

ITT Inc.

# Fourth Quarter 2020 Results and 2021 Outlook

02.19.2021



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We use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “future,” “may,” “will,” “could,” “should,” “potential,” “continue” and other similar expressions to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Where in any forward-looking statement we express an expectation or belief as to future results or events, such expectation or belief is based on current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will occur or that anticipated results will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included in the Risk Factors section of the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other documents filed from time to time with the Securities and Exchange Commission.

The forward-looking statements included in this presentation speak only as of the date hereof. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation and the discussion on the accompanying conference call contain certain financial measures that are not prepared under U.S. GAAP. These non-GAAP financial measures supplement our GAAP disclosures and are not meant to be considered in isolation or as a substitute for the most directly comparable measures that are prepared in accordance with GAAP. These measures may not be comparable to similarly titled measures disclosed by other companies. For a reconciliation of these non-GAAP financial measures to the most directly comparable measures disclosed under GAAP, refer to the appendix to this presentation or [www.itt.com/investors](http://www.itt.com/investors).

## ▪ Strong finish to 2020

- Q4 adj. segment operating income up 8%, adj. segment margin +150 bps
- 10%+ organic sales growth in Motion Technologies (MT) in Q4
- Q4 adj. EPS growth vs PY driven by MT volume, benefits from \$40M of cost actions
- 15% free cash flow margin, 151% adjusted free cash flow conversion for FY

## ▪ Continued Friction share gains, MT and IP driving recovery

- 2020 Friction sales outpaced global auto production by 600+ bps<sup>[1]</sup>
- Continued awards on key platforms, increased EV market share >500 bps<sup>[2]</sup>
- Operational improvements in Industrial Process (IP), delivered 15% adj. margin in Q4
- Q4 book-to-bill >1.0 in Connect & Control Technologies (CCT)

## ▪ 2021 Adj. EPS guidance of \$3.45 - \$3.75; +8% to +17% vs 2020

- Reflects strong market positions and operational excellence progress
- 3% organic sales growth, 155 bps adj. segment margin expansion at midpoint vs 2020
- Anticipate FCF margin of 10% to 12% and adj. conversion of approximately 100%

## ▪ Continued investments for growth, ample capital to deploy in 2021

- Growth and innovation driving capex investments of ~\$100M, >55% vs 2020
- Incremental net savings from 2020 actions
- 30% dividend increase, planned share repurchases of \$50M to \$100M

## Q4 Highlights

**\$1.01**

Adjusted EPS  
+2% vs. PY

**10%+**

Organic sales growth  
in Motion  
Technologies

**>15%**

Industrial Process  
adjusted segment  
margin

**+150 bps**

Adjusted segment  
margin expansion

**\$372M**

FY free cash flow,  
up 40% vs PY

*Finished Strong, Positioned to Outperform*

# Q4 and FY 2020 Results



\$ millions (except EPS)	Q4	VS 2019	FY	VS 2019
Total Revenue	<b>\$709</b>	(-2%)	<b>\$2,478</b>	(-13%)
<i>Organic</i>		(-4%)		(-14%)
Adj. Segment Operating Income	<b>\$120</b>	8%	<b>\$376</b>	(-18%)
Adj. Segment Operating Margin	<b>16.9%</b>	+150 bps	<b>15.2%</b>	(-80) bps
Adj. Operating Income	<b>\$112</b>	10%	<b>\$356</b>	(-15%)
Adj. EPS	<b>\$1.01</b>	2%	<b>\$3.20</b>	(-16%)
Free Cash Flow	<b>\$102</b>	(-11%)	<b>\$372</b>	+40%

## Q4 Results

- **(-4%) Organic revenue**
  - + MT +10% driven by global auto recovery and share gains
  - Lower IP service and baseline
  - CCT weak aero demand, slow activity in oil & gas
- **+8% Adj. segment OI growth**
  - + 46% increase in MT on volumes and productivity benefits
  - (-39%) in CCT on lower aerospace volume, net of productivity
- **Adj. EPS of \$1.01, +2% vs PY**
  - + Productivity, cost controls
  - Lower volume
  - + Growth investments
  - Higher tax rate, FX

## Full Year Performance

- Lower global auto production, commercial aero
- + Sequential improvement in auto in Q4 (+30%)
- Global passenger weakness in rail
- + 22% segment decremental margin
- + 70 bps segment working capital improvement
- + +40% FY free cash flow growth
- + FY FCF margin of 15%
- + Improved working capital management
- + Strategic prioritization of capex
- + Effective management of legacy liabilities
- + US pension terminated in October
- + Negotiated favorable asbestos settlements with our insurance carriers, resulting in \$100M FY benefit

*Strong Momentum*





## Electric Vehicle Platform Wins

- Awarded legacy and new platforms for braking technology with **the leading EV manufacturer**
- Front and rear axle awards on the newest big 3 **performance crossover** vehicle
- 15 new platform awards on **next-gen global and Chinese OEMs**; driving future growth in rapidly expanding segment

Consistently Outperforming Market



## Flow Momentum

- Introduced **redesigned between-bearing API pump** with FY orders +56% vs PY; portfolio redesign accelerating new introductions in 2021 and beyond
- New **i-Alert** remote monitoring solution with diagnostics to support customer asset up-time
- **Bornemann multiphase pump** technology expands oil & gas business in Asia and Africa

Pump Portfolio Innovation



## Aero and Defense Awards

- Enidine selected to produce passive vibration control technology for Bell 360 Invictus to the U.S. Army's **Future Attack Reconnaissance Aircraft (FARA)** program
- Awarded environmental control systems on auxiliary power unit (APU) for **Gulfstream G700**
- Agreement to produce APU inlet ducts and exhaust silencer on **Airbus A220**

