



Second Quarter 2017 Conference Call

July 24, 2017



Forward-Looking Statements

SAFE HARBOR STATEMENT

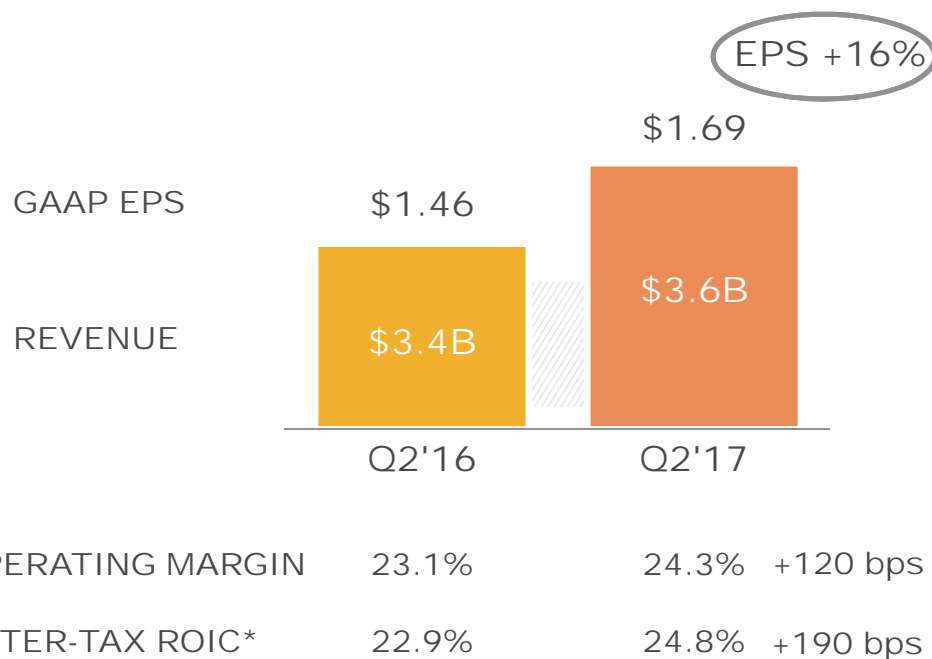
This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact of product line simplification activities and enterprise initiatives, future financial performance, 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, 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 2017 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 2016.

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 second quarter of 2017, which is available at www.itw.com, together with this presentation.

Q2 2017 Performance

Financial Results



Highlights

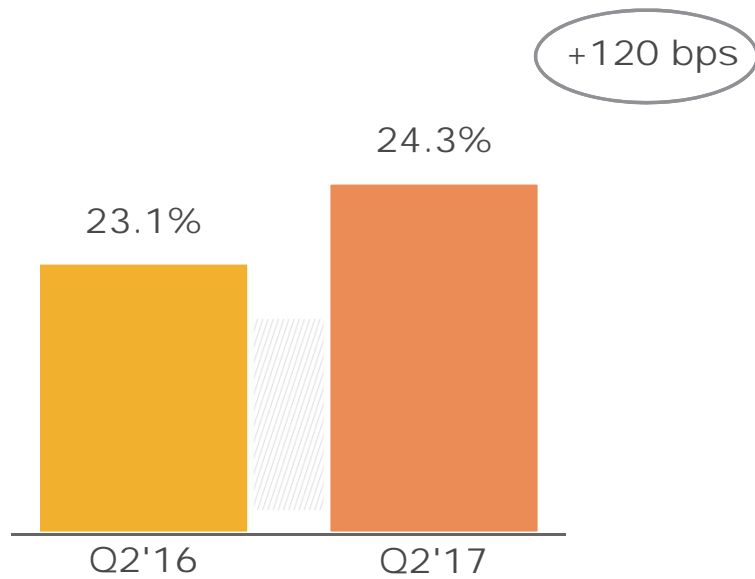
- GAAP EPS of \$1.69, an increase of 16%
- Total revenue grew 4.9%; organic growth of 2.6%
 - North America 1.4%, Europe 3.4% and China 13.3%
 - 6 of 7 segments with positive organic growth
- Record financial performance
 - Operating margin of 24.3%, 100 bps from Enterprise Initiatives
 - After-tax ROIC* of 24.8%
 - Operating income of \$874M, an increase of 10%
- Free Cash Flow* of \$502M adjusted for pension contribution
 - 85% of net income, in line with typical seasonality

