

ITT Inc.

Q1 2019 Results

05.03.2019



This presentation contains “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our business, future financial results and the industry in which we operate, and other legal, regulatory and economic developments. These forward-looking statements include, but are not limited to, future strategic plans and other statements that describe the company’s business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future events and future operating or financial performance.

We use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “future,” “may,” “will,” “could,” “should,” “potential,” “continue,” “guidance” and other similar expressions to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Where in any forward-looking statement we express an expectation or belief as to future results or events, such expectation or belief is based on current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will occur or that anticipated results will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included in the Risk Factors section of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other documents filed from time to time with the Securities and Exchange Commission.

The forward-looking statements included in this presentation speak only as of the date hereof. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Highlights

- **\$696M** Total Revenue **+1%**; Organic **+5%**
- **16.2%** Adj Seg OI Margin **+120 bps**; **15.1%** Adj OI Margin **+170 bps**
- **\$0.91** Adj EPS **+18%**
- **\$25M** Adj Free Cash Flow **+154%**

Operational Excellence

- **Record** Adj Seg OI & Margin, Adj OI & Margin, & Adj EPS
- **7th** Consecutive Quarter of Solid Year-Over-Year Segment OI Margin Expansion
- **Exceptional Execution** at KONI, MT Mexico & CCT Connectors

Customer Centricity

- **+14%** Backlog ex FX, Led by IP **+19%** & CCT **+19%**
- **+47%** Project Revenue Strength at IP on Share Gains Across End-Markets
- **Over 500 bps** MT Friction OEM Outperformance vs Global Market
- **+135%** Friction Pad Awards vs PY
 - Includes Major N. America Market Share Win on SUV Platform (Front & Rear Axle)

Effective Capital Deployment

- **Rheinhütte Pumpen** Acquisition Accelerates Global Expansion at IP
- **i-Alert** Data Analytics Investment to Augment **Machine Health Monitoring Strategy**
- CCT New **Make vs Buy Strategy**

\$ millions (except EPS)	2019	vs 2018
Total Orders	\$739	(-3%)
Total Revenue	\$696	+1%
Adj Segment Operating Income	\$112	+9%
Adj Operating Income	\$105	+14%
Adjusted EPS	\$0.91	+18%

+1% Organic Orders

(+3% Ex PY Russia Rail Order)

- ▲ +26% Oil & Gas: Upstream and Downstream Pump Projects
- ▲ +1% Transportation: +62% KONI Rail, +13% Aero & Defense, Partially Offset by Auto
 - +4% Ex PY Russia Rail Order
- ▼ (-3%) Industrial: Strength in IP Industrial Pumps & Valves, Offset by CCT Industrial

+5% Organic Revenue

- ▲ +11% Oil & Gas: Pump Projects on Double-Digit Growth in NA & EU
- ▲ +10% Industrial: +16% Chemical & Industrial Pumps and +22% Mining
- ▲ +2% Transportation: +15% Aero & Defense; +13% in Rail, Partially Offset by Auto

+9% Adj Segment OI

- ▲ +13% Adj Segment OI, ex (-\$4M) FX
- ▲ Manufacturing & Supply Chain Productivity
- ▼ Higher Commodity & Tariff Costs
- ▼ (-\$4M) FX Impact
 - Strategic Investments, MT Proactively Funded by Government Incentives

+18% Adj EPS

- ▲ Segment OI Growth
- ▲ Reduced Corporate Costs
- ▲ Favorable Interest & Environmental
- ▲ Tax Rate Favorability

Q1 2019 Adjusted Segment Op Margins



+120 Bps Margin Drivers

▲ Top Line Drivers

- Aerospace & Defense
- KONI Rail
- CCT Connectors
- +9% Short-Cycle Growth at IP
- China & EU Friction OEM; Wolverine

▲ Record Operational Execution

- Record ITT Segment OI Margins
- Significant Productivity Gains, Including Supply Chain Actions
- Record Connector Margins
- Strong MT Mexico Ramp-Up

▼ Higher Commodity Costs & Tariffs

- Incremental EU Tariffs on Wolverine

▪ Strategic Investments

- Share Gain Production Ramp at MT
- ITT Smart Pad
- Investment Offset by Government Incentives

Q1 2018 Adjusted Segment Operating Margin

Volume, Mix, Price & Other
(Including Tariffs)

Net Operating Productivity

Operational Margins Subtotal

FX

Strategic Investments
(Net of Government Incentives)

Q1 2019 Adjusted Segment Operating Margin

	vs. PY	
	15.0%	
	+0 bps] +110 bps
	+110 bps	
	16.1%	
	0 bps	
	+10 bps	
	16.2%	

Q1 2019 Results

\$ millions	2019	vs 2018
Total Revenue	\$315	(-8%)
Adj Segment Operating Income	\$62	(-2%)

