



ITT

Q2 2023 Earnings

August 3, 2023



SAFE HARBOR AND NON-GAAP DISCLOSURES



Safe Harbor

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. In addition, the accompanying conference call may include, and officers and representatives of ITT may from time to time make and discuss, projections, goals, assumptions, and statements that may constitute “forward-looking statements”. These forward-looking statements are not historical facts, but rather represent only a belief regarding future events 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, by their nature, many are inherently unpredictable and outside of ITT’s control, 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, we cannot provide any 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 (and expressly disclaim any obligation) to update any forward-looking statements, whether written or oral, as a result of new information, future events or otherwise.

Non-GAAP Disclosures

This presentation and the discussion on the accompanying conference call contain certain financial measures that are not prepared under U.S. GAAP. These non-GAAP financial measures supplement our GAAP disclosures and are not meant to be considered in isolation or as a substitute for the most directly comparable measures that are prepared in accordance with GAAP. These measures may not be comparable to similarly titled measures disclosed by other companies. For a reconciliation of these non-GAAP financial measures to the most directly comparable measures disclosed under GAAP, refer to the supplemental data to this presentation or investors.itt.com.

PERFORMANCE STEP UP

ACCELERATING ORGANIC ORDERS AND REVENUE GROWTH

- +13% orders growth led by IP; 1.1x book-to-bill; backlog +15%
- +23% IP revenue growth driven by projects, pumps and aftermarket
- +10% MT revenue growth driven by Friction OE outperformance, rail share gains

+280 BPS ADJUSTED SEGMENT MARGIN EXPANSION

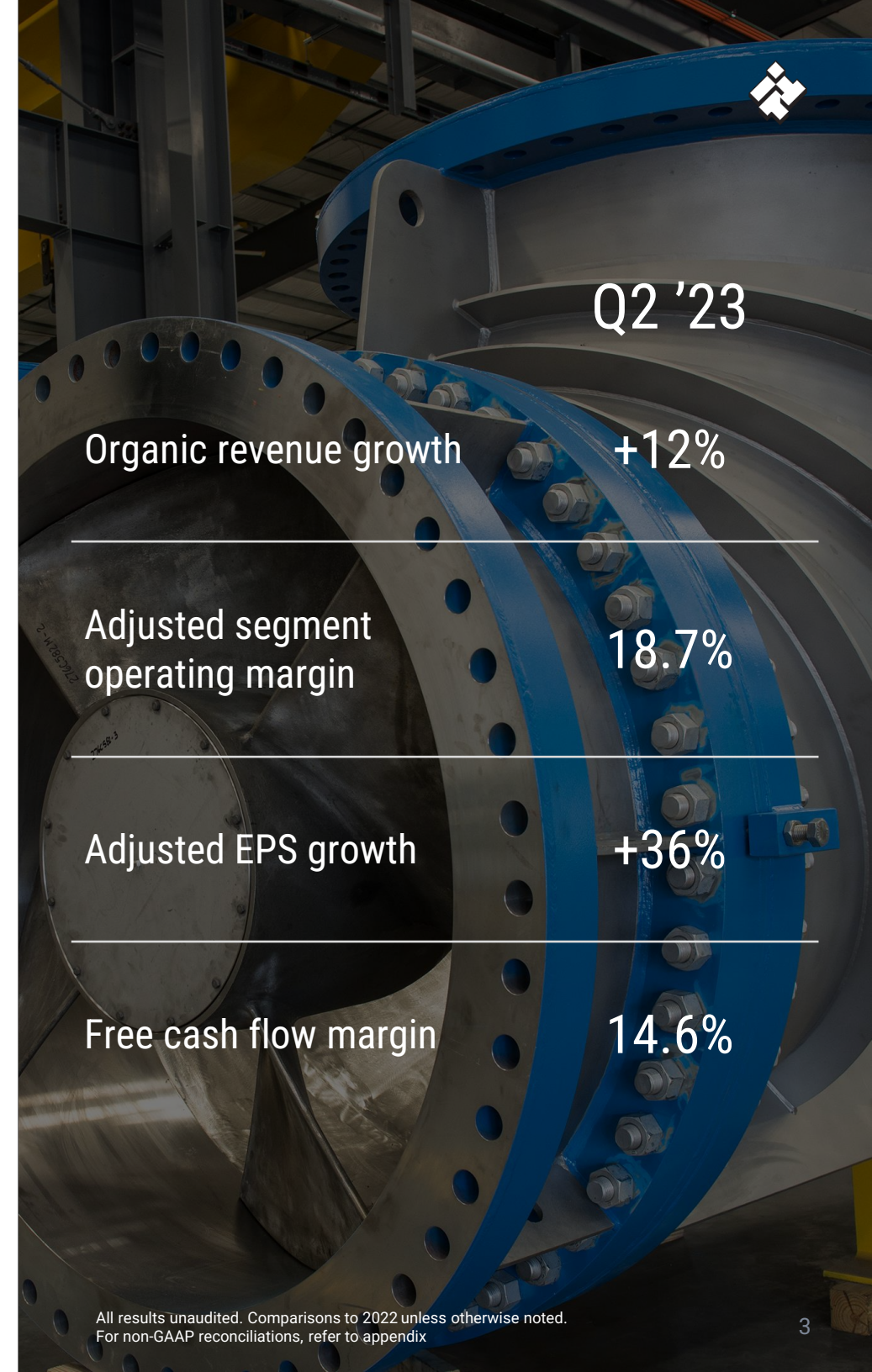
- 39% incremental segment margin
- 22.9% IP margin (+610 bps) driven by volume, price and shop floor productivity
- 16.0% MT margin (+150 bps), +120 bps sequential improvement

