

# Key Performance Indicators & Non-GAAP Measures

Management reviews a variety of key performance indicators including revenue, segment operating income and margins, earnings per share, order growth, adjusted free cash flow, and backlog, some of which are non-GAAP. In addition, we consider certain measures to be useful to management and investors when evaluating our operating performance for the periods presented. These measures provide a tool for evaluating our ongoing operations and management of assets from period to period. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including, but not limited to, acquisitions, dividends and share repurchases. These metrics, however, are not measures of financial performance under accounting principles generally accepted in the United States of America (GAAP) and should not be considered a substitute for measures determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators for purposes of our reconciliation tables.

**Organic Revenues** and **Organic Orders** are defined as revenues and orders, excluding the impacts of foreign currency fluctuations, acquisitions and divestitures. Divestitures include sales of portions of our business that did not meet the criteria for presentation as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations is estimated using a fixed exchange rate for both the current and prior periods. Management believes that reporting organic revenue and organic orders provides useful information to investors by helping identify underlying trends in our business and facilitating easier comparisons of our revenue performance with prior and future periods and to our peers.

**Adjusted Operating Income, Adjusted Segment Operating Income and Adjusted Segment Operating Margin** are defined as total operating income and segment operating income, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, restructuring costs, realignment costs, certain acquisitions-related expenses, and unusual or infrequent operating items. Special items represent significant charges or credits that impact the current results, which management views as unrelated to the Company's ongoing operations and performance. Adjusted segment operating margin is defined as adjusted segment operating income divided by total revenue. We believe that adjusted segment operating income is useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

**Adjusted Income from Continuing Operations, Adjusted EPS and Adjusted EPS Guidance** are defined as income from continuing operations attributable to ITT Inc. and income from continuing operations attributable to ITT Inc. per diluted share, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, restructuring costs, realignment costs, pension settlement and other curtailment costs, certain acquisition-related expenses, income tax settlements or adjustments, and unusual and infrequent non-operating items. Special items represent significant charges or credits, on an after-tax basis, that impact current results, which management views as unrelated to the Company's ongoing operations and performance. The after-tax basis of each special item is determined using the jurisdictional tax rate of where the expense or benefit occurred. We believe that adjusted income from continuing operations is useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

**Adjusted Free Cash Flow** is defined as net cash provided by operating activities less capital expenditures, adjusted for cash payments for restructuring costs, realignment actions, net asbestos cash flows and other significant items that impact current results which management views as unrelated to the Company's ongoing operations and performance. Due to other financial obligations and commitments, including asbestos, the entire free cash flow may not be available for discretionary purposes. We believe that adjusted free cash flow provides useful information to investors as it provides insight into the primary cash flow metric used by management to monitor and evaluate cash flows generated by our operations.



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Organic Revenue / Order Growth**  
**Fourth Quarter 2017 & 2016**  
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) 3M 2017	(B) 3M 2016	(C) Change 2017 vs. 2016	% Change 2017 vs. 2016	(D) Acquisition / Divestitures 3M 2017	(E) FX Impact 3M 2017	(F) = A-D-E Revenue / Orders 3M 2017	(G) =C-D-E Change Adj. 2017 vs. 2016	(H) = G / B % Change Adj. 2017 vs. 2016
<b>Revenues</b>									
<b>ITT Inc. - Consolidated</b>	<b>683.6</b>	<b>588.4</b>	<b>95.2</b>	<b>16.2%</b>	<b>18.4</b>	<b>28.7</b>	<b>636.5</b>	<b>48.1</b>	<b>8.2%</b>
Industrial Process	232.6	212.1	20.5	9.7%	-	4.5	<b>228.1</b>	16.0	7.5%
Motion Technologies	298.5	228.1	70.4	30.9%	18.4	22.3	<b>257.8</b>	29.7	13.0%
Connect & Control Technologies	153.3	149.5	3.8	2.5%	-	1.8	<b>151.5</b>	2.0	1.3%
<b>Orders</b>									
<b>Total Segment Orders</b>	<b>663.9</b>	<b>572.0</b>	<b>91.9</b>	<b>16.1%</b>	<b>16.2</b>	<b>27.3</b>	<b>620.4</b>	<b>48.4</b>	<b>8.5%</b>
Industrial Process	194.3	191.7	2.6	1.4%	-	3.4	<b>190.9</b>	(0.8)	(0.4%)
Motion Technologies	298.9	235.0	63.9	27.2%	16.2	21.9	<b>260.8</b>	25.8	11.0%
Connect & Control Technologies	171.4	146.9	24.5	16.7%	-	2.0	<b>169.4</b>	22.5	15.3%

