2015 ITW INVESTOR AND ANALYST DAY

New York, December 4, 2015

Presenters



E. SCOTT SANTI

Chairman & CEO

33
YEARS WITH ITW

CEO SINCE
2012



CHRISTOPHER A. O'HERLIHY

Vice Chairman

26
YEARS WITH ITW

VICE CHAIRMAN SINCE
2015



DAVID C. PARRY

Vice Chairman

21
YEARS WITH ITW

VICE CHAIRMAN SINCE
2010



MICHAEL M. LARSEN

Senior Vice President & CFO

3
YEARS WITH ITW

SVP & CFO SINCE
2013

Forward-Looking Statements

Safe Harbor Statement

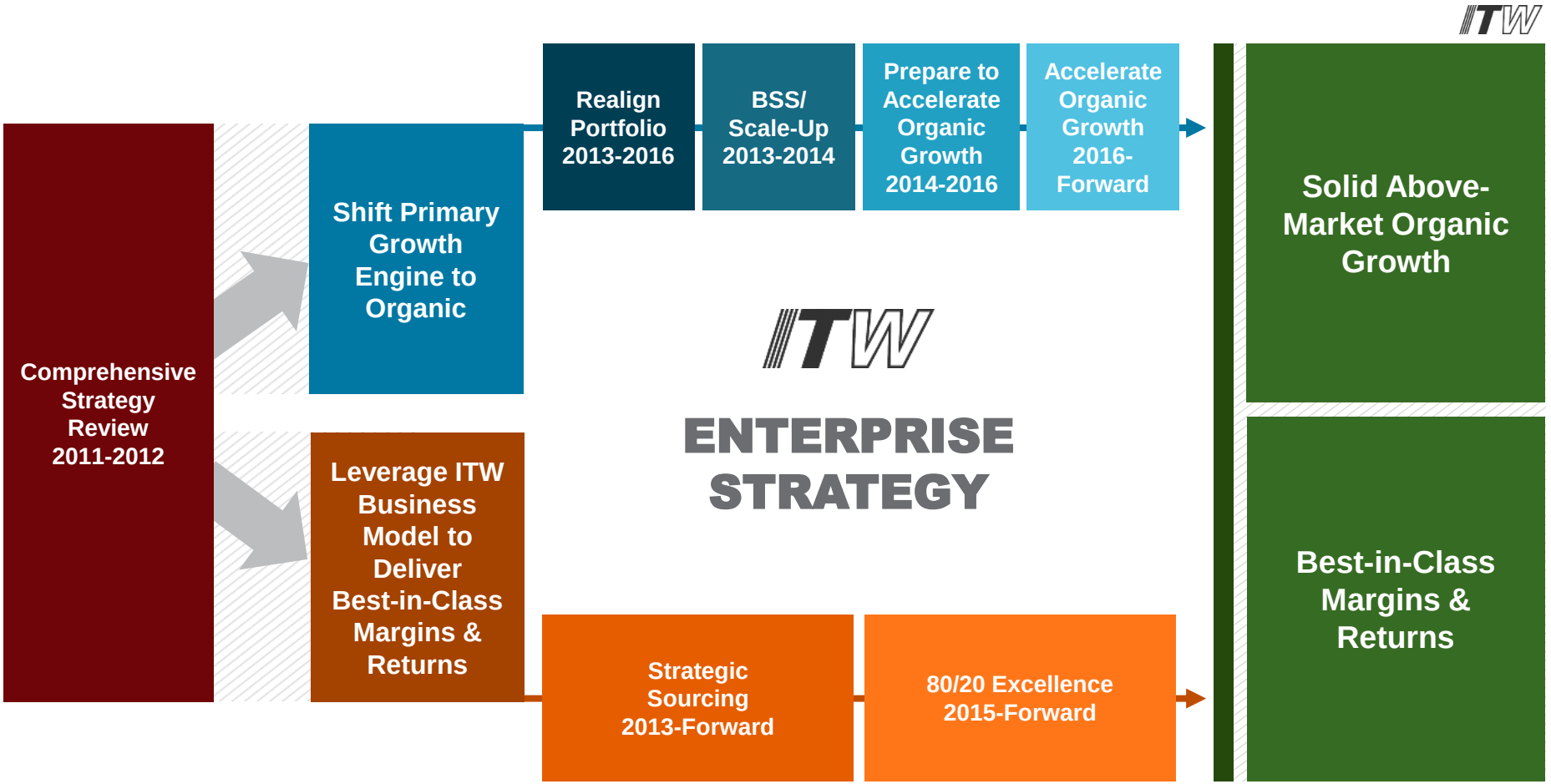
This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact and timing of strategic initiatives and related benefits, future financial performance, operating performance, growth in free cash flow, organic and total revenue growth, operating margin growth, growth in diluted income per share from continuing operations, restructuring expenses and related benefits, tax rates, exchange rates, timing and amount of share repurchases, end-market economic conditions, and the Company's related 2015 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 2014 and Form 10-Q for the third quarter of 2015.

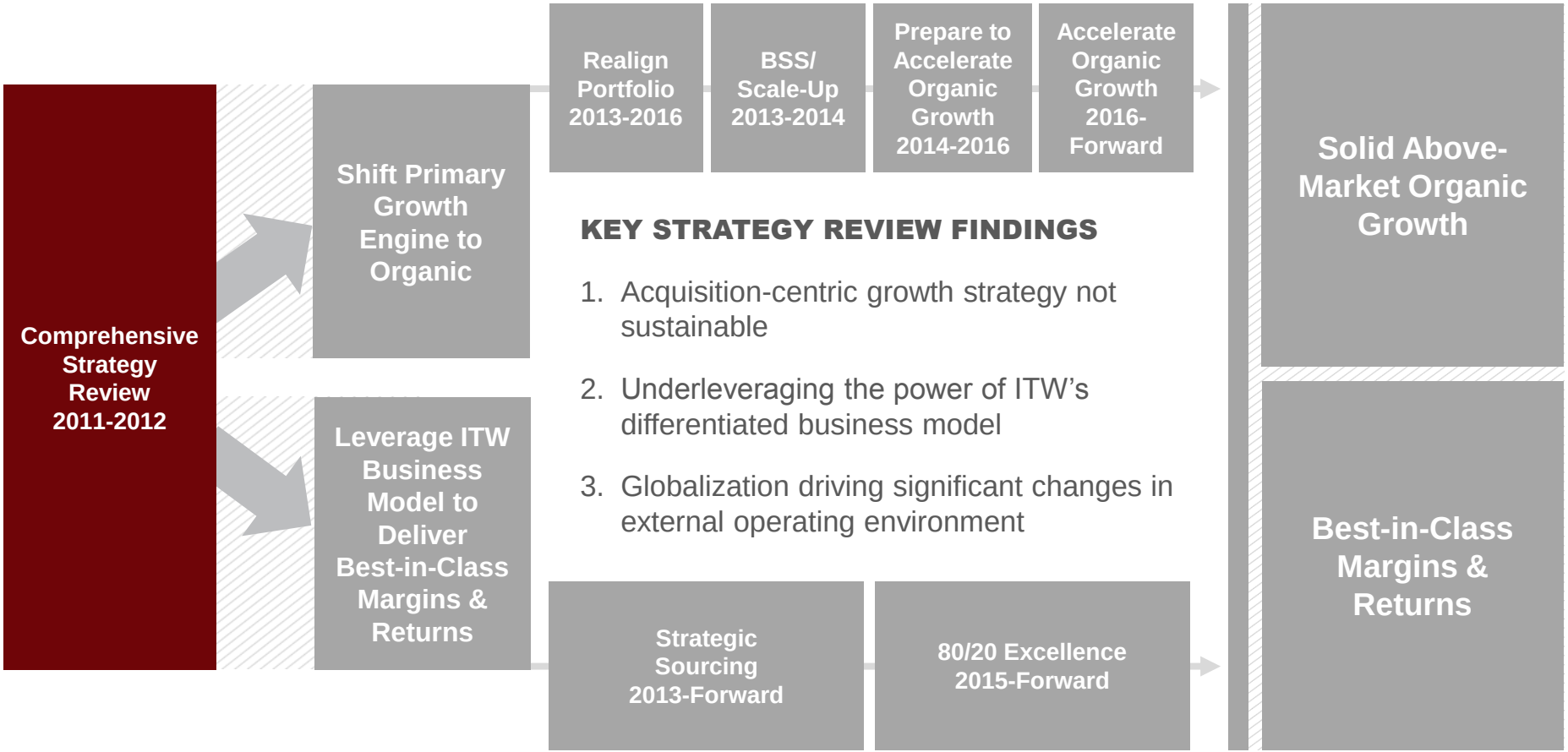
Non-GAAP Measures

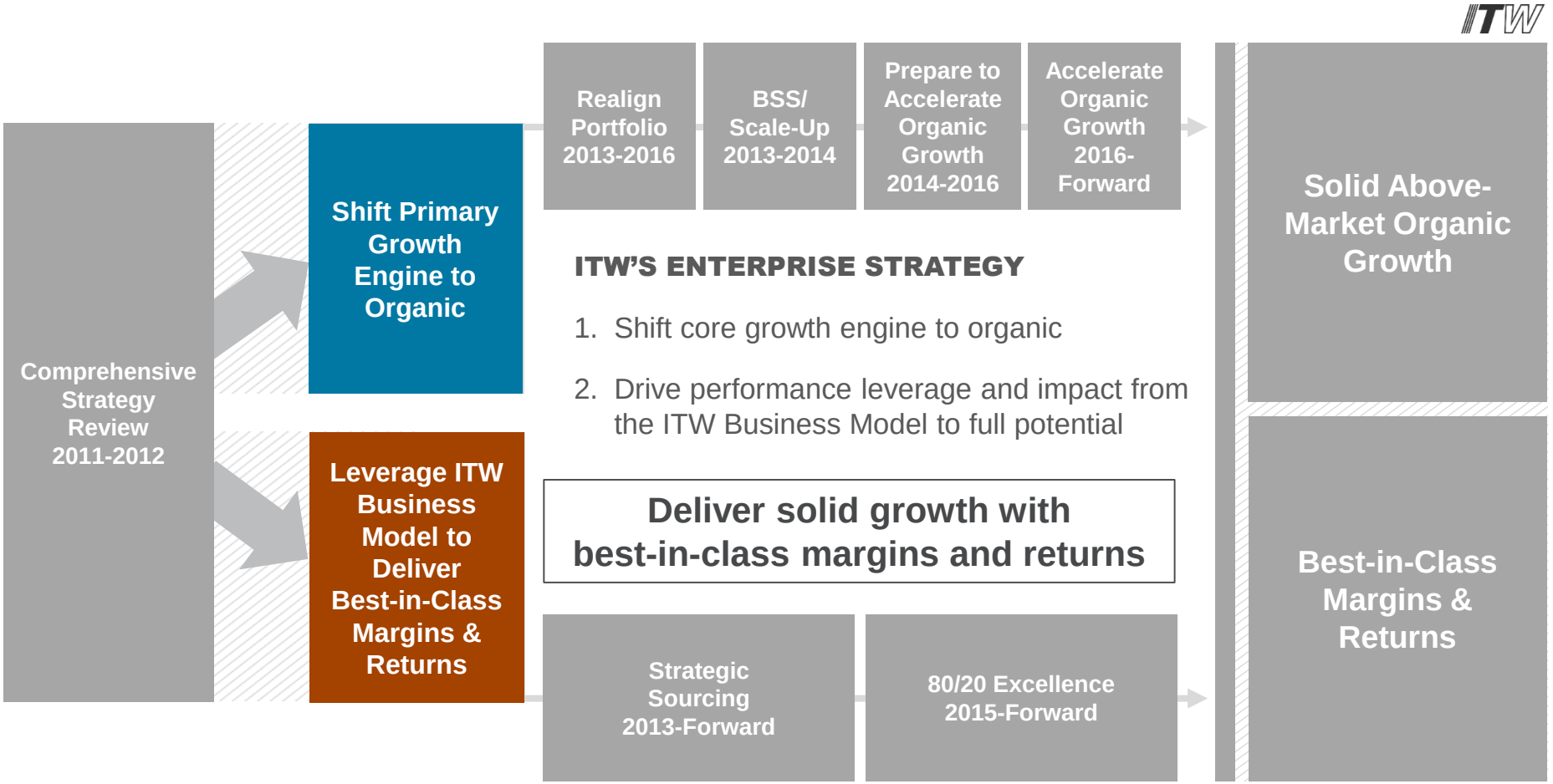
The Company uses certain non-GAAP measures in discussing the Company's performance. The reconciliation of those measures to the most comparable GAAP measures is detailed in ITW's Form 10-K for 2014 and Form 10-Q for the third quarter of 2015, which is available at www.itw.com, together with this presentation.

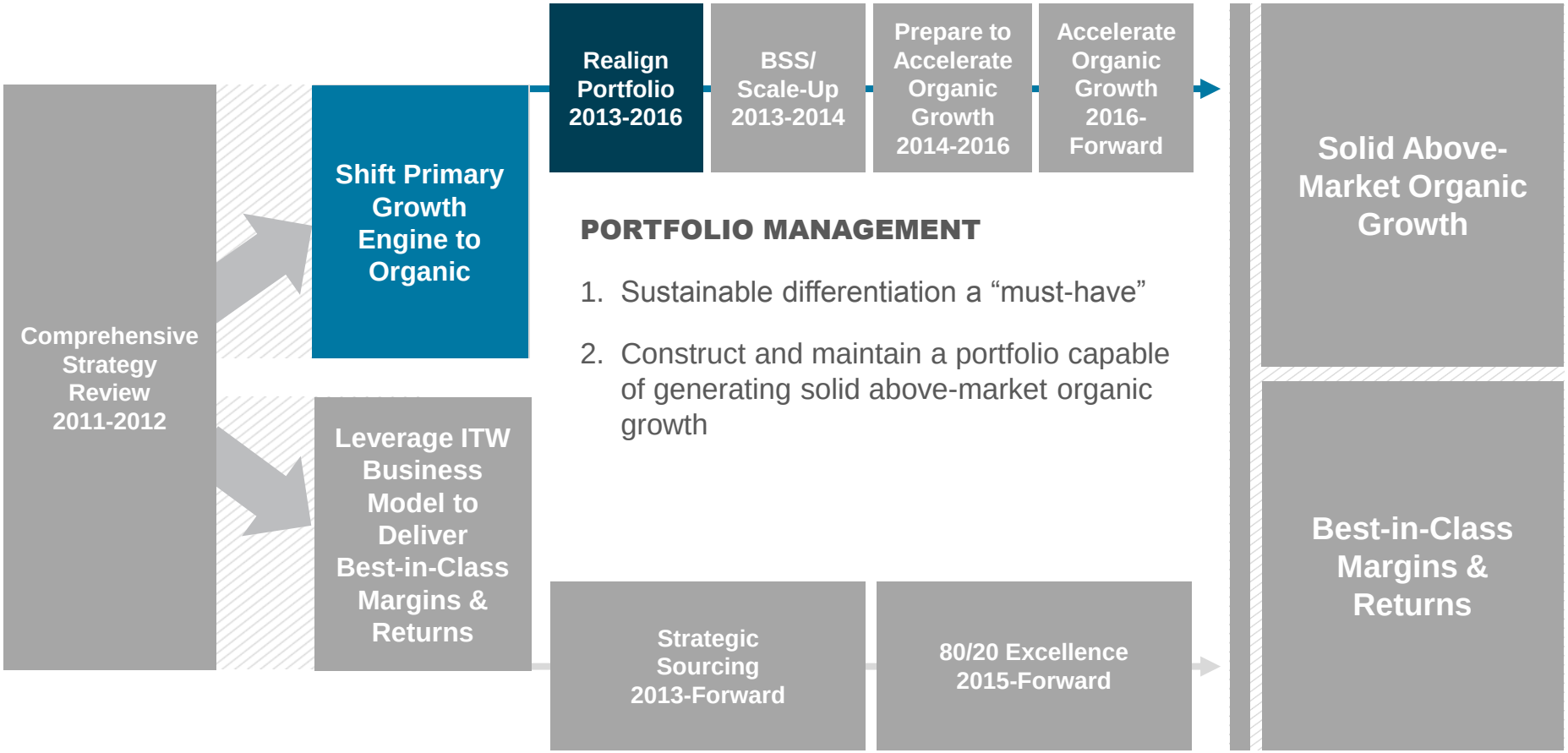
Agenda

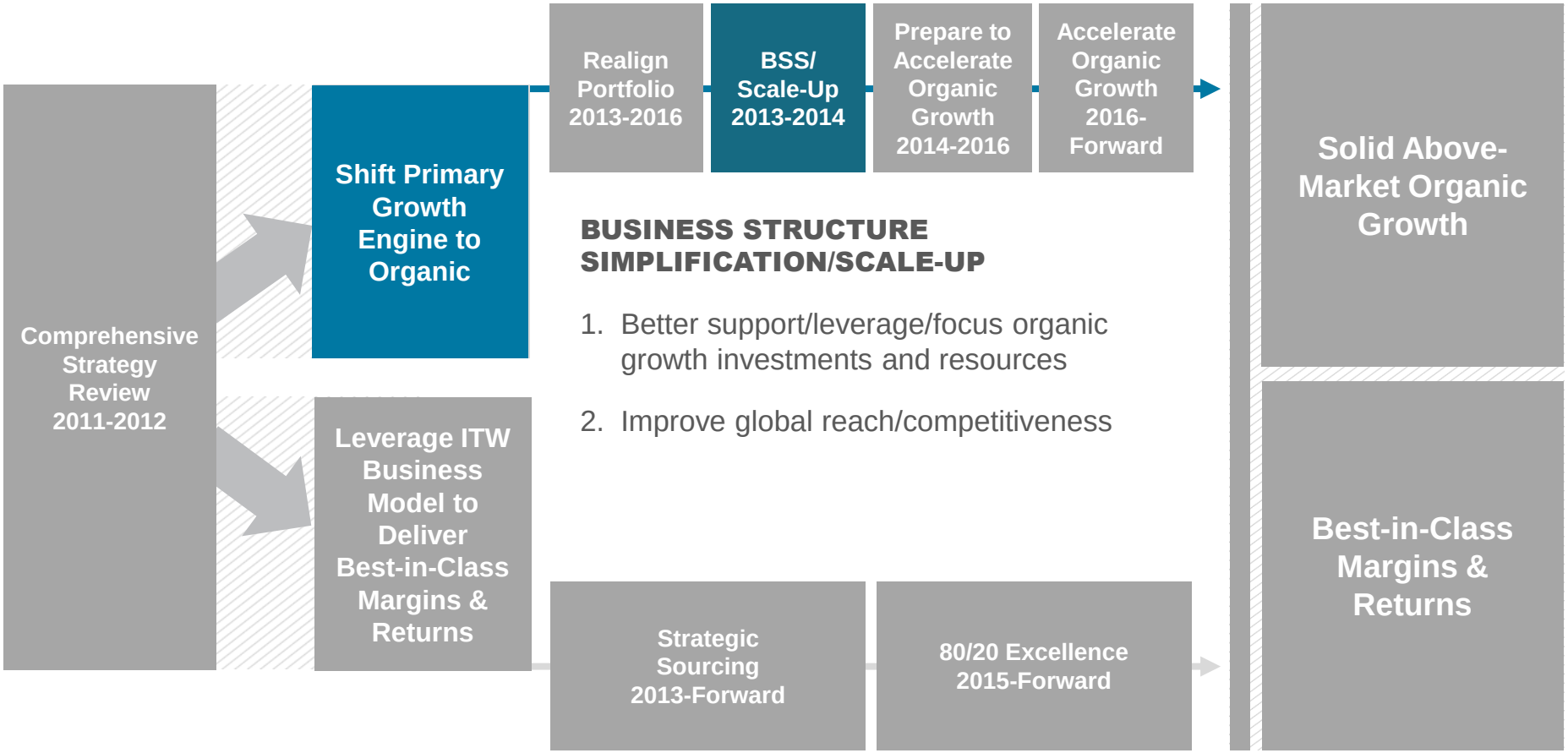
1. ENTERPRISE STRATEGY REVIEW
2. ACCELERATE ORGANIC GROWTH
3. BEST-IN-CLASS MARGINS AND RETURNS
4. SEGMENT EXAMPLES OF ENTERPRISE STRATEGY EXECUTION
5. FINANCIAL PERFORMANCE
6. BREAK FOLLOWED BY Q&A

