



# ITT

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## ITT Inc. Q4 2017 Earnings Call & 2018 Guidance February 16, 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.



# FY 2017 Strategic Highlights

<p>FY 2017 Financial Highlights</p>	<p><b>\$2.6B</b> Total Revenue, <b>+8%</b>; <b>\$2.6B</b> Total Orders, <b>+10%</b>  <b>+11%</b> Adjusted Segment Op Income  <b>+40 bps</b> Adjusted Segment Op Income Margins, <b>+90 bps</b> Ex FX  <b>\$2.59</b> Adjusted EPS, <b>+12%</b>  <b>100%</b> Adjusted Free Cash Flow Conversion</p>
<p>Optimizing Execution</p>	<ul style="list-style-type: none"> <li>▪ +15% Adjusted Free Cash Flow vs PY</li> <li>▪ +170 bps Adj Operational Margins (before Acquisition, FX &amp; Investments) <ul style="list-style-type: none"> <li>▪ +200 bps at IP &amp; CCT; +90 bps at MT</li> </ul> </li> <li>▪ Strong Productivity Gains &amp; Benefits of Consolidation at CCT</li> <li>▪ Increased Production in Low-Cost Regions Such as China &amp; Czech</li> </ul>
<p>Market Expansion</p>	<ul style="list-style-type: none"> <li>▪ 75 Total Friction OE Wins Including 15 Hybrid/EV Friction Wins in China <ul style="list-style-type: none"> <li>▪ 9 Share Gain Wins in North America</li> </ul> </li> <li>▪ Revolutionary SMART Pad Launched</li> <li>▪ Significant Multi-Year Awards in Rotorcraft, A&amp;D and High Speed Rail</li> <li>▪ EV Connector Wins in North America, Europe &amp; Asia</li> </ul>
<p>Balanced Effective Capital Deployment</p>	<ul style="list-style-type: none"> <li>▪ MT NA Facility Construction &amp; Capacity Expansion in China &amp; Czech</li> <li>▪ Axtone Acquisition in Q1</li> <li>▪ \$65M Legacy Liability Reduction</li> <li>▪ \$75M in Share Repurchases &amp; Dividends</li> </ul>



# FY 2017 ITT Results

## Continuing Operations (unaudited)

\$ millions, except per share amounts	FY 2017	vs. 2016
Total Orders	\$2,619	+10%
Total Revenue	\$2,585	+8%
Adjusted Segment Operating Income	\$348	+11%
Adjusted Operating Income	\$307	+6%
Adjusted EPS	\$2.59	+12%

### +3% Organic Revenue

- ▲ +7% Transportation
  - +12% Auto Friction & Solid Growth in KONI Rail, Partially Offset by Aerospace
- ▼ (-1%) Industrial Due to Weak Chemical & General Industrial (GI) Pumps; GI Connectors & Mining Strength
- ▼ (-4%) Oil & Gas Amid Project Pump Declines, Partially Offset by Strong Connectors Performance

### +6% Organic Orders

- ▲ +16% KONI Due to Long-Term Defense Order & China High Speed Rail
- ▲ +12% Auto Friction From Global Share Gains
- ▼ (-8%) Pump Projects Due to O&G and PetroChem

### +11% Adjusted Segment Op Income

- ▲ Higher Volumes
- ▲ Restructuring Benefits at IP & CCT
- ▲ Productivity Benefits at All 3 Segments
- ▲ Benefits From Axtone Acquisition
- ▼ Higher Commodity Costs & FX
  - (-\$18M) Growth Investments, Primarily MT Capacity Expansion

### +12% Adjusted EPS

- ▲ Strong Segment OI Growth From Higher Volume & Net Productivity
- ▲ International Tax Strategy Drives Lower Effective Tax Rate
- ▼ Higher Incentive Costs & FX



# Q4 2017 ITT Results

## Continuing Operations (unaudited)

\$ millions, except per share amounts	Q4 2017	vs. 2016
Total Orders	\$664	+16%
Total Revenue	\$684	+16%
Adjusted Segment Operating Income	\$86	+29%
Adjusted Operating Income	\$72	+23%
Adjusted EPS	\$0.64	+33%

### +8% Organic Revenue

- ▲ +12% Oil & Gas
  - Strong Upstream Pump & Connector Activity
- ▲ +9% Transportation
  - Double-Digit Growth in Auto & Rail, Partially Offset by Defense
- ▲ +4% General Industrial (GI) Led by Baseline Pump Activity in Mining and Pulp & Paper

