

Illinois Tool Works
Corporate Headquarters
155 Harlem Ave.
Glenview, Illinois 60025
Telephone 847.724.7500

Investors Contact: Aaron Hoffman 224.661.7429 ahoffman@itw.com

Media Contact: Alison Donnelly 224.661.7427 adonnelly@itw.com



News Release

ITW Reports First Quarter 2015 Financial Results

- **Diluted EPS of \$1.21, up 20 percent**
- **Operating margin of 20.9 percent up 220 basis points; Enterprise Initiatives contributed 100 basis points**
- **Share repurchases of \$1.6 billion in the first quarter**
- **Company updates full-year guidance**

GLENVIEW, Ill., April 21, 2015 (GLOBE NEWSWIRE) -- Illinois Tool Works Inc. (NYSE:ITW) today reported first quarter 2015 diluted earnings per share (EPS) from continuing operations of \$1.21, which is 20 percent higher than the year-ago period. Reported EPS was \$0.04 above the midpoint of company guidance despite \$0.03 of incremental negative currency translation impact vs. the exchange rates in effect at the time the Company issued guidance for the first quarter 2015 on January 27, 2015. Organic revenue growth was up 1 percent in the quarter, reflecting lower demand in some of the company's equipment-related businesses and ongoing product line simplification (PLS) activities.

"Despite currency translation headwinds and a challenging capital spending environment, ITW delivered record first quarter operating margin and 20 percent EPS growth," said E. Scott Santi, president and chief executive officer. "This performance reflects the continued progress that our business teams around the world are making in executing our strategy and leveraging ITW's highly differentiated business model to its full potential. ITW is well positioned for another year of strong progress in 2015 and we remain solidly on track to deliver on our 2017 performance goals."

First quarter 2015 enterprise highlights*

- Organic revenue was up 1 percent, with both North America and International growing 1 percent. In North America, organic revenue growth was driven by continued strength in Automotive OEM and Food Equipment. Internationally, European and Asia Pacific organic revenues both increased 1 percent. As expected, the ongoing product line and customer base simplification activities associated with the portfolio management component of ITW's Enterprise Strategy reduced organic revenue growth by approximately 1 percentage point. Total revenues of \$3.3 billion were down 6 percent due to the impact of foreign currency translation.
- Operating margin of 20.9 percent increased 220 basis points, with Enterprise Initiatives contributing 100 basis points.

First quarter 2015 segment highlights*

- Automotive OEM organic revenue growth of 7 percent outpaced first quarter worldwide auto builds of 1 percent. Organic revenues increased 13 percent in Europe, 3 percent in North America and 14 percent in China. Operating margin of 25.0 percent increased 170 basis points.
- Food Equipment's organic revenues increased 4 percent due to solid demand for equipment and service. Operating margin of 22.6 percent increased 400 basis points.
- Every one of the Company's segments delivered strong operating margin improvement. Polymers & Fluids improved margin by 340 basis points, Test & Measurement and Electronics was up 250 basis points, and Welding, Construction Products and Specialty Products improved margin by more than 120 basis points.

Guidance

The company is reducing its 2015 full-year EPS guidance by \$0.15 to reflect current exchange rates. The updated EPS range is \$5.00 to \$5.20, an increase of 9 percent at the \$5.10 midpoint. Organic revenue growth for the year is projected to be 1 to 2 percent, down slightly from the previous forecast due to a more challenging capital spending environment. Operating margin is projected to exceed 21 percent, and the Company expects stronger margin performance to offset modestly lower revenue expectations. For the second quarter 2015, the Company is expecting EPS to be in a range of \$1.22 to \$1.30. Organic revenue growth for the second quarter is forecast to be 1 to 2 percent.

*All comparisons are to the prior year period.

Forward-looking statement

This earnings release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding organic and total revenue growth, impact of foreign currency translation, operating margins and diluted income per share from continuing operations. These statements are subject to certain risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated. Such factors include those contained in ITW's Form 10-K for 2014. The attached tables include a calculation of ROIC, a non-GAAP measure.

