

ITT Inc.

Q4 2019 Results 2020 Guidance

02.21.2020



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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

- **\$2.85B** Total Revenue **+4%**; Organic Growth **+4.5%**
- **16.0%** Adj Seg OI Margin; **14.8%** Adj OI Margin
- **\$3.81** Adj EPS; **+18%** vs PY; **+22% Ex FX**
- **\$319M** Adj Free Cash Flow; **95%** Conversion

Operational Excellence

- **+90 bps** Adj Seg OI Margin: IP **+160 bps**; CCT **+130 bps**; MT **+70 bps**
- **Outstanding** MT Friction Mexico Performance; **+390 bps Axtone** Adj OI Margins
- **+300 bps** Adj OI Margin at CCT Connectors
- **IP Seneca Falls** Operations & Lead Time Improvement

Customer Centricity

- **+1,100 bps** MT Friction OEM Outperformance vs Global Markets^[1]
- **+18%** Organic Rail Revenue; **+11%** Organic Rail Orders
- **+10%** Organic IP Revenue; **+35%** Project; **+3%** Short-Cycle
- **+8%** Organic Commercial Aerospace Revenue on New Platforms

Effective Capital Deployment

- **\$118M in Strategic Acquisitions**: Geographic Expansion & Technology Leadership
- Key Organic Investments, Including **Insourcing** of Critical Processes & **VA/VE**^[2] Initiatives
- **\$94M** in Repurchases & Dividends
- **\$500M** Indefinite-Term Share Repurchase Program Announced in Q3

^[1] Based on Recognized Auto Industry Data as of February 14, 2020

^[2] VA/VE: Value Analysis / Value Engineering

\$ millions (except EPS)	2019	vs 2018
Total Orders	\$679	+2%
Total Revenue	\$719	+6%
Adj Segment Operating Income	\$111	+16%
Adj Operating Income	\$102	+20%
Adjusted EPS	\$0.99	+21%

+4% Organic Revenue

- ▲ +5% Transportation:
 - +12% Auto Friction OE
 - +5% Auto Friction Aftermarket
 - +14% Rail on European Strength
 - (-3%) Aerospace & Defense on Boeing Slow-Down & Rotorcraft Weakness
- ▲ +4% Industrial: Chemical & Industrial Pumps
- ▲ +1% Oil & Gas: NA Connectors Strength

FLAT Organic Orders

- ▲ +3% Transportation: +8% Auto & Rail More than Offsets Aero & Defense
- ▲ +17% Pump Projects: Industrial & Mining Strength in the Americas
- ▼ (-6%) Short Cycle Pumps
- ▼ (-10%) Industrial Connectors & Components on Weak Global Demand

+16% Adj Segment OI

- ▲ Leverage From Higher Auto OE Friction & Pump Volume
- ▲ Strong Productivity, Restructuring Gains & Pump Project Execution
- ▲ Acquisition Benefits
- ▼ Higher Commodity Costs and (-\$4M) FX, Partially Offset by Price
- \$5M Strategic Investments: Smart Pad Development & IP VA/VE^[1] Initiatives

+21% Adj EPS

- ▲ +26% Adj EPS Ex FX
- ▲ Adj Segment OI Growth
 - Strong Operational Execution
 - Accretion from 2019 Acquisitions
- ▲ (-19%) Corporate Cost Reduction
- ➔ Unfavorable Tax Rate Offset by Lower Retirement Costs

^[1] VA/VE: Value Analysis / Value Engineering

Q4 2019 Adjusted Segment Op Margins



+130 Bps Margin Drivers

▲ Top Line Drivers

- Global Auto Friction OEM
- KONI/AXTONE Rail Share Gains
- Project Pump Deliveries
- Aero & Defense Weakness
- Lower Wolverine Activity

▼ Price / Cost & Tariffs

- Higher Commodities
- Price at IP & CCT, Partially Offset by Friction

▲ Operational Execution

- Shop Floor Productivity
- Supply Chain Savings
- Pump Project Execution
- Restructuring Benefits