### +9% Organic Orders

- ▲ +14% Auto Friction Due to Global OEM & Europe AM
- ▲ +29% CCT A&D on Record Defense Component Orders
- ▼ (-28%) Pump Projects Due to Tough PY O&G Comps



### +29% Adjusted Segment Op Income

- ▲ Higher Volumes
- ▲ Restructuring Benefits at IP & CCT
- ▲ Benefits From Axtone Acquisition
- ▼ Higher Commodity Costs & FX
  - (-\$5M) Growth Investments, Primarily MT NA Facility

### +33% Adjusted EPS

- ▲ Strong Segment OI Growth From Higher Volume & Net Productivity
- ▲ Tax Favorability from Italian Rate Reduction Actions
- ▼ Higher Incentive Costs & FX

# Q4 2017 Adjusted Segment Op Margins

Q4 2017

- ▲ **Top Line Drivers**
  - Volume Driven by Upstream Oil & Gas, Friction & Rail
  - Strong Short-Cycle Activity at IP
  - MT & CCT Price Pressures
  
- ▲ **Strong Operational Execution**
  - Restructuring Benefits at IP & CCT
  - Wolverine Margin Expansion
  - Improved Execution at IP
  
- ▼ **Commodity & FX Headwinds**
  - Growth Investments
    - Demand-Driven Expansions in China & Czech; Production Ramp at MT NA Facility

	vs. PY
Q4 2016 Adjusted Segment Operating Margin	11.3%
Volume, Mix, Price & Other	+60 bps
Net Operating Productivity & Restructuring Benefits	+230 bps
	<b>+290 bps</b>
<b>Operational Margins Subtotal</b>	<b>14.2%</b>
FX	-90 bps
Growth Investments	-70 bps
Axtone Acquisition	-10 bps
Q4 2017 Adjusted Segment Operating Margin	<b>12.5%</b>





# Q4 2017 Industrial Process

Q4

\$ millions (unaudited)

Total Revenue

2017

vs. 2016

\$233

+10%

Adjusted Segment Operating Income

\$27

+53%

## Q4 Results

### +8% Organic Revenue

- ▲ +8% Short-Cycle Growth
  - +11% Aftermarket Due to +13% Service; +10% Parts
  - +13% Baseline Pumps Driven by NA Chem & GI; Latin America O&G, Mining
  - Weak BioPharm and General Industry Valves
- ▲ +6% Projects
  - Latin America O&G and Mining
  - Improved MEA & Asia PetroChem

### +53% Adjusted Op Income

- ▲ Favorable Volume & Mix From Short-Cycle Orders
- ▲ Continued Project Execution Improvement
- ▲ Productivity Partially Offset by Higher Material Costs
- ▼ \$3M Unfavorable FX

### Q4 Highlights

- ▲ +330 Bps of Adj Margin Improvement vs PY
- ▲ +310 Bps Sequential Adj Margin Improvement
- ▲ +11% O&G Sales vs PY Due to Strong MEA Shipments
  - FLAT Organic Orders
    - (-28%) Projects Due to PY O&G
    - +11% Short-Cycle From Parts Demand and GI & Mining Pumps
      - +22% Parts Due to Broad-Based NA Strength, and MEA PetroChem and O&G
- ▲ +1% Sequential Orders From Improved PetroChem Projects and Healthy GI Pump Activity
- ▲ +2% FY Orders on Growth in Short-Cycle NA General Industry Pumps and Global Parts Strength







# Q4 2017 Motion Technologies

Q4

\$ millions (unaudited)

Total Revenue

2017

\$299

vs. 2016

+31%

Adjusted Segment Operating Income

\$38

+34%

## Q4 Results

### +13% Organic Revenue

- ▲ +16% Friction
  - +25% in China
  - Double-Digit OE Growth in N. America
  - +44% Aftermarket Growth in Europe
- ▲ +9% KONI From Rail in Europe and High Speed Rail Demand in China
- ▲ +5% Wolverine from Sealing Growth in All Key Markets

### +34% Adjusted Op Income

- ▲ Benefits from Axtone Acq & Volume Growth
- ▲ Friction Productivity Improvements
- ▼ Commodity Cost Headwinds
  - (-\$3M) High ROIC Strategic Investments