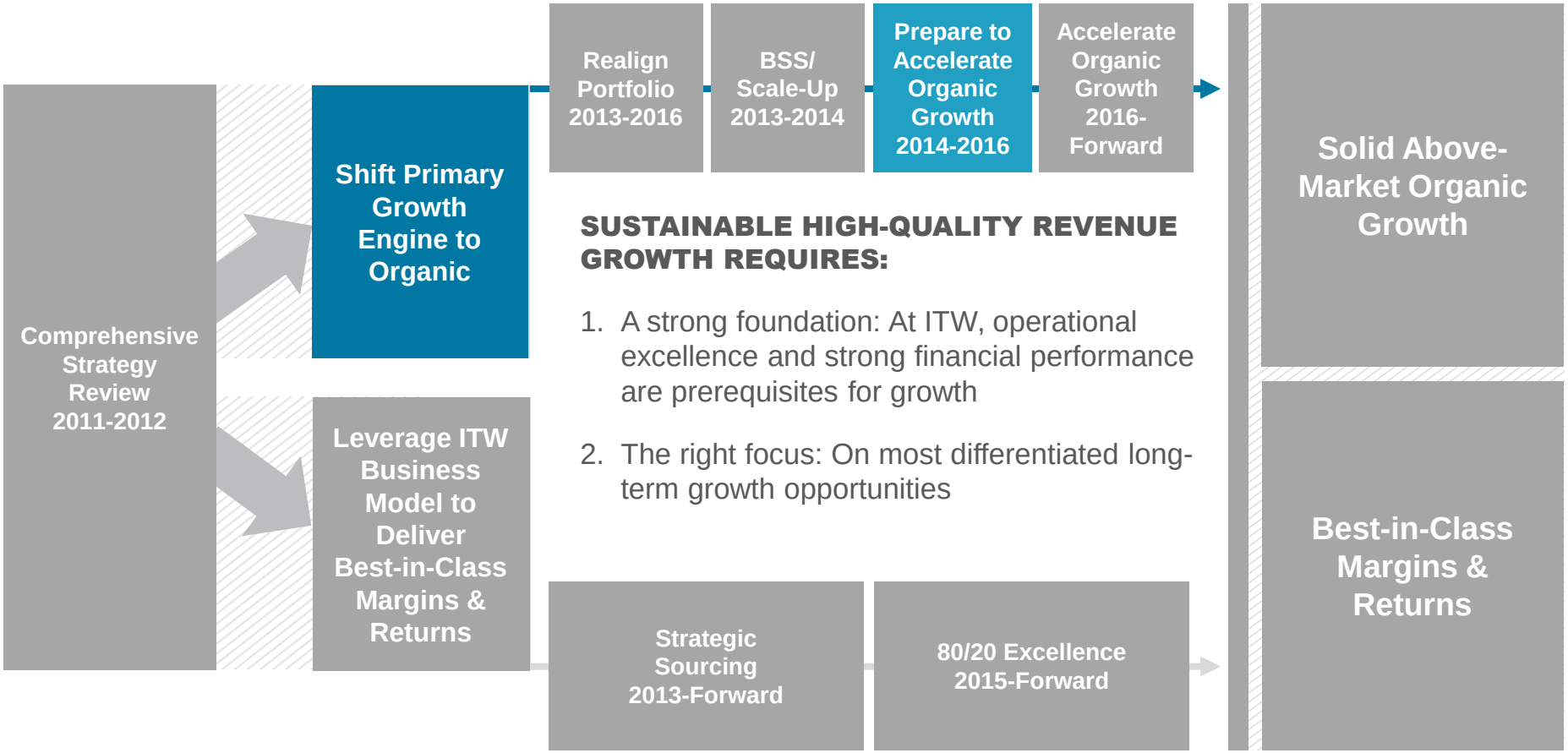

Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

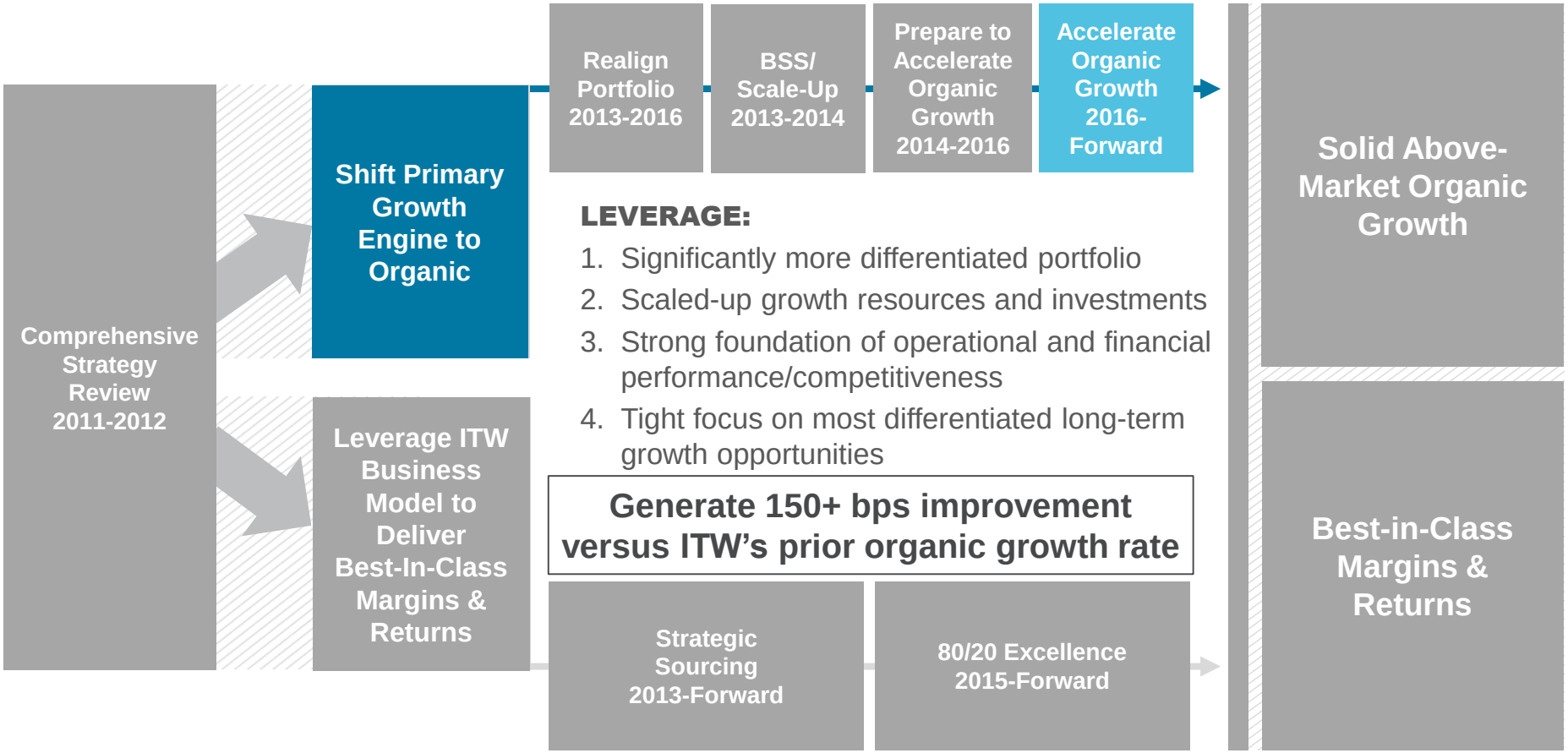

Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
KEY STRATEGY REVIEW FINDINGS
1. Acquisition-centric growth strategy not sustainable
2. Underleveraging the power of ITW's differentiated business model
3. Globalization driving significant changes in external operating environment
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

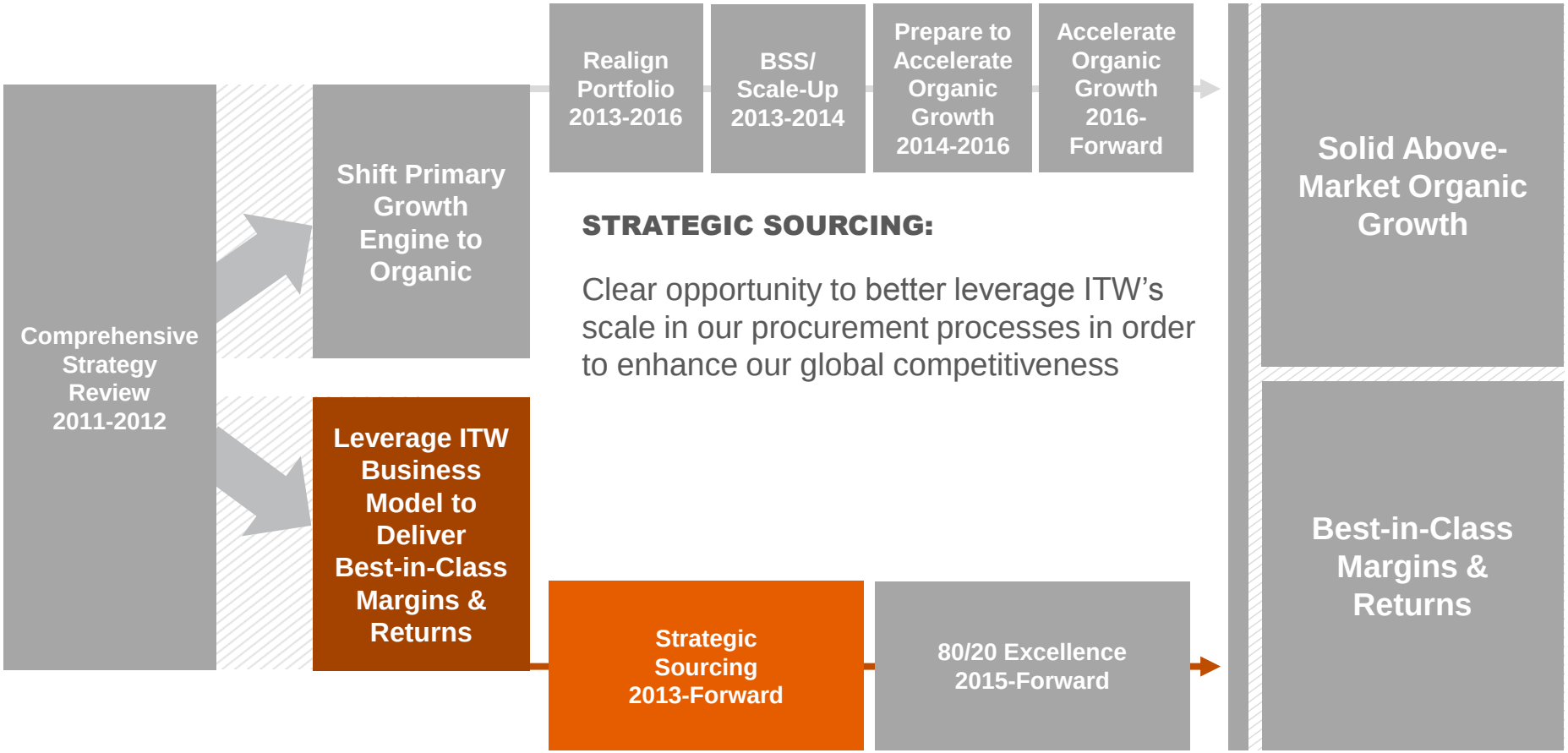

Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW'S ENTERPRISE STRATEGY
1. Shift core growth engine to organic
2. Drive performance leverage and impact from the ITW Business Model to full potential
Deliver solid growth with best-in-class margins and returns
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
PORTFOLIO MANAGEMENT
1. Sustainable differentiation a "must-have"
2. Construct and maintain a portfolio capable of generating solid above-market organic growth
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
BUSINESS STRUCTURE SIMPLIFICATION/SCALE-UP
1. Better support/leverage/focus organic growth investments and resources
2. Improve global reach/competitiveness
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

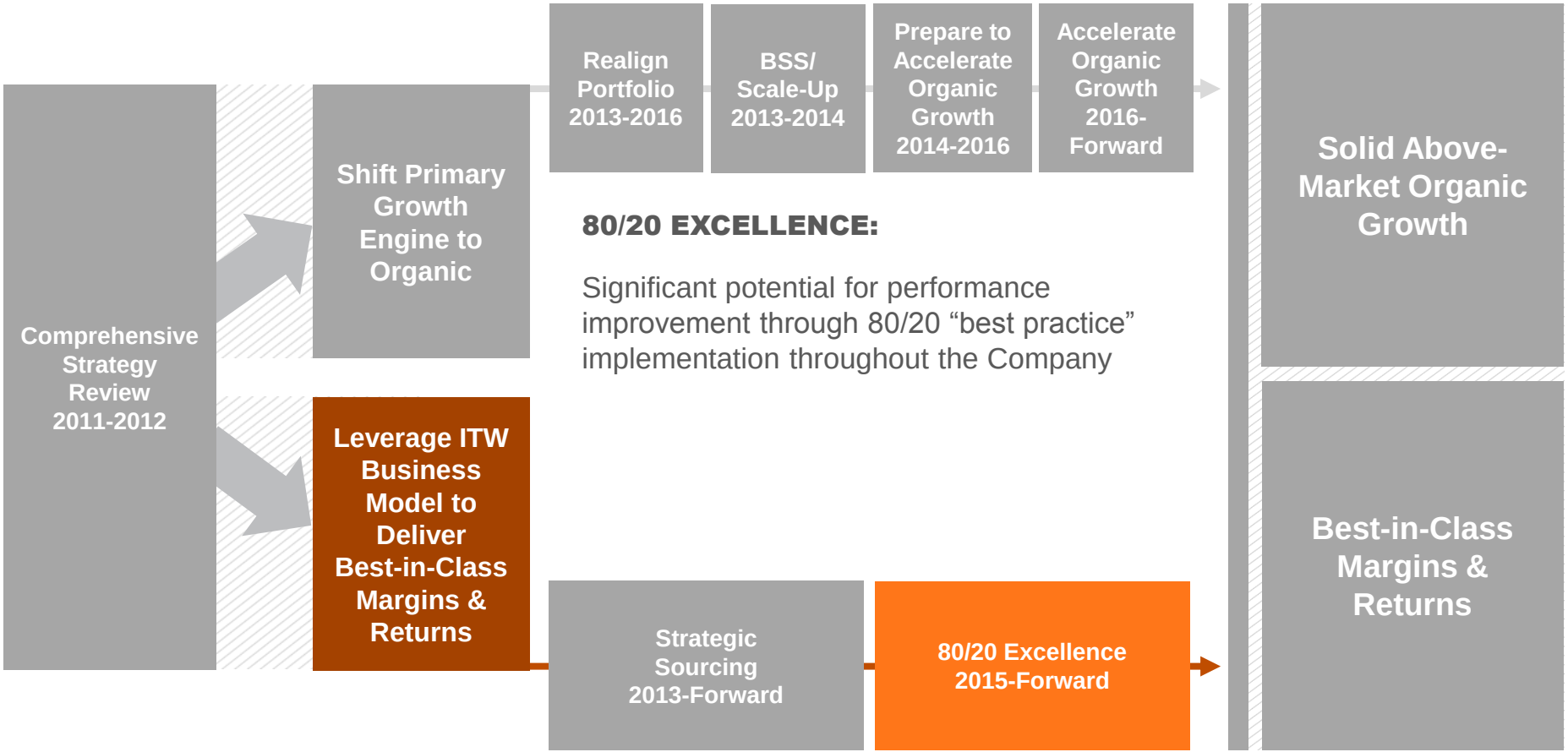

Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
SUSTAINABLE HIGH-QUALITY REVENUE GROWTH REQUIRES:
1. A strong foundation: At ITW, operational excellence and strong financial performance are prerequisites for growth
2. The right focus: On most differentiated long-term growth opportunities
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

