ITT Inc.
Form 10-Q
May 03, 2019

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## 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 March 31, 2019**

**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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “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

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

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, par value $1 per share | ITT | New York Stock Exchange |

As of May 1, 2019, there were 87.8 million shares of common stock ($1 par value per share) of the registrant outstanding.

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## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the SEC). The SEC maintains a website at www.sec.gov on which you may access our SEC filings. In addition, we make available free of charge at www.itt.com/investors copies of materials we file with, or furnish to, the SEC as well as other important information that we disclose from time to time. 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.

## 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," "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 SEC, including our Annual Report on Form 10-K for the year ended December 31, 2018 (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.

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

| For the Three Months Ended March 31 | **2019** | 2018 |
|---|---|---|
| Revenue | **$695.5** | $689.3 |
| Costs of revenue | **476.7** | 465.1 |
| Gross profit | **218.8** | 224.2 |
| General and administrative expenses | **51.9** | 65.1 |
| Sales and marketing expenses | **40.2** | 43.5 |
| Research and development expenses | **23.5** | 24.7 |
| Asbestos-related costs (benefit), net | **12.6** | (19.7) |
| Operating income | **90.6** | 110.6 |
| Interest and non-operating (income) expenses, net | **(0.5)** | 1.8 |
| Income from continuing operations before income tax expense | **91.1** | 108.8 |
| Income tax expense | **19.7** | 7.6 |
| Income from continuing operations | **71.4** | 101.2 |
| Income from discontinued operations, net of tax expense of $0.0 and $0.1, respectively | **—** | 0.1 |
| Net income | **71.4** | 101.3 |
| Less: Income attributable to noncontrolling interests | **0.1** | 0.1 |
| Net income attributable to ITT Inc. | **$71.3** | $101.2 |
| **Amounts attributable to ITT Inc.:** | | |
| Income from continuing operations, net of tax | **$71.3** | $101.1 |
| Income from discontinued operations, net of tax | **—** | 0.1 |
| Net income attributable to ITT Inc. | **$71.3** | $101.2 |
| **Earnings per share attributable to ITT Inc.:** | | |
| Basic: | | |
| Continuing operations | **$0.81** | $1.15 |
| Net income | **$0.81** | $1.15 |
| Diluted: | | |
| Continuing operations | **$0.80** | $1.14 |
| Net income | **$0.80** | $1.14 |
| Weighted average common shares – basic | **87.6** | 88.0 |
| Weighted average common shares – diluted | **88.6** | 89.0 |

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

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

| For the Three Months Ended March 31 | **2019** | 2018 |
|---|---|---|
| Net income | **$71.4** | $101.3 |
| Other comprehensive (loss) income: | | |
| Net foreign currency translation adjustment | **(2.4 )** | 26.5 |
| Net change in postretirement benefit plans, net of tax benefits of $0.2 and $0.4, respectively | **0.6** | 1.1 |
| Other comprehensive (loss) income | **(1.8 )** | 27.6 |
| Comprehensive income | **69.6** | 128.9 |
| Less: Comprehensive income attributable to noncontrolling interests | **0.1** | 0.1 |
| Comprehensive income attributable to ITT Inc. | **$69.5** | $128.8 |
| **Disclosure of reclassification adjustments to postretirement benefit plans** | | |
| Reclassification adjustments (see Note 15): | | |
| Amortization of prior service benefit, net of tax expense of $(0.3) and $(0.2), respectively | **$(0.8 )** | $(0.9 ) |
| Amortization of net actuarial loss, net of tax benefits of $0.5 and $0.6, respectively | **1.4** | 2.0 |
| Net change in postretirement benefit plans, net of tax | **$0.6** | $1.1 |

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

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

| | **March 31, 2019** | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$554.0** | $ 561.2 |
| Receivables, net | **582.7** | 540.0 |
| Inventories, net | **396.2** | 380.5 |
| Other current assets | **146.0** | 163.4 |
| Total current assets | **1,678.9** | 1,645.1 |
| Plant, property and equipment, net | **513.2** | 518.8 |
| Goodwill | **872.5** | 875.9 |
| Other intangible assets, net | **131.7** | 136.1 |
| Asbestos-related assets | **302.5** | 309.6 |
| Deferred income taxes | **161.7** | 164.5 |
| Other non-current assets | **276.6** | 196.8 |
| Total non-current assets | **2,258.2** | 2,201.7 |
| Total assets | **$3,937.1** | $ 3,846.8 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Commercial paper and current maturities of long-term debt | **$114.4** | $ 116.2 |
| Accounts payable | **344.4** | 339.2 |
| Accrued liabilities | **401.7** | 416.7 |
| Total current liabilities | **860.5** | 872.1 |
| Asbestos-related liabilities | **771.4** | 775.1 |
| Postretirement benefits | **205.7** | 208.2 |
| Other non-current liabilities | **228.2** | 166.5 |
| Total non-current liabilities | **1,205.3** | 1,149.8 |
| Total liabilities | **2,065.8** | 2,021.9 |
| Shareholders' equity: | | |
| Common stock: | | |
| Authorized – 250.0 shares, $1 par value per share | | |
| Issued and outstanding – 87.8 shares and 87.6 shares, respectively | **87.8** | 87.6 |
| Retained earnings | **2,158.1** | 2,110.3 |
| Total accumulated other comprehensive loss | **(377.3)** | (375.5) |
| Total ITT Inc. shareholders' equity | **1,868.6** | 1,822.4 |
| Noncontrolling interests | **2.7** | 2.5 |
| Total shareholders' equity | **1,871.3** | 1,824.9 |
| Total liabilities and shareholders' equity | **$3,937.1** | $ 3,846.8 |

