



First Quarter 2016 Conference Call

E. Scott Santi, Chairman & CEO

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April 20, 2016

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 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, growth in diluted income per share, restructuring expenses and related benefits, tax rates, exchange rates, timing and amount of share repurchases, after-tax return on invested capital, end market economic conditions, and the company's related 2016 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 2015.

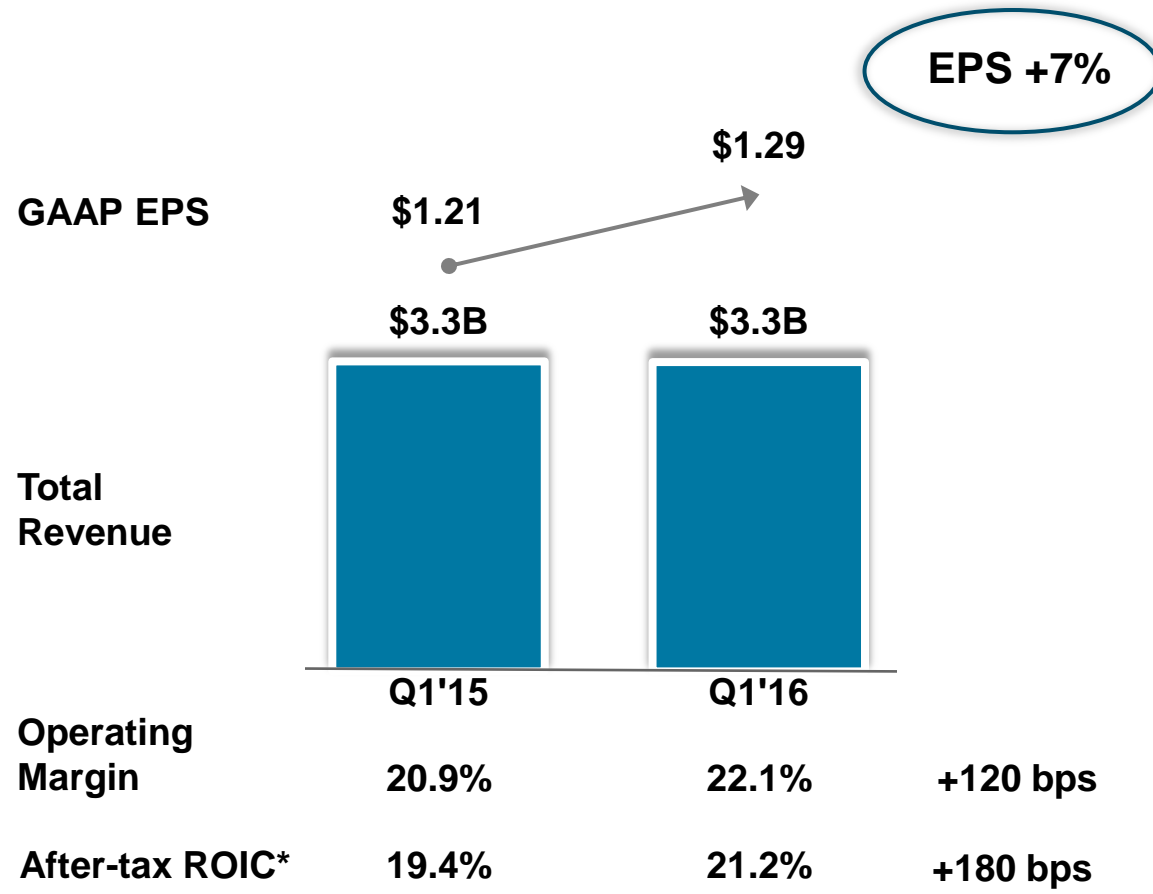
Non-GAAP Measures

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 2016, which is available at www.itw.com, together with this presentation.