EXECUTING ON CAPITAL DEPLOYMENT

- Acquired Micro-Mode (\$80M)
- Repurchased \$30M of ITT shares (\$60M YTD), ~\$60M debt pay down YTD
- Continued investments in lean transformation, product redesign and growth

RAISING FULL YEAR ADJUSTED EPS GUIDANCE

- +\$0.25 increase at the midpoint; expected growth of ~14%
- +10% YTD organic orders growth, Friction OE outperformance ramping
- +\$145M YTD free cash flow growth



FRICION'S HIGH-PERFORMANCE INVESTMENT

ENTRY INTO NEW GROWTH SECTOR FOR MOTION TECHNOLOGIES

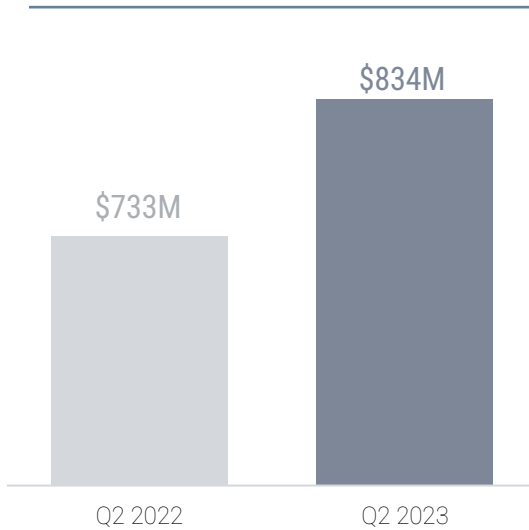
- | Underserved and profitable luxury and sporting vehicle segment
- | Includes fast prototyping, expanded testing machinery and automated production modules built for high-performance specifications
- | ~€50M investment in new Friction production capacity
- | Investment strengthens Friction's competitive position and offering
- | Expect ~20% of Termoli site electricity needs provided by new solar energy installation



Q2 SUMMARY RESULTS



REVENUE

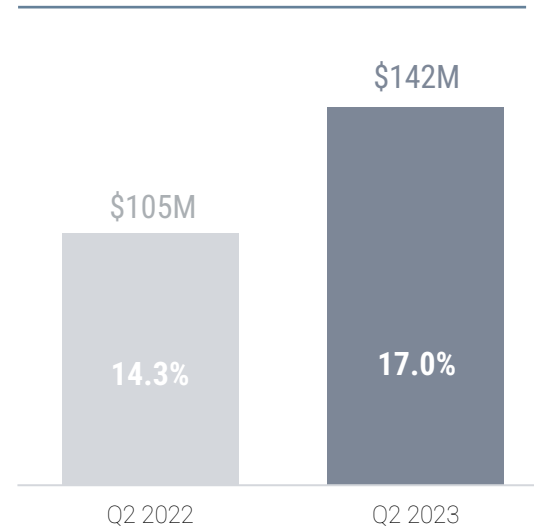


+12%

Organic revenue growth

- + Strong demand across IP, Friction OE and rail
- + 67 Friction electrified awards
- + CCT commercial aerospace ramp
- + Pricing actions (+410 bps)
- + Total revenue impacted by FX (+70 bps) and Micro-Mode Acquisition (+50 bps)

