



SECOND QUARTER 2019 EARNINGS CONFERENCE CALL

JULY 26, 2019

*PRESENTATION UPDATED: July 26, 2019 at 3:00 p.m. CDT
(2019E Revenue range updated on Slide 10)*





FORWARD-LOOKING STATEMENT

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 tariffs and raw material inflation, 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, price/cost impact, growth in diluted income per share, restructuring expenses and related benefits, expected dividend payout ratio, expected repatriation, growth in after-tax return on invested capital, expected total shareholder returns, effective tax rates, exchange rates, automotive build rates, timing and amount of share repurchases, end market economic and regulatory conditions, expected impact of acquisitions and divestitures on financial results, and the Company's related 2019 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 2018.

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 2019, which is available at www.itw.com, together with this presentation.





Q2 2019 FINANCIAL PERFORMANCE

GAAP EPS	\$1.97	\$1.91	
REVENUE	\$3.8B	\$3.6B	
	Q2'18	Q2'19	
OPERATING MARGIN	24.3%	24.1%	(20) bps
- Ex. YoY restructuring		24.4%	+10 bps
AFTER-TAX ROIC*	28.7%	28.6%	(10) bps

COMMENTS

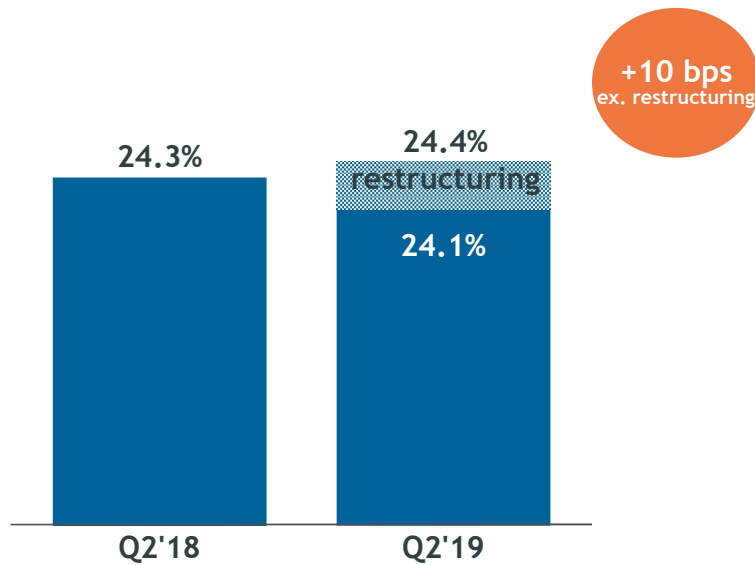
- Organic revenue down 2.8% as demand slowed across our portfolio vs. demand levels exiting Q1
 - Revenues declined ~2%-pts vs. Q1 run rates
 - PLS impact (70) bps
- GAAP EPS of \$1.91, ex. headwinds \$2.00, +2%
 - EPS headwinds: \$0.06 FX, \$0.02 restructuring, \$0.01 divestitures
- Strong execution on the elements within our own control and solid financial performance
 - Operating margin of 24.1% (24.4% ex. restructuring) as Enterprise Initiatives contributed 110 bps, price/cost neutral
 - Free cash flow increased 14%, 98% conversion rate
- Capital structure/allocation update
 - Refinanced short-term debt
 - \$375 million share repurchases



* See ITW's second quarter 2019 press release for the reconciliation from GAAP to non-GAAP measures.



