

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, and backlog, some of which are calculated on a non-GAAP basis. 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 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, impairments, restructuring, realignment, certain acquisition-related impacts, and unusual or infrequent operating items. Special items represent charges or credits that impact 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. **Adjusted Segment Decremental or Incremental Operating Margin** is defined as the change in adjusted segment operating income divided by the change in 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 and **Adjusted EPS** 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, impairments, restructuring, realignment, pension settlement and curtailment impacts, certain acquisition-related impacts, income tax settlements or adjustments, and unusual or infrequent items. Special items represent 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.

Free Cash Flow and **Free Cash Flow Margin** are defined as net cash provided by operating activities less capital expenditures and the ratio of free cash flow to revenue. We believe that free cash flow and free cash flow margin provide useful information to investors as they provide insight into a primary cash flow metric used by management to monitor and evaluate cash flows generated by our operations.

Adjusted Free Cash Flow is defined as free cash flow, 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 Receivables, net, Inventories, net and Current contract assets less Accounts payable and Current contract liabilities. **Working Capital as a percentage of revenue** is calculated by dividing working capital by the trailing twelve months of revenue. We believe that working capital and working capital as a percentage of revenue 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 / Orders
Fourth Quarter 2020 & 2019
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E	(G) = C-D-E	(H) = G / B
	Q4 2020	Q4 2019	\$ Change 2020 vs. 2019	% Change 2020 vs. 2019	Acquisition / Divestitures	FX Impact	Revenue / Orders	\$ Change Adj. 2020 vs. 2019	% Change Adj. 2020 vs. 2019
Revenue									
ITT Inc.	\$ 708.6	\$ 719.1	\$ (10.5)	(1.5%)	\$ -	\$ 17.7	\$ 690.9	\$ (28.2)	(3.9%)
Motion Technologies	352.1	304.4	47.7	15.7%	-	16.2	335.9	31.5	10.3%
Industrial Process	228.3	255.2	(26.9)	(10.5%)	-	(0.3)	228.6	(26.6)	(10.4%)
Connect & Control Technologies	129.0	160.8	(31.8)	(19.8%)	-	1.8	127.2	(33.6)	(20.9%)
Orders									
ITT Inc.	\$ 665.2	\$ 679.4	\$ (14.2)	(2.1%)	\$ -	\$ 18.9	\$ 646.3	\$ (33.1)	(4.9%)
Motion Technologies	351.9	298.2	53.7	18.0%	-	16.3	335.6	37.4	12.5%
Industrial Process	183.7	220.2	(36.5)	(16.6%)	-	0.5	183.2	(37.0)	(16.8%)
Connect & Control Technologies	130.0	161.5	(31.5)	(19.5%)	-	2.0	128.0	(33.5)	(20.7%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Fourth Quarter 2020 & 2019

(In Millions)

