ITT Inc.
Form 10-Q
August 04, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-05672
ITT INC.

State of Indiana	81-1197930
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

1133 Westchester Avenue, White Plains, NY 10604
(Principal Executive Office)
Telephone Number: (914) 641-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
Emerging growth company o (Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of August 2, 2017, there were outstanding 88.0 million shares of common stock ($1 par value per share) of the registrant.

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

Some of the information included herein includes 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 our reports filed with the U.S. Securities and Exchange Commission (the SEC), including our Annual Report on Form 10-K for the year ended December 31, 2016 (particularly under the caption "Risk Factors"), our Quarterly Reports on Form 10-Q (including Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q) and in other documents we file from time to time with the SEC.

The forward-looking statements included in this Quarterly Report on Form 10-Q (this Report) speak only as of the date of this Report. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov where you may access our reports, proxy statements and other information that we file with, or furnish to, the SEC.

We make available free of charge at www.itt.com (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. We also use the Investor Relations page of our website at www.itt.com (in the "Investors" section) to disclose important information to the public.

Information contained on our website, or that can be accessed through our website, does not constitute a part of this Report. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website. Our corporate headquarters is located at 1133 Westchester Avenue, White Plains, NY 10604 and the telephone number of this location is (914) 641-2000.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months		Six Months	
For the Periods Ended June 30	2017	2016	2017	2016
Revenue	$630.9	$626.2	$1,256.7	$1,235.3
Costs of revenue	426.5	420.6	850.0	834.4
Gross profit	204.4	205.6	406.7	400.9
General and administrative expenses	65.3	74.0	131.5	143.0
Sales and marketing expenses	43.9	46.0	87.0	89.3
Research and development expenses	22.6	21.1	45.1	40.3
Asbestos-related costs, net	14.9	15.0	29.8	27.8
Operating income	57.7	49.5	113.3	100.5
Interest and non-operating (income) expenses, net	(0.9)	(0.5)	(0.1)	1.2
Income from continuing operations before income tax expense	58.6	50.0	113.4	99.3
Income tax expense	10.6	17.5	19.7	29.2
Income from continuing operations	48.0	32.5	93.7	70.1
(Loss) Income from discontinued operations, including tax benefit (expense) of $0.1, $(0.1), $0.2 and $0.2, respectively	(0.1)	0.5	(0.2)	0.2
Net income	47.9	33.0	93.5	70.3
Less: Income (loss) attributable to noncontrolling interests	0.1	0.2	(0.3)	0.1
Net income attributable to ITT Inc.	$47.8	$32.8	$93.8	$70.2
Amounts attributable to ITT Inc.:				
Income from continuing operations, net of tax	$47.9	$32.3	$94.0	$70.0
(Loss) income from discontinued operations, net of tax	(0.1)	0.5	(0.2)	0.2
Net income attributable to ITT Inc.	$47.8	$32.8	$93.8	$70.2
Earnings per share attributable to ITT Inc.:				
Basic:				
Continuing operations	$0.54	$0.36	$1.06	$0.78
Discontinued operations	—	—	—	—
Net income	$0.54	$0.36	$1.06	$0.78
Diluted:				
Continuing operations	$0.54	$0.36	$1.05	$0.78
Discontinued operations	—	—	—	—
Net income	$0.54	$0.36	$1.05	$0.78
Weighted average common shares – basic	88.5	89.8	88.4	89.7
Weighted average common shares – diluted	89.0	90.4	89.1	90.4
Cash dividends declared per common share	$0.128	$0.124	$0.256	$0.248

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of operations.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(IN MILLIONS)

	Three Months		Six Months	
For the Periods Ended June 30	2017	2016	2017	2016
Net income	$47.9	$33.0	$93.5	$70.3
Other comprehensive income (loss):				
Net foreign currency translation adjustment	42.5	(14.4)	61.7	12.8
Net change in postretirement benefit plans, net of tax impacts of $0.4, $0.4, $0.9 and $1.0, respectively	1.2	1.2	2.3	2.3
Other comprehensive income (loss)	43.7	(13.2)	64.0	15.1
Comprehensive income	91.6	19.8	157.5	85.4
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.1	0.2	(0.3)	0.1
Comprehensive income attributable to ITT Inc.	$91.5	$19.6	$157.8	$85.3
Disclosure of reclassification adjustments to postretirement benefit plans (see Note 14)				
Amortization of prior service benefit, net of tax expense of $(0.5), $(0.5), $(1.0) and $(1.0), respectively	$(0.7)	$(0.9)	$(1.4)	$(1.8)
Amortization of net actuarial loss, net of tax benefits of $0.9,$0.9, $1.9 and $2.0, respectively	1.9	2.1	3.7	4.1
Net change in postretirement benefit plans, net of tax	$1.2	$1.2	$2.3	$2.3

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of comprehensive income.