ADJUSTED OPERATING INCOME AND MARGIN



+270 bps

Adjusted operating margin expansion

- + Higher volume and pricing actions
- + Shop floor productivity
- + Gain on sale, net of M&A costs
- Inflation, FX impacts
- ± Disruptive technology investments
- + 120 bps sequential improvement

ADJUSTED EPS

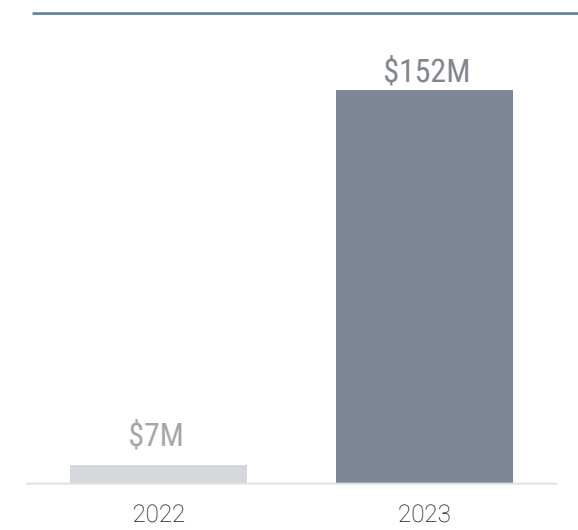


+36%

Adjusted EPS growth

- + Higher adjusted operating income
- + Lower effective tax rate
- + 1% share count reduction
- Higher interest expense

