



Third Quarter 2016 Conference Call

October 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, the expected impact of acquisitions on financial results 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 and Form 10-Q for the second quarter of 2016.

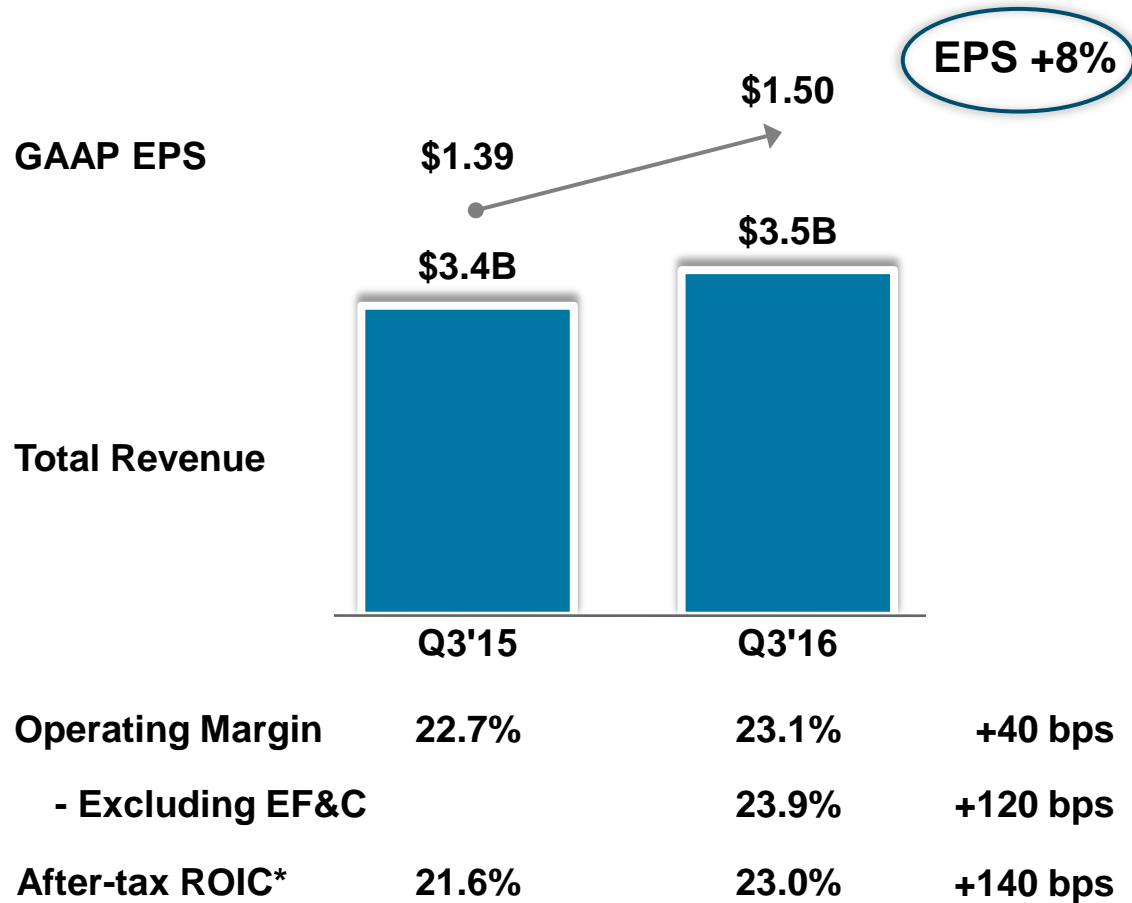
Non-GAAP Measures

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

- **ITW delivered another strong quarter of earnings growth**
 - GAAP EPS of \$1.50 (+8%). Currency translation reduced EPS by \$0.02.
- **Record quarterly margin, income and return performance**
 - Quarterly operating margin of 23.1% ... 23.9% excluding EF&C acquisition dilution
 - Record quarterly operating income of \$808 million (+6%)
 - Record after-tax ROIC* of 23% (+140 basis points vs. prior year)
- **Continued progress in pivot to growth**
 - Total revenue +4%, Organic revenue +2% including ~1% negative Product Line Simplification (PLS) impact
 - 6 of 7 segments achieved positive organic growth
 - Organic growth rate year-to-date has improved by 160 basis points vs. full-year 2015