CONSOLIDATED CONDENSED BALANCE SHEETS
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 355.3	$ 460.7
Receivables, net	591.1	523.9
Inventories, net	314.9	295.2
Other current assets	142.9	122.0
Total current assets	1,404.2	1,401.8
Plant, property and equipment, net	491.2	464.5
Goodwill	883.9	774.7
Other intangible assets, net	153.5	160.3
Asbestos-related assets	303.8	314.6
Deferred income taxes	300.9	297.4
Other non-current assets	193.1	188.4
Total non-current assets	2,326.4	2,199.9
Total assets	$ 3,730.6	$ 3,601.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans and current maturities of long-term debt	$ 204.1	$ 214.3
Accounts payable	315.2	301.7
Accrued liabilities	373.6	350.2
Total current liabilities	892.9	866.2
Asbestos-related liabilities	866.0	877.5
Postretirement benefits	255.1	248.6
Other non-current liabilities	170.6	181.0
Total non-current liabilities	1,291.7	1,307.1
Total liabilities	2,184.6	2,173.3
Shareholders' equity:		
Common stock:		
Authorized – 250.0 shares, $1 par value per share		
Issued and Outstanding – 88.0 shares and 88.4 shares, respectively	88.0	88.4
Retained earnings	1,843.6	1,789.2
Total accumulated other comprehensive loss	(387.2)	(451.2)
Total ITT Inc. shareholders' equity	1,544.4	1,426.4
Noncontrolling interests	1.6	2.0
Total shareholders' equity	1,546.0	1,428.4
Total liabilities and shareholders' equity	$ 3,730.6	$ 3,601.7

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above balance sheets.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN MILLIONS)

For the Six Months Ended June 30	2017	2016
Operating Activities		
Net income	$93.5	$70.3
Less: (Loss) income from discontinued operations	(0.2)	0.2
Less: (Loss) income attributable to noncontrolling interests	(0.3)	0.1
Income from continuing operations attributable to ITT Inc.	94.0	70.0
Adjustments to income from continuing operations:		
Depreciation and amortization	50.4	51.1
Stock-based compensation	7.3	5.9
Asbestos-related costs, net	29.8	27.8
Asbestos-related payments, net	(30.7)	(11.5)
Changes in assets and liabilities:		
Change in receivables	(35.6)	(45.6)
Change in inventories	2.3	(3.7)
Change in accounts payable	(7.8)	(4.3)
Change in accrued expenses	(3.3)	(28.1)
Change in accrued and deferred income taxes	(3.1)	9.7
Other, net	(10.6)	0.3
Net Cash – Operating activities	92.7	71.6
Investing Activities		
Capital expenditures	(53.3)	(46.1)
Acquisitions, net of cash acquired	(113.7)	(0.2)
Purchases of investments	—	(60.6)
Maturities of investments	—	108.7
Proceeds from sale of businesses and other assets	2.4	1.2
Other, net	0.1	0.2
Net Cash – Investing activities	(164.5)	3.2
Financing Activities		
Commercial paper, net borrowings	9.4	23.5
Short-term revolving loans, borrowings	77.3	27.7
Short-term revolving loans, repayments	(100.0)	(78.3)
Long-term debt, issued	3.9	—
Long-term debt, repayments	(0.7)	(0.6)
Repurchase of common stock	(32.8)	(27.5)
Proceeds from issuance of common stock	6.5	8.8
Dividends paid	(11.6)	(22.5)
Excess tax benefit from equity compensation activity	—	3.4
Other, net	0.1	(2.3)
Net Cash – Financing activities	(47.9)	(67.8)
Exchange rate effects on cash and cash equivalents	15.2	4.0
Net Cash – Operating activities of discontinued operations	(0.9)	6.6
Net change in cash and cash equivalents	(105.4)	17.6
Cash and cash equivalents – beginning of year	460.7	415.7
Cash and cash equivalents – end of period	$355.3	$433.3
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest	$2.1	$2.4
Income taxes, net of refunds received	$21.9	$15.2

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of cash flows.

CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(IN MILLIONS)

	Three Months		Six Months	
For the Periods Ended June 30	2017	2016	2017	2016
Common Stock				
Common stock, beginning balance	$88.7	$90.0	$88.4	$89.5
Activity from stock incentive plans	0.1	0.2	0.5	0.9
Share repurchases	(0.8)	(0.6)	(0.9)	(0.8)
Common stock, ending balance	88.0	89.6	88.0	89.6
Retained Earnings				
Retained earnings, beginning balance	1,832.6	1,727.2	1,789.2	1,696.7
Cumulative adjustment for accounting change (See Note 2)	—	—	0.5	—
Net income attributable to ITT Inc.	47.8	32.8	93.8	70.2
Dividends declared	(11.4)	(11.3)	(22.8)	(22.4)
Activity from stock incentive plans	4.3	5.9	14.8	17.2
Share repurchases	(29.7)	(20.0)	(31.9)	(26.7)
Purchase of noncontrolling interest	—	—	—	(0.4)
Retained earnings, ending balance	1,843.6	1,734.6	1,843.6	1,734.6
Accumulated Other Comprehensive Loss				
Postretirement benefit plans, beginning balance	(144.1)	(152.6)	(145.2)	(153.7)
Net change in postretirement benefit plans	1.2	1.2	2.3	2.3
Postretirement benefit plans, ending balance	(142.9)	(151.4)	(142.9)	(151.4)
Cumulative translation adjustment, beginning balance	(286.8)	(242.9)	(306.0)	(270.1)
Net cumulative translation adjustment	42.5	(14.4)	61.7	12.8
Cumulative translation adjustment, ending balance	(244.3)	(257.3)	(244.3)	(257.3)
Unrealized loss on investment securities, beginning balance	—	(0.3)	—	(0.3)
Unrealized loss on investment securities, ending balance	—	(0.3)	—	(0.3)
Total accumulated other comprehensive loss	(387.2)	(409.0)	(387.2)	(409.0)
Noncontrolling interests				
Noncontrolling interests, beginning balance	1.6	1.5	2.0	3.3
Income (loss) attributable to noncontrolling interests	0.1	0.2	(0.3)	0.1
Dividend to noncontrolling interest shareholders	—	—	—	(1.9)
Other	(0.1)	(0.1)	(0.1)	0.1
Noncontrolling interests, ending balance	1.6	1.6	1.6	1.6
Total Shareholders' Equity				
Total shareholders' equity, beginning balance	1,492.0	1,422.9	1,428.4	1,365.4
Net change in common stock	(0.7)	(0.4)	(0.4)	0.1
Net change in retained earnings	11.0	7.4	54.4	37.9
Net change in accumulated other comprehensive loss	43.7	(13.2)	64.0	15.1
Net change in noncontrolling interests	—	0.1	(0.4)	(1.7)
Total shareholders' equity, ending balance	$1,546.0	$1,416.8	$1,546.0	$1,416.8

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of changes in shareholders' equity.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(DOLLARS AND SHARES (EXCEPT PER SHARE AMOUNTS) IN MILLIONS, UNLESS OTHERWISE STATED)

NOTE 1

DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

ITT Inc. is a diversified manufacturer of highly engineered critical components and customized technology solutions for the transportation, industrial, and oil and gas markets. Unless the context otherwise indicates, references herein to "ITT," "the Company," and such words as "we," "us," and "our" include ITT Inc. and its subsidiaries. ITT operates through three segments: Industrial Process, consisting of industrial pumping and complementary equipment; Motion Technologies, consisting of friction and shock and vibration equipment; and Connect & Control Technologies, consisting of electronic connectors, fluid handling, motion control and noise and energy absorption products. Financial information for our segments is presented in Note 3, Segment Information.

Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such SEC rules. We believe that the disclosures made are adequate to make the information presented not misleading. We consistently applied the accounting policies described in ITT's Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Annual Report) in preparing these unaudited financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in our 2016 Annual Report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are revised as additional information becomes available. Estimates and assumptions are used for, but not limited to, asbestos-related liabilities and recoveries from insurers, revenue recognition, unrecognized tax benefits, deferred tax valuation allowances, projected benefit obligations for postretirement plans, accounting for business combinations, goodwill and other intangible asset impairment testing, environmental liabilities, allowance for doubtful accounts and inventory valuation. Actual results could differ from these estimates.

ITT's quarterly financial periods end on the Saturday that is generally closest to the last day of the calendar quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. For ease of presentation, the quarterly financial statements included herein are described as ending on the last day of the calendar quarter.

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2

RECENT ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all accounting standard updates (ASUs). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Accounting Pronouncements Recently Adopted

In March 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-09 to simplify several aspects of the accounting standard for employee share-based payment transactions, including the classification of excess tax benefits and deficiencies and the accounting for employee forfeitures. ITT elected to adopt this guidance as of January 1, 2017 which includes the following:

- Excess tax benefits and deficiencies will no longer be recognized as a change in additional paid-in-capital in the equity section of the Balance Sheet. Instead they will be recognized on the Statements of Operations as a tax expense or benefit. On the Statement of Cash Flows, excess tax benefits and deficiencies will no longer be classified as a financing activity. Instead they will be classified as an operating activity. These

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provisions were adopted using a prospective method of transition. During the three and six months ended June 30, 2017, we recorded an income tax benefit of $0.1 and $1.2, respectively, on the Statement of Operations and classified this benefit on the Statement of Cash Flows as an operating activity. The prior year's excess tax benefit of $3.4 was recorded as a change in equity on the Balance Sheet and was classified as a financing activity on the Statement of Cash Flows.

Previously unrecognized tax benefits due to net operating loss carryforwards were recognized during the first quarter of 2017 using a modified retrospective approach, resulting in a cumulative-effect adjustment to increase retained earnings by $2.1 as of January 1, 2017. In addition, a corresponding deferred tax asset of $25.6 was partially offset by a valuation allowance of $23.5 during the first quarter of 2017 as the newly recognized net operating losses were not considered more likely than not realizable.

- The impact of forfeitures will now be recognized as they occur as opposed to previously estimating future employee forfeitures. We adopted this provision utilizing a modified retrospective approach, resulting in a cumulative-effect adjustment reducing retained earnings by $1.6 as of January 1, 2017.
- The ASU also provides new guidance to other areas of the standard including minimum statutory tax withholding rules and the calculation of diluted common shares outstanding. The adoption of this provision will be reflected prospectively in the financial statements and did not have a material impact.

Accounting Pronouncements Not Yet Adopted

In March 2017, the FASB issued ASU 2017-07 which amends the Statement of Operations presentation for the components of net periodic benefit cost for entities that sponsor defined benefit pension and other postretirement plans. Under the ASU, entities are now required to disaggregate the service cost component and present it with other current compensation costs for the related employees. All other components of net periodic benefit cost will no longer be classified as an operating expense. In addition, only the service cost component will be eligible for capitalization on the balance sheet. The ASU requires a retrospective transition method to adopt the requirement to present service costs separately from the other components of net periodic benefit cost in the statements of operations and a prospective transition method to adopt the requirement that prohibits capitalization of all components of net periodic benefit cost on the balance sheet except service costs. The ASU is effective for the Company beginning in the first quarter of 2018, at which time we expect to adopt the new standard. We have yet to finalize the evaluation of the potential impact of this ASU on our financial statements; however we do not expect these changes to have a material impact.

In February 2016, the FASB issued ASU 2016-02 impacting the accounting for leases intending to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. The revised standard will require entities to recognize a liability for their lease obligations and a corresponding asset representing the right to use the underlying asset over the lease term. Lease obligations are to be measured at the present value of lease payments and accounted for using the effective interest method. The accounting for the leased asset will differ slightly depending on whether the agreement is deemed to be a financing or operating lease. For finance leases, the leased asset is depreciated on a straight-line basis and recorded separately from the interest expense in the statements of operations, resulting in higher expense in the earlier part of the lease term. For operating leases, the depreciation and interest expense components are combined, recognized evenly over the term of the lease, and presented as a reduction to operating income. The ASU requires that assets and liabilities be presented or disclosed separately and classified appropriately as current and noncurrent. The ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. The ASU is effective for the Company beginning in the first quarter 2019, at which time we expect to adopt the new standard. We are currently assessing our existing lease agreements and related financial disclosures to evaluate the impact of these amendments on our financial statements.