- **Strong start to 2016 despite a challenging environment ... meaningful improvement on all performance metrics**
 - GAAP EPS of \$1.29 up 7% ... up 10% excluding the impact of foreign currency translation
 - 22.1% operating margin increased 120 basis points ... 130 basis points of margin improvement from Enterprise Initiatives
 - 1% organic growth ... 2% excluding Product Line Simplification impact
 - After-tax ROIC* of 21.2%
 - Strong Free Cash Flow 90% conversion*
- **Raising GAAP EPS guidance by \$0.05 to \$5.40 to \$5.60 ... 7% earnings growth at \$5.50 mid-point**
- **Continued progress toward our long-term target of “solid growth with best-in-class margins and returns” and solidly on track to deliver on our end of 2017 performance goals**
 - Organic growth at 200 bps or more above the market
 - 23%+ operating margin
 - 20%+ after-tax ROIC

ITW's unique business model and strong execution position the company for continued differentiated performance in the current environment and over the long term

Q1 2016 Results



Highlights

- \$1.29 GAAP EPS up 7%, up 10% excluding \$(0.04) currency
 - \$0.04 above guidance mid-point on strong operational performance
- 1% organic growth in line with guidance
 - North America +2%, International (1)%
- First quarter records for key performance metrics
 - 22.1% operating margin ... 130 bps from Enterprise Initiatives
 - \$722M operating income, prior Q1 record ('12) had \$1.3B higher revenues
 - 21.2% after-tax ROIC* ... +180 bps
 - \$422M Free Cash Flow ... 90% conversion*
- \$500M share repurchase

Solid execution of Enterprise Initiatives drove strong Q1 performance

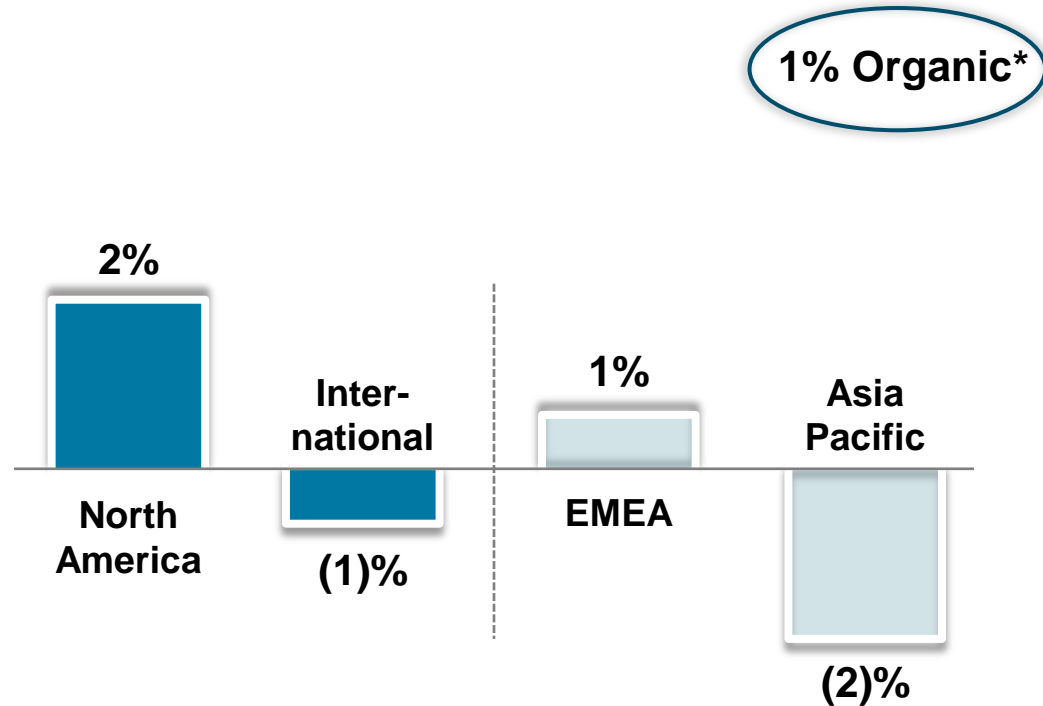
* See ITW's First Quarter 2016 press release for the reconciliation from GAAP to non-GAAP measurements.

