Contents

CAPITALIZATION

The following table shows, as of September 28, 2018, our capitalization:

- on an actual basis;
- on an as adjusted basis to reflect the sale of Units by us in this offering at a public offering price of $100 per Unit (but not the application of the net proceeds therefrom to fund the Acquisition) after deducting underwriting discounts and estimated offering expenses payable by us (assuming no exercise of the underwriters option to purchase additional Units);
- on an as adjusted pro forma basis to further reflect:
  - the Other Financing Transactions and payment of related fees and expenses; and
  - the consummation of the Acquisition, including the redemption and repayment of DJO indebtedness.

This offering is not contingent on completion of the Other Financing Transactions or the consummation of the Acquisition. The Other Financing Transactions and the consummation of the Acquisition are not contingent on the completion of this Units offering. The information in this table is not necessarily indicative of our future cash and cash equivalents and capitalization, and is qualified in their entirety by our financial statements and the related notes and other information incorporated by reference in this prospectus supplement and the accompanying prospectus. This table should be read in connection with the sections entitled Prospectus Supplement Summary Recent Developments , Risk Factors , Use of Proceeds , Summary Consolidated Historical Financial Data of Colfax and Summary Historical Consolidated Financial Data of DJO and each of our and DJO s consolidated financial statements and related notes thereto.

	September 28, 2018[1]		
(in thousands, except per share data)	**Actual**	**As Adjusted**	**As Adjusted Pro Forma**
Cash and cash equivalents	$ 285,900	$ 722,400	$ 213,519
Total debt, including current portion	1,142,009	1,209,623	3,899,722
New Credit Facilities[2]			2,346,561
2025 Notes[3]	401,662	401,662	401,662
New debt securities[4]			987,500
Senior amortizing notes that are components of the Units[5]		67,614	67,614
Existing Term Loan and Revolver[6]	643,962	643,962	
Other Debt[7]	96,385	96,385	96,385
Shareholders equity:			
	117	117	117

Common stock, $0.001 par value per share; 400,000,000 shares authorized; 117,199,449 shares issued and outstanding actual; 133,503,849 shares issued and outstanding pro forma and 133,503,849 shares issued and outstanding pro forma as adjusted			
Additional paid-in capital[8]	3,051,695	3,420,581	3,420,581
Retained earnings	945,944	945,944	893,014
Accumulated other comprehensive loss	(735,894)	(735,894)	(735,894)
Total Colfax Corporation equity	3,261,862	3,630,748	3,577,818
Noncontrolling interest	216,460	216,460	218,069
Total equity	3,478,322	3,847,208	3,795,887
Total capitalization	$ 4,620,331	$ 5,056,831	$ 7,695,609

Table of Contents

(1) Assumes for illustrative purposes only that proceeds from this offering and any exercise of the option to purchase additional Units will aggregate to $450 million. This amount is subject to change. Any increase or decrease in the proceeds from this offering are expected to result in a change to the borrowings under the New Credit Facility.

(2) Represents amounts borrowed under the new credit facilities. See The Transactions The Financing Transactions New credit facilities .

(3) Represents the aggregate principal amount of 350 million of Colfax s 3.25% senior notes due 2025, issued on April 19, 2017, and reflects the conversion of the principal amount into U.S. dollars based on exchange rates as of September 28, 2018. See Description of Certain Indebtedness 2025 Notes .

(4) Reflects the aggregate principal amount of the debt securities, net of deferred financing fees, we currently expect to be offered as part of the Financing Transactions to fund the Acquisition. See The Transactions The Financing Transactions Debt Securities Offering . The debt securities could also be issued in a smaller or larger dollar amount or with terms differing materially from those indicated in this prospectus supplement. In addition, if we are not able to raise gross proceeds in the amounts contemplated or at all, we may draw funds under the Bridge Facility. See The Transactions The Financing Transactions. The timing, amounts and terms of any such issuance will depend on market conditions and other factors, and our financing plans may change. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any debt securities being offered in the debt securities offering, which will be made by a separate offering document and is not part of the offering to which this prospectus supplement relates.

(5) Each Unit will include an amortizing note, as described under Description of the Units. The exact amount of the principal amount of these amortizing notes will not be determined until the pricing of this offering. We have assumed that 15.489% of the stated amount of the Units will be represented by the amortizing notes. For each additional $1.0 million of the stated amount of the Units represented by the amortizing notes, we would incur an additional $0.155 million of indebtedness.

(6) Represents existing Term Loan due June 5, 2020 and Revolver.

(7) Represents other existing indebtedness of Colfax and its subsidiaries (including DJO and its subsidiaries) that will remain outstanding after completion of the Acquisition.