In May 2014, the FASB issued ASU 2014-09 amending the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. We are still finalizing our assessment of the impact of the new standard, but we do not currently expect it to have a material impact on our consolidated financial statements. Based on the evaluation of our current contracts and revenue streams, most will be recorded consistently under both the current and new standard. However, the timing of revenue recognition of certain design and build contracts, currently recognized using the percentage of completion method, will be dependent on contract terms and therefore may vary. Additionally, certain advance payments that are currently presented as a reduction of inventory will be presented as a contract liability under the new guidance. The new guidance will be effective for the Company beginning in its first quarter of 2018. At this time, we expect to adopt the new standard using a modified retrospective approach with the cumulative effect recognized as of the date of initial application.

NOTE 3

SEGMENT INFORMATION

During the first quarter of 2017, we combined our former Interconnect Solutions and Control Technologies segments to form Connect & Control Technologies. All prior year segment information has been reclassified based on our current segment structure. The Company's segments are reported on the same basis used by our chief operating decision maker, for evaluating performance and for allocating resources. Our three reportable segments are referred to as: Industrial Process, Motion Technologies, and Connect & Control Technologies.

Industrial Process manufactures engineered fluid process equipment serving a diversified mix of customers in global industries such as chemical, oil and gas, mining, and other industrial process markets and is a provider of plant optimization and efficiency solutions and aftermarket services and parts.

Motion Technologies manufactures brake components and specialized sealing solutions, shock absorbers and damping technologies primarily for the global automotive, truck and trailer, public bus and rail transportation markets.

Connect & Control Technologies manufactures harsh-environment connector solutions and critical energy absorption and flow control components for the aerospace and defense, general industrial, medical, and oil and gas markets.

Corporate and Other consists of corporate office expenses including compensation, benefits, occupancy, depreciation and other administrative costs, as well as charges related to certain matters, such as asbestos and environmental liabilities, that are managed at a corporate level and are not included in segment results when evaluating performance or allocating resources. Assets of the segments exclude general corporate assets, which principally consist of cash, investments, asbestos-related receivables, deferred taxes, and certain property, plant and equipment.

	Revenue		Operating Income		Operating Margin	
For the Three Months Ended June 30	2017	2016	2017	2016	2017	2016
Industrial Process	$192.3	$214.2	$14.8	$6.3	7.7 %	2.9 %
Motion Technologies	290.1	259.6	52.1	48.9	18.0 %	18.8 %
Connect & Control Technologies	149.6	153.5	13.7	16.8	9.2 %	10.9 %
Total segment results	632.0	627.3	80.6	72.0	12.8 %	11.5 %
Asbestos-related costs, net	—	—	(14.9)	(15.0)	—	—
Eliminations / Other corporate costs	(1.1)	(1.1)	(8.0)	(7.5)	—	—
Total Eliminations / Corporate and Other costs	(1.1)	(1.1)	(22.9)	(22.5)	—	—
Total	$630.9	$626.2	$57.7	$49.5	9.1 %	7.9 %

	Revenue		Operating Income		Operating Margin	
For the Six Months Ended June 30	2017	2016	2017	2016	2017	2016
Industrial Process	$378.4	$423.0	$22.1	$15.3	5.8 %	3.6 %
Motion Technologies	577.4	516.6	107.0	99.6	18.5 %	19.3 %
Connect & Control Technologies	302.9	297.8	30.0	29.2	9.9 %	9.8 %
Total segment results	1,258.7	1,237.4	159.1	144.1	12.7 %	11.7 %
Asbestos-related costs, net	—	—	(29.8)	(27.8)	—	—
Eliminations / Other corporate costs	(2.0)	(2.1)	(16.0)	(15.8)	—	—
Total Eliminations / Corporate and Other costs	(2.0)	(2.1)	(45.8)	(43.6)	—	—
Total	$1,256.7	$1,235.3	$113.3	$100.5	9.0 %	8.1 %

