



First Quarter 2018 Earnings Conference Call

April 26, 2018



Forward-Looking Statements

NON-GAAP MEASURES

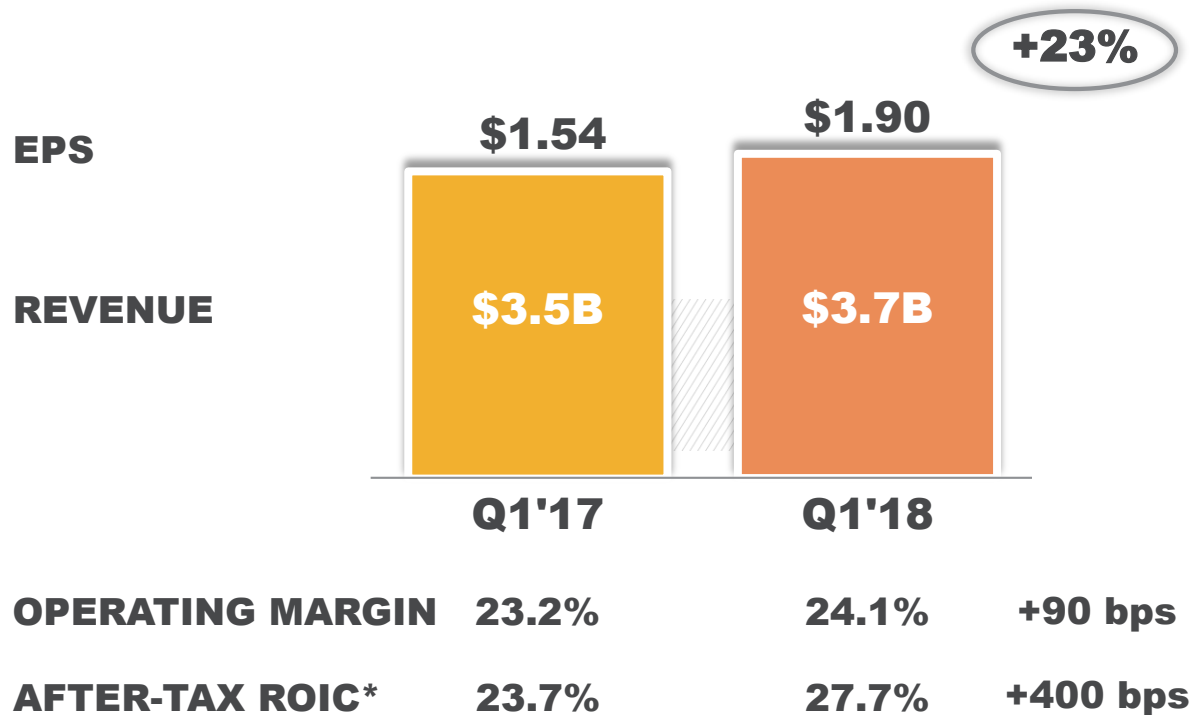
The company uses certain non-GAAP measures in discussing the company's performance. The reconciliation of those measures to the most comparable GAAP measures is detailed in ITW's press release for the first quarter of 2018, which is available at www.itw.com, together with this presentation.

SAFE HARBOR STATEMENT

This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact of product line simplification activities and enterprise initiatives, future financial performance, operating performance, growth in free cash flow, organic and total revenue growth, operating margin growth, growth in diluted income per share, restructuring expenses and related benefits, effective tax rates, expected dividend payout ratio, expected repatriation, exchange rates, timing and amount of share repurchases, after-tax return on invested capital, end market economic conditions, the expected impact of acquisitions on financial results and the company's related 2018 guidance. These statements are subject to certain risks, uncertainties, and other factors which could cause actual results to differ materially from those anticipated. Important risks that could cause actual results to differ materially from the company's expectations include those that are detailed in ITW's Form 10-K for 2017.