YTD FREE CASH FLOW



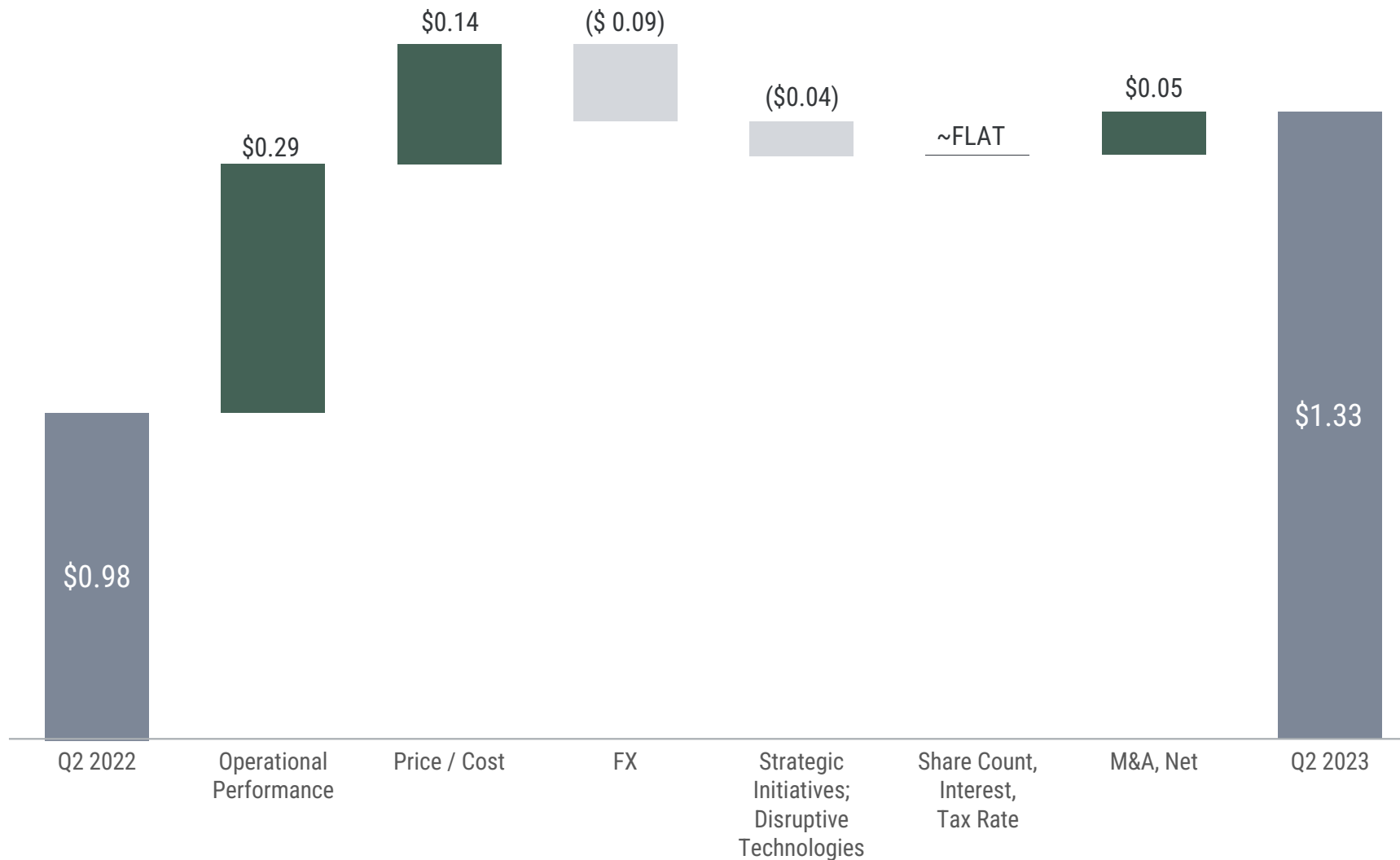
9.3%

Free cash flow margin

- + Higher net income
- + Strong AR collection activity, improved inventory management
- ± CapEx investments for productivity and capacity
- Cash flow deployed to acquisition of Micro-Mode, debt paydown and share repurchases

Q2 2023 ADJUSTED EPS BRIDGE

36% ADJUSTED EPS GROWTH



Growth Drivers

- + Share gains in IP, Friction and rail
- + Pricing actions in all businesses
- + Shop floor productivity and cost control

Headwinds

- Inflation in material and labor
- FX hedge benefit in prior year
- Higher interest expense

Other Impacts

- Technology innovations (EMD, Smart Pad, product redesign)
- ± Gain on sale; M&A costs

RAISING FULL YEAR OUTLOOK

+\$0.25 INCREASE IN ADJUSTED EPS MIDPOINT



	PRIOR	CURRENT	COMMENTARY
Revenue growth	7% to 9% 6% to 8% organic	7% to 9% 6% to 8% organic	<ul style="list-style-type: none">Orders and backlog growth strengthening second half visibilityValue-based pricing progressing
Adjusted segment operating margin	17.3% to 18.1% +10 bps to +90 bps	17.7% to 18.5% +50 bps to +130 bps	<ul style="list-style-type: none">CCT aero components growth offsetting de-stocking in connector distribution
Adjusted EPS	\$4.65 to \$4.95 +5% to +11% growth	\$4.95 to \$5.15 +11% to +16% growth	<ul style="list-style-type: none">Continued margin expansion in IP
Free cash flow	\$350M to \$400M +11% to +12% margin	\$350M to \$400M +11% to +12% margin	<ul style="list-style-type: none">MT margins improving sequentially and YoY as anticipated

KEY TAKEAWAYS



- | **Growth:** growing end markets and outperforming
- | **Execution:** well on our way to achieving long-term targets
- | **Funding innovation:** investing in product development and capacity to support long-term growth
- | **Effective Capital Deployment:** executed M&A, paid down debt, repurchased shares
- | **Raising full year guidance:** new EPS midpoint above \$5



Supplemental Data



Q2 SEGMENT SUMMARY RESULTS



MOTION TECHNOLOGIES

INDUSTRIAL PROCESS

CONNECT & CONTROL TECHNOLOGIES

Organic Revenue Growth

+10%

+23%

+3%

Adjusted Segment Operating Income

\$59M

\$67M

\$30M

Adjusted Segment Operating Margin

16.0%

22.9%

17.5%

- Global Friction OE share gains, 67 electrified platform awards
- 99% Friction OE on-time delivery and world-class quality performance
- Pricing actions nearly offset inflation
- 150 bps margin expansion year over year; 120 bps sequentially
- (-240 bps) negative FX impact on op. margin

- +15% organic orders growth
- 1.17x book-to-bill
- Organic revenue growth driven by projects (+101%), pumps (+17%) aftermarket (+13%)
- Shop floor productivity and pricing benefits
- 610 bps adj. operating margin expansion
- 50% adj. incremental margin

