



Electrical Products Group Conference

May 23, 2018



FORWARD-LOOKING STATEMENTS

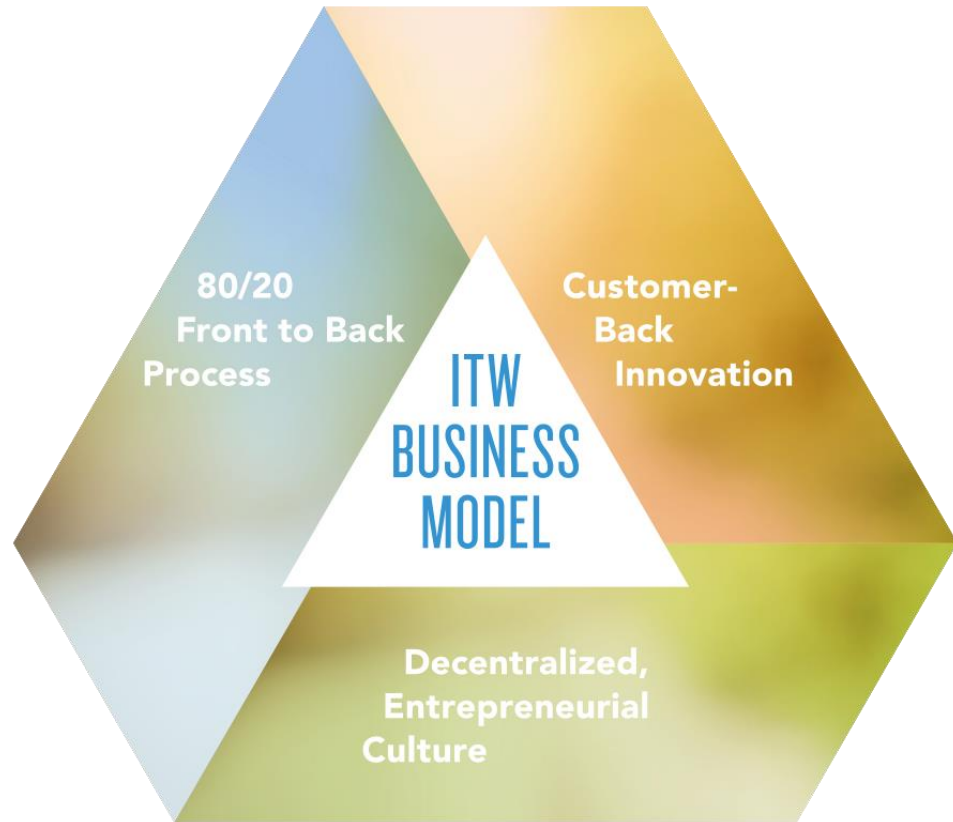
NON-GAAP MEASURES

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 Form 10-K for 2017 and form 10-Q for the first quarter of 2018, which are available at www.itw.com, together with this presentation.

SAFE HARBOR STATEMENT

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact and timing of enterprise initiatives and related benefits, future financial performance, operating performance, growth in free cash flow, organic and total revenue growth, operating margin growth, growth in diluted income per share, growth in after-tax return on invested capital, expected total shareholder returns, restructuring expenses and related benefits, effective tax rates, exchange rates, timing and amount of share repurchases, end-market economic conditions, 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 and Form 10-Q for the first quarter of 2018.

OUR BUSINESS MODEL IS OUR COMPETITIVE ADVANTAGE



80/20 Front to Back Process: **HOW WE OPERATE**

Customer-Back Innovation: **HOW WE INNOVATE**

Decentralized,
Entrepreneurial Culture: **HOW WE EXECUTE**

OBJECTIVES OF OUR 2011-2012 STRATEGY “REFRESH”

