

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 2018 & 2017

(In Millions)



	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E	(G) =C-D-E	(H) = G / B
	3M 2018	3M 2017	Change 2018 vs. 2017	% Change 2018 vs. 2017	Acquisition / Divestitures 3M 2018	FX Impact 3M 2018	Revenue / Orders 3M 2018	Change Adj. 2018 vs. 2017	% Change Adj. 2018 vs. 2017
Revenue									
ITT Inc.	678.4	683.6	(5.2)	(0.8%)	-	(14.7)	693.1	9.5	1.4%
Motion Technologies	291.3	298.5	(7.2)	(2.4%)	-	(9.4)	300.7	2.2	0.7%
Industrial Process	229.1	232.6	(3.5)	(1.5%)	-	(4.5)	233.6	1.0	0.4%
Connect & Control Technologies	158.6	153.3	5.3	3.5%	-	(0.8)	159.4	6.1	4.0%
Orders									
ITT Inc.	666.8	663.9	2.9	0.4%	-	(13.3)	680.1	16.2	2.4%
Motion Technologies	283.9	298.9	(15.0)	(5.0%)	-	(8.7)	292.6	(6.3)	(2.1%)
Industrial Process	212.9	194.3	18.6	9.6%	-	(3.9)	216.8	22.5	11.6%
Connect & Control Technologies	170.5	171.4	(0.9)	(0.5%)	-	(0.7)	171.2	(0.2)	(0.1%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs. Organic Revenue / Order Growth
Full Year 2018 & 2017
(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 2018	12M 2017	Change 2018 vs. 2017	% Change 2018 vs. 2017	Acquisition / Divestitures 12M 2018	FX Impact 12M 2018	Revenue / Orders 12M 2018	Change Adj. 2018 vs. 2017	% Change Adj. 2018 vs. 2017	
Revenue										
ITT Inc.	2,745.1	2,585.3	159.8	6.2%	5.5	45.7	2,693.9	108.6	4.2%	
Motion Technologies	1,274.1	1,176.0	98.1	8.3%	5.5	42.7	1,225.9	49.9	4.2%	
Industrial Process	827.1	807.2	19.9	2.5%	-	(2.0)	829.1	21.9	2.7%	
Connect & Control Technologies	646.6	605.6	41.0	6.8%	-	5.1	641.5	35.9	5.9%	
Orders										
ITT Inc.	2,891.9	2,619.4	272.5	10.4%	17.7	48.7	2,825.5	206.1	7.9%	
Motion Technologies	1,295.6	1,198.8	96.8	8.1%	17.7	44.9	1,233.0	34.2	2.9%	
Industrial Process	902.1	799.8	102.3	12.8%	-	(1.5)	903.6	103.8	13.0%	
Connect & Control Technologies	696.3	624.1	72.2	11.6%	-	5.3	691.0	66.9	10.7%	

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Fourth Quarter 2018 & 2017
(In Millions)



	3M 2018	3M 2018	3M 2018	3M 2017*	3M 2017	3M 2017	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2018 vs. 2017	2018 vs. 2017
Revenue:								
Motion Technologies	291.3		291.3	298.5		298.5	(2.4%)	(2.4%)
Industrial Process	229.1		229.1	232.6		232.6	(1.5%)	(1.5%)
Connect & Control Technologies	158.6		158.6	153.3		153.3	3.5%	3.5%
Intersegment eliminations	(0.6)		(0.6)	(0.8)		(0.8)		
Total Revenue	678.4		678.4	683.6		683.6	(0.8%)	(0.8%)
Operating Margin:								
Motion Technologies	16.3%	(180) BP	14.5%	11.4%	120 BP	12.6%	490 BP	190 BP
Industrial Process	12.0%	- BP	12.0%	12.1%	(10) BP	12.0%	(10) BP	- BP
Connect & Control Technologies	12.7%	370 BP	16.4%	12.7%	90 BP	13.6%	- BP	280 BP
Total Operating Segments	14.0%	10 BP	14.1%	11.9%	80 BP	12.7%	210 BP	140 BP
Income (loss):								
Motion Technologies	47.5	(5.4)	42.1	33.9	3.7	37.6	40.1%	12.0%
Industrial Process	27.4	0.1	27.5	28.1	(0.1)	28.0	(2.5%)	(1.8%)
Connect & Control Technologies	20.2	5.8	26.0	19.5	1.4	20.9	3.6%	24.4%
Total Segment Operating Income	95.1	0.5	95.6	81.5	5.0	86.5	16.7%	10.5%

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 including certain legal matters.