(8) Each Unit will include a purchase contract, as described in Description of the Purchase Contracts. We will account for the purchase contracts that are components of the Units as equity and expect to record the initial fair value of these purchase contracts, net of the underwriting discounts and offering expenses allocated to the purchase contracts, as additional paid-in capital. The exact amount we record as additional paid-in capital will not be determined until the determination of the final offering expenses of this offering. We have assumed that 84.511% of the stated amount of the Units will be represented by the purchase contracts.

Table of Contents

THE TRANSACTIONS

The Acquisition

On November 19, 2018, Colfax entered into the Merger Agreement with DJO, pursuant to which Colfax agreed to purchase DJO from private equity funds managed by The Blackstone Group L.P. (the Sellers) for approximately $3.15 billion in cash, subject to certain adjustments set forth in the Merger Agreement. This offering of Units is being made in connection with the transactions contemplated by the Merger Agreement to fund a portion of the purchase price payable under the Merger Agreement, as well as for general corporate purposes.

Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, an indirect, wholly-owned subsidiary of Colfax will merge with and into DJO, with DJO continuing as the surviving company and an indirect, wholly-owned subsidiary of Colfax. The Acquisition is expected to close in the first quarter of 2019, subject to the satisfaction of customary closing conditions.

Consideration

Under the terms of the Merger Agreement, the consideration to be paid by us for DJO will be approximately $3.15 billion. The final determination of the purchase price and the purchase price allocation, upon the completion of the merger, will be based on DJO s net assets acquired as of that date and will depend on a number of factors that cannot be predicted with certainty at this time.

Approvals

The shareholders of DJO approved the Acquisition on November 19, 2018. The completion of the Acquisition is not subject to the approval of Colfax shareholders or the receipt of financing by Colfax.

Conditions to Closing

The Merger Agreement contains certain customary conditions to closing. As of the date of this prospectus supplement, the completion of the Acquisition remains subject to the following closing conditions: (i) the receipt of certain regulatory approvals (or the termination or expiration of applicable waiting periods); (ii) the absence of any order, or the enactment of any law, prohibiting the Acquisition; (iv) subject to certain exceptions, the accuracy of the representations and warranties of the parties and compliance by the parties with their respective obligations under the Merger Agreement; and (v) the absence of any material adverse effect on DJO or Colfax since the date of the Merger Agreement. Our obligations under the Merger Agreement are not conditioned upon the receipt of financing or the success of this offering or any of the other offerings described below under The Financing Transactions.

The Merger Agreement also contains certain termination rights for DJO and Colfax and provides that Colfax will pay DJO a termination fee of $220.5 million if DJO terminates the Merger Agreement under certain specific conditions.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the full text of such agreement. The Merger Agreement was filed by Colfax as an exhibit to its Current Report on Form 8-K filed with the SEC on November 19, 2018 and is incorporated by reference into the registration statement to which this prospectus supplement relates. The Merger Agreement has been incorporated by reference herein solely to provide investors and security holders with information relating to its terms. It is not intended to be a source of financial, business or operational information about DJO or its subsidiaries or affiliates. The representations, warranties and covenants contained in the Merger Agreement are made only for the purposes of the Merger

Agreement and are made as of specific dates and are solely for the benefit of the parties to the Merger Agreement. As to factual matters concerning DJO, you should not rely upon the representations and warranties in the Merger Agreement.

Table of Contents

The Financing Transactions

To finance the Acquisition, we intend to obtain up to $3.29 billion in aggregate gross cash proceeds from a combination of (a) borrowings under the New Credit Facility, (b) the issuance of $1.0 billion aggregate principal amount of debt securities as described below and (c) the issuance of $ million aggregate principal amount of the Units offered by this prospectus supplement, together with cash on hand.

In connection with the signing of the Merger Agreement, we entered into a commitment letter (as amended and restated, the Commitment Letter) with various financial institutions, including each of the underwriters in this offering or their affiliates, pursuant to which, and subject to certain conditions, in the event that we are unable to enter into the new or amended credit facilities, in whole or in part, or issue the full amount of the Units or debt securities at or prior to the time the Acquisition is consummated, the financial institutions committed to provide to us up to $3.29 billion pursuant to a bridge facility (the Bridge Facility). Accordingly, to the extent that the aggregate gross proceeds from (i) offering of the Units, (ii) the offering of debt securities described below and (iii) borrowings under the New Credit Facility, together with cash on hand, are at least $3.29 billion, then the Bridge Facility commitment will be cancelled and terminated in full. However, there is no guarantee that we will be able to raise gross proceeds in the amounts contemplated or at all.

In this prospectus supplement, we refer to the offering of debt securities and the entry into and borrowing under the New Credit Facility and the Bridge Facility as the Other Financing Transactions. We refer to this offering of Units and the Other Financing Transactions, together with the repayment of approximately $840 million of DJO s existing indebtedness, collectively as the Financing Transactions.

