

Key Performance Indicators and 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. Some of 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 revenue 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 and **Adjusted Segment Operating Income** are defined as total operating income and segment operating income, adjusted to exclude special items that include, but are not limited to, asbestos-related impacts, restructuring, realignment, certain acquisition-related impacts, and unusual or infrequent operating items. Special items represent significant charges or credits that impact current results, which management views as unrelated to the Company's ongoing operations and performance. **Adjusted Operating Margin**, **Adjusted Segment Operating Margin**, and **Adjusted Segment Operating Margin Guidance** are defined as adjusted operating income or adjusted segment operating income divided by revenue. We believe these financial measures are 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 impacts, restructuring, realignment, pension settlement and curtailment impacts, certain acquisition-related impacts, income tax settlements or adjustments, and unusual or infrequent 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 adjusted free cash flow may not be available for discretionary purposes. Adjusted free cash flow conversion is defined as adjusted free cash flow divided by adjusted income from continuing operations. We believe that adjusted free cash flow and adjusted free cash flow conversion provide 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.

Working Capital is defined as the sum of net receivables, net inventory and current contract assets less accounts payable and current contract liabilities. We believe that working capital provides useful information to investors as it provides insight into both a company's operational efficiency and its short-term financial health.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Organic Revenue / Order Growth
Fourth Quarter 2019 & 2018
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E	(G) = C-D-E	(H) = G / B
			\$ Change	% Change	Acquisition /	FX Impact	Revenue /	\$ Change	% Change
	Q4 2019	Q4 2018	2019 vs.	2019 vs.	Divestitures		Orders	Adj. 2019	Adj. 2019
			2018	2018	Q4 2019	Q4 2019	Q4 2019	vs. 2018	vs. 2018
Revenue									
ITT Inc.	\$ 719.1	\$ 678.4	\$ 40.7	6.0%	\$ 24.0	\$ (9.6)	\$ 704.7	\$ 26.3	3.9%
Motion Technologies	304.4	291.3	13.1	4.5%	-	(7.0)	311.4	20.1	6.9%
Industrial Process	255.2	229.1	26.1	11.4%	18.6	(2.1)	238.7	9.6	4.2%
Connect & Control Technologies	160.8	158.6	2.2	1.4%	5.4	(0.5)	155.9	(2.7)	(1.7%)
Orders									
ITT Inc.	\$ 679.4	\$ 666.8	\$ 12.6	1.9%	\$ 20.6	\$ (9.9)	\$ 668.7	\$ 1.9	0.3%
Motion Technologies	298.2	283.9	14.3	5.0%	-	(6.9)	305.1	21.2	7.5%
Industrial Process	220.2	212.9	7.3	3.4%	14.9	(2.6)	207.9	(5.0)	(2.3%)
Connect & Control Technologies	161.5	170.5	(9.0)	(5.3%)	5.7	(0.4)	156.2	(14.3)	(8.4%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Fourth Quarter 2019 & 2018

(In Millions)

	Q4 2019 As Reported	Q4 2019 Special Items	Q4 2019 As Adjusted	Q4 2018 As Reported	Q4 2018 Special Items	Q4 2018 As Adjusted	% Change As Reported 2019 vs. 2018	% Change As Adjusted 2019 vs. 2018
Revenue:								
Motion Technologies	\$ 304.4		\$ 304.4	\$ 291.3		\$ 291.3	4.5%	4.5%
Industrial Process	255.2		255.2	229.1		229.1	11.4%	11.4%
Connect & Control Technologies	160.8		160.8	158.6		158.6	1.4%	1.4%
Intersegment eliminations	(1.3)		(1.3)	(0.6)		(0.6)		
Total Revenue	<u>\$ 719.1</u>		<u>\$ 719.1</u>	<u>\$ 678.4</u>		<u>\$ 678.4</u>	<u>6.0%</u>	<u>6.0%</u>
Operating Margin:								
Motion Technologies	15.3%	10 BP	15.4%	16.3%	(180) BP	14.5%	(100) BP	90 BP
Industrial Process	13.5%	70 BP	14.2%	12.0%	- BP	12.0%	150 BP	220 BP
Connect & Control Technologies	16.2%	90 BP	17.1%	12.7%	370 BP	16.4%	350 BP	70 BP
Total Operating Segments	<u>14.9%</u>	<u>50 BP</u>	<u>15.4%</u>	<u>14.0%</u>	<u>10 BP</u>	<u>14.1%</u>	<u>90 BP</u>	<u>130 BP</u>
Income (loss):								
Motion Technologies	\$ 46.5	\$ 0.5	\$ 47.0	\$ 47.5	\$ (5.4)	\$ 42.1	(2.1%)	11.6%
Industrial Process	34.5	1.8	36.3	27.4	0.1	27.5	25.9%	32.0%
Connect & Control Technologies	26.1	1.4	27.5	20.2	5.8	26.0	29.2%	5.8%
Total Segment Operating Income	<u>\$ 107.1</u>	<u>\$ 3.7</u>	<u>\$ 110.8</u>	<u>\$ 95.1</u>	<u>\$ 0.5</u>	<u>\$ 95.6</u>	<u>12.6%</u>	<u>15.9%</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 items including certain legal matters.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Fourth Quarter 2019 & 2018