■ Strategic Investments

- MT Friction Global Expansion
- ITT Smart Pad Development
- VAVE^[1]: Lower Cost, More Efficient Pumps
- Connectors Plating Line In-Sourcing

Q4 2018 Adjusted Segment Operating Margin

Volume, Mix, Price & Other

Net Operating Productivity

Operational Margin Subtotal

FX

Acquisitions

Strategic Investments

Q4 2019 Adjusted Segment Operating Margin

vs. PY

14.1%

+150 bps

+110 bps

16.7%

(-30 bps)

(-30 bps)

(-70 bps)

15.4%

**+260
bps**

^[1] VAVE: Value Analysis / Value Engineering

Q4 2019 Results

\$ millions	2019	vs 2018
Total Revenue	\$304	+4%
Adj Segment Operating Income	\$47	+12%

+7% Organic Revenue

- ▲ +10% Auto Friction
 - +12% OEM on Share Gains
 - +18% China
 - +11% North America
 - +10% Europe
 - +5% Aftermarket on EU Strength
- ▲ +8% KONI/Axtone: European Rail Strength
- ▼ (-7%) Wolverine OEM Driven by Lower Shims & Sealing Platform Loss

+12% Adj Op Income

- ▲ +16% Adj Op Income, Ex (\$2M) FX
- ▲ Higher Volume Due to Friction & Rail Share Gains
- ▲ Shop Floor Efficiency & Supply Chain Savings
- ▼ Higher Commodity, FX & Tariff Costs
 - \$3M Strategic Investments: Mexico & Czech Republic Manufacturing, ITT Smart Pad AM Applications

Highlights

- ▲ 15.4% Adj Segment Op Margins +90 bps vs PY
 - MT Mexico Operational Excellence
 - Axtone Margins +1,130 bps
- ▲ +1,600 bps Friction OEM Outperformance vs Global Market^[1]
 - 10 New Platform Starts in China
- ▲ +12% KONI & Axtone Order Growth on Share Gains
 - +46% Axtone on European Share Gains
- Other Strategic Highlights:
 - Significant Friction Platform Wins
 - 9 Platform Awards in China
 - 2 Strategic NA SUV Awards
 - EV Pick-Up Truck Win
 - Advancing ITT Smart Pad Solution for AM & Fleet Management

^[1] Based on Recognized Auto Industry Data as of February 14, 2020

Q4 2019 Results

\$ millions **2019** vs 2018

Total Revenue **\$255** +11%

Adj Segment Operating Income **\$36** +32%

+4% Organic Revenue

- ▲ +13% Projects: Chemical & General Industrial Strength
- ▲ +1% Short-Cycle Businesses
 - +4% Aftermarket: +25% Service Due to O&G and Chemical, Partially Offset by Parts
 - +2% Baseline: Solid O&G, Partially Offset by Chemical & Mining
 - (-11%) Valves: North American Industrial Weakness

+32% Adj Op Income

- ▲ On-Time Delivery Performance Drives Volume Leverage
- ▲ Improved Project Execution
- ▲ Productivity & Restructuring Benefits
- ▲ RPG^[1] Acquisition Contribution
- ▼ Higher Commodity Costs & FX Partially Offset by Price
- VAVE^[2] Investments to Drive Lower Cost, More Efficient Pumps

Highlights

- ▲ 14.2% Adj Segment OI Margin
 - +220 bps vs PY & +280 bps ex. RPG Acquisition Impact
 - Sequential & Year-Over-Year Margin Expansion Every Quarter
- ▲ +3% Total Orders Including RPG
- ▼ (-2%) Organic Orders
 - (-6%) Short-Cycle Pumps on Lower Europe & Asia
 - +17% Projects: Americas Industrial Strength
- Other Strategic Highlights:
 - Newly Redesigned BB2 Pump Launch
 - Strategic Emerging Market Win
 - Pump Efficiency Innovations Entering Field Testing Phase to Drive Future Differentiation
 - RPG Performing In-Line with Expectations