Q1 2018 Financial Performance

Financial Results



Highlights

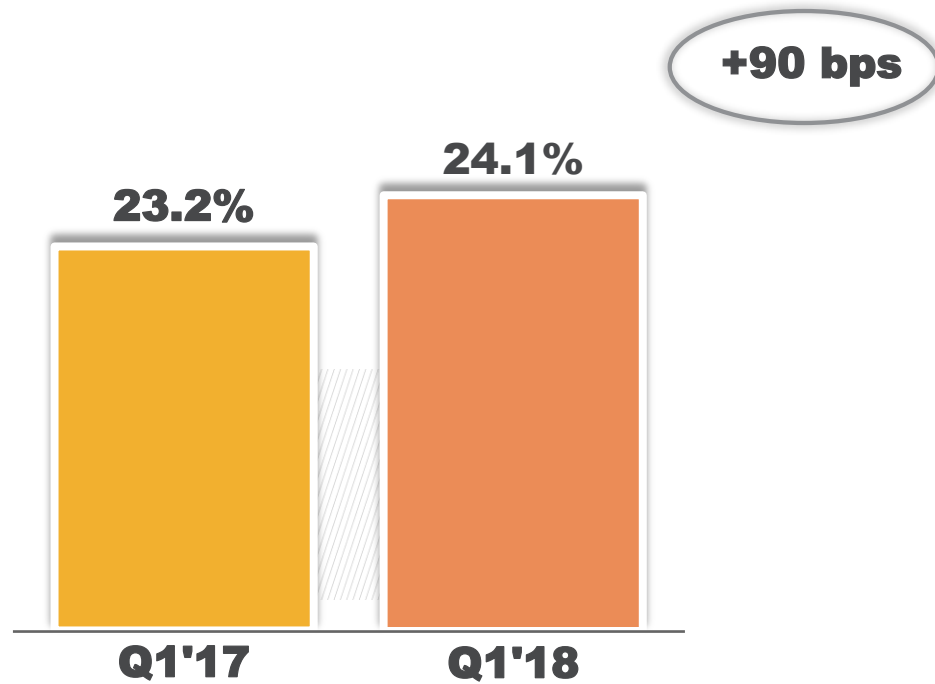
- GAAP EPS of \$1.90, an increase of 23%
- Solid demand trends; Revenue grew 8%; organic growth of 3%
 - All 7 segments and major geographies with positive organic growth
- Delivered first quarter records for key performance metrics
 - Operating income of \$903M, an increase of 12%
 - Operating margin of 24.1%, an increase of 90 bps
 - Enterprise Initiatives contributed 110 bps
 - After-tax ROIC* of 27.7%, an increase of 400 bps
- Free Cash Flow* of \$444M, an increase of 11%
- Share repurchases of \$500M

*See ITW's first quarter 2018 press release for the reconciliation from GAAP to non-GAAP measures.

SOLID START TO 2018

Q1 2018 Operating Margin

Operating Margin



Key Margin Drivers

	<u>Q1'18</u>
Enterprise Initiatives	+110 bps
Volume/Other	+30
Price/Cost	(50)
Margin Expansion	<u>+90 bps</u>

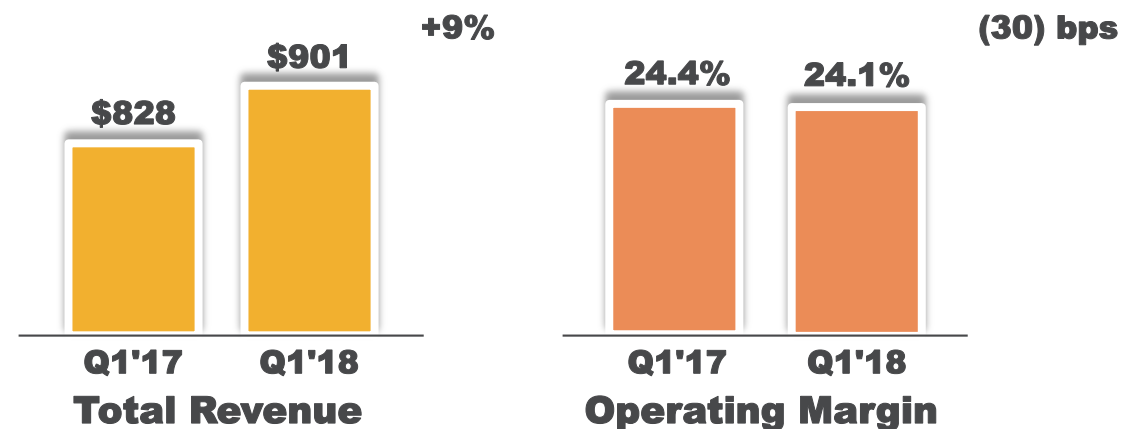
STRONG OPERATING MARGIN PERFORMANCE

Q1 2018 Segment Performance

Organic Revenue Performance

	Organic Revenue		
	FY'17	Q1'18	FY'18E
Automotive OEM	4%	1%	4 – 5%
Food Equipment	1	~flat	2 – 3%
T&M and Electronics	5	8	4 – 5%
Welding	3	8	5 – 6%
Polymers & Fluids	1	~flat	2 – 3%
Construction Products	3	3	3 – 4%
Specialty Products	4	1	2 – 3%
Total Company	3%	3%	3 – 4%