(-1%) Organic Revenue

- Strong KONI Share Gains in Global Rail, Offset by Friction & Wolverine
 - (-1%) Friction
 - +30% NA Friction OEM Offset by China & EU Market Weakness
 - +1% Aftermarket on EU Demand
- ▲ +17% KONI on EU & China Rail Market Share Gains

(-2%) Adj Op Income

- ▲ +6% Adj Segment OI, ex FX
- ▲ Strong Operating & Supply Chain Productivity
- ▲ Cost Containment Actions
- ▼ Higher Commodity & Tariff Costs
- ▼ (-\$5M) Foreign Exchange Impact
 - Strategic Investments, Proactively Funded by European Incentives

Highlights

- ▲ 19.5% Segment OI Margins +110 bps vs PY
 - Record Q1 KONI Margins
 - Solid MT Mexico Facility Profitability
- ▲ Over 500 bps Friction OEM Outgrowth vs Global Market
- ▼ (-3%) Organic Orders
 - FLAT Organic Orders, ex PY \$14M Russia Rail Order
 - FLAT Friction
 - +31% KONI Orders Led by Major High Speed Rail & Passenger Wins
 - Lower Wolverine Shims & Sealing
- ▼ (-\$23M) Revenue Impact from FX
 - Major New N. American SUV Platform Share Gain Win for Front & Rear Axle
 - Accelerating Front Axle Award Momentum (+223% vs PY)

Q1 2019 Results

\$ millions **2019** vs 2018

Total Revenue **\$216** +14%

Adj Segment Operating Income **\$23** +35%

+16% Organic Revenue

- ▲ +47% Projects on Chemical, Mining and O&G
- ▲ +9% Short-Cycle Businesses
 - +9% Baseline Pumps on Chemical and Industrial Strength
 - +8% Aftermarket Strength
 - +12% Valves From NA Power & APAC Municipal

+35% Adj Op Income

- ▲ Strong Project & Short Cycle Volume
- ▲ Productivity & Supply Chain Actions
 - Price Offsets Tariffs
- ▼ Unfavorable Mix
- ▼ Material Costs

Highlights

- ▲ 10.7% Adj Segment OI Margins
 - +170 bps vs PY on Net Productivity Gains
- ▲ +250 bps Improvement in Working Capital as % of Sales, ex FX
- ▲ +6% Organic Orders
 - +15% Projects on NA and EU; O&G and Industrial Strength
 - +4% Short-Cycle on Aftermarket Parts & Service
- ▲ +19% Backlog, ex FX vs PY
- ▲ Major Bornemann Chemical Win in NA
 - Continued Momentum in Chemical and O&G
- ▲ Rheinütte Pumpen Acquisition Closed, April 30th, 2019

Q1 2019 Results



\$ millions **2019** vs 2018

Total Revenue **\$165** +4%

Adj Segment Operating Income **\$28** +19%

+6% Organic Revenue

- ▲ +14% Aerospace & Defense
 - +18% Defense on Connector Strength
 - +12% Commercial Aero on Broad-Based Strength
- ▼ (-4%) Industrial: +13% Medical & +27% EV Connectors More than Offset by Industrial Connectors
- ▲ Growth Across CCT: +7% Connectors & +5% Components

+19% Adj Op Income

- ▲ Volume Leverage
- ▲ Productivity & Restructuring Benefits
- ▲ +560 bps Margin Improvement in Connectors
- ▼ Material Costs

Highlights

- ▲ 16.8% Adj Segment OI Margins
 - +200 bps vs PY
 - Product Line Optimization Actions
 - Selective Insourcing of Strategic Supply Chain Areas Underway
- ▲ +6% Organic Orders
 - +9% Connector Growth
 - +41% Aero & Defense Due to Large Orders From Global Manufacturers
 - +2% O&G on Strong US Permian & Canada Oil Sands Activity
 - +32% Defense Components
- ▲ Solid Book to Bill at >1.1X

ITT Inc.

2019 Guidance Update

05.03.2019



Revenue Guidance

Total Revenue	+3% to +5%	<ul style="list-style-type: none"> ▪ Previous Guide +2% to +4% ▪ (\$24M) Incremental FX Headwind vs Prior Guide ▪ ~\$40M Rheinütte Pumpen Group (RPG) Acquisition
Organic Revenue	+3% to +5%	<ul style="list-style-type: none"> ▪ No Change from Previous Guide

Updated Adjusted EPS Guidance

Previous 2019 Adjusted EPS Guidance Range	\$3.42 - \$3.66
Q1 Earnings Outperformance	+\$0.07
Q2 to Q4 Incremental Productivity and Cost Actions	+\$0.07
Incremental Unfavorable FX and European Tariffs	(-\$0.10)
Increase to Previous Mid-Point	+\$0.04
New 2019 Adjusted EPS Guidance Midpoint	\$3.58
New 2019 Adjusted EPS Guidance Range	\$3.50 - \$3.66

Strong Q1 Results Drive 2019 Earnings Midpoint Increase

ITT Inc.