(In Millions, except per share amounts)

	Q4 2019 As Reported	Non-GAAP Adjustments	Q4 2019 As Adjusted	Q4 2018 As Reported	Non-GAAP Adjustments	Q4 2018 As Adjusted	2019 vs. 2018 As Adjusted (\$)	2019 vs. 2018 As Adjusted (%)
Segment Operating Income	\$ 107.1	\$ 3.7	#A \$ 110.8	\$ 95.1	\$ 0.5	#A \$ 95.6		
Corporate (Expense)	(24.8)	16.3	#B (8.5)	(26.5)	16.0	#B (10.5)		
Operating Income	<u>82.3</u>	<u>20.0</u>	<u>102.3</u>	<u>68.6</u>	<u>16.5</u>	<u>85.1</u>		
Interest Income (Expense)	1.0	-	1.0	(0.8)	1.9	#C 1.1		
Other Income (Expense)	0.7	-	0.7	(1.5)	0.3	#D (1.2)		
Income from Continuing Operations before Tax	<u>84.0</u>	<u>20.0</u>	<u>104.0</u>	<u>66.3</u>	<u>18.7</u>	<u>85.0</u>		
Income Tax (Expense)	(16.8)	0.9	#E (15.9)	(15.3)	3.7	#E (11.6)		
Income from Continuing Operations	<u>67.2</u>	<u>20.9</u>	<u>88.1</u>	<u>51.0</u>	<u>22.4</u>	<u>73.4</u>		
Less: Non Controlling Interest	0.7	-	0.7	0.4	-	0.4		
Income from Continuing Operations - ITT Inc.	<u>\$ 66.5</u>	<u>\$ 20.9</u>	<u>\$ 87.4</u>	<u>\$ 50.6</u>	<u>\$ 22.4</u>	<u>\$ 73.0</u>		
EPS from Continuing Operations	<u>\$ 0.75</u>	<u>\$ 0.24</u>	<u>\$ 0.99</u>	<u>\$ 0.57</u>	<u>\$ 0.25</u>	<u>\$ 0.82</u>	<u>\$ 0.17</u>	<u>20.7%</u>

Note: Amounts may not calculate due to rounding.

#A - 2019 includes restructuring costs (\$1.8M), acquisition related costs (\$1.7M) and other legal costs (\$0.2M).

#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.

#B - 2019 includes realignment and other costs (\$4.7M), and asbestos related expense (\$11.6M).

#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).

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

#D - 2018 Other income includes net pension settlement costs related to the Industrial Process segment.

#E - 2019 includes various tax-related special items including tax expense for valuation allowance change (\$6.0M), tax expense on future distribution of foreign earnings (\$2.2M), tax benefit for return to accrual adjustment (\$4.5M), and the tax impact of other operating special items.