Automotive OEM



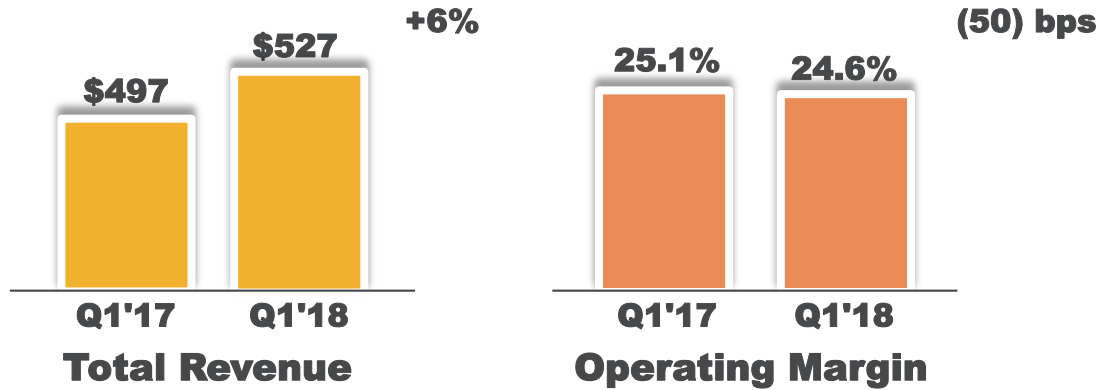
Q1 Performance

- Organic growth of 1%; world-wide auto builds (1)%
 - Challenging comps vs. prior year quarter +9%
- Above-market growth in all geographies:
 - NA 1% vs. builds (3)%
 - Europe 1% vs. builds flat
 - China 8% vs. builds (3)%



Q1 2018 Segment Performance

Food Equipment

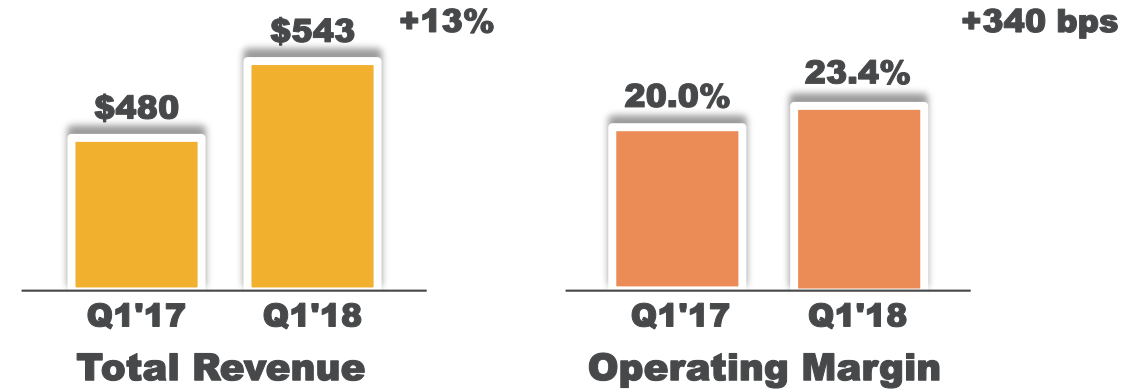


Q1 Performance

- Organic growth ~flat
 - North America ~flat
 - Food Service equipment 7% offset by retail, Service 1%
 - International 1%
 - Equipment & Service each 1%



