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ITT Inc.  
Q3 2018 Earnings Call  
November 2, 2018



# 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,” “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.



# Q3 2018 ITT Highlights



## Financial Highlights

- **\$681M** Total Revenue **+6%**; **Organic +7%**
- **\$722M** Total Orders **+10%**; **Organic +11%**
- **15.7%** Adj Segment Operating Margins **+150 bps**; **+17%** Adj Segment OI
- **\$0.82** Adj EPS **+24%**
- **Raising** FY Organic Rev Growth & Midpoint of Adj EPS Guidance



## Execution

- Record Q3 Orders, Revenue, Adj Segment OI, and Adj EPS
- 15.7% Adj Segment OI Margin, Sets All-Time Record
- +110 bps Improvement in Working Capital as % of Sales
- 100% Adj Free Cash Flow Conversion; +30% Adj Free Cash Flow



## Growth & Innovation

- +5% or Better Organic Revenue Growth Delivered at Each Segment
  - MT Share Gains Drive Growth in China & North America
- +11% Organic Order Growth Led by IP +26% and CCT +17%
- 7 Key New Friction OEM Wins (75% China; 59% Front Axle)



## Capital Deployment

- Increased Investment in Rotorcraft and Smart Pad Technology
- Announcing Up to \$25M in Incremental Share Repurchases
- \$38M Net Gain on Sale of a Former Connector Facility
- Net Asbestos Liability Declined 10% vs 12/31/17 to \$456M



# Q3 2018 ITT Results

## Continuing Operations (unaudited)

\$ millions, except per share amounts

	Q3 2018	vs. 2017
Total Orders	\$722	+10%
Total Revenue	\$681	+6%
Adjusted Segment Operating Income	\$107	+17%
Adjusted Operating Income	\$94	+18%
Adjusted EPS	\$0.82	+24%

### +11% Organic Orders

- ▲ +74% IP Projects Led by Chemical and Gen Industrial
- ▲ +33% CCT Connectors with Double-Digit Growth in Every Major Market
- ▲ +6% MT Friction on China & NA OEM & Europe Aftermarket Strength

### +7% Organic Revenue

- ▲ +6% Transportation Led by +7% Friction and +8% Aerospace & Defense
- ▲ +8% Industrial Led by +22% Chemical and +8% Mining
- ▲ +8% Oil & Gas Primarily Due to Connectors Strength



### +17% Adjusted Segment Op Income

- ▲ Volume Leverage at Each Segment
- ▲ Productivity & Supply Chain Actions
- ▼ Unfavorable FX and Higher Commodity Costs
  - \$5M Growth Investments in NA Facility Ramp Up, ITT Smart Pad, and Rotorcraft

### +24% Adjusted EPS

- ▲ Strong Segment Execution
- ▼ Higher Corporate Costs, Primarily Incentive Compensation
- ▲ \$0.03 Tax Favorability Due to Italian Rate Reduction Actions & Lower US Corporate Tax Rate

# Q3 2018 Adjusted Segment Op Margins

## Q3 2018

### ▲ Top Line Drivers

- Strong IP Projects and Short-Cycle Growth and Price
- CCT Connector & Aero Components Vol.
- Positive MT Friction Volume Partially Offset by Price

### ▲ Strong Operational Execution

- Productivity, Including Supply Chain & Restructuring Actions
- Improved Project Execution at IP
- Continued Operational Improvements at Connector Facilities

### ▼ Higher Commodity Costs

- Growth Investments
  - Production Ramp at MT NA Facility
  - ITT Smart Pad Advancement
  - Rotorcraft Expansion

Q3 2017 Adjusted Segment Operating Margin

vs. PY

14.2%

Volume, Mix, Price & Other

+80 bps

Net Operating Productivity

+130 bps

Operational Margins Subtotal

16.3%

FX

+10 bps

Growth Investments

-70 bps

Q3 2018 Adjusted Segment Operating Margin

15.7%





# Motion Technologies

## Q3 2018 Results

\$ millions (unaudited)	2018	vs. 2017
Total Revenue	\$310	+3%
Adjusted Segment Operating Income	\$57	+8%

### +5% Organic Revenue

- ▲ +7% Friction Growth
  - Friction OEM on Share Gains in NA & China
  - Aftermarket Growth in Europe
- ▲ +3% KONI on High Speed Rail & Aftermarket, Partially Offset by Difficult PY Defense Comparisons
- ▼ (-4%) Wolverine on Sealings Platform Transition Timing