Winning in Aero and Defense

# Q4 Segment Summary Results



## Motion Technologies

\$ millions	2020	vs 2019
Revenue	\$352	+16%
Adj Segment Op Income	\$69	+46%
Adj Segment Op Margin	19.5%	+410 bps

- +10% organic revenue: +14% auto; +19% Friction OE, +5% aftermarket
- Friction OE +1,600 bps outperformance<sup>[1]</sup> in NA, EU and China
- +46% adj. OI growth on volume and productivity
- 46% adj incremental margin vs. PY
  - +100 bps sequential op margin improvement vs Q3
- 7 Friction EV awards; 42 for FY (China +40%)
- +26% Wolverine awards growth

## Industrial Process

\$ millions	2020	vs 2019
Revenue	\$228	(-11%)
Adj Segment Op Income	\$35	(-5%)
Adj Segment Op Margin	15.1%	+90 bps

- (-10%) organic revenue driven by (-4%) projects and (-13%) short cycle
- (-17%) organic orders driven by (-61%) decline in projects and +1% growth in short cycle
- 15% adj op margin - on track to long-term target
  - 7% decremental margin vs. PY
- Delivered adjusted margin expansion every quarter in 2020
- 590 bps improvement in working capital as percent of sales (ex. FX)

## Connect & Control Technologies

\$ millions	2020	vs 2019
Revenue	\$129	(-20%)
Adj Segment Op Income	\$17	(-39%)
Adj Segment Op Margin	13.0%	(-410) bps

- (-21%) organic revenue driven by:
  - Weak aero demand
  - Oil & gas connectors
  - Partially offset by growth in industrial connectors
- (-21%) organic orders driven by lower aerospace, offset by growth in defense, oil and gas and industrial connectors
- +18% sequential orders growth
- (-39%) adj. op income primarily due to aerospace volume declines

# Q4 Adjusted Segment Operating Margin



## +150 bps Expansion

- + MT share gains
- Reduced air travel and aero production
- Lower pumps book and ship demand
- + IP and CCT price
- + Operational execution
- + Cost action benefits
- + Shop floor productivity and supply chain efficiency
- COVID-19 inefficiencies

Q4'19 adjusted segment operating margin

vs. PY

**15.4%**

Volume, mix, price and other

(-50) bps

Net operating productivity

+230 bps

Operational margins subtotal

**17.2%**

FX impact

+10 bps

Strategic investments

(-40 bps)

Q4'20 adjusted segment operating margin

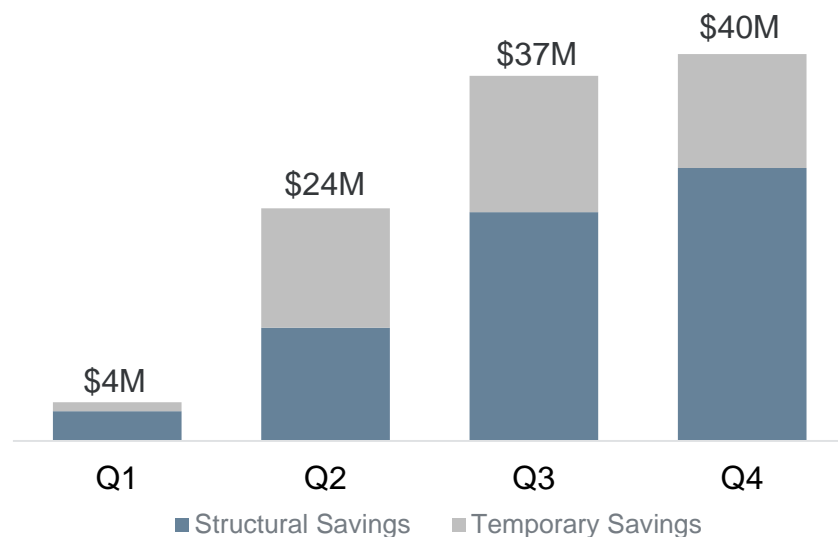
**16.9%**

*Productivity Offset Volume Declines and Unfavorable Mix*

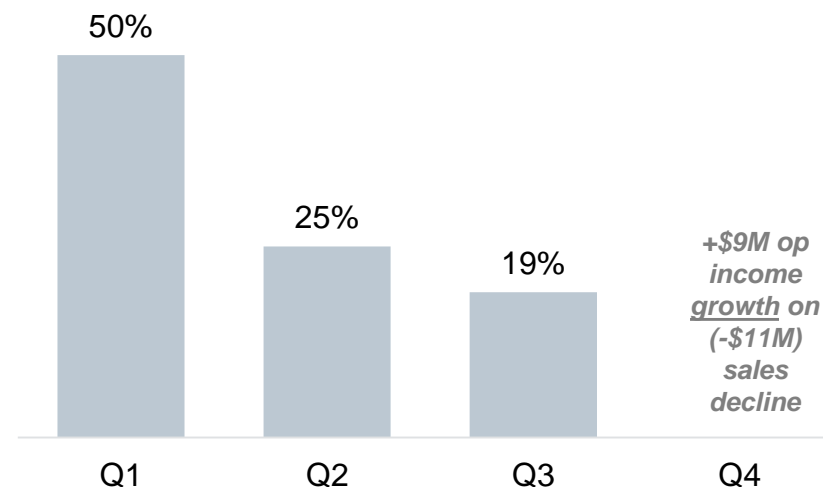
# 2020 Cost Action Results



## 2020 Cost Savings by Quarter (\$M)



## Adjusted Segment Decremental Margin



- **22%** full year decremental margin, improved every quarter in 2020
- Incremental net savings anticipated in 2021
- Expecting incremental margin **>35%** for full year 2021