	Total Assets		Capital Expenditures		Depreciation & Amortization	
For the Six Months Ended June 30	2017	2016[(a)]	2017	2016	2017	2016
Industrial Process	$994.8	$998.1	$12.4	$11.2	$13.5	$14.3
Motion Technologies	1,073.7	838.4	34.3	29.3	22.0	21.2
Connect & Control Technologies	698.7	678.4	6.5	5.4	11.7	12.4
Corporate and Other	963.4	1,086.8	0.1	0.2	3.2	3.2
Total	$3,730.6	$3,601.7	$53.3	$46.1	$50.4	$51.1

(a) Amounts reflect balances as of December 31, 2016.

NOTE 4

RESTRUCTURING ACTIONS

The table below summarizes the restructuring costs presented within general and administrative expenses in our Consolidated Condensed Statements of Operations for the three and six months ended June 30, 2017 and 2016.

	Three Months		Six Months	
For the Periods Ended June 30	2017	2016	2017	2016
Severance costs	$1.6	$13.8	$2.7	$18.9
Asset write-offs	—	—	—	0.2
Other restructuring costs	0.1	0.5	1.6	0.7
Total restructuring costs	$1.7	$14.3	$4.3	$19.8
By segment:				
Industrial Process	$0.4	$13.8	$1.7	$17.0
Motion Technologies	0.6	—	0.8	1.4
Connect & Control Technologies	0.7	—	1.2	0.9
Corporate and Other	—	0.5	0.6	0.5

The following table displays a rollforward of the restructuring accruals, presented on our Consolidated Condensed Balance Sheet within accrued liabilities, for the six months ended June 30, 2017 and 2016.

For the Periods Ended June 30	2017	2016
Restructuring accruals - beginning balance	$14.6	$20.0
Restructuring costs	4.3	19.8
Cash payments	(8.9)	(15.5)
Asset write-offs	—	(0.2)
Foreign exchange translation and other	1.4	0.1
Restructuring accrual - ending balance	$11.4	$24.2
By accrual type:		
Severance accrual	$9.6	$23.9
Facility carrying and other costs accrual	1.8	0.3

We have initiated various restructuring activities throughout our businesses during the past two years, of which only those noted below are considered to be individually significant. Other less significant restructuring actions taken during 2017 and 2016 included various reduction in workforce initiatives.

Industrial Process Restructuring Actions

Beginning in early 2015, we have been executing a series of restructuring actions focused on achieving efficiencies and reducing the overall cost structure of the Industrial Process segment in an effort to align with the declining oil and gas market conditions experienced over the past two years. During the first six months of 2017, we continued to pursue these objectives and we recognized $1.7 of restructuring costs primarily related to the exit of certain office space. Cash payments related to the remaining accrual are expected to be substantially complete in 2018. However, we will continue to monitor and evaluate the need for any additional restructuring actions.

The following table provides a rollforward of the restructuring accruals associated with the Industrial Process restructuring actions.

For the Six Months Ended June 30	2017	2016
Restructuring accruals - beginning balance	$6.5	$4.9
Restructuring costs	1.7	17.0
Cash payments	(3.5)	(8.0)
Asset write-offs	—	(0.2)
Foreign exchange translation and other	(0.8)	0.3
Restructuring accruals - ending balance	$3.9	$14.0

NOTE 5

INCOME TAXES

For the three months ended June 30, 2017 and 2016, the Company recognized income tax expense of $10.6 and $17.5 and had an effective tax rate of 18.1% and 35.0%, respectively. For the six months ended June 30, 2017 and 2016, the Company recognized income tax expense of $19.7 and $29.2 and had an effective tax rate of 17.4% and 29.4%, respectively. The lower effective tax rate in 2017 is primarily due to a change in valuation allowance, excess share-based compensation deduction due to the adoption of ASU 2016-09, and a tax rate change on Korea deferred tax assets. Refer to Note 2, Recent Accounting Pronouncements, for further information on ASU 2016-09. In addition, the Company continues to benefit from a larger mix of earnings in non-U.S. jurisdictions with favorable tax rates.

