



Deutsche Bank  
9<sup>th</sup> Annual Global Industrials  
& Materials Summit

June 7, 2018



# FORWARD-LOOKING STATEMENTS

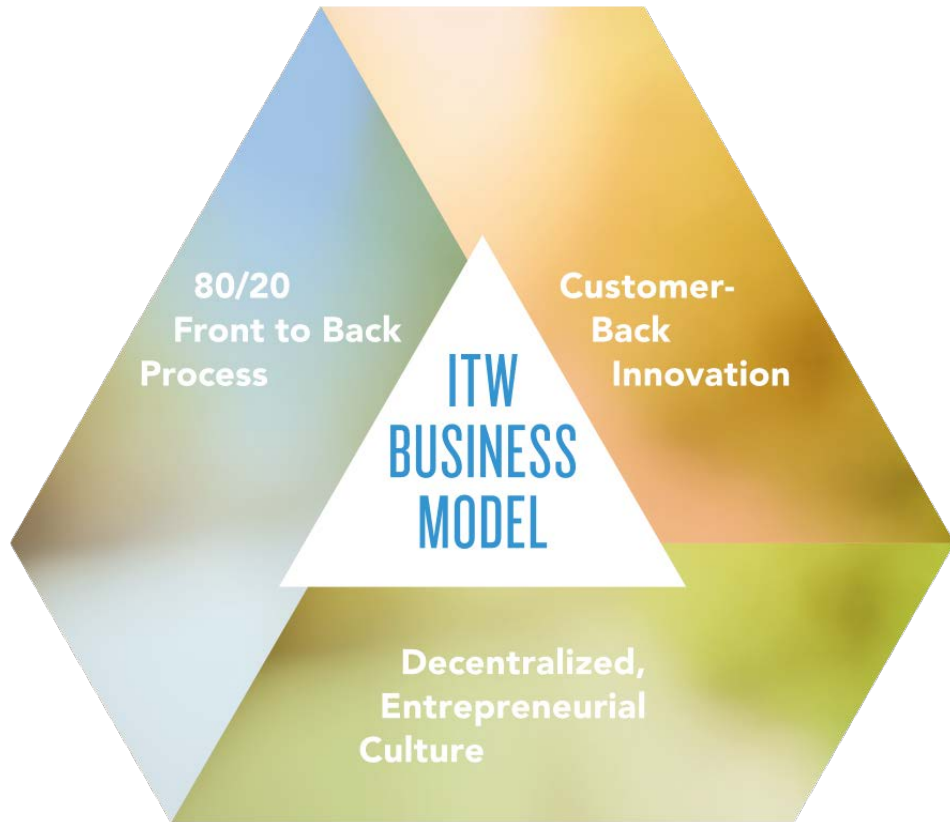
## NON-GAAP MEASURES

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](http://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
<b>Operating Margin</b>	16 → 24%	25%+
<b>After-tax ROIC</b>	15 → 24%	20%+
<b>Annual Organic Growth</b>	(1) - 3%	3 - 5%
<b>Incremental Margin</b>	30 - 35%	~35%
<b>Annual EPS Growth</b>	10 - 29%	8 - 10%
<b>Free Cash Flow % of Net Income</b>	100 - 119%	100%+
<b>Dividend Payout Ratio</b>	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

## 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

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

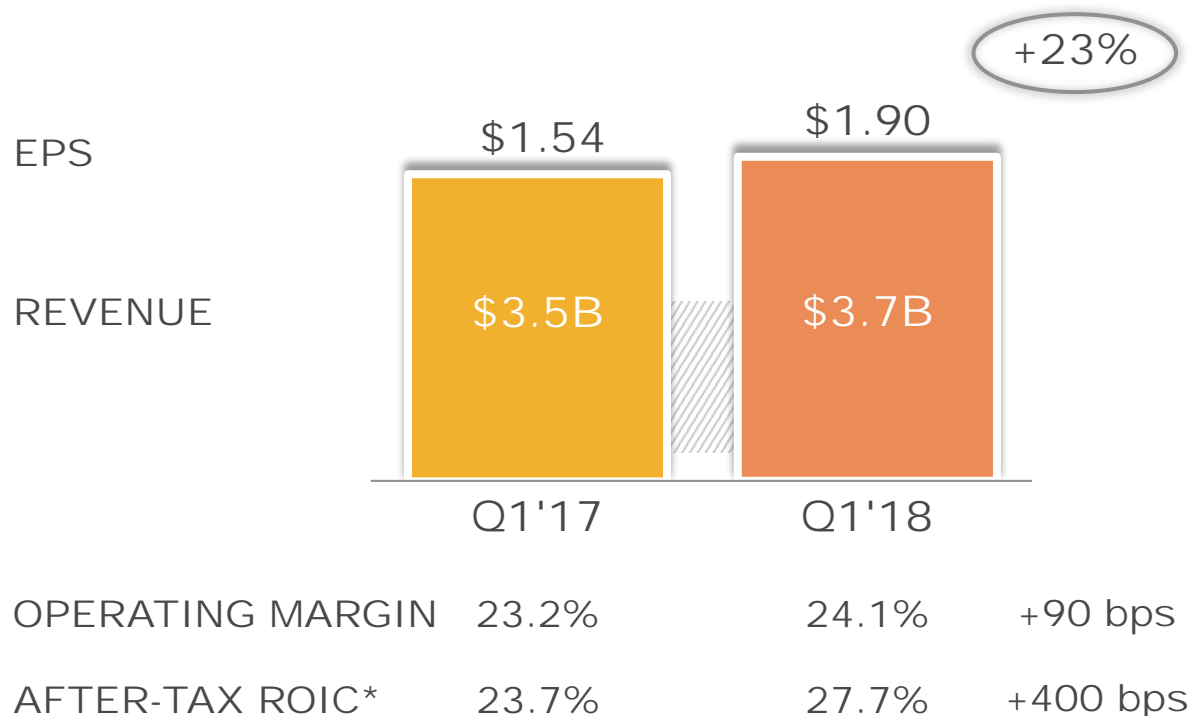
- Execution deeply imbedded in company culture
- Clear performance goals aligned with our strategy
- Straightforward and transparent metrics