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

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN MILLIONS)

| For the Three Months Ended March 31 | **2019** | 2018 |
|---|---|---|
| **Operating Activities** | | |
| Income from continuing operations attributable to ITT Inc. | **$71.3** | $101.1 |
| Adjustments to income from continuing operations: | | |
| Depreciation and amortization | **26.4** | 27.6 |
| Equity-based compensation | **4.5** | 4.5 |
| Non-cash lease expense | **5.0** | — |
| Asbestos-related costs (benefit), net | **12.6** | (19.7) |
| Asbestos-related payments, net | **(9.9)** | (12.8) |
| Changes in assets and liabilities: | | |
| Change in receivables | **(47.1)** | (13.3) |
| Change in inventories | **(17.3)** | (20.7) |
| Change in accounts payable | **18.8** | 10.4 |
| Change in accrued expenses | **(29.5)** | (31.2) |
| Change in income taxes | **9.5** | 0.1 |
| Other, net | **(2.2)** | (3.6) |
| **Net Cash – Operating activities** | **42.1** | 42.4 |
| **Investing Activities** | | |
| Capital expenditures | **(29.2)** | (28.7) |
| Other, net | **0.4** | 0.5 |
| **Net Cash – Investing activities** | **(28.8)** | (28.2) |
| **Financing Activities** | | |
| Commercial paper, net repayments | **—** | (162.4) |
| Short-term revolving loans, borrowings | **—** | 246.5 |
| Long-term debt, issued | **7.1** | — |
| Long-term debt, repayments | **(0.2)** | (1.5) |
| Repurchase of common stock | **(19.9)** | (55.3) |
| Proceeds from issuance of common stock | **5.1** | 0.6 |
| Dividends paid | **(13.2)** | (0.2) |
| Other, net | **0.1** | — |
| **Net Cash – Financing activities** | **(21.0)** | 27.7 |
| Exchange rate effects on cash and cash equivalents | **0.7** | 8.2 |
| Net Cash – Operating activities of discontinued operations | **(0.4)** | (1.2) |
| Net change in cash and cash equivalents | **(7.4)** | 48.9 |
| Cash and cash equivalents – beginning of year (includes restricted cash of $1.0 and $1.2, respectively) | **562.2** | 391.0 |
| **Cash and cash equivalents – end of period (includes restricted cash of $0.8 and $1.2, respectively)** | **$554.8** | $439.9 |
| **Supplemental Disclosures of Cash Flow Information** | | |
| Cash paid during the year for: | | |
| Interest | **$1.0** | $1.0 |
| Income taxes, net of refunds received | **$9.3** | $7.0 |

The accompanying Notes to the 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, EXCEPT PER SHARE AMOUNTS) | Common Stock (Shares) | Common Stock (Dollars) | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interest | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| **December 31, 2017** | **88.2** | **$ 88.2** | **$ 1,856.1** | **$ (348.2)** | **$ 1.7** | **$ 1,597.8** |
| Net income | — | — | 101.2 | — | 0.1 | 101.3 |
| Activity from stock incentive plans | 0.3 | 0.3 | 4.7 | — | — | 5.0 |
| Share repurchases | (1.1) | (1.1) | (54.2) | — | — | (55.3) |
| Cumulative adjustment for accounting change | — | — | (4.1) | — | — | (4.1) |
| Dividends declared ($0.134 per share) | — | — | (11.9) | — | — | (11.9) |
| Total other comprehensive income, net of tax | — | — | — | 27.6 | — | 27.6 |
| Other | — | — | — | — | 0.1 | 0.1 |
| **March 31, 2018** | **87.4** | **$ 87.4** | **$ 1,891.8** | **$ (320.6)** | **$ 1.9** | **$ 1,660.5** |
| **December 31, 2018** | **87.6** | **$ 87.6** | **$ 2,110.3** | **$ (375.5)** | **$ 2.5** | **$ 1,824.9** |
| Net income | — | — | 71.3 | — | 0.1 | 71.4 |
| Activity from stock incentive plans | 0.6 | 0.6 | 8.9 | — | — | 9.5 |
| Share repurchases | (0.4) | (0.4) | (19.5) | — | — | (19.9) |
| Dividends declared ($0.147 per share) | — | — | (12.9) | — | — | (12.9) |
| Total other comprehensive loss, net of tax | — | — | — | (1.8) | — | (1.8) |
| Other | — | — | — | — | 0.1 | 0.1 |
| **March 31, 2019** | **87.8** | **$ 87.8** | **$ 2,158.1** | **$ (377.3)** | **$ 2.7** | **$ 1,871.3** |