- +7% organic orders growth driven by aero and defense components; industrial connectors stronger sequentially
- 1.15x book-to-bill
- Organic revenue growth driven by aero components (+28%) and defense (+9%) partially offset by weak connectors as expected
- Gain on sale of product line, net of M&A costs
- +30 bps adj. operating margin expansion

Q2 ADJUSTED SEGMENT OPERATING MARGIN



	vs. PY
Q2'22 adjusted segment operating margin	15.9%
Volume, mix, price and other	+350 bps
Productivity actions	+230 bps
Cost inflation	(-180 bps)
Operational margins subtotal	19.9%
FX impact	(-120 bps)
Strategic investments	(-50 bps)
M&A, net	+50 bps
Q2'23 adjusted segment operating margin	18.7%
Reconciliation to segment margin (special item)	(-40) bps
Q2'23 segment operating margin	18.3%

Segment Margin Drivers

- + Higher volume and pricing actions
- + Shop floor productivity
- Inflation in material and labor
- FX (primarily hedge)
- ± Strategic growth investments
- ± Gain on sale; net of M&A costs
- Special items include acquisition-related expenses, charges related to suspension of Russia business and restructuring costs

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, 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, respectively, as revenue and orders, excluding the impacts of foreign currency fluctuations and acquisitions. 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, respectively, as total operating income and segment operating income, adjusted to exclude special items that include, but are not limited to, restructuring, certain asset impairment charges, 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, respectively, divided by revenue. **Adjusted Segment 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 is defined as income from continuing operations attributable to ITT Inc. adjusted to exclude special items that include, but are not limited to, restructuring, certain asset impairment charges, 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. **Adjusted income from continuing operations per diluted share (adjusted EPS)** is defined as adjusted income from continuing operations divided by diluted weighted average common shares outstanding. We believe that adjusted income from continuing operations and adjusted EPS 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.

Free Cash Flow is defined as net cash provided by operating activities less capital expenditures. **Free Cash Flow Margin** is defined as the ratio of free cash flow to revenue. We believe that free cash flow and free cash flow margin provides useful information to investors as it provides insight into a 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 / Orders
Second Quarter 2023 & 2022

(In Millions)
(all amounts unaudited)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) Q2 2023	(B) Q2 2022	(C) \$ Change 2023 vs. 2022	% Change 2023 vs. 2022	(D) Acquisitions Q2 2023	(E) FX Impact Q2 2023	(F) = A-D-E Revenue / Orders Q2 2023	(G) =C-D-E \$ Change Adj. 2023 vs. 2022	(H) = G / B % Change Adj. 2023 vs. 2022
Revenue									
ITT Inc.	\$ 833.9	\$ 733.3	\$ 100.6	13.7%	\$ 3.9	\$ 5.1	\$ 824.9	\$ 91.6	12.5%
Motion Technologies	368.8	331.3	37.5	11.3%	-	5.3	363.5	32.2	9.7%
Industrial Process	293.6	239.6	54.0	22.5%	-	(0.2)	293.8	54.2	22.6%
Connect & Control Technologies	172.2	163.2	9.0	5.5%	3.9	0.1	168.2	5.0	3.1%
Orders									
ITT Inc.	\$ 917.5	\$ 807.1	\$ 110.4	13.7%	\$ 4.7	\$ 4.4	\$ 908.4	\$ 101.3	12.6%
Motion Technologies	376.7	327.7	49.0	15.0%	-	5.6	371.1	43.4	13.2%
Industrial Process	343.0	298.8	44.2	14.8%	-	(1.4)	344.4	45.6	15.3%
Connect & Control Technologies	198.5	181.5	17.0	9.4%	4.7	0.2	193.6	12.1	6.7%

Note: Excludes intercompany eliminations
Immaterial differences due to rounding



ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Segment Operating Margin
Second Quarter 2023 & 2022

(In Millions)
(all amounts unaudited)

