

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 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, impairments, 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** and **Adjusted Segment Operating Margin** are defined as adjusted operating income or adjusted segment operating income divided by revenue. **Adjusted Segment Incremental or Decremental 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 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.

Free Cash Flow and Free Cash Flow Margin are defined as the ratio of free cash flow (net cash provided by operating activities less capital expenditures) 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.

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 / Order Growth
Second 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
			\$ Change	% Change	Acquisition /	FX Impact	Revenue /	\$ Change	% Change
	Q2 2020	Q2 2019	2020 vs.	2020 vs.	Divestitures	Q2 2020	Orders	Adj. 2020	Adj. 2020
			2019	2019	Q2 2020	Q2 2020	Q2 2020	vs. 2019	vs. 2019
Revenue									
ITT Inc.	\$ 514.7	\$ 719.9	\$ (205.2)	(28.5%)	\$ 7.5	\$ (13.7)	\$ 520.9	\$ (199.0)	(27.6%)
Motion Technologies	199.3	317.7	(118.4)	(37.3%)	-	(8.0)	207.3	(110.4)	(34.7%)
Industrial Process	193.3	232.6	(39.3)	(16.9%)	4.7	(5.4)	194.0	(38.6)	(16.6%)
Connect & Control Technologies	122.9	170.2	(47.3)	(27.8%)	2.8	(0.3)	120.4	(49.8)	(29.3%)
Orders									
ITT Inc.	\$ 485.4	\$ 692.8	\$ (207.4)	(29.9%)	\$ 5.5	\$ (14.3)	\$ 494.2	\$ (198.6)	(28.7%)
Motion Technologies	187.1	311.9	(124.8)	(40.0%)	-	(7.6)	194.7	(117.2)	(37.6%)
Industrial Process	191.7	212.7	(21.0)	(9.9%)	4.4	(6.4)	193.7	(19.0)	(8.9%)
Connect & Control Technologies	107.1	169.5	(62.4)	(36.8%)	1.1	(0.3)	106.3	(63.2)	(37.3%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

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

(In Millions)

	Q2 2020 As Reported	Q2 2020 Special Items	Q2 2020 As Adjusted	Q2 2019 As Reported	Q2 2019 Special Items	Q2 2019 As Adjusted	% Change As Reported 2020 vs. 2019	% Change As Adjusted 2020 vs. 2019
Revenue:								
Motion Technologies	\$ 199.3		\$ 199.3	\$ 317.7		\$ 317.7	(37.3%)	(37.3%)
Industrial Process	193.3		193.3	232.6		232.6	(16.9%)	(16.9%)
Connect & Control Technologies	122.9		122.9	170.2		170.2	(27.8%)	(27.8%)
Intersegment eliminations	(0.8)		(0.8)	(0.6)		(0.6)		
Total Revenue	<u>\$ 514.7</u>		<u>\$ 514.7</u>	<u>\$ 719.9</u>		<u>\$ 719.9</u>	<u>(28.5%)</u>	<u>(28.5%)</u>
Operating Margin:								
Motion Technologies	5.2%	700 BP	12.2%	16.4%	140 BP	17.8%	(1,120) BP	(560) BP
Industrial Process	9.6%	410 BP	13.7%	11.2%	130 BP	12.5%	(160) BP	120 BP
Connect & Control Technologies	6.8%	430 BP	11.1%	17.4%	30 BP	17.7%	(1,060) BP	(660) BP
Total Operating Segments	<u>7.2%</u>	<u>540 BP</u>	<u>12.6%</u>	<u>14.9%</u>	<u>120 BP</u>	<u>16.1%</u>	<u>(770) BP</u>	<u>(350) BP</u>
Income (loss):								
Motion Technologies	\$ 10.4	\$ 14.0	\$ 24.4	\$ 52.0	\$ 4.4	\$ 56.4	(80.0%)	(56.7%)
Industrial Process	18.5	8.0	26.5	26.0	3.0	29.0	(28.8%)	(8.6%)
Connect & Control Technologies	8.4	5.3	13.7	29.6	0.6	30.2	(71.6%)	(54.6%)
Total Segment Operating Income	<u>\$ 37.3</u>	<u>\$ 27.3</u>	<u>\$ 64.6</u>	<u>\$ 107.6</u>	<u>\$ 8.0</u>	<u>\$ 115.6</u>	<u>(65.3%)</u>	<u>(44.1%)</u>

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, 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
Second Quarter 2020 & 2019

(In Millions, except per share amounts)