*Actions Drove \$105M of Savings*



## 2021 Planning Assumptions

- Global economy continues to improve throughout 2021 despite ongoing COVID disruptions
- MT revenue back to 2019 levels on share gains and worldwide auto production recovery
- Commercial aero recovery in 2H; defense stable throughout the year
- IP growth in emerging markets; lower project bookings impact revenue growth
- Structural cost reductions in 2020 drive further margin expansion
- Working capital management drives decline to 20% of sales, after 70 bps reduction in 2020

## 2021 Guidance

+5% to +7%  
Total revenue

+2% to +4%  
organic

16.5% to 17.0%  
Adj. segment  
op margin

+130 to +180 bps  
expansion

\$3.45 to \$3.75  
Adj. EPS

+8% to +17%  
growth

\$270M to \$300M  
free cash flow

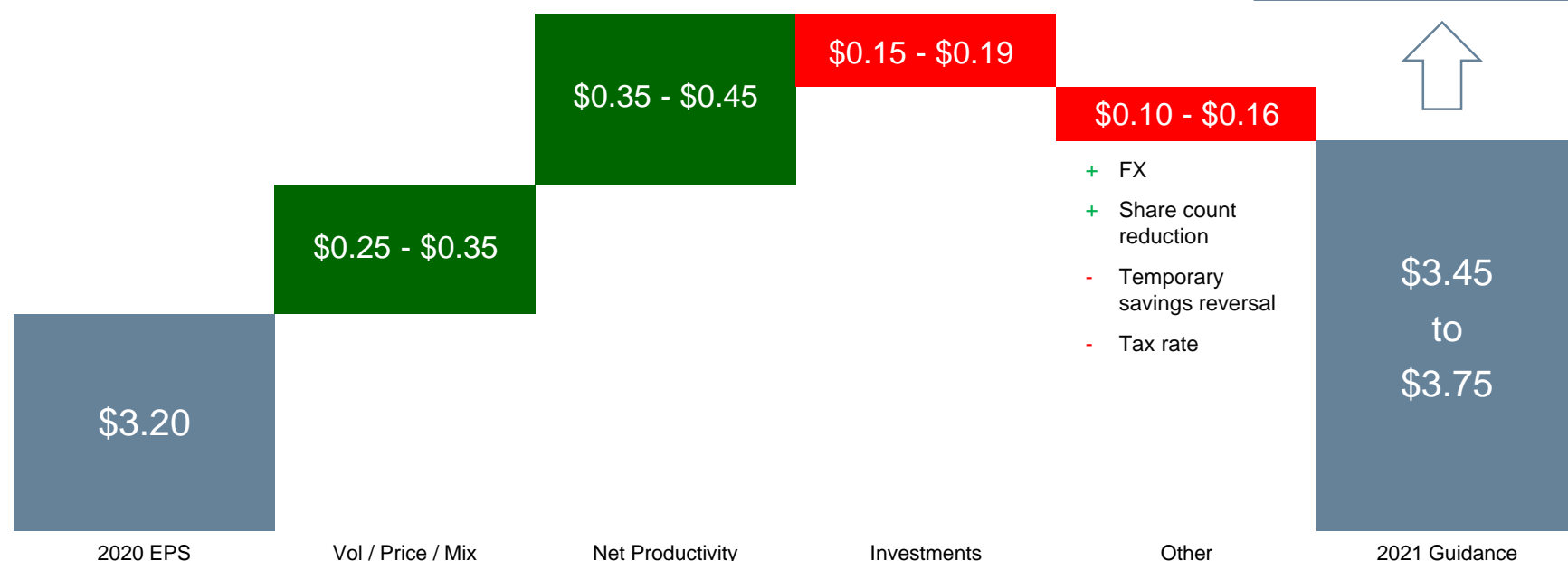
10% to 12% margin  
~100% adj. conversion

*Driving Incremental Margins >35%*

# 2021 Adjusted EPS Guidance



+8% to +17%



## Tailwinds

- Global auto share gains
- Short-cycle market recovery
- Efficiency gains and sourcing initiatives
- 2020 and 2021 restructuring actions
- USD weakness

## Headwinds

- Lingering COVID impacts
- Auto price
- Pump projects decline
- Incremental strategic investments
- Inflation and temporary savings reversal

## Key Assumptions

- ~\$1.21 € exchange rate
- ~\$30M - \$40M corporate expense
- ~\$3M interest and other expense
- ~21.5% tax rate
- \$50M to \$100M share repurchases

*Grounded in Growth and Productivity*

- **Strong execution in 2020** – swift actions, while investing for the future
- **Outperformance in auto** – share gain awards; higher EV win rates
- **Deploying the “MT model”** – continued improvements in IP with further runway, CCT transformation underway
- **Accelerating capital deployment** – capex investments up >55%, diligent pursuit of acquisitions, dividend increase, share count reduction and effective management of legacy liabilities
- **Clear priorities** – operational excellence, customer centricity and effective capital deployment