Supplemental Data

05.03.2019



Q1 2019 ITT Adjusted Segment Performance



	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segments
Q1 2019 Total Revenue vs PY	(-7.9%)	13.6%	4.5%	0.9%
FX	6.6%	2.0%	1.5%	4.1%
Acquisition/Disposition	0.0%	0.0%	0.0%	0.0%
Q1 2019 Organic Revenue vs PY	(-1.3%)	15.6%	6.0%	5.0%
Q1 2018 Adjusted Operating Margin	18.4%	9.0%	14.8%	15.0%
Volume, Mix, Productivity & Other	1.1%	1.1%	1.9%	1.1%
Growth Investments	0.3%	(-0.2%)	(-0.1%)	0.1%
Acquisition/Disposition	0.0%	0.0%	0.0%	0.0%
FX	(-0.3%)	0.8%	0.2%	0.0%
Q1 2019 Adjusted Operating Margin	19.5%	10.7%	16.8%	16.2%

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 Revenue 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 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 operating margin and adjusted segment operating margin are defined as adjusted operating income or adjusted segment operating income divided by total revenue. We believe that adjusted operating income and 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 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 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 also provides insight into the 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
First Quarter 2019 & 2018

(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					
	(A)	(B)	(C)		(D) Acquisition / Divestitures 3M 2019	(E) FX Impact 3M 2019	(F) = A-D-E Revenue / Orders 3M 2019	(G) = C-D-E		(H) = G / B
	3M 2019	3M 2018	Change 2019 vs. 2018	% Change 2019 vs. 2018				Change Adj. 2019 vs. 2018	% Change Adj. 2019 vs. 2018	
Revenue										
ITT Inc.	\$ 695.5	\$ 689.3	\$ 6.2	0.9%	-	\$ (28.6)	\$ 724.1	\$ 34.8	5.0%	
Motion Technologies	315.2	342.2	(27.0)	(7.9%)	-	(22.5)	337.7	(4.5)	(1.3%)	
Industrial Process	215.7	189.8	25.9	13.6%	-	(3.8)	219.5	29.7	15.6%	
Connect & Control Technologies	165.0	157.9	7.1	4.5%	-	(2.4)	167.4	9.5	6.0%	
Orders										
ITT Inc.	\$ 738.9	\$ 761.2	\$ (22.3)	(2.9%)	-	\$ (33.0)	\$ 771.9	\$ 10.7	1.4%	
Motion Technologies	331.5	369.9	(38.4)	(10.4%)	-	(25.5)	357.0	(12.9)	(3.5%)	
Industrial Process	219.0	210.1	8.9	4.2%	-	(4.7)	223.7	13.6	6.5%	
Connect & Control Technologies	189.1	181.8	7.3	4.0%	-	(2.8)	191.9	10.1	5.6%	

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

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

(In Millions)

	3M 2019	3M 2019	3M 2019	3M 2018	3M 2018	3M 2018	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported 2019 vs. 2018	As Adjusted 2019 vs. 2018
Revenue:								
Motion Technologies	\$ 315.2		\$ 315.2	\$ 342.2		\$ 342.2	(7.9%)	(7.9%)
Industrial Process	215.7		215.7	189.8		189.8	13.6%	13.6%
Connect & Control Technologies	165.0		165.0	157.9		157.9	4.5%	4.5%
Intersegment eliminations	(0.4)		(0.4)	(0.6)		(0.6)		
Total Revenue	<u>\$ 695.5</u>		<u>\$ 695.5</u>	<u>\$ 689.3</u>		<u>\$ 689.3</u>	<u>0.9%</u>	<u>0.9%</u>
Operating Margin:								
Motion Technologies	19.3%	20 BP	19.5%	18.1%	30 BP	18.4%	120 BP	110 BP
Industrial Process	10.3%	40 BP	10.7%	8.9%	10 BP	9.0%	140 BP	170 BP
Connect & Control Technologies	16.6%	20 BP	16.8%	14.6%	20 BP	14.8%	200 BP	200 BP
Total Operating Segments	<u>15.9%</u>	<u>30 BP</u>	<u>16.2%</u>	<u>14.8%</u>	<u>20 BP</u>	<u>15.0%</u>	<u>110 BP</u>	<u>120 BP</u>
Income (loss):								
Motion Technologies	\$ 60.9	0.7	\$ 61.6	\$ 61.9	1.0	\$ 62.9	(1.6%)	(2.1%)
Industrial Process	22.2	0.8	23.0	16.9	0.1	17.0	31.4%	35.3%
Connect & Control Technologies	27.4	0.4	27.8	23.0	0.4	23.4	19.1%	18.8%
Total Segment Operating Income	<u>\$ 110.5</u>	<u>\$ 1.9</u>	<u>\$ 112.4</u>	<u>\$ 101.8</u>	<u>1.5</u>	<u>\$ 103.3</u>	<u>8.5%</u>	<u>8.8%</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 including certain legal matters.