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Organic Revenue / Order Growth**  
**Full Year 2017 & 2016**  
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E		(G) =C-D-E	(H) = G / B
	12M 2017	12M 2016	Change 2017 vs. 2016	% Change 2017 vs. 2016	Acquisition / Divestitures 12M 2017	FX Impact 12M 2017	Revenue / Orders 12M 2017	Change Adj. 2017 vs. 2016	% Change Adj. 2017 vs. 2016	
<b>Revenues</b>										
<b>ITT Inc. - Consolidated</b>	<b>2,585.3</b>	<b>2,405.4</b>	<b>179.9</b>	<b>7.5%</b>	<b>74.0</b>	<b>29.5</b>	<b>2,481.8</b>	<b>76.4</b>	<b>3.2%</b>	
Industrial Process	807.2	830.1	(22.9)	(2.8%)	-	5.7	<b>801.5</b>	(28.6)	(3.4%)	
Motion Technologies	1,176.0	983.4	192.6	19.6%	74.0	22.7	<b>1,079.3</b>	95.9	9.8%	
Connect & Control Technologies	605.6	596.3	9.3	1.6%	-	1.0	<b>604.6</b>	8.3	1.4%	
<b>Orders</b>										
<b>Total Segment Orders</b>	<b>2,619.4</b>	<b>2,374.8</b>	<b>244.6</b>	<b>10.3%</b>	<b>70.2</b>	<b>27.6</b>	<b>2,521.6</b>	<b>146.8</b>	<b>6.2%</b>	
Industrial Process	799.8	779.1	20.7	2.7%	-	4.6	<b>795.2</b>	16.1	2.1%	
Motion Technologies	1,198.8	998.4	200.4	20.1%	70.2	22.0	<b>1,106.6</b>	108.2	10.8%	
Connect & Control Technologies	624.1	602.4	21.7	3.6%	-	1.0	<b>623.1</b>	20.7	3.4%	

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Fourth Quarter 2017 & 2016**  
(In Millions)

	3M 2017	3M 2017	3M 2017	3M 2016	3M 2016	3M 2016	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2017 vs. 2016	2017 vs. 2016
<b>Revenue:</b>								
Industrial Process	232.6		232.6	212.1		212.1	9.7%	9.7%
Motion Technologies	298.5		298.5	228.1		228.1	30.9%	30.9%
Connect & Control Technologies	153.3		153.3	149.5		149.5	2.5%	2.5%
Intersegment eliminations	(0.8)		(0.8)	(1.3)		(1.3)		
<b>Total Revenue</b>	<b>683.6</b>		<b>683.6</b>	<b>588.4</b>		<b>588.4</b>	<b>16.2%</b>	<b>16.2%</b>
<b>Operating Margin:</b>								
Industrial Process	11.8%	(10) BP	11.7%	6.6%	180 BP	8.4%	520 BP	330 BP
Motion Technologies	11.4%	120 BP	12.6%	11.7%	60 BP	12.3%	(30) BP	30 BP
Connect & Control Technologies	12.5%	90 BP	13.4%	12.4%	120 BP	13.6%	10 BP	(20) BP
<b>Total Operating Segments</b>	<b>11.8%</b>	<b>70 BP</b>	<b>12.5%</b>	<b>10.0%</b>	<b>130 BP</b>	<b>11.3%</b>	<b>180 BP</b>	<b>120 BP</b>
<b>Income (loss):</b>								
Industrial Process	27.5	(0.2)	27.3	13.9	4.0	17.9	97.8%	52.5%
Motion Technologies	33.9	3.7	37.6	26.6	1.5	28.1	27.4%	33.8%
Connect & Control Technologies	19.2	1.4	20.6	18.6	1.7	20.3	3.2%	1.5%
<b>Total Segment Operating Income</b>	<b>80.6</b>	<b>4.9</b>	<b>85.5</b>	<b>59.1</b>	<b>7.2</b>	<b>66.3</b>	<b>36.4%</b>	<b>29.0%</b>

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, certain asset impairment charges, acquisition-related expenses, and other unusual or infrequent operating items.



