

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. 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, Adjusted Segment Operating Income, Adjusted Operating Margin, 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 asset impairment charges, certain acquisitions-related expenses, and unusual or infrequent 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 operating margin and adjusted segment operating margin are defined as adjusted operating income or adjusted segment operating income divided by revenue. We believe that adjusted operating income and adjusted segment operating income 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 costs, restructuring costs, realignment costs, certain asset impairment charges, certain acquisition-related expenses, income tax settlements or adjustments, and other 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. 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 expenses, the entire free adjusted cash flow may not be available for discretionary purposes. "Trailing 12 months (TTM) Adjusted free cash flow conversion" is defined as adjusted free cash flow from the trailing 12 months divided by the adjusted income from continuing operations from the trailing 12 months. We believe that adjusted free cash flow and TTM adjusted free cash flow conversion provide useful information to investors as it provides insight into the cash flow metric used by management to monitor and evaluate cash flows generated by our operations. 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.

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 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
Third 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
	3M 2019	3M 2018	2019 vs.	2019 vs.	Divestitures		Orders	Adj. 2019	Adj. 2019
			2018	2018	3M 2019	3M 2019	3M 2019	vs. 2018	vs. 2018
Revenue									
ITT Inc.	\$ 711.9	\$ 680.6	\$ 31.3	4.6%	\$ 22.6	\$ (15.6)	\$ 704.9	\$ 24.3	3.6%
Motion Technologies	304.5	310.3	(5.8)	(1.9%)	-	(11.2)	315.7	5.4	1.7%
Industrial Process	240.3	205.0	35.3	17.2%	18.4	(3.4)	225.3	20.3	9.9%
Connect & Control Technologies	167.9	166.0	1.9	1.1%	4.2	(1.0)	164.7	(1.3)	(0.8%)
Orders									
ITT Inc.	\$ 702.1	\$ 722.1	\$ (20.0)	(2.8%)	\$ 22.8	\$ (16.0)	\$ 695.3	\$ (26.8)	(3.7%)
Motion Technologies	309.0	314.2	(5.2)	(1.7%)	-	(11.6)	320.6	6.4	2.0%
Industrial Process	235.0	241.7	(6.7)	(2.8%)	17.5	(3.5)	221.0	(20.7)	(8.6%)
Connect & Control Technologies	158.8	166.8	(8.0)	(4.8%)	5.3	(0.9)	154.4	(12.4)	(7.4%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

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

	3M 2019 As Reported	3M 2019 Special Items	3M 2019 As Adjusted	3M 2018 As Reported	3M 2018 Special Items	3M 2018 As Adjusted	% Change As Reported 2019 vs. 2018	% Change As Adjusted 2019 vs. 2018
Revenue:								
Motion Technologies	\$ 304.5		\$ 304.5	\$ 310.3		\$ 310.3	(1.9%)	(1.9%)
Industrial Process	240.3		240.3	205.0		205.0	17.2%	17.2%
Connect & Control Technologies	167.9		167.9	166.0		166.0	1.1%	1.1%
Intersegment eliminations	(0.8)		(0.8)	(0.7)		(0.7)		
Total Revenue	<u>\$ 711.9</u>		<u>\$ 711.9</u>	<u>\$ 680.6</u>		<u>\$ 680.6</u>	<u>4.6%</u>	<u>4.6%</u>
Operating Margin:								
Motion Technologies	18.6%	20 BP	18.8%	18.9%	(60) BP	18.3%	(30) BP	50 BP
Industrial Process	9.2%	370 BP	12.9%	11.6%	- BP	11.6%	(240) BP	130 BP
Connect & Control Technologies	16.9%	70 BP	17.6%	15.7%	30 BP	16.0%	120 BP	160 BP
Total Operating Segments	<u>15.0%</u>	<u>160 BP</u>	<u>16.6%</u>	<u>15.9%</u>	<u>(20) BP</u>	<u>15.7%</u>	<u>(90) BP</u>	<u>90 BP</u>
Income (loss):								
Motion Technologies	\$ 56.7	\$ 0.6	\$ 57.3	\$ 58.5	\$ (1.7)	\$ 56.8	(3.1%)	0.9%
Industrial Process	22.0	9.1	31.1	23.7	-	23.7	(7.2%)	31.2%
Connect & Control Technologies	28.4	1.1	29.5	26.0	0.5	26.5	9.2%	11.3%
Total Segment Operating Income	<u>\$ 107.1</u>	<u>\$ 10.8</u>	<u>\$ 117.9</u>	<u>\$ 108.2</u>	<u>\$ (1.2)</u>	<u>\$ 107.0</u>	<u>(1.0%)</u>	<u>10.2%</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
Third Quarter 2019 & 2018