*See ITW's second quarter 2017 press release for the reconciliation from GAAP to non-GAAP measurements

STRONG FINANCIAL PERFORMANCE IN Q2 2017

Q2 2017 Operating Margin

Operating Margin



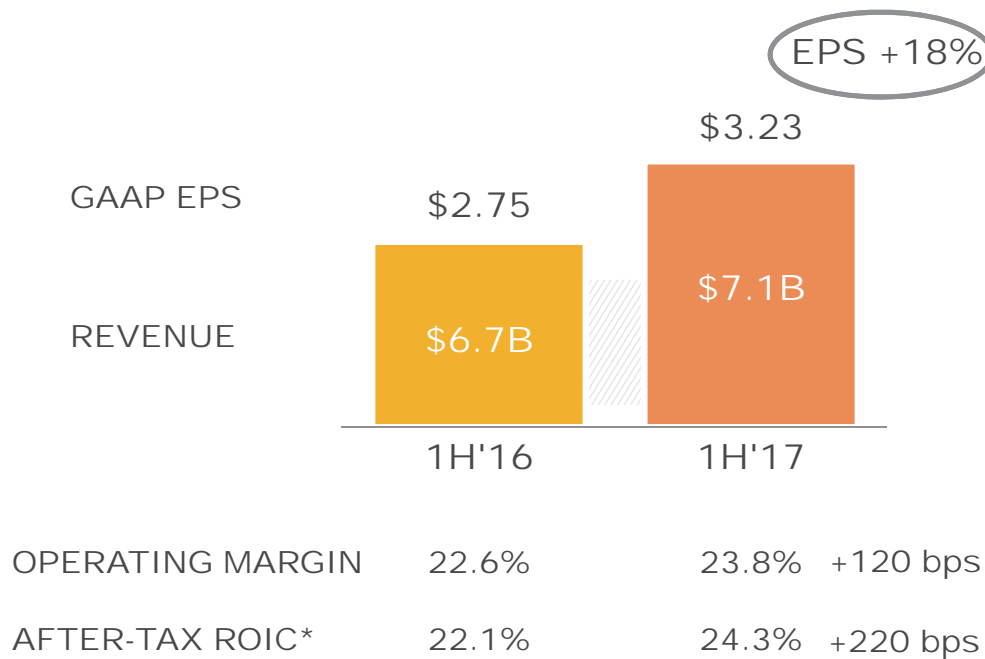
Key Margin Drivers

	Q2'17
Enterprise Initiatives	+100 bps
Volume	+50
Price/Cost	(50)
Legal settlement	+40
EF&C Margin Impact	(60)
Restructuring, Overhead Efficiencies	+40
Total Margin Expansion	+120 bps

ALL-TIME RECORD MARGIN PERFORMANCE

1H 2017 Performance

Financial Results



Highlights

- GAAP EPS of \$3.23, an increase of 18%
- Total revenue grew 5.4%; organic growth of 3.0%
 - North America 1.4%, International 5.2%
 - All segments with positive organic growth
- Operating margin of 23.8%, 110 bps from Enterprise Initiatives
- Operating income of \$1.7B, an increase of 11%
- After-tax ROIC* of 24.3%, an increase of 220 bps
- Free Cash Flow* of \$946M adjusted for pension contributions
 - 84% of net income, in line with typical seasonality

*See ITW's second quarter 2017 press release for the reconciliation from GAAP to non-GAAP measurements