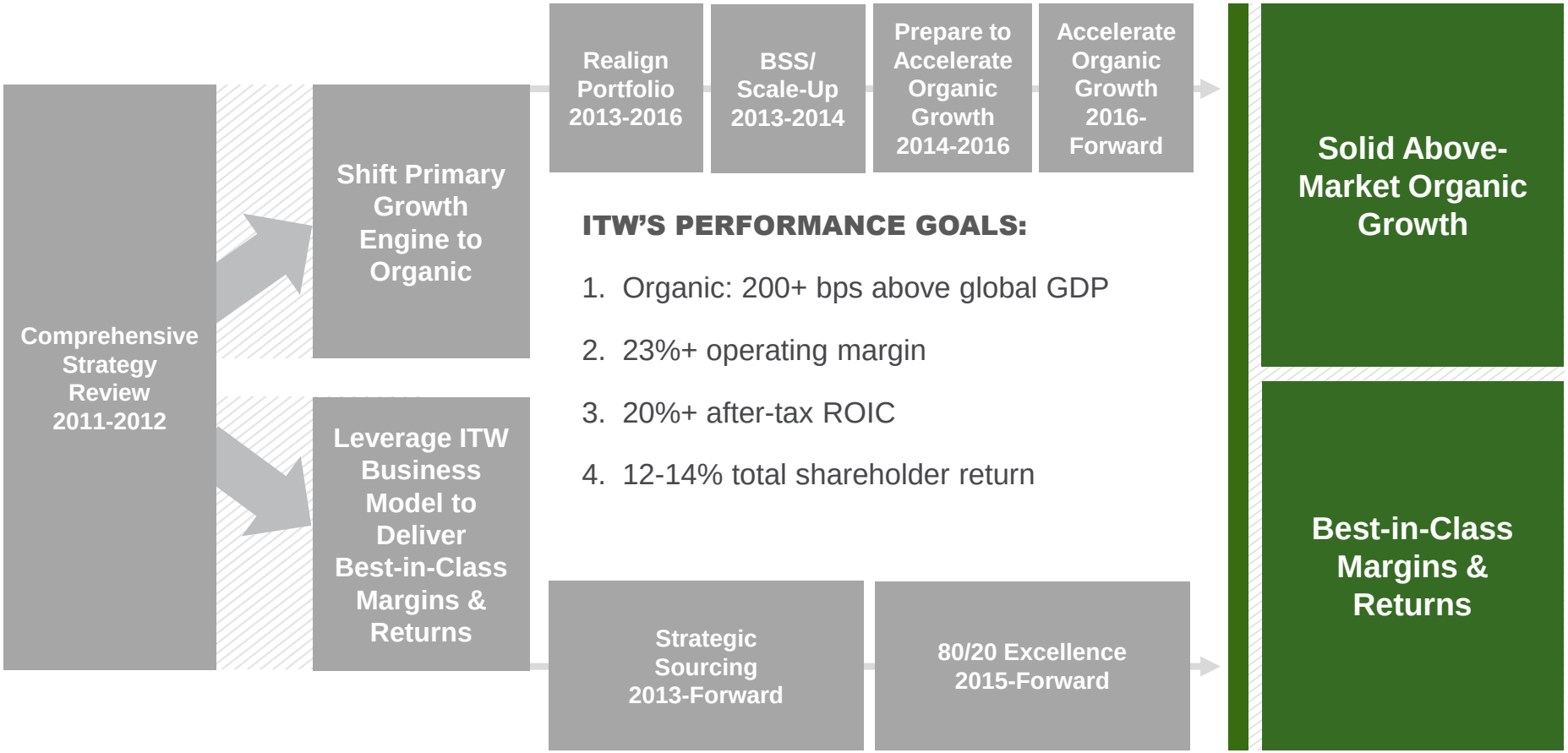

Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-In-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
LEVERAGE:
1. Significantly more differentiated portfolio
2. Scaled-up growth resources and investments
3. Strong foundation of operational and financial performance/competitiveness
4. Tight focus on most differentiated long-term growth opportunities
Generate 150+ bps improvement versus ITW's prior organic growth rate
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns



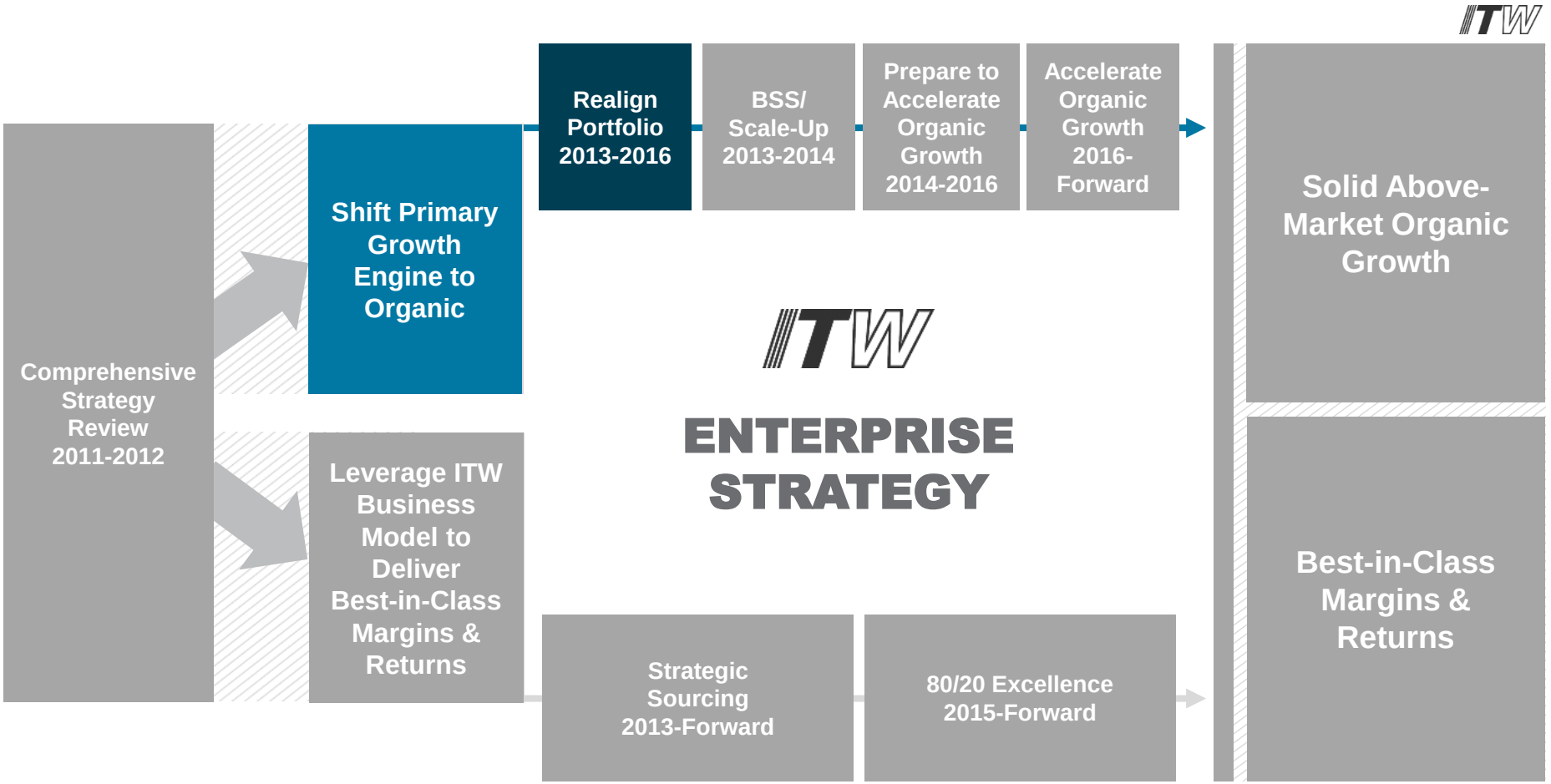
STRATEGIC SOURCING:

Clear opportunity to better leverage ITW's scale in our procurement processes in order to enhance our global competitiveness


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Solid Above-Market Organic Growth
80/20 EXCELLENCE:
Significant potential for performance improvement through 80/20 “best practice” implementation throughout the Company
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
Best-in-Class Margins & Returns


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW'S PERFORMANCE GOALS:
1. Organic: 200+ bps above global GDP
2. 23%+ operating margin
3. 20%+ after-tax ROIC
4. 12-14% total shareholder return
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

ACCELERATE ORGANIC GROWTH


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

ACCELERATE ORGANIC GROWTH

Portfolio Management

OBJECTIVES

1. Reposition business portfolio to align with shift to organic growth focus

2. Construct and maintain a business portfolio capable of delivering organic growth of 200+ bps above global GDP

Portfolio Management

1 *Reposition business portfolio to align with shift to organic growth focus*

In 2011-2012

Meaningful differences in organic growth rates for businesses inside ITW

- Businesses operating in **commoditized** markets were generating low-to-no growth
- Businesses with compelling competitive advantages operating in markets with **strong sustainable differentiation** attributes were generating above-market organic growth

Sustainable differentiation shifts from a desirable attribute to a "must-have" requirement in the ITW business portfolio

Portfolio Management

2 *Construct and maintain a business portfolio capable of delivering organic growth of 200+ bps above global GDP*

1. Business divestitures (2013-2014)

- Exit businesses operating in commoditized markets
- A metric-based assessment, not subjective
- Completed divestiture of 32 businesses/$4.9 billion of revenue

2. Product Line Simplification (2014-2016)

- Exit commoditized product lines and customers inside otherwise highly differentiated ITW divisions
- Allows divisions to redeploy resources to differentiated product lines/customers and best growth opportunities
- Exiting ~$350 million of revenue

Portfolio Management

2 *Construct and maintain a business portfolio capable of delivering organic growth of 200+ bps above global GDP*

- Markets with strong sustainable differentiation attributes
- Positive long-term macro fundamentals
- Solid competitive advantages with relevance to key end-market trends
- Strong potential for ITW to drive above-market organic growth






A much more differentiated business portfolio with significantly higher organic growth potential

ACCELERATE ORGANIC GROWTH

ITW's Highly Differentiated Portfolio



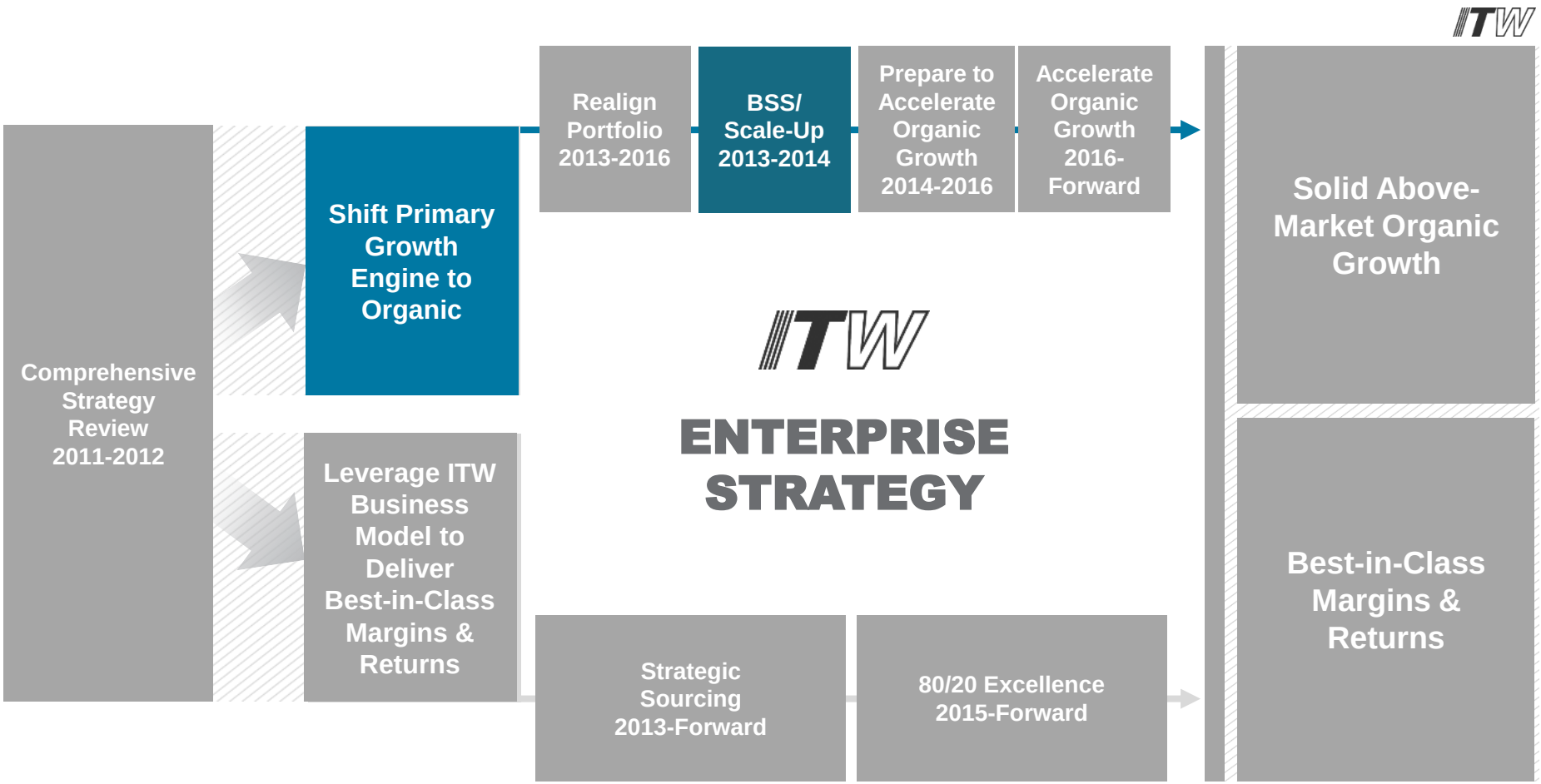







	Automotive OEM	Test & Measurement and Electronics	Food Equipment	Polymers & Fluids	Welding	Construction Products	Specialty Products
2015E Operating Margin	~24.5%	~16%*	~24%	~20%*	~25.5%	~20%	~23%
vs. 2012 (bps)	+510	+110	+690	+420	+10	+840	+350

**Test & Measurement and Electronics and Polymers & Fluids include 410 and 440 basis points, respectively, of unfavorable operating margin impact of amortization expense from acquisition-related intangible assets.*


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

Business Structure Simplification/Scale-Up

Scale-up divisional structure to drive accelerated organic growth

Divisional structure needed sufficient scale to support investments in engineering, marketing, and sales resources necessary to drive accelerated organic growth

- 800+ regional to 84 global divisions in a well-planned, deliberate, and well-executed process
- Significant emphasis on maintaining customer, operational, and financial performance throughout

Created scaled-up, more focused divisions able to compete and drive accelerated organic growth globally

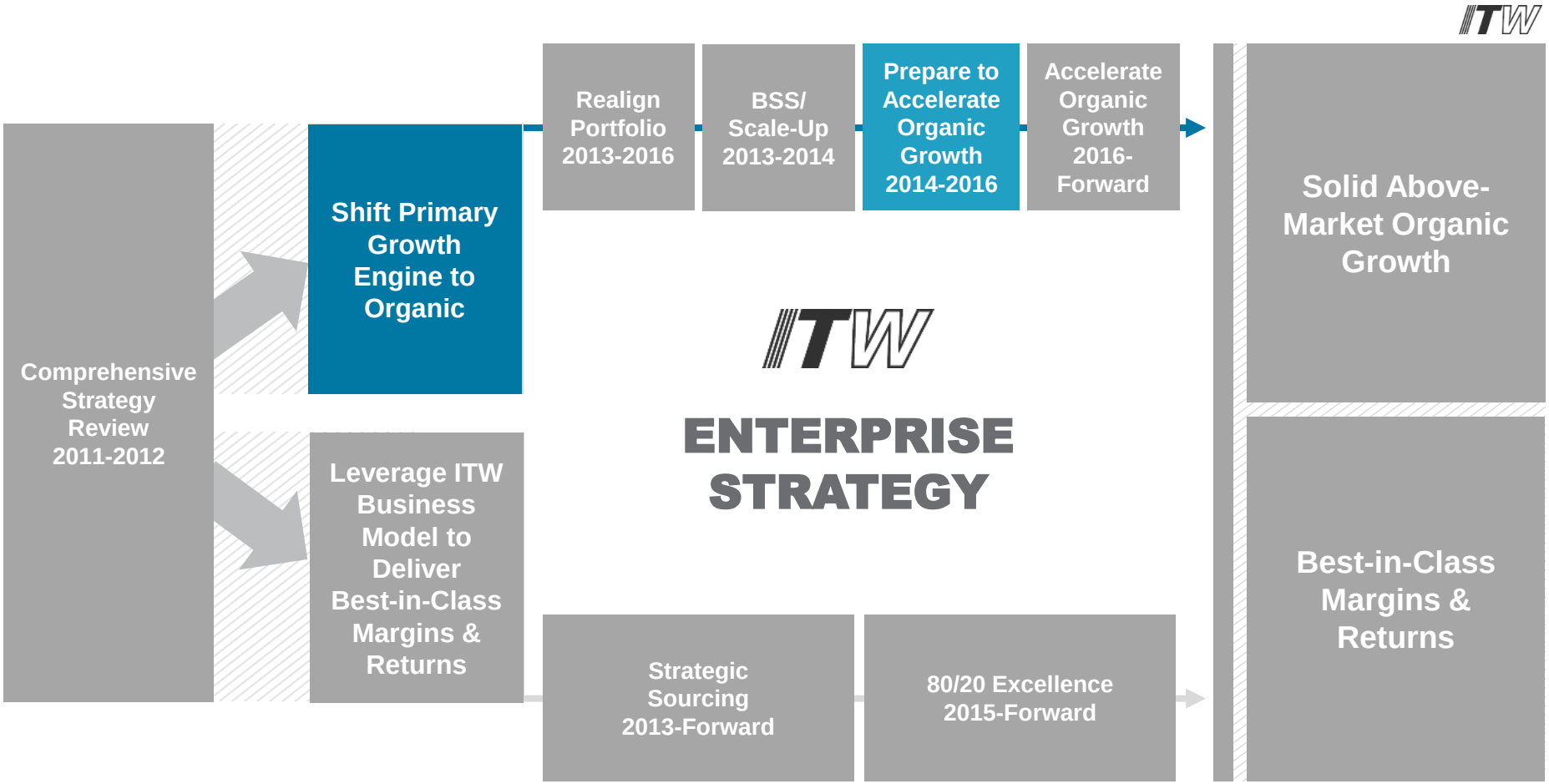
Business Structure Simplification Benefits