### +8% Adjusted Op Income

- ▲ Favorable Volume & Aftermarket Mix
- ▲ Strong Operating & Supply Chain Productivity
- ▼ Higher Commodity Costs
- ▼ Contractual Pricing Impacts
- \$4M Strategic Investments

### Q3 Highlights

- ▲ 18.3% Segment OI Margins +80 bps vs PY
- ▲ +5% Total Organic Orders, Ex PY \$22M KONI Defense Order
  - +6% Friction Order Growth
  - (-28%) KONI Orders Due to PY \$22M Defense Order
- ▲ Friction OEM Share Gains in Strategic Markets
  - +12% North America vs +3% Market
  - +8% China vs (-4%) Market
  - 7 Key New Friction OEM Awards
- Strategic Investments to Drive Long-Term Growth
  - Global Manufacturing Footprint
  - ITT Smart Pad Gaining On-Board Momentum





# Industrial Process

## Q3 2018 Results

\$ millions (unaudited)	2018	vs. 2017
Total Revenue	\$205	+4%
Adjusted Segment Operating Income	\$24	+35%

### +6% Organic Revenue

- ▲ +11% Projects on Strong Petrochem and O&G Activity
- ▲ +4% Short-Cycle Businesses
  - +27% Valves Led by Solid Chemical/BioPharm
  - +3% Parts Driven by Growth in NA Chemical
  - (-1%) Baseline Pumps Due to Timing

### +35% Adjusted Op Income

- ▲ Improved Volumes, Price, and Short-Cycle Mix
- ▲ Productivity, Including Supply Chain & Restructuring
- ▲ Continued Project Execution Benefits
- ▲ Price Actions Offset Material Cost Increases

### Q3 Highlights

- ▲ 11.6% Adj Segment OI Margins +270 bps vs PY
- ▲ +550 bps Improvement in Working Capital as % of Sales
- ▲ +26% Organic Orders vs PY
  - +74% Projects, Led by Chemical and General Industrial
  - +15% Short-Cycle vs PY on Broad Based Demand
    - +23% Valves
    - +19% Aftermarket Service & Parts
    - +5% Baseline Pumps
- ▲ Solid Double-Digit Order Growth in O&G, Chemical & GI
- ▲ +24% Backlog ex FX Since January
- ▲ +20% Project Funnel Since January
- ▲ Solid YTD Book-to-Bill at ~1.2X





# Connect & Control Technologies

## Q3 2018 Results

\$ millions (unaudited)	2018	vs. 2017
Total Revenue	\$166	+11%
Adjusted Segment Operating Income	\$27	+25%

### +11% Organic Revenue

- ▲ +13% Commercial Aerospace on Strong Connectors, Components, and Rotorcraft
- ▲ +75% O&G Connectors with Strength Across All Regions
- ▲ +6% General Industrial Due to Solid Connector Activity Partially Offset by Weak Process Controls
  - +101% EV Connectors on Strong Growth in Europe & NA

### +25% Adjusted Op Income

- ▲ Volume Leverage
- ▲ +470 bps Margin Improvement in Connectors
- ▲ Significant Productivity & Restructuring Benefits
- ▼ Material Cost Headwinds

### Q3 Highlights

- ▲ 16.0% Adj Segment OI Margins +180 bps vs PY
  - Connector Margins Reach All-Time Record
- ▲ +17% Organic Order Growth
  - +33% Broad-based Connectors Growth
    - +92% EV Connectors Due to Increased High Power Charging Demand
    - +73% Defense Driven by Large Program Releases
    - +39% Commercial Aero on Strong Aircraft Demand
    - +22% O&G Led by NA & Asia
  - (-11%) Comm Aero Components Primarily Due to PY Order
  - Solid YTD Book to Bill at ~1.1X
- ▲ Share Gains Across Key Growth Markets
  - Outperformance in Connectors & Rotorcraft



Adj: Defined as Adjusted Non-GAAP Results



# Q3 2018 Asbestos Update

## Successful Asbestos Liability Strategy

- \$52M Net Liability Reduction Since 12/31/17
  - Significant Insurance Recoveries
- No Change in Net Annual Avg After-Tax Cash Outflow vs Prior Projections
  - Reflects Continued Effective Comprehensive Cash Flow Management