### Q4 Highlights

- ▲ \$299M Record 4<sup>th</sup> Quarter Revenues
- ▲ 14.3% Operating Margin (before Investments, Axtone, FX)
  - +260 bps WAM Margin Expansion
- ▲ +11% Organic Order Growth
  - +14% Friction Due to N. America & China
  - Strong KONI High Speed Rail in China
- ▲ Continued Share Gains in Strategic Markets
  - Double-Digit Friction Growth in NA vs (-5%) Market
  - Friction Reaches High Teens Market Share in China
  - +13% Rail Grew 3X Market
- ▲ Ramping Brake Pads Production in New NA Facility







# Q4 2017 Connect & Control Technologies

Q4

\$ millions (unaudited)

Total Revenue

2017

vs. 2016

\$153

+3%

Adjusted Segment Operating Income

\$21

+2%

## Q4 Results

### +1% Organic Revenue

- FLAT General Industrial Due to Strength in HVOR & EV Connectors, Offset by Weak Medical
- ▲ +25% O&G Connectors on Strong NA & ME Activity
- FLAT A&D:
  - Weak Defense Connectors
  - Defense Component & Aviation OEM Strength

### +2% Adjusted Op Income

- ▲ Net Productivity and Restructuring Benefits
- ▲ Strong Connector Operational Improvements
- ▼ Unfavorable FX

### Q4 Highlights

- ▲ +70 Bps of Operational Margins (before FX & Investments)
  - \$3M in Restructuring Benefits from CCT Integration
  - Significant Productivity Savings Across the Business
- ▲ +15% Organic Order Growth
  - +29% A&D: Record December Defense Component Orders Due to Important Missile Program
  - (-5%) Industrial: Connector Weakness More Than Offsets Increased Energy Absorption & Actuation Demand
- ▲ Key Awards Across Multiple Growth Markets
  - \$40M Aerospace: Boeing 777X Award (Multi-Year)
  - \$17M Paveway Missile Order
  - Strategic EV Charging Station Connector Award
  - Emerging Market O&G Connector Share Gain Awards



# 2018 Guidance Highlights

## Revenue Guidance

+5% to +8% Total

+2% to +4% Organic

- ▲ Diversified Multi-Industrial Portfolio Benefits
  - Friction & Rail Market Share Gains
  - Short-Cycle Industrial & Chemical
- ▲ FX Tailwinds
- ▼ Price at MT

## Adjusted Segment Operating Margin

14.4% to 14.9%

+100 to +150 bps vs 2017

- ▲ Volume & Mix Benefits
- ▲ Operating Productivity & Restructuring Benefits
- ▼ Strategic Investments
- ▼ Commodities Headwinds; ▲ FX Tailwinds

## Adjusted EPS Range




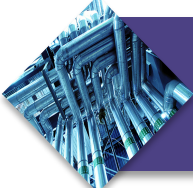

\$2.85 to \$3.15

+16% at \$3.00 Midpoint vs 2017

- ▲ Operating Income Growth
- ▲ Tax Rate of 23% to 24% vs 24.3% in 2017
- ▼ Higher Non-Functional Corporate Costs



# 2018 Revenue Outlook by Major Markets

Key Markets	% ITT (2017 Sales)	2018 vs. 2017 Growth %	Guidance Assumptions
 <b>Automotive &amp; Rail</b>	44%	+ Mid-Single Digits	<ul style="list-style-type: none"> <li>▲ ITT Friction Market Share Gains</li> <li>➤ Lower Global Market Growth</li> <li>▼ Price at MT</li> </ul>
 <b>Aerospace &amp; Defense</b>	14%	+ Low-Single Digits	<ul style="list-style-type: none"> <li>▲ Rotorcraft, ECS and Aftermarket</li> <li>▼ Defense Connectors</li> </ul>
 <b>General Industrial</b>	12%	+ Low-Single Digits	<ul style="list-style-type: none"> <li>▲ Strengthening NA Market</li> <li>▲ New Product Development</li> </ul>
 <b>Chemical &amp; Industrial Pumps</b>	20%	+ Mid-Single Digits	<ul style="list-style-type: none"> <li>▲ NA Petrochemical Projects</li> <li>▲ Short-Cycle Industrial Activity</li> </ul>
 <b>Oil &amp; Gas</b>	10%	- Mid-Single Digits	<ul style="list-style-type: none"> <li>▲ Improving Short-Cycle</li> <li>▼ Lower Upstream Project Activity</li> <li>▪ WTI at \$60 / Barrel</li> </ul>



End Markets Depicted Above Exclude the Impact of Currency,  
Include Impact of 2017 Axtone Acquisition

Q4 2017 Earnings – All Results are Unaudited  
For non-GAAP reconciliations of adjusted results, refer to appendix and [www.itt.com/investors](http://www.itt.com/investors).