STRUCTURE BETTER ENABLED TO DRIVE ORGANIC GROWTH

- "Best of the best" now running each division
- Significantly enhanced focus on:
  - Growth investments in marketing, sales, and engineering
  - Core customers and products
  - Customer-Back Innovation
- Greater global capabilities and scale

ITW'S ENTREPRENEURIAL CULTURE REMAINS INTACT

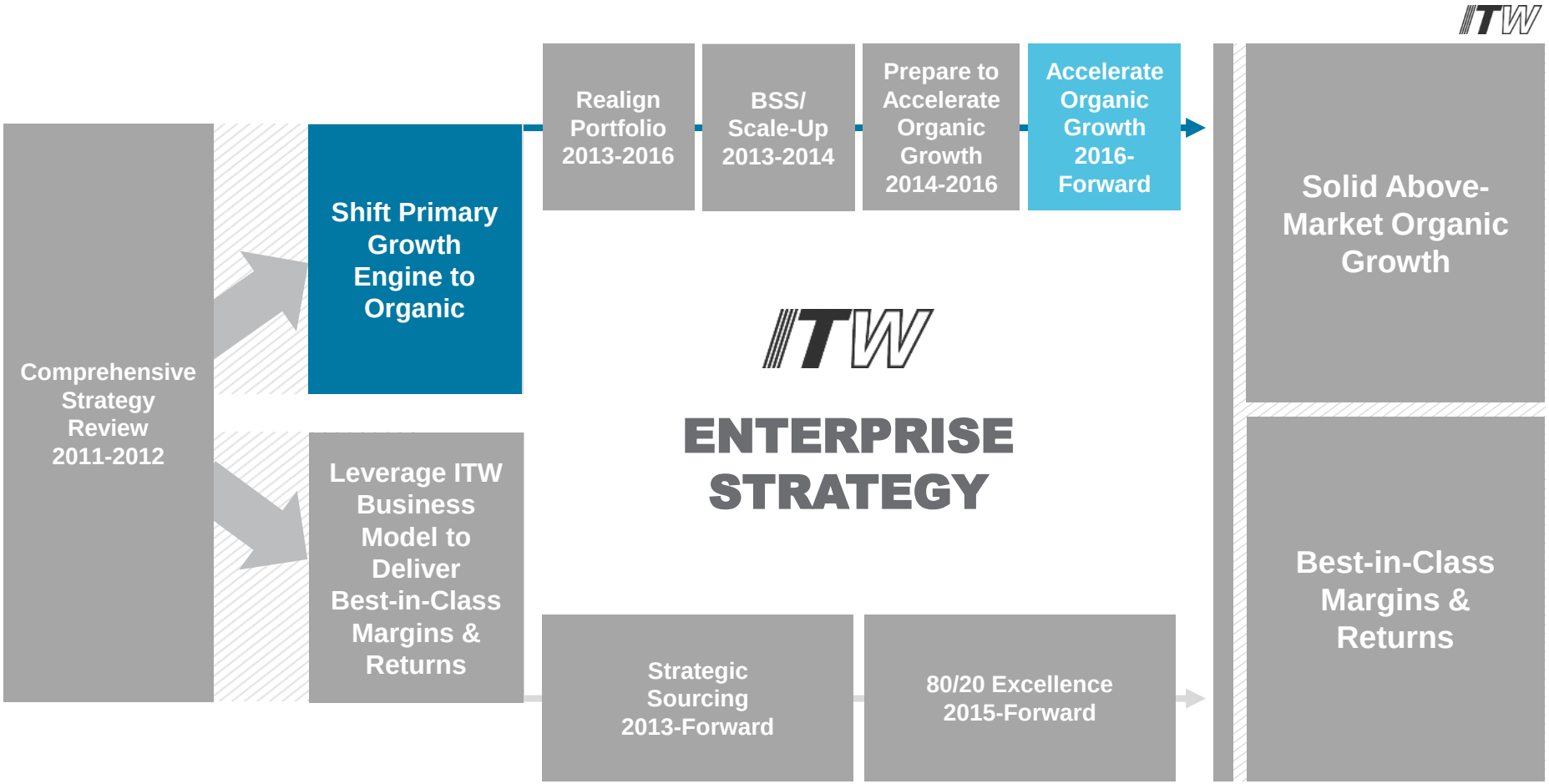
- Flexibility within ITW framework
- 80/20 is how we think about everything
- Results-oriented: "Get things done"
- Simplicity
- Integrity


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

Prepare to Accelerate Organic Growth

Use our 80/20 process to optimize existing businesses before growing them

- 80/20 process is a critical preparatory step to reach **“Ready to Grow”** status:
  - Create **competitive advantage** in our businesses through operational excellence
    - Best-in-class levels of service and quality
    - Highly efficient manufacturing operations
    - Focused innovation and sales execution
  - Develop clarity on **“Where to Grow”** based on our ability to achieve sustainable differentiation and high-quality organic growth
- This preparatory process takes 18 to 24 months


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

Organic Growth Framework

- Reach **"Ready to Grow"** status (operationally excellent, simplified, and focused)
- Focus on best opportunities ("80" products/customers/end markets and innovation opportunities) to drive above-market organic growth
- Simultaneously apply three levers of organic growth:
  - "80" focused selling
  - Core market expansion
  - Customer-Back Innovation

All "Ready to Grow" divisions are executing defined growth strategies and action plans for all three growth levers

First Growth Lever: “80” Focused Selling

Focused on “80” customers and “80” products

- Aggressively target opportunities to fully leverage the considerable share gain potential that resides in our largest and most differentiated existing product offerings and customer relationships
  - Typically have only 25-30% share with “80” customers

Second Growth Lever: Core Market Expansion

Target new customers with needs similar to existing “80” customers

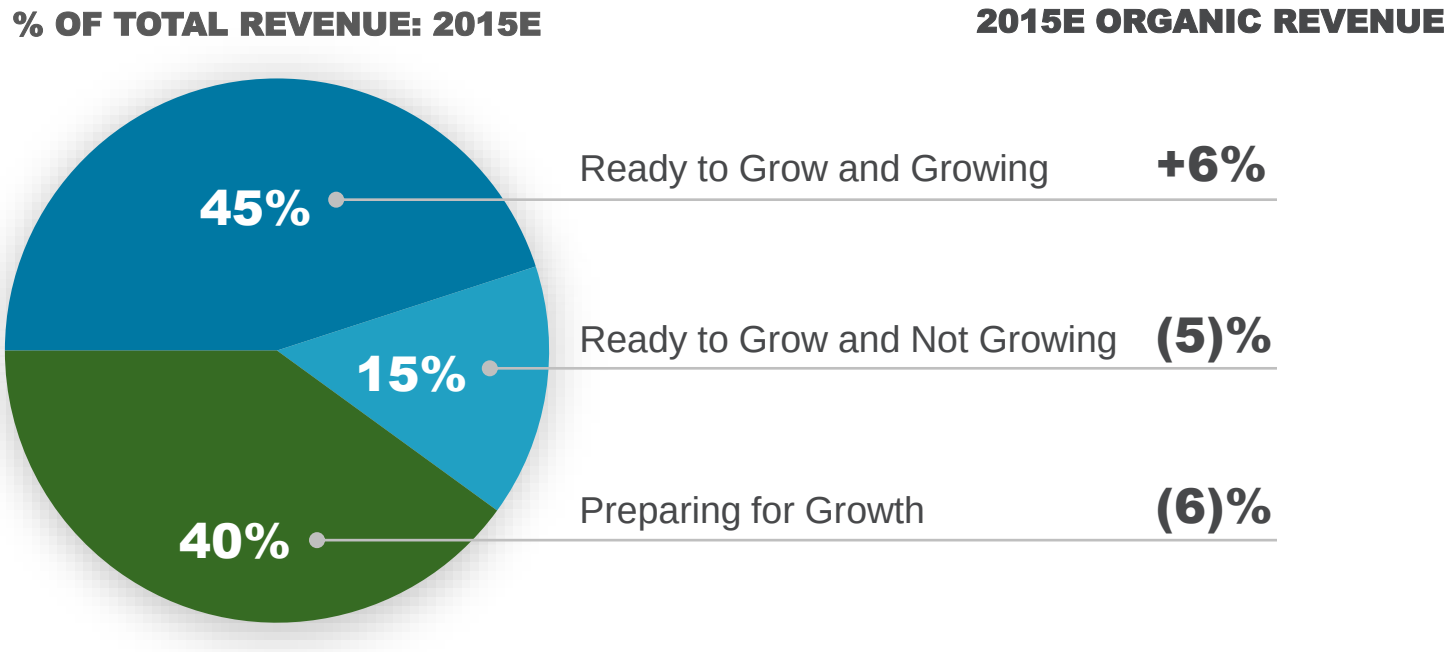
- Leverage proven competitive advantages in **highly differentiated product** offerings to **target and penetrate new end users** with characteristics and “pain points” similar to existing “80” customers

Third Growth Lever: Customer-Back Innovation

- Has fueled decades of profitable growth at ITW
  - ~1,500 patent applications/year; ~16,000 total

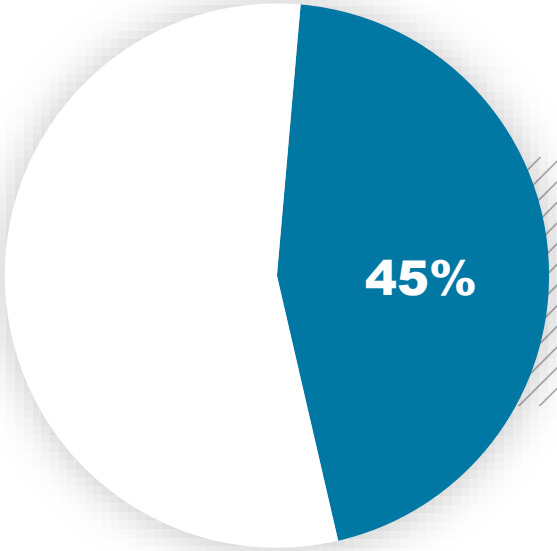
- Focused on highly differentiated end markets with solid long-term growth fundamentals

"Ready to Grow" Status



Ready to Grow and Growing

% OF TOTAL REVENUE: 2015E



GROWING AT

6%

IN 2015

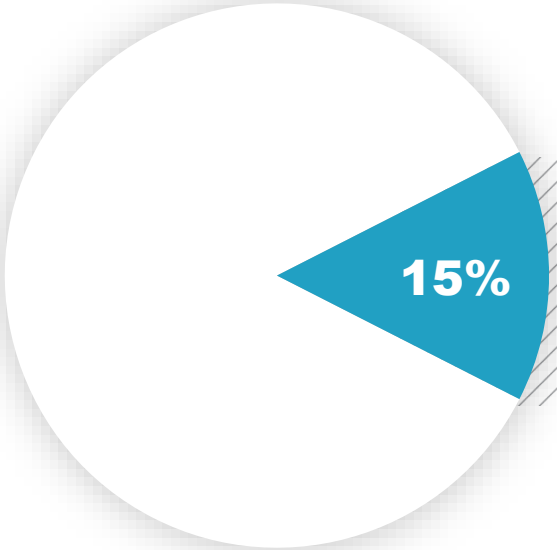
AVERAGE OPERATING MARGIN IS IN

MID-20s

Delivering accelerated high-quality organic revenue growth

Ready to Grow and Not Growing

% OF TOTAL REVENUE: 2015E



DOWN

(5)%

IN 2015

STRONG BUSINESSES FACING CAPITAL SPENDING AND OIL & GAS HEADWINDS

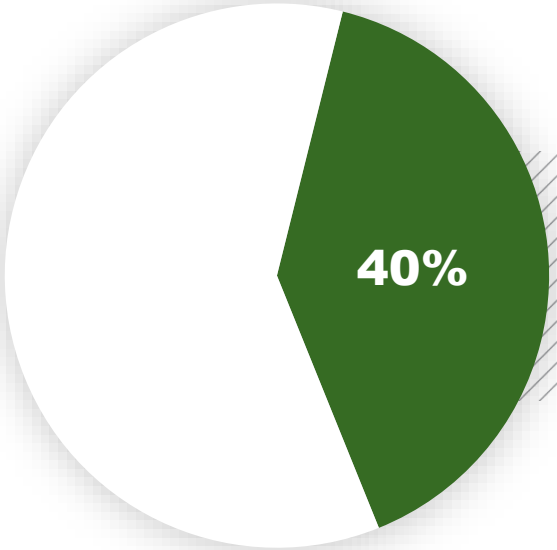
AVERAGE OPERATING MARGIN IS IN

MID-20s

Well positioned for accelerated organic growth when capital spending and oil & gas markets recover

