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USA

Q1 2023 Earnings

May 4, 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.

GROWTH AND EXECUTION



ORDERS AND REVENUE OUTPERFORMANCE

- 22% IP orders growth driven by pump projects and aftermarket
- IP project (+44%) and aero component (+24%) revenue growth
- 41 electrified vehicle awards and 10-year, \$1B+ Friction aftermarket agreement

+150 BPS ADJ. SEGMENT MARGIN EXPANSION TO 17.5%

- IP adj. margin +850 bps to 21.3%; CCT +80 bps to 17.5%
- Productivity, volume and pricing benefits
- 33% adjusted segment incremental margin

CASH PERFORMANCE AND CAPITAL DEPLOYMENT

- Free cash flow of \$29M, up \$62M
- Repurchased \$30M of ITT shares
- Acquired Micro-Mode in May

RAISING ADJUSTED EPS GUIDANCE

- Confidence in 2023 given strong Q1 results
- Entering Q2 with \$1B+ backlog
- Firmly on path to achieve long-term financial targets

Q1'23

Organic orders growth +7%

Organic revenue growth +10%

Adjusted EPS growth +21%

Free cash flow growth +\$62M

GROWTH | LONG-TERM DRIVERS



\$1B+ FRICTION AFTERMARKET AGREEMENT

- | 10-year agreement with Continental
- | Copper-free and ceramic pads for premium Continental ATE brand
- | Strengthens European aftermarket presence

SHARE CAPTURE IN NEW ENERGY INVESTMENTS

- | Multiple global project wins with large, independent oil company
- | Differentiated multiphase pump technology awarded project to eliminate flaring
- | Carbon-capture project for largest single-resource LNG site in Australia



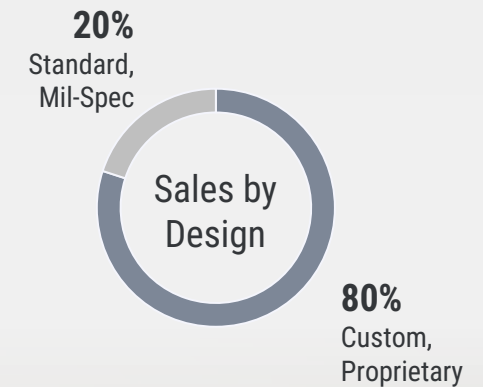
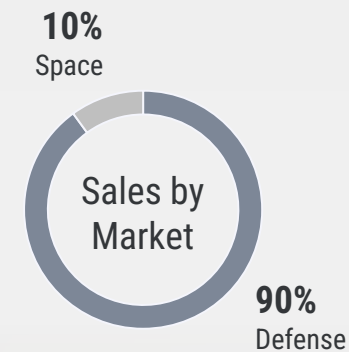
GROWTH | ACQUISITION OF MICRO-MODE

SPECIALIZED DEFENSE AND SPACE CONNECTORS

- | Differentiated miniature and high-bandwidth specialized connectors for smart defense systems
- | Expertise in highly customized radio frequency and hermetic connectors for harsh applications
- | Sole-sourced position on majority of awarded programs
- | Proven engineering and manufacturing capabilities enhance ITT's product and customer base
- | Alignment to ITT values – responsive to customer needs, willingness to serve, relentless focus on quality