# 2018 Adjusted Segment Op Margins

+100 to +150 bps Expansion

▲ Top Line Drivers

- Volume Driven by Friction, Rail, Petrochem and Industrial Pumps
- MT Price

▲ Strong Operational Execution

- Supply Chain Actions
- Restructuring Benefits at IP & CCT
- Operational Execution at Acquired Companies

▲ FX Tailwinds

▼ Commodities (Steel, Copper, Tin)

▪ Growth Investments

- Volume Driven Expansions at MT
- Increased R&D

FY 2017 Adjusted Segment Operating Margin

Volume, Mix, Price & Other

Net Operating Productivity

Restructuring

Operational Margins Subtotal

Strategic Investments

FX

FY 2018 Adjusted Segment Operating Margin

vs. PY

13.4%

+10 to +60 bps

+80 bps

+50 bps

14.8% to 15.3%

-90 bps

+50 bps

14.4% to 14.9%



# 2018 Adjusted EPS Walk



## Tailwinds

- Enhanced Operating Model Drives Increased Productivity
- Incremental Restructuring Benefits
- Execution at Acquired Companies
- Friction Share Gains & Rail Growth
- Strengthening NA Market
- Tax Rate & FX

## Headwinds

- Commodity Pricing & Incremental Pricing Pressures
- Oil & Gas Project Weakness
- Non-Functional Corporate Costs
- Incremental Strategic Investments

## Key Assumptions

- ~1.22 € Rate
- ~\$46M - \$50M Corporate Expense
- ~\$8M to \$10M Interest Exp & Other
- ~23% - 24% Tax Rate



# 2018 Strategic Recap



## Execution

- Driving World-Class Operational Capabilities Across ITT
  - Expanding LEAN to More Facilities Across All 3 Segments
  - Supply Chain and Working Capital Rationalization
- ~\$25M New Restructuring & Realignment Actions



## Innovation

- Align with Customer & Macro Trends
- New Technologies & Geographic Expansion
- Disruptive Technology Initiative



## Growth

- Global Market Share Gains from Execution
- Capitalize on Stabilizing Global Markets
- Focused Growth in Targeted Niche Markets



## Cap Deployment

- Focused Strategic Investments
  - Global Friction Expansion to Meet Awarded Customer Volumes
- Returns to Shareholders
  - Up to \$50M of Share Repurchases
  - +5% Quarterly Dividend Increase
  - 6th Consecutive Year of Dividend Increase

+16%  
Adjusted EPS Growth

+4% of Sales Invested  
in R&D

+5% to +8%  
Total Sales Growth

+4% of Sales Invested  
in CapEx





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**ITT Inc. Supplemental Q4 2017  
Financial Data**



# Q4 2017 ITT Segment Performance

	Industrial Process	Motion Technologies	Connect & Control Technologies	Total Segments
<b>Q4 2017 Total Revenue vs PY</b>	<b>9.7%</b>	<b>30.9%</b>	<b>2.5%</b>	<b>16.2%</b>
FX	-2.2%	-9.8%	-1.2%	-4.9%
Acquisition/Disposition	0.0%	-8.1%	0.0%	-3.1%
<b>Q4 2017 Organic Revenue vs PY</b>	<b>7.5%</b>	<b>13.0%</b>	<b>1.3%</b>	<b>8.2%</b>
<hr/>				
<b>Q4 2016 Adjusted Operating Margin</b>	<b>8.4%</b>	<b>12.3%</b>	<b>13.6%</b>	<b>11.3%</b>
Volume, Mix, Productivity & Other	5.7%	2.0%	0.7%	2.9%
Growth Investments	-0.7%	-0.8%	-0.5%	-0.7%
Acquisition/Disposition	0.0%	-0.3%	0.0%	-0.1%
FX	-1.7%	-0.6%	-0.4%	-0.9%
<b>Q4 2017 Adjusted Operating Margin</b>	<b>11.7%</b>	<b>12.6%</b>	<b>13.4%</b>	<b>12.5%</b>