1

**Maximize ITW’s potential
to consistently deliver
Differentiated
Performance**

AND

2

**Best position ITW
as a highly valued core
holding
for long-term
oriented investors**

**IN AN INCREASINGLY COMPETITIVELY INTENSE AND
VOLATILE GLOBAL MARKET ENVIRONMENT**

OUR STRATEGIC FRAMEWORK



**OUR BUSINESS
MODEL IS OUR
COMPETITIVE
ADVANTAGE**



**GROWTH:
QUALITY
OVER
QUANTITY**



**“DO WHAT WE SAY”
EXECUTION IS
A CRITICAL
DIFFERENTIATOR**



**INVEST ONLY
WHERE WE HAVE
COMPELLING
COMPETITIVE
ADVANTAGE**

SOLID GROWTH WITH BEST-IN-CLASS MARGINS AND RETURNS

STRATEGY EXECUTION: PHASE II

	Phase I 2012-2017	Phase II 2018-2022
Operating Margin	16 → 24%	25%+
After-tax ROIC	15 → 24%	20%+
Annual Organic Growth	(1) - 3%	3 - 5%
Incremental Margin	30 - 35%	~35%
Annual EPS Growth	10 - 29%	8 - 10%
Free Cash Flow % of Net Income	100 - 119%	100%+
Dividend Payout Ratio	22 → 43%	43% → ~50%

SUSTAINING DIFFERENTIATED PERFORMANCE

STRATEGY EXECUTION: POSITION ITW AS A HIGHLY VALUED CORE HOLDING FOR LONG-TERM ORIENTED INVESTORS

Strong, Enduring and Adaptable Competitive Advantage:

- Highly differentiated Business Model
- Best-in-class margins
- Well-positioned to out-perform in any economic scenario

Strong Track Record of “Do What We Say” Execution:

- Execution deeply imbedded in company culture
- Clear performance goals aligned with our strategy
- Straightforward and transparent metrics

Diversified High-Quality Business Portfolio:

- Consistent above-market organic growth
- Diverse end-market and geographic exposures with no “weak links”
- Additional long-term growth optionality from potential new segment additions

High Quality of Earnings:

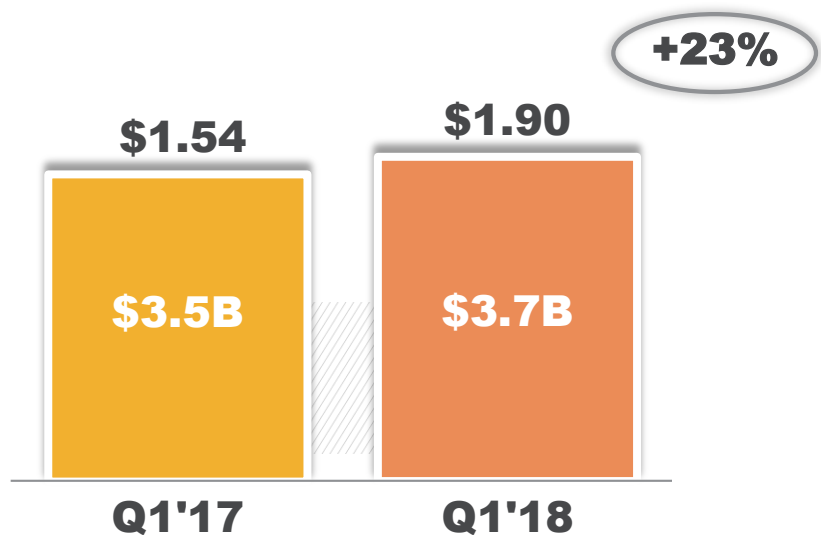
- Free Cash Flow = 100% of Net Income
- Highly disciplined allocator of capital: Best-in-class ROIC
- 50+ years of annual dividend growth. Increasing payout to ~50%

