

ITT Inc.

G.research

29<sup>th</sup> Annual Pump,  
Valve & Water  
Systems  
Symposium

02.28.2019



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,” “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.

# Global Diversified Industrial Leader

**\$2.75B**  
Annual Sales

**10,000**  
Employees in 35  
Countries

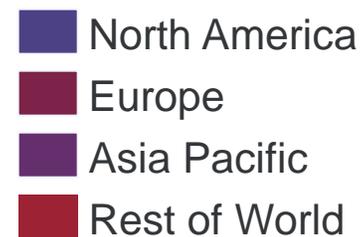
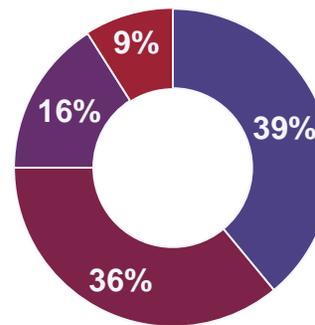
**\$367M**  
Adjusted  
Operating Income

**1,000**  
Engineers

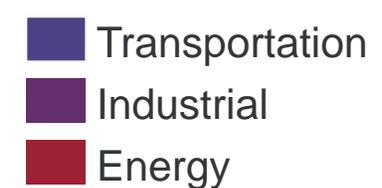
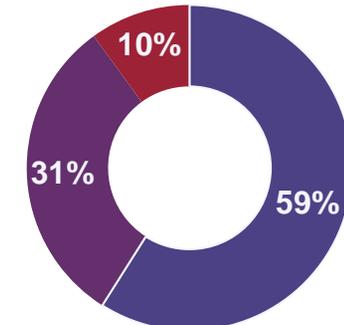
**30+**  
Lead Global  
Brands

**1,700**  
Active Patents  
and Applications

## Geography



## Market



We engineer high-performance components that ensure safety and comfort across dynamic end markets aligned with secular growth trends

CUSTOMER  
CENTRICITY

OPERATIONAL  
EXCELLENCE

EFFICIENT  
CAPITAL  
DEPLOYMENT

Execution + Accountability + Speed

High Performance Culture

## Capital Deployment Philosophy

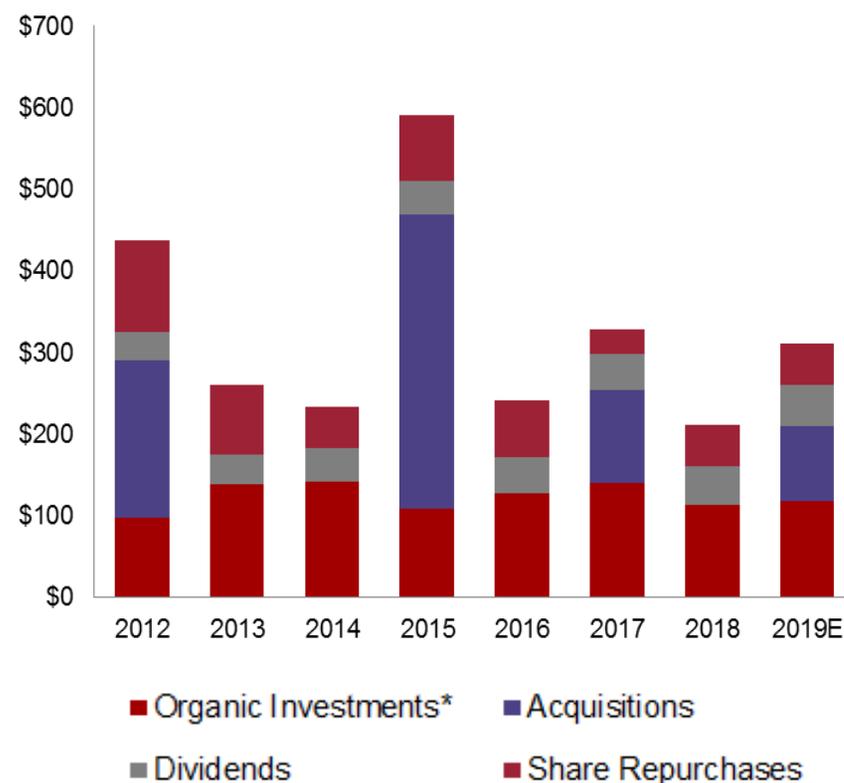
- **Maintain Investment Grade Balance Sheet**
- **Fund Organic Investments**
  - Capital Expenditures That Drive ROIC Expansion
  - Fund Geographic Expansion
  - Investments In Auto for Awarded Platforms
- **Targeted Acquisitions** 
  - Financial Metrics Delivered
  - Close-to-Core & Selected Adjacencies
  - All VCs Ready for Inorganic Growth
  - Intensified Cultivation of Targets
- **Growth Dividend**