*2017 As Reported Operating Income was adjusted to reflect the adoption of ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans.

The 2017 adjustments to Segment Operating Income in the 2017 As Reported column were as follows:

Motion Technologies	0.0
Industrial Process	0.6
Connect & Control Technologies	0.3
Total Segment Operating Income	0.9

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Full Years 2018 & 2017
(In Millions)



	12M 2018	12M 2018	12M 2018	12M 2017*	12M 2017	12M 2017	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2018 vs. 2017	2018 vs. 2017
Revenue:								
Motion Technologies	1,274.1		1,274.1	1,176.0		1,176.0	8.3%	8.3%
Industrial Process	827.1		827.1	807.2		807.2	2.5%	2.5%
Connect & Control Technologies	646.6		646.6	605.6		605.6	6.8%	6.8%
Intersegment eliminations	(2.7)		(2.7)	(3.5)		(3.5)		
Total Revenue	2,745.1		2,745.1	2,585.3		2,585.3	6.2%	6.2%
Operating Margin:								
Motion Technologies	17.5%	(30) BP	17.2%	16.2%	70 BP	16.9%	130 BP	30 BP
Industrial Process	11.1%	- BP	11.1%	8.2%	70 BP	8.9%	290 BP	220 BP
Connect & Control Technologies	14.9%	110 BP	16.0%	11.3%	220 BP	13.5%	360 BP	250 BP
Total Operating Segments	15.0%	10 BP	15.1%	12.5%	110 BP	13.6%	250 BP	150 BP
Income (loss):								
Motion Technologies	223.4	(4.3)	219.1	190.2	8.7	198.9	17.5%	10.2%
Industrial Process	91.4	0.1	91.5	65.8	5.9	71.7	38.9%	27.6%
Connect & Control Technologies	96.5	7.1	103.6	68.4	13.1	81.5	41.1%	27.1%
Total Segment Operating Income	411.3	2.9	414.2	324.4	27.7	352.1	26.8%	17.6%

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 including certain legal matters.

*2017 As Reported Operating Income was adjusted to reflect the adoption of ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans.

The 2017 adjustments to Segment Operating Income in the 2017 As Reported column were as follows:

Motion Technologies	0.2
Industrial Process	6.3
Connect & Control Technologies	1.7
Total Segment Operating Income	8.2

ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Fourth Quarter 2018 & 2017



(In Millions, except per share amounts)

	Q4 2018 As Reported	Non-GAAP Adjustments	Q4 2018 As Adjusted	Q4 2017 As Previously Reported	ASU 2017-07 Adjustments (1)	Non-GAAP Adjustments	Dilution	Q4 2017 As Adjusted	2018 vs. 2017 As Adjusted	Percent Change 2018 vs. 2017 As Adjusted
Segment Operating Income	95.1	0.5 #A	95.6	80.6	0.9	5.0 #A		86.5		
Corporate (Expense)	(26.5)	16.0 #B	(10.5)	(12.0)	0.6	(1.9) #B		(13.3)		
Operating Income	<u>68.6</u>	<u>16.5</u>	<u>85.1</u>	<u>68.6</u>	<u>1.5</u>	<u>3.1</u>		<u>73.2</u>		
Interest Income (Expense)	(0.8)	1.9 #C	1.1	-	-	(0.4) #C		(0.4)		
Other Income (Expense)	(1.5)	0.3 #D	(1.2)	(0.2)	(1.5)	(0.1) #D		(1.8)		
Income from Continuing Operations before Tax	<u>66.3</u>	<u>18.7</u>	<u>85.0</u>	<u>68.4</u>	<u>-</u>	<u>2.6</u>		<u>71.0</u>		
Income Tax (Expense)	(15.3)	3.7 #E	(11.6)	(134.3)	-	120.4 #E		(13.9)		
Income from Continuing Operations	<u>51.0</u>	<u>22.4</u>	<u>73.4</u>	<u>(65.9)</u>	<u>-</u>	<u>123.0</u>		<u>57.1</u>		
Less: Non Controlling Interest	0.4	-	0.4	0.1				0.1		
Income from Continuing Operations - ITT Inc.	<u>50.6</u>	<u>22.4</u>	<u>73.0</u>	<u>(66.0)</u>	<u>-</u>	<u>123.0</u>		<u>57.0</u>		
EPS from Continuing Operations	<u>0.57</u>	<u>0.25</u>	<u>0.82</u>	<u>(0.75)</u>	<u>-</u>	<u>1.38</u>	<u>0.01</u>	<u>0.64</u>	<u>0.18</u>	28.1%