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

**NOTES TO THE 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: Motion Technologies, consisting of friction and shock and vibration equipment; Industrial Process, consisting of industrial flow equipment and services; 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 known adjustments (which consist primarily of normal, recurring accruals, estimates and assumptions) necessary to present fairly the financial position, results of operations, and cash flows for the periods presented. The Consolidated Condensed Balance Sheet as of December 31, 2018, presented herein, has been derived from our audited balance sheet included in our Annual Report on Form 10-K (the 2018 Annual Report) for the year ended December 31, 2018 but does not include all disclosures required by GAAP. We consistently applied the accounting policies described in the 2018 Annual Report in preparing these unaudited financial statements, other than those related to new accounting standards adopted during the period. Refer to Note 2, Recent Accounting Pronouncements for further information. These financial statements should be read in conjunction with the financial statements and notes thereto included in our 2018 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 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.

## 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***

*Leases (ASU 2016-02)*

In February 2016, the FASB issued new guidance which updated the accounting for leases in order to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. The new standard requires entities to recognize a liability for their lease obligations and a corresponding right-of-use asset, initially measured at the present value of the lease payments. Subsequent accounting depends on whether the agreement is deemed to be a financing or operating lease. For operating leases, a lessee recognizes its total lease expense as an operating expense over the lease term. For financing leases, a lessee recognizes amortization of the right-of-use asset as an operating expense over the lease term separately from interest on the lease liability. The ASU requires that assets and liabilities be presented and disclosed separately and the liabilities must be classified appropriately as current and noncurrent. The ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. The ASU was effective for the Company beginning on January 1, 2019, at which time we adopted the new standard using the modified retrospective approach as of the date of adoption. The Company elected to not reassess certain lease characteristics including whether expired or certain existing contracts contain leases, the lease classification prior to adoption, and initial direct costs. Upon adoption, we recognized a right-of-use asset of $80.0 (net of deferred rent of $3.4 previously included within Accrued liabilities and Other non-current liabilities) and a lease liability of $83.4 related to existing leases of real estate, vehicles, and other equipment that are classified as operating leases, and have terms greater than 12 months. The right-of-use asset is included within Other non-current assets and the lease liabilities are included within Accrued liabilities and Other non-current liabilities on the Consolidated Balance Sheet. A summary of the impact to our Consolidated Balance Sheet on January 1, 2019 is as follows:

| | December 31, 2018 | Effect of Change | January 1, 2019 |
|---|---|---|---|
| Other non-current assets | $ 196.8 | $ 80.0 | $ 276.8 |
| Accrued liabilities | 416.7 | 18.7 | 435.4 |
| Other non-current liabilities | 166.5 | 61.3 | 227.8 |

*Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12)*
In August 2017, the FASB issued amended guidance that simplifies the requirements of hedge accounting. The ASU enables companies to more accurately present the economic effects of risk management activities in the financial statements. The guidance requires the presentation of all items that affect earnings in the same income statement line as the hedged item and is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. The Company adopted the provisions of ASU 2017-12 on January 1, 2019. The adoption did not result in an impact to our financial results since the Company did not have any derivatives outstanding at the time of adoption. In April of 2019, the Company entered into foreign currency forward contracts to hedge the effect of exchange rate fluctuations on approximately $15 of sales, to which the new guidance will be applied.

*Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income (ASU 2018-02)*
In February 2018, the FASB issued guidance related to the U.S. Tax Cuts and Jobs Act of 2017 (the Tax Act), which permits an optional reclassification of residual tax effects that are included within accumulated other comprehensive loss, to retained earnings. The reclassification represents the difference between the amount recorded in other comprehensive loss at the historical U.S. federal tax rate at the time the Tax Act became effective, and the amount that would have been recorded at the newly enacted rate. This guidance became effective during the first quarter of 2019, however we did not elect to make the optional reclassification.

***Accounting Pronouncements Not Yet Adopted***

*Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*
In June 2016, the FASB issued updated guidance that requires entities to use a current expected credit loss model to measure credit-related impairments for financial instruments held at amortized cost, including trade receivables. The current expected credit loss model is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect collectability. Current expected credit losses, and subsequent adjustments, represent an estimate of lifetime expected credit losses that are recorded as an allowance deducted from the amortized cost of the financial instrument. The updated guidance also amends the other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments for credit-related losses through an allowance and eliminating the length of time a security has been in an unrealized loss position

as a consideration in the determination of whether a credit loss exists. The updated guidance is effective for the Company beginning on January 1, 2020 and will be adopted using a modified retrospective transition approach for the provisions related to application of the current expected credit loss model to financial instruments and using a prospective transition approach for the provisions related to credit losses on available-for-sale debt securities. The Company is currently evaluating the effect of adoption on our financial statements.

## NOTE 3
## SEGMENT INFORMATION

The Company's segments are reported on the same basis used by our Chief Executive Officer, who is also our chief operating decision maker, for evaluating performance and for allocating resources. Our three reportable segments are referred to as: Motion Technologies, Industrial Process, and Connect & Control Technologies.

