

ITT Inc.

Q1 2021 Results

05.07.2021



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. 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” 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.

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 appendix to this presentation or www.itt.com/investors.

Key Messages

- **Q1 results led by 17% organic revenue growth in Motion Technologies (MT)**
 - Friction OE business outperforms global auto production by +1,500 bps^[1]
 - 8% Connectors growth in Connect & Control (CCT); strength in Industrial market
- **Operational excellence and structural cost reductions drive +300 bps adj. segment operating margin expansion**
 - 17.5% adj. segment operating margin, 74% adj. incremental margin
 - 15.8% adj. segment operating margin at Industrial Process (IP), +450 bps
- **Continued strong cash generation; effective capital deployment**
 - Free cash flow of \$54M, up 71% YoY, ~16% trailing twelve-month margin
 - \$50M shares repurchased in Q1; 30% dividend increase announced in February
- **Raising FY 2021 guidance to reflect encouraging Q1 and confidence in FY outlook**
 - Organic revenue growth now 5% to 7% (+300 bps vs. prior guidance)
 - Adj. EPS now \$3.80 to \$4.00, up 19% to 25% vs. 2020

Q1 Highlights

2%
Organic revenue
growth

17.5%
Adj. segment
operating margin

+280 bps
MT adj. segment
operating margin

\$1.06
Adj. EPS,
+33% vs. PY

All Results are Unaudited. Comparisons to Q1 2020 Unless Otherwise Noted.
For non-GAAP reconciliations, refer to appendix and www.itt.com/investors