## Balanced Deployment Track Record

**~\$800M**  
in acquisitions

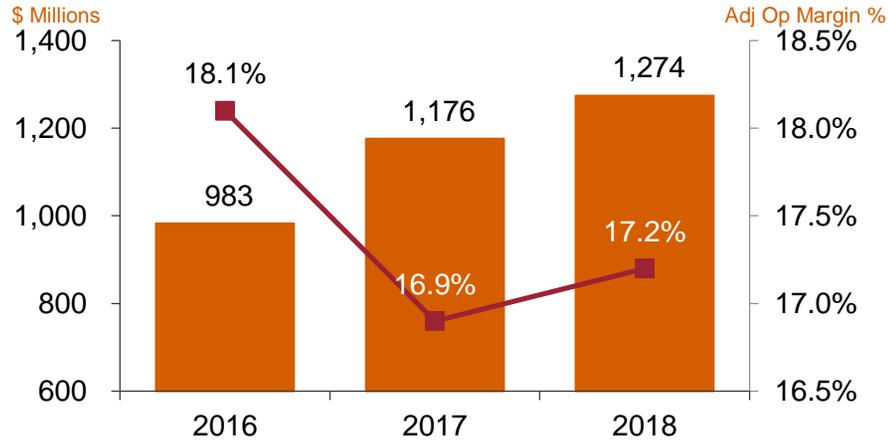
**~\$900M**  
in repurchases and  
dividends

**~\$1,000M**  
in organic  
investments



\*Includes Both Capital Expenditures & Strategic Investments

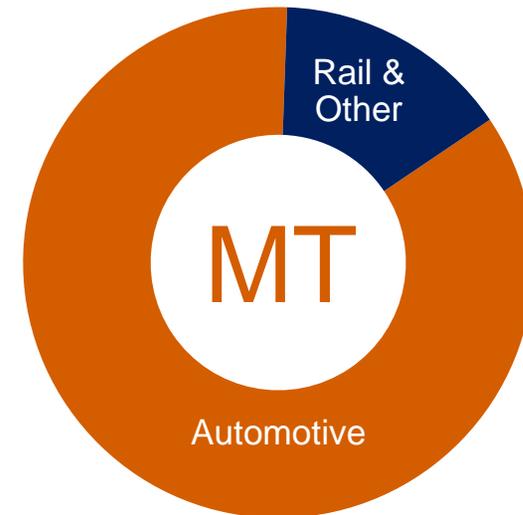
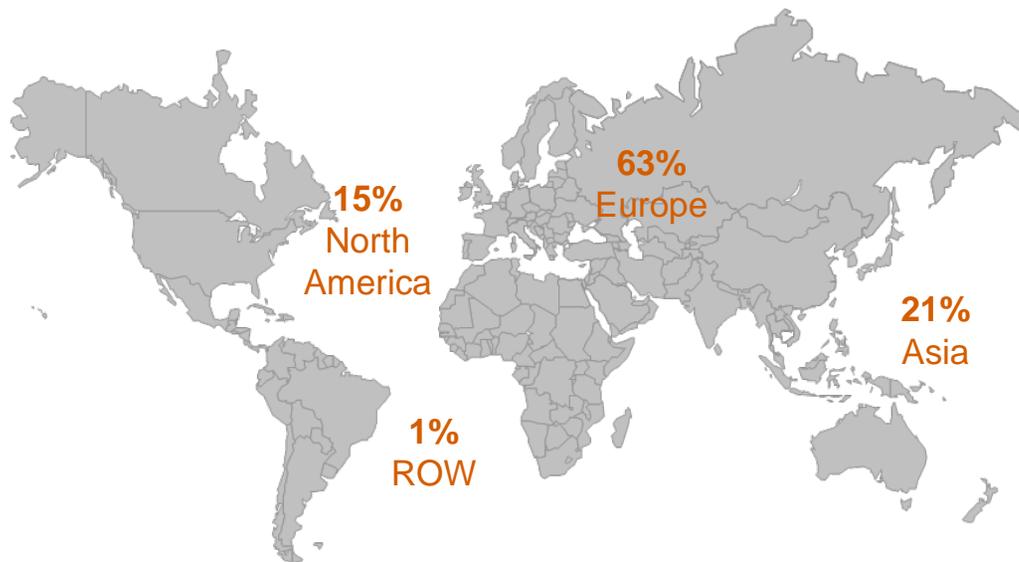
## Revenue & Adj Margins