Preparing for Growth

% OF TOTAL REVENUE: 2015E



DOWN

(6)%

IN 2015

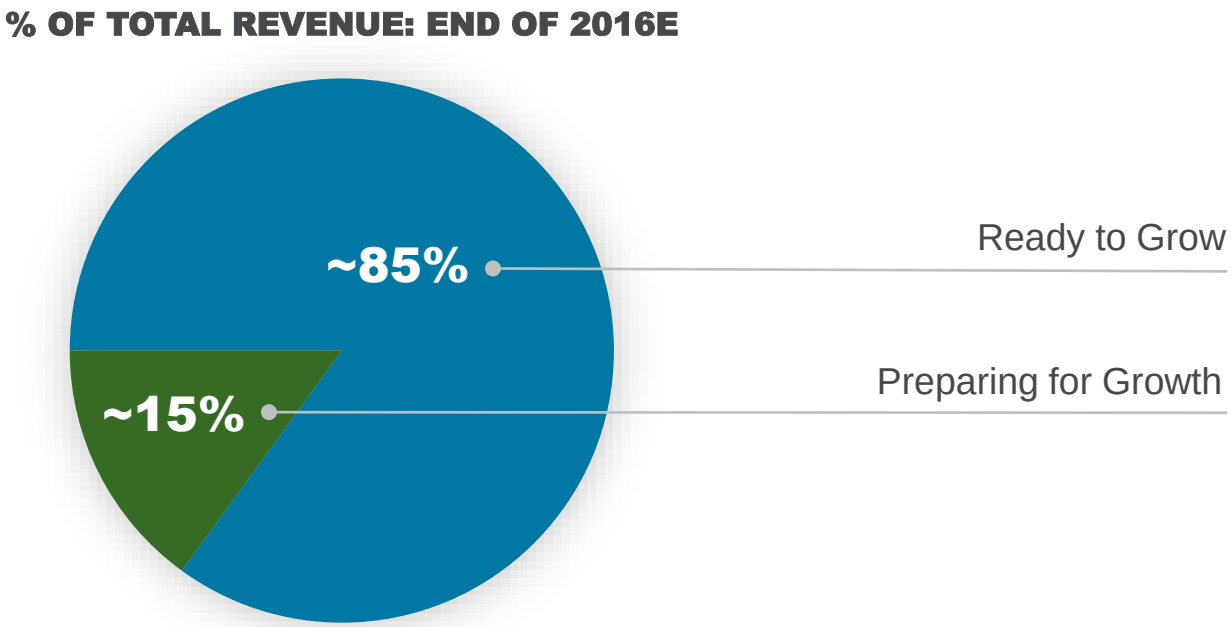
OPERATING MARGIN APPROACHING

20%

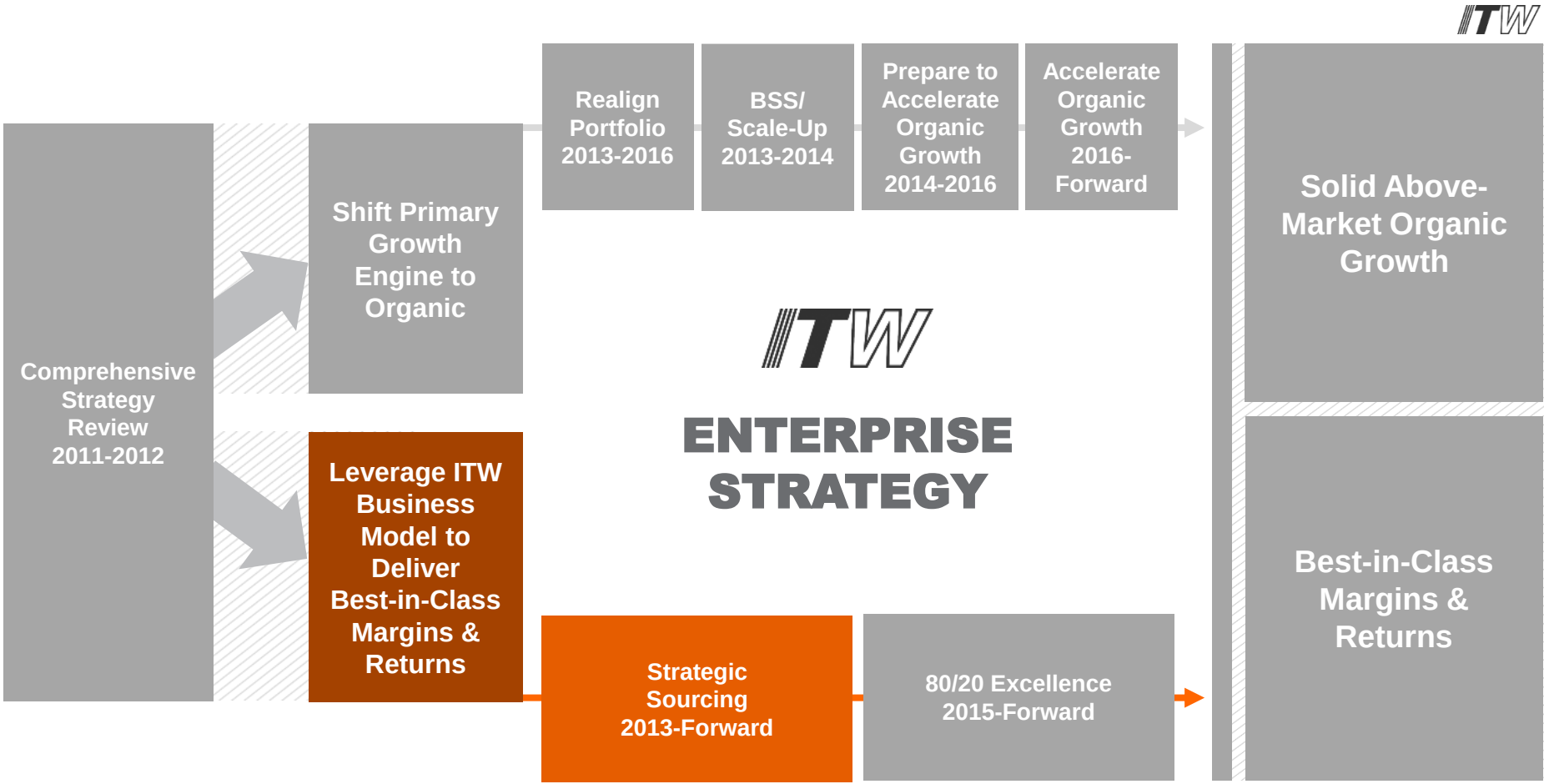
WITH IMPROVING OPERATING METRICS

Key opportunity and management objective to have a majority of revenues ready to grow by the end of 2016

Ready to Grow by End of 2016



BEST-IN-CLASS MARGINS AND RETURNS


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

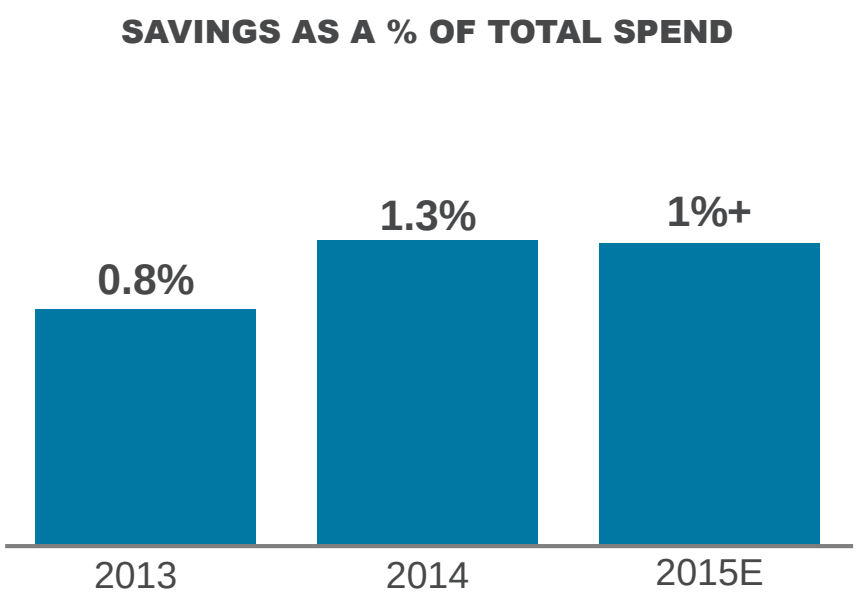
Strategic Sourcing

Fully leverage the size and scale of ITW to improve our cost position

2012

- **Highly fragmented sourcing process across ITW's 800+ business units**
- **Establish sourcing as a core strategic and operational capability**
  - Apply 80/20 to identify and focus on the largest-impact opportunities
  - Move to a more coordinated, leveraged approach
  - Build the required strategic sourcing capability at both the enterprise and segment level
- **Goals:**
  - Achieve average of 1% reduction in spend per year for five years (2013-2017)
  - Improve competitiveness to support organic growth
  - Build sourcing into an embedded strategic capability
  - Enhance access to supplier innovation

Strategic Sourcing

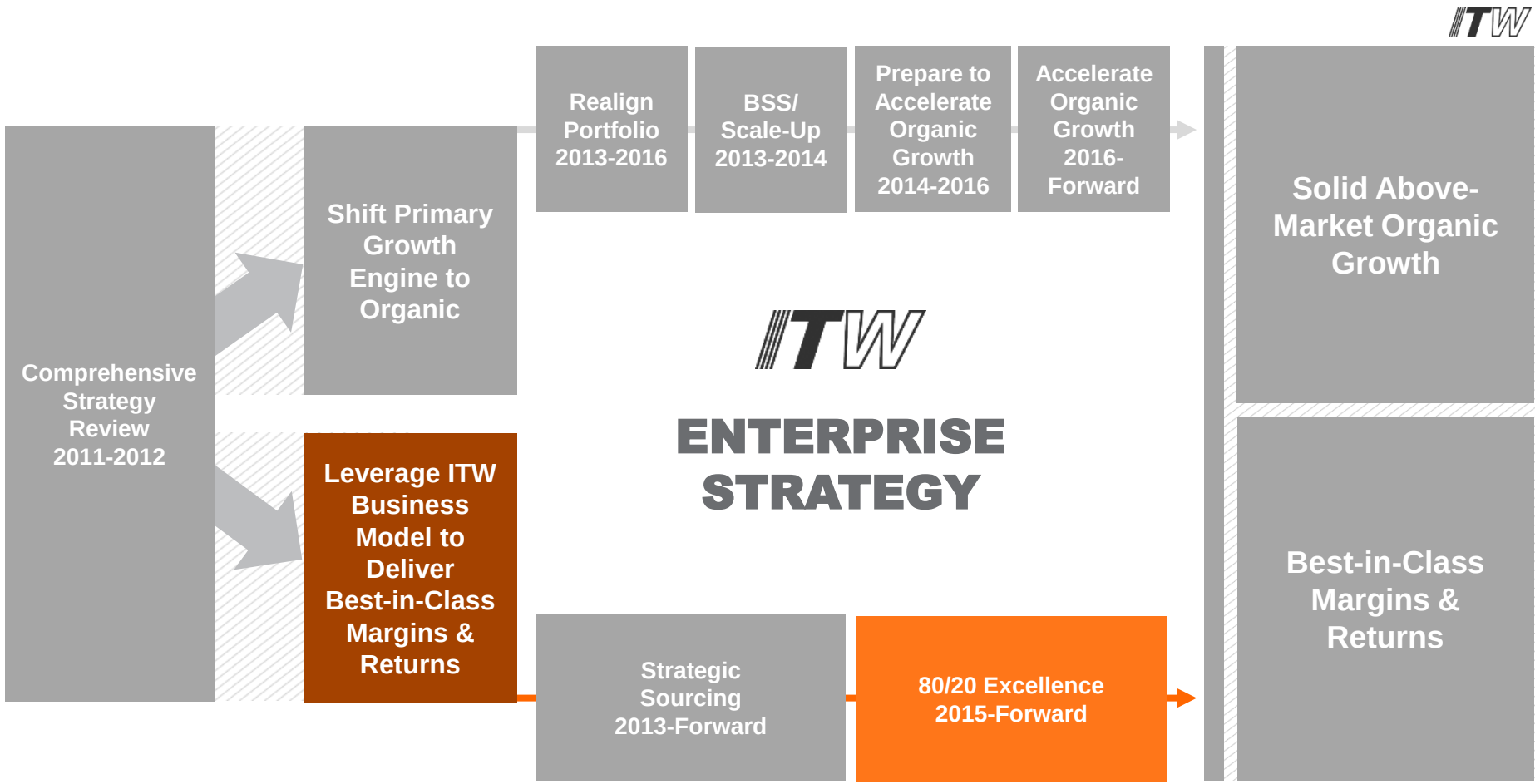


- Exceeding the goal of 1% average reduction in spend per year
- Real savings, not “deferred increases” or “cost avoidance”
- Moving toward raw material standardization and reformulation

Strategic Sourcing

Strategic Sourcing is now a core element of our ongoing operational excellence focus and capabilities

- Built a fit-for-purpose, effective and well-integrated sourcing organization at both the enterprise and segment levels
- A sustainable enterprise-wide capability
- Will achieve savings goal of 1% average reduction in spend/year in 2016 and 2017
- 80/20-enabled


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Solid Above-Market Organic Growth
ITW
ENTERPRISE STRATEGY
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
Best-in-Class Margins & Returns

ITW's 80/20 Process

- The roots of ITW's 80/20 Management Process go back to the mid-1980s
- A key tenet of this proprietary process is that **data drives operational capabilities and growth strategy**
- Over the past 30 years, ITW's 80/20 process has been continuously refined and improved into a rigorous, holistic business management process that generates differentiated financial performance

80/20 Practice Excellence

- As part of the 2011-2012 strategy review, it became clear that:
  - The rapid pace of acquisition-led growth inhibited ITW's ability to effectively leverage the power of our 80/20 Management Process across 800+ business units
  - While we had excellent practice in some businesses with very clear benefits, there was significant variation in the quality of implementation across the Company
- As a result, although 80/20 was still creating considerable value, we were underleveraging the **full potential** of our proprietary management process

80/20 Practice Excellence

We have clearly defined for the Company what excellence in the practice of ITW's 80/20 Management Process looks like

BSS ALLOWS FOR A **REINVIGORATION** OF 80/20

SCALED-UP REAPPLICATION IDENTIFIES A **NEW SET** OF **"80"** CUSTOMERS AND PRODUCTS

RESULT IS SIGNIFICANT **OPPORTUNITY** TO CREATE MEANINGFUL INCREMENTAL **IMPROVEMENT** IN MARGINS AND RETURNS

SEGMENT EXAMPLES OF ENTERPRISE STRATEGY EXECUTION

- Food Equipment
- Construction Products

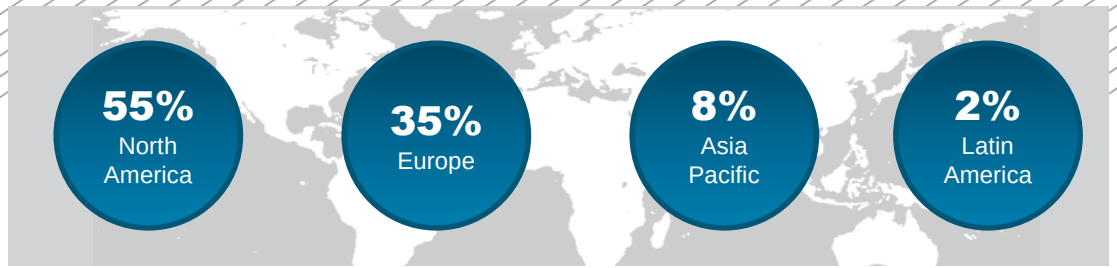
ITW Food Equipment

$2.1B
2015E REVENUES

16%
OF TOTAL COMPANY REVENUES

24%
2015E OPERATING MARGIN

1,200
PATENT PORTFOLIO
(granted and pending)

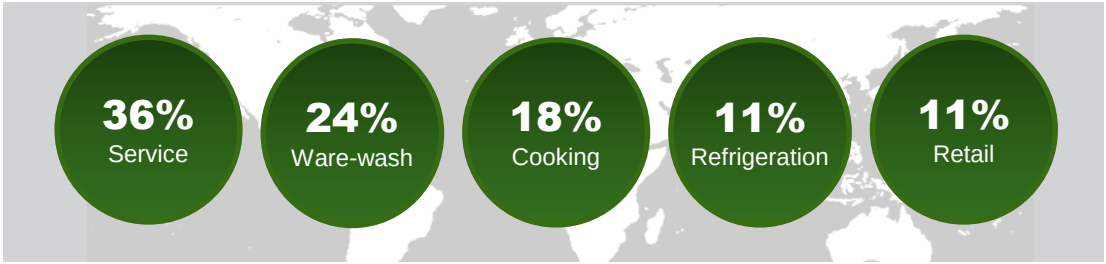




HOBART · Traulsen · Stero · BAXTER · VESTA An ITW Company · VULCAN · FOSTER REFRIGERATOR

Portfolio Management *Food Equipment*

Narrowed segment portfolio to ***focus*** on ***five global platforms*** with excellent ***growth fundamentals*** and clear ***competitive advantages***



PLS resulted in a 25% reduction in SKUs ($55 million in revenues)

BSS *Food Equipment*

Scaled-up divisions able to focus and invest in targeting ***highest-quality revenue growth opportunities***

72%
REDUCTION IN DIVISIONS

BEST TALENT
WORKING ON
LARGEST
OPPORTUNITIES

24%
INCREASE IN TARGETED INNOVATION INVESTMENT

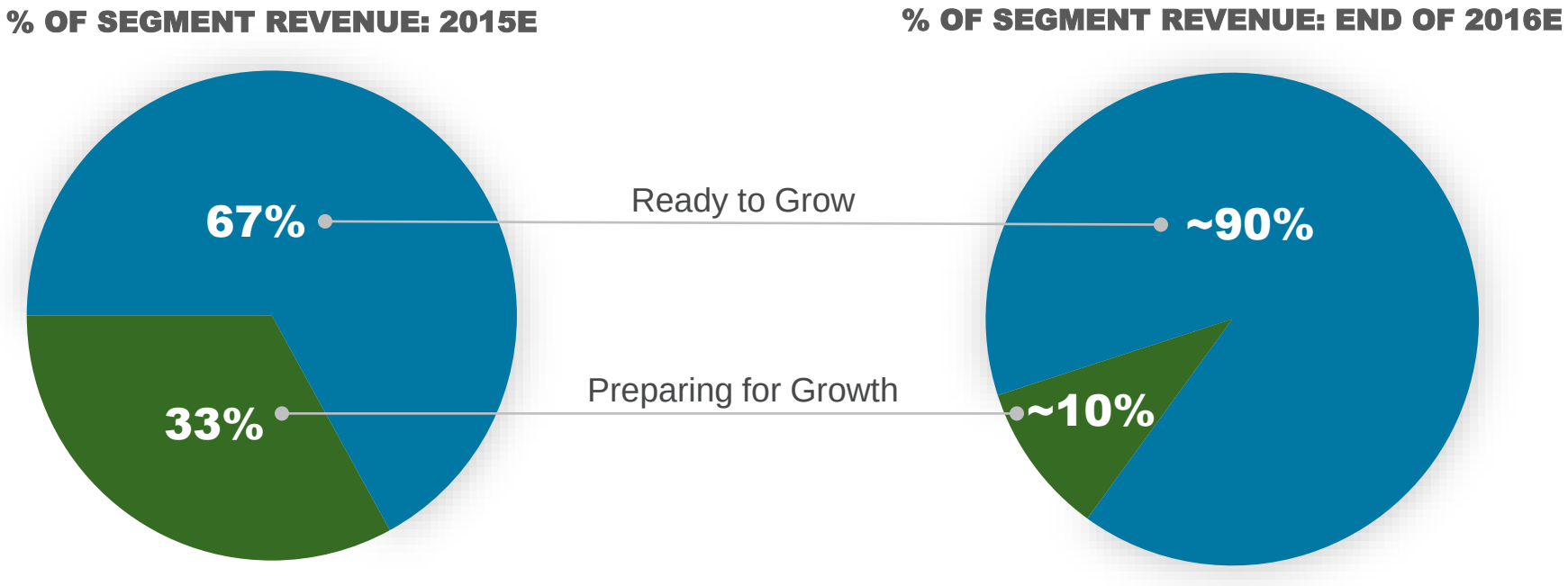
Prepare to Accelerate Organic Growth *Food Equipment*

- Use 80/20 process to create sustainable competitive advantage
  - Best-in-the-industry quality and reliability
  - Next-day delivery (>95% for “80” products)
- 80/20 strategic review revealed opportunities to drive differentiation and grow the business profitably
  - Differentiated product platforms in ware-wash, refrigeration, cooking, and aftermarket services
  - Attractive and underpenetrated end markets like education, healthcare, and select chain restaurants
- In the process of reallocating resources to drive growth and serial innovation of differentiated new products targeting “80” customer needs
- Focusing programs to reward “80” channel partners to drive high-quality growth
- Applying three levers of organic growth