| | <u>% of Revenues</u> | <u>Year-over-Year Q1'16 vs. Q1'15</u> | <u>Sequential Q1'16 vs. Q4'15*</u> |
|--------------------------|----------------------|---|--|
| Consumer Facing | ~60% | +3% | +1% |
| Industrial Facing | ~40% | (3)% | (5)% |
| Total Revenue | 100% | +1% | (1)% |



*Adjusted for normal seasonality.

Growth by Geography

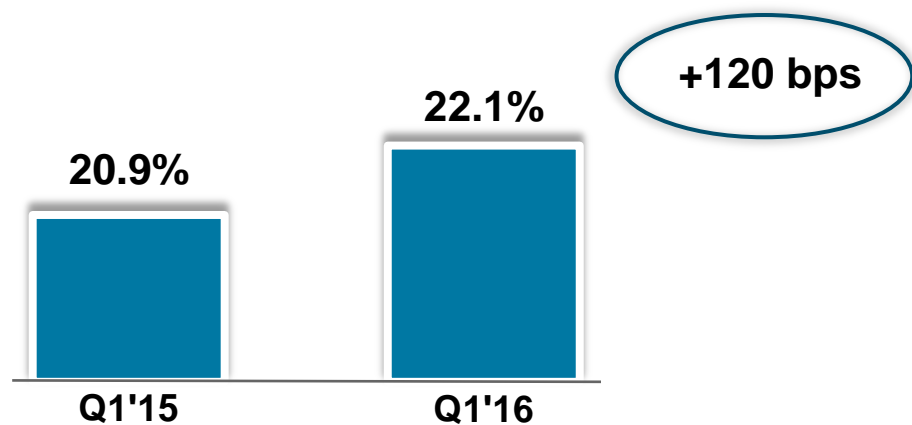


Highlights

- **North America +2% organic growth**
 - Consumer +5% e.g. Food Equipment +5%, Automotive +4%, Construction Products Renovation/Remodeling +22%
 - Industrial (3)% e.g. Welding (7)%, Test & Measurement and Electronics (1)%
- **International (1)% organic growth**
 - Consumer +1% e.g. Automotive and Food Equipment +1%
 - Industrial (4)% e.g. Welding (15)%, Test & Measurement and Electronics (3)%

1% organic revenue growth ... 2% excluding the impact of Product Line Simplification

*Ongoing product line simplification reduced organic growth by (1) percentage-point.



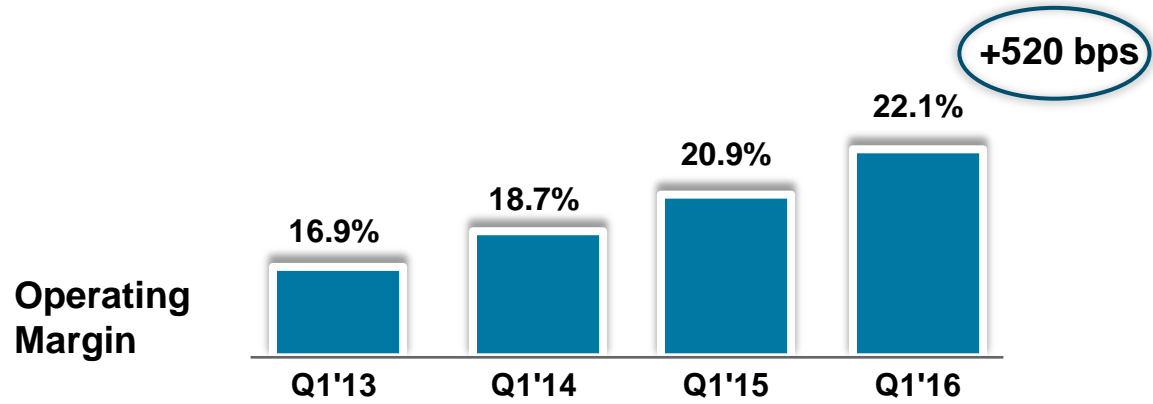
| | <u>OM%</u> | <u>V bps</u> |
|-----------------------|------------|--------------|
| Automotive OEM | 26.4% | +140 bps |
| Food Equipment | 24.5 | +190 |
| T&M and Electronics | 15.5 | +80 |
| Welding | 23.9 | (300) |
| Polymers & Fluids | 20.2 | +20 |
| Construction Products | 21.0 | +440 |
| Specialty Products | 26.1% | +350 bps |