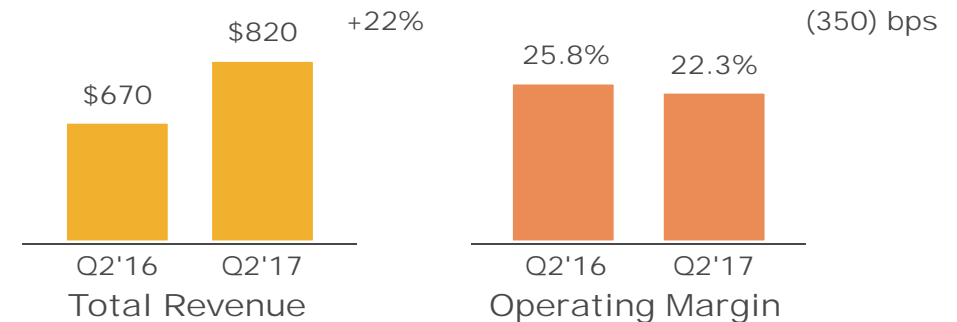
STRONG PERFORMANCE IN 1H 2017

Segment Performance

1H 2017 Segment Performance

	Organic Growth		Operating Margin		
	FY'16	1H'17	FY'16	1H'17	VPY
Automotive OEM	5%	7%	24.1%	23.3%	(80) bps
Food Equipment	3	1	25.4	25.8	+40
T&M and Electronics	2	5	18.9	21.0	+210
Welding	(9)	2	24.9	27.4	+250
Polymers & Fluids	1	~flat	20.3	21.0	+70
Construction Products	3	2	22.4	23.3	+90
Specialty Products	1	2	25.6	27.6	+200
Total Company	1.2%	3.0%	22.5%	23.8%	+130 bps

Automotive OEM



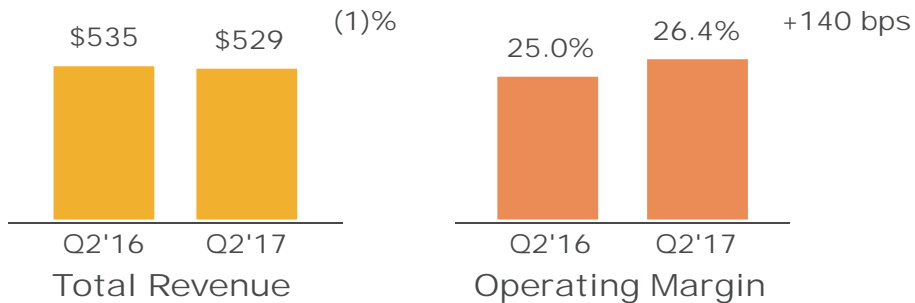
Q2 Performance

- Organic growth of 4% vs. flat global car builds
- Organic growth by geography:
 - North America flat vs. builds (3)%
 - Europe 7% vs. builds (3)%
 - China 17% vs. builds (1)%
- Operating Margin decline driven by EF&C dilution and integration



Segment Performance

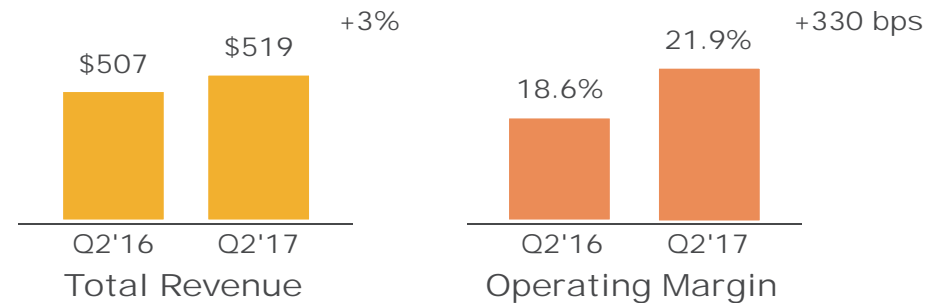
Food Equipment



Q2 Performance

- Organic growth of 1%
 - North America (1)%, challenging comparison (Q2'16 +6%)
 - International 3%
- Operating Margin improvement driven by Enterprise Initiatives