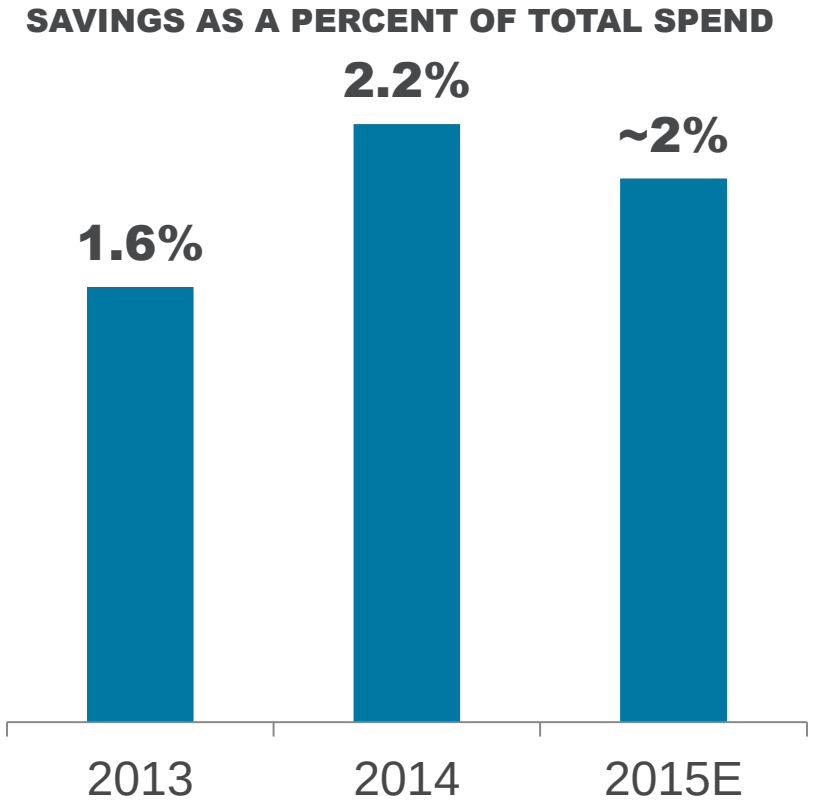
Accelerate Organic Growth *Food Equipment*

- "80" focused selling
  - Significant share opportunity with top global accounts
  - Reallocated resources (sales/engineering) to enable dedicated account management
  - Encouraging progress with several large global customers in 2015
- Core market expansion (e.g., K-12 schools)
  - Higher enrollment and nutrition standards driving need for more versatile cooking equipment
  - K-12 needs assessment revealed strong fit with existing product categories
  - Focused approach results in double-digit revenue increase to K-12 in 2015
- Customer-Back Innovation
  - Sustainability and total cost of ownership are major pain points for our largest customers
  - Increased innovation spend targeted to address sustainable high-quality growth opportunities
  - Result is a strong innovation pipeline across all platforms, which will increase revenue growth in 2016 and 2017

Preparing for Growth Status *Food Equipment*



Strategic Sourcing *Food Equipment*



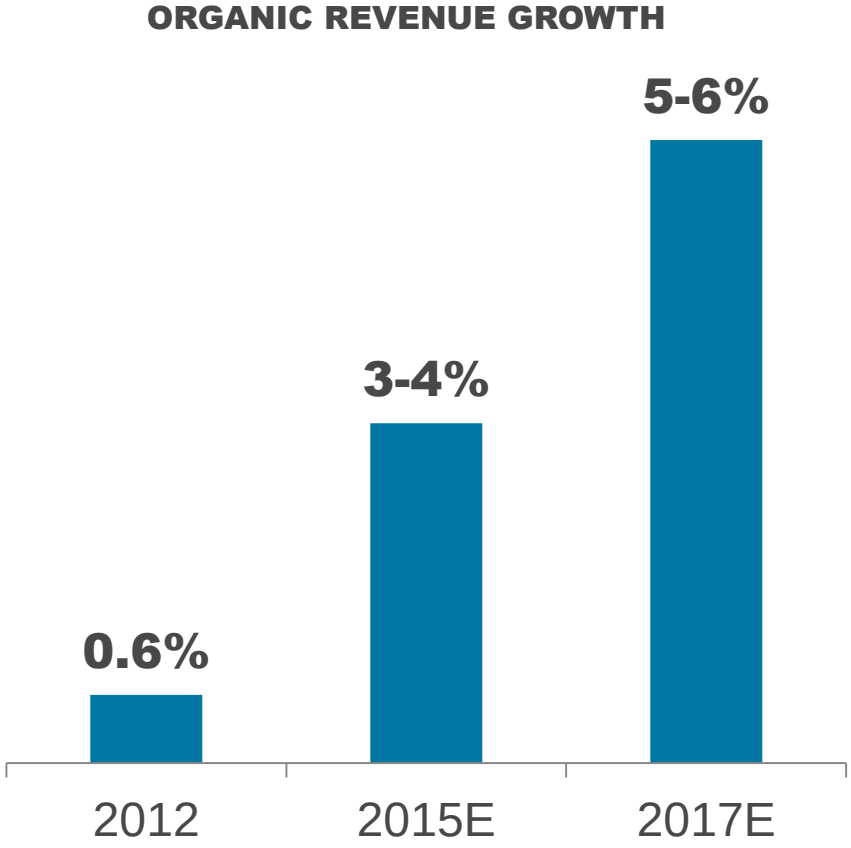
- Strong savings progress to-date
- Effective sourcing capability has been built across the segment
- Sourcing savings will contribute meaningfully going forward

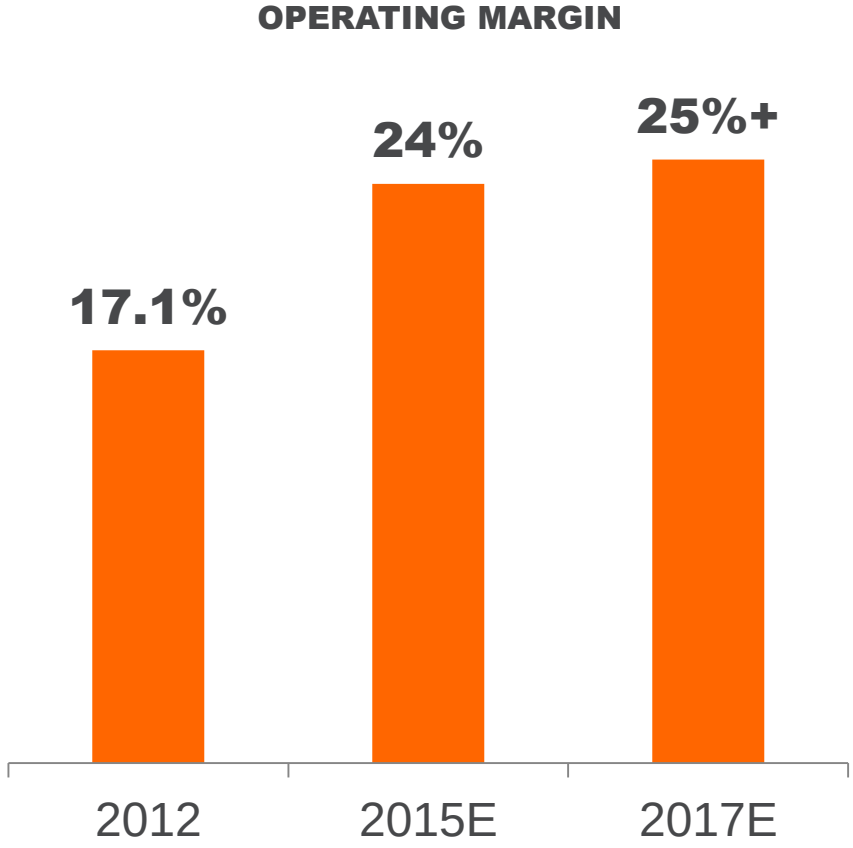
Reapplying 80/20 after BSS *Food Equipment*

Meaningful benefits from reapplying 80/20 to now-larger divisions

- In 2012, although 80/20 was creating value in Food Equipment, performance was sub-optimal
- Coming out of the BSS process in 2013/2014 provided a new opportunity to reapply 80/20 optimally at a scaled-up divisional level
- Recommitment to excellence in 80/20 is already generating significant benefits
  - Proprietary and proven manufacturing techniques on “80” items drives operational efficiencies
  - Simplified and focused core business processes and differentiated investment strategy leverages SG&A spend
- Substantial ongoing margin improvement benefits from reapplication with meaningful additional margin and return contribution in 2016 and 2017

Financial Progress *Food Equipment*





ITW Construction Products

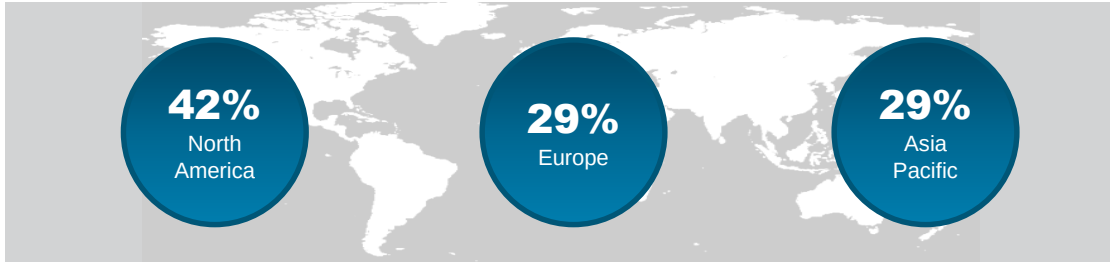
A supplier of innovative engineered fastening systems and solutions

$1.6B
2015E REVENUES

12%
OF TOTAL COMPANY REVENUES

20%
2015E OPERATING MARGIN

3,291
PATENT PORTFOLIO
(granted and pending)





Paslode · reid · ALPINE · Ramset · Red Head · ITW Buildex · SPIT

Portfolio Management *Construction Products*

Narrowed segment portfolio to ***focus on the end markets, products, and customers*** that have the ***greatest potential for profitable organic revenue growth***

DIVESTITURES

$225MM

OF COMMODITIZED SALES DIVESTED

PRODUCT LINE SIMPLIFICATION

52%

REDUCTION IN SKUs

BSS *Construction Products*

Scaled-up divisions able to focus resources on ***largest, highest-growth, best-margin opportunities***

86%
REDUCTION IN DIVISIONS

CREATED
GLOBAL INNOVATION
GROUP

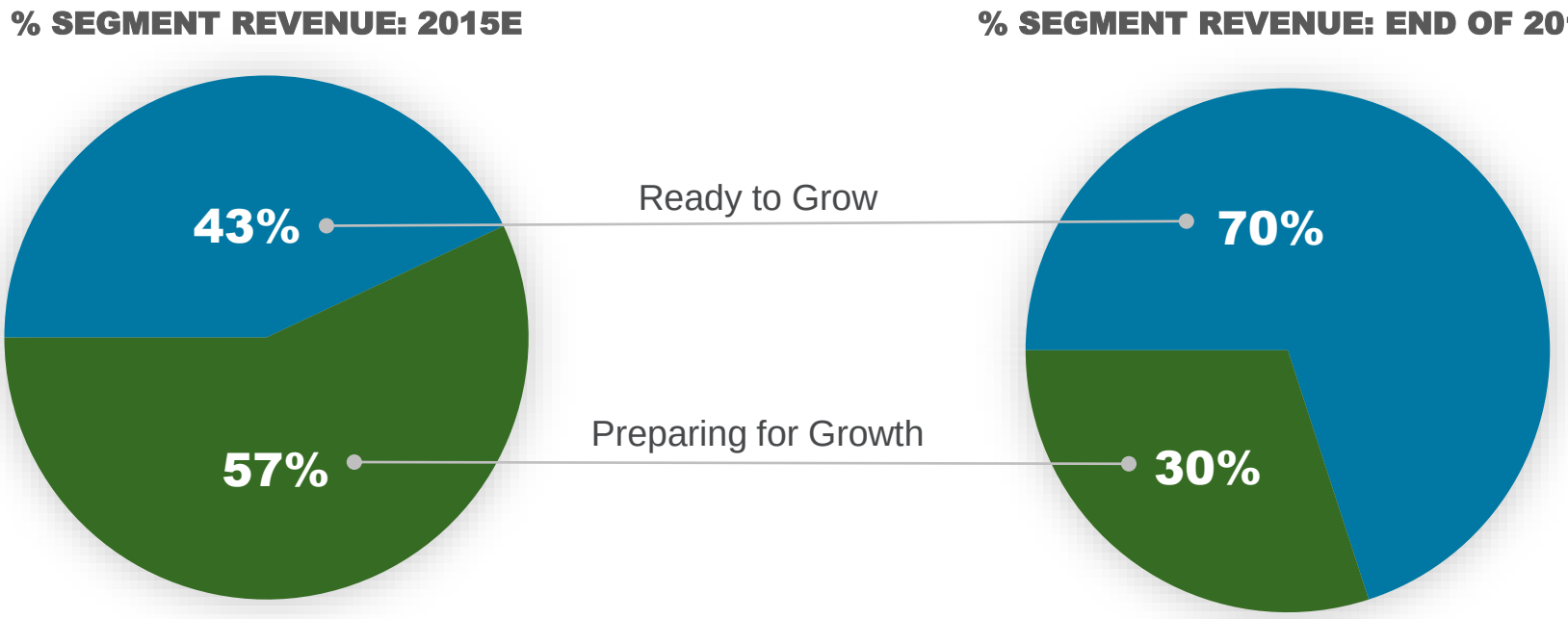
CREATED
GLOBAL CENTER OF EXCELLENCE
FOR TOOL ENGINEERING

TOP TALENT
RUNNING
LARGER DIVISIONS
TO
GENERATE
LARGER IMPACT

Preparing to Grow *Construction Products*

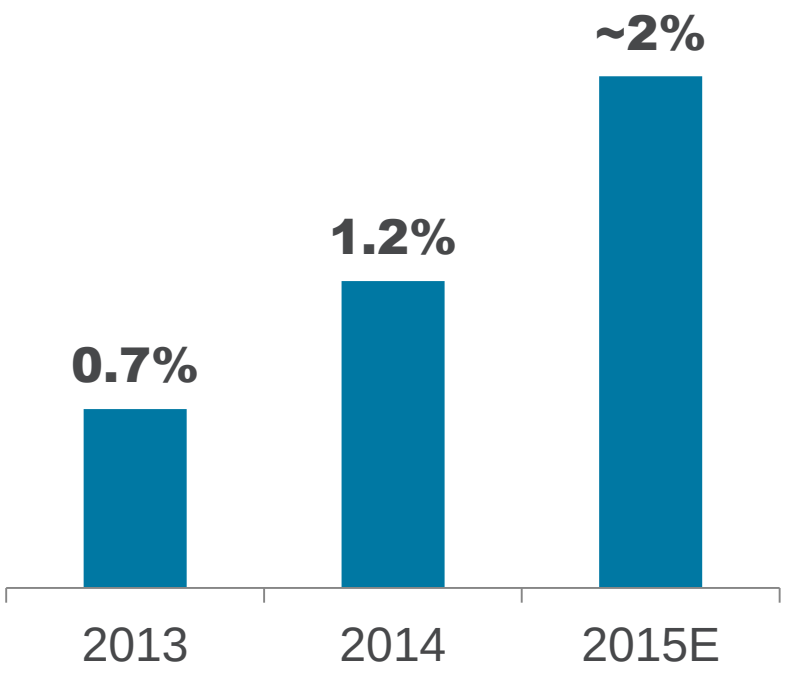
- Use 80/20 process to create sustainable competitive advantage
  - Focusing innovation resources on most differentiated product categories: cordless tools and concrete anchors
  - “80” products for “80” customers
- 80/20 strategic review revealed opportunities to drive differentiation and profitable growth
  - Identified key areas of focus that best leverage ITW’s differentiated products to drive growth
    - Off-site construction due to lack of skilled on-site labor and need for greater efficiency
    - Increasingly stringent customer requirements related to seismic issues, energy efficiency, safety, and commercial demands
  - Selling and innovation efforts focused on these opportunities

Preparing for Growth Status *Construction Products*



Strategic Sourcing *Construction Products*

SAVINGS AS A PERCENT OF TOTAL SPEND



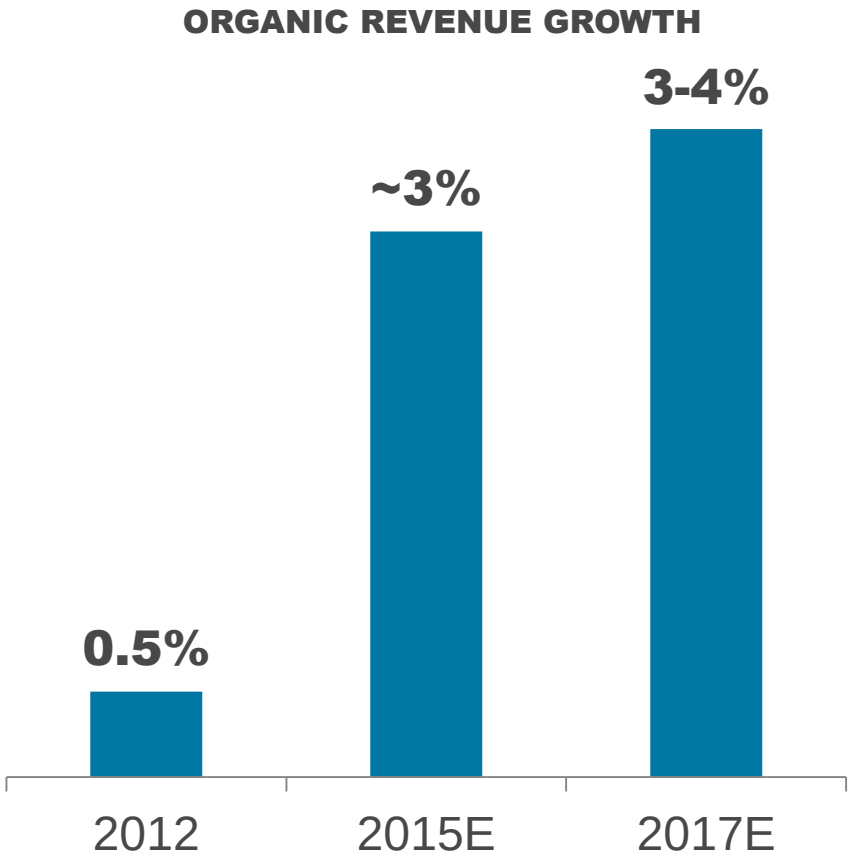
- Strong savings progress to-date
- Effective sourcing capability has been built across the segment
- Sourcing savings will contribute meaningfully going forward