Q2 2019 OPERATING MARGIN



+10 bps
ex. restructuring

	<u>Q1'18</u>	<u>Q2'18</u>	<u>Q3'18</u>	<u>Q4'18</u>	<u>Q1'19</u>	<u>Q2'19</u>
Price/Cost	(50) bps	(70) bps	(60) bps	(40) bps	(10) bps	- bps

KEY MARGIN DRIVERS

	<u>Q2'19</u>
Enterprise Initiatives	+110 bps
Volume	(60)
Price/Cost	-
Other	(40)
Margin Expansion	+10 bps
Accelerated Restructuring	(30)
Total Margin	(20) bps

STRONG EXECUTION AS ENTERPRISE INITIATIVES CONTRIBUTE 110 BPS TO MARGIN PERFORMANCE



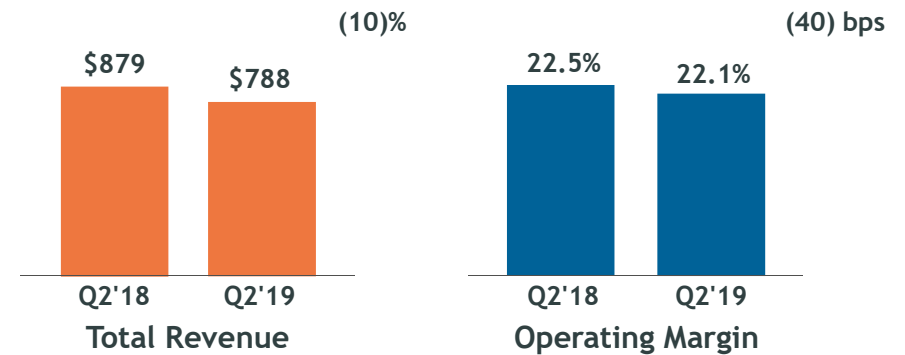


Q2 SEGMENT PERFORMANCE

Q1 vs. Q2 Organic Growth

	Q1 Organic*	Q2 Organic	Change
Automotive OEM	(5)%	(7)%	(2)%-pts
Food Equipment	3	2	(1)
T&M / Electronics	1	(1)	(2)
Welding	5	(2)	(7)
Polymers & Fluids	1	~flat	(1)
Construction Products	~flat	(1)	(1)
Specialty Products	~flat	(6)	(6)
Total Company	~flat	(3)%	(3)%-pts

Q2 2019 AUTOMOTIVE OEM



- Organic revenue (7)% vs. auto builds (9)%
- Organic revenue by geography
 - North America (6)%
 - Europe (8)%
 - China (12)%



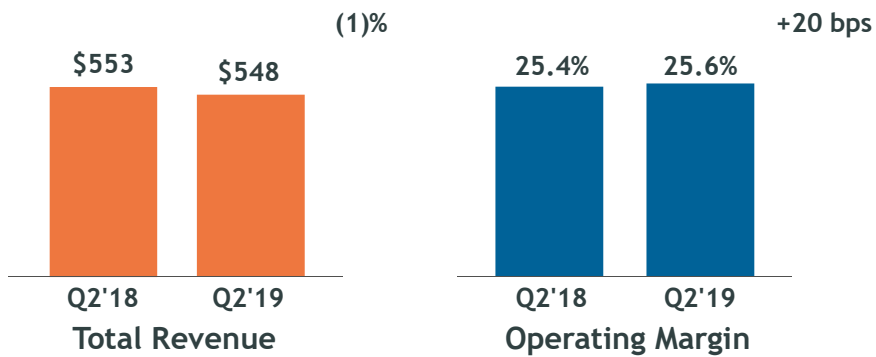
*On an equal days basis, as noted in the Q1'19 earnings conference call slides





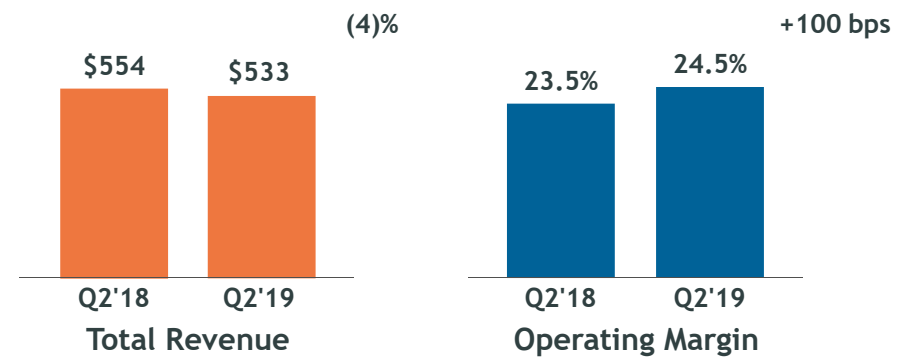
Q2 2019 SEGMENT PERFORMANCE

FOOD EQUIPMENT



- Organic revenue +2%
- Equipment 1%, Service 4%
 - North America 2%
 - International 2%