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

*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.

*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, environmental-related assets, deferred taxes, and certain property, plant and equipment.

| | Revenue | | Operating Income | | Operating Margin | |
|---|---|---|---|---|---|---|
| For the Three Months Ended March 31 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Motion Technologies | **$315.2** | $342.2 | **$60.9** | $61.9 | **19.3 %** | 18.1 % |
| Industrial Process | **215.7** | 189.8 | **22.2** | 16.9 | **10.3 %** | 8.9 % |
| Connect & Control Technologies | **165.0** | 157.9 | **27.4** | 23.0 | **16.6 %** | 14.6 % |
| Total segment results | **695.9** | 689.9 | **110.5** | 101.8 | **15.9 %** | 14.8 % |
| Asbestos-related (costs) benefit, net | **—** | — | **(12.6 )** | 19.7 | **—** | — |
| Eliminations / Corporate and other costs | **(0.4 )** | (0.6 ) | **(7.3 )** | (10.9 ) | **—** | — |
| Total Eliminations / Corporate and Other costs | **(0.4 )** | (0.6 ) | **(19.9 )** | 8.8 | **—** | — |
| Total | **$695.5** | $689.3 | **$90.6** | $110.6 | **13.0 %** | 16.0 % |

| | Total Assets | | Capital Expenditures | | Depreciation & Amortization | |
|---|---|---|---|---|---|---|
| For the Three Months Ended March 31 | **2019** | 2018[(a)] | **2019** | 2018 | **2019** | 2018 |
| Motion Technologies | **$1,208.5** | $1,147.2 | **$20.2** | $25.0 | **$14.2** | $14.3 |
| Industrial Process | **1,018.7** | 1,000.1 | **3.5** | 1.0 | **6.3** | 6.9 |
| Connect & Control Technologies | **728.5** | 694.0 | **4.8** | 2.7 | **5.2** | 5.3 |
| Corporate and Other | **981.4** | 1,005.5 | **0.7** | — | **0.7** | 1.1 |
| Total | **$3,937.1** | $3,846.8 | **$29.2** | $28.7 | **$26.4** | $27.6 |

(a) Amounts reflect balances as of December 31, 2018.

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# NOTE 4
# REVENUE

The following table represents our revenue disaggregated by end market for the three months ended March 31, 2019 and 2018.

| For the Three Months Ended March 31, 2019 | Motion Technologies | Industrial Process | Connect & Control Technologies | Eliminations | Total |
|---|---|---|---|---|---|
| Automotive and rail | $ 310.0 | $— | $ — | $ — | $310.0 |
| Chemical and industrial pumps | — | 161.5 | — | — | 161.5 |
| Aerospace and defense | 2.3 | — | 99.5 | — | 101.8 |
| Oil and gas | — | 54.2 | 8.5 | — | 62.7 |
| General industrial | 2.9 | — | 57.0 | (0.4 ) | 59.5 |
| Total | $ 315.2 | $215.7 | $ 165.0 | $ (0.4 ) | $695.5 |

| For the Three Months Ended March 31, 2018 | Motion Technologies | Industrial Process | Connect & Control Technologies | Eliminations | Total |
|---|---|---|---|---|---|
| Automotive and rail | $ 338.6 | $— | $ — | $ — | $338.6 |
| Chemical and industrial pumps | — | 141.5 | — | — | 141.5 |
| Aerospace and defense | 1.8 | — | 87.6 | — | 89.4 |
| Oil and gas | — | 48.3 | 9.0 | — | 57.3 |
| General industrial | 1.8 | — | 61.3 | (0.6 ) | 62.5 |
| Total | $ 342.2 | $189.8 | $ 157.9 | $ (0.6 ) | $689.3 |

*Contract Assets and Liabilities*

Contract assets consist of unbilled amounts where revenue recognized exceeds customer billings. Contract liabilities consist of advance payments and billings in excess of revenue recognized. The following table represents our net contract assets and liabilities as of March 31, 2019 and December 31, 2018.

| | **March 31, 2019** | December 31, 2018 | Change |
|---|---|---|---|
| Current contract assets | **$22.6** | $ 21.8 | 3.7 % |
| Non-current contract assets | **0.7** | 0.7 | — % |
| Current contract liabilities | **(58.9 )** | (61.0 ) | (3.4 )% |
| Net contract liabilities | **$(35.6 )** | $ (38.5 ) | (7.5 )% |

During the three months ended March 31, 2019, we recognized revenue of $21.8, related to contract liabilities as of December 31, 2018. For contracts greater than one year, the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of March 31, 2019 was $49.9. Of this amount, we expect to recognize approximately $30 to $35 of revenue during 2019.

## NOTE 5
## INCOME TAXES

| | **2019** | 2018 | Change |
|---|---|---|---|
| Income tax expense | **$19.7** | $7.6 | 159.2 % |
| Effective tax rate | **21.6 %** | 7.0 % | 1460bp |

The higher effective tax rate in 2019, is primarily due to 2018 tax benefits of $21.6 from the reversal of valuation allowances on German deferred tax assets and a $4.5 reduction to the provisional one-time tax charge associated with the Tax Act.

