



FIRST QUARTER 2019 EARNINGS CONFERENCE CALL

April 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, 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 first quarter of 2019, which is available at www.itw.com, together with this presentation.





Q1 2019 FINANCIAL PERFORMANCE

GAAP EPS	\$1.90	\$1.81	
REVENUE	\$3.7B	\$3.6B	
	Q1'18	Q1'19	
OPERATING MARGIN - Excluding restructuring	24.1%	23.6%	(50) bps
		24.3%	+20 bps
AFTER-TAX ROIC*	27.7%	27.7%	-

HIGHLIGHTS

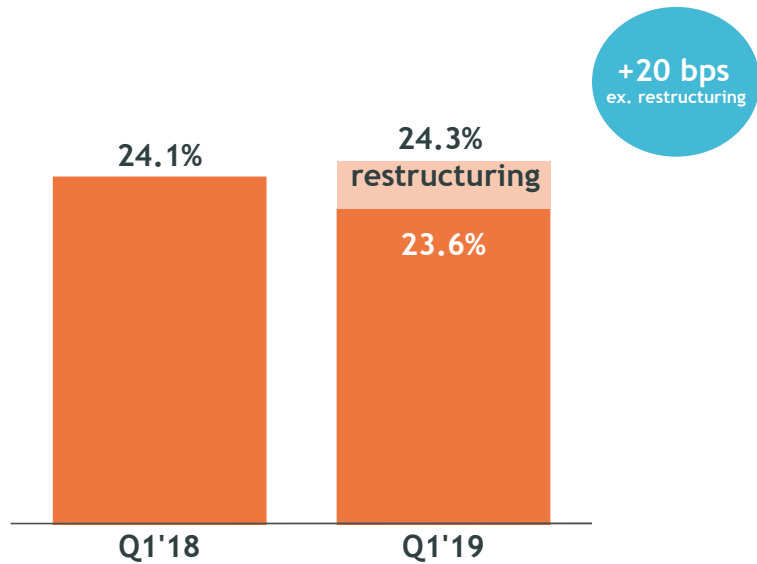
- GAAP EPS of \$1.81 vs. guidance of \$1.73 to \$1.83
 - EPS includes \$0.16 headwinds: \$0.07 FX, \$0.06 restructuring cost, \$0.03 tax rate
- Organic revenue down 1.5%; Flat on an equal days basis
 - Sales trends improving after slow start in January; March +2%
 - PLS 70 bps, as expected
- Operating margin of 23.6%; 24.3% +20 bps ex. restructuring
 - Accelerated restructuring for the year into Q1 = (70) bps
 - Improving price/cost dynamics
 - Strong execution; Enterprise initiatives contributed 100 bps
- Free Cash Flow* of \$539M, an increase of 21%
- Share repurchases of \$375M



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



Q1 2019 OPERATING MARGIN



+20 bps
ex. restructuring

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

KEY MARGIN DRIVERS

	<u>Q1'19</u>
Enterprise Initiatives	+100 bps
Volume	(30)
Price/Cost	(10)
Other	(40)
Margin Expansion	+20 bps
Accelerated Restructuring	(70)
Total Margin	(50) bps