[1] Based on Recognized Auto Industry Data as of April 16, 2021

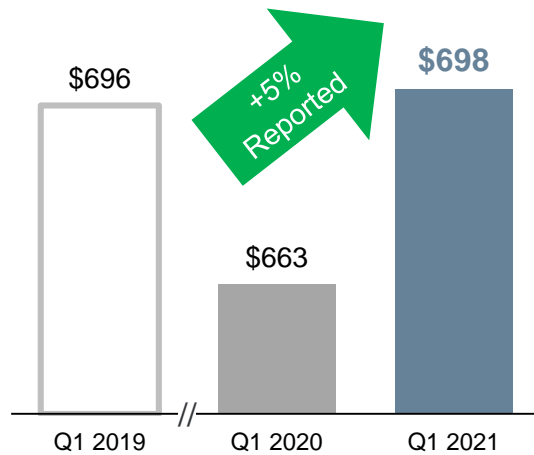


Encouraging Start to 2021, +33% Adjusted EPS Growth in Q1

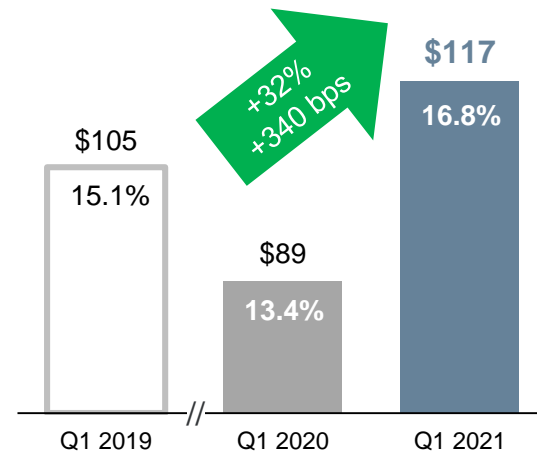
Q1 Summary Results

\$ in millions, except EPS

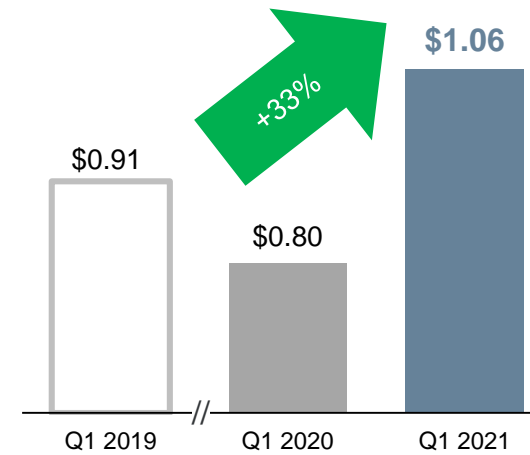
Revenue



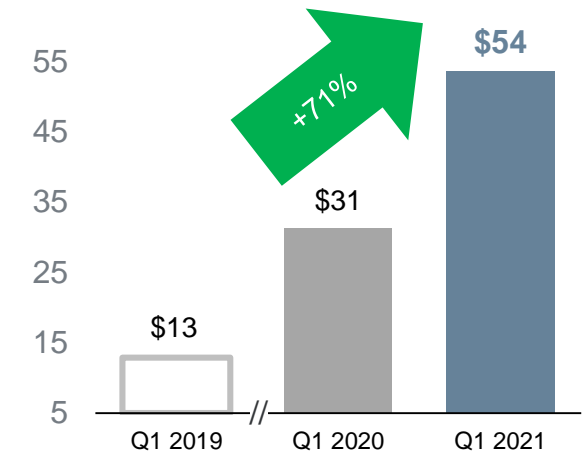
Adjusted Operating Income and Margin



Adjusted EPS



Free Cash Flow



+2% Organic revenue vs PY

- + MT +17% driven by global auto market recovery and continued share gains
- + Growth across Friction, KONI and Axtone
- + Connectors growth +8% (Industrial)
- Lower pump shipments and weak aero demand, as expected

16.8% Adj. operating margin

- + Strong Industrial Process and Motion Technologies performance
- + 280 bps net operating productivity
- + Shop floor productivity, sourcing savings
- Raw material cost headwinds
- Strategic growth investments

\$1.06 Adjusted EPS

- + Higher sales volumes
- + Net productivity
- + Lower corporate costs
- + CARES act, FX benefit
- + Lower share count
- Higher tax rate

\$54M Free Cash Flow

- + Higher segment operating income
- + Expecting capex pick up in 2H
- + Investing in growth working capital

All Results are Unaudited. Comparisons to Q1 2020 Unless Otherwise Noted.
For non-GAAP reconciliations, refer to appendix and www.itt.com/investors



Strong Operational Performance, Surpassing 2019

Q1 Segment Summary Results

Motion Technologies

\$ millions	2021	vs 2020
Revenue	\$369	+24%
Adjusted Segment Operating Income	\$76	+43%
Adjusted Segment Operating Margin	20.6%	+280 bps

- +17% organic revenue growth driven by auto strength (+19%)
- Friction OE +1,500 bps global outperformance^[1]
- Continued strong win rate on EV platforms
 - 9 new platform wins
- Triple-digit margin expansion at KONI and Wolverine
- 32% adj. incremental margin

Industrial Process

\$ millions	2021	vs 2020
Revenue	\$202	(-11%)
Adjusted Segment Operating Income	\$32	+25%
Adjusted Segment Operating Margin	15.8%	+450 bps

- (-12%) organic revenue decline driven by short cycle (-15%) and projects (-1%)
- +17% sequential orders vs Q4 2020
- 1.14x short-cycle book-to-bill
- Adj. op margin driven by productivity, cost action benefits and some non-recurring items
- +\$6M adj. OI growth on \$25M less sales

Connect & Control Technologies

\$ millions	2021	vs 2020
Revenue	\$127	(-8%)
Adjusted Segment Operating Income	\$14	(-19%)
Adjusted Segment Operating Margin	11.2%	(-140) bps

- (-10%) organic revenue decline driven by weak aero demand as expected
- +8% Connectors organic revenue growth
- +3% organic orders driven by connectors (+20%)
 - 1.14x book-to-bill – distribution, defense
 - +12% sequential orders growth vs Q4 2020
- Productivity and benefits of cost actions, offset by lower sales volumes

All Results are Unaudited. Comparisons to Q1 2020 Unless Otherwise Noted. For non-GAAP reconciliations, refer to appendix and www.itt.com/investors