	Q2 2023 As Reported	Q2 2023 Special Items	Q2 2023 As Adjusted	Q2 2022 As Reported	Q2 2022 Special Items	Q2 2022 As Adjusted	% Change As Reported 2023 vs. 2022	% Change As Adjusted 2023 vs. 2022
Revenue:								
Motion Technologies	\$ 368.8		\$ 368.8	\$ 331.3		\$ 331.3	11.3%	11.3%
Industrial Process	293.6		293.6	239.6		239.6	22.5%	22.5%
Connect & Control Technologies	172.2		172.2	163.2		163.2	5.5%	5.5%
Intersegment eliminations	(0.7)		(0.7)	(0.8)		(0.8)		
Total Revenue	<u>\$ 833.9</u>		<u>\$ 833.9</u>	<u>\$ 733.3</u>		<u>\$ 733.3</u>	<u>13.7%</u>	<u>13.7%</u>
Operating Margin:								
Motion Technologies	15.6%	40 BP	16.0%	14.2%	30 BP	14.5%	140 BP	150 BP
Industrial Process	22.6%	30 BP	22.9%	16.3%	50 BP	16.8%	630 BP	610 BP
Connect & Control Technologies	16.5%	100 BP	17.5%	17.3%	(10) BP	17.2%	(80) BP	30 BP
Total Operating Segments	<u>18.3%</u>	<u>40 BP</u>	<u>18.7%</u>	<u>15.6%</u>	<u>30 BP</u>	<u>15.9%</u>	<u>270 BP</u>	<u>280 BP</u>
Operating Income:								
Motion Technologies	\$ 57.7	\$ 1.2	\$ 58.9	\$ 47.0	\$ 1.2	\$ 48.2	22.8%	22.2%
Industrial Process	66.4	0.7	67.1	39.1	1.1	40.2	69.8%	66.9%
Connect & Control Technologies	28.4	1.8	30.2	28.2	(0.1)	28.1	0.7%	7.5%
Total Segment Operating Income	<u>\$ 152.5</u>	<u>\$ 3.7</u>	<u>\$ 156.2</u>	<u>\$ 114.3</u>	<u>\$ 2.2</u>	<u>\$ 116.5</u>	<u>33.4%</u>	<u>34.1%</u>

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring costs, acquisition-related expenses, and other unusual or infrequent items.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
Second Quarter 2023 & 2022

(In Millions, except per share amounts)
(all amounts unaudited)



	Q2 2023 As Reported	Non-GAAP Adjustments	Q2 2023 As Adjusted	Q2 2022 As Reported	Non-GAAP Adjustments	Q2 2022 As Adjusted	\$ Change As Adjusted 2023 vs. 2022	% Change As Adjusted 2023 vs. 2022
Segment operating income	\$ 152.5	\$ 3.7 #A	\$ 156.2	\$ 114.3	\$ 2.2 #A	\$ 116.5		
Corporate and other costs	(10.5)	(3.7) #B	(14.2)	(13.8)	2.0 #B	(11.8)		
Operating income	142.0	-	142.0	100.5	4.2	104.7	37.3	35.6%
Operating margin	17.0%		17.0%	13.7%		14.3%		
Interest income (expense), net	(2.5)	-	(2.5)	(0.9)	-	(0.9)		
Other income (expense), net	-	-	-	0.4	-	0.4		
Income from continuing operations before tax	139.5	-	139.5	100.0	4.2	104.2		
Income tax expense	(30.6)	1.6 #C	(29.0)	(24.0)	1.6 #C	(22.4)		
Income from continuing operations	108.9	1.6	110.5	76.0	5.8	81.8		
Less: Income attributable to noncontrolling interests	0.7	-	0.7	0.2	-	0.2		
Income from continuing operations - ITT Inc.	\$ 108.2	\$ 1.6	\$ 109.8	\$ 75.8	\$ 5.8	\$ 81.6		
EPS from continuing operations	\$ 1.31	\$ 0.02	\$ 1.33	\$ 0.91	\$ 0.07	\$ 0.98	\$ 0.35	35.7%

Note: Amounts may not calculate due to rounding.

Total Operating Margin is defined as reported operating income or adjusted operating income divided by total revenue.

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

#A - 2023 includes acquisition-related expenses (\$1.8M) impacts related to the Russia-Ukraine war (\$1.4M) restructuring costs (\$0.6M) and other income (\$0.1M).

#A - 2022 includes restructuring costs (\$2.2M), severance costs (\$0.7M), and other costs (\$0.1M), partially offset by the reversal of impacts related to the Russia-Ukraine conflict (\$0.8M).

#B - 2023 includes income from a recovery of costs associated with the 2020 lease termination of a legacy site (\$3.7M).

#B - 2022 includes an asset impairment charge (\$1.7M) and severance and other costs (\$0.3M).

#C - 2023 includes the net tax benefit of special items #A and #B (\$0.4M) offset by tax expense related to distributions of non-U.S. income (\$1.2M) and other tax-related special charges (\$0.8M).

