Colfax CORP
Form 424B5
January 08, 2019
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-223067

The information in this amended preliminary prospectus supplement is not complete and may be changed. This amended preliminary prospectus supplement, which amends and restates the preliminary prospectus supplement dated January 7, 2019, 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)

Amendment No. 1 to preliminary prospectus supplement dated January 7, 2019

Subject to completion, dated January 8, 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. See Underwriting.

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 Capital Markets Goldman Sachs & Co. LLC HSBC

The date of this prospectus supplement is , 2019.

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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.

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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;

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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.

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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.

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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;

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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.

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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

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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

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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

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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

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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 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.

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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.

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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.

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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.

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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

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	$ 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

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	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. See Underwriting.
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.

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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.

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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

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	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

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	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.

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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

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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

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(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%
Capital expenditures	(62,388)	(55,042)	(53,386)	(28,949)	(40,246)
Free cash flow(2)	392,271	366,601	368,745	288,708	296,833

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

(2) We define free cash flow as Adjusted EBITDA less capital expenditures.

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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

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(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. 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	
Dollars in thousands	2015	2016	2017	September 29, 2017	September 28, 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 and reporting adjustments	4,455	14,374	(156)	1,998	(9,497)
Adjusted EBITDA(3)	**$ 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(4)	**$ 176,172**	**$ 169,777**	**$ 209,568**	**$ 148,383**	**$ 152,935**

(1) Restructuring and reorganization adjustments represent a series of business transformation initiatives undertaken by DJO in order to improve its profitability, including third-party consulting fees for cost savings initiatives, severance and COBRA payments in connection with the reductions in force and redundant costs of establishing offshore shared services.

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

(3) Certain one-time costs including (i) primarily IT automation in 2015; (ii) primarily executive severance payments and legal costs related to unusual and onetime items in 2016; and (iii) primarily one-time bad debt run rate adjustments in 2018.

(4) We define free cash flow as adjusted EBITDA less capital expenditures.

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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 Consolidated Condensed Financial Information of the Company and DJO Global, Inc. 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 Consolidated Condensed Financial Information of the Company and DJO Global, Inc.

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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	190,501	146,636
Loss on short term investments		10,128
Income (loss) from continued operations before income taxes	(151,343)	68,647
Provision for income taxes	(91,132)	6,916
Net income (loss) from continuing operations	(60,211)	61,731
Income from discontinued operations, net of taxes	224,356	(30,776)
Net income (loss)	164,145	30,955
Less: income attributable to noncontrolling interest, net of taxes	19,216	12,567
Net income (loss) attributable to Colfax Corp.	$ 144,929	$ 18,388
Pro Forma Adjusted EBITDA[(1)]		
	$ 679,060	$ 530,772
Net income (loss) per share basic		
Continuing operations	$ (0.44)	$ 0.47
Discontinued operations	$ 1.63	$ (0.23)
Consolidated operations	$ 1.19	$ 0.24
Net income (loss) per share diluted		
Continuing operations	$ (0.44)	$ 0.46

Discontinued operations	$	1.63	$	(0.23)
Consolidated operations	$	1.19	$	0.23

	Pro Forma As of 9/28/2018
Total Assets	$ 9,982,031
Total Liabilities	$ 6,227,131
Total Equity	$ 3,754,900
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 and intangible asset impairment charge		152,700		
Restructuring and other related charges[1]		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 loss (gain)		46,933		
Acquisition integration[2]		2,106		1,447
Other add-backs and reporting adjustments[3]		(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

(1) Consists of Colfax Restructuring and other related charges and DJO restructuring and reorganization adjustments, as described above.
(2) Consists of DJO acquisition integration adjustments, as described above.
(3) Consists of DJO other add-backs and reporting adjustments, as described above.

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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

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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

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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;

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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,

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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.

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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.

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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.

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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

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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

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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;

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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;

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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.

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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

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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

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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

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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

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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,

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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

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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

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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;

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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

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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.