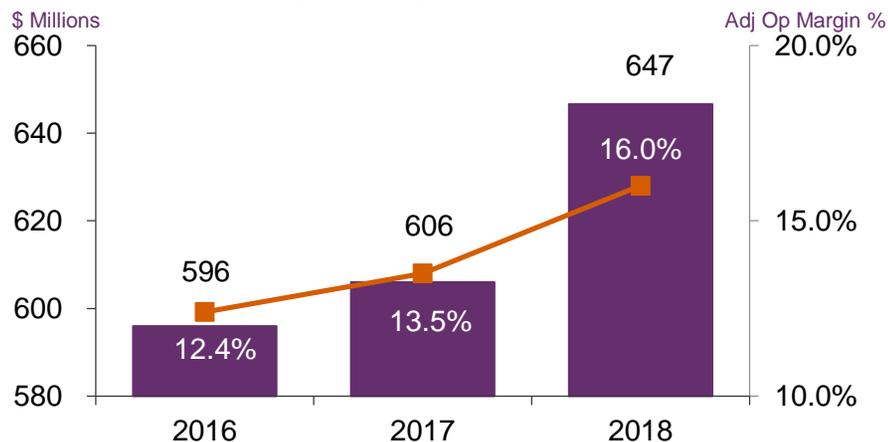
## Long-Term Growth Drivers

- ▣ Growing Global Transportation Powerhouse
  - Outgrow Global Markets on Share Gains
- ▣ L-T Platform Visibility & ~35% Aftermarket Provide Solid Annual Revenue Foundation
- ▣ World-Class Manufacturing & R&D
  - Including Ground-Breaking Material Science, Electric Vehicle Friction, and Rail Technologies