STRONG EXECUTION ON ENTERPRISE INITIATIVES ... IMPROVING PRICE/COST DYNAMICS



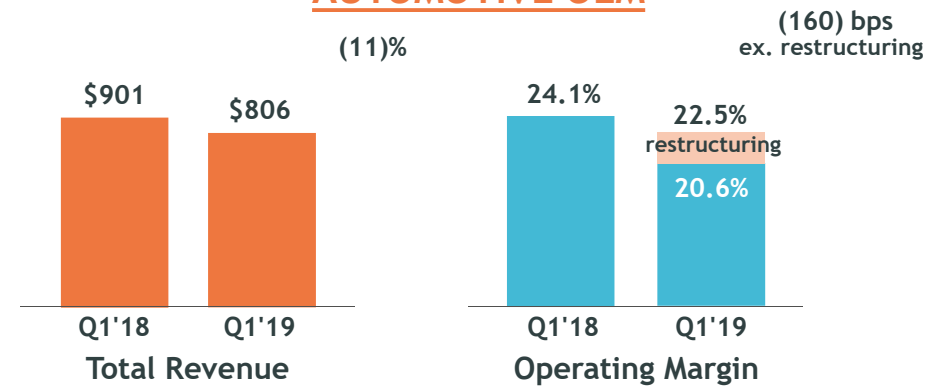


Q1 2019 SEGMENT PERFORMANCE

ORGANIC REVENUE BY SEGMENT

	Organic Growth	Equal Days Basis		
		WW	NA	Int'l
Automotive OEM	(6)%	(5)%	(5)%	(5)%
Food Equipment	2	3	3	4
T&M / Electronics	(1)	1	2	~flat
Welding	3	5	4	5
Polymers & Fluids	(1)	1	~flat	2
Construction Products	(1)	~flat	(1)	1
Specialty Products	(2)	~flat	3	(5)
Total Company	(1.5)%	~flat	1%	(1)%

AUTOMOTIVE OEM



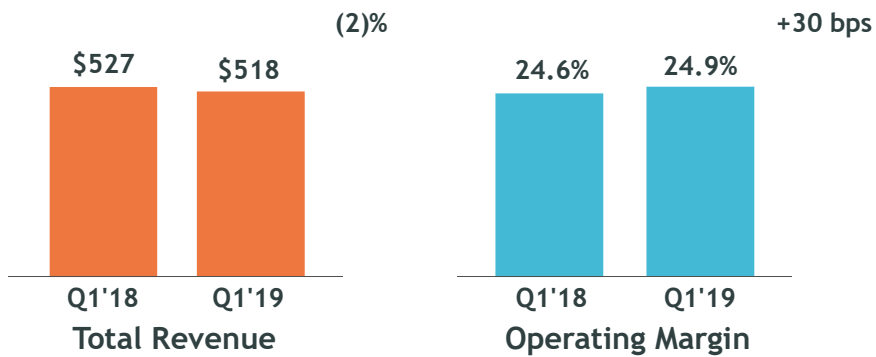
- Organic revenue (6)% ... Equal days basis (5)%
- Organic revenue by geography
 - NA (6)%
 - Europe (7)%
 - China (8)%





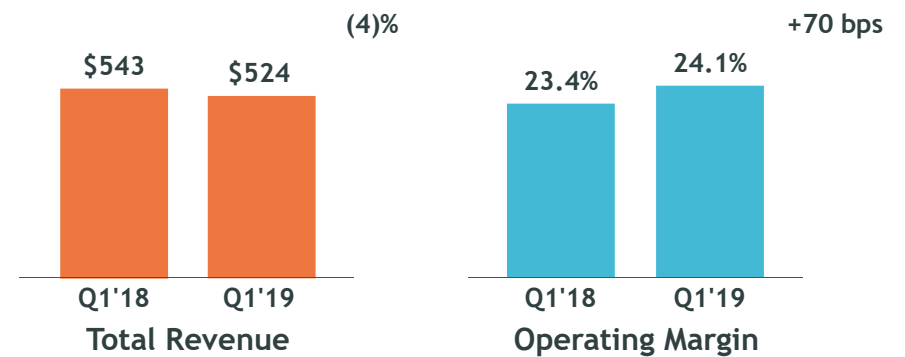
Q1 2019 SEGMENT PERFORMANCE

FOOD EQUIPMENT



- Organic growth of 2% ... Equal days basis 3%
- Equipment flat, Service 4%
 - North America 2%
 - International 2%

TEST & MEASUREMENT/ELECTRONICS



- Organic revenue (1)% ... Equal days basis 1%
 - Tough comparison (Q1'18 was 8%)
- Test & Measurement (2)% ... 5% ex. semi-conductor
- Electronics 1%

