



ITT

# Q3 2023 Earnings

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November 2, 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](http://investors.itt.com).

# EXECUTION ON ALL FRONTS

## | PROFITABLE ORGANIC GROWTH, CONVERTING \$1B+ BACKLOG

- IP (+11%) driven by aftermarket (+14%) and projects (+21%)
- CCT (+8%) driven by aerospace/defense components (+25%)
- Friction OE (+7%) and rail (+10%) driven by outperformance; 30 EV platform wins

## | +120 BPS SEGMENT MARGIN EXPANSION

- Tracking to 20% long-term segment margin target
- 23.3% IP margin (+220 bps); 41% incremental margin
- 17.0% MT margin (+120 bps); +100 bps sequentially; 40% incremental margin

## | ACCELERATING CAPITAL DEPLOYMENT

- Announced agreement to acquire Svanehøj, leading cryogenic pump player
- High-quality pipeline, targets growing in flow and connectors
- New \$1B share repurchase program approved in October

## | RAISING FULL YEAR GUIDANCE FOR THIRD STRAIGHT QUARTER

- 140 bps segment margin increase versus prior year at the midpoint to 18.6%
- 17% EPS growth versus prior year at the midpoint to \$5.18
- >\$400M full year free cash flow (~12% FCF margin)



Q3 '23

Organic revenue growth +5%

Adjusted segment operating margin 19.4%

Adjusted EPS growth +14%

Free cash flow margin 18.0%

# GROWTH | ACQUISITION OF SVANEHØJ

## DIFFERENTIATED CRYOGENIC PUMP MANUFACTURER

- | Leading pump and service provider for ammonia / liquefied petroleum gas (LPG) and liquefied natural gas (LNG) in highly-regulated marine sector
- | Complementary, highly engineered products with attractive cryogenic applications and patentable features; large installed base with recurring aftermarket and service revenue
- | Double-digit multi-year growth outlook aligned to decarbonization and global energy transition and; supported by strong backlog, broad installed base, long-standing customer relationships and high aftermarket retention
- | Long-standing reputation for highest quality pump solutions capable of processing all future energy transition fuels
- | Purchase price multiple <12x estimated 2023 EBITDA



| ~\$155M revenue

| ~400 employees globally

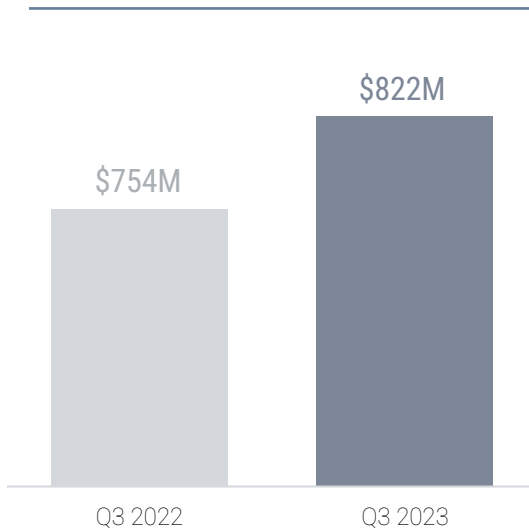
| #1 position in Ammonia / LPG cargo and LNG fuel pumps



# Q3 SUMMARY RESULTS



## REVENUE

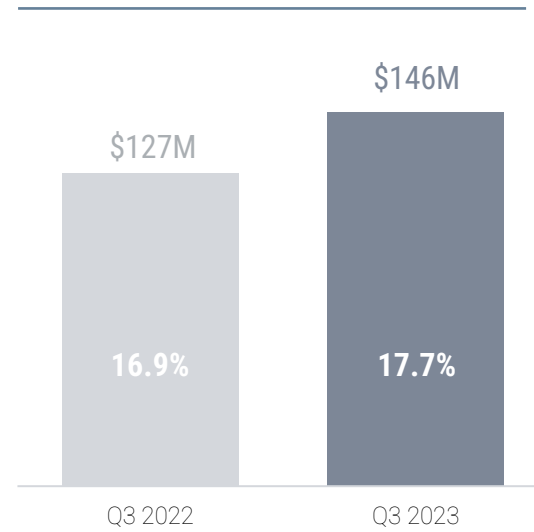


**+5%**

Organic revenue growth

- + IP projects and aftermarket, CCT aerospace components, and rail
- + Friction OE (+7%) incl. China OE (+25%)
- + Pricing actions (+200 bps)
- Friction aftermarket, connectors distribution Europe
- + FX (+290 bps), Micro-Mode (+80 bps)