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Full Year 2017 & 2016**  
(In Millions)

	12M 2017	12M 2017	12M 2017	12M 2016	12M 2016	12M 2016	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2017 vs. 2016	2017 vs. 2016
<b>Revenue:</b>								
Industrial Process	807.2		807.2	830.1		830.1	(2.8%)	(2.8%)
Motion Technologies	1,176.0		1,176.0	983.4		983.4	19.6%	19.6%
Connect & Control Technologies	605.6		605.6	596.3		596.3	1.6%	1.6%
Intersegment eliminations	(3.5)		(3.5)	(4.4)		(4.4)		
Total Revenue	<u>2,585.3</u>		<u>2,585.3</u>	<u>2,405.4</u>		<u>2,405.4</u>	<u>7.5%</u>	<u>7.5%</u>
<b>Operating Margin:</b>								
Industrial Process	7.4%	110 BP	8.5%	4.0%	340 BP	7.4%	340 BP	110 BP
Motion Technologies	16.2%	70 BP	16.9%	17.4%	70 BP	18.1%	(120) BP	(120) BP
Connect & Control Technologies	11.0%	220 BP	13.2%	10.9%	130 BP	12.2%	10 BP	100 BP
Total Operating Segments	<u>12.2%</u>	<u>120 BP</u>	<u>13.4%</u>	<u>11.2%</u>	<u>180 BP</u>	<u>13.0%</u>	<u>100 BP</u>	<u>40 BP</u>
<b>Income (loss):</b>								
Industrial Process	59.5	9.5	69.0	33.5	28.0	61.5	77.6%	12.2%
Motion Technologies	190.0	8.7	198.7	171.4	6.7	178.1	10.9%	11.6%
Connect & Control Technologies	66.7	13.1	79.8	65.2	7.5	72.7	2.3%	9.8%
Total Segment Operating Income	<u>316.2</u>	<u>31.3</u>	<u>347.5</u>	<u>270.1</u>	<u>42.2</u>	<u>312.3</u>	<u>17.1%</u>	<u>11.3%</u>

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, certain asset impairment charges, acquisition-related expenses, and other unusual or infrequent operating items.



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Fourth Quarter 2017 & 2016**  
(In Millions, except per share amounts)

	Q4 2017 As Reported	Non-GAAP Adjustments	Dilution	Q4 2017 As Adjusted	Q4 2016 As Reported	Non-GAAP Adjustments	Q4 2016 As Adjusted	2017 vs. 2016 As Adjusted	Percent Change 2017 vs. 2016 As Adjusted
Segment Operating Income	80.6	4.9 #A		85.5	59.1	7.2 #A	66.3		
Corporate (Expense)	(12.0)	(1.9) #B		(13.9)	(35.5)	27.2 #B	(8.3)		
Operating Income	<u>68.6</u>	<u>3.0</u>		<u>71.6</u>	<u>23.6</u>	<u>34.4</u>	<u>58.0</u>		
Interest Income (Expense)	-	(0.4) #C		(0.4)	1.3	(0.5) #C	0.8		
Other Income (Expense)	(0.2)	-		(0.2)	(0.3)	-	(0.3)		
Income from Continuing Operations before Tax	<u>68.4</u>	<u>2.6</u>		<u>71.0</u>	<u>24.6</u>	<u>33.9</u>	<u>58.5</u>		
Income Tax (Expense)	(134.3)	120.4 #D		(13.9)	(0.7)	(14.9) #D	(15.6)		
(Loss) income from Continuing Operations	<u>(65.9)</u>	<u>123.0</u>		<u>57.1</u>	<u>23.9</u>	<u>19.0</u>	<u>42.9</u>		
Less: Non Controlling Interest	0.1	-		0.1	0.3	-	0.3		
(Loss) income from Continuing Operations - ITT Inc.	<u>(66.0)</u>	<u>123.0</u>		<u>57.0</u>	<u>23.6</u>	<u>19.0</u>	<u>42.6</u>		
EPS from Continuing Operations	<u>(0.75)</u>	<u>1.38</u>	<u>0.01</u>	<u>0.64</u>	<u>0.27</u>	<u>0.21</u>	<u>0.48</u>	<u>0.16</u>	33.3%

Note: Amounts may not calculate due to rounding.