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, Czech Republic, Germany, Hong Kong, India, Italy, Japan, 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 $15 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.

The Company has elected to account for Global Intangible Low Tax Income as a current period expense when incurred.

## 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 months ended March 31, 2019 and 2018.

| For the Three Months Ended March 31 | **2019** | 2018 |
|---|---|---|
| Basic weighted average common shares outstanding | **87.6** | 88.0 |
| Add: Dilutive impact of outstanding equity awards | **1.0** | 1.0 |
| Diluted weighted average common shares outstanding | **88.6** | 89.0 |

There were no anti-dilutive shares underlying stock options excluded from the computation of diluted earnings per share for the three months ended March 31, 2019 and 2018. During the three months ended March 31, 2018, 0.2 of outstanding performance stock awards were excluded from the computation of diluted earnings per share as the necessary performance conditions had not yet been satisfied.

## NOTE 7
## RECEIVABLES, NET

| | **March 31, 2019** | December 31, 2018 |
|---|---|---|
| Trade accounts receivable | **$ 566.8** | $ 531.7 |
| Notes receivable | **5.6** | 3.7 |
| Other | **21.3** | 22.9 |
| Receivables, gross | **593.7** | 558.3 |
| Less: Allowance for doubtful accounts | **(11.0 )** | (18.3 ) |
| Receivables, net | **$ 582.7** | $ 540.0 |

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## NOTE 8
## INVENTORIES, NET

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Finished goods | **$ 63.8** | $ 62.0 |
| Work in process | **71.6** | 66.8 |
| Raw materials | **211.1** | 206.0 |
| Inventoried costs related to long-term contracts | **49.7** | 45.7 |
| Inventories, net | **$ 396.2** | $ 380.5 |

## NOTE 9
## OTHER CURRENT AND NON-CURRENT ASSETS

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Asbestos-related assets | **$ 67.1** | $ 67.1 |
| Advance payments and other prepaid expenses | **41.0** | 44.5 |
| Current contract assets | **22.6** | 21.8 |
| Prepaid income taxes | **14.2** | 19.6 |
| Other | **1.1** | 10.4 |
| Other current assets | **$ 146.0** | $ 163.4 |
| Other employee benefit-related assets | **$ 108.5** | $ 104.7 |
| Operating lease right-of-use assets (see Note 2) | **76.4** | — |
| Capitalized software costs | **33.6** | 35.3 |
| Environmental-related assets | **23.4** | 23.4 |
| Equity method investments | **8.2** | 7.7 |
| Other | **26.5** | 25.7 |
| Other non-current assets | **$ 276.6** | $ 196.8 |

## NOTE 10
## PLANT, PROPERTY AND EQUIPMENT, NET

| | Useful life (in years) | March 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Machinery and equipment | 2 - 10 | **$1,061.5** | $ 1,056.9 |
| Buildings and improvements | 5 - 40 | **265.9** | 265.3 |
| Furniture, fixtures and office equipment | 3 - 7 | **69.4** | 69.1 |
| Construction work in progress | | **67.8** | 67.9 |
| Land and improvements | | **27.5** | 27.8 |
| Other | | **10.4** | 10.3 |
| Plant, property and equipment, gross | | **1,502.5** | 1,497.3 |
| Less: Accumulated depreciation | | **(989.3 )** | (978.5 ) |
| Plant, property and equipment, net | | **$513.2** | $ 518.8 |

Depreciation expense of $20.2 and $20.7 was recognized in the three months ended March 31, 2019 and 2018, respectively.

## NOTE 11
## GOODWILL AND OTHER INTANGIBLE ASSETS, NET

*Goodwill*

The following table provides a rollforward of the carrying amount of goodwill for the three months ended March 31, 2019 by segment.

| | Motion Technologies | Industrial Process | Connect & Control Technologies | Total |
|---|---|---|---|---|
| Goodwill - December 31, 2018 | $ 294.5 | $ 315.8 | $ 265.6 | $ 875.9 |
| Foreign exchange translation | (1.2 ) | (1.9 ) | (0.3 ) | (3.4 ) |
| Goodwill - March 31, 2019 | **$ 293.3** | **$ 313.9** | **$ 265.3** | **$ 872.5** |

*Other Intangible Assets, Net*

Information regarding our other intangible assets is as follows:

| | **March 31, 2019** | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Intangibles** | Gross Carrying Amount | Accumulated Amortization | Net Intangibles |
| Customer relationships | **$ 163.8** | **$ (89.3 )** | **$ 74.5** | $ 164.1 | $ (86.2 ) | $ 77.9 |
| Proprietary technology | **53.4** | **(26.3 )** | **27.1** | 53.7 | (25.6 ) | 28.1 |
| Patents and other | **12.5** | **(9.5 )** | **3.0** | 12.3 | (9.4 ) | 2.9 |
| Finite-lived intangible total | **229.7** | **(125.1 )** | **104.6** | 230.1 | (121.2 ) | 108.9 |
| Indefinite-lived intangibles | **27.1** | **—** | **27.1** | 27.2 | — | 27.2 |
| Other intangible assets | **$ 256.8** | **$ (125.1 )** | **$ 131.7** | $ 257.3 | $ (121.2 ) | $ 136.1 |

Amortization expense related to finite-lived intangible assets was $4.0 and $4.6 for the three months ended March 31, 2019 and 2018, respectively.