Note: Amounts may not calculate due to rounding.

#A - 2018 includes restructuring costs (\$1.5M), acquisition related costs (\$0.2M) and a legal accrual (\$5.0M) offset by income (\$6.2M) related to the settlement of a patent infringement case.

#A - 2017 includes restructuring and realignment costs (\$4.9M), other costs (\$0.1M), and acquisition related costs offset by reversal of prior years acquisition related reserves.

#B - 2018 includes restructuring and realignment costs (\$1.1M), asbestos related expense (\$15.4M) and other income primarily from the sale of excess property (\$0.5M).

Note: (\$15.4M) net asbestos related expense includes favorable settlement agreements (\$1.9M) offset by remeasurement cost adjustment (\$2.8M), and asbestos related expense to maintain 10 year accrual (\$14.5M).

#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).

#C - 2018 Interest expense related to a change in uncertain tax position and prior year tax audit refund.

#C - 2017 Interest income related to a change in uncertain tax position.

#D - Other income includes net pension settlement costs in 2018 and other costs in 2017 both related to the Industrial Process segment.

#E - 2018 includes various tax-related special items including tax expense for valuation allowance change (\$1.4M), tax benefit for tax law changes (\$0.2M), tax benefit on current and future distribution of foreign earnings (\$3.0M), tax benefit for return to accrual adjustments (\$0.3M), tax expense for tax rate change (\$2.0M), tax expense for audit settlements (\$2.3M), tax expense for GILTI tax expense allocation (\$1.7M) and the tax impact of other operating special items.

#E - 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.

(1) The adjustments in December 2017 reflect the adoption of ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Full Year 2018 & 2017



(In Millions, except per share amounts)

	12M 2018 As Reported	Non-GAAP Adjustments	12M 2018 As Adjusted	12M 2017 As Previously Reported	ASU 2017-07 Adjustments (1)	Non-GAAP Adjustments	12M 2017 As Adjusted	2018 vs. 2017 As Adjusted	Percent Change 2018 vs. 2017 As Adjusted
Segment Operating Income	411.3	2.9 #A	414.2	316.2	8.2	27.7 #A	352.1		
Corporate (Expense)	(14.0)	(32.9) #B	(46.9)	(6.5)	1.4	(34.1) #B	(39.2)		
Operating Income	<u>397.3</u>	<u>(30.0)</u>	<u>367.3</u>	<u>309.7</u>	<u>9.6</u>	<u>(6.4)</u>	<u>312.9</u>		
Interest Income (Expense)	(0.4)	0.7 #C	0.3	0.3	-	(2.5) #C	(2.2)		
Other Income (Expense)	(5.9)	1.7 #D	(4.2)	(0.6)	(9.6)	3.6 #D	(6.6)		
Income from Continuing Operations before Tax	<u>391.0</u>	<u>(27.6)</u>	<u>363.4</u>	<u>309.4</u>	<u>-</u>	<u>(5.3)</u>	<u>304.1</u>		
Income Tax (Expense)	(57.7)	(17.9) #E	(75.6)	(194.6)	-	120.7 #E	(73.9)		
Income from Continuing Operations	<u>333.3</u>	<u>(45.5)</u>	<u>287.8</u>	<u>114.8</u>	<u>-</u>	<u>115.4</u>	<u>230.2</u>		
Less: Non Controlling Interest	0.9	-	0.9	(0.2)	-	-	(0.2)		
Income from Continuing Operations - ITT Inc.	<u>332.4</u>	<u>(45.5)</u>	<u>286.9</u>	<u>115.0</u>	<u>-</u>	<u>115.4</u>	<u>230.4</u>		
EPS from Continuing Operations	<u>3.75</u>	<u>(0.52)</u>	<u>3.23</u>	<u>1.29</u>	<u>-</u>	<u>1.30</u>	<u>2.59</u>	<u>0.64</u>	24.7%