(In Millions, except per share amounts)

	Q3 2019 As Reported	Non-GAAP Adjustments	Q3 2019 As Adjusted	Q3 2018 As Reported	Non-GAAP Adjustments	Q3 2018 As Adjusted	2019 vs. 2018 As Adjusted (\$)	2019 vs. 2018 As Adjusted (%)
Segment Operating Income	\$ 107.1	\$ 10.8 #A	\$ 117.9	\$ 108.2	\$ (1.2) #A	\$ 107.0		
Corporate (Expense)	45.4	(55.4) #B	(10.0)	29.6	(42.2) #B	(12.6)		
Operating Income	152.5	(44.6)	107.9	137.8	(43.4)	94.4		
Interest Income (Expense)	0.9	-	0.9	1.3	(1.1) #C	0.2		
Other Income (Expense)	(0.5)	-	(0.5)	(2.0)	1.4 #D	(0.6)		
Income from Continuing Operations before Tax	152.9	(44.6)	108.3	137.1	(43.1)	94.0		
Income Tax (Expense)	(34.1)	12.1 #E	(22.0)	(25.9)	4.8 #E	(21.1)		
Income from Continuing Operations	118.8	(32.5)	86.3	111.2	(38.3)	72.9		
Less: Non Controlling Interest	0.1	-	0.1	0.2	-	0.2		
Income from Continuing Operations - ITT Inc.	\$ 118.7	\$ (32.5)	\$ 86.2	\$ 111.0	\$ (38.3)	\$ 72.7		
EPS from Continuing Operations	\$ 1.34	\$ (0.37)	\$ 0.97	\$ 1.25	\$ (0.43)	\$ 0.82	\$ 0.15	18.3%

Note: Amounts may not calculate due to rounding.

#A - 2019 includes restructuring costs (\$6.7M), acquisition related costs (\$3.3M) and other costs (\$0.8M).

#A - 2018 includes restructuring costs (\$0.9M) and acquisition related income (\$2.1M).

#B - 2019 includes realignment and other costs (\$0.8M), and asbestos related benefit (\$56.2M).

Note: (\$56.2M) net asbestos related benefit includes remeasurement income (\$68.1M), offset by asbestos related expense to maintain 10 year accrual (\$11.9M).

#B - 2018 includes income, net of related costs, primarily from the sale of excess property (\$37.9M) and asbestos related benefit (\$4.3M).

Note: (\$4.3M) net asbestos related benefit includes a favorable settlement agreement (\$24.9M) offset by remeasurement cost (\$7.2M), and asbestos related expense to maintain 10 year accrual (\$13.4M).

#C - 2018 interest income related to a change in uncertain tax position.

#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 (\$1.3M), tax expense on future distribution of foreign earnings (\$1.1M), and the tax impact of other operating special items.

#E - 2018 includes various tax-related special items including tax benefit for valuation allowance change (\$1.5M), tax expense for tax law changes (\$0.3M), tax benefit on current and future distribution of foreign earnings (\$0.2M), tax benefit for change in uncertain tax positions (\$3.4M), tax benefit for audit settlements (\$0.5M), and the tax impact of other operating special items.

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

(In Millions)

	<u>9M 2019</u>	<u>9M 2018</u>
Net Cash - Operating Activities	\$ 221.7	\$ 246.6
Capital expenditures	69.3	63.8
Free Cash Flow	<u>152.4</u>	<u>182.8</u>
Legal settlements, net	5.1	-
Insurance settlement agreement, net	-	(16.9)
Asbestos cash payments, net	20.1	42.3
Restructuring cash payments	7.8	5.9
Acquisition / Realignment-related cash payments	1.5	-
Discretionary Pension Contributions, net of tax	6.9	-
Adjusted Free Cash Flow	<u>193.8</u>	<u>214.1</u>
Income from Continuing Operations - ITT Inc.	256.9	281.8
Special Items, net of tax	(7.0)	(67.9)
Income from Continuing Operations - ITT Inc., Excluding Special Items	<u>\$ 249.9</u>	<u>\$ 213.9</u>
Adjusted Free Cash Flow Conversion	<u>77.6%</u>	<u>100.1%</u>

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

	2019 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 3.63	\$ 3.67
Estimated Asbestos Related Costs, Net of Tax	(0.16)	(0.16)
	\$ 3.47	\$ 3.51
Estimated Restructuring and Realignment Costs, Net of Tax	0.15	0.14
Acquisition Related and Other Costs, Net of Tax	0.09	0.08
Other Tax Special Items	0.02	0.02
EPS from Continuing Operations - Adjusted	\$ 3.73	\$ 3.75