## 2018 Revenue Breakdown



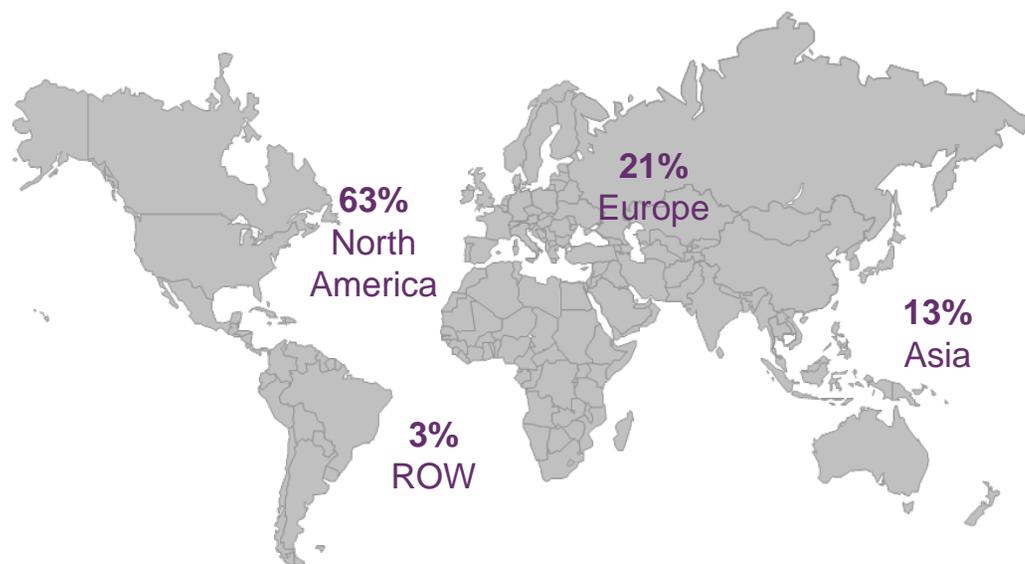
## Revenue & Adj Margins



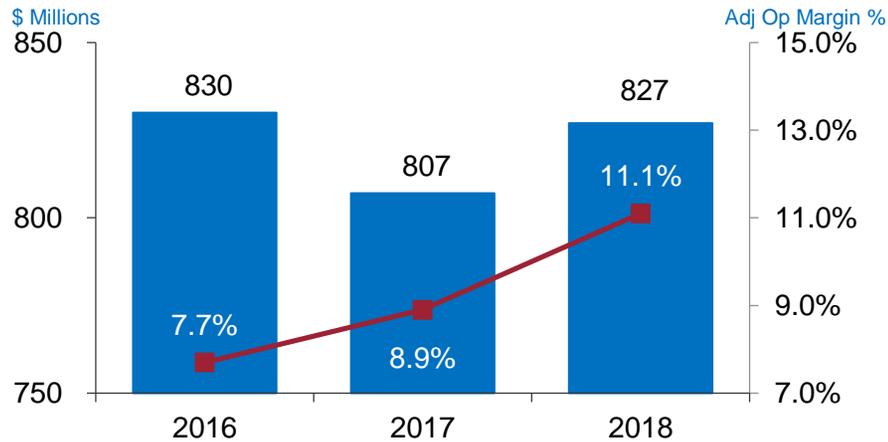
## Long-Term Growth Drivers

- ~60% Aerospace & Defense
  - Expand Rotorcraft, Composite, & Aftermarket Portfolio
  - Leverage Scale at Manufacturing Centers of Excellence
- ~40% Gen Industrial, Transportation, Medical, O&G
  - Enhanced Product Offerings, Including Medical, Electric Vehicle and O&G Connectors
- Driving Significant Margin Expansion in 2019

## 2018 Revenue Breakdown



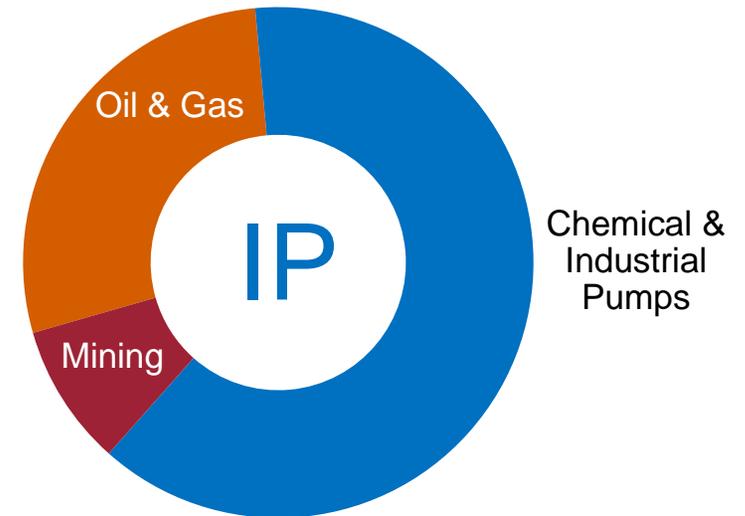
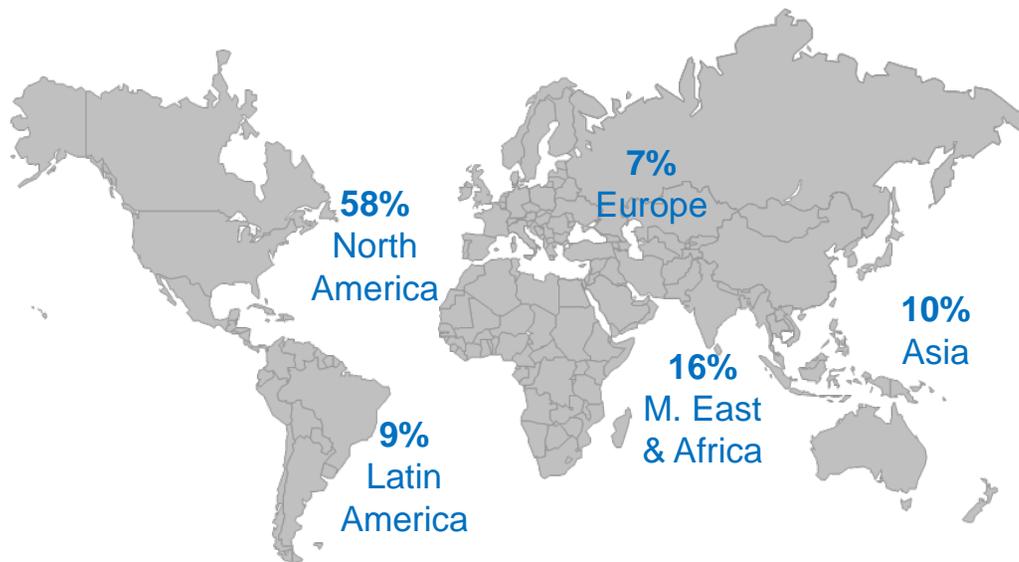
## Revenue & Adj Margins