*Well Positioned for Growth in 2021 and Beyond*

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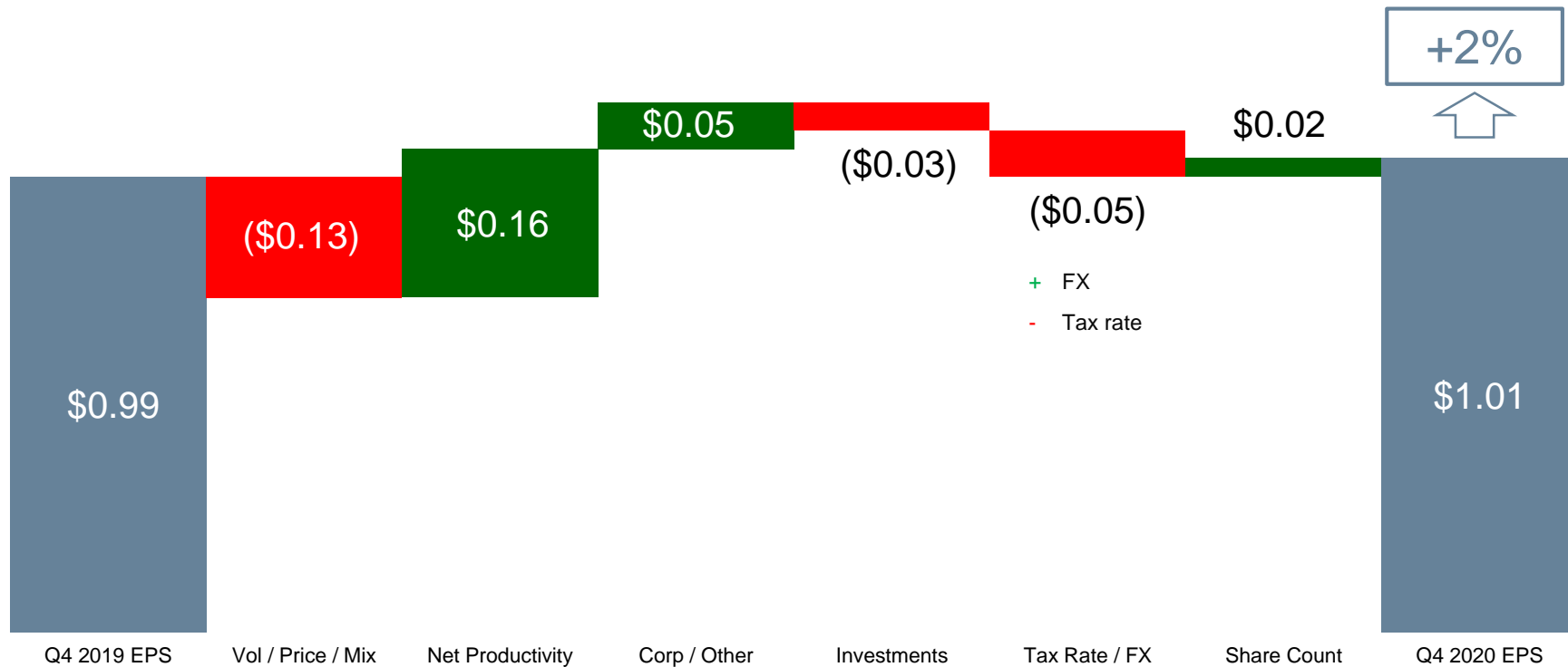
ITT Inc.

# 2020 Supplemental Data

02.19.2021



# Q4 2020 Adjusted EPS



## Q4 Summary

- + Global auto share gains more than offset by lower aero production rates and lower pump book and ship
- + Cost structure actions, shop floor productivity and sourcing initiatives
- + Lower corporate costs and compensation costs
- Investments in MT Smart Pad and pump portfolio redesign and VA/VE
- ± Share repurchase benefit, favorable foreign exchange offset by higher effective tax rate (21.2% vs 15.3%)



# Q4 2020 ITT Adjusted Segment Performance



	Motion Technologies	Industrial Process	Connect & Control Technologies	Total Segments
Q4 2020 Total Revenue vs PY	15.7%	(-10.5%)	(-19.8%)	(-1.5%)
FX	(-5.4%)	0.1%	(-1.1%)	(-2.4%)
Acquisition / Disposition	0.0%	0.0%	0.0%	0.0%
Q4 2020 Organic Revenue vs PY	10.3%	(-10.4%)	(-20.9%)	(-3.9%)
Q4 2019 Adjusted Operating Margin	15.4%	14.2%	17.1%	15.4%
Volume, Mix, Productivity & Other	4.5%	1.6%	(-4.2%)	1.8%
Growth Investments	(-0.4%)	(-0.6%)	0.0%	(-0.4%)
Acquisition/Disposition	0.0%	0.0%	0.0%	0.0%
FX	0.0%	(-0.1%)	0.1%	0.1%
Q4 2020 Adjusted Operating Margin	19.5%	15.1%	13.0%	16.9%

# Key Performance Indicators & Non-GAAP Measures

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Management reviews a variety of key performance indicators including revenue, segment operating income and margins, earnings per share, order growth, and backlog, some of which are calculated on a non-GAAP basis. In addition, we consider certain measures to be useful to management and investors when evaluating our operating performance for the periods presented. These measures provide a tool for evaluating our ongoing operations and management of assets from period to period. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including, but not limited to, acquisitions, dividends, and share repurchases. Some of these metrics, however, are not measures of financial performance under accounting principles generally accepted in the United States of America (GAAP) and should not be considered a substitute for measures determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators for purposes of our reconciliation tables.

**Organic Revenues** and **Organic Orders** are defined as revenue and orders, excluding the impacts of foreign currency fluctuations, acquisitions and divestitures. Divestitures include sales of portions of our business that did not meet the criteria for presentation as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations is estimated using a fixed exchange rate for both the current and prior periods. Management believes that reporting organic revenue and organic orders provides useful information to investors by helping identify underlying trends in our business and facilitating comparisons of our revenue performance with prior and future periods and to our peers.

**Adjusted Operating Income** and **Adjusted Segment Operating Income** are defined as total operating income and segment operating income, adjusted to exclude special items that include, but are not limited to, asbestos-related impacts, impairments, restructuring, realignment, certain acquisition-related impacts, and unusual or infrequent operating items. Special items represent charges or credits that impact current results, which management views as unrelated to the Company's ongoing operations and performance.