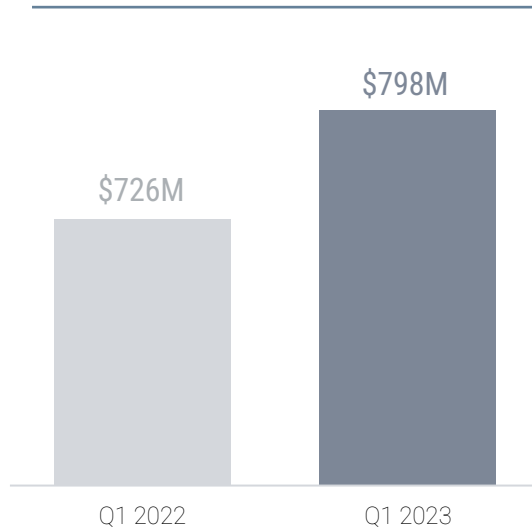
Micro-Mode



Q1 SUMMARY RESULTS



REVENUE

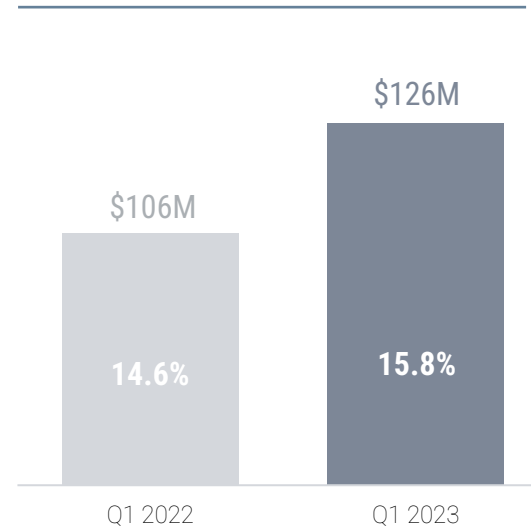


+10%

Organic revenue growth

- + IP (+25%) driven by projects, aftermarket
- + CCT (+10%) on strength of commercial aerospace ramp (+21%)
- + MT (+2%) led by Friction OE share gains, growth in rail; Friction AM destocking
- + Pricing actions
- ± Habonim contribution (+210 bps), FX (-250 bps)

ADJUSTED OPERATING INCOME AND MARGIN

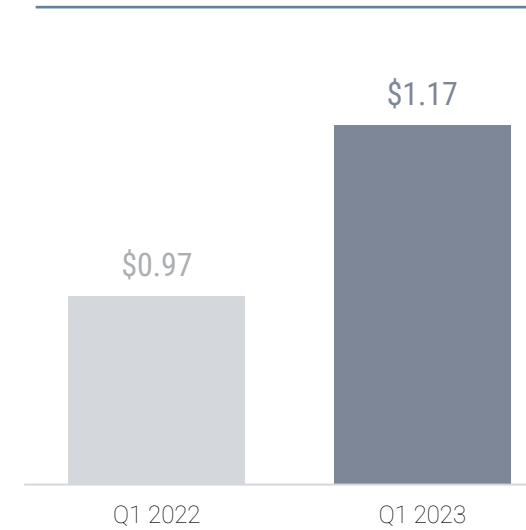


+120 bps

Adjusted operating margin expansion

- + Volume growth and pricing actions
- + Shop floor productivity
- Inflation (material, energy, labor)
- FX impact
- ± Disruptive technology investments

ADJUSTED EPS

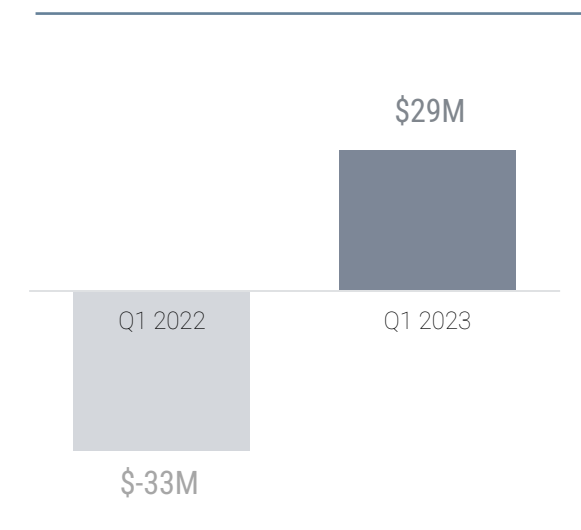


+21%

Adjusted EPS growth

- + Higher adjusted operating income
- + Habonim acquisition
- + 3% share count reduction
- Higher interest expense