## Long-Term Growth Drivers

- ❑ Strong Goulds Pumps Brand & Reputation in NA with Significant Opportunities to Expand Globally
- ❑ Leader in North American Chemical & GI Markets
- ❑ Leader in Industrial Health Monitoring Technology
- ❑ >40% Aftermarket Revenues
- ❑ Driving Global Execution
  - Targeting Triple-Digit Margin Expansion in 2019

## 2018 Revenue Breakdown



# Industrial Process Brand Recognition



*i*-ALERT<sup>®</sup>



**C'treat**



- Acquisition Announced in February
- Expected Close in Q2



## **Bornemann**

- Increases Production
- Extends Well Life
- Simplifies Field Layout
- Lowers Capital & Maintenance Costs by as Much as 60%



Multiphase Boosting in Africa

## Eliminates Need for Flaring



# Supplemental Data

02.28.2019



\$ millions, except per share amounts	2018	vs 2017
Total Orders	\$2,892	+10%
Total Revenue	\$2,745	+6%
Adj Segment Operating Income	\$414	+18%
Adj Operating Income	\$367	+17%
Adjusted EPS	\$3.23	+25%

## +8% Organic Orders

- ↑ +15% Oil & Gas: +14% Pump Projects & Short-Cycle; Connector Activity in NA & ME
- ↑ +11% Industrial: NA Petrochem & Chem Projects & Strong Valves Growth
- ↑ +6% Transportation: +13% Aerospace & Defense; +11% KONI Rail; Solid Friction in NA & China

## +4% Organic Revenue

- ↑ +6% Industrial: +16% Chemical on Petrochem & Biopharm, Partially Offset by Power
- ↑ +5% Transportation: +7% Friction OEM, +12% KONI Rail; +7% Commercial Aerospace
- ↓ (-4%) Oil & Gas: Pump Project Timing, Partially Offset by Connectors

## +18% Adj Segment OI

- ↑ Global Volume Leverage
- ↑ Manufacturing & Supply Chain Productivity
- ↓ Higher Commodity Costs, Partially Offset by FX
- (-\$18M) Strategic Investments in Mexico Ramp Up, ITT Smart Pad, and Rotorcraft

## +25% Adj EPS

- ↑ Significant Segment OI Growth
- ↑ Tax Favorability
- ↓ Higher Corporate, Including Incentive Comp

\*Includes Both Capital Expenditures & Strategic Investments



## Financial Highlights

- **\$2.89B** Total Orders **+10%**; Organic **+8%**
- **\$2.75B** Total Revenue **+6%**; Organic **+4%**
- **15.1%** Adj Seg Operating Margin **+150 bps**; **+18%** Adj Seg OI
- **\$3.23** Adj EPS **+25%**
- **108%** Adj Free Cash Flow (FCF) Conversion; **\$309M** Adj FCF **+34%**



## Operational Excellence

- **Record** Orders, Revenue, Adj Seg OI & Margin, Adj EPS and Adj FCF
- **Exceptional Execution** at New MT Mexico Facility & CCT Connectors
- **20.1%** Working Capital % of Sales; **100 bps Improvement** vs PY ex FX