The Company operates in various tax jurisdictions and is subject to examination by tax authorities in these jurisdictions. The Company is currently under examination in several jurisdictions including Canada, Germany, Hong Kong, Italy, Mexico, the U.S. and Venezuela. The estimated tax liability calculation for unrecognized tax benefits considers uncertainties in the application of complex tax laws and regulations in various tax jurisdictions. Due to the complexity of some uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the unrecognized tax benefit. Over the next 12 months, the net amount of the tax liability for unrecognized tax benefits in foreign and domestic jurisdictions could change by approximately $17 due to changes in audit status, expiration of statutes of limitations and other events. In addition, the settlement of any future examinations relating to the 2011 and prior tax years could result in changes in amounts attributable to the Company under its Tax Matters Agreement with Exelis Inc. and Xylem Inc. relating to the Company's 2011 spin-off of those businesses.

NOTE 6

EARNINGS PER SHARE DATA

The following table provides a reconciliation of the data used in the calculation of basic and diluted earnings per share from continuing operations attributable to ITT for the three and six months ended June 30, 2017 and 2016.

	Three Months		Six Months	
For the Periods Ended June 30	2017	2016	2017	2016
Basic weighted average common shares outstanding	88.5	89.8	88.4	89.7
Add: Dilutive impact of outstanding equity awards	0.5	0.6	0.7	0.7
Diluted weighted average common shares outstanding	89.0	90.4	89.1	90.4

The following table provides the number of shares underlying stock options excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2017 and 2016 because they were anti-dilutive.

	Three Months		Six Months	
For the Periods Ended June 30	2017	2016	2017	2016
Anti-dilutive stock options	0.4	0.8	0.4	0.7
Weighted average exercise price per share	$42.30	$38.02	$42.41	$38.74
Year(s) of expiration	2024 - 2025	2024 - 2026	2024 - 2025	2024 - 2026

In addition, 0.3 of outstanding PSU awards were excluded from the computation of diluted earnings per share for both the three and six months ended June 30, 2017, and 0.2 outstanding PSU awards were excluded for both the three and six months ended June 30, 2016, as the necessary performance conditions had not yet been satisfied.

NOTE 7

RECEIVABLES, NET

	June 30, 2017	December 31, 2016
Trade accounts receivable	$581.2	$ 513.5
Notes receivable	3.8	4.2
Other	20.5	21.6
Receivables, gross	605.5	539.3
Less: Allowance for doubtful accounts	(14.4)	(15.4)
Receivables, net	$591.1	$ 523.9

NOTE 8

INVENTORIES, NET

	June 30, 2017	December 31, 2016
Finished goods	$54.9	$ 53.0
Work in process	63.5	60.5
Raw materials	178.4	166.0
Inventoried costs related to long-term contracts	40.1	33.5
Total inventory before progress payments	336.9	313.0
Less: Progress payments	(22.0)	(17.8)
Inventories, net	$314.9	$ 295.2

NOTE 9
OTHER CURRENT AND NON-CURRENT ASSETS

	June 30, 2017	December 31, 2016
Asbestos-related assets	$66.0	$ 66.0
Prepaid income taxes	28.2	7.6
Other	48.7	48.4
Other current assets	$142.9	$ 122.0
Other employee benefit-related assets	$99.2	$ 96.5
Environmental-related assets	24.3	33.4
Capitalized software costs	44.8	38.1
Other	24.8	20.4
Other non-current assets	$193.1	$ 188.4

NOTE 10
PLANT, PROPERTY AND EQUIPMENT, NET

	June 30, 2017	December 31, 2016
Land and improvements	$28.3	$ 28.2
Machinery and equipment	951.6	898.6
Buildings and improvements	242.7	244.6
Furniture, fixtures and office equipment	70.6	68.0
Construction work in progress	81.6	68.5
Other	10.7	5.3
Plant, property and equipment, gross	1,385.5	1,313.2
Less: Accumulated depreciation	(894.3)	(848.7)
Plant, property and equipment, net	$491.2	$ 464.5

Depreciation expense of $19.2 and $19.3 and $37.5 and $37.4 was recognized in the three and six months ended June 30, 2017 and 2016, respectively.

