

ITT Corp  
Form 10-Q  
October 30, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended September 30, 2015

or

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: 1-5672

ITT CORPORATION

State of Indiana

13-5158950

(State or Other Jurisdiction

(I.R.S. Employer

of Incorporation or Organization)

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  No

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  No

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" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of October 29, 2015, there were outstanding 89.5 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 the business and future financial results of 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 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 result or 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, 2014 (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 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](http://www.sec.gov) that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge at [www.itt.com](http://www.itt.com) (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. We use the Investor Relations page of our website at [www.itt.com](http://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 are located at 1133 Westchester Avenue, White Plains, NY 10604 and the telephone number of this location is (914) 641-2000.

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

For the Periods Ended September 30	Three Months		Nine Months	
	2015	2014	2015	2014
Revenue	\$601.9	\$657.1	\$1,818.8	\$1,994.6
Costs of revenue	407.0	437.2	1,211.0	1,345.1
Gross profit	194.9	219.9	607.8	649.5
General and administrative expenses	60.2	69.1	186.8	216.3
Sales and marketing expenses	43.1	53.5	139.2	165.1
Research and development expenses	18.0	20.1	55.2	56.4
Asbestos-related benefit, net	(30.3 )	(42.5 )	(99.7 )	(10.8 )
Operating income	103.9	119.7	326.3	222.5
Interest and non-operating (income) expenses, net	(4.0 )	0.7	(2.5 )	2.3
Income from continuing operations before income tax expense	107.9	119.0	328.8	220.2
Income tax expense	11.4	38.0	53.0	63.4
Income from continuing operations	96.5	81.0	275.8	156.8
Income (loss) from discontinued operations, including tax benefit of \$19.7, \$1.8, \$23.7 and \$4.8, respectively	34.2	(0.3 )	39.3	(4.2 )
Net income	130.7	80.7	315.1	152.6
Less: Income attributable to noncontrolling interests	—	0.4	—	1.8
Net income attributable to ITT Corporation	\$130.7	\$80.3	\$315.1	\$150.8
Amounts attributable to ITT Corporation:				
Income from continuing operations, net of tax	\$96.5	\$80.6	\$275.8	\$155.0
Income (loss) from discontinued operations, net of tax	34.2	(0.3 )	39.3	(4.2 )
Net income	\$130.7	\$80.3	\$315.1	\$150.8
Earnings (loss) per share attributable to ITT Corporation:				
Basic:				
Continuing operations	\$1.08	\$0.88	\$3.07	\$1.69
Discontinued operations	0.38	—	0.44	(0.04 )
Net income	\$1.46	\$0.88	\$3.51	\$1.65
Diluted:				
Continuing operations	\$1.07	\$0.87	\$3.04	\$1.67
Discontinued operations	0.38	(0.01 )	0.43	(0.05 )
Net income	\$1.45	\$0.86	\$3.47	\$1.62
Weighted average common shares – basic	89.4	91.6	89.9	91.5
Weighted average common shares – diluted	90.3	92.9	90.8	92.9
Cash dividends declared per common share	\$0.1183	\$0.11	\$0.3549	\$0.33

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

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

For the Periods Ended September 30	Three Months		Nine Months	
	2015	2014	2015	2014
Net income	\$ 130.7	\$ 80.7	\$ 315.1	\$ 152.6
Other comprehensive income (loss):				
Net foreign currency translation adjustment	(24.4 )	(53.3 )	(72.2 )	(54.2 )
Net change in postretirement benefit plans, net of tax impacts of \$0.1, \$10.8, \$0.5 and \$11.4, respectively	0.8	19.0	1.9	20.3
Other comprehensive loss	(23.6 )	(34.3 )	(70.3 )	(33.9 )
Comprehensive income	107.1	46.4	244.8	118.7
Less: Comprehensive income attributable to noncontrolling interests	—	0.4	—	1.8
Comprehensive income attributable to ITT Corporation	\$ 107.1	\$ 46.0	\$ 244.8	\$ 116.9
Disclosure of reclassification and other adjustments to postretirement benefit plans				
Reclassification adjustments (see Note 14):				
Amortization of prior service benefit, net of tax expense of \$(1.2), \$(0.6), \$(3.0) and \$(1.5), respectively	\$(1.4 )	\$(0.8 )	\$(4.6 )	\$(2.5 )
Amortization of net actuarial loss, net of tax benefits of \$1.3, \$0.8, \$3.5 and \$2.4, respectively	2.2	1.6	6.5	4.6
Other adjustments:				
Unrealized change in net actuarial loss, net of tax expense of \$0.0, \$10.6, \$0.0 and \$10.6, respectively	—	18.2	—	18.2
Net change in postretirement benefit plans, net of tax	\$ 0.8	\$ 19.0	\$ 1.9	\$ 20.3

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)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 504.9	\$ 584.0
Receivables, net	567.8	500.1
Inventories, net	299.7	302.3
Other current assets	198.7	249.8
Total current assets	1,571.1	1,636.2
Plant, property and equipment, net	414.4	443.9
Goodwill	622.7	632.1
Other intangible assets, net	106.6	91.4
Asbestos-related assets	342.4	374.0
Deferred income taxes	272.5	304.1
Other non-current assets	148.6	149.8
Total non-current assets	1,907.2	1,995.3
Total assets	\$ 3,478.3	\$ 3,631.5
Liabilities and Shareholders' Equity		
Current liabilities:		
Commercial paper	\$ 10.5	\$—
Accounts payable	291.9	309.6
Accrued liabilities	414.8	465.8
Total current liabilities	717.2	775.4
Asbestos-related liabilities	961.2	1,116.6
Postretirement benefits	238.8	249.7
Other non-current liabilities	194.2	269.5