## Growth & Innovation

- **+14%** Organic Backlog Led by IP **+18%** & CCT **+18%**
- **+800 bps** MT Friction OEM Outperformance vs Global Market
- **Awards Exceed** 2018 Friction OEM Target; Inc **Major Q4 NA Front Axle Win**
- **Accelerated** Innovation Cycle for Smart Products & Target Technologies



## Capital Deployment

- **Centers of Excellence:** Mexico State-of-the-Art Friction Manufacturing
- **Innovation Centers:** European Friction and US Rotorcraft
- **\$97M Returned to Shareholders:** Dividends & Share Repurchases

# FY 2018 ITT Adjusted Segment Performance

	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segments
FY 2018 Total Revenue vs PY	8.3%	2.5%	6.8%	6.2%
FX	-3.6%	0.2%	-0.9%	-1.8%
Acquisition/Disposition	-0.5%	0.0%	0.0%	-0.2%
FY 2018 Organic Revenue vs PY	<u>4.2%</u>	<u>2.7%</u>	<u>5.9%</u>	<u>4.2%</u>
<hr/>				
FY 2017 Adj Operating Margin	16.9%	8.9%	13.5%	13.6%
Volume, Mix, Productivity & Other	0.6%	2.5%	2.6%	1.7%
Growth Investments	-1.2%	-0.1%	-0.3%	-0.7%
Acquisition/Disposition	0.0%	0.0%	0.0%	0.0%
FX	0.9%	-0.2%	0.2%	0.5%
FY 2018 Adj Operating Margin	<u>17.2%</u>	<u>11.1%</u>	<u>16.0%</u>	<u>15.1%</u>

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. 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 revenues 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, Adjusted Segment Operating Income and Adjusted Segment Operating Margin** are defined as total operating income and segment operating income, adjusted to exclude special items that include, but are not limited to, asbestos-related costs, restructuring costs, realignment costs, certain acquisitions-related expenses, and unusual or infrequent operating items. Special items represent significant charges or credits that impact the current results, which management views as unrelated to the Company's ongoing operations and performance. Adjusted segment operating margin is defined as adjusted segment operating income divided by total revenue. We believe that adjusted segment operating income 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 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 costs, restructuring costs, realignment costs, pension settlement and other curtailment costs, certain acquisition-related expenses, income tax settlements or adjustments, and unusual and infrequent non-operating 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 free cash flow may not be available for discretionary purposes. We believe that adjusted free cash flow provides 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.

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Organic Revenue / Order Growth**  
**Full Year 2018 & 2017**  
(In Millions)



	(As Reported - GAAP)				(As Adjusted - Organic)					
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E		(G) = C-D-E	(H) = G / B
	12M 2018	12M 2017	Change 2018 vs. 2017	% Change 2018 vs. 2017	Acquisition / Divestitures 12M 2018	FX Impact 12M 2018	Revenue / Orders 12M 2018	Change Adj. 2018 vs. 2017	% Change Adj. 2018 vs. 2017	
<b>Revenue</b>										
<b>ITT Inc.</b>	<b>2,745.1</b>	<b>2,585.3</b>	<b>159.8</b>	<b>6.2%</b>	<b>5.5</b>	<b>45.7</b>	<b>2,693.9</b>	<b>108.6</b>	<b>4.2%</b>	
Motion Technologies	1,274.1	1,176.0	98.1	8.3%	5.5	42.7	1,225.9	49.9	4.2%	
Industrial Process	827.1	807.2	19.9	2.5%	-	(2.0)	829.1	21.9	2.7%	
Connect & Control Technologies	646.6	605.6	41.0	6.8%	-	5.1	641.5	35.9	5.9%	
<b>Orders</b>										
<b>ITT Inc.</b>	<b>2,891.9</b>	<b>2,619.4</b>	<b>272.5</b>	<b>10.4%</b>	<b>17.7</b>	<b>48.7</b>	<b>2,825.5</b>	<b>206.1</b>	<b>7.9%</b>	
Motion Technologies	1,295.6	1,198.8	96.8	8.1%	17.7	44.9	1,233.0	34.2	2.9%	
Industrial Process	902.1	799.8	102.3	12.8%	-	(1.5)	903.6	103.8	13.0%	
Connect & Control Technologies	696.3	624.1	72.2	11.6%	-	5.3	691.0	66.9	10.7%	