#C - 2022 includes the net tax benefit of special items #A and #B (\$1.5M), more than offset by tax expense related to a write-down of a tax receivable of (\$2.1M), tax expense for valuation allowance impacts of (\$0.9M), and other tax-related special items.



ITT Inc. Non-GAAP Reconciliation
Reported vs. Organic Revenue / Orders
Six Months Ended 2023 & 2022

(In Millions)
(all amounts unaudited)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) 6M 2023	(B) 6M 2022	(C) \$ Change 2023 vs. 2022	% Change 2023 vs. 2022	(D) Acquisitions 6M 2023	(E) FX Impact 6M 2023	(F) = A-D-E Revenue / Orders 6M 2023	(G) = C-D-E \$ Change Adj. 2023 vs. 2022	(H) = G / B % Change Adj. 2023 vs. 2022
Revenue									
ITT Inc.	\$ 1,631.8	\$ 1,459.5	\$ 172.3	11.8%	\$ 18.9	\$ (12.8)	\$ 1,625.7	\$ 166.2	11.4%
Motion Technologies	733.6	701.4	32.2	4.6%	-	(8.3)	741.9	40.5	5.8%
Industrial Process	560.1	441.8	118.3	26.8%	15.0	(2.4)	547.5	105.7	23.9%
Connect & Control Technologies	339.8	317.8	22.0	6.9%	3.9	(2.0)	337.9	20.1	6.3%
Orders									
ITT Inc.	\$ 1,784.3	\$ 1,619.2	\$ 165.1	10.2%	\$ 18.5	\$ (15.1)	\$ 1,780.9	\$ 161.7	10.0%
Motion Technologies	747.9	696.9	51.0	7.3%	-	(7.8)	755.7	58.8	8.4%
Industrial Process	670.3	558.9	111.4	19.9%	13.8	(4.9)	661.4	102.5	18.3%
Connect & Control Technologies	367.8	365.3	2.5	0.7%	4.7	(2.4)	365.5	0.2	0.1%

Note: Excludes intercompany eliminations
Immaterial differences due to rounding



ITT Inc. Non-GAAP Reconciliation
Free Cash Flow and Free Cash Flow Margin
Three and Six Months Ended 2023 & 2022

(In Millions)
(all amounts unaudited)

	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>6M 2023</u>	<u>6M 2022</u>
Net Cash - Operating Activities	\$ 139.7	\$ 56.9	\$ 197.8	\$ 54.2
Less: Capital expenditures	17.6	17.5	46.3	47.5
Free Cash Flow	<u>\$ 122.1</u>	<u>\$ 39.4</u>	<u>\$ 151.5</u>	<u>\$ 6.7</u>
Revenue	<u>\$ 833.9</u>	<u>\$ 733.3</u>	<u>\$ 1,631.8</u>	<u>\$ 1,459.5</u>
Free Cash Flow Margin	14.6%	5.4%	9.3%	0.5%



ITT Inc. Non-GAAP Reconciliation
GAAP vs. Adjusted EPS Guidance
Full Year 2023

(Per share amounts)
(all amounts unaudited)

	2023 Full-Year Guidance	
	Low	High
EPS from Continuing Operations - GAAP	\$ 4.85	\$ 5.05
Estimated restructuring, net of tax	0.07	0.07
Other special items, net of tax	0.04	0.04
Other tax special Items	(0.01)	(0.01)
EPS from Continuing Operations - Adjusted	\$ 4.95	\$ 5.15

Note: The Company has provided forward-looking non-GAAP financial measures for organic revenue growth and adjusted segment operating margin. It is not possible, without unreasonable efforts, to estimate the impacts of foreign currency fluctuations, acquisitions and certain other special items that may occur in 2023 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 accordingly has not provided reconciliations for these forward looking non-GAAP financial measures.



ITT Inc. Non-GAAP Reconciliation
Free Cash Flow and Free Cash Flow Margin Guidance
Full Year 2023

(In Millions)
(all amounts unaudited)

	2023 Full-Year Guidance	
	Low	High
Net Cash - Operating Activities	\$ 470	\$ 520
Less: Capital expenditures	120	120
Free Cash Flow	\$ 350	\$ 400
Revenue #A	\$ 3,225	\$ 3,225
Free Cash Flow margin	11%	12%

#A Represents expected revenue growth of 8%, reflecting the mid-point of the 7% to 9% range.