Key Drivers

| | <u>Q1'16</u> |
|-------------------------|------------------------|
| Enterprise Initiatives | +130 bps |
| Price/Cost | +20 |
| Volume | +20 |
| Other | (50) |
| Margin Expansion | <u>+120 bps</u> |

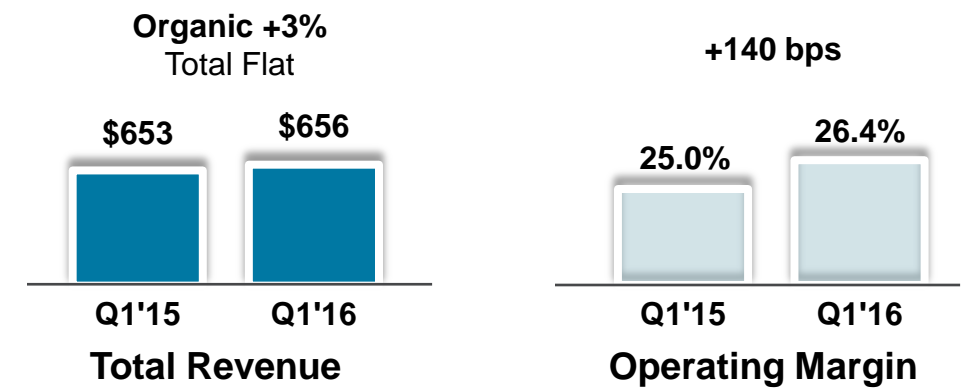
Strong execution on Enterprise Initiatives

Operating Margin Progression



| | Q1'13 | Q1'16 | V bps |
|-----------------------|-------|-------|----------|
| Automotive OEM | 19.8% | 26.4% | +660 bps |
| Food Equipment | 16.7 | 24.5 | +780 |
| T&M and Electronics | 13.0 | 15.5 | +250 |
| Welding | 26.0 | 23.9 | (210) |
| Polymers & Fluids | 14.6 | 20.2 | +560 |
| Construction Products | 11.7 | 21.0 | +930 |
| Specialty Products | 19.9% | 26.1% | +620 bps |