	Q4 2020 As Reported	Q4 2020 Special Items	Q4 2020 As Adjusted	Q4 2019 As Reported	Q4 2019 Special Items	Q4 2019 As Adjusted	% Change As Reported 2020 vs. 2019	% Change As Adjusted 2020 vs. 2019
Revenue:								
Motion Technologies	\$ 352.1		\$ 352.1	\$ 304.4		\$ 304.4	15.7%	15.7%
Industrial Process	228.3		228.3	255.2		255.2	(10.5%)	(10.5%)
Connect & Control Technologies	129.0		129.0	160.8		160.8	(19.8%)	(19.8%)
Intersegment eliminations	(0.8)		(0.8)	(1.3)		(1.3)		
Total Revenue	<u>\$ 708.6</u>		<u>\$ 708.6</u>	<u>\$ 719.1</u>		<u>\$ 719.1</u>	<u>(1.5%)</u>	<u>(1.5%)</u>
Operating Margin:								
Motion Technologies	19.9%	(40) BP	19.5%	15.3%	10 BP	15.4%	460 BP	410 BP
Industrial Process	14.5%	60 BP	15.1%	13.5%	70 BP	14.2%	100 BP	90 BP
Connect & Control Technologies	12.6%	40 BP	13.0%	16.2%	90 BP	17.1%	(360) BP	(410) BP
Total Operating Segments	<u>16.9%</u>	<u>- BP</u>	<u>16.9%</u>	<u>14.9%</u>	<u>50 BP</u>	<u>15.4%</u>	<u>200 BP</u>	<u>150 BP</u>
Operating Income:								
Motion Technologies	\$ 70.1	\$ (1.3)	\$ 68.8	\$ 46.5	\$ 0.5	\$ 47.0	50.8%	46.4%
Industrial Process	33.1	1.4	34.5	34.5	1.8	36.3	(4.1%)	(5.0%)
Connect & Control Technologies	16.3	0.5	16.8	26.1	1.4	27.5	(37.5%)	(38.9%)
Total Segment Operating Income	<u>\$ 119.5</u>	<u>\$ 0.6</u>	<u>\$ 120.1</u>	<u>\$ 107.1</u>	<u>\$ 3.7</u>	<u>\$ 110.8</u>	<u>11.6%</u>	<u>8.4%</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 2020 & 2019

(In Millions, except per share amounts)

	Q4 2020 As Reported	Non-GAAP Adjustments	#A	Q4 2020 As Adjusted	Q4 2019 As Reported	Non-GAAP Adjustments	#B	Q4 2019 As Adjusted	2020 vs. 2019 As Adjusted (\$)	2020 vs. 2019 As Adjusted (%)
Segment operating income	\$ 119.5	\$ 0.6	#A	\$ 120.1	\$ 107.1	\$ 3.7	#A	\$ 110.8		
Corporate income (expense)	39.7	(47.7)	#B	(8.0)	(24.8)	16.3	#B	(8.5)		
Operating income (loss)	<u>159.2</u>	<u>(47.1)</u>		<u>112.1</u>	<u>82.3</u>	<u>20.0</u>		<u>102.3</u>		
Interest (expense) income	(0.1)	-		(0.1)	1.0	-		1.0		
Other (expense) income	(137.2)	137.4	#C	0.2	0.7	-		0.7		
Income from continuing operations before tax	<u>21.9</u>	<u>90.3</u>		<u>112.2</u>	<u>84.0</u>	<u>20.0</u>		<u>104.0</u>		
Income tax (expense) benefit	(34.9)	11.2	#D	(23.7)	(16.8)	0.9	#D	(15.9)		
(Loss) income from continuing operations	<u>(13.0)</u>	<u>101.5</u>		<u>88.5</u>	<u>67.2</u>	<u>20.9</u>		<u>88.1</u>		
Less: Income attributable to noncontrolling interests	0.6	-		0.6	0.7	-		0.7		
(Loss) income from continuing operations - ITT Inc.	<u>\$ (13.6)</u>	<u>\$ 101.5</u>		<u>\$ 87.9</u>	<u>\$ 66.5</u>	<u>\$ 20.9</u>		<u>\$ 87.4</u>		
EPS from continuing operations	<u>\$ (0.16)</u>	<u>\$ 1.17</u>	#E	<u>\$ 1.01</u>	<u>\$ 0.75</u>	<u>\$ 0.24</u>		<u>\$ 0.99</u>	<u>\$ 0.02</u>	<u>2.0%</u>

Note: Amounts may not calculate due to rounding.

Per share amounts are based on diluted weighted average common shares outstanding.

#A - 2020 includes restructuring costs (\$0.6M)

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

#B - 2020 includes asbestos related benefit (\$50.4M) and other costs (\$2.7M).

The net asbestos benefit is due to an insurance settlement (\$52.1M) and asbestos related expense (\$1.7M)

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

#C - 2020 primarily includes pension termination related settlement charges.