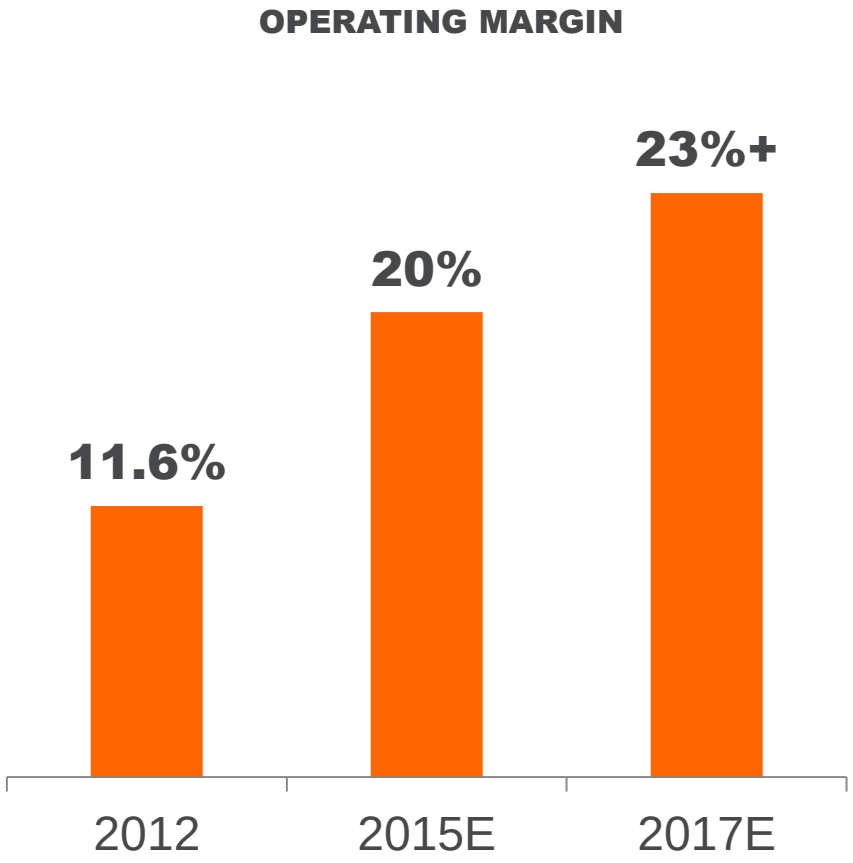
Reapplying 80/20 after BSS *Construction Products*

Meaningful benefits from reapplying 80/20 to now-larger divisions

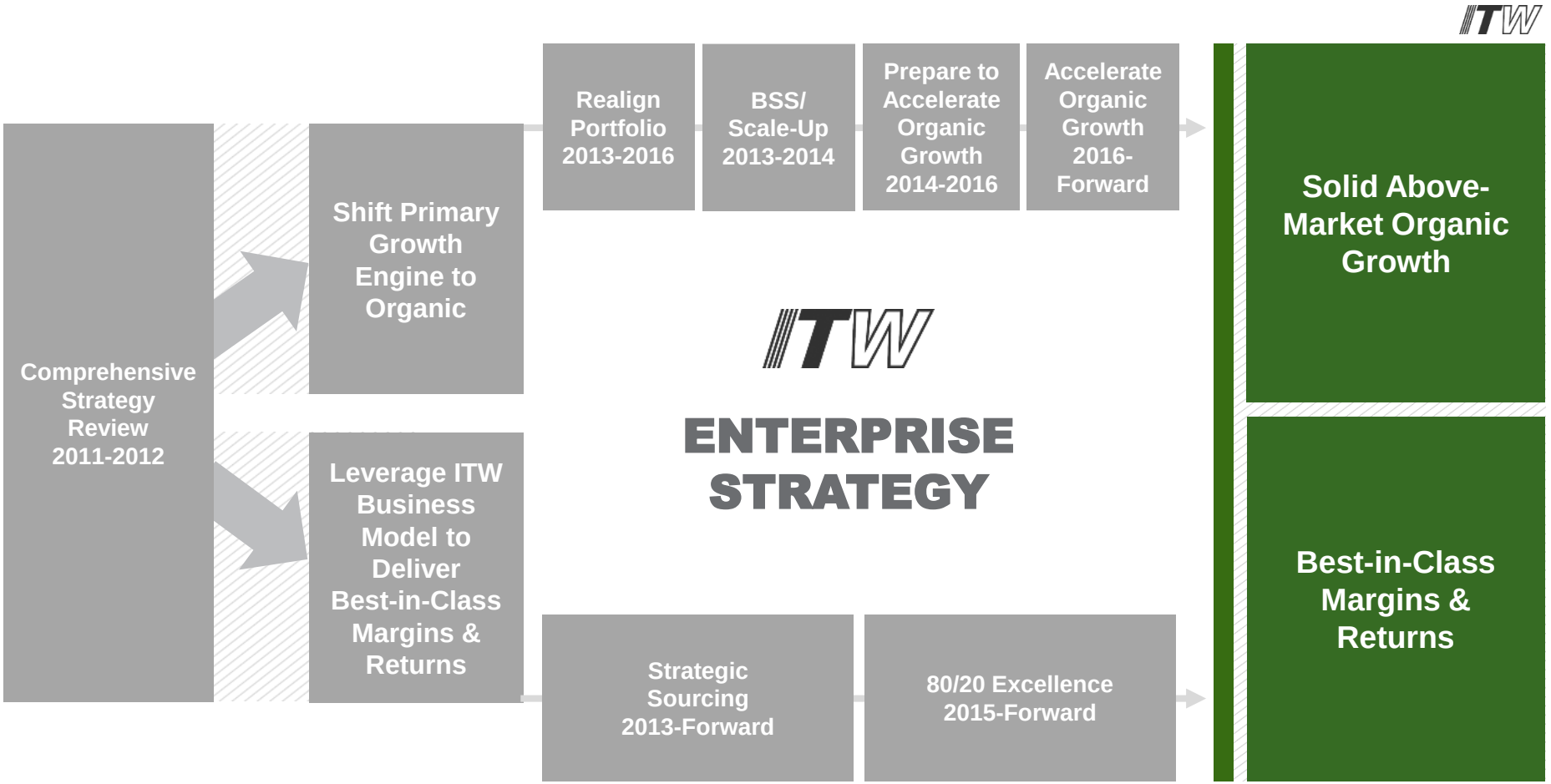
- Reapplication of 80/20 post-BSS has driven substantial margin expansion
- This work has also provided operational benefits:
  - Reorganizing sales force to focus on “80” customers and best growth opportunities based on scaled-up view of business
  - Continuing SKU reduction to sharpen manufacturing and commercial focus on “80” products
  - Optimizing logistics footprint for further savings and best-in-class service
- Significant opportunity for further margin improvement from reapplying 80/20 in 2016, 2017 and beyond

Financial Progress *Construction Products*





FINANCIAL PERFORMANCE


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

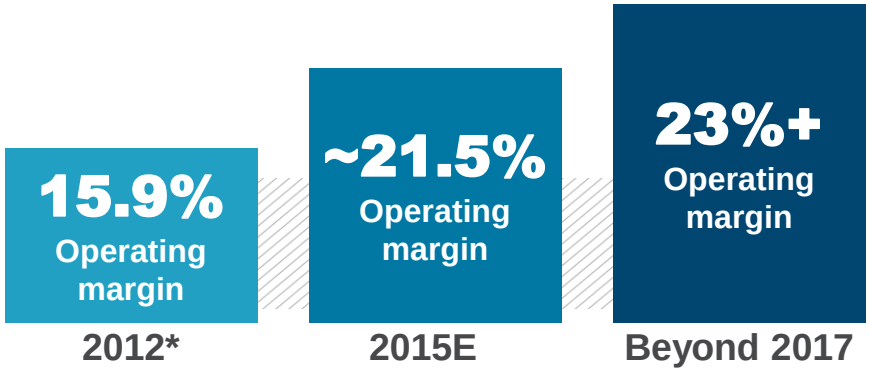
ITW Performance Goals

The focus of ITW's Enterprise Strategy is to position the Company for solid growth with best-in-class margins and returns



Best-in-class business model = Best-in-class financial performance

ITW Operating Margin



- Highly differentiated business portfolio
- Significant margin impact from Enterprise Initiatives
  - Incremental ~100 basis points of margin expansion/year from Enterprise Initiatives in 2016 and 2017
  - Independent of volume
- Beyond 2017, expect margins to continue to improve with organic growth
  - ~35% incremental margins

Leveraging best-in-class business model for best-in-class margins

**As reported in the 2012 Form 10-K.*

ITW After-Tax Return on Invested Capital



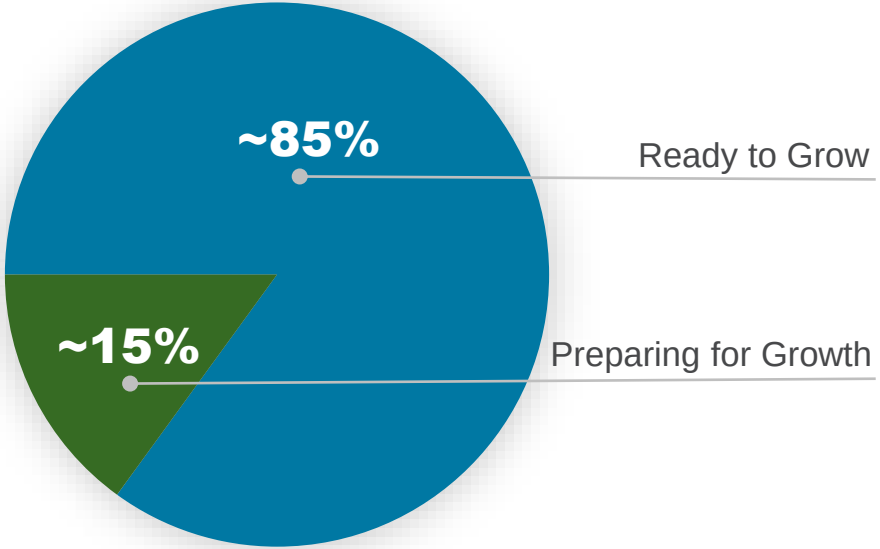
- Divested 32 low-return businesses
  - ~25% / $4.9 billion of revenues
- Exiting ~$350 million slow-growth, commoditized product lines
- 80/20 execution on working capital
- Disciplined, returns-focused capital allocation with clearly defined acquisition criteria

Leveraging best-in-class business model for best-in-class returns

**See appendix for the GAAP to non-GAAP reconciliation.*

ITW Organic Growth

% OF REVENUE: END OF 2016E

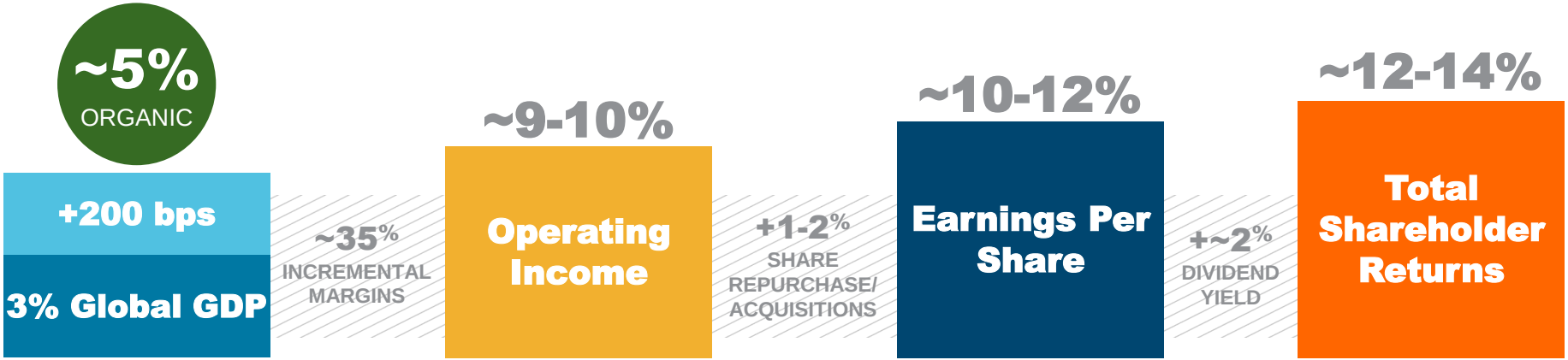


- Implementing shift to organic growth focus with ITW's proven culture of execution:
  - ~45% of ITW is already growing at 6%
  - ~85% "Ready to Grow" by the end of 2016
- Aligning incentives with organic growth focus
  - Starting in 2016, 40% of annual cash bonus for top leaders tied to organic growth

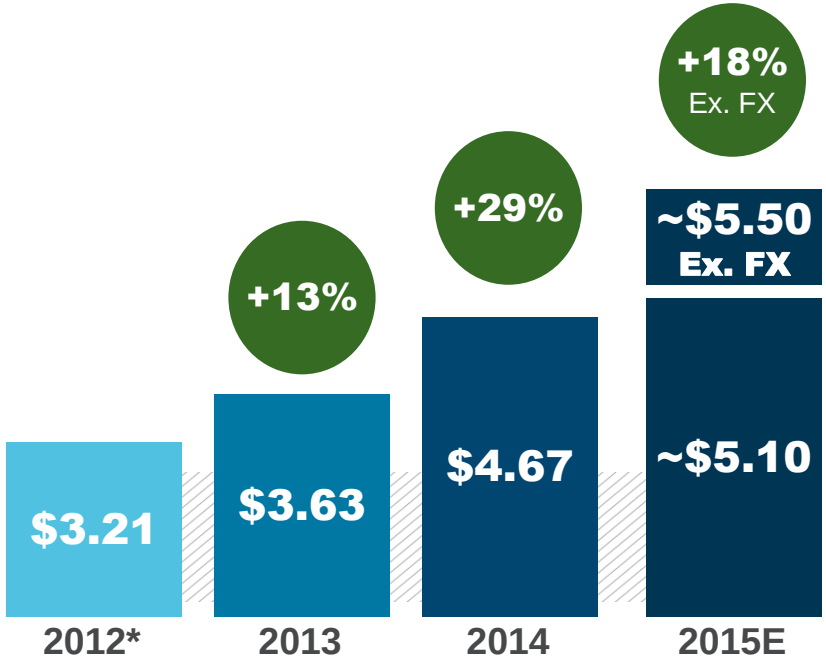
Shift in focus accelerates organic growth in 2016 and beyond

ITW Business Model Delivers 12-14% TSR Beyond 2017

*Enterprise Strategy will generate **best-in-class financial performance** and create sustainable, long-term shareholder value*



ITW Earnings Per Share

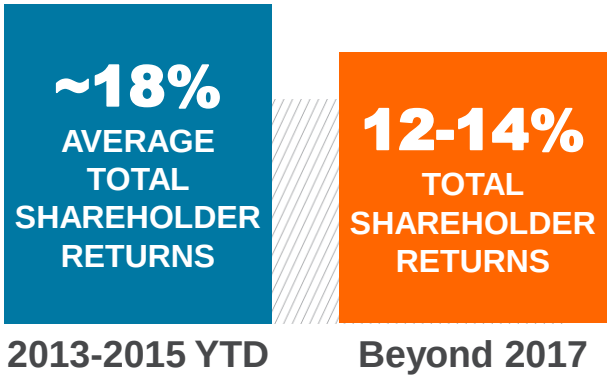


- Excellent progress on Enterprise Strategy execution and strong financial results
- 17% EPS CAGR since 2012
- Enterprise Strategy execution has not distracted from delivering quarterly results