## NOTE 12
## ACCRUED LIABILITIES AND OTHER NON-CURRENT LIABILITIES

| | **March 31, 2019** | December 31, 2018 |
|---|---|---|
| Compensation and other employee-related benefits | **$ 123.5** | $ 152.2 |
| Contract liabilities and other customer-related liabilities | **80.8** | 82.2 |
| Asbestos-related liability | **73.5** | 74.2 |
| Accrued income taxes and other tax-related liabilities | **34.0** | 33.7 |
| Environmental liabilities and other legal matters | **24.4** | 24.0 |
| Operating lease liabilities (see Note 2) | **18.3** | — |
| Accrued warranty costs | **16.4** | 16.2 |
| Other accrued liabilities | **30.8** | 34.2 |
| Accrued liabilities | **$ 401.7** | $ 416.7 |
| Environmental liabilities | **$ 56.8** | $ 59.5 |
| Operating lease liabilities (see Note 2) | **62.1** | — |
| Compensation and other employee-related benefits | **33.7** | 34.2 |
| Deferred income taxes and other tax-related accruals | **24.8** | 25.0 |
| Other | **50.8** | 47.8 |
| Other non-current liabilities | **$ 228.2** | $ 166.5 |

## NOTE 13
## LEASES

The Company's lease portfolio primarily relates to real estate, which may be used for manufacturing or non-manufacturing purposes, and contains lease terms generally ranging between one and 18 years. Our lease portfolio also includes vehicles and other equipment such as forklifts. Substantially all of our leases are classified as operating leases. For leases with terms greater than 12 months, we record a right-of-use asset and lease liability equal to the present value of the lease payments. In determining the discount rate used to measure the right-of-use asset and lease liability, we utilize the Company's incremental borrowing rate and consider the term of the lease, as well as the geographic location of the leased asset.

Where options to renew a lease are available, they are included in the lease term and capitalized on the balance sheet to the extent there would be a significant economic penalty not to elect the option. Certain real estate leases are subject to periodic changes in an index or market rate. While lease liabilities are not remeasured as a result of changes to an index or rate, these changes are treated as variable lease payments and recognized in the period in which the obligation for those payments is incurred. Variable lease expense also includes property tax and property insurance costs. Sublease income is not considered material.

The table below summarizes the operating lease costs during the three months ended March 31, 2019.

| | |
|---|---|
| Operating lease cost | $5.6 |
| Short-term lease cost | 0.4 |
| Variable lease cost | 0.3 |
| Total lease costs | $6.3 |

Future operating lease payments under non-cancellable operating leases with an initial term in excess of 12 months as of March 31, 2019 are shown below.

| | |
|---|---|
| 2019 | $16.1 |
| 2020 | 16.5 |
| 2021 | 12.5 |
| 2022 | 10.2 |
| 2023 | 8.1 |
| 2024 and thereafter | 47.1 |
| Total lease payments | 110.5 |
| Less: amount of lease payments representing interest | (30.1 ) |
| Present value of future lease payments | $80.4 |
| | |
| Short-term lease liability | $18.3 |
| Long-term lease liability | 62.1 |
| Present value of future lease payments | $80.4 |

Future minimum operating lease payments under non-cancellable operating leases with an initial term in excess of 12 months as of December 31, 2018 are shown below.

| | |
|---|---|
| 2019 | $22.2 |
| 2020 | 16.8 |
| 2021 | 12.6 |
| 2022 | 10.2 |
| 2023 | 8.1 |
| 2024 and thereafter | 46.4 |
| Total minimum lease payments | 116.3 |

Our lease portfolio has a weighted average remaining lease term of 14.9 years, and the weighted average discount rate is 3.1%. During the three months ended March 31, 2019, we recognized non-cash right-of-use assets of $1.7 for new leases entered into during the period. Operating cash outflows from operating leases during the three months ended March 31, 2019 were $5.2.

## NOTE 14
## DEBT

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Commercial paper | **$ 112.3** | $ 114.4 |
| Current maturities of long-term debt and finance leases | **2.1** | 1.8 |
| Commercial paper and current maturities of long-term debt | **114.4** | 116.2 |
| Long-term debt and finance leases | **15.2** | 8.8 |
| Total debt and finance leases | **$ 129.6** | $ 125.0 |

*Commercial Paper*

Commercial paper outstanding as of March 31, 2019 and December 31, 2018 was issued entirely through the Company's euro program and had an associated weighted average interest rate of0.08% and 0.06%, respectively. The outstanding commercial paper for both periods had maturity terms less than one month from the date of issuance.