[1] Based on Recognized Auto Industry Data as of April 16, 2021



2021 Guidance Update

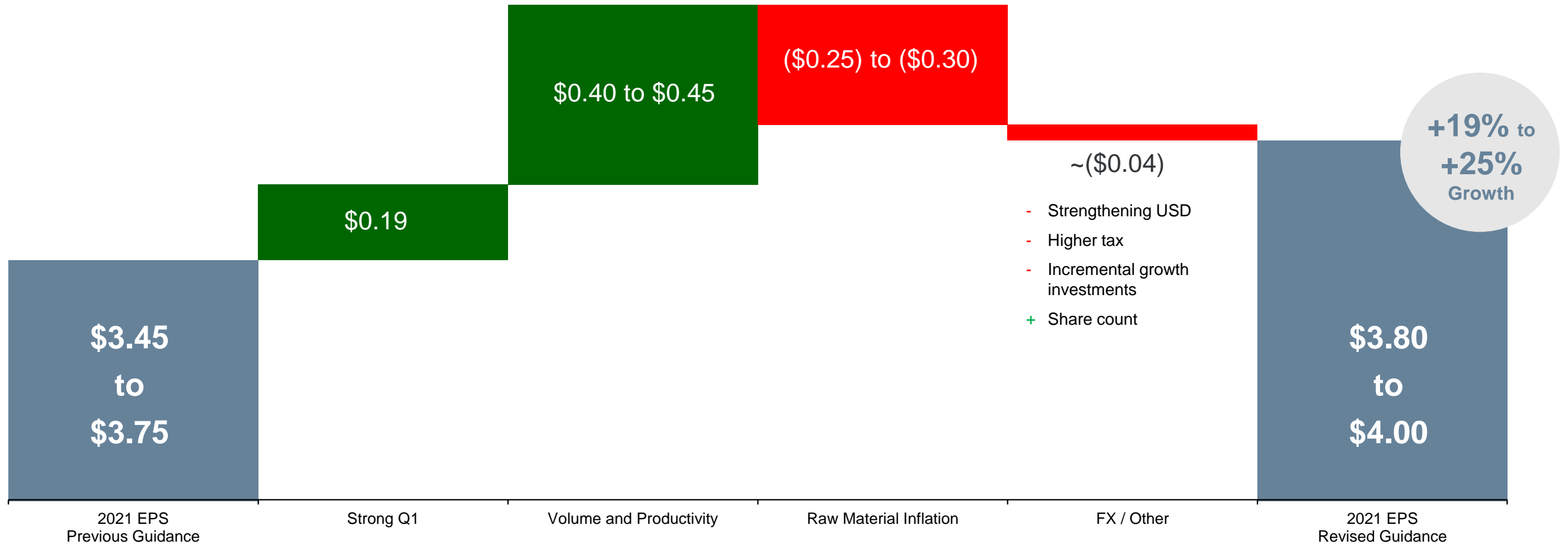
	<i>Previous</i>	<i>Updated</i>	
Revenue	+5% to +7% Total ----- +2% to +4% Organic	+8% to +10% Total ----- +5% to +7% Organic	↑
Adj. segment op margin	16.5% to 17.0% ----- +130 to +180 bps expansion	16.9% to 17.4% ----- +170 to +220 bps expansion	↑
Adj. EPS	\$3.45 to \$3.75 ----- +8% to +17% Growth	\$3.80 to \$4.00 ----- +19% to +25% Growth	↑
Free Cash Flow	\$270M to \$300M ----- 10% to 12% margin	\$300M to \$320M ----- 11% to 12% margin	↑

Changes to Outlook

- Stronger Q1 activity from some pent-up demand in Friction (Auto) and Connectors; order strength in IP short-cycle
- Stronger margin expansion despite headwinds from commodity cost increases, supply chain disruptions and continued growth investments in Q2 to Q4
- EPS increase reflects strong Q1 execution and improved market outlook
 - +\$0.30 increase at the midpoint (+8%)
 - Midpoint of range \$0.09 above 2019
- FCF overdrive in Q1, expect 2H capex ramp
- Plan continues to assume 1% reduction in FY weighted-average share count

All Results are Unaudited. Comparisons to 2020 Unless Otherwise Noted.
For non-GAAP reconciliations, refer to appendix and www.itt.com/investors

2021 Adjusted EPS Outlook



All Results are Unaudited. Comparisons to 2020 Unless Otherwise Noted.
 For non-GAAP reconciliations, refer to appendix and www.itt.com/investors



\$0.30 Increase to Previous Midpoint, Now \$0.09 Above 2019

Summary

- **Encouraging start to 2021**
 - Continuation of strong auto performance
 - Productivity and cost action benefits
- Continue to focus on **productivity** and **commercial excellence** to mitigate expected headwinds in Q2 to Q4
- **Invest in innovation** to drive future growth and sustain outperformance
- **Executed on capital deployment plan** through \$50M in Q1 share repurchases and 30% dividend increase
 - Expect capex acceleration and intensified M&A focus