FREE CASH FLOW



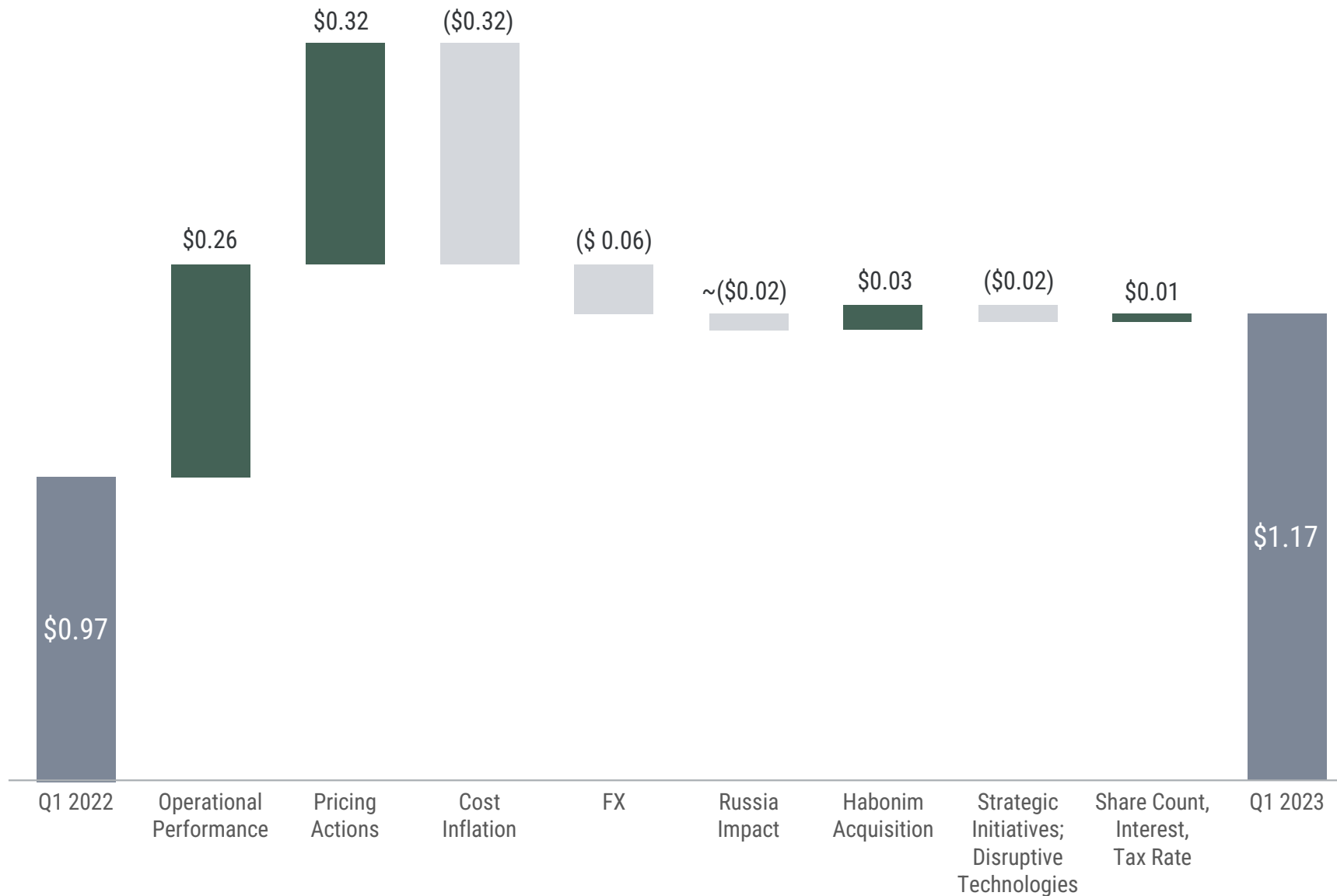
+\$62M

Free cash flow

- + Higher net income
- + Accounts receivable collection and improved inventory management
- Persistent aero supply chain tensions
- CapEx for productivity and sustainability projects