EPS growth target: 10-12% CAGR

**See appendix for the GAAP to non-GAAP reconciliation.*

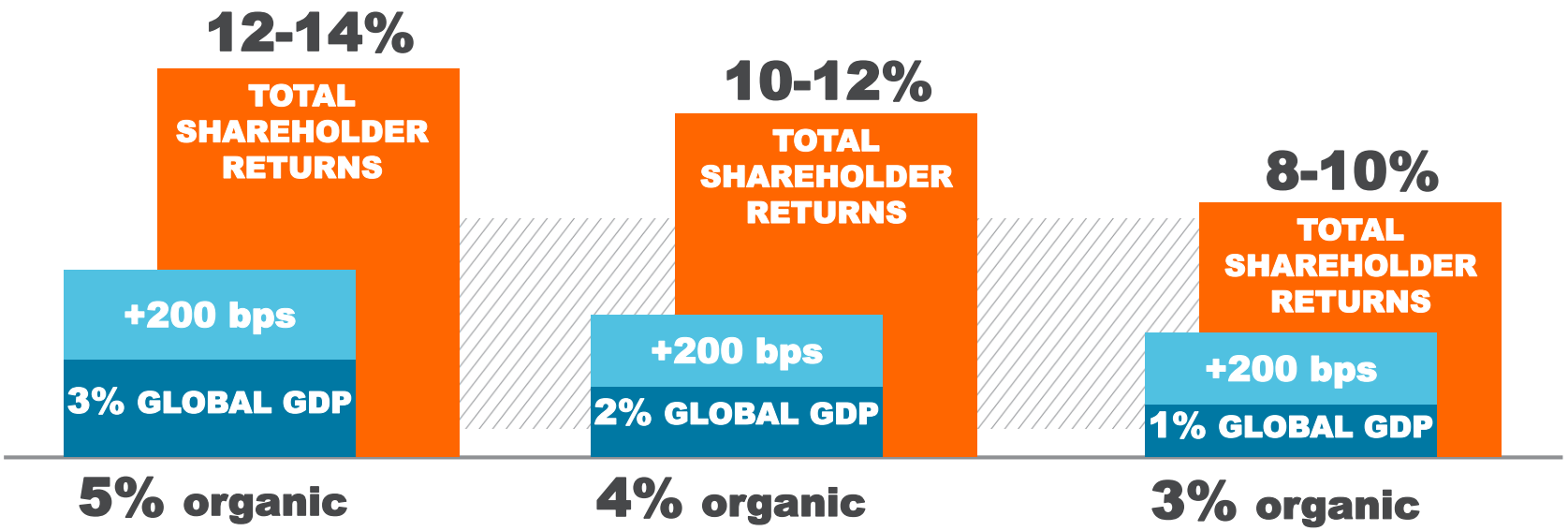
ITW Total Shareholder Returns



- Solid organic growth of 200+ bps above global GDP
- Best-in-class margins and returns
  - 23%+ operating margin
  - 20%+ after-tax ROIC
- Strong free cash flow
  - 100%+ free cash flow conversion
- Disciplined capital allocation strategy
  1. Internal investments to support organic growth and sustain core businesses
  2. Attractive dividend
  3. Incremental earnings accretion from disciplined acquisitions/share repurchases

Generating compelling long-term value for ITW shareholders

ITW Business Model Resilience



ITW is well positioned to generate compelling total shareholder returns across a range of macro economic scenarios

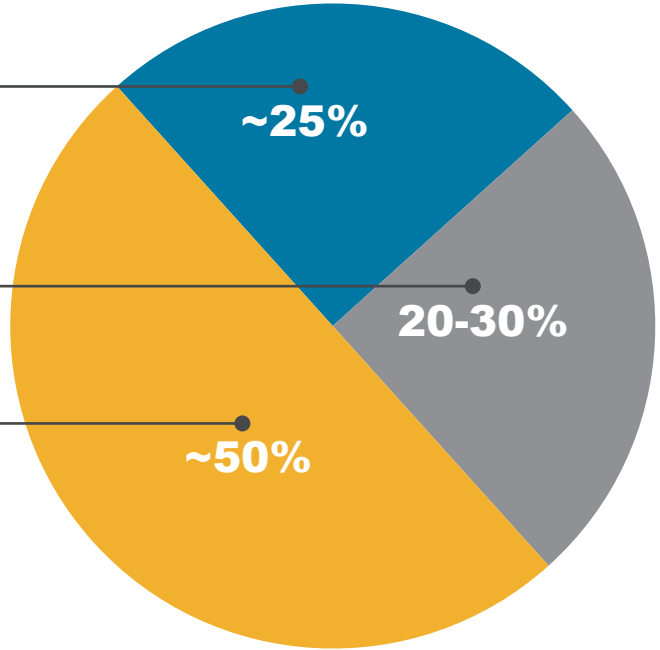
ITW Capital Allocation Strategy

*We invest capital only where we can **leverage ITW's highly differentiated business model** to generate best-in-class **risk-adjusted returns***

PRIORITIES

1. **INTERNAL INVESTMENTS** to support organic growth and sustain core businesses
2. An **ATTRACTIVE DIVIDEND**
3. **EXTERNAL INVESTMENTS:** Highly selective strategic acquisitions that support organic growth focus and an active share repurchase program

% OF OPERATING CASH FLOW



1 80/20 and Internal Investments

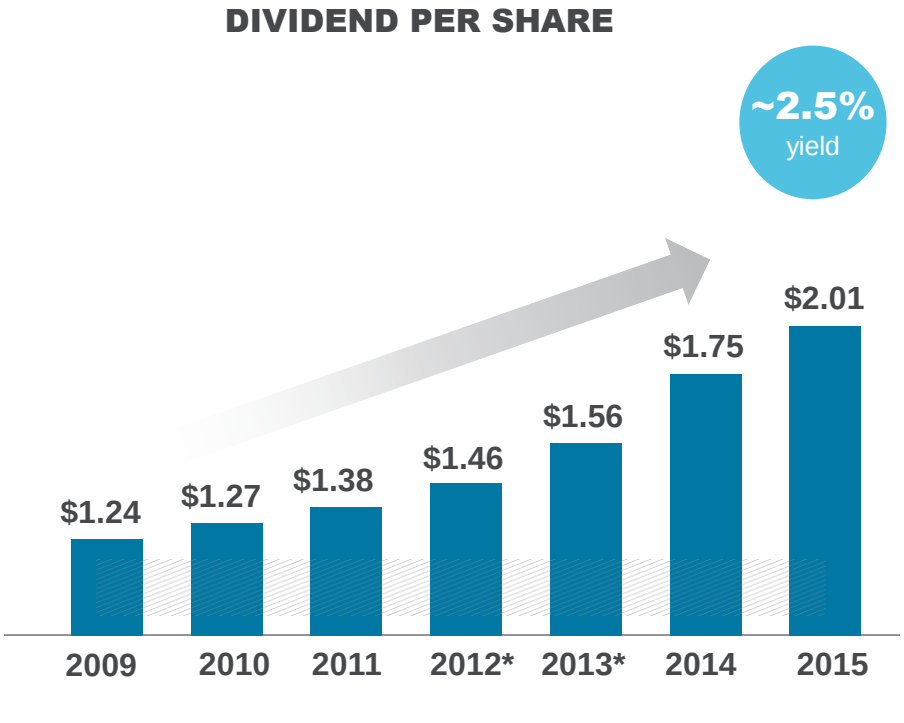
ITW's 80/20 approach also applies when it comes to internal investments

- ITW businesses invest only in the 20% of projects that represent the "80" of the opportunity
- Simply investing more in "20" projects leads to loss of focus, poor execution, and lower returns
- This "80" focus drives stronger execution, which generates best-in-class return on investment
- Not holding back on long-term investment in order to boost margins and returns in the short term … since 2012, more than $2 billion invested in ITW's most differentiated growth opportunities and projects



2 ITW Dividend

ITW is committed to returning a meaningful percentage of cash flows to shareholders through an attractive dividend



- 52 consecutive years of dividend increases
- 11% CAGR since 2012
- 20-30% of cash flows allocated to dividend
- Dividend grows in line with earnings over time

**Dividends paid per share restated for the January 2013 dividend payment accelerated to 2012.*

3 External Investments

Disciplined and returns-focused approach to acquisitions and share repurchases

STRATEGIC ACQUISITION FRAMEWORK

1 **TIGHT STRATEGIC FIT:** Highly targeted bolt-on acquisitions that support or further accelerate organic growth

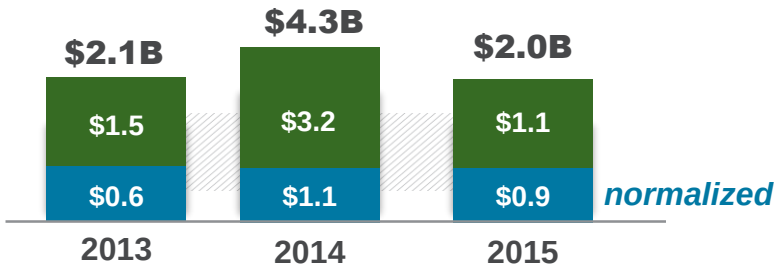
and

2 **80/20 IMPACT:** Potential to generate significant margin improvement from the application of 80/20

Expect 0-3 per year, typical revenues in the $100-$500 million range

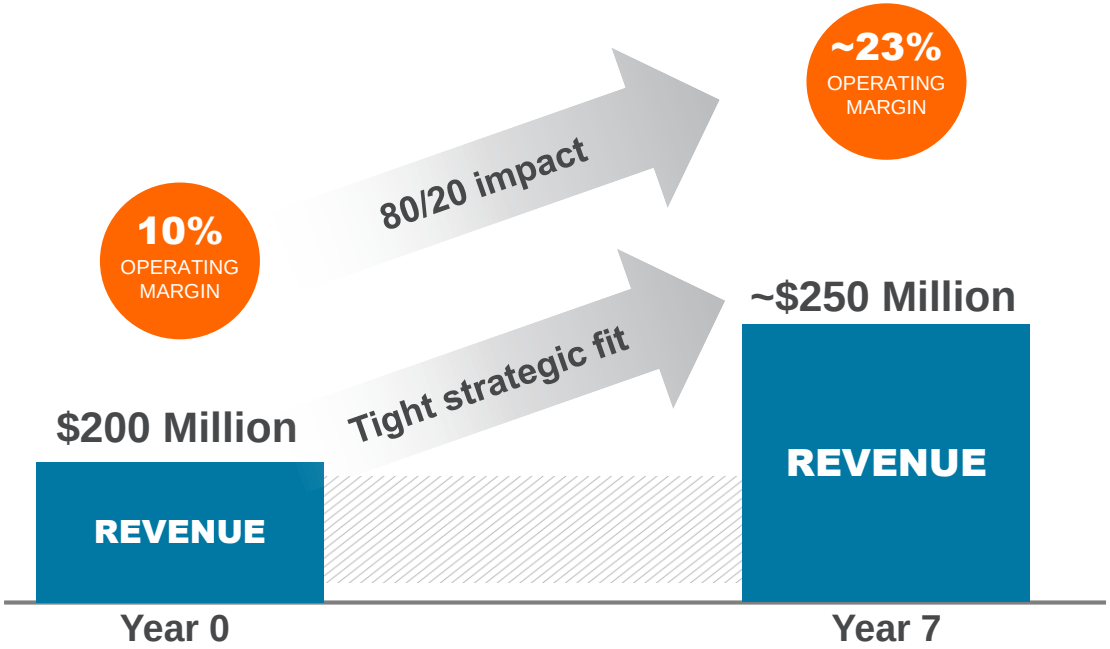
SHARE REPURCHASE PROGRAM

- After strategic acquisitions, we expect to allocate surplus capital to share repurchases
- Confident in ITW's ability to generate 10-12% EPS CAGR
- $8.4 billion share repurchases since 2012 … $2.6 billion normalized, e.g., ex-divestitures



ITW Strategic Acquisition Framework

With "tight strategic fit" and 80/20 impact, we can leverage the ITW Business Model to generate best-in-class risk-adjusted returns



After-tax ROIC at various multiples	
EBITDA Multiple	**Year 7 Return**
9x	~22%
10x	~20%
11x	~18%
12x	~16%

ITW Near-Term Performance

2016 GUIDANCE

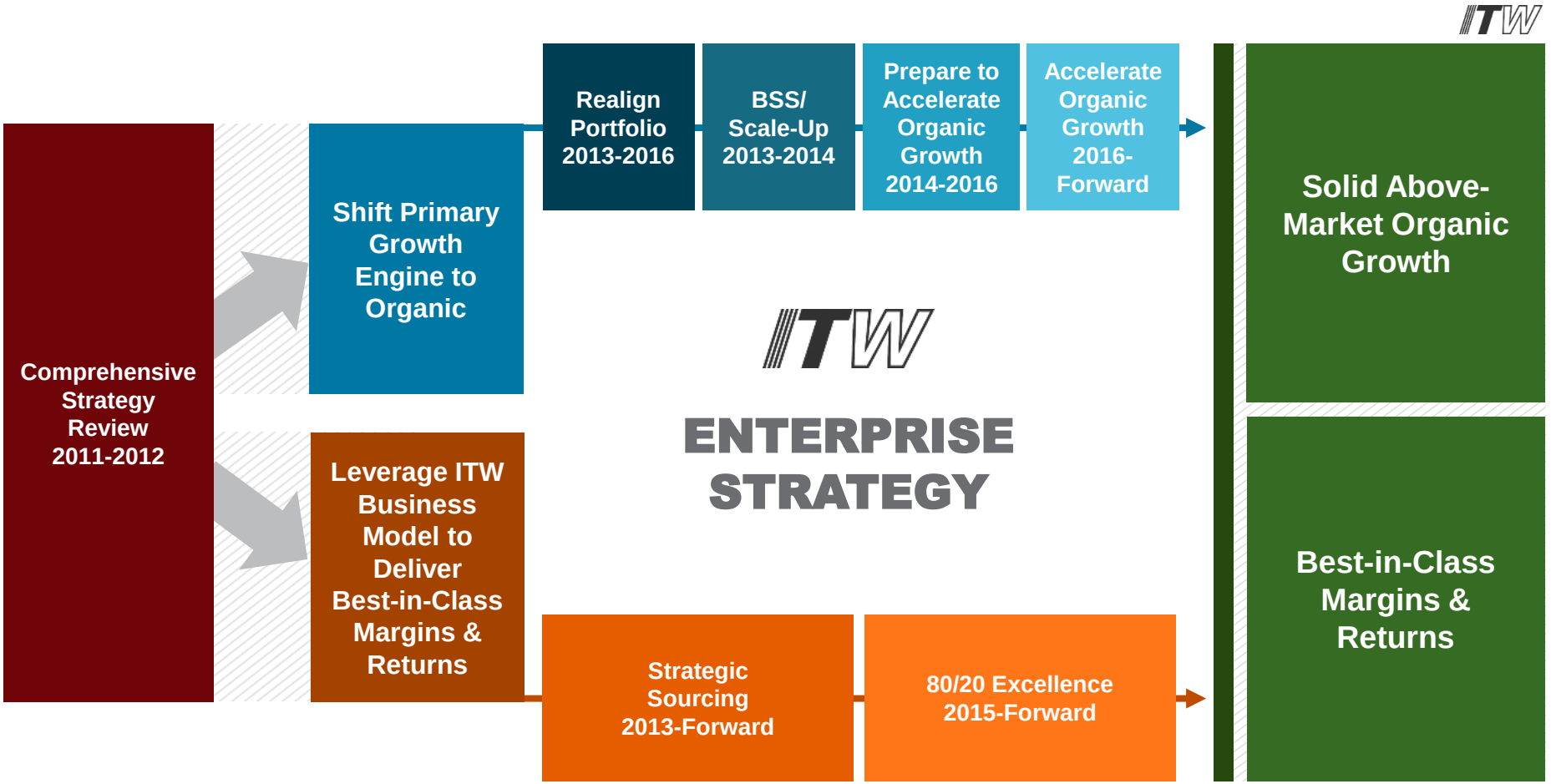
	2015E	2016E
EPS	$5.05-$5.15	$5.35-$5.55
Organic Growth	(1)-0%	1-3%
Revenue	$13.4B	$13.2-$13.4B
Operating Margin	~21.5%	~22.5%
After-Tax ROIC	~20%	20%+

+7% EPS

+100 bps

- Expect 1-3% organic growth:
  - \+ 1%-pt. from accelerating organic growth
  - \+ 1%-pt. current revenue run rate
- 100 bps of operating margin improvement from Enterprise Initiatives, independent of volume
- Record operating margin and after-tax ROIC
- 10% EPS growth ex. currency translation impact
  - – $(0.15) EPS headwind from currency
- 100%+ free cash flow conversion
  - – ~$1 billion share repurchase

Another year of strong progress toward ITW's performance goals


Comprehensive Strategy Review 2011-2012
Shift Primary Growth Engine to Organic
Leverage ITW Business Model to Deliver Best-in-Class Margins & Returns
Realign Portfolio 2013-2016
BSS/ Scale-Up 2013-2014
Prepare to Accelerate Organic Growth 2014-2016
Accelerate Organic Growth 2016-Forward
Strategic Sourcing 2013-Forward
80/20 Excellence 2015-Forward
ITW
ENTERPRISE STRATEGY
Solid Above-Market Organic Growth
Best-in-Class Margins & Returns

2015 ITW INVESTOR AND ANALYST DAY

New York, December 4, 2015

APPENDIX: Adjusted Return on Invested Capital

The Company uses adjusted return on average invested capital ("ROIC") to measure the effectiveness of its operations' use of invested capital to generate profits. Adjusted ROIC is a non-GAAP financial measure that the Company believes is a meaningful metric to investors in evaluating the Company's financial performance and may be different than the method used by other companies to calculate ROIC. Adjusted average invested capital represents the net assets of the Company, excluding cash and equivalents and outstanding debt, which are excluded as they do not represent capital investment in the Company's operations, as well as the Company's net investment in the former Industrial Packaging segment and the equity investment in the Wilsonart business (formerly the Decorative Surfaces segment). Average invested capital is calculated using balances at the start of the period and at the end of each quarter.

APPENDIX: Non-GAAP Reconciliations

Adjusted Return on Average Invested Capital Dollars in millions	For the Year Ended December 31, 2012
Operating income, as reported	$ 2,475
Adjustment for Decorative Surfaces	(143)
Adjusted operating income	2,332
Taxes (Tax rate: 29.2%)	(681)
Adjusted operating income after taxes	$ 1,651
Invested capital at end of period:	
Trade receivables	$ 2,742
Inventories	1,585
Net plant and equipment	1,994
Goodwill and intangible assets	7,788
Accounts payable and accrued expenses	(2,068)
Other, net	798
Total invested capital	$ 12,839
Average invested capital	$ 13,160
Adjustment for Decorative Surfaces	(274)
Adjustment for Industrial Packaging	(1,504)
Adjusted average invested capital	$ 11,382
Adjusted return on average invested capital	14.5%

Diluted EPS	For the Year Ended December 31, 2012
As reported	$ 4.72
Decorative Surfaces net gain	1.34
Decorative Surfaces equity investment	(0.04)
Decorative Surfaces operating results	0.21
As adjusted	$ 3.21