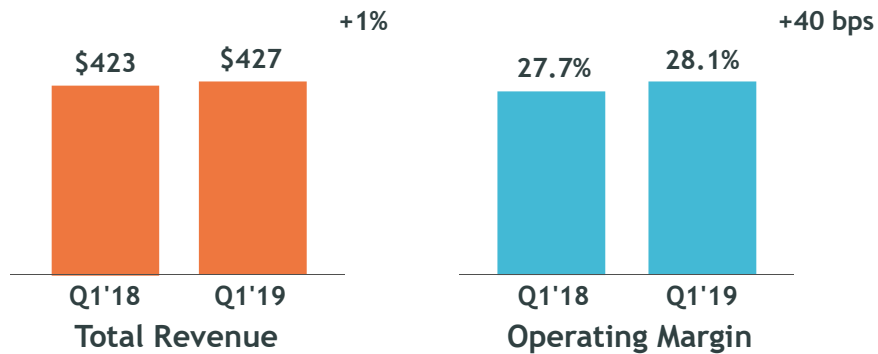


An ITW Company



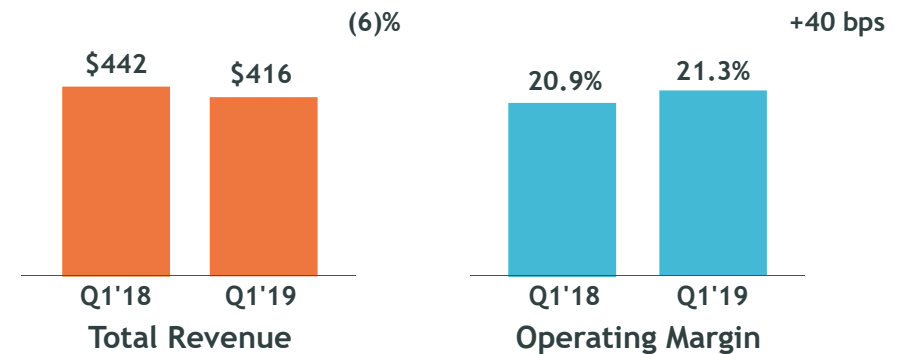
Q1 2019 SEGMENT PERFORMANCE

WELDING



- Organic growth of 3% ... Equal days basis 5%
 - Tough comparison (Q1'18 was 8%)
- Equipment and Consumables each 3%
- North America 3%, International 4%

POLYMERS & FLUIDS



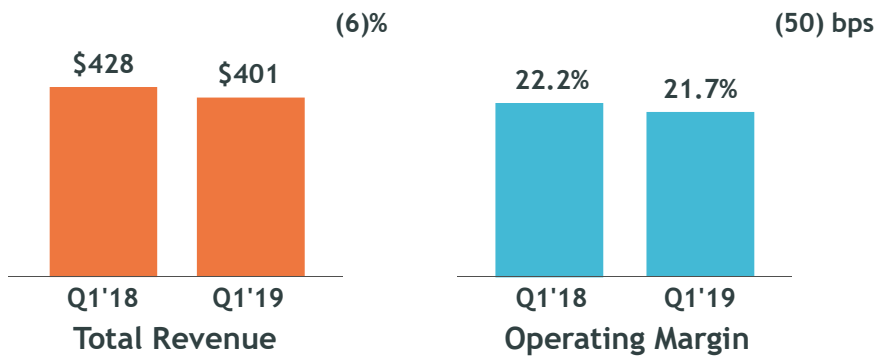
- Organic revenue (1)% ... Equal days basis 1%
- Automotive Aftermarket (4)%
- Polymers 2%
- Fluids 1%