## ADJUSTED OPERATING INCOME AND MARGIN



**+80 bps**

Adjusted operating margin expansion

- + Higher volume
- + Pricing actions, net of inflation
- + Shop floor productivity
- ± Strategic technology investments

## ADJUSTED EPS

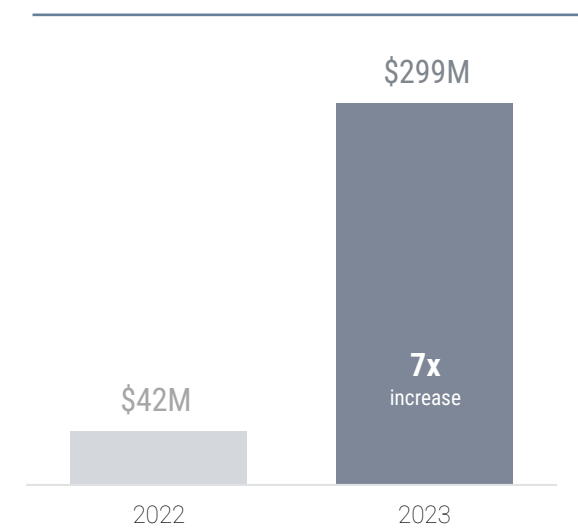


**+14%**

Adjusted EPS growth

- + Higher income
- + 1% lower share count
- Higher effective tax rate

## YTD FREE CASH FLOW



**12.2%**

Free cash flow margin

- + 18% Q3 free cash flow margin
- + Higher net income
- + Strong AR collection activity, improved inventory management
- ± CapEx investments for productivity and capacity

# Q3 2023 ADJUSTED EPS BRIDGE

14% EPS GROWTH



### Growth Drivers

- + Executing on \$1.2B backlog
- + Strong gross margin expansion
- + Shop floor productivity and cost controls
- + Easing material and commodity inflation

### Headwinds

- Cost inflation
- Higher corporate costs (M&A, comp.)
- Higher effective tax rate

### Other Impacts

- EMD, productivity investments

# RAISING FULL YEAR OUTLOOK

+\$0.13 INCREASE IN ADJUSTED EPS MIDPOINT



	PRIOR	CURRENT		COMMENTARY
Revenue growth	7% to 9% 6% to 8% organic	~9% 7% to 8% organic	↑	<ul style="list-style-type: none"> <li>Strength in IP aftermarket and projects, and CCT aerospace components overcoming de-stocking impact in auto aftermarket and connectors distribution in Europe</li> </ul>
Adjusted segment operating margin	17.7% to 18.5% +50 bps to +130 bps	18.3% to 18.9% +110 bps to +170 bps	↑	<ul style="list-style-type: none"> <li>Minimal impact from UAW strike</li> <li>MT margins improving sequentially and YoY</li> </ul>
Adjusted EPS	\$4.95 to \$5.15 +11% to +16% growth	\$5.15 to \$5.21 +16% to +17% growth	↑	<ul style="list-style-type: none"> <li>Working capital actions driving free cash flow upside in Q4</li> </ul>
Free cash flow	\$350M to \$400M 11% to 12% margin	>\$400M ~12% margin	↑	<ul style="list-style-type: none"> <li>Ending backlog expected to be up ~13% at year end</li> <li>Assumes full year effective tax rate &lt;21%</li> </ul>

# KEY TAKEAWAYS



- | Driving profitable growth
- | Execution again a differentiator, accelerating progress on long-term targets
- | Putting cash to work – agreement to acquire Svanehøj, debt paydown
- | Raising full year guidance across all metrics
- | Strong backlog to deliver in 2024



An aerial photograph of a large industrial building with a dark roof. The roof is densely packed with solar panels, arranged in long, parallel rows. The building has several skylights and ventilation units. The surrounding area includes a paved parking lot with a few vehicles, a grassy area with some trees, and a road. The overall scene is brightly lit, suggesting a clear day.