**Adjusted Operating Margin** and **Adjusted Segment Operating Margin** are defined as adjusted operating income or adjusted segment operating income divided by revenue.

**Adjusted Segment Decremental or 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** and **Adjusted EPS** are defined as income from continuing operations attributable to ITT Inc. and income from continuing operations attributable to ITT Inc. per diluted share, adjusted to exclude special items that include, but are not limited to, asbestos-related impacts, impairments, restructuring, realignment, pension settlement and curtailment impacts, certain acquisition-related impacts, income tax settlements or adjustments, and unusual or infrequent items. Special items represent charges or credits, on an after-tax basis, that impact current results which management views as unrelated to the Company's ongoing operations and performance. The after-tax basis of each special item is determined using the jurisdictional tax rate of where the expense or benefit occurred. We believe that adjusted income from continuing operations is useful to investors and other users of our financial statements in evaluating ongoing operating profitability, as well as in evaluating operating performance in relation to our competitors.

**Free Cash Flow and Free Cash Flow Margin** are defined as net cash provided by operating activities less capital expenditures and the ratio of free cash flow to revenue. We believe that free cash flow and free cash flow margin provide useful information to investors as they provide insight into a primary cash flow metric used by management to monitor and evaluate cash flows generated by our operations.

**Adjusted Free Cash Flow** is defined as free cash flow, 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 adjusted free cash flow may not be available for discretionary purposes. **Adjusted free cash flow conversion** is defined as adjusted free cash flow divided by adjusted income from continuing operations. We believe that adjusted free cash flow and adjusted free cash flow conversion provide 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.

**Working Capital** is defined as the sum of Receivables, net, Inventories, net and Current contract assets less Accounts payable and Current contract liabilities. **Working Capital as a percentage of revenue** is calculated by dividing working capital by the trailing twelve months of revenue. We believe that working capital and working capital as a percentage of revenue provides useful information to investors as it provides insight into both a company's operational efficiency and its short-term financial health.

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Organic Revenue / Orders**  
**Fourth Quarter 2020 & 2019**  
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E	(G) =C-D-E	(H) = G / B
			\$ Change	% Change	Acquisition /	FX Impact	Revenue /	\$ Change	% Change
	Q4 2020	Q4 2019	2020 vs.	2020 vs.	Divestitures		Orders	Adj. 2020	Adj. 2020
			2019	2019	Q4 2020	Q4 2020	Q4 2020	vs. 2019	vs. 2019
<b>Revenue</b>									
<b>ITT Inc.</b>	<b>\$ 708.6</b>	<b>\$ 719.1</b>	<b>\$ (10.5)</b>	<b>(1.5%)</b>	<b>\$ -</b>	<b>\$ 17.7</b>	<b>\$ 690.9</b>	<b>\$ (28.2)</b>	<b>(3.9%)</b>
Motion Technologies	352.1	304.4	47.7	15.7%	-	16.2	<b>335.9</b>	31.5	10.3%
Industrial Process	228.3	255.2	(26.9)	(10.5%)	-	(0.3)	<b>228.6</b>	(26.6)	(10.4%)
Connect & Control Technologies	129.0	160.8	(31.8)	(19.8%)	-	1.8	<b>127.2</b>	(33.6)	(20.9%)
<b>Orders</b>									
<b>ITT Inc.</b>	<b>\$ 665.2</b>	<b>\$ 679.4</b>	<b>\$ (14.2)</b>	<b>(2.1%)</b>	<b>\$ -</b>	<b>\$ 18.9</b>	<b>\$ 646.3</b>	<b>\$ (33.1)</b>	<b>(4.9%)</b>
Motion Technologies	351.9	298.2	53.7	18.0%	-	16.3	<b>335.6</b>	37.4	12.5%
Industrial Process	183.7	220.2	(36.5)	(16.6%)	-	0.5	<b>183.2</b>	(37.0)	(16.8%)
Connect & Control Technologies	130.0	161.5	(31.5)	(19.5%)	-	2.0	<b>128.0</b>	(33.5)	(20.7%)

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Fourth Quarter 2020 & 2019**  
(In Millions)

	Q4 2020 As Reported	Q4 2020 Special Items	Q4 2020 As Adjusted	Q4 2019 As Reported	Q4 2019 Special Items	Q4 2019 As Adjusted	% Change As Reported 2020 vs. 2019	% Change As Adjusted 2020 vs. 2019
<b>Revenue:</b>								
Motion Technologies	\$ 352.1		\$ 352.1	\$ 304.4		\$ 304.4	15.7%	15.7%
Industrial Process	228.3		228.3	255.2		255.2	(10.5%)	(10.5%)
Connect & Control Technologies	129.0		129.0	160.8		160.8	(19.8%)	(19.8%)
Intersegment eliminations	(0.8)		(0.8)	(1.3)		(1.3)		
Total Revenue	<u>\$ 708.6</u>		<u>\$ 708.6</u>	<u>\$ 719.1</u>		<u>\$ 719.1</u>	<u>(1.5%)</u>	<u>(1.5%)</u>
<b>Operating Margin:</b>								
Motion Technologies	19.9%	(40) BP	19.5%	15.3%	10 BP	15.4%	460 BP	410 BP
Industrial Process	14.5%	60 BP	15.1%	13.5%	70 BP	14.2%	100 BP	90 BP
Connect & Control Technologies	12.6%	40 BP	13.0%	16.2%	90 BP	17.1%	(360) BP	(410) BP
Total Operating Segments	<u>16.9%</u>	<u>- BP</u>	<u>16.9%</u>	<u>14.9%</u>	<u>50 BP</u>	<u>15.4%</u>	<u>200 BP</u>	<u>150 BP</u>
<b>Operating Income:</b>								
Motion Technologies	\$ 70.1	\$ (1.3)	\$ 68.8	\$ 46.5	\$ 0.5	\$ 47.0	50.8%	46.4%
Industrial Process	33.1	1.4	34.5	34.5	1.8	36.3	(4.1%)	(5.0%)
Connect & Control Technologies	16.3	0.5	16.8	26.1	1.4	27.5	(37.5%)	(38.9%)
Total Segment Operating Income	<u>\$ 119.5</u>	<u>\$ 0.6</u>	<u>\$ 120.1</u>	<u>\$ 107.1</u>	<u>\$ 3.7</u>	<u>\$ 110.8</u>	<u>11.6%</u>	<u>8.4%</u>

Note: Immaterial differences due to rounding.