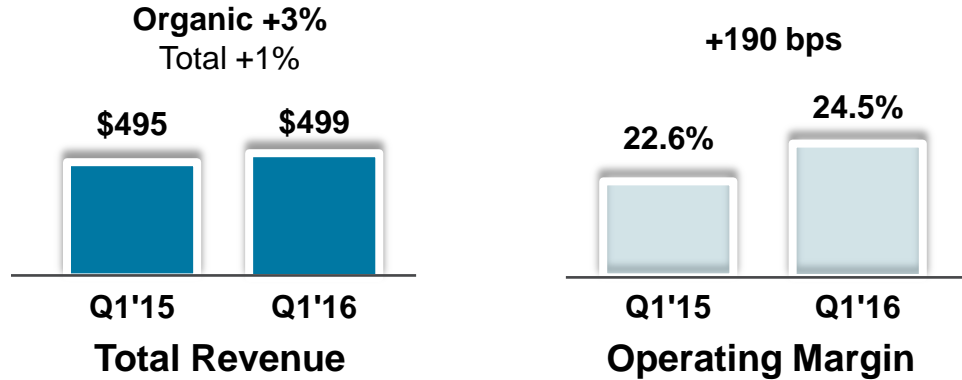
Automotive OEM



Highlights

- Organic revenue +3% vs. +1% builds ...slightly lower penetration gains due to last year's significant new program launches in Europe
- Organic growth by region
 - North America +4% ... builds +5%, "D3" builds +4%
 - Europe +3% (Q1'15 +13%) ... builds +2%
 - China +6% ... builds +4%, EU & NA OEM (1)%

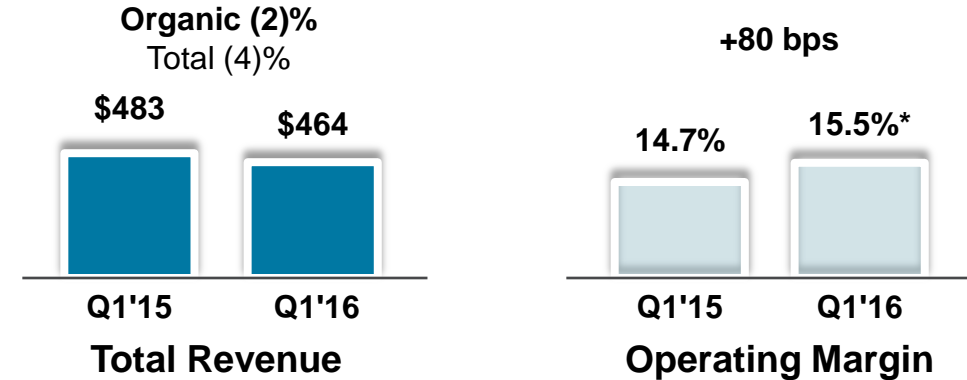
Food Equipment



Highlights

- Organic revenue +3% ... North America +5% despite challenging comparison (Q1'15 +7%), International +1%
- North America Equipment +5%, Service +4%
- International Equipment +3%, Service flat

Test & Measurement/Electronics



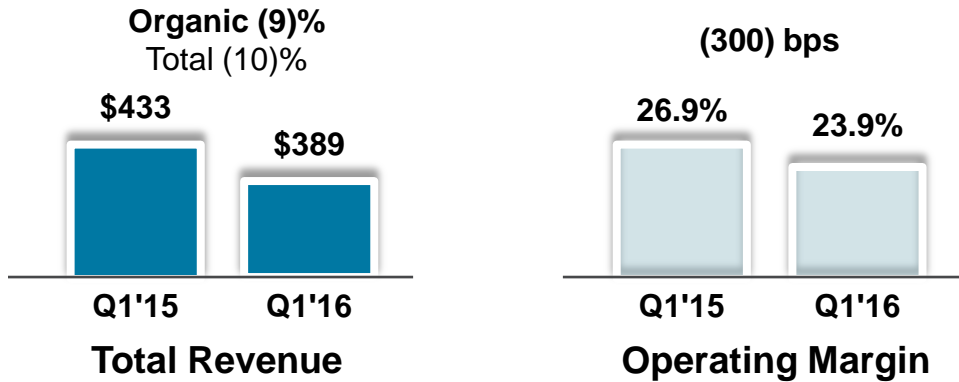
Highlights

- Organic revenue (2)% ... sluggish demand for capital equipment
- Test & Measurement (3)%
- Electronics (1)%

*Includes 420 bps of unfavorable non-cash operating margin impact of amortization from acquisition-related intangible assets.