New credit facilities

On December 17, 2018, we entered into the New Credit Facility with a syndicate of 23 banks to refinance the Term Loan Facility and the Revolver under the DB Credit Agreement, to finance the Acquisition and to consummate the Transactions. See Description of Certain Indebtedness-New Term Loan Facilities and New Revolving Credit Facility. $525 million of the Five Year Term Loan will be used to refinance the Term Loan Facility under the DB Credit Agreement and thus is ineligible to reduce the Bridge Facility commitment. Pursuant to the terms of the Commitment Letter, draws under the New Revolver will only reduce the Bridge Facility commitment to the extent drawn on or after the closing of the Acquisition and to the extent the proceeds thereof are used to pay for the amounts required to be paid under the Merger Agreement and to pay fees and expenses incurred in connection with the Acquisition and the offerings described under the heading The Financing Transactions.

Debt securities offering

On or after commencement of this offering, we expect to conduct a private offering (which we refer to as the debt offering) of additional debt securities (which we refer to as the debt securities). We anticipate that the debt securities would be senior obligations, rank equal in right of payment with our existing senior notes, not be convertible, be unsecured and be guaranteed by our existing and future domestic subsidiaries (other than immaterial subsidiaries and receivables finance subsidiaries). We expect approximately $1.0 billion in aggregate principal amount of debt securities will be offered. There can be no assurance that the debt offering will be completed. The foregoing description and any other information regarding the debt offering is included herein solely for informational purposes. The debt securities could also be issued in a smaller or larger dollar amount or with terms differing materially from those indicated in this prospectus supplement. In addition, if we are not able to raise gross proceeds in the amounts contemplated or at all, we may draw funds under the Bridge Facility. See The Transactions The Financing Transactions. The timing, amounts and terms of any such issuance will depend on market conditions and other factors,

and our financing plans may change. The debt offering, if it occurs, could take a different form than that described herein and will be made by a separate offering document and is not part of the offering to which this prospectus supplement relates. The debt offering would not be registered under the Securities Act of 1933, as amended (the Securities Act), and the debt securities would be offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any such debt securities.

Table of Contents

THE DJO BUSINESS

Overview

DJO is a global developer, manufacturer and distributor of high-quality medical devices with a broad range of products used for rehabilitation, pain management and physical therapy. Its products address the continuum of patient care from injury prevention to rehabilitation after surgery, injury or from degenerative disease, enabling people to regain or maintain their natural motion.

DJO currently develops, manufactures and distributes its products through the following two markets: Prevention & Rehabilitation and Reconstructive.

DJO s products are used by orthopedic specialists, spine surgeons, primary care physicians, pain management specialists, physical therapists, podiatrists, chiropractors, athletic trainers and other healthcare professionals to treat patients with musculoskeletal conditions resulting from degenerative diseases, deformities, traumatic events and sports related injuries. In addition, many of its non-surgical medical devices and related accessories are used by athletes and patients for injury prevention and at-home physical therapy treatment. DJO s product lines include rigid and soft orthopedic bracing, hot and cold therapy, bone growth stimulators, vascular therapy systems and compression garments, therapeutic shoes and inserts, electrical stimulators used for pain management and physical therapy products. Its surgical implant business offers a comprehensive suite of reconstructive joint products for the hip, knee, shoulder and elbow.

DJO s products are marketed under a portfolio of brands including Aircast®, DonJoy®, DonJoy Performance®, ProCare®, CMF , MotionCare , Chattanooga, DJO Surgical, Dr. Comfort , CompeX® Bell-Horn and ExosTM.

Prevention & Rehabilitation

DJO s Prevention & Rehabilitation market offers rigid knee bracing products, orthopedic soft goods, cold therapy products, vascular systems, therapeutic footwear for the diabetes care market and compression therapy products, primarily under the DonJoy, ProCare, Aircast, Dr. Comfort, Bell-Horn and Exos brands. This segment also includes OfficeCare channel, through which DJO maintains an inventory of soft goods and other products at healthcare facilities, primarily orthopedic practices, for immediate distribution to patients. The Bracing and Vascular segment primarily sells its products to orthopedic and sports medicine professionals, hospitals, podiatry practices, orthotic and prosthetic centers, home medical equipment providers and independent pharmacies. In 2014, DJO expanded its consumer channel to focus on marketing, selling and distributing our products, including bracing and vascular products, to professional and consumer retail customers and on-line. The bracing and vascular products sold through this channel are principally sold under the DonJoy Performance, Bell-Horn and Doctor Comfort brands.