Special items include, but are not limited to, restructuring and realignment costs, certain asset impairment charges, acquisition-related expenses, and other unusual or infrequent items including certain legal matters.

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS**  
**Fourth Quarter 2020 & 2019**

(In Millions, except per share amounts)

	Q4 2020		Q4 2020	Q4 2019		Q4 2019	2020	2020
	As	Non-GAAP	As	As	Non-GAAP	As	vs. 2019	vs. 2019
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	As	As
							Adjusted (\$)	Adjusted (%)
Segment operating income	\$ 119.5	\$ 0.6 #A	\$ 120.1	\$ 107.1	\$ 3.7 #A	\$ 110.8		
Corporate income (expense)	39.7	(47.7) #B	(8.0)	(24.8)	16.3 #B	(8.5)		
Operating income (loss)	159.2	(47.1)	112.1	82.3	20.0	102.3		
Interest (expense) income	(0.1)	-	(0.1)	1.0	-	1.0		
Other (expense) income	(137.2)	137.4 #C	0.2	0.7	-	0.7		
Income from continuing operations before tax	21.9	90.3	112.2	84.0	20.0	104.0		
Income tax (expense) benefit	(34.9)	11.2 #D	(23.7)	(16.8)	0.9 #D	(15.9)		
(Loss) income from continuing operations	(13.0)	101.5	88.5	67.2	20.9	88.1		
Less: Income attributable to noncontrolling interests	0.6	-	0.6	0.7	-	0.7		
(Loss) income from continuing operations - ITT Inc.	\$ (13.6)	\$ 101.5	\$ 87.9	\$ 66.5	\$ 20.9	\$ 87.4		
EPS from continuing operations	\$ (0.16) #E	\$ 1.17	\$ 1.01	\$ 0.75	\$ 0.24	\$ 0.99	\$ 0.02	2.0%

Note: Amounts may not calculate due to rounding.

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

#A - 2020 includes restructuring costs (\$0.6M)

#A - 2019 includes restructuring costs (\$1.8M), acquisition related costs (\$1.7M) and other legal costs (\$0.2M).

#B - 2020 includes asbestos related benefit (\$50.4M) and other costs (\$2.7M).

The net asbestos benefit is due to an insurance settlement (\$52.1M) and asbestos related expense (\$1.7M)

#B - 2019 includes realignment and other costs (\$4.7M), and asbestos related expense (\$11.6M).

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

#D - 2020 includes tax-related special items including tax expense for valuation allowance change (\$21.4M), tax expense for the pension termination related to AOCI of (\$5.1M) and tax expense on future distribution of foreign earnings (\$4.5M), and the net tax benefit of special items #A through #C (\$20.8M).

#D - 2019 includes various tax-related special items including tax expense for valuation allowance change (\$6.0M), tax expense on future distribution of foreign earnings (\$2.2M), tax benefit for return to accrual adjustment (\$4.5M), and the tax impact of other operating special items.

#E - 2020 GAAP EPS is calculated using basic average common shares outstanding due to a net loss.



**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs. Organic Revenue / Orders**  
**Full Year 2020 & 2019**  
(In Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				
	(A)	(B)	(C)		(D)	(E)	(F) = A-D-E	(G) =C-D-E	(H) = G / B
			\$ Change	% Change	Acquisition /	FX Impact	Revenue /	\$ Change	% Change
	FY 2020	FY 2019	2020 vs.	2020 vs.	Divestitures		Orders	Adj. 2020	Adj. 2020
			2019	2019	FY 2020	FY 2020	FY 2020	vs. 2019	vs. 2019
<b>Revenue</b>									
<b>ITT Inc.</b>	<b>\$2,477.8</b>	<b>\$2,846.4</b>	<b>\$ (368.6)</b>	<b>(12.9%)</b>	<b>\$ 24.4</b>	<b>\$ (1.3)</b>	<b>\$ 2,454.7</b>	<b>\$ (391.7)</b>	<b>(13.8%)</b>
Motion Technologies	1,121.1	1,241.8	(120.7)	(9.7%)	-	8.1	<b>1,113.0</b>	(128.8)	(10.4%)
Industrial Process	843.0	943.8	(100.8)	(10.7%)	18.6	(11.4)	<b>835.8</b>	(108.0)	(11.4%)
Connect & Control Technologies	516.5	663.9	(147.4)	(22.2%)	5.8	2.0	<b>508.7</b>	(155.2)	(23.4%)
<b>Orders</b>									
<b>ITT Inc.</b>	<b>\$2,391.5</b>	<b>\$2,813.2</b>	<b>\$ (421.7)</b>	<b>(15.0%)</b>	<b>\$ 24.8</b>	<b>\$ (0.7)</b>	<b>\$ 2,367.4</b>	<b>\$ (445.8)</b>	<b>(15.8%)</b>
Motion Technologies	1,108.5	1,250.6	(142.1)	(11.4%)	-	8.2	<b>1,100.3</b>	(150.3)	(12.0%)
Industrial Process	798.1	886.8	(88.7)	(10.0%)	19.6	(10.9)	<b>789.4</b>	(97.4)	(11.0%)
Connect & Control Technologies	487.2	678.9	(191.7)	(28.2%)	5.2	2.0	<b>480.0</b>	(198.9)	(29.3%)