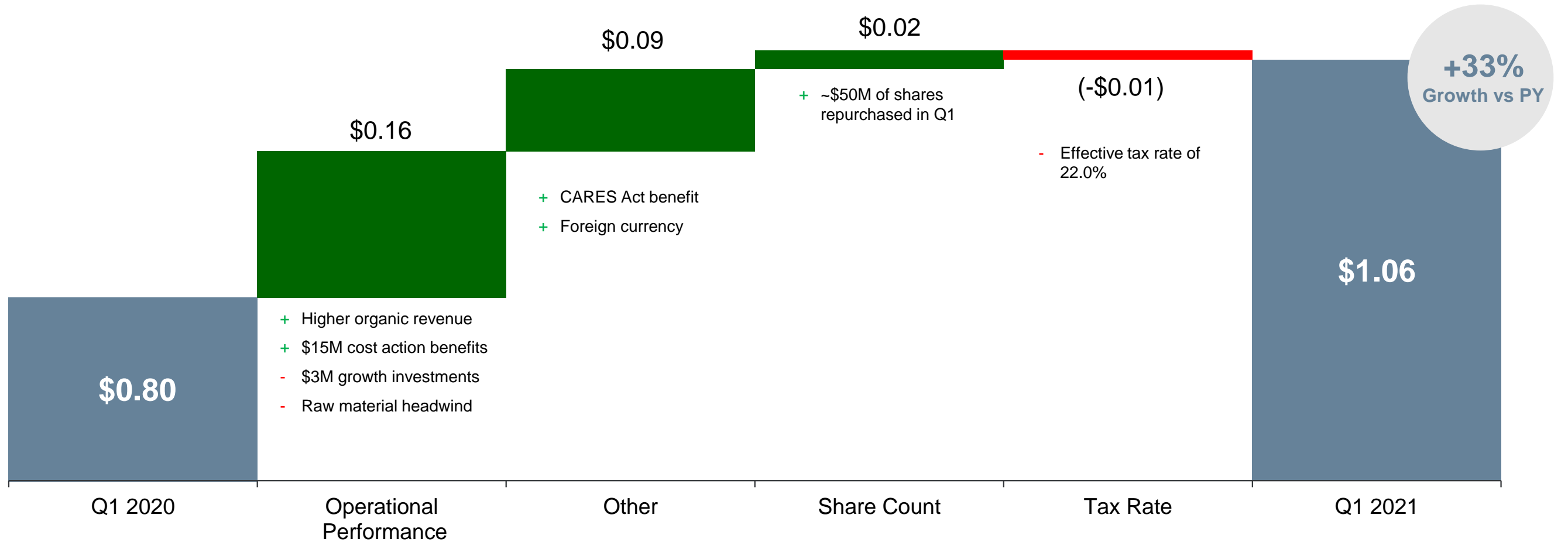


ITT Inc.

Supplemental Data



Q1 Adjusted EPS Bridge



All Results are Unaudited. Comparisons to Q1 2020 Unless Otherwise Noted.
For non-GAAP reconciliations, refer to appendix and www.itt.com/investors



Step-Up in Profitability and Growth

Q1 Adjusted Segment Operating Margin

+300 bps Expansion	
+	Friction share gains
-	Lower volumes in IP and CCT (pre-pandemic impact)
-	Auto OE price
+	2020 cost action benefits
+	Shop floor productivity
+	Supply chain efficiency
-	Commodities inflation
-	Friction Smart Pad investments

	vs. PY
Q1'20 adjusted segment operating margin	14.5%
Volume, mix, price and other	+40 bps
Net operating productivity	+280 bps
Operational margins subtotal	17.7%
FX impact	+30 bps
Strategic investments	(-50 bps)
Q1'21 adjusted segment operating margin	17.5%

All Results are Unaudited. Comparisons to Q1 2020 Unless Otherwise Noted.
For non-GAAP reconciliations, refer to appendix and www.itt.com/investors

Q1 2021 ITT Adjusted Segment Performance

	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segments
Q1 2021 Total Revenue vs PY	23.9%	(-11.0%)	(-8.2%)	5.3%
FX	(-6.8%)	(-1.2%)	(-1.5%)	(-3.8%)
Q1 2021 Organic Revenue vs PY	17.1%	(-12.2%)	(-9.7%)	1.5%
Q1 2020 Adjusted Operating Margin	17.8%	11.3%	12.6%	14.5%
Volume, Mix, Productivity & Other	3.6%	3.8%	(-1.4%)	3.2%
Growth Investments	(-0.8%)	(-0.1%)	0.0%	(-0.5%)
FX	0.0%	0.8%	0.0%	0.3%
Q1 2021 Adjusted Operating Margin	20.6%	15.8%	11.2%	17.5%

All Results are Unaudited. Comparisons to Q1 2020 Unless Otherwise Noted.
For non-GAAP reconciliations, refer to appendix and www.itt.com/investors

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 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 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 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.