#D - 2020 includes tax-related special items including tax expense for valuation allowance change (\$21.4M), tax expense for the pension termination related to AOCI of (\$5.1M) and tax expense on future distribution of foreign earnings (\$4.5M), and the net tax benefit of special items #A through #C (\$20.8M).

#D - 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 - 2020 GAAP EPS is calculated using basic average common shares outstanding due to a net loss.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Organic Revenue / Orders
Full Year 2020 & 2019
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) FY 2020	(B) FY 2019	(C) \$ Change 2020 vs. 2019	% Change 2020 vs. 2019	(D) Acquisition / Divestitures FY 2020	(E) FX Impact FY 2020	(F) = A-D-E Revenue / Orders FY 2020	(G) =C-D-E \$ Change Adj. 2020 vs. 2019	(H) = G / B % Change Adj. 2020 vs. 2019
Revenue									
ITT Inc.	\$2,477.8	\$ 2,846.4	\$ (368.6)	(12.9%)	\$ 24.4	\$ (1.3)	\$ 2,454.7	\$ (391.7)	(13.8%)
Motion Technologies	1,121.1	1,241.8	(120.7)	(9.7%)	-	8.1	1,113.0	(128.8)	(10.4%)
Industrial Process	843.0	943.8	(100.8)	(10.7%)	18.6	(11.4)	835.8	(108.0)	(11.4%)
Connect & Control Technologies	516.5	663.9	(147.4)	(22.2%)	5.8	2.0	508.7	(155.2)	(23.4%)
Orders									
ITT Inc.	\$2,391.5	\$ 2,813.2	\$ (421.7)	(15.0%)	\$ 24.8	\$ (0.7)	\$ 2,367.4	\$ (445.8)	(15.8%)
Motion Technologies	1,108.5	1,250.6	(142.1)	(11.4%)	-	8.2	1,100.3	(150.3)	(12.0%)
Industrial Process	798.1	886.8	(88.7)	(10.0%)	19.6	(10.9)	789.4	(97.4)	(11.0%)
Connect & Control Technologies	487.2	678.9	(191.7)	(28.2%)	5.2	2.0	480.0	(198.9)	(29.3%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
Full Year 2020 & 2019
(In Millions)

	FY 2020 As Reported	FY 2020 Special Items	FY 2020 As Adjusted	FY 2019 As Reported	FY 2019 Special Items	FY 2019 As Adjusted	% Change As Reported 2020 vs. 2019	% Change As Adjusted 2020 vs. 2019
Revenue:								
Motion Technologies	\$ 1,121.1		\$ 1,121.1	\$ 1,241.8		\$ 1,241.8	(9.7%)	(9.7%)
Industrial Process	843.0		843.0	943.8		943.8	(10.7%)	(10.7%)
Connect & Control Technologies	516.5		516.5	663.9		663.9	(22.2%)	(22.2%)
Intersegment eliminations	(2.8)		(2.8)	(3.1)		(3.1)		
Total Revenue	<u>\$ 2,477.8</u>		<u>\$ 2,477.8</u>	<u>\$ 2,846.4</u>		<u>\$ 2,846.4</u>	<u>(12.9%)</u>	<u>(12.9%)</u>
Operating Margin:								
Motion Technologies	16.4%	110 BP	17.5%	17.4%	50 BP	17.9%	(100) BP	(40) BP
Industrial Process	9.2%	430 BP	13.5%	11.1%	160 BP	12.7%	(190) BP	80 BP
Connect & Control Technologies	11.0%	170 BP	12.7%	16.8%	50 BP	17.3%	(580) BP	(460) BP
Total Operating Segments	<u>12.9%</u>	<u>230 BP</u>	<u>15.2%</u>	<u>15.2%</u>	<u>80 BP</u>	<u>16.0%</u>	<u>(230) BP</u>	<u>(80) BP</u>
Operating Income:								
Motion Technologies	\$ 184.0	\$ 12.7	\$ 196.7	\$ 216.1	\$ 6.2	\$ 222.3	(14.9%)	(11.5%)
Industrial Process	77.6	36.4	114.0	104.7	14.7	119.4	(25.9%)	(4.5%)
Connect & Control Technologies	57.0	8.7	65.7	111.5	3.5	115.0	(48.9%)	(42.9%)
Total Segment Operating Income	<u>\$ 318.6</u>	<u>\$ 57.8</u>	<u>\$ 376.4</u>	<u>\$ 432.3</u>	<u>\$ 24.4</u>	<u>\$ 456.7</u>	<u>(26.3%)</u>	<u>(17.6%)</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 2020 & 2019