# FY 2017 ITT Segment Performance

	Industrial Process	Motion Technologies	Connect & Control Technologies	Total Segments
<b>FY 2017 Total Revenue vs PY</b>	<b>-2.8%</b>	<b>19.6%</b>	<b>1.6%</b>	<b>7.5%</b>
FX	-0.6%	-2.3%	-0.2%	-1.2%
Acquisition/Disposition	0.0%	-7.5%	0.0%	-3.1%
<b>FY 2017 Organic Revenue vs PY</b>	<b>-3.4%</b>	<b>9.8%</b>	<b>1.4%</b>	<b>3.2%</b>
<hr/>				
<b>FY 2016 Adjusted Operating Margin</b>	<b>7.4%</b>	<b>18.1%</b>	<b>12.2%</b>	<b>13.0%</b>
Volume, Mix, Productivity & Other	2.0%	0.9%	2.0%	1.7%
Growth Investments	-0.4%	-1.0%	-0.5%	-0.7%
Acquisition/Disposition	0.0%	-0.5%	0.0%	-0.1%
FX	-0.5%	-0.6%	-0.5%	-0.5%
<b>FY 2017 Adjusted Operating Margin</b>	<b>8.5%</b>	<b>16.9%</b>	<b>13.2%</b>	<b>13.4%</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**  
**Fourth Quarter 2017 & 2016**  
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A) 3M 2017	(B) 3M 2016	(C) Change 2017 vs. 2016	% Change 2017 vs. 2016	(D) Acquisition / Divestitures 3M 2017	(E) FX Impact 3M 2017	(F) = A-D-E Revenue / Orders 3M 2017	(G) =C-D-E Change Adj. 2017 vs. 2016	(H) = G / B % Change Adj. 2017 vs. 2016
<b>Revenues</b>									
<b>ITT Inc. - Consolidated</b>	<b>683.6</b>	<b>588.4</b>	<b>95.2</b>	<b>16.2%</b>	<b>18.4</b>	<b>28.7</b>	<b>636.5</b>	<b>48.1</b>	<b>8.2%</b>
Industrial Process	232.6	212.1	20.5	9.7%	-	4.5	<b>228.1</b>	16.0	7.5%
Motion Technologies	298.5	228.1	70.4	30.9%	18.4	22.3	<b>257.8</b>	29.7	13.0%
Connect & Control Technologies	153.3	149.5	3.8	2.5%	-	1.8	<b>151.5</b>	2.0	1.3%
<b>Orders</b>									
<b>Total Segment Orders</b>	<b>663.9</b>	<b>572.0</b>	<b>91.9</b>	<b>16.1%</b>	<b>16.2</b>	<b>27.3</b>	<b>620.4</b>	<b>48.4</b>	<b>8.5%</b>
Industrial Process	194.3	191.7	2.6	1.4%	-	3.4	<b>190.9</b>	(0.8)	(0.4%)
Motion Technologies	298.9	235.0	63.9	27.2%	16.2	21.9	<b>260.8</b>	25.8	11.0%
Connect & Control Technologies	171.4	146.9	24.5	16.7%	-	2.0	<b>169.4</b>	22.5	15.3%

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Organic Revenue / Order Growth**  
**Full Year 2017 & 2016**  
(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 2017	12M 2016	Change 2017 vs. 2016	% Change 2017 vs. 2016	Acquisition / Divestitures 12M 2017	FX Impact 12M 2017	Revenue / Orders 12M 2017	Change Adj. 2017 vs. 2016	% Change Adj. 2017 vs. 2016	
<b>Revenues</b>										
<b>ITT Inc. - Consolidated</b>	<b>2,585.3</b>	<b>2,405.4</b>	<b>179.9</b>	<b>7.5%</b>	<b>74.0</b>	<b>29.5</b>	<b>2,481.8</b>	<b>76.4</b>	<b>3.2%</b>	
Industrial Process	807.2	830.1	(22.9)	(2.8%)	-	5.7	<b>801.5</b>	(28.6)	(3.4%)	
Motion Technologies	1,176.0	983.4	192.6	19.6%	74.0	22.7	<b>1,079.3</b>	95.9	9.8%	
Connect & Control Technologies	605.6	596.3	9.3	1.6%	-	1.0	<b>604.6</b>	8.3	1.4%	
<b>Orders</b>										
<b>Total Segment Orders</b>	<b>2,619.4</b>	<b>2,374.8</b>	<b>244.6</b>	<b>10.3%</b>	<b>70.2</b>	<b>27.6</b>	<b>2,521.6</b>	<b>146.8</b>	<b>6.2%</b>	
Industrial Process	799.8	779.1	20.7	2.7%	-	4.6	<b>795.2</b>	16.1	2.1%	
Motion Technologies	1,198.8	998.4	200.4	20.1%	70.2	22.0	<b>1,106.6</b>	108.2	10.8%	
Connect & Control Technologies	624.1	602.4	21.7	3.6%	-	1.0	<b>623.1</b>	20.7	3.4%	