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

Q3 Results



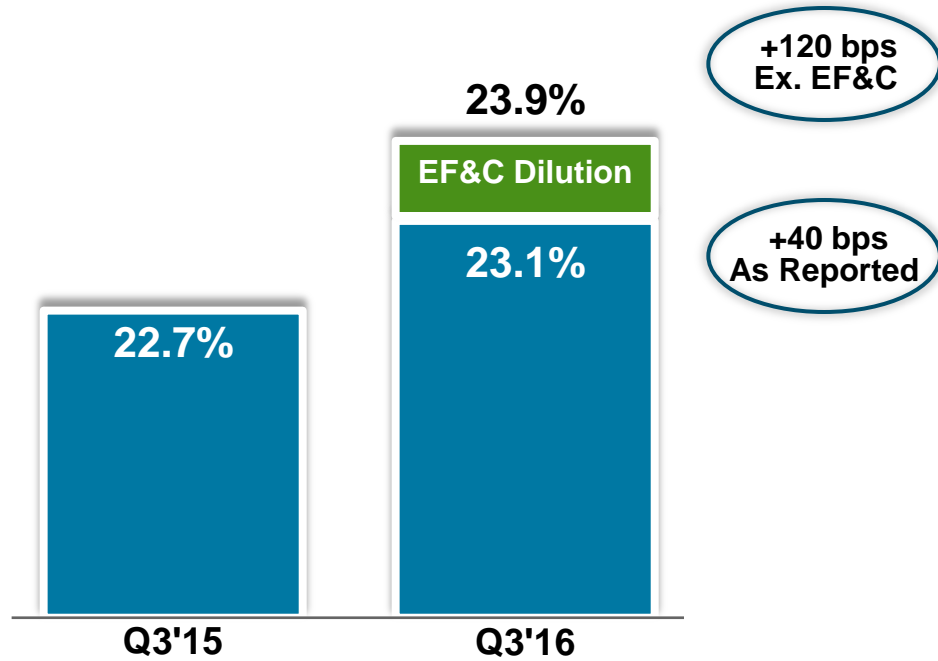
Highlights

- GAAP EPS of \$1.50 +8%, currency translation (\$0.02)
- Total revenue growth +4%, Organic revenue +2%
 - North America +1%, EMEA +3%, China +13%
 - ~1% negative PLS impact
- Operating margin of 23.1%, 23.9% excluding EF&C dilution
 - 120 basis points of margin expansion from Enterprise Initiatives
 - All segments at or above 21% operating margin
- Record quarterly operating income of \$808 million +6%
- Record after-tax ROIC* of 23%, +140 basis points
- Free Cash Flow* (FCF) of 101% of net income
- Announced dividend increase of 18%

ITW continued to execute well and delivered strong Q3 results

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

Q3 Operating Margin



Key Margin Drivers

	<u>Q3'16</u>
Enterprise Initiatives	+120 bps
Price/Cost	+10
Volume/Other	(10)
Margin Expansion	<u>+120 bps</u>
EF&C Acquisition Margin Dilution	(80)
Total Margin Expansion	<u><u>+40 bps</u></u>