#E - 2018 includes various tax-related special items including tax expense for valuation allowance change (\$1.4M), tax benefit on future distribution of foreign earnings (\$3.0M), tax expense for audit settlements (\$2.3M), and the tax impact of other operating special items.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Organic Revenue / Order Growth
Full Year 2019 & 2018
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E	(G) = C-D-E	(H) = G / B	
			\$ Change	% Change	Acquisition /	FX Impact	Revenue /	\$ Change	% Change	
	FY 2019	FY 2018	2019 vs.	2019 vs.	Divestitures		Orders	Adj. 2019	Adj. 2019	
			2018	2018	FY 2019	FY 2019	FY 2019	vs. 2018	vs. 2018	
Revenue										
ITT Inc.	\$2,846.4	\$2,745.1	\$ 101.3	3.7%	\$ 54.5	\$ (76.4)	\$ 2,868.3	\$ 123.2	4.5%	
Motion Technologies	1,241.8	1,274.1	(32.3)	(2.5%)	-	(57.4)	1,299.2	25.1	2.0%	
Industrial Process	943.8	827.1	116.7	14.1%	44.9	(13.5)	912.4	85.3	10.3%	
Connect & Control Technologies	663.9	646.6	17.3	2.7%	9.6	(5.6)	659.9	13.3	2.1%	
Orders										
ITT Inc.	\$2,813.2	\$2,891.9	\$ (78.7)	(2.7%)	\$ 53.6	\$ (81.9)	\$ 2,841.5	\$ (50.4)	(1.7%)	
Motion Technologies	1,250.6	1,295.6	(45.0)	(3.5%)	-	(60.6)	1,311.2	15.6	1.2%	
Industrial Process	886.8	902.1	(15.3)	(1.7%)	42.6	(15.3)	859.5	(42.6)	(4.7%)	
Connect & Control Technologies	678.9	696.3	(17.4)	(2.5%)	11.0	(6.0)	673.9	(22.4)	(3.2%)	

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Full Year 2019 & 2018
(In Millions)

	FY 2019 As Reported	FY 2019 Special Items	FY 2019 As Adjusted	FY 2018 As Reported	FY 2018 Special Items	FY 2018 As Adjusted	% Change As Reported 2019 vs. 2018	% Change As Adjusted 2019 vs. 2018
Revenue:								
Motion Technologies	\$ 1,241.8		\$ 1,241.8	\$ 1,274.1		\$ 1,274.1	(2.5%)	(2.5%)
Industrial Process	943.8		943.8	827.1		827.1	14.1%	14.1%
Connect & Control Technologies	663.9		663.9	646.6		646.6	2.7%	2.7%
Intersegment eliminations	(3.1)		(3.1)	(2.7)		(2.7)		
Total Revenue	<u>\$ 2,846.4</u>		<u>\$ 2,846.4</u>	<u>\$ 2,745.1</u>		<u>\$ 2,745.1</u>	<u>3.7%</u>	<u>3.7%</u>
Operating Margin:								
Motion Technologies	17.4%	50 BP	17.9%	17.5%	(30) BP	17.2%	(10) BP	70 BP
Industrial Process	11.1%	160 BP	12.7%	11.1%	- BP	11.1%	- BP	160 BP
Connect & Control Technologies	16.8%	50 BP	17.3%	14.9%	110 BP	16.0%	190 BP	130 BP
Total Operating Segments	<u>15.2%</u>	<u>80 BP</u>	<u>16.0%</u>	<u>15.0%</u>	<u>10 BP</u>	<u>15.1%</u>	<u>20 BP</u>	<u>90 BP</u>
Income (loss):								
Motion Technologies	\$ 216.1	\$ 6.2	\$ 222.3	\$ 223.4	\$ (4.3)	\$ 219.1	(3.3%)	1.5%
Industrial Process	104.7	14.7	119.4	91.4	0.1	91.5	14.6%	30.5%
Connect & Control Technologies	111.5	3.5	115.0	96.5	7.1	103.6	15.5%	11.0%
Total Segment Operating Income	<u>\$ 432.3</u>	<u>\$ 24.4</u>	<u>\$ 456.7</u>	<u>\$ 411.3</u>	<u>\$ 2.9</u>	<u>\$ 414.2</u>	<u>5.1%</u>	<u>10.3%</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 items including certain legal matters.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Full Year 2019 & 2018

(In Millions, except per share amounts)