About ITW

ITW is a Fortune 200 global diversified industrial manufacturer of value added consumables and specialty equipment with related service businesses. The Company focuses on solid growth, improving profitability and strong returns across its worldwide platforms and divisions. These divisions serve customers and markets around the globe, with a significant presence in developed as well as emerging markets. ITW's revenues totaled \$14.5 billion in 2014.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF INCOME (UNAUDITED)

| In millions except per share amounts | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2015 | 2014 |
| | Operating Revenues | \$ 3,342 |
| Cost of revenues | 1,970 | 2,158 |
| Selling, administrative, and research and development expenses | 616 | 682 |
| Amortization of intangible assets | 59 | 62 |
| Operating Income | 697 | 667 |
| Interest expense | (54) | (64) |
| Other income (expense) | 21 | 9 |
| Income from Continuing Operations Before Income Taxes | 664 | 612 |
| Income Taxes | 206 | 184 |
| Income from Continuing Operations | 458 | 428 |
| Income from Discontinued Operations | — | 45 |
| Net Income | \$ 458 | \$ 473 |
| | | |
| Income Per Share from Continuing Operations: | | |
| Basic | \$ 1.22 | \$ 1.01 |
| Diluted | \$ 1.21 | \$ 1.01 |
| Income Per Share from Discontinued Operations: | | |
| Basic | \$ — | \$ 0.11 |
| Diluted | \$ — | \$ 0.11 |
| Net Income Per Share: | | |
| Basic | \$ 1.22 | \$ 1.12 |
| Diluted | \$ 1.21 | \$ 1.11 |
| | | |
| Shares of Common Stock Outstanding During the Period: | | |
| Average | 376.6 | 421.9 |
| Average assuming dilution | 379.2 | 425.0 |

FREE OPERATING CASH FLOW (UNAUDITED)

| In millions | Three Months Ended March 31, | |
|--|---|--------|
| | 2015 | 2014 |
| | Net cash provided by operating activities | \$ 442 |
| Less: Additions to plant and equipment | (83) | (68) |
| Free operating cash flow | \$ 359 | \$ 246 |

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION (UNAUDITED)

In millions

| | <u>March 31, 2015</u> | <u>December 31, 2014</u> |
|---|-----------------------|--------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 2,672 | \$ 3,990 |
| Trade receivables | 2,367 | 2,293 |
| Inventories | 1,187 | 1,180 |
| Deferred income taxes | 188 | 212 |
| Prepaid expenses and other current assets | 253 | 401 |
| Total current assets | <u>6,667</u> | <u>8,076</u> |
| Net plant and equipment | 1,624 | 1,686 |
| Goodwill | 4,498 | 4,667 |
| Intangible assets | 1,733 | 1,799 |
| Deferred income taxes | 278 | 301 |
| Other assets | 1,137 | 1,149 |
| | <u>\$ 15,937</u> | <u>\$ 17,678</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Short-term debt | \$ 1,708 | \$ 1,476 |
| Accounts payable | 670 | 512 |
| Accrued expenses | 1,083 | 1,287 |
| Cash dividends payable | 179 | 186 |
| Income taxes payable | 96 | 64 |
| Deferred income taxes | 8 | 8 |
| Total current liabilities | <u>3,744</u> | <u>3,533</u> |
| Noncurrent Liabilities: | | |
| Long-term debt | 5,845 | 5,981 |
| Deferred income taxes | 380 | 338 |
| Other liabilities | 986 | 1,002 |
| Total noncurrent liabilities | <u>7,211</u> | <u>7,321</u> |
| Stockholders' Equity: | | |
| Common stock | 6 | 6 |
| Additional paid-in-capital | 1,102 | 1,096 |
| Income reinvested in the business | 17,453 | 17,173 |
| Common stock held in treasury | (12,357) | (10,798) |
| Accumulated other comprehensive income | (1,226) | (658) |
| Noncontrolling interest | 4 | 5 |
| Total stockholders' equity | <u>4,982</u> | <u>6,824</u> |
| | <u>\$ 15,937</u> | <u>\$ 17,678</u> |

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
 ADJUSTED RETURN ON AVERAGE INVESTED CAPITAL (UNAUDITED)

| Dollars in millions | Three Months Ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2015 | 2014 |
| Operating income | \$ 697 | \$ 667 |
| Tax rate | 31.0% | 30.0% |
| Income taxes | (216) | (200) |
| Operating income after taxes | <u>\$ 481</u> | <u>\$ 467</u> |
| Invested capital: | | |
| Trade receivables | \$ 2,367 | \$ 2,563 |
| Inventories | 1,187 | 1,298 |
| Net assets held for sale | — | 1,579 |
| Net plant and equipment | 1,624 | 1,699 |
| Goodwill and intangible assets | 6,231 | 6,829 |
| Accounts payable and accrued expenses | (1,753) | (1,893) |
| Other, net | 207 | 580 |
| Total invested capital | <u>\$ 9,863</u> | <u>\$ 12,655</u> |
| Average invested capital | \$ 10,077 | \$ 12,545 |
| Adjustment for Wilsonart (formerly the Decorative Surfaces segment) | (130) | (161) |
| Adjustment for Industrial Packaging | — | (1,521) |
| Adjusted average invested capital | <u>\$ 9,947</u> | <u>\$ 10,863</u> |
| Annualized adjusted return on average invested capital | <u>19.3%</u> | <u>17.2%</u> |