# Supplemental Data

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A ~\$2 million investment to install more than 4,000 solar panels at KONI's Oud-Beijerland site in The Netherlands. This installation started producing green electricity in March 2023 and currently supports more than 50% of the site's energy needs.



# 2023 SUSTAINABILITY UPDATE

## SIGNIFICANT PROGRESS IN 2022 TOWARDS 2026 TARGETS



7%

reduction in our scope 1 and 2 greenhouse gas emissions

\$25M

commitment to solar energy

7%

decrease in water consumption

30%

female representation in employee population

11%

U.S. based leadership roles (Director and above) filled by Black and Hispanic employees

10%

increased spending with diverse U.S. suppliers

32%

reduction in recordable incidents leading to improved injury frequency rate<sup>[1]</sup> of 0.55

[1] Based on OSHA calculation of number of recordable incidents per 1 million employee hours worked

# Q3 SEGMENT SUMMARY RESULTS



## MOTION TECHNOLOGIES

## INDUSTRIAL PROCESS

## CONNECT & CONTROL TECHNOLOGIES

Organic Revenue Growth

+1%

+11%

+8%

Adjusted Segment Operating Income

\$61M

\$65M

\$34M

Adjusted Segment Operating Margin

17.0%

23.3%

18.2%

- Global Friction OE share gains, 30 electrified platform awards
- +33% rail order growth
- Continued 99% Friction OE on-time delivery and world-class quality
- 100 bps sequential margin expansion, 40% incrementals

- Organic revenue growth driven by aftermarket (+14%) and projects (+21%)
- Shop floor productivity and pricing benefits
- 220 bps adj. operating margin expansion
- 41% incremental margin
- YTD green project orders up ~160%

- +8% organic orders growth driven by commercial aerospace and defense awards
- 1.02x book-to-bill
- Organic revenue growth driven by aero components (+25%) and defense (+9%) partially offset by connectors weakness
- 70 bps sequential margin expansion



# Q3 ADJUSTED SEGMENT OPERATING MARGIN



	vs. PY
<b>Q3'22 adjusted segment operating margin</b>	<b>18.2%</b>
Volume, mix, price and other	+80 bps
Productivity actions	+220 bps
Cost inflation	(-70 bps)
Strategic investments	(-50 bps)
<b>Operational margins subtotal</b>	<b>20.0%</b>
FX impact	(-50 bps)
M&A	(-10 bps)
<b>Q3'23 adjusted segment operating margin</b>	<b>19.4%</b>
Reconciliation to segment margin (special item)	(-30) bps
<b>Q3'23 segment operating margin</b>	<b>19.1%</b>

## Segment Margin Drivers

- + Higher volume and pricing actions
- + Shop floor productivity
- Inflation persists despite easing material costs
- FX (primarily hedge benefit in PY)
- ± Strategic growth investments
- Special items include charges related to restructuring costs and the 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**  
**Third Quarter 2023 & 2022**

(In Millions)  
(all amounts unaudited)

	<b>(As Reported - GAAP)</b>				<b>(As Adjusted - Organic)</b>				
	(A) Q3 2023	(B) Q3 2022	(C) \$ Change 2023 vs. 2022	% Change 2023 vs. 2022	(D) Acquisitions Q3 2023	(E) FX Impact Q3 2023	(F) = A-D-E Revenue / Orders Q3 2023	(G) = C-D-E \$ Change Adj. 2023 vs. 2022	(H) = G / B % Change Adj. 2023 vs. 2022
<b>Revenue</b>									
<b>ITT Inc.</b>	<b>\$ 822.1</b>	<b>\$ 753.6</b>	<b>\$ 68.5</b>	<b>9.1%</b>	<b>\$ 6.0</b>	<b>\$ 21.6</b>	<b>\$ 794.5</b>	<b>\$ 40.9</b>	<b>5.4%</b>
Motion Technologies	359.5	342.2	17.3	5.1%	-	15.3	<b>344.2</b>	2.0	0.6%
Industrial Process	279.8	248.5	31.3	12.6%	-	4.1	<b>275.7</b>	27.2	10.9%
Connect & Control Technologies	184.0	163.2	20.8	12.7%	6.0	2.2	<b>175.8</b>	12.6	7.7%
<b>Orders</b>									
<b>ITT Inc.</b>	<b>\$ 824.1</b>	<b>\$ 780.9</b>	<b>\$ 43.2</b>	<b>5.5%</b>	<b>\$ 4.9</b>	<b>\$ 22.3</b>	<b>\$ 796.9</b>	<b>\$ 16.0</b>	<b>2.0%</b>
Motion Technologies	366.6	342.3	24.3	7.1%	-	15.6	<b>351.0</b>	8.7	2.5%
Industrial Process	270.8	271.9	(1.1)	(0.4%)	-	4.7	<b>266.1</b>	(5.8)	(2.1%)
Connect & Control Technologies	187.4	167.4	20.0	11.9%	4.9	2.0	<b>180.5</b>	13.1	7.8%