	Q2 2020 As Reported	Non-GAAP Adjustments	Q2 2020 As Adjusted	Q2 2019 As Reported	Non-GAAP Adjustments	Q2 2019 As Adjusted	2020 vs. 2019 As Adjusted (\$)	2020 vs. 2019 As Adjusted (%)
Segment Operating Income	\$ 37.3	\$ 27.3	#A \$ 64.6	\$ 107.6	\$ 8.0	#A \$ 115.6		
Corporate (Expense)	(16.8)	16.3	#B (0.5)	(21.6)	11.9	#B (9.7)		
Operating Income	<u>20.5</u>	<u>43.6</u>	<u>64.1</u>	<u>86.0</u>	<u>19.9</u>	<u>105.9</u>		
Interest (Expense) Income	(0.6)	-	(0.6)	1.1	-	1.1		
Other (Expense) Income	(1.6)	1.4	#C (0.2)	(0.7)	-	(0.7)		
Income from Continuing Operations before Tax	<u>18.3</u>	<u>45.0</u>	<u>63.3</u>	<u>86.4</u>	<u>19.9</u>	<u>106.3</u>		
Income Tax Benefit (Expense)	28.1	(41.7)	#D (13.6)	(19.3)	(4.1)	#D (23.4)		
Income from Continuing Operations	<u>46.4</u>	<u>3.3</u>	<u>49.7</u>	<u>67.1</u>	<u>15.8</u>	<u>82.9</u>		
Less: Non Controlling Interest	-	-	-	0.2	-	0.2		
Income from Continuing Operations - ITT Inc.	<u>\$ 46.4</u>	<u>\$ 3.3</u>	<u>\$ 49.7</u>	<u>\$ 66.9</u>	<u>\$ 15.8</u>	<u>\$ 82.7</u>		
EPS from Continuing Operations	<u>\$ 0.53</u>	<u>\$ 0.04</u>	<u>\$ 0.57</u>	<u>\$ 0.75</u>	<u>\$ 0.18</u>	<u>\$ 0.93</u>	<u>\$ (0.36)</u>	<u>(38.7%)</u>

Note: Amounts may not calculate due to rounding.

#A - 2020 includes restructuring costs (\$27.0M) and acquisition related costs (\$0.3M).

#A - 2019 includes restructuring and acquisition costs (\$6.7M) and a legal accrual (\$1.3M).

#B - 2020 includes asbestos related expense (\$16.0M), restructuring costs (\$0.9M) and other Income (\$0.6M).

The (\$16.0M) net asbestos expense includes the impact from an unfavorable settlement agreement (\$4.2M), and asbestos related costs to maintain 10 year accrual (\$11.8M).

#B - 2019 includes asbestos-related expense (\$11.8M) and restructuring costs (\$0.1M).

#C - 2020 includes pension termination related charges.

#D - 2020 includes various tax-related special items including tax benefit for valuation allowance change (\$26.7M), tax benefit on future distribution of foreign earnings (\$1.9M), tax benefit on uncertain tax position release (\$1.3M), and the tax impact of other operating special items.

#D - 2019 includes various tax-related special items including tax benefit for valuation allowance change (\$0.7M), tax expense on future distribution of foreign earnings (\$1.2M), and the tax impact of other operating special items.

ITT Inc. Non-GAAP Reconciliation
Free Cash Flow and Free Cash Flow Margin
Trailing Twelve Months (TTM)
(In Millions)

	(A) = (B) + (C) - (D) Q2 2020 TTM	(B) Q2 2020	(C) FY19	(D) Q2 2019	(A) = (B) + (C) - (D) Q2 2019 TTM	(B) Q2 2019	(C) FY18	(D) Q2 2018
Net Cash - Operating Activities #A	\$ 459.7	\$ 203.1	\$ 357.7	\$ 101.1	\$ 353.6	\$ 101.1	\$ 371.8	\$ 119.3
Capital expenditures	79.9	34.3	91.4	45.8	95.0	45.8	95.5	46.3
Free Cash Flow	379.8	168.8	266.3	55.3	258.6	55.3	276.3	73.0
Revenue	\$ 2,609.0	\$ 1,178.0	\$ 2,846.4	\$ 1,415.4	\$ 2,774.4	\$ 1,415.4	\$ 2,745.1	\$ 1,386.1
Free Cash Flow Margin	14.6%		9.4%		9.3%		10.1%	

#A - 2020 TTM includes payments for asbestos (\$13.4M) and restructuring (\$15.6M).

#A - 2019 TTM includes payments for asbestos (\$25.8M) and restructuring (\$9.5M).