Q1 2023 ADJUSTED EPS BRIDGE

21% ADJUSTED EPS GROWTH



Growth Drivers

- + Executing on ~\$1.1B backlog
- + Pricing actions in all businesses
- + Habonim acquisition
- + Shop floor productivity and cost control

Headwinds

- Inflation in material, energy and labor
- FX volatility
- Suspended Russia business
- Higher interest expense

Other Impacts

- Technology innovations (EMD, Smart Pad, product redesign)

RAISING ADJUSTED EPS GUIDANCE

5¢ INCREASE AT THE MIDPOINT



CURRENT

Revenue growth

7% to 9%
6% to 8% organic

Adjusted segment
operating margin

17.3% to 18.1%
+10 bps to +90 bps

Adjusted EPS

\$4.65 to \$4.95
+5% to +11% growth

Free cash flow

\$350M to \$400M
+11% to +12% margin

COMMENTARY

- Share gains continue, particularly in Friction OE and pump projects
- Strong aftermarket and valves demand in IP
- Deceleration in industrial connectors market
- Micro-Mode acquisition included as of May
- Improving working capital and higher segment income to drive free cash flow performance

KEY TAKEAWAYS



- | **Growth** in pump projects, aerospace and Friction OE
- | **Execution** on pricing, productivity and cash
- | Strategic transactions position ITT for long-term value creation
- | Raising adjusted EPS guidance after solid start to 2023
- | Sustainable **growth** through orders outperformance and large project share gains



Supplemental Data

A ~\$1 million investment to install more than 1,000 solar panels in Nogales, Mexico, which started producing green electricity in February 2023 and currently supports ~8% of the site's energy needs.

Q1 SEGMENT SUMMARY RESULTS



MOTION TECHNOLOGIES

INDUSTRIAL PROCESS

CONNECT & CONTROL TECHNOLOGIES

Organic Revenue Growth

+2%

+25%

+10%

Adjusted Segment Operating Income

\$54M

\$57M

\$29M

Adjusted Segment Operating Margin

14.8%

21.3%

17.5%

- Global Friction OE share gains, 41 electrified platform awards; Friction AM destocking
- 99% Friction OE on-time delivery and world-class quality performance
- Pricing actions partially offset raw material and energy inflation
- Certain commodity pressures easing
- Negative FX impact

- +22% organic orders growth – share gains in projects (+54%), short-cycle (+13%)
- Organic revenue growth driven by project shipments (+44%), aftermarket (+32%)
- Expanded pricing actions
- Strong adj. operating margin expansion
 - +850 bps year over year
 - 48% adj. incremental margin

- (-7%) organic orders decline driven by connectors distribution partially offset by aero and defense components
- Organic revenue growth driven by aero components (+24%) and defense (+13%); aero supply chain impacting execution
- +80 bps adj. operating margin expansion
- 27% adj. incremental margin



Q1 ADJUSTED SEGMENT OPERATING MARGIN

+150 BPS OPERATIONAL MARGIN EXPANSION

	vs. PY
Q1'22 adjusted segment operating margin	16.0%
Volume, mix, price, and acquisition, net	+380 bps
Productivity actions	+290 bps
Cost inflation	(-450 bps)
Operational margins subtotal	18.2%
FX impact	(-50 bps)
Strategic investments	(-20 bps)
Q1'23 adjusted segment operating margin	17.5%
Reconciliation to segment margin (special item)	(-20) bps
Q1'23 segment operating margin	17.3%