The following table summarizes Prevention & Rehabilitation product categories:

Product Category	Description
Rigid bracing and soft goods	Soft goods
	Lower extremity fracture boots
	Ligament braces

Post-operative braces

Osteoarthritis braces

Ankle bracing

Shoulder, elbow and wrist braces

Back braces

Neck braces

Thermoformable braces

Table of Contents

Product Category	Description
Cold and compression therapy	Cold and compression therapy products
Vascular therapy	Vascular system pumps.
	Compression hosiery
Therapeutic shoes and inserts	Therapeutic footwear and related medical and comfort products

Reconstructive

DJO s Reconstructive market consists of several key brands including DJO Surgical, CMF and Chattanooga. The CMF and Chattanooga products are sold to medical clinics, independent distributors or direct to patients for consumer home use. For products sold directly to patients, DJO arranges billing to the patients and their third-party payors, if applicable. The CMF brand of bone growth stimulation products provides medical professionals with a tool for healing problem fractures and spinal fusion procedures. Chattanooga rehabilitation equipment is used for treating musculoskeletal, neurological and soft tissue disorders. These products include clinical electrotherapy devices, clinical traction devices, and other clinical products and supplies such as treatment tables, continuous passive motion (CPM) devices and dry heat therapy. This segment also provides professional and consumer retail customers with the Compex electrostimulation device, which is used in training programs to aid muscle development and to accelerate muscle recovery after training sessions.

DJO s Surgical develops, manufactures and markets a wide variety of shoulder, hip and knee implant products that serve the orthopedic reconstructive joint implant market. On June 30, 2015, DJO s subsidiary Encore Medical, L.P., dba DJO Surgical, acquired from Zimmer Biomet Holdings, Inc., the U.S. rights to an elbow implant product marketed under the name Discovery® Elbow System, and a line of bone cement for use with implants marketed as Cobalt Bone Cement, Optivac® Cement Mixing Accessories and SoftPac Pouch.

The following table summarizes Surgical Implant segment product categories:

Product Category	Description
Shoulder implants	Primary total joint replacement
	Fracture repair system
	Revision total joint replacement (including reverse shoulder)
Hip implants	Primary replacement stems
	Acetabular cup system
	Revision joint replacement
Knee implants	Primary total joint replacement
	Revision total joint replacement
	Unicondylar joint replacement
Elbow Implants	Primary total joint replacement

Bone Cement	Bone cement and cement mixing accessories

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED FINANCIAL INFORMATION OF THE COMPANY AND DJO GLOBAL, INC.

The following unaudited pro forma consolidated condensed financial information of Colfax Corporation (Colfax) is presented to illustrate the estimated income statement effects of the acquisition of DJO Global, Inc. (DJO) as such data may have appeared if the Acquisition had been completed on January 1, 2017. The unaudited pro forma consolidated condensed balance sheet is presented as if the Acquisition had been completed on September 28, 2018. The unaudited pro forma consolidated condensed financial information has been derived from and should be read in conjunction with:

- Colfax Corporation s audited consolidated financial statements and related notes as of, and for the year ended, December 31, 2017, included in Colfax s Annual Report on Form 10-K for the year ended December 31, 2017;

- Colfax Corporation s unaudited consolidated financial statements and related notes contained in Colfax s Quarterly Report on Form 10-Q, as of and for the nine months ended September 28, 2018;

- DJO Global, Inc s audited consolidated financial statements and related notes as of, and for the year ended, December 31, 2017; and

- DJO Global, Inc s unaudited consolidated financial statements and related notes as of and for the nine months ended September 29, 2018.

To prepare the unaudited pro forma consolidated condensed financial information, the historical financial statements of DJO have been adjusted to reflect certain reclassifications to conform to Colfax s financial statement presentation as described in Note 3. Pro forma adjustments were made to Colfax s historical consolidated financial information to reflect items that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the consolidated operating results of Colfax.

The pro forma financial statements do not reflect the costs of any integration activities, possible or pending asset dispositions, the benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies that may result from the Acquisition.

The pro forma financial statements are presented for informational purposes only and do not purport to represent what the results of operations or financial condition would have been had the Acquisition actually occurred on the dates indicated, nor do they purport to project the results of operations or financial condition of the consolidated company for any future period or as of any future date. The pro forma financial statements have been prepared in advance of the close of the Acquisition; the final amounts recorded upon the closing of the Acquisitions may differ materially from the information presented.

The unaudited pro forma consolidated condensed financial data has been prepared using the acquisition method of accounting under U.S. generally accepted accounting principles, which are subject to change and interpretation. The acquisition accounting is dependent upon certain valuations and other studies that have yet to be completed. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing

unaudited pro forma consolidated condensed financial data. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma consolidated condensed financial data and the consolidated company s future results of operations and financial position.