10% Reduction in Net Liability			
\$ millions	12/31/17	9/30/18	Change
Gross Liability	\$ 877	\$ 845	\$ (32)
Asset	(369)	(389)	(20)
Net Liability	\$ 508	\$ 456	\$ (52)

## Significant Reduction Since 2012

- (-49%) Decline in Gross Liability
- (-36%) Decline in Net Liability
- (-76%) Decline in Outstanding Claims

No Change in Avg Annual Cash Projections		
\$ millions	Previous	Current
Years 1 – 5	\$20M - \$30M	\$20M - \$30M
Years 6 – 10	\$35M - \$45M	\$35M - \$45M

*Projected, Average, Annual, Net, After-Tax Cash Outflows for Defense and Indemnity*

## Solid Progress in Driving Insurance Recovery Strategies in 2018

## Effective Management



# 2018 Guidance Updates

## 2018 Revenue Guidance

	<u>OLD</u>	<u>NEW</u>	
Total Revenue	+5% to +8%	+6% to +7%	<ul style="list-style-type: none"> <li>No Change to Prior Guide Midpoint; New Guide Includes Incremental FX Headwinds in Q4</li> </ul>
Organic Revenue (Updated)	+3% to +5%	+4% to +5%	<ul style="list-style-type: none"> <li>Midpoint Increased Due to Strong Share Gains &amp; Strong YTD Orders</li> </ul>

## Updated 2018 Adjusted EPS Guidance

Previous 2018 Adjusted EPS Guidance Range	\$3.05 - \$3.15
Q3 & Q4 Volume / Mix / Price	\$0.08
Incremental FX, Material Costs & Incentive Comp, Partially Offset by Tax Rate	(\$0.04)
Increase to Previous Mid-Point	\$0.04
New 2018 Adjusted EPS Guidance Midpoint	\$3.14
New 2018 Adjusted EPS Guidance Range	\$3.13 - \$3.15

## Raising Mid-Point of Previous 2018 Organic Revenue & Adj EPS



Adj: Defined as Adjusted Non-GAAP Results



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# ITT Inc. Supplemental Q3 2018 Financial Data

# Q3 2018 ITT Adjusted Segment Performance

	Industrial Process	Motion Technologies	Connect & Control Technologies	Total Segments
<b>Q3 2018 Total Revenue vs PY</b>	<b>4.5%</b>	<b>3.4%</b>	<b>11.1%</b>	<b>5.5%</b>
FX	1.2%	1.4%	0.3%	1.1%
Acquisition/Disposition	0.0%	0.0%	0.0%	0.0%
<b>Q3 2018 Organic Revenue vs PY</b>	<b>5.7%</b>	<b>4.8%</b>	<b>11.4%</b>	<b>6.6%</b>
<hr/>				
<b>Q3 2017 Adjusted Operating Margin</b>	<b>8.9%</b>	<b>17.5%</b>	<b>14.2%</b>	<b>14.2%</b>
Volume, Mix, Productivity & Other	3.5%	1.7%	1.9%	2.1%
Growth Investments	-0.1%	-1.4%	-0.2%	-0.7%
Acquisition/Disposition	0.0%	0.0%	0.0%	0.0%
FX	-0.7%	0.5%	0.1%	0.1%
<b>Q3 2018 Adjusted Operating Margin</b>	<b>11.6%</b>	<b>18.3%</b>	<b>16.0%</b>	<b>15.7%</b>



# 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. 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**  
**Third Quarter 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
	3M 2018	3M 2017	Change 2018 vs. 2017	% Change 2018 vs. 2017	Acquisition / Divestitures 3M 2018	FX Impact 3M 2018	Revenue / Orders 3M 2018	Change Adj. 2018 vs. 2017	% Change Adj. 2018 vs. 2017	
<b>Revenue</b>										
<b>ITT Inc.</b>	<b>680.6</b>	<b>645.0</b>	<b>35.6</b>	<b>5.5%</b>	-	<b>(6.8)</b>	<b>687.4</b>	<b>42.4</b>	<b>6.6%</b>	
Industrial Process	205.0	196.2	8.8	4.5%	-	(2.3)	<b>207.3</b>	11.1	5.7%	
Motion Technologies	310.3	300.1	10.2	3.4%	-	(4.1)	<b>314.4</b>	14.3	4.8%	
Connect & Control Technologies	166.0	149.4	16.6	11.1%	-	(0.4)	<b>166.4</b>	17.0	11.4%	
<b>Orders</b>										
<b>Total Segment Orders</b>	<b>722.1</b>	<b>658.6</b>	<b>63.5</b>	<b>9.6%</b>	-	<b>(7.3)</b>	<b>729.4</b>	<b>70.8</b>	<b>10.8%</b>	
Industrial Process	241.7	193.3	48.4	25.0%	-	(2.8)	<b>244.5</b>	51.2	26.5%	
Motion Technologies	314.2	323.7	(9.5)	(2.9%)	-	(4.2)	<b>318.4</b>	(5.3)	(1.6%)	
Connect & Control Technologies	166.8	142.5	24.3	17.1%	-	(0.3)	<b>167.1</b>	24.6	17.3%	