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
First Quarter 2021 & 2020
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) Q1 2021	(B) Q1 2020	(C) \$ Change 2021 vs. 2020	% Change 2021 vs. 2020	(D) Acquisition / Divestitures Q1 2021	(E) FX Impact Q1 2021	(F) = A-D-E Revenue / Orders Q1 2021	(G) =C-D-E \$ Change Adj. 2021 vs. 2020	(H) = G / B % Change Adj. 2021 vs. 2020
Revenue									
ITT Inc.	\$ 698.4	\$ 663.3	\$ 35.1	5.3%	\$ -	\$ 25.0	\$ 673.4	\$ 10.1	1.5%
Motion Technologies	369.1	297.9	71.2	23.9%	-	20.3	348.8	50.9	17.1%
Industrial Process	202.3	227.3	(25.0)	(11.0%)	-	2.8	199.5	(27.8)	(12.2%)
Connect & Control Technologies	127.3	138.7	(11.4)	(8.2%)	-	2.0	125.3	(13.4)	(9.7%)
Orders									
ITT Inc.	\$ 732.9	\$ 667.6	\$ 65.3	9.8%	\$ -	\$ 26.2	\$ 706.7	\$ 39.1	5.9%
Motion Technologies	372.3	299.3	73.0	24.4%	-	20.4	351.9	52.6	17.6%
Industrial Process	215.5	229.5	(14.0)	(6.1%)	-	3.8	211.7	(17.8)	(7.8%)
Connect & Control Technologies	145.4	139.7	5.7	4.1%	-	2.0	143.4	3.7	2.6%

Note: Excludes intercompany eliminations
Immaterial differences due to rounding

ITT Inc. Non-GAAP Reconciliation
Reported vs Adjusted Segment Operating Income & Operating Margin
First Quarter 2021 & 2020
(In Millions)

	Q1 2021 As Reported	Q1 2021 Special Items	Q1 2021 As Adjusted	Q1 2020 As Reported	Q1 2020 Special Items	Q1 2020 As Adjusted	% Change As Reported 2021 vs. 2020	% Change As Adjusted 2021 vs. 2020
Revenue:								
Motion Technologies	\$ 369.1		\$ 369.1	\$ 297.9		\$ 297.9	23.9%	23.9%
Industrial Process	202.3		202.3	227.3		227.3	(11.0%)	(11.0%)
Connect & Control Technologies	127.3		127.3	138.7		138.7	(8.2%)	(8.2%)
Intersegment eliminations	(0.3)		(0.3)	(0.6)		(0.6)		
Total Revenue	<u>\$ 698.4</u>		<u>\$ 698.4</u>	<u>\$ 663.3</u>		<u>\$ 663.3</u>	<u>5.3%</u>	<u>5.3%</u>
Operating Margin:								
Motion Technologies	20.6%	- BP	20.6%	17.8%	- BP	17.8%	280 BP	280 BP
Industrial Process	15.3%	50 BP	15.8%	3.9%	740 BP	11.3%	1,140 BP	450 BP
Connect & Control Technologies	9.3%	190 BP	11.2%	11.5%	110 BP	12.6%	(220) BP	(140) BP
Total Operating Segments	<u>17.0%</u>	<u>50 BP</u>	<u>17.5%</u>	<u>11.7%</u>	<u>280 BP</u>	<u>14.5%</u>	<u>530 BP</u>	<u>300 BP</u>
Operating Income:								
Motion Technologies	\$ 76.0	\$ -	\$ 76.0	\$ 53.1	\$ -	\$ 53.1	43.1%	43.1%
Industrial Process	31.0	0.9	31.9	8.9	16.7	25.6	248.3%	24.6%
Connect & Control Technologies	11.8	2.4	14.2	15.9	1.6	17.5	(25.8%)	(18.9%)
Total Segment Operating Income	<u>\$ 118.8</u>	<u>\$ 3.3</u>	<u>\$ 122.1</u>	<u>\$ 77.9</u>	<u>\$ 18.3</u>	<u>\$ 96.2</u>	<u>52.5%</u>	<u>26.9%</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.