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET

COLFAX CORPORATION

(in thousands)	As of 9/28/2018 Historical Colfax	As of 9/29/2018 Historical DJO (Note 3)	Equity-Related Adjustments (Note 5)	Debt-Related Adjustments (Note 6)	Merger-Related Adjustments (Note 7)	Pro Forma
Assets						
Cash and cash equivalents	$ 285,900	$ 27,619	$ 436,500(a)	$ 2,684,719(a)	$ (3,221,219)(a)	$ 213,519
Trade receivable, net	953,881	172,492				1,126,373
Inventories, net	484,242	183,837				668,079
Other current assets	227,249	31,329			(2,182)(b)	256,396
Total current assets	1,951,272	415,277	436,500	2,684,719	(3,223,401)	2,264,367
Property, plant, and equipment, net	494,377	143,041				637,418
Goodwill	2,524,134	878,689			459,169(c)	3,861,992
Intangible assets, net	941,246	570,725			1,166,275(d)	2,678,246
Other assets	535,200	4,523		628(b)	(343)(b)	540,008
Total assets	$ 6,446,229	$ 2,012,255	$ 436,500	$ 2,685,347	$ (1,598,300)	$ 9,982,031
Liabilities and Equity						
Liabilities						
Current portion of long-term debt	$ 6,385	$ 23,488	$ 21,922(b)	$ 61,250(c)	$ (23,488)(e)	$ 89,557
Accounts payable	563,730	102,009				665,739
Customer advances and billings in excess of costs incurred	148,635					148,635
Accrued liabilities	350,130	176,318		(92)(d)	4,670(f)	531,026
Total current liabilities	1,068,880	301,815	21,922	61,158	(18,818)	1,434,957
Long-term debt, less current portion	1,135,624	2,397,975	45,692(c)	2,628,849(e)	(2,397,975)(e)	3,810,165
Other liabilities	763,403	166,281			11,338(g)	941,022

Total liabilities	2,967,907	2,866,071	67,614	2,690,007	(2,405,455)	6,186,144
Equity						
Common stock	117	496			(496)(h)	117
Additional paid-in capital	3,051,695	846,615	368,886(d)		(846,615)(h)	3,420,581
Retained earnings	945,944	(1,676,347)		(4,660) (f)	1,628,077(h)	893,014
Accumulated other comprehensive loss	(735,894)	(26,189)			26,189(h)	(735,894)
Total Colfax Corp. equity	3,261,862	(855,425)	368,886	(4,660)	807,155	3,577,818
Noncontrolling interest	216,460	1,609				218,069
Total equity	3,478,322	(853,816)	368,886	(4,660)	807,155	3,795,887
Total liabilities and equity	$ 6,446,229	$ 2,012,255	$ 436,500	$ 2,685,347	$ (1,598,300)	$ 9,982,031

The accompanying notes are an integral part of these unaudited pro forma consolidated condensed financial statements.

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF INCOME

COLFAX CORPORATION

(in thousands, except per share amounts)	For the year ended 12/31/2017 Historical Colfax	For the year ended 12/31/2017 Historical DJO (Note 3)	Equity-Related Adjustments (Note 5)	Debt-Related Adjustments (Note 6)	Merger-Related Adjustments (Note 8)	Pro Forma
Net sales	$ 3,300,184	$ 1,186,206	$	$	$	$ 4,486,390
Cost of sales	2,270,709	493,116				2,763,825
Gross profit	1,029,475	693,090				1,722,565
Selling, general and administrative expense	732,340	558,314			65,994(a)	1,356,648
Restructuring and other related charges	68,351	58,775				127,126
Goodwill and intangible asset impairment charge	152,700					152,700
Pension settlement loss (gain)	46,933					46,933
Operating income	29,151	76,001			(65,994)	39,158
Interest expense, net	41,137	172,125	4,643(e)	144,955(g)	(173,878)(b)	188,982
Income (loss) from continued operations before income taxes	(11,986)	(96,124)	(4,643)	(144,955)	107,884	(149,824)
Provision for income taxes	42,554	(60,720)	(1,764)(f)	(55,083)(h)	(15,542)(c)	(90,555)
Net income (loss) from continuing operations	(54,540)	(35,404)	(2,879)	(89,872)	123,426	(59,269)
Income from discontinued operations, net of taxes	224,047	309				224,356
Net income (loss)	169,507	(35,095)	(2,879)	(89,872)	123,426	165,087
Less: income attributable to noncontrolling interest, net of taxes	18,417	799				19,216
Net income (loss) attributable to Colfax Corp.	$ 151,090	$ (35,894)	$ (2,879)	$ (89,872)	$ 123,426	$ 145,871
Net income (loss) per share basic (Note 9)						

Continuing operations	$	(0.59)	$	(0.43)
Discontinued operations	$	1.82	$	1.61
Consolidated operations	$	1.23	$	1.18
Net income (loss) per share diluted (Note 9)				
Continuing operations	$	(0.59)	$	(0.43)
Discontinued operations	$	1.81	$	1.61
Consolidated operations	$	1.22	$	1.18

The accompanying notes are an integral part of these unaudited pro forma consolidated condensed financial statements.