Record operating margin of 23.1% ... 23.9% excluding EF&C dilution

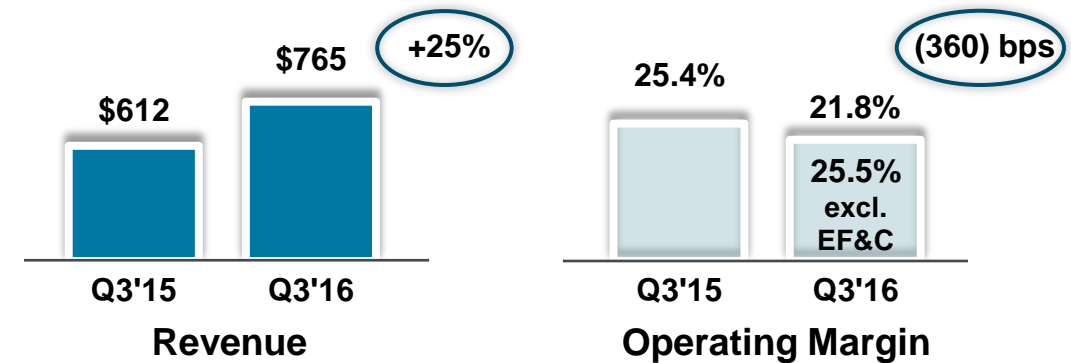
Q3 Operating Margin

	<u>OM%</u>	<u>V bps</u>
Automotive OEM	21.8%*	(360) bps
Food Equipment	27.4	+110
T&M and Electronics	21.0	+440
Welding	26.5	+170
Polymers & Fluids	21.0	+200
Construction Products	22.6	(50)
Specialty Products	26.1%	+210

All segments at or above 21% operating margin

* Includes 370 basis points of margin dilution impact from EF&C acquisition.

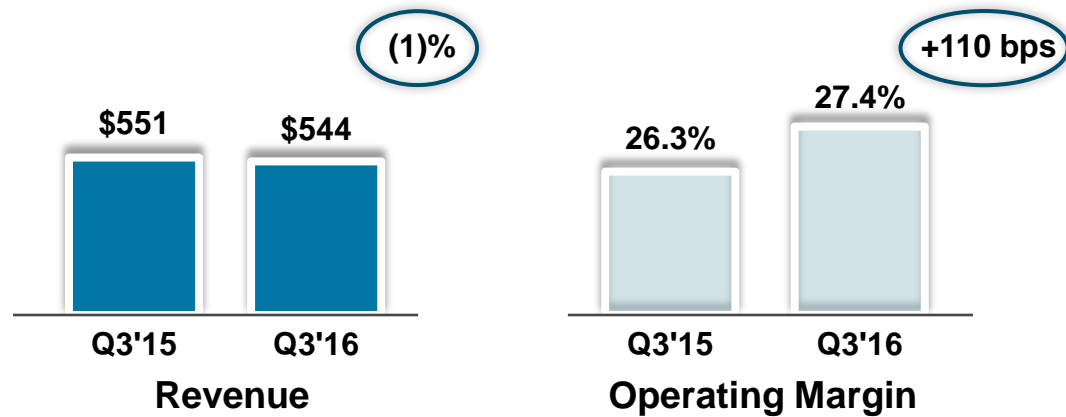
Automotive OEM



Highlights

- Organic revenue +7%
- Organic growth by region
 - North America +5% vs. builds +2%
 - Europe +5% vs. builds (2)%
 - China +40% vs. builds +23%
- EF&C acquisition diluted operating margin by 370 bps