Test & Measurement/Electronics



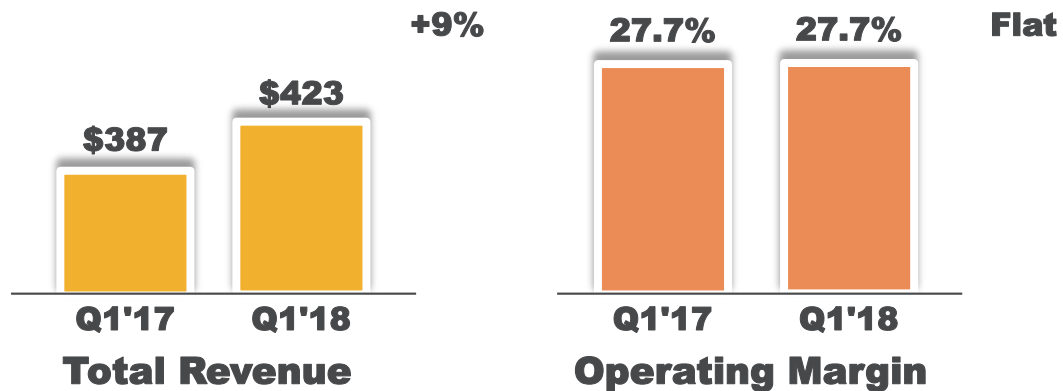
Q1 Performance

- Organic growth of 8%
 - Test & Measurement 9%
 - Electronics 5%



Q1 2018 Segment Performance

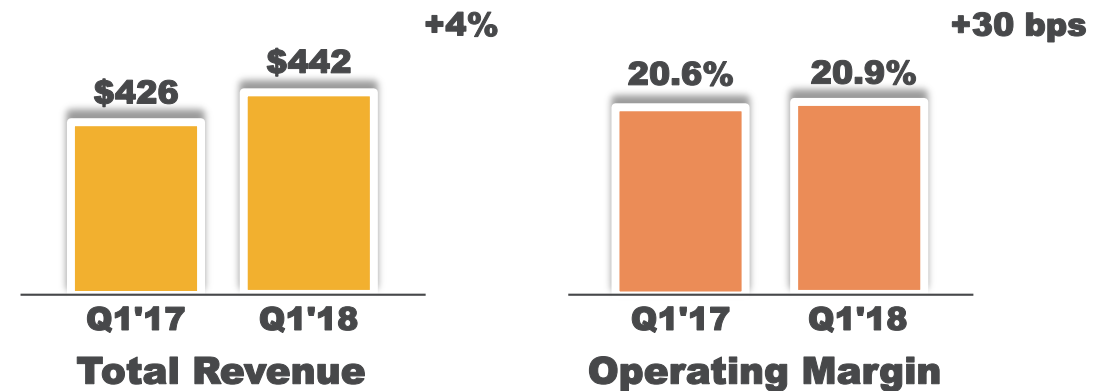
Welding



Q1 Performance

- Organic growth of 8%
 - North America 9%; Industrial 15%
 - International ~flat

Polymers & Fluids



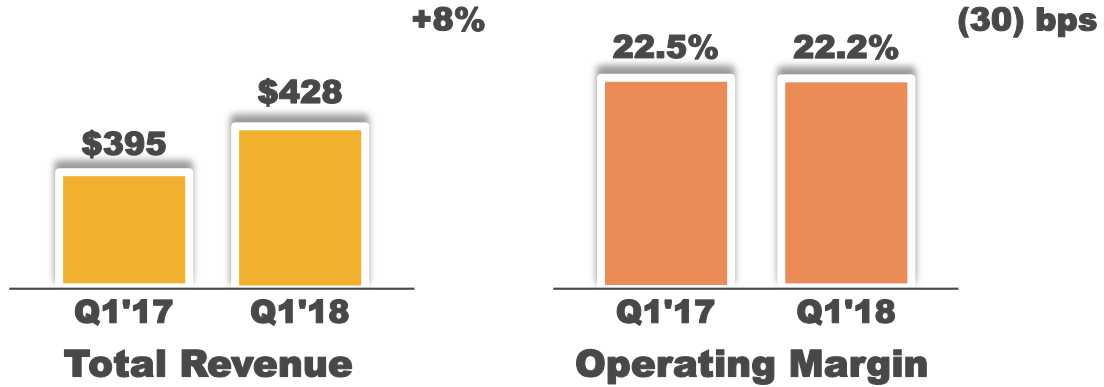
Q1 Performance

- Organic growth ~flat
 - Fluids and Polymers each 1%
 - Automotive Aftermarket ~flat



Q1 2018 Segment Performance

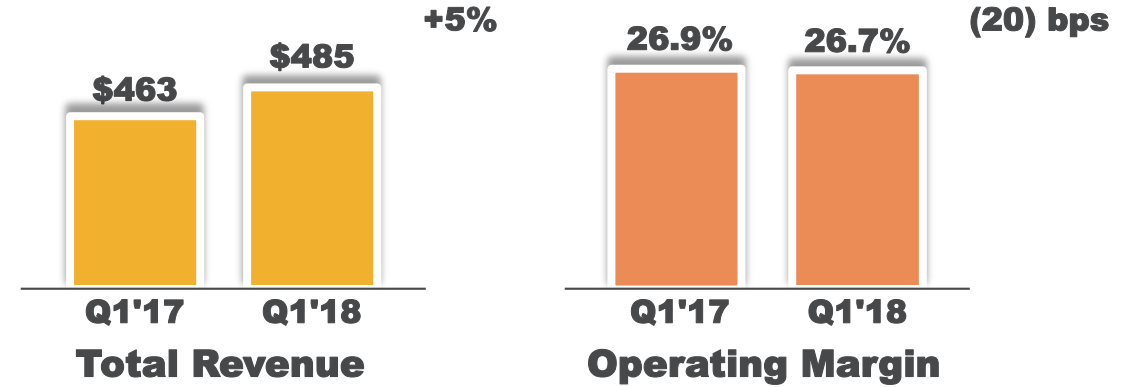
Construction Products



Q1 Performance

- Organic growth of 3%
 - North America 7%; Residential 9%, Commercial (2)%
 - Asia Pacific 3%, Europe (2)%