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF INCOME

COLFAX CORPORATION

(in thousands, except per share amounts)	For the nine months ended 9/28/2018 Historical Colfax	For the nine months ended 9/29/2018 Historical DJO (Note 3)	Equity-Related Adjustments (Note 5)	Debt-Related Adjustments (Note 6)	Merger-Related Adjustments (Note 8)	Pro Forma
Net sales	$ 2,681,586	$ 891,517	$	$	$	$ 3,573,103
Cost of sales	1,852,603	361,756				2,214,359
Gross profit	828,983	529,761				1,358,744
Selling, general and administrative expense	600,136	405,393			51,791(a)	1,057,320
Restructuring and other related charges	40,791	35,222				76,013
Operating income	188,056	89,146			(51,791)	225,411
Interest expense, net	29,153	137,339	2,384(e)	111,221(g)	(134,722)(b)	145,375
Loss on short term investments	10,128					10,128
Income (loss) from continuing operations before income tax	148,775	(48,193)	(2,384)	(111,221)	82,931	69,908
Provision (benefit) for income taxes	11,490	12,201	(596)(f)	(27,805)(h)	11,942(c)	7,232
Net income (loss) from continuing operations	137,285	(60,394)	(1,788)	(83,416)	70,989	62,676
Income (loss) from discontinued operations, net of taxes	(31,262)	486				(30,776)
Net income (loss)	106,023	(59,908)	(1,788)	(83,416)	70,989	31,900
Less: income attributable to noncontrolling interest, net of taxes	11,721	846				12,567
Net income (loss) attributable to Colfax Corp.	$ 94,302	$ (60,754)	$ (1,788)	$ (83,416)	$ 70,989	$ 19,333
Net income (loss) per share basic (Note 9)						
Continuing operations	$ 1.04					$ 0.47
Discontinued operations	$ (0.26)					$ (0.23)

Consolidated operations	$ 0.78	$ 0.24
Net income (loss) per share diluted (Note 9)		
Continuing operations	$ 1.03	$ 0.45
Discontinued operations	$ (0.26)	$ (0.22)
Consolidated operations	$ 0.77	$ 0.23

The accompanying notes are an integral part of these unaudited pro forma consolidated condensed financial statements.

Table of Contents

Notes to Unaudited Pro Forma Consolidated Condensed Financial Statements

1. Description of Acquisition

On November 19, 2018, Colfax entered into an Agreement and Plan of Merger (the Merger Agreement) with, among others, DJO Global, Inc., a Delaware limited liability company, pursuant to which Colfax agreed to purchase DJO from private equity funds managed by The Blackstone Group L.P. and repay or redeem all existing indebtedness of DJO. The amount payable by Colfax in connection with the Acquisition is calculated as $3.15 billion in cash plus the aggregate amount of cash, cash equivalents and marketable securities of DJO on a consolidated basis, subject to certain adjustments set forth in the Merger Agreement. DJO develops, manufactures and distributes high-quality medical devices with a broad range of products used for rehabilitation, pain management and physical therapy.

Pursuant to the Merger Agreement, subject to the satisfaction or waiver of specified conditions, an indirect, wholly-owned subsidiary of Colfax will merge with and into DJO, with DJO continuing as the surviving company and an indirect, wholly-owned subsidiary of Colfax. The Acquisition is expected to close in the first quarter of 2019, subject to the satisfaction of customary closing conditions.

Colfax anticipates that approximately $3.2 billion will be required to pay the Acquisition consideration to the DJO shareholder, repay or redeem any indebtedness of DJO and to pay transaction fees and expenses relating to the Acquisition. Colfax intends to finance the Acquisition with the net proceeds from the offering of Tangible Equity Units (TEUs), the debt financings described below and $100.0 million of cash on hand.

Subsequent to this offering of TEUs, Colfax expects to offer approximately $1.0 billion aggregate principal amount of debt securities as additional financing for the Acquisition. The debt securities could also be issued in a smaller or larger dollar amount or with terms differing materially from those indicated in this prospectus supplement. In addition, if we are not able to raise gross proceeds in the amounts contemplated or at all, we may draw funds under the Bridge Facility. See The Transactions The Financing Transactions. The timing, amounts and terms of any such issuance will depend on market conditions and other factors, and our financing plans may change. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy any debt securities being offered in the debt securities offering, which will be made by a separate offering document and is not part of the offering to which this prospectus supplement relates. The completion of this TEUs offering is not contingent on the completion of the debt securities offering, and the completion of the debt securities offering is not contingent on the completion of this TEUs offering. Neither this offering nor the debt securities offering is contingent on the completion of the Acquisition or any debt financing.