Segment Margin Drivers

- + Higher volume and pricing actions
- + Shop floor productivity
- Material and energy inflation
- Supply chain disruptions
- FX (primarily hedge)
- ± Strategic growth investments
- Special items primarily include charge related to suspension of Russia business

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
First Quarter 2023 & 2022

(In Millions)
(all amounts unaudited)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) Q1 2023	(B) Q1 2022	(C) \$ Change 2023 vs. 2022	% Change 2023 vs. 2022	(D) Acquisitions Q1 2023	(E) FX Impact Q1 2023	(F) = A-D-E Revenue / Orders Q1 2023	(G) = C-D-E \$ Change Adj. 2023 vs. 2022	(H) = G / B % Change Adj. 2023 vs. 2022
Revenue									
ITT Inc.	\$ 797.9	\$ 726.2	\$ 71.7	9.9%	\$ 15.0	\$ (17.9)	\$ 800.8	\$ 74.6	10.3%
Motion Technologies	364.8	370.1	(5.3)	(1.4%)	-	(13.6)	378.4	8.3	2.2%
Industrial Process	266.5	202.2	64.3	31.8%	15.0	(2.2)	253.7	51.5	25.5%
Connect & Control Technologies	167.6	154.6	13.0	8.4%	-	(2.1)	169.7	15.1	9.8%
Orders									
ITT Inc.	\$ 866.8	\$ 812.1	\$ 54.7	6.7%	\$ 13.8	\$ (19.5)	\$ 872.5	\$ 60.4	7.4%
Motion Technologies	371.2	369.2	2.0	0.5%	-	(13.4)	384.6	15.4	4.2%
Industrial Process	327.3	260.1	67.2	25.8%	13.8	(3.5)	317.0	56.9	21.9%
Connect & Control Technologies	169.3	183.8	(14.5)	(7.9%)	-	(2.6)	171.9	(11.9)	(6.5%)

Note: Excludes intercompany eliminations
Immaterial differences due to rounding



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

(In Millions)
(all amounts unaudited)

	Q1 2023 As Reported	Q1 2023 Special Items	Q1 2023 As Adjusted	Q1 2022 As Reported	Q1 2022 Special Items	Q1 2022 As Adjusted	% Change As Reported 2023 vs. 2022	% Change As Adjusted 2023 vs. 2022
Revenue:								
Motion Technologies	\$ 364.8		\$ 364.8	\$ 370.1		\$ 370.1	(1.4%)	(1.4%)
Industrial Process	266.5		266.5	202.2		202.2	31.8%	31.8%
Connect & Control Technologies	167.6		167.6	154.6		154.6	8.4%	8.4%
Intersegment eliminations	(1.0)		(1.0)	(0.7)		(0.7)		
Total Revenue	<u>\$ 797.9</u>		<u>\$ 797.9</u>	<u>\$ 726.2</u>		<u>\$ 726.2</u>	<u>9.9%</u>	<u>9.9%</u>
Operating Margin:								
Motion Technologies	14.6%	20 BP	14.8%	16.1%	140 BP	17.5%	(150) BP	(270) BP
Industrial Process	20.8%	50 BP	21.3%	10.1%	270 BP	12.8%	1,070 BP	850 BP
Connect & Control Technologies	17.5%	- BP	17.5%	16.6%	10 BP	16.7%	90 BP	80 BP
Total Operating Segments	<u>17.3%</u>	<u>20 BP</u>	<u>17.5%</u>	<u>14.6%</u>	<u>140 BP</u>	<u>16.0%</u>	<u>270 BP</u>	<u>150 BP</u>
Operating Income:								
Motion Technologies	\$ 53.4	\$ 0.6	\$ 54.0	\$ 59.7	\$ 5.1	\$ 64.8	(10.6%)	(16.7%)
Industrial Process	55.3	1.4	56.7	20.4	5.4	25.8	171.1%	119.8%
Connect & Control Technologies	29.4	(0.1)	29.3	25.7	0.1	25.8	14.4%	13.6%
Total Segment Operating Income	<u>\$ 138.1</u>	<u>\$ 1.9</u>	<u>\$ 140.0</u>	<u>\$ 105.8</u>	<u>\$ 10.6</u>	<u>\$ 116.4</u>	<u>30.5%</u>	<u>20.3%</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
First Quarter 2023 & 2022