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Fourth Quarter 2017 & 2016**  
(In Millions)

	3M 2017	3M 2017	3M 2017	3M 2016	3M 2016	3M 2016	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2017 vs. 2016	2017 vs. 2016
<b>Revenue:</b>								
Industrial Process	232.6		232.6	212.1		212.1	9.7%	9.7%
Motion Technologies	298.5		298.5	228.1		228.1	30.9%	30.9%
Connect & Control Technologies	153.3		153.3	149.5		149.5	2.5%	2.5%
Intersegment eliminations	(0.8)		(0.8)	(1.3)		(1.3)		
<b>Total Revenue</b>	<b>683.6</b>		<b>683.6</b>	<b>588.4</b>		<b>588.4</b>	<b>16.2%</b>	<b>16.2%</b>
<b>Operating Margin:</b>								
Industrial Process	11.8%	(10) BP	11.7%	6.6%	180 BP	8.4%	520 BP	330 BP
Motion Technologies	11.4%	120 BP	12.6%	11.7%	60 BP	12.3%	(30) BP	30 BP
Connect & Control Technologies	12.5%	90 BP	13.4%	12.4%	120 BP	13.6%	10 BP	(20) BP
<b>Total Operating Segments</b>	<b>11.8%</b>	<b>70 BP</b>	<b>12.5%</b>	<b>10.0%</b>	<b>130 BP</b>	<b>11.3%</b>	<b>180 BP</b>	<b>120 BP</b>
<b>Income (loss):</b>								
Industrial Process	27.5	(0.2)	27.3	13.9	4.0	17.9	97.8%	52.5%
Motion Technologies	33.9	3.7	37.6	26.6	1.5	28.1	27.4%	33.8%
Connect & Control Technologies	19.2	1.4	20.6	18.6	1.7	20.3	3.2%	1.5%
<b>Total Segment Operating Income</b>	<b>80.6</b>	<b>4.9</b>	<b>85.5</b>	<b>59.1</b>	<b>7.2</b>	<b>66.3</b>	<b>36.4%</b>	<b>29.0%</b>

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.



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Full Year 2017 & 2016**  
(In Millions)

	12M 2017	12M 2017	12M 2017	12M 2016	12M 2016	12M 2016	% Change	% Change
	As Reported	Special Items	As Adjusted	As Reported	Special Items	As Adjusted	As Reported	As Adjusted
							2017 vs. 2016	2017 vs. 2016
<b>Revenue:</b>								
Industrial Process	807.2		807.2	830.1		830.1	(2.8%)	(2.8%)
Motion Technologies	1,176.0		1,176.0	983.4		983.4	19.6%	19.6%
Connect & Control Technologies	605.6		605.6	596.3		596.3	1.6%	1.6%
Intersegment eliminations	(3.5)		(3.5)	(4.4)		(4.4)		
Total Revenue	<u>2,585.3</u>		<u>2,585.3</u>	<u>2,405.4</u>		<u>2,405.4</u>	<u>7.5%</u>	<u>7.5%</u>
<b>Operating Margin:</b>								
Industrial Process	7.4%	110 BP	8.5%	4.0%	340 BP	7.4%	340 BP	110 BP
Motion Technologies	16.2%	70 BP	16.9%	17.4%	70 BP	18.1%	(120) BP	(120) BP
Connect & Control Technologies	11.0%	220 BP	13.2%	10.9%	130 BP	12.2%	10 BP	100 BP
Total Operating Segments	<u>12.2%</u>	<u>120 BP</u>	<u>13.4%</u>	<u>11.2%</u>	<u>180 BP</u>	<u>13.0%</u>	<u>100 BP</u>	<u>40 BP</u>
<b>Income (loss):</b>								
Industrial Process	59.5	9.5	69.0	33.5	28.0	61.5	77.6%	12.2%
Motion Technologies	190.0	8.7	198.7	171.4	6.7	178.1	10.9%	11.6%
Connect & Control Technologies	66.7	13.1	79.8	65.2	7.5	72.7	2.3%	9.8%
Total Segment Operating Income	<u>316.2</u>	<u>31.3</u>	<u>347.5</u>	<u>270.1</u>	<u>42.2</u>	<u>312.3</u>	<u>17.1%</u>	<u>11.3%</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.