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding

**ITT Inc. Non-GAAP Reconciliation**  
**Reported vs Adjusted Segment Operating Income & Operating Margin**  
**Full Year 2020 & 2019**  
(In Millions)

	FY 2020 As Reported	FY 2020 Special Items	FY 2020 As Adjusted	FY 2019 As Reported	FY 2019 Special Items	FY 2019 As Adjusted	% Change As Reported 2020 vs. 2019	% Change As Adjusted 2020 vs. 2019
<b>Revenue:</b>								
Motion Technologies	\$ 1,121.1		\$ 1,121.1	\$ 1,241.8		\$ 1,241.8	(9.7%)	(9.7%)
Industrial Process	843.0		843.0	943.8		943.8	(10.7%)	(10.7%)
Connect & Control Technologies	516.5		516.5	663.9		663.9	(22.2%)	(22.2%)
Intersegment eliminations	(2.8)		(2.8)	(3.1)		(3.1)		
Total Revenue	<u>\$ 2,477.8</u>		<u>\$ 2,477.8</u>	<u>\$ 2,846.4</u>		<u>\$ 2,846.4</u>	<u>(12.9%)</u>	<u>(12.9%)</u>
<b>Operating Margin:</b>								
Motion Technologies	16.4%	110 BP	17.5%	17.4%	50 BP	17.9%	(100) BP	(40) BP
Industrial Process	9.2%	430 BP	13.5%	11.1%	160 BP	12.7%	(190) BP	80 BP
Connect & Control Technologies	11.0%	170 BP	12.7%	16.8%	50 BP	17.3%	(580) BP	(460) BP
Total Operating Segments	<u>12.9%</u>	<u>230 BP</u>	<u>15.2%</u>	<u>15.2%</u>	<u>80 BP</u>	<u>16.0%</u>	<u>(230) BP</u>	<u>(80) BP</u>
<b>Operating Income:</b>								
Motion Technologies	\$ 184.0	\$ 12.7	\$ 196.7	\$ 216.1	\$ 6.2	\$ 222.3	(14.9%)	(11.5%)
Industrial Process	77.6	36.4	114.0	104.7	14.7	119.4	(25.9%)	(4.5%)
Connect & Control Technologies	57.0	8.7	65.7	111.5	3.5	115.0	(48.9%)	(42.9%)
Total Segment Operating Income	<u>\$ 318.6</u>	<u>\$ 57.8</u>	<u>\$ 376.4</u>	<u>\$ 432.3</u>	<u>\$ 24.4</u>	<u>\$ 456.7</u>	<u>(26.3%)</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 items including certain legal matters.

## ITT Inc. Non-GAAP Reconciliation

### Reported vs. Adjusted Income from Continuing Operations & Adjusted EPS

#### Full Year 2020 & 2019

(In Millions, except per share amounts)

	FY 2020		FY 2020	FY 2019		FY 2019	2020	2020
	As	Non-GAAP	As	As	Non-GAAP	As	vs. 2019	vs. 2019
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	As	As
							Adjusted (\$)	Adjusted (%)
Segment operating income	\$ 318.6	\$ 57.8 #A	\$ 376.4	\$ 432.3	\$ 24.4 #A	\$ 456.7		
Corporate (expense) income	(92.1)	71.4 #B	(20.7)	(20.9)	(14.9) #B	(35.8)		
Operating income	<u>226.5</u>	<u>129.2</u>	<u>355.7</u>	<u>411.4</u>	<u>9.5</u>	<u>420.9</u>		
Interest income	0.7	-	0.7	4.1	-	4.1		
Other (expense) income	(142.0)	141.6 #C	(0.4)	(1.1)	-	(1.1)		
Income from continuing operations before tax	<u>85.2</u>	<u>270.8</u>	<u>356.0</u>	<u>414.4</u>	<u>9.5</u>	<u>423.9</u>		
Income tax (expense) benefit	(15.3)	(60.1) #D	(75.4)	(89.9)	4.4 #D	(85.5)		
Income from continuing operations	<u>69.9</u>	<u>210.7</u>	<u>280.6</u>	<u>324.5</u>	<u>13.9</u>	<u>338.4</u>		
Less: Income attributable to noncontrolling interests	1.4	-	1.4	1.1	-	1.1		
Income from continuing operations - ITT Inc.	<u>\$ 68.5</u>	<u>\$ 210.7</u>	<u>\$ 279.2</u>	<u>\$ 323.4</u>	<u>\$ 13.9</u>	<u>\$ 337.3</u>		
EPS from continuing operations	<u>\$ 0.78</u>	<u>\$ 2.42</u>	<u>\$ 3.20</u>	<u>\$ 3.65</u>	<u>\$ 0.16</u>	<u>\$ 3.81</u>	<u>\$ (0.61)</u>	<u>(16.0%)</u>

Note: Amounts may not calculate due to rounding.

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

#A - 2020 includes restructuring costs (\$40.7M), impairment charges (\$16.3M) and acquisition related costs (\$0.8M).

#A - 2019 includes restructuring and realignment costs (\$13.1M), acquisition related costs (\$8.7M), legal accrual (\$1.6M) and other costs (\$1.0M).

#B - 2020 includes asbestos related expense (\$66.3M), restructuring costs (\$2.3M) and other costs (\$2.8M).

The net asbestos expense includes remeasurement expense (\$135.9M) to transition to a full horizon, extending the projection through 2052 and other asbestos related costs (\$30.8M), partially offset by favorable insurance settlements (\$100.4M).