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding



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

	3M 2018	3M 2018	3M 2018	3M 2017*	3M 2017	3M 2017	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported 2018 vs. 2017	As Adjusted 2018 vs. 2017
<b>Revenue:</b>								
Industrial Process	205.0		205.0	196.2		196.2	4.5%	4.5%
Motion Technologies	310.3		310.3	300.1		300.1	3.4%	3.4%
Connect & Control Technologies	166.0		166.0	149.4		149.4	11.1%	11.1%
Intersegment eliminations	(0.7)		(0.7)	(0.7)		(0.7)		
Total Revenue	<u>680.6</u>		<u>680.6</u>	<u>645.0</u>		<u>645.0</u>	<u>5.5%</u>	<u>5.5%</u>
<b>Operating Margin:</b>								
Industrial Process	11.6%	- BP	11.6%	7.3%	160 BP	8.9%	430 BP	270 BP
Motion Technologies	18.9%	(60) BP	18.3%	16.4%	110 BP	17.5%	250 BP	80 BP
Connect & Control Technologies	15.7%	30 BP	16.0%	12.0%	220 BP	14.2%	370 BP	180 BP
Total Operating Segments	<u>15.9%</u>	<u>(20) BP</u>	<u>15.7%</u>	<u>12.6%</u>	<u>160 BP</u>	<u>14.2%</u>	<u>330 BP</u>	<u>150 BP</u>
<b>Income (loss):</b>								
Industrial Process	23.7	-	23.7	14.3	3.2	17.5	65.7%	35.4%
Motion Technologies	58.5	(1.7)	56.8	49.2	3.4	52.6	18.9%	8.0%
Connect & Control Technologies	26.0	0.5	26.5	18.0	3.2	21.2	44.4%	25.0%
Total Segment Operating Income	<u>108.2</u>	<u>(1.2)</u>	<u>107.0</u>	<u>81.5</u>	<u>9.8</u>	<u>91.3</u>	<u>32.8%</u>	<u>17.2%</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.

\*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:

Industrial Process	4.4
Motion Technologies	0.1
Connect & Control Technologies	0.5
Total Segment Operating Income	<u>5.0</u>



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Third Quarter 2018 & 2017**  
(In Millions, except per share amounts)

	Q3 2018 As Reported	Non-GAAP Adjustments	Q3 2018 As Adjusted	Q3 2017 As Previously Reported	ASU 2017-07 Adjustments (1)	Non-GAAP Adjustments	Q3 2017 As Adjusted	2018 vs. 2017 As Adjusted	Percent Change 2018 vs. 2017 As Adjusted
Segment Operating Income	108.2	(1.2) #A	107.0	76.5	5.0	9.8 #A	91.3		
Corporate (Expense)	29.6	(42.2) #B	(12.6)	51.3	0.3	(62.9) #B	(11.3)		
Operating Income	<u>137.8</u>	<u>(43.4)</u>	<u>94.4</u>	<u>127.8</u>	<u>5.3</u>	<u>(53.1)</u>	<u>80.0</u>		
Interest Income (Expense)	1.3	(1.1) #C	0.2	(0.4)	-	-	(0.4)		
Other Income (Expense)	(2.0)	1.4 #D	(0.6)	0.2	(5.3)	3.7 #D	(1.4)		
Income from Continuing Operations before Tax	<u>137.1</u>	<u>(43.1)</u>	<u>94.0</u>	<u>127.6</u>	<u>-</u>	<u>(49.4)</u>	<u>78.2</u>		
Income Tax (Expense)	(25.9)	4.8 #E	(21.1)	(40.6)	-	20.5 #E	(20.1)		
Income from Continuing Operations	<u>111.2</u>	<u>(38.3)</u>	<u>72.9</u>	<u>87.0</u>	<u>-</u>	<u>(28.9)</u>	<u>58.1</u>		
Less: Non Controlling Interest	0.2	-	0.2	-	-	-	-		
Income from Continuing Operations - ITT Inc.	<u>111.0</u>	<u>(38.3)</u>	<u>72.7</u>	<u>87.0</u>	<u>-</u>	<u>(28.9)</u>	<u>58.1</u>		
EPS from Continuing Operations	<u>1.25</u>	<u>(0.43)</u>	<u>0.82</u>	<u>0.98</u>	<u>-</u>	<u>(0.32)</u>	<u>0.66</u>	<u>0.16</u>	<u>24.2%</u>