**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Fourth Quarter 2017 & 2016**  
(In Millions, except per share amounts)

	Q4 2017 As Reported	Non-GAAP Adjustments	Dilution	Q4 2017 As Adjusted	Q4 2016 As Reported	Non-GAAP Adjustments	Q4 2016 As Adjusted	2017 vs. 2016 As Adjusted	Percent Change 2017 vs. 2016 As Adjusted
Segment Operating Income	80.6	4.9 #A		85.5	59.1	7.2 #A	66.3		
Corporate (Expense)	(12.0)	(1.9) #B		(13.9)	(35.5)	27.2 #B	(8.3)		
Operating Income	<u>68.6</u>	<u>3.0</u>		<u>71.6</u>	<u>23.6</u>	<u>34.4</u>	<u>58.0</u>		
Interest Income (Expense)	-	(0.4) #C		(0.4)	1.3	(0.5) #C	0.8		
Other Income (Expense)	(0.2)	-		(0.2)	(0.3)	-	(0.3)		
Income from Continuing Operations before Tax	<u>68.4</u>	<u>2.6</u>		<u>71.0</u>	<u>24.6</u>	<u>33.9</u>	<u>58.5</u>		
Income Tax (Expense)	(134.3)	120.4 #D		(13.9)	(0.7)	(14.9) #D	(15.6)		
(Loss) income from Continuing Operations	<u>(65.9)</u>	<u>123.0</u>		<u>57.1</u>	<u>23.9</u>	<u>19.0</u>	<u>42.9</u>		
Less: Non Controlling Interest	0.1	-		0.1	0.3	-	0.3		
(Loss) income from Continuing Operations - ITT Inc.	<u>(66.0)</u>	<u>123.0</u>		<u>57.0</u>	<u>23.6</u>	<u>19.0</u>	<u>42.6</u>		
EPS from Continuing Operations	<u>(0.75)</u>	<u>1.38</u>	<u>0.01</u>	<u>0.64</u>	<u>0.27</u>	<u>0.21</u>	<u>0.48</u>	<u>0.16</u>	33.3%

Note: Amounts may not calculate due to rounding.

#A - 2017 includes restructuring and realignment costs (\$4.9M), acquisition related costs offset by reversal of prior years acquisition related reserves.

#A - 2016 includes restructuring and realignment costs (\$2.3M), acquisition related costs (\$1.5M) and pension settlement costs (\$3.4M).

#B - 2017 includes income of (\$16.4M) related to insurance recovery, certain costs associated primarily with sale of excess property (\$0.7M), franchise tax adjustment (\$0.7M), and asbestos related expense (\$13.1M).

#B - 2016 includes restructuring costs (\$1.3M), certain costs associated with sale of excess property (\$1.9M), pension settlement costs (\$9.3M) and asbestos related expense (\$14.7M).

#C - Interest income related to a change in uncertain tax position for both 2017 & 2016.

#D - 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 (\$1.5M), tax benefit from retroactive application of Italian patent box incentive (\$3.4M), tax benefit for other tax rate changes (\$1.3M), and the tax impact of other operating special items.

#D - 2016 includes various tax-related special items, including net tax benefit on valuation allowance changes, tax true-ups, and changes in uncertain tax positions (\$0.7M), net tax benefit of foreign earnings (\$1.3M), in addition to the tax benefit of other operating special items (\$12.2M).



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Full Year 2017 & 2016**  
(In Millions, except per share amounts)