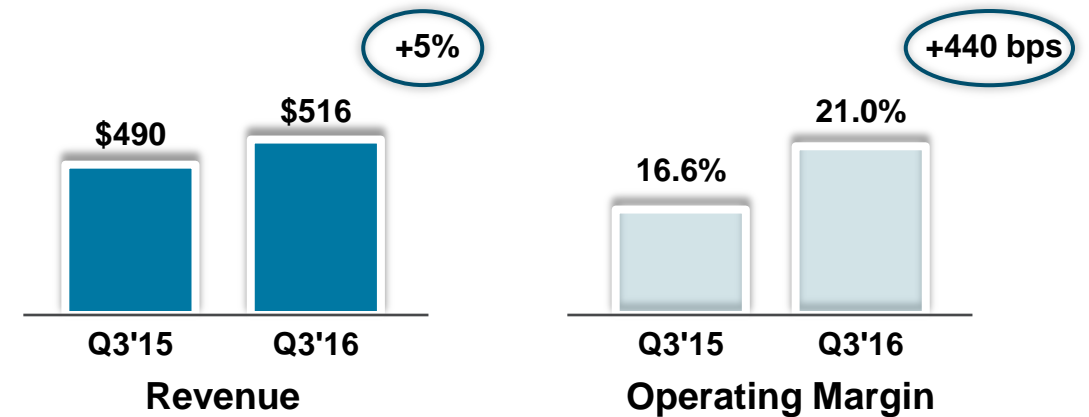
Food Equipment



Highlights

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

Test & Measurement/Electronics

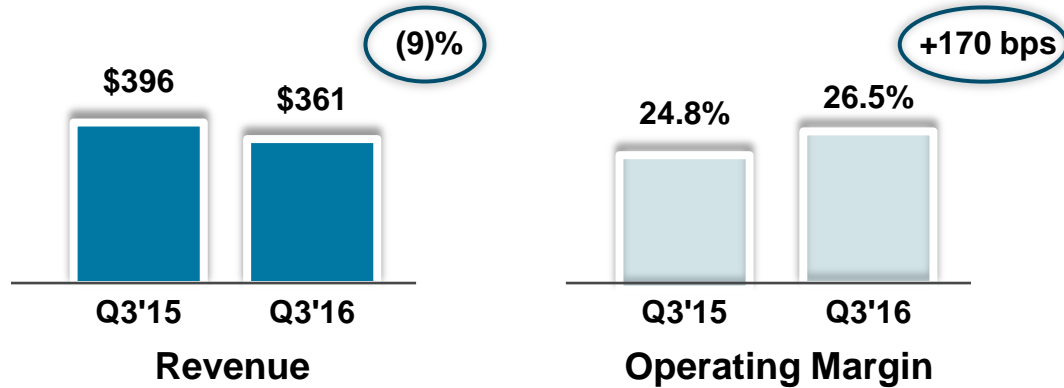


Highlights

- Organic revenue +7%
- Electronics +13%, Test & Measurement +1%
- Enterprise Initiatives contributed 190 bps to operating margin



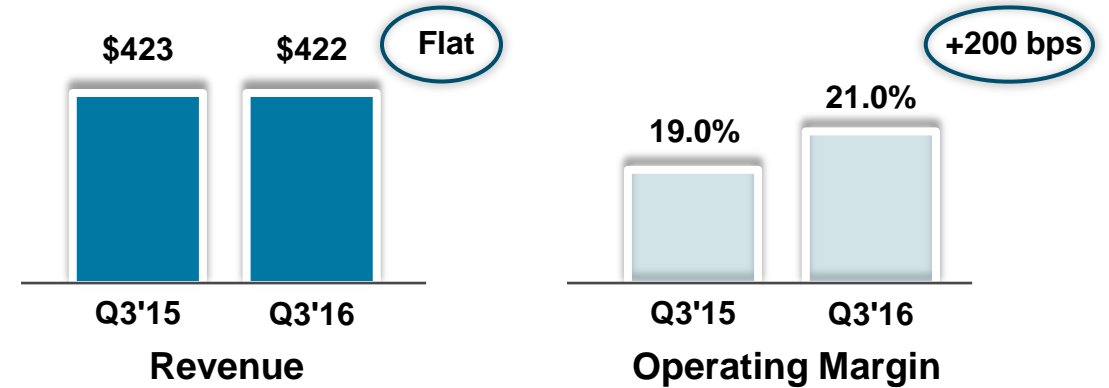
Welding



Highlights

- Organic revenue (9)% ... Equipment (8)%, Consumables (9)%
- North America (9)%, International (8)%
- Enterprise Initiatives and restructuring savings contributed 240 bps to operating margin