TEST & MEASUREMENT/ELECTRONICS



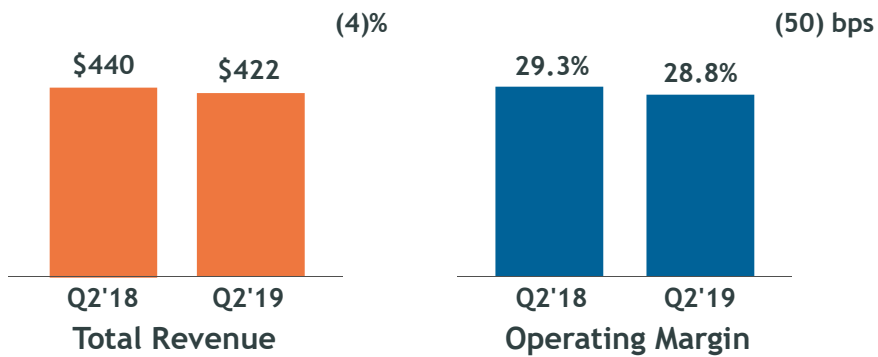
- Organic revenue (1)%
- Test & Measurement (3)%
 - 4% ex. semi-conductor
- Electronics 1%





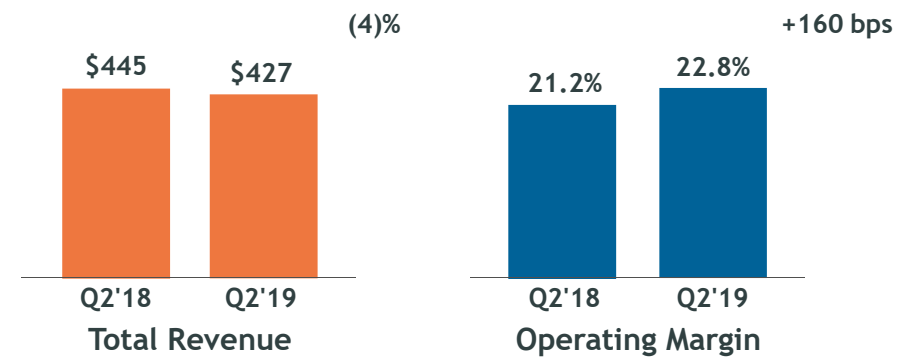
Q2 2019 SEGMENT PERFORMANCE

WELDING



- Organic revenue (2)%
- Equipment (4)%, Consumables flat
- North America (3)%, International flat

POLYMERS & FLUIDS



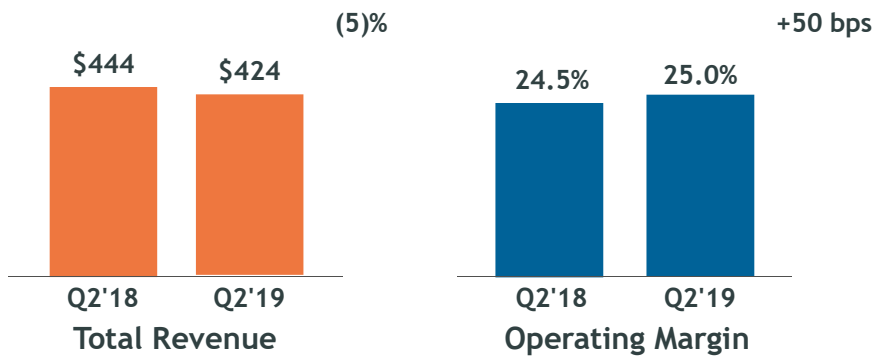
- Organic revenue flat
- Polymers 2%
- Automotive Aftermarket flat
- Fluids (3)%