	12M 2017 As Reported	Non-GAAP Adjustments	12M 2017 As Adjusted	12M 2016 As Reported	Non-GAAP Adjustments	12M 2016 As Adjusted	2017 vs. 2016 As Adjusted	Percent Change 2017 vs. 2016 As Adjusted
Segment Operating Income	316.2	31.3 #A	347.5	270.1	42.2 #A	312.3		
Corporate (Expense)	(6.5)	(34.1) #B	(40.6)	(11.2)	(11.7) #B	(22.9)		
Operating Income	<u>309.7</u>	<u>(2.8)</u>	<u>306.9</u>	<u>258.9</u>	<u>30.5</u>	<u>289.4</u>		
Interest Income (Expense)	0.3	(2.5) #C	(2.2)	0.8	(3.4) #C	(2.6)		
Other Income (Expense)	(0.6)	-	(0.6)	(1.3)	-	(1.3)		
Income from Continuing Operations before Tax	<u>309.4</u>	<u>(5.3)</u>	<u>304.1</u>	<u>258.4</u>	<u>27.1</u>	<u>285.5</u>		
Income Tax (Expense)	(194.6)	120.7 #D	(73.9)	(76.0)	(0.9) #D	(76.9)		
Income from Continuing Operations	<u>114.8</u>	<u>115.4</u>	<u>230.2</u>	<u>182.4</u>	<u>26.2</u>	<u>208.6</u>		
Less: Non Controlling Interest	(0.2)	-	(0.2)	0.5	-	0.5		
Income from Continuing Operations - ITT Inc.	<u>115.0</u>	<u>115.4</u>	<u>230.4</u>	<u>181.9</u>	<u>26.2</u>	<u>208.1</u>		
EPS from Continuing Operations	<u>1.29</u>	<u>1.30</u>	<u>2.59</u>	<u>2.02</u>	<u>0.30</u>	<u>2.32</u>	<u>0.27</u>	11.6%

Note: Amounts may not calculate due to rounding.

#A - 2017 includes restructuring and realignment costs (\$18.5M), legal accrual (\$5.0M), net acquisition related costs of (\$4.1M), pension settlement costs (\$3.7).

#A - 2016 includes restructuring and realignment costs (\$28.9M), acquisition related costs (\$5.8M), impairment of trade name (\$4.1M) and pension settlement costs (\$3.4M).

#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).

#B - 2016 includes restructuring costs (\$1.8M), certain costs associated primarily with sale of excess property (\$2.8M), pension settlement costs (\$9.3M); asbestos related income (\$25.6M).

Note: (\$25.6M) net asbestos related income includes adjustment to maintain 10 year accrual (\$59.0M), re-measurement income (\$81.8M) and insurance settlements (\$2.8M).

#C - Interest income related to a change in uncertain tax position for both 2017 & 2016.

#D - 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.

#D - 2016 includes various tax-related special items including tax expense of foreign earnings (\$24.7M), tax benefit for changes in uncertain tax positions and tax true-ups (\$18.5M), in addition to the tax benefit of other operating special items (\$6.8M).



**ITT Inc. Non-GAAP Reconciliation**  
**Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion**  
**Full Year 2017 & 2016**

(In Millions)

	<u>12M 2017</u>	<u>12M 2016</u>
<b>Net Cash - Operating Activities</b>	<b>247.4</b>	<b>240.7</b>
Capital Expenditures	113.3	111.4
<b>Free Cash Flow</b>	<b><u>134.1</u></b>	<b><u>129.3</u></b>
Realignment Related Cash Payments	11.3	4.5
Restructuring Cash Payments	17.8	30.3
Asbestos Cash Payments, net	45.3	31.5
Discretionary Pension Contributions, net of tax	<u>22.1</u>	<u>4.9</u>
<b>Adjusted Free Cash Flow</b>	<b><u>230.6</u></b>	<b><u>200.5</u></b>
<b>Income from Continuing Operations - ITT Inc.</b>	<b>115.0</b>	<b>181.9</b>
Special Items	115.4	26.2
<b>Income from Continuing Operations - ITT Inc., Excluding Special Items</b>	<b><u>230.4</u></b>	<b><u>208.1</u></b>
<b>Adjusted Free Cash Flow Conversion</b>	<b><u>100.1%</u></b>	<b><u>96.3%</u></b>



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

	2018 Full-Year Guidance	
	Low	High
<b>EPS from Continuing Operations - GAAP</b>	<b>\$ 2.46</b>	<b>\$ 2.78</b>
Estimated Asbestos Related Costs, Net of Tax	0.47	0.47
	<b>\$ 2.93</b>	<b>\$ 3.25</b>
Estimated Gain on Sale of Excess Property, Net of Tax	(0.33)	(0.35)
Estimated Restructuring, Realignment and Other Costs, Net of Tax	0.22	0.22
Acquisition Related Costs, Net of Tax	0.03	0.03
<b>EPS from Continuing Operations - Adjusted</b>	<b>\$ 2.85</b>	<b>\$ 3.15</b>