Note: Excludes intercompany eliminations  
Immaterial differences due to rounding





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

(In Millions)  
(all amounts unaudited)

	Q3 2023 As Reported	Q3 2023 Special Items	Q3 2023 As Adjusted	Q3 2022 As Reported	Q3 2022 Special Items	Q3 2022 As Adjusted	% Change As Reported 2023 vs. 2022	% Change As Adjusted 2023 vs. 2022
<b>Revenue:</b>								
Motion Technologies	\$ 359.5		\$ 359.5	\$ 342.2		\$ 342.2	5.1%	5.1%
Industrial Process	279.8		279.8	248.5		248.5	12.6%	12.6%
Connect & Control Technologies	184.0		184.0	163.2		163.2	12.7%	12.7%
Intersegment eliminations	(1.2)		(1.2)	(0.3)		(0.3)		
Total Revenue	<u>\$ 822.1</u>		<u>\$ 822.1</u>	<u>\$ 753.6</u>		<u>\$ 753.6</u>	<u>9.1%</u>	<u>9.1%</u>
<b>Operating Margin:</b>								
Motion Technologies	16.5%	50 BP	17.0%	15.8%	- BP	15.8%	70 BP	120 BP
Industrial Process	23.1%	20 BP	23.3%	19.4%	170 BP	21.1%	370 BP	220 BP
Connect & Control Technologies	18.0%	20 BP	18.2%	18.6%	- BP	18.6%	(60) BP	(40) BP
Total Operating Segments	<u>19.1%</u>	<u>30 BP</u>	<u>19.4%</u>	<u>17.6%</u>	<u>60 BP</u>	<u>18.2%</u>	<u>150 BP</u>	<u>120 BP</u>
<b>Operating Income:</b>								
Motion Technologies	\$ 59.4	\$ 1.6	\$ 61.0	\$ 54.0	\$ 0.1	\$ 54.1	10.0%	12.8%
Industrial Process	64.7	0.5	65.2	48.1	4.3	52.4	34.5%	24.4%
Connect & Control Technologies	33.2	0.3	33.5	30.3	-	30.3	9.6%	10.6%
Total Segment Operating Income	<u>\$ 157.3</u>	<u>\$ 2.4</u>	<u>\$ 159.7</u>	<u>\$ 132.4</u>	<u>\$ 4.4</u>	<u>\$ 136.8</u>	<u>18.8%</u>	<u>16.7%</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**  
**Third Quarter 2023 & 2022**

(In Millions, except per share amounts)

(all amounts unaudited)