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

(In Millions, except per share amounts)

	Q1 2019 As Reported	Non-GAAP Adjustments	Q1 2019 As Adjusted	Q1 2018 As Reported	Non-GAAP Adjustments	Q1 2018 As Adjusted	2019 vs. 2018 As Adjusted	Percent Change 2019 vs. 2018 As Adjusted
Segment Operating Income	\$ 110.5	\$ 1.9 #A	\$ 112.4	\$ 101.8	\$ 1.5 #A	\$ 103.3		
Corporate (Expense)	(19.9)	12.3 #B	(7.6)	8.8	(19.9) #B	(11.1)		
Operating Income	90.6	14.2	104.8	110.6	(18.4)	92.2		
Interest Income (Expense)	1.1	-	1.1	(0.7)	-	(0.7)		
Other Income (Expense)	(0.6)	-	(0.6)	(1.1)	-	(1.1)		
Income from Continuing Operations before Tax	91.1	14.2	105.3	108.8	(18.4)	90.4		
Income Tax (Expense)	(19.7)	(4.5) #C	(24.2)	(7.6)	(13.9) #C	(21.5)		
Income from Continuing Operations	71.4	9.7	81.1	101.2	(32.3)	68.9		
Less: Non Controlling Interest	0.1	-	0.1	0.1	-	0.1		
Income from Continuing Operations - ITT Inc.	\$ 71.3	\$ 9.7	\$ 81.0	\$ 101.1	\$ (32.3)	\$ 68.8		
EPS from Continuing Operations	\$ 0.80	\$ 0.11	\$ 0.91	\$ 1.14	\$ (0.37)	\$ 0.77	0.14	18.2%

Note: Amounts may not calculate due to rounding.

#A - 2019 includes restructuring and realignment (\$1.6M) and a legal accrual (\$0.3M).

#A - 2018 includes restructuring costs (\$0.9M) and acquisition related costs (\$0.6M).

#B - 2019 includes asbestos related expense (\$12.6M) and other income primarily from the sale of excess property (\$0.3M).

#B - 2018 includes asbestos related benefit (\$19.7M) and certain income associated primarily with the sale of excess property (\$0.2M).

Note: (\$19.7M) net asbestos related benefit includes a favorable settlement agreement (\$32.1M) offset by asbestos related expense to maintain 10 year accrual (\$12.4M).

#C - 2019 includes various tax-related special items including tax benefit for valuation allowance change (\$1.9M), tax benefit for tax law changes (\$0.9M), tax expense on future distribution of foreign earnings (\$2.8M), and the tax impact of other operating special items.

#C - 2018 includes various tax-related special items including tax benefit for valuation allowance change (\$22.1M), tax expense for tax law changes (\$0.5M), tax expense on future distribution of foreign earnings (\$3.7M), and the tax impact of other operating special items.

ITT Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion
First Quarter 2019 & 2018
(In Millions)

	3M 2019	3M 2018
Net Cash - Operating Activities	\$ 42.1	\$ 42.4
Capital expenditures	29.2	28.7
Free Cash Flow	12.9	13.7
Insurance settlement agreement	-	(19.0)
Asbestos cash payments, net	9.9	12.8
Restructuring cash payments	1.8	2.4
Acquisition / Realignment-related cash payments	-	(0.2)
Adjusted Free Cash Flow	24.6	9.7
Income from Continuing Operations - ITT Inc.	71.3	101.1
Special Items, net of tax	9.7	(32.3)
Income from Continuing Operations - ITT Inc., Excluding Special Items	\$ 81.0	\$ 68.8
Adjusted Free Cash Flow Conversion	30.4%	14.1%

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

	<u>2019 Full-Year Guidance</u>	
	<u>Low</u>	<u>High</u>
EPS from Continuing Operations - GAAP	\$ 2.78	\$ 3.06
Estimated Asbestos Related Costs, Net of Tax	<u>0.47</u>	<u>0.39</u>
	\$ 3.25	\$ 3.45
Estimated Restructuring, Realignment and Other Costs, Net of Tax	0.26	0.22
Other Special Tax Items	(0.01)	(0.01)
EPS from Continuing Operations - Adjusted	<u>\$ 3.50</u>	<u>\$ 3.66</u>