	FY 2019 As Reported	Non-GAAP Adjustments	FY 2019 As Adjusted	FY 2018 As Reported	Non-GAAP Adjustments	FY 2018 As Adjusted	2019 vs. 2018 As Adjusted (\$)	2019 vs. 2018 As Adjusted (%)
Segment Operating Income	\$ 432.3	\$ 24.4 #A	\$ 456.7	\$ 411.3	\$ 2.9 #A	\$ 414.2		
Corporate (Expense)	(20.9)	(14.9) #B	(35.8)	(14.0)	(32.9) #B	(46.9)		
Operating Income	<u>411.4</u>	<u>9.5</u>	<u>420.9</u>	<u>397.3</u>	<u>(30.0)</u>	<u>367.3</u>		
Interest Income (Expense)	4.1	-	4.1	(0.4)	0.7 #C	0.3		
Other Income (Expense)	(1.1)	-	(1.1)	(5.9)	1.7 #D	(4.2)		
Income from Continuing Operations before Tax	<u>414.4</u>	<u>9.5</u>	<u>423.9</u>	<u>391.0</u>	<u>(27.6)</u>	<u>363.4</u>		
Income Tax (Expense)	(89.9)	4.4 #E	(85.5)	(57.7)	(17.9) #E	(75.6)		
Income from Continuing Operations	<u>324.5</u>	<u>13.9</u>	<u>338.4</u>	<u>333.3</u>	<u>(45.5)</u>	<u>287.8</u>		
Less: Non Controlling Interest	1.1	-	1.1	0.9	-	0.9		
Income from Continuing Operations - ITT Inc.	<u>\$ 323.4</u>	<u>\$ 13.9</u>	<u>\$ 337.3</u>	<u>\$ 332.4</u>	<u>\$ (45.5)</u>	<u>\$ 286.9</u>		
EPS from Continuing Operations	<u>\$ 3.65</u>	<u>\$ 0.16</u>	<u>\$ 3.81</u>	<u>\$ 3.75</u>	<u>\$ (0.52)</u>	<u>\$ 3.23</u>	<u>\$ 0.58</u>	<u>18.0%</u>

Note: Amounts may not calculate due to rounding.

#A - 2019 includes restructuring and realignment costs (\$13.1M), acquisition related costs (\$8.7M), legal accrual (\$1.6M) and other costs (\$1.0M).

#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).

#B - 2019 includes restructuring and realignment and other net costs (\$5.3M) and asbestos related benefit (\$20.2M).

Note: (\$20.2M) net asbestos related benefit includes remeasurement income (\$68.1M), offset by asbestos related expense to maintain 10 year accrual (\$47.9M).

#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).

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

#D - 2018 other income includes net pension settlement costs related to the Industrial Process segment.

#E - 2019 includes various tax-related special items including tax expense for valuation allowance change (\$4.7M), tax expense on future distribution of foreign earnings (\$7.3M), tax benefit for return to accrual adjustment (\$5.0M), and the tax impact of other operating special items.

#E - 2018 includes various tax-related special items including a tax benefit on future distribution of foreign earnings (\$4.5M), tax benefit for valuation allowance change (\$23.7M), tax benefit for change in uncertain tax positions (\$4.0M), and the tax impact of other operating special items.

ITT Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion
Full Year 2019 & 2018

(In Millions)

	<u>FY 2019</u>	<u>FY 2018</u>
Net Cash - Operating Activities	\$ 357.7	\$ 371.8
Capital expenditures	91.4	95.5
Free Cash Flow	<u>266.3</u>	<u>276.3</u>
Legal settlements, net	6.4	-
Insurance settlement agreement, net	-	(16.9)
Asbestos cash payments, net	21.6	40.8
Restructuring cash payments	11.7	8.2
Acquisition / Realignment-related cash payments	5.9	0.5
Discretionary Pension Contributions, net of tax	6.9	-
Adjusted Free Cash Flow	<u>318.8</u>	<u>308.9</u>
Income from Continuing Operations - ITT Inc.	323.4	332.4
Special Items, net of tax	13.9	(45.5)
Income from Continuing Operations - ITT Inc., Excluding Special Items	<u>\$ 337.3</u>	<u>\$ 286.9</u>
Adjusted Free Cash Flow Conversion	<u>94.5%</u>	<u>107.7%</u>

ITT Inc. Non-GAAP Reconciliation GAAP vs. Adjusted EPS Guidance Full Year 2020

	2020 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 1.66	\$ 2.27
Estimated Asbestos Related Costs including Settlement, Net of Tax	0.21	0.06
	\$ 1.87	\$ 2.33
Pension Settlement, Net of Tax ^(a)	1.58	1.46
Estimated Restructuring and Realignment Costs, Net of Tax	0.27	0.23
EPS from Continuing Operations - Adjusted	\$ 3.72	\$ 4.02

(a) Represents a settlement charge in conjunction with an anticipated transfer of our US qualified pension plan to an insurance company.