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Full Years 2018 & 2017**  
(In Millions)



	12M 2018	12M 2018	12M 2018	12M 2017*	12M 2017	12M 2017	% Change As Reported 2018 vs. 2017	% Change As Adjusted 2018 vs. 2017
	<u>As Reported</u>	<u>Special Items</u>	<u>As Adjusted</u>	<u>As Reported</u>	<u>Special Items</u>	<u>As Adjusted</u>		
<b>Revenue:</b>								
Motion Technologies	1,274.1		1,274.1	1,176.0		1,176.0	8.3%	8.3%
Industrial Process	827.1		827.1	807.2		807.2	2.5%	2.5%
Connect & Control Technologies	646.6		646.6	605.6		605.6	6.8%	6.8%
Intersegment eliminations	(2.7)		(2.7)	(3.5)		(3.5)		
<b>Total Revenue</b>	<u>2,745.1</u>		<u>2,745.1</u>	<u>2,585.3</u>		<u>2,585.3</u>	<u>6.2%</u>	<u>6.2%</u>
<b>Operating Margin:</b>								
Motion Technologies	17.5%	(30) BP	17.2%	16.2%	70 BP	16.9%	130 BP	30 BP
Industrial Process	11.1%	- BP	11.1%	8.2%	70 BP	8.9%	290 BP	220 BP
Connect & Control Technologies	14.9%	110 BP	16.0%	11.3%	220 BP	13.5%	360 BP	250 BP
<b>Total Operating Segments</b>	<u>15.0%</u>	<u>10 BP</u>	<u>15.1%</u>	<u>12.5%</u>	<u>110 BP</u>	<u>13.6%</u>	<u>250 BP</u>	<u>150 BP</u>
<b>Income (loss):</b>								
Motion Technologies	223.4	(4.3)	219.1	190.2	8.7	198.9	17.5%	10.2%
Industrial Process	91.4	0.1	91.5	65.8	5.9	71.7	38.9%	27.6%
Connect & Control Technologies	96.5	7.1	103.6	68.4	13.1	81.5	41.1%	27.1%
<b>Total Segment Operating Income</b>	<u>411.3</u>	<u>2.9</u>	<u>414.2</u>	<u>324.4</u>	<u>27.7</u>	<u>352.1</u>	<u>26.8%</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 operating items including certain legal matters.

\*2017 As Reported Operating Income was adjusted to reflect the adoption of ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans.

The 2017 adjustments to Segment Operating Income in the 2017 As Reported column were as follows:

Motion Technologies	0.2
Industrial Process	6.3
Connect & Control Technologies	1.7
<b>Total Segment Operating Income</b>	<u>8.2</u>

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Full Year 2018 & 2017**



(In Millions, except per share amounts)

	12M 2018 As Reported	Non-GAAP Adjustments	12M 2018 As Adjusted	12M 2017 As Previously Reported	ASU 2017-07 Adjustments (1)	Non-GAAP Adjustments	12M 2017 As Adjusted	2018 vs. 2017 As Adjusted	Percent Change 2018 vs. 2017 As Adjusted
Segment Operating Income	411.3	2.9 #A	414.2	316.2	8.2	27.7 #A	352.1		
Corporate (Expense)	(14.0)	(32.9) #B	(46.9)	(6.5)	1.4	(34.1) #B	(39.2)		
Operating Income	<u>397.3</u>	<u>(30.0)</u>	<u>367.3</u>	<u>309.7</u>	<u>9.6</u>	<u>(6.4)</u>	<u>312.9</u>		
Interest Income (Expense)	(0.4)	0.7 #C	0.3	0.3	-	(2.5) #C	(2.2)		
Other Income (Expense)	(5.9)	1.7 #D	(4.2)	(0.6)	(9.6)	3.6 #D	(6.6)		
Income from Continuing Operations before Tax	<u>391.0</u>	<u>(27.6)</u>	<u>363.4</u>	<u>309.4</u>	<u>-</u>	<u>(5.3)</u>	<u>304.1</u>		
Income Tax (Expense)	(57.7)	(17.9) #E	(75.6)	(194.6)	-	120.7 #E	(73.9)		
Income from Continuing Operations	<u>333.3</u>	<u>(45.5)</u>	<u>287.8</u>	<u>114.8</u>	<u>-</u>	<u>115.4</u>	<u>230.2</u>		
Less: Non Controlling Interest	0.9	-	0.9	(0.2)	-	-	(0.2)		
Income from Continuing Operations - ITT Inc.	<u>332.4</u>	<u>(45.5)</u>	<u>286.9</u>	<u>115.0</u>	<u>-</u>	<u>115.4</u>	<u>230.4</u>		
EPS from Continuing Operations	<u>3.75</u>	<u>(0.52)</u>	<u>3.23</u>	<u>1.29</u>	<u>-</u>	<u>1.30</u>	<u>2.59</u>	<u>0.64</u>	24.7%