	Q3 2023 As Reported	Non-GAAP Adjustments	Q3 2023 As Adjusted	Q3 2022 As Reported	Non-GAAP Adjustments	Q3 2022 As Adjusted	\$ Change As Adjusted 2023 vs. 2022	% Change As Adjusted 2023 vs. 2022
Segment operating income	\$ 157.3	\$ 2.4 #A	\$ 159.7	\$ 132.4	\$ 4.4 #A	\$ 136.8		
Corporate and other costs	(14.2)	-	(14.2)	(10.4)	0.6 #B	(9.8)		
Operating income	<u>143.1</u>	<u>2.4</u>	<u>145.5</u>	<u>122.0</u>	<u>5.0</u>	<u>127.0</u>	<u>18.5</u>	<u>14.6%</u>
Operating margin	17.4%		17.7%	16.2%		16.9%		
Interest income (expense), net	(2.3)	-	(2.3)	(2.4)	-	(2.4)		
Other income (expense), net	<u>0.9</u>	<u>-</u>	<u>0.9</u>	<u>0.1</u>	<u>-</u>	<u>0.1</u>		
Income from continuing operations before tax	<u>141.7</u>	<u>2.4</u>	<u>144.1</u>	<u>119.7</u>	<u>5.0</u>	<u>124.7</u>		
Income tax expense	(29.9)	(0.2) #C	(30.1)	(16.4)	(7.9) #C	(24.3)		
Income from continuing operations	<u>111.8</u>	<u>2.2</u>	<u>114.0</u>	<u>103.3</u>	<u>(2.9)</u>	<u>100.4</u>		
Less: Income attributable to noncontrolling interests	1.0	-	1.0	0.8	-	0.8		
Income from continuing operations - ITT Inc.	<u>\$ 110.8</u>	<u>\$ 2.2</u>	<u>\$ 113.0</u>	<u>\$ 102.5</u>	<u>\$ (2.9)</u>	<u>\$ 99.6</u>		
EPS from continuing operations	<u>\$ 1.34</u>	<u>\$ 0.03</u>	<u>\$ 1.37</u>	<u>\$ 1.23</u>	<u>\$ (0.03)</u>	<u>\$ 1.20</u>	<u>\$ 0.17</u>	<u>14.2%</u>

Note: Amounts may not calculate due to rounding.

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

#A - 2023 includes restructuring costs (\$1.9M) and impacts due to the suspension of business in Russia (\$0.5M).

#A - 2022 includes restructuring costs (\$1.1M), acquisition-related expenses (\$3.1M), and other costs (\$0.2M).

#B - 2022 includes acquisition-related expenses (\$0.5M) and other costs (\$0.1M).

#C - 2023 includes the net tax benefit of special items #A (\$0.5M) and a net tax expense for other tax-related special charges (\$0.3M).

#C - 2022 includes the net tax benefit of special items #A and #B (\$1.1M), tax benefit on future distribution of foreign earnings (\$7.8M), and other tax-related special items.



ITT Inc. Non-GAAP Reconciliation  
Free Cash Flow and Free Cash Flow Margin  
Three and Nine Months Ended 2023 & 2022

(In Millions)  
(all amounts unaudited)

	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>9M 2023</u>	<u>9M 2022</u>
<b>Net Cash - Operating Activities</b>	<b>\$ 169.8</b>	\$ 61.0	<b>\$ 367.6</b>	\$ 115.2
Less: Capital expenditures	22.2	26.2	68.5	73.7
<b>Free Cash Flow</b>	<b><u>\$ 147.6</u></b>	<u>\$ 34.8</u>	<b><u>\$ 299.1</u></b>	<u>\$ 41.5</u>
<b>Revenue</b>	<b><u>\$ 822.1</u></b>	<u>\$ 753.6</u>	<b><u>\$ 2,453.9</u></b>	<u>\$ 2,213.1</u>
<b>Free Cash Flow Margin</b>	<b>18.0%</b>	4.6%	<b>12.2%</b>	1.9%





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
<b>EPS from Continuing Operations - GAAP</b>	<b>\$ 5.05</b>	<b>\$ 5.11</b>
Estimated restructuring, net of tax	0.08	0.08
Other special items, net of tax	0.03	0.03
Other tax special Items	(0.01)	(0.01)
<b>EPS from Continuing Operations - Adjusted</b>	<b>\$ 5.15</b>	<b>\$ 5.21</b>

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 accordingly 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)

	<u>2023 Full-Year Guidance</u>
Net Cash - Operating Activities	~\$510
Less: Capital expenditures	~\$110
<b>Free Cash Flow</b>	<u>~\$400</u>
Revenue #A	<u>~\$3,250</u>
<b>Free Cash Flow margin</b>	~12%

#A Represents expected revenue growth of approximately ~9%