Test & Measurement/Electronics



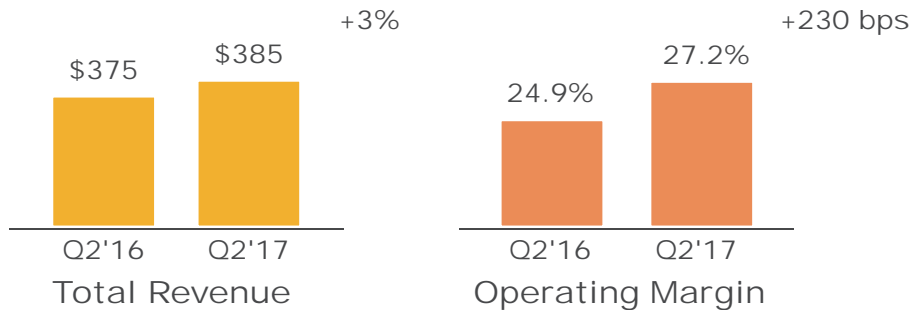
Q2 Performance

- Organic growth of 4%
 - Test & Measurement 6%
 - Electronics 3%
- Operating Margin improvement driven by Enterprise Initiatives and volume leverage



Segment Performance

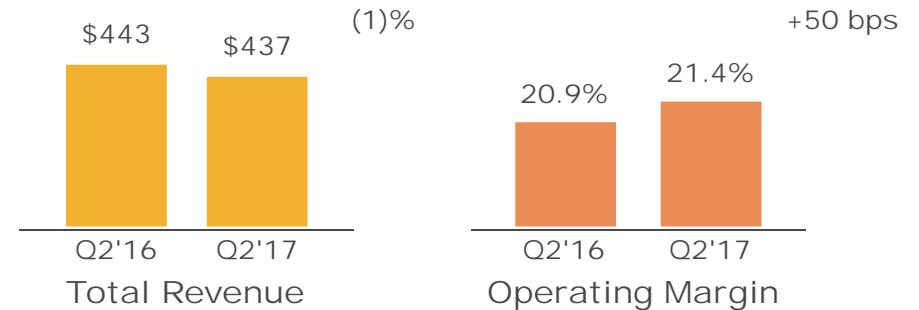
Welding



Q2 Performance

- Organic growth of 3%
 - Equipment 7%, Consumables (2)%
 - North America 5%, International (3)%
- Operating Margin improvement driven by Enterprise Initiatives and lower restructuring

Polymers & Fluids



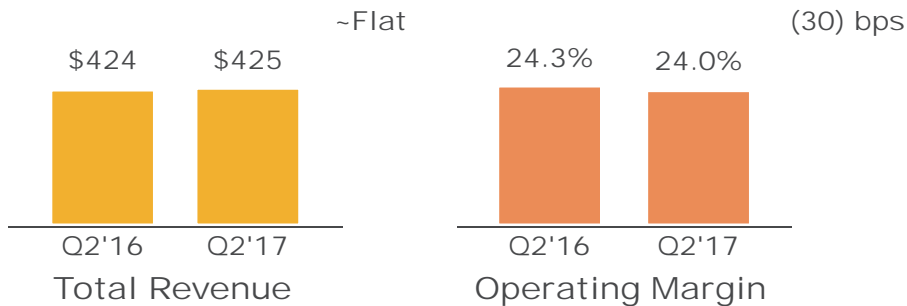
Q2 Performance

- Organic growth of (1)%
 - Automotive Aftermarket (2)%
- Operating Margin improvement driven by Enterprise Initiatives