^[1] RPG: Rheinütte Pumpen GmbH
^[2] VAVE: Value Analysis / Value Engineering

Q4 2019 Results



\$ millions **2019** vs 2018

Total Revenue **\$161** +1%

Adj Segment Operating Income **\$28** +6%

(-2%) Organic Revenue

- ▼ (-3%) Aerospace & Defense
 - (-7%) Components: Rotorcraft Weakness, PY Defense Program Strength
 - +26% Aftermarket Components
 - +2% Connectors: Strong Defense
- ▼ (-3%) Industrial: NA Connectors Weakness, Partially Offset by Europe & Asia Components Strength
- ▲ +17% O&G Connectors on NA Gains

+6% Adj Op Income

- ▲ Manufacturing Productivity & Cost Actions
- ▲ Supply Chain Actions
- ▲ Matrix Composites Acquisition Benefit
- ▼ Higher Commodities Costs Partially Offset by Price
 - Strategic Investments Including Plating Line

Highlights

- ▲ 17.1% Adj Segment OI Margin
 - +70 bps vs PY Driven by Productivity
 - +300 bps Connector Margin Expansion
 - Double-Digit Margin Matrix Acquisition
- ▼ (-8%) Organic Orders
 - (-11%) Industrial Connectors on Weak Global Activity & NA Distribution Destocking
 - Impact From Boeing 737 MAX
 - 2 Large A&D Order Delays
 - +8% Oil & Gas Connectors
- ▲ +2% SEQ Order Growth
- ▲ +7% Total 2019 Backlog Growth
- Other Strategic Highlights:
 - Product Line Transfer Execution
 - New Insourcing Opportunities Identified
 - Aero Hi-Temp Acoustic Liner In Final Testing Phase

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2020 Guidance

02.21.2020



Operational Guidance, Excluding Q1 Coronavirus Impacts

(-2%) to +2%

Total Revenue
Growth

+70 to +150 bps

Adjusted Segment OI
Margin Growth

\$3.90 to \$4.10

Adjusted Earnings
Per Share

Coronavirus Impacts (Estimated Q1 Impacts)

- Lower Brake Pad Revenue
- Reduced Ind Pumps & Connectors Demand
- Delayed O&G Project Activity
- Employee Safety Cost Impacts
- Supply Chain & Labor Disruptions
- Under-Absorption & Expedited Logistics