Refer to the Liquidity section within "Item 2. Management's Discussion and Analysis," for additional information on our overall funding and liquidity strategy.

## NOTE 15
## POSTRETIREMENT BENEFIT PLANS

The following table provides the components of net periodic benefit cost for pension plans and other employee-related benefit plans for the three months ended March 31, 2019 and 2018.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| For the Three Months Ended March 31 | Pension | Other Benefits | Total | Pension | Other Benefits | Total |
| Service cost | **$0.4** | **$0.2** | **$0.6** | $0.4 | $0.2 | $0.6 |
| Interest cost | **3.1** | **1.0** | **4.1** | 2.8 | 1.1 | 3.9 |
| Expected return on plan assets | **(3.8 )** | **—** | **(3.8 )** | (3.4 ) | (0.1 ) | (3.5 ) |
| Amortization of prior service cost (benefit) | **0.2** | **(1.3 )** | **(1.1 )** | 0.2 | (1.3 ) | (1.1 ) |
| Amortization of net actuarial loss | **1.3** | **0.6** | **1.9** | 1.5 | 1.1 | 2.6 |
| Total net periodic benefit cost | **$1.2** | **$0.5** | **$1.7** | $1.5 | $1.0 | $2.5 |

We made contributions to our global postretirement plans of $3.0 and $3.5 during the three months ended March 31, 2019 and 2018, respectively. We expect to make contributions of approximately $8 to $12 during the remainder of 2019, principally related to our other postretirement employee benefit plans.

Amortization from accumulated other comprehensive income into earnings related to prior service cost and net actuarial loss was $0.6 and $1.1, net of tax, during the three months ended March 31, 2019 and 2018, respectively. No other reclassifications from accumulated other comprehensive income into earnings were recognized during any of the presented periods.

## NOTE 16
## LONG-TERM INCENTIVE EMPLOYEE COMPENSATION

Our long-term incentive plan (LTIP) costs are primarily recorded within general and administrative expenses. The following table provides the components of LTIP costs for the three months ended March 31, 2019 and 2018.

| For the Three Months Ended March 31 | **2019** | 2018 |
|---|---|---|
| Equity-based awards | **$4.5** | $4.5 |
| Liability-based awards | **0.7** | 0.1 |
| Total share-based compensation expense | **$5.2** | $4.6 |

At March 31, 2019, there was $27.7 of total unrecognized compensation cost related to non-vested equity awards. This cost is expected to be recognized ratably over a weighted-average period of 2.3 years. Additionally, unrecognized compensation cost related to liability-based awards was $2.7, which is expected to be recognized ratably over a weighted-average period of 1.9 years.

*Year-to-Date 2019 LTIP Activity*

The majority of our LTIP awards are granted during the first quarter of each year and vest on the completion of a three-year service period. During the three months ended March 31, 2019, we granted the following LTIP awards as provided in the table below:

| | # of Awards Granted | Weighted Average Grant Date Fair Value Per Share |
|---|---|---|
| Restricted stock units (RSUs) | 0.2 | $58.19 |
| Performance stock units (PSUs) | 0.1 | $65.28 |

During the three months ended March 31, 2019 and 2018, 0.2 and 0.1 non-qualified stock options were exercised resulting in proceeds of $5.1 and $0.6, respectively. During the three months ended March 31, 2019 and 2018, RSUs of 0.2 and 0.1 vested and were issued, respectively. During the three months ended March 31, 2019 and 2018, PSUs of 0.2 and 0.1 that vested on December 31, 2018 and 2017, respectively, were issued.

## NOTE 17
## CAPITAL STOCK

On October 27, 2006, a three-year $1 billion share repurchase program (the Share Repurchase Program) was approved by the Board of Directors. On December 16, 2008, the provisions of the Share Repurchase Program were modified by the Board of Directors to replace the original three-year term with an indefinite term. During the three months ended March 31, 2019 and 2018, we repurchased and retired 0.2 and 1.0 shares of common stock for $10.5 and $50.0, respectively, under this program. To date, the Company has repurchased 22.4 shares for $919.9 under the Share Repurchase Program.

Separate from the Share Repurchase Program, the Company repurchased 0.2 and 0.1 shares during the three months ended March 31, 2019 and 2018, respectively, for an aggregate price of $9.4 and $5.3, respectively, in settlement of employee tax withholding obligations due upon the vesting of RSUs and PSUs.

## NOTE 18
## ACCUMULATED OTHER COMPREHENSIVE LOSS

| | Postretirement Benefit Plans | Cumulative Translation Adjustment | Accumulated Other Comprehensive Loss |
|---|---|---|---|
| As of December 31, 2017 | $ (137.6) | $ (210.6) | $ (348.2) |
| Net change during period | 1.1 | 26.5 | 27.6 |
| As of March 31, 2018 | $ (136.5) | $ (184.1) | $ (320.6) |
| | | | |
| As of December 31, 2018 | $ (131.6) | $ (243.9) | $ (375.5) |
| Net change during period | 0.6 | (2.4) | (1.8) |
| As of March 31, 2019 | $ (131.0) | $ (246.3) | $ (377.3) |

## NOTE 19
## COMMITMENTS AND CONTINGENCIES

From time to time, we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings allege damages relating to asbestos and environmental exposures, intellectual property matters, copyright infringement, personal injury claims, employment and employee benefit matters, government contract issues and commercial or contractual disputes and acquisitions or divestitures. We will continue to defend vigorously against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including our assessment of the merits of the particular claim, as well as our current reserves and insurance coverage, we do not expect that such legal proceedings will have a material adverse impact on our financial statements, unless otherwise noted below.