Note: Amounts may not calculate due to rounding.

#A - 2018 includes restructuring costs (\$4.5M), legal accrual (\$5.0M) offset by income (\$6.2M) related to the settlement of a patent infringement case, and acquisition related income (\$0.4M).

#A - 2017 includes restructuring and realignment costs (\$18.5M), legal accrual (\$5.0M), net acquisition related costs (\$4.1M), and other costs (\$0.1M).

#B - 2018 includes restructuring and realignment costs (\$1.1M), income from a legacy environmental settlement (\$0.4M), certain income from the sale of excess property (\$38.5M) and asbestos related expense (\$4.9M);

Note: (\$4.9M) net asbestos related expense includes favorable settlement agreements (\$58.9M) offset by remeasurement cost (\$10.0M), and asbestos related expense to maintain 10 year accrual (\$53.8M).

#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).

#C - 2018 Interest expense related to a change in uncertain tax position and prior year tax audit refund.

#C - 2017 Interest income related to a change in uncertain tax position.

#D - Other income includes net pension settlement costs in 2018 and net pension curtailment and other costs in 2017 both related to the Industrial Process segment.

#E - 2018 includes various tax-related special items including a tax benefit for current and future distribution of foreign earnings (\$2.6M), tax benefit for valuation allowance change (\$23.7M), tax expense for tax rate change (\$2.0M), tax benefit for tax law changes (\$2.6M), tax benefit for return to accrual adjustment (\$1.1M), tax benefit for change in uncertain tax positions (\$4.0M), tax expense for audit settlement (\$1.4M), tax expense for GILTI tax expense allocation (\$1.7M) and the tax impact of other operating special items.

#E - 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.

(1) The adjustments in December 2017 reflect the adoption of ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans.

ITT Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion
Full Year 2018 & 2017
(In Millions)



	<u>12M 2018</u>	<u>12M 2017</u>
Net Cash - Operating Activities *	371.8	247.2
Capital expenditures	95.5	113.3
Free Cash Flow	<u>276.3</u>	<u>133.9</u>
Insurance settlement agreement, net	(16.9)	-
Asbestos cash payments, net	40.8	45.3
Restructuring cash payments	8.2	17.8
Realignment-related cash payments	0.5	11.3
Discretionary Pension Contributions, net of tax	-	22.1
Adjusted Free Cash Flow	<u>308.9</u>	<u>230.4</u>
Income from Continuing Operations - ITT Inc.	332.4	115.0
Special Items, net of tax	(45.5)	115.4
Income from Continuing Operations - ITT Inc., Excluding Special Items	<u>286.9</u>	<u>230.4</u>
Adjusted Free Cash Flow Conversion	<u>107.7%</u>	<u>100.0%</u>

* 2017 revised to reflect the new standard ASU 2016-18 regarding presentation of the changes in restricted cash.

ITT Inc. Non-GAAP Reconciliation GAAP vs. Adjusted EPS Guidance Full Year 2019

	2019 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 2.69	\$ 3.05
Estimated Asbestos Related Costs, Net of Tax	0.47	0.39
	\$ 3.16	\$ 3.44
 Estimated Restructuring, Realignment and Other Costs, Net of Tax	 0.26	 0.22
 EPS from Continuing Operations - Adjusted	\$ 3.42	\$ 3.66