Specialty Products



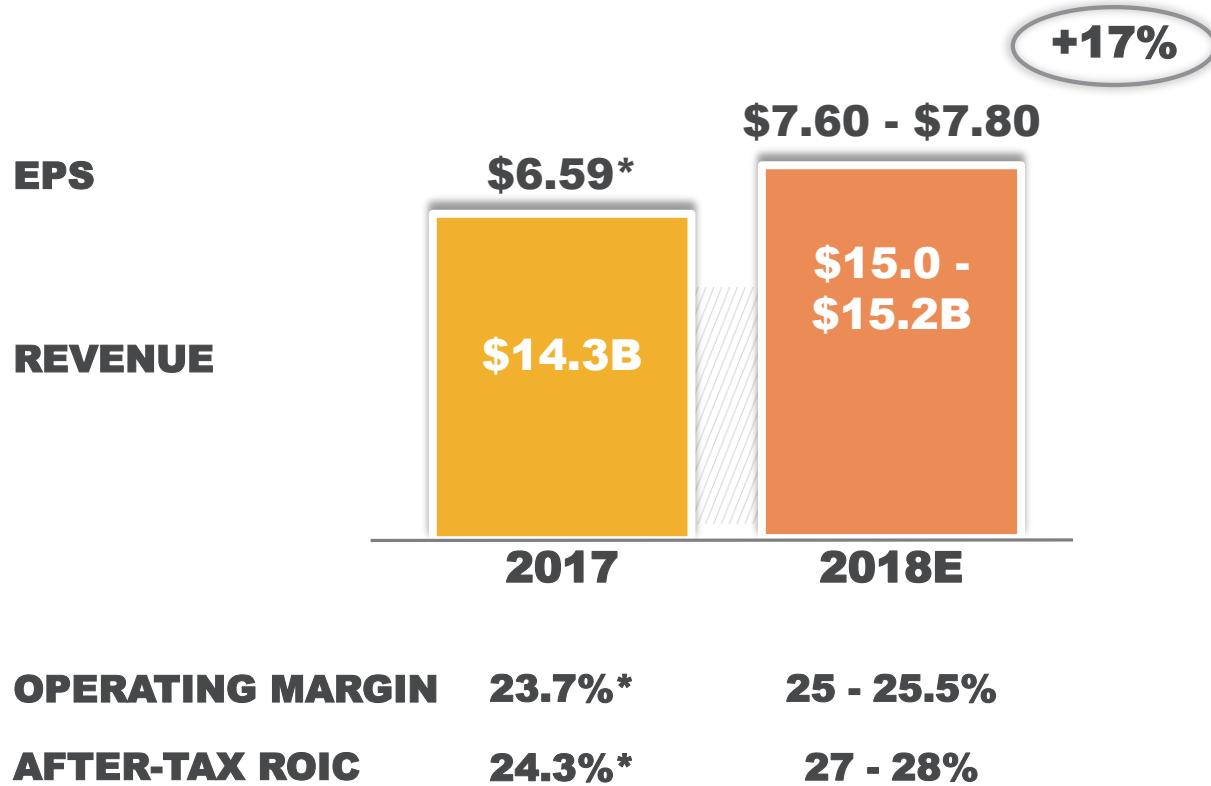
Q1 Performance

- Organic growth of 1%
 - Equipment 8%
 - Consumables (1)%



2018 Guidance

Financial Guidance



Highlights

- **Solid underlying demand trends, resilient business portfolio**
 - Total revenue growth of 5 - 6%; organic growth of 3 - 4%
 - **Strong execution and margin expansion**
 - 100 bps from Enterprise Initiatives; manageable price/cost
 - **Raising GAAP EPS guidance by \$0.15 to \$7.60 - \$7.80**
 - 17% EPS growth at the midpoint
 - High Quality of Earnings: Free Cash Flow 100%+ of net income
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- **Expect Q2 GAAP EPS of \$1.90 - \$2.00, organic growth of 3–4%**
 - 15% EPS growth at the mid-point

*See ITW's first quarter 2018 press release for the reconciliation from GAAP to non-GAAP measures.

WELL-POSITIONED FOR TOP-TIER PERFORMANCE IN 2018



Q&A