(In Millions, except per share amounts)

	FY 2020 As Reported	Non-GAAP Adjustments	FY 2020 As Adjusted	FY 2019 As Reported	Non-GAAP Adjustments	FY 2019 As Adjusted	2020 vs. 2019 As Adjusted (\$)	2020 vs. 2019 As Adjusted (%)
Segment operating income	\$ 318.6	\$ 57.8 #A	\$ 376.4	\$ 432.3	\$ 24.4 #A	\$ 456.7		
Corporate (expense) income	(92.1)	71.4 #B	(20.7)	(20.9)	(14.9) #B	(35.8)		
Operating income	<u>226.5</u>	<u>129.2</u>	<u>355.7</u>	<u>411.4</u>	<u>9.5</u>	<u>420.9</u>		
Interest income	0.7	-	0.7	4.1	-	4.1		
Other (expense) income	(142.0)	141.6 #C	(0.4)	(1.1)	-	(1.1)		
Income from continuing operations before tax	<u>85.2</u>	<u>270.8</u>	<u>356.0</u>	<u>414.4</u>	<u>9.5</u>	<u>423.9</u>		
Income tax (expense) benefit	(15.3)	(60.1) #D	(75.4)	(89.9)	4.4 #D	(85.5)		
Income from continuing operations	<u>69.9</u>	<u>210.7</u>	<u>280.6</u>	<u>324.5</u>	<u>13.9</u>	<u>338.4</u>		
Less: Income attributable to noncontrolling interests	1.4	-	1.4	1.1	-	1.1		
Income from continuing operations - ITT Inc.	<u>\$ 68.5</u>	<u>\$ 210.7</u>	<u>\$ 279.2</u>	<u>\$ 323.4</u>	<u>\$ 13.9</u>	<u>\$ 337.3</u>		
EPS from continuing operations	<u>\$ 0.78</u>	<u>\$ 2.42</u>	<u>\$ 3.20</u>	<u>\$ 3.65</u>	<u>\$ 0.16</u>	<u>\$ 3.81</u>	<u>\$ (0.61)</u>	<u>(16.0%)</u>

Note: Amounts may not calculate due to rounding.

Per share amounts are based on diluted weighted average common shares outstanding.

#A - 2020 includes restructuring costs (\$40.7M), impairment charges (\$16.3M) and acquisition related costs (\$0.8M).

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

#B - 2020 includes asbestos related expense (\$66.3M), restructuring costs (\$2.3M) and other costs (\$2.8M).

The net asbestos expense includes remeasurement expense (\$135.9M) to transition to a full horizon, extending the projection through 2052 and other asbestos related costs (\$30.8M), partially offset by favorable insurance settlements (\$100.4M).

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

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

#C - 2020 primarily includes pension termination related settlement charges.

#D - 2020 includes the net tax benefit of special items #A through #C (\$58.8M) and tax-related special items including tax expense on future distribution of foreign earnings (\$6.3M), tax expense for the pension termination related to AOCI of (\$5.1M), tax benefit for valuation allowance change (\$6.2M) and tax benefit on uncertain tax position release (\$4.4M).

#D - 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.