Q1 2018 FINANCIAL PERFORMANCE

Financial Results

EPS

REVENUE



OPERATING MARGIN 23.2% 24.1% +90 bps

AFTER-TAX ROIC* 23.7% 27.7% +400 bps

Highlights

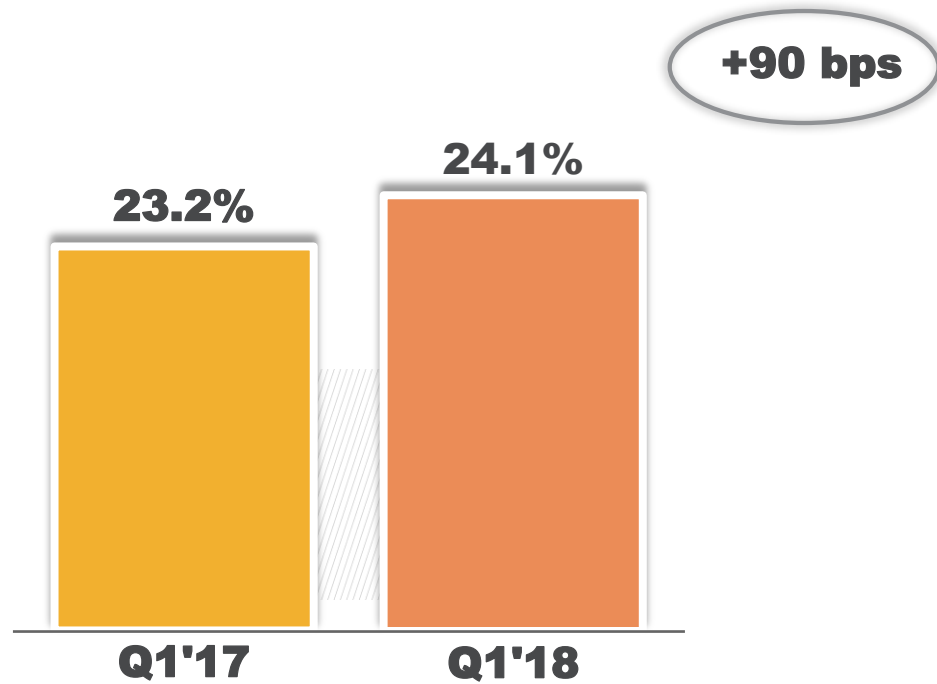
- GAAP EPS of \$1.90, an increase of 23%
- Solid demand trends; Revenue grew 8%; organic growth of 3%
 - All 7 segments and major geographies with positive organic growth
- Delivered first quarter records for key performance metrics
 - Operating income of \$903M, an increase of 12%
 - Operating margin 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

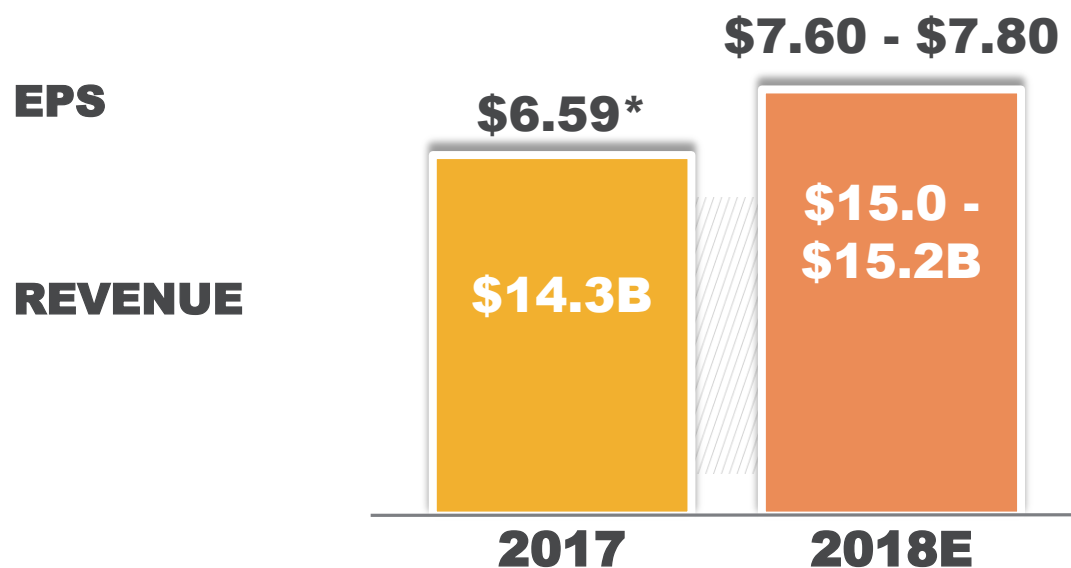
2018 ORGANIC GROWTH BY SEGMENT

	 Automotive OEM	 Test & Measurement Electronics	 Food Equipment	 Polymers & Fluids	 Welding	 Construction Products	 Specialty Products
2017	4%	5%	1%	1%	3%	3%	4%
2018E	4 - 5%	4 - 5%	2 - 3%	2 - 3%	5 - 6%	3 - 4%	2 - 3%

WELL-POSITIONED FOR CONTINUED PROGRESS IN 2018

2018 GUIDANCE

Guidance



Highlights

- EPS \$7.60 - \$7.80, up 17%
- Revenue growth of 5 - 6%
- Organic growth of 3 - 4%
- Operating margin 25 - 25.5%; an increase of 100 - 150 bps with 100 bps from Enterprise Initiatives
- After-tax ROIC 27 - 28%; an increase of ~300 bps
- Free Cash Flow 100%+ of Net Income

*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