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

	Q1 2023 As Reported	Non-GAAP Adjustments	Q1 2023 As Adjusted	Q1 2022 As Reported	Non-GAAP Adjustments	Q1 2022 As Adjusted	\$ Change As Adjusted 2023 vs. 2022	% Change As Adjusted 2023 vs. 2022
Segment operating income	\$ 138.1	\$ 1.9 #A	\$ 140.0	\$ 105.8	\$ 10.6 #A	\$ 116.4		
Corporate and other costs	(13.8)	-	(13.8)	(11.2)	0.9 #B	(10.3)		
Operating income	124.3	1.9	126.2	94.6	11.5	106.1	20.1	18.9%
Operating margin	15.6%		15.8%	13.0%		14.6%		
Interest income (expense), net	(4.1)	1.4 #C	(2.7)	-	-	-		
Other income (expense), net	0.6	-	0.6	0.2	-	0.2		
Income from continuing operations before tax	120.8	3.3	124.1	94.8	11.5	106.3		
Income tax expense	(20.1)	(6.0) #D	(26.1)	(19.5)	(3.4) #D	(22.9)		
Income from continuing operations	100.7	(2.7)	98.0	75.3	8.1	83.4		
Less: Income attributable to noncontrolling interests	0.7	-	0.7	0.5	-	0.5		
Income from continuing operations - ITT Inc.	\$ 100.0	\$ (2.7)	\$ 97.3	\$ 74.8	\$ 8.1	\$ 82.9		
EPS from continuing operations	\$ 1.20	\$ (0.03)	\$ 1.17	\$ 0.88	\$ 0.09	\$ 0.97	\$ 0.20	20.6%

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 impacts related to the Russia-Ukraine war (\$1.8M) restructuring costs (\$0.3M) and other income (\$0.2M).

#A - 2022 includes impacts related to the Russia-Ukraine war (\$8.8M) severance costs (\$1.5M) and restructuring costs (\$0.3M).

#B - 2022 includes severance costs (\$0.8M) and accelerated amortization of an intangible asset (\$0.1M).

#C - 2023 includes interest charges related to the settlement of a tax audit in Italy (\$1.4M).

#D - 2023 includes the net tax expense of special items #A and #C (\$0.1M) and tax expense related to a foreign audit settlement (\$14.1M), more than offset by tax benefits for valuation allowance impacts (\$17.6M), an amended federal tax return filing (\$4.9M) and other tax-related special items.

#D - 2022 includes the net tax benefit of special items #A and #B (\$2.2M) and tax benefit for valuation allowance impacts (\$2.8M), partially offset by tax expense on future distribution of foreign earnings (\$1.7M) and other tax-related special items.



ITT Inc. Non-GAAP Reconciliation
Free Cash Flow and Free Cash Flow Margin
First Quarter Ended 2023 & 2022
(In Millions)
(all amounts unaudited)

	<u>3M 2023</u>	<u>3M 2022</u>
Net Cash - Operating Activities	\$ 58.1	\$ (2.7)
Less: Capital expenditures	28.7	30.0
Free Cash Flow	<u>\$ 29.4</u>	<u>\$ (32.7)</u>
Revenue	<u>\$ 797.9</u>	<u>\$ 726.2</u>
Free Cash Flow Margin	3.7%	(4.5%)



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	\$ 4.49	\$ 4.79
Estimated restructuring, net of tax	0.10	0.10
Other special items, net of tax	0.04	0.04
Other tax special Items	0.02	0.02
EPS from Continuing Operations - Adjusted	\$ 4.65	\$ 4.95

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 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.