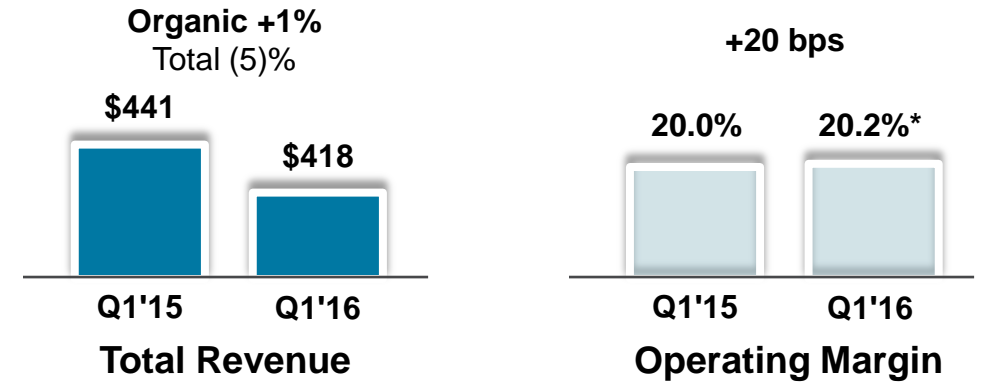
Welding



Highlights

- Organic revenue (9)% ... equipment (11)%, consumables (5)%
- North America (7)%
- International (15)% ... Oil & Gas

Polymers & Fluids



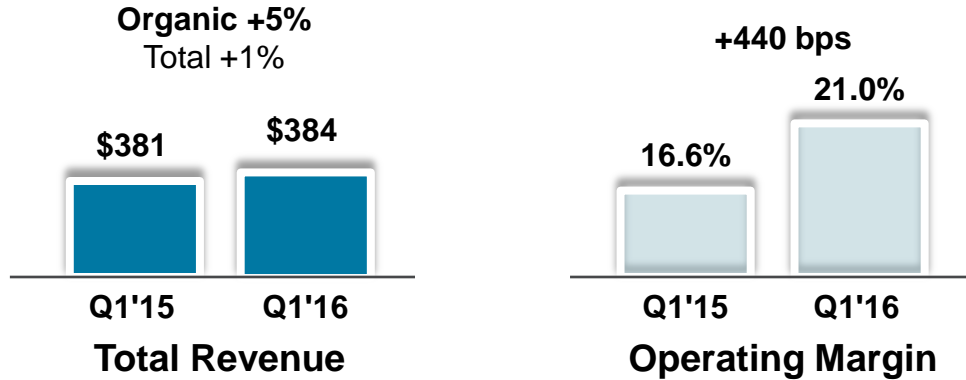
Highlights

- Organic revenue +1% ... Automotive Aftermarket +2%
- North America +1%
- International +1%

*Includes 440 bps of unfavorable non-cash operating margin impact of amortization from acquisition-related intangible assets.



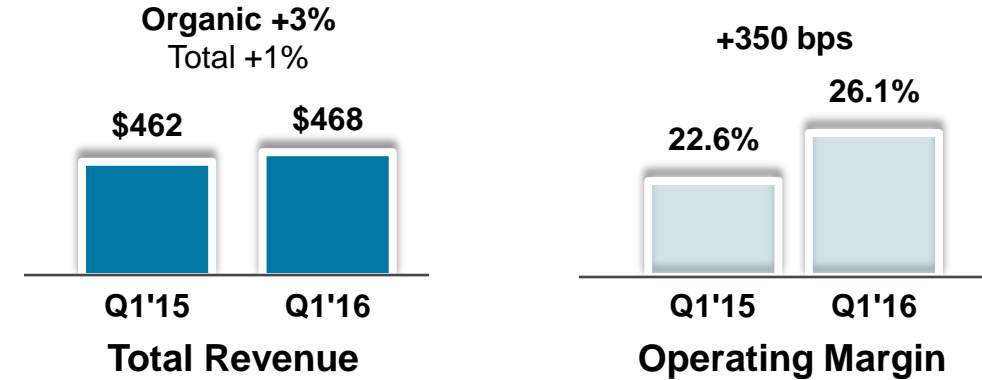
Construction Products



Highlights

- Organic revenue +5%
- North America +11% ... Renovation/Remodeling +22%, Commercial +8%, Residential +2%
- Asia Pacific +2%, Europe flat