#A - 2017 includes restructuring and realignment costs (\$4.9M), acquisition related costs offset by reversal of prior years acquisition related reserves.

#A - 2016 includes restructuring and realignment costs (\$2.3M), acquisition related costs (\$1.5M) and pension settlement costs (\$3.4M).

#B - 2017 includes income of (\$16.4M) related to insurance recovery, certain costs associated primarily with sale of excess property (\$0.7M), franchise tax adjustment (\$0.7M), and asbestos related expense (\$13.1M).

#B - 2016 includes restructuring costs (\$1.3M), certain costs associated with sale of excess property (\$1.9M), pension settlement costs (\$9.3M) and asbestos related expense (\$14.7M).

#C - Interest income related to a change in uncertain tax position for both 2017 & 2016.

#D - 2017 includes various tax-related special items, including provisional U.S. transition tax expense resulting from U.S. tax law change (\$57.9M), tax expense from the U.S. tax rate reduction on deferred tax assets (\$86.0M), and a tax benefit (\$14.7M) on the remeasurement of U.S. tax on undistributed foreign earnings. In addition, special items include tax benefit on excess stock based compensation (\$1.5M), tax benefit from retroactive application of Italian patent box incentive (\$3.4M), tax benefit for other tax rate changes (\$1.3M), and the tax impact of other operating special items.

#D - 2016 includes various tax-related special items, including net tax benefit on valuation allowance changes, tax true-ups, and changes in uncertain tax positions (\$0.7M), net tax benefit of foreign earnings (\$1.3M), in addition to the tax benefit of other operating special items (\$12.2M).



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Full Year 2017 & 2016**  
(In Millions, except per share amounts)

	12M 2017 <u>As Reported</u>	Non-GAAP <u>Adjustments</u>	12M 2017 <u>As Adjusted</u>	12M 2016 <u>As Reported</u>	Non-GAAP <u>Adjustments</u>	12M 2016 <u>As Adjusted</u>	2017 vs. 2016 <u>As Adjusted</u>	Percent Change 2017 vs. 2016 <u>As Adjusted</u>
Segment Operating Income	316.2	31.3 #A	347.5	270.1	42.2 #A	312.3		
Corporate (Expense)	(6.5)	(34.1) #B	(40.6)	(11.2)	(11.7) #B	(22.9)		
Operating Income	<u>309.7</u>	<u>(2.8)</u>	<u>306.9</u>	<u>258.9</u>	<u>30.5</u>	<u>289.4</u>		
Interest Income (Expense)	0.3	(2.5) #C	(2.2)	0.8	(3.4) #C	(2.6)		
Other Income (Expense)	(0.6)	-	(0.6)	(1.3)	-	(1.3)		
Income from Continuing Operations before Tax	<u>309.4</u>	<u>(5.3)</u>	<u>304.1</u>	<u>258.4</u>	<u>27.1</u>	<u>285.5</u>		
Income Tax (Expense)	(194.6)	120.7 #D	(73.9)	(76.0)	(0.9) #D	(76.9)		
Income from Continuing Operations	<u>114.8</u>	<u>115.4</u>	<u>230.2</u>	<u>182.4</u>	<u>26.2</u>	<u>208.6</u>		
Less: Non Controlling Interest	(0.2)	-	(0.2)	0.5	-	0.5		
Income from Continuing Operations - ITT Inc.	<u>115.0</u>	<u>115.4</u>	<u>230.4</u>	<u>181.9</u>	<u>26.2</u>	<u>208.1</u>		
EPS from Continuing Operations	<u>1.29</u>	<u>1.30</u>	<u>2.59</u>	<u>2.02</u>	<u>0.30</u>	<u>2.32</u>	<u>0.27</u>	11.6%

Note: Amounts may not calculate due to rounding.