## 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



## 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**

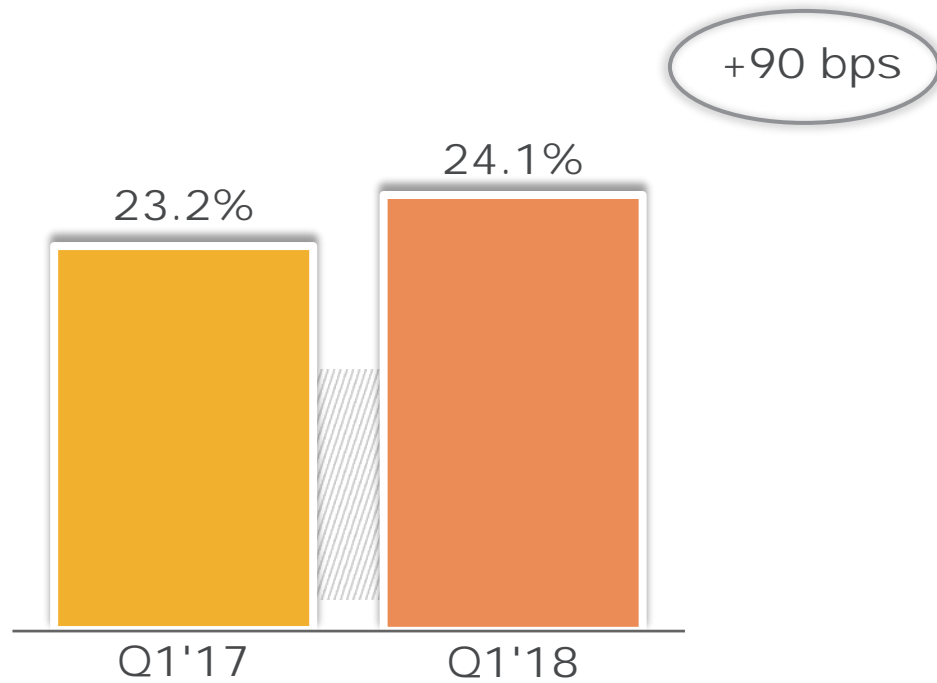
\*See ITW's first quarter 2018 press release for the reconciliation from GAAP to non-GAAP measures.

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	+90 bps

STRONG OPERATING MARGIN PERFORMANCE

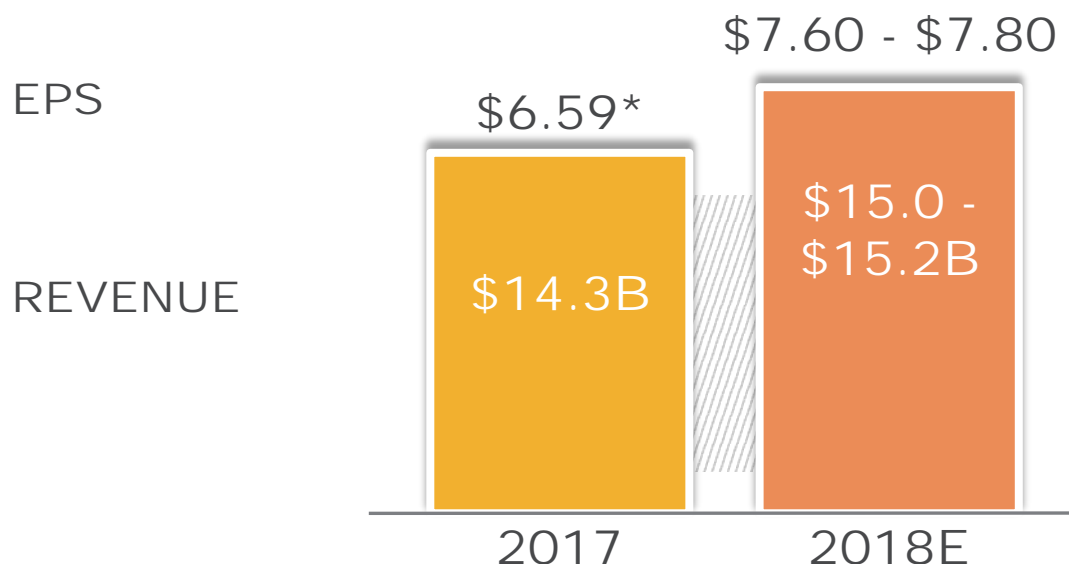
# 2018 ORGANIC GROWTH BY SEGMENT

	 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



Q&A