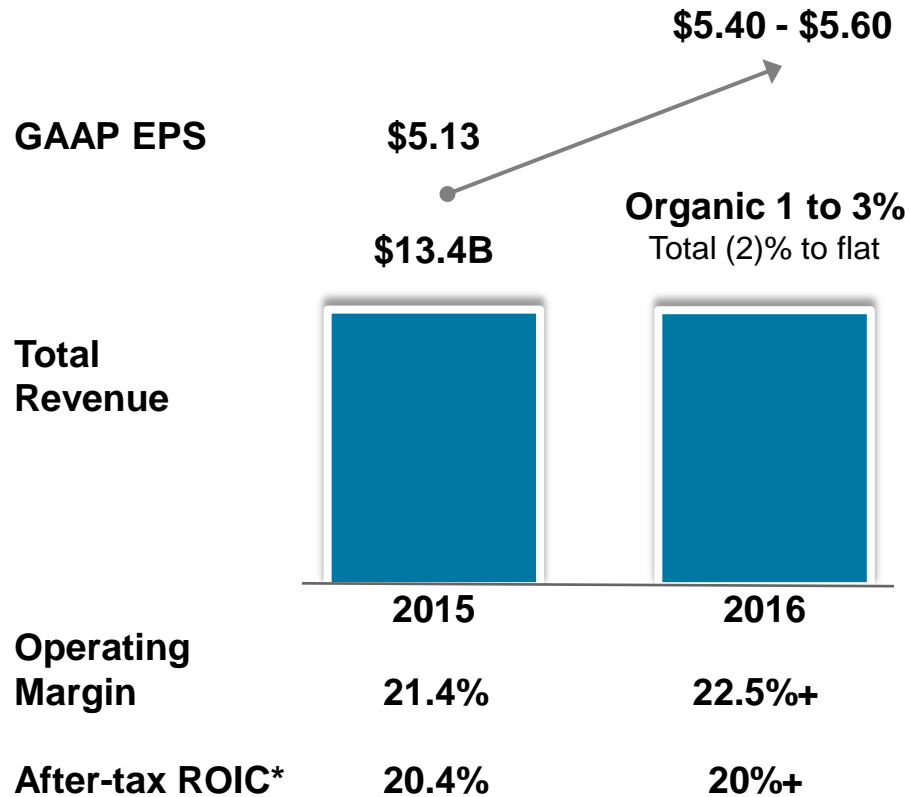
Specialty Products



Highlights

- Organic revenue +3% driven by solid growth in consumer packaging
 - North America +5%
 - International flat

2016 Guidance



EPS +7%

Highlights

- Raising guidance by \$0.05 to GAAP EPS \$5.40 to \$5.60
 - 7% earnings growth at \$5.50 mid-point
- 1 to 3% organic growth in line with prior guidance
- 22.5%+ operating margin with more than 100 bps of operating margin improvement from Enterprise Initiatives
- Free Cash Flow 100%+ conversion
- ~\$2 billion share repurchase
- Second quarter 2016 guidance
 - 0 to 2% organic growth
 - GAAP EPS \$1.34 to \$1.44, up 7% at \$1.39 mid-point
 - ~22.5% operating margin

Delivering solid earnings growth in a challenging environment

* See ITW's First Quarter 2016 press release for the reconciliation from GAAP to non-GAAP measurements.

The logo consists of the letters 'TW' in a bold, white, sans-serif font. To the left of the 'T' are four vertical white bars of varying heights, creating a stylized graphic element.

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Q&A