***Asbestos Matters***

Subsidiaries of ITT, including ITT LLC and Goulds Pumps LLC, have been sued, along with many other companies in product liability lawsuits alleging personal injury due to asbestos exposure. These claims generally allege that certain products sold by our subsidiaries prior to 1985 contained a part manufactured by a third party (*e.g.*, a gasket) which contained asbestos. To the extent these third-party parts may have contained asbestos, it was encapsulated in the gasket (or other) material and was non-friable. As of March 31, 2019, there were approximately 24 thousand pending claims against ITT subsidiaries, including Goulds Pumps LLC, filed in various state and federal courts alleging injury as a result of exposure to asbestos. Activity related to these asserted asbestos claims during the period was as follows:

| | |
|---|---|
| Pending claims – Beginning | 24 |
| New claims | 1 |
| Settlements | — |
| Dismissals | (1) |
| Pending claims – Ending | 24 |

Frequently, plaintiffs are unable to identify any ITT LLC or Goulds Pumps LLC products as a source of asbestos exposure. Our experience to date is that a majority of resolved claims are dismissed without any payment from ITT subsidiaries. Management believes that a large majority of the pending claims have little or no value. In addition, because claims are sometimes dismissed in large groups, the average cost per resolved claim can fluctuate significantly from period to period. ITT expects more asbestos-related suits will be filed in the future, and ITT will continue to aggressively defend or seek a reasonable resolution, as appropriate.

Asbestos litigation is a unique form of litigation. Frequently, the plaintiff sues a large number of defendants and does not state a specific claim amount. After filing a complaint, the plaintiff engages defendants in settlement negotiations to establish a settlement value based on certain criteria, including the number of defendants in the case. Rarely do the plaintiffs seek to collect all damages from one defendant. Rather, they seek to spread the liability, and thus the payments, among many defendants. As a result of this and other factors, the Company is unable to estimate the maximum potential exposure to pending claims and claims estimated to be filed over the next 10 years.

Estimating our exposure to pending asbestos claims and those that may be filed in the future is subject to significant uncertainty and risk as there are multiple variables that can affect the timing, severity, quality, quantity and resolution of claims. Any predictions with respect to the variables impacting the estimate of the asbestos liability and related asset are subject to even greater uncertainty as the projection period lengthens. In light of the variables and uncertainties inherent in the long-term projection of the Company's asbestos exposures, while it is probable that the Company will incur additional costs for asbestos claims filed beyond the next 10 years, which additional costs may be material, we do not believe there is a reasonable basis for estimating those costs at this time.

The asbestos liability and related receivables reflect management's best estimate of future events. However, future events affecting the key factors and other variables for either the asbestos liability or the related receivables could cause actual costs or recoveries to be materially higher or lower than currently estimated. Due to these uncertainties, as well as our inability to reasonably estimate any additional asbestos liability for claims which may be filed beyond the next 10 years, it is difficult to predict the ultimate cost of resolving all pending and unasserted asbestos claims. We believe it is possible that future events affecting the key factors and other variables within the next 10 years, as well as the cost of asbestos claims filed beyond the next 10 years, net of expected recoveries, could have a material adverse effect on our financial statements.

*Asbestos-Related Costs, Net*

As part of our ongoing review of our net asbestos exposure, each quarter we assess the most recent qualitative and quantitative data available for the key inputs and assumptions, comparing the data to expectations on which the most recent annual liability and asset estimates were calculated. Based on this evaluation, the Company determined that no change in the estimate was warranted for the quarter ended March 31, 2019 other than the incremental accrual to maintain a rolling 10-year forecast period.

The following table provides a rollforward of the estimated asbestos liability and related assets for the three months ended March 31, 2019 and 2018.

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| For the Three Months Ended March 31 | **Liability** | **Asset** | **Net** | Liability | Asset | Net |
| Beginning balance | **$849.3** | **$376.7** | **$472.6** | $877.2 | $368.7 | $508.5 |
| Asbestos provision[(a)] | **15.7** | **3.1** | **12.6** | 15.3 | 2.9 | 12.4 |
| Insurance settlement agreement | **—** | **—** | **—** | — | 32.1 | (32.1 ) |
| Net cash activity[(a)] | **(20.1 )** | **(10.2 )** | **(9.9 )** | (22.2 ) | (9.4 ) | (12.8 ) |
| Ending balance | **$844.9** | **$369.6** | **$475.3** | $870.3 | $394.3 | $476.0 |
| Current portion | **$** | | | | | |