#B - 2019 includes restructuring and realignment and other net costs (\$5.3M) and asbestos related benefit (\$20.2M).

The net asbestos related benefit includes remeasurement income (\$68.1M), offset by asbestos related expense to maintain 10 year accrual (\$47.9M).

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

#D - 2020 includes the net tax benefit of special items #A through #C (\$58.8M) and tax-related special items including tax expense on future distribution of foreign earnings (\$6.3M), tax expense for the pension termination related to AOCI of (\$5.1M), tax benefit for valuation allowance change (\$6.2M) and tax benefit on uncertain tax position release (\$4.4M).

#D - 2019 includes various tax-related special items including tax expense for valuation allowance change (\$4.7M), tax expense on future distribution of foreign earnings (\$7.3M), tax benefit for return to accrual adjustment (\$5.0M), and the tax impact of other operating special items.

# ITT Inc. Non-GAAP Reconciliation

## Free Cash Flow and Free Cash Flow Margin

### Full Year & 4th Qtr. 2020 & 2019

(In Millions)

	<u>FY 2020</u>	<u>FY19</u>	<u>Q4 2020</u>	<u>Q4 2019</u>
<b>Net Cash - Operating Activities #A</b>	<b>\$ 435.9</b>	\$ 357.7	<b>\$ 117.8</b>	\$ 136.0
Capital expenditures	63.7	91.4	16.1	22.1
<b>Free Cash Flow</b>	<b><u>372.2</u></b>	<u>266.3</u>	<b><u>101.7</u></b>	<u>113.9</u>
<b>Revenue</b>	<b><u>\$ 2,477.8</u></b>	<u>\$ 2,846.4</u>	<b><u>\$ 708.6</u></b>	<u>\$ 719.1</u>
<b>Free Cash Flow Margin</b>	<b>15.0%</b>	9.4%	<b>14.4%</b>	15.8%

#A - 2020 includes payments for asbestos (\$9.8M) and restructuring (\$33.0M).

#A - 2019 includes payments for asbestos (\$21.6M) and restructuring (\$11.7M).

#A - Q4 2020 includes payments for asbestos (\$0.9M) and restructuring (\$8.5M).

#A - Q4 2019 includes payments for asbestos (\$1.5M) and restructuring (\$3.9M).

**ITT Inc. Non-GAAP Reconciliation**  
**Net Cash - Operating Activities vs. Adjusted Free Cash Flow Conversion**  
**Full Year 2020 and 2019**  
(In Millions)

	<u>FY 2020</u>	<u>FY 2019</u>
<b>Net Cash - Operating Activities</b>	<b>\$ 435.9</b>	<b>\$ 357.7</b>
Capital expenditures	63.7	91.4
<b>Free Cash Flow</b>	<b><u>372.2</u></b>	<b><u>266.3</u></b>
Legal settlements, net	-	6.4
Asbestos cash payments, net	9.8	21.6
Restructuring cash payments	33.0	11.7
Acquisition / Realignment-related cash payments	0.8	5.9
Discretionary Pension Contributions, net of tax	6.5	6.9
<b>Adjusted Free Cash Flow</b>	<b><u>422.3</u></b>	<b><u>318.8</u></b>
<b>Income from Continuing Operations - ITT Inc.</b>	<b>68.5</b>	<b>323.4</b>
Special Items, net of tax	210.7	13.9
<b>Income from Continuing Operations - ITT Inc., Excluding Special Items</b>	<b><u>\$ 279.2</u></b>	<b><u>\$ 337.3</u></b>
<b>Adjusted Free Cash Flow Conversion</b>	<b><u>151.3%</u></b>	<b><u>94.5%</u></b>



**ITT Inc. Non-GAAP Reconciliation**  
**GAAP vs. Adjusted EPS Guidance**  
**Full Year 2021**  
(Per share amounts)

	<u>2021 Full-Year Guidance</u>	
	<u>Low</u>	<u>High</u>
<b>EPS from Continuing Operations - GAAP</b>	<b>\$ 3.12</b>	<b>\$ 3.48</b>
Estimated asbestos related costs, net of tax	0.05	0.04
	<b>\$ 3.17</b>	<b>\$ 3.52</b>
Estimated restructuring and realignment costs, net of tax	0.23	0.19
Other costs, net of tax	0.05	0.04
<b>EPS from Continuing Operations - Adjusted</b>	<b>\$ 3.45</b>	<b>\$ 3.75</b>

Note: The Company has provided forward-looking non-GAAP financial measures for organic revenue growth, adjusted segment operating margin, and adjusted free cash flow conversion. It is not possible, without unreasonable efforts, to estimate the impacts of foreign currency fluctuations, acquisitions, divestitures and certain other special items that may occur during 2021 as these items are inherently uncertain and difficult to predict. As a result, the Company is unable to quantify certain amounts that would be included in a reconciliation of organic revenue growth, adjusted segment operating margin, and adjusted free cash flow conversion to the most directly comparable GAAP financial measures without unreasonable efforts and has not provided reconciliations for these forward looking non-GAAP financial measures.

**ITT Inc. Non-GAAP Reconciliation**  
**Free Cash Flow Guidance**  
**Full Year 2021**  
(In Millions)

	<u>2021 Full-Year Guidance</u>	
	<u>Low</u>	<u>High</u>
<b>Net Cash - Operating Activities</b>	\$ 370.0	\$ 400.0
Capital expenditures	100.0	100.0
<b>Free Cash Flow</b>	<u>\$ 270.0</u>	<u>\$ 300.0</u>
<b>Revenue #A</b>	\$ 2,620.0	\$ 2,620.0
<b>Free Cash Flow Margin</b>	10%	12%

#A Represents the midpoint of the revenue range provided of 5% to 7%.