ITT Inc. Non-GAAP Reconciliation
Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS
First Quarter 2021 & 2020
(In Millions, except per share amounts)

	Q1 2021		Q1 2021	Q1 2020		Q1 2020	2021	2021
	As	Non-GAAP	As	As	Non-GAAP	As	vs. 2020	vs. 2020
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	As	As
							Adjusted (\$)	Adjusted (%)
Segment operating income	\$ 118.8	\$ 3.3 #A	\$ 122.1	\$ 77.9	\$ 18.3 #A	\$ 96.2		
Corporate (expense) income	(8.9)	3.8 #B	(5.1)	31.4	(38.9) #B	(7.5)		
Operating income (loss)	109.9	7.1	117.0	109.3	(20.6)	88.7		
Interest income (expense)	0.6	-	0.6	0.8	-	0.8		
Other income (expense)	0.7	-	0.7	(1.4)	1.4 #C	-		
Income from continuing operations before tax	111.2	7.1	118.3	108.7	(19.2)	89.5		
Income tax (expense) benefit	(24.7)	(1.3) #D	(26.0)	(24.7)	5.6 #D	(19.1)		
Income from continuing operations	86.5	5.8	92.3	84.0	(13.6)	70.4		
Less: Income attributable to noncontrolling interests	0.3	-	0.3	0.3	-	0.3		
Income from continuing operations - ITT Inc.	\$ 86.2	\$ 5.8	\$ 92.0	\$ 83.7	\$ (13.6)	\$ 70.1		
EPS from continuing operations	\$ 0.99	\$ 0.07	\$ 1.06	\$ 0.95	\$ (0.15)	\$ 0.80	\$ 0.26	32.5%

Note: Amounts may not calculate due to rounding.

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

#A - 2021 includes restructuring costs (\$3.3M).

#A - 2020 includes impairment charges (\$16.3M), restructuring costs (\$1.6M) and acquisition related costs (\$0.4M).

#B - 2021 includes asbestos related expense (\$2.4M), other costs (\$1.1M) and restructuring costs (\$0.3M).

#B - 2020 includes asbestos related benefit (\$40.7M), restructuring costs (\$1.5M) and other costs (\$0.3M). The (\$40.7M) net asbestos benefit includes the impact from a favorable settlement agreement (\$52.5M), partially offset by asbestos related costs to maintain 10 year accrual (\$11.8M).

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

#D - 2021 includes the net tax benefit of special items #A and #B (\$1.3M) and tax expense on future distribution of foreign earnings (\$2.5M), partially offset by tax benefit for valuation allowance impacts (\$2.1M) and other tax related special items.

#D - 2020 includes tax-related expense of special items #A, #B and #C (\$7.6M) and tax expense on future distribution of foreign earnings (\$1.7M), partially offset by tax benefit for valuation allowance change (\$2.2M) and other tax related 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)	(B)	(C)	(D)	(A) = (B) + (C) - (D)	(B)	(C)	(D)
	Q1 2021 TTM	Q1 2021	FY20	Q1 2020	Q1 2020 TTM	Q1 2020	FY19	Q1 2019
Net Cash - Operating Activities #A	\$ 453.2	\$ 70.8	\$ 435.9	\$ 53.5	\$ 369.1	\$ 53.5	\$ 357.7	\$ 42.1
Capital expenditures	58.7	17.2	63.7	22.2	84.4	22.2	91.4	29.2
Free Cash Flow	\$ 394.5	\$ 53.6	\$ 372.2	\$ 31.3	\$ 284.7	\$ 31.3	\$ 266.3	\$ 12.9
Revenue	\$ 2,512.9	\$ 698.4	\$ 2,477.8	\$ 663.3	\$ 2,814.2	\$ 663.3	\$ 2,846.4	\$ 695.5
Free Cash Flow Margin	15.7%		15.0%		10.1%		9.4%	

#A - 2021 TTM includes payments for asbestos (\$5.3M) and restructuring (\$34.6M).

#A - 2020 TTM includes payments for asbestos (\$17.8M) and restructuring (\$13.1M).

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	\$ 3.65	\$ 3.91
Estimated restructuring, net of tax	0.16	0.12
Estimated asbestos related costs, net of tax	0.06	0.05
Other costs, net of tax	(0.07)	(0.08)
EPS from Continuing Operations - Adjusted	\$ 3.80	\$ 4.00

Note: The Company has provided forward-looking non-GAAP financial measures for organic revenue growth, adjusted segment operating margin, and adjusted free cash flow conversion. 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, adjusted segment operating margin, and adjusted free cash flow conversion 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	\$ 400.0	\$ 420.0
Capital expenditures	100.0	100.0
Free Cash Flow	\$ 300.0	\$ 320.0
Revenue #A	\$ 2,712.0	\$ 2,712.0
Free Cash Flow Margin	11%	12%

#A Represents the midpoint of the revenue range provided of 8% to 10%.