#A - 2017 includes restructuring and realignment costs (\$18.5M), legal accrual (\$5.0M), net acquisition related costs of (\$4.1M), pension settlement costs (\$3.7).

#A - 2016 includes restructuring and realignment costs (\$28.9M), acquisition related costs (\$5.8M), impairment of trade name (\$4.1M) and pension settlement costs (\$3.4M).

#B - 2017 includes income of (\$20.2M) related to environmental insurance recovery, certain costs associated primarily with sale of excess property (\$5.1M), restructuring and other acquisition related costs (\$0.2), franchise tax adjustment (\$0.7) and asbestos related income (\$19.9M).

Note: (\$19.9M) net asbestos related income includes adjustment to maintain 10 year accrual (\$56.5M) offset by re-measurement income (\$76.4M).

#B - 2016 includes restructuring costs (\$1.8M), certain costs associated primarily with sale of excess property (\$2.8M), pension settlement costs (\$9.3M); asbestos related income (\$25.6M).

Note: (\$25.6M) net asbestos related income includes adjustment to maintain 10 year accrual (\$59.0M), re-measurement income (\$81.8M) and insurance settlements (\$2.8M).

#C - Interest income related to a change in uncertain tax position for both 2017 & 2016.

#D - 2017 includes various tax-related special items, including provisional U.S. transition tax expense resulting from U.S. tax law change (\$57.9M), tax expense from the U.S. tax rate reduction on deferred tax assets (\$86.0M) and a tax benefit (\$14.7M) on the remeasurement of U.S. tax on undistributed foreign earnings. In addition, special items include tax benefit on excess stock based compensation (\$2.7M), tax benefit from retroactive application of Italian patent box incentive (\$3.4M), tax benefit for other tax rate changes (\$2.7M), tax benefit for change in uncertain tax positions (\$3.6M), and the tax impact of other operating special items.

#D - 2016 includes various tax-related special items including tax expense of foreign earnings (\$24.7M), tax benefit for changes in uncertain tax positions and tax true-ups (\$18.5M), in addition to the tax benefit of other operating special items (\$6.8M).



**ITT Inc. Non-GAAP Reconciliation**  
**Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion**  
**Full Year 2017 & 2016**

(In Millions)

	<u>12M 2017</u>	<u>12M 2016</u>
<b>Net Cash - Operating Activities</b>	<b>247.4</b>	<b>240.7</b>
Capital Expenditures	113.3	111.4
<b>Free Cash Flow</b>	<b><u>134.1</u></b>	<b><u>129.3</u></b>
Realignment Related Cash Payments	11.3	4.5
Restructuring Cash Payments	17.8	30.3
Asbestos Cash Payments, net	45.3	31.5
Discretionary Pension Contributions, net of tax	<u>22.1</u>	<u>4.9</u>
<b>Adjusted Free Cash Flow</b>	<b><u>230.6</u></b>	<b><u>200.5</u></b>
<b>Income from Continuing Operations - ITT Inc.</b>	<b>115.0</b>	<b>181.9</b>
Special Items	115.4	26.2
<b>Income from Continuing Operations - ITT Inc., Excluding Special Items</b>	<b><u>230.4</u></b>	<b><u>208.1</u></b>
<b>Adjusted Free Cash Flow Conversion</b>	<b><u>100.1%</u></b>	<b><u>96.3%</u></b>





# ITT Inc. Non-GAAP Reconciliation GAAP vs. Adjusted EPS Guidance Full Year 2018

	2018 Full-Year Guidance	
	Low	High
<b>EPS from Continuing Operations - GAAP</b>	<b>\$ 2.46</b>	<b>\$ 2.78</b>
Estimated Asbestos Related Costs, Net of Tax	0.47	0.47
	<b>\$ 2.93</b>	<b>\$ 3.25</b>
Estimated Gain on Sale of Excess Property, Net of Tax	(0.33)	(0.35)
Estimated Restructuring, Realignment and Other Costs, Net of Tax	0.22	0.22
Acquisition Related Costs, Net of Tax	0.03	0.03
<b>EPS from Continuing Operations - Adjusted</b>	<b>\$ 2.85</b>	<b>\$ 3.15</b>