Polymers & Fluids

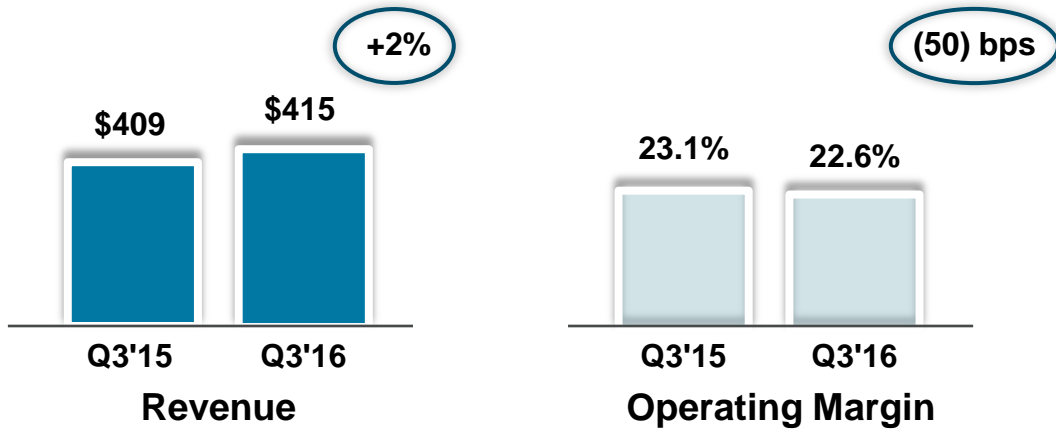


Highlights

- Organic revenue +1% ... International +3%, North America (1)%
- Enterprise Initiatives and restructuring savings contributed 170 bps to operating margin



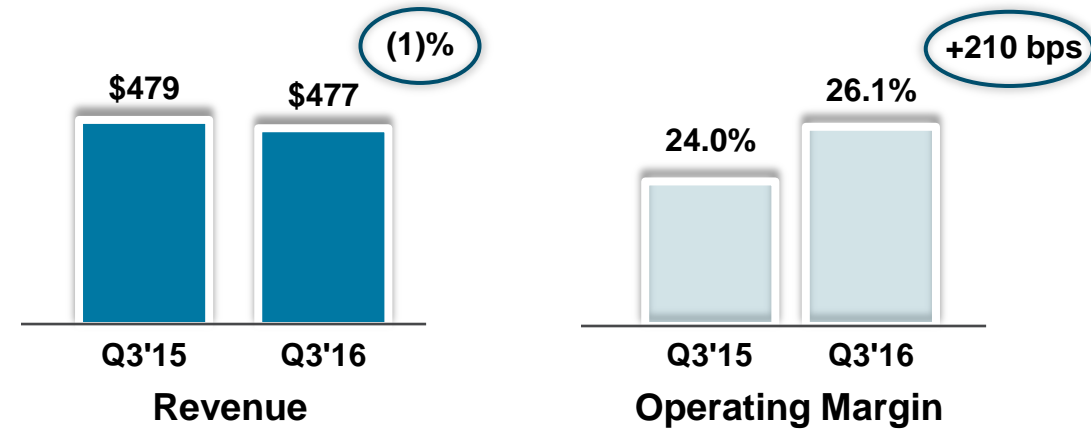
Construction Products



Highlights

- Organic revenue +2%
- North America +1% with Commercial +5%, Renovation/Remodel +4%, Residential (1)% ... Asia Pacific and Europe +2%
- Restructuring from Business Structure Simplification reduced operating margin by 190 bps