The Company entered into an agreement to sell fully depreciated excess property for a cash purchase price of approximately $41. On April 16, 2017, the purchaser's due diligence period ended. There are remaining conditions to closing which are anticipated to be finalized in the first half of 2018. At closing, the Company will receive the cash proceeds and is expected to record a gain of approximately $38 to $40.

NOTE 11
GOODWILL AND OTHER INTANGIBLE ASSETS, NET
Goodwill

The following table provides a rollforward of the carrying amount of goodwill for the six months ended June 30, 2017 by segment.

	Industrial Process	Motion Technologies	Connect & Control Technologies	Total
Goodwill - December 31, 2016	$308.4	$ 202.3	$ 264.0	$774.7
Acquired	—	88.4	—	88.4
Foreign exchange translation	9.9	9.4	1.5	20.8
Goodwill - June 30, 2017	$318.3	$ 300.1	$ 265.5	$883.9

Goodwill acquired during 2017 relates to our acquisition of Axtone Railway Components (Axtone) and represents the excess of the purchase price over the net assets acquired, the valuation of which is pending completion. Upon completion of the valuation, goodwill acquired will be adjusted to reflect the final fair value of the net assets acquired. Refer to Note 18, Acquisitions, for additional information.

Other Intangible Assets, Net

Information regarding our other intangible assets is as follows:

	June 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Customer relationships	$156.9	$ (66.8)	$ 90.1	$155.8	$ (59.3)	$ 96.5
Proprietary technology	53.6	(19.4)	34.2	52.5	(16.8)	35.7
Patents and other	10.7	(8.7)	2.0	9.0	(7.6)	1.4
Finite-lived intangible total	221.2	(94.9)	126.3	217.3	(83.7)	133.6
Indefinite-lived intangibles	27.2	—	27.2	26.7	—	26.7
Other intangible assets	$248.4	$ (94.9)	$ 153.5	$244.0	$ (83.7)	$ 160.3

Amortization expense related to finite-lived intangible assets was $4.6 and $4.7 and $9.2 and $10.1 for the three and six months ended June 30, 2017 and 2016, respectively.

NOTE 12

ACCRUED LIABILITIES AND OTHER NON-CURRENT LIABILITIES

	June 30, 2017	December 31, 2016
Compensation and other employee-related benefits	$124.5	$ 120.5
Asbestos-related liabilities	76.6	76.8
Customer-related liabilities	44.4	39.9
Accrued income taxes and other tax-related liabilities	44.1	31.0
Environmental liabilities and other legal matters	30.2	25.1
Accrued warranty costs	16.0	17.4
Other accrued liabilities	37.8	39.5
Accrued liabilities	$373.6	$ 350.2
Deferred income taxes and other tax-related accruals	$22.0	$ 24.9
Environmental liabilities	59.8	63.2
Compensation and other employee-related benefits	33.6	33.0
Other	55.2	59.9
Other non-current liabilities	$170.6	$ 181.0

NOTE 13

DEBT

	June 30, 2017	December 31, 2016
Commercial paper	$123.0	$ 113.5
Short-term loans	79.9	100.0
Current maturities of long-term debt and capital leases	1.2	0.8
Short-term loans and current maturities of long-term debt	204.1	214.3
Long-term debt and capital leases	5.6	2.0
Total debt and capital leases	$209.7	$ 216.3

Commercial Paper

Commercial paper outstanding had an associated weighted average interest rate of 1.57% and 1.14% and maturity terms less than one month from the date of issuance as of June 30, 2017 and December 31, 2016, respectively.

Short-term Loans

As of June 30, 2017 and December 31, 2016, outstanding borrowings under our $500 Revolving Credit Agreement, had an associated weighted average interest rate of 1.1% and 1.87%, respectively. Refer to the Liquidity section within "Item 2. Management's Discussion and Analysis," for additional information on the revolving credit facility as well as our overall funding and liquidity strategy.

NOTE 14

POSTRETIREMENT BENEFIT PLANS

The following tables provide the components of net periodic benefit cost for pension plans and other employee-related benefit plans for the three and six months ended June 30, 2017 and 2016.

	2017			2016		
For the Three Months Ended June 30	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Service cost	$1.4	$ 0.2	$1.6	$1.3	$ 0.2	$1.5
Interest cost	3.0	1.2	4.2	3.5	1.2	4.7
Expected return on plan assets	(4.5)					