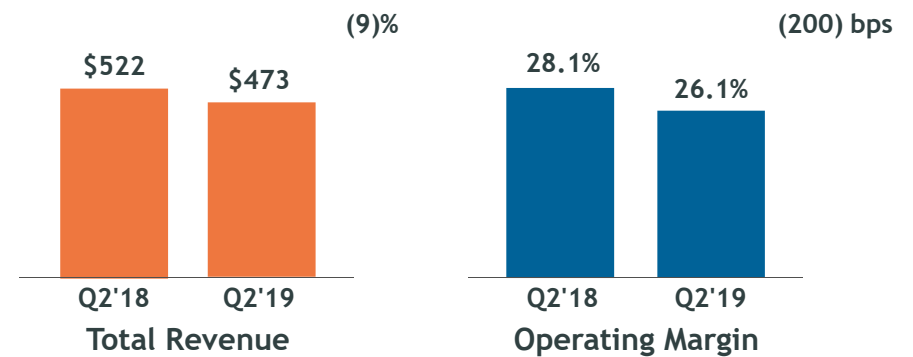
Q2 2019 SEGMENT PERFORMANCE

CONSTRUCTION PRODUCTS



- Organic revenue (1)%
- North America 2%
- Europe 1%
- Australia/New Zealand (8)%

SPECIALTY PRODUCTS



- Organic revenue (6)%
- North America (5)%, International (8)%
- Consumables (8)%, Equipment flat





1H 2019 FINANCIAL PERFORMANCE

GAAP EPS	\$3.87	\$3.72	
REVENUE	\$7.6B	\$7.2B	
	1H'18	1H'19	
OPERATING MARGIN	24.2%	23.9%	(30) bps
- Ex. YoY restructuring		24.4%	+20 bps
AFTER-TAX ROIC*	28.2%	28.1%	(10) bps

COMMENTS

- Organic revenue down 2.2%, equal days basis down 1.4%
 - Automotive OEM down 7%
 - PLS impact (70) bps
- GAAP EPS of \$3.72, ex. headwinds \$3.93, +2%
 - 1H EPS headwinds: ~\$0.20 FX & restructuring dissipate in 2H
 - 2H EPS tailwinds: restructuring benefits, price/cost, interest expense, easier comparisons, one extra shipping day in Q3
- Strong execution and solid financial results
 - Operating margin of 23.9% (24.4% ex. restructuring) as Enterprise Initiatives contributed 100 bps, offset by higher restructuring (50 bps), price/cost (10) bps
 - Free cash flow increased 17%, 94% conversion rate
- \$750 million share repurchases

SOLID PERFORMANCE IN A MORE CHALLENGING DEMAND ENVIRONMENT



* See ITW's second quarter 2019 press release for the reconciliation from GAAP to non-GAAP measures.



2019 FINANCIAL GUIDANCE

GAAP EPS	\$7.60	\$7.55 - \$7.85
REVENUE	\$14.8B	\$14.1 to \$14.3B
	2018	2019E
OPERATING MARGIN - Ex. YoY restructuring	24.3%	Flat to +50 bps +25 to +75 bps
AFTER-TAX ROIC*	28.2%	~+100 bps

COMMENTS

- Current levels of demand, adjusted for seasonality, project organic revenue down 1 to 3%
 - PLS impact ~(80) bps
- GAAP EPS \$7.70 mid-point, ex. headwinds \$7.95, +5%
 - EPS headwinds: ~\$0.25 FX and higher restructuring
- Strong execution: Operating margin flat to +50 bps despite negative volume leverage and higher restructuring
 - Enterprise initiatives contribute ~100 bps, improving price/cost
- Free Cash Flow 100%+ conversion rate
- ~\$1.5B share repurchases
- Portfolio management
 - Planned divestitures on track

WELL POSITIONED FOR STRONG PERFORMANCE ACROSS A WIDE RANGE OF ECONOMIC SCENARIOS



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Q&A