Segment Performance

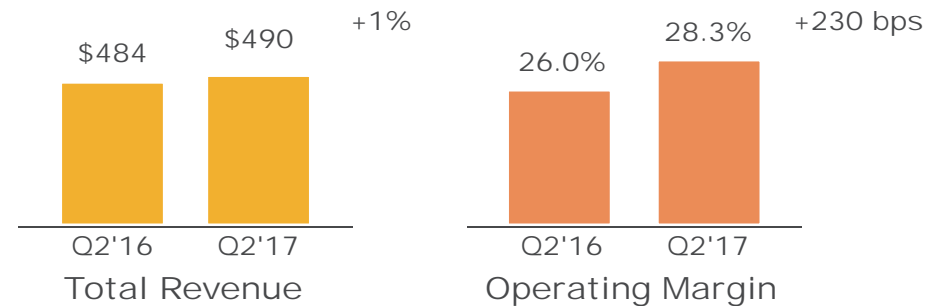
Construction Products



Q2 Performance

- Organic growth of 2%
 - North America 3%
 - Europe ~flat, Asia Pacific 1%
- Operating Margin decline driven by price/cost

Specialty Products



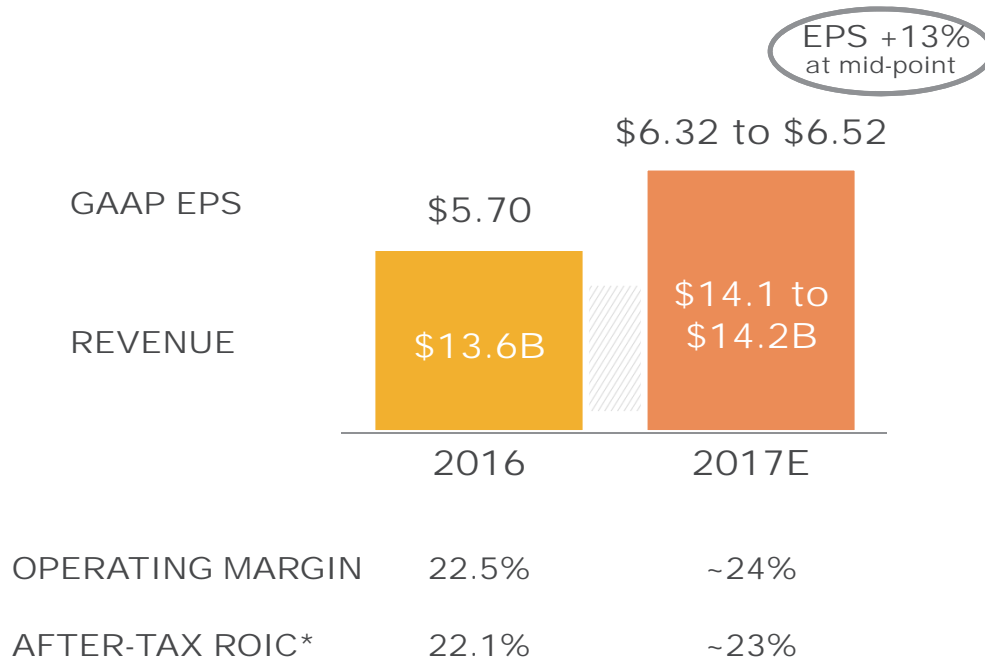
Q2 Performance

- Organic growth of 4%
 - Consumer Packaging 5%
 - Equipment (1)%
- Operating Margin improvement driven by Enterprise Initiatives and volume leverage



2017 Guidance

Financial Guidance



Highlights

- GAAP EPS guidance raised by \$0.12 at mid-point
 - Organic revenue growth of 2 to 4%
 - All-time full-year records for key performance metrics
 - Operating margin of ~24%, 100 bps from Enterprise Initiatives
 - After-tax ROIC of ~23%
 - Free Cash Flow 100%+ of Net Income
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- Third Quarter 2017 guidance
 - GAAP EPS of \$1.57 to \$1.67 with organic growth of 1 to 3%

*See ITW's second quarter 2017 press release for the reconciliation from GAAP to non-GAAP measurements

WELL-POSITIONED TO DELIVER DIFFERENTIATED PERFORMANCE IN 2017

TW

Q&A