Specialty Products

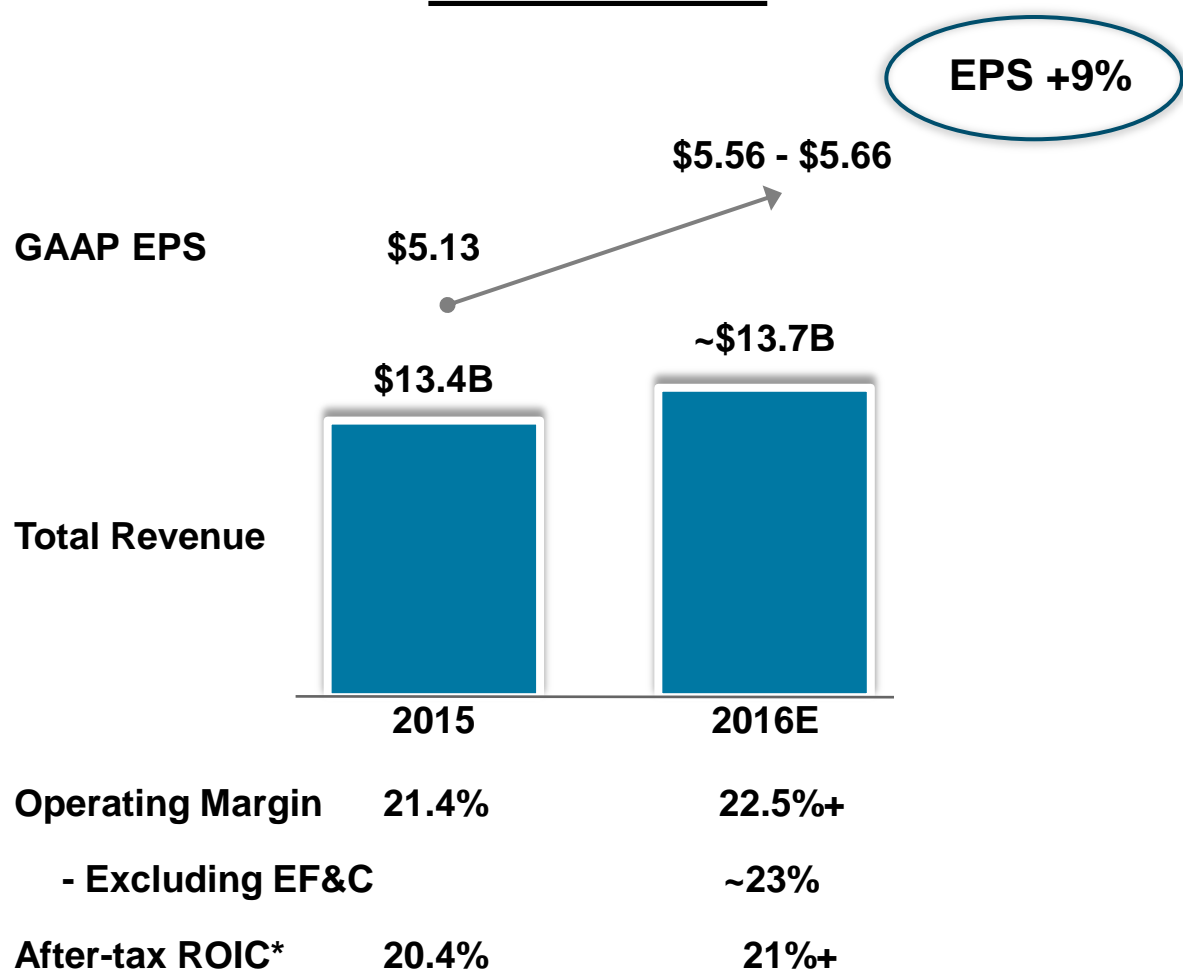


Highlights

- Organic revenue flat with growth in consumer packaging
 - International +3%
 - North America (1)%
- Enterprise Initiatives contributed 180 bps to operating margin



2016 Guidance



Highlights

- Raising GAAP EPS guidance to \$5.56 to \$5.66, +9% at mid-point
 - Assuming current foreign exchange rates
- Organic revenue growth of 1 to 2% including ~1% PLS impact
 - Assuming Q3 exit run rates for Q4
- Record operating margin of 22.5%+, ~23% excl. EF&C dilution
 - 100+ bps of margin expansion from Enterprise Initiatives
 - EF&C dilutive ~50 bps
- FCF 100%+ of net income, ~\$2 billion share repurchase
- Fourth quarter 2016 guidance
 - GAAP EPS guidance range \$1.31 to \$1.41, +11% at mid-point
 - Organic growth of 0 to 2% and operating margin of ~21.5%

On track for another year of strong financial performance in 2016

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

The logo consists of the letters 'T' and 'W' 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.

TW

Q&A