Colfax also expects to enter into a new term loan and revolving credit facility with a syndicate of banks to refinance Colfax s historical financings (the New Credit Facility). The New Credit Facility will consist of a $1.3 billion five-year revolving credit facility (the New Revolver), a $500.0 million two-year term loan facility (the 2 Year Term Facility), and a $1.225 billion five-year term loan facility (the 5 Year Term Facility and, together, the Term Facilities). Neither this offering nor the entry into, or amendment of, the credit facilities is contingent on the completion of the Acquisition or any debt financing.

In connection with entering into the Merger Agreement, we entered into a debt commitment letter (the Commitment Letter), dated as of November 18, 2018, with JPMorgan Chase Bank, N.A., Credit Suisse AG and Credit Suisse Loan Funding LLC, pursuant to which such financial institutions have committed to provide $3.29 billion of bridge financing for the Acquisition (the Bridge Facility). See Summary Recent Developments Acquisition of DJO Acquisition Financing.

2. Basis of Presentation

The acquisition will be accounted for as a business combination by Colfax using the acquisition method of accounting under the provisions of Accounting Standards Codification (ASC) Topic 805, Business Combinations, under GAAP. Under the acquisition method of accounting, the total estimated purchase price of

Table of Contents

an acquisition is allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Such valuations are based on available information and certain assumptions that management believes are reasonable. The preliminary allocation of the estimated purchase price to the net tangible and intangible assets acquired and liabilities assumed is based on various preliminary estimates. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing these pro forma financial statements. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material. The differences, if any, could have a material impact on the accompanying pro forma financial statements and Colfax s future results of operations and financial position.

Colfax performed a review of DJO s accounting policies for the purpose of identifying any material differences in significant accounting policies and any accounting adjustments that would be required in connection with adopting uniform policies. Management is not aware of any differences in the accounting policies that will result in material adjustments to the consolidated financial statements as a result of conforming the accounting policies except for the presentation of certain financial statement line items as discussed below.

The final structure and terms of the DJO acquisition financing will be subject to market conditions and may change materially from the assumptions described above. Changes in the assumptions described above would result in changes to various components of the unaudited pro forma condensed consolidated balance sheet, including cash and cash equivalents, long-term debt and additional paid-in capital, and various components of the unaudited pro forma condensed consolidated statements of income, including interest expense, earnings per share and weighted-average shares outstanding. Depending upon the nature of the changes, the impact on the pro forma financial information could be material.

The unaudited pro forma consolidated financial information is presented for informational purposes only and does not purport to represent what our results of operations or financial condition would have been had the Acquisition actually occurred on the dates indicated, nor do they purport to project our results of operations or financial condition for any future period or as of any future date.

Table of Contents

3. Reclassifications

Certain reclassifications were made to the historical financial statements of DJO to conform DJO s financial statement line item presentation to Colfax s presentation, which include the following:

DJO reclassifications in the unaudited pro forma condensed consolidated balance sheet

as of September 29, 2018

(in thousands)	Before Reclassification	Reclassification	After Reclassification
Prepaid expenses and other current assets	30,818	(30,818))(a)	
Current assets of discontinued operations	511	(511)(a)	
Other current assets		31,329(a)	31,329
Accrued interest	47,329	(47,329)(b)	
Other current liabilities	128, 989	(128,989)(b)	
Accrued liabilities		176,318(b)	176,318
Deferred tax liabilities, net	145,606	(145,606)(c)	
Other long-term liabilities	20,675	(20,675)(c)	
Other liabilities		166,281(c)	166,281
Treasury stock at cost	(3,600)	3,600(d)	
Additional paid-in capital	850,215	(850,215)(d)	
Additional paid-in capital		846,615(d)	846,615
Accumulated deficit	(1,676,347)	1,676,347(e)	
Retained earnings		(1,676,347)(e)	(1,676,347)

(a) Represents the reclassification of Prepaid expenses and other current assets and Current assets of discontinued operations on DJO s balance sheet into Other current assets to conform to Colfax s balance sheet presentation.

(b) Represents the reclassification of Accrued interest and Other current liabilities on DJO s balance sheet into Accrued liabilities to conform to Colfax s balance sheet presentation.

(c) Represents the reclassification of Deferred tax liabilities and Other long-term liabilities on DJO s balance sheet into Other liabilities to conform to Colfax s balance sheet presentation.

(d) Represents the reclassification of Treasury stock at cost and Additional paid-in capital on DJO s balance sheet into Additional paid-in capital to conform to Colfax s balance sheet presentation.

(e) Represents the reclassification of Accumulated deficit on DJO s balance sheet into Retained earnings to conform to Colfax s balance sheet presentation.

