



THIRD QUARTER 2019 EARNINGS CONFERENCE CALL

OCTOBER 25, 2019



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, statements regarding 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 third quarter of 2019, which is available at www.itw.com, together with this presentation.





SAVE THE DATE

ITW 2020 INVESTOR DAY

Friday, March 13, 2020

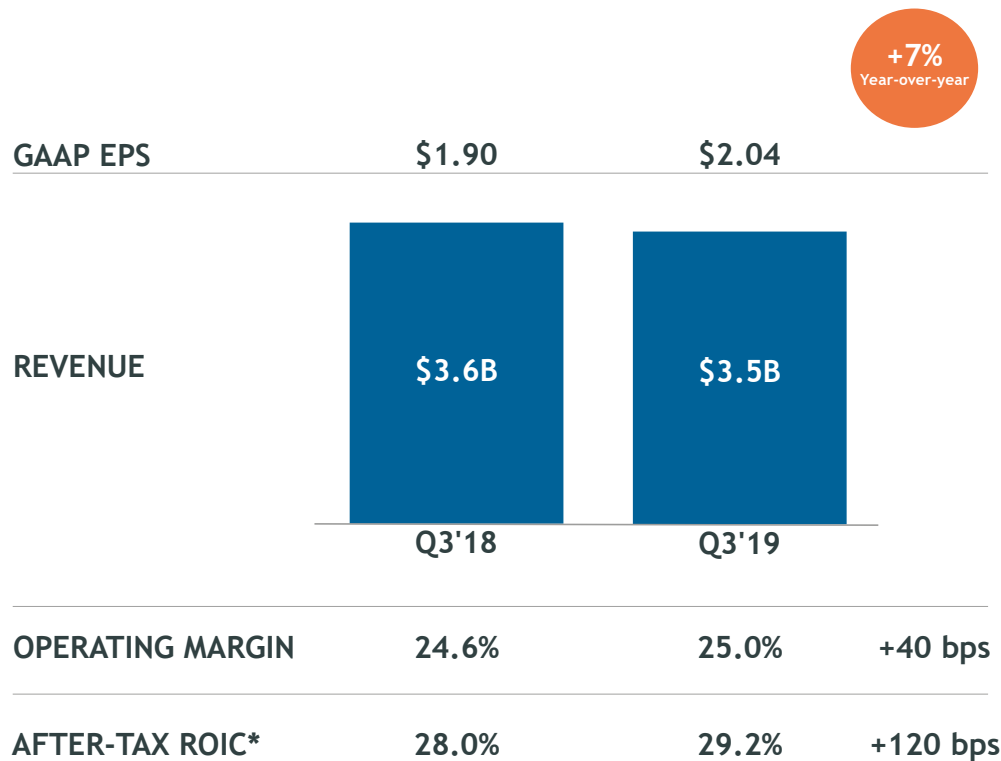
Food Equipment Group -
Traulsen Refrigeration

Fort Worth, TX

ITW Strategy update & site tour



Q3 2019 FINANCIAL PERFORMANCE



COMMENTS

- GAAP EPS of \$2.04
 - Includes \$0.07 / \$21M favorable discrete tax item
- Organic revenue declined 1.7%, 3.2% on an equal-day basis
 - Modest sequential decline from Q2 which was down 2.8%
 - Product Line Simplification impact (60) bps
- Operating margin improved 40 bps to 25.0%
 - Enterprise Initiatives +120 bps
 - Price/cost +20 bps
- Free cash flow* +12%, 126% conversion rate
 - Share repurchases of \$375M
 - 7% dividend increase

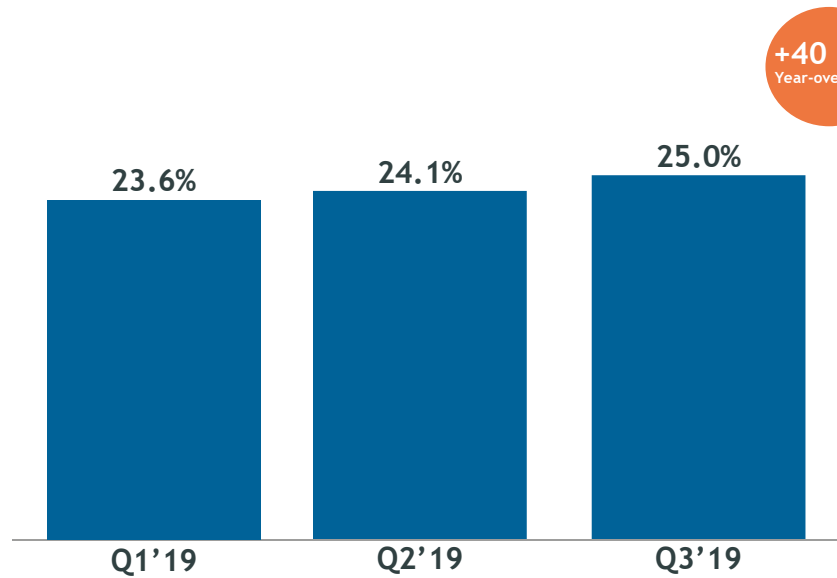
EXCELLENT OPERATIONAL EXECUTION AND STRONG FINANCIAL PERFORMANCE



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



Q3 2019 OPERATING MARGIN



+40 bps
Year-over-year

KEY MARGIN DRIVERS

Q3'19

Enterprise Initiatives	+120 bps
Price/Cost	+20
Volume	(40)
Other	(60)
Restructuring	-
Total Margin Expansion	+40 bps

Enterprise Initiatives	+100 bps	+110 bps	+120 bps
Price/Cost	(10) bps	- bps	+20 bps

STRONG OPERATING MARGIN PERFORMANCE



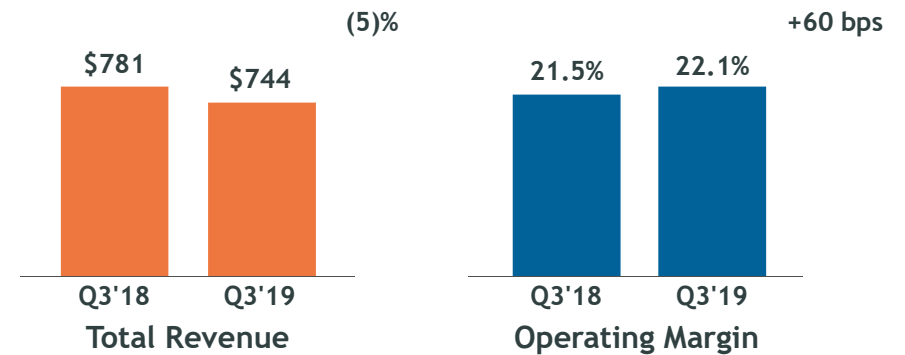


Q3 SEGMENT PERFORMANCE

Q2 VS. Q3 ORGANIC GROWTH RATE

	Q3 Organic As Reported	EQUAL DAYS BASIS		
		Q3 Organic *	Q2 Organic	Seq. Change
Automotive OEM	(2)%	(4)%	(7)%	+3%-pts
Food Equipment	(1)	(2)	2	(4)
T&M / Electronics	(3)	(5)	(1)	(4)
Welding	(2)	(3)	(2)	(1)
Polymers & Fluids	3	1	~flat	+1
Construction Products	(1)	(2)	(1)	(1)
Specialty Products	(5)	(6)	(6)	-
Total Company	(2)%	(3)%	(3)%	-

AUTOMOTIVE OEM



- Organic revenue (2)%
 - GM strike reduced revenue by -1%-pt
- Organic revenue by geography
 - North America (6)%
 - Europe flat
 - China 7%



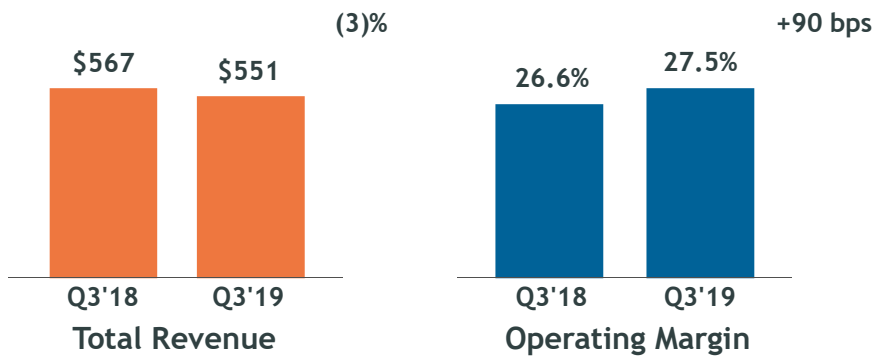
* Q3 2019 on equal days basis, Q3 2019 benefitted from one extra day vs. Q3 2018.





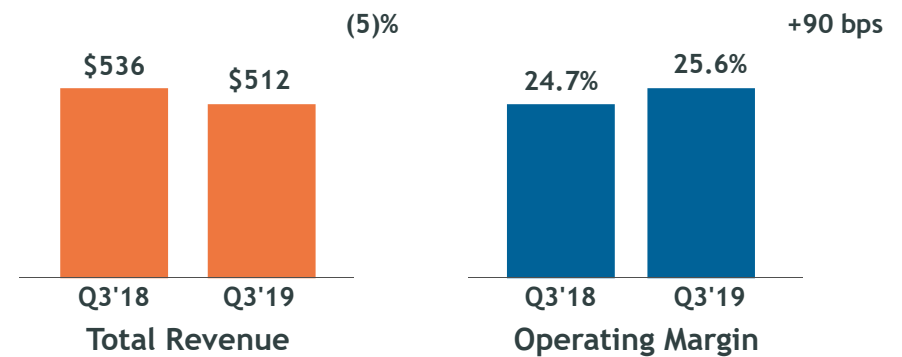
Q3 2019 SEGMENT PERFORMANCE

FOOD EQUIPMENT



- Organic revenue (1)%
- Equipment (2)%, Service 3%
 - North America flat
 - International (2)%

TEST & MEASUREMENT/ELECTRONICS



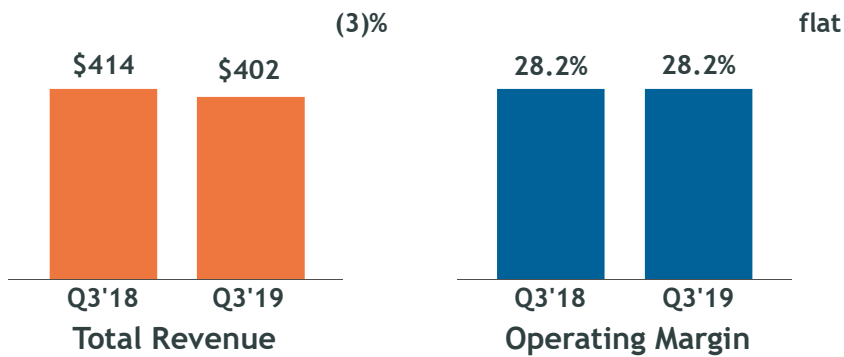
- Organic revenue (3)%
- Test & Measurement (4)%, 1% ex. semi-conductor
- Electronics (3)%





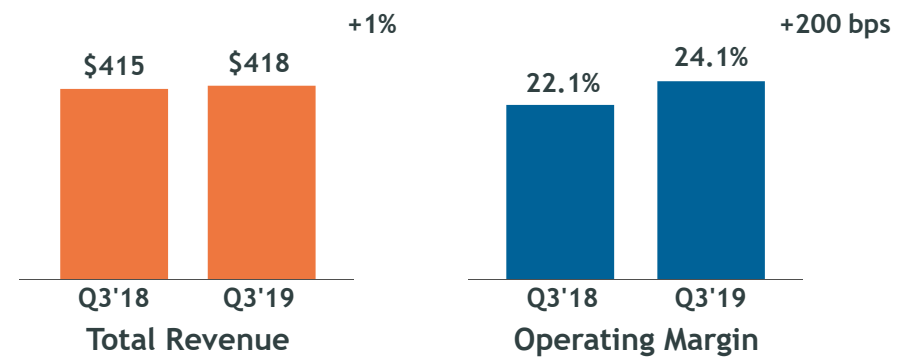
Q3 2019 SEGMENT PERFORMANCE

WELDING



- Organic revenue (2)%
 - Tough comparison as Q3'18 was +10%
- Equipment (2)%, Consumables (1)%
- North America (1)%, International (3)%

POLYMERS & FLUIDS



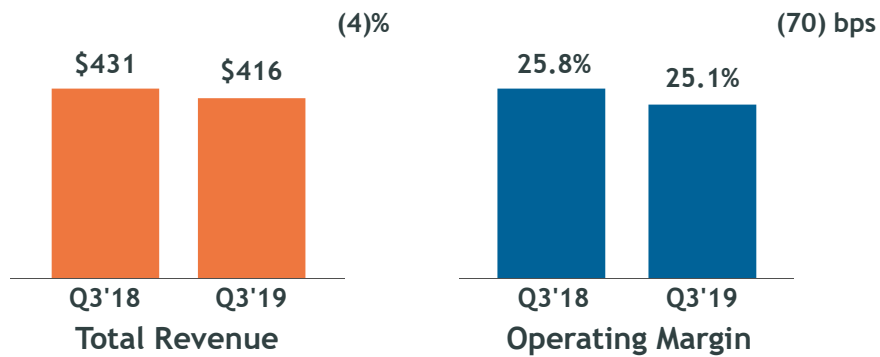
- Organic revenue 3%
- Polymers 7%
- Automotive Aftermarket 2%
- Fluids (1)%





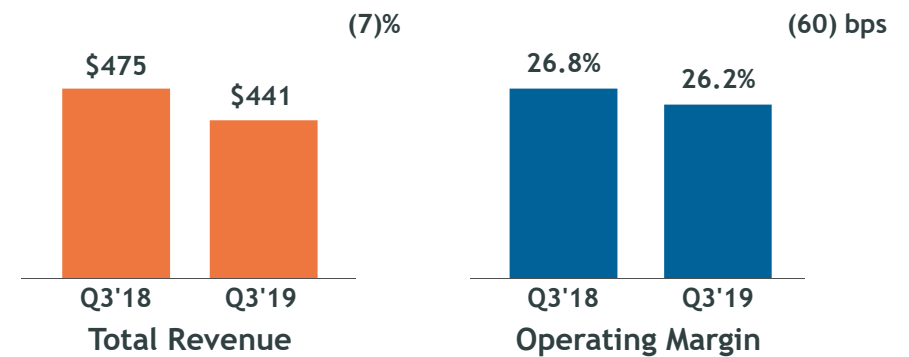
Q3 2019 SEGMENT PERFORMANCE

CONSTRUCTION PRODUCTS



- Organic revenue (1)%
- North America flat
- Europe 1%, Australia/New Zealand (4)%

SPECIALTY PRODUCTS

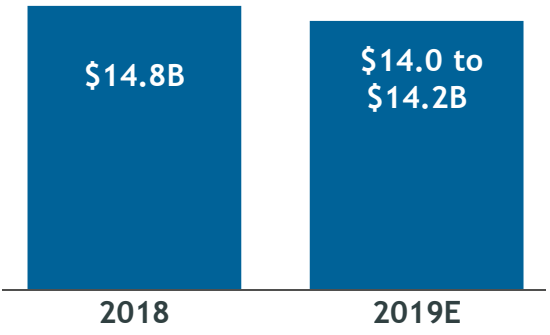


- Organic revenue (5)%
- North America (4)%, International (5)%
- Consumables (5)%, Equipment (4)%





2019 FINANCIAL GUIDANCE

GAAP EPS	\$7.60	\$7.55 - \$7.85				
REVENUE	 <table><tr><td>2018</td><td>2019E</td></tr><tr><td>\$14.8B</td><td>\$14.0 to \$14.2B</td></tr></table>	2018	2019E	\$14.8B	\$14.0 to \$14.2B	
2018	2019E					
\$14.8B	\$14.0 to \$14.2B					
OPERATING MARGIN - Ex. YoY restructuring	24.3%	~24% ~24.5%				
AFTER-TAX ROIC*	28.2%	~29%				

COMMENTS

- Maintaining full-year 2019 EPS guidance range
- Organic revenue down 1 to 3%
 - Product Line Simplification impact (70) bps
- ~24% operating margin
 - Enterprise Initiatives contribute more than 100 bps
 - Positive price/cost trends
- Strong free cash flow with 100%+ conversion rate
- ~\$1.5B share repurchases

RESILIENT FINANCIAL PERFORMANCE



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



Q&A