Note: Amounts may not calculate due to rounding.

#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).

#A - 2017 includes restructuring and realignment costs (\$18.5M), legal accrual (\$5.0M), net acquisition related costs (\$4.1M), and other costs (\$0.1M).

#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).

#B - 2017 includes income of (\$20.2M) related to environmental insurance recovery, certain costs associated primarily with sale of excess property (\$5.1M), restructuring and other acquisition related costs (\$0.2), franchise tax adjustment (\$0.7) and asbestos related income (\$19.9M).

Note: (\$19.9M) net asbestos related income includes adjustment to maintain 10 year accrual (\$56.5M) offset by re-measurement income (\$76.4M).

#C - 2018 Interest expense related to a change in uncertain tax position and prior year tax audit refund.

#C - 2017 Interest income related to a change in uncertain tax position.

#D - Other income includes net pension settlement costs in 2018 and net pension curtailment and other costs in 2017 both related to the Industrial Process segment.

#E - 2018 includes various tax-related special items including a tax benefit for current and future distribution of foreign earnings (\$2.6M), tax benefit for valuation allowance change (\$23.7M), tax expense for tax rate change (\$2.0M), tax benefit for tax law changes (\$2.6M), tax benefit for return to accrual adjustment (\$1.1M), tax benefit for change in uncertain tax positions (\$4.0M), tax expense for audit settlement (\$1.4M), tax expense for GILTI tax expense allocation (\$1.7M) and the tax impact of other operating special items.

#E - 2017 includes various tax-related special items, including provisional U.S. transition tax expense resulting from U.S. tax law change (\$57.9M), tax expense from the U.S. tax rate reduction on deferred tax assets (\$86.0M), and a tax benefit (\$14.7M) on the remeasurement of U.S. tax on undistributed foreign earnings. In addition, special items include tax benefit on excess stock based compensation (\$2.7M), tax benefit from retroactive application of Italian patent box incentive (\$3.4M), tax benefit for other tax rate changes (\$2.7M), tax benefit for change in uncertain tax positions (\$3.6M), and the tax impact of other operating special items.

(1) The adjustments in December 2017 reflect the adoption of ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans.

**ITT Inc. Non-GAAP Reconciliation**  
**Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion**  
**Full Year 2018 & 2017**  
(In Millions)



	<u>12M 2018</u>	<u>12M 2017</u>
<b>Net Cash - Operating Activities *</b>	<b>371.8</b>	<b>247.2</b>
Capital expenditures	95.5	113.3
<b>Free Cash Flow</b>	<b><u>276.3</u></b>	<b><u>133.9</u></b>
Insurance settlement agreement, net	(16.9)	-
Asbestos cash payments, net	40.8	45.3
Restructuring cash payments	8.2	17.8
Realignment-related cash payments	0.5	11.3
Discretionary Pension Contributions, net of tax	-	22.1
<b>Adjusted Free Cash Flow</b>	<b><u>308.9</u></b>	<b><u>230.4</u></b>
<b>Income from Continuing Operations - ITT Inc.</b>	<b>332.4</b>	<b>115.0</b>
Special Items, net of tax	(45.5)	115.4
<b>Income from Continuing Operations - ITT Inc., Excluding Special Items</b>	<b><u>286.9</u></b>	<b><u>230.4</u></b>
<b>Adjusted Free Cash Flow Conversion</b>	<b><u>107.7%</u></b>	<b><u>100.0%</u></b>

\* 2017 revised to reflect the new standard ASU 2016-18 regarding presentation of the changes in restricted cash.