ITT Inc. Non-GAAP Reconciliation
Free Cash Flow and Free Cash Flow Margin
Full Year & 4th Qtr. 2020 & 2019
(In Millions)

	<u>FY 2020</u>	<u>FY19</u>	<u>Q4 2020</u>	<u>Q4 2019</u>
Net Cash - Operating Activities #A	\$ 435.9	\$ 357.7	\$ 117.8	\$ 136.0
Capital expenditures	63.7	91.4	16.1	22.1
Free Cash Flow	<u>372.2</u>	<u>266.3</u>	<u>101.7</u>	<u>113.9</u>
Revenue	<u>\$ 2,477.8</u>	<u>\$ 2,846.4</u>	<u>\$ 708.6</u>	<u>\$ 719.1</u>
Free Cash Flow Margin	15.0%	9.4%	14.4%	15.8%

#A - 2020 includes payments for asbestos (\$9.8M) and restructuring (\$33.0M).

#A - 2019 includes payments for asbestos (\$21.6M) and restructuring (\$11.7M).

#A - Q4 2020 includes payments for asbestos (\$0.9M) and restructuring (\$8.5M).

#A - Q4 2019 includes payments for asbestos (\$1.5M) and restructuring (\$3.9M).

ITT Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion
Full Year 2020 and 2019
(In Millions)

	<u>FY 2020</u>	<u>FY 2019</u>
Net Cash - Operating Activities	\$ 435.9	\$ 357.7
Capital expenditures	63.7	91.4
Free Cash Flow	<u>372.2</u>	<u>266.3</u>
Legal settlements, net	-	6.4
Asbestos cash payments, net	9.8	21.6
Restructuring cash payments	33.0	11.7
Acquisition / Realignment-related cash payments	0.8	5.9
Discretionary Pension Contributions, net of tax	6.5	6.9
Adjusted Free Cash Flow	<u>422.3</u>	<u>318.8</u>
Income from Continuing Operations - ITT Inc.	68.5	323.4
Special Items, net of tax	210.7	13.9
Income from Continuing Operations - ITT Inc., Excluding Special Items	<u>\$ 279.2</u>	<u>\$ 337.3</u>
Adjusted Free Cash Flow Conversion	<u>151.3%</u>	<u>94.5%</u>

ITT Inc. Non-GAAP Reconciliation
GAAP vs. Adjusted EPS Guidance
Full Year 2021
(Per share amounts)

	2021 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 3.12	\$ 3.48
Estimated asbestos related costs, net of tax	0.05	0.04
	\$ 3.17	\$ 3.52
Estimated restructuring and realignment costs, net of tax	0.23	0.19
Other costs, net of tax	0.05	0.04
EPS from Continuing Operations - Adjusted	\$ 3.45	\$ 3.75

Note: The Company has provided forward-looking non-GAAP financial measures for organic revenue growth and adjusted segment operating margin in the earnings release. It is not possible, without unreasonable efforts, to estimate the impacts of foreign currency fluctuations, acquisitions, divestitures and certain other special items that may occur during 2021 as these items are inherently uncertain and difficult to predict. As a result, the Company is unable to quantify certain amounts that would be included in a reconciliation of organic revenue growth and adjusted segment operating margin to the most directly comparable GAAP financial measures without unreasonable efforts and has not provided reconciliations for these forward looking non-GAAP financial measures.

ITT Inc. Non-GAAP Reconciliation
Free Cash Flow Guidance
Full Year 2021
(In Millions)

	2021 Full-Year Guidance	
	Low	High
Net Cash - Operating Activities	\$ 370.0	\$ 400.0
Capital expenditures	100.0	100.0
Free Cash Flow	\$ 270.0	\$ 300.0
Revenue #A	\$ 2,620.0	\$ 2,620.0
Free Cash Flow Margin	10%	12%

#A Represents the midpoint of the revenue range provided of 5% to 7%.