Note: Amounts may not calculate due to rounding.

#A - 2018 includes restructuring costs (\$0.9M) and acquisition related income (\$2.1M).

#A - 2017 includes restructuring and realignment costs (\$6.5M), and acquisition related costs (\$3.3M).

#B - 2018 includes income, net of related costs, primarily from the sale of excess property (\$37.9M) and asbestos related benefit (\$4.3M).

Note: (\$4.3M) net asbestos related benefit includes a favorable settlement agreement (\$24.9M) offset by remeasurement cost (\$7.2M), and asbestos related expense to maintain 10 year accrual (\$13.4M).

#B - 2017 includes restructuring income (\$0.6M), certain costs associated primarily with sale of excess property and other acquisition related costs (\$0.5M) and asbestos related income (\$62.8M).

Note: (\$62.8M) net asbestos related income includes adjustment to maintain 10 year accrual (\$13.6M) and remeasurement income of (\$76.4M).

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

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

#E - 2018 includes various tax-related special items including tax benefit for valuation allowance change (\$1.5M), tax expense for tax law changes (\$0.3M), tax benefit on current and future distribution of foreign earnings (\$0.2M), tax benefit for change in uncertain tax positions (\$3.4M), tax benefit for audit settlements (\$0.5M), and the tax impact of other operating special items.

#E - 2017 includes various tax-related special items including tax expense on distribution of foreign earnings (\$1.4M), and the tax impact of other operating special items.

(1) The adjustments in September 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**  
**Third Quarter 2018 & 2017**  
(In Millions)

	<u>9M 2018</u>	<u>9M 2017</u>
<b>Net Cash - Operating Activities *</b>	<b>246.6</b>	<b>178.3</b>
Capital expenditures	63.8	79.2
<b>Free Cash Flow</b>	<b><u>182.8</u></b>	<b><u>99.1</u></b>
Insurance settlement agreement, net	(16.9)	-
Asbestos cash payments, net	42.3	39.5
Restructuring cash payments	5.9	13.8
Realignment-related cash payments	-	9.0
Discretionary Pension Contributions, net of tax	-	3.2
<b>Adjusted Free Cash Flow</b>	<b><u>214.1</u></b>	<b><u>164.6</u></b>
<b>Income from Continuing Operations - ITT Inc.</b>	<b>281.8</b>	<b>181.0</b>
Special Items, net of tax	(67.9)	(7.6)
<b>Income from Continuing Operations - ITT Inc., Excluding Special Items</b>	<b><u>213.9</u></b>	<b><u>173.4</u></b>
<b>Adjusted Free Cash Flow Conversion</b>	<b><u>100.1%</u></b>	<b><u>94.9%</u></b>

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



# ITT Inc. Non-GAAP Reconciliation GAAP vs. Adjusted EPS Guidance Full Year 2018

	<b>2018 Full-Year Guidance</b>	
	<b>Low</b>	<b>High</b>
<b>EPS from Continuing Operations - GAAP</b>	<b>\$ 3.69</b>	<b>\$ 3.75</b>
Estimated Asbestos Related Costs, Net of Tax	0.09	0.06
	<b>\$ 3.78</b>	<b>\$ 3.81</b>
Gain on Sale of Excess Property, Net of Tax	(0.33)	(0.33)
Estimated Restructuring, Realignment and Other Costs, Net of Tax	0.05	0.04
Acquisition Related Costs, Net of Tax	-	-
Other Special Tax Items	(0.37)	(0.37)
<b>EPS from Continuing Operations - Adjusted</b>	<b>\$ 3.13</b>	<b>\$ 3.15</b>