Table of Contents

DJO reclassifications in the unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2017

(in thousands)	Before Reclassification	Reclassification	After Reclassification
Selling, general, and administrative	456,739	(456,739)(f)	
Research and development	35,429	(35,429)(f)	
Amortization of intangible assets	66,146	(66,148)(f)	
Selling, general, and administrative expense		558,314(f)	558,314
Cost of sales	4,991	(4,991)(g)	
Selling, general and administrative	53,784	(53,784)(g)	
Restructuring and other related charges		58,775(g)	58,775
Interest expense, net	174,238	(174,238)(h)	
Other (income) expense, net	(2,113)	2,113(h)	
Interest expense, net		172,125(h)	172,125

(f) Represents the reclassification of Research and development, Amortization of intangible assets, and a portion of Selling, general, and administrative on DJO s statement of income into Selling, general, and administrative expense to conform to Colfax s statement of income presentation.

(g) Represents the reclassification of a portion of Cost of sales, and a portion of Selling general and administrative on DJO s statement of income into Restructuring and other related charges to conform to Colfax s statement of income presentation.

(h) Represents the reclassification of Interest expense and Other (income) expense on DJO s statement of income into Interest expense to conform to Colfax s statement of income presentation.

DJO reclassifications in the unaudited pro forma condensed consolidated statement of income for the nine months ended September 29, 2018

(in thousands)	Before Reclassification	Reclassification	After Reclassification
Selling, general, and administrative	330,261	(330,261)(i)	
Research and development	30,687	(30,687)(i)	
Amortization of intangible assets	44,445	(44,445)(i)	
Selling, general, and administrative expense		405,393(i)	405,393
Cost of sales	14,024	(14,024)(j)	
Selling, general and administrative	21,198	(21,198)(j)	
		35,222(j)	35,222

Restructuring and other related charges			
Interest expense, net	136,299	(136,299)(k)	
Other (income) expense, net	1,040	(1,040)(k)	
Interest expense, net		137,339(k)	137,339

(i) Represents the reclassification of Research and development, Amortization of intangible assets, and a portion of Selling, general, and administrative on DJO s statement of income into Selling, general, and administrative expense to conform to Colfax s statement of income presentation.

(j) Represents the reclassification of a portion of Cost of sales, and a portion of Selling general and administrative on DJO s statement of income into Restructuring and other related charges to conform to Colfax s statement of income presentation.

(k) Represents the reclassification of Interest expense and Other (income) expense on DJO s statement of income into Interest expense to conform to Colfax s statement of income presentation.

Table of Contents

4. Preliminary Purchase Price Allocation

The pro forma adjustments include a preliminary allocation of the estimated purchase price of DJO to the estimated fair values of assets acquired and liabilities assumed at the acquisition date, with the excess recorded as Goodwill. The final allocation of the purchase price could differ materially from the preliminary allocation primarily because market prices, interest rates and other valuation variables will fluctuate over time and be different at the time of completion of the Acquisition compared to the amounts assumed for the pro forma adjustments.

The following is a summary of the preliminary purchase price allocation giving effect to the Acquisition as if it had been completed on September 28, 2018:

(in thousands)	
Cash	$ 27,619
Trade receivables, net	172,492
Inventories, net	183,837
Other current assets	29,147
Property, plant and equipment, net	143,041
Goodwill	1,337,858
Intangible assets, net	1,737,000
Other assets	4,180
Total assets acquired	3,635,174
Accounts payable, accrued expenses and other current liabilities	(278,327)
Deferred tax liability, including current portion	(156,944)
Other long-term liabilities	(20,675)
Noncontrolling interest	(1,609)
Fair value of net assets acquired	$ 3,177,619

5. Equity Related Pro Forma Adjustments

The following summarizes the pro forma adjustments in connection with the TEUs financing of the Acquisition as if it had occurred on January 1, 2017 for the purposes of the pro forma consolidated statement of income, and as if it had occurred on September 28, 2018 for the purposes of the unaudited pro forma consolidated balance sheet.

a) Adjustment to cash consists of the following:

(in thousands)	**As of Sept. 28, 2018**
Gross proceeds raised from the TEUs	$ 450,000
Cash paid for financing fees related to TEUs	(13,500)

Net Proceeds from TEUs	$	436,500

b) Adjustment to record the current portion of the detachable debt component of TEUs.

c) Adjustment to record the non-current portion of the detachable debt component of TEUs.

d) Adjustment to record the detachable equity component of TEUs. Based on the expected structure of the TEUs, Colfax expects the purchase contract component of the TEUs to meet equity classification. The classification of the TEU will be subject to detailed assessment once finalized and a different conclusion may result in a material impact on these unaudited pro forma condensed consolidated financial information.

Table of Contents

e) Adjustment to interest expense consists of the following:

(in thousands)	Year ended December 31, 2017	Nine months ended Sept. 28, 2018
Interest expense related to the debt component of TEUs	$ 3,541	$ 1,815
Amortization of deferred financing fees related to the debt component of TEUs[(1)]	1,102	569
Pro forma adjustment to interest expense	$ 4,643	$ 2,384