Guidance, Including Q1 Coronavirus Impacts

(-3%) to +1%

Total Revenue
Growth

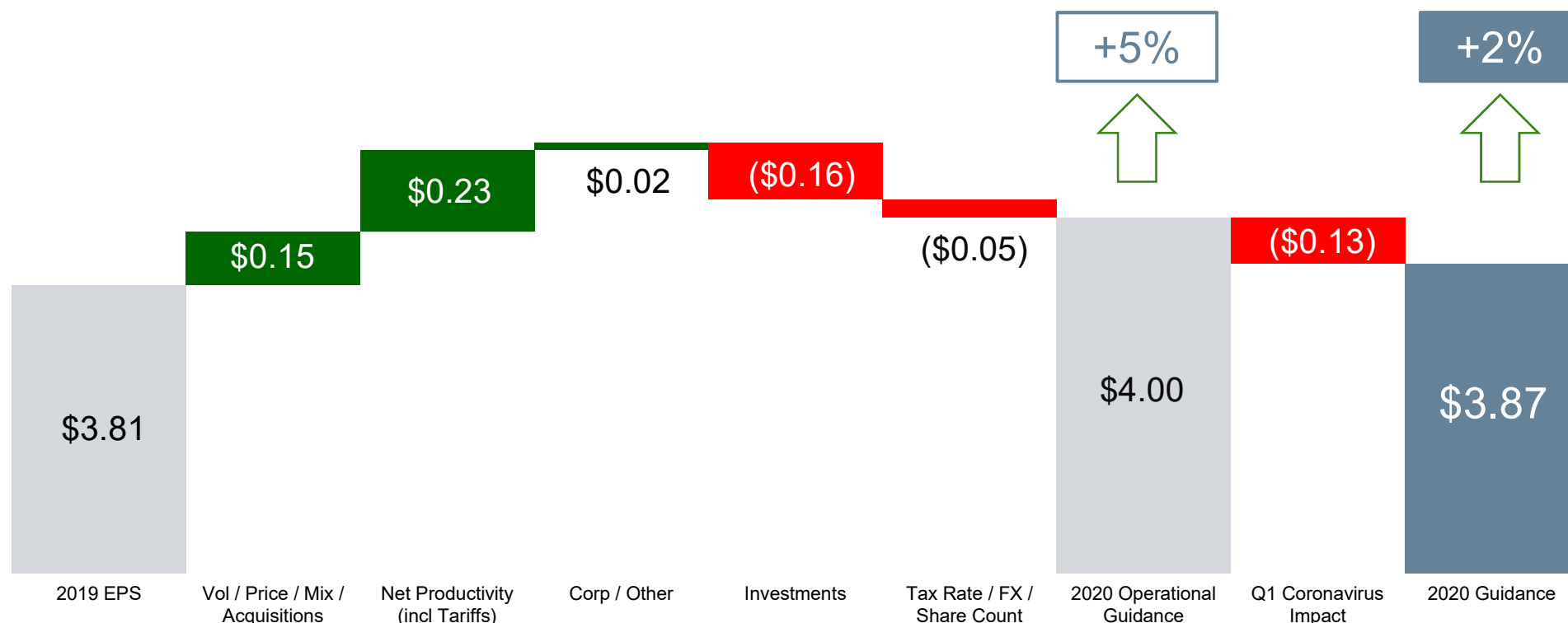
+50 to +110 bps

Adjusted Segment OI
Margin Growth

\$3.72 to \$4.02

Adjusted Earnings Per
Share

2020 Adjusted EPS



Tailwinds

- Global Auto Share Gains
- Matrix & RPG Acquisitions
- Productivity Gains & Restructuring
- Supply Chain & Commodities
- Line Transfers & In-Sourcing
- Tariff Mitigation Actions

Headwinds

- Q1 Coronavirus Impact
- 737 MAX Production Rates
- Pump Projects
- Auto Price, Inflation
- Incremental Strategic Investments

Key Assumptions

- ~\$1.11 € Rate
- FLAT Corporate Expense
- ~21.2% Tax Rate
- >95% Adj FCF Conversion

2020 Adjusted Segment Op Margins



+80 bps Expansion

▲ Top Line Drivers

- Auto Share Gains
- Q1 Coronavirus Impact
- Auto OE Price
- Short-Cycle & Aero Market (737 MAX)

▲ Strong Operational Execution

- Efficiency Gains Across All VCs
- Supply Chain Actions
- Incremental Restructuring Benefits

▼ Inflation

▪ Strategic Investments

- Production Expansion at MT Friction
- Advancing Smart Products
- Innovative Technology
- Sourcing Strategies

FY 2019 Adjusted Segment Operating Margin

vs. PY

16.0%

Volume, Mix, Price & Other

+10 bps

Net Operating Productivity

+130 bps

+140
bps

Operational Margins Subtotal

17.4%

FX

+10 bps

Acquisitions

(-10 bps)

Strategic Investments

(-60 bps)

FY 2020 Adjusted Segment Operating Margin

16.8%

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2019 Supplemental Data

02.21.2020



\$ millions (except EPS)	2019	vs 2018
Total Orders	\$2,813	(-3%)
Total Revenue	\$2,846	+4%
Adj Segment Operating Income	\$457	+10%
Adj Operating Income	\$421	+15%
Adjusted EPS	\$3.81	+18%

+4.5% Organic Revenue

- ▲ +3% Transportation:
 - +6% Global OE Penetration +1,100 bps Outperformance
 - +19% Rail on European Share Gains
 - +4% Aerospace & Defense Strength
- ▼ (-1%) Industrial Connectors & Components due to Weak North America
- ▲ +29% Chemical Strength in Project Pumps & Parts
- ▲ +7% Oil & Gas: Downstream Baseline Pumps

(-2%) Organic Orders

- ▼ (-5%) Industrial: Difficult PY Chemical Project Pump & Valve Compares, Partially Offset by Industrial Project Pump Strength
- ▼ (-5%) Oil & Gas: Upstream Weakness from Project Declines & Connectors Softness
- ▲ +1% Transportation:
 - +11% Rail Due to Strength in Europe
 - (-2%) A&D Due to Large PY Defense Orders & 737 MAX Impacts

+10% Adj Segment OI

- ▲ Higher Volume Due to Project Pump & Parts Strength, Friction OEM Outperformance & Global Rail Growth
- ▲ Manufacturing & Supply Chain Productivity; Restructuring Benefits
- ▼ Higher Commodity Costs, Tariffs, & FX
 - \$16M Strategic Investments: MT Friction Global Production & ITT Smart Pad Development, CCT Plating Line, & IP VAVE^[1] Initiatives

+18% Adj EPS

- ▲ Adj Segment OI Growth; +22% Ex FX
 - Operational Efficiency Improvements
 - Accretion from 2019 Acquisitions
- ▲ (-24%) Corporate Cost Reductions
- ▲ Interest, Investment Returns & Favorable Impact of Tax Strategies

[1] VAVE: Value Analysis / Value Engineering

Q4 2019 ITT Adjusted Segment Performance



	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segments
Q4 2019 Total Revenue vs PY	4.5%	11.4%	1.4%	6.0%
FX	2.4%	0.9%	0.3%	1.4%
Acquisition/Disposition	0.0%	(-8.1%)	(-3.4%)	(-3.5%)
Q4 2019 Organic Revenue vs PY	6.9%	4.2%	(-1.7%)	3.9%
Q4 2018 Adjusted Operating Margin	14.5%	12.0%	16.4%	14.1%
Volume, Mix, Productivity & Other	2.2%	3.8%	1.4%	2.6%
Growth Investments	(-1.0%)	(-0.6%)	(-0.5%)	(-0.7%)
Acquisition/Disposition	0.0%	(-0.6%)	(-0.1%)	(-0.3%)
FX	(-0.3%)	(-0.4%)	(-0.1%)	(-0.3%)
Q4 2019 Adjusted Operating Margin	15.4%	14.2%	17.1%	15.4%

FY 2019 ITT Adjusted Segment Performance



	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segments
FY 2019 Total Revenue vs PY	(-2.5%)	14.1%	2.7%	3.7%
FX	4.5%	1.6%	0.9%	2.8%
Acquisition/Disposition	0.0%	(-5.4%)	(-1.5%)	(-2.0%)
FY 2019 Organic Revenue vs PY	2.0%	10.3%	2.1%	4.5%
FY 2018 Adjusted Operating Margin	17.2%	11.1%	16.0%	15.1%
Volume, Mix, Productivity & Other	1.5%	2.2%	2.0%	1.7%
Growth Investments	(-0.5%)	(-0.4%)	(-0.7%)	(-0.6%)
Acquisition/Disposition	0.0%	(-0.4%)	(-0.1%)	(-0.2%)
FX	(-0.3%)	0.2%	0.1%	0.0%
FY 2019 Adjusted Operating Margin	17.9%	12.7%	17.3%	16.0%

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. 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	Q4 2019	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	#A	Q4 2019 As Adjusted	Q4 2018 As Reported	Non-GAAP Adjustments	#B	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	FY 2019	Orders	Adj. 2019	Adj. 2019	
			2018	2018			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.