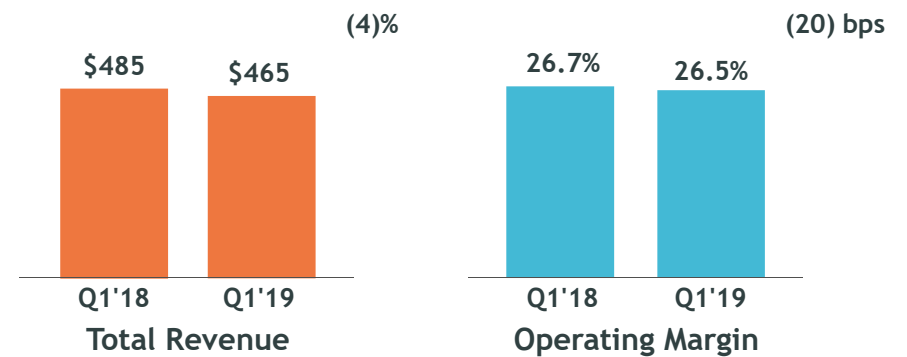
Q1 2019 SEGMENT PERFORMANCE

CONSTRUCTION PRODUCTS



- Organic revenue (1)% ... Equal days basis flat
- North America (3)%
- Australia/New Zealand (6)%
- Europe 5%

SPECIALTY PRODUCTS

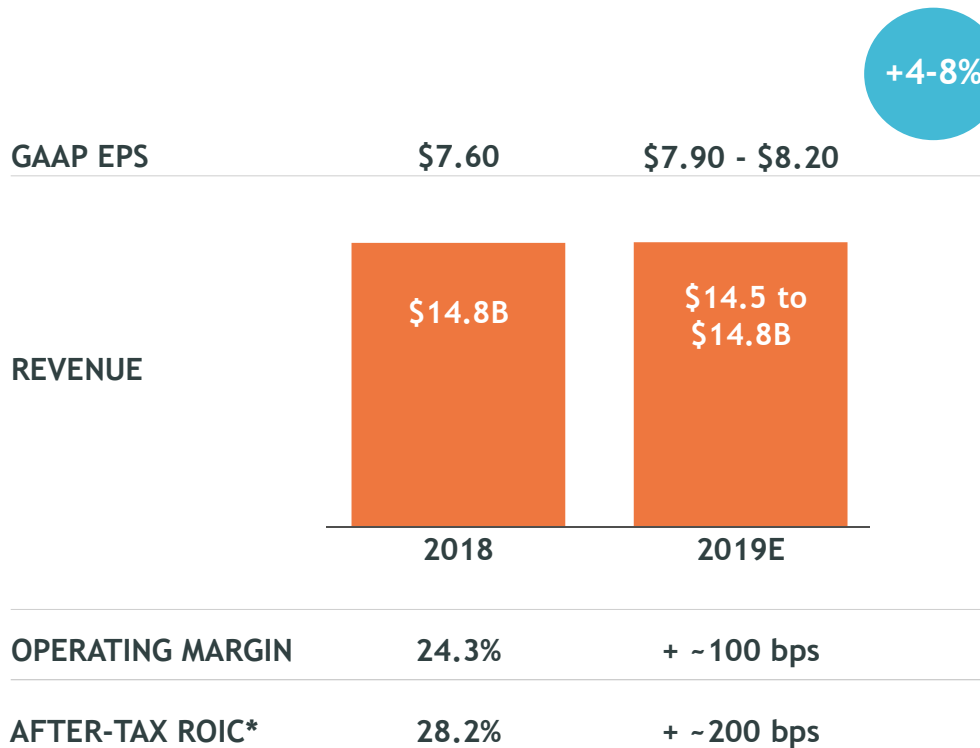


- Organic revenue (2)% ... Equal days basis flat
- International (6)%, North America 2%
- Consumables (3)%, Equipment 6%





2019 FULL YEAR GUIDANCE



HIGHLIGHTS

- Favorable EPS trends in 2H'19 vs. 1H'19
 - FX, restructuring and tax rate headwinds improving \$0.15-0.20 in 2H'19 vs. 1H'19
- Organic revenue growth 0.5 to 2.5%
 - Based on current levels of demand
 - PLS ~80 bps
 - Favorable 2H'19 sales comps/stabilizing auto production
- Operating margin expansion of ~100 bps
 - Enterprise initiatives ~100 bps
 - Improving price/cost dynamics
 - 2H'19 Restructuring benefits from 1H'19 actions
- Free Cash Flow 100%+ conversion rate
- Share repurchases of ~\$1.5B

REAFFIRMING FY'19 EPS GUIDANCE OF 4 to 